

The China Media Market

China is one of the most interesting, baffling, and promising magazine markets in the world. The paradoxes are all-too obvious. In the last decade banking, securities, and accounting institutions have been reformed to a degree along market lines. Magazines, still closely controlled by the government, have not experienced similar reforms. Nonetheless, the magazine market is remarkably open and is certainly thriving. Hearst, Hachette Filipacchi, Gruner & Jahr, International Data Group and others have established strong businesses in China.

On December 25, 2001 the Chinese State Council published the “Regulations on the Administration of the Publishing Industry.” This is a somewhat grey document with very precise regulations regarding the publication and distribution of magazines. At least, that is the perception. The reality, according to Mr. Wang Boming, chairman of the Stock Exchange Media Council (SEEC) in Beijing, is that the “China magazine market has already opened up.” The SEEC Group publishes *Caijing Magazine*, a hard-hitting business magazine that has received high praise in the West for its reporting. The Chinese government has praised *Caijing* for reporting on corporate malfeasance. The government has also sanctioned the magazine for aggressive reporting.

Self-censorship is alive and well in China and publishers are careful to pick their targets. Foreign publishers are not permitted to control the editorial content of a magazine. Nonetheless, the business continues to undergo a significant transformation. The government now allows foreign companies to invest in the distribution system where help is vitally needed. The government has to date stopped funding about 1,500 “sponsored” magazines. According to Mr. Ai Limin, Vice Chief, General Administration of Press and Publications, Newspaper and Periodical Department (GAPP), it is unfair to force consumers to purchase magazines they haven’t requested. The organization wants to restructure the magazine market from within, making it more competitive and responsive to market forces. The government has also encouraged publishers in Beijing, Shanghai, Guangzhou and elsewhere to merge into loosely knitted holding companies so they are better able to compete. This remains an idea rather than reality but suggests reform of a kind.

Because Chinese officials understand the power of magazines, they are not likely soon to embrace an open and free press, as the West would understand it. But it might not matter to the degree some observers think. The media is taking on a life of its own. The Internet, a growing force in China, pushes newspapers and television to pursue for more timely coverage. There is great competition among media for readers and advertising revenue.

Though Western news magazines have been denied licenses in China (*Newsweek* has tentative approval to publish *Newsweek Select*), special interest magazines are thriving. The women's sector is filling up fast. The fashion sector is blossoming. There seems little rack space in China for another automotive magazine. *Esquire* is the first Western men's magazine. Rodale's *Men's Health* will be launched Spring 2004 and Emap's *FHM* expects to launch this year, pending final approval. *Stuff* is present through Haymarket. International Data Group, already a legend and a gold standard in China, has big plans to more launch new titles. The market is definitely taking shape.

Outside controversial magazines, as defined by the government, the market will likely continue to segment along special-interest lines. As consumers along the Beijing-Shanghai-Guangzhou corridor buy products associated with a growing middle class, magazines about the home and home décor should flourish. Most Chinese magazine publishers are not doing a lot of strategic thinking. They are following the advertising pages.

China has developed a very careful—some would say brilliant—media strategy to enable the country to learn and embrace the Western magazine model while reforming itself from within. This is just the beginning of the story. As Shi Zongyuan, Administrator of the General Administration of Press and Publication (GAPP), said at the World Magazine Conference in Paris (2003), “while we are positioning ourselves in the atlas of globalization, Chinese magazine workers should also consider the question of what to do for the world magazine industry and project our image among the world magazines. Let the 5000 years of Chinese civilization come to the world along with Chinese magazines. In this aspect we will strengthen the collaboration with the international magazine circle.”

Chinese publishers are already talking about exporting travel, history, art, and archaeology magazines to the West. Obviously, this projection of culture is rooted in national pride. As Mr. Shi noted, it is important that stronger cultures don't dominate weaker ones. The present Chinese media strategy addresses cultural as well as political concerns. Mr. Shi acknowledges, “China is still far from a strong magazine nation.”

That picture is changing fast.

Some Market Facts

As Zhang Bohai, Chairman of the Chinese Periodical Association, Beijing, has reported, there are (or were until recently) more than 8,000 magazines published in China, half of

which are consumer or social science periodicals and half are scientific and technical journals. The production quality of most of these is quite low. Subscriptions—fulfilled through the post office, are the main form of delivery. However, newsstands are becoming more pronounced and important, especially in key cities in eastern China. Bookstores, especially in the East, are also expanding their magazine racks.

Mr. Zhang has frequently cited the lack of reliable research on the China magazine market. Many potential investors echo this view. According to Verband Deutscher Zeitschriftenverleger (VDZ) 70% of German firms studied cite the lack of market information as the main obstacle to investment, followed by the difficulty in finding partners and the lack of local business expertise. This is a familiar list of concerns and often cited by American and European publishers. Outside of research provided by the more aggressive magazine companies, there is no good research on the China magazine market. For their part trade associations can usually provide magazine universe size and total revenue figures, but there is little or no trend reporting.

The perennial question about whether to enter a market early or later is brought into sharp relief by the China challenge. Conventional wisdom suggests early arrivals have an advantage. However that might not be true in China. Mercedes, PepsiCo Inc, and Siemens paid a price for early entry. Ten years ago the regulatory framework was much more complicated and cumbersome. More often than not the government provided a partner. Today an official blessing can be obtained from a lot fewer ministries. Also, as reported in the *Asia Wall Street Journal*, “Many companies don’t have to team up with Chinese partners at all. Though automakers still cannot own more than 50% of a car venture, companies distributing auto parts and supplies can operate on their own; so can food and beverage companies.” India’s Infosys Technologies Ltd, which recently established a software development center in Shanghai, opted for a wholly owned subsidiary. The process took six months and was relatively uncomplicated.

As in the case of Russia in the halcyon days after *glasnost* and *perestroika*, lawyers in China have their hands full now liquidating joint ventures and other agreements foreign companies made with Chinese counterparts in the pre-World Trade Organization days. As one Chinese official has acknowledged, “the early birds pay more.” He is now a consultant.

The New Media Landscape

China's regulatory burden has been dramatically softened by WTO and other international agreements. Sellers of everything from soap to soda have benefited. But what about magazines? To be sure the media regulatory environment has changed profoundly in the last five years and foreign magazines have benefited. However, the magazine landscape is much more complicated than that of other consumer goods. The government is responsible for the content of newspapers and magazines. In fact, the state acts as censor, though as noted, editorial self-censorship is the rule. The state issues licenses to foreign and domestic publishers, without which they cannot do business. Sometimes foreign magazines are published under a license/name that doesn't exactly match the new magazine. G&J's *Fitness* is one example, though it apparently hasn't hurt the magazine's sales. Sometimes magazines are launched or tested under a book license, which is sometimes easier to get and is then converted to a formal magazine license. *Technology Review* just launched in China this way and according to Matt Mattox, director of international, is in process of receiving a standard magazine license. Obviously, foreign publishers must be wary of their counterparts bearing gifts and suspect licenses. Publishing magazines under a book license has its limitations. This license does not permit the sale of advertising and is really a short-term solution.

The changing magazine landscape probably helps foreign investors in discrete ways. The government seems quite serious about pulling subsidies from sponsored magazines. Mr. Ai said to date of the 1500 magazines affected, 390 have closed down (as of late February). The government in his words "is no longer willing to support failing companies." Ostensibly, the licenses from these failed or failing magazines will be available to Western publishers and others, though their disposition is not exactly clear. In fact at this writing the government is not issuing new licenses but that is expected to change in the near term.

The government desires to make the stronger Chinese publishers more competitive. Mr. Ai wants them to have more licenses. Mr. Ai is aware that the magazine business needs more transparency and more research. He holds out a large welcome sign to foreign publishers while at the same time GAPP modifies the ground rules to help the better Chinese publishers rise to the top. This represents a delicate balancing act.

If regulations regarding ownership of editorial content have not changed, many other aspects of magazine publishing have. One obstacle to foreign investment is the arcane distribution system. Approximately 70% of magazines are distributed through the post office, where subscription fees are also paid. This is similar to the old Soviet system—and by consensus, not very efficient. One common concern cited by foreign magazine

publishers is that their distribution, largely in eastern China (Beijing, Shanghai, Guangzhou), reaches less than 40% of the population. On the other hand, this area contributes 60% of GDP and received 80% of foreign investments in 2002. This is where the growing middle class largely lives and this is where foreign magazines have found an audience. Nonetheless, one has to be careful about projecting an upscale audience on China's population. By best estimates Western-style magazines serve a market of about 70 million. Small as this number might seem when compared to the population of China, it represents a very important segment and is rising fast.

A new regulation, consistent with WTO and passed in May 2003, permits foreign investments in the distribution of books, newspapers and periodicals by December 2004. This is an important development as distribution bottlenecks due to government monopolies hinder the category's growth. The stronger publishers, such as Trends, SEEC, and others already have their own distribution systems, even distributing non-competitive third party titles. Mr. Zhang Bohai notes that the first applications submitted to the government were from Taiwan and Hong Kong. He "has learned that Hachette Distribution Service, McGraw-Hill, Bertelsmann Publishing Group, and Cambridge University Press" are preparing to get into the Chinese publication distribution market.

IDG expects to launch a distribution company for its own titles and others by mid-2005. As Chairman Patrick McGovern said in *Businessweek*, "One frustration is that we have been only able to get to the 30% of the population who live in the major cities. We could probably get three to four times our growth once we have a new national distribution system." This is a familiar lament from Western publishers.

Given these changes, the magazine distribution landscape in China could be vastly different five years from now. Though data base development is in its infancy, the business is expected to grow. And subscription marketing independent of the post office will likely follow. Few publishers are clamoring for circulation audits but even Mr. Ai concludes that they are a part of a company's transparency. In a related development the government is considering lifting its ban on direct selling, in line with WTO commitments. Officials from Amway, Avon, Mary Kay and Nu Skin are lobbying on the industry's behalf. China had banned direct selling in 1998 because of the difficulty differentiating this activity from pyramid schemes that were common. The change would bode well for the magazine subscription business.

A Balancing Act

Scott Kronick of Ogilvy Public Relations Worldwide (Beijing) describes the China media this way: “Media freedom is a question of utmost sensitivity in China. The leadership wants a critical press to help check official malfeasance, and yet it dreads the idea of inflaming public opinion

“China’s media landscape no longer consists of staid newspapers and television broadcasts that once proudly carries the Party’s message of increasing production and social stability throughout the country. In fact, most people familiar with China’s media would say it represents a market increasingly similar to that of the West, where daily newspapers jostle for circulation and television networks imitate CNN and Fox

“Since the mid-1980s, China’s newspapers have grown from fewer than 200 to over 1,000, with page count increasing by a factor of 10. The number of magazines has risen from a few hundred to more than 7,000 and TV stations from about 700 to around 3,000—not counting the myriad small cable networks. The new media landscape includes commercial radio, with live call-in shows; outdoor advertising, now a billion-dollar business; and Internet news, chat rooms, bulletin boards and blogs.

The Internet is a major catalyst for change in China. Kronick estimates by 2005 there will be 300 million Internet users in China, 100 million more than in the US. “The Internet is having a major impact on the way state media reports the news. It has been the driving force behind a number of breaking stories in China, and in some instances, failure to report certain stories has been met with angrier debate on the country’s bulletin boards. ‘If there is some big news you can see it immediately on the Internet,’ says a senior Chinese reporter who works for a major state newspaper. ‘If the newspapers don’t report this, they will lose credibility. This has forced them to change the way they do things.’” In fact the Internet was one reason the government was forced to be more open about SARS.

At the moment newspapers are the media of choice in China and are much more important than magazines to the general public. Most newspapers are circulation-driven, though they generate about 10 times more revenue than magazines. And there are far fewer newspapers than magazines.

Kronick observes to date “magazines in China have generally failed to play their traditional role of delivering highly targeted readership segments. Moreover, most dramatically inflate their circulation, as auditing is rare in the China market and often ineffective even when performed. Circulation inflation by a factor of 10 is not unheard

of. Nevertheless the magazine market is beginning to change, as the postal monopoly over distribution ends and publishers are able to manage subscriptions, marketing and retail distribution more effectively.”

Emerging Companies

By some estimates Chinese magazine publishing is running ahead of government regulations, as media tempts the regulatory environment. At the very least the business is ripe with imagination and daring. Put another way the new breed of publishers, with significant help from Hearst, Hachette, IDG, G&J and others, have focused on lifestyle areas that are less likely to invite government attention. More important, they have focused on areas that are richest in advertising, including fashion, women’s service, automotive, men’s lifestyle, technology, and home décor. They have also focused on business, finance, and real estate. There seems enormous interest in travel and culture.

By some estimates the 8,000 or so magazines (the actual figure is hard to pin down) could be reduced by 40% if the government continues to deny subsidies to so many sponsored publications. Conceivably, the number could be reduced even more. Based on official reports, the central government plans to end its direct financial support to, and mandatory subscription of, all but three newspapers and two journals, including the *People’s Daily*, the official newspaper of the Communist Party. The central government will allow each provincial Party committee to continue operating one newspaper and one journal. Each municipal Party committee will be allowed to operate one newspaper.

The plan has already met with resistance from government departments fearing job loss and loss of influence. Lin Jiang, an official with GAPP, acknowledges that the process might take longer than previously expected. Zhao Xiaobing, President of Global China Media Consulting (Beijing) notes “without the deaths of numerous media, there cannot be new life for reformed media. That is the reality of the market economy.”

Media rules and regulations seem in a constant state of flux as government officials test the waters with new ideas and initiatives. Recent government statements acknowledge the need for more openness and transparency regarding investment in the media sector. Though the state will retain “an absolute controlling stake” in any media business, the operations of newspapers, magazines, radio and TV “can be split off and absorb capital from society.” In principle this position is consistent with that voiced earlier by Li Changchun, politburo member, who said editorial and business operations of media were to be considered separate. The government seems to be moving toward the position of encouraging more foreign media investment. However, the government remains

opposed to foreign media reporting in Chinese on sensitive local political and business matters. Some commentators see a hint of privatization in these remarks; others see a government finding its way.

Magazines, as well as other media, continue to flourish in such a regulatory environment. And a handful of magazines is leading the way to a new magazine marketplace. Wang Boming chairman of SEEC Media, estimates that of the existing magazines, only 100 are profitable. He also estimates that the new China can accommodate a universe of about 1,000 titles.

Mr. Wang has a background in accounting and securities, helping China in its early stage of capital formation and organization of the stock market. From this experience he launched *Securities Market Weekly (SMW)* for a retail and institutional audience. He said the securities sector was “a blank paper in 1989” and subsequently the need for weekly publication on the market became apparent. By his account SMW reached a circulation of one million.

Though not originally intending to focus on magazine publishing, Mr. Wang saw how fast the sector was growing—20-30% a year in revenues, and decided he wanted SEEC to become the “largest magazine group in China.” He’s had an auspicious start. In addition to two editions of *Securities Market Weekly*, SEEC has launched the bi-weekly *Caijing Magazine*, *New Real Estate*, and *China Business Post*, a financial newspaper. SEEC has published with *The Economist*, *The World in 2004*, the turn-of-the-year annual. Mr. Wang has entered the conference business, partnering with the World Economic Forum, an event for young business leaders. He expects conference revenues to contribute up to 30% of his company’s total revenue in three years.

SEEC’s magazines seem to perfectly reflect the new China. *New Real Estate* was apparently profitable after the first issue, which is not surprising considering how hot this sector is in China. In fact Mr. Wang intends to launch property magazines this year in Shanghai and Guangdong. *Securities Market Weekly*, given its policy of full market disclosure, has had a positive effect on the fast growth of the China stock market and capital market formation. Moreover, this magazine represents a very large logistical challenge. Because it is so important to get stock market and securities information across China simultaneously, twenty-seven printers are used.

Caijing Magazine, the group’s flagship, has earned praise inside and outside of China for its aggressive reporting on corporate malfeasance. Scott Kronick of Ogilvy notes the “magazine has run a series of stories on illicit practices in listed companies, from price manipulation to falsified profits.” Hu Shuli, managing editor of the magazine, acknowledges the difficulty of establishing an independent media in China: “Some of us walk right up to the line, even nudging it every once in a while.” She adds” Crossing it,

however, remains another matter.” The magazine has been censored for reporting on a Shanghai real estate scandal.

Wang Boming, who lived in New York, is well aware of market trends in America and Europe. He has talked to many potential foreign partners and is eager for more discussion. SEEC is financially secure and Mr. Wang says he is not necessarily looking for capital. He is interested in a fast ramp up of his magazine publishing business. He is especially interested in travel, automotive, home décor, and technology sectors. He looks fondly at city listing magazines, along the lines of *Time Out*.

Mr. Wang has a sophisticated view of the China market. He sees an “upgrading of consumption” among consumers, first in the eastern part of the country and in time, in the west. He expects the sector to enjoy revenue growth of at least 20% per year for the foreseeable future. His advice to foreign publishers: “Come on in; the market is ripe.”

SEEC has built a distribution network for its own titles and non-competitive third party magazines. Mr. Wang has no difficulty seeing China in the not-to-distant-future as the number five advertising market in the world, behind the US, Japan, Germany, and the UK.

That prediction remains to be seen. What is becoming increasingly obvious is that the media business dynamic is changing very fast in China. While Western technology and practices are still very much in demand, a new breed of publishers is emerging. SEEC has pursued opportunities in the business sector. Trends, a Beijing company, has been equally successful in the lifestyle area through a series of alliances, particularly with Hearst. Given the quality of the publications and the success of the business model, Trends has benefited significantly from its association with Hearst—and IDG (According to George Green, President of Hearst Magazines International, Hearst and IDG each own 20% of Trends, which makes it a very formidable company in this market).

Mr. Wu Hong, President, Trends Magazines and Trends Communication Co. Ltd. describes his company as the “foremost high-end publishing group in China.” His list of magazines speak for themselves: *Cosmopolitan*, *Esquire*, *Trends Home*, *Trends House*, *Trends Health for Women*, *Men’s Health*, *National Geographic Traveler*, *Harper’s Bazaar*, *Good Housekeeping*, *Popular Mechanics*, *Cosmogirl!*, *Seventeen*, *Trends Time*, *Autostyle*, and *Cultural Geography*. Mr. Wu is looking for other partners and his association with Hearst serves as a good magnet.

Trends is a very sophisticated operation that has the ability to launch quality, high-end magazines in months rather than years. The company also has distribution, advertising and book businesses. When he launched his company in 1993, Mr. Wu had a sense of what magazine categories would be most lucrative and published titles in the women's service and health sectors. However, the association with Hearst was essential to the success of Trends. It is hardly an overstatement to say that *Cosmopolitan* put Trends on the China magazine map and fueled the company's spectacular growth. *Cosmopolitan's* reputation with international advertisers was central to this success. Equally important, according to Mr. Green, was the introduction of Best Business Practices and easy access to RR Donnelley, Shanghai.

George Green has been vital for Trends and central to developing the magazine lifestyle category in China. So important is his role in the China magazine market that he has been chosen to receive the distinguished Marco Polo Award, the highest honor bestowed on a foreign business leader by the Chinese government. Presented by the United States-China Foundation for International Exchanges, the Marco Polo Award is given to corporate leaders who have played a significant role in China's economic development and who have demonstrated a commitment to improving and expanding the Chinese marketplace. Former U.S. President George H. Bush, Alex Trotman, Chairman and CEO of Ford, and Raymond Gilmartin, Chairman and CEO of Merck are among the past recipients of the Marco Polo Award.

George Green receives the award on May 20, 2004 in Beijing. This high honor is an important acknowledgement of George Green's work and underscores the importance the Chinese government places on magazine development.

Though the magazine sector in China is growing fast and will likely be further helped by this award, it remains a relatively small business. Advertising expenditures were estimated to be about \$2 billion US in 2002, but estimates vary greatly. Consumer magazines represent the fastest growing media sector but are growing from a relatively small base. *Cosmopolitan*, *Elle*, *Esquire*, *Harper's Bazaar*, and *Fortune China* are among the top magazines in ad spend. The desire for foreign content is obvious. Most of the top titles in ad spend in the women's service, fashion, auto, business, and technology sectors are under license from the West, primarily the US.

Zhang Bohai terms the arrangement between foreign magazine and Chinese companies "copyrights cooperation," though in practice the cooperation can be very extensive. Hearst and the International Data Group dominate this field. Hachette has a strong presence with *Elle*, *Woman's Day*, *Car & Driver*, *Marie-Claire* and some custom titles. Conde Nast publishes *Modern Bride* under a license by former owner Primedia and is expected to launch *Vogue* soon. Gruner & Jahr publishes *Parents*, *Fitness* and *Car &*

Motor (Inc was closed). McGraw Hill licenses *Businessweek*. *Fortune* is published out of Hong Kong and distributed widely. *Forbes* is also available. *Harvard Business Review* was launched in 2002.

According to Robert Hernandez, Senior Vice President, International, National Geographic Society, the organization's "launch of *National Geographic Traveler* in association with Trends publishing and IDG/Hearst has been a success with the title now the largest circulation travel magazine in the Chinese market, as well as the category's ad leader. NGS continues to explore the possibility of launching *National Geographic* magazine in the near future. The Taiwanese edition has been successfully distributed there and in Hong Kong since 2001."

Future Publishing is well established. Ziff-Davis is in China with CNET and looks to grow in print and with other multi-platform content options. Burda, Rodale, Haymarket, Primedia, Emap, BBC and others have a presence in China or will shortly. According to Folio magazine Reed, in alliance with IDG, plans to launch 20 new titles in China within three years. *Variety*, *Packaging Digest*, *Broadcasting & Cable* will be among the first launched.

Despite the challenges, Western companies already have a significant presence in China. Meanwhile, Chinese publishing companies are getting stronger and are becoming more competitive with foreign-licensed titles. As the market matures, the need for local content increases and production values improve. The fashion magazine *Rayli*, published by China Light Industries, is among the top five in advertising in the sector. The company also publishes *Modern Clothes*, *Metropolitan Housewife* and other titles on hairdressing, collecting, and furniture. China Light is considered one of the up-and-coming companies.

China Entrepreneur competes with *Forbes* (published by *Morningside*) and *Fortune*. *Caijing* is already influential. *Sanlian Life*, a tough Hong Kong weekly owned by media company Tom, seems as threatening to authorities as what government officials fear in the foreign newsweeklies.

The bulk of China magazine publishing companies are scrambling for ways to become profitable. Most are looking for partners. There appears a particular fascination with *Reader's Digest* and *National Geographic*, which already exist in knock-off form. Every publisher this writer met expressed an interest in these titles, as if they reflect the twin poles of the American imagination.

Other Players

Beijing has a robust publishing center. As noted, Trends and SEEC have strong companies. People's Publishing House, publishes books and magazines, which is not uncommon in China. Most tend towards the academic. The company publishes a magazine loosely translated as *People* (no connection to the Time Inc, magazine). In the past *People* had understandably focused on Communist party figures and national heroes as defined by the state. This was no easy undertaking, as approval was usually needed to write about and photograph government officials. Given the changing media climate *People* is trying to be more open and friendly. As Huang Shuyuan, company president, explains, the magazine "must focus more on the reader. We must cover celebrities that are not government officials. We need to publish less text and more photographs."

This is an important and rudimentary observation. Chinese magazine publishers are fully aware they must upgrade their products to survive and are doing this while they look for Western partners. *Chinese National Geography*, a blatant knock off of *National Geographic*, is very conscious of upgrading the product before the competition arrives. Like many of his counterparts, Mr. Shan Zhiqing of the Chinese magazine is actively looking for partners in the travel sector and elsewhere. Most publishing houses do not have a very clear strategic sense. They are interested in almost any magazine or sector that will attract appreciable advertising dollars. This in itself presents a cautionary note to potential investors.

Shanghai, historically more Western-looking than Beijing, is reorganizing its magazine publishing activities to be more competitive and more attractive to investors. This activity is under the auspices of the Shanghai Periodicals Association and is consistent with the government's interest in making publishing companies more efficient. In fact association officials frequently have positions in government departments that regulate magazines. Mr. Zhu Jun Bo, Deputy Director of the Shanghai Press and Publication Administration, describes the formation of the Century Publishing Group of Shanghai, a loose collection of magazine, book, online, and image bank companies (Hachette's license is with a member of this group), as a sign of progress in the magazine sector. Since the reorganization is relatively new, it is difficult to measure progress.

Nonetheless, it is very clear that Mr. Zhu understands that the way to improve the business "is to improve editorial content." There is a real eagerness on Mr. Zhu's part to bring more foreign publishers to Shanghai, which seems to lag behind Beijing in this regard (though Japanese publishers, including Kodanshu, have a strong presence in Shanghai).

The reorganization Mr. Zhu describes is very much the order of the day in Chinese magazine companies. The majority of them are feeling the pressure to find efficiencies, improve products, and seek outside investment. This is a tall order, to be sure, and the likelihood of a majority of businesses failing is quite high. Mr. He Chengwei, President of Shanghai General Literature & Art Publishing House, which produces beautiful books, has eight publishers and twenty-seven magazines in the group. He is looking to push into fashion, science, technology and sports. He has his eye on *Reader's Digest* books.

If this is a fantasy, it is a common ailment as companies are forced to look inward at the product and outward for help. Shanghai Scientific & Technical Publishers produces a rather academic magazine *Science* with the same name in Chinese as the local edition of *Scientific American*. *Science* has been published for more than fifty years and its production values represent the old order. On the other hand, the same organization recently produced a issue of *Technology Review*, which appears quiet beautiful and professional by comparison. This example represents the paradox and promise of magazine publishing in China. The company knows that it must find a new form and voice for old ideas. For example, Shanghai Scientific publishes *Popular Medicine*, with a focus on natural healing and herb health. But it is very familiar with Western health titles, such as Rodale's *Prevention*, and is eager to expand its health portfolio with an emphasis on science and research.

A Western publisher might find it somewhat perplexing that a publisher of academic journals can almost overnight become the publisher of a lifestyle magazine, *Car & Fan*, as is the case with Shanghai Scientific. These days this is hardly an uncommon occurrence as Chinese publishers look for market segments that will provide the most immediate financial return. All this is happening, of course, largely without audits, reader research, and national distribution. In other words it is difficult to determine who reads a magazine and how many readers the title captures. Obviously, this is most true of subsidized companies that are trying to stay afloat. So the warning signs are everywhere.

Given the changing regulatory environment, magazine publishing in China is a work in progress. Contrary to some reports, Western presence in the market is quite high. Finding reliable partners is still very difficult. That is one reason so many companies are attracted to Trends. Hearst has done much of the due diligence and training. SEEC is very interested in Western partners. China Light Industries comes highly recommended, though I was unable to see them.

One cannot overestimate the growing need in China for the kind of intelligence that magazines foster. A large, educated, emerging middle class is buying homes, cars, and fashion and fitness items. In a sense consumer tastes are segmenting along special interest magazine lines. Moreover, according to Jeffrey Sprafkin, Managing Director,

Media Services, RR Donnelley, Shanghai, the rising mobility and movement to new neighborhoods and cities, moves this consumer class away from traditional sources of information and advice. Mr. Sprafkin, a longtime resident of Shanghai, underscores how significant are the changes, especially in China's 4-5 geographic growth hubs. He cites the shifts in the retail landscape, including the replacing of trusted neighborhood retailers with anonymous chain stores. At the same time consumers face a dizzying array of new brands and products, many advertised in the lifestyle magazines. Perhaps this is one reason eBay, through EachNet, has signed up 4 million users in China, reminding the West that this country knows something about trading. The Internet is already reaching the rural population.

Special interest magazines have traditionally been the arbiters of taste and product choice. With the growing interest in consumer health, fitness, diet, and the home—subjects also high on the government's list of concerns, special interest magazines have an important role to play in China.

The publishing climate is changing fast. Publishers and other organizations, including the Magazine Publishers of America, are working with Chinese partners to develop mutually beneficial exchange programs. American universities have teamed up with Chinese schools for publishing courses.

This is not a one-way street. There is much we can learn about magazines from the Chinese, especially how to quickly and inexpensively bring new magazines to market. As Mr. Shi Zongyuan noted, China has 5,000 years of civilization and culture to share with the world.

Magazines in China represent the fastest growing segment of the media business. The segmentation of the magazine market has started, but it has a long way to go. Countless opportunities still exist. As Mr. Wang noted, the market has already opened up. Come on in.

End Note:

I am very grateful to Jeff Sprafkin, Gavin Chi, and Benny Chen, of RRD/Shanghai for their assistance in arranging meetings and opening doors.

I welcome your comments.

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March 11, 2004

