

Mapping and Managing Chinese Social Media Entertainment: A Conversation with Heng Cai, Chinese Media Entrepreneur

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USC Annenberg Clinical Assistant Professor David Craig and USC Annenberg graduate student Junyi Lv interviewed Heng Cai, a social media entertainment entrepreneur. Heng is a partner in Star Station TV, a content provider, talent management firm, influencer advertising agency, multiplatform network, and production company. Heng's account serves as a micro-case study for how these firms function within the rapidly developing protoindustry of Chinese social media entertainment. This industry features Chinese content creators and management start-ups operating across multiple Chinese online media platforms, including Youku, Weibo, and iQiyi. The rise of the industry challenges notions of a new wave of media globalization in the wake of online entertainment.

Keywords: social media, media management entertainment, multichannel networks, MCNs, platforms, media industries, Chinese media, media globalization

In spring 2016, USC Clinical Assistant Professor David Craig and USC Annenberg graduate student Junyi Lv sat down with Heng Cai, a partner in the Shanghai-based, Star Station TV. Heng previously graduated from USC Annenberg, where he wrote a master's thesis that compared U.S. and Chinese multichannel networks (MCNs) operating differently in their respective social media entertainment industries. After graduation, he joined Star Station TV, an emerging social media entertainment management firm. Star Station TV partners with advertisers and creators to produce and distribute content across multiple platforms, including Youku, Weibo, Bilibili, iQiyi, and Miaopai. Star Station TV also creates its own content and manages 14 verticals that had garnered more than 700 million views by the end of June 2016.

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Operating as a micro-case study, Heng's interview accounts for the rise of the Chinese social media entertainment industry as distinct from the global (non-Chinese) system. As reflected here, the Chinese industry features an even more competitive array of platforms as well as more diverse—and arguably more sustainable—means of creator monetization. Heng's account also provides a complex understanding of how Chinese social media entertainment regulation can censor but also protect the platforms, creators, and start-ups operating in this new industry.



David Craig and Junyi Lv:

How would you distinguish UGC, PGC, and influencers and define the influencer economy?

Heng Cai:

UGC stands for user-generated content and refers to original content made by amateurs arising from their own interests. In China, UGC videos are often associated with ones that do not require too much editing techniques; thus, they are often shorter and relatively poorer in quality compared with professional content. On the other hand, UGC videos are very interactive and have strong personal characters. The content is uploaded and shared through video platforms that typically reach a specific target audience, such as Tudou, Bilibili, and Miaopai. For example, Ms. Papi, the most popular Chinese vlogger with over 16 million fans on Weibo, still represents UGC because of the low production value of her videos.

On the other hand, PGC refers to professional-generated content that originated online. Similar to TV programs, PGC is produced by professional teams (cameramen, editors, specialists) and is monetized through advertisement, syndication, merchandising, and other business development. Numerous platforms have entered into partnerships with PGC, especially Youku, Tencent Video, and Sohu. One example is Luogic Show, an online talk show about history, economics, and the Internet featuring high-end production values. Increasingly, the distinction is less clear between UGC and PGC. Most UGC is not monetized, but as this content becomes more popular and successful, its producers can form a production company, secure more investment, and evolve into PGC.

Rather than PGC or UGC, "influencers" is perhaps the most popular word along with 网红 (Wǎng Hóng), which literally means the person who originally gained popularity and influence online. Some influencers are good writers and gained their popularity by posting high-quality articles; some are talented video creators; and some are just pretty girls posting pictures on their social media pages. The influencer economy (网红经济) is often considered the next emerging market in China. Influencers have huge power and influence on their fans, whether you are Tyler Oakley or Ms. Papi.

David Craig and Junyi Lv:

Would you map for us the Chinese social media entertainment platforms?

Heng Cai:

There are more platforms in China than in the United States. Let's start with Youku. Youku is often recognized as the "Chinese version of YouTube," not only because of its market share but because Youku is also home to thousands of UGCs and PGCs. Established prior to YouTube, in 2006, Youku has become the largest video platform in China for the past seven years and was once the second largest video platform in the world. In 2012, Youku merged with the second biggest video-sharing website, Tudou, and dominated online video with over 43% market share. While Youku focuses more on PGC and syndicated intellectual property (IP), e.g., TV shows and movies, Tudou focuses more on UGC. In 2015, Youku-Tudou was renamed He Yi Ji Tuan (YOKU) and was acquired by Alibaba Group for US\$4.6 billion.

More recently, Youku's leading position in the online video market has been challenged by numerous other video platforms. By the end of 2015, Youku was surpassed by iQiyi in user penetration rate and total video playing time. Although owned by Baidu, iQiyi is not linked with the powerful search engine, as YouTube is with Google. Nor has iQiyi pursued UGC. Like Netflix, iQiyi is an SVOD (subscription video on demand) platform that has focused on creating TV-like premium original content, including online reality shows, series, and films, and has spent millions to secure the syndication rights from TV. While most content can be viewed for free, iQiyi has 10 million VIP members who have access to privileges such as no ads and exclusive premium content. LeEco (formerly known as LeTV) is another competing platform with a similar business model, including subscription.

Another strong competitor of Youku is Tencent Video, also known as v.qq.com, which is the third largest video platform in China. On one hand, its user interface is similar to iQiyi, filled with TV programs, films, and original online series. On the other hand, it is home to hundreds of PGC and UGC channels, just like Youku. QQ has experienced fast growth for the past two years from the mobile side due to the success of WeChat, which only allows Tencent videos to be linked in this messenger platform. Tencent Video follows the model of Facebook Video. Another similar competitor with that model is Sohu Video.

Other websites and platforms in China also of note are attractive to younger audiences and represent the next trend in Chinese online video. Live commenting may be new to Western audiences, but it is so popular in Japan and China that it has become part of teen culture. The comments roll across the screen like bullets flying, which is why these are called *dan mu* (bulleting comment). AcFun is the first website that brought the concept from Japan, where it is referred to as *NicoNico*. Subsequently, Bilibili has gained the most popularity with a very active community for UGCs, especially those interested in animation, comics, and games. Bilibili does not have ads, and most of its income comes from partnerships with online games and online series.

Live streaming has become popular, especially in the past year. Although initially the live-streaming division of AcFun, Douyu was officially established on its own in 2014 and combined live streaming with flying bullet comments. Douyu became a hit after signing famous professional game players and broadcasters. Yet Douyu goes beyond online gaming to include all kinds of content. Audiences watch creators singing, storytelling, dancing, and even eating. Fans can sponsor their favorite performers by virtual coins (a currency similar to bitcoin) that performers can later exchange for real renminbi.

Apart from Douyu, many new live-streaming websites have gained attention since 2014, including YY, Quanmin, PandaTV, and Huajiao. The proliferation of these platforms has led to fierce competition to sign exclusive deals with popular influencers. The widespread usage of 4G on smartphones has also led to the emergence of many live-streaming mobile apps featuring attractive women, aspiring models, and actresses (commonly referred to as *sexy girls*) as well as game players. In response, the major video platforms like Youku, Tencent, and Bilibili have launched or acquired separate live-streaming platforms and apps or have added live-streaming functions.

Another popular platform is short video platforms, such as Miaopai. Miaopai began as a video editing app on mobile but evolved into a sharing platform for short videos and continues to expand its functions. Videos on Miaopai are no longer limited to 10 seconds, but can be as long as 60 seconds. Users on Miaopai can upload all kinds of content—not just videos but also images and text. In August 2015, Miaopai launched a new product, Xiao Ka Xiu—a mobile app that allows users to make short videos with funny aftereffects. This became the most downloaded free app in China. Since then, Miaopai has received four rounds of investment from Sina Weibo and has become the default video player for Weibo and millions of UGCs.

David Craig and Junyi Lv:

Who are the top content creators, and what distinguishes them?

Heng Cai:

Most influencers can be divided into three categories. The first kind of influencers are *weibo da ren* (微博达人). These influencers came from Weibo and developed into key opinion leaders. Some of them write articles, some post funny pictures with text, and some are comic illustrators. Compared with celebrities, these grassroots influencers are given the name *da ren* for their specialty in one particular field. An example is Wang Sicong (王思聪). He is the son of Wang Jianlin, the president of Wanda, who is one of the richest men in China. Wang Sicong became well known for his outspoken comments on his own Weibo channel. He is also an investor in many Chinese professional League of Legends teams and founder of PandaTV, a hot online game live-streaming website.

The second category of influencers are short video makers. The rise of Miaopai and Bilibili affords most creators of UGC an opportunity to become famous. Since late 2015, more and more ordinary people have become stars by posting videos about themselves. Ms. Papi (Papi酱) is the queen of short videos. She posts many short videos where she comments about social topics with dramatic gestures and funny jokes. Many investors estimate that 2016 is the year of short videos, which can be easily viewed on mobile devices.

The last kind of influencers are attractive female influences. The original meaning for *wang hong* refers to pretty girls who gained popularity online. Like thousands of influencers on Instagram, these influencers became famous by posting their pretty pictures and promoting their lifestyle on Weibo. They often open a Taobao store to further monetize their influence. Influencers such as Zhang Dayi or Zhu Chenhui earn up to ¥2 million from their Taobao store.

David Craig and Junyi Lv:

How are creators making money?

Heng Cai:

There are many ways for influencers to monetize their content. Most of their income comes from the ad-revenue share of pre-roll ads. In addition, the most popular influencers receive offers from advertisers. Whether it is product placement or a recommendation, influencers try their best not to make it too embarrassing. Some influencers are able to get more income off-line than online. Some influencers are paid to attend business shows or deliver speeches or publish books or release albums. Some influencers have also been successful starring in their own films or publishing their own video games.

There are two revenue streams in China that are distinguished from the United States. One is live streaming. Some live-streaming platforms such as Douyu or YY offer generous payments to influencers to come to their platform. In addition, fans are allowed to donate to their favorite influencers during the live streaming—although they must do this using virtual currency, which means they need to buy virtual coins with real money, which influencers can cash out later. On Douyu, League of Legends game player Misaya Ruofeng earned up to ¥20 million a year. He is perhaps the Chinese version of PewDiePie.

Another unique revenue stream in China is e-commerce—namely, opening an online store in Taobao. A number of influencers, especially some nice-looking girls, opened Taobao stores and began to sell clothes. Since the threshold to join Taobao is not high, those influencers recommend that fans consume on their store while sometimes the product they are selling has nothing to do with what they are doing. For example, rather than selling his own merchandise, Misaya Ruofeng sells keyboards, beef jerky, sunglasses, and men's shoes.

David Craig and Junyi Lv:

Besides platforms and creators, describe these new content providers, start-ups, and management companies operating in between.

Heng Cai:

Basically three kinds of intermediaries exist in the Chinese market. The first kind is influencer agencies. For instance, Weiboyi can be regarded as the Chinese Social Edge, which is where I worked in Los Angeles. It is an online platform that connects advertisers to social influencers. It was established in 2009, when Weibo hit the market. Since then, Weiboyi has expanded its service across multiple platforms, including WeChat and other video websites, that connect 450,000 social accounts. The platform takes 10% to 40% of the commission from online advertisements, and most influencers in its network have a medium number of followers (fewer than 1 million). Although it is the earliest social media advertising platform, it has often been criticized for using fake data, thereby cheating customers.

The second kind of intermediary in the Chinese market are multichannel networks. One MCN, TMG, the Maker Studio in China, is an example. TMG Originals belongs to Thoughtful Media Group, an American MCN based in Sherman Oaks, California. The Chinese division was established in 2013 in Shanghai. By the

end of 2014, TMG Originals had signed more than 200 video influencers and boasts itself as “the largest community for original video content creators in China.” Its network has more than 300 million views per day. It partners with major video websites and recommends high-quality content but does not own intellectual property. Most of its income comes from advertisers who are engaging in social media marketing. Yet, compared with its counterparts in the United States, TMG is still a small company with very limited recognition beyond the online video industry. The MCN business model in China is not doing well, and TMG’s competitor, the TMD Group, died in late 2015.

The third category, which is hard to define, includes companies like Feidieshuo and Xinpianchang and Star Station TV, which I helped launch in 2015.

David Craig and Junyi Lv:

So what does your company Star Station TV do?

Heng Cai:

Star Station TV provides service to companies that are interested in content marketing. You can regard us as an advertisement company because we partner with brands to promote their products and services; however, instead of making commercials, we produce short videos in multiple formats—including short documentaries, sitcoms, talk shows, and animation—that feature these brands and that we distribute on channels across multiple platforms. The programs not only promote these brands but contain long-term value as original IP. Star Station TV is not only paid a fee by the brands but owns half of the copyright of each channel. We used to partner with start-ups, influencers, and professionals to create videos for them, similar to Kin Community in the United States, but we do not play these videos on our own channels.

David Craig and Junyi Lv:

Can you provide a brief history of Star Station TV and your media management strategy?

Heng Cai:

At the beginning, we operated with a combination of networking and opportunism. There are three partners: our CEO, Allen Hao; my undergraduate classmate Feng Zhu; and me. Feng Zhu introduced me to our CEO. After the 2014 World Cup, we decided to build a sports channel. I was working on the channel while I was in my second year of the global communication program in USC. Since I was in the United States, I could download video clips featuring sports footage from YouTube, which is hard to do in China, which I used to create our own sports videos featuring recaps and commentary. At that time, Renren (China’s version of Facebook) was dying, so we started to build our influence on Youku instead. A few months later, some Taobao stores owners asked if we would wear their T-shirts. They gave us three or four thousand renminbi for one video, which was the first monetization of our channel.

We also had offers from another advertisement company called Sixpad. One of the spokespersons was Cristiano Ronaldo, and we seized the opportunity to interview Cristiano Ronaldo. The interview video went viral. Moreover, the Chinese football team performed incredibly well at that time and stimulated a wave of discussions about football. Since we were a football channel, the performance and the discussion helped

us grow rapidly. Not surprisingly, sports became our first vertical, and we decided to launch Star Station TV.

We keep evolving. We want to become a recognizable brand for everyone who wants to become influential through online videos. We are seeking more verticals, particularly around topics that are not overexposed, where there is a gap in the marketplace, like our vertical in antiques. Moreover, we continue to grow our existing channels like football. We want to improve the thresholds and become the best verticals in the market. Perhaps we will produce more formal content like online series or invest in influencers in the future.

David Craig and Junyi Lv:

What is your multiplatform strategy?

Heng Cai:

We used to be very fixed on Youku, and now we are shifting from Youku to other platforms like iQiyi, Bilibili, and Weibo. A great number of platforms provide a better partnership plan for PGC than Youku. For example, Today's Headline, which is like China's BuzzFeed, will pay creators of PGC 20,000 renminbi if they upload 24 original videos per month because they are desperate for the content. The traffic on Today's Headline can be higher than on Youku.

iQiyi has a similar policy, only it offers a revenue split of 50/50, whereas Youku is either 80/20 or 70/30. iQiyi is also a subscription platform, which allows viewers to skip the ads. This means it will pay PGCs directly for those videos seen by subscribers without ads. We also just opened our Weibo account and are adapting to the Weibo environment. We also have a channel on Bilibili, but not all the channels we have are on it. Some channels are not suitable, although animation and game is perfect for Bilibili. Apart from the platforms mentioned previously, we have cooperation with the CCTV (China Central Television) online channel. Since that is a paid channel, there are only a limited number of people who can get access to our content. We regard this partnership more as promotional than revenue generating, helping develop the image for our partners.

David Craig and Junyi Lv:

Would you describe your content and channel strategy?

Heng Cai:

Currently we have 10 to 15 verticals centered on various topics, including sports, fashion, education, and lifestyles. The content is counted by season and episode, and one season typically consists of 12 episodes. We are producing the second season for most of our verticals. We create some content ourselves. For instance, our football, financing, and film commentary channels are created by us. As for other verticals, we cooperate with other companies and influencers. They provide the concepts and ideas, and we transform these into videos and channels. We are trying to develop more midlevel verticals, like antiques and fishing, rather than enter the fierce competition over hot verticals.

When choosing talent, whether one can behave naturally in front of a camera is a threshold, because Chinese people usually cannot behave as naturally as Western people do when shooting. We also help some influencers who have not appeared in front of a camera before but already have lots of followers. Some influencers give us money, because they want to be famous. Sometimes we just cooperate with them for free but share the IP with them.

For brand and advertising relationships, we actually work with companies over the verticals we have. For example, we partnered with a start-up company selling Japanese kitchen tools to launch a food vertical. For a babysitting channel, we work with an app that allows young mothers to share knowledge with each other. Normally we share IP with our partners, but sometimes we own all of the IP, because either the partners are too small or they just want to promote themselves on video. Our control of the IP is based on how much work we have done. If we do 100%, we will have all the IP. We are also involved in brand engagement. For instance, we allow the company logos to appear in our videos. Sometimes we promote products to our audience by directing the audiences to go to their online stores. The companies enjoy this because it can draw more traffic to their own websites.

David Craig and Junyi Lv:

What sort of challenges have you encountered with creating content and going viral? What about e-commerce or live streaming?

Heng Cai:

Although we have created some viral content, it is very difficult to create another big one. Lots of other content creators also realize this difficulty, which is called "content curse" by the Youku team. There is no shortcut, however, to make the content viral. The best way is to keep uploading and updating, just like PewDiePie, who has been on YouTube for seven years.

As for e-commerce or live streaming, we do not have this business in our team currently. Producing videos is our major focus. E-commerce has a different business model requiring more people from promotion rather than production, which is more like representing talent.

David Craig and Junyi Lv:

Can you discuss your investment history and what venture capital contributes to your success?

Heng Cai:

When it comes to investor strategies, we completed our angel round in March 2015 and garnered US\$3 million from two venture capital organizations. After that, we decided to expand our verticals from football to other genres. We completed Series A in March 2016, which allowed us to move into new offices and hire more production employees. We have multiple investors, which means they can bring resources from other companies they have invested in, thereby forming a community to help each other grow. Next year we will move forward to Series B, making our business a sustainable model and entering into the public stock market.

David Craig and Junyi Lv:

Can you describe your corporate, production, and management culture?

Heng Cai:

Most employees are found online by posting information on WeChat and some famous job-seeking websites in China. My friends also recommend employees. The first employees I hired were a director and an editor. Then I hired people who are good at producing live video as well as animation. Finally, I hired my assistant, who is in charge of administration and human resources. We want to build our company with a professional image. We cannot afford to train employees currently; therefore, we just hire people with prior skills.

We offer some benefits to employees. We will give a bonus to the team leaders, and the leaders will be rewarded for helping us secure more ad revenue. We decided to have a new beautiful kitchen in our new offices. Sometimes we have hot pot or play mah-jongg together as a kind of team building. People who have worked for one year can take a vacation, but most start-ups I know do not offer vacation except for the mandatory ones. I do not want to give my employees too much vacation since we are still a start-up company. We have lots to do and need to survive in the fierce competition. This type of management cultivates a "wolf culture," which trains employees to be as brave as wolves and not like sheep.

David Craig and Junyi Lv:

Let's discuss the role of the state and regulation—for example, oversight, censorship, and protection.

Heng Cai:

The Chinese government has been encouraging the domestic culture industry for decades. Every year, the government gives ¥5 billion in subsidies to reward companies for making an outstanding contribution. Local governments also give funds to foster more "national content"—primarily in publications, movies, animation, comics, games, and online. That said, the government never loosens control over all the online materials. I discussed this with my Tsinghua professor. When the online market began to grow and more venture capital businesses began to participate in the game, some content such as soft pornography or violent content emerged. Once some retired and conservative officials saw the content, they insisted that the government take it down, although these commands only last one or two years. As a result, the government still does not have a stable standard for the regulation of the content.

Generally, the government uses five ways to regulate online video. The first method is blocking. YouTube is not the only Western website blocked in China. Google, Facebook, Instagram, and Twitter are all inaccessible in the country. The blocking not only led to many counterpart platforms but created an almost parallel universe with unique Chinese content as well as copycats. In March 2016, the government released the "New Policy" that no foreign websites are allowed in China, which means platforms like Netflix or Vine may never come to China.

Licensing is another way to control online content. To be a legal video distribution platform, one needs a permit called an "Internet broadcasting license" first. Small video platforms (start-ups) have little chance to obtain one and may be shut down at any time. They have to either cooperate with licensed platforms or

be acquired by companies with lots of capital. On the other hand, popular programs also must be licensed. The "New Policy" regulates that all online PGC needs to be licensed, although the impact on UGC remains unclear.

Another way to control content is through censoring. The regulation forbids all content related to pornography, political reactionaries, and violence. Most video platforms self-censor themselves. There are no political talk shows online, nor any satirical programs related to politics. Although the government has slightly less control over online content than over traditional TV, political issues are still the red line. Famous hosts are allowed to comment on social issues, but certainly not from a political perspective, let alone satirically.

Subsidizing is another method for controlling online content. The government has hired "Internet commentators," who are paid by the propaganda department to write comments in favor of the government. They are often called "fifty cents" because they earn fifty cents for every comment. "Fifty cents" have become an army that can lead or steer public opinion. If any content could potentially spark political debates among netizens, those "fifty cents" groups will certainly be in the front line.

The last method is for regulating online content is through banning. Unlike in the United States, in China, online content is not accessible on television using set-top boxes or smart TVs. The regulation has cut off the possibility for any original online content to be aired on television. Although the major online platforms like Youku or iQiyi will benefit from this policy since more audiences may go online, these platforms can only buy content from TV but can't sell content to them.

The censorship, however, has had a positive influence for online companies. For instance, my friend from Feidieshuo, a production company located in Shanghai, told me he was invited to "drink tea" with the officials. The officials talked with them, but did not want to shut them down. They wanted the company to know that they are being supervised. Sometimes the company panics after a conversation with officials, but sometimes they feel more secure; they learn what they can do and what they cannot do from the conversations.



Cai's interview affirms the seminal role of MCNs and media managers within the Chinese social media entertainment industry, which may be evolving more rapidly and features more sustainability than its Western counterpart. These conditions are a consequence of market factors including a walled-off massive population with rapidly advancing mobile access, speed, and affordability coupled with an emergent innovation economy and e-commerce industry. In addition, state-based regulation offers as much protection as censorship. Less clear is whether the Great Chinese Firewall will impede the industry's ability to engage in its own form of media globalization to compete with the powerful platforms and creators in the West.