

# Media and entertainment industry: The world and China

Global Media and China

2016, Vol. 1(4) 273–277

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DOI: 10.1177/2059436417695684

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Greetings! We are pleased to introduce this Special Issue of the *journal*, *Global Media and China* titled the “Media and Entertainment Industry: The World and China.” This Special Issue offers contributions from scholars and practitioners around the world with expertise in cultural and media studies, communication studies, digital media, law, economics, innovation and entrepreneurship, and the creative industries.

The impetus for this Special Issue began with readings of Ernst & Young’s “Spotlight on China: Building a Roadmap for Success in Media and Entertainment” and Pricewaterhouse Cooper’s “China—leading the race to digital media revenues in Asia Pacific.” These readings revealed that China has seen rapid growth in the media and entertainment industry in recent years. It is projected to rise at a compound annual growth rate of 8.8% over the next 5-year period, climbing twice as fast as the rest of the world, forecast to grow at a rate of 4.4%. This growth is fueled by the spending power of its rising middle class, now with a population exceeding 770 million. In 2016, China surged past Japan as the largest M&E market in the Asia Pacific region and the second largest in the world behind only the United States.

The Chinese government has recognized these trends, and has sought to harness and expand them. In its 12th Five-Year Plan (2011–2015) China stated its goal to have the “cultural sector,” which includes its M&E industry, become a more robust growth engine for its economy. In that Plan, the Chinese cultural sector included Internet access, Internet advertising, TV subscriptions and license fees, filmed entertainment, newspaper publishing, and music.

The International Trade Administration (ITA) of the US Department of Commerce, in its snapshot of the US M&E industry, focused on the filmed entertainment, music, video game and publishing sectors, as well as global digital trends that “connect the U.S. with the world” and “cements the [US M&E] industry’s role as a respected leader in the creation and distribution of culture.” The US M&E industry is the largest worldwide, and is expected to reach US\$771 billion by 2019; China’s M&E industry is on track to reach US\$242 billion by 2019.

This Special Issue consists of six double-blind peer reviewed articles featuring China’s entertainment media and culture power, the spirit of Chinese law with respect to intellectual property and individual ownership rights, the global film industry, China–US film coproduction, China’s digital music ecosystem, and the evolving role of Chinese fans as co-creators of M&E content. In



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addition, we feature three short papers in a section called “In Focus,” where authors have been invited to report on specific topics related to content creation, production, and incentivization within China’s M&E industry: cultural and creative media industry clusters, intellectual property and copyright law, and collective rights management.

In his brilliant paper “Entertainment media, cultural power, and post-globalization: The case of China’s international media expansion and the discourse of soft power,” Terry Flew, Queensland University of Technology, Australia, provides insight on China’s use of the concept of soft power to understand the cultural dimensions of diplomacy, and its use as a practical guide for state investment in its news and entertainment media. Flew states that entertainment media are more likely to support the aspirations of the Chinese government than news media, and that in order to understand the effectiveness of a nation’s soft power, we must recognize the limits of the transmission model of communication, which fails to recognize that reach alone (i.e. the mere distribution of a country’s cultural content) is not enough to influence another. Flew states that without its *reception* (i.e. if cultural content does not appeal or is not willingly embraced by another) then its power to influence is weak. And what is power, if not “the ability of actor A to influence the behavior of actor B?”

Flew argues that we need to let go of the term “soft power” (and its overuse) in favor of “culture power.” Flew recognizes that the real power and influence in the world that China seeks with its soft power is for those exposed to China’s M&E content to have their own values, beliefs, and ideas somehow reshaped—China wants to influence others with the *power of its culture*.

To assess and understand the ability of China’s M&E industry to create/innovate, produce, disseminate, and earn a return on investment, is essentially to measure the effectiveness of its culture power, and to date, China recognizes it is faced with a cultural trade deficit. The influence of outside cultures, especially Western culture imported by China, far exceeds the export of China’s culture (and therefore its influence) on the rest of the world. China desires to bolster the export of its media, cultural and creative industries products, services, and *way of life* in order to recalibrate this balance.

China recognizes that it needs to learn. It also recognizes that it has much to offer in return, especially the incentive of its vast marketplace to the outside world, over which it keeps tight control. Weiyang Peng, Queensland University of Technology, Australia, in her paper “Sino-US film coproduction: A global media primer,” illustrates the concept of “coopetition” (collaboration between business competitors) between the United States and China within the global film industry. The United States wants access to the Chinese market for cinema (which is projected to grow annually at 18.9% to 2020), and China wants to learn about Hollywood’s approach to global distribution—not only for immediate financial gain, but also for its longer term influence in the world via the distribution of its culture. “The Chinese government wants to borrow the Hollywood ‘boat’ to send Chinese culture around the world.”

In her case study, Peng cites the challenges of language and cultural differences that arise with US–China film coproduction and, furthermore, demonstrates the difference between “fake” and “real” coproductions—distinctions that become obvious when joint productions include fleeting “walk ons” of famous Chinese actors of which US audiences are not familiar, or brief panoramic shots of Chinese cityscapes instead of deep (“real”) cultural collaboration such as joint script-writing from the onset of film projects. Tensions from film coproduction lie in the desire for creative control (although not exactly for the same reasons). From the US perspective, there are often significant dollars—and egos—invested in a film, and most producers seek to do whatever minimum is required to get beyond Chinese government watchdogs looking for offensive content, or whatever minimum is required to pass through China’s quota system (which limits the number of foreign films allowed into the Chinese marketplace).

Giuseppe Richeri, Professor Emeritus at the Università della Svizzera Italiana, Switzerland, also references the strategy of coopetition in his paper, “Global film market, regional problems,” and

gives insight on the “complex mix of political, economic and cultural issues” faced by the China–Europe–US film industry triangle. Richeri outlines Hollywood’s strategies towards China, China’s interest in cooperating with Hollywood, and Europe’s perspective on both, as he details China’s expanding role in the global film market while the United States and European film markets are flattening out. He cites the challenge of these countries to balance their cultural differences. The United States and Europe seek access to China’s expanding market, and China seeks to sustain its national traditions at home and widen its influence abroad. The United States has shown that creative freedom is the key to generating content that sells—both economically and with respect to its culture power—but it struggles with China’s restrictions on film content and a quota system that limits the number of films given access to China’s marketplace. Lastly, Richeri cites that other than “cultural, artistic and creative” competencies, Europe has little to negotiate with China when compared to the United States’ business acumen, distribution networks, and international global influence.

China is aware that (as Flew states) in order to enhance the dissemination *and* reception of its “cultural products,” it needs to enhance “the processes through which audiences derive meaning and pleasure from such cultural forms”—China is hungry for creativity and innovation education. (It is interesting to note that Chinese character “创, chuàng” meaning “to start, to initiate, to create” is found in both Chinese words for creativity “创意, chuàngyì” and innovation “创新, chuàngxīn.”) On several occasions, author Anthony De Ritis has offered workshops on the process of design thinking (championed by the creativity consultancy IDEO) at Tsinghua University’s x-lab within its School of Economics and Management (with his colleague, John Friar, of the D’Amore-McKim School of Business), at the Communication University of China, and at the newly formed “Beijing Advanced Innovation Center for Chinese National School of Music” at the China Conservatory of Music. Design thinking was recently featured by *Forbes* and the *Harvard Business Review* (September 2016) as a “core competence” that all businesses should integrate, particularly because it is viewed as a process of creativity and innovation that is teachable, and therefore of significant interest to Chinese higher education.

Yilu Liang and Wanqi Shen, Northeastern University, Boston, United States, in their paper “Fan Economy in the Chinese Media and Entertainment Industry: How Feedback from Super Fans Can Propel Creative Industries’ Revenue,” give us a snapshot of how China’s media and entertainment companies are beginning to embrace the creative powers of their fans, and are seeking new ways to develop, invest in, and nurture their fans towards co-creating innovative new cultural products.

Liang and Shen have identified a number of parallels between what cultural studies theorists describe as “co-creation of value” and “fan labor” with the applied process of design thinking, which calls upon businesses to work side-by-side with customers and expert users during the product development process. In this context, “super fans” are content experts providing key insights to media and entertainment production companies. Liang and Shen share several case studies based on interviews with practitioners within China’s film, music, and television industries that illustrate collaborative product development through social media platforms such as Weibo and WeChat. For example, the Beijing-based Jazz-Pop duo Mr. Miss uses crowdsourcing “to get as many ideas as possible” from their fans during their song-writing process.

China’s music industry is growing; its US\$860 million music market is expected to reach US\$1 billion in 2019, led by digital revenues and mobile devices where mobile music (such as ringtone and ringback tones) is still king. Although this may sound surprising, in “An ecosystem lens: Putting China’s digital music industry into focus,” Diming Tang and Robert Lyons, Northeastern University, Boston, United States, explain that China’s three major telecoms (China Mobile, China Unicom, and China Telecom) control the distribution of mobile music to 1.28 billion subscriptions. (China’s population of 1.3 billion has more than 600 million Internet users and 500 million mobile Internet users.) Tang and Lyons describe the Telecoms as “Hub Landlords” in China’s digital music ecosystem, that is, institutions that seek to extract as much value as possible, while adding little new value

to its network. In this context, it should be no surprise that the ringtone market is still the big moneymaker in China's digital music industry, dwarfing streaming services and digital downloads. However, this is changing, as China is expected to see significant growth in the streaming of recorded music. Considering the low-intellectual property environment that exists in China—piracy of creative content is still a very significant problem—the pace of change and growth projected for China's digital music industry is impressive. Tang and Lyons present a fresh approach toward understanding China's digital music industry by referencing a classic ecosystem model pioneered by James Moore, and share how services based on e-commerce and social messaging applications are becoming the primary points of access to digital music via mobile telephony and the Internet.

In "Portrait of Justice: The Spirit of Chinese Law as Depicted in Historical and Contemporary Drama," Yu Zhang of Jackson State University, Mississippi, United States, and Nicholas Lovrich of Washington State University, Washington, United States, present an ingenious approach to understanding the spirit of Chinese law, via "images of justice" that reveal themselves throughout the history of Chinese drama, whether it be plays, opera, TV or film. There is meaning to be drawn from these art objects (cultural forms) that reflect the Chinese public's understanding of justice. Zhang and Lovrich show that the spirit of law in China is based on Confucianism and focuses on harmony, the highest ideal in dispute resolution, settling arguments through mediation.

All too often, and especially from the legal perspective of the Western world, China appears to ignore intellectual property and the issuance of copyright, which are basic tenets for generating M&E revenue in the West. Even as China moves towards Western models of intellectual property and the "rule of law," understanding the historical context of China's spirit of law helps break down many barriers to doing business with China today. "The Chinese traditional legal system has been based, predominantly, on citizen duties and obligations to the group, and not on the exercise or protection of individuals rights, or the advocacy of individual interests." Zhang and Lovrich offer valuable insight into how Chinese society thinks about justice and ownership. To communicate and be aware of China's historical values embodied in the spirit of Chinese law, breeds trust, which enhances the success rate of co-creation and collaboration.

As stated above, the Chinese music industry, and the media and entertainment industry as a whole, has been developing in a low-intellectual property environment, where piracy is still a very significant problem. David Herlihy, Northeastern University, Boston, United States, and Yu Zhang, Jackson State University, Mississippi, United States, offer in their report "In Focus: Music Industry and Copyright Protection in the U.S. and China," a brief history of intellectual property and music copyright in the United States and China, while commenting on their current state and future directions, respectively. Herlihy and Zhang make several observations on the music marketplaces in the U.S. and China, and share four key principles: (1) music creators should be fairly compensated for their contributions, (2) the licensing process should be more efficient, (3) market participants should have access to authoritative data to identify and license sound recordings and musical works, and (4) usage and payment information should be transparent and accessible to rights owners.

Fengyan Zhang, Communication University of China, Beijing, complements Herlihy and Yu Zhang's report on intellectual property and music copyright protection in her critical assessment of China's current collective rights management practices. Fengyan Zhang's report, "In Focus: The State of China's Collective Rights Management in the Context of the U.S. and Japan," compares and contrasts the performing rights organizations (PROs) of the United States, Japan, and China. PROs are independent non-profit social organizations that collect license fees on behalf of copyright holders (songwriters, composers, music publishers) and distribute these fees as royalties to members whose works have been performed. Fengyan Zhang states that although China is relatively new to the global music industry marketplace, China's sole collective management organization, the Music Copyright Society of China (MCSC), should no longer be lagging so far behind its peers in this day and age, given China's massive population and economic strength. In 2015, the royalty revenue

collected by MCSC for its members was 170 million yuan (approximately US\$25 million), only 1.25% that of the United States, and 2.43% that of Japan. Fengyan Zhang highlights several areas that need improvement, such as the separation of politics and strict government control of its non-profit social organizations; a greater level of transparency and financial reporting on the flow of funds with respect to service fees, revenue collection, and distribution; and a technological updating of MCSC's systems for data collection and storage, royalty distribution, and the reduction of administrative costs.

Si Si, China Conservatory of Music, Beijing, in her paper, "In Focus: A Report on Beijing's Cultural and Creative Industries Media Clusters," defines and categorizes Beijing's media clusters, references government policies to accelerate their economic growth, and describes their current state of development.

In 2006, the Beijing Municipal Bureau of Statistics defined Cultural and Creative Industries clusters as taking "creation, production, and innovation as the foundation; cultural content and creative achievements as the core value; the practice or consumption of intellectual property rights as the transaction feature; and provides cultural experiences for society." Si Si highlights the benefits that Beijing's economy has received from media clusters, such as the concentration of resources in a confined regional area in order to increase efficiencies and reduce cost for the means of production, with the end goal of fostering a regional competitive advantage.

The content and goals illustrated in Si Si's report on cultural and creative industries media clusters summarize well the context that this Special Issue on the "Media and Entertainment Industry: The World and China" has attempted to address. That is, the Chinese government's desire to jump-start "creation, production and innovation," "cultural content," and "intellectual property rights"—herein lies a global perspective and cross-section of the progress of China's media and entertainment industries to date.

## Acknowledgements

We would like to thank all of the contributing authors for their patience and dedication to helping bring this Special Issue to fruition. Thanks to Han Xiao, Commissioning Editor, *Global Media and China*, and Ren Tianwei, Faculty of International Media, Communication University of China (CUC). And special thanks to Dayina (Connie) E, and Sara Reich, recipients of Northeastern University's Undergraduate Honors Research Awards; Kenneth See Dehui, Chenyu Shou, Anh Duc Nguyen, Eddie Chow, and Dr. Zhang Wenjun, for their research and support from the onset of this project.

## Funding

The author(s) received no financial support for the research, authorship, and/or publication of this article.

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