

# Internet players cash in on content windfall

A growing Chinese consumer audience has showed it will splash out on the right media and educational programs



Representatives from the freelance media, and some from paid-content program platforms, gather in Beijing for a year-end party in 2016. DONG DALU / FOR CHINA DAILY

By HE WEI in Shanghai  
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Online companies are finally cashing in on infotainment content after years of giving it away for free.

Internet consumers have woken up to the fact that they need to pay for quality audio and visual programming as well as articles on a variety of topics.

To cater for this growing audience, an array of fee-based audio apps have sprung up, dealing with topics ranging from makeup skills to macroeconomics.

"This trend has been boosted by the convenience of online payment (portals) in China," said Liu Duo, director of the China Academy of Information and Communication Technology in Shanghai.

Last year, Chinese consumers spent 212.3 billion yuan (\$31.3 billion) on digital content online, including novels, audios and videos.

This was a jump of 28 percent compared to the same period in 2015, data from a report released by Blue Lotus Research Institute in Hong Kong showed.

Figures from the investment bank JP Morgan Chase & Co also revealed that paid content "viewership" is likely to jump from 70 million in the first quarter to 234 million by 2020.

"Users are more willing to pay for quality digital content now," Liu said.

Cultural habits have changed in the past few years from downloading everything for free to paying for the right sort of content by using online services such as Alipay, which is part of Alibaba Group Holding Ltd, and Tencent Holdings Ltd's WeChat Pay.

In turn, this has triggered a new wave of online startups and podcasts like *Luoji Siwei*, or Logical Thinking, a talk show program.

Wang Xiuqin, a university admin-



A boy listens to an audio program presented by Ximalaya at a fair featuring audio books and user-generated content in Shanghai. PROVIDED TO CHINA DAILY

istration clerk in Shanghai, has been an avid fan for the past six months and watches it on her way to work. She also pays for it, forking out an annual subscription of 199 yuan.

"Work can sometimes contain trivial stuff," the 33-year-old said. "But watching this show opens a window to economics and avant-garde arts. I love it."

*Luoji Siwei* is aired on Ximalaya FM, which is run by Yu Jianjun, the co-chief executive officer.

In recent years, he has noticed a distinct change in online consumer habits.

"They are maturing and evolving from aimlessly accepting whatever is displayed online to consciously choosing content curators that can promise high-quality programs," Yu said.

Naturally, Ximalaya has moved with the times after initially gaining a faithful following for audio books and user-generated content.

Founded in 2012, the new media company has been pumping more resources into high-quality pro-

gramming and professional content, although it declined to disclose detailed financial figures.

Still, Ximalaya has generated 60 million audio feeds produced by more than 200,000 "experts" from a wide range of fields, including banking, insurance, literature and human resources.

The platform has attracted 370 million subscribers, who are willing to pay an annual fee of between 10 yuan to hundreds of yuan depending on the content.

"Most of these are 'self-help' tips for our viewers and listeners, who value self-motivation and lifelong learning," said Yu, who declined to disclose financial figures such as the company's revenue stream.

Along with rivals Qingting FM, Lizhi FM and Koala FM, Ximalaya dominates the sector with the group carving out about 80 percent of the online audio market, according to consultancy SooToo Research in Beijing.

Again, they have all moved into "professional and part-time user-generated content" by recruiting

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Liu Duo, director of the China Academy of Information and Communication Technology in Shanghai

and training podcasters to produce top quality material.

Qingting FM has signed up more than 12,000 grassroots content creators, online media publication Six Tone reported.

Lene Bao used to work for a multinational cosmetics group and has now started her own business on cosmetic-related marketing. She also serves as a part-time online host at Zhihu Live, which was valued at \$300 million in 2015, and has received funding from private equity firm Capital Today and Tencent.

Bao has more than 30,000 followers, and gives beauty, skincare and makeup advice. "It all started when I wrote a skincare article online and it went viral," she said.

"I realized there was a huge gap between cosmetics companies and their customers, so I decided to bridge that gap," she added.

Bao's main source of income comes from copyright fees for columns, online advice, including a two-minute Q&A session with listeners, which costs just 8 yuan.

She declined to give detailed financial figures, but did say she has a devoted and generous army of followers.

But then, this rise in online paid content has only been possible after

the government rolled out tough anti-piracy regulations to tame the wild west web.

"The decision in 2015 to bring in increased anti-piracy rules, and (the government's) subsequent crackdown on illegal video and music sites have laid the groundwork for converting ad-supported users to paid ones," said Liu, of the China Academy of Information and Communication Technology.

There are certainly rich pickings out there in cyberspace for the right content.

On Ximalaya, a podcast on personal presentation techniques captured the imagination of consumers and brought in subscription fees of 5 million yuan.

Back in December, an online 24-hour sale of courses and lectures from a legion of hosts attracted 50.88 million yuan in subscriptions.

Yet only *Dedao*, or "I Get" in English, is exclusively staffed by professional presenters, as opposed to a mixture of full-time or part-time staff and amateur hosts.

The app, which was launched last year, runs podcasts, which subscribers have to pay for. An eight-minute broadcast each day costs 199 yuan annually, the Wall Street Journal reported.

In just seven months, *Dedao* has built a 570,000 subscription base for the 16 daily and weekly podcasts, and more than 440,000 subscribers for a weekly column that it sells for just one yuan, the Journal stated.

"We need to change the way we think if we are to keep up with these ever-changing times," Luo Zhenyu, the Beijing-based creator of *Dedao*, said in his book, *Information Overload - I Know How You Feel*. "Change can be hard - it pushes us to learn continuously, to understand new things, but it is only in change that we can see the future."

## Online giants tap into new market

By HE WEI

Major Chinese internet players are pumping millions of dollars into building "knowledge-sharing" platforms.

They are all scrambling to entice a new breed of online user that is eager to learn, or be entertained, and is willing to pay for the experience.

Tencent Holdings Ltd has confirmed it will help "content creators" cash in on internet material via subscription fees on WeChat, the country's most popular social media app with more than 900 million active users.

Since February, trial invitations have been sent to certain WeChat accounts to test the function for paid content. In fact, this is the app's latest attempt to steer its vast user base toward the so-called "Paid Knowledge Era" in China.

Already it has introduced the "Mangzhong 2.0" project, a 200 million yuan (29.4 million) fund, which helps subsidize freelancers and individual contributors that upload original, high-quality content on Tencent-backed platforms.

"Content is going to become the next traffic inlet and Tencent will try to establish a leading position in the marketplace, with the introduction of paid content in its WeChat accounts," said Neil Wang, president for consultancy at Frost & Sullivan Greater China.

Alibaba Group Holding Ltd is also making similar moves overseas.

Earlier this year, the internet giant rolled out We Media Reward Plan 2, an India-based content platform.

"This falls under Alibaba Digital Media and Entertainment Group's targeted investment of \$7.2 billion in content during the next three years," said He Xiaopeng, president of Alibaba's Mobile Business Group.

Under a previous plan, up to 1,000 content writers were recruited in India and Indonesia. They were paid at least \$774 per month through the UC News platform, which is partly-owned by Alibaba.

Sina Weibo, which is China's answer to Twitter, also launched a paid subscription feature in December known as Weibo Ask.

Users can get the answers to an encyclopedia full of questions for a sliding-scale fee.

This trend toward paid content is gathering pace.

Roughly 55 percent of the 1,700 online consumers surveyed by the research division of Tencent said they had paid for expert knowledge and insight.

"Three quarters of users were willing to pay for quality content, while 52 percent believed high-quality content providers deserved to be paid," a joint poll on internet users by Guokr.com, a Chinese science and technology news site, and internet firm Netease Inc reported.

## Zhihu banks on a knowledge-seeking crowd willing to pay

By OUYANG SHIJIA in Beijing  
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There was a time when Chinese Q&A website Zhihu was an imitator and not an innovator.

But that was back in 2011 when it was considered little more than a Quora copycat.

Six years later, Zhihu has tens of millions of users, looking for advice and willing to pay for it.

Unlike its California-based rival, it is transforming its business model to cater for the sharing knowledge economy.

"It's a new phase in China's booming economy," said Zhou Yuan, founder and CEO of Zhihu. "We found people are willing to pay for knowledge and expertise."

"It will also be an opportunity for us to extend services for paid content in fields such as IT, finance

and careers," Zhou added.

The Beijing-based website and app have proved to be smash hits with the online fraternity and investors.

Indeed, Zhihu claims to have 84 million registered clients and 22 million daily active users.

Back in January, the company announced it raised \$100 million in its latest series of D-round financing, which gave it a "unicorn valuation" of more than \$1 billion.

Supported by new investment, the company is gearing up to expand its paid-for-content business.

In May, the website introduced a new function on its app known as "market" to offer paid consulting, interactive online Q&As and lecture-type sessions for Zhihu Live and Zhihu Bookshop.

For about 20 yuan (\$3), an individual customer can access audio and texts from Zhihu Live, covering



Billboards of Zhihu.com, a Beijing-based knowledge-sharing website, have sprouted up in Nanjing, Jiangsu province. WANG QIMING / FOR CHINA DAILY

a range of lectures and professional discussions, which can last for hours at a time.

More than half of the company's users access content through mobile devices such as smartphones and tablets.

According to online data company Analysys Qianfan, Zhihu's app had 13.78 million active monthly users in June, a jump of 7.16 percent compared to May.

"Free Q&A sessions provide a public space for users to talk and communicate with each other," Zhou said. "But knowledge payment is a commodity... a way to satisfy demand for specific services."

"Our company's revenues are mainly from advertisement," he added. "It will still take some time to develop the emerging knowledge payment market. In fact, future revenues are expected from fees collected from a paid audience."

Last year, a survey released by Penguin Intelligence, an internet-focused think tank affiliated to Tencent Holdings Ltd, showed that up to 55 percent of China's online population paid for "knowledge content".

In another report, jointly released by the State Information Center and the Internet Society of China, the country's sharing knowledge transactions were 61 billion yuan in 2016, a 205 percent year-on-year increase.

Still, Huang Guofeng, an analyst from internet consultancy Analysys in Beijing, is convinced online companies need to up their game when it comes to "content consumption".

"The emerging knowledge payment trend just caters to a specific group of users, especially those looking to further their careers," he said. "It's a good thing that startups are popping up in China, but they must improve the products and offer better services."