

Research on China Huace Film and Television Company's Current Business Strategy and Possible Future Strategy

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Abstract: Nowadays, film and television are also an essential part of people's lives, and people's demand for film and television works has increased. In this paper, we analyze the domestic film and television market and summarize the future business plan of Huace. In our analysis of the market, we have been able to define the factors that will influence the future development of the film and television industry by combing through the literature, videos and newspapers, and also to make a preliminary discussion of the current situation and the future direction of development.

1. Introduction

Since the Chinese government gave back the freedom to the Chinese film industry, the Chinese industry market has been improved to a brand-new level. After the political control period, Chinese film eventually started the real function of it -- to bring people happiness and joy. This move seems like just a culture change after the time passes, but under the surface of the policy of giving back the rights to make every kind of film, is the passion of the Chinese government to revolve the economy inside the country.

As the time passes, the policy encourages thousands of companies to rise and want to take some part of the film market, some of them become successful, but there is one company now leading the whole industry, and the name of that company is -- Huace film. This is a company that started from nobody but eventually reached the top of the Chinese film industry. This company didn't just become the strongest film company, but also controlled the second placed company by acquiring the whole company. Till today, the success of this company means more than just the success of a company, but also in some way reflects the whole revolution of the Chinese film market.

By studying the path Huace film used to reach the top from an unknown company, learning the history of Chinese film industry, and discovering the future of Huace film company, this paper discovers the history of Chinese film industry for the background, to determine the reason for the rise of Huace film company. By the discovery, this paper will provide the perspective from the history of the Chinese film industry, the history of Huace film, and the strategy of the Huace film industry. This paper will also develop the future of the Huace film company from the past of this company and history, to help the future learner understand more about this company.

2. Chinese film industry background and The Huace film

2.1 Macro Background of Chinese Film and Television

To learn the background of the Chinese film and televisions industry, we need to look forward from the start of the Chinese film industry. At the beginning of the Chinese film industry, 1949, the whole film industry was running by the Chinese government, and the meaning of this industry was working for political propaganda. But following the time pass, after the death of Chairman Mao, Deng Xiaoping started to open the economic path of China, there was more meaning to put into the Chinese film industry [1]. People started to ask for entertainment, the opening economy gave them more money to spend, which was enough to afford a television; more time to use, which was enough to watch a TV show at night. Therefore, the Chinese film industry grew up very fast, which also drew some attention from the international film market. It was small, but still a part of the worldwide film market, for that reason, the foreign film industry entered China in 1994 [2].

After the start, the Chinese film industry improved fast, follow the data, China's box office revenue grew by 9% in 2018, reaching USD 8.9 billion, second only to North America's USD 11.38 billion, and unlike Hollywood, which couldn't rely only on American moviegoers, the Chinese film industry thrived at servicing home viewers [3]. Which also leads us to a new question--what is the future of the Chinese film industry? To answer this question, we need to find out how the Chinese film industry have improved in recent years. The data from Ph.D. Diao can show us the answer to this question, he shows us, the speed of improvement of the Chinese film industry before 2016 was not constant, but once the year stepped into 2017, the speed transformed to a steady form; the filmmaker in China are not just making the film, they are doing any job they can do, no matter it is an internet show or a fantastic movie, they are ready to do, which also shows the video market in China is still have some space for development [4].

Despite the traditional form of video production like the TV show, movies, and internet shows, the Chinese video maker is creating a new form of video -- short video, which I mean the video that only has 13 seconds long, contains very ware information, and the container of the short video -- TikTok. This is a total internet revolution. The revolution of the video makes a huge amount of opportunity and brings a brand-new type of celebrity to the world [5].

All the things above show the potential of the Chinese film market. People are willing to pay their money and time on the video they like, especially under the COVID-19 situation, the government asks people to stay at home, which increases the time that people could spend for a day, which also increases the time people can spend on watching the video. It is the golden time of the film industry.

2.2 Huace Film and Television Company

Huace is a company now working on producing film and television shows, and it is the leading enterprise in Chinese Film and Television industry. To know how this company reaches this place, we need to talk about the founder -- Yifang Zhao.

Far before Huace was established, Mrs. Zhao had already reached a high place in a local government television bureau, which had given her a strong connection in business and government, this was a great advantage that most film producers didn't have. She also had a great business perception because once she felt it is about time, she left the government in 1992 and started her business from nothing. Huace wasn't her first company, the first company she run was the company Hangzhou Huaxin Film and Television Production Company, established by her husband and Zhejiang Huaxin Industrial Group, changed the name to Hangzhou Dace Investment Company after. This company used one television show adapted from Mo Yan's novel "Midnight" to become famous, after that, the company was complicated because of the inside relationship and company equality change, so Yifang Zhao founded Huace film in 2005, and started the legend of the greatest television show company in China [6].

5 years later, Huace became China's second film and Television Company registered in A-shares. But they didn't stop, in 2013, Huace film acquired Croton Media. What was that exactly mean? It was as America and China merge to become one company, which means, unstoppable [7]. Since then, Huace film has always been called "Chinese greatest film stock".

Despite the mass of this company in the film industry, the films made by it are also incredible. Unlike other film companies in China, Huace doesn't focus on nourishing actors belongs to it, but

focuses on cooperating with the best director and screenwriter, so you may see, even Huace doesn't own any superstar, but superstars always ask to play the scene because of the high-quality content.

Not only but also, Huace is a company that has a big heart and dares to try any type of film style, even they have never done it before. Huace started with romantic television shows like "Love or Bread", then they stepped into the political television shows like "Diplomatic Situation"; in the movie phase, they started with the romantic films "Tiny Times" and "The Silent War", both of them were more focus on the romantic side, but now they also have suspense movie "ASSASSIN IN RED". Switch their style is hard, but Huace is not afraid about it, they also contain this style in the company function expansion. They started with romantic television shows, but now also enter the industry of advertising, movie, and even education [8].

When Huace reach this phase, the mass of itself will give enough advantage to survive or win most of the combat in film market. If anybody want to find a stable partner to make a film, Huace would be a wonderful choice.

3. Analysis of Huace's Future Business Strategy

3.1 Analysis based on the current situation of Chinese Film and Television Industry

We will forecast make some suggestions on the overall layout of Huace Film and Television Company's business strategy according to the current situation of Chinese Film and Television Industry. According to the "China Audiovisual Big Data" (CVB) system of National Radio and Television Administration, the data for annual TV audiences who watched various types of programs every day in 2020s is shown in the figure 1 [9]. This is pretty intuitive that TV or online series was the most popular type of program in Chinese film and TV market during the period of 2020, which accounted for 85.06% of total number of annual TV audiences, followed by variety show (72.71%) and film (69.82%) [9].

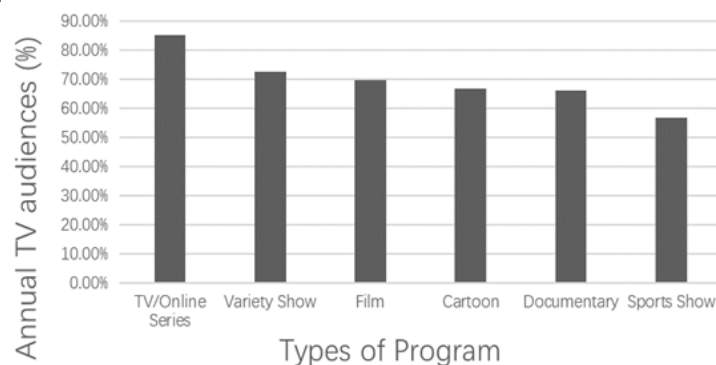


Fig 1. Annual TV audiences covered by various types of programs in 2020.

As we mentioned before, Huace Company has almost dominated the Chinese television market while it has just entered the domestic film market a several years before; and according to the statistics, those TV/online series and film can definitely attract many audiences. However, the film industry seems to have choke point these years. Before 2020s, Chinese gross box office had had a moderate growth. It had increased from \$6.78 billion in 2015 to \$9.2 billion in 2019 [10], [11]. But in 2020, although the total box office in China ranked the top of the world's box office, it was just above \$2.91 billion because of the effect of COVID-19 [12]. In 2021, the film market in China was gradually recovering. In June, the total box office this year had reached \$4 billion, but it was still slower than that in 2019 [13]. We suggest that one of the biggest reasons for this would definitely be the corona virus, which pushes people to stay at home while it sometimes renew in many places in China, and if the corona virus continues to have small outbreaks, it must inflict heavy losses on the offline film industry. In that case, one of the main recreations for Chinese people would be watching the television. For those films played on the television, most of them must have been finish showing in the cinema for a long time, so the TV/Online series and variety show would be the best choice for Huace Company according to the current market.

For the TV/Online series, there are several types of drama that we can consider: modern romantic drama, costume drama, family drama, war drama and scene drama. According to the research, in the top 1500 “hits” of series in a certain website, the modern romantic drama is the most popular while there are 493 of this kind of drama on the list, which accounts for 32.9%; the second is costume drama, with the number of 152 and accounts for 10.1%; the third is war drama, with the number of 143 and accounts for 9.5%, followed by family drama and scene drama, accounts for 8.2% and 5.7% respectively (figure 2) [14]. Figure 2 illustrates that the people in Chinese, the modern romantic drama is watched the most by people, and far exceed other types of TV/Online series. Another questionnaire survey also generally demonstrates this analysis. In the online survey of “Your Favourite Serious Type”, which was a multiple choice survey for college students, 107 out of 194 valid questionnaires said that the modern romantic drama is their favourite, which is more than a half; 92 people liked scene drama and 83 people said they like ancient costume drama the best (figure 3) [14].

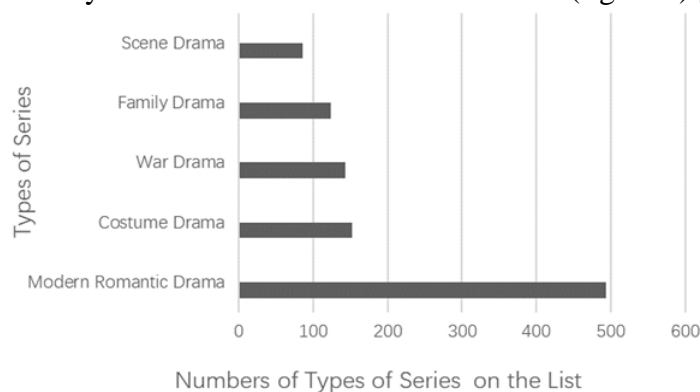


Fig 2. The Top 1500 “Hits” of Series in a Certain Website.

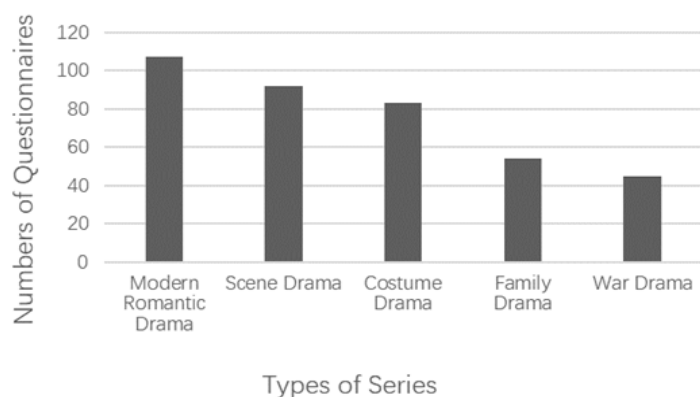


Fig 3. The Number of Questionnaires Who Like These Types of Series.

Overall, the modern romantic drama is the most popular type of TV/Online series these days, the younger generation watch it the most and like it the best. But many young people point out that these romantic dramas, so called “soap dramas”, are becoming more and more boring, the plots are too repetitive and old-fashioned. So Huace need to focus more on the script writing, make their modern romantic drama have more actual value, avoid the existing of “soap drama”.

It is worth noting that the market of variety show, in which Huace has hardly entered, is also very strong and has much commercial potential. Actually, although variety show has already taken a large part of the “pie” of Chinese film and TV market, especially among the younger generation, there are still some main problems that Huace can think about and the domestic film and TV industry need to deal with: (1) Creativity. We must recognize that the lack of continuous innovation is the core problems in the current Chinese variety show market [15]. For one thing, there is a high degree of convergence in those traditional variety shows, for example, “Happy Camp” and “Day Day Up” are both indoor games among celebrities, and “You Are the One” and “Take Me Out” are both dating programs [15]. Many famous variety shows, such as “I’m a Singer”, “Running Man”, “Produce 101”, are even imported from abroad which means that they’re not Chinese original variety shows [15]. We suggest

that if Huace want to enter the domestic variety show market, the first assignment for them will be thinking about some original innovation that can give the audiences some new viewing experience. For example, Huace can focus more on “localization”, make a combination of Chinese traditional culture and imported foreign variety show, which can make the audience learn some traditional culture in leisure time [15]. (2) Some variety shows don’t guide a right value. In the first half of 2021, one of the most popular talent shows in China-- “Youth with You”, was forced off the air by the Chinese government. The reason for that was, many audience bought tons of a certain brand of milk, which was one the sponsors of the program, as they were told by the program that one scanning of the QR code on each bottle of milk can add another vote for their favourite participants, to help them debut. The audience spent thousands of money to buy the milk, scanned thousands of the QR codes day and night, and finally poured off all the milk they could not finish. This was just an example that the program didn’t promote a right value, and some other programs even reveal the privacy of celebrities, use scantily clad female to attract attention, but fortunately these programs were stopped by the government [15]. So, another suggestion for Huace is to make the programs become more educational, promote some right values and qualities through the variety shows.

3.2 Analysis based on future film and television market preferences

With the development of the times, the type of work people like has changed a bit. According to the theory presented by XuMeng in 2019, she analyzed the future development trend of the film and television industry, part of which involves preferences [16]. On preference, she suggested two aspects: commercial films deepen the depth of thought and literary films closer to the public. Firstly, people who watch movies as a form of leisure will pay more attention on the hidden meaning behind the words. For example, in recent years, a movie called *Dying to Survive* has become very popular because the main character sold cheaper drugs to poor people, which were illegal but advantageous to those who couldn't afford them; it's a kind of conflict between friendly people and a terrible system. Furthermore, this film has its prototypes; in reality, when people first saw this film, they may not have felt many emotions, and you may have heard people leave the theatre saying, "This is just a movie, all the things in the movie are not true." It was actually occurring in China in 2004, LuYong was a brave person, he shared the medicine with all the people who had been troubled by illness, and when he got into the prisons, there were about a thousand patients who asked the government to get him out from the jail. Because the specific theme and the various expressions from other films have gained immense popularity. People would consider whether the flawed system or good guys is the correct one over watching this film. Also, there is another move. *Avatar* is a familiar science fiction movie, it is the first 3D movie, when it was released in 2009, and it attracted a global audience and box office, and was also selected for many awards such as Academy Awards and Golden Awards. It was re-released in China in March 2021 but again became the box office champion. To date, *Avatar* has been ranked number one at the box office with a total of \$2.847 billion. The reason for *Avatar*'s popularity is the novelty of the film's subject matter and the use of technology in filming [17]. What makes *Avatar* so appealing to some fans "is the openness of the imagination and the openness of the goodness of the heart. The director's respect for life is evident in the movie. The most fascinating part of the film is the landscape of Pandora, the director showed a near-perfect planet, a variety of different forms of plants glowing, the sound of the waterfall rushing down, and colorful flying dragons and other animals, both 3D effects and story are very good." And this is not without the credit of technology. In Gong Zhaohui's thesis, he mentioned that the core element of film and television post-production development is technology. For example, how to use technology effects to maximize the presentation of each scene. But the idea is good, but the practice is very difficult, it is a long process, need a long time to work hard to succeed. Moreover, for China, compared with the United States, the scientific research force is still relatively weak, and the scale of film and television production companies is not as large as that of the United States, which largely limits the performance of Chinese film and television industry in science fiction works [18]. The achievements of the United States in the film industry cannot be underestimated from the global box office rankings to see the top ten all from the United States of America's films, and the ten films are more or less have some technological components to use them.

3.3 Analysis based on some significant events

Nowadays, audiences are inclined to watch movies that are related to the current hot topics. So that in some important time to launch its related films and television works can bring more ratings and revenue. For instance, 2021 is a special year which is the 100th anniversary of the founding of the Communist Party of China. While everyone was celebrating the Communist Party of China, several film and television companies also launched TV series and other programs related to it. Huace launched a TV series called *The Age of Awakening* which is the most popular one over this year, it tells the history of Chinese intellectuals who explored ideas and discovered the truth in the 1910s to 1920s. Before this work was produced, there has been no work of this kind that had ever received so much public viewing and acclaim. When it first aired, it ranked first in its time slot with a rating of 1.459% and a share of 5.259% in the ratings [19]. Comparing to the same type of film *Furious Heroes* in 2016, *The Age of Awakening* has three times the rating and 3.6 times the viewership share [20]. The reason for such a large gap is that some major events can affect the preferences of the film and television audience. Also, the Asian Games is coming soon, Huace also participated in the planning and production of a series to promote the Asian Games which is called *Hello Asian Games*. Take another example, Hangzhou will host the Asian Games in 2022, and recently the Hangzhou Asian Games Organizing Committee plans to launch the Asian Games-themed TV series 'Swim to the Top', using the work as a carrier to increase public communication to show the new era of better sports values and to play a leading role in people's attitudes and lifestyles [21]. In addition, the Winter Olympics will be held Beijing in 2022, and Huace has seized the opportunity to produce a sports variety show, *Star on Ice*, back in 2015.

4. Limitation

Our overall study is generally based on some previous studies and foreseeable future events, so there are still three main aspects of the limitation that our study doesn't cover. First, to the social perspective, we don't consider some important but unpredictable social events that may happen in the future. For instance, the sudden outbreak of the COVID-19 dramatically changed the preferences of the film and TV market in 2020, which had been unforeseeable before that actually happened. What's more, we don't take politics into account. For example, in 2021, due to the "milk pouring" event happened in the talent shows, the Qing Lang Plan initiated by the government largely affected the proportion of idols in the film and TV series. The last perspective is the mass audiences while we do not consider the age groups, gender, living areas of different audiences in the above study. For these limitations, we may cover them in some future further study.

5. Conclusion

The development trend of Chinese Film and Television Industry can influence the strategy of every film and television companies to a big extent, and it is important for not only the competitors of some big companies, but also big businesses themselves, to deeply study the development trend and how their strategy would be. In this paper, we first introduce the background of Chinese Film and Television Industry and Huace Company. The Chinese Film and Television market is generally very inclusive and also rapidly progressing, not only some traditional shows like foreign films, domestic films and television shows, but also some innovation like short video, can have their own markets and loyal audiences in China especially at the situation of COVID-19. For Huace Company, it is now the biggest film and television company in China, they have already entered many different kinds of film and TV markets in China and got lots of achievements, and still have the ambition to try other types of industry, while their main strategy is diversity. When we analyze the future strategy of Huace, there are three perspectives that we consider. In the current Chinese Film and TV market, the audiences' enthusiasm of films seems to fade away gradually at the situation of COVID-19, however, the TV or online series, especially the modern romantic dramas, are very popular among the Chinese audiences, which is also one of the types of shows Huace has already taken seriously, while the audiences want more

fascinating plots which can be Huace's next focused point. The variety shows also account for a large part of the audience, and Huace can try to enter this market more in the future and make some more innovation to address some problems in the current market. And the future trend show that the audiences will become more likely to have more deeply and critical thinking through the shows they watch, so the films or TV series Huace will make need to focus more on the actual value and connotation behind them. Another perspective is that Huace can consider some big events that will happen in the world which will affect the whole market with the change of theme preference among the audiences, for example, the 100th anniversary of the founding of the Communist Party of China, the Asian Games and the Winter Olympics.

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