A FRAMEWORK FOR UNDERSTANDING SOCIAL MEDIA TRENDS IN CHINA

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ABSTRACT

This paper provides an assessment of social media trends in China. An array of social media platforms have emerged for the Chinese market. It is imperative that foreign companies doing business in China understand the trends in order to effectively tap the Chinese market. Traditional social media sites used in the United States, for example, may be banned, making it necessary for companies to utilize sites owned by local Chinese companies. A framework that categorizes social media sites, their primary user groups, and the potential value to companies is presented. Finally, recommendations for companies doing business in China are provided.

Keywords: social media, China, social networks, search engines, internet

INTRODUCTION

China represents a substantial market potential for United States companies, as well as for companies around the world. Not only does China present unique issues in terms of government regulations and involvement in day-to-day operations, but companies also must understand the unique social media platforms in order to reach the millions of potential customers in this market. Companies have been aware of the need to understand cultural differences in China for many years, but the use of social media introduces new complexities when doing business with Chinese consumers.

The array of social media sites available poses a problem. With new sites being added almost daily, the availability of sites is a moving target. In addition, because many of the major sites in the United States are banned in China (e.g., Google, Facebook, Twitter, and YouTube), it is important that companies operating in China understand the implications of government involvement, censorship, and regulation of the Internet and social media sites. Throughout 2010, Google’s interactions and disputes with the Chinese government have highlighted the delicate issue of censorship and strict government control over the Internet. The government’s constant blocking and interference with Western social media and search engine sites has led to increased traffic and revenues for domestic Chinese websites. Local companies have set up social media sites with the same functionality and usability as the Western sites.

Understanding social media in China is a must for companies that do business, or wish to do business, there. China now claims the largest population of Internet users, and all indications point towards continued growth of this population as the Internet becomes more accessible throughout the country. Being able to listen to what people are saying about your company and products is a vital survival strategy. Better understanding of your consumer and engaging with them are the next steps towards social media success.

INTERNET AND SOCIAL MEDIA USAGE

The Chinese are avid users of the Internet and social media. Trends have shown dramatic growth in the number of Internet users and the number of social media sites. The China Internet Network Information Center (CNNIC) was established in 1997 as the government administrative agency responsible for Internet affairs under the Ministry of Information Industry. According to the CNNIC, China’s number of Internet users has grown from approximately 23 million in 2000 to 420 million in June 2010 [5]. This means that China now has more internet users than the United States. The Internet penetration rate in China is estimated at 31.8 percent as of July 2010, which indicates there is still great potential for further Internet user growth.

According to the Ignite Social Media blog (www.ignitesocialmedia.com), China reportedly has 221 million blogs, 117 million bulletin board sites (BBS) and 176 million social network users. Further reported statistics inform that 272 million Chinese are on instant messaging, 222 million use online video, 108 million participate in online shopping, 265 million use online gaming, and 321 million use online music. Furthermore, a reported 92 percent of the total 364 million broadband consumers contribute to social media. Although these numbers are only estimates, the magnitude reveals that social media is indeed very popular in China.

An astounding number of Chinese residents have been reaching the Internet and its content through mobile phones. CNNIC’s 26th Survey Report on Internet Development in China reported that by the
end of June 2010, the number of mobile Internet users reached 277 million, accounting for 65.9 percent of the total number of Internet users. Desktop computer access accounted for 73.6 percent and notebook access accounted for 36.8 percent [5]. This trend of increasing mobile phone usage seems poised to continue. Mobile phones are much more affordable than computers and thus are more practical for many Chinese consumers because of their multipurpose functionality. It seems likely that more mobile phones will be sold, and thus, more people will access the Internet through mobile phone devices.

As of June 2010, the top three applications for China’s Internet users were online music (82.5 percent), online news (78.5 percent), and search engines (76.3 percent). Business transaction applications increased from December 2009 to July 2010, of which online payments increased 36.2 percent during this period. 2010 was the year of large-scale development for business applications. Chinese Internet users are changing their habits from entertainment to business applications.

LITERATURE REVIEW

An extensive survey of the academic literature reveals very little research that addresses social media in general. Some recent studies have appeared that are specific to the United States market or focus on U.S. companies. The December 2010 special issue of MIS Quarterly Executive focuses specifically on applications of social media in companies. Of the four articles, two are broad-based studies of U.S. companies [7], [12] and the other two are specific to Starbucks [11] and Dell [10]. A few additional studies were found that evaluate social media sites in the United States [8] or examine the business value of Web 2.0 technologies to companies [1]. All these studies, however, were specific to the United States market. One book [9] was identified that targets an academic audience, but its focus is primarily on the United States market.

No studies were found that address social media issues for China. The Chinese market is probably the most unique in terms of social media sites available and how these sites are being used by consumers as well as the issues associated with government intervention. It is surprising that most of the literature focuses on Western social media trends, primarily the United States.

Several books have been written that focus on providing advice to executives related to incorporating social media into a company’s overall agenda [6] [14] [16]. Li and Bernoff [13], for example, assert that social media will be essential for companies in the future and will change the way business is done. The authors contend that the increasing use of social media is being driven by consumers and that companies must have a better understanding of these consumer motivations and how to tap into the wealth of information being discussed on these sites. The focus, however, is on the United States consumer and written from the viewpoint of U.S. companies.

Several consulting reports address the issues of how companies are using Web 2.0 technologies [2] [3] [4] and how companies are finding value from the use of social media. Although companies were studied worldwide, the focus was on trends in the United States.

The literature points to the need for an evaluation of social media trends and studies of consumer adoption of social media platforms and applications that address key markets such as China. The research on this topic is in its infancy and has not progressed beyond the initial bounds of inception.

This paper lays the foundation for a better understanding of these issues for the Chinese market. China has emerged as the world’s second largest economy, and has the largest population in the world. There is a need to extend the literature to address the unique social media issues and implications for business opportunities and consumer behavior in China, the world’s largest consumer market.

SOCIAL NETWORKS

According to iResearch (www.iResearch.com.cn), social networking is a popular activity for Chinese Internet users, especially among students and white-collar users who comprise the majority of Internet users in China. Five main social networking sites exist in China: Renren, Kaixin001, Qzone.qq, Pengyou, and 51.

Renren

Renren was founded in 2005 as Xiaonei by Tsinghua University graduates Wang Xing, Wang Huiwen, and Lai Binqiang. In October 2006, the site was acquired by Chinese internet consortium Oak Pacific Interactive (OPI) and, in August 2009, it officially changed its name to Renren. Xiaonei translates to “on-campus network” because when the site was created, it was for university students only (exactly how Facebook started; one needed a “.edu” e-mail address to join initially). The site is absolutely identical to Facebook and has essentially the same user interface, layout, tools and functions. Just like Facebook, Renren users have an editable profile which features a “wall” where others can
leave comments. Users also have the ability to upload photos, videos, and more. Again, similar to Facebook, the site is open to third-party developers. This means an abundance of games and applications are available on the site and online games are among the site’s most popular features.

Renren translates to “everyone network,” which symbolizes how the site opened its registration to everyone, and not solely to students. According to Renren, the “everyone network” is the largest, most influential social networking website available. The site has more than 120 million active users.

According to Alexa Internet (www.alexa.com), a highly recognized web information database, Renren is ranked 15 in China and 94 worldwide in traffic volume. The site has reported revenue of $30 million, an estimated 15 percent market share, and a 60 percent growth in the number of users. In 2008, the site launched a WAP version, making Renren accessible through mobile phones. This was a critical move; as mentioned earlier, 65.9 percent of China’s Internet users access the Internet through mobile phones. This trend will continue, as mobile phones are much more affordable and prevalent than personal computers. Renren’s main source of revenue comes from its advertising sales.

Renren’s target demographic is students. Recently, the site has shifted a lot of attention to trying to keep students using the site after they graduate. In fall 2009, the site launched a big advertising campaign urging Chinese to use the site to reconnect with old friends and classmates.

Kaixin001

Launched in 2008, Kaixin001 translates to “Happy Net.” Oak Pacific Interactive launched this copy so that Renren and Kaixin001 users could have one registration for both sites. In 2011, it ranked as the 27th most popular website in China and 150th overall according to Alexa Internet. The site experienced rapid initial growth, amassing 7.5 million users in its first five months. The most recent reports put the number of registered users around 75 million. While Renren’s primary target is students, Kaixin001’s target audience is white-collar workers who use the site at work. Most notably, the site has highly active members, who average 15 page views and 15 minutes per visit. The site features online file sharing, offering each user 1 GB of online storage space. The site’s popularity is centered around its abundance of addictive online games, the top two being “Friends for Sale” (where users price and sell friends) and “Happy Farm” (users grow vegetables and steal vegetables from friends).

Qzone.qq

The Chinese Internet giant Tencent Holdings created Q Zone in 2005 to be the social networking component of its qq.com online community. More than 200 million registered users blog, upload photos, and listen to music on the site. While QQ ranks as the 10th highest traffic site in the world and the second highest in China, according to Alexa.com, Q Zone accounts for 23 percent of QQ’s overall site traffic. About 150 million users update their accounts at least once a month, which makes Q Zone one of the most active websites in the industry.

Pengyou

Tencent released a new social networking site in July 2010 called Pengyou, which translates to “friends” in English. The site targets white-collar workers and students. It appears that the site’s difference from Q Zone is that it is intended more for one’s real-life friends, whereas Q Zone is more for one’s qq instant messaging friends. The new site appears to be an attempt by Tencent to further compete against Renren and Kaixin001 by attracting an older audience. Alexa ranks this site as 25th in China and 195 worldwide.

51

Entrepreneur Mr. Pang Sheng Dong founded 51 in August 2005 in Shanghai, China. The site is jointly invested by Sequoia Capital, SIG Asia Investments, Giant Interactive, Intel Capital, Redpoint Ventures, and other enterprises and funds. According to the site’s own information, it is the largest social network service provider in China. As of June 2009, the site had approximately 160 million registered users. The site started in lower-tier, more rural cities, and has had slow growth since. According to Alexa, 51 is visited more frequently by users who are in the age range 18 to 24, have children, and have no college education. Alexa ranks the site as the 73rd highest traffic site in China. The site is an open platform, but does not have nearly as many games or applications as Renren.

These five sites appear to be the most popular social networking sites in China, but there are countless others. It appears that Renren will continue to grow and establish itself as the premier social networking site, much like Facebook. Tencent’s new site, “Pengyou,” may emerge as a major competitor.
Baidu (NASDAQ: BIDU)

Baidu was incorporated in 2000 and since has grown to become the leading Chinese language search engine. Baidu ranks seventh in the world and 1st in China in Alexa’s internet rankings as of April 2011. Baidu proactively censors its content to stay in accordance with the Chinese government’s strict regulations. Considering China already represents the largest number of Internet users with expected continued growth, Baidu is an extremely important site to be aware of when discussing any type of online content in China. Baidu generates revenue primarily through focusing on online marketing services. Its Pay for Placement (P4P) platform allows customers to pay to have better search results and links for a keyword/company name. Baidu closely resembles Google, but is the dominant search engine in China because of its censorship and natural Chinese language services.

Hao123

Hao123 is China’s largest web directory and navigational site. Launched in 1999 it was acquired by Baidu Inc. in 2004. Hao123’s homepage consists of more than 200 outbound links that lead to other popular Chinese websites. Users with a Baidu login name can create a customized homepage with “My Hao123” (similar to Google’s iGoogle) that provides 10 customized URLs and a unique background. The site has an Alexa traffic rank of 12th in China and 113th in the world as of April 2011.

Soso

Soso launched in 1998 and is a Chinese search engine owned by Tencent Holdings Limited. As of April 2011, Alexa Internet ranked the site tenth in China and 43rd in the world in terms of traffic volume. Alexa statistics show that the majority of the site’s users are female, in the age range 25 to 34, college-educated, and they browse from work or school. The site’s image and interface closely mimic Google.

Sohu Inc. (NASDAQ: SOHU)

Sohu is a search engine company headquartered in Beijing. The site provides news, information, video content, entertainment and communication services. In November 2005, Sohu was selected to be the Official Internet Content Service Sponsor of the Beijing 2008 Olympic Games. Sohu was provided exclusive services to construct, operate and host the official Beijing Olympics website. News.sohu.com is the most popular subdomain on the site, attracting approximately 23 percent of the site traffic, according to Alexa. As of April 2011, Alexa ranked Sohu the eighth most visited site in China and the 42nd most visited in the world.

Sogou

Sohu Inc. also owns the search engine site Sogou, which was launched August 4, 2004. Sogou translates to “search dog” in Chinese. The site serves as Sohu Inc.’s search engine, as the domain sohu.com has become more of a web portal, making the sogou.com domain the specialized search engine. Alexa ranks Sogou as the 23rd most visited site in China and 106th in the world.

Sina (NASDAQ: SINA)

Sina was launched in 1999 and now is the largest Chinese language infotainment portal (most similar to Yahoo.com). Alexa ranks the site’s traffic as third highest in China and 13th overall in the world. The sports, blog, and news components of the site are the most frequently visited. According to Alexa, the site is more frequently visited by users who are in the age range 25 to 34, are college educated, and browse this site from work and or school.

163

NetEase is a Chinese Internet company that operates the domain 163.com, a popular web portal. The site has been live since 1997 and features news, blogs, e-mail, and more. One of the more popular features of the site is its internally developed, massively multiplayer online games, many of which charge users for playing time. The site is ranked sixth for Internet traffic in China by Alexa, and 28th globally. Alexa also reports that 163 is visited more frequently by users who are in the 25 to 34 age range and are college educated and browse the site from work.

BLOG, FORUM AND USER REVIEW SITES

Tianya.cn

Launched in 1999, Tianya.cn is one of the most popular online forums, also known as BBS sites in China. These sites are extremely popular as they are topic-centric, and people use them to discuss and review virtually everything, including consumer goods and companies. Alexa currently ranks Tianya.cn 20th in China in terms of traffic and 112th in the world. Due to the site’s widespread popularity, Chinese politicians have used the site to campaign. According to Webdetai (www.webdetai.org), the site garners approximately 12,400,990 daily page views and
companies are utilizing social media in terms of retail traffic, especially among the urban white-collar group in China and other social networking sites are competing for ways to collect revenue.

**B2C VERSUS B2B**

There is a tendency to think that only business-to-consumer (B2C) companies are utilizing social media. However many business-to-business (B2B) companies are finding it just as effective. B2B companies are customer facing and use social media to engage and to better understand their

**E-COMMERCE SITES**

**Taobao**

Taobao is an online destination for shopping, socializing, and information sharing. The site is owned by the Alibaba Group and was founded in 2003. Similar to eBay, its focus is on facilitating business-to-consumer and consumer-to-consumer retail through providing a platform to open online retail stores. New or used items can be sold in either fixed price or auction format (like eBay). The overwhelming majority of products sold on Taobao are brand new items sold at fixed price.

As of April 2011, Alexa ranked the site fourth in China in traffic volume and 14th in the world. Alexa also reports that users spend approximately 20 minutes per visit to the site and most users are female between the ages of 25 and 34, college educated, and browse from work.

Other popular e-commerce sites ranked in the top four in China include Paipai, 360buy, and Dangdang.

**ONLINE GAMING AND VIRTUAL GOODS**

**Happy Farm**

Online games are one of the more popular online activities for Chinese. An estimated 15 million urban, white-collar internet users spend more than five hours a day on Happy Farm, according to data from the game’s creator, Five Minutes.

**Tencent**

Chinese Internet giant Tencent, the owner of the instant messaging service QQ and social networking site Q Zone, reported 2008 revenues exceeding $1 billion of which $719 million was generated by sales of virtual goods to Internet users. This market of virtual goods seems to be increasing, and many companies like Tencent and other social networking sites are competing for ways to collect revenue.
customers. B2B companies are more focused on relationships with business partners. Their use of social media is focused on building relationships with these entities. Both types of business models can be successful using social media tools if their use is based on the objectives set out by the company.

B2C companies more likely will find Renren or other social networking companies to be of value for the China market. B2B companies may not find Renren, for example, to be as effective. Similarly, Facebook is not used as readily by B2B companies in the United States. B2B companies may find Youku more effective as a tool to provide training videos or educational materials for suppliers. The use of social media sites in China will vary by company type and business objectives but the basic goals of social media for a B2B company are not too different from a B2C company.

DISCUSSION OF SOCIAL MEDIA TRENDS

Figure 1 provides a summary of the current major social media sites in China organized by category. These are identified today as the most popular in each category. These sites are the primary ones companies need to be aware of in order to assess how to best meet the needs of their particular operations in the Chinese market. Social media will continue to increase in influence and use in China. Companies that get on board today will find opportunities and unique ways to understand the needs of their customers in China and to involve them in ways that will impact the bottom line.

For companies thinking about engaging in social media in China, the most practical benefit is that user-generated content is essentially a vast collection of consumer insight. In China, the Bulletin Board sites are particularly popular and provide Chinese users with the option of anonymously uploading pictures, video and more. BBS sites are integrated into the five aforementioned social networking sites - Renren, Kaixin001, Q Zone, Pengyou, and 51. Chinese social media users like to talk about their experiences with products. These opinions, both good and bad, can provide valuable insights and a wealth of information for companies.

Blogs, online games, and videos seem to be the best channels to reach the widest audience in China. Incorporating social media into these channels will be effective in reaching Chinese customers. The content of any material however is extremely important and will factor heavily on the popularity and success of a marketing campaign. As mobile phones are increasingly used for Internet access in China, companies will need to develop mobile social media applications.

Social media in China is constantly changing and evolving, and it will become more prevalent in business and consumer activity. According to eMarketer (www.eMarketer.com), findings from a recent study show that Chinese Internet users place greater trust in companies that have microblogging sites than those that do not. This example highlights the importance of understanding social media in China in order to most effectively meet the needs of the customer. In addition, it is interesting to note that a replica of LinkedIn has not emerged in China, although some variants have appeared. This is a factor of Chinese culture that prefers face-to-face networking and relationship building in business activities [15].

This paper has focused on social media sites designed for external use and the relevance to companies operating in China. Social media use for internal collaboration and communication, such as wikis and internal social networks, also are becoming popular in the Chinese market. These trends also will likely follow the lead of the Western world.

RECOMMENDATIONS FOR COMPANIES
The following recommendations are based on numerous discussions with company executives and employees of Chinese companies, as well as employees working in China for U.S. companies. The authors collected preliminary data while they were in China during May 2010. These preliminary findings will provide input for more extensive research that builds on this work.

The insights below provide companies with a starting point from which to launch their social media initiatives in China.

1. Do not assume that social media initiatives that work in other markets are directly transferable to the Chinese market.
2. Social media is an excellent way to engage Chinese consumers, especially youths and young professionals.
3. Web content for Chinese consumers is best presented in the Chinese language.
4. The Chinese government is a concern and should be monitored because of uncertainty related to censorship of content, potential regulations, and bans on sites.
5. Online games are highly popular and sponsoring or incorporating your brand or product into a game is a great way to gain company exposure and/or brand familiarity.
6. Research reveals that the Chinese consumer trusts companies that have blogs more so than those companies that do not have a blog.
7. Access to the consumer on mobile devices is crucial because more than 60 percent of China’s Internet users access from mobile devices.
8. Chinese consumers provide valuable user-generated content that, in turn, can provide beneficial insights to companies.
9. Popular Internet sites for Chinese users are changing from focusing primarily on entertainment to business applications.
10. Social media will continue to grow and flourish in China.

CONCLUSIONS AND FUTURE RESEARCH

Today, it is imperative that companies doing business in China understand China’s social media landscape. Each company must evaluate the options to determine what portfolio of social media sites work best to meet the objectives of their particular business. B2C companies that are primarily customer facing will utilize social media for a different purpose than those companies that are primarily B2B. In all cases, the plan that works in the United States context, or other country context, is not the plan that will work in China. Companies must be aware of this fact and not assume that they can enter the Chinese market utilizing the social media sites already established in the United States. Resources, expertise and efforts specific to the China market will be necessary for success.

The research presented here sets the stage for more extensive studies to address an array of issues related to the use of social media in companies. Evaluating the benefits of social media applications and assessing the value afforded companies is difficult but necessary in order to justify the resources and evaluate where to target future plans. The contribution of this work is its focus on global trends related to social media, extending the discussion beyond the United States market. Future research is needed to build on this direction as well as an assessment of company and country opportunities and challenges for implementing social media plans.

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* Alexa updates its rankings daily. Those reported in this paper are from April 2011.