

New Strength: Independent Television Companies In China's Television Industry

Abstract

As most of people know that all of mass media are state-owned in China, television stations are not exceptional to belong to the enormous state-owned system. But to date, with the economic reform in the broadcasting system and China entering into WTO, the television industry has increased greatly and the television market has matured with more and more competition. The players in China's television industry have changed from the monologue of TV stations to multi roles of TV stations, production companies and overseas television companies, although TV stations are still the majority of China's TV market. Especially, private television production companies are becoming more and more active in this market. In this paper, I will describe the development process and challenges of this group in China and ask whether the emergence of this group means for the whole China's TV industry?

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Introduction

Since the economic reform of the 1980s, the television organizations have become to reform the function from the government 'institution' (shiyue) to the state-owned 'enterprise' (qiye), changing their operation from the government funding to commercial management through the business of the advertising and program rights. The scale of television industry has increased over 10 times. By 2005, there were 302 TV stations, 1932 Radio & TV stations (1,272 of them are rural TV stations) that operate a total amount of 1227 channels and broadcast 12,831,800 hours one year across the country, covering 95.81 percent of entire population of 1.3 billion persons, including 12.6 million cable users(SARFT 2006, 47).

Over the course of the gradual reform of 'industrialization', 'commercialization' and 'corporation', state-owned TV stations have transformed from completely political propaganda 'mouthpiece' to the multi-roles of political presence and commercial force. But the speed of the growth of TV stations still cannot catch up the pace of market demand. The statistics shows that the production hours of TV stiaions just occupied 20 percent of the broadcasting hours in the whole country(SARFT 2007). The original production system in TV stations has been not able to satisfy the demand in the current situation. Consequently, television stations began to seek support from outside the system.

In the terms of the broadcasting policies - 'socialization' and 'marketization' in recent years, the independent studios and outsourcing began to emerge in the market naturally together with the loosened policies from the 1990s. Since the first independent TV production company was build in 1994 in China, there have been over 1500 independent television production companies (SARFT 2006). Especially, in the TV drama market, over 80 percent of production comes from the independent companies (Lu 2005).

In the global context, independent television companies comparing to large media bureaucracies are more flexible and engage in different projects in the production chain: from concept to distribution, from origination and commissioning, through production to post-production.Under the threat from commercial pressures, the big media bureaucracies have to outsource more and more contract production. The commercial bureaucracies also have to break the larger organization into smaller autonomous operating units (Hesmondhalgh 2007).

With the development of satellite and digital distribution, the evolution from the public service to a dual track public-independent model occurred in the 1980s in most European countries and some Asian countries. Television has become characterized by new patterns, agendas and business models (Moran and Malbon 2006, Preface). During the 1990s, the privatisation of public channels and the licensing of new commercial channels in Western Europe promoted the role of independent production. Due to the nature of the market and a propensity to maintain control of content, independent production emerged in East Asia later, too (Keane, Fung and Moran 2007).

Independent television companies with Chinese characters

Generally, 'independent' production is discussed in relation to 'mainstream' or large-scale activity driven primarily by a profit motive or presenting mainly dominant views in society (Branston and Stafford 2006). Being 'outside the mainstream', the 'independent' sector is aligned alongside the four main networks in the US, the main public service system in the UK, and the state-owned system in China.

In China, the production organizations can be divided into two categories: one is inside the broadcasting system; the other is outside the system. The former used to be the units of the television stations, such as the drama production department. After the reform of the broadcasting system, gradually separated from the stations and became subordinate production companies in the enterprise operation. The latter can be divided into two types: one is still state-owned or partly state-owned, by government departments, such as Jindun Television Cultural Centre of Ministry of Public Security; the other is totally private companies. The former can be considered as the quasi-independent style and the latter is the only fully-independent companies in China. Generally, the fully-independent television companies are called "Min Ying Dian Shi" (Private TV).

The development of independent television companies is described in three stages (Lu 2005 Preface): 'non-oxygen' stage; 'lack of oxygen' stage and 'feeding with oxygen' stage.

- 'Non-oxygen' stage: Before China's economic reform in 1978, the mass media was regarded as the important tool for ideology propaganda and media organization was considered as one part of political bureaucracies. There was no any space for the commercial operation in TV stations. That means the market value chain including financing, distribution, audience

rating and etc nearly did not exist. Generally, each TV station produced all the programs just for itself and most of the programs had to be put into the warehouse after once broadcasting. Before the competition appeared in TV industry, there was no any space for independent companies just like non-oxygen environment for the livings. As the 'mouthpiece', the mass media always is always considered as a sensitive field for the private investment and is controlled by the government strictly. Therefore, it is not surprising that no policy or regulation was mentioned about the management of the independent companies in this field before 1995.

- 'Lack of oxygen' stage: Until 1994, the first company in the business with TV production registered in the trade department of the government. The concept of the independent TV came up to enter the mind of Chinese policy makers, although before then quite a few of such kind of group already born 'underground'. The first Broadcasting Regulation involving this concept was decreed in 1995 which banned totally the development of the independent production companies, but in fact, this regulation never had been executed well. With the deep reform of the market economy in China and the boom of the television industry, the scale of independent companies increased greatly. Particularly, the regulations in 1997 decreed by SARFT mentioned that the independent companies can be allowed with the permission of some government departments. Since then, some independent production companies came up from the underground in the developed area, such as Beijing, Guangzhou and Zhejiang.

- 'Feeding with oxygen': By 2000, the quantity of the independent TV production companies has been the twice than TV stations in the Expo of Beijing International Television, totally 317. In 2002, the terminology of 'separation of production and broadcasting' was brought up and discussed by many producers and experts. It comes from the 'commission' of BBC program production. The reform of 'separation of production and broadcasting' was to change the multi-function TV station which control all the production of programs, broadcasting and distribution to simple-function TV station which mainly produce the news and control the broadcasting platforms. Therefore, the independent companies would have more space to manage the business of production and distribution. But today how to develop independent television companies is still a sensitive topic for the government.

Index of the important milestones relative to the independent TV production:

Time	Events
1994.11	The first 'TV production company' with the 'advertising company' title, 'Jia Shi Advertising and Cultural Company', set up in Beijing;
1995.9	No.16 Regulation by SARFT ,The No.5 rule: It is not allowed to build up independent film and TV companies, Temporary regulations about the organizations of the film and TV ownership and management, by former SARFT;
1997.9.1	Rule.31 in the Regulation of Radio and Television Management: Some production organisations with the approval of the Radio and TV administration departments can produce programs;
2002.11	Notice: The independent film and TV companies can be certified once they are approved by the relative department of the government, by SARFT;
2003.12	Doc. 105 by State Council Office, Rule No. 10: The social invested cultural companies can be treated as the same standard with the state-owned cultural organizations;
2004.8	No.34 Regulation by SARFT, Rule No.5: The government encourages the social organizations or the state-owed companies to do the business in the film and TV production,not including the companies who have the investment from overseas;
2004.11	No.44 Regulation by SARFT , The companies overseas are allowed to invest in the co-operation and co-invested production companies and the highest percentage of the share they can occupy up to 49%.

From 1994 till today, they experienced the ban, acquiescence and approval by the government. Through over ten years' development, this group has grown up to become a very important part of the whole television industry and involved in every part of production. Particularly, some of them already brand some programs in the market (See the table below).

Name	Headquarter	Foundatio	Famous	Brief Background
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		n Time	brand	
Jia Shi Media Company (Jiashi Chuanbo)	Beijing	1994	Social News Programs	The oldest production company in this field
Tang Dragon International Media Group (Tanglong Guoji)	Beijing	1995	'Entertainment 365'; 'Nike Knowledge Garden' co-production with Nickelton Channel of Viacom	over 10 programs distributed to different level TV stations; the programs platform includes TV dramas, fashion, entertainment, business report and children programs
Enlight TV Production Co. Ltd (Guangxian Chuanme) www.netandtv.com	Beijing	1998	'Entertainment Live' used to be broadcasted in over 20 cities	12 programs broadcasted in over 600 TV channels; extend the content production in mobile SP, internet and other new media; merged with a SP listed company, Huayou Ltd in Nov 2007
Joyful Culture and Entertainment Co. Ltd (Huanle Chuanmei) www.joymedia.cn	Beijing	1998	'Happy together' (Huanle Zongdongyuan) ; Cultural Report Daily(Meiri Wenhua Bobao)	major in the entertainment TV programs
Yinhan Communication Co. Ltd (Yinhan Chuanbo)	Beijing	2000	BTV 'Life Channel'(2004-2006)	major in the business with Beijing TV station
Stellar Media Co. Ltd (Xingmei)	Beijing	2001	Multi-platforms including the	The biggest company in this field with the registered capital 320

Chuanmei)			magazines and DVD etc.	million RMB
Egasus & Taihe Entertainment International (Paige Taihe)	Beijing	2002	'Global Film Report' (Huanqiu Baodao); Program design for Neimenggu TV (since 2006)	formerly Egasus International from 1993
Bao Li & Hua Yi Media Group (Baoli Huayi)	Beijing	2003	Hainan TV 'Travel Channel' (2005 till now)	formerly Hua Yi Media from 1996; the main control company state-owned Baoli Group
Guanghua Centenary Media Company (Guanghua Shiji)	Beijing	2003	'Police Life' co-production with the film and TV production center of Ministry of Public Security of China	Mother company Guanhua Group including the equipment and music production
Qixinran Media Organization (Qixinran Chuanbo) www.qixinran.com	Beijing	2006	'Lucky 52' 'Golden Apple' 'Healthy Life' etc in CCTV	formerly Advertising Company from 1997; mother company Qi Xinran Group including film, dram production and animation

In China, most independent companies have three kinds of business with TV stations: one is the outsourcing programs or part of the production, including the packaging, advertisement, content production or management but the independent companies cannot possess any copyright to the programs; then another is co-production of programs with the sharing of copyright which is some part of right for distribution; the final type is to produce the programs autonomously and sell to TV stations. Generally international companies mainly operate in the third way but in China it is the hardest way to gain the cash or revenue back. Most TV stations only provide a few minutes of time

in the programs as the return. The independent companies have to find sponsorship for themselves. Until now, most of the independent television companies still depend on the first business model as the main revenue.

Roles of independent television companies in China's TV industry

Different with the monopoly of TV stations before, there are many players in the television market in China today, including independent television companies, overseas media companies and TV stations. The independent television companies play a multi-functional role among them.

The role for TV stations: content providers and distributors

Most of the founders in these independent companies began their career inside the state-owned media system and then quit their jobs to set up independent companies. Therefore, they kept special relationships with the TV stations. Basically, they have three main kinds of business collaboration with TV stations (Zhou 2006): one is to produce the commissioned programs or part of the production, including the packaging, advertisement, content production or management but the independent companies cannot possess any copyright to the programs; then another is co-production of programs with the sharing of copyright which is some part of right for distribution; the third type is to produce the programs autonomously and sell to TV stations. Generally international companies mainly operate in the third way but in China it is the hardest way to gain the cash or revenue back. Most TV stations only provide a few minutes of time in the programs as the return. The independent companies have to find sponsorship for themselves. Take examples of some of famous independent companies in China. Among the table of 10 independent television companies, Qixinran Media Organization and Yinhan Communication Co. Ltd have the business in the first model, separately producing some content for CCTV and BTV; Guanghua Centenary Media Company and Jia Shi Media Company just co-produce some programs with some TV stations or third party; Enlight TV Production Co. Ltd and Egasus & Taihe Entertainment mainly produce the programs autonomously.

The role for the government: survivor in the small space

The government always is the monitor and controller in TV industry and any other field in China. The *State Administration of Radio, Film, and Television* (SARFT), as the direct regular of TV industry, conducted everything including programs content and the market trade. Once they find any content not in accord with their guidelines, they can impose a ban or a fine. This kind of unstable element increases the risk for independent TV independent production companies. An example is the development of Reality TV in China (Xie and Chen 2007; Yin ,Ran and Lu 2006), from 2000 to 2007, this genre experienced a boom in Survivors' model in Chinese versions, a peak with Pop Idol's model and a subsequent ban from prime time by SARFT. During these 7 years, the independent TV production companies acted in exploring this new genre, developing new programs and co-producing with TV stations in order that they shared the risk and budget. But today, Reality TV hardly appears in the mainstream media. In fact, the attitude of the government to independent TV production still is unclear. However, with further development of the market, policies facilitating the relationship between the independent TV and TV stations should be clarified more clearly.

The role for overseas companies: collaborators and competitors

With the China's entry to WTO in 2001, the relationship between China's enterprises and overseas companies becomes much closer and the competition become much fiercer (Shi 2000). The first policy allowing overseas media production companies to invest in China was promulgated in 2004. International media groups had however been involved in the media market in China for a long while, particularly, international media conglomerates. Since the first cartoon programs from Disney, Mickey Mouse and Donald Duck were broadcast in CCTV in 1986, Disney claimed they became the biggest overseas Television content provider in China (Disneybox.com). Localised cartoon program of Disney, The Dragon Club has been distributed to over 40 city TV stations since 1994. Viacom and News Group have also made their ways in the broadcasting platforms. Nickel Channel under Summer Redstone, with their co-production partner in China, Tang Dragon International Media Group, began their business in China in 2001. The Sky Satellite TV (xingkong weishi) under Rupert Murdoch entered into the cable network in Pearl River Delta in 2002. The same rules with American network were carried out in the Sky TV in China,

that they mainly bought the programs from the local production companies. On the whole, the overseas companies collaborated with local broadcasting organisations in two ways: one is to collaborate with TV stations directly; the other is to collaborate with local TV production companies. However, in spite of the state-owned system, TV stations always take a careful attitude to the collaboration with the overseas companies, particularly as some TV stations were punished by SARFT after some incidents. Collaboration with local companies seems the best choice overseas companies. Certainly, some of them appreciate keeping their brands unique so they will localise their programs. Then they become the competitors for the services of local content production companies.

Roles of independent television companies for television innovation ecology in China

Innovation System is an important approach to television content production (Cunningham et al. 2005). How and why do Television industries grow to become innovative? The innovation and strategic planning are important. In order to analyze the production development of China's TV industry in the global context, I borrowed the idea of Michael Keane's six-stage innovation ecology of East Asian creative industries(2007). Here I use the early 5 stages to explain China's TV production levels: 1) Low-cost production; 2) Imitation; 3) Co-production and formatting;4) Niche market; 5) Industrial cluster. To date, the average television production in China still stays mostly the lower layers in the innovation process: outsourcing and cloning. In order to reduce the production cost, television stations in China outsource production to the independent companies to reduce costs. However, the uncertain policy for such kind of outsourcing, including censorship of content, increases the risk. Low-budget producers look for the easy way: produce safe content. Meanwhile, a lack of the copyright regulation has led to overrun of cloning and imitation from successful overseas programs. Therefore, you can 'enjoy' nearly all the latest television genre in Chinese versions although without the license or franchise. To share the risk and the cost, some co-productions have appeared between independent companies and television stations or other third parties, such as some producers from Hong Kong or Taiwan. Some independent companies have subsequently realized the importance of branding and began to target niche markets, for instance, children programs and entertainment programs.

Program production in the international practice of format-driven program-making has developed with its attendant practices in the realm of imitation,

licensing, franchising, 'simultaneous accidental innovation', and so on (Keane 2007; Keane, Fung and Moran 2007).

Therefore, you can enjoy nearly all the latest television genre in Chinese versions although without the license or franchise. For example, there are three Chinese versions of the program 'Dancing with Stars' original from ABC in US, which was broadcasted all over the country through three different satellite channels: Shanghai Oriental STV, Fujian South-eastern STV and Zhejiang STV. Among them, only Zhejiang STV was authorized with the formal license.

How can this be developed to target high-valued niche markets or other demographics? One answer is found in the idea of the media cluster effect: the fifth stage of the innovation ecology. Although the 'independent' is linked to alternative production, in fact, all media work is 'dependent' on technology, funding, etc. Therefore, most media productions require collaboration between creative and technical teams, and they need an organization to distribute the work (Branston and Stafford 2006). According to the general definition about the cultural industries, the media cluster is effective to provide these characteristics to the independent companies by a distinctive set of production and distribution relations. While companies compete with each other, the media cluster can help them build up the network with the relative parties, to make links, to save money and share risks. In fact, nearly 80% of independent television production companies in China are in the area around CCTV and Beijing TV station. This area seems already to form like a media cluster. As the capital of China, and the political and culture centre with all the biggest media organizations in China, Beijing is the most attractive city for creative persons and creative organizations. Meanwhile, as a city in the possession of China Central Television (CCTV), Beijing Television and many television and film universities such as Communication University of China (CUC), Beijing is certainly an attractive city for the media. A mass of independent television companies are found around CCTV, BTV and CUC. They produce content of the outsourcing programs for TV stations all over the countries. They enjoy the advanced service of business and finance; share the high technology and policy risk; and build up a big social network and national relationship. Here, all the independent companies in the competition can only survive by continuous adaptation, innovation and perhaps entering into new areas of activity. But whether the possibility of China's high valued television production comes to true successfully still depends on many factors.

Conclusion

There are four main factors we have to consider in the development of independent television companies: government policies, new media technology, global market value chain and the media right. The main impact for the development of independent television companies are government policy. Compared to the legislation of American syndication rules and British broadcasting deregulation, independent production in China has not been received enough attention from government. The rights of the programs commissioned or co-produced with TV stations cannot be protected for independent television companies. The independent companies in China generally cannot argue with TV stations in the framework of the policy protection. In the global context, the commission and co-production are also common types of business model between independent producers and broadcasting organizations but the rights are encouraged to be kept for the independent producers and companies, such as in the UK and Korea.

As a legacy of the state-owned system, distribution and programs trade is still an unfamiliar concept for the majority of TV stations but it is not easy for them to give away the programs' copyright. TV station still is the monopoly power to control all the broadcasting platforms in China' TV industry. Therefore, most independent TV production companies seek to exploit multi-platforms to avoid risk, especially in the new media. They are becoming the biggest content provider group in the Pay TV, mobile TV, IPTV and any other new media in China. The lack of reward in the traditional TV drives them to develop gradually the new media market.

All the core process of market value chain has been professionalized in domestic market. However, the media industry is becoming globalized within transnational media networks of production and distribution. Different regions play different roles in this global value chain. Typical examples of production centres include Los Angeles (Hollywood), Hong Kong and Mumbai (Bollywood). In particular, the Netherlands emerged as a centre for the format industry in the 1990s (Keane, Fung and Moran 2007). However, how to position its media content in Asia and the world is still a problem for China.

Media right plays an important role of the television market, especially the US licensing model as the leader of the international market with the licensing model. But in China, independent television companies have to face the high degree of copying and emulation in Chinese production market. When some of producers are looking for new sources of inspiration and innovation, some of producers have found the shortcut from imitating other

successful programs from overseas or domestic. Even some independent television companies have created some unique successful program brands, but generally it will have to compete with several similar programs within a couple of months.

To date, in the global post-broadcasting era, media formats begin to multiply and convergent with new technology development; media audiences become more and more fragmental and global media groups come closer and closer to the domestic market. China's TV industry has to transform much flexible system to face these challenges too. I believe the independent television companies will be a good new strength for the diversity and high quality of the TV content production in China if they could get enough attention.

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