

Analysis of Profit Model and Optimization Strategy of Mango TV

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Abstract. Launched in 2014, Mango TV is the streaming video platform of Hunan Broadcasting System's listed company, Mango Excellent Media Co., Ltd. While long video platforms such as Tencent Video, iQIYI, YOUKU and others are perennially losing money, Mango TV made a profit as early as 2017. Mango TV has a unique profitability strategy that makes it stand out. This paper applies the literature analysis method to introduce the background of Mango TV and then analyse the revenue and expense components. Because there is a correlation between profitability and value creation, this paper investigates Mango TV's profitability strategy based on Michael Porter's Value Chain. By analysing the value activities of Mango TV in the four aspects of infrastructure, human resource management, technology development, products and sales, it analyses and derives the profitability strategy of Mango TV in the directions of paid derivation, innovation track, middle office technology, TV station-network fusion, homemade content, and talent training. Based on the above research, it judges advantages and disadvantages and then proposes countermeasures and suggestions for the shortcomings. This paper hopes to provide some new ideas for Mango TV's sustainable profitability and to help it develop more up-to-date profitability strategies.

Keywords: Mango TV; profitability strategy; Michael Porter's Value Chain.

1. Introduction

With the rapid development of the media industry, more than the traditional sense of the new media is needed. The most basic means of content dissemination is changing the pattern of renovation. The emergence of short video fits the contemporary lifestyle of people using fragmented time for leisure and entertainment, significantly impacting the user stickiness and revenue of the long-form video industry [1]. Therefore, iQIYI, YOUKU, Tencent Video, Mango TV and other streaming media video platform video-watching playback volumes are affected, making the long video platform situation more complicated. The first echelon of streaming video platforms, iQIYI, YOUKU, and Tencent Video, suffered perennial losses, but the second echelon of Mango TV continued to make a profit.

Mango TV is the streaming video platform of Mango Excellent Media Co., Ltd. and the core main business of its operation. Mango Excellent Media's performance report showed that in 2022, it achieved total operating revenue of RMB 13.704 billion, a year-on-year decrease of 10.76%, and net profit attributable to shareholders of listed companies of RMB 1.821 billion, a year-on-year decline of 13.86%. During the reporting period, Mango Excellent Media insisted on media value leadership and independent content innovation. Mango TV membership revenue increased by 6% year-on-year, and the practical membership scale reached 59.16 million, hitting a new record high; core revenue-generating boards took the initiative to seek changes and broke the ice with strategic partners, and the revenue of operator business increased by 18% year-on-year; the new business XIAO MANG e-commerce completed the first round of financing, and the scale of platform users reached 110 million, and the annual GMV year-on-year growth of 7 times, several single product sales became the first on the whole network, DAU peaked at 2.06 million.

This paper aims to study the profitability strategy of Mango TV and explore how Mango TV stepped up to achieve profitability during the prolonged video crisis. This paper will find the shortcomings in the current profitability strategy of Mango TV and provide countermeasure suggestions for it. The purpose is to provide reference and reference for Mango TV's sustainable profitability and help it develop more and more up-to-date profitability strategies.

The topic of this paper is to study the profitability strategy of Mango TV based on Michael Porter's Value Chain. By analysing the value activities of Mango TV's infrastructure, human resource management, technological development, products and sales, and deriving Mango TV's profitability strategy in the directions of paid derivation, innovation track, middle office technology, TV station-network fusion, homemade content, and talent training, this paper will give the judgement of strengths and weaknesses, and then put forward suggestions.

The research method used in this paper is mainly literature analysis. By analysing Mango TV's analytical statements, the research has gained a specific understanding of the profitability of its various businesses. In addition, more professional and detailed information was obtained by reading several documents about Mango TV's programme production, TV station-network integration and studio system.

2. Analysis of Mango TV's Income and Expenditure

Profit is the difference between the total value and the total cost of engaging in various value activities, which cannot be separated from the revenue and cost of the business [1]. This chapter will develop the analysis of Mango TV's revenue and cost components to provide a factual basis for the next chapter to analyse Mango TV's profitability strategy based on Michael Porter's Value Chain.

2.1. Income Components

2.1.1 Forward income

MangoTV's forward revenue points to subscriber fees in three main ways: regular subscriber top-up membership, regular subscriber payment and member subscriber payment.

Ordinary users of Mango TV top up their membership to become member subscribers and enjoy services such as content sneak previews, skipping of pre-credit adverts, 1080P Ultra-HD picture quality, and discounts on paid on-demand broadcasts. Ordinary user payment is a highly targeted payment behaviour. Users are only interested in particular content within the Mango TV platform. They consider other content less valuable and watchable, so they pay for individual content. Membership subscriptions are a new channel for payment in recent years and an essential way for the long-form video industry to increase revenue. So far, several Mango TV dramas have been made available for paid pre-emptive viewing, and those who are already members cannot watch them for free but have to pay a one-time fee to enjoy them.

2.1.2 Backward income

Mango TV's backward revenue points to advertiser fees. High-quality content is the prerequisite for high popularity and user viewership, and advertisers will always choose higher-quality content to make their advertisements more effective. Through high-quality content, Mango TV can win over advertisers with more financial strength and obtain higher advertising prices.

2.1.3 Other income

Other revenues include Mango TV's new business, XIAO MANG e-commerce and MCITY Live Entertainment.

2.2. Cost Components

2.2.1 Labour costs

Mango TV's labour costs are divided into internal and external labour costs.

Internal human resources cost mainly refers to the cost of salary, reimbursement of expenses and benefits of Mango TV's regular employees and interns. Mango TV has ten major centres: publicity and management centre, platform operation centre, programme centre, advertising and marketing centre, large membership centre, intelligent big screen centre, copyright centre, film and television

centre, product technology centre and e-commerce centre. It has more than 2,000 regular employees and more than 3,000 interns.

External labour cost mainly refers to compensation, reimbursement of expenses, and benefits for project hires and hired before the start of each project to participate, and the project hires leave at the end of the project. The artists. Due to the need for more regular employees in the projects, Mango TV recruits project hires. Reproduction of programmes and episodes requires the appearance of artists, and the compensation of artists is generally ample, which is a considerable cost expense.

2.2.2 Production costs

MangoTV's cost of production materials mainly includes:

- (1) The cost of premises and supplies such as props, costumes and equipment for producing film, television and programme content.
- (2) The cost of various office supplies used by MangoTV's administrative staff, project production staff, finance staff and others.
- (3) The cost of equipment, network and tools for maintaining the XIAO MANG e-commerce platform and the Mango TV platform.
- (4) MCITY's live entertainment venues, equipment, and supplies cost.
- (5) Costs consumed by the operation of MangoTV, such as water, electricity and network fees.

2.2.3 Other costs

Other costs are mainly hospitality and socialising costs related to internal and external aspects of Mango TV. The amount is highly uncertain, and the related necessity is high.

3. Analysis of Mango TV's Profit Strategy Based on Michael Porter's Value Chain

Michael Porter's Value Chain divides value activities into two categories: supporting activities and basic activities. Supporting activities include a firm's infrastructure, human resource management, technology development and procurement, while basic activities involve the physical creation of products, sales, after-sales and other activities.

3.1. Infrastructure

Mango TV's significantly reduced spending on infrastructure, a support activity, is attributable to an asset restructuring initiative completed between 2014 and 2018 [2]. In April 2014, Hunan Broadcasting System required that Hunan TV's original programme content could no longer be distributed externally for Internet rights and that its copyrighted content could only be aired on the Group's owned IPTV, network video and Internet TV platforms. Furthermore, the copyrighted content is classified as a cost investment, so the management of short-term interests into long-term strategic value management to create a revamped Mango TV platform. Since then, the exclusive broadcasting rights of Hunan TV's film and television programmes in new media are owned by Mango TV, and similarly, Mango TV's self-produced programmes can also be broadcast by TV channels belonging to the Hunan Broadcasting System. In July 2018, Happy Shopping Co., Ltd. was renamed Mango Excellent Media, which operates video, e-commerce, games, music copyrights and other businesses with IP as the core, forming a closed loop of the whole industry chain of new media covering film and television, variety arts, animation production, e-commerce, knowledge payment, tourism, exhibitions and artiste brokerage [3].

The sharing of infrastructure for TV station-network integration has enabled the profitability of Mango Excellent Media and Mango TV to continue to improve. In 2020, Mango Excellent Media achieved a net profit of RMB 1.982 billion. Mango TV's operating revenue amounted to RMB 10.003 billion, accounting for 71.42 per cent of Mango Excellent Media's total revenue (RMB 14.005 billion). So far, Mango TV has come out of a unique road of sustainable development in the highly competitive long video website industry.

3.2. Human Resource Management

Mango TV is well aware of the advantages of young talents in creativity. Because Mango TV adopts a closed-loop industrialised production system, the entire industrialised production chain of Mango TV's self-produced content has to comprehensively solve the problem of cultivating and conveying young professionals from product selection quality control to creation [4]. Therefore, Mango TV convenes young talents from multiple directions to stimulate the output of self-produced content. The school recruitment programme "QING MANG" screens fresh college students who submit resumes. After layers of selection, more than 100 Z-era young people participate in the QING MANG Training Camp, submit content ideas in groups, and several high-quality and innovative contents are hatched, after which the QING MANG interns are employed in various departments of Mango TV. This programme injects fresh blood into the major teams of Mango TV every year, continuously producing self-produced content. The programme has injected new blood into Mango TV's major sections every year and constantly made self-produced content solutions. In addition, Mango TV has also formulated long-term talent cultivation strategies. By cultivating fresh blood, the company builds strength for the matrix of high-quality content to bind growing companies, teams and talents.

However, it is worth mentioning that the retention rate of QING MANG interns who enter Mango TV through the "QING MANG" is not high due to the low salary during the internship period. Students from all over the country need to rent a room in Changsha, and more than the internship salary is required to cover the cost of rent. Nearly a year of internship almost rely on their parents to subsidise the cost of living, so many QING MANG interns leave the company. In addition, the situation of ordinary interns is even more challenging: zero monthly salary, dramatically increasing the burden on interns. In the long term, there needs to be a way to gather people to recruit talent.

3.3. Technology Development

Mango TV believes that technology is the pedestal of content products and ultimately serves the content. Therefore, before 5G and other technologies matured for the public in 2018, Mango TV set up an innovation research institute to make a forward-looking layout of 5G, AI, VR and other cutting-edge technologies. By 2020, Mango TV continued to follow up and built the cloud technology and big data application centre to pave the way for the 5G era and add more.

Streaming media has entered the era of technology-driven content, and technological advances have brought a more innovative range, which is also paid content for users [5]. Mango TV layout in advance, 2019 has seen the difference between traditional video "interactive drama". The conventional way of watching film and television drama is unidirectional, where the audience passively receives information from the perspective of the one-dimensional flow of time to follow the story. Nevertheless, the new media technology and interactive drama make the audience become a role in the show, deeply involved in the plot and character construction. This interactive narrative is just in line with the young audience's "private custom" needs and the fragmentation of the audience. This interactive narrative is precisely in line with the demand of young audiences for private customisation and fragmented entertainment.

3.4. Products and Sales

3.4.1 Closed-loop industrialised production systems

In the long video industry, the platform spends a lot of cost purchasing content [6]. YOUKU, iQIYI, and Tencent Video's platform content is still mainly bought from other companies. At the same time, Mango TV aims at self-production, focusing on content production to reduce the cost of purchasing. Moreover, because Mango TV adopts a closed-loop industrialised production system, it firmly grasps the entire content production process and various links, which reduces the production cost.

However, it is worth mentioning that the closed-loop industrialised production system also has drawbacks. The same team and path lead to a homogeneous content. Although now there is a balance of small-cost outsourcing projects, very stylised and homogeneous products for a long time will make the audience tired of watching, reducing forward income.

3.4.2 New sales channels

Self-produced video content for Mango TV to bring natural advantages of e-commerce, Mango TV seized this business opportunity to content as the foundation, creating demand, demand-driven consumption, and ultimately formed a "video + content + e-commerce" of the new video content e-commerce model, landing for XIAO MANG e-commerce.

XIAO MANG e-commerce mainly integrates the supply chain based on the characteristics of Mango TV consumers, selecting popular goods and providing customised services for rare goods [7]. Based on Mango TV's content production advantages, XIAO MANG e-commerce has promoted in-depth video platforms, implanted advertisements, introduced branding mechanisms and launched artiste co-branding. Regarding sales of popular commodities, XIAO MANG e-commerce uses the model of "selection + membership", using the image of celebrities and high-quality content to enhance consumers' willingness to buy, forming a beneficial cyclic model in which people, goods and content coexist and promote each other.

4. Suggestions

According to the research above, most of Mango TV's profitability strategies have significant results. However, there are still problems of quality intern loss, homogenisation of production content under the closed-loop industrialised production system, and ineffective IP serialisation. The following will provide countermeasures and suggestions for each of the above problems.

4.1. Improve the Mechanism for the Recruitment

It is very important for enterprises to maintain their competitive advantages by building a long-term mechanism for interns to retain their position on the basis of merit. Some studies have shown that today's college students are more pragmatic than the previous generation. Salary is the most important employment factor for interns, which is far more important than personal interests or corporate philosophy [8]. Based on the above phenomena, before the start of the project, the company should calculate the number of intern positions and budget, then publish recruitment announcements. To avoid the loss of interns in the project, HR must carefully recruit interns who can follow the project to the end of the internship and make some appropriate requirements of payments. Also, it ensures that interns are more likely to want to work on a complete project, and the financial burden of renting an apartment and living in the city is reduced, allowing interns to work without distractions.

4.2. Attract Differentiated Talent to the Team

There is a problem of single talent structure in the studio system. In order to ensure the innovation vitality of enterprises, it is necessary to adopt the rotation mode of creative teams [9]. In order to do the broad diversity of styles, Mango TV needs to increase the number of studios allowing for more forms within the entire programming centre. The project team should actively look for diversified resources for external programme cooperation. The familiar variety show "BACK TO FIELD" is produced by an external unit and put on Mango TV. However, it is worth mentioning that most of the external teams are restricted in their cooperation, and the resources they get are far less than those of the internal teams. Therefore, giving exterior quality projects better resources can make the collaboration between Mango TV and external programme teams smoother, which can broaden the types of programmes and attract more types of audiences.

4.3. Innovate the IP by Retaining the Original Style

Problems such as insufficient originality, one-sided value output, and old-fashioned expression methods hinder the further development of variety shows. However large-scale adaptation may also cause the loss of old audiences. When creating variety shows, the team should satisfy the old audience and trigger new hot topics at the same time [10]. The programme team needs to be sensitive to user preferences and use user surveys, data analysis, and comments on social networking sites to find out what they liked most about the original programme and what they would like to keep in the next season. Innovation means grasping the programme's essence while simultaneously surprising the audience. For example, "Who is THE MURDERER" has fresh spin-off ideas, such as detective assistants and concerts. Retaining the original style, the programme team gave the audience a new sense of view, which is also why this show has achieved enduring popularity and has been highly praised every season.

5. Conclusion

This paper analyses Mango TV's profitability strategy based on Michael Porter's Value Chain. The TV station-network integration and asset restructuring make Mango TV save the cost on infrastructure as a supportive activity without affecting the revenue, which belongs to the advantageous strategy. The forward-looking layout of technology development puts Mango TV in a favourable position in the industry, and the technology put into practice has achieved that the revenue is greater than the cost, which also belongs to the advantageous strategy. In human resource management, Mango TV has motivated employees to create more wealth, but there still needs to be more reasonable compensation and talent retention. In the creation of material, Mango TV produces many products instead of buying them, using a closed-loop industrial production system. It is committed to delivering high-quality products derived from products. However, a fixed team of content producers will produce a relatively fixed product model, making people feel that Mango TV's multiple contents have similarities. Regarding sales, Mango TV has opened up XIAO MANG e-commerce, which is currently in rapid development and upward mobility.

With the problems of loss of quality interns, homogenisation of production content under the closed-loop industrialised production system, and ineffective IP serialisation, three suggestions are as follows: improving the mechanism for hiring interns and their benefits, attracting differentiated talents into the team, and innovating the IP based on retaining the original style.

Many of Mango TV's business strategies and profit strategies are constantly updated. After completing the research in this thesis, there are still many deformations of profit strategies and existing profit strategies that are worthy of discussion in the industry and academia, which are difficult to outline by analysing only Mango TV's profit strategies that the author currently understands. The author hopes that the relevant succeeding researchers can keep progressing, strive to develop the research in-depth and break the loss curse for the streaming media long video industry by analysing the Mango TV profitability strategy.

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