WECHAT LUXURY INDEX 2019.

PART II: ACQUISITION

**THE DEFINITIVE WECHAT BENCHMARK
FOR LUXURY BRANDS**

INTRODUCTION
GROWING WECHAT FOLLOWERS.

According to a 2019 study, Chinese luxury consumers are exposed to around four to five touch points during the discovery and research phase – and over 60 percent of these touch points are digital. However, when it comes to purchasing, only 12 percent of them take place on digital platforms. The bulk of these purchases are taking place offline, and brands need to find a way to bridge their communications with clients.

As the focus on omnichannel strategies continues to intensify, it is important for brands to leverage WeChat as a platform to not only develop brand awareness but to identify, connect and build relationships with clients and prospects. But as consumers grow increasingly discerning, brands are finding it a challenge to capture and retain followers on WeChat. How can they roll out effective recruitment and retention strategies in today's world?

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WECHAT
IN BRIEF.

Launched in 2011 as a social messaging and media platform, WeChat has since vastly expanded its areas of service to include everything from payments to e-commerce solutions. With its fast growing user base – it now boasts more than 1.08 billion monthly active users (MAU) – it has become more than a mere marketing tool. WeChat is now an integral part of every brand's digital strategy in Mainland China.

DL
G.

2016

889 million MAU

2017

1 billion MAU

2018

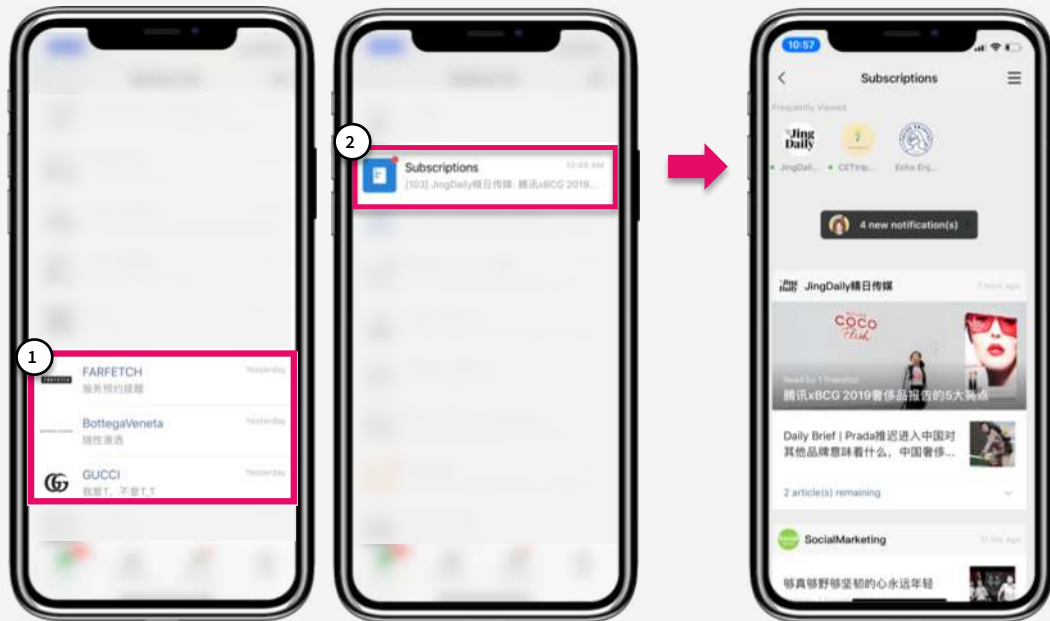# 1.08 billion MAU

WECHAT
ACCOUNT TYPES.

1 **SERVICE ACCOUNT**

Popular with consumer brands, messages pushed appear directly in a user's message inbox. However, only four such pushes are permitted per month. Verified accounts have access to nine advanced APIs and WeChat Pay. The study focuses on this account type.
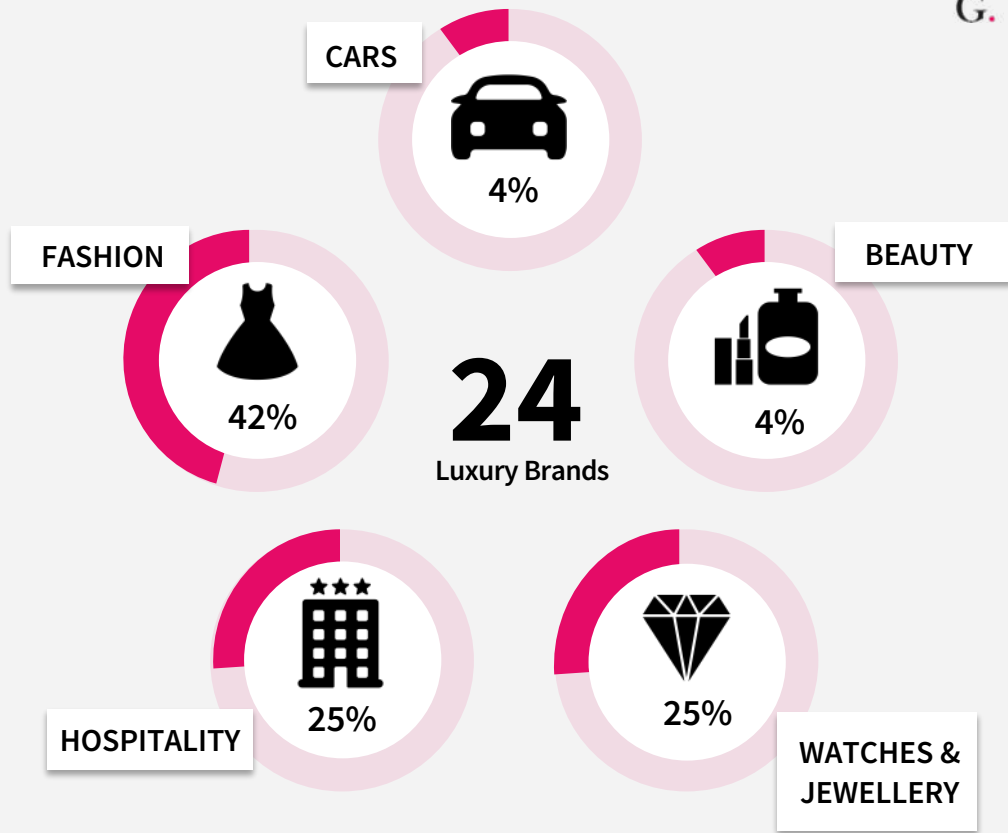
2 **SUBSCRIPTION ACCOUNT**

Preferred by media outlets, messages broadcasted via the subscription model will appear nested within a folder in the user's inbox. One such push is allowed per day, but brands have limited API capabilities.

METHODOLOGY
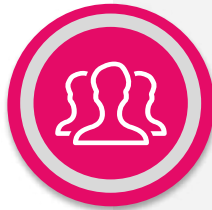# SCOPE OF STUDY.

Community sizes of

3,000 to
>3 million

DL G.

CARS
4%

FASHION
42%

BEAUTY
4%

24
Luxury Brands

HOSPITALITY
25%

WATCHES & JEWELLERY
25%

WECHAT LUXURY INDEX 2019

METHODOLOGY
KEY METRICS.

ENGAGEMENT

This section examines both fan and post engagement statistics

Published in August 2019

ACQUISITION

This section covers all follower recruitment-related metrics

CONTENT

This section covers the frequency and timing of posts, opening rates and unfollow rates

To be Published

PART 2
ACQUISITION.

ACQUISTION
This section covers all follower recruitment-related metrics

2.1 GROWTH RATE

2.2 DEMOGRAPHIC

2.3 RECRUITMENT SOURCES

2.4 FOLLOWER LIFESPAN

GROWTH RATE
OVERALL GROWTH.

There is a marked overall decrease in overall community growth rate from 2018 to 2019. For larger WeChat accounts, growth rates fell from **38%** to **18%**. Smaller accounts saw their growth sliding from **31%** to **6%** this year.

As WeChat has been around for some time now, growth is naturally flattening and brands might be reducing their **media investments** to focus on quality, **organic growth** to reach more clients and prospects. It could also be an indication that the market is starting to reach its saturation point, making it even more difficult for brands to attract followers today.

That said, larger WeChat accounts are still growing at a faster rate than smaller ones, suggesting that **brand equity** is what drives organic growth.
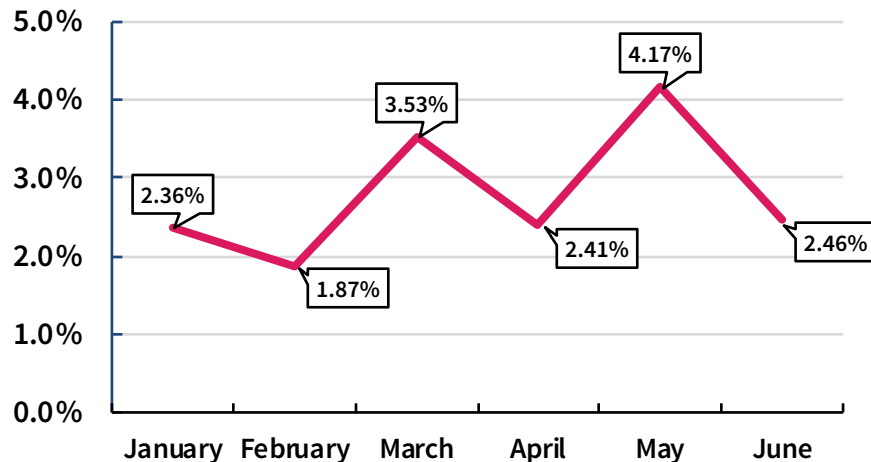
Large Accounts: >100k followers
Small Accounts: <100k followers

38%

31%

18%

6%

2018

2019
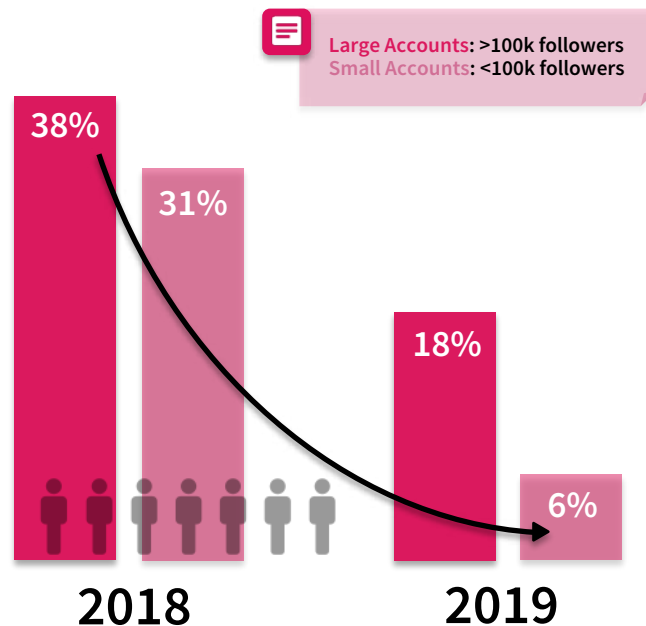
GROWTH RATE
MONTHLY GROWTH.

This shows that there is **no obvious correlation** between key milestones in a calendar year, and **follower growth**. While brands might invest heavily on their festival-related campaigns in hopes of driving acquisition, the data indicates that it takes more than that to recruit followers.

While such campaigns may result in **temporary peaks** in user **engagement**, they do not necessarily translate into community growth.

Follower Growth

2.36%	1.87%	3.53%	2.41%	4.17%	2.46%
January	February	March	April	May	June

(Y-axis: 0.0%, 1.0%, 2.0%, 3.0%, 4.0%, 5.0%)

2019

Feb 4 – 10: Chinese New Year
Feb 14: Valentine's Day
Mar 8: Women's Day
**May 12:** Mother's Day

May 20: Unofficial Valentine's Day (520)
Jun 1: Children's Day
Jun 16: Father's Day
Jun 18: 618 Shopping Festival

GROWTH RATE
SOURCES OF GROWTH.

While brands are investing a great deal on WeChat, this study actually shows that **media investment**, at **3.86%**, only accounts for a very small portion of a brand's WeChat community growth.

Organic channels, on the other hand, including word-of-mouth, search, and QR code scans, are in fact the key drivers of growth, accounting for over **15.14%** of total fan recruitment.

As such, brands should also consider diverting resources towards building up its organic channels, such as developing effective QR code recruitment strategies.

MEDIA INVESTMENT
3.86%

ORGANIC GROWTH
15.14%

TOTAL GROWTH

19%
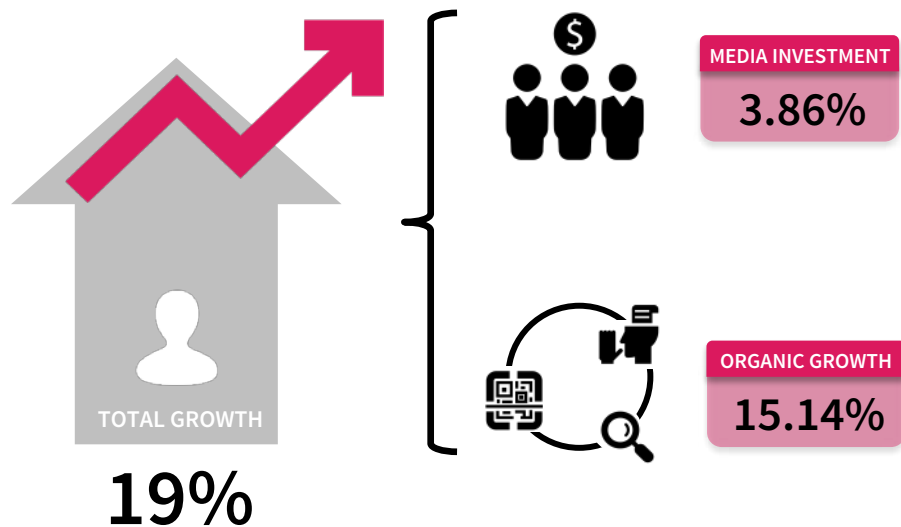
> *The most successful brands are effectively leveraging multiple online and offline channels to drive community growth. Campaigns can supplement but not replace a strong organic acquisition strategy.*

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FOLLOWER DEMOGRAPHIC
GROWTH ACROSS CITIES.

The average growth rate of WeChat followers for brands in tier one cities like Shanghai **(34%)** and Beijing **(35.93%)** far surpass that of other cities in China. Most brands have established strong offline footprints in these cities, which, in turn, help drive organic growth.

However, given the negative growth rate **(-5.05%)** in all other Chinese cities, there is a very clear missed opportunity on this front, especially since these cities serve as significant drivers of sales too. Brands should look into redistributing their efforts evenly to maximise exposure and conversions.

In cities where brands do not have an offline footprint, this can be done with the help of **targeted advertising**, and supplemented with **small scale offline activities** (such as pop-up stores) that drive traffic back to WeChat.

Average Growth Rate

City	Growth Rate
Beijing	35.93%
Shanghai	34%
Others	-5.05%
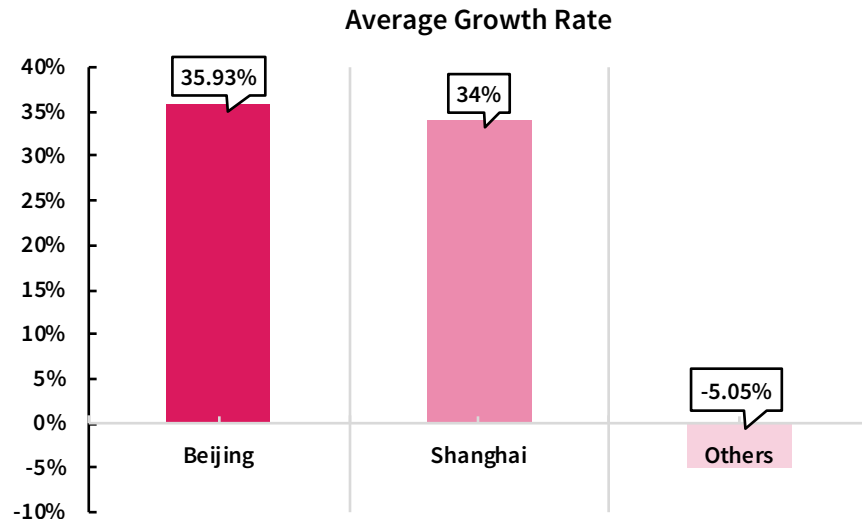
CASE STUDY
AUDIENCE TARGETING.

Targeted Advertising

WeChat allows brands to specifically target users based on a variety of parameters including interests, behaviours, age, gender, geographical location, education background, mobile phone type/brand, and martial status. By leveraging these parameters, brands are able to better reach the audience profiles they are looking to acquire as followers.

1 VACHERON CONSTANTIN

Recognising the importance of building up a following not only in key tier one cities, but also in new tier one and tier two cities, luxury brands like Vacheron Constantin have started making use of targeted WeChat advertising to reach audiences in cities like Tianjin and Shijiazhuang.

Beijing

Tianjin

Shijiazhuang

DL G.

QR Codes are not a miracle solution. Taking advantage of them will require identification of the right touchpoints, linking to the proper data framework and the support of appropriate calls-to-action and user journeys. Only when properly integrated within the customer journey do they represent an opportunity to drive quantitative and qualitative growth.
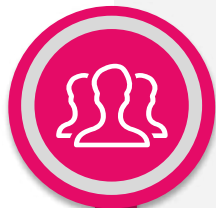
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WECHAT LUXURY INDEX 2019

PART 2
ACQUISITION.

ACQUISTION
This section covers all follower
recruitment-related metrics

2.1 GROWTH RATE

2.2 DEMOGRAPHIC

2.3 RECRUITMENT SOURCES
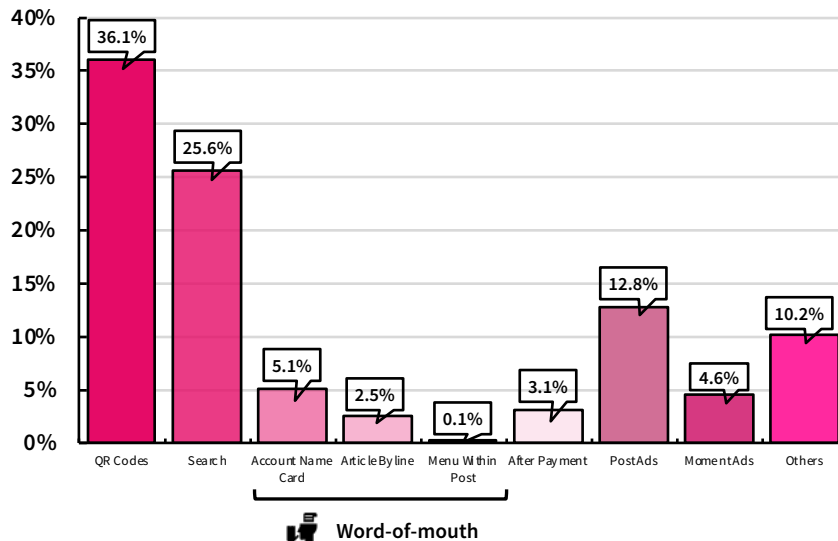
2.4 FOLLOWER LIFESPAN

RECRUITMENT SOURCES
ALL CHANNELS.

In the first half of 2019, QR codes recruited over **36.1%** of followers, which makes it the top recruitment channel. It even surpasses Search **(25.6%)**, which is directly driven by brand equity.

This further illustrates the effectiveness of **QR codes** in the recruitment process and the importance of leveraging them both online and offline. Brands should think about integrating QR codes into the sales ceremony, such as making it a part of the payment process.

While good content is key in terms of driving purchase intentions, building brand preferences and increasing follower lifespans, it does not necessarily have an impact on community growth, as the study also shows that **Word-of-mouth** channels have low recruitment potential.

Recruitment Sources

Channel	Value
QR Codes	36.1%
Search	25.6%
Account Name Card	5.1%
Article Byline	2.5%
Menu Within Post	0.1%
After Payment	3.1%
PostAds	12.8%
MomentAds	4.6%
Others	10.2%

Word-of-mouth

DL G.

RECRUITMENT SOURCES
PAID CHANNELS.

In terms of community growth, **Post Ads** account for **69%** of the followers recruited by paid channels, while **Moments Ads** contributed **31%**.

This could be indicative of the fact that brands are increasingly leveraging Post Ads due to their lower price point. In addition, Post Ads offer brands the option of running campaigns on an ongoing basis, whilst Moments Ads are typically pricier in terms of cost per click (CPC) and saved for special occasions or brand milestones.

POST
69%

MOMENTS
31%

ACQUISITION
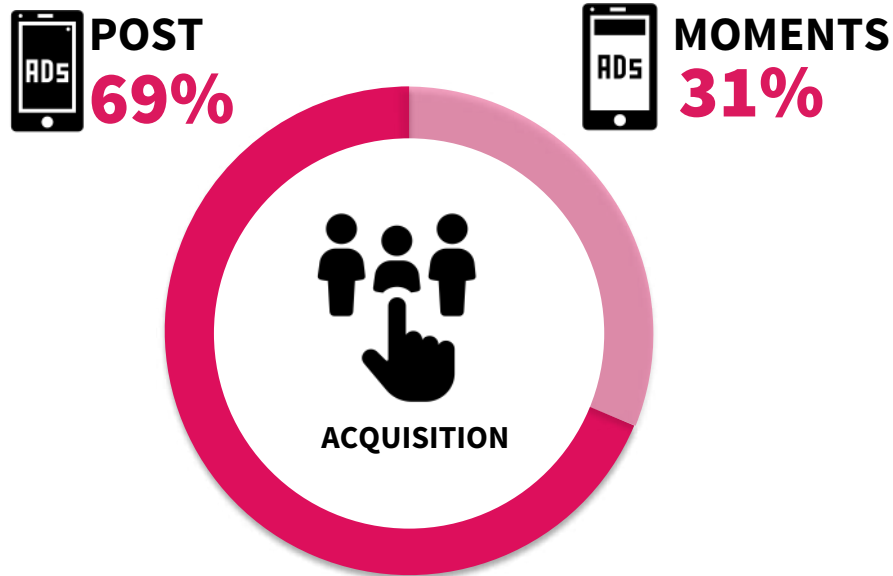
IN FOCUS
PAID CHANNELS.

WeChat Advertising

WeChat primarily offers two types of advertising formats: **Moments Ads** and **Post Ads**. A third offering is now also available within Mini Programs*, where brands can place ads within Mini Programs or Mini Games.

① MOMENTS ADS

Moments Ads appear on a user's Moments feed, much like original content from their WeChat friends. Ads may come in the form of images or videos, with accompanying text and links.

② POST ADS

Post Ads (or sometimes referred to as Banner Ads) are typically placed within a WeChat post of a third party's (media or KOL) WeChat account. They can either be inserted within articles, or at the bottom of the page.

JING DIGITAL   *Mini Programs are not included in this study

IN FOCUS
ACQUISITION COST.

Cost Estimates

By breaking down the cost involved in acquiring a single follower, brands are able to better identify the advertising type that is best suited to their budgets and business goals. Based on an internal benchmark by DLG, the average cost per follower (CPF) for the two main ad types on WeChat are as follows*.

1 MOMENTS ADS

Often used by brands for large scale campaigns, festivals or milestones, Moments Ads offer more exposure – but this comes at a high cost. The CPF in this instance is approximately **221.53 RMB**.

2 POST ADS

Used mostly for ongoing branding purposes, Post Ads are far more competitively priced and have a CPF of about **34.46 RMB**, making them a much more value-for-money option.

CPF

¥ 221.53

CPF

¥ 34.46

CPM: $\frac{Cost}{Impressions} \times 1000$

CPE: $\frac{Cost}{Engagement}$

CPF: $\frac{Cost}{Follower}$

CPC: $\frac{Cost}{Click}$

BEST PRACTICES
DECODING AUDIENCES.

To one degree or another, every brand's community of WeChat followers will comprise of three audience types: **Fans**, **Prospects**, and **Clients**.

By accurately identifying where these profiles are will enable brands to better tailor and target their marketing efforts to these different follower groups.

FANS
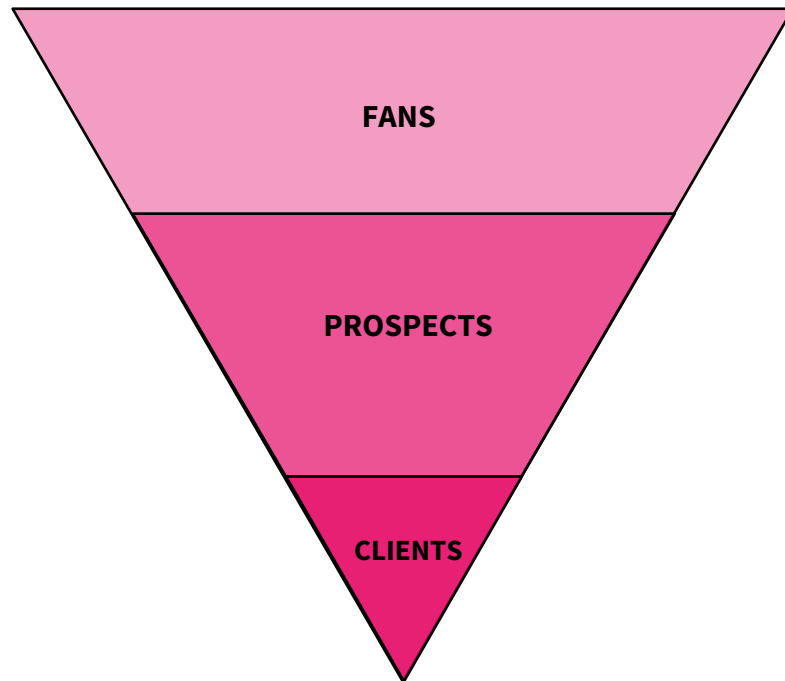
PROSPECTS

CLIENTS

BEST PRACTICES
FOLLOWER ACQUISITION PILLARS.

A brand's WeChat followers typically acquired from four main categories: **Clients**, **Prospects**, **Organic Followers** and **Paid Followers**. **Clients** refer to existing customers that might already be in the brand's **CRM system**, or new customers that might have been **previously unidentified**.

Prospects are largely acquired through **QR codes**, as the context in which QR codes are typically presented (e.g. in offline stores or at the end of WeChat articles) already place these followers as people with some **interest in the brand**. **Organic Followers** are typically amassed within WeChat, either via **Search** or **word-of-mouth** (e.g. shared articles), while **Paid Followers** are those that are obtained through advertising with **Moments** or **Post Ads** in WeChat.

ORGANIC FOLLOWERS	PROSPECTS
PAID FOLLOWERS	CLIENTS

GROWTH POTENTIAL

BUSINESS POTENTIAL
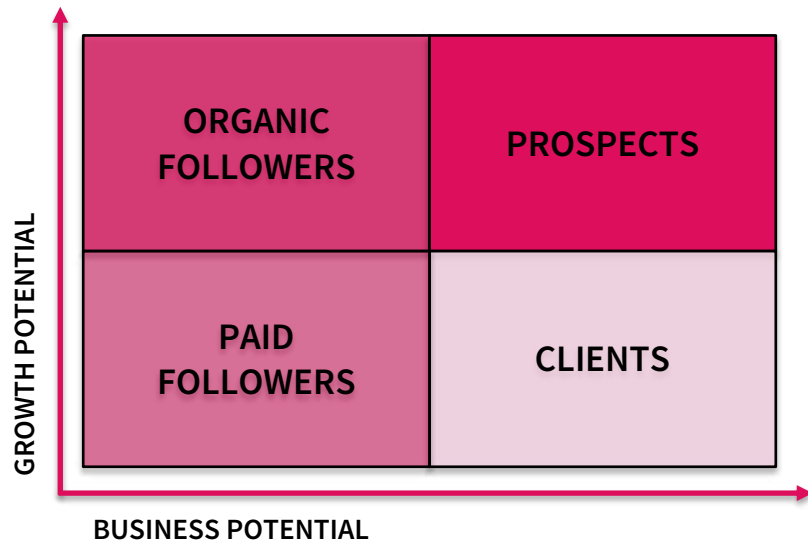
BEST PRACTICES
CALCULATING GROWTH.

ORGANIC FOLLOWERS	PROSPECTS
Current Fanbase $\times$ Linear Organic Annual Growth	# POS in China $\times$ AVG Daily Foot Traffic $\times$ 365 days $\times$ Conversion Rate (%)

PAID FOLLOWERS	CLIENTS
Marketing Budget $\div$ AVG WeChat Advertising CPF (Moments or Post)	(Existing CRM Customers $\times$ Onboarding Rate) $+$ (New Customers $\times$ Onboarding Rate)

$$\Delta = \text{ORGANIC FOLLOWERS} + \text{PAID FOLLOWERS} + \text{PROSPECTS} + \text{CLIENTS}$$

BEST PRACTICES
SETTING KPIs.

EXAMPLE

Brand X has been operating in China for a while, and is now looking to understand what would be a reasonable KPI to set in terms of community growth.

Current Situation:

- 400K Followers
- 2 million RMB WeChat media budget for next year
- 60 Stores across China, with an average of 40 visitors per day
- Current CRM has 10K customer profiles
- Acquires around 1.5K new customers every year
- Launching loyalty program early next year

Organic Followers	60,000
Current Fanbase	400,000
Annual Organic Growth	15%

Prospects	87,600
# of Stores	60
AVG Daily Foot Traffic x Store	2,400
Onboarding Rate	10.00%

Paid Followers		23,731
WeChat Marketing Budget	¥	2,000,000
% Post Ad-Account		30%
AVG Post Ad-Account CPF	¥	34.46
% Moment Ads		70%
AVG CPF	¥	221.53

Clients	5,050
Existing CRM contacts	10,000
CRM Onboarding Rate	40%
Average New Customers per year	1,500
Onboarding Rate	70%

Assets	
Sales Ceremony Onboarding	No
Loyalty Program	Yes

Current Followers	400,000
Δ	176,381
KPI	576,381

BEST PRACTICES
RECRUITMENT.

In-store QR Codes

Recruiting followers by using QR codes in offline stores is the most efficient way to get qualified followers.

Sales Ceremony

Introducing the WeChat binding process during the sales ceremony will allow brands to identify customers within their follower base. This also opens up more possibilities in terms of data collection and integration. Clienteling solutions will also help brands to connect with both clients and prospects.

Loyalty Programme

By providing an enhanced user experience, brands can improve the relationship with customers. They are also able to discover the brand through a different lens with loyalty programmes.
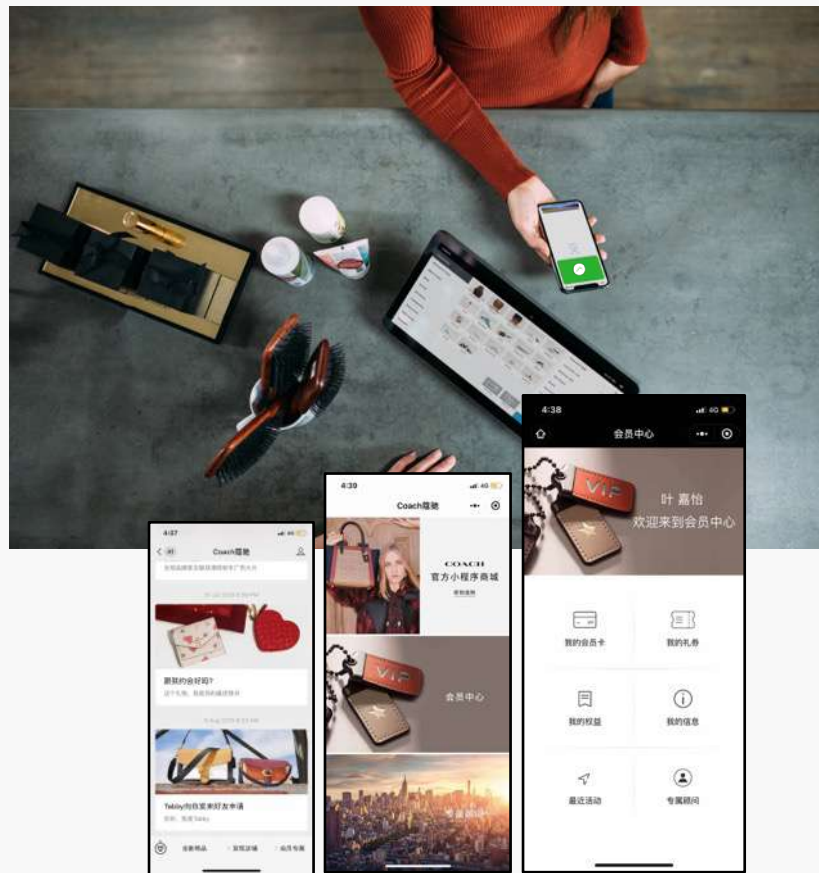
CASE STUDY
INTEGRATING QR CODES.

Leveraging Offline Stores

Offline stores are a great avenue for recruitment as followers amassed here already have an interest in the brand, placing them further along the user journey than followers that are, for instance, acquired from online activations. Those followers might only be at the Awareness stage of the user journey.

Incentivising Sales Staff

Effective offline recruitment requires full co-operation from sales associates on the ground. One way of doing this is by creating an **internal competition**, as **Luxury Brand A** demonstrated.

Driving Results

By generating unique QR codes for each staff member, the brand was able to track the number of followers each sales associate recruited. Within **6 months**, the brand saw its number of followers increase by **300%**.
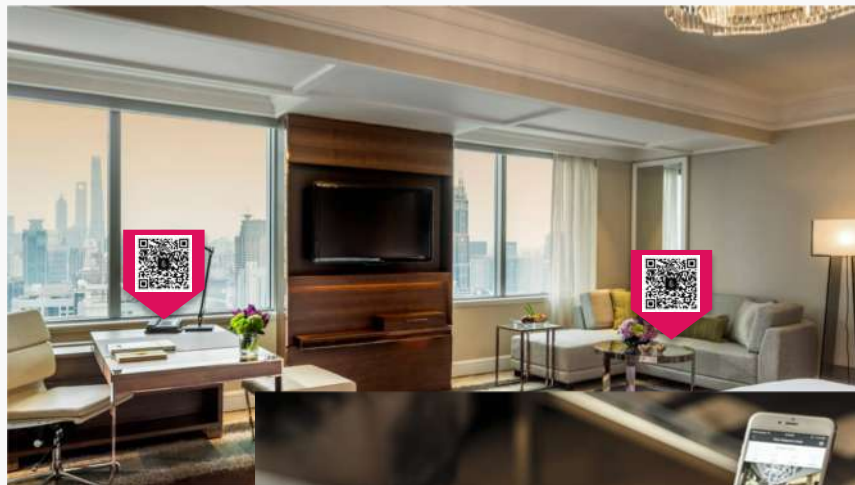
CASE STUDY
QR CODE STRATEGY.

Qualified Contexts

Presented in relevant and appropriate contexts, QR codes will allow brands to capture more qualified followers, increasing the chances of sales conversions.

1 **FOUR SEASONS HOTELS & RESORTS**

The luxury hotel chain rolled out a QR code strategy that saw them including QR codes in a variety of relevant locations, including the check-in desk, inside elevators, on room key cards, and within guest rooms.

Upon scanning these QR codes and following the brand on WeChat, guests would be able to directly communicate with members of the hotel staff via WeChat. By introducing QR codes in this manner, the brand ensured that fans recruited were qualified followers with high conversion rates.

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We are at the next stage where brands have stopped thinking about their WeChat audience merely as followers but as customers. This has created a strong wave of brands trying to understand their followers to build segmented audiences *with targeted messaging.*

KUN HSU
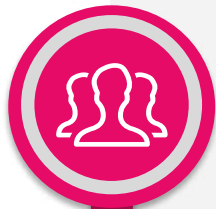Partner, JINGdigital
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JINGDIGITAL

PART 2
ACQUISITION.

ACQUISTION
This section covers all follower recruitment-related metrics

2.1 GROWTH RATE

2.2 DEMOGRAPHIC

2.3 RECRUITMENT SOURCES

2.4 FOLLOWER LIFESPAN

FOLLOWER LIFESPAN
AN OVERVIEW.

The study revealed that followers stay with a luxury brand on WeChat for approximately **362 days** before unfollowing it. In other words, brands have about **one year** to turn a follower into a client – after which, that potential is lost.

Big accounts generally see followers staying with them for a longer period (about **448 days**). Larger accounts tend to have bigger setups, with loyalty programmes, WeChat stores and other **value-added services** in place. Apart from brand equity, these elements are what help to retain followers on WeChat as well. So while putting good content out there is important, it is not the be-all and end-all.

OVERALL
362 DAYS

LARGE ACCOUNTS
448 DAYS

SMALL ACCOUNTS
327 DAYS

Large Accounts: >100k followers
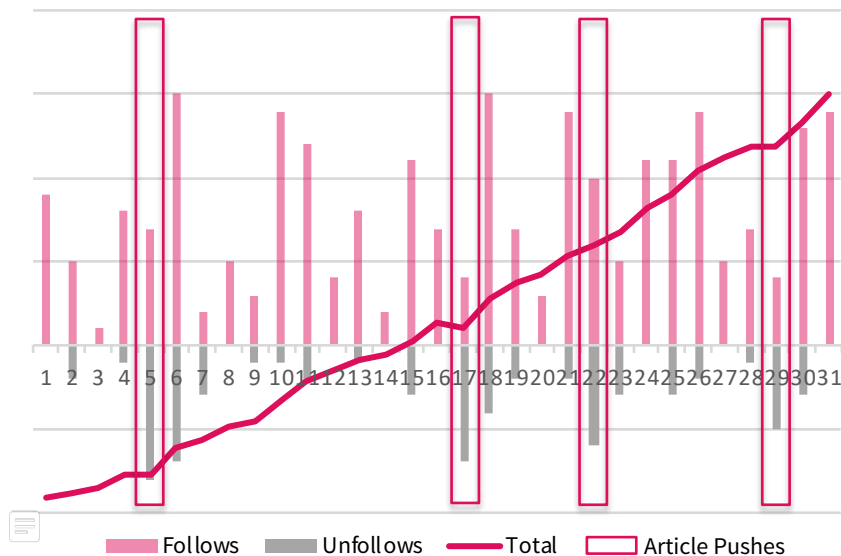Small Accounts: <100k followers

UNFOLLOW RATE
AFTER CONTENT PUSHES.

0.5%
UNFOLLOWS

The average unfollow rate after content pushes stood at **0.5%** for the first half of 2019. This is natural, as brands typically attain new followers while losing some existing ones with every content push.

One way to minimise the unfollow rate after a content push is to implement **audience segmentation**. With content better tailored to their interests, audiences are less likely to find the weekly pushes intrusive and annoying, leading to longer follower lifespans.

| 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 |

Follows   Unfollows   Total   Article Pushes

WECHAT LUXURY INDEX 2019

CASE STUDY
AUDIENCE SEGMENTATION.

Segmented Posts

By segmenting audiences, brands are able to push targeted content (segmented posts) to different groups, each tailored to that group's tastes and preferences.

Reducing Unfollows

Adopting such a strategy will help brands to reduce the inevitable unfollow rate that comes following each WeChat push. **Luxury Brand B**, which has more than **3 million followers**, made use of this and published 68 segmented posts and 2 unsegmented posts in the first 6 months of 2019. The unfollow rate within 48 hours of this brand's content pushes was effectively reduced by **10%** with the help of post segmentation by product categories.
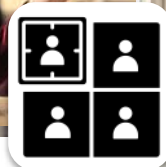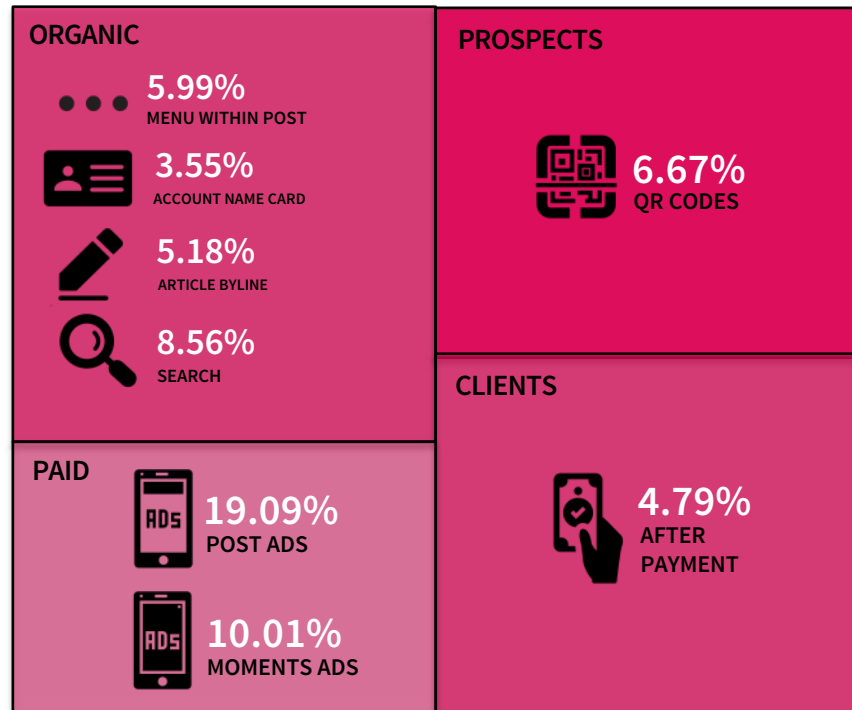
UNFOLLOW RATE
RECRUITMENT CHANNELS.

Paid acquisition channels like Post and Moments Ads see the highest unfollow rates at **19.09%** and **10.01%** respectively. That said, the **cost per acquisition** of a fan using **Post Ads** versus **Moments Ads** is still significantly lower, making it an attractive choice for marketers.

While word-of-mouth channels like a brand's **Account Name Card**, **Byline** within articles and the **Menu** button within posts display low unfollow rates, these channels are much harder to directly impact.

QR codes, however, are something that brands can clearly leverage. Given the context in which QR codes are typically introduced (at the end of an article/H5, or in offline stores), they also tend to weed out casual followers and recruit people that are truly interested in the brand.

ORGANIC

5.99%
MENU WITHIN POST

3.55%
ACCOUNT NAME CARD

5.18%
ARTICLE BYLINE

8.56%
SEARCH

PROSPECTS

6.67%
QR CODES

CLIENTS

4.79%
AFTER PAYMENT

PAID

19.09%
POST ADS

10.01%
MOMENTS ADS

FINAL OBSERVATIONS
CONCLUSION.

✓ Given the growing prominence of WeChat Stores, it is key for brands to focus on growing a database of users that have **high sales conversion potential**.

✓ QR codes may not require media investment, but there is still **investment required on other fronts**. It is imperative that brands design the right offline experience, train their sales staff, implement the appropriate data framework and user journeys. There also needs to be **strong integration** within the various departments of the brand as it will impact key functions including retail, visual merchandising, CRM, and marketing.

✓ Not all followers are made **equal**. Brands need to adopt distinct approaches to targeting different user groups. Opportunities for growth are largely dependent on a brand's **maturity and ecosystem**.

✓ The lifespan of a WeChat follower offers brands a unique opportunity to **convert consumers**. This can be done over time with the help of well-designed user journeys, and **augmented with marketing automation**.

INTERESTED IN LEARNING MORE?

Connect with us for more insights on digital marketing strategies and how to better engage your audiences.

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DLG (Digital Luxury Group) is the digital partner of forward-thinking luxury brands. With offices in New York, Geneva and Shanghai, DLG blends luxury savoir-faire, industry insights, and digital expertise to provide end-to-end services ranging from digital marketing and communication, to e-commerce and CRM.

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INTERESTED IN LEARNING MORE?

Connect with us for more insights and details on digital marketing solutions that are relevant to your business needs.

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JINGDIGITAL

JINGdigital empowers brands to turn fans into customers.

JINGdigital is China's leading marketing automation platform. Since our founding in 2014, JINGdigital has been providing brands with digital marketing optimisation solutions through our JINGsocial platform. The platform enables brands to better understand customers and empowers brands to create valuable personal connections at scale.

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