Huayi Brothers: Setting Strategy for a Chinese Entertainment Conglomerate

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This case is intended for the use in both undergraduate and graduate courses with an international business and/or marketing focus. It explores the challenges faced by Huayi Brothers, a private entertainment company in China. This case is helpful for global business and marketing courses, because it allows students to deal with the complexities of a company operating within the Chinese entertainment industry. Students can learn about the industry and then use course material to analyze the current situation and relevant issues to develop solutions to the challenges faced by this Huayi Brothers.

OVERVIEW

Huayi Brothers began in 1994 as a film company in the growing Chinese entertainment industry. In the last 16 years, brothers and founders Wang Zhongjun and Wang Zhonglei grew their business into the most influential and largest private entertainment media company in China. Initially created as a film production company, it was not long before Huayi Brothers expanded into other sectors of the entertainment industry. Throughout the company's brief existence, they have gradually ventured into sectors such as television, talent, music, and other entertainment marketing fields. In 2011, Huayi Brothers plans to create the largest television and film studio complex in East Asia and continue to expand its operations. With the addition of its new studio, Huayi Brothers is aiming to earn $1.5 billion in box office revenue by 2016. From the company's actions and expectations, it appears that Huayi Brothers is contemplating moves that would allow them to continue to grow in both the Chinese entertainment industry and globally. In a rapidly expanding Chinese market, the opportunity for growth is tremendous. The challenge for Huayi Brothers will be finding the best way to achieve this growth. The question is: Should Huayi Brothers continue its attempt to grow by keeping a hand in every sector of the entertainment industry in China, or instead focus on the single sector that is the most profitable for them?

Corporate History

Huayi Brothers' involvement in the entertainment industry is both broad and deep. The company extends horizontally in the industry by incorporating many different aspects of entertainment into its business operations. It focuses not only on film, but also television, music, advertising, artist management, gaming, and even theme parks. These niches are split into six business divisions that operate under the Huayi Brothers name, which include Huayi Brothers Stars, Huayi Brothers Motion Pictures, Huayi Brothers Television, Huayi Brothers Music, Huayi Brothers Global Media Group and Huayi Brothers Advertisement (China.org, 2011). Although the company is organized into six business divisions, the majority of its profits come from film production, television series production, and artist management. This span of sectors is ambitious for this emerging industry in China. In fact, Huayi Brothers is the only company in China that concurrently does production of films along with artist management (Huayi Brothers, 2011).

Within many of these units, Huayi Brothers shows a vertical depth in the industry. This is especially apparent in the film sector of its business. The CEOs have created a model of producing, distributing, and releasing movies all in one system, and show a strong desire to continue with this type of in-house movie-making (Yao, 2011). Huayi Brothers is involved in the films from conception to distribution, owning many of the cinemas that the films are shown in when released. The extremely popular movie *The Forbidden Kingdom,* starring Jackie Chan and Jet Li, was both produced and distributed by Huayi Brothers, for example. The company also often uses its own talent, and creates its own advertising and marketing campaigns for its films, which shows how integrated many of its business divisions have become. By being able to handle all of these tasks within the company, it eliminates the need for them to outsource to other companies. The combination of horizontal and vertical presence in the media industry has made Huayi Brothers a true entertainment conglomerate in China.

Market Analysis

The Chinese film industry is composed of a few main competitors dominating the market, including Bona Film Group, Enlight Pictures, Huayi Brothers, and China Film Group (D'Altorio, 2011). The rapid growth of the market has allowed for each of these organizations to become very successful without having to worry about competitors taking away market share. Growth has been the primary focus of the individual companies. Strict government regulation of foreign film distribution in China means only 20 foreign films are imported into China each year. The Chinese government hopes this reduces the pressure from international competition protecting the industry by reducing completion while it builds to its full potential, and market stabilization has occurred.

In China, one of the most difficult things to do in business is reach customers. While there are 200 million middle-class potential customers, the subpar infrastructure and vastness of the country makes it a challenge to reach everyone (Hunt, 2011). As of 2010, China only had 313 movie theaters and 6,200 screens (Nerenberg, 2011). Not only are there a limited number of screens, movies are expensive for the general public to go to on a regular basis. Even with limited screens, the Chinese film industry grossed $1.5 billion in box office earnings in 2010, just behind India's $2.2 billion in gross earnings and still way behind the United States' $11 billion in gross earnings in 2010 (Nerenberg, 2011). While low by compared to the U.S. in gross box office earnings, last year's $1.5 billion in receipts was a 64% rise from 2009, making China the fastest growing movie market in the world (Landreth, China's Film Industry Prepares for Big Leaps in the Year of the Rabbit, 2011). With box office receipts increasing at such a high rate, more theaters and screens are being planned. Chinese officials expect 20,000 screens to be operating by 2015 and 40,000 by 2040, which would put it on par with North America (Barnes, 2011).

As generation Y continues to grow, the marketing opportunities are endless for Huayi Brothers. Research shows that "by 2015, the number of Chinese adults under 30 is expected to swell 61%, to 500 million, equivalent to the entire population of the European Union" (Elegant, 2007). With generation Y driving China's current boom, Huayi Brothers has the opportunity to take advantage of online marketing thus enabling them to reach a large amount of potential consumers while keeping costs low. This can be done by utilizing vertical marketing in video games based on popular movies or artists that Huayi Brothers is already have under contract. The Chinese youth spend a large amount of time online blogging and playing video games. "China's total number of online gamers is expected to grow by 8-10 million people per year through 2013, increasing from nearly 50 million in 2008 to nearly 95 million by 2013, representing a Compound Annual Growth Rate of 13.9%" (Huayi Brothers, 2011).

Advertising occurs not just in the cross use of video games, but Huayi Brothers relies on product placement within productions as part of the company's strategy (Huayi Brothers, 2011). With China's vast and growing market, an increasing number of companies are willing to invest in product placement. In product placement, companies pay to have their brand product used prominently within the movie. This avenue of revenue has an important impact on Huayi Brothers' vertical business units throughout the entertainment industry. For example, a phone company may invest in a product placement opportunity that involves the star of Huayi Brothers' next potential blockbuster taking a call from a phone model this company produces. These placement opportunities are currently extended to scripts, plots, and the casting of foreign actors, anything that may affect the masses and influence popular culture.

Huayi Brothers' Future

Huayi Brothers is one of the most influential, if not the top entertainment media corporation in China. The scope of its organization presents it with the possibility of numerous opportunities for growth and expansion. While the wide spectrum of media that Huayi Brothers is involved in helps it grow, it does not mean that it should stay on the same path of operation. Expansion is not just adding more, it is also making changes that will help strengthen the organization.

One of Huayi Brothers largest and most promising business units is in the film industry. In 2009 this unit controlled 9% of the China movie market. In 2010, Huayi Brothers reached 17% of the overall domestic box office in China in 2010. There are a wide variety of moves and decisions that Huayi Brothers is making in order to bolster this segment of their corporation.

To keep up with the increasing demand for films and to occupy new screens, film companies are looking to increase their output of films. Huayi Brothers announced in February of 2011 that it would be building East Asia's largest indoor film and TV studio in Shanghai as part of a $152 million cultural complex (Landreth, Huayi Brothers Plans East Asia's Largest Indoor Studio Complex for Shanghai, 2011). This new studio complex will not only help in the production of more films and television, but it will also be used as a tourist attraction to further promote their films and characters. This film and television studio is just the beginning of massive expansion for Huayi Brothers. A little over three months after the announcement of the film studio, Huayi Brothers publicized its plans to build a $462 million movie-themed park in Suzhou, a city of six million people about one hour's drive from Shanghai (Landreth, China Studio Huayi Brothers to Build Theme Park Near Shanghai, 2011). These studios and parks showcase Huayi Brothers' efforts to expand their reach and draw in more customers, utilizing a vertical structure in their supply chain. These attractions will help further market their films, projects, characters, and talent.

Even with the plans for and additions of new theaters and screens and the building of attractions, there are still plenty of challenges that the industry faces. Some of these challenges include censorship, limited creative capacity, government imposed quotas on imported films, and the struggle to reach their desired audience. Perhaps the biggest issue for the Chinese film industry is the government imposed theater releases import limit of 20 foreign films a year. The importation rights belong solely to the State-owned China Film Group Corp, which shares exclusive distribution rights with Huaxia Film Distribution Company (Wei, 2011). This quota, although it is meant to protect the Chinese film industry from foreign films taking over the market, is actually putting restraints on potential growth for entertainment media companies such as Huayi Brothers. This limit on imported films keeps film companies like Huayi Brothers from showing films that would have greater appeal to its audience, thereby possibly restricting its distribution revenue. However, the cap on imported films helps keep the market from being dominated by foreign studios, aiding Huayi Brothers' production business unit.

Currently, the 20 foreign titles that have previously been allowed in each year compete with more than 500 domestic movies (Jaffe, 2011). Although foreign films have such a small showing, nevertheless they are still the lifeblood of the film industry in China. Hollywood imports made more money on average in 2010 than their leading Chinese-language counterparts. According to Shanghai consultancy Artisan Gateway the top ten Hollywood imports, led by Avatar, each grossed an average of $48.9 million in China, whereas the top 18 Chinese films, led by Chinese made blockbuster Aftershock, each grossed an average of only $31.5 million (Jaffe, 2011). Even with the quota, foreign titles are raking in the cash. Imported films have accounted for around 45% of the Chinese box-office revenues (Jaffe, 2011).

Huayi Brothers is seeking to circumvent the import quota issue by entering into joint ventures with foreign film studios. In June of 2011, Huayi Brothers formed a joint venture with Legendary Pictures creating Legendary East Ltd. This move will benefit Huayi Brothers in numerous ways. Huayi Brothers will co-produce the movies with Legendary East and distribute them in China (Fritz, 2011). Since the films will be made domestically they will not fall under the import quota of only 20 films a year. This not only benefits Legendary Pictures by allowing more of their films into China, but it also adds to Huayi Brothers library of films that they will be able to market to potential movie goers, increasing its market share. Legendary East will be headquartered in Hong Kong and they expect to produce one or two English-language films for worldwide audiences annually year beginning in 2013 (Fritz, 2011) and (Finke, 2011).

In addition to creating a potential for growth in Huayi Brothers' market share of the Chinese box office, the joint venture with Legendary Pictures also creates unique opportunities to learn from other experienced professionals while broadening their knowledge of the global market and entertainment offerings. Even though an increase in potential revenues and in market share is appealing, "money is not the problem – the film industry is desperate for creative talents," according to Wang Zhongjun, chairman of Huayi Brothers (Xiahua, 2011). Joint ventures, like the one Huayi Brothers entered into with Legendary Pictures are just one way that it, along with other film companies, can delve into a wider variety of subject material.

While working in conjunction with foreign film studios helps expand the business and create more opportunities, it is not the only way the Huayi Brothers is looking to penetrate further in the rich Chinese market. Against the backdrop of high-stakes competition for the attention of China's roughly 200 million potential middle class moviegoers, Chinese companies are forming partnerships designed both to improve their films' competitive edge and establish footholds in the growth areas of exhibition, Internet distribution and online gaming (Landreth, China's Film Industry Prepares for Big Leaps in the Year of the Rabbit, 2011). Huayi Brothers have just recently become active participants in both.

It was only last December that Huayi Brothers joined forces with Chinese online game developer Giant Interactive Group Inc., creating Beijing Huayi Giant Information Technology Co. Huayi Brothers will eventually invest around $10.5 million in the new company for a 51% stake (Ye, 2010). This is a huge move for Huayi Brothers. By dipping into one of China's fastest growing entertainment sectors Huayi Brothers is taking another step forward in bringing its content to consumers through another medium. Currently the goal is developing 3D online games with the possibility of developing games into films and films into games (Ye, 2010). Delivering more and new quality content to customers, this move into a surging sector of the entertainment industry fits snuggly into Huayi Brothers' core business. Zhang Yanan, an analyst with Beijing-based investment firm Zero2IPO Group agrees, "The online game industry is the most profitable sector in the Internet economy right now, and it can be easily integrated into the company's core business areas" (Ye, 2010).

Conclusion

In a growing Chinese market, the opportunity for growth exists. The only issue is finding the best way to achieve this growth. Huayi Brothers currently is very successful operating and expanding as is, doing things the way it is, however, its future could be a different story.

As the case demonstrates, new avenues that Huayi Brothers is pouring itself into are bringing in moderate revenues. With a substantial market and little to no competition, one can make the case for Huayi Brothers being a first mover into growing markets. The speed at which this is taking place is extremely fast and there may come a time when a more experienced, smarter, or well-equipped competitor moves into these market arenas and steals the competitive advantage.

Many companies combat the problem of spreading too thin by focusing on their core competencies and resources. This strategy can be exemplified by 'The Hedgehog Concept,' in *Good To Great*, by Jim Collins. The concept outlines 'Great Companies' that have gotten rid of profit centers and business units that do not turn a substantial profit. (Collins, 2001)

There comes a time in each and every company's life when it has to make a decision on which path to follow, a decision that will determine that it is as an organization. In this case the question remains: Should Huayi Brothers continue its attempt to grow by keeping a hand in every sector of the entertainment industry in China, or instead focus on a single sector with most opportunity for profit?

HUAYI BROTHERS TEACHING NOTES

Learning Objectives

1) Students will describe the unique challenges of the entertainment market in China.
2) Students will review current business strategies and reflect on possible future changes based on current market data.
3) Students will apply Porter's 5 Forces Model to the entertainment industry in China.
4) Students will use the Resource Based View to determine Huayi Brothers sustainable competitive advantage.

Application

This case is intended for the use in both undergraduate and graduate courses with an international business and/or marketing focus. This case is helpful for global business and marketing courses, because it allows students to deal with an international situation, analyze the issue, and come up with a solution. Other courses in which this case could be relevant include courses focused on organizational behavior, and entrepreneurship. The case focuses on the Chinese entertainment industry, therefore, it provides a means for international business classes looking to understand the inner complexities of a Chinese industry. Finally, case allows students to use course material and other theories to evaluate the current situation within Huayi Brothers based in an understanding of the entertainment industry as a whole.

Questions

1. Describe the unique features of the Chinese entertainment market.
2. Use Porter's Five Forces Model to analyze the film industry in China.
3. What type of organizational structure does Huayi Brothers have, and is this consistent with the marketing plan for the company? If structure and strategy work together, how does Huayi Brothers' current structure reinforce their strategy?
4. How does the government, through import quotas and censorship, help and/or hurt the development of the film production business of not just Huayi Brothers but the Chinese film industry as a whole?
5. Should Huayi Brothers continue to be integrated within so many aspects of the entertainment industry, or should they focus on the division where the greatest competitive advantage is greatest? What division do you believe gives them the opportunity for a sustainable competitive advantage and why?

TEACHING NOTES

1. Describe the unique features of the Chinese entertainment market.

China's market is very unique when compared to the entertainment industries in most other countries across the world. After reading about the market situation in China, students can identify several factors that contribute to the distinctiveness of China's market, such as:

a. Government involvement
b. Weak but developing infrastructure
c. Intense market growth
d. A large potential customer base

The government plays a major role in the entertainment industry in China. Censorship is prevalent in this country, and the government can easily regulate the information that even private companies disseminate within China. In most countries, the entertainment industry has more freedom to choose what messages to convey in films, television, music, marketing, etc. However, the Chinese government does not allow certain messages, and the industry in China must work around these regulations and be prepared to deal with the Chinese government. This affects not only the production of all the forms of entertainment made in China, but the type and amount of entertainment imported from other countries. The government restricts the number of foreign movies that can be imported into the country every year. Limiting this number is an attempt to protect Chinese filmmaking, as well as minimize foreign influence.

The infrastructure needed for the entertainment industry includes movie screens. The number of movie screens in the country is low compared to the market demand, especially on key nights. While huge theaters are popping up in large metro areas, there are few theaters in other parts of the country. Movies, therefore, are inaccessible for a large part of the population. In 2010, only 313 theaters existed with 6,200 screens. Consistent regulations are another part of the infrastructure lacking in some respects, even with the censorship of the Chinese government being applied with some variety.

The growth, both real and potential, is possibly the most unique aspect of the Chinese market compared to other countries. The Chinese film and entertainment industry has seen intense growth in the last fifteen years. This has allowed corporations in the industry to grow rapidly without having to worry much about competition to increase market share.

Here are some statistics regarding Chinese growth in this industry:

1) Movie market experienced a 64% rise from 2009 to 2010
2) The film industry earned $1.5 billion in 2010
3) 20,000 screens are expected to exist by 2015
4) 40,000 screens are expected to exist by 2040 (Huayi Brothers, 2011)

Market growth is coming through the growth the middle class in China. With a population of over a billion people, many who are experiencing disposable income for the first time, the market opportunities seem endless. However, students should question how many of these are potential customers. The Generation Y adults are expected to equal 500 million by 2015. This is a large potential customer base unseen in most countries and markets, but what percentage are really potential customer is an area for discussion.

2. Use Porter's Five Forces Model to analyze the film industry in China.

Students can use Porter's Five Forces Model to understand the strength of the forces in this industry. Students should use information in the case to analyze each of the forces and should also do additional research to supplement the case information. This will demonstrate the need to look beyond given material when doing appropriate analysis. Students should be able to describe each of the forces: threat of new entrants, threat of substitute products, power of buyers, power of suppliers, and the level of rivalry.

Students should recognize that the strong potential for growth will encourage new entrants into the market, both domestic and international. The attraction of the large number of potential customers will make this an attractive area for investment. Many of the large competitors in the Chinese film industry did not start out in film but transitioned to film once they saw a growing industry and strong profits. This trend may continue on and pose a large threat as many large marketing or advertising firms would be able to enter the industry with a strong financial backing along with expertise and brand awareness. Barriers to entry are high, however. The Chinese government has strong control over the industry and regulations that are in place to protect the domestic market may keep foreign companies from being able to gain a strong presence. In addition expansion in the film industry requires investment in an infrastructure of movie theaters; this requires considerable investment.

The threat of substitute products is high. This is similar to other countries in which the internet provides opportunities for other types of entertainment that competes directly with film. In the past three decades, the number of Chinese watching Chinese films has significantly declined. Much of this decline can be attributed to television and movies becoming popular in China much later than other counties and increased technological abilities available to the middle class. Because of the late entrance of media entertainment into the Chinese market, many consumers are using substitutes because they have the ability to watch movies from home or are more interested in watching television in a private setting. Many movies are being pirated online, decreasing sales even more and keeping those potential customers at home (Chinese Film Industry and Movie Business). Because of its late entrance into the Chinese market, going to watch a film in theater is not a cultural norm, leaving many other activities open as substitutes.

Within the film industry buyer power depends on theatre ownership. The low number of movies available gives the film company some power and the constriction on the number of foreign movies also reduces the power of the theatre owners. Many film companies deal with this buyer power by actually owning the movie theaters. This ownership issue is not a product of buyer power as much as access to customers. The individual Chinese movie goer has many opportunities to spend their disposable income and have turned out to be price sensitive to the experience. Low switching costs are one of the realities of this industry.

Supplier power is strong in the Chinese film industry due to the government's maximum 20 foreign films allowed to play in China each year. Because movie theaters are extremely limited in their options of foreign films, these foreign suppliers have a great deal of power over the theaters giving them a large amount of price discretion. This large amount of price discretion enables the suppliers to overprice their films which can hurt theaters' margins as well as decrease the amount they can discount ticket prices in order to draw new customers in.

Rivalry among the competitors is low at this point. The industry is going through rapid expansion and the competitors are concentrating on increasing the market through adding customers rather than competing for existence.

Overall the industry is attractive, but the very real challenges of the governmental barriers to entry will protect those within the industry. While companies want to increase the number of foreign films pushing to open the market could mean a large increase in the number and size of future competitors.

3. What type of organizational structure is used by Huayi Brothers? How does this structure fit the strategy of the company?

Students should be able to identify the structure in place for Huayi Brothers. As the company has expanded from film production to other facets of entertainment the structure has adapted. Now with roughly 6 major business units, the Huayi Brothers organization displays a process-centered structure. Instead of a traditional functional organization--where departments such as marketing, finance, and operations oversee the production of products or services--Huayi Brothers has built units that focus on the product or service. For example, the modeling and music business units are separate from the film production unit.

Expansion within the film business has been included areas within the value chain. For example, Huayi Brothers can produce a film at one of its production studios, cast a model/actor from its modeling agency, provide the soundtrack for the movie from its music unit, distribute the movie throughout its theater network, and provide exciting movie themed rides at an amusement park. This integration of marketing product lines within the organizational structure may provide many payoffs for the company. However, it may also blur the area that is the real core competence and allow that competitive advantage to erode because of concentration on too many different areas.

Students may question what type of strategy the Huayi Brothers are using. At this point within the film industry it seems that quantity is trumping quality. Having the different areas in separated out allows for replication. The model replicates the old studio model used by Hollywood in the 1930's-50's where we saw movies cranked out at a fast past. With the same writers, actors, directors, and stage sets movies were produced at a fast past, though the originality was sometimes low. This is in contrast to movies in the US today which are produced as more of a project, bringing together multiple companies and independent contractors for each project, increasing the originality, cost, and time invested.

Students may question or suggest how Huayi Brothers coordinates these projects that go across the different lines. While the case does not provide information about a matrix or project management type infrastructure, students should note that these would be ways to more efficiently manage the complex projects in which the company is involved.

4. How does the government, through import quotas and censorship, help and/or hurt the development of the film production business of not just Huayi Brothers but the Chinese film industry as a whole?

China currently imposes a strict import quota on films allowing only 20 foreign films per year to be distributed in China. The import quota system is in place to help local producers better survive against what would be a massive influx of films and content from foreign studios. Not only is it designed to protect the market shares of Chinese film corporations, the quota is a way to monitor the type of information coming into the country. It protects local culture, stories, and legends from being too heavily influenced from outside sources.

Students should recognize that the foreign film quota helps corporations like Huayi Brothers on the film production side by keeping out extra competition. This limit means that films produced by Huayi can get an audience. Huayi Brothers can put more effort in to their own films as far as marketing them and keeping them in theaters longer. The Huayi Brothers name is attached to more film production. However, Chinese producers are limited in the kinds of movies that they can make. There are censorship restrictions on appropriate topics and viewpoints. This puts restrictions on the creative capabilities of many film studios.

While the import quota is in place to protect the Chinese film market, it is significantly handicapping its growth potential in other segments. Students should point out that since Huayi Brothers owns many of the theatres the limited number of foreign films hurts revenues generated in these venues. Foreign films make significantly more money and are a stronger draw for the theatres. More and more theaters and screens are being built and upgraded across China. It is a booming industry. By limiting the exposure to foreign films revenue Chinese theaters would receive are negatively impacted. In addition, customers coming to see an imported film might learn of a film made by Huayi Brothers that they were unaware of and come back later to see it.

Chinese produced films are making money, but this is not necessarily because of quality, rather it is because of the captive audience. This is where the import quota comes into play again. While foreign made films may be edited slightly or have some changes made due to censorship, these provide a much wider appeal because of stories and production quality. Though the industry is growing and becoming more and more popular among Chinese consumers, quotas and censorship are putting restraints on what could become a monsters industry.

Huayi Brothers is trying to overcome some of the barriers put in place on the industry by joint ventures with foreign film studios. The import quota of only 20 films per year will not impact any films that are made in China. By producing a film with a foreign studio in China, Huayi Brothers will be able to add films made with foreign expertise. Huayi Brothers' joint venture with Legendary Pictures will allow them to make films alongside a foreign studio and distribute them in China. The joint venture with

Legendary Pictures, creating Legendary East, generates unique opportunities to learn from other experienced professionals, broaden knowledge of the global market, learn the technological knowhow in producing quality audio and visual effects, and increase their entertainment offerings.

Legendary East also provides them with a wider pool of talent to choose from and work with in generating new material and producing quality pictures. In addition the partnership will give Huayi Brothers access to the global marketplace.

5. Should Huayi Brothers continue to be integrated across the entertainment industry or focus on what division their competitive edge is greatest? Suggest the type of analysis the company should perform in considering the options. What division provides the greatest opportunity for a sustainable competitive advantage? Why?

Students should recognize that Huayi Brothers have a lot of divisions to coordinate. With its hands in many different sectors of a vastly growing industry, it is getting harder to focus energy on the most profitable areas. As the industry continues to grow at an intense rate, it will become harder to keep up with the pace of the growth in every area of entertainment. While the company can experience growth in all of its business sectors, the long term ability to maintain a competitive advantage in all of these areas will be tough as new, more focused competitors enter the market. By trying to maintain all of the business units, it could end up falling behind in everything.

In order to keep a competitive edge, should Huayi Brothers focus on the areas that make the most money and have the most potential for growth? Students should suggest the company perform a situational analysis. This could include a SWOT analysis as well as the use of the Resource Based model to identify the key competitive advantages. A major teaching tool for this question is to go over the Resource Based View in conjunction with Huayi Brothers' unique and quickly changing market. This concept focuses on VRIN, in which a company should focus on ventures based on their available resources, and their resources are: Valuable, Rare, Imperfectly imitable, Non-Substitutable (Barney, 1991). Huayi Brother's resources to be analyzed could include creative talent, production/ distribution assets, and market knowledge

A portfolio analysis might also be suggested as a way to make recommendations about areas for focus. Students might point out that the talent management portion of the company does not make the company a lot of money, and takes up time and resources it could focus on film and television, which are the largest revenue sources for the company. Discussion could focus on what possible in direct advantages might be coming to the company from this unit. By working on this and trying to build synergy, Huayi Brothers hopes to maintain its advantage in these areas in the future. The company could continue with a business model much like Disney or Universal. This would allow it to continue the new partnerships and projects it has been working on, such as the new theme park to promote its movies and joint ventures with global companies.

Instead of expanding into many sectors the company may choose to minimize the number of sectors it works in and focus its attention on the quickly growing film and television industries. It is already one of the leaders in these areas, and it will be easiest for Huayi Brothers to expand in this sector. The company is already spending $152 million to build a giant film/television studio, which will allow them to grow this part of the company quickly. By refocusing its efforts on the most profitable area of the company, it can continue to operate vertically within this sector and produce, distribute, and release more films within this growing market. Students should consider if this is the company's best chance to take advantage of its huge head start in this potentially massive market.

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