Super Apps: How to Create a Mass Market of One

By targeting each customer as a single market, super apps build a business model that is transforming lives in emerging markets.

For the average smartphone user in China, it is hard to imagine life without the country's super apps, the juggernauts of the mobile realm that offer online messaging, social media, marketplaces and services under one umbrella. From messaging friends, ordering food delivery, booking a taxi, shopping or banking online, even giving a virtual *hong bao* or red packet, urban Chinese need only tap on **WeChat**, Alipay or Meituan-Dianping. WeChat, in particular, has been dubbed the "King of Super Apps" after it introduced a payment function in 2013 and has progressively added a multitude of functions, including gaming and publishing. More than one billion people now use the Tencent-owned app at least once a month.

Little wonder than that the super app business model is being embraced by unicorns in other emerging markets. In Southeast Asia, Singapore-based Grab and Indonesia's Gojek are competing to emulate WeChat's dominance in China with a growing menu of services. LINE, the messaging service born during Japan's 2011 tsunami disaster and now popular in markets like Taiwan and Thailand, is taking a page from WeChat's playbook by adding food delivery, taxi and payment services. In South America, Brazil's iFood and Colombia's Rappi are jostling for top billing. Since 2018, each of these start-ups has secured funding of between **US$500 million (iFood)** and nearly **US$1.5 billion (Grab)** on the strength of their potential to become super apps.

In the developed markets of the United States and Europe, however, super apps are conspicuously absent. And it is unlikely they will ever make as big a difference as they do in the developing world.

Natural progression

It is not hard to see why. In mature economies, widespread internet access preceded the advent of the smartphone and its associated apps. As users migrated from personal computers to smartphones, established players like Facebook, Google and Amazon quickly shifted to mobile mode, leaving little room for start-ups to gain a foothold. Cases in point: Instagram and WhatsApp have both been acquired by Facebook; **Snap**, which owns Snapchat, is struggling to trade above its 2017 IPO price of US$17 a share.

Flip those mature-market conditions around and you will see the factors underpinning the rise of super apps in emerging economies. In fact, to start-ups in non-mature markets, the super app business model is a natural, even necessary, progression rather than an option.

The rapid increase in **smartphone and mobile**

internet penetration in emerging markets means that each year millions of potential new consumers not yet captured by existing services are online for the first time. Businesses that are able to provide these newcomers with access to goods and services through direct distribution channels will capture more customer value.

Another compelling reason for the success of super apps is the relatively low purchasing power of the average emerging market consumer. India's GDP per capita, for example, is about US$2,000 (in nominal terms), compared to US$60,000 in the US. In this context of lower spending, a single service is unlikely to generate sufficient returns or entrench the app against competition. To survive, an app needs to offer multiple services that gradually build an ecosystem around itself to increase its "stickiness" in the mass market.

Mass market of one

In traditional strategy parlance, "mass market" is the market for goods that are produced on a large scale and caters to a large number of customers. In the digital world of super apps, each user could be a "mass market" because he or she is the targeted customer of a range of services or products. We call this the "mass market of one".

To build a "mass market of one", super apps need to collect as much digital information about their customers as possible. This is used to create a "digital twin" to whom the apps can offer more value in the form of personalised services like targeted recommendations, thus deterring customers from switching to other platforms as the cost of doing so is higher.

Perhaps the only strategy that super apps can leverage to increase its stickiness to customers is a "mass market of one". But once successful, a super app not only increases its lifetime value as well as the loyalty of customers, it also builds a strong moat around its core offering, in theory lowering the pressure of competition.

Behind every successful super app

Strategy by itself, of course, is mere theory. We have identified three key implementation factors behind a super app's success in emerging markets:

1. A strong, frequent core use case

Alipay, for example, was launched in 2004 as the payment arm of Taobao, the e-commerce platform of Alibaba that was to become China's online shopping market leader only a year later. It also helped that most new Alipay users already had bank accounts, and the banks allowed Alipay to auto-debit from these accounts at zero cost. In many other emerging markets, sub-50 percent bank penetration and less thriving e-commerce platforms hinder the emergence of super apps.

In many markets, transportation and food are the most frequent use cases, which explains the amount of investment start-ups such as Grab and iFood have secured. In contrast, a company like Facebook, whose business model depends on advertising rather than transactions, faces hurdles in the form of varying payment, logistic and regulatory infrastructure across countries when they try to wade into B2C transactions. Facebook, for example, has been held back by Indian authorities from rolling out **WhatsApp Pay** until the service complies with India's data storage regulations.

2. A good payment system and **a loyalty programme**

As Alipay demonstrated almost as soon as its launch in 2004, a good payment system is critical to removing friction; without it the user cannot complete a transaction. It also helps captures transaction data that could fuel the app's evolution. An effective loyalty programme that links the app's various services, for example, by offering discounts on food delivery after spending money on taxi services, increases a customer's switching cost and thus the app's stickiness.

3. Additional relevant services often adjacent to the core use case

An ecosystem of services offered by either the app itself or its third-party partners further improves stickiness. However, apps should not stray too far from its core use case. Alipay, for instance, made several **unsuccessful forays** into social networking/chat. WeChat likewise faltered in its attempt at direct e-commerce.

Super apps have become entrenched in the life of millions in emerging markets in just a few years. As they grow in number and add new services, they have the potential to both improve lives and upend **entire sectors, such as banking**. The key to super-app success, however, is no different from that of any customer-facing business: Offer convenience and simplicity to customers. Although in this case, each customer is a mass market of one.

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