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**Original Web Dramas and Chinese Subscription Video-on-demand
Services: Patterns and Benefits**

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Doctor of Philosophy

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Abstract

Subscription video-on-demand (SVOD) services not only serve as new distribution channels for television content but also transform industry practices and protocols. This study focuses on three leading services in China – IQIYI, Youku, and Tencent Video –to understand how they established themselves and how they are reshaping the existing drama industry. The study proposes three main research questions that explore the reasons why Chinese SVOD services invest in original drama production, how these investments impact the production and distribution of dramas, and what strategic implications arise from these changes. The study spans the fields of TV studies, strategic management, production, and distribution. It seeks to enhance understanding of industrial practices in the Chinese SVOD industry and builds upon existing theories, which have primarily focused on US-based SVOD services.

The study involved semi-structured in-depth interviews with 24 practitioners and utilised document analysis for triangulation. It reveals that Chinese SVOD services primarily invest in original drama productions to enhance cost efficiency, secure market power and resources, and build brands and ecosystems. In terms of content production, audience fragmentation, datafication, and regulation are highlighted as major factors influencing creative decisions. Chapter 6 shows that Chinese SVOD services prioritise ‘time delay’ as the core strategy to maximise income from advertisers and subscribers and develop more flexible scheduling strategies than those used in television. The 'online-first' strategy dominates domestically, with overseas distribution increasingly synchronised with domestic releases. Chapter 7 argues that Chinese SVOD services complement traditional television rather than replace it. The study also considers how these services promote the 'industrialisation' of drama production, outlines the ‘logics’ of their advertiser-supported model, confirms the of platformisation on content production, and examines potential power asymmetry issues.

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Abbreviations

CBBPA	Capital Radio & TV Program Producers Association (but CBBPA is its official abbreviation)
CCTV	China Central Television
CSM	CSM Media Research
CTPIA	China Television Drama Production Industry Association
NRTA	National Radio and Television Administration, People's Republic of China

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Chapter 1 Introduction

Based on the advancement of online technology and the growing ownership of mobile devices, online video-on-demand (VOD) services have rapidly developed across the globe, with subscription video-on-demand (SVOD) services gaining significant attention. The United States and China are two leading countries in terms of the development of successful internet infrastructure platforms (Dijk, Poell and Waal, 2018). SVOD services of both nations have accumulated a substantial amount of content and user-bases, each with their own unique business models. In the United States, Netflix stands out as the most prominent SVOD platform, known for its data-driven production models, high-quality original dramas and successful global expansion, which have inspired extensive academic research. In China, IQIYI, Tencent Video, and Youku are the market leaders of the SVOD industry. According to their financial reports, in 2022, IQIYI had approximately 103 million daily average paying members (IQIYI, 2023), while Tencent Video had 119 million paying members (Tencent, 2023). SVOD services, as Lotz (2017) argued, serve as “portals” to provide access to content similar to television channels, acting as an important new distribution mechanism for television content – “professionally produced video programmes in standardised forms and genres” (Kompare, 2010, p.80).

However, the impact of SVOD services on the television industry extends well beyond simply adding a distribution channel. A medium “derives not only from technological capabilities, but also from textual characteristics, industrial practices, audience behaviours, and cultural understanding” (Lotz, 2017, p.3). The rise of SVOD services has led to a series of new industrial practices and audience behaviours. One key distinction of online platforms is that they are non-linear media, which means they do not require time-specific viewing, neither do they experience visible distribution bottlenecks (Lotz, 2017). Audiences do not have to organise their viewing according to a mandated schedule when they watch programmes online, and the available content seems unlimited (ibid). SVOD services are

applicable to new business models (Chang, Lee and Lee, 2004; Lotz, 2017; Herbert, Lotz and Marshall, 2019; Colbjørnsen, 2020; Colbjørnsen, Hui and Solstad, 2021), and have encouraged new viewing practices such as second-screen viewing and binge-watching (see Cunningham and Eastin, 2017; Jenner, 2017; Nee and Barker, 2019; Gong, 2020; Merikivi *et al.*, 2020; De Keere, Thunnissen and Kuipers, 2021).

The characteristics mentioned above primarily relate to the distribution and consumption stage. Moreover, during the production and planning stages, many US-based SVOD services distinguish themselves from traditional television by cultivating unique production and distribution cultures, with originals playing an important role in the process. For instance, Netflix has emphasised data-driven production, presenting itself as a more “rational” platform that caters to user preferences and has fostered binge-watching as a more sophisticated viewing culture (De Keere, Thunnissen, & Kuipers, 2021; Tryon, 2015). Another way US-based SVOD services differentiate themselves from traditional television is through branding their original content. In Netflix’s marketing, original content, particularly original web dramas, is positioned as “premium” content that is superior to traditional TV series (Tryon, 2015; Wayne, 2018). Dramas hold significant economic, cultural, and political value (McElroy & Noonan, 2019) and enjoy immense popularity among viewers. They are a key component of prime-time television programming (Vogel, 2011) and a cornerstone of SVOD services’ entertainment content. To produce distinctive and high-quality drama content, Netflix has made substantial investments in drama production, leading to a notable increase in high-end drama series (Doyle, 2016a; Noh, 2022).

Chinese SVOD services have adopted distinct business models and operational approaches compared to their US-based counterparts in various aspects (Wang and Lobato, 2019). Despite these differences, Chinese SVOD services have made significant investments in producing original web dramas since around 2014, much like their US-based counterparts (Lu and Jin, 2017). Before 2014, a significant portion of dramas on Chinese SVOD services

were sourced through copyright-licensing (ibid). This involved purchasing online broadcasting rights for previously aired TV series from copyright owners for a specified duration. Prior to 2014, Chinese SVOD services operated more akin to traditional TV channels and could be considered newcomers within the existing television industry ecosystem. However, significant changes began to take place after 2014, with a growing emphasis on original series. Gradually, “web dramas” evolved from primarily UGC (User Generated content) or “roughly produced” PGC (Professionally Generated Content) into a unique art form comparable to TV dramas. This study examines how this transformation came about and explores how the investment in original series fits into the broader development strategy of Chinese video platforms. These concerns inform the first main research question of this study:

(1) Why do SVOD services in China invest in original drama production?

Furthermore, this study also examines the changes in content production and distribution resulting from the significant investments made by SVOD services in original drama production. Lin (2022) examined the influence of four pivotal factors – state ideology, digital technologies, globalisation, and capitalism – on the production culture within China’s television industry. Her research provided valuable insights into the content creation practices of Chinese television networks, with a particular focus on CCTV (China Central Television) and HBS (Hunan Broadcasting System). However, it didn’t offer a comprehensive exploration of how these factors impact Chinese SVOD services. This study aims to extend Lin’s work by investigating the specific forces that shape creative decisions within China’s SVOD services. Additionally, it seeks to explore strategies for these SVOD services to enhance their revenue streams by adopting a hybrid model that combines subscription-based and advertising-based income. These investigations are at the core of the second and third main research questions addressed in this study:

(2) What forces influence creative decision-making in original web drama production?

(3) What strategies are used to maximise the value of content that is made by SVOD services in China?

This study aims to make positive contributions to the field of TV production studies. However, its focus is not on production culture but on the management of production and distribution strategies. It seeks to uncover the production and distribution strategies employed by Chinese SVOD services and explore the reasons behind their adoption. The study will demonstrate how these strategies align with the overarching goals of SVOD services. By examining these production and distribution strategies, we can gain insights into how this new audio-visual medium, which combines television content with internet technology, impacts the existing industrial ecosystem and practices.

Additionally, the study also seeks to depict a clear picture of the business activities in the Chinese audiovisual industry, contributing to the understanding of the Chinese media industry in recent years. US-based streaming services have ‘dominated the study and discussion of streaming’ in the English-language literature (Lotz and Eklund, 2024, p.121). Although they have made substantial contributions to understanding some general operational rules of streaming services, it is worth noting that national contexts, which establish the pre-existing conditions for streaming, lead to a variety of business models and corporate strategies among SVOD services of different territorial origins (Lotz and Eklund, 2024). Thus, ‘theories that were developed in English-language media studies are loosely transferable to the Chinese context and vice versa’ (Wang and Lobato, 2019, p.359). This means some findings are applicable to both Chinese and Western SVOD platforms, while others are not. The findings of this study are expected to contribute to existing theory-building by introducing Chinese contexts and adding knowledge about how SVOD services operate under these contexts.

The following sections in this chapter will provide a detailed introduction to the study and set the stage for the entire dissertation. Section 1.1 introduces the study subjects of this thesis: SVOD services and original web dramas, explaining their significance and how original web dramas are defined in a Chinese context. Section 1.2 provides background information that is essential to understand China's SVOD and television industries, including the production and distribution of television dramas and important regulations governing them. Section 1.3 introduces the three leading Chinese SVOD services: IQIYI, Youku and Tencent Video. It briefly describes how they become the dominant players in the Chinese SVOD market and outlines their businesses operations. Section 1.4 details and expands upon the research questions explored in this thesis. An overview of the structure of this thesis will be presented in the final section of this chapter.

1.1 Streaming Drama Content on Internet-based Services

This study examines the changes in Chinese television industrial practices brought about by the thriving of SVOD services, with a focus on the strategic transformations occurring in the production and distribution processes of dramas. At the outset of this study, several key issues need to be addressed: the definition of SVOD services, the rationale for prioritising drama content, the processes by which Chinese SVOD services acquire, commission, and stream dramas, and the production methods employed in the making of Chinese original web dramas. The next section will address these questions to establish a foundation for the subsequent analysis.

The Features of SVOD Services and The Importance of Dramas

SVOD services in this study refer to the online platforms that provide a range of video streaming services based on the Internet connection. Dijck et al. (2018) categorised online platforms into infrastructural platforms, which 'form the heart of the ecosystem upon which

many other platforms and apps can be built,' and sectoral platforms, which 'serve a particular sector or niche,' (p.13). Under this categorisation, SVOD services can be also termed as 'SVOD platforms' as they are one kind of sectoral platform. In addition, online VOD services initially took the form of websites, so 'SVOD websites' is sometimes used as another alternative term to 'SVOD services' in this thesis. SVOD services are a category of online VOD services. The "VOD" concept was introduced by the cable television industry in the early 2000s, when some television channels allowed viewers to directly access desired content through their TV sets without having to wait for the scheduled broadcast time (Lotz, 2017). But the term was not widely adopted until it was transplanted online (ibid).

Online VOD services distribute movies and dramas as well as other videos produced by individuals or organisations to users. They use non-linear distribution technology to eliminate the limitations of capacity constraint and time specificity that are characteristics of television (Lotz, 2017), giving viewers freedom to choose what to watch, and when, from a list of contents. In addition, they are not constrained by the broadcast frequencies that are necessary for television transmission, and thus break the monopolies and bottlenecks created by broadcasters in the distribution of audio-visual content (Evens, 2010). As "a new mechanism of distribution that allows evolution of legacy companies and the creation of a sector – maybe sectors – of internet-distributed television." (Lotz, 2017), they pose strong competition to traditional television and negatively affect the appeal of television channels to audience and advertisers.

VOD services have developed into three main types: TVOD (Transactional Video on Demand) services such as iTunes, which allow users to buy single content and then gain permanent access to that content; AVOD (Advertisement-supported Video on Demand) services such as YouTube, which offer users free access to the majority of content if they are prepared to watch advertisements through which the AVOD services generate their revenue; and SVOD (Subscription Video on Demand) services such as Netflix, where users are

required to pay a regular subscription fee (monthly or yearly) to gain access to all the content in that library during the subscription period (Doyle, 2016a). The three types of VOD services used to be very distinct from one another, but now more VOD services are adopting a hybrid model. For example, YouTube is trying to develop a parallel subscriber-funded service and is introducing more PGC (professionally generated content) into the platform (Kim, 2012), and Netflix, which was a representative of the pure SVOD model, released its ‘basic with ads’ subscription plan on early November of 2022 (Pallotta, 2022). The new plan is much cheaper than the other plans, but users have to watch ads before or during drama series and movies (ibid).

Despite the introduction of the ‘basic with ads’ subscription plan, Netflix continues to offer its services through the Premium model, requiring users to subscribe for access to its content library. In contrast, leading Chinese SVOD services have adopted a Freemium model that hybridises the AVOD and SVOD services, allowing viewers to access most of their content without making any payments. While AVOD services such as YouTube mainly provide UGC (User-generated content), SVOD services such as Netflix only offer professionally produced films and television/web programs. However, Chinese leading SVOD services provide a blend of both PGC and UGC. Despite these differences, this study refers to these Chinese services as ‘SVOD’ because subscription income has accounted for the majority of their revenue since 2018, with PGC that requires subscription being the dominant type of content on these platforms (Alibaba, 2023; IQIYI, 2023; Tencent, 2023). Concurrently, UGC that is available to all users has been greatly marginalised (ibid). In Section 1.3 of this chapter, I will provide a detailed explanation of the distinctive features that set these Chinese SVOD services apart from their US counterparts.

Most PGC on SVOD services offer dramas, movies, and reality shows, which are often very similar or identical to the entertainment programmes found on broadcast television. Among these programmes, dramas are particularly popular amongst audiences

due to their capability to ‘tell stories that appeal to a wide and diverse range of viewers’ and ‘win high ratings despite fragmenting audience,’ making them the core of associated corporate strategies (McElroy and Noonan, 2019, p. 9). Data from CVB, a website built by the National Radio and Television Administration to publish official data, indicates that dramas were the most-watched type of programming in 2023, accounting for 33.7% of the television viewership share and 42.8% of the time-shifted viewership share that year (see Figure 1). Due to their high popularity among audiences, ‘television drama had established itself as the default primetime¹ genre’ (Keane, 2015, p.47). Dramas are also a vital component of SVOD content libraries. Drama accounts for 70% of the programme viewing on SVOD services (Ofcom 2018, p. 50, cited in McElroy and Noonan, 2019). Chinese SVOD services have invested heavily in acquiring and commissioning dramas, claiming that hit dramas can yield significant economic returns through encouraging subscriptions (Gong, 2023). Therefore, dramas hold substantial economic value for both television channels and SVOD services.

¹ Prime-time: The period of the day when the largest audience is tuned in. In the US, it is from 8 to 11 P.M. (EST) six days each week and from 7 to 11 P.M. on Sundays (Adams and Eastman, 2013). In China, it is roughly from 6.30 to 10 P.M. every day (Sun, 2012). The specific time frames may vary among different television stations.

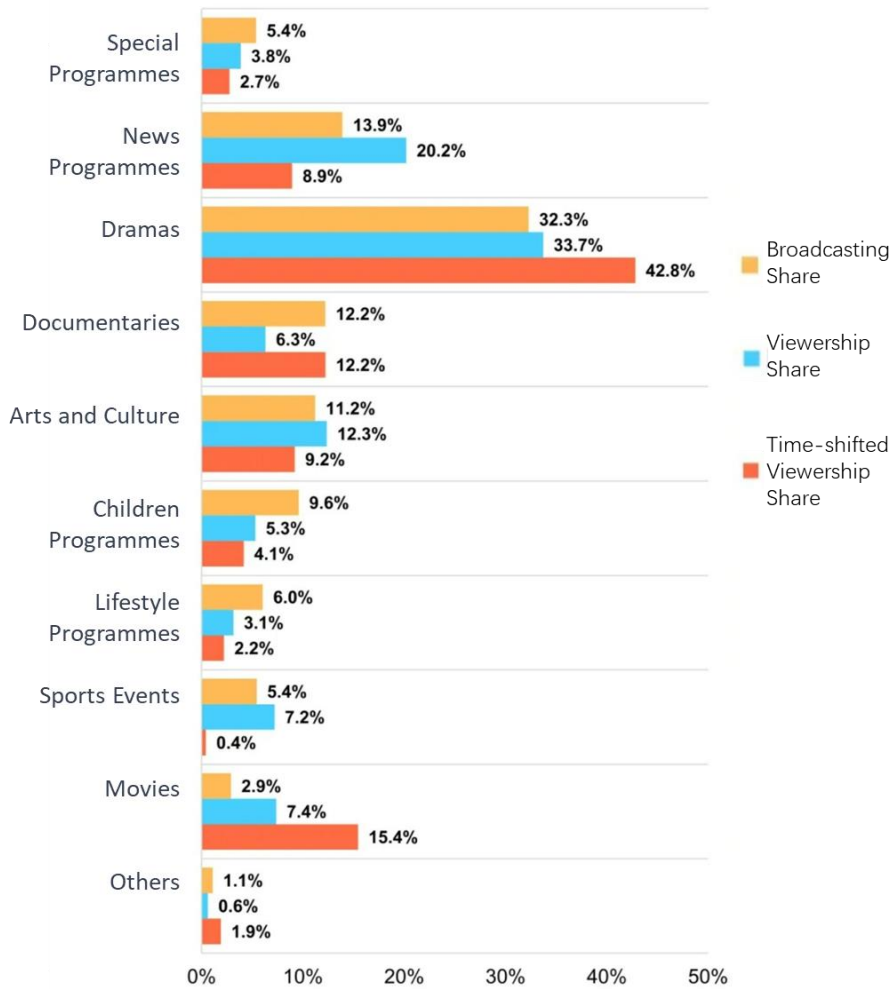


Figure 1. Broadcasting share, viewership share and time-shifted viewership share of various programmes in the 2023 Chinese television market (Source: CVB², translated)

Dramas hold economic value not only due to their widespread popularity among viewers but also because they sustain a dynamic and extensive production sector. The production of dramas typically involves the participation of hundreds of workers, including above-the-line talents like screenwriters, producers, directors and actors, as well as below-the-line crew members in other invisible roles associated with production (McElroy and Noonan, 2019).

² See: <http://www.cavbd.cn/news/2024010502.html> (Accessed: 06 January 2024).

This provides good employment opportunities for local crew. Additionally, dramas can also attract potential tourists to the filming location, and thus some local governments introduce measures like tax relief to encourage inward investment in drama production (ibid).

In China, the drama production sector exhibits a relatively high level of marketisation. Dramas were one of the first types of television programmes permitted to be traded in markets starting from 1984. This process of marketisation was further propelled by the policy of ‘separation between production and broadcasting’ in 1996. This policy encouraged television stations to buy entertainment programmes from privately-owned production companies (Ha et al., 2010). By 2012, there were over 100 registered TV production companies and organisations across China, and thousands independent small companies serving them (Keane, 2015). By contrast, these independent companies were not allowed to produce news programmes or obtain rights for sport events (ibid). Considering these factors, dramas are therefore the prime target for this study. But it is noticeable that the production of entertainment programmes is very similar to one another, and thus the changes occurring in the production and distribution of dramas also manifest themselves in the production of other types of programmes. Research on the industrial practices within the drama industry can be applied loosely to those of other types of programmes.

Web Dramas Developed as a Special Category

Traditionally, dramas were primarily broadcast on TV before being sold to other secondary distribution windows such as international channels and video retailers (Doyle, 2016a). Thus, they have always been associated with TV and are usually called TV dramas. The rising online VOD services not only functioned as deep-pocket buyers of secondary rights for TV dramas, but also gave rise to another type of drama: web dramas. The Chinese National Radio and Television Administration (NRTA) defined the term “web dramas” in the book *2020 Analysis on The Development of Original Web Programmes* from two perspectives.

From the “distribution perspective,” web dramas are “serialised dramas that are distributed primarily on online platforms.” From the “administrative perspective,” web dramas include both “scripted drama series and serials that are officially filed as ‘key web series’ by production organisations, with their planning information reviewed and approved by broadcasting and television regulatory authorities” and “drama series and serials produced by either production organisations or individual creators, primarily broadcast on online audiovisual platforms, where the platforms are responsible for content review” (NRTA, 2021, p.1). The second definition is used in most of the official reports released by Chinese government agencies and is better at distinguishing web dramas from TV dramas, and thus this study also adopts this definition.

In their early stages, web dramas featured short episodes with straightforward storylines, designed for easy comprehension and adaptability to mobile viewing environments (Kang, 2017). In addition, since younger people, from their teens to their early 30s, are the main target users of the digital technology, web dramas tend to choose young main characters and focus on topics that are understandable and familiar to young adults (Kang, 2017; Statista, 2020). Examples include *Life of Jess* from Australia, *Aftermath* from South Korea and *Surprise* from China (Kang, 2017; Lu and Jin, 2017; McElroy and Noonan, 2019). In South Korea, web dramas were seen as ‘a stepping stone toward mainstream television’ because ‘starting acting careers by appearing in web dramas is easier than breaking into the television drama industry’ (Kang, 2017, p.767-768). Likewise, early Chinese web dramas were produced by inexperienced teams with small budgets and simple sets (Lu and Jin, 2017).

In the subsequent years, web dramas gained increasing attention from investors, resulting in substantial investments and a notable improvement in their quality. Netflix, known for its groundbreaking series *House of Cards*, has produced numerous popular ‘originals,’ asserting that these productions are better than traditional television dramas. Thus, Netflix Originals have become synonymous with high-quality web dramas (Tryon, 2015;

Wayne, 2018). In South Korea, Netflix collaborated with traditional media companies to make substantial investments in the production of romantic dramas, transforming the previously low-budget genre into ‘large-scale productions for massive audiences,’ ‘comparable to the development of Hollywood’s blockbuster system’ (Noh, 2022, p.99). Similarly, in China, leading SVOD services have invested collectively tens of billions of RMB every year into web content production and acquisition since 2014 (He, 2020; Zhou, 2023). The investment has propelled the evolution of web dramas, aligning them more closely with ‘high-quality’ television dramas (Lu and Jin, 2017). Some titles have obtained the TV Drama Distribution Licence that allows them to be broadcast on TV (NRTA, 2021). Much like Netflix, prominent Chinese SVOD services have featured the ‘original dramas’ label in their marketing campaigns. The following paragraphs will explain how original web dramas are produced in China.

Producing Original Web Dramas

A central focus of this study is the original web drama, so it is essential to explain how original web dramas are produced. The differences in cultural and political backgrounds result in varying drama production practices across the globe (Doyle, Paterson, and Barr, 2021). In general, television dramas can be sourced through three main methods: in-house production, copyright licensing, and commissioning. When a drama is produced in-house, it means that the production was conducted by ‘vertically integrated broadcasters in their in-house production departments’ (Doyle, Paterson, and Barr, 2021, p.22). Copyright licensing involves producers selling the broadcasting rights of finished dramas to broadcasters for a specified period, commonly seen for dramas in their second run, especially in international markets (Stemmers, 2016). Commissioning has occurred worldwide since the 1970s and 1980s (Doyle, Paterson, and Barr, 2021). Under this approach, broadcasters pay either part or the full production fee to independent producers (those not cross-owned by broadcasters) to secure the broadcasting rights of contracted dramas (Doyle, 2016c). Taking U.S.

broadcasters as an example, television networks select drama ideas from numerous proposals to create a pilot episode, and if the pilot passes the audience test the chosen producers receive funds to produce around 13 episodes for the network under their first contract (Vogel, 2011).

Commissioning is a well-established practice employed by service providers in the UK and the USA to order original dramas. In the UK, this model was formalised with the creation of Channel 4 as a ‘publisher-broadcaster’ in 1982, followed by the later imposition of compulsory access quotas for out-of-house productions on other public service broadcasters (Doyle, Paterson, and Barr, 2021). Similarly, US major networks are subject to rules preventing them from producing more than 40% of their own prime-time programmes in-house (ibid). There are two common financing models in commissioning: deficit financing and cost-plus. The two models are not only concerned with how content production is financed but also about the allocation of property rights attached to the content. In the deficit-financing mode, the broadcaster only gives a small portion of the budget to the producer, and this payment does not cover all the production costs, but the producer then retains the secondary rights and can sell the content to other broadcasters after its TV premiere. In the cost-plus mode, the broadcaster pays for all the production costs and allows the producer to make a reasonable profit, but the secondary rights are transferred to the broadcaster as a result (Doyle, 2016c, 2016a; Doyle, Paterson and Barr, 2021).

Original drama contracts signed by SVOD services and production companies are more complex. In Europe, Netflix Originals are sourced in various ways. Some are licensed dramas only marketed as ‘originals’ outside their country of origin; some are continuation deals where Netflix adds to the production budget after the first season or takes over production entirely; some are co-financed by Netflix and other investors; and some are fully funded by Netflix since their inception (Afilipoaie, Iordache, and Raats, 2021). In this context, ‘Netflix Originals’ seems to function more as a marketing term, signifying that the quality of the videos is guaranteed by Netflix, regardless of their diverse production models.

By contrast, in the discourse of Chinese trade press and academia, a word ‘self-made (*zizhi*)’ is often used as a replacement for the term ‘original’. This indicates that the meaning of ‘originals’ is slightly different in this context compared to Netflix’s usage. In Lu and Jin’s book *A History of Chinese Online Video*, they wrote that ‘many VOD websites changed their investment strategies from spending a lot on acquiring content to making content’ (Lu and Jin, 2017, p. 97), suggesting that ‘original’ dramas stand in opposition to ‘copyright-licensing’ dramas. Another frequently cited Chinese paper defined original web dramas as ‘dramas that are invested and produced by online websites, and made for online streaming purpose’ (Cao, 2011, p.113). Cao also divided original web dramas into three categories: dramas co-produced by online websites and production companies, dramas co-produced by online websites and advertisers, and dramas solely produced by online websites (*ibid*). According to these precedents, ‘original web dramas’ in Chinese context include dramas that are commissioned and in-house produced by online streaming services.

Interviewees of the study provided more information about how original web dramas are produced in China:

We commission the production of originals using two methods. The first one is to provide funds for the development of ideas pitched by production companies. The drama will be streamed on our website and marketed as ‘IQIYI Originals’, but we do not intervene in the decision-making process related to the selection of directors, screenwriters, and other crew members. [...] The second one is developing the scripts and building a production team by ourselves. For example, we may discover a compelling novel and sign a contract with the author to secure the rights for its adaptation into dramas. Then, we recruit directors, producers, and build the team. We bring them together and cover all associated costs. [...] But we do not have a filming division; instead, we always commission the filming process to our partners. (Wang1, interview, October 2020)

Original dramas developed by external production companies are called ‘customised dramas’ at Tencent, and they constitute most of our current originals. The production of customised dramas is primarily managed by

external companies, with us covering a portion of the production costs. While we are eligible to participate in important decision-making processes, our intervention is generally limited, mainly involving script reviews. [...] ‘Self-made dramas’ are different. We develop the scripts internally and then identify suitable actors, screenwriters, and crew members for the production. [...] We have two major production subsidiaries, Tencent Pictures and Tencent Penguin Pictures, dedicated to producing films and dramas. (Zhou, interview, March 2021)

Based on the information they provided, it can be concluded that the term ‘originals’ as used by Chinese SVOD services generally refers to dramas produced through commissioning and in-house methods. The ideas may be pitched by external studios or production companies or developed by internal divisions. When ideas come from external producers, SVOD services select appropriate proposals and fund the production, which will be carried out by partner producers. When ideas are developed by their internal divisions, SVOD services commission the production to external producers or allocate tasks to subsidiaries or vertically owned production entities. Not every SVOD service has a production division, and most of the ‘originals’ are produced through commissioning at present. Some interviewees also provided detailed information about the financing of drama production. The budget ratio provided by SVOD services varies from one contract to another. In most cases, producers themselves prefer to contribute part of the investment in order to share the property rights and revenue from secondary rights. However, sometimes SVOD services provide full funding to secure complete control over the property rights.

The Chinese drama industry collectively refers to in-house and commissioning dramas as ‘original dramas,’ and sometimes categorises copyright-licensing dramas into two types: ‘licensed dramas’ and ‘revenue-sharing dramas.’ In both models, SVOD platforms do not need to provide funding in advance, but the payment methods differ. When purchasing the ‘licensed dramas’, online platforms pay a fixed price according to the contract, regardless of the viewing figures. However, in the ‘revenue-sharing’ model, online platforms pay based on the viewing performance, suggesting that dramas with a higher viewership can yield large

returns while those are less popular can barely cover their production costs. The ‘revenue-sharing’ model in the acquisition of professionally produced dramas was introduced by IQIYI in 2016 and has become widely adopted by all three leading SVOD services since 2017 (Enlightent, 2022; Wang and Bai, 2023). While producers retain copyright ownership in both models, SVOD services may acquire secondary rights by paying a higher price.

This study refers to ‘Chinese original web dramas’ as those produced through commissioning and/or in-house models, funded by Chinese SVOD services, with the copyright partly or fully owned by them. While my research focuses on original web dramas, which are closely linked to changes in Chinese television industry practices, it’s essential to note that SVOD platforms typically employ various methods to populate their content libraries. As a result, some of these changes also extend to the production and distribution practices of non-original web dramas and other types of entertainment programmes. This includes dramas acquired through the copyright-licensing model, and non-drama programmes such as web movies and factual entertainment.

It is necessary to clarify the terms related to content rights, as they are easily confused. Property rights are closely linked to the ownership rights or legal agreements that ‘give an organisation control over’ content properties (Landers and Chan-Olmsted, 2004, p.5), thus involving a package of content rights. Secondary rights refer to the rights of content that has been initially delivered on some channels (Doyle, 2016). For example, U.S. broadcasters use the finance-deficit model to commission content production and ensure their rights to premiere the content. After the content is delivered on TV, producers can sell the content to syndicate networks, international channels, home videos, or streaming platforms as secondary distribution (Vogel, 2011). IP rights are rights of intellectual properties, with copyright being one of them. Copyright includes the rights to manage the content, such as

reproducing, distributing, exhibiting, performing, and adapting³.

The following section will introduce the ecology of Chinese drama industry, explaining how dramas were produced and distributed, and how the industry has been regulated in China.

1.2 Ecology of Chinese Drama Industry

The supply of drama involves multiple parties playing different roles, and these parties form an industry ecosystem that varies from country to country. To understand the transformations occurring in the Chinese drama industry, it is essential to understand its historical workings. This section will examine the ecosystem of the Chinese drama industry, providing insights into its key aspects. Specifically, it will cover the roles of producers and distributors, the pre-existing conditions of production and distribution, methods of drama production and distribution in China, and the regulatory frameworks governing these activities.

The Production and Distribution of Television Dramas

Chinese TV dramas were traditionally produced in-house by television stations until 1984. It was during this year that dramas were allowed to be treated as commodities and traded between television stations through exchanges (Shanghai TV Festival and CSM, 2004). This change, coupled with the 1983 Outline of Report on The Radio and Television Work (1983 Outline), which advocated for the separation of production sectors from their parent

³ See the English version of China's Copyright Law:

https://english.www.gov.cn/archive/laws_regulations/2014/08/23/content_281474982987430.htm

television stations and promoted the reform of ‘institutions managed as enterprises’ (shi ye dan wei qi ye hua guan li), further legitimised the commercialisation of Chinese television and its associated dramas (Zhang, 2012). ‘Institutions managed as enterprises’ refers to certain institutions, previously fully funded by the government and serving the public, being encouraged to participate in market competition as enterprises to increase their revenues, and television stations are an example of such institutions (Wang, 2007). The production sectors that separated from the television stations became vertically owned companies, but they were permitted to operate as enterprises and have continued to produce content for the market since then (ibid).

In addition, in 1996, the NRTA issued a document introducing the concept of the ‘separation between production and broadcasting’ for the first time (Ha *et al.*, 2010). This initiative emphasised collaboration between television stations and private companies, encouraging stations to procure programmes from private companies instead of producing content in-house (ibid). This shift gave rise to the first batch of independent production companies that were owned by private individuals and not affiliated with broadcasters. To strengthen the supervision of content, the National Radio, and Television Administration (NRTA) began to issue television drama production licences in 1986, a requirement for organisations undertaking content production (Ha *et al.*, 2010). These organisations were initially television stations or affiliated production companies, but after 2003 when the first 24 private production companies obtained their licences, more independent companies were permitted to produce dramas (ibid).

China TV Drama Report 2003-2004 is one of the earliest research reports on the Chinese TV drama industry, providing insights into the market environment in the early 2000s. The book categorises drama production organisations into two types: those directly or indirectly controlled by the broadcasting system and those that are not (Shanghai TV Festival and CSM, 2004). Within the system, major television stations have affiliated production companies,

such as China International Television Corporation, a subsidiary of China Central Television (CCTV); provincial media groups have invested in the establishment of limited liability companies (LLC), like Shanghai Qiusuo LLC, which is owned by Shanghai Media Group (SMG); state-owned film studios also created divisions dedicated to producing dramas (ibid). Outside the system, privately-owned production companies were on the rise, wielding significant influence in the production market (ibid). Additionally, other state-owned organisations, such as publishing houses and departments within the systems of public security and the military, also played roles in the drama supply ecology (ibid).

In 2014, there were 137 organisations that had a Television Drama Production License and 7248 organisations that had a relevant operation license⁴, most of them were small-sized companies (CTPIA, 2015). Major production companies are similar to studios – organisations that finance and distribute production, and subsequently market and release the programmes they finance (Ulin, 2010). These companies typically consist of various divisions, including scriptwriting, programme-making, distribution, talent management, and more, allowing them to produce multiple dramas within a single year (Shanghai TV Festival and CSM, 2004). As many owners of these companies used to work for the television stations, they developed a good relationship with their former employers (Keane, 2015). In contrast, minor production companies struggle to produce more than one program annually and often focus on only one or two primary activities (ibid). Despite their distinctive roles in the drama supply ecology, they control the essential inputs of drama production (Owen and Wildman, 1992).

⁴ Broadcasting Programming Operation License, which allows companies to participate in the production process of programmes.

Drama production in China differs from its US counterparts in terms of the production process and the popular genres on the market. Chinese dramas are not produced in ‘seasons.’ Producers are required to complete the production of the entire story for censorship and obtain distribution licenses afterwards (Keane, 2015). As a result, the production process needs to be finished all at once. ‘Historical/political,’ ‘social (or reform) issues,’ and ‘contemporary popular culture’ are the most popular drama genres on Chinese television (Keane, 2005, p. 84). A typical episode of a Chinese drama is around 45 minutes, and a series consists of 20 episodes or more (Shanghai TV Festival and CSM, 2004). After 2010, with the growth of production costs, production companies chose to increase the number of episodes of a drama title to sell it at a higher price (CTPIA and CBBPA, 2021). For example, *Ruyi's Royal Love in the Palace*, which premiered in 2018, has 87 episodes.

Before the rise of SVOD services, television stations were the primary distribution window for dramas in China. Chinese television stations are ‘essentially *de facto* state-owned enterprises’, and their management is ‘state-controlled even when publicly listed’ (Keane, 2015, p. 15). Pay TV options are limited, represented by transnationally owned channels like Phoenix TV and Star TV (Curtin, 2005; Keane, 2015). One characteristic of governance over state-owned television is administrative division, established with the implementation of the ‘four-tier policy (*siji bantai*)’ announced in 1983 (Chin, 2016; Keane, 2015). This policy encouraged every province, including those remote areas and lower levels of prefectural and county administrative units, to run television stations⁵ (ibid). Each provincial station had one or two free channels broadcasting via satellite since early 2000s,

⁵ China has 34 provincial regions, including 23 provinces, five autonomous regions, four direct-administrated municipalities, and two special administrative regions (Hong Kong, Macao). Each provincial region on Chinese mainland contains several prefectures, and each prefecture contains several counties.

reaching a nationwide audience, and they were called “satellite channels” (Keane, 2005; Keane, 2015; Zhang, 2011). Other channels could only broadcast to audiences in their own administrative areas. The number of television stations peaked at over 3000 (Keane, 2015), but had declined to around 2400 by 2023, with 391 of them are above-county-level stations⁶. The stations are partially funded by local governments, but these funds often fall short of covering operational costs (Y. Sun, 2012). Consequently, they heavily depend on advertising as their primary source of revenue (ibid).

The distribution of dramas was geographically constrained due to this administrative division (Zhao and Keane, 2013). Provincial television stations bought the distribution rights to screen a drama within their provinces and the broadcast rights on their satellite channels, subsequently selling the drama to lower-tier TV stations after its premiere (Shanghai TV Festival and CSM, 2004). Under the administrative division, television stations in different areas had varying financial capacities. CCTV and provincial satellite channels that reached nationwide audiences could generate relatively high advertising income and afford high prices for producing or acquiring dramas (Chin, 2016; Zhu, 2012). Additionally, wealthier areas could generate much more revenue than less developed ones, making them ideal first-run distribution channels for dramas (Keane, 2015). Copyright licensing is the primary model for drama acquisition by television stations. Due to financial constraints and a shortage of talent, only 16% of above-county-level television stations had invested in in-house or commissioned production of dramas by 2003 (Shanghai TV Festival and CSM, 2004).

⁶ County-level television stations only rebroadcast programmes from higher-tier stations (Keane, 2015). Detailed data was published by the NRTA: https://www.nrta.gov.cn/art/2023/11/22/art_69_66181.html

The distribution of dramas traditionally occurs after production and censorship. Sales teams present drama samples to drama procurement directors and await their decisions. Generally, it takes one to two years for a drama to complete its distribution (Shanghai TV Festival and CSM, 2004). Chinese producers also use windowing to distribute their dramas. They first sell dramas to the television stations that offer the highest price, and then to other television stations or channels for secondary distribution (*ibid*). While the overseas market is crucial for UK and US dramas in terms of revenue (Doyle, 2016a; Owen and Wildman, 1992), Chinese dramas have had less penetration in international markets. For a long time, they were much less popular than other East Asian content, such as productions from Hong Kong, Taiwan, South Korea, or Japan (CTPIA, 2015; Keane, 2005; Keane, 2015).

Regulations on Television and Dramas

Media content not only possesses economic value but also yields socio-cultural influences by creating ‘soft power’ and contributing to identity reproduction (Doyle, Paterson, and Barr, 2021). Consequently, the supervision and regulation of media content are significant factors in many countries (Fong, 2018). As one of the most influential mass media, television serves as the party-state’s ‘tongue and throat’ in China, requiring that the content broadcast on television channels align with the nation’s needs (Keane, 2005; Zhu, Keane, and Bai, 2010). Entertainment programmes such as dramas are subject to strict regulation, represented by censorship, the moral requirements on the main creators, and the compulsory programme quotas placed on service providers.

The primary area of regulation is content censorship. The prototype of current censorship was the TV drama planning process established in 1983, which required production units to submit their plans for the next year’s content, and only those titles that were approved were allowed to be produced (Zhang, 2014). Currently, the Provisions on Management of TV Drama Content, published on July 1, 2010 (2010 Provisions), serve as

the basis for television drama censorship⁷. It provides detailed statements about prohibited content in dramas and the censorship process. For instance, Chapter One, Article 5, prohibits the production of dramas containing information harmful to national security or disrupting social order. Additionally, content that harms public morality or defames the nation, culture, traditions, or heroic individuals is not tolerated. Regarding the censorship process, only qualified production companies (those with TV Drama Production Licenses or other relevant licenses) are allowed to carry out drama production. Before production, the production units must submit the complete design of key elements such as main characters, main plots, the drama's name, and the number of episodes for the censors to review. Even if the project passes the initial production censorship, the completed drama must undergo a final review to obtain the TV Drama Distribution License, allowing it to be distributed and broadcast.

In addition to the censoring of content, the department of radio and television also places moral requirements on the main creators of a television drama. The main creators of a drama, especially renowned actors, and actresses, have a huge influence on society, so the government regulates what they say and do. On 29 September 2014, the NRTA published the Announcement on Strengthening the Administration of The Production and Dissemination of Radio and Television Programs, Movies and TV Plays and Online Audiovisual Programmes (The 2014 Announcement), which claimed to ban 'tainted stars'⁸. 'Tainted stars' are celebrities (actors, playwrights, directors, presenters and so on) who have

⁷ The full text of the 2010 Provisions can be read on the government's website:

https://www.gov.cn/zhengce/2010-03/26/content_5725928.htm .

⁸ See this page for the full text of the announcement:

<https://baike.baidu.com/item/国家新闻出版广播电视总局办公厅关于加强有关广播电视节目、影视剧和网络视听节目制作传播管理的通知/15874110?fr=aladdin>

used drugs, visited prostitutes, or been involved in other forms of law-breaking. They have not been allowed to appear on Chinese television, movie screens or other forms of broadcast since The 2014 Announcement (Blanchard, 2014), so the dramas and films which feature these ‘tainted stars’ need to be taken out of public circulation or the frames where they appear need to be erased. Taking drugs and visiting prostitutes are behaviour directly mentioned in the 2014 Announcement. There are other cases of stars ‘tainted’ by tax evasion (e.g., Fan Bingbing, Zheng Shuang), cheating (e.g., Li Xiaolu, Huo Zun), and other affairs that violate law or public morality (e.g., Tong Zhuo falsified information on his college entrance exam; and Kris Wu was accused of raping underage female fans)⁹. In an attempt to deal with the problem of soaring production costs caused by overpaid actors, the broadcast regulators issued a ‘salary cap’ in 2015, stating that the total salary of all actors cannot exceed 40% of the total production cost of a drama or a film, and the salary of leading actors cannot exceed 70% of the combined actors’ salaries¹⁰. Otherwise, the project will not receive approval from the censor.

With regards the compulsory quotas on service providers, the NRTA required the platforms to control the ratio of different contents, aiming to protect local production while increasing the diversity of content. Examples of these regulations are the ‘one drama four satellite channels’ and ‘one drama two satellite channels’ policies. The ‘one drama four satellite channels’ policy means that a drama could be premiered on four satellite channels

⁹ More cases in English reports see 25 ‘Tainted Celebrities’: What Happens When Chinese Entertainers Get Canceled?: <https://www.whatsonweibo.com/25-tainted-celebrities-what-happens-when-chinese-entertainers-get-canceled/>

¹⁰ The ‘salary cap’ was officially announced on the government’s website, see: http://www.gov.cn/xinwen/2018-06/27/content_5301659.htm.

at most. This policy lasted for over ten years before being cancelled (Zhang and Zhang, 2016). In 2015, it was replaced by the ‘one drama two satellite channels’ policy, allowing a drama to be premiered on a maximum of two satellite channels since then (ibid). The implementation of ‘one drama two satellite channels’ increased programme diversity on satellite channels and provided more premiere slots for locally produced dramas. Another example is limiting the broadcast of costume dramas. Costume drama is a genre that is very popular in China and can always secure a strong viewership, so dramas of this genre were produced in large numbers (Keane, 2005). In 2002, a scholar estimated that costume dramas accounted for around 60% of all dramas in China (Chen, 2002). On June 2013, NRTA issued Measures on the Administration of TV Dramas Broadcast on Satellite TV Channels (The 2013 Measures), which limited the monthly and yearly broadcast of costume dramas to less than 15% of all dramas, and two costume titles cannot be broadcast consecutively on the same channel¹¹. The 2013 Measures also required TV channels to broadcast at least 50% contemporary dramas during Prime Time. In addition, the 2013 Measures also set quotas for broadcasting dramas on satellite channels. For example, to attract audiences, some satellite channels broadcast four or five episodes of a drama per day during Prime Time, but after the 2013 Measures, they can only broadcast less than three episodes of a drama per day during Prime Time. In addition, there are also measures limiting the import and broadcast of overseas dramas (Zhang, 2014).

The regulations on the aforementioned three aspects are crucial for understanding the Chinese drama market. In reality, they are implemented in a more intricate manner. For instance, there is no clear explanation of how each ‘tainted star’ is identified and confirmed, and many dramas that passed censorship and obtained all the legal licenses, were still

¹¹ See: https://ent.chinadaily.com.cn/2013-06/05/content_16568217.htm

retracted during broadcasting (Ng, 2014). The complexity of Chinese media regulation will be discussed in detail in Section 2.2. While these regulations are ‘sometimes used strategically by regulators as a way to keep foreign entrants at bay’ (Keane, 2015, p.21), protecting local productions from negative influences of foreign rival programs, they impose significant pressure on local producers. They create a highly uncertain atmosphere by introducing considerable policy risks and contribute to hazardous working conditions, serving as a serious obstacle to the competitiveness of Chinese dramas (Keane, 2015).

Before 2014, the regulations on web dramas were much more relaxed. Li (2019) named this situation ‘cultural zoning’, that is, the market principles were applied more to some media sectors than to others. This leads to a dual cultural sphere. Li believed that the government treats television and online video streaming differently in terms of the market because it wants to enjoy the fruits of economic development while simultaneously retaining its control over state-owned media (L. Li, 2019; K. Zhou, 2021). As the influence of SVOD services increased, the government became more concerned about the content of SVOD services. In 2014, NRTA announced at several conferences that content that cannot be broadcast on traditional media would also not be allowed on online platforms (L. Li, 2019). Thus, the era of cultural zoning has officially ended.

1.3 The Leading Chinese SVOD Services and Their Business Models

The research selected the three leading Chinese SVOD services - IQIYI, Youku and Tencent Video – as case studies. They are subsidiaries of or partly owned by the three Chinese tech giants Baidu, Alibaba and Tencent (BAT for short) respectively, having the largest number of members, as well as the biggest market share in the Chinese SVOD market. They have very similar business models with each other, relying on both subscription and advertising income to support their operation. They are all private-owned enterprises that compete directly with each other.

Among the three services, Youku was the earliest founded one, around 2005, as a UGC website similar to YouTube. It merged with the largest UGC website Tudou in 2012, and then the newly formed ‘Youku-Tudou Group’ was acquired by Alibaba in 2015. Afterward, it shifted its focus to offering professionally made content (Zhao, 2016). IQIYI launched its platform and internet video streaming services in 2010, with the aim of providing copyrighted content from the beginning (IQIYI, 2023). It was publicly listed on Nasdaq in 2018 with the code ‘IQ’ (ibid), making its financial and business status relatively public. Baidu funded its establishment and remains its largest shareholder. Tencent Video, launched in 2011, is the most recent among them but has shown strong competitiveness with the backing of the tech giant Tencent Group. Youku and Tencent Video do not have independent financial reports. However, some of their financial information was mentioned in the financial reports of Alibaba and Tencent Group, both of which are publicly listed on the Hong Kong Stock Exchange.

The three SVOD services have experienced an era marked by an upsurge of online video streaming websites offering diverse services. In the mid-2000s, when numerous VOD services emerged to compete for users, they adopted various models. Tudou and Youku, still operational today, have undergone changes in their business models (Lu and Jin, 2017). Other websites, like PPstream and PPlive, provided live TV streaming, allowing users to watch TV channels in real-time on computers and mobile devices through apps (ibid). Some platforms, such as VeryCD.com and Xunlei.com, offered video download services, enabling users to watch videos while downloading (ibid). These sites, offering different content and utilising diverse technologies, provided their services free of charge to viewers and generated revenue through advertisers. It is worth noting that piracy was rampant during this period. On websites that were not offering live TV streaming, there was a high volume of pirated content that was claimed to be “uploaded by users” (Zhao and Keane, 2013; Gu, 2018).

In the following decade, the market has become more concentrated, with leading online

video platforms adopting a subscription model. This shift results from a combination of market competition and government intervention. Zhao and Keane (2013) identified 2008 as a watershed moment that significantly influenced the market structure by transforming the ‘informal’ sector, which provided pirated content, into a ‘formal’ sector supported by the government. In that year, the release of the Administrative Provisions on Internet Audio-Visual Program Service (2008 Provisions) by regulators dealt a blow to privately held BitTorrent-based online video websites by introducing a new license for online streaming services and carrying out anti-piracy campaigns with the active participation of several major services (ibid). It not only led to the closure of many small players that did not qualify to obtain the license but also increased the competitive advantage of services capable of affording the costs associated with providing copyrighted content. In addition, enduring and ambitious online streaming services have also developed the subscription model to increase their revenue (Lu and Jin, 2017; Zhao and Keane, 2013).

The pre-existing industrial culture has greatly influenced the practices and business models of VOD services, resulting in Chinese SVOD services differing from their US counterparts in terms of regulatory environment, market structure, and other facets (Lotz and Eklund, 2024; Wang and Lobato, 2019). Developed from AVOD platforms based on UGC, Chinese SVOD services profit from both advertising and subscription revenues, providing UGC and PGC videos simultaneously, although UGC videos are currently marginalised. This is an important characteristic that distinguishes them from their US-based counterparts, which mainly relied on the subscription model until the advent of Netflix’s ‘basic with ads’ plan. Moreover, these SVOD services are seen as ‘less personalised,’ ‘TV-like’ platforms, as well as ‘community-like’ services. Personalised recommender system based on audience data analysis is a feature of Netflix, but Chinese SVOD services, represented by IQIYI, are much less personalised (Wang and Lobato, 2019). Users will not see very different recommendations when they open the apps or visit the websites, and personalised information that is shown in the ‘my profile’ section only records the traces of users’

interactions with the platforms (ibid). The interfaces of Chinese SVOD services are also ‘busy’, with many functions, trying to set agendas for and provide a set of cultural materials to users. This makes Chinese SVOD services ‘TV-like’ – they are ‘an extension of mass media into the online space’ (Wang and Lobato, 2019, p. 366). Lu and Jin (2017) also mentioned that Chinese SVOD services are ‘community-like’, as there are many interactive areas on video websites. Each video has sections for interactions where viewers can rate the video, leave comments and reply to others’ comments. There are even ‘bullet screens’ shown on the screen of the video¹². With these functions, Chinese SVOD services are more like a ‘community’ which uses long video content as a link to promote sharing and communications between viewers (Lu and Jin, 2017).

What is similar between major Chinese SVOD services and Netflix is that they both place great importance on original production. Around 2014, major SVOD services on the market decided to invest heavily in original content production over the following years (Zhang and Jia, 2015; Wang and Xie, 2016; Lu and Jin, 2017). The number of SVOD originals has been increasing since then. Since 2016, over 200 web drama titles have been produced yearly in China (CCSmart, 2019). In 2017, originals accounted for 37.84% of IQIYI’s newly released dramas, 33.85% for Tencent Video and 34.48% for Youku (Ding and Jin, 2018). Half of the web dramas received investment from SVOD services in 2018, and the ratio grew to 75% in 2020 because of the fall in activity in the market caused by COVID-19, and SVOD platforms provided critical financial support to production companies during this period (Lizi, 2017; Chen, 2019; Zhou, 2020). Increased SVOD investment in original

¹² Bullet Screens (Danmu in Chinese) are a way of showing moving comments on screens. The bullet screen comments sent by users will be moving on the top of the screen as the video progresses. It is “like artillery bombardment” and “attacks the cinema screen in a barrage of words” (Cao, 2021).

production has fostered the growth of the web drama production sector, giving rise to ‘online-first TV dramas’; that is, dramas that have ‘obtained the TV Drama Distribution License and exclusively or initially released on online streaming platforms, with substantial involvement of online audiovisual services in the production, distribution, and broadcasting processes’ (NRTA, 2021, p.1). The number of online-first TV dramas has increased from 34 titles in 2017 to 80 titles in 2020 (NRTA, 2018, 2019, 2020a, 2021).

Leading Chinese SVOD services have also expanded into other entertainment sectors and overseas markets. Tencent proposed the concept of ‘pan-entertainment’ in 2011, which means the combination and synergy of several entertainment industries including games, television and films, cartoons and comics, digital music, digital reading, live streaming and short videos, and so on (Analysys, 2018; MIIT, 2018). Using IPRs that have a considerable number of fans, the companies can develop a wide range of entertainment products. Tencent created an Interactive Entertainment Group to operate its entire ‘pan-entertainment’ business; Alibaba founded a Big Entertainment Leaders group to lead its various entertainment departments; while IQIYI focused its video business and expanded into more pan-entertainment areas (Mao, 2017; Analysys, 2018; MIIT, 2018). As important branches of their parent tech companies, they tend to provide added value to other businesses, much like Amazon Video, while also focusing on succeeding in video services, similar to HBO and Netflix (Lotz, 2019). They also offer international versions in overseas markets and have accumulated a substantial user base (Li, 2023).

One reason for selecting these three services as case studies is their dominant market share in China, coupled with private ownership and affiliation with the three Chinese tech giants BAT. Another factor is the similarity in their business strategies. As mentioned earlier, they offer both User-Generated Content (UGC) and Professionally Generated Content (PGC), generate revenue through advertising and subscription models, and exhibit TV-like and community-like characteristics with comparable interface designs. These platforms are

significant investors in original web dramas within the Chinese SVOD landscape, as evidenced by their inclusion in reports published by the National Radio and Television Administration (NRTA) from 2017 to 2020 (NRTA, 2018; 2019; 2020; 2021). This study aims to delve into their business activities, identify commonalities, and contribute to existing theories and studies.

1.4 Scope of the Study

This study has three main research questions:

- (1) Why do SVOD services in China invest in original drama production?
- (2) What forces influence creative decision-making in original web drama production?
- (3) What strategies are used to maximise the value of content that is made by SVOD services in China?

These questions focus on the business strategies, content production, and content distribution of Chinese SVOD services, with a particular focus on original content. This study aims to describe and explain the industrial practices within Chinese SVOD services and the underlying drivers. It is tailored for readers who are interested in the Chinese SVOD industry and the production and distribution of Chinese original web dramas. The subsequent sub-sections will expound on these research questions and outline the study's scope.

Strategic Management of Video Websites

The first main research question of this study is: Why do SVOD services in China invest in original drama production? This question aims to determine the strategic role that original

content plays in the management of SVOD services, as content strategies are an essential component of media enterprises' competitive strategies. Section 1.1 mentioned that original web dramas in the Chinese context refer to web dramas produced in-house or via commissioning, with the latter currently constituting the majority of original web dramas. Through commissioning drama production, service providers order dramas from external producers (Doyle, 2016c). Commissioning is not a new model in drama production; it has been widely adopted in the UK television sector since the 1970s and has been the primary way for major US television networks to produce dramas (Doyle, Paterson, and Barr, 2021; Vogel, 2011). However, in China, in-house production and commissioning were only used by a small number of television stations. Before 2014, Chinese SVOD services, like the television stations, mainly relied on licensing to acquire dramas produced for television. However, after 2014, the number of original dramas and their ratios in the total web dramas greatly increased, as described in Section 1.3.

Content acquisition requires a substantial budget. Effectively utilising this budget constitutes the essence of VOD services' content strategies, influencing SVOD services' market competitiveness and financial outcomes. The decision of SVOD services to allocate this budget towards commissioning original content production therefore needs to be examined in detail. The study posits that this strategic shift in the Chinese SVOD industry is driven by two main factors: the business environment compels Chinese SVOD services to make this decision, and there is potential for Chinese SVOD services to enhance their competitive objectives through original production. Understanding the business environment of Chinese SVOD services, identifying the competitive advantages they seek from this investment, and determining the extent to which these productions help realise their strategic goals in the context of China are crucial. Through studying the intentions and behaviours of SVOD services investing in original drama production, this thesis aims to understand the SVOD services' content strategies and then their competitive strategies, as well as their development paths. This study is based on the previous studies on VOD services' features and strategies

and is intended to make further contributions to the body of research on media business management.

Production of Web Dramas

The second main research question of this study is: What forces influence the decision-making process in original web drama production? Drama production is a key sector of the creative industry where individual creativity significantly influences the outcomes. Additionally, as part of economic activities, the process of making creative production decisions is also affected by economic forces. There are studies that have identified and discussed these forces and their influences. For example, ownership configuration of media corporates can have an influence on the content production because it affects the advantages of scale, market access, bargaining power and informational advantages of production companies (Doyle, Paterson, and Barr, 2021). Also, Lin (2022) identified state ideology, digital technologies, globalisation and capitalism as major forces influencing the Chinese television production culture, particularly for state-owned television units such as CCTV (China Central Television) and HBS (Hunan Broadcasting System). These forces influence content production, whether they are television programmes or web programmes, and whether they are dramas or not. Inspired by these studies, this research focuses more on important forces that specifically influence the production of original web dramas.

Web drama productions and television drama productions have both similarities and notable differences. In terms of similarities, web programmes closely resemble television shows in their overall narrative structure and aesthetic form (Herbert, Lotz and Marshall, 2019). For example, contemporary online films are very similar to the ones in the 1980s, 1960s or even the 1940s (Bordwell, 2002, cited in Herbert, Lotz and Marshall, 2019). Additionally, many web dramas are broadcast on television, as implied by the term ‘online-first television drama’ (NRTA, 2021). As for the differences, a global trend is observed where

the majority of users on SVOD services are teenagers and young adults. For example, the largest consumer group on Netflix consists of individuals aged 18-34, while seniors aged over 65 constitute the smallest group (Jay, 2022). Similarly, teenagers and young adults make up the predominant consumer base for Chinese SVOD services (NRTA, 2019, 2020a, 2021). The content preferences and viewing habits of young audiences, such as binge-watching and using second screens, are believed to influence decisions in web programme production (e.g., Jenner, 2017; Nee and Barker, 2019). Furthermore, SVOD services possess a significant advantage in collecting user data, enabling them to produce dramas that better cater to the tastes of their users and to precisely promote dramas to their potential viewers (Doyle, 2018). The investment from SVOD services in web drama production also contributes to the rise of high-end dramas (Doyle, 2016a; Noh, 2022).

These factors are very likely to influence the creative decisions made in the web drama production process. The study will examine the impact of these factors on web drama producers, their strategies for dealing with these influences, and the presence of any additional influential forces. By exploring these dynamics, the study aims to contribute to the drama production research field.

Value Exploitation of Content

The third main research question is: What kind of strategies are used to maximise the value of content that is made by SVOD services in China? Once the production is completed, production companies need to sell the dramas to broadcasting and transmitting platforms to make a profit. They use windowing strategies to plan the sequences of distribution channels to reach the broadest audience groups and thus maximise their profits (Owen and Wildman, 1992). Television stations are the most important buyers of dramas. When they license the rights to broadcast a drama, they use a series of scheduling strategies, such as anchoring, lead-in, or hammock, to make the best use of their programme resources to accumulate as

many audiences as possible (Adams and Eastman, 2013). Like many television stations worldwide, Chinese state-owned television stations follow the logic of a two-sided market, which means they use similar programming and scheduling strategies to arrange the broadcast of dramas and attract audiences, and then 'sell' audiences to advertisers for profit, which is the main source of their income (Shanghai TV Festival and CSM, 2004).

The rise of SVOD services has brought about new industrial practices and value-exploiting strategies. SVOD services primarily profit from subscribers, implying that they need to design different business models than television stations. Based on digital technologies, SVOD services can reach individual users in a non-linear manner, allowing for more diverse business strategies in the distribution of content (Chang, Lee, and Lee, 2004; Carroni and Paolini, 2017; Lotz, 2017). Additionally, due to the nature of flow and the characteristic of time specificity, traditional television divides a day into different time slots and arranges its broadcast schedule accordingly (Adams and Eastman, 2013; Lotz, 2017). In contrast, SVOD services are not constrained by time specificity, making the meaningfulness of time divisions much less relevant for them. The study will explore whether the traditional concept of 'flow' is still being followed in programme scheduling and will inquire about the new scheduling strategies being employed. Additionally, it will examine how the rise of Chinese SVOD services has affected the power dynamics between different distribution windows in China and what changes are occurring in the windowing of dramas as a result.

Strategies used by traditional television to maximise the value of dramas need to be re-examined in the era of SVOD services. Consequently, the third main research question of this study is about the changes of these strategies. To be specific, this study explores the pricing, scheduling and distribution strategies of drama content. By answering the aforementioned questions, the study seeks to further the body of research into the distribution stage of web dramas.

1.5 Organisation of the Dissertation

This thesis consists of nine parts. There are seven main chapters, one bibliography and several appendixes. The first chapter is an introduction. This chapter introduces the research questions, provides background information about the Chinese broadcasting industry and online video industry, and explains the structure of this dissertation. The second chapter is the literature review. This chapter explores existing literature in three fields: strategic management in media, media content production and distribution and marketing of media products. The third chapter, methodology, explains the research methods deployed in this study. The fourth to sixth chapters detail the research findings. Each of these chapters provides the research findings related to each main research question. The final chapter concludes these findings, discusses the conclusions, and lists limitations and possible areas for further research. The appendixes provide extra information about the interview questions of the study and programmes that are mentioned in the main chapters.

Chapter 2 Literature Review

This chapter seeks to review earlier studies related to my research questions. The three main research questions focus on the changes happening in the drama production and distribution brought by SVOD services and are located in three areas of media management research: strategic management in media, creative decision-making in production, and the distribution of media content products.

2.1 Strategic Management of SVOD Services

The first main research question of this study concerns the strategic roles of original productions. Strategy ‘involves a range of a firm’s decisions and activities that are enacted to fulfil the firm’s strategic missions and goals’, and strategic management can be seen as ‘the ‘analysis,’ ‘decisions,’ and ‘actions’ an organisation takes to create and sustain competitive advantages’ (Chan-Olmsted, 2008, p.14). Strategic management of a firm involves both the effective use of its internal skills and resources and the response to the opportunities and threats in its market environment (Barney, 1991; Chan-Olmsted, 2008; Porter, 1998). Based on this theoretical framework, this section reviews literature that is helpful in understanding the strategic intentions of SVOD services for investing in original drama productions from three aspects: the position and features of SVOD services within the drama supply chain, the strategic advantages of original content and the structure and development stage of Chinese SVOD industry. SVOD platforms, pivotal in the drama supply chain, navigate strategic needs influenced by their positions. Insights from studies on original content, as observed on platforms like Netflix, also offer valuable references for understanding Chinese cases. The third part of this section will analyse the business environment of the Chinese SVOD industry to identify the challenges that Chinese SVOD services aim to address through investment in original production.

SVOD Services on The Drama Supply Chain

The strategic intentions of a corporation are influenced by its position in the industry (Porter, 1998). SVOD services, like television, serve as bridges connecting media content with viewers. The supply of dramas involves a chain of activities, including content production, content packaging and content distribution (Doyle, 2013). SVOD services and television act as service providers at the end of the supply chain, directly engaging with content consumers. The core of their operation is to aggregate content and build audiences based on the content they offer (Eastman and Ferguson, 2013). Audiences are the main currency for both broadcasters and SVOD services (Doyle, 2013). For broadcasters relying on advertising revenues, larger audiences translate to higher advertising unit prices. Similarly, for subscriber funded SVOD services, larger audiences result in increased subscription revenue. Offering content that appeals to a diverse viewership is key to attracting broader audiences. Dramas enjoy widespread popularity among viewers of all demographic groups and in any country, making them an essential category of TV programmes.

Dramas are expensive commodities. While high-quality dramas that are expected to attract a large audience can be sold at a high price, less popular dramas still incur significant production costs (Eastman and Ferguson, 2013). To optimise the returns on this significant investment, television channels prefer to air dramas during primetime when viewership is at its peak, despite the heightened competition during this period (ibid). This is because the prime-time audience is enormous, and the idea of attracting even a small portion of them is significant enough to lure a channel to join the competition (ibid). Another way to conserve programme resources is to replay previously aired shows. According to Eastman and Ferguson (2013, p.21), ‘a high percentage of the programming on cable networks and online consists of repeats of the same item.’ This includes re-airing primetime shows in the daytime slots and/or broadcasting the shows on other channels affiliated with the station (ibid). Additionally, it is common for television stations to broadcast reruns, a less expensive

alternative to premieres (Gilbert, 2019).

Although dramas hold significant importance for television stations due to their widespread popularity, the competitiveness of television stations is also influenced by factors beyond the appeal of drama series. One such factor is geographical coverage. For example, in China, the administrative division allows only a limited number of television channels to broadcast nationwide. Prefectural stations, whose channels reach a smaller audience, are inherently less competitive than CCTV and provincial stations (Zhao and Keane, 2013). Television offers a diverse range of programmes beyond dramas, including news, variety shows, factual programs, children's programs, and television movies, which attract a considerable audience. Additionally, television channels often conserve programme resources by replaying dramas or broadcasting reruns, as mentioned earlier. These factors mean that creating new dramas constitutes a relatively small part of the television activities required to maintain a competitive advantage.

Programme selection, scheduling, promotion and evaluation are the four major parts of the core work of television programmers, with programme selection playing a very important role in the process (Figure 2). There is a tendency for television channels to favour programmes that 'produce large audiences' and avoid programmes that cater to minority-interest tastes or expensive programmes (Owen and Wildman, 1992, p.148). Linear television is confined by time specificity, implying that a channel can only broadcast one programme during a particular time slot (Lotz, 2017). Choosing a programme targeting the broadest compatible audience to fill a time slot is the optimal choice for a television channel. As a result, 'competition under advertiser support tends to produce less diversity and more 'wasteful duplication' than is socially optimal' (Owen et al., 1974, cited in Vogel, 2011, p.303). This phenomenon holds true in China as well. For instance, many television channels, especially satellite channels, often broadcast the same popular drama during prime time. To address this, NRTA implemented the 'one drama two satellite channels' policy to curb the

number of channels premiering the same drama, using their administrative power to increase programme diversity (Keane, 2015).

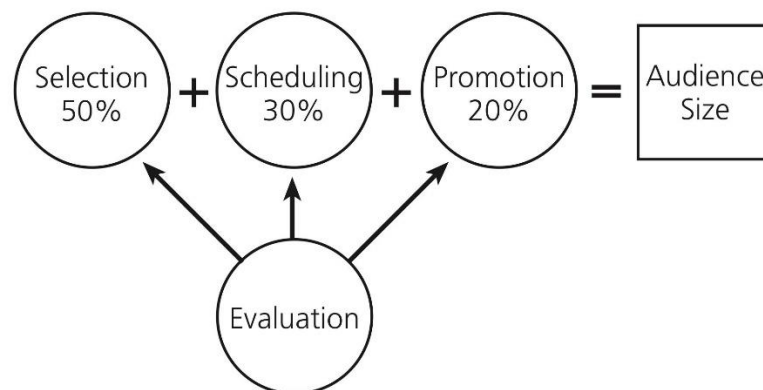


Figure 2-1. Basic four-part programming model of television (Milton Hamburger, cited in Eastman and Ferguson, 2013, p.24)

In the drama supply chain, SVOD services occupy a similar position to television but exhibit varying degrees of reliance on dramas due to their distinct characteristics. In 2018, approximately 32% of time slots on Chinese provincial and national television channels were allocated to dramas, including reruns and daytime replays (CCSmart, 2019). In comparison, a significant 70% of programme viewing on SVOD services in the UK was attributed to dramas in the same year (Ofcom 2018, p. 50, cited in McElroy and Noonan, 2019). The non-linear distribution model on SVOD platforms eliminates time specificity and significantly reduces capacity constraints (Lotz, 2017). While this flexibility enables SVOD services to maintain extensive content libraries without being constrained by distribution bottlenecks, it also means they face challenges in employing scheduling strategies to replay programmes – once a drama is released, it can be somewhat permanently accessible – and thus there is a continuous demand for new dramas. It is also worth noting that the number of channels delivering dramas has proliferated, intensifying competition among platforms and increasing the importance of popular programmes. In light of the aforementioned factors, a SVOD

service's demand for dramas is much higher than that of a television channel.

Differences between the non-linear curation of SVOD services when compared to the linear scheduling of television result in distinct principles for selecting programs. SVOD's non-linear model allows for the development of a library catering to diverse tastes (Lotz, 2017). Netflix, recognising this characteristic, implemented a 'conglomerated niche' strategy, creating programmes tailored to various audience segments rather than trying to appeal universally to all users (ibid). This approach necessitates a deep understanding of different audience preferences and the mass customisation of content production. It avoids linear practices, such as weekly new program availability, and attracts more subscribers by creating a stable and exclusive library (Lotz, 2019). It is worth investigating whether Chinese SVOD services employ a similar 'conglomerated niche' strategy, and how they meet the demand for mass customisation through original production.

The Strategic Advantages Brought by Original Production

Content is one of the key resources of media organisations. Resource-Based View (RBV) is one of the basic approaches that lays the foundations for media management research in the media industry (Chan-Olmsted, 2005). The basic argument of RBV is that a firm is a collection of resources, and heterogenous resources are owned across different firms (Barney, 1991; Das and Teng, 2000; Madhok, Li and Priem, 2010; Barney, Ketchen and Wright, 2021). "Firm resources are strengths that firms can use to conceive of and implement their strategies" (Barney, 1991, p. 101). The resources of a firm are the most influential factors affecting the firm's performance and sustainable competitive advantages (Barney, 1991; Peteraf, 1993; Landers and Chan-Olmsted, 2004). Also, the resources of a firm limit the choice of markets it may enter, and the profits it may expect (Mahoney and Pandian, 1992). Content properties, especially top content properties, along with various other resources such as expertise and talent pools, are crucial assets for major TV networks in the United States

of America (Landers and Chan-Olmsted, 2004), and it is reasonable to believe that they are equally important for SVOD services. While commissioning is one way to acquire content properties, it is not the only method. Therefore, it is important to answer the question of what makes original dramas special and what additional strategic advantages they offer SVOD services. Previous studies have identified the following advantages:

Original dramas play a crucial role in attracting audiences to SVOD services to support their subscription-based model. These dramas offer prolonged accessibility and exclusivity on SVOD platforms, increasing audience willingness to pay for subscriptions and allowing these services to maximise the value extracted from the content. In contrast, in the norm of linear television, channels typically hold a drama's broadcasting rights for a limited period, implying that they only have the exclusive rights within this timeframe, if they have any (Lotz, 2017). Providing exclusive content is a critical strategy for subscription-supported services, whether they are linear or non-linear (ibid). Audiences tend to favour platforms with shorter advertisements if content is not exclusive (Zhao, 2016). To enhance audience loyalty and achieve differentiation, SVOD services have to build a distinctive content library. With long-time accessibility and exclusivity, original dramas deliver essential value for SVOD services, making them suitable for SVOD services to exploit long-term value.

Original dramas are also helpful in enhancing the brand of SVOD services. Building a brand can improve consumers' recognition of the media, encourages consumption, and increases the value of their content products (Chan-Olmsted and Kim, 2001; Förster, 2011; Johnson, 2012; Lis and Post, 2013; Stipp, 2012; Siegert *et al.*, 2015). Brand equity in the TV industry can be regarded as audience loyalty towards a television brand (for example, a particular television network) and the polarisation trend among audiences (Webster and Phalen, 1997, cited in Ha and Chan-Olmsted, 2001). Programme profile, the exclusivity of content and the programme schedule are key elements of TV brand management (Förster, 2011). Although the influence of the programme schedule has diminished for SVOD services

due to their non-linear attributes, the importance of content profile and exclusivity has never waned. Viewers perceive a television brand mainly by watching the programmes a network provides (Stipp, 2012), and the programmes on a SVOD service contribute to its brand image. Netflix has emphasised its ‘original programming’ in its promotional discourse, making a connection between ‘Netflix Originals’ and the promises of quality and exclusivity, distinguishing itself from traditional television programmes (Wayne and Uribe Sandoval, 2023). ‘VOD shows are described using words and phrases such as complex, innovative, with depth, ambiguity, and character development’ (De Keere, Thunnissen and Kuipers, 2021, p.637), while TV shows are sometimes perceived as ‘junk food’ (Tryon, 2015, p.104).

Netflix’s investment in original production not only improves the quality of content but also expands its distribution capabilities, thanks to its advantages of scale and substantial financial resources, allowing for significant budget allocations (Afilipoaie, Iordache and Raats, 2021). In Europe, where the audiovisual market is fragmented with various small markets and several bigger markets, limited returns on investments via advertising and retails leads to reduced production budgets and a shortage of capital and media professionals (ibid). Investment from Netflix brought about huge capital, especially in the genres and topics that have the potential to attract global audiences, and thus improved production for these markets (ibid). In Australia, Netflix extended established storytelling norms to create novel new programmes (Scarлата, Douglas and Lobato, 2022). Similarly, Netflix’s investment in South Korea injects more capital into the production of romance-themed Korean dramas, fuelling the evolution of these dramas into ‘romantic blockbusters’ (Noh, 2022). These investments improve local productions and enrich Netflix’s transnational content library, enabling the platform to leverage the production professionals worldwide and strengthen its global presence. In summary, original dramas serve as valuable assets for SVOD services, offering a range of strategic advantages. These include, but are not limited to, supporting the subscription-based business model, enhancing the brand of SVOD platforms, increasing the quantity and quality of content in the transnational content library, as well as expanding the

distribution capabilities and influence of SVOD services. However, these studies are mainly focussed on the practices of US-based SVOD services, represented by Netflix, whose main strategies include globalisation and distinguishing themselves from TV channels. Chinese SVOD services do not place the same importance on these two objectives, and their strategic intentions cannot be fully explained by those of Netflix. What drives their investment in original production and how their intentions are fulfilled need to be further explored.

The Business Environment of Chinese SVOD Services

One goal of the strategic management is to respond to the opportunities and threats in the market environment. Therefore, analysing the business environment of Chinese SVOD services is essential to understand their strategic decisions. According to Michael Porter (1998), the business environment can be described as ‘encompassing social as well as economic forces’ and its key aspect is ‘the industry or industries in which it competes.’ (Porter, 1998, p.3). This sub-section will review literature that depicts the Chinese television and SVOD industry between around 2008, when Chinese VOD platforms were legitimised by regulators, and around 2020, when original production accounted for the majority of dramas on Chinese SVOD platforms. According to the Industry Life Cycle (ILC) theory, developed from the product life cycle theory, which divides the life cycle of an industry into different stages (Klepper, 1997; Peltoniemi, 2011), this period represented the growth stage of the industry. During this phase, the number of users was rapidly increasing, and the industry ecology was considered ‘immature’ (Lu and Jin, 2017, p.42). The following paragraphs will identify the notable characteristics of the business environment during this period and uncover the challenges faced by the industry in this growth stage.

The legitimization of VOD services. Online video-on-demand services were legitimised in 2008, when the Administrative Provisions on Internet Audio-Visual Program Service (2008 Provisions) were released to regulate the online video market. The 2008 Provisions

mandated online video websites to obtain an operational license issued by the government, signifying the transformation of VOD business from an ‘informal’ to a ‘formal’ sphere (Zhao and Keane, 2013). Obtaining the license indicated that the companies were formally recognised and supported by the authorities, but it also meant that they had to comply with stricter regulations, including how they acquired content. In the following years, pirated content on leading VOD services was reduced, though not eradicated, and the demand for professional content acquisition increased (Zhao and Keane, 2013).

The industry life cycle (ILC) theory is instrumental in understanding competition for market share. Technological innovation contributes to the formation of new industries, and the number of firms increases rapidly when the industry is emerging, as many firms enter the existing market (Peltoniemi, 2011). An important task for these firms is to promote their products or services to users and increase their legitimacy, expanding their market share as soon as possible in order to gain a first mover advantage (ibid). During this process, they have a high demand for content, resulting in a rapid increase in the content acquisition price.

In China, the improvement in copyright protection and the increasing demand for drama content led to a rapid rise in content prices (Lu & Jin, 2017). Major commercial video websites began to invest a huge amounts of money to purchase content, competing fiercely for high-quality dramas and constantly driving prices to higher levels (ibid). Taking popular dramas for example, in 2008, *Soldiers Sortie* (*Shi Bing Tu Ji*, broadcast on television in 2006) was sold at 3000 Chinese yuan per episode; in 2010, *Treading On Thin Ice* (*Bu Bu Jing Xin*, broadcast on television in 2011) was pre-sold at 100 thousand Chinese yuan per episode; in 2011, the price of pre-sold *The Palace* (*Gong Suo Zhu Lian*, broadcast on television in 2012) reached 1.85 million per episode¹³ (Lu and Jin, 2017, p.65). The rising price of television

¹³ According to the currency exchange rates in November 2023, one pound sterling equalled around 9

content imposed huge financial pressures on these websites, pressuring industry players to explore new content strategies and business models (Zhao and Keane, 2013). In 2014, inspired by the success of several hit original dramas and the popularity of ‘House of Cards’ on Netflix, major Chinese VOD services announced a new strategic focus: investment in original production (Ding and Jin, 2018; Lu and Jin, 2017). Additionally, since 2010, they had been attempting to establish the subscription model to diversify their sources of income, leading most VOD services to transition into SVOD services around this time (ibid).

Another difference between SVOD services and television during this period was that television stations dominated the market, putting SVOD services at a disadvantage in negotiations and making them acutely aware of the need to improve their bargaining power. This disadvantage can be explained by the Resource Dependence theory (RDT), which places greater emphasis on firms’ external resources and how dependence on external resources drives the formation of firms’ strategic decisions (see Biermann and Harsch, 2017; Davis and Adam Cobb, 2010; Hillman, Withers and Collins, 2009; Ulrich and Barney, 1984). If one firm needs its partner’s resources more than the reverse, the firm becomes more dependent on its partner. This gives the partner more power in the relationship and increases the firm’s exposure to uncertainty and risk (Hillman, Withers and Collins, 2009). To reduce their dependence on the environment and the uncertainties of business relationships, firms try to increase their control over key resources or try to rid themselves of external control by managing or avoiding the formation of demands (Biermann and Harsch, 2017; Hillman, Withers and Collins, 2009). SVOD services had a substantial demand for content before establishing their own influence, as mentioned earlier. This increased their dependence on external suppliers and gave the latter greater bargaining power in their transactions,

Chinese yuan, and one US dollar equalled around 7 Chinese yuan.

particularly when the supplier was a reputable production company with numerous content properties and an extensive expertise and talent pool. To reduce dependence on external resources and increase their power in the industry, SVOD services needed to increase their control over drama supply.

Discussion

In summary, an analysis of SVOD services' position in the drama supply chain, the advantages of original dramas, and the business environment in which Chinese SVOD services operated provides insights into the potential strategic motivations behind their ongoing investment in original production. Studies on US-based SVOD services are inspirational for understanding Chinese SVOD services because they are both built on internet infrastructure. Despite their different industrial practices and business models, they share similar operational characteristics. They both have a much higher demand for entertainment programmes, such as dramas, than TV channels, and rely heavily on originals to increase their subscription value. Based on these findings, investment on originals can be considered a solution to address the challenges faced by Chinese SVOD services, such as expanding their content libraries to meet demand, ensuring content accessibility and exclusivity to support their subscription model, and strengthening their brand-building efforts.

However, the different industrial contexts and business environments in which they are situated influence their detailed strategic choices and goals in investing in original production. Incentives for Netflix to invest in original production are sometimes not applicable to Chinese SVOD services. As new entrants into the drama industry, Chinese SVOD services and their web dramas were considered less 'mainstream' for a long period.

They have primarily focused on the vast domestic market rather than the overseas market because the international expansion of Chinese dramas has not been as smooth as that of their US counterparts (Keane, 2019; Lu and Jin, 2017). Additionally, Netflix was an important distribution channel for television dramas before becoming an SVOD service. The emphasis on the advantages of their originals and services over traditional TV and TV dramas implies they are prioritising ‘revolution,’ infusing their strategic goals with a sense of ‘revolution from within the industry.’ In contrast, Chinese SVOD services developed from tech companies and have made significant efforts to gain legitimacy from the ‘institution’ – the administration and existing industry players. They exhibit the behavioural tendencies of ‘outsiders converging into the industry and improving it.’

These contextual differences result in Chinese SVOD services having distinct strategic intentions compared to their US counterparts. Due to these differences and tensions, this study aims to further explore the strategic ambitions of Chinese SVOD services in investing in original production.

2.2 Creative Production of Dramas

The second part of this study is dedicated to exploring the production of original dramas. The main research question concerns the forces that have an influence on creative decision-making, as well as what kind of influences these forces have on the latter. Previous studies have highlighted the influences of various factors, including ownership configurations of media corporations, state ideology, digital technologies, globalisation, and capitalism on television industry production activities (Doyle, Paterson, and Barr, 2021; Lin, 2022). The focus of this study is on the market forces that influence production decisions surrounding original web dramas, particularly those related to the rise of SVOD services. Some of these forces exhibit new characteristics in the SVOD era, and the study also considers additional emerging forces in the market. This section will review the literature associated with the new

practices and trends in the television industry.

Trends in Practices of Drama Production and Consumption

Drama production is a business activity that involves substantial human labour and capital. The production company funds the project itself or secures funds from external sources, and then completes a series of production processes such as scriptwriting, filming (acting), special effects, and the final editing and packaging, typically with the involvement of hundreds of individuals (Guo, 2017). Successful dramas can be lucrative. Production companies can generate revenue not only from the sale of premium rights and exclusivity of dramas but also profit from the secondary and subsequent runs of distribution if they retain the relevant rights. However, this business is also very risky, as production fees are high, and the popularity of a drama is hard to predict. Hjort (2012) summarized a series of risks in the film industry, some of which are also applicable to the drama industry. For example, there are financing risks that can occur before the completion of a film, as well as the risk that projects may not generate enough profits and may incur losses (Hjort, 2012).

Considering the high risks involved, drama production is often seen as ‘a zero-sum game on a small number of successes cross-subsidizing a larger proportion of failures’ (Bilton, 1999, p. 23). Making decisions in media production is not easy because many factors can affect the final outcome. Content producers have therefore developed methods to reduce financial risks. One method is franchising, which means creating TV formats – concepts for TV shows that can be licensed for local adaptations – and selling them to international buyers (Esser, 2013; Chalaby, 2016, 2018; Esposito, 2018). Another method is to use famous names, such as well-known actors and directors, as stars can increase the ‘box-office appeal’ of a show as well as the ‘marketing power’ (Litman and Kohl, 1989; see ALBERT, 1998; Treme and Craig, 2013; Joshi, 2015). Other factors such as the choice of genres, plot formats, special effects, proven talent, sequelisation, imitation, word of mouth, the number of people

who leave comments, awards and marketing campaigns can also influence the success of audio-visual products (Litman and Kohl, 1989; Eliashberg and Shugan, 1997; Bilton, 1999; Eliashberg, Elberse and Leenders, 2006; Liu, 2006; Kim, Park and Park, 2013).

The success of any content is difficult to predict and ensure. Therefore, experienced producers do not ‘place all their eggs in one basket’ but invest in a series of programmes (McElroy and Noonan, 2019). The *laissez-faire* approach and the ‘hit’ or ‘blockbuster’ model are used by this kind of producer. Under the *laissez-faire* approach, all production projects receive a similar amount of time and investment until clear front-runners appear, at which point the front-runners will receive better and greater resources; the ‘hit’ or ‘blockbuster’ model prevails in an environment where a few media products generate disproportionately greater revenues, and thus these products receive a much greater budget for production and promotion from the beginning (Küng, 2016). While the *laissez-faire* approach was historically widely used, the ‘hit’ model is dominant in today’s entertainment industry (*ibid*). Another two models for investing in multiple media productions are the ‘commercial business strategy’ and the ‘cultural business strategy’ (or portfolio approach) identified by Björkegren (1996). The ‘commercial business strategy’ tends to reduce the number of products but increases the investment in each product, leading to an increase of ‘blockbuster media products’, while the ‘cultural business strategy’ develops a wide range of products and hopes to increase cultural values that may ultimately yield economic returns (cited in Bilton, 1999). In addition, several companies investing in one single product is now a common approach to reduce the risks taken by any one of them. Sometimes two or more organisations co-invest in the same programme (Afilipoaie, Iordache and Raats, 2021; Kim, 2022; Noh, 2022).

Section 1.1 discussed the two financing models used by European and US service providers in commissioning: deficit financing and cost-plus. Deficit financing was the primary model in the US television industry before Internet distribution (Lotz, 2019). Under

this model, production companies shouldered significant risks because losses were typical during first-run distribution, and there was the risk of programme cancellation (ibid). Despite these risks, production companies favoured this system as it allowed them to retain ownership of the programmes and benefit from substantial subsequent revenue from successful works (ibid). However, with deregulatory actions enabling the conglomeration of media industries and the rise of SVOD services, the cost-plus model has become increasingly preferred (Doyle, 2016c; Lotz, 2019). SVOD services prefer to use this model to retain ownership and ensure the exclusivity of their content libraries (Lotz, 2019). The prices paid by SVOD services are attractive to some content suppliers, as they receive substantial funding and avoid transaction costs that would otherwise accrue in subsequent distribution (Doyle, 2016c).

The demand for good content, especially original high-end drama, has been boosted in the current media environment, and investment from international financing organisations has also increased. One important factor for this phenomenon is that emerging SVOD services are willing to pay high prices for attractive content (Doyle, 2016a). SVOD services want to make signature programmes that stand out from the opposition, and big statement programmes, which traditional broadcasters can rarely afford. This helps them to establish a distinctive market position at the same time as they build brand recognition (ibid). Selling content to international markets also contributes to the investment in high-end dramas. Not only do international markets provide additional revenue, but some dramas also feature stars from multiple nations to attract global audiences and secure financial support from international partners. Big statement dramas are likely to generate better returns and are attractive to international investors (ibid).

Meanwhile, niche channels and platforms employing a narrowcasting strategy are on the increase (Ihlebak, Syvertsen and Ytreberg, 2013). Narrowcasting means targeting a special group of people instead of a broad, mass audience (Bottomley, 2015). It was a

strategy used by cable networks to obtain a market niche during the 1970s and resurfaced in the early twenty-first century on the Internet (Wilson, 1995; Mullen, 2002; Chan-Olmsted and Kang, 2003; Potter and Lotz, 2021). Niche SVODs narrowcast niche programmes to avoid direct competition with large, mainstream SVODs like Netflix and Amazon Video; though the latter uses a ‘conglomerated niche’ strategy to serve multiple niche groups (Lotz, 2017; Wayne and Sienkiewicz, 2023). Although a ‘conglomerated niche’ strategy may reach a broad audience, it is different from a ‘mass’ strategy as it provides a variety of programmes serving distinctive segments of subscribers instead of developing dramas that all subscribers will value (Lotz, 2017).

SVOD services also have an impact on how audiences watch content. One behaviour that has emerged among viewers, especially younger viewers, is binge-watching. The term ‘binge-watching’ is used to describe a situation where some viewers watch many dramas or many episodes of a drama series in a short time. Despite different definitions from different scholars, the term is always associated with viewer autonomy, continuity, completion, addiction, and immoderacy (see Jenner, 2017, 2020; Nee and Barker, 2019; Merikivi *et al.*, 2020). Binge-watching is also used as a marketing strategy for online platforms (Kang, 2017). US-based SVOD services such as Netflix, Amazon Video and Hulu are exploring the ‘binge model’ as a way to publish content and bind customers (Jenner, 2017). They seek to legitimise binge-watching as manageable, high-quality, middle-class hedonism (De Keere, Thunnissen and Kuipers, 2021). Traditional television broadcasters release programmes one by one over several days or weeks in order to retain audiences, while some SVOD services release a whole season of a series at one time to encourage binge-watching. In this way, the SVOD services have established binge-watching as a distinct and more advanced viewing culture that distinguishes them from television (Wayne and Uribe Sandoval, 2023).

Another emerging behaviour amongst online viewers is ‘second screening’. The term describes the situation where a viewer uses a portable device to communicate with others

online while watching programmes (Nee and Barker, 2019). Second screening can increase viewers' engagement with the programmes, advance their knowledge, encourage discussion, and give viewers a sense of social connection. The act of sharing on social media can also help programmes attract more viewers (ibid). Second screening doesn't always occur when people are watching the programmes, it can happen before or after the screening (ibid). The interaction between the audience and providers, along with interaction amongst the audience, promotes the circulation of the programmes and thus increases the value of the programmes (Rohn & Nylund, 2018).

Datafication of Production and Distribution

Datafication is an emergent new feature brought about by internet technology in drama production and distribution. 'Audience attention has long served as the currency that fuels the television industry' (Kosterich and Napoli, 2016, p. 254), and 'the heart of media industries has always been predicting audiences and their viewing habits' (Burroughs, 2019, p. 10). Audience data analysis has great potential to provide insights into audience preferences, making data an important reference for content production decisions. Harnessing data can 'yield insights about the relative appeal of content' and 'offer intelligence as to what sorts of content are worth investing in the first place' (Doyle, 2018, p. 59). Traditional television broadcasters, as well as maturing SVOD services, place importance on collecting, analysing and utilising audience data to make better-informed choices (Doyle, 2018). Traditional TV audience measurement, which has been largely monopolised by Nielsen, generates the most important index of viewership, and several other indexes such as audience exposure (Kosterich and Napoli, 2016). This system relies on sampling techniques (Kosterich, 2016), so the breadth and precision of the results are limited.

Data collection, analysis and utility have reached a much broader and more precise level on the Internet. Every action a user takes on web-connected platforms leaves a data trail that

can be analysed. Cumulatively the ‘big data’ of a mass audience can provide valuable information that the traditional TV audience measurement cannot achieve (Doyle, 2018), for example, audience engagement (Kosterich and Napoli, 2016). Big data has great potential in generating insights about what audiences like, which is of interest to television companies (Athique, 2018; Doyle, 2018). The control of data creates a new centre of power in the television industry although its potential has not yet been fully developed (Arsenault, 2017). The use of data analysis has become crucial to the decision-making processes of the television industry, especially for the SVOD services in relation to content investment (Doyle, 2018).

Netflix’s claims about the use of data in its content production and distribution have fuelled the imagination and expectation for data-driven decision-making (van Es, 2022). Based on the enormous audience data, Netflix has developed an algorithm to guide the production of dramas, and the success of *House of Cards* and *Orange Is the New Black*, which claim to have taken advantage of the algorithm, has proven the magical power of data (Burroughs, 2019). Netflix is known to track subscribers' viewing habits, including how they pause, rewind, or fast-forward during shows, the time, day, and location of viewing, and the devices used (Davies, 2019). This data is then analysed to tailor drama productions to better engage viewers.

Another algorithm-based system that Netflix is proud of is its recommender system. The system identifies the taste preferences of viewers based on the analysis of their action data and then personalises the navigation pages for them (Gaw, 2022). This keeps viewers from getting lost in the vast library of content and thus they can find the information they need more quickly (Doyle, 2018). Viewers who have watched different programmes will be recommended different dramas that the system thinks they are most likely to like, and even after watching the same drama, viewers with different viewing histories will see different promotional images as the system selects the most appealing artworks to display (Wang and

Lobato, 2019; Gaw, 2022; Khoo, 2023). The navigation and content management tools built on data analysis can provide viewers with benefits such as lower transaction costs, fewer information problems and speedier decisions, and may increase the accuracy of services and user adoption accordingly (Doyle, 2018). Netflix actively promotes its data-based systems and depicts them as ‘cutting-edge, all-seeing, and all-knowing’ (van Es, 2022, p. 1) in order to build its innovative brand image.

Netflix is one of the many media companies that invest heavily in data analysis systems. Some US and UK broadcasters have invested in data engines that help predict the appeal of content to different audience groups (Doyle, 2018). Data-driven algorithms are also used in content creation in sectors such as music and news (Napoli, 2014). In the film industry, the implementable decision-support system MOVIEMOD that provides a market evaluation before the films are released, and the marketing management support system SILVERSCREENER for film exhibition are both supported by data (Eliashberg *et al.*, 2000, 2001).

In China, investment from SVOD services into data-related systems is increasing too. For example, at 2021 IQIYI World Conference, IQIYI’s Chief Technology Officer Liu Yunfeng introduced the platform’s Intelligent Production System, which directs its business from creation to production, labelling, and promotion. This system was built on three Internet technologies: artificial intelligence, big data, and cloud computing (IT Home, 2021). Tencent Video established the Video Data Science Department, with the responsibility of establishing and evaluating business indicator systems, generating business insights based on data governance, analysis, experimentation, machine learning models, etc., driving scientific decision-making within various business teams (TMTPOST, 2020). On high traffic

media such as Tik Tok and Xiaohongshu¹⁴, the algorithm plays a decisive role in controlling ‘traffic’ and guiding user attention towards the right targets (Zhang, Chen and Xi, 2021).

Some voices also question the use of data and algorithms, reminding people of their limitations and potential for creating harm (van Es, 2022). Terms like ‘filter bubbles’ and ‘echo chambers’ were invented to describe the phenomena where algorithms always recommend similar information based on one’s preferences or gather similar-minded individuals together and isolate them from new and diverse information (Pariser, 2011; Wang and Lobato, 2019). There are gaps between audience data and the audience themselves, and the focus on algorithms may lead to a decrease in the essentially human concerns of audience research (Athique, 2018). Responding to the ‘impersonal nature’ of the algorithm, human-curated playlists became popular again in 2019 (van Es, 2022), Netflix’s executives also openly acknowledged the limits of data-driven programming and the service began to seek to ‘incorporate more of a human element in our systems¹⁵’ (Wayne, 2021; van Es, 2022). The artwork personalisation was condemned as misleading and the cancellation of shows driven by data analysis has caused controversies (van Es, 2022).

The low transparency of Netflix’s data before 2023 also frustrated the content producers. The company enacted strict anti-transparency policies before 2018 and has only released viewership data for a very limited number of titles since 2019 (Wayne, 2021). The popularity of dramas on Netflix cannot be known by content producers due to the insufficient transparency of data. Audience scale becomes unknown (Lotz, 2021), making it harder for

¹⁴ A Chinese social media app.

¹⁵ <https://research.netflix.com/research-area/recommendations>.

producers to have a clear idea about how to improve their content or to make clever decisions about the release sequencing when they distributed content to other windows (Doyle, 2016a; Wayne, 2021). This also put content producers at a disadvantage when negotiating with SVOD services due to informational asymmetries (Doyle, 2018). But Netflix's data transparency has greatly improved since the end of 2023, when the platform began releasing viewing reports for almost all its movies and shows every six months (Sherman, 2023).

Regulatory Changes in Drama Production

Custodianship of the television production sector matters. The sector is of great economic interest to a country since it employs numerous individuals and generates huge revenues every year. More importantly, televised content plays a vital role in reproducing identity, shapes and conveys the views and values of a culture, and contributes to a nation's soft power – the ability to persuade others without using coercive means (Doyle, Paterson and Barr, 2021). Globally, the television production sector is custodied at least in terms of its ownership, its transactions with broadcasters, and the information contained in the programmes (see Chin, 2016; Doyle, Paterson and Barr, 2021; Kitley, 2003; Kelly *et al.*, 2004).

The focus of media content regulation is on regulating what content cannot be broadcast, published or shown on media in a region. Governments all around the world are concerned about the protection of children from inappropriate content (sexuality, violence and so on) and have relevant rules. For example, Ofcom, the UK's communications regulator, published the Broadcasting Code on its official site and the first section of the code focuses on

‘protecting the under-eighteens’¹⁶. Rating and filtering systems are also widely used by governments to help citizens to judge what age-groups the content is suitable for (Akdeniz, 2001). Media regulators also pay attention to other problematic content. Akdeniz (2001) divided problematic content into illegal and harmful content. Illegal content, such as that is used for crimes, harassment or threats, is explicitly criminalised by laws and regulations, but harmful content is hard to define and administrate (Akdeniz, 2001). Therefore, a multi-layered approach, which invites the involvement of both public and private regulatory bodies, is used in the UK. Inappropriate content may be removed, edited or the producers penalised.

Chinese media content regulation has a similar focus. Censorship is applied to television dramas and films before they are produced and released to the public. Platforms, including but not limited to broadcasters and online media of different forms, as well as industry associations, are encouraged to conduct self-censorship and filtering. Most of the ‘inappropriate’ content will be excluded in the first phase of censorship, but some of dramas will be banned after the productions are completed or even after the programmes are released, which can lead to huge losses for the producers. In commercial businesses, the producer and distributor carry the risk. But in the cultural businesses, the greatest risk is borne by the supplier, ‘the individual artists and entrepreneurs at the bottom of the industry food chain’ (Bilton, 1999, p. 24). Producers try to mitigate risks by keeping away from sensitive topics, but accidentally stepping over the red line happens all the time. One of the difficulties is that the regulation of Chinese media content is sometimes ‘fluid’ and characterised by ‘secrecy’, that is, there is room in the policies for revision and a lack of clear written documentation when some regulatory decisions are made, which makes it challenging to gauge the

¹⁶ <https://www.ofcom.org.uk/tv-radio-and-on-demand/broadcast-codes/broadcast-code>

administrator's intent (L. Li, 2019).

Like those of their South Korean counterparts, Chinese web dramas were subject to more lenient regulation than television during the early years (see Kang, 2017; L. Li, 2019). Described either as an informal sphere (Zhao and Keane, 2013), or a 'second channel' by China scholar Orville Schell (L. Li, 2019, p. 2), the early online video platforms were filled with pirated and UGC videos. Cultural provision via online platforms was an alternative mechanism to the 'official' channels and existed with the connivance of regulators due to either a lack of will or a lack of capability to regulate (L. Li, 2019). A formal regulatory approach¹⁷ was not introduced until 2012, and it mainly relied on the platforms to self-censor their content. Under the framework, censors from the various VOD companies were trained and then required to censor content before release (ibid). The researcher Li (2019) called this different degree of regulation on online and televised content 'cultural zoning', and ascribed the difference to the competing needs of regulators to enjoy the fruits of economic development while continuing to control its mass media (ibid).

The lenient regulation of online programmes gave web dramas a lot of room for experimentation and innovation, but the cultural zoning was brought to an end in 2014 when it was announced by the regulator in a meeting that 'what cannot be broadcast on TV also cannot be broadcast on the internet' (L. Li, 2019). Although online dramas remained more marketised than television programmes, regulations have become stricter since then.

¹⁷ Notice on Further Strengthening the Regulation of Web Dramas, Micro Movies, and Other Online Audiovisual Programs, announced jointly by NRTA and National Internet Information Office on July 6th, 2012, see https://www.nrta.gov.cn/art/2014/3/19/art_113_4861.html.

Discussion

In summary, drama production and consumption are undergoing significant changes as a result of the rise of online SVOD services. In the US, where commissioning has a history spanning several decades, the advent of SVOD services has led to the increasing prevalence of the cost-plus commissioning model and the emergence of binge-watching culture. Additionally, Netflix is investing in big-budget drama productions to enhance its transnational influence, impacting content production in both small markets like South Korea and smaller European nations, as well as major markets such as the UK (Afilipoaie, Iordache, and Raats, 2021; Doyle, 2016; Noh, 2022). Netflix distinguishes itself from traditional TV by creating new production and consumption cultures, and by increasing the exploitation of content value through data-driven production and personalised recommendations (Creeber, 2011; De Keere, Thunnissen, and Kuipers, 2021; Gaw, 2022; van Es, 2022). Globalisation, content ownership, consumption culture, and datafication are key forces influencing Netflix's creative production decisions.

Similar changes in drama production and consumption are occurring in China, but the forces influencing Chinese content production have not been fully explored. Prior to the rise of Chinese SVOD services, commissioning drama production was not widely practiced by Chinese TV stations, and Chinese SVOD services do not emphasise the distinctiveness of web dramas. Data-driven production is not widely portrayed in the Chinese trade press as superior to TV, and personalisation in content recommendation is limited (Wang and Lobato, 2019). Furthermore, due to the strong presence of administrative content censorship, regulation remains a significant force influencing content production practices. Li (2019) proposed the concept of cultural zoning, noting the relatively lenient regulation that web dramas enjoyed. However, how this division influenced content production and the changes in content production following the end of 'cultural zoning' require further examination. These unique contexts provide essential background to understand the particular

characteristics of Chinese content production.

2.3 Value Exploitation of Media Content

When the production process is completed, media products need to be distributed, marketed, and shown on different channels. This process is the last step in the value chain before the content is consumed by viewers, and a complicated one. Decisions made at this stage can sometimes greatly affect the market success of the products, and this is particularly true for time-sensitive media products like movies. In order to improve the revenue and benefits of a drama, copyright owners and broadcasters need to consider distribution strategies, marketing schemes, time arrangement and pricing and so on. A common strategy used by copyright owners to maximise the return for a drama is ‘windowing’, i.e., distributing content to different channels in a sequenced way. For broadcasters who have purchased a drama, they use programming and scheduling strategies to screen content to the widest possible audience. They price the advertising before, between and after a programme according to its viewership, and thus need to promote the programme on and/or outside TV to increase the viewership. Unlike traditional broadcasters, SVOD services use a ‘curation’ strategy to shape their content library in order to attract subscriptions. They also promote programmes on and/or outside their platforms.

Drama distribution and Windowing

Copyright owners distribute a completed drama to multiple channels to generate returns. The process of distribution involves selling content to service providers, who then release content to viewers. Media production has a high fixed cost and very little marginal cost, which means the first copy of the content is extremely expensive, but the extra copies cost less. The best

way for a media company to earn money is to sell as many copies as possible, because the larger the volume of audience, the more revenue a company can earn (Doyle, 2002). Owen and Wildman (1992) first theorised the distributing of video content as windowing strategies. Windowing is a concept widely accepted as the way producers can maximise their revenue through distributing content to different types of audience via different channels, namely ‘windows’ (Owen and Wildman, 1992, p. 26). The key to revenue maximisation is not only to distribute to as many windows as possible, but also to sell and exploit content in a way that can generate the most producer surplus (Doyle, 2013).

Windowing is a form of price discrimination. Media products are experience goods. In most cases, the marginal benefits of watching a drama or movie drop dramatically after the first viewing, and the perceived appeal of a programme diminishes over time (Doyle, 2013). People who want to pay less for a media product should wait for a period of time, and people who want to enjoy the content as soon as it is released should pay more. The content of the product is the same, but the consumption experiences are different (Doyle, 2002, 2013). Similarly, Channels with high marginal revenue are launched earlier than channels with low marginal revenue, and they need to pay more for the content than later channels (ibid). The income from each of secondary, tertiary and even later distribution is much less than the premiere window, but in combination they can provide a considerable income for copyright owners. Therefore, the secondary rights of a drama are important elements in the negotiations of contracts between producers and service providers.

Traditionally, television dramas were premiered on TV channels, and then distributed to several other windows to reach different audience groups. Doyle (2016a) summarised the windowing sequences of British dramas in 1992 as the below figure:

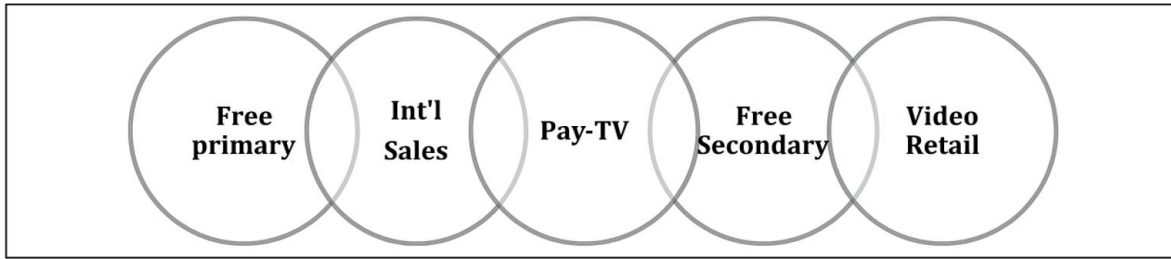


Figure 2-2 Typical windows for television content in 1992 (Doyle, 2016a, p. 633)

There were only several typical distribution windows for television content in 1992. Video retail was almost the only way to access television content outside of television devices. Several factors affected the sequence of distribution windows and release time between different windows. For example, piracy has always been a threat to media content producers. Ongoing digitalisation has made piracy easier, therefore, in order to minimise the negative influence of digital piracy, the length of time between distributing to different windows has been shortened (Doyle, 2016a). The quality of content also mattered. August and et, al. (2015) mentioned three windowing strategies (direct-to-video, day-and-date, and delayed video release tactics), and argued that for movies belonging to the lower quality group, the higher the quality, the longer the video release time. But for films at the upper range of quality, higher quality leads to a shorter release time of the video.

With the development of multiple outlets, particularly online distribution, the number of distribution windows has more than doubled and VOD services like SVOD, TVOD and AVOD are becoming important channels used by viewers (Doyle, 2016a). The Internet has made it more efficient to deliver television content through market segmentation and price discrimination (Chan-Olmsted and Kang, 2003). To respond to digitalisation, many television companies are producing and distributing content fit for online platforms (Doyle, 2016b). Television companies are extending their business onto online platforms because this enables them to generate greater economic benefits by reusing their existing content and

rights, and also gives them access to online data, which can help them to learn more about the viewers' preferences that can then guide them when deciding what to produce next (ibid).

With the fragmentation of the industrial environment, it has been more difficult for content to reach a large number of interested viewers (Doyle, 2016a). The Internet poses a significant threat to traditional media, especially television and newspapers. This is because it has a broad niche when providing new solutions to audience needs, and satisfies users more than traditional media (Dimmick, Chen and Li, 2004). Traditional windowing strategies were facilitated by dividing viewers into different categories, but as the boundaries between viewers are becoming blurred, partitioning audiences into different segments is less feasible, leading to changes in windowing strategies. (Doyle, 2016c)

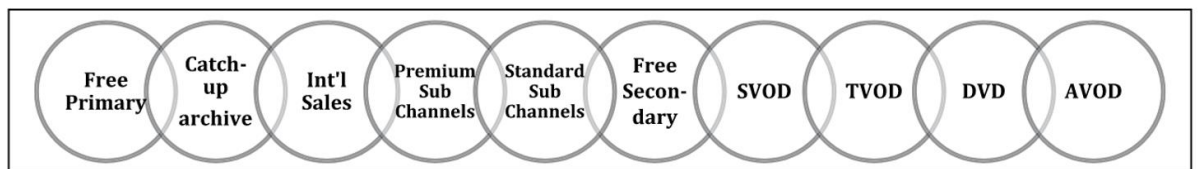


Figure 2-3 Typical windows for television content in 2015 (Doyle, 2016a, p. 633).

Figure 2-3 shows the proliferation of windows for television content. Distribution opportunities have increased greatly, and VODs are options for distribution although they come very late in the sequence. In the examples of leading online video websites like Netflix and Hulu, television reruns, that is those programmes first broadcasted on television channels and then authorised to streaming websites, occupy a majority of the total content on the websites (Gilbert, 2019). Doyle's diagrams show the typical windows for television content that was premiered on television, but this does not accurately capture the distribution windows for web dramas that are premiered on SVODs.

The change in windowing strategies also shows the shift of power between producers

and distributors. In the early studies about ‘cultural commodities’ conducted by Nicholas Garnham; he suggested that the power circulating within cultural industries is dominated by distributors. This is decided by the economic attributes of cultural products. Distributors control audiences’ access to the cultural products, and in order to create scarcity and thus make profit, the access should be limited. Furthermore, to spread the risk, distributors often provide a portfolio of products to audiences rather than only one or two products (Garnham 1987, cited in Christophers, 2008).

The distribution channels have proliferated with the emergence of more broadcasters and online platforms, an increase in the need for quality content has transferred more power to the producers. Even when the leading distributors can enjoy a ‘mass-market premium’, the power between producers and distributors has reached a precarious balance (Christophers, 2008). In the UK, traditional broadcasters are still preferred by most viewers, and they still invest most in the production of original content. In addition, regulation can help balance the power between producers and distributors (Michalis and Smith, 2016). The power balance can also be influenced by contextual factors, such as market concentration, vertical integration and product differentiation (Evens and Donders, 2013).

The Scheduling of Programmes

Programming is the process of choosing and scheduling programmes on service providers. Its primary goal is to maximise the size of the audience for a channel and thus exploit the value of programmes by ‘selling’ the audience to advertisers (Eastman and Ferguson, 2013a). Scheduling is one of the four key phases in programming (ibid). Schedules for a day are linearly divided into different time ‘slots’ or ‘dayparts’ on TV channels, and the task of scheduling is to fill these slots and dayparts with programmes that are selected and purchased by the broadcasters (Adams, 1997; Lu, 2011; Eastman and Ferguson, 2013a; Ihlebæk, Syvertsen and Ytreberg, 2013). Scheduling can be seen as a combination of timing and

prominence management (Hesmondhalgh and Lobato, 2019). Compatibility, habit formation, control of audience flow, conservation of programme resources and breadth of appeal are five important elements of programming as well as scheduling (Eastman and Ferguson, 2013a). That is to say, the programmes are timed to be in accord with the daily routine of the targeted audience – for example, most working people work during the daytime on weekdays and then rest evenings, nights, weekends and holidays (ibid). The programmes on a channel should be predictable to help audiences to form the habit of watching a specific programme in a relatively fixed time (ibid). A critical aspect of scheduling involves regulating the influx of viewers from competing channels and guiding their transition to other activities (Adams, 1997; Eastman and Ferguson, 2013a; Van den Bulck and Enli, 2014; Lobato, 2018). Other goals of scheduling include making the best use of a programme by repeating it on the channels, and attracting as broad an audience as possible, while capturing all the available viewers is impossible (Eastman and Ferguson, 2013a).

Broadcasters use both vertical and horizontal scheduling strategies. Vertical scheduling, such as an anchoring strategy, lead-in strategy and blocking strategy, aims to retain audiences from one programme to the next, while horizontal scheduling, such as a bridging strategy or a seamless strategy, aims to cultivate viewing habits by providing predictable and regularised dayparts (Lu, 2011; Adams and Eastman, 2013; Ihlebæk, Syvertsen and Ytreberg, 2013). Of all the dayparts, prime-time hours that begin around 7pm and end around 11pm especially on weekdays are the most important, as the number of viewers is the largest during that period (Adams and Eastman, 2013; Eastman and Ferguson, 2013a). As a result, prime-time hours are the most heavily promoted and most talked about part of any schedule (Adams and Eastman, 2013). Chinese broadcasters created ‘columns’ as part of their horizontal scheduling. “Columns” are broadcast at fixed times with fixed lengths in a week, and a column contains programmes that have similar functions or content (Shanghai TV Festival and CSM, 2004). For example, a drama column may broadcast dramas every day during the same dayparts, and after one drama is finished, it can continue to broadcast the next drama

without changing the name of the column (ibid). Columns help to build the channel's brand recognition and cultivate the viewing habits of audiences.

The mainstream audience has similar watching habits, so in order to please more viewers and beat their competitors, traditional television networks adopted similar competitive scheduling strategies to arrange their programmes (Doyle, 2002). For example, the counterprogramming strategy is a scheduling method using different types of programmes from that of competing channels in the same period to attract a neglected audience (Eastman and Ferguson, 2013a). The competition becomes fiercer when schedulers are using defensive or offensive scheduling strategies – the former means arranging the strongest shows against the rival's strongest shows, and the latter means to schedule the strongest shows against the weakest ones of the rival's (Adams, 1993). When channels and platforms proliferate dramatically, this competitive scheduling seems to change (Ihlebak, Syvertsen and Ytreberg, 2013). Traditional vertical and horizontal scheduling strategies are still used to create 'flow', but schedulers place more importance on the overall evaluation of the portfolio on their own channels instead of going up against other broadcasters' schedules (ibid). The variety, perceived quality and stability of their own schedules are more important than those of the competition (Adams, 1993).

Repeating the same content on channels and the use of 'delay economy' strategies are also characteristics of scheduling used by broadcasters. As mentioned above, to conserve programme resources and maximise mileage out of each programme item, many programmes on television channels consist of repeats of the same items (Eastman and Ferguson, 2013a). Also, reruns or repurposing of programmes that have been broadcast on other networks are common, especially for hit shows that had a high viewership in the first run (ibid). Linear television has a tradition of 'delay economy' that heavily relies on the patience of the implied viewers (Bruun, 2019). Schedulers add irrelevant content like advertising into a programme to delay viewers' experience of the programme and make

viewers wait for the release of content on a daily or weekly basis (ibid). But an ‘impatience culture’ is emerging, audiences want instant access to content which can meet their entertainment needs. As a result, linear television is faced with increased challenges from other channels (such as SVOD services) and other type of entertainment (such as video games) (ibid).

It is worth mentioning the seasonality of content distribution. US networks premiere new series in the autumn of a year, launch their second seasons in the spring, and release reruns in the summer (Adams and Eastman, 2013). This is a customary practice and has less relevance to a drama’s viewership. Comparatively, decisions about the release date are very important for film distribution as nearly 40% of the total revenues of a film can be gained in the first week of its release. It is conventionally recognised that despite the strong competition, it is better to release films during the summer months and the Christmas holidays due to the high underlying demand during these periods of time (Einav, 2007). Einav (2007) analysed distributors’ timing decisions by considering the relationships between underlying seasonality and seasonal market reaction and argued that there is an amplification effect around seasonality because a bigger market in high demand seasons attracts more and bigger movies, resulting in market expansion. Even though films tend to attract the largest audiences in the first weeks after they are released, not all of them have the same ‘sales curve.’ Jedidi, Krider and Weinberg (1998) tracked four clusters of movies based on weekly market share data for 102 major films exhibited from December 1990 to April 1992. Movies belonging to different clusters received different first week market shares and their shares declined in different patterns in the following weeks. Another study shows that a shorter length of run for a film result in it facing greater competition, which has a negative effect on its domestic rentals when it goes to the DVD window (Sochay, 1994).

Scheduling is still important in the current multi-platform environment. In addition to traditional scheduling tactics, broadcasters are trying to balance content across different

platforms (Ihlebak, Syvertsen and Ytreberg, 2013). Sørensen used the term ‘curators’ to describe the broadcasters in the multiple channel era as they play the curatorial or editorial role in the content distribution and have the credibility and notion of quality to attract viewers and users (Sørensen, 2014). SVOD services are curators too. They curate their content library to create ‘catalogues’ (Lotz, 2017; Lobato, 2018; Nieborg and Poell, 2018; Smits and Nikdel, 2019). ‘Catalogue’ is a concept that refers to content provided by a platform during a given period of time. For example, Netflix catalogues are temporally differentiated and spatially differentiated, they have different sizes in different regions or during different periods (Lobato, 2018). There are many similarities between the traditional scheduling strategies of broadcasters and the curation strategies of SVOD services. For example, scheduling and curation activities use tactics derived from the revenue model, the target market, intellectual property owned by the service providers and so on (Lotz, 2017).

The curation of content on SVOD services includes not only the selection and releasing timing of content, but also the interfaces and functions provided for audiences (Lotz, 2017). There is a ‘push-pull’ dynamic between producers and distributors in the television industry and audiences. On television, content is ‘pushed’ to audiences, who can only passively watch with only a few choices, but on streaming websites, there is a ‘pull culture’, which indicates viewers choose content from a huge number of similar programmes (Doyle, 2013; Gilbert, 2019). One of the difficulties for viewers to ‘pull’ content from online platforms is that there are too many videos and shows, making it difficult for them to identify the content they want to watch (Sørensen, 2014). Netflix uses a recommender system driven by data analysis to personalise the navigation pages for different users (Doyle, 2018; Gaw, 2022), this can help viewers to discover their favoured programmes faster within a vast content catalogue. There are also playlists such as ‘top 10 played’ list to show the popularity of programmes on SVOD services (Ferguson, 2013; Wayne, 2021). On Chinese SVOD services, there are less personalised recommendation but various tabs and categories that can help viewers to choose content by genres (Wang and Lobato, 2019).

The Pricing and Promotion of Content

Another two phases that are relevant to the value exploitation of content are pricing and content promotion. Pricing is about persuading users to pay for the services they have received on the platforms, and promotion helps to increase the exposure of content to potential audiences. Despite the existence of pay TV and pay-per-view channels, most traditional TV channels are accessed for free by audiences and supported by advertising revenues (Roson, 2008). The price of advertising depends on the expected audience size and composition, as well as on how capable and effective broadcasters are when price-discriminating among advertising customers (ibid).

The pricing methods used by online platforms can be more diverse. Advertising and subscription revenues are two common sources of income for streaming platforms, and Freemium and Premium are two commonly used business models (Carroni and Paolini, 2017; Herbert, Lotz and Marshall, 2019). Freemium provides free basic services and offers paid privileges, and thus the design of privileges is important for inducing payments. Most viewers are used to watching programmes on television for free, so it is not easy to make them pay for content. Video products can be seen as information goods, and they have four economic properties: experience good, returns to scale, public good, and interdependency of willingness to pay (Chang, Lee and Lee, 2004). For online VOD providers, they can use the strategies of preview/browsing, review and reputation as a response to the experience good property. Strategies relating to price-quality discrimination and bundling can be used as a response to the 'returns to scale' property. Using DRM systems based on them allowing users to share video files, and utilising laws to prevent piracy can be seen as technological solutions and legal solutions to respond to public good property. Personal customisation and exclusive privilege can be used to increase audience's willingness to pay (ibid).

Premium only provides ad-free and good quality services for users. Monthly (sometime

weekly, seasonally or yearly) subscription is the basic way for premium services to charge (Colbjørnsen, Hui and Solstad, 2021). The price of subscription is normally the fee for access to a bundle of content (ibid). It may be set according to the customer's perceived value, the cost of content library, the purchasing power of the target audience, the competition from rival services and so on (ibid). The loyalty of consumers is also considered in the pricing of premium services. While the freemium model has a bigger price elasticity and increasing the fees for privileges may reduce the number of paid members, in the premium model, the increase in subscription fee has less negative influence on the number of subscribers if the quality and quantity of content increase as well (Carroni and Paolini, 2017).

As audiences grow increasingly fragmented and empowered, interacting with audiences is becoming an important way for producers and distributors to develop audience intelligence as well as to build good seller-customer relationships. Contrary to the 'passive audience' concept proposed by the Frankfurt School, the concept of the 'active audience' was developed by Uses and Gratifications theorists (Costello and Moore, 2007). TV fans are seen as a kind of active audience, they actively communicate with other fans and even create more content when they consume media products (ibid). They tend to watch a limited but highly selective television programme list instead of mindlessly accepting whatever programme is pushed in front of them (ibid). Their participatory culture helps keep a programme alive and fresh, and this plays an important role in maintaining an active audience community (ibid).

Social media plays an important role in the participatory culture. They are the backchannel not only for fans to communicate with each other but also for producers to interact with fans. As 'word of mouth' on social media has become part of the media brand, the industry needs to somehow control or influence the fans activity on social media to serve their interests (Navar-Gill, 2018). Social media like Twitter and Facebook are popular and often free channels for this interaction, and they can function as gateways for marketers and

product developers to deliver important information (Evens, 2013). Interacting with online fans has also become a marketing strategy for TV shows. Creating fan communities helps increase the interactivity and build audience loyalty. Online viewers' interactivity also helps enhance television content's value in two ways: fans' participation in the making of TV shows can make the shows more interesting and appealing, and fans' feedback can help producers improve the quality of their shows. Interactivity between fans and producers has two sides: producers promise an element of shared control over the shows and viewers contribute some market research labour (Andrejevic, 2008). Fans also tend to take part in unpaid work because these practices provide them with friendship, chances of learning or self-improvement, recognition and an enjoyable hobby in their leisure time (Baruch, 2020).

Discussion

Effective distribution, scheduling, pricing, and promotion strategies are essential for maximising the value of content. Before the advent of SVOD services, content producers distributed dramas to different channels using windowing strategies (Doyle, 2016). Both Chinese and US television channels planned their vertical and horizontal scheduling based on 'dayparts.' However, the main business model for US-based SVOD services is the Premium model, whereas the Freemium model dominates the Chinese SVOD market, where most SVOD services evolved from AVOD services.

The use of Freemium business models is a significant distinction between Chinese and US-based SVOD services, making Chinese SVOD services a valuable sample for comparative studies. The adoption of advertising support, no matter how small its contribution to total revenue, results in 'dual-revenue media that conform mostly to the logics of advertiser-supported media' (Lotz, 2017, ch. 3). It is important to investigate these logics and how they are utilised. Additionally, exploring how Chinese SVOD services adopt windowing and scheduling strategies can add new insights to existing streaming studies.

Chapter 3 Methodology

This thesis studies the strategic significance of original web dramas for Chinese SVOD services and how original web dramas are produced and distributed in China. The study has three major research questions:

- (1) Why do SVOD services in China invest in original drama production?
- (2) What forces influence creative decision-making in original web drama production?
- (3) What strategies are used to maximise the value of content that is made by SVOD services in China?

These questions seek to reveal and interpret the practices and managerial behaviour within Chinese SVOD services. The questions focus on ‘how’ the websites are operated and ‘why’ they are operated as they are now, and the answers to the questions tend to be descriptive and explanatory. ‘How’ and ‘why’ questions are prone to tracing ‘operational processes over time’, and this makes them suitable for the case study (Yin, 2018, p. 31). Based on the case study approach, this study uses qualitative research methods to find out answers to research questions. The research is undertaken using the constructivist paradigm (see Lincoln, Lynham and Guba, 2018), and cares about both the strategic behaviour of firms and how the strategies emerge when the companies are implementing their plans – in Lucy Küng’s (2016) words, it uses both rationalist approaches and adaptive approaches.

This chapter explains how the study was conducted. It consists of five sections. The first section states the perspectives of this study, explaining what paradigms and approaches are used and why they are appropriate. The second section introduces the research principles and research methods of the study. It also introduces the subjects of study, the leading SVOD

services in China. The implementation of the study, including the approach to fieldwork and the analysis of data, is described in the third section. The ethical problems are discussed in the fourth section, and the last section of this chapter draws conclusions.

3.1 Research Perspectives

As mentioned above, the study aims to answer the ‘how’ and ‘why’ questions. The research questions and objectives determine that this study is suitable for qualitative research methods and the use of case studies. The process of a qualitative research project is defined by five phases, which are: defining the role of the researcher, choosing theoretical paradigms and perspectives, planning research strategies, deciding methods of data collection and analysis, and understanding the art, practices and politics of interpretation and evaluation on the research (Denzin and Lincoln, 2018). This section addresses the first two phases, while the following three phases will be detailed in Section 3.2.

In the first phase of the research, the researcher can either be an ‘insider’ – someone who is part of the studied communities or collaborates closely with the group being researched – or an ‘outsider’ who independently conducts observations or interviews in the field (Erickson, 2018). The researcher’s role impacts not only the style of interviews but also the neutrality of the information collected. Being an ‘insider’ may enhance the researcher’s appearance of professionalism and reliability, but it might also make the subjects feel threatened, which reduces their openness (Welch *et al.*, 2002). In contrast, assuming the role of an ‘informed outsider’ tends to be more effective in making the subjects feel at ease, thereby improving their openness (*ibid*). Therefore, instead of seeking official approval from the organisation and entering the workplace as an ‘invited researcher,’ I believe it is more effective to leverage personal connections to invite informants or recruit participants through unofficial channels. Additionally, as an ‘informed outsider,’ it is crucial to ensure that participants are aware they are part of a study.

Theoretical paradigms are basic principles and provide perspectives for data collection, analysis, and interpretation. In academic research, different assumptions about the goals and methods of research are categorised as different ‘paradigms’, and these paradigms are in convention with each other (Deacon *et al.*, 2007). Paradigms are evolving, but the newer paradigm succeeds the older one instead of completely replacing it (*ibid*). Lincoln *et al.* (2018) believed that the five most differentiating paradigms are positivism, post-positivism, critical theory, constructivism and participatory. The fundamental axioms that define them are ontological, epistemological, and methodological bases, and they are in contention with each other in issues such as inquiry aim, nature of knowledge, the way knowledge is accumulated, and so on (Lincoln, Lynham and Guba, 2018). According to the description of Lincoln *et al.* (2018), this research is mainly based on the constructivist paradigm, which is also called ‘interpretation’ by other scholars (Deacon *et al.*, 2007). The basic beliefs of constructivism are relativist ontology (there are various realities, and every individual has their distinct reality), subjectivist epistemology (the researcher and the researched exchange their realities and create findings together), and hermeneutic methodology (the interpretation and reconstruction of knowledge are realised through the explanation of texts generated in the research) (Lincoln, Lynham and Guba, 2018). Constructive research aims to explore how people understand social worlds, and how people present their understandings through language, voice, image, individual style and social codes (Deacon *et al.*, 2007). Through research about social practices and underlying concepts, ‘the social world is reproduced and transformed in daily life’ (Deacon *et al.*, 2007, p. 7). A lot of qualitative data can be generated through constructive research, and constructivists prefer to use qualitative research methods like ethnography, less structured interviews or focus group talks (Deacon *et al.*, 2007).

Another important perspective of the study is affected by the traditions of strategic management research mentioned in Lucy Küng’s (2016) research. She divided the key concepts in existing strategic management research into three categories: rationalist approaches, adaptive approaches and interpretative approaches, and pointed out that these

three approaches concern different aspects of strategic management (Küng, 2016). The rationalist approach school refers to classical approaches based on the theories of industrial organisation economics, it focuses on companies' strategic behaviour, market structure, and the interaction between corporations and the market. The content of the strategies and their implementation are of great concern to this school, as a result, a series of models are proposed to help companies make plans. Some classic notions include the Structure-Conduct-Performance (SCP) Model, Porter's Five Forces Model, Value Chain Analysis, Resource-based View (RBV) and so on (ibid).

The adaptive approaches pay attention to the processes of making strategies. In other words, how effective strategies and plans are made and realised. Some important topics in this school relate to how companies adapt to the changing environment and achieve self-renewal. Unlike rationalist approaches, which regard strategies as structured and formal, setting strategies in the real world is gradual and messy. Strategies emerge when the companies are carrying out their plans (Küng, 2016). The interpretative approaches probe deeper into the internal culture of firms and aim to find out the elements within the organisation that prevent (or promote) the realisation of strategies. Culture, mindset, religious beliefs, values and so on are studied in this school. As Küng says, 'Symbolic, cognitive and cultural elements are particularly important in media organisations' (ibid, p.115).

According to the three categories of approaches proposed by Lucy Küng (2016), this study has been conducted for the most part according to rationalist approaches and adaptive approaches. In one instance, when asking the questions of 'how' and 'why', the study aims to find out the motivations for Chinese SVOD services to act in a specific way. Motivations are connected with the goals of strategies, and there are many concepts in rationalist research helpful in explaining these strategies and their goals, and why they are useful for the development of firms. In another instance, the study seeks to find out how Chinese SVOD

services implement their plans. In other words, the study explores the evolving environment affecting Chinese SVOD services and how these services adapt by adjusting their behaviours. This study does not pay much attention to the internal culture and values in the companies and how these cultures and values impede or promote their development. As a result, interpretative approaches are not suitable for this study.

3.2 Research Design: Principles and Methods

Case Study and Case Selection

The focus of this study is a contemporary phenomenon which the researcher is unable or less able to control, so it is suitable to use the method of the case study (Yin, 2018). A case study is an empirical method which studies a contemporary phenomenon within its real-world context, which means important contextual conditions should be involved in the study (ibid). A case 'can be anything' (Schwandt and Gates, 2018, p. 341). It can be tangible like a person, an organisation or a location, or it can be intangible like an event, a decision, or an action (ibid). A case study could be applied for different purposes. It can be used to describe a phenomenon, to generate a hypothesis and develop a theory, to test hypotheses and theories, or to make a contribution to normative theory (Schwandt and Gates, 2018). It can be used in exploration, description, explanation and evaluation (Yin, 2018). Although the primary purpose of conducting case studies is not to understand other cases, the in-depth exploration of a case from multiple perspectives can generate knowledge which might be applicable to other events (Schwandt and Gates, 2018). The extension of research results, conclusions or other accounts from one case to other cases that are not directly studied can be called generalisation (Polit & Beck, 2010, cited in Maxwell and Chmiel, 2014a). Generalisation of the research results is the aim of most social science studies. Considering that industrial practices in different countries can vary a lot because they are greatly influenced by local culture, this study seeks to identify commonalities among several Chinese SVOD services

and achieve generalisation for ‘leading Chinese SVOD services.’

A single case can hardly develop generalisations (Schwandt and Gates, 2018). Like experiments, the findings of case studies are generalisable to theoretical prepositions, and a multiple set of cases might be needed to attest the findings (Yin, 2018). There is a replication logic used by scientists in multiple experiments: a second, third and even more experiments are conducted to replicate the findings in the first experiment (ibid). This replication logic is applicable to multiple-case studies. When two or more cases are selected and then the studies on them are replicated, the results of these case studies would be either similar (a literal replication) or contrasting (a theoretical replication) (ibid). Similar results from multiple-case studies provide compelling support for the initial research findings, and contradictory results indicate that the research propositions should be ‘revised and retested with another set of case studies’ or that some theoretical points should be paid attention to (Yin, 2018, p. 70). Multiple-case studies ensure the generalisation of research findings, and accordingly, this study chose more than one case study. Studies on more case studies are the replications of the first one, and results from different case studies will be compared to find theoretical similarities or differences.

According to the principles mentioned above, three cases are selected to ensure the richness of the study. They are three leading subscription video-on-demand services in China: IQIYI, Youku and Tencent Video. As introduced in the first chapter, these are the three biggest video websites in terms of market share, and they are all private companies without a government background at their inception (CCSmart, 2019). As SVOD services these companies command the biggest market share in China, they have led industrial innovations in terms of business models and technologies. They are market leaders that are imitated by market followers. In addition, as well-matched rivals, they use similar strategies in many aspects of their services. In other words, they are selected as leading representatives of the Chinese SVOD services industry. This research seeks to find answers to the three main

research questions by studying their industrial practices and managerial behaviours, describing their distinctions and similarities, building explanations about the phenomena, and trying to generate generalisable understandings and knowledge.

Qualitative Research and interviews

Centred around industry case studies, this study is mainly conducted through qualitative research methods. Qualitative research ‘seeks to discover and to describe narratively what particular people do in their everyday lives and what their actions mean to them’ (Erickson, 2018, p. 36). It is a good method for exploring people’s subjective experiences and attitudes and then understanding ‘how social phenomena are constituted in real time’ (Peräkylä, 2016; Silverman, 2016, p. 3). Qualitative research methods are not only suitable for describing phenomena, but they are also able to dig deeper and show the underlying meanings of the researched events. This advantage is a complement to quantitative research which focuses on revealing the objective ‘facts’ (Silverman, 2016). The collection of qualitative data can be carried out through a series of methods like observations, interviews, focus group talks and so on. In this study, the primary qualitative data will be collected through in-depth interviews.

The in-depth interviews are designed to be conducted with those who are working for the selected companies in the case studies. The interview is ‘a face-to-face verbal exchange, in which one person, the interviewer, attempts to elicit information or expressions of opinion or belief from another person or persons.’ (Maccoby & Maccoby, 1954, p. 449, cited in Brinkmann, 2018). Qualitative interviews with people enable the researcher to find out not only the things that are happening in society but also how individuals understand themselves, their relationships with these phenomena and their positions in this world (Miller and Glassner, 2016). Researchers with different attitudes towards the value of interviews can be divided into three types: positivists, constructionists, and interactionists. While positivists

see the interview as a method to get a ‘mirror reflection’ of the world’s reality and seek to make interviews ‘standard’ and ‘pure’ to bring the researcher the ‘real’ truth, radical social constructionists believe that various narrative versions of the society are constructed through the interaction between the researcher and the participants in interviews (ibid). Interactionists reject the objectivist-constructivist divide even though they still consider that truth can be found through interviews. They emphasise that narratives are context-specific and that what they are grounded on should be carefully examined (ibid). Their ideas are inspirational as they point out that individuals provide different understandings of the world as they only experience part of it, and there might be omissions in their narratives due to ‘coding, categorization and typologizing’ (Miller and Glassner, 2016, p. 141). As a result, being sceptical about the interviewees’ claims is essential to improve the reliability of the findings. That is to say, the motivation behind the answers and the contextual conditions of the interviews ought to be considered when interpreting the data. What is more, as meanings are not directly revealed in questioning, the researcher needs to strategically assemble them in the process of interviews, which corresponds to the nature of the constructivist paradigm (Holstein and Gubrium, 2016). Accordingly, all interviews are active communicative courses through which interviewers and interviewees construct knowledge together (ibid).

In addition, online interviews are considered an alternative option when face-to-face interviews are inaccessible. Online meetings that are enabled through the Internet have many advantages in academic research. They help save money as the researchers do not need to travel around to meet the participants offline. They also give both interviewers and interviewees more flexibility in terms of geography and time (James and Busher, 2016). Online interviews could be synchronous or asynchronous. In synchronous interviews, audio and video are shown in real-time, which is very similar to face-to-face interviews. Asynchronous interviews such as those conducted through emails are not in real-time, but the texts might be more organised, and there is no need to transcribe, so the analysis and interpretation might be easier (ibid). Despite these advantages, researchers need to pay

attention to some disadvantages when conducting online interviews. Interviewing online requires devices with good internet connection for both sides, and also requires that participants should know the technology well to use the devices (ibid). Also, the time lags in the online conversation have a great negative influence on the interview. It is easier for participants to be distracted. When conducting asynchronous interviews, there is the risk that interviewees may refuse to reply. And if interviewers and interviewees have different writing styles, they need to spend more time on clarification. When analysing the data collected online, the analyst should also notice that online and offline interviews can present different types of discourses (ibid).

There are different types of interviews according to their structures in practice. Typically, there are highly structured interviews like standardised surveys, less structured interviews like semi-structured interviews or focus-group interviews, and highly unstructured interviews like free-format conversations (Deacon *et al.*, 2007; Holstein and Gubrium, 2016; Brinkmann, 2018). In general, ‘The more structured and formalised questions are, the greater the need is for clarity and concision...free-format questioning generates richer data’ (Deacon *et al.*, 2007, p. 68). At the same time, if the interviews are too free and too non-directive, there are risks that the conversations can go out of control and digress from the real goal (Deacon *et al.*, 2007). To balance the richness and depth of the data and the control of direction, the semi-structured interview is the best format for this study.

As a result, several semi-structured interview questions closely related to research questions have been designed for the fieldwork. The designed questions are listed in Appendix II.

Document Analysis

In-depth interviews with practitioners can yield rich information about daily industrial

practices, but researchers must ensure the trustworthiness, authenticity, and credibility of the information obtained. Practitioners may not always be aware of all the facts within their organisations, leading to insufficient or even false information. Additionally, they might unconsciously ‘speak on behalf of a formal organisation - even to speak as if they were the organisation’ (Welch *et al.*, 2002, p. 615), or ‘spin and legitimise their decisions as they talk and socialise’ (Caldwell, 2006, p. 114). In such cases, the quality of the data is questionable. To enhance the quality and depth of the study, and to provide a critical perspective, a certain degree of triangulation is employed throughout the research.

Triangulation means that research questions are considered from two or more perspectives (Flick, 2018). To triangulate, different approaches and methods, distinct theoretical frames, various data sources and sometimes multiple researchers may be involved in one research project (*ibid*). Apart from the requirements of triangulation in constructivist research, the case study strategy also regards multiple sources of evidence as one of the supporting principles for a good study. According to this principle, the interview process will recruit participants from different positions. This includes individuals working within the three study cases and practitioners who have cooperated with these SVOD services. Both those in relatively ‘peripheral’ positions and ‘core’ elite roles will be interviewed. Additionally, documentation, archival records, direct observations, participant observation, and physical artifacts are important sources of evidence (Yin, 2018). Due to the global lockdown caused by COVID-19, conducting observations has become very difficult, so documentation is used as an additional source of evidence alongside interviews.

Collection and analysis of relevant documents will be conducted in this study as a method to triangulate and provide more support for the case study results. ‘Document analysis is a systematic procedure for reviewing or evaluating documents – both printed and electronic (computer-based and Internet-transmitted) material’ (Bowen, 2009, p. 27). There are a wide variety of documents that can be used for research, such as printed books and

newspapers, sound recordings, images, videos and even material artefacts (Deacon *et al.*, 2007; Bowen, 2009). They are useful tools to interpret social groups, organisations, times and lives (Jacobsson, 2016). Document sources can be supplementary materials of data collected through other ways or primary sources of the research when there is a necessity (Deacon *et al.*, 2007). They can be used to check existing research findings, to check official and authoritative information, to check facts and figures and to track contemporary events (*ibid*). Unlike the data collected through interviews, which would not exist if the researcher did not ask the interviewee to answer the research questions, where the data is generated for the specific research, documents are ‘naturally occurring’ materials (Prior, 2016; Peräkylä and Ruusuvaori, 2018). They ‘are viewed as an integral part of the social order’ by some scholars (Jacobsson, 2016, p. 378). To ensure the quality of the study, the representativeness, authenticity, and credibility of the documentary sources should be checked when collecting the documents (Deacon *et al.*, 2007).

Analysing documents follows four routes: studying content, analysing their social construction, obtaining documents through fieldwork, and finding documents in action and networks (Prior 2011, cited in Jacobsson, 2016). Documents can serve as both resources and topics. When used as resources, they provide information about their content, and their usage in various processes can also be studied. When they are used as topics, the research focus is on how they come into being, and how they have influenced social phenomena (Prior, 2016). This study tends to use documents as resources and the information in the documents will be analysed and used as evidence.

In this study, document analysis is designed to be used as a way to deal with sources other than academic literature. Document analysis will be used as a supplement to qualitative interviews to enrich the research findings and triangulate data, which aims to increase the research’s credibility. The following documents will be analysed in the study: (1) Annual reports published by the operating companies of selected video websites as these companies

are all public companies, (2) Research reports produced by third parties, (3) Public interviews with senior officers in the media reports, and (4) Other public statements of the studied firms.

Data Analysis

Data analysis is a crucial process for dealing with data and making sense of it through interpretation. Qualitative data analysis is ‘the classification and interpretation of linguistic (or visual) material to make statements about implicit and explicit dimensions and structures of meaning-making in the material and what is represented in it.’ (Flick, 2014, p. 30). It aims to describe a phenomenon in detail, compare cases and explain their similarities and differences, and develop a theory based on the study (Flick, 2014). In qualitative data analysis, similarity and contiguity are two basic relationships between things. These relationships are used to distinguish categories and then different categories can be grouped together or compared with each other. In addition to category strategies, connecting strategies are equally important for finding key relationships that tie categories together (Maxwell and Chmiel, 2014b).

This study is mainly conducted through constructive qualitative research, and the data is collected through interviews and document gathering. To analyse qualitative data, there are four different analytic approaches that can be used: framework analysis, thematic analysis, interpretative phenomenological analysis and constructive grounded theory (Rapley, 2016).

These four analytic approaches have distinct concentrations in data analysis. Framework analysis tends to create the thematic framework in the early stage and then put data under the framework. Theoretical categories are developed and refined in the description and explanation later. Thematic analysis codes first and develops, reviews, and refines themes

on the basis of codes. These two approaches both read the whole dataset at first and analyse later. Interpretative phenomenological analysis reads transcripts one by one, develops themes from comments and ideas that are generated in the reading of the first transcript, and then refines themes by reading the next transcript. The biggest difference between constructivist grounded theory and the other three approaches is that the constructivist grounded theory codes while doing the fieldwork. It analyses the first transcript before doing the second case study and relies on theoretical sampling to choose the second case with the aim of finding out something theoretically different from the first one. Comparisons are conducted throughout the inquiry, and theories are constructed and tested in the process (Rapley, 2016).

This study opts to choose thematic analysis as the main analytic approach and integrates some helpful processes of the other three approaches. Data will be coded before themes are created, and a thematic map will be given in the analysis. During the analysis of the data, there might be a need for more interviews as there may be obvious gaps in the initial investigation. The transcripts will be examined repeatedly to make sure there are no omissions, and descriptive and explanatory accounts may be developed to enrich the research findings.

No matter which analytic approach is used, reliability and validity in the process of data collection and analysis are necessary to ensure the accuracy and credibility of the research (Peräkylä, 2016). In interviewing, the researcher should not explicitly or implicitly suggest the respondents give out answers in favour of the research's opinions, and the respondents should be encouraged to answer questions honestly and clearly, and sometimes required to explain their previous answers to increase the study's authenticity. 'Construct validity' should also be considered, which means the theoretical concepts used in the research should be relevant to the research theme, and the data collected in the fieldwork is supposed to represent those concepts (ibid). In data analysis, the validity of the interview process should

be examined, and deviant cases should be attached to much importance (ibid). Only through the validation of the research, can the results of case studies be generalised in other studies (ibid).

3.3 The Implementation of Research

Interviews

In total, 24 interviewees were involved in my study. Seven out of the 24 interviewees are employees of the studied SVOD services. They are working respectively in the production, operation, and strategy departments of the three SVOD services. The other 17 interviewees are producers or distributors of web programmes. Some of them are senior managers of small production or distribution companies, and others work for large production or distribution companies. They were recruited in three ways: (1) Practitioners that are acquaintances of the researcher, (2) Acquaintances of the interviewees, and (3) Practitioners that are active on an online professional networking platform Maimai (similar to LinkedIn) and voluntarily took part in the investigation after I sent private messages to inform them about the study. In other words, they were recruited according to the principle of convenience. The list of interviewees is in Appendix I of this thesis.

The fieldwork of this study was conducted in three phases. Most of the interviews were conducted in the first phase, which was carried out between December 2020 and March 2021. The majority of respondents in this stage were acquaintances. The two follow-on phases were conducted in July 2021 and May 2022. Carrying out the follow-on interviews aimed to provide new data as a supplement to the initial investigation as it is found that some topics were not thoroughly discussed in the first phase of interviews and more data was needed to enrich the study. Follow-on interviews encompass interviews with newly recruited individuals as well as second interviews with those previously interviewed. In these two

stages, the respondents were strangers primarily recruited from Maimai. Recruiting unfamiliar respondents posed some challenges. The researcher sent approximately 100 interview invitations on Maimai, receiving responses from fewer than 15 individuals, with only 11 ultimately participating in the interviews. The remaining four individuals, after reviewing the interview outline, either declined, citing a lack of expertise to assist, or ceased responding altogether. Fortunately, the 11 participants were warm and enthusiastic, offering abundant information for the study.

Four interviews were conducted face-to-face, while the remainder were carried out online. Each interview lasted about one hour. The main reason for choosing online interviews was the transportation difficulties caused by Covid-19. China implemented strict mobility control measures during the pandemic. These measures allowed people to move freely within a certain area, typically within a city. However, if individuals needed to travel between cities, they were not only required to show testing reports but also to undergo a 7–14-day period of quarantine at a designated location upon arrival before being granted unrestricted mobility. Conducting interviews online helped to circumvent these inconveniences. Additionally, online interviews reduced costs for the interviewees, allowing them to participate comfortably from their homes after work hours, without the formality of a face-to-face setting.

Whether they were acquaintances or strangers, most of the interviewees were very cautious about disclosing information. They were concerned about sharing ‘sensitive’ information, such as specific data or workflow details. For instance, an acquaintance interviewee, Wang1, mentioned during the interview regarding IQIYI’s content planning, ‘Specific data...even if I knew, I couldn’t tell you. So, I’ll just give you a rough idea of the trends.’ When asked about the specific use of data and influence of policies in content planning and creation at Tencent Video, a stranger interviewee, Zhou, stated, ‘This is highly confidential information, I can’t disclose it to you.’ (Zhou, interview, March 2021).

Therefore, they typically described trends, and used vague adjectives or categorisations to describe their yearly plans. Some interviewees were apprehensive that disclosing their participation in interviews might cause complications with colleagues or others. As a result, they preferred to remain anonymous, withholding details such as their company names, job positions, and even their names. Therefore, their specific personal information will not be included in the list. Instead, they will be given a code name when their opinions are cited. Other interviewees are willing to be named, and their family names will be used when their opinions are cited.

Wang1, the first interviewee in this study, is a producer at IQIYI. He demonstrated a high level of professionalism and deep knowledge of his work during the interview. He patiently explained the process of producing and distributing original dramas at IQIYI, offering valuable insights into platform strategies and industry development. His interview took place in October 2020, before the formal fieldwork began. The information he provided was instrumental in providing an overall understanding of the industry and proved to be a valuable asset to the study.

Another crucial contributor to this study is producer Dai. Her unique background sets her apart, as she initially worked as a television industry reporter around 2010 when traditional television dominated the Chinese media landscape, and VOD services had not yet embraced original content production. Later, she joined a prominent production company, where she worked as a distribution manager for several years before venturing into independent web drama production around 2018. Dai operates a small production company with no permanent employees, collaborating with friends to create a highly successful web drama in 2019. This drama was not only sold to IQIYI using a profit-sharing model but also distributed to international markets. Her diverse experiences have granted her a deep understanding of how content transactions occurred between producers and television stations in the pre-SVOD era. They also enable her to provide insightful perspectives on the

transformations within the television industry based on her observations.

Most of the interviewees in the study held the position of ‘producer’. The roles and responsibilities associated with the title of ‘producer’ can vary depending on the context. As one interviewee, Wang³, explained, ‘There can be multiple producers for a single drama. The person in charge of the entire project is called a producer, while assistants who handle petty tasks and coordinate staff on the set may also be referred to as producers.’ (Wang³, interview, January 2021). Lin (2022) compared producers on digital platforms to ‘product managers’, finding out that they regard each online programme as a ‘product’. As a result, they place significant importance on the preferences of their users and incorporate a mindset of tailoring and packaging ‘products’ into every stage of their work (Lin, 2022).

Therefore, the below paragraph aims to clarify the specific roles and responsibilities of the interviewed producers.

For SVOD service producers, their primary responsibilities typically revolve around project planning and management. For example, many production companies and scriptwriters submit their original scripts to SVOD services in search of investment opportunities. SVOD producers assess the script’s potential and select those best suited for the platform. Once a script is chosen, producers will communicate with the production team, coordinate key elements such as directors, actors, filming locations, and other resources, and oversee the project’s progress on set. They also manage the allocation of funds to ensure the project stays on schedule. In some instances, producers may play a role in conceiving new projects. They generate fresh ideas through extensive reading and observation, collaborating with professional scriptwriters to develop detailed scripts. Occasionally, producers may also take on scriptwriting duties themselves. In smaller companies, producers often juggle multiple responsibilities, including fundraising and casting. In this study, four of the interviewed producers were partners or founders of small production companies. All of the

interviewees possessed experience in project planning and script assessment. Some interviewees also mentioned their involvement in casting and fundraising activities.

Some interviewees, such as Wang2 and Zhou, transitioned from working in production companies to SVOD services. Their experience in both types of organisations provides them with insights from various angles. For instance, Zhou pointed out that the platform's level of professionalism in production influences its ability to attract talent. Wang2 also observed that the workload on the platform is more demanding compared to production companies. SVOD producers are required to review a significantly larger number of scripts, leaving them with less time and energy for script refinement. For Wang2, working on the platform feels closer to a role as a reviewer and supervisor, while his experience in production companies was more in line with that of a traditional producer.

At the beginning of the interviews, interviewees were asked, with their consent, to provide a brief description of their backgrounds. Following mutual introductions, I introduced the interview questions using the designed outline which can be found in Appendix II. During the interviews, I frequently asked additional free-style questions that were not contained in the interview outline but were important to obtain a clear and critical answer from interviewees. Here is an example:

Question: Why do the platforms commission original content production? (A designed question)

Answer: Because it can reduce costs.

Question: Why does commissioning reduce costs? What costs does commissioning reduce? (A free-style question)

This questioning approach helped clarify the interviewee's deeper thoughts. Another effective method was to ask more specific questions and replace abstract concepts with case examples. For instance, when asked an abstract question like 'How do you approach content rights development?' Zhang² provided a vague answer, stating, 'We can develop derivatives or overseas distribution.' However, when asked about the rights development of the series *The Untamed*, Zhang² listed specific approaches such as 'derivative products, concerts, music,' and mentioned that the production company of the drama, New Style Media, 'has over 500 employees in more than 11 locations globally, focusing on overseas content distribution, especially in music.' Interviewees were happy to discuss specific cases, often providing more detailed information when a specific case was brought up.

Sociologist Leo Rosten (1941, cited in Caldwell, 2006, p.135) compare the industry structure in Hollywood to three concentric circle, indicating that the largest circle includes all practitioners in the industry, the smallest circle encloses the 'core' elites, while the middle circle includes the important 'above-the-line' workers. In this study, I did not gain access to the most 'core' elites, so I collected documents containing their public speeches. Most of the interviewees of this study belong to the middle and largest circles. According to Bruun (2016), they are more suitable for the term 'exclusive informants' instead of 'elite informants'. They come from SVOD services or production/distribution/marketing companies and provide diverse perspectives for the research. Meanwhile, all of them were recruited through personal ties or 1v1 invitations instead of organisational invitations, and they were all informed that the interviews were conducted for the purpose of 'understanding and discussion', and thus they need to describe their daily practices and provide personal opinions instead of speaking on behalf of their organisations. This can to the best extent possible to avoid potential openness and power asymmetry problems mentioned by Welch *et al.* (2002), although the problems cannot be fully avoided.

Document Collection

Some documents were collected and analysed, providing critical triangulation for the study.

The first type of document comprises the annual financial reports of public companies, including those of the three SVOD services under study and some other large production companies. Among the three case studies, IQIYI is listed on NASDAQ independently with the code IQ. Youku and Tencent Video, however, are not independently listed, so their financial performances within chapters of the annual reports of Alibaba and Tencent Group. Alibaba and the Tencent Group are listed in Hong Kong, with the codes BABA and TCEHY respectively. Due to the absence of independent financial reports, the financial performance of Youku and Tencent Video remains relatively undisclosed. For instance, IQIYI's financial reports disclose the number of paying subscribers and income from various sources, while Youku does not publish similar data. Tencent discloses subscriber numbers but not specific income details. As for production companies, three production companies Huace Film & TV (300133.sz), H&R Century Pictures (000892.sz) and Talent Television & Film (300426.sz) were selected as they produce multiple dramas each year. They are all listed in mainland China. The study selected the recent five years financial reports from these companies for analysis.

The analysis of SVOD service annual reports aims to grasp crucial business data, including revenue from various segments and subscriber numbers, alongside recent strategic developments. For example, Tencent's 2022 annual report indicated that they had 119 million paid users (Tencent, 2023). Alibaba's 2023 report revealed a 15% growth in subscription revenue, attributed to increased average user spending and high-quality original and exclusive content (Alibaba, 2023). IQIYI's 2022 annual report presented a comprehensive organisational structure, business scope, and strategic design, highlighting the pivotal role of original content production and the development of a diverse business

ecosystem based on copyright ownership (IQIYI, 2023).

The analysis of annual reports from production companies focuses on the disclosure of their project production and distribution status. These reports typically listed the projects undertaken during the fiscal year. For example, in the 2022 annual report released by Huace Film & TV, they provided a list of the ten drama titles released during that year and specified the release platforms, including satellite TV channels and SVOD services (Huace Film & TV, 2023). They also mentioned content operations on major overseas social media platforms like YouTube, Facebook, Twitter, and Instagram. This information serves as essential triangulation for the web drama distribution strategies discussed in this study. Some production companies' annual reports also detailed recent development strategies. For instance, in its 2022 annual report, Talent Television & Film highlighted the significance of 'producing high-profile dramas as a means of establishing brand identity, enhancing industry influence, and achieving profit growth' (Talent Television & Film, 2023, p. 23). They also mentioned that working with SVOD platforms helps 'cultivate teams' and 'smooth out company profits and cash flow' (ibid), which is also crucial for understanding the strategic dynamics of SVOD platforms.

The second type of document comprises the research reports of third parties. From 2017 to 2021, the National Radio and Television Administration (NRTA) published the *Analysis on The Development of Original Web Programmes* each year to show the production and market performances of web dramas (as well as web reality shows and web films) released in the previous year. NRTA's research reports provide reliable official data for the study. Apart from these, the research reports published by relevant organisations such as Endata, Enlightent and CCSmart have also provided useful second-hand data.

The third type of document comprises the media reports of interviews with senior managers from the SVOD services in the study. These interviewees would be difficult for

me to access privately, but there are some published interviews that have been carried out by journalists. In the interviews, the senior managers provided not only the plans for their companies but also information about the direction of the Chinese SVOD industry. Among the three leading Chinese SVOD services, IQIYI's CEO, Gong Yu, and Chief Content Officer, Wang Xiaohui, have been relatively active in giving interviews and making public statements. Their insights and statements have provided valuable information for this study.

The fourth type of document comprises the video recordings of annual public conferences held by Chinese leading SVOD services. Since 2016, IQIYI has been holding the IQIYI World Conference every year. At the conferences, IQIYI's CEO and the senior managers of each department typically summarise their achievements from the previous year and publish their plans for the following years. Their strategic designs, the web programmes that will be released in the following year, and their opinions about the development of the industry are explained. The conferences aim to invite advertisers, suppliers, and relevant practitioners to witness and discuss the industry together. For this study, the conferences can provide clear strategic plans for the SVOD services. There is a page on IQIYI's website where one can watch the videos (*IQIYI World Conference, 2022*). Tencent Video holds a similar event, the Tencent Video V Vision Conferences which is held in November each year. There are videos available for public view on Tencent Video (*2021 Tencent Video V Vision Conference, 2020*).

After the analysis of the interview data, the results were compared to the key information extracted from these documents for the purpose of triangulation. The documents help to examine and supplement the research findings.

Data Analysis

All interviews were recorded and then transcribed to text for analysis. Data analysis of the

interview data contains these key processes: (1) transcribe recordings into texts; (2) read through the dataset, examine the reliability and validity of the interview, clear up the data; (3) leave comments and ideas and code the transcriptions; (4) search for themes; (5) create a list/table with themes and sub-themes; (6) see if there is a need to conduct extra interviews (if yes, then repeat above processes); (7) review and refine themes; (8) develop descriptive and explanatory accounts.

After transcribing interview recordings to texts, the dataset was then read and analysed. Inevitably, answers that were not directly relevant to research questions cropped up in the interviews. When verifying the validity of data, the researcher only highlighted the answers most relevant to the research questions. The researcher compared the answers from different interviewees to the same questions and marked the similar and dissimilar parts of their opinions. To learn more about their backgrounds, interviewees were asked to describe their work experience at the beginning of the interview. In the analysis of data, their different backgrounds were considered. The researcher determined whether these backgrounds contributed to the diversity of their views on the same issue and chose the most compelling response according to the background and the views expressed.

‘Coding is a typical categorizing strategy in qualitative research.’ (Maxwell & Chmiel, 2014b, pp: 47). Coding is employed to segment the data by labelling the content and grouping them according to their categories. This study used an app named MAXQDA to assist in the coding and theme analysis processes. Data is sorted into different organisational categories before it can be further analysed in detail. Then the organised data can be analysed and put into different substantive categories according to specific phenomena or people’s experiences and attitudes about them. (Maxwell & Chmiel, 2014b). Through this process broader categories were initially selected as suitable themes for the research findings, after which the data was reviewed and refined accordingly. Subsequently, content closely aligned with these themes was extracted, summarised, and interpreted to form the core findings and

main ideas of the thesis. While some evidence directly supported the main argument and was cited accordingly, other relevant information was archived for future reference.

Data can be interpreted after the emergence of themes. Interpretation is crucial to make sense of research data. Interpretation helps to better understand both the speaker's intended meaning and their unconscious cognition and motivation. The interpretation can also generate an understanding of the social context in which the speaker finds themselves, and where their thought came from. Through interpretation, researchers can better understand the social and/or psychological functions of the speaker's expression and obtain knowledge about the nature and quality of a more general concept (Willig, 2014). Interpretation is generally driven by 'suspicion' or 'empathy'. 'Suspicious' interpretation holds that the truths are hidden behind the material, and interpretation aims to unmask the latent meaning. 'Empathic' interpretation tends to get inside the phenomenon and understand it 'from within', and then the meaning in the material is elaborated and amplified (ibid). Empathic interpretation generates descriptive understanding while suspicious interpretation generates explanative accounts (ibid). Employing only one of them cannot deliver satisfactory insight and so both of these approaches are used in combination in this study.

As mentioned in previous sections and paragraphs, speakers – whether they are regular employees or senior officers – may provide partial, false, or misleading information that favours themselves. A critical lens should be applied not only during the research design and data collection phases but also during the data analysis phase. During the data analysis process, I compare responses from different perspectives and interpret them according to the respondents' backgrounds to minimise the risk of being misled. This is especially important when analysing the public speeches of senior officers, as they frequently advocate for their organisations (Welch *et al.*, 2002). I therefore focus on their descriptions of daily practices, aspirations, plans, and understanding of the industry rather than on their achievements or altruistic statements.

Data Translation

An essential phase in the data analysis of this study involves translating the data, given that the research is conducted in Chinese. Conducting interviews in a cultural environment different from that of the United Kingdom entails not only language differences but also variations in the use of concepts. This encompasses different ways of describing the same phenomena or differing interpretations of the same conceptual terms. The renowned cultural critic Edward Said introduced the concept of ‘travelling theory,’ which highlights how the meanings of theories change as they traverse cultural boundaries (Said, 1983, cited in Lloyd, 2015). According to Said, theories originate within specific traditions and carry the imprints of their historical and cultural conditions, and their meanings can also evolve over time and adapt to different cultural settings (ibid). When theories migrate from one environment to another, they may acquire new meanings and applications (ibid). Additionally, during the process of theory dissemination, there may be instances of misinterpretations. Therefore, in the translation of texts, translators should make corrections or annotations to address potential misunderstandings and changes in conceptual usage.

In the interviews conducted in this study, the greatest challenge faced was not ‘travelling theory,’ but rather the utilisation of different concepts to express the same issues. Distinctive culture and business environment cause certain industrial jargons used by Chinese practitioners in interviews to diverge from their English-based counterparts. For instance, as Lin (2022) noted, Chinese trade press, academia, and viewers utilise the term ‘online video’ instead of ‘multiplatform television,’ ‘internet television,’ or ‘video-on-demand services’ to describe the streaming industry (p. 6). A similar situation is observed in this study. In addition, some interviewees occasionally employ the term ‘circles’ (圈层 quān céng) to describe the groups of viewers. When a show becomes a hit and gains popularity beyond its intended target audience, the term ‘break the circle’ (破圈 pò quān) is often used to describe this phenomenon. In the translation of these terms, I opted to retain the term ‘break the circle’

but substituted ‘audience circles’ with ‘audience segments’ to ensure clarity and comprehension.

Moreover, interviewees sometimes misused academic terms during their speeches. For instance, they consistently used the term ‘monopoly’ to describe the dominant position that IQIYI, Youku, and Tencent Video had in the market. However, ‘oligopoly’ would have been a more accurate term because these three companies collectively held the largest market share, with IQIYI and Tencent Video having a similar number of users. Another term that was misused is the ‘Matthew Effect.’ Gong Yu used the term ‘Matthew Effect’ in one of his speeches to describe how a small number of big-budget hit dramas contribute most to the platform's revenue. While these hit dramas could indeed produce substantial long-tail earnings, I believe the ‘Pareto Principle’ would have been a more fitting term to describe the phenomenon Gong Yu was describing – where a few products contribute to most of the sales. I did not directly correct these misuses of terms. Instead, I translated their original words directly and provided explanations in the footnotes to convey my understanding of their intended meaning. This approach allows readers to comprehend the statements while also encouraging them to interpret the ‘misuses’ in new ways.

3.4 Ethical Considerations

Some research can do harm to the research subjects as an image of risks and threats might be invoked for the participants or external control and reaction might be called for (Ryen, 2016). From a constructionist position, three concerns are most frequently raised in the Western research ethical guidelines, and they are codes and consent, confidentiality, and trust (ibid). The codes and consent concern requires that the people participating in the research should be informed that they are being researched (although sometimes the researched objects should not be disclosed in the ‘street-style’ ethnography). Participants have the right to know the nature of the research and be able to leave the research at any time (ibid).

Confidentiality means that the participants' personal information like their identities, locations and other sensitive data should not be revealed unless they do not want to be anonymous (ibid). The guideline of trust asks the researcher to develop good relationships with the participants, which makes the researcher 'trustworthy' in the fieldwork (ibid). Similarly, Yin (2018) cited National Research Council's handbook (2003, pp.23-28) and stated that the core of ethical considerations is protecting human subjects. The 'protection' usually involves gaining informed consent from participants, avoiding any harm or deception, protecting privacy and confidentiality, taking special precautions to protect vulnerable groups like children, and selecting participants equitably (Yin, 2018).

The participants in this study consist of adults employed by Chinese video websites and drama production companies. The interview questions revolve around the business practices of these enterprises, ensuring that no vulnerable groups are adversely affected by the fieldwork. There are potential ethical concerns in two areas: whether the interviewees were well-informed and gave their consent during the interview, and whether the interview content was kept confidential or presented in accordance with the interviewees' expectations after the interviews concluded. I have taken measures to address these potential issues by obtaining informed consent from participants and respecting their requests during and after the interviews.

This study ensured that every participant was well-informed. When recruiting participants, I informed each individual that they were invited to take part in an academic study focusing on online video platforms and original web dramas. Participation was voluntary, and each participant received a translated consent form to ensure their comprehension of its contents. Participants were informed of their rights, including the option to terminate the interview at any time or decline to answer specific questions. They were also given the choice to remain anonymous or disclose their identity in the dissertation. Throughout the interviews, these rights were fully respected. For instance, when Zhou

discussed the data centre's role in assisting Tencent Video's content producers in making decisions, I inquired about specific assistance mechanisms. Zhou responded directly with, 'This is highly confidential information, I can't disclose it to you.' (Zhou, interview, March 2021). Consequently, I ceased further questioning on this topic. At times, participants emphasised that their perspectives on the industry were based on personal opinions and preferences, requesting that this part of their responses should not be included in the dissertation. I honoured these requests accordingly. Some participants preferred complete anonymity, even withholding disclosure of the name of their company and positions to prevent recognition by colleagues and acquaintances. After careful consideration, I anonymised certain information in the list of interviewees in Appendix I.

After the interviews, measures are taken to ensure the proper confidentiality of the interview data. The interview sessions were recorded, and the recordings were subsequently transcribed into text for analysis. Both the audio recordings and the transcribed text were securely stored and encrypted on the researcher's personal devices. This data is not accessible to the public, and only authorised individuals, such as the researcher and her supervisors, have access to the information contained therein. Certain interview excerpts are directly quoted in the dissertation. These excerpts have been obtained with the permission of the interviewees and do not have any adverse impact on them. While at the outset of the interviews, I requested that interviewees provide brief descriptions of their job roles and responsibilities, these descriptions are only included in the dissertation when necessary, and they do not probe into highly specific job content.

The research has been approved by the Research Ethics Committee of the College of Arts at the University of Glasgow, and the application number is 100200014.

Chapter 4 Strategic Significance of Original Web Dramas

This chapter seeks to answer the first main research question of this thesis: Why do SVOD services in China invest in original content production? Before the emergence of video websites, dramas broadcast on Chinese TV channels were purchased mostly as finished programmes from production companies and a very small proportion was produced in-house. In contrast, originally produced dramas have accounted for the majority of drama programmes on leading Chinese SVOD services since 2018 (Lizi, 2017). What drove this transformation in the Chinese drama industry? This chapter will unveil the main strategic intents of leading Chinese SVOD services concerning the investment in the production of original dramas and how these intents are realised through commissioning.

4.1 Increasing Cost Efficiency

The strategic purpose most frequently mentioned by multiple interviewees is to increase cost efficiency, which means generating greater returns for the same cost. Asked how cost-efficiency was achieved through commissioning, respondents invariably replied that it is either to reduce cost and/or to increase revenue. Copyright-licensing, where service providers buy the transmission rights from the copyright owners of dramas, was thought to be much cheaper than in-house production for many television stations, because building an expert team and developing essential tangible and intangible resources for drama production was more expensive and only a limited number of provincial television stations and national CCTV can afford to do that (Shanghai TV Festival and CSM, 2004). But this does not seem to be the case for SVOD services. Chinese SVOD services believe commissioning is more cost efficient, why? *Replace with:*

Cost Reduction

As mentioned in section 2.1, fierce competition around 2014 in the Chinese online video market led to a steep rise in the price of licensed dramas. In the interview, Dong of IQIYI explained how market competition caused the dramatic growth of investment in original web dramas:

Before 2013, licensed dramas occupied the largest part of our content library. [...] Copyright authorisation was expensive. During that period, the video platforms were keen to buy exclusive content in order to win the competition for users, and they raised the price of content as a result. However, this trend could not last, because exclusive content is needed every year as it is closely related to user loyalty. We had to develop originals. (Dong, interview, July 2021)

Dong's remarks show that the commissioning of original web dramas was directly driven by the high price of exclusive content at that time. Around 2014, the leading VOD services in China found out that the income that could be derived from advertisers was limited, and user subscriptions would be more reliable and stable in the long term, so they began to put their strategic focus on attracting subscriptions by introducing professionally produced entertainment programmes that was of good quality and would guarantee exclusivity. In order to secure more high-quality content, Chinese SVOD services sought to acquire new content almost at any cost. According to the *2017 Analysis on The Development of Original Web Programmes (Web Dramas)* released by NRTA, as of 2016, 'There were 21 online VOD services in China streaming web dramas, including Youku, Tudou, Tencent Video, [...]' (NRTA, 2018, p. 5)¹⁸. At the time, both the quantity and the quality of newly produced

¹⁸ Comparatively, there were only five VOD websites mentioned in the *2020 Analysis on The Development of Original Web Programmes*: IQIYI, Tencent Video, Youku, Mango TV and Bilibili.

content could scarcely satisfy the market demand. The price of dramas had risen sharply as VOD websites were bidding up for content. For example, as mentioned in section 2.1, the highest price SVOD services paid for a drama title in 2007 was 3000 Chinese yuan per episode, but the number had risen to 5 million Chinese yuan per episode by 2013 (Lu and Jin, 2017).

It seems that SVOD services undertook commissioning with the aim of reducing content cost, so it was important to determine how this cost reduction was achieved. Dong stated that commissioning production is cheaper than buying the rights to finished programmes because it can cut costs in several ways:

Frankly, it cuts the profits of production companies. [...] Video platforms have integrated some resources. For example, Tencent has real estate in Hengdian which is used for filming scenes. When making original productions, Tencent can hire these facilities at a price that is much lower than the market price. This can save a lot of costs. [...] Another example is that IQYI can use its own actors and actresses in its original productions whose prices are much more acceptable than those on the market. [...] And literature. IQIYI has a business in online literature. We can pick good stories from that department...and then we do not need to pay such a high price for the adaptation rights. (Dong, interview, July 2021)

Dong provided several examples of cost reduction from original production. What he said about cutting the profits of production companies was mentioned by other interviewees. For example, Wang5, a producer in a small production company, said that small-sized production companies can earn a commissioning fee that is worth 10% to 15% of the total production cost while larger and more prominent companies can earn more. The returns are ‘not overly profitable, just moderate for a small production company like us’ (Wang5, interview, March 2021). Moreover, Wang5 mentioned that another key point of cost reduction through commissioning is to control the budget. ‘The SVOD services set the budget for us and supervise its use throughout the whole production process. They will send a supervisor to

our project to make sure every sum of money is used in the right way.’ (Wang5, interview, March 2021). This reduces the possibility of production companies gaining surplus profits, which may occur in drama licensing transactions.

Dong also mentioned three examples: filming scenes, actors and online literature – which is a good source of popular stories. These examples are all related to the other sectors of the entertainment ecosystem. They are essential elements of drama production. Since Chinese SVOD services have businesses in these areas, the cooperative production companies can hire these elements at a lower price, and thus the costs of the original production are reduced. How Chinese SVOD services invest in these production elements and how their investments promote synergies will be detailed in Section 4.4 of this chapter.

Additionally, the involvement of SVOD services in the production can to some extent improve production efficiency. Gong Yu, the CEO of IQIYI wrote in his letter to investors published on February 2, 2023, that, the film and television industry in China was a ‘cottage industry,’ but leading SVOD services are helping the industry to become an ‘industrialised industry’ through both capital and technological investment in the production of original dramas (Gong, 2023). The improvement leads to better quality and lower costs:

For example, the project management system researched by IQIYI can help the production teams to advance their project management abilities, contributing to the improvement of content quality and the reduction of cost. In addition, we are using virtual production technology to help the industrialisation of content filming... [...] cutting down the time needed for production and distribution. Virtual assets can be used in other business activities in the future, creating more revenue sources (Gong, 2023).

Gong’s public letter provides two examples of cost reduction: one is improved project management abilities, and another is the use of advanced technologies. With a shorter production time and reusable production elements, costs can be cut greatly. Dong and Gong’s

description reveals how commissioning enables SVOD services to reduce the costs of content acquisition. As a result, the same budget can yield more dramas to attract paying members and attract a larger market share.

However, not all original dramas cost less than buying copyright licences. Zhou of Tencent Video argued that some original programmes are much more expensive than finished ones, as platforms favour high-end dramas that require big budgets.

[we like] big IPs¹⁹. If we want to invest in a drama with a big IP, first, its production will cost a lot. And, if we want to participate in its production, we will be required to invest a large proportion - for example, to provide more than 70% or even 80% of the drama's budget. A big IP always needs a very good production team, and thus their commissioning fees will be much higher than ordinary ones [...]. The costs will be very large. (Zhou, interview, March 2021)

Zhou provided a new perspective on the cost of commissioning. For some projects, commissioning requires a considerable investment. But Zhou's opinion cannot negate the argument of this section. For one thing, big-budget dramas accounted for a small part of content library despite their huge profits. 'Only a few dramas are influential big budget productions, most dramas are ordinary' (Wang1, interview, October 2020). For ordinary dramas, commissioning can help to reduce costs, so that a given amount of money can secure a greater number of titles. For another thing, when SVOD services prefer to invest in big-budget dramas, it does not mean big-budget dramas without SVOD services' investment can be cheaper. The rising demand for high-end dramas due to SVOD services will be discussed in section 5.1. SVOD services' investment in the production of these dramas can still help

¹⁹ A 'big' IP refers to a well-known title (could be a novel, a comic, a game, a movie and so on) that has a long story and numerous fans.

them to obtain the exclusive rights with a smaller cost.

Revenue Increase

SVOD employees also believed that original dramas could generate higher returns. On the one hand, in accordance with Lotz's (2017) argument, they deemed that 'making dramas' is a better value proposition than just 'purchasing dramas', and a better value proposition can do better in enticing the audience to pay (Lotz, 2017). On the other hand, SVOD service can gain revenues from the secondary rights, which accompany the copyright ownership gained by commissioning. FM2, an anonymous interviewee from IQIYI, who mentioned the strategic significance of original web dramas for Chinese video websites, believed that purchasing finished dramas can only generate advertising income and entice a small number of users to subscribe. In contrast, the control of copyright and secondary rights, gives video websites more sources of income:

Purchasing finished dramas can only generate advertising income and entice a small number of members to pay. Without copyright ownership, we have to share our income with the copyright owner. [...] Commissioning brings us copyright ownership, and the sources of income also increase. [...]. We can sell our content to TV stations or other video sites, can distribute them overseas, can produce derivatives²⁰... (FM2, Interview, May 2022)

FM2 provided a page of IQIYI's internal documents which summarises the sources of revenue that original dramas can bring to the video sites:

²⁰ For example, branded commodities or offline services.



Figure 4-1. Nine sources of revenue enabled through copyright ownership (source: provided by FM2, translated)

The nine sources of revenue mentioned in figure 4-1 are related to IQIYI's 'Apple Orchard' plan, which will be detailed in Section 4.4 of this chapter. Currently, there are rich channels for IP adaptation and content distribution while the costs have been lowered significantly, and thus the profits from secondary rights have been greater (Doyle, 2016a). Additionally, the huge earnings from dramas are often achieved many years after they are produced (Lotz, 2017). Therefore, copyright ownership can bring greater returns. FM2 stated that the copyright-licensing fee is very expensive. The content can only be licensed for a set period, and the SVOD platforms must share revenue with the copyright owners. As a result, SVOD platforms would have little profit without owning content copyright. Comparatively, although the production fees of original web dramas remain high, there are more sources of revenue. FM2 mentioned this at several points in the interview: 'In the long run, the costs will be partly offset and thus become very low.' 'From a financial perspective, it will reach a break-even point after a period of time, and then it will be very profitable.' 'Why do we want to invest in original production? Because we want to profit as soon as possible.' (FM2,

Interview, May 2022)

Interviewees were subsequently asked whether investing in original production necessarily leads to copyright ownership. Wang1 provided the following explanation in their interview:

If we provide all the funds, of course, we own the copyright. [...] In many cases, there are several investors offering funds for one drama, and it will depend on whether we lead the investment. If we are the leading investor, we will have more say, but we then need to pay much more than other investors. [...] Copyright ownership costs a lot, we need to make sure that the appeal of the drama is strong enough for us to invest that much [...] If we believe the project is very good, we will try our best to obtain the copyright ownership. (Wang1, interview, October 2020)

Wang1 emphasised that contracts vary. The allocation of investment and control depends on negotiations and is related to the bargaining power of participants and the value of the drama. SVOD services do not mind paying more for the secondary rights of good dramas, as these dramas will be lucrative in the secondary distribution and are still attractive to subscribed viewers for decades afterwards. Since they own the copyright to an increasing number of dramas, SVOD services will have a stable source of income in subsequent years. The expense of investing in original drama production can bring good returns in the long term.

In summary, investing in the production of original dramas can increase the cost efficiency of SVOD services, which means the same outlay will yield greater returns. For SVOD services, ordinary programmes make up the largest part of their content libraries, and the cost of content acquisition for these programmes can be reduced through commissioning; although there are some big-budget dramas that cost more than before, pre-production investment still costs less than buying the finished dramas. In addition, the copyright ownership acquired through the investment can bring strong financial returns in the longer term. As a result, commissioning is a critical strategy to achieve cost efficiency.

4.2 Increasing Control and Strengthening Brand

Other two strategic advantages that were frequently mentioned by interviewees are to increase SVOD services' control over content and to strengthen their brands. Commissioning helps to produce dramas that can better meet the needs of SVOD services and build differentiated brand images, thereby reducing uncertainties in content transactions and increasing user loyalties.

Increasing Control

Based on the information provided by interviewees, through obtaining part or full copyright ownership, commissioning gives SVOD platforms more control over the content production process, content quality and content scheduling. Commissioning makes it more likely for producers to offer dramas that better meet the needs of individual SVOD services. The services plan their yearly releases in advance according to the preferences of existing paying members and targeted potential subscribers:

[...] We plan out how many dramas we need for each audience segment each year. For example, the dramas that women like can be divided into several tracks [...] We plan the genres of web dramas for a year ahead based on how many dramas these segments will consume and how many dramas of what quality will meet their needs. (Wang1, interview, October 2020)

Wang1 mentioned that IQIYI plans its content releases every year. The planning is based on the preferences of its users. 'We decide what dramas and for whom we produce according to our user profiles.' (Wang1, interview, October 2020). While production companies can sometimes meet some of those needs, they don't always fit with the platforms' plans. So, originals are essential for delivering content in line with the platforms' content strategy.

Increased control over production also helps stabilise content quality, especially for

content that does not command a big budget or feature experienced directors/producers. Producers in production companies are not always experienced. Small content suppliers make up most of the market players. According to the *2020 Analysis on The Development of Original Web Programmes*, ‘In 2020, 70% of companies participating in content production were producing web dramas for the first time. Production companies behind web dramas are highly unstable.’ (NRTA, 2021, p. 28). With this high degree of instability, the quality of their content cannot be guaranteed. Platforms’ control seeks to reduce quality uncertainties in two ways:

(Improving quality) mainly relies on the platform’s development executives and their script editors. [...]. The platform’s recruiting requirements are quite high. [...]. Having worked on many projects, we have the skills and experience in scriptwriting, and thus we can avoid many problems together with the scriptwriters. [...] In fact, the most important method is to increase the budget. We tend to offer a very high budget because (original dramas) represent our brand and generate word of mouth, which we take very seriously. If we have a higher budget for production elements and scriptwriters, we will have better resources. (Zhou, interview, March 2021)

Zhou mentioned two methods that platforms use to ensure the quality of original content. One is that as investors, platforms have decision-making power over content, so the creative recommendations proposed by their more experienced reviewers can have a decisive effect on content. Other interviewees also mentioned that platforms send out supervisors to make sure that projects are completed on time and to a good quality. The second method is to offer producers a higher budget. Financially supported by large Internet enterprises or influential TV stations, leading SVOD services in China can ‘bring more capital to the film and television industry and support larger production projects’ (Zhang2, interview, January 2021). As a result, even though some producers don’t like platforms’ tight control over the content, they do admit that money provided by platforms contributes to better content production. The term ‘better quality’ here implies intricate storylines, complex but attractive characterisation, deep plots, meticulous costume and prop arrangements, and exquisite

special effects. These elements align with the aesthetic tastes of educated young people and are more likely to bring good viewership and positive word of mouth, as evidenced by high ratings on Douban.com, a website somewhat similar to IMDb.

Commissioning also gives SVOD platforms control over the scheduling of original dramas. Wang1 spoke about this in the interview, ‘The risks faced by the platform can be controlled in terms of content production, scheduling and quality control’ (Wang1, interview, October 2020). Since the funds and talent are provided to ensure that projects are finished as planned, SVOD services can arrange the release time of content in advance. ‘We schedule the dramas two to three years in advance. We are preparing the programmes for two years from now’ (M2, interview, May 2022). Being well-informed about the production progress provides is extremely useful, enabling platforms to release content on time two or three years later.

Strengthening Brand

Commissioning is helpful in providing the ‘right’ entertainment programmes for targeted audiences as well as increasing the presence of SVOD brands. Wang1 said, ‘originally produced content is the only content that can enhance the brand. [...] Original production is the best and cheapest way to create content barriers’ (Wang1, interview, October 2020). He connected ‘brands’ with ‘content barriers’ because when users recognise a brand and become used to using it, it will be harder for other platforms to steal their market share.

A key means for Chinese SVOD services to strengthen their brands is to produce dramas with differentiated features. There are many similarities between dramas on different SVOD platforms. For example, costume dramas and romance dramas are popular on any platform (NRTA, 2018, 2019, 2020a, 2021). Besides those dramas of similar genres, leading SVOD services try to create differentiation by streaming featured dramas of different themes. Dong

described it this way:

Suspense dramas and Youth Campus dramas are the main genres of dramas on IQIYI [...]. In other words, we have a lot of them, so we began to release them through ‘theatres.’ But we don’t exclude other genres. [...]. As long as the quality is good, we will include them even if they are not our main genres. (Dong, interview, July 2021)

Currently, Chinese SVOD services all focus on some genres but ‘don’t exclude other genres’ as Dong described. With slightly different themes and genres, these SVOD services attract and retain audiences favouring specific genres so that the popularity of genres on each platform is different:

Northeast comedies²¹ are popular on Tencent Video... Disaster movies have more clicks on Youku than on the other two platforms. (Gao, interview, March 2021)

While most online VOD platform users are young women, Mango TV’s audience is even younger than that of IQIYI, Tencent Video and Youku. (FM1, interview, July 2021)

These differences mentioned by interviewees are caused by platforms targeting specific users, as well as SVOD producers and their partner companies specialising in different genres. ‘Most production companies make programmes of various types and genres [...] but each company has its own strengths’ (FM1, interview, July 2021). SVOD platforms have more experience and are more willing to invest a lot in programmes they are good at, and thus these dramas are of a higher quality. Audiences who prefer these programmes become core users, and more programmes of these types will be produced to please them accordingly.

²¹ A genre of comedy in China.

The differentiation between brands is then reinforced.

Original dramas are critical in increasing the differentiation advantage and forming brand personalities, as well as improving user recognition of SVOD brands through creating associations between quality content and the SVOD platforms. M2, an anonymous respondent from Youku, believes that such recognition can reduce market costs and increase user loyalty:

Everybody wants to be Disney. Disney is a strong brand. When there is a new movie with the brand Disney or Pixar or Marvel, we know what it is about even before we watch it. This is because they have a clear brand image. When there is a new drama on IQIYI, we cannot imagine what this drama is about. But if you talk about the Light On theatre, then I have an idea. This is due to brand recognition. (M2, interview, May 2022)

M2 used Disney as an example of a media company with a strong brand image. With regards brand recognition, users will have expectations for new content produced by this platform. Audiences know the styles of Disney stories and will then know what the new Disney movies are likely to be about. Similarly, Chinese SVOD services hope to increase their brand recognition to this level: people will have a clearer image of the content on SVOD services and then keep consuming programmes from their content library.

The Light On theatre mentioned by M2 represents an innovation in scheduling strategy. This innovation will be analysed in detail in Section 6.3. The theatre is a sub-brand of the content library launched by IQIYI, in which IQIYI concentrated on original suspense dramas. At launch, the theatre released two high-quality dramas which enjoyed excellent word of mouth, *The Long Night* and *The Bad Kids*. Since then, Light On theatre has become an iconic brand for IQIYI. For example, many interviewees regarded Light On theatre as a good representative of IQIYI and praised it a lot. Similarly, following the success of Light On Theatre, Youku created 'White Night Theatre' and Tencent Video established 'X Theatre' to

further enhance their brands.

In summary, SVOD services invest in the production of original dramas because they want to increase control over content production and strengthen their brands. Because SVOD services can enjoy tighter control over invested dramas, which reduces uncertainties in content streaming. SVOD platforms select programmes that better meet the needs of their target audiences to invest in. They ensure the quality of original programmes by providing experienced guidance and/or increasing investment and track the production progress of each original drama to ensure they have better control over scheduling. SVOD services also use commissioning to strengthen their brands. On the one hand, they invest in the production of featured dramas to increase brand differentiation and user loyalty; on the other hand, they create associations between high-quality dramas and platforms to optimise brand recognition.

4.3 Pursuing Market Power and Resources

Some interviewees mentioned that commissioning is helpful in increasing the market power and resources of SVOD services. Here, 'market power' depends on the reliance on external resources (Hillman, Withers and Collins, 2009). Firms with fewer key resources are more dependent on external partners, and thus have less market power (Ulrich and Barney, 1984). To gain more market power, enterprises should control key resources, and then they can reduce their dependency on external sources or increase others' dependency on them (ibid). For SVOD services, key resources include the exclusivity of good-quality programmes, and relevant creative talent and expertise. Several interviewees' speeches show that through commissioning, SVOD services can build stable partnerships with content suppliers to ensure the exclusivity of dramas, provide training opportunities to attract talent, and build their skills and knowledge, especially tacit knowledge gained by involving personnel in drama production projects.

Competing for Suppliers

Chinese SVOD services have been paying for copyright authorisation since 2009 (Lu and Jin, 2017). As mentioned in section 2.1, it was the time when there was a shortage of good content suppliers, and these platforms had to compete for good-quality programmes with other online video competitors as well as television stations, which at the time had deep pockets. The competition drove up content prices during that period. In order to secure a steady and less expensive supply of content, leading SVOD services, backed by large amounts of capital, began to build closer partnerships with production companies by investing in original productions.

The original drama is a result of the platforms' 'enclosure movement'. That is, platforms mark off partner suppliers through commissioning. For example, New Classic Media has a good relationship with Tencent because it has produced several original dramas for Tencent Video. So does Linmon Pictures. GCOO Entertainment has a better relationship with Youku. Likewise, IQIYI and CKF Pictures... Anyway, they use commissioning to anchor suppliers as well as some creative resources like scriptwriters. (Zhou, interview, March 2021)

Here Zhou was referring to the competition for existing suppliers in the early years of online SVOD platforms. New Classic Media, Linmon Pictures, GCOO Entertainment and CKF Pictures are all private production companies established after 2000 with outstanding capabilities for content production. In some circumstances, production companies apply for financial support from SVOD platforms in order to reduce their own risks; in other circumstances, producers inside SVOD services like to outsource production such as filming and special effects to external teams after they purchase or develop a good script in-house. By accepting commissions and producing original dramas, production companies have developed a deeper cooperative relationship with SVOD platforms. Some of them have even accepted investment in their companies from video platforms. Tencent, for example, owns 26.732% of Linmon Pictures, making itself the second-largest shareholder in that company,

according to publicly available information published on Qichacha.com. Similarly, New Classic Media was acquired by Tencent's China Literature Group in 2017.

Zhou only mentioned a few suppliers as examples in the interview. Trade press *Xin Ju Guan Cha* (Drama Observation) listed nearly a hundred drama production companies producing original dramas for IQIYI, Youku and Tencent Video in a series of online articles. No more than ten of them only provide content for one platform; most of them provide content for all platforms while keeping a closer relationship with one platform than others (Y. Zhou, 2021). Partnering with hundreds of suppliers reduces SVOD services' dependency on any one of them. Meanwhile, relying on the funds from SVOD services and wanting transmission channels that have plentiful audiences increase content suppliers' dependency on SVOD services. In this way, SVOD services increase their market power and gain greater bargaining power in transactions.

With greater bargaining power, SVOD services can control their expenditure on content acquisition by reducing their payments for copyright authorisation and to production elements. On May 2019, Gong Yu, the CEO of IQIYI, said in several teleconferences and news reports that the days of competing for content by raising prices were over, and SVOD platforms were beginning to strictly control their expenditure on content purchases (C. Li, 2019). Original dramas accounted for over 65% of all the dramas on the platforms (Chen, 2019), and thus SVOD services could avoid excessive prices for content acquisition. The average price for an episode of the most expensive dramas dropped from 15 million yuan to no more than 8 million yuan (C. Li, 2019). As for the prices of production elements, leading SVOD services jointly objected to the excessive remuneration of actors, directors and production teams, which had been very much higher several years before due to rising demand. The increasing availability of talent in the market means that the talent market is no longer a seller's market.

Commissioning is not the only strategy SVOD services can employ to increase their market power. Leading SVOD platforms developed various partnerships with production companies: (1) SVOD enterprises have invested in or controlled production companies, such as Tencent and Linmon Picture or New Classic Media as mentioned above. (2) SVOD enterprises have established wholly owned subsidiaries, for instance, Penguin Film and Tencent Pictures were established by Tencent, Alibaba Pictures (which is a parallel sector to Youku) was established by Alibaba and IQIYI Pictures was established by IQIYI. (3) SVOD services have strategically cooperated with production companies. For example, IQIYI signed a strategic cooperation agreement with Huace Group to share the latter's copyrighted dramas. Under this agreement, they jointly provided funds to establish Huace IQIYI Film and TV (Tianjin) Co., Ltd whose main business was film and television production (Hu, 2014). These collaborations share similarities with commissioning in that SVOD services provide funding and platforms to strengthen partnerships. Through various strategies, including commissioning, prominent SVOD services in China are enhancing their access to critical resources to bolster their market influence.

Fostering Talent and Generating Knowledge

Well-educated, capable, and experienced talent and their knowledge are key resources in the audio-visual industry. They are the most sought-after resources by SVOD platforms in their 'enclosure movement'. For example, Zhou mentioned that SVOD services want to find out more information about and develop good relationships with scriptwriters, filming teams and director teams. While market demand for good-quality programmes grew with the expansion of SVOD services, demand for talent increased as well. Commissioning is a means that can be used to foster talent and build a strong knowledge base.

Before there were many experienced content creators within SVOD services, the responsibility for supervising original drama production fell to the operation staff, who had

not undergone media content creation education or had enough creative experience, and thus most of the dramas produced by them were not very successful:

IQIYI tried original production before 2015, but a lot of them failed. In the years when copyright licensing was the main source of content supply, we had already begun to explore original production inside our company. But as you may know, we have a lot of Internet and technological talents, but they don't know much about content creation. (FM2, interview, May 2022)

FM2 mentioned in the interview, that website operation and content production demand different ways of thinking and different mechanism, so the capabilities of operation staff cannot meet the platforms' needs for content production. Zhou expressed similar views. He believes that website operation or product managers are not capable of planning content. While he said that they could make some general suggestions for scripts with the help of data (the function of data in content production will be discussed in Section 5.2), '[At that time], platforms were not capable of developing dramas by themselves. Doing this work still had to rely on professional drama studios' (Zhou, interview, March 2021).

The quality of early web dramas can testify to the accuracy of what these interviewees said. *2017 Analysis on The Development of Original Web Programmes (Web Dramas)* mentioned that, by 2016, many online programmes were 'value distorted, excessively entertaining, content vulgar, poor quality, low taste, language mistaken' (NRTA, 2018, p. 10). In an attempt to increase the level of content creation skills of personnel, SVOD services began to recruit prominent and talented producers from major production companies or TV stations to build their original production teams. FM2 mentioned an example:

A turning point was the introduction of talent from TV stations who know content, such as Ma Dong. Ma Dong had a team when he worked for the TV station, and he brought some of his team members with him. This content talent tried to blend in with our companies where there were a lot of Internet talent or people who once worked for foreign-owned companies. (FM2, Interview, May

2022)

To produce high quality content, SVOD services tried to recruit experienced talent with high salaries. But this strategy did not always work. Besides salaries, potential employees are also interested in whether the employer can provide a good working environment and opportunities for their career development. Zhou talked about the recruitment methods of SVOD services in past years:

When I began to work as an assistant producer, the industry was dominated by production companies. [...] Television stations were also very powerful at the time. The Internet platforms were rich, but less influential, because the web dramas were of poor quality, and everyone looked down on them. The people inside the platforms were very unprofessional, [...] The platforms tried to recruit people with large salaries, but the first wave who went there found these platforms unprofessional which gave a bad impression of these platforms. At that time, SVOD platforms could not attract the ‘right’ people despite offering a high salary. (Zhou, interview, March 2021)

Zhou used himself as an example to show that many professional content creators were not willing to enter SVOD platforms despite high salaries when the platforms were not professional and lacked good quality original projects. After 2017, when SVOD platforms began to produce good original dramas like *Day & Night*, *Burning Ice* and *Tientsin Mystic*, content creators began to change their opinion of SVOD platforms and became more confident about working for them. The talent pool of SVOD platforms expanded accordingly. Dong has worked in IQIYI for over 10 years, and he said this about the expansion of IQIYI’s internal production studios: ‘IQIYI has 21 studios working on original projects now. We only had two in the beginning: Copyright Licensing Centre and Original Centre.’ (Dong, interview, July 2021). In a similar way to Tencent Video, IQIYI’s internal production teams have expanded a lot.

Good content creators have been attracted to SVOD services by the available funds and

the development opportunities. By participating in the review, supervision and production of original programmes, individuals gain knowledge and experience. They and their knowledge will be critical for SVOD services in the future. Chisholm & Nielsen (2009) argue that social capital, especially tacit knowledge is a critical intangible resource for companies. Tacit knowledge exists in individuals working within organisations and is generated and transferred through collective working. Chinese SVOD services intervene a lot in the production process of original dramas. In some projects, SVOD producers review the scripts and supervise the production process; in other projects, project planning is carried out by SVOD producers, and the implementation is outsourced to external partners. Having SVOD producers involved in the projects brings in knowledge, experience and technology. As anonymous interviewee M1 said:

[The development of the industry] relies on the continuous production of dramas. The audio-visual industry in the US started decades earlier than ours. They have more experience, technology and knowledge than we do. [...] We started late, but the development of an industry cannot be rushed, we can only grow bit by bit. [...] Gaining knowledge and experience in the process of producing dramas one by one. (M1, interview, December 2020)

M1 believes that the drama production industry in China is still a ‘cottage industry’, and it faces a series of problems such as the shortage of talent and good quality projects, the instability of revenue streams, the lack of experience, technology and knowledge, and so on. To solve these problems, the continuous production of dramas is necessary, and the funds from SVOD services to support this production. SVOD services commission the production of dramas to potential production teams, this brings knowledge and experience to SVOD services, and everyone involved in the projects. Commissioning contributes to industrial renewal and improvement, and SVOD services can benefit from that as well.

Fostering talent and generating knowledge is a systematic project, and commissioning is a key part of it. An example of this was IQIYI’s talent support schemes. IQIYI announced

its ‘Dolphin Scheme’, ‘Cub Scheme’ and ‘Swan Scheme’ at the 2017 IQIYI World Conference. The ‘Dolphin Scheme’ aims to fund new production teams who have good projects, the ‘Cub Scheme’ aims to support potential producers and directors, and the ‘Swan Scheme’ recruits young people who show enthusiasm and are good prospects for professional acting training (*IQIYI World Conference*, 2022). Similarly, Youku runs the ‘The Thousand and One Night’ scheme and Tencent runs the ‘NEXTIDEA’ scheme to train young talent (NRTA, 2021). In the production of original dramas, these teams and individuals have an opportunity to break into the industry. These three schemes contribute to the renewal of production teams, potential producers and actors/actresses.

In summary, Chinese SVOD services seek to expand their resources through commissioning, and thus increase their market power and obtain greater bargaining power and market influence. SVOD services provide funds and channels for content suppliers, increasing suppliers’ dependency on them; they also partner with multiple suppliers through commissioning, with the aim of reducing their dependency on a specific supplier. Their market power has thus increased. Commissioning is also a part of SVOD services’ schemes to train talent and generate relevant knowledge. Commissioning gives talent the opportunity to grow, develop, and gain more knowledge and experience, thus further increasing SVOD services’ attractiveness to talents. The knowledge, experience and advancement of the whole industry benefits SVOD services as well.

4.4 Building A Pan-entertainment Ecosystem

The long-term and more fundamental strategic goal of Chinese SVOD services is to build a pan-entertainment ecosystem, and commissioning is a means to achieve this goal. A media ecosystem is ‘a multi-layered and dynamic structure of interdependent organisations and stakeholders’ (Kostovska *et al.*, 2021, p. 13). As online platforms, SVOD services are naturally part of value networks connecting participants of value creation. They partner with

other stakeholders through commissioning and thus involve them in the value networks. In addition, SVOD services have invested in diverse media sectors to expand their businesses diagonally, trying to facilitate synergies between these sectors with IP at the core. Commissioning is a means for various stakeholders from diverse sectors to engage in this ecosystem.

The Connection of Value Networks

Online video platforms that extend from the film and television industries, such as the professional portals Netflix and Hulu and the open-access platform YouTube, create a multifaceted marketplace that ‘integrates viewers, subscribers, advertisers, third-party developers, and other service providers, they enable a wide range of interactions between users, advertisers, and third parties’ (Wang and Lobato, 2019, p. 358). Chinese SVOD services are market intermediaries that are neither pure platforms nor pure merchants (see Evens, 2010; Wang and Lobato, 2019). They operate hybrid businesses, including the business of purchasing programmes and then selling them to viewers, and the business of providing channels for copyright owners to sell their programmes directly to consumers. (Wang and Lobato, 2019). The ‘platform’ attribute of Chinese SVOD services enables them to create value networks that connect various value points, and the value networks are essential for them to create and maintain their competitive advantages: traditional television stations relied on monopolised distribution to gain competitive advantages, but digitalisation and the opening of distribution licenses to privately funded companies lowered the entry barriers for new entrants into the market. For the new players in the market, one of the strategies to raise entry barriers once more, and create advantages and bottlenecks, is to create a value network, and then maintain a multitude of value suppliers in the network (Evens, 2010).

One way to maintain the value suppliers is to provide financial support, which helps

content creators seeking investment to join the value network. Content creators with a good project proposal can apply for financial support from SVOD services, or pitch to have it commissioned by SVOD services. Also, they can act as service producers for the projects that the SVOD producers have developed in-house. Accordingly, content creators then became one of the suppliers in the value network:

If you are interested in developing a new programme but you don't have enough funds, and it takes you a very long time to do it, you can choose the half-commissioning mode, to produce a project where the VOD platforms have already finished the pre-production work. Platforms can give you a big support to do this. [...]. It might be a small amount of money for a platform, but for a start-up, it's really (helpful)... (Yang, interview, July 2021)

The interviewee Yang is an independent producer who has worked for several small-sized production companies. Yang is now working with partners on a project which has been fully funded by an SVOD service. The fund was a great help in finishing the production of the programmes. The SVOD service will own the copyright for the programme, and Yang's team will receive a bonus worth 15% of the total production fee which they think is satisfactory. Interviewees like Wang⁵ and Wu also mentioned that their projects have received financial support from SVOD services. This shows the SVOD services' open attitude towards content creators. 'We welcome applications and are willing to support any project as long as it is good enough.' (Dong, interview, July 2021)

Besides inviting content creators into the network, improving the connective mechanism and standards is also essential in developing value networks. 'Agreements on many interface standards are enabling connections to be made between the mobile phone and other industries' (Funk, 2009, p. 5). For the media industry, there are not only technological 'interface standards', but also commercial 'interface standards.' Media are defined not only as the technology that enables communication but also as what scholars such as Jenkins, Giltelman and Spigel term 'protocols', i.e., 'the industrial practices of making television and

audiences' practices of viewing' (Lotz, 2017, p. 3). I argue that new standards are needed in the development of industrial protocols, and agreements on these standards promote the connection between the SVOD services and the content suppliers.

Gong Yu, the CEO of IQIYI, said in the Web Drama Meeting at the 2016 IQIYI World Conference, 'In short, we innovate in all aspects and define new standards. These standards are not the national standards, but the standards of enterprises. We hope the industry will recognise these standards and promote the development of the industry.' (*IQIYI World Conference*, 2022). In practice, China's leading SVOD services have built new 'protocols' from at least three perspectives: innovations in industrial practices, the unification of technological standards, and the upgrade of business rules.

Leading SVOD services have continuously tried to innovate industrial practices. Take IQIYI for example, it has introduced many innovation initiatives in charging, content production, content distribution, and so on:

All these years, IQIYI has done a lot of innovative things. It was the first to pay for the copyright licences of high-definition dramas when everyone else was providing piracy services. It was the first to charge membership fees, the first to invest in original dramas, and the first to try Early Access [...]. *Descendants of the Sun*²², I remember was the first to try producing while streaming [...]. The first to do Light On theatre and the first to cancel the display of play counts. (FM2, Interview, May 2022)

While FM2 believes that IQIYI was the first to make the abovementioned innovations,

²² *Descendants of the Sun* is a South Korean mini drama. IQIYI bought its copyright licence, and it was streamed simultaneously in China and in South Korea.

literature shows that IQIYI was only one of the pioneers in purchasing copyrighted programmes and commissioning (see Lu and Jin, 2017). Among the innovations mentioned by FM2, Early Access, Light On theatre, and the cancellation of play counts display will be studied in this thesis. Early Access is a charged service which enables payers to watch more episodes than paying members. It will be detailed in Section 6.1. Light On theatre is a schedule strategy that concentrates on premium suspense dramas with no more than 12 episodes. It was mentioned in Section 4.2 and will be talked about in Section 5.1 and Section 6.2. The cancellation of the play counts display is related to SVOD services' data statistics and will be detailed in Section 5.2.

SVOD platforms are constantly improving their technological support and relevant standards. For example, most of them introduced 4K and 8K screens to provide clearer visual effects which in turn required the improvement of filming techniques. As mentioned in Section 4.1, they also researched advanced production management systems and virtual production systems to improve the efficiency of production (Gong, 2023). Other technological standards include the length of each episode, the size of the picture and so on.

An example of the changes to business rules is the building of a content rating system, which means internally rating projects as several levels (the highest level is S, and then A, B, C, D and so on) according to the quality of scripts and the capabilities of production companies, and then providing funds and resources according to the rates. 'We rate a drama from several perspectives and the marketing and promotion resources allocated to them are different. The top rates are S+ and S, and then the inferior ones are A+ and A. Each drama receives support in accordance with its rating' (Dong, interview, July 2021). Despite slight differences between different platforms, the content rating system is applied to almost every decision made in content acquisition, no matter whether it is a copyright-licensing, commissioning or profit-sharing programme. The rating system helps SVOD services to control the quality and costs of each investment and helps content creators to understand

their level clearly. More importantly, it improves the fairness of the industry.

Now I feel much better than in previous years, because the production environment is much better, and a lot of unprofessional people were knocked out. [...]. When the environment becomes better, it means that the mechanism is improved, such as being more fair, more efficient, and (armed with better technologies) and so on. (Yang, interview, March 2021)

Yang mentioned that the mechanism, or rules for producing original dramas for SVOD platforms has improved. He believes that after years of development, competition in content production has become fairer, more efficient and the technology becomes more advanced. The fairness issue was also mentioned in other interviews. For example, Dai, who has worked in drama industry for ten years, said that ten years ago, only two or three people in TV stations were responsible for purchasing content, so the production companies had to maintain a good relationship with the purchasing director if they wanted to sell content at a satisfactory price. Comparatively, the process of content review is fairer now: demand for dramas has increased, more people are participating in the decision-making process, and data has become an important reference for decision-making, such as the rating of content. As a result, fairness is better guaranteed.

By investing in original drama production, the SVOD platforms are exploring, setting and promoting new standards, and conveying these standards, or rules, to the production companies through commissioning, and thus building new ‘protocols’ for the value networks.

The Synergies Among Different Media Sectors

Jenkins (2008) mentioned that the development of media convergence enabled some transboundary media groups to dominate all sectors of the entertainment industries. Leading SVOD services in China are respectively funded by Baidu, Alibaba and Tencent Group (BAT for short), China’s leading Internet companies. They are willing to and have capital and

opportunities to become the ‘transboundary media groups to dominate all sectors of entertainment industries.’ The Chinese Internet giants already have huge business empires: Baidu’s main revenue comes from its search engine business; Alibaba relies on E-commerce; and Tencent relies on social media and gaming. They are constantly investing in emerging industries. Similarly, leading Chinese SVOD services and/or their biggest shareholders have invested in diverse entertainment sectors such as film and television, music, cartoons and comics, online creative writing and gaming, and they are trying to facilitate synergies among these sectors.

The most representative case of synergising between different entertainment sectors is *The Untamed*. This case was mentioned by many interviewees and appears in many studies on the Chinese entertainment industry (see Sun, Ai and Qiu, 2021; Wang and Hu, 2021; Xian, Luan and Di, 2021). *The Untamed* was a web drama first released on Tencent Video in 2019. This drama is adapted from an online novel called *Mo Dao Zu Shi*. This novel was published on JJWXC.net, a creative writing platform aimed at female readers and is famous for its focus on the Boy’s Love (BL) genre. Tencent owns a share of the company. *Mo Dao Zu Shi* is the most popular BL novel on the platform and has a large group of fans. New Style Media, which also has received investment from Tencent, bought the adaptation rights from JJWXC.net, and then co-produced *The Untamed* with Penguin Film. Before the production of *The Untamed*, Tencent Animation & Comics (TAC) has already adapted the novel into comics and cartoons. These comics have been published on TAC’s website, and the cartoons, which are co-produced by Penguin Film and B.C May Pictures, were streamed on Tencent Video too. The two main characters in *The Untamed* were portrayed by two relatively fresh actors who had debuted in the variety shows produced by Tencent. One of the two main actors is also one of the singers of the songs in the drama, and these songs were published as an album on QQ Music (Tencent’s music app). *The Untamed* was also adapted into an online game and published by Tencent Games. In addition, the IP of *The Untamed* was also used in some offline businesses such as stage plays and interactive mini parks.

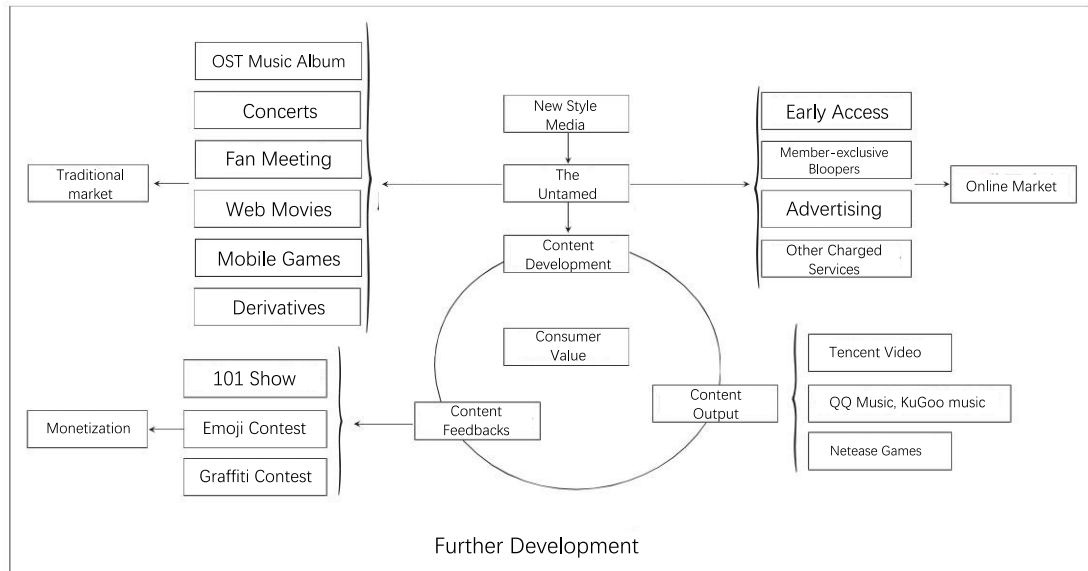


Figure 4-2. The development of the IP-branded content of *The Untamed*. (Sun, Ai and Qiu, 2021, p. 89)

It can be seen from the case of *The Untamed*, that the popularity of *Mo Dao Zu Shi* laid a solid foundation for the success of the following adaptation and development. *Mo Dao Zu Shi* was the most popular BL novel on JJWXC.net's 'readers' favourite' list during the development of *The Untamed*. The fun story attracted many fans within JJWXC.net. By further adapting the story to various forms, especially into *The Untamed* drama, this IP was exposed to many more people, and thus its influences and value increased considerably.

The development of *The Untamed* involved many sectors of the entertainment industry. Multiple Tencent subsidiaries and branches, as well as organisations and individuals that were in partnership with Tencent, have contributed to its success. This can be greatly credited to the strong coordination abilities of Tencent between its various media arms which are brought together by its 'pan-entertainment' strategy. Based on their 'pan-entertainment' strategy, Tencent has invested in many entertainment businesses and integrated them in a special way, enabling it to mobilise dispersed resources to complete the development of *The Untamed* at every stage. In the wake of the success of the drama *The Untamed*, other IP-

branded content and products can be released in time, meeting the needs of the drama fans while profiting from the buzz created. These businesses and stakeholders achieved synergies in the interdependent entertainment ecosystem.

But it is also noticeable that despite Tencent's extensive investment in and control over many entertainment businesses, it cannot monopolise media content production as content creation is contingent (Nieborg and Poell, 2018). Commissioning is essential not only in drama production but also in the production of other content as a result. Tencent is the 'focal firm' in its media ecosystem. It connects the content producers, advertisers and content consumers on its platforms; it owns copyrights, capitals, and relevant resources to serve the simultaneous development of various products; and it plans, coordinates, invests in and supervises the content productions. As Wang1 noted:

We need to do all the following development ourselves. For example, do we do the adaptation ourselves, or do we sell the adaptation rights to other firms? To which team do we commission the production? What derivatives is it fruitful to do? How to do them? What we have is only the raw material, we need to plan how to make this material into products, how to sell these products, and how to contact selling channels. We definitely need to calculate if it is worth investing so much time and resources. (Wang1, interview, October 2020)

Wang1 has not participated in the development of any of *The Untamed* products but is a producer of many other dramas. The work of the SVOD services Wang1 mentioned implies that the focal firm of an entertainment ecosystem acts as the 'brain', proposing the value proposition of the whole ecosystem (the 'body') and leading stakeholders to realise the proposition. A focal firm that has control over the copyright connects various partners in the development through commissioning and facilitates the cooperation and improvement of the ecosystem by acting as the critical coordinator. The example of the development of *The Untamed* products shows how commissioning contributes to the connection of multiple sectors.

Building an entertainment ecosystem is not only the goal of Tencent but also that of IQIYI and Alibaba, who have proposed their own concepts. Alibaba uses the term ‘great culture and entertainment’, trying to organically integrate the cultural and creative industries and the entertainment industry by investing in multiple media sectors. IQIYI proposed the concepts of the ‘apple tree’ and the ‘apple orchard’. It compares each entertainment business to an ‘apple tree’, and multiple trees gather together to form an ‘apple orchard’ (Xue and Wang, 2016; *IQIYI World Conference*, 2022). In the orchard, trees grow and profit respectively while being interdependent on each other to build a fertile environment. Every tree (business) can benefit from the improvement of the whole orchard, which can be compared to the nine sources of revenue mentioned in Section 4.1. The SVOD services alone cannot maintain the development of a large orchard, because ‘birds’, ‘insects’ and even ‘soil’ and ‘air’ are part of the orchard ecosystem. It is better for SVOD services – the focal firms – to do the planning and allocation work, and commission the production to other content and service suppliers.

In summary, backed up by the connective attributes of the Internet and the trend towards media convergence, leading Internet companies, which have capital and technologies, aim to develop the entertainment industry into a connective ecosystem. SVOD platforms provide funds and channels for business stakeholders to participate in the value networks and develop new industrial protocols by innovating in terms of rules and mechanisms. They also maintain an entertainment ecosystem by investing in various entertainment businesses, aiming to profit from multiple sources. As focal firms in the entertainment ecosystem, SVOD services act as key planners, coordinators, investors and supervisors. Other content and service providers are stakeholders in the ecosystem, and commissioning is a way to support the development of value networks and entertainment ecosystems.

4.5 Discussions

This chapter answers the first main research question of this thesis: Why do SVOD services in China invest in original content production? This chapter argues that commissioning is extensively adopted by Chinese SVOD services since it can bring the platforms many strategic benefits, including increasing cost efficiency, increasing control to reduce uncertainties, strengthening brands, advancing market power by gaining and fostering resources such as suppliers and talents, and building a pan-entertainment ecosystem. These benefits are crucial in addressing the challenges faced by Chinese SVOD services during their initial entry period and in laying a foundation for their long-term development.

Chinese SVOD services enter the streaming industry as tech companies. In this emerging market, they face two important issues: building their own supply chains and increasing their industrial influence. These challenges are highly contextual, influenced by the pre-existing industrial environment and the resources available to these enterprises before entering the industry. In the early stages, Chinese SVOD services' limited knowledge of and influence on the pre-existing television industry did not provide them with sufficient negotiation power to secure content supply at reasonable prices. The rapid expansion of content demand and the relatively stable supply of dramas have led to rising prices at a high premium. The study finds that Chinese SVOD services consider commissioning an important strategy to reduce costs because it 'cuts the profits of production companies' (Dong, interview, July 2021). Through commissioning, SVOD platforms provide essential resources, such as funding and distribution channels, increasing content suppliers' dependency on them. Additionally, by building close partnerships with multiple content suppliers, SVOD platforms reduce their dependency on any single supplier. This growing importance and reduced dependency on external resources enhance SVOD platforms' market and negotiation power.

The pre-existing drama industry was dominated by TV stations, and leading Chinese SVOD services needed to build their own influence by gaining producers' trust and having them accept new cooperation protocols. As FM2 mentioned in the interview (see page 126), Chinese SVOD services initially lacked sufficient knowledge in content production despite having extensive user data and advanced Internet technologies. They needed commissioning to integrate into the existing industry, acquire knowledge and experience, and establish long-term, mutually beneficial cooperation with reliable suppliers.

Although SVOD services needed to gain recognition in the TV station-dominated pre-existing environment, they excel at meeting the diverse demands that TV stations find hard to satisfy and at leveraging their own advantages to gain greater benefits from copyrights. With the proliferation of channels, the demand for diverse content has increased. The transformation of the mainstream content acquisition model from copyright-licensing to commissioning reflects a shift from 'channel is king' to 'content is king.' In the 'channel is king' era, anything broadcast on TV would attract a certain number of viewers because content was 'pushed' to audiences, who had limited access to other entertainment options. However, in the 'content is king' era, audience autonomy has greatly increased. They now have access to a multitude of channels and methods to consume entertainment content. Consequently, SVOD services must carefully curate their content libraries to increase the likelihood of their content being chosen by audiences. Content can enhance its attractiveness by better meeting audience needs and preferences, and data is crucial for understanding these needs and preferences. Commissioning allows SVOD services to tailor content based on their audience data, making it a model that better serves their strategic goals.

The proliferation of channels brings more monetisation methods for popular content, thereby increasing the benefits derived from property rights. In China, SVOD services show higher distribution capacity than provincial TV stations, which are constrained by administrative divisions. Netflix has expanded its international distribution capacity through

commissioning content production in transnational territories, and similarly, Chinese SVOD services are utilizing commissioning to expand their domestic distribution capacity. Additionally, TV stations tend to be mere ‘buyers’ of content, while SVOD services can play multiple roles, such as licensing adaptations or developing various derivatives. Chinese leading SVOD services are funded or owned by tech giants, who have diverse business ventures and extensive strategic investment directions. These tech giants have developed content products across different entertainment sectors, influencing various aspects of people's daily entertainment lives. By controlling the property rights of their content, Chinese SVOD services promote synergies among different entertainment sectors. This aligns with Jenkins’ (2008) observation that a small number of international media organisations dominate all sectors of the entertainment industry. In China’s case, domestic media organisations play this role. However, such media organisations had not emerged in mainland China until the rise of Chinese SVOD services.

In summary, the strategic significance of original web dramas includes helping tech company-originated Chinese SVOD services integrate into the pre-existing drama industry to build their supply chains and increase their industrial influence, which are two major challenges they face in the Chinese context. Additionally, commissioning enables them to better meet diverse audience demands and gain control of property rights. It is worth noting that, being owned and operated by private enterprises, Chinese SVOD services have more freedom to use market-based strategies to address the challenges they encounter. Cost reduction and differentiation are adopted to win the competition, and pursuing resources and building pan-entertainment ecosystems aim to create long-term competitiveness and influence. In contrast, state-owned television stations are confined by many constraints. For example, Lin (2022) mentioned that major television stations are trying to maintain their ‘mass media’ position and still focus on ‘educating audiences’ instead of pursuing entertainment and profits. Additionally, some interviewees in this study mentioned that state-owned television stations are not well-financed to compete with SVOD services. Managers

in television stations have to be responsible for the safety of 'national assets,' and any budget requires examination and approval by several supervisors. Chinese SVOD services do not need to adhere to these limits and can extend and supplement the offering of entertainment content.

Chapter 5 Content Production in A Changing Environment

This chapter answers this thesis's second main research question: What forces influence the creative decision-making process in Chinese web drama production? SVOD services have promoted new trends in content production and consumption in the audio-visual industry, and these new trends are inevitably considered when producers make creative decisions. This chapter aims to find out some important factors that influence creative decision-making in web drama production and how these influences are revealed. Based on the analysis of the information provided by the interviewees, the study identified that market, technology, and policies are the primary factors considered by the interviewed producers when making production decisions. To be specific, on market, the force of audience fragmentation; on technology, the force of data; and on policies, the force of content regulation. The following sections will explain the influences of the three forces in detail.

5.1 Force of Audience Fragmentation: Increasingly Diverse Content

In this chapter, the first force examined originates with the audience, specifically the increased audience fragmentation caused by the widespread use of the Internet. Fragmentation is the process of dividing an audience group that was previously provided with a few options into groups that face an increasing number of options (Yu *et al.*, 2009). Fragmentation means that audiences are more diverse, and their preferences are more varied, and thus the demand for diverse, niche entertainment content has grown. Broadcasters use narrowcasting strategies to cater to the tastes of fragmented audiences. For example, they establish new channels, such as Sports channels and Children's channels, to provide specialised programmes with the aim of serving people of different needs (Yuan, 2008).

The rise of Internet platforms has exacerbated the trend of user fragmentation (Doyle, 2016a; Wayne, 2018; Potter and Lotz, 2021). Most of the SVOD users are 18-35-year-olds

with a better educational background than the older generation (NRTA, 2018, 2019, 2020a, 2021). This audience group is skilled in using online tools, is more familiar with online culture, and has more diverse tastes and preferences. They are more fragmented than television audiences. To increase their appeal to different audience fragments, SVOD services use a ‘conglomerated niche’ strategy to serve their users (Lotz, 2017): besides increasing the investment in big-statement dramas that can attract mass homogeneous viewers, SVOD services also place importance on offering many niche dramas. This study is going to verify whether this is the trend in the Chinese SVOD industry and examine how Chinese SVOD services balance the niche strategy with the big-budget strategy.

The Niche Strategy and Big-Budget Strategy of Content Production

The study identified a trend towards increasing investment in 'blockbuster' dramas alongside the popular small 'niche' dramas. In contrast to blockbuster dramas that aim to attract as many audiences as possible through the use of familiar story templates and the most advanced special effects, a niche drama aims to meet the needs of viewers who are interested in special issues (Küng, 2016). SVOD producer Zhou and the marketing manager of a big production company, Zhang2, emphasised the rising of big-budget dramas in the interview. Section 4.1 cites Zhou's speech about the high investment from Tencent Video in ‘big IP’ dramas. Zhang2 also mentioned the most obvious change SVOD investment brought about to the drama production industry.

The entry of SVOD services into the drama production market brings some benefits, such as ‘spend big to achieve big results.’ Before their entry, the output value and financial scale of the film and television industry were not so large, and it was very rare to see people spending enormous amounts of money on one drama. This huge budget on one drama production is brought by them. (Zhang2, interview, January 2021).

Zhang2 directly pointed out that SVOD services are employing a big-budget strategy to

produce content, a practice that was uncommon before their emergence. She explained that the reason is that SVOD services need a ‘big voice and big influence’ because ‘they need representative drama cases to attract investors and advertisers’ (Zhang2, interview, January 2021). Although she does not think big investment essentially leads to ‘good’ dramas, she admitted that the capital brought by SVOD services provide essential financial support for the industry.

Other interviewees mentioned the niche strategy used by SVOD services. For example, Wang1 mentioned that his team had thoroughly studied the market and found out that ‘a drama has to be very ‘segmented’ and has very ‘good quality’ for it to be a ‘hit’ drama.’ (Wang1, interview, October 2020). His team believed that clear audience location and good quality are the basic attributes of a ‘successful’ drama, and ‘success’ is the precondition of a ‘hit’ drama. Wang1’s opinion can be verified by IQIYI’s CEO Gong Yu, who explained the value of niche dramas at the 2020 China (Shenzhen) International TV Drama & TV Programme Fair (2020 Shenzhen Fair for short):

Now the boundaries between these audience groups are clearer. It is unrealistic to dream of making every drama break the circle, to attract men and women, young and old, north, and south. Your better choice should be to serve a certain type of audience group. Circle-breaking needs some luck. [...] Of course, cost needs to be controlled. A niche drama cannot cost the same as a circle-breaking drama. Because that is not economically efficient. (Gong Yu, cited in CTPIA and CBBPA, 2021, p. 41)

‘Breaking the circle’ means something was well-known by a lot of people other than its original fans or targeted audience segments (B. Zhou, 2021; Li, 2021; Liu and Li, 2021). For web dramas, ‘breaking the circle’ usually means that a lot of unexpected viewers are attracted to the drama, and the drama becomes a hit as a result.

There are three implications that can be drawn from Gong Yu’s observations: First, as

audience boundaries become clearer, content producers should pay more attention to the value of content that serves a segmented audience. Second, content for segmented audiences should not cost too much, which means dramas with lower costs and fewer episodes are welcome on SVOD platforms. The third point was not explicit but implied in his comments: when the quality is sufficiently high, small web series targeting niche audiences have the potential to ‘break the circle’ and generate significant revenue. Gong Yu’s statement follows on from some of his earlier remarks at the 2019 IQIYI World Conference, where he argued that ‘web dramas are not suitable to be too long because young people don’t have the patience to follow them after 36 episodes.’ (Gong Yu, cited in *IQIYI World Conference*, 2022). Therefore, ‘short episodes are the trend’ (ibid).

Due to the relatively small investment, it is still possible for a niche drama to be financially successful even if it does not ‘break the circle’. Dai is a producer and the leader of a small production company who made the following observations:

Because the cost of a single drama has declined, there can be many new dramas at the same time. [...] So, I can target a specific audience. If I serve young girls well, then I do not have to serve mothers; if I serve men well, then I do not have to serve women. I can distribute the content to a specific group of people and get a few clicks. Because I cost less, right? I can still make a profit. The same principle works for SVOD websites. The cost is lower, so I will release more dramas, giving you more options. Eventually, I will still generate considerable revenue. This is the way it works. (Dai, Interview, July 2021)

Dai emphasised that it is easier for niche dramas to make a profit because they are produced at a much lower cost. Small producers can profit by producing niche dramas, and SVOD services can offer more titles for the same budget. As a result, niche dramas are favoured by both small production companies and SVOD services. Regulators are encouraging the production of niche dramas too. In the document *Notice of NRTA on Further Strengthening the Management of Drama Production* issued in February 2020, the regulation ‘advocates the production of dramas of no more than 40 episodes and encourages the creation of short

dramas of 30 episodes or less'(NRTA, 2020b).

Insights into whether niche strategies contradict 'blockbuster' strategies and how these two approaches can be simultaneously fulfilled can be found in the comments made by Wang Xiaohui, the Chief Content Officer of IQIYI, during a public interview:

We have been emphasizing the 'content pyramid': at the bottom is the mass-oriented content, accounting for 85%, and is mainly popular and easy story-based commercial content. [...]. The next 10%, we create content with clear values that reflect the ethos of our platform. On top of that we do big IP, which can strengthen our brand. This is about 4%. The remaining 1% is our dream, which is unattainable: to make epic content. (Wang Xiaohui, cited in Ma, 2022)

He pointed out that IQIYI is using a 'pyramid strategy' to plan the ratio of different content. He did not define each level of the pyramid more clearly, and neither did he specify what 'clear value' and 'the ethos of the platform' refer to. However, in his subsequent comments in the same interview, he said that niche dramas are included in the 85% 'commercial content'; comparatively, the big IP dramas and epic content are big-budget dramas. Niche shows account for the biggest part of all the shows.

Different types of dramas have different meanings for SVOD services. At the 2019 IQIYI World Conference, Gong Yu expressed that 'In the Internet era, big-budget content will be more rewarding while niche content will be easier to distribute.'(Gong Yu, in *IQIYI World Conference*, 2022). Gong Yu's opinion explained the coexistence of these two strategies further. Some web dramas are called 'Super Dramas' in China as they are produced and censored in accordance with the TV series management process, granted a TV series distribution license, and then broadcast in an 'online first, TV second' mode or only on the Internet (NRTA, 2018). 'Super Dramas' are always important projects rated S+ by leading Chinese SVOD services and they have big budgets. Super Dramas are important sources of 'hit' dramas – dramas that have a very high viewership and are usually accompanied by a

great deal of discussion on social media. Hit dramas can appeal to a broad audience and contribute greatly to the increase in SVOD subscriptions. They can also increase the platform's reputation and play an important role in attracting advertising (Chen, 2022; Gong, 2023). Official reports show that 'The top 10 online dramas accounted for 42% of the total viewing' (NRTA, 2017, p.7). In contrast, niche dramas have 'lower cost, shorter production time, and more flexibility' compared to longer dramas, and so 'can be liquidated faster' (CTPIA and CBBPA, 2021, p. 42).

The coexistence of big-budget dramas and niche dramas provides new opportunities for diverse production companies in the market. Section 1.2 introduces the landscape of drama production industry before the rise of SVOD services, and the market was dominated by big production companies. Currently, production companies of different sizes can find their proper positions, as Dai described:

(Big production companies) tend to focus on big-budget dramas. [...] because their operational costs are too high to be covered by the profits from a niche drama. [...] In contrast, smaller companies are more agile, and their operational costs are lower. [...] Thirty million yuan was a very considerable income for a small company, but too little for a big company. (Dai, Interview, July 2021)

The depiction of an industry involving niche and big-budget strategies is evident in the statements listed above. Facing a more fragmented audience groups, Chinese SVOD services place much importance on both niche dramas and big-budget dramas. Investment in big-budget dramas is increasing because platforms can attract a broad audience and subscriptions. Investment in niche dramas is equally important as SVOD services rely on them to attract audiences with different interests. High quality niche dramas have the potential to be 'hits.' They cost less to produce and are quicker to turn a profit. Moreover, the market provides opportunities for production companies of different sizes, promoting diversity not only in content but also within the industry.

Increased Audience Diversity: Expansion of Genres

Previous studies of Kang have found that web dramas play an experimental role in the Korean audio-visual industry (Kang, 2017, 2021). ‘The form taken by web drama was a result of the creators’ experiments with short-form narratives, innovative storytelling aesthetics, and thematic expansion’ (Kang, 2021, p. 12). This raises the question of whether this phenomenon is also observed in China, another East Asian country. The findings of this study show that the answer is yes. On Chinese TV, three groups of dramas are common: ‘historical/ political; social (or reform) issues; and contemporary popular culture’ (Keane, 2005, p. 84). These genres and topics are widely liked by the public and regulators, and thus very safe for investors. Comparatively, web series are trying to experiment with a broader range of genres.

Wang1, who worked in IQIYI, mentioned a phrase ‘segment expansion’. The phrase referred to seeking genre expansion through developing content suitable for different audience segments:

60% of our users are female, and most of them are aged between 19 and 35. But dramas in the Mist Theatre, such as *The Long Night*, are obviously male-oriented dramas. Why do we produce so many male-oriented dramas? Because these genres are easier to generate good word-of-mouth. [...] And segment²³ expansion is also important. We have 40% male users. We cannot ignore their preferences. (Wang1, Interview, October 2020)

Wang1 said that IQIYI is trying to attract more audience segments and is thus exploring

²³ The Chinese media industry always uses the word “circle” instead of “segment”, but here uses “segment” as the translation.

themes that are not typically female-oriented. This exploration is only a representative of their efforts in ‘segment expansion’. They divide audience groups both demographically and according to their favourite topics. As Gong Yu said at 2020 Shenzhen Fair:

The segments of drama audiences are becoming clearer, and the trend toward fragmentation of works is becoming more obvious. Chinese online audience can be mainly divided to four segments: young women, young girls, young boys, and young men. (Gong Yu, cited in CTPIA and CBBPA, 2021, p. 41)

Gong Yu divided the online video audience into four major segments: young women, young girls, young boys, and young men. Romance dramas, such as dramas in the Sweet On theatre and those adapted from female-oriented online novels, are targeted at young women and young girls. Suspense dramas, such as dramas in the Light On theatre and those adapted from male-oriented online novels, are targeting at young boys and young men. Comedies, such as dramas in the Laugh On theatre, are targeting at audience of all ages and genders. IQIYI depicts the ‘user profiles’ of the audience segments by audience data analysis and prepares content for different groups according to their main preferences.

At the 2020 Shenzhen Fair, Gong Yu also stated that viewers can be subdivided into smaller segments beneath the four major segments, such as ‘suspense fans’ or ‘science fiction fans.’ Currently, some segments find it difficult to access their favourite content on Chinese TV, but the Internet can better cater to them. The Internet has given rise to a variety of subcultural groups and enables people to learn about the world outside of their daily lives and experiences, such as unfamiliar occupations and hobbies. These subcultures and interests provide excellent topics for web dramas to tell stories, and web drama producers are taking advantage of them in practice. For example, the first genres that were explored by web series were tomb raiding and supernatural. *The Lost Tomb*, which was premiered on IQIYI in 2015, was the first series to present tomb raiding as a drama genre. Adapted from the popular novel *Grave Robbery Notes* by Nanpai Sanshu, *The Lost Tomb* tells the story of a young man, who,

with the help of his friends, goes to explore mysterious tombs in search of lost treasures. Tomb raiding is illegal in China, and it is difficult for TV stations, which are public services, to broadcast such content, and the web series had to change the purpose of the main characters' adventure from 'finding treasure' to 'protecting cultural relics' during in the adaptation process. *The Lost Tomb* was a great commercial success. Following this, tomb raiding became a popular sub-genre of web dramas and movies.

Supernatural dramas are similar. In Chinese culture, ghosts, monsters, and magicians are common supernatural elements. These elements are seen as superstitions, and they are difficult subjects to put on television. But the supernatural is a popular genre of online literature. Web dramas have brought the supernatural content onto the screen (although the settings need to be modified to be less 'superstitious'), with the production of dozens of popular supernatural dramas, such as *Soul Ferry* and *Wu Xin: The Monster Killer*. Similarly, dramas focusing on special occupations, hobbies and sports have been developed in quick succession. For example, some shows focus on psychologists, hypnotists, puppeteers, etc.; others focus on tennis, basketball, swimming, e-sports, and other sports.

The same process of segmentation can be applied to different audience groups. To address the themes of emotion and validation for female audiences, Linmon Pictures produced *Twenty Your Life On* for women in their twenties and *Nothing but Thirty* for women in their thirties. The former featured four girls who have just graduated from university and are entering society, while the latter tells the story of three urban women in their thirties, and the pressures they encounter from their families and the workplace. Similarly, suspense/crime dramas usually target a male audience, but *A Murderous Affair in Horizon Tower* is also trying to reflect the living environment for females by telling a female-focussed murder story. For a long time, time-travel dramas have been about women who travel back to ancient times fall in love with princes, but now there are men who travel back to ancient times and become heroes, such as *Joy of Life* and *My Heroic Husband*. Web dramas offer

greater possibilities to tap into new genres and topics.

The main web drama themes that are popular in China today gradually emerged after the initial experiments on genre expansion. Suspense, campus youth and sweet romance have become the most popular themes (NRTA, 2020a, 2021), but some high-quality dramas with other themes have also gained popularity and are even broadcast on TV if they accord with the popular ethos of TV dramas. Genre expansion greatly improves the diversity of content. Moreover, as the quality of original web dramas have been improved due to the ‘more mature content production methodology’ (Gong, 2023), the leading Chinese SVOD services are described by some media critics as ‘a place that goes beyond the viewer’s imagination and makes the dramas better’ (Xu, 2023).

5.2 Force of Data: Datafication of Drama Production

The second force studied in this chapter relates to audience data analysis. Thanks to the return data collected via the Internet, online platforms streaming web dramas can record nearly every viewer interaction during their viewing process. This capability allows them to collect and analyse audience data with a level of detail and precision that was unimaginable 20 years ago (Hallinan and Striphas, 2016; Doyle, 2018). The collection and analysis of this kind of data has been claimed to be an important source of competitive advantage of Internet platforms over TV stations (Doyle, 2018; Wayne, 2021). And as the web-connected platforms are becoming critical distribution channels for media content, the value of the digital traces left by content consumers has gained increasing attention from media suppliers (Napoli, cited in Doyle, 2018).

Netflix’s use of data in content production has attracted attention from scholars. One notable aspect of its datafication is its data transparency. Netflix used to closely guard its valuable audience data, but after a series of legal actions, it began to regularly publish

audience viewing data (Wayne, 2021; Sherman, 2023). The second point is its use of data in content production. Its executives ascribed data analysis as an important factor contributing to the success of House of Cards in 2012, but in 2015, they openly acknowledged the limits of data-driven programming (Wayne, 2021). This section will explain these two points of Chinese SVOD services based on the evidence provided by interviewees.

Key Data and The Transparency

SVOD platforms collect data about how users use the various functions on the interfaces, and then analyse this data to understand viewers' preferences. The results are categorised into different 'user profiles', which can help their staff to make decisions. Zhou provided relatively detailed descriptions of these 'user profiles':

Platforms have their own user profiles. What kind of plots might their users like? What kind of characters they like? What kind of genres they like? [...] The user profiles of different platforms vary. Data is recorded and traced. Information like when the viewers like to send bullet screens, the content of the bullet screens, the number of bullet screens in each episode, what their content preferences are, what the keywords are, all these will be recorded in the platform's data centre. (Zhou, interview, March 2021)

The user profiles are derived from analysis of users' digital traces and help clarify the preferences of users. The analysis mechanism and the categories used are highly confidential. Comparatively, the viewing data of programmes is directly displayed on the interfaces of these platforms. 'Walking through' on the interfaces of my study cases found out that their layout pages are cluttered with functions and information as previous studies pointed out (see Wang and Lobato, 2019). They provide many functions on their pages and apps, especially functions related to social networking, so the interface contains many operational areas. Besides the regular buttons related to video playback (such as play/pause, play speed, volume, select episodes, etc.), the playing page on most SVODs also contains areas for

commenting, sending and showing bullet screens²⁴, ‘you may also like’, etc. The screenshot below shows a typical drama playback page on Chinese SVOD services:

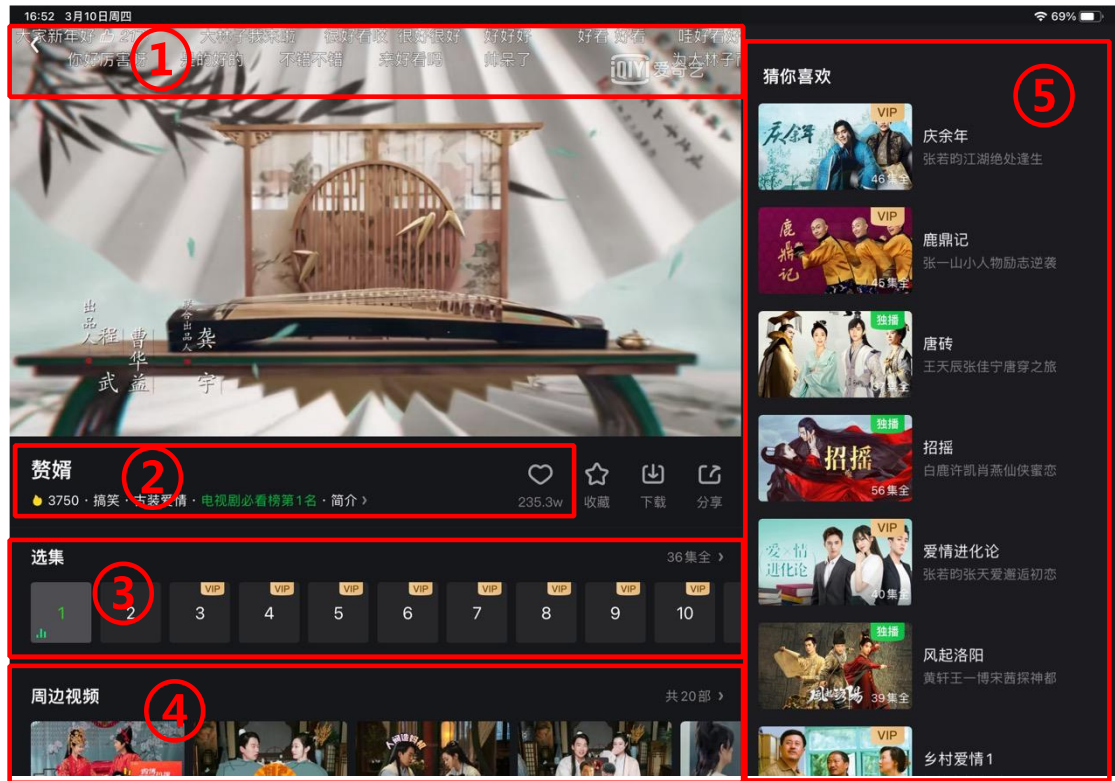


Figure 5: A screenshot of IQIYI’s drama playback page (on its app) (taken on 1st March 2022). Important areas on this page: (1) Bullet screen; (2) Name of the drama, play heat and kudos; (3) Episode list and the quick access to buying a membership; (4) Highly relevant clips (trailers and bloopers); (5) ‘You may also like’.

This screenshot shows that the leading SVOD services publish their rich audience data – including viewing counts as well as the recordings of other interactive traces of viewers –

²⁴ Bullet screen is a kind of dynamic comment shown over the video screen and very popular in China (Cao, 2021).

directly on their platforms, and everyone can access the data easily. But it is also worth noting that the ‘play heat’ of the drama is calculated from a series of audience data instead of simply viewing counts or viewing time. The reason for calculating the ‘play heat’ this way and issues surrounding their data transparency need further investigation. Let us first examine the degree of data transparency on leading Chinese SVOD services. When talking about this topic, interviewees discussed the platforms’ openness in sharing viewing data:

Some data is publicly available. We can see the public data like... like the popularity of dramas. Some [WeChat] Industry Official Account will also publish relevant information like what drama becomes a hit. (Dai, interview, July 2021)

We can apply for a company account on IQIYI’s website, then we can see the viewing data of our dramas on the backstage pages. [...] We can also see other viewer data such as the ratio of genders, their locations, and their age ranges. (Wu, interview, May 2022)

These two speeches support the idea that SVOD platforms have a relatively high data transparency. It can be seen that the platforms not only publish audience data on their platforms, but also share more detailed data with cooperative production companies via a special account. When asked why the platforms share data to this extent, the answers given were as follows:

We need to prove that our shows are popular, and the best way to do this is to publish the popularity of the shows. [...] We can give our users, our investors, and our partners more confidence in this way and show that we do not lie. [...] This also contributes to the improvement of industrial standards. [...] There is no need to hide [the data]. Why do the television channels publish their viewership? We do the same thing. (FM2, Interview, May 2022)

They rely heavily on the income they receive from advertisers. As a result, they cannot hide their viewership data. (Dai, Interview, February 2022)

Transparent data is crucial for revenue-sharing dramas because producers depend on viewing data to calculate their revenue share accurately. ‘For licensed dramas and commissioned dramas, it is only one of many ways to help assess how well we did.’ (Wu, interview, May 2022). Interviewees provided different explanations regarding the high data transparency. For SVOD staff, presenting highly credible data is crucial to winning subscribers, investors, and partners. Publishing viewing figures allows the public to scrutinise the authenticity of the data, thereby increasing credibility. Dai, a representative of drama producers, emphasised that the need for data transparency is a result of the business model. For service providers that rely on advertising, consistent and publicly available ratings data is essential to attract advertisers (Wayne, 2021). Also, the existence of revenue-sharing content makes it essential for SVOD services to share comprehensive data with partners.

Despite the relatively high transparency of play counts, Chinese SVOD services use different methods to collect and display their viewing figures. Tencent Video, Mango TV and Sohu Video directly show the number of plays, usually the plays of a whole season. IQIYI and Youku, on the other hand, display viewership as ‘heat’ ratings, which are calculated according to different formulas. In a news report, Li Xuelin, CEO of a third-party data company Enlightent, said:

There has never been a unified industry standard for play counts. For example, in the previous calculation system of IQIYI, the play counts for dramas, movies and variety shows only included the plays of the main content and highly relevant clips (trailers and bloopers), but not less relevant content (such as celebrity interviews, off-camera commentary videos, etc.). Tencent Video’s play counts, on the other hand, are divided into two categories: single video plays, and album plays. Youku and MangoTV also have their own calculation methods. There is no national standard, no industry standard. If we simply use foreground clicks to assess what the hottest web drama was in 2017, there will be great disagreement [between platforms] because each of them has a different calculation method. (Li Xuelin, cited in Zu, 2018)

Inconsistent data provides SVOD services with opportunities to interpret data to their own

advantage but makes it more difficult for stakeholders to compare data between different platforms. To assist investors and producers in making informed decisions, several third-party data companies have emerged, offering data services. These companies publish daily rankings of web drama popularity, incorporating viewership data from SVOD platforms alongside social media buzz and employing proprietary calculation methods to finalise rankings. Different data services generate different rankings too because they are ‘using data to serve different business goals’ (Dai, Interview, February 2022). Some think ‘this situation of diverse voices is clearly not conducive to a consensus direction, leaving industry activities such as investment, creation, scheduling, and trading without a clear value scale, and the overall operation often in confusion and disorientation.’ (CTPIA and CBBPA, 2021, p. 24). But producers who have taken part in my interviews said that checking data from multiple providers is helpful when trying to assess the latest market trends. At the time of this study, there are no signs that there are any plans to address the inconsistencies in data publishing across the industry.

The Role of Data in Creative Decision-Making

It is essential to understand how data is used to inform content production. The importance of data varies between production companies and SVOD services, as well as for different phases in the production process. For independent production companies and producers, data plays a crucial role in informing them about market trends and identifying various target groups for SVOD services. As Wu said in the interview:

(When we are planning a project), we will review the latest viewing data from professional data providers, such as Endata, DengtaData, and Maoyan. We also examine the latest articles in trade press and industry analysis reports published on WeChat official accounts. (Wu, interview, July 2021)

According to Wu, producers need to be sensitive to the market, and information from

multiple channels, such as data service companies and trade presses, can contribute to more robust decision-making as content that is in line with current trends is more likely to succeed. There are also other ways that production companies can use data to assess market trends. For example, Dai stated that she would like to occasionally talk with other practitioners to keep informed about the market news, while FM1 mentioned that her company would use the method of focus group interviews during the brainstorming phase to test the potential popularity of an idea. Different production companies use different methods to predict the market. In most cases, data freely available on public channels is sufficient for them to make early decisions. The overall market trend can be easily analysed from publicly available data, and SVOD services also communicate with producers about their demand from time to time. ‘They do not tell us what they want, but they tell us what they do not want. For example, recently they said they do not want more sweet romance dramas as there are already too many of them.’ (Dai, interview, July 2021).

Data advantage plays a bigger role for SVOD services in making investment decisions. Zhou from Tencent Video describes the role of data analysis in his work:

The data centre is only helpful for content evaluation, that is, whether to buy this IP and whether to do this project? If there is an original script, to what extent will it be liked by our users? Data is quite critical and useful in helping us to make this decision. [...] [It] can help us to depict the profile of the mainstream users on our platform more accurately, and then we will be able to make more intelligent decisions about which original drama to make, or buy, or which IP to develop. The data centre plays an important role in this process. (Zhou, interview, March 2021)

What Zhou’s interview reveals is that data is an important source of reference for the platform’s investment decisions. SVOD platforms want to secure a better return on their investments, so they need data to make predictions about the likely success of the project. Based on data, Chinese SVOD platforms can evaluate content from the early stages of the project. Platforms rate the value of a project from S to D. S-rated dramas are usually big-

budget IP adaptations²⁵, where the original IP has a certain fan base and a long story that can be extended to dozens of episodes. A-rated dramas are those with inferior or shorter scripts, and B-rated dramas are even worse. The higher the rating, the greater the investment and resources the project will receive from the platform:

[The allocation of resources] depends on the ratings. For example, if we have an S-rated script, we will match it with an S-rated leading director and S-rated leading actors. If it's rated A, then A-rated actors and A-rated directors. (Zhou, interview, March 2021)

The evaluation systems of Chinese SVOD services assess scripts based on their market value, considering factors like plot complexity, themes, and length. Additionally, they evaluate other relevant resources such as actors, directors, and production teams. As they need to match the project with appropriate resources, they must analyse the data of both audience and producers. To meet the needs of the evaluation system, information outside of the SVOD platforms also needs to be collected and analysed.

For SVOD services and investors, data is helpful in predicting the popularity and financial returns for a project and in configuring resources. But in the content creation process, the data is the icing on the cake rather than playing a decisive role.

When it comes to the real IP adaptation and script development stage, the data centre will actually be much less helpful. [...] At the moment data is only heavily used in content evaluation and making [investment] decisions. In fact, the script polishing still depends on human resources, on human experience, because a machine cannot replace people at this stage. This is a very important

²⁵ IP: Intellectual Property. In Chinese VOD industry, this word is used to describe content that already has a batch of fans.

reason why the platforms now need so many experienced planners and producers. (Zhou, interview, March 2021)

Zhou mentioned that some SVOD platforms have relied on data when undertaking script revision, but the outcome was not beneficial, so the data centre is now only used for content evaluation and investment. As one of the experienced employees within the platform, Zhou does not believe that data plays a very important role in the creative development of projects but instead reaffirms the role of human resources.

Another interviewee, a producer Dai, went into more detail about why data should not determine scriptwriting. One of the production companies she had worked for used a data system to analyse scripts:

Screenwriting has some principles and rules, but you cannot set rigid guidelines for what must happen at specific times [...] For example, there is a narrative rule that the first act should take place within the first eight minutes. However, some films extend the first act to 15th minute or even 25th minute and they still become classics. [...] [The previous company] analysed each drama and concluded that the viewership for a love quadrangle is higher than the for a love triangle, and that the male lead definitely cannot perform certain actions. These rules were very clear. Are the conclusions correct? I cannot say no. But the male lead absolutely cannot perform certain actions? I'm afraid that's not true. (Dai, Interview, February 2022)

Dai believes that some narrative templates can be derived from the data. As she mentioned in the interview, 'the first eight minutes of the film need to be the first act' and 'the viewership for a love quadrangle is better than for a love triangle'. These templates, derived through data analysis and summarisation, are already effective, and with better scheduling, the viewing figures for shows with this set of templates can increase significantly. This has been verified through her experiences at her former company. That said, the changing timings and trends require changes to the rhythm and flow of telling a story, which means that the writers must constantly break out of the existing framework to innovate. Thus, the

templates can only be used as a reference, not a rule that the content must strictly follow. Dai used some examples from the ever-popular Korean drama *Full House* to show that the male lead did not follow the rules that her previous company had set but was still a very popular character. While data is indeed useful, it cannot determine content creation, but only serve as a reference.

IQIYI's producer gave out an example about how data is used as a reference in content creation:

We plan the themes or the points of interest according to the user's preferences. Despite this, it cannot be said that data plays a decisive role in these decisions. For example, if we are going to make a costume drama, you might think that the storyline of power struggle would very good, but the audience may be more concerned about, for example, storyline of couples or romance. We may consider adjusting the script slightly but won't change it greatly [...] I think data has some influence, but it is not decisive. (Dong, interview, March 2021)

From Zhou, Dai and Dong, it is clear that the data is more useful in improving the quality of a drama rather than determining the core content. The human is still the most important content creator. This conclusion is verified by the experience of Chinese SVOD services. The failure of data on content creation is partly ascribed to its hysteretic nature. Data analysis is 'hysteretic' because it is based on what has already happened, but it cannot create new things. 'To some extent, cultural creation needs to lead the taste of the audience instead of re-cooking leftovers.' (Wu, interview, March 2021). Overly catering to the existing tastes of the audience can hardly lead to innovations and breakthroughs. IQIYI's Chief Content Officer Wang Xiaohui admitted in the public interview that the method of 'catering to the preferences of audience' that have been used in recent years should be reconsidered (Wang Xiaohui, cited in Ma, 2022). Currently, Chinese SVOD services are constantly recruiting more experienced producers to expand the number and size of their studios to promote better drama production.

After production concludes, data regains its importance when producers distribute their content across various platforms, particularly when opting for revenue-sharing models. The compatibility of SVOD platforms plays a crucial role in determining their revenue potential. Dai mentioned her reliance on data services when she was distributing a drama:

We once distributed a drama to multiple platforms [through the profit-sharing mode]. We found that Youku was not very suitable for us. The drama had 8000 ‘heat’ on both IQIYI and Youku. On IQIYI, 8000 ‘heat’ was a very big number, and we then had a very good revenue; but on Youku, the similar number did not bring us a satisfying income. The data service company told me, on Youku, we need to reach 9000 ‘heat’ to ensure a good return. (Dai, interview, July 2021)

Dai told the story of distributing a drama through the revenue-sharing model to platforms. She used the example of comparing the ‘heat’ numbers between different platforms to show how data is used when she made distribution decisions. Professional data services greatly contribute to the process.

In summary, data analysis is helpful in some but not all types of decision-making during content production. Data is essential for understanding market trends and helps companies: (1) make investment decisions; (2) make distribution decisions; (3) configure production elements and resources; (4) improve the quality of content. However, it only derives conclusions from existing information and experiences, and cannot ‘create’ new ideas. Human creativity is still the key to content creation and innovation.

5.3 Force of Content Regulation: Opportunities and Risks

The third force examined in this chapter arises from content regulation. In China, TV drama production carries significant policy risks, particularly concerning censorship. The ability of a drama to pass censorship is a critical concern for all producers interviewed. Some studies suggest that censorship and related regulations impose constraints on the development of the

Chinese drama industry (e.g., Keane, 2015), while others argue that these regulations have not been a significant problem for talented producers (e.g., Lin, 2022). Meanwhile, it is found that regulators had shown more ‘mercy’ towards web dramas than TV dramas before 2014 (L. Li, 2019). This section will continue these discussions and explore how regulations affect the production of web dramas. It will investigate whether stricter regulations on web dramas significantly impact creative decisions.

Opportunities

The most obvious characteristic of China’s governance regarding online videos is that it is ‘opportunistic and open to experimentation’, which means policies are developed in a process of ‘continual improvisation and adjustment that ‘shapes itself in the making’” (L. Li, 2019, p. 7). In other words, the regulators allow the industry to develop freely and stand by to observe before the ‘negative’ aspects emerge and grow, when the regulators then intervene to regulate. For a long time after 2014, web dramas continued to enjoy a much more lenient policy environment than TV dramas. The lenient policy environment gave web drama producers a lot of space for content creation. Themes and scenes that are not allowed in TV dramas can exist on web series in an implicit way. Also, SVOD services have a larger quota for content with some themes that are not completely forbidden but limited on TV.

Multiple interviewees have mentioned that regulations on web dramas used to be less onerous than for TV dramas, as anonymous interviewee M1 summarised, ‘In general, TV dramas can be streamed online, but web dramas can not necessarily be broadcast on TV.’ (M1, interview, December 2020). Although many of them cannot pinpoint the exact time when they began to feel the regulations were becoming tighter, some of them can give examples of dramas that were permitted in the past but are now forbidden. M2 is one of them:

Day & Night is an appealing drama. It had very good viewership, with good

quality and word of mouth. But *Day & Night II* is in dystocia. [...] Because its script cannot pass the censorship. The story is a bit...the main character is a policeman, and he covered up for his criminal brother. The script of the first season was accepted by censors, but now the subsequent script cannot pass the censorship, because a policeman cannot do negative things like this. [...] The standard of censorship changes fast, who knows what the destiny of this drama is. (M2, interview, May 2022)

Day & Night premiered on Youku in 2017, after the so-called ‘end of cultural zoning’ in 2014 (L. Li, 2019). M2’s speech verified that regulations on web dramas were still not so strict in 2017 but were becoming stricter now. The risks brought by this change will be discussed in the next subsection, and this part will focus on the opportunities that looser regulations on web dramas bring.

As mentioned in 5.1, restrictions on themes are less onerous for web dramas than for TV dramas. For example, themes such as the supernatural and tomb raiding are not allowed on TV but can be featured in web series. Another theme that provides a good example is BL, i.e., boys’ love, which means putting homosexual males in the main roles and focusing on their love stories. BL is a very popular genre among women readers in online novels, so many BL novels have been purchased by studios and adapted into dramas. Chinese society tends to be conservative. The nation does not prohibit homosexuality but does not encourage gay themes in entertainment either. 2016 saw the launch of a BL web series *Addiction*. In this small-scale, 15-episode web series, the two male leads were high school students who went on to live together. The first 12 episodes were streamed and gained a large number of fans without any explicit depiction of the male leads’ love story. But when their love for each other became clear and explicit, the drama was suddenly banned by the administration and then it was removed from all the platforms before the series run was complete.

But if the homosexuality is not explicit, BL web dramas can be tolerated by the administration. *Guardian* in 2018, *The Untamed* in 2019 and *Word of Honor* in 2021 were

all big hits adapted from BL novels. To avoid policy risks, the production companies treated the love between the two male protagonists as friendship, but still retained some ambiguous interactions between the two men to cater to female viewers. In these dramas, the main actors were originally unknown, but their commercial value soared as the dramas became big hits. In some NRTA public meetings, experts had been critical of the mass production of BL dramas, and some said that BL dramas were not welcomed by administration, but there was no explicit ban from the NRTA. Therefore, attracted by their profitability, a large number of BL dramas were established. It was not until early 2022 that the NRTA announced that BL content adaptation was formally banned (ChinaNews, 2022). Although existing BL dramas could still be watched, dramas yet to be released, even if their production had been completed, could no longer be released.

Even for themes that are allowed within both web series and TV series, the web series can tell the story in a bolder way. The 2015 ‘time travel’ web drama *Go Princess Go* is an example this. ‘Time travel’ was a popular genre of Chinese dramas though it is no longer allowed on TV now. Usually, the core of a time travel story is that the soul of a modern female travels back to ancient times and becomes another person. With modern memories, she adheres to the rules of ancient society, learns the customs of the time, and falls in love with ancient celebrities (usually princes or nobles). Despite the ‘time travel’ setting, these dramas were more similar to the popular Chinese ‘historical parody’ genre²⁶, which shows the life of the royal court from the viewpoint of the modern imagination. *Go Princess Go*’s story was significantly bolder. It was about a modern man who fell into the water and became a female princess in an ancient dynasty that never existed in real history. As a comedy, the drama had a lot of content that came close to but did not cross the censors’ ‘red line’. For

²⁶ historical parody: xishuo lishi (Keane, 2005, p. 88)

example, the costumes of the female characters were too revealing for ancient people; despite his female body, the protagonist still saw himself as a man, and often touched the bodies of other female characters in a sexually suggestive way. *Go Princess Go* was removed from the platform for modifications required by the administrators. After deleting some scenes that were too ‘pornographic’, it was relaunched and can still be watched today. This would be unimaginable in a TV series.

The more lenient regulation of web dramas is also shown in the quotas for costume dramas. Costume dramas are an extremely popular genre in China, but they often focus on the rivalry of princes and nobles or combine with fantasy themes that are far from reality and do not meet the nation’s ideological goal of promoting ‘positive energy’. Since 2011, the NRTA has limited the number of costume dramas that can be broadcast on TV. First, the broadcast of some sub-genres of costume dramas was prohibited during prime time on satellite TV channels, and then in 2013, the total number of episodes of costume dramas (all sub-genres) broadcast per month and per year was limited to 15% of the total number of episodes of all content broadcast in that month/year (MaoyingTV, 2019). As the quota on TV was too small to satisfy audience demand, many costume dramas shifted to online streaming. It was not until late 2018 that the quota policy for costume dramas was applied to web dramas. However, the proportion of costume dramas amongst web dramas is still much higher. In 2018, the share of costume web dramas reached 32%; in 2019, the share of costume web dramas dropped slightly to 26% due to the introduction of quotas (MaoyingTV, 2019). Comparatively, M3 mentioned in the interview that ‘some television stations still reject any costume dramas recently.’ (M3, interview, May 2022).

It is worthy of notice that most of the interviewees in this study believed that this supervision could help to improve content quality. For example, as the censors in the relevant administrations have strong and relevant educational backgrounds and have many experiences in producing or reviewing dramas, they often make suggestions that can improve

the quality of the scripts (Dai, Interview, February 2022). Some special themes, such as criminal investigations and important historical productions, must be examined by the Ministry of Public Security or trustworthy history professors, and thus the producers can gain additional support and insight from these experts (ibid). Except for circumstances where the themes are too sensitive or too offensive, the scripts usually pass the censors after making the revisions suggested by the censors (ibid). FM2 mentioned in the interview:

Let me take web movies as an example. In earlier years when the web movies had just appeared, the quality was very low. Many web movies were filmed on cellphones and contained many inappropriate elements such as sexual innuendos. Then, the regulators took measures to require every web movie to register its scripts on a website and secure a registration number before production and distribution. [...] The quality of web movies improved a lot as producers knew they would need to submit scripts for regulation they do not dare risk losing the registration number. (FM2, interview, May 2022)

Dai and FM2 believed that content regulation is helpful in improving the quality of online content. Other interviewees did not directly express a positive attitude towards content regulation but did not attribute the success or failure of a project solely to regulation. According to FM1 (interview, July 2021), 'Content production is a teamwork [...] It requires the efforts of all casts, scriptwriters, directors, and so on.' Moreover, if regulation had significantly stifled creativity, as many have feared, it would be difficult to explain the increasing ratings of dramas on Douban.com in recent years despite tighter regulation.

Risks

Policy development under the 'shaping itself in the making' procedure is a double-edged sword. On one hand, it allows for the production of dramas with diverse themes. On the other hand, it renders content regulation obscure and subject to rapid changes. One characteristic of Chinese content regulation summarised by Li (2019) is 'secrecy', which means that 'no formal policy decisions' take place (L. Li, 2019, p. 7), and sometimes no public document

or announcement is published by regulators. Sometimes new regulations are released by a bureaucrat in a meeting, and sometimes new bans are only issued orally. Therefore, analysing written policy is of limited value in studies (ibid). Content regulation is also fast-changing, which has been mentioned by some interviewees of this study. Since regulations are developed after regulators have observed something that is inappropriate, some dramas that were initially allowed to be released may be banned later. This is the sword of Damocles hanging over every producer. In addition to the case of *Day & Night* mentioned by M2 in the previous subsection, Dai mentioned a few cases in the interview:

Sometimes, the regulation was relatively lenient when drama was undergoing registration, but a few years later, the regulation suddenly became stricter. [...] A producer registered a drama five years ago and wanted to film it now. This is quite common. [...] But after the drama was filmed and made, the regulator told him the drama could not be distributed unless some important storylines were revised. (Dai, Interview, February 2022)

Dai mentioned that it is common for a web drama registered several years ago but filmed recently to be required to make revisions. Producers naturally incur extra costs when revising the drama, but often this is the only way that the drama can be distributed and released. Some producers, prefer to stick by their creative vision and refuse to revise their work despite the great cost in the hope that regulations will relax again in the future. Based on her own experience, Dai believed that most dramas would be approved with only minor revisions. But ‘the probability of a script being returned for revision seems to have increased in recent years.’ (Dai, interview, February 2022).

The increasingly strict regulation on content also affects dramas that have already been released. The removal of the BL web series *Addiction* mentioned in last sub-section is a good example of this kind of drama. *Addiction* was banned and removed from all legitimate platforms even before it was fully released. But when *Addiction* was removed, dramas that were adapted from BL novels and changed the love affairs between two male leads to deep

friendship were still allowed to continue. However, regulation on BL dramas was further tightened in the autumn of 2021, when the NRTA announced that any drama that was adapted from a BL novel could not be shown (Zhao, 2021). Luckily, the BL dramas that have already been released will not be removed, but those that were being filmed, or that had completed production but were yet to be shown will not be seen by their intended audience.

In fact, most production companies, especially those large companies that have produced many TV dramas, place great importance on policy risks and avoid choosing topics that have a high chance of causing controversy. Producers and script writers receive training on content regulation. Anonymous interviewee M1 talked about the elements and policy risks that the planners in his production company need to consider when writing scripts:

The first thing to do is risk control. We can't do things that cross red lines like promoting law violation or drug abuse, or things that could potentially cross red lines in the future. Otherwise, our dramas might never be distributed. (M1, interview, December 2020)

M1's speech shows that production companies try to predict the tightening of regulation in advance. But if a controversial drama has already been produced, keeping it low-key is the only possible way to reduce potential risks. Zhang1 mentioned the case of *The Confidence* which was released by Mango TV in 2020 without any pre-release marketing campaigns. The drama was adopted from a romance novel in which the male lead 'did all the illegal things he can do' (Zhang1, interview, January 2021). Although the illegal storylines have been deleted or greatly revised, Mango TV still worried that the drama might be banned due to the notoriety of the original novel and thus released the drama without any trailers.

Risks related to tightening content regulation are relatively easy to control. Producers can avoid making dramas with topics that are highly risky, or they can accept the suggestions of the censors and revise the content. But there are some risks that exist in both TV and web

drama production which are very difficult to control, namely, ‘tainted stars.’ As described in section 1.2, if an actor or a famous content creator commits illegal or immoral acts that become public knowledge, they face industry-wide bans. Media content in which they have featured will also be banned, though content where they are not in leading roles may remain available after editing out their appearances. For example, in 2018, the famous actress Fan Bingbing was reported to have signed dual contracts – that is, using a compliant contract as the public one, while privately signing another real contract that violated the ‘salary cap’ – thereby evading taxes of more than 100 million yuan. The big IP drama *Ba Qing Biography* in which she played the leading role was banned before broadcast. The investors (included Youku) suffered a great loss. And Fan Bingbing has been banned from the entertainment industry since then.

The tainted star risk is hard to predict and control because it is difficult for many producers to know if an actor, a director, or a famous scriptwriter is engaged in illegal or immoral activities. There are some measures to control the risk, but they do not always work:

The selection of actors, i.e., assessing their reputation and characters, is also a way of risk control. For example, if I know an actor takes drugs, but this has not been exposed, and his popularity is very high. If I decided to use him, there is the possibility of his behaviour being exposed during filming, or during the time this drama is on waitlist to be released after production, or even while this drama is being broadcast or streamed. So, making decisions about whether to use him is also related to risk control. (M1, interview, December 2020)

First, we buy insurance. Second, we will add a clause related to this when we sign contracts with actors. For example, if negative information about you comes to light during the production process or distribution process, and this information affects our income, what you will have to do to make up for our losses. (Zhang2, interview, January 2021)

Before the production commences, producers are very careful when choosing actors, directors, and scriptwriters, and they also prioritise securing insurance and relevant contracts

with actors as critical elements of risk management. However, once a drama is tainted by a scandal involving a key figure, the losses are difficult to recoup. Firstly, it is challenging to obtain damages or reparations from the implicated actor. Secondly, even if compensation is secured, reshooting the drama with a new crew of several hundred people entails significant effort and expense. The production teams incur additional costs in managing these risks. They must hire experts to stay abreast of the latest regulations and pre-censor scripts, establish positive relationships with regulators, and conduct thorough background checks on casts before finalising contracts.

5.4 Discussions

This chapter answers the second main research question of this thesis: What forces influence content decision-making process in Chinese web drama production? Although there are many forces that can be influential, this chapter extracts three forces that are strongly related to the industrial market, Internet technology and government policy from the interviews, namely: audience fragmentation, data, and content regulation.

The trend towards audience fragmentation began in the television era with the creation of niche channels and the ‘narrowcasting’ of television content. This trend has become more marked with the rise of smart devices that allow organisations to understand the preferences of individual users. Audience fragmentation results not only in niche content but also in big-budget content, leading to greater market polarisation. Content that can appeal to a broad audience can still generate huge returns, but achieving such broad appeal has become more challenging. It requires higher budgets and more experienced talent. Some previous English-language studies have identified the production of transnational and big-budget dramas as a new trend accompanying the rise of transnational SVOD services (Doyle, 2016; Noh, 2022). These studies indicate that international capital makes the production of high-end dramas possible, and international markets provide substantial returns for these high-end dramas. In

China, where the domestic market is the primary focus, high-end dramas have also increased with the rise of SVOD services. This suggests that significant budget input is essential in a fragmented market. For transnational SVOD services, audiences can be roughly segmented by nation. Similarly, for Chinese SVOD services operating in a large market with a vast population, audiences are also fragmented in many ways.

The increase in niche content is another trend brought about by audience fragmentation. Niche content costs less and carries lower financial risks. Using niche content to enrich content libraries and conduct genre experimentation is a lower-risk option. This characteristic has been verified in SVOD services across various national contexts. For example, Netflix employs a “conglomerated niche” strategy to serve niche groups, and South Korean SVOD services use niche web dramas for genre experiments (Lotz, 2017; Kang, 2017). Similarly, the ‘pyramid strategy’ used by leading Chinese SVOD services demonstrates their balance between the ‘blockbuster’ strategy and the ‘niche’ strategy. Compared to television dramas, the production of web dramas diversifies the industry. Large production companies prioritise big-budget dramas that can generate significant revenues, while smaller companies prefer niche drama production due to lower risks and higher profit potential. Audience fragmentation directly contributes to the diversity of content supply as well as the overall diversity of the industry.

Datafication is a key mechanism of digital platforms (Dijck, Poell, and Waal, 2018), and SVOD platforms are no exception. As shown in section 5.2, data-driven production is used by SVOD services to enhance the production process in both the US and Chinese contexts. Similar to Netflix, Chinese SVOD services make production decisions based on audience data analysis. According to interviewees, data analysis is more useful in the investment and distribution phases, while human creativity remains the primary input for content creation. This aligns with the Netflix executive’s acknowledgment that ‘data has limitations’ (Wayne, 2021), indicating that data is supportive rather than decisive. Unlike their US counterparts,

Chinese SVOD services generously share viewership data with the industry. Viewership data is public on streaming pages and accessible to anyone. Additionally, detailed data about a specific drama is conditionally available to its producers. Although Chinese SVOD services obscure how data is calculated to retain the right to interpret it in their favour, the openness of data access significantly benefits producers and other stakeholders. This openness can partly be attributed to the pre-existing television culture in China, where TV channels were required to publish viewership data regularly. It can also be attributed to the Freemium business model: the heavy reliance on advertising income requires Chinese SVOD services to publish data to increase its credibility. This reason is further supported by Netflix's increased data transparency after introducing the 'basic with ads' subscription option.

The unavoidable influence of content regulations is significant. Wang and Lobato (2019) noted that liberal values underpin English-language studies on video platforms, whereas Chinese media are closely regulated and monitored. Pre-production censorship is strictly applied to media content, especially for 'official media' such as state-owned television stations and newspapers, which are seen as the party-state's 'tongue and throat' (Keane, 2005). However, Chinese regulators aim to 'enjoy the fruits of economic development while simultaneously retaining socialist legacies through its own state media' (Li, 2019, p.3). As a result, a form of classified management has been implemented for web dramas and TV dramas. Although some risks still exist for web dramas, they have had more opportunities to explore new genres and narratives, even after 2014 when the 'cultural zoning' was said to have ended. This makes web dramas a valuable extension and supplement to traditional TV programmes.

Findings in Section 5.1 and 5.3 show that web dramas are important extensions and supplements to television dramas, and findings in section 5.2 suggest that although technologies such as data analysis can improve the efficiency of production decisions, the core of content creation is still human. Television stations can distinguish different audiences

by setting up multiple channels and by narrowcasting, but the long-term operation of a channel needs the support of a stable audience group with sufficient viewers. In contrast, SVOD service can better meet the needs of occasional and niche demands, thus greatly supplementing the supply of entertainment content. Regulated by more lenient rules, web dramas can tell stories that are more ‘off mainstream’ and reach younger and marginalised groups than television dramas. However, while SVOD services have many technological tools to increase decision-making efficiency, their needs for production expertise are not less than that of television stations. Just as FM2’s speech cited in section 4.3, ‘Internet and technological talents...don’t know much about content creation.’ (FM2, interview, May 2022). This highlights that content creation still relies heavily on the experience and knowledge of practitioners.

Chapter 6 Value Exploitation of Web Dramas

This chapter answers the third main research question of this thesis: What strategies are used to maximise the value of content made by SVOD services in China? In the distribution of television dramas, content providers and television stations play different roles in the supply chain, and thus adopt different strategies for maximizing value. Content providers use windowing strategies to distribute dramas across multiple windows, while television stations primarily rely on scheduling strategies to attract as many audiences as possible. In contrast, Video platforms are investors, copyright owners and streamers of the online originals under the commission mode and thus intervene in almost every stage of content production and distribution. When exploiting values from dramas, they not only need to set schedules for the release of dramas, but also consider the proper windows for drama distribution. Moreover, increasing subscriptions is also an important task for value exploiters in SVOD services. This chapter will explore how leading Chinese SVODs achieve these goals, maximise the value of their content investments, implement revenue strategies, and manage content scheduling and distribution windows.

6.1 A Dual Track of Advertiser Support and Subscription Support

As introduced in section 1.3, Chinese SVODs, which developed using the free model, continue to provide free access to content even after the rise of the subscription-funded mode (around 2012) (Lu and Jin, 2017). They are not purely funded by subscription (Premium) but funded by a combination of subscription and advertising (Freemium). That is to say, SVOD platforms provide basic services to free users who can watch material with pre-video adverts; as well as a subscription service for users who are prepared to pay to watch content without adverts (Carroni and Paolini, 2017). To maximise the value of web programmes, these services have to cater to the needs of both subscribers and advertisers. This section will explore how these platforms balance the needs of both stakeholders.

Subscription Support: Attracting Subscriptions under The Freemium Model

The Freemium model of leading Chinese SVOD services provides subscribers with access to almost all content, while non-paying members can view most of the content on these sites, but with many restrictions. Free users help pull in advertising revenue for online platforms, but the core of the Freemium model is about converting free users into paying subscribers. Chinese SVODs attract free users to pay a subscription by providing privileges to paying users and promoting these privileges as much as possible. In revising strategies for VODs with a Freemium business model, Chang et al. (2004b) proposed a variety of methods to provide differential services to free and paying users, including: time delay (non-paying users watch the same content later than paying users on the same platform), different definition (paying users can enjoy higher definition versions of videos than non-paying users), and so on. Chang's proposals have been partly realised by Chinese SVODs. For example, in the interview, IQIYI staff Wang1 discussed the use of time delay on the platform to persuade users to subscribe:

How do we persuade users to pay for our services? The answer is to increase their viewing costs, by this I mean, non-VIP members need to wait for a week to watch two episodes while VIP members can watch these two episodes one week in advance. [...] we get revenue from users in this way. (Wang1, interview, October 2020)

Wang1 used a term 'viewing costs' to describe the time free users must wait. He argued that making free members watch the same content later than paying members is a penalty that non-VIPs must endure. The concept was used inaccurately as a time delay does not equal a penalty for all users, but Wang's point is clear: time delay is a method widely used by platforms to differentiate their services between different audience groups, and time-sensitive users are likely to pay to remove this delay.

As Wang1 described in the interview, the simplest way to use time delay is to give VIP

members earlier access to content than non-VIP users. Chinese SVOD services do not release all episodes of a drama at once to encourage binge-watching. They often release dramas over a set period, and this gives them the space to use the time delay tactic.

Chinese SVOD services create 'Drama Schedules' for each hit drama and publish them on their own platforms and on social media. 'Drama Schedules' show how time delay is realised among different segments of the audience.

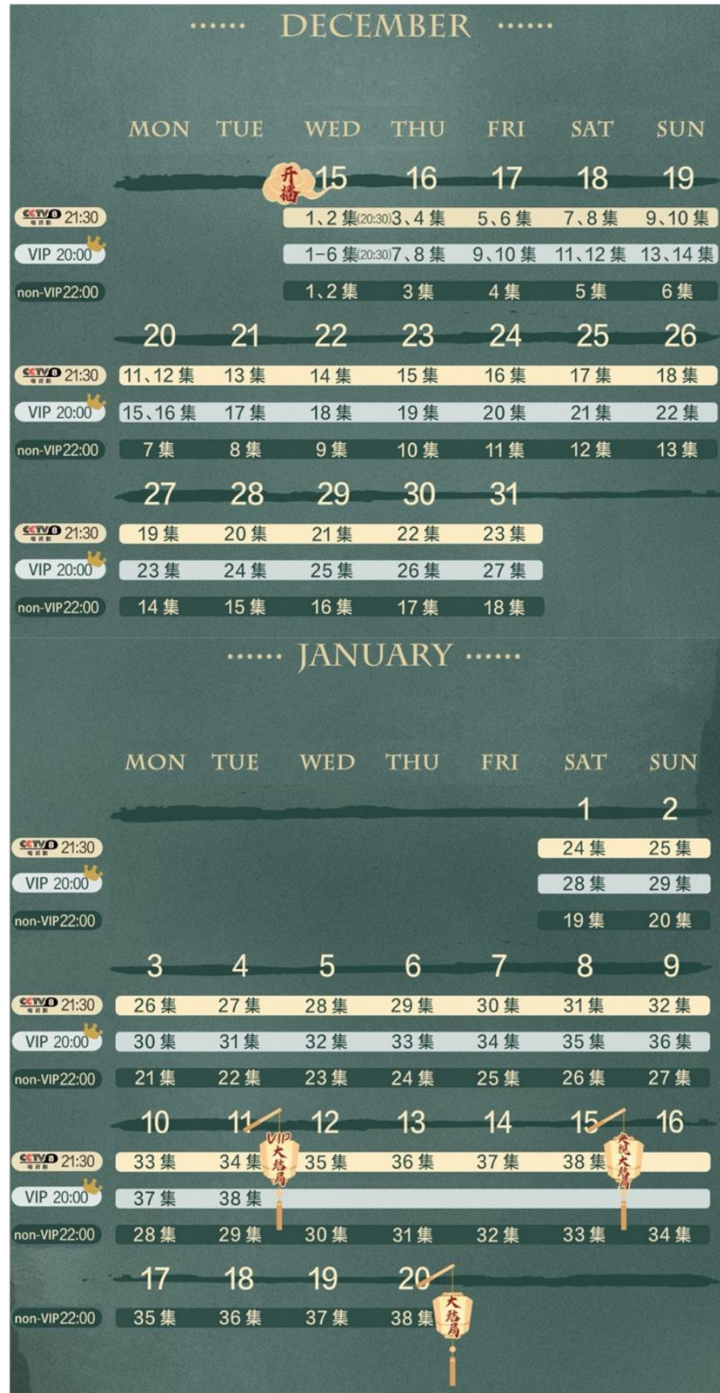


Figure 6-1. The ‘Drama Schedule’ for the Tencent Original Drama *Sword Snow Stride* (Key

information translated)²⁷.

Figure 6-1 shows the schedule for a hit drama, *Sword Snow Stride* on its premiere. The drama was shown simultaneously on the free to access television channel CCTV-8 and on Tencent Video, so there are three timelines on this schedule: for CCTV-8, for Tencent VIP members and Tencent non-VIP members respectively. Viewers of CCTV-8 and VIP members of Tencent Video could watch the drama from 20:30 on December 15, 2021, and could watch the drama at similar paces: two episodes a day during the first week and one episode a day after the second week. But VIP members of Tencent Video could always watch four episodes more, and they could watch one and a half hour earlier than CCTV-8 audiences. Non-VIP members needed to wait until 22:00 to catch up with the latest story developments and could watch only one episode a day except for the first day. VIP members could watch the final episode four days earlier than CCTV-8 audiences and nine days earlier than non-VIP members. Thus, there was a large time delay between paid and free users.

However, the inconvenience created by the time delay tactic during the releasing period could be easily avoided by watching a drama after all the episodes have been released. To avoid free users bypassing the time delay, Chinese SVOD services only provide free access to the drama series during its release period. In other words, when all the episodes of a drama have been released, the free access will be quickly terminated (normally after one week). After the release period, free users can only watch the first few episodes of a drama but cannot enjoy free access to all the episodes. For example, when I watched the *Sword Snow Stride* on Tencent video as a non-VIP member on 28th April 2022, the drama was already

²⁷ Source: the drama's Weibo account:

<https://weibo.com/7371388566/L68pEhAjR?pagetype=profilefeed>

fully released. I was only able to watch the first two episodes for free after which I was required to pay.

This brings up several important questions regarding the design of time delays on these platforms, the rationale behind using free access to attract new subscribers, and the significance of cancelling free access after a short trial period. Anonymous interviewer M2 from Youku provided further insights into the reasoning behind these strategies:

Because we need ‘buzz’. Providing free access to audiences can attract more viewers. [...] This can lead to more discussion on social media. [...] It’s a trade-off. If we do not provide free services, there won’t be so many viewers. If audience have free access all the time, we cannot earn so much – the income from advertising is not enough. (M2, interview, May 23, 2022)

According to M2, this restriction helps to attract a lot of free users during the release period. These users may proactively discuss the content on social media and create a high level of ‘buzz’. The high level of ‘buzz’ can help attract more viewers as well as advertisers. Dramas are most attractive to advertisers during their first run, but this declines steeply over the following runs. That is why free users can only access the episodic content before it is fully released.

When asked why a two-episode restriction is imposed on free access after the releasing period, M2 elaborated further:

After the show was fully released, we wanted to identify the target subscribers. We let people who haven’t seen it have a try before they decide whether to pay or not. Two episodes are enough to attract those who are interested in the content. If they still don’t want to pay after two episodes, they are not our target audience, and it is not necessary to give them any more free services. But why two episodes? It could be three episodes; it could be four episodes. No one knew the answer at the beginning. But after a lot of testing, we found that two episodes worked best. (M2, interview, May 2022)

M2 indicated that after the releasing period, the increased restrictions help further differentiate free users from potential subscribers. With regards time restrictions on free access, non-VIP members are divided into two groups: those who can accept these restrictions and those who cannot. Some users cannot watch dramas within the free access period for a variety of reasons: like they did not have enough time, or they had not heard about the drama until the drama had been fully released, or they become loyal fans of the drama and want to replay it. Whatever the reason, some non-VIP members might want to watch dramas outside of free access period. Those members become potential paying users and they are identified by the restrictions set by Chinese SVODs.

Similar restrictions are applied to clips of bloopers and behind-the-scenes videos. Bloopers, unlike trailers, document the mishaps and funny stories about the main actors during the filming of dramas. Blooper clips are usually released after the drama is fully released and are fan-oriented content. While non-paying users can watch dramas during the free access period, the bloopers are only available to VIP members. Loyal fans of the drama are very likely to pay to watch these clips.

Creating a 'buzz' during the releasing period is one of the main goals of marketing campaigns. Zhang¹ and Dai mentioned the marketing of dramas on social media, especially on WeiBo and DouYin, the Chinese version of Tik Tok, because they are the most important social platforms for marketing. On WeiBo, the marketing teams of a drama will create an account, establishing relevant hashtags to encourage discussions, publish the latest information about the drama, pay to be displayed on the 'latest trends' to get WeiBo users' attention and so on. On DouYin, there will be clips from the latest released episodes, and hashtags and key words on 'latest trends.' In other words, there are many campaigns on social media to encourage discussion, but as the campaigns focus on the latest episodes, free users are unable to join the discussions since they are not up to date with the latest developments.

Zhang¹ believed that conducting marketing in this way helps encourage people who want to join the discussions to subscribe. Interacting with others on social media while watching online dramas has become one of the common watching behaviours of VOD users, which is usually called the Second Screen Effect (Nee and Barker, 2019). The Second Screen Effect makes price discrimination more valuable (ibid). The publication of a ‘Drama Schedule’, locking free access to some episodes after releasing periods, and the corresponding marketing campaigns on social media combine to enrich the Time Delay strategy, which is the main method used to attract subscriptions on Chinese SVOD services.

The Failure and Resurrection of Early Access

The reporter Vijayanagar (2020) used a term ‘PVID (Premium Video On Demand)’ in an article to describe a TVOD or SVOD where the end-user can pay to access content sooner than other users would, and he used the release of *Mulan* on Disney+ as an example to explain the term (Vijayanagar, 2020). The subscribers of Disney+ could pay an additional \$25 to watch *Mulan* before the movie was made available to general subscribers. On Chinese SVOD platforms, the term ‘Early Access’ is used to describe a similar service. Subscribers of the platform can pay an additional fee to watch several episodes even earlier than other subscribers.

In January 2019, IQIYI started Early Access service for the first time during the release of its original drama *Somewhere Only We Know*. VIP members could pay extra money to unlock more episodes earlier. In June 2019, Tencent’s exclusive online drama *The Untamed* offered an Early Access service when there were only five episodes left to release before the end of the drama. VIP members could unlock the final five episodes with an extra payment of 30 yuan (6 yuan per episode). This strategy achieved great financial success and Early Access brought an extra 156 million yuan (£19.5 million) revenue to Tencent (Wangshi Dongcha, 2022a). In addition, On December 12, 2019, *Joy of Life*, which was streamed on

Tencent Video and IQIYI simultaneously, also offered Early Access when the drama became hit, and its revenue reached 145 million yuan (ibid).

‘Early Access’ appeared before the SVOD services became profitable enterprises at a time when they had spent huge amounts purchasing content. It was not until 2022 that IQIYI first announced it had turned a profit (Zhang, 2023), and the SVOD services are still under a lot of pressure to show that they can be profitable. Wang1 argued that the launch of ‘Early Access’ shows how SVOD services are trying to find new way to increase their income.

We have spent too much [on content acquisition], but we are still losing money. [To profit], we can only count on the increase of subscription fees. [...]. Advertising is not reliable either, as short video apps have taken a big piece of the cake from us. [...] We launched the ‘Early Access’ in the hope of increasing the consumption per capita. (Wang1, interview, October 2020)

‘Early Access’ brought SVOD services more revenue, but many subscribers thought that ‘Early Access’ had greatly harmed their interests and then complained to the regulators. People’s Daily, an influential newspaper in China, criticised that ‘subscribers already pay for the privilege of watching content earlier. ‘Early Access’ violated the spirit of the contract.’ (Qin, 2019). Under pressures from both regulators and subscribers, the leading three websites cancelled ‘Early Access’. On October 4, 2021, IQIYI, Youku and Tencent Video announced through their official accounts that ‘Early Access’ was to be discontinued on these three platforms (Qin, 2019).

However, on June 26, 2022, Tencent Video’s original drama *A Dream of Splendor* held

a ‘Final Episodes Demand Festival’²⁸. During the festival, users could watch the final eight episodes earlier than general subscribers and could also watch the main actors and actresses livestreaming as they shared stories about the filming of the drama. Of course, users had to pay to enrol in the festival and only subscribers were qualified to buy the ‘tickets.’ Some voices thought that ‘Early Access’ was back, others argued that the core of the festival was to interact with the cast (Wangshi Dongcha, 2022b). No matter how commenters interpreted the ‘festival’, I believe it was a resurrected and improved version of ‘Early Access’. Although there are some dissenting voices, the high revenue brought by this service demonstrates its popularity. It also emphasises the importance of time delay, a form of price discrimination, at the core of the revenue strategies.

Advertiser Support: Innovation on Advertising

While subscription fee has become the main source of revenue for China’s mainstream video platforms, commercial advertising still accounts for nearly half of their annual revenue. As mentioned in the previous section, one of the reasons the platforms give non-VIP users free access to latest dramas is that these users must watch more ads than paying users. According to QuestMobile’s 2019 Paid Market Biannual Report, 18.8% of online video users were paying subscribers by June 2019, and the number of subscribers on each leading SVOD service was close to or over 100 million (QuestMobile, 2019; IQIYI, 2020). That means a huge number of users, at least more than 400 million, were ‘sold’ to advertisers who fund the pre-video adverts. Even a cross-group externality exists between advertisers and users (Carroni and Paolini, 2017), which means the increase of subscriber will have a negative impact on the effect of advertising, nonetheless the pre-video adverts can still reach many

²⁸ In Chinese: 大结局点映礼

users.

Apart from pre-video adverts, which are not shown to subscribers, there are other adverts that are seen by all users no matter whether they have paid or not. There are adverts on the artwork pages. There are also product placements and pop-out adverts in dramas. In addition, the commercial breaks in the middle of a video still exist, but in an innovative way. Hong, the ex-advertising manager at IQIYI, mentioned an important innovation in advertising formats:

Do you know *The Mystic Nine*? [...] This drama has pioneered a new format of advertising... it was a pioneer in the whole industry in fact, and the format is called ‘Novel Sticker’²⁹. [...] it was very innovative to put this format in the dramas. Since then, dramas of all platforms, including those on Tencent Video and Youku, followed suite. ‘Novel Sticker’ is a very successful innovation on IQIYI. (Hong, interview, January 2021)

The ‘Novel Sticker’ that Hong mentioned in the interview is a kind of creative commercial break in the middle of a drama. The innovative part is that the adverts are acted by the characters and filmed by the teams acting in the drama. The commercial is well linked with the plot of that episode but will show the word ‘advertisement’ on the top or bottom on the screen. It also has the effect of interrupt the watching experience. The use of the characters from the drama makes the adverts interesting and can to some extent reduce the negative feeling of having to watch an advert. And Hong said video websites are innovating more on advertisements.

²⁹ In Chinese: 原创贴.

6.2 Programme Releasing Strategies on Chinese SVOD Services

Scheduling used to be a key programming stage for television channels to maximise the value of their programmes. It aims to retain audiences as much as possible and thus increase the viewing figures for the channels' programmes. The traditional television channels use vertical scheduling and horizontal scheduling to arrange the time slots of their programmes. Vertical scheduling divides a day into different 'time slots' and uses tactics like lead-in and prime time to prevent viewers from switching channels (McDowell and Sutherland, 2000; Eastman and Ferguson, 2013b). Horizontal scheduling is employed to develop a weekly habit of watching among users (Eastman and Ferguson, 2013b). Both scheduling strategies are decided based on the competitiveness of the particular channels' and their rivals' programmes (ibid). However, for nonlinear SVOD services, it is meaningless to schedule the release of programmes according to 'time slots.' But there are other strategies and rules they can use to release dramas.

The Less Personalised Navigation to The Content Library

Studies on the differences between Chinese and US-based SVOD services have found out that the former is much less personalised when it comes to website navigation than the latter (Wang and Lobato, 2019). For example, all the users of IQIYI can see the same content and artwork on most pages, while limited personalisation of the videos only appeared on pages such as 'my profile', where the daily routines of the users are shown (ibid). Things have changed a bit. Currently, Chinese SVOD services are pushing content to users in a way that combines personalisation and non-personalisation. As Wang¹ described:

We are using a 'centralised distribution' method to promote dramas on our platform. The 'centralised distribution' method means displaying the same content to all of our users, and everyone can see the same artwork for a drama. We do personalisation only when promoting long-tail content. For example, after

you have watched *Story of Yanxi Palace*, we may promote *Empresses in the Palace* to you, because these two are the same genre and the former may remind you of the latter. We may put the artwork of *Empresses in the Palace* in a place like a ‘personalised card.’ This place is designed for promoting long-tail content. (Wang1, interview, October 2020)

According to Wang1, long-tail content refers to dramas or films that have secured good word-of-mouth and were released years before (for example, *Story of Yanxi Palace* was released in 2018 and *Empresses in the Palace* was broadcast in 2011), which are then paired with programmes that are relatively new but very niche. Long-tail content is shown in the ‘personalised card’ which is generated by the algorithms based on personal viewing histories. The ‘card’ is displayed in many places on the platform.

The screenshot shows the IQIYI website's 'Home' page. At the top, there is a navigation bar with tabs for 'Home', 'Series', 'Movies', 'Cloud Cinema', and 'Member Center'. Below this is a large banner for the show '喜欢你我也是4'. The main content area is divided into several sections: 'You May Like' with a '猜你喜欢' (Guess You Like) section, 'Today's Trendy' with a '今日热点' (Today's Hot) section, and a '电视剧' (TV Series) section. A red frame highlights a row of personalized cards in the '猜你喜欢' section, including '破事精英', '狂飙', and '龙城'. Another red frame highlights a row of personalized cards in the '今日热点' section, including '灰姑娘魂穿千金 还怀了霸总的孩子...', '少爷心机追妻 先同居后恋爱', and '由邓超、陈赫、鹿晗等人组成“五哈团”... 哈哈哈哈哈第3季'.

Figure 6-2 A screenshot of IQIYI's 'Home' page on the website (key navigation tabs translated).

The items within the red frame in figures 6-2 differ from person to person, and these are 'personalised cards.' Except for these programmes, other content is pushed to different users in the same way. There is no difference in the artwork for the same drama. The pages of the website feature a number of drama lists such as 'Most recently viewed', 'Upcoming releases and 'Romance'. These lists are based on the viewing statistics on the platform, and all the users can see the same content on these lists. Although the number and display positions of

'personalised cards' are different on Youku and Tencent Video, they both use a similar design.

The most obvious areas are banners on the home page and several dramas shown under each category tab. They are reserved for the most important content – big-budget dramas and new dramas. One producer, Gao had published several programmes on SVOD services through the profit-sharing model. She mentioned the display of content on home pages:

[A newly updated programme] can be shown on the banner of the home page for 12 hours or so, and on the category page for ...maybe 24 hours? Displaying on different places has different rules. [...] The basic rule is that the programmes are displayed according to their ratings. (Gao, interview, March 2021)

Display slots on pages have different levels of visibility and importance. These slots are allocated to different programmes according to their ratings. As mentioned above, the 'ratings' of dramas are based on the different rating mechanism for the various SVOD services. S+ dramas can be displayed in a more important position for a longer time, and dramas of A, B and C will be placed in a less obvious position for a shorter time. With their limited personalisation and the display of content according to ratings, Chinese SVOD platforms are still using a relatively traditional way to 'broadcast' content to users.

The 'centralised distribution' of dramas is a strategy used by Chinese SVOD to try to ensure that dramas can reach the broadest audience. The advantage of this distribution method is that big-budget programmes have more exposure on the platforms, which can lead to better viewership and thereby reduce risks. But as display places for dramas are limited, this method of resource allocation may negatively affect the exposure of niche dramas. Meanwhile, the less personalised method may repeatedly promote programmes to users who are not interested in them, which is a waste of exposure opportunities.

To give niche content more prominence, and to help users navigate in the platforms,

navigation tabs and tags are created. As shown in figures 6.2, there are tabs such as ‘Laugh On’ and ‘Light On’, and tags such as ‘Originals’ and ‘Mainland’ on IQIYI’s website. Although these tabs and tags make the interface look ‘busy’, they can help users find programmes they like. Especially, the ‘Laugh On’ ‘Light On’ and ‘Sweet On’ are ‘theatres’ created by IQIYI for Comedies, Suspense dramas and Romance dramas respectively. These theatres are shown in obvious places on the platform and are given great importance in the marketing campaigns. They are part of IQIYI’s scheduling strategies.

In the television era, one scheduling strategy that was widely used by different channels was to create a ‘column’ in fixed time slots, where a column included programmes with the same or similar genres and topics. This way the audience would have a stable expectation regarding the type of content in the column. For example, Shenzhen TV has a prime-time column called ‘Golden Drama’. It starts at 19:35 every day and broadcasts TV dramas. A column normally has a long-term advertising sponsor no matter what programmes are broadcast in it. This strategy for television channels has been adopted by platforms, and the ‘theatres’ are derived from the ‘columns’ on TV channels. The first very successful theatre on Chinese VODs was IQIYI’s ‘Light on’, whose Chinese name can be translated as ‘Mist Theatre’.

Like the columns on television channels, Light On involves multiple Suspense dramas. These dramas are all short dramas no longer than 12 episodes. The theatre was launched in July 2020 and gained unprecedented attention and word-of-mouth given the popularity of quality suspense dramas such as *The Long Night* and *The Bad Kids*. The business model of ‘theatres’ has been a fixture since then. Later, IQIYI launched Sweet On (Romance Theatre) and Laugh On (Comedy Theatre), Youku launched Suspense Theatre and Love Theatre, Mango TV launched Mango Monsoon (which releases dramas weekly), Tencent Video launched Beyond the Theatre (with dramas of less than ten minutes per episode). These theatres are not releasing new dramas all year round. Instead, they only launch new dramas

during a specific time of the year, and during this period, multiple dramas (normally dramas of no more than 20 episodes) with similar themes will be released.

A theatre tab is an effective navigation tool to access good-quality short dramas. Moreover, theatres help build a brand image as well. Take Light On for example, it focuses on providing dramas of the same genres and of no more than 12 episodes, and highlights that these dramas belong to Light On in its promotions. Although not every drama in the theatre is of a high quality, the hit dramas in the past have already established the brand, and thus audiences are willing to try the new dramas without much promotional information. This saves marketing costs for IQIYI, and the new dramas have greater opportunities to be seen by audiences.

According to a survey conducted by Maoyan.com, a data analysis website focusing on Chinese entertainment industry, nearly half the audience believed that branded theatres strengthen viewers' expectations regarding the subsequent dramas.

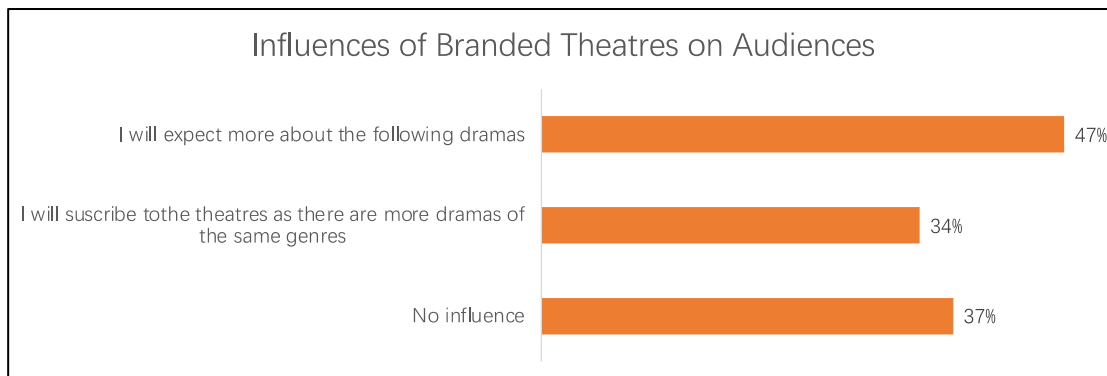


Figure 6-3. The results of Maoyan.com's survey (CTPIA and CBBPA, 2021, p. 8, translated)

In addition to increasing the appeal to the audience, Theatres can also generate considerable advertising income for the video platforms. They are effective in exploiting the value of short dramas.

For a long time, most practitioners were not optimistic about the development of short dramas in the domestic market, because the transaction of dramas is based on the number of episodes. For producers, more episodes lead to better economies of scale; for platforms, dramas that are too short are not as desirable as long ones in terms of space for advertising and influence on viewers. This consensus in the industry began to change in 2020 as IQIYI benefited from the initial success of branded Theatres. (CTPIA and CBBPA, 2021, p. 9)

Some commentators believed that, as an operation model, the Theatres offer a practical way for short dramas to balance their inherent high aesthetic value and pursuit of high production values with profit considerations. This involves using the Theatres to carry out advertising and attract new members, making up for time with space. [...]. Light On makes the theatre operation of the video platforms realise a leap from quantity to quality. This not only let the producers see the future of short dramas, but also started the upgrading war between video platforms. In terms of commercial returns, Light On attracted more than 30 advertisers during the first season. (CTPIA and CBBPA, 2021, p. 10)

According to the analysis of China Television Drama Production Industry Association (CTPIA), the operation of the emerging Theatres on VOD platforms can bring multiple benefits. The platforms can attract advertising investment from the brand of the whole theatre, the advertising values of short dramas can be better exploited, and Theatres can better attract subscribers. When the operation of Theatres yields good results, content suppliers are encouraged to produce better short dramas instead of traditional long dramas that are over 40 episodes per season.

Traditional Practices and New Trends in Release Timing

As non-linear media, SVOD services do not need to fill a whole day's time slots with various programmes like their TV counterparts do. They just need to figure out how to release programmes at the best time slots of the day and at a good time of the week to maximise viewer interest. There are similarities and differences between their releasing strategies and those of the television channels. For example, competition between TV channels is very

fierce during Prime Time as the largest audiences are sitting in front of the TV to watch programmes. All the TV channels broadcast programmes that will attract the broadest audiences on Prime Time (Eastman and Ferguson, 2013b). Comparatively, while SVOD platforms still update their dramas in prime time every day, the competition is much lighter because audiences can watch multiple programmes during that period. Another point is that Chinese TV channels broadcast dramas daily, with 1 to 3 new episodes every day during the broadcast period. Comparatively, while Chinese SVOD services still release content daily, they can release content in a more flexible way.

The competition between SVOD services is not based on the viewing figures at a special time slot in a day, but on the viewership and subscriptions over a much longer period, such as a day, a week, and a month. Prime Time is precious for linear media, but not so precious for non-linear platforms because the content on a video website can be watched at any time after it is released. In terms of content release, the SVOD services place more importance on rivals' new releases in the following time period. Wang1 mentioned the releasing of *Story of Yanxi Palace* in the interview:

We made the final decisions about the releasing time of *Story of Yanxi Palace* just around one week before it was launched. Ten days, as I remember it. We had to prepare all the promotion materials for it in just ten days. We knew nothing about it until that moment. [...]. We got the news that *Ruyi's Royal Love in the Palace* would be launched in July or August, I remember, so we had to release this drama before its rival. Because at that moment, we predicted that *Story of Yanxi Palace* would not outperform *Ruyi's Royal Love in the Palace*. If we released *Yanxi* at exactly the same time as *Ruyi*, *Yanxi* would fail. So, we had to go faster [...]. There were no marketing campaigns for *Yanxi* in the early stage because we didn't have enough time to prepare. (Wang1, interview, October 2020)

Wang1 told the story that IQIYI used *Story of Yanxi Palace* to compete with *Ruyi's Royal Love in the Palace* from Tencent Video in the same year. These two programmes were designed as rivals from the beginning of production and were planned to be released during

the same period. As *Yanxi*'s production team, cast and investment was not as good as *Ruyi*'s, IQIYI believed that *Yanxi* might not be as popular as *Ruyi* and released it earlier than the original schedule to attract audiences' attention in advance. The 70-episode *Story of Yanxi Palace* was released on July 19, 2018, one month ahead of the 87-episode *Ruyi's Royal Love in the Palace*, which was released on August 20. *Yanxi* was a great success, performing much better than *Ruyi*. This demonstrates the importance of good production, as well as the importance of the good scheduling.

Chinese SVOD services know each other's reserve programmes very well and try to avoid direct competition with the seemingly best programmes. Apart for this, they also use a 'seasonality' method to plan their content release throughout a year. Seasonality refers to the timing decisions for film generating a strong seasonal pattern of release dates (Einav, 2007), and now the seasonal pattern is also emerging for the release of online content though it is not as strong. Dong of IQIYI and an anonymous producer FM1 both mentioned the importance of seasonality for content release:

We usually launch some blockbuster projects during the summer season because students are having their vacations. [...] And dramas released in the summer season can become hits more easily. [...] We usually launch projects that are predicted to have good word-of-mouth at the beginning or end of a year. But this rule is not so absolute, because we need to schedule according to the projects at hand. (Dong, interview, July 2021)

They seem to have an internal plan that is roughly similar to the summer season, Spring Festival season and so on. They usually release dramas like BL and sweet romance genres during summer seasons, cos these can attract student groups. [...] And during the Spring Festival seasons, platforms tend to release some comedies or family genres. Well, it's kind of like the film seasonality. (FM1, interview, July 2021)

Dong mentioned 'summer season' and 'year-end/year-beginning season' in the interview. The audience for a video website is mostly educated young people, among whom students

form a very important cohort. In China, July to August is the summer vacation for most students. So, the industry and scholars of both film and TV use the term ‘summer season’ to refer to the July-August summer vacation period. The beginning of the Lunar calendar is the traditional Chinese New Year, when both students and working adults have a long holiday, known as the Spring Festival. Both Dong and FM1 mentioned that the programmes released during these ‘seasons’ are targeting at audience who are on vacation.

‘Seasons’ on SVOD services are highly relevant to Chinese holidays and similar to the distribution seasons for movies. But Dong also mentioned that these seasonality rules are not so fixed, and that scheduling depends more on what projects are available. This is also in accordance with Wang1’s comments. Wang1 said that content scheduling, like content production, is dependent on the viewing habits of target users. Platforms roughly plan their releases according to seasons. But in practice, content production does not go exactly as planned. After getting the scripts and completed dramas, the SVOD platforms will arrange release times according to the needs of the target audience group of these dramas in the hope of attracting the largest audience.

In terms of releasing a drama, Chinese SVOD services are more flexible than the TV channels. Traditionally, Chinese TV channels broadcast 1 to 3 new episodes of a drama at Prime Time every day. Chinese SVOD services have maintained this tradition when releasing dramas with long episodes. For example, Tencent Video released the first six episodes of the 38-episode drama *Sword Snow Stride* for VIP members on the first day, and then released two episodes a day during the following five days, and one episode a day after the second week. But for shorter dramas, they may only update the release a few days in a week. The 15-episode drama *Reset* is an example. Six episodes were released on the first day, and two episodes were then released every Tuesday and Wednesday for VIP members, whereas one episode was released each Tuesday to Friday for non-VIP members. In contrast

to American series, which are produced using a ‘filming while broadcasting’ mode³⁰ and thus are released one episode a week to leave time to complete production of the next episode, Chinese dramas must finish production and complete the censorship process before being released. Not releasing all the episodes of a drama at once is part of a scheduling strategy.

Some scholars ascribed the daily release tradition to the narrative style of Chinese dramas. Chinese TV dramas have heavy plots and usually have long episodes, so producers attach much importance to the continuity of the plots (Keane, 2005). Broadcasting dramas daily helps maintain continuity. While Chinese web dramas have faster-paced stories, they still have denser plots and longer episodes than their US counterparts, and thus the continuity of the plots is still very important in building the viewing experience. This can explain why these web dramas are still released on a daily basis instead of at longer intervals. When asked why the episodes are not released all at once, Wang1 explained:

If we let the user watch all of them at once, it’s like there would be no intervals, and we would have to charge the user extra for the zero-interval. (Wang1, interview, October 2020)

Wang1 emphasised that having longer releasing period is a requirement of the time delay strategy – if all the episodes are released at once, it is hard for SVOD services to persuade users to subscribe. The market needs time to get to know the new drama and the ‘buzz’ takes time to build. He also believed that extending the release period can give more time for strategy correction. He argued that the word of mouth and subscription of most dramas follow a pattern, with high levels of engagement in the early stages, which then go down

³⁰ In Chinese, 边拍边播。 This term means when the first episode of an American drama is broadcast, the following episode may be still being produced.

with time. But if there are signs that subscription rates are falling off abnormally quickly, they will still have time to find the reason and adjust their marketing tactics. Also, if the quality of a drama is high, extending the release period within reason can contribute further to the growth of word of mouth.

6.3 The Transformation of Windowing Strategies

The market power of TV stations and SVOD services in China has changed. During the growth phase of the online SVOD industry, the excessive demand for content led VOD platforms to purchase a lot of old TV dramas, or to become a secondary distribution window for new TV dramas. TV stations were the major buyers of new dramas during that period. Web dramas produced specifically for SVOD services were scarce and of poor quality, the biggest portion of content on SVODs was television content that had been repeated over many scheduling cycles (Lu and Jin, 2017). The production of web dramas has improved a lot with several years of investment in commissioning. The capital input, the capabilities of actors and production teams, and the influence of web dramas have caught up with, and sometimes even exceeded, the quality of television dramas, as reflected in the increase of ‘online-first’ television dramas. These changes have influenced shifts in content distribution strategies aimed at maximizing content value. Windowing remains a primary distribution strategy, but there have been adjustments in sequences and windows. Previously less competitive in the overseas market (Keane, 2019), Chinese television dramas have seen improved performance internationally with the expansion of leading Chinese SVOD services.

Windowing Sequences with Online-First Strategy

As discussed earlier, Chinese web dramas and TV dramas are censored in different ways. Most web dramas can only be published online. The best windowing sequences for them are to premiere on leading SVOD services, and then move to other smaller new media channels.

But dramas that have the TV Drama Distribution License can be shown on both TV channels and new media channels – which include SVOD services. For those dramas, TV stations are still important windows even when they are distributed in the ‘online-first’ way. One distributor M3 cited the TV drama *In Spite of the Strong Wind* as an example to explain how to maximise the value of the TV dramas:

The best way to distribute [TV dramas] is to premiere on SVOD services and TV stations synchronously. If Hunan TV buys it, the drama can be sold to YIT (Youku, IQIYI, Tencent Video) for around seven to eight million per episode. [...] We sign a contract with any of the top TV stations first, and then the online platforms will bid for it. But if no top TV stations want to buy it, the online platforms may offer us very low prices. [...] If a drama is premiered only online, and we want to distribute it to TV stations, the TV buyers will only be willing to give us a secondary price, which is very much lower than the premiere price. (M3, interview, May 2022)

M3 pointed out that the best way to exploit the value of a TV dramas is to distribute it to TV and online platforms synchronously because both platforms will then pay the premiere price. Signing a contract with the top TV stations helps sell the drama to online platforms at a good price, otherwise the price offered by the SVOD services will be low. The profit will not be very high if the drama is distributed to TV and online platforms asynchronously because once the drama is premiered, the later distribution is regarded as secondary distribution. The synchronous distribution method is used by most of the renowned production companies to maximise the income from tv dramas.

Although synchronous distribution is the regular way of distributing a TV drama, there are many exceptions. One common situation is that the drama is commissioned by the SVOD services, which means the SVOD services are the investors and copyright owners of the drama. Here, SVOD services prefer to release the drama on their own platforms earlier than on the TV channels as privilege to their VIP members as well as to attract new subscriptions. To maximise the drama’s value, SVOD services seek to distribute the drama in a half-

synchronous way. *Sword Snow Stride* is a typical example. The drama premiered on both Tencent Video and CCTV-8 channel on the same day, but Tencent Video released more episodes and always released faster for their subscribers than CCTV-8. As CCTV channels have an extensive influence in China, CCTV-8 can provide a good promotional window for the drama, attracting additional users to Tencent Video. Even though CCTV-8 paid a lower premiere fee to Tencent, the latter can enjoy greater value from this form of cooperation.

There are also situations where TV stations do not buy the TV drama and thus the drama can only be distributed online. *The Untamed* is one of these unlucky dramas. According to M3, the investment on *The Untamed* was huge, but at the time the production reached completion there was a strict Costume drama ban on TV channels. *The Untamed* could only be sold to online platforms. Luckily, the drama was a high-quality production and sold at a very good price and it also earned a lot from overseas windows. But many other TV dramas were not so lucky.

I will always negotiate with top TV stations first when distributing a drama. If the top stations don't want it, then I'll ask the tier-2 stations³¹. If tier-2 stations still don't want it, it means the drama is really poor-quality, and the pricing power is completely in the buyer's hand. The distribution will then barely cover the production cost and the investors will incur great losses. Because other channels will negotiate an even lower price. (M3, interview, May 2022)

M3 explained that the TV stations that purchase dramas are all provincial TV stations, and they will pay for the broadcast rights for the whole province when they buy a drama. This means that the drama can be broadcast on any of the channels within that province, including cable channels, city stations and county stations. TV stations in rich provinces have larger

³¹ Tier-2 stations are TV stations that have less viewers and income than top TV stations.

budgets and can afford higher premiere fees, so they are called ‘top’ stations and are the most valuable stations for drama distribution. TV stations in poorer provinces are seen as tier-2 stations as they do not have large budgets to purchase dramas. A distributor Wang4 provided clearer numbers:

The very top TV channels include Hunan TV, Zhejiang TV, and Dragon TV. [...]. If Hunan TV, Zhejiang TV, Dragon TV are willing to purchase this drama, then the price provided by YIT (Youku, IQIYI, Tencent Video) will be much higher. Can be as much as several million yuan per episode. But if these three channels turn down the drama, Beijing TV may offer hundreds of thousands per episode. Jiangsu TV may offer around one hundred thousand per episode, and then others may offer even less than that price. (Wang4, interview, January 2021)

The numbers Wang4 mentioned are the prices for premiere rights. The prices for secondary and tertiary distributions will be much lower. The premiere prices afforded by different TV stations vary. There are around five top TV stations and several tier-2 stations, and other stations offer niche windows. This situation has existed for a long time, but the prosperity of new media has increased the gap between top and niche stations because the advertising income of TV stations in poorer provinces has been greatly reduced. While the budget of top stations has not decreased too much, the niche stations’ financial status is worrying:

These channels are still there, but the stations cannot afford as large premiere fees as in the past. [...]. And there is even less money for the second-run dramas. Because TV stations do not have money now. TV stations get money from advertisers, and when advertisers stop advertising on TV channels, TV stations do not have much money. (Dai, interview, July 2021)

Niche stations cannot afford to pay high fees for either premiere rights or secondary rights, and sometimes they even default on payment. Distributing dramas to niche stations can hardly generate enough return to cover production costs, and thus these stations are seen as secondary or tertiary windows for domestic dramas. ‘Something is better than nothing,’ said

Dai in the interview.

Rights on TV channels and new media channels are sold separately in China. Similarly, content producers tend to sell the premiere rights of a web drama to the richest SVOD service to maximise their profits. While provincial TV stations buy content and undertake secondary distribution within the whole province, leading SVOD services may own the new media rights and distribute the dramas to niche new media after they have premiered them on their own platforms. The difference here is that SVOD services prefer to sign longer contracts and new media rights are not limited to a specific province. M3 mentioned that SVOD services used to sign five-year contracts with producers, but now they prefer ten-year contracts or even permanent contracts – ‘permanent’ means fifty years in China. After fifty years, the content will be open to the public and everyone can use it for free. This can be ascribed to the improvement of SVOD services’ distribution capacity and their increasing bargaining power. They can earn more from owning the secondary rights of dramas.

The Overseas Distribution of Web Dramas

In addition to distributing content to domestic secondary new media channels, Chinese SVOD services are selling content to international service providers. The Chinese government has been encouraging the ‘going out’ of media and cultural products with tax incentives and subsidies since 2003 (Keane, 2019). Early attempts at exporting content were not particularly successful (Keane, 2019), but still laid a foundation for the follow-on collaborations. Recently, with an increasing volume of content being translated and imported by international organisations, the export market for Chinese media and cultural products has become more mature. Dong mentioned the necessity of exploring the international market:

IQIYI has been placing much importance on developing international businesses

since last year. Because we have reached a bottleneck domestically. The growth of subscribers has slowed down and even stagnated. (Dong, interview, July 2021)

Chinese SVOD services began to develop an international market several years ago. They distribute dramas themselves, and sometimes they also let international distribution companies help them to organise overseas distribution. Because the domestic market has matured, and the number of subscribers is not growing as fast as before, they are currently looking towards overseas expansion. There are several ways for them to arrange international distribution. The most common way is to sell dramas to local service providers, including television stations and new media channels. *Story of Yanxi Palace*, for example, has been distributed to many nations. Figure 6.4 shows the premiere dates of *Story of Yanxi Palace* in multiple countries:

Channels	Country/Region	Date of First Streaming/Broadcasting
IQIYI	Mainland China Taiwan	July 19, 2018
myTV SUPER	Hong Kong	July 19, 2018
Jade	Macao Singapore Malaysia United Kingdoms Canada U.S.	August 6, 2018
Astro AOD Astro Go	Malaysia	August 6, 2018
HTV7	Vietnam	August 9, 2018
AsiaUHD	South Korea	September 17, 2018
Zhejiang TV Other Satellite Channels	Mainland China	September 25, 2018
Satellite Channel	Japan	February 18, 2019
PPCTV Drama 10	Cambodia	March 10, 2019
ABS-CBN	Philippines	January 27, 2020

Figure 6-4. The date of premiering *Story of Yanxi Palace* in different countries/regions

(Source: Wikipedia³²)

Some information can be concluded from the figure. First, Asian nations and regions are the most important buyers for these dramas. This is in accordance with the official data which shows Asian regions are the most important export areas of Chinese content.

		Total Exports	Ratio	Total Exports of Dramas	Ratio
Sum Up		369091.3	100%	297322.1	100%
Europe		18314.7	4.96%	5030.7	1.69%
Africa		2268.9	0.61%	1557.6	0.52%
America (Continent)		20881.8	5.66%	5898.9	1.98%
Asia		324583.3	87.94%	281943.6	94.83%
Some Countries/Regions in Asia	Japan	51150.5		51084.6	
	South Korea	20807.0		16958.3	
	Southeast Asia	72882.1		66981.0	
	Hong Kong	50451.8		27946.0	
	Taiwan	84899.4		82334.4	
Oceania		3042.6	0.82%	2891.3	0.97%

Figure 6-5. Exports of Chinese TV Programmes in 2016 (in Thousand Yuan) (Zhu, 2018, p. 28, translated)

Figure 6-5 shows the official data of content exports to different areas, and Asia accounted for 87.94% of the total content exports, and 94.83% of the total drama exports. Distributor FM3 mentioned that buyers from Middle East and Latin America are increasing, but the Asian area is still the biggest export destination. A manager of WeTV, the international

³² See: <https://zh.wikipedia.org/wiki/%E5%BB%B6%E7%A6%A7%E6%94%BB%E7%95%A5>

(Accessed: 22 March 2023)

version of Tencent Video, mentioned in his article that Tencent has divided international markets into three tiers, and the southeast market is the most important for WeTV (Li, 2023). This can ascribe to the language and cultural barriers. ‘This area has the highest acceptance of Chinese culture, including a recognition and familiarity with Chinese culture. And this market has always had a habit of watching Chinese content and has a certain user base for Chinese content.’ (Li, 2023, p. 26). Chinese dramas – both TV and web dramas – are welcome by them, and costume dramas is often the most popular genre in these areas (Zhu, 2018; Keane, 2019).

The second point from figure 6.4 is that the intervals between the premiere date in different areas are short. Most overseas areas premiered the drama around one to two months after it was premiered on IQIYI. FM3 said in the interview that, most overseas channels want to premiere dramas synchronously with Chinese SVOD services, but there are many factors that influence their scheduling decisions:

Overseas markets would like to broadcast synchronously, because once we have released domestically, the overseas areas can get pirated content easily. To ensure their financial return, overseas services prefer synchronous content release. [...] But in fact, situations are much more complicated. [...] Sometimes they do not have ideal time slots. Sometimes the import procedures take longer than predicted. Sometimes premiering two days later means lower prices. [...] The good news is that more platforms are choosing to release synchronously now. (FM3, interview, May 2022)

According to FM3, piracy is a major factor that influences the scheduling decisions of overseas platforms. They prefer to premiere dramas synchronously with Chinese SVOD services to prevent audiences from being distracted by piracy. However, because of the scheduling of other programmes, or time-consuming import procedures, or lower budgets, the platforms sometimes chose to premiere later than Chinese SVOD services. But with the increasing influence of Chinese dramas on their market, the intervals between premiere dates are becoming shorter. ‘The popularity of our dramas is increasing as we have advantages on

prices and production quality.’ said FM3 in the interview. Many dramas are pre-ordered before they are released in China and synchronous releasing is increasing.

In addition to local TV stations and new media channels, there are other channels for international distribution. The most important ones are the international versions of these SVOD services. IQIYI, Youku, Tencent Video and Mango TV all have an international version for overseas audience, and their user numbers are increasing. For example, the international version of Tencent Video’s app had been downloaded over 150 million times by December 2022 and has become one of the most influential apps in southeast Asia (Li, 2023). These services are also publishing information and content on international social media such as YouTube, Facebook, Instagram and Twitter (ibid). ‘These media are important to promote our content and increase our recognition’ (Li, 2023, p. 27). On YouTube, users can watch Chinese web dramas for free synchronously with domestic non-VIP members. Dong thought that this is essential for content promotion:

Currently, we offer overseas users many benefits ...because we are still making efforts to extend our influence and compete for market share. It is not the right time to expect huge income from international markets. (Dong, interview, July 2021)

Both Dong and Li (2023) believed that it will take time for Chinese SVOD services and Chinese content to develop the market, so there are many benefits provided by overseas viewers. Enabling free access to content on YouTube is one of the methods. The time delay strategy is also used on YouTube. Audiences who want to watch the content sooner must subscribe on YouTube or on the international versions of Chinese SVOD services.

With many successful precedents and more mature distribution channels, ‘almost every drama will consider overseas distribution now.’ (FM3, interview, May 2022). But interviewees also mentioned that the real income from overseas markets are not huge. FM3

detailed that the prices from international markets are no more than one tenth of those from domestic channels. Moreover, while overseas broadcasters prefer a copyright-licensing model, overseas new media prefers to use the profit-sharing model, which means that the income from that channel depends on how profitable the drama is for the channel. This requires the distribution agency to take part in the marketing and promotion of the drama to attract more viewers.

For domestic producers without their own overseas distribution branch, distributing content internationally is not particularly profitable. That is because most of the income will belong to the distributor, and content producers only receive a small share. ‘It can be seen as essential cultural exports, where the revenues are incidental.’ said Dai in the interview. Normal content suppliers do not pay much attention to overseas markets and do not consider producing something that will attract overseas viewers. ‘If you can reach a good domestic viewership and receive a good revenue, you are already doing great. [...] For most production companies, overseas market is not something they think about during the production.’ (FM1, interview, July 2021).

Moreover, despite the high recognition and familiarity with Chinese culture, southeast Asian audiences have different tastes from Chinese users:

Overseas buyers place more importance on suitability than budget. [...] Of course, production is important, but they care more about whether the themes of a story can resonate in the local community, whether the quality can meet the aesthetic needs of local viewers, and the appeal of the cast in the local market. [...] Some big-budget, exquisite dramas that have a good viewership and word of mouth in China are not as popular as expected in overseas market, but some small-budget dramas with mediocre word of mouth and less viewer attention in China get a lot of clicks overseas and have a good reputation. (FM3, interview, May 2022)

Distributing content to international markets means serving more diverse audiences who

have different tastes to domestic viewers, and extra efforts need to be made to understand the local markets. There are opportunities for niche content to gain popularity and reap considerable profits in overseas markets, but the quality of production is still very important.

6.4 Discussions

This chapter answers the third main research question of this thesis: What strategies are used to maximise the value of content made by SVOD services in China? A basic assumption of this chapter is that the value exploitation of web dramas is not only about making content reach the broadest audiences, but also about maximising content income through appropriate release and distribution strategies. Based on this assumption, this chapter studies the strategies used by Chinese SVOD services to maximise the value of their content in three phases: service charging, content release and content distribution. The study finds that a well-designed time delay is at the core of the revenue strategies used by the cases in my study to generate income from both advertisers and subscribers. In terms of content release, these cases developed a flexible schedule that combines daily and weekly releases, catering to viewing customs developed in the television era but not limited to the scheduling system based on dayparts. Regarding content distribution, SVOD services have replaced television stations to become the primary window for drama distribution. While the international distribution of content has increased, Chinese SVOD services are still struggling to build overseas audiences.

Video products are experience goods (Chang, Lee, and Lee, 2004), meaning that the consumption process is crucial for viewer satisfaction, and the marginal effect diminishes significantly after the first viewing. The priority of watching a video as early as possible is an important aspect of a good viewing experience. Other factors such as user interface, convenience, image resolution, flexibility of use, capability, features and functions, and lack of annoyance also contribute to enhancing the viewing experience (Chang, Lee, and Lee,

2004, p.40). Chinese SVOD services primarily rely on the Time Delay strategy to attract subscriptions, essentially selling a better viewing experience. In addition to time delay, other designs are employed to enhance viewer perception of subscriber privileges, thereby increasing the appeal of subscriptions.

The design of Chinese SVOD services is closely related to the pre-existing consumption culture in China. Most Chinese people are not accustomed to paying for online entertainment products, making the Freemium model more effective for accumulating users, cultivating their consumption habits, and exploring the market. Initially, these services were completely free (but with ads), then they transitioned to being conditionally free, and in recent years, some movies require extra payment for access. Additionally, subscription fees have been increasing annually, with various new features requiring additional payment. The interface design of Chinese SVOD services is similar to typical Chinese news portals like Sina.com or Sohu.com, filled with numerous pieces of information categorised under different tags. The pages appear very 'busy,' with the most important information placed in a special area that draws the viewer's attention. This 'busy' style contrasts with the minimalist aesthetic of US-based platforms (Wang and Lobato, 2019). This design provides extensive space to display content, reducing the need for personalisation. New releases are prominently shown on the page, and older content is recommended in special slots, making the websites less personalised than their US counterparts. In addition to business models and interface design, the scheduling of content on Chinese SVOD services aligns with habits formed during the television era. Traditionally, dramas were released in intervals of 2 to 3 episodes a day consistently until completion, with exceptions only for special events or weekends (on some TV channels). Chinese SVOD services have inherited this culture with slight modifications – some short dramas may release one episode a day, and theatres and seasonality are used for scheduling. Chinese viewing culture has greatly influenced the design of Chinese SVOD services in many aspects.

Even though dramas are distributed primarily online, television stations remain important distribution channels alongside SVOD services in China. As discussed in the previous paragraph, the viewing culture formed during the television era persists today, and the legitimacy and experience of television stations are still respected in the industry. Dramas purchased by top television stations can command higher prices in negotiations with SVOD services, indicating the continued influence of these stations. Television stations compete with SVOD services for young audiences but also collaborate as significant buyers of each other's content. Due to the decrease in advertising income caused by the rise of multiple internet channels, the gap between television stations of different provinces is widening. 'The strong are stronger, and the weak weaker,' and the difference between premiere prices and secondary prices for dramas has also increased.

In overseas markets, 'made-in-China' content products are striving to expand their influence and appeal. The simultaneous premiere of dramas in some transnational areas indicates that these efforts have made some progress. The study found that the expansion of Chinese SVOD services into overseas markets is still in its infancy. They are in the development phase where they need to build word-of-mouth and attract audiences, and thus they cannot generate very high income from a single area. While some dramas have gained popularity, overall, Chinese dramas have not yet formed national brands such as the 'Korean Wave' and 'Japanese Manga'. For many medium or small-sized Chinese production companies, overseas markets are not yet influencing their creative decisions.

Findings in this chapter reveal that price discrimination remains the primary strategy for value exploitation, albeit in different forms. Findings in Section 6.4 indicate that a typical web drama aims to premiere on leading SVOD services. If it holds a TV drama distribution license, it also aspires to have a synchronous premiere on one of the top TV stations. If the quality is high enough, it may be pre-ordered by international buyers and released almost simultaneously overseas. Secondary and tertiary distribution will occur on other TV stations

and new media channels, with only a very small number being distributed on DVD. Based on the new trends in online drama distribution studied in this section, a new windowing sequence has emerged from the one presented in Doyle (2016):

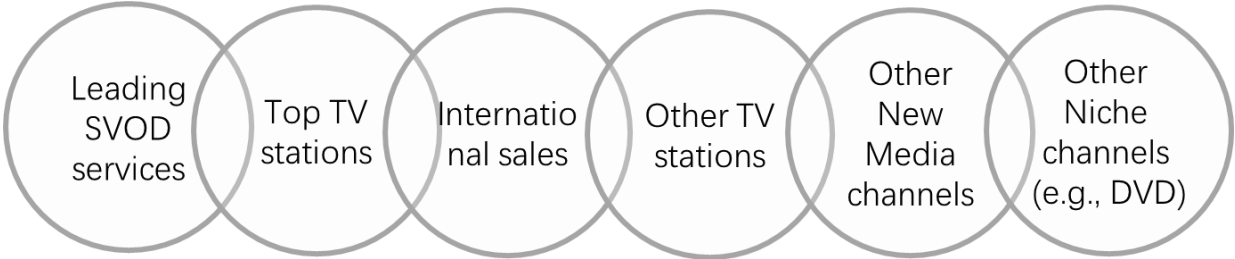


Figure 6-6. Typical windows for Chinese web dramas (including ‘online-first’ TV dramas) in 2023.

Chapter 7 Conclusions

This thesis investigates the strategic management, content decision-making processes and value exploitation of original web dramas on Chinese SVOD services. This study selects three leading SVOD services (IQIYI, Youku and Tencent Video) in China as cases. They are representative examples of the most successful services and express the latest trends in Chinese SVOD industry. The study focuses on the homogeneous characteristics of their practices. Using the research methods of in-depth interview and document analysis, this study explores how original web dramas play an important role in SVODs' development strategies, and how these dramas are produced and distributed. The study observes the development of and trends in the Chinese SVOD industry, and enriches theories related to online SVOD services and the television industry based on China' experiences. 'A 'medium' derives not only from technological capabilities, but also from textual characteristics, industrial practices, audience behaviours, and cultural understanding' (Lotz, 2017, p. 3). At a time when SVOD services, as an emerging industry, are revolutionising the traditional television content service protocols (Lotz, 2017), this study contributes to the body of research revealing new protocols that are built on new features of the industry. Additionally, it enriches our understanding of global SVOD services through insights gained from practices in China.

This study has three main research questions:

- (1) Why do SVOD services in China invest in original drama production?
- (2) What forces influence creative decision-making in original web drama production?
- (3) What strategies are used to maximise the value of content that is made by SVOD services in China?

This study focuses on the new industrial practices in SVOD services, and especially practices related to drama production and distribution. While long-form web dramas may not differ significantly from TV dramas in terms of storytelling forms, their production and distribution practices have undergone many changes. Therefore, previous studies on TV channels and TV dramas need to be augmented to make them applicable to SVOD services and web dramas. Original web dramas are the focus of this study, as they are connected closely with the SVOD services' content strategies. Investing in original productions is a practice embraced by both Chinese and US-based SVOD services, despite their differing business models and cultural backgrounds. However, the strategic significance and daily practices related to the development, production and distribution of original content differ slightly. These variations, while not significant enough to warrant entirely new scholarly approaches, underscore the need to evolve existing scholarship, which has predominantly focused on US-based SVOD services.

The main findings of this study respond to three main research questions. Firstly, the study verifies the contention that investing in the production of original web dramas is an important strategy for SVOD services and elucidates the reasons behind its implementation. Secondly, the study shows that audience fragmentation, data analysis and evolving media regulation in China exert a great influence on creative decision-making in drama production. The findings illustrate how content is produced and why programmes are created in this manner. Thirdly, the study examines the Freemium model, and scheduling and windowing strategies used by Chinese SVOD services to exploit the value of original content. It outlines the shifts in interactions between the audience and content, as well as changes in the influence of different channels. These findings not only illustrate the evolving landscape of the Chinese online video industry, including its operational dynamics, strategic objectives of key players, and the production and distribution of content, but also provide evidence for the core argument of this study, which will be detailed in the following paragraphs.

Building upon these findings, this chapter proposes the main argument of the study: Chinese SVOD services serve as extensions and supplements to television, driving the upgrading and transformation of the content production sector. Paul Levinson (2001) wrote in his book *Digital McLuhan: A Guide to the Information Millennium* that the Internet is ‘the medium of media’ (p.42) and ‘older media become the high-profile content of newer media, as novels in motion pictures, motion pictures in TV, and almost all prior media on the Internet.’ (p.13). Levinson contributes to the theory of media evolution by suggesting that old media are incorporated into newer media and will not disappear. Lotz (2017) echoes this perspective, contending that ‘the revolutionary impact of new media upon television has not been as a replacement medium, but as a new mechanism of distribution that allows evolution of legacy companies and the creation of a sector – maybe sectors – of internet-distributed television.’ (p.2). The core argument of this study aligns with their views, positing that the changes brought by SVOD services do not overthrow television but rather complement what it cannot achieve. Moreover, many of the practices of Chinese SVOD services are rooted in the customs formed during the television era. They do not directly challenge television by positioning themselves as superior service providers. These findings provide additional insights into explaining how SVOD services shape the conventions and protocols of television, fostering the evolution of the industry. They also illustrate the distinct practices of Chinese SVOD services compared to their US counterparts, shaped by the specific influences of the Chinese context.

Chapter 7 is the conclusions chapter of this study. Section 7.1 will explain the key argument of the study and use the findings summarised from preceding chapters to support the argument. Section 7.2 discusses more implications of the study and their contributions to existing studies and theories. Section 7.3 discusses the limitations of the study and recommendations for further research.

7.1 Promoting the Evolution of Content Production Sector

The main argument of this study is that Chinese SVOD services extend and supplement Chinese television, promoting the evolution of the content production sector. As Paul Levinson (2001) asserts, the Internet is ‘the medium of media’ (p.42); online SVOD can be considered an evolutionary form of the early video-on-demand that emerged through television. While television VOD did not generate obvious influences on the production industry (Lotz, 2017), online VOD services, including their various branches, have swept through the market and upgraded and transformed the existing industrial structure and practices. These upgrades and transformations manifest in industrial competitive strategies, as well as in the practices of content production and distribution.

Investing in the production of original dramas has become a crucial strategy for Chinese SVOD services to penetrate and enhance the existing industry. Commissioning has introduced new protocols and practices to television content production, enabling capabilities unattainable through traditional television. However, these innovations remain rooted in the habits and traditions established during the television era, relying significantly on the management and production expertise integral to television channels. This section will elaborate on three aspects: strategic management, content production, and content distribution.

The Marketisation of The Drama Industry

The main findings in Chapter 4 answer the first main research question: Why do SVOD services in China invest in original drama production? The study reveals that Chinese SVOD services aim to enhance their competitive advantage through cost reduction and differentiation. Additionally, they use commissioning to foster connections with content suppliers, nurture talent, and generate knowledge within the industry. By establishing

connections among various industrial players, such as content suppliers, advertisers, and viewers, SVOD services facilitate synergies across different media sectors, helping them maintain a focal position in their ecosystems and exert influence over the industry.

As discussed in sections 4.1, 4.2, and 4.3, Chinese SVOD services have made efforts to adapt to the existing television industry and develop their own market power from within. By providing content suppliers with funds, they have become an indispensable investor in the upstream stage of the value chain, SVOD services have increased content suppliers' dependency on them and reduced their dependency on any specific content producer. This increases the market power of SVOD services and affords them greater bargaining power in negotiations. Additionally, cultivating strong relationships with content suppliers and gaining a deeper understanding of their capabilities make SVOD services more adroit in selecting suitable partners when needed. Commissioning is a good method of cultivating talent as well as generating industry knowledge. Talent and experience are important resources in the content creation industry (Miller and Shamsie, 1996; Landers and Chan-Olmsted, 2004). Investing in the production of original dramas enables SVOD services to enrich their resource pool.

During the process, original web dramas have played an important role in helping Chinese SVOD services achieve the goal of cost reduction. Original web dramas cost less as SVOD services can reduce expenditures throughout the production process. SVOD services seek lower costs across three key stages: (1) Budget control – SVOD services can set a reasonable budget when investing in a project, pay a commissioning fee according to the experience and capabilities of the production companies, and strictly supervise the use of budget. (2) Choosing production elements – When selecting production elements like actors and filming locations, SVOD services can opt for more cost-effective options from trusted partners or negotiate from a stronger bargaining position with suppliers of these elements and facilities. (3) Improve the production efficiency – Using the project management

systems developed by SVOD services, which are more advanced and more dependent on technology, the production can be completed within a shorter period and to a higher quality. Due to improvements in these three key stages, SVOD services can secure more exclusive dramas by investing in original productions within a given budget, rather than acquiring rights to externally produced copyrighted content.

Materials in section 4.2 show that investing in original production can increase the differentiation between SVOD services and enable content production that is more oriented toward audience demand. SVOD services, who gather the data on user behaviour, customise content for their audiences based on that data. By exerting strong control and influence over original content production, SVOD services ensure that original web dramas meet their needs in terms of costs, quality, and scheduling, better catering to their users' tastes. Producing content that fits with the platform users' preferences not only reduces the risk of promoting content to the wrong audience, which ensures that these dramas have a good viewership, but also increase the differentiation of their content. The 'original' tag also increases the brand recognition for these dramas. For example, Netflix emphasises the 'original' tag and connects it with quality content in order to distinguish original dramas from television dramas (Tryon, 2015).

Investing in original drama production can help SVOD services better address content value exploitation issues in the era of channel proliferation and the convergence of multiple media sectors. Leading Chinese SVOD services have expanded vertically and diagonally to develop various entertainment businesses, and commissioning has facilitated the interactions and interdependences between these sectors. Vertically, they invest in multiple businesses along the value chain of drama production, such as the creation of facilities needed to produce dramas. The film sets built in Hengdian by Tencent, and actors cultivated by IQIYI's talent agencies mentioned by some interviewees in Section 4.1 and 4.3 are good examples. Production companies that have accepted investment from SVOD services are more likely

to use the production facilities provided by SVOD services and both SVOD services and producers can benefit from this close working relationship. Diagonally, leading Chinese SVOD services and/or their biggest shareholders have invested in various entertainment sectors such as film and television, music, cartoons and comics, online creative writing, and gaming. Chinese SVOD services use commissioning to outsource the production work of different media products to professionals while carrying out the overall planning and coordination work themselves.

Commissioning original production promotes the formation of media ecosystems. A media ecosystem is ‘a multi-layered and dynamic structure of interdependent organisations and stakeholders that interact and co-evolve around one or several focal firms, that provide media products or services, to create a joint value proposition’ (Kostovska *et al.*, 2021, p. 13). Interdependent organisations and stakeholders, focal firms, interaction and co-evolution, and a joint value proposition are key elements of a media ecosystem. Through commissioning, (1) production companies and other practitioners are involved in the media ecosystem; (2) talent is recruited and cultivated; and (3) industrial rules are innovated to promote the development of and create a joint value proposition for the media ecosystem; (4) using the IPs to carry out secondary development – which means IPs can be adapted to different forms of media products, SVOD services improve the utilisation efficiency of copyright and encourage the ecosystem to integrate more businesses.

The competitive strategies found above help make China’s drama industry more market oriented. Here, marketisation refers to the ability to engage in relatively fair business competition in a freer market. This market-oriented transformation is facilitated by the private ownership and Internet technology employed by these SVOD services. Connections between various media sectors are supported by the connectivity of the Internet. Producers are no longer operating in isolation, selling finished content to respective buyers; instead, they are part of a larger production network. They can access the demands and planning of

SVOD services for content in a timely manner and then complete content production with funds and assistance from SVOD services. On one hand, SVOD services act like major Hollywood studios, investing in production and controlling the rights to numerous media products. On the other hand, by aggregating resources and promoting synergies, the leading Chinese SVOD services have built their media ecosystems comprising various entertainment sectors. In contrast, public TV stations benefit from but are also confined by administrative divisions. They can participate in market competition to a limited extent and are restricted in terms of both financial support and ideological expression. They cannot achieve the same level of marketisation as the SVOD services.

More Diversity and Innovation in Content Creation

The extension and supplement of SVOD services to television can be also found in the materials of Chapter 5. Chapter 5 findings answer the second main research question: What forces influence creative decision-making in original web drama production? They show that audience fragmentation, datafication and content regulation have a very important impact on content decisions. The fragmentation of audience and lower transmission costs have made niche content produced for small audiences profitable, and as a result, experiments in the creation of niche dramas with creative themes and narratives increases. This promotes the diversification of original content. Data analysis plays an important role in helping making decisions regarding content investment and content distribution, but it is less useful in the content creation (especially the script writing) process. Human creativity is still the most important input in content creation. The relatively lenient regulation over web dramas in the recent past enabled producers of web dramas to select themes that are not permitted to be broadcast on television. But since the popularity and influence of web dramas has greatly increased, these dramas now face much stricter censorship. This brings both opportunities and challenges for content creators. It also raises the issue of how Chinese SVOD services can upgrade and transform their content production.

SVOD services enable niche content to reach niche audiences inexpensively, making the production of niche content more profitable than ever. With the trend towards audience fragmentation, Chinese SVOD services have adopted niche strategies to cater to this shift. Niche dramas focus on specific issues and target segmented markets, typically featuring fewer episodes and smaller budgets than regular dramas. ‘Targeting programming to smaller, demographically defined market segments, as opposed to a broad, mass audience of everyone from everywhere’ is ‘one of the most prominent industry strategies of this ‘post-network era’ ‘ (Bottomley, 2015, p. 484). More focused themes and fewer episodes reduce the difficulties and risks associated with production, encouraging the involvement of small production studios, thus increasing industry diversity. In addition, Web dramas are well suited for ‘the creators’ experiments with short-form narratives, innovative storytelling aesthetics, and thematic expansion.’ (Kang, 2021, p. 12). Niche dramas are perfect for thematic experimentation. Some genres that are not deemed suitable for mass media distribution have started to gain traction on SVOD services, contributing to the innovation and diversification of dramas.

Leading Chinese SVOD services collect and publicly share some of the most important viewing data, enhancing the efficiency of business activities in the pre-production and distribution phases. In the early stages of a new project, data can help predict the probability of success of this project, and help guide the selection of key production elements, like actors. The data analysis system helps to rate the quality of scripts and select matching actors, directors, and production teams. In some situations, data can capture small changes in market trends, enabling investors and creators to select some topics and themes that may be fashionable in the future. Therefore, data analysis is used by producers of both SVOD services and production companies in the decision-making process is to reduce the financial risks associated with a project. In the content distribution stage, producers rely on data to optimise the windowing sequences. Although the inconsistency of publicly available data can sometimes mislead distributors, many data service providers have developed analysis

models based on the public data and make recommendations for distribution accordingly.

The relatively tolerant attitudes of Chinese regulators towards domestic SVOD services provides opportunities for web dramas to undergo thematic expansions. ‘The Chinese government strategically applied market principles offers more to certain media sectors than to others, which has led to a dual cultural sphere’ (K. Zhou, 2021, p. 346). The Chinese administrators chose to do this because they want to enjoy the fruits of economic development while simultaneously controlling the stated-owned media (ibid). L. Li (2019) called this dual cultural sphere ‘cultural zoning,’ and argued that the cultural zoning was officially ended in 2014. This study confirms that the regulation of web dramas has remained relatively lenient since 2014 despite the trend towards stricter controls. As mentioned in Section 5.3, themes and scenes that are not allowed in TV dramas can be addressed in a web series in an implicit way, and SVOD services enjoy a larger quota for genres that are limited on TV, such as costume dramas. As long as they do not violate regulations directly, content producers can skilfully circumvent regulatory risks and use the policy space to pursue innovation while reaping the economic benefits of narrative innovation.

The above findings support the idea that Chinese SVOD services promote industry diversity and enhance the efficiency of business decisions by supporting the production and distribution of original dramas. These efforts extend and supplement the supply of television content. Some might think that web dramas will replace television dramas, but this seems highly unlikely. ‘Television-like’ dramas aiming to attract a mass audience are still important in bringing subscriptions and advertising. As the materials in section 5.1 show, ‘In the Internet era, big-budget content will be more rewarding.’ (Gong Yu, in *IQIYI World Conference*, 2022). As previous researchers have observed on the international market, the production of big-budget content has also increased amongst leading Chinese SVOD services. Successful big-budget dramas typically cater to the preferences of a mass audience, and their themes are always those liked by or of great interest to the public. This is very

similar to television dramas. Therefore, as the key projects on SVOD platforms, big-budget dramas not only benefit from greater marketing resources but also secure the TV Drama Distribution License necessary for television broadcast.

Data analysis can assist in making informed decisions regarding content investment and distribution, yet its role should be supplementary rather than decisive in the creative storytelling process. For example, Dong mentioned that if the data indicates that women who like to watch costume dramas prefer romance plots to intrigue plots, the script writers might increase the amount of romance and reduce the level of intrigue (see Section 5.2). But the decision of whether and to what extent to implement such a change ultimately rests on the judgement of the producers. Human creativity is still decisive in content creation. Data can also be used to identify narrative patterns from past episodes. These patterns and references might contribute to increasing viewership, but these rules do not necessarily need to be followed, as the changing market requires narrative innovation. In practice, how to tell a good story within the rules, or how to address content innovation, depends more on human experience and intuition. As a result, content producers often tend to think data is less useful in the creation process, and that strong creative voices remain the industry's most important resource. As FM2's speech cited in section 4.3, 'we have a lot of Internet and technological talents, but they don't know much about content creation.' (FM2, interview, May 2022). Expertise gained from working in television drama production companies or television stations, is highly valued by these SVOD services.

Therefore, while Chinese SVOD services have expanded the genres and themes of dramas by supporting the experiments of niche dramas, and their use of data has greatly increased the efficiency of decision making, they still place much importance on television-like dramas and drama production professionals who have experience in television drama production. Some renowned television drama production companies, such as Daylight Entertainment, are now important high-end drama suppliers for SVOD services. With the

increasing of influence of Chinese SVOD services in the market, regulations on web dramas are moving closer to those on television programmes.

Value Exploitation of Chinese Web Dramas

Findings in Chapter 6 answer the third main research question: What strategies are used to maximise the value of content that is made by SVOD services in China? This study considers that SVOD services are both the copyright owners and the distributors of original dramas. Therefore, to maximise their revenue, SVOD services need to make efforts on two fronts. As copyright owners, they need to distribute content to as many windows as possible. As content distributors, they need to attract more viewers to their platforms through scheduling and then entice more users to pay for content. This chapter shows that using a Freemium model that is supported both by advertising and subscription, Chinese SVOD services employ time delay as the most important strategy to induce subscriptions and provide earlier and unlimited access to content through VIP privileges. In terms of scheduling, Chinese SVOD services rely on a less personalised system to promote content and a less competitive timing to release content. They are also use other features such as branded ‘theatres’ and seasonality in content scheduling. In the windowing process, premiering synchronously on SVOD services and leading TV channels is the best way to maximise their income, and Chinese SVOD services are paying increasing attention to the international market. These value exploitation strategies are built on rules and habits formed in the television industry, and they then make innovations and extensions in line with the characteristics of the Internet.

Most Chinese SVOD services adopt a freemium model that is supported by both advertising and subscription. Time delay is the core strategy used by Chinese SVOD services to generate income from both sources. The time delay makes free users wait longer than VIP members to access video content. Time delay is mainly used in two situations: (1) free users cannot skip the long pre-video advertising, and (2) free users must wait for several days to

view the episodes that have already been accessible to paid users for days. Users can access content without paying, but with many restrictions. Offering access to free users can accumulate a large number of users in a short period of time and thus generate a viewership peak. This brings value to advertisers. Ad-sensitive and time-sensitive users will pay to avoid the inconvenience caused by time delay. Section 6.1 confirms that several other measures are designed to increase the effect of time delay. The first of these measures is that Chinese SVOD services make use of the second-screen effect to create a ‘buzz’ about a drama. As explained in Section 6.1, they publish a ‘Drama Schedule/Drama Calendar’ which displays the content release schedule for both free and paid users and post discussions, trailers, and bloopers about the latest episodes of the popular dramas on social media. Viewers who want to be part of the buzz on social media are more likely to pay because of this measure. The second measure involves allowing free users to watch all episodes of a drama for free only during the premiering period. Since the number of free users outweighs that of subscribers, they are concentrated during the peak viewership period. This amplifies the buzz, aligns with marketing campaigns, and creates opportunities to persuade free users to convert into paying subscribers.

TV channels have developed a series of vertical and horizontal scheduling strategies to arrange the broadcast of programmes (Eastman and Ferguson, 2013b; Bruun, 2021). Comparatively, the scheduling strategies are less competitive on SVOD services because these platforms are not affected by time specificity, and thus viewers can watch programmes on different SVOD services at any time after the content goes online. Instead of filling time slots with programmes they think viewers will want to watch, it is the task of SVOD schedulers to guide audiences to ‘pull’ programmes from the content library. This task has two aspects: designing a recommendation system to help users navigate the platform, and releasing content according to a specific frequency that will keep the viewers’ interest and attention. Two characteristics of the content scheduling on Chinese SVOD platforms are revealed in section 6.2: first, their navigation system is less personalised than that of their

US counterparts, and second, the content releasing is less competitive, with more flexibility and seasonality.

Chinese SVOD services use a ‘centralised distribution’ method to recommend dramas to viewers. Dramas with higher ratings are featured in the most obvious areas on the home pages. In this way, the best display areas on the interfaces of the platforms are reserved for dramas that the SVOD services believe are most valuable and thus these dramas have higher exposure opportunities to attract viewers. Short dramas with specialist genres are branded in the platform’s ‘theatres’, which groups short dramas of the same genres so that they can be marketed as a collection and thus increase their commercial value. Theatre strategy also contributes to habit forming, content library navigation and brand building. Personalised recommendations are promoted using ‘personalised cards’, and other niche dramas are categorised under different tabs and tags. Wang and Lobato (2019) also observed the ‘centralised distribution’ on IQIYI and pointed out that this design is ‘an extension of mass media into the online space’ (p. 366). They felt the interface has a paternalistic discourse, which means it guides users to places that it thinks them *should* go, instead of towards what they *want* to see (Wang and Lobato, 2019). In contrast, Netflix is a ‘digital disrupter’ (ibid).

The relative power of different marketing windows has changed because of the rise of SVOD services after 2015. The order of windowing often reflects the market power of different windows because channels that reach a large audience and generate higher advertising revenues are more willing and able to pay higher prices for content and are more likely to become the first windows for distribution. Domestically, the best way for Chinese web dramas possessing the TV Distribution Licence to maximise their income is to premiere on the leading TV channels and SVOD services simultaneously. Dramas that have signed a contract with the leading TV channels can be sold to SVOD services at a relatively high price. While original dramas that are premiered on SVOD services can still be sold to top TV channels at a good price. The slowdown in growth in the domestic market is driving

Chinese SVOD services to expand internationally. They now sell more dramas to overseas buyers and promote their own services in the overseas market as well. The combination of competitive prices and high production quality means that Chinese dramas are increasingly popular on international markets, and the number of simultaneous premieres is growing. Chinese SVOD services and production companies are still struggling to attract audiences and build recognition on overseas platforms, and the income from international markets is still not considerable.

Materials in Chapter 6 show how leading Chinese SVOD services have followed the content release and distribution habits formed in the television industry. Advertising revenue accounts for a large part of China's SVOD service revenue, so SVOD services continue to increase their appeal to advertisers by creating peaks in viewership. In terms of content release, SVOD services release one or two episodes of dramas on fixed days every week. This approach combines the weekly release with the daily release of television, extending the releasing period during which word of mouth can spread without disrupting the audiences' viewing habits. They have also retained the usual prime time release of new content, as well as increasing the compatibility of the content by imitating the seasonality of movie releases. TV stations remain crucial distribution channels for 'online-first' television dramas. The endorsement from a top television station can significantly influence the show's leverage in negotiations with SVOD services. In some interviews, respondents believed that 'SVOD services are another kind of TV' (M3, interview, May 2022).

Supported by the connectivity of the Internet, Chinese SVOD services have made innovations on the value exploitation of content, showing a much greater potential to expand their distribution capacity than traditional television stations. On SVOD services, price discrimination can be achieved in direct transactions with each and every user. Also, Chinese SVOD services use 'personalisation cards' and 'theatres' to increase the exposure opportunities of long-tail dramas and niche dramas, enhancing economic returns from these

dramas. In the overseas market, SVOD services can not only distribute drama titles to local platforms as production companies used to do, but they also have more freedom to build and promote their own international versions without being restricted by access to local cable and broadcast channels.

7.2 Other Implications and Contributions

Section 7.1 explains how SVOD extends and supplements the television industry in China. Extension and supplementation are the general trends found in the strategic management, content production and distribution stages of the industry. In addition to bolstering this core argument, the data collected in this study also sheds light on various practices within the landscape of the Chinese online video industry. These findings not only enhance our understanding of the Chinese television industry but also provide empirical evidence to substantiate or expand upon arguments and theories posited by previous studies. In this section, I classify the practices of Chinese online video industry into three categories and describe how they contribute the existing research field. In the final subsection, I will discuss the potential asymmetry of power problems arising from the increasing market dominance of Chinese SVOD services.

The ‘Industrialisation’ of the Chinese Audiovisual Industry

Section 4.1 cited Gong Yu’s words in his open letter published in 2023 that the ‘Chinese Film and Television industry is changing from a “cottage industry” to a more industrialised industry.’ (Gong, 2023). It is not common to see the term ‘industrialised’ used in the description of the media industry in recent English literature, but it is very common in the Chinese context. ‘Industrialisation’ of the Chinese film and television industry is a topic that has been frequently mentioned by both scholars and practitioners in recent years. In 2015, Zheng (2015) mentioned the ‘trend of industrialisation’ of Chinese cartoon movies. In 2017,

a big budget fantasy film *Legend of The Demon Cat* was released and harvested high box office. The great special effects used in the film have occasioned much discussion about the industrialisation of film industry (e.g., Gao, 2018). The high box office and word of mouth won by the sci-fi movies *The Wandering Earth I* and *II* made the first two films of a trilogy become the milestones of ‘industrialisation’ (Y. Chen, 2023). ‘Industrialisation’ has become a goal pursued and recognised by the industry, but it is not always clear what is meant by ‘industrialisation.’

There is no unified definition for the term ‘industrialisation’ when used by academics or industry experts. Before 2023, the term was more related to technologies used in content production, especially those associated with special effects (e.g., Gao, 2018; Zheng, 2015). Tsinghua Professor Si Ruo associated industrialisation with the development of IP rights, stating that industrialisation is ‘copyright value and brand awareness with IP as the core’ (Si, 2020, p.2). Associate professor Chen Yi, who works at Communication University of Zhejiang, argued that industrialisation is associated with a multi-thread production system which involves the management of digital assets and ‘virtual visualisation rehearses’ – using virtual technology to rehearse the filming process (Y. Chen, 2023). In an interview regarding the high-end movie *Creation of the Gods I*, the director Wu Ershan asserted that ‘industrialisation’ has three aspects: ‘First is about the maturity of genres, every genre should have a standard, and the processes of scriptwriting and production have their norms; the second is about having a scientific and systematic production management system to ensure large-scale production; the third is the application of new technology, and the combination of science and art is also an important criterion for film industrialisation.’ (Wu, cited in Mu, 2023). Now, discussions about ‘industrialisation’ encompass not only the special effects and filming technologies used in production, but also the standardised and high-efficient creation process and its management.

In my study, interviewees also frequently talked about ‘industrialisation’. When I asked

them to define what ‘industrialisation’ is, they provided various answers. ‘Under-industrialisation first indicates that we do not have enough investment in production, and thus the output value of this industry is low, and the professionalism of relevant talents and expertise is at a low level.’ (M1, interview, December 2020). M1 believed that large-scale investment is essential for the upgrading of production technologies, and only through this process can we accumulate production and managerial experience as well as foster new talent. He asserted that drama production in the US is much more ‘industrialised’ than in China, because the former has huge capital resources and decades more production experience than China. In addition, he argued that ‘industrialisation’ is about standard production processes and stable returns:

‘Industrialisation’ means the production process is standard and efficient. [...] Sometimes people say many commercial films produced by Hollywood look the same, with similar story templates and special effects. But they are profitable. [...] (A less industrialised production industry) cannot have stable profits. Today we profit, but tomorrow we make a huge loss. Industrialisation is that we know how to control risks and make sure most of the productions can turn a profit. (Zhou, interview, March 2021)

If we can produce more content with better quality and higher efficiency, audiences will be more willingly to pay, and we will then have a larger budget to produce better content. Slowly, the production will be more professional, and the industry will become better. [...] This is a positive cycle. (M1, interview, December 2020)

Only by building an industrialised system with standardised technology and intelligent production can content production be improved and enter the era of scale and quality. (Lin, 2023, p.64)

Based on the analysis of the primary data collected from interviews and some secondary data, it can be found that scale, professionalism, and return on investment are three important indicators of the level of industrialisation in the Chinese film and television industry. Scale is associated with the investment in production, which can be reflected in both the investment

in a single drama and the total investment of the whole industry. Professionalism entails the consistent production of high-quality content and the proficiency of talented individuals. Production expertise, enriched with experience and professional skills, forms the cornerstone of professionalism. Industrialisation ensures that most content can generate sufficient revenue and returns. These three indicators reinforce each other, and their enhancement contributes to the overall industrialisation of the Chinese audiovisual industry.

The findings of this study demonstrate that Chinese SVOD services have significantly advanced the development in these three aforementioned areas. They have facilitated the expansion of the industrial scale, the standardisation of ecosystem mechanisms, and enhanced the returns on investment, thereby making substantial contributions to the 'industrialisation' of the Chinese audiovisual industry. Regarding the expansion of the industrial scale, these services have driven the emergence of 'blockbuster' dramas with substantial investments, creating benchmark programmes that attract significant audiences. Their entry into the television industry also leads to an increase in demand for entertainment programmes. Their support for genre experimentations has expanded the boundaries of the industry, contributing to the emergence of new drama genres and the increasing production efficiency. Regarding the standardisation of ecosystem mechanisms, these services have implemented content standards and committed to providing more funding and opportunities for talent development, thereby promoting the industry's sustainability. In terms of increasing return on investment, the services strive to reduce costs by developing effective management tools and supporting facilities, while enhancing revenue through improved operational and distribution capabilities. These efforts have resulted in improved cost efficiency across the board. Gong Yu has summarised this in his letter to the public when he wrote that IQIYI has 'significantly improved its ability to mass-produce high-quality original content and to profit' because of its ongoing investment in original production (Gong, 2023). This improvement is benefiting all major players in the industry.

In summary, the study has made contributions to the studies on the ‘industrialisation’ of the audiovisual industry in the Chinese context. Based on the information collected from local interviewees, it explains the implications of the term ‘industrialisation’, finding out the three most important indicators of ‘industrialisation’: scale, professionalism and return on investment. It also uses its evidence to explain how ‘industrialisation’ is improved by the investment in content by Chinese SVOD services.

The Freemium Model of SVOD Services

Both the Freemium and Premium models are common revenue strategies for streaming services, each having advantages and disadvantages in different situations. In the film and television sectors, service providers need to pay large sums of money to license or commission content before they can profit from it, and thus charging viewers for access to content libraries seems like a more reasonable approach for video streaming services (Herbert, Lotz and Marshall, 2019). However, influenced by history and user habits, Chinese SVOD services use the Freemium model to generate income from both advertisers and subscribers, in contrast to Netflix, which adopts a Premium model. While there have been many studies on Premium SVOD services, Chinese SVOD services can serve as a representative sample to understand how Freemium SVOD platforms operate and the strategies they employ to maintain operations and generate profit. Lotz (2017) claimed that the adoption of advertising support, no matter how small its contribution to the total revenue, will result in ‘dual-revenue media that conform mostly to the logics of advertiser-supported media’ (Lotz, 2017, ch. 3). Can this claim be verified in this study? Lotz (2017) extended John B. Thompson’s definition of ‘logics’ and considered the term to represent ‘conditions under which they (individual agents and organisations) can play the game’ (p.5). The conditions found in this study that are crucial for advertiser supported SVOD services will now be examined.

The study finds that the first important condition is data transparency. Relying on the advertising income requires a high level of transparency regarding viewing data. In Section 5.2, the interviewees FM2 and Dai both expressed that the popularity of the programmes needs to be publicly disclosed to demonstrate the value of programmes. In contrast, Netflix used to be a purely subscriber supported service and operated a strict anti-transparency policy (Wayne, 2021). Wayne (2021) has argued that subscriber-supported networks in the US are less beholden to the ratings system because their definitions of success are less associated with advertising revenue. The observations made by FM2, and Dai and the argument put forward by Wayne support the idea that the transparency of viewership data is related to SVOD services reliance on advertising income, and this relationship exists in both US and China. Netflix's new transparency policy implemented after the launch of its 'basic with ads' service is also an example supporting the argument. Despite the inconsistency of data calculation between different SVOD services, the relatively high level of transparency increases the reliability of viewership data, and third parties, such as content producers, advertisers and data service agencies can benefit from this level of transparency.

The second condition is the need to address the cross-group externality problem. As mentioned in section 6.1, cross-group externality refers to the increase in subscribers negatively impacting the effectiveness of advertising under the Freemium model. (Carroni and Paolini, 2017). This is because one motivation for users to subscribe is to avoid interruptions from advertising. Strategies are required to balance the interests of subscribers and advertisers, and leading Chinese SVOD services mainly employ two methods to resolve the issue. The first one is to provide conditional free access to free users to maximise peak viewership. As demonstrated in section 6.1, free users can only access dramas for free during the premiere period, when is when peak viewership typically occurs. Additionally, Chinese SVOD services prioritize constantly available new videos, particularly high-budget dramas, to maintain viewer engagement. The second method involves innovating in the forms of advertising, aiming to make advertisements interesting enough to prevent them from being

skipped by paid users. Examples of these efforts by Chinese SVOD services include product placement and the use of ‘Novel Stickers’ in dramas to maintain revenue levels from advertisers.

The third condition involves the strategies employed to convert free users into paying users. Time delay is the most important method used by these services to achieve price discrimination between different types of users. The long period between the accessibility of free users and paying users, accompanied by marketing campaigns on social media aiming to take advantage of the ‘second screen effects’, contributes to an increase in subscription from time-sensitive users. Although time delay is very effective, it is not the only privilege afforded to VIP members. Shapiro and Varian (1999) suggested several strategies to achieve discrimination, including user interface, convenience, image resolution, flexibility of use, capability, features and functions, and annoyance (cited in Chang, Lee and Lee, 2004, p.40). Most of these strategies are implemented on the leading Chinese SVOD services. For example, VIP members on these services can enjoy ‘higher definition video options, free downloading, highlighted bullet screens, special blooper and spoilers, and so on.’ (Dong, interview, July 2021).

The advantages of the Freemium model are evident in the Chinese market. The Freemium model is highly suitable for emerging streaming services seeking to explore the market's size (Carroni and Paolini, 2017). In the Chinese market, where most people have relatively low incomes³³ and are not accustomed to paying for intangible services, it is

³³ According to National Bureau of Statistics, the national per capita disposable income was 39,218 yuan (around 4,358 pounds) in year 2023, data source: https://www.stats.gov.cn/sj/zxfb/202401/t20240116_1946622.html

crucial for SVOD services to patiently develop the paying market. In addition, since dramas are experience goods, and consumers cannot know their quality before consumption, providing free conditional access helps individuals decide whether they like the drama or not. As expressed by M2 in section 6.1, ‘two episodes are enough to attract those who are interested in the content.’ (M2, interview, May 2022).

The study also confirms a significant disadvantage of the Freemium model highlighted by Carroni and Paolini (2017): the elasticity to price. They pointed out that in the Freemium model, the increase in price will shift users to the free segment (*ibid*). This can explain why it is very challenging for leading Chinese SVOD services to turn a profit. As mentioned by Wang1 in section 6.1, these services have spent extensively on content acquisition and commissioning, resulting in substantial losses³⁴. However, public user sentiment poses a challenge to raising subscription fees. Similarly, the cancellation of ‘Early Access’ is another example of relatively high price elasticity. Although ‘Early Access’ is an optional service that has been welcomed by a significant number of users, it still provoked strong reactions amongst another group of VIP users and had to be cancelled. Despite its later resurrection, ‘Early Access’ was then only applied to a very limit number of dramas and had to maintain a low profile to avoid excessive user attention.

In summary, the study illustrates how the Freemium model operates in the Chinese SVOD market and confirms that Chinese SVOD services, relying on dual revenue sources, adhere to the ‘logics’ of the advertiser-supported media paradigm. It identifies data transparency, cross-group externality, and the conversion of free users as three critical conditions within these ‘logics’ and explores the advantages and disadvantages of applying

³⁴ In 2022, IQIYI claimed to profit for the first time after a mass layoff.

the Freemium model in the Chinese market.

Content Production in The Platform Society

This subsection will discuss the impact of the platformisation of service providers on content production. Dijck et al. (2018) depicted the changes brought about by online platforms on various aspects of social structure in the book *The Platform Society*. They categorised online platforms into infrastructural platforms and sectoral platforms (Dijck, Poell, and Waal, 2018). The former ‘form the heart of the ecosystem upon which many other platforms and apps can be built,’ while the latter ‘serve a particular sector or niche,’ with online video platforms being one kind of sectoral platforms (ibid, p.13). Datafication, commodification, and platform selection are three basic mechanisms of online platforms, and these platforms ‘do not cause a revolution but gradually infiltrate and converge with institutions and practices’ (ibid, p.2). This aligns with the core argument discussed in section 7.1 of this study.

The news industry is analysed as a representative sector within the media industries in their book. Dijck et al. (2018) asserted that the platformisation of unbundled news stories from newspapers, led to the emergence of news aggregators that collect content from various sources without careful selection. This undermined the privileged position of professional journalism, subsequently challenging democracy as entertainment content and misinformation became easier to disseminate (Dijck, Poell, and Waal, 2018). This raises connected questions relating to how platformisation influences the audiovisual industry, and whether this holds true for the Chinese film and television industry. This study demonstrates that after a brief period of popularity of user-generated content (UGC), professionals regained dominance over the SVOD services, as the platforms transformed their business models to distribute professionally produced content. It appears that the ‘unbundling’ of content and platforms has a much less negative influence on the professionalism of drama production in relation to Chinese SVOD services. However, datafication (see section 5.2),

commodification (see section 6.1), and platform selection (see sections 4.2 and 6.2) are still exerting influence. The question of how these factors affect content production and distribution on the platforms, will be discussed in the following paragraphs based on evidence collected in this study.

When asked about the differences between producing television dramas and web dramas, interviewee Hu2 made the following remarks:

One of the biggest differences between television dramas and web dramas lies in their distinct narrative styles. [...] Television dramas can unfold stories in a ‘slower’ manner, where ‘hooks’ can be introduced in the first episodes and explained in the latest ones. However, SVOD services place greater importance on user clicks at the beginning of the story, as the first several episodes are crucial in determining whether users click on the drama, whether they pay, and whether they engage in interactions and purchase derivative products. As a result, we must tell stories in a more attention-grabbing and intricate manner from the very start. (H2, interview, December 2020)

H2 believed that television and web dramas have different narrative styles due to the distinct experiences of watching on the two media platforms. H2’s argument can be supported by the case of a drama *The Thunder*, which portrayed a drug-control action story. The drama premiered nearly simultaneously on IQIYI and on CCTV-8 channel in 2019, but the television version was five episodes shorter than the web version, and the latter was much more ‘thrilling’ and ‘complicated’ than the former (M1, interview, December 2020).

Also, the pursuit of ‘traffic’ disrupted the drama production industry in the first few years of original web dramas. ‘Traffic’ refers to the attention that users give to content, and higher traffic implies that more users have viewed or engaged with a particular piece of content (Zhang, Chen and Xi, 2021). Zhang2 complained in the interview that the emergence of SVOD services has made many ‘capitals’ enter the market, and the entry of ‘the capital’ has many negative influences on the drama production:

'Traffic' has emerged in recent years with the influx of 'the capital'. In the past, scriptwriters approached scripts with great seriousness, and directors selected actors based on their suitability. [...] However, things took a different turn when 'traffic' became crucial. Actors with less aesthetic appeal or skill were hired merely for their fame driven by publicity. Investors were more inclined to allocate funds towards hiring well-known actors rather than investing in high-quality scripts and special effects because they believed the former were sufficient for them to achieve satisfactory returns, despite the actors' potentially less qualified skills. [...] Of course, there has been an improvement in the last two years. Earning money is not as straightforward anymore, and 'the capital' has realised that scripts and production remain the most crucial elements. (Zhang2, interview, January 2021)

Zhang2's complaints about 'the capital' and the undermining of the professionalism in the drama production industry are very similar to the study of Dijck et al. (2018) on the decreasing professionalism in news industry. Both are caused by the pursuit of 'traffic' – while some news aggregators use entertainment content and misinformation to attract readers, some investors also blindly believe in the appeal of unqualified but famous celebrities. However, the failures of these investments have gradually steered the drama production industry back on the right track. This partly corresponds to what FM2 mentioned about the 'failed attempts to produce good original dramas in the early years' and the successful original dramas that were subsequently made 'with the help of content experts' (see section 4.3).

Severe competitions between platforms and dramas also significantly increased the cost of marketing campaigns. Dai mentioned that marketing fees accounted for less than 1/60 of the production costs ten years ago, but now, 'for a small budget niche drama like mine, the marketing budget is around 5% to 10% of the production fee, and big budget dramas cost more.' (Dai, interview, July 2021). Zhang1 outlined where this substantial marketing fee is allocated, 'we need to promote on social media like Weibo, where the 'trending' list is for

sale; Douyin³⁵ is very important too, and we should pay a lot of attention to the play counts of the short videos. [...] we need to trigger discussions on social media every week, and the topics need to follow the latest episodes of the dramas' (Zhang1, interview, January 2021). There are also dramas that have minimal or no marketing campaigns, but 'hit dramas have definitely been marketed, though marketed dramas do not always become hit dramas' (Wang1, interview, October 2020).

In summary, the Chinese audiovisual industry is also influenced by the trends of datafication, commodification and platform selection proposed by Dijck et al. (2018), although in a slightly different way. Viewing habits on SVOD services necessitate that producers to pay extra attention to a more intricate narrative style, and the pursuit of audience attention greatly drives up the cost of marketing campaigns. However, while the professionalism of drama production was briefly undermined by the blind pursuit of 'traffic', the industry is now returning to the 'right track.'

The Potential Power Asymmetry Issues

The study mentioned that Chinese SVOD services are trying to increase their market power, which leads to potential power asymmetry issues. With increased negotiation power, Chinese SVOD services can secure favourable prices in transactions with production companies. This may result in an unfair allocation of profits, giving small production companies fewer opportunities to earn enough to support their further development. This is a reasonable concern for companies that dominate the market. However, after analysing the data collected in this study, I found little evidence of market power abuse. No Chinese SVOD service has

³⁵ Chinese version of TikTok.

monopolised the market, and producers have the agency to choose suitable cooperation models. Additionally, the influx of ‘hot money’ in the market and the perpetual scarcity of ‘good’ dramas provide ambitious talents with many opportunities to develop.

The first point of this subsection’s argument is that Chinese SVOD services are facing fierce competition in the market and have fewer opportunities to wield power arbitrarily in their stakeholder relationships. IQIYI, Tencent Video, and Youku have similar market influences, with no single company monopolising the market. Meanwhile, Mango TV and Bilibili.com, although trailing in terms of subscribers, users and income, are cautiously investing in the production of their own originals and gradually gaining popularity. This means that producers have more than one option when choosing distribution channels. Beyond SVOD services, top television stations continue to wield significant influence in the market, which translates to higher prices offered by YIT (Youku, IQIYI, Tencent Video) when they acquire a drama. (Source: Wang4, interview, January 2021). Additionally, short-video platforms such as Douyin and Kuaishou are promoting the development of ‘mini short-videos’ (videos that are several minutes per episode with very compact plots), offering content producers more opportunities to create diverse content. All these factors diminish the oligopoly of the leading Chinese SVOD services and reduce their opportunities to abuse power.

In addition, these SVOD platforms offer multiple cooperation models for production companies. Interviewee Yang discussed the agency that producers have in choosing these cooperation models:

We are producing a web movie, and the production is nearly complete. We can choose how to sell it. After watching the demo, one platform offered us 20 million yuan to buy the copyright package. This is a safer option because we can earn at least 5 million yuan from this project. However, my friend, the producer

of this movie, is considering selling it using the revenue-sharing model. Although this method involves more risk, if the movie attracts a large viewership, we could earn significantly more than 5 million yuan. (Yang, interview, March 2021)

Yang's interview reveals that producers have some freedom in choosing cooperation models. Producers who prefer lower risks might opt for copyright-licensing or commissioning models, while those confident in their work and ambitious for higher earnings might choose the revenue-sharing model, which offers the potential for greater returns. The income is closely linked to the quality of the work and the risks one is willing to take. M3 mentioned cases where dramas are too unattractive to SVOD services to make an upfront investment but can still be distributed via the revenue-sharing model, which requires minimal advance payment. 'SVOD services are also willing to accept dramas that are not satisfactory quality but very inexpensive, using them to simply enrich their less important libraries' (M3, interview, May 2022).

When the economy is thriving, production companies have numerous sources of funds and can easily find investors beyond SVOD services. Su mentioned in the interview that 'insiders can always find investors because they have familiar cooperators when they have stayed in the industry for several years.' (Su, interview, January 2021). She also noted that some 'outsiders' like asset management companies want to invest but lack reliable ways to seize opportunities in promising projects. As a result, their funds sometimes flow into ordinary projects. Dai echoed this sentiment, stating, 'When there was a lot of "hot money" on the market, it was not hard to find investors.' According to M3, many distribution agents are willing to invest in promising projects and then use their own resources to aid in distribution.

Another characteristic of content production is that creativity cannot be monopolised.

Despite the proliferation of dramas produced every year, high-quality dramas that appeal to a large audience remain scarce (Vogel, 2011). ‘Good dramas are valuable... and their production companies can be profitable in this market.’ (Zhou, interview, March 2022).

To summarise, the aforementioned factors have restricted the potential for Chinese leading SVOD services to abuse their dominant positions, providing more options and opportunities for production companies to expand.

7.3 Limitations and Recommendations for Future Research

There are several limitations to this study:

The study is affected by the limited access to interviewees. Informants for this study are the working staff of SVOD services, production companies or distribution companies. Most of them are not senior managers in their companies, so not all of them have participated in the design or analysis of the strategies adopted by these companies. The study tried to unearth supplemental documents such as the speeches given by the top managers of the SVOD services and records from their annual public meetings to increase the validity of this study, but omissions may still exist.

Three leading Chinese SVOD services have been selected as the research cases. I believe these companies are representative of the latest trends in Chinese SVOD services as they are the dominant players in the current market, no matter whether this is a temporary situation or not. But being limited by the length of the thesis, other less successful services such as LeTV and Sohu.tv are not analysed in detail.

Lastly, some practices mentioned in this study, especially concerning distribution, are quite changeable. For example, the practices of how services encourage free members to

subscribe may change in the future when the market becomes more mature, and audiences are more willing to pay for entertainment. So, it is necessary for readers to take note of the specific time of writing this thesis.

Based on the findings of this study, I suggest that the structural dynamics of the Chinese audiovisual industry would be a highly promising topic for further research. This topic can be explored from various perspectives, including:

The first perspective involves examining the collaboration and division of labour within the media ecosystem. This study highlights synergies between different media sectors (see section 4.4) and the emergence of data service companies providing consultancy services for content investment and distribution decisions (see section 5.2). From these examples, it is evident that, beyond production companies, service providers, and distributors, there are more players involved in the content ecosystem, offering services for content production. For instance, in the adaptation of *The Untamed*, the rights to the original novel *Mo Dao Zu Shi* and the adaptation rights for TV/film may belong to different entities. Financing, finding suitable creators, data analysis, and other aspects involve the participation of various intermediary service companies. At each stage of content production, the work is divided into more sub-stages, incorporating the involvement of different players. This prompts further questions about how these divisions change the content production process and how this in turn influences the structure of the wider industry.

The second perspective involves studying the participation strategies of different stakeholders in the ecosystem. As mentioned in Section 5.1, the coexistence of big-budget and niche strategies provides development opportunities for production companies of various sizes in the market. These diverse producers exhibit different strategic behaviours and performance disparities. For example, interviewees Wang³ and Yang noted that some producers achieve sustained growth by accumulating projects, with some expanding their

company size, while others maintain a smaller scale but consistently produce content. On the other hand, interviewee Dai mentioned that some producers prefer ‘short-term’ success, disbanding project teams or even companies after success, waiting for the next project they deem ‘appropriate’ to emerge. During this period, they may shift to other content production forms such as theatres or exhibitions. It is therefore important to explore the participation strategies that can be inferred from their behaviours, the factors that influence these producers’ choices in ecological participation strategies, and the factors that contribute to the performance disparities between them.

In addition to monitoring domestic industry dynamics, researchers should also keep a continuous focus on the performance of Chinese video content in the international market. According to FM3, content produced in China has gained increasing popularity among overseas audiences, and its production quality is sometimes ‘comparable to some dramas from Japan or South Korea’ (FM3, interview, May 2022). However, when it comes to international sales, the prices of Chinese dramas still lag significantly behind those of Japanese or South Korean dramas. However, when it comes to international sales, the prices commanded by Chinese dramas still lag significantly behind those of Japanese or South Korean dramas. The interconnected questions of why this situation exists and what strategies can be employed to increase the export prices and influence of Chinese television dramas are topics worthy of closer attention and further research.

Appendix I A List of Interviewees

Some of them were interviewed twice.

Code Name	Working For	Position	Interview Time
Wang1	IQIYI	Producer/Assistance Producer	October 2020 May 2022
Wang2	IQIYI	Producer/Assistance Producer	December 2020
Hu1	A distribution company	Distributor	December 2020
Hu2	A small production company	Producer/Assistance Producer	December 2020
M1	A big production company	Playwright	December 2020
Wang3	A small production company	Producer/Assistance Producer	January 2021
Zhang1	A marketing company	Marketing	January 2021
Su	A small production company	Producer/Assistance Producer	January 2021
Sun	A big production company	Producer/Assistance Producer	January 2021
Hong	IQIYI	Advertising	January 2021
Zhang2	A big production company	Marketing	January 2021
Wang4	A distribution company	Distributor	January 2021
Yang	A small production company	Producer/Assistance Producer	March 2021
Wang5	A small production company	Producer/Assistance Producer	March 2021
Gao	A small production company	Producer/Assistance Producer	March 2021
Zhou	Tencent	Producer/Assistance Producer	March 2021 May 2022
Dai	A small production company	Producer/Assistance Producer	July 2021 May 2022
Dong	IQIYI	Producer/Assistance Producer	July 2021 May 2022
FM1	A big production company	Producer/Assistance	July 2021

		Producer	
Wu	A small production company	Producer/Assistance Producer	July 2021 May 2022
M2	Youku	Producer/Assistance Producer	May 2022
FM2	IQIYI	Anonymous	May 2022
M3	A distribution company	Distributor	May 2022
FM3	A distribution company	Distributor	May 2022

Appendix II Interview Outline

<p>Topic: strategic management of SVOD services (for SVOD employees)</p>
<p>Why did Chinese VOD services turn to subscriber-funded platforms?</p> <p>How and why do Chinese SVOD services commission the production of original dramas?</p> <p>How do Chinese SVOD services decide which dramas to invest in and whom to commission for production? Why?</p> <p>Are the strategic goals of commissioning achieved? How are they achieved?</p>
<p>Topic: web drama production (for content producers)</p>
<p>What are the main differences between web drama production and TV drama production?</p> <p>What are the key creative decisions in the web drama production?</p> <p>What are the main factors / forces /issues that influence those decisions?</p> <p>What role do SVOD services play in the content production?</p> <p>What are the major opportunities and risks in the current market? How do you mitigate risks?</p> <p>What changes are happening in the drama production industry?</p>
<p>Topic: value maximisation of web dramas (for SVOD employees, content producers and content distributors)</p>
<p>What strategies do you use to maximise the returns of a drama?</p> <p>What approach do you take towards exploiting residual value in content IPs?</p> <p>How important are international markets / conventional TV?</p> <p>What are the main windows to distribute web dramas?</p>

Appendix III Dramas and Novels Mentioned in The Study

English Name	Chinese Name	Premiere Time and Platform	Mentioned Chapters
<i>Soldiers Sortie</i>	士兵突击	2006, Television	Section 2.1
<i>Treading On Thin Ice</i>	步步惊心	2011, Television	Section 2.1
<i>The Palace</i>	宫锁珠帘	2012, Television	Section 2.1
The Long Night	沉默的真相	2020, IQIYI	Section 4.2; 5.1; 6.2
<i>The Bad Kids</i>	隐秘的角落	2020, IQIYI	Section 4.2; 6.2
<i>Day & Night</i>	白夜追凶	2017, Youku	Section 4.3; 5.3
Burning Ice	无证之罪	2017, IQIYI	Section 4.3
Tientsin Mystic	河神	2017, IQIYI	Section 4.3
The Untamed	陈情令	2019, Tencent Video	Section 4.4; 5.3; 6.1; 6.3
Mo Dao Zu Shi	魔道祖师	novel	Section 4.4
The Lost Tomb	盗墓笔记	2015, IQIYI	Section 5.1
Grave Robbery Notes	盗墓笔记	novel	Section 5.1
Soul Ferry	灵魂摆渡	2014, IQIYI	Section 5.1
Wu Xin: The Monster Killer	无心法师	2015, Sohu.tv	Section 5.1
Twenty Your Life On	二十不惑	2020, IQIYI	Section 5.1
<i>Nothing but Thirty</i>	三十而已	2020, Tencent Video	Section 5.1
<i>A Murderous Affair in Horizon Tower</i>	摩天大楼	2020, Tencent Video	Section 5.1
<i>Joy of Life</i>	庆余年	2019, Tencent Video, IQIYI	Section 5.1; 6.1
<i>My Heroic Husband</i>	赘婿	2021, IQIYI	Section 5.1
<i>Addiction</i>	上瘾	2016, IQIYI, Youku, Tencent Video	Section 5.3
<i>Guardian</i>	镇魂	2018, Youku	Section 5.3
<i>Word of Honor</i>	山河令	2021, Youku	Section 5.3

<i>Go Princess Go</i>	太子妃升职记	2015, Letv	Section 5.3
<i>The Confidence</i>	阳光之下	2020, Mango TV	Section 5.3
<i>Ba Qing Biography</i>	巴清传		Section 5.3
<i>Sword Snow Stride</i>	雪中悍刀行	2021, Tencent Video, CCTV-8	Section 6.1; 6.2; 6.3
<i>Somewhere Only We Know</i>	有一个地方只有我们知道	2015, IQIYI, Youku, Tencent Video	Section 6.1
<i>A Dream of Splendor</i>	梦华录	2022, Tencent Video	Section 6.1
<i>The Mystic Nine</i>	老九门	2016, IQIYI	Section 6.1
<i>Story of Yanxi Palace</i>	延禧攻略	2018, IQIYI	Section 6.2 Section 6.3
<i>Empresses in the Palace</i>	甄嬛传	2011, Television	Section 6.2
<i>Ruyi's Royal Love in the Palace</i>	如懿传	2018, Youku	Section 6.2
<i>Reset</i>	开端	2022, Tencent Video	Section 6.2
<i>In Spite of the Strong Wind</i>	纵有疾风起	2023, Tencent Video, IQIYI	Section 6.3
<i>Legend of The Demon Cat</i>	妖猫传	2017, movie	Section 7.2
<i>The Wandering Earth</i>	流浪地球	2019, movie	Section 7.2
<i>Creation of the Gods</i>	封神	2023, movie	Section 7.2

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