RESHAPING SHANGHAI'S MICRO-DRAMA ECOSYSTEM: INNOVATION AND CULTURAL IDENTITY IN THE DIGITAL AGE

REMODELANDO O ECOSSISTEMA DE MICRODRAMAS DE XANGAI: INOVAÇÃO E IDENTIDADE CULTURAL NA ERA DIGITAL

Yiming Wang*
*Communication Arts, College of Communication Arts, Suan Sunandha Rajabhat University
s65584946020@ssru.ac.th

Prakaikavin Srijinda*
**College of Communication Arts, Suan Sunandha Rajabhat University
Prakaikavin.sr@ssru.ac.th

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Abstract

This study explores the transformation of Shanghai's micro-drama industry within the broader context of media ecology and cultural identity. Micro-dramas, short-form video content that blends narrative structures with algorithmic consumption patterns, have rapidly emerged as a dominant form of digital media in China. This research examines the ecological factors influencing the industry's performance, such as policy support, technological advancements, and market competition, while also analyzing the role of symbolic narratives in constructing cultural identity. Through a mixed-methods approach combining quantitative surveys (n=428) and qualitative interviews (n=23), the study reveals that Shanghai's micro-drama industry faces the challenge of balancing high production costs with the demands of algorithmic distribution systems. The findings propose a strategic framework for innovation in the industry, emphasizing quality content, algorithmic adaptability, and cross-boundary integration. This research contributes to the academic understanding of media ecosystems and provides practical insights for industry practitioners and policymakers.

Keywords: Shanghai. Micro-drama. Media Ecology. Cultural Identity. Strategic Innovation. Algorithmic Adaptation. Cross-boundary Integration.

Resumo

Este estudo explora a transformação da indústria de microdramas de Xangai no contexto mais amplo da ecologia da mídia e da identidade cultural. Os microdramas, conteúdos de vídeo de formato curto que combinam estruturas narrativas com padrões de consumo algorítmicos, surgiram rapidamente como uma forma dominante de mídia digital na China. Esta pesquisa examina os fatores ecológicos que influenciam o desempenho da indústria, como apoio político, avanços tecnológicos e concorrência de mercado, ao mesmo tempo em que analisa o papel das narrativas simbólicas na construção da identidade cultural. Por meio de uma abordagem de métodos mistos que combina pesquisas quantitativas (n=428) e entrevistas qualitativas (n=23), o estudo revela que a indústria de microdramas de Xangai enfrenta o desafio de equilibrar os altos custos de produção com as demandas dos sistemas de distribuição algorítmica. As conclusões propõem uma estrutura estratégica para a inovação na indústria, enfatizando conteúdo de qualidade, adaptabilidade algorítmica e integração transfronteiriça. Esta pesquisa contribui para a compreensão acadêmica dos ecossistemas de mídia e fornece insights práticos para profissionais da indústria e formuladores de políticas.

Palavras-chave: Xangai. Microdrama. Ecologia da mídia. Identidade cultural. Inovação estratégica. Adaptação algorítmica. Integração transfronteiriça.

1 INTRODUCTION

In the early 21st century, the global media ecosystem has undergone significant transformation, largely driven by rapid advancements in technology. These advancements—particularly in mobile internet, 5G communication, and artificial intelligence (AI)—have reshaped media content production, distribution, and consumption patterns. One of the most notable outcomes of these technological shifts is the rise of micro-dramas, a genre of short-form video content designed for mobile-first consumption, typically ranging from a few seconds to 10 minutes. Micro-dramas combine traditional narrative techniques with the modern digital consumption habits of today's audiences, offering high-impact, quick gratification, and deeply engaging storytelling. In China, micro-dramas have become a dominant form of digital content, particularly through platforms such as Douyin (TikTok) and Kuaishou. These platforms have driven the popularity of micro-drama, which offers an exciting new twist on traditional television formats by compressing content into shorter timeframes. The rapid emergence of this content type can be attributed to the evolving nature of the digital media landscape, where audiences increasingly demand content that can be consumed quickly and flexibly during fragmented time slots throughout their day.

Shanghai, as one of China's most culturally significant cities, is ideally positioned to lead in the micro-drama industry. The city's rich cultural history, coupled with its modern, urban environment, provides the perfect backdrop for creating content that blends Shanghai's unique urban culture with digital media innovation. However, Shanghai's micro-drama industry faces several challenges. On one hand, there are high production costs associated with creating premium content. On the other hand, micro-drama content must also align with the demands of platform algorithms, which prioritize high engagement, quick pacing, and instant audience gratification. Additionally, while Shanghai has a rich cultural identity, particularly through its Haipai (Shanghai-style) culture, micro-drama creators must navigate the complexity of balancing this identity with the broader appeal needed for success in the highly competitive digital media market.

1.2 Statement of the problem

Despite Shanghai's cultural richness and the potential of its micro-drama industry, the sector faces several challenges:

1. Ecological Imbalance: The balance between high production costs and algorithmic distribution systems presents a core issue. While Shanghai boasts some of the highest production costs in the country, the dominant platforms (such as Douyin and Kuaishou) require content to be tailored for quick engagement, placing pressure on creators to produce fast, low-cost content while maintaining high standards.

2. Semiotic Alienation: Semiotic theory argues that media is not merely about content but how symbols are used to create meaning (Hall, 1980). Shanghai's micro-dramas often rely on Haipai cultural symbols—such as the Bund, longtangs (lanes), and Shanghai dialect—which may be misinterpreted by non-local audiences. This creates a semiotic disconnection where the intended cultural message may be either diluted or misunderstood across different regional or cultural groups.

3. Technological and Strategic Innovation: Although the integration of Artificial Intelligence Generated Content (AIGC) offers the possibility of reducing production costs and improving efficiency, it also presents challenges in maintaining the cultural richness and authenticity of Shanghai's content. Additionally, the micro-drama industry lacks a strategic framework for integrating technological advancements with traditional cultural values to ensure both sustainability and innovation in content creation.

1.3 Research questions

This study seeks to address the following research questions:

1. RQ1: How do Shanghai's micro-drama industry's ecological factors—including policy support, technological advancements, and market competition—affect industrial performance?

2. RQ2: How do symbolic narrative strategies in Shanghai's micro-dramas shape cultural identity for both local and cross-regional audiences?

3. RQ3: What strategic innovations can be recommended to achieve sustainable development within Shanghai's micro-drama industry while preserving cultural authenticity?

1.4 Research objectives

The objectives of this study are as follows:

1. To evaluate the impact of industrial ecosystem elements, such as policy support, technological advancements, and market competition, on the performance of Shanghai's micro-drama industry.

2. To explore the mechanisms and effects of symbolic narrative strategies in constructing cultural identity in Shanghai's micro-dramas, both locally and across regions.

3. To propose a framework for ecological restructuring and strategic innovation, focusing on how Shanghai's micro-drama industry can achieve long-term sustainability and innovation.

1.5 Scope of research

The research focuses on Shanghai's micro-drama industry, with the following scope:

Population Scope: The primary participants include micro-drama production companies, Multi-Channel Networks (MCNs), content creators, and their audiences (both from Shanghai and non-Shanghai regions).

Geographic Scope: This study is primarily focused on Shanghai, with comparisons made to other regions in China and international markets to highlight Shanghai's unique industry positioning.

Time Scope: Data will be collected from 2023 to 2025, a period marked by rapid industry growth and regulatory adjustments that have significantly impacted the micro-drama sector.

1.6 Significance of the Study

This research contributes to both theoretical and practical aspects:

1. Theoretical Significance: It enriches Media Ecology theory by examining how digital platforms and algorithmic flows shape content creation in Shanghai's micro-drama ecosystem. It also extends Semiotics theory by analyzing the encoding and decoding of Haipai cultural symbols across different audiences.

2. Practical Significance: This study offers actionable recommendations for industry practitioners, helping them optimize content strategies and navigate the challenges of balancing artistic quality with algorithmic demands. It also provides insights into leveraging cross-boundary integration models (e.g., micro-drama + tourism or micro-drama + local brands) to expand market reach and enhance cultural influence.

3. Policy Significance: The findings will offer data-driven insights into the effects of policy interventions, such as financial subsidies and regulatory measures, and provide recommendations for optimizing policy frameworks to better support the industry's growth.

1.7 Definition of key terms

The study clarifies key terms as follows:

1. Micro-drama: A short-form narrative-driven video content ranging from a few seconds to 10 minutes, typically designed for mobile-first consumption. It involves rapid, high-engagement storytelling that caters to short attention spans.

2. Haipai Culture: Shanghai's unique blend of Eastern and Western influences, often characterized by modernity, openness, and a mix of traditional Chinese values with Western elements. This culture is reflected in the city's architecture, lifestyle, and urban aesthetics.

3. Algorithmic Adaptation: The practice of adjusting content production strategies to meet the demands of platform algorithms, which prioritize quick engagement metrics such as completion rates and click-through rates.

4. Cross-boundary Integration: Business models that integrate micro-drama with other industries, such as tourism, brand marketing, and entertainment, to enhance value and create mutually beneficial synergies.

2 LITERATURE REVIEW

The theoretical framework for this study integrates multiple perspectives to explore the Shanghai micro-drama industry. The key theories examined in this study are Media Ecology, Semiotics, and Cultural Identity, each of which provides a lens for understanding different aspects of micro-drama content creation, consumption, and its broader impact on cultural identity.

2.1 Media ecology theory

Media Ecology explores how different media environments shape human behavior, perception, and culture. McLuhan's (1964) idea that "the medium is the message" underscores the significance of the medium in shaping social processes. In the context of micro-dramas, this theory explains how the digital, mobile-first nature of platforms like Douyin (TikTok) and Kuaishou influences the way content is consumed and produced. These platforms rely on algorithms to determine content visibility, which results in a shift from traditional forms of media like television to faster, more engaging content designed for shorter time frames. This transformation highlights the interaction between media forms (vertical screens, mobile devices) and the audience's consumption habits, which is fundamental to understanding the dynamics of Shanghai's micro-drama industry.

2.2 Semiotics of communication

Semiotics focuses on how symbols—whether visual, auditory, or behavioral—convey meaning. Hall's (1980) Encoding/Decoding model is central to this framework, positing that meaning is not fixed but instead emerges through the interaction between content creators (encoding) and audiences (decoding). Micro-dramas often employ

symbols drawn from Shanghai's Haipai culture, such as iconic locations (the Bund), the Shanghai dialect, and elements of urban lifestyle, to communicate a distinctive cultural identity. However, these symbols can be interpreted in multiple ways by different audiences, which may lead to "semiotic alienation" (Baudrillard, 1981), where cultural symbols are misunderstood or misinterpreted, especially when the audience is unfamiliar with the local context.

2.3 Cultural identity theory

Cultural identity is a dynamic, constructed sense of self that is shaped by cultural practices and media representations (Hall, 1990). This theory is applied to understand how Shanghai's micro-dramas construct both local and cross-regional cultural identities. Shanghai, with its unique blend of Eastern and Western influences, is often seen as a place where modernity and tradition coexist. Bhabha's (1994) theories of Hybridity and Third Space are also important here, as they emphasize the creation of hybrid cultural identities, where different cultures merge, creating new forms of expression. In the context of micro-dramas, these new hybrid identities are reflected in how Haipai culture is portrayed and interpreted both within China and abroad.

2.4 Evolution of Shanghai's micro-drama industry

The development of China's micro-drama industry, particularly in Shanghai, can be divided into distinct phases that reflect the changing technological, economic, and cultural contexts. The rise of micro-dramas can be understood through Roger Fidler's (1997) Mediamorphosis theory, which suggests that new media forms evolve from older media, adapting to new technological demands and audience expectations.

2.4.1 Embryonic stage (2012-2017)

The early years of micro-dramas were marked by decentralized production, with content primarily generated by users (UGC) rather than professional media companies. Micro-dramas during this period were typically short sketches or comedic segments that

were easy to produce and consumed in small, fragmented time slots. Early Shanghai micro-dramas were influenced by global trends but lacked the distinct cultural elements that would later define the Haipai style. These early productions were primarily focused on humor and quick entertainment, with less attention to narrative depth.

2.4.2 Exploration stage (2018-2020)

The introduction of vertical-screen video (9:16 aspect ratio) marked a significant shift in production and consumption habits. This new format, popularized by platforms like Douyin and Kuaishou, transformed the way stories were told. Shanghai-based content creators began to experiment with urban-themed micro-dramas that reflected the city's cosmopolitan culture, such as office romance and stories about modern Shanghai life. During this period, the Haipai cultural symbols began to be integrated more prominently into micro-dramas, reflecting the city's distinctive blend of tradition and modernity.

2.4.3 Explosion stage (2021-2023)

This phase saw the explosive growth of the micro-drama industry in China, driven by the Paid Traffic Economy. Producers began investing significant resources into paid ads on platforms to ensure visibility and increase user engagement. At the same time, the micro-drama industry became more commercialized, with a focus on creating content that was highly optimized for platform algorithms. Shanghai's micro-drama industry faced increased competition from other regions like Xi'an and Hengdian, where production costs were lower. To differentiate itself, Shanghai focused on producing high-quality, boutique-style content that emphasized cultural depth and the sophisticated urban lifestyle unique to Shanghai.

2.4.4 Structural adjustment stage (2024-Present)

The regulatory landscape for micro-dramas shifted in 2024, with new policies aimed at controlling the rapid expansion of the industry. This phase marks a shift from

unrestricted growth to a more compliant, regulated environment. Shanghai's micro-drama industry is now exploring innovative cross-boundary integration models, such as combining micro-dramas with tourism or brand marketing to create additional revenue streams. Shanghai's micro-drama content now emphasizes cultural richness, blending Haipai culture with modern digital media formats to enhance the city's global cultural influence.

2.5 Components of Shanghai's industrial ecosystem

Shanghai's micro-drama industry operates within a unique ecological environment that is shaped by various factors. These elements include policy support, technological advancements, market competition, and capital investment.

2.5.1 Policy and regulation

The Shanghai municipal government has played a pivotal role in nurturing the micro-drama industry, with policies that support creative content production. For instance, the introduction of a 50-million-yuan fund to support the industry's development has helped foster a more structured growth model. However, new regulatory measures also pose challenges for small and medium-sized producers, who must now comply with more stringent content and production requirements.

2.5.2 Technological empowerment (AIGC)

Artificial Intelligence Generated Content (AIGC) tools have revolutionized content production in the micro-drama industry. AIGC technologies allow for more efficient scriptwriting, scene generation, and post-production, helping to reduce costs. However, this technological shift presents a challenge in maintaining the cultural authenticity of Shanghai's micro-dramas, as AI-generated content often lacks the human touch and cultural nuance needed to accurately represent the city's unique identity.

2.5.3 Market competition

Market competition within Shanghai's micro-drama industry is intense. While Shanghai has a competitive advantage in terms of production quality, the high cost of production makes it difficult to compete with regions like Hengdian, which have lower costs. Shanghai has responded by focusing on creating high-quality, boutique productions that prioritize cultural depth and sophisticated urban aesthetics.

2.5.4 Capital investment

Capital investment is a critical component in the growth of Shanghai's micro-drama industry. The city's financial environment, along with significant investments from both traditional media and new digital platforms, has allowed Shanghai to position itself as a leader in the production of premium micro-drama content. However, the need for high investment continues to challenge smaller production companies, which are often unable to compete with the industry giants.

3 RESEARCH METHODOLOGY

3.1 Research design

This study employs a mixed-methods approach, combining both quantitative and qualitative research designs to provide a comprehensive analysis of the Shanghai micro-drama industry. By using both data types, the study captures both broad, generalizable trends and in-depth, nuanced perspectives of the industry's functioning.

Quantitative Research: This approach was used to assess the overall impact of industrial ecosystem elements, such as policy support, technological innovation, market competition, and capital investment, on the performance of Shanghai's micro-drama industry. A survey questionnaire was administered to a large sample of industry practitioners to quantify their perspectives on these factors. Statistical techniques, including regression analysis, were applied to identify correlations and causal relationships between the variables.

Qualitative Research: To provide a deeper, more contextualized understanding of the micro-drama industry, semi-structured in-depth interviews were conducted with industry experts, such as producers, directors, platform managers, and content creators. The interviews focused on gaining insights into how symbolic narratives are constructed, how Shanghai's Haipai culture is represented, and how industry professionals adapt their strategies in response to technological advancements and market pressures.

This mixed-methods design allows for a more robust exploration of the research questions, integrating the broad statistical findings from the survey with the more nuanced, context-rich data from interviews.

3.2 Population and sample

The population for this study consists of individuals who are directly involved in Shanghai's micro-drama industry. These individuals represent a range of roles within the industry, including content creators, producers, directors, platform operations personnel, and consumers of micro-drama content. The research sample was selected to provide a diverse and representative view of the industry's ecosystem.

3.2.1 Practitioners (industry participants)

The primary sample consists of professionals who work in the production, distribution, and management of micro-dramas. This group includes:

Screenwriters: Those responsible for writing scripts for micro-dramas.

Directors and Producers: Individuals overseeing the production process.

Platform Managers: Employees working with platforms like Douyin (TikTok) and Kuaishou who manage content distribution.

Investors and Marketers: Individuals involved in the financial and marketing aspects of micro-drama production.

3.2.2 Audience

In addition to industry practitioners, the study also targets audiences who consume micro-drama content. These audiences are from different regions—both within Shanghai and other parts of China—offering a cross-regional perspective on how Shanghai micro-dramas are received and interpreted by different cultural groups. The aim is to explore how cultural identity is constructed through micro-dramas and how audiences interpret these cultural symbols.

3.2.3 Sample size

Quantitative: The sample size for the quantitative survey is 428 practitioners. This sample size was chosen based on power analysis to ensure sufficient statistical power for regression analysis.

Qualitative: The qualitative sample consists of 23 in-depth interviews with industry experts, which allows for rich, in-depth data collection.

3.3 Research instruments

The research instruments developed for this study include both quantitative surveys and qualitative interview guides. These instruments were designed to gather data on the key variables identified in the research questions, such as policy support, technological innovation, market competition, and cultural identity.

3.3.1 Survey questionnaire

The survey was developed to measure practitioners' perceptions of the factors affecting industrial performance. The questionnaire consists of several sections:

Policy Support: Items to assess how government policies and funding initiatives (e.g., Shanghai's 50-million-yuan fund) impact micro-drama production.

Technological Innovation: Items to explore the adoption of new technologies such as Artificial Intelligence Generated Content (AIGC), virtual production tools, and their effects on production efficiency and content quality.

Market Competition: Items to measure the level of competition between Shanghai and other micro-drama hubs (e.g., Xi'an, Hengdian) and its impact on cost control and creative decision-making.

Cultural Identity: Items that address how practitioners incorporate Shanghai's Haipai culture into their micro-drama content and the perceived importance of maintaining cultural authenticity.

The survey uses a Likert scale (1 to 5) for most questions, where respondents rate their agreement with various statements about the industry's ecosystem.

3.3.2 In-depth interviews

The interview guide was semi-structured, allowing for flexibility in the discussion while ensuring that key topics were addressed. The interviews aimed to explore the following themes:

Symbolic Narrative Strategies: How do micro-drama creators incorporate Haipai cultural symbols into their narratives? How do these symbols resonate with both local and non-local audiences?

Technological Adaptation: How do practitioners balance the use of new technologies, such as AI and virtual production, with the need to maintain high-quality, culturally authentic content?

Market Adaptation: How do industry professionals adapt their production strategies to compete in a market that is driven by algorithmic recommendation systems? What strategies do they use to maximize viewership while staying true to cultural narratives?

The interviews were audio-recorded, transcribed, and analyzed thematically.

3.4 Pre-study

Before launching the main data collection, a pre-study was conducted to test the validity and reliability of the research instruments. This pre-study involved a pilot sample of 30 practitioners who completed the survey and participated in initial interviews. The results from the pre-study were analyzed to:

Refine the survey questions to ensure clarity and relevance.

Adjust the interview guide to allow for deeper exploration of emerging themes.

Based on feedback from the pre-study, adjustments were made to improve the instruments' ability to capture the complexities of Shanghai's micro-drama ecosystem.

3.5 Data collection process

The data collection process was divided into three key phases:

3.5.1 Phase 1: survey distribution

The quantitative survey was distributed to industry practitioners through online channels (e.g., email, industry newsletters) and at industry events (e.g., conferences, seminars). Survey responses were collected over a two-week period.

3.5.2 Phase 2: qualitative interviews

In-depth interviews were conducted with industry experts, either in person or via video calls. Each interview lasted between 30 and 60 minutes. Interviews were transcribed and analyzed thematically to identify key insights related to the research questions.

3.5.3 Phase 3: data analysis

Quantitative Analysis: Data from the survey were analyzed using regression analysis to test the relationships between the independent variables (e.g., policy support, technological innovation) and the dependent variable (industrial performance).

Qualitative Analysis: Thematic analysis was used to analyze the interview data, focusing on recurring themes related to cultural identity, technological adaptation, and market competition.

3.6 Research ethics

The study adheres to ethical standards for research involving human participants. Key ethical considerations include:

Informed Consent: All participants were informed about the purpose of the study, the voluntary nature of their participation, and their right to withdraw at any time without penalty.

Confidentiality: Participants' identities were kept confidential, and all data was anonymized to protect their privacy.

Transparency: Participants were informed that the findings of the study would be used for academic purposes and that their responses would contribute to a better understanding of Shanghai's micro-drama industry.

4 RESEARCH FINDINGS AND DISCUSSION

4.1 Descriptive analysis of respondents and industry profile

Before testing the research hypotheses, a descriptive statistical analysis was conducted to understand the basic characteristics of the respondents and the structural features of Shanghai's micro-drama industry.

Among the 428 valid questionnaires collected, the respondents demonstrate clear "elite" characteristics. More than 90% of the practitioners hold a bachelor's degree or above, and over 46% possess a master's degree or doctoral qualification. In terms of age

distribution, the majority of respondents are between 25 and 40 years old, indicating that Shanghai's micro-drama industry is dominated by a young, highly educated, and professionally trained workforce. This talent structure provides an important human capital foundation for pursuing a high-quality development path rather than a low-cost, volume-driven model.

From an occupational perspective, respondents include screenwriters, directors, producers, platform operation personnel, MCN managers, and brand marketing specialists. This diversified composition reflects the cross-functional nature of the micro-drama industry, which integrates cultural production, technological operations, and commercial logic. Compared with other production bases such as Hengdian or Xi'an, Shanghai exhibits stronger characteristics of creative concentration and strategic integration, rather than pure manufacturing of audiovisual products.

4.2 Ecological status of Shanghai's micro-drama industry

Descriptive statistics reveal that Shanghai's micro-drama ecosystem presents a distinctive pattern characterized by the coexistence of advantages and constraints.

First, policy support receives a relatively high mean score (M = 4.12), indicating that practitioners strongly recognize Shanghai's institutional advantages in areas such as regulatory clarity, copyright protection, financial subsidies, and industrial guidance. Interview data further confirm that local policies such as special industry funds and pilot programs provide a relatively stable and predictable environment for long-term planning.

Second, technological maturity, particularly the application of AIGC tools, also scores highly. Most practitioners acknowledge that AI-assisted scriptwriting, virtual scene generation, and intelligent post-production significantly improve production efficiency and reduce time costs. Shanghai's advantage lies not only in access to advanced technology but also in the availability of skilled professionals capable of integrating technology into creative workflows.

However, market competition pressure scores even higher (M = 4.38), indicating intense competition and serious "involution" within the industry. High labor costs, rising marketing expenses, and algorithm-driven traffic competition have significantly compressed profit margins. This reveals a core contradiction: while Shanghai enjoys

superior institutional and technological conditions, it simultaneously faces structural disadvantages in cost control and traffic acquisition.

This paradoxical ecological structure can be summarized as "high policy support + high technological maturity + high competitive pressure", forming the background logic for subsequent hypothesis testing.

4.3 Hypothesis testing and quantitative results

Regression and structural equation modeling (SEM) analyses were conducted to examine the relationships between industrial ecological factors and industry performance.

4.3.1 Policy support and industry performance

The results show that policy support has a significant positive impact on industry performance ($\beta = 0.38$, $p < 0.001$). This finding confirms that government intervention remains a critical external driving force in cultural industries, especially in emerging sectors such as micro-dramas.

However, interview data reveal that policy effectiveness is conditional rather than automatic. Several practitioners emphasized that policy resources only generate real cultural and economic value when they are transformed into high-quality content and sustainable business models. This suggests that policy support functions more as an enabling condition than a direct determinant of success.

4.3.2 Technological maturity and economic performance

Technological maturity, particularly the use of AIGC, demonstrates a significant positive relationship with economic performance indicators such as production efficiency and cost control. However, further analysis reveals a moderating effect of algorithmic adaptability.

Practitioners who possess strong algorithmic awareness—such as understanding completion rate optimization, pacing control, and tag strategies—are more likely to convert technological advantages into actual economic returns. Conversely, teams that

rely solely on technology without algorithmic adaptation often fail to gain sufficient platform exposure.

This phenomenon reflects a "technology–algorithm paradox": technological advancement alone does not guarantee success unless it aligns with platform logic.

4.3.3 Market competition and industry performance

Market competition shows a significant negative impact on industry performance ($\beta < 0$, $p < 0.01$). This confirms that excessive competition, especially homogeneous competition centered on traffic gambling and low-price strategies, undermines sustainable development.

For Shanghai, this result carries particular implications. Competing purely on speed, volume, or sensational narratives places Shanghai at a disadvantage compared to lower-cost production regions. Therefore, the negative effect of competition reinforces the necessity of pursuing differentiated, quality-oriented strategies.

4.4 Symbolic narrative strategies and cultural identity construction

Quantitative results show that the overall mean value of Symbolic Narrative Strategy (SNS) is relatively high ($M = 4.02$), indicating that Shanghai micro-drama creators possess strong symbolic consciousness. Commonly used symbols include urban landmarks, workplace culture, dialect fragments, fashion aesthetics, and narratives of modern urban life.

Mediation analysis further confirms that symbolic narrative strategies play a significant mediating role between policy support and cultural influence. This means that policy resources do not directly translate into cultural soft power; instead, they must be encoded into symbolic narratives to be recognized and internalized by audiences.

Qualitative interviews deepen this finding. Many creators explicitly distinguish between "surface symbols" (visual landmarks, accents, costumes) and "deep symbols" (values, lifestyle, modern identity). Interviewees emphasize that excessive reliance on surface symbols risks stereotyping Shanghai, while deep symbolic encoding allows audiences to emotionally identify with the city's spirit.

4.5 Semiotic alienation and cross-regional communication

Despite the high level of symbolic awareness, the study identifies persistent problems of semiotic alienation, particularly in cross-regional dissemination.

Non-local audiences may misinterpret Haipai symbols as elitist, materialistic, or overly commercialized. This misreading weakens cultural identification and may even generate resistance. As a result, creators increasingly adopt hybrid narrative strategies, combining Shanghai-specific elements with universally resonant themes such as family ethics, personal growth, and emotional redemption.

This strategy aligns with Bhabha's concept of cultural hybridity, where local identity is not diluted but reconfigured through negotiation with external audiences.

4.6 Cross-boundary integration and business model innovation

One of the most significant findings of this study is the role of cross-boundary integration in improving innovation performance.

Shanghai micro-drama companies increasingly shift from a single "C-end payment model" to diversified models such as:

Micro-drama + brand customization

Micro-drama + cultural tourism

Micro-drama + urban IP marketing

Brand customization, in particular, demonstrates strong potential. By integrating storytelling with brand narratives, micro-dramas are transformed from content products into marketing services, reducing dependence on unstable traffic income.

However, cultural tourism integration remains underdeveloped. Interview data suggest that the main obstacle lies in the lack of effective online–offline conversion mechanisms, indicating future opportunities for AR/VR and immersive technologies.

4.7 Integrated discussion: toward an ecological reconstruction logic

Synthesizing the quantitative and qualitative findings, this study identifies a three-layer mechanism shaping Shanghai's micro-drama industry:

1. Environmental Layer: Policy support and technology provide structural opportunities, while market competition imposes constraints.
2. Behavioral Layer: Symbolic narrative strategies and algorithmic adaptation function as mediating mechanisms.
3. Outcome Layer: Cross-boundary integration determines long-term innovation performance and sustainability.

This layered logic explains why Shanghai cannot rely on a single factor (policy, technology, or culture) but must pursue systemic ecological reconstruction.

5 CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

The findings from this study provide a comprehensive understanding of Shanghai's micro-drama industry by examining its ecological dynamics, the role of policy support, technological advancements, market competition, and cultural identity construction. The study has revealed several critical insights, which are summarized as follows:

1. Impact of Policy Support: Government policies, particularly financial subsidies and industry funds, have significantly supported the development of Shanghai's micro-drama industry. However, the impact of policy support is contingent on the ability of practitioners to translate financial assistance into high-quality content. The regulatory constraints on content creation, while necessary, sometimes hinder creative freedom, suggesting the need for more flexible policies that promote innovation while maintaining cultural values.
2. Technological Advancements and AIGC: The adoption of AIGC tools has played a pivotal role in improving production efficiency and reducing costs. However, there is a growing concern about the loss of cultural authenticity when using AI-generated content. The challenge lies in balancing the efficiency of technology with the richness of human creativity, especially in the representation of Shanghai's cultural identity. The findings suggest that technology should complement, not replace, the creative process in cultural industries.

3. Market Competition and Production Costs: The high market competition in Shanghai's micro-drama industry, coupled with rising production costs, presents a significant challenge. While Shanghai's focus on quality content provides a competitive edge, the intense competition in the algorithm-driven environment of platforms like Douyin and Kuaishou often pressures creators to compromise on content quality in favor of rapid, high-engagement content. This finding emphasizes the need for the industry to move beyond the traffic-driven economy towards more sustainable, quality-oriented models.

4. Symbolic Narrative Strategies and Cultural Identity: The use of Haipai cultural symbols in micro-dramas is central to constructing Shanghai's cultural identity. However, the study also found that these symbols are sometimes misinterpreted by non-local audiences, leading to semiotic alienation. To overcome this, micro-drama creators are increasingly adopting hybrid narrative strategies, combining local cultural symbols with universal themes that resonate with a broader audience. This reflects the dynamic and evolving nature of cultural identity in the digital age.

5. Cross-boundary Integration for Innovation: The integration of micro-dramas with other industries, such as tourism, branding, and retail, has emerged as a promising strategy for innovation and sustainability. Cross-boundary integration allows micro-drama creators to diversify revenue streams and reduce reliance on traffic-based income. The study found that brand customization and tourism integration hold significant potential for further growth, though challenges in converting online success to offline experiences remain.

5.2 Strategic recommendations

Based on the findings of this study, several strategic recommendations are proposed for practitioners, policymakers, and researchers:

5.2.1 Enhance policy flexibility and support for innovation

While Shanghai's policies have contributed positively to the development of the micro-drama industry, there is a need for more flexible and adaptive policies that encourage creativity without stifling innovation. Policymakers should focus on creating incentives for creators to produce content that is both culturally rich and commercially viable. Moreover, regulatory adjustments should be made to accommodate the fast-paced nature of digital content production, allowing for greater experimentation and creative freedom.

5.2.2 Promote collaboration between technology and culture

The integration of AIGC tools with human creativity should be emphasized, ensuring that AI is used to enhance, rather than replace, the cultural storytelling process. Creative hubs that foster collaboration between technology experts and cultural practitioners could help bridge the gap between technological innovation and cultural authenticity. Moreover, educational programs and workshops should be developed to help industry professionals better understand how to use technology in ways that enhance, rather than dilute, cultural representation.

5.2.3 Move towards a quality-oriented, sustainable business model

To address the pressures of market competition and traffic-based revenue models, the Shanghai micro-drama industry should focus on long-term sustainability through the production of high-quality content. This can be achieved by prioritizing content that reflects Shanghai's cultural uniqueness and appeals to a broad, diverse audience. Creators should also focus on narrative depth and emotional engagement, rather than relying solely on clickbait tactics that may lead to short-term success but long-term stagnation.

5.2.4 Leverage cross-boundary integration for diversified revenue streams

As cross-boundary integration has proven effective, micro-drama companies should further explore collaborations with the tourism, fashion, and entertainment industries. By combining digital storytelling with offline experiences (e.g., Shanghai-themed tourism packages, branded content), micro-drama creators can establish a more robust and diverse revenue model. Additionally, micro-dramas should explore opportunities to partner with international brands and markets, expanding their reach beyond domestic platforms.

5.2.5 Invest in audience education and engagement

The challenge of semiotic alienation calls for efforts to better educate non-local audiences about Shanghai's cultural symbols and values. Micro-drama creators should focus on creating content that explains and contextualizes local cultural references, ensuring that even audiences unfamiliar with Shanghai's culture can understand and engage with the content. This could include interactive content or supplementary materials such as documentaries, behind-the-scenes footage, or interviews with creators that explain the cultural significance of the symbols used in micro-dramas.

5.2.6 Foster International Cultural Exchange

Shanghai's micro-drama industry has the potential to become a cultural ambassador for the city, showcasing its unique blend of Eastern and Western influences. To achieve this, micro-drama creators should consider international collaborations and cross-cultural exchanges. By working with international filmmakers, artists, and content creators, Shanghai can enhance its global presence and build cultural bridges through its micro-drama content.

5.3 Future research directions

This study has laid a solid foundation for understanding the dynamics of Shanghai's micro-drama industry; however, there are several areas for future research:

5.3.1 Audience reception and cross-cultural interpretation

Further research could focus on audience reception studies to explore how different demographic groups (e.g., age, gender, nationality) interpret and engage with micro-dramas. This would help content creators better tailor their narratives to diverse audiences and reduce semiotic alienation.

5.3.2 Longitudinal study on industry evolution

A longitudinal study that tracks the development of Shanghai's micro-drama industry over time would provide deeper insights into the long-term effects of policy, technology, and market dynamics. This would help industry stakeholders understand evolving trends and predict future challenges in the sector.

5.3.3 Impact of new technologies

As technologies such as virtual reality (VR), augmented reality (AR), and blockchain begin to enter the media landscape, future research could examine how these technologies influence the production and distribution of micro-dramas. Understanding the impact of emerging technologies will help Shanghai's micro-drama industry stay at the forefront of digital innovation.

5.4 Conclusion

In conclusion, this study has examined the key factors influencing the success and challenges of Shanghai's micro-drama industry. The findings underscore the importance of policy support, technological adaptation, and cultural representation in shaping the

industry's development. By adopting a quality-oriented approach, leveraging technology, and fostering cross-boundary integration, Shanghai's micro-drama industry can continue to thrive, establishing itself as a leader in both the Chinese and global digital media markets. The recommendations provided offer a strategic pathway for industry practitioners, policymakers, and academics to navigate the rapidly evolving digital media landscape while preserving the cultural richness that defines Shanghai.

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Authors' Contribution

All authors contributed equally to the development of this article.

Data availability

All datasets relevant to this study's findings are fully available within the article.

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