The Development Strategy of Sina and Sohu

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INTRODUCTION

Though it was in 1993 that China entered the Internet for the first time, the real rise of the Chinese Internet was in 1998. In this year, the former of Sina-Rich Win Co. Ltd, claimed that it merged the biggest Chinese Web site, Huayuan Information, and set up the largest Chinese Web site, Sina. This event aroused the attention of people both home and abroad. Just in this year, Ericsson put out a Chinese search engine—Sohu, which developed into a comprehensive portal on this basis. In the same year, NetEase bought back the www.netease.com domain name, succeeded in putting out the NetEase comprehensive Web site. Generally speaking, 1998 is not only the year that the Internet rose up in China but also the year that portals began to play an important role in China. In fact, the three portals have always received much concern since their establishment. From the marching into NASDAQ in 2000 to the "Wang Zhidong" incident and NetEase stopping brand incident in 2001, the first severe winter of Internet industry comes followed by the transition of portal in 2002, Wireless World War in 2003. We can find out that the development of the portal has vividly reflected the development of Chinese Internet enterprise since 1998.

There are some researches about Chinese portals, but most of the papers are about the development of portals, discussing the development environment and strategy of portals from the macroscopic aspect. This article intends to find out the similarities and differences between Sina and Sohu, two main portals of China, by comparing the development strategies of them. Finally, several suggestions of promoting the development of Chinese portals have been proposed.

BACKGROUND

Internet portals often act as gatekeepers to the Internet. Users may begin their sessions on the Internet by visiting a portal, and obtain information like news, weather, or stock quotes. They may move on to browse products, gather information, or even make purchases only after the Web sites of interest have been located through the search process. Portals also provide many personal communication services in the form of e-mails, message boards, and so forth. Moreover, most of these services are offered to users free-of-cost. It is no surprise then that portals are some of the most visited sites on the Internet. There are already many researches about portals. Internet portal representatives attention economy, its business model has become one of the core competitiveness of enterprises.[4][6] Some researches classify the portals according to its general properties and by analyzing the characteristic of information resources on portals, claim for standardization, sorting and organization of the Internet information resources [5] [7]. There are also paper studies about the business model of how to profit for the first portal Web sites [8]. Clarke and Flaherty (2003) studied the Web-based B2B portals and pointed out a process for effective B2B portal development was introduced with the five key stages of define, design, develop, deliver, and defend the portal [1]. Telang and Mukhopadhyay (2005) pointed out that that it is a common goal for Web portals to develop a loyal user base that visits the site frequently and spends sufficient time per visit. Driving traffic to their sites and making users stay for longer periods are important for portal firms because Internet-based advertising is their main source of revenue [3]. Gallagher and Downing (2000) made an empirical study of competition the Web portal industry [2].

BRIEF INTRODUCTION OF SINA

SINA Corporation (NASDAQ: SINA)[9] is a leading online media company and value-added information service (VAS) provider for China and Chinese communities worldwide. With a branded network of localized Web sites targeting Greater China and overseas Chinese, SINA provides services through five major business lines including SINA. com (online news and content), SINA mobile (mobile value-added services), SINA online (community-based services and games), SINA.net (search and enterprise services), and SINA e-commerce (online shopping and auctions) offering Internet users and government and business clients an array of services including online media and entertainment, online fee-based VAS/wireless VAS, and e-commerce and enterprise e-solutions. With 180 million registered users worldwide, 450 million daily page views, and over 42 million active

users for a variety of fee-based services, SINA is the most recognized Internet brand name in China and among Chinese communities globally. In various surveys and polls, SINA has been recognized as the most valuable brand and the most popular Web site in China. For 2003 and 2005, SINA was ranked the "most preferred Web site" in China according to the Chinese Academy of Social Sciences and considered "the most respected Chinese company" for two consecutive years in 2003 and 2004 by the Economic Observer and the Management Case Study Center of Beijing University. At the same time, South China Weekend honored SINA with the prestigious award of the "Chinese Language Medium of the Year" in both 2003 and 2004.

Sina locates itself on the online media business and value-added information service provider. Its business strategy includes two operation centers, three major business lines, and four strategic matrixes. Sina gradually runs toward multiple business channels revenues model. Unceasingly Sina develops the business scope and the strategic partner, and with the aid of the fund, the brand, and the platform superiority, it seeks the new business development opportunity.

BRIEF INTRODUCTION OF SOHU

Sohu.com Inc. (NASDAQ: SOHU)[10] is China's premier online brand and is indispensable to the daily life of millions of Chinese who use the portal network for their news, search, e-mail, wireless messaging, instant messaging, browsing, games, and shopping. Sohu has built one of the most comprehensive matrices of Chinese language Web properties and proprietary search engines consisting of:www.sohu.com, the mass portal and leading online media destination; www.sogou.com, an interactive search engine with over one billion Chinese language indexed Web pages; www.go2map.com, a leading online mapping service provider; www.chinaren.com, the online alumni club; www.17173.com, the games information portal; www.focus.cn, a top real estate Web site; and www.goodfeel.com.cn, a wireless value-added services provider.

This network of Web properties offers the vast Sohu user community a broad range of choices regarding information, entertainment, communication, and commerce. Sohu.com offers both corporate services and consumer services. Sohu's corporate services consist of online advertising on its matrices of Web sites as well as paid listings and bidding listings on its in-house developed search directory and engine. Sohu's consumer services consist of three types of services: Wireless value-added services such as news, information, ring tone, and picture content sent over mobile phones, online games: Sohu operates two massively multi-player online role-playing games and a casual game platform, and e-commerce: Sohu also manages an e-commerce platform.

At the very beginning, Sohu did a good job and we can analyze its successful strategies as follows.

Successful Financing Strategy

Sohu is the first firm to introduce venture capital, and is one of the firms that successfully introduced venture capital in china. Venture capital does give a strong support to the growth of Sohu. The CEO of Sohu, Mr. Zhang, made a good use of venture capital to start the company. In late 1996, Mr. Zhang persuaded Edward Robert and Nigeluopangdi to invest seed capital of about 225 thousand dollars. In the April 1998, Mr. Zhang got the second venture capital of about 2.15 million dollars from Intel, Dow, Hong Kong Hang Lung Group, IDG International Data Group, and America Harrison Corporation. The third venture capital was achieved in April 1998.

Successful Production Strategy

Sohu makes search engines its main products, which is a very wise decision. There is so much information on the Internet that people can not find what they like in a short time. On the other hand, many Web sites can not find netizens. Search engines can help netizens find what they need and can also lead netizens to Web sites by hyper linkers. Search engines connect Web sites and netizens, which meet the need of the market in time. Mr. Zhang put forward "content is the king" and put much importance on the content building, which causes mutual enhancement between search engines and content.

Successful Public Relations Campaigns Strategy

The CEO of Sohu, Zhang Chaoyang's most famous contribution to the world is "attention economy," which is considered as the basic theory of the "money burning" campaign. It is believed that if the Web sites attract people's attention, the hit rate is sure to rise. This theory is accepted by most Chinese, which made 1999 the "money burning" year. Most Web sites burned millions without any fear.

Successful Marketing Strategy

Sohu applies almost the same marketing strategy as Yahoo--make full use of the advantages of portals. It uses free services to attract netizens to seize its competitive position by the large number of enrolled netizens. In the era of Sohu, most Chinese Web sites are lacking in content, and what attracts netizens is e-mail, charting, news, surfing, and making friends. Besides, the narrow bandwidth and large number of netizens usually make the Internet crowded and the cost of surfing on the Internet is high, and if Web sites a charge

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