Impact of Social Media in China
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Opinions may differ as to what have been the hottest topics of the last year, but there is no longer any doubt as to where the largest number of hot topics is generated. In China, the answer is obvious—it is Sina Weibo.

Sina Weibo, a Twitter ‘clone,’ was launched in August 2009. Prior to its birth, six or seven microblogging websites had already emerged in China. However, the latecomer became the biggest winner. Leveraging Sina’s premium reputation as a news portal and the earlier success of Sina’s blogging platform, Sina Weibo successfully attracted 1 million registered users within 3 months of its launch. Its growth was then explosive: its users reached 10 million in April 2010, exceeded 100 million in March 2011, rose to 200 million in August 2011, and had reached 300 million by the first quarter of 2012, well over half of the total netizen pool of 500 million (as at the end of 2011, according to the China Internet Network Information Center). Sina Weibo’s reach is already starting to spread beyond the mainland, with 8 million of its registered users now being overseas, 3 million of those from Taiwan and 2 million from Hong Kong. Sina Weibo has thus become the largest media platform connecting Chinese mainland, Hong Kong and Taiwan.
Initially emulating the successful American microblog Twitter, Sina Weibo has quickly evolved into a completely different product in China’s unique cultural and business context. Many people underestimated the importance of Sina Weibo, believing that it focused more on entertainment than originality and innovation. They are now realizing that the potential impact of the hundreds of millions of original posts and reposts created on this platform is enormous.

A comparative study done by HP Labs at the end of 2011 found that Weibo users mainly share jokes, pictures and videos, and 62% of all posts are reposts, twice as high as the 31% on Twitter. Depolarization and flattening is one of the major features of social media, leading to a mass spread of trivial information closely related to daily life. As Thoreau wrote in regard to an earlier advance in communications technology, “We are eager to tunnel under the Atlantic and bring the Old World some weeks nearer to the New; but perchance the first news that will leak through into the broad, flapping American ear will be that the Princess Adelaide has the whooping cough.” However, in China’s media climate, which is still relatively closed and dominated by the state media, even the exchange of fairly trivial information can achieve a new significance. For example, in 2011 an Internet scandal erupted around a young woman called Guo Meimei, who boasted of her extravagant lifestyle while working for a charity group; it was widely presumed that her extravagance could only have been supported by embezzling charity funds, and the story had severely negative impacts on charitable donations, and in particular on the image of the Red Cross, with which Guo Meimei had been associated. The impact of the free dissemination of information, even if it is of a trivial nature, breaks the blockade of public opinion control so long exercised by the Chinese authorities and contributes to the progress of public dialogue.
THE IMPACT OF SOCIAL MEDIA ON PUBLIC DIALOGUE

Social media has developed a flat and interconnected structure, very different from the centralized structure found in traditional print media and television where there is a complex process of collection and processing before information is delivered to the public. In the social media era, each individual can be a ‘citizen reporter.’ Information originating from any media point will spread across the whole media environment rapidly but irregularly. Any media point passing on information can re-edit it and start a new round of distribution. Interactions between media points may form consistent or conflicting expressions of public opinion. This is the nature of the public dialogue mechanism in the new social media era.

This rise of this more vigorous public dialogue enabled by social media has weakened the influence of traditional media. Social media have already created pop stars and celebrities through the ‘self-generated media’ of grassroots fan campaigns. Media giant CNN has only 6.7 million followers on Twitter, while Lady Gaga has more than 20 million. Similarly on Sina Weibo, the actress Yao Chen has 21 million followers, while one of the most popular print media titles, New Weekly, has only 4.38 million.

Prior to the social media era, the traditional media proactively investigated news and mounted concerted campaigns to elicit a public response on key issues. Various parties also publicized their opinions in the media, seeking to shape public opinion. Now, the traditional media’s scope for such in-depth investigative reporting and campaigning is diminishing. Indeed, these media are becoming increasingly dependent on the realm of social media to identify new stories. Traditional media’s control over news reporting has thus been weakened, as social media can respond to breaking news instantly, and spread the news at lightning speed. These fragmented but widely interconnected media points now play a vital role in the formulation of public opinion. According to the white paper Crisis Management in the Microblog Era released by Ogilvy PR, 6 of the Top 10 PR crises in China in 2011 were triggered by microblogging, and all of them generated a lot of attention on microblogs.

Social media has transformed the mode of information spread from linear to interactive. Nan Fang Zhou Mo (Southern Weekly), China’s most influential newspaper, used to have a famous advertisement boasting that it had more than 800,000 subscribers and that each copy would be read by three readers on average. Nowadays, each post on Sina Weibo is viewed by 189 people on average, and each repost leads to an exponential spread of information. Celebrities with hundreds of thousands of followers each can easily become Internet Culture Icons. Almost all the top 50 Weibo accounts are held by stars from the worlds of pop music and movies. However, if activity, scope of spread, and coverage are also considered rather than just the number of followers, the top 50 account holders come from quite diverse backgrounds, including entrepreneurs, business writers, commentators, and freelance intellectuals. Each active blogger posts, comments and reposts a large amount of information, relevant or irrelevant to their professions. Through social media, almost everyone can participate in the formulation of public opinion. However, in the social media not all media points are equally important. A small number of individuals play key roles in spreading information and online discussion is mainly based on posts and comments by these Internet Culture Icons. According to the statistics of the CIC IWOM Data Panel, during the crisis of confidence in the Red Cross Society triggered by the Guo Meimei scandal, reposts triggered by the top three Internet Culture Icons exceeded a third of all reposts on the topic.
Social media companies have been cultivated by angel investment and venture capital firms, with the expectation that they will prove to be highly profitable. There has certainly been a lot of interest in the e-commerce or advertising possibilities of social media. However, thus far the social media business model remains uncertain.

Facebook, the world’s leader in social media, has attracted 800 million registered users around the world, and has diligently harvested information on those users to entice retailers and advertisers. GameTop, the largest games retailer in North America, opened an online store on Facebook in April 2011. Apparel retailers Gap and J.C. Penney, premium retailer Nordstrom, and many others have followed suit. However, selling products on a social media platform has not proven easy. It seems people are usually more willing to shop on websites on which they have already had a good experience, rather than on social media sites.

Traditional large advertisers have also launched pilot programs on social media platforms. Ford Motors’ smart-talking puppet Doug proved to be a big success in its 2012 advertising campaigns. Doug soon became popular on Facebook and was ‘liked’ by more than 43,000 users. According to a survey done by Ford, more than 60% of interviewees would consider buying new cars from Ford because of their fondness for Doug. Ford spent just USD 110,000 on its advertising on Facebook, only a tiny part of its total advertising budget of USD 95 million in 2012. The small input brought a large output. Yet this kind of success story is not easy to repeat. Walt Disney excels in image marketing and is one of the ten online advertisers who value Facebook advertising most highly; but it has yet to achieve any significant success on Facebook. The ‘like’ economy is emerging, but businesses are still seeking ways to tap into it.

Many companies also hold high expectation for Sina Weibo. More than 30,000 companies have begun promoting themselves through the platform. One of the first movers, 360buy initiated its Weibo marketing in late August 2011. It added a
‘promotion’ button on its Weibo webpage which directly links to the 360buy official website where the product in question is shown already added to a shopping cart. Although 360buy has more than 1 million followers on Weibo, it has not yet seen any substantial increase in its sales volume. In September 2011, orders generated through Sina Weibo were only 5,000, compared to its total of 700 million online orders in 2011. Traditional retailers have also started to try marketing through social media. For instance, Beijing’s Xidan Department Store, the Shuangan Department Store, and Modern Mall all opened official Weibo accounts at the beginning of 2011; but so far each of them has only attracted 20,000-30,000 followers. Merely posting sales promotions is not enough to develop the marketing potential of social media.

Social media has created a ‘like’ economy. Both direct e-commerce players and indirect social media marketing need to adapt to this new context. According to Nielsen, brand information spread through interactions with friends on social media platforms can achieve greater effects than traditional advertising in terms of brand exposure, brand identity awareness, and advance purchases. The higher the brand exposure is, the better the branding effect is. Brand value needs to be maintained and enhanced by genuine interactions within the target audience, rather than through “zombie followers” (automatic reposting from dummy accounts) or the “internet navy” (paid posters). Companies that have historically attached high importance to branding and value creation should have an advantage in achieving this. It is a more difficult challenge for companies whose growth relies more on a large amount of advertising promotion and expansion of their distribution network. Business competition in the social media era is ‘soft:’ the focus is on capability building, value creation for consumers and organizational commitment.

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Many customer management theories embrace a 90/10 strategy: to satisfy 90% of your customers, you may have to ignore the needs of the remaining 10% non-core customers. Enthusiastic followers of this ‘core customer’ theory use operations analysis tools to identify what percentage of customers are highly loyal and what percentage are picky, tailoring their services and so controlling costs. Today, however, this business strategy is increasingly coming under challenge. On a social media platform, the reputation of a company or a brand can be affected by a variety of stakeholders. Companies and consumers can all have their say on a brand, product or service. Customers’ views may not only be based on their own experience but can also be affected by the opinions of others, including non-consumers.

Canadian musician Dave Carroll made a very big splash on the Internet a few years ago. One of his guitars was broken during a flight with United Airlines in 2008. A furious Carroll wrote a song called United Breaks Guitars and uploaded it to YouTube. The song got 4 million views in just 10 days, and caused a drop of USD 180 million in United’s market value. Such negative feedback from a single customer can easily become a major talking point on the social media and adversely affect brand image. Companies are increasingly faced with such risks in the social media era.

In China too the rules of crisis management and public relations have been almost completely rewritten thanks to the impact of social media. According to Ogilvy’s Crisis Management in the Microblog Era, the Top 10 personal crises and Top 10 public credibility crises disclosed by traditional media in China in 2011 were the same as those disclosed by microblogs, but the degree of public attention attracted by the coverage was sometimes different. Among the leading brand crises of the year, there were two, involving Siemens and Coca-Cola, which were not on the traditional media’s Top 10 but became big stories on microblogs. Social media has become the frontline for brand crises and public credibility crises.

Based on its wide experience in brand management consultancy and on its analysis of the characteristics of the new media environment, Booz & Company believes that companies need to adopt the following three public relation principles in the microblog era.

1. Prompt Crisis Management Mechanism
In the social media era, the response time of all information points has been shortened. Once a crisis breaks out, it will be reposted in a very short period of time and cause serious social impact. For example, when misconduct by a local furniture maker, Da Vinci Furniture, was reported on the Finance and Economics page of news portal Sina
Net on July 10, 2011, it was reposted more than 5,000 times within 24 hours and became the hottest Weibo topic. Similarly, there were 100,000 posts and reposts on Weibo about an accident on the Shanghai subway within hours of it happening. Real-time spread of a large amount of information has brought huge challenges to enterprises and government bodies. For organizations caught in a crisis, providing prompt, reasonable and acceptable responses is essential. The way the Shanghai subway accident was handled may provide some guidance. Within thirty minutes, Shanghai Metro posted two apologies and claimed the accident was being carefully taken care of. Twenty minutes later, it advised commuters to rearrange their travel routes. Two hours later, it announced that all of the injured had been taken to hospital. Five hours after the accident, it posted that all of its subway lines were back in full operation. Such intensive and transparent release of information helped to maintain public confidence in the subway network.

2. Mechanism of Information Disclosure and Management

In the era of self-generated media, the entire audience can have its say. The traditional media, especially the major outlets with mass audiences, used to have absolute power in shaping public opinion, and this made it much easier for enterprises caught in crisis to deploy their PR resources to effectively influence the media coverage and so control public opinion. In the social media era, the line between internal information and external information is getting blurry. Senior management, general staff, and all the stakeholders along the supply chain can be an information source - intentionally or unintentionally. Old PR methods are no longer so effective. Enterprises and government bodies need to systematically categorize all their internal information and set up an integrated mechanism for information management and disclosure. For information that will certainly become quickly known by the public, enterprises and organizations must disclose it through official media in real-time. For information that is known by lots of stakeholders and may become known by the public, enterprises and organizations should carefully analyze it and eliminate any conflicts or inconsistencies it may contain, and then disclose the information in detail to major media and the public, to avoid the reputation damage that can be caused by non-official release or distortion of information. For highly confidential information, information channels must be clearly defined in order to try to guarantee the information’s security. Enterprises and organizations must avoid being arrogant or complacent in taking the security of internal information for granted. Appropriate information categorization needs to be a key part of an integrated PR mechanism for crisis management.

3. Two-way Communications on an Equal Footing

The media structure in the new era is growing flatter. Users of social media vary from mainstream media with millions of subscribers, to top stars and Internet Culture Icons with tens of millions of followers, to ordinary users followed by friends. Although the amount of attention paid to different social media accounts varies enormously, the capacity for communication between different accounts—via reposts, comments, following and being followed—is the same for all. Most ordinary accounts may never attract much attention, but each account can communicate with any other account on an equal footing, allowing for incredibly rapid dissemination of news and opinion. Once an incident is reported on a microblog, inappropriate PR responses—meaningless diplomatic statements, excuses, and buck-passing —only add fuel to the fire of the crisis. Siemens for example, when faced with criticism over a problem with some of its refrigerator doors, hired a public relation agency to try to settle in private with the Internet Culture Icon Luo Yonghao. This approach might have worked in the traditional media era, but here it actually escalated the crisis to the next level. According to Cheaa.com, the retail market share of Siemens refrigerators dropped from 12.5% in September 2011 to 8% in February 2012. The share drop caused by this PR crisis probably far exceeded the original expectation of the Siemens management. If Siemens had conducted a serious investigation and a more direct communicated more with consumers, it could have been a good opportunity for brand promotion.
CONCLUSION

In the face of the challenges brought by the social media era, we believe capability building is vital for enterprises to adapt and succeed. This covers supply chain management, stakeholder management, quality control of products and services, improvement of company reputation, enhancement of customers' acceptance of brand value, and PR capabilities specifically directed to social media.

In order to promote corporate values and enhance brand identity, enterprises need to design an all-round crisis management mechanism which categorizes internal information, strictly defines channels for information passage, sets up a crisis management mechanism, designs processes for information release and PR, manages relationships with customers and suppliers, coordinates the provision of necessary claim and return services, and builds effective information-sharing mechanisms grounded in the corporate culture.

In a fast-changing and dynamic market like China, having a capability building strategies on social media has become an imperative for business—whether multinationals or locals.
About the Author

Edward Tse is Booz & Company’s senior partner and chairman for Greater China, specializing in definition and implementation of business strategies, organizational effectiveness, and corporate transformation. He has assisted several hundred companies—headquartered both within and outside China—on all aspects of business related to China and its integration with the rest of the world.

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We believe passionately that essential advantage lies within and that a few differentiating capabilities drive any organization’s identity and success. We work with our clients to discover and build those capabilities that give them the right to win their chosen markets.

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