

Hollywood Execs' Tips for Doing Business in China

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By ERICH SCHWARTZEL

China's box-office industry is booming, thanks to a growing middle class and robust theater growth. But the country's close-up with Hollywood has paired entertainment executives with counterparts who do business a little differently.

Significant challenges remain for breaking into the Chinese market – including a strict quota on the number of foreign releases and a state-backed censorship program. But there are also overlooked cultural differences that can come into play during negotiations. That was the common thread of a panel of show-business executives speaking at the Milken Institute Global Conference in Beverly Hills, Calif., on Monday.



Moderator

Kevin Klowden, Managing Director, California Center, and Managing Economist, Milken Institute

Speakers

Stuart Ford, Founder and CEO, IM Global
Brian Goldsmith, Co-Chief Operating Officer, Lionsgate
Ryan Kavanaugh, Founder and CEO, Relativity Media
Robert Simonds, Chairman and CEO, STX Entertainment

Here are four tips they shared for doing business in China:

1. Hurry Up and Wait

In the U.S., “we show up and we want to make a deal, and then we get to know each other afterwards,” said Robert Simonds, chief executive of STX Entertainment, a new studio planning to release mid-sized features with Chinese backing. Chinese executives, though, become very acquainted with American partners before going into business, often taking multiple meetings over many months before a deal is even broached, the executives said.

2. Find a “Trojan horse”

One way to use that time to your advantage: taking on the Chinese market with a “Trojan horse” business that allows entry to the market, said Stuart Ford, chief executive of IM Global. Mr. Ford’s company started working in China by handling the international sales of local features; its involvement has stepped up since then. It gives U.S. companies an opportunity to get valuable face-time with Chinese executives, which can then lead to bigger deals down the road, he said.

3. Look to Beijing

The Chinese government's stepped-up involvement with its booming film industry has shifted creative power from Hong Kong to the capital, Beijing, said Mr. Ford. The Hong Kong industry has taken a hit as a result, he said. China sees an opportunity to exercise more power over the industry by moving its creative class to the mainland, added Ryan Kavanaugh, chief executive of Relativity Media.

4. Be ready to have a few drinks

The Chinese custom of giving multiple toasts during a meal – and drinking with each one – can do a number of unsuspecting Americans, said Mr. Kavanaugh. “By the end of lunch, you’re tripping out of the room,” he said.

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