

## Pearl Research Releases Analysis of Xiaonei and Social Networking in China

May 26, 2008, San Francisco - Consulting firm Pearl Research today released “Xiaonei: The Growth of Social Networking in China” a market brief focused on the growing social networking phenomenon in China. Pearl Research’s analysis examines the appeal of the site based on feedback from Chinese consumers. Pearl Research also provides analysis of the social networking landscape including Myspace China and discussion of potential competitors including Facebook.

In May 2008, Oak Pacific Interactive (OPI) received an investment totaling \$430 million from Softbank for approximately 35% stake in the company. The investment will be used to grow OPI’s Xiaonei, a social networking site that has accrued 23 million registered users in China, with 90% of these being students.

While the Xiaonei site has been accused of copying Facebook’s look-and-feel, the company has been able to develop a following through localization and pervasive marketing.

Some of Pearl Research’s key findings include:

- The site resonates with users because the design is clean and simple, and devoid of overstuffed advertisements and scattered links as in other Chinese websites. This allows Xiaonei to avoid the lag problems that have plagued other social networking sites targeted at university students.
- Xiaonei has gained the trust and established brand credibility with Chinese university students because initially it was a closed system. One of the consumers interviewed in our study, a 21-year-old, male from Beijing stated, “The great thing about Xiaonei is that I know that 95% of the information I see about others is real. It would be stupid to lie because many of your friends who know you will know that you are lying.”

While Xiaonei has accrued a significant user base, its dominance is not secured as the site must develop monetization methods. In addition, Xiaonei currently lacks the popular social applications that are currently found on Facebook.

To purchase a copy of the report or to request a briefing, please contact us at 415-738-7660 or email [research \(at\) pearlresearch.com](mailto:research@pearlresearch.com).

### About Pearl Research

Pearl Research, a business intelligence and consulting firm, specializes in the Internet and digital entertainment markets with a special focus on emerging markets and platforms. Based in San Francisco and China, Pearl Research publishes in-depth research reports and provides customized research and consulting services. Please visit <http://www.pearlresearch.com>.



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