

How Traditional Cultural IP Realizes Commercial Value in the Digital Era: A Case Study of *Nezha 2: The Demon Child Wreaks Havoc in the Sea*

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Abstract

The commercialization of cultural heritage in the digital age represents both an opportunity and a dilemma. This article examines how heritage-based intellectual property (IP) can be reframed, technologically mediated, and socially co-created, using the Chinese animated film *Nezha: Birth of the Demon Child (Nezha 2)* as a case study. Drawing on interviews with industry professionals and audiences, industry reports and policy documents, and digital ethnography of user-generated content on major Chinese platforms, the study identifies three interrelated mechanisms: selective fidelity to heritage symbols, technological scaling through production pipelines and algorithmic promotion, and participatory legitimization via fan creativity. These findings are synthesized into a conceptual model—the Culture–Technology–Market Triad—which explains how heritage-based IP achieves both cultural legitimacy and commercial viability. The article contributes theoretically by advancing debates on authenticity, digital infrastructures, and participatory economies, and practically by offering insights for producers and policymakers seeking to balance cultural continuity with innovation.

Keywords

Traditional Cultural IP; Commercial Value; *Nezha 2*; Cultural Heritage; Intellectual Property.

1. Introduction

The commercialization of cultural heritage in the digital era has become both an economic opportunity and a cultural dilemma. Across the world, mythological figures, folklore, and traditional symbols are being reimagined as marketable intellectual properties (IP), sustaining creative industries through franchising, merchandise, and cross-media adaptations. Yet the process raises persistent tensions: how to respect cultural authenticity while appealing to contemporary audiences, and how to balance creative innovation with economic imperatives.

China provides a particularly vivid case of these dynamics. Over the past decade, domestic animation has experienced a revival, with productions such as *Monkey King: Hero Is Back* and *Nezha: Birth of the Demon Child (Nezha 2)* achieving both critical acclaim and commercial success. Among them, *Nezha 2* is notable for its unprecedented box office revenues and for sparking widespread debate on how traditional stories should be adapted for modern consumption. The film exemplifies how heritage-based IP can become a national cultural brand while simultaneously navigating questions of authenticity, technological mediation, and audience participation.

Existing scholarship has addressed the cultural industries in broad strokes, emphasizing structural features such as high risk, uncertain demand, and the dual cultural-economic nature of symbolic goods [1,2]. Studies of franchising and transmedia storytelling demonstrate how narratives expand across platforms, while digital heritage research highlights both

preservation and transformation through technology [3,4]. Meanwhile, work on participatory culture shows that audiences increasingly co-create cultural value through user-generated content, memes, and fan communities. Yet what remains underexplored is how these mechanisms intersect in the Chinese context, where heritage-based IP is simultaneously a site of cultural protection, market experimentation, and digital innovation.

This study addresses that gap by analyzing the *Nezha 2* case. The film is treated as an instrumental case that illuminates broader mechanisms of cultural IP commercialization in digital environments. Three interrelated domains are central to the analysis: culture, involving symbolic reframing and the politics of authenticity; technology, encompassing production infrastructures and algorithmic platforms that multiply visibility; and market, highlighting participatory practices and monetization strategies. These domains form what this paper terms the *Culture–Technology–Market Triad*, a conceptual model for understanding how heritage is transformed into commercially viable IP.

Empirically, the study draws on semi-structured interviews with industry professionals and fans, analysis of industry reports and policy documents, and digital ethnography of user-generated content on Chinese platforms. The combination allows for triangulation between official narratives, industrial practices, and grassroots participation. Methodologically, the goal is not to generalize statistically but to trace mechanisms that may have wider applicability across heritage-based IP projects.

The contribution of this study is twofold. Theoretically, it refines understanding of how authenticity is constructed and negotiated in digital cultural industries, extending debates on cultural economics and participatory culture. Practically, it provides insights for producers and policymakers seeking to balance cultural integrity with economic competitiveness in China's creative industries.

2. Literature Review

2.1. Re=framing Heritage in Market Contexts

Cultural heritage has long been viewed as resistant to commodification, because its legitimacy depends on authenticity and continuity with tradition [5]. Yet in cultural industries, symbolic goods carry both cultural and economic value, creating constant tensions between preservation and commercialization [6]. Producers must navigate this duality in uncertain markets characterized by high risk and symbolic differentiation [7,8].

Chinese animation illustrates this dilemma vividly: policy frameworks in China have actively encouraged the development of cultural industries and cultural IP for broader competitiveness, while audience reception studies show that viewers frequently evaluate and contest the cultural representation and authenticity of adapted mythological narratives [9,10]. *Nezha 2* demonstrates a strategy of “selective fidelity”: retaining mythic symbols such as Nezha's rebellious persona while reframing narratives around contemporary themes of social resilience. This approach aligns with marketing research that treats authenticity as a negotiated perception—shaped strategically by producers, interpreted by consumers, and signaled by institutional cues. Studies of brand authenticity show that producers' framing and managerial practices (e.g., demonstrated passion, historical continuity) interact with consumer evaluations (quality commitment, sincerity, heritage cues) to generate perceived authenticity; consequently, cultural heritage functions as a dynamic resource that is continuously reinterpreted to sustain both legitimacy and market appeal [11].

2.2. Digital Pathways for Narrative Expansion

Digital technologies have transformed the conditions under which cultural IP is produced and circulated. Jenkins's notion of convergence culture shows how narratives extend across

multiple platforms, each contributing to a larger storyworld. In Hollywood, the Marvel Cinematic Universe exemplifies this logic, while Disney's remakes demonstrate how heritage can be reframed for new audiences [3].

In China, technological strength-including CGI, cloud computing, and 5G infrastructure-has played a key role in enhancing the production capacity and visual quality of animated works. At the same time, social platforms and sequential marketing via eWOM and social network marketing have been shown to amplify film visibility and box office performance [12]. Digitization not only enables the preservation of cultural references but also transforms the ways their meanings are constructed. In the case of *Nezha 2*, short viral clips and internet memes circulated across social media attracted attention far beyond conventional cinema audiences, illustrating how digital platforms actively participate in producing cultural visibility [4]. At the same time, reliance on standardized software and algorithmic promotion introduced aesthetic conventions and risks of losing narrative control. Technology thus operates as both enabler and constraint in the commercialization of heritage IP.

2.3. Participatory Cultures and Global Comparisons

A third body of literature highlights the role of audiences as co-creators of cultural value. Marketing and consumer culture research, drawing on Jenkins's notion of fans as "textual poachers," emphasizes how audiences appropriate and repurpose media content for their own expressive and communal purposes [13]. In practice, participatory cultures have been institutionalized differently across industries. Japanese anime relies on doujin markets and conventions, South Korean K-pop strategically channels fan labor into promotional campaigns, and Hollywood integrates fandoms primarily through controlled licensing.

The Chinese case reflects both convergence and divergence with these models. *Nezha 2* sparked extensive user-generated content, with fan art and memes circulating on Weibo and Bilibili, many later acknowledged by the studio. This mutual recognition created participatory legitimization, strengthening affective investment and boosting merchandise sales. Yet unresolved tensions remain: weak IP protection, uneven revenue-sharing, and risks of fan backlash when authenticity is perceived as compromised.

What emerges from these literatures is a research gap. While global scholarship has examined franchising, digitization, and participatory economies, less is known about how these mechanisms intersect in China's rapidly evolving creative industries. Addressing this gap, the present study develops a Culture-Technology-Market triad as a framework for analyzing how heritage-based IP is transformed into commercially viable cultural products.

3. Case Strategy and Analytical Architecture

3.1. Case Selection and Data Sources

This study takes *Nezha: Birth of the Demon Child (Nezha 2)* as its focal case. The film is appropriate because it represents the tensions of heritage-based IP: cultural authenticity, technological mediation, and audience participation. The case was selected not only for its own significance but also for its value as an analytical lens to explore broader mechanisms of cultural IP commercialization, consistent with the instrumental case study approach.

Data were drawn from three sources. Firstly, semi-structured interviews with a member of the leadership team of the Propaganda Department of the Sichuan Provincial Party Committee and seven audience members provided insights into creative choices, industrial conditions, and audience reactions. Secondly, industry materials-box office reports, policy documents, trade press-offered institutional and economic context. Thirdly, digital ethnography traced 300 purposively sampled fan posts, artworks, and short videos on Weibo, Bilibili, and Douyin during

the six months after release. Together these sources triangulate perspectives from producers, institutions, and audiences.

3.2. Data Analysis through Three-Stage Coding

The textual materials collected in this study—including policy documents, industry reports, and audience commentary—were analyzed using a three-stage coding approach. Following established practices in qualitative marketing and management research, the process began with open coding, in which the data were reviewed line by line to identify recurring expressions and assign descriptive codes. These initial codes were then consolidated through axial coding to uncover broader categories and relationships among them. Finally, selective coding integrated these categories into a core theme that captures the negotiation between cultural authenticity and market imperatives. This systematic coding process ensures that higher-order conceptual insights emerge inductively from the data while maintaining methodological rigor [14-16].

3.3. Conceptual Framework: The Culture–Technology–Market Triad

Findings from the study were synthesized into a Culture–Technology–Market (CTM) Triad, capturing how heritage content is reframed, scaled, and monetized within digital creative industries. The framework conceptualizes cultural heritage not as a static resource but as a dynamic asset shaped by continuous negotiation between symbolic meaning, technological infrastructure, and market participation. Similar integrative perspectives on cultural production have been advanced in creative economy research, emphasizing the interdependence of cultural authenticity, innovation, and market logics [17].

Within this triad:

- Culture represents the domain of *symbolic reframing and negotiated authenticity*, where traditional motifs are selectively reinterpreted to align with contemporary aesthetics and social value.
- Technology functions as an *infrastructure of production and distribution*, enabling efficiency and global visibility but also introducing creative and algorithmic constraints [18].
- Market encapsulates *participatory and monetization mechanisms*, where fan communities and user-generated creativity become embedded within value chains [19].

The triad operates as a dynamic system: cultural adaptation depends on technological mediation; digital infrastructures amplify visibility yet rely on cultural resonance to sustain engagement; and participatory markets expand value while destabilizing the boundary between producers and consumers. Table 1 summarizes how this triadic interaction manifests in the case of *Nezha 2*.

Table 1. Culture–Technology–Market Triad in *Nezha 2*

Domain	Mechanisms	Examples in <i>Nezha 2</i>
Culture	Selective fidelity	Mythic symbols + modern themes
Technology	Technological scaling	CGI pipelines; Douyin promotion
Market	Participatory monetization	Fan art integrated; merchandise sales

This conceptual framework provides the analytical foundation for interpreting the findings that follow, linking cultural authenticity with technological affordances and market co-creation within China’s evolving animation sector.

4. Findings and Discussion

4.1. Cultural Reframing and Negotiated Authenticity

The first major finding concerns the cultural logic of *selective fidelity*. Producers of *Nezha 2* adopted a strategy of retaining core mythic icons while updating narrative arcs to reflect contemporary values such as resilience, choice, and social pressure. This practice aligns with the broader trend of symbolic adaptation in cultural industries, where creative reinterpretation maintains heritage appeal while enhancing market relevance [20].

Interview data revealed that animators intentionally preserved Nezha's rebellious identity-his iconic red ribbons, spear, and defiant posture-while reframing the plot to mirror youth struggles in modern China. This reflects what Bendix (1997) conceptualized as "constructed authenticity," now echoed in marketing research as *negotiated legitimacy* between producers and audiences [11].

Audience reactions were complex. Many described the film as "faithful but new," recognizing its balance between tradition and modernity. However, online debates on platforms like Weibo and Douyin exposed tensions surrounding deviations from canonical stories. Similar dynamics have been observed in other cultural markets: Western audiences tend to accept radical reinterpretations of folklore, whereas Chinese consumers often view mythological figures as national symbols, attaching moral and emotional weight to fidelity.

This suggests that authenticity is not an inherent property but a relational construct shaped by sociocultural context. Brands and cultural producers are able to maintain perceptions of authenticity by developing consistent narratives and openly negotiating the meanings attached to their products and symbols [11]. In the *Nezha 2* case, success emerged from managing this tension-balancing respect for tradition with narrative innovation to resonate across generational audiences.

4.2. Technology as Amplifier and Constraint

The second dimension of the CTM Triad involves technology as both *enabler* and *constraint*. Industry informants emphasized that advances in computer-generated imagery (CGI) and digital rendering pipelines allowed studios to achieve high production quality with relatively modest budgets. This pattern reflects technological scaling in creative industries, where innovation enhances both efficiency and symbolic capital [21].

Box office and production data illustrate this clearly: *Nezha 2* achieved competitive visual standards at a fraction of Hollywood budgets, validating the strategic potential of technological upscaling. Moreover, digital platforms such as Douyin and Bilibili amplified reach through algorithmic promotion. Short video memes, fan remixes, and viral sound bites amplified the film's visibility across social media, illustrating the broader process in which cultural production becomes embedded within the algorithmic distribution logics of digital platforms, a phenomenon often described as "platformization" [22].

However, technological mediation also introduced creative constraints. Animation professionals noted that reliance on standardized software limited stylistic diversity, while algorithmic promotion occasionally privileged humorous or decontextualized clips over the intended narrative. This duality-empowerment and constraint-is well documented in research on media convergence and digital cultural industries [23,24].

Comparative analysis positions China within a hybrid production paradigm. Hollywood's economies of scale depend on integrated global distribution networks, while Japanese studios optimize through stylized minimalism. Chinese animation, exemplified by *Nezha 2*, blends these logics-leveraging high-end CGI with social media virality akin to K-pop marketing models [25]. This hybrid strategy illustrates China's ambition to reconcile technological sophistication with

culturally grounded storytelling, thereby reinforcing both national identity and international competitiveness [8].

4.3. Participatory Markets and Co-Creation

The third set of findings centers on *participatory legitimization*. Fans not only consumed *Nezha 2* but also actively contributed to its cultural and economic value. Digital ethnography revealed extensive fan art, memes, and derivative videos shared on Weibo and Bilibili. The studio occasionally reposted these works, signaling recognition and strengthening fan attachment. Such reciprocal acknowledgment transformed audience creativity from peripheral enthusiasm into an integral component of the IP ecosystem.

For fans, this recognition deepened emotional investment and encouraged further participation. Several interviewees described feeling that “the studio listens to us,” which motivated them to create and share additional derivative works. Economically, these activities maintained public attention and supported merchandise sales—for instance, fan art contests linked directly to purchases of licensed figurines. Participation therefore functioned simultaneously as a form of cultural validation and as a commercial driver, as consumers’ creative contributions generated both symbolic and economic value for brands, reflecting the notion of “working consumers” [19].

Nonetheless, tensions were visible. Some fans expressed frustration about the uncredited reuse of their work, while industry professionals admitted difficulties in balancing openness with intellectual property protection. Such frictions mirror wider debates about *prosumer capitalism*, where value co-creation blurs the line between production and consumption [26]. Participatory practices can also strengthen emotional attachment among audiences while expanding the reach of cultural content, dynamics that similarly contributed to the viral momentum of *Nezha 2* [25].

Cross-cultural comparison offers additional perspective. In Japan, *doujin* markets coexist with official products, creating a porous yet stable ecosystem. In Korea, fan participation is institutionalized through organized promotional campaigns. The Chinese model remains more fluid, shaped by algorithmic platforms and evolving regulations. The incorporation of user engagement into digital economic systems turns participation into a measurable form of creative capital. This hybridity—where cultural, technological, and market forces converge—demonstrates how participatory markets have become a defining characteristic of China’s creative economy [8].

These findings show that *Nezha 2*’s success did not arise from a single factor but from synergy across the triad: cultural reframing provided legitimacy, technology amplified reach, and participatory practices deepened engagement and monetization. This interplay exemplifies the Culture–Technology–Market Triad as a framework for understanding how heritage IP evolves within the digital marketplace.

5. Conclusion

This study examined how cultural heritage can be transformed into commercially viable intellectual property in the digital era through the case of *Nezha 2*. The findings reveal that success stems not from isolated elements—cultural fidelity, technological innovation, or market participation—but from their interdependence within the Culture–Technology–Market Triad. This framework underscores how symbolic reframing, technological scaling, and participatory co-creation collectively shape value creation in China’s creative industries.

The analysis contributes to theory in three ways. Firstly, it advances debates on authenticity by arguing that fidelity to heritage is not about strict preservation but about legitimacy negotiated among producers, audiences, and institutions. Secondly, it broadens research on digital cultural

industries by showing that technological scaling increases visibility while also imposing limits on creativity. Thirdly, it contributes to marketing scholarship by showing that fan participation, despite occasional contention, has become a productive driver of value creation.

Practically, the findings offer guidance for cultural producers and policymakers. For producers, balancing symbolic continuity with creative adaptation can enhance both resonance and profitability. For policymakers, fostering open yet regulated participation frameworks can promote innovation while safeguarding cultural integrity and equitable value sharing.

Naturally, the study faces limitations. Its single-case focus restricts generalization, and reliance on publicly available digital materials may overlook informal participatory practices. Future research could test the CTM Triad across multiple cases or explore cross-national variations in heritage IP commercialization.

In conclusion, *Nezha 2* illustrates how cultural heritage, when strategically reframed, technologically scaled, and socially co-created, can achieve both cultural significance and commercial success. The Culture–Technology–Market Triad provides a useful lens for analyzing such processes and envisioning the evolving relationship between tradition and innovation in the global creative industries.

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