

# Research on the Development Process, Development Strategy and Pattern of Media Enterprises --A Case Study of Media Brand A

Xinyu Song<sup>1</sup>

<sup>1</sup>*School of International Service, American University, Washington DC 20016.*

*Email: xs7847a@american.edu*

## ABSTRACT

Mass media in today's era usually refer to modern form communication tools like newspaper, books, radio, and films. Therefore, the mass as receivers are poured with information from the sender's side. Mass media have a long journey of development from the most original forms to now. Indeed, the new technologies developed brought the world into a new media era. Thus, traditional media should grab this opportunity to combine itself to the traditional media for better development. Thus, media A as a company which has its main business as a median size publishing media industry, is used as an example to represent traditional media companies. Firstly, SWOT analysis of media A are presented in the research. And then, profit model and financial indicators are analyzed in the paper. It can be seen that media company A has a multi-type of businesses, and the diversified main business composition made the company running more efficient. Finally, the construction and operation of media brand and future forecast of media industry are also discussed to reveal the future opportunity of the media industry.

**Keywords:** *development process, development strategy, mass media*

## 1. INTRODUCTION

### 1.1. General Situation of Mass Media

Mass media are special forms of media whose mission is to convey messages to the general public. In other words, it is a form of one-way communication that people who as receivers would be poured with information from senders' side [1]. Generally, newspapers, magazines, books, radio, television, films, networks and other modern communication tools are considered as forms of mass media. Mass media are tools to spread news, opinions, knowledge, ideas, culture, services and other aspects of social life. Information dissemination is an important way for the formation and development of society, which enables the transmission and diffusion of culture.

American scholar Robert Merck once said: "for any 21 advanced countries in the world, a strong and prosperous media industry is not only profitable, but also indispensable. The value of art and knowledge products in a country far exceeds the financial revenue they bring. They are the driving force of communication." The mass media have a wide and powerful influence on the politics, economy, culture and morality of the society, involving the general social order and public life. Mass media play an important role in the construction of a harmonious society.

### 1.2. Development Process of Mass Media

#### 1.2.1. Development process

It is a long and difficult process to evolve from the most original books and newspapers to the internet technology. The desire to send and to receive information from the outside world drove people to invent new ways to communicate. In ancient times, beacon fire, pigeon and post station are main ways ones use to transmit information. However, mass media did not exist until mid-19th century when newspapers officially circulated in the market in Europe and both South and North America. Additionally, the influence of TV is increasing day by day with the development of economy at the same time. In 1980, according to a study in the United States, 53% of the public sources came from television, 30% from radio, and only 1% relied on newspapers. Being that, the world has entered the era of TV media. Despite the above, the rise of the Internet in the 1960s and the development to the modern era in the 1990s have surpassed any kinds of existing mass media. To illustrate, the data shows that the number of computers in homes has increased from 52.47 million households in 2002 to 853 million households in 2018, and people have entered the Internet era [2].

### 1.2.2. *New media era*

New media are media forms with the development of information technology, which is called "the fifth media". New media can be regarded as the product of new technology. Digital, multi-media, network and other latest technologies are the necessary conditions for the emergence of new media.

After the emergence of new media, the form of media communication has changed dramatically, for example, subway reading and office screen. They are all changing the content of traditional media to a new one. It mainly includes digital magazines, digital newspapers, digital broadcasting, mobile TV, network, digital TV, digital films. New media are mainly relative to traditional media technology, and new media add new content to traditional media.

### 1.2.3. *Media convergence era*

In the era of media convergence, information dissemination is mixed with other online activities such as online social networking, shopping, entertainment, games, finance. The traditional media, which only provides information services, has lost a large number of audiences, thus its advertising has declined dramatically. In this way the survival of the media has encountered unprecedented difficulties. Under the market pressure driven by interests, the traditional media industry has to explore the way of transformation to adapt to the development of the market. New media are like a "double-edged sword", which brings great opportunities and challenges to the development of media economy. On the one hand, the development of new media has been updated in technology, market and equipment, bringing unprecedented opportunities to the development of media economy. On the other hand, the emergence of new media has brought great impact on the development of traditional media [3].

### 1.3. *The Scope of This Paper*

The rise of new media has a huge impact on the traditional media. The number of traditional media users such as newspapers and magazines is decreasing. Young people are more inclined to use mobile clients. Thus, this paper takes traditional company A as an example, to fully analyze the challenges and opportunities faced by traditional in the new era, and how to use strategies to comply with the trend of the times. Only if company A can fully seizing the opportunity of new media and realizing the combination of new media and traditional media, traditional media can meet the needs of the development of the times, create higher economic value and promote the better development of media economy. Hopefully, this paper can provide some references for the business involved.

## 2. RESEARCH ON THE DEVELOPMENT STRATEGY AND MODEL OF COMPANY A

### 2.1. *Media Company A*

A media company is a multi-media publishing media listed company. The main business includes not only traditional publishing services such as printing and distribution, but also industrial chain extension services, such as domestic and foreign trade, supply chain business and internet of things technology application, as well as some new businesses, new media, online education, internet games and investment and financing. In 2014, company A acquired 100% of the equity of P technology Co. Ltd. through issuing shares and paying cash. Through this acquisition, company actively arranged internet business, made full use of the collaborative advantages of traditional media and internet, and rapidly improved the company's market competitiveness, profitability and comprehensive strength. Through continuous efforts in the field of capital integration and business integration, the company is promoted to transform into a comprehensive service operator.

### 2.2. *SWOT Analysis*

A media company is a multi-media publishing media listed company. The main business includes not only traditional publishing services such as printing and distribution, but also industrial chain extension services, such as domestic and foreign trade, supply chain business and internet of things technology application, as well as some new businesses, new media, online education, internet games and investment and financing. In 2014, company A acquired 100% of the equity of P technology Co. Ltd. through issuing shares and paying cash. Through this acquisition, company actively arranged internet business, made full use of the collaborative advantages of traditional media and internet, and rapidly improved the company's market competitiveness, profitability and comprehensive strength. Through continuous efforts in the field of capital integration and business integration, the company is promoted to transform into a comprehensive service operator.

#### 2.2.1. *Strengths*

##### 2.2.1.1. *Get more licenses.*

Firstly, media A has gained more license qualifications in media convergence era. Having more licenses is important for the company to grow to become to a more comprehensive business model. Thus, that is to say to own more patents in internet areas and to have the ability to use

them for operation are important for the growth of the company. Indeed, as a media company that had reached a certain scale, the company can use its strength to enhance its scope of business.

#### 2.2.1.2. Enrich industrial chain resources.

Moreover, cooperating is also an important way to complete the supply chain of the company. media A has the brand reputation in certain industrial, and it has a number of strategic partners with many other companies in the area. media A has fully described the business model of "media + performance". The media company has cooperated with performers company to hold many concerts, which not only greatly increased their business income, but also led the advertising income of the media company. With the help of their brand reputation, media companies have expanded business development scope and made other companies learn from it.

### 2.2.2. Weaknesses

#### 2.2.2.1. High cost of conventional business, industrial chain need to be optimized.

It is necessary to change the portion of kinds of business due to the high cost of conventional business. For example, paper, ink, and printing are costly things. Thus, to reduce the share of traditional paper industry in the industrial chain is urgent.

#### 2.2.2.2. The weakness of traditional paper media mainly lies in a single sales channel and shrinking sales market.

For that being said, the traditional paper media as the industry which has a single sales channel and a shrinking sales market should not play a major role in complies future plan. Which, not only the paper media are now losing its audience, they also could not be sold in different doors. Paper magazines, as an example, can only be bought in bookstores, newsstands, and sometimes online. However, in a society where everybody is seeking for convenience, paper magazines is no longer as popular as digital magazines anymore[4].

### 2.2.3. Opportunity

Cooperate with Apps and social media. Cooperating projects with WeChat/ Weibo/ or main-stream celebrities is a good way. For example, since it is a well-known company, it can have cooperating projects with WeChat/ Weibo/ or main-stream celebrities. That is to say, Weibo, WeChat and other cooperative software have free reading

rights to books published by media companies. Meanwhile, media companies can publish Weibo's annual selected content into books to achieve win-win cooperation and mutual benefit. In addition, alarm system can be added to screens in elevators thus people can use it in emergencies (Calling the police, for ambulance, report harassment).

### 2.2.4. Threats

With the implementation of China's "triple play" industrial policy and the integration of various multimedia, the market structure of China's media industry has changed dramatically. In the internet era, people's consumption mode and consumption concept of products have changed dramatically, especially for publishing industry. If the traditional media company does not transform from paper-media into digital media as soon as possible, it will be eliminated soon. It is not easy to transfer from traditional paper media to electronic books. Here are two main reasons. On one hand, the weak technical foundation leads to the failure of digital practice. In terms of Internet, by the end of June 2012, China's Internet penetration rate had only reached 27.50%, slightly higher than the world average (25.90%). As for mobile communication, up to the end of March 2009, China's mobile phones are still mainly 2G and 2.5G. Although 3G with faster data transmission has been fully spread, the proportion is less than 2% of the total number of users [5]. Additionally, lack of digital rights management leads to incomplete industrial structure. The proliferation of digital news replication and piracy not only deterred the paper media interested in digital media, but also made the newspaper network of digital newspaper industry feel difficult to make profits. At present, portal websites dominate the flow of network news, and the reprint fee paid to paper media is very limited.

## 2.3. A Media Company's Profit Model

### 2.3.1. Diversified operation through M & A

Before the acquisition and merger, media A's profitability was only in the middle level of the national publishing media industry. After the rapid development in recent years, a publishing group's many indicators are in the forefront of the national publishing media group. Media A achieved an operating revenue of 13.306 billion yuan and a net profit of 1.452 billion yuan in 2017. In the same period, the operating revenue of subsidiary P reached 3.978 billion yuan, accounting for about 30% of media A's revenue. P company's net profit attributable to its parent company is RMB 707 million, accounting for nearly half of media A's net profit. It shows the success of media A's transformation through P.

The profit model of diversified operation implemented by media A is not limited by a certain product or field, which

disperses risks and promotes the stability of the company's operation. Diversified profit model can make the company expand to the potential field, so that the company is always within the profit range of this field, and ensure its continuous profit. By comparing the operation of the company before and after the merger, it can be found that the merger has a positive impact on media A. After the merger and acquisition of media A, company A's industrial structure is more reasonable, market share has been expanded, and gradually entered the Internet internationalization platform. This measure has given full play to the role of operation and management, and is in line with the focus of media A's strategic transformation.

**2.3.2. Diversified main business composition**

Media company A realized diversified operation and diversified main business structure through mergers and acquisitions. That is to say, media A would now have multi-types of media products to sell and thus the company can occupied the market in a broader sense. Indeed, due to the rapidly changing market, such kind of business model can share the future risk in an efficient way. In other words, varying kinds of products can bring the company out from the "single selling channel dilemma". To illustrate, if the paper media selling is experiencing a great explicit, media A can still make money from other business they are operating. Thus, when media A not only have business in traditional paper media, other business relate to internet and new media may support each other and the company itself as a whole. From the perspective of income composition, media A has realized diversified development of product industry,

covering diversified businesses such as new business type, logistics trade, distribution business, publishing business, printing and packaging. In the company's main business structure, 25% is publishing business, 25% is distribution business, 20% is logistic trade, 15% is printing and packaging business, and 15% is new type of business. In terms of publishing business, the company insists on taking publishing as its core strategy. The media A vigorously promotes the innovation of publishing content, strives to overcome the influence of adverse factors such as rising prices of raw materials, and generally maintains stable growth. In 2018, the company published tens of thousands of books, including new editions and reprints. The overall scale of publications remained stable, and the quality of publications improved. In general, the company's main publishing business has maintained stable growth, while the diversified business composition has not only improved the company's profitability, but also effectively improved the quality of operation and management. The company has further formed a situation of innovative, high-quality and steady development.

**2.4. Analysis of financial indicators**

Financial indicators are the most useful tool to detect the current status and future development of a company. Thus, by comparing the index between the past and the current of media company A can help people to have a better understanding over the situation. Moreover, the analysis can also offer a reference for strategic plan and future decisions of the company by showing solvency and operation capacity.

**Table 1 Solvency Analysis**

<b>Financial indicators</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Liquidity ratio(%)</b>	1.83	1.82	2.09	1.92	1.84
<b>Quick ratio(%)</b>	1.7	1.59	1.92	1.75	1.69
<b>Debt-to-equity ratio(%)</b>	78.18	71.81	53.47	53.19	57.08
<b>Asset liability ratio(%)</b>	48.52	44.1	41.44	40.54	39.49

**2.4.1. Solvency analysis**

With the expansion of the enterprise scale and its business structure, in addition to its shareholder's funds, part of the company's capital source is through debt. These debts form the financial burden and risk of the enterprise. As shown in table 1, from 2014 to 2018, the liquidity ratio experienced a trend of increasing first and then decreasing, reaching a peak of 2.09 in 2016, and over the five years,

the average point was 1.9. It is generally believed that the current ratio should be more than 2, indicating that the strong asset liquidity and the strong short solvency of the enterprise. Although A company's liquidity is below 2, it is very close to 2, which proves that the company's short-term solvency is relatively stable. The quick ratio has also experienced a situation of rising first and then falling, and it is higher than the traditional experience value in these five years, indicating that the ability of immediate realization of current assets to repay current liability is very strong. The debt-to-equity ratio gradually decreased

from 78.18% in 2014 to 53.19% in 2017, and then slightly recovered in 2018, maintaining at 57.08%. the lower the debt-to-equity ratio indicates that the larger the proportion of self-owned capital in total assets is, the stronger the long-term solvency is. It can be seen that the enterprise's long-term solvency became weak from strong, and the enterprises themselves have the awareness of financial risk

management. The asset liability ratio of the company has been relatively stable in the past three years, at about 40%. From the perspective of long-term solvency, the company's financial model tends to be conservative and adopts a sound financial management model. In a word, the company's long-term solvency is strong.

**Table 2 Operational Capacity Analysis**

<b>Financial indicators (times)</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Accounts receivable turnover rate</b>	10.02	8.05	8.99	9.87	10.88
<b>Inventory turnover rate</b>	10.91	8.47	9.20	9.89	10.19
<b>Total asset turnover rate</b>	0.77	0.86	0.97	1.12	1.23

#### *2.4.2. Operational capacity analysis*

The operating capacity of an enterprise mainly refers to the efficiency of its operating assets. The efficiency of operating assets mainly refers to the turnover rate or turnover speed of assets. It can be seen from the accounts receivable turnover rate that the company paid attention to the accounts receivable management while developing rapidly to ensure the safety and timely recovery of accounts receivable. The turnover rate of accounts receivable dropped to the lowest level in 2015, mainly due to the threat of the internet to the traditional publishing and printing industry, and the inability to recover the payment for teaching materials in the first time, which led to the poor accounts receivable turnover rate. After the completion of M&A, the resources of M&A company were used to sell online, reduced the inventory of publications, and increased the management of accounts receivable. During 2016 to 2018, the speed of fund collection increased, which not only ensured the timely realization of income, but also reduced the risk of bad debt loss and ensured the stability of the company's operating performance.

In the aspect of inventory management, the company expanded its business and promoted its sales to ensure that the inventory was sufficient and controlled within a reasonable range. From 2016 to 2018, due to the completion of M&A, with the help of M&A company, as well as the development of diversified main business composition, the inventory turnover speed continued to accelerate, the inventory liquidity continued to increase, and the inventory management level significantly improved.

The turnover rate of total assets has gradually increased in the past five years. The turnover rate has increased year by year, which showed that the company's operating income has increased after the M&A, and the assets have been effectively planned and reasonably utilized, which has improved the management quality and utilization efficiency of all assets. Generally speaking, through the

performance of the three indicators, the company's operating capacity has improved significantly after M&A, and the operating capacity has been strengthened.

### **3. CONSTRUCTION AND OPERATION OF MEDIA BRAND**

A media company is a multi-media publishing media listed company. The main business includes not only traditional publishing services such as printing and distribution, but also industrial chain extension services, such as domestic and foreign trade, supply chain business and internet of things technology application, as well as some new businesses, new media, online education, internet games and investment and financing. In 2014, company A acquired 100% of the equity of P technology Co. Ltd. through issuing shares and paying cash. Through this acquisition, company actively arranged internet business, made full use of the collaborative advantages of traditional media and internet, and rapidly improved the company's market competitiveness, profitability and comprehensive strength. Through continuous efforts in the field of capital integration and business integration, the company is promoted to transform into a comprehensive service operator.

#### ***3.1. Accurately Positioning and Establishing the Concept of Differentiated Brand***

As the supply of media market is far exceeding the demand, it is hard for consumers to pick out information they actually wanted from thousands of mixed flooding messages. Thus, media A needed to establish itself as a brand that is different from others through personalized positioning. Generally speaking, function, performance and personality are the main concerns of brand positioning. Compared with competitors, the existence of brand itself represents a special value. McQuail once pointed out that the characteristics or values of the media

together constitutes the overall impression of the media in the eyes of the audience [7]. Therefore, first of all, media companies should divide the market, and based on this, study out the market structure, and then determine the scope. Secondly, under the guidance of differentiation, the audiences with common attributes are targeted, and their requirements are met through some profitable ways under the legal norms. Thirdly, understand competitors. In a competitive environment, direct or indirect competitors exist in every market segment. Different brand concepts of different companies are also competitive. An in-depth market survey is necessary and there may be duplicate positioning. Finally, media companies need to evaluate and analysis themselves. It is the most basic requirement of the media to know the interest of the audience.

### ***3.2. Uniform style of packaging and marketing communication***

To be unique is also a thing that media A should be consider in future since as a media brand, the uniformed outlook and marketing communication is necessary for that it can help the brand to increase popularity. In details, creativity and advertisement are both important in the process of portraying a workable media brand image. In the first place, products of media A, particularly the printed book or magazines, should follow a certain style which can be adjusted, and renewed based on the consumers' feedbacks and the changing identity of the brand. In details, the main role of the uniformed packaging is not only about express the spirit of the brand itself, but it is also about how to make the buyers put their attention on the products and the company.

On the other hand, ways to do the brand advertisement spread is also important. That is, to distribute the brand in various kinds of advertisements are important to do. Which, the advertisements should be well spread into different platforms into a creative and similar way. For example, to popularize products or books produced by the company, media A can do a product placement in Internet TV shows or to choose to collaborate with literature bloggers to promote the brand. In this way, media A could use new age of internet to make the brand walk into the younger generation. Moreover, it is also important to enhance the figure of the brand for reputation. To illustrate, doing things that is not for profit but for public good; to solve special social problem or relate itself to the famous figure and group can all pushed people to give a good impression to the public.

## **4. FUTURE FORECAST OF MEDIA INDUSTRY**

### ***4.1. The Cultural Media Industry is Still a Hot Investment Spot in the Future, but There Are Obvious Structural Differences***

Structural differences are emerging in the subdivisions of the cultural media industry. The film and television industry is a hot investment spot, and the amount of financing has been the first place in the cultural media industry. Statistics from the China investment research institute show that although China's economy has entered a low-to-medium speed growth trend, the enthusiasm for social capital to invest in the cultural media industry has not diminished, and it still shows a continuous upward trend. CVSource's statistics have shown that in the year of 2018, China's cultural media industry received 80 VC/PE financing cases in total, which was higher than the same period in 2016 and 2017(38 and 53 cases, respectively). The financing scale in 2018 reached USD941 million, which was 2.38 times that of the same period in 2017. The rapid increase in the number and scale of financing cases reflects that the cultural media industry is still a hot spot for future social capital investment [8].

However, although it is very popular to investment in cultural media industry, structural differences are being demonstrated in this industry. The film and television segmentation is a hot spot for the investment. In the VC/PE financing of the cultural media industry, 68.53% of the cases went to the film and television segmentation, 18.97% to the music segmentation, followed by the advertising production, agency segmentation and the cultural media printing [8].

### ***4.2. Cross-border integration becomes the future development trend***

In the global village, to have cross-border integration is necessary and urgent since every company which seeks for a profound and lasting development needs to follow the trend while not stay behind. That is to say, to have content integration, service integration, technical integration, and expand business out of China is the trend in the near future. The current cross border integration is mainly carried out in three ways. The first one is non-media companies cross into the cultural media industry. The second one is cross-border entry and reorganization of the cultural media industry. The last one is cross country integration. To illustrate, Times Warner, a company built its wealth by having its original business on film industry, later grown to become to a leading media company by integration and merge with other media industries and companies from other countries. For example, the acquisitions of the America On Line (AOL) in the year of 1996 helped Times Warner to be the world biggest media

company by defeat Disney [9]. Moreover, the acquisition by AT&T in 2016 also helped the company to completely its shortage by working with a company that can offer the support. Furthermore, another example can be Viacom, which successfully entered the Chinese market by having the MTV channel in China and which brought the company a tremendous amount of profit [10]. On the other hand, in China, company like Phoenix Publishing & Media Corporation also stepping outside of the country by doing mergers and acquisitions (M&A) on PIL, the leader publishing house of Children's book.

## 5. CONCLUSION

Overall, in the media convergence era when that traditional media should combine itself with the new media for further development, media A as a publishing company that has its main business as paper publication, should adjust itself for future development. In details, media company A would be become to a cross-country, multi-media company which still take publishing as its main business. To elaborate, in the future, media A should be acquiring and cooperate with other companies to complete its industrial chain, separating itself with other publishing companies by establishing itself as a different brand figure which can remembered by the mass, having cross-border integration, and blending itself with new technologies when not giving up its main role as a paper publishing house. Thus, it can keep itself stand still when the market is in a transitioning mode to a new media era. However, companies like media A still facing challenges like not being the hot investing spot like movie or TV industries. Therefore, when the company is keeping moving forward, it should be aware of like the problem listed above. More importantly, it should always remind itself to open to new opportunities and market forms in the future since the they could change rapidly along with the development of the technology and people's habit on conducting and receiving the information.

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