



MARKETING MANAGEMENT IN CHINA:

WEEK 2: MEDIA/INTERNET/ E-COMMERCE/PUBLISHING

OCEAN UNIVERSITY OF CHINA
25th INTL. CHINESE BUSINESS PROGRAM
Marketing Lecture Series
Rainer Appel

Thursday, 8:00-10:00 & 10:00-12:00

Team formation !!!

Case Studies

- **Google, Yahoo!, Baidu**
- **Yum! Brands**
- **Li-Ning**
- **Carrefour / Wal-Mart**
- **FedEx / UPS**
- **Haier***

Topic Studies

- **Advertising, PR**
- **Direct Marketing**
- **Market Entry**
- **Market Research**
- **Intellectual Property (IP)**
- **Sunzi Bingfa***
- **Sanshiliu Ji***

*: no team presentations; only quizzes

Homework

- **Form your presenting teams**
- **Repeat Google/Yahoo! Case** (→ *quiz*)
- **Prepare Yum-Brands case** (→ *quiz*)
- **Visit KFC and Pizza Hut**
- **Get a QQ-account**

China Book Publishing Market

➤ Opportunities

- Annual growth of 4-10%, esp. for foreign books
 - In 2006: 10,950 foreign licensed book titles → +8.4%
 - Of top 1,000 books, 395 were foreign titles
 - Dan Brown's „The Da Vinci Code“ was on bestseller list for 40 weeks

➤ Threats

- Restrictive environment
 - *Foreign firms cannot import and distribute in China*
 - *School textbook market (primary + secondary)*
 - *No editorial control (only as „consultant“, „advisor“)*
 - *No majority interest*
 - *No distribution of imported books (only of books published in China)*
- Copyright infringement

China Book Publishing Market

➤ **Suppliers**

- 573 publishing houses (all state-owned)
 - Often state-owned industrial companies have own publishing house

➤ **Importers**

- 42 state-owned companies
 - *Only 6 of those are allowed to import magazines*

➤ **Distributors**

- >11,000 state-owned bookstores (>50% held by Xinhua)
- Online shopping increasingly popular
 - Online payment is difficult

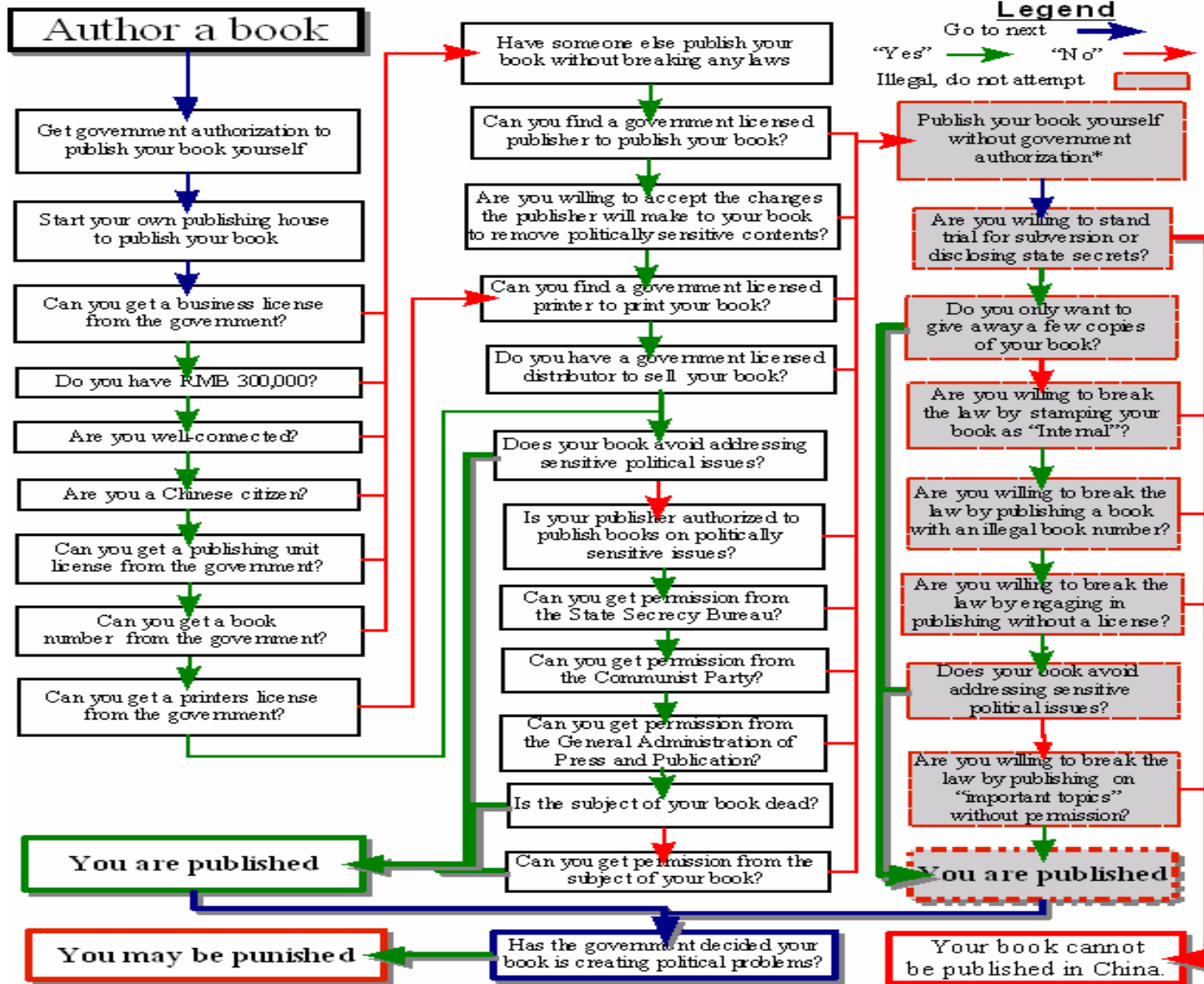
Market Entry for foreign companies

1. **Licensing or co-publishing arrangements with Chinese partners**
 - Any publishing company will qualify as partner
2. **Publish through state-owned publishing house**
 - Problem: limited number of ISBNs
 - Solution: partner with private Chinese company ...

Distributors

- >11,000 state-owned bookstores (>50% held by Xinhua)
- Online shopping increasingly popular
 - Online payment is difficult

Choices and Consequences Faced by Authors in the PRC



Source: <http://www.cecc.gov/pages/virtualAcad/exp/bookflow.php>



Guanxi

As seen in class



Uncertainty

As seen in class



As seen in class



As seen in class

Different philosophy

- No freedom of press
- Journalists shall serve the ,country‘
- Self-censorship
 - **No reports about topics that can stir unrests**
 - Unsafe products, toxic food, faked drugs
 - TTT

China Internet Market

➤ Opportunities

– Annual growth of >10%

- In 2008: 253 million Internet users (*214 million with broadband access*)
 - Most users in affluent eastern cities
 - 68.6% < 30 years of age
- 12.2 million .CN domains
- Broad range of products:
 - Telecommunication, **online-advertising** (*66% growth*), e-commerce, **online gaming**, information searching, **mobile internet services**)

Threats

- Increasing amount of regulations (*more control instead of less*)
 - E.g. only 10 companies (3 of them private) with license to for online video content
- Payment of online orders
 - Cash is king in China (*COD, WT, counter*)
 - Internet security is major concern (*not even Ebay uses Paypal*)

Market Entry for foreign companies

1. Find Chinese partner

- Legal and practical reasons

2. Publish through state-owned publishing house

- Problem: limited number of ISBNs
- Solution: partner with private Chinese company ...

Distributors

- >11,000 state-owned bookstores (>50% held by Xinhua)
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ICP Number („secure website“)

1. All commercial websites must be approved
 2. All non-commercial websites must be registered
- Sites can be submitted to the Chinese Ministry of Industry and Information Technology: <http://www.miibeian.gov.cn>
 - You can check, if website is using valid ICP number, here: <http://www.miibeian.gov.cn/CX/main.jsp?1648702777=2094222824>

Webhosting in China

As seen in class



Webhosting in China

As seen in class



Take-down notice

As seen in class



Browsing the Web in China

As seen in class



Browsing the Web in China

As seen in class

Browsing the Web in China

- error message against use of Firefox

As seen in class

- → the “Golden Shield”


China also offers opportunities

➤ **IP rights:**

- Less restrictive
- Less enforced
- ‚Cease and desist order‘? → Welcome to China!

➤ **Brand protection**

- China is „first to register“ (vs. „first to market“)
- RMB 2,000 – 5,000
- 3 years waiting period



Map of Qingdao

Lessons learned

- **What's different in China when it comes to Internet/Publishing**
 - Tons of regulations
 - Self-censorship
 - Uncertainty
 - What's right, what's wrong?
 - Am I operating legally/illegally?
 - Chinese partner (owner)
 - Chinese partner must be the owner
 - Should bring in ,connections‘
 - → make him a shareholder
 - Deep pockets
 - Guanxi
 -

Most of the above applies to other business formations as well (e.g. education, ...)



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