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Citation

Knowledge@SMU. Online Campaigns: The New Way Marketers Can Reach Out to Chinese Consumers. (2007).

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Online Campaigns: The New Way Marketers Can Reach Out to Chinese Consumers

Published: March 27, 2007 in Knowledge@SMU

Tencent, the biggest instant messaging company in China, recently partnered with Shanghai Volkswagen, the sino-Germany Automobile Joint Venture to hold a blog writing competition. Bloggers could open a blog space on Tencent's blog channel or on Shanghai Volkswagen's online club, "My SVW Club" (<http://myhome.mysvw.com>) to join the competition. The topic was "The Beauty of Hometowns". Awards included Tencent's QQ virtual items and travel funds in cash. The final champion selected on March 18 won a POLO automobile provided by Shanghai Volkswagen. Almost 2,500 bloggers reportedly created and decorated their online space to participate.

Multi-nationals are increasingly looking to reach China's emerging middle class through the Internet, as G. Willing "Wing" Pepper, regional director, Asia-Pacific, for MRM Worldwide, a New York-based direct and interactive marketing solutions agency, says that "Companies are turning to the Internet to advertise because the Internet is where Chinese consumers spend the most time, more than TV or other media." Marketers are hearing the call and boosting their digital marketing efforts.

In this story, China Knowledge@Wharton looks at online consumer trends in China and at Internet-based marketing campaign case studies from Pepsi and Samsung that have been successful at tapping into online mediums to get closer to their customers and drive brand loyalty.

The Rising Power of Bloggers

Online advertising is booming in China as marketers have begun to recognize the shift in consumer habits. iResearch, an independent consulting firm, forecasts the online ad market to grow at least 30% annually for the next eight years. The numbers of both Baidu, the leading search engine in China with approximately a 70% market share, and Google have been increasing as they ramp up their China operations. In 2006, Baidu pulled in \$106 million in online marketing revenue in China while Google brought in \$32 million compared to only \$38.1 million for Baidu in 2005 and \$19.4 million for Google. The numbers show that more and more companies are buying into the idea that online advertising works.

There are approximately 140 million users online in China, according to the China Internet Network Information Center, which forecasts that within five years China will overtake the United States as the largest group of Internet users as broadband services are rolled out into fourth and fifth tier cities and as disposable incomes increase. The Chinese are already the world's heaviest Internet users, spending more time online than any other nationality, including Japanese and Americans.

Achal Agarwal, chief operating officer of China Beverages, PepsiCo, says, "The average amount of time people spend on the Internet in China has risen to 17 hours a week from 10 hours in 2002." This compares with just 13.9 hours a week in Japan and 11.7 hours in the United States.

To understand and get close to these consumers, the Internet is a great vehicle. Agarwal elaborates: "For a company like Pepsi that targets the youth, the Internet is an especially effective medium -- 70% of all Internet users are younger than 30 and 55% of teens in China said that they cannot live without the Internet."

Chinese Internet users on the whole are younger than users in other countries like the United States where even octogenarians surf the web. Called China's baby boomers, China's youth segment spends a great deal of its online time engaged in active discussion of products and advertising through blogs and BBS (Bulletin board system) forums. They talk about what they like and dislike about companies and life in general on the approximately 120 million active blogs in China.

As one blogger responded in a survey conducted by the China Market Research Group (CMR), a market research firm headquartered in Shanghai, "I post on blogs and BBS because I can express myself to millions of people at once. I like the rush, and I feel empowered." Because of RSS feeds, blogger comments are immediately broadcast to the world at the speed of light.

Consumer activism and sharing of information is extremely important in China and is a key factor in why so many people reach out to blogs and BBS. Zhang Junni, a professor from Beijing University's Guanghua School of Management says that "The Internet is a platform via blogs and BBS where Chinese can go to share opinions, and people can get trustworthy information."

This is important because Chinese consumers often trust the opinions of bloggers and BBS posters more than they do the traditional media outlets. Zhang highlights the importance of incorporating Internet advertising into ad planning, noting that "There are several reasons Internet advertising is especially effective in China. First, there is a lack of ethics in many parts of the Chinese business community. For example, there is a lot of abuse of consumer trust in the food and drug industries. Because of this, people do not trust traditional advertising that much. Instead, they depend a lot on word of mouth and a circle of trust when choosing products."

A Shanghainese woman who responded to CMR's interviews said, "I believe the bloggers and their ideas. They are my friends and will tell me the truth, unlike advertisements."

Companies are taking note after the public relations disasters that befell Haagen-Dazs and Dell in China in 2005 and 2006 when consumers banded together online to complain about poor products, bad service, and unsanitary production facilities. In response, companies are beefing up their digital marketing departments to respond to crises.

Savvier multi-nationals like Pepsi and Samsung are recognizing the power of the Internet to launch proactive rather than reactive marketing campaigns and get closer to their customers. These companies have harnessed the power of the Internet to increase brand awareness, create buzz, and generate more profits.

Online Campaigns of Big Brands

MRM's Pepper raises a critical point related to Internet advertising that companies must remember if they want to fully utilize the medium. He says that "consumers control the online environment so brands need to think about facilitating user-created actions, not just user-generated content." Unlike newspapers and TV where the advertisers are speaking at consumers, the Internet allows for more back and forth interaction.

"The Internet is about utility. Consumers read the newspaper, they watch TV, but they use the Internet," Pepper adds. In other words, actively involving Chinese consumers through the Internet can be more effective than many forms of traditional advertising if done correctly. The following two case studies from Pepsi and Samsung show how companies have taken this lesson to heart.

Pepsi and Samsung

At the vanguard of companies embracing interactive digital advertising, Pepsi has implemented one of the most successful Internet advertising campaigns to date in China. During the summer of 2006, Pepsi issued a challenge for consumers to write screenplays for Pepsi spokesman and famous pop singer Jay Chou.

Participants in the contest could write screenplays and then post their submissions online. The best screenplays were voted on by Chinese netizens, 15 entrants received prizes and the best entry was adapted and produced as a TV commercial. The response from Chinese Internet users was extremely positive, with participants making comments on BBS such as "I was very happy to participate in this campaign, even though my work was not selected." Another participant blogged, "I have truly learned a lot from this campaign, and I wish the best of luck to Pepsi." Pepsi's Agarwal points to the 27,000 user submitted entries as an indicator of the campaign's success.

Shaun Rein, founder and managing director of The China Market Research Group (CMR) points out that identifying the interests of Chinese consumers is what ultimately leads to the success of marketing campaigns, "The reason why digital interactive marketing campaigns like the Pepsi Creative Challenge work is that they add value by creating a mechanism for consumers to get involved."

Pepsi's main international competitor in the beverage market, Coca-Cola, has also tried to develop online interactive advertising via its website iCoke, which has several million active users, according to interviews with a senior marketing manager in China. Like Pepsi, Coke launched its own interactive advertising campaign in which Chinese were asked to vote via iCoke or by mobile phone to determine the outcome of an advertising campaign that has S.H.E., Coca Cola's female pop band advertising agent, captured by a monster. Others were asked to collectively decide the outcome of the commercial that would be shown on TV. In this way, Coke was able to include its customers in the creative process.

However, Coke's campaign did not create the same buzz that Pepsi's did in China. As one person who responded to the survey said: "Coke's campaign was not as exciting as Pepsi's. Jay Chou is cool. It seemed that Coke was just copying Pepsi." The lukewarm response by China's consumers to the Coke campaign underscores the importance of launching campaigns that are viewed as hip and not a copy-cat. Also key is choosing the right spokespeople that consumers relate to or idolize.

Perhaps even more important, another respondent noted that "while users were actually able to impact a real event in the Pepsi campaign, with Coke, the end result was already determined and people could only vote between limited endings for a story. No one's fate was changed in real life." In other words, Coke did not create that interactivity that Pepsi did.

Samsung also recently ran a campaign which relied on Chinese contestants to create content and vote on the

process. Members of its 'Fun Club' could submit essays about topics that touched their lives either through Samsung's interactive website or via their mobile phones. Users were encouraged to submit as many essays as they wanted and other netizens voted for their favorite pieces. At the end of the contest, eight winners were awarded Samsung mobile phones.

The contest solicited 13,301 essay submissions and more than 811,000 hits to the website. Most importantly, Samsung's campaign created buzz for their products and good will with their target market. Netizens commented that the idea was good and brought them closer to Samsung. As one blogger blogged, "I am excited that Samsung holds so many campaigns with tempting prizes."

In a crowded mobile phone market where companies like Mitsubishi have abandoned their China operations, Samsung is building up its relationships with Chinese consumers. Since over half of the world's mobile phone users live in China -- about 450 million -- this is a smart move for Samsung.

The Future and its Challenges


What companies are learning is that while older Chinese consumers still have high savings rates of around 40%, those in their teens, twenties and early thirties are much more optimistic about their futures and more willing to spend on things that interest them. These consumers spend most of their time online and trust the content of the Internet more than traditional forms of advertisement. By engaging consumers through online forums, companies like Pepsi are developing brand loyalty with a wave of Chinese consumers who are more expressive and vocal about their needs and desires than ever before.


The trend in interactive advertising in China will continue as e-commerce develops in China and more of the population gains access to the Internet. More so than in many other countries, every available surface in China is used to advertise brands with the end result that people are often numb to, and wary of, traditional media. The clutter leaves many consumers desensitized to traditional forms of advertising which might be an impetus for the recent acquisition by Focus Media -- an out-of-home life-style media company in China that places advertisements on their network of LCD screens and posters in elevators -- of Allyes Information Technology, an online advertising company, for approximately \$300 million last month.

In reference to Samsung's campaign, Rein says, "People have a voice and get to see a lot of creative work and then take part in deciding what wins. This is why [the hit TV show] "American Idol" is so popular in the U.S. -- people have a vote and have buy-in into the results. It is really important for companies to understand the needs and desires of Chinese consumers. Both Pepsi and Samsung have done excellent jobs in identifying and addressing those needs."

Through interactive campaigns, companies are finding ways to involve consumers and develop brand affiliation stickiness that will carry forward as younger consumers age into higher paying jobs. Weighing in on why the Internet is such an important platform for companies looking at new ways to advertising in China, Wing predicts that "two to three years from now there will be a much larger Internet community in China. The challenge for marketers is to leverage the Internet and mobile channels to drive business."

In a country where mobile phone users outnumber Internet users at almost 4 to 1 and will soon be able to surf the web via their mobile phones, marketers need to create the right interactive campaigns and strategies to tap into Chinese consumers demands to use their mobile devices and the Internet. The companies that are able to will benefit from the increasing consumerism of China's aspiring, middle, and affluent classes.

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