AT A GLANCE

Capital Beijing
Population 1,343,239,923 (July 2012 est.)
Median age 35.5 years
GDP (Official exchange rate) US$6.989 trillion
Consumer prices (Inflation rate) 5.4% (2011 est.)
Currency Renminbi (RMB)
Official languages Chinese and Mandarin
Other languages Yue (Cantonese), Wu (Shanghainese), Minbei (Fuzhou), Minnan (Hokkien-Taiwanese), Xiang, Gan
Literacy rate 92.20%

Source: CIA World Factbook

DIGITAL DATA

Internet population 513,100,000 (2011)
% of population 38.40%

Source: World Internet Stats

Mobile penetration 859,000,000 (2010)
% of population 64%

Source: CIA World Factbook

PRINT TAX (%)

☐ VAT ☑ Sales tax

0% (standard rate)

• Advertising revenue 8.65%

Source: Media Convergence Asia Pacific

FIPP MEMBERS

NATIONAL ASSOCIATIONS

» China Periodicals Association (CPA)

PUBLISHERS

» Bauer (Sichuan) Culture Service
» Beijing Jigong Vogel Media Advertising
» Condé Nast China
» Gruner + Jahr (Beijing) Advertising
» Hearst Magazines China
» IDG China
» Mondadori SEEC (Beijing) Advertising
» MPC (Beijing)
» Rayli Magazine House
» Reader's Digest (Shanghai) Advertising ,
» Rizzoli Beijing
» SEEC Media Group
» Sino-manager Mass Media Company
» Trends Media Group
» Trends Omni Media

SUPPLIERS

» BPA Worldwide China
» Media Pacific
» Publicitas China

Special report from:

DIDIER GUÉRIN, PRESIDENT & CEO, MEDIA CONVERGENCE ASIA-PACIFIC

It almost sounds tragic: China's economy is slowing down.

After nearly 30 years of 10% sustained GDP growth year-on-year, the economy is stabilising to about 7.5%. While "no economy can grow by double digits forever," *The Economist* [1] commented, it is worth noting that China has become the second largest economy in the world, benefitting manufacturers, consumers and magazine publishers. But the country still has a long way to go in its wealth creation process.

According to McKinsey: "China's GDP is about $6 trillion; by 2020, we think it will be $11 trillion – the equivalent of adding another two Germanys. so with higher incomes and lower savings, many more people are going to spend more and more. Consumer companies have an enormous, historically, unprecedented opportunity" [2].

More consumption means more advertising – music to publishers' ears.

China already represents the largest automobile market in the world (before the US) and is second only to Japan in the luxury market. But not for long. BMW sells more cars in China than in any other country in the world (including Germany) and even Rolls Royce expects China to become its largest buyer in 2013. Moreover, the presence of high-profile brand stores in China is impressive: 60 stores for Burberry, 36 stores in 29 cities for Louis Vuitton and 17 stores expanding to 25 for Hermès.

Cosmetic adspend boom

According to GroupM, China's total adspend in 2012 is expected to reach US$46 billion (third after the US and Japan) and US$49.8 billion in 2013 (a 9% increase) [3]. China's biggest advertisers remain the world's largest cosmetic groups: P&G China, followed by L'Oréal Group and Unilever China. This applies across all media platforms.

The magazine share of this investment remains modest (at around 3%) but it is far from minuscule: about US$1.5 billion and US$1.6 billion are expected for 2012 and 2013. However, these figures do not include the advertising budgets from Hong Kong, where several large advertisers and agencies have located their regional headquarters. In 2013, there will be another US$895 million in magazine advertising coming from Hong Kong. An undefined portion of this amount will find its way to China.

ZenithOptimedia predicts magazine adspend in China will grow by 13.6% in 2013 and by the same amount in 2014[4]. GroupM is more conservative in its forecast and estimates that for the first time, China's magazine adspend will be in line with economic growth and increase by only 7% in 2013.

Both media services agencies are more bullish with their online projections. The expected growth is about 32-35% in 2013, with total spending estimated at US$16.9 billion in 2013. Although about half of this amount goes to paid search, this is a considerable source of extra revenues for magazine publishers in China who are expanding their multi-platform digital offerings. Meanwhile, China has become the second largest market for iPad (after the US).

Strong women's/fashion titles

The immediate consequence of the economic growth is to put pressure on salaries. In 2012, the minimum wage across the country's 31 provinces has increased by 19% and it has doubled over the past 10 years. This trend has been even faster in the magazine industry. And, in a culture where corporate loyalty is non-existent, talented and experienced magazine executives become more difficult to hire and to retain.

While advertising for technology and business magazines slowed in the first half of 2012, women's and fashion magazines continue to grow significantly (by about 17% according to IDG) fuelled by the high-end luxury brands, which still consider magazines as the best vehicle to generate engagement from readers.

The most notable trends in China's magazines in 2012 were the increase of frequency from monthly to fortnightly of *Cosmopolitan* (published by Trends under licence from Hearst) and *Elle* (now owned and operated by Hearst). *Grazia* celebrated its third year of presence in China with a solid expansion in circulation following a reduced cover price from RMB10 (€1.20) to RMB5.

Another bright year is on its way for the magazine publishing industry in China.

1. The Economist: "China Economy, Slow Boats", September 1-17, 2012
2. McKinsey & Company: "Consuming China: How to get ready for the next stage", June 2012
3. GroupM: "This Year, Next Year – Worldwide media & marketing forecasts", Summer 2012
4. ZenithOptimedia: "Advertising Expenditure Forecasts", June 2012

Special report from:
BY THE CHINA PERIODICALS ASSOCIATION (CPA)

The Chinese magazine landscape encompasses some 120 groups in the press and publishing industry, including 31 book publishing groups, 47 newspaper and magazine groups, 29 distribution groups and 13 printing groups. There are 9,884 magazine titles registered with the General Administration of Press and Publication (GAPP), with a total annual print run of 3,54 billion copies. The total revenue of the Chinese media industries in 2010 was €68.3 billion, with magazine advertising making up 0.53% of this share and magazine distribution 2.92%.

There are less than 1,000 titles active in the retail market with approximately 800 titles available on subscription, according to GAPP's 12th Five-Year Plan and the Governmental Report 2010 of the Ministry of Industry and Information Technology. About 4,000 B2B titles are distributed via membership. Party-owned groups publish 1,400 titles including 52 titles with a circulation over 150,000 per issue. Thirty-two magazine titles have a circulation of more than 1 million (12 of these are commercially distributed titles, 11 are published by party-owned groups and nine titles are educational).

In total, 64 international brands have been approved by the Government to be published on a licensing basis.

Magazines can only be delivered by the Chinese Post service which also owns 160,000 newsstands and retail venues throughout China, although they can be subscribed to from special local channels such as school and government administration offices. The annual revenue of the China Post subscription business in 2010 was 7.29 billion yuan (€0.86 billion), including newspaper and magazines, according to data from the annual report of China Post 2010. The annual revenue of the China Post newsstand business in 2010 was 1.8 billion yuan (€0.22 billion). There are 29 distribution groups, in which book and magazine wholesale distribution are the core business. The magazine and newspaper distribution market had an annual turnover of 36 billion yuan (€4.25 billion) in 2010.

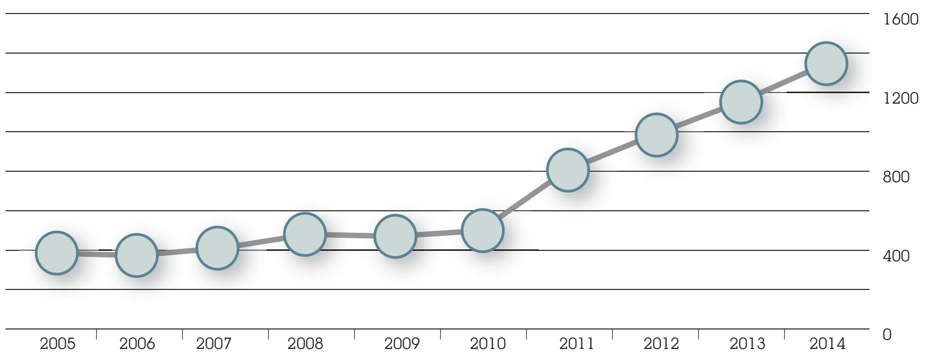
ADSPEND

Source: ZenithOptimedia

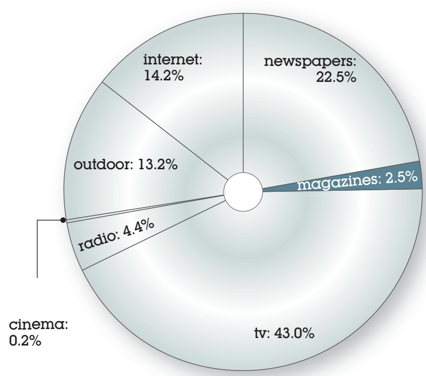
ADVERTISING EXPENDITURE BY MEDIUM (USD MILLION)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
MAGAZINES	385	373	410	480	470	499	806	984	1,151	1,346
Newspapers	3,963	4,838	4,986	5,303	5,733	5,904	7,265	7,505	7,610	7,694
Television	5,499	6,253	6,577	7,761	8,298	10,521	13,896	15,689	17,478	19,925
Radio	601	885	972	1,058	1,112	1,194	1,408	1,548	1,695	1,865
Cinema	24	26	31	37	41	45	53	61	70	80
Outdoor	1,948	2,225	3,031	2,780	2,975	4,235	4,278	4,406	4,538	4,720
Internet	630	1,091	1,891	2,631	3,210	4,971	4,592	6,797	9,651	13,126
Total	13,050	15,691	17,898	20,050	21,840	27,370	32,299	36,990	42,193	48,755

MAGAZINE ADSPEND GROWTH 2005~2014 (USD MILLION)



% SHARE OF ADSPEND (2011)



CONSUMER AND B2B MAGAZINES

HIGHLIGHTS: CONSUMER AND B2B

NUMBER OF PUBLISHERS

	2007	2008	2009	2010	2011	2012
Total	–	–	–	–	–	47

Source: CPA

NUMBER OF TITLES

	2007	2008	2009	2010	2011	2012
Total	–	–	–	–	–	9,884
Print run	–	–	–	–	–	3.54 billion

Source: CPA

SALES DISTRIBUTION BREAKDOWN (RMB)

	2008	2009	2010	2011	2012
Turnover	–	–	36 billion	–	–

Source: CPA. Includes magazines and newspapers

NUMBER OF MAGAZINE TITLES BY CATEGORY

1	General interest	697
2	Philosophy and sociology	2,401
3	Natural science and technology	4,805
4	Culture and education	1,191
5	Literature and arts	624
4	Children and youth	104
5	Pictorial	62

Source: GAPP/CPA

MAJOR PUBLISHING COMPANIES / OPERATORS

China Light Industry/Ray-Li/ Gruner + Jahr	SEEC Media Group
IDG/Trends Group/Hearst	Nanfang Daily News
IDG China	Shanghai Media and Entertainment Group
Condé Nast China	Family Periodical Group
Hearst Magazines China	Modern Media

Source: Media Convergence Asia-Pacific 2012

TOP ADVERTISERS

1	L'Oréal	6	Chanel
2	LVMH	7	Switzerland Richemont Group
3	Estée Lauder	8	BMW
4	Procter & Gamble	9	Shiseido China Investment
5	Swatch Group	10	Daimler

Source: CTR Advertising Monitoring 2010 / ZenithOptimedia Asia Pacific Market & MediaFact 2011

TOP ADVERTISING CATEGORIES

1	Toiletries	6	Leisure
2	Automobiles	7	Computer & office products
3	Personal items	8	Post & communications
4	Clothing	9	Household
5	Business & services	10	Real estate & construction

Source: CTR Advertising Monitoring 2010 / ZenithOptimedia Asia Pacific Market & MediaFact 2011

CONSUMER MAGAZINE PUBLISHING REVENUE

ADVERTISING REVENUE (USD MILLION)

	2007	2008	2009	2010	2011	2012	2013	2014
Consumer magazine print advertising	682	865	975	1,153	1,210	1,343	1,487	1,635
Consumer magazine digital advertising	3	7	10	17	27	40	56	74
Total consumer magazine advertising	685	872	985	1,170	1,237	1,383	1,543	1,709

CIRCULATION REVENUE (USD MILLION)

	2007	2008	2009	2010	2011	2012	2013	2014
Consumer magazine print circulation	2,410	2,555	2,671	2,836	3,094	3,305	3,545	3,815
Consumer magazine digital circulation	–	–	–	–	–	1	3	10
Total consumer magazine circulation	2,410	2,555	2,671	2,836	3,094	3,306	3,548	3,825
TOTAL	**3,095**	**3,427**	**3,656**	**4,006**	**4,331**	**4,689**	**5,091**	**5,534**

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

B2B MAGAZINE PUBLISHING REVENUE

ADVERTISING REVENUE (USD MILLION)

	2007	2008	2009	2010	2011	2012	2013	2014
Trade magazine print advertising	150	182	176	209	232	256	282	310
Trade magazine digital advertising	2	3	4	6	11	15	21	28
Total trade magazine advertising	152	185	180	215	243	271	303	338
CIRCULATION REVENUE (USD MILLION)								
Trade magazine print circulation	70	76	79	93	108	124	139	155
Trade magazine digital circulation	-	-	-	-	1	2	7	15
Total trade magazine circulation	70	76	79	93	109	126	146	170
TOTAL	**222**	**261**	**259**	**308**	**352**	**397**	**449**	**508**

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates