



## Western super-apps Forecasting disruption from a super trend



# Executive summary

Super-apps are redefining digital ecosystems globally. These all-in-one solutions integrate services typically handled across more than a dozen discrete apps under a single umbrella—digital wallets, ride-hailing, hotel booking, loan payments, and countless other features can all be accessed from a single app. Originating in China, the model has exploded in popularity across Asia, Africa, and Central America. While the model hasn't gained traction in more Western markets like the United States, Canada, United Kingdom, Europe, and Australia, it offers a glimpse of what the next frontier might be for digital engagement.

This paper is the first of a series of three that seeks to answer three questions:

1. What shape will super-apps take within Western markets, and what impact will they have?
2. How might we envision a super-app in a vertical that thus far hasn't seen this type of disruption?
3. What approach can firms take in developing a super-app, and what capabilities must they build?

This first paper will focus on the first question, defining the impact super-apps will have on Western markets and how firms can prepare for those shifts. Super-apps might emerge differently in Western markets than their Asian

counterparts, but we anticipate the model to be adopted here. These super-apps won't aim to replace every single-use app on users' devices but will coalesce closely linked experiences. Integrating a payments platform across services has proven highly profitable for super-apps so far—it will likely be the first place we see super-apps take root in the West.

Continue reading to learn how else super-apps may permanently change the mobile landscape.

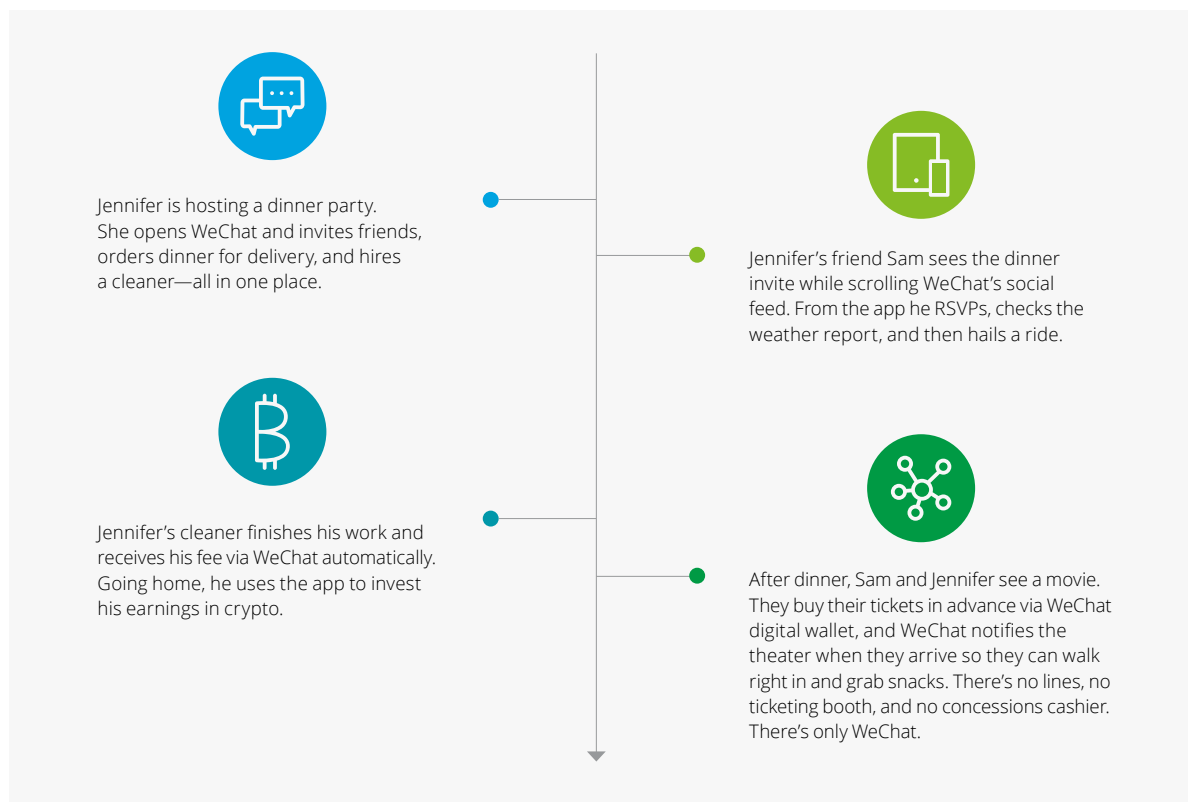
# What is a super-app?

Today's smartphones consolidate countless products, services, and ways of connecting into a single device. At any moment, we have the power to hail a ride, order food delivery, invest, or share moments with friends. Convenience, above all, has become a paramount metric of the digital age. Every industry is vying to offer a more seamless, integrated experience for their customers with faster load times, easier account creation, and cleaner user interfaces. The next evolution in digital activity, however, may not be in the form of a patchwork of discrete apps, but rather a single, one-stop-shop experience.

Consider applying for a job on the same app as ordering dinner, paying an electricity bill, booking flights, and calling home. Rather than flipping between a dozen different apps over the course of a day, a single app handles the job of dozens, if not hundreds, of others. No more memorizing a go-to credit card number, since

your car insurance purchase can use the same e-wallet as your stock trading account. Better yet, the loyalty benefits accrued while ordering pizza can be applied to paying your phone bill. As more transactions become digitized, colocating new functionality into a single app can ameliorate the inconvenience and inertia customers experience when juggling a dozen different apps.

For more than a billion people globally, this experience is embedded into their daily routine through "super-apps." The best-known example, WeChat, began its meteoric rise to mobile app supremacy as a messaging app. As its platform grew, WeChat began integrating its social media capabilities with financial services, online shopping, transportation, and more. As of first quarter 2022, WeChat has more than 1.26 billion users, each using some of WeChat's more than 3.5 million "mini-programs."<sup>1</sup> A typical day for users might look like this:



# What makes an app “super”?

The term “super-app” lacks a consistent definition, complicating discussion. We’ve identified a set of

four principles and mapped five popular apps to help illustrate when an app becomes a “super-app”:

		MS Office 	Google Maps 	Spotify 	WeChat 	Zalo 
<b>Multi-service</b>	Many super-apps are the only apps its users need for daily interactions, with super-apps often offering services across 10-15 industries (e.g., social media, payments, transportation, etc.). Users trade the control and discretion of using many individual, specialized apps for the convenience and experience quality offered by a single super-app. This doesn't mean a super-app must necessarily cross industries, but it must cross multiple services within an industry. This cross-service integration preserves some combination of consistent account data, means of payment (card info, e-wallet, points, crypto), and loyalty rewards to differentiate its ecosystem from a fragmented, multi-app experience.					
<b>Single app for all services</b>	A super-app is, at its most basic, one app. Many companies like Microsoft and Google offer a “suite” of applications where functionality is divided across a handful of frequently bundled apps, or the user is directed out of the app to access additional features. This approach has its own benefits but is not the “one-stop-shop” experience that super-apps achieve. Super-apps integrate access to their broad range of experiences into a single point of entry, although resulting in often wildly different experiences.					
<b>Consistent transacting experience</b>	Super-apps rely on an in-house payment platform or embedded bank partnership to facilitate transactions across different services—Gojek’s GoPay, WeChat Pay within WeChat Wallet, Paytm’s Payments Gateway are examples of this. Super-app users are typically only required to enter payment information once before transacting across all services. Super-apps often use open banking to embed digital wallets, securities trading, mobile banking, and peer-to-peer payment functionality.					
<b>Data sharing across services</b>	Super-apps share data across services (and often with third-party service developers) to create a more seamless user experience. A banking service within the app may approve a loan based on purchasing insight from the app’s digital marketplace. Similarly, a hotel-booking service may prompt a promotion in response to a flight booked elsewhere within the super-app. This integration drives additional third parties to the platform, which in turn improves the quality and quantity of data available—another network effect.					

WeChat began as a messaging and social media app—so how did it evolve into something else entirely? While the origins of different super-apps vary significantly, they tend to maintain a consistent trajectory:

**Phase 1 - Traditional app:** Modern super-apps don't begin as all-in-one solutions; they start with one primary function that achieves scale through network effects. Many super-apps started as social media platforms (WeChat), but others in payments (Paytm), ridesharing (Grab), or e-commerce (Flipkart). A firm might create multiple siloed experiences before linking them through a single app.

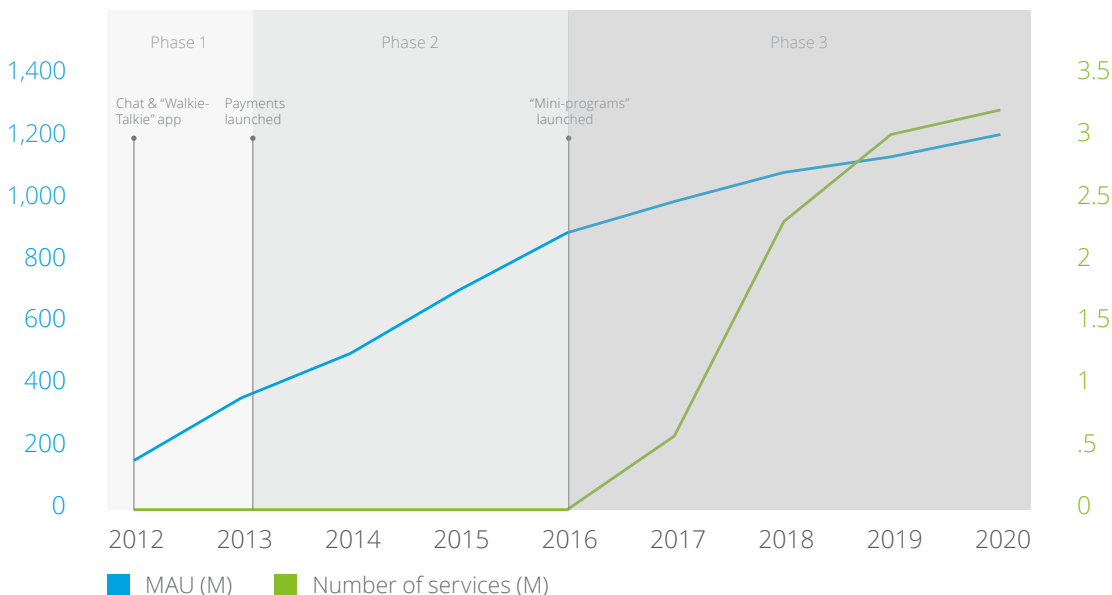
**Phase 2 - Expanded offerings:** Super-apps can begin by offering any number of services, but they tend not to stay there for long. A rideshare app may acquire food delivery and peer-to-peer payments—new functionality representing new competitors, new value-adds, and new markets. To users already on the app, the convenience of using the same point of entry, account, and payment

system serves as a nudge to try engaging with new services. The expansion of the app's product ecosystem may even draw net-new customers to the platform. The order in which a super-app accumulates new services can determine the growth of its user base, as well-integrated and intuitive acquisitions better facilitate engagement from current and new users.

**Phase 3 - Customer catch-all:** The expanded super-app makes use of its existing services to integrate customer data. This data is leveraged to improve the customer experience (better service suggestions, simpler payments, less manual entry of information) and to attract additional third-party partnerships. At this stage, many super-apps launch in-app platforms for these partners to develop and add additional services, like WeChat's "mini-programs" launched in 2017, that truly make the super-app an all-in-one platform.

## WeChat feature growth

WeChat monthly active users (MAU) and services offered



# What are super-apps' revenue models?

Super-apps combine the revenue models of dozens of businesses. The exact revenue models a super-app uses depends on the services it offers, and super-apps can

drive revenue outside of their first-party owned services as well. Typical approaches include:



Source: Mansoor Iqbal, "WeChat revenue and usage statistics (2022)," BusinessofApps, June 30, 2022.

**There are few hard-and-fast rules:** Advertising, enabling payments, and commission fees are almost universal revenue-drivers among super-apps. Beyond that, super-apps are flexible in their approach to generating revenue. Expect to see super-apps shift and explore new revenue models over time, including more complex financial service offerings around insurance and lending.

**Payments and transaction fees are hugely profitable:** WeChat, for example, has more than a million mini-programs available on its platform but doesn't charge its partners for hosting. How is this

profitable? WeChat requires all its mini-programs to transact using its payment platform, WeChat Pay, which has up to a 3% fee<sup>2</sup> depending on the mini-program's transaction volume. Most super-apps have an underlying payments system to drive revenue or charge a commission for third-party transactions like marketplace sales. While per-transaction revenue is small, the scaled earnings aren't.

# Why haven't super-apps emerged in Western countries?

The super-app phenomenon has emerged and scaled dramatically in Asia, Latin America, and Africa, thus far. To some, this integrated app approach might seem like an obvious next step in the development of digital and mobile experiences. Why, then, haven't super-apps risen to dominance in the Western countries?

## **Western consumers have established preferences:**

Western smartphone users are adapted to their clustered native app approach and require motivation to transition to the super-app model. Western consumption patterns first developed in person, graduated online to websites, and are now replicated on smartphones. Asian consumers are not only younger, with a median age nearly a decade lower, but did not have these ingrained experiences to overcome. They began transacting directly on mobile for many services. As a result, despite higher rates of smartphone ownership, Westerners don't engage with services via mobile at the same rate as their Asian counterparts—namely those that involve sensitive financial, medical, or personal data. In mobile payments for example, over 87% of Chinese smartphone users used proximity mobile payments in 2021, compared to 43% in the United States.<sup>3</sup>

## **Western consumers are not space constrained:**

Super-apps were appealing in emerging markets in part because they required less storage space and data per service than single-service apps. Size limitations of mini-programs (10MB for WeChat) restrict functionality—in China's Tier 1 and Tier 2 cities, where phone space and data plans are better, usage of native apps often outstrips their mini-program counterparts.<sup>4</sup> These constraints and incentives are not present among Western consumers.

## **Competitive landscapes are often more mature:**

Super-apps often grew alongside the services they offered as firms sought to partner with those super-apps to reach as many users as quickly as possible,

rather than attempt to develop separate distribution capabilities. Most of the services found in today's super-apps already exist as independent apps in Western markets, so Western super-apps will need to form differently, perhaps through careful mergers or partnerships with major industry players.

**Tighter regulatory control:** While the United States, Europe, and Australia have well-established regulations surrounding data governance (e.g., EU's GDPR) and trust formation (e.g., US Federal Trade Commission), many markets where super-apps are dominant have less oversight. China is an especially unique case, as the American apps that might compete with the services of super-apps are banned. With no external competition and fewer limitations to the types of services that could be integrated, WeChat and AliPay flourished. Although data privacy laws are beginning to tighten in China,<sup>5</sup> years of untampered growth have enabled WeChat's user base to balloon to 78% of China's population.<sup>6</sup> A US super-app is likely to face legal barriers much earlier in its infancy. US super-app developers will have to carefully hedge the acquisition of new services against the potential for accusations of impropriety.

While some of these barriers might complicate or slow the growth of a budding super-app, the United States is not exempt from this global tech trend. Even foreign super-apps are gaining traction in American markets: Among 18-to-24-year-old Americans, 23% of US internet users are also on WeChat.<sup>7</sup> Clearly, super-apps have an American audience. The goal for platform-focused firms today should be determining where within the super-app ecosystem they intend to play.



# Where are super-apps headed in the West?

Based on our assessment of international super-apps and the current landscape of Western markets, we contend that eight trends are likely to play out in the next three to five years:

**Early super-apps will likely emerge in Western countries by 2025.** This transition is arguably underway as many hallmark super-app features are adopted by major US tech firms, like Snapchat's use of mini-programs or PayPal's planned integration of Venmo into a single payments app. Exact winners are difficult to predict, but we anticipate firms with currently segmented offerings to coalesce services to a single access point (like Amazon integrating its marketplace, audiobook, and streaming offerings) and a series of bold mergers between major players across different verticals.

**Those successful in pursuing super-apps strategies are already major platform players.** While Asian super-apps were often early movers in the services they now dominate, most verticals have well-established players in the United States. These incumbent firms have the triple advantage of owning the tech resources to integrate super-apps, the funding to pursue any M&A needed (and to contend with the associated litigation), and the scale to nudge current users into new services. Given that Western users are slower to adopt new technologies, having established brand permission and existing digital real estate on users' phones will allow for far more frictionless entry into the super-app ecosystem.

**Social media, rideshare, and payment companies are more likely to succeed in developing successful super-apps than incumbent banking or insurance firms.** Banking and insurance-related services are likely to play key roles in super-app functionality, but traditional banks are not structured to deliver a technically robust solution compared to big tech competitors. Digital and mobile banking apps have



improved dramatically since the start of COVID, but banks have largely designed their mobile experiences to mirror in-person experiences versus developing true mobile engagement platforms. With limited brand permission and a lack of platform-based network effects, banks, insurers, and other incumbents are ill-suited to be frontrunners for super-app innovation.

**Western markets will not see a single, dominant super-app like WeChat in the near term.**

The services super-apps are likely to integrate have too many well-established players. While we're likely to see continued consolidation within verticals (there are currently more crypto trading or grocery delivery apps than is sustainable), market share sweeps like those seen in Asia aren't likely. Instead, we may see three to five super-apps with an overlap in features, each vying for users to further enmesh into their competing ecosystems. It's unclear just how similar these competitors will be—the outcome could range from semi-complementary super-apps with only a handful of overlapping features to direct competition on most fronts. We may also see a rise of industry-specific super-apps rather than the “universal” super-apps popular in Asia—each super-app aimed at delivering a one-stop-shop experience within a more closely defined space, like car ownership or parenting. Even in aggregate, super-apps may not rise to the degree of ubiquity they have reached in other countries—given the quality of single-app offerings and slower adoption rates of new technology in the United States, super-apps represent a substantial but less dominant opportunity.

**Insights and advice will be the cornerstone of Western super-apps.** Western smartphone users don't share the service availability, storage, and data limitations that endeared super-apps in other markets. The main pulls toward super-apps and away from native apps will likely be the ability to manage fewer accounts, transact faster through consistent payments, save money using loyalty and rewards, and experience a better product enabled by cross-service insights and advice. Super-apps will have difficulty outmoding the functionality of optimized single-purpose apps, so the goal will likely be to outcompete through cross-service value-adds and stronger network effects. Instead of aiming to replace native apps entirely, super-apps can drive substantial value by drawing users into services that they might not otherwise go through the effort of downloading an additional app and creating a new account to access.

**Western super-apps will likely be transparent in how they collect and use customer data.**

Consumer protection legislation is still catching up to new technologies throughout the United States and Europe, and it's unclear what additional provisions could arise in the next few years. Given the range of data to which super-apps have access across services, these apps can expect scrutiny from policymakers and regulators alike. Currently, super-apps are not barred from holding any specific combinations of user data so long as users can opt out and the data's collection and use is disclosed,<sup>8</sup> but further restrictions could hamper super-apps in two distinct ways. Super-apps rely on the internal collection and cross-sharing of data between services to enable insights—being forced to erect guardrails around different types of data or high opt-out rates could impede the quality of those recommendations. Even if data remains available, depending on how consent to data is structured within the super-app, extensive permissions windows for each added feature could ruin the user experience. Super-app developers may need to work closely with regulators to overcome these hurdles.

**Cryptocurrency could play a potential key role in driving super-app growth.**

Demand for cryptocurrency is growing, and so too are the crypto-based services available to users. Coinbase recently launched an interest-earning crypto product, and cryptocurrencies like Bitcoin are being accepted at more retailers. While the long-term legitimacy of crypto as a day-to-day transacting currency has yet to be seen, many see stablecoin (crypto tied to an external fiat currency or resource like gold) as a possible solution. Stablecoin market value has exploded from approximately \$5 billion to nearly \$175 billion since 2020 alone.<sup>9</sup> The first super-app to truly crack stable crypto transacting across its services has the potential to tap into that demand. Doing so will require cooperation alongside the U.S. Securities and Exchange Commission to determine regulation and likely technical improvements to lower the transaction times and fees seen with crypto today.

**The B2B space is likely to see super-apps soon.**

The greatest barriers to Western super-app growth are existing competition, regulation, and differentiated value proposition. The B2B space is less crowded and has far fewer data privacy concerns (because the customers are businesses), solving the first two issues. In offering value, B2C super-apps are forced to balance between surpassing native apps in user experience and developing in a lightweight, storage-constrained space. Unlike traditional super-apps, B2B super-apps don't necessarily need to build all functionality into a single

mobile app, as business leaders are likely to prefer a desktop-mobile hybrid approach. Instead, a B2B super-app can focus on driving value through data-driven insights, automated advice, and seamless integration of businesses' platforms into a single workspace. The clear potential for applying super-apps' best features, while avoiding many of the pitfalls inherent to the B2C space, suggests B2B super-apps may precede the traditional B2C super-app model in penetrating Western markets.

# Acting today for tomorrow's landscape



In breaking down the barriers between user interactions and transactions, super-apps meld experiences previously treated as distinct. Today's players are likely to follow suit, becoming more creative in their approaches to partnerships and more proactive in identifying their customers' needs.

Super-apps are not on track to replace every app on a Western user's phone, but they will likely shake up our expectations for a mobile-first experience. The firms

that can potentially expect the most disruption are in financial services, where nearly 9 out of 10 banks experience issues related to digital transformation.<sup>10</sup>

Learn more in our following two reports, which explore the possibility of a B2B super-app and define the capabilities and approaches necessary for super-app development.

# Interested? Get in touch.

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