

SAC Knowledge Hub

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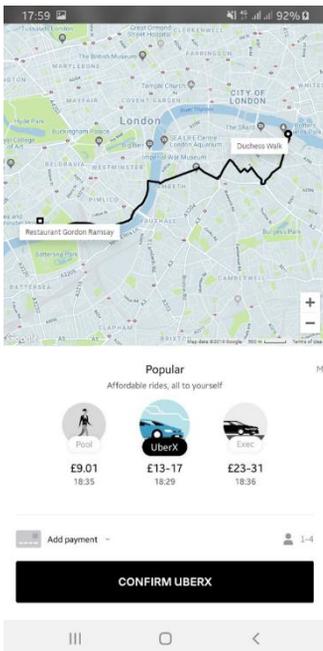


The Emergence of Super App

In today's digital age, smartphones have taken the world by storm. People do pretty much everything on their smartphones, like communication, shopping, play games and even banking, but all these are done with users hopping from one app to another. Progressively, the movement towards a one-stop solution that opens up several functions in a single click starts to become more appealing as people look for simplicity and ease of use. In China, this idea of combining the ability to communicate, shop online, order rides, read books, play games, get food delivery and pay for anything within a single, unified smartphone app started to take shape with the rise of the world's first Super App – WeChat. Soon enough, a similar trend started to unfold in South East Asia as ride-hailing services Grab and GoJek further their Super App ambitions across the region and achieve their decacorns status (defined as fintechs valued above US\$10 billion). Now, the world has started to take notice of this latest Asian's innovation and many apps wonder if they can too become a Super App.

What is a Super App?

Originally, each software application, or more commonly known as app, was created to serve a single purpose or to offer a single service. As some people put it, apps exist as islands of functionality. For example, WhatsApp for communication; Uber for transportation; Instagram for photo-sharing and Candy Crush for entertainment. Every day, we open and close a variety of apps for different reasons and purposes.



Source: Uber, SAC Advisors



Source: WhatsApp, SAC Advisors

However, in recent times, a new phenomenon called Super App has started to emerge. Unlike a typical app, which targets to serve a specific agenda, a Super App is multi-functional. While it has yet to have an official universal definition, the general idea of a Super App is that it is an umbrella app with many different functions bundled inside it. A Super App is like a swiss army knife by having many apps of different purposes housed within a single unifying app. Instead of opening and closing multiple apps to complete different tasks, a Super App allows users to access different features of the various apps within one enclosed system. The pioneer and most prominent Super App is China's WeChat, otherwise also known as Weixin, which was also described as one of the world's most powerful apps by Forbes.

World's first Super App



Started off as a basic instant messaging app by Chinese tech giant Tencent in 2011, WeChat has become the app for everything in life for many in China. It is like having Facebook, WhatsApp, Instagram, Uber, PayNow and even the App Store itself integrated in this one single app.

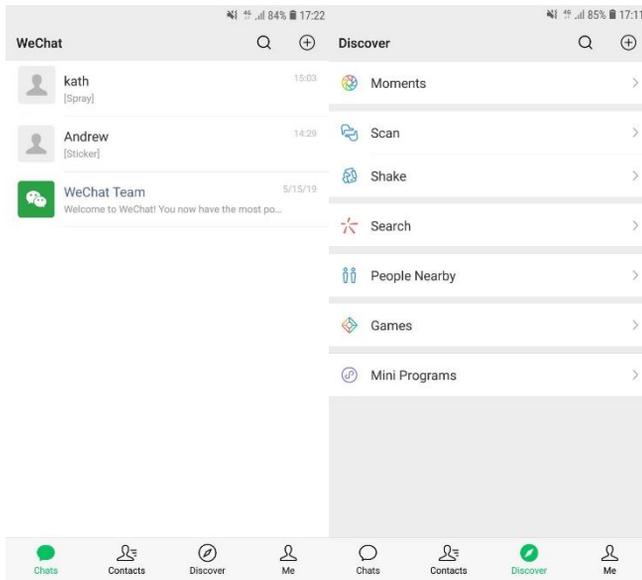
A Typical Day for a WeChat User

	07:00 Wake Up
	Browse Moments
Leave for Work 07:45	
Read two articles; Play two games	
	08:30 Arrive Near Office
	Pay for breakfast with WeChat Pay
Start Work 09:00	
Read unread group chats	
	10:00 Work Break
	Browse Moments; Send and receive messages
	12:45 After-Lunch Break
Lunch Time 12:00	
Open Lucky Money; Pay for lunch	
	Shop using JD; Chat with friends in group chats
Getting off Work 17:00	
Browse Moments	
	18:00 Go Home After Work
	Pay for groceries for dinner using WeChat Pay
Watch TV 20:00	
Read articles; Browse Moments; Play games; Shop using JD	
	22:00 Before Sleeping
	Chat with friends; Grab Lucky Money

Source: WeChat, SAC Advisors

With over 1 billion monthly active users, WeChat retains its original purpose and allows users to instant message and chat with family and friends. However, that does not stop there, it also allows users to share posts, order food, book taxi, get directions, pay for meals, send money, check movie times, book tickets, shop online and even access to government services. All without having to leave WeChat.

Features in WeChat



Source: WeChat, SAC Advisors

Chats: WeChat offers different instant messaging methods to its users, such as text messaging, hold-to-talk messaging, broadcast messaging, video calling and conferencing, saved or live photographs and videos sharing and location sharing. Users can add contacts via the traditional methods, such as contact numbers, WeChat ID and scanning of QR codes. It also provides other features that connect people at random when chosen, such as Friend Radar, which add people that are within the user's vicinity.

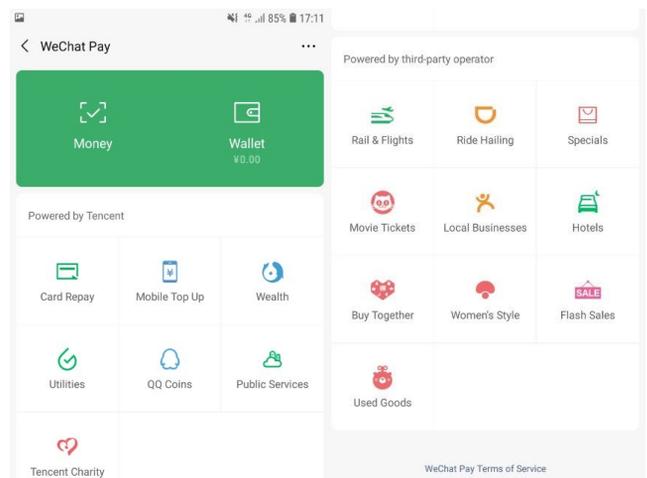
Moments: Under the Discover tab, there is an Instagram-like feature called Moments that allows users to post images, text, comments and like other users' posts.

Shake / People Nearby: There are two additional functions under the Discover tab that allow users to connect with new people nearby. Shake requires users to jiggle their phone to find other users who have also done the same. It can also be used to identify a song that is playing like the music discovery app Shazam. On the other hand, People Nearby allows users to see the profiles of other users within their vicinity, which they can then send a friend request to connect with them.

Mini Programs: Introduced in 2017, Mini Programs are one of the main reasons that makes WeChat so useful. Mini Programs are like tiny apps within the main app, which allows WeChat to be all purposed. Any business owners, big or small, can easily create mini apps that can be quickly added in the WeChat system. For example, Didi Chuxing has a Mini Program to call a cab and Meituan has one that helps to order dinner or buy a movie ticket. In January 2018, WeChat announced a record of 580,000 Mini Programs.

One of the biggest advantage of these Mini Programs is that any future hit app, service or trend can quickly be added to WeChat. These Mini Programs also allow users to access these apps without downloading them, which helps to improve accessibility and convenience. The simplicity and integration also means that apps can easily received huge popularity. An example would be an addictive mini game called Tiao Yi Tiao or Jump Jump, which attracted 400 million players in less than 3 days and attained 100 million daily active users within a month of its launch.

WeChat Pay: The last important piece of the WeChat ecosystem is its digital wallet service, which allows users to perform mobile payments and send money between contacts. By linking the wallet to one's bank account, the user can use WeChat to pay bills, order goods and services, donate to charity and pay in stores that have WeChat payment option. WeChat Pay also acts as the payment mechanism for the businesses which use Mini Programs to sell directly to costumers.



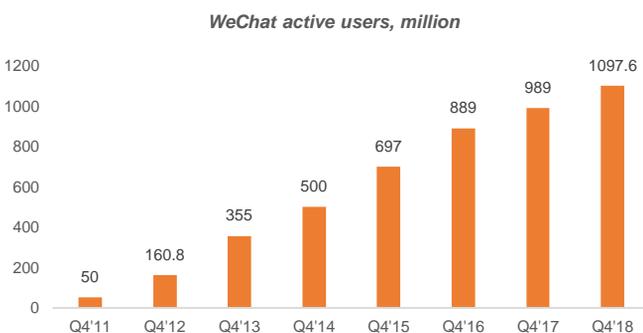
Source: WeChat, SAC Advisors

The Red Packets Movement

In 2014, WeChat introduced the Red Packets feature, which allowed users to exchange money electronically based on the age-old Chinese custom of giving red packets during auspicious events, such as Lunar New Year, birthdays and weddings. With the seductive blend of social networking, gaming and the gambling-like thrill of finding out how much is inside the red packets, the concept of sending money electronically became a norm among the users. The Red Packets feature exploded in popularity when Tencent partnered with China Central Television's Spring Festival Gala, an annual TV event watched by an estimated 700 million people. Throughout the show, viewers were prompted to shake their phones for a chance to win a combined \$80 million in red envelopes from corporate sponsors. Over the six-day holiday, users sent each other 20 million red envelopes. That number reached 3.2 billion in 2015 and 32 billion in 2016.

All these have led to the transition and adoption of mobile payment service. For FY2018, Tencent's total daily payment transaction volume exceeded 1 billion, which was driven by rapid growth in commercial payments, which presented more than half of the number of transactions.

How well is WeChat doing?



Source: Staista, SAC Advisors

From Q42011 to Q42018, the number of WeChat users grew at a CAGR of 55.5% to reach 1 billion users in Q42018. According to an eMarket chart published in 2017, WeChat had a penetration rate of 79.1% among smartphones users and 84.5% among mobile phone messaging app users. They are expected to grow to 82.8% and 90.4% respectively for 2021.

What made WeChat ticked?

WeChat has successfully built a tight ecosystem that connects billion of users which leverages on social media to glue together a string of other web services. WeChat users were already constantly on WeChat for messaging and checking social media feeds. With the introduction of Mini Programs, WeChat is able to touch almost every aspect of a consumer's digital life, ranging from communication and finance to retail and social. The simplicity of use and seamless integration across the different channels and platforms offer users an all-in-one experience. Instead of downloading and opening separate apps to access the whole range of functionality, WeChat is able to satisfy all parts of a user's digital life, without having to leave the app even once.

The explosive growth on the uptake of mobile payments, aided by the Red Packets Movement, also further helps to strengthen the usefulness and importance of WeChat. Adding to the gambling-like thrill of opening a red packet, WeChat Pay has successfully integrated into life as a form of payment methods, like cash and credit cards. According to Business Insider article in 2018, WeChat Pay has 900 million monthly active users and 92% of people in China's top cities use mobile payments as their primary payment method according to a 2017 study by Penguin Intelligence. The ease and extensive usage from fancy restaurants and high-end designer boutiques to street vendors, taxi drivers and even panhandlers, WeChat Pay has successfully integrated into the user's non-digital life.

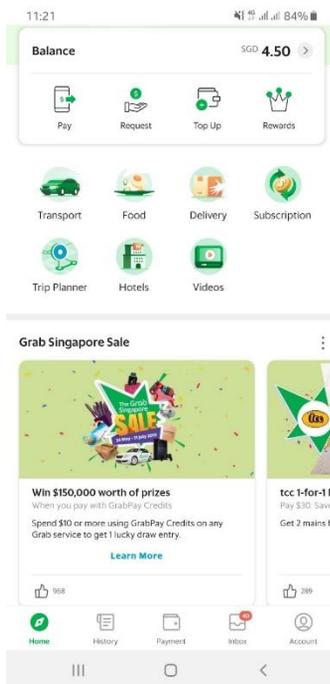
The social situation in China also helped WeChat to rise in popularity. With a low PC, email and credit card penetration, WeChat is able to provide all these features, which prove to be extremely useful to the people in China.

Super Apps around the World

Battle of the S.E.A. – Grab vs GoJek

Grab started off as an app offering ride hailing and ride sharing services. In March 2018, Grab acquired Uber’s operations in Southeast Asia and in the process helped Grab to dominate the Southeast Asian ride hailing market.

Once a simple ride-hailing startup, Grab has since introduced food delivery, hotel bookings, video streaming and mobile payment to its app in a bid to become South-East Asia’s (“S.E.A.”) Super App. It currently has operations in Singapore, Malaysia, Indonesia, Philippines, Thailand, Vietnam, Myanmar and Cambodia and holds e-payment licenses in 6 of them.

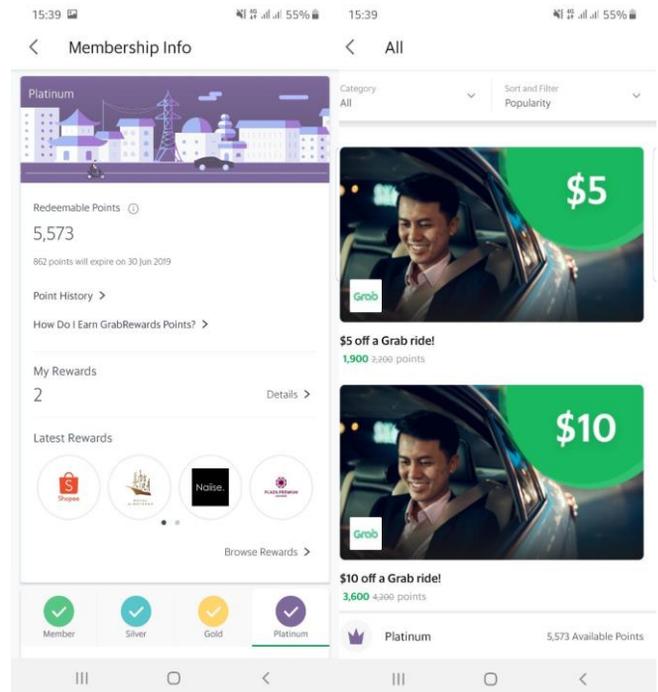


Source: Grab, SAC Advisors

As exemplified by WeChat, a Super App is about being a part of life of the user. By introducing more services, Grab hopes that it will give its users more reasons to open up and use its app. Grab has picked a less-is-more model and chosen to launch each vertical of its extended services with a carefully selected partner, such as HOOQ for videos streaming and booking.com for hotel bookings. This opposed to WeChat’s model in which a range of competing service providers can set up Mini Programs inside the app.

Another major difference is that, unlike WeChat’s start as a messaging platform which gave it a naturally sticky user base, Grab’s users face lower hurdles in switching to a different ride-hailing service. Therefore, it is important for Grab to create a network effect on its platform, which will make the platform more valuable and harder for users to switch to other similar apps. To enhance the exiting network effects, Grab is trying to encourage more cross-usage of verticals through the use of its own payment service – GrabPay.

Grab's e-wallet GrabPay was first introduced for ride-hailing transactions but quickly propagated to offline merchants. In Singapore, GrabPay's merchant base grew more than seven times to close to 9,000 merchants in 2018. The company also said that around 75% of Grab users in Singapore use GrabPay every day. Tied to a rewards programme, users can earn points by using the different services offered by Grab and its e-wallet GrabPay. The points can then be redeemed to unlock offers and other promotions.



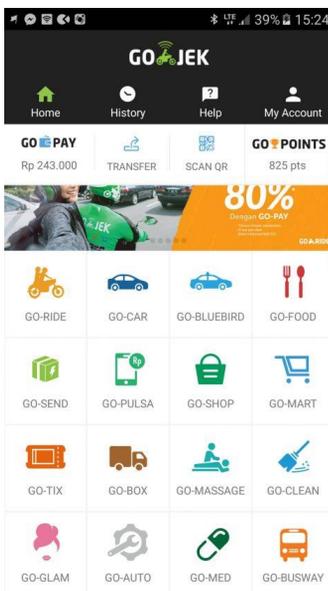
Source: Grab, SAC Advisors

Through more services, GrabPay and its rewards programme, Grab is trying to replicate WeChat’s success by building a stronger network effect and making the app a part of the user’s daily lives, both digitally and offline.

Super Apps around the World

Battle of the S.E.A. – Grab vs GoJek

GoJek shares a strikingly similar path in becoming a Super App with its biggest rival Grab. GoJek also traced its beginning to an app for ride-hailing service. Started off in Indonesia, GoJek capitalised on the huge dependence on the use of motorcycles (ojeks) as transportation. It was able to gain popularity quickly with its motorcycles-hailing service and started offering other services on its app. At the moment, GoJek has about 18 on-demand services, such as Go-Mart (grocery shopping), Go-Clean (house cleaning) and Go-Glam (hairstyling and makeovers).



Source: GoJek, SAC Advisors

GoJek currently operates in Indonesia, Vietnam, Singapore and Thailand while it holds e-payment licenses in two of the countries. It is also looking to expand into Philippines and Malaysia. Similar to Grab, both of them face the same set of problems as discussed previously. As such, GoJek also introduces more services and its own payment system to make itself more relevant for a user's daily life. According to GoJek, it boasts 108 million app downloads to date and 50% of GoJek users use its payments service Go-Pay, which it says is the country's most popular wallet. While GoJek comes close to a Super App in Indonesia based on the services it offers and the usage, it is not outside of the country of its origin. On top of that, the entry of Grab into Indonesia also provides some threats to its status.

Who will win the battle?

Grab is currently the front-runner in the race to become S.E.A. Super App. It operates in more countries and holds more e-payment licenses than GoJek. However, in Indonesia which accounts for more than a third of S.E.A. population and 40% of S.E.A. GDP, GoJek still seems to hold the home-court advantage. Grab, on the other hand, has declared Indonesia as a market priority and has been aggressive in acquiring startups, such as Kudo and partnering up with fintech firm OVO to quickly establish a payment system.

In terms of funding, Grab is currently valued at around US\$14 billion while GoJek's value is estimated to be at US\$10 billion. They are the only two companies in S.E.A. to have achieved decacorn status. This shows the market expectations of the companies and investors confidence of the success of super app in S.E.A.

As the race to become S.E.A. super app heats up, both Grab and GoJek are converging in terms of business models and target markets coverage. Both are trying to integrate more services into their apps to make it more useful and stickier to their users. However, this is only one part of the battle. The app that is able to integrate better with local services will undoubtedly be able to have a higher usage and better retention rate.

Another key battle is the establishment of core payment infrastructure similar to that of WeChat Pay. According to a research report by Adyen, apart from Singapore, the rest of the S.E.A. countries still have a relatively low credit card penetration rate and many still prefer to use cash-based payment. By the virtue of being able to become the dominating payment method in these countries will make the app truly indispensable and establish itself as an everyday app. Yet, this perhaps is the trickiest part of the whole battle due to the fragmented nature of how digital payments are regulated in S.E.A.

Why become a Super App?

For users, Super App provides convenience through the integrated services it offers on its platform. As the mobile-first generation grows, the simplicity to use and accessibility of Super App will also likely to draw a wider usage and gain even more popularity.

For businesses, revenue from the different services will be more stable, more profitable and easier to scale than having revenue from a single source such as ride hailing. It also allows them to expand to higher-margin business such as financial services. The data that a super app collects could also prove extremely useful in this age of big data and be something that these businesses can tap on in the future.

A successful Super App

i) Leveraged on an existing problem

As seen in the examples of WeChat, Grab and GoJek, they entered the market and gained initial popularity while leveraging on a particular need or tackling a specific problem. WeChat targeted China's need for a well-developed and widely used social media platform, Grab took advantage of the transportation problem in S.E.A. and GoJek hinged on Indonesia's reliance on motorcycles (ojeks). These apps each had their own appeal and users became receptive in using these apps.

ii) Well integrated services

To become an app for everything, these apps started adding other services in addition to its original purpose. To tie the different services together, e-wallets or rewards programmes are usually used to glue the different services together in the app. The convenience and multi-functionality created a network effect on the platform, which made the platform more valuable and harder for users to switch to other similar apps.

iii) Bringing it offline through payment system

The three examples of WeChat, Grab and GoJek all try to enhance the users offline experience by going into mobile payment system. Most of the countries these super apps rolled out in have a high cash-based payment rate and low cards penetration rate. By introducing a e-payment option, this further increased the appeal of these super apps and gave the users one more reason to use the apps. Also, financial services, such as e-payment offers a much higher margin as compared to other services, which propelled these super apps to rapidly try to expand into these higher margin services.

How far will Super App go?

As super app gains popularity, many apps are trying to emulate the success of WeChat. For example, FaceBook has added a payment function and a range of other services. Others such as Reliance Jio is building a Super App in India and Dubai-based ride-hailing app Careem is trying to expand itself in the quest to become a Super App.

Despite the greatest of ambitions, every nations have different market dynamics, from a lack of exploitable problems to the redundancy for the introduction of a new form of payment system to the digital habits of exiting users. This makes it challenging for a successful Super App, such as WeChat, to export its platform to other nations. Conversely, this also makes it hard for other apps to exactly replicate the success of WeChat, Grab and GoJek. While more apps try to become Super Apps, it will not be an easy journey.

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