



# ROBIN<sup>8</sup><sup>TM</sup>

## How China's Influencers Are the Most Effective Marketing Platforms?

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## Digital Advertising Growth and Rising of KOL in China

The easy access to the Internet anywhere and anytime has resulted in marketing budget shifting from traditional advertising to digital advertising in the past few years. According to eMarketer, the spend share of digital advertising in the United States increased from 17.1% in 2010 to 34.4%, more than double, in 2016. By 2017, digital advertising will surpass TV advertising as the largest advertising channel in terms of spend. In China, despite a general economic slowdown the country's internet sector shows no signs of abating and eMarketer predicts that digital ad spend will reach \$40.42 billion in 2016—a 30% increase on last year's spend. The digital ad spend in China is expected to more than double by 2020, when it will reach \$83.59 billion<sup>1</sup>.

With the increasing popularity of social networking sites, digital advertising has gone beyond the traditional forms, such as paid search and search engine optimization (SEO), and has been integrated with content marketing in the form of native advertising on social media. This has opened a new channel – social media – for content marketing and therefore added more values to influencers, or key opinion leaders (KOL), as what is called in China, who are well known for the high quality of their original content on social media and usually have tens of thousands to millions of followers.

Key Opinion Leader (KOL) is a rapidly growing group of people in China who has demonstrated their influences on various media and social platforms. Originally consist only social elites who have received higher education overseas from a prestigious university and have established himself or herself in an industry (a typical example is Kai-Fu Lee), now KOLs in China come from all walks of life and the average age of KOL is getting younger and younger. KOLs are also referred to as “big-V” in Chinese which originated from Sina Weibo to showcase their status as a verified user and their large number of followers, or Internet celebrities (Wang Hong in Chinese) since they started to get fame on the Internet.

### Key Opinion Leader (KOL) vs Internet Celebrity (Wang Hong)

In many cases these two terms are interchangeable. However, Wang Hong usually refers to those who started to gain recognition on the Internet (“wang” means

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<sup>1</sup> “Digital Ad Spend Rises in China Despite Economic Slowdown,” <http://www.emarketer.com/Article/Digital-Ad-Spend-Rises-China-Despite-Economic-Slowdown/1013677>, March 9, 2016

internet in Chinese), usually social media. KOLs such as Kai-Fu Lee, although active on social media now, became famous even before the term Wang Hong came up. KOL (key opinion leaders) as the name suggests, has more emphasis on one's opinion on a certain industry as an expert, whether or not this person stood out on social media or TV or an industry in real life<sup>2</sup>.

The emergence of Wang Hong comes at a time when self-media is booming and younger generations look for more ways to express themselves, while the prosperous e-commerce requires more creative ways to endorse the brands operated in e-commerce, mostly in fashion and beauty.

There are three types Wang Hong, 1) good looking 2) personality driven 3) product driven. The first type is known for their appearance like an entertainer, such as top hosts on live streaming apps in China. The second type is known for their talent, skills and originality and tends such as professional gamer and content creators like Papi Jiang, who has become a super star in Wang Hong. The third type, originally known for their fashion and beauty styles tips, are usually owners of an online store and able to create and model for local-branded products. An example is Zhang Dayi who reportedly earned 300 million RMB from her ecommerce business<sup>3</sup>.

Wang Hong's popularity indicated by number of followers is directly related to their earning power. Wang Hong monetize their fan base through entertainment (type 1), ad placement in original content (type 2), ecommerce store (type 3), commercials and endorsement (all 3 types). Just as the traditional entertainment industry, there are always new Wang Hong coming up, so it is important for a Wang Hong to maintain their popularity by, if not want to stay on headlines of celebrity gossip, providing consistently-high-quality performance, original materials and products, showing credibility when endorsing a product, and building a loyal fan base through engagement. Otherwise, a Wang Hong today will be forgotten by the public soon. The Wang Hong industry as a whole is a rising field just as new media which will witness more original ways of people promoting themselves from the younger generation like millennials.

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<sup>2</sup> “时装观察：网红不等于 KOL,” <http://tech.sina.com.cn/i/2016-03-31/doc-ixqtiwa5370087.shtml>, March 31, 2016

<sup>3</sup> “Wang Hong: China's online stars making real cash,” <http://www.bbc.com/news/world-asia-china-36802769>, August 1, 2016

## Social Apps in China

There are more than 4 million apps in China, according to Cyberspace Administration of China<sup>4</sup>. China now has 721 million Internet users<sup>5</sup>, 88.9% of whom are on mobile. Even though the government has a strict regulation such as the Great Firewall and protection in favor of Chinese companies, every major western app has its Chinese equivalence with the same features if not more. For example, Twitter's equivalence is Weibo; Facebook's equivalent is WeChat, both having social and instant message features. China has become the world leader for mobile apps<sup>6</sup>.

A research study on social app's user behavior by China Internet Network Information Center shows that 69.7% of mobile users used at least one multifunctional social networking app in 2015, only second to the usage of instant messaging social apps, and community-based social apps were used by 32.2% mobile users in 2015<sup>7</sup>. Even some apps' major functionality is not social networking such as Keep and Nike+, the social feature still plays an important to the app and its users.

There are three major categories of social apps (with features in the sub-bullet points) in terms of content category.

- Video apps
  - Live streaming apps
  - Video hosting apps
- Social networking apps
  - Original post
  - Live streaming feature
  - Community feature
- Expert apps (all with a built-in community feature)
  - Health
  - Beauty
  - Fitness

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<sup>4</sup> "Real names required for phone apps," [http://usa.chinadaily.com.cn/epaper/2016-06/29/content\\_2590118.htm](http://usa.chinadaily.com.cn/epaper/2016-06/29/content_2590118.htm), June 29, 2016

<sup>5</sup> "China Internet Users," <http://www.internetlivestats.com/internet-users/china/>, July 1, 2016

<sup>6</sup> "This country — not the U.S. — is the world leader for mobile apps and innovation," <http://www.internetlivestats.com/internet-users/china/>, September 8, 2016

<sup>7</sup> "CNNIC: 2015 年中国社交应用用户行为研究报," <http://itindex.net/detail/55440-cnnic-中国-社交>, April 8, 2016

Through these platforms, KOLs or Wang Hong display their skills and talent, gain recognition from audience, engages with fans, and monetize their influence through advertising and endorsement fee from marketers and/or monetary value of virtual gift bought by followers (after the hosting app takes a cut usually).

## KOL Segmentation and Market Volume

The KOL market in China can be broken down to three segments: 1) Big celebrities, 2) Wang Hong, Self-media, Industry experts, 3) Ordinary users – KOLs to be uncovered. The estimated total market volume of all three segments will reach 52.2 billion RMB in five years.

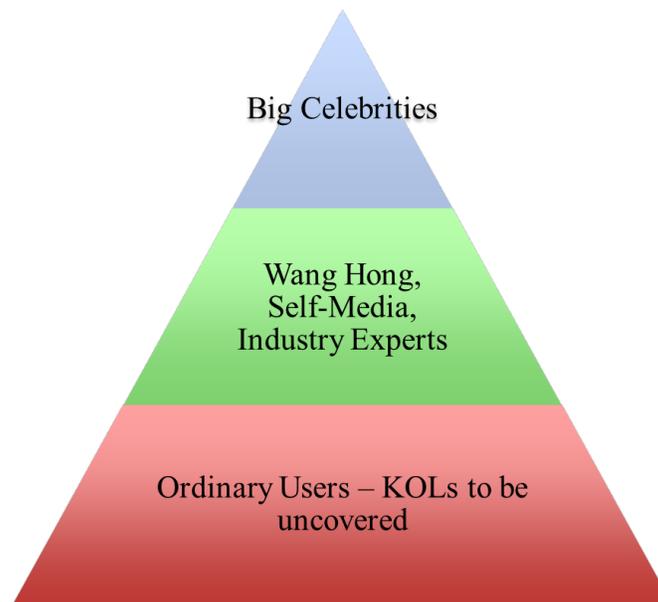


Figure 5.1 KOL segmentation

Bottom segment is very small at the moment (estimated 1,000,000 KOLs now), although it has the most number of potential users, and presents enormous opportunities. The number of community-based social app users (206 million) is used as the number of to-be-uncovered KOLs in this segment, and average revenue is 200 RMB.

Middle segment is Wang Hong like Papi Jiang. Estimate there are no more than 1000 Wang Hong today and no more than 10,000 in five years, and each makes 1 million RMB on average.

Top segment is big celebrities who have established themselves in the industry for quite some time such as famous actresses or singers - 100 but very big fees, ranging from a few millions to tens of millions RMB for a single endorsement (endorsement fee for Fan Bingbing is 18 million RMB<sup>8</sup>). Take 5 million RMB as the average fee of big celebrities today and 10 million RMB as the average in five years.

The value of each segment today and in five years is as follows (in billions RMB). To sum up, KOL market is worth 1.7 billion RMB today and 52.2 billion RMB in five years.

Table 5.2 KOL Market Volume by Segmentation (in billion RMB)

<i>Unit: Billion RMB</i>	<b>Now</b>	<b>In 5 Years</b>
<b>Top</b>	0.5	1
<b>Middle</b>	1	10
<b>Bottom</b>	0.2	41.2
<b><u>Total</u></b>	1.7	52.2

## Long Tail vs Short Tail

A majority of marketplaces in China and US that connect KOLs with advertisers and brand marketers only focus on top KOLs because it is natural to think that they will likely bring the most marketing-driven revenue and advertising effectiveness. On the other hand, the success of Amazon and Netflix have demonstrated the value of long tail marketing. Traditional sales usually take place in a physical space and stores that have to focus on the “hit items” (short tail) due to the scarcity of resources that would not allow stores to carry all items in the market on its shelves or movie theaters to show all existing movies in the market.

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<sup>8</sup> “当红女星代言费大曝光 刘亦菲第三第一竟是她,” <http://e.ent.163.com/docs/2/2016052511/BNTKFCLS9001FCLT.html>, May 25, 2016

Although the number of hit items are small, the sales volume of each is high, and that's why it's called short tail, as it would look like on an exponential curve.

Long tail marketing, different from a traditional sales model, takes full advantage of the abundant storage available in the cloud and therefore offers more options to consumers. Long tail marketing is not about the "hit items", but about the niche market that used to be neglected in a traditional sales model. Items in the niche market may not have as high sales volume as hit items, but in the end, the niche market will aggregate to a large volume and generate a satisfactory total revenue that is comparable to, if not more than, the revenue from the mass market<sup>9</sup>. Niche market would be the long tail on an exponential curve, and thus named.

Estimate half of community-based social app users also use multifunctional social app, while the other half use community based social app only, then at least 549 million people in China are on at least one social app. Every one of these 549 million social app users in China has the potential to become a KOL, whether it's a hit (short-tail) or a niche (long-tail), get recognized and famous for, manage, and monetize his or her influence.

A KOL starts to gain attention from the general public when he/she has been mentioned for a significant number of times, which is an indicator of a phenomenon or a heated topic about that person. As both an indicator and consequence of name mentions, the KOL's followers will be surging. Given the 721 million population of Internet users in China, having hundreds of thousands new followers overnight is not unusual for a rising KOL. As the number of followers continue growing, there will be more likes, comments, and shares of the KOL's post on social media. At this point, the KOL will be paid much higher than previously to profit from his or her influence. This is like when a company goes to public but Rome wasn't built in one day. No KOL starts from a star KOL from the very beginning, and it is important to identify and already start working with long-tail KOLs before they become the next phenomenon.

## Big Data Technology in KOL Marketing

Big Data analytics is used to identify the needles in the haystack – the potential KOLs in the huge amount of social media data.

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<sup>9</sup> Anderson, C., "The Long Tail," <http://www.wired.com/2004/10/tail/>, January 4, 2010

First, various influence metrics, such as hashtags, follows, likes, and shares, can be used to detect such “rising stars” early. This is especially important before and during major industry events. For example, a number of Sports KOLs gained huge popularity during Rio Olympics. Fu Yuanhui, a Chinese swimmer and bronze medalist, contrary to Chinese traditional obsession with only gold medal, had 10 million viewers online at the same time during a live streaming session. After a niche becomes a hit, we also need to predict the shelf life of KOLs in different industries, for example, make-up specialist, comedian, athlete, singer, etc.

Second, text mining technology is used to dig deeper into the actual content produced by KOLs, and thus to determine the domains, people, brands etc. for which the influence of this KOL is particularly high. These will typically be areas in which the KOL has acquired superior specialized expertise and knowledge.

We divide total cost by total reach to measure the advertising effectiveness in terms of engagement. We also need to monitor the quality of followers to prevent a large number of fake followers.

## Summary

KOL and long-tail marketing is a promising field with enormous potential opportunities. It is reported that KOL economy in China values 58 billion RMB, which is in the same range of our projection of KOL market volume at 52.2 billion RMB. Both numbers surpassed the gross box office of 44 billion RMB in China last year<sup>10</sup>. With the integration of big data technology and prosperity of social apps, both advertisers and KOLs will benefit from a win-win solution through an accurate and efficient match and targeting.

## About Robin8

Robin8 is the leading influencer marketplace in China and KOL search engine, powered by big data and machine learning. It is the only automated platform in China that has end-to-end KOL attribution for influencer posts and can match influencers to brand campaigns based on their influence on a particular subject.

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<sup>10</sup> “「洪荒女」傅園慧爆紅 謝金河：中國網紅經濟大爆發,”  
<http://www.ettoday.net/news/20160829/764687.htm>? August 29, 2016



Robin8 has profiled over 23+ million influencers and executed 900+ influencer campaigns and growing.

For more information about Robin8, please visit [www.robin8.net](http://www.robin8.net) or download our influencer app on Android or iOS.