

**Riding the wave
of superapps**

Four years ago, we visited China to look into the world of WeChat and Alipay, the two biggest Chinese players in the world of mobile apps. We were fascinated by how one app could successfully serve almost every lifestyle need, from chatting with friends, to booking a restaurant, hiring a cab, and even sending money to your friend.

Today, superapps are not just a thing in China. In Southeast Asia, Singapore's Grab and Indonesia's Gojek are household names. Both started off as ride-hailing apps but now offer other services such as food delivery and payment solutions across multiple markets. In this report, we explore the market conditions that spurred the demand for these digital applications, three key strategies the superapps utilised to gain market share and what you can learn from them if you're looking to scale your application.

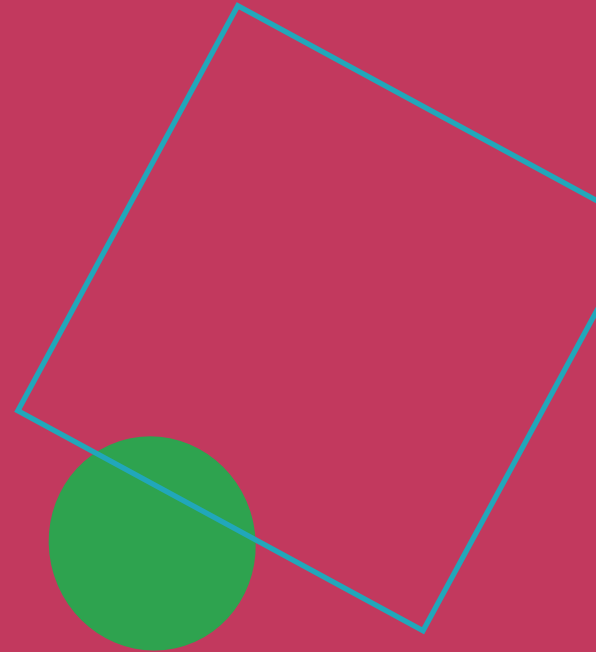
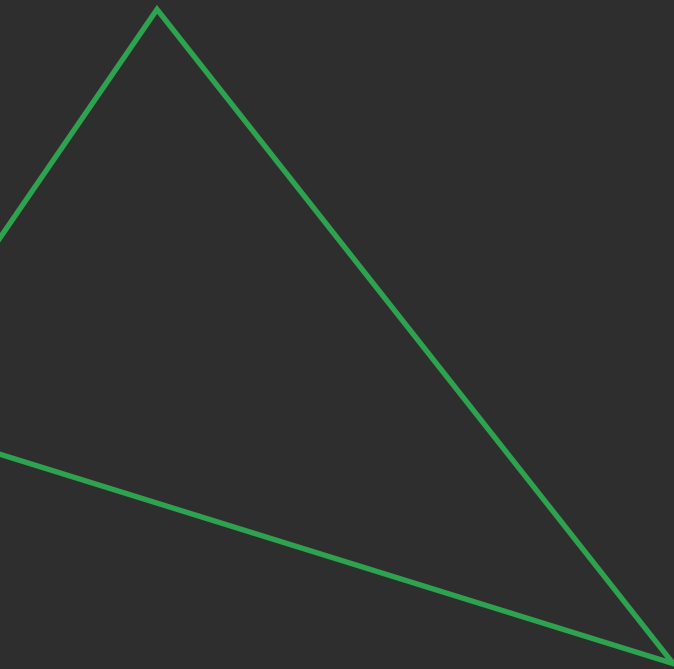
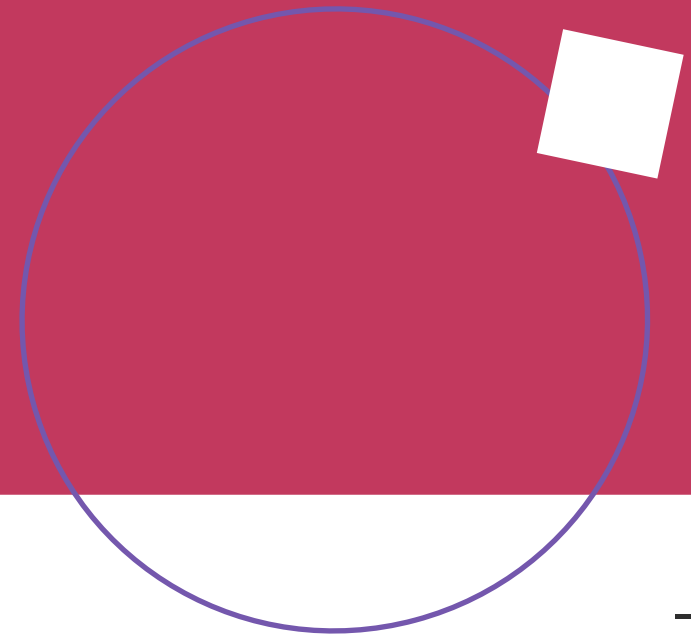
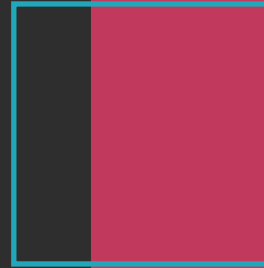


Table of contents

<u>How do superapps compare across Asia?</u>	4
<u>Three market conditions that supercharge the growth of superapps</u>	5
<u>Five things you can learn from WeChat, Gojek and Grab</u>	9
<u>What to know if you're scaling your application</u>	15
<u>What's next for superapps?</u>	18



How do superapps compare across Asia?

Superapps are all the rage, Gojek defines them as:

“A superapp is many apps within an umbrella app. It’s an operating system that unbundles the tyranny of apps. It’s a portal to the internet for a mobile-first generation.”

Let’s take a quick look at how Asian superapps compare. While Grab, Gojek and Shopee are significantly smaller in valuation and active users compared to their Chinese counterparts, they are expanding quickly in multiple Southeast Asian markets while increasing their suite of offerings at the same time.


	WeChat	Alipay	Grab	Gojek	Shopee
Valuation	US\$500 billion (Tencent Holdings)	US\$200 billion (Ant Group)	US\$14 billion	US\$10 billion	US\$92.7 billion (SEA Ltd)
Key Presence	China	China	8 SEA markets + Japan	5 SEA markets	6 SEA markets + Taiwan
Core use case	Messaging & mobile payment	Mobile payment	Ride-hailing	Ride-hailing	Ecommerce
Monthly active users	1.2 billion	881 million	No data	38 million	200 million

Basic needs and beyond

Beyond the typical consumer and lifestyle services you’d expect on digital platforms, superapps like WeChat are also disrupting other traditionally offline industries by providing digital services in these areas under the umbrella of the WeChat app. An example of this is the health and wellness sector, with 24,000 related Mini Programs on WeChat. [WeDoctor Mini Program](#) allows users to search for nearby

hospitals, doctors and specialists, and book medical appointments in advance, saving time spent queuing.

During the coronavirus pandemic, the [Tencent Health Mini Program](#) also offered free online consultation and listed specialised hospitals for COVID-19 treatment.



Three market conditions that supercharge the growth of superapps

A close look at the market conditions in China and Southeast Asia that allowed superapps to succeed.

Mobile-first

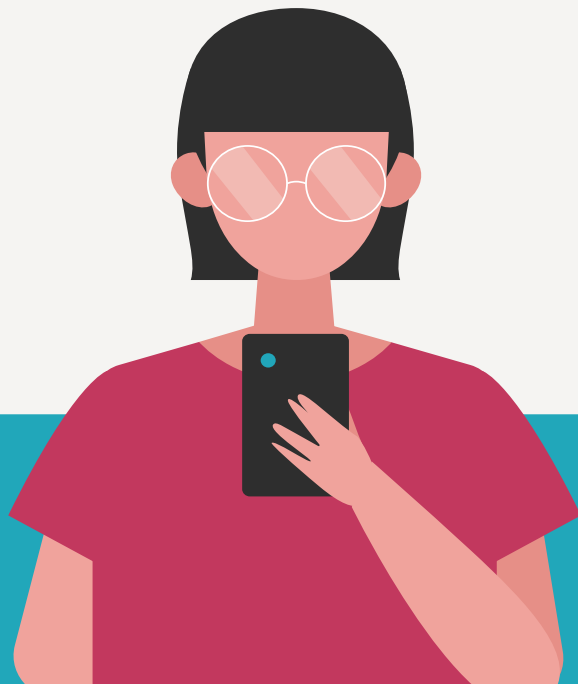
Both China and Southeast Asia are growing mobile markets, with almost 40 million people in Southeast Asia coming online for the first time in 2020. Many of these new users were reportedly from non-metropolitan areas. This rapid growth in mobile penetration rates means there's a new wave of consumers to be captured each year. This was especially prevalent in 2020 as services such as ecommerce, food delivery and entertainment subscriptions became a near necessity during the pandemic.

In the West, users experienced the transition from desktop to mobile. Because of the way desktop technology was structured, users had to divide

their tasks according to specific software functionality. When mobile came along, users continued to use different platforms and apps for specific tasks, such as WhatsApp for messaging, Facebook for social media, Google Maps for navigation and YouTube for entertainment.

However, unlike their Western counterparts, consumers in China and Southeast Asian markets leapfrogged the use of desktops and did not develop the habit of using dedicated software to perform specific tasks. The use of mobile quickly became second nature and embedded in people's everyday lives.

This "mobile-first" environment meant that there is a low barrier for businesses to acquire users and onboard them to superapp services. Users in these markets prefer to have an all-in-one app to multiple standalone apps. This is because most people are using lower-end smartphones which often have less storage space, thus an all-in-one-app gives them access to multiple digital services without filling up the phone's memory.



No existing incumbents

At the same time, the lack of existing incumbent players in these emerging markets made it easier for consumers to start using the digital services in their day-to-day lives. This is a stark contrast to consumers in mature markets, who are already used to certain offline solutions and services. This presents a challenge when getting them to switch to a new digital solution or app.

Take e-wallets and mobile payments as an example; a [PWC study](#) showed that in 2020, six Southeast Asian markets were ranked amongst the top 10 markets with the highest growth in mobile payments. Vietnam emerged as the fastest growing market, with an increase from 37% to 61% in 2 years, and in China, the adoption rate stands at 86%

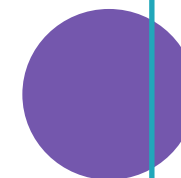
At the same time, it's interesting to note that the credit card penetration rates in these markets stand at only 4% and 21% respectively. Conversely in mature markets such as the US, mobile payment penetration rates only stood at [29% in 2019](#), while the credit card adoption rate is a lot higher at 47%.

Despite the promises of convenience and simplicity, digital services such as e-wallets and mobile payments face low adoption rates in mature markets because they need to compete with embedded solutions such as credit card payments. This can be seen in the inverse relationship between the adoption rates for credit cards and mobile payments.

As American analyst [Ben Thompson](#) says,

“Once a job is done – and credit cards do their jobs very well – it takes a 10x improvement to get users to switch.”

This explains why it's easier for superapps to break into emerging markets where consumers did not readily have or use an existing solution.



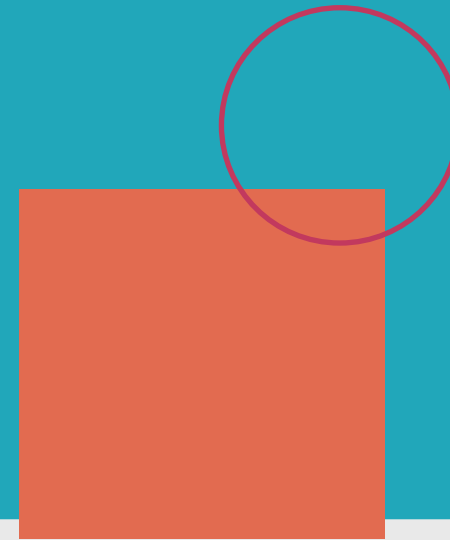
	Credit Card adoption rates	Mobile Payment adoption rates
Mature markets		
U.S.	47% (2020)	29% (2019)
Singapore	49% (2020)	46% (2020)
Emerging markets		
China	21% (2020)	86% (2020)
Malaysia	21% (2020)	40% (2020)
Thailand	10% (2020)	67% (2020)
Vietnam	4% (2020)	61% (2020)
Indonesia	2% (2020)	47% (2020)
Philippines	2% (2020)	45% (2020)

Aspiration for a better life

Closely related to the rise in mobile internet penetration in emerging markets is increasing affluence and consumer confidence. According to a [Nielsen study](#), incomes are growing across Southeast Asia and consumers believe they are better off than 5 years ago.

In China, international brands are now seeing a new market emerge amongst consumers in third and fourth tier cities, beyond the major consumption hubs in Beijing and Shanghai. There is a growing aspiration amongst consumers, not just for branded products, but to improve their quality of life through better products and services. This is heightened by the widespread use of social media which exposes them to a wider worldview and drives the desire to project a better image of themselves.

With this, consumers in emerging markets are constantly looking for services that can provide access to international or exclusive products, accurate and reliable information, and trustworthy and convenient payment services. Superapps like WeChat and Alipay recognised these needs early on and designed their services to address these market gaps.





Five things you can learn from WeChat, Gojek and Grab

Compared to Western markets which are more developed, the market conditions of China and Southeast Asia are better suited for the growth of superapps. The question is, how did superapps like WeChat and Grab take advantage of the market conditions and get to where they are today?

Start with a strong, frequent, core use case

All superapps started with a strong core use case. More importantly, these services are widely-used by most consumers and at zero onboarding cost.

For example, WeChat started off as a messaging app in 2011, with basic features such as text messaging, sending voice clips and photos, similar to other messaging apps like WhatsApp and Telegram. Within a year, it reached 100 million registered users and in two years had 190 million monthly active users. It was only in 2013 that WeChat moved into mobile payments, WeChat Pay, and in 2014, WeChat partnered with cab-hailing app Didi to allow people to hail cabs and pay with WeChat. This marked the start of WeChat's expansion towards becoming a platform ecosystem.

Similarly, Grab started off as a taxi-booking and ride-hailing app in 2012 and in the next few years, ventured into new Southeast Asian markets such as Thailand, Indonesia, the Philippines and Vietnam. By 2016, Grab was the market leader, with a presence in 30 cities in Southeast Asia as one of the most frequently used mobile platforms. It was only in late 2016 that Grab launched GrabPay as a digital wallet to drive its users towards cashless payments.

Starting with a strong core use case allowed the superapps to gain critical mass, score market leadership and establish a strong user-base before expanding into other services.

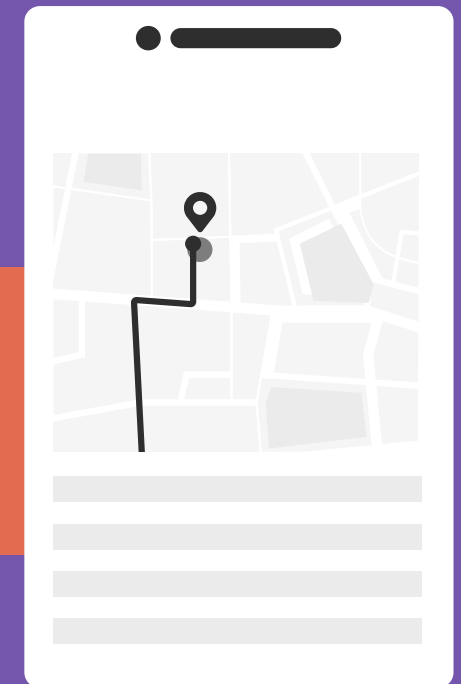


Hyperlocalise your product to market context

It's important to localise the core use case to provide a better experience for end users. While hyperlocalisation may not be so apparent in WeChat and Alipay, Grab, Gojek, Shopee and any other players venturing into Southeast Asia need to be able to navigate markets which are much more fragmented than China.

Southeast Asia is fundamentally made up of different countries, languages, currencies and cultures. Thus, beyond practicalities for UI design such as language and currencies, it's equally important to consider each market's unique consumer needs and preferences, as well as the need to navigate local partners and authorities. Essentially, companies need to look at Southeast Asia as multiple markets, not as one homogenous region.

Grab has done an excellent job of hyperlocalising its services to each Southeast Asian market by understanding the context and environment that users are in. For example, its carpooling services did not work in Jakarta because of the notorious traffic conditions; nobody wants to be stuck in a car for hours! Instead, they launched GrabBike, a bike-pooling service, which was a faster way to cross the city. With presence in multiple Southeast Asian countries, Grab's ride-hailing services reflect the popular modes of transport in each market, such as GrabTukTuk in Cambodia, and GrabTrike in the Philippines.

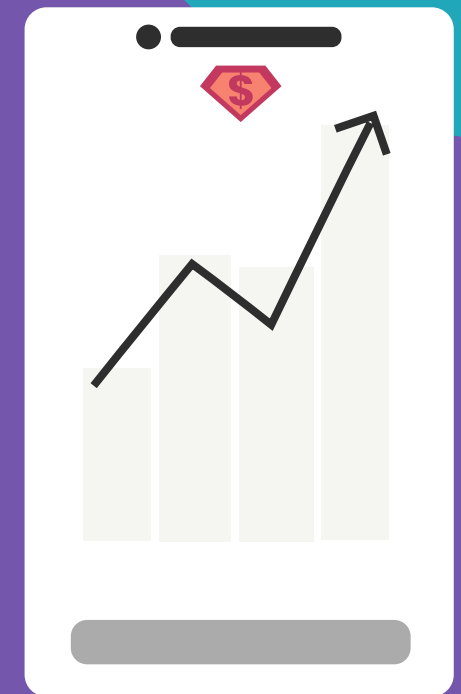


Expand service offerings through partnerships

While having a core use case lays a strong foundation for a superapp, its winning edge comes from the ability to offer a wide range of services within one app. The question is, how does what starts life as a messaging app penetrate and build capabilities in seemingly-unrelated industries?

What superapps have done well is to partner with, or even acquire, other tech businesses to build an ecosystem of services, from online shopping to bill payments to medical consultations. This allows the superapp to expand its offering and generate new revenue streams quickly without having to invest heavily in developing other lines of business themselves.

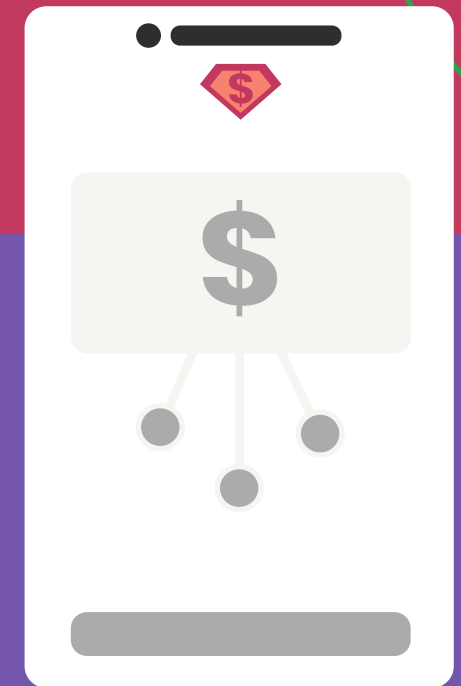
For users, this means more services being offered under one roof, giving them more reasons to stay within the app. Having third party services integrated into the superapp also removes potential points of friction in the user journey, such as app installation, account creation, payment and notifications, lowering the barrier for users to onboard these additional services. This creates a seamless and convenient app experience across the users' daily activities.



Create a platform ecosystem, starting with a native payment gateway

With a whole range of services and offerings locked in by a native payment gateway (e.g. WeChat Pay, AliPay, GrabPay), superapps are designed to increase stickiness and make the user stay within its ecosystem. Not only does this make the superapp the gatekeeper of all monetisation opportunities, it also provides data on the user's transactions and activities.

On the user's end, the unified payment system would allow them to make transactions seamlessly without having to log in to their banks or enter their credit card information separately. Users can also use discounts earned from one service on another (e.g. discount on food delivery based on spending on cab-hailing), creating a seamless experience across different activities. This consistent and convenient user experience and the high cost of switching to other native apps locks in users to the ecosystem.

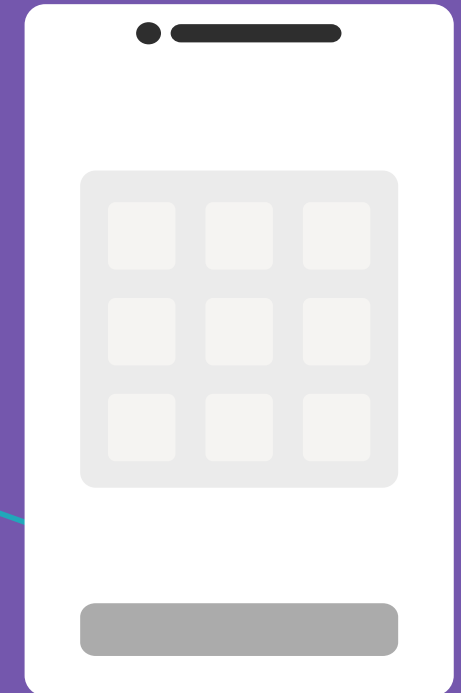


Provide a full suite of app services at minimal phone memory

In emerging markets where consumers are using smartphones with lower storage space, being able to provide first-class app features at minimal storage space gives you a competitive advantage. Not only is WeChat able to provide a variety of digital services through different features such as Subscription Accounts (think email newsletters) and Official Accounts (think brand Facebook page), its Mini Programs launched in 2017 allow partner apps and brands to operate a full app within WeChat at less than 10mb.

Mini Programs are more than just additional features to an app, and instead, function like lightweight apps that run within a superapp. They allow users to use the digital service without having to download a separate app. While a wide range of Mini Programs are offered on WeChat, the more popular ones are for ecommerce (e.g. JD, Taobao), food delivery (e.g. Meituan, Chinese Yelp-equivalent Dianping, McDonald's), and minigames. These Mini Programs are also integrated with WeChat Pay, giving users a faster and more seamless payment process.

WeChat has developed a specific JavaScript framework for developers to build Mini Programs that are consistent with the user experience in WeChat. While a native app would usually take weeks to be developed by a full team, the lightweight Mini Program can be developed by just a couple of people within a day. This makes it easy and cost-effective for other tech companies to plug into the WeChat ecosystem meaning they can tap into its existing user base and ride on its infrastructure. Today, Mini Programs are a common feature in many of China's biggest apps, including Alipay and Baidu.





What to know if you're scaling your application

Our key findings from the report for anyone aspiring to become a superapp.



1 Consider the market and any traditional offline services you might be competing against carefully

The conditions of emerging markets in Asia were optimal for superapps. The new generation of consumers in Asia have a higher spending power, and greater aspirations for a better quality of life. They leapfrogged desktop technology to become smartphone experts, using mobile technology for almost every task in their daily lives.

The same growth of superapps isn't likely in mature markets in the West. This is partly due to the presence of strong incumbent players who offer niche services and whose names are almost synonymous with their service offering, e.g. WhatsApp for messaging services, Spotify for music, Netflix for online streaming. At the same time, consumers in mature markets are already used to offline services that have served them well and thus have little motivation to switch to digital formats.

2 Be open to integrating with other 3rd party service providers and sharing data in order to create a network effect

Partnering or acquiring other tech businesses allowed superapps to build an ecosystem of lifestyle services and scale up quickly and affordably. While many tech giants believe that 'data is king', data is useless in a superapp if it's not shared across all players in the ecosystem. Shared data allows you to design a seamless service for your user, removing the need to log in/log out, set up different accounts, and switch apps to make a payment. It also improves your own and your partners' understanding of your users' preferences. This provides opportunities to cross-sell, and the ability to offer bundled deals and push out personalised content and services at the right moments.

3 Keep the user experience and core value proposition front and centre

Whether it's designing your core use case, or identifying suitable digital services to partner with, you need to constantly revisit the value you bring to your users. Ask yourself:

- How are you helping them to complete their daily tasks?
- When moving from one task to the next, are you making it easier or unnecessarily complicated?
- Are you making use of the data to create a 360-degree understanding of your customer?

At the same time, it's important to acknowledge that each emerging market is different, coupled with unfamiliarity due to the lack of established competitors and similar products. Spend time to understand the local consumer and hyperlocalising your digital service to cater to the nuances of each market, language and culture.

What's next for superapps?

It'll be interesting to watch as Grab, Gojek and Shopee continue to battle in the Southeast Asian markets, and as competitors such as Traveloka (an Indonesian travel service app), Zalo (Vietnamese mobile payment app) and even established financial institutions attempt to enter the arena. Even in China, it would be worth monitoring how superapps and their army of Mini Programs compete against native apps.

At the end of the day, consumers want a simple, convenient and straightforward solutions to their day-to-day needs. As WeChat founder Allen Zhang explains:

“...Many products do not see themselves as ‘products’, and don’t see users as ‘users’... These last two years, the goal of apps across the industry has been to try their best to keep users in their app as long as possible. This goes against my beliefs.... The primary goal for technology should be helping humankind increase efficiency.”

When designing a digital service, the fundamental question is how one should design with the objective of providing value to users in a fuss-free and simple manner, instead of designing with the objective to keep users within the app for as long as possible. Once the former is achieved, users will naturally want to stay in the app and continue using the service. That is the winning formula that superapps have that you need to keep in mind.

