

Strategic Positioning of Lightweight Soft Placement in AI-Animated Micro-Dramas: A Comparative Analysis of Brand Integration Models in China's Short-Form Video Market

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Abstract. With the rapid expansion of China's micro-drama market, brand integration has become a key marketing channel. This development has produced two distinct approaches to value creation: Hanshu's high-cost production and Proya's distributed placement. At the same time, generative AI tools such as ByteDance's Seedance 2.0 are reshaping marketing agencies' production capabilities. Thus, this study examines why lightweight soft placement creates value and how AI tools reshape marketing intermediaries' capabilities. Specifically, it uses a qualitative comparative case study based on industry reports from iResearch Center, Miaozen Systems, and ThePaper, public campaign indicators, and Chinese industry media reports. On this basis, Hanshu and Proya are selected as comparative cases with similar market positioning but different brand integration strategies. The comparison indicates that lightweight placement is not a lower-value version of custom production. Its strength lies in risk distribution, iterative learning, and market reach. Moreover, the VRIO analysis shows that AI tool access alone provides limited advantage, while integrated workflows and client networks create more durable value.

Keywords: Micro-Drama Marketing, Lightweight Soft Placement, Generative AI, Brand Integration, VRIO Framework

1. Introduction

In the past two years, vertical-screen micro-dramas have developed into a large-scale channel for brand integration. Typically under three minutes per episode, these productions have expanded from a niche entertainment format into a commercial marketing tool. By 2025, the format had attracted nearly 700 million registered users, while brand-integrated productions represented 56% of newly released titles in the first half of the year [1, 2]. Industry research suggests that advertisers in sectors including food, beauty, and personal care now view micro-dramas as a strategic marketing channel rather than a temporary experimental approach [3]. Despite this rapid commercialization, the value creation logic of brand integration in micro-dramas remains unclear. Audiences often process short-video advertising as social content rather than as a traditional interruption [4]. Brand placement is moving from high-cost custom production toward lighter and more flexible integration models [5]. However, the mechanisms through which lightweight placement creates value and enables firms to

capture returns remain unclear. Although Hanshu's Growing Up shows the impact of deep narrative integration, its custom-production model requires high upfront investment and involves substantial project-level risk. Meanwhile, generative AI tools such as ByteDance's Seedance 2.0 are lowering production barriers and shifting production capabilities from external studios toward agencies. This study employs a qualitative comparative case study approach to compare different brand integration strategies under similar market conditions and identify the mechanisms driving such value creation. Moreover, it also investigates the effectiveness of lightweight soft placement, the impact of AI on agency capabilities, and the strategic choices between custom production and distributed placement for cosmetics brands and mid-sized agencies. Therefore, it extends product placement research to platform-based micro-dramas.

2. Theoretical framework: brand integration and competitive advantage

2.1. Mechanisms of brand placement in micro-dramas

The value of subtle brand placement comes from how naturally brands are integrated into narratives. Greater visibility may improve recall, but it can also trigger resistance when viewers perceive a commercial intention [6]. Therefore, effective placement depends less on exposure intensity than on the relationship between the brand and the story. Specifically, plot-connected placements generate stronger and more durable memory effects than purely visual or verbal placements [7]. Moreover, narrative involvement has been found to exert a greater influence on brand attitudes and purchase intentions than exposure frequency [8]. In addition, content marketing is more effective when brand messages are integrated into the content format itself rather than added as external advertising [9].

This mechanism is particularly relevant to micro-dramas, where short narratives and continuous viewing integrate brands into stories. The rise of lightweight placement also reflects a transition in market access. From a disruptive innovation perspective, such low-cost approaches enable smaller firms to reach targeted audiences without directly competing with traditional advertising models [10]. In short-video contexts, audience engagement, social sharing, and creator credibility often matter more than production scale [4]. Consequently, brand placement in short dramas is moving toward softer and more flexible integration strategies [5].

2.2. Strategic logic of lightweight soft placement

Lightweight placement is not merely a lower-cost alternative to custom drama commissioning; it represents a different approach to brand value creation. From a value innovation perspective, firms can create new value by simultaneously reducing costs and enhancing differentiation via redesigned value propositions [11]. This perspective shows that lightweight placement allows brands to move from high-commitment commissioned content toward scalable and flexible integration strategies. As a result, brands can participate across multiple titles rather than concentrating resources on a single production, enabling portfolio diversification, faster testing across audiences and genres, and broader market reach at lower cost.

This shift reflects a broader transformation in digital content markets. For instance, streaming platforms have transformed traditional media ecosystems by redefining how value is created and delivered rather than competing primarily via pricing models [12]. Similarly, short-video platforms allow brands to accumulate visibility through continuous and distributed content presence instead of relying on isolated campaigns [13]. Research on TikTok beauty marketing further demonstrates that native brand integration and ongoing audience engagement can achieve stronger effectiveness than

highly produced advertising formats in platform-driven environments [14]. Therefore, lightweight placement competes through flexibility, learning speed, and market coverage rather than by offering a cheaper version of custom drama.

2.3. AI-enabled organizational capabilities and competitive advantage

The strategic value of AI is shaped not by technology availability alone, but by how firms develop and leverage these capabilities. From a resource-based perspective, the Value, Rarity, Imitability, and Organization (VRIO) framework distinguishes AI tools from AI-enabled capabilities: although AI tools may be widely accessible, competitive advantage comes from resources that are valuable, rare, difficult to imitate, and embedded in organizational routines [15]. Accordingly, an agency can purchase access to models such as Seedance 2.0, but this access alone creates little differentiation. Instead, competitive advantage lies in the workflows, knowledge systems, and practices developed around these tools. This view is supported by research on digital transformation, which shows that lasting advantage comes from organizational routines and internal capabilities rather than software adoption alone [16].

Furthermore, research on generative AI in marketing also emphasizes the role of organizational capabilities. Existing evidence suggests that AI's impact extends beyond cost reduction, reshaping creative processes and organizational structures [17]. Moreover, efficiency gains occur when AI generation is combined with human evaluation and accumulated practice [18]. Similarly, firms with integrated systems connecting ideation, production, and distribution are better positioned for long-term advantage [19]. Thus, AI adoption creates strategic value via organizational capabilities such as prompt development, quality control, and client-facing workflows that are difficult to replicate.

3. The comparative case analysis of brand integration models

3.1. Research approach and data sources

This study uses a qualitative comparative case approach to examine how different brand integration strategies create value in China's short-video micro-drama ecosystem. By comparing cases across similar industry and platform contexts, it identifies key value creation mechanisms.

To support this analysis, secondary sources, including industry reports from Miaozen Systems, ThePaper, and iResearch Center, are examined [1-3]. In addition, these sources are triangulated to enhance reliability and address the limited availability of proprietary campaign data. Based on these data sources, Hanshu and Proya are selected as comparative cases because they operate in the same cosmetics market and face similar competitive conditions while adopting distinct brand integration approaches. Hanshu represents a concentrated, high-investment production model, whereas Proya illustrates a lightweight, distributed placement model. Through this comparison, the study examines how resource allocation and integration strategies shape value creation in the same market.

3.2. High-cost concentrated integration: the Hanshu custom drama model

Hanshu adopts a concentrated integration strategy based on exclusive micro-drama production. In 2023, the brand reportedly invested more than RMB 50 million in drama marketing, with individual productions costing several million RMB. Rather than distributing placements across multiple titles, the strategy allocates substantial resources to a limited number of branded productions.

This concentrated model strengthens Hanshu's control over narrative construction and brand representation. Through exclusive production, the brand can influence character development, story structure, and the context in which consumers encounter the brand. As a result, the brand becomes embedded in the narrative rather than appearing as an external advertising element. The campaign generated more than 100 million views per episode and reportedly increased brand search volume by approximately 300% during the campaign period. And these results align with prior findings that plot-connected placement strengthens memory effects and that placement effectiveness depends partly on brand-narrative congruence [6, 7].

However, the same concentration that enables deeper integration also increases strategic risk. The custom-production model requires substantial upfront investment and leaves brands vulnerable to content-performance uncertainty. If a commissioned series fails to achieve expected engagement on platforms such as Douyin or Hongguo, much of the investment cannot be recovered. Moreover, relying on a limited number of high-cost productions also increases exposure to individual project risk, making overall marketing returns more vulnerable to performance variation.

3.3. Low-cost distributed integration: the Proya lightweight model

Proya adopts a distributed integration strategy that differs from Hanshu's concentrated production model. The brand shifts from concentrated investment in flagship dramas to distributed placements across more than 20 micro-dramas targeting diverse genres, audience groups, and platforms. Under this distributed model, each placement reportedly costs between RMB 50,000 and RMB 300,000, substantially below the investment required for custom production [1]. Moreover, digital marketing accounts for more than 60% of Proya's total marketing expenditure, with short-drama placement becoming an increasingly important component of this investment structure.

This distributed model creates value through flexibility and risk diversification. Specifically, by spreading investment across multiple titles, Proya reduces reliance on any single production while retaining narrative-based brand exposure. Therefore, this model does not compete as a lower-cost version of custom production; instead, it creates value via a different combination of cost efficiency, scalability, and market coverage [11]. Moreover, softer integration allows brand messages to remain consistent with the surrounding story context, supporting the role of brand–narrative congruence in placement effectiveness [6].

Beyond cost and risk advantages, distributed placement generates a continuous learning process. Through multiple placements, brands receive comparative feedback across genres, audiences, and integration formats, thus allowing them to refine future decisions based on accumulated experience. Unlike single-production campaigns, which generate limited opportunities for experimentation, the distributed model creates an iterative capability that can improve over time.

4. The AI-driven reconfiguration of marketing capabilities

4.1. The structural constraints of advertising agencies

In the current micro-drama value chain, advertising agencies occupy a limited role. Traditionally, their role has focused on placement coordination and client-platform management, while creative development and content production are handled by specialized production partners. This division limits agencies' value capture because higher-fee activities such as creative strategy and production remain outside their control, while coordination services face commoditization and margin pressure.

This constraint becomes more pronounced as lightweight soft placement expands. In 2025, 110 brands entered the micro-drama placement market for the first time, with many seeking distributed placement across multiple titles, genres, and platforms [2]. Although agencies are well positioned to manage this growing coordination demand, they often lack the production and content capabilities required to capture higher-value activities within the workflow. As a result, agencies capture limited value from expanding brand demands.

4.2. Generative AI and the reconfiguration of agency capabilities

In the micro-drama value chain, generative AI is reshaping the traditional division of labor. Tools such as ByteDance's Jimeng AI platform and its Seedance 2.0 model enable agencies to generate visual content through text and image-based inputs, reducing dependence on external production resources. These systems also shorten production cycles, lower asset creation costs, and reduce the need for specialized production arrangements compared with conventional animation workflows.

This shift reflects the broader expansion of AIGC adoption in marketing. In particular, AIGC tools have moved from text-based advertising applications toward multimodal content production, with increasing adoption among industry practitioners [3]. As these tools become integrated into more creative functions, generative AI is expected to reshape marketing activities that rely heavily on content development and production [17, 19]. As a result, AI is reshaping agency workflows and shifting creative production capabilities within the value chain.

For agencies, the strategic implication extends beyond operational efficiency. By internalizing production capabilities that were previously outsourced to specialized studios, agencies may capture a larger share of value creation in micro-drama marketing. The opportunity is therefore not simply to produce content at lower cost, but to reposition themselves from coordination intermediaries into integrated content solution providers.

4.3. The AI-enabled production capabilities and value capture

Within AI-enabled marketing workflows, lasting agency advantage depends on the capabilities built around the technology rather than access to the tools themselves. As AI tools become increasingly accessible, differentiation shifts from technology ownership to organizational capabilities, including production processes, quality control, and client delivery systems [1]. Table 1 applies this logic to AI-enabled animation capabilities in marketing agencies.

Table 1. Competitive assessment of AI-enabled capabilities in marketing agencies

Resource/Capability	Valuable	Rare	Inimitable	Organized	Competitive Implications
Access to AI animation tools	Yes	No	No	Variable	Competitive parity at best
Standardized AI production workflow	Yes	Yes (currently)	Partially	Variable	Temporary advantage
Integrated ideation–production–distribution capability	Yes	Yes	Yes (tacit)	Yes	Sustainable advantage potential
Client network for AI-native campaign delivery	Yes	Yes	Yes	Yes	Sustainable advantage

The analysis suggests that competitive advantage emerges from the lower two capabilities rather than from tool access alone. As AI models become widely available through commercial platforms,

technology access alone is insufficient for sustained competitive advantage. Although standardized workflows may offer short-term benefits, competitors can easily replicate them. Instead, more durable advantages instead arise from capabilities embedded in organizational routines, including prompt development practices, quality control systems, accumulated campaign knowledge, and client relationships built around AI-enabled delivery. These capabilities are difficult to imitate because they are built through experience and embedded in organizational processes.

5. The strategic implications for brands and agencies

The Hanshu-Proya comparison reveals two distinct value creation logics in micro-drama marketing. Hanshu's custom production model provides greater narrative control and visibility; however, it requires substantial upfront investment and exposes brands to single-project performance risk. By contrast, Proya's distributed placement model trades some control for scalability, experimentation, and broader market coverage. Therefore, lightweight placement is a distinct strategic model based on flexibility and learning, rather than a cheaper substitute for custom production.

For brands, content integration choices should align with strategic objectives rather than default to premium production. In practice, custom dramas prioritize narrative control and impact, whereas distributed placement enables testing, optimization, and broader reach. Consequently, the choice is not between higher and lower investment, but between different value creation mechanisms. For agencies, generative AI changes their position within the value chain. Traditionally, agency models capture limited value because production capabilities remain external. By internalizing parts of the production process, agencies can expand beyond coordination. However, access to AI tools alone is insufficient for sustained advantage. Instead, advantage relies on embedded workflows, knowledge, quality control, and client relationships that are difficult to replicate [15, 16].

Therefore, agency competitiveness will depend on transforming AI from a production tool into an organizational capability. Agencies that integrate ideation, production, and delivery can capture greater value in the evolving micro-drama ecosystem, whereas those limited to coordination risk further commoditization.

6. Conclusion

This paper examines two dominant brand integration models in China's micro-drama ecosystem and identifies how each model creates value and generates risk. The lightweight soft placement model indicates that effective content marketing presence does not require high capital intensity; instead, it depends on efficient resource allocation and risk diversification. Generative AI animation capabilities add a new strategic dimension, particularly for marketing intermediaries historically excluded from content production. However, the study is limited by its reliance on secondary data and theoretical inference. Future research should collect primary data via brand manager interviews, consumer panel studies, or experimental studies to examine the proposed mechanisms with greater empirical rigor. Moreover, comparative studies of short-form content markets beyond China may further extend the theoretical contribution.

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