A Framework for Analyzing Emerging Business Models: Cases of China's Media Industry

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INTRODUCTION

In recent decades we have witnessed the dramatic innovation in information technology (IT) towards digital convergence. This new trend of IT development brings about new business opportunities, and posts a research challenge for us, which is to follow the fast pace of IT innovation and understand the emerging IT business models (Jelassi and Enders 2005).

This paper investigates two cases in the entertainment industry in China, namely MyShow (official website http://MyShow.smgbb.cn/) and Super Girl (official website http://SuperGirl.hunantv.com/). The two events were popular in 2004 and 2005, especially within the Chinese young population. MyShow was a performer contest TV programme. The operation of this programme was based on the combined capability of music record business and TV broadcasting industry. The process of performer selection was broadcasted through a TV channel. The final winner of the contest was awarded 1 million RMB (Ren-Min-Bi; the current exchange rate of US Dollar to RMB is about seven) for the production of a new record album with Universal Music Group (UMG).

Super Girl was similar to the Pop Idol TV show in the UK which made the first public appearance on 5 October 2001, and American Idol which was a reality-competition that debuted on 11 June 2002 in the US. The winner was awarded the title of ‘Super Girl’, who became an idol of Chinese youth overnight. In the Super Girl programme, people voted on the performance of the candidate singers through mobile handsets, based on the technology of short message system (SMS).

The MyShow and Super Girl phenomena involved the interests of different institutions. Specifically, benefiting from them were economic bodies, including TV channels which gained an increased viewing rate, and mobile operators that increased profits from the massive SMS voting traffic. The two cases are examples of new business models as a result of the digital convergence, which has brought together the telecommunications operators and entertainment media to explore new business opportunities. Nowadays such kinds of services as represented by MyShow and the Super Girl have been popularly diffused in different countries. For example, the Idol series has become an international franchise,
appearing in a lot of countries including Asia, Africa, North America, South America, Europe and Australia. However, research on the business model of this kind of services is missing.

Indeed, this paper does not limit its focus to the description of the above mentioned two cases. Instead, it has a more important purpose, that is, to make a theoretical contribution. Specifically, this paper attempts to propose a framework that can be used to analyze emerging IT business models as represented by MyShow and the Super Girl cases. Since a decade ago when Timmers (1998) published his seminal work on business models of electronic commerce, business models has become a popular research topic. Considerable work has been done on this research theme (Osterwalder 2004). For example, as early as 2001 Electronic Markets published a special issue on business models (Alt and Zimmermann 2001). However, most of the present work deals with specific aspects of the business model concept, for example the definition and classification of business model, and identification of business value. We need a framework that allows us to look deeply into the business opportunities of IT innovation, and have a comprehensive understanding on the business logic for providing novel IT services (Holzmuller and Stottinger 2001).

This paper is organized as follows. In the second section, we have an overview of the existing perspectives of IT business model research. In the third section, based on the literature we will develop a conceptual framework for analyzing business model. In Section 4, to justify the explanatory power of this new framework, we will employ it to dissect MyShow and the Super Girl cases. Specifically, we will investigate the distinctive value provided by MyShow and Super Girl, and the logic of value creation in these two cases. In the concluding section, we will summarize the key findings from the case studies, and discuss how to generalize the application of our framework to wider business model analysis, design and evaluation, and its use for pedagogical purpose.

BUSINESS MODEL CONCEPTS

When different authors write about business model they may not mean the same thing. People often hold various viewpoints on the specific meanings of ‘business model’ (Linder and Cantrell 2000). In this section we provide an overview of the mainstream thoughts in IT business model study.

In general, business model research can be categorized into four streams. In the first stream, people focus on business model classifications. Among this kind of research, Timmers’ work published in 1998 in Electronic Markets is pioneering and most influential. He suggests a business model of electronic commerce is ‘an architecture for product, service and information flows including a description of the various business actors and their roles; a description of the potential benefits for the various business actors; and a description of the sources of revenue’ (Timmers 1998: 4). Thus, Timmers emphasizes how various business actors can enhance profit by efficiently organizing the electronic commerce activities and utilizing the resources. Further, according to the degree of innovation and functional integration of different ITs, Timmers has identified 11 business models of electronic commerce.

Another influential definition of business model is given by Rappa (2001). He suggests a business model is a method of doing business that allows a company to sustain development. This definition directly spells out how a company makes money in the electronic commerce market. The business model is categorized into nine generic forms, which include advertising, affiliate, brokerage, community, infomediary, manufacturer, merchant, subscription and utility.

In the second stream, the emphasis has gradually shifted from giving taxonomy to identifying the composing elements of IT business models and clarifying the proper mechanisms of using IT to do business (Patenli and Giaglis 2004). Linder and Cantrell (2000) understand a business model as the core logic for an organization to generate profits. Further, they decompose a business model into interrelated sub-models, which include Channel Model, Commodity-plus Model, Convenience Model, Experience Model, Innovation Model, Intermediary Model, Pricing Model and Trust Model. Hamel (2000) defines business model as a concept implemented in business practice. He argues that IT innovation will change the ways a firm organizes its business process and creates value, and require the modification of the rules governing the industry. Instead of simply numerating a list of business model components, the author provides a description of IT business process and accordingly further divides the business model components into some categories including core strategy, customer interface, strategic resource and value network.

Scholars belonging to the third stream put efforts into modelling IT business process or the linkage between different components of a business model. There are several reference or ontology models available in this line of literature. Gordijn et al. (2001) propose a business model ontology that specifies value flows between different business actors. This ontology focuses on the role of IT in the provision of business value. Osterwalder and Pigneur (2002) establish a framework that describes electronic business as based on four pillars: products and services offered by the firm; IT infrastructure and communications network with business partners; customer relationship; and financial assets. Using the ontological approach, they connect the business model with computer-related technologies and information system infrastructure.

The fourth stream is concerned with identifying criteria for evaluating business models in various IT
applications. Hamel (2000) identifies four factors that determine the value potential of a business model, which are: efficiency; business uniqueness; IT-business fit; and profit booster. Afuah and Tucci (2003) define three levels of measurement for the performance of an Internet business model, which includes: the profitability of a firm comparing to its competitors; a firm’s profit margin and market share; and business model components. They attribute the value creation of a business model to eight elements, including: the value that a firm offers its customers; the types of customers to which the firm provides that value; the way the firm prices the value; the revenue sources it pursues; the activities that generate value to the customers; the implementation of the activities for value creation; the capability to create the value; and the strategy to sustain the firm’s competitive advantage.

A COMPREHENSIVE BUSINESS MODEL FRAMEWORK

From the literature review in last section, we can conclude that essentially a business model is a conception of how a company uses IT to do business and generate revenue (Porter 2001). People look at IT business models from various perspectives. Some attempt to use different criteria to decompose or categorize business models; others make efforts to analyze IT business model by linking it with organization strategy, business processes as well as enterprise information systems (Hamel 2000, Linder and Cantrell 2000, Osterwalder and Pigneur 2002, Rappa 2001, Timmers 1998). However, value and value creation are the common foci for all IT business model studies. Moreover, in general, in examining the logic of value creation for a business model, people take the restriction of external elements into account, which include the specific characteristics of business environment and IT innovation. Internally, the mechanisms for value creation include the exploitation of the existing capability and the exploration of the extra capability of the firm by rationalizing the firm’s boundary (Afuah and Tucci 2003). Thus, we get our framework for analyzing an IT business model, which considers all of these internal and external elements, as shown in Figure 1. Figure 1 also summarizes the theoretical foundation of IT business model analysis. Hereafter we will deliberate this framework.

‘Value’ and the business model

Value is the core element of a business model. In the literature, authors use different terms to illustrate the

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Figure 1. A framework for analyzing information technology business model – the theoretical foundation
importance of value and value creation in the IT business market, for example customer value (Afuah and Tucci 2003), revenue (Alt and Zimmermann 2000, Linder and Cantrell 2000, Magretta 2002), etc. According to Chesbrough and Rosenbloom (2002), the business model concept should guide firms to take advantage of IT to create value. Magretta (2002) argues that a business model should answer questions like: Who are the customers? What do customers value? How do we make money? How do we deliver value to customers at an appropriate cost? The firm must be aware that, to different customers, the same products may have different values. Product differentiation and price differentiation are important strategies for the firm to get good evaluation from customers on the value of its products. Mahadevan (2000) stresses the importance of revenue stream in a business model, which according to him is a plan for revenue generation. He combines various value streams such as subscription fees and different transactional incomes into a revenue model. Specifically, he mentions that, in electronic commerce, many firms take advertising fees as their main source of revenue in an Internet business. Amit and Zott (2001) define a business model as a description of the contents, structure and governance of transactions that are designed to create value through exploring business opportunities. In conclusion, all agree that value composes the basic element of a business model.

We agree that value creation is essential for any business organization to sustain development in the market. We insist that IT business is all about value. Value lies in the centre of a business model. However, we differentiate our definition from others by explicitly taking both customer and firm value into account. Here the firm value means revenue, profit, and competitive advantage that may secure the firm a status of sustainable development.

‘Firm capability and resources’ and business model

A business model must delineate the mechanism of value creation (Keen and Qureshi 2006). A firm utilizes different economic and organizational solutions to create value. Thus, the second dimension that has been discussed in our framework is the firm itself. Specifically, our framework links two dimensions together, which are a firm’s capability and resources, and the value. As stressed above, by value we refer to both customer value and firm value. The firm provides products and services valuable to the customers, which in turn generates profits for the firm. Value is created by the firm through efficiently utilizing its capability and resources.

We argue that a firm’s business model is always compatible with its resources. We hold the viewpoint that a business model should describe the sources of income and the business logic for generating the income. This position is rooted in the literature. As Osterwalder and Pigneur (2002) put it: the products and services that a firm offers are an important element representing a firm’s capability to deliver substantial value to the customer. Lee and Hong (2002) state that a business model is a logical arrangement of value creation in an organization. Further, according to Chesbrough and Rosenbloom (2002), a business model creates value by defining a series of activities that will yield new products or services with value being added throughout the various activities. Thus, a business model captures value by establishing a unique resource, asset, or position within those activities. Hamel (2000) identifies value network as a key component of business model. Through establishing the relationship between value network and business strategy, strategic resources, and customer interface, he is able to explain the mechanism of value creation by a business model.

‘Firm boundary’ and business model

The success of a firm’s business model comes from both exploiting its internal capability and exploring the external resources. It is based on not only an efficient internal organization, but also the external supportive partnership. It is built upon a fit of value between the firm and its customers, as well as between the firm and its collaborating partners (Lee and Hong 2002). The fit is all about defining the firm’s boundary both horizontally and vertically, arranging the collaboration governance structure, and determining the commercial relationships between the firm and its partners in the value network (Methlie and Pedersen 2002).

At a firm’s horizontal level, the business model captures value or profit by harvesting the economies of scale and economies of scope. Scale measures the quantity of products sold. A firm can enjoy the economies of scale by expanding its operation scale. In contrast, scope is about the variety of products offered. Economies of scope refer to efficiencies primarily associated with increasing or decreasing the scope of marketing and the distribution of different kinds of products (Jelassi and Enders 2005). The scale and scope are consistent with the core characteristics of the market, namely, reach and richness. Reaching more customers can add up a firm’s scale, and rich products or services can increase a firm’s scope (Evans and Wurster 1999). The enhancements on the economies of scale and economies of scope may both reduce the production and service costs and increase the revenues of a firm.

A resource-based view will be helpful for us to understand how the firm can achieve economies of scale and economies of scope by establishing efficient relationships with its co-operators in product development and marketing (Mata, Fuerst and Barney 1995). In addition, the business model construct has been related to
strategic network theory that might help explain how a firm provides valuable product or market information for its stakeholders within that network (Gulati 1999). Particularly, Prahalad and Ramaswamy (2000) view the business model concept as an extension of strategic network theory by emphasizing the inter-organizational ties of the firm with its suppliers, manufacturers and customers. Stable inter-organizational ties will open new possibilities for a company’s wealth creation through using innovative transaction methods (Amit and Zott 2001).

At a firm’s vertical boundary level, a business model captures the source of value by drawing upon theories such as value chain and transaction cost economics (Bauer and Colgan 2002, Porter 2001). First, an innovative business model should present the patterns of value chain integration that contributes to the value creation of the firm (Timmers 1998). Second, a business model should be able to explain the sources of value creation in terms of transaction efficiency, product novelty, the lock-in of customers and complementarities between products in the whole business process (Amit and Zott 2001).

Thus, in business model analysis, the focus for value creation should be extended from improving internal organizational structure to through enhancing external relations (Timmers 1998). A business model should treat an organization as part of a business network, taking the cooperation with its partners, competitors and clients into account (Lee and Hong 2002). For a firm, value creation occurs within a value network consisting of supplies, partners, distribution channels, and coalitions that expend its resources of the company itself (Hamel 2000). A framework of business model analysis should allow people to follow the value streams of an organization that influence its revenue generation and business viability, and identify the value proposition for the business partners and customers in an Internet context (Mahadevan 2000).

‘Environment’ and the business model

The fourth dimension of a business model is the environment within which a firm runs its business. A firm is continuously subject to the external pressures of adapting its business model to the ever changing environment, which can be divided into macro and micro levels (Afuah and Tucci 2003). At the macro level, the environment can be categorized into economic, institutional, legal, cultural and social aspects. The macro environment impacts the whole industry that a firm belongs to, and further the individual firm indirectly. In order to offer proper value to particular social segments, the firm must understand the economic situation of the society, and the lifestyle and cultural preference of people. In designing the firm boundary, managers must be aware of the restriction of the surrounding institutional and legal system (Osterwalder 2004, Tikkanen et al. 2005).

Micro environment is also called industrial or competitive environment which influences the company directly. In a competitive environment, in order to win, the firm must gather information about the potential substitutes for its products and the possible new entrants to the market. The buyers of the firm’s products should be studied, and factors affecting the firm’s relation with its suppliers must be clear to the firm (Porter 1985, 2001). The firm must make efforts to establish a reasonable boundary within its micro environment. Specifically, a firm should form a supportive value-net with its so-called co-opetitors. Co-opetitors are suppliers, customers, and complementors with which a firm must cooperate or compete in order to succeed. Complementors are those firms whose products are complementary to the firm’s own offerings. The firm should be aware that active interactions with its co-opetitors can have a positive impact on its profitability (Afuah 2000).

‘Technology’ and the business model

The last dimension of the business model is the technology. As shown by our framework in Figure 1, innovation management is important for IT business. IT is a strong enabler for a variety of innovative business models. The analytical framework of an IT business model should take technological characteristics as an input, and be able to demonstrate how the firm converts particular ITs into economic outcomes (Chesbrough and Rosenbloom 2002). As a basic principle of innovation management, a firm must keep track of IT development, and avoid loss caused by the emergence of disruptive technologies (Christensen 1997). Further, the firm should make efforts to take advantage of IT innovation to explore new business opportunities, offer customers some distinctive value, and meet the emerging requirements of its customers.

IT impacts the value provision of a firm. The adoption of IT in business has driven our society to move to a new era which is electronic business. On the one hand, fast IT innovation brings about new business opportunities, on the other, IT leads to increased rivalry and more transparency in the market and puts more pressure on the profitability of the firm. To succeed, a firm must be able to distinguish itself from its competitors through providing distinctive value to the society (Cordella 2006). Specifically, IT enables flexible customization with mass production thus making product differentiation easy. A firm may consider using a flexible pricing method, and offer selective prices to different customers to meet their specific requirements (Porter 2001).
IT has important influence on the process of value creation in a firm. Specifically, Internet-based technologies impact all activities in the value chain of a firm, and can help improve the firm boundary (Bauer and Colgan 2002). The application of IT in business promotes the transaction efficiency and lowers the coordination costs. Specifically, IT allows an organization to have direct contacts with its customers and different business partners thus reducing costs of distribution, marketing and overheads. Moreover, due to the wide adoption of the Internet, different companies work in so-called value webs (Amit and Zott 2001). A firm should use networked technologies like the Intranet and Extranet to streamline its business process and rationalize the firm boundary with its partners, which will enable the firm to achieve cost leadership and finally have a good business performance (Cordella 2006, Porter 1985).

So far, we have introduced the five dimensions of our framework for analyzing different kinds of IT business models. These dimensions interact with each other. A specific combination of them composes a business model. The success of a business model depends on the management of the five interrelated elements. Compared to the literature that normally treats some aspects of the value creation in a business model, our framework is comprehensive. It not only stresses what value a business model should provide, but also identifies the logic for value creation. It considers both technological characteristics and business environment as the business enablers. It attributes the value creation to both the internal structure and external relationship of the firm. In conclusion, as shown in Figure 1, we argue that an IT business model depicts the business logic that a firm exploits its internal capacity and explores external resources to offer specific value to the market, sustaining development and maintaining competitive advantage in the market by doing so. In designing a business model, a firm should consider taking advantage of IT innovation and adapting to the macro environment.

CASE STUDIES

In this section we draw upon the framework in Figure 1 to analyze the cases of MyShow and Super Girl in China. Figure 2 summarizes the results of our analysis, which will be deliberated next. The purpose for conducting the case studies is two-fold. Specifically, the proposed framework is used as the analytical tool for us to dissect the cases. Meanwhile, through the case studies, we are able to test the explanatory power of this newly established framework.

MyShow

Launched in 2004, MyShow was a performer contest TV program. It was hosted by SUM Entertainment, which is controlled by UMG being the number one music record distributor in the world. Sponsored by Lycra, a brand of youth fashion, MyShow program was broadcasted by Dragon TV which was based in Shanghai with a country-wide audience. Sohu, the second largest public Internet

![Figure 2. The business models for MyShow and Super Girl](image-url)
portal in China, supported MyShow. Sohu opened a Bulletin Board System where contestants could set up their personal homepages and their supporters could express their viewpoints. MyShow allowed anyone thinking he or she was talented in singing, dancing or playing musical instruments to take part in the programme, as far as he or she was at least 18-years-old as stipulated by the State Administration of Radio Film and Television (SARFT). Five big cities in China were selected as the primary contest arenas: Beijing, Chengdu, Guangzhou, Hangzhou and Shanghai. From March 2004 the show was broadcasted by Dragon TV every weekend for three months. The winner was selected by a team of judges, who were the CEOs of UMG Asian-Pacific and UMG China. The audience was not involved in deciding the results. About 10,000 people participated in the contest. In terms of direct financial income, it turned out that MyShow was a failure with a deficit of 3 million RMB (Hui 2005).

As suggested by our framework (Figure 1), value lies in the heart of the business model. Thus, our case analysis will centre on the value attained by MyShow. In the case of MyShow, the primary business value for SUM Entertainment and UMG was that it might serve as an experiment for training and recruiting new performers. SUM also planned to have financial benefits from MyShow. Meanwhile, Dragon TV, the broadcaster of the show, expected to be able to attract more advertisement income from the popularity of this event. Lyca fashion would get more customers, and Sohu would get more clicks which related to higher advertisement value. Finally, MyShow offered value to the contestants. The winner of the show would gain popularity and get a large fan base. He or she would be further promoted to the market and get a contract with UMG for making new music records and TV shows.

According to our framework, to understand the mechanism of value creation in MyShow, we look at how SUM exploited its existing resources, and created capability by rationalizing the firm boundary. The business capacity of SUM and UMG has been in music. Thus, in selecting talented artists, they had to explore external capability. Specifically, SUM worked with Dragon TV, aiming to use its TV channel to access as much music talent as possible. The collaboration with Lyca and Sohu was necessary to attract the participation of the youth, both being popular within the younger generation.

Nevertheless, MyShow has not fully realized its potential of value creation. As just mentioned, the primary objective of MyShow was to use TV channel to select talented artists and generate profits. This was possible only if this programme could create value for the massive traditional TV program spectators and thus involve wide participation by them. However, MyShow has set its target to offer an opportunity to every potential music talent, instead of to provide value to the public spectators. Regardless of background, race and social status, everyone has been given a chance to participate in the contest and become a superstar. In contrast, banned from the direct involvement in the selective process, the TV program spectators did not get a good value from MyShow. In fact, to the normal TV viewers, the only value of MyShow resided in the quality of the entertainment provided by the music performance of the contestants. Unfortunately, just like Hui, the CEO of the UMG Asian-Pacific, said: ‘MyShow was an intelligent recruitment platform instead of an entertainment TV program’ (Hui 2005). All of the contestants were amateurs, which meant the general level of MyShow performance could not be high and MyShow would not have competitive advantage over traditional programmes in offering entertainment to the public.

In the case of MyShow, IT innovation which is an important dimension of our framework (Figure 1) was not fully utilized in value creation. To understand the business model of MyShow, we need to have a brief overview of its business environment and technological context. From 2000, the global music record industry has suffered a downfall due to the large volume of pirate CDs and DVDs appearing in the Asia Pacific area. Music record companies were forced to look for new ways of generating profits (Saccone 2003). In the meantime, worldwide TV production budgets were decreasing because the profit attained from advertising was going down. TV broadcasters needed to find innovative methods to regain their revenue stream. Against this background, in China the music record producers worked with TV broadcasters to try to find a profitable business model, as represented by the case of MyShow. However, SUM was not aware that mobile technology would be very necessary for MyShow to achieve its financial purpose. Specifically, SUM should have turned MyShow to a participation TV programme, allowing the spectators to vote for the performance of the contestants using SMS. The SMS traffic generated from voting might have been very high and MyShow could have got a share of considerable income from it. This was possible as each contestant had a lot of fans and almost each fan had a mobile phone.

To further explain the financial failure of MyShow we examine its environment, as suggested by our framework. As a joint venture, if SUM wanted the show to be successful, it had to localize itself in China and capitalize on its competitive advantage (Holzmuller and Stottinger 2001). However, from MyShow's strategy we could observe that the Chinese environment was not fully understood by SUM with UMG, a foreign company, taking the decisive role (Anonymous 2004). Several aspects of the environment were overlooked. Specifically, the Chinese mobile market size was huge and kept developing fast. The Chinese mobile population was about 0.5 billion in 2005 (Ministry of Information Industry 2006). Moreover, SMS was
extremely popular with Chinese youth. The usage of SMS in greeting, joking etc. was an important part of the social life for the Chinese young generation. Mobile phones were central in the Chinese lifestyle, like computers in the American lifestyle (Gong, Lu and Shen 2005). Yet, SUM failed to recognize this as an opportunity of value proposition. As a result, initially MyShow suffered from not using mobile technology in generating profit. Only broadcasting TV and Internet technologies were adopted. In terms of organizing the firm boundary, MyShow did not invite mobile operators to join the value chain. This was evident when comparing it with the case of the Super Girl depicted next.

Super Girl

Introduced into the market in 2004 by state-owned Hunan Satellite Television (HSTV), Super Girl was a singer contest programme. It was sponsored by the largest dairy enterprise in China – The Mongolian Cow Diary Ltd (MCD). Hereby the programme was awarded the title of The Mongolian Cow Yogurt Super Girl Contest. Only female competitors were permitted in the contest. In 2004 for the first year, over 60,000 girls showed on the stages of Super Girl in four cities in China: Changsha, Chengdu, Nanjing and Wuhan (Anonymous 2006). The year 2005 was more successful – over 150,000 girls joined the preliminary contest stages. Hereafter we focus on the case of 2005.

Super Girl allowed fans to participate in the process by judging the performance of the contestants and deciding the winners. They could vote for their favourite contestants by sending SMS via their mobile handsets to specific phone numbers. Due to the cooperation of Sina, the most popular Chinese Internet portal, online voting was also possible but comparatively very few people used this channel. The final ranking of the contestants depended on the support rate of their fans. Taking advantage of the combined capability of TV entertainment and mobile communications, this innovative operation has proven to be a key to the success of the Super Girl programme. In the whole country, more than 400 million people watched the final contest and voted via SMS. The three finalists obtained more than 8 million votes. Specifically, the winner Li Yuchun got 3,528,308 votes, the runner-up Zhou Bichang won 3,270,840 votes, and Zhang Liangying got the third place by receiving 1,353,906 votes (see the Super Girl website).

We can use our framework (Figure 1) to understand the business model of the Super Girl in terms of value, IT innovation, firm capability, firm boundary and environment. Super Girl brought value to all of its business partners. In terms of financial benefit, HSTV as the ‘mother’ of the Super Girl was the biggest winner, earning more than 100 million RMB from this programme (Anonymous 2006). This income of HSTV first came from its cooperation with the telecommunications industry. For SMS voting, different network operators charged varied prices. For China Mobile users, the price was 1 RMB per vote; China Unicom users needed to pay 0.5 RMB per vote; for users of other operators, the cost per vote ranged from 0.5 to 3 RMB. From the whole SMS voting charges, each participating firm secured its own proportion of the business: 15% for China Mobile; 30% for China Unicom; 20% for China Telecom and China Netcom, and the rest part for HSTV and others. At the end of the Super Girl show, HSTV’s income from SMS votes was more than 30 million RMB. This amount might count for about 50% of the total profit of the entertainment programmes of this TV station, and was almost equal to its total advertisement income. Another profit stream of HSTV was the download of the Super Girl ringtone, which net it more than 1.8 million RMB per month (Lu 2005).

Moreover, mobile operators got income from value-added services. Each person was allowed to vote up to 15 times. After sending the first SMS vote, the voter’s mobile phone was automatically subscribed to a set of binding services relevant to the Super Girl, such as contestant news and programme trailers. The cost of such services was 6 RMB per item. Meanwhile, because of the high popularity of Super Girl as a result of encouraging the normal TV spectators to vote, the premium of TV advertisement soared, up to 75,000 RMB per 15 seconds during the contest, and 112,500 RMB per 15 seconds in the final stage of contest. Sina’s traffic increased significantly with Super Girl fans voting, taking part in discussions, reading the latest news, seeing pictures, and downloading songs of the Super Girls from its designated Internet portal at a cost (Anonymous 2004). MCD began to successfully exploit the market of young people. MCD revenue increased nearly two-fold through the sales of 2 billion packs of yogurt (Zhang 2006). For Tian Yu Media Ltd, Super Girl was essentially a pre-marketing strategy for it to gain benefits from upcoming new artists. The winner of Super Girl signed a contract with the Tian Yu Media Ltd. Profits from Super Girl road shows and CD records, and other related products were waiting for her to collect.

So far, Super Girl’s value proposition becomes clear. It invited young girls to participate in the contest and the public to vote for the winners. This proposition was not only attractive to mobile phone users. It was also of value to the public in general watching the live show as they have been given the opportunity to vote, a value proposition in a non-democratic society. SARFT as the government branch regulating TV broadcasting and entertainment industry did not object to this programme due to the fact that the voting was harmless to the political and social stability of the country.
Super Girl presented a successful case of taking advantage of IT innovation to create value. This business model was based on the convergence of Internet, mobile communications and TV broadcasting in both technology and the market (Carvajal 2005). HSTV had a strong capability in public entertainment. Particularly, in China, compared to other provincial TV stations, HSTV was well-known for its innovative weekend TV shows that received popularity in the whole country. In the Super Girl programme, HSTV utilized this capability and made the Super Girl show start with broad public attention. Moreover, HSTV was able to efficiently organize its boundary with the external resources. Specifically, as just mentioned, it successfully motivated telecommunications operators, Internet portal (Sina), and media companies (Tian Yuan Media Ltd) to form a partnership with it in value creation.

In the case of Super Girl, HSTV successfully introduced the Chinese version of American Idol into the market. This was possible because HSTV as a state-owned firm had a clear understanding of its business environment, as proposed by our framework. Specifically, HSTV was aware of the deep influence of the western culture as represented by American Idol on the Chinese young generation, the importance of mobile phones to the Chinese lifestyle, and the valorization of a ‘voice’ for Chinese people. Consequently, HSTV was able to take consumption clues from its country’s social and cultural environment.

DISCUSSION AND CONCLUSION

In this concluding section, we will compare MyShow with Super Girl. Figure 3 depicts the revenue streams in the two cases. We will highlight the contribution of our framework as shown in Figure 1, and discuss how to use it in the analysis, design and evaluation of IT business model (as shown in Figure 4). We will consider the possibility of using our framework to fulfill the pedagogical purpose. The concept of Participation Business Model will be derived.

Practical implication: a comparison of MyShow and Super Girl

By comparing MyShow with Super Girl, we may find that Super Girl is more successful in terms of financial income and programme popularity (Figure 3). Both programmes relied on sponsorship and advertising, but Super Girl has created one more value stream by turning the customers into a source of value creation. Thus, MyShow was forced to improve the entertainment quality of its programme so as to lure the participation by passive audience, and to meet the needs of TV advertisers. In comparison, Super Girl provided an opportunity of interactivity between the programme and its audience, which won over the fans’ loyalty. Moreover, the Super Girl made efforts to offer the participants value-added services so as to retain them. As a result, the Super Girl programme has built close relationships with its audience. Their active participation contributed to the programme with votes, opinions, and cash flow. Consequently, Super Girl found a new way to efficient value creation, which was to rely on the programme spectators. We argue that Super Girl represents a kind of emerging business model, which can be called Participation Business Model. Interactivity and participation form the mechanism of value proposition for this sort of business model.

As observed from the two cases, the result of a business model depends on whether it can take advantage of IT innovation, as argued by our framework in Figure 1. Technology, specifically mobile technology and SMS, was a key differentiator in the two cases. For the Super Girl case, the SMS voting strategy has connected the show with the vast population of TV spectators. It has made use of the technological and market convergence of mobile communications, TV

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Figure 3. Comparison of the revenue streams in MyShow and Super Girl
broadcasting, music recording and Internet portals to create business value.

The success of a business model depends on a deep understanding of the business environment by the firm. Nowadays in China, in their daily life, people, especially the youth, are becoming more and more reliant on SMS chats and online surfing (Gong et al. 2005). People are acquainted with modern IT equipment and feel comfortable to vote through sending SMS or to share opinions on websites. Both SMS and web services provide an audience with the function of keeping interactivity with the programme and facilitate their participation. However, mobile handsets are much more popular than computers, and SMS is used much more by the Chinese than Internet browsing. In the Super Girl case, the SMS voting strategy aligned a public show with the huge mobile telecommunications market. Moreover, Super Girl bettered MyShow in recognizing the changing political environment in China, which would allow the public to vote for pure entertainment and business purposes.

To understand the different results of MyShow and Super Girl, we need to look at their hosting firms, SUM and HSTV, respectively. Controlled by a foreign company, SUM’s capability was in the music market. It has set the target priority for MyShow to find music talents, thus overlooked the possibility of gaining vast income from the audience directly. As a state-owned TV broadcaster, HSTV has been successful in public entertainment. It had a good understanding of the business environment and technological opportunities. Consequently, HSTV closely co-operated with mobile operators to turn Super Girl into a big hit. The two cases imply that, the success of a business model depends on the result of value creation, which requires the firm to fully exploit its resources and co-operate with different companies to explore extra capabilities. In specifying what value to offer and planning the capacity for the value creation, the firm needs to efficiently manage IT innovation and properly understand its business environment.

Theoretical contribution

Various approaches can be adopted to analyze IT business model. The framework we have established in this paper centres on value. It links the internal capabilities of a firm and its relationship with the external co-opetitors to value creation (Afuah 2000). Different from most existing business model studies, we have proposed a comprehensive framework. In the literature, people normally focus on some aspects of our framework thus lack an overall understanding on the value creation logic of business model. The work of Afuah and Tucci (2003) is exceptional in that they in fact explicitly cover all of the five dimensions of our framework. Specifically, like us, they clarify that a business model aims to provide two kinds of values. The customer value is about products or services, the scope that the firm will offer the products or services, and pricing methods. The firm value is measured by the firm’s revenue and sustainability. Their framework also
considers the firm itself and firm boundary, which they call capabilities, connected activities and implementation. Moreover, we are the same in treating IT and environment as important parts of the business model. However, Afuah and Tucci deal with these elements linearly. In fact, as we may observe from the MyShow and Super Girl cases, there exist strong interrelationships between these elements. For a business model, such interrelationships form the logic of value creation. It is important to understand the interrelationships between different elements rather than each factor alone. Thus, in analyzing IT business model, our framework has a higher explanatory power than traditional ones.

Future application of the framework

As shown in Figure 1, a business model can be defined as that, within a specific IT innovation context and business environment, a firm efficiently utilizes its internal resources and organizes the firm boundary so as to provide value to the customers and generate revenues for the firm. Thus, as demonstrated by the cases of MyShow and Super Girl, we can use our framework to define a particular IT business model of a firm, and distinguish the business models of different firms.

The newly built framework in the paper can be used to investigate the business logic of a company, and further compare it with those of its competitors. Our framework provides a structured approach to business model design. The method is to take environment and IT innovation as exogenous variables, and continuously perform reasoning until a conclusion can be reached that the firm has provided proper value through fully utilizing its internal capability and exploring external resources (see Figure 4). In the same vein, our framework suits the purpose of business model evaluation and analysis. As summarized by Figure 1, different theories can be used to analyze the five interrelated dimensions of the framework, and thus a specific IT business model.

Due to its comprehensive nature and the broad theoretical base as shown in Figure 1, our framework will be very useful for teaching purposes. It can be used to structure the syllabi for Masters level courses like IT Business Model, Electronic Commerce, etc. As an option, the whole course can be divided into two parts. The beginning two or three sessions can be used to review business model literature and introduce key theoretical concepts, which will lead to the development of our framework. The remaining sessions will be used to analyze business models enabled by different ITs, for example mobile technologies, RFID, ERP, etc. Each session can focus on one specific IT, one or two dimensions of our framework, and some theories (Figure 1). Thus, by finishing this course the students will be familiar with emerging IT business models, and learn how to analyze them from different theoretical perspectives.

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References


