The Music Industry in China: Analyzing Consumption, Marketing, and Historical Trends

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Summary

This paper analyzes the music industry of China in an effort to provide a greater understanding of the country and how music is consumed and marketed. It starts by looking at historical realities in the country, including the development of piracy and government censorship, and how Western countries have influenced their music. Users, content, and trends of social media networks are individually considered to uncover best practices and methods for success. Streaming services are also considered in order to measure current usage and provide an overview of the music technology market. Branding and sponsorships are briefly covered as an important method of raising money and awareness for artists and companies. The paper concludes with a discussion of areas for growth and untapped markets within China.

Keywords: China, music industry, piracy, Hong Kong, Taiwan, streaming, social media, branding

Introduction

The music industry in Asia is often referred to as a congregation, one massive population with one defined culture. The region remains an enigma to marketers and foreign countries looking to sell their product, as little is understood about this group and their habits. Thus, music marketing is even more confusing to labels and bands that are trying to break

into the scene. While some Western artists are well accepted, others struggle to gain listeners or bring fans to their shows, let alone sell records and turn a profit.

The reason for these complications is the mindset that Asia can be understood as a conglomerate. The diversity that exists between nations, or even between geographical areas in larger countries, is vast enough that Asia cannot be well understood as a group. Even dividing the continent into smaller regions like Southeast Asia, is insufficient. Nicki Kenyon, Vice President of Marketing at Visa for the APAC region, said recently at the Music Matters Conference in Singapore that "the only thing Asian countries have in common is their proximity to each other"[1] Even for neighboring countries, language barriers, governmental forces, cultural differences, consumption habits, and people's resistance to change all come into play.

This paper aims to outline and describe the music and industry of the People's Republic of China, by providing not only a historical and cultural analysis of it's music, but a guide for companies and artists to be successful and profitable in this highly sought-after market. Ultimately, my research answers two questions: how is music marketed and consumed in China, and what factors have led to this scenario? The results are presented in comparison to the Western music industry.

Part 1. Overview of the Chinese Market

China represents a paradox for the music business community. It is the most populated country in the world (NBS China, 2015), yet ranks 19th in terms of the recorded music industry (IFPI, 2014). Other countries, like Japan, have much smaller populations, but rank much higher in music spending. The problem is not one of money, nor access. China's

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[1]Speech given at All That Matters Conference, Singapore, May 21st, 2015 - Panel: Online2Offline2Online: Amplification of Live Events to Online

massive and quickly growing economy also ranks number two in the world, and has around 45% of the population connected to the internet (Internet Live Stats, 2015). Even the movie industry does not share the same woes. China holds second place for box office spending every year, ahead of Japan and many other Western countries.

Table I: Music Revenue and GDP in Asia (IFPI, 2014)

	2013 Rec. Music Rev. (in Millions)	Total Music Revenue Per Capita	GDP Per Capita	Population (in Millions)
China	$82.60	$0.10	$9,800	1,355.70
Hong Kong	$38.70	$5.50	$52,700	7.1
Taiwan	$58.90	$2.50	$39,600	23.3
USA	$4,473.50	$14.10	$52,800	316.4
Japan	$3,012.00	$23.70	$37,100	127.3
South Korea	$211.30	$4.30	$33,200	49
Singapore	$13.10	$2.40	$68,541	5.4

Table I above outlines this paradox in real numbers. China has the one of the lowest music revenues per capita in the world, far lower than the other major music markets in Asia. The country's GDP per capita is lower as well, indicative of its status as a developing nation. But while China has only 26% of Japan's GDP, it has less than 0.5% of it's music spending per capita.

These statistics do not infer a low level of interest in the music industry in China, or a smaller fanbase than you would find in the West. The reasons for the low numbers will unfold through this section as I outline the history of music piracy, from its beginning before the digital age to the relative infancy and unrefined nature of the industry and the players involved in it.

1.1 A History Through Piracy

Piracy in China is neither a recent nor purely digital phenomenon. Rather, it is baked into the media landscape, something that was accepted and used by the general public well before it was in the Western world.

In the United states, the average user's entrance into piracy came in 1999 with the release of Napster, the first mainstream file sharing network (Fortune, 2013). As a result, that year marked the global peak of recorded music sales worldwide, as shown in Table II below. It also signified a major change in how people consumed music, thus releasing the stronghold record companies had on the industry. Shortly following the launch of iTunes digital music store was opened in 2001 (Apple, 2001), Napster's file-sharing service was shuttered in 2002. The industry trend since then has been toward digital downloads, and more recently streaming, as opposed to physical media.

Table II: Global Recorded Music Sales 1997-2011 (Source: The Register, 2012)
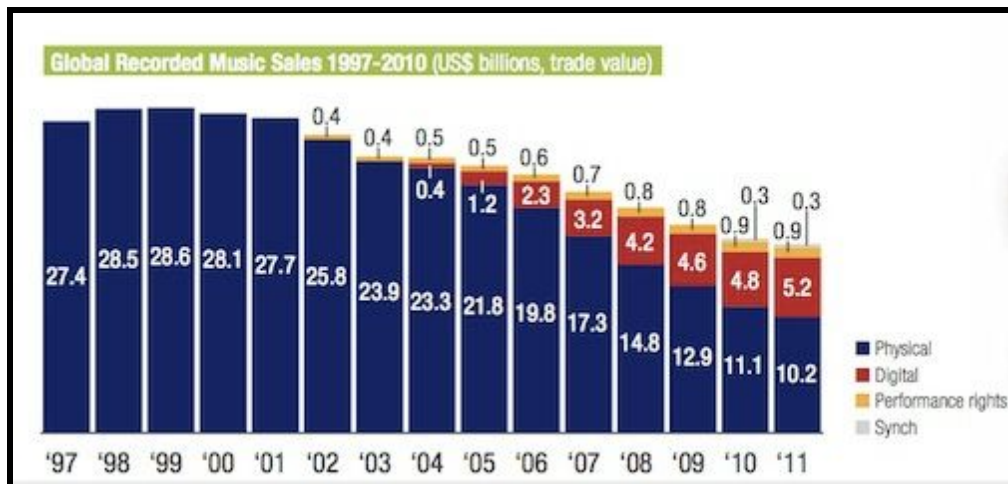
A. Piracy in Physical Media

Piracy was as rampant in China in the pre-digital age as it is today. In the late 1990's, as part of the "heyday" of the American record label, when they were making the most

money, the pirated CD market in China was almost as large as it's legal recorded music sales. The 1996 numbers presented by *The Economist* estimated the pirated CD market at $168 million, while the total recorded music industry was valued at $170 million (Dixon, 1998).

As learned during my personal experience in China from 2011-2012, bootleg CD's were still sold and could be easily attained from street salesman and small shops. As noted earlier, streaming music and apps were much more common, especially among younger users, but the market is still there in some respects.

B. Piracy in Digital Media

The deep proliferation of piracy in China advanced with the music industry into the digital age. Baidu, China's largest search engine, is often referred to as the "Google of China," and is one of the economic powerhouses in the Chinese tech world, with $7.9 billion in revenues in 2014 (China Internet Watch, 2014). Baidu has almost 80% market share of search in China, a statistic that has increased every year since their inception in 2000 (China Internet Watch, 2014). Despite its financial success, until 2011, the company was one of the biggest contributors to digital piracy in China. Baidu had an infamous "Mp3 Search" feature that made pirated music extremely accessible, even from Western countries. The 2010 paper "The Tough Reality of Copyright Piracy: A Case Study of the Music Industry in China" describes the service while it was active.

> Unlike the United States, where peer-to-peer ("P2P") file sharing is apparently the principal source of illegal music files, China faces a wider variety of infringements among which search engines play a more significant role in breeding online piracy than P2P services. For instance, Baidu, the largest search engine in China with a market share of more than 60%, offers an online

music service, Baidu MP3, based on a business model of deep- linking illegal music files situated on third-party websites. Once a user enters a search keyword (e.g., artist name, song title, or album title), Baidu MP3 generates a list of search results that designate available music files organized by such criteria as song title, artist name, album title, lyrics, file format, file size, and download speed. Upon a click on any of these search results, the user may directly download or stream the music file via a pop-up window embedding the hyperlink to the actual IP address. Alternatively, a user may choose from predetermined search terms that normally consist of artist names or song titles. Those predetermined search terms are categorized into various charts and hot lists, based on their popu- larity, genre, release year, language, and places of origin (e.g., Hong Kong, Taiwan, and Western countries). By browsing such charts and hot lists, a user could reach similar search results without the need to conjure up any keywords herself (Liu, 2010, pg 9).

In the United States, no form of piracy has reached Baidu's level of acceptance by any company or the general public.

Baidu MP3 was closed in 2011, and replaced with a legal download store, almost 10 years after the major labels closed Napster in the United States and it's legal alternative, iTunes was created. Over this time, China's consumption of pirated music allowed the entire market to ignore the trend of paid downloads and streaming services, which are the driving force of music sales in the West. Though legal streaming services had begun to develop as early as 2005, they had little market share competing against illegal services like Baidu MP3 and others. As with physical CD's before it, the digital pirated music industry not only negatively influenced sales over this time, but created a culture in which legal options were

not adopted by the general public. The result is a music industry which will always face problems earning money from it's user base. Ed Peto, owner of the Outdustry Group, a Beijing based music industry consultancy group, specialising in China music market entry, market intelligence, and other services, said in an the book *Free: How today's smartest businesses profit by giving something for nothing*, "The moment you put a fee on accessing music in China is the moment you cut off 99 per cent of your audience" (Anderson, 2010). He goes on to describe other ways he uses free music to grow his clients' fanbase in China.

1.2 Western Influence on China

A. Opening of China's Borders

Music is just one aspect of Chinese society that has followed its own course through history. Until the 1970's, China was largely closed off from the outside world, the West in particular. It wasn't until Deng Xiaoping's second rise to power, after the death of renowned Communist leader Mao Zedong, that the country began to open up. In 1978, Deng put legislation in place to allow foreign trade, which marked a significant change in China's business and social landscape (Economist, 2008). It wasn't until after this time that Western-style pop and rock music started coming out of China.

B. Hong Kong

Taking a look at Hong Kong's storied past is crucial to understanding the current landscape in the region. Going back into history, Hong Kong was Chinese territory, sharing ancestors with the current Guangdong province of mainland China. The island became a British colony in 1841 while the two nations fought during the Opium Wars. It remained under British rule until 1997, when it was given back to China to become the Hong Kong

Special Administrative Region, which today allows it certain autonomy in regards to legislation and government (New York Times, 1997). The resulting city is one which, unlike any city in mainland China, has seen the creation of modern pop culture under intense Western influence and by a population with a much greater understanding of English.

Hong Kong's separation from mainland China is seen in many areas. Hong Kong has full access to the internet, without any censorship or site blockages. As a result, western media is much more popular—Facebook and Twitter are more used than Weibo or other Chinese services. The music scene, on the other hand, has not developed organically the same way it has in other cities. There are large venues and amphitheaters which are successful featuring global stars on international tours. But the underground scene, subcultures, and entire landscape of small and mid-level bands is comparatively very small. Instead, Hong Kong is visited solely by big acts who are coming through on international tours, artists who don't necessarily have the reach to sell out large venues in Beijing or Shanghai. In interviews with musicians in that region, I discovered there are some crossovers with Guangdong bands, or Hong Kong bands touring Guangdong, but not on a scalable level.

C. Taiwan

Taiwan, like Hong Kong, is a small island off the Southeast coast of China. It boasts a population of over 23 million people, compared to Hong Kong's 7 million. It also enjoys autonomy to make some of its own laws, though it is technically a sovereign state within the People's Republic of China. (Taiwan Embassy, 2015) As such, it enjoys much of the same freedoms as Hong Kong, including open social media and internet access.

Musically, Taiwan is coveted as the "Gateway to China", implying its ability to break bands in the region. This year's Music Matters conference in Singapore featured a panel

called "Gateway to Taiwan". Panelists almost immediately noted that for bands and companies, getting to Taiwan is merely a first step in achieving success in China[2].

The reason Taiwan holds this power can be broken into many factions. First, a greater understanding of English and access to Western media makes them culturally more open to foreign artists, and a higher GDP per capita results in much higher entertainment spending. Total music revenue per capita in Taiwan is $2.50, compared to $0.10 in China (IFPI 2014).

Mainland Chinese citizens also look to Taiwan for current trends in music and pop culture. The common view here is that if you can make a name for yourself in Taiwan, the spread to mainland China is possible. China is a daunting market for people to enter, focusing efforts on Taiwan is not only a best practice for success, but much easier task for a mid-level band to handle on their own.

Laws in the country also make it much easier for bands to tour. China is very strict about offering visas, and getting into the country can be a long and difficult experience, which is not the case for Taiwan. In the Music Matters panel discussed earlier, "Panelists agreed that Taiwan proves to be a relatively receptive market for concerts with relaxed procedures for promotions and performance permits." (Music Asia, 2015)

1.3 Government Censorship / Shutdowns

It is well known that China blocks many Western websites in China, most importantly social networks and news sources. Though local social media networks exist, the Chinese government employs thousands of people to constantly monitor network traffic and remove political or otherwise inappropriate posts. These policies have been in place for years, and are

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[2] Speech given at All That Matters Conference, Singapore, May 20th, 2015 - Panel: Gateway to Taiwan

not seen as a problem by most artists and companies who operate in China. Social media is discussed in much more detail later in this paper.

More recently, the closure of large music festivals and important venues have been a major disruption to the music industry in China. MIDI and Strawberry Festival, two of China's largest festivals, were cancelled in 2011 (NYT 2011), and will be cancelled again in 2015. Ostensibly, these are security measures, resulting from poor security and high attendance at these events. Many have cited a deadly stampede at a New Year's event in Shanghai as the reason for the security tightening (Washington Post, 2015). But many in China argue that the government has closed these events for political reasons, believing that they brought together too many like-minded people who are becoming politically active and beginning to speak out against the government. The fact that officials are frequently targeting rock and hardcore venues and festivals would indicate that this idea has some truth.

A report from March of this year sheds light on some of the concerns the music industry has after mid-show halt of 330 Metal Fest. The author suggests that these cancellations "...leave us to question the extent of the impact this is going to have on small-medium sized creative businesses attempting to operate in China. It's a question of degree: how far should the state go to guarantee the safety of the public, and at what point does the need for control become overreaching to the extent that it impedes domestic creative expression?" He continues, "..the cancellation of 330 (one of many casualties), the shutting down of venues, and even spot raids collectively set a precedent for the next generation of creators, who from the outset are faced with the burden of proof" (China Music Radar, 2015). The connotation is that artists and show promoters are faced with the knowledge that they could be prevented from playing at any time, regardless of how much planning time or

money they have invested in an event, and will have to defend themselves to the government, proving that their event is safe and appropriate, a difficult argument to win.

Another recent article goes into more detail about the unknown problems that can arise. "A legitimate event can be organized, the appropriate papers can be filed and permissions obtained, but within the context of a state that believes the arts are decidedly intended as vehicles to promote socialist values, and the added fact that foreign influences are under increased scrutiny – within the tech sector initially but surely elsewhere – no degree of 拍马屁 or assurances from powerful friends can guarantee that everything will go smoothly." (China Music Radar, 2014)

In my literature review, I outlined the history of music consumption in China, in order to introduce the current scene and societal forces that affect it. It is impossible to fully understand the music industry in China without first understanding the events and cultural shifts that led to its creation.

The key concepts are the opening up of China to Western influence, first through laws surrounding foreign business in the country, then through its most important sovereign regions, Hong Kong and Taiwan. Another issue is that of government control and censorship, which will be discussed further in the second half of this paper in regards to social media and censorship on the internet.

While the concepts described in the literature review provide insight into the Chinese market and the issues that influence it, more research was needed to provide a complete understanding of what is happening in the country. Literature in this regard is extraordinarily difficult to come by. Despite the fact that China's growing economy and population represent a valuable market for Western artists and companies, media outlets rarely cover the area, and little is known about the market. My continued research in this field presents additional

information in order to create a real "insider's view" of the country and the ways music is consumed and best marketed.

Part 2. Research Methods

In order to get a modern and accurate view of the music industry in China, research was needed on a more intimate level. The increased interest for bands and countries to enter China is met with a relatively small amount of information to help them in this process. Furthermore, statistics and industry reports only show part of what is going on, they provide end results with little explanation of their meaning or important events that led to those statistics. Having lived and worked in China, Kyle was uniquely qualified to undertake this research and analyze its results.

2.1 Scope of the Paper

This paper is focused intently on China and its territories. As described in the introduction, Asia is an intricate web of countries, each with its own history and tendencies. Invariably, these countries and regions affect each other, as shown above with Taiwan and mainland China. Other countries, including several in Southeast Asia, influence China musically and culturally, and receive influence. Furthermore, many countries in the region have had a similar history to China in respect to piracy and current issues with streaming and low spending on the legitimate music industry. These countries are difficult to analyze, especially given the lack of reliable information available. More thorough and significant research would be needed in each region to be able to compare their industries and discuss their importance in the Chinese market.

Other countries, like Japan and South Korea, are much more developed than China, and have not only a larger industry, but higher music spending per capita, much more similar to the West than to China (IFPI, 2014). These countries do have some influence in China,

including the prevalence of K-Pop and J-Pop and trends in technology and apps. Lack of information is not an issue in this respect, but these areas are not directly discussed in this paper due to time constraints and overall relevance in the country.

Findings in the paper are presented in a Western viewpoint, and often compared to systems or statistics from the United States and Europe.

2.2 Interviews

The best way to get an in-depth understanding of a creative and often irregular industry such as music is to talk to people who contribute to it in all roles and positions. For this reason, we wanted to conduct qualitative interviews with professionals and the field, which included musicians, composers, label owners, and journalists covering the scene. Subjects were asked to describe their professional experiences, consumption habits, and marketing methods in a way that provided more information than reports and statistics could provide. These interviews were the primary source of data for this paper.

A total of ten interviews were conducted in a variety of methods: live over Skype or telephone, in person, and by written responses via email. Interviewees all spoke English. A majority of the interviews were with musicians or composers working in the cities of Beijing, Shanghai, Shenzhen, and Hong Kong. Questions covered their income streams and sources, marketing methods for shows and recorded music releases, and trends over time in China. One interview was with an employee of an independent record label in Beijing and covered marketing new releases, social media, and streaming services. Another was with a journalist who covered the local scenes in Beijing and Hong Kong.

We reached interview subjects initially by tapping into the personal network of Kyle's colleagues at Berklee's campus in Valencia, and friends from his time in China. After each

interview, interviewees were asked to provide referrals, which helped grow the network organically while maintaining a level of reliability in subjects.

2.3 Periodicals, Blogs, & Statistics

Despite the relative lack of interest in China from a news and media standpoint, there are a few key outlets reporting on China and the music industry. I used these articles to open my research to a larger group of people than I could interview, corroborate ideas and trends mentioned by interviewees, and get a fresh outlook on important issues. This information was used as secondary source of data for this paper.

Annual reports from the International Federation of the Phonographic Industry, as well as census and demographic information was collected to provide statistical evidence of issues discussed. We also used popular blogs from the region and news articles to look deeper into subjects that interviewees spoke about, and get a more broad perception of the inner workings of the industry.

2.4 Data Analysis

Interviews were individually transcribed and reviewed for important quotes and talking points; derivative documents were made to highlight these ideas. Information from this data was analyzed in two ways. First, discussed issues were looked at in aggregate. All interviewees who discussed a specific subject were looked at in parallel, to form a collective opinion or theme, which was described in detail to compose this paper. Second, interviews were analyzed directly to highlight significant experiences and cases studies. Quotes and specific ideas were also presented in this paper to emphasize certain ideas and their importance.

Statistical analysis was done on any numbers derived from IFPI and other reports. These figures were presented in comparison to figures from other regions, and taken as snapshots of various sectors. Research from blogs was used to used both to give background and more insight on topics discussed by interviewees and to find a more personal or opinionated view on issues. Quotes and ideas from relevant sources are referred to throughout the paper.

Part 3. Results - The Current Music Industry

As a result of the low income derived from recorded music as outlined above, income from several other streams has risen, including those from live shows, sponsorships, and music streaming services. This section aims to outline the importance and size of each, and describes the process of marketing and earning income from each sector.

3.1 Live Performance

Live music, without question, is the most important revenue stream for musicians. This is true of local bands and musicians who gig there, and of foreign acts hoping to break into the market. Music scenes are very individualized around the country, and marketing for events is heavily reliant on local networks of people. The good news for artists is that income from live performance is rising, not necessarily because fees are higher per gig, but because artists are playing more shows, and the scene is growing to support them (Interview #1). Beebee, a Chinese independent news source, reports that "The number of livehouse performances and shows that took place in the first quarter of 2015 was 1,264, featuring a total of 1,648 performing artists, a 27.95% increase over 2014" (China Music Radar, 2015).

Many foreign musicians live in China, and though most have other jobs for steady income or to maintain a visa to live in the country, many people I interviewed said it is

possible to make a living solely from playing music, a very difficult feat in most Western countries. First, the cost of living in China is much lower than in the US. Statistics suggest that rent prices in the United States are almost 60% higher than in China on average (Numbeo, 2015), other metrics like food and merchandise prices are even more disconnected. Furthermore, the US is completely saturated with artists looking to play out, a problem most cities in China do not share.

One interview with a musician living in Shenzhen, China, revealed what he calls the "three types of gigs available to foreigners" who play live shows in China. The first type is a small event, either a show at a local bar or other small venue. Bands here are often general cover bands or have a personal relationship with the bar owner. These gigs are more for fun more than for work, but the bar usually pays the band 250-300RMB ($40-50), plus a discount on drinks or food, really just enough to cover taxi fees and the hassle of getting equipment to and from the bar.

The second type of gig is a larger rock show or festival. The fee paid to musicians is usually more substantial in this case, band members can be paid 400-500RMB ($65-80) per person, depending on number of tickets sold or turnout. These shows are still very DIY, and require more organization and self promotion, hence the larger fee, but are still "more about fun than money" for most people.

The third type of gig common to foreigners is what my interviewee referred to as "Monkey Shows". These shows are arranged by corporate sponsors, such as a car dealerships, telecom companies, or other brands, who are looking for entertainment for an event. They deliberately hire foreigners to play, as opposed to local Chinese, with the goal of appearing classier or more refined. In these scenarios, organizers usually hire quiet or instrumental groups to play in the background. "Monkey Show" is a somewhat negative allusion to the

idea that the look of the band is more important than the music it plays. For this type of gig, my interviewee said he "doesn't get out of bed" for less than 1000RMB ($160) (Interview #3).

While the live music industry is especially focused on Beijing and Shanghai, other cities are quickly gaining prominence as the economy grows throughout China and the music scene continues to grow. The top ten cities for live music, rated by number of shows is as follows: Beijing, Shanghai, Guangzhou, Shenzhen, Chongqing, Chengdu, Tianjin, Wuhan, Changsha, Shamen (China Music Radar, 2015). As the number of live music events in China rises, they also spread out further into secondary and tertiary markets, including more rural locations.

3.2 Marketing Performances with Weixin

A common social media strategy employed by beginning and mid-level bands is the use of the messaging app Weixin, English name WeChat. It is often referred to as the "Chinese version of WhatsApp". Weixin is owned by the media company Tencent, who also owns a microblogging social network and the popular messaging service QQ and it's streaming service QQ Music.

The most creative and effective use of Weixin for marketing is the group chat feature, which allows for 100 person groups. These groups are made up of musicians and fans, who openly chat about upcoming events and news. The cap on users ensures that everyone there is highly interested and engaged, users who aren't active, or who leave the region, can be removed from the group. This type of promotion is effective because it is authentic and organic, an even exchange between artists and fans in support of the local music scene.

Several musicians I interviewed cited these group chats as the most important, if only, way to promote your show. Artists who are traveling for a show will ask their friends in that city to similarly post in their local group about the show. Weixin also has a section called "Moments" which works more like a standard social network, except that your followers are generally real acquaintances, people who are in your phone book, not strangers. This option is also used for promotion before and after shows. Several brands maintain corporate Weixin accounts, including record labels and promoters.

3.3 Streaming Services

Despite their storied past outlined in the first section of this paper, legal and licensed streaming music services do exist in China. There are several companies that play music by ad and subscription model, several which are owned by the major social media companies listed above. Tencent, who also runs a Twitter-like Weibo social media platform, is the owner of QQ Music. QQ was one of the first streaming services in the country, starting in 2005, and is still one of the most used. The six major competing companies in this space are Xiami, Baidu Music, Douban FM, Kuwo, Duomi Music, and QQ Music.

While these companies are recent ventures, and are paying some revenues to rights holders, there are many questions about the legitimacy of the payouts from these services. Legal and paid services included, most streaming services in China have at least some illegal content in their database. An article published in May 2015 on outlines some of the common problems that still occur.

> Smaller labels are at a distinct disadvantage, as China's music services are
> often reluctant to pay them anything even though some of their music might
> be blatantly carried by these music services illegally. Foreign labels and

distributors are also discriminated against, with music services claiming that few listeners bother about international music so as to avoid paying license fees or at least to keep them at a minimum. This might ring true for music by some artists, but for others like Adele, this is simply a lie told well. The streaming and download figures displayed on numerous services, which are all unverified, include fake numbers and are influenced by close cooperation with selected labels. In some cases, it's the music service pushing select artists who they believe could help drive more traffic (The Global Outpost, 2015).

An employee of an independent label I interviewed told me his company's deal with these services was a one time, up-front fee that was paid to the label for the entire catalog. They received no ongoing royalties or data about streams or any other insight or information (Interview #6). Although some of the major labels have signed deals with streaming companies, there is little known about their payment structures or rates.

In the last couple years, streaming services have been merging and expanding at the corporate level. The Alibaba Group, considered the largest tech company in the world, has purchased two competing services, Xiami and Dongting, and plans on merging them into a new service called Ali Music. According to China Music Radar, "Xiami will be targeted at professional musicians (we're thinking Bandcamp / CRM functionality) while Dongting will focus on public users." The article continues, "the purported goal of Ali Music is to set up its own music ecosystem. Companies can find suitable musicians or bands to be the spokespeople of their brands, while record companies can realize their artist development plans by utilizing resources and data from Taobao and Tmall in order to maximize potential commercial value." The move signifies the growing importance of streaming in the music

industry, and the role tech companies can fill in supporting musicians and helping them promote themselves (China Music Radar, 2015).

Ultimately, China's streaming services have to overcome the difficult task of not only providing music to users, but getting fans to truly value music and want to pay for it. A recent poll by Qifeir suggests at least 30% of music listeners in China would not be willing to pay for a music streaming app. (China Music Radar, 2014) No technology will force people to pay, services either have to be easier or more interesting to use then getting music through illegal channels. This problem is, after many years, beginning to sort itself out in the Western markets. Spotify, the most popular streaming app in the United States, claims that at least 20% of its users are paying customers (Spotify, 2015)

3.4 Social Media

Social Media is briefly covered earlier in this paper in regards to Weixin and the use of local networks for live concert promotion. Though it's use may be different, the app has its equivalent in the US and Europe, WhatsApp, owned by Facebook since 2014. In fact, almost every US network has its Chinese equivalent, but a more intricate understanding of these networks is necessary to succeed using them.

Rising smartphone using across the country is creating a valuable user base for social networks and apps. China is now the largest market in the world for smartphones, though it may be reaching saturation in the country (TechCrunch, 2015). The large penetration rate for smartphones, however, guarantees a large potential user base for social applications.

The chart below shows the top ten social networks in China, in order by number of users, along with their US equivalent.

Table III: Top Social Networks by Total Users in China

(Sources: Tech in Asia, 2013; Social Networking Watch, 2015)

Network Name	No. of Users (2013)	Purpose / Activities	Popular US Equivalent
Qzone	712 Million	Blogging, multimedia, social	Tumblr
Tencent Weibo	507 Million	Microblogging	Twitter
Sina Weibo	500 Million	Microblogging, "A hybrid of Twitter and Facebook"	Twitter
Wechat	300 Million	Messaging, localized social	WhatsApp
Pengyou	259 Million	Social, "A real-name social network"	Facebook
51.com	200 Million	Gaming, social "For the Chinese web-gaming community"	Facebook
Douban	172 Million	Social, "...devoted to books, films, and other hobbies"	Myspace
Renren	172 Million	Social, "Facebook of China"	Facebook
Kaixin 001	113 Million	Social, "Cloned the most successful and well-known Facebook applications to the Chinese Market"	Facebook
Jiayuan	73 Million	Dating, "The largest internet dating website of China"	OkCupid

In the music industry, the most regularly social networks used are Douban, Weibo, and Weixin, but musicians will often cross post content onto all of their personal networks including Renren or Pengyou.

A. Douban - Social For Bands, Artists, Writers, and Filmmakers

Douban is in many ways a standard social network, much like Facebook or others in the sector. It has interesting usage among creative and media-savvy users, including creators and fans of film, music, writing, and more. The network itself launched in 2005, and began allowing musicians to make pages for themselves in 2008 (Technode, 2014). The site shares many features with Facebook, but in essence the site feels a lot like Myspace did at its peak. Musicians and bands can make profiles for themselves, uploading music, videos, photos, and using blog features to keep fans updated. Douban also has an event feature that closely resembles Facebook events, which is very well used, especially by touring musicians who use the service to reach a national audience.

Most of the musicians I interviewed maintain Douban pages, as do many record labels, venues, promoters, and other industry players. Musicians were traditionally not paid royalties for streams of their music, but under the "Golden Fleece" program announced in 2014, artists can put ads on their page and receive 1元 ($0.16) per 1000 plays (Douban, 2015). Even still, most artists use the site to display themselves professionally and connect with fans, not to make money directly.

B. Weibo - Microblogging Platforms

Weibo, or 微博 is the Mandarin Chinese word for "microblog", which is simply defined as "a social media site to which a user makes short, frequent posts". In the US, Twitter is the only well used site that fits this description, but China has at least two major competing services. There is close competition between Tencent, who also owns QQ and other companies, and Sina. These networks, like Twitter, are generally well covered in Western media and marketing press.

From my interviews, I discerned that Sina Weibo is the popular network for artists and singers, but is used more higher-level pop stars and singers than beginning or mid-level bands. Most musicians I interviewed do not maintain a Weibo account. Like Twitter, many complained that it is too hard to keep updated, and even harder to grow your fanbase and get engagement from your followers. Foreigners have even more difficulty, in that use of the network requires perfect or near-perfect understanding of Mandarin Chinese, especially written characters. Many native Chinese speakers share the sentiment that it is difficult to use. In an interview with a Beijing based musician, she said she doesn't maintain a Weibo account because she is "too lazy", but will visit pages from musicians, actors, or people she likes around 3-4 times per week (Interview #10).

C. Facebook - Reaching the English Speaking Community

Facebook is an interesting network to analyze in China. The network is completely banned in China, but some are able to access the site using a VPN. Virtual Private Networks, or VPN's, send internet traffic to different servers around the world, enabling access to sites outside China which are banned in the country without much technical skill or knowledge from the user. Despite this fact, Facebook is hardly used by local Chinese people, even those who know how to use a VPN. It's banning is enough to deter most people from using it, so the scores of Chinese users on social media simply put their time into other, similar networks such as Renren, which their friends also use.

Foreigners living in China often enter the country having used Facebook for years, and are much more likely to use a VPN to access it. Because of this, a number of expat groups and networks exist online, and can be an effective place for foreigners to market their events. Some cities have higher foreign populations than others, so these groups can vary

greatly depending on the city. Several people I interviewed for this paper were living in Shenzhen, neighboring city to Hong Kong, and named Facebook and Facebook Events among the most important ways to promote their shows.

Beijing, Shanghai, and other big international cities can have much higher number of Facebook users, partly because of the higher concentration of foreigners living there. As a result, there is an increase of Chinese users in these cities. People who have a lot of foreign friends want a place to interact with them online. Other users include big fans of Western music, especially subculture scenes like punk and hardcore, where the lyrics are often in English, as are the news sites and blogs which discuss the genre. An employee of an independent label that I interviewed does use Facebook pages to reach their fans, who are mixed Chinese and foreign. They post only in English, because "the Chinese kids who use Facebook here are all pretty good with English".

D. Video Services / Cross Posting

In addition to these social networks and streaming services listed above, two video platforms in particular are extremely popular in China. Youku, which boasts over 500 million users (Tech in Asia, 2014), and Tudou, another widely used network, work much in the same way YouTube does in the West, and even share much of the same content. In the music industry, these networks are primarily used for music videos, live performances, and other content. Users will often post videos on these channels, but use other networks to share and promote their content.

3.5 Sponsorship

Among the rise of social media, streaming services, and other technical advances in the music industry, an older form of making money is being used in new ways to benefit

musicians. This is the market of branding and corporate sponsorship, and it is not only a recent buzzword heard in music industry discussions and conferences, but is big business in China. Companies are growing quickly along with the rising economy of the country, and advertisers are looking for new and creative ways to reach the general public. As income from traditional sources becomes harder for artists to maintain, companies are providing money, supplies, or other partnerships to receive more recognition for themselves.

Many musicians I interviewed, even those with less developed careers, have used local brands to help cover costs for an event or tour, or less commonly a recording or music video. In most cases, they reach out to a company who will pay to rent a venue, equipment, or other costs for a show, and in return feature its name or logo on the flyer, social media posts, or event listings.

Music festivals also rely on brands to sponsor stages, food and beverages, ticketing, and other aspects of an event. This is common around the world, and is maximised in China, to the end that it starts to compete with attendees' focus at the event. An opinion piece called "When Brands Attack" made the rounds on many popular blogs in 2013 covering the over-branding of Zebra Festival in Shanghai. The writer argues, "This is what happens when music festivals lack organization by competent people who love good music and then brands fill the void." He continues to describe the branded tents and products that covered the entire festival space, describing an abundance of "...brands and consumerism that ruined what could have been a really rock-and-roll experience by the ocean" (China Music Radar, 2013).

Part 4. Discussion of the Results

The issues considered to this point in the paper are an effort to present the music industry in China as it exists today, and has been established over the last 40 years. Piracy in

the country has created an industry which draws income from a variety of sources, the least of which are selling recordings. Major players in China have dealt with the low per capita spending by diversifying investors to include brands and companies, and testing new models of music streaming. All parties use social media to help market music and events, often in ways that differ from standard practices in the Western world. The final section of the paper will move from a descriptive and analytical focus to opinion based, giving an overview of social media and providing my view of areas of growth in the market.

4.1 Social Media Conclusion

In order to properly market any live performance or recording, a modern promoter needs to reach people on multiple channels. These channels, online and offline, are often universal in concept. In some ways, appealing to fans in China is the same as it is in the rest of Asia, the United States, Europe, and anywhere else—you need to have quality content, connect with people emotionally, and get yourself in front of as many people as possible. In the digital era, most of this communication is done through social channels, no matter the product or location.

Analyzing the social media habits and marketing practices of Chinese users is a great starting point for planning marketing campaigns in the region. As a final case study, I will present the marketing plan for an independent label in Beijing whose employee I interviewed for the paper. The company does several posts across social media. Announcements are made on the Douban page and Weibo feeds of both the band and the record label in Chinese, and on Facebook in English. The label also maintains a Weixin account to promote releases and events. All album releases are accompanied with a live event on release day, or even a tour for bigger groups. The music is generally uploaded or distributed to streaming services as

described in the previous sections, most notably on the group's Douban page and through QQ Music (Interview #6).

4.2 Untapped Potential in the Market

Despite the increasing number of success stories in China, in particular the number of new acts getting started in the country and the ease of access for foreign bands, there is immeasurable room for growth in the Chinese market. This section will outline some trends adopted by the West that would increase income for artists and support the scene overall.

One area for expansion that could be beneficial for bands, especially in the rock and pop genre, is selling merchandise at live events and online. While in the US, bands of all levels will often sell t-shirts, records, stickers, patches, and the like, most musicians I interviewed said this was only in practice by mainstream pop stars and high level touring groups. Merchandise is an easy way to increase income from performances, which as it stands is the leading source of income for most musicians. A common theory in the business world is that it is easier to increase revenue from your existing customers than it is to gain new customers. Getting existing fans to spend more money at a place that is already a profit center is an easy way to become more successful. Especially in China, where brand sponsorships can be a very effective way to cut costs or earn extra income, branded merchandise could be a powerful tool for bands to cheaply produce clothing to sell for a profit.

Crowdfunding, defined as "the practice of funding a project or venture by raising many small amounts of money from a large number of people, typically via the Internet" (Forbes, 2012) is a relatively new idea, even in the United States, where it was first used by a music company called ArtistShare in 2003 (ArtistShare, 2015). Since then, crowdfunding has

been used to raise over $5 Billion in projects, and estimated 7.5% of which were musical or recording acts. (Inc., 2015)

Most of the Chinese musicians I interviewed had not heard of crowdfunding platforms, even by their Chinese name 集资平台, and no foreign artists I spoke with had used crowdfunding to raise money for their projects. There are a few local crowdfunding sites that are becoming more popular in China. One called ZhongChou, or 众筹网, works much like the American company PledgeMusic, where artists can sell merchandise, tickets, and have other incentives for ongoing campaigns. One musician I interviewed earned 20% of his income from the site. Another company called Musikid has been providing a similar service, both are around two years old. The continued growth and adoption of these sites could be a not only a new source of income for artists, but in a way that encourages the general public to value music and invest in its creation (China MBN, 2015). If the country stays on its path of growth and expansion, and manages to implement some plan for increased revenue in the music industry, the country will go on to become one of the major music markets in the world.

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