

Research and Analysis on Business Model Innovation of China's Public Welfare Funds

Xingshuo Shan^{1, *}

¹ Western Academy of Beijing, Beijing, China

*Corresponding author: 24davids@wab.edu

Abstract. The report of the Twentieth National Congress of the Communist Party of China proposed to “guide and support willing and capable enterprises, social organizations, and individuals to actively participate in public welfare and philanthropy”, in order to change the state funding of public welfare foundations in China, change the operation mode of “relief” public welfare foundations, and introduce a commercial operation mechanism for public welfare foundations. It is proposed that public welfare charity organizations with new business types integrating public welfare and business attributes rise rapidly so that public welfare and business can be deeply integrated. Social enterprises driven by social value can accelerate their development. Public welfare foundations can accelerate their development by forming a sustainable business model of “self-hemopoiesis,” based on the opportunity of China's economic system reform and rapid economic development, using the method of cross-cooperation in multiple fields and platforms, analyzing the feasibility of the commercialization model innovation of public welfare funds and the importance of risk control, and analyzing how to create corporate social influence through the innovation of the commercialization model of public welfare projects and the good marketing strategy, as well as by encouraging individuals to actively and sustainably participate in various public welfare projects.

Keywords: Enterprise public welfare fund; business model innovation; marketing; sustainable development; risk control.

1. Introduction

In 2004, China issued the Regulations on the Administration of Public Welfare Foundations, formally defining the legal concept of public welfare foundations. The term “Foundation” refers to a non-profit legal person established in accordance with the provisions of these Regulations for the purpose of engaging in public welfare undertakings by using the property donated by natural persons, legal persons, or other organizations. It can be divided into Cemetery Foundations and Non-Cemetery Foundations according to whether public donations can be raised. There are three modes of operation for public welfare foundations, each defined according to the use of funds. The funds raised are mainly used to fund other organizations that carry out community services or implement public welfare projects. Operational foundations, which use the funds raised for their public welfare projects or cooperate with other foundations to carry out projects, generally do not accept funding applications from other organizations. The comprehensive foundation, while operating its projects, also provides support for other public welfare organizations [1].

In recent years, China's traditional public welfare foundations have seen many drawbacks. In the case of government funding failure and contract failure, they have not solved the social welfare security problem well, especially in emergency rescue, education, and medical care. It can recognize that public welfare foundations cannot only rely on government funding. Problems such as the management approval chain being too long and the use of funds not being open and transparent seriously affect the effective implementation of China's public welfare foundations on social security issues and the effectiveness of their implementation. Therefore, it discusses whether public welfare foundations should introduce business model innovation, introduce commercial operation, implement implementation, and achieve financial openness and transparency of management.

Research shows that under the influence of globalization and marketization in the information age, modern public welfare undertakings in western countries are becoming more and more mature. This indicates that commercial operation has become the mainstream operation trend for developed

international public welfare foundations, and public welfare commercialization is an inevitable development trend. The research and discussion on the commercialization of public welfare foundations in China have just begun, and it is not mature enough. Although many public welfare foundations have begun to practice the commercialization model of innovation, there are still many problems, and many people question whether the trend toward commercialization innovation for public welfare foundations is correct [2]. It believes that the research on the commercialization of public welfare funds in China is not mature enough, the implementation and management are not formal enough, and there is no fundamental understanding of the connotation of the commercialization of public welfare funds. Therefore, discussion about the importance and necessity of commercial operation and innovation in public welfare foundations is conducive to improving the system of governance of public welfare organizations, promoting the healthy and vigorous development of public welfare funds in China, and making the most outstanding contribution to better solving China's welfare security [2].

On the one hand, China's public welfare and philanthropy after 2021 will be affected by the third distribution policy and the "14th Five-Year Plan (2021–2025)" and stimulated by the frequent occurrence of domestic public emergencies. Progress in terms of the total amount of social organizations, the total amount of charitable resources, the management of charitable assets, and voluntary services is expected. In 2021, the total amount of social public welfare resources in China will be 446.6 billion yuan, including 145 billion yuan of social donations and 195.4 billion yuan of the discounted value of volunteer services [3]. Among these, the total amount of cash donations from well-known Chinese entrepreneurs was 24.514 billion yuan. During the "99 Public Welfare Day" in 2021, more than 68.7 million people donated in total. Recently, China released the Charity Blue Book: China Charity Development Report (2022), which established that China's public welfare and philanthropy have ushered in the third wave of development and that a new business model integrating public welfare and commercial attributes has risen rapidly [3].

This paper uses the cross-modal search technology and factor analysis method to analyze video data, and all online comments within China's entire network, enumerates successful business model innovation cases of various public welfare organizations in China, and studies whether public welfare funds can achieve the goal of "self hemopoiesis" of public welfare funds by using business innovation models, and enable public welfare funds to achieve sustainable development. The cross-modal search technology is used to analyze the text and video data of all online comments on China's entire network using factor analysis, to find out the operation methods and ways of various public welfare organizations, to analyze and classify which public welfare organizations have the characteristics of commercial operation, and to specifically analyze the impact of each business model on their own sustainable development of the project, social influence, and other factors. With the help of a structural equation model, the relationship between various elements is analyzed and discussed. With the model and the Internet platform as the carrier, combined with the research on successful cases and existing problems of the commercialization of public welfare organizations, constructive suggestions, and specific implementation plans are provided for public welfare organizations to break away from the traditional model.

2. Research on Innovation of Public Business Model

By the end of 2021, there were 8885 Chinese public welfare foundations, 773 charitable trust records were filed nationwide, the asset scale was 3.935 billion yuan, and the total amount of social donations was 145 billion yuan [3]. Among the 8885 public welfare foundations in China, 39% of public welfare fund projects use the operation mode of the Internet, and 85% of public welfare fund projects integrate the public welfare+business mode. When combined with product marketing and brand marketing to achieve "self-hemopoiesis," meaning being self-sustainable without reliance on others such as government funding, the combination goes out of the traditional "relief" mode and uses a business model suitable for the application of public interest organizations, so that fund projects do

not rely on government funding, making up for the shortcomings of the traditional public welfare model [3].

2.1 Analysis of Business Model Innovation of Public Welfare Integration with Internet

Tencent Foundation was established in 2006, it was the first foundation initiated by an Internet company in China. Tencent donated 20 million yuan as the original fund [4]. In 2008, while publicly raising funds for Wenchuan earthquake relief and reconstruction, Tencent used its network platform for the first time, growing 23 million yuan in just ten days [4]. Since then, Tencent has begun to explore ways to let users participate in the fundraising model funded by enterprises. With the Internet platform as the carrier, it has continuously launched new projects exploring public welfare commercialization innovation. In 2015, Tencent Public Welfare Foundation, together with more than ten thousand public charity organizations, well-known enterprises, celebrities, and caring media, jointly launched the "99 Public Welfare Day" public Internet charity fundraising activity.

Tencent Public Welfare Charity Foundation sets the 99 Public Welfare Day on September 4-9 every year. All foundations can publicize their projects through Tencent WeChat and release them to WeChat users. WeChat users can choose public welfare projects to donate according to their preferences. At the same time, Tencent Public Welfare Charity Foundation provides 400 million yuan for donations. Any public welfare projects launched during this period will have the opportunity to receive a donation from Tencent. From 8:00 every night, users can get a 1: N allocation for each donation of no less than 1 yuan (N is customized by the public organization, and the range is 0.1-10). Users can get a maximum of 999 yuan for a single donation. The first donation is the first allocation, and the allocation ends. Among them, targeted donation adheres to the rule of "whoever donates will use it" to support the sustainable and healthy development of philanthropy [5].

This business model innovation mainly makes use of the advantages of the enterprise's network platform and the number of users. It takes the Internet as a carrier, puts corporate public welfare projects and social and personal donations on the same platform, allows everyday people to participate in public welfare projects, and quickly increases the number of people involved in fundraising and the amount of fund-raising.

The donation income of Tencent Public Welfare Foundation in 2010 was 74 million yuan. Since the launch of 99 Public Welfare Day in 2015, they have progressed toward "everyone can do public welfare" with digitalization. Within three days, the number of funds raised reached 228 million yuan, and the number of donors reached 2.05 million [4]. The business model innovation of Tencent's public welfare fund not only expanded the number of donors participating in the public welfare fund but also raised funds five times more in 2015 than in 2010. It can be seen that the business model innovation of the integration of public welfare funds and the Internet is very effective for the "self hemopoiesis" of public welfare funds.

2.2 Business Model Innovation of Integrating Commercial Products into Public Welfare Funds

In 2006, Alibaba launched "Love Baby" on its online retailer platforms. Merchants can set a certain product as a "public welfare commodity" and set the proportion of revenue used as a donation. Consumers buy the product with the "public welfare commodity" logo on Taobao. After the products are sold, the platform will automatically donate the proportion amount used as a donation set by the merchant to public welfare organization or project designated. In 2021, more than 500 million consumers have purchased "public welfare commodity", and more than 46% of Tmall (another online retailer platform owned by Alibaba) merchants will set up their stores as "public welfare commodity" [6].

2.3 The Scale of Volunteers Assisting the Business Model Innovation of Public Welfare Funds

Adream charitable foundation began to explore the community dream center in 2016. This project provides a loving growth environment for the community, provides children's literacy education

dream courses and parent-child activities for 6-12 year-olds and families in their spare time. Through the community and the Internet, parents, teachers, and college students are mobilized to design various online and offline true love dream courses, and participate in dream courses and parent-child activities as volunteers. By 2021, there are nearly 100 million volunteers for the development of True Love Dream. In 2001, the fund raised 297 million yuan. The curriculum covers 27 provinces and cities across the country, and 1214 schools, including 5.5 million teachers and students [7]. It is an innovation of the new business model of public welfare funds that the public welfare foundation develops the scale of volunteers and cultivates the professional ability of volunteers to provide valuable services for the recipients of public welfare funds so that more people can benefit from it and cultivate more people's public welfare donation habits and continuous donation motivation.

2.4 Marketing and Promoting the Creation

In 2018, Tencent Public Welfare launched a creative marketing plan called "Little Red Flower". In the cooperation between Tencent Public Welfare and other platforms, users can obtain red flowers through public welfare activities such as do, nations, donation steps, answering questions, and answering questions. In addition, each red flower user's donation will enable support projects to obtain more donations [8]. After more than three years of evolution and upgrading, the total number of red flowers collected by Tencent public welfare users reached 460 million and up to 230 million people contributed to the public welfare through donation steps which have greatly exceeded the number of people who donated to public welfare. In 2021, users donated 5.446 billion yuan to various public welfare fund projects on the Tencent platform [9]. Therefore, it has proven business model innovation of public welfare+business using the Internet platform as the carrier, has a positive and important impact on the growth of welfare funds fundraising, which is the inevitable development trend of the commonweal fund's self hemopoiesis.

2.5 Discussion on Business Model Innovation and Risk Management of Public Welfare Funds

Public welfare fund projects with innovative business models based on the Internet have shown rapid growth in recent years. The majority of Internet public welfare crowdfunding projects in China rely on third-party platforms. Chinese society lacks supporting laws, regulations, and regulatory mechanisms, meaning that the sponsor platform and sponsors face no supervision. Additionally, the flow of funds is not transparent enough, the platform is not strict with the sponsors, there are massive loopholes, and donors are vulnerable to exploitation and deception.

For example, consider the example of Shuidiqian. 85% of netizens commented that Shuidiqian is a charity and public welfare organization. In fact, Shuidiqian is an insurance platform company, a Chinese enterprise listed in the United States. The business model of Shuidiqian is "mutual assistance+crowdfunding+public welfare." If registering members of Shuidiqian that are unlucky with medical problems or encounter an accident can get a medical fund according to the established rule of "one person gets ill, everyone shares." Through social platforms, patients or relatives can publish crowdfunding information on the Waterdrop platform and broadcast the information through various social media for fund-raising activities [10].

In 2019, Shuidiqian was exposed to false information. Within several cases, the report of the donee published was unqualified for the donation conditions. Thus, the incorrect information caused great attention from Internet users and Chinese regulatory authorities and lowered the credibility of Shuidiqian to the freezing point. At the same time, the public learned that it was only a company with experience in commercialization by virtue of the model of public welfare products, not a purely public welfare organization, which led to continuous losses and difficulty in sustainable operation [11].

This example is worthy of our reflection. The innovation of the business model of public welfare projects must focus on corporate social responsibility and positive influence. The sponsors of public welfare funds must strictly control the internal risks of the project content and the donors. At the same time, China needs to strengthen the management laws, regulations, and governance measures and

increase the transparency of public welfare project information, including authenticity and transparency of the use of funds.

3. Conclusion

From the new perspective of applying the commercialization model to public welfare foundations, combining the theoretical basis of research and the advanced operation of public welfare foundations that have successfully applied the commercialization model, a set of a commercial model that can promote public welfare foundations to achieve self hemopoiesis is innovatively summarized, which is scientific and replicable. According to this research, public welfare funds should introduce the ecology associated with the foundation, design the marketing plan for the good, and call on more enterprises, social organizations, and individuals to participate in it with the help of multiple forces, so as to provide channels and paths for the society to create and rebuild value. Public welfare funds should also use the Internet plus the Public Welfare Foundation as the carrier of commercialization, link public welfare organizations with social individuals and enterprises, and gather various resources on the Internet platform for public welfare assistance and donation. Through the design and development of public welfare projects, enterprises can not only help more people, but also create social influence of enterprises, so that our society is full of opportunities for love and mutual assistance.

In conclusion, public welfare funds that constantly explore on innovation road of a new business model and public welfare product design had far development probability than public welfare funds that have maintained the same business model and public welfare product design. At the same time, the starting point of business model innovation of public welfare foundations should be based on good design, good marketing, and good management. Ultimately, public welfare funds should actively promote the social influence of public welfare projects. This is the most important factor for the innovation of business models of welfare foundations and fund projects.

References

- [1] Xu, Nanxi. "Regulations on the Administration of Foundations (Adopted at the 39th Executive Meeting of the State Council on February 11, 2004 and Promulgated by Order No. 400 of the State Council of the People's Republic of China on March 8, 2004)." China Government Legal Information Network, http://www.gov.cn/zhengce/2020-12/27/content_5574632.htm.
- [2] Yan, Yixin. "Study on the Commercialization Operation Mode of Public Welfare Organizations." Reference Network, Reference Network, 7 Nov. 2017, <https://www.fx361.com/page/2017/1107/2451318.shtml>.
- [3] Shul, liang. "Charity Blue Book: China Charity Development Report (2022) Was Released in Beijing." China Daily, China Daily, 3 Nov. 2022, <https://bj.chinadaily.com.cn/a/202211/03/WS63636cd7a310817f312f4518.html>.
- [4] Wan, Yuhang. Tencent Foundation's 15th Anniversary Brand Renewal: Digitally Broaden the Public Welfare Boundary and Become an Industry "Connector", China National Radio, 29 June 2022, https://tech.cnr.cn/techph/20220629/t20220629_525887874.shtml.
- [5] What is the Meaning of Donation on 99 Public Welfare Day, 8 Oct. 2021, <https://iask.sina.com.cn/jxwd/6cJL24mV5VY.html>.
- [6] Wang, Yong. Inventory of Fund Raising Data on the 99 Public Welfare Day in 2022: Initial Results of Releasing Leverage and Stepping on the Brake, China Philanthropy Times, 11 Nov. 2022, <http://gongyishibao.com/html/gongyizixun/2022/11/22491.html>.
- [7] Tencent Public Welfare and Fangde Credit Suisse Jointly Released the Report of "2022 99 Public Welfare Day Fundraising Data Inventory", China Business Journal, 11 Nov. 2022, <http://www.cb.com.cn/index/show/gd/cv/cv1361760711491>.

- [8] Jin, Mingda. Don't Turn "Public Welfare" into "Business" When Collecting Money Online!, Xinhua News Agency , 10 May 2021, <https://baijiahao.baidu.com/s?id=1699378181553870148&wfr=spider&for=pc>.
- [9] Zhang, Tianlei. "Public Welfare Treasure" Creates a Trickle down Effect of Sustainability, China Daily, 29 Oct. 2021, <https://cn.chinadaily.com.cn/a/202110/29/WS617bed90a3107be4979f59b0.html>.
- [10] Sun, Dan. Alibaba Charity 2021:500 Million Netizens Use Action to Deliver Love 2.5 Public Welfare Hours per Capita, Economic Daily, 20 Jan. 2022, http://bgimg.ce.cn/xwzx/gnsz/gdxw/202201/20/t20220120_37274818.shtml.
- [11] Meng, Dongqing. "Adream - Community Dream Center." China Good Public Welfare, China Good Public Welfare, <https://haogongyi.org.cn/home/product/detail/id/57.html>.