

# Tech-savvy youths pay to play

Backed by increased wealth, the younger generation seek online games, dramas and animation

By OUYANG SHIJIA

ouyangshijia@chinadaily.com.cn

As the purchasing power of the tech-savvy younger generation grows, a whole new business has emerged surrounding intellectual property (IP) rights related to online literature, TV dramas, films, digital games and comics. And that business is gaining momentum all across China.

The pan-entertainment industry has become a key driving force of the nation's economic growth. In 2017, it generated more than 480 billion yuan (\$70 billion) in economic output, with an increase of more than 15 percent year-on-year, according to a recent report released by database company Gamma Data Corp.

High-definition smartphone screens, powerful processors, booming mobile internet technologies and multifunction software have made on-screen reading and video-watching more enjoyable and convenient.

Statistics from the China Internet Network Information Center demonstrate the rapid growth of the blossoming internet trend. Data show that among the 772 million Chinese netizens, 97.5 percent are mobile phone users, providing a massive base for the new digital business.

Millennials, particularly those born from 1995 to 2000, are demanding a different entertainment culture than what was popular among their parents.

Chen Rui, chairman of Bilibili, a popular Chinese video-sharing site boasting the largest group of young Chinese anime, comics and gaming fans, said there was a clear difference in the demand for culture and content between the younger generation and their parents' generation.

"The increased material wealth, high-quality education environment and the access to internet services are shaping today's young generation's diversified and personalized cultural needs," Chen said. And those young consumers actually are willing to pay for the entertainment content they really love.

Xue Yongfeng, an analyst at internet consultancy Analysys in Beijing, said that previously, major internet users typically only paid for real-life items, but now, they are willing to pay for virtual online content products.

"With the surge in average incomes and the changing paying habits, now more Chinese netizens are willing to pay for online reading, watching online videos and movies or listening to online music."

Seeing the emerging trend, an increasing number of domestic companies are introducing a wide range of related products that target the



Cast members of online drama *The Story of Yanxi Palace* pose for a stage photo. PROVIDED TO CHINA DAILY



Show girls from Perfect World Co., a Chinese movie and gaming company, pose at the China Joy expo in Shanghai. JIN XIN / FOR CHINA DAILY

young generation, and many have been reaping the benefits.

Recently, the online drama *The Story of Yanxi Palace*, coproduced by Chinese online video-streaming service provider iQiyi.com and Huanyu Film, has gained a huge following among Chinese netizens, becoming another popular screen work featuring concubines in the Qing Dynasty (1644-1911).

The hit drama has gained more than 15 billion online views, iQiyi claimed. And now it is available in more than 70 markets globally, making it one of the most widely distributed series produced by China.

The TV series has also attracted a growing number of visitors to the Forbidden City in Beijing, as the Palace Museum appeared in the drama. And the lesser-known Yanxi Gong, where the heroine of the drama

lived, has become a new hot spot in the museum. And there have been increased orders for reproductions of the heroine's hair ornaments, also led by people's interest in the drama.

Beijing-based iQiyi, an online video unit of Chinese internet giant Baidu, raised \$2.25 billion in its initial public offering this year, saying it will use half of the net proceeds to expand and enhance its content offerings.

Ma Shicong, an analyst at Analysys, said key online video participants who invest lots of money to fuel the development of the sector will be rewarded with larger shares of the market.

Founded in 2010, iQiyi reported continuous growth in its revenues, hitting 17.4 billion yuan last year, a significant jump of 54.6 percent over the previous year.

A key driver behind iQiyi's revenue growth is the subscription fees for its online video-streaming services. Revenue from the subscription fees accounted for 37.6 percent of its total income in 2017, compared to an 18.7 percent share in 2015.

The company claimed it had more than 50 million subscribers by the end of last year, and about 126 million daily active mobile users during the last quarter of 2017.

"Major tech giants all aim to boost the future development of the video-streaming arms to be at the forefront in the Chinese entertainment market. The competition in the sector will become fiercer," Ma added.

Three major Chinese internet giants — Baidu, Alibaba and Tencent, collectively known as BAT — are accelerating the push to invest in entertainment units, betting big on the booming domestic market.

Particularly, they have paid attention to online literature genres, which have revolutionized the entertainment industry and triggered a vast array of movies, TV dramas, games, animation and comics. For instance, the mega-hit drama *Ten Miles of Peach Blossoms* was based on popular online stories.

Last summer, iQiyi launched a new plan to connect its various IP resources, including online literature, TV dramas, movies, gaming and products based on those IPs.

Mobile gaming is another sector that contributes hugely to the new business. Gamma Data Corp noted in its report that mobile games based on other forms of IP products contributed 74.56 billion yuan to China's

economic output in 2017. They also accounted for more than 60 percent of the total revenue of the mobile games segment.

Wang Xu, chief analyst at Gamma Data Corp, said that as the country's demographic dividend is disappearing, gaming developers need to explore new methods of business expansion.

"Driven by the love for great copyrighted cultural products, netizens will be willing to experience related derivative works, among which games will be suitable carriers. And the IP rights-protected products will help reduce the cost for developers to attract users," Wang added.

The report noted that digital games occupied around 40 percent of the total pan-entertainment industry sales and hit 200 billion yuan in revenue last year. The gaming segment plays a key role in boosting the overall development of the pan-entertainment market, it said.

Perfect World Co, a Chinese movie and gaming company, now targets the young generation with IP-protected products, spanning the categories of anime, comics and gaming, or ACG, movie and TV dramas.

Lu Xiaoyin, chief operating officer of Perfect World Games, said at a company news conference earlier this year in Beijing that young people usually prefer the specific culture embodied in the game, and they will also like the application of the latest technologies.

Lu claimed the company will continue to innovate its key IP rights-protected products to cater to the younger generation's diversified and personalized cultural needs.

Tong Qing, senior vice-president of Perfect World, agreed: "There is a growing trend of spinoffs from hot IP rights related to games and other forms of entertainment products."

Because China is at the forefront of the online culture industry in the world, it is also a pioneer in dealing with new problems that pop up.

Si Xiao, president of Tencent Research Institute, said in May at a culture summit in Shenzhen, South China's Guangdong province, that the online literature business loses more than 10 billion yuan each year to piracy.

According to Si, IP-protected products have gradually become key to driving the online culture industry, and the industry should pay more attention to IP protection activities.

"More efforts are needed to protect IP from infringement and piracy, which will also better encourage their creation and innovation," Si added. "It will still take years to foster a better environment, and I believe new technologies such as blockchain will help protect the IP"