

Report on Chinese Creative Industry 2012 - 2013

(Abbreviated version of the main report)

Over the past decade, there has been remarkable development in Chinese cultural industries. As reported in “The Statistics of Chinese Cultural Industry 2012” by China’s National Bureau of Statistics on August 26, 2013, the production of the Chinese cultural industry had grown by 60 times in just 10 years, from just 30 billion RMB in 2003 to 1,807 billion RMB, accounting for 3.84% of GDP. During the same period, ongoing integration and cooperation between various sectors such as culture, technology, finance and real estate could be observed.

The term “Cultural industry” in China is sometimes referred to internationally as “creative industry”. The “First-session China Creative Industry Innovative Award” was co-sponsored by China Publishing and Media Journal (CPMJ) and Frankfurt Book Fair. Jury members of the Innovation Award were experts from nearly ten first-rate graduate schools, research institutes and research centers of Chinese cultural creative industry. The selection and the report were based on the development of the Chinese creative industry during 2012 - 2013. The inaugural Innovation Award includes 6 categories: publishing (including distribution), magazine, printing, Internet, animation and film. For further Innovation Awards more sectors in the whole industry value chain will be taken into account.

The Trend in Cultural Industry 2012 - 2013

Past experiences of world economic development suggest that the economic development of a country will increasingly rely on cultural industries when it reaches a certain level. The cultural consumption shall grow rapidly once the per-capita GDP goes beyond USD 3,000, and enter a boom market when it reaches USD 5,000. The Chinese per-capita GDP has currently surpassed USD 5,000. The pattern of consumption has been changed significantly, with the national citizens’ cultural consumption takes up only about 7% of family expenditures. Compared with that in the US and Western Europe (30%), there still room for improvement. Due to favorable policies increasing government investment, the average annual growth rate of cultural industries production reached 90%, which makes the sector a key force driving the Chinese national economy.

Trend 1. Cultural industries continue to soar high, forming the new dynamic of national economic development.

The main economic index of press and publication industry did well in 2012. The “Analysis Report of Press and Publication Industry 2012” by State Administration of Press, Publication, Radio, Film and Television (SAPPRFT) shows that operation revenue of publishing, printing and distribution services nationwide have reached 1,663 billion RMB in 2012, 14% more than that in 2011, a rather quick development. In addition, the Ministry of Culture has also issued the “Doubling Plan for Cultural

Industries of ‘the 12th Five Year Plan’ that requires a doubled increase in production value of cultural industries at the end of 2015 comparing to that of in 2010.

Trend 2. With strong capital support, capabilities in brand building and promotion of cultural creativity as well as the increasing cross-media development and integration have become the mainstream trend and focus of cultural creative industries.

The so-called ‘cultural tourism’ has shown the greatest potential among others and become a well-supported industry development project.

In 2003, Zhang Yimou and Mei Yuanshuai created the first show with real natural scenery: *Impression Sanjie Liu*. 10 years later there have been altogether 43 shows with genuine views across China, which generated revenue of tens of billions of RMB and created a brand new business model. It is a classic case of integrating tourism and performing art, which showcased outstanding Chinese traditional culture in an environmentally friendly way.

The film industry has reached box office revenue of over 21 billion RMB in 2013. There are 61 Chinese and foreign movies whose box office revenue surpassed 100 Million RMB level, almost 3 times as much as that in 2012. Among these blockbuster movies, 34 are Chinese films and 27 are imported. The dominance of Chinese movies is becoming more obvious. With a total investment of 60 million RMB in production and promotion versus 1.2 billion RMB box-office revenue, *Lost in Thailand* is the most successful movie in recent years, a typical case of ‘lucrative return on small investment’.

3. With the help of technology advancement, creative industries are becoming more focused on modernization, high-end orientation and cross-media development.

Network technology, 3D technology, mobile technology, virtual technology, online finance etc. have become part of creative industries and accelerated its renewal process. TV, broadcast, press and publication are gradually integrating with new media, in order to achieve cross-media development.

Video websites had been on a merger and acquisition march in 2012. It started with the merger of Youku and Tudou, two market leaders in the sector, then followed by the purchase of iqiyi (a popular video website) by the Chinese internet giant Baidu. The same had been happening to mobile game companies since 2013. According to the ‘Client-End Quarterly Monitor of Chinese Online Game Market, Q3, 2013’ issued by the EnfoDesk industrial database, the scale of the overall Chinese client-end online game market has reached 14 billion RMB in 2013, a 21.4% growth from last year. A number of mergers of mobile phone games have been conducted by listed companies in 2013, e.g. Phoenix Media purchased 64% from Muhe Online, which led to a new business model combining books and games.

Traditional media has generally been suffering from plunges in performances and

losses of advertisers, making it imperative for them to change. The merger of two leading press groups, Shanghai Liberation Press Group and Wen Xin Newspaper Group 2013 underlined the importance of cooperation.

Trend 4. Financial capital has getting more involved in publication and cultural industries, while creating rooms for financial innovation.

To become the backbone of a national economy, creative industries need support from an impeccable financial service system. The investment on the Chinese cultural industry has taken shape, with an investment volume of 500 billion RMB in 2012. Under the presumption that the government will continue supporting cultural industries, the estimated investment volume in 2016 would be 1.2 trillion RMB.

18 Chinese publishing media corporations have become public so far. With the restart of IPO (initial public offerings) in 2014, there are currently a total of 30 cultural media enterprises in the IPO pipeline. SAPPRFT has obtained credit lines for hundreds of billions of RMB from Bank of China and Industrial and Commercial Bank of China after entering strategic cooperation agreements. With the introduction of “Guiding Opinions Concerning Financial Support for Cultural Industry Vitalization, Development and Flourishing”, the banking industry has also made multiple attempts in providing financial services to creative industries.

Trend 5. The emergence of cultural real estates and cultural industry parks

The most successful case of combining culture with real estate is undoubtedly the Wanda Plaza project of Dalian Wanda Group Co., Ltd. As one of the commercial property brands, Wanda’s business model covers multiple functions such as shopping, dining, culture, entertainment, etc. Wanda Cultural Industry Group bought AMC Theatres at an investment of 2.6 billion USD in 2012 and started the construction of Qingdao Oriental Movie Metropolis in 2013, the largest movie and TV industry production site, with an investment of 50 billion RMB.

When it comes to cultural industry parks, the “Analysis Report of Press and Publication 2012” by SAPPRFT shows that 15 national press and publication industry bases (parks) have realized a total business revenue of 77 billion RMB, with total assets of 79 billion RMB and a total profit of 8 billion RMB. Among them, 9 national digital publishing bases (parks) have made 62 billion RMB in operational revenues, up 40.2% compared to that of 2011, which made up 32.3% of the total operational revenue in all digital publishing. The cluster effect of cultural industrial parks is significant.

Trend 6. Domestic creative industries are going global and their international competitiveness is improving.

In recent years, as the “going out” of Chinese culture became an important part of China’s reform and opening-up policy, the globalization of cultural products accelerated and a number of well-known cultural brands have emerged, which significantly improved the international impact of Chinese culture. The example of

Wanda Cultural Industry Group's overseas investment and acquisition showcased the further internationalization of Chinese creative industry.

During the Theatre Venture Capital Trade Fair organized by China (Shanghai) International Arts Festival in 2013, Chinese and foreign participants concluded over 255 intentional joint projects, 115 of which were aiming to export Chinese cultural products and 82 of which were importing international cultural products. Among the 105 exhibitors, 40 international buyers were present, such as Edinburgh Arts Festival, Melbourne Festival, Vienna Arts Festival, Singapore Arts Festival, etc.

Challenges of Chinese Creative Industries

Domestic challenges:

- Weakly enforced intellectual property right protection has become the most important factor that hinders the innovation and development of Chinese creative industries;
- under the poor legal and institutional system, the domestic cultural industry market is yet to be normalized;
- implementation of many relevant government policies is incomplete;
- too much executive intervention dampened the force of the market;
- lack of outstanding creative industry companies and entrepreneurs;
- creative talent cultivation is difficult, evident in lack of creative talent pool;
- content quality and innovative concepts are lagging with a lack of international vision
- technology of creative industries remain in the primary stage;
- lack of attention to marketing and a shortage of marketing creativity;
- Cross-media barriers remain strong, etc.

International challenges:

- Uncertainty in economic development;
- Cultural consumption is getting more diversified and shallow, which led to changes in consumption behavior.

To sum up, after years of extensive growth, Chinese creative industry is gradually entering a period of fine-tuned development.