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How can beauty brands leverage an increasingly commercial Weibo?

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Micro-blogging platform Weibo has added transactional capabilities, thus completing the discovery-to-purchase loop. Image credit: Weibo, Luxury Society

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When Sina Weibo was first launched in 2009 by Chinese Internet company Sina, it modeled its interface after Twitter and with its content feeds comprising images and 140-character text posts. It soon surpassed other competing products launched by tech companies such as Tencent and Sohu, quickly cultivating a strong user base.

After 11 years on the market, Weibo now has 550 million monthly active users (MAU), making it a vital social communications platform for brands, celebrities, influencers and media alike.

Despite its vast user base, Weibo's revenue growth seems to have plateaued.

According to [its first quarter 2020 financial results](#), revenues were at \$323.4 million, representing a year-over-year decrease of 19 per cent.

Weibo's advertising and marketing revenue, which accounts for more than 86 per cent of its total revenue, amounted to \$275.4 million, displaying a 19 per cent decrease year-over-year.

This shrinkage of advertising revenue hints at its shrinking space in the market, with other social platforms such as XiaoHongShu (RED) and Douyin competing for a share of the pie.

Rising marketing costs

Unlike Twitter, Weibo has gradually shifted from the professional user generated content (PUGC) ecosystem to a professional generated content (PGC) ecosystem dominated by media, celebrities (influencers) and institutions.

According to research by KAWO, an enterprise social media management platform, [only 45 per cent of Weibo users publish more than one post per day](#).

Instead, celebrities, brands and institutions verified by Weibo are producing content far more frequently and in return, regular users actively engage with these posts.

Functions within the Weibo ecosystem, like Hot Search and Super Topic, help in terms of content distribution

efficiency as well. The power of celebrity benefits largely from this setup, and has become a significant marketing strategy on Weibo for beauty brands.

On 8 January this year, a post on Armani Beauty's official Weibo account announcing Chinese actor-singer Jackson Yi as its new spokesperson has since drawn more than 1 million reposts, 384,000 likes and 125,000 comments. This huge engagement figure is not exceptional on Weibo.

Brands, celebrities, influencers and media tagging each other on posts to expand its reach is a popular marketing tactic on Weibo.

Now, however, cracks are starting to appear on this model.

Over the past couple of years, Weibo has started to limit traffic flow to commercial content. This is firstly to discourage brands from buying fake traffic and engagement numbers and secondly, to clean up its content environment by reducing the proportion of commercial messages.

Now, product-related posts published by celebrities or the media face being reported or blocked on user feeds unless a separate fee is paid to Weibo for commercial visibility.

This new regulation, on top of the high dependency on celebrity resources, will undoubtedly increase marketing costs for brands on the platform.

From content to commerce

Last year, **Douyin** launched in-platform ecommerce integration prompting Weibo to do the same.

Weibo's Mini Shop, an upgraded version of its former Chuchuang function, was introduced earlier in March. It allows users to display products listed on Taobao and JD.com via a storefront within the Weibo ecosystem. Shoppers that click on these links will be redirected to the actual product page on these ecommerce marketplaces to complete the purchase.

Beauty brands such as Este Lauder and L'Oral have since opened Mini Shops linked to their Tmall flagship stores, on Weibo.

Previously, as a social platform, Weibo was only able to promote beauty products but was missing that final link to sales conversions.

Now with the Mini Shop, brands will be able to guide customers past the Awareness and Interest stages, and on to the Purchase stage, all within the Weibo environment.

However, this offering does not come for free.

Weibo is now restricting all external links and QR codes related to products, and pushing for products to be showcased within a Mini Shop instead. It will charge between 6 percent and 15 percent for all sales generated through these Mini Shop links.

Naturally, third-party sellers who have been relying on Weibo to drive traffic to their external storefronts have expressed discontent about this new regulation.

However, this new initiative could potentially be beneficial for brands it gives them more visibility about the conversion rates of their posts on Weibo, helping them to better plan their communications and media budget.

Rethinking Weibo strategies

While previously seen as a platform for building awareness through social content, Weibo has since evolved and is more than just that.

Brands should think about better leveraging the platform given its recent updates, and treat it increasingly as an integrated social media platform instead of a pure content vehicle.

Beauty brands should not limit their Weibo activities to creating a few text-and-image posts per month, but should consider integrating richer media such as short videos and livestreaming, and KOL and KOC marketing elements, as well as an ecommerce strategy.

Pablo Mauron, partner and managing director for China at DLG (Digital Luxury Group) is of the opinion that Weibo's upgraded ecommerce integration could be a good opportunity for brands to drop exclusive products and broadcast it to a wider audience.

"It would not make sense to put a brand's full product inventory onto a Mini Shop given the commission rates, but it could be interesting to use it as a tool to generate interest and purchase intentions for limited edition products, for instance," Mr. Mauron said.

In a clear display of its intent to be more than just a content aggregator, Weibo joined forces with Yixia Technology to launch the livestreaming platform YiZhiBo in 2015. Last December, it debuted an Instagram and XiaoHongShu-esque app, Oasis.

On June 22 this year, **Weibo started internal testing of its upcoming short video platform**, Planet Video. All signs point towards Weibo's growing ambitions in the digital sphere which will ultimately benefit brands looking to appeal to consumers with richer and more integrated digital environments.

Weibo has also recently allowed the insertion of WeChat Mini Program links in posts, though a certain commission fee is charged for this, further creating conversion possibilities for brands.

By adding new elements to its existing model and building other related applications that work within its ecosystem, Weibo has moved beyond its social nature and tend to become a channel connecting different platforms by bridging the gaps it used to have in the consumer journey.

"Brands can leverage this by building a cross-platform content strategy that takes into consideration the interconnectedness of the platforms and how they impact each stage of the consumer journey," Mr. Mauron said. "And this is something to expand on considering how active Weibo is in introducing new ways to drive traffic and conversions on other platforms."

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