

Research on the Value Maximization of Chinese Film Intellectual Property in the Internet Era

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Abstract: *The research question about this dissertation is to explore the possibility of the value maximization of Chinese film intellectual property in the Internet era. The purpose of this research is to provide the experience of IP management for the Chinese film Company and the way to IP value maximization in the Chinese film industry. This paper analyzes the method of IP value maximization, which should construct the value chain of film industry on the basis of core products, tangible products, augmented products and promised products.*

Keywords: *IP; Film Management; Film Industry; Value Chain*

1. Introduction

Chinese film market has developed rapidly in recent years. A number of high-quality films was produced, and the total box office has exceeded 60 billion yuan. At the same time, the first Chinese film law "The Film Industry Promotion Act" was born in 2017. Richeri analyzed the reasons for the success of China's film market. China joined the WTO and must obey the relative rules to open its products and services to the foreign countries. Besides, the Chinese government pays attention to the cultural industry because they believe that good films and healthy industry will increase national cohesion.^[1] However, the exploitation of intellectual property (IP) value in Chinese films is only successful at the box office stage. The development of film IP derivative is also an essential part of the film industry chain, but Chinese film derivatives are still situated in a dilemma position. The derivative income accounts for a small part of the whole film value industry chain. The monetization of IP is far from the expected level based on the huge Chinese market. When the Internet has become an essential part of people's lives, it is necessary to explore the possibilities of maximization of the IP value in film industry. With the background of the impact of Corvid-19, the Internet has become an essential battlefield of the film industry. So, the IP value maximization may appear new changes in the network era and become a vital factor in the development of the film industry. This paper intends to build the IP model of film industry to maximize the value of IP.

2. The Development of The Chinese IP Film Market

The changes in the global economic environment have affected the development of business models, in which IP is the core element for potential growth. Ben Bernanke, chairman of the Federal Reserve, believes that in the past few decades, the accumulation of intangible capital has accounted for more than half of the growth in US output per hour. IP is a vital factor for the whole economy. IP can be termed as the incentives for the individuals to create new things and gives recognition to creators and inventors. It can be said to be the core product and guarantee of innovation.

For the film production, creativity and innovation are the core factors to push towards the development of the creation works. Besides, IP can prevent the possibility of illegal imitation. Intellectual property rights protect every stage of filmmakers for the production from script to screen. Also, it helps producers attract investment when they deserve funds. Every element in the movie is IP, which makes it possible to monetize. In 2015, as a large number of Internet literary and artistic works began to be adapted into films, the concept of IP in the capital industry began to be widely appropriated to the cultural industry, and the concept of IP film and film IP came into being. The former refers to film adaptation based on high-flow IP. The latter refers to the development of derivative cultural products based on high-traffic movie IP.^[2] Although IP is not a new concept, it has the different effect on the Chinese film market. IP has the potential to develop into movies, dramas, online games, music and any other commercial derivatives. Chinese Internet companies created "IP movie" on this basis of

the concept of IP, which has a profound impact on the Chinese film industry.

In Chinese film industry, IP movie means not only the legal rights but also the fan economy. The core monetization of IP is from the consumption of products by fans. Therefore, the better way to produce the film is to choose IP with a large number of followers to movies, TV series, games or related products to consume and generate profits. Besides, the IP movie can be regarded as a strategy created by Internet companies. The popular trends of IP movie are accounting for a large part in China's film industry. No wonders even those who despise this trend are also hard for adapting books, novels and games, because the IP movie has achieved box office success in the past Chinese film market.

3. Literature Review of The IP And Related Theory

In order to explore the possibility of IP value maximization in the film industry in the Internet era, we must first determine the concept of IP and the concept of IP movie in the Chinese film market in the internet era. Besides, the theory of industrial chain model can be applied to the maximization of IP value in the film industry.

3.1. What Is the Intellectual Property?

IP is the abbreviation of intellectual property. Property means that the owners has built the fence which other people cannot use it without permission. IP mainly focuses on intangible products, including Patents, Copyright, Trademarks and Related property, and so on. ^[3] The IP is the value embodiment of an intangible product. IP owns value, which can be protected by law and be traded. It has all the attributes of goods. IP enables people to give similar property rights to the new knowledge and creative expression of human beings so that people can make full use of the commercial value of human creativity and creative output.

IP plays a vital role in the film industry, which is mainly divided into copyright, trademark and patent, and it also plays a crucial role in film production and financing. First of all, copyright is the exclusive right of the creator to his original works, including the right of reproduction, distribution, public display, performance and derivative works. These exclusive rights enable creators and copyright owners to allocate their works as property rights in the market. In the film industry, copyright is particularly important for the exclusive distribution of creative works. Besides, the trademark and patent are beneficial for the protection of the film brand, which is also a vital metric to attract fundings in film industry, and it is also an effective way to raise the profile.

3.2. The IP Movie Industry Chain in the Internet Era

IP is a concept that has appeared for a long time. IP is the foundation of all film production. It gives creators the protection in law about their works, and the right to manage the distribution of finished products. IP provides an environment in which the creativity and innovation can flourish by balancing the profits between creators and the public. However, the emergence of the IP movie as an exclusive term in the Chinese market owns different meanings to the original IP with the popularity of the Internet in China. As for film adopted by IP, it means that the pre-existing property that the company was hiring the screenwriter to adapt a movie through original contents like books and comic character. The strategy of some blockbuster in Hollywood is full using film intellectual property value. ^[4] In 2011, the vice president of Tencent Company, Cheng Wu, first put forward the concept of the IP movie. Before that, film and IP were separate concepts. He believes that the IP movie refers to a cross-platform and multi-domain business expansion model with IP as the core part. The concept of film IP refers to movies adapted from those works that own IP rights, and the fans and IP holds the value for cross-media communication and application. Internet is also a vital media for the communication of IP movie value, because the Internet reduces the cost of communication and application in all channels.

However, it is worth noting that the movie adapted through famous IP may not be successful. The improper use of IP will lead to the damage of original high-quality IP value and the failure of the value maximization in the film industry chain. The booming adaptation of IP has led the film industry to appear massive inferior products, just for commercial profits. However, their fantastic box office revenue gives any successful businessman an excuse to become the producer. The marketing and sales departments are involved in the creation process, and the big data influence the directors and screenwriters. This profit-oriented and market-based approach distorts the film industry and weakens the artistry of film production. Also, many films adopted by IP are fail at the box office in the U.S.

market, mainly because young audiences started to reject the IP recognized by their parents' generation. This problem has not appeared in the Chinese market, because Chinese film market is far behind the American in history. But in the coming future, Chinese films may also suffer these problems.

3.3. The Film Industry Chain

The industrial chain originates from Adam Smith's theory of division of labor in history. The initial point of the view is that the industrial chain is a process, in which manufacturing enterprises transfer the parts and raw materials purchased from outside to retailers and users through production and sales activities. Stevens regards the industrial chain as a system composed of suppliers, manufacturers, distributors and consumers, which combined with the feedback logistics and information flow. He regards the industrial chain as a product chain, information chain and function chain, and there is a feedback process in the industrial chain. The film industry chain is mainly a marketing activity in the form of film, which takes the media communication as the important effect and drives the products to extend along the path of production, distribution, broadcast.^[5] The value maximization of IP in the film industry chain is mainly related to three parts. The vertical supply chain for media can be divided into production, packing and distribution.^[6] Many scholars have recognized the role of IP in the extension of the film industry chain. Wasko claims that the copyright is a crucial part of the film industry chain, and she clarifies the commodity characteristics of Hollywood film.^[7] The value of IP for the film industry has been recognized, so the maximization of IP value has become the essential proposition of the film industry. If the intellectual properties want to be successful, it must become the high-quality work; otherwise, the influence will be temporary. Also, the IP should own attracted points, and thus the investors are willing to invest.

For how to maximize IP value in the film industry chain, Porter posted the term value chain in 1985, and the various activities are through the product or service to customers.^[8] At that time, Porter put forward the value chain to analyze the situation of a company. The film industry chain is a general designation of the whole chain of film production and distribution, and cinema. It reflects the economic ecosystem between the film industry participants and companies. Besides, Saval believes that the extension of IP value chain should be protected first, such as Copyrights, Trademarks, and Terminations.^[9] Brookey believes that the converge of film and video game industry will increase the value in both industries.^[10] Also, the game may become an essential part of film IP chain. In a word, there is still a long way to explore for the maximization of film IP value in the Internet era.

4. The Theoretical Frame of Chinese IP film

The IP film industry chain model maximize the value of the film industry, which is different from the previous upstream and downstream industry chain construction. This model takes IP value maximization as the logical starting point and consumer demand as the goal, which also takes IP film product quality as the core part. IP film products are divided into common products and cultural products to construct the model. This chapter mainly determines the selling points of film products through marketing theory, then divides IP film products into different levels, and finally constructs the value chain model of film products.

4.1. The Characteristic of Film Products

The marketing theory is an applied science of enterprises, and the relative research object is about marketing activities. It means that products should be categorized in the right place, considering the proper packaging, reasonable price and appropriate method to sell the products to the target market customers.^[11]

The film is a unique product. The producer is responsible for the film production, and the distributor is responsible for the packaging and sales of the film. The distributor and the producer together agree on the minimum price of the film. The online film ticket seller determines the sales price of the online broadcast, and the theatre determines the offline broadcast price. Finally, the film is broadcast in the cinema. Then the audience will achieve the audio-visual enjoyment of the film and complete the sale of the film. The marketing of film IP can maximize its value. The whole film market mainly divided into five aspects of business activities. The advantage of the film adapted from IP lies in the closer combination of these five aspects. The original popularity of IP movie enables the package and marketing which should be at the back end of the process to be put in front, further expanding the

influence of film. Besides, the film can be sold at a higher price than the general market price because of the famous IP.

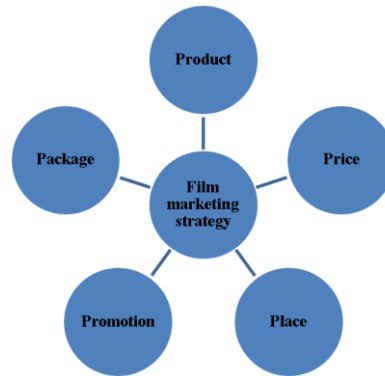


Figure 1: Film Marketing Theory

4.2. Levels of the IP Movie Product

The IP movie belongs to the category of commodity, and it is similar to the level of other product concepts. The IP movie products can be roughly divided into four different levels: core products, tangible products, augmented products and promised products.^[12]

The first layer is the core products. The first level of products is generally the most significant goal, which consumers want to pursue when they buy a specific product. As an intangible product, the film can bring spiritual enjoyment to the audience. The difference between the IP movie and the regular film is that movie reviews are also the core products of whole film industry, because movie reviews determine the recognition of audiences to the certain extent, especially in the Internet era. The number of movie reviews shows the attention of the movie, which directly affects the value of the film. The second layer is the tangible products. The tangible products are the way to achieve the goal of core products. For the IP movie, these tangible products are directors, actors and even well-known production companies. In the Internet era, their fame endorses the movie value to some extent and influences the box office. The third layer is augmented products. The additional products refer to the additional benefits and services that consumers enjoy when they purchase products. For the IP movie products, the additional product strategy has been applied to many actual movie product sales. Package sales sell movie tickets and derivatives. The price of IP derivatives is lower when they are bundled with movie tickets. The fourth layer is the promised products. Each product has an implicit commitment, which refers to the psychological satisfaction provided by the brand and image of products to customers. The consumption of products is often a combination of physiological consumption and mental consumption. The IP movie gives audiences a sense of recognition, because they have long-term attention and consensus on the original IP topics, and they are eager to take part in word-of-mouth marketing on the topics they care.

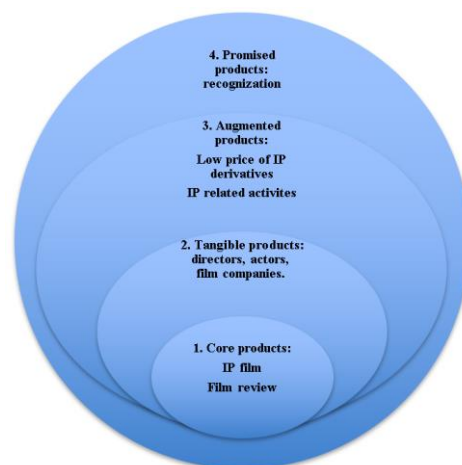


Figure 2: Levels of the IP movie Product

4.3. IP Value Chain Model in the Film Industry

The first part of the film industry chain model depends on the content quality of IP, which determines the potential development of IP. Secondly, as an ordinary commodity, IP film has all the properties of ordinary commodities. At this level, IP film needs to cooperate closely with the primary industry and the secondary industry to produce film derivatives, build theme parks and characteristic towns; as a special product, IP film is a characteristic cultural product. It needs to cooperate with non-profit institutions to give full play to the residual value of copyright and reduce the marginal cost. At the third level, the IP film industry chain needs to form the last value-added part, and it has four different product levels: core products, tangible products, authorized products and promised products.

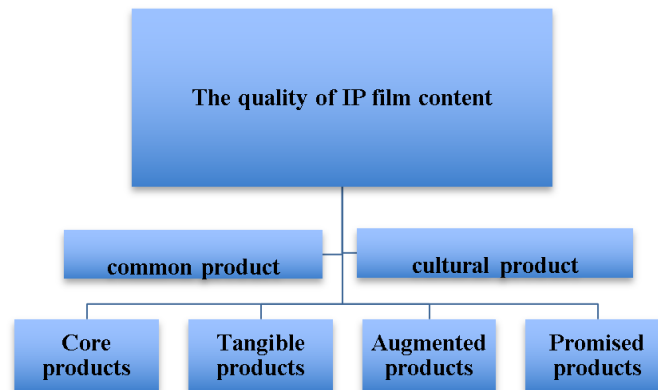


Figure 3: Theoretical Frame

5. The Recommendations About the Maximization of IP in The Film Industry

First of all, put more emphasis on the ability of the IP adapted films content. At present, the quality of the original script is poor, that is why the film and television industry focus on the mature IP. A large number of commercial capitals lowers the threshold of the film industry. The gap between the rapid growth of capital scale and the market environment has caused chaos in the film and television industry. A lot of high popularity IP that is not suitable for adaptation still appears in the market. Therefore, we must carefully select high-quality and proper IP for adaptation. Second, the proper combination of big data and IP. With the rapid development of the big data technology, the film and television industry in the internet era owns the most significant advantage of massive user data is that the film and television industry can catch the audience's film and television consumption behaviour and characteristics more accurately. Internet companies begin to produce the film and television, which not only provide fund for the development of the film industry but also the Internet gene. With the rapid growth of big data calculating technology and the profound combination of the enormous amount of data, the massive data information has become a new value mining point. The internet company has the advantage to convert IP into film projects because of the precise data and accurate computing power. Thirdly, targeted the fans groups. The value of IP is the fixed fan group, which owns the sustainable consumption-ability. The success of Disney film IP in the theme park, game and other aspects is mainly due to its loyal fans. Therefore, the Ip should focus on the targeted fans, which is also the simplest way to maximize the IP value. Lastly, the establishment of appropriate integration system. The way to maximize IP value involves two main aspects: the cross-border combination from other industries to the film industry and from the film industry to other industries. China should learn how to establish a standard and powerful industry mechanism like Hollywood, and establish an effective enterprise communication channel to improve the information dissemination. Besides, the integration standard of cross-border integration should be more effective, and the cooperation system of various industries should be established together. It is also necessary to introduce relevant talents such as law, science and technology and so on, and establish a service system of cross-border combination.

6. Conclusion

IP can maximize the value of film industry chain, but it needs to be strictly screened and elaborately adopted. In Chinese film market in the Internet era, the safest way is to choose IP with a number of fans. In addition, the maximization of Chinese film IP value should fully consider the different parts of the

film products as core products, tangible products, augmented products and promised products, and then construct a unique development value chain model with high-quality IP film content as the core part.

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