



# The Impact of the Fan Economy on Market Operation: A Review

Aibo Li<sup>1,\*</sup>

<sup>1</sup> Beijing National Day School, Beijing, China

\*Corresponding author. Email: renshuyue@bnds.cn

## ABSTRACT

With the development of the Internet, fans establish contacts through online platforms, and gradually form a fan culture. With the development of culture and the expansion of groups, the influence of the fan economy on the market has gradually expanded, and it has gradually affected other traditional industries and sports markets. Based on the existing research results, this paper sorts and summarizes the existing literature from three aspects: the current development research status of the fan economy, the research on the impact of the fan economy on the market, and the market response strategies and improvement plans under the background of the fan economy. Research has shown that potential risks in the fan economy can affect the chain of interest and cause other problems such as market failure, which in turn negatively affects the market. However, the fan economy also has a positive impact on the market, driving economic development and affecting the business model of enterprises. In the context of the fan economy, the state needs to introduce regulations and policies to gradually improve relevant laws. The market also needs to formulate comprehensive plans for various risks in the process of fan economy construction.

**Keywords:** Fan Economy, Market, Review.

## 1. INTRODUCTION

### 1.1. Research Background

A fan is a person who exhibits strong interest or admiration for something or somebody, it can be a celebrity, an athlete, a book, a movie, a character, and so on. With the development of the internet, communicating becomes easier and more convenient. The fans of a person or a particular object start to interact through the virtual community or virtual platform. A Fan group is a special social group that connects people from different places through the same interest. As more and more people engage in this process and form more fan groups, fan culture has become a special culture phenomenon in popular culture. Fan culture is increasingly accepted by the public, many people are willing to label themselves some kind of fan, such as a fan of Apple, a fan of Disney, and a fan of jazz. With the development of fan culture and the increasing influence of fan groups, a new type of economic situation is catalysed, with is called fan economy. Fan economy generally refers to the economic income-generating behavior between fans and the person or the thing they are following. It is a business model that

enhances user stickiness and obtains economic and social benefits in the form of word-of-mouth marketing. The author Zhang Chong's definition of fan economy is: The fan economy takes emotional capital as the core, takes fan community as the marketing device to increase emotional capital. Fan economy takes the consumer as the leading role, and the consumer leads the marketing methods. Embarking from the consumer sentiment, the enterprise takes advantage of the strength to achieve the goal that increases the emotional capital of the brand or the person.

### 1.2. Research Significance

With the increasing scale of fans, the influence of the fan economy on the market is becoming more and more obvious. Previously, fans usually follow some internet celebrities, they support them by buying albums, concert tickets, and endorsement products. As the development of the internet breaks the shackles of space, the fan economy has been widely applied in more fields. There are more and more services and products dedicated to fan groups, such as fan support, "water army", fans' communication platform, etc. With the help of the internet, businesses stimulate fans'

consumption by launching various customized and diversified services to achieve profitability. More and more scholars have also started to pay attention to this special economic phenomenon. Most of the current studies are analysing the overall development of the fan economy, which includes problems with the fan economy, new industries due to the fan economy, and so on. The industrial chain of the fan economy is expanding, which has countless potential business opportunities and markets. On the other hand, problems such as irrational consumption and lack of scientific guidance in the fan economy can greatly damage the consumption environment. Therefore, this paper explores the impact of the fan economy on market operation, discusses its positive and negative impacts on the market, and reflects on its existing problems and hidden dangers, as to provide feasible coping strategies and improvement schemes and provide help for the development of fan economy.

### ***1.3. Paper Organization***

This paper will explain the phenomenon of fan economy, including the current situation and development of fan economy. On this basis, this article will continue to discuss which markets or directions the fan economy will affect. Secondly, the focus will move to the impact of the fan economy on the market, and this part will analyze the positive and negative impacts of the fan economy on the market one by one. Then, this paper will explore the economic market coping strategies under the background of the fan economy. In the face of this special young economic phenomenon market should be how to improve, from what perspective to improve. Finally, the paper will again discuss the topic of fan economy, it will mention the existing problems and prospects, development direction, and the changes in fan economy.

## **2. LITERATURE REVIEW**

### ***2.1. The Current Development of the Fan Economy***

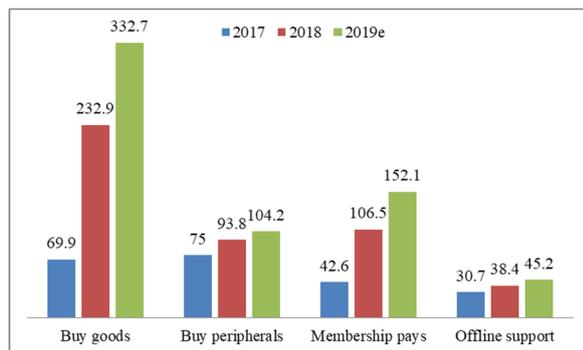
With the development and advancement of media technology, the Internet has entered a new media era where "traffic" has become the focus of the market. Under the influence of the general environment, the traditional business model has started to be transformed into the "fan economy", an emerging economic trend. The development of new media, especially video platforms, has opened up new avenues of development for the fan economy and provided the conditions for the innovative integration of marketing tools [1]. The gift economy is an exchange logic within the fan community that is generally recognized by fans, a kind of fan economy that belongs exclusively to the fan community. Most of the cultural practices of fan communities can be

included in the gift economy. Cultural products such as fan fiction, fan songs and fan videos are often shared for free within the community as a gift [2].

The rapid development of the fan economy is mainly due to the fact that it follows the general trend of consumer upgrading in China. The industries associated with the fan economy tend to be more flexible and able to change in response to trends and times. By more accurately controlling market supply and demand information and grasping the changes in supply and demand, producers and operators can adjust their production and business activities according to the current hotspots of fan consumption and consumer demand, so as to avoid oversupply and achieve market clearing [3]. The strong purchasing power of consumers and the increasing competitiveness of the market will lead to a stronger buyer's market than a seller's market, and businesses will try to attract consumers in order to strengthen the seller's market. The connotations of idols and the ways to attract fans will evolve and be upgraded [4]. With the development of the fan economy, the direct consumption fan economy model is gradually expanding to other traditional industries. The direct consumption fan economy is an economic model in which celebrities and the management team of a product create or endorse products, activities or services to attract fans to buy them, in order to generate revenue. The core characteristic of this economic model is that consumption is based on spiritual needs, especially emotional needs, which lead to continuous and stable consumption behavior [5].

The consumption perspective is a research perspective that cannot be ignored when it comes to the focus on the fan economy. In terms of the purpose of consumption, the behavior of loyal consumers, on the other hand, is characterized by rational economic behavior such as repeat purchases and public praise. But they are not fan consumers, and the difference lies in the fact that the individual remains a rational economic person and the consumption behavior contains less emotion. Because of the obsession with the product and the brand, fans have a higher level of love and consumption commitment to the product in their consumption behavior, and this emotional consumption behavior has an important impact on the consuming subject, resulting in a cultural meaning of consumption [6]. There is a problem of consumption alienation in the fan economy. In the fan economy, the subject of consumption has the dual attributes of a fan and a consumer. The alienation of the consumer's psychology and purpose is manifested in the irrational consumption behavior of fans, who have the psychology of admiration or following. While it is a normal way for fans to show their support and affection for a celebrity's artwork, some fanatical fans will spend exorbitant amounts of money on products such as music albums of stars that go far beyond normal needs [7].

A lot of markets are affected by the fan economy. Taking the sports market as an example, domestic sporting events are still in their infancy. The year 2016 saw the formation of a white paper on the development of the industry, which mentioned sports IPs. It refers to the formation of commercial profitability in the sports operations industry, through influence or online communication, and attracting fans. Many sports IPs with large fan bases are favored by more capital [8]. The "fan economy" of sports in the social media era is characterized by two main aspects. Firstly, the consumption of sports has been upgraded. In the "Internet +" era, finding the needs of sports "fans" and creating a new multi-faceted marketing model has become a new business model. Secondly, sports brand value has been extended [9]. QuestMobil Research Institute found that the market size of the fan industry in January 2019 reached 63.42 billion yuan, a cumulative increase of 35.8%.



**Figure 1** Market scale of fan industry (unit: 100 million)

## 2.2. The Impact of the Fan Economy on the Market

### 2.2.1. The Negative Impact of the Fan Economy on the Market

Although agencies and actors can generate considerable economic income through the "fan economy", there are some drawbacks in the actual development of the "fan economy", which restrict the long-term development of the "fan economy", such as the heavily commercialized film and television market [10]. There are other potential risks in the fan economy. The market plays a decisive role in the allocation of resources, which is more than evident in the fan economy and its related industries. In the context of the fan economy, cooperation between producers and operators of goods and celebrities can be a risky investment, with a high degree of spontaneity and unpredictability, and can even affect the financial chain [3]. For example, as fan communities become more important to business, cultural companies can easily overlook certain risks when building a fan economy and fail to build a successful benefit chain. By narrowing the scope of the audience in order to capture the core fan

base, companies become too precise and fail to bring fresh blood to the target group, thus hindering the long-term operation of the benefit chain [6]. For companies, the fan base is made up of many individuals, and individual differences can also lead to differences in consumer psychology. Some fans who are excessively enthusiastic about their favorite brands are likely to discredit other brands, and may also cause conflicts between fans, or even affect the image of the company [11].

The market is not always a panacea. If the "fan economy" is a model of the "market economy", then what it reveals at the moment is the biggest drawback of the "market economy" -- market failure. The basic logic of a market economy is to enable a more optimal allocation of resources. However, the "fan economy" has clearly led to a misallocation of resources. "The various manifestations of market failure, such as unfair income and wealth distribution, negative externalities, industry monopolies, and inadequate supply of public goods, are all magnified in the "fan economy" model, and are increasingly detrimental to the healthy development of the social economy [12]. The lucrative dividends of the fan economy are a huge attraction to businesses and investors, and have given rise to many unlawful chains of grey industry beyond the formal business channels, such as selling ID cards and other private information about idols, checking their flights, taking photos of them at airports, and other illegal means of making profits [13]. The media has attracted a large number of people by virtue of the Internet and its simplicity of operation. As a result, information on the Internet platform is mixed, with false information proliferating and even "viral marketing". Such widespread dissemination of information is very detrimental to the transmission of fan opinion and tends to distort the information disseminated, thus misleading the fan base [14]. In a superstar market, a fully monopolized superstar market attracts a large number of players and new superstars emerge after fierce competitions due to the temptation of excess returns, irrationality and other reasons. And they form an oligopoly with the new superstars. In the long run, there are also significant inefficiencies in oligopolistic markets, and the construction of the superstar market system should be led by government regulation at this stage. China's cultural market is far from perfect, and the market mechanism is not yet sound, so it is difficult to make achievements by relying on self-regulation, self-regulation under regulation and co-regulation [15].

### 2.2.2. The Positive Impact of the Fan Economy on the Market

The fan economy has also had a positive impact on the market. The fan economy drives change in traditional industries. Traditional companies can

customize production for their fan base, innovate to meet demand and drive the dynamics of innovation and creation of new products or services [5]. Firstly, the fan economy drives the development of the economy. As fans buy a large number of idol-related products to support the development of their idols' careers, their subjectivity and activeness in the star-fan relationship have been strengthened, and the derivative industrial chain of the fan economy has been developed in depth. In addition, the fan economy brings new business opportunities and jobs, and its development is contributing to the development of comprehensive professional talents. While the services of such jobs will in turn promote the deep development of the whole industrial chain of the fan economy and achieve secondary economic income generation [1].

In response to the impact of the "fan economy" on society, some companies are trying to make use of this form of promotion for their products. As a result, some companies invite influential actors and actresses to join them in their events, and register separate accounts for them on the company's platform, to attract more fans to the company's interactive platform, which in turn continues to enhance the company's branding, influence and popularity. As a result, companies are slowly getting involved in the development of the "fan economy", changing the old paradigm where only online media and agencies were involved, bringing economic benefits to companies and promoting their healthy and sustainable development [10]. From the perspective of business operation costs, the focus is on communication scope, customer stability and reduction of brand promotion costs and marketing costs. Therefore, the concept and model of fan economy can, to a certain extent, promote innovative reforms in terms of business models in traditional industries and drive improvements in production costs and profits of enterprises [5]. The fan economy can achieve cost-effective marketing for enterprises. Fans are the object of corporate marketing and are an integral part of corporate marketing. When promoting corporate products, a reasonable and effective use of the fan economy can gain the approval of fans. Fans are also important self-media. And as long as companies integrate their marketing strategies with the familiar interaction methods of their fans, then fan recognition can also become an important part of corporate marketing, which in turn can lead to cost-efficient marketing for companies [11].

### ***2.3. Coping Strategies and Improvement Options for the Market in the Context of the Fan Economy***

First of all, the introduction of national regulations and policies is a guarantee. It is necessary to gradually improve and perfect the relevant laws and regulations,

and clarify the responsibilities of the supervisory departments. With a good and perfect market supervision system, the industry can develop in a healthier direction, and the relevant market can be guaranteed to achieve sustainable and high-quality development [7]. There is also a need to cultivate and nurture a healthy fan economy, and the consumption behavior of fans needs to be properly guided. Fan culture was originally a culture where fans sought emotional support and identity, but in the market environment, fans have become tools to be shackled by commerce. In response to the excessive consumption of fans, society and the media should guide fans to cultivate a healthy view of consumption, so that they can return to their true pursuit and build a fan economy based on seeking emotional support and identity. It is also important to curb irrational tendencies through various media and education to avoid the proliferation of excessive consumption, irrational consumption and premature consumption [16].

More attention should be paid to the content of works to enhance user loyalty. Content producers should shift their attention to the public praise, pay more attention to improving the quality of their works, pay attention to the needs of the general public, win the support of users for their works with an attitude of striving for excellence, and create a good market environment for the cultural industry [1]. In order to effectively address the various risks in the process of building a fan economy, effective countermeasures need to be taken. Firstly, it is important to have precise target fan positioning. In the fan economy, what companies or organizations need to do is to maintain their existing brand fan base as consumers, develop their consumer base as fans, understand the different needs of different groups, and thus develop different strategies. The result is a community connected through fan relationships, rather than an extensive net for all groups in the traditional way. Secondly, a high-quality core text should be perfected. Only the core products can have a connection point with consumers in terms of ideas and emotions, and the ability to turn consumers into fans is the key. A quality core coupled with quality products can capture the consumption desire of "fans" as soon as possible. After the product has been refined, the launch of a series of products to expand the coverage of the category can also effectively arouse the consumption desire of fans. Thirdly, thorough product experience service should be provided. Experience and service is an important part of maintaining the economic interests of brands and companies that fans love. Institution of efficiency should also be enhanced. The market's deviation from efficiency stems mainly from the low costs borne by superstars when they are discouraged to enter. The main costs of obstruction for stars are regulatory penalties and loss of reputation, which comes from the exposure and dissemination of misconduct,

which in turn comes from an effective regulatory process. Therefore, the key is still the effectiveness of regulation. And the low effectiveness of regulation is due to the information asymmetry characteristic of cultural markets [15].

### 3. CONCLUSION

#### 3.1. Main Findings

This paper has been inspired by reading the literature on the emerging topic of fan economy by scholars in recent years. In the process of research, this paper finds that the influence of fan economy on the market will become more and more significant, and the scope of influence will also become more and more extensive. From traditional industries, to sports markets and Internet platforms, the fan economy will bring new business opportunities, stimulate economic development, and drive improvements in corporate marketing models and production costs. At the same time, there are some problems in the fan economy that cannot be ignored and remain unresolved. Fan economy can lead to serious commercialization, market failure, oligopoly, and other problems. For enterprises, a fan economy-centered development model is a high-risk development model that can affect the long-term operation of the interest chain. If it is not controlled, the fan economy will increasingly damage the healthy development of the social economy and cause a series of problems. Therefore, based on the above study, the fan economy needs to be guided properly. Firstly, the state needs to introduce regulations and policies, and gradually improve relevant laws and regulations, and clarify the responsibilities of supervision departments. Secondly, it needs to focus on the content core of the fan economy and create a good industrial market environment. Finally, the market should enhance the institutional arrangement of efficiency.

#### 3.2. Future Studies

The fan economy is promising and can lead to many new business opportunities, but it can also be problematic. As the fan base expands, the scope of the fan economy becomes larger, which leads to many suggestions for problems in the fan economy being somewhat general and broad. With the development of the Internet, more and more fan circles are formed, and few scholars have explored specifically the differences in the fan groups of brands and stars in the existing studies. The characteristics of fan groups are different for different objects. Therefore, the resulting problems and business opportunities are also different. Fans of a brand have different behaviors from fans of a star, and their impact on the market economy will also be different. If I had enough time and reliable channels, I would distinguish different fan groups and analyze their

formation, development kernel, and the market's response to them according to the characteristics of specific fan groups. In addition, there are certain differences between the markets influenced by the fan economy. For example, the sports market mentioned above and other markets affected by the fan economy, such as the game market, in which the effects derived from the fan economy must not be exactly the same as those in other markets. And the differences between markets are also the key to developing the fan economy and overcoming the negative effects brought by the fan economy. There are few discussions in the existing literature on the impact of the fan economy on a specific market. If possible, I would study the characteristics and development core of different markets and analyze the impact of the fan economy on their marketing models and business operations, and then analyze specific markets to explore how to make the fan economy continue to exert positive impacts.

In the context of the fan economy, this paper organizes and classifies the existing research results, and elaborates the causes and kernel of the formation of the fan economy by analyzing the core concept of the fan economy. Based on that, the current development of the fan economy is discussed in depth, and the impact of the fan economy on the market is also studied. Then, the paper first analyzes the negative effects of the fan economy on the market, exploring the potential risks and problems of the fan economy. On the other hand, the paper also examines the positive effects of the fan economy on the market, and explores the development of the market economy that it brings. Finally, this paper integrates the problems and advantages of the fan economy, discusses the coping strategies and improvement solutions for the market in the context of fans, and proposes reasonable and feasible suggestions based on the previous research.

### REFERENCES

- [1] Wu Xianju, Yang Yanyu. Research on the change of model and impact of fan economy in the new media era -- taking the domestic idol industry as an example [J]. Journal of Guangxi Science and Technology Normal University, 2019, 34 (06): 32-36.
- [2] Yang Ling. The triple face of the fan economy [J]. China Youth Studies, 2015 (11): 12-16. doi:10.19633/j.cnki.11-2579/d.2015.11.002.
- [3] Zhang Wanlin. An analysis of the current situation and future prospects of the development of fan economy in China [J]. China Civil Business, 2018 (01): 94-95.
- [4] Sun Wenqi. An analysis of the phenomenon of fan economy and its economic principles [J]. National

- circulation economy, 2020 (05):145-147.  
DOI:10.16834/j.cnki.issn1009-5292.2020.05.067.
- [5] Lin Xiaozhen. An analysis of the development of fan economy [J]. Time Finance, 2015 (03): 8-9.
- [6] Li Kang Hua. Fan consumption and the construction of fan economy [J]. Henan Social Science, 2016, 24 (07): 72-78.
- [7] Ren Tianyu, Sun Hongxiang. An analysis of consumption alienation in the fan economy [J]. Landbridge Vision, 2021 (11): 68-70.
- [8] Wang Hongying. The fan economy model of mass sports event IP operation [J]. Journal of Hehe University, 2021, 12 (01): 70-71+76.
- [9] Chen Lichun, Wang Ziyi. The social media marketing of the "fan economy" of sports [J]. Journal of physical adult education, 2018, 34 (02): 41-44. doi:10.16419/j.cnki.42-1684/g8.2018.02.002.
- [10] Hu Yuanwei. An analysis of the development mode and development direction of "fan economy" [J]. Business News, 2019 (18): 93-94.
- [11] Cao Yifan. An analysis of the impact of fan economy on enterprises [J]. China Civil Business, 2018 (11): 49.
- [12] Zhang Yaguang. The concept, theory and critique of "fan economy" [J]. Chinese Literature and Art Review, 2021 (10): 20-25. doi:10.19324/j.cnki.zgwypl.2021.10.003.
- [13] Deng Zhang Mingyue. An investigation of the profit model of "self-operation" in the fan circle in the era of fan economy -- taking the microblogging platform as an example [J]. DOI:10.19395/j.cnki.1674-246x.2021.07.064.
- [14] Zhang Kaixin, Tan Lingling. Problems and countermeasures of "fan economy" in the Internet era [J]. Journal of Chongqing University of Arts and Sciences (Social Science Edition), 2019, 38(03): 51-58. DOI:10.19493/j.cnki.issn1673-8004.2019.03.006.
- [15] Yang Yongzhong, Yang Yimin. A study on the inefficiency of China's superstar market based on the PCI analytical framework [J]. Journal of Shandong University (Philosophy and Social Science Edition), 2018(04): 64-72.
- [16] Liu Yujiao. Reflections on the consumption behavior of fan groups in the social media era [J]. Audition, 2022 (03): 144-146. DOI:10.19395/j.cnki.1674-246x.2022.03.032.

**Open Access** This chapter is licensed under the terms of the Creative Commons Attribution-NonCommercial 4.0 International License (<http://creativecommons.org/licenses/by-nc/4.0/>), which permits any noncommercial use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license and indicate if changes were made.

The images or other third party material in this chapter are included in the chapter's Creative Commons license, unless indicated otherwise in a credit line to the material. If material is not included in the chapter's Creative Commons license and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder.

