

# The impact of monetization on the public functions of Weibo

Global Media and China

2018, Vol. 3(3) 195–212

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DOI: 10.1177/2059436418806335

[journals.sagepub.com/home/gch](http://journals.sagepub.com/home/gch)**Lize Zhang and Weiyu Zhang**

National University of Singapore, Singapore

## Abstract

Operating as a commercial business with public functions, Weibo's pursuit of profits has to be balanced with the demands of citizen users. This article examines how the dynamics between increasing profits and preserving public interest manifests itself in Weibo's monetization and how the dynamics impacts Weibo's public functions. Drawn on evidence collected through participant observation and 19 in-depth interviews, this article first provides a description of the major practices of monetization. Next, it describes how the introduction of commercial elements, the cluttered product development, and the embrace with strong domestic capitals reshape Weibo's public functions. Finally, it concludes with a discussion on the attitude of Weibo toward the dynamics between profits and public interest, and how Weibo's pursuit of profits under the market influence has to be included when examining Weibo's impact on the development of Chinese society.

## Keywords

Monetization, profits, public functions, public interest, Weibo

## Introduction

Weibo, providing China's largest microblogging service, is a privately owned commercial company listed in Nasdaq. Like other listed companies, Weibo has its basic responsibilities to owners and stakeholders. Monetization is thus an inevitable choice for Weibo to maximize profits and sustain self-development as well as a response to the expectation of capital market. Simultaneously, as the most popular online public space where Chinese people talk about social and political events, Weibo has been shouldered, although almost accidentally, some of the social and political responsibilities of facilitating discussions among Chinese citizens. Operating as a commercial business with public functions, Weibo has tried hard to balance its pursuit of profits and the

## Corresponding author:

Weiyu Zhang, Department of Communications and New Media, National University of Singapore, Room 03-24, 11 Computing Drive, Singapore 117416.

Email: [weiyu.zhang@nus.edu.sg](mailto:weiyu.zhang@nus.edu.sg)



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demands of citizen users, because Weibo first uses a communication product to attract a large number of users, and then sell its second product (i.e. the users) to the advertisers. This article examines when the most recent round of Weibo's monetization happened, and how the dynamics between profits and public interest reshapes Weibo's public functions.<sup>1</sup>

When talking about the relationship between Weibo and public interest, people tend to first think about the influence of the state regulation and state control. So far, many studies have endeavored to explore the role of state control in influencing the public functions of Weibo (see Bamman, O'Connor, & Smith, 2012; Benney, 2013; Lagerkvist, 2011, 2012; Sullivan, 2014). We acknowledge that the state still plays its powerful role in shaping Chinese Internet industry. In this study, however, we attempt to gain insights into how the market exerts an influence over the public functions of Weibo. With the deepening of China's media reform, China's Internet industry was born and grew up without the burden of state ownership (Wu, 2015) like traditional mass media, which enables them to fully embrace the market. Today, market plays an increasingly important role in influencing the decision making of China's Internet business. Hence, we believe that market has to be foregrounded when examining the change of Weibo's public functions.

Drawing on prior scholars' (e.g. Croteau & Hoynes, 2006) insights into the two yardsticks—profits and public interest—in the assessment of the media industry as a productive framework, this article attempts to examine how the dynamics between increasing profits and promoting public interest manifests itself in the process of Weibo monetization. Drawing evidence from our years of participant observation in the Weibo community and 19 in-depth interviews with professionals from Weibo and other social media companies, as well as active Weibo users, we first provide a description of the major strategies, practices, and achievements of monetization. How the introduction of advertising and other commercial elements, the cluttered product development, and the embrace with strong domestic capitals impact Weibo's public functions is then described in details. We conclude with a discussion on the attitude and choice of China's Internet business toward the dynamics between profits and public interest as well as how the Internet business' pursuit of profits and the influence of the capital market have to be included when examining Internet business' public functions.

## Literature and background review

### *An integrated model of media evaluation*

Among various frameworks that evaluate media performance, an economic perspective defining media as tradable commodities in free market is widely employed as the dominant framework when analyzing the media business in capitalist countries. It is noted by Croteau and Hoynes (2006) that such an economic perspective can be referred to as the market model of media, because the core of this perspective is constituted by assumptions about how free markets operate. *One assumption is that media products are simple tradable commodities and the same as other consumer products* (e.g. Fowler & Brenner, 1981). Hence, the economic laws of supply and demand are also applicable in the media industry. It is the market logic that will drive the media companies to meet the desire of buyers. *There is also an assumption of the market model of media, stating that audiences are fundamentally regarded as consumers of media products.* Hence, the market model advocates believe that consumption is the most significant feature of the media world. Besides, *another assumption of the market model of media is that media markets are responsive to buyers, but the buyers are often advertisers, instead of the general public.* Albarran and Dimmick (1996)

explicitly argue that media industries function in what is called “a dual product marketplace,” which means that media businesses first create content for sale to their audience/consumers and then sell the mass audience to prospective advertisers. This creates two products and two buyers, making it a dual product marketplace. However, for most mass media companies, the advertiser revenues are usually far larger than the direct revenues the audiences pay the media companies for the content. Therefore, as McQuail (2010) documents, free-market media often seek to maximize the needs of advertisers by matching the media content patterns to the consumption patterns of targeted audiences of the advertisers.

The market model of media treats media companies as any other commercial corporates, whose primary functions are generating profits for owners and stakeholders. Hence, the universal currency of business success, like profits, advertising revenue, and sales, is the yardstick for assessing media performance. This model also suggests that the marketplace, which includes actors such as investors, advertisers, sponsors, and so on, plays a determining role in shaping media business decisions and influencing media activities. In capitalist countries, the market model is the most widely used framework to understand why media companies behave the way they do.

However, media industry is not exactly the same as other industries, making the market model inadequate. Media serve as information sources and storyteller. Media industry deals in information, ideas, and culture, which can lead the trends, set public agenda, influence how people understand the world, and affect the development of a society. Therefore, media business cannot be judged by profitability alone. Croteau and Hoynes (2006) thus suggest that a public perspective should also be employed in better understanding and assessing media business. Different from the market model that conceptualizes media as tradable commodities, the public model defines the media as citizen resources serving the publics, whose primary functions are promoting active citizenship and cultivating social space for public dialogue (see Calhoun, 1992; Dahlgren, 1995; Dahlgren & Sparks, 1991). Fundamentally, the public model addresses the audience as citizens who have a potential interest in utilizing the information media provided to actively participate in social and political life. By taking the broader cultural and political significance of media into consideration, the public model argues that the performance of the media should be measured by serving public interest, instead of the profits. Specifically, media must endeavor to create innovative and diverse content, which is central to engaging citizens and representing the range of the public's views. In short, when we talk about public interest under the public approach, as Croteau and Hoynes (2006) say, “we are identifying the media system as one of the key arenas in which citizens are constituted, are informed, and are deliberate” (p. 38).

So who are the publics in China and what can be the public functions served by Chinese media? Based on W. Zhang's (2016) comprehensive review of the term “public” in both Western and Chinese traditions, the existing conceptualization of public is often loaded with moral values. Following her suggestion, we define “public(s)” by its relational and visible nature. In other words, when users or citizens become visible not only to themselves but also to a larger society, they collectively perform to get noticed, in order to achieve broadly defined political goals such as greater representation (e.g. fans, see W. Zhang & Zhang, 2015). Whoever belongs to this kind of collectivity can be seen as a member of the public(s). Public functions thus become functions that serve this kind of collectivity's needs, such as getting timely and truthful information, discussing with fellow members on the issues that interest them, and organizing collective actions upon the issues to achieve their goals, all of which could be unimaginable if media do not exist. It is notable that these needs do not have to be framed politically vis-a-vis the state and can be fulfilled in the terms of consumer rights (Hooper, 2005).

In fact, a combination of the market perspective and the public perspective is useful in providing a comprehensive understanding and assessment of media businesses, as suggested by Croteau and Hoynes (2006), because such an integrated model enables the explorations of both the underlying economic dynamics of the media sector and the extraeconomic role media play in a society. Once the integrated model is adopted, we have to simultaneously use the two concepts, namely profits and public interests, to evaluate the business of media and its significance for a society. Sometimes, the needs for profit-seeking and the demands of public interest can reach agreement. But in other times, the role of media in cultivating meaningful public discussions is in tension with the role of media as a profit-making industry. In many critical scholars' works, marketized mass media that seek to maximize their profits have been linked to a "decline of democracy" (e.g. Picard, 1985) or "the crisis of democracy" (e.g. Kellner, 2004). Although we do not equate China's public interest to anti-profit, increasing profits and preserving public interest are at least in a constant and dynamic tension to media companies. Are the two goals mutually exclusive, or can they be achieved at the same time? This is the basic quandary that frames this study. In the following part, we provide a description of China's media reform, and review some of the academic debates on traditional mass media from both the market perspective and the public perspective.

### *China's media reform*

China's media reform started from the expansion and adjustment of the role of the state in the media system since the late 1970s. Moving from the complete state regulation, China's government decided to deregulate the media outlets through four developments of commercialization, privatization, liberalization, and internationalization (Y. Zhao, 2008). Commercialization takes place when the state replaces state regulation with market standards, and emphasizes market ability and profitability (Mosco, 2009). The media were sent into the marketplace in search of their own commercial niches, instead of relying entirely on the state's subsidies as before. As a result, advertising has become the most important source of media revenue in China. Liberalization is a process of increasing the number of participants in the media market. In China, liberalization has led to a more competitive media market which contributes to the more diverse media content, lower prices, and more expanded services (Miao, 2011). Privatization is a process of transferring property from state or public ownership to private ownership. In China, the current licensing system explicitly forbids individual citizens or corporations to fully set up print and broadcasting media outlets. Domestic private capital is allowed for up to 49% of the ownership, and China's media organizations are often regarded as partially privatized (Stockmann, 2012). However, the information and communications technology (ICT) industry enjoys the state's friendly policies toward private capitals. Internationalization refers to the process "by which the ownership, structure, production, distribution, or content of a country's media is influenced by foreign media interests" (Chan, 1994, p. 71). China's accession to the World Trade Organization in 2001 has been generally regarded as a landmark for "China's global reintegration within and around the media system" (Y. Zhao, 2008, p. 138). China's media reform is an integrative process of media commercialization, liberalization, privatization, and internationalization, gradually setting the media free from the state's complete ownership and enabling China's media industry to operate in accordance with market principles as long as they abide the lines set by the state.

With the deepening of China's media reform, advertising plays an increasingly important role in influencing the business of media. In 1992, the Party decided to speed up media reform once again after the 3-year tight control over media system caused by the prodemocracy movement in

1989. Chinese media outlets were hungry for both domestic and foreign advertising. Since then, the advertising market expanded dramatically. The consequences of financing through advertising for media in China are perennially discussed. On one hand, the growth in advertising has helped to create a thriving media market. On the other hand, the blind pursuit of commercially oriented content, as criticized by scholars who are advocates of the public approach to media, may lead to the vulgarization of media content and the anomie of media morality (see Wang, 2011; D. Zhang, 2006). Besides, increasingly, scholars point out the issue of advertising censorship by arguing that advertisers, not governments, have become the primary censors of media content (see L. Zhao, 2008; Y. Zhao, 2008). From the market perspective, the alliance of media and advertiser is a necessary outcome in media's pursuit of maximizing profits in fierce market competition. However, from the public perspective, it is ethically problematic when media stand too close to advertisers.

Private capital also plays a significant role in influencing Chinese media industry. Since the early 1980s, China has accommodated and selectively incorporated foreign capital in areas that are deemed politically safe, such as magazines about consumption, lifestyle, and business. Most of these joint venture media grow rapidly and achieve market success. Especially, they have influenced the media advertising market, bringing threat of competition that mobilizes more Chinese media and even party organs to move toward self-sufficiency (Shen, Li, & Yao, 2010). Although the party-state still artificially sets high barriers for domestic private capital to enter into print media, there already have been some cases of domestic private investors owning print media. For example, Beida Qingniao has invested 50 million yuan to establish *Jinghua Times*, which is a spin-off of *People's Daily* (Wang, 2004). Some scholars argue, the "marriage" of private capital and media could hinder China's social change and vulgarize the public taste because of private capital's nature of profit-pursuing (e.g. Fan, 2005). It is suggested that media are becoming the mouthpiece of foreign and domestic capital (e.g. Peng, 2013; Y. Zhao, 1998). However, there are also lots of supportive voices arguing that private capital has brought in sufficient funds, management expertise, and advanced marketing ideas that help the media companies develop new products and better compete for larger market share (see Yu, 2004).

State deregulation on media industry has pushed China's media into the field of market to establish interactions with advertisers, investors, audiences, and all kinds of market forces. With the growing market forces and deregulation, market influence on China's media industry has expanded. China's Internet industry was born under such circumstances. Without the burden of state ownership, China's Internet businesses do not have to rely on state investment and have the party officials as board members. Although the state still retains its power in defining the characters and the boundaries of Internet industry, Internet companies in China were often seen as relatively free from and independent of the state, compared with traditional mass media. Hence, the dynamics between profits and public interest becomes particularly significant in the context of Internet business. In the following part, we provide a description of the business of Weibo, a popular microblogging service in China, in terms of its profitability and public functions.

### *The business of Weibo*

Weibo, China's biggest microblogging service provider, is one of the major business subsidiaries of Sina Corp, which is a typical Chinese online media company. Sina Corp launched the tested version of Sina Weibo on 14 August 2009. By the end of 2013, Sina Weibo's monthly active users and daily active users had reached 129.1 million and 61.4 million (QQ Tech, 2014a), pushing its competitors out of China's microblogging market. In the same year of 2013, Sina Weibo and

Alibaba Group signed a strategic pact in which Alibaba acquired 18% of Sina Weibo for US\$586 million with an option to buy up to 30% in the future (Morningwhistle, 2013). After establishing alliance with Alibaba, Sina Corp has taken a series of moves in preparation for Weibo's entry into the American stock market. First, in March 2014, Sina Weibo dropped "Sina" from its name and is now only officially known as "Weibo." Then, Sina Corp announced a spin-off of Weibo as a separate entity and filed an IPO (initial public offering) under the symbol of WB. On 17 April 2014, Weibo as a company began trading publicly on the Nasdaq. After IPO, Sina Corp and Alibaba retain 56.9% and 32% ownership in Weibo respectively (QQ Tech, 2014b).

Weibo's 61.4 million daily active users and its forwarding function make it easy to trigger information cascades and bring an obscure incident to the front of public attention within a short period of time. In China, Weibo is generally regarded as the most popular public space where Chinese netizens like to talk about current affairs and actively participate in social and political life. Hence, unlike other Internet businesses, Weibo takes up a special place in the development of Chinese society due to its public functions.

Researchers from Shanghai Jiao Tong University also found that 65% of the 138 nationwide "hot events" that made headlines in 2010 were first reported by Weibo users (Xie, 2011). With Weibo, local news could become national news. Appeals of the citizens could be transferred from the ordinary public to the policy makers. It provides participation opportunities to users across regions and social strata, and thus can be utilized as a useful instrument in supporting collective discourse and actions ranging from local to national. In March 2011, a campaign was launched by Nanjing residents through Weibo to stop the local government's plan of cutting the French plane trees down lining the city's avenues. In July 2011, the crash of two high-speed trains in Wenzhou was first reported by Weibo users, 4 hours earlier than official sources. People utilized Weibo to pressure the government to provide the real reasons of the crash.

Since then, sensitive news, rumors, political scandals, radical expressions and opinions, and social protests that are not permissible in China's official and traditional media outlets increasingly find their way onto Weibo. Starting from mid-2013, the government launched a series of control measures, including fighting the online rumor campaign and prosecuting some celebrity users known as big-Vs (V stands for VIP). A legal interpretation stating that a Weibo rumor post that receives more than 500 times of repost can be deemed illegal was announced in September 2013. Real name registration for Weibo accounts was required starting from 2017.

Despite the overwhelming popularity and influence, however, Weibo has long been trapped in the red since it was launched. In 2010 and 2011, Sina posted a US\$19 million and US\$302 million loss respectively owing to its increasingly huge costs on Weibo, with a comparison of the total profits of US\$411.9 million in 2009 (Sina, 2016). In 2012, Sina invested US\$160 million in Weibo while only racked up revenue of US\$66 million from Weibo, with the near US\$100 million gap pulling Sina Corp's total profits down to US\$31.7 million. In 2013, Sina saw a net profit of US\$45.1 million, with only a slight increase of US\$13.4 million compared with 2012 (Sina, 2016). The continuous high investment into Weibo has dragged down the overall performance of Sina Corp since 2010. As the financial position of a listed corporation is an important internal factor affecting the trend of share price, Sina's share price plunged to as low as US\$41.9 and market value dropped by over 70% in 2012 (Google Finance, 2014).

Facing the problem of weak profitability, monetization becomes an inevitable choice of Weibo to transform its high online traffic and influence into profit to sustain self-development and meet the expectation of the capital market. Monetization usually requires a readjustment of current product architecture with adding a large amount of commercial elements and profitable items, while

audiences usually prefer a clean, simple, and effective interface with clear functions. It is a process full of conflicts and negotiations among different economic and social forces, such as the advertisers, investors, audiences, media companies, and so on. With this in mind, we ask the following questions: What are the benefits and problems related to Weibo's pursuit of monetization? How does the dynamics between profits and public interest manifest itself in the process of Weibo's monetization? and What is the impact of Weibo's monetization on the public functions of Weibo and the society of China?

## Method

We employed virtual ethnography, a combination of participant observations and in-depth interviews, as the key method in this study to gain insights into the dynamics of Weibo's monetization and its impact on Weibo's public functions.

Participant observation in the online environment, often regarded as part of virtual ethnography, has been shown to be an effective method to "develop an enriched sense of the meanings of the technology and the cultures which enable it and are enabled by it" (Hine, 2000, p. 8). Researchers can take advantage of this method by entering the field to observe the mechanisms and dynamics of the online community and to "become familiar with the technologies and communication tools the community members use to make their activities possible" (W. Zhang & Mao, 2013). Both the two authors of this study have been users of Weibo for over 6 years. Since 2012, we took advantage of our experience to fully explore the activities on Weibo, such as reading, writing, forwarding, commenting and liking posts, participating in topic discussion, watching videos, browsing through images, in-site messaging, searching archives, and many others. We kept a close eye on every step of Weibo's monetization and the impact on Weibo's public functions. We observed the daily trends and recorded the changing heated topics on Weibo. When Weibo's design, structure, or features were updated, we paid particular attention to the users' reaction and feedback. When public incidents occurred, we paid attention to the trends of public opinions on Weibo and the reactions of Weibo as a company.

In January, April, and June 2014, in-depth interviews were conducted with 19 interviewees, including 12 professionals from Sina Corp and Weibo, 4 professionals from other Chinese social media companies, and 3 active and popular Weibo users. The professionals of Sina Weibo interviewed were either current or former employees, holding positions in either the Operational Department or Weibo Department with a minimum of 2 years work experience in Sina. We intentionally sought for diversity in terms of their administrative levels (both in junior and senior positions) and work area (e.g. marketing, editing, advertising, and designing). We also interviewed four professionals from other social media companies in China (e.g. NetEase and Tencent) as a comparison and complement of the interviews of the Sina Weibo employees. For the recruitment of these interviewees, we first relied on our personal contacts within Sina Corp and other social media companies. After that, snowball sampling technique was utilized to further recruit eligible participants. Three active grassroots Weibo users who had been on Weibo since it was launched with a population of followers more than 10,000 were identified and interviewed about their personal views on the public functions and monetization of Weibo. All interviews were under the condition of maintaining the anonymity of the interviewees. The sample size is calculated based on the progress of the interviews. We stopped when information reached a saturation point at which no new information and themes were observed.

Among the 19 interviews, 14 were carried out face-to-face in Beijing, and the rest were conducted via telephone and instant messaging tools (e.g. Weibo messages), depending upon the interviewees' personal preference. The interviews were semistructured and each took from 45 to 90 minutes with an average of 1 hour. An open-ended interview question guide was used as a rough guideline during the interviews, but not all questions were asked of each of the interviewees, and new questions were added occasionally varying from interviewee to interviewee.

The interviews began with asking basic demographic questions such as age, gender, education, and so on. Then, interviewees were asked to discuss their views and opinions of some general issues, such as the Internet industry and Internet market in China, ideological and institutional impacts on China's Internet, the role of Internet in Chinese society, Internet and democracy in China, and so on. Next, questions about the relations between the marketplace and Internet business were posed, such as the monetization of Internet business, advertising market of Internet, transnational and domestic investors' impact on Internet companies, and so on. To facilitate the conversation, interviewees from Sina Corp were asked more specific issues about their daily work, how they deal with the feedback from the users, Weibo's monetization strategy and future planning, the alliance of Alibaba and Weibo, and so on. The interviewees from other social media companies were asked about their opinions toward the strategies and practices of Weibo. The three active Weibo users were asked to discuss their user experience of Weibo and their perceptions of Weibo's strategies in monetization, especially the strategic alliance of Weibo and Alibaba. For all the questions, we encouraged the interviewees to provide real-world cases and examples.

Most of the questions posed were open-ended and broad to allow the interviewees leeway to offer more information and express their perspectives. In addition, the semistructured nature of the interviews allowed for flexibility in deviating from the list of questions if the conversation necessitated it, and further probing relevant topics to elicit richer data. The face-to-face and telephone interviews were audio-recorded with the interviewees' consent. For interviewees who did not agree to the audio recording, field notes were taken instead. All the interviewees' statements were cross-checked against other contextual materials and readings, such as the income reports of Sina, policy statements and requirements made by the government and state official media, the notices by Weibo to its users, and so on.

Textual materials were collected to serve as background information and examples. The materials we collected included posts and comments on Weibo, Weibo site documents (e.g. notice and announcement to respective user base, help, and FAQs), companies' annual reports, government policy papers, news reports, news interviews with key Weibo entrepreneurs, some internal documents of Sina provided by interviewees, and many more. The time frame of these documents was from year 2009 to 2015.

## Findings

### *Major monetization attempts*

In 2012, Charles Chao, the CEO of Sina, started to push the company to make money from Weibo through a series of monetization moves. In June 2012, Weibo introduced a premium paid membership service. For a monthly fee of 10 yuan (US\$1.61), subscribers can enjoy some privileges including personalizing their pages, managing information flow and followers, getting better security, sending voice posts, having access to premium games, and so on. Before that, Weibo also launched its own virtual currency (known as Weibo Credit) and tried to sell Weibo IDs (named



Weihaio). In March 2013, Sina launched its Twitter<sup>2</sup>-like in-stream advertising product, which called “Fen Si Tong” (FST). Advertisers can log into the system and target users based on gender, age, location, interests, device type, social interaction, and so on. The sponsored Weibo post will appear in targeted users’ news feeds. Besides, Sina also incorporates third-party apps, especially third-party games, to the platform of Weibo.

These above-mentioned attempts of monetization have achieved some initial effect. The income reports of Sina have shown that, since the second quarter of 2012, Weibo began bringing revenues to Sina, racking up a total revenue of US\$68.5 million in the last three quarters of the year (Sina, 2013c). However, the revenue is not proportionate to the scale of Sina, a major company with more than 5400 employees, and it is far from meeting the expectations of the capital market.

In April 2013, Alibaba, China’s biggest e-commerce player, acquired an 18% stake of Weibo for US\$586 million, with the option of increasing its stake to 30% in the future. According to the interviews, dissatisfying monetization effect and pressures from the capital market and competitors (e.g. Tencent WeChat<sup>3</sup>) are major problems that force Sina Weibo to tie up with Alibaba in order to seek new streams of revenue in the booming e-commerce market. This alliance is generally regarded as the most important move in Weibo’s pursuit of monetization as suggested by most of our interviewees.

According to a statement issued by Sina’s CEO Charles Chao, Sina regards e-commerce as key in building an eco-system around Weibo’s open platform (Sina, 2013a). In fact, one of Weibo’s major attempts of monetization is the self-service advertising system. If Sina wants to make money from this system, what it needs is to attract advertising from large amounts of small and medium-sized enterprises (SMEs), and this is what Alibaba possesses. Meanwhile, Alibaba can also provide the payment channel (i.e. Alipay) that Weibo’s monetization needs. Besides, an archival report of the *Wall Street Journal* also showed that investors generally believe that Weibo will be more valuable as a platform for e-commerce than simply as a platform for Chinese people to vent their opinions (Chin, 2013).

A respondent from Weibo’s Commercial Product Department well summarized that the cooperation between Weibo and Alibaba in social commerce is mainly developed in the following areas: (1) integrating the account systems of Weibo and Taobao (the consumer-to-consumer online shopping site of Alibaba) to enable the users of these two services to have one universal sign-in, (2) integrating Weibo’s plug-in with Taobao’s plug-in so that Weibo users can like and share product links of Taobao on Weibo, (3) integrating Weibo Wallet and Alipay in order to make Alipay the top priority of third-party payment when Weibo users pay with Weibo Wallet, and (4) integrating advertising across the two platforms.

The partnership with Alibaba has greatly accelerated the pace of building an open commercial platform on Weibo. An interviewee, who is a senior manager of Weibo’s Commercial Product Department, mentioned that building an open commercial platform could provide a low-threshold marketing system for all the e-commerce enterprises, especially for SMEs to conduct business on Weibo, which have been regarded as an important support for the monetization of Weibo. One employee from the Operational Department explained, “Attracting SMEs to advertise on Weibo is actually the long-tail marketing strategy. Each advertiser pays little money but the total quantity is large.”

The effect of Weibo’s alliance with Alibaba on monetization has quickly emerged. According to Sina’s income report of the fourth quarter of 2013, the revenue of Weibo increased 151% to US\$71.4 million, and the revenue contributed by Alibaba reached US\$23.5 million, accounting for 33% of Weibo’s total revenue (Sina, 2013b). The financial results of 2013 show that Weibo’s ad

revenue growth in 2013 was especially pushed higher due to the advertisements brought by Alibaba, achieving a 186% jump from the previous year. It's worth noting that Weibo recorded an operating profit of US\$3 million for the first time in the fourth quarter of 2013.

Besides, the partnership with Alibaba also accelerated the listing of Weibo. In April 2014, Weibo began trading publicly in Nasdaq, and Alibaba increased its holding in Weibo to 32%. A senior product manager from Weibo commented,

Weibo recorded its first net revenue at the end of 2013 with the support of Alibaba. It is significant for a successful IPO of Weibo since it gives a signal to the capital market and investors that Weibo is capable of making profit. It is no exaggeration to say that Alibaba is the direct driving force of Weibo's listing.

With the support of Alibaba, Weibo has greatly accelerated the pace of monetization. From the market perspective, which employs profits as the only yardstick, monetization has helped Weibo step out of the longtime financial loss and prove its profitability in front of the capital market. However, what is the picture of Weibo's monetization from the public perspective?

### *Distracting from the public functions*

Weibo's monetization requires a high volume of advertising displays. After partnering with Alibaba, more advertising spaces have appeared on Weibo. Although Sina believes that the building of an open commercial platform will attract more potential users to Weibo, its existing users have felt disgusted at the excess amount of commercial advertising.

According to the data collected during our participant observation in the Weibo community, promoted advertising in users' information feeds, private messages, and trending lists receives most loathing from Weibo users. Many users have posted complaints about the commercial advertising on Weibo. For instance, one active Weibo user with 426 followers and a "Weibo age" of 8 years posted (Ayako\_Yaer, 2013),

Sina, can you be worse? Why does the post published by an enterprise account that I don't follow appear in the information feeds on my homepage? What I hate most are such commercial advertising posts! Never appear again! I get angry!

Another highly active Weibo user with 375 followers and a "Weibo age" for 7 years wrote,

Sina is depraved. I used to read the hot news and explore new things on the trending lists every day. Now when I open the trending lists, I can only see plenty of insignificant posts and embedded ads. Weibo will eventually go out of business if they continue doing like this.

Another complaint from users is that their posts are often forwarded or commented by advertising accounts. An increasing number of celebrity accounts and significant grassroots accounts also have started posting advertisement in their daily posts. Ning Xiaole, who is an Internet observer and used to be a Weibo user, described the proliferation of display ads on Weibo's user interface as the "plague of locusts," which is also the reason why she stopped using Weibo (Ning, 2014). An interviewee employed as senior designer from the User Research & Experience Design Center (UDC) of Weibo said that they had received thousands of user complaints since they started to test promoted feeds advertising at the end of 2012, and he did not rule out the

possibility that a portion of users stopped using Weibo because they found advertisements distracting.

A popular Weibo user under contract with Sina with more than 260,000 followers argued that it was not hard to understand why users showed great antipathy toward promoted advertising on Weibo. In his reply to my interview questions via private messaging on Weibo, he explained as follows:

People usually visit online shopping sites such as Taobao with a clear consumption intention, so they are not annoyed by the promotions, but receptive to them. However, things are different on social networking sites such as Weibo and WeChat. Obtaining information and maintaining friendships are the main purposes for Weibo users. Unless they have the intent to consume, they will find promotions annoying.

Different positioning of a media service in the eyes of the audiences determines whether the advertising can be acceptable or not. However, when asked how Sina positions Weibo, interviewees from Sina provided with different answers. Some of the interviewees believed that Sina still positions Weibo as a Twitter-like public space where users can share information, discuss and debate about social trends and political issues. For instance, one interviewee, who is a senior editor from the Operational Department of Sina, argued that

although positioning as an online public media platform is hard to generate non-advertising revenues, Weibo has attracted millions of users thanks to its big influence on the society. User is the basis for the development of an Internet product. So I think the top management will continue to focus on Weibo's media functions in the future. One proof is that Sina values the discovery channel of Weibo, which leads media trends in the Chinese society.

Some of the interviewees, however, presented an opposite view by pointing out that Weibo is taking on more social features, making it more like a Facebook<sup>4</sup>-like social networking site other than a public space. One respondent from Weibo's Commercial Product Department said that there is no future if Sina continues positioning Weibo as a public media platform. She presented an example to support her viewpoint. In 2012, Weibo proposed its plan aiming at constructing a "social mapping plus interest mapping" platform, which provided users with a two-way communications system like Facebook. The realization of this plan requires strong technological capabilities especially in big data mining. "The new appointment of Jack Xu, who has rich experience in data mining, as the CTO of Sina, has best indicated Sina's intent in doing social mapping on Weibo," said this respondent from Weibo. In 2013, a new feature was added to Weibo's user interface called "Page," which aggregates the data of users' social interests into a page, such as hot topics, places, music, books, movies, and so on. "This is what the top management wants Weibo to be," as this respondent argued.

Another interviewee from the Operational Department of Sina agreed that Sina now tends to position Weibo as a social networking site. He particularly reminded us of the fact that Sina has added the function of private sharing to Weibo so that its users can share their views and personal lives within their friends circle and use it more like WeChat, and the fact that the function of voice messaging, which is the core function of WeChat, has also been developed and added onto Weibo.

In addition to these two views, there are also some interviewees indicating that Sina is quite likely to position Weibo as a shopping recommendation site in the future, especially after its partnering with Alibaba. A product manager from Weibo said, "Nowadays, a general consensus in

China's Internet circle is that e-commerce makes the most money. Sina, of course, also wants to take a piece of the pie."

The different answers to the question how Sina positions Weibo from the employees of Sina indicate that Sina lacks a clear strategic plan of how to develop Weibo. The current Weibo contains the features of Twitter, Facebook, WeChat, and shopping recommendation sites like Pinterest. The latest PC version of Weibo has three columns, showing a complete profile that is typical of a social network site. Actually, as monetization progresses, more products and services are pushed out and added on the navigation bar of Weibo in recent years, such as Weibo Charity, Weibo Radio, Weibo Games, Weibo Questions, Weibo Groups, Weibo Magazines, Weibo Search, Weibo Bar, Weibo Fans Club, and so on. Although Charles Chao, the CEO of Sina, publicly claimed that Weibo would retain its media function as a public space in an interview via the *Wall Street Journal* (Mozur, 2014), plenty of commercial attempts in other aspects have already distracted users from the core public functions. A user commented (Zhihu, 2015),

I think Weibo is going the wrong direction. Now it is a confusing mixture with too many functions. At the very beginning, I chose to use Weibo mainly because it provided "fast, good, rich and controversial user-generated content" just like Twitter. But now I am bothered by the complex interface and the functions that I will never use.

A former senior Weibo specialist, who is now working in a mobile live video stream start-up, said the fact that Sina integrated so many features to Weibo had implied Sina's uncertainty and ambiguity in which profit model was suitable to Weibo. He argued that this is the biggest problem in Weibo's monetization. "Fighting on several fronts' is not a smart move in fierce competition because the core competence of a company would be weakened," as this former employee argued.

### *The challenge for Weibo's independence as a public media platform*

When Weibo started monetization, there were concerns about the risk that Weibo might become mouthpieces of whoever can pay and gradually lose its independence as a public media platform. According to the data collected during the interviews and our participant observation in Weibo, as monetization progressed and commercial elements were increasingly introduced to this platform, some of the concerns turned into reality.

According to the information provided by the employees of Sina and the observed results, there is less room on Weibo left for discussions about social and public events than before. Sales promotion (such as advertisements and network marketing) has the most posts and reposts. Jokes, videos, and entertainment gossips also take up a large proportion in the hottest Weibo topics. Although there are still many Weibo users who are interested in hot social events such as natural disasters, public health, and political news, the volume of posts and reposts is smaller than that of other categories.

An interviewee, who is an editor in the Operational Department of Sina, commented that Weibo's monetization would inevitably lead to more sales promotion and entertainment content which had ties with commercial benefits. Serious social and political content could not generate direct profits and might only get Sina into trouble with the authorities.

Weibo's trending lists are also losing their value as a window for users to get to know what is happening at home and abroad. The three most widely read lists, namely hottest search, hottest trending topics, and hottest posts, now become partly tradable commodities with an offering for

sale of getting on the lists. These three lists used to be determined by an algorithm, which was calculated based on the real daily search and post volume on Weibo. Now, Sina puts ads in the form of promoted posts and topics in these lists with the “promoted” sign appearing at the top left or in blue color to indicate a post or a topic as an ad.

An interviewee from the Operational Department of Sina informed that if given enough money or strong connection, Sina could also help remove certain posts and topics from the lists of hottest posts and trending topics at any time behind closed doors, which has become an increasingly important way for enterprises or celebrities to address online criticism. For example, Sina prevents negative news about its important cooperative partners and investors such as Alibaba, Baidu, and China Mobile from spreading on Weibo as a form of protection to them. This is an unwritten rule and must be abided by all employees of Sina. As the interviewee indicated, even if the related topics are being discussed by many people on Weibo, Sina will take technical measures to prevent such topics from getting on the lists of hottest search, trending topics, and hottest posts.

Besides, as mentioned by many interviewees from Sina, fake account is the most troubling problem facing Weibo. Many posts and topics can be displayed on the trending lists due to the continuous reposts of fake accounts. These fake accounts are registered to artificially propel certain topics and posts into the trending lists. Actually, many accounts with commercial purposes (e.g. selling products, gaining followers, promoting movies, etc.) are employing fake accounts to inflate their posts to be displayed on trending lists, thus gaining prominence as top trendsetters and being more visible to Weibo users. When you fill in the keywords “Weibo trending lists” and “promoting” in the search bar on Chinese biggest consumer-to-consumer online shopping site Taobao, or in search engine like Baidu, you will find the result pages full of sellers that provide customers with the services of creating fake trends in Weibo. The average price of getting onto the list of hottest search is approximately US\$32,200, and the price of hottest topics and hottest posts is about US\$966.

A product manager from Weibo’s Commercial Product Department said that these Taobao sellers charged lower fees for getting on trending lists than that of Sina and accepted all kinds of customers and content, which had caused a severe disruption to the normal operations of trending lists. When asking about how Sina deals with this problem, the manager admitted that so far an effective solution had not been found yet. Actually, Sina already launched cleanup campaigns against fake accounts in Weibo for many times. However, many real accounts were banned by mistake and some fake accounts in good disguise escaped the cleanups.

In fact, the biggest challenge for Weibo’s independence as a public media platform comes from the alliance with Alibaba. Besides the advertising and commercial elements brought by the integration of the two platforms, many interviewees from both Sina and other social media companies agreed that Weibo has been taken as an important piece of Alibaba’s social media strategy, as well as a winning card for Alibaba to compete with its rivals to some extent, thus damages Weibo’s independence.

Tencent is another Chinese Internet giant, who offered many services including social network, web portals, e-commerce, online games, and so on. The competition between the two Internet giants Alibaba and Tencent actually has lasted for several years. A respondent from Weibo’s Commercial Product Department discussed that the alliance with Weibo has indicated Alibaba’s strong desire to increase its presence on social media in China. He argued that with the support of Weibo, Alibaba could carry out new strategies and tactics to better compete with Tencent.

A respondent, who is a product manager from Tencent, discussed that Alibaba's fundamental purpose of helping Weibo establish its online payment system is to better compete with Tencent, whose mobile messaging service WeChat has launched WeChat Payment and struggled to gain ground under the dominance of Alipay. He argued that though Sina gets some benefits from Alibaba's attack on WeChat, Weibo has fallen under the control of Alibaba to some degree by being utilized as an instrument for Alibaba to compete with Tencent.

According to our participant observation, throughout the battle between Alibaba and Tencent in recent 2 years, a lot of evidence can be found to support this interviewee's argument. Alibaba has obviously escalated the fight with Tencent since 2013 because of its teaming up with Weibo. In mid 2013, before WeChat launched its 5.0 version which would add new features to better support in-app shopping, Alibaba blocked its Taobao sellers from subscribing to marketing and promoting apps linked with WeChat. As a support to its partner Alibaba, Weibo temporarily blocked its users from sharing Weibo content to the platform of WeChat. Subsequently, in 2014, Alibaba cut all the links between Taobao, Alipay, and WeChat. As the battle between Alibaba and WeChat escalated, Sina Weibo banned its users from disseminating WeChat QR (quick response) codes on its platform. In February 2015, Tencent cut links between WeChat and Alipay and Xiami as a strong response to the banning from Alibaba. Now, Weibo allows its users to share Weibo posts to their WeChat friends, but WeChat still forbids its users to share the content of WeChat subscription accounts to Weibo.

A senior designer from the UDC of Sina Weibo said that they often receive users' complaints and inquiries about why they can neither share WeChat content to Weibo nor Weibo content to WeChat in well-organized format. This designer commented, "China's two biggest social networking sites do not support their users to share content across platforms. This sounds really unreasonable for ordinary Weibo and WeChat users. It does bring inconvenience for the users."

## **Discussion and conclusion**

When thinking of the Internet in China, people tend to think about the role of the state in Internet regulation and censorship. We acknowledge that the state still retains the power to define the characters and the boundaries of Chinese Internet and its functions. However, the state now exerts such power along with the market and capitals. Internet industry is influenced by different political, economic, and social forces. Among these forces, the marketplace plays an increasingly dominant role in shaping the strategies and decisions of Internet businesses. Accelerating monetization is a necessary outcome in Weibo's pursuit of maximizing profits, supporting itself in fierce market competition and meeting the expectation of the capital market.

Our findings have shown that although Weibo in its early years served as the most popular public space on the Internet for discussions of political and social issues (although accidentally so out of the motivation to attract as many users as possible), the recent round of monetization has led to the decline of its public functions, which we define as serving the information, discussion, and organization needs of citizens who collectively try to make their appeals visible to a larger society. It is evident that Weibo has less political discussions and more nonpolitical posts than before in recent years. A large amount of commercial elements such as advertisements and promotion messages has flooded Weibo and expelled current affairs and serious discussions out of Weibo. The alliance with other domestic and international capitals such as those behind Alibaba and Baidu even affected Weibo's independence as a public media platform. So far, there is no obvious evidence that any effective balancing acts have been employed by Weibo. Most of the professionals from Weibo can

point out the problems occurring in monetization; however, few professionals take them as serious problems that can decide the life and death of Weibo business. The attitude of Weibo in allying with profits has implied that commercial interest is the ultimate motivation that drives the decisions and choices of the Internet business.

Most people believe that Weibo's public functions have declined because of the government clampdown during 2013. However, the findings of this study suggest that Weibo's pursuit of profits under influence of the capital market is also an important factor that distracts Weibo from serving its public functions. This finding echoes what Hackett, Pinet, and Ruggles (1986) and Altschull (1994) argued in the context of traditional mass media to some extent. They argued that the market-influenced media have turned themselves into the mouthpieces and instruments of domestic and international capitals, which can prohibit communication as easily and effectively as the state can. In fact, the study of L. Zhang (2016) suggests that the decline of Weibo's public functions is also an active choice of the media company itself in response to the current political and economic environment. She argues that considering the risks of being shut down and the cost of exercising delegated responsibilities of social control from the state, Chinese social media entrepreneurs care more about how to make profits safely. In the eyes of these entrepreneurs, they would see their impact primarily in terms of contributing to the development of national economy rather than affecting Chinese political system.

Pursuing profits rather than serving the public is what most Chinese Internet businesses are looking for. Many online public media platforms in China now have become fully commercialized under the influence of capitals. In the eyes of China's Internet industry, the public is taken more as first consumers and second products who can bring commercial interests to the companies. The prevalence of consumerism, instead of the promotion of free speech or democratization, is the biggest impact the Internet has done to contemporary Chinese society. So what undermines Weibo's public functions? It is not only the state's clampdown but also a conspired murder by the capital market and the Weibo company itself.

## Funding

The author(s) received no financial support for the research, authorship, and/or publication of this article.

## Notes

1. We want to emphasize that although we treat profits and public interest as two distinctive concepts, we do not mean that they are of a zero-sum game. Profit-pursuing does not always conflict with public interest but what has happened within the round of Weibo's monetization could be seen as a conflict. Again, this specific analysis of this specific move by an Internet company tends to find that profits and public interest are in conflict in this specific case.
2. Twitter is an American online news and social networking service on which users post and interact with messages known as "tweets" (Wikipedia, 2018b).
3. WeChat is a Chinese multipurpose messaging, social media, and mobile payment app developed by Tencent (Wikipedia, 2018c).
4. Facebook is an American online social media and social networking service company based in Menlo Park, California (Wikipedia, 2018a).

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### **Author biographies**

**Lize Zhang** was a master student studying at Department of Communications and New Media. She is now based in Shanghai, engaging in new media and mini-programme e-commerce industry.

**Weiyu Zhang** is Associate Professor at the Department of Communications and New Media, National University of Singapore. Her research focuses on civic engagement and ICTs, with an emphasis on Asia.