The Business Models of Net Literature in China

RUI LIU

KTH Computer Science and Communication

Master of Science Thesis
Stockholm, Sweden 2010
The Business Models of Net Literature in China

RUI LIU

Master’s Thesis in Media Technology (30 ECTS credits) at the Media Management Master Programme Royal Institute of Technology year 2010 Supervisor at CSC was Daniel Pargman Examiner was Nils Enlund

TRITA-CSC-E 2010:081 ISRN-KTH/CSC/E--10/081-SE ISSN-1653-5715

Royal Institute of Technology School of Computer Science and Communication

KTH CSC SE-100 44 Stockholm, Sweden

URL: www.kth.se/csc
Rui Liu

The business models of net literature in China

Abstract
In China, net literature becomes a popular entertainment and social media platform with user-generated contents as main resource. There are over 150 million net literature readers in China, who comprise a big market with great business opportunities. The purpose of this research is to specify the business models of the net literature websites in China market.

One of the most popular literature websites named Jinjiang Literature City is chosen as a case study in this research. Based on the case study six business models have been established: advertising, chapter purchase, subscription, traditional publication, electronic publication, and tailored print.

Comparative analysis is used to draw the conclusion that chapter purchase model is the dominant business model of net literature in China. Moreover, some social impacts of net literature are also presented in this thesis.

Key words: net literature, business model, economic interest

Affärsmodeller för nätlitteratur i Kina

Sammanfattning
I Kina har nätlitteratur blivit en alltmer populär underhållnings- och social media-plattform med egenproducerat innehåll som främsta resurs. Det finns över 150 miljoner läsare av nätlitteratur i Kina vilket utgör en stor marknad med stora affärsmöjligheter. Syftet med detta examensarbete är att specificera affärsmodeller för webbplatser med nätlitteratur på den kinesiska marknaden.

En av de mest populära webbplatserna för nätlitteratur är Jinjiang Litteratur City som har valts som fallstudie i detta examensarbete. Baserat på fallstudien har sex affärsmodeller kunnat fastställas: reklam, kapitelköp, prenumerationer, traditionell publicering, elektronisk publisering, och digitaltryck.

Baserat på en jämförande analys kan man dra slutsatsen att modellen med att köpa kapitlet är den dominerande affärsmodellen för nätlitteratur i Kina. Dessutom redovisas vissa sociala effekter av nätlitteratur i denna avhandling.

Nyckelord: nätlitteratur, affärsmodeller, ekonomiskt intresse
Acknowledgements

With the acknowledgements I would like to show my appreciation first of all. I would like to express my sincere gratitude to many people who have offered their invaluable assistance in the preparation of this thesis.

First, I would like to thank my supervisor, Daniel Pargman, for being patient with all my questions, giving me constant support, and helping me make this thesis reality.

Second, I would like to give special appreciation to the examiner, Nils Enlund, who gave me a lot of helpful suggestions in order to improve this thesis further.

Third, I would like to thank Orange Tree who gave me valuable information as the interviewee.

In addition, I would like to show my appreciation to Yi Li, Yige Xiao, Li Fan, Liwen Li, and all the friends for their help and support.

Last, I want to express appreciation to my family who are always accompanying me with constant supports and unconditional love.
Table of contents

1. Introduction ........................................................................................................ 1
   1.1. Purpose ........................................................................................................ 1
   1.2. Delimitations ............................................................................................... 2

2. Background .......................................................................................................... 3
   2.1. Net literature in China .................................................................................. 3
      2.1.1. The history of net literature in China ....................................................... 3
      2.1.2. The circumstance of net literature in China .......................................... 4
   2.2. User-Generated Content - UGC .................................................................. 6
      2.2.1. Economic impacts .................................................................................. 6
      2.2.2. Social impacts ...................................................................................... 7
   2.3. Fan culture .................................................................................................... 7
      2.3.1. Fan fiction .............................................................................................. 8
   2.4. Jinjiang Literature City - JLC ....................................................................... 9

3. Research Method .................................................................................................. 10
   3.1. Methodology ................................................................................................. 10
   3.2. Research approach ....................................................................................... 10
   3.3. Case study ..................................................................................................... 11
      3.3.1. Justification of choice ............................................................................ 12
      3.3.2. Limitation with this method .................................................................. 12
   3.4. Reliability and validity ................................................................................ 13
   3.5. Method in this research ................................................................................ 13

4. Empirical Results ................................................................................................ 14
   4.1. Characteristics of net literature in China ..................................................... 14
      4.1.1. Structure of UGC in net literature ......................................................... 14
      4.1.2. Fan culture of net literature .................................................................. 15
   4.2. Services on JLC ............................................................................................ 16
      4.2.1. Reading behaviors on JLC ..................................................................... 17
      4.2.2. Factors of business model ..................................................................... 17
   4.3. Advertising .................................................................................................... 18
   4.4. Chapter purchase ......................................................................................... 18
      4.4.1. The score policy on JLC ....................................................................... 19
      4.4.2. VIP payment guideline on JLC .............................................................. 20
      4.4.3. The structure of business model and value chain ............................... 21
   4.5. Subscription .................................................................................................. 22
4.6. Traditional publication ................................................................. 23
  4.6.1. The structure of business model and value chain ...................... 24
  4.6.2. A success example ............................................................... 24
4.7. Electronic publication .................................................................. 25
  4.7.1. The structure of electronic publication business model ............... 25
  4.7.2. In practice .............................................................................. 26
4.8. Tailor print ................................................................................... 27
4.9. Comparative analysis .................................................................... 28
5. Conclusion ....................................................................................... 30
6. Discussion ....................................................................................... 31
  6.1. Separate platforms ....................................................................... 31
  6.2. More Participators ....................................................................... 31
  6.3. Serialization ............................................................................... 32
  6.4. Game adaptation ......................................................................... 32
References ............................................................................................ 33
  Web source ....................................................................................... 35
Appendix A: Interview in English ......................................................... 37
Appendix B: interview in Chinese .......................................................... 40
Appendix C: Big events of net literature ............................................... 42
Appendix D: Big events of JLC ............................................................. 43
1. Introduction

The net literature forum and Baidubaike (a Chinese edition of wikipedia) define net literature as a form of literature which uses hypertext or other multimedia technology to express and uses the internet platform to publish and transmit (baike.baidu.com; tieba.baidu.com, label of net literature). This definition is also presented by Deng (2006) and Ouyang (2005) in their articles. According to the research from Ma (2008), net literature was emerged in China in 1990s, and became popular from the beginning of 21st century. It was improved or changed a lot from it emerged to now. Based on various theories (which will present in background chapter), I’d like to define net literature as the form of literature which is created by semi-professional or amateur authors and use internet platform to publish and transmit.

Ma (2008; 2010a) and Ouyang (2008) introduced two major platforms of net literature in China. One is Literature Website (Forum), on which users publish their works, read other contents, and communicate with each others. On this platform, some authors could finally publish their works and start careers as professional writer. Nevertheless, Ma (2009) argued that many young internet users publish novels or articles on the net for emotional expression and entertainment. The net literature authors like Tianxiabachang (Xiao, 2008) and Orange Tree (2010) also said they participated in net literature because of interest.

The other platform is Blogs (Ma, 2010b; Ouyang 2008), which contained several media forms like music, video, text, photo, etc (www.wikipedia.org, label of blog). According to Li Shaojun, the literature part on a blog is usually the online diary, and the followers are author’s friends (Luo, 2005). Some novelists also release part of their coming books on the blogs for promotion (Ma, 2010b). In this research, I will more focus on the former platform, literature website.

Currently, the popular form of net literature on websites is novel, which includes original novel and fan fiction (Ma, 2009).

Although there are many net literature authors published their books and became professional writer, most authors are still amateur or semi-professional with limited opportunity to publish their works or get revenue. As a result, it is clear that net literature needs to find suitable business models in order to generate revenue or become independent of publishing industry. Moreover, these business models should also include some guidelines about relationships with other business partners like publisher, print company and advertiser.

1.1. Purpose

The purpose of this thesis is to evaluate the business potential of net literature. In the other word, this thesis will focus on the research of economic benefits of net literature. Based on this purpose, the main question that will be answered is: Is it possible to make money on net literature? In order to make this question much more specific, it could be divided into several sub-questions as follow:

1. What are the business models of net literature look like?
2. What are the benefits and limitations of the business models?
3. Which one will be the dominant business model?
4. What are the future business trends of net literature?
1.2. Delimitations

The delimitation of this thesis focused on the business models of net literature in China, and the main literature form in the study is novel. As mentioned above, the literature contents on blogs are generally the online dairies, less novel resource on them. According to literature critic Ge Hongbing (Luo, 2005), people publish contents on blogs are just for expressing instead of chasing the page views or feedback from readers, so that net literature on blogs has characteristics as colloquial, realistic and self-experiential, which differ from traditional literature and other forms of net literature. Moreover, I prefer to treat that novelists publish some literature contents on their blogs as the expansion of traditional literature, the promotion strategy. As a result, the net literature on blogs was not contained in this thesis. The research is only focused on literature websites, and one of them named Jinjiang Literature City was chosen as the case study. For convenience, Jinjiang Literature City will be called as JLC for short in the following chapters.
2. Background

2.1. Net literature in China

Ma (2008) and Ouyang (2003) discussed about several definitions of net literature in their books: One of them, emerged in the very beginning of net literature history in China, is the form of literature which is in electronic edition and published on the internet. In this definition, the term “net” was defined as the index of publishing platform, so that, electronic edition of books was included in net literature. In another definition, the term “net” was defined as the limitation of creation process. Therefore, net literature was the text content that created by internet users via computer programs and published on the internet. Under this definition, net literature used to be limited to the internet. This situation was broken by the first popular net novel, First Intimate Contact, was published in traditional way in 1999 (Ma, 2008). Moreover, several famous net literature authors published their books in the next few years. It brought a cooperation opportunity with traditional publishing industry and attracted public attention. During the academic conference of net literature and digital culture in 2004 (Deng, 2006), scholars discussed the characteristics of net literature: net literature just uses internet to transmit, no difference from traditional literature (by Zhang Xianliang); Most authors of net literature consider little about economic benefits and publication possibilities and they more focus on emotional expression (by Feng Jicai). Because of the large quantity of net literature, there was hardly an accurate statistics about it. By the end of 2009(Ma, 2010a), over one million people signed a contract with some literature websites as a semi-professional author.

2.1.1. The history of net literature in China

According to Ma (2008), the history of net literature in China could be divided into three periods. He and Ouyang (2008) presented that net literature in China could date back to early 1991, and the first landmark was First Intimate Contact published in 1999. So the first period was considered from 1991 to 1999. Authors in this period didn’t focus on fame and fortune, and they were easily influenced by the traditional culture. This period was ended by the proposal of e-book charging model which is presented in following part.

The second period was started from 1999. During this time, the main resources on literature websites were electronic books, most of which were piratical (Ouyang, 2008). Some websites collected and scanned best sellers to enrich their online resource, and most of them just republished materials from other websites. As a result, most websites had similar contents, and were easily involved in copyright lawsuit (baike.baidu.com, label of net literature). Under that situation, a literature website named Boku established an e-book charging model, which offered the genuine e-books from almost all of the famous Chinese writers and readers need to pay for download or read online. Unfortunately, free materials were the dominant resource on the internet then. Moreover, the limitations of number of internet users, speed of internet and payment condition brought negative impacts on the e-book charging model at that time. Consequently, Boku went bankrupt in 2001. (The Boku case is from the report on Information Times by Chen, 2008). After Boku’s bankrupt, literature websites have experienced a whole process of adjustment, alteration, development, and integration. The new generation literature websites like Qidian and JLC were established and/or rebuilt in 2003 (Chen, 2008). It was considered as the second milestone in net literature history. So the period between 1999 and 2003 could be defined as transition stage of net literature in China.
After the new generation literature websites emerged, net literature becomes a kind of mass participatory culture in China, more and more people read or write on the internet, so that original materials become popular on net literature (Ma, 2009). Besides these changes, there were several new business models emerge.

2.1.2. The circumstance of net literature in China

2.1.2.1. Technology

First of all, according to Ma (2008) and Ouyang (2008), the internet and computer technologies are the most important factors which play the fundamental roles in net literature development. The biggest advantage of internet is providing a communication platform with unlimited freedom, especially the freedom of speech and expression. Especially, portable and functional mobile phone and high speed mobile network make it possible to connect to internet anytime and anywhere. Moreover, it has expanded the transmission platform of net literature in China.

![Chart One: Scale and Growth Rate of Chinese Internet User (CNNIC, 2010)](image)

The report from CNNIC (2010) show that by the end of 2009, there were over 384 million internet users in China, which constituted the biggest online reader group. The internet users increased from 22.6% to 28.9% of the population, and the coverage of internet was steadily expanding. It also showed that after the launch of 3G service, there was a rapid growth on the number of mobile network users in China. It increased to 233 million, accounted for 60.8% of the internet users. Mobile technology became more important in the development of internet in China. After 2004, blogs emerged in China and writing online became a part of daily life to Chinese people.

2.1.2.2. Customer structure

According to a recent study from the Pew Internet & American Life project (Lenhardt & Madden, 2005), more than one-half of teenagers have created media content, and roughly one-third of them have shared the content that they created on the internet. This phenomenon shows that there are numerous young people participating in UGC and fan culture. Consequently, the role of young people is very important in the net literature development in China. According to the 2005 National 1% Population Sample Survey Data (NBS, 2007), by the end of 2005, there were over 429 million people aged from 14 to 35 in China, accounted for 34% of the
population. As shown in chart below, there are half internet users in the age between 20 and 39, who have the strong consuming capacity. The large young user group provides huge potential market and future business opportunity to net literature.

![Chart Two](chart.png)

**Chart Two**  Age Structure of Internet User in China (CNNIC, 2010)

### 2.1.2.3. Customer behavior

According to Seventh national reading survey (CIPS, 2010), the rate of comprehensive reading showed a rising trend in 2009, and there was a continuing growth in the rate of digital reading. The comprehensive reading is consisted of books, periodicals and digital publications. The rate of it was 72% in 2009, 2.3 percentage points higher than that was recorded at the end of last year. In 2009, the rate of digital reading reached 24.6%, up 0.1 percentage points over 2008, which included 7.4% regular users. In details, the rate of reading on the internet increased 1 percent to 15.7%. The rate of reading via mobile phone was 14.9%, grew by 2.2 percent from 2008. Besides, there was a stable rate (4.2%) of people reading via PDA, MP4 and E-Dictionary. It is remarkable that 1.3% readers reading via other handheld readers, up 30 percent compared to a year earlier. Among people who adopted digital reading mode, there was 52.1% of them could accept pay for download. The CIPS report also showed that the average acceptable e-book price is 3.45 Yuan (about 3.5 Swedish Krona). Moreover, 9.0% of readers would buy the printed edition of digital contents which they have already read.

According to the survey from CNNIC (2010), there were 162 million net literature readers in China, accounted for 42.3% of the internet users. Because of the copyright protection issues, net literature has less profitability than other Internet industries, but it provides abundant resource to other media industries as publishing, film, TV channels, animation and online games. SNDA Literature has acquired several famous net literature websites since 2004 (Chen, 2008), which may show the great potential business opportunity of net literature in China.
2.2. User-Generated Content - UGC

The user-generated content (UGC in abbreviation) is based on functional web services and intelligent internet-based software applications, on which users create, edit, distribute and view information (Vickery & Vincent, 2007). According to O’Reilly (2005), the emerging of Web 2.0 ends one-way transmission stage and provides a platform to users for communication and participation, so that Web 2.0 provides the technical background to UGC.

With UGC, people could participate not only in individual consumption and usage but also in content creation and distribution. UGC contains various forms of media and creative works (written, audio, visual, and combined), which are created by Internet and technology users (OECD, 2007) and distributed on social networking sites. In the same report, the characteristics of UGC were described as publication requirement, creative effort, and creation outside of professional routines and practices.

According to the finding of Vickery and Vincent (2007), the media contents of UGC are comprised of the personal information like photos, experience as well as preference, and the creations like music, movies, animations, literatures and educational contents. These contents usually transmit on social websites such as Facebook, Youtube, Wikipedia and so on. In Beck’s (2007) opinion, the UGC came into mainstream on the internet in 2005 as a result of the irresistible boom of the “do-it-yourself Web”, which described all types of data produced and posted by users included messages, photos, movies or audio files.

2.2.1. Economic impacts

According to the research from OECD (2007), most UGC is non-commercial, but it’s already an important economic phenomenon with direct influence on various industries. It’s a challenge to traditional media industry because UGC acts as an ambitious competitor with numerous free media contents. On the other hand, UGC also offers its resource to traditional media industry. As shown in the same report, it’s easier for ICT producers and content creators to start a business with UGC. The impacts are presented in detail in the following table.

<table>
<thead>
<tr>
<th>Industry</th>
<th>Impacts</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Software and Hardware producers</strong></td>
<td>Develop services and software support UGC</td>
</tr>
<tr>
<td></td>
<td>Sell products with UGC function</td>
</tr>
<tr>
<td><strong>Websites</strong></td>
<td>Use UGC to attract traffic, subscription and advertising revenues</td>
</tr>
<tr>
<td><strong>Users &amp; Creators</strong></td>
<td>Free access to content</td>
</tr>
<tr>
<td></td>
<td>Numerous Choice</td>
</tr>
<tr>
<td></td>
<td>Financial return on advertising and selling</td>
</tr>
<tr>
<td><strong>Traditional media</strong></td>
<td>Reach audience to promote own content</td>
</tr>
<tr>
<td></td>
<td>Accept UGC to retain audience and advertising</td>
</tr>
<tr>
<td><strong>Professional content creators</strong></td>
<td>Reinvent their business model to face the threaten from UGC</td>
</tr>
<tr>
<td><strong>Advertising</strong></td>
<td>Participate in online advertising towards communities on UCC platforms</td>
</tr>
</tbody>
</table>
Besides the influence on traditional media industries, UGC brought opportunities and/or possibilities to new industries. For example, net literature in China is becoming a new media industry that depends on the user-generated contents (according to Hou Xiaoping, CEO of SNDA Literature, reported by Xiao, 2008).

### 2.2.2. Social impacts

UGC makes a fundamental improvement on individual freedom, democracy, justice and politics (Benkler, 2006). During the 56th quadrennial United States presidential election campaign, many candidates used personal websites and blogs on Myspace or Facebook as one of the promotion strategies, in order to attract more voters, especially young voters (Rawlinson, 2007). An OECD (2007) report showed that UGC impacts education by encouraging collaboration and sharing of peer-contents. It changes people’s social behavior because of the democratization of access to resource.

The media distribution structure is changed by UGC from monopolistic to mass public. According to OECD (2007), it provides people with more opportunities to participate in culture and democracy process, and with more freedom to express their opinions and requirements. Benkler (2006) gave his opinion that identification of users in culture and society is more obvious. He also mentioned that the UGC brings improvement on creation and exchange mode of information, knowledge and culture, potentially at lower cost. Before UGC emerged, the media contents were created by minority professional media producers and distributed through limited channels. The UGC increased user autonomy, participation and diversity (OECD, 2007).

On the other hand, the UGC allows end-users to edit and distribute the materials. It brings some social and legal challenges. Not only the UGC but also all online contents are easy to reach, download, copy and distribute, so it’s hard to protect copyright, avoid piracy. Moreover, people depend more on online resources now, so that there are challenges related to information accuracy, content quality and privacy issues (based on the information in OECD report, 2007).

### 2.3. Fan culture

According to Jenkins (1992), the term “fan” first emerged with connotations of zealotry, possession and madness. It was usually used by sports writers then. He gave a new definition of fan culture as a culture having subversive tendencies which could impact or even change the consumerism. He (2006a) further defined the media consumers as interactive audiences, who play not only the role as media consumer, perhaps media fan, but also the role as media producer, distributor, publicist and critic. It’s easier for them to join in fan communities and contribute their intelligence in participatory activities. The fan communities are always established around affinities rather than geography, especially online fan communities. Moreover, fan could be identified not only specifically by a TV series like X-series, a film like Star Wars or a book like Harry Potter, but also generally by a media catalog as literature, movie, music and TV series.
Storey (2006) divided fan activities into various catalogs such as fan fiction, fan art, fan MV (music videos containing a fresh story edited by using media resources with suitable song), and other activities such as supporting their favorite artists or striving with television networks.

According to Storey (2006), fans always discuss the freshest information with others online, create their own media contents by utilizing computer applications, and distribute the contents via computer and mobile networks. As a result, it disrupts the traditional transmission mode from producer to consumers. Jenkins (2006b) considered the mass media as more participatory convergence culture. There is huge media resource on the internet, so separated communities (like fan communities) could gather around particular topics and interests without geographical limits.

In *Convergence Culture* Jenkins (2006b) addressed five characteristics of the participatory/fan culture. The first one is appropriation, which means a person who addicts to a particular work or a specific media catalog. For example, people addict to Harry Potter, could be called as Potter fans; or people who addict to animation, could be treated as animation fans. The second one is participation, which means people participate in communities. They contribute information and knowledge, share resource, and create fan arts and fan fictions. The third one is emotional investment, which means people have emotion to express, have opinions to communicate, and have interests to share. The forth one is collective Intelligence, which means collaboration and competition of many individuals to improve the existing knowledge or make benefits to community. The last one is “Virtual” Community, which means that a group of people having common interesting get together virtually in an online community regardless of geographical locations.

### 2.3.1. Fan fiction

Storey (2006) summarized the forms of fan fiction quoting materials from Jenkins (1992). There are ten ways in which fans rewrite their favorite television shows, which could extend to all media resource.

<table>
<thead>
<tr>
<th>Recontextualization</th>
<th>People write the literature works in the original context, but focus on particular actions, add their own opinions or explanations.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expanding the series timeline</td>
<td>People create the literature works according to the original scenario but extend the timeline, focus on the background history or future development. It usually states as prequel or sequel.</td>
</tr>
<tr>
<td>Refocalization</td>
<td>People write the literature works focusing on other roles rather than leading roles.</td>
</tr>
<tr>
<td>Moral realignment</td>
<td>People recreate the literature works with the opposite moral tendency to original materials. People write them on the other side rather than original authors.</td>
</tr>
<tr>
<td>Genre shifting</td>
<td>People write the literature works with the same characters but put them in the different background, like different location or era.</td>
</tr>
<tr>
<td>Cross-overs</td>
<td>People create the literature works with mixing several resources together.</td>
</tr>
<tr>
<td>Character dislocation</td>
<td>People create the literature works which just keep the roles’ characters as the original resource, but change everything else such as situation</td>
</tr>
</tbody>
</table>
or role identity.

<table>
<thead>
<tr>
<th>Personalization</th>
<th>People write the literature works which involve themselves in the stories.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emotional intensification</td>
<td>The literature works which are also called ‘hurt-comfort’. One role is hurt, generally quite severe even life-threatening, and at least one other roles provides comfort.</td>
</tr>
<tr>
<td>Eroticization</td>
<td>People write the literature works which explore the erotic side of a character’s life, including same-sex relationships. It called as ‘slash’ fiction, as the best known subgenre of fan fiction.</td>
</tr>
</tbody>
</table>

Table Two  Catalogs of fan fiction

2.4.  Jinjiang Literature City - JLC

JLC was established in 2003, and become one of the dominant net literature websites for female users. More than 420 thousand of authors publish works on JLC. It has published more than 600 thousand titles with the page views exceeding 55 million at the peak. Moreover, the database is increasing by 2 thousand titles monthly. It has got about 3.7 million registered users who are from 211 countries and regions all over the world. More than 35% of its internet traffic comes from overseas, making it one of the Chinese language websites with the widest coverage in the world ("company profile" page on www.sd-wx.com.cn).

JLC has got the long term cooperation with several publishers in China. The copyrights of more than 90% of the most popular romantic titles in the current market of China mainland originate from JLC. Moreover, the average age of readers on JLC is 21, over 60% of them are between 18 and 27, and 93% of readers are female ("about us" page on www.jjwxc.net).

JLC is comprised with three parts. First is JLC website (www.jjwxc.net), where users publish their works, read contents, or give comments. The main contents published on it are original novel, fan fiction and long comment. It also provides users a platform to discuss or give reviews to each work. Second is JLC forum (bbs.jjwxc.net), where users could publish various media resources and discuss with each other about any topic they are interested in, not only about net literature. The last one is JLC online shop (www.jjwxc.cn), where the company sells printed books, handheld readers, and other electronic reading products. Moreover, there is a mobile phone web (wap.jjwxc.net) where users could reach JLC via mobile network.
3. Research Method

3.1. Methodology

This research started with a literature review of background knowledge about net literature in China. The observational factors involved in research came up to hypothesis framework during studying process. A case study method was adopted in order to seize more details relative to research topic. Then theory model was built up as the base of research, and several core aspects were chosen for comparison purpose. Subsequently, the comparative analysis of results from case study was adopted to answer the research questions with objective evidence in conclusion. Finally, the discussion of findings came up with relative phenomenon.

![Chart Three Research process](chart.png)

The chart above illustrates the research process in this thesis. It consists of steps from literature review, case study, building business models, to comparative analysis for final proposal. The literature review step is the process of gathering the information about net literature, user-generated content, and customer behavior. It’s the precondition of research, which prepare the knowledge background for further research.

This study focus on net literature in China, which just emerged and become popular in the last few years, so that there is less previous study about it, especially on topic of business models or commercial potentials. Under this situation, the case study in next step is a practical method to search and gather data or fact concerning the topic of net literature on JLC. The data and facts would be used as input for the next step of building business models and comparative analysis.

Based on case study, the next step of research is building business models. It answers one of the research questions and prepares the further analysis. Although there are several charge modes on net literature websites, it’s necessary to build the completed business models during the study. Next is the step of comparative analyzing outputs of previous steps to come up with conclusion that answers the questions or verifies the hypothesis proposed before. Finally, the thesis will end with discussion chapter.

3.2. Research approach

Creswell (2003) has identified three key approaches to research - a quantitative, a qualitative and a mixed method approach. The quantitative research approach has been using in social and human science for years, including experimental designs and non-experimental designs like surveys. This research approach generally starts from a cause and effect thinking, variables specification, hypotheses and questions, measurement, observation and end with a test of theories.
The qualitative research approach has emerged primarily during last three or four decades, including narratives, phenomenologies, ethnographies, grounded theory and case studies. Creswell (2003) characterized qualitative research as being emergent rather than tightly pre-figured, fundamentally interpretative, viewing social phenomena holistically. He further viewed qualitative inquiry as employing different knowledge claims, strategies of inquiry and methods of data collection and analysis. It generally investigates the why and how of decision making, not just what, where, when. Hence, smaller but focused samples are more often needed, rather than large samples.

The mixed method approach is less well known than either of the above approaches, and still developing in form and substance. Creswell (2003) also clarified that the mixed methods approach is one in which the researcher tends to base knowledge claims on pragmatic grounds as consequence-oriented, problem-centered, or pluralistic. The inquiry strategies involve collecting both numeric and text information simultaneously or sequentially in order to best understand research problems, and represent both quantitative and qualitative information in final database.

Based on the type of research questions, this study was under the qualitative research approach, and case study was adopted as practical research method in this thesis.

### 3.3. Case study

Yin (2003a) gave case study a technical definition as an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident, and in which multiple sources of evidence are used. He (2003b) further identified several types of case studies. According to the amount of case in research, case study methods could be divided into two types: single-case study, which focus on single case only; multiple-case study which include two or more cases within the same study. According to the characteristics of research, case study could be divided into three types: exploratory, explanatory, and descriptive. Exploratory case study could be treated as a prelude to social research. It defines the hypotheses of a subsequent study or determines the feasibility of the desired research procedures. Explanatory case study presents data with the cause-effect relationships, to explain how events happen. Descriptive case study presents a complete description of a phenomenon within its context.
3.3.1. Justification of choice

This study adopted the case study method as the approach of inquiry strategy against other qualitative strategies like ethnographic, phenomenology, ground theory or narrative strategies of inquiry, because of the following reasons:

1. The nature of investigation
   The nature of this study is exploratory, as it researches the possible business structure of net literature in China. In detail, this thesis is focused on how the business models constructed, why some of them have more commercial potentials than others. The dominant research approach is exploratory inquiry and main questions are the “how” and “why” questions, so that research methods are always lead to the qualitative methods, and case studies in particular (Yin, 2003a). In this research, JLC was chosen as the case study to explore the general business structure of net literature in China.

2. The multiple source of evidence that the case study approach facilitates
   The use of multiple source of evidence by the case study strategy has a further beneficial influence to the research in that it also enhances the construct validity of the research (Yin, 2003a). He listed six sources of evidence for data collection in the case study protocol: documentation, archival records, interviews, direct observation, participant observation, and physical artifacts. Not all need be used in every case study. There are various resources of evidence and data in this thesis, which from news reports, official statistics, discussion on the online forum, interviews, observation and so on.

   Case study is known as a triangulated research strategy. Denzin (1989) identified four types of triangulation in case study: Data source triangulation, which means the researcher looks for the data in different contexts to remain the same ones; Investigator triangulation, which means several investigators examine the same phenomenon; Theory triangulation, which means the researchers interpret the same results on different theoretical biases; and Methodological triangulation, which involves the use of multiple qualitative and/or quantitative methods to do the research so that increase confidence in the interpretation. In this thesis, I would use observation, interviewing, document analysis, or any other feasible method to assess the changes. If the findings from all of the resources lead to the same or similar conclusions, then validity in the results has been established.

3.3.2. Limitation with this method

There are two main criticisms of case study method. First one is that case study method lacks or has little ability of generalizing findings. Yin (2003a) explained case studies as not representing a “representative sample” and that the generalization of results is analytical rather than statistical like enumerate frequencies. It means case study research is not a sampling research. It certainly brought the generalization with the arbitrariness and subjectivity. He also refuted this criticism as “in analytic generalization, previously developed theory is used as a template against which to compare the empirical results of the case study”. Unfortunately, in this study, there was limited previously theory background, so that the comparative analysis processed among empirical results. Moreover, various evidences from different resources were chose in order to increase the validity of the research.

The second one is that the case study method lacks standard of data analysis, allows equivocal evidence or biased views. As mentioned above, various resources were adopted in this research, so that how to choose the evidences and how to analyze them are very important issues. In this research, the evidence collection guide line is choosing the specific cases on JLC or in the field of net literature, and the knowledge contained general phenomenon. Data analysis is the process of presenting the evidences and interpretations in various ways like examining, categorizing and
tabulating (Yin, 2003a). It relies on experience and the literature gathered during research, and aims to address the initial propositions of a study. In this thesis, a series of comparative analysis was used for presenting the characteristics summarized from empirical results.

3.4. **Reliability and validity**

Yin (2003a) presented the measurement of research design quality as construct validity, internal validity, external validity and reliability. Construct validity is achieved by establishing correct operational measures for the theoretical concepts testing. In this study, the construct validity is implemented by using of multiple sources of evidence, establishing of evidence chain from experimental results to research questions and propositions, and examining the results by comparison between case and literatures. This strategy is employed during date collection stage.

Internal validity is achieved by finding a causal relationship which means certain conditions are shown to cause other specific results. It’s only suitable for explanatory or causal studies, not for descriptive or exploratory studies.

External validity refers to the process of generalization, the extent to which the data collected from a study can be held to be true for other cases. In this thesis, an analytical generalization was adopted as against statistical generalization.

Reliability measures whether a research method is repeatable, which means if repeated the study in similar circumstance, the same results could be presented. In this thesis, it is achieved by using official statistics results, choosing evidence from official resource like news reports as much as possible. Moreover, the information which shows the general phenomenon is gathered from specific forum, semi-official reports or relative database.

3.5. **Method in this research**

In this study, I used case study as the research method, and I only chose one literature website as the case study. But the research questions are in field of whole net literature. So there is a doubt that is only one example enough to show the general situation. To answer this question, I’d like to present some facts as following. First of all, JLC is one of the dominant literature websites, which has over 3 million users (“company profile” page on www.sd-wx.com.cn). Second, JLC belongs to SNDA Literature, which owns 7 literature websites and occupies over 90% of market share of net literature (Jin, 2010a). Moreover, these websites adopt similar business policy (news page on www.sd-wx.com.cn). Therefore, the phenomenon on JLC could show the general situation of net literature industry.

The evidences or facts I used in the research are based on the observation of business activities on JLC. In detail, the resources include news reports, official statistics, information on bulletin board, introduction web pages of various services, feedback from editors or customer specialists on JLC forum, and the interview with author. The interview is recorded, and other resource will be presented as reference.
4. Empirical Results

4.1. Characteristics of net literature in China

The main form of net literature in China is novel, which could be divided into several catalogs: History, Metaphysics Fiction, Romance, Supernatural, Martial arts, City Life and Fan fiction (Ma Ji, reported by Zhang, 2009). Since people with different gender always have different choices on catalogs, the literature websites are always divided to for male and for female. For example, most readers on Qidian are male because main contents on it are in catalogs of Metaphysics fiction, Supernatural and Martial arts (www.qidian.com). On the other hand, most users on JLC are female based on the huge resource of Romance, History and Fan fiction. Certainly, there are some literature websites provide materials to general readers like Readnovel which is also separated into several channels as female channel, male channel and college channel. Moreover, there are some websites providing literature resources like Sina book (book.sina.com.cn) and Tencent book (book.qq.com). Generally, the main contents on these websites are previews of books or magazines, which are always free to read. There are less user-generated contents and participatory activities on them. So that, based on the definition of net literature I used, this kind of websites are not included in net literature websites in this thesis. Furthermore, there are some internet forums with literature part like Tianya Forum, on which contents are always republished from other websites. JLC also have a web Forum.

4.1.1. Structure of UGC in net literature

Based on the user behavior, people who participate in UGC could be divided into several roles as creator, critic, joiner and reader. First one is creator who actively creates and contributes media contents on the internet. For instance, they establish individual web pages, publish and maintain blogs, upload videos on YouTube, edit knowledge on Wikipedia. For net literature, they are the authors. Creators always have strong desire of emotional expression or experience sharing, don’t care about economic interest. They are the group of people who contribute the most.

Second one is critic who comments the existing materials. They contribute less than creators, but they are one of the most important roles who expand the social communication scope of UGC. In net literature area, critics are people who post rates to novels, give reviews to specific chapters, sometimes write long comment article (but not necessary). The main purposes of critics are joining in the conversation and giving their opinions.

Third one is joiner who connects social network with UGC. They prefer to share and follow recommendation with friends in their social network. They are usually very active on the social networking sites like Facebook. In Net literature area, joiners are people who recommend works to friends or follow friends’ suggestions. Furthermore, joiners have high possibility to alter to other roles like critic.

The last one is reader who is the end user but less participates in the UGC. They are the one actively watch videos on YouTube, read net literatures. People could play several roles in UGC, unless they are readers.
UGC is the fundamental base of net literature, which comprises the main resource of net literature in China. Different roles with various behaviors make different impacts in both social and economic fields. Generally, the more users participate in, the more purchase intention they have.

4.1.2. Fan culture of net literature

Fan culture is helpful for the development of net literature. One of the most important catalogs of net literature is fan fiction, a form of the fan culture. At the same time, there are net literature fans participating in fan activities as well. They republish the net literature contents to other websites, establish particular internet forums for specific novels or authors, write comments to the favorite novels, design the cover pages, draw the cartoon images of their favorite characters,
write fan fiction about the original net literature they liked, and make fan MV or fan audio drama.

4.2. Services on JLC

JLC’s services could be divided into two aspects as to authors and to readers, and it also has score system and copyright protection system in order to protect users’ benefits (information from www.jjwxc.net).

Services to authors: JLC provides net literature authors a functional platform to publish, edit or lock their works. Authors could add some background picture or music in their works for personalization. They could also add catalog label and short introduction in order to help readers to quick scan and choose. Authors could get revenue from copyright royalty from books and VIP chapters (chapters with VIP label which means readers need pay to read).

Services to readers: People could read, give rates or write reviews to novels on the JLC without accounts. After registered, readers could make their own favorite book list and buy VIP chapters. The payment system provides readers a platform to exchange money to JLC points and store them in their accounts in order to purchase the VIP chapters. JLC also offers a tailor print service (print on demand), which users could print net literature into books under their requirements. It’s different from traditional publishing process.

There is a score system on JLC to evaluate the quality of works. The system calculates score of novel by combination of factors such as authorization mode, publication mode, chapter length, page views, number of download and collection, volume of reviews and comments, and rates from readers. Based on the score, the work would be listed on several official recommendation lists or scoreboards automatically. It’s an important test of publication possibility.

JLC has a copyright protection system as well. For free chapters, the system mixes some Unicode inside of contents, which just reveals when people copied the contents. For VIP chapters, the system mixes pictures of various single words with text contents so that people can’t copy the complete edition. When novels are published as printed books, authors usually stop publishing them on the websites for three months.

<table>
<thead>
<tr>
<th>Unicode</th>
<th>Picture</th>
</tr>
</thead>
<tbody>
<tr>
<td>[Image of Unicode text]</td>
<td>[Image of picture with text]</td>
</tr>
</tbody>
</table>

Picture One  Copyright protection system
4.2.1. Reading behaviors on JLC

Based on the reading platform, readers could be divided into two groups. One is that people read literature via cell phone applications or handheld readers. People chose this approach always because they prefer to read on the road (“electronic reader” page on bbs.jjwxc.net). Moreover, they can choose using the free resource at all, or pay to read sometimes. The other group is that people read literature on the websites and they could choose the free materials or pay to read as well.

Readers on JLC have various reading behaviors. Some of them only read the finished novels, the other of them prefer to follow the ongoing works. Some of them only use the free materials, the other of them accept pay to read. Some of them only use electronic resource, the other of them buy the printed books as well. The remarkable phenomenon is that some readers, who have purchased VIP chapters of a novel, buy the printed book as well. It means these readers pay twice for the same contents.

4.2.2. Factors of business model

In order to clarify business models of net literature from business activities, I found out there are several factors in JLC’s services could impact on the business model establishment. The first one is charge mode as free, freemium or charged. The second one is reading platform as website, WAP site (mobile website), printed book, handheld reader or cell phone application. The third one is revenue as advertising income, subscription fee, copyright royalty, service charge, contents charge (which means readers pay to read by chapter), and margin from handheld reader selling. And the last one is beneficiary as website, author, and third party participators. Based on the various impact factors, the business activities on JLC could be classified into six business models: advertising, chapter purchase, subscription, electronic publication, traditional publication, and tailor print. They are proposed in the following table and the further results and analysis are presented separately in different business models.

<table>
<thead>
<tr>
<th>Business model</th>
<th>Charge mode</th>
<th>Reading platform</th>
<th>Revenue mode</th>
<th>Beneficiary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising</td>
<td>Free</td>
<td>Website</td>
<td>Advertising income</td>
<td>JLC</td>
</tr>
<tr>
<td>Chapter purchase</td>
<td>Freemium</td>
<td>Website, Handheld reader</td>
<td>Content charge</td>
<td>JLC, Author</td>
</tr>
<tr>
<td></td>
<td></td>
<td>WAP site</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cell phone application</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subscription</td>
<td>Charge</td>
<td>Website</td>
<td>Subscription fee</td>
<td>JLC, Author</td>
</tr>
<tr>
<td></td>
<td></td>
<td>WAP site</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electronic publication</td>
<td>Free</td>
<td>Handheld reader</td>
<td>Content charge</td>
<td>JLC, Author</td>
</tr>
<tr>
<td></td>
<td>Freemium</td>
<td>Cell phone application</td>
<td>Subscription fee</td>
<td>Author, Device producer</td>
</tr>
<tr>
<td></td>
<td>Charge</td>
<td></td>
<td>margin of device selling</td>
<td></td>
</tr>
<tr>
<td>Traditional publication</td>
<td>Charge</td>
<td>Printed book</td>
<td>Copyright royalty</td>
<td>JLC, Author, Publisher</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tailor print</td>
<td>Charge</td>
<td>Printed book</td>
<td>Copyright royalty</td>
<td>JLC, Author, Print company</td>
</tr>
</tbody>
</table>

Table Three  Impact factors of business model
4.3. Advertising

The advertising business model is the simplest and the most traditional one for all websites, including net literature websites. JLC used to provide free materials at all, so that the only revenue at that stage was from advertising. At the present time, the free resource on JLC includes the finished novels and free chapters at the beginning of novels which are not involved in contents charge models as chapter purchase or subscription (www.jjwxc.net). Readers could use these resources on JLC without any payment. They could read them on JLC website or WAP site, and free download them to handheld readers and cell phone applications. In this business model, the revenue only comes from advertising, so that authors on JLC cannot get any economic interest. The advertising profit is generally from cost-per-impression and cost-per-click models (www.wikipedia.org, label of online advertising). As mentioned in background chapter, the number of page views of JLC is attractive to advertiser.

There are two types of advertisement on JLC. One is individual advertisement, which is directly between JLC and advertisers. The other is ad serving application like Google AdSence and Baidu AdSence, a similar advertising program provided by a Chinese company named Baidu. There are not many advertisements on the web pages which are normally limited within a small space and embedded into fringes. The pop-up ads which displayed on a new web browser tag emerge with acceptable frequency. The advertising model was the only business model on JLC before it joined in the SNDA Literature, and then several charge models were adopted. Subsequently, the revenue structure of JLC changed a lot.

At the present time, advertising income usually occupies 22% of total revenue of literature websites, contents charge takes 70% and copyright royalty takes 8% (Yu, 2010). It means the advertising profit was not the major revenue of literature websites anymore and contents charge models become the dominant revenue source instead of it.

The advertising model, as the dominant business model on websites for years, has improved in mature stage with completed guide lines. Moreover, there are several third party ad serving projects on the market. Therefore, the advantages of this model are easy to adopt and get steady income. The revenue of advertising model is usually based on advertising volume and page views. A good quality website with large number of page views could attract more advertising. On the other hand, the more advertisement on web page, the more negative influence on customer satisfaction. It’s the disadvantage of this model.

4.4. Chapter purchase

The chapter purchase business model is one of the contents charge models, which is usually called as VIP reading on JLC (www.jjwxc.net). Under this model, readers purchase contents by chapter and the price of it is not fixed. Alternatively, the price actually depends on the length of contents in each chapter. In practice, authors publish their works on JLC, which are available to all readers at no cost and without a subscription at first, and then the works enter into VIP reading stage, which means readers need to pay for the subsequent chapters when they continue reading. The timing of change is generally according to the VIP reading guideline of JLC. Moreover, it could be decided by author’s requirement as well.

Actually, some of authors prefer not to participate in VIP reading strategy, because they focus on emotional expression and communication rather than economic interest. Therefore, the reason of writing for them is the interest of composition. They want to promote their works,
reach as more readers as possible, and the suggestion from readers sometimes influence on their works. This phenomenon was presented by several researchers like Feng Jicai (Deng, 2008) and Ma Ji (Zhang, 2009), and in the interview with Orange Tree, she gave the same opinion on it.

Question: “What’s your original purpose of writing?”

Orange Tree: “I have a story in my mind, and I want to tell.”

Question: “Are you a professional writer, or do you want to start the career as author?”

Orange Tree: “I don’t think so. Maybe I will do some kinds of job like editor, something need experience, not limited by inspiration.”

Question: “What does the communication with readers mean to you? Does it important? Does it influence on your writing sometimes?”

Orange Tree: “It’s important and influential, but not makes a big change on scenarios. The feedbacks from readers help me to understand different characters and their behaviors. For example, in my last work, there is a role named Wei Ruqi, who is elder with more traditional viewpoint. I designed this role based on observation of people around me, and I hardly have any interview with them, so I nearly have no idea about their opinions. But some of my readers have similar circumstance or familiar with some people like the character in my work. Their suggestions give me a lot of help.”

The VIP reading strategy could be considered as a pretest of publication possibility. The revenue from VIP reading distributes to both authors and JLC. There are two policies on JLC which influence the chapter purchase business model, one is score policy, and the other is VIP payment guideline.

4.4.1. The score policy on JLC

According to information on JLC Forum (“composition and communication” page on bbs.jjwxc.net, label of score and authorization), JLC adopted a new score policy in 2005, which abolished the score system with rate from 1 to 10. The new score system includes five rates from -2 to 2, so that when readers dislike a chapter, they have right to give a negative rate to it. Moreover, the communication function is improved in the new system. Although a single chapter is only allowed to rate once a day, readers could give several reviews without rate, which means they choose rate 0 when they comment.

The score formula is that score = page views/number of chapters * Ln* length of novel * average rate +sum of Ln* length of comment* average rate + specific bonus.

Ln is an adjustable parameter, so that it differs among different novels. For example, publication mode and authorization impact it.

There are four publication modes on JLC: exclusive publication, preemptive publication, protected publication and general publication. Exclusive publication: authors should publish
works at least two third of contents on JLC, not allowed to publish on other websites over one third at any stage, and need to declare that the completed works are exclusive published on JLC. Under this publication mode, Ln increases 1 point. Preemptive publication: authors should publish works on other websites at least one month later than JLC, and need to declare that the works are preemptive published on JLC. Under this mode, Ln increases 0.5 point. Protected publication: it’s not allowed to promote other websites where authors published their works, and republishing to other websites need authorization from authors as well. The two former publication modes also have the same requirements as these. This publication mode has no impact on Ln. The last one is general publication: authors republish works on JLC from other websites. This mode brings a negative impact on Ln as 0.2 point reduction.

There are two types of authorization on JLC: entity publication agency and nonentity publication agency. Entity publication agency: JLC as an agent deals with all publication issues in simple or traditional Chinese and translation, and takes part of copyright royalty as agency fee. Authors are not allowed to contact booksellers, publishers and intermediaries directly. Under this authorization, Ln increases 1 point, and the novel gets rewards as 10 thousand bonus score when published on JLC and 100 thousand bonus score when length of content reached to 50 thousand words. Nonentity publication agency: JLC deals with the nonentity publication which includes online reading via website or cell phone, download, and adaptation of audio drama, cartoon, game, film or TV series. The copyright revenue from adaptation is distributed between JLC and authors, and JLC usually take less than 10 percent. Authors are not allowed to directly contact any organization or individual. Under this authorization, Ln increases 0.5 point, and the work gets rewards as 50 thousand bonus score when length of content reached to 50 thousand words.

The score system on JLC is a measurement of work quality, which depends on content length, page views, volume of reviews as well as publication mode and authorization. Moreover, there are several recommended lists on JLC like official recommendation and various scoreboards divided by time as month or by catalog as romance. It’s much easier for a work on scoreboard to attract more readers, or to earn more revenue when it’s involved in contents charge models. Because of publication mode and authorization as the impact factors to score system, there is a high possibility that authors choose the modes with higher bonus like exclusive publication or both entity and nonentity publication agency. Generally, score system is the basis of chapter purchase business model. In practice, when a work reaches to a specific score, the editor of JLC contacts author. If author agreed to participate in chapter purchase model, the following chapters in the work will upgrade to VIP chapters, which need pay for read.

4.4.2. VIP payment guideline on JLC

Readers purchase chapters by JLC points. The exchange rate is 1 RMB (Chinese Yuan) equal to 100 JLC points, the purchase mode is pay per chapter, and the price is 1000 words equal to 3 JLC points. The distribution of income is forty to sixty between JLC and author (Hou Xiaoguang, reported by Yu, 2010). However, authors get their revenue only after works finished, if they declared that they would abandon an unfinished work, half of the revenue will be returned back to readers. Users could exchange JLC points into their accounts via mobile payment, online bank account, Alipay in China and Paypal at oversea (“paycenter” page on www.jjwxc.net).

The precondition of VIP payment is that both authors and readers have JLC accounts. Authors use them to manage the works they created or exchange the JLC points to money and withdraw. Readers use them to manage the favorite list, store the JLC points, and buy the VIP chapters. Furthermore, readers have right to read the chapters repeatedly after purchase.
4.4.3. **The structure of business model and value chain**

The chapter purchase business model has a simple structure which only includes three types of participator: readers, authors and JLC. The value chain is directly from readers to JLC and authors. It’s easy to adopt and website could earn huge in amount. Most of works on JLC are occupied by this model. This business model is a freemium model which means a work contains free chapters and VIP chapters. It could be used on various reading platforms as website, handheld reader or cell phone application, but the additional devices are not necessary in this model. JLC totally controls this business model because there is no other operator.

An author who used *Orange Tree* as writer name has published several popular novels on JLC. Two of them were successful published as entity books. Most of her works are free, and some of them contained VIP chapters. Part of interview with her is presented below:

**Question:** “Some of your works contained VIP chapters, some not. Why do you make the decision like that? For example, *Kylin* (a romantic story in military background) has a huge reader group, why is it not involved in VIP reading policy on JLC?”

*Orange Tree:* “*Kylin* is based on a previous fan faction of mine, which had a specific group of readers then. I promised them to offer an improved edition on the new platform. If *Kylin* contained VIP chapter, I can’t keep my promise and give them a free resource. Because of publication contracts, I would stop serialize some works online at specific stage, so it’s unfair let people purchase at this situation.”

**Question:** “In your opinion, if a novel entered into VIP reading stage, will it lead to the decrease of reader amount?”

*Orange Tree:* “I think so, more or less, because the reading behavior is different among readers and the meaning of a novel is different among them. For example, maybe 100 thousand people read your story, but only 10% of them will buy the book.”

**Question:** “Based on your experience, how many readers will keep read the VIP chapters?”

*Orange Tree:* “I don’t have the precise data from JLC. Generally, it’s around 30 percent.”
According to feedback from JLC editor, the percentage of VIP reading differs a lot among various works, hard to give a general situation. Orange Tree’s works always present on scoreboards, so her case may show the general situation of popular works.

One of the novels from Orange Tree named Yao which contains about 87 thousand words in VIP chapters, cost 287 JLC points as 2.87 RMB. The average number of page views of free chapters is around 8000 (www.jjwxc.net, label of Yao). If 30 percent of readers keep purchase the VIP chapters, it might bring author several hundred RMB as income.

Certainly, this revenue is differed by length of content and purchase amount, but it brings limited income to authors generally. As mentioned above, some authors don’t care about the economic interest so they prefer not to adopt chapter purchase model in their works.

The chapter purchase business model has low barrier to adopt, and good at protecting benefits of authors and JLC. Each author could earn revenue under this model. It would not impact on other rights of authors as adjust, lock and delete their works. Based on the huge resource on JLC, the amount of chapter purchase incomes is considerable. On the other hand, it’s not good at protecting readers’ benefits. Readers couldn’t read contents again if authors locked or deleted them even after purchasing.

4.5. Subscription

The subscription business model on JLC is a policy to sell same contents twice, which is partly adopted. Under this strategy, readers purchase periodically to read a specific catalog of contents which only includes finished novels. There are two types of resource in subscription catalog: one is the finished novels on JLC, which once presented on scoreboards. The other is electronic editions of best sellers from partner publishers.

The participators in this model are readers, authors, JLC, and partner publishers. The structure is similar as chapter purchase model because both authors and partner publishers are resource providers in this model. Moreover, the value chain is from readers to JLC to authors and partner publishers.
The subscription on JLC is as following (“introduction of subscription” page on www.jjwxc.net):

The price: the subscription fee is 15 RMB for 30 days. The discount price of testing is 3 RMB for 5 books. If readers chose the latter price, they could pick up 5 books from subscription catalog in 30 days.

Subscription period: After each purchase, the reader has the right to read contents in that catalog for 30 days not a month. In this period, readers could use the contents freely and repeatedly. But after that period, readers couldn’t read any contents again, unless purchase again.

Comparing with chapter purchase model, the subscription business model is much like novel wholesale with limited resource. Authors get less revenue in this model than chapter purchase. The subscription model and chapter purchase model could exist simultaneously at same contents, but only finished novels. It means a reader could read a novel in subscription catalog by pay for chapters.

JLC received some complains (“subscription” page on bbs.jjwxc.net) from oversea users that they can’t read some novels which are electronic edition of printed books from JLC’s partner publishers. It’s because JLC only got the authorization of those novels in mainland of China. As a result, JLC cancelled the subscription function to oversea users (include Hongkong and Taiwan) to avoid customers’ loss.

The subscription business model could be only adopted by users from mainland of China. As mentioned in background chapter, there are 35% oversea users on JLC, which means subscription business model lost one third target customers. Based on the limitations of resource and users, subscription business model is not popular on JLC, just as supplement to chapter purchase model.

4.6. **Traditional publication**

Authorization from author is the precondition to publish a net literature work into a printed book. As mentioned in chapter purchase model, there are two types of authorization on JLC, only when author chose entity publication agency, the traditional publication business model could be adopted on the works. Generally, in this model, JLC play the role as writer manager.

The editors of JLC usually pick up the novels from scoreboards and then recommend them to book publishers. The authors could promote their works to editors via the message function on JLC as well. Editor contacts author when there is a positive feedback. After book published, JLC gain 20% of copyright royalty as agency fee (“composition and communication” page on bbs.jjwxc.net, label of publish).

It’s win-win cooperation between JLC and publishers. On the one hand, JLC recommend works which might have good business potential to publisher as resource. Moreover, JLC launch novel recruitment activities according to publishers’ requirements. There is a notice board on JLC which includes demand information about specific novel topic, like vampire, ghost, time travel,
or tomb raider. On the other hand, JLC earn additional income as agency fee from copyright royalty.

4.6.1. The structure of business model and value chain

The traditional publication business model contains an external participator, the publisher. The publisher is the dominant participator in this model, which control more than JLC and get more revenue as well. The value chain of this model is similar as traditional publishing industry, with one additional node as JLC, so that money flows from readers to publishers to JLC to authors. In this model, readers purchase the printed books and the price is much higher than they paid in chapter purchase or subscription. However, the copyright royalty income for each copy is similar as that from chapter purchase. For instance, the book price in China is usually from 20 to 30 RMB, authors could get about 10% as copyright royalty (Ji, 2010). The average sales amount of novels from JLC is around 20 thousand copies (“company profile” page on www.sd-wx.com.cn), so that the final income to authors is much more than other models. Nevertheless, it’s just adopted by limited novels on JLC. In this business model, the net literature works are brought into another industry, in which the target customers have different reading behaviors. It expands the target customer group and brings more business opportunities to net literature. The contents in this model are finished and charged because readers could only reach them via printed book. Based on the copyright protection and sales reasons, a net literature work will be locked for three months on JLC, sometimes author publishes different ending online. It shows that the traditional publication model can’t coexist with other models in some particular period. Unfortunately, comparing to the huge amount of works on JLC, only few of them published in traditional way as printed book.

Chart Eight  Traditional publication business model of JLC

4.6.2. A success example

The popular topic of net literature changes in different periods. For example, in 2004 and 2005, the time travelling novels were very popular on the internet. After 2006, the novels about tomb raider are occupied the net literature market (Wu, 2009). I chose Dream back to the Qing Dynasty was chose as the success case.

Dream back to the Qing Dynasty was published on JLC in 2004 as pioneer of time travelling novels in the field of net literature. It’s famous as one of the three magnum opus of time travelling to Qing Dynasty. The story is about a girl who was living in the modern times, once got lost in the Forbidden City, actually experienced through time and space back to the Qing Dynasty. She was therefore involved in the famous historical battle for the throne. This story was very popular on the internet then, and it was published into printed books later. The whole story is divided as trilogy, two of them were published in 2006 and 2007, and the last one has not finished yet, still publishes as online serialization (www.jjwxc.net, label of Dream back to the Qing Dynasty). The former one published in 2006 contains 320 thousand words with price at 25 RMB and the latter one published in 2007 contains 210 thousand words with price at 22
Empirical Results

RMB (www.jjwxc.cn, label of price). Each of them sold over 300 thousand copies (Ji, 2010). The audio version of this book was emerged in 2008. The film adaptation right was sold to a media company in the beginning of 2010 and the TV series based on it is coming soon (sina news, 2010).

A best seller of net literature would bring considerable revenue to author with huge relative business opportunities. However, only few of net literature works have opportunities to publish as printed book, and less of them could be the one as successful as Dream back to the Qing Dynasty.

Over 80% romance novels in book market come from JLC and over 2 thousand novels on JLC were published into entity books from 2006 to 2008 (“company profile” page on www.sd-wx.com.cn). Moreover, there are other meanings besides economic interest to author in traditional publication as shown in the interview.

Question: “You have already published two entity books. What does the traditional publication mean to you? Does it a good approach to reach more readers or earn more revenue?”

Orange Tree: “For me, the most important meaning of traditional publication is approval of my work, because any material could transmit online, but not all of them could transform to entity books. After all, traditional publication has more cost and risk than network publishing. Currently, people reach the materials via internet first, so that just when a story is worth to read again, it would be bought.”

Generally, traditional publication could bring more revenue to authors, but it’s not suitable to all the net literature works on JLC. Besides the economic interest, author achieves emotional satisfaction by it. The revenue of copyright royalty takes only 8% of total income on JLC because of the amount of products.

4.7. Electronic publication

The electronic publication business model differs from other models by reading platform, so in this model, an additional device is required. There are two types of digital materials could be downloaded from JLC, one is in EBK data type which is accepted on the specific handheld readers called Robook (www.robook.com; www.jjwxc.net), the other is in UMD data type which is used in cell phone application called mbook (www.mbook.com.cn; www.jjwxc.net). It’s the exclusive cooperation between JLC and each of the device producers.

4.7.1. The structure of electronic publication business model

The structure of this model is much more complex than former ones. It could be divided into two parts: content and device. About the device part, it could also be divided into two parts, the handheld reader and cell phone application. The cell phone application is free downloaded from operator’s website. For handheld readers, people could buy it from JLC or via other channels, but JLC only give bonus to customer who bought it from JLC. The value chain about device part is from users to JLC to device producer because this research only focuses on business activities on JLC.
Empirical Results

About the content part in this model, there is no specific sub-model; it’s adopted the chapter purchase and subscription business models. Users could download free contents and VIP contents when they bought them via chapter purchase or subscription. It means users don’t need to pay twice for digital contents in UMD (a kind of data type of text used on mobile phone application) or EBK (a kind of data type of e-book used on handheld reader). As a result, the value chain of contents is included in this model.

The participators in this model are users, JLC, and device providers like handheld reader producer and cell phone application producer. Authors are not included in this model as well because they get no additional revenue under this model.

\[\text{Chart Nine} \quad \text{Electronic publication business model on JLC}\]

\subsection*{4.7.2. In practice}

According to the introduction of mbook (www.mbook.com.cn), the cell phone application mbook only has the function of display the digital materials in UMD that user could read e-book in UMD on their cell phone by mbook application (www.mbook.com.cn). The handheld reader Robook has several functions, but there only two of them relative to net literature (“function” page on www.robook.com). One is displaying the digital materials in EBK, TXT, HTM, HTML, and DOC. This function is similar as mbook. The other is audio book function, which adopts the advanced voice conversion technology to translate the digital materials to audio edition. It allows users to listen a book. This function is similar as the pronunciation function of electronic dictionary. The software in Robook could pronounce the e-book word by word.

Contents download policy:

The contents on JLC can only be downloaded in Robook or mbook. For Robook, user should login JLC account first, choose the book and then click “e-book download” button, fill in the Robook series number, download the e-book to computer, and finally transfer it to handheld reader Robook (“JLC EBD e-book download flow” page on www.jjwxc.net). The only identity of Robook is the series number, so that the content downloaded with one Robook series number can’t display accurately in any other Robook. It means users need to download one material several times for different devices, but there is no limitation of download times. The free resource on JLC can be downloaded directly. The VIP chapters need to purchase before download, and the materials from subscription catalog could continue work on Robook after subscription period. This download policy is also suitable for cell phone application mbook, just the identity changed to IMEI (International Mobile Equipment Identity) code of cell phone (“JLC UMD e-book download flow” page on www.jjwxc.net).

The electronic publication business model expands the reading platform from website to mobile devices, and expands the reading behavior from online to offline. The specific benefit of this
Empirical Results

model to readers is that they could keep using the materials from subscription catalog via Robook or mbook. On the other hand, it may require additional device cost.

The promotion example of handheld reader:

In May of 2010, users could get three kinds of bonus if they brought the Robook from JLC ("news" page on www.jjwxc.cn; “Robook” page on bbs.jjwxc.net).

1. 100,000 bonus points, worth 100 RMB
   The bonus points need to be used together with JLC points on the ratio of 2:1. For example, if a chapter cost 30 JLC points, when a reader use bonus points buy it, the system deducts 20 bonus points and 10 JLC points. It means that users get a 35% off discount on VIP chapter purchase.

2. Bonus subscription card
   The bonus card contains 300 JLC points, which is equal to a testing subscription. Readers could use this card to read and download 5 books from subscription catalog with a validity of 30 days.

3. Little gift
   The little gift is four mouse pads.

This sales promotion on the one hand promotes the handheld reader Robook, on the other hand promotes the chapter purchase and subscription models on JLC. Generally, the electronic publication model brings no additional revenue to authors and limited economic interest to JLC, the most important impact of this model is that it expands the distribution channels of net literature and enhances the influence of JLC.

4.8. Tailor print

The tailor print service on JLC is actually the service that prints net literature novels to books according to the demand from authors or readers. The participators of it are reader, author, JLC and third party print company. The structure of this model is similar as the traditional publication model, but readers participate in at the very beginning. Moreover, the value chain is from reader to JLC to author and print company. Tailor print model is a complementary business model to traditional publication model, which allow users participate in.
In practice, readers could ask authors to use their account deliver a print order to JLC tailor print service center. When the service center got the order, it calculates the price of single copy according to the quantity of content, the quality of print, the amount of copy, and then the tailor print order submits on web page. After readers accepted the price and paid, JLC deliver the order to third party print company, and finally deliver the tailor printed books to end users by mail.

The tailor print process on JLC (“tailor print service” page on www.jjwxc.net):
The promoters of tailor print are always the authors, even when the original requirement comes from readers.
1. Authors submit the tailor print requirement via their accounts.
2. Authors upload the content in TXT besides the cover page picture or choose a default cover from system.
3. The price is calculated automatically after above tailor print order process finished.
4. The tailor print information shows on the web page of tailor print service.
5. Readers could book and pay for the books they want to print. (On JLC, the minimum amount of tailor print is 20 copies. If the orders can’t reach the minimum amount in 30 days, the tailor print order will be cancelled and the payment will be returned back to readers.)

The tailor print business model brings a possibility to readers that they could get an entity book without publishers. The service based on this model is easy to use on JLC. Sometimes, author and readers organize together voluntarily and participate in the tailor print issues personally instead of use JCL tailor print service. In this situation, participators need to bargain with print company, collect fund from members, distribute the copies, and design the cover page even typeset. The possible reasons are presented in the interview of Orange Tree.

Question: “Why do you choose tailor print on Kylin?”

Orange Tree: “Because part of contents in Kylin is not suitable for publishing in China, and I don’t like to change some of my favorite parts just for publication.”

Question: “Why do you not use the tailor print service on JLC?”

Orange Tree: “Mainly depends on cost and print quality. The tailor print service of JLC charges a lot. If I used that service, the price of Kylin might be a litter higher than it now with worse print quality. By the way, I can’t choose the paper type and size on JLC.”

The tailor print business model brings more freedom on publication. The laws and regulations on tailor print are unsound in China now, so it has a risk of legal issues in the future. It still needs to improve.

4.9. Comparative analysis

Based on the previous observational evidence and case study results, I divided business activities of JLC into six business models. Three of them are based on the charging mode as advertising business model, chapter purchase business model and subscription business model;
the other three are according to reading platform as traditional publication model, electronic publication model and tailor print model.

The advertising business model: it is easy to use, possible to join the existing advertising project directly, and could bring a steady income to a website. Generally, it’s a mature business model, with limited future growth opportunity. Meanwhile, excessively adopting this model might bring a negative impact to website.

The chapter purchase business model: it’s a popular business model on net literature websites with the guideline as contents purchase or pay to read. It could bring the great income to website and fair opportunities to authors. The revenue under this model depends on the quality and quantity of contents. In this model, the literature website is the dominant participator and the authors have the right to choose join it or not. On the other hand, this model also brings some negative influence on customer satisfaction.

The subscription business model: it’s a mature business model in relative industries of media, like newspapers or magazines, now it is adopted by literature websites. For JLC, the subscription business model is not completely suitable because of the limited resource and customer segment, and then it is used as resale strategy, the supplement to other business models.

The traditional publication business model: it’s a cooperative model which is according to the business model of traditional publishing industry besides the net literature resource. It brings more commercial opportunities to both net literature and traditional publishing, and increases revenue and reputation of authors. Meanwhile, literature websites control less than publisher in this model.

The electronic publication business model: the most important impact of this model is expanding the distribution platform rather than the increase of revenue. It brings cooperation opportunities with other industries, and increases the customer segments with different reading behaviors. Unfortunately, it requires an additional device which cost sometimes.

The tailor print business model: It brings less revenue to both the websites and authors; but it brings more participation and other social impacts. Meanwhile, it could help websites enhance the customer satisfactions.

The different business models have various economic impacts and social influences. Sometimes the social impacts of business model might influence the economic interest. The net literature distinguishes with traditional one by participatory activities and communication. Form authors’ experience, they adjust contents by readers’ suggestion or sometimes they offer free resource under readers’ requirement. Moreover, Readers have more purchase intention when there are more communication and participation. For example, some of the above models, like tailor print or chapter purchase model, achieve these social requirements better than others.
5. Conclusion

Based on the comparative analysis of the benefits and limitations of the different business models on JLC, it is not difficult to draw the conclusion that: the chapter purchase model is the dominant business model with great business opportunities in terms of revenue and scope of adoption. For authors, the traditional publication model is still the one with the most economic interest. Furthermore, the tailor print business model is the one with relatively more social impacts, making more users participate in.

As shown in the revenue structure of JLC, the contents charge models have already occupied 70 percent of total income and become the dominant business models. Although there have been presented six business models in the JLC case, only two of them are the contents charge models: chapter purchase business model and subscription business model. Provided that the subscription model contains complete resource, it might have chance to occupy more revenue share on net literature websites. According to the current price of VIP contents, when users read more than 30 thousand words every day, the payment of VIP chapters becomes similar as subscription. Therefore, subscription business model might be hard to promote on net literature websites when readers consider the contents they read are not worth to the price they paid. As a result, the conclusion could be given that the chapter purchase business model is the dominant one on net literature industry.

According to the history of net literature, it used to rely on the resource of traditional publishing industry. However, as more and more people participate in, the UGC becomes the dominant resource of net literature industry. Moreover, SNDA Literature invests in the field of net literature by acquisition, brings contents charge model into practice, and promotes net literature in other media industry such as games (“news” page on www.sd-wx.com.cn). Therefore, the net literature becomes an individual industry with UGC as main resource and chapter purchase model as dominant business model.

According to the report from CIPS and CNNIC, digital-contents readers only take one forth of population, and most of whom are young people. Moreover, most novels originate from net literature websites. In consequence, net literature has become the preferred literature resource to young Chinese citizens.
6. Discussion

6.1. Separate platforms

In China, the net literature websites provide separate platforms for different readers, especially for male or female readers. Qidian is the dominant literature website for male readers, which have 34 million registered users (“company profile” page on www.sd-wx.com.cn). It contains an individual female channel as well. There are several popular net literature websites for female readers as JLC, Hongxiu, and XiaoXiang Bookstore. Moreover, the websites like Readnovel is also separated into different channels for various customer segments as male channel, female channel and college channel.

The net literature websites always have high customer loyalty. Generally, readers only use one net literature website regularly, and hardly transfer to others. A possible reason is that writers only publish works on one literature website exclusively or preemptively and readers usually follow novels from several authors at the same time, so that they have to abandon all authors and novels they followed when transferred to other website.

The net literature websites are not only the resource of reading but also the platform of online communities. Sometimes, readers give themselves a label according to the websites they used as “gentleman from Qidian” or “Lady from Jinjiang (JLC)”.

6.2. More Participators

Previously, people could only publish their works by contribution to newspaper, magazine or book publisher. Obviously, it’s very hard for an amateurish writer to publish a book. Moreover, there was limited opportunity for them to publish articles on newspaper or magazine, and they
had to relate the requests from publishers. Writers will be upset when works were not accepted by publisher.

On the other hand, people could publish any content on literature websites easily and freely. The only request for them is to register an account at first. According to the information from SNDA Literature (“company profile” page on www.sd-wx.com.cn), there are over 900 thousand semi-professional writers signed contract with SNDA Literature, and the number is increasing. Moreover, there are over 60 million words of contents publish on websites of SNDA literature every day.

Readers not only give reviews or comments to authors but also follow some conversation in which authors participate sometimes. I once started a conversation about the dog in a novel, which followed by 13 readers as well as the author, and then the author added a picture of that dog in next chapter (www.jjwxc.net, label of Wuyeqitan). As mentioned before, authors might adjust contents of novel or start a new work based on reader’s request as well. Moreover, the participatory activities of net literature improve from individual to group. Readers used to do the fan art or fan video separately, but currently, they organize some communities to do the audio dramas of net literature and upload them on the internet free to download (“audio drama” page on tieba.baidu.com).

### 6.3. Serialization

When people write for newspapers or magazines, they need to limit the length of contents according to the request from publishers. In that situation, amateurish authors usually create some short stories, and only professional writers have the opportunity to serialize long novels.

It’s different in net literature. First of all, there is no deadline on net literature websites, so that author could keep writing one story for years or improve the single story to novel series. Based on the interview with Orange Tree (2010), the suggestions and requirements from readers could influence not only the contents of a novel but also the length of it. I chose a series novel name \textit{Police story} as an example. Initially, authors wrote a detective story named \textit{Police story} in which polices are leading actors. Then author wrote another novel named \textit{Police story – Yan Fei} about a supporting role, who is a medical examiner, and declared that it is according to the readers’ requirement (bbs.jjwxc.net, label of Police Story). Moreover, if a novel involved in the chapter purchase business model, authors could get more revenue when they write longer.

### 6.4. Game adaptation

There are more cooperation opportunities between net literature and online games. SNDA Literature is a branch company of SNDA Interactive Entertainment Limited, the dominant online game operator in China. Readers could use the SNDA account on all of the net literature websites owned by SNDA Literature. It promotes the net literature websites on the one hand, and keeps the customer retention of online games on the other hand because some gamers write or read fan fictions on literature websites.

The net literature is the adaptation resource to online games. For example, one of the most popular novel series of net literature named \textit{Guichuideng} have been adapted into an online game by SNDA. According to SNDA, more net literature works will be adapted to online games in the future (“news” page on www.sd-wx.com.cn).
References


Web source

http://www.jjwxc.net/
http://www.jjwxc.net/aboutus/
http://www.jjwxc.net/sp/dingzhi/
http://my.jjwxc.net/downnebd.php?novelid=586888
http://my.jjwxc.net/downumd.php?novelid=586888
http://www.jjwxc.net/sp/package/baoyueym.html
http://my.jjwxc.net/pay/paycenter.php
http://www.jjwxc.net/onebook.php?novelid=401647
http://www.jjwxc.cn/
http://bbs.jjwxc.net/
http://bbs.jjwxc.net/showmsg.php?board=17&id=47090&msg=
http://bbs.jjwxc.net/board.php?board=27&page=1
http://bbs.jjwxc.net/board.php?board=5&page=1
http://wap.jjwxc.net
http://www.mbook.com.cn/
http://www.robook.com/
http://www.sd-wx.cn/
http://www.sd-wx.com.cn/News/List
http://baike.baidu.com/view/4023.htm?fr=ala0_1
http://en.wikipedia.org/wiki/Online_advertising
Appendix A: Interview in English

Interview with a net literature author – Orange Tree

Question: “What’s your original purpose of writing?”

Orange Tree: “I have a story in my mind, and I want to tell.”

Question: “Are you a professional writer, or do you want to start the career as author?”

Orange Tree: “I don’t think so. Maybe I will do some kinds of job like editor, something need experience, not limited by inspiration.”

Question: “What does the communication with readers mean to you? Does it important? Does it influence on your writing sometimes?”

Orange Tree: “It’s important and influential, but not makes a big change on scenarios. The feedbacks from readers help me to understand different characters and their behaviors. For example, in my last work, there is a role named Wei Ruoqi, who is elder with more traditional viewpoint. I designed this role based on observation of people around me, and I hardly have any interview with them, so I nearly have no idea about their opinions. But some of my readers have similar circumstance or familiar with some people like the character in my work. Their suggestions give me a lot of help.”

Question: “Some of your works contained VIP chapters, some not. Why do you make the decision like that? For example, Kylin (a romantic story between homosexual in military background) has a huge reader group, why is it not involved in VIP reading policy on JLC?”

Orange Tree: “Kylin is based on a previous fan faction of mine, which had a specific group of readers then. I promised them to offer an improved edition on the new platform. If Kylin contained VIP chapter, I can’t keep my promise and give them a free resource. Because of publication contracts, I would stop serialize some works online at specific stage, so it’s unfair let people purchase at this situation.”

Question: “In your opinion, if a novel entered into VIP reading stage, will it lead to the decrease of reader amount?”

Orange Tree: “I think so, more or less, because the reading behavior is different among readers and the meaning of a novel is different among them. For example, maybe 100 thousand people read your story, but only 10% of them will buy the book.”
Appendix

Question: “Based on your experience, how many readers will keep read the VIP chapters?”

Orange Tree: “I don’t have the precise data from JLC. Generally, it’s around 30 percent.”

Question: “You have already published two entity books. What does the traditional publication mean to you? Does it a good approach to reach more readers or earn more revenue?”

Orange Tree: “For me, the most important meaning of traditional publication is approval of my work, because any material could transmit online, but not all of them could transform to entity books. After all, traditional publication has more cost and risk than network publishing. Currently, people reach the materials via internet first, so that just when a story is worth to read again, it would be bought.”

Question: “Your Luxury man was published after completed serialization online, but My live from loving you was stop serialize for publication. What are the impacts under these two different ways in your opinion?”

Orange Tree: “It’s hard to compare. They are totally different books.”

Question: “Why do you choose tailor print on Kylin?”

Orange Tree: “Because part of contents in Kylin is not suitable for publishing in China, and I don’t like to change some of my favorite parts just for publication.”

Question: “Does it mean if possible, you will choose the traditional publication?”

Orange Tree: “Yes.”

Question: “You chose tailor print on Kylin, because of readers requirement or just your idea?”

Orange Tree: “Both, actually.”

Question: “Did you use the tailor print service of JLC? Seems not.”

Orange Tree: “No, I didn’t use it.”

Question: “Why do you not use the tailor print service on JLC?”
Orange Tree: “Mainly depends on cost and print quality. The tailor print service of JLC charges a lot. If I used that service, the price of Kylin might be a litter higher than it now with worse print quality. By the way, I can’t choose the paper type and size on JLC.”
Appendix B: interview in Chinese

采访对象：网络文学小说作者- 桔子树

问题：您最开始写作的目的或是动力是什么呢？

桔子树：心里有一个故事，想告诉大家。

问题：您现在是职业写手吗？或者把写作作为职业来发展呢？

桔子树：应该不会吧，我觉得，将来可能会做编辑这一类需要经验但不一定会被灵感局限的工作。

问题：在您写作的过程中，与读者的交流对您来说重要吗？
会影响到您的作品吗？或者说在某种程度上改变作品原来的情节设定。

桔子树：很重要. 会有影响. 但不会对情节有大的影响，但是会促进我理解不同的人物与选择。比如说，我最近写的一个故事《人间烟火》那里面有一些人物叫韦若祺，她是父母辈的人，拥有比较传统霸道的价值观，而这个人与我的生活环境是比较远的。我对这个人物的想象更多的来于对我身边的这群人的观察，而这种观察是很表面的，我没有几
乎与她们聊天，了解她们的想法。因为她们其实都是我的长辈。但是，有些读者可能与
她们的想法相近，可能她们生活的环境更传统一些，父辈在生活拥有更多的权威，于是
她们其实比我更了解韦若祺的价值观。她们的想法，就给我很大的帮助。

问题：您发表在晋江上的文章有的入VIP了，有的没有，像《麒麟》还有“人间”都有那么
大的一个读者群却没有入V，大人是怎么决定哪些文章入V，哪些不要呢？

桔子树：《麒麟》是因为他的前身是一个同人，而有一些只喜欢看同人的读者他们存
在，所以我当时承诺他们可以给他们一个地方看替换过的版本。而如果VIP的话，我就
不能这样自下放出文案了。“人间”与“青春”是因为会出版，而出版就会被迫停更，如
果让人花钱也看不到最新的文，那挺不好意思的。

问题：那您觉得如果文章入V了，会不会导致读者的减少呢？

桔子树：我觉得总是会少的，阅读习惯不一样，一个文在每每个人心目中的感情也不一
样。就像可能会有10万人看你的书，只有1万人买你的书。

问题：以您的入V的作品来看，有大概几成的读者会继续看VIP章节呢？
桔子树：晋江也没有准确数据提供，如果就当时前后来看话，大概三分之一吧。

问题：您出版了两本书，您觉得实体出版是一个推广文章的理想途径吗？或者说相比于网络传播，会不会带来更广泛的读者群体？

桔子树：实体出版首先应该是巩固读者，我觉得。哦，应该说首先是一种认可。因为任何文都能做网络传播，但不是所有的文都能成书。书的成本与风险都大于网络传播，于是就是一种认可的问题。因为现在不像当年，以前买书是为了新看，也就是说，第一遍就是书，除了书，从别的渠道看到内容是比较麻烦的。而现在，第一遍的试阅通常在网上，我们常常认为一本书，会给人看第二遍的欲望，才会被人买回家。

问题：您的《奢侈品男人》是完本之后出书，《我的青春从爱你开始》是停更出书。大人觉得这两种方式对实体书的销量影响大不？

桔子树：因为是不同的书，所以我也没有办法对比。

问题：那《麒麟》为什么要选择定制印刷呢？

桔子树：《麒麟》因为内容不适合内地出版。而我不太喜欢在我自己并不想改的情况下，仅仅为了出版，去改动一些我很喜欢的部分。

问题：就是说如果麒麟可以用出版社出版，您还是会采取这个方式？

桔子树：是的。

问题：您问为什么要把《麒麟》印制出来呢，因为读者的要求，还是大人自己的想法？

桔子树：读者有要求，我也有想法。

问题：可是您用的是晋江的定制印刷服务吗？好像不是的吧。

桔子树：不是的。

问题：您选择自己联系印刷而不要晋江的定制印刷服务，是出于什么考虑？

桔子树：质量，还有成本。晋江的定制印刷很贵，可能比我现在的定价还要高一些，另外，质量也差了一些，同时晋江不能选择材料与规格。
Appendix C: Big events of net literature

Appendix C is according to Ma (2010).

1991 – A Chinese poetry website was established oversea (chpoem-1@listerv.scsu.buffalo.edu).

1991 – Author Shao Jun published a novel named Struggle and Equality on the internet in April in America. It is the earliest known Chinese net literature work.

1992 – Chinese international students from Indiana University established a Chinese news group (alt.chinese.text) which based on Usenet platform and used GB-HZ encode.

1993 – A legendary author, Tu Ya, started to publish numerous works include prose, fable and novel on the internet. He was the most popular net author between 1993 and 1996. His humor language and ironical meaning impacted net literature for a long time.

1994 – The first Chinese net literature journal New Threads (http://www.Xys.org) was established by Fang Houzi and his collages.

1995 – The first Chinese net poetry journal Olive Tree (http://www.Rpi.edu/cheny6/) was established by Shi Yang and Lu Ming.

1995 – The first Chinese feminist net literature journal Huazhao (http://www.Xys.com) was established by some female authors.

1997 – Chinese-American William Zhu established the biggest Chinese literature websites at that time, Under Banyan (http://www.Rongshuxia.com/) in Shanghai, which popularized net literature culture to mass public.

1998 – The first representative net literature work, novel First Intimate Contact from Pizicai emerged on internet forum.

1999 – First Intimate Contact was published as printed book.

2000 – Say Goodbye to Vivian from Annie Baby.

2002 – Qidian Chinese Literature Website (www.qidian.com) established in May and successful launched online reading payment service.

2003 – Jinjiang Literature City established.

2004 – SNDA Literature started to acquire net literature websites, which include Qidian (in 2004), JLC (in 2007) and Under Banyan (in 2009). It has 11 net literature websites by now.
Appendix D: Big events of JLC

2002. 06 – Some female literature fans established a literature forum, which improved to JLC in the future.

2003. 08. 01 – A convergence publish platform was established instead of personal home page publish system.

2003. 09 – The first net literature work on JLC was successful contracted with traditional publisher. The publishing agency business was started from then.

2004. 03 – The online bookstore called Little Witch was launched and began selling original books and other leisure readings to users. Moreover, JLC officially run e-commerce business.

2004. 06 - Due to the rapid website development, server shortage, expensive maintain fee, JLC issued an initiative contribution activities. Customers responded positively; ride out the storm together with the site.

2005 – A series of net literature works on JLC were popular and attracted numerous authors and user registration. It was established the reputation on net literature area.

Between the end of 2006 and the middle of 2007 – It was the dark period of JLC because of copyright lawsuit, which forced Little Witch online bookstore to close. On the other hand, it was changed revenue distribution mode of romance novel books in mainland of China from buyout to royalty.

2007. 11 – JLC accepted the investment for SNDA, and become one of its brand companies.

2008. 01. 08 - JLC launched the VIP reading charge system, which made authors could get revenues from E-royalty.

2008. 08. 23 – JLC launched score calculation system, which made clear classification of works. Readers could search works quicker and easier.

2008. 06 – JLC launched a subscription service, which included the works published for a while. Actually it’s a net literatures outlets mode.

2008. 07. 04 – SNDA literature established, which brought a better cooperation condition to net literature.

2009. 12 – JLC launched mobile reading service based on mobile WAP platform.