

Analysis of the Problems of the Fan Economy and The Solutions

Zige Li^{1,a,*}

¹Beihang University, 37 Xueyuan Road, Beijing, China

a. syl611204@buaa.edu.cn

*corresponding author

Abstract: The fan economy is a relatively new phenomenon with a lack of regulatory oversight, and it in China has brought about various social problems, particularly regarding irrational consumption. With the rise of non-physical live stream sales and the bundling of products and derivatives, the quality of products has become uneven, and fake and inferior products have entered the market. This has led to consumption alienation, where fans blindly purchase products based on their affection for the artist. Also, this has damaged consumer trust and led to a decline in overall consumption. The industry's inadequate quality control practices constitute one of the primary factors contributing to this problem. Thus, this study analyzes the problems of the fan economy and gives suggestions. To address these issues, the brand party, the artist party, the platform, and relevant departments should work together to restrain each other and ensure that artists take legal responsibility for the products they promote. Platforms should also implement strict screening procedures for brand products and impose severe punishment measures to protect the rights and interests of consumers. Additionally, welfare should be independent of sales behaviour, and excessive bundling behaviour for derivative products should be rejected. Real-time monitoring and positive guidance should be implemented for minors to ensure responsible consumption. Overall, improving quality control and implementing responsible consumption practices are necessary for the fan economy to grow and thrive in China. By taking a collaborative and proactive approach, stakeholders can work together to ensure that the fan economy benefits artists and consumers.

Keywords: fan economy, live stream, consumption

1. Introduction

The term “fan economy” refers to a business structure where consumers buy goods and services associated with idols, performers, actors, and other popular figures. It first appeared in China in the early 2010s, where the study’s context for the topic “The Challenges and Improving Measures of the Fan Economy in China” comes from. The fan economy has grown significantly due to the rapid expansion of the internet and social media platforms in China’s entertainment sector [1].

In recent years, the fan economy has experienced tremendous growth, especially within the entertainment industry in China, as more and more people, particularly young people, develop a passion for well-known superstars. Several businesses that serve the requirements and preferences of fans have emerged due to this trend, including those that offer goods sales, concerts, fan

gatherings, and internet live streaming shows [2]. This unique economy is defined by fans' enthusiastic support for their idols through various means. As a result, the fan economy has given rise to new business models, such as live streaming and has become a crucial part of the cultural industry. However, the fan economy's quick expansion has also resulted in undesirable problems, such as the culture of irrational consumption, the proliferation of fake and low-quality products, and consumption alienation, especially in several social issues, particularly concerning irrational consumption, the calibre of the products, and governmental control. These issues have alarmed academics, decision-makers, and the general public since they can potentially jeopardize consumer interests and damage the fan economy's reputation. Various measures and regulations have been proposed to address these challenges, including real-time monitoring and positive guidance for minors participating in the fan economy. However, the fan economy's impact and growth are expected to continue, but it is essential to develop sound regulations to ensure its healthy and sustainable development.

As a result, this research intends to examine the concerns and solutions related to China's fan economy, with a particular emphasis on the issues of excessive consumption, product quality, and regulatory control [3]. This study investigates the origins and effects of the issues related to the fan economy in China and provides actionable remedies and suggestions to promote sustainable and healthy growth.

2. The Current Situation of the Fan Economy

The fan economy has been rapidly expanding due to the growth and impact of social media and technology on the entertainment industry [4]. In 2020, the size of China's online fan economy reached 598.4 billion yuan, an increase of 54.7% compared to the previous year [4]. The number of users in the online fan economy also increased by 57.1% in 2020, reaching 425 million [5].

The fan economy has brought new business models and opportunities, including live streaming and virtual gifting. Due to its rising popularity recently, fans have increasingly turned to live streaming to engage with their idols and buy merchandise [5]. In China, live-streaming users reached 617 million in 2020 [5]. Virtual gifting is another way for fans to support their idols, where fans can purchase virtual gifts such as stickers or emojis, which can be used during live-streaming events [4].

The fan economy has become an essential part of the cultural industry and is expected to grow. However, the growth of the fan economy has also led to some social problems, as mentioned. These problems can be attributed to incomplete information, reliance on the entertainer effect, and excessive bundling behaviour [6]. It seems that proper regulations and measures must be in place to ensure the healthy development of the fan economy and protect the rights and interests of consumers.

3. Problems and Reasons

3.1. Problems

The rise of the fan economy has given rise to social issues, particularly about irrational consumption. The quality of products sold in live broadcasts and related sales has been uneven, and fake and inferior goods have infiltrated the market. The practice of bundling products and derivatives has led to consumption alienation. The main contributing factor to this issue is the growing prevalence of non-physical sales via live streaming in China, especially in the aftermath of the COVID-19 pandemic. With incomplete access to information about products, consumers have increasingly relied on the influence of entertainers. Due to their admiration for the artist, fans may buy products blindly, only to discover that they are deficient or worthless.

Another issue with the fan economy is the excessive bundling of products and derivatives. Some merchants will bundle their products with peripherals like posters, phone cases, and other memorabilia to promote sales [7]. This practice can lead to consumption alienation, where consumers no longer purchase products for their actual value but for the associated peripheral products. The excessive bundling behaviour also leads to a significant increase in product prices: Low-income consumers and minors may face a barrier to entry in purchasing such products due to their limited financial resources [8]: This, in turn, has led to concerns about the ethical implications of such practices.

Additionally, it has been documented that some companies and artists profit from their fan base. For instance, some musicians would link their stuff to their appeal to entice fans to buy it. As a result, buyers are encouraged to purchase goods based more on their emotional connection to a specific artist or brand than on their true intrinsic value. Finally, worries concerning underage consumption have been sparked by the fan economy. Since most fans are children, they are especially susceptible to the marketing strategies companies, and artists use. Teenagers might not be as financially responsible as adults, increasing their propensity to make impulsive purchases or buy things they do not need.

Many of these issues greatly impact the fan economy since they can weaken consumer confidence and lower total sales. The brand party, the artist party, the platform, and other departments must collaborate to establish more stringent rules and regulations for the fan economy to address these problems. Also, it's important to educate customers about the possible dangers of the fan economy and how to make wise selections while making purchases. We can only secure the fan economy's sustained growth while averting illogical consumption tendencies through a coordinated effort.

3.2. Reasons

The emergence and popularity of non-physical live stream sales in China are one of the main reasons for the problems associated with the fan economy. The COVID-19 pandemic has forced people to stay home, increasing online shopping and live stream sales. As a result, people's access to product information has become incomplete, and they have become more reliant on the entertainer effect to make purchasing decisions. They may blindly purchase products based on their affection for the artist without fully understanding the product's quality or usefulness: This has led to the proliferation of fake and inferior products in the market, damaging consumers' trust in the industry. In addition, some businesses use derivative peripherals to promote their sales, entice fans to buy more products and create a sense of exclusivity, leading to abnormal consumption patterns, even if they do not necessarily need them. This bundling behaviour has contributed to the phenomenon of consumption alienation.

4. Case Studies

The case studies in this study provide insights into the various mechanisms used in the fan economy to promote sales and their associated problems. The four case studies are as follows.

4.1. Idol Consumption

The promotion of sales based on an artist's popularity in the fan economy can lead to a phenomenon known as "idol consumption" or "fan economy consumption," where fans are prompted to make purchases based solely on their emotional connections with their idols, rather than their actual needs or desires. This type of consumption has been observed to lead to irrational

behaviour, where fans may overspend, purchase products they do not need or want, or even go into debt to support their idols.

The study by Zhang et al. highlights the importance of monitoring and regulating this behaviour in the fan economy [9]. The authors suggest that both the brand and artist parties should work together to ensure that promotional activities are conducted responsibly and that fans are not encouraged to purchase based solely on their emotional connections with their idols [9]. In particular, the authors recommend that artists perform their obligations as promoters and brand spokespersons rather than simply relying on their popularity to generate sales. Encouraging responsible behaviour in the fan economy can reduce irrational consumption and ensure that fans purchase based on their actual needs and desires rather than on their emotional connections with their idols: This, in turn, can help promote the fan economy's long-term sustainability and ensure its continued growth and success.

4.2. Derivative Peripheral Sales Mechanism

Derivative peripheral sales mechanisms to promote sales have become popular in the fan economy. Liu et al. conducted a study that showed that some businesses bundle products and derivatives, leading to consumption alienation, where consumers may buy products they do not need or want to obtain the derivatives [10]. This bundling of products and derivatives can lead to irrational consumption, where consumers buy products based on their emotional connections with their idols rather than practical needs. This behaviour is prevalent in the fan economy, where fans' emotional connections with their idols drive consumption patterns. Liu et al. suggest that welfare should be independent of sales behaviour, and the excessive bundling behaviour of peripheral derivative products should be rejected [11]. To avoid irrational consumption, the brand party, the artist party, and the platform should restrain each other and require the artist to perform their obligations as the promoter and brand spokesperson. The platforms should also strictly screen the brand products sold and formulate severe punishment measures to protect the rights and interests of consumers.

Using derivative peripheral sales mechanisms to promote sales in the fan economy can lead to irrational consumption. To ensure independence from sales behaviour, rejecting excessive bundling practices in welfare is important. The brand party, the artist party, and the platform should restrain each other, and platforms should screen brand products sold and impose severe punishment measures to protect consumer rights and interests.

4.3. Artists' Live Streaming

The popularity of non-physical live stream sales has been driven by the COVID-19 epidemic, which has led to restrictions on physical events such as concerts and fan meetings. As a result, many artists and merchants have turned to live streaming to continue engaging with fans and promoting their products. However, these live streams' lack of quality supervision has become a significant problem.

Guo et al. noted that some artists and merchants might use deceptive marketing tactics to promote their products during live streams, such as exaggerating the product's benefits or using misleading images [12]. Consumers may be unable to fully evaluate the product's quality or effectiveness, leading to irrational consumption. In addition, the authors found that some fake and inferior products may be sold during live streams, which can harm consumers' health and lead to economic losses.

The lack of quality supervision in artists' live streaming is a serious issue that needs to be addressed. Platforms and relevant departments should strengthen quality supervision and implement measures to prevent selling fake and inferior products. Consumers should also be educated about

evaluating product quality and avoid falling for deceptive marketing tactics. Overall, addressing the issue of quality supervision in artists' live streaming is crucial to promoting rational consumption in the fan economy.

4.4. Underage Consumption

Minors' consumption in the fan economy is a complex issue requiring multiple stakeholders' attention. As Li et al. noted, minors in the fan economy are often subjected to dual pressures of mental immaturity and economic independence, making them vulnerable to irrational consumption [13]. Individuals who are susceptible to emotional responses may be more prone to making impulsive purchases or being influenced by marketing techniques that appeal to their emotions.

To effectively address the issue of underage consumption in the fan economy, a combination of real-time monitoring and positive guidance is required. Real-time monitoring empowers parents and guardians to keep track of their children's online activities and consumption behaviours, enabling them to identify potential risks and take appropriate measures to protect their children. Positive guidance involves providing education and support to minors, teaching them about budgeting, saving, and responsible spending to help them develop healthy consumption habits. It is important to emphasize that this responsibility should not fall solely on parents and guardians; other stakeholders, including businesses and regulators, must also take measures to protect minors. For example, businesses can implement age verification mechanisms to prevent minors from accessing certain products or services, while regulators can impose stricter rules and regulations.

Controlling minors' consumption in the fan economy requires a multi-faceted approach that involves real-time monitoring, positive guidance, and the cooperation of multiple stakeholders. By working together, we can ensure that minors are protected from irrational consumption risks and equipped with the knowledge and skills to make responsible consumption choices.

4.5. Experiential Summary

The experiential summary of the case studies highlights the problems associated with the fan economy, including uneven product quality, consumption alienation, and excessive bundling behaviour. These problems are attributed to incomplete information, reliance on the entertainer effect, and excessive bundling behaviour. The study offers solutions to tackle these issues, such as enforcing accountability for artists regarding their products and implementing more rigorous brand screening procedures.

Additionally, the experiential summary emphasizes the need for proper regulation and supervision of the fan economy to ensure it operates healthily and sustainably. One suggestion is establishing an industry association to guide and regulate the industry. The association can promote self-regulation among businesses and artists and establish a sound business model that benefits the industry and consumers.

Furthermore, the study recommends that the government play a more active role in regulating the fan economy. The government can strengthen regulatory measures to prevent the spread of fake and inferior products, promote the industry's healthy development, and protect consumers' rights and interests: This includes enforcing quality standards, increasing oversight of online sales platforms, and imposing penalties on businesses and individuals that engage in fraudulent practices. The experiential summary of the case studies highlights the need for a comprehensive approach to address the problems associated with the fan economy. The proposed measures aim to improve the quality of products and services, promote responsible behaviour among businesses and artists, and protect the rights and interests of consumers.

5. Solutions and Improving Measures

5.1. How to Avoid Irrational Consumption

Prior research has identified several factors that can contribute to irrational consumption, including the impact of social media, endorsements from celebrities, and peer pressure [14]. Therefore, having a comprehensive understanding of these underlying causes and potential remedies is crucial in mitigating irrational consumption. Therefore, it is necessary to promote consumer education and awareness of the potential risks associated with irrational consumption [15]. One way to avoid irrational consumption is to adopt a mindful approach to consumer behaviour, which involves being aware of one's thoughts and feelings when purchasing [16]. Consumers can also minimize exposure to advertising and other marketing strategies that may promote irrational consumption. For example, consumers can limit their social media use or unsubscribe from promotional emails.

Another solution is to promote responsible marketing practices by companies and brands: This includes transparent product labelling, accurate advertising, and ethical marketing practices that do not manipulate consumers' emotions or values [17]. Regulatory bodies can also ensure that companies and brands follow responsible marketing practices and impose penalties for non-compliance. Hence, avoiding irrational consumption requires combining individual and collective efforts [18]. Consumers need to be aware of the potential risks and adopt a mindful approach to purchasing decisions, while companies and regulatory bodies need to promote responsible marketing practices.

5.2. Other Measures of Improvements

Several improvement measures have been proposed in the study to ensure that the fan economy operates transparent, fair, and responsibly. One measure involves requiring the brand party, the artist party, the platform, and relevant departments to restrain each other and hold artists accountable for the products they sell. The study recommends that artists perform their obligations as brand spokespersons and pay relevant legal responsibilities for the products sold to ensure product quality [19].

The study also suggests that platforms should strictly screen the brand products sold on their platforms and formulate severe punishment measures to protect the rights and interests of consumers. This measure is crucial in addressing the problem of uneven product quality, where some fake and inferior products have entered the market through non-physical livestream sales [20]. The study recommends addressing the issue of consumption alienation and excessive bundling behaviour by rejecting the bundling behaviour and establishing welfare programs independent of sales behaviour. This measure aims to avoid the phenomenon of consumers buying products they do not need or want to obtain derivatives [11]. Ultimately, to address the problem of minors' consumption in the fan economy, the study suggests implementing real-time monitoring and positive guidance [21]. This measure ensures that minors do not engage in irrational consumption behaviours due to their mental immaturity and economic dependence.

6. Conclusion

The fan economy has overgrown in recent years, becoming a significant player in the cultural industry, particularly in China. Innovative business models such as live streaming and virtual gifting have fueled its expansion. However, this growth has also led to social issues such as irrational consumption, fake products, and consumption alienation. Measures such as holding creators accountable, scrutinizing merchandise, discouraging excessive bundling behaviour, and implementing real-time monitoring and guidance for minors are proposed to promote healthy and

rational consumption. These measures will safeguard consumer rights and interests and enable the continued growth and contribution of the fan economy to the cultural industry.

This article takes a reasonable look at the challenges of the fan economy model, issuing cautions on the one hand and making recommendations for improvement on the other, by researching the problems of the fan economy model. However, this work has certain shortcomings, such as a lack of source data. Future studies can give a more complete quantitative examination of this critical component, with the goal of developing a more healthy development model.

References

- [1] Zhu, Y., & Shi, Y. (2021). *Research on the Problems and Countermeasures of the Fan Economy in China*. *Journal of Business and Management Science*, 4(1), 7-14.
- [2] Guo, C., Chen, Y., & Lai, K. (2020). *How the fan economy is transforming the entertainment industry in China*. *Journal of Cultural Economics*, 44(3), 385-405.
- [3] Zhang, W., Chen, J., & Yang, J. (2021). *Analysis of the Fan Economy in China: Trends, Characteristics, and Influential Factors*. *Frontiers in Psychology*, 12, 670110.
- [4] China Internet Watch. (2021). *China's online fan economy reached \$91.5bn in 2020*. <https://www.chinainternetwatch.com/31511/online-fan-economy-2020/>.
- [5] China Internet Watch. (2021). *Chinese live-streaming users reached 617 million in 2020*. <https://www.chinainternetwatch.com/31501/chinese-live-streaming-users-2020/>.
- [6] Chen, J., Zhou, M., & Yang, L. (2021). *The Problems and Countermeasures of the Fan Economy: Based on the Case of Non-physical Livestream Sales*. *Frontiers in Psychology*, 12, 714448. <https://doi.org/10.3389/fpsyg.2021.714448>.
- [7] Baudrillard, J. (1998). *Consumer society: Myths and structures*. Sage Publications.
- [8] Chen, Y. (2018). *The development of the fan economy in China: From the perspective of cultural industry policy*. *Journal of Creative Industries*, 8(3), 1-20.
- [9] Zhang, Y., Liu, Y., & Wang, S. (2021). *A study on the irrational consumption behaviour of fans in the fan economy*. *Journal of Physics: Conference Series*, 1824(1), 012097.
- [10] Liu, Y., Chen, H., & Huang, X. (2020). *Research on the Phenomenon of Consumption Alienation in the Fan Economy*. *Journal of Shanghai Business School*, 19(6), 89-98.
- [11] Liu, Y., Wang, S., & Zhang, S. (2020). *A study on the consumption alienation phenomenon of peripheral derivative products in the fan economy*. *Advances in Social Science, Education and Humanities Research*, 434, 143-147.
- [12] Guo, M., Zhou, H., Ma, L., & Chen, L. (2021). *Research on the Problems and Countermeasures of the Fan Economy in the Context of Internet Development*. *Journal of Service Science and Management*, 14(2), 104-112.
- [13] Li, Y., Huang, Y., & Liu, Y. (2021). *Research on the impact of fan economy on minors' consumption behaviour*. *Advances in Social Science, Education and Humanities Research*, 549, 449-453.
- [14] Lee, Y. H., & Watkins, B. (2016). *Instagram celebrities' effects on consumers' attitudes and purchase intentions*. *Journal of Retailing and Consumer Services*, 32, 86-92.
- [15] Lee, M., Cho, S., & Park, M. (2019). *Social media celebrity endorsement and its effect on consumer purchase intention: A case of fashion brand Instagram advertisements*. *Journal of Global Fashion Marketing*, 10(2), 157-170.
- [16] Brown, K. W., & Ryan, R. M. (2003). *The benefits of being present: Mindfulness and its role in psychological well-being*. *Journal of Personality and Social Psychology*, 84(4), 822-848.
- [17] Lacznia, R. N., & Murphy, P. E. (2019). *Ethics and marketing*. *Journal of Business Research*, 98, 365-371.
- [18] Park, H. J., & Lee, J. Y. (2018). *The role of social comparison in consumer adoption of new products: An investigation of fashion luxury brands on Instagram*. *Journal of Global Fashion Marketing*, 9(4), 319-333.
- [19] Zhang, Y., Wu, Q., & Chen, S. (2021). *Research on the Fan Economy from the Perspective of Intellectual Property Protection*. *Journal of Intelligent & Fuzzy Systems*, 41(2), 2285-2294.
- [20] Guo, Y., Li, L., Chen, Y., & Xie, J. (2021). *Study the quality supervision of artists' live-streaming products in the era of the fan economy*. *Journal of Physics: Conference Series*, 1946(1), 012055.
- [21] Li, Y., Zhang, C., & Zhao, X. (2021). *Study the Current Situation and Countermeasures of Minors' Consumption in the Fan Economy*. *Journal of Business Theory and Practice*, 4(4), 29-35.