

Under China's Platform Economy: How Online Literature Platforms' Monetization Strategies and IP Derivative Development Shape Market Performance and Industry Sustainability

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Abstract

The two central topics to be addressed in this context, given the increasingly extensive digital reading, are how online literature platforms' monetization strategies and IP derivative development shape market performance and industry sustainability.

It employs a methodological approach of comparative analysis of competitive cases. A systematic review of specialized literature resources, such as Google Scholar and CNKI, identifies the distinctive characteristics of Jinjiang Literature City and Tomato Novel in aspects including community building and business models.

The Jinjiang Literature City has promoted high-quality content and loyal user bases, yet has been embroiled in many disputes because of its poor response to piracy. Tomato Novel relies on free reading to rapidly expand its market, but risks homogenization of content and the production of

including profitability and quality of content in each platform.

Keywords

Platform monetization; Community engagement; Fan economy; IP derivatives; Governance; Online literature; Comparative case study

Introduction

In recent years, due to rapid technological progress and the widespread use of electronic devices, online literature has become one of the key factors in traffic generation and revenue generation through gross sales. Platform economics theory can help in the competitive performance and adaptation of online literature platforms within the Chinese market, and how varying monetization strategies of those platforms shape their market outcomes. Online literature bears the risks of increasing content homogenization and frequent piracy and infringement. In view of this situation, this paper will analyze and attempt to identify the main

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low-quality works. More importantly, the healthy development of the industry depends on the dynamic balance in multiple dimensions,

profit models of Chinese online literature platforms; make a critical evaluation of their performances; and analyze the shortcomings of those models from an economic viewpoint. By

comparative analysis, this paper will then summarize lessons learned and propose effective recommendations and actionable measures that may be adopted in different scenarios. In this respect, the paper mainly explores two themes: the performance of different online literature platforms' profit strategies in the Chinese market and IP derivative development under the platform economy model regarding the sustainability of the online literary industry.

My thesis consists of four thematic chapters: Introduction, Literature Review, Case Study, and Conclusion. With the rapid development of the platform economy and online literature against the background of the internet era, increasing attention has been focused on online literature. The core of my research was studying economic articles on Google, mainly about two-sided market theory and the long-tail effect, while writing. Combining these theories, through a comparative study of the two relatively famous online platforms, Jingjiang Literature City and Tomato Novel, the paper explores the profit models of Chinese online literature platforms and their advantages and disadvantages. In addition, there are several recommendations and formulated solutions to make up for their shortcomings.

Literature review

Business Model and Marketing Strategy

Platform economy and digital economy

Platform refers to a commercial organizational form that enables interdependent bilateral or multilateral entities to interact under specific rules provided by a specific carrier through

network information technology, in order to jointly create value (Yin et al., 2022). The platform economy is a typical two-sided market or multiple-sided market, so it has the common characteristics of multiple-sided markets, but its Internet operation characteristics also give it more unique characteristics (Chen et al., 2022). According to Acs (2020), "Digital technology infrastructure enables the platform economy to function", so as the society has developed, the model ought to be coordinated with the digital

economy promoted by the state in China, characterized by:

The first feature is big-scale digitization. According to Digital China Development Report (2024), by the end of 2024, approximately 250 million users had adopted generative AI, equivalent to one in every 5.6 Chinese citizens utilizing AI tools. In addition, the scale of core digital economy industries has steadily expanded, accounting for around 10% of GDP. Over 90% of key monitored indicators for the digital sector achieved year-on-year growth.

The second characteristic is the policy promotion. For instance, "the E-commerce Law establishes the 'report and response' mechanism to ensure the protection of IP rights" (You, 2020). And when Chinese online novels go global, the Chinese government has also established rules and laws to protect the legitimate rights and interests of authors and related personnel. With regard to extraterritorial jurisdiction, Article 265 of China's Civil Procedure Law only specifies six connecting factors for exercising jurisdiction over extraterritorial defendants, namely the place where the contract was signed, the place where the contract was performed, the location of the subject matter of the litigation, the location of property available for seizure, the place where the tort was committed, or the location of the representative office (Xu, 2024).

Business strategy of online literature platform in China

Monetization

The publish/subscribe system routes the publisher's events to subscribers who subscribe to the topic based on the topic through event proxies. This type of system is already quite mature (Xue & Feng, 2005). The academic definition of advertising emphasizes its role as a non-personal, persuasive form of communication explicitly paid for by advertisers. It tries to convey messages, promote products or services, and ultimately induce action among specified audiences through mass media to achieve commercial or other objectives. It usually also delivers benefits to consumers. Based on the above definition, the platform

monetizes traffic in the way mentioned above. With the help of the head effect, the platform builds up premium IPs. By relying on its massive fan base, it ensures popular content on the platform gains significant influence and reach, securing a dominant position in advertising negotiations and commercial collaborations, thereby generating substantial economic returns. Furthermore, monetization pathways are becoming increasingly diversified, forming a dual-track development model where content monetization and product monetization proceed in parallel (Ren, 2025).

Theoretical connection: two-sided/multi-sided market theory and long-tail theory

Nowadays, platforms are ubiquitous. People use the platforms to communicate, buy products, study, and so on. According to Агамирова (2023), the judgment criteria of a two-sided market are that the platform can influence trading volume by setting higher prices on one side of the market and lower prices on the other. It means that the pricing structure is crucial, and the platform must be designed to attract both types of consumers to the platform. However, this requires the mechanisms created and the quality of work on the platform to correspond to the number of users. Attracting plenty of members on the one side (writers) can be detrimental to the utility of the other side (readers) if the work on platforms is of “low quality”. In other words, platforms should find themselves in an attempt to find the balance between quantity and quality of players on both sides (Агамирова, 2023).

The long tail economy is based on the premise that 80% of the sales value is in goods from the head of the curve, while 20% of the sales value is in goods from the long tail (Lozić et al., 2022). Long Tail businesses can treat consumers as individuals, offering mass customization as an alternative to mass-market fare (Andrei & Dumea, 2011). Artificial intelligence offers new possibilities for the economical use of data through pattern recognition, prediction, and process improvement based on massive amounts of available data and distributed computing power (Butollo & Schneidmesser, 2022). In the

online literature market, platforms use artificial intelligence to analyze every reader’s personal preferences to push relevant content.

Freemium models and Market segmentation

The free model involves first attracting user attention through complimentary products or services, capturing their core interest, then retaining users through internet marketing strategies to cultivate a loyal user base. forming a loyal user base. Finally, it achieves the profitable conversion from user traffic to value monetization, ultimately fulfilling the business's goal of profitability (Zhang, 2021). The platform attracts readers by offering free access to novel content initially, then transitioning to a pay-as-you-go model to convert them into VIP users. Qidian Chinese Network is a prime example.

For Qidian Chinese Network, market segmentation is also a significant feature of online literature platforms and it formed the industrialized intellectual property value chain, such as Integration with Tencent's ecosystem (games/animation). Utilizing reader data (clicks/comments) to identify potential works for adaptation (e.g., the TV series adaptation of “The Legend of the Condor Heroes”). Qidian pursues for further innovation in business model, in advertising and WAP, KJAVA and other wireless products for new development and create a new sustainable profit growth point (Wu, 2016).

Community Building & IP Cultivation: Divergent approaches to ecosystem development

With the continuous development of “Internet Plus” and the cultural industry, online literature has increasingly gained the attention and favor of the industry, sparking a boom in online literature IPs. According to Qin and Zhou’s (2017) thesis, investigated that IP refers to “the property rights enjoyed by the right holder over the intellectual labor achievements they have created.” And the industrial operation of online literature IPs is defined in the context of media convergence, online literature has innovatively integrated with other forms of art and literature, from the creation of ideas, the production, distribution,

and consumption of cultural products, to the licensing of derivative works. Currently, young people place greater emphasis on experiential consumption, self-indulgent consumption, and personalized consumption, so the platform leverages the consumption psychology of today's young people to deepen the impression of IPs among consumers, and even alter their values to encourage them to purchase more related products through the advertisement of the derived products, like GK, PVC. For example, at the commercialization level, the character IP image of "Fox Spirit Matchmaker" has collaborated with its game derivative products to design and produce a headset featuring the main character "Tu Shan Su Su," as well as exquisite matching earrings, necklaces, hairpins, and other accessories themed around the main character's IP (Xiong, 2023).

Due to a number of formation of IP, to improve the competitiveness, high-quality, lasting and sustainable original IP is the core content of the film and television industry for platforms. Considering the differences between books and dynamic comics as well as live-action TV series, adaptation is inevitable. But some of the big IPs attract traffic, so they are often viewed by capital as "cash cows." During development, commercial considerations often take precedence over artistic creation, leading to a decline in the quality of works and even a reduction in the number of consumers. Besides, Robert McKee (1997) examined that the infinite imaginative space of written language conflicts with the linear narrative and limited duration of film and television, leading to significant cuts, compression, or restructuring during adaptation, which affects the viewing experience. First, IP incubation overly relies on blockbusters and neglects long-tail value. Nowadays, the large volume of online novels, created in relatively short periods of time, has led to concerns about their quality, making it extremely difficult for the industry chain surrounding these works to develop. Second, platform algorithm recommendations may lead to "content homogenization" and "cultural fast foodization." Homogenization mainly refers to the production side of the phenomenon of text duplication and

convergence caused by the typification of style and online novels. However, the aesthetic object may appear to be diverse under the influence of media, but in essence, it is one unidirectional convergence (Chen, 2021). So, as the homogenization of online literature is becoming increasingly pronounced, adapted TV and film productions remain limited in genre. The explosive popularity of certain themes has fueled artificial hype around related online literary IPs, leading to a flood of imitations. The pace of producing high-quality online literature cannot keep up with the rapid development of IP adaptations (Liu, 2021). In conclusion, in the process of IP adaptation, while considering commercial value, the quality of the finished film should also be ensured (Fu et al., 2019).

Copyright protection and sustainability of the network literature industry

Copyright challenges in online literature industry

A blockbuster project is defined as one that stands out as exceptional among all projects, attracting significant attention from supporters and securing an exceptionally high proportion of funding (Wang et al., 2023). The pursuit of blockbuster IPs has become increasingly intense due to their ability to significantly boost a platform's visibility and influence (Ha HY & Perks H, 2005), coupled with substantial investments in such projects. This obsession has

given way to practices such as plagiarism, piracy, and copyright infringement. Plagiarism can be regarded as an infringement of online literary works, and the standards for such infringement can, to some extent, draw upon those for academic misconduct (Ye, 2021). Online copyright refers to the copyright rights that copyright owners enjoy over their literary, artistic, and scientific works protected by copyright law in the online environment. Online literary piracy refers to the illegal act of privately copying, publishing, or stealing related works for economic or other purposes without the consent or authorization of the online literary author or the relevant operating website. To attract traffic, pirated websites even pre-release blank chapters, resulting in instances where pirated sites "update

earlier” than the original ones. This practice undermines authors' creative enthusiasm, harms readers' interests, and hinders industry development (Du, 2018).

However, since pirated online literature objectively expands the reach of works and enhances authors' visibility, coupled with the challenges posed by cross-border enforcement due to various differences, some writers choose to remain silent (Du, 2018).

Institutional and legal frameworks

Currently, the development of the Internet provides new tools for the global life. As cyberspace expands, the flow of network data brings challenges to the security of data, systems, and networks. In the digital age, data resources have already impacted our lives in fields such as politics, economy and society (Mao & Liu, 2020).

To reduce the occurrence of such illegal activities, the national government has enacted corresponding regulations and policies. For instance, in June 2020, the National Press and Publication Administration issued "Notice on Further Strengthening the Management of Online Literature Publishing" to further standardize and refine the real-name registration mechanism for authors (Jiang, 2023).

Also, article 11 of the Data Security Law of the People's Republic of China, adopted in June 2021, explicitly states: “The State shall actively engage in international exchanges and cooperation in areas such as data security governance and data development and utilization, participate in the formulation of international rules and standards related to data security, and promote the secure and free cross-border flow of data.”

Regarding the overseas expansion of Chinese online novels, under the framework of China's Copyright Law, the government addresses cross-border sales of pirated books and pirated audio-visual products. Such actions not only infringe upon the rights of copyright holders but also violate the rights of neighboring rights holders. Under the framework of U.S. law, such conduct

would also constitute infringement against publishers, though the corresponding legal basis is not grounded in neighboring rights but rather in copyright (Liu, 2020).

Despite the government establishing corresponding policy regulations, differences between national laws may still lead to divergent rulings over cross-border infringement cases, which will affect the final judgment outcome. And the enforcement efforts still need to be strengthened. For example, since 2017, in just over a year, they distributed more than 400,000 unauthorized online novels through pirated sites like Bique and illegally profited more than 1.7 million yuan through advertising revenue and other means. Eventually, the court ruled that the two constituted copyright infringement. In addition to the prison sentences, Yang and Song were fined 900,000 yuan and 400,000 yuan, respectively (Wei, 2023). Compared to the amount of profits gained, the fines imposed are quite limited. Moreover, such incidents cause severe harm to the author's rights and interests, as well as significant financial losses.

The link between copyright protection and sustainability

For authors, copyright is the foundation for their survival and development, directly impacting “human sustainability.” Creators possess legal rights and certain economic benefits, mainly including derivative works, along with royalties and tips received. Besides, as the novels become increasingly popular, authors can generate long-term revenue from derivative products such as game adaptations and films through licensing agreements. This not only prolongs the life-cycle of works but also enriches cultural diversity. However, infringing websites have mushroomed and leaked creative content; as a result, authors are losing legitimate income, which threatens their future careers significantly.

For platforms, as a platform for content display, it holds an absolute monopoly in the labor relationship between online literature platforms and online literature authors. Through labor contracts and strict signing mechanisms, creators are compelled to submit to the platform's labor

control (Zhang, 2023). The flexible work arrangements in the online literature industry appear to grant authors control over their schedules, yet under dual pressures from platforms and readers, they ultimately lose command of their time. In essence, platforms employ such methods to ensure consistent updates, maintain quality standards, and sustain profitability for online literary works. From then on, a circular platform economy industrial chain was formed. However, the initial establishment and maintenance of the platform and the handling of infringing activities still require substantial investment in funds, technology, and manpower.

Research gaps and opportunities

This section indicates that the current study is only based on estimated data or public information published in a previous period, such as intellectual property licensing fees and indicators of platform exclusivity, which directly restricts the accuracy of conclusions. More real-time and transparent support in data sharing is urgently needed for academic studies from platforms. In addition, relevant literature emphasizes that commercial success mainly includes: works such as *To Our Simple Little Happiness* and *Hello, Old Times*, which have become the top-selling rankings on mainstream online bookstores including Dangdang and JD.com; regarding overseas publishing, foreign-language publishers including Guangwen Publishing House and DINHT Publishing are cooperated with for copyright export, thus promoting the internationalization process for online literature (Du, 2018). However, works published abroad are still insufficient in their quantities. Besides, different copyright-related legislations result in legal disputes and infringement cases appearing from time to time. This paper only provides several case studies regarding the overseas market of Chinese online literature, without too much analysis and argumentation. It is still expected that platforms will consider the legitimate rights and interests of authors, solve the problem of copyright acquisition, and that more rigid and complete laws and regulations can be promulgated by governments worldwide to protect the rights of

domestic authors and platforms. However, given that different platforms have different profit models, their respective situations must be considered separately. For this reason, the subsequent sections focus on the comparative and analytical study of the two most famous online literature platforms in China, as typical examples.

Case Study and Discussion

Background

Table 1 exports the comparison between Jinjiang Literature City and Tomato Novel. The reason why these two literature platforms are focused mainly because that Jinjiang Literature City is one of China's most influential original female-oriented literary websites, boasting a vast collection of online novels (over 5.34 million titles) and a massive author community (more than 2.4 million registered writers). It has established a comprehensive IP (intellectual property) development ecosystem. For example, through its adaptation into a TV series (*The Untamed*), data shows that in just one day, over 2 million users have purchased the “advance viewing” privilege. Through its “advance viewing” feature, which leverages its massive fan base, Tencent Video and its partners have already generated 156 million yuan in revenue (Zhang, 2023).

In terms of Tomato Novel, it is one of the most popular platforms to read Chinese online novels. By the end of 2020, Quest Mobile's report on the development trends of China's mobile reading market indicated that the user base for free reading apps had reached 140 million (2020). Tomato Novel's market positioning centers on free reading, employing an ad-supported model. With over 590 million downloads, it has long held the top spot in the mobile e-book reading segment (Deng, 2022).

Table 1. The features between Jinjiang Literature City and

Tomato Novel

online literature platform [Ⓐ]	registered users [Ⓐ]	MAU [Ⓐ]	signed authors [Ⓐ]	E-books of published works now available [Ⓐ]	films and TV [Ⓐ]	revenue [Ⓐ]	net profit [Ⓐ]
Jinjiang Literature City [Ⓐ]	51.72m [Ⓐ]	N/A [Ⓐ]	2.4m [Ⓐ]	4.62m [Ⓐ]	"Startling by Each Step", "The Journey of Flower" [Ⓐ] (Zhang, 2023) [Ⓐ]	1.416b rmb (2023) [Ⓐ]	0.456b rmb [Ⓐ]
Tomato Novel [Ⓐ]	70.37m [Ⓐ]	2.2m [Ⓐ]	0.6m [Ⓐ]	0.38m [Ⓐ]	Chronicles of Mountains and Rivers (He, 2025) [Ⓐ]	30b-40b rmb (est) [Ⓐ]	The authorities have not made it public. [Ⓐ]

Analysis of business strategies

Table 2 illustrates the details of profit model between Jinjiang Literature City and Tomato Novel.

Table 2. The Profit Model between Jinjiang Literature City and Tomato Novel

Ⓐ	Jinjiang Literature City [Ⓐ]	TOMATO [Ⓐ]
Monetise [Ⓐ]	VIP/paid by chapter tipping [Ⓐ]	advertisement [Ⓐ]
COMMUNITY [Ⓐ]	Forum (Emerald Waters and Riverside), Comments section, Fan Culture [Ⓐ]	Section Commentary/Chapter Commentary [Ⓐ]
KPI [Ⓐ]	"Payment Conversion" and "IP Value" [Ⓐ]	"Traffic and user engagement time" [Ⓐ]
IP routes [Ⓐ]	Slow work yields fine products [Ⓐ]	Dual-driver model of word-of-mouth and paid promotion [Ⓐ]
risks [Ⓐ]	Plagiarism disputes persist despite repeated bans. (2023) [Ⓐ]	Algorithmic Hegemony, extremely low author loyalty [Ⓐ]

Moneitization models

Jinjiang Literature City is mainly concerned about "blockbuster" IP and Tomato Novel mainly expands its scale to try the best to attract readers and advertisement.

To be specific, for Jinjiang Literature City, readers collaborate through forums; "tipping rankings" increase authors' income. In the Literary Reading app, readers can express their opinions, comments, or complaints at any time during the reading process. The number of comments exceeding 100,000 has become a standard feature of "blockbuster" literary works (Zhang, 2020). In addition, there is a significant point in intellectual property licensing. The platform focuses on TV drama adaptations with strict control over authors' rights. As a hub for information transmission, the platform not only serves as a conduit for information flow but also bears the responsibility of maintaining social order and values. And the copyright ownership of merged works should be based on creative contributions and contractual agreements. Jinjiang Literature City stimulates the enthusiasm of creators and promotes the

dissemination and utilization of works through reasonable allocation of rights and interests (Wang, 2024).

For Tomato Novel, popular genres are recommended by ByteDance's artificial intelligence and advertisement fees. Through digital tools, the platform collects data to understand readers' preferred online topics to provide readers with a better reading experience, leading to increased reader stickiness and long-term use of the platform. Besides, Bhargava (2022) researched that the type of platforms like Tomato Novel achieve value through advertising rather than consumer fees. Publishers compete to capture consumer attention by investing in content. In other words, the theory of competitive bottleneck predicts that publishers extract a large surplus from the advertiser side (Jeon, 2025).

Community & engagement

In Jinjiang Literature City, readers can express their opinions, comments, or complaints at any time during the reading process. Some readers enjoy expressing their own perspectives during the reading process, evaluating and encouraging the author's creative work, and maintaining an extremely high level of participation in the production of online literature (Zhou et al., 2021). So in the social context of the internet, online literature exists within a reader-centered, grassroots-driven "hypertext" era, rooted in the "fan economy" of consumer society (Ye, 2018). Readers will spontaneously differentiate and coalesce based on their distinct aesthetic preferences and desires, forming distinct fan communities within different camps. This helps enhance user loyalty and retention.

Due to Tomato Novel's greater reliance on algorithmic recommendations rather than deep community engagement and an advertising-supported model that encourages breadth of reading over depth of participation, the content of its works suffers from severe homogenization. In addition, with the advancement of technology, the influence of substitutes is gradually increasing. It is necessary to monitor the development trends of these substitutes like

Seven-Cat Culture Media Co., Ltd., adjust strategies in a timely manner, and respond to market changes (Zhao, 2023). The two points both certify the problem of high user mobility for Tomato Novel. The interaction between readers and works on Fanqie Novels is limited to comments in the discussion section, while the ranking system on Jinjiang Literature City brings readers closer to their favorite works and greatly boosts the loyalty of readers.

Author incentives

In terms of author incentives, Jinjiang Literature City encourages high-quality output. Jinjiang imposes high standards for content quality, requiring works to demonstrate innovation, tightly woven plots, and fluid writing. Writers should also be consistent with regard to updating their work so as to attract more followers.

With respect to the Tomato Novel, there is a level of opacity within the advertising revenue-sharing system, such that it is hard for the authors to determine the actual income that can be gained. Opaque income systems make it difficult for authors to plan and predict their creative endeavors, causing instability along the entire creative value chain (Yu, 2025).

Risks & Challenges

But there are several risks and challenges for platforms. The issue of content homogenization on Tomato Novel is still obvious. A healthy reading platform should offer diverse and personalized content to cater to the reading preferences of different user groups. However, Tomato Novel's performance in this regard has been less than satisfactory, failing to adequately meet the diverse needs of its users. This has consequently impacted user stickiness and satisfaction with the platform (Yu, 2025). Despite repeated crackdowns, piracy of online literary works remains rampant on Jinjiang Literature City. Extremely low distribution costs coupled with extremely high profits mean that the rights of most creators cannot be guaranteed (Yin & Shi, 2024). Even if the platform implements its proprietary "Jinjiang Anti-Theft Chapter" feature, it remains ineffective against manual content theft. Therefore, the platform's

digital anti-theft technology still needs improvement.

Two-Sided Market Dynamics

Platforms often treat one side as a profit center and the other as a loss leader or, at best, as financially neutral (Rochet, & Tirole, 2003). Linking this theory to China's most prominent online literature platforms, the operating models of Jinjiang and Tomato Novels both conform to the two-sided market theory, which suggests that platforms create value by promoting interaction between two different user groups (Evans & Schmalensee, 2010).

In terms of cross-side network externalities, Wu and Meng (2014) argued that the stronger the network externalities—that is, the larger the network externality parameter—the more severe the price asymmetry between the two sides of the platform becomes.

In Jinjiang Literature City, the ratio of male to female users is approximately 7 to 93, and female consumers with strong purchasing power are the foundation of this platform (2023). Speaking for myself, I think the ratio value is really astounding. Currently, female readers and authors represent the majority of Jinjiang's core audience. The mainstream consumer demographic aged 18–35 accounts for 84% of Jinjiang's total user base from the Jinjiang Literature City Official Website. It is a two-sided market. Readers spend 0.03-0.05 yuan per chapter, while the highest-paid authors can make over 1 million yuan annually. Both sides can mutually benefit from using the "high-price, high-loyalty" model, which will create a stable value cycle. To increase the motivation of original novel authors and reflect the readers' appreciation for the writers, Jinjiang Literature City has also established a tipping mechanism. It allows readers to tip the author or ask for an update by throwing virtual gifts like "deep-sea fish" and "landmines (Song, 2023). Besides, it starts with the consumption from consumers to platform commission. Then the remaining tips will be used to support the author. Specifically, in 2008, Jinping Literature City launched its VIP paid membership system (Shi, 2021). Readers

can purchase VIP chapters by exchanging Jinjiang Coins obtained through top-ups. The cost of Jinjiang Coins is calculated based on the word count of the subscribed chapter (Zuo & Wang, 2018). And the revenue platform for Ba Wang tickets shares profits with authors on a 50-50 basis. Regarding subscription revenue sharing, Jinjiang Literature City implements a 60/40 split model with authors on the PC platform and a 50/50 split model on the mobile app (Li, 2023). To make sure the quantity of work, Jinjiang Literature City will reward them with 5%, 10%, or 15% of the work's monthly VIP subscription revenue, when contracted authors reach or exceed 3,000, 6,000, or 9,000 daily updated words after going VIP from Official Statement.

However, for Tomato Novels, with the algorithmic capabilities from ByteDance, the platform works on a free ad-supported model, holding a 25%-30% market share (QuestMobile, 2023) with over 200 million registered users. According to data on different platforms, this two-sided market of this platform depends on advertising revenue to compensate for the content provided: the readers access the content for free, supported by short video advertisements and pop-up advertisements, while the creators make money by the number of advertisement impressions, normally making 100-300 RMB every 10,000 views. In my view, this model lowers the threshold for readers but reduces the depth in literary works, and quality cannot be guaranteed. Essentially, it has turned this model into a lifeline for its survival. Precisely, the Tomato Novel app has attracted a giant user base through giving away free products and services, while monetization is accomplished via charging other businesses for advertising based on the attention resources commanded.

Its free reading initiative is actually more of a strategic freemium model, which aims to earn revenue in the end. By expanding the user base and adopting advanced big data distribution systems, it aggregates user clicks and browsing into traffic. This traffic is then monetized, transforming vast amounts of user data into substantial advertising revenue (Yu & Ding, 2025).

And the platform leverages the theory of two-sided markets to subsidize readers while generating profits. Tomato Novel Network features a competition system. The platform uses debut promotions (first large-scale traffic recommendations) and title testing to foster competition among authors and improve writers' motivation.

In addition, unlike paid reading platforms that operate on a subscription-based revenue model, free reading platforms adopt a “free reading + advertising revenue” approach. On one hand, they generate ad revenue by placing advertisements to attract advertisers' spending; on the other hand, they monetize through features like ad-skipping, charging fees to members who opt for ad-free reading (Li, 2023).

3.3 Long-Tail Effect on Content and User Base
Tomato Novel leverages the long-tail effect to expand its mass market reach. Its algorithm prioritizes recommending “head-end” content appealing to broad audiences (such as “urban fantasy”), while also cataloging millions of amateur works (like “campus romance”) to satisfy niche demands. However, profitability in this long-tail segment remains weak: only 10% of amateur works generate over 10,000 RMB in advertising revenue, as most lack the algorithmic visibility of core content (Research Report on the Development of Chinese Online Literature, 2023). This reflects Tomato Novel's strategic trade-off: prioritizing user scale expansion over deep monetization within niche segments.

By contrast, Jinjiang Literature City leverages the long tail to deepen its niche focus: over 80% of its content falls into subgenres of romance (e.g., “ancient court romance”) (Jinjiang Annual Report, 2022). While individual niche works may have low readership, their collective volume drives 40% of the platform's revenue.

At Tomato Novel, advertisers and authors are treated as participants in a two-sided market. Authors create and publish their works. Once a work gains some initial traction, the platform directs traffic to it to generate exposure.

Advertisers then place ads within the work's reading interface to achieve promotional goals. At Jinjiang Literature City, the platform primarily derives its revenue from tips and subscriptions, while content is prioritized based on quality and popularity. When a hit IP is established, movies and games are made to secure substantial licensing fees.

Balancing framework

Digital content platforms must strike a balance among profitability, content quality, and compliance requirements. In short, Jinjiang Literature City treats readers and authors as participants in a two-sided market. Through the platform as an intermediary, authors create and publish their works, while readers consume content on the platform—specifically by subscribing to premium content. Authors receive a percentage of reader spending on the platform. Beyond this, authors can earn substantial income by licensing or selling copyrights for fan merchandise, adaptations into films/TV shows, games, and more. This high-income potential also serves as a key motivator for authors' creative drive. This mechanism benefits readers by delivering higher-quality works and an enhanced reading experience.

At Tomato Novel, advertisers and authors are treated as participants in a two-sided market. Authors create and publish their works. Once a novel written in mediocre prose that tackles a currently extremely popular theme gains some initial traction, the platform directs traffic to it to generate exposure. Advertisers then place ads within the work's reading interface to achieve promotional goals.

Compared with Tomato Novel, Zhou Jinxia (2023) argues that high-quality content is the cornerstone of online literature websites and the foundation for all operational activities. Jinjiang Literature City has consistently prioritized content quality, adhering to a premium strategy.

According to research data from New Era Securities Co., Ltd. (2021), China's 2024 Copyright Law Amendment has driven platforms like Tomato Novel to adopt

blockchain-based copyright tracking. However, algorithmic recommendations have made it difficult for niche, high-quality works to survive (Li, 2022). In Tomato Novels, algorithm recommendations mainly feature works that cater to mainstream tastes. That is the reason for the lack of traffic in some niche genres, which ultimately results in the underdevelopment of diverse novels. As a result, some quality works remain unnoticed. But in Jinjiang Literature City, the mainstream preference of most new users was shaped by big data-driven recommendation systems, decreasing the visibility of niche genres. On the other hand, the tipping mechanism in the platform and the inherent diversity of its early catalog still partially balance out the negative impacts of algorithmic recommendations. In contrast, Tomato Fiction is facing more serious content homogenization problems caused by its algorithmic push.

Practical suggestions

The platform should implement a big data-driven recommendation system that leverages reader preferences to enhance user engagement, while maintaining rigorous content quality standards, to foster the development of high-caliber, high-quality intellectual properties. And they ought to refine standards for evaluating work quality to ensure content excellence, clearly define criteria for plagiarism, and establish a penalty mechanism for plagiarized works on the platform in accordance with relevant national laws. Second, for writers, while ensuring high quality of work, they should remain vigilant against plagiarism and protect copyrights. Additionally, it is advisable to tailor the work to meet current market demands, as this can boost its visibility and increase the likelihood of it becoming a viral hit. Third, for regulators, integrating the regulatory platform with advanced technology to minimize illegal activities such as plagiarism, ensuring the platform's normal operation, expanding the reading scope within the platform, and providing readers with a favorable reading environment.

Conclusion

The overall dissertation is mainly researched on IP derivatives, comparison of business strategies,

building of community, and the methods of making profits between Jinjiang Literature City and Tomato Novel to demonstrate how to influence the sustainable development of the online literature industry. Finally, I find that the main Characteristics are that Tomato Novel primarily focuses on scale and monetizing traffic, while Jinjiang Literature City emphasizes creating blockbuster IPs and fan-based economics. Jinjiang Literature City is an exemplary quality-and-IP-intensive model. Its strength lies in nurturing high-value intellectual property through a robust, engaged community, fostering a fan-based economy, and prioritizing long-term intellectual property derivatives. On the other hand, this model may face challenges in user acquisition scalability, broader market penetration, and non-blockbuster works.

Tomato Novel represents the quintessential 'traffic first, quick monetization' model. By providing free content and big data-driven recommendation systems, it has maximized its reach with free content and effectively monetized its web traffic through advertisements. Though it has helped to increase its subscribers, it has raised severe doubts about its effects, including decreased content integrity, undermined sustainability of author payments, shorter shelf life of intellectual properties, and standardization of literary works.

With the aforementioned factors in context, we not only encourage all platforms to further define the issue of intellectual property rights and upgrade the punishment of piracy, but platforms should also make every effort to encourage the drive of writers and authors to write high-quality content. This paper departs from the established framework of traditional platform studies and develops a comparatively clean framework of analysis for online literature platforms, which involves strategies of intellectual property, the development of an online community, and commercialisation. This paper compares the strategies of platforms regarding community-oriented and data-oriented approaches, and content-oriented and traffic-oriented strategies. It serves as a case study in the application of both

"fan economy" and "attention economy" principles within the same industry.

In the future, studies can be done to explore the content curation mechanism. Analyze how the recommendation algorithm of Tomato Novel shapes the trends of content creation and readers' preference, comparing it with Jinjiang's more influential editorial and community-based ranking system. Research content diversity and creative freedom. Besides, career sustainability and career trajectory of authors in the two platforms can also be compared. Study issues such as income stability, psychological pressure, and career development paths in the two contrasting business systems.

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