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CMO (University of Lugano, Switzerland)

The China Media Observatory is pleased to announce the publication by Routledge of *The International Journal of the History of Sport*, volume 27, June/July 2010 issue. This special issue, edited by Qing Luo and Giuseppe Richeri, entitled "Encoding the Olympics – The Beijing Olympic Games and the Communication Impact Worldwide", presents and discusses the results of the international research project "Communications in the Olympics – The Challenge and Opportunity for Beijing 2008 in Intercultural Exchange" coordinated by the International Communication Studies Center of Communication University of China, the China Media Observatory of University of Lugano (USI) and the Olympic Center Study of Barcelona. For details visit: www.chinamediaobs.org/pag/books.htm

The Clock is Ticking for Western Media Companies – Companies Desperately Trying to Work Their Way Around Entry Barriers into China

Ulrike Rohn, Institute of Journalism and Communication, University of Tartu, Estonia.

The large and growing Chinese media market has long been an attractive destination for foreign media companies, many of whom suffer from stagnation and saturation in audience and advertising demand in their home markets. A longitudinal study examining the China strategies of some of the world's largest western media companies between the late 1990s and late 2007 (Rohn, 2010) has revealed that because China's market is so economically attractive, media companies have compromised their philosophy of maintaining control over their operations and brands and have invested many resources into media that legally reach only a fraction of the Chinese audience – all in the hope that the market will further open in the future. The study, which included in-depth interviews with both Chinese and western media managers from Time Warner, Disney, Viacom, News Corporation and Bertelsmann regarding their entry approaches into the Chinese book and magazine publishing and TV markets also reveals that the reasons for the success of western (mainly US and European) media in China given by these managers are by nature short-lived, and they will continue to dissipate as the Chinese media industry develops further.

International standardization vs. local adaptation

To understand the expansion strategies of companies into the Chinese market and their respective successes or failures, one must envision those market forces in the Chinese media market that influence the choice of entry strategy and whether it will succeed. Owing to the high economies of scale that

prevail in the media business, the most attractive way to expand into new territories is through exporting already produced content – in other words, through an approach of international standardization. This, however, is not always successful, since the demand for media products is highly sensitive to an audience's cultural preferences. Where cultural barriers interfere with the success of imported media, local adaptation is necessary. An extreme strategy of localization involves producing media uniquely for the local audience. But this, of course, is more costly and more risky than a strategy of standardization, since it involves investing in the market. Hence, companies must try to balance between the exploitation of synergies and economies of scale on one hand and the possible need to adapt to local conditions on the other.

The Vertical Barrier Chain to successful market entry

In addition to these cultural market forces, a company's mode of entry and its respective success are determined by legal, political, and economic market forces as well. Together these forces that potentially pose barriers to successful market entry constitute what I call the Vertical Barrier Chain (Rohn, 2010). The chain arranges these forces according to (1) how much they dictate a particular strategy if a company wants access to a foreign market and wants to succeed with local audiences, and (2) how much these forces are subject to individual interpretation by media companies.

In China, the biggest obstacles for foreign media companies wishing to cash in on the perceived market potential are the *legal barriers*.

Foreign companies are neither allowed ownership nor can they take part in the editorial activities of Chinese media outlets. Some foreign TV channels, however, are authorized to be available in three-star hotels and higher as well as in foreign compounds. A few foreign channels also have landing rights in Guangdong, though they are not allowed in the rest of China. In the magazine publishing business, foreign companies are allowed to sell licenses to state-owned Chinese publishers to publish Chinese editions of their magazines. Foreign media content is allowed into the Chinese market only when it has passed a strict censorship process. Foreign books may be imported by Chinese companies that have the government's license to import.

As for the *political barriers* to successful market entry, these concern the riskiness of involvement in the market, including forces in the country's political environment such as who sets and changes the market rules and how arbitrarily they may do so, and whether rule infringement is chastised. The companies interviewed reported two kinds of barriers in China that fall into this category. First, they complained about feeling insecure in the market owing to the unpredictability of the rules. A senior manager of Bertelsmann's magazine publishing house Gruner + Jahr, for instance, mentioned that his company was constantly worried that the Chinese government would cease all Chinese editions of western magazines. Second, and likewise troubling, was the insufficient chastisement of copyright infringement in the country. A senior manager of FremantleMedia explained that his company found it difficult to sell licenses to China since most of the company's programs were already produced there but without official licensing deals.

In contrast to these legal and political barriers, *economic barriers* to successful market entry are more

subject to individual interpretation by companies. Furthermore, these barriers may be within the company itself that wants to expand. A lack of resources, for instance, may pose a barrier to a successful localization strategy. As for economic barriers within the markets, companies must weigh these against a market's economic attractiveness. Economic barriers to market entry in which companies commit resources include a poorly developed infrastructure or very strong local players that make entry difficult for new players. On the other hand, a small market or lack of competition may also pose barriers to investing in localization. In such an environment, companies are likely to find it sufficient to enter through already produced media products.

No doubt the Chinese media market is economically very attractive for western media companies. It is immense in terms of both potential advertisers and audiences. The 1.3 billion people who until not long ago had only a limited choice of media are a powerful attraction for media companies struggling with stagnating and decreasing media demand in their home countries. Moreover, many multinational advertising customers that are setting foot in China are interested in having their advertising placed in familiar media and handled by familiar media companies, making it attractive for media companies to follow their advertising clients.

The interviewed companies also reported that they perceived that Chinese companies, especially magazine publishers, were eager for foreign expertise in content production and marketing. Some expressed their sense that the Chinese media industry was not sufficiently satisfying audience demand in terms of either content quantity or quality. Especially in the TV market, they found that the more than 1,000 public TV stations were desperately seeking new content.

Cultural barriers to the success of western media in China

But what did the interviewees say about possible *cultural barriers* to the success of western media content in China? The Lacuna and Universal Model (Rohn, 2010) identifies reasons for the cross-cultural failure of media content, for which the model uses the term *Lacuna*, as well as reasons for the cross-cultural success, for which the model uses the term *Universal*. What types of Lacunae and Universals did the interviewees observe for the media they had exported into China? *Content Lacunae* occur when audiences do not enjoy content produced outside their cultural environment because it is irrelevant to them or it contradicts pre-existing attitudes and values. Several interviewees, for instance, observed that US TV series were in general culturally less relevant to Chinese audiences than were series from other Asian countries, particularly Korea. *Capital Lacunae* occur when audiences do not enjoy foreign media content because they lack the culturally dependent knowledge needed to fully understand and enjoy it. The most obvious Capital Lacunae are language barriers. As elsewhere, imported media must be translated into Chinese to attract an audience beyond a niche. An executive at *Fortune China* and a Chinese manager at Bertelsmann both predicted that even the niche demand for English-language magazines and books would decrease in the future since people were increasingly becoming busier and less ready to invest time and effort into reading a foreign language. *Production Lacunae* occur when the audience does not enjoy the production style of foreign media. With respect to China, some interviewees for instance noted that the story-telling of many US-produced TV series was too fast for Chinese viewers, who enjoy a slower pace.

Reasons for the success of western media in China

Despite the cultural barriers the interviewees mentioned, they also saw reasons for the success of some of their media with Chinese audiences. *Content Universal* is a term indicating that foreign content is enjoyed because it exhibits certain attributes that appeal to audiences across cultures. Many of the interviewees stated, for instance, that foreign animation especially was enjoyed by Chinese TV viewers because of its high production quality. For the book market, a senior manager with Bertelsmann's Random House International reported that Chinese readers were particularly interested in western books on architecture and design owing to the ongoing building of new infrastructure in the country and to their curiosity for everything coming from outside China. Similarly, the interviewees agreed that imported English-language books on management and marketing know-how were well received in China since Chinese books in this field were lacking and much of the terminology in these books was difficult to translate into Chinese. The interviewees also affirmed that some of their media was successful in China because of effective marketing that offered them a competitive advantage over other media. In fact, such *Company-Created Universals* play an important role in China. For instance, the MTV brand enjoys high prestige in the country, which has helped it to organize and promote its programming with Chinese broadcasters, such as CCTV. For the book publishing market, interviewees reported that some internationally well-known authors were promoted with the support of their original publishing houses to an extent unknown for many Chinese authors. In the magazine publishing market, Chinese editions of internationally recognized magazine brands, such as *Fortune*

or *Parents*, while changing their names into Chinese to attract readers, have in parallel maintained their international brand names to entice multinational advertisers that bring in the revenues needed to make the magazines more attractive for readers.

Western media companies very active in China

Despite the restrictive entry regulations, the amount of activity by the case companies in China during the study period was surprising, especially in the magazine publishing and TV markets. By the end of the study in 2007, Bertelsmann had Chinese editions of four of its magazines. By June 2010, Bertelsmann's Gruner+Jahr was involved in the publication of ten magazines in China. Time Warner had three China-only editions of its magazines. Time Warner in particular does not usually license out the local editions of its magazine brands, since this means a loss of control over its brands. Licensing out always involves the risk that the local edition will not entirely reflect the brand philosophy and that the inconsistency of the brand image will thereby harm the brand's international image. A senior manager at Gruner+Jahr, however, explained that there are ways to extend the influence of the licensor. He explained that very often the Chinese counterpart serves only as the official publisher. The original publisher can exert influence through becoming a minor partner in a joint venture that officially only consults the publication or serves as an advertising agency. However, in the event of a dispute between publishing houses, the manager stressed, the Chinese company always has the upper hand since the foreign publisher officially is not allowed to publish anything, creating a great deal of uncertainty. But despite this risk and uncertainty and despite having to compromise,

companies remain eager to have their magazines published in China because the market is economically too attractive not to. Publishers are hopeful that by improving national distribution systems and with the growing wealth in the country, the potential readership base will grow beyond its already high potential in urban areas. Thus, they bear the risks that come with such endeavors, particularly in terms of possible and sudden changes in the rules.

A similar situation can be found in the TV market. Although market access is highly restricted by law, the interviewed companies owned and operated as many as seven channels specifically targeted at Chinese audiences by the time of the study. Although these channels are officially allowed only in Cantonese-speaking Guangdong, they nevertheless air Mandarin-language programs to attract illegal viewing in the rest of China, their hope being that by the time they may be allowed to distribute their signals throughout China legally, audiences will already be familiar with their channels and brands. Similar to magazine publishing, the legal barriers to market access have not kept companies from finding ways of engaging in the market.

Summary

In short, the economic attractiveness of the Chinese media market has been the main factor driving the strategic entry decisions of these companies. Although legal barriers to market entry often represent a categorical preclusion, quite often ways can be found around them because of grey areas in the regulatory framework. Yet, the companies voiced their dissatisfaction regarding the regulations putting barriers between themselves and the market, and they expressed a certain disenchantment as they did not expect these barriers to change anytime soon. But they also perceived the legal

restrictions as a medium-term matter, whereas they viewed the economic attraction of the market as a long-term opportunity that no company would want to miss. This was true more for the advertisement-driven magazine publishing and TV markets than for the book publishing market. With regard to political barriers in terms of market insecurity and unpredictability, companies were ready to take this into account. The exception was the common non-compliance with copyright laws, which has had real economic consequences for these companies and has largely kept them from licensing their TV programs to Chinese producers. With regard to cultural barriers, companies give in to the need for cultural proximity where economically attractive. The fact that these companies consider locally produced media more attractive to audiences can be seen in the large investment in Mandarin programming designed to attract Chinese audiences outside Cantonese-speaking Guangdong.

Yet, the interviewees also emphasized that Chinese audiences were receptive to some imported western media content because they saw it as something refreshingly novel to the previous dreary diet of propaganda media. Furthermore, the companies saw themselves as having an advantage over Chinese companies owing to their financial strength and longer experience in commercial media production and marketing. But these are very short-lived factors. The Chinese media market is increasingly becoming more competitive. The ongoing growth and development of the Chinese media industry, which is witnessing a consolidation into more market-oriented media empires, negate such Universals. Thus, the eagerness of western companies to push into the market against all odds is understandable, considering that if and when the Chinese media mar-

ket is further opened to foreign media companies, their advantage over their Chinese counterparts will have vanished. As an executive at *Fortune China* said: "I think the speed with which China is changing – including social life, economic life, business life, you name it – is increasingly straining the relevance of the foreign content and brands." The clock is ticking.

This article summarizes some of the findings of a broader study published earlier this year: Rohn, Ulrike (2010), Cultural barriers to the success of foreign media content: Western media in China, India, and Japan. Frankfurt am Main: Peter Lang.

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Rohn, Ulrike (2010), *Cultural barriers to the success of foreign media content – western media in China, India, and Japan*. Frankfurt am Main: Peter Lang.

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China Social Game Summit (CSGS), Beijing 9-10 April 2010

Gianluigi Negro interviews Giordano Contestabile, Senior Director of Business Development, Asia-Pacific for PopCap Games

Beijing, 20 April 2010

Giordano Contestabile has more than 10 years of experience in management, business development and strategy having worked in the Internet, media, mobile and games industries. Since December 2007 he has been Senior Director of Business Development - Asia Pacific for PopCap Games, the leading social games publisher. Giordano Contestabile has an enviable track record of closing strategic deals with games publishers, retailers, mobile operators, online portals, media groups, phone manufacturers, advertising agencies, consumer brands in European, Latin America and Asia Pacific. He has been involved both in starting operations from scratch and leading the company to profit, and in turning around operations for an existing structure.

The Chinese Social Networks Sites (SNSs) are becoming increasingly important in the Asian Internet sphere and the need to exchange points of views about the future of this market is more pressing. On 9-10 April, the China Social Game Summit (CSGS), China's largest trade-only social game industry event, took place in Beijing. Mr. Contestabile, you were one of the panellists. What is your impression of this event?

It was a very interesting event thanks to the participation of the most important Chinese and Japanese SNSs' CEOs. It was a chance to make a detailed analysis of China's social games and social networking services but also an occasion to share forecasts about the future and the development of Chinese SNSs. During the CSGS we saw the informative approach of Rockyou, one of the most influential international firms in the SNS

sector, developer of social games and other content for use on websites such as Facebook, MySpace and the Chinese social networking site Renren.com. Jia Shen, CEO of Rockyou expressed his intention to actively look at acquisition targets in China rather than more users. His approach was greatly appreciated also because it is not merely limited to the acquisition of Chinese games but was also oriented towards distribution and adaptation of the product in other markets such as Japan and Korea. This last aspect is extremely relevant in particular if we consider Facebook's (and other Western SNSs') partial failure in China: in fact, according to general opinion, Facebook did not enter the Chinese market for censorship reasons. This is true but political factors are not the only problem.

What is the state of Chinese SNS? In what way do they differ from the Western ones? What is expected for the near future?

The major difference between Western and Chinese SNS is the openness. Focusing on the Facebook case, it should not be forgotten that it has more than one million developers and entrepreneurs from more than 180 countries; openness is also remarkable considering the 500,000 active applications present on its platform; last but not least, more than 80,000 websites have implemented Facebook since its general availability in December 2009. Even if it is difficult to compete on openness, Asians are making SNS a real business; while Facebook's operating profit margin is still modest, Mixi, Tencent and Greed recorded +30%, +45%, +60% respectively last year. Opening a platform in

China implies both legal and political issues, consequently it is rather complicated to forecast a similar situation to the Western model. The impression from the conference was that big companies such as Ren Ren and QQ will not open their platforms also because otherwise it will be more and more difficult to manage their payment systems. Moreover, it is possible to argue that also in the future Chinese SNSs will launch and control all their social games and applications.

Another important point to consider is that the market is almost saturated and consequently it will be more difficult to create new spaces also because in October 2009 China's General Administration of Press and Publication (GAPP) reiterated an existing regulation governing China's online social game industry; among other provisions, developers of games are required to obtain licenses to operate in order to build and publish games online.

At present the dominant Chinese social platforms are Renren (120 million registered users), Kaixinwang (60 million registered users), 51.com (178 million registered users) and QQ (380 million active users). Referring to Maccalle's law¹ it is possible to argue that in the future only three or four of the players will remain on the market.

What are the trends in the other Asian SNS Market? Any chance for European firms to get into such a rapidly growing and interesting market?

One of the most relevant trends in the Asian market is the growing importance of internet mobile. Ja-

¹ This law defines that the value of a telecommunications network is proportional to the square of the number of connected users of the system (n^2). According to this law the number of unique connections in a network of a number of nodes (n) can be expressed mathematically as a triangular number $n(n-1)/2$, which is proportional to n^2 .

pan can be considered the most developed market. It should be noted that 95% of Japanese SNS revenues come from the mobile market, an astonishing result made possible by the quality of the devices, infrastructure and games.

Another trend is that a sort of cooperation has begun to develop on the Asian market. An example in this sense is Sunshine Farm, one of the most popular applications in the Japanese market developed by Reokoo, a Chinese social game developer. Sunshine Farm ranks first in the number of Mixi² application users and has gained more than two million users in less than two months since the launch. This is just an example that shows how the Chinese market can already count on well developed knowhow. Korea is another important country but at present most of the revenue comes from virtual goods and basic services; a delay in the SNS market has been recorded while the Chinese one is already more developed. As regards foreign presence in Asian markets, the Chinese one in particular, there are just a few American developers such as Pop-Cap Games, Playfish, and Zynga. No European developer or publisher is present in the Chinese market yet. This trend could be explained by the profitability guaranteed only in the long term and the *condicio sine qua non* of operating in the market with a local partner.

Gianluigi Negro is a sinologist, he has studied Chinese and Global Studies at Ca' Foscari University (Italy), Dalian Foreign Language University (China) and Roma 3 University (Italy). His studies focus on Internet Chinese, a topic on which he has provided contributions on a free lance basis to news portals and newspapers such as Wired.it, Nòva 24, Agi China 24 as Chinese Web Expert. Since February 2010 he has lived in Beijing and works for the Italian Chamber of Commerce as Publications Executive. In May 2010 he co-founded Cineresie.info a Web portal focused on contemporary China. For contacts: gianluiginegro@gmail.com

² Japan's largest social network service.

Senior Chinese Leader Urges Promotion of Chinese Culture with Improved Technology

Senior Chinese leader Li Changchun, a member of the Standing Committee of the Political Bureau of the Central Committee of the Communist Party of China, urged the promotion of innovation, communication and the reach of Chinese culture with advanced technology. Li made the remarks during his visit to the Beijing International Radio, TV and Film Equipment Exhibition (BIRTV) on 23 August.

Li also called for efforts to better integrate culture and technology. He reviewed some new achievements of communication technology innovation on display and urged businesses to strengthen independent technological innovations to adapt China's Radio and TV communications technology to the digital and internet age.

Also, improved integration of culture and technology would help to promote the competitiveness of Chinese culture and enterprises in the cultural sector should promote the technical element in their products with improved equipment and proprietary intellectual property rights of key technologies. Further, advanced technology should be used to promote both the emerging cultural sector and the traditional sector, Li said.

The BIRTV exhibition is sponsored by the State Administration of Radio, Film and Television (SARFT). Around 400 exhibitors attended the exhibition with equipment for radio, TV and film production, broadcasting, transmitting and projecting on display.

Source: Xinhua - August 24, 2010.

SARFT Releases Updated Regulations on TV Drama Content

The State Administration of Radio, Film and TV (SARFT) has released an updated version of the regulations to standardize and censor the content of both domestic and imported TV dramas broadcast on Chinese TV channels. The new rules took effect on July 1.

Production companies cannot begin shooting a TV drama unless the script has been approved by SARFT. Additionally, a TV drama cannot be aired on any TV channel unless the show's entire content has been approved by the state regulator.

The new rules also emphasize that SARFT will now be in the position to order TV channels to make necessary adjustments related to the type, the number and the specific times of TV dramas they broadcast. They further reiterate that TV channels cannot change a TV drama unless they have a permit from the production company, a measure which aims to strengthen the protection of TV drama copyrights.

Source: www.sarft.gov.cn - May 20, 2010.

SARFT: Only Broadcasters are Authorized to Establish Internet TV Stations

Only traditional radio and TV broadcasters will be able to establish an online radio or TV station, according to the State Administration of Radio, Film and TV's (SARFT) recently released *Notice on Launching Online Radio and TV Stations* (*Guangyu kaiban wangluo diantai, dianshitai youguan wenti de tongzhi*). This could mean that

some private online radio or video websites such as Douban.fm, Pptv.com and Pps.tv will be affected, say some industry analysts.

Additionally, SARFT released regulations related to investment and the technology of online radio and TV stations. For example, any online radio or TV station should comprise an investment of roughly RMB10 million (€1.175 million). It should also feature abundant content including news reports, entertainment, sports as well as financial and educational programs and have a minimum outbound bandwidth of 30gbps.

Source: www.chinabyte.com - June 3, 2010.

China to Create Single Cable Entity to Push Forward Network Integration

China intends to consolidate radio and television networks under a single national cable television network company. The State Administration of Radio, Film and Television (SARFT) said the new company will be set up by the end of the year and will further expand into new businesses such as mobile TV and online videos.

"The nation's radio and television networks need to be consolidated under one roof as currently they are individually run and have not developed into large-scale entities," said Tao Shiming, director of the SARFT's society administration bureau.

According to Wang Xiaojie, general director of the science and technology division of SARFT, the new company, which will play a leading role in the broadcasting network integration, will be established in three years, while related network integration works will also be completed in the same period.

At present, cable radio and television networks in China are run by different operators at various administrative levels. The ab-

sence of a nationwide and unified network gets in the way of their plan to compete with others for the opportunities arising from the convergence of technologies, said industry experts.

Tao said the consolidation exercise is likely to start at the provincial level by the end of this year and culminate in nationwide consolidation later. "All networks in the nation are likely to be integrated in three years," said Zeng Huiming, deputy secretary-general of the cable TV committee of the China Radio and Television Association.

Earlier reports said the new consolidated company will have a start-up investment of around RMB80 billion (€9.27 billion), with contributions coming from both the government and broadcast and television companies. According to Wang, the new company will look for investors from all Chinese state-owned companies including telecom operators - China Telecom, China Mobile and China Unicom - while adding that private or foreign investment will not be permitted.

Zeng said the investment procedures and consolidation plans are still being discussed by the SARFT.

Though the SARFT insists that the move would create huge opportunities for the networks, analysts have said that it would not be an easy task to achieve. Xiang Ligang, a leading telecom expert, said he was not sure what the returns would be from the whole exercise. "It's hard to earn profits if the new company offers lower prices. But at the same time it is also hard to win over more users if it charges high fees," said Xiang, adding that the three telecom operators, which have invested over RMB2 trillion (€231.74 billion) in telecom networks, will still have an advantage in the market.

On January 13 the State Council issued a new policy that plans to reorganize China's media networks into a single entity that combines telephone services, Internet, TV

and radio broadcasting by 2015. The State Council outlined a restructuring plan in two phases. From 2010 to 2012, a trial program will be conducted to connect the broadcasting and telecoms networks. Basic architecture for the overall integration of the three networks will be put in place from 2013 to 2015.

Under the plan, China's broadcasting network will conduct nationwide consolidation. But industry insiders say they expect great challenges in the process of consolidation, as China's broadcasting system is currently operated by regional authorities.

Last month the government launched the pilot project in 12 cities to test the convergence of the three networks. The trials will focus on connecting the broadcasting and telecom networks.

Sources: Caixin wang - June 9, 2010; China Daily - August 25, 2010.

CCTV Raises Annual TV Drama Budget

China Central TV (CCTV) will increase its annual budget for the purchase of TV dramas to RMB1.6 billion (€188.043 million) from approximately RMB1 billion (€117.527 million), according to a source at the new session of the Capital Radio & TV Program Producers Association's presidential election on June 27. The top provincial satellite TV channels, such as Jiangsu Satellite TV and Anhui Satellite TV, each spend approximately RMB200-300 million (€23.505-35.258 million) per year on buying TV dramas. CCTV's budget of RMB1.6 billion (€188.043 million) is equal to the total amount that six provincial channels including Jiangsu Satellite TV, Anhui Satellite TV, Dragon Satellite TV, Beijing Satellite TV, Hunan Satellite TV and Zhejiang Satellite TV annually spend on the purchase of TV dramas.

Source: www.sohu.com - July 1, 2010.

CCTV Reportedly Earns RMB1 Bln from FIFA World Cup Broadcasts

China Central TV (CCTV) has made over RMB1 billion (€117.527 million) in advertising revenue from broadcasting the FIFA World Cup 2010, according to an unnamed employee from the station's advertising subsidiary. Out of this total, more than RMB 800 million (€94.021 million) has been generated from TV broadcasting while RMB 100 million (€11.752 million) has come from webcasting the event.

Additionally, there are six video sites including Tudou and Youku that have each paid CCTV RMB15 million (€1.763 million) for the webcast rights, netting the government broadcaster a further RMB90 million (€10.577 million). CCTV also resold some broadcasting rights to provincial TV stations such as Beijing TV, Shanghai TV and Guangdong TV for RMB300,000-500,000 (€35,258-58,763) per match.

Based on this income, CCTV is sure to make more than RMB2 billion (€235.054 million) in total from the FIFA World Cup 2010 and 2014. However, CCTV only paid FIFA RMB680 million (€79.918 million) to acquire the exclusive all-media broadcasting rights for both the 2010 and 2014 events in mainland China.

Currently Adidas, Nike, Coca-Cola, Budweiser, Sony, China Mobile, Qingdao Beer, Snow Beer and Deerway have all purchased advertising slots during the course of the event, according to He Haiming, vice director of CCTV's advertising division.

Sources: Nanfang Daily (Nanfang ribao) - June 10, 2010; 21st Century Business Herald (21 shiji jingji baodao) - July 1, 2010.

CNTV: Anti-piracy War Waged Against Illegal World Cup Webcasts

China Copyright Protection Center (CCPC), a subsidiary of the National Copyright Administration, activated its 'platform for the monitoring, investigation, and gathering of evidence regarding the copyright of video content within the national network' on June 8. The platform will be applying advanced technology to monitor any illegal webcasts by video sites operating without licenses. Currently one of the platform's important functions is to safeguard the online copyrights for the FIFA World Cup 2010. "The war on anti-piracy has begun. Once the platform locates video sites that are illegally webcasting the FIFA World Cup 2010, we will notify them and immediately begin collecting evidence" said Liu Lu, director of CNTV's copyright protection department. "The platform helps enormously in our fight against pirate broadcasts."

CNTV.cn, which is China Central TV's (CCTV) video site, has currently resold the video on demand (VOD) rights for the FIFA World Cup 2010 to six video sites and the Shanghai based IPTV operator BesTV. The six video sites are Tencent.com, Sina.com, Ku6.com, Sohu.com, Youku.com and Tudou.com.

Source: China Press and Publishing Journal (Zhongguo xinwen chubao) – June 18, 2010.

A New TV Station in Beijing: BBTV

A new TV station has been launched in Beijing: the Beijing Broadcasting TV station (BBTV), which is set up by the Beijing All Media and Culture Group, People's Broadcasting Station in Beijing and China Beijing TV Station (BTV).

The business purpose includes editing, production, broadcast and

transmission of radio and television programmes and new media development, forming a relatively complete industry chain and a vertically integrated operator.

It will focus on integrating frequency and channel resources and unifying planning input, industrial operations, programme communications and advertising operations. To gain a foothold in the information communications market BBTV will use new technologies, develop new media and continue to invest in development.

Source: Beijing Evening News (Beijing wanbao) – June 1, 2010.

China, Australia to Develop Digital Radio Technology

Commercial Radio Australia (CRA) and Chinese broadcaster Beijing Jolon Digital Media Broadcasting announced that they will work together to develop a new DAB+ digital radio application. Developed by Jolon and named 'Push Radio', the technology is able to send an audio file directly to a DAB+ digital radio receiver without the need to connect the iPod or mp3 player to the Internet to receive programming.

The CEO of CRA Joan Warner said: "To free listeners from the need to connect to the Internet to receive podcasts and other specific information and targeted programming is a major step forward for DAB+ digital radio. Push Radio will make a podcast even more accessible for all digital radio listeners." Managing Director of Beijing Jolon Digital Media Broadcasting Xuegang Qin said: "Jolon and CRA will harmoniously work together to promote the application of DAB+ Push Radio and explore its many practical applications." The two organisations have agreed to set up a task force to operationally test the current technical standards for DAB+ and DAB+ Push Radio and hope to have a trial of the system

in Australia in late 2010.
Source: Asia-Pacific Broadcasting Union (ABU) - May 25, 2010.

China Radio International (CRI) Covers Senegal and Launches an English Channel in Beijing

August 4 saw China Radio International (CRI) begin covering Senegal. Senegal Global Vision, as a partner of CRI, will complete coverage construction and maintenance work in the country in the next five years. In addition to Senegal, CRI also covers neighboring countries, such as Gambia, Guinea-Bissau, Cape Verde and Mauritania.

CRI also launched an English Channel called "CRI Beyond Beijing", a 24 hour service targeting foreigners and English-language lovers in the capital. CRI Beyond Beijing features news reports, talk shows, magazines and other special programs. The production team consists of hosts and reporters from Britain, USA, Canada, Australia, New Zealand, etc.

Sources: People's Daily Online - August 5, 2010; www.sina.com.cn - August 25, 2010.

China's Radio and TV Ads Decrease in Q1 2010, after SARFT's 61st Order

Q1 2010 saw dramatic changes in the length and ratings of TV ads after the Administration of Radio and Television Ad Broadcast Order (*Guangbo dianshi guanggao bochu guanli banfa*, known as '61st Order') formulated by the State Administration of Radio, Film and TV (SARFT) became effective on January 1, 2010, according to CSM Media Research.

The volume of ads decreased by 30% year on year (YOY) on provincial-level satellite and non-satellite TV channels, 25% on city

TV channels and 11% on central-level TV channels operated by China Central TV and China Education TV.

The '61st Order' establishes that advertising cannot be more than 12 minutes for each hour of program broadcast. In particular, from 11:00 to 13:00 for radio, and from 19:00 to 21:00 the broadcasting time for advertising cannot exceed 18 minutes. The 'Order' also bans ads of specific medical and health products and appliances.

Sources: People's Daily Online - August 11, 2010; www.sarft.gov.cn - January 9, 2010.

Xinhua Launches 24-hour Global English TV network

Xinhua, China's state news agency, launched a global 24-hour English-language TV news network. CNC World can be watched in Asia over satellite and is set to broadcast around the world from next month. The company also aims to get CNC World on cable channels in Western countries including the US and the UK in early October. The network launch is being seen as a way for China to promote its own voice and redress perceived misrepresentations of the country by international media. While Chinese media typically must be fully state-owned, CNC is 51% owned by Xinhua but also has private investors, including Gree - a private Chinese home appliances maker. CNC said its initial investment would amount to about RMB2 billion (€231.9 million), but it could rise to RMB5 billion (€581.34 million) with other potential ventures, including building a cable network in Africa with China's state-owned telecom companies.

Source: China Economic Review - July 2, 2010.

Xinhua News Agency and

China Mobile to Establish Search Engine Business

Xinhua News Agency and China Mobile announce plans to establish a joint venture focused on the search engine business. The new joint venture will be called Search Engine New Media International Communications Company. Neither side revealed what kind of search engine will be established but, Li Zhi, an analyst from the market research company Analysys International, guesses that they will launch a mobile internet search engine first, since China Mobile has a large mobile phone user base, which amounts to 558.9 million as of July 31, according to the company.

Before this, traditional Internet operators, including Baidu, Google, Tencent and Netease, had entered China's mobile internet search engine market. In addition, professional mobile internet search engine operators such as Easou, Yicha, 3GYY as well as Wukong, mean that China's mobile Internet search market is subject to fierce competition.

Source: www.sina.com.cn - August 13, 2010.

Xinhua News Agency Foreign Branches to Reach 200

As the official state news agency, Xinhua will recruit more foreign reporters to increase its international influence, reports citing Ge Xiangwen, director of the Xinhua News Agency branch office in Washington. "The Xinhua News Agency branch office in Washington will have more local reporters than those Chinese reporters sent by our headquarters in Beijing," he said.

In the past 3 years, Xinhua News Agency rapidly increased the number of foreign branches to 120 from 102. In the future, its foreign branches will number 200, according to Ge Xiangwen. It has estab-

lished six branches in USA, located at the United Nations in New York, Washington, Los Angeles, Chicago, San Francisco and Houston respectively. The North American headquarters is expected to be established soon.

China's media have actively expanded their international influence recently. Besides Xinhua News Agency, *The People's Daily* launched the English-language newspaper *Global Times*. China Radio International (CRI) has aired Chinese programs in USA. China Central TV (CCTV) has launched Arabic and Russian Channels and Xinhua itself has launched an English language TV news channel. China's Southern Daily Group even attempted to take over the American *Newsweek* although the deal did not go through.

Source: *21st Century Business Herald (21 shiji jingji baodao)* - August 19, 2010.

GAPP Cooperates with Beijing Government

China's General Administration of Press and Publication (GAPP) and the Beijing government signed a strategic agreement on May 21 to jointly promote Beijing's publishing industry. Under the terms, GAPP will lend increased support to Beijing to construct a publishing industry zone or park, reform institutions which are part of the government's current publishing system, and allocate publishing resources as well as boost exports. In turn, the Beijing government will support GAPP with the allocation of more land and favorable taxation policies. Meanwhile, Liu Binjie the minister of GAPP, and Liu Qi, the mayor of Beijing, unveiled the Beijing Publishing Creative Industry Park.

Source: *Guangming Daily (Guangming ribao)* - May 27, 2010.

China's Listed Publishing & Print Companies Reach 41

China's listed press and publishing companies, covering publishing, newspapers, new media and printing sectors, now total 41 with a combined market value of RMB290 billion (€33.60 billion), said Liu Binjie, director of the General Administration of Press and Publications (GAPP). "The press and publications industry maintained a double-digit growth in H1 2010. Some sub-sectors even achieved a 24% growth," he said.

Since the Chinese central government decided to transform public press and publishing institutes into limited companies in 2005, China has formed 29 publishing groups, 49 newspaper groups, 4 magazine groups and 24 distribution groups, according to Liu. In the coming years, China will form three types of world-class enterprises, covering the publishing, printing and distribution sectors respectively. China also encourages private capital to enter distribution, printing and digital publishing sectors. Private companies are welcome to cooperate with state-owned organizations to publish books.

Source: www.gapp.gov.cn - August 11, 2010.

Zhongnan Cartoons set for Italy Broadcasts

Five animation titles produced by Zhongnan Animation will be broadcast on Italian mainstream TV channels, according to deputy general manager Wu Jia. Zhongnan Animation sold the five animations to an Italian distribution company at MIPTV which was held in April in Cannes. The five animations include *X-Cops (Fengsu Zhanjing)* and *Magic Wonderland (Mohuan Xi-anzong)*. The company also signed contracts and letters of intent worth RMB8.88 million (€1.044 million) during the event. Wu Jia continued

to say that it is quite difficult for Asian animation to get into Western European media, and this is a good start. Zhongnan's animation accounts for 70% of China's total animation export annually.

Source: *Hangzhou Daily (Hangzhou ribao)* - May 21, 2010.

Huayi Brothers Acquires Majority in Mobile Phone Game Company

The leading private Chinese film production and distribution company Huayi Brothers Media Group (Huayi Bros.) announced the acquisition of a 22% stake in Beijing Ourpalm Co. Ltd (Ourpalm) with RMB148.5 million (€17.452 million) on June 21. Founded in 2004, Ourpalm is mainly engaged in developing and distributing mobile phone games, web games and social games. This acquisition aims to make Huayi Bros. a real comprehensive group featuring movie, television and entertainment, according to the announcement. Before this, it mainly invested in and operated films, TV dramas, performer management and music divisions. With the popularization of 3G networks and services, the demand for entertainment on mobile phones will increase continuously. After the acquisition, Huayi Bros. will transform some of its films into mobile phone games.

Source: www.sina.com.cn - June 24, 2010.

State Council Information Office Publishes Internet White Paper

The State Council Information Office released a *White Paper of China's Internet Status* on June 8. According to the *White Paper* the Chinese government will actively promote the development of the Internet and appreciates the valuable role it plays in the national

economy. In 2009, the penetration rate stood at 28.9% of the population and it is expected to reach 45% by 2014.

The *White Paper* covers the promotion of Internet development and its popularization; the promotion of Internet applications; the guarantee of citizens' freedom of expression on the Internet; basic principals and practices for Internet management; protection of Internet security and active implementation of international communication and cooperation.

The full text of the document in English is available at: http://www.gov.cn/english/2010-06/08/content_1622956.htm.

Source: www.scio.gov.cn - June 8, 2010.

Culture Ministry Releases First Official Regulation for Online Games

June 22 saw the Ministry of Culture (MOC) release the *Interim Regulations on Online Games (wangluo youxi guanli zanxing banfa)* (hereinafter referred to as "Interim Regulations"), which will come into effect from August 1. Online games are defined as those games released on internet and mobile telecom networks and operated via client software, web browsers and other terminal formats, according to the Interim Regulations. The key points are as follows: 1. Online game companies shall require players to make real-name registration with valid ID cards and save their registration information. 2. The Ministry of Culture transfers the examination and approval rights for Internet Culture Operation License to its provincial bureaus. 3. Online games approved by the General Administration of Press and Publication (GAPP) can be operated and do not need to apply to culture administrations for re-approval. 4. Providing online virtual currency trading services is

forbidden for minors.

Sources: Ministry of Culture - July 30, 2010; CNNIC - 26th Report on the Development of Internet in China.

China Has 126 Mln Teen Internet Users

June 18 saw the release of the *Report on China Internet Use among Minors 2009-2010* prepared by the Career Development Center of China Young Pioneers and the Youth Centre of the Chinese Academy of Social Sciences. China has over 126 million youth internet users, including 122 million persons aged 10-19 and 4 million children under 10, according to the report. The main Internet functions they use are information searching, instant messaging, music and pictures download, online audio and video, software downloads and online games. Info searching and online entertainment are the two favorite functions. The reports shows 50% of middle school students have come across vulgar and pornographic contents in instant messaging or when playing games. 42.6% of parents are against kids using the Internet because it can cause them to neglect study, make bad friends and come into contact with pornographic content.

Source: *China Youth Daily (Zhongguo qingnianbao)* - June 18, 2010.

Google Applies for Online Mapping License in China

Google has applied for a license to provide online mapping services in China, a move that may offer an insight into the government's attitude towards the internet firm after it stopped censoring Chinese web searches. Under new regulations issued last month, companies that offer online map and location services, searches or downloading must receive approval to continue operations. This is to allow the authorities to check, among other

things, that maps are labeled in accordance with Chinese rules and that sensitive information is removed. Google, which allows users to post notes on online maps, said only that "we comply with local laws and regulations wherever we operate." The State Bureau of Surveying and Mapping estimates that there are now 40,000 online map providers in China, of which Google is the most popular. Revenue from these services is expected to reach RMB 490.14 million (€56.79 million) this year, up from RMB59.22 million (€6.86 million) in 2005, according to Analysys International. *Source: China Economic Review - June 11, 2010.*

Video Sites Buy More Overseas Content

China's domestic video sites, including PPTV and Youku, have recently expressed their intention to increase the purchasing volume of overseas content. In addition, in June, Sohu launched a Korean drama channel and signed contracts with Korea's 3 largest TV stations (SBS, KBS and MBC) to webcast all of their hot dramas in the coming three years.

Source: China Press and Publishing Journal (Zhongguo chubanshan) - August 12, 2010.

2010 H1 Mobile Internet Market Size Up 32% over H2 2009

In H1 2010, China's mobile internet market reached RMB23.7 billion (€2.75 billion), up 31.67% over the second half of 2009, and mobile internet users amounted to 214 million. Of all service application types, the top three are wireless music with a market share of 41.2%, mobile reading with 12.6% and mobile games with 11.3%. By the end of 2010, China's mobile internet market size is expected to

reach RMB63.3 billion (€7.33 billion).

Source: Analysys International - August 19, 2010.

China Media Capital Foundation Acquires Stakes in News Corp Projects

China Media Capital (CMC) acquire a controlling stake in Xing Kong Satellite TV Mandarin Channel (also known as Star TV Chinese Channel), Xing Kong International Channel, Channel [V] (music channel) and Fortune Star Chinese movie library from News Corporation.

CMC manages RMB5 billion (€579.36 million) in assets and calls itself the first private equity fund focused on media and culture in China. It was established in April 2009 with backing from the National Development and Reform Commission. CMC's investors come from the finance, media and culture industries, including Shanghai Dongfang Huijin Culture Investment Co. Ltd under Shanghai Media Group (SMG), Guokai Finance Co. Ltd under China Development Bank, Shanghai DaZhong Group Equity Investment Co. Ltd, Shenzhen Tianwangzheng Investment Co. Ltd, Wenhui-Xinmin United Press Group and China Broadband Capital. Li Ruigang, president of SMG, has been appointed president and general manager of CMC. He said that CMC will provide capital to help target companies grow, regroup and make management buy-outs (MBO).

Sources: China Venture - June 22, 2010; National Business Daily (Meirijingjing xinwen) - August 9, 2010.

FOCUS

Google Cuts Ties with 2 Chinese Advertisers

Google has cut commercial ties with two of its Chinese advertising agents, raising concerns that the Internet giant's recent standoff with the government may scare away more domestic advertisers. The US-based search engine has ended partnerships with Universal Internet Media and Xi'an Weihua Network, the major advertising agents for Google in East and Northwest China.

Universal Internet Media is based in Suzhou, Jiangsu province and Xi'an Weihua Network is based in Xi'an, capital of Shaanxi province. The two are among 25 of Google's authorized advertising agents in the country.

Since Google announced earlier this year that it would stop providing filtered results in its search service and redirect all mainland traffic to its Hong Kong site, a number of its advertisers have expressed concerns and reduced their advertising spending on the US search engine.

Google's market share in China dropped to 24 percent in the second quarter of this year, from 31 percent in the first quarter, figures from research firm Analysys International showed.¹ Market share is

1 We recall that in January 2010 Google announced that a "highly sophisticated" hacking attack targeted Google's corporate infrastructure with the goal to access the Gmail accounts of Chinese human rights activists. Google said that because the attack originated from China, it is no longer willing to censor search results on Google.cn, the Chinese version of Google search. After long talks with the Chinese authorities, talks that lead nowhere, Google decided to redirect Google.cn visitors to Google.com.hk – that's Google Hong Kong; on Google Hong Kong, Google does not censor search results. This was the situation until the end of June, when Google's ICP license was up for renewal. To keep operating in China, Google needed an ICP license – but because the Chinese authorities found the redirect from Google.cn to Google.com.hk unacceptable, the license had very slim

measured by advertising revenue. The market share of Baidu, Google's rival in the Chinese market, hit a record high of above 70 percent during the past three months.

It is unclear whether Google's split from Universal Internet Media and Xi'an Weihua Network will impact its partnership with other advertising agents.

Cheng Yu, general manager of Zoom Interactive, a Google authorized advertising agent in Beijing, said on Monday that his company will continue its partnership with Google. "Many advertisers still trust Google's advertising network so we will continue to do business with them," he said. But he also said that his company does not have many alternatives to Google, as Baidu has already built up its own advertising system and other domestic search engines such as Tencent and Sohu are still too small to partner with.

The response from Google's advertising agents is "quite normal" because many advertisers have reduced their spending on Google, Analysys president Edward Yu said. He warned that Google's market share in China may further decline if the company does not take measures to soothe advertisers' concerns.

Google will still commit to China's online advertising market and will not give up its Chinese website, Google's spokeswoman Wang said. The company currently provides advertising to music and shopping services on Google.cn, she said.

Source: *China Daily* - July 27, 2010.

chances to get renewed. So Google decided to do something to please the authorities – it stopped automatically redirecting users away from Google.cn. Apparently this strategy worked out since China renewed Google's ICP license. At present, the situation is as follows: Google remains in China, Google.cn continues to be censored, and Google.com.hk remains unfiltered. Source: <http://googleblog.blogspot.com/> – "Update on Google vs. China's dispute: ICP License Renewed, Google Stays in China".

EVENTS, CONFERENCES and BOOKS ABOUT CHINA

China Media Observatory, Lugano.

- Call for papers - "The Asian Games: Asia Ascendant, Media Images, Political Statement, Cultural Assertion, Social Symbol".
Title and Abstract: for contacting now.
Full paper: ca. 8000 words by July 31, 2011.
Publication intended in Autumn 2011.

This *International Journal of the History of Sport's* call for papers is organized by the International Communication Studies Center of the Communication University of China, Beijing. After the Olympics, there will be another mega sport event in China: the Asian Games, which will take place in Guangzhou from November 12 to 27 this year. What are the challenges and opportunities of hosting mega sport events in China? What are the implications for China as host of the Asian Games? What are the prospects for the media from covering and commenting Beijing 2008 and Guangzhou 2010? In addition to addressing these questions, interested scholars are invited to provide considerations of how the world media outside Asia view the Games: sport, soft power politics or both? Discussions will also be appreciated on the Games as a statement of political intention, an assertion of regional confidence and an expression of regional identity. For more information contact Prof. Qing Luo: eileen_luo@126.com, luoqingcuc@gmail.com.

New & Notable Books

Qing, Xijie (2006), ***An industrial economics research of the Chinese animation industry [Zhongguo donghuapian de chanye jingjixue yanjiu]***, Beijing: China Market Press.

Chinese scholars and market experts consider 2004 and 2005 to be the years of the birth and development of animation in China respectively. In these two years, the Chinese government devoted much effort to promoting the growth of the animation industry in China by, for instance, adopting preferential tax policies, setting up national animation production bases and approving new animation channels. In spite of this, the animation industry in China suffers from many shortcomings along the value chain and from the regulatory point of view. The author addresses the issue of the development of the animation industry in China from the point of view of industrial economics and focuses on different fields such as the regulation, the organization, the value chain, the structure of the market, as well as the management and the ecology of the animation industry in China. The last two chapters are dedicated to an overview of the US, Japanese and Korean animation markets and a comparative analysis with the Chinese market.

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