

Analysis on Transformation and Development of Traditional Enterprise Based on Internet Celebrity Economy

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Abstract

In recent years, internet celebrity economy has developed rapidly. With the popularity of social media and, recently, live streaming, internet celebrity endorsements have become a prevalent approach to content marketing for e-commerce sellers. The purpose of this paper is to contribute both theoretically and practically to capture both first-order effects and second-order effects of internet celebrity endorsements on marketing outcomes in an e-commerce context. A case study on transformation and development of traditional enterprise based on internet celebrity economy was conducted, to provide new sights for e-commerce retailers to evaluate the economic values of internet celebrity endorsement, a new content marketing practice in e-commerce platform. The empirical results show that the content generation efforts of marketers and the interaction behaviors between marketers and consumers will significantly influence the e-commerce sales, which refers to the first-order effects of internet celebrity endorsement. Moreover, interactions within the fan community exert second-order effects of content marketing on sales performance.

Keywords: Transformation and development, Traditional enterprise, Internet celebrity economy.

1. Introduction

Internet celebrity economy mainly relies on internet celebrity individuals [1-3]. Relying on the network social media platform, internet celebrity has its own flow resources and brand endorsement. It is a business model to realize brand cooperation and monetization [4, 5].

Under the economic background of internet celebrity, the live broadcast industry has formed a fixed business model, which promotes the development of the live broadcast industry. At present, internet celebrity, key opinion leaders (KOL), and key opinion consumers (KOC) form the main components of network entities in relevant fields, who input high-quality content to the audience, thus realizing it through advertising or content, and forming a complete economic industrial chain of the live broadcast industry [6-8].

In 2019, the internet celebrity such as Lijiaqi, Weiya and Liziqi exploded in popularity, which was inseparable from the help of famous MCN (Multi-Channel Network) institutions, such as Weinian technology, Beauty ONE and Qianxun. MCN was introduced into China in 2013. With the support of technology, capital, platform and other factors, it has shown an explosive growth after 2016, and some new trends have emerged. Combing the development history of MCN institutions can help us to gain insight into its development motivation. Combining with the development status of MCN institutions in China, we

can discuss its development trend and the key to monetization, which is of great practical significance for transformation and development of traditional enterprise based on internet celebrity economy [9].

2. Development of internet celebrity economy

MCN (multi-channel Network) is essentially a brokerage intermediary company, which is a new thing brought by the new changes of the communication ecology and an inevitable result of the specialization of the Internet industry. MCN is an intermediary organization among content producers (internet celebrity), platforms and advertisers. It gathers many content producers with relatively weak capabilities to build channels and helps content producers to get better distribution and more commercial value [10]. In essence, MCN is a brokerage agency, which can promote the interaction among content producers, internet celebrity, platforms and advertisers, so as to create a multi-win, positive and interactive ecosystem.

2.1. Development and Evolution of MCN

YouTube launched its partnership program back in 2007. As the media platform, YouTube video set up multiple video channels, these channels are rich in content, including music, movies, news, originals. In order to better encourage content creators to create more content with higher quality, YouTube launched a program based on partnership and cooperation. To become a partner, the viewing time of channel content should exceed 4000 hours in the past 12 months, and channel subscription number should be more than 1000 people. When the channel becomes profitable, YouTube's parent company, Google, will take 45% of the revenue from advertising and video subscriptions.

The MCN organization was launched in 2011. Based on the progress that has been made in the partnership program, to serve partners more professionally, YouTube launched the MCN organization plan on to the content producers in partner program in March 2011. As a third party institutions, MCN organization does not belong to YouTube or Google. They can provide all aspects of professional services for signing content producers, including financial support, writing training, cross promotion, partner management, digital rights management, user development and so on. The content producer will be charged about 40% of the surplus income as service fee. After the emergence of MCN institutions, with their more professional and systematic capabilities, they have not only greatly stimulated the great development of YouTube internet celebrity industry, but also achieved rapid development themselves. Maker Studios, Treasure Hunter, Awesomeness TV, etc., are typical representatives of them. For example, in 2014, Maker Studios had more than 60,000 internet celebrity in the global market, and the number of subscribers on YouTube exceeded 340 million, with an average monthly click volume of 4.5 billion. Currently, the monthly click volume has exceeded 10 billion. According to a study of YouTube by the Pew Research Center, more than 70 percent are now on the site are currently posted by 10 percent of popular channels with high activity. Similarly, 79 percent of the most viewed videos were produced by these popular channels.

MCN institutions are developed among multi-platform and go through rapid iteration. First, after the success of YouTube's MCN organization, Facebook, Snapchat and other social platforms began to accept and launch the MCN partnership and cooperation plan, and MCN gradually involved in the services of cross-platform content creation and advertising promotion. Second, MCN institutions were frequently invested and acquired. Due to the high proportion of "generation Z" in the customers of MCN's channels and high user loyalty, established media groups (DreamWorks, Viacom and Disney) began to acquire MCN (Awesomeness TV, Maker studio, Fullscreen and Style Haul).

Third, the MCN organization is also in the process of iterative transformation with the external environment. The main ways are: (1) to broaden the video release platform. Awesomeness TV, for example, partnered with HBO and Netflix after it was acquired; Since being acquired by OtterMedia, Fullscreen has expanded into social media platforms such as Facebook and Twitter, as well as traditional media partners such as NBC Universal and FOX. Now the monthly hits exceed 7 billion. (2) Actively expand overseas markets. As early as in 2017, Yoola comes from Israel has started to cooperate with Chinese media platforms including Weibo, Youku, Tencent, Miaopai, Toutiao, Bilibili and other media platforms, releasing videos related to tourism, food and lifestyle on these media platforms. In addition, Yoola also cooperated with "big V (Very important person)" and internet celebrity on Weibo and other platforms to promote video content. (3) MCN companies try to expand the scope of business. For example, Fullscreen changed its name to Fullscreen Media, and its business scope covers internet celebrity brokerage company, production and distribution company, and brand development and promotion company [11].

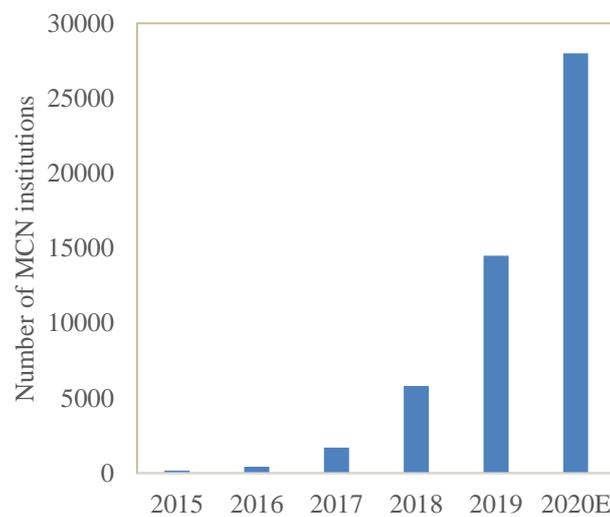


Fig.1. Development of MCN institutions in China (Source: iiMedia.cn)

Table 1. Typical MCN institutions and cooperated live platforms (Source: iiMedia.cn)

MCN institutions	Cooperated live platforms
Ruhan	Weibo, Taobao live
Kuaimeizhuang	Weibo, Taobao live, Youku
Yangcong video	Kuaishou, Douyin (Tiktok)
Redu Media	Yi live, YY live
Hangzhou tisu	Douyin (Tiktok), Weibo, Yi live, Kuaishou
YY MCN	Meipai, Taobao, Douyin (Tiktok), Kuaishou, Weibo, Xiaohongshu
Guangfengjiyue	Jingdong live, Taobao live
Kuaishou MCN	Kuaishou live
Yishierhua	Douyin (Tiktok), Weibo

Native MCN organization in China also develops rapidly. Since the introduction of the MCN institutions into China in 2013, the MCN institutions in China has developed rapidly, which closely related to the

iterative innovation of the Internet platform (Table 1 and Fig.1). China's MCN institutions have gone through three stages: content type based on social platforms, internet celebrity type based on short video platforms, and internet celebrity live streaming type based on e-commerce platforms. Different from foreign MCN companies, China's MCN organizations usually choose multi-platform or even full-platform communication at the very beginning, and traditional media organizations participate in a large scale.

2.2. Motivation of MCN

The division of communication industry needs the services of professional institutions. Since the Internet was officially introduced into China on April 20, 1994, a large number of "we media" such as content producers and internet celebrity have flourished, especially driven by technologies such as mobile Internet, big data and artificial intelligence since 2010. Although these "we media" have advantages in content production and other aspects, they still have significant deficiencies in content planning, content distribution, advertising resource exchange, platform cooperation and other aspects, which urgently need systematic services from professional institutions. The MCN organizations can provide specialized system services for content producers and internet celebrities.

The needs of the platform and the advertiser promoted the development of MCN organizations. Under the new communication ecology, a large number of content producers and internet celebrity are born on the Internet platform. Content producers and internet celebrity can not only bring a large amount of rich quality content and flow to the prosperity of the platform, but also become the carrier of advertisements with high cost performance. Whether for a platform or an advertiser, if it is directly connected with the content producer or internet celebrity, there will be problems of low efficiency and low cost performance. There is no doubt that the efficiency and benefit will be greatly improved if it is directly connected with the MCN organizations [12].

Increased support from capital investors also encouraged the development of MCN organizations. Under the background of rapid development of MCN institutions and increased support from the platform, the capital investors began to pay attention to and increase the investment in MCN institutions. Both international and domestic capital continuously invested in MCN institutions, which led to the rapid expansion of MCN institutions and attracting more entrepreneurs and traditional institutions into the MCN industry.

In 2015, there were 160 MCN institutions in China, and by December 2018, the number had exceeded 5,000. Up to now, the MCN institutions in China have exceeded 28,000, with a trend of exponential growth. More than 90% of head internet celebrities signed with MCN company, or head internet celebrity set up its own MCN company.

3. Case Study

3.1. From "0" to "1"- DeRuCCI

As a traditional household enterprise, DeRuCCI group bucked the trend and broke through the situation during the coronavirus disease 2019 (COVID-19), and instantly became an internet celebrity in household industry.

Since the outbreak of COVID-19, DeRuCCI group, which has more than 400 exclusive stores across the country, has been nearly paralyzed like all of other offline stores. Just after the spring festival holiday, DeRuCCI began planning an online sales model. After 30 days of preparation, a total of 3 national live broadcasts were made. Within 8 hours, more than 1 million orders were placed, and the number of views

reached 55 million, reaching 128 million people, and created a miracle in the household industry. With a background of "no operation account, no live broadcast internet celebrity, no experience", how does a traditional household enterprise respond quickly and realize the development of fission type? What is the business logic behind it?

The company built the online platform in just 7 days, DeRuCCi quickly set up 97 WeChat blasting teams and more than 1,000 micro malls, connecting one micro mall for each dealer. At the same time, more than 4,000 stores were divided into four major war zones and three major command sites. Meanwhile, the telecommuting and digital operation systems were quickly launched, and the online cooperative operation was started. We have set up a KPI (Key Performance Indicator) system for all employees, including 21 departments, more than 1,000 employees in the company, and a total number of more than 1,000 dealers, more than 10,000 of store managers and salesmen in China. All of them were assessed by KPI, All KPIs are assessed through the digital system at anytime and anywhere, and the operation efficiency is extremely high.

After completing the construction of the online marketing system, DeRuCCi started the regional pilot live broadcasting. Henan Province was chosen as the first pilot site, and a pleasant and surprised result with an audience of 60,000 people and more than 760, 000 orders was achieved.

3.2. Analysis on DeRuCCI case

3.2.1. Strategy guide

In the past 15 years, the company has been focusing on building product power, brand power, and digital power for a long time. (1) product power, create the ultimate product and service experience, and produce the irreplaceable products. With the help of three major resources in the world, they integrate them to create the ultimate product experience: innovative material resources, global designer resources, and intellectual and technical resources. In order to realize the integration of these three technologies and resources, the traditional furniture industry must integrate the resources of technology and materials. For example, in the cross-border integration of material resources, DeRuCCI cooperated with Mueller Germany to launch a 3D mattress. This material is originally used in luxury car seats, not only breathable, but also very elastic. But DeRuCCI applied it as a mattress material. Therefore, innovation sometimes does not have to be from 0 to 1, cross-boundary integration is also a kind of innovation. The company also focused on the construction of Ergonomics research center. After only a week, everyone can detect their own optimal sleep characteristics and sleep parameters, and then through constant adjustment, constantly improve the quality of sleep, and finally form a good habit. Through three days of AI sleep optimization, real-time AI pressure sensing, and nightly AI data monitoring and analysis, DeRuCCI formed a set of AI sleep closed-loop solution, thus completing the building of product force.

(2) brand power, " DeRuCCI is healthy sleep, and healthy sleep is DeRuCCI. " That's how they wanted to capture the minds of consumers. At the beginning of its establishment, DeRuCCI created a brand new category and pioneered a healthy sleep system. In the past, selling beds, mattresses, bedding products and the associated goods were separate manufacturers and brands. But DeRuCCI is to integrate, because the feeling of this series of products, can form a good sleep experience. Therefore, it must be customized according to the data of different people. In addition to selling products, it's important to sell a healthy sleep culture. Because of the recognition of healthy sleep lifestyle, consumers will become DeRuCCI 's customers; Because of the belief that "if you want to succeed, sleep more". Because they want to have a perfect sleep

experience, consumers become the iron fans of DeRuCCI, even the communicators and salesmen. This is the brand power of products; brand power is the most important point of strategy guide.

(3) digital power, in order to achieve cooperation with tens of thousands of people in a short period of time, it is important for enterprises to have their digital capabilities. Moreover, this not only needs the digitization of marketing, but also needs the integration of the whole digital platform of the front-stage, middle-stage and back-stage. Five years ago, DeRuCCI invested 180 million yuan to build a building area of 380,000 square meters, the most advanced and largest healthy sleep base of industry 4.0 generation in the world. Subsequently, through strategic cooperation with IBM, SAP, Siemens and other companies, DeRuCCI completed the transformation upgrade from ERP (Enterprise Resource Planning) to CRM (Customer Relationship Management) and then C2M (customer to factory). Then personalized customization and flexible production were realized by industry 4.0 intelligent manufacturing means.

3.2.2. Organizational support

In the past, the organizational structure was a vertical structure composed of different functional centers. There are at least seven layers from the chairman to the junior specialist level. Therefore, in this battle, DeRuCCI transferred 21 departments, covering all functional departments of the front and back offices. In the past, the market found consumers and then sold to them. Today, the process of finding the market is the process of selling, and the process of selling is also the process of marketing communication. Finding and interacting with consumers is a process of gaining insight into consumers and sales, which are hard to differentiate. The reason why DeRuCCI can make rapid changes is mainly due to the continuous management reform, including management flattening and credibility. The transparency of information and the networking of organizations.

3.2.3. Culture driven

As a mission-driven company, DeRuCCI 's original intention is not to become the biggest and most profitable company, but to become a company with a sense of mission, a sense of responsibility, a sense of warmth, a sense of responsibility, a sense of beauty, a sense of love and respect. Therefore, DeRuCCI set the theme of this online marketing campaign as: good sleep to improve immunity -- special live broadcast of "fight against the epidemic" nationwide. The core values of DeRuCCI are customer satisfaction, integration and innovation, win-win cooperation, passion and struggle, integrity and responsibility, and self-criticism. At the same time, we are also transmitting the culture of love. In addition to the 30 million China yuan and 10 million masks donated, the company also promised to donate 100 China yuan to Hubei charity federation for each transaction.

3.3. Analysis on Liziqi case

Recently, the phenomenon of Liziqi, a food video host, becoming famous overseas has sparked heated discussion. The post-90s girl from Sichuan province has millions of followers on foreign video websites, and her videos often receive millions or even tens of millions of views. In fact, Liziqi has been releasing short videos on the social media such as Weibo, Tik-tok since 2016, she is already a "phenomenal internet celebrity" with tens of millions of fans. Liziqi chose Chinese traditional food culture as the main line, combining with the basic necessities of life in Chinese counties. Recently, the series of video released by Liziqi was also deeply loved by foreign friends, the theme of videos include wine-making, soy sauce making, sewing, bacon making, cutting bamboo to make bed, incomplete comments are listed as follows,

"This is the China we don't know ", the foreign friends even praised her as "chef, artists, horticulturists, goddess of nature" and so on. Liziqi has become an important window of Chinese traditional culture from the inside out, from the spirit to the matter output, and becomes a model of telling a good Chinese story.

However, as an Internet celebrity, Liziqi has a brokerage company (Wei-nian technology Co., LTD.), which is a MCN organization that incubates or cooperates with KOLs (Key Opinion Leaders) through short videos and extends to consumer brands. It operates hundreds of KOLs, with businesses ranging from IP (Intellectual Property) incubation, brand research and development, video production and e-commerce operations. Wei-nian technology positioned Liziqi as "Elegant girl proficient in Oriental food and life", compared with the 600-year-old internet celebrity of the Forbidden City, and "grandpa" Confucius advertising "salute" to the world on the New York times square screen in 2018, Liziqi obviously does not have the IP behind a strong genetic advantage, her success depends on the following three aspects of the management, precise positioning, excavate the material and spiritual core of Chinese traditional culture; excellent manufacture, gather fans through high quality and high verticality content; ingenious layout, realize the monetization of personal IP brand upgrade based on the community.

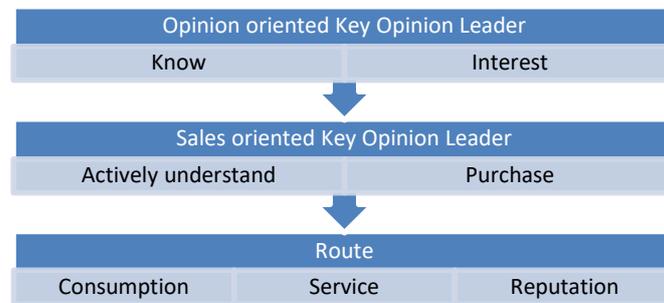


Fig.2. Route of KOLs affecting consumption behavior

3.3.1. Precise positioning

"Positioning is establishing the position of a product in a market." This is the concept put forward in "industrial marketing" by the famous American marketing scholars Reese and Jack in June 1969. The positioning of "Elegant girl proficient in Oriental food and life" makes it distinct from its "delicious small roast chicken" and "summer flavor" food matrix products, highlighting the characteristics of traditional Oriental culture.

Liziqi in the video shows the image of a hard-working and capable Oriental woman. The food is self-sufficient from picking to making, which has got rid of the state of commercialization. Every object, every food, every scene, as if in the story of life, but also inadvertently, let people feel the classical Oriental culture of hard work, courage, love, self-improvement, care for nature and other spiritual connotation. The firework gas flowing between the light and shadow is the poetry of life, and also the call of human nature, which expresses people's pursuit and yearning for the beautiful life of nature. It is because of this that people of different colors and languages can empathize and resonate with the Chinese story told by Liziqi.

3.3.2. Excellent manufacture

The visual aesthetics (picture, light and shadow, sound effect) and life aesthetics (slow life, delicate life, harmony between man and nature) presented by Liziqi are the main reasons why it can quickly gather tens

of millions of fans. Pastoral, comfortable, poetic, quiet, is most people's first impression of the Liziqi's video. The picture is high definition, visually very comfortable.

The high quality of Liziqi's video is inseparable from her personal and team dedication to her work. In the video, she seems to be able to do everything, from making food to picking it up in the fields. When she cuts cabbages, she cuts cabbages; when she plants soybeans, she turns the ground with a hoe; when she makes a bamboo bed, she saws the bamboo; when she chops mutton, she picks up a big knife and cuts the meat with her hands, which are not thin in the video, sometimes with a bruise. Unlike other "food bloggers," a typical pickles shoot starts with "we already have soy sauce." she shoots from "how to grow soy beans" and records the whole process. Wei-nian technology concentrate on making Liziqi into a great IP, her video never joins the placement of advertising, also refused a lot of advertisers, focused on the content of the video and aesthetic creation, bide your time, through high quality and high vertical content to gather fans, create a strong personal style of the brand.

3.3.3. Ingenious layout

According to Cao zenghui, senior vice President of Weibo's speech, at the internet celebrity conference, with between 1 million and 5 million followers, internet celebrity will have an impact in the vertical space. With 5 million to 10 million followers, they initially achieve mass coverage and begin to generate some public influence. And with more than 10 million fans, the internet celebrity tends to experience artist-like management and development, and has a very strong commercial IP value. Liziqi posted a long message on Weibo announcing the opening of her flagship store after it had more than 10 million followers. During the Chinese valentine's Day in 2018, Liziqi 's flagship store cooperated with the Palace Museum food, launched five kinds of delicious food, and upgrade the personal IP for cash. Although 2019 is only the second year since the establishment of the "Liziqi" brand, the Tmall flagship store of the "Liziqi" brand broke through the sales volume of the whole day of 2018's "double 11" in 5 minutes on the day of November 11, 2019, with the total sales volume of the event reaching 80 million Chinese yuan!

A specific market target is a subdivided product of the mass market, consisting of a group of consumers who are in some ways very similar. Liziqi's success lies in finding the commercial entry point of "fashionable food favored by young women". What this sentence reveals, it is the phenomenon that industry pays close attention to recently: layer of consumption. The so-called layer refers to the group that gathers because of various interests and hobbies. People used to say the "long tail effect", that is, in addition to the mainstream demand, there are many individual scattered demand, will form a long tail on the demand curve, the final formation of the market is even larger than the mainstream market. However, today, consumer demand is no longer a curve, the Internet platform will quickly gather different consumer demand, forming countless or cross or juxtaposed consumption circle, a huge potential for consumption [13, 14]. In this case, it is important to find a specific target group and amplify the product features in a targeted way.

4. Conclusions

In a word, in the age of the Internet, cultural and emotional exchanges and mutual learning have more carriers and channels and broader platforms, enabling people of different time and space to transcend differences, break down barriers and narrow the distance between them. What the popularity of Liziqi shows is not only the charm of traditional Chinese culture, but also the ability of the new generation of Chinese people to consciously stick to and creatively express traditional Chinese culture. It also inspires people to further think about how to build IP brand by combining traditional culture with the Internet.

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