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Title Chinese Online Literature: Creative Consumers and Evolving Business Models

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Abstract

Purpose: The Internet is transforming possibilities for creative interaction, experimentation and cultural consumption in China and raising important questions about the role that 'publishers' might play in a networked digital world. This paper considers the role that copyright is playing in the growth of a publishing industry that is being 'born digital'.

Approach: The paper approaches Online Literature as an example of a creative industry that is generating value for a wider creative economy through its social network market functions. It builds on the social network market definition of the creative industries proposed by Potts et al (2008) and uses this definition to interrogate the role that copyright plays in a rapidly evolving creative economy.

Findings: The rapid growth of a market for crowd-sourced content is combining with growing commercial freedom in cultural space to produce a dynamic landscape of business model experimentation. Using the social web to engage audiences, generate content, establish popularity and build reputation and then converting those assets into profit through less networked channels appears to be a driving strategy in the expansion of wider creative industries markets in China.

Value: At a moment when publishing industries all over the world are struggling to come to terms with digital technology, the emergence of a rapidly growing area of publishing that is being born digital offers important clues about the future of publishing what social network markets might mean for the role of copyright in a digital age.

Keywords: Creative Consumers; Copyright; Publishing; China; Business Model Innovation;

Article Classification: Research Paper.

Introduction

Chinese Online Literature is a genre that was born digital as a fan-generated phenomenon. It has roots in the centrally controlled system of cultural production introduced by the Chinese Communist Party (CPC) after 1949, which restricted access to literature that was not considered politically sound or morally uplifting, such as fantasy, romance novels or ghost stories and which inadvertently created a demand for self-published amateur fiction that could be accessed online. It is mainly comprised of original serialised fiction, written by armature writers for communities of fellow enthusiasts and intended for digital distribution. Although Online Literature began as a popular grass-roots movement that was largely free from commercial ambition among either authors or website operators, as audiences have grown and wider processes of economic reform have deepened, a formal Online Literature industry has begun to emerge.

The formation of a publishing industry in the United Kingdom was associated with pressure for the creation of rights to make copies of works that authors would then be able to sell or license out (Deazley 2004; Deazely 2008). As Ronan Deazley (2004; 2008) has discussed, until authors were granted these rights it was not possible for publishers to acquire copyright from authors or to engage in the onward sale and licensing of creative works. Similarly, as opportunities to profit from Online Literature in China are growing, copyright is becoming more important to profit-motivated intermediaries that are attempting to develop businesses based on trading digital content. These businesses have begun lobbying heavily for the more effective enforcement of copyright, claiming that the free sharing of content by users is killing their industry. The largest of these digital intermediaries is Shengda Literature (盛大文学), which claims that it is loosing up to a billion Yuan (US\$158 million) annually as a result of copyright infringement (Li and Liu 2011).

Unlike other areas of publishing, the content that digital intermediaries in the emerging Online Literature market are attempting to trade is being generated by creative user communities. Furthermore, Online Literature in China is also associated with the proliferation of

profit-making websites that are simply ignoring copyright and finding other ways to make money. Conservative estimates suggest that while there are just 20 portals providing licensed access to Online Literature, there are around 530,000 websites providing unlicensed access to the same content. Between them, these unauthorised websites attract around 100,000 visitors a day and generate annual revenues of 5 billion Yuan (\$ 793 million) (Lei 2011). This means that the vast majority of economic activity related to Online Literature is occurring outside regulated copyright space. The abundance of profitable Online Literature websites that are simply ignoring the existence of copyright raises important questions about the kinds of business models that are best suited to the realities of publishing in a digital world, where users not only consume, but are also active creators of both content and value.

The purpose of this paper, then, is to consider the role that copyright is playing in the growth of a publishing industry that is being 'born digital'. It begins with a historical overview of the Online Literature phenomenon in China. It then examines two very different approaches to generating income from fan-created works: The 'freemium' model being applied by Shengda Literature, which provides users with some content for free, but charges for the most desirable versions of its products; and the 'pirate' approach being adopted by websites that are simply ignoring the restrictions of copyright and, instead, generating profits by selling the attention of audiences to advertisers. We argue that China's emerging Online Literature industry highlights the fact that, in the context of digital technologies and users who create as well as consume content, publishers are under pressure to re-define their product proposition and to rethink the role of copyright for their businesses.

In a networked digital world, the attention of audiences and information about user tastes and activities are valuable commodities. In the case of Chinese Online Literature, user communities are both generating content and forming the audience whose attention digital publishing intermediaries are attempting to monetize. Rather than operating as part of a product economy built around a trade in copyrighted works, publishers of Online Literature are increasingly operating as part of an *attention economy*, in which opportunities for creative expression and networked interaction are key aspects of the value that digital intermediaries

offer to users. An ability to broker relationships with highly engaged users is, in turn, central to the 'value' proposition that digital publishers are able to offer other businesses.

The emergence of China's Online Literature industry thus represents a radical departure from analogue era publishing business models that operated as part of the twentieth century's 'copyright industries'. It also provides a classic example of the ways in which social network dynamics are involved in the rise of new markets that, in the words of Potts et al (2008) '...persist and develop at the complex borderland between social networks and established markets.'

A short history of Online Literature

The market for Online Literature in China is closely connected to the centrally funded, state controlled formal publishing system introduced by the CPC after it came to power in 1949. Prior to this time, China had a vibrant and diverse fiction scene. Genres such as Wu Xia (warrior legends) (武侠), detective stories and romance novels provided an emerging middle class with entertainment and opportunities to escape from reality (Keane 2007). After 1949 cultural production was taken over by the state. Literature was understood as a powerful mechanism for educating and influencing the population and for progressing the goals of Communist revolution. As a result, publishing was considered much too important to be left to the vagaries of the market and incorporated into a centrally administered system of cultural and media production. Under this system all literary works became subject to strict pre-publication censorship, the only legitimate purpose of literature was ideological and authors were employed as cultural workers by the state. Revolutionary propaganda novels became the dominant form of fiction and all other genres were banned. As an official pronouncement made in 1958 put it: '*The purpose of publishing is to strengthen socialist education, promote proletarianism and wipe out capitalism.*'ⁱ

After the death of Chairman Mao in 1976, policies of opening and reform gradually resulted in the partial marketization of China's publishing sector. Over the past three decades subsidies have slowly been withdrawn and Chinese publishers now face growing pressure to find ways to support themselves commercially (McGowan 2009). As a result, awareness of copyright as a mechanism for facilitating trade in content has grown, and Chinese publishers are now anxious to both protect and exploit what many regard as their core asset. Nonetheless, the government has remained reluctant to relinquish its control over the production of literary content: literary works published through traditional channels must still be officially approved and powerful state-owned publishing houses continue to dominate the market. This results in limited diversity and prevents the print publication of fiction that is considered either morally or ideologically questionable. The government also continues to provide financial support to professional authors, via official writers' associations. These associations provide professional writers with an 'iron rice bowl' job, effectively employing them as civil servants to produce the 'major melody' works that form the mainstay of the centrally planned cultural production system (Martinsen 2006; Sun 2009).

It is against this backdrop of limited access to genre fiction that Chinese language Online Literature emerged in the early 1990s, when small numbers of pioneering enthusiasts began publishing their writings on bulletin boards and personal websites hosted outside China. *Chinese Digest* (华夏文摘)ⁱⁱ which was established by overseas Chinese students in 1989, is perhaps the earliest example of online media being used for the distribution of Chinese language literature.ⁱⁱⁱ After 1995 the rise of the Internet Café in China allowed ever greater numbers of students to gain access to this emergent genre. Stories like *First Imitate Contact* (第一次亲密接触) written by a young Taiwanese man Pizi Cai (痞子蔡) and published on a BBS in 1998 caught the imagination of a generation and became a major popular phenomenon. Mainland authors took a little longer to begin publishing, via websites such as Rongshuxia (榕树下) and Qidian (起点). Online Literature took off in a big way after 2004, as fan-generated works like *Ghost Blows Out the Light* (Gui Chui Deng, 鬼吹灯) supplanted official offerings as the mainstream of Chinese popular literature.

The inability of a centrally controlled system of cultural production to respond effectively to popular demand for entertaining works of fiction helps to explain why Online Literature, a phenomenon that has scarcely been heard of in other markets, has become such an important area of cultural production and commercial publishing activity and in China. The Internet has made it possible for almost anyone with access to a computer to become an author, enjoying a level of creative autonomy that could scarcely have been dreamed of before the advent of digital technologies. In contrast to China's print publishing system, which continues to be characterized by pre-publication censorship and 'expert' judgments of quality, the user-generated-fiction that makes up Chinese Online Literature is filtered and assessed through the social network markets of a networked digital world.

The Emergence of the Freemium Model

Like many areas of cultural production that have grown out of amateur creative cultures, Chinese Online Literature began as an entirely non-professional literary phenomenon in which communities of enthusiastic amateurs shared content with one another for free using the Internet. Authors were not motivated by the possibility of financial gain, but rather by the desire for creative expression, belonging and popularity that play such an important role in other areas of user-generated content production (Benkler 2006; Shirky 2008; Shirky 2010). Aspiring authors gained highly prized opportunities for creative expression and experimentation and the chance to hone their literary skills by writing for online audiences. The networked dynamics of the internet also allowed social network market driven processes of selection and coordination to begin to identify the kinds of creative works that contemporary Chinese audiences wanted.

Although the early days of Online Literature are often lauded critics for their "pure artistic nature" (Ouyang 2003) it was only a matter of time before profit-motivated players moved in to the largely untapped market for genre fiction in China. In contrast to print publishing, which remained highly regulated, commercial experiments in Online Literature were possible and by the late 1990s the work of a number of amateur authors who had attracted large readerships online had been taken up by conventional publishers and turned into bestselling books. It seemed that the capacity of fan generated fiction to act as a viable mechanism for creating and

selecting commercially successful content in China had been established. Furthermore, large audiences were in the habit of reading online significant numbers of authors were routinely making content available through digital portals.

In 1999 a few dedicated Online Literature websites were launched and commercial tinkering with strategies for monetizing user-generated-content began. The commercial model for Online Literature that emerged as most successful was developed by Qidian and combined a freemium approach with an effective micropayment system. In October 2003 when Qidian's freemium model was first launched online authors were both surprised and delighted at their capacity to earn significant sums from their creative activities. The success of this model also challenged wider perceptions of user willingness to pay for content in China's emergent Internet economy (Zhu 2008).

Freemium models allow readers to try content out for free before they are required to make a purchase. This works well in the context of a genre in which the vast majority of content is written by unknown amateurs and quality can be difficult to judge in advance. Online Literature made available via sites like Qidian tends to begin as serialized fiction which readers can access without any charge. Once a series becomes popular, it is converted into 'VIP content' and readers are required to pay to read the latest installments. The price of online paid reading is extremely low, usually a couple of cents for 1 000 words or a chapter and revenue is split between authors and website operators. In 2006 Qidian attracted over 100 million daily page views and made more than 30 million RMB (about \$ 476 000) profit. Qidian's successful combination of a freemium approach and a micropayment system was regarded as one of the most significant commercial innovations made in China that year (The Editorial Department 2007).

Potts et al (2008) have argued for the re-definition of the creative industries in terms of their social network market characteristics. According to Potts et al novelty, uncertainty and the networked context in which consumption takes place are defining features of these industries.

As a result, decisions to both produce and consume are heavily dependant on the decisions of others. As Potts et al put it:

‘The CIs... are properly defined in terms of a class of economic choice theory in which the predominant fact is that, because of inherent novelty and uncertainty, decisions both to produce and to consume are determined by the choice of others in a social network.’

(Potts et al 2008:169)

Social network markets facilitate the networked, social selection of creative works by creative user communities and make it possible to efficiently share the costs and risks of creative labour across whole populations. This has been a key factor in the success of Qidian’s freemium model.^{iv}

One of the key innovations of Qidian's freemium approach was its capacity to allow both authors and end users to take on a significant portion of the risk burden associated with creative production. Conventional publishing business models require publishers to bear a relatively high level of risk and up front cost in relation to each creative work that is brought to the market. Securing a right to publish content generally requires a publisher to make a contractual commitment to investing in the promotion, physical production and distribution of a creative work before its popularity has been tested in the market. The costs to publishers of editing, physical production and distribution of creative works are not insignificant and making expert judgements about what is likely to succeed in highly competitive markets before works are published is considered a key aspect of the ‘art’ of publishing. The temporary monopoly right to make a copy of creative works has traditionally been understood as an important incentive for firms to take on the very real risks and costs involved in analogue publishing.

However, the capacity of the Internet to coordinate population wide creative practices means that it is now possible for publishing risks to be spread much more widely. The freemium micro-payment models developed by Qidian allowed the firm to become a coordinator of highly

disparate creative activities and distributed consumption, rather than a 'publisher' in a more traditional sense. By allowing communities of users to filter content for commercial viability and authors to assume the costs of creative production and experimentation Qidian radically reduced the costs of bringing each individual creative work to the market. However, while a freemium approach changed the way that risk and payment structures functioned, it still depended on an ability to sell *content* to readers. As such, it depended on the social technology of copyright to define and facilitate trade in its core 'product' and the use of digital technology to prevent unauthorised access to proprietary works (Garnham and Inglis 1990:161).

Concentration and Controversy

The success of the Qidian freemium model, in turn, enabled the formalization of a profit-driven Online Literature industry. This involved the shift from a highly decentralized sector made up of a large number of small, amateur websites towards a smaller number of highly professional firms competing fiercely for the attention and spending power of audiences. In 2004 Shengda Literature entered Online Literature market, acquiring 6 well-known Online Literature websites: Qidian (起点), Hongxiu Tianxiang (红袖添香), Rongshuxia (榕树下), Jinjiang Original Fiction Website (晋江原创), Read Novel (小说阅读网), Romance Fiction Bar (xs8, 言情小说吧), and Xiaoxiang Shuyuan (潇湘书院). This marked a watershed moment for the emergent industry, formalising a predominantly amateur, grassroots movement of creative cultural activity. Almost overnight, Online Literature websites became 'publishers' and 'content corporations' and copyright became both a mechanism central to the monetisation of fan-generated-content and a valuable traded asset.

In 2010, Shengda Literature generated revenue of RMB 393 million (\$ 65 million) through three core activities: online paid reading (26%), mobile phone publishing (15.4%) and offline print publishing (47%). As an Online Literature has continued to grow over the past five years, Shengda Literature has been able to maintain and extend a powerful monopoly. According to iResearch Consulting Group in 2010 Shengda Literature owned five of China's top 10 Online Literature websites, accounted for 60.6% of the industry's total revenues and took up 71.5% of

total user time. Shengda's websites attracted a total of 1.3 million online authors who contributed more than 5.2 million creative works and attracted more than 1.1 million active paid readers.^v In order to have their works converted into VIP fiction, authors are required to assign all intellectual property rights, including subsidiary rights, to Shengda Literature. As a result, Shengda has also acquired a vast quantity of copyright defined assets.

The challenge of a networked system...

The freemium business model pioneered by Qidian and taken up by Shengda goes some way to making it possible to turn user generated creative works into a commercially viable content industry. However, the networked digital technologies that make it possible for entire populations to engage in coordinated creative markets also make freemium business models vulnerable. Unless copyright can be enforced there is little difference between 'freemium' content and 'free' content. The success of freemium business models and micropayment price structures therefore depends heavily on the capacity of copyright owners to control the terms on which Online Literature is being accessed.

Widespread unauthorised distribution of VIP content is proving to be a major headache for digital publishing intermediaries operating in China. Difficulties associated with preventing the unauthorised distribution of VIP content mean that it is often easier for publishers to use digital networks as a mechanism for sourcing popular content that can be profitably developed via traditional print publication routes. In 2010 and 2011 online paid reading only accounted for 26% of Shengda Literature's turnover. Income derived from the print publication of the same content was almost double this.^{vi} The relative ease with which popular content can be profitably developed via highly controlled print publication channels and the rapid growth of a mobile music market in China (Montgomery, 2008; 2010) both highlight the commercial advantages of distribution monopolies for content industries. It is tempting to conclude that the way forward for the Online Literature industry might simply be to insist on the more effective enforcement of copyright or the introduction of more effective technological protection measures against unauthorised copying.

However, the vast majority of Online Literature creation and consumption continues to take place outside controlled copyright spaces. Furthermore, significant numbers of Online Literature websites are generating impressive profits, in spite (or perhaps because) of the fact that they are not demanding payment from readers and allow content to be freely re-distributed. Shengda Literature's six copyright conscious freemium websites are being forced to compete with about half a million Online Literature sites through which content can be accessed without payment. Many of these are 'pirate' websites, which provide access to Shengda's VIP content illegally and generate revenue through advertising.

Freemium Online Literature sites must also contend with users who are now active peer-to-peer distributors of all kinds of content. In 2009 China's biggest search engine provider, Baidu, launched 'Baidu Library'. In 2010 Baidu Library attracted over 20 million clicks per day and more than 10 million registered users. Although Online Literature only accounts for about 20% of the documents shared using Baidu Library, it has been claimed that 95% of Online Literature content published by Shengda Literature is being shared by users illegally using this platform (Li and Liu 2011). Online Literature is also shared by users across a wide variety of social media platforms, such as bulletin boards, blogs, micro-blogs such as *Weibo* (微博) and instant messaging services such as QQ. Dedicated online eBook communities also exist, sponsored (perhaps surprisingly) by hardware manufacturers eager to engage with digital communities in order to stimulate demand for their products.

Business models based on the unauthorised distribution of copyrighted content are risky and it seems likely that the number of sites openly profiting from the distribution of pirated content will decline in the future. Mechanisms for IP enforcement do exist in China and it is becoming easier for copyright owners to seek redress against infringing parties through the courts. In 2011 Shengda Literature's adoption of proactive strategies against 'pirate' sites like Fiction 520 (小说 520) resulted in the imprisonment of several web managers and it seems unlikely that business models that openly flout the law will be able to attract large scale investment in the longer term. Nonetheless, whether attempting to prevent the unauthorised circulation of

content represents the most profitable commercial strategy for Online Literature firms in the longer term remains an open question.

Are Readers the ‘Consumers’ or the ‘Product’?

In 2010 China’s online advertising market generated revenue of 32.7 billion Yuan (US\$5.18 billion) (Research In China 2011). In addition to a wide range of Internet businesses, this market is also driven by a “grey value chain” based on the distribution of ‘pirated’ content. This occurs regardless of the intellectual property status of the content being made available by the firms involved. Search engines like Baidu plays a key role in such a value chain by providing preferential rankings for pirated websites, which in turn take a portion of advertising revenue that those sites are able to generate. According to Shengda Literature, over 90% of the search term results provided when Online Literature was searched for using Baidu provided links to unauthorised or pirated content. This not only raises questions about the extent to which Baidu is profiting from pirate distribution, it also makes it extremely difficult for Freemium operators to maintain “distribution dominance” by directing internet traffic through legitimate distribution channels (Doyle 2002).

A key difference between freemium approaches and the business model being applied by Online Literature sites that are simply ignoring copyright is the way in which the core product of Online Literature is defined. Whereas Shengda Literature understands content as the core product of an emergent Online Literature industry, pirate distributors tend to be approaching audiences as the product in which they trade and content as a tool through which they can be attracted an engaged. In 2010, Chinese readers bought an average of 4.82 books each, spending RMB 44.78 (about US\$7) annually (Wen 2011); Perhaps more surprisingly, given the rapid expansion of the Online Literature industry, only 9.4% of readers have ever paid for content read online (Wang 2011).

The realities of operating in a networked environment, in which ‘consumers’ are also ‘creators’ and ‘distributors’ are radically challenging the twentieth century copyright industry mantra that ‘content is king’. The dynamics of social origination, adoption and retention processes (Potts et

al 2008) have been critically examined in relation to the fashion system and online games (Hartley and Montgomery 2009, Montgomery 2010 Banks and Humphreys 2008). However, these dynamics are yet to be explored in relation to the publishing industry. Chinese Online Literature suggests that consumers play a fundamental role in contributing to the value proposition presented by firms involved in online literature markets. Engaging with active fan communities makes it possible for firms to establish the 'value' of content through social filtering mechanisms while at the same time building consumer bases for down-stream spin-offs. More importantly, the attention of users involved in these processes is a valuable "product" that can be profitably monetized in its own right.

Forced innovation

There are signs that the commercial logic of engaging with the emergent market for Online Literature as part of the attention economy, rather than as part of a product economy, is being taken up by profit motivated digital publishing intermediaries in China. Although Shengda Literature continues to take an aggressive approach to attempting to limit the unauthorised distribution of its VIP content, it appears to be keeping a firm eye on potential opportunities in the online advertising market. The business plan laid out for its initial public offering in 2011 clearly identified free content plus advertising as a commercial model that the company intended to pursue in the future.^{vii} It has also begun to experiment with open content approaches, removing copyright restrictions from some of its bestselling content^{viii} and abandoning the freemium model on one of its most popular Online Literature sites Hong Xiu Tian Xiang (红袖添香). These developments are taking place at a time when other commercially motivated, copyright compliant Online Literature firms such as Huanjian Shumeng (幻剑书盟) are adopting entirely free content models and advertising their 'user friendly' IP policies in an effort to attract authors and readers.

'Startled at Every Step' (Bu Bu Jing Xin, 步步惊心) is an excellent example of an accidental experiment in this area. Startled at Every Step was published by Shengda Literature in 2005 and became an almost instant bestseller. Its inevitable piracy dramatically widened its readership and helped to feed its popularity. As a result of this, TV adaptation rights were sold

for RMB 1 million (\$159 000) and became a 2011 TV ratings winner. The release of the TV drama in turn increased revenues from online paid reading, mobile phone reading, the Apple App store, and even print versions (DoNews 2011). 'Startled at Every Step' is not the only example of the multi platform commercialisation of fan created online fiction. Other titles that have been developed in a similar way include 'A Nutshell of a House' (Wo Ju, 蜗居,) and 'Legend of Concubine Zhen Huan' (Hougong Zhenhuan Zhuan, 后宫: 甄嬛传,) (Zhu 2012).

Copyright, downstream licensing and access to controlled distribution channels continue to play a powerful role in a complex, multi-platform emergent media ecology. In the face of rampant digital piracy and unauthorized networked distribution, mainstream voices in China's creative industries continue to demand better protection for intellectual property rights (Li and Keane 2011). However, it is clear that attitudes to the role of copyright in Online Literature business models are evolving quickly in response to the opportunities and challenges presented by networked technologies and a rapid growth. As Litman (2006: 173) points out, weak copyright allows larger numbers of new players to enter content markets. These new players are willing to take risks and are exploring different ways of charging for value, fuelling processes of innovation and change in this rapidly growing area of the creative economy. The existence of digital intermediaries willing to make content available to readers for free is not only resulting in intense price competition in this space. It is also providing a powerful source of evolutionary competition (Schumpeter 1994) in the continuing negotiation of complex relationships between legal institutions, creative consumers and commercial intermediaries.

Conclusion

Global content industry businesses are being confronted with the opportunities, and challenges, implicit in the open and interactive architecture of the internet. Businesses are jostling for advantage in the context of rapidly changing physical technologies, increasingly interactive cultural creation, and peer to peer distribution networks. Identifying strategies for operating successfully in a world in which consumers are also creators and distributors, and where it is not always clear whether audiences are a market or a product, is a challenge for profit oriented firms in all markets.

The speed with which China's Online Literature market is evolving and the scale of the networked creative and commercial experimentation that is taking place within it are unprecedented. This makes it an ideal case study for researchers and policymakers interested in understanding what the social network markets and creative communities that are being enabled by digital technology might mean for institutions like copyright and for industries like publishing. China's Online Literature market highlights both the benefits and the challenges of digital technology for publishers. The networked technologies that are making it possible to crowd-source user created content and to amortise risky investments of time and creative labour across whole populations also make it very difficult for copyright owners to prevent the unauthorised distribution of content. As a result, it is proving much easier for firms to develop creative strategies for engaging with audiences and to sell the attention of those audiences on to other businesses than it is for firms to limit the ways in which content can be shared and used online.

A focus on the attention economy aspects of online literature in China demands a new approach to understanding the core 'product' of twenty-first century publishing industries. The internet is making it possible for vast numbers of creative content experiments to be carried out by populations of enthusiastic amateurs. However, the volume of content being generated within this system means that identifying which content will be valuable or interesting and which content will not is a core challenge for both commercial intermediaries and consumers. Advertising business models suited to markets that are a function of user engagement and where networked architecture makes it difficult for re-distribution and re-use to be controlled. However, the capacity of freemium models to help consumers and firms to share risks and to coordinate socially mediated processes of value creation, experimentation and product selection across large populations is also worth considering.

Freemium models allow readers to try content out for free before they are required to make a purchase. This works well in the context of Online Literature, where the vast majority of

content is produced by unknown amateurs and quality is hard to judge in advance. However, the importance of allowing users to sample content before they make purchasing decisions and the value of social filtering mechanisms might also be understood in much broader terms across the wider creative industries. One possible conclusion that could be drawn from China's emergent Online Literature market, then, might be that the creative, networked power of digital technologies may be most effectively realised if the social web is allowed to function as the 'free' component of a much larger, vertically integrated media system. Attempting to strictly enforce copyright online may, in fact, be a short-sighted strategy for firms hoping to identify profitable content related business models fit for a digital world. Using the social web to engage audiences, generate content, establish popularity and build reputation and then converting those assets into profit through less networked channels, as occurred in the case of *Startled at Every Step*, may prove to be a much more profitable approach in the longer term.

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Notes

ⁱ David Ze, quoted in McGowan, I. 'Book Publishing in China' in Robert Baensch (Ed.), *The Publishing Industry in China*, 2009, Transaction: New Brunswick, p.54.

ⁱⁱ It was established by Chinese students who study abroad, originally named as "News Digest".

The content was sent to fellow Chinese students living overseas by listserv then. See <http://zh.wikipedia.org/wiki/%E5%8D%8E%E5%A4%8F%E6%96%87%E6%91%98>

ⁱⁱⁱ In 1991, Shao Jun (少君), a Chinese student in the US, published a novel titled ‘Struggle and Equality’ (奋斗与平等) on *Chinese Digest*. This is widely regarded as the earliest instantiation of the new genre of Chinese language Online Literature.

^{iv} It is important to acknowledge that business models which harness the creative power of social networks have been criticized as exploitative of users and neglectful of the human characteristics of individual creators (Lanier 2006, 2011) and to point out that this paper is not an attempt to engage with or obviate these critiques.

^v See the IPO document of Shengda Literature (Clouday Corporation), P105, accessible at: http://edgar.brand.edgar-online.com/EFX_dll/EDGARpro.dll?FetchFilingHTML1?ID=7956683&SessionID=OvpnHFEXcwimB7

^{vi} This in turn has implications for the relationship between Online Literature and conventional publishing in China. Print publishing remains tightly controlled and all printed works must pass through a pre-production censorship system. Because offline print publishing is responsible for the majority of revenue and is central to Shengda Literature’s profitability, Online Literature websites now require user-generated-fiction to pass through publication approval systems so that down-stream commercialisation opportunities are not prevented. Growing awareness of commercial possibilities and a desire not to be locked out of markets later on is also prompting authors to self-censor in the hope that their creative labour might result in commercial opportunities at some point in the future. As a result, rather than functioning as a sight of resistance to official efforts to control cultural production, commercialisation is closely linked to incorporation of Online Literature and fan communities into China’s national propaganda system Shu, J. (2010). 2010: the transformation of Online Literature towards major melody (2010: Wangluo Wenxue de Zhuxuanlv Hua). *China Reading Daily (Zhonghua Dushu Bao)*.

^{vii} See the IPO document of Shengda Literature (Clouday Corporation), P105, accessible at: http://edgar.brand.edgar-online.com/EFX_dll/EDGARpro.dll?FetchFilingHTML1?ID=7956683&SessionID=OvpnHFEXcwimB7

^{viii} See a relevant report at <http://net.chinabyte.com/152/12082652.shtml>