

Pacific Telecommunications Council's Annual Conference 2019

# **The Development of the OTT TV markets in China : The Multi-thread Administrative Control Model and The Rise of Local Giants**



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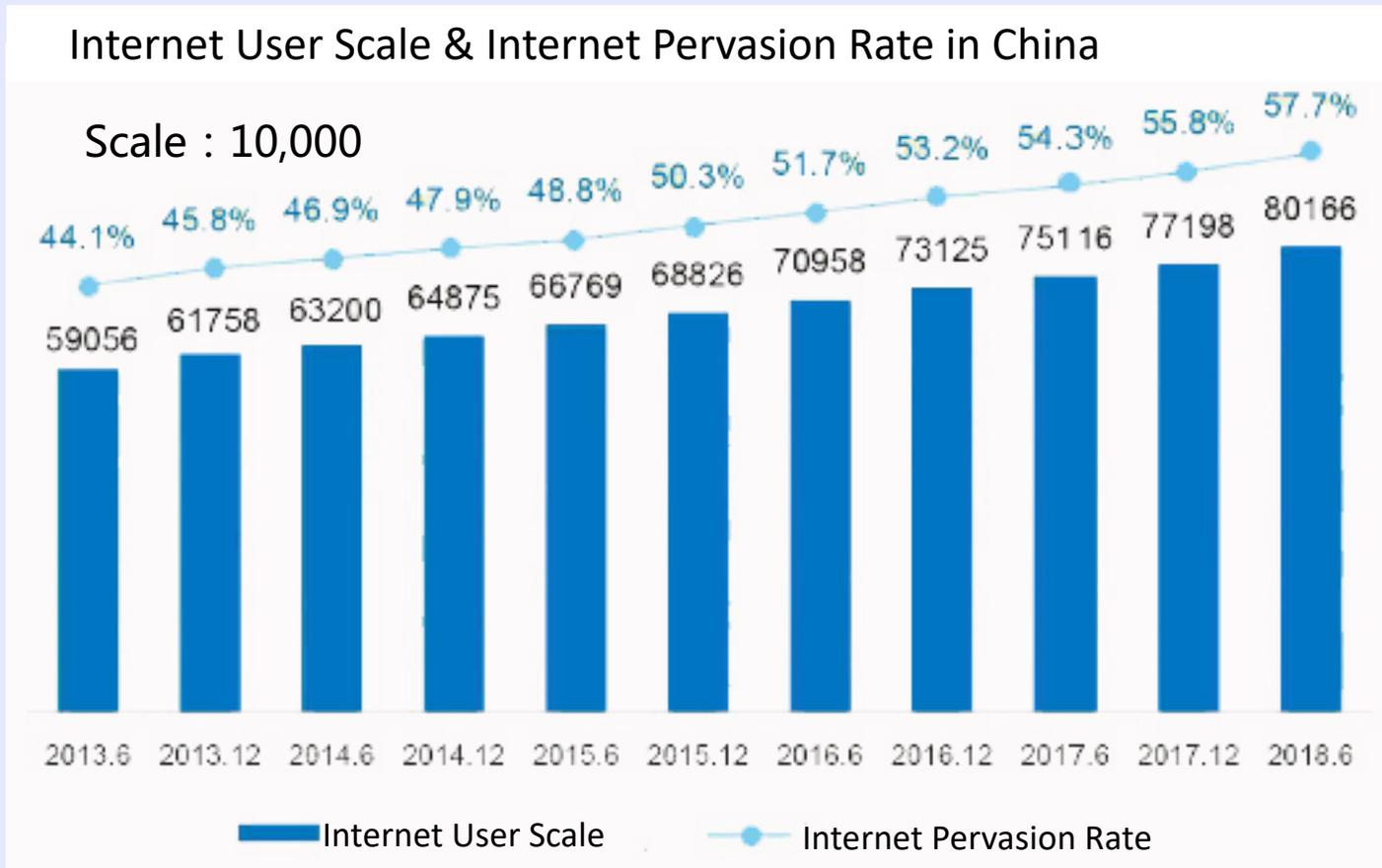
**Research  
Findings**



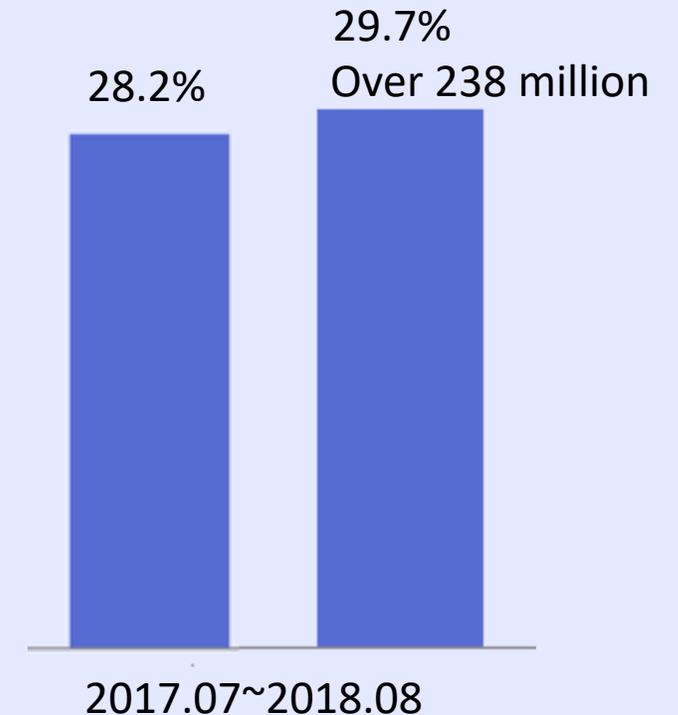
**Conclusion  
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# Background

(1) The rapid development of Internet industry has laid a strong foundation for the boom of OTT TV industry.



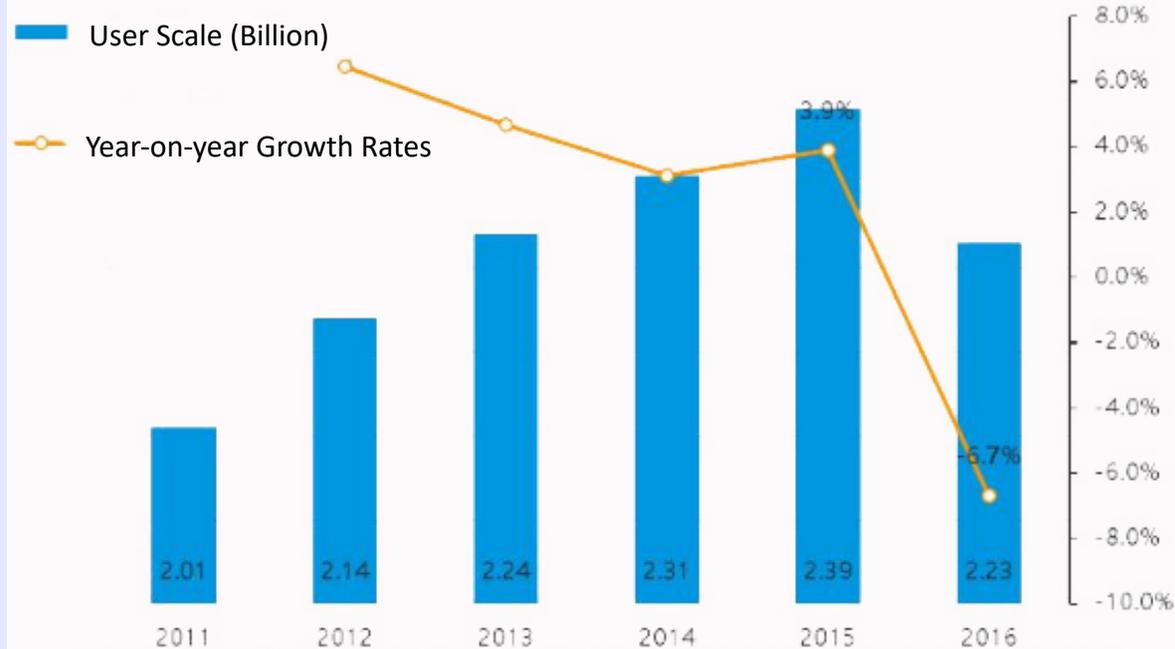
Economic Recovery in the Living Room  
Accessing the Internet via Smart TVs



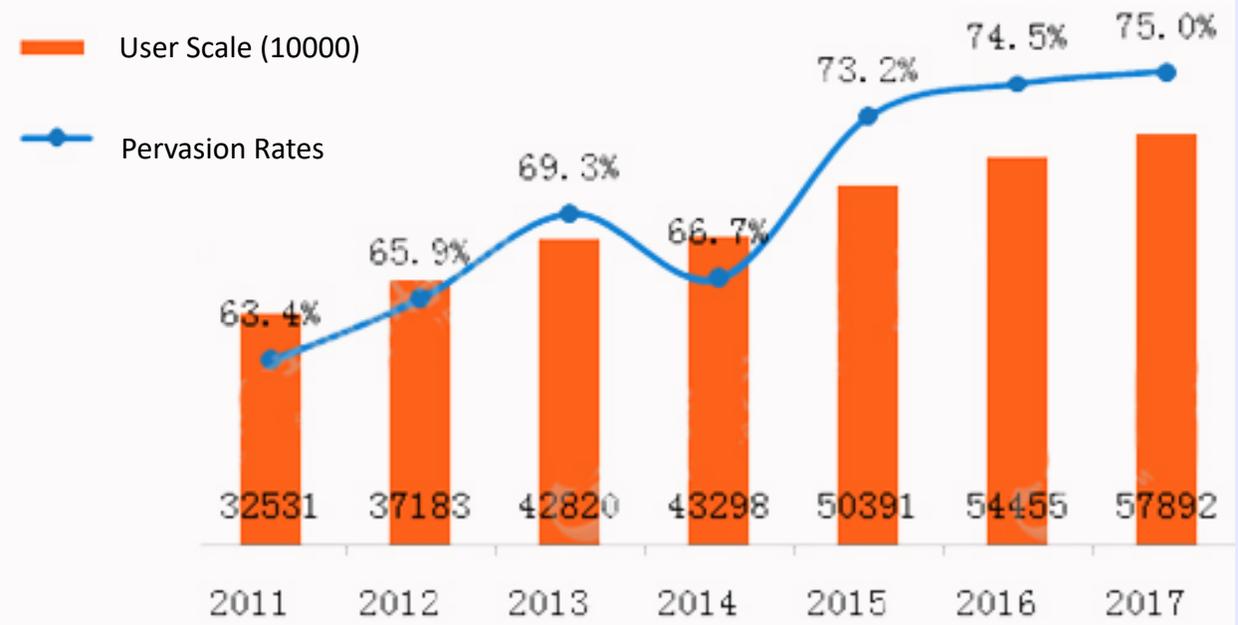
# Background

(2) Traditional TV subscribers have declined and OTT TV subscribers have continued to increase.

### 2011-2016 Cable TV User Size in China

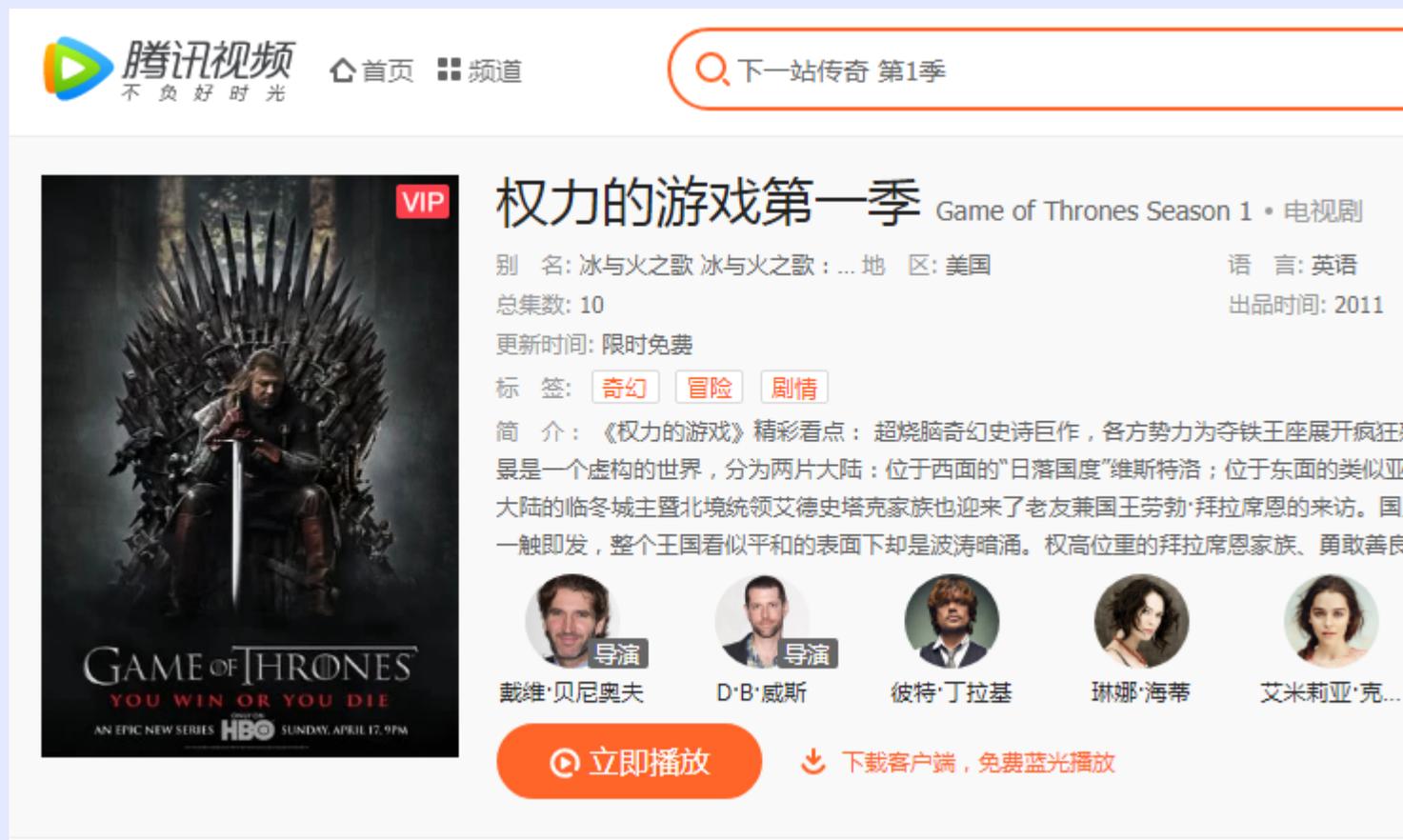


### 2011-2017 OTT TV User Size in China



# Background

## (3) Promotion of Copyright Awareness and Overseas Authentic Film and Television Purchase



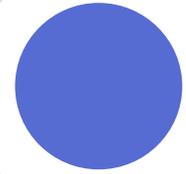
The screenshot shows the Tencent Video interface for '权力的游戏 第一季' (Game of Thrones Season 1). The page includes a search bar with the text '下一站传奇 第1季', a large promotional image of Jon Snow on the Iron Throne, and detailed information about the series. The title is '权力的游戏第一季 Game of Thrones Season 1 • 电视剧'. It lists the original name '冰与火之歌 冰与火之歌: ...', the region '美国', and the language '英语'. The total number of episodes is 10, and it was released in 2011. The page also features a list of directors: 戴维·贝尼奥夫, D·B·威斯, 彼特·丁拉基, 琳娜·海蒂, and 艾米莉亚·克拉克. At the bottom, there are buttons for '立即播放' (Play Now) and '下载客户端, 免费蓝光播放' (Download Client, Free Blu-ray Playback).



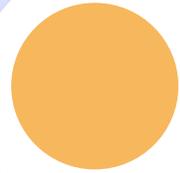
This block contains four promotional cards for TV series, each with a 'VIP' badge and a '热播' (Hot) tag:

- 荒原 第一季** (The Sinner Season 1): Starring 吴彦祖 (Zu Chao) and 艾米丽·比查姆 (Emily Beecham). Total 6 episodes.
- 小谢尔顿 第一季** (Young Sheldon Season 1): Starring 伊恩·阿米蒂奇 (Iain Armitage). Total 22 episodes.
- 我们这一天 第二季** (This Is Us Season 2): Total 18 episodes.
- 基本演绎法 第五季** (Elementary Season 5): Total 22 episodes.

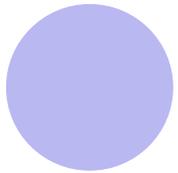
# Research Question



What are major factors to restrict U.S. OTT's market power in China?



What are the new developments of OTT industry in China?



What is the future trend of OTT TV market in China?

# Literature Review & Research Method

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## Literature Review

Most Chinese scholars pay attention to the reasons for the rapid development of local OTT TV services, competition among domestic players and other issues, but researches for policies and regulations, international competition and cooperation is still less.

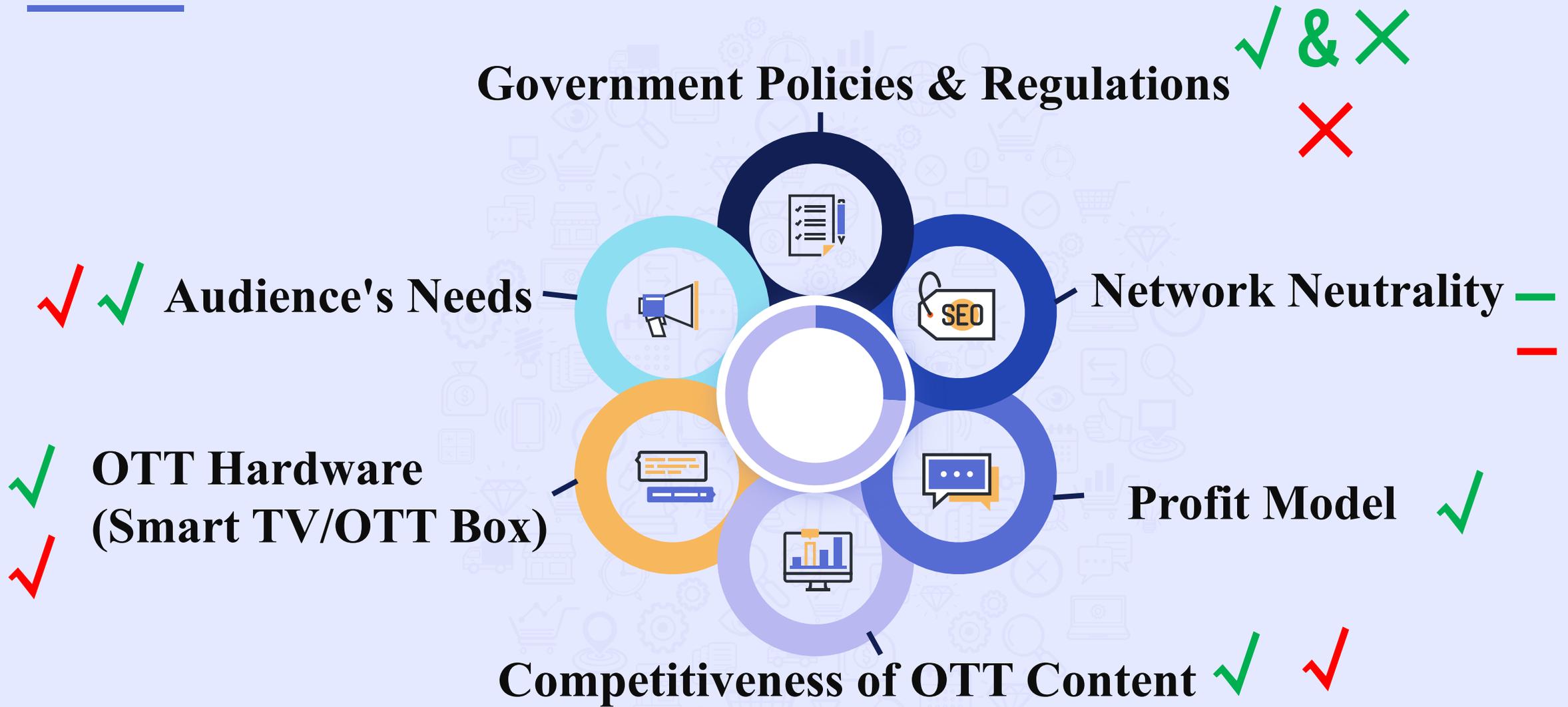
## Research Method

### The depth interview:

Local traditional TV media Staff : Interviewee A, Interviewee B  
Local Telecom Industry Staff: Interviewee C  
Tencent Video Staff: Interviewee D  
iQIYI Vedio Staff: Interviewee E

The synthesis of articles and Published data

# Reasons for the Development of OTT TV Industry



The Impact of Overseas Players' entry into the Chinese Market



The Impact on the Development of Local Industries in China



# The Multi-thread Administrative Control Model of OTT TV in China



**SAPPRFT**  
○○○○○

State Administration of  
Press, Publications,  
Radio, Film and  
Television



**MIIT**  
○○○○○

The Ministry of Industry  
and Information  
Technology



**CAC**  
○○○○○

The Cyberspace  
Administration of China  
(CAC)  
(central Internet regulator,  
established in 2014)



**MO(T)C**  
○○○○○

The Ministry of Culture  
(In March 2018, it Merged with  
the Ministry of Tourism to the  
Ministry of Tourism and Culture)

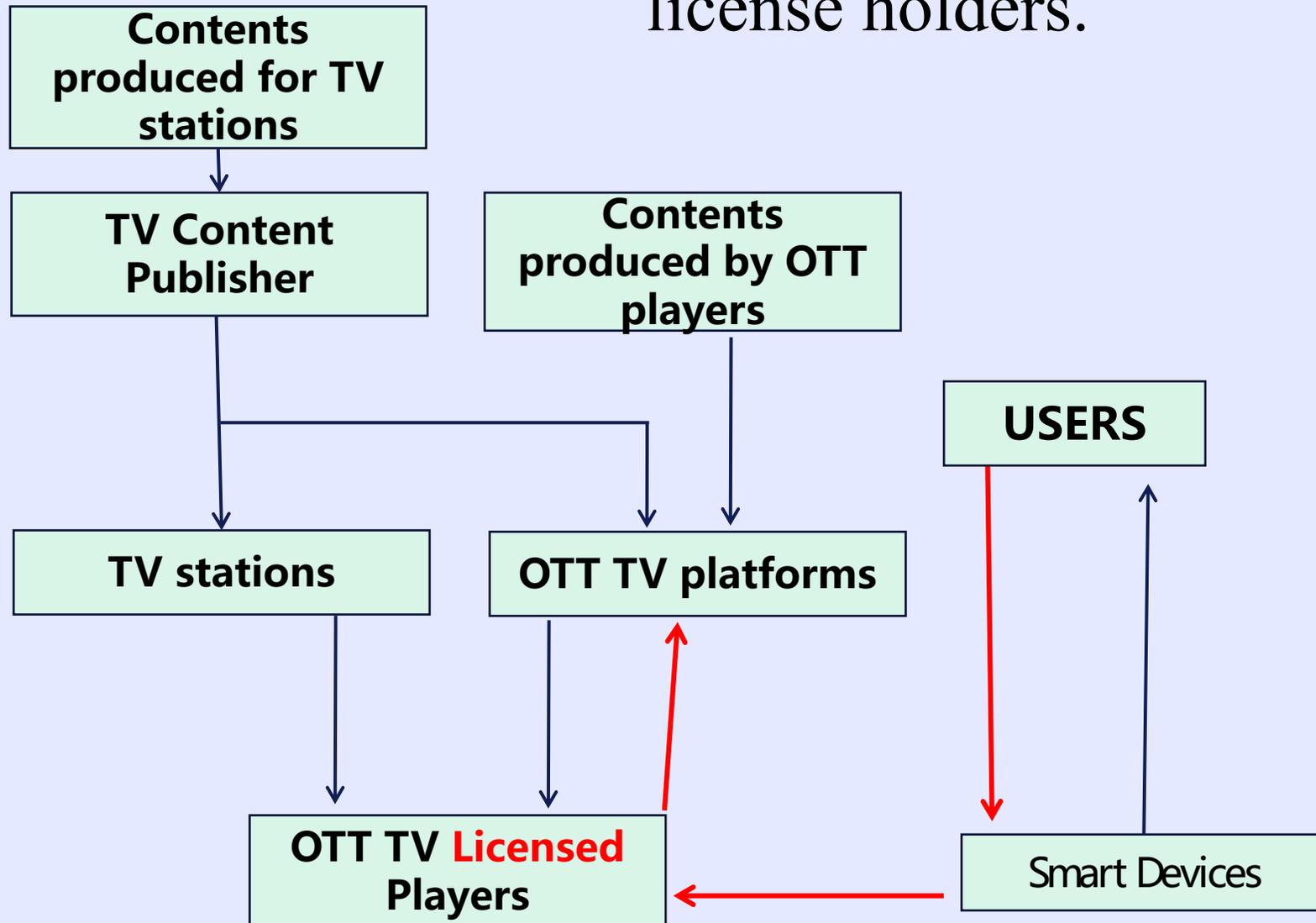
## Structural & Content Control

# Structure Regulation of the Multi-thread Regulators

Authorities	Licenses	Qualifications
SAPPRFT	License for Dissemination of Internet Audio-visual Programming Services  License for IPTV Service (2010) License for OTT TV (2015)	Individuals and <b>foreigners</b> cannot run it. Should have sound management system, proper technical ability and network resources, proper professional staff. Only 12 IPTV Licenses. Only 7 OTT TV Licenses.
MIIT	Value-added Telecommunications Business License (for all the commercial Internet service providers)	Other purposes should meet other relevant regulations.
CAC	No License	Should meet the qualification and requirements set by laws or regulations.
MOC	Internet Cultural Operation License	Should have self-screening ability, real-time monitor ability, and technical monitor ability.

# OTT TV Licenses

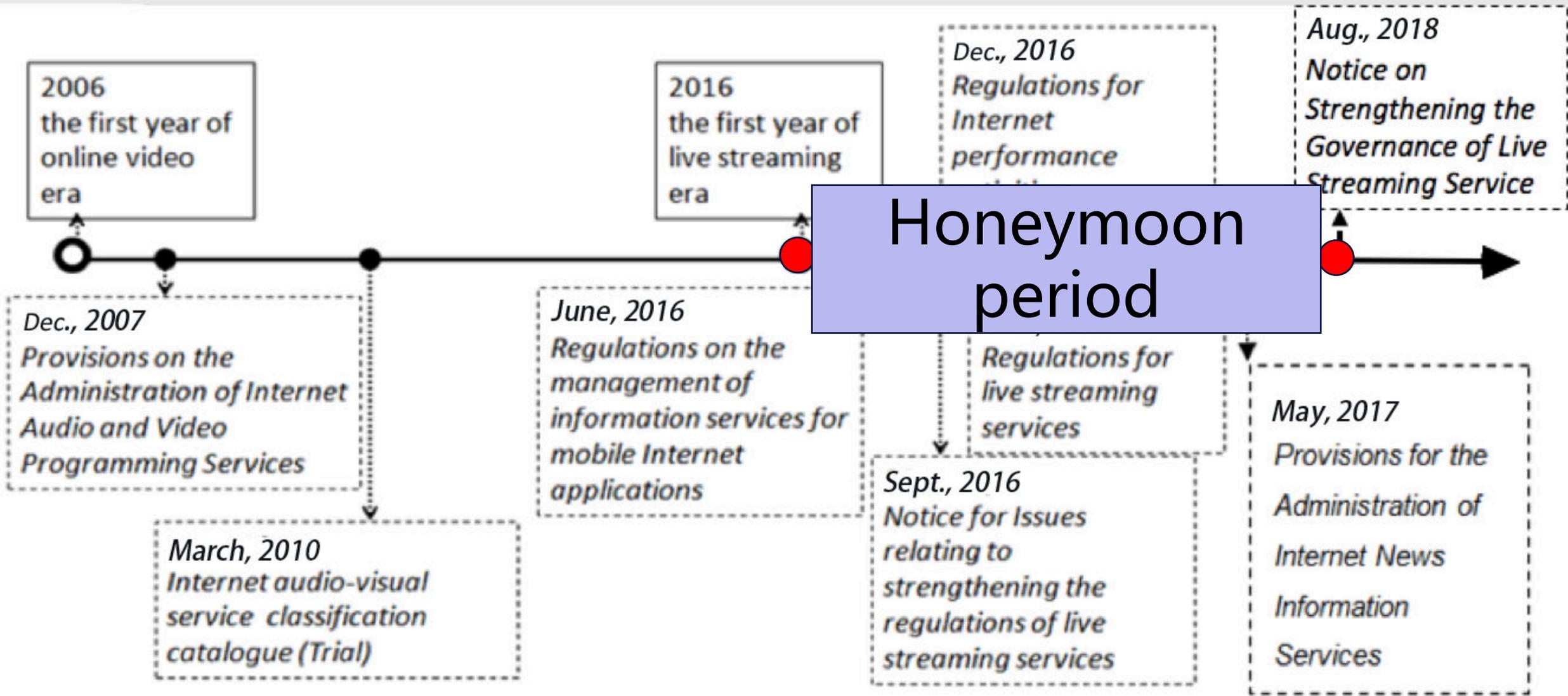
OTT TV services is controlled by 7 license holders.



# Content Regulation of the Multi-thread Regulators

Authorities	Content Regulation
SAPPRFT	Should insist on healthy and good taste content. Cannot have any content which violates national laws and regulations. Should not be vulgar and over commercialized. Should not promote money worship or luxury.
MIIT	Not Required
CAC	Must not use to endanger national security, undermine social stability, disturb social order, infringe on others' lawful rights and interests, disseminate pornographic or obscene materials, engage in other activities prohibited by laws and regulations; Must not use to produce, duplicate, publish, disseminate information content prohibited by laws and regulations.

The number of overseas movies, TV dramas, cartoons, documentaries and other overseas TV programs available for streaming by OTT video servicers shall not exceed **30%** of the total number of contents available in each category.



The Evolvement of the Regulations on Live Streaming Services in China

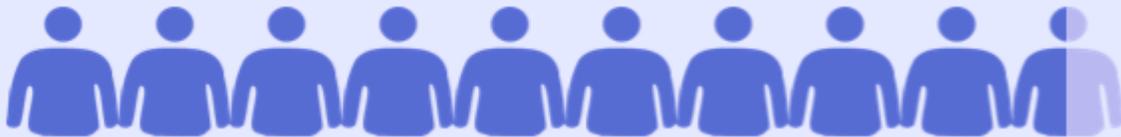
# The Rise of Local Giants

OTT TV services are exceeding the number of subscribers to traditional TV

About 1000 thousands families in Neijiang City, Sichuan Province



Number of Cable TV Subscribers: 120 thousands



Number of OTT TV Subscribers: 720 thousands



Who are the OTT TV players in China?

# Who are the Local Giants?

- ✓  Owing OTT TV License Cooperator
- ✓  Massive Content: Buy + Self-Produced
- ✓  Hardware Equipment Partner

Tencent

Tencent Video

Alibaba

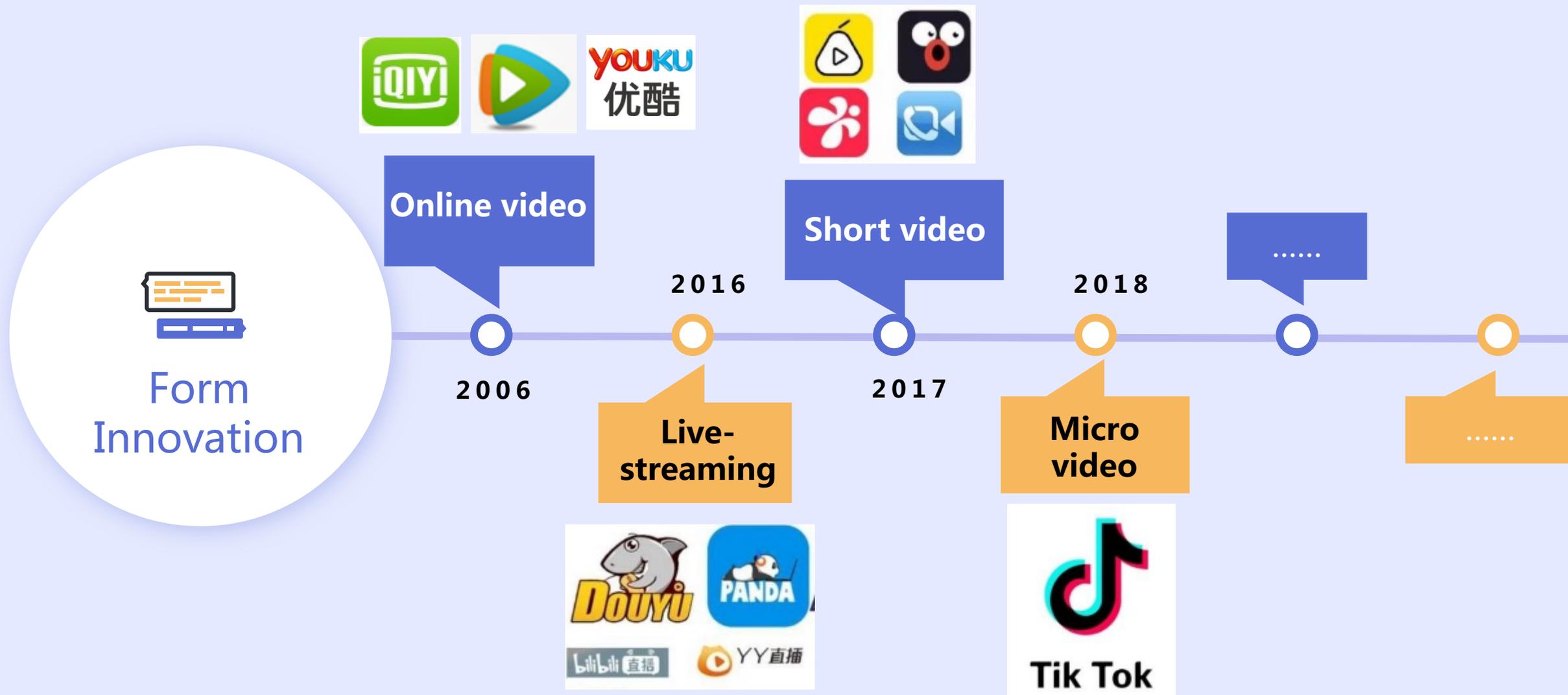
Youku Video

Baidu

iQiyi Video

(1) OTT industry explodes in the honeymoon period of policy, then enters the phase of elimination and merger, and forms the monopoly state of several giants.

# The Rise of Local Giants



(2) Creative Vitality

# The Rise of Local Giants

## (3) Various profit models

### ◆ Subscription OTT Video

Nearly 229 million people will watch Subscription OTT Video regularly in 2018.

### ◆ Reward mode

Users can buy virtual gifts to reward their favorite content.

### ◆ E-Commerce



# The future trend of OTT TV market in China

Netflix bought the TV series from iQiyi.

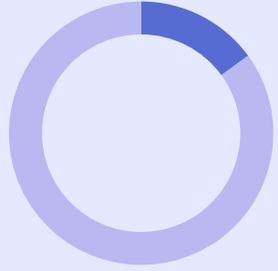


*Tientsin Mystic*  
Produced by iQiyi

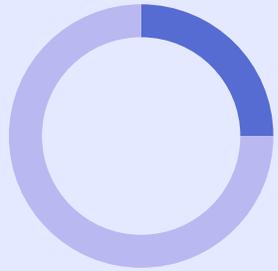


1. Co-production
2. Copyright Cooperation

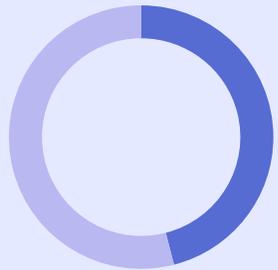
# Conclusion



Government regulations is the major factor to restrict U.S. OTT's market power in China.



The rise of local giants mainly due to policy honeymoon period, form innovation and multiple profit models.



Local OTT players will strengthen the production of localized content in the future and seek to expand overseas markets.



THANK YOU!



My We Chat