

Research on the Development of WeChat Channels under the Background of Short Video

Linwei Chen^{1, *, †}, Yi Yin^{2, †}, Yanjin Zhu^{3, †}

¹Management School, Queen's University Belfast, Northern Ireland, United Kingdom

²Rosedale Global High School, Ontario, Canada

³Department of Psychology, University of British Columbia, Vancouver, Canada

*Corresponding author: lchen19@qub.ac.uk

†These authors contributed equally

Abstract. The improvement of 5G network speed has laid the foundation for the generation of short video platforms. With the help of big data, short videos can be more accurate to push the content of interest to customers. As a veteran Chinese Internet giant Tencent, in order to cater to today's fast-rising short video market, Tencent launched "WeChat Channels" to participate in the competition in the short video market. In just two years, the latest data shows that Tencent's WeChat Channel has been able to compete with Tiktok and Kwai. The authors have studied and discussed why the Tencent WeChat Channels can grow so fast in such a short period of time, and what are the implications for those who want to join the industry later. The authors analyze the business model of Wechat Channels through the network effect of short video platforms and positive feedback loops, use SWOT to analyze the competitiveness of WeChat Channels, and analyze the differentiation strategies. Through research, the authors found that the WeChat Channels itself is in the powerful online communication platform "WeChat" ecology, and the natural customer acquisition channel enables the Wechat Channels to quickly complete the original accumulation of basic customers in the early stage, and the unique push mechanism within the circle of friends allows Video account customer stickiness and higher video quality. Therefore, these two important factors have led to the result that the video account has gradually formed its own closed-loop live broadcast business.

Keywords: Wechat Channels, Short video platform, Big data, Competitive strategy, Positive feedback

1. Introduction

Since Tiktok and Kwai sounded the first trumpet, the entire market has begun a phase of savage growth. Major manufacturers have developed their own belonging to the short video platform scene. The increase in 4G and 5G network speeds has laid the foundation for creating short-video platforms, while the birth of short-video algorithms has also prompted people to change from active search types to passive search types. With the aid of big data, counted videos can more accurately push the content of interest to customers. Tencent is also launching its exclusive product for this market, WeChat Channel, which is used to compete with the market. However, for the short video market, Tencent is only starting to implement it in 2020. Tencent has completed the accumulation of raw traffic through its original strong WeChat Channels ecological base and its huge DAU. Still, these few conditions alone are not enough to achieve the video number to become one of the three dominant players that will later take over. However, according to the White Paper on the Development of Video Numbers in the First Half of 2021 released by the View light Institute, as of June 2021, the number of daily active users of WeChat Channels reached 300 million, and the total number of video numbers exceeded 30 million [1]. Figure 1 shows that the average daily usage time was nearly 20 minutes. WeChat Channels have become an essential node in WeChat Channels' e-commerce strategy.

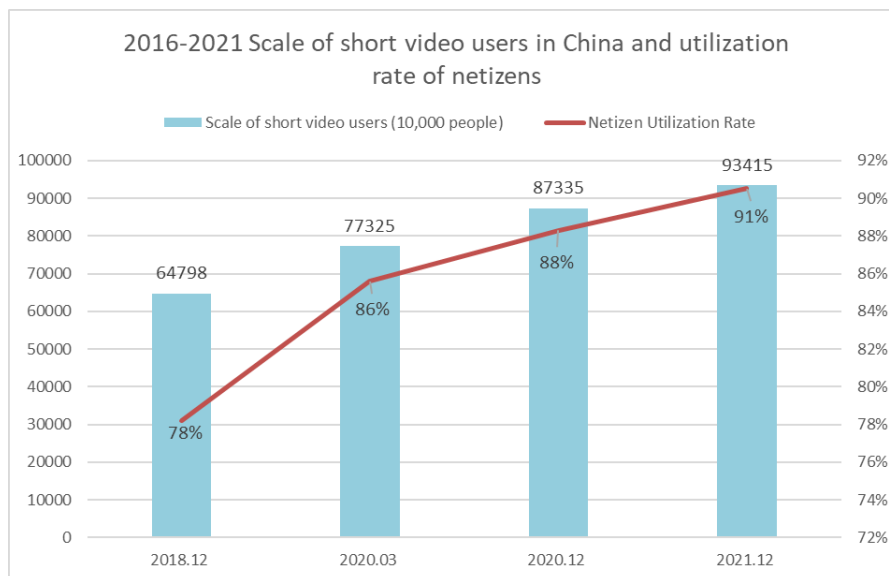


Figure 1. 2016-2021 Scale of short video users in China and utilization rate of netizens [2]

2. WeChat Channels' Development History

As the last product of Tencent to catch the short video train, from the launch of Weishi in September 2013 to the addition of the "Moment Video" function in WeChat Channels version 7.0 in December 2018, Tencent has not made any major moves to expand in this field in the short video era. With the rise of short video platforms such as Tiktok and Kwai, Tencent used its powerful WeChat Channels platform to launch "WeChat Channels." in January 2020. This also completes Tencent's ecological needs for short video streams, pan-entertainment short videos, and live streaming. Before 2020, WeChat Channels's main competition for content creation products had been public numbers and small programs that pushed out articles, but the single content created limited the richness of the content. Therefore, the father of WeChat Channels, Zhang Xiaolong, announced and hinted at a video strategy at the 2020 Channels Open Class and soon began internal testing.

2.1 Phase 1: Early Stages of Development (January 2020)

In the initial phase, users can post short videos of less than 60s or nine still images, presented as a "single column stream," similar to a circle of friends. During this period, the WeChat Channels measured the recommendation mechanism for the initial customers and completed interaction tests with different product feedback samples to further define the product positioning. In the early stage, the WeChat Channels did not enter the public eye quickly due to the limited time length and the low number of customers, and it only just supported the sharing of group chats and friend circles [3].

2.2 Phase 2: Product Upgrade and Polishing Phase (June 2020 - October 2020)

In June 2020, the basic product structure of the WeChat Channels gradually matured. For example, the WeChat Channels underwent a major revamp. The top-level UI design adds four major information streams: Follow, Friends Like, Popular, and Nearby, further differentiating the information streams and establishing a push mechanism based on circle information streams. In addition, the function of mutual @ was added, further optimising the user interaction experience. In July 2020, the version upgrade added a "floating comment" and pause functions. This makes the WeChat Channels closer to the short video application platform and improves the user experience. The sub-item function was also optimized to support the sharing of friends in the form of cards. In August, the WeChat Channels assistant was tested, adding "private messages" and private account functions. In September 2020, "WeChat Channels. Promotion" will be launched, and "WeChat Channels. Assistant" will be fully opened on the PC side. In August, the WeChat Channels assistant was tested, adding "private messages" and private account functions. In September, "WeChat

Channels. Promotion" will be launched and "WeChat Channels. Assistant" will be fully opened on the PC side.

2.3 Phase 3 Commercial Release Period (October 2020 - December 2020)

After the initial internal testing of the live broadcast of the WeChat Channels in September 2020, the small shop was opened in October, supporting long videos of up to 30 minutes. The public number supported the insertion of WeChat Channels dynamics, and the "WeChat Channels assistant" data center was launched. After the above series of operations, the WeChat Channels gradually released the white list. WeChat Channel started commercial realization, and realized the interoperability of the whole Channels ecology, such as public numbers, circle of friends, and small programs. These ever-improving ecologies have led to a surge in customer usage.

2.4 Phase 4: Perfection and Gradual Maturity Stage (December 2020 - present)

By the end of 2020, the number of WeChat Channels exceeded 30 million, and in January 2021, the WeChat Channels carried out a multi-strategy layout. WeChat has adopted a variety of marketing strategies, such as shooting WeChat Channels during the Spring Festival to get Channels personal red envelope, the interactive Spring Festival Gala, and the launch of the "Light 2021" WeChat Channels wishing function in February. More than 18 million people made a wish, and almost 100 million people liked the campaign during the live broadcast, helping to boost the marketing of WeChat Channels [3]. In order to have a clearer understanding of the development of the video number, the author has created a mind map, please see Figure 2.

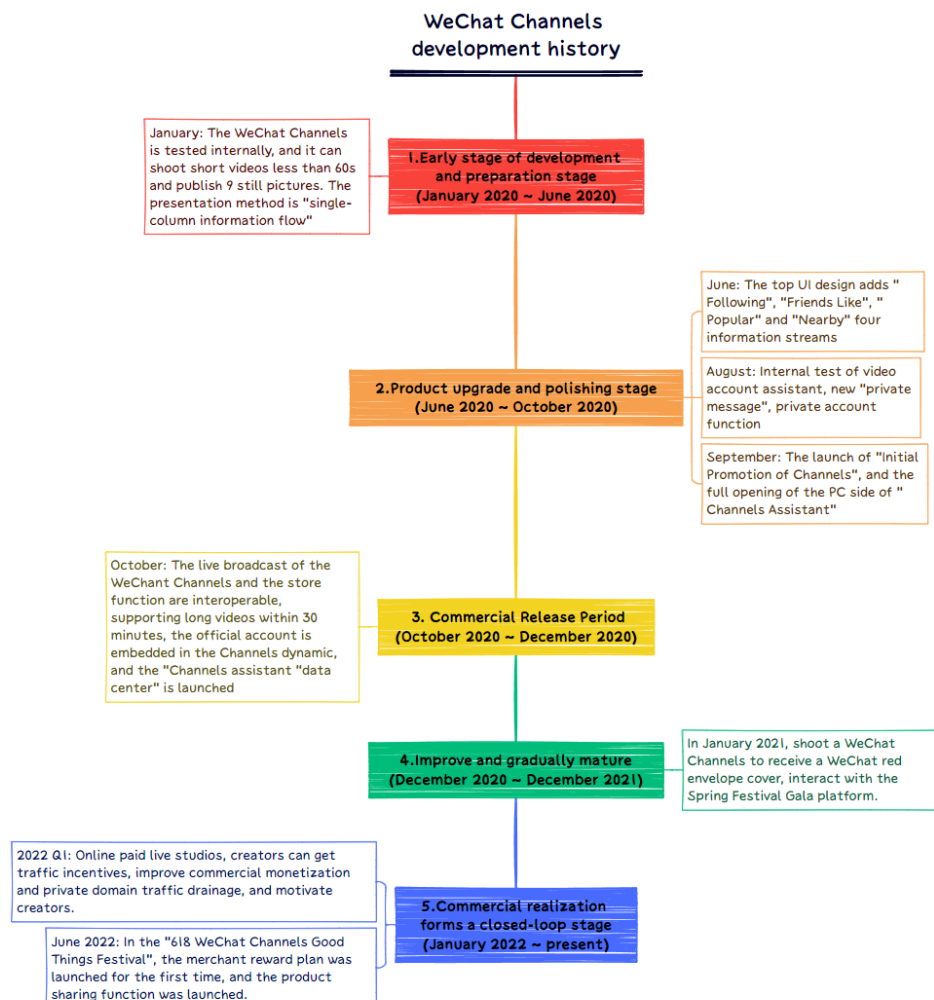


Figure 2. WeChat Channels development history (Photo Credit: Original)

3. Competitive Analysis of WeChat Channels

3.1 Strengths of WeChat Channels

3.1.1 Particular algorithm

Although TikTok has set a precedent in recommendation algorithms, Channels' adoption of the "acquaintance social group + recommendation algorithm" makes it unique in the field of short videos. Social interaction with acquaintances is defined as the publisher's video being watched by WeChat friends at first, and then by their friends through their giving thumbs up and commenting [4]. All these only operate in WeChat contacts and propagate in long chains. Also, the videos and posts are sometimes displayed in subscriptions, which increases the publisher's exposure. Channels' better utility of private traffic than TikTok and Kwai keeps users and enhances their relationships. In terms of the recommendation algorithm that is the same as other short video applications (e.g., TikTok), pushing the publisher's content to users who like makes him/her gain more fans and affection in the public traffic.

3.1.2 Closed Loop of Private Traffic and Public Traffic

Due to the unique algorithm mentioned above, general users can effortlessly acquire private traffic that is likes and comments from WeChat friends, while being pushed to the audiences in the public traffic. For social media influencers and enterprise accounts, they directly put WeChat store links, official accounts, mini programs, and Wacom's QR codes in videos and live streams for convenient continuous communications and retain clients, rather than driving the followers and traffic from TikTok or Kwai to WeChat for further communications. All clients draw from the public traffic, interactions and transactions in the private traffic are only completed in one application, WeChat. The combination of Channels and WeChat's various functions makes users gain purer traffic [5]. It creates a high conversion rate of customers in videos and live streams meaning that individuals who have browsed videos and live streams more tend to purchase products and services.

3.2 Weaknesses of WeChat Channels

The content of Channels is monotonous and not diverse. It lacks various eye-catching videos like TikTok and Kwai. According to the 2021 TikTok Universal Knowledge Content Report, life skills, popular science, workplace, and humanities and arts are the most popular among TikTok users [6]. The data from Shideng shows that life, affection, and news are the most popular among Channels users in 2021 [1]. The figures illustrate that Channels should strengthen the areas of the workplace, popular science, and humanities and arts. So, Channels should find a way to maintain its own universality and attract more diverse creators at the same time. Additionally, Channels is only a "second TikTok" for several bloggers from other short video platforms [5]. For them, moving works from TikTok or Kwai to Channels is for obtaining more exposure and traffic, but they gain private traffic in fact. Relying on private traffic cannot increase their exposure, which is superfluous. Thus, Channels should consider the method that how they seek more benefits for creators and enterprises without changing their marketing position.

3.3 Opportunities of Channels

TikTok and Kwai have occupied large markets in the aspects of live commerce in the short video field. However, Channels could get a capital bonus through paid live webcasts [3]. For instance, Channels first rolled out paid live streaming which is an NBA competition in Tencent live webcast. Users must pay 90 WeChat Dou after watching 3 minutes [7]. In addition, Channels can take advantage of the deep cultural atmosphere in the current community to launch paid live streams about education [3].

3.4 Threats to Channels

WeChat Channels' competition with TikTok and Kwai has formed a "three competing for supremacy" in the field of short videos. Even though Channels as an up-and-comer has acquired excellent performance, TikTok and Kwai are not crushed by it. Kwai was listed on Hong Kong Exchanges and Clearing Limited in 2021. According to IRIndex, TikTok ranked second in the number of independent devices in August 2022, just behind WeChat [8]. The data illustrate threats of TikTok and Kwai to status of Channels.

4. Differentiation Strategies Adopted by Channels

4.1 Platform Integration

Internally, its links with mini-programs, official accounts, and WeChat Stores, etc. form a strong WeChat business ecosystem. Externally, its contracts with e-commerce platforms with Jingdong (JD), Vipshop, and Dangdang initiate competencies in terms of selling with TikTok and Kwai, which further stabilizes its position of commercialization [9]. Especially with JD, Channels's merchants can pick the JD products they want by Jingtuitui and link them to the videos [10]. For example, in this year's "618 events," JD participated in Channels' live streaming. On the 17th, JD live broadcasted Jane Zhang and other singers in "JD Concert at 8 pm," which attracted many viewers. They put links in their webcast so they invisibly realized the purpose of selling goods [9]. Channels remedy its own shortage of live commerce and gain more resources of merchandise through cooperation with external e-commerce platforms. In addition, JD as a high-quality platform offers lots of professional live streamers and valuable resources for Channels.

4.2 Relatively Open

Even though Channels has the advantage of private traffic, it does not mean it is not enclosed. Channels' corporations with merchant service companies (I.e., AllValue), brand partners (I.e., Watsons), and e-commerce platforms (I.e., JD) that are the third platforms gather all resources, which leads to creating a positive network effect. The huge WeChat user base attracts a variety of merchants, while the full range of goods and services attracts multiple users. They can not only interact with intimate WeChat friends but also communicate with strangers because of the public traffic under the "recommendation" algorithm.

5. The Business Model of WeChat Channels

5.1 Platform Properties

5.1.1 Provide a platform for interaction between external suppliers and customers

Different from the unilateral nature of the pipeline model where the manufacturer sells to the supplier, the supplier sells to the merchant, and the customer buys from the merchant, the Wechat Channels has multiple participants. The participants of the Wechat Channels include ordinary users, customers, businesses and enterprises, and third-party service platforms, such as JD.com, Youzan, WeChat applet, etc., which are the so-called external suppliers. Ordinary users only browse videos and do not use WeChat Channels as a tool to make money. Merchants and enterprises obtain benefits through Wechat Channels, and external suppliers provide supplementary services for more efficient and convenient transactions between the two parties. For example, JD.com acts as a back-end platform for merchants to sell products.

5.1.2 Wechat Channels as a platform has its governance rules

By formulating and continuously improving operation specifications, and live broadcast behavior norms, Wechat Channels showcase delivery rules, pricing strategies, etc. The WeChat Channels

constraints and manages platform participants, creating a healthy, positive and standardized short video environment, for example, adding live broadcast administrators to supervise.

5.1.3 Wechat Channels create value through participant interaction

Ordinary users browse other publishers' videos through fragmented time to obtain temporary pleasure; friends like and comment to enhance each other's feelings. These are emotional values. Users purchase goods and services through the links between videos and live broadcasts [11]. Through the equal exchange, both parties get the value they want, users buy their favorite products, and companies and brands increase sales and increase their popularity.

5.2 Network Effects

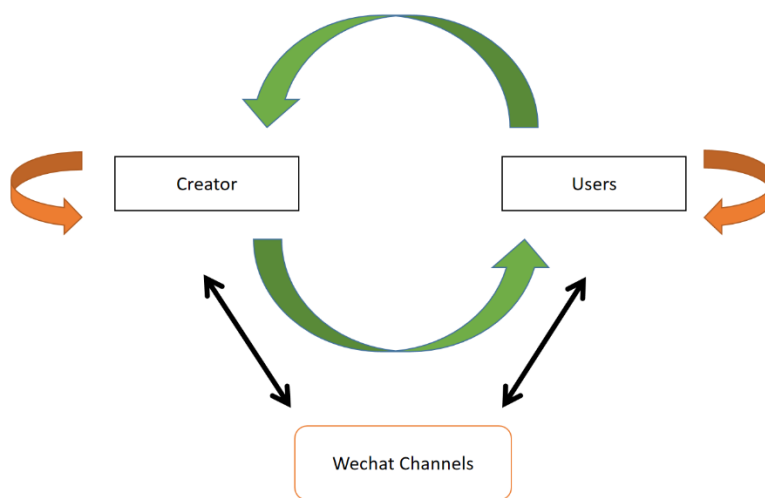


Figure 3. The Network Effects of WeChat Channels (Photo Credit: Original)

5.2.1 Same side network effects

The increase in creators will enrich the content of video output, provide more topics and tracks for creators to choose from, and form a positive impact to attract more new creators to stay. Moreover, the Wechat Channels is different from the high-quality video output of Tiktok professionals. The most popular videos in the video account are life, news, funny, emotional and other topics close to life, which are more suitable for newcomers to settle in and create their own private domain traffic [1]. The increase in creators will also increase internal competition, prompting some low-quality and commercial creators to withdraw from the platform. The short video platform based on WeChat customers already has a very large user base. In addition to other creators from mature short video platforms, some people who enter the platform competition will naturally be eliminated, and there is no motivation to continue to update. But on the other hand, this also further improves the overall quality of the platform video. There are also a lot of creators who are popular because of their video accounts, such as Brother Chi Hong, Wen Xiaolue, etc [6]. These are all life bloggers who are tepid on other platforms, which also shows that the WeChat Channels are still very popular for newcomers. It is in the bonus period, and it has gradually formed a short video platform label focusing on life. Figure 3 shows that the increase in users, in terms of the same-side effect, will lead to more users, because more DAUs will generate more data traffic, and this data can lead the video content more accurate to users, improving user experience and allowing users to recommend to other friends. fission, forming a positive cycle.

5.2.2 Cross side network effects

For short video platforms built on the basis of network effects, it should be the cross-side network effect of the platform that is more prominent. The increase in creators will lead to more high-quality and diversified video content, which can effectively attract more users to enter the video account for browsing, and high-quality videos can also be forwarded and shared through WeChat's own ecosystem, resulting in faster fission, so that the basic users have been further increased. The increase

in browsing users, on the one hand, is the basis for attracting more creators to settle in, and the increase in traffic can make the algorithm recommendation more accurate, upgrade the user experience. At the same time increases the exposure rate of creators. On the other hand, more content consumers also mean more monetization space, which promotes the further entry of creators, and the original WeChat payment ecosystem also provides a strong foundation for the future business closed loop [3].

5.2.3 Positive feedback

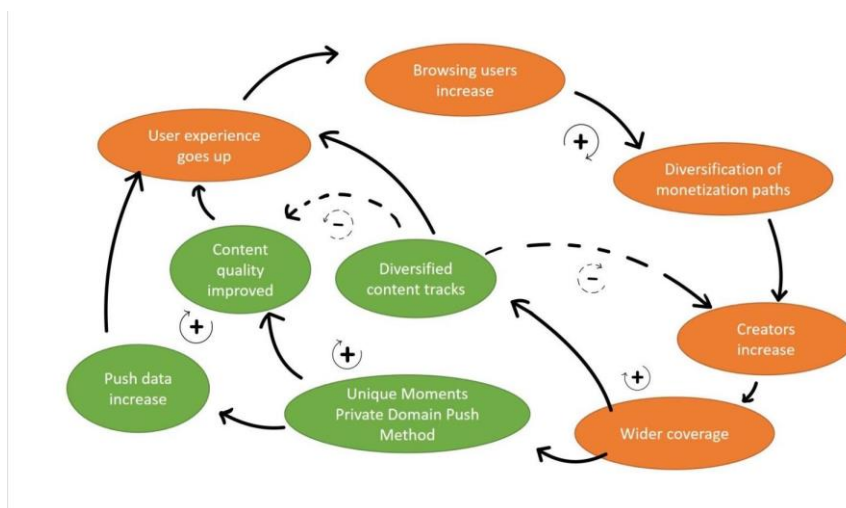


Figure 4. WeChat Channels positive feedback loop (Photo Credit: Original)

As shown in Figure 4, the increase in browsing customers has laid a solid foundation for the realization of diversified monetization channels, thereby attracting more creators to settle in. More creators have settled in, which also makes the content coverage of the WeChat Channels wider. On the one hand, the diversification of content tracks can provide creators with enough creative space, and also provide more choices for browsing users, which initially improves the user experience. On the other hand, the unique social relationship-based moments push diffusion method will make the push data more accurate, and the mechanism of likes and pushes among friends will further improve the content quality, and ultimately improve the user experience. The user experience has improved. Relying on the original WeChat ecosystem, it is more convenient for users to forward or share high-quality high-quality short videos to further complete the fission and form a positive closed loop.

6. Conclusion

In the early stage of WeChat Channels development, the huge number of original customer bases and the blessing of the WeChat ecological platform enabled the Channels to rapidly accumulate original customers in the early stage of development. In the middle stage of development, the unique push mechanism and the platform-specific features originally built on Moments have made the number of daily active customers increase exponentially. In addition, the shooting is designed for recording life is easier to use than Tiktok Kwai, and further enabling more creators to enter the platform for video creation.

Among them, the integration of public and private domains makes it easier to acquire customers, and the sharing mechanism of the original ecology of WeChat is more interactive, which is relatively friendly to new creators and promotes the provision of more high-quality videos. In the later stage of development, Wechat Channels strives to form a closed business loop and launches the online live broadcast selling function. The creator and the company themselves create profits and promote the company's development.

While completing the business closed loop, fission is carried out through different windows that come with WeChat itself, such as the official account. The WeChat Channels optimize the product

operation steps, further increase the number of customers in the live broadcast room, provide profit margins for creators, and attract more creators.

For the future development of the Wechat Channels, the authors suggest that it should start by consolidating the original traffic and expanding outward. In the soon-to-be-completely competitive market, it will form its unique label. In the future, more companies can be introduced to the use of Wechat Channels as a tool for operating and promoting themselves, helping companies and brands to innovate more, realize more possibilities, and improve the overall customer experience. Wechat Channels can sign cooperation agreements with different official e-commerce platforms, and further consolidate the road to commercialization through platform effects. In the end, the unique Moments push mechanism can also further optimize and form a unique high-quality video-sharing community, allowing friends of the same frequency to increase more interaction, creating a high-quality short video platform integrating social, learning, high-end, and life.

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