

Analysis of the IQIYI Company Business Structure and Its Future Operations

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Abstract: The paper focused on discussing the market trend of IQIYI, which is a video creation platform in China. With the current trends on the market, service providers will tend to increase the quality of their services when external factors are acting on their businesses. Competition in many cases is the main external factor that makes business owners put in place strategies that will enhance the quality of their services to maintain the steady flow of their customers. This happens to the IQIYI platform which faces external pressure through competition from other service providers specializing in the same line of services like the Tencent video.

1. Introduction

IQIYI, a provider of high-quality video entertainment services in China, was officially launched on April 22, 2010, adhering to the brand's slogan of "Always Fun, Always Fine" and actively promoting innovation in products, technology, content, and marketing to provide users with a rich, high-definition, smooth and professional video experience (Osterwalder & Pigneur, 2010). IQIYI has successfully built a video business ecology that includes e-commerce, games, movie tickets, and other businesses that connect people and services, leading the diversification of video site business models.

IQIYI's brand of quality, youth, and fashion is deeply rooted in people's hearts and has attracted a vast number of young users worldwide. Moreover, IQIYI has created a rich library of legitimate video content in more than 10 genres, including movies, TV dramas, variety shows, and animation, and through the continuous promotion of its "IQIYI Productions" strategy, the "pure online content" has entered a truly all-category, high-quality era. At the same time, as a video website with a large number of paying users, IQIYI advocates the VIP membership concept of "light and extravagant news", advocates people's pursuit of high-quality life details, and insists on providing exclusive mass high-quality content, ultimate audio-visual experience, and unique offline membership services for all VIP members.

2. Analysis of Copyright Competition on IQIYI's Net

However, IQIYI's net losses are magnifying year by year. The main reason for this loss is copyright competition. To get more users and more market share, the video platform can only choose to enrich

the content of the platform, and the purchase of copyright is the main method. But in the past few years, the competition for the video platform, making the royalties soaring. It is reported that in 2006, the copyright fee for an episode of “Wu Lin Wai Chuan” was only 1,250 yuan; in 2016, the copyright fee for an episode of “Ru Yi Zhuan” reached a staggering amount of 9 million yuan. In just ten years, the royalties have risen 7,200 times this terrifying figure, and under such high pressure, it is simply too difficult for video platforms to achieve profitability in a short period.

Except for buying copyrights, self-produced programs have become one of the ways video platforms have enriched their content over the past few years. In the industry, 2014 is called the “first year of self-production”, which justifies the fact that until the beginning of that year, all major video platforms have started to produce original programs. Can original program cost pressure is not small, according to IQIYI 2018 Q3 financial report, the platform on the cost of self-produced content up to 4.07 billion yuan, an increase of 160.2% year-on-year.

Now, the competition between video platforms is getting more and more heated, and to stay out of the market, the major platforms are also increasing their investment, which is bringing a surge in the number of users, but also making it more and more difficult for the platforms to make profits.

3. Using the 9 Building Blocks Business Model to Analyze IQIYI

3.1 Customer Segments

IQIYI has four types of customers:

3.1.1 IQIYI’s viewers, which is a group of users who only use the platform of IQIYI to watch a certain video that they need, but are not frequent users of IQIYI. So they can be classified as potential users.

3.1.2 Registered members of IQIYI, a category of customers who use IQIYI more frequently than viewers, it follows that IQIYI must have appealed to them in some way. Through big data analysis, IQIYI can push relevant videos to them in a targeted way, and these customers are expected to develop into VIPs.

3.1.3 Registered VIP, which is the highest level of these three customer segments, so that IQIYI pay special attention to them and provide them some special services like they can choose whether they want to skip the ad or not, it can save a lot of time.

3.1.1 Video Content Producers

Producing professional videos and uploading them to the platform, the platform will conduct a rigorous review of their videos, which will then be used to attract more users and increase user stickiness, while at the same time, these video content producers will also get a share of the platform.

3.2 Value Proposition

IQIYI’s customer value positioning mainly lies in trying to achieve a full range of choices and convenience for its customers to achieve “brand loyalty”. For example, as stated by He (2018), IQIYI mainly provides users with a bubble circle in which they can make a list of their favorite idols. At the same time, IQIYI also has many self-produced variety shows, The picture on the right is a talent show that was very popular earlier in 2020. But there was a concurrent talent show from IQIYI’s competitor Tencent video, they are being compared all the time. Another show is in the left picture. They have lots

of similarities like they are all the talent show of girls, they are at the same time, and they are all self-produced.

To compare the popularity of two software-produced programs, I searched China's quora for a question, “which talent show do you prefer?”, the result is that most people chose the QingChunYouNi, the talent show from IQIYI. Their reasons are all different, such as their tutor are more gentle, their participants are more beautiful or skillful, etc, but the only common thing is that this show appeals to them more.

So by this comparison, a conclusion was drawn, IQIYI is better at self-produced shows. In this way, they can plan more innovative self-produced shows in the future.

3.3 Channels

IQIYI relies on Baidu and ranks first in Baidu's search for any movie or TV show, to keep its user transfer costs down.

Also, IQIYI enhances the TV casting function to achieve third-party app casting, which can push mobile phone games, videos, music, and other content to the big screen TV, solving the problem of a small mobile phone screen and poor experience.

3.4 Customer Relationships

IQIYI seizes different levels and connotations to manage customer relationships, they always pursuing a “customer-centric” management model to improve user stickiness.

For example, IQIYI launching the activity “One month free VIP trial” to attract more customers.

3.5 Revenue Streams

3.5.1 Advertising

- a)IQIYI video player patch ads
- b)IQIYI video player pause ads
- c)IQIYI video player bottom bar
- d)IQIYI video player right banner

3.5.2 Fees Paid by Users

In terms of user fees, IQIYI, as the largest video website with the largest number of paying users in China, provides VIP members with services such as a free library, skip ads, free VOD, and unique offline membership services. There are four types of IQIYI memberships: quarterly, yearly, half-yearly, and monthly subscriptions. By 2019, the number of IQIYI's VIPs exceeded 100 million, which also alleviates the pressure of advertising and marketing to some extent, and user fees have become one of IQIYI's main profit models.

3.5.3 Repurchase Model for Self-Produced Programs

In recent years, with the expansion of the network industry and the different needs of the public, the network of self-produced programs has become a big hit.

3.6 Key Resources

- a) IQIYI's massive buyout of film and TV variety productions
- b) IQIYI's self-produced film and TV variety productions

3.7 Key Activities

- a) Video, IQIYI is primarily about video
- b) Literature, Movie Tickets, Live Streaming, IQIYI Family, etc
- c) bubble circle fans can make a list for their idols

3.8 Key Partnerships

- a) IQIYI and Sony Pictures announced a strategic partnership between the two companies
- b) WeiYingShiDai(a Chinese local company)and IQIYI enter into a partnership

3.9 Cost Structure

In the operation of IQIYI, the first is the cost of the server, compared to many other video sites, the cost of the server is undoubtedly high, and followed by copyright fees, some films and television works copyright buyout is also part of IQIYI's large investment in capital.

4. The Risk of Market Pioneer as Competitors Approaching

1) Positioning advantage: IQIYI quality, youth, fashion brand tone is deeply rooted in the hearts of the people, netting the most extensive young user groups in China. IQIYI has built the largest library of licensed video content in China, covering more than 10 genres including movies, TV dramas, variety shows, and animation, and through the continuous promotion of the “IQIYI Production” strategy, it has entered the era of all categories and high quality. Meanwhile, as the video website with the largest number of paid users in China, IQIYI advocates the concept of “extravagant news” for VIP members.

2) Traffic Advantage: IQIYI Has Its Inherent Advantage, Backed by Baidu, According to Data Show That IQIYI Has More Than 60% of the Traffic Sources Contributed to Baidu.

3) Product Strengths: Unique Technologies, Such as Clip Sharing, Video Link Tagging, Etc.

4.1 W (Weakness):

1) Copyright issues: due to policy reasons, China's online video platforms are finding it difficult to acquire a large number of overseas copyrights, and at the same time, the price of copyrights is skyrocketing.

2) Younger Than Other Companies and Not as Large a User Base as Other Companies That Are Already Close to Being Well Established.

3) Poor User Experience: Advertisements Are Too Long Before Watching Videos and Have Been Increasing in Length in Recent Years.

Opportunities):

Positioned to capture younger customers and aggressively grow the video business.

4.2 T (Threats):

- 1) The Threat of Piracy: Inadequate Laws
- 2) Competition among Multiple Web Platforms

5. Suggestions for IQIYI's Future Strategy

1) Building a reputation for self-produced shows: Data shows a huge following among young users of the self-produced shows. IQIYI is young, and so is its target group. A brand that wants to win in the long run needs to look at the future and do it upfront.

2) Multi-Screen Development Mode: Computer Screen, Mobile Phone Screen, Tv Screen, to Capture More Users

3) Cooperation with Search Engines: Gathering Users on the IQIYI Platform to Increase User Stickiness.

4) Video Platforms and Tv Stations Collaborate: Forming Innovative Marketing Models Across Media Can Be a Win-Win Situation

6. The Future of IQIYI

IQIYI's ability to remain profitable depends on the success of its IPO since it carries a lot of risks and the ability of their management to analyze the market and make the right decisions, for example, When Youku Tudou went public in the U.S., it weakened its commitment to content in pursuit of profitability, and was once overtaken by competitors (Qi, 2019). Therefore, the IPO is a double-edged sword for the company, and how to make good use of this double-edged sword tests the wisdom of IQIYI management.

7. Conclusion

IQIYI video platform is therefore known by many young people in China and across the world as it focuses on the trendy sides of the current fashion, which has propelled it to come up with a library of authentic contents of the video in over ten genres encompassing TV dramas, animation, Movies and different shows (Wang & Lobato, 2019). Since the steady attraction of customers requires the implementation of good strategies that will impact their purchasing behaviors, the IQIYI video platform has put forward the production strategy that necessitates the production of pure content to the viewers who have made the video platform to enter the high-quality era. The paper uses a qualitative method within the analysis of data and evaluation of already published sources data on the internet related to the IQIYI video platform and the trends in the market today. To fully address the research problem, the paper narrowed down to an experimental research design that helped the researcher to gather the relevant data and analyze it effectively to reach the paper's conclusions. Throughout the study, the paper found that the net loss of the company is increasing every day due to the competition resulting from copyright. For the company to realize many users and market share of its services, it can only choose to enrich its content. The paper also found out that besides purchasing copyrights, self-produced programs have become one of the ways video platforms have enriched their content over the past few years. In the industry, the year 2014 is referred to be "the first year of self-production", which validates the fact that until the beginning of that year, all major video platforms have started to produce original programs. As per the IQIYI 2018 Q3 financial report, the platform on the cost of self-produced

content up to 4.07 billion yuan, where there was a gradual augmentation of 160.2% year-on-year. From the analysis made in the paper, it is realized that competition existing between video platforms is getting more heated and to stay out of the market, the major platforms are also maximizing their investment, which is bringing a surge in the number of users, but also making it more and more difficult for the platforms to make profits. For the future progression of the operation of the video platform, the paper suggests for development of a reputation for self-produced shows as most of the young users will easily follow.

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