

Chapter 5

Policy Evaluation: China

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CHAPTER 5

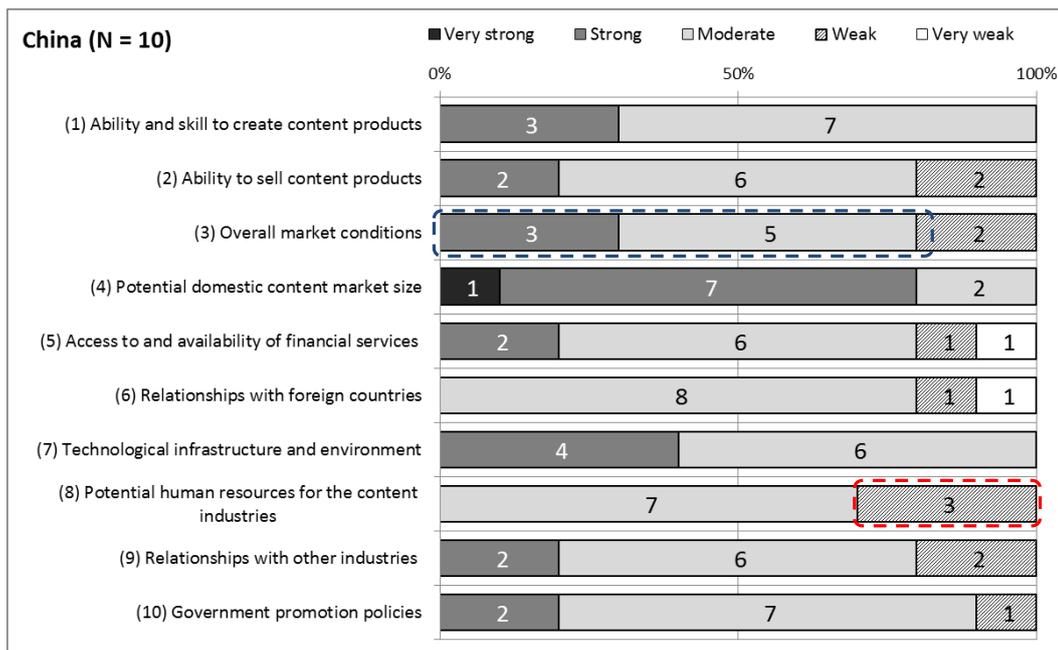
Policy Evaluation: China

1. Strength/Weakness, Opportunity/Threat (SWOT) Analysis

1.1. Strengths and weaknesses: survey results

Figure 5-1 shows strengths and weaknesses, and Figure 5-2, strengths and weaknesses by respondent category. The results indicate that the majority of respondents, especially companies, recognise ‘potential domestic content market size’ as the industry’s strength.¹ Possessing a large domestic market that provides economies of scale and nurtures industry development is seen as leveraging market growth.

Figure 5-1: Strength and Weakness



Source: Evaluation Survey of Content Industry Promotion Policies.

Although no element has the majority of votes, ‘potential human resources for the content industry’ seems to be the weakest and is strongly recognised as such by company respondents. Given the labour-intensive nature of the content industry, improving this

¹ The size and growth of China’s domestic content industry market is explained in Chapter 2.

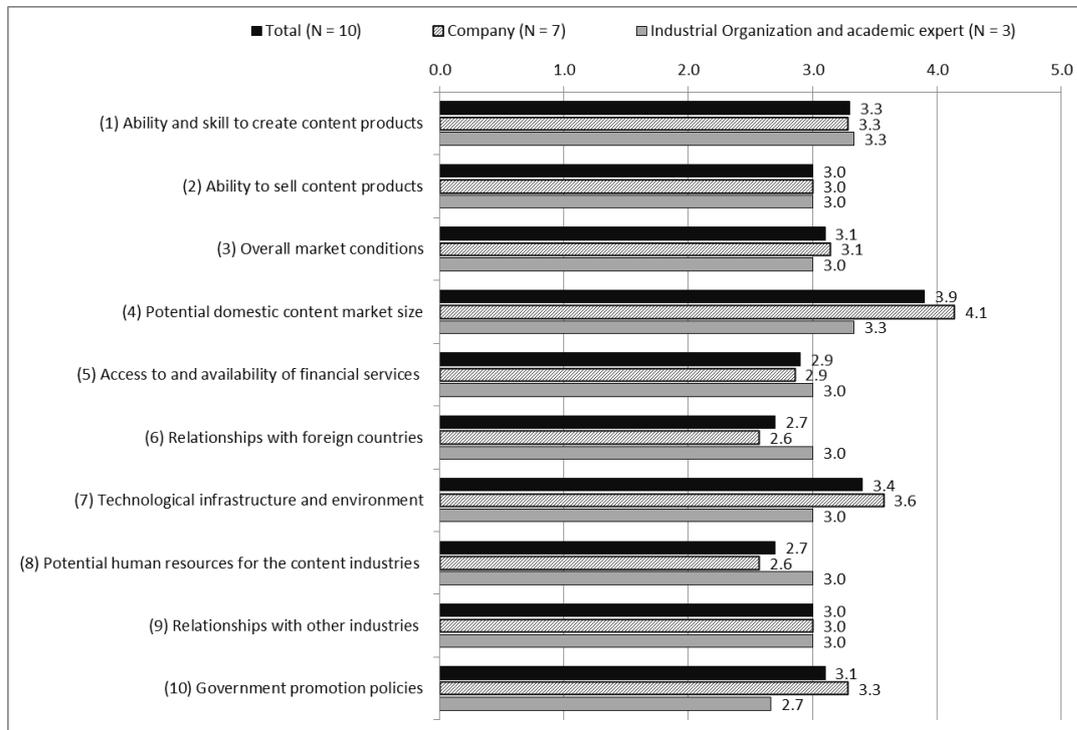
element would enable China to make the best of its potential domestic market and further develop its content industry.

1.2. Current and future challenges

Figure 5-3 shows the results for current challenges facing the content industry. The most recognised issues are ‘spread of pirated content’ and ‘insufficient use of new technologies’. The rising awareness of piracy shows that more people in China are becoming content creators as well as users, and recognise that allowing content creators and content providers to make a profit bodes well for the content industry’s development.

The majority of responses were for increased operation cost, which is mainly due to increased labour cost brought about by economic development and considered to impact the region’s outsourcing structure.

Figure 5-2: Strength and Weakness Score: Respondent Comparison²



Source: Evaluation Survey of Content Industry Promotion Policies.

² The responses were converted into weighted average scores for comparison.

Figure 5-3: Current Challenges



Source: Evaluation Survey of Content Industry Promotion Policies.

China used to be a destination for outsourced jobs, but these are shifting to countries in the region with lower labour costs. Table 5-1 shows that company respondents point out the challenges of adapting to new media and platforms, and the need to promote or provide the environment to stimulate innovation in the content industry. These elements are essential to the sustainability of the content business.

Table 5-1: Free Descriptive Answers Regarding Current and Future Challenges

Category	Comment
Company	<ul style="list-style-type: none"> Creation of new media content, better integration of big data, more suitable content for new-media communication platforms and new-media audiences [1,2,3,5/2,3,4] 1. Continuous innovation 2. Innovation protection mechanisms [1,2,3/1,2,3,4,5,6] Lack of a way to precisely meet the needs of different markets and audiences [1/1,3,4,5,6] Adapt to new business models and technologies [1/1,3,4,5]
Industrial Organisation, Academic Expert	<ul style="list-style-type: none"> Lack of professionals and application platforms [1/1] Availability of Hollywood blockbusters via new media and the Internet [academia/3,4,5] Lack of enabling environment for content innovation [1/1]

Note: Numbers after each comment describe the sector and operation the respondent is engaged in. [1 = TV programme, 2 = film, 3 = animation, 4 = games, 5 = music, '-' = no response / 1 = production, 2 = post-production, 3 = broadcasting, 4 = distribution, 5 = sales, 6 = purchase/aggregation, 7 = manufacturing, '-' = no response]

Source: Evaluation Survey of Content Industry Promotion Policies.

1.3. Strength/Weakness, Opportunity/Threat (SWOT) Analysis: Update of the FY2012 Report

The update of the ‘Study on the Development Potential of the Content Industry in East Asia and ASEAN Region’ (FY2012 Report) (Table 5-2) takes into account the survey results and recent market trends (Chapter 2) and policies (Chapter 4).

Its domestic market size and growth are a huge advantage for China. Growth brings with it greater production capability to supply domestic content, although China still faces potential human resource issues such as increasing cost of labour.

The government has been supporting the content industry, and content companies are enjoying the benefits of supplying the huge and fast-growing domestic market. Such government policies are expected to contribute to human resource development.

In spite of current anti-piracy measures, piracy remains a critical issue.

Table 5-2: SWOT Analysis—China

Internal	
<p style="text-align: center;">Strengths</p> <ul style="list-style-type: none"> ● Large domestic content market ● Technological infrastructure and environment ● Ability and skill to create content ● Increasing capability to supply content due to increasing demand in the large domestic market ● Aggressive promotion activities in international trade exhibitions and markets 	<p style="text-align: center;">Weaknesses</p> <ul style="list-style-type: none"> ● Spread of pirated content ● Potential human resources for the content industry ● Relationships with foreign countries ● Limited access to and availability of financial services ● Growing operation and production costs (and, eventually, rise in content prices) ● Limited experience in sales promotion abroad
<p style="text-align: center;">Opportunities</p> <ul style="list-style-type: none"> ● Domestic population, gross domestic product (GDP) scale, and economic growth rate ● Moderate penetration of the Internet and fixed broadband ● Chinese companies starting operations overseas ● Implementation of new media and platforms. Diffusion of services such as Baidu, Sina Weibo, etc. 	<p style="text-align: center;">Threats</p> <ul style="list-style-type: none"> ● Ethnic and language barriers (especially for actors) ● Regulations related to importing programmes
External	

SWOT = strength/weakness, opportunity/threat.

Source: Authors.

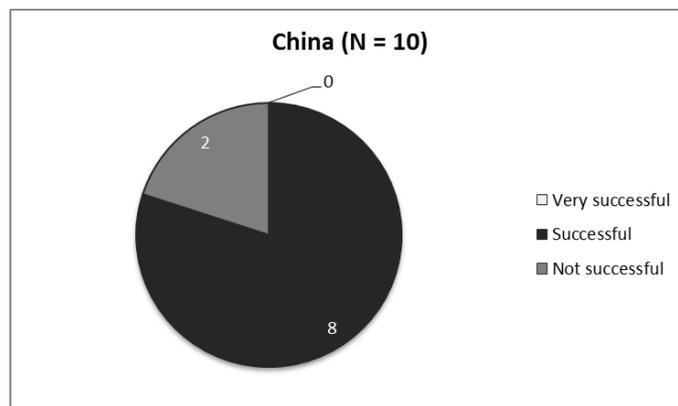
2. Policy Evaluation

2.1. Overall evaluation

Figure 5-4 shows the survey results for the overall assessment of related policies. Eight out of ten respondents (80 percent) indicate a positive response ('very successful' and 'successful').

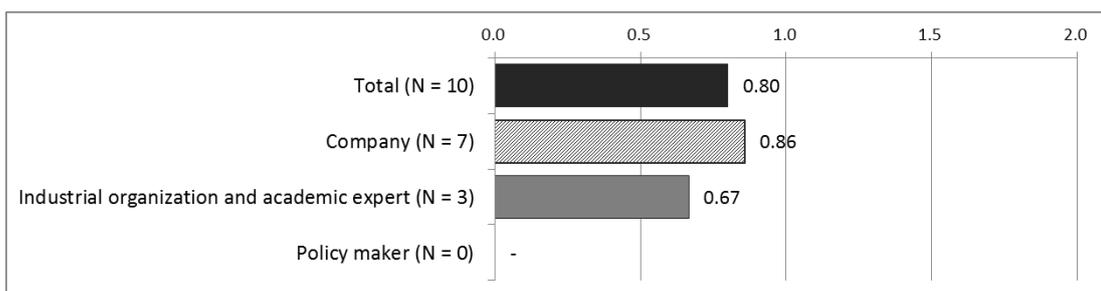
Figure 5-5 shows the score for each respondent category, indicating the gap between stakeholders.

Figure 5-4: Overall Assessment of Content Policies



Source: Evaluation Survey of Content Industry Promotion Policies.

Figure 5-5: Overall Assessment of Content Policies—Score per Respondent Category



Note: Figures indicate weighted average of number of respondents and weight (very successful = 2, successful = 1, not successful = 0).

Source: Evaluation Survey of Content Industry Promotion Policies.

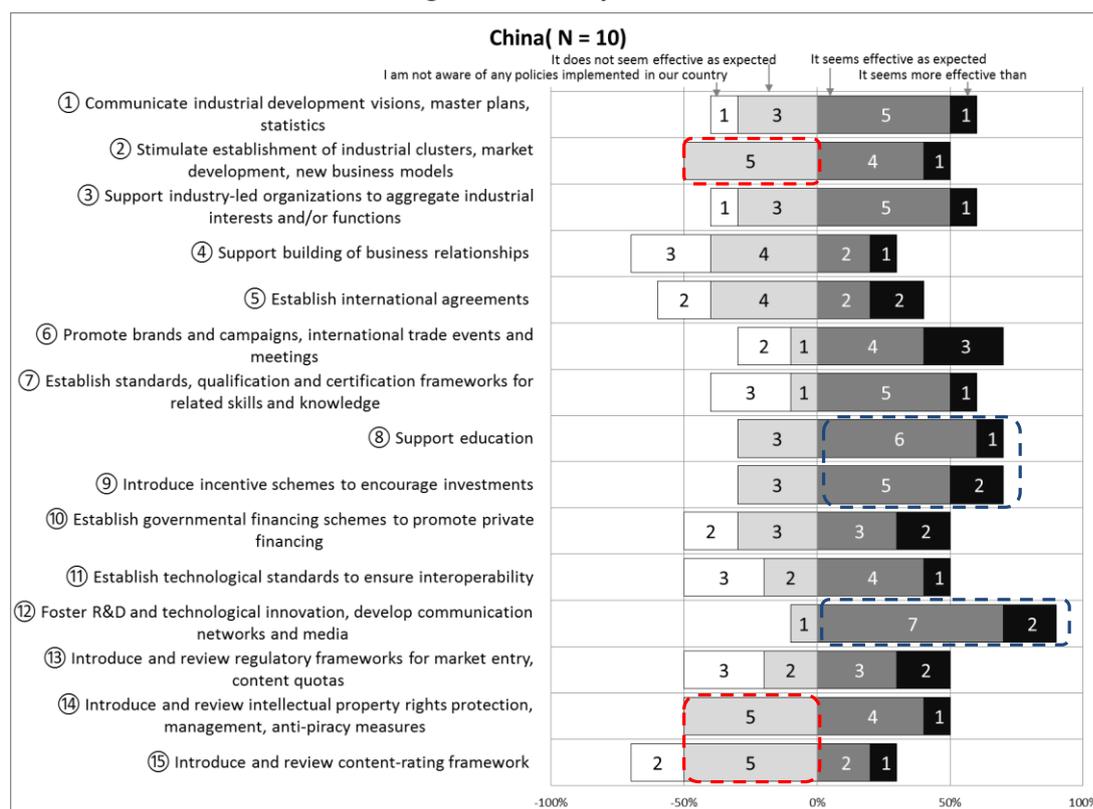
2.2. Effectiveness of Current Policies

Figure 5-6 shows the survey results on implementation awareness and policy effectiveness. The results indicate the respondents' awareness of how the policies meet

their expectations. The majority support seven policies—#1, #3, #6, #7, #8, #9, #12.

The most number of negative votes go to #2 (Stimulate establishment of industrial clusters, market development, new business models), #14 (Introduce and review intellectual property rights protection and management and anti-piracy measures), and #15 (Introduce and review content-rating framework).

Figure 5-6: Policy Effectiveness



Source: Evaluation Survey of Content Industry Promotion Policies.

Figure 5-7 shows, in descending order, the policies considered to be highly effective. Policy #9 (Introduce incentive schemes to encourage investments) has the most votes. Figure 5-8 describes the effects and outcomes that have resulted from policy #9. Most respondents have enjoyed increased revenue, business opportunities, networks, and investments.

2.3. Key success factor

Figure 5-9 shows what respondents consider an important element (key success

factor) for maximising the effectiveness of policy #9 (Introduce incentive schemes to encourage investments), which is regarded as the most successful.

Figure 5-7: Policies Regarded as Effective



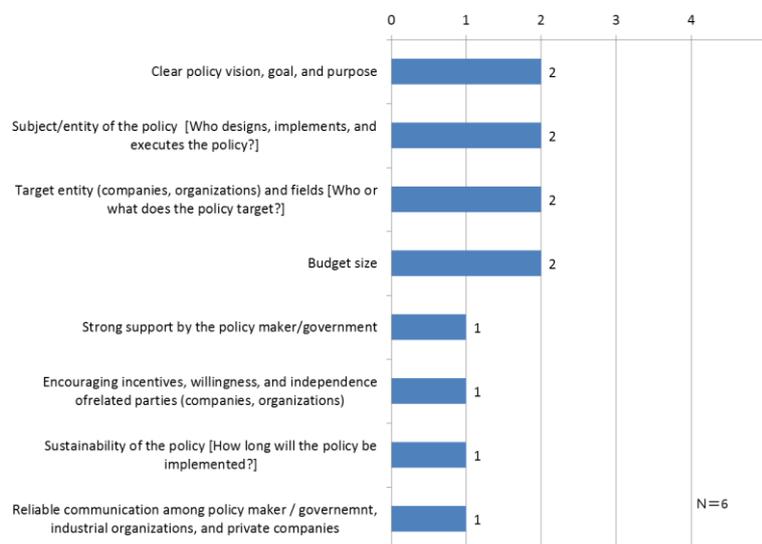
Source: Evaluation Survey of Content Industry Promotion Policies.

Figure 5-8: Effects and Outcomes as a Result of Policy #9 (Introduce incentive schemes to encourage investments)



Source: Evaluation Survey of Content Industry Promotion Policies.

**Figure 5-9: Key Success Factor of Policy #9
(Introduce incentive schemes to encourage investments)**



Source: Evaluation Survey of Content Industry Promotion Policies.

2.4. Challenges

Figure 5-10 shows the policies considered to face challenges. Policy #14 (Protect intellectual property) has the most votes. Figure 5-11 shows the difficulties and constraints of policy #14, which many respondents think is lack of strong leadership of policymakers and governments, and the policy’s sustainability.

Figure 5-10: Policies Needing Improvement



Source: Evaluation Survey of Content Industry Promotion Policies.

**Figure 5-11: Difficulties and Constraints of Policy #14
(Protect intellectual property)**



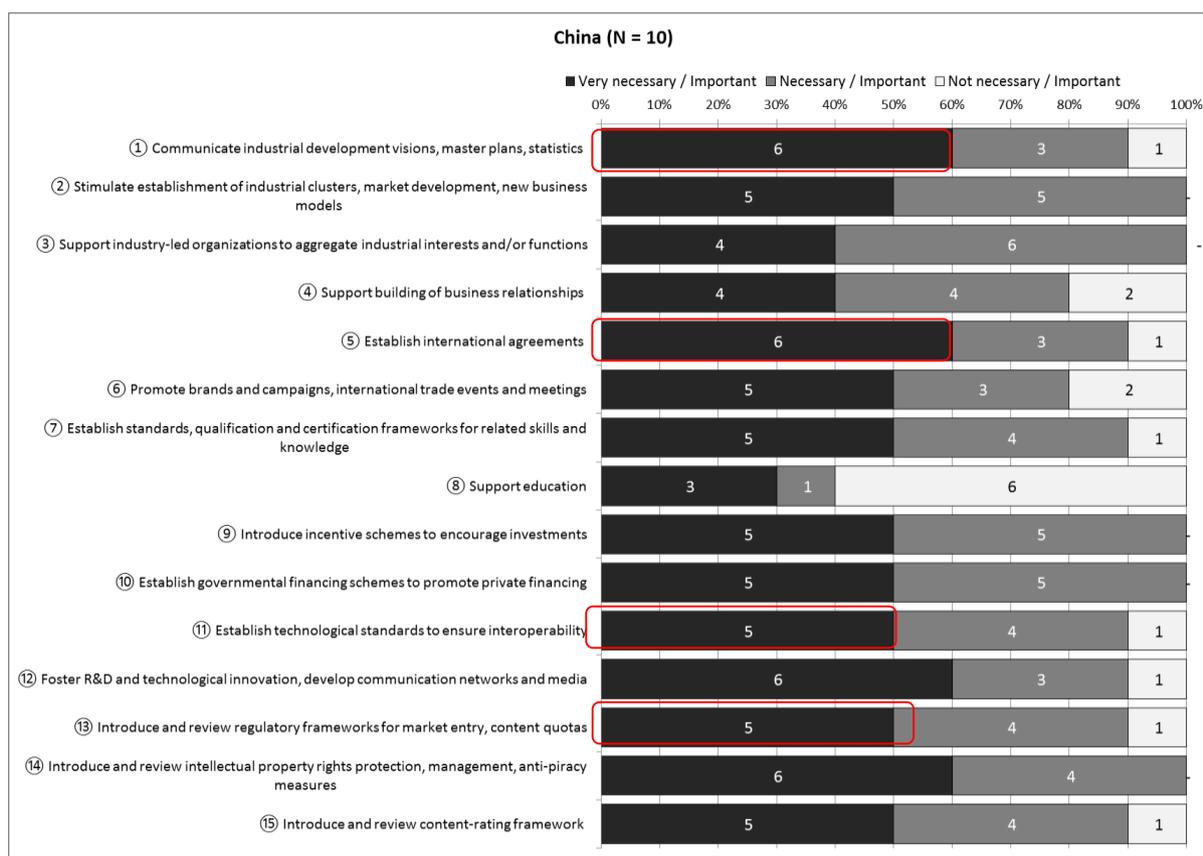
Source: Evaluation Survey of Content Industry Promotion Policies.

2.5. Necessity of current policies, and expectations

Figure 5-12 shows the survey results on necessity of policy. Considered the most necessary are #1 (Communicate industrial development visions, master plans, statistics), #5 (Establish international agreements), #12 (Foster research and development and technological innovation, develop communication networks and media), and #14 (Introduce and review intellectual property rights protection and management and anti-piracy measures).

Figure 5-13 shows the respondents' expectations of policies, irrespective of current implementation. The highest expectation is increased revenue and fairer competition.

Figure 5-12: Necessity of Policies



Source: Evaluation Survey of Content Industry Promotion Policies.

Figure 5-13: Expectations of Implemented Policies



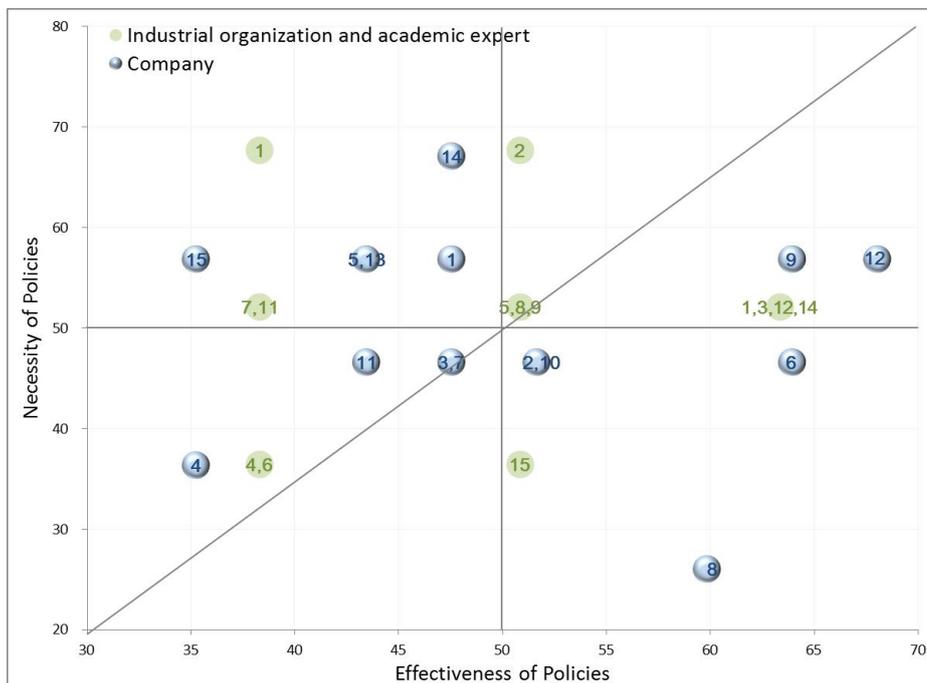
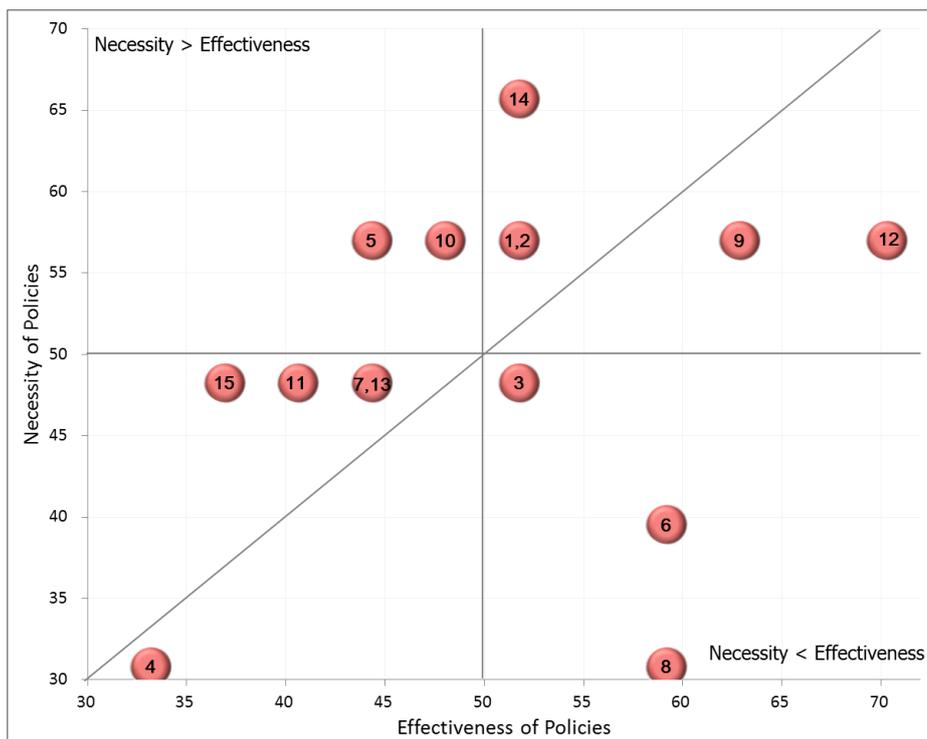
Source: Evaluation Survey of Content Industry Promotion Policies.

2.6. Policy prioritisation

Figure 5-14 maps the effectiveness and necessity of each policy. The figures are converted into deviation values to relatively map the results. Each plot describes the policy activity. There is demand for policies #5 (Establish international agreements) and #10 (Establish government financing schemes to promote private financing), but their effectiveness is not as apparent as expected. Evaluations of all the policies, especially #15 (Introduce and review content-rating frameworks), vary among respondents.

Table 5-3 describes the overall analysis results. It provides the performance indicator for each policy activity, describing the priority level, or the relative distance between necessity and effectiveness (see Chapter 1 for a more detailed explanation of a performance indicator). The table also provides the coefficient of variation, a normalised measure of dispersion, which describes the variance among respondent categories. Although #14 (Introduce and review intellectual property rights protection, management, anti-piracy measures) has higher-than-average effectiveness, it has the lowest performance indicator. This means that necessity is much higher than effectiveness and improvement is, therefore, expected.

Figure 5-14 : Effectiveness vs. Necessity of Policies
 (above: average, below: by category)



Source:

Evaluation Survey of Content Industry Promotion Policies.

Table 5-3: Analysis Results of Policy Evaluation

Policy Area	Policy Activities	Performance	CV Effectiveness, %	CV Necessity, %
Industry and Market Development	1. Communicate industrial development visions, master plans, statistics	-3.7	14	4
	2. Stimulate establishment of industrial clusters, market development, new business models	-3.7	1	18
Organisational Schemes, Business Relationships	3. Support industry-led organisations in aggregating industrial interests and/or functions	2.5	14	6
	4. Support building of business relationships	1.7	4	0
International Relationships	5. Establish international agreements	-9.0	8	4
	6. Promote brands and campaigns, international trade events, and meetings	13.9	25	12
Human Resources	7. Establish standards, qualification and certification frameworks for related skills and knowledge	-2.8	11	6
	8. Support education	20.0	8	33
Finance	9. Introduce incentive schemes to encourage investments	4.2	11	4
	10. Establish government financing schemes to promote private financing	-6.3	15	18
Technology	11. Establish technological standards to ensure interoperability	-5.4	6	6
	12. Foster research and development and technological innovation, develop communication networks and media	9.4	4	4
Legal Frameworks	13. Introduce and review regulatory frameworks for market entry, content quotas	-2.8	8	22
	14. Introduce and review intellectual property rights protection, management, anti-piracy measures	-9.9	14	13
	15. Introduce and review content-rating frameworks	-8.0	18	22

CV = coefficient of variation (variation among respondent categories).

Note: 'Performance' indicates the relative distance where:

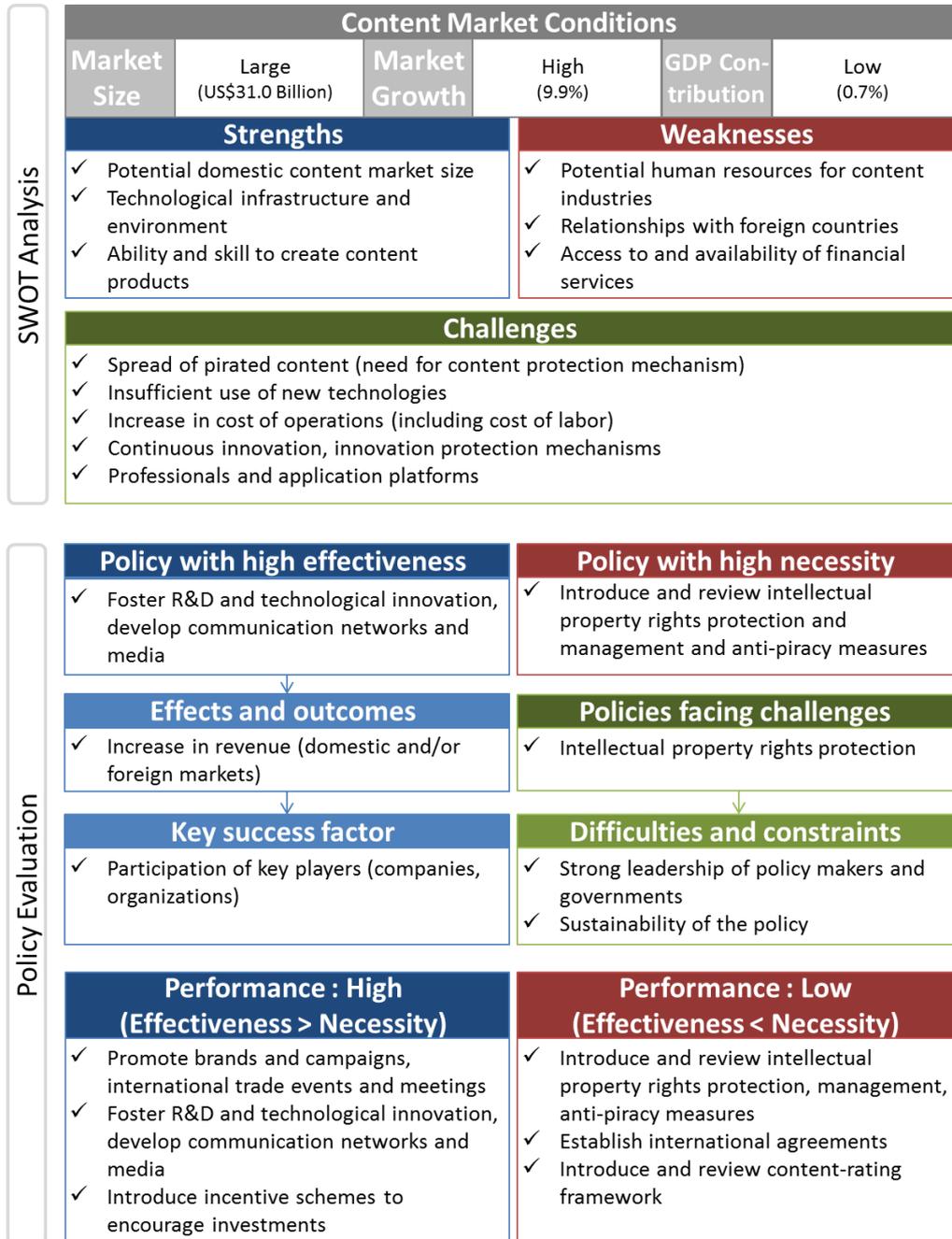
- (a) Figures above zero: Effectiveness outperforms necessity/expectation
- (b) Figures below zero: Effectiveness underperforms necessity/expectation

Source: Authors based on Evaluation Survey of Content Industry Promotion Policies.

3. Summary

Figure 5-15 summarises the results.

Figure 5-15: Overall Results—China



GDP = gross domestic product, R&D = research and development.

Source: Authors.

With the rapid development of its economy, China has been focusing on promoting the culture industry, defining related industries, and setting targets to increase the content industry's gross domestic product (GDP) contribution. As a result of government measures, such as promoting the integration of culture with science and technology, the industry has recognised the positive effects of fostering research and development (R&D) and technological innovation, and developing communication networks and media. This has become one of China's strengths, and related policies have been highly effective. The challenge to China is to sufficiently use technology to stimulate innovation. Policies related to international marketing and incentive schemes to encourage investments have also led to high performance.

The rapid movement and growth of China's content industry, however, have given rise to issues that now face the industry and government. A top concern is the spread of pirated content. Stakeholders in China recognise the importance of protecting intellectual property rights to further develop the content industry; anti-piracy measures have thus been implemented. Stakeholders, however, seem to expect more improvement in this area because pirated works are distributed now regardless of national borders. Solving this issue requires strong leadership of policymakers and government, a long-term perspective, and close cooperation with other countries.

China's recent efforts in overseas development and international marketing have increased demand for international agreements. Thus, China must further focus on and maximise related policies to make the best use of its potential market size and ability.