



The Rise of Superapps in Emerging Countries

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Abstract. Superapps are mobile or web applications that provide multiple services within an all-in-one platform. It is a single portal to access a suite of services, from messaging and payments to travel booking and food delivery. Superapps are proliferating in emerging markets; examples include Wechat (China), Rappi (Latin America), Gojek (Indonesia) and Gozem (Africa). What gives rise to the existence of superapps? How do their business models differ from traditional firms? What value do they create? Why are there more superapps in developing economies than developed markets? This paper investigates these questions by both examining superapps as a concept and zooming into a specific superapp - Wechat.

Keywords: Superapps, emerging markets, platform, digital strategy

1 Introduction

A Superapp is a closed ecosystem of many functions that allows users to access multiple different services on the same platform or mobile application. The term Superapp was formally introduced by Mike Lazaridis, founder of Blackberry, at the Mobile World Congress in 2010^[1]. Superapps can reduce the memory footprint of the phone, share user information across products and require login on only one app^[2]. A superapp often has a core function and other functions that extend beyond the core function. Unlike a specialized app which connects service providers from one particular industry to users, a superapp hosts providers from multiple different industries, so that the users can have an “all-in-one” experience. The superapp governs transactions on the platform, monitors interactions between providers and users, and shares user information with providers to allow for personalized services. Services provided by super apps typically include communication, retail, transportation, financial services, entertainment, and others.

Superapps are more prevalent in emerging markets than in developed economies. The world’s major superapps were founded in the past decade in Global South countries (Table 1). Each of these superapps has a core function that was developed early in the years, though over time, more functionalities become available and integrated into the platform, allowing the customers to engage in a wide variety of experiences and services.

Table 1. Major Superapps¹

Year Founded	Superapp	Main Location	Core Functionality
2004	AliPay	China	Payments
2010	Meituan	China	E-commerce
2010	Gojek	Indonesia	Ridesharing
2010	KakaoTalk	Korea	Messaging
2010	Paytm	India	Payments
2011	WeChat	China	Messaging
2011	Line	Japan	Messaging
2012	Grab	South East Asia	Ridesharing
2012	Zalo	Vietnam	Messaging
2015	Rappi	Latin America	Food delivery
2018	Opay	Nigeria	Payments
2018	Gozem	Africa	Ridesharing

Source: Wikipedia: Super-app.

2 Theory of Diversification

A core feature that separates superapps from regular, specialized apps is that superapps provide product and services that stretch across industries. What motivate a firm to expand its scope to offer services from multiple industries, rather than staying as a specialized firm and producing only one service? Is the motivation different for platforms? This section seeks to address these questions by drawing insights from the corporate diversification literature and applying the theories to the context of platforms.

Diversification is a business growth strategy that involves entering into a new market or industry [3]. The two most common types of diversifications are horizontal and vertical diversification: the former involves expansion across industries or geographies, which is the focus of this discussion; the latter involves expansion along the production chain of a firm's product. Firms in traditional industries are motivated by a mixture of economic and strategic reasons to horizontally diversify and expand their scope. A traditional firm, by engaging in production in multiple industries and geographies, enjoys benefits from the Economics of Scope, higher market power, reduced transaction costs, lower chances of knowledge appropriation, fuller exploitation of potentially underutilized resources, better monitoring due to reduced information asymmetry, amongst others [4-6]. These benefits do not come without costs: firms that choose to expand their scope also suffer from higher initial expense, a loss of focus and flexibility, and more

¹ Note that not all superapps listed in this table were a superapp when they were first established.

challenging internal coordination. Traditional firms evaluate these costs and benefits, and choose an optimal governance structure and level of diversification. Many studies have found evidence for improvements in firm performance as firms diversify, and this is especially true in emerging markets^[7-8].

Platforms operate under a different business model. Whilst traditional businesses create value through product or services by taking raw material components as inputs and creating products or services to sell to customers, platforms do not own means of production, but rather create and facilitate the means of connection, through which various parties collaboratively create value^[9]. Platforms are marked by network effects; the greater the number of users on the platform, the higher the value of the platform is able to bring to the users, and therefore, the network grows exponentially^[10-11]. A superapp is a platform that integrates multiple types of services that stretch across industries. Similar to traditional firms, a platform benefits from the Economics of Scope and better utilization of resources as it incorporates greater variety of services. A crucial, scalable resource in the case of platform is data - the same user information could be leveraged across services, allowing the platform to scale quickly^[12]. Other factors such as the risk of knowledge appropriation and monitoring cost are less relevant for platforms compared to traditional firms, for platforms are light in assets and emphasize collaboration within an ecosystem, rather than competition within clearly defined industries^[13].

3 Why Are Superapps More Prevalent in the Global South?

Superapps are more common in emerging economies in the Global South than in developed countries^[14]. Why is this the case? This section proposes a few theories to answer this question.

3.1 User-related Reasons

The majority of the world's population lives in developing economies. While the Internet became available in developed countries in the early 1980s, it was not introduced in many developing countries until the mid-1990s or later^[15]. The adoption of internet in developing economies was slow and uneven at the beginning: many rural areas remain unconnected, and people living in those areas had limited or no access to mobile phones and related technologies. This results in lower internet penetration rates in developing countries, despite an overall higher number of citizens and netizens (Table 2).

The staggered adoption and low penetration of the Internet in developing countries did not prevent online platforms from growing rapidly in these regions. For example, many of the E-commerce giants – Taobao, Mercado Libre, etc. - were invented in Global South countries and expanded quickly, offering important services to wide populations. In fact, the Global Data survey show that the percentage of consumers who purchase groceries online are on average higher in developing countries than in developed countries^[17]. But a few platforms tend to dominate.

Since the Internet and platforms are relatively new concepts to people in developing countries, consumers need to put in efforts to learn to use a platform. As a result, consumers in developing countries tend to stay with the first platform which they invested time and efforts in learning, rather than switching to new platforms when they become available. In other words, “switching costs” are higher for consumers in developing countries compared to those in developed countries. Such sticky behaviors from the consumers provide a reason for the rise of the superapps in developing economies.

Table 2. Top 20 countries based on the number of internet users in 2017 ²

<i>Developing Countries</i>			<i>Developed Countries</i>		
Country	Number of Internet Users	Internet Penetration (%)	Country	Number of Internet Users	Internet Penetration (%)
China	746,662,194	53.20	USA	245,436,423	76.18
India	699,012,635	52.95	Japan	117,528,631	92.00
Brazil	123,927,230	59.68	Germany	73,436,503	89.65
Russia	110,003,284	76.41	U.K.	62,354,410	94.78
Mexico	75,937,568	59.54	France	55,413,854	85.62
Indonesia	66,244,991	25.37	Korea	47,094,267	92.72
Pakistan	64,000,000	30.59	Spain	37,337,607	80.56
Philippines	57,342,723	55.50	Italy	36,442,438	61.32
Nigeria	47,743,541	25.67	Average	84,380,517	84.10
Turkey	46,395,500	58.35			
Vietnam	43,974,618	46.50			
Iran	42,731,675	53.23			
Egypt	37,519,531	39.21			
Average	166,268,884	48.94			

Source: Wikipedia: List of countries by number of Internet users ^[16].

3.2 Platform-related Reasons

From the perspective of the platform itself, platforms from developed countries may have less incentives to diversify, for they could extract significant value from a single user. Their goals are to achieve growth and expansion in a specialized field in the short term, and they would consider a diversification strategy only during a bottleneck period. By contrast, platforms from developing countries could extract less value from single users, which forces them to consider diversification strategies. They might also

² Note that Pakistan and the U.K. share the same ranking/number of internet users in 2017.

consider diversifying and explaining their service areas to attract more financing from venture capital firms ^[18].

Additionally, in some emerging markets (e.g. China), social media and business interactions are more integrated. Influencers help market goods through social media platforms, bringing the platform significant profits. By contrast, platforms in developed countries are more fragmented ^[19].

3.3 Regulation-related Reasons

Superapps are not as heavily regulated in emerging markets than in developed markets. Developed economies such as the U.S. and the U.K. have strict antitrust and privacy laws to regulate the behaviors of platforms. Facebook, for example, was fined \$5 billion by the Federal Trade Commission for the Cambridge Analytical data breach scandal, a record-breaking settlement ^[20].

Recently, however, an increasing number of policies are enacted to regulate emerging market platforms. The Chinese government has created categories to regulate the behaviors of dominating platforms ^[21]. Areas governed by the new rules include data security, fair competition, open ecosystems that promote interoperability, internal governance, risk of fostering illegal content or behaviors, audits and reporting obligations and tax matters ^[22]. Similarly, the Indian government finalized the Data Protection Bill in 2021, imposing more rules on platforms' use of user data ^[23].

3.4 Market Failure, Innovation and Imitation

Unlike developed countries where market environments are relatively frictionless, emerging markets are characterized by "institutional voids", which give rise to challenges but also business opportunities ^[24]. The presence of these institutional voids indicates that there are more market failures to solve in emerging markets than in developed markets, and there is greater need for a larger variety of products or services. An emerging market platform might have greater incentive to become a superapp, for the expertise honed from developing the first product/service - usually the core functionality of the platform - can be leveraged to create additional products for which there is demand. By contrast, platforms in developed countries might not benefit from such a scaling strategy, as there are fewer market failures to solve. To offer a new product or service that truly disrupts the market, platforms from developed economies need to invest in innovative capacity and invent from scratch, whereas platforms from emerging economies can imitate, learn and scale.

4 Case Study: WeChat as a Superapp

4.1 Background

WeChat is a social media app launched by Tencent in January 2011. The app provides a personal communication channel for smartphone users, supporting mobile operating

systems such as Android and IOS. On WeChat, users can share text, pictures and stickers with friends, engage in voice and video chat, and post journal entries. In addition to these core functions, WeChat also offers other functions such as internet services (web browsing, news feed, public account), daily service (payment, ride-hailing services, food delivery), and mini programs (games, location sharing. etc.). Users are not charged for the majority of services that WeChat provides. As of December 2021, WeChat has more than 1.2 billion active users worldwide, making it the social app with the most active users in mainland China [25]. 95% of Chinese citizens aged 16 to 64 own smartphones, and 78% of those use WeChat [26].

The WeChat ecosystem involves not only users, but also various partners with which WeChat has agreements. These partners help provide payment services, shopping, third party services, home services, and even government services such as offering an electronic ID system and applying for a visa. These services help enhance user experience and increase customer stickiness to the platform. In addition, the comprehensive services WeChat offers allows the superapp to gather ample information about its customers and their preferences. WeChat then partners with professional marketing services to send tailored advertisements to customers, which is the primary source of its income.



Fig. 1. The WeChat Ecosystem

Source: *The WeChat ecosystem business models*. The Value Engineers [26]

4.2 Timeline

How did WeChat become a Superapp? When were each key function added and for what purpose? This section reviews the timeline of WeChat’s key development and the added value of each additional product [27-28].

- 2011: WeChat 1.0 was launched and a trademark was registered. This version supports importing existing contact information through QQ account, but only has simple functions such as instant messaging, sharing photo and changing avatars.
- 2011-2012: WeChat 2.0-Wechat 4.0 were subsequently released. The three key functions introduced in this period are voice message (a Talkbox), the “meeting new people nearby” function, and photo sharing. These functions significantly increased the customer base. It has also expanded its service to Hong Kong, Macao, Taiwan, the U.S., and Japan. In this stage, Wechat still stays as primarily a social media app.
- 2013: Wechat 5.0 was launched. Two key functions were introduced this year: the “scanning” function, which allows users to scan barcodes and translations, and the “location and navigation” function, which allows users to search stores and events nearby.
- 2014-2015: The WeChat pay function was formally launched. Users can send “red packets” to others, which become very popular on holidays or special occasions. The Didi ride-hailing service was integrated into the platform.
- 2016-2017: WeChat “mini programs” were launched. These programs provide advanced features to users such as e-commerce, task management, coupons and others. For example, JD.com, a major B2C e-commerce platform in China, has developed a mini program on WeChat, through which WeChat users could buy goods. These programs usually run fast and smoothly as they are completely built within WeChat. The Game function was also introduced at this time.
- 2017-present: additional functions were introduced, such as “WeChat coins”, a type of digital currency that could be used to pay for virtual gifts introduced by livestreamers.

4.3 Risks and Controversial Practices

As discussed in section 3, superapps in emerging markets are subject to less regulatory risks compared to platforms in developed countries. This section reviews some of the controversial practices WeChat is alleged to have engaged in, including aggressive collection of user data and inappropriate competition behaviors.

An area of controversial practice for many platforms is the collection of user data. In October 2021, for example, some users accused WeChat of scanning, extracting and recording user photos from the back end without their consent^[29]. This action was repeated every few hours. The company responds by saying that doing so allows app developers to develop capabilities around the photo function and provide timely updates. It also emphasizes that these procedures are done locally and will be removed from more recent versions of the app.

As with most platforms, WeChat can access phone calls, text messages, and use location to determine a user's location. This raises concerns that WeChat makes users vulnerable to surveillance, especially if they are based in countries with internet restrictions. Moreover, text messages, message photos, and videos sent by WeChat all go through servers located in mainland China; as a result, user messages are easily monitored.

Another area of controversy is unfair competition. Tencent is one of the three major Internet companies in mainland China (the other two being Baidu and Alibaba) and has large market power. WeChat, as a Tencent-owned product, has sparked widespread controversy over its alleged unfair competition against other companies. For example, WeChat has banned Kuaidi and Uber's content on the grounds of "avoiding mis-shared information", for both Kuaidi and Uber are ride-hailing services offered by Tencent's competitors. By contrast, Wechat never banned the Tencent-sponsored Didi from posting the same content^[30]. Similarly, WeChat enforced different rules on contents from TaoBao (an e-commerce platform under Alibaba) and JD.com to retaliate against actions from these competitor companies. These actions, while immediately beneficial to WeChat, impose reputational risks on WeChat over the long term.

5 Conclusions

This paper introduces superapp as a rising concept and phenomenon. It discusses possible reasons for superapp formations by drawing insights from the diversification literature and applying them to platforms. It also proposes four broad theories for why superapps are more common in emerging economies in the Global South compared to developed countries, from the perspective of users, platform owners, regulations and learning and innovation. Finally, the paper discusses WeChat as an example of a superapp. Both the conceptual discussion and the case show that emerging market platforms benefit more from adding additional services to its core function because (1) consumers are stickier to the first platform they adopt; (2) platform benefits from the scaling of user data; (3) regulations are less strict; (4) higher degrees of market failures in the Global South indicates greater demand for those additional services that can be easily solved through expanding the scope of the platform (i.e. becoming an superapp).

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