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政治
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Virtual China

The Future of the Chinese Language Internet



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Introduction

The Chinese-language Internet is part of the transformation of contemporary China and the emergence of China as a world power in the 21st century. As it has been in other places, the Chinese-language Internet is a platform for new kinds of connection, collectivity, and expression.

But against the mainland Chinese backdrop of highly regulated mass media, one-party rule, rapid social change, and fragmented civil society, its significance looms especially large. In concert with other informal media—such as the mobile phone—the Internet in the People’s Republic of China (PRC) is creating a historically unprecedented, massive public forum in the world’s most populous country.

At the same time, Chinese Internet users live with a different set of regulatory, technical, cultural, and aesthetic forces that will shape their experiences online. In effect, when they go online, they see and create an Internet that is different from the one we see in the United States; an other Internet, or perhaps, an “Internet with Chinese characteristics.”

Over the next decade, this Chinese-language Internet will facilitate the emergence of a number of new actors in the global economy:

- A more unified Chinese youth
- A more activist Chinese consumer
- An empowered Chinese citizen
- A more intrusive Chinese bureaucracy
- An innovative Chinese entrepreneur

Each of these actors will become increasingly connected with counterparts outside mainland China and each will require new responses from businesses and other organizations.

This report provides an overview of the basic contours of this “other” Internet as it stands today; a close-up look at some basic trends that are shaping its future; and six key forecasts that identify future hot spots of innovation and disruption and their implications for business.



1 A Tour of Today's Chinese-Language Internet

Imagine trying to create new devices, products, and services in the United States without knowing what MySpace is, without understanding the difference between the *New York Times* online and BoingBoing.net, or without having even a basic idea about how Google really works.

And yet, this is the situation of many global companies today with the Chinese language Internet. Even as they strategize to build new markets in China and other Asian countries, they face the reality that these markets are being built on a platform that is largely unknown and inaccessible to them. Furthermore, that platform—the Chinese-language Internet—will soon begin to reshape the Western Internet, as well.

The fact is that China's Internet sector is booming. The Chinese people are projected to become the largest single group of Internet users sometime in the next decade, even with only 12% penetration nationwide. China is already the world's largest mobile market, and the Chinese will lead the adoption of mobile Internet services, applications, and products. Furthermore, the Internet is already the most important medium for Chinese consumers to learn—for the first time—about a new brand or a new product, followed by TV commercials.¹

In addition, the Chinese-language Internet is shaping China's future: 54% of Chinese senior high school students are online; over 90% of those with college degrees and above are online. This emerging generation of consumers, workers, and leaders will be Internet-savvy; they will know both the Chinese- and English-language Internets. Their vision of the world, where they get their news, how they entertain themselves, and who they form relationships with will be increasingly shaped by their Internet. Their practices and preferences will strongly influence the direction of the Chinese economy and its government. This is why it's so important for those who want to provide products or services to Chinese consumers to understand the contours of the virtual Chinese landscape.

So, let's take a quick tour of today's Chinese Internet to see what it suggests about tomorrow's opportunities—and challenges.

How Big Is It, Really?

Internet use, especially via broadband and mobile devices, is growing rapidly in Asia. Chinese-language Internet users grew by nearly 500% in the past seven years, compared to just a little more than 150% growth for English-language users.

Today, although overall Internet penetration is low, the Chinese Internet is hardly at an “early stage.” Online life is flourishing. Behind the “Great Firewall” (the name given to the Chinese government’s program to control access to Web sites it doesn’t like), the Internet is changing Chinese lives in the same way it has transformed lives in the rest of the world over the past decade. Here are the basic statistics:²

Number of mainland Chinese Internet users: 162 million (7/07)

Penetration rate: 12%

Rate of Internet use growth: 2004, 2005: 18%; 2006: 23%; 2007 Q1-2: 31%

Broadband users: 122 million, or 75%, of Internet users in China (7/07)

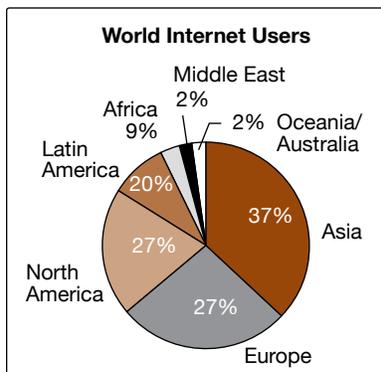
Mobile subscribers: 523 million (9/07)

Rate of penetration: ~40%

Access: 48 million, or almost 25%, access Internet from mobile phones (9/07)

An important implication of these numbers is that Chinese-language users are likely to pioneer many of the new market opportunities that broadband mobile Internet applications will open.

Asian Internet users already constitute the largest group of Internet users worldwide.



Source: www.lbl.gov

The Chinese-language Internet is growing almost three times as fast as the English-language Internet.

	English	Chinese
Percent of all Internet users	31.2%	15.7%
Internet users by language	365,893,996	164,001,513
Language growth in Internet (2000–2007)	157.7%	469.6%
2007 estimated world population for the language	2,042,963,129	1,351,737,925

Source: Copyright © 2007 Minwatts Marketing Group. All rights reserved.

Who Are The Users?

In China, Internet users cluster unevenly by geography and age.

The majority of Chinese Internet users live in China's most developed regions and cities. The three so-called Tier One cities—Beijing, Shanghai, and Guangzhou—plus Guangdong Province, accounted for nearly 75% of all users in 2006.

However, rural primary and middle school students are adopting the Internet very quickly compared with older rural users—in fact, rural Internet users are made up of disproportionately large numbers of young students. The result? It's likely that the Internet will rapidly suffuse the rural landscape in the next decade.

Again, consider these key statistics: ³

Urban penetration rate: 20%

Rural penetration rate: 5%

Growth of rural penetration rate, Q1–2 2007: 2%

Percentage of users under age 30: 70%

Percentage of people age 18–30 who are online: 30%

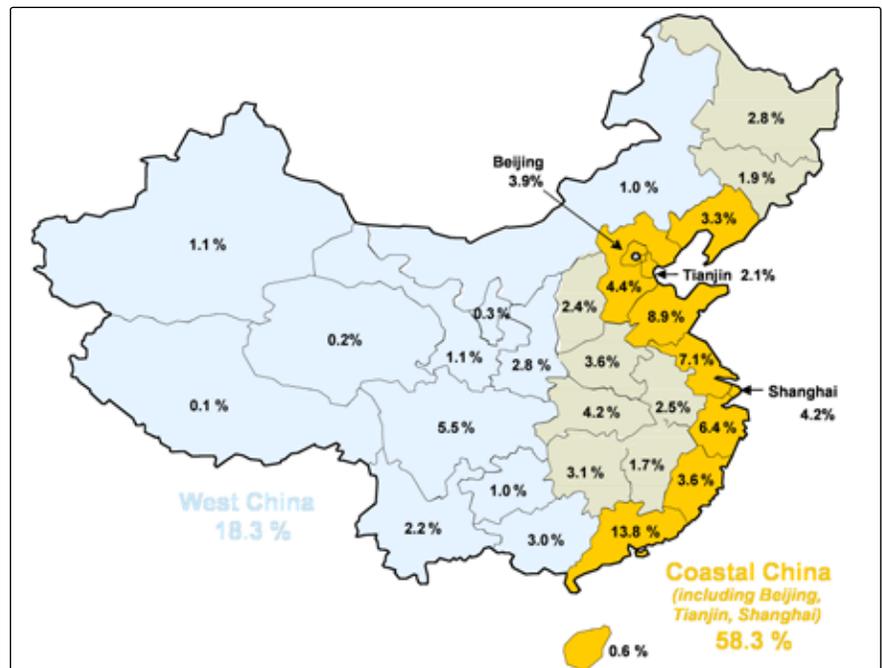
Percentage of all 18–24 year olds using the Internet: 43%

Percentage of rural users who are in primary and middle school: 42%

Percentage of users who are female: 48%

Percentage of PRC Internet users by region.

China therefore presents businesses with a patchwork of Internet practices and service opportunities, with cutting-edge lead users in urban areas and the promise of significant growth in rural areas.



Source: CNNIC 15th Statistical Survey Report on the Internet Development in China, 1/06

How Is It Used Today?

Chinese Internet users spend more of their time online than their counterparts in other countries—about a third more time than their United States counterparts. Even in Japan, where Internet penetration is almost four times as great, users spend less time online than in China.

What do Chinese users do online? They do pretty much what United States users do, only more so. In almost every category of use—from online news and Instant Message (IM) to gaming and music—Chinese users outrank United States users. Notably, shopping is an important exception, where almost three times as many Americans shop online.

As we will see in Chapter 2, this Chinese investment of time and money in the Internet is of growing concern to both parents and the government. But for business and society alike, it suggests that the proportionate impact of online practices and services will be greater in China than elsewhere.

Chinese Internet users spend more time online.

Country	Hours online per week (2005 data)
China	16.9 (2006)
Japan	13.9
Korea	12.7
Canada	12.3
United States	11.4

Source: Ipsos Insight, 2006

Chinese Internet users outrank U.S. users in many important application areas.

Application	Chinese usage	U.S. usage
News	77%	72%
Search	75%	91%
IM	70%	39%
Music	69%	34%
E-mail	69%	91%
Video	61%	n/a
Games	47%	35%
Online shopping	25%	71%
Education	24%	n/a
E-banking	21%	43%
Blog	5%	n/a
Job search	15%	46%
Online stocks	14%	13%

Source: China Internet Network Information Center, Pewinternet.org, China Daily

What Are The Hot Destinations?

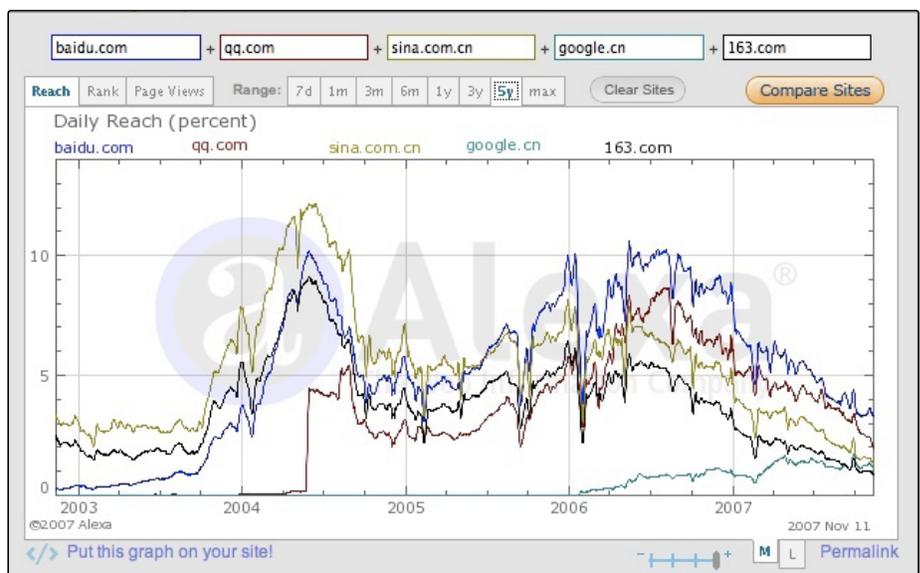
Like the English-language Internet, the Chinese-language Internet is dominated by a few key online destinations—Web sites that garner the majority of users and attract the most traffic consistently.

Like Yahoo! and Google in the United States, the top five sites on the Chinese Internet are search engines and portals for news, games, and community. The number two destination is the top site for instant messaging. Here's the ranking:

1. **Baidu.com:** top search engine
2. **QQ.com:** top IM service, games, and community
3. **Sina.com.cn:** top web portal, news, and community
4. **Google.cn:** search engine
5. **163.com:** Netease, web portal, news, and community

However, it's important to recognize that these top-ranked sites differ in some significant ways from their United States counterparts. Let's take a closer look at three of them.

Traffic ranking for current top sites over the past 5 years.



Source: <http://www.alexa.com>

BAIDU: A SEARCH ENGINE AND MORE

Baidu, which means “hundreds of times,” is an allusion to a 12th century Song Dynasty poem:

“...hundreds and thousands of times, for her
I searched in chaos, suddenly, I turned by
chance, to where the lights were waning, and
there she stood.”

Baidu continues to be the search engine of choice for nearly three-quarters of Chinese Internet users. It is even more popular outside China's top cities.

But Baidu is more than just a search engine:

- Baidu's Postbar is the largest bulletin board community in China. Here users can view or generate message boards based on keyword searches. Postbar accounted for 10% of Baidu's traffic in 2006.

- Free online music content is another major driver of Baidu use. The Baidu search bar includes “MP3” as a search option, and the site also offers playlist aggregation and sharing features.

Research suggests that search results evaluation happens differently in the Chinese language than it does in English. It takes longer to process Chinese-language search results. According to the eye-tracking research group Enquiro, it takes twice as long to find relevant results on Baidu as it does on Google, due to results that are filled with sponsored links. For older, wealthier, more educated users, who may be less interested in using the Postbar and music search functions, Google is nearly equally preferred.

Baidu entered the Japanese search market in 2007. Its stock value tripled.⁴

Baidu's homepage, translated. In addition to searching, Baidu offers news, community, music sharing, and blogging.



Source: www.baidu.com

QQ: INSTANT MESSAGING, CHINESE STYLE

Instant messaging (IM) is the primary form of online communication in China: 70% of Chinese Internet users use IM compared to 56% who use e-mail. In the United States, 39% use IM and 91% use e-mail.

Owned by Tencent, QQ is a downloadable software client derived from the ICQ model. But in addition to its IM program, QQ provides an online portal with news and entertainment and is also a major provider of casual games.

As of mid 2007 QQ had:

- Nearly 650 million user accounts, almost half of which were active
- Nearly 30 million peak concurrent IM users
- Over 3 million peak concurrent casual gamers
- About 62 million bloggers

Perhaps most distinctively, QQ is emerging as a key player in the evolution of China's online currency. QQ has partnered with mobile and fixed-line telecom operators to enable online payment in a country with very low credit card penetration. Users call a number and punch in a code to credit their QQ accounts, and the fee is added to their phone bill. They use a virtual currency called Q coins to pay for a variety of online products and services, including avatars, pets, and accessories; virtual items to help them in games; and icons and code to decorate their homepages on QQ's blogging space, the Qzone.⁵

QQ's homepage translated. QQ offers not only an IM client, but also mail, blogging, and shopping.



Source: QQ.com

SINA: NEWS + USER GENERATED CONTENT

Sina.com is an online news aggregator, but it's also the world's largest platform for user-generated Chinese-language content. It supports community forums, blogs, videos, games, search, and online shopping. Competing with portals Sohu and Netease for audiences, Sina has portals serving not only mainland China, but also Chinese users in Taiwan, North America, and Hong Kong.

Many Chinese Internet users check Sina and other major portals daily for breaking news. But unlike United States news sites like CNN.com, Sina does not do its own reporting. Instead it aggregates news from print and broadcast media, which are heavily regulated by the Chinese government.

Celebrity blogs are one of Sina's most popular features. The company plans to monetize its blogs by launching advertising services on blog pages in late 2007 and will share half of any advertising revenue earned with the blogger.

The Sina Web site illustrates a key difference between mainland Chinese-language Web sites and English-language Web sites. The Chinese sites tend to be more complex and dense, with a flat hierarchy that incorporates as many elements on each level as possible. Chinese readers are also accustomed to reading both horizontally and vertically, and they seem to appreciate an "aesthetic of abundance"—strong rich color, density, and animation.⁶

A guide to Sina's homepage. Sina combines e-mail== services, music downloads, and even ringtones with the news.





2 The Chinese Experience: Trends You Shouldn't Miss

Pleasure. Politics. Platforms. These are three domains where emerging trends in the Chinese-language Internet could change the way the rest of the world does business, not only with China but across the global economy.

The Chinese Internet is about passive pleasures for many young users—the equivalent of mass media television in the West. But while it often substitutes for mass TV in China, it is also producing a distinctively Chinese brand of bottom up, socially driven online culture.

Similarly, while censorship and political control are well-discussed themes in the Chinese Internet, this new platform is also amplifying collectivism in ways that will challenge both the Chinese government and global companies to innovate.

Finally, China is far from a follower when it comes to basic Internet platforms. With its own proposed standards for wireless and its lead position in mobile phone adoption, it is likely to drive innovation over the next decade in mobile applications, services, and technologies.

This chapter, then, is a close-up look at these three trends, with important “early signals” of change that suggest the distinctive ways these trends will evolve in the Chinese landscape, as well as implications for Western companies.



NEW CREATIVITY

Creativity is widely perceived in China as an essential strategy for the country to compete in the global marketplace. The government plans to implement a national animation and visual arts curriculum. Increasing numbers of private schools are emphasizing creativity as an antidote to the rigid, test-heavy traditional education system. At the same time, following the global trend and contrary to a Western perception of Chinese reticence, Chinese creators are using the Internet and the mobile phone as platforms for disseminating their own material.

Implications:

- Consider ways to tap into Chinese creative content for crossover appeal to a wider global audience, as well as for creative solutions to common challenges in content production, dissemination, and monetization.
- Think about how your products, services, and employment experiences contribute to China's creative economy.
- Develop media strategies that take into account how their messages or content will be circulated, edited, and discussed online.
- Be aware that your "controlled" presence in another medium is likely to turn up in an uncontrolled way on the Internet.

As elsewhere, supporting creative communities in China will take time, effort, and knowledge but those who get there early will be the first to reap the rewards.

Signal | E'gao

The ease of online editing tools and availability of free content has led to a new post-Internet art form called *e'gao*, or "spoofing"—in effect, populist satire on an unprecedented national scale.

One of the earliest examples was the global phenomenon of the Chinese "Backdorm Boys," who spoofed the Backstreet Boys (<http://www.youtube.com/watch?v=JuNSWCqMtkU>). Some Chinese educators, bureaucrats, and content creators have criticized spoofing.

Signal | Mobile Photo Clubs

Chinese netizens are avid documenters and enthusiastic hobbyists, creating hundreds of millions of blogs, videos, photographs, and contributions of online literature and art.

Consistent with their mobile phone culture, Chinese Internet users are joining online photo clubs, like the one associated with the magazine “PC Online,” which showcase photos taken with mobile phones.

PC Club, a popular photo-sharing site.



Source: <http://mdp.pconline.com.cn/mphoto/photos.do?method=showPickArea>

Signal | State-Sponsored Creativity

One example of a state-sponsored initiative to harness mass creativity in the service of government programs was a site sponsored by the National Law Popularization Office. “Abundant Rule of Law/Promote Social Harmony” was the theme of the Fifth Annual Rule of Law Flash Collection Program. Participants were invited to create a Flash animation that illustrated an aspect of “promoting social harmony” and also helped familiarize viewers with the law.



FACING OUT TO THE WORLD

The pleasure of encountering international—and specifically non-Chinese—content and people is driving Internet use and innovation. There will be a growing Chinese curiosity about, and demand for, Web sites, applications, and services that provide entertainment from outside the country.

Many Chinese Internet users are already sophisticated consumers of foreign entertainment such as the NBA, blockbuster movies, and pop music. China's relatively relaxed copyright laws are making the Internet a one-stop destination for entertainment content from a variety of media producers: TV, print, music, radio, film and video, images, and games.

Implications:

- Focus on ways your company can act as a bridge for introducing non-Chinese content and people to Chinese consumers/users.
- Do not assume that anything foreign will do: cultural and linguistic translation services of all kinds will be needed.
- Look for ways to turn Chinese interest in the global into value that you can monetize.

Signal | Global Media Connections

Young Chinese are already communicating with their counterparts in other places. This YouTube video documents an encounter between a boy in a Chinese Internet café and a girl in an Eastern European bedroom, via QQ, in English.

Screenshot of YouTube video.



Source: <http://www.youtube.com/watch?v=XTWb1loX85M>

Signal | Global Video Sharing

Chinese netizens are very good at locating what they want and making it accessible in Chinese.

For example, the Fox program *Prison Break* is very popular on Chinese video sharing sites and has even sparked a trend in tattooing, following the heavily inked body of the main character. Fans translate and subtitle episodes within a day or two of original broadcast.

There are some efforts at regulation: the discussion forum on the official Chinese *Prison Break* site warns users that if they post downloading locations that violate copyright laws they will be expelled from the forum.

Screenshot of *Prison Break* on Tudou.



Source: www.tudou.com

Signal | Beatboxing and MySpace.cn

A beatboxing trend swept China in 2006-7. Beatboxing is the vocalization of hip hop beats and sounds, and it traveled to China via South Korean hip hop, which, in turn, was heavily influenced by American hip hop.

MySpace launched a Chinese Web site in 2007 and it has since taken off, much the way it became widely popular in the United States.

Screenshot of MySpace.cn.



Source: <http://www.myspace.cn>



VIRTUAL ASSETS ECONOMY

Virtual goods and currencies are already part of everyday Chinese online life. Chinese netizens are creating a robust economy of virtual goods, most notably as part of their experience with avatars in the instant messaging client QQ, as well as in online gaming worlds such as *World of Warcraft*.

In addition, the Chinese government has targeted virtual economic development as a strategic project.

Implications:

- Look to China as a testbed for new virtual practices and products.
- Expect online currencies to blend with official currencies in online commerce in China, and find ways to take advantage of this blending to build your own online commerce.

Signal | Parallel Currency

Many Chinese people will have their first experience with credit on QQ, where they can purchase or earn “Q coins” to use in virtual goods shops. Q coins were formally regulated by the Chinese government in March 2007 after users started buying tangible goods with the coin, speculators began using it for investment, criminals used it for money laundering, and online theft of the currency became prevalent.

“It effectively turned into a parallel currency operating alongside the yuan,” said Yiping Huang, the chief Asia economist of Citibank. It is unclear how successful the government regulation has been.⁷

Q coins are becoming so valuable that they’ve drawn the attention of satirists. Cartoons reveal the ways in which Q coins are competing with the official PRC currency, the renminbi or RMB.

Says the RMB to the virtual currency:
What are you trying to do? Steal my job?



Source: Xinhuanet, 2007-01-12, <http://tech.163.com/07/0112/03/34JUTMKA000915BF.html>

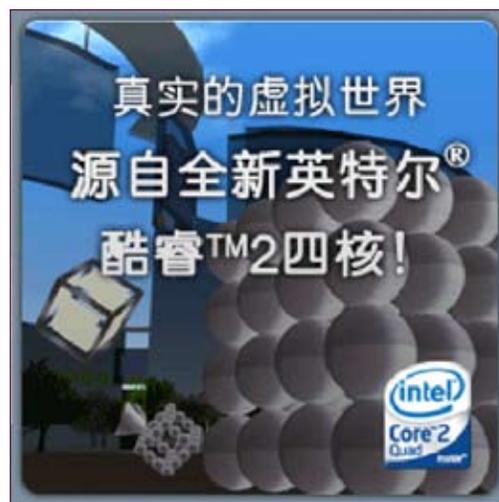
Signal | China Recreation District

China Recreation District (CRD) is the largest virtual economy business development in the world, and is scheduled to launch in June 2008.

A partnership between the Chinese public and private sector, CRD aims to provide infrastructure, models, training, databases, e-commerce applications, designs, and other elements of virtual world platforms to Chinese and multinational businesses alike. Between now and the end of 2010, the CRD intends to bring 150 million middle-class Chinese people and companies into their virtual world platform.

Intel opened a virtual store inside one virtual world, Hipihi, in late 2007. Hipihi is the first Chinese virtual world designed to allow unstructured mobility within the world.

Intel ad on Chinese virtual world Hipihi.



Source: hipihi.com



BACKLASH AGAINST ONLINE POPULAR CULTURE

Online entertainment such as games, animation, film and TV content, blogs, and user-generated mash-ups, are a source of friction in Chinese society. In addition to government regulators, parents and educators are part of a growing anti-Internet movement that targets entertainment media and user-generated content as harmful and destructive of Chinese morals and values. It is also seen as contributing to the degradation of public health.

Implications:

- Develop a nuanced strategy for dealing with the Chinese government, business partners, and different sectors of the public on the issue of the negative effects of Internet content on Chinese society, particularly the effects on youth.
- Avoid seeking the youth market too aggressively through new media interactions—you may end up on the wrong side of the Chinese firewall.
- Develop suites of products, services, and messages that focus on educational or healthy aspects of technology use—parents are willing to provide their children technological training and products, but not at the expense of educational achievement.

Signal | Youth Internet Addiction Campaigns

Juvenile crime is often attributed to excessive Internet use, and especially too much time spent at Internet cafés.

To counter the effects of Internet addiction, treatment centers have begun to open. The Internet Addiction Treatment Centre opened at a Beijing military hospital in 2005 and is headed by Dr. Tao Ran, a former specialist in heroin addiction. Patients are mostly male teens, who report problems with online games and chat rooms. They receive a boot-camp-style experience, complete with early morning runs, calisthenics, camouflage uniforms, and even laser guns to act out their online gaming fantasies. Other treatments include acupuncture and group therapy, where the young men are encouraged to consider the effects of their gaming on their families and their futures.

Some of the young patients spend less than an hour a day online but have been institutionalized by parents who think that any Internet use at all is dangerous; others report spending days in front of the computer or at an Internet café, barely stopping to eat, drink, or sleep. According to a 2007 report by the China Youth Association for Network Development (CYAND), 23% of China's junior high school students were found to be addicted to the Internet.⁸

Internet addiction patient receives treatment at the Internet Addiction Treatment Center.



Source: <http://www.atimes.com/atimes/China/IG04Ad01.html>

Signal | The Green Internet

Many parents feel helpless in the face of children's Internet use, much as Western parents struggle with their children's use of drugs. The "Green Internet" campaign promotes a morally healthy online environment, "fatigue laws" that limit time spent in online games, and stricter regulation of admission to and location of Internet cafés.

The government is now calling for the establishment of an expanded network of strictly monitored, free "green net bars" in schools and community centers. These would prohibit youth access to online games, chat rooms, or pornographic content.

"The Internet is destroying our moral and cultural values"

—Chief executive, Chinese large enterprise, personal correspondence

Cartoon showing the lure of an illicit underground "black netbar" (on the right) as opposed to a "standard" netbar (on the left).



Source: http://www.ce.cn/xwzx/shgj/gdxw/200708/06/t20070806_12438134.shtml

Signal | Internet Health Behaviors

Concerns about the impacts of the Internet on health have led to some distinctly Chinese concerns about the link between health and Internet-related behavior. The Chinese health portal www.39.net released a survey in the fall of 2007 showing that Chinese Internet users suffered poor health:⁹

- Over 40% spend most of their weekends online
- 71% eat before going online
- 56% have digestive problems
- 85% have mental problems such as anxiety, fatigue, and forgetfulness

Anti-radiation products are sold in China on Alibaba.com, reflecting concern about the effects of exposure to computer-generated radiation.



Source: Alibaba.com



GROWTH OF INFORMAL COMMUNICATION

The Chinese people are enthusiastically adopting and making use of tools for informal communication—the kind of bottom-up, highly social behaviors that have been evident in the West.

The growing informal communication sphere provides Chinese citizens with an unprecedented and relatively open public forum for debate of social, economic, and political issues, in contrast to the heavily regulated print and broadcast media.

At the same time, Chinese Internet users have developed what Chinese social entrepreneur Isaac Mao calls a “mental firewall.” They are highly attuned to the topics that are heavily censored, such as Taiwanese, Tibetan, or Xinjiang independence, or the Falun Gong movement. For the most part, they practice self-censorship on these topics.

Implications:

- Identify the highly influential, small minority of cutting-edge technology users who lead the mainstream—China’s elite users are at the forefront of global adoption of new media tools, and will be innovating in their own right.
- Ramp up your ability to monitor Chinese BBS forums and other emerging Chinese forms using mobile phones and the Internet.

Signal | Independent Journalism

The Internet and mobile phones are creating new opportunities for independent media.

For example, Chinese independent-journalist-turned-activist Zola Zhou is a vegetable farmer from Hunan province. He produces online reports on land use violations, traveling around the country and talking to his audience via his blog, “microblog” (Twitter.com), photos, and video—all of which can be downloaded directly onto mobile phones. Chinese bloggers are debating whether or not he should be called China’s “first citizen journalist,” and his policy of relying on donations from the public has been controversial.

In early December of 2007, Zola was detained and sent home to Hunan.

What IT technology and products did Zola use?

Bandwidth	
Web sites (the American server Dreamhost, 20Gs of space, 2TB of bandwidth/month, and blogging platform Wordpress)	
Hardware/Software	
<ul style="list-style-type: none"> • A laptop computer • A digital camera • A mobile phone • Chat tools (MSN/Gtalk/QQ) 	<ul style="list-style-type: none"> • A memory stick • A Gmail account • Skype
Video sharing Web sites (Tudou.com first, then Yukou) Photo sharing Web sites (fotolog.com.cn for storage, Picasa for convenient editing) Net bars (Chongqing net bars don't need you to show any ID) A blog An RSS feed (see " Zola.com" on blog-search.google.com, zhuaxia.com for feed delivery)	

Translation via GlobalVoices

Source: <http://www.globalvoicesonline.org/2007/05/18/china-citizen-blogger-treading-new-ground/>

Signal | The BBS Culture

Widespread participation in online message board discussion forums called BBS (Bulletin Board Service) is a distinguishing feature of the mainland Chinese Internet experience.

BBS sites can be closed to outsiders, as they are on many campuses, or open to a wide public, as they are on the major portals. BBSs were popular in the early days of American Internet use, but were supplanted by chats and other Worldwide Web services. Not so in China:¹⁰

- 50% of Chinese Internet users are BBS readers or writers
- Anonymous comments allow relative freedom of speech
- Comments deemed inappropriate are deleted by BBS monitors

Signal | Blogging and Microblogging

The portal Web site sina.com.cn opened weblog service at the end of 2005, and in 2006, Chinese blog service providers saw a rapid increase in blog businesses. Douban, Qihu, Mop, and a large number of such Web sites became famous and made huge profits.

According to CNNIC and Pew Internet statistics, China has more bloggers than the United States even though it has a smaller total number of Internet users. CNNIC reported in late 2007 that 25% of Chinese netizens were blogging.¹¹

More recently, following the success of the American micro-blogging application Twitter in 2007, multiple Chinese micro-blogging sites have emerged. Many support more QQ IM protocols—a must for China—and have local shortcodes for SMS updates. Given the popularity of mobile messaging, mobile microblogging could be more popular in China than in the United States.

“If one percent of the mobile phone users use Twitter, the number of Twitter users will reach five million,” notes Song Shi of the Project Good Luck.

Three recent entries in the Chinese micro-blogging services sector: LaiGuLa, Fanfou-com, and Jiwai.de.



Source: “Tracking China’s Twitter Twins,” <http://www.cscout.com/china/2007/06/27/tracking-china%e2%80%99s-twitter-twins/.html>



AMPLIFIED COLLECTIVISM

Due to a desire for social connection amid rapid socioeconomic change and a general openness to participating in group activities, Chinese Internet users are creating effective and viral online collectives.

These collectives are organized around local places (such as new suburban residential complexes), commercial activities, causes, and political actions. Amplified collectives also provide new channels for products, services, messaging, and distribution. These collective forms offer innovative commercial opportunities and will mobilize across devices and platforms, creating new challenges for those who would like to monitor or control them.

Implications:

- Watch for unexpected new domains for collective action to emerge and work quickly to leverage them for diffusion of your own products and services.
- Track the range of Chinese retail responses to current buying collectives for ideas about what works and what doesn't.
- Be prepared to deal with well-organized, online activist Chinese consumer groups—a strategy that assumes these groups will respond to communication in the same way as American consumer groups will fail.
- Expect some collectivist innovations to spread beyond China.

Signal | Visible Protest

Similar to the “smart mobs” that Howard Rheingold has documented in other parts of the world, Chinese protesters use communication tools to coalesce at a time and place—and to provide real-time documentation of the events. The tools include Flickr photos, videos on Chinese video-sharing sites, and YouTube.

One example was a series of demonstrations against a proposed chemical factory in the Spring of 2007, in Xiamen. During the protest, videos were posted on Chinese video sharing sites like www.56.com.¹² When they were deleted from Chinese hosted sites, users simply shifted them over to YouTube.

Video and photographs from the chemical factory demonstrations.



Source: Flickr photo by hellhell07, <http://flickr.com/photos/8620705@N04/524614104/>

Signal | Residential Identity

In a country where geographic identity has great significance, Web sites are giving people a chance to connect to one another based on their location. There are also new kinds of location-specific “belonging” that are being facilitated online.

For example, Huilongguan, said to be Asia’s largest housing complex, has its own Web site with over 230,000 registered users and a logo resembling the wart hog character Pumba from Disney’s *The Lion King*. Here, residents can get discounts from local retailers, put up their home videos, promote community events, and chat with neighbors.

Screenshot of Huilongguan’s homepage.



Source: www.hlgnet.com

Signal | Tuangou

Tuangou (pronounced *twahn-go*) refers to teams of buyers who organize themselves via Web sites and negotiate with retailers and manufacturers for lower prices and better terms.

This growing practice has been driven by young, wealthy, and upper-middle-class urban families faced with a relatively new set of choices and experiences: buying and decorating their first privately owned homes, learning how to drive, and purchasing automobiles. These are the trendsetters whose consumer choices shape tastes in less central cities and whose modes of purchasing will shape consumer-retailer relationships for the foreseeable future.

Tuangou groups were first organized out of Internet chat rooms. Today, the early tuangou groups have been transfigured into a range of practices for collective buying.

Tuangou group poses for the camera.



Source: http://pub.zzit.com.cn/upimg/article/2006/070423/19_135155.jpg



INCREASED BUT FRAGMENTED SURVEILLANCE

With the 2008 Beijing Olympics and the 2010 Shanghai World Expo, Chinese authorities will step up their surveillance tactics across the country as well as install a new monitoring infrastructure in Beijing and Shanghai. At the same time, they are extending their abilities to monitor the online world—with measures to remove some of the anonymity that the Internet is famous for.

In the words of BBC journalist Sebastian Usher, the Chinese government administers “the most sophisticated system of Internet control and censorship anywhere in the world.”

But this is not a Bambi-versus-Godzilla story. Think of Chinese state control of the media not as Big Brother but as, David Cowhig puts it, “a loose collection of thousands of provincial and local Party and government little brothers.”¹³

Implications:

- Develop clear strategic political positions on Chinese state surveillance—especially if you’re working in the IT sector.
- Demonstrate your willingness to uphold a consistent policy, not only through your actions, but also through communications with watchdog communities inside and outside of China.

Signal | Jingjing and Chacha

To remind Internet users that the Internet is policed, the Internet Surveillance Division of the Public Security Bureau in Meizhou, China, introduced two cartoon characters named Jingjing and Chacha as “police mascots.” They uphold security for Meizhou municipal online communities, provide information on their Web site regarding Internet regulations, and urge users. “Beginning with your own actions, strictly restrain and standardize your online behaviors, in order to establish a healthy online environment and together promote a harmonious Internet system.”

“Jingjing” and “Chacha,” remind Internet users that the online space is being watched.



Source: http://Chinadigitaltimes.net/2006/01/image_of_internet_police_jingjing_and_chacha_online_hon.php

Signal | “Peaceful Olympics”

The Beijing Public Security Bureau (PSB) is preparing for a “Peaceful Olympics” with new security technologies that will increase real-time video surveillance of public spaces. In addition, the 2008 Beijing Olympics is expected to bring a massive new infrastructure for supporting not only visitor needs, but also government needs to monitor those visitors. Included in this infrastructure will be:

- Wireless hotspots covering 90% of Beijing’s main avenues (via WLAN and WiMax)¹⁴
- A wireless video supervision system
- Mobile TV
- Mobile location services for venues, events, and hotels
- Traffic-regulating services
- 3G (TD-SCMA, the Chinese domestic standard)
- Live coverage on TVs in Beijing subway lines
- A mobile electronic ticket service

Signal | Real Name Systems

The Chinese government has proposed a set of real-name systems for BBS, blogs, SNS, and gaming. While many Chinese netizens resist these systems, they support those for banking and mobile phone accounts. Real-name systems for blogging have long been discussed but have not been implemented.

Here’s the current status of China’s real-name proposals:

- **Banking:** Implemented in July 2007, requires ID to establish a bank account.
- **Mobile:** This proposed system requires ID to set up new phone accounts. An online survey conducted by Sohu.com found that 44.9% of 1,911 respondents favored using ID to set up mobile phone accounts, and 42.1% opposed it.
- **Gaming:** Under this proposal, Chinese police will check ID card numbers of all Internet game players at Internet cafes. Under-18 players would only be allowed to play versions of online games featuring an anti-addiction system.
- **Blogging:** This proposal will require ID to register a blog. China’s 18-digit ID numbers are mainly based on place of birth, age, and gender and are unique to each citizen. However, bloggers have found a way around this: widely available software can generate fake, but plausible, numbers.



TOP-DOWN AND BOTTOM-UP CENSORSHIP

While vigorous debate of social and political issues is common online, the Chinese government, through the Ministry of Information Industries (MII), is engaged in shaping the Chinese user's Internet experience through various forms of censorship. This reached a peak in the weeks leading up to the 17th Chinese National Congress in Fall 2007, when the government actually shut down thousands of Web sites and Internet data centers in Shanghai, prompting others to monitor their online discussion forums even more rigorously.

At the same time, Chinese online groups are policing behaviors they don't like with increasing efficiency, leading to a new kind of bottom-up mob mentality that could strip Internet users of their anonymity and control behavior even more effectively than the state.

Implications:

- As in the case of surveillance, develop clear policies with regard to censorship, make them known, and abide by them.
- Internet use often triggers changes in behavior—track bottom-up moral policing as a way to anticipate when your policies, services, and practices are likely to encourage behaviors that trigger mob reactions.
- Anticipate highly active Chinese consumer groups who will demand more transparency, just as in the West.

HOW THE GOVERNMENT CENSORS THE INTERNET

The MII shapes the online experience of Chinese Internet users by:

- Blocking Web sites outside of China that discuss a small number of topics including Taiwanese, Tibetan, or Xinjiang independence, the Falun Gong movement, the Tian'anmen Square massacre, or activists associated with these subjects. Users searching for these topics will A) not receive the same set of results as one would using a search engine outside of China, or B) receive results but find the Web sites "unavailable" for one reason or another.
- Requiring ISPs, blog hosts, and Bulletin Board Services to engage personnel to monitor real-time online commentary for material deemed inappropriate. The material, which includes the above topics but could also include any number of emerging political situations (such as demonstrations or local scandals), can be posted by netizens but is deleted by monitors before anyone sees it. Occasionally comments or posts are deleted after having been visible for a time.
- Creating highly visible links and tools for reporting inappropriate material to the authorities and reminding users that they are in a monitored space.

Signal | Blog Post Deletions

Blog posts that are deemed inappropriate are routinely deleted, but Chinese bloggers experienced increased censorship in the weeks leading up to the 17th Chinese National Congress in Fall 2007, as this post suggests:

Just report a few new discoveries to the people of this country. The first is that posts on my NetEase blog are being deleted left and right. I've been treated with this kind of reception in the past, but they always at least left a corpse, but now, they're not even leaving that, deleting things as clean as a whistle, very fucking environmentally friendly, very fucking harmonious. I wanted to lose my temper, but then I suddenly changed my mind. Fuck it. Losing my temper won't change anything, I'll just have to bear with it and move on.

— Translation of blog post by Southern
Weekly editor Chen Min

(Translation done by John Kennedy at Global Voices Online.)
Source: www.globalvoicesonline.org/2007/09/16/china-blogs-ground-down-as-natinal-congress-years-up/

Signal | Deadbeat Tracking

Chinese netizens are turning to the Internet to track people down, especially those who have done something perceived as immoral. “Transmit this deadbeat’s image to every corner” is one of a series of videos posted online in 2006 and 2007 by a young mother whose fiancé broke up with her before their wedding, leaving her with a baby to raise on her own.

She posts footage of the man, his name, birth date, university and graduation date, family’s home address, and ID card number. The videos open up a public debate about the morality of both his inaction and her decision to go public online.

Screenshot of a mother’s online message to a deadbeat father.



Source: http://v.youku.com/v_show/id_XMjg0NjUzNg==.html



THE BATTLE OVER STANDARDS

Debates over new Chinese standards, particularly in mobile telephony, are slowing technical and commercial development of new communication devices and services with 3G broadband capability. The Chinese government is committed to having a global voice in setting standards for new technologies so that Chinese industry can make more profits, control more markets, avoid costly licensing fees, and embed monitoring functions. Early investments in IPv6 (next-generation Internet) are setting Chinese industry up for a privileged position in the manufacture and design of new Internet hardware.

If China's homegrown computer and communications technologies, products, and services can achieve sufficient manufacturing economies of scale over time, they may become fiercely competitive internationally, offering cheaper price and performance to drive adoption and sales.

Further out, widespread adoption of Chinese standards could give China's authorities a better view of people using the Internet in China and perhaps in other countries.

Implications:

- When designing devices and smart products for the Chinese market, make sure they are multimode and multi-standard.
- When adopting corporate standards for Internet strategies, make sure you understand the implications of the Chinese standards—for service, compatibility, and social practices.
- Consider the implications of competitive Chinese products based on Chinese standards for related non-Internet markets that you may serve.

Signal | Wireless Standards

Currently China's 50 million mobile phone users primarily use one of two major 2G wireless networks: China Mobile's GSM or that of China Unicom, which supports both GSM and CDMA standards.

With the addition of China's homegrown TD-SCMA standard for 3G wireless, handsets will need multimode chipsets to support the multiple standards.

China's own wireless LAN standard, WAPI, was rejected by the International Organization for Standardization in mid-2006 after the Chinese refused to allow outside experts access to evaluate their proprietary encryption scheme. The encryption was thought to include a private back door that would allow administrative surveillance. The Chinese government took the rejection personally. Chinese news agencies referred to it as "organizing a conspiracy against the China-developed WAPI, insulting China and other national bodies, and intimidation and threats."

China has its own standards for several key leading-edge technologies.¹⁵

	International Standard	Chinese Standard
Wireless LANs	Wi-Fi; WIMAX	WAPI
3G mobile telephony	W-CDMA/ DMA-2000	TD-SCMA
Digital TV	ATSC; HDTV; SDTV; DVBC	DMBT; ADTBT
Video discs	DVD	EVD

Source: China Internet Information Center

Signal | IPv6

IPv6 is the next-generation Internet architecture designed to support the infinite number of addresses that will be necessary to connect all kinds of material goods to the Internet—to create a so-called "Internet of Things."

In 2006, China launched the world's largest "pure" IPv6 network, China Next-Generation Internet project (CNGI-CERNET2/6IX, or CERNET2 for short), linking 167 institutes at 25 universities in 20 different cities.

China Next-Generation Internet provides several advantages beyond smart-communicating objects:

- Moves data at around 100 times current Internet speeds.
- Positions Chinese companies such as Huawei at the forefront of producing IPv6 infrastructure around the world, in direct competition with companies such as Cisco.
- Enables earlier research into new applications.
- Allows China to develop new standards.
- Will be unveiled at the 2008 Beijing Olympics, which will provide the world's biggest marketing platform.



PHONE-CENTRIC LIVES

In Fall 2007, China had over 520 million mobile phone subscribers. For most Chinese consumers, the phone is the main mode of interacting with friends and digital media such as MP3s, video clips, and photos. Even for Chinese users with access to a computer and the Internet, the phone remains their primary communication tool.

Implications:

- Design all your Internet services so that everything that is done on the computer has a mobile component—all content should be considered cross-platform content.
- Look for ways to help users transfer content and information from one device or platform to another.
- Develop methods for tracking new mobile usage practices, such as reading e-books online.

Signal | 25% Non-voice Revenue

The phone is the primary business and personal tool: calculator, clock, address book, notebook, and, more recently, media player. China Mobile reportedly gets 25% of current revenue from non-voice business, including mobile newspaper, mobile search, mobile payment, and mobile tracking reports.

Migrant workers using non-voice features on a cellphone.



Source: flickr.com/photos/cosmicsausage/2117075086

Signal | SMS Books

Audio files, images, and text for mobile phones can be found online. But many who use phones have little Internet or computer access. There is a large market for mobile content delivered through more traditional media, that users transfer themselves. Witty and romantic text messages can be found in printed “How-to” SMS books like these. The books are sold on the streets and at public transport stations very cheaply.

Booklet of pre-written SMS messages sold to mobile users.



Source: tom.com

Signal | Mobile Friendship

Wozone.cn, a mobile dating and friendship network, offers location-based messaging services and online browsing. Users can send a free text message to the site with their name and location to find other users nearby. They can also watch videos and chat with other users.

Screenshot of Wozone.cn, which offers location-based messaging services and online browsing.



Source: Wozone.cn



THE INTERNET CAFÉ

The Chinese first encountered the Internet primarily at work and school. But over the past several years, more and more people are accessing the Internet at home, on laptops, and mobile phones in public places, and perhaps most distinctively, in Internet cafés. While the general trend is toward mobility, it is clear that most Chinese today still use desktop computers to access the Internet:

- 96% of Chinese users access Internet via desktops
- 20% use laptops, and the number is growing
- 25% access Internet via mobile phone

And while the majority of these users are logging on from home, Internet cafés are the fastest growing location for getting connected.

Implications:

- Internet cafés are social locations—look for ways to leverage the social connections in physical spaces to support your online interactions with Chinese users, and vice versa.
- Consider the different standards of privacy that may drive home use vs. workplace use vs. the Internet café. Offer different views of content and communication based on location.
- Given Chinese societal concerns about Internet addiction, adopt a socially responsible attitude toward youth in Internet cafés.

Percentage of users accessing the internet in different locations.

	2000	2002	2004	2007
Home	59	62	68	74
Workplace	44	43	41	31
Internet café	21	19	24	37
School	20	20	18	13

Source: China Internet Information Center

Signal | Rural Youth

Rural youth are having their formative online experiences in public Internet cafés, or Netbars, either as youngsters growing up or as rural migrant workers in urban centers: over half of all rural Internet users, and 60% of very young rural Internet users, go online at Internet cafés, compared with 37% of urban users.¹⁶

Internet cafés are thus a key driver for the diffusion of the Internet in the next decade, but they will also drive the sales of personal computers and especially Internet-connected mobile phones. They will also shape the kinds of online experiences youth have—including a more social context for their internet use.

Small-town Internet café in Sichuan province, is filled with youth playing games and chatting with their counterparts in Internet cafés across the country.



Source: Yesky.com



3 Hot Spots of Innovation & Disruption: Six Forecasts

It's easy to think that the Chinese Internet is just a story of diffusion of technology: the Chinese are doing many of the same things as their Western counterparts, but the technology simply hasn't been adopted as broadly yet. From this point of view, the Chinese-language Internet could be seen as an extension of the English-language Internet—just lagging by a few years and not signaling any real innovation.

This viewpoint would be a mistake. First, as this report makes clear, the Chinese are actually ahead of Western users in two key technological areas: the penetration of mobile phones and the build-out of IPv6. Second, and perhaps more importantly, every culture appropriates technology for its own vision—which is to say that Chinese users will make the Internet their own and bend it to their distinctive political, cultural, and personal needs.

What will this distinctly Chinese Internet look like a decade from now? What will the impact be on Chinese culture and even global culture? How will the Chinese-language Internet change the global Internet? Six key forecasts provide answers that are relevant to today's global business community.

FORECAST 1

Large Chinese online collectives will become powerful actors, influencing public opinion and reshaping commerce.

Chinese people are even more likely to trust the opinions of “people like me” than their counterparts in the United States, and they will be more effective at mobilizing mainstream collective action as well. This collective action will be both political and commercial.

Drivers:

- Rapid uptake of informal communication tools
- Amplified collectives
- Phone-centric lives

Implications for business:

Chinese consumers, who will drive growth for many businesses in the next decade, will not only be highly connected and quick to spread information about products and services, they will also be inclined to act collectively to influence those products and services. Businesses can tap into collectives as sources of information, innovation, and as markets in themselves, but they will also need to be responsive to highly organized groups that will function as channels in their own right. Because they are bottom-up and self-organizing, these new “channels” will be constantly evolving, requiring a flexible, distributed management process. Effective models may spread beyond China’s more ingrained collective culture to other parts of the Internet world.

FORECAST 2

The next ten years will see the rise of an unprecedented upwardly mobile, mainstream, nationwide Chinese youth culture.

In spite of all the attention to the growth of middle-class urban families in China, it may turn out that the most important voice in the Chinese economy over the next decade will be a youth culture that is coalescing around its Internet experiences, bridging the deep divisions between rural and urban, between regions, and across socioeconomic backgrounds. Though these divisions will not disappear completely, youth will use the connectivity and virtuality of the Internet to move across China’s many landscapes—geographic, cultural, political, and economic—and to create new opportunities for themselves. This optimistic, connected youth culture will begin to shape global culture as well.

Drivers:

- Rapid Internet adoption in rural areas
- Rapid Internet adoption among young Chinese
- Explosion of participatory media

Implications for business:

Chinese youth will become a much larger, much more powerful consumer segment for fashions, content, services, and devices. Chinese youth fashions and content will begin to have a wider impact on global youth. Businesses should consider how to tap into Chinese creative content for crossover appeal to a wider global audience, as well as for creative solutions to common challenges in content production, dissemination, and monetization.

FORECAST 3

The contest for control between government and a politically active public will make the Chinese Internet inherently less stable.

The development of a robust, informal mass communication sphere will challenge government information control over the next decade. Individuals and groups will push the edges of what the government considers appropriate, and the government will not hesitate to shut down Internet access if it appears to be in the national interest.

Short of shutting down the Internet, the government will improve its monitoring methods, and so will hackers who want to work around those methods. This escalating contest will not only make the Chinese Internet more volatile, it will also proliferate tools and technologies for the bottom-up versus top-down battle worldwide.

Drivers:

- Rapid uptake of informal communication tools
- Amplified collectives
- Increased surveillance

Implications for business:

Business is caught in the middle of this contest—dependent on both sides for the growth of markets. Individual companies, like the Chinese government itself, will have to balance the benefits of new monitoring tools against the need for a robust online market of spread-the-word users. At a minimum, they will need to develop their own systems for monitoring inflammatory online phenomena, in order to anticipate and minimize possible impacts on their operations.

FORECAST 4

Bridges between Chinese- and English-language content, Internet users, products, and services will provide unexpected growth opportunities.

For much of the Western world the Chinese Internet is invisible, but the reverse is less true. English-speaking Chinese are already engaged in building bridges between the two worlds, but these efforts are still just a drop in the bucket. As original Chinese content mushrooms over the next decade, the need for bridges will grow. Building these bridges will require innovation, and the innovations, in turn, will be a new source of economic value—as well as new models for Internet content management.

Drivers:

- Strong engagement with the world outside of China
- Growth in informal communication sphere

Implications for business:

Multinational businesses might begin to explicitly position themselves as important nodes for the transfer of innovation and ideas across linguistic and cultural borders. New products and services are opportunities to connect Chinese communities with their counterparts outside of China. By providing bridge platforms for connections, especially among entrepreneurs and youth, businesses will be able to take advantage of the innovation that will arise from these communities.

FORECAST 5

The Chinese-language Internet will become a disruptive content resource for global Internet users.

Chinese Internet users are busy creating a vast repository of things they like, both original and pirated. China's largest video-streaming Web sites essentially operate as online TV, moving many times more data than YouTube.

On one hand, this means that as the Chinese-language Internet becomes more "visible" globally, it will become a unique resource for global content consumers. On the other, it will challenge existing IP norms and strategies. There is no indication that Chinese Internet users will be willing to pay for online TV, film, or music in the future, and while there will be considerable pressure on the Chinese government to crack down on Chinese content sharing, it is likely that the flood of Chinese content will, de facto, change the business models for content creation and distribution online.

Drivers:

- Hunger for the global
- New creativity

Implications for business:

English-language Internet users will turn to the Chinese-language web for access to English-language film, TV, and possibly musical content. Content producers will find it increasingly difficult to regulate dissemination of their material online. Businesses need to consider how to optimize Chinese audiences, regardless of how they access material.

FORECAST 6

Chinese enterprises and entrepreneurs will be lead innovators of new media business models, applications, and mobile platforms in the next decade.

With growing economies of scale and the ongoing need for relatively uncensored mass communications in China, the Chinese Internet community will experience its own dot.com boom and subsequent build-out. This build-out, however, will likely leapfrog the Western internet, as new models for mobile Internet use, blended realities, and an "Internet of things" redefine the Internet platform. These models will not only be aimed at young, mobile youth, but will likely be pioneered, in part, by them: rural youth, who are cycling back and forth between urban and rural areas, are often leaders of entrepreneurial activity in their hometowns.

Drivers:

- Rapid Internet adoption
- Rapid broadband adoption
- Phone-centric lives
- Rapid adoption of informal communication tools

Implications for business:

Businesses should develop systems for tracking Chinese new media innovations, including developing Chinese language skills internally and partnering with analysts in the PRC.



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