

A Comparison of Business Models in the IP Industry Chains of the Japanese and South Korean Cultural Industries and Their Implications for China's Cultural Industry

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Abstract: Against the backdrop of globalisation and digitalisation, the cultural and creative industries are developing rapidly as an emerging economic sector. This paper focuses on the issue of trade deficits in the IP sector of China's cultural industry. Taking the IP sectors of Japan and South Korea as its subjects of study, it analyses them from the perspectives of business models and IP industrial chains. Employing methods such as literature analysis, case studies, comparative research and inductive analysis, the paper summarises two theoretical paradigms: the 'long-term fishing' approach and the 'traffic explosion' approach, thereby providing theoretical and practical insights for China's cultural industry IP sector.

Keywords: Cultural Industry; IP Industrial Chain; Business Model

1. Introduction

Against the backdrop of economic globalisation and digitalisation, the cultural industry has gradually emerged as a new engine of economic growth and a vehicle for cultural dissemination. The cultural industry, based on cultural elements, creativity and knowledge, utilises new business models and technological means to transform cultural resources into products or services with high added value. According to data analysis by East Money, "the global cultural and creative industry is expanding steadily, with the market size projected to grow from approximately 16.0 trillion yuan in 2019 to 19.5 trillion yuan by 2024"[1]. This demonstrates the increasing importance of the global cultural industry.

The deficit discussed in this paper does not refer to the entire services trade sector, but to the structural weakness caused by insufficient IP export capacity in cultural products and services. In China, the strategic importance of the cultural

industry has consistently been accorded high priority. As outlined in the '14th Five-Year Plan for the Development of the Cultural Industry' issued in 2021, the aim is to "promote high-quality development, deepen supply-side structural reforms, foster new growth drivers, and drive the comprehensive transformation and upgrading of the cultural industry, with the objective of cultivating the cultural industry into a new driving force for the national economy"[2]. At the same time, sectors such as micro-short dramas and gaming are flourishing in China. However, it is also worth noting that whilst China appears to have a structural surplus in cultural trade, deficits persist in certain sectors. Data from the Ministry of Commerce's Trade Data Centre indicates that "the trade deficit in services reached 1,172.68 billion yuan in 2024"[3]; although this represents a decrease from the previous year, it still highlights the issue of an imbalance in receipts and payments within this sector. Although China's cultural services trade is gaining momentum, the trade deficit in this sector is attributed to a low export base and a large scale of imports. Compared with developed countries, China faces IP-related challenges such as insufficient originality, inadequate development and operational capabilities, the impact of the 'cultural discount effect', and the lack of established international brands. Additionally, there are non-IP-related shortcomings, including an imbalanced cultural industry structure and a narrow talent pool. This paper focuses on the IP sector, exploring Chinese IP within a global context.

In the East Asian region, Japan and South Korea—both part of the East Asian cultural sphere and leaders in the cultural industry—offer significant lessons for China. Both nations began with high-quality original content, yet their development paths have distinct characteristics: Japan, building on its strong foundation in manga and novels, has formed a core chain

centred on 'manga-animation-games and derivatives', where IPs possess long-term value and the industrialisation of processes and fan community culture are exceptionally robust; South Korea, on the other hand, employs a 'traffic' strategy, using top-tier film, television and music (K-pop) as the vanguard for blockbuster IPs. It rapidly ignites the market through global platforms before extending into comics, novels, cosmetics and other sectors; its industrial chain places greater emphasis on immediate responses from international markets and the efficient operation of capital. The technological innovation and market acumen of Japan and South Korea have secured them a prominent position in the global IP landscape.

In the field of research, existing comparative studies of reference value have largely focused on Western developed nations, whilst research on countries with development backgrounds similar to China's (such as South Korea and Japan) is scarce. Furthermore, such studies are mostly limited to systematic descriptions, lacking micro-level perspectives and innovation; in particular, there is a dearth of comparative analyses of the underlying mechanisms of business models within the cultural industries of the three nations, as well as perspectives specifically focused on the IP industrial chain. This study explores this perspective, offering a model of best practice for China on how to reverse its trade deficit and promote the development of its cultural industries.

The theoretical significance of this paper lies in deepening and enriching the theoretical framework of business models in the cultural industry. Existing research has largely focused on the macro level. By analysing the 'business models of the IP industrial chain in the cultural industries of Japan and South Korea', this paper advances theoretical research from the description of phenomena to the analysis of underlying logic; simultaneously, this study offers a new perspective on the theories of the 'IP industrial chain' and 'business models', thereby enriching theoretical content.

The practical significance of this paper lies in enabling China's cultural industry to draw upon the successful experiences of South Korea and Japan, adapting them to China's specific national conditions. It transforms theoretical research into practical strategies such as IP incubation and global marketing. Furthermore, by learning from past failures, it facilitates early warning and risk

avoidance, thereby minimising trial-and-error costs and enabling the formulation of national policies that are both forward-looking and scientifically sound. The objective of this research is to provide China's cultural industry with a more intelligent, scientific and sound choice of development pathways, thereby actively addressing the cultural trade deficit, helping to consolidate the industrial foundations of national cultural confidence, and enhancing the well-being of the people.

2. Literature Review

2.1 The Contradiction Between the Emphasis on Modern Chinese Cultural Industry Policy and the Trade Deficit

China's cultural industry is currently facing a developmental phase characterised by being "large but not strong". According to the *Blue Book on Cultural Trade: Report on the Development of China's International Cultural Trade (2025)*, "the total value of imports and exports in 2024 was US\$148.81 billion, a year-on-year decrease of approximately 10.5%, with exports amounting to US\$135.11 billion and imports to US\$13.70 billion"[4]. In the field of intellectual property (IP), issues such as inconsistent IP quality and insufficient development and operational capabilities are particularly prevalent; underlying causes include a lack of originality and low IP conversion rates[5][6]. According to He Yulin and Xiao Bo (2025), the development of China's cultural industry remains highly complex. Existing literature indicates that scholars predominantly employ comparative analysis, collecting macro-level data from various countries to demonstrate that, within the global cultural trade deficit, China continues to passively receive Western cultural products[7], whilst the proportion of its own core cultural trade remains low and its cultural capacity is somewhat insufficient (Ge Jihong and Ye Sen, 2022)[8]. Most scholars attribute the trade deficit to the following factors: high domestic market demand leading to a supply shortage; shocks in the cultural capital sector (Zhu Qi, 2023)[9]; business models in need of refinement; and an irrational structure of the cultural industry (He Yulin, Xiao Bo, 2025)[7]. Consequently, these issues form the starting point of this study.

2.2 The Integration of the IP Industry Chain

and Business Models

Existing research offers two key perspectives on this issue. Firstly, IP (Intellectual Property) refers to content, namely the source of innovation in creative works (Zou Yiting, 2015)[10]. The concept of intellectual property first emerged in France in the mid-17th century; following the signing of the 1967 Convention Establishing the World Intellectual Property Organisation, it gradually gained international recognition, defined as 'all rights arising from intellectual activity' (Bi Wenxuan, 2017)[11]. The resulting IP industry chain (hereinafter referred to as the 'IP chain') centres on high-quality IP and constitutes an industrial development chain that maximises the commercial value of IP through channels such as the internet, film and related merchandise (Liang Jing, 2016)[12]. IP is no longer intellectual property in the traditional sense, but rather a process whereby any original content can be adapted into various forms—such as films, television series and games—to achieve commercial monetisation. A healthy IP chain seeks to achieve infinite value and a long-term lifecycle.

Secondly, the business model refers to the formulation of an operational framework for an industry from a commercial perspective, enabling the industry to continuously generate economic benefits and profit from them, whilst possessing the potential for sustainable development.

The IP chain and the business model are deeply intertwined; the soundness of the business model directly determines the scope for enhancing IP value and the extent of its monetisation. In recent years, scholars have begun to emphasise the integration of the two, arguing that they can achieve mutual economic benefits and improve the structure of the industrial chain, although inconsistencies remain (Yan Zimeng, Huang Wei, 2017)[13]. Similarly, existing research largely remains at the theoretical level, lacking international comparisons and a micro-level analysis of the specific mechanisms by which business models shape IP chains. For instance, how does an efficient business model ensure the incubation of creative ideas through specific mechanisms? How does it safeguard the industrial chain through risk management? And what profit-sharing mechanisms are employed to incentivise multi-party collaboration, ultimately maximising IP benefits? This paper will explore these specific micro-level mechanisms.[14]

2.3 Comparison of the Cultural Industries in Japan and South Korea

Japan and South Korea are widely recognised as exemplary models for successfully operating IP chains through unique business models. Regarding Japan, most literature focuses on manga-led industry collaboration, forming a 'manga–anime–merchandise' industrial chain. At its core lies multi-party joint investment, profit-sharing and risk-sharing, which has given rise to the production committee system (Jin Shao, Huang Chong, 2018)[15]. As for South Korea, scholars have largely focused on the 'traffic' model, where the 'Korean Wave' effect generated by idols leverages the fan economy to extend the corresponding cultural industrial chain, propelling the country's cultural industries onto the international stage (Tian Shuai, Zhang Xuan, 2023)[16]. Although case studies on both countries are abundant, literature offering a systematic comparison of underlying mechanisms directly within the framework of the IP industrial chain remains scarce. Consequently, this study will continue to conduct a systematic micro-level comparison of the business models of the two countries within the context of the IP chain. By examining incubation, dissemination and amplification, and monetisation, it will provide an in-depth analysis of the unique models of each country and clearly articulate how to resolve the cultural trade deficit in the IP sector.[17]

2.4 Research Framework

In summary, drawing on existing literature, this paper will adopt a progressive research approach comprising 'theoretical construction—case analysis—comparative study—inductive application'. Firstly, through a literature review, we will systematically organise relevant theories and identify existing gaps. Centring on the 'IP industry chain + business model' and based on the IP industry chain lifecycle, we will conduct an analysis across four dimensions: funding sources, technical support, profit distribution, and risk management. Secondly, utilising the case study method, Japan's *Detective Conan* (production committee model) and South Korea's EXO (company-centric model) will be selected as representative cases to conduct an in-depth analysis of the entire process of IP incubation, amplification and monetisation. On this basis, a systematic comparison of the two

countries' models will be conducted, from which two theoretical paradigms—the “long-term fishing” approach and the “traffic explosion” approach—will be distilled. Finally, taking into account the developmental stage of China's cultural industry and its unique national context, this study adapts and integrates these two paradigms. Using the gaming industry (with *Honour of Kings* as a case study) as a starting point, it proposes actionable development pathways and policy recommendations with Chinese characteristics to address the challenge of resolving the cultural trade deficit.

3. Case Analysis

To explore the insights that the business models of the Japanese and South Korean IP industry chains offer to China, this paper focuses primarily on two perspectives: the “IP chain lifecycle” and “business model elements”. The research methods employed include literature analysis, case study, comparative analysis and inductive analysis, which respectively involve reviewing existing literature to lay the groundwork, dissecting Japanese and South Korean IP cases, comparing similarities and differences, and drawing conclusions.

3.1 Japan's “Long-Term Strategy”

Taking *Detective Conan* (1994) as an example, although it has undergone decades of development, the underlying logic of its IP chain business model has remained unchanged.

During the IP incubation phase, the early serialisation of the manga appeared in *Weekly Shonen Sunday*, Shogakukan's flagship manga magazine, with initial costs covered by manuscript fees. As popularity grew, the author received higher royalties to incentivise continued creation, whilst the publisher conducted preliminary market trials, leveraging print publishing technology to achieve mass production and offline reach.

Once the ‘Conan’ IP had been validated by the market and its popularity had stabilised, the publisher collaborated with multiple entities—including Yomiuri Television, TMS Entertainment and Yomiuri Advertising—to establish a production committee, centred on joint investment, risk-sharing and profit-sharing. The production committee jointly drove the adaptation of the work into an animated series, utilising professional animation and broadcasting technologies to launch the

widely recognised “Detective Conan”. During this period, its nationwide broadcast further amplified its popularity, marking the dissemination and amplification stage within the IP value chain.

Building on this market momentum, the IP formally entered the commercialisation and monetisation phase, generating returns on investment through the theatrical release of films, the sale of merchandise, and licensing agreements. With the advancement of digitalisation, the process has evolved from early-stage manufacturing of consumer goods to later-stage data-driven selection via online platforms; from global simultaneous distribution via streaming services (such as Netflix) to the use of AI technology to optimise content, alongside DTC (Direct-to-Consumer) sales and digital derivatives to expand market reach. For instance, the launch of official NFT digital collectibles in 2022 further expanded the scope of digital distribution and derivative formats.

The distribution of interests among stakeholders has evolved from early-stage copyright segmentation to the formation of a community of shared interests, with a portion of the funds reinvested into IP creation, thereby forming a virtuous cycle. The ‘Conan’ IP, for instance, has seen nearly 30 years of continuous updates, establishing an exceptionally long lifecycle. This demonstrates that the cultural industry within Japan's IP sector operates much like ‘long-line fishing’: centred on patient cultivation and long-term management, ensuring the IP's vitality remains unceasing and its commercial value is released sustainably.

3.2 South Korea's “Traffic-Driven” Model

In South Korea's widely recognised K-pop culture, we take the idol group “EXO” as an example. Although idol groups undergo rapid turnover, South Korea, like Japan, maintains the same core underlying logic throughout.

Similarly, during the incubation phase, SM Entertainment selects target trainees and subjects them to intensive, closed-door training; the entire process is exclusively funded by SM Entertainment, which bears all the initial risks.

In the amplification phase, once the trainees successfully debut, SM Entertainment launches the group ‘EXO’ under the ‘superpower’ concept. Leveraging early digital media technologies, the company promotes the group through television broadcasts and global social media platforms

such as YouTube, attracting more fans via variety shows and music videos.

In the monetisation phase, driven by the fan economy, the company sells a range of merchandise and albums and organises offline events, whilst generating further revenue through advertising endorsements and music licensing. As the model evolved, it incorporated AI to forecast market trends, identify target demographics and select songs that align with mainstream tastes. This was further refined through precise content scheduling on social media and the analysis of data from fan platforms such as Weverse.

The entire IP industry chain business model remains dominated by SM Entertainment, which retains exclusive control over profits, with the majority reinvested into the next generation of groups. From the perspective of the IP industry chain's lifecycle and business model, this validates the 'concept + digital marketing' model exemplified by SM Entertainment and other South Korean entertainment companies, which underpins the iterative development of subsequent groups and exhibits the characteristics of a 'traffic-driven viral phenomenon'.

3.3 Core Differences and Lessons from the Korean and Japanese IP Industry Chain Business Models

In summary, South Korea's short-term explosive growth stands in stark contrast to Japan's long-term development. Japan employs a multi-party collaborative production committee model to establish a long-term, stable chain based on risk-sharing and profit-sharing, with its strength lying in the long-term operation of the IP lifecycle. In contrast, South Korea adopts a company-led centralised system, utilising traffic to rapidly break into and penetrate global markets.

The two models are not mutually exclusive, but rather represent two viable operational approaches developed in accordance with each country's specific national and social contexts. In the context of China, Japan's 'long-term, patient approach' can address China's barriers to collaboration and support sustainable innovation, whilst South Korea's 'traffic-driven approach' can overcome limitations in China's dissemination phase and compensate for shortcomings in the export of cultural symbols. The following section will use the case

of China's *Honour of Kings* to compare the core differences between Japan and South Korea, analyse the current situation in China, and propose areas for reference.

4. Summary

4.1 Current State of China's IP Cultural Industry

Tencent's TiMi Studio Group launched *Honour of Kings* in 2015, and to this day it retains immense global influence, standing as one of the exemplars of China's IP-driven cultural industry. By placing Japan, South Korea and China (using *Honour of Kings* as an example) within the dual dimensions of the IP lifecycle and business models, the core differences and similarities are summarised as follows: :

In the incubation stage, Tencent takes a centralised, leading role in game development and internal iterative testing; this model is similar to that of South Korea, with concentrated investment in risk.

In the dissemination and amplification stage, the approach is similarly aligned with South Korea, relying on Tencent's social platforms such as WeChat and QQ, as well as celebrity endorsements and advertising campaigns, to achieve omnichannel exposure. As word-of-mouth grew, the social network expanded rapidly, creating a 'person-to-person' phenomenon; Tencent remained the central entity throughout this process.

In the monetisation phase, the Chinese model resembles that of Japan, moving beyond the game itself to generate revenue through various means such as animation, brand collaborations, cultural and creative products, and esports.

It can thus be concluded that, in terms of business model elements, China's cultural industries in the IP sector—particularly regarding risk management and profit distribution—converge with those of South Korea, both centring on high centralisation within large corporations. However, from the perspective of the IP industry chain's lifecycle, the incubation and amplification stages in China lack the steady output of original IP seen in South Korea, nor do they possess the capacity to produce cultural symbols akin to K-pop; consequently, a specialised, process-oriented, and replicable industrial system has not yet been established. In the monetisation phase, Japan's open collaboration model enables the possibility

of long-term and in-depth cooperation. In contrast, China's excessive corporate centralisation may prevent other parties from engaging in deep collaboration, resulting in a 'contract-based partnership' that lacks the potential for sustainable innovation.[18]

4.2 Strategic Recommendations

In accordance with the 'Proposal of the Central Committee of the Communist Party of China on Formulating the 15th Five-Year Plan for National Economic and Social Development', adopted at the Fourth Plenary Session of the 20th CPC Central Committee, and in conjunction with the article 'Developing Cultural Undertakings and Cultural Industries' published in the People's Daily, it is stated that 'we must improve the cultural industry system, take innovation and creation as the core, refine management and operational mechanisms, and advance the modernisation of the industrial chain'[19][20]. Therefore, by drawing on the models of Japan and South Korea, China can adopt the best elements to strive for a new "long-term catalytic" model characterised by front-end efficiency, mid-stream reinforcement, back-end operations, and integrated catalysis.

At the front end, drawing on the South Korean model and leveraging China's vast market scale and digital platform advantages, a data-driven IP incubation mechanism should be established. Through user behaviour analysis and content popularity monitoring, market demands can be swiftly identified, target audiences pinpointed, and aesthetic preferences and consumption habits clarified. By continuously updating and iterating to meet these targets, stable, high-quality IPs can be created and produced. The local case of Pop Mart exemplifies this approach. By consistently designing blind boxes featuring different IP characters such as Labu and Dimoo for distinct demographics, the company has expanded brand awareness, built a loyal fan base, and laid a solid foundation for subsequent viral success.

At the mid-tier level, we should similarly draw on the industrialised processes of South Korea's cultural and creative industries to transform the success of hit products into replicable systemic capabilities. By standardising distribution schedules (such as pre-launch, peak, and follow-up phases), coordinating across multiple platforms, and targeting specific audience segments with precision, we can help IPs break

out of niche circles and enter the mainstream. At the same time, leveraging technological support to analyse data and optimise dissemination pathways will lay the groundwork for sustained traffic in the back-end.

For back-end operations, we should adopt the Japanese model by establishing long-term, multi-stakeholder development mechanisms for promising IPs. By clarifying rules for revenue sharing and risk-sharing, we can foster innovation in high-quality IPs and ensure the sustained appreciation of IP assets.

Overall, we must leverage China's supply chain, digital channels (such as Douyin) and the scale of the domestic market to achieve global synchronisation across content and merchandise, thereby constructing an integrated operational system characterised by 'content launch-simultaneous merchandise release-global reach'.

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