



THE SCANDAL OF BAIDU

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BACKGROUND





Baidu was co-founded in Jan 2000 by Yanhong Li and Yong XU.

In June 2000, Baidu launched the largest Chinese search engine around the world



In 2001, Baidu pioneered the "PPC" model in China.

In the same year, Baidu officially launched the search engine for ordinary customers



In 2002, Baidu surpassed Google in the Chinese market.

In 2005, Baidu was listed on the Nasdaq in the United States.

In 2010, Google withdrew from the Chinese market.

(Jizhuomi.com, 2018)



PPC

definition

pay-per-click is a kind of **small advertisement** with specific keywords and is displayed in a specific location on the information search interface. Advertisers pay to the organization each time a visitor clicks on an ad (Mordkovich , 2007)



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蛾儿雪柳
黄金缕
笑语盈盈
暗香去
众里寻他
千百度
蓦然回首
那人却在
灯火阑珊处

Name origin

Hundreds and thousands of times, for her I searched in chaos / Suddenly, I turned by chance, to where the lights were waning, and there she stood

Baidu's mission

Using technology to make the complex world easier

Baidu's core values

Simple to rely on

(lr.baidu.com, 2018)

(Home.baidu.com,
2018)

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THE DESCRIPTION OF THE SCANDAL



April 2014

Chinese student Wei Zexi examines synovial sarcoma.

August 2015

Wei Zexi stated on social networking sites that he wanted to commit suicide. He received treatment at Beijing Armed Police Corps No. 2 Hospital but failed. This stage of treatment costs all his family's money.

February 2016

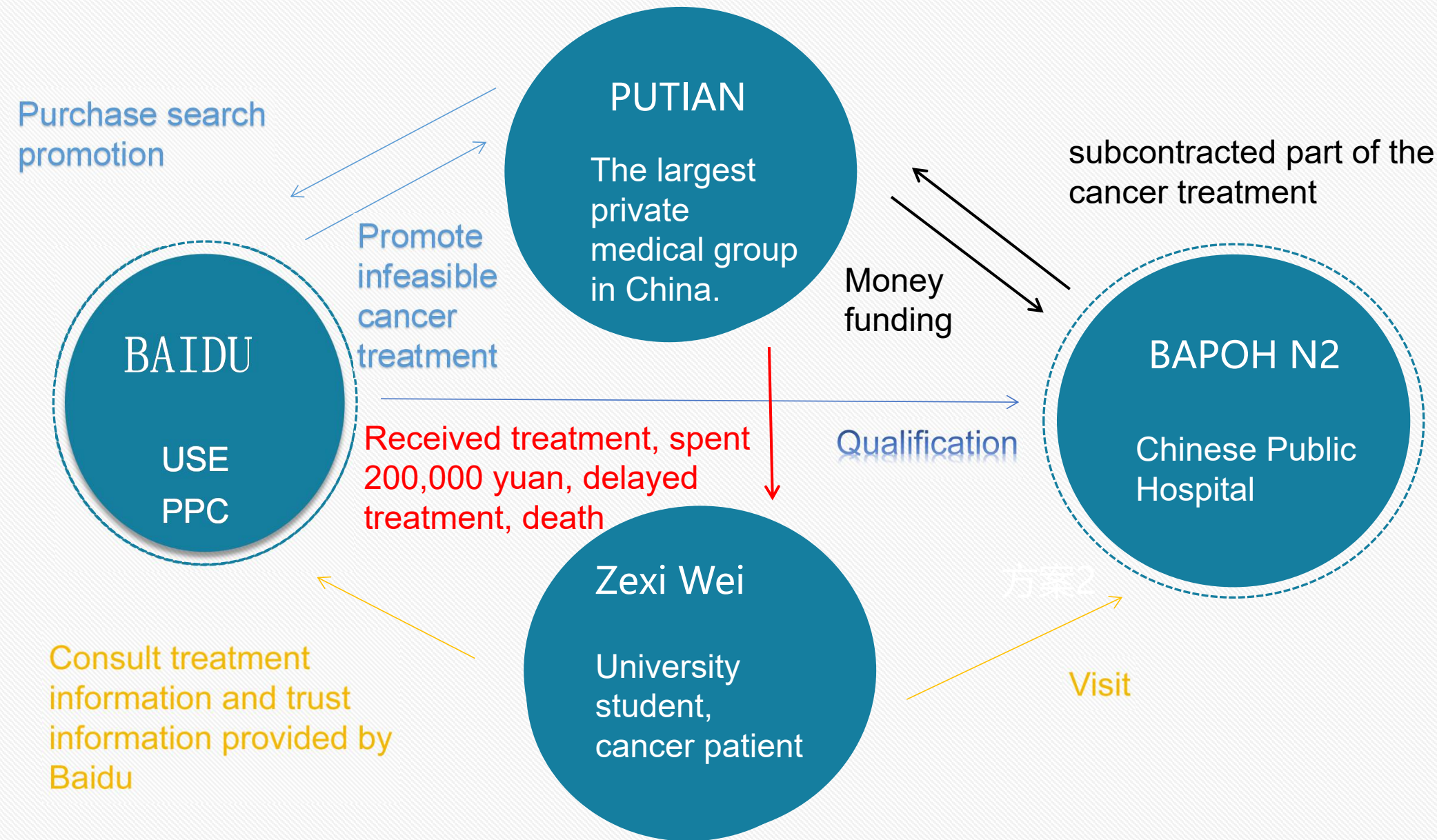
Wei Zexi told his story on social networking sites. And accuse it as the worst evil of human nature. The hospital was searched on Baidu and ranked first. At the time, the physician of the Hospital told him that the hospital had cooperated with USA universities and that the treatment efficiency had reached 80 percent. However, the truth is this treatment is a clinically eliminated technology.

April 12, 2016

Wei Zexi died. On the same day, Wei Zexi's father announced Wei Zexi's death with Wei Zexi's social account.

(Bing.com, 2016)

THE RELATIONSHIP OF THE PARTIES TO THE SCANDAL



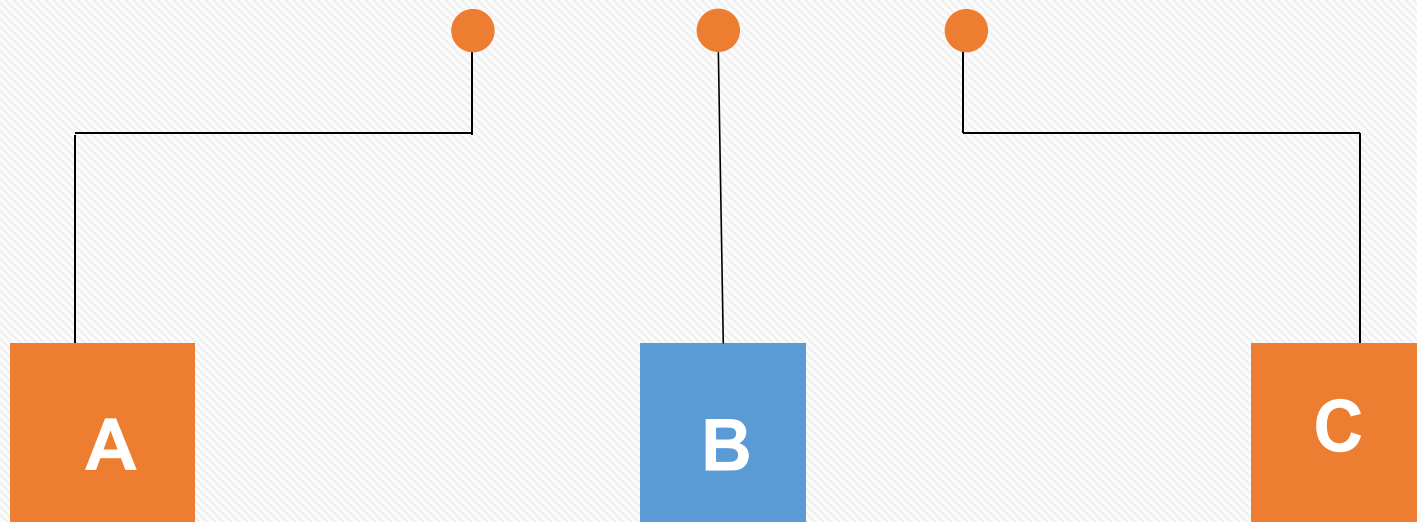
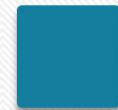
Since the media continued to report the death of “Wei Zexi” , it caused netizens to anger.

The Chinese government set up an investigation team to investigate the Wei Zexi case.

(Bing.com, 2016)

THE END

The Chinese government has forced Baidu to make corrections.



Changing the ranking method, it cannot be only based on money .
baidu should highlight of commercial promotion information and advertisements per page must not exceed 30%.

Comprehensive review of medical advertisements

Establish a sound protection way for consumers' rights and interests

Mai (2016)

- The operation of other cooperation projects in the hospital will be centralized and rectified.
- The two main managers of the hospital were dismissed and two suspects were arrested. There are 6 other people who have been imposed administrative penalties
- During the investigation, the hospital was completely suspended for rectification

(Li 2016)

THE REACTION OF THE ORGANIZATION





1. April 28, Baidu responded in an emergency that Baidu conducted a review of search results for the first time. The hospital is a public hospital with complete qualifications.

2. Li Yanhong, released the company's internal letter, which stated that Baidu should be responsible for Wei's death and should reflect deeply. (Tech.sina.com.cn, 2016) However, Baidu has also insisted on the hospital and Putian should take full responsibility for the death of Wei Zexi.

3. Baidu also promised to completely rectify the search engine. The rectification content includes the **review of all medical institutions conducting the promotion service. Change the previous price-based sorting method and use credit as the sorting criteria.** At the same time, Baidu promises that the **advertisements** in each page should **not exceed 30%**, and **all advertisements** should be **clearly marked** (IFANR. 2016).

4.

THE IMPACT OF THIS SCANDAL



百度(NASDAQ:BIDU)

持仓 + 加关注

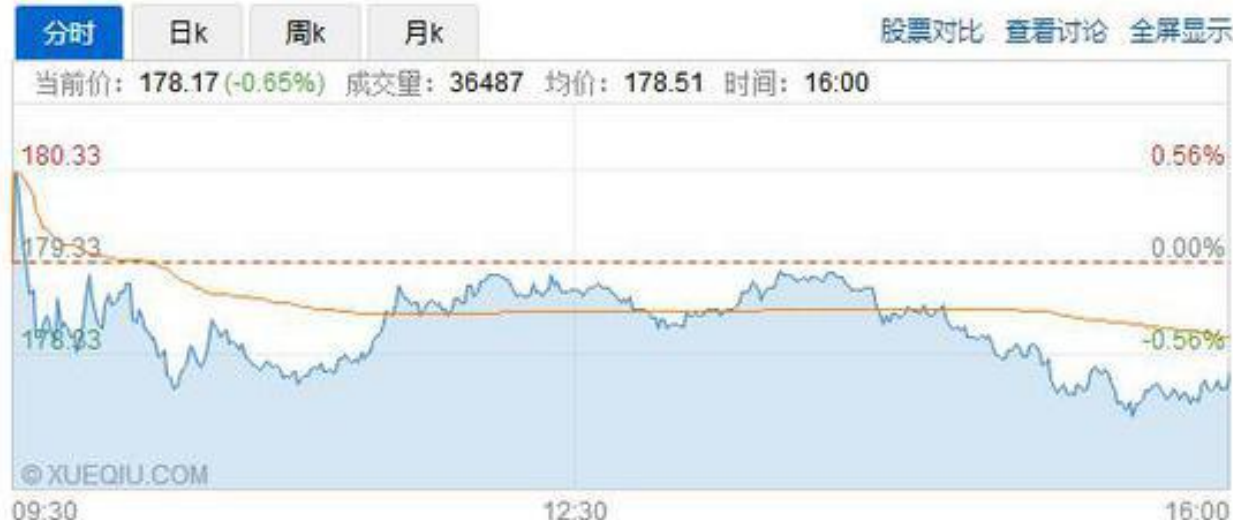
\$178.14 -1.19 (-0.66%)

延时行情

06-23 16:00:03 (美东时间)

盘后交易 \$178.24 +0.1 (+0.06%)

今开: 180.32	最高: 180.55	52周最高: 197.80	成交量: 170.20万股
昨收: 179.33	最低: 177.61	52周最低: 155.28	振幅: 1.64%
换手率: 0.51%	总市值: 615.70亿	每股收益: 4.51	市盈率(静)/(动): 36.18/39.50
50日均线: 183.98	总股本: 3.46亿	每股净资产: 39.91	市净率MRQ: 4.46
200日均线: 176.88	机构持股: 63.76%	股息/收益: -/-	空头补回天数: 2.21



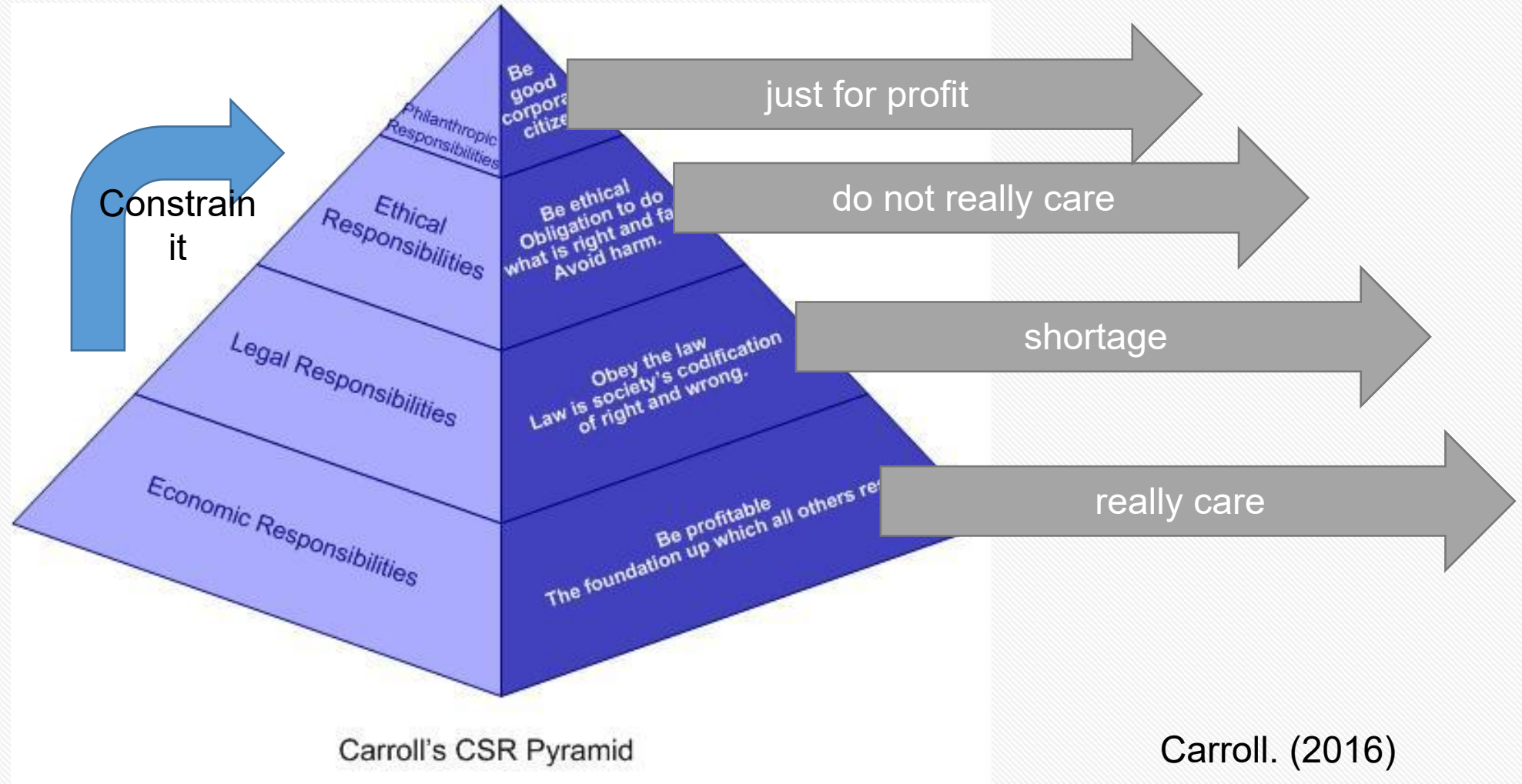
1 After the scandal erupted, Baidu stock fell sharply and Baidu's market value shrank nearly 35 billion yuan just one day. Baidu subsequently promised to rectify its search method, but did not save the stock price. Within a short period of two months, Baidu's market value has shrunk by more than 70 billion RMB. (Stock.qq.com. 2016)

2 Baidu is forced to shift its strategic focus to artificial intelligence.

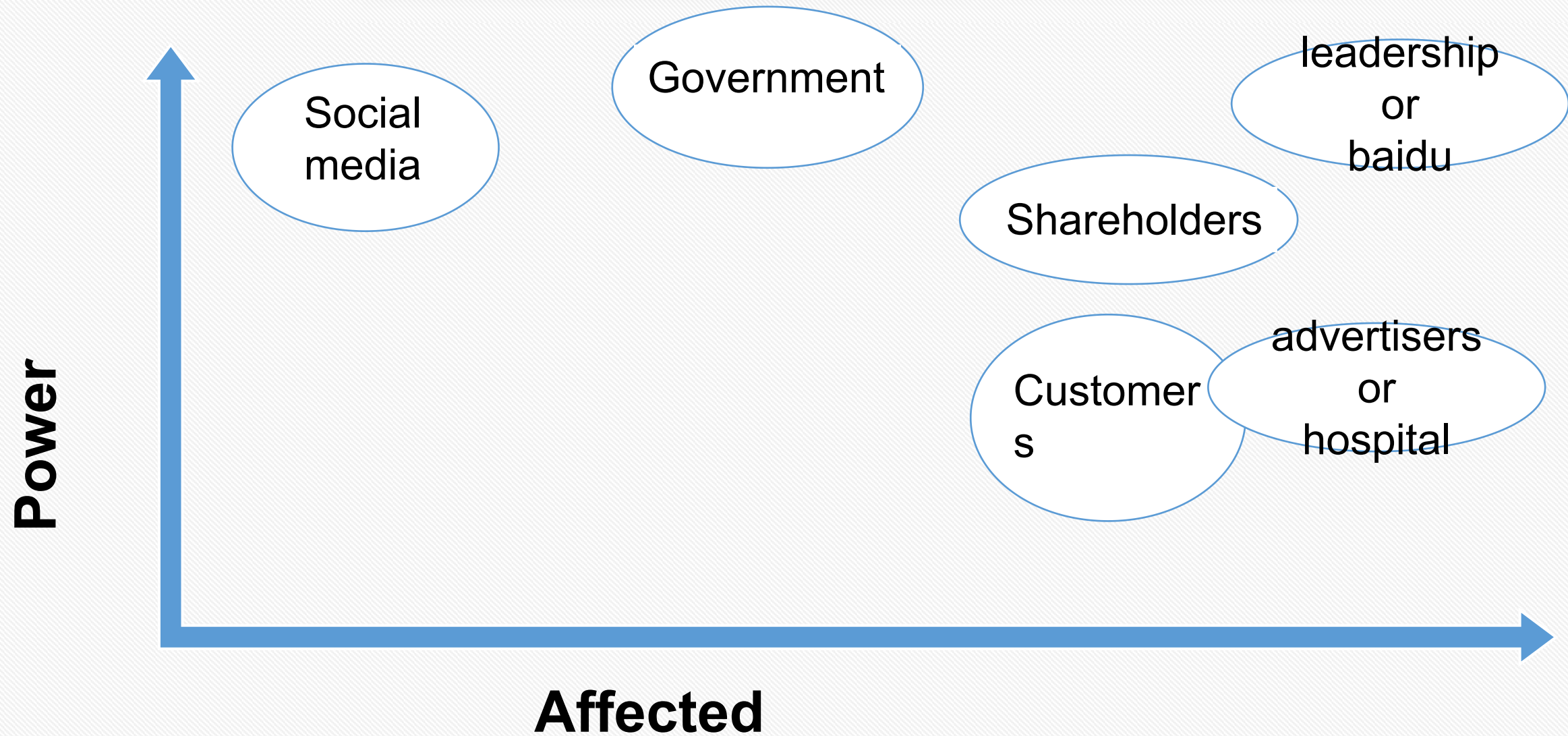
CSR ANALYZE

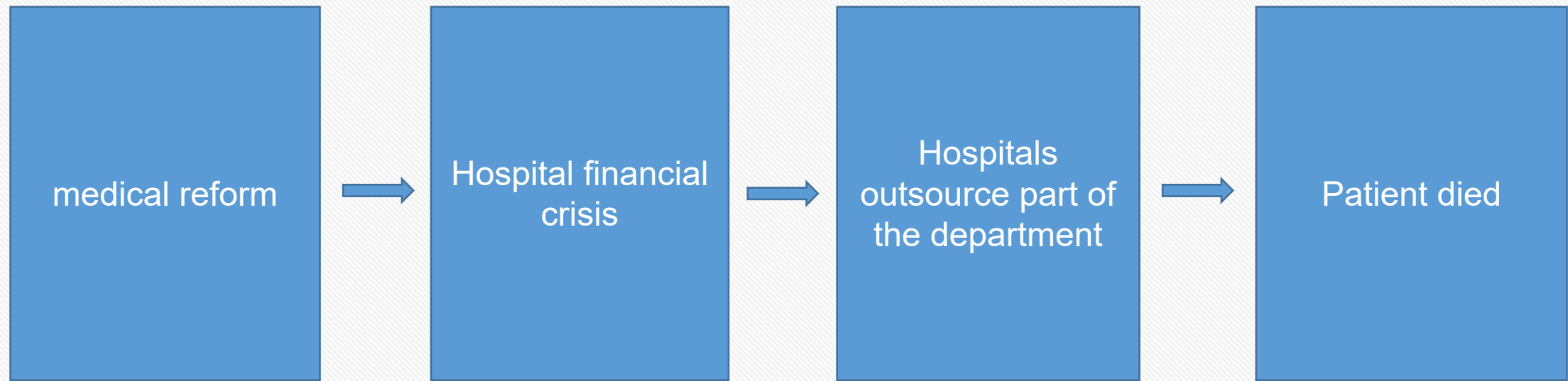


Carroll's CSR Pyramid



main stakeholder





(Dai,2016)

CONCLUSION





▪ Baidu recognized his mistake and promised to rectify it, but Baidu insisted that the main responsibility lies with the hospital.

▪ The main responsibility of Baidu is that it does not clearly indicate that the relevant information is advertising.

▪ When relevant laws and regulations are scarce, the company pays more attention to economic benefits. So it needs legal restrictions

▪ In this scandal, Baidu, hospitals, and government should all be accused. The fundamental reason for the scandal is the irregularity of the system.

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