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MarcPoint: Strategizing with Big Data

Wei Zhang, Liang Li, Ning Su, and Ji-Ye Mao wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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In 2012, Jianming Shi was torn as a marketing professional. He had started his career in 1995 at the Procter & Gamble Company (P&G), which was widely credited with bringing marketing research into China. In 2002, Jianming had left P&G and founded his own consulting business in brand management. A successful 17-year veteran in marketing, Jianming had found that marketing research, as he knew it back then, was not necessarily going to sustain the radical changes happening in the Chinese market, and this prompted him to found Shanghai MarcPoint Information Technology Co. Ltd. (MarcPoint), a marketing research company that focused on analyzing user-generated content (UGC) with big-data technologies.

By 2018, MarcPoint had become a leader in big-data marketing research in China. Yet Jianming found himself once again facing a changing market—except this time, the changes appeared even broader and more dramatic. As he reflected on the success MarcPoint had achieved in the five short years since its inception, he asked himself what he thought the next five years should be.

The Chinese Market in 2012

The Chinese market in 2012 was surely different than in 1995: it was highlighted by the growth of e-commerce, the decline of traditional marketing channels, and the burst of social media usage. While the overall economy of that year, measured by the gross domestic product, grew by only 7.8 per cent over the previous year—a moderate number, at that time, by Chinese standards—the growth rate of total retail sales of consumer goods was much stronger at 14.3 per cent, or 12.1 per cent after adjusting for inflation.[[1]](#footnote-1) The e-commerce market, however, exploded, with an increase of 66.5 per cent over 2011, growing to ¥1.3 trillion[[2]](#footnote-2) (about US$205 billion) and accounting for 6.1 per cent of the total retail sales of consumer goods.[[3]](#footnote-3) By the end of 2012, 242 million Internet users in China had shopped online.

Looking back, Jianming believed that 2012 was the year that confirmed the decline of traditional media marketing and marked the final arrival of online marketing in China. According to the CTR research, in 2012, the traditional media advertising market in China had grown by only 4.5 per cent over 2011—a fall-off from the previous year’s growth rate of 13 per cent.[[4]](#footnote-4) In comparison, the new media market had increased by more than 50 per cent over the previous year and grown to ¥77 billion.[[5]](#footnote-5) Fast growth of social media marketing and its effectiveness was witnessed in 2012. The 2012 research report on the Chinese online shopping market from the influential China Internet Network Information Center examined, for the first time, how social networking services (SNS) affected online shopping. According to the report, 28.4 per cent of online shoppers had used a social networking service in the past six months.[[6]](#footnote-6) Among these shoppers, 52.8 per cent browsed or followed shopping-related information through SNS, and 41.8 per cent eventually bought a product after seeing the product information shared through SNS.

These numbers were not surprising considering that SNS had become popular among Chinese Internet users by 2012. It was reported that 275 million Internet users, or nearly half of all Internet users in China (48.8 per cent), used SNS by the end of 2012.[[7]](#footnote-7) The huge number of Internet users, the growing e-commerce market, and the expanding usage of SNS in China collectively made the Chinese market decidedly different from what it was before.

Challenges to Traditional Marketing Research

To Jianming, one of the biggest differences was the sudden availability of huge amounts of data that fundamentally challenged the traditional way in which marketing research was done. He sensed that, at least theoretically, the large amount of transaction data available through the e-commerce market and the UGC on social media, magnified by the huge number of social media users, presented an opportunity to do marketing research in a radically different way. Traditionally, marketing research had primarily used data collected from surveys and focus groups. Comparatively, UGC enjoyed quite a few advantages. First, UGC tended to be more candid, truthful, and reliable. In 2009, Jianming started using Sina Weibo (Weibo), a Chinese microblogging service that was similar to Twitter in the United States in both popularity and functionality, and found that consumers were surprisingly candid on Weibo. He quickly realized that he might not need to use surveys to ask consumer questions for marketing research any more. He explained:

Often we need to do consumer profiling for our marketing research. So, what are white-collar workers like? Confident, right? Loving. Proactive. They must love reading books, watching movies, and traveling, right? But Weibo greatly changed my thoughts. In fact, I found that many white-collar workers are lazy, no dreams, no ideas, just like to stay at home. They claim they like reading, but they never mentioned anything related to books in their Weibo messages.

I suddenly realized how wrong the survey-based research we did before could be, simply because if I ask people about their hobbies, few people would reply “I like sleeping late.” Nobody would answer that way.

Second, with UGC, a large number of consumers were telling stories from their own perspectives, without any preset limitations. Thus, UGC presented not only detailed but also diversified information on how consumers use a product and what they think of it—which was a stark contrast to data collected by traditional means. Traditional marketing research employed both qualitative and quantitative methods. Qualitative methods, like focus groups, often involved a few dozen participants across five or six markets. Survey questionnaires were then built—often informed by the results of qualitative studies—and distributed to a few hundred or thousand consumers to be filled. The representativeness of data collected from such studies was simply no match for UGC contributed by hundreds of thousands of Internet users. As Jie Li, Jianming’s former mentor at P&G and current MarcPoint colleague, explained,

Traditionally, if you want to understand the market and what the consumers think, you do it with a survey. A survey can take at most one and a half hours. Otherwise, the consumer will lose patience and mess with the answers. A one-and-a-half-hour survey can involve not much more than the products, how they are used, and the consumers’ attitudes toward them. It is impossible to include questions on the context in which the products are used, the mental status with which the products are used, and the many other life details with which the products are used. You just can’t fit all these in a survey.

Moreover, traditional marketing research was limited by the experience of the researchers who conducted the research. For example, surveys were built by marketing researchers who hopefully had experience with the product or the industry. However, no matter how experienced the researchers were, they simply could not accommodate the viewpoints of tens of thousands of consumers. As a result, the questions included in a survey or focus group might miss some product features that were important to consumers but not known to the researchers, thus limiting the effectiveness of such research. Jianming relayed an example from his early experience with UGC:

One of our earliest examples is a project related to Yixing Zhang in 2013. Yixing Zhang was a K-pop star from China. When we were working for Lay’s potato chips, we found from data that consumers always related Lay’s chips to Yixing Zhang, and we wonder[,] why? We asked our contacts from Lay’s, “Do you know Yixing Zhang?” Few people did. “Do you know if Yixing Zhang had anything to do with Lay’s potato chips?” Everybody was at a loss, “Why? Yixing Zhang had nothing to do with our potato chips!” But data told us there indeed was. It turned out that Yixing’s English name was Lay. He had said in public that he liked eating Lay’s chips, and Yixing’s fans even called him “chip bro.” . . . Nobody from Lay’s knew it, and they just signed another star (who was totally different from Yixing) to speak for Lay’s chips . . . So here you see the power of data: When you do a survey research, you always bring with you some assumptions. Yixing Zhang won’t appear in your questionnaire because you just don’t know him and you have no idea he has an English name called Lay.

Finally, the focus of traditional marketing research tended to be narrow. When a company commissioned a study, it usually focused on its own product and consumers’ knowledge of and attitude toward it. In comparison, UGC from multiple SNS websites could collectively paint a much more holistic picture of the consumers, which could lead to a much better idea of who the consumers were and what they were truly interested in. Jianming argued:

Suppose we are doing a marketing research on diapers. We use a questionnaire. Of course, all questions are about diapers, which makes this survey one-sided. A real mom cares about diapers. She also cares about formula. She cares about many other things. Therefore, what we learned from the survey is incomplete.

Testing with Weibo

Convinced of the opportunities offered by UGC, Jianming started to look for technologies to deal with them. To him, there were two obstacles he needed to overcome to make use of UGC:

[We knew then that we could do marketing research with Weibo.] But we had two problems. First, there are so many Weibo messages. How can we deal with the volume? Second, Weibo messages are texts. They don’t have a structure. They are all so-called unstructured content. How do we deal with them?

Fortunately, Weibo was a great place for learning, too. Jianming looked for people on Weibo who seemed to know the technologies, and he interacted with them non-stop. He began to know more and more people in this field and learned that the technology was called natural language processing. Eventually, he got in touch with Jun Yang. At that time, Jun was still a student pursuing a master’s degree in computer science at Nanjing University; he later became one of MarcPoint’s first employees. In late 2012, Jun began to help Jianming run a few explorations with Weibo messages. When Jianming presented the results to his clients—Lay’s chips was one of the examples—they were all amazed.

Jun’s analyses easily synthesized hundreds of thousands of Weibo messages, which was an unprecedented approach to marketing research in China. Back then, the idea of big data was still in its nascence. Inspired by the famous 2011 McKinsey report on big data,[[8]](#footnote-8) and encouraged by the early successes with Weibo messages, Jianming started his own journey of using big data such as UGC to transform marketing research, founding MarcPoint in 2013. Jie, who had been a marketing executive in several multinational companies in both China and Europe, became involved in MarcPoint as a consultant at the end of 2014. In 2015, the company acquired an angel fund and Jie officially joined the company as a co-founder.

Collaboration with Alibaba

MarcPoint started by working with Taobao, the consumer arm of Alibaba, the Chinese e-commerce giant. In September 2012, Jack Ma, the founder of Alibaba, made data the ultimate foothold of Alibaba’s growth strategy.[[9]](#footnote-9) With its dominance in both big-data technologies and the e-commerce market, Alibaba was a trendsetter in the emergence of big data in China and the partner that all data companies dreamed of working with.

In early 2014, Jianming attended a big-data summit hosted by Alibaba. He was excited by the speeches and motivated by Alibaba’s apparent commitment to becoming an open platform for big data. However, only one talk, which discussed how Alibaba used big data for microfinancing, truly resonated with him. Jianming felt that most of the other talks were more conceptual than practical, consisting more of ideas than of actual applications. He was disappointed that he could not see much business value in what was being advocated in the presentations.

In 2013, Alibaba started a product called Yushanfang, which Alibaba intended as its big-data platform. Through Yushanfang, independent software vendors, Taobao storekeepers, and other users not necessarily tied to e-commerce could have access to the data accumulated through Taobao. More importantly, Yushanfang also provided its clients with big-data processing tools, algorithms, services, and products. In this sense, Yushanfang was a cloud-based platform-as-a-service provider that offered a data platform, data warehousing, and a data centre as services.[[10]](#footnote-10) MarcPoint became involved with Yushanfang early, during its pilot stage. As Jianming recalled,

When we first met the Yushanfang people, I felt everyone was positively, strongly, and enthusiastically enamored [by big data]. The future of big data had arrived! But what exactly could Yushanfang do? The Yushanfang people didn’t know. We didn’t either . . . We started playing with Yushanfang in March [2014,] and by July we . . . [began] working with it regularly. We participated in an algorithm competition and made a breakthrough at the end of 2014. It was then that we realized that we finally knew how to use data from Alibaba! We implemented our ideas: Finding data from Alibaba, gaining insights, identifying [our] target audience, and pitching promotions!

In 2015, Yushanfang was officially announced. MarcPoint received one of the first licences and immediately started acquiring clients. In a few short months, MarcPoint became Yushanfang’s leading marketing service provider, and MarcPoint’s business grew steadily on the Yushanfang platform. After that time, however, Yushanfang went through quite a few changes, and the collaboration with Alibaba did not stay a perfect partnership for long. In mid-2016, MarcPoint started to shift away from Yushanfang and Alibaba. In spring 2018, Alibaba stopped updating Yushanfang products. Although MarcPoint still collaborated with Alibaba, it did not rely on it as much as it used to.

The Core Competency

Nevertheless, working with Yushanfang turned out to be a critical stage in the growth of MarcPoint, as it was during that time that MarcPoint verified and polished its core competencies and business model. Noted for its work with Yushanfang, MarcPoint was invited to give a talk at an August 2015 ESOMAR[[11]](#footnote-11) event. The talk was titled, “From Consumer Insight to Actions,”[[12]](#footnote-12) and Jianming believed that this title best summarized MarcPoint’s business.

Jianming started MarcPoint by first recruiting the technical team. Over time, the technical team grew to include three groups: data, programming, and algorithm. The data group was in charge of data acquisition, cleansing, and management. The algorithm group was research-oriented and mostly concerned with how to improve the efficiency and effectiveness of the big-data algorithms MarcPoint used. The programming group did the actual coding. MarcPoint invested heavily in its technical team, which made up about half of its employees. The company supported an employee’s pursuit of a doctoral degree in data science after financing her master’s degree in the United States. Jun even had a paper published that was based on one of his projects and that he presented at a leading conference.[[13]](#footnote-13) These were rare occurrences for a company of MarcPoint’s size and resources. Yet, neither Jianming nor Jie thought MarcPoint’s strength in technology alone was responsible for its success. They both believed that it took much more for MarcPoint to be able to generate value for clients through big data. According to Jie, MarcPoint’s core competency was its ability to integrate data, technology, and industry experience:

We [and our competitors] all compete on one competency, that is, how to get more data with more dimensions, and how to connect the isolated data silos . . . But I believe many of our competitors started on the wrong foot, because they care too much about the big-ness and all-inclusiveness [of the data]. An over-emphasis on the big-ness and all-inclusiveness leads to the over-emphasis on data and technology. However, the nature of all businesses requires some subject domain knowledge in the particular industry. You need such knowledge to put everything in perspective. So we took a different approach. We started with deep subject domain knowledge. We tried to understand what’s going on by integrating subject domain knowledge with data and technology.

MarcPoint’s emphasis on subject-domain knowledge, while different from many other technology-oriented big-data companies, was not surprising given that both co-founders were marketing veterans and had between them nearly 50 years’ worth of experience in marketing research. To Jianming, big data was like a great hammer; but when everybody has a hammer, the question becomes how to find the right nails:

Many technology-oriented startups have disappeared. They attracted a lot of VC [venture capital] money, but they had no idea what to do with it . . . One company was trying to collaborate with us. They coded a lot of tools and acquired a lot of data. After some time, I asked them to just give us the data and let us deal with them with Excel . . . Their tools were useless because they created a system along the analytic dimensions they imagined. But that’s not how we marketing people do it. We would like to solve problem A, but they were trying to convince us to use this tool to solve a problem, which is totally different . . . We may not have those fancy technologies, but we can solve our clients’ problems! . . . I finally realized, big data is like a hammer. Now everybody says [“]I have a great hammer,[”] but the question is “where are the nails”? We are the ones who find the nails!

Yet finding the nails was not always easy. It took a great deal of orchestration to integrate data, technology, and subject-domain knowledge. First of all, the subject-domain knowledge had to be encoded into their big-data processing system for it to work, which required expertise, patience, and effort. In order to accurately process the textual data collected from various online sources, MarcPoint started with building a lexicon, and then used the lexicon to build knowledge graphs that could be used, in turn, to break the isolations between various data sources. To do so effectively often entailed hiring external experts or acquiring external knowledge. One industry that MarcPoint particularly focused on was baby care. To build the lexicon, MarcPoint had to hire gynecologists and rely on their expertise. As Jianming explained,

For expecting mothers, the phrase “create a card” carries a special meaning. But to us, we had no idea what it is. The gynecologists would tell us that this phrase means the mother has made a decision on the hospital where she is going to give birth, which is a very big deal.

Jianming also emphasized the importance of learning from clients:

We spend most of our time with our clients, which is how we differ from most technology-focused companies. For example, at the end of a year, many technology-focused companies were busy attending award ceremonies. We don’t get any awards anyway. We run from one client to another. We spend most of our time with our clients . . . Very often the clients are extremely knowledgeable. Like yesterday I was with [a client] and spent time with two of their marketing people. They explained what they did in the baby care industry. They were deeply, deeply knowledgeable in this industry.

Additionally, Jie explained three keys to achieving such integration:

First, you must be guided by the results pursued by the client’s industry and then figure out how your data and technologies can support [the results]. This is the first integration. The second integration is that of talents. That is, you start with talents specializing in marketing, in technologies, in data. Now you have to make sure they understand other areas [than their own specialization] . . . The third integration is that of cultures. The three kinds of people have different cultures. The marketing people think divergently. The technology people are more likely to be focused. The data people probably are something still different. In [a] certain sense, we need the marketing people to get down to earth more and the technology people to become a little bit more romantic. So, it is very important for us to build a culture and environment in the middle ground.

The Current Business

In 2018, MarcPoint was already in its fifth year, and its business model had evolved into providing total marketing solutions supported by big data (see Exhibit 1).

Consumer Big Data

After five years of hard work, MarcPoint became keenly aware of the importance not only of data but also of having access to and control of data. MarcPoint carefully chose which industries to enter, and the availability and quality of data were important considerations that factored into their decision. For the baby care industry, where MarcPoint excelled, it captured publicly available data from dozens of online baby care communities and health care platforms that were highly active and thus offered rich and valuable data. Jianming explained:

The baby care industry is big (the market scale is hundreds of billions of RMB yuan). The consumers care about the industry very much. Moms are engaged in online discussions, and the discussions are in depth and of high quality. Moreover, giving birth to and caring for babies are uniquely important stage[s] of Moms’ lives. They prefer to discuss on specialized baby care platforms [rather than generic online communities]. Finally, [the] baby care industry has some legal and professional barriers. It is not an industry that anybody can get involved [in].

The online baby care communities MarcPoint worked with had a total of more than 70 million mothers and 3.4 billion messages. The online health care platforms involved more than half a million doctors and 1.3 billion interactions between doctors and patients. These data were further enhanced with those from other public sources such as e-commerce websites, Weibo messages, and WeChat subscription accounts.[[14]](#footnote-14) In total, MarcPoint stored nine billion messages from more than 300 million users across sources. More than three million messages were added to storage every day. Additionally, MarcPoint acquired access to proprietary data owned by private sources, partner platforms, and other companies.

From Data to Insights

The fast-growing, genuine, and valuable data MarcPoint acquired from various sources in huge volume provided it with a solid foundation upon which to build its business model. To turn data into insights, MarcPoint greatly relied on its deep understanding of the industry its clients competed in, its own marketing expertise, the integration between data and subject-domain knowledge, and its superior algorithms. For the past five years, MarcPoint had focused on and invested in the baby care industry. The investment had led to not only the best big-data set in the industry but also a lexicon tagged along the most dimensions and the most comprehensive knowledge graph. The machine learning algorithm used for processing the messages were developed in-house, adjusted for the baby care industry, and repeatedly used and verified. Jun believed that MarcPoint enjoyed a few advantages over its competitors:

Computing-wise, we already built a local hadoop cluster of 10 servers, and deployed a cluster of 200 servers on the cloud. We built this hybrid-cloud-based architecture for big data storage, processing, mining, and maintenance. It can support multi-users, multi-tasks, [and] offline and real-time computing. It also offers a deep-learning framework that coordinates computing resources among CPUs and GPUs. All these efforts provide MarcPoint with the technical foundation on which its products and services are built.

Specifically, in the artificial intelligence [AI] area, we built an AI computing suite focusing on natural language processing [NLP], knowledge graph, and deep learning. My paper on NLP was accepted by [the] AAAI [Association for the Advancement of Artificial Intelligence], the top AI conference, in 2018. The paper highlighted MarcPoint’s accumulated efforts in NLP, data in the baby care industry, and algorithms.

Guided by its deep understanding of the client industry and the problems its clients were facing, and supported by its big-data set, comprehensive knowledge graph, and superior algorithms, MarcPoint was able to generate consumer insights that catered to its clients’ needs. These insights had typically allowed MarcPoint to help clients with a) identifying category users and potential users; b) identifying brand users and potential users; c) discovering consumer demands, consumer context, and topics for paid review; and d) discovering consumer journey and customer touchpoints.

From Insights to Actions

Armed with consumer insights generated from the big data, MarcPoint further offered its clients comprehensive solutions that included promotion actions targeting their customers. Jianming explained,

On the Alibaba’s platform, things are easier because Alibaba offers a great advertising platform. We can help with both strategic advertising and tactic advertising . . . On some other platforms, we need to collaborate with the platforms . . . We collaborate with them on advertising, content, and key opinion leaders . . . In other words, we tell our clients who your consumers are, where you can interact with them, and with what messages you can interact with them . . . Not only do we tell them, we can also actually do it for them . . . This is what we mean by “. . . from insights to actions.”

Results Analysis

There was a famous saying among marketing professionals: “Half the money I spend on advertising is wasted; the trouble is, I don’t know which half.” As Jie explained, the emergence of big data offered an opportunity to better understand:

Why don’t you know which half? The answer is simple: because you don’t know what happened in between. You don’t have the data to understand what led to the results . . . But when you have data, once you have the promotion strategy and have it implemented, you can monitor the results . . . [It is not necessarily 50 per cent versus 50 per cent.] You can actually tell whether it is 20 per cent or 80 per cent that works, right?

When we plan our promotion goals and strategies, we create a few key performance indexes[,] such as how many new users we need to generate or how much more usage my existing customers need to make . . . [With big data,] we know which consumers we try to target. We also know how many of them changed behavior. All those are in your plan. Once it is implemented, you can certainly see the before-after changes [from the big data] . . . In this sense, big data let[s] you know exactly which creative idea can activate the consumers.

The Future

By early 2018, MarcPoint had firmly established itself as a leading big-data marketing service provider in China. In the immediate future, MarcPoint planned to expand its businesses both horizontally and vertically. Horizontally, Jianming and Jie wanted to expand MarcPoint’s success in the baby care industry to the health care industry. Jie noted the similarity and connectivity between the two industries:

Both markets are sufficiently big, worth more than a trillion yuan. Additionally, both markets are data rich. Compared with larger industries[,] such as fast-moving consumer goods and automobile, the dimensionalities and volume of the data in both markets are big enough. The two markets are connected too. You have data of the whole chain from online baby care communities such as babytree.com and mamacn.com to online diagnosis platforms to e-commerce websites. From the perspective of marketing, you have data of all categories and the complete chain [in both markets].

Vertically, MarcPoint insisted on being the full-service provider that focused on creating value for customers. Jianming explained:

There will certainly be distractions. For example, while the consumer insights we generate for our customers is arguably the most valuable, the action stage is the easiest stage for us to make a profit because usually the customers spend the most in actual advertising . . . If you spend 100 million in advertising and my agent fee is 2 per cent, I will earn 2 million, which is good enough and easy enough. However, it is much more difficult to provide full service (from data to insight to action to results). Many companies simply won’t do this . . . Yet you can only maximize the value for your customers with the full service.

Additionally, MarcPoint was exploring offering their data, algorithms, and knowledge graphs as products to customers. Jianming referred to the synergy of the three as the “intelligent engine,” and he considered this engine the “propeller” that drove marketing:

What is an intelligent engine? It is the source of the propulsion that drives marketing . . . The engine integrates data, knowledge graphs, and algorithms. You can only discover the value of the data with the three . . . We turn the engine into a technical product . . . that can be used by not only us but also platforms, other service providers, and possibly companies.

This idea is a natural evolution of our business. We already know how to provide our customers with full services. We’ve figured it out. Now we consolidate the services into quite a few concrete products, and connect them into a system and make it accessible to others.

Having embraced the changes brought by the Internet and big data, he believed that more changes—and more dramatic changes—were still on the way:

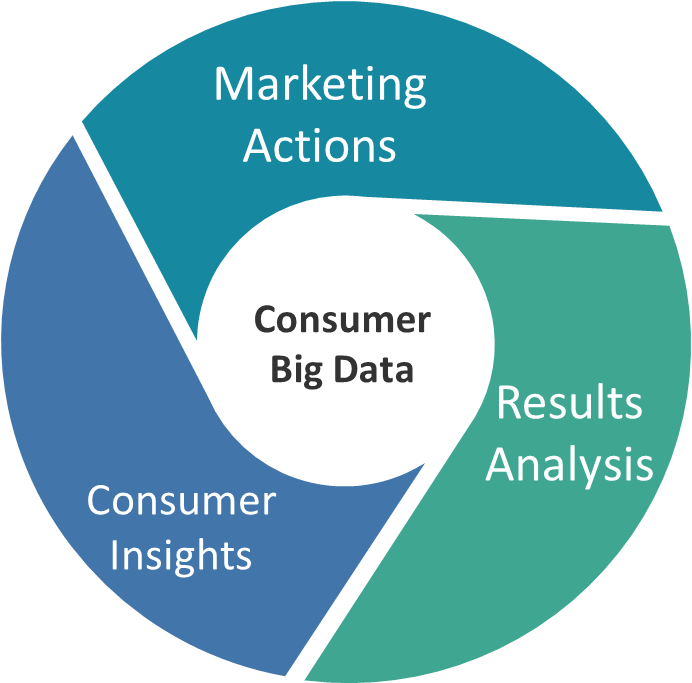
This is an era for reconstruction. The Internet, big data, and machine learning changed consumers and brought changes to many industries. In the marketing industry that we were familiar with, the business models, the value chain, and those who are involved have all changed. More importantly, the real changes might just get started . . . From the legal and policy perspective, a series of problems caused by the Internet and big data—for example, privacy protection, data ownership, and data asset pricing—have emerged and are waiting to be solved. From a more macro perspective, China, the United States, and Europe are all undergoing changes that we don’t fully understand yet. All these changes are more likely to occur in the next 3 to 5 years than in 8 or 10 years.

As MarcPoint celebrated its fifth anniversary, Jianming was quite pleased by what MarcPoint had achieved. However, with his ambition and vision, he wondered what MarcPoint’s next steps should be. What technologies should it pursue? Which markets could it target for growth in the next five years? Should he try to transport MarcPoint’s success to overseas markets? All in all, what did Jianming need to do to sustain MarcPoint’s growth and maintain its leading position in the turbulent technical and business environment? He could not help but begin to wonder about the next phase of MarcPoint and the future of big-data-driven marketing—not only in China but also in the rest of the world.

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exhibit 1: MarcPoint’s competitive advantage



Source: Company documents.

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    view/17036/16171. [↑](#footnote-ref-13)
14. WeChat was a social medium that was popular in China. Globally, there were more than one billion active users by early March 2018, although most users were in China. WeChat subscription accounts allowed individuals and organizations to reach out to and communicate with individual users. [↑](#footnote-ref-14)