

The Reshaping of Value Chain: The Construction and Innovation of Mango TV Business Model

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Abstract

Under the impact on the wave of new media era, Mango TV begins to explore a new road, which gives birth to the strategy of "exclusive broadcast", "dual-core drives" and "all-media layout". From the perspective of value chain theory and combined with its practical cases, this paper analyzes the construction and innovation of Mango TV's business model. Follow the rules of the Internet, it actively builds own ecosystem so that its business model continues to mature. With the continuous innovation of the business model of Mango TV, it effectively promotes the construction and sound operation of the value chain of the media industry. It provides a new path to extend the development space of the value chain, and also contibutes a new reference to solving the current business dilemma faced by traditional media.

Keywords

Value chain theory; Mango TV; Business model; The media industry.

1. Introduction

1.1. What Is The Value Chain?

The concept of Valuechain was first proposed by Michael Porter, a professor at Harvard Business School, who clearly introduced this theory in his book "Competitive Advantage" published in 1985. Valuechain theory is a general term for a series of economic activities taken by enterprises to create value for target customers and other interest groups [1]. It is a theoretical model to help enterprises identify their internal strengths and weaknesses, and then develop feasible strategies for their own development to gain competitive advantages. The value chain is used as a strategic tool to analyze the position of a company in the market. The value chain theory is also applicable to the media industry, which also has a complete set of market circulation systems and rules. The media industry can use the value chain theory to find a "strategic blueprint" for its own development and to build up a competitive structure that can bring more profitable returns to media groups.

In the process of media industry development, the significance of the value chain lies in its ability to identify the competitive advantage of media groups in the industry by reconstructing various activities within the media industry and connecting traditional media news forms (newspapers, radio, television, etc.) with new media news forms (digital newspapers, cell phone terminals, and Internet news). At the same time, the identification of a media organization's competitive advantage also stems from the many separate activities it performs in and auxiliary to the processes of news production, advertising distribution, product sales, subscriber base, and media branding, each of which lays the foundation for a media organization's organizational strength, influence and competitiveness. How to effectively integrate the basic and auxiliary activities in the value chain and bring them together to realize the added value of the product is the primary issue explored by the value chain theory of media industry [2].

It is worth affirming that the profitability of media groups is mainly accomplished by a series of dynamic operational activities through internal value creation, and each value activity in the industrial value chain will have an impact on the ultimate benefit realization of the group. Porter has been dividing the basic activities and auxiliary activities as the constituent elements of the value chain, in which the basic activities mainly include production operation, internal fieldwork, marketing and product service, and the auxiliary activities include enterprise facility equipping, procurement of materials, technology development, human resource management, etc. These activities are both interrelated and independent of each other, and they together constitute the dynamic process of creating value, forming a complete Clear value chain [3]. Needless to say, the overall process of value chains is scalable, extendable and flowing. In the business activities of the media industry, the value chains to exist on all types of systems and runs through the beginning and end of production; there are interdependencies between the group and its subordinate media companies in the upstream and downstream of the value chain; the internal activities of media organizations constitute the same value chain; there are also common value chains among various fields, departments and units of the media group.

1.2. The Necessity of Restructure of Value Chain

In recent years, with the rapid stride of media industry, the deep intersection of industrial value chain and media market value chain makes content providers, media service providers, and related product developers complement each other. Scholars continue to evolve and improve the value chain theory, especially with the advent of the new era, the discussion on the value chain of media industry has gradually received attention. Based on the perspective of value chain theory, Yu (2015) believes that in order for a good news product to reach consumers' hearts, it is necessary to build a value chain that focuses on satisfying users' basic needs, improve the basic and auxiliary activities in the value chain, and allow users to complete their access to news information while satisfying basic needs such as social interaction [4]. Scholars Yu and Sun (2021) analyzed the financial statements of representative listed media publishing companies in the past five years. They found that profits were extremely unevenly distributed up and down the value chain. When profit variables are increased or decreased, the relative importance of the different chains of the value chain changes [5]. Zang and Hu (2021) analyze the reconfiguration mechanism of blockchain on the value chain of digital culture industry, and argue that media groups must innovate in digital culture content production, distribution and dissemination, copyright protection, and revenue distribution models in order to broaden the industry chain [6]. It can be seen that for media organizations, timely identification of profit areas in the value chain can know the highest point of strategic control. Extending it for value is the key to creating profits.

The high quality development of media industry is an important part of the high quality development of national economy and society. In recent years, the central government has also introduced a series of economic policies to improve the media and cultural industry oriented by high quality development, and the analysis of value chain theory helps the media industry to expand precisely. Bao and Huang (2021) first proposed to construct key evaluation indicators and value chain model for the high-quality development of China's media industry, which covers economic indicators, sound modern industrial and market systems for products and services, dual-effect unification, and credit indicators, etc [7]. The purpose of constructing this value chain model is to guide China's media industry toward high-quality development. After analyzing the industrial value chain of financial media, Qin (2007) argues that several major types of financial media in China are actually competing in the whole value chain. The core of the media value chain lies in the fact that media industry operators must use limited resources and choose the most representative industries in order to enhance their competitiveness. Media products should meet the diversified needs of audiences [8]. In their analysis about the

relationship between global value chains and regional industrial chains. Liu and Yang (2004) point out that the key to improving the profits of enterprises at the upper, middle and lower ends so that they can remain in a dominant leadership position in the competition requires enterprises to carry out disruptive innovations in their business models [9]. Specifically, corporate control of strategic links can take many forms. Controlling the time period when messages are sent, controlling the media platform, to controlling key media service providers.

1.3. The Extension of Media Industry's Value Chain

The reconstruction of the value chain is also inseparable from the background of deep media integration. Since November 2020, the promotion of deep media integration has been included in the "Fourteenth Five-Year" plan and long-term goal by the central government. Undoubtedly, media integration will become the top priority of the high-quality development of the future media [10]. The "value chain" itself has the meaning of "industrial value chain", and the "industrial value chain" is one of the links between to the value chain, which produces different economic benefits in the process of media product design, marketing, production and exchange. In the process of media product design, marketing, production and exchange, different economic benefits are produced respectively. The development of the newspaper industry and the media industry as a whole is carried out under the general trend of media integration. After the media industry has entered the bilateral market, the degree of differentiation of media products is influencing the changes of market structure, and the products oriented by users' needs are spreading to the industrial field [11]. Regarding the construction of the value chain of newspaper groups under the situation of media convergence, the key lies in mining the internal basic value chain and vertical value chain. To put it simply, it is considered from the virtual value chain theory and value network theory. Borrowing new theories to transform the value chain and build an all-media information operation platform is undoubtedly not a growth opportunity for the media industry.

It should be noted that the "virtual value chain" is based on the physical value chain, and as an informational reproduction of the physical value chain, it produces products with higher profit points than the traditional physical value chain. For the newspaper group, the information about the basic value chains to achieve value-added through the five basic activities of content creation, printing, distribution, advertising and service, and extends to the online virtual space [12]. After the information products are mapped to the web mobile, they will undergo a series of processing activities such as selection, organization, integration and distribution, extending from the basic value chain to the virtual value chain, which makes the media industry chain expand its market share. At the same time, the virtual value chain of the newspaper group exists independently of the underlying value chain. The information in the virtual value chain does not imply a transfer of the original added value, but rather the added value that is generated through various underlying activities. An "extra" profit point can be built on top of the basic value chain, gaining value from new market spaces.

2. Business Model Layout of Mango TV

Since June 2018, the main business units of Mango TV have been officially changed, including Mango Entertainment, Happy Sunshine, Tianyu Media, Mango Interactive Entertainment and Mango Film&TV, which have been merged into the listed company of "Happy Shopping" and renamed Mango Supermedia. This move paves the way for the transformation of Internet video websites and the rapid construction of new services such as benign ecological layout, IP incubation, terminal channels, artist intermediary, e-commerce services and derivative development. Thus, Mango TV has become the first state-owned enterprise new media operation platform in A-share market. In October of the same year, Mango TV launched a new super plan. Based on Mango hypermedia and focusing on online content production, Mango TV

comprehensively promoted the innovative development of media integration and strategic layout. The strategic layout mainly started from three aspects.

2.1. From "Dependent on Copyright" to "Self-made Independent Broadcast"

Since its birth, Mango TV has been at the forefront of "innovation front-runners", and in 2014, Hunan Broadcasting, a leading variety show, began a new path of exploration in the face of the tidal wave of the new media era, which gave rise to Mango TV's "exclusive broadcast" strategy. From 2014 to 2015, with the advantage of Hunan TV's exclusive variety show copyright, Mango TV accumulated original capital and purchased domain name (<https://www.mgtv.com/>). It actively responds to the "mobile trend", focusing on PC, web client and intelligent mobile terminal. Boldly expand mobile ports and implement a "content-driven + mobile-first" competitive strategy. In July 2015, the number of downloads of "Mango TV" APP has exceeded 100 million times, and this market-oriented transformation has been well received by the majority of audiences. The first step is "original content" and the second step is "exclusive content" to maximize benefits[13]. Because of the outstanding performance of Mango TV in the early stage, how to make it continue to maintain a high level of sustainable development is testing the management of Mango TV. Since then, MangoTV has launched its own Internet-only column and started an "alternative" marketing strategy. At present, the explosive popularity of the series of original programs such as "Super Boy" "Where Are We Going, Dad?" "X-change" and "Who's the murderer" has successfully transformed media films and TV dramas into network variety IP (IntellectualProperty). It has created a unique "intellectual property" path for its own development and formed a new pattern of development with an all-media layout. This successful case is enough to justify its "unique strategy" and become another new engine of Hunan TV.

At the same time, Hunan TV has strong market-oriented competition ability, and has also cultivated many media high precision talents. Hunan TV is an early attempt to market-oriented reform of traditional TV programs in China. Mango TV also follows the rapid "sea", with entertainment-oriented market positioning to practice some of its real strength. In addition, MangoTV also attaches great importance to Internet connectivity, due to its own strong marketability. Being able to produce film and TV products that meet both market and user needs, it has been in an advantageous position in the competitive environment. ChaoMang plans to open up the content IP (IntellectualProperty). They cooperate with other content production entities to implement the incubation and development of super IP. Curators maximize the profit value of content IP. What's more, in recent years, under the system support of Mango Super Media, Mango TV, Tian Entertainment Media, Happy Shopping and Mango Entertainment have realized deep cooperation. From each element of the value chain of the media industry, we integrate resources for information, products, services and feedback. It can be seen that upgrading the content selling point of Mango TV again opens up a new path for Hunan TV's integration development.

2.2. From "Content Provider" to "Information Service Provider"

From 2016 to 2017, Mango TV completed its transformation under the development strategy of "one cloud, multiple screens and two wings" and formed a virtuous cycle of internal operation system. At the same time, Mango TV has also opened up the whole media communication mode from TV to network, plane to 3D. Not only that, Mango TV also enters into the competition of Internet video industry with more open operation concept, and in 2014, the content traffic of Hunan TV in MangoTV accounted for 70%. By the end of 2016, MangoTV had diversified its programs, enriched its video content, refined its production process, and optimized its revenue structure. In the fierce competition of the media industry, MangoTV has shifted from "content provider" to "information service provider" and started to cooperate with other enterprises to develop hardware. This is conducive to focus on extending the layout of

the industry chain. From the cooperation with VIVO, OPPO and LePhone video phones, to the cooperation with China Unicom, Everbright Ruihua and Gomez. MangoTV released the brand of "Love Mango TV" with the help of Miwa, the independent intelligent operating system of TVOS, and became the first person to do hardware for new media within the system.

The current media competition has risen from market competition, content competition, platform competition, user competition to brand competition, to really achieve a complete jump. You need to pay attention to hardware devices, such as Mango TV is to build a new ecosystem including hardware manufacturers, content manufacturers and user traffic pool, so as to build the Internet video all-platform media system ecosystem. Specifically, MangoTV's new concept has been integrated into all levels. First, MangoTV has cooperated with more than 40 companies, including Huawei, Samsung, Philips, TCL, Changhong, Skyworth and Tsinghua Tongfang. In addition to investment and operation, mergers and acquisitions, we also have video shopping sections such as network video, interactive games, network news, and Mango Mall [14]. Third, the depth of software and hardware, the development of OS operating system as well as the production of IP video content. To achieve multiple profitability, Mango TV's innovative case is undoubtedly a model for the transformation of the current traditional TV media. On the one hand, In a nutshell, Mango TV has been able to complete its market operation in a relatively short period of time. On the other hand, it depends on being in a period of dividend for the development of China's Internet video industry. Of course, it should be noted that MangoTV will have to face a long test to see if it can really go on in the future.

2.3. From "Main Variety Show" to "Broadening the Whole Industry Chain"

With the establishment of Mango Super Media, its tentacles gradually extend from traditional entertainment film and TV production to the whole industry chain production. Jointly build two core platforms of Mango ecosystem with Hunan TV to form a unique integrated media development pattern. In the ecosystem of Mango Supermedia, capital ties have become an important factor for multiple forces to penetrate by leveraging each other. In 2019, Mango TV achieved operating profit of over 3.9 billion yuan, of which advertising and membership grew 62% and 136% respectively, becoming the core driver of Mango Supermedia's overall performance. At present, Mango TV still occupies an important position in China's Internet video websites. The differentiation mode of Mango TV creates a unique platform architecture of "3+1" (iQIYI, Tencent, Youku and Mango TV), steadily entering the first camp of the Internet video industry and becoming the backbone of the development of the future video industry. At the 2018 Advertising and Investment Conference, Mango TV President Cai Huaijun said that the overall profit of Mango TV platform will exceed 150 million yuan in the first half of the year. This party model allows Mango to achieve a full-year profit of \$400-500 million. Why can Mango TV remain profitable in the context of new media? It mainly benefits from the fine management of content production costs and the diversification of revenue channels. For example, different from other channels in terms of content production cost. Hunan Satellite TV transferred all the copyright of flagship variety shows to Mango TV, which greatly saved the cost of copyright purchase. Building the flow pool through self-creation and self-broadcasting, the first group of users who were keen on watching variety shows.

In addition, from the perspective of the cost of independent programs, the management of Mango TV can effectively control the production cost. In this way, they can create the best content at the least cost and maintain the high-quality production of program content. In terms of revenue stream, BAT series video website advertising and taken into the profit pattern of the membership fee is different, Mango TV due to complete their own "licence", such as building ads, copyright, operators, OTT, members, such as diversity of income structure. This makes the overall income of the media group more reasonable and balanced. According to the survey, the revenue of Mango TV's core business is relatively stable. In 2017, the advertising revenue

increased by 70%. IPTV business covers 30 local government districts nationwide, covering more than 55 million users, with an average annual growth rate of 191%, and membership business increased by nearly 150%. Through innovative formats, Mungo TV's income continues to be in a good state [15].

Thus, the business model innovation of Mango TV is based on the construction of the value chain of the media industry. With the unique platform of the Internet as the concept, relying on the brand of Hunan TV, it realizes "one cloud and multiple screens, one screen multiple, one multi-effect" and gathers as many users as possible by creating a unique platform. In addition, Mango TV also attracts more audiences with its abundant resources and rich content sources. Through self-made, customized, purchased and other ways, Mango TV constantly realizes large-scale, diversified and high-quality content development. Mango TV adopts a unique value chain path as its development strategy. Actively constructs its own ecosystem to effectively promote the construction and sound operation of the value chain of the media industry.

3. Development Path of Mango TV Value Chain

As previously summarized by Lv Huanbin, Secretary of the Party Committee and Director of Hunan Radio and Television Station, Mango TV and Hunan TV have achieved cooperation in covering editing, program planning, literary production, procurement and customization of films and TV dramas. As well as the production mode and process of the complete get through. The development path of value chain reconstruction has shifted from the self-made anchors of Mango TV to the delivery and feedback of Hunan TV, realizing the extension from the one-way content delivery in the past to the value chain level.

3.1. Build An Organic Whole of the Value Chain

Mango TV can enhance its own media value and competitiveness by creating an organic whole of the value chain. Each component of the value chain of media industry is an organic whole which is linked, restricted and dependent on each other. Each link is made up of multiple link companies, and there is a lot of information between upstream product links and downstream products. The various components of the value chain of the media industry are an organic whole, which are related to the material and financial communication relations. Each link is composed of the same kind of media subsidiaries, and there are a lot of information, material and capital exchange relations between the upstream link and the downstream link, which is a process of value transmission [16]. Therefore, Mango TV can deeply explore all links and technologies of the value chain associated with the media industry, so as to carry out resource integration and all-media layout. Each link of the value chain of the media industry has the invisible function of adding value and enabling. The integration of the value chain of the media industry is the trend of the future sustainable development of the media in China. Therefore, Mango TV can deeply explore all links and technologies of the value chain associated with the media industry, so as to carry out resource integration and all-media layout. Each link of the value chain of the media industry has the invisible function of adding value and enabling. The integration of the value chain of the media industry is the trend of the future sustainable development of the media in China.

3.2. High-end Cooperation to Extend the Value Chain

Attaches great importance to the content production and copyright protection is the problem that people need to focus on the future media. Mango TV future development need to break the barrier of the television program manufacture in the domestic market distribution. In terms of IP front-end extension, we should strengthen the gradual connection between the front-end of the content industry chain and the international TV copyright industry. The media industry should realize the protection of program creativity by the copyright industry and develop the

television industry. The issue of content development and copyright transaction based on copyright protection is often a topic of concern in western academic circles. In 1990, the Copyright Industry Report released by the International Intellectual Property Association of the United States regarded radio and television as an integral part of the core copyright industry. With various types from different countries show a large number of the introduction of domestic, such as production, tang international. Although they are small, but TV copyright industry have not been established in our country. Therefore, in order to realize the marketization of content trading, Mango TV needs to strengthen the docking between the TV industry chain and the copyright industry. From the high-end cooperation of extending the value chain to the cultivation of more market-oriented copyright management subjects, in order to expand the value-added space at the front of the TV content industry chain.

3.3. Expand the Hierarchical Flow of Resources in the Value Chain

The future development path of Mango TV's value chain is inseparable from hierarchical flow. Specifically, to expand the hierarchical flow of resources in the value chain, we can start from content flow, business integration and industrial linkage. The media industry promotes the development of technology with the advantage of content, and gradually expands the focus of content production to the field of hardware. Mango TV's business model can start from two aspects. First, at the technical level, new communication channels are built to connect modern communication networks and PC terminals, completing the transformation from the traditional TV live silver screen to the PC terminal and mobile phone terminal. Second, in the aspect of channel integration, it makes use of the big data function to conduct accurate analysis on the users at the back end of the platform. Mango TV provides users with the information they need and other value-added information services. Truly realize the user drainage of mango satellite TV and Hunan Satellite TV. In addition, Mango TV can make use of the "dual-core drive" strategy formed with Hunan TV to integrate the advantages of advertising and marketing business and create diversified value-added space, such as promoting the integrated operation of advertising, incubation and mode. We can also pay attention to the cultivation of high-level talents and promote the intercommunication between traditional media backbone and new media talents. Expanding the hierarchical flow of resources in the value chain can make Mango TV gain benefits in terms of innovation and economic benefits.

4. Conclusion

Using value chain theory to analyze the business model construction of mango TV can help us better expand and strengthen online video. Only in this way, media enterprises can better realize the level of market value chain on the road to collectivization, so as to expand their business scope. Mango TV relies on the expansion of value chain to create its own innovation mode. Based on the change of dynamic environment, Mango TV carries out value expansion activities on the cross-section of certain value activities. It is believed that in the future, Mango TV will further explore the potential value of resources. Begin to build a super media group with more international competitiveness and influence, providing a more reference value business model for the media industry.

Acknowledgments

The research results of this paper were supported by "the Postgraduate Scientific Research Innovation Project of Hunan Province".

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