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Offensive or Conservative? Tencent Expands New Business- WeChat Channels

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Executive summary

Tencent is a world-leading Internet technology company. The video account is a new service that Tencent tried to launch on its instant messaging software in January 2020. The video account is defined as a short content platform that everyone can create. WeChat Channel is a new feature that WeChat tried to launch in January 2020. A channel is defined as a short content platform that everyone can create. The newly launched WeChat video account is different from the previous WeChat's functional modules. It uses short videos as the main carrier. People can output content through short videos, and they can also learn about other people's lives through short videos. The position of the video number is also different. Put it on the WeChat discovery page, directly below the Moments entrance. This article uses three analysis tools to analyze the WeChat Channels from the perspective of strategic analysis, and puts forward opinions on its future development. The first method is PEST, the second method uses the five forces model in this article, and the third method is a SWOT analysis.

Keywords: Strategy, Strategic management, PESTE, Porter's 5 Forces, SWOT

1 Introduction

Company Introduction

Tencent is a world-leading Internet technology company. This company has been established for 23 years and went public in Hong Kong in 2002. It is a top comprehensive Internet company in China and one of the Internet companies with the most users in the world so far. The mission and vision of this company are the user-oriented, technology for good. Tencent is a world-leading Internet technology company that provides users with a free and convenient communication tool with innovative products and services, changing people's lifestyles.

WeChat is an instant messaging software launched by Tencent on January 21, 2011. It provides functions such as a voice conversation, Moments, payment, official account, applet, and video communication. Through ten years of development, WeChat has not only successfully written texting into history, but also turned it into a way of life, a national-level product with 1.1 billion daily activities. In terms of product positioning, WeChat focuses on social interaction with acquaintances. Most of the users' friends are acquaintances, and a few are semi-acquaintances. (Tencent,2021)

The dilemma of WeChat

In order to improve its own content targeted, WeChat has been constantly creating targeted search functions, striving to become the search hegemony on the mobile side, and targeted search requires a large amount of various forms of content to carry, and there is no shortage of textual content on WeChat—2012 Many high-quality articles have been deposited in the WeChat public account launched in 1999. Short video is an important link in WeChat's missing content form, and this link is being "monopolized" by Douyin and Kuaishou. The most important thing is that WeChat does not have its own native short content ecological environment.

WeChat builds its own short video platform, mainly including the following points:

1. The embarrassing use of Weishi-its own short video products failed to resist the courtesy of the short video track and Douyin;
2. Douyin's aggressiveness-Byte's social ambitions are known to everyone;
3. WeChat urgently needs growth points-WeChat official accounts have entered a period of

decline in stock after years of development;

Against this background, WeChat must and indeed must rise to the challenge and take the initiative to take over this tough battle.

WeChat's breaking tricks

The Channels are a new feature that WeChat tried to launch in January 2020. The Channels are defined as a short content platform that everyone can create. The newly launched WeChat video account is different from the previous function modules of WeChat. It uses short videos as the main carrier. People can use short videos to output content, and they can also use short videos to understand other people's lives. The location of the video number is also different. It is placed on the discovery page of WeChat, just below the entrance to the Moments of Friends.

The content of the Channels is mainly pictures and videos. You can publish videos no more than 1 minute in length, or no more than 9 pictures. You can also bring text and links to official account articles, and you don't need a PC backend, and you can directly on your mobile phone. Just like the classic Moments function, the video number can also be shared between friends and can be shared with group chats. People express their identification with the video content in the form of likes, comments, and posts.

Doubt

So the question is, why does Tencent launch the Channels business? Why does Tencent want to join this competition when Douyin and Kuaishou are already leading enough in the field of short video? What is the role and impact of launching a Channels from a strategic point of view? What is the future development direction of the Channels?

Next, we will start the analysis.

2 Theory Review

Before starting the analysis, clarify the following definitions.

2.1 Strategy

(1) In 1962, American management scientist Chandler defined strategy as "determining the long-term basic goals and objectives of the enterprise, and choosing the path that the enterprise follows to achieve these goals in the book "Strategy and Structure: A Study of the History of Industrial Enterprises". And to manage the important resources of the enterprise in order to achieve these goals and ways."(Chandler A,1962)

(2) In 1965, Igor Ansoff published the book "Corporate Strategy", which was regarded as the starting point of modern strategic management research. In the book, he divides corporate strategy into two categories: overall corporate strategy and competitive strategy.(Ansoff H I,1965)

(3)In his book "A Concept of Corporate Strategy" published in 1971, Harvard Business School professor Andrews defined strategy as a way from A to B, that means there is a match between what can do and what might do.The so-called "can do" refers to the opportunities and threats provided by the environment, and "can do" refers to the company's strengths and weaknesses.(Andrews K R,1971)

2.2 Strategic Management

(1) Ansoff scholars published a book in 1979, the name of this book is "Strategic Management". The great thing about this book is that its publication marks the birth of a modern strategic management theoretical system. In this book, Ansoff expounded on the specific model of strategic management, thinking that it covers eight elements including the external environment.(Channon D F,1979)

(2)In 1995, David J. Collins and Cynthia A. Montgomery published "Resource Competition: Strategies in the 1990s" in the Harvard Business Review. They believed that the most important function of an enterprise is to allocate resources. The most important role of corporate strategy is to cultivate strategic resources, and to optimize the allocation and use of strategic resources. Therefore, the difference in the ability of enterprises to cultivate and allocate strategic resources constitutes the

source of enterprise competitive advantages.(Collis D J,1995)

2.3 My understanding of strategy and strategic management

(1) My understanding of strategy: Strategy is a series of comprehensive and coordinated methods and actions, which is designed to develop core competitiveness and obtain competitive advantages. Corporate strategy refers to it choosing appropriate methods and actions based on internal and external conditions and its own conditions, adopts methods that are difficult for competitors to imitate and surpass, forms its own core competitive advantage, and wins in the competition.

(2) My understanding of strategic management: Strategic management is a way, its purpose is to help companies achieve strategic goals. Specifically, strategic management involves the allocation and management of resources, the management of funds and human resources and other aspects.

3 Analysis

3.1 PEST

In 1999, Johnson·G and Scholes·K proposed the theory of PEST. The analysis method is used to organize and investigate the possible impact of the external environment.

3.1.1 Political Factors

(1) The short video industry is monitored and supervised by relevant national policies to ensure that it generates value in maintaining fairness, harmony and order in the market, promotes its healthy development, and provides value to society. For example, the state has promulgated a series of related laws and regulations to raise the barriers to entry for the short video industry, and at the same time effectively supervise its video content.

(2) The national policies, laws and regulations, and industry standards have effectively promoted the healthy development of the short video industry, benefited the green development of the short video industry, and promoted its healthy and sustainable output of social value.

(3) Units with credibility have settled on the short video platform, so that the short video situation can win the political support and trust of the government and users. For example, in China, CCTV News, the Ministry of Foreign Affairs, and the Ministry of Military Propaganda has settled on Douyin to promote major diplomatic, military, and social events.

3.1.2 Economic Factors

(1) Judging from the overall economic situation, China's economy is already the world's second largest economy. GDP per capita reached 10,000 U.S. dollars. According to relevant statistics, the per capita disposable income of residents nationwide was RMB 32,189 last year, an increase of 4.7% over 2019. China has a large population and a vast market. With economic development, people are more willing to consume.(National Bureau of Statistics,2021)

(2) The rapid development of the Internet has brought a huge group of potential users of short videos. According to relevant data, by June 2021, the number of people surfing the Internet in China exceeded 1.011 billion, which means that the penetration rate of the Internet has reached 71.6%.(CNNIC,2021)

(3) Although the mobile Internet demographic dividend has been a weakening trend, but the use of the Internet is increasing, which means that the Internet has gradually integrated into people's lives and has become an indispensable tool for daily life, work, and entertainment. Video products have greater influence in the Internet industry and show continuity. According to data from iiMedia Research, the number of short video users in China is huge. Last year it reached 700 million, and it is estimated that there will be an additional 109 million people this year.(iiMedia Research,2021)

(4) In recent years, the short video industry has developed very well. This emerging industry has been favored by the majority of users, so it has obtained good operating data and formed a complete business model. This has also made short videos very popular in the investment market. According to relevant data, the short video market will reach 140.83 billion yuan in 2020 and is expected to exceed 200 billion yuan in 2021. This fast-growing data reflects the broad development prospects.(iiMedia Research,2021)

(5) China's short video head platform has obvious advantages in user scale. According to data from iiMedia Research, 70.9% and 52.3% of interviewed Chinese short video users indicated that they have used Douyin and Kuaishou, respectively. IiMedia Consulting analysts believe that Douyin and Kuaishou have obvious top advantages in the field of short video, which is very strong competitors for WeChat Channelss. (Tencent,2021)

3.1.3 Social Factors

(1) The needs of Internet users have been changing, especially with the development and maturity of technology. When traditional pictures and text can't attract the attention of viewers, short videos, which fills the gaps in time, become hot. The pictures are lively and interesting and equipped with rich music, which brings viewers audio-visual enjoyment(Chellappa R K *et al*, 2021).

(2) Short videos satisfy the dissemination mode of fragmented information. First, short videos themselves are very short-lived. They do not refuse to use scenes and time of use. They support one-click sharing and can be shared with friends anytime and anywhere, and provide common topics for users to socialize(Kurniawati N, 2020).

(3) The biggest feature of short videos is that they are short. Therefore, based on big data, accurate recommendations can be made according to users' tastes and viewing records. There are

many types of short videos, different styles, and various forms, and users can always find what they are interested in.

(4) The user group of the Internet is not only young people, but more and more young people and old people are also joining in, which has changed the needs of users. For short video platforms, the requirements for content creation have changed accordingly. A single type of content cannot satisfy various groups and constantly changing user tastes. Therefore, it is necessary to develop various types of in-depth customization needs(Mhalla M *et al*, 2020).

3.1.4 Technological Factors

(1) Almost everyone now has smart devices. At the same time, the maturity of technology means that traffic charges are reduced, and short video, as the mainstream form of online consumption, has received technical support.

(2) The emergence of some new technologies has brought revolutionary changes, such as artificial intelligence, Internet of things, big data, virtual vision, etc., which not only changed people's lives, but also improved user experience. The short video platform relies on technology to take a personalized customization route, recommending content according to users' personalized tastes, and at the same time, beauty technology, face recognition and other technologies have brought convenience to the anchors(Chi X *et al*, 2021).

(3) With the emergence of 5G networks, the promotion of short videos has become one of the main ways of mass information dissemination. In the future, there will be 6G and 7G faster networks, and smoother network conditions will bring better user experience. The connection between the creation and viewing of short videos is more natural, and the disruptive impact of technology cannot be ignored(Pulukuri S *et al*, 2020)

(4) Network tariffs have fallen to a reasonable range. Low network fees and fast network speeds provide users with a good online experience, which is the reason why the short video industry has concentrated in the year.

3.1.6 Summary

The short video industry has very broad prospects. The industry ecology is regulated under national supervision, which has a very obvious role in promoting the future development of the short video industry; the short video industry has a large potential user group and huge development space,

and its competitors are very strong. People increasingly like short videos as a way of obtaining information, because the video situation of short videos can help people get information quickly, and they are usually lively and interesting. It is well received by users. With the continuous development of mobile Internet technology, traffic tariffs are getting lower and lower. Short video, as the main form of entertainment and news dissemination, has technical support.

3.2 Porter's 5 Forces

This model was proposed by Michael Porter in the 1980s. He believes that there are five forces that determine the degree of competition in the industry. Together, they determine the profit potential of the industry and the strategic decisions of the company.

3.2.1 Bargaining Power of Suppliers

For the short video industry, upstream providers are content creators, and there are two types of these creators. The first type is head creators, who provides high-quality content, usually celebrities or bloggers signed by professional MCN agencies. The second type is ordinary content creators, who has not received targeted training in a formal system, and most of them are amateurs.

Supplier	Analyze	Level
Head professional content creator	① Head content creators often have already a certain size of fans, they have obvious traffic effects and relatively large influence. ② High-quality content creators are often the darlings of various short video platforms, and each platform hopes to be able to sign contracts with them. ③ According to relevant data, China's MCN industry has developed rapidly in the past five years. At the end of last year, China's MCN had reached 28,000. This means that the field of short video content creation is huge, more and more people are engaged in content creation, and fierce competition in the industry has prompted the birth of new platforms (Wang Y H <i>et al</i>, 2019). ④ The core indicator of the short video industry is undoubtedly traffic. Only through traffic can we attract more users, realize traffic monetization, and gain revenue.	Medium
Mid-to-long tail content	① The short video platform have not formed a scale, and it is suppressed by competition from the top content holders.	Low

creators	②The competition is fierce, and new platform traffic support and resource tilt are needed; ③ The core indicator of the short video industry is undoubtedly traffic. Only through traffic can we attract more users, realize traffic monetization, and gain revenue(Vega P <i>et al</i>, 2020).	
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Conclusion: Bargaining power of suppliers: medium.

3.2.2 Bargaining Power of Buyers

According to the relevant data, the relevant information of the WeChat Channels is as follows:

① The user group is mainly the young and middle-aged group of 18-36 years old. The three most used in various functional modules are likes, comments, and forwards, which is the familiar "one-key three-connection". According to the survey, 72.3% of users often share their favorite content with friends and family(Kim S *et al*, 2021).

② In general, the most popular categories are: the first is current affairs and political news, which shows that two-thirds of users like to browse; the second is life and health information, which shows that 60% of people like to browse; and the third is the name is film and television entertainment, showing that more than half of people like to browse. Generally speaking, users prefer professional, authoritative, and interesting short video styles(Horstmann N, 2021).

③According to relevant data, the top platforms in the short video industry have performed very well. The two leading short video apps, Douyin and Kuaishou, have already grabbed one-third of users. Only 10% of users come from social platforms like WeChat.

3.2.3 Threat of New Entrants

Potential entrants come from the following.

① The first category is large-scale Internet organizations. The threat of this type of competitor is moderate. Relying on their own mature technology and platform, they have very strong traffic and user stickiness, and can quickly enter the short video industry.

② The second category is hard-working entrepreneurial organizations. Their main goal is to enter the short video industry. The founders or core members often have experience as anchors and can quickly get started in this regard. However, since there is no stable traffic and large-scale

technical team, the threat level of this category is relatively low(Zeng F *et al*, 2019).

③ The third type of organization is some other types of enterprises, such as retail companies or manufacturing companies that want to transform and develop. Although they are doing well in existing fields, they lack operating experience in the short video industry, so the threat of this type of competitors is relatively low.

Potential entrant	Barrier analysis	Level
① Middle and large Internet companies ② Entrepreneurship team or company ③ Offline manufacturing or Internet companies	1. "High-quality content operation + precise recommendation + highly sticky users" build short video barriers; ① High-quality content: The content is more refined: For short video, the most important thing is its content. Only good content can continue to provide users with a rich experience and attract users. Behind the unique and excellent content are high-quality short video creators. Based on them, the platform can attract merchants and obtain benefits. ② Accurate recommendation: Intelligent algorithms help precise recommendation. Taking Kuaishou as an example, users shoot and upload up to 5 million short videos every day, which is close to 1,400 hours in 10s each time. With such a high density, how to help content, especially long-tail content, accurately reach the target audience, thereby increasing creator loyalty has become one of the key points of the platform layout(Gao <i>et al</i> , 2021). ③ Highly sticky users: The current short video industry is facing a situation where the two apps, Douyin and Kuaishou, occupy most of the users. Therefore, it is a good choice to keep users on your platform longer. 2. The cost is high, and it takes a certain period to realize the realization 3.The platform needs a long process from investment to monetization. In the process, it needs to invest in technology and operations, and policy subsidies for upstream and downstream users, which requires strong funds to back up;	low

Threat level of potential entrants: low

3.2.4 Substitutes

Replacement	Cause Analysis	Level
Long video	①Product scenario: It is more suitable for users who have a long free time before making a choice; ②Time of use: During holidays or working days; ③Value: Long videos allow viewers to feel the richness and the value of passing time;	Low
Game music	①Product scenario: In fragmentary time and free time, many users will choose to use, and the time overlaps with short video users is high; ②Music games: target specific groups of people, and user groups that have a preference for music and games are more attractive; ③Value: Users can enjoy the pleasure and fun of the game through the game, which is insufficient for short videos.	Medium
Social and information applications	①Product scenario: the user can choose to use it in fragmentary time, and the total use time of the substitute is longer than the short video; ②Value: Users share life with friends and establish friendship relationships through social applications. You can quickly understand social news, industry information, and industry knowledge sharing, etc. Short videos are difficult to present in detail(Xun Y <i>et al</i> , 2019).	Medium

3.2.5 Rivalry

According to the Mob Research Institute, Douyin and Kuaishou are competing for hegemony, and the users of the two are as high as 60%. The waist platforms such as Watermelon Video and Weishi are still catching up, and the competition is fierce, and many tail platforms are facing a test of survival.

Analyze	Level
1. Judging from the results of the industry analysis that has been carried out so far, the scale of the short video industry in China is very large, and the prospects for future development are also very good. However, competition in the short video industry is very fierce. In particular, the two apps represented by Douyin and Kuaishou have seized most of the market(Ting <i>et al</i>, 2020). (1) The short video market presents a pattern of two superpowers and more powerful ones. Douyin and Kuaishou belong to the first echelon, with a total market share of 62.7%; (2) Watermelon Video and Kuaishou Extreme Edition have a total market share of 24.7% as the second echelon; (3) Douyin Super Speed Edition, Volcano Video, Good View Video, Weishi, Volcano Speed Edition, etc. belong to the third echelon, accounting for 12.6%; 2. User duration competition has become the key, making short videos a must for businesses. 3. All platforms devote resources to competing for high-quality content creator resources 4. The platform technology is constantly updated and optimized;	high

3.2.6 Summary

Through above analysis, suppliers have medium bargaining power, buyers have high bargaining power, and the threat of substitutes is medium. With regard to the threat of new entrants, analysis suggests that this level is relatively low. On the contrary, for peer competition, the risk is relatively high.

3.3 SWOT

SWOT analysis is one of the most commonly used strategic analysis methods. In 1982, Heinz Weihrich, a teacher from an American university, proposed the classic analysis tool SWOT, which was later often cited in social science research.

3.3.1 Strength

(1)WeChat has rich traffic, has a huge and stable traffic pool, and uses public domain traffic to support high-quality content creators.

(2)The WeChat APP has high daily activity and high user stickiness; the three-dimensional flow

cycle inside WeChat, except for the first-level entrance inside WeChat, the flow of traffic can be turned through the official account, live broadcast and Channels, so as to realize a three-dimensional ecological chain(Meng K S et al, 2021).

(3)The video is located at the second entrance under the circle of friends, with a unique social recommendation mechanism. "See what friends are watching" Through the content interaction between the WeChat friend chain and acquaintances, the video number gives more social attributes to the short video, which can help it quickly accumulate users.

(4)A group of content creators who have switched from official accounts to Channelss can participate in the Channels, guarantee the quantity of video content, and build the content ecology of the Channels.

(5)A more mature business model. At present, there are relatively mature business models in Channelss. Through Moments promotion, small program stores, live broadcast previews, live broadcast rewards, etc., WeChat can quickly realize short video based on the relatively mature business models in the short video industry. Realize closed loop.

3.3.2 Weakness

(1)The recommendation algorithm experience of WeChat Channels is poor, the content pushed will be repeated, and the type is fixed and single. Compared with Douyin and Kuaishou platforms, there is a big gap.

(2)The WeChat video account does not have a direct income channel, and the person who publishes the video cannot obtain direct income increase through the video account.

(3) The content ecology is a disadvantage, including small quantity, low content quality, and single and incomplete type; WeChat Channels are based on the original official account and produces short videos from media creators, and the quality of the content is low. The follow-up needs to introduce a professional MCN organization Promote the ecological development of content(Zhan Z et al, 2021).

3.3.3 Opportunity

(1)Benefiting from the huge user base of WeChat itself, the Channels have the opportunity to reach the sinking user group that Douyin cannot reach. For example, elderly users may not be

proficient in using mobile phones and have a high threshold for reaching new products, so they will not use Douyin yet. However, for communication purposes, children will install WeChat on their mobile phones, and with appropriate guidance, the video number can be played to long-tail users who are outside the scope of Douyin(Yang X et al, 2021).

(2)Compared with Douyin, WeChat has more organizations. The company's WeChat account and Channels may become the official website of the new era, both personal and company. It will help the Channels to get more b-end traffic.

(3)User groups are accustomed to short videos, and there is a large demand from user groups;

3.3.4 Threat

(1)Competitors, such as Douyin and Kuaishou, are also working hard to invest resources, seize the market, sign high-quality anchors to enter the platform, and provide higher treatment to top short video creators.

(2)The field of short videos is very broad. At first, the types of short videos are only related to daily life. Later, with the diversification of user needs, the types of short videos are also enriched, covering knowledge sharing, news and information, education and culture, music and dance, travel and vacation, beauty and skin care. This puts forward higher technical and regulatory requirements for short video platforms(Jenny H U, 2021).

(3)Douyin has a first-mover advantage: On the one hand, the large number of bloggers that users follow on Douyin and the established social networks constitute a huge migration cost to migrate to the Channels. On the other hand, Douyin is more positioned in terms of positioning. Clear and more deeply rooted in the hearts of the people.

(4)Although WeChat has lowered the threshold of users' creation through the release of short video editing tool "Miaojian", there is still a gap in its current creation ecology, function settings and silhouettes, and quick editing(Zheng L et al, 2021).

3.3.5 Summary

Relying on the WeChat platform, the WeChat Channels has the advantages of rich traffic, high app daily activity, unique social recommendation mechanism, and mature business model; this allows the WeChat Channels to have the opportunity to reach the sinking user group and to have

more institutions settled. The user group has a large demand; however, the recommendation algorithm of WeChat Channels has a poor experience, the income path is not obvious, and the content ecology is also a major disadvantage. This means that competitors may take advantage of the emptiness and threaten WeChat Channels by signing top anchors, seizing popular areas, and improving user creative experience.

4 Conclusion

This article analyzes the external environment faced by the WeChat video account and the advantages and disadvantages of the WeChat video account itself, and draws the following conclusions:

(1) The short video industry has very broad prospects. The industry ecology is regulated under national supervision, which has a very obvious role in promoting the future development of the short video industry; the short video industry has a large potential user group and huge development space, and its competitors are very strong. People increasingly like short videos as a way of obtaining information, because the video situation of short videos can help people get information quickly, and they are usually lively and interesting. It is well received by users. With the continuous development of mobile Internet technology, traffic tariffs are getting lower and lower. Short video, as the main form of entertainment and news dissemination, has technical support.

(2) Through above analysis, suppliers have medium bargaining power, buyers have high bargaining power, and the threat of substitutes is medium. With regard to the threat of new entrants, analysis suggests that this level is relatively low. On the contrary, for peer competition, the risk is relatively high.

(3) Relying on the WeChat platform, the WeChat Channels has the advantages of rich traffic, high app daily activity, unique social recommendation mechanism, and mature business model; this allows the WeChat Channels to have the opportunity to reach the sinking user group and to have more institutions settled. The user group has a large demand; however, the recommendation algorithm of WeChat Channels has a poor experience, the income path is not obvious, and the content ecology is also a major disadvantage. This means that competitors may take advantage of the emptiness and threaten WeChat Channels by signing top anchors, seizing popular areas, and improving user creative experience.

5 Recommendations

Good content is the root of the content platform. Does WeChat's ability to attract high-quality content creators and content means that WeChat must be able to accomplish this? This kind of thinking is a typical "traffic is king" thinking, thinking that as long as there is traffic, content creators can be attracted and short videos can be made. This kind of thinking can only be applied when products become homogeneity is severe and traffic becomes the only dimension of competition. The basic point of creating a good video ecology is centered around a good user experience. To achieve better development of WeChat Channels, I propose the following two suggestions.

First, launch high-quality short video content. To create high-quality content, it is necessary to fully give video producers better conditions and greater motivation to create high-quality videos, which is generally designed around an incentive mechanism with traffic and monetization as the core. The successful competitor Douyin not only builds creative tools at the platform tool level, but also builds creative tools around how to improve creators' creative enthusiasm and creative efficiency, but also fully introduces various elements at the system level to motivate and empower creators. Out of the now prosperous video ecology of Douyin. Once the ecology is formed, its barriers will be difficult to shake.

Second, focus on the role of big data + algorithms to achieve precise and personalized content recommendation. The key to the matching of content and users is to continuously optimize algorithms through big data and continuously improve the efficiency of matching, ultimately resulting in a better and better user experience.

The biggest advantage of the Channels is that as long as there is no change in the technical cycle, the WeChat traffic pool is basically stable and will not run. The Channels can be fully trial and error and adjustment, after all, its backing WeChat is not done overnight.

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