

China's Internet obsession

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Just how big (or small) a market would Google leave behind were it to pull out of China today? In January, China Internet Network Information Center, the country's official domain registry and research organization, reported that by the end of 2009, the number of Internet users in China had touched 384 million, more than the entire population of the United States. That's an increase of around 50 percent over 2008. Moreover, 233 million Chinese—twice as many as in the previous year—accessed the Net on handheld devices, partly because China's cellular providers started offering 3G services widely last year.

The Chinese are obsessed with the Internet. People in the 60 largest cities in China spend around 70 percent of their leisure time on the Internet, according to a survey we conducted in 2009. In smaller towns, the corresponding number is 50 percent. The PC is fast replacing the TV set as an entertainment hub, and emotions run high over who gets to log on and for how long. In a small city in northwest China, for instance, a man told one of us that domestic squabbles over using the PC got so out of hand that his wife and he discussed spending, for them, a large sum of money to buy another machine—or filing for divorce. They eventually bought a second PC and saved their marriage.

People in China use the Internet more for entertainment—playing online games, messaging, downloading music and movies, and shopping—than for work. The Chinese place great stock in the opinions of online product reviewers. One in five consumers between the ages of 18 and 44 won't purchase a product or service without first researching it on the Internet. They shop online at auction Web sites such as Taobao, paying for products and services with prepaid Taobao cards that the post offices sell for a small commission. The volume of e-commerce in China more than doubled last year.

Unsurprisingly, both Chinese and foreign consumer-facing companies are pouring money into Internet marketing. Online advertising has been growing at between 20 and 30 percent a year—twice the print media's growth rate—and the market was around \$3 billion (20 billion renminbi) in size last year.

Companies that create microsites or stage online events usually find that consumers in China respond enthusiastically by posting comments, pictures, and videos. For instance, Nokia staged an online concert in partnership with Youku, a leading video content site, and tied up with Tudou, another online video site, to conduct a quiz that gave visitors a chance to win 1 million renminbi. In both cases, millions of users accessed the content over Nokia handhelds. Recently, Nestlé launched an online campaign for Nescafé coffee in association with Youku and Kaixin, a social-networking site. The Swiss multinational is showcasing Camera Café, five-minute videos of conversations between office workers on coffee breaks.

Marketers woke up to the Internet's ability to influence opinion after the Sichuan earthquake, in May 2008. A huge amount of buzz glorified big donors and crucified small ones. In fact, Wanglaoji, an herbal tea brand, became nationally known partly because of its postquake online tag line: "If you want to donate, you donate 100 million renmibi. If you want to drink, you drink Wanglaoji."

Many companies track online conversations in China constantly, asking themselves: What are bloggers saying about our company and products? Are we generating positive buzz online? How can we preempt an attack that can spread throughout the blogosphere in hours? They use

agencies like CIC, the Chinese Web Union, and Daqi.com to track the buzz and to connect disgruntled customers with companies.¹ This can be contentious; some agencies are accused of seeding fake comments, but many claim that they follow the US Word of Mouth Marketing Association's code of ethics. Foreign companies invite influential Chinese bloggers to visit offices and plants overseas, while other companies take part in conversations on bulletin boards to dispel rumors and address concerns even as they gather consumer insights.

Seismic changes are likely to take place in the Chinese consumer market because of the Internet—and we aren't talking just about the fact that 50 million Chinese may soon have to stop using their favorite search engine, Google.

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