

The Innovative Business Ecological Model of "Short Video + MCN + E-commerce"

Bin Ye^{1,a,*}, ZhenHan Yu^{2,b} and Hui Liu^{1,c}

¹ChengDu Neusoft University, ChengDu SiCuan, 611844

²ChengDu Textile College, ChengDu SiCuan, 611743

^a yebin@nsu.edu.cn

*corresponding author

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Abstract: Driven by mobile technology, the short video industry has witnessed explosive growth in recent years, which has also led to the emergence of MCN organizations with Chinese characteristics. In the meantime, it also provides new opportunities for the E-commerce development. This paper explores the current situation and problems of short video MCN organizations, puts forward an innovative business ecological model that combines with E-commerce and integrates multi-industry development, and gives countermeasures to possible problems.

1. Introduction

Since the spread of MCN (Multi Channel Network) from abroad to China, driven by the booming short video industry in China, China's MCN organizations have achieved great development, sharing huge traffic dividends with short video platforms, but at the same time, the competition among MCN organizations is increasingly fierce. At present, the main way for MCN organizations to make profits is through advertising, which has a huge impact on the advertising industry. But at the same time, due to the single way of monetization, the platform draws more profits, which is difficult to monetize on a large scale, and the survival rate of MCN organizations is becoming lower and lower. The industry is faced with the situation that 10% of the top companies make 90% of their profits^[1]. How to transform becomes a survival issue. China's E-commerce industry has a good foundation for development. Through integration with E-commerce, on the one hand, it provides a better way for MCN organizations to monetize the traffic, on the other hand, it also provides a new development mode for E-commerce industry. The new mode is "short video + MCN + E-commerce" which combines short video, MCN organizations and E-commerce. It will be a more innovative multi- industry collaborative development mode.

2. The Development of Short Video Industry in China

2.1. Short Video Marketing Features

In addition to entertainment, short video is mainly used for marketing. But its forms are diverse and rich, including brand graphic ads, video patch ads, information flow ads and content native ads. Compared with the traditional marketing media, its prominent features mainly include the following aspects:

1. With the development of mobile technology and the popularity of mobile short video platform app, people are more and more getting used to using short video to convey information. Because of its intuitiveness, people are more and more fond of accepting this kind of intuitionistic video information. A large number of APP operators take this into account when developing short video

platform. They fully consider about if it's user-friendly. Almost every user can quickly use the app's relevant tools to make and release short videos, and can quickly record original videos, and even tilt on the original videos. Non-professionals are strongly encouraged to record original videos. At the same time, with the help of relevant special effects, everyone can become "creators". Because of the lower threshold, the short video app operators have developed rapidly.

2. Information carrying capacity is centralized and becoming more interactive. In the current fast-paced modern life, people want to receive information faster and more effectively, which needs to be able to show the information we want to convey more intuitively and effectively. The emergence of short video just meets the people's current needs. Compared with traditional words and pictures, it can display information more effectively, and it can also integrate vision and hearing information, which can make the impact of information stronger and more easily to accept by users. At the same time, it's more interactive than simple text and pictures.

3. With the support of 4G network technology, the transmission of video is no longer a restrict. Its unique information impact force enables users to spread them in a short time. Each user becomes a communicator. Especially for the top high-quality videos, when it resonates with people, it can also produce the characteristics of virus transmission. The marketing effect is particularly prominent.

2.2. Development Trend of Short Video Platform in China

Due to the further consolidation of the technical foundation of short video and the outstanding performance of short video in information dissemination, information richness and ease of use, China's short video industry has made initial development since the beginning of 2013. By July 2019, according to the data from iResearch, the number of independent devices which use short video apps has reached 1.1 billion. In the first half year of 2018 and 2019, it has made a remarkable growth^[2]. Ranking by number of independent devices used, the top 5 short video APP in China are Tik Tok, KUAISHOU, watermelon, volcano and Baidu. By July 2018 and July 2019, the specific equipment usage data is as follows:

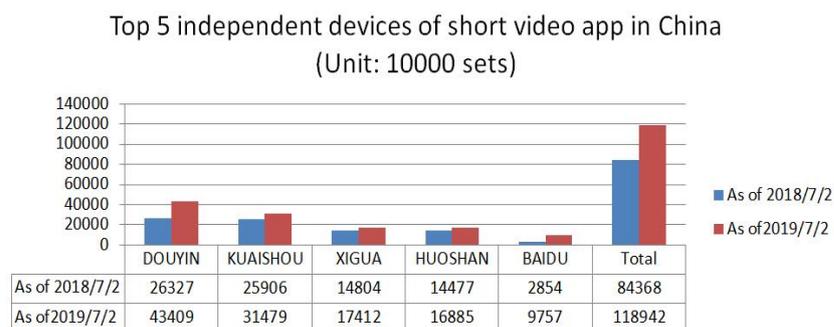


Figure 1 Top 5 short video apps used in independent devices in China

Through the data analysis, it shows that the top 5 short video apps are widely used. In China, nearly everyone uses one device and one short video app. And from July 2018 to July 2019, the growth of usage has reached 41%. Moreover, with the arrival of 5G era, the growth of short video is expected to further accelerate.

3. Current Situation and Trend of Short Video Operation Based on MCN

3.1. The Rise of MCN Organizations in China

MCN organizations originated from foreign video websites, which integrate content producers,

advertising agents and Internet celebrity brokers, connect short video platforms with Internet celebrities and merchants. With the advantages of resource integration, MCN organizations and Internet celebrities make profits by collecting fees from the advertisements. In China, due to the rapid rise of short video industry, in order to solve the problems of low production quality in UGC (user generated content) mode and limited content in PGC (professional generated content) mode, people integrate UGC and PGC and use the development mode of MCN organizations abroad for reference. It forms Chinese MCN organizations^[3]. As of December 2018, the number of MCN organizations in China has more than 5000, and nearly 90% of the top Internet celebrities have been included in the top MCN companies' pockets. The overall scale of Chinese MCN and the overall market scale have far beyond that of foreign countries.

3.2. Industrial Production Road of MCN Mechanism

1. The degree of specialization is further strengthened. In the early 2013, that is, in the UGC period, the short video industry attracted a large number of user groups, but in the meantime, it also produced a large number of individual teams gradually, which can be seen as "short video" small workshops. They mainly accumulated a large number of fans by their talents in the early stage, but obviously they will encounter the difficulty to improve the quality and keep the content innovated continuously. At this time, some short video practitioners hope to solve this problem, then PGC has appeared. They use professional means to improve the production level greatly, but at the same time, they find that there is not much room for improvement. With further development, they'll encounter the same bottleneck. The lack of continuous innovation of content becomes a constraint for their development. The emergence of MCN integrates the advantages of UGC and PGC. At the same time, with the support of capital, the short video industry is becoming more and more professional.

2. MCN organizations show a trend of differentiation. According to the data survey of Crowley company, there are obvious changes in the scale of MCN companies from 2016 to 2018. Based on the number of people in the company, companies of different orders of magnitude were selected for analysis, as shown in Figure 2 below:

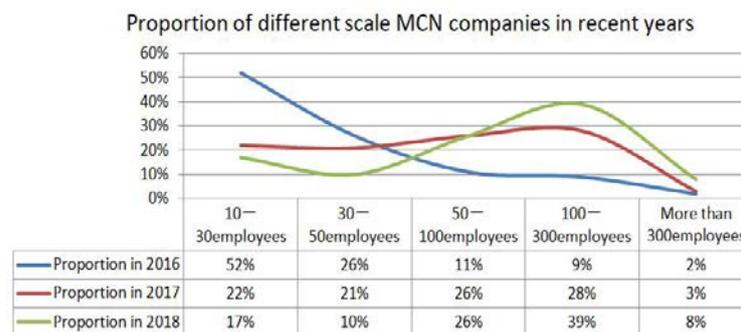


Figure 2 Proportion of different scale MCN companies in recent years

The data analysis shows that the number of MCN related organizations is increasing year by year, but the competition is more and more fierce. Companies with 10-30 employees accounted for nearly half of the total in 2016 and less than 20% by the end of 2018, while large and medium-sized enterprises, i.e. MCN companies with more than 100 employees, increased from less than 10% to nearly 40%. The number of small and medium-sized MCN companies decreased year by year, while the proportion of large-scale companies increased. It indicates that MCN companies have evolved from the original "small workshops" to professional organizations, or closed down, or merged by other companies. With the increasing specialization of medium and large-scale MCN organizations, the scale of the company is becoming larger, and the survival rate for small-scale

MCN organizations is getting lower. Overall, the differentiation trend is becoming more and more obvious, resources are gradually moving towards medium and large-scale MCN organizations, and MCN organizations are gradually on the road to industrial production.

4. Create a New Economic Ecosystem with "Short Video + MCN + E-commerce" Model

At present, MCN organizations and platforms mainly make profits through the product advertisements and column title fees. "We never invested in MCN. " said Hong Tai Fund's managing director, "How they monetize on a large scale is a big problem. It's not a problem to survive, but it's difficult to make it bigger unless it's transformed. "

This is a common dilemma faced by MCN organizations. At the same time, the platforms will form more fierce competition with different advertising platforms. In the case of limited product advertising costs, the profit margins will become smaller and smaller. Therefore, cooperating with public E-commerce platform, forming self-owned E-commerce at the same time, taking advantage of its own traffic advantages and increasing variable channels will provide a broader space for the survival and development of MCN organizations.

In addition, with the increase of the sales channels of the goods themselves, the sales volume will increase under normal circumstances, which is what the platforms and the product manufacturers are happy to see. And eventually a "win-win" situation will be formed. Therefore, the win-win basis for all parties is based on the sales profit of the goods.

After "+ E-commerce", when the self-owned E-commerce and public E-commerce exist together, the promotion channels and sales channels of the products themselves have been expanded. MCN organizations and platforms will not only be the promoters, but also the product distributors. The online and offline promotion for products will be further enhanced. At the same time, compared with the traditional E-commerce sales, the customer loyalty is stronger and the customer channels are wider because there are supports from MCN organizations and platforms. The profit margins of MCN organizations and commodity producers has been further improved and the commodity sales as a core position has been presented, as shown in Figure 3 below:

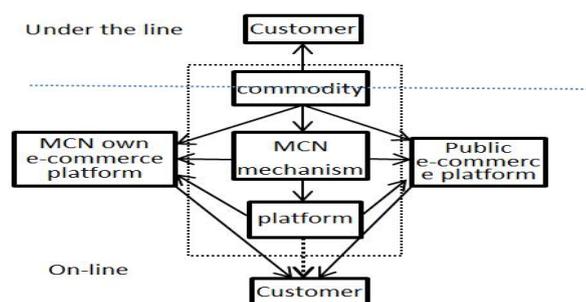


Figure 3 New economic ecosphere.

In the new "+ E-commerce" operation mode, MCN organization is not only a integrator of resources, but also a goods seller. There are many ways for profit growth which can avoid vicious competition with advertising industry.

At the same time, MCN organizations, E-commerce platforms and short video platforms form a "linkage effectiveness". It means the commodity information is integrated and strengthened among multiple platforms. In this way, it promotes the sales of commodities and provides more sales channels for commodity producers. It is also conducive to the promotion of video platforms. Therefore, the new operation mode with the profit of commodity sales as the core creates an

economic ecosystem which is conducive to the coordinated development of product manufacturers, E-commerce platforms, video platforms, MCN organizations and traditional advertisers.

5. Optimization and Prospect of "Short Video + MCN + E-commerce" Mode

5.1. Strengthen Audit Supervision and Reduce Copyright Risk

In May 2019, Duan Guijian, director of China Copyright Protection Center, mentioned in the award ceremony of short video copyright that "To create a professional, authoritative and transparent online video copyright value in China. To guide online video to spread positive attitude and create a new ecology of online video copyright". In 2018, a special renovation activity called "Jianwang 2018" which took off more than 570 thousand short videos from 15 short video platforms from July 2018 to November 2018. Although the copyright problem has gradually attracted our attention, the reality is that the copyright problem of short video is more serious than any other form of content.

According to the "2017 China online audiovisual research and development report", 45.4% of users are reluctant to pay for paid video content because they can find free video resources, and 44.2% of users can find free program resources. [4] In the process of integration of MCN organizations, short video and E-commerce, E-commerce and MCN organizations need to take greater risks and responsibilities. Therefore, if the MCN organization is the video producer, it needs to be more careful to use the network resources. Otherwise, it is not only easy to cause copyright infringement in short video platform, but also easy to cause impact on sales in E-commerce platform because of infringement. Although "+ E-commerce" has opened up new sales channels for commodities, it also needs to strengthen supervision and preventive measures.

5.2. Content is not "Short-sighted", Development can be Long-term

Some of the short videos are less than a minute. Some of them are few minutes. It can also make people intoxicated even though they are short and simple. Research shows that people are more likely to be attracted by visual information. But it will mislead the users, affect social stability and the physical and mental health of teenagers if they provide some poor quality content, such as violent and pornographic contents in order to catch the eyes of users to achieve the goal of increasing fans in a short period of time. So MCN organizations and platforms should take the responsibility and obligation together to audit the contents. As long as they are not "short-sighted" about the contents, they will have long-term development.

5.3. Strengthen the Cooperation with PGC and Enhance Brand Influence

In the process of development, PGC is influenced by planning ability and capital resources. Although its development has a "ceiling", high-quality PGC has accumulated a large number of fans and never lacks partners of MCN organizations. MCN organizations and PGC teams were also two-way choice before. Therefore, on the one hand, MCN organizations should enhance their core competitiveness, that is, business planning and resource management capabilities, strengthen the cooperation with high-quality PGC, and firmly grasp fans' resources in their own hands; on the other hand, they should strengthen publicity, focus on building brands, retain and attract more high-quality PGC cooperation through the influence of brands to achieve a virtuous circle in the industry.

5.4. Strengthen the Application of New Technology and Enhance the User Experience

In the 5G era, short video is about to face greater opportunities, and technological innovation has

laid the foundation for user experience. However, how to apply technology to the appropriate user experience process will be an important issue for short video industry and MCN organizations to consider. Artificial intelligence and big data technology has been applied in the short video platform, and has produced very good benefits. For example, Douyin APP uses big data and artificial intelligence technology to analyze user behaviors and interests, make intelligent recommendations, and conduct intelligent distribution of videos which makes a lot of users addicted to it. The development of enterprises is driven by the use of technology and technology innovation.

Now, MCN organizations are generally concerned about how to integrate resources. Only few technology applications are involved. They think it's platforms' business. In fact, the purpose of video platform side's application technology is to drain and quickly attract more fans. As a MCN organization and its own E-commerce platform needs to focus more on the traffic conversion rate. For example, it needs to use big data technology to analyze basic data for accurate marketing. At the same time, it can strengthen user experience in visual design, combine with AR technology to make it more fun and interactive for users. [5]

The new mode of + E-commerce makes MCN organizations, platform parties and E-commerce platforms have common profit source, that is, commodity sales. However, due to their different positionings and functions, they should pay more attention to technology applications and be more targeted. Only in this way, technology can play a boosting role in each stage of commodity circulation.

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