

## Analysis of the Motivation for MOMO's Acquisition of Tan-Tan

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### Abstract

Since 2011, the birth of social software such as WeChat and MOMO has opened the era of mobile social networking in China, and since then many social applications have emerged, with MOMO and Tan-Tan becoming the leader in the field of social networking for strangers. In 2018, MOMO successfully acquired Tan-Tan, and after the completion of this merger, MOMO has basically monopolized the pan-social market and further expanded its social network. After the completion of this acquisition, MOMO has monopolized the pan-social market, and its social map has been further expanded. Based on the advantages of MOMO and Tan-Tan, this paper analyzes the motivation of MOMO's acquisition of Tan-Tan.

### Keywords

MOMO; Tan-Tan; Mergers and Acquisitions.

### 1. Introduction to MOMO

MOMO is an open mobile video social networking software based on geographic location, which was launched in August 2011 by Beijing MOMO Technology Co. MOMO has its unique positioning, unlike social networking software for acquaintances such as WeChat and QQ, or community-based products such as Weibo and Twitter, MOMO focuses on stranger social networking and interest social networking. Users can find people with common interests around them through GPS positioning, and show themselves through video, text, voice, and pictures, so that they can interact with people more conveniently and instantly, lowering the threshold of social interaction and strengthening the real sense of interaction. Due to the accurate positioning of MOMO, it has formed a unique competitive advantage and differentiated itself from other social networking software.

MOMO adopts a pan-social strategy and is committed to building a "pan-social + pan-entertainment comprehensive platform". Under this strategy, MOMO has expanded the functions of its products based on its original social attributes, integrating online live streaming, short videos, games, and other functions into the existing ones, trying to strengthen the entertainment aspect of the product, increase user interaction, strengthen user stickiness and maintain the number of online users.

On August 1<sup>st</sup>, 2012, the first anniversary of the launch of MOMO, the number of users exceeded 10 million, with 2.2 million daily active users. By April 2014, MOMO registered users exceeded 100 million, covering more than 150 countries, and became one of the "leaders" in the field of mobile social networking that cannot be ignored. On December 12<sup>th</sup>, 2014, MOMO Technology was listed on NASDAQ.

### 2. Introduction to Tan-Tan

Tan-Tan is a social app based on big data intelligent recommendation and new interaction model. Based on more than a dozen items of information such as common interests, common friends, and places they have passed through together, Tan-Tan will calculate and push matching people to help users meet new friends they have a good feeling for.

Tan-Tan's "left slide right slide,like each other to chat" is its core product mechanism—the left slide means no feelings, the right slide means like,and only users who like each other can chat. This novel way of play has attracted many young people. In addition,Tan-Tan takes female users as the core experience,and its safety and anti-harassment features make it a very popular social application for women.

The latest version of Tan-Tan also launched the" passing" feature,which recommends people who have passed by the same place as them in a day,and users can see where and how many times they have ' 'passed by". The more times they pass by,the more similar their life circles are and the more connected they are. This feature brings a fun, romantic, and unique experience to young people. Tan-Tan's team has been adhering to the corporate culture of "result-oriented and craftsmanship" and is rooted in the development of online matching business. In its early days,it gained many solid users with its simple pages and unique product features.

In November 2016,Tan-Tan's daily active users exceeded 5 million. A total of nearly 6 billion matches were completed,making it the largest social platform for the post-90s in China,after WeChat,QQ, and Weibo.

### **3. Basic Information of M&A**

On February 23,2018,MOMO announced a strategic acquisition of Tan-Tan. MOMO made an official announcement to acquire Tan-Tan Technology Co. for a total of \$700 35million in equity and cash. The consideration included 10, 530000 shares of stock as well as approximately \$600 million in cash. On May 14,2018,MOMO announced that the transaction to acquire 100% of Tan-Tan has been completed, and the Tan-Tan team will continue to operate the product and brand independently.

### **4. Differences between MOMO and Tan-Tan Advantages**

#### **4.1. The Advantages of MOMO**

##### **4.1.1. Unique Content Construction**

MOMO strives to meet the needs of existing users in product content construction and develops unique features to attract new users,such as interactive groups for making friends,and MOMO bar for thematic communication, which provide space for users to share casually and is recognized by users. MOMO's product line is relatively rich. Its online live streaming,mini-games,short video business is well developed and the user experience is better, which offers it unique competitive advantages.

##### **4.1.2. The Profit Model is Suitable**

The profit model of MOMO revolves around its core functions and basic attributes of it,which makes MOMO profitable without losing the trust of existing users. In the revenue of MOMO,in order of proportion is paid, membership, games, emoji stickers. In 2014, the commercialization of MOMO is around social membership,emoji, advertising,games. At the same time, MOMO is also exploring the possibility of combining LBS data with merchant advertising.

#### **4.2. The Advantages of Tan-Tan**

##### **4.2.1. Female User-oriented**

Tan-Tan focuses on protecting the female user experience. As long as the male user involves sensitive words in the chat, the system will immediately pop up a window to ask the female user whether she is being harassed. If the female answers yes,then Tan-Tan's human customer service will immediately intervene to investigate. If the situation is found to be true,male users will be permanently barred from registering with Tan-Tan. Tan-Tan has rich experience in operating for female users.

#### 4.2.2. Focus on Users' Protection

If one party releases the matching relationship, the other party will not be able to find the other party to avoid being harassed. Tan-Tan also requires that users' social avatars be guaranteed to be of non-internet origins, which facilitates greater honesty and prevents deception.

### 5. M&A Motivation Analysis

#### 5.1. The Analysis of MOMO Acquisition Motivation

##### 5.1.1. Enrich the Social Product Line of MOMO

The core positioning of MOMO will continue to focus on social, and this merger enriches its product line in the social field, which is beneficial to meet the social needs of different people from different dimensions. And through this merger, MOMO and Tan-Tan, two well-known products in the industry, have joined forces, which is conducive to enhancing the brand effect.

##### 5.1.2. Recognition of the Tan-Tan Team by MOMO

The team is often one of the core reasons for acquiring a company. The fact that the Tan-Tan team has been widely recognized in just three years since its inception speaks volumes about the outstanding capabilities of its team. After the merger is completed, the Tan-Tan team will operate independently and it can continue its strategy in terms of female users, which is beneficial for both parties. “

##### 5.1.3. Be Beneficial to Achieve Complementarily

For one thing, MOMO is dominated by male users, while Tan-Tan is dominated by female users. MOMO needs Tan-Tan's user resources to achieve complementary advantages. When Tan-Tan's female users are supplemented to MOMO, more male users can be attracted to MOMO. For another, it is beneficial to achieve a complementary experience, Tan-Tan has rich experience in value-added services and female user management, while Stranger is good at operating pan-social and pan-entertainment. Their experience can complement each other, and this is a win-win cooperation for both sides.

##### 5.1.4. Enhance the Strength of MOMO

MOMO is the leader of the second tier of social networks, but it is still far behind the first tier and has a limited lead. MOMO's strength lies in the creation of a diversified platform system, while Tan-Tan is rooted in the stranger social space and has accumulated a high loyalty of customers over the years. After the acquisition of Tan-Tan, Tan-Tan can enrich MOMO's pan-social strategy and can be easily integrated into MOMO's strategy, which will help consolidate MOMO's dominant position in the stranger social field and build a larger social network market.

#### 5.2. The Analysis of the Motivation of Tan-Tan being Acquired

##### 5.2.1. Tan-Tan has a Single Function and a Low Cashability Ceiling

Tan-Tan's shortcomings are obvious. First of all, the functions of Tan-Tan are too single--users only text chat or voice chat. Although there are also small games, it is relatively weak. The core business of MOMO is live broadcast. Even if the game is the icing on the cake, it also occupies a large proportion. Secondly, Tan-Tan's commercial cashability is weak. It has a paid membership system, but it lacks scale and cashability is low. After being acquired by MOMO, Tan-Tan can draw on the experience of MOMO's operation segment and profit model, providing it with new profit growth points.

##### 5.2.2. Promote Tan-Tan to Explore Commercialization

Tan-Tan used the free model at the beginning of its launch, and started to try the membership fee system in 2017, then launched the VIP membership system in January 2018 to classify members into levels, which is expected to bring Tan-Tan to break even, but the traffic realization

ability of MOMO can bring more values to Tan-Tan. The acquisition makes the team of MOMO and Tan-Tan has a close contact. Although the operation strategy of Tan-Tan remains relatively independent, the teams of both sides are to maintain close communication. MOMO can provide experience guidance for the development of Tan-Tan.

### 5.2.3. Strengthen Tan-Tan

After the acquisition by MOMO, Tan-Tan can ally with MOMO to keep more customers in the system, thus holding this part of customers tightly. And after the acquisition, MOMO and Tan-Tan reached a near-monopoly position in the stranger social market, which will help strengthen their advantages and thus gain more benefits in the future.

## 6. Conclusion

By analyzing the advantages of MOMO and Tan-Tan, we can conclude that MOMO has advantages in product features and profit model, while Tan-Tan has rich experience in female user operation and user privacy protection. Through this merger, the two parties can learn from each other's operation strategies and profit models to achieve complementary user resources and experience, thus enhancing the strength of both parties and expanding their influence in the stranger social field, which is conducive to consolidating MOMO's dominant position in the stranger social field and expanding its social map.

## References

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