

Reflection on Chinese Cultural Industry Business Model Innovation Utilizing the Zhao Benshan Model

Yu LIAO

Department of Business Management, City College of Wuhan University of Science and Technology,
Hongshan District, Wuhan, Hubei Province, China

tomliao-898@163.com

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Abstract. The cultural industry offers consumers entertainment products or services against a background of economic globalization. In the rapidly changing business environment, it is extremely important to maintain the survival and development of cultural industry through the application of business models. This paper discusses the contributions of Zhao Benshan as a top comedian in the CCTV Spring Festival Gala as a successful businessman in the cultural industry, and as a leader who has popularized performances and cultural products based on the traditional art forms of China's northeast region. This paper analyzes the present development situation of the cultural industry in China, and based on this, sets forth some ways that the cultural industry might innovate its business model using lessons learned from the successful business career of Zhao Benshan.

Introduction

Zhao Benshan is well-known to every family in China. For the past 20 years, he made witty skits and the Northeast China folk art "Errenzhuan" more and more popular. Through performances at the CCTV Spring Festival Gala, these art forms became a hot new pop culture phenomenon within a very short period of time. Benshan has displayed his skills in all of the performing arts, being involved in producing numerous television shows, films, and other different cultural products and services. In the process of Chinese social transformation, Zhao Benshan has always been the lone figure walking in front of the tide. His business model and industry chain system have great relevance and meaning for the development and innovation of China's new cultural industry business model.

Definitions and classifications of cultural industry

Definitions of cultural industry

The term "cultural industry" dates back to the early twentieth century, and originated in the Horkheimer and Adorno book *Dialectics of Enlightenment*. It combines a special form of culture with a special form of business, and there are different points of view and different understanding of cultural industry in different countries.

UNESCO defines the culture industry as a series of activities in accordance with industry standards, production, reproduction, storage and distribution of cultural products and services. It can be further defined and understood through analysis of its cultural products, industrial standardization and production, circulation, distribution, and consumption. In China, the Ministry of Culture has defined the term as "engaging in cultural production and providing cultural services." China's National Bureau of Statistics defines it as providing cultural and entertainment products and services to the public, and related activities.

Cultural industry classifications

The following chart shows the cultural industry classifications from China's National Bureau of Statistics.

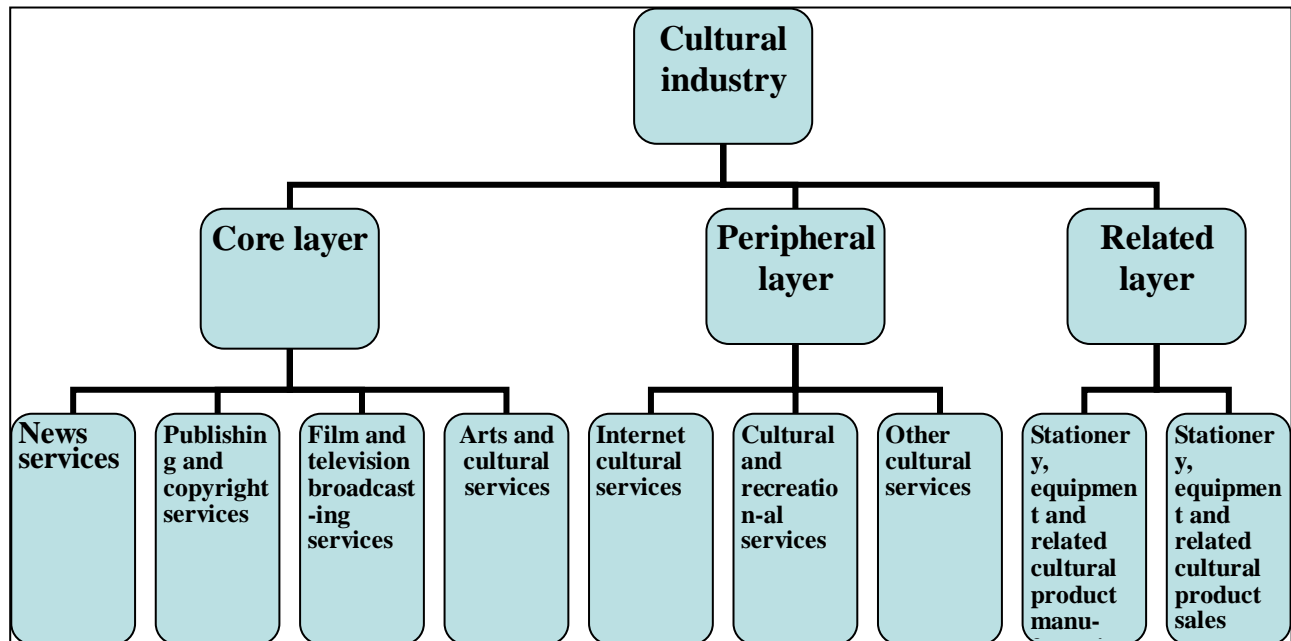


Figure 1: Cultural Industry Classifications

Specifically, the cultural industry can be divided into two categories: cultural services and related cultural services.

The first category, cultural services, includes news services, journalism, publishing and copyright services, film and television broadcasting, arts and cultural services, internet cultural services, cultural and recreational services, and other cultural services.

The second category, related cultural services, includes stationery, equipment and related cultural product manufacturing, and stationery, equipment and related cultural product sales.

Specific details of each classification are shown in Table 1.

Table 1: Cultural industry classifications

Classification categories	2nd level classification	3rd level classification	Activities
	News services, journalism		
	Publishing and copyright services	1. Book, newspaper, periodical publishing	1. Books, newspapers and periodicals publishing. 2. Production of books, newspapers and periodicals, including printing, packaging and decoration. 3. Distribution of books, newspapers and periodicals: wholesale and retail sales of books, newspapers and periodicals.
		2. Audio-visual and electronic publications production and sales	1. Publishing audio and video production. 2. Electronic publishing and production. 3. Audio-visual and electronic publications replication. 4. Wholesale and retail sales of audio-visual products and electronic publications.
		3. Copyright services	1. Intellectual property services and copyright services. 2. Radio, television, and film services.
		1. Literary and artistic creation, performance and performance venues.	

Cultural Services	Arts and cultural services	2. Cultural protection and cultural facilities: Cultural relics protection services, cultural heritage protection services, museums, martyrs cemetery, memorial hall, libraries, and archives. 3. Public cultural services, the masses culture museum, and other mass cultural activities. 4. Cultural studies and cultural community services: Social science research, professional social organizations, cultural and social groups. 5. Other arts and cultural services.
	Internet cultural services	Internet information services, Internet publishing services, the Internet electronic bulletin service, and Internet Information Services.
	Cultural and recreational services	1. Tourism culture services: Travel agencies, scenic area management, park management, wildlife protection, and other scenic spot management. 2. Entertainment and recreational cultural services: Indoor recreation, amusement parks, fitness and leisure entertainment, Internet services, and other recreational activities.
	Other cultural services	1. Culture and arts service agents: Arts and culture brokers and agents, model, actress, and artist brokerage services, cultural activities, and planning services. 2. Cultural products rental and auction services: Rental of books and audio-visual products, trade brokers and agents, works of art, collectibles auction services, advertising and exhibition services.
Related cultural services	Stationery, equipment and related cultural products manufacturing	1. Stationery production: Stationery manufacturing, instrument manufacturing, toy manufacturing, entertainment equipment and recreational supplies manufacturing, paper and paperboard manufacturing, paper manufacturing, chemicals manufacturing, information, cameras and equipment manufacturing. 2. Cultural equipment production: Manufacturing of printing equipment, radio and television equipment, film machinery, household audio-visual equipment, photocopying equipment, and other office machinery manufacturing. 3. Related cultural products: Arts and crafts manufacturing, photography, print services, and other professional and technical services.
	Stationery, equipment and related cultural products sales	1. Cultural goods sales: Wholesale and retail sales of stationery products. 2. Wholesale and retail sales of cultural equipment: Communications and radio and television equipment, photographic equipment, and household appliances. 3. Wholesale and retail sales of related cultural products: Jewelry, crafts and collectibles.

The concept of the business model

In short, a business model specifies the way for the enterprise to make money, The task of business model innovation is to develop the best ways to earn money, and find and retain the customers who are willing to pay for the products and services that the enterprise offers.

The original business models, however, can be imitated extremely easily. From the late nineteenth century through the first half of the twentieth century, global science and technology was relatively backward, characterized by serious information asymmetry. Production was paramount in the market; enterprises only needed to produce sufficient goods to gain more profits, finding ways to earn money was very easy, and it was easy to create a business model. Since the second half of the twentieth century, along with the continuous development of science and technology and the arrival of global economic integration, the modern enterprise depends more and more on the global financial capital markets in order to achieve rapid growth and development. There are hitherto unknown business opportunities available, and any of the original business models are more easily imitated because of the financial capital operation effect (Cheng and Qing, 2011).

Successful innovation of the business model combines the process of the business model with enterprise core competitive advantages on the basis of the customer value proposition. Its decision support is the ecological chain system, which consists of the industry chain system, stakeholders chain and competition chain system. With strong corporate culture construction serving as

executive support for business model innovation, the creation of products and markets produces results output of a successful business model and formation of a large integrated system, as shown in Figure 2.

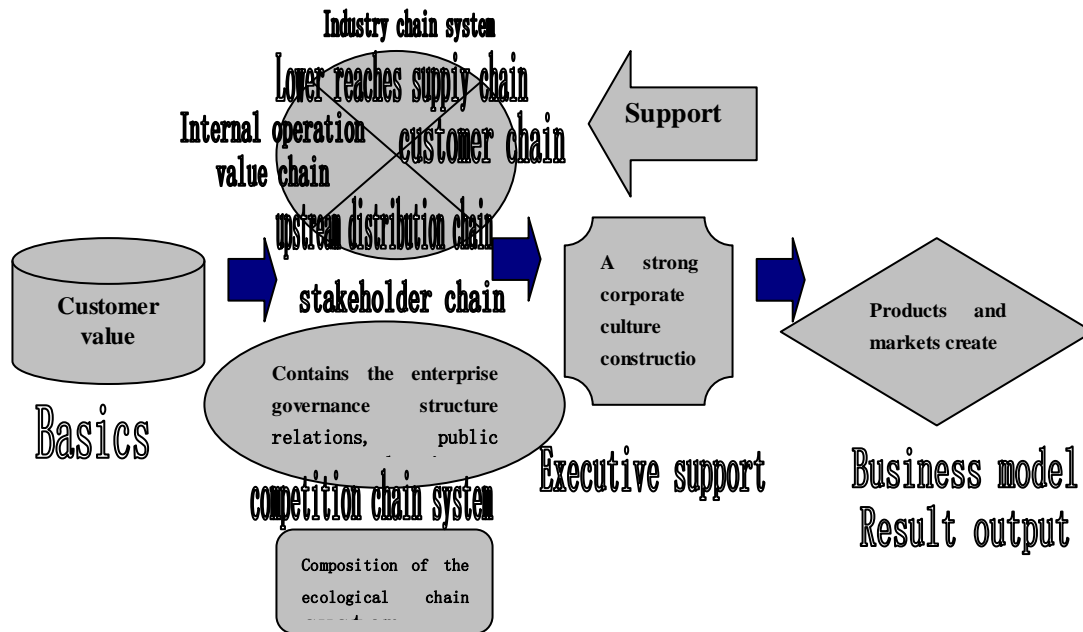


Figure 2: Integrated system chart of business model and enterprise core competitive advantage

Development of China's cultural industry

Because of the reform of the cultural system, in recent years, China's cultural industry has grown from small to large, and its dimensions and market strength have increased steadily. State ownership occupies a high priority in cultural industry development, and a variety of systems of ownership have been developed jointly. The cultural industry has become a important way to meet people's needs for culture, promoting cultural prosperity development, as well as a primary force to transform the mode of economic development and promote scientific advancement.

The government's active promotion of cultural industry development

Adapting to the new situation of the development of socialist market economy, the Fifth Plenary Session of the 15th Central Committee of the Chinese Communist Party put forward the concept of "culture industry," and pointed out that China should perfect cultural industrial policy, strengthen cultural market construction and management, and promote the development of the cultural industry. After the international financial crisis, the State Council promulgated a planning system for the cultural industry; the council proposed guiding ideology, basic principles, objectives, tasks, and key projects. Supporting the policy of culture industry development, this marked the first cultural industry development plan in China, making cultural industry development a national strategy.

In April 2009, the Ministry of Commerce, Ministry of Culture, Press and Publication Administration, Administration of Radio, and the Import and Export Bank of China jointly issued a report called "The guidance on the financial support for cultural export," creating a precedent regarding financial support to cultural industry. In April 2010, the Central Propaganda Department, People's Bank, the Ministry of Finance, the Ministry of Culture and nine other ministries jointly issued a report called "The directive opinion on the financial support for the development and the prosperity of cultural industry." This report established new guidelines for investment and financing of the cultural industry from the national policy perspective. The Ministry of Culture's 12th Five-Year Plan (the "period doubling plan") proposed that China use multi-level capital markets, promote quality cultural enterprises, initiate public offering of shares, and expend the scale of direct

financing scale. In the next few years, this effort is expected to produce 30 publicly listed culture enterprises.

Continuous growth in financial support for the cultural industry

In terms of policy support, financial investment in the cultural industry has intensified; more and more cultural enterprises have achieved sustained growth through cooperation, financing guarantees, and other ways. At present, the amount of credit financing supplied by major banks to the cultural industry exceeds 100,000,000,000 yuan. The pace of cultural enterprises becoming listed and obtaining financing has accelerated in recent years; a number of high-quality cultural enterprises with operational stability and mature management have gradually secured capital through the multi-level capital markets.

In April 2011, the Ministry of Culture issued reports about "advancing cultural enterprises listed" and on the construction of "resources reserve cultural enterprises listed in the territory," documenting the willingness and progress of culture enterprises. The Joint Commission, Shanghai and Shenzhen Stock Exchange, and other departments are training cultural corporations and actively establishing listed cultural enterprises using a guidance and recommendation mechanism. According to statistics, by the end of 2011, in Shanghai and Shenzhen Stock Exchange, there were more than 50 cultural enterprises listed publicly whose activities are related to the fields of the performing arts, cultural tourism, animation, and film and television production and distribution. Songcheng, Tuowei Information, Hualubaina, Pearl River Piano and a number of other cultural enterprises have achieved successful public listings through the capital markets. In the period covered by the 12th Five-Year Plan, the Ministry of Culture will also promote more than 30 cultural enterprises listed in the domestic markets to create a new culture industry sector in the capital markets.

The cultural industry as a new and expanding focal point of economic growth

According to a National Bureau of Statistics report published on September 16, 2011, the increasing value of China's cultural industry and related legal units achieved total revenues of 1,105,200,000,000 yuan in 2010, representing in excess of 2.75% of the gross domestic product (GDP). Between 2004 and 2008, the average annual growth rate of culture industry corporations was 23.3%; this is higher than the average annual growth rate (nearly 5%) of the corresponding period for GDP; for the years 2008–2010, the average annual growth rate of China's cultural industry was 24.2%, higher than the average annual growth rate of GDP over the same period. The news publishing industry continued to maintain steady growth; in 2010, the national publishing, printing and distribution service industries attained revenues of 350,300,000,000 yuan, representing growth of 13% since 2009. Production and revenues in the digital publishing industry grew 31.6% and 23.7%, respectively, a growth rate that ranked among the leaders across various industries.

The explosive development potential of the emerging cultural industry

State departments have actively promoted fusion of science and technology, tourism, creative industries, and information, as well as development of emerging cultural industries such as digital content, internet culture, mobile phones, and TV. All kinds of new cultural operations have taken hold and developed rapidly, with new forms of cultural products and services becoming a bright spot of the Chinese economy.

Shenzhen city has developed a new model of "culture + technology" for cultural industry development, utilizing the advantages of the high-tech, financial, and tourism industries. A number of high-tech and new technology cultural enterprises have emerged rapidly, including Tencent, Huaqiang, etc.

As of June 2011, the ranks of Chinese internet gamers have swelled to 311,000,000, accounting for 64.2% of netizens. In 2010, sales revenues in the internet video game market reached 32,370,000,000 yuan, a growth rate of 26.3% since 2009. Information technology, telecom, IT

media advertising and other related industries posted revenues of 63,120,000,000 yuan in YEAR. The total production value of the digital publishing industry was 20,000,000,000 yuan in 2006, and grew to 90,000,000,000 yuan in 2010, an average annual growth rate of more than 45%.

Major cultural theme parks have also experienced a period of rapid expansion. There are now four Happy Valley parks—in Shenzhen, Beijing, Chengdu, and Shanghai—and the attendance at these parks exceeded 10,000,000 people in 2010. The Shenzhen Huaqiang group has built large-scale theme parks in Wuhu, Chongqing, and Shantou based on one independent design; the Wuhu park attracts an estimated volume of international tourists amounting to 2,000,000 people every year.

The vigorous growth of risk investment in the cultural and creative industry

Due to the government's strong support, private equity (PE) investments to the cultural creative industry are increasing substantially. Since 2009, venture capital (VC) and private equity investments in the cultural and creative industries have steadily grown. In 2011, cases of VC/PE investment in the cultural and creative fields numbered 62, and investment totals reached \$840,000,000, a growth of 94% since YEAR. In addition, new cultural industry funds have emerged in large numbers. According to incomplete estimates, at present the number of China's cultural industry funds exceeds 120, representing investments of more than 140,000,000,000 yuan.

Problems currently affecting cultural industry development in China

The lack of innovative business models

The cultural industry is not short of funds, but it lacks successful business models. Because the particular nature of the cultural field, some Chinese cultural enterprises transformed themselves from institutions into business enterprises, for which market consciousness and business model innovation are not enough.

The diminutive scale of some small and medium-sized private cultural companies limits their potential profitability and growth. A unique business model is the competitive secret weapon of entertainment enterprises such as Hollywood film companies and Disney; other enterprises cannot replicate their business model and develop their strong brand values and profitability. In addition, the CEOs of some cultural enterprise come from a culturati background, and their business sense is comparatively weak.

The five fastest-growing types of cultural and creative industries

The traditional culture industry also lacks mature and effective commercial models; those enterprises that have a good business model, high growth, and fewer restrictions will grow rapidly. Along with the development and improvement of the cultural industry, there are five types of cultural and creative industries worth paying attention to in the future. The first kind includes the film and television, performing arts, and animation industries, which have entered an economic growth cycle, led by box office and derivatives revenues. The second type is digital publishing, which will surpass traditional publishing and form a new industry. The third type is creative services; its share of the cultural industry is expected to grow steadily, and development potential of the advertising industry, agency service industry and the planning design industry is huge. The fourth category is information communication services, an important by-product of cultural consumption. The fifth class is internet services, driven by cultural creativity, innovation, and ecological change. In fact, combining the education and culture, sports, tourism, and new technology industries, the industrial growth potential of these "broad sense culture" concepts is enormous in an economic environment experiencing the expansion of domestic demand, promoting consumption.

Slow progress in the reform of the cultural system

China's cultural industry is in the earliest phase of reform. In the past few years, reform timetables and comprehensive standards for the publishing and performing arts industries are being clarified. This promotes the efficient enterprise restructuring of China's cultural institutions.

At present, the film and radio industries, especially the movie industry, have taken marketing to the highest level. Current film censorship, however, remains tight and restrictive, and systematic reforms of radio and television have produced no significant innovations since the mid-1990s.

From the perspective of enterprise property right structure, industries that the state-owned capital has completely controlled include teaching material, radio, television, newspapers, and cable networks. Industries that have been opened to social capital include show business, the exhibition industry, and design, while industries that are completely open to private capital are advertising, film and television, the animation industry, internet culture industry, and cultural tourism. With further reform of the cultural system, the market openness of these industries will rise higher and higher.

Examining the entire industry value chain reveals that the average profit rate for content creation is 45%, the profit rate for production of the content is 5% to 10%, and the profit rate for distribution is 40%. In recent years, the development of China's cultural industry has focused on the intermediate link, production. Therefore, China's future policy should focus on the front link, content creation, and the end link, distribution. For example, policy changes should encourage original content, increase intellectual property rights protections and utilization, strengthen brand building, enhance service, stimulate cultural consumption, etc.

The misplaced growth focus of the cultural industry

The growth focus of the cultural industry is not on creative content but on production. The industry mainly relies on local material culture resources to develop cultural tourism. The growth and development of cultural industry is characterized by a pattern of extensive management. Enterprises leverage the local historical landscape, celebrity resources, reinvestment of ticket income, and increases in the value of surrounding land to advance past the initial stage of industrial development.

Negative effects of public taste on the quality of cultural products

Cultural enterprises mass-produce cultural products to meet the general public interest, and the public taste favors vulgar cultural products and content. Whether the product is movies, TV shows, radio programs, books, or dramatic plays, the modern culture industry must act to maximize box office revenues, ratings, and financial benefit. Modern urban culture has fallen victim to these negative effects, which have hurt the value of the cultural industry and its cultural products, not to mention its perceived morality, reputation and character.

Sources of revenue for the cultural industry are limited

China's cultural industry mainly relies on the cultural industry parks and the large-scale production of cultural products through industrialized means. The core of the cultural industry value chain is the flow of intellectual property rights, which creates symbolic value and produces value transfer and value increases. At present, in most of the cultural industrial park areas, the industry association formed because of intellectual property rights is rarely evident. At the same time, the range of products is also expanding in domestic and international markets, and products sold through the vast international markets generate significant economic benefits.

The efficiency of administrative management is low

The role of the government in promoting the development of the cultural industry has not been clearly defined over the past 10 years in China; at the central government level, there is a great deal of industry crossover and authoritarian management. The administrative management still appears

vague and overly subjective, while the objective operation is weak. Government censors treat certain industry standard classifications differently from other industries; this violates the rights of cultural consumers, and works against the positive value functions of cultural products.

Analysis of successful cultural industry patterns

The successful model of the international cultural industry

The cultural industry in many countries has become a powerful driving force for economic development. The world's cultural industry is dominated by nine giant firms: Time-Warner, Disney, Guus Hiddink, communications company TCL, General Electric, Bertelsmann, News Corporation, Sony, West Rumsfeld's. These nine corporations are ranked among the global top 500 enterprises. Next are the national or regional cultural industry giants; half of these are based in North America, and the rest come from Europe and Japan, with annual incomes of more than \$1 billion. At present, there are three main patterns of foreign cultural industry development: the market-driven model, the resource-driven model and the policy-driven model.

The market-driven model

In the United States, the cultural industry holds no special status in the economy. The United States government thinks that the cultural industry does not require any special planning and protection. However, the government should create a fair and fully competitive arena for enterprise economic activities and personal culture creation. The United States does not have a Ministry of Culture, but with the individual states serving as the core coordination units, the nation provides a supportive business environment for the development of the cultural industry. By means of product development, building a global sales network, promotion and other methods, American cultural firms are able to achieve profit maximization.

Disney is the "old hand" in this aspect in the world, having mastered the five steps to maximizing profit. The largest and first round of profit comes from box office receipts; the release of videos and DVDs produces a second round of income; Disney theme parks generate the third round of income; franchising and brand monopoly is the source of a fourth round of income; and finally, TV and media supply a fifth round of income. According to the statistics, of all Disney revenues, film distribution and film and television income represents only 30%, while theme park income is 20%, and the remaining 50% is generated by brand sales.

The resource-driven model

The cultural industry has the characteristics of a resource-driven industry; it can satisfy people's needs, and can realize growth in value, but more important is to be able to create new needs, as part of a complete resources cycle: resources service—growth—repair—and service again. Many countries in Europe, including Great Britain, France, Italy, Germany, and Denmark, have a wealth of historical and cultural resources that can be leveraged in the development of the cultural industry.

Britain has a long history of a thriving urban culture. In the 1990s, British experts and scholars put forward the concept of the creative economy. After ten years of hard work, the creative industry in Britain has become a backbone sector of the economy, comparable to the financial industry; the government was able to break through the economic development dilemma and find new sources of economic growth.

Glasgow is one of the largest cities in Scotland, located in the western region of Scotland, and its glorious cultural traditions are world-famous. Glasgow has successfully rebuilt the city's image; Glasgow has not only a famous art museum and art gallery, but also is the home of many well-known arts groups, such as the Royal Scottish National Orchestra, the Scottish Opera House, the Scottish Ballet and the BBC Scottish Symphony Orchestra. These important new cultural elements successfully promote Glasgow to the world.

Show business is a very prosperous industry in Great Britain as well. In the city of London alone, dozens of theaters are located in the city center, staging an array of plays and historical dramas. In addition, Britain has more than 2,400 accredited museums, including 18 country museums, more

than 200 public museums, 300 university museums, more than 800 local/regional museums, and more than 1,100 independent museums, together visited by some 80 million people a year. Its diverse and pervasive art atmosphere has made London a leading creative center for several centuries. Its talent reserves have continually expanded through immigration, and the British have successfully realized the optimization of the industrial structure and economic improvements of the creative industry. Currently, the British creative industry accounts for around 8% of national GDP.

Britain boasts more than 4,000 home and business design consulting companies and many independent designers. The size of the creative industry is large and its style and breadth are quite diverse, from brands, production, packaging and commercial interior design to product design, multimedia and process design. British design talents and professional knowledge are at a very high level, and the industry welcomes innovations that can play a leading role in future growth.

The policy-driven model

From the perspective of development of cultural industry and the promotion of competitiveness in Japan and South Korea, governmental policy has played a very important role in the development of cultural industry.

Since the 1990s, due to the collapse of the bubble economy and Japan's continued economic downturn, manufacturing export competitiveness has gradually declined, and the national economy has sunk to low levels. In the last 10 years, however, Japanese animation, comics, and videogame industries are on the rise and have captured the attention of the world. Japan pays special attention to perfecting laws and regulations governing the development of its cultural industry. Examples of the improvement of Japanese laws and regulations include 2001's "administration of issued copyright" law; also in 2001, the "the basic law of rejuvenating culture art"; and in 2002, "the basic law of the intellectual property rights" was enacted. The cultural industry in Japan has remained flexible and maneuverable, implementing organizational modifications to improve efficiency in response to changes in the legal system. Japan has established a department of "knowledge wealth strategic," and the prime minister has cited music and movies as a foundation of the national economy. At the same time, Japan established a Survey Research Association for the cultural industry to study problems and devise feasible cultural policies.

The successful experience of the Benshan model

Zhao Benshan is one of the most famous comedy performance artists in China. His sketches have won first prize in the CCTV Spring Festival many times, and the audience proclaimed him the "king of comedy." In 1987, he attended the CCTV Spring Festival evening party for the first time. In the 1990s, he set up his first company, the art development corporation of Benshan in Shenyang, for which Benshan is the chairman of the board and general manager. In addition to its cultural, advertising, and film and television activities, this company has also engaged in coal trading and coal transport, Benshan's initial source of great wealth (Yang and Moriyama, 2009).

Relying on a powerful core group of devoted fans and his own brand awareness, Benshan started to invest in TV series production. In 2002, the first part of his TV series "Liu Laogen" aired on CCTV; he has since written and directed "MaDaShuai," "the country love" and many other television series. His company has not only ignited its brand value, but has also built a platform to spread the northeastern Chinese traditional culture and local dialect. Since then he has established the grand stage of Liu Laogen, the art college of Zhao Benshan, and the Liaoning Folk Art Troupe, in order to introduce northeast folk arts to the rest of the country.

Zhao Benshan has controlled the entire business in his own hands, from the cultivation of the actors, to the final output of the film or play. The effect of his leadership on the industrial chain has begun to show, and he has also kept company costs to a minimum. For example, on the grand stage of Liu Laogen, all of the actors are students of Benshan, and the remuneration for an actor or actress is almost zero. He has pushed little Shenyang into the public eye successfully, and takes advantage of his excellent communication skills. He has let every disciple be very powerful, and made his

company shine like the sun in broad daylight. This Benshan model is unique in the entertainment industry in China.

He has extended his entertainment empire to include a film and television theme park in Shenyang. The Zhao Benshan film and television theme park is also the country's first center of film and television named after an individual, and at the same time, it is also his arts performance teaching base. The value of the land is currently estimated at up to 700 million yuan, highest in his culture industry chain.

Now, his business legend is still being written. His four vehicles for generating income are film and television works, the grand stage of Liu Laogen, the trademark and brand of Liu Laogen, and the Zhao Benshan film and television theme park. His company has become one of the most successful domestic cultural industry firms in China (Yang and Moriyama, 2009).

The Benshan model is shown in the following figure:

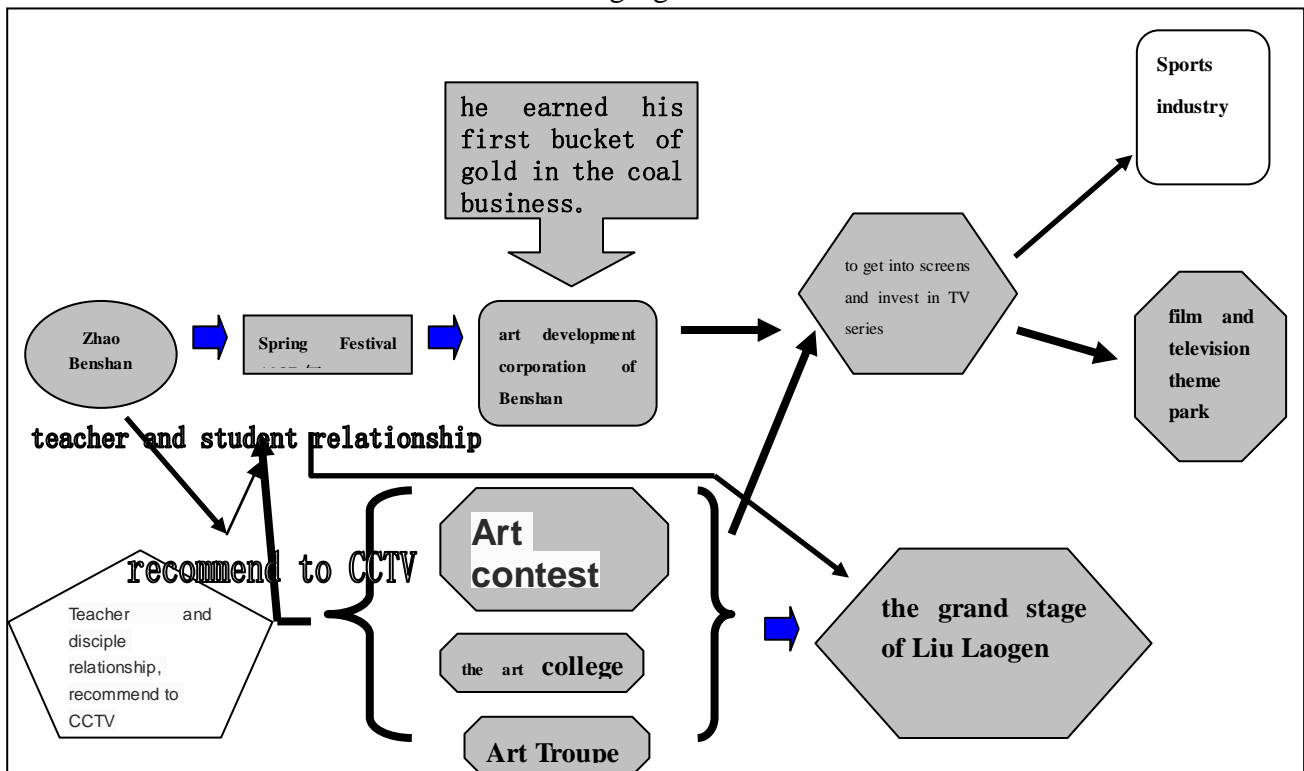


Figure 3: Benshan model

Aspects of the business model of China's cultural industry development

The Chinese cultural soft power research report (2010) and “Blue Book,” issued jointly by the Chinese cultural soft power research center and other agencies, show that China's share of the global cultural industry market is less than 4%. The report stated that the U.S., champion of the world cultural market, accounted for a 43% share; the European Union followed, with 34% of the share; the most populous, the Asia-Pacific region, accounted for only 19%. Asia’s 19% share was dominated by Japan, with 10%; Australia accounted for 5%; and the remaining 4% was held by other Asia-Pacific countries including China.

Characteristics of the cultural industry

The purpose of the cultural industry is to create a unique, recognizable cultural symbol, and then sell such cultural symbols to the public. The business model is based upon a company's core competitiveness, which almost singly determines the success or failure of the company. Obviously, the starting point for the creative industries is culture and creativity, but these attributes cannot be converted directly into wealth without first going through a process of industrialization, which

includes: (1) targeting; (2) establishing processes; (3) costing and financials; and (4) performing operations.

Cultural and creative industries have a clear purpose, such as selling more innovative large-scale game software or a more modern, more practical industrial or architectural design to domestic or foreign markets through creative industrialization. The greater the difference, the lower the costs and the higher the market prices. The cultural industry relies on innovation rather than accumulation, but the best way to innovate is on the basis of accumulation (Yan, 2012).

Structure of the business model of the cultural industry

Business models are widely used to describe, formally or informally, a company's key aspects, including the purpose, products, services, strategies, infrastructure, organizational structure, business operations, and operational processes and policies, as shown in Table 2 below.

Table 2 The system architecture of the business model

Infrastructure	Main capacity	The capacity and competitive nature of the business model
	Network of partners	Business alliances required by the business model
	Value framework	Company and customer share co-benefits
Products and services	Value proposition	The unique value provided by the products and services
Customers	Target market	Targeting customers with products and services
	Distribution channels	Mode of delivery of products and services; the company's marketing and distribution strategy
	Customer relationship	Customer relationship management for a range of different clients
Financial	Cost structure	Costs represented by the business model
	Income	Inflow of economic benefits
Evolution	Innovation	Innovation of development strategy, product (or service) innovation, technological innovation, organizational and institutional innovation

The importance of business models is clear at a glance. The next question is how to choose an effective business model and strategy, and to explore the profitability point. Business models need continuous innovation, because of social development, technological innovation, and cultural changes. It is said that you can copy the hardware resources of a business model, but not its software resources.

Innovation of the cultural industry business model involves a variety of factors of the internal and external environment throughout the entire business process, such as resource allocation, R & D, manufacturing, marketing, markets, finance, human resources, etc. Innovation in each of these aspects and factors is likely to spur the evolution of a new and successful business model.

Ways of innovating and evolving the cultural industry business model

At present, many cultural industry sectors fall into the trap of homogeneous competition, such as newspapers, the television industry, and the film industry. Convergence of business models is also an important factor. So how can the innovation of business models be achieved? From the existing cultural enterprises in practice, we can observe three business model innovation paths: business model innovation based on the value chain; innovation based on resource integration; and innovation based on advances in technology.

Innovation of the business model through the value chain

According to Porter's value chain analysis, business activities can be divided into basic and auxiliary activities. The basic activities include internal logistics, production operations, external

logistics, marketing and sales services; auxiliary activities include enterprise infrastructure, human resources management, technology development and procurement. The nine kinds of enterprise value activities contain value segments and value elements. Companies can form the enterprise business model by extending the fundamental value chain, but they can also shorten the value chain by splitting up activities and outsourcing them. In essence, the enterprise business model optimizes the full value choices of the enterprise, produces some innovation of core values, and then rearranges activities and processes to optimize the integration.

Innovation of the business model through resource integration

Resource-based business models need to have the ability to integrate resources. Any external resources are changed into a competitive advantage through a process by which they are selected, absorbed, internalized and externalized. Integration capabilities will often play a decisive role in this process; the process not only determines the efficiency of matching resources, but also determines the resource efficiency in use.

The integration of the Sony Corporation took place across the audio-visual industry, game industry, film industry, and other cultural industries. This cross-sectoral integration achieved successful implementation through strategic alliances between domestic enterprises or through international strategic alliances. Through analysis of the business model, we can see the results of the Benshan media group in achieving business model innovation by integration of resources.

The management team of Benshan media group integrates brand resources, media resources, social resources, and human resources. In 2005, Cai Weili and Wang Xiaohu staged the comedy “Kung Fu” in the Spring Festival, and small Shenyang received a high-profile appearance in the CCTV Spring Festival Evening, and attained fame virtually overnight. The actors not only won honor for themselves, but also made money for the company. Zhao Benshan is an expert in the integration of media resources, and his connections with the CCTV Spring Festival Gala has been paying dividends for the past 20 years. The festival provides a broad platform for Benshan, and a good opportunity to appear on CCTV, satellite TV, Liaoning, Heilongjiang TV, online media, and local theaters. Primetime media integration, which others cannot obtain through influence or spending huge amounts of money, is free for Benshan. He adopted the traditional troupe apprenticeship in the enterprise; the disciples call him master, and some have called him father. Over the years, when disciples have had any difficulty, such as no money or home, he has helped them. They have found a sense of belonging with Benshan.

In short, business model innovation through the integration of resources often involves enterprises changing the existing rules of competition. When an enterprise develops a new set of rules for segments of its traditional competitors, this creates valuable space and time for its business growth (Zhao, 2010).

Innovation of the business model through advances in technology

Rapid advances in information technology have brought new opportunities for the development of cultural industry enterprises. The integration of high-tech and cultural industries focuses on technological advances being applied to cultural products and services in all business activities, such as production, dissemination, services, etc. This is an important way for enterprises to increase profitability; the application of modern information technology to cultural industries can generate a new profit growth point, and raise the overall profitability of the traditional cultural industries, but can also generate new cultural industry formats, entirely new cultural industries, innovations, and changes in cultural needs. This can greatly promote the progress and advancement of cultural industries (Lieberman and Gate, 2003).

The value created by Disney films every year is less than \$8 billion, but its value-added—the follow-up revenues through the network media, theme parks and derivatives industry—is as much as \$28 billion. A prime example is the Harry Potter series; the books have been translated into 64 languages, and the total global sales of the first six novels reached \$325 million, second only to the Bible. Meanwhile, box office revenues for five movies have totaled \$4.3 billion. Time Warner also invested to build Harry Potter World theme park; it annually attracts thousands of fans of Harry

Potter, who purchase movies, records, games, advertising, toys, stationery, clothing, food, etc. The countless products derived from Harry Potter have constituted one of the hottest entertainment franchises in history, and the tremendous amounts of value-added revenues are almost hard to believe (Morris, 2003).

In short, no matter what kind of path is taken, business model innovation must focus on the customer, meeting customer needs, achieving customer satisfaction, and continually tapping and enhancing customer value. This mode of operation can improve the enterprise's own value and its partners' value, is so as to maintain their competitive advantage (Mitchell and Coles, 2003).

Despite the progress achieved during the past 13 years, from the perspective of the industrial development life cycle, the development of China's cultural industry is still in its infancy. In the next 10 years, the rapid growth of China's cultural industry will gradually advance into the stable growth stage and mature developmental stage. After October 2011, following the Sixth Plenary Session of the Chinese Communist Party's seventh session in China, China's cultural industry will enter into a new era. China must constantly innovate and refine business models to address the changing needs of the public regarding cultural consumption in the new era of the knowledge economy.

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