China steps out

29.09.08 | **Media Guardian** | Rewards and challenges in an expanding media market

In association with KPMG

Friday Night Takeaway in China averaged 50 million viewers per episode ... I love saying that. That's almost as big as the UK population
ITV's Peter Iacono, *page 3*

Fan power: Pop-Idol-style talent show Super Girl, broadcast from 2005 to 2006, gained unprecedented audience numbers, peaking at 400 million China Images/Getty

Partnerships are key

While sheer numbers make the Chinese consumer market irresistible to foreign investors, local rules and culture remain barriers. Are joint ventures the answer, asks **Kate Bulkley**

Whenever people talk about China and its business potential, it starts with numbers – 1.3 billion people and double-digit economic growth that has made it the number three economy by GDP in the world. The Beijing Olympics put a world spotlight on China and the potential is huge, including in the media world.

There are 363m TV households (the UK has 26m). There are a nearly 3,000 television channels (1,500 are national) and the 152m cable TV homes are forecast to grow to 211m by 2012, according to Screen Digest, while the number of Chinese digital cable TV homes are set to overtake US numbers next year. China has 540m mobile phone subscriptions and some 163 million people browse the internet on broadband connections today. China is the world's third biggest advertising market and rivalling Japan to be the biggest in Asia.

Potential for growth

The growth potential is what is really attracting attention: by 2015, China is forecast to be the second largest consumer market after the US, according to a Credit Suisse report. Before the recent global financial crisis, the Chinese government predicted that per capita GDP would double by 2020. Registered online shoppers totalled some 43 million last year (up 60% from 2006) and the country's largest TV station – China Central Television – booked a reported $1.03bn in ads in 2007, a rise of 18% year on year. China's 20-year-old single child policy has also created a generation of urban-dwelling, coddled kids who have huge spending power. No wonder every major international company – media or otherwise – wants a slice of the China pie.

"After the successful Olympics, China has demonstrated that it is ready to collaborate and connect with the western world," says Shu Sum Man, chief executive of Mark Burnett Productions Asia. His company represents the eponymous UK producer behind the TV super hit Survivor – the CBS show credited with launching the reality-TV revolution in the US.

"Looking at the Olympics the west can see that China can do some exciting things and I mean not just adaptations and logistical support."

Man recently opened the Singapore-based Asian production office for Mark Burnett Productions and China is a priority. "The whole of China is on the way to a new era," he says. "It is a market that no one can afford to give a miss."

However, establishing a foreign company in China is not always easy. There are non-Chinese businesses that are flourishing, mostly because they have created solid local partnerships, but there are less success stories within media.

The reason is obvious: media is a hugely influential cultural vehicle and the Chinese pride themselves on maintaining their cultural and political values. Foreign media companies are not allowed to own production companies in China and only a fistful of foreign channels have limited broadcasting rights there.

Even collaborations on programming tread a narrow line because being too popular with audiences, especially if programmes are perceived to be spreading "non-Chinese values", can cause problems with regulators. Such was the case with Super Girl, a hugely popular TV programme that attracted hundreds of millions of viewers and a kind of national hysteria that actually caused the government to re-vamp its rules on TV talent shows, including banning them from prime-time hours. China's centralised state has a political position to promote stability and nationalism. If a media outlet steps out of line, the Chinese authorities step in and rules can be reinterpreted to protect China.

Building presence

The good news for those media companies aiming to conquer China is that the market is maturing as Chinese companies look to grow and government authorities strive to be accepted on the world stage. One example is that companies are now dealing with software piracy, which has long been a problem in China, with pirated versions of Hollywood films and console games available on street corners at knock-down prices. Many Chinese broadcasters have also "borrowed" ideas for TV shows without paying a licence fee. However, "piracy is still difficult but it is moving in the right direction," says Pierre Cheung, senior business development manager in Asia for BBC Worldwide. "If the Chinese want to be successful in building their own brands they have to be serious about protecting intellectual property."

Certainly the watchword for media companies looking to do business in China is partnership. "There's huge potential and understandable excitement about China but in building a presence you have to be measured in your approach," says David Elms, senior media partner at KPMG. "That means looking at the regulatory side and making sure you're in line with that. If you need a partner, make sure that, culturally, you can come to a clear understanding about what you are going to do together."

China has 540m mobile phone subscriptions and some 163 million internet users

Foreign companies have grappled with getting into China, to varying degrees of success. One example is Rupert Murdoch's News Corp which had many of its plans to move into China thwarted, say observers, largely because the company did not spend enough effort on building *guanxi* or relationships.

Increasingly in TV production, partnerships are welcomed, particularly because local broadcasters recognise they need to improve their schedules to keep audiences that are increasingly distracted by other media, especially the internet. "I don't see any wholly-owned foreign media ventures in China in the next 10 years. For the government it is just too risky," says Kevin Liu, head of Asia for Exclusive Analysis Ltd. "But a lot of investment structures could be set up via Hong Kong and Taiwan. This has been done in other industries and it should work for media as well."

There is also growing sophistication among media players in China around branding and advertising. "Broadcasters are beginning to understand the idea of a consistent look and feel from their brands across [all media]," said Anthony Shang, the Beijing-based general manger of Red Bee Media China. Red Bee developed the on-air Olympic coverage logo identities for China Central Television. One of China's largest regional broadcasters, Shanghai Media Group, recently spent 3m RMB (£250,000) with Red Bee to re-brand two channels, a near 10-fold increase on what channels have traditionally spent. "It doesn't sound like a lot of money in London but it is in China, and it is part of a new appreciation for creative aesthetics," says Shang.

Introduction

Robust growth

The recent upheaval in western financial markets will undoubtedly put pressure on China's ability to remain totally immune to the economic fallout. Yet even if economic growth and consumption rates fall, China's media market will still look robust next to those of western countries like the UK.

China's media market is beginning to mature, opening more opportunities both for domestic and foreign players. This supplement looks at the popularity of locally adapted TV formats like ITV's Saturday Night Takeaway and the BBC's first-ever Chinese co-production as well as how online audiences are influencing pop music charts. We look at how print media is growing in China, despite tougher rules on political reporting and an advertising market dominated by TV, which commands a whopping 65% of the country's total ad spend.

As disposable income grows in China, brands are keen to reach audiences and, as we see in the supplement, the online audience is expanding, particularly among young people. This is causing companies such as leading media agency MindShare to explore the potential of online sponsored entertainment, bringing in big brands such as Nestle and Ford. "Full development of a programme online is about a quarter of the cost of TV," explains Mindshare's Mateo Eaton. "TV's got lots of opportunities, but I used to have hair and now I don't, and I blame the Sarft [the Chinese regulator] and broadcasters, because working in TV is much more complex."

The supplement looks at how some of the biggest Chinese players are looking beyond China for growth while at the same time focusing on new technologies and business models. "Future television sets will very likely be iPod-like," says Ruigang Li, president of Shanghai Media Group. "The questions are: who will make the future i-Tunes? Who will aggregate and distribute content and control the users? And who will create the new business model? This is a challenge and opportunity not just for China but for the entire world."
Kate Bulkley

The Guardian conference *Create in China: Unlocking creative and commercial opportunities in China*, will be held on Wednesday October 22 at the British Museum, London. For more information visit: guardian.co.uk/createinchina

Inside

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Yang Chengang was an unknown singer until his song Mice Love Rice was released online, causing him to become a national celebrity

Online pop explosion

As both legitimate and illegal downloads soar, unlocking the commercial potential of the vast Chinese internet user base is a huge challenge

Ed Peto

When unknown Chinese singer Yang Chengang wrote and recorded the song Mice Love Rice in Wuhan, southern China in 2000, he would have had no way to predict its eventual impact. After four years of relative anonymity on CD format, the song's arrival on the internet in 2004 sparked off a word-of-mouth phenomenon that would ultimately peak at 6m legitimate ringtone sales for mobile operator China Mobile in one week, as well as a rumoured 200m illegal MP3 downloads within a year.

Indeed, once exposed to the powerful Chinese internet, Mice Love Rice and its exemplary use of recognisable melody and inoffensive lyrics – a chorus that includes "I love you, loving you, just like mice love rice" – came to define what is now known as a *wang luo ge qu* or network song, a literal reference to the exponential spread of a song through internet networks.

According to the latest China Internet Network Information Centre report, 84.5% of Chinese netizens (citizens on the net) listen to music online, making it the most popular internet usage ahead of even search and email.

Internet chat boards, blogs, instant messaging systems and peer-to-peer networks have helped to crystallise music in China into homogenous categories, based on the commercial pop song format exemplified by Yang Chengang's hit. Songs that satisfy this network-song criteria and go on to become internet hits are collated by websites into charts linking to unlicensed MP3s or streamed music, which makes it difficult to make money on music in China.

The International Federation of the Phonographic Industry (IFPI) estimates that China's physical music market (CD sales) was worth $37.7m dollars to the record labels in 2007. However, Gregory Wu, associate director of digital entertainment for Baidu, says that MP3 search accounts for 40% of the search giant's traffic – roughly 100m MP3 search inquiries per day – giving some idea of the huge gulf between the paid-for and not paid-for music markets.

Online charts are key traffic drivers for music, but they also impair music exploration, says Wu Jun, chief executive of digital distributor R2G. Chinese internet users, who numbered 253 million in June this year, are growing progressively poorer, younger and less educated as the internet becomes gradually accessible to all.

Song Ke, chief executive of leading record label Taihe Rye, says this skews the tastes further towards mainstream pop. "Alternative music is a luxury for the middle class," he says. He employs a team to monitor online music networks, looking for potential hits. The practice has paid off: a few songs by unknown artist Dao Lang were "making a lot of noise on the internet," says Song. "We signed all his digital rights and sold 30 to 40m ringtones in 2005 alone."

Live music The way forward

Live music in China is relatively undeveloped, so much so that there are few statistics on the business available. But promoters say that few appropriate sized venues and the cost of tickets are barriers for many. "In New York you have Roseland, Irving Plaza and China could do with more venues comparable to this," says Jonathan Krane, chief executive of Emma Ticketmaster.

Then there are the government restrictions. When Icelandic singer Bjork added a pro-Tibet outburst to her song Declare Independence, during her live Volta tour concert in Shanghai in March this year, it angered China's culture ministry, which subsequently tightened controls over foreign singers. "[Bjork] said something without thinking, and left us [in the Chinese live music industry] to clear up her mess," says Archie Hamilton, general manager of Shanghai-based music promoter Split Works.

Culture clash? ... Bjork on her 2008 tour

But Hamilton believes there is a way forward: "We need to build a floor under the music industry here, a floor of infrastructure, and a floor of knowledge. And we need to leave our preconceptions of what we think the music industry here should be at customs."

Ed Peto

Local knowledge is key to success

Understanding what Chinese consumers want and, in particular for online business, how official rules regulate the market is vital

Flora Bagenal

According to the National Institute of Economic and Social Research in London, China's economy will surpass the USA economy by 2023, but China has already taken the lead in the number of internet users.

Figures released in June by the Chinese authorities say China has 253 million internet users. That is 10 million more than in North America, 200 million more than in the UK and three times as many users as in India, China's closest online rival in Asia.

Access to such information, not surprisingly, has revolutionised business transactions, advertising and education in China. More complicated perhaps is understanding the conditions under which China's online community has developed and analysing the impact this has had on companies profiting from its success here.

It's no secret that Chinese internet companies have traditionally faired much better in China than their foreign counterparts. Six out of 10 of the most popular websites in China are Chinese-made. Despite commanding an impressive 25% of Chinese language search engine searches, global market leader Google pales in significance next to its Chinese rival Baidu, which commands 50% more traffic in China and is the nation's most popular site. For light news stories, Chinese users go to Sina and Sohu, and it is Tudou, not YouTube, that dominates online video in China.

Ken Leung, executive director of Tom Group – the largest multi-media provider in China – says that Chinese companies have been best at tailoring themselves to China's distinct online character and strict government limits.

According to Leung, restrictions on content in traditional media such as TV and print have underlined the importance of the internet's role in spreading information and forming social networks in China. Unlike in the US where the majority of internet users are aged 30 or older and online shopping is the most popular activity, in China, under-25s make up over half of internet users, and demand for online entertainment and social interaction takes precedent.

"Rapid growth in communication and social networking means certain traditional infrastructures have been bypassed and functions popular in the west, like email, are already seen as clumsy and backwards," says Leung.

According to Sun Xiuxiu, research analyst at China Internet Network Information Centre, companies that understand the specific needs of Chinese users and can work within the specific context of government controls have profited most from China's internet revolution. "It's not just about a loyalty to Chinese brands," says Sun Xiuxiu. "Baidu does better than Google because it has staff who understand the Chinese market and can provide local content and applications like city maps or information directories.

International companies, including Google and Yahoo, have agreed to government restrictions on certain searches, saying they must abide by local rules in order to build their businesses in China.

Leung predicts that, in the future, there is likely to be greater collaboration between Chinese and foreign companies. "Nobody can be the best at everything," he says. "Take western experience and technology and add local talent and knowledge and you get the best of both worlds."

Top 10 websites in China

1. Baidu.com
2. QQ.com
3. Sina.com
4. Google.com.cn
5. Taobao.com
6. 163.com
7. Sohu.com
8. Yahoo.com
9. Google.com
10. Yahoo.com.cn

Source: Alexa.com

The Chinese internet user-base is the world's largest – and youngest

Youth logged on and ready to go

Online game and network sites are offering more than just mass youth appeal – they are the bright new targets for investment and advertising

Flora Bagenal

A recent survey by the consultancy firm Pearl Research found there are 320 million people aged between 16 and 30 in China. Nicknamed the "consumer generation" on account of their eagerness to embrace new products and life experiences, including online games or using social networks, this group is growing up at a time of rising incomes, urbanisation and a strong economy. Together they have a combined spending power of $135bn, says Pearl, making them one of the most sought-after targets in the world for media companies, foreign investors and internet and phone service providers.

"China's online youth market is simply monstrous and their appeal to investors is unparalleled," says Lonnie Hodge, chief executive of Culture Fish Media, which specialises in helping foreign companies break into the Chinese market. "You'll find this group on social networking sites, gaming sites and message boards. Anywhere they can suck up information, meet people or learn about new trends."

According to China Internet Network Information Centre (CNNIC), the growth of such sites exploded in the first half of 2008, making it the fastest growing sector of the market. To China's "consumer generation" – largely only children born into educated, hardworking and wealthy families – they offer a door to a world of information and entertainment from all over the world.

"China is catching up with the rest of the world on information sharing and citizen-to-citizen communication," says Sun Xiuxiu, research analyst at CNNIC. "These kinds of sites have revolutionised the way people in China obtain information and communicate with each other."

To domestic and foreign media companies, advertisers and investors, these sites are the latest battleground for consumer hearts and minds.

"Smart companies are learning how to exploit this resource in all sorts of clever ways," says Hodge. "Gaming sites rely on in-game marketing and product placement for revenue. Social networking sites can help beam information about a company or a product, and a well-placed plug for a brand or product from a real consumer on a message board creates a buzz about something in no time."

China is catching up with the rest of the world on information sharing and citizen-to-citizen communication

It's for this reason, says Hodge, that Chinese companies have so far dominated traffic on China's internet.

"You can't underestimate word of mouth in China. Companies like Baidu, (China's biggest search engine) and QQ (China's biggest social networking site) have built up regional networks in China and know what consumers want."

But, says Hodge, the future is bright. "The maxim for the future will be partnership. Chinese companies lack middle management and they would do well to seek out international expertise and technology. Foreign companies, on the other hand, will have to realise they can't wade in here and dominate the market without the local knowledge and consumer loyalty Chinese companies can offer."

QIN JINGZHI ; SHIRLAINE FORREST/WIREIMAGE; FREDERIC J. BROWN/AFP/GETTY

China's got talent

Demand for new content and competition from online entertainment is driving Chinese broadcasters to license international formats

Kate Bulkley

The recent growth of formats such as Pop Idol and Strictly Come Dancing is changing television programming in China.

Chinese broadcasters have long bought completed TV programmes from producers outside China but for the last few years they have also been improvising their own shows based on popular western formats, without paying anything to the original owners. International companies have stood helpless as Chinese broadcasters have hijacked many of their most lucrative ideas, ranging from an unlicensed Chinese version of The Price is Right (called *Gou Wu Jie* or Shopping Street in China) to rip-offs of the Pop Idol format in Chinese shows like Super Girl.

Over the past two and a half years, however, things have started to change. Companies including the BBC, ITV/Granada and FremantleMedia have been able to collect their first licence fees from Chinese broadcasters. "The experience in China is people tend to improvise from international formats," says Pierre Cheung, senior business development manager for BBC Worldwide in Asia, who, like all of the executives interviewed, was careful not to call the practice "stealing". "But this is starting to change because Chinese broadcasters see that the expertise and experience we have to offer them has a value."

This change in attitude has resulted in the BBC being able to license Chinese versions of Strictly Come Dancing and Just the Two of Us, both to Hunan TV. Both FremantleMedia and ITV/Granada have seen their first licensed formats air in China in the last 18 months.

China's Ant and Dec: Friday Night Takeaway presenters Ke Ma (left) and Jiong He (rght)

"It's a tough market to crack," says Peter Iacono, president and managing director, ITV Global Entertainment. "But, as in many things in China, patience is a virtue and persistence pays off."

It took ITV a year to sell the concept of Saturday Night Takeaway to Hunan TV where it became Super 2008: Friday Night Takeaway with a very similar set and a Chinese version of the Ant and Dec presenter double act. ITV was happy with the way the Chinese version of Takeaway turned out, not least because the rewards to a popular show are measured on a totally different scale in China. "Did I mention that Takeaway in China averaged 50 million viewers per episode? I love saying that. That's almost as big as the UK population!" says Iacono.

Super Girl became a national obsession with the singing contest finale watched by 400 million viewers

Chinese broadcasters are becoming increasingly interested in licensing international formats. This is due to several pressures, not least of which is competition – both between broadcasters and, increasingly, from the internet.

But there has also been a regulatory backlash after a spate of Idol-like talent shows became so popular that the government began to be concerned about their impact on audiences. In 2005 and 2006 an Idol-like talent show called Super Girl became a national obsession, with the finale of the singing contest watched by a staggering 400 million viewers. The winner Li Yuchun became a national celebrity and, because the audience was invited to send in votes via mobile phone, she also arguably became China's first democratically-made TV star.

The success of Super Girl bred copycat shows by a number of broadcasters. To stand out, the sets became more vulgar, the gossip on the shows more vicious and the judges more cruel, all of which was a step too far for China's State Administration of Radio, Film and Television. The latter consequently banned talent shows from prime time – to lower their audiences – and phone voting was prohibited.

"The government was worried that, rather than demonstrating talent, the reality shows were becoming about the individuals who were not all considered good role models for the viewer," explains Simon Spalding, FremantleMedia regional chief executive for Europe and Asia Pacific. It was into this environment that Fremantle was trying to bring its first Chinese format to air – a scouting show for young Chinese footballers called Soccer Prince (see panel).

One of the casualties of the new ban was a Chinese version of The Apprentice, produced by local producer Golden Sea. That kind of "heavy criticism" show was considered unacceptable, according to Mateo Eaton, managing director of MindShare's performance and entertainment division.

Non-talent show formats, however, are in demand. MindShare has signed up Unilever's Dove brand to sponsor the Chinese version of Ugly Betty. The first of the 40-episode series, licensed from Mexican broadcaster Televisa, goes on air on Hunan TV at the end of September.

A winner Soccer Prince

A sort of Pop Idol for aspiring young Chinese footballers, Soccer Prince on Hunan TV was a milestone for its producer FremantleMedia when it went on air in late 2007. The 19-episode programme marked the first time that FremantleMedia had successfully licensed a reality format to a Chinese broadcaster.

FremantleMedia's Simon Spalding says that offering Hunan TV a fully underwritten show (Nike was the sponsor), unique prizes (in this case, internships for the three winners at leading UK football clubs) and technical production advice, were what clinched the deal.

But after nearly three years of work by Fremantle and its partners – media sponsorship company MindShare and sports firm Kickworldwide –, Chinese regulators decided to clamp down on all TV talent shows, putting Soccer Prince's summer 2007 air date in jeopardy.

Luckily, MindShare, part of Group M, had the idea to register Soccer Prince as a sports programme, not a talent show. "We made the case we were educating people about sports and, although the kids did get axed down to three winners, it was done professionally. There was no nasty Simon Cowell figure," says MindShare's Mateo Eaton.

The new rules also meant that money-raising SMS voting was banned and a significant number of the Soccer Prince episodes were aired out of prime time. "The ratings were not as good as we had originally hoped," admits Spalding. But 130 million viewers over the life of the series is not bad and FremantleMedia is now in the process of negotiating a second season of Soccer Prince.

Kate Bulkley

Nature through the lens

Making a six-part natural history series in China was a lesson in protocol and editorial balance for the BBC and its Chinese co-producers

Meg Carter

Wild China, the BBC's first co-production in China, took five years to develop, two years to shoot and 18 months to fund during which time fundamental language, cultural and protocol challenges loomed at almost every turn.

"The idea was to make a landmark series reflecting the natural history of the whole country to be ready in time for the Olympics," explains Pierre Cheung, BBC Worldwide's senior business development manager for Asia.

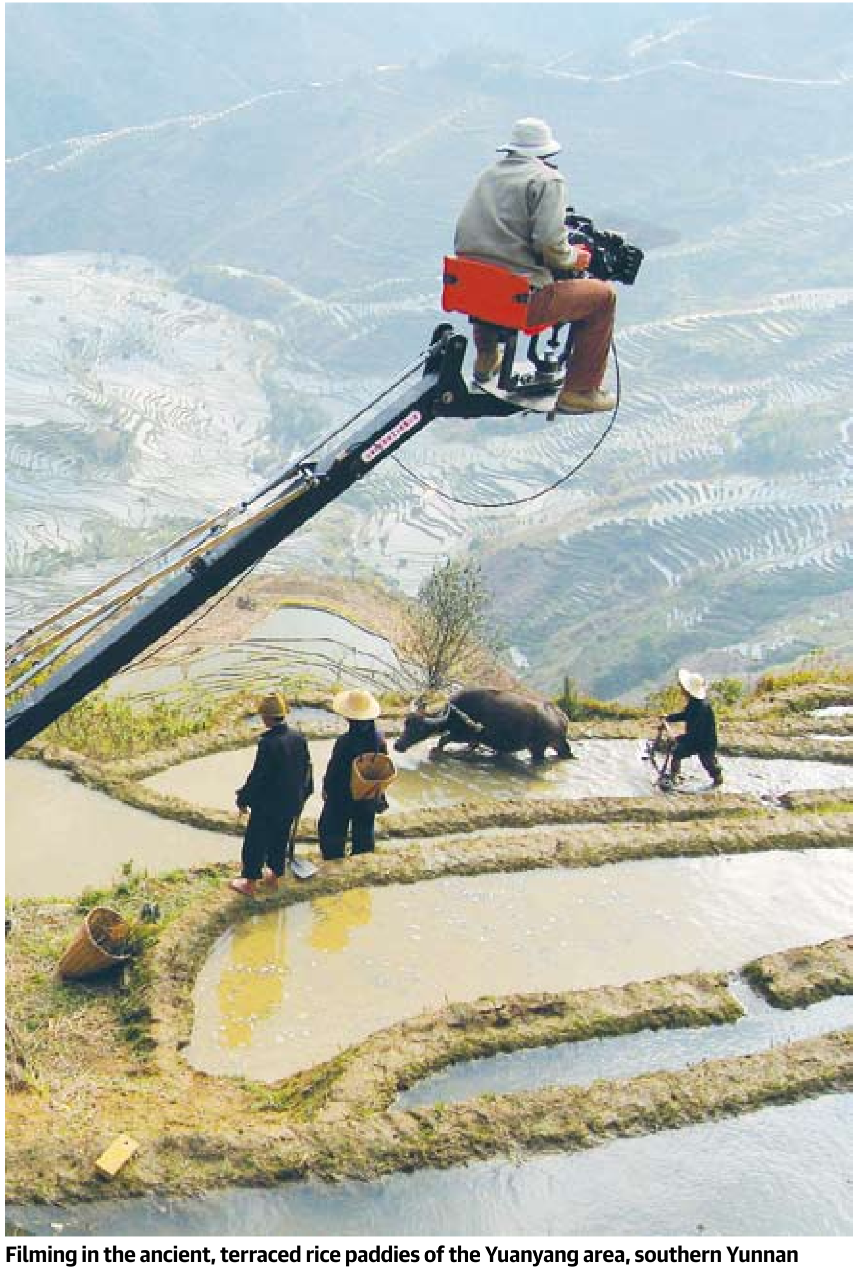
Months were spent meeting potential partners before CTV – a listed Chinese production company majority-owned by state broadcaster China Central Television – was selected. The ideal partner had to have quality production and HD capability and local and central government contacts. As important, however, was mutual trust, and securing that was a time-consuming process.

With two other co-production partners – Canal+ and Travel Channel – and a £5m budget secured, the next step was how best to structure the production, says executive producer Brian Leith. "We set up two parallel teams – one in Bristol providing production, filming and post-production expertise, the other in Beijing providing research and logistics," he explains.

Yet despite this pragmatic approach the cultural and language gaps were huge. Leith found few in China who had both good English skills and TV production expertise. Accustomed to working with local biologists to identify what to film, the BBC's Natural History Unit team quickly found that China lacked expertise it could draw on in the same way.

The BBC team also learned about Chinese protocol: it is not the done thing for junior researchers to question eminent, senior scientists.

And then there were editorial issues. Initially, CTV demanded more editorial control than the BBC was willing to give.



Filming in the ancient, terraced rice paddies of the Yuanyang area, southern Yunnan

In China it is not the done thing for junior researchers to question eminent, senior scientists

"CTV weren't thrilled with some of the narrative," Leith admits. "But to make a six-part programme about China's environment with no comment about its environmental issues would have made us look naive. We tried to accommodate their concerns, but we made changes only so long as the programme we wanted to achieve was not compromised."

PHIL CHAPMAN; MEDIACOLOURS/ALAMY; ITV PRESS

The new and the old: alongside the internet boom, print media is growing in China

Newspapers on a roll

Despite the failing western print industry, and strict local government control, Chinese publications are booming

Jamila Trindle

With all the talk about new media, it is important to not forget traditional media in China, which, unlike media in most western economies, is still in a boom time with newspapers and magazine advertising totalling $7.4bn (£4.2bn) last year, according to CTR Market Research.

CTR estimates that advertising spend across all media will show 15% growth in 2008. This is partially due to a one-off uplift from the Olympic Games in Beijing, but traditional media still has growth potential. Experts warn, however, that behind the glossy covers lurk a tangle of regulations that can make investing more risk than reward, particularly if the publication in question includes content that is unacceptable to Chinese media authorities.

While many sectors of China's economy have opened up in recent years, access to information – particularly political information – is still tightly policed. Only licensed, state-run publishing houses are allowed to put out magazines, books and newspapers. This has led foreign entrepreneurs or established brands to join up with local publishing houses, but not all these joint ventures have worked.

A case in point is Rolling Stone magazine, which made its China debut in March 2006, including in its first issue an article about gonzo journalist and iconoclast Hunter S Thompson as well as one on local rock star Cui Jian who is associated with the 1989 Tiananmen Square protests. This didn't go down well with the Chinese authorities who shut the magazine down before the second edition. "The foreign publications that have had the most success are those that have steered clear of content with a political context or depictions of lifestyles that the government doesn't think are good role models," says David Wolf, a Beijing-based media and marketing consultant.

Publishing on the internet offers a way around the complications of a business agreement with a state-licensed publishing house, but Chinese-language web content is monitored and censored by the Chinese government, even more than English language content.

"It's a constant tightrope walk," says Jim McGregor, a former journalist for the Dow Jones who now runs a China-focused research firm JL McGregor and Co. "As long as you have political control of the content by the government, media investment opportunities are always going to be limited in China."

China steps out Future business

Plans for outward expansion

With a growing domestic market, Chinese business tends to remain local, but big media players are starting to look beyond the borders

Flora Bagenal

DIEGO AZUBEL/EPA

Gordon Brown and Wen Jiabao agree to increase trade between China and the UK during talks earlier this year

When Prime Minister Gordon Brown met his Chinese counterpart Wen Jiabao on a visit to China earlier this year, he announced a plan to boost trade between the two countries by 50% by 2012. Brown's announcement was followed by an 11-city road show throughout China, to drum up interest nationwide.

By the end of the first day of the tour, Alibaba, a business-to-business trading site that is part-owned by Yahoo! and is one of the country's biggest internet success stories, announced plans to open a London office. This news was swiftly followed by a letter of intent from Chinese software giant Geong International announcing the opening of a UK branch.

While it's not the first time Chinese media companies have looked abroad – Alibaba already has offices in Taiwan, the US, Hong Kong and Switzerland – the speed with which companies responded captured the world's attention.

"Alibaba's interest in London is a signal to the rest of the world that China's media industry has produced some powerful players," says Lonnie Hodge, chief executive of Culture Fish Media in China. "As China's industry grows, we'll see more partnerships between Chinese and western companies as they realise they can help each other out."

Other companies to look abroad include Sina, China's leading news and information site, which shares content with more than 50 TV channels globally and Hunan TV, king of Chinese entertainment television, which has recently partnered up with international production company Fremantle Media to develop TV shows for China that could have a life abroad.

According to Sir Martin Sorrell, chief executive of WPP Group, several big Chinese media companies are seriously considering "what they can do abroad, not just for commercial purposes, but for government purposes as well, spreading the word about the success of China."

Leading the way is state broadcaster China Central Television, which in July signed a pioneering, 20-year, exclusive deal with IMG Worldwide, the global sports and entertainment company, to create, develop and promote world-class sporting events and sports programming across China, including Taiwan, Hong Kong and Macau. Sorrell says he is talking to IMG and China Central Television about how WPP can work with them.

However, if people are excited by the developments between media companies in China and the west, many also point out that link-ups and deals outside China are in the minority. The reason, says Linda Lin, transaction services partner at KPMG China, is the domestic market still has room for growth.

"China owns the world's largest media market by consumer volume, yet advertising spending per capita is still only a mere 2% to 3% of the level in the US, [so] most local media companies still focus their growth plan within China," says Lin.

Forward-looking Chinese media companies will investigate opportunities outside China, but foreign companies will have to offer them something extra.

Lin says that the two criteria Chinese media players will look for are "whether foreign companies can help them establish the networks they need to expand, and if they have the technology and expertise on content to do so."

Additional reporting by Kate Bulkley

Inside views How will the media business in China change between now and 2020?

Sir Martin Sorrell
chief executive, WPP

The BRIC [Brazil, Russia, India and China] economies are still roaring ahead, despite the economic problems in the west. There are two speeds now. So when does the pressure we are feeling in the west on traditional media come to the east? My guess is it will be by 2020.

There is a big difference between media agencies and media owners in China. We as agencies [WPP owns JWT and Ogilvy, the biggest agency in China, and employs 9,000 people there] are media agnostic and we don't own media so we are not subject to significant regulation. But media ownership itself is different and the stories are legion about the restrictions on media owners. Murdoch has tried and not been successful and others have tried and found it difficult. But that, in a way, is understandable given the nature of the government and its objectives.

I doubt if there will be media deregulation. On internal issues, it is best not to embarrass the Chinese in public. Better to pursue what I think the IOC [International Olympic Committee] did very well – that is a policy of silent diplomacy. Educating is too strong a word, but the Chinese do have a tremendous ability to listen and learn. We in the west have to understand that.

I think our [creative] industry will become more important. You only need to look at the opening ceremony of the Beijing Olympics, at the use of creativity and technology, quite apart from the implementation and scale, to realise that China has got to produce competitors to us and to our competitors over time. I think getting access to this talent, developing it, training it and exporting it, is not going to be easy, but it is going to be critically important.

There were many naysayers and an uneducated view that China was a nine-day wonder. I think the opening ceremony at the games dispelled that. It marked the passing of the baton from west to east and China has emerged as one of the great superpowers.

Mick Desmond
chairman, IPCN LTD

A lot of companies are looking at what China was and not what it will become. I think, in production, we will see some acquisitions by Chinese media companies quite soon because they know they want to be global players, and they know that, to export what they do, they need first-class distribution and high-quality, English-speaking content alongside their own content. I also think we will see Chinese formats with international appeal coming out of China in the next 15 to 18 months.

A key driver is the advertising market which was up 20% this year, and the forecasts for next year – even without the Olympics – are 15% to 19% growth. Today TV accounts for 65% of all advertising and, while big domestic and multinational brands fight for their share of voice in China, it is going to be a very fruitful time for broadcasters. And Chinese broadcasters realise that, to keep the market momentum, the quality of their programming has to keep improving.

I think Chinese broadcasters are opening up to more conversations about international formats, but they are being selective, both for cultural and regulatory reasons. I think there's a sense that the regulator Sarft [State Administration of Radio, Film & Television] is an iron fist but it's not. There is a clear framework and things like product placement are much less strict than they are in the UK.

Over and above entertainment formats and drama, there is a growing appetite for quality, factual shows because there is a growing class of wealthy professionals who want that kind of programme and these are the people advertisers are seeking to reach. I think advertisers will play an increasingly prevalent role in content. Subscription TV is there but it is far off from being a major force, so ad-driven broadcasting will be the key driver for TV for the next decade.

Edwin Fung, partner in charge, Information, Communications & Entertainment, KPMG China

When we talk about China, it is important to talk about the growth in consumption. There are over 500 million mobile phone subscribers in China today and internet usage has been doubling, year on year, for several years. The sectors in media growing the most are new media, mobile media and the internet.

China has a growing youth demographic, and rising incomes are also creating demand for more education and more information. It is about how to draw the attention of these young people. In television there are a lot of channels and programmes but they are far away from high-quality content compared to western countries.

Growth is coming in new media but I think it is not so much a problem of rules or media freedom, it is about the personalised nature of new media, the direct contact – that is what is attractive to people, particularly younger people.

The whole industry needs to change, and not just by lifting the ban on foreign television channels. China will have a digital platform for all television – something which is scheduled to happen in 2015. The regulations won't go away quickly and easily, as the impact of all this on the 1.3 billion people here cannot be underestimated.

It will take some time and it won't change all at once, but the trend is there, which you can see from China's commitment to the World Trade Organisation.

Ruigang Li , president, Shanghai Media Group

To see the recent Olympics as a turning point in the evolution of the Chinese media is oversimplified. Change and development will be a gradual evolution over a long period. In the long run, Chinese media policies will become more flexible, more aligned with the inherent rules of news reporting and media operation, and more attention will be given to market demands.

Some opportunities on the horizon highlight the evolution. The first is the rise of new media and the advancing of digitisation. The second is the trend of consolidation, and that, in regional and local media in particular, will bring about broadcasting networks. The third is the admission of capital into the market. Qualified media businesses will be given the green light to list and renminbi venture capitals and private equity will mature and enter the media market to provide the capital and management know-how for consolidation. The fourth is the interaction between media and relevant businesses, eg developing the Chinese sports market through the marriage of sports media and sports league management.

Even with 2,000 TV channels, China Central Television and a few provincial-level TV channels control 80% of TV advertising, leaving the ad slots of many local TV stations far from fully tapped. Consolidation in the ad market will likely expand local advertising opportunities.

Non-advertising business models are also on the rise, including TV shopping and digital pay TV, which counts 30 million subscribers. Specialised channels targeting niche audience means a great opportunity for production companies. Yet all those opportunities will only materialise if the government supports the idea of separating production from broadcasting to encourage and protect production companies of varied ownership.

With the internet, online video will be the next star. The comparatively light control for online-video licences has provided opportunities for non-state-owned websites. My personal observation is future consolidation in that sector.

Interviews by Kate Bulkley