

Economic Performance and Business Models in the Chinese Theatre Industry: A Comparison of Wuzhen Water Town and Huichang Theatre Village

Max Zhoutian Wang^{1,a,*}

¹*Dulwich College Beijing, 89 Capital Airport Road, Shunyi District, Beijing, 101300, China*

a. max.wang2007@outlook.com

**corresponding author*

Abstract: The Chinese theatre industry, despite its rich cultural heritage, has been historically overshadowed by other entertainment forms and has faced challenges in adapting to modern market dynamics. This paper explores the economic performance and business models of the Chinese theatre industry through a comparative case analysis of two distinct tourist attractions, Wuzhen Water Town and Huichang Theatre Village. The research methodology includes a review of the industry's historical context, an examination of current economic trends, and the case study analysis of the two venues. The finding reveals that while the industry has shown growth and is gradually embracing commercialization, it still faces significant challenges, including economic sustainability, infrastructure development, and balancing authenticity with commercial interests. The case study highlights unique approaches each venue takes to address these challenges, with Wuzhen focusing on international festivals and Huichang Theatre Village aiming to be a year-round cultural hub. Both venues strive to innovate and adapt to modern audience preferences while preserving their historical and cultural significance. The Chinese theater industry is gradually emphasizing on market and commercialization, while it needs to find a balance between maintaining artistic and commercial success. By learning from the successful experiences of the West, the Chinese theater industry has the potential to achieve sustainable development and contribute economically and culturally.

Keywords: Chinese Theatre Industry, Commercialization, Cultural Heritage, Economic Sustainability, Innovation and Adaptation

1. Introduction

Broadway is an example of the absolute titan of industry theatre is in the US, acting as an international household name; however, when was the last time you've heard of the Chinese theatre industry? In the rapidly developing ecosystem that is modern entertainment, theatre is an often-overlooked form of leisure. Especially in China, where the industry is underdeveloped compared to that of other developed countries. Ever since the founding of the People's Republic of China, the government has gradually nationalized most private performance troops. Under the nationalized system, performers have grown used to a steady income from the state instead of living off performance earnings. Now, the government is calling for the Chinese theatre industry to become more market oriented and

commercialized, pushing performers to think more about their earning potential and reception by audiences. Meanwhile, understanding audiences value and its determinants is key to developing and maintaining long-term relationships with them in the theatre industry [1]. Theatre, as a medium of entertainment, is significant in many ways to cultural preservation, Chinese theatre reflects China's rich history, traditions, and artistic heritage. In terms of economic impact, the industry generates revenue, provides employment, contributes to local economies and artistic innovation. It faces the difficulty of balancing commercial viability with artistic integrity, a challenge faced by theatres worldwide. Wuzhen Water Town and Huichang Theatre Village are both tourist attractions but with creative differences in their approach to theatre; Wuzhen focuses on periodic festivals with an international flair, while Huichang Theatre Village aims to be a permanent hub for theater throughout the year, preserving historical buildings and fostering local talent [1]. This paper aims to present the economic performance and variety of business models in the Chinese Theatre Industry through the comparison of the two.

2. Economic performance of the Chinese theatre industry

The Chinese theatre industry, while often overshadowed by other entertainment forms, has shown remarkable growth in recent years. Theatre has faced challenges in adapting to modern market dynamics. Over the past decade, the industry has experienced consistent expansion, driven by factors such as rising disposable income and urbanization. Major cities like Beijing and Shanghai serve as thriving theatre hubs. Ticket sales remain the primary revenue source for theatres, but additional sources of revenue such as merchandise and concessions also contribute significantly. Sponsorships, government grants, and private investments also play a role in sustaining the industry. This has led to mass complacency—to the performers, it doesn't matter if a performance is well-received by the audience, costs are covered by the state. Thus, many performances have been created to pander to the interests of the performers themselves, and sometimes performances would only commence for specific events and holidays, caring little for the financial performance of their production.

Now, the government is calling for the industry to become more market-oriented, encouraging commercialization, pushing performers to think more about their earning potential and reception by audiences. Commercial performing arts sector is able to improve efficiency by optimizing use of resources and production scale, particularly by the latter [2]. This situation can be described as the survival of the fittest, and high quality works are set to thrive in this environment. However, economic performance varies across regions, with urban centres benefiting from higher audience density and greater disposable income. In contrast, rural areas encounter challenges related to infrastructure, audience engagement, and talent retention. Commercialization is not all-powerful, as theatre also has the unique ability of educating and influencing people—the social effect of theatre must also be considered. To produce a successful work, a production not only needs to be commercially successful, but must also have a positive social impact so that the performance can receive the approval of the party and government, achieving the ideals of the party in terms of entertaining the masses. In summary, the Chinese theatre industry is gradually embracing commercialization while preserving its artistic heritage, aiming to strike a balance between tradition and financial viability.

3. Business models in the Chinese theatre industry

The old business model for the modern Chinese theater industry was for theater tropes to be managed and financially sustained by the state. The state provided performers with a steady paycheck regardless of profit or loss so the performers did not have to worry as much about the earning ability of their work and had more leeway to pursue their own interests. But since the reform and opening up era, the government have pushed theater troops to be more and more commercialized and self-

sufficient. Under this new competitive market-driven environment, the Chinese theater industry was forced to become more aware of cost and income and the reception of the audiences. This situation pushed Chinese theater troops to adopt new innovations, making attempts to improve their commercialization prospects.

Multi-city tours have been a model many troops have adopted, where after producing a show, the group would tour multiple cities. This helps with spreading their name and generates more revenue: since local audiences in each city is limited, touring multiple cities will expand the production to a much larger pool of customers with little risk, increasing potential revenue. One problem with this model is that the costs for these tours are extremely high, with accommodation, travel, food and more; sometimes the revenue generated from them will still result in a net loss, ultimately making the entire process a waste of time and money.

Intimate live performances are a new type of theater that rose up realitively recently in urban centers. In the 2010s, scripted roleplaying became a popular group activity amongst young people in China's major cities. The popularity of this recreational activity inspired some in the theater industry and urban centers soon started offering a new type of theater performances. These performances were held in small, enclosed spaces for small audiences of around 60-120 people. The small venue sizes helped keep down costs and provided an intimate atmosphere. The stages for these performances are often purposely built to be close to the audience, and may extend into the audience seating area, so that the audience would surround the performers. Performer would often walk into the audience and interact with them directly. These performances offered viewers a chance to experience an actor delivering a professional performance up close, helping draw them into the story. This satisfied the demand of young white-collar workers who crave authenticity and artistic entertainment.

The Chinese theater industry have learned to chase current topics of interest in the market. The industry is aware of how hot topics will attract more consumers. For example, the play *Che Guevera* produced in 2000 successfully grasped audience's desire for revolutionary material, a gap in the market. They industry has also increasingly adopted the star power of lead actors, using their influence to draw in more fans. However, celebrities in the Chinese theatre industry are still relatively sparse, the industry need to develop and market these stars better in the future and groom new up-and-comers. In this area, there is much that the Chinese theater industry can still learn from the more developed theater industry of America.

The Chinese theatre industry is also adopting new technology. Streaming is an innovation forced upon the industry by the covid lockdowns. For example, the creation process of the modernized Peking Opera *Xun Yun Feng* was started soon after Chinese New Year in 2020, right at the beginning of the Covid 19 pandemic. Because of the lockdowns and travel restrictions, the writers, producers, directors and actors discussed and edited the script over conference calls. The performance was later streamed to a wide audience online and the ticket price was only 9.9 RMB, a tiny fraction compared to what live theater tickets normally cost. Streaming allowed theater productions to reach a large audience and also save on production costs. For live performances, theater tropes have adopted new displays and projection technology to make their sets and backgrounds look more interactive and realistic, helping to engage the viewers' interest [3].

4. Case study analysis deep dive on Wuzhen Water Town

Wuzhen Water Town boasts over 6,000 years of history, making it a testament to preservation and heritage conservation, a major strength in attracting tourists. The town's unique architecture, with houses made of black bricks and gray tiles contrasting sharply with white walls, resembles a Chinese ink wash drawing. These historical venues serve as authentic backdrops for traditional Chinese performances, including water puppetry, shadow plays, and local operas. As mentioned before, this will not only attract those interested in the plays themselves, but also those interested in the preserved

ancient architecture, and those who are interested in experiencing both simultaneously. Additionally, the site has plenty of cultural tourism opportunities, attracting visitors from Hangzhou, Suzhou, and Shanghai. By staging year-round performances, Wuzhen can become a cultural destination for weekend getaways and sightseeing. Balancing authenticity while managing tourism remains crucial for its long-term success.

5. Case study analysis deep dive on Huichang Theatre Village

In terms of SWOT, Huichang Theatre Village stands out due to its unique concept, a distinct strength. Unlike any other theater setting in the world, it is a real village where the spirit of theatre can be felt in every corner. Founder Stan Lai's vision has transformed historical buildings, some dating back to the Ming Dynasty, into an authentic and culturally rich environment. The partnership between prestigious director Stan Lai and the local government ensures strong support and resources for this ambitious project. Compared to its competitors, the village itself is also adapted for international visitors, with signposts in the village and subtitles in shows in English. Huichang Theater Village also provides vocational education to train technical talents in this industry, which is considered to be the first in China. This fostering of technical talents can provide a great advantage to the continued development of Huichang Theater Village. Right now, the theatre industry is starved for such technical talents, whether a play can be put up nor not depends greatly on if the organizers can hire enough people with the technical expertise to build sets, operate the lighting and sound systems, make costumes and do other behind-the-scenes work. By nurturing such rare talents in house, Huichang Theater Village can sustain high-quality theatre production on site, this supply of technical talents can also help the village build connections with other performers and organizations who need them to produce a play, attracting them to Huichang Theater Village. However, the village faces challenges due to its weaknesses. Being a rural settlement, attracting a consistent audience might prove difficult. Additionally, plays are performed in the dialect of the local area, this local Huichang dialect is hard for non-locals to understand and could create a language barrier for out of town visitors who want to fully understand the performances. Yet, there are exciting opportunities. The Huichang Theatre Village can boost Huichang's culture and tourism industries. By staging performances throughout the year, it can become a cultural destination for weekend getaways and sightseeing for audiences of all ages. Still, there are threats to consider. Other established theater destinations may compete for tourists and performers. Ensuring sustainable operations and funding ongoing performances will be critical for the village's long-term success.

6. Challenges faced by Chinese theatre 'Villages'

Both villages suffer from their own unique challenges, they are also faced with disadvantages bearing down on the industry as a whole, ranging from economic sustainability to infrastructure and more.

Huichang Theatre Village has faced challenges in securing consistent funding. Situated in a remote area, it lacks the visibility and financial support that more accessible locations might enjoy. However, the local government has stepped in to establish a fund aimed at attracting artists from around the world to be based in the village long term [4]. The commitment to improving overall planning, quality, supporting facilities, services, and marketing is essential for the village's sustainability. By addressing these aspects, they hope to create a thriving artistic community that can sustain itself over time. Wuzhen Water Town has successfully capitalized on its historical charm and tourist appeal. However, its commercialism is evident, with relatively high entrance fees for visitors. Tickets range from 100RMB for the east section to 150RMB for both sections, and restaurants can be overpriced [5]. The challenge lies in balancing preservation efforts with the need for revenue. While the town's popularity

ensures a steady flow of tourists, maintaining authenticity and avoiding excessive commercialization are ongoing concerns.

In terms of revenue fluctuations, Huichang Theatre Village benefits from its unique positioning. While it may not experience the same seasonal tourism peaks as more famous destinations, it offers a different kind of experience. Visitors come specifically for the theater, contributing to a steady stream of revenue. However, the challenge lies in maintaining this flow consistently throughout the year. The village's revenue may be less susceptible to seasonal fluctuations compared to more tourist-driven locations. Instead of relying solely on peak seasons, it aims to attract theater enthusiasts year-round, creating a more stable income base. Wuzhen Water Town also experiences significant seasonal tourism. Its popularity peaks during holidays and weekends, leading to crowded streets and bustling markets. As water is a main attraction of the area, the town must pivot their strategies when winter arrives and the water becomes frozen and less desirable. The town draws visitors across all backgrounds, but this influx can be overwhelming at times. The revenue stream heavily depends on these seasonal fluctuations. During peak times, businesses thrive, but off-peak periods may pose challenges. Balancing preservation efforts with economic sustainability remains crucial.

Another challenge both businesses face is the infrastructure and development, with aging facilities and questionable accessibility. Huichang's relative remoteness poses accessibility challenges. Visitors from outside Jiangxi Province typically need to reach Ganzhou city by plane or train and then take a two-hour car or bus ride to the village. The lack of direct flights and the nearest airport being a two-hour drive away may deter some travelers. Therefore, many might not consider opportunity cost worthy, limiting the village from tourists. Wuzhen, on the other hand, lacks a proper airport or train station for direct transport, but has tried to make up for this by having buses in the town itself for better accessibility. This still does not make up for the lack of direct transport, but Wuzhen does lie at the center of Shanghai, Hangzhou, and Suzhou, making areas around it easily accessible via expressways and highways, where tourists can then catch a bus or car to the town itself. In summary, both Huichang Theatre Village and Wuzhen Water Town face distinct accessibility challenges related to direct transportation.

As massive areas acting as tourist attractions, both theatre villages need to be wary of their environmental impact. While technological advancements improve efficiency and convenience, they also have environmental implications. The installation and maintenance of smart infrastructure require energy and resources. The influx of tourists and increased urbanization may strain local ecosystems, affecting water quality, waste management, and green spaces. Sustainable practices are essential to mitigate these impacts. Balancing modernization with environmental impact is crucial. Both businesses have strived to decrease their negative environmental impact as much as possible. Huichang Theatre Village encourages cashless payments and offers innovative travel experiences, such as intelligent facial recognition, self-guided audio tours, and smart parking systems. These initiatives enhance visitor convenience while minimizing environmental impact. Wuzhen also encourages these initiatives, and in 2009 it was even designated as the first PATA eco-tourism destination in Mainland China [6-10].

7. Conclusion

In conclusion, the research provides an in-depth analysis of the Chinese theatre industry, focusing on its economic performance, business models, and the unique strategies employed by Wuzhen Water Town and Huichang Theatre Village. The findings underscore the industry's transition from a state-supported system to a more market-oriented approach, highlighting the cultural and economic significance of theatre in China. The study also reveals the challenges and opportunities faced by these venues in their pursuit of commercial viability and cultural preservation.

Meanwhile, the Chinese theatre industry is confronted with several key issues. Economic sustainability is a pressing concern, with the need to balance ticket sales, merchandise, and sponsorships against the costs of production. Meanwhile, infrastructure and accessibility present significant hurdles, particularly for rural venues like Huichang Theatre Village. Also, audience engagement is another challenge, with the industry needing to attract and retain talent while also catering to the tastes of a diverse and volatile modern audience. Additionally, there is a need to manage the environmental impact of tourism and urbanization, ensuring sustainable practices that do not compromise the integrity of the venues or their surroundings.

To address these challenges, there are several strategic suggestions. Firstly, the industry should continue to embrace commercialization while ensuring that the cultural and artistic integrity of performances is not compromised. This includes leveraging the star power of performers and aligning with current market trends to attract a broader audience. Secondly, there is a need to improve infrastructure and accessibility to make theatre venues more reachable for a wider audience. This could involve enhancing transportation links and facilities within the venues themselves. Thirdly, the industry should focus on diversification and innovation, exploring new forms of theatre and performance styles that can cater to different consumer preferences and price points. Lastly, sustainable practices should be adopted to mitigate the environmental impact of theatre tourism, balancing modernization efforts with the preservation of local ecosystems and cultural heritage.

The research significance of this paper lies in its multifaceted impact on the Chinese theatre industry and the broader business ecosystem. Here are several key areas where the paper's findings and analysis contribute significant business value:

Industry Development: The paper provides a comprehensive overview of the Chinese theatre industry's current state and potential for growth. By identifying trends, challenges, and opportunities, it offers a roadmap for the industry's evolution, helping stakeholders understand where to focus efforts for sustainable development. **Strategic Planning for Companies:** Companies within the theatre industry can leverage the insights from this paper to formulate strategic plans. Understanding the importance of commercialization, audience engagement, and environmental sustainability can guide companies in making informed decisions about production, marketing, and operational strategies.

Market Orientation: The push towards a market-oriented approach can help theatre companies become more competitive and responsive to audience preferences. Focusing on the market instead of the product puts the consumer's needs first, which is especially important for an experience like watching theatre, as the product itself needs to retain the attention of customers continuously. This research can aid in identifying new market segments and tailoring performances to meet the demands of a diverse audience base.

Innovation and Adaptation: The paper encourages innovation within the industry by highlighting the need for diversification and adapting to modern trends. This can lead to the creation of new performance styles, business models, and technologies that can revitalize the industry and attract new audiences.

Cultural Preservation and Promotion: By emphasizing the importance of cultural heritage, the paper underscores the role of theatre in preserving and promoting Chinese culture. This can lead to a better understanding of theater's cultural tourism value and economic impact. **Economic Impact:** The growth of the theatre industry can have a positive economic impact by generating revenue, creating jobs, and contributing to local economies. The paper's analysis can help in identifying areas for investment and development that can stimulate economic activity.

Environmental Sustainability: The paper's focus on environmental sustainability can guide theatre companies towards adopting eco-friendly practices. This not only benefits the environment but can also enhance a company's image and appeal to environmentally conscious consumers.

Government Policy and Support: The findings can inform government policies and initiatives aimed at supporting the arts and cultural sectors. By understanding the industry's needs and challenges, policymakers can develop targeted programs and incentives to foster growth and sustainability.

Education and Training: The paper can serve as a valuable resource for educational institutions and training programs in the performing arts. It can help shape curricula that prepare the next generation of theatre professionals for the realities of a market-oriented industry.

Problem-Solving: The paper identifies specific challenges faced by the industry, such as economic sustainability, infrastructure, and audience engagement. By providing a detailed analysis of these issues, the paper offers a basis for developing targeted solutions and strategies to overcome them.

In summary, the research significance of this paper extends beyond academic interest to offer tangible business value. It provides actionable insights for industry development, strategic planning, innovation, cultural promotion, economic growth, environmental sustainability, policy formulation, education, and problem-solving, ultimately contributing to the vibrancy and sustainability of the Chinese theatre industry.

The primary limitation of this research is the reliance on secondary data sources and a limited comparison between only two cases, this may contain the depth of insights and the ability to generalize the results to the broader industry. Also, the paper does not provide extensive quantitative data or statistical analysis to support the findings, as well as the audience feedback, leading a lack of understanding from the perspective of the audience.

In further studies, more primary data should be adopted according to our own research. Meanwhile, more theater villages or practices in this industry should be included to provide a comprehensive overview for the Chinese theater industry. From another perspective, audience feedback should also be collected since they are the customers and symbolize future preference in this industry.

References

- [1] Dovalienė, A., & Virvilaitė, R. (2008). Customer value and its contribution to the longevity of relationship with service provider: the case of theatre industry. *Engineering Economics*, 56(1).
- [2] Wu, J., Jiang, K., & Yuan, C. (2020). Market-Oriented Reforms, Economic Efficiency and Commercial Performing Arts in China. *The Journal of Arts Management, Law, and Society*, 50(1), 33-51.
- [3] Ma, M., & Liu, Y. (2024). Digital Economy and Baumol's Cost Disease of Performing Arts: An Empirical Research in China. *The Journal of Arts Management, Law, and Society*, 1-24.
- [4] Sun, S., Tang, Y., & Deng, Z. (n.d.). Huichang theater villages a stage for more vibrant future. *Www.chinadailyglobal.com*. Retrieved May 25, 2024, from <http://www.chinadailyglobal.com/a/202405/22/WS664d29d0a31082fc043c8616.html>
- [5] Group, S. M. (n.d.). Battle of the water towns. *Www.timeoutshanghai.com*. Retrieved May 25, 2024, from http://timeoutshanghai.com/features/Travel-Weekend_breaks/1679/Battle-of-the-water-towns.html
- [6] Yuezhu, C., & Ying, T. (2024, January 18). A global village where the world's a stage. *Chinadailyhk*. <https://www.chinadailyhk.com/hk/article/372171>
- [7] On the commercial operation of theatre performances in China (Full text). (2023). http://www.360doc.com/content/23/0923/00/47720639_1097537199.shtml
- [8] Wuzhen Water Town, Hangzhou, Zhejiang China: Things to Do. (n.d.). <https://www.travelchinaguide.com/attraction/zhejiang/hangzhou/wuzhen.htm>
- [9] Yue, M. (n.d.). Theater maestro Stan Lai lights up father's hometown with new Theater Village. *SHINE*. <https://www.shine.cn/feature/art-culture/2401082101/>
- [10] Mumford, M. (2013). Rimini Protokoll's Reality Theatre and Intercultural Encounter: Towards an Ethical Art of Partial Proximity. *Contemporary Theatre Review*, 23(2), 153–165. <https://doi.org/10.1080/10486801.2013.777057>