

Motivations and Paths of Sustainability Business Model Innovation for MCN Organizations

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ABSTRACT

After an explosive growth phase, MCNs (MCN means Multi-Channel Network) are in urgent need of sustainable business model innovation. The motivation can be divided into two parts: endogenous factors are the agencies' initiatives for business model innovation due to their own technology and capital accumulation, while exogenous factors refer to the external conditions forcing MCNs to carry out sustainable business model innovation. The path to sustainable business model innovation for MCNs can be achieved by embedding corporate social responsibility in the business model of MCNs, focusing on users to achieve value co-creation, and empowerment through technology.

Keywords: MCN agency, Business model innovation, Sustainability.

1. INTRODUCTION

In 2020, affected by the COVID-19 epidemic, the online economy became more relevant to the general public, and the MCN agencies behind personal accounts such as Li Jiaqi, Wei Ya, and Li Ziqi were brought to the attention of more people. These MCN agencies have created considerable economic value, achieved resource integration, and reached the effect of scale operation. However, with the rapid development of MCN agencies and fierce competition, problems have emerged. The business model of MCN agencies, which pursues profit as the primary purpose, needs to be innovated to obtain sustainable development.

2. THE DEVELOPMENT OF MCN AGENCY BUSINESS MODEL

MCN (Multi-Channel Network), which is a multi-channel network, can be seen as an intermediary bridge between content and platform[1]. The earliest prototype of this model was "Partner Program" of YouTube in 2007, which

collaborated with content producers through the platform's ad share, and in 2011, YouTube officially listed MCN agencies as third-party agencies, providing financial and service support for contracted content producers. In essence, MCN agencies are brokerage agencies that promote organic interaction among content producers, weblebrities, platforms and advertisers, creating a win-win, positive interaction ecosystem[2]. After this, large media conglomerates such as DreamWorks and Disney have acquired MCN agencies, injecting a large amount of capital into them and bringing opportunities for their leapfrog development, which has resulted in the differentiation of business models.

Since 2013, MCN agencies in China have gone through a rapid development phase, and there are now more than 5,000 MCN agencies. The current operation models of Chinese MCN agencies can be broadly divided into three categories, namely, vertical content alliance model, head IP-driven model and content shelf transformation model. According to the core of their business models, MCN agencies gain commercial benefits around content production, operation, marketing, e-commerce, brokerage, knowledge payment, IP and peripheral product development, etc. There are also some MCN agencies that have developed a form of

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multi-core coexistence in their development. These models still focus on capital and profit maximization and single pursuit of profit, leading to a bottleneck in the development of business models. How to make sustainable innovations to the existing business models has become a problem that MCN agencies should address at present.

3. THE MOTIVATION FOR SUSTAINABLE INNOVATION OF BUSINESS MODEL OF MCN INSTITUTIONS

The motivation for MCN organizations to conduct sustainable innovation in business models can be divided into two types: active and passive. One kind of active innovation, or endogenous innovation, is the innovation of enterprises from the inside out and driven by the situation. MCN organizations that survive in the fierce market competition have already accumulated technology and resources to a certain extent, providing an intrinsic motivation for MCN organizations to innovate.

Another type of passive innovation is exogenous, which is generally due to the pressure of market competition; MCNs are in the midst of fierce market competition and are also facing huge social pressure, and the pursuit of commercial value realization has led to many practical problems in the business models of MCNs, forcing them to innovate their business models sustainably. The more obvious external factors at present can be summarized as follows.

3.1 The Homogenization of Content

The primary problem faced by MCN agencies is the homogenization of content, whether it is the imitation of the style of the head IP works by the creators or the repetition of the head IP's own style, which has led to the increasing homogenization of content, and the segmentation needs of users are not actually met.

3.2 Frequent Social Problems Have Emerged

2020 has seen many problems with MCN organizations, and the management and operation of MCNs have received attention from all sectors of society. The business model that focuses too much on commercial interests and dissemination of traffic brought great benefits to the economy in the early

stage of MCN development, but as market competitors gradually enter the market and the market order faces greater challenges, the current business model of MCNs that focuses too much on economic interests needs sustainable innovation for long-term development. The essence of MCN organizations is still to control the flow and dissemination of information. How to regulate the process of information dissemination in order to take certain social responsibility while gaining economic benefits has become a problem that MCN organizations should consider in their business model. The new business model of MCN has brought great economic value to enterprises, but also caused many new social problems. For example, the negative news of Zhang Dayi, the head anchor of Hangzhou Ruhan Holding Co., Ltd. and the senior management of Ali Group, and the alleged deception of consumers by Xinba, the founder of Guangzhou Xinxuan Investment Co., Ltd. have produced certain damage to the public interest and social order. The legitimacy of MCN's business model has thus been questioned by the public, challenging the continued exploitation of the value of the new business model of MCN.

3.3 The Technical Challenges

Chinese MCN agencies are still relying on content and traffic to attract users, while relying on the platform's algorithm to recommend content to users. However, with the advancement of technology, MCN agencies need to use powerful technical tools to conduct accurate placement and fine management. Some MCNs have already introduced artificial intelligence technology into their development process and used it for content production and marketing, but the technology is still at the edge of the business model of MCNs, and in the current situation, the inability of MCNs to use relevant algorithms to provide accurate placement services for their subscribers has become an important factor limiting their ability to tap new subscribers. How MCNs can embed technology into their own business models and maximize the advantages of technology is still a problem that has yet to be solved.

4. THE PATH TO SUSTAINABILITY BUSINESS MODEL INNOVATION FOR MCN ORGANIZATIONS

Sustainability business model innovation is a comprehensive innovation of enterprises seeking value proposition, value creation and factor

acquisition, and value network with sustainable development as the guide[3]. MCN organizations were born in the Internet era, benefited from the attention economy, and not only participated in the operation of the national economy, but also assumed part of the cultural function. Therefore, for MCN organizations, it needs to fully integrate the enterprise's contribution to sustainable development and the requirement of being responsible to stakeholders and society, and ultimately create comprehensive and shared values covering economy, society and environment, embedding sustainability elements in the generating elements of the traditional business model, so that it can generate sustainable benefits, while being able to respond to social requirements and meet users' needs.

4.1 Embedding Corporate Social Responsibility to Guide Sustainable Business Model Innovation

Embedding CSR in business models can place MCN organizations on a sustainable development track and reap long-term benefits. Sustainable business model innovation based on the concept of sustainable development and responsible innovation orientation emphasizes business model innovation and achieving economic sustainability while actively seeking to embed social opportunities into corporate strategy formulation and business model design, ultimately creating greater environmental and social value for multiple stakeholders. For MCN organizations, the first step is to conceptually agree on the relationship between CSR and sustainable business model innovation for MCN organizations. The emergence of the Simba incident was the neglect of this concept and caused a very bad impact. Although some head anchors such as "Li Jiaqi" and "Weiya" are involved in some public welfare activities, in general, MCNs are still operating with the primary goal of gaining traffic attention and economic benefits, and do not pay enough attention to CSR. Although undertaking CSR cannot obtain immediate economic benefits, it is essential for the long-term development of enterprises. Second, it should be embedded in the core of the business model of MCN organizations. At present, relevant organizations have responded to the national orientation of "precise poverty alleviation" and "non-genetic inheritance" by carrying out live activities and content production of related themes, but these means are still at the preliminary stage of CSR embedding, and CSR has not been transformed into direct economic benefits

for MCN organizations. MCNs still need to integrate CSR into their value proposition, operation model and profit model to create long-term shared value.

4.2 Focusing on Users to Achieve Value Co-creation

Value co-creation involves many fields such as strategy, marketing, and organizational behavior, including the design and development of new products and services, value network relationships, and service systems, etc. Its research perspective has also gone through the transition from customer experience to service ecosystem, but its core is the focus on user experience and service innovation. In the Internet environment, user value has become part of the value chain of MCNs, which requires MCNs to truly empower users, realize value co-creation, and achieve sustainable innovation[4].

4.2.1 Incorporating Users into the Value System of MCN Organizations

In the new media environment, consumption is no longer a one-way relationship; users' consumption behavior not only obtains value from enterprises and organizations, but also provides corresponding user value to enterprises or organizations. As part of the value generation system of MCN organizations, users should receive more attention and participate in the value production and value distribution of MCN organizations, and the inclusion of users in the value chain of MCN organizations means that users should not only participate in value production, but also have the right to gain value, so that the development of MCN organizations will be more sustainable because of the participation of users.

4.2.2 Process Management of User Services

MCN agencies do not actually have direct contact with users, but they can use the agency's overall resources to manage users. First, it should focus on users' needs. MCN agencies should use the basis of their resource integration to differentiate effective users and identify their needs to provide accurate content delivery and services. Second, MCN agencies do not directly engage with users, but generate connections with them through creators, which requires MCN agencies to manage and train their signatories. For example, the head anchors gain competitive advantage not only

because of the low price of the products they sell, but also because consumers are more concerned about whether the anchors are trustworthy when the products are highly similar. Unified training of anchors by MCN agencies can greatly improve the phenomenon of uneven quality of anchors, thus enhancing user loyalty. At the same time, MCN organizations should improve user experience through innovation. In a landscape society where everything is connected, the improvement of user experience is not an easy task and requires a two-pronged approach of emotional stimulation and technical support, focusing on the innovation of the scenario[5]. Quality user experience is the only way to enhance the user-oriented value co-creation ability of MCN organizations, which leads to sustainable business model innovation.

4.3 Technology-enabled, Collaborative Business Model Sustainable Innovation

Technological innovation can be regarded as the driving factor of business model innovation, and it can also be considered that technological innovation and business model innovation are a synergistic process[6], and this synergistic effect can help companies maintain sustainable business model innovation. The speed of technology update in the Internet era is astonishing, and the reasonable use of technology can help MCN organizations maintain sustainable business model innovation. First, at the front end of the industry chain of MCN agencies, they can research users' needs through technology, pay attention to their usage scenarios, and realize more immersive scenarios through customized design to give them higher consumption attributes. Secondly, at the middle end of the industry chain, MCN organizations can use technology to support innovation in content production and provide innovative content for users through VR, AR, 3D and other technologies. Finally, at the back end of the industry chain, MCN agencies can use technology as a means to unify and upgrade and optimize, using big data, machine learning and other technologies to provide services in marketing, after-sales and other aspects to obtain high added value. Through technological innovation throughout the whole industry chain can drive the innovation of the business model of MCN agencies to maintain a sustainable state.

5. CONCLUSION

MCN agencies are a product of the development of the Internet era, but they have gone past the stage of blowout development, and conducting refined and sustainable business model innovation has become a necessary means for them to gain competitive advantages in the market. Through sustainable business model innovation, MCN agencies can adapt to the ever-changing external market and gain long-term development in the competition.

AUTHORS' CONTRIBUTIONS

Hui Wang was responsible for the framework design and the writing of the first draft of the thesis, and Shi-yi Wang contributed to revising and editing.

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