

Research on Online Video Payment Market in New Media Environment- A Case Study of Tencent Video

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Abstract: First appearance in 2005, the online video platform has formed a relatively stable competition pattern after nearly 20 years of development. Among all the major mainstream video platforms, Tencent video platform has been created the latest develops fastest, and its payment market value-added services make it become the center of China's video membership economy. Therefore, this paper is particularly important to analyze the internal and external resources of the Tencent video payment market, explore its future development path, and provide suggestions for other online video platforms. After using the SWOT analysis method to analyze the internal and external environmental resources of the Tencent video payment market. This paper concludes that the abundant video resources, diversified membership interests, powerful marketing network, the development of 5th Generation Mobile Communication Technology, and the impact of COVID-19 provide internal advantages and external positive environment for the development of Tencent video payment market, while high copyright fees, serious product homogenization, fierce competition in the same business and diversified development of business in the same category hinder the development of Tencent video payment market. This study not only clarifies the current development of the Tencent video payment market, puts forward suggestions for its future development but also provides a reference for the development of the same type of video platforms.

1. Introduction

Online video platform refers to the Internet platform that provides users with video content through the Internet, such as films, TV series, Variety shows, animation, sports events, and live broadcasts. In 2005, several video websites imitating YouTube occurred, which are recognized as the prototype of Chinese online video platforms. While due to the lack of enough investments and corresponding marketing experience, online video platforms in this period do not show the expected profitability. After 2009, because of the large number of users accumulated in the previous stage, the value of their network has been formed. Therefore, the online video platform changes their attention to better meet the user's needs and enhance their stickiness. Online video platforms begin to enhance the review of the quality of their videos and increase the capital injection of purchasing copyrights. With the establishment of the standardization of the video platforms, its long-term development has been guaranteed. After 2015, a large-scale merger takes place in the video industry, and the amount of capital gradually become the decisive force of the core competitiveness of enterprises, a relatively stable competition pattern is formed.

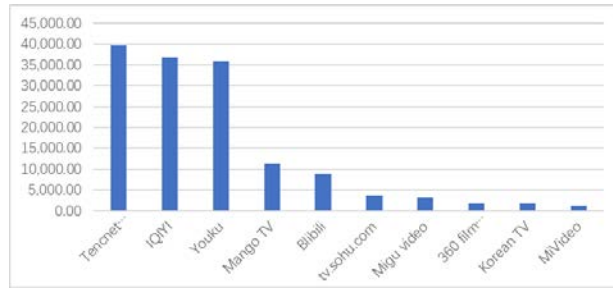


Fig 1. The number of monthly active users in May 2021 (the thousand).

Data sourced from iResearch

In order to make up for the content cost of attracting users, many video platforms begin to try payment services. After 2015, due to the innovation of payment content (from Hollywood movies to various high-quality serials) and membership benefits (members look first), the payment market ushers its good blowout era, online video user payment market scale is 4.8 billion RMB, a year-on-year growth rate of 269.23%, the number of paying users reached 28.841 million, a year-on-year growth rate of 269.23%. China's online video industry officially enters the payment stage^[1].

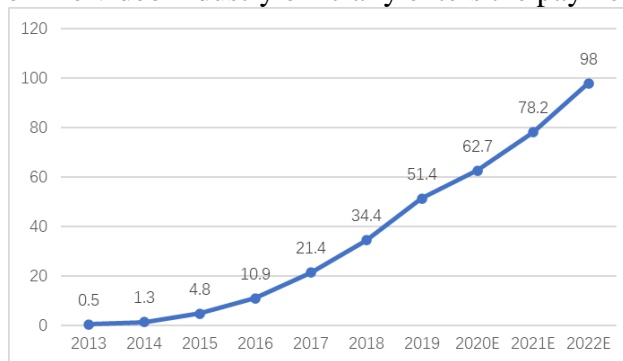


Fig. 2. The scale of the online video user payment market (billion).

Data sourced from: qianzhan.com

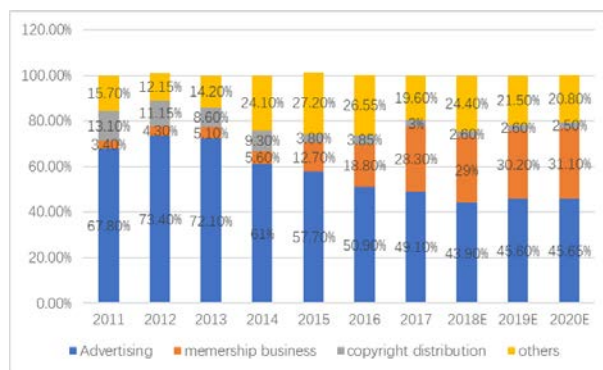


Fig. 3. Income composition of the online video industry.

Data sourced from iResearch

Based on the comprehensive analysis of the macro environment and micro marketing characteristics of Tencent video payment market, this paper concludes its strengths, weaknesses, opportunities, and threats. This paper not only points out the problems that Tencent video should focus on in the future but also provides some guidance for the same type of video platforms.

2. Data and method

2.1 Data

Tencent video is officially launched in April 2011 as a software product that provides video services to users belonging to Tencent. Tencent video takes ‘Live up to the good times’ as the brand concept, adhering to the value of ‘content is king and user-oriented’. And relying on the huge user base of other software belonging to Tencent (such as Tencent QQ) and abundant funds, Tencent video completes its rapid market expansion. At present, Tencent video is an integrated video content platform that integrates hot-broadcasting film, television, entertainment, sports events, news, and information. On all online video platforms, Tencent video not only has the highest monthly active number (about 397.4382 million people on average) but also its payment market is top of the domestic online video platforms with 125 million people, occupying the center position of China’s online video member economy.

Table 1. A brief introduction about the development of Tencent video

Time	Major events
2011.4	Tencent video officially launched
2012.11.14	Tencent Video Members officially opened
2013.1.11	Tencent Video Launches monthly subscription service
2018.3.26	Tencent video continues to consolidate its position as China's largest video payment platform with 62.59 million members
2018.12.7	‘Tencent Video VIP’ wins Innovation of the Year award at TOGETHER 2018 hosted by Southern Weekend
2019.4.29	Tencent video officially releases ‘Starlight members’
2019.12.27	The number of members in Tencent video exceeds 100 million
2021.8.18	Tencent video releases its Q2 financial report for 2021, which shows that members of Tencent video payment service grow 9% to 125 million years on year

Data sourced from the Tencent Video Official

2.2 Method

SWOT analysis is a strategic analysis method proposed by Heinz Wehrich, a well-known professor of management in the United States in the early 1980s. Its purpose is to combine the enterprise strategy with internal and external resources through the analysis of the competitive advantages, competitive disadvantages, opportunities, and threats of the enterprise itself, to help the enterprise clarify its future development direction. Its content consists of four aspects:

(1) Strengths

Strength analysis refers to the analysis of the factors that exist within the organization and could help the organization gain competitive advantage, such as strong capital, core technology support, high-quality products, economies of scale.

(2) Weaknesses

Weakness analysis refers to the analysis of the factors that exist within the organization and may hinder the development of the organization, such as technical backwardness, shortage of funds, and poor management.

(3) Opportunities

Opportunity analysis refers to the analysis of the factors outside the organization that may promote the development of the organization, such as the national encouragement policy, the emergence of new needs, and technological progress

(4) Threats

Threat analysis refers to the analysis of the factors outside the organization that may hinder the development of the organization, such as new market entrants, changes in customer preferences, and the national economic recession

3. Results and discussion

3.1 Strengths

3.1.1 Abundant video resources

Customers' expectations of the quantity and quality of the video resources they will enjoy after opening a video platform membership determine whether the customer will enter the video payment market. Nowadays, the competition in the video payment market has become the competition of video recourses. Most of the mainstream video platforms will choose to purchase serial play copyrights to attract more members. Compared with other video platforms, Tencent video which backs on Tencent company has an abundant capital to purchase a large member of serials copyrights and has become the leader of the video member economy.

Table 2. The top ten effective broadcast volumes of serials in 2020

Rank	Name	Effective broadcast volume (billion)	Broadcasting platform
1	Qing Yu Nian	5.286	IQIYI/ Tencent video
2	iPartment Season 5	4.976	IQIYI
3	Under The Power	4.824	IQIYI/ Mango TV
4	Nothing But Thirty	4.385	Tencent video
5	NEW WORLD	4.03	IQIYI/ Tencent video
6	I will find you a better home	3.917	Tencent video
7	Love Advanced Customization	3.601	IQIYI/ Tencent video /YOU KU
8	Perfect Partner	3.564	IQIYI/ Tencent video /Mango TV
9	Sansheng Sanshi Pillow	3.547	Tencent video
10	Elite Lawyer	3.243	IQIYI/ Tencent video

Data sourced from Yun He Data

We can see from the table that in the top ten effective broadcast volume of serials in 2020, IQIYI accounting for 7(one solo play), Tencent video accounting for 8 (3 sole plays), Mango TV, and Youku accounting for 2 and 1 respectively and both of them have no sole play. Therefore, from this aspect, Tencent video has obvious advantages in both the quantity and quality of serials.

3.1.2 Diversified membership interests

Table 3. The membership benefits of Tencent video

Privilege Name	Explanation	Details
Privilege of content	New cinema films are continuously updated	Save hundreds of film tickets money per month
	Exclusive American drama	Enjoy HBO American dramas
	Enjoy all of the documentaries	Enjoy National Geographic and other first-line drams
	Watch popular dramas in advance	More quickly update for popular dramas
	Give movie tickets per month for free	Free to see movies that need movie tickets
	Enjoy high-definition picture quality	Enjoy a high-definition visual feast
	Dolby quality experience	Enjoy the high-quality audio-visual experience
Privilege of watching	Light up your dignity identity	Show your dignity identity
	Contribute films to your friends through WeChat	Let your friends see for free
privilege of broadcasting	Free props for a live concert	The hot atmosphere depends on you
	Live concert discount	Hundreds of concerts with no queuing

Data sourced from the Tencent Video Official Website

From the table, we can see that Tencent video provides us with a wide range of membership benefits, especially the HBO American dramas, which makes it has a significant difference among other video platforms and by the aid of that, Tencent video attracted many American drama lovers to be its members.

Except for that, because of the similarity of market targeting, Tencent video carries out joint members, which means people can enjoy multiple platform’s membership benefits by purchasing only one platform’s member. Until now, the joint membership forms launched by Tencent Video are divided into three categories: VIP+ audio-visual, VIP+ shopping, and VIP+ life.

Table 4. The name of Tencent video's joint members in 2021

Name	Clarification	Details	
Tencent video VIP+	Audio-visual	QQ Music	
		Himalayan	
		Ku Wo	
		Cool Dog Music	
	Shopping	JD.com	
		Sunning.com	
	life	Tencent animation	
		QQ Reading	
		QQ Super Members	
		KEEP	
		Kuai Kan Comics	
		Little Penguin Paradise	
			Novel Reading Card

Data sourced from the Tencent Video Official Website

3.1.3 Powerful marketing network

(1) The Combination of Online and Offline Advertisements

As an important means of modern market competition, the value of the advertisement has been widely recognized ^[2]. As a subjective and paid way of publicity by advertisers, advertisement is released through the mass media, which has an immeasurable impact on social and economic development ^[3]. It not only can stimulate and induce consumption but also expand the product popularity, therefore Tencent video always chooses to advertise their membership benefits on some social platforms and automobile stations with large traffic.

For online marketing, some mainstream social platforms such as Micro-blog, WeChat, and Tencent QQ are always the most important battlefields for marketing, and Tencent video has been putting lots of advertisements on the domestic super-large social platforms relying on the capital of Tencent company. In addition, Tencent video places great emphasis on the star effect. In February 2021, Tencent video starts a new spokesman program, declaring Liying Zhao, Zi Yang, Zhan Xiao, Mi Yang, Yang Yang, and Dilraba become Tencent video spokesperson, while ChaoYue Yang becomes Tencent video welfare spokesperson.

Table 5. Name and the number of fans of Tencent video’s spokesman

Spokesman	Number of fans (ten thousand)
Liying Zhao	8987
Zi Yang	5844
Zhan Xiao	2956
Mi Yang	11000
Yang Yang	5592
Dilraba	7653
Chaoyue yang	1815

Data sourced from Micro-blog official website

From this table, we can see that the spokesman selected by Tencent video undoubtedly has high visibility in China, and choosing such a high popularity star as a spokesman has great help to the expansion of the Tencent video payment market.

For offline marketing, Tencent video puts thousands of advertising sites in the automobile stations and carries out scene marketing, for example, Tencent video cooperate with the IKEA Club in Beijing, moving their variety shows into IKEA showrooms. Through that, Tencent video can bring their customers an immersive experience and because of the payment characteristic of these variety shows, Tencent video not only expands their new customers but also increases old customer stickiness to their payment market.

3.2 Weaknesses

3.2.1 Copyright fees

With the increased government's effort to combat piracy, the cost of purchasing copyrights rises sharply. In recent years, the copyright fee of serials has achieved a leaping growth. In 2006, the copyright fee for a popular ancient martial arts comedy<My Own Swordsman>is 1230 RMB^[4]. While in 2010, the copyright fee of<Three Kingdoms>has soared to 1.5 thousand RMB^[5], and in 2015, the copyright fee of<The Empress of China>was 2 million. In the previous years, the copyright of a costume drama named<Ruyi's Royal Love in the Palace>was traded at a single set of 9 million. To gain more high-quality video resources and seize more traffic markets, many video platforms have to increase investment in copyright fees, and it also makes many video platforms such as Tencent video mains long-term deficit.

3.2.2 Serious product homogenization

Since 2011, the content of video platforms has come from network linkage and copyrights purchases. To alleviate the financial pressure caused by the soaring price of content cost, many video platforms will choose to share the copyright fees of one serial, which directly leads to the homogenization of the content of each video platform. And we can see from Table III that although Tencent video has the largest number of video resources, its solo play only accounted for 37.5%, which means Tencent video shared video resources with other video platforms in five of the eight popular shows.

3.3 Opportunities

3.3.1 The development of 5th Generation Mobile Communication Technology

<5G Entertainment Economic Report>published by Ovum, which is a world Telecom Industry Authority Consulting Company forecasts that the average monthly traffic for 5th Generation Mobile Communication Technology users will grow sevenfold over the next 10 years, and 90% of that will be consumed by video. With the support of 5th Generation Mobile Communication Technology, the new media intelligent terminal can realize the transformation of human-computer interaction from two-dimensional plane to three-dimensional sub-elements^[6]. Through the application of Virtual Reality and Augmented Reality technology, it can photograph a shocking scene with 360 - degree strong scene interaction, so as to subvert users' viewing experience. The development of 5G technology can better meet the needs of users for immersive viewing, which will undoubtedly promote the development of the Tencent video payment market

3.3.2 The impact of COVID-19

Since December 8, 2019, Wuhan has reported the first case of unexplained pneumonia, many similar unexplained pneumonia patients occur throughout China. On December 31, 2019, the National Health Commission announces that China has entered the era of epidemic prevention. On January 20, 2021, a group of experts such as Zhong Nanshan informs that the new coronavirus pneumonia has the characteristics of 'human transmission'. Wuhan is closed on January 23, followed by many cities' closure and the extension of the Spring Festival holiday. Therefore, from December 2019 to March 2020, when the Chinese government announces that the spread of the COVID-19 in China has been

blocked, most of the people stays at home. The sudden COVID-19 heartbreaking at the end of 2019 has made the global economy suffer a lot. Following the closure of Wuhan province, the majority of cities in China stops working and schooling, people are required to obey the principle of “Don’t go out until necessary”. The economic benefits of most Chinese enterprises, such as the catering industry, tourism, and foreign trade industry decrease sharply, while due to the long-term home-based quarantine, people gain unprecedented rest and entertainment time, and most of them choose to kill time by binge-watching, which lead to a substantial increase in the number of active users in the online video industry, online video industry ushers in new development opportunities.

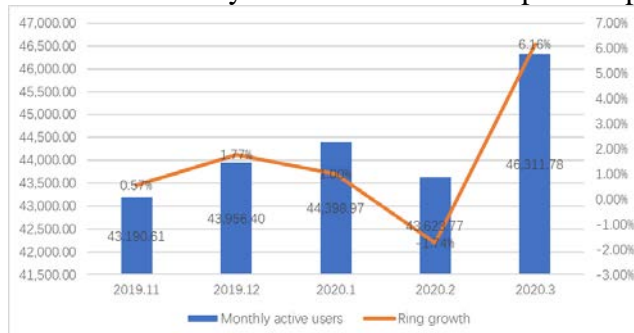


Fig. 4. The monthly active users of Tencent video.

Data sourced from iiMedia Research

3.4 Threats

3.4.1 Fierce competition in the same business

After the fierce competition among online video platforms, Tencent video, IQIYI, and Youku which are backed by Tencent, Baidu, Alibaba relatively, have obtained an obvious advantage.

IQIYI locates their target people on the young, which have a certain coincidence with Tencent video. And in the aspect of video resources, to attract more people’s attention, IQIYI has increased the budget of purchasing copyrights, In addition to Chinese dramas, its unicast strategy also covers Japanese dramas, Korean dramas, Hong Kong and Taiwan dramas. Except for that, through cooperating with Netflix, IQIYI has become a video platform that has the largest number of homemade dramas, and its high-quality homemade dramas also help IQIYI gain lots of members. After years of development, IQIYI has formed the image of “high-definition, interactive, rapid development, continuous innovation, clean pages, literary models, and high quality [7].”

Since Youku and Tudou completed the merger on August 23, 2012, originally known as “Anime Paradise”, the comics and animation of Tudou are all owned by Youku. In 2016, Youku is purchased by Alibaba, gaining more capital to expand its video resources. In 2017, Youku put forward the concept of “super episode”. To maximize the value influence of content, Youku changes the playing mode from a simple broadcasting platform to full-link deep participation^[8]. And after it reaches a long-term strategic partnership with DEYUNSHE, the copyrights of comic dialogue are firmly held by Youku, people who like comic dialogue will naturally choose to stay in Youku.

3.4.2 Diversified development of business in the same category

A short video usually refers to a video clip that plays on internet new media within five minutes. With the increase of life pressure, work occupies most of the people’s time, while compared with long time videos which are usually provided by Tencent video, short videos not only can enrich people’s fragmentation time but also satisfy people’s curiosity about video content. In addition, With the comprehensive popularization of 4th Generation Mobile Communication Technology, the development of 5th Generation Mobile Communication Technology, and the increasingly skilled application of short video shooting technologies such as Augmented Reality, Virtual Reality, Unmanned Aerial Vehicle shooting, and panoramic technology^[9], People are allowed to post videos about their lives. Catering to people’s needs of showing themselves, short video platforms meet their

gold period of development.

The number of short video users has increased sharply, from 190 million people at the beginning to 873 million people in 2021. According to statistics, the time people spend watching short videos is appropriately 2 hours and its broadcasting length first exceed that of long videos in 2019, accounting for 57% [10].

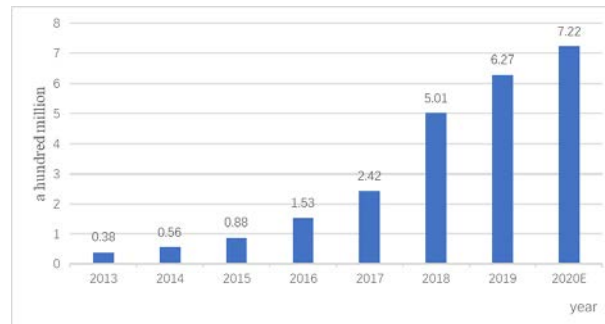


Fig. 5. The number of short video platforms users between 2013 and 2020.

4. Conclusion

Through the analysis of existing data, this paper concludes that abundant video resources, diversified membership benefits, and the combination of online and offline advertisements are the strong factors to provide sustainable competitiveness for Tencent video payment market; while the high copyright fees used for attracting users and the product homogeneity caused by sharing the pressure of content cost play a major impediment to the development of Tencent video payment market; in terms of the analysis of outside influential factors, this paper concludes the development of 5G will have a positive impact on Tencent video payment market, due to its abilities to satisfy the need of customers' immersive viewing experience and provide strong technical support for shooting of the homemade drama. What is more, with the advent of the era of normalization of the epidemic situation, the time spent on travel will be partially replaced by home quarantine, which is also a positive signal for the development of the online video industry. However, fierce competition in the same business (such as the competition with IQIYI and Youku) and the occurrence of short video platforms (such as Tik Tok) are undoubtedly a very big threat to Tencent video payment market.

To maintain the substantial competitiveness of the Tencent video payment market, this paper argues that it should proceed in the following aspects:

(1) Grasp the change of users' viewing preferences and take the road of high-quality dramas.

Tencent video should carefully understand the changes in users' viewing preferences by analyzing the users' clicks and viewing time. Through that Tencent video could avoid the blindness of purchasing copyrights and reduce the content cost.

(2) Increase investment in homemade dramas and create product differentiation advantages.

To reduce the impact of product homogenization caused by copyright sharing, Tencent video should increase its investment in homemade dramas and take the road of product differentiation, and use homemade dramas with high quality and independent copyright to attract more members.

(3) Follow the trend of 5G and provide users with an extreme viewing experience.

Tencent video should be committed to strengthening the research on the application of 5G technology in the video industry, such as using 5G technology to create an immersive viewing experience for users, strengthening the development of user interaction system, further improving the clarity and fluency of user viewing, and shortening the time-consuming of the video download.

(4) Pay attention to algorithm push and achieve one-to-one marketing

Tencent video should build a user's database based on their viewing preferences, and use the algorithm to push more targeted video content to achieve one-to-one personalized marketing, shorten the time that users spend on finding the video they want to watch, and enhance user stickiness.

(5) Actively carry out industry cooperation to enrich the types of membership benefits

Tencent video should focus on the analysis of the coincidence degree between its payment market crowd and other network platform payment market crowd. For some platforms with a high coincidence degree of target crowd positioning, Tencent video can cooperate with them to share membership benefits, to attract and lock in the partially overlapped crowd market.”

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