

WeChat Looks to AI, Physical Retail to Drive User Growth

The messaging app recently reached 1 billion users

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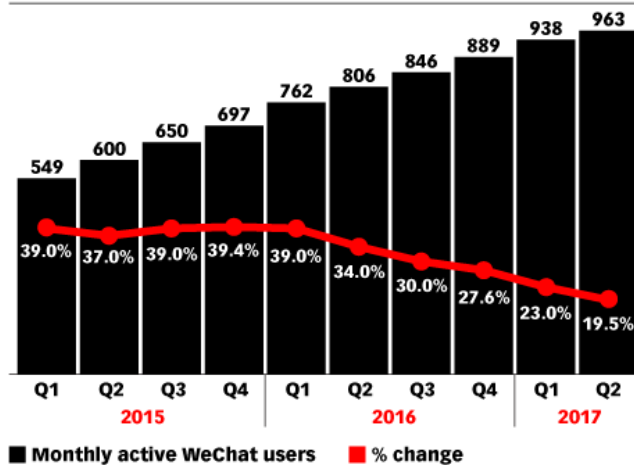
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Tencent's WeChat is refining its role as a connector for people, businesses and services, as user growth slows down.

The popular messaging app recently reached a new milestone, hitting 1 billion monthly active users (MAU). Though its MAU grew at a respectable 15.8% year over year in Q3 2017, the steady decline in growth rate has been unmistakable.

Monthly Active WeChat Users Worldwide*, Q1 2015-Q2 2017

millions and % change



Note: also known as Weixin; *majority in China
Source: Tencent, Aug 16, 2017

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While WeChat has amassed a fan base, particularly in China, the messaging platform “has struggled to win over large numbers of users outside its home market,” according to a recent CNN article.

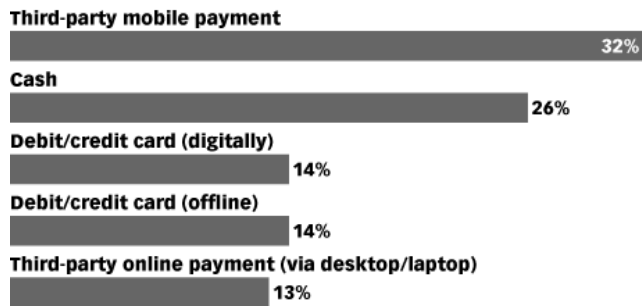
Indeed, a majority of WeChat users are based in China, where eMarketer estimates that the number of mobile internet users will reach 728.6 million by the end of 2018—merely half of the 1.4 billion in total population. Based on that logic, WeChat may still have some room for growth. And yet, converting those non-users will be increasingly difficult, and potentially costly.

One of the technologies that WeChat is counting on to propel its growth—and make usage more intuitive—is artificial intelligence (AI). Technologies that fall under that umbrella, like facial recognition and predictive analytics, can enable users to interact with the app in a more natural way.

The company is also relying on its mobile payment tool. In China, the concept of a cashless society is fast becoming a reality, and WeChat Pay plays a central role in settling transactions at supermarkets, street stalls, taxis and even public transportation.

Daily Living Expense Transaction Value Share Among Proximity Mobile Payment Users in China, by Payment Method, Dec 2017

% of total



Note: n=3,603 living in tier 1-3 cities; in the past 3 months; average monthly living expense=3,702 RMB; numbers may not add up to 100% due to rounding
Source: Ipsos, "2017 Third-Party Mobile Payment Users Research Report," Dec 29, 2017

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Recently, the company piloted the WeChat ID program with the Government of Guangzhou. Under the initiative, virtual replicas of traditional state ID are created and served through WeChat users' accounts, and can be used at hotel check-ins and to access government services.

And let's not forget offline retail. Earlier this year, Tencent launched a pop-up self-service store in Shanghai with user authentication and payment centered around WeChat.

The move came as Amazon officially launched Amazon Go, and after a number of [startups in China](#), including BingoBox and EasyGo, had introduced their own versions of automated stores. Offline retail has become a critical battleground for many of China's leading tech companies, including Alibaba and JD.com.