

MARKETING

## How luxury can benefit from Tencent and Alibaba's thawing relations

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*WeChat's latest move gives hope to luxury brands that have been wanting to build coherent user-focused online experiences for local users. Image credit: Tmall*

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In the days leading up to the [618 shopping festival](#) one of China's major ecommerce extravaganzas users were served a WeChat Moments advert that led them directly to Tmall. The distinct brand name and logo of Alibaba's marketplace were in plain sight as per screenshots of the advert which itself was an unheard-of concession from any of the usually walled gardens of the Chinese Internet.

On closer inspection, tapping the advert revealed a branded landing page directing users to the advertiser's Tmall store in the Tmall app or on the Tmall Web site if users did not have the app on their phones.

While seemingly minor, this is a significant step forward in the interoperability between WeChat and Tmall.

Such a WeChat advert leading consumers straight into the Tmall app used to be unthinkable due to the ongoing feud between Tencent and Alibaba, who, like other tech giants, have fiercely blocked traffic from one to the other.

Other examples of this anti-competitive behavior are Weibo completely blocking mentions of WeChat and QR codes that link to WeChat accounts, and Douyin seeming to limit the organic reach of posts that might take a user to other platforms.

Yet, as a sign of greater shifts within China's tech ecosystem, it recently became a reality in the run up to 618.

There were hints of this earlier, however.

The first sign of these two rivals relaxing restrictions on each other came after the Chinese government's anti-monopoly push in 2021. Since then, users could open direct links to Tmall within WeChat's in-built Web browser, as long as the links are being shared one-to-one or in group chats.

The latest development seems to operate as a trial case for Tmall merchants advertising on WeChat Moments, although the function has yet to be made available for every brand on Tmall. And though driving traffic from WeChat to Tmall stores may be a huge opportunity, placing ads on WeChat Moments might not work for all brands.

Xuan Bai, a senior marketer at a Beijing-based **Tmall Partner** agencies licensed by Tmall to operate ecommerce stores on behalf of brands believes that WeChat Moments adverts, charged by cost per mile, can often be too expensive, especially for smaller names.

"It requires brands to have good brand awareness for the ad to deliver the amount of traffic and sales that justify the spend," Ms. Xuan said.

When the two platforms blocked traffic, this hindered brands when marketing, monetizing their WeChat followers, and building coherent, user-focused online experiences.

Given that, what can brands and marketers take away from this change? And what does this groundbreaking move mean for the relationship between these tech titans?

The reason that WeChat Moments are a desirable advertising channel comes down to the platform's data and targeting ability.

WeChat's daily active users reached 1.26 billion in early 2022, and as anyone who has used the platform knows WeChat serves as much more than a social media apps app. It is ingrained in every user's lifestyle, and the data it collects would be invaluable to any advertiser.

"It really depends on how much data WeChat can share with Tmall," Ms. Xuan said. "If brands can have full access to the data used in its targeting on WeChat, it could be a fantastic opportunity for them."

The background to this news is telling.

WeChat recorded continuous declining growth in its advertising business in 2021 and in first-quarter 2022. Meanwhile, its ecommerce marketplace offering never really took off.

Similarly, the growth of Alibaba's own internal ad platform has seen large drops since the start of 2021.

Ms. Xuan believes the two platforms will not hand out their data to each other. If they can find some common ground and share their resources, it is a win-win.

For many luxury brands, WeChat is the go-to channel for branding, storytelling and community building.

Once WeChat Moments adverts direct traffic to all Tmall merchants, this will be a great way to turn followers into customers and return customers.

Insights from Moments adverts will also feed into marketing, helping brands create tailored communications that fuel growth for their WeChat brand account.

Who will benefit the most?

Initially, accessible luxury products, such as perfumes and makeup, could be the biggest boosts, conversion-wise. But if this news is a bellwether for the thawing of Alibaba and Tencent's relationship, it will only benefit brands who have long had to build complicated solutions to the problems caused by these two tech giants' fierce competition.

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