

The Dilemma and Future of Chinese Provincial Satellite Television

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ABSTRACT This article explores the changing nature of national television in China and how developments in provincial satellite television (PSTV) are altering competition and strategy of television firms throughout the nation. Provincial satellite television is a term denoting television stations owned and operated by Chinese provincial governments but available to Chinese audiences nationwide. PSTV programs are transmitted by satellite system, however, most Chinese audience can legally view these programs only via a cable system. Based on the analysis of competitive advantage and weakness, this paper adopts strategy methods and points out the serious dilemma of PSTV in China and the reasons behind it. The feasibility of re-positioning PSTV in the marketplace is then discussed at a comprehensive level. In the end suggestions are made for investors who are interested in the future of Chinese television industry.

KEY WORDS: strategy, positioning, television, satellite, China

Despite the government's still-strict control over media, China's television market is arguably among the most competitive broadcasting market in the world, with more than 400 regional television stations and nearly 3,000 television channels. China Central Television (CCTV) has been China's only national broadcaster. But now the television market in China is changing and CCTV is beginning to face direct competition from other rival networks (see Granitsas, 2002). Over the past decade, the Chinese government has loosened its iron grip on the Chinese television industry, allowing both CCTV and local television stations to have

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greater freedom to broadcast mass entertainment. In China, regional broadcasters control both the free-to-air and cable networks for their own provinces. While all of China's 30-plus provincial systems are required to carry CCTV Channel, they finally have the capacity to compete with CCTV nationwide. The Chinese central government allows each province to broadcast one national channel into the cable networks via satellite system.

Not all developing countries govern satellite TV in the same way. For example, in 1990, Egypt became the first Arab country to utilize the first Arabian satellite as a direct television broadcast satellite, with the advent of the Egyptian Satellite Channel (Anonymous, 1996). China keeps its tight control over satellite broadcasting and receiving through the method mentioned above. Of all the 34 in China, each provincial administration in principle has the right to ask local cable networks, after gaining permission from the central government, to broadcast its one satellite television channel free of charge. The local cable networks need not pay for these satellite television programs, either. Advertising revenue is almost the only income for each provincial satellite television. Usually the provincial television station owns both the PSTV and the cable system, but the real decision-making power is in the hands of the provincial government and the corresponding Propaganda Department of the Chinese Communist Party (CCP). It is interesting to see that all Chinese PSTVs have to broadcast their programs via cable. The reason is not that cable providers can offer services with higher quality than satellite like in US, where cable television providers continue to dominate the subscription television services (STVS) market which consists of both cable and non-cable providers, particularly direct broadcast satellites (DBS) (Karikari, Brown & Abramowitz, 2003). So far, common Chinese audiences have not been allowed to set up their own satellite dishes to view satellite TV. Although the government is keeping tight controls over the media, a more momentous change has been the way authoritarian governments have had to revise their approach to satellite television in other ways (Nicole, 1996). State-owned broadcasters are becoming more accustomed to the free market and the rule of supply and demand. China is not the isolated case that this type of phenomenon can be observed. When Star TV first started broadcasting in 1991, Singapore and Malaysia banned satellite dishes. Now both countries are established their own cable networks and allowing satellite television to operate, although still subject to controls and censorship.

On October 22nd, 2001, AOL Time Warner became the first western media company licensed to broadcast directly to ordinary Chinese people. This came only days after the granting of a similar license to Phoenix Satellite Television, a broadcaster controlled by a former Chinese army officer but based in Hong Kong (Anonymous, 2001). The new licenses cover only Guangdong province, which borders on ultra-capitalist Hong Kong and is the central government's preferred test bed. This policy shows Chinese government's dilemma for its broadcasting policy. On the one hand, the Chinese government fears loss of control over the media

and has allowed foreigners to broadcast only at luxury hotels or compounds housing where expatriates live in. On the other hand, Chinese government wants to boost the broadcasting industry for financial reason.

An examination of the development of satellite television in the Asian countries and their policy changes were presented in 1995 (Lee & Wang, 1995). Many countries initially tended to forbid the reception of satellite television but, with the growth of satellite television, liberalization is on the way. In response to competition from satellite television, policy makers generally choose to deregulate their local television market in the hope that the quality of local television will improve through competition. The general trend for Asia seems to be repeated in China, towards further deregulation and greater openness.

Like other types of media in China, PSTV is still regarded as the "organ of the party and the government" by media leaders and administrators. They believe that television industry, as mass media, ought to put propaganda and social good to the first, and let money to be the second. However, Chinese government's insufficient funding determined the decision for PSTV to go to the market (Lu, 2003). For the double purposes (political and economic), China's State Administration of Radio, Film and Television (SARFT), the very department in the central government in charge of all media industries, has launched a series of new policies, making adjustments to the television industry in recent years. For instance, SARFT cancelled a large quantity of self-owned village television stations, merged cable television and wireless television which had been operating independently, and set up multi-media groups.

The above media policies and regulations have had a big influence on the competitive strategy and marketing environment of PSTV. Picard (2004) pointed out that environmental conditions and market conditions are critical to the success of companies and two concepts are particularly important in assessing conditions, changes in markets, and developing strategy: market complexity and market turbulence. In particular, media regulation is one of the most important market conditions to which the market actors have to adapt in television industry (Høyer, 2003). Media scholars (Dimmick, 2003) found out that current media companies tried to develop niche media products that can co-exist with other competitors in the marketplace. This paper will take a strategy approach to the competition, raised by policy-driven changes, in province-level and nation-level television markets.

MULTIPLE-MARKET COMPETITORS AND COMPETITIVE DILEMMA OF PSTV

The market competition of Chinese PSTV comes from multiple competitors. Since today cable network plays only the role of signal transmission tool for wireless television and satellite TV, cable television stations are not independent competitors any more. In cities, a Chinese

family which pays nearly RMB 20 (about EUR 2) monthly for the cable service can view dozens of television channels as follows: a dozen of CCTV channels, from news to movie; one or several local city channels; one or several local province channels; local PSTV; about 30 non-local PSTVs; and, if permitted, overseas satellite television channels which need local re-transmission, too. Besides, it is not uncommon that Chinese residents receive direct overseas satellite television signals, although the government frequently checks and confiscates private satellite dishes that the owners have no right to use. As a nation-wide broadcaster, PSTV accordingly is faced by these following main competitors in corresponding markets: CCTV, with audience of almost all the country; overseas satellite TV, with audience in very limited legal zones and audience who can watch overseas satellite television illegally; local city TV, with audience of local residents; local province TV, with audience of all the local province; non-local city TV, with audience of the other city; and non-local province TV, with audience of the other province.

Some Chinese scholars argue that Chinese PSTV positioned itself in a very embarrassed situation in the marketplace. For instance, Zhou and Huang (2003) discussed the dilemma of news program of PSTV and the reason behind it. PSTV news is typically special, because it should play the role of the organ of provincial government for information communication. This function of PSTV behaves conspicuously by large amounts of government/party meeting news, which has been edited as if from a commanding position. The audience is not attracted and ratings of PSTV news remains low. The low audience rate and the great attention paid by the government to PSTV news have together made the situation discomforting. Compare with PSTV news, CCTV news is by the majority of Chinese a must-watch program for its country-wide prestige.

Yu (2002) analyzed the common sources of challenges facing Chinese television stations, involving overseas media's efforts to enter China, constant changes of government policy, and emerging private program production companies. PSTV has been placed in an awkward position between CCTV and local city TV. CCTV's advantages are irreplaceable authority, credibility, and human resource. PSTV has to meet various local demands, but can not be too local at the time because of its countrywide broadcasting. PSTV need make a living in the niche. It is faced by extremely fierce competition. Nowadays, survival is often PSTV's primary goal.

STRENGTHS AND WEAKNESSES OF PSTV

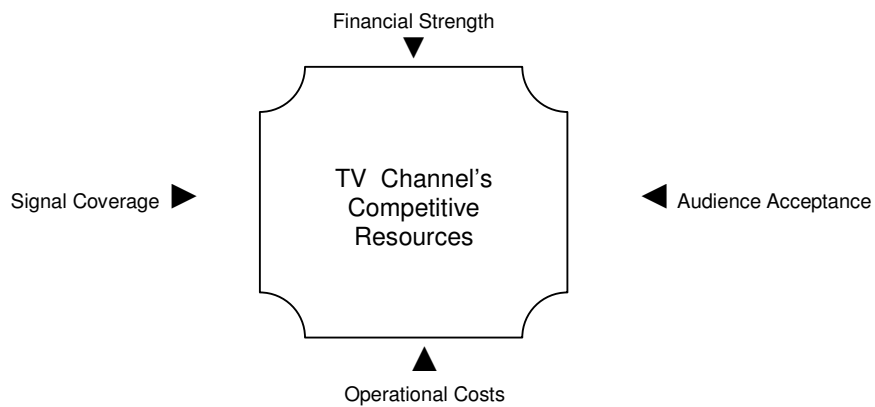
A television channel's strengths and weaknesses in the marketplace determine its competitive situation. The integration of all these strengths and weaknesses shapes its competition power to beat its competitors. We consider that enterprise competition power comes from the various resources it owns. Based on industry analysis, we can then make the assumption that a television channel's competitive resources comprise

four parts. The model is structured and used to analyze strengths and weaknesses of PSTV.

TV Channel's Competitive Resources

A television channel's competitive resources are defined as various internal and external factors in the same television viewing market, which can be utilized but can hardly be changed by the channels itself. How many elements the television channel has will directly influence its ability to acquire operating profits (from television advertisement and/or audience payment), i.e., competition power. After a review of all possibly relevant factors, we define the competitive resources structure of a television channel as of four parts: financial strength, signal coverage, operational costs, and audience acceptance (Figure 1).

Figure 1: TV Channel's Competitive Resources



Until now, all television stations in mainland China (e.g., CCTV, province TV, city television and PSTV) are owned by the government while the ultimate leadership belongs to the local CCP as well as its Propaganda Department. Therefore, financial strength of television station owners is mainly related with economic resources and fiscal income the government controls.

Chinese government strictly controls signal coverage of television channels. Residents are not allowed to use a dish to receive satellite television programs directly, except those very few organizations or individuals that get the permission, e.g., star hotels for foreigners. Only after obtaining the approval from both the central and the local government could the satellite television enter local cable television systems to be watched by the audience, even though the signal covers the entire country. The same rule applies concerning signal coverage of wireless TV. Thus it leads to the difference between the permitted signal coverage and the real coverage in some cases. Some overseas satellite

channels that luckily have the permission are limited by very restricted area assignment, while PSTVs are holding scarce national licenses on the contrary.

Audience acceptance here refers to the channel preference of television audience caused by the cultural reasons and else, which further comprises credibility and affinity.

Operational costs refer to various daily costs that are necessary for television stations' daily broadcasting. Satellite television needs to pay expenses to produce or purchase programs. Besides, it also needs to buy or rent a satellite transmitter to spread its signal, which makes the costs in this item much higher than the costs of most television stations that only use radio wave or cable to transmit their signal.

Evaluation of Competitive advantages/Disadvantages of PSTV

Based on the above competitive factors, we can evaluate competitive advantages and disadvantages of PSTV compared with their competitors (see Table 1) to evaluate its competitive situation in general. Table 1 shows competitive advantages and disadvantages of PSTV for certain competitive factors relative to certain competitors. Each column in the table illustrates the competitive advantages and/or disadvantages of PSTV for each competitor in terms of a certain competitive factor.

Here are the criteria: If in a column or a row the total positive signs total three or even more, PSTV thus has a distinct advantage in terms of a certain competitive factor or over a certain competitor. If in a column or a row the total negative signs total three or even more, PSTV thus has a distinct disadvantage in terms of a certain competitive factor or over a certain competitor.

From the above evaluation, we can conclude that PSTV only has distinct advantages over local city television but have distinct disadvantages over CCTV, non-local city television and non-local provincial TV. In other words, the main influence of PSTV is limited only in the local province. Whether in the national marketplace or non-local provinces, its competition position is not positive.

In terms of competitive resource factors, PSTV has only one comparatively strong advantage: signal coverage. For both operational costs and credibility, PSTV has very distinct disadvantages. The fact of high-cost and low-credibility exposes the mistake of PSTV's positioning (also see Figure 2). High costs are closely relevant to wide signal coverage. Every year it costs a PSTV at least US\$10 million to rent the satellite for national coverage. Even though the original purpose of PSTV was not singly making-money, any channel in operation that lacks competitive advantage is hopeless.

Table 1: Evaluation of Competitive Advantages/Disadvantages of PSTV

TV Station	Owner's Financial Strength	Signal Coverage		Audience Acceptance		Operational Costs
		Government Regulation	Actual Coverage	Credibility	Affinity	
CCTV	-	-	=	-	+	=
Overseas Satellite TV	-	+	=	-	+	=
Local City TV	+	+	+	=	-	-
Local Provincial TV	=	+	+	=	=	-
Non-Local City TV	+	+	+	-	-	-
Non-Local Provincial TV	=**	+	+	-	-	-

* A positive sign means a competitive advantage of PSTV. A negative sign means a competitive disadvantage of PSTV.

** To simplify the evaluation, it was assumed that each provincial government, i.e. the owner of both PSTV and province TV, has similar financial power. However in fact, the 30 more provinces in mainland China are significantly different concerning their economic conditions. For example: Guangdong province, which was listed number 1 in 2000, had GDP of RM966.223 billion (EUR 96.62 billion). Tibet, which was at the end of the list in 2000, had only GDP of RMB11.746 billion (EUR 1.17 billion).

Public Attributes and Business Attributes of PSTV

Like all the other current television stations in China, PSTVs have similar ownership structure as European public television stations. They are held by the government and should not have profit-making for their dominating purpose, at least nominally. The substantive situations of both, however, fairly differ. Usually the public opinions in western countries consider it natural that public television institutions run to serve in the areas such as education, community connection, etc., where business television stations do not have enough interests, to improve people's welfare (e.g., Baker, Orme, Becton, Rockefeller, Pingree & Tomlinson, 2004). At the same time, television institutions in China have long been defined as a part of the party's news and media instrument and the "organ of the party/government" and that television programs should be in accordance with diversified propaganda aims of the party/government. The underlying logic is that the benefit of the party/government is born to be the same as the benefit of the people. Unsurprisingly this similar definition is very much common in most government documents, book publications as well as academic journals (e.g., Zou, 2004).

Mostly because the mainstream political language has not accepted the concepts such as "public welfare" or "public institution," Chinese PSTVs have not had such clear word expression as "to serve public

welfare” ever since their establishment. The traditional expression instead is “organ of the party/government.” During recent public discussion, a few specialists have tried more expressions in their papers, including “people’s mouthpiece” (Liu, 2004), “to serve public benefits” and “to lead public opinion” (Lin, 2003), in order to improve the original official style. However, this kind of effort is still far from successful. Respecting the establishment of PSTVs, the very first several, including Xinjiang, Tibet, Inner-Mongolia, Yunnan and Heilongjiang, did emphasize the needs to supply television programs to people living in remote areas. That was just the reason of approval told by the central administration, too. Soon it turned to be the game of one-province-one-license: now the channels regulation system has the obvious character based on political arrangement.

Nevertheless, both Chinese and foreign television stations always face the problem of making profits to keep sustainable development. For Chinese PSTVs in the actual policy frame, the real problem that matters is not whether it is proper to desire of profits, but how. Full competition of news programs can never be expected; sports programs or television shopping programs obtain much lower audiences; overseas programs face strict regulation for importing and broadcasting. Because of these factors, almost all Chinese television stations including PSTVs simultaneously lean to domestic entertainment programs as well as domestic play series to compete each other. This helps to explain why we can often witness a same set of entertainment program or play series being shown on the screen by several or even a dozen PSTVs at the same time: too many television stations, too few real good programs. Whether successful or not, today PSTV’s management philosophy has little difference with other Chinese television stations, which is: to seek earnings as much as possible once satisfying the owner’s needs for propaganda and the central administration’s will “not to do something.” Besides, there is still no law to regulate allocation of those earnings. When comes to the issue whether the business success natively couples public satisfaction, or how to economically evaluate these television stations’ service quality, China is obviously lack of enough scientific discussion as well as detailed measurement by serious researchers and non-aligned institutions. So far we can conclude that although none of Chinese television stations is a formally registered company, they actually seem much more like business television stations than public television stations, although sometimes they are called “non-profitable institution running as a company” instead.

CURRENT MARKETING POSITION OF PSTV

The marketing position refers to PSTV’s relationship with their competitors in their common marketplace. The competitive advantages and disadvantages of PSTV determine its position in current Chinese

television industry. The relations between PSTV and competitors are described and discussed in detail as follows.

Relation with CCTV

In recent years, although CCTV is by far the dominant player in the market, its advertisement sales in some cities have taken a hit from local competition. CCTV news generally emphasizes propaganda value and efficiency is much less important. However, when the US-led attack on Iraq began in 2003, CCTV started to run nearly non-stop and live broadcasts. The seemingly sudden transformation reflected a deliberate government strategy to turn China's news media into more commercially minded organizations (Chang & Hutzler, 2003). It was obviously very successful. Average rating for CCTV-4 (one of the CCTV network's two international-news channels) rose from 0.8% (before the war) to 3.2 % (during the war), with the corresponding market share from 2.6% to 10.0%, and the corresponding reach from 6.9% to 21.0%.

CCTV's fight-back is apparently strong, suppressing numerous PSTVs, which as ambitious new market-entrants are theoretically covering the same domestic audience. Tore Nilssen and Lars Sørgard discussed a location game with exogenously fixed prices, in which consumers' transportation costs are asymmetric, a model particularly relevant in markets with time-scheduling competition, such as broadcasting. With sequential entry and a welfare-maximizing incumbent, duplication is optimum for the incumbent (Nilssen & Sørgard, 2002). Applying this model helps to partly explain why it is logical that CCTV, being loaded with double goals of commonweal and business, invests more in the area of original programs to defend its competitors.

Faced by the overwhelming dominance CCTV has in the countrywide market, PSTV must suffer tough times. Lublin examined a similar situation in UK and found that new entrants could inevitably avoid giant losses (Lublin, 1990). Advertising earnings of CCTV have been rising magnificently in recent years. In 2003 the public bidding for the "golden time" of CCTV topped RMB 3.3 billion (EUR 330 million), a new record in its history. At the same time, advertising earnings of PSTVs experienced a comparatively slow increase; however, some experienced a 30% drop (Lu, 2003).

Norris indicated that it is not absolutely impossible for new entrants to win because companies already broadcasting have not been over-successful in gaining audiences or advertising. New satellite television channels should seem attractive to advertisers because of their potential targeting ability. They will offer smaller, more selective audiences to advertisers and, thus, far more competitive options for selected brands at carefully calculated costs (Norris, 1989).

Zou and Wang found that PSTV has relatively small portion in national Chinese market and audience ratings of PSTV have been decreasing since 1997. PSTV is so weak in the countrywide market that

Table 2: Top 15 Satellite television Channels of Chinese Countrywide Audience Market Share in 2002

Ranking	Channel	Market Share (%)
1	CCTV1	30.3
2	CCTV6	9.5
3	CCTV5	8.6
4	CCTV8	6.3
5	CCTV3	4.6
6	CCTV2	3.4
7	Shandong Satellite TV	2.9
8	Anhui Satellite TV	2.5
9	Beijing Satellite TV	2.3
10	Hunan Satellite TV	2.1
11	CCTV4	1.7
12	Liaoning Satellite TV	1.5
13	Shanghai Satellite TV	1.5
14	Zhejiang Satellite TV	1.5
15	Heilongjiang Satellite TV	1.3

Source: Zou, X. & Wang Y. (2003). CCTV's reform arouses new competition pattern. *Journal of Modern Communication*, 4, 5-9.

compared with CCTV 1 it can even be neglected (Zou & Wang, 2003). Table 2 shows the top 15 satellite television channels of countrywide audience share in 2002 based on audience ratings. The data illustrates the dissatisfying performance of PSTVs in current whole-country market.

Relation with Overseas Satellite TV

Like many other Asian countries, China initially tended to forbid the reception of satellite television but, with the growth of satellite television, liberalization is on the way. In October 1993, the China State Council enacted new Regulations Governing Satellite Television Receiving Equipment, reasserting the need for a license to install satellite dishes. As of today the regulations do not seem to be strictly enforced. It was reported that in early 1994 China had about 11 million households owning satellite dishes (Lee & Wang, 1995). In response to competition posed by overseas satellite television, policy makers generally choose to deregulate their own television institutions in the hope that the quality of local television (including PSTV) will improve through competition.

It therefore comes with no surprise that policy makers turn to the satellite television policy of "suppressive openness," especially for domestic PSTVs. Each province obtained a satellite channel license, although the initial motivation of PSTV was to solve the difficulties of remote residents. Although all satellite television channels can cover China nationwide, today a PSTV can have much more audience than any overseas satellite TV, even though both of them can cover the whole country and overseas satellite television may provide programs with higher quality.

Relation with City TV

There are many city television stations existing in the framework, too. Compare with CCTV and PSTV, these city television stations can only cover the local regions. Nevertheless, their programs meet the tastes of local audiences, have high ratings, and influence in the local region. Therefore, city television is also important for advertisers in promoting their products (Jin, 2003).

In terms of signal coverage, city television clearly shows weakness. But it has some comparative advantages in fields of non-localized entertainment programs and news programs containing propaganda, where PSTV is also focusing. First, city television has more freedom than PSTV in terms of television series selection and time schedule. Quite a few television play series have already been broadcast by city television stations before being sold to PSTV. Second, city television makes more attractive local news for its residents, who often feel city television news more localized, timely, grass-rooted and closer to their daily life (Zou & Wang, 2002).

Relation with Other PSTVs

Although competition is very fierce at present, it is interesting to find that programming of PSTVs is converging. They tend to schedule the same type of program at the same time slot, whether it is television play series, news or even advertisement (Dan, 2001; Lu, 2003).

According to Hotelling (1929), competitors have an undue tendency to imitate each other in quality of goods, in location, and in other essential ways and the tendency to make only slight deviations in order to have for the new commodity as many buyers of the old as possible. Many researchers found that imitation strategy is widely adopted when commercial television channels make programming choice in order to maximize operational profits and reduce operational cost. And repetition has the advantage of reducing program costs and disadvantage of losing potential audience. Nevertheless, audience shares diminish with increasing competition, the lost-audience penalty of program repetition falls, so that the incentive to repeat programs increases (Owen & Wildman, 1992). In particular, the model of Tore Nilssen and Lars Sørsgard (2002) can be applied to explain why PSTVs' programming becomes similar instead of becoming different when the competition between the channels becomes more and more fierce.

Although, in principle, any PSTV has the right to enter the cable networks of provinces all over the country to broadcast their programs for free, in fact only those high-quality and earlier-licensed PSTVs did not meet big problems in gaining access to other provinces. Quite a few provinces chose "landing exchange" to guarantee their own PSTVs to broadcast outside. "Landing exchange" means: you let my channel to land at your province and I let your channel to land at my province (see Wan, 2000). This kind of bargain guarantees most PSTVs cover the whole country. However, the exchange is unfair for those undeveloped

provinces because their finance can not support enough PSTV programs with high quality to attract other provinces. Non-local PSTVs simultaneously regard their limited audience as not important. Although the landing of PSTV does not seemingly involve payment of any fee, the above phenomenon shows that it does have some cost. Along with the structural reform of television industry by Chinese government, if cable system operators once again split from channel providers and operate independently, then PSTVs will have to negotiate cable rent especially with non-local cable system operators, in addition to satellite rent. The bargaining power of each PSTV will be determined by the existence of the final new television oligopoly, which, in turn, will determine the fate of each PSTV.

Besides, some researchers proved that the advertising revenue of a PSTV is consistent with its local economy (e.g., Lu, 2003). When the advertisers think about PSTV, what they value most is the local purchasing power. This means that advertisers actually look on PSTV as local media instead of countrywide media. Thus the true from another side reflects the gap between the theoretical capability and the real influence of PSTV.

Current Market Positioning of PSTV

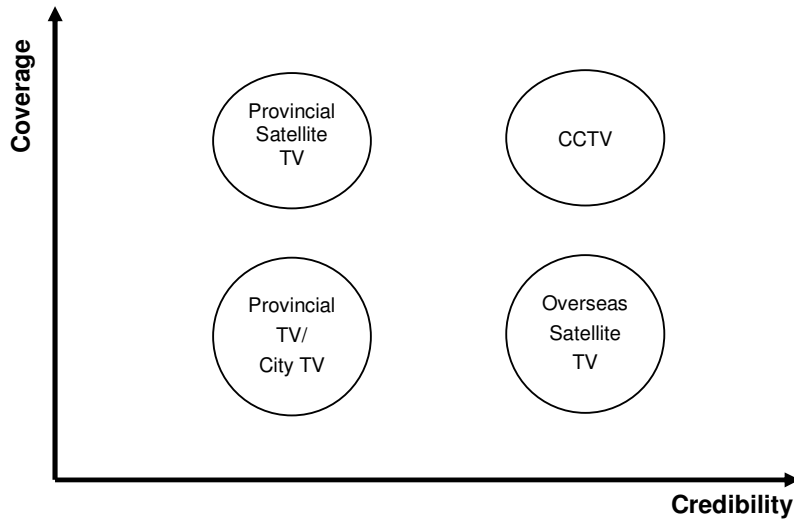
Near Hong Kong and belonging to Guangdong province, the region of Zhujiang Delta has China's most pioneering media policy, where all kinds of television channels compete against each other legally and intensely. At present, seven free-of-charge overseas channels have entered the cable network in Guangdong province, including four wireless Hong Kong television channels and three overseas satellite television channels. In Guangzhou, the capital and the largest city of Guangdong province, overseas television stations have become the biggest winners, totaling 54.4% market share. Among these, 2 Cantonese-speaking television stations, Hong Kong Asia television and Hong Kong TVB, together have a market share of 51.5%. Local Chinese

Table 3: Top 10 television Stations in Guangzhou in Terms of Audience Rating

Ranking	Channel	Market Share (%)
1	Hong Kong TVB	32.7
2	Hong Kong Asia TV (Local Channel)	15.5
3	Guangdong Zhujiang TV	8.3
4	Guangzhou TV	8
5	Nanfang TV (Film Channel)	3.1
6	Mingzhu TV	2.3
7	CCTV 5	2.2
8	CCTV 1	2.1
9	Guangdong Satellite TV	2
10	Guangdong TV Sports Channel	1.5

Source: CSM, 2003. *Audience China*, No.3.

Figure 2: Current Market Repositioning Model of Provincial Satellite Television Coverage



television stations are too weak to compete with them. Guangdong PSTV which ranked ninth in local market has only 2% market share (see Table 3). The situation of Guangdong television market reflects the reality of market position of PSTVs in a complete competition market (see Zou & Wang, 2003).

We then give a simplified model to describe market positioning of PSTV and other television channels, using two main factors: signal coverage and credibility (Figure 2).

DISCUSSION FOR PSTV'S FUTURE AND STRATEGY

How to change the dilemma of PSTV? Suggestions include privatization, specialization, and government subsidies, low price advertising, and reposition. In any case, PSTV has to take measures to adjust its positioning for sustainable development.

Privatization

Today in China, this kind of argument is fairly popular: state-owned enterprises can never increase the efficiency and survive the world competition unless via privatization. However, this argument is not unchallengeable. Müller argued that the link between regulation, antitrust legislation and commercialization shows that privatization cannot be a solution to everything. It only results in a change of ownership, but it is the competitive structure or the effective regulation which really matters as far as increasing performance and channeling

investment into the sector are concerned (Müller, 1995). Although privatization of Chinese television industry seems far from the degree openly discussed, this option will always exist and will be constantly touched and tried by all means along with the reform process of television administration.

Specialization

Many Chinese researchers have argued that PSTVs should be developed as specialized channels, such as channels of entertainment, culture, commonweal, tourism and even news of the capital (for Beijing Satellite TV) to overcome current difficulties (Sang, 2001; Yu, 2002). But some PSTVs that have operated as specialized channels have found they were unsuccessful in generating earnings so they turned their strategies mainly to broadcasting television play series or soap operas. PSTVs have copied each other and become more and more similar. Now comes the new risk because when PSTV advertisers overly rely on television play series, those series of high-quality are lacking (see Zou, & Wang, 2003).

The seemingly fair nation-wide competition between PSTVs and CCTV at present is really not so fair. CCTV owns more than a dozen of national channels and it is much easier for CCTV to ask permission from the central government to operate new channels. While PSTVs all struggle alone, CCTV can have profitable specialized channels to subsidize unprofitable specialized channels that defeat the PSTVs positioned in the same field.

Another improved consideration is to unite all the PSTVs together to form a strategic alliance. The alliance could simultaneously hold various national specialized channels that are transformed from original provincial channels. All the provinces could share profits and risks. If a PSTV alone develops itself as a national channel, the investment is big and the strategic choice is one of high risks. During its growth, the channel will surely suffer great losses and need strong capital support. It is very difficult for most PSTVs to operate in this manner. A practical plan would be to integrate the program resources of all the 31 PSTV channels and to create powerful national specialized channels. Thus PSTVs can reduce competition between themselves and counterattack CCTV (see Zou & Wang, 2002).

Government Subsidies

It has to be recognized that other television stations cannot completely replace the special functions of PSTV. For example, Chinese citizens who live in remote mountains and prairies can only receive local news via PSTV. PSTV news is more detailed about local events than CCTV news. This raises significant questions: Is it possible that PSTV could ask for constant government subsidies to cover its operational losses? If PSTV does not compete with other television stations in terms of commercial interests but serves social welfare, is it possible to acquire government

support in order to maintain its operation? Can government subsidies avoid low-efficiency?

Jitsuyumia and Nakamura investigated the issue of subsidies from Japanese government to CATV business which was suffering heavy financial losses then. They constructed an optimal support mechanism for CATV operators. Their work gave some inspiration for above questions. Seeking to support the network capacity provision without harming efficiency, they structured a mechanism based on NCAPE (Network Capacity Provision Efficiency Score) to compare the performance of firms under similar conditions. The most efficient firm qualified to receive sufficient governmental support to cover its losses (Jitsuyumia & Nakamura, 2003).

Low-price Advertisement Strategy

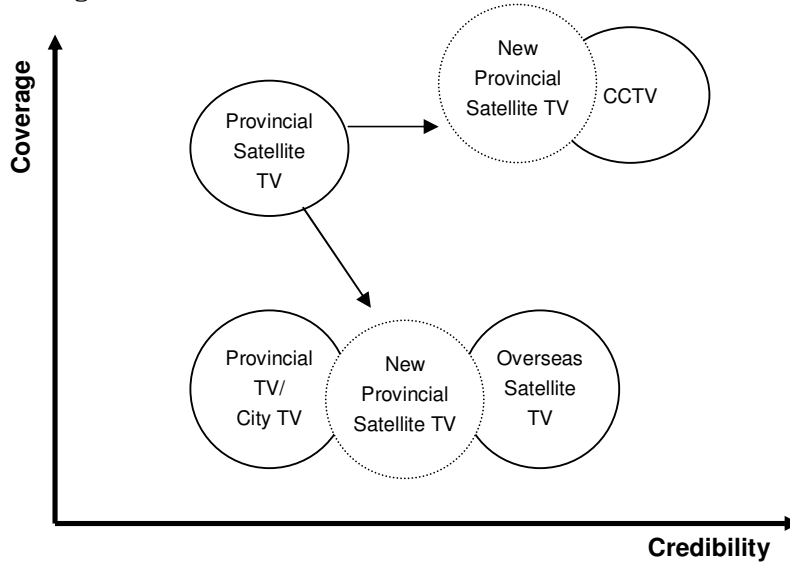
A manager of PSTV proposed another idea of competing strategy: low-price television advertisements (Zhang, 2003). Zhang claimed that the advertisement price of Jiangxi PSTV is lower than neighboring provinces and even lower than some western provinces. This strategy makes the function/price rate of Jiangxi PSTV advertisement outstanding among all PSTVs and brings preferable benefits. Further investigation and empirical research is needed to prove if this strategy really works.

Re-positioning of PSTV

All in all, a possible re-positioning of PSTV in the future might be as the following: the most aggressive and difficult direction is to be a new national channel like CCTV. Another choice is to be a leading national specialized channel which, based on market segmentation theory, has small coverage but loyal audience. Such PSTV can acquire profits from advertisement based on market segments or have the audience to pay for the channel (see Figure 3). Certainly, specialized channels are still faced with the problem of achieving program quality high enough for countrywide audience. Big-money investment is necessary. Today a few decision-makers of bigger PSTVs have seen what the problem is. But they still swing between a synthetic channel and a specialized channel. Even if someone finally decides to quit and sell the license to a more capable new operator when the government permits, he may find that at that time more than one or two weak PSTVs also available in the market. The earlier PSTVs make decisions, the more chances they may have. Whatever happens, choice must be made before it is too late: To be big or to be kicked away.

Certainly these PSTVs are far from free to choose whether and how to re-position themselves. The feasibility of their re-positioning lies in the wills of television station owners, permission of the supervisor and acceptance of the market. Because all Chinese television stations are owned by the government and directed by the Chinese Communist Party, this status will not likely be changed quickly and voluntarily. PSTV is more than a business in this environment and provincial administrative

Figure 3: Repositioning of Provincial Satellite Television Coverage



officers in charge of PSTV make decisions to reach a balance of functions, such as propaganda, social service and profits. Just the view of earnings can hardly form the decisive force to drive the re-positioning. Usually the persons in charge will agree and even encourage a profit-oriented reform only when the political risk is very small.

Similar to other Chinese television stations, although running under the supervise of their local owners, PSTVs ascribe the ultimate power of decision-making of any kind of reform to the administration in the central government and the responsible department of the party, i.e. the Central Propaganda Department. In the current system, not only the contents of television programs are censored before broadcasting, but also a lot of other operational affairs need the approval of SARFT, whether it is to change a television station's name and label or to have a new investor or operator. In this way, the lobbying ability of a PSTV reasonably determines whether its re-positioning decision can be approved in the central government. It should be noted that today the administration still rules the industry mostly on the base of a series of policies and orders issued by itself because corresponding media laws have not been made yet. Therefore, some provinces that are politically and economically stronger than other provinces or attract partners who have enough background and public relations may have obvious advantages during re-positioning reform. Here we mean provinces such as Shanghai, Beijing, Guangdong, Zhejiang and Jiangsu. The PSTVs of these provinces most likely have strength to reposition towards specialized channels or even real national television stations. Shanghai

Satellite television is the typical case: in 2003 the television station transformed itself to Dragon TV. But we also should not neglect the most undeveloped provinces whose PSTV licenses do have the potential. Such PSTVs are faced by lack of operational capability and enormous difficulties in profit making. The owner's will for lease or even transfer of its PSTV license to a powerful co-operator becomes more and more anxious. On such a list are probable provinces including Hainan, Guizhou, Qinghai, Ningxia and Inner-Mongolia. Tibet is exceptional because its PSTV's business value for nation-wide broadcasting has been significantly weakened by its important mission to serve massive scale of Tibetan-speaking audience, although the district is as undeveloped. The typical case here relates to Hainan Satellite TV, which now has the new name: China Travel TV.

It is worth taking into account what role CCTV may play if such re-positioning is to be implemented. Because the central administration owns CCTV, which is the only authorized national television network and the only official channel for central government's information release, PSTV pioneers have cognized the importance of obtaining acquiescence and tolerance of CCTV when striving for the administration's approval. A new national competitor can hardly avoid conflicts with CCTV concerning its efforts to establish a substantial nation-wide broadcasting network, a network that will threat CCTV's existing position and benefit.

Our analysis of Chinese PSTVs is mostly from the aspect of their operation as business units in the market. Whatever type of re-positioning these PSTVs may choose, the ultimate criterion to judge their success is if the market welcomes their programs. The most successful case of voluntary re-positioning is the Shanghai Satellite TV. In 2003 it was approved by SARFT to have a new Chinese name as Orient Satellite TV, while named Dragon TV in English. Before the reform, the television station relied on collecting and re-editing programs of other local channels and it was only number 13 with a 1.5% market share on the list of countrywide audience ratings. But now its ratings have tripled, and the advertising turnover reaches RMB 200 million (EUR 20 million) in 2004, up from only RMB 70 million (EUR 7 million) in 2003 (see Jian & Zengyu, 2004). The only reported successful case of external co-partner is Hainan Satellite TV: the Baoli-Huayi Culture and Media Co., Ltd. took over its management power and gave it a complete transformation. Now its new name is Travel Satellite TV, with advertisement turnover to RMB 100 million (EUR 10 million) in 2004, compared to only RMB 30 million (EUR 3 million) in 2003 (see Huiling & Xinyu, 2004) .

Contents are the king. If more and more PSTVs begin to think about re-positioning seriously, the demand for attractive and profitable television programs to raise audience rating will surely significantly increase. The overwhelming competition in the countrywide television market will bring real opportunities to both local and overseas program producers and dealers.

CONCLUSION

Like the progress of Chinese opening policy in 1980s, the opening process of Chinese television industry can be expected as highly policy-oriented and hard to predict. China's entry into the World Trade Organization (WTO) has influenced China's regulatory reform and its industrial liberalization. However, how far and how fast China will go along the current regulatory and industrial restructuring route in the future will largely depend on the institutional stances taken by China's government, which is affected by domestic policy constraints and counter-competitive forces in the short run, and determined by political and economic reform in the long run (Zhang, 2001).

Nevertheless, experiences in other countries have demonstrated that the loosening of television industry control would be beneficial for the public. In the past 20 years, the U.S. has pursued a very successful policy of economic deregulation. A series of alternately regulatory and deregulatory policies have been made, which have served to create considerable uncertainty among industry participants and have undoubtedly delayed investment and new services. Congress, however, has once again returned to a policy of largely allowing market forces to determine what Americans view and how they obtain it. At the same time, competition appears finally to have begun to develop and to increase the number and diversity of program services afforded the American public (Crandall, 1997).

During next 10 years, the future of most Chinese PSTVs will be not too bright. It is foreseeable that independent PSTV stations will disappear dramatically and that some of PSTV channels will be rented or sold to market leaders or new entrants, or even be cancelled. Only those PSTVs that have been transformed to non-commercial channels such as special channels for government propaganda or for education can continue to receive government subsidies. A small number of PSTVs might catch the market niche, utilize existing advantages to cross the border and successfully turn into national specialized channels. As for the probability of any PSTV becoming a new national television giant just as CCTV, it depends on whether Chinese government will further more loosen its control over television program contents and television industry admittance, and—maybe more importantly—when.

Based on our above analysis, it can be concluded that both the operators and the potential investors of Chinese PSTVs are faced with a historical moment, in which they feel capable and urgency to make strategic choices. It is definitely impossible for everyone to be successful in a satellite television market comprised of 30 more players. The choices are limited, and the decisions will often possibly be made as a case of "have-to". Even if the transformation starts, it will be gradual because of the political and administrative factors we have already discussed. On the other hand, the pay-back is attractive: The Chinese television market is not so small to be fit for only one national television operator. The

turnover of CCTV's advertising revenue in 2004 amounted to RMB 8 billion, or nearly EUR 800 million, a 12.5% increase over 2003. From 2003 to 2004, the average price of CCTV advertisements recorded a 37.5% increase, meanwhile the average price of all PSTVs advertisement only had a 19.3% increase (Qing, 2005). The turnover of the Chinese advertising industry in 2004 was expected to exceed RMB 120 billion (EUR 12 billion), in line with an average annual growth of 15% to 20% during recent years, according to a source from the State Business Administration Bureau (see Yu, 2004). The National Bureau of Statistics of China announced that the 2004 GDP increase of China is 9.5% (see Lei, 2005). As long as the "reform-and-open" policy of China goes on and along with the process of government reform, there will finally be at least one or two, at most around ten PSTVs that, after re-positioning, can become real countrywide television stations. The others will change to real public television stations to survive after being beaten in market competition.

Will China sooner or later allow foreign-owned television station to broadcast over the country? The current system of dynamics leaves no opportunity for foreign investors to have any domestic television channel, even satellite television channel for legal countrywide broadcasting. There are chances for foreign television program suppliers, even if they not so profitable at present. How many and what type of foreign programs PSTVs may buy every year have been strictly controlled. Only SARFT or corresponding provincial authority can approve such imports. Every day the accumulative total of overseas films and plays time can not exceed 25% of all films and plays time. Every day the accumulative time of other overseas programs can not exceed 15% of the whole time for broadcasting of the channel (SARFT, 2004).

But the hope lies ahead. The Chinese television industry has evidently been policy-driven. Government policy changes and progresses frequently bring new chances and challenges, while the policy-making process itself is often influence by the development of Chinese market economy. A recent case proved the latter: having acknowledged the role that private-owned television program producers are playing, the administration's latest policy formally allow them to produce programs and even possibly to share companies operating television channels except news (SARFT, 2003). With the approval of the administration that more and more satellite television channels be launched, especially pay channels using digital technology, good programs are becoming scarce. So it is not unreasonable to forecast further open and relaxation of overseas program policy of Chinese government. Foreign program suppliers need a number of elements to gain sound medium-term return in the future: enough patience, localization under existing laws and policies, deep understanding of characteristics and demands of domestic audience, strong production ability as well as enough cash flow to support prophase operation during a comparatively painful period.

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