

## The Current Situation and Development Trend of the Crowdfunding Publication in China

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### Abstract

At present China, the Crowd funding publication also has a few of experimental activities, but the future of its development is still being explored. Today, information consumption rose to the national strategic by the policy support. Chinese publishing industry should grasp this opportunity to achieve a new development. This requires the related industrial organization to base on the consumer demand, to develop the creative spirit, to have the courage to bring forth new ideas, and to dare to try, so as to seize the initiative in the future strategic transformation and industry development.

### Keywords

Crowdfunding publication, China, Development trend, Current situation.

### 1. Introduction

The Crowdfunding is a way to raise funds to the public through the network platform in order to help financing the fund-raiser to complete a creative project. The Crowdfunding is not only an emerging network of financing; it will also link the production process to the consumption process directly and make the investors to be consumers. In a considerable part of his raise activity, investors not only financed for the project, but also involved in the implementation of the project actively, such as giving advice and suggestions for the implementation of the project. The organic integration of the Crowdfunding and the publishing project is the crowd funding publication which is a new publishing business model. It not only can raise funds for publishing projects, but also can let the audience to participate in the production of publications actively. This model can not only help publishers predict the market direction effectively, but also helps the marketing of the related publications. At present, in the international, the Crowd funding publication do a lot of practice to develop a good profit model. In China, the Crowd funding publication also has a few of experimental activities, but the future of its development is still being explored.

### 2. The International experience and developmental advantages of the Crowdfunding publication

The crowdfunding is a business model based on network and social media. The core and the main driving force of its development is the crowdfunding website. The crowdfunding raised from the U.S. website kickstarter set up in April 2009. It is the most successful comprehensive crowdfunding website which has a mature business model at present. The project includes 13 categories such as publishing, art, photography, games and so on.

After 2010, the crowdfunding pattern has been applied in many countries. In addition to the United States, the Jaimelinfo.fr of France, the De Correspondent of Holland, the Spotus.it of Italy and the Youcomnews.com of Australia are all representative. In recent years, there are many professional crowdfunding publishing sites which are distinctive and successful, For example, the Fan Funding of the United States, the Unbound of British.

Overall, the crowdfunding business model has experienced three stages of development since its start of 2008. The first stage highlights the creativity. In this stage, the scale of the project is small and the sponsors are mainly individuals, which mean that even personal power will be able to complete the

project. The input costs of the supporters and sponsors are low. That is more of a contribution and a praise awards to innovation than the return of cost.

The second stage focuses on feature. In this stage, the size of project has increased, but the total volume is not large. The professionalism of this stage is stronger. In the fields of media, film, games, and entertainment etc, there are distinct characteristics of different areas. All above require the promoters to have the higher quality of profession and technology. The main advantages of the successful operation of the Crowd funding publication in developed countries are the following three points.

### **2.1 Good economic, legal and cultural environment**

The reason why a new form of industry innovation and business model often appears in the United States firstly is the ensurance of the fine conditions of technical, economic and social of the United States. In addition, the good management system and the legal system of the United States also contribute to it. So the crowdfunding pattern produced and developed, and its financial credit support system and legal guarantee system come out then rapidly.

In April 2012, U. S. President Barack Obama signed the undertaking Jumpstart Our Business Startups, especially increasing “crowdfunding” relevant provisions, which involves the detailed instructions and provisions of the relevant access system, operation mechanism and legal responsibility. Undoubtedly, this is recognition of the “crowdfunding” industrial pattern, and an ensurance from the legal level of the orderly and rapid development of the new model.

In the commercial field, the crowdfunding mode has also been concerned and supported by many risk fund. At the same time, in terms of cultural industry, donations for it have a very deep tradition in the United States. When the US traditional media were beleaguered, a number of charitable funds provide support for the media and even founded a series of nonprofit community media by their own.

### **2.2 Flexible operation mode and perfect management**

The operation of KickStarter mode is the combination of the investment, the creativity and the charity. The basic program is that the project host puts forward the creativity or the thinking of the product design, and makes it into texts, pictures or video multimedia, then issues them by KickStarter with the setting of some standards or conditions of financing. If the total amount of funding reached the target amount within the specified time, the project will be approved. Then the host can execute and complete the project, and finally fulfill their commitments, while KickStarter is responsible for the management of the whole process. Through this model, community members actually become the “gatekeeper” on the process of the cultural content industry. But in the traditional media, this role usually played by the editors, who can determine which can be approved to product, which can not from the source.

But to avoid some investors with larger amount having the completely control of the press and publication plans, and to reflect the spirit of objective, transparent and widespread public participation fully, many crowdfunding website have set special restrictions for funding ratio. For example, Spot.us fixed every investor's maximum to the 20% throughout the fund, while the Wereport provides that the total amount of a personal funding of the project shall not exceed the 50% of the total amount.

### **2.3 Advanced Marketing Skills and Communication Strategies**

The data before December 2013 show that Kicestarter has 313 projects of news and publication which have successfully achieved the fund-raising goals. American writer Harwood is probably the earliest experimenter of the project of the crowd funding publication and the most successful fund-raiser of the crowd funding publication. Harwood was a famous writer before, who attracted a large number of loyal readers with the traditional media and blog. He released the crowdfunding projects of 5 new books continuously at the earliest on the crowdfunding platform. Among these new books, “This is the life” had raised all the funds needed on the first day it was released on the crowdfunding platform, which eventually raised the money nearly 1 times more than expected. In the crowdfunding

publication project of Harwood's new book, he set out different amounts of support: If you invested \$1, you will be able to enter the list of thanks of the book. If you provide a little higher capital, you may addition your creative content in a chapter. If you funded \$999, you can participate in the various types of exchange, and the author will write a novel according to the ideas of the sponsor and make the sponsor as the protagonist of the novel, whose only hardcover edition will be given to the sponsor as the patron of the one and only when it be published officially.

And the crowdfunding publication project of “with the cry” of Grant and O Cornell more manifests the characteristics and power of the social media. The Author stimulate readers' interest through his Internet blog and promised to give the sponsors different feedback at different stages of the creation of the book: You can download a copy of the book before the publication of the book and more closely contact with the author, and you even can get the various original versions of the book in the process of works.

Basically, in the process of the operation of the crowdfunding publication project, the author who puts forward the plan must understand the audience, and get the audience's approval, in order to sell their own publishing plan out. The crowdfunding websites construct an online community in which the authors, the readers and the sponsors are members. They can give financial aid to any publication projects they love or participate in the discussion. When they participate in the production process of the work of the book in such a way, they become a co-creator of the publishing program. On the platform of the websites of crowdfunding publication, the author interacts sincerely with the sponsors and the readers, which makes the sponsors feeling another value in connotation and creates a new relationship between the author and the reader.

### **3. The current situation of the development of the crowdfunding publication**

The crowdfunding pattern appeared in China in the early 2011 firstly. The “named time” appeared on the line in July 2011, which is the earliest crowdfunding platform of China. 2013 is the development blowout of Chinese crowdfunding website. In the September and October 2013, the “Pinxiu online” and the “Chinese dreamnet” appeared on the line one by one. In February 2013, the “crowdfunding network” was on-line, which has become the most influential crowdfunding platform of China.

The crowdfunding publication is gradually known and attracted the attention of academic and industry, in which some project has achieved success. “Social dividend” “Internet finance” “color” “Zhou Hongyi readme: my Internet methodology” and “The industry come out from playing-tourism talked by Wang Zhigang” and so on, are all success stories of the crowdfunding publication. These cases give a great encouragement for the publishing industry. The Private booksellers have great enthusiasm especially. On the meanwhile, the state-owned publishing enterprises have begun to try the water of the crowdfunding publication. On July 1, 2014, Jingdong crowdfunding platform was on line. The crowdfunding project of “Zhou Hongyi readme: my Internet methodology” launched by CITIC Publishing House had financed more than 160 million yuan through this platform, which makes it a publishing project financing the most amount of money so far.

Although in the above cases, it seems that the first crowdfunding publishing projects of many major domestic crowdfunding websites are successful mostly, it is hardly to prove the success of this model.

First of all, the project was more of a test of the new Internet model. The sponsors do not lack funds for the project actually. The participants are mainly within the circle of people. The funds of fans or other supporters are more of a “donation” to the new ideas and new things.

Secondly, most of the books participate in crowdfunding project are preliminary finalized by the press or are going to publish, which pre-sale and market via the “innovative Internet mode” label of the crowdfunding mode. There is still a certain gap between this above and the connotation of “financing and publishing” and “interactive” of the crowd funding publication.

In addition, compared with various foreign crowdfunding projects, our crowdfunding project has a lack of innovation and a monotonous operation mode, which hardly keeps the sustained enthusiasm of the public to participate in and concern about after the fresh excitement. These phenomena show that the crowd funding publication also faces two aspects of the difficulties in China.

### **3.1 The internal structure problem of the crowd funding publication**

The crowd funding publication explores the new model of the production and distribution of news content by socialized organization, which has the significance of revolutionary innovation. However, the profit model of the crowd funding publication is very fuzzy, the operation mode and the boundary of legitimacy of the crowd funding publication are not clear, which may cause problems.

First of all, for the public investors, they can not grasp the true information of the project. It is difficult to make a reasonable assessment of investment risk for them. At the same time, they also lack a reasonable assessment and a supervision system of progress and results of the sponsors' project. This makes their participation more by enthusiasm, which is a kind of "donations or charitable activities" that do not seek reward.

Secondly, for the sponsors of the project, to make sure of the success, they should display and open the details of the project fully as much as possible through the network. However, once the project is successful, there will be a lot of imitation and following, which is likely to affect the intellectual property of the promoters and the value of the final product. Finally, for the projects' initiators, the public investors and the crowdfunding platform and the industrial ecological system composed of other related stakeholders, the profit model and the distribution of interests between different roles are urgent problems to solve.

### **3.2 The problem in the external environment of the development of the crowd funding publication**

The crowd funding publication also faces a legal and management issue which generally faced by this innovative model of crowdfunding. For example, according to the different ways of the return the project provided, the crowdfunding mode mainly includes 4 kinds of patterns: donations, incentives, equity and so on.

Different return patterns have different effects on the success of project. Take the data of the United States in 2012, in the financing efficiency and financing scale, the crowdfunding platform of financial-return type, that includes the equity-based crowdfunding and debt financing crowdfunding, performances well in areas such as application software and the development of electronic games, movies, music and art.

In China, if the crowdfunding pattern involves the equity, the income right, and the right to dividends and so on, there may be "Illegal fund-raising" risk and other financial risk. In addition, a new publishing model may change Chinese public consumption habits and consumer culture, and may also influence the confidence of all stakeholders, especially the commercial operator. Therefore, in the future, government departments and professional departments of news publishing should speed up the legislation, strengthen the legal regulation and management of the industry of crowdfunding, and increase the power of market-guide and industry-training, so as to promote the development of the emerging entrepreneurial enterprises.

## **4. The trend of the development of the crowd funding publication in China**

The model of the crowd funding publication is an innovation of current area of news publishing. From the practice of the foreign publishing and the experiments of the domestic publishing, this model has not caused too much impact on the traditional publishing mode yet; however, it indeed has a great implication for the reform of the entire publishing industry. The publishing model based on crowd funding will bring about the following two aspects of reform.

#### 4.1 Small scale custom publishing

For the small-group books or the books about the serious study of literature and history, or the books about poetry, translation and other highly specialization, it is required that the common social basis and only more important to a certain number of readers. The books have less audience (few readers, but not important) can find its audience through socialized media platform, so as to realize the integration and innovation of cultural creativity and the marketing of publications under the attention economy.

The community mode of operation that takes the crowdfunding website as the media and the operation center can get audiences' attention to do the small scale custom publication that achieve a balance between supply and demand, and publish according to the needs. The authors issued his thoughts openly, and communicate with specific readers who appreciate him and have a chord with him, and give them a book they absolutely want. This not only avoids the low efficiency and unfair of the traditional book-publishing mode, but also can promote the extensive development of the personalized publishing business, so as to meet the diversified needs of information consumption, and to enhance the sense of happiness of authors and readers.

#### 4.2 The formation of the ecosystem of the new publishing industry

Socializing will be one of the most important characteristics of the crowd funding publication. From the perspective of the publishing industry, the crowdfunding pattern more likes an industrial platform and business incubator. The sources of published content and the early stage of processing and production all can be achieved by the crowdfunding mode. The operation and management of the crowdfunding website can connect the capital needed by the early entrepreneurs, media promotion, design, printing and publishing and other stakeholders together.

So, the identities of main subjects of publishing and stakeholders are increasingly diverse and complex, and their relationship is also perplexing. There is no successful formula can follow at home and abroad. Competition, combination, entry and exit will become a major phenomenon for a period of time. And the shareholding reform, financial system, market operation and digital transformation of the publishing industry will aggravate the competition and change. Eventually, the survival of the fittest, the body who can stay and win competition will become a leader and rules maker in the new publishing industry ecosystem, and finally form a relatively stable industrial system.

### 5. Conclusion

At present China, the Crowd funding publication also has a few of experimental activities, but the future of its development is still being explored. Today, information consumption rose to the national strategic by the policy support. During a long period of future, the government will vigorously promote the consumption information, tap the potential of consumption, enhance the ability to supply, stimulate the vitality of the market, improve the environment of consumption, and push the rapid and healthy growth of information consumption that involves production, life and management. Chinese publishing industry should grasp this opportunity to achieve a new development. This requires the related industrial organization to base on the consumer demand, to develop the creative spirit, to have the courage to bring forth new ideas, and to dare to try, so as to seize the initiative in the future strategic transformation and industry development. In addition, the success of the Crowd funding publication is closely related with the perfection of the legal and regulatory mechanism of Crowdfunding, and also closely related with the returns and risks of the Crowd funding publication. Only in the premise of perfecting the legal and regulatory mechanism of Crowdfunding, prevent the risks of Crowdfunding, seek for the appropriate return, can the model of the Crowd funding publication be successful.

### Acknowledgements

Jingzhou science and technology development project (2015AD52);

Youth Foundation of Yangtze University (2015cqn01);

Society Science Foundation of Yangtze University (2015csy009);

Innovation Foundation of Social Assistance Research Center of Yangtze University (15JZ03).

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