The Study on Developmental Factors Affecting the Value of Media Enterprises

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Abstract. Recently, the vigorous investment, merger and acquisition, expansion and other activities of media enterprises need to be assisted by accurate value assessment. Many experts and scholars have proposed that it’s important to focus on the business model and value creation logic when assessing the enterprise. Influenced by the overall reform and the new business forms of the media industry, the factors affecting the value of media enterprises also have changed. This paper mainly analyze the developmental factors, important changes and the causes that affecting the value of media enterprises.

Introduction

The "media fusion" formed by Internet plus media enables people to integrate their entertainment modes, and further creates the phenomenon of "pan-entertainment" and "IP craze". In 2014, the term "pan-entertainment" was included and highlighted in the industry reports of some central ministries and commissions. Media enterprises oriented by cultural communication and entertainment services have gradually layout pan-entertainment strategy. It’s critical to find out the reasons which made these changes of the industry, so as to provide reference for the operation decisions or the valuation of media enterprises.

Economic Environment Stimulates Cultural Consumption

Macroeconomic with cultural consumption

According to foreign experience, when the per capita GDP exceeds $6,000, cultural consumption will become one of the major categories of consumption. Chinese per capita GDP have exceeded $6,000 in 2012. At present, the media industry accounts for only 1.7% of GDP, which having a broad space for development compared with developed countries.

Great potential for entertainment consumption

The average growth rates of the per capita consumption expenditure on culture and entertainment have already been over 12% since 2011, which showing a significant growth trend, but the potential has not been effectively released. It can be estimated that total cultural consumption can be released exceed 5 trillion yuan in China. In addition, compared with the general level of 10-12% in developed countries, the per capita cultural consumption expenditure of urban and rural residents in China still accounts for a low proportion, which also reflects the huge growth space of the market.

With the change of industrial structure, such a huge volume of cultural consumption can’t be supported by content industry alone, it’s necessary to combine with the entity and Internet industries, so as to fully tap the consumption potential and fully extend the industrial chain to create more value. The environment is also the important basis of developing pan-entertainment with the IP for the upgrading media companies.
Policies Promote Industrial Construction

Development of cultural industry

First of all, the reform of Chinese cultural system continues to advance. Under the promotion of various policies, the development of the cultural media industry has entered a fast track. Key points are as follows [1]:

<table>
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<tr>
<th>Relevant meeting or policy</th>
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</tr>
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<td>The fifth plenary session of the 17th CPC Central Committee</td>
<td>Integrate cultural industries into the 12th five-year plan and make them a pillar industry of the national economy.</td>
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<tr>
<td>Outline of Chinese 12th five-year plan for cultural reform and development</td>
<td>Establish the investment and financing system of cultural industry and media enterprises to promote the connection between capital and cultural resources; Promote the listings of mature cultural enterprises, encourage listed companies to become stronger through mergers and acquisitions.</td>
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<tr>
<td>Report of the 18th national congress of the party</td>
<td>Promote the cultural industry to become pillar industry of the national economy by 2020, establish a modern system of cultural market, foster an innovator cultural development environment, and enhance the overall strength and competitiveness of our culture.</td>
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It can be seen that the country has set cultural industry as the pillar industry. These policies gradually make cultural media industry more market-oriented, open, and diversified, which is conducive to strategic upgrading of cultural media enterprises.

What's more, online novels are an important source of high-quality IP. The state administration of press, publication, radio, film and television pointed out in the guidance on promoting the healthy development of online literature published in December 2014 that it should take three to five years to promote a more healthy creation direction, improve the quality of works, and launch a batch of excellent original online literature that is deeply loved by the masses; in terms of operation mode, it combines with film and television, animation, games, cultural creativity and other related industries to form a multi-level and multi-field integrated development. This provides a guarantee for the source of the pan-entertainment industry.

Intellectual property rights protection has been strengthened

The country is increasingly strengthening the protection for intellectual property rights, and users' awareness of legitimate consumption is increasingly mature, which is closely related to pan-entertainment and IP, and conducive to the healthy and sustainable development of IP-related activities.

According to the white paper on the protection of intellectual property rights of 2014 in China, the number of cases of infringement and piracy filed by the country's copyright system increased 11 percent year-on-year. In 2015, the state intellectual property office and other five departments jointly issued the opinions on further strengthening the use and protection of intellectual property pointed out that it is necessary to strengthen the enforcement and protection of intellectual property rights and promote the construction of intellectual property culture, which is the protection and incentive of original and high-quality works in the upstream of IP and pan-entertainment industry chain, and conducive to the healthy development of relevant industries.
Change of Cultural Consumption Habits

Mobile culture intensifies the atmosphere of entertainment

At present, the most important device for new Internet users to surf the Internet is mobile phone. The usage time increasing significantly, and young people or students mainly use the Internet for entertainment and communication, and the portable smart phones better met their needs.

Mobile Internet users are also increasingly dependent on mobile entertainment. In addition to the core communication function of mobile phones, they are far more dependent on entertainment function than other tool applications with the proportion of 66.10%.

Therefore, the Internet and mobile Internet have aggravated the atmosphere of culture and entertainment, provided more convenient channels for the reception and consumption of cultural and entertainment information, and contributed to the development of the pan-entertainment industry.

Cultural and entertainment audiences are younger

As young people are the main users of network tools, they have a high degree of dependence on entertainment functions and a high consumption power of cultural entertainment. Therefore, the target group of pan-entertainment is characterized by younger age, which is quite consistent with the characteristics of younger cultural and entertainment audiences. It is helpful to IP communication and the realization of pan-entertainment industry operation.

The spirit of openness and sharing drives the development of Internet industry and helps it create new value. Multidimensional spread driven by sharing behavior is also one of the core elements of IP and pan-entertainment operation. As of 2017, the Internet users aged 20-29 years old account for the highest proportion. On the whole, the willingness to share of young Internet users is higher than that of all Internet user.

Influence of social media on entertainment consumption

In the era of mobile Internet, with the help of big data and mobile social technology, social applications show significant characteristics of mobility and localization, which is a good business guide entrance. This has good support and marketing effects for the fan economy formed by IP resources, and promotes the improvement of IP influence and the formation of consumer power.

For example, Weibo mainly meets users' needs for information they are interested in, and it is an important platform for users to obtain and share "hot news", "interesting content" and "public opinion guidance". Weibo is a natural media and a typical "dandelion" communication tool. News release firstly experience slower spread, after accumulating certain amount of users to read and forward, it will experience a very rapid spread of secondary growth. Especially with the influence of opinion leaders, it will finish the spread of a very wide range, and then affect the other to help spread. At this time, the agenda setting of the media plays a role, so as to achieve a high communication rate and quickly form a flood of information [2].

Weibo is the preferred platform for netizens to pay attention to topics, mainly because Weibo is quick and responsive, and its topics usually have high attention. Compared with traditional news media, Weibo has absolute advantages in the speed and depth of transmission. We can often see some hot IP in hot topics, which has a positive impact on IP operation.

In addition, in the field of film and television, many popular dramas will be put into the network for on-demand broadcasting, which provides a convenient viewing platform for some users who cannot watch TV on time. According to the survey statistics, the proportion of audiences who watch and share online is more than 50%. Otherwise, Internet users are highly motivated to share and watch video on Weibo and social networking sites, which is very beneficial for IP to gain audience attention and achieve influence.

Online payment improves consumption power

Mobile Internet has lowered the threshold for users to pay, and the maturity of online payment link has created a good promotion channel for the fan economy, which is conducive to IP and
pan-entertainment to realize the transformation of influence to actual consumption, and directly enhance the relevant value.

As of 2017, the scale of online payment users in China has reached 531 million, and the proportion of Internet users using online payment has reached 68.8 percent. It is worth noting that the growth rate of mobile online payment was particularly rapid.

The positive effect of online payment function on consumption is very typical in the field of film industry. Film O2O strives for users, grabs market share and attracts potential audience to consume by means of price for quantity through low price, subsidy and other strategies, which stimulates the demand of all people to watch movies [3]. According to the Chinese film industry research report, more than 40% of the total box office was purchased by audiences through the Internet or mobile Internet in 2017. In relatively mature film markets such as Korea and the United States, the proportion of online ticket sales reached 70% to 80%, so the insiders predicted that the proportion of online ticket purchases in China will continue to go up.

Changes in the Industrial Structure

The core driving factor for the transformation of the media industry is the replacement of transmission channels and upgrading of modes brought by technological progress. The interactive, mobile and community-based development of media stimulates media enterprises to innovate their business models. Media enterprises are confronted with both challenges and new opportunities.

Technology promotes media convergence

The information technology revolution has led to the "convergence" of various industries, which has led to the steady growth of the service industry and the overall economy. Information digitization breaks down the barriers of different forms of media information. Different information can integrate and coexist on the same media platform. The time and space and cost of information acquisition also have changed, and the interconnection of media exchange is greatly strengthened, showing an obvious trend of integration, which is called "media convergence".

The decision of the third plenary session of the 18th central committee of the CPC pointed out that we should "promote the integration and development of traditional and new media", so that new media and traditional media are not substitution. However, in order to achieve the integration of the two, the conflict must be resolved, and then found the balance point of relevant issues, so as to seek coordinated and sustainable development.

The essence of "media convergence" is an important technical basis and condition for the realization of "pan-entertainment" formats, which fundamentally helps us to understand the reasons for the emergence of new formats of cultural and entertainment.

Industrial chain integration and upgrading

In the Internet era, the development of the media industry chain is characterized by "penetration". Firstly, the distribution channels are diversified. Multi-channel distributors such as TV stations, video websites, broadband operators and other private institutions are widely involved; Secondly, the transmission channels are diversified and the channel barriers are weakened, breaking through the constraints of media enterprise development; Thirdly, content and distribution are combined, distribution and transmission are combined too; Fourthly, two-way communication and platform interaction improve the audience's sense of substitution, which is the premise of creating profit model and the guarantee of big data business development[4].

These characteristics have a direct impact on the "pan-entertainment" business form, mainly promoting the integration and upgrading of the cultural media industry chain:

Content becomes the core of the industrial chain. Previously, the two fields of content and marketing were located in the Upstream and downstream of the industrial chain. Advertisers give money to the channel, which pays for content to attract the attention of the audience. Under the new business model, advertisers will give priority to the owner of the content, which choose the broadcast channel. These indicate that the content replaces channel to become the core of the industrial chain.
Two-way integration of channels and content. On the one hand, in order to better realize their interests, content companies often choose to cooperate deeply with channels. From the perspective of attracting traffic and binding customers, content companies are tend to cooperate with high-traffic new media platforms; at the same time, the enterprise itself is also extending to the channel, therefore, related acquisitions, investment and business expansion frequently occur. On the other hand, as content has gradually become the core of the industry, the cost of high-quality content is high. Considering the aspects of reducing the cost of IP and accumulating experience in content production, channel companies begin to actively layout the content field, extend their advantages to the content, and also strengthen the investment, merger and acquisition, construction and other actions.

The demands of full industrialization are obvious. Although media enterprises of cultural media, especially emerging industries such as film and television, animation and games, still have a small content volume, low brand influence and have not yet formed a mature profit realization system, the development of cultural media industry is fast, and the strengthened investment in the capital market has become a catalyst for industrial development in recent years. At present, some cultural media industry giants have appeared in the market, and there are more than 10 enterprises with a market value of more than 20 billion yuan. These enterprises have the basic ability of full industrialization in scale and have the willingness to develop.

Summary

With the rapid development of factors affecting the media industry, media enterprises oriented by cultural communication and entertainment services must quickly find key changes and make strategic upgrading, so as to find new growth points of value through correct decision-making. These key elements also could provide reference for the valuation of media enterprises.

References


