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## **A NEW FRAMEWORK FOR ANALYZING INTERNET BUSINESS MODEL: CASES OF CHINA**

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### **ABSTRACT**

In the recent decades, we have witnessed the growth of information technology (IT) diffusion which has led to digital convergence. This new trend of technology development brings together the telecommunications operators and entertainment media to provide new kinds of business opportunities. However, the research of emerging business models is limited. Knowledge about environmental and technological mechanisms in the adoption of new business models is especially lacking. This paper investigates two cases in the entertainment industry in China - MyShow and Super Girl - initiated in 2004. A new framework for analyzing business model has been proposed based on current research.

**Keywords:** Business model, China, information technology (IT), Internet.

### **INTRODUCTION**

In the recent decades, we have witnessed the growth of technology diffusion which has led to digital convergence. This new trend of technology development brings together the telecommunications operators and entertainment media to provide new kinds of business opportunities. It changes the lifestyles of the people, and meanwhile raises challenges for the government who regulates the market. However, despite these changes, knowledge of emerging business models and its applicability in the analysis of a company's business logic is limited. Knowledge is especially lacking in environmental and technological mechanisms in the adoption of new business models.

This paper investigates two cases in the entertainment industry in China – MyShow and Super Girl – initiated in 2004. MyShow is a performer contest TV program that combines music record business with TV industry. The whole selection process was recorded and broadcasted on TV. The final winner was awarded a contract with the Universal Music Group and 1 million RMB for the production of a new record. Super Girl also attracted the “eyeballs” of the Chinese in 2004, and it was held by Hunan Satellite Television, similar to the Pop Idol TV show in the UK. Selection rounds were held all over China and people voted on the performance of the candidate singers through short messages system (SMS). The final competition attracted more than 50 million votes, Hunan Province Satellite Television (HSTV) receiving the record-high watching rate. The winner was awarded the title of Super Girl, who became an idol overnight.

This event created a Super Girl phenomenon which involved the interests of the whole society. Benefiting from it, were economic bodies involved such as, for example, HSTV, which gained a higher watching rate, and Chinese telecommunication companies, who got profits from SMS traffic. The youth were the enthusiastic participants. However, there were also concerns about its negative influence on the young generation. As an example, the ex-minister of culture being the present Chairman of Education, Science and Culture Committee of the parliament criticized it would motivate the young to seek for venality. In the analysis of both cases, a new business model, which has been derived from current business models research, is employed. We will discuss both cases' business models by investigating the components, and eventually the distinctive value of each case.

### **THE CONCEPTS OF BUSINESS MODEL**

There exists a lot of confusion about business models because when different authors write about business models they do not mean the same thing [1]. While giving various definitions of business models, the method of categorization is based on four evolution phases [2].

In the first phase, many business definitions and classifications were proposed by academic authors. Timmers's definition about a business model is an early and much cited reference. He suggests that “a business model is an architecture for product, service and information flows including a description of the various business actors and their roles; and a description of the potential benefits for the various business actors; and a description of the sources of revenue” [2, p.4]. This concept emphasizes how a company can get profit, describes the sources of revenues and explains the potential benefits for the various business actors. Beyond the business model, Timmers [2] also provides eleven e-commerce business models and classifies them by the degree of innovation and functional integration.

Another definition is from Rappa [3], who suggests a business model is a method of doing business by which a company can sustain itself. This definition directly spells out how a company actually makes money and uses it. The business model is categorized into nine generic forms, which include brokerage, advertising, infomediary, merchant, manufacturer, affiliate, community, subscription and utility. Although the differences of two classifications are noticeable, these taxonomies share some common features [4].

In the second phase, the emphasis was gradually shifting away from the business model definitions to the components or elements of business models [5]. Linder and Cantrell [1] extend their understanding of a business model as “organizations core logic for creating value”. Also, they decompose a business model into sub-models that link together, which include the Pricing Model, the Convenience Model, the Commodity-plus Model, the Experience Model, the Channel Model, the Intermediary Model, the Trust Model, and the Innovation Model. Hamel [6] defines a business model as the business concept implemented in practice, which is a radical innovation that can lead to the value creation and change the rules of industry. Instead of giving the simple lists of business model components, this definition includes a real-life description of business model elements including customer interface, core strategy, strategic resource, and value network.

The third phase began to model the components in the form of reference models or ontology [7]. Gordijn, Akkermans and van Vliet [8] propose a business model ontology that enhances the linkage between business and information technology (IT) and applies the business model into e-business system development. This value-oriented ontology specifies value flows between business actors. Osterwalder and Pigneur [9] provide an e-business framework with four pillars: the products and services offered by the firm, the infrastructure and network of partners, the customer relationship capital, and the financial aspects. Under the ontological approach, business models are connected with computer-related technology and infrastructure to develop an e-business information system.

The fourth stage is concerned with identifying criteria for either assessing the feasibility and profitability of business models or evaluating a business model in various applications [7]. This is also a relatively more recent research domain. Hamel [6] has identified four factors that determine a business model’s value potential: efficiency, uniqueness, fit, profit booster, respectively. Afuah and Tucci [9] define three levels for measuring the performance of a business model which includes (1) Measure of profitability (e.g. compare a firm’s profitability with that of its competitors); (2) Profitability of prediction (e.g. compare a firm’s profit margin, market share with those of its competitors); (3) Business model component attributes (benchmarks for appraising each components of a business model). Around this value-centered theme, they also provide a framework for the business model with eight elements that takes in account the creation of value through several actors.

Summarily, some authors perceive the business model as an abstract business concept that describes the logic of make profits for a company [1, 2, 3, 6], while others link it with strategy, business processes as well as business information systems [9, 10]. They adopt different criteria to decompose or category the business models due to their different viewpoints, but there exists some similar understandings in nature with different description in semantics [4]. Moreover, common to all above-mentioned comments of business models is their focus on “value capture and value creation”, more or less.

### A COMPREHENSIVE BUSINESS MODEL FRAMEWORK

Compared the business models mentioned most often, the most common building blocks are identified. From the synthesis, five core themes that cover all the business model components mentioned by at least two authors. They are Value, the Firm, the Firm Boundary, Environment, and Technology as concluded in Figure 1. The comprehensive business model focuses on value, while taking external environment, inter-organization environment, as well as technological driver into account. The following parts are going to argue the relationships between these five elements and the business model, respectively.

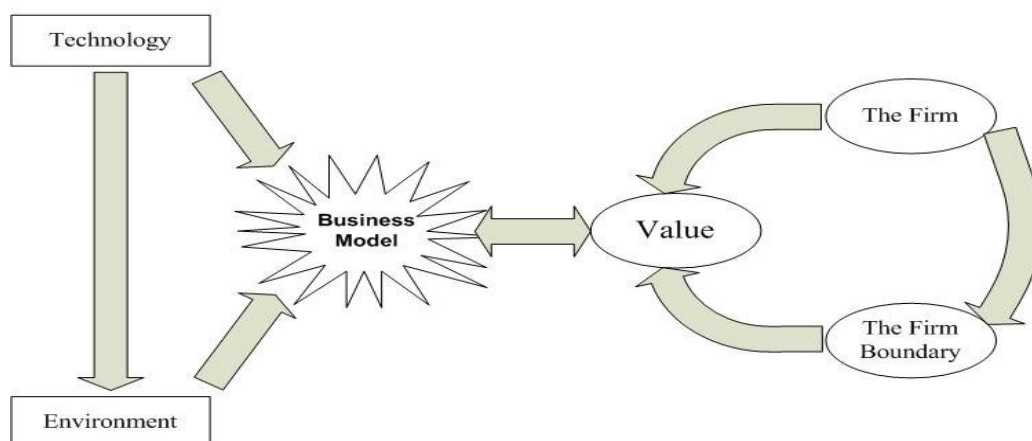


Figure 1 Comprehensive framework of business model

#### “Value” And Business Model

The first prominent spotlight is on the element “value” [11]. Although authors use different terms to illustrate the importance of value, the business model perspective centers on the value in virtual market. As Chesbrough [11] states, the business model creates value by defining a series of activities from raw materials through to consumers that will yield a new product or service with value being added throughout the various activities; It captures value by establishing a unique resource, asset, or position

within those activities, where the firm enjoys a competitive advantage. Similarly, Hamel [6] argues, both ‘value capture’ and ‘value creation’ occur within a value network, which can include suppliers, partners, distribution channels, and coalitions that extend the company's own resources.

From firm's perspective, Mahadevan [12] mentions the value stream along with business model which identifies the value proposition for the business partners and buyers in an Internet context. The value streams for an organization influence the viability of its business and revenue generation.

Afuah and Tucci [9] take consumer value into account. They state the business model is the main determining factor of a firm's business performance, the method through which each firm builds and uses its resources to offer its clients better value than that of their competitors. Klueber [13] complements this idea, defining business models as a logical arrangement of value creation in an organization as a business network, taking its partners, competitors and clients into account. Thus, the term value network is emerging to link suppliers and customers including potential complements and competitors together [14].

In comparison between traditional supply chains to dynamic value network, the focus shifts from increasing value through internal relations to increasing value through external relations, and the amount of relations multiplies [2]. Logic of value is still the core of a business model [15].

### ***“Firm” And Business Model***

The second core element that has been discussed is the firm itself such as Revenue Stream, Revenue Source and Capability. According to Timmers [2]: A business model contains a description of the product or services the firm is providing the market. It answers the question of what the firm sells.

A business model describes the basis and the sources of income for the firm. Mahadevan [12] mentions revenue stream for the business model which is a plan for venue generation for the business. In fact, revenue stream is the realization of the value proposition on a yearly basis. Information asymmetry between buyers and suppliers generates a revenue stream often resulting in savings accruing to the buyer. Similarly, Amit and Zott [16] introduce a revenue model through combination of various value streams such as subscription fees, advertising fees and various transactional incomes. Now many organizations look towards advertising fees as their main source of revenue [12]. Hamel [6] identifies four main business model components that range from core strategy, strategic resources over value network to customer interface. These components are related to each other and are decomposed into different sub-elements. The main contribution of this methodology is a view of the overall picture of a firm. Osterwalder and Pigneur [7] found four main pillars based on business model analogy, of which products and services a firm offers is an important element to represent a firm's capability to deliver substantial value to the customer. Revenue model and cost structure belong to the financial aspect, which determine a firm's profit and its ability to survive in the competition. Revenue streams not only show the resource contained in a firm, value delivered to the consumer as well as a firm's potential for creating wealth. So, redundant details about the firm can be captured through business model since a firm's business model is always compatible with its resources [17].

### ***“Firm Boundaries” And Business Model***

The success of a firm's business model derives from a fit not only between the firm and its customers, but also the fit between the firm and its collaborating partners. The fit is all about defining the firm's boundaries horizontally and vertically, deciding on collaboration governance, and determining the commercial relationships between the partners of the network [18].

On firm's horizontal level, the business model captures the value or profits generated by measuring firm's scale and scope. Scale measures the quantity of products sold while scope measures the variety of products offered [19]. The scale and scope are consistent with the core characteristics of virtual market, namely, reach and richness as mentioned before. Reaching more customers can add a firm's scale and enriching products or services can add a firm's scope [20], thus realizing economies of scope. Both of two enhancements might reduce the cost of a firm or increase the revenues of a firm.

In addition, the business model construct also relates to strategic network theory that might help a firm to generate more valuable products or information for its stakeholders within that network [21]. In similar, Prahalad and Ramaswamy [22] view the business model as an extension of strategic network theory by enhancing the inter-organizational ties with suppliers, manufacturers, customers. From the successful case of Priceline.com, it is believed stable inter-organizational ties will open new possibilities for a company's wealth creation through innovative transaction methods [16].

On firm's vertical boundaries level, the business model captures the source of value through drawing on the theories of strategy and entrepreneurship such as transaction cost economics, Schumpeter's innovation idea.

First, the notion of business models concludes the arguments that central to the value chain by describing business processes that enabling transactions [16, 23]. For instance, Timmers [2] suggests the innovative business model architecture by combining the interaction patterns with value chain integration to create added value with a rich functionality.

Secondly, a business model explains the importance of transaction efficiency, lock-in of customers, novelty and complementarities [16]. Since the application of e-business and IT promotes the transaction efficiency, the transaction costs will be lowered [24]. The improved information enabled by Internet also reduces customers' search costs [16]. While increased rivalry and market transparency seem to lower value appropriation opportunities for firms, empirical evidence has shown that some firms have been able to differentiate themselves from their competitors through new value appropriation [25]. For example, Amazon not only offers books, but also a whole set of complementary information, some of which is based on the analysis of the customer's profile and therefore they can offer more value-added services to customers than its competitors.

### ***“Environment” And Business Model***

The fourth theme is environment. A firm's business model is continuously subject to external pressures that oblige a company to constantly adapt their business model to a changing environment. Osterwalder [26] concludes four 'macro-environments' change that directly or indirectly affect a firm's business model. They are legal or social environment, economic environment, technological environment as well as competitive environment. Also, Tikkanen [27] identifies a firm's business model as four conceptual levels, of which industry recipe aspect refers to the economic, competitive and institutional environment and their effects on the firm. In order to be successful under a competitive environment, the firm has to gather information about potential substitutes for the business' product as well as potential competitors and new entrants. In addition, the buyers of the product and any factors affecting its supply should be studied [23]. These variables are considered part of the 'micro-environment' of the business which influences the company directly [24]. That is to say, the business model is highly sensitive to the environment, which will eventually influence a firm's business performance [9].

### ***“Technology” And Business Model***

The last theme is the technology. The business model concept has become popular because of a business environment shaped by IT and globalization [19, 28]. Osterwalder [26] believes the increase in a variety in business models is closely related to the adoption of IT in business as following reasons: firstly, IT has reduced transaction costs with a new form of complex network alliance; secondly, the adoption in business offers customers with more information goods and service through a multiple channels. Thirdly, IT has been a strong enabler for a variety of innovative business models [29, 30].

The link between IT and business model is evident as in the case of online companies such as Amazon.com or eBay. According to Sabherwal and Chan [29], a study of 226 companies supports the hypothesis that alignment between business and IT strategies improves business performance. Since the general recognition of the importance of strategic IT alignment with e-business, it is the challenge for firms to invest IT effectively and productively [27].

The above five themes interact with each other and compose a comprehensive business model. It is said that a strong business model can be implemented badly, just like a weak business model can be managed successfully, which is to a large extent subjected to the influences of these five elements from different aspects. Thus, it is important for firms to ensure a smooth alignment among these continuous forces.

## **CASE ANALYSIS**

In this section, two Chinese cases in the entertainment industry – MyShow and Super Girl – will be analyzed by drawing upon the framework that we have proposed in Figure 1.

### ***Background***

From 2000, the global music record industry suffered a downfall due to the large volume of pirate CDs and DVDs in Asia Pacific area. The unstable situation was followed by organizational downsizing, factories shut downs and company mergers. Companies were forced to look for new ways of generating profits [31]. MyShow is such a solution for a music record company. Everyone could join the show. Also, with the help of the convergence of the TV program and its popularity, they could find new artists from the society.

Meanwhile, worldwide TV production budgets are decreasing because the profit attained from advertising is going down. TV broadcasters and producers are then being forced to look for new solutions to regain their revenue stream. By combining mobile communication technology with TV broadcasting, TV producers created a new phenomenon – participation TV or SMS TV [32]. Through this new type of programs, audience can participate in the show. They contribute with votes, opinions, and, for businesses, with cash flow. Hunan Satellite TV exploited this new advance of technology and introduced Super Girl to the Chinese public.

### ***MyShow***

Launched in 2004, MyShow is a performance contest TV program. It is hosted by Shanghai Shang Teng Entertainment Ltd (SUM Entertainment) a company controlled by two shareholder groups: Universal Music Group (UMG) and Shanghai Media Group (SMG). The program is sponsored by Lycra and being broadcasted by Dragon TV, located in Shanghai, a country-wide audience. The new feature of the MyShow, that distinguishes it from previous Chinese program, is that anyone who thinks him/herself talented (singing, dancing, musical instruments) can join the program [33].

Five big cities in China were selected as the primary selection contest arenas in both 2004 and 2005. The judges were the two CEOs from Asian-Pacific UMG and China UMG. Also, many popular celebrities were invited to be judges. Every week for 3 months, the show was recorded and broadcasted in the weekend. In the first year, no participation from the audience was introduced in deciding the results. As an improvement in 2005, audience could vote for their favorite performers through their mobile phones by sending short text messages. The level of participation, however for MyShow is low, due to the show being recorded and not shown live.

In 2004, no more than 10,000 people joined the contest and in 2005 number of contestants rose to 50,000 and the watching rates saw only a 5% increased. Also to suffer from MyShow's failure to capture a wide audience, In the first year MyShow had a deficit of 3 million RMB, and zero profit for the year 2005 [34].

According to Hui [34], the CEO of the UMG Asian-Pacific, the original objective of MyShow was an experiment for training and recruiting new performers. During the show, the final contestants were already very popular and had a large fan base. The winner of the show, by turn, signed the contract with UMG and make new music record, or even TV show. Eventually, UMG would get profits. Hui also points out that MyShow's priority is music, and most importantly MyShow is a professional recruitment process, rather than an entertainment TV program. In 2006, only Shanghai is open as a contest arena, rather than the previous 5 cities. Also, this year's sponsorship is taken over by Sprite. Currently, the contest is still running its final stage.

### ***Super Girl***

Also started in 2004, Super Girl is a popular singer's contest hosted annually by state-owned HSTV. It is sponsored by a traditional dairy enterprise – The Mongolian Cow Dairy Ltd, from which it borrows part of the title: The Mongolian Cow Yogurt Super Girl Contest [35].

Different from MyShow, only female contestants can participate and there is no age limit (The State Administration of Radio Film and Television regulated that contestant must be over 18 in 2006). For the first year, over 60,000 girls went on to the Super Girl's stages in four cities' arena: Chengdu, Nanjing, Wuhan, and Changsha [36]. Another distinction was that Super Girl had introduced the killer application of SMS voting in their first year.

During the summer of 2005 in China, the most successful year for Super Girl, over 150,000 contestants joined the program's preliminary stage. About 400 million viewers watched the final contest. Because of the high popularity, the price of the TV advertisement during the show rose to 75,000 RMB per 15 seconds, and 112,500 RMB per 15 seconds in the final. A large volume of profit has been generated due to the popularity. Super Girl earned their "mother", HSTV, more than 100 million RMB (US\$12.5 million) [36].

A major value-added operation contributing to the show's unprecedented popularity is that fans are able to participate in the judging process by sending SMS via their mobile phones to vote for their favorite contestants. Different mobile network users were charged differently, for China Mobile users the price is 1 RMB/vote, for China Unicom users the price is 0.5 RMB/vote, for other operators the cost is 0.5 RMB/vote to 3 RMB/vote, etc. During the preliminary round in Chengdu (the capital city of Sichuan Province) alone, 307,071 message votes were sent respectively for the top three contestants. After sending a vote text message, each voter's mobile phone was also automatically subscribed to a binding relevant value-added service for "Super Girl", such as contestant news and program trailers, the cost of 6 RMB per service. In addition, the final ranking of the contestants depended on the SMS support rate sent in by fans, at least, according to a China state media's view rate investigation (CSM, offering TV and radio audience measurement research), more than 400 million people had watched the finale of the show, voted via SMS, and the three finalists obtained more than 8 million votes. The winner Li Yuchun got 3,528,308 votes, and Zhou Bichang won 3,270,840 votes for the second place. Zhang Liangying got 3<sup>rd</sup> place by 1,353,906 votes. So, in total were 8,153,054 votes. The interactive combination of television entertainment and mobile phones has proven to be a success key of the "Super Girl" business operation [37].

At the end of the show, the television station's SMS income from mobile message votes was approximately more than 30 millions RMB (approximated 3.743 millions US dollar). This amount may account for 30%-50% of the total profit of the TV entertainment program, and is almost equal to total advertisement income. For the SMS total profit, each participant from different industries reaped its own part in proportion with: 15% cut for China Mobile, 30% cut for China Unicom, 20% cut for China Telecom and China Netcom, the rest part is for HSTV and others [38].

According to Lu [39], the downloading of Super Girl ringtone also generated at least 1.8 million RMB /month. Hence, the "Super Girl" 2005 is a considerable successful interactive mobile entertainment business case in China. In summary, it is a typical all-win value-added business model; China's traditional entertainment industry (such as HSTV) is a big winner, at the same time China's telecommunication industry (China Mobile, China Unicom, etc.) is also a satisfied winner, even for traditional industry, The Mongolian Cow Dairy made a significant profit. The company has sold over 2 billion packs of yogurt in 2005 and their sales revenue rose by 270% [39]. Finally, the super girls will sign a contract with the Tian Yu Media Ltd, a sister company with HSTV.

Profits from the super girl road shows and CD record, related product are waiting for them to collect.

### **Analysis**

The purpose of business model is to serve as an analytic tool in investigating the business logic of a company [40]. Through a business model one can improve the measurement and observation of a company's business logic and then establish a comparison with other company's business logic [41].

The business logic of a company constantly changes because of inside and outside pressures as mentioned above. Both internal and external elements can be seen interacting and interfering with each other. Therefore, a structured approach to business models analysis is important to understand which particular issues are changed over time [41]. Various approaches can be adopted. The approach adopted in this study centers on value and, hence, on how each element (external and internal) of the business model is contributing to or detracting from it. As a result of this approach, each element is only discussed in terms of its value creation. In this sub-section, we evaluate the logic of value creation in the cases of MyShow and Super Girl.

### **MyShow**

MyShow's business objective is primarily premised on recruiting talented new artists. The adoption of a TV format, served as a new innovative means of attaining that objective. Nonetheless, its business model can be found lacking in several aspects, which, by turn, has detracted from MyShow's ability to create value.

The nature of the firm, joint venture, created several disadvantages. The joint venture (SUM Entertainment), established on the 27<sup>th</sup> of February of 2004, consisted of Universal Music Group (UMG), holding 49% of the share, and Shanghai Media Group (SMG), holding 51% of the share. Both organizations have reputable standings, UMG being the number one music record group in the world and SMG the second largest media group in China. Nonetheless, an alliance between two successful firms is not necessarily a recipe for success, as will be noted by the analysis of the case. Joint ventures prove difficult, in particularly when these involve two different national cultures. National culture will invariably impact the organizational culture and hence, all levels of business: strategy, communication, human resources, structure and management [42]. If a joint venture is to be successful, organizations must respond nationally and capitalize on its competitive advantage [23]. From MyShow's strategy we can note, however, that the environment was not fully understood and, hence, the potential to create value by understanding it, diminished.

Several aspects of the environment were overlooked, including China's culture and psyche. SUM entertainment business strategy is focused on three categories of product and service: organization and management of the artists' activities and music related events, development of new media and market partnership, and advertising and sales of music products such as CDs and DVDs [43]. Their strategy to adopt TV as a medium for the attainment of their primary objectives is a noteworthy response to the challenges that the companies in the music industry, including SUM, are facing. However, it is a well-rounded strategy to capture the audience. To adopt a new media stream in order to compete with growing market changes, one must understand the medium's full potential, including its social importance.

The primary objective of MyShow was professional selection, not creating value propositions for the spectator. According to Hui [34], SUM is working in function of music not of entertainment in general. As such, while value was created at a social level, through the equity of all contestants (i.e. everyone, despite background, race and social status, is given a chance of becoming a superstar), the value created for the spectator proved insufficient. This insufficiency can be noted by MyShow's lack of popularity, partly attributable to the broadcasting nature of the show, and by SUM's adoption of SMS voting in the second year as an attempt to regain the audience and thus generate more revenue.

By failing to fully understand its environment, SUM also initially concentrated on the spectator consumer and overlooked the mobile consumer. Research shows that China is a hub for the mobile market [9]. Mobiles are central in the Chinese lifestyle, much in the same manner as computers are to the American lifestyle. Yet, SUM failed to recognize and take consumption cues from the Chinese culture and thus, MyShow's success suffered from technological limitations; Only broadcasting TV and the internet were initially adopted. Several value propositions could have been created through the introduction of further technology, specifically mobile, in its business model, as was later noted by SUM.

The value created from the spectator, revenue, nonetheless was not completely lost by SUM's failure to tap into several key environmental and technological elements. MyShow essentially worked as a pre-marketing strategy of an upcoming new artist. While no money has been gained from the show itself, it is expected that SUM's revenue will increase due to the signing of a new artist, whose identity is already known to the Chinese world. Dragon TV, the broadcaster of the show, by turn gets more advertisement offers due to the popularity of the event.

To conclude, value gives an overall view of a company's bundle of products and services [9]. In this case, MyShow itself is the product. The value lies in the quality of the entertainment, which can be noted by its popularity. Figure 2 shows a comprehensive

illustration of MyShow's business model.

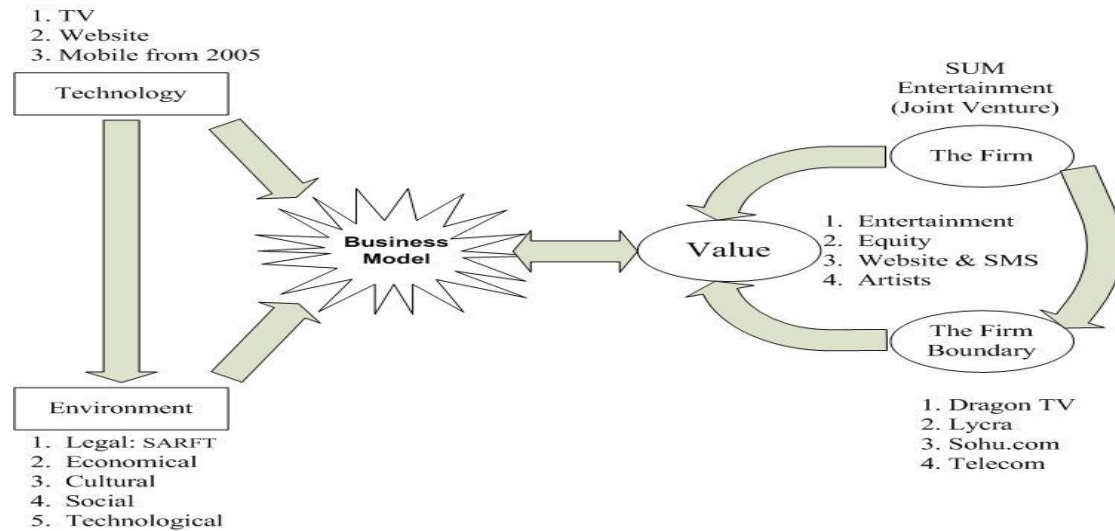


Figure 2. Business model for MyShow

### *Super Girl*

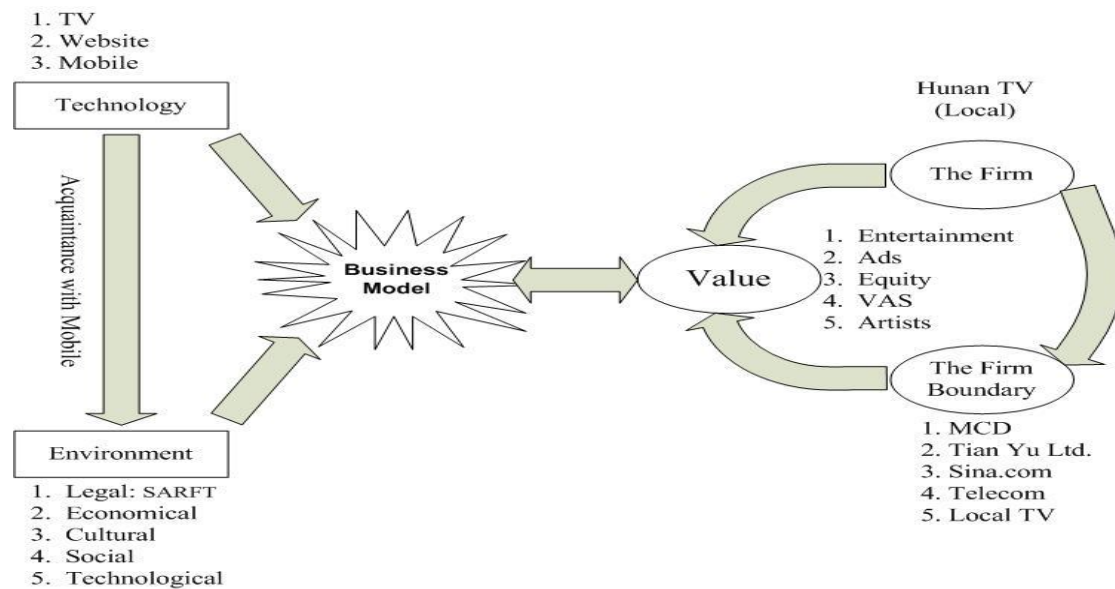
Unlike MyShow, Super Girl is a creation of state-owned HSTV, whose strategy is to create Happy China phenomenon. HSTV had been focusing on producing entertainment programs, such as weekend TV shows which differentiate itself from other local TV broadcasters. Using this strategy, HSTV receives higher level of popularity and higher advertisement income than others [35]. Its value creation, then, like its approach, varied significantly from MyShow.

Because Super Girl's firm consisted of a state-owned enterprise, the show benefited from a clear understanding of its environment, which MyShow, operating in the same economic market, did not. More specifically, HSTV took consumption cues from its country's culture and psyche. It took the business model from "American Idol" and recycled it, knowing the influence of western culture on the Chinese young generation, the centrality of mobile phones to the Chinese lifestyle and the valorization of a "voice." Super Girl's value proposition is simple: invite the country to participate and then invite viewers to express their approval or disapproval via text messages and dig deep into the ensuing revenue stream. This proposition is not only attractive to mobile phone users (over 400 million), but also to the population in general who is seeing the show live and has been given the opportunity to vote, a valued proposition in a non-democratic society. The government, by turn, does not object due to the harmless nature of the voting. Essentially, Super Girl created context and meaning for its audience.

As a result of understanding and tapping into its environment through the adoption of appropriate strategies and technologies, Super Girl became China's big TV hit and value creation resulted for various stakeholders: company, consumer, suppliers and TV advertisers. Passive TV consumers were empowered by SMS (each consumer allowed to vote up to 15 times) and, as a result, became paying repetitive customers, increasing Super Girl's popularity and raising the premium of its advertisement slots. Advertisement sale reached up to 112,500 RMB per 15 seconds during Super Girl's final stage [36].

But to benefit from Super Girl's value creation, besides HSTV and the consumer, were also the Mongolian Cow Diary Ltd. (MCD), Super Girl's official sponsor, the telecommunication companies involved with Super Girl and Sina.com, Super Girl's official website. Following the sponsorship of Super Girl, MCD's revenue sales increased by 270% [45]. The telecommunication companies (China Mobile, China Unicom, China Telecom and China Netcom), by turn, shared the profits of SMS votes and binding services. And Sina.com's traffic increased with Super Girl fans, which could join discussions, read the latest news, see pictures, and download Super Girls' songs, the latter at a cost [42]. Figure 3 illustrates Super Girl's comprehensive Business Model, laid out according to the same business logic framework as MyShow's.





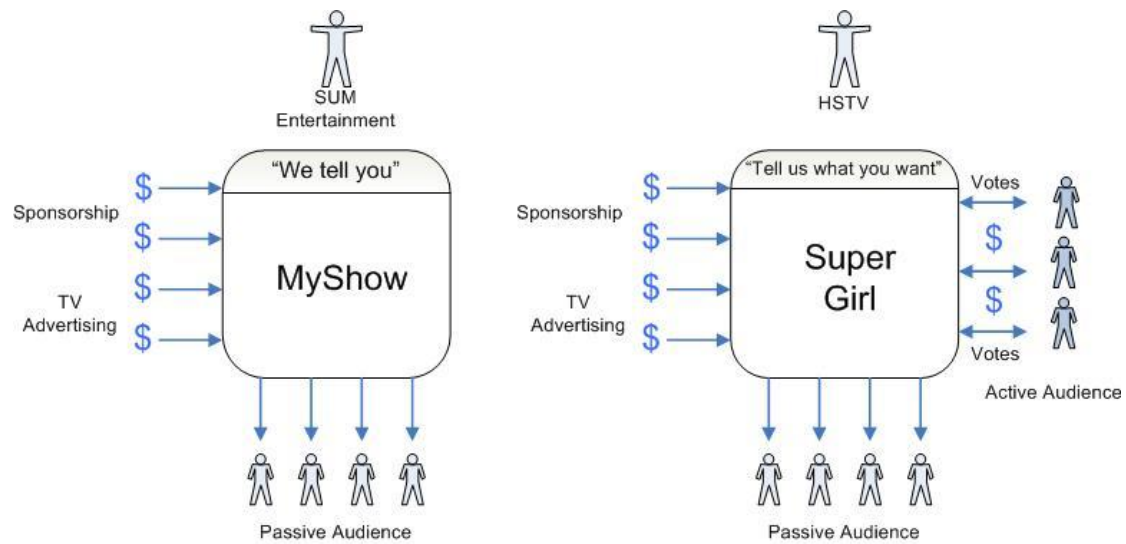
**Figure3. Business model for Super Girl**

### CONCLUSION AND DISCUSSION

Our comprehensive approach allows companies to compare their business models with those of their competitors. Having identified MyShow's and Super Girl's comprehensive business model components, we can conclude their difference in Table 2 and Figure 4. Included in the table are also key figures of each show which demonstrate the value created by each business model.

		Super Girl	MyShow
CBM Components	The Firm	Local TV	Joint Venture
	The Firm Boundary	Telecom, Local TV Stations, Mongolian Cow Diary	Dragon TV, Lycra, Telecom form 2005
	Technology	Mobile	Mobile from 2005
	Environment	Acquaintance with mobile	
	Value	VAS	Limited VAS
Key Figures 2005	Contestants	150,000	60,000
	Sponsorship	RMB14,000,000	RMB 1,000,000
	SMS Votes	RMB30,000,000	unknown
	Ringtone	RMB1,800,000/month	unknown
	TV Ads	RMB112,500/15sec	unknown

**Table 2 The comparison of business models for MyShow and Super Girl**



**Figure 4. Comparison of the value proposition**

From the figures in 2005, we can tell that Super Girl is relatively more successful than MyShow [34]. As can be noted from the cases, Environment is a critical element in a company's value creation, which is, by turn, affecting and affected by Technology. Internet and mobile technology reshape the way people communicate. Increasingly, people are spending more time online and sending text messages. The acquaintance of the modern equipment makes people feel comfortable to vote through SMS or to share opinion on a website.

Technology is a key differentiator in the two cases. In Chinese mobile market, up until July 2006, there were total 431.7 million subscribers for the mobile network, a number which will continue to grow at the approximately rate of 17.5% [44]. The SMS voting strategy has aligned the popular show with the huge telecommunications market. With the value-added service, audience can get more involved and have the collective power of deciding who is going to win. In turn, technology attracts more audience.

Technology provides value-added service as well, the SMS votes. This service provides audience with interactivity and participation. In return, telecom companies will be benefit by the charge. Besides SMS voting, ringtones, news are also available for fans once they have voted via their mobile phone. As shown in Figure 4, interactivity and participation is an important value proposition in the Super Girl case.

As can be noted by the figure, MyShow's SUM and Super Girl's HSTV both rely on sponsorship and advertising, but Super Girl has also turned the consumer into value creation. With low level of participation (mainly a passive audience), MyShow is forced to improve the quality of its content and to understand the needs of advertisers so as to build stronger relationships with them, whom SUM is dependent on for value creation. Super Girl, on the other hand, with high level of interactivity and participation, is targeting fan's loyalty and providing value added services so as to retain it. The program builds deeper relationships with active audience and allows active participation and community building in forums. As a consequence, Super Girl found a new way of value creation – the consumer.

Also to be noted in the two cases is the change issues in business model analysis, previously discussed above. The technological change causes the change of environmental issues, and finally changes the delivery of key value. As a result of the diffusion of mobile technology in Chinese society, more and more people are using mobile phones. Also, people are becoming more and more reliant on this technology. Within a few years, Chinese mobile market has come to dominate. In 2005, alone, the Chinese wireless telecommunications services market generated revenue of \$33.6 billion in; this figure represents an increase of 20.6% from the previous year and a compound annual growth rate (CAGR) of 34.2% for the five-year period spanning 2001-2005, exceeding the Asia-Pacific CAGR of 16.1% for the same period [45]. Environment elements like social and economical issues, by turn, have been changed by the mobile diffusion. Hence, the change also influences the key value at the center of the business model. This value gives Super Girl more competitive advantage.

Given the popularity of the show, more and more people from different ages are looking forward to the next season. Some older people were motivated to learn how to use mobile phone to send supporting messages to vote for their favorite contestants. Again, the environment is changing, because more and more people learned to use SMS function. Consequently, in 2005, SMS revenue has raised to approximately 30 million RMB [42].

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