Differentiated Competition and Pricing Strategies in Film-and-Television Streaming under the Rise of Consumer Sovereignty

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Abstract. Amid the growing digital economy—where core sectors account for approximately 10% of China's GDP in 2025—and increasing consumer influence, China's film and music streaming industry grapples with content homogenization, pricing challenges, and ambiguous collaboration models. This study examines differentiation and pricing strategies within film streaming platforms, focusing on iQiyi and Tencent Video as primary cases. Employing a mixed-method approach that integrates Porter's Five Forces Model, case analysis, and comparative data—supplemented by theories of two-sided markets and reputation—the research reveals a highly oligopolistic market structure. iQiyi and Tencent Video collectively control over 70% of market share, with significant entry barriers. Platforms utilize tiered memberships, bundled packages, and dynamic pricing, yet face persistent difficulties such as high user price sensitivity (39% of subscribers recently canceled plans) and recurrent "churn-and-return" behavior. The study concludes that effective pricing fences aligned with perceived value, optimized advertising exposure gradients, and compliance-aware strategic design can alleviate current industry pain points. These findings contribute to theoretical discourse on two-sided markets and offer practical insights for platform pricing and regulatory governance.

Keywords: Oligopolistic market; Differentiation strategies; Pricing strategies; Consumer sovereignty; Porter's Five Forces.

1. Introduction

Against the backdrop of the rapid expansion of the digital economy, music-and-dance variety shows have risen in both frequency and visibility. For example, The Rap of China 2025 leverages cross-segment creative collaboration and innovations such as AI-generated lyrics to disseminate "underground music," delivering notable traffic and membership growth for iQIYI. At the macro level, by 2025 the value added of core digital-economy industries accounts for roughly 10% of GDP, creating ample room for development and policy support for film and music streaming. Nevertheless, the sector continues to confront several challenges: how video and music platforms can cooperate, how live concerts and variety shows can be made complementary, what the core drivers of competition are, and how membership pricing, content homogenization, and pricing strategies for virtual goods can be designed to reconcile profitability with consumer satisfaction. This paper constructs a "platform–artist–fan–advertiser–regulator" framework, quantifies the effects of traffic, word of mouth, and compliance risk on key industry indicators, and—at the theoretical level—extends the applicability of two-sided-market and reputation models; at the practical level, it provides references for platform pricing and endorsement premia, while supplying quantitative evaluation criteria to inform industry governance and policy standard-setting [1-3].

2. Theoretical Framework and Literature Review

The film and music streaming sector displays a prototypical oligopolistic market structure. A small number of large firms—iQIYI, Tencent Video, and Youku—command the market, while prospective entrants confront substantial barriers to entry. Simultaneously, elements of monopolistic competition

persist, as platforms pursue content differentiation to cultivate localized competitive advantages. Armstrong and Vickers argue that price discrimination in competitive environments can enhance social welfare, provided that there is sufficiently vigorous rivalry among platforms. Leslie's (2004) analysis of Broadway theaters offers a canonical entertainment-industry example: through zoned seating and dynamic pricing, firms capture additional consumer surplus and raise profitability. By contrast, conditions of perfect competition are virtually absent in film and music streaming. Content creation entails very large, fixed investments (e.g., program production, rights acquisition, and post-production) alongside near-zero marginal distribution costs, generating economies of scale that raise entry thresholds for small or nascent firms. Moul's theoretical insights likewise extend to streaming: a platform's ability to secure premium content critically determines its competitive position [4-7].

Within this structure, three complementary pricing orientations can be identified. First, under demand-oriented pricing, platforms exploit granular user data to infer segment-specific price sensitivity and elasticity. For example, iQIYI has identified that younger cohorts exhibit a strong preference for original productions and relatively inelastic price responsiveness; accordingly, higher membership tariffs can be targeted at this segment without disproportionate churn.

Second, competition-oriented pricing is reflected in pronounced price parity across leading services. Auto-renewing monthly memberships at both iQIYI and Tencent Video are typically set at RMB 19, signaling strategic alignment in an oligopolistic environment where unilateral price increases risk accelerating user defection. Consequently, dominant platforms are reluctant to deviate from prevailing price points. That said, the emergence of a breakout title can motivate temporary, fine-tuned price reductions designed to reinforce user stickiness and loyalty—an adjustment that balances short-term revenue per user with longer-term retention and market-share objectives.

Third, cost-oriented pricing takes on distinctive characteristics in streaming. While production costs are high, the marginal cost of distribution is effectively zero, enabling multi-tier membership menus that discriminate by willingness to pay. Consistent with Gil and Lafontaine's findings on revenue-sharing in film exhibition contracts, streaming platforms frequently deploy revenue-sharing arrangements with content suppliers to mitigate upfront scale-related fixed costs and align incentives along the supply chain. The ticket-pricing framework developed by Rosen and Rosenfield also generalizes to the streaming context: optimal prices should incorporate consumers' waiting costs (e.g., tolerance for delayed access to new episodes) and inventory—or, in digital settings, availability and windowing—considerations. These mechanisms provide a theoretical foundation for dynamic pricing and access-window strategies, including time-limited discounts, early-access premiums, and differentiated ad loads across tiers [8].

Taken together, the literature suggests that market power, content acquisition capability, and data-driven segmentation jointly shape competitive conduct and outcomes in streaming markets. Oligopolistic structure constrains aggressive unilateral price movements but does not preclude dynamic, event-contingent adjustments. At the same time, cost asymmetries—high fixed versus negligible marginal costs—encourage tiered menus and revenue-sharing contracts, while demand heterogeneity and reputational spillovers from premium content justify targeted discrimination. This theoretical synthesis underpins the paper's subsequent empirical.

3. Industry Competition Analysis Based on Porter's Five Forces

This study applies Porter's Five Forces to structure the analysis of the film and music streaming industry: Rivalry among existing competitors. iQIYI and Tencent Video compete intensely in content procurement, exclusive licensing, and membership pricing. In 2025 their combined market share exceeds 70%, indicating high industry concentration. Bargaining power of suppliers. Seller power is heterogeneous; ordinary creators are relatively weak in negotiations. Bargaining power of buyers. Users aged 20–35 account for over 60% of the audience and are price-sensitive; 35% report switching platforms in response to price changes. Threat of new entrants. Prospective entrants face high barriers: costly drama production and user acquisition, as well as entrenched user habits and platform-

ecosystem lock-in. Threat of substitutes. Substitution is significant, as short-video platforms, games, and offline performances jointly divert user attention and willingness to pay [9].

4. Research Methods

This study combines case analysis with comparative data analysis. The case component adopts empirical industrial-organization methods and draws on the work of Julie Holland Mortimer to ensure scientific rigor. The comparative analysis focuses on two leading video-streaming platforms—iQIYI and Tencent Video—to examine differences in operating strategies and market performance.

Specifically, iQIYI positions itself around "light-luxury newism," deploying a tiered membership system (e.g., basic and premium) to meet heterogeneous user needs. The ad-supported basic tier may, to some extent, impair user experience. Its user structure skews younger, with stronger demand for original content and relatively low-price sensitivity.

By contrast, Tencent Video adheres to a "content-is-king" strategy while leveraging coordination within the broader Tencent ecosystem. Traffic gateways from super-apps such as WeChat and QQ channel users efficiently, substantially lowering customer-acquisition costs. Tencent Video is also adept at launching co-branded bundled memberships with external platforms (e.g., JD PLUS). This collaboration both expands the user base and, through cost-sharing, enhances pricing flexibility. Its age coverage is broader, and users' willingness to pay is materially influenced by participation in bundled-membership schemes.

5. Industry Status and Competitive Landscape

5.1. Digital Entertainment & Platform

The entertainment industry has become a key pillar of the digital economy and displays complex patterns of new, integrated development. According to the latest market data, the global entertainment market continues to expand, while its internal structure varies significantly. It can be divided into four major segments:

5.1.1 Film/TV and streaming

Film/TV streaming has become the dominant force within the entertainment sector. According to QuestMobile, as of July 2025 China's online-video app industry had 815 million active users, and competition among leading platforms has taken on a new configuration. Globally, Netflix accounts for about 30%. In China, Tencent Video temporarily ranks first with roughly 365 million monthly active users (MAUs), followed closely by iQIYI at approximately 358 million MAUs; the gap is minimal, and competition has entered an intense phase. iQIYI and Tencent Video are reported at 78.8% and 78.5%, respectively. In global markets, Netflix and Disney+ lead the competitive landscape. Netflix targets about USD 18 billion in content investment in 2025—lower than Disney's ~USD 24 billion—but with a sharper focus on streaming. Netflix also differentiates via live programming such as WWE Raw and NFL Christmas games [10].

5.1.2 Music streaming

The music-streaming market is highly concentrated. Spotify, the world's largest platform, holds about 30% market share, followed by Apple Music and Amazon Music. In China, Tencent Music and NetEase Cloud Music dominate, accounting for roughly 15% and 6% of the global music-streaming market, respectively.

5.1.3 Games and esports

From January to June 2025, China's game market recorded RMB 168.0 billion in actual sales revenue, up 14.08% year-on-year, a new high; the gamer population reached nearly 679 million, up 0.72% year-on-year, also a historical peak. License approvals remained high: 766 domestic online games obtained licenses in the first half, a year-on-year increase of 21.97% [11].

The market has entered a stock-competition phase, with an increasingly pronounced Matthew effect. Tencent and NetEase continue to lead by a wide margin: in the first half, Tencent's domestic game revenue reached RMB 83.3 billion, with RMB 35.4 billion from international markets; NetEase's games and related value-added services posted net revenue of RMB 51.6 billion. Among A-share game companies, Century Huatong reported RMB 17.2 billion in revenue (up 85.5% year-on-year) and RMB 2.656 billion in net profit attributable to shareholders (up 129.33%), clearly outpacing the sector (Figure 1-5).

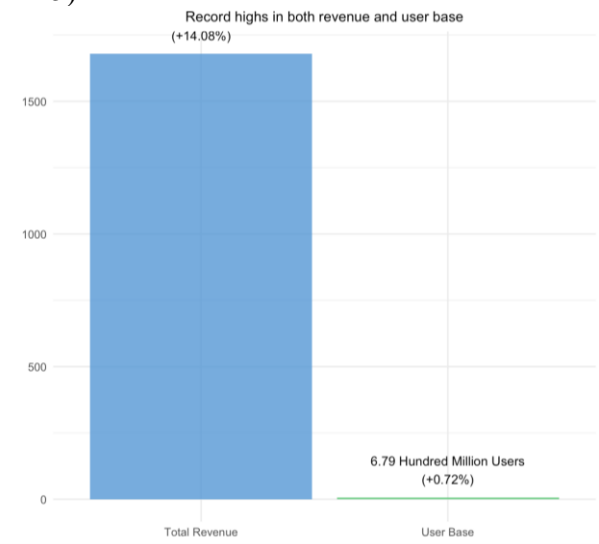

Fig. 1 China game market performance (Jan-Jun 2025) [11]

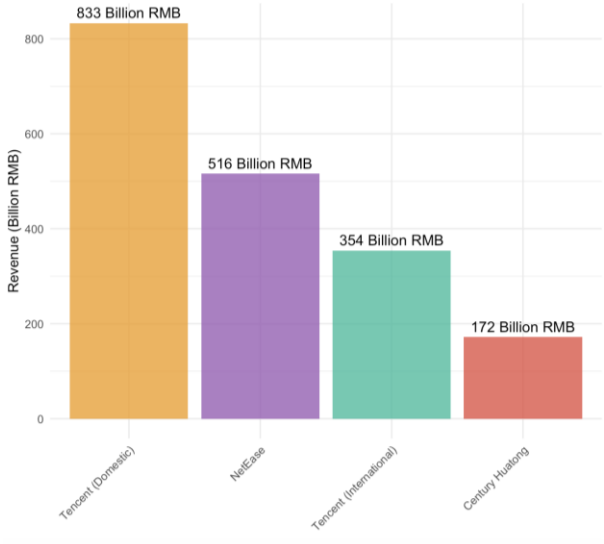

Fig. 2 Revenue comparison of major game companies (Jan-Jun 2025) [12]

5.2. Live Performances and Concerts

5.2.1 China

The live-performance and concert market exhibits pronounced regional concentration. According to the China Association of Performing Arts' Analysis of Trends and Characteristics of the 2024 Large-Scale Commercial Performance Market, large-scale concerts are concentrated in economically developed urban clusters—Beijing–Tianjin–Hebei, the Yangtze River Delta, the Pearl River Delta, and the Chengdu–Chongqing region—which together account for 63.5% of national box-office revenue; within this, the Yangtze River Delta contributes 31.4% [11-14].

5.2.2 Global

Global live-music industry revenue rose to USD 35.1 billion in 2024, returning to its pre-pandemic level. The global live-concert market recorded approximately USD 25.89 billion in sales in 2024 and is projected to reach USD 42.89 billion by 2031, implying a compound annual growth rate (CAGR) of 8.1% over 2025–2031. Worldwide music tours generated USD 9.5 billion in 2024, with 69.91 million tickets sold.

Notably, the surge in live-performance sales has been driven to a significant extent by technological innovation: virtual reality (VR), augmented reality (AR), and real-time streaming provide immersive experiences that transcend geographic constraints. Hybrid events (combining offline and online elements) expand audience reach and deepen interactivity. Representative competitive behavior: content differentiation and IP strategy (Figure 3-5).

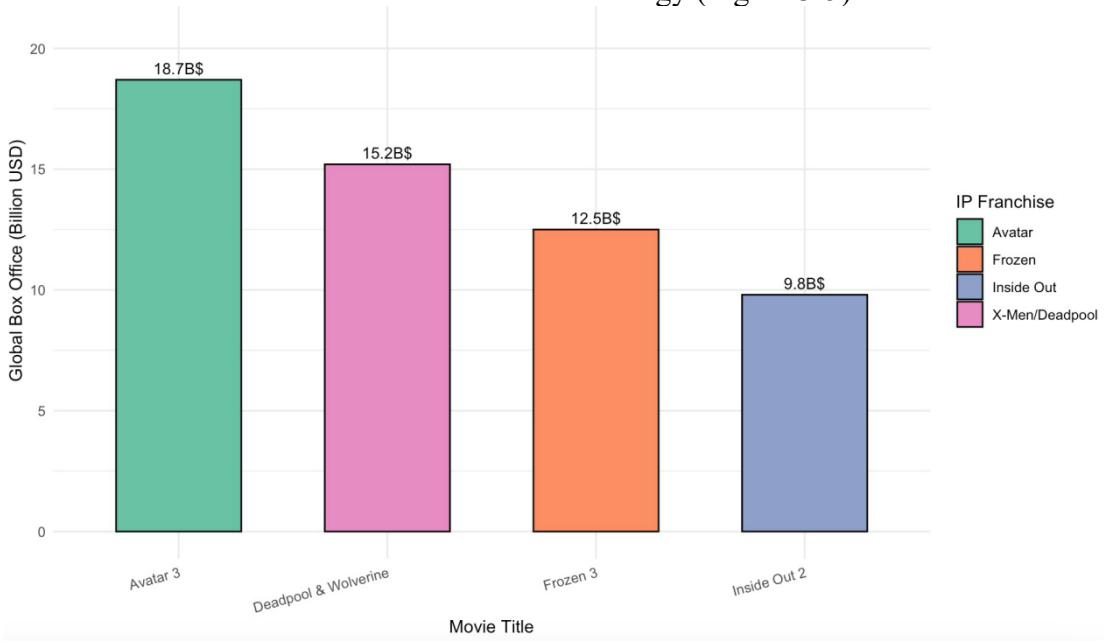

Fig. 3 Comparison of global box office for Disney's core film (2024-2025) [12]

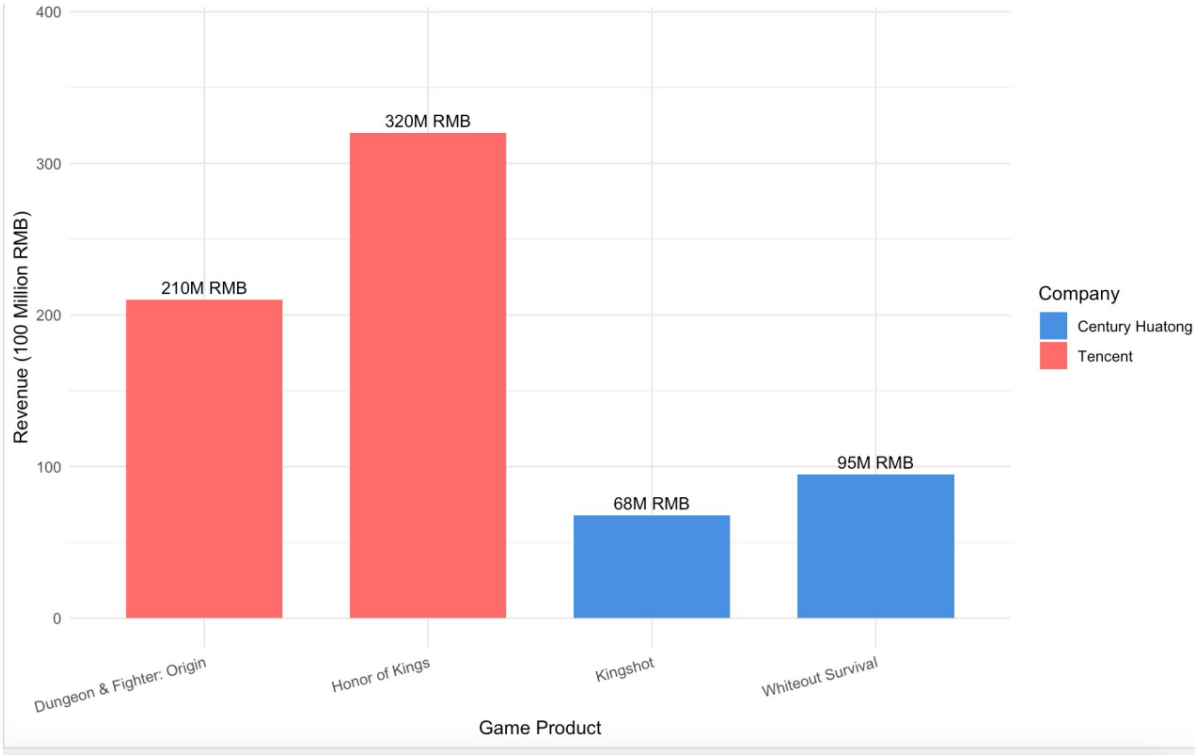

Fig. 4 Comparison of blockbuster games of Tencent and Century Huatong (H1 2025) [13]

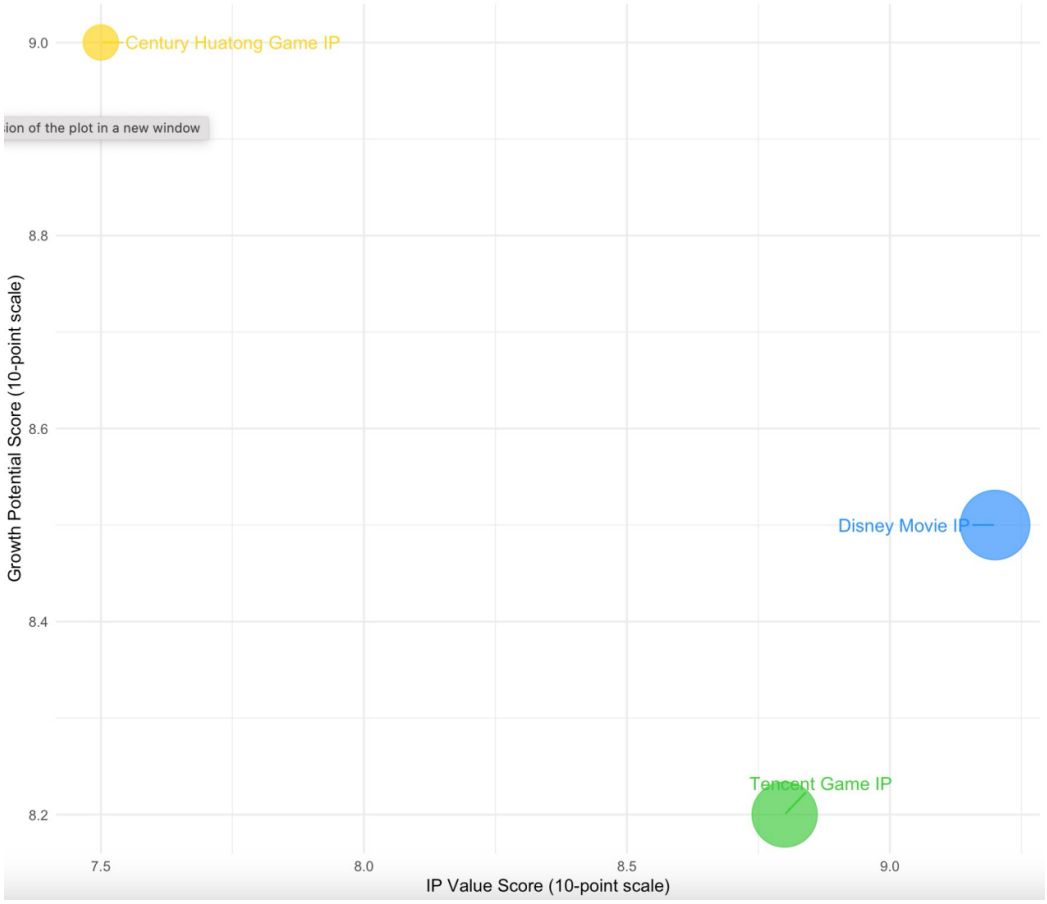

Fig. 5 Comparison of IP value and growth potential: Disney, Tencent & Century Huatong [14]

6. Case Studies on Market Competition and Pricing Strategies

6.1. Case I: Netflix (Ad-Supported Tier) × Disney+ (IP Bundling)

Netflix sustains user retention through a combination of global original content and algorithmic distribution, while broadening its price ladder via an ad-supported tier. As of 2024, monthly actives on the ad tier reached roughly 40 million, and in markets where advertising was introduced, over 40% of new sign-ups came through this tier (Netflix, 2024). This expansion, coupled with "paid-sharing governance" (i.e., account-sharing enforcement), generated a phase of elevated net additions. On pricing and product, Netflix adopts a stratified structure—ad-supported vs. ad-free vs. 4K/concurrency—supplemented by region-specific pricing to maintain flexibility; the ad tier offers a low entry price while enabling two-sided monetization (Netflix Help, n.d.). By contrast, Disney+ reduces switching costs through IP bundling and "single-app aggregation" (Disney+ × Hulu × ESPN). In the United States, "Hulu on Disney+" launched in March 2024, and the company announced further integration in 2026. In terms of outcomes, Netflix's ad tier improves affordability but entails some cannibalization of the ad-free plans. Governance of sharing and price increases can lift ARPU, yet in the short run may coincide with fluctuations in subscriber churn. Disney's "IP bundling + same-screen aggregation" bolsters retention and expands ad inventory but introduces operational complexities in windowing management and content-cost control [14-16].

6.2. Case II: Spotify (Tiering + Personalization) × Tencent Music Entertainment

Spotify and Tencent Music (TME) exemplify contrasting monetization logics. Spotify employs a "free (ad-supported) → paid (ad-free/HiFi/family/student)" tiered pathway to attract and convert users, reinforced by personalized recommendation to deepen time-spent. As of mid-2025, Spotify reports ~696 million MAUs and ~276 million premium subscribers. Despite several modest price

increases over the last two years, Spotify achieved concurrent growth in users and revenue and reported its first full-year profitability.

TME, by comparison, relies on subscriptions for "steady-state cash flow," while "social entertainment" (e.g., karaoke, live-stream tipping) provides "high-volatility revenue." However, tighter regulation and the discontinuation of certain functions caused significant pressure on social-entertainment revenue in 2023–2024. In China specifically, regulators have prohibited tipping by minors and restricted viewing hours, directly impacting the monetization paths of social entertainment and compressing platforms' pricing latitude. Even so, TME's music subscriptions grew counter-cyclically during the reporting period, partially offsetting the decline in social entertainment.

Implications. Ad tiers and bundling are, in essence, price-discrimination and economies-of-scope instruments within a two-sided market. Under intensifying regulatory and public-opinion scrutiny, firms should incorporate "reputation/compliance threshold clauses" into contracts and raise the "quality weight" within recommendation and discount mechanisms to mitigate the negative externalities of a pure "traffic-only" orientation.

7. Challenges and Optimization Proposals for Market Competition and Pricing in the Entertainment Sector

7.1. Subscription Video (SVOD/AVOD Hybrid)

7.1.1 Key Problems

High price sensitivity and the normalization of "churn & return." In the past six months, 39% of users canceled at least one paid video subscription, with higher rates among Gen Z and millennials; 24% canceled and then re-subscribed to the same service within six months, increasing volatility in acquisition and retention costs. Meanwhile, the share of ad-supported plans keeps rising (in 3Q2024, among services offering an ad tier it was about 43%; by early 2025 industry reports indicate it was nearing 46%), creating a structural tension between "cannibalization vs. incrementality" as users migrate to lower-priced tiers.

7.1.2 Optimization Proposals

Build value-aligned price fences (resolution/concurrency/downloads/ad load) together with a "downgrade without off-boarding" path; pair ad load with scenario-based frequency control to stabilize eCPM; use sports and major events as monthly value anchors to reduce net-retention volatility during price-increase periods.

7.2. Audio/UGC Streaming (Freemium with Paid Tiers)

7.2.1 Key problems

The free end delivers broad reach, but ad prices and royalty sharing squeeze margins; multiple small price increases can raise ARPU yet easily trigger a "subscribe–cancel–resubscribe" cycle among price-sensitive users; the group of serial churners has expanded (estimated ~29.5 million in 3Q2024, with a significant two-year increase).

7.2.2 Optimization proposals

Offer Hi-Fi/no-ads/multi-device concurrency/audiobooks as optional add-ons rather than across-the-board price hikes; adopt student/family/regional differentiated pricing, combined with renewal price-stability commitments and personalized retention offers, to curb chain-churn without sacrificing the headline price architecture or brand position.

7.3. Cross-Type Commonalities: Perceived Value and User Satisfaction

7.3.1 Key problems

Users increasingly feel they are "spending too much on streaming," with rising subjective fatigue; satisfaction differs markedly across TV/video access modes, and overall satisfaction among live-streaming users is higher than among legacy cable or satellite users.

7.3.2 Optimization proposals

Establish price–retention experiments and set reputation-threshold clauses so that when ratings or public sentiment fall below preset standards, the system automatically triggers user remedies such as extensions, compensation, or tier downgrades; incorporate quality factors into recommendation and discount logic to restrain the negative externalities of a purely "traffic-only" orientation.

8. Conclusion

Within a platform–artist–fan–advertiser–regulatory framework, and integrating two-sided market and reputation models, this study delineates the competitive and pricing logics along two pathways—SVOD/AVOD video and audio/UGC. The overarching conclusion is that the joint production of traffic × word-of-mouth governs endorsement premia, membership ARPU, and commerce conversion, while governance shocks reshape market tiers and concentration. Ad-supported tiers and bundling expand reach but introduce cannibalization and operational complexity; the freemium ladder in audio/UGC is constrained by both copyright obligations and compliance requirements.

Under a regime characterized by high price sensitivity and normalized churn-and-return, the most effective responses are constructing value-aligned price fences; instituting graded ad loads; adopting transparent(interpretable)bundling and compliance-by-design; and embedding reputation/compliance thresholds in contracts and recommendation systems to curb the negative externalities of a purely traffic-driven orientation.

Theoretically, the paper extends two-sided complementarities and quality-weighting mechanisms to fandom contexts, clarifying how reputational signals should enter pricing and allocation rules. Practically, it offers an actionable set of indicators and strategy combinations for platform pricing, endorsement valuation, and governance.

Limitations arise from data availability and algorithmic opacity. Future research can deploy randomized distribution (A/B and multi-armed bandit designs), event-study approaches around content or policy shocks, and cross-platform panels to validate external generalizability, identify causal mechanisms, and quantify spillovers across tiers, formats, and ecosystems.

Authors Contribution

All the authors contributed equally and their names were listed in alphabetical order

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