

Messaging Apps on the Rise

A unique App distribution way rooted in Asian Life

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Appier

The popularity of messaging Apps in East Asia is astounding. Tencent's WeChat from China, NHN Naver's Line from Japan, and KakaoTalk from Korea are all rapidly growing their user base and monetization services to build a loyal community around their social platform, alarmingly encroaching upon Facebook and Whatsapp's presence in East Asia. They present tremendous monetization opportunities for App developers beyond the conventional mobile ad placement model. For many Asian smartphone users, their entire social network is embedded on messaging Apps, and paired with the phenomenon that enables users to have adorable avatars and express their feelings through dynamic emoticons, messaging Apps have become extremely successful and sticky. Messaging social platforms have designed in-App purchases, incentivized rewards, and an advantageous revenue sharing model with games into their business models. Inexorably, they have extended into affiliate marketing and games to become a tight social platform, and have unleashed a plethora of business opportunities for many App developers.

The Prevailing Forces



LINE

Currently, Line has grown to about 100 million users worldwide in just a year and a half since its launch, with 32 million daily active users and 72 million monthly active users. With a strong base in Japan, Line has a 30% market penetration of all smartphone users in Japan. Line makes money primarily from emoji-stickers and in August 2012, revenue stream from stickers reached as high as \$3 million. Line also recently launched Line POP, a game that has achieved a total of 1.75 million downloads and \$1 million in revenue in the first 12 days. In the near future, Line plans to incorporate more digital games for monetization.



KakaoTalk

The latest data shows KakaoTalk boasting 75 million users with more than half in South Korea. KakaoTalk sells digital goods such as emoticons, stickers, and themes on its platform provided by outside vendors. Recently, the company has also incorporated e-commerce features that enable users to send discounted vouchers or coupons to their friends. Kate Sohn, Vice President of Global Business Development, is aggressively opening up the KakaoTalk platform to third party providers to create profit together. KakaoTalk has officially announced its partnership with Indonesia's biggest telecommunications company, Telkomsel, to let users purchase digital items via carrier billing.














WeChat









At 300 million users and with its recent launch for the Blackberry platform, Tencent's WeChat is projected to grow to 400 million users within the next three years. Compared to Line and KakaoTalk, WeChat is more focused on growing its user base; however, it is crucial to note that within the next few months, WeChat will integrate third party payment services to make money from retailers and encourage third party vendors to run ads on the platform. Tencent's upcoming Wechat digital game center and social game integration will also provide significant revenue streams beyond the Chinese market.

Digging Deeper into the Success

So why are these Asian messaging Apps so popular and sticky and able to continuously generate significant revenue streams? There are a few fundamental reasons as to why these social media giants are growing so rapidly and gaining such a loyal user base. Let's take a look at some important features across these messaging platforms and see if we can glean some important insights:

	WhatsApp	Line	WeChat	KakaoTalk
Emoticons & Stickers	★★ Basic set of emoticons	★★★★★ Stickers – Manga-like characters: <ul style="list-style-type: none">• Cony (rabbit)• Brown (bear)• Moon (bald man)• James (blonde hair) Updates accordingly with holidays	★★★★ Basic set of emoticons Special set of stickers can be downloaded from online catalogue	★★★★★ Basic set of emoticons with some stickers
Location-based services	★★★★ Yes, can share location with friends	★★★★★ "Shake it" to add friends next to you	★★★★★★ "Shake" lets you see users around your vicinity who are also shaking their phone "Look Around" lets you find people using WeChat near you	★★ None

	WhatsApp	Line	WeChat	KakaoTalk
Advanced Social Components	 None	 Has Timeline feature similar to Facebook LINE Fan page on Facebook over 40k likes LINE active dynamic blog to introduce new features and on LINE LINE CARD for users to provide personalized cards to friends and family during celebrations	 “Moments” to share photos with friends (similar to Instagram) “Drift Bottle” lets you throw a message in a bottle to users, and others can pick it up and reply Integrated with Facebook connect	 KakaoStory lets you share stories and daily updates with your Kakaotalk friends KakaoPoll lets you create a question so your friends can vote on it Kakao Album lets you create and collect photos of memorable gatherings with friends and family
Multimedia (calls, photos and video)	 No free calls, can send photos, audio, and video	 Free calls, send photos, voice messages, and video LINE CAMERA and can decorate photos with over 700 original stickers and frames LINE BRUSH to draw beautiful impressions (27 stylish brushes and 15 photo brushes)	 Video Call, voice chat, web Wechat	 Free call, group call, share photo, video, and messages
Game integration	 None	 <ul style="list-style-type: none"> • LINE Play • Paladog • IceQpick • HB Burst • Cartoon wars • PATAPOKO • LINE BUBBLE • ZOOKEEPER • Birzzle Friends • HIDDEN CATCH 	 None	 About 100 games

	WhatsApp	Line	WeChat	KakaoTalk
Platforms Supported	 <ul style="list-style-type: none"> • iPhone • Android • Blackberry • Nokia • Windows Phone • Symbian 	 <ul style="list-style-type: none"> • iPhone • Android • Windows • BlackBerry • Windows • Mac OS X • Windows8 	 <ul style="list-style-type: none"> • iPhone • Android • Windows Phone • Symbian keyboard • Symbian Touch • Blackberry 5.0 • Blackberry 6.0 	 <ul style="list-style-type: none"> • iPhone • Android • Blackberry • Bada • WP
Primary Traffic	 <p>North & South America, Europe region</p>	 <p>Japan, Southeast Asia (exc. South Korea), and growing rapidly in Latin America</p>	 <p>South Korea, with plans to expand in Southeast Asia</p>	 <p>China, with overseas Chinese population adopting quickly</p>

Features are Right on the Money

Stickers and Emoticons

To extract insights from the table, the core reason for Asian messaging Apps' stickiness is the vendors' ability to make the social networking experience as vibrant as possible, tapping into the Asian affinity for emoticons, avatars, and a rich multimedia experience. Whether it's a large teddy bear that winks or a bald man that has sparkling eyes, there is something about cute stickers that really capture the hearts of the typical Asian consumer, especially the female customer segment. Line truly has done this well. Their "stickers" have personalities based on manga and stories and when users send them, they are a lot more expressive than simple emoji. The importance of endearing animations is so ingrained in East Asian culture that many are willing to spend money on purchasing stickers for \$1.99 for a bundle. Line on average absorbs about \$3 million worth of emoticons every month, and this has pushed many developers to make and sell their own branded emoticons and accept a revenue split with Line. Line launched its own Sticker Shop in April 2012, and Sticker Shop became the App that collected the most revenue from Taiwan and Thailand, and second most in Japan. NHN is also planning to hire more talented cartoonists to create more exclusive designs beyond the Bear, Bunny, Moon, and James stickers.

Profound Social Features

Furthermore, messaging Apps in East Asia provide a more complete social networking experience than many of its rivals such as WhatsApp. With rich features such as free voice calls, video chats, integration with social networking sites, and animated emoticons all integrated on one platform,

users can benefit more from a comprehensive, animated, and expressive social experience. To some extent, messaging Apps in Asia are like Facebook amplified to a deeper and richer level. Take Tencent's WeChat for example. WeChat has integrated with QQ Messenger and created a new feature called Moments, similar to Instagram. Moments is a photo-sharing element that enables people on the user's contact list to comment on uploaded pictures. Similar to Facebook's feature of adding new friends, WeChat has a Look Around feature that lists all the users that are also looking for people, sorted by distance. Another unique WeChat feature is the Drift Bottle, where users can send a message in a bottle to the sea of WeChat users and another user can pick up the message and respond at his or her discretion. Both Kakaotalk and WeChat have also microblogging capabilities for users to have synchronous communication, ultimately making these Apps a complete "real-time" web experience for their users. Furthermore, these social messaging platforms have endorsed celebrity accounts, similar to Facebook Fan pages, to capitalize on star-struck teens and Asians' devotion for pop culture. To further capitalize on these social integration components, messaging App giants have embraced gaming and monetization opportunities (own brand or affiliated) on their platforms to build a profitable business model.

Lucrative Business Model

Game Integration

From the comparison chart above, we see that both Line and Kakaotalk have truly invested in social gaming. In the realm of games, both KakaoTalk and Line are dominating charts with their games and effectively utilizing their platform to cross promote their games. NHN and Line have appeared in 5 out of 8 charts in App Annie's Publisher and Apps leaderboards charts in December 2012. In addition, according to Applyzer March 2013 data, in Japan's IOS App store, Line dominates the charts with Line, Line Bubble, and Line on the Top 10 chart. KakaoTalk is also a force to be reckoned with. In Korea, according to March 2013 Applyzer data, six KakaoTalk titles are placed within Top 10 for top grossing IOS rankings. Correspondingly, App Annie's Top Game Apps by Monthly Revenues in December 2012 also show Dragon Flight for Kakao, 아이러브커피 for Kakao, and Aenipang for Kakao to be holding 2nd, 7th, and 9th place respectively. The ability to play casual games with friends and chat with them instantly has made these Apps extremely addicting.

E-Commerce and Brand Marketing

Moreover, these social media forces are securing additional revenue beyond publishing games in affiliate marketing and digital goods. KakaoTalk sells digital items such as stickers and emoticons for users to send to their friends, and has also partnered up with over 320 brands to enable friends

to redeem “gifts” at corresponding merchants sent by other users. In late 2012, KakaoTalk also launched an online electronic and music shop called Kakao Page to allow musicians and artists to sell music videos and digital books to users. Kakao Page is the world’s first mobile distribution platform for the production and marketing of indie digital content. Line and WeChat have also garnered up tremendous support from brand partnerships for mobile ads and opt-in marketing. Large companies such as Coca Cola have opened up Line accounts for branded promotions and emoticons. Even Nike in China launched its first marketing campaign on WeChat, asserting that WeChat is the ideal place for Nike to deepen connection with customers for widespread broadcasting and intimate one-on-one conversations with customers. WeChat was selected because of its market penetration with China’s youth demographic segment, and Nike will integrate QR codes in public places to have WeChat users subscribe to their Nike account. Inevitably, the possibilities for third party partnerships and social messaging Apps are endless with a devoted growing user base.

Going forward, it would be very interesting to see how the corporate strategies of these messaging Apps pan out for battleground, especially with the recent launch of Facebook Messenger’s attempt to break into this realm. The success of these messaging Apps will be dependent on their underlying social and gaming features, but probably even more so on their ability to continuously innovate and capture more market share across the Asia and eventually across the globe, leveraging their core business strengths. Line has released Line for Kids to tap into another demographics segment; WeChat has a heatmap strategy for expanding in Asia, and KakaoTalk is making significant revenue strides from its e-commerce center. As App developers, if you can place yourself at the optimal time and place to formulate business relationships with these messaging Apps, you can indeed get a taste of this lucrative pie for true business results!