



Koninkrijk der Nederlanden

Opportunity Report Creative Industry

Introduction

This report gives an overview of the Chinese creative industry for Dutch professionals who want to do business in China.

The top sector “creative industry” covers several sub-sectors like design, fashion, architecture, film, music, performing arts, (serious) gaming etc.

According to a survey conducted by Dutch Design Fashion Architecture programme (DDFA) in 2009, Dutch design in general is appreciated by Chinese industry experts, but there is still some ground to conquer for Dutch companies when it comes to brand recognition and market share.

This report aims to provide the relevance of the Chinese market for Dutch creative companies. Working with a local Chinese partner is recommended if you want to be successful in China. Without Chinese partners who know their way in the complex world of the creative industries, it will be hard to gain success. Teaming up with local Chinese partners who have a strong local network and client base is not without challenges, but it has the advantage of reducing certain risks and will facilitate in making the right contacts.

The majority of Dutch creative firms are small and medium size enterprises. For these SMEs to enter the Chinese market, one option is to take advantage of the various industrial parks or incubators set up by the local governments. These parks offer favourable infrastructure, tax incentives, networks and business services.

China is a big country with many contrasts between the regions. Differences between the so-called first and second tier cities, and also the third and fourth tier cities are huge. It is considered wise to pre-determine in which region to operate.

The first tier cities have a big shopping mall on every street corner. Second tier cities as Chengdu, Chongqing, Xiamen and Tianjin offer less shopping malls to the public. For this reason people in those cities rely more on online purchases: there are more than 600 million internet users in China. Nowhere in the world so many people regularly purchase products online as in China. From 2006 to 2014 the number of people purchasing online in China has risen from 33.57 million to 361.42 million. This provides a lot of opportunities however in China e-commerce is done differently than in Europe.

In the Netherlands each brand has its own website where, usually, items can be ordered online. In China it's all about platforms on which all sorts of offerings can be found. There are already several Dutch companies which have entered these platforms. (e.g. The Dutch men's fashion brand Suit-Supply and groceries as Albert Heijn)

Offline presence does not imply you need to exploit your own shop, one can also use the principle of shop-in-shop, when a fashion or design brand for instance could be included in the offer of a Chinese retailer.

When a minister joins a trade delegation, this usually opens doors. The embassy and consulates-general regularly organise fact finding missions in the regions in close cooperation with the Netherlands Business Support Offices (NBSO's). China is very important for the Netherlands because there is a huge market, with many possibilities. But Chinese consumers also have become more critical, partly out of necessity. Since an anti-corruption campaign has been launched by the Central Chinese Government, the market for expensive gifts has crashed. That definitely has an impact on the luxury market.

Another aspect to keep in mind is the fact that more and more Chinese are traveling abroad. There are many Chinese who travel as tourists, as well as many Chinese who study at educational institutions in the West. They get inspired by their foreign peers. This also applies to Chinese who have many Western friends, even on social media platforms like Instagram.

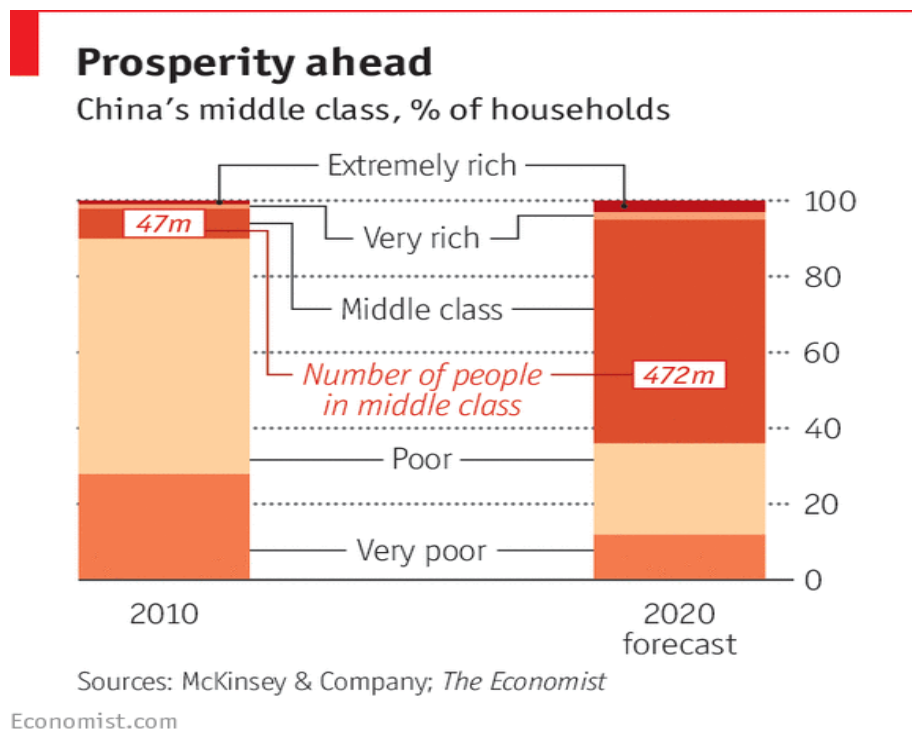
The adherence to Intellectual Property Rights is important for both the design and fashion industry. The law in this field is comprehensive and strict. However, the implementation is not always up to western standards. Dutch companies should realise that it remains important for companies to register their brand, since in China the registration system is based on a first come first served basis, regardless of original ownership.

China's government policy and investment

The 13th Five Year Plan by China's central government presents key policy directives from 2016 until 2020. The focus will, among others, be on accelerating the development of online audio-visual, mobile, multimedia, digital publishing, animation industry. Efforts will also be put on the integration development of cultural industry with technology, tourism, sports and finance.

The Chinese per-capita GDP has surpassed USD 6,000 in 2012. The pattern of consumption has changed significantly, with the national citizens' cultural consumption increasing by 31.8% in 2015 compared with that in 2013. Due to favourable policies and increasing government investment, the value-added by the cultural industry reached USD 394 billion with an average annual growth rate of 10%, which makes the sector a key force driving the Chinese national economy.

McKinsey forecasts a huge growth of the Chinese middle class until 2020:



Opportunities per sub-sector

Since Creative Industries covers so many different sub-sectors, we will concentrate on the most promising for Dutch entrepreneurs: Design, Interior Design, Fashion, Architecture, Film and Gaming.

Design

China is shifting rapidly from a traditional manufacturing into a design and brand oriented business economy. The influx of advanced technologies, branding strategies and design products from the West has played an important role in the development of China's design industry.

With an estimated 3 million factories and 40 million private companies, China offers vast potential for design services. China aspires to move from a "made in China" towards a "created in China" country. Driven by China's need of internationalizing its companies, there is demand for design services for which Dutch companies can offer design expertise and a holistic understanding of the design process to meet this demand.



Chinese pavilion in 2016 Milan expo ©Studio Link Arc

Interior Design

Interior design in China has a history of nearly 30 years. As the design style evolved, China's interior design became increasingly diversified. But compared with the West, China's interior design is only just beginning. With the continuous improvement of the living standard, people have higher demand for better living environment. The Chinese growing consumption has stimulated the development of the decoration industry. Designers vary in their professional levels. Nonetheless, interior design in China today has problems that cannot be ignored: serious waste, high consumption of resources and energy, and damage to the environment have caused ecological problems. All of these need immediate solutions which Dutch experts could offer and which may thus be considered as opportunities for Dutch entrepreneurs.



Interior design of soho guanghua rd 3Q by Dutch-Belgian firm AIM Architecture ©AIM Architecture

Fashion

The China fashion industry is continuing to expand at an exponential rate.

With a population of 1.4 billion, China offers the world potentially the largest consumer market for the fashion industry. With China's GDP growth of 6.9% in 2015, the expenditure on clothing increased accordingly. Because of rising incomes and improved living conditions, markets for both high- and low end clothing are increasing, with an overall trend of becoming more fashionable and differentiated.

The rise of the fashion world is a consequence of the social and economic development, Chinese earn more than before, and thanks to internet their interest in fashion is increasing, and they keep a close eye on the West, though the country itself also has designers who are doing great, like Hu Shenguang (with Dutch roots), Alexander Wang, Jason Wu and Masha Ma.

The economic growth will further stimulate the apparel industry and expand the potential of China's fashion market. Furthermore, government policy to stimulate domestic demand will certainly enlarge the market and provide opportunities for the development of the industry in future.

Despite rising labour costs, China's textile industry is still growing and looks to dominate the global apparel sector, both as a producer and a consumer for years to come. For complex manufacturing, China is still very competitive.

Today, Chinese fashion has the ambition to grow beyond the domestic economy and culture: China, both as market, and as inspiration, is becoming a crucial player in the global fashion world, and Dutch brands can be part of this challenging and interesting market.

Chinese are fond of outlets. The largest one in Europe, Designer Outlet Roermond, is visited by Chinese tourists who would also like to see this initiative in their own country. A golden opportunity for the Dutch fashion industry. The principle is very attractive: popular fashion, available at a lower price. It's also the collection of many brands together that attracts people.

All these factors generate opportunities for Dutch businesses, although the scope of the opportunities differs from region to region in China. It can be very different whether one operates in inland cities or big metropolises and even the markets in the main cities can be different from each other.

The Chinese fashion scene is mainly in Shanghai and Hong Kong. There are plenty of opportunities in the Chinese fashion world for the Dutch business community. It is good to realise that, with all the opportunities it offers, entering the Chinese fashion market also comes with a lot of challenges. China has a comprehensive system to regulate imports of textile, apparel, and footwear products. China also has a number of chemical and physical requirements for textile and footwear products, and these requirements in terms of chemical, performance, labelling, product categories are compulsory at the national level in order for products to enter the country. While the regulations may be difficult to understand, it's certainly not impossible to be successful there—but companies have to be vigilant.

Awards, Festivals, Design Weeks

China Design Awards

- Jintang Prize China Interior Design Awards (金堂奖) <http://www.china-designer.com>
- Red Star Design Award (红星奖) <http://www.redstaraward.org/>
- China Good Design (中国好设计奖) <http://www.chinagooddesignaward.com/>
- Classic Design Award (北京国际设计周“经典设计奖”) <http://www.bjdw.org/cn>

Festival & design week

- Beijing Design Week (北京国际设计周) <http://www.bjdw.org/cn/>
- Design Shanghai (设计上海) <http://cn.designshowshanghai.com/>
- Shanghai Design Week (上海设计之都活动周) <http://2014.creativecity.sh.cn>
- Business of Design Week (香港设计营商周) <http://www.bodw.com>
- Tianjin Design Week (天津设计周) <http://www.tdwjt.com/>
- MB China Fashion Week (梅赛德斯奔驰·中国国际时装周) <http://www.chinafashionweek.org/>

Architecture and Urban Planning

During the past three decades, the urban population has increased by more than 500 million, and new buildings and infrastructure have been erected everywhere. This contributed to the advancement of urban planning in general.

The master plans for cities are usually produced in the planning and research institutes. These institutes originally functioned as departments of the municipal government but many have since transformed into commercial firms. Though most of them are still dominated by state capital.

Although the institutes are partly privatised, the planners who serve in them are still considered very influential in the organisation of the urban planning system. This is partly due to the fact that they work closely with the government, and partly because they take part in the making of the legislation process.



Three Cultural Centres & One Book Mall, Shenzhen, China by Mecanoo ©Mecanoo

The current trend of moving from an exponential urban development to the sustainable urban development approach has brought an institutional change in China's urban planning. This implies there is a more open market to absorb additional private planners and architects. This can imply opportunities for Dutch architects and planners.

Until present date, the Netherlands has had some share of the market due to its advantages in the field of integrated spatial planning and urban and architectural design. Further opportunities lie in community planning and design for nursing housing, low-carbon city planning and design, and projects concerning regeneration, water in urban design and rural development, and urban-rural integration.

Architecture, infrastructure and urban planning in China face several challenges as the environmental degradation, ageing society and social inequity, water, energy and food security. Market competition in the field of architecture and planning in China is fierce, both from overseas and from Chinese competitors.

Other challenges are varied and include institutional barriers to market entry, difficulties in obtaining certificates of qualification, communication barriers with local governments, high costs of local employees, problems with the implementation of design and planning etc.

The Chinese government recognizes the Dutch expertise in urban planning and architecture and sees its key aspects as being expertise in the areas of water, agri-/horticulture related planning and building, as well as creativity within design. Though the Netherlands is renowned in this field, it is still (also seen as) a small country and this influences how the Chinese government views us. No city in the Netherlands has the scale and size of Chinese cities, rather the Netherlands as a whole, could be seen (and could possibly market itself) as a model for the Chinese regional approach.

Exhibitions and Fairs

- China International Architecture Decoration and Design Art Fair (中国建筑装饰及设计艺术博览会) <http://www.xinjiadiy.com/>
- Asian Congress of Architects (亚洲建筑师大会) <http://www.aca17hk.com/registration.html>

- Shanghai Intelligent Building Technology (上海国际智能建筑展览会) <http://shanghai-intelligent-building-technology.hk.messefrankfurt.com/shanghai/en/visitors/welcome.html>
- Shenzhen Bi-City Biennale of Urbanism\Architecture (深港城市\建筑双城双年展) <http://en.szhkbiennale.org>

4.5 Film Industry

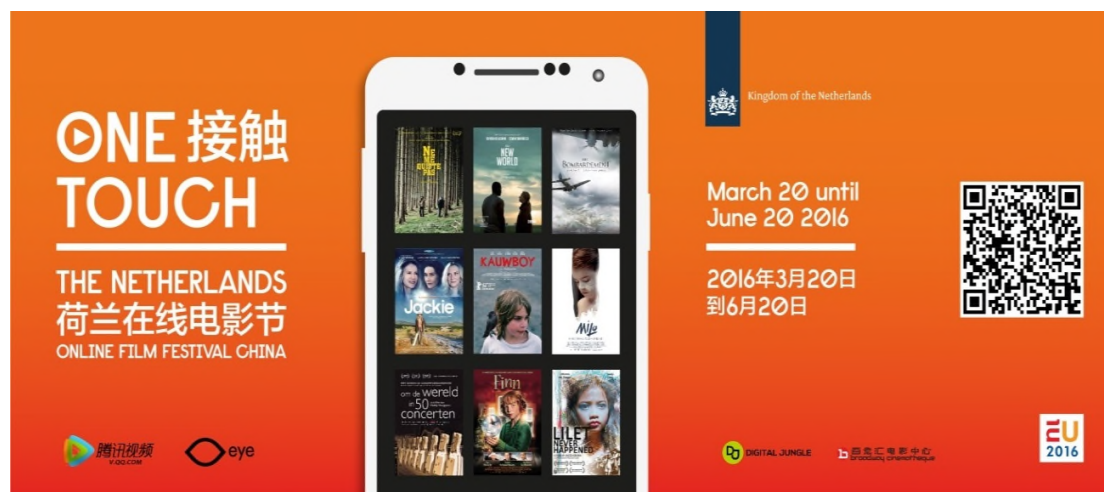
The State Council passed the 'Law to Promote the People's Republic of China Film Industry' in 2015, which brought the film industry into the national economy and social development plan and placed film education in the compulsory education teaching plan. To further simplify the administrative approval procedures, encourage private capital to enter the film industry, lower the industry threshold for the processes of production, distribution and screening, the state established and used special funds to support all kinds of film businesses, gave support and subsidies in terms of financing, taxation and land use.

The Chinese film industry is the world's second-largest movie going market. The box office in China grew 48.7 percent in 2015, reaching \$6.78 billion. In China more than eight thousand new screens were put into use in 2015.

That means 22 new screens opened every day. With its 1.4 billion people, the Chinese film market is expected to keep growing fast in coming years. China's quota system restricting foreign movie imports to 34 titles a year on a revenue-sharing basis will open up further in 2017-2018. The biggest challenge when it comes to getting a movie into the Chinese market is censorship, and this remains a problem for both domestic and overseas filmmakers.

An example of this is Wanda, a private owned enterprise in Qingdao, that invested a lot in the creative industry. Another investment motive for Wanda is the real estate development near this project.

In Oct of 2015 during the state visit in China, The Netherlands signed a government level film co-production agreement with China in Beijing. This agreement is to facilitate film alliances and bolster cultural and economic exchanges between the two countries. The agreement will allow Dutch films to gain a wider access to the Chinese's booming market as eligible films will be exempted from China's quotas on foreign films.



Poster of The Netherlands Online Film Festival 2016

There is also potential for cooperation in the field of films for children. In April 2016, the NL Film Fund delegation joined the Beijing International Film Festival and set up a big scale Dutch Children Film Workshop for local film peers. The Netherlands children/youth films have frequently received awards in international film festivals, and have a high reputation in Chinese children film circles. Although the Chinese film industry is growing rapidly, the quality of Chinese local children films still lag behind

comparing to other film genres, said Jin Zhongqiang, the secretary general of China Children Film Association. There is a big potential for the Dutch children film makers to share their experience with Chinese film makers in creating high quality co-produced children films.

Awards and Festivals

- Shanghai International Film Festival (上海国际电影节) www.siff.com
- Beijing International Film Festival (北京国际电影节) www.bjiff.com
- Hong Kong International Film Festival - <https://www.hkiff.org.hk/>
- Macau International Film Festival - <https://www.icm.gov.mo/en/News/detail/13391>
- Guangzhou Documentary Film Festival - <http://www.gzdoc.cn/execute>

Game Industry

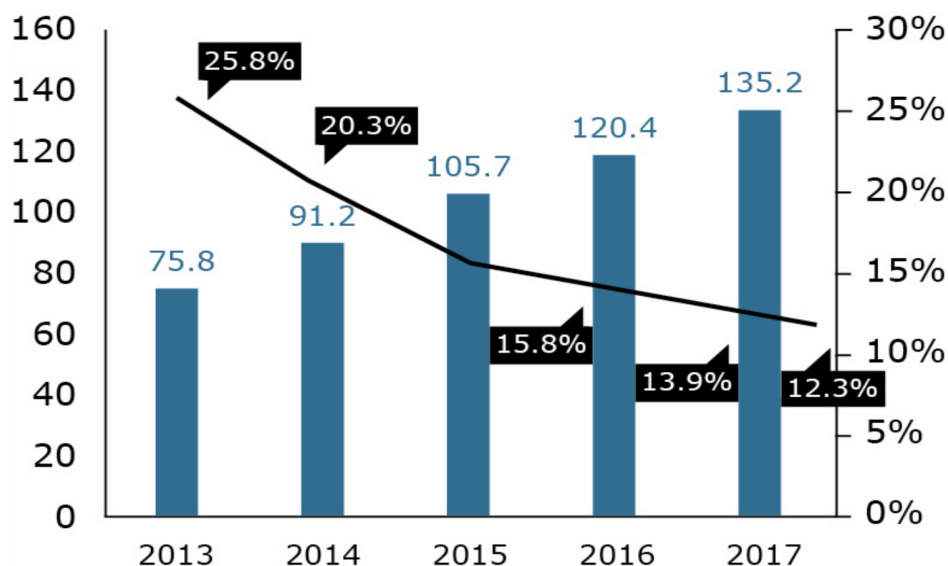
The Netherlands is ranked amongst the top 3 countries that produce serious games. What China has to offer for the Dutch games industry, is an eager mobile market.

Firstly, a number of Chinese companies are strong international publishers of online and mobile games. These might provide interesting channels for Dutch content providers to other emerging markets, such as Southeast Asia.

Secondly, with a thriving industry, but generally lower quality of games in China, there is room for cooperation on game design education. At the same time, there are many schooled programmers and digital artists working for competitive – albeit rising – salaries in China. Therefore, China also offers sourcing opportunities for specific parts of game production.

Finally, looking at recent developments, console games and serious games, especially those developed for elderly care, might hold future potential, even though these are new market segments at the moment.

As China's market is expected to keep growing, China has earned its position as an important constituent of the global games industry. According to market researcher NewZoo, China will overtake the U.S. as the world's biggest games market by 2016 with USD 25 billion.



Expected growth of China's games market in billion RMB Source: NewZoo

Many Chinese publishers have become international players, with strong presence in Southeast Asian and East Asian markets. Even the landscape of publishing platforms in China has become more manageable, now there are less major game portals and app stores than before. China's games market has in many ways become more accessible and internationally relevant.

However, this does not mean that China's games environment is becoming more Western. Few games are available in English, while Chinese versions of most popular international games are freely available. MMO RPGs (Massive Online Multiplayer Role Playing Games) stay popular, with smaller margins for other game types. The Chinese market maintains specific demands towards gameplay and design, which favor locally produced games. Publishing in China still requires established contact with platforms, government and often additional programming. There are many local parties who are willing to help bring innovative, high-quality foreign games on the market.

There are challenges for Dutch companies to consider before entering China market. Firstly, localisation should be properly done, especially making sure the game fit in with Chinese habits for playing and paying. Secondly, local marketing is important, including the distribution and promotion channels. Last but not least, IP should be registered in China to prevent platforms from offering infringing games.

Exhibitions:

- China International Cartoon and Animation Festival (中国国际动漫界) <http://www.cicaf.com/>
- Beijing International Animation Industry Expo (北京国际动漫产业展览会) <http://www.dmcyexpo.com/>
- China Digital Entertainment Expo and Conference (中国国际数码互动娱乐展览会) <http://en2016.chinajoy.net/>

Overall role of the China network

The economic network in China is there to help Dutch companies when they wish to enter the Chinese market. Apart from the embassy in Beijing, we have four consulate generals - in Shanghai, Guangzhou, Chongqing and Hong Kong - and six Netherlands Business Support Offices (NBSO's) in Chengdu, Dalian, Jinan, Nanjing, Qingdao and Wuhan. Our goal is to stimulate Dutch activities and investments in China. The economic network offers services like business partner scan, organizing trade missions and matchmaking between Chinese and Dutch parties.