



Why are Cultural Adaptations such a Prevalent Strategy in the Media Business?

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Abstract: With the technological background of media convergence, industry convergence has gradually become closer, and cultural adaptation strategies have progressively prospered. Phenomenon can be embodied as best-selling novels being adapted for the “big screen,” films being turned into video games and international TV formats for national audiences. For example, of the top ten movies in 2016, seven of the movies are prequels or sequels related to existing movies, and/or are based on novels and comics [1]. This situation is not limited to movies and dramas, other forms (such as drama) have also begun to undergo cultural adaptation [2]. This essay will first define the cultural adaptation strategy based on various perspectives, analyze the characteristics of the media industry, and finally explain why cultural adaptations are such a prevalent strategy in the media business.

Keywords: Cultural adaptations; Media business; Business strategy

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1. The definition of cultural adaptations strategy

Before defining the cultural adaptation, the technical background “media convergence” should be introduced first. One of the earliest expressions of the idea came from Nicholas Negroponte, he used three overlapping circles to represent computing, printing, and broadcasting [3]. The most rapid growth and innovation, he argued, could be found in the field where the three circles overlap [4]. The concept of “media convergence” has been described in the *technologies of freedom* of Ithiel De Sola Pool [5], he has described this phenomenon as the convergence of modes. The convergence of historically separated communication methods, like broadcasting, publishing, data-processing and point-to-point communications, has become possible because of the emergence of advanced micro-electronics and digital technologies [6].

With the increasing development of media convergence, which promotes industrial convergence, the links between different industries have become closer. The best-selling novels being adapted for the “big screen,” films being turned into video games. These phenomena could be regarded as examples of industry convergence, defined as the blurring of boundaries between different industries [7]. In the information age with the Internet as the carrier, industry convergence starts from the inside of the information industry and then spreads to other industries. And industry convergence also laid the groundwork for cultural adaptation strategy.

The technological background of media convergence and the phenomenon of industry convergence primarily promote the emergence of cultural adaptation strategy, whose essence is to adapt content to different communication channels and forms. And this content is aimed at “Intellectual Property” or “IP”

for short in China, which is part of the lingo in today's entertainment industry in China [8]. According to CGTN, "IP can be a story or a concept that could be adapted into a movie, television series, computer games and any other commercial derived products and applications" [9]. These phenomenon's can be conceptualized as a brand extension, which refers to using an established brand in entering a different product class [10]. As extended brands, cultural adaptations enjoy certain benefits, which can leverage the established brand equity of the parent company [11]. Besides, when the strategy of brand extension is adopted, cultural proximity must be considered, otherwise it will produce cultural discounts and affect the effect of communication. From an economic perspective, according to Felbermayr and Toubal, [12] "Cultural proximity is an important determinant of bilateral trade volumes." The definition of cultural adaptation can be conceptualized as a brand extension based on ensuring cultural proximity. The increasing popularity of cultural adaptation strategy in the media business in recent years is influenced by a combination of media industry characteristics.

2. The characteristics of the media industry

The media industry has several distinctive economic attributes such as the high sunk costs, the unpredictability of their demand, their intangible nature, and the specifics of their cost structure.

2.1. High risk

In the media industry, which is a notoriously high risk, the risk of investment failure is very high. The reason for the high risk in the media industry is the combination of high sunk costs and unpredictability of their demand.

All media can be characterized as a single (such as books, movies, video games, music) or continuous creation (such as newspapers and magazines) products, and as focusing on its business dynamic [13]. Media are "experience goods," only when it is consumed can the quality be known. Before that, a vast sunk cost has been invested. While in the retail industry, when the profit is reduced, the loss can be reduced by reducing the purchase of raw materials. For example, if in a cake shop and the cake sales are not suitable, you can stop the loss in time by reducing the purchase of cake raw materials. In relative terms, the total expenditures of the media industry are fixed, no matter how successful their product becomes [14].

The unpredictability of consumers' demand stems from the unpredictable fashion and the power of word of mouth. Besides that, since the supply of products exceeds consumers' needs, consumers have enormous power to determine the success or failure of media products and their pricing in the media market [15]. Compared with traditional industries, consumers play an unprecedentedly important role in the media industry. And because the primary market structure in which media companies operate is an oligopoly, the number of companies in the market is small, making demand dependent on competitors' decisions, leading to more unpredictability [16].

Therefore, cultural adaptation strategy helps the media industry minimize risks and make unpredictable things predictable.

2.2. High return

The most critical value of media products is immaterial/intangible, that means the essence of media products lies in their immaterial (intangible) content, but not in their physical embodiment [17]. In that sense, media products can multiply indefinitely. And it is linked to the particular cost-structure of the media product, where the first copy costs are exceptionally high compared to almost minuscule marginal costs (printing and distributing copies of the newspaper) [18]. This shows the significant difference between the media industry, which is essentially a copy of a prototype, and other traditional industries.

This creates a powerful incentive for media companies to take advantage of economies of scale and scope. “Winner Takes All Markets” is when economies of scale and scope help make markets more concentrated and gain more competitive advantage.

Therefore, in no small extent, cultural adaptation strategies help some leading media companies obtain more revenue and profits as soon as possible, achieve an oligopolistic market structure, and realize the maximum investment.

3. Benefits for using cultural adaptation strategy

3.1. Risk management

On one hand, the strategy of cultural adaptation can produce positive network externalities and reduce risks. As Bhalgat et al. said ^[19], “With the advent of social networks such as Facebook and LinkedIn, and online offers/deals websites, network externalities raise the possibility of marketing and advertising to users based on influence they derive from their neighbors in such networks. Indeed, a user’s knowledge of which of his neighbors “liked” the product, changes his valuation for the product”. The utility that each user obtains from using a particular product is related to the total number of users, which means that the number of network users will rise in a single user’s utility. The concept of network externalities was first proposed by Rohfs (1974), ^[20] who pointed out that network externalities are the source of demand-side economies of scale. Katz and Shapiro defined network externalities as “the value or effect that users obtain from a product or service will bring about more values to consumers with the increase of users, complementary product, or service ^[21].” Therefore, once the user scale reaches a critical number, external benefits will be generated, attracting more users to join ^[22].

The use of culturally adapted works is more likely to produce positive network externalities. Certain types of movies, such as those adapted from books and comics, are still the most successful movies in recent years. Since investors may be familiar with the parent work before the transformation, it is easy to obtain a production budget for such films; also, since the audience is aware of the parent brand of the adaptation, the adaptation can be promoted in a cost-effective manner ^[23]. With the improvement of the investor and audience base, the positive network externalities will be exerted to a greater extent, thereby gaining capital injection and audience attention. With the support of positive network externalities, investment risks can be significantly reduced, and successful risk management can be achieved.

On the other hand, the strategy of cultural adaptation can avoid huge investment and reduce risks. As mentioned above, the media industry is extremely risky, and if the media companies want to avoid risks to a large extent, they can buy a successful concept and avoid extremely high sunk costs. Take television production companies as an example, they reduce risk by purchasing television formats. The format of a TV program is a template or formula. After many years of development, a formal and organized system has been formed, which can draw on program production knowledge from one place and create a TV program in another place ^[24]. To meet the needs of the local audience, customized models have emerged to suit the tastes and prospects of local audiences in a particular territory ^[25].

3.2. Economies of scope

Economies of scope mean that the production of one commodity reduces the cost of producing another related commodity, which occurs when it is more cost-effective to produce more kinds of commodities or services than to produce fewer kinds or to produce a single commodity at the same time ^[26]. In this case, the long-term average and marginal costs of a company, organization, or economy are reduced by producing complementary goods and services ^[27]. In other words, economies of scope refer to the savings and cost efficiency achieved by a company producing more than one product at a time ^[28]. This occurs when the media product is reformatted into a new format and enters a different product class called

vertical integration or product diversification. And media companies that effectively implement cultural adaptation strategies happen to exhibit economies of scope. In economies of scope, if specialist input collected for one product can be reused in another product, there may be cost savings ^[29]. Whenever economies of scope are available to be exploited, diversification will be an economically efficient strategy because compared to a group of single-product companies producing the same output, the total cost of a diversified company is lower ^[20]. Cultural adaptation strategies are becoming more common among media companies because they reflect the superiority of economies of scope. With the development of digitalization, cultural adaptation and economies of scope have become more common.

4. Recommendations

Concerning cultural adaptations, media practitioners must also be careful not to stray into the homogenization, so that only the existing content grabbing is carried out without innovation. When adopting a cultural adaptation strategy, only serious adaptation and artistic recreation can make the work polished to look better, not just consuming the heat of the original work

Disclosure statement

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