

Legal Compliance of Chinese Viewers and Opportunism of Online Video Platforms

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| Abstract |

For decades, there has been growing attention to copyright infringement issues in the Chinese digital entertainment industry. Under the stricter supervision and regulation of the Chinese government, Chinese video-on-demand (VOD) platforms are under pressure to compete for exclusive licensing. Even though the platforms endeavor to produce more original series and diversify revenue sources instead, they still need to invest in copyrighted videos to capture customers from rivals as well as retain them. Therefore, the platforms make opportunistic or even illegal moves which may generate profit but lower customer satisfaction. Despite the importance of the rising issues of online VOD platforms, research has not

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been conducted extensively. Therefore, we investigate the influences of legal compliance and opportunism on purchase intention of Chinese online VOD users in this study. Based on the literature, we develop hypotheses between legal compliance, opportunism, perceived value, brand loyalty, consumer satisfaction, and purchase intention and examine the relationships between them using structural equation models with survey data. All hypotheses are supported except for those with opportunism, indicating that legal compliance leads to purchase intention of online VOD users through perceived value, brand loyalty, and consumer satisfaction.

▪ Key words: Chinese Online VOD Platforms, Legal Compliance, Opportunism, Purchase Intention, Piracy

I . Introduction

Chinese online video platforms (OVPs) have developed rapidly in the past ten years. It is reported that, as of June 2019, the number of online video users in China has reached 759 million, an increase of 33.91 million compared with the end of 2018, accounting for 88.8% of the overall Internet users.¹⁾ And online video industry in China is estimated to earn 156.6 billion yuan in 2020, which is twice that of revenue in 2017.²⁾ Furthermore, the number of paying users is also escalating. For example, the number of subscribing members on iQIYI, a leading OVP in China, reached 119 million in the first quarter of 2020.³⁾

1) Fu, Y. (2019), "CNNIC Reveals the Internet Development in China in the 44th Report", <https://equalocean.com/news/2019091511780>. (accessed on March 2, 2020)

2) Statista (2020), "Revenue of China's online video market from 2009 to 2020 with a forecast until 2023", <https://www.statista.com/statistics/278574/revenue-of-chinese-online-video-industry/>. (accessed on June 16, 2020)

3) iQIYI (2020), "愛奇藝發布2020年Q1財報：總營收76億超預期 會員收入与數量大幅增長",

The statistics show that Chinese viewers are progressively willing to pay for access to content (Montgomery & Priest 2016, 11-18). However, it is reported that Korean drama series have still been the victims of unauthorized distribution in China.⁴⁾ Due to rampant piracy and weak compliance with copyright laws, Chinese viewers have a low willingness to pay for digital content (Kim et al. 2017, 204-206). In essence, countless copyrighted films and drama series have been uploaded illegally without consent in the early 21st century, resulting in the forming of a free mentality that has still posed a threat to the consumption of digital content until now (Lin et al. 2013, 325-330; Yan & Wakefield 2018, 56-57).

For Chinese online video platforms (OVPs hereafter), viewers who are advocates for subscriptions may grant higher returns. Although the revenue from advertisements still occupies a considerable proportion of their total revenue, the revenue growth is declining as OVPs have been keen on the transition to a pay-per-view or a subscription model. The transition effort is to make the revenue structure more diversified and boost profits (Montgomery & Priest 2016, 11). At the same time, this is a strategic initiative to conform to the revised regulations and avoid heavy penalties for copyright violators. To this end, the online VOD industry has begun to produce more original series, variety shows, and other types of video materials. With more of these VIP exclusive videos featured in premium service, viewers are gradually attracted to subscribe officially.

However, because of the high initial investment in purchasing copyright and growing overhead costs, Chinese OVPs tend to keep doing malicious activities hiddenly that could potentially jeopardize ordinary

<http://www.iqiyi.com/common/20200519/b46b2304596fe548.html>. (accessed on December 12, 2022)

4) Park, H. (2022), "Chinese online shopping malls hit for unauthorized use of 'Extraordinary Attorney Woo' images, piracy", https://www.koreatimes.co.kr/www/art/2022/07/688_333465.html. (accessed on December 5, 2022)

viewers' benefits, China's reputation as a nation, creative content development, and offline distribution of movies and dramas eventually. Indeed, these illegal activities have caused a lot of complaints, media criticism, and even prosecution.

To be worse, the opportunistic behavior of Chinese OVPs has been considered a reason for copyright issues in China. In 2019, the media reports about the two popular drama series, "Chen Qing Ling (The Untamed)" and "Qing Yu Nian (Joy of Life)" available on iQIYI and Tencent Video exclusively, brought viewers' attention to the opportunistic behavior of the OVPs. Unlike free users, paying users were able to enjoy watching the full episodes for free and watching six episodes before the release to free users. However, the two video streaming platforms launched a new value-added service, namely *Advance on Demand*. With this service, even paying customers had to pay extra charges for the next six episodes in advance. The *Advance on Demand* was proposed as a premium service and has caused a lot of debates on the Internet. The viewers' backlash against the opportunistic behavior of OVPs was neglected, and many viewers left for illegal services. It is only on account of the popularity of the two dramas that viewers have begun to pay attention to this problem.

Automatic payment renewals without being reminded also lower the satisfaction of OVP users. For more paying users and revenue from subscriptions, Chinese OVPs have launched marketing strategies for the first-month free trial, and in recent years, they have transformed such free service into the first-month discount of premium membership (Hoang & Kauffman 2018, 577). These video platforms did attract a large crowd but were not able to retain users, particularly the ones who renew their subscriptions involuntarily. In this situation, figuring out whether opportunistic behavior has more advantages than disadvantages is a genuine and urgent empirical question for OVPs. If these deceptive

tactics hurt the consumer's enthusiasm for subscription, the high investment in copyright licensing will be more difficult for platforms.

Although the issues of viewers' copyright violations and OVPs' opportunism appear epidemic in the VOD industry in China, the literature about the Chinese media platform business only focuses on the online music industry. Indeed, studies on the online VOD industry are scarce, especially on the spectrum of purchase intention on OVPs from the standpoint of piracy and copyright. In this context, we attempt to understand the empirical relationships between legal compliance, opportunism, and purchase intention. The investigation of these subjects is timely and meaningful given the internationally rising controversies over Chinese OVPs' notorious business practices. Based on the empirical findings of this study, we provide suggestions for Chinese OVPs' since they are confronted with serious challenges.

The paper is organized as follows. Section 2 reviews and summarizes the previous research and theoretical background. This is followed by the presentation of our research hypotheses. Section 3 then describes the methodology, including data collection, data analysis through Structural Equation Modeling (SEM), and the results. Section 4 presents the discussion including implications, limitations, and future research directions. Finally, conclusions are made in Section 5.

II. Literature and Theoretical Background

In this section, we briefly discuss the current situation of piracy and copyright issues in China to better understand the background of this research. Then, the related literature on legal compliance, opportunism, perceived value, brand loyalty, consumer satisfaction, and purchase intention are reviewed.

1. Piracy and Copyright Issues in China

Copyright infringement, often referred to as piracy, is a group of activities that involves reproducing or disseminating copyrighted materials illegally. It is the biggest threat facing the entertainment industry of the world (Priest 2006). In China, piracy issues have been a widespread problem for decades. Balfour (2005) claims that China severely suffered from piracy products.

Three driving forces lead to online piracy. First, with the development of information technology and web browsing services, illegal content can be found and taken with little effort on the internet. It is simple and effective to share these materials among online users (Wingrovea et al. 2011, 262). Applications such as Xunlei and Baidu Yun also have helped facilitate content downloading based on peer-to-peer file sharing protocols.

Second, both OVPs and viewers benefit illegally from piracy behavior. Free viewership is a primary factor for viewers' piracy behavior, and the creation of online network effects might be the biggest incentives for OVPs. While allowing their customers to share media content on the platforms, the OVPs constantly provide the customers with marketing programs, advertisements, and promotional campaigns. The commissions from the advertisements are a major source of revenue for the OVPs.

Third, due to the loose copyright laws, less regulated environment, and poor intellectual property right awareness in society, individual downloading or uploading pirated content is too difficult to get caught and leads to a conviction (Wang & Zhu 2003). In today, related legislation and regulation are still not effective so that much of the partly pirated content can bypass laws. The vast amount of patriated content and byproducts are created and shared by the massive number of Chinese users, which causes manual censoring of the content challenging. For instance, due to COVID-19, Twitter and Facebook have been allowing employees to work at home and making effort to use robots for filtering

inappropriate information. However, it does not work well, resulting in violent videos circulating on the web because of insufficient levels of artificial intelligence technology.

Nevertheless, the piracy problems have been resolved gradually in recent years. Since *Administrative Provisions on Internet Audio-Visual Program Service* was enforced in 2008, the government of China has intended to strengthen the supervision and regulation of the domestic online video industry as well as to protect international copyrights (Zhao & Keane 2013). On the one hand, the move has raised the entry barrier and reinforced the status of the extant platforms that have already entered the market. On the other hand, it has increased the competition pressure of copyright among OVPs with new concerns about surging licensing costs (Zhao 2018, 109–113).

In the meantime, the competition for exclusive licensing also raises viewers' switching costs and dampens their enthusiasm for being sole users of a single platform. The advance of the Internet in recent years has promoted the development of various over-the-top (OTT) services (Steeners 2014), which has brought audiences video-on-demand (VOD) services, including today's popular subscription video-on-demand services (SVODs) (Doyle 2016), such as iQIYI and Youku. Currently, personal subscriptions, the so-called SVOD model, are the most common way for platforms to generate revenue through content streaming (Doyle 2016; Gimpel 2015; Steeners 2016). To take more market share from rivals, OVPs have spent billions of dollars on copyrighted content, the most effective way to attract viewers. Once the exclusive license of a series is acquired by an OVP, viewers cannot watch it on other platforms except the copyright owner. On occasion, one best-selling series leads to a flood of millions of paying users into an OVP, enticing them to subscribe to premium services. The hit series *The Lost Tomb* helped iQIYI increase subscriptions by more than 700 percent in 2015. Through another

exclusive drama *Descendants of the Sun*, iQIYI gained five million new premium users in 2016 (Shi 2017, 542).

Currently, advertising revenue still comprises a dominant proportion of filmmakers' online streaming royalties, but web streaming companies have been eager to transition to a pay-per-view or subscription model.

2. Legal Compliance

Shachaf and Rubenstein (2007, 101) argued that the way to deal with copyright and intellectual property can be seen as legal compliance or ethical concern. In countries where laws and regulations are not stringent, copyright and intellectual property issues can become only an ethical concern. In addition, a country's degree of compliance with copyright laws may reflect the level of public awareness about copyright laws. Therefore, China's increasing degree of legal compliance may explain viewers' greater concern about video copyright and intellectual property issues.

Besides, Wingrovea et al. (2011, 263-273) identified major motivational factors in relation to legal compliance, including deterrence, social norms, personal morality, the perceived legitimacy of authorities, and procedural justice. In the music industry, deterrence is one of the most effective approaches to prevent piracy. Pratt et al. (2006) find that most users give up distributing pirated music to avoid punishment, which inhibits users' intention to purchase and share legal content. According to Sirkeci and Magnusdottir (2011), compliance with copyright will decrease illegal music downloading. From a psychological view, however, morality and legitimacy are considered more effective factors to enhance compliance with intellectual property laws based on procedural justice theory (Tyler 1996, 231). Apart from the digital entertainment industry, legal compliance is essential in most companies. Trevino et al. (1999, 138-140) found that

to motivate employees to comply with ethics and laws, companies should take a value-based approach including praise and award for ethical or legal conduct. While the aforementioned studies highlight the general role of legal compliance, previous studies have offered empirical evidence that legal compliance contributes to the reduction in video piracy. Also, most research is about the effect of ethical factors and social responsibility (Tan 2002; Wang et al. 2013). However, legal compliance has not been investigated to be linked with the perceived value of service and brand loyalty extensively. Although the economic environment for Chinese OVPs is different from that for foreign countries (e.g., Netflix in the United States), Chinese society is moving in the right direction. For example, user-generated content (UGC)-based Bilibili has attracted a large number of loyal young users in recent years (Yin & Fung 2017) conforming to regulations and the mainstream OVPs are still strengthening in procuring copyrighted videos. Therefore, in China, ongoing discussion of legal compliance with copyright is of great significance whether it is for international copyright owners or the Chinese entertainment industry. Hence, we hypothesize:

H1. *Legal compliance has a positive impact on the perceived value of service.*

H2. *Legal compliance has a positive impact on brand loyalty.*

3. Opportunism

Opportunism appeals to companies for several reasons. The problem of asymmetric information between buyers and sellers in the online market encourages sellers' opportunistic behaviors such as unreasonable delays in delivery and unqualified products in the C2C online industry. Such opportunism may lead to a decline in customers' trust in products and services while being honest with customers is considered a necessary

factor affecting brand loyalty (Mao 2010, 215).

To reduce opportunism, most of the platforms have established a reputation mechanism that allows buyers to evaluate and comment on their purchase experience after completing each transaction. However, such a supervision mechanism does not exist between the Chinese OVPs and their users (Liu & Zhang 2017). Opportunistic behavior may occur in the form of concealing information and not providing promised services on video platforms. In the early days of the development of OVPs, Chinese viewers were willing to switch between video platforms based on price or brand image because they did not involve intellectual property or specific market equipment. Although the large video sites are widely known, it is not enough to prevent new entrants with sufficient capital from gaining market share. Also, the stricter enforcement of copyright laws has increased the cost of copyright, for which platforms are eager to recover upfront costs from more paying users and VOD services. At present, paying users, the main revenue source for platforms, may hesitate to switch platforms because of the rising subscription fees and exclusive videos that only belong to the platforms. These hidden cost factors reinforce the opportunistic behavior of OVPs to some extent.

Companies' opportunism has a negative impact on consumer loyalty and satisfaction and reduces purchase intention (Chiou & Shen 2006). Lee and Lee (2015) studied that the legal responsibility of companies directly affects the willingness to pay. Thus, we hypothesize:

H3. *Opportunism has a negative impact on the perceived value of service.*

H4. *Opportunism has a negative impact on brand loyalty.*

4. Perceived Value

Perceived value is defined as the evaluation of the usefulness of

services or products that users make after comparing the perceived benefits with the costs paid in the process of acquiring products or services (Zeithaml 1988). Assessment criteria depend on personal values, preferences, and product attributes (Woodruff 1997). Value is a subjective factor of users as well as a key factor influencing users' behavioral intention and decision-making (Andrews et al. 2010; McDougall & Levesque 2000). The relatively high value of a product or a service is one of the primary drivers to attract users.

Pujol (2010) pointed out the loose connection between free and premium versions and argued that similarities and differences between the two service versions should be evaluated.⁵⁾ Given that a user's transfer from free service to trial premium service is a service upgrading process, the value perceived by viewers is considered a vital factor affecting the user's decision and brand loyalty. Also, extant empirical studies have confirmed perceived value as one of the antecedents of brand loyalty (Yang & Peterson 2004; He et al. 2012; El-Adly 2019). Therefore, when viewers recognize that basic service has high quality and is sufficient for their needs, they will not upgrade to premium service or switch to other platforms (Zhang et al. 2016). In addition, perceived value affects consumer satisfaction positively (Hussain et al. 2015), and how people perceive the value of the offered service is important for companies that offer premium service programs (Hamari et al. 2019). Thus, we hypothesize:

H5. *The perceived value of service has a positive impact on brand loyalty.*

H6. *The perceived value of service has a positive impact on consumer satisfaction.*

5) Pujol, N. (2010), "Freemium: Attributes of an emerging business model", http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1718663. (accessed on March 4, 2019)

5. Brand Loyalty

The concept of brand loyalty has been studied in various fields for decades. Mao (2010, 213) defines brand loyalty as being faithful to a specific product or service. In other words, loyal customers tend not to switch to other brands. In today's global marketing environment, it is admitted that developing and maintaining brand loyalty is a vital strategic component to preserving companies' competitiveness. Compared with attracting new customers, companies invest less in the extant users and put less effort into retaining loyal customers (Mao 2010, 214; Spiros & Vlasis 2004; Kim et al. 2016). It is reasonable to conjecture that a company does not have to spend on promotional activities if the company has loyal and less price-sensitive customers (Arjun 1995). These loyal customers help secure a high rate of return on investment. However, Empen et al. (2015) have a slightly different argument that price promotions are effective for customers with moderate strength of brand loyalty.

Meanwhile, brand loyalty is highly connected to consumer satisfaction as it is always the goal to which businesses strive (Oliver 1999, 33; Ahmed et al. 2015, 64). Loyal customers are accustomed to consuming products of the same brand. Due to the belief that other brands are not able to offer the same quality of service, loyal customers of a particular brand are likely to show a higher level of purchase intention for the brand. Gupta et al. (2004, 16) confirmed that if the customer retention rate increases by one percent, the increase could lead to an increase of up to 6.75% in company value if effectively managed. Thus, we hypothesize:

H7. *Brand loyalty has a positive impact on consumer satisfaction.*

6. Consumer Satisfaction and Purchase Intention

Consumer satisfaction has been considered an important dependent

variable in many areas, especially in marketing (Pappu & Quester 2006, 5). It is not only an important performance standard for the organization but also a major factor in promoting the achievement of the company's goals (Fecikova 2004, 58; Munusamy & Chelliah 2011, 3).

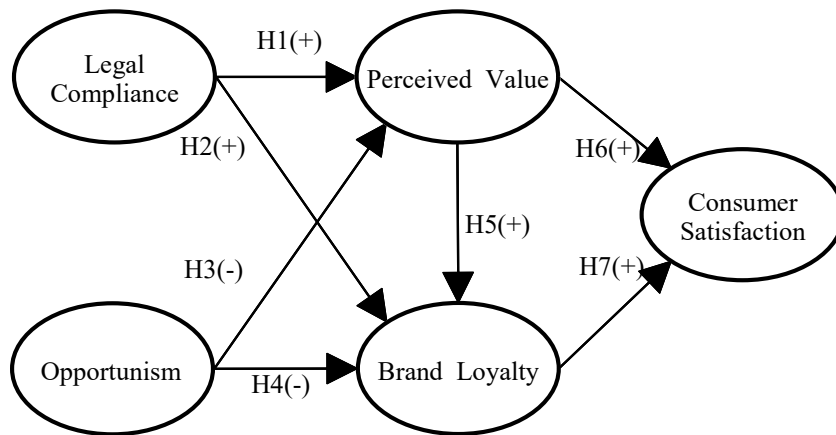
Consumer satisfaction refers to the consumer's evaluation of the difference between the actual service that they receive and the expected service. Similar to loyal customers, satisfied consumers are less sensitive to price and end up benefiting from companies' income improvement (Dimitriadis 2006). However, a low level of service quality leads to customers' negative behaviors (Foroughi 2019), such as telling their friends about unsatisfied experiences with some service (Zeelenberg & Pieters 2004, 449). It also affects customers' purchase intention and the company's earnings in the end (Liao et al. 2017).

Purchase intention is a customer's behavioral intention and can be defined as the possibility that customers are willing to purchase the product or the service (Chu & Lu 2007; Lin & Lu 2010). In this paper, purchase intention refers to customers' willingness to purchase premium services on OVPs. For platform service companies, the most important goal in marketing and operations is to attract more users and convert them into paying customers. That is, companies usually make their efforts to increase the conversion rate, a ratio of paying customers to all the newly registered users (Gómez et al. 2006). Most research on purchase intention has focused on its influential factors, such as service quality, perceived value, and consumer satisfaction (Huang et al. 2014; Saleem et al. 2015; Gan & Wang 2017). In recent years, consumer trust, user engagement, word-of-mouth, and other instruments are gradually gaining attention as antecedents of purchase intention (Lin & Lu 2010; Algharabat 2018). Conversion from prospects to premium users not only increases service firms' profit but also reduces the costs of non-paying users who use free versions of services on platforms (Wagner et al. 2014). In this context, the research on the purchase intention

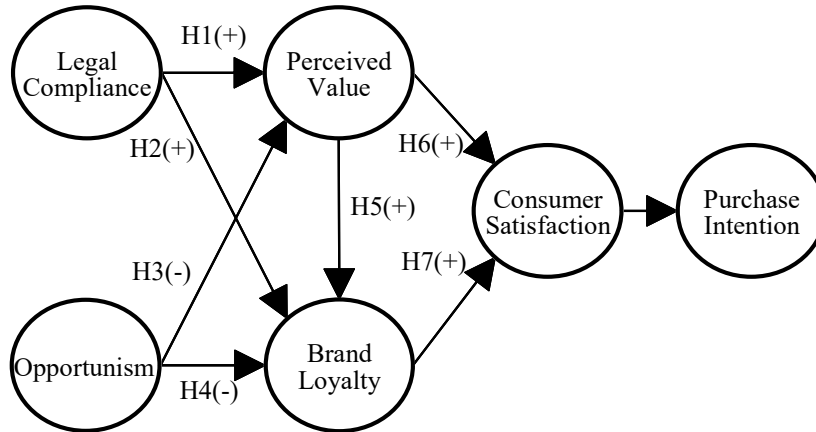
of customers holds great significance for platform operators whether they are in video streaming or other service industries (Lin & Lu 2010). Given that most literature supports the empirical association between customer satisfaction and purchase/repurchase intentions, the objective of including this construct is to evaluate the analytical robustness of the proposed conceptual framework.

The integrated research framework is illustrated in <Figure 1> and <Figure 2>, which contain all the hypotheses to be tested. As can be seen, Model A in <Figure 1> is a nested model of Model B in <Figure 2>. Note that the main drivers are *Legal Compliance and Opportunism* in both models - the primary independent variables of interest. The main dependent variables are *Consumer Satisfaction* in Model A and *Purchase Intention* in Model B. Since the casual associations among the constructs in Models A and B are straightforward and supported by the literature, it is difficult to create alternative conceptual models. The lack of alternative models makes it challenging to evaluate the relative reliability and robustness of SEM results. Thus, we have decided to adopt a nested model (Model A) as a basis to check for the statistical solidity of Model B.

<Figure 1> Proposed Structural Equation Model A



<Figure 2> Proposed Structural Equation Model B



III. Methodology, Analyses, and Results

1. Data Collection

We conducted an online survey in China using Tencent Questionnaire during the first week of May in 2020. As shown in <Table 1>, all the survey scale measurements were developed based on the literature. Based on the expectation that the Internet usage can be related to education level (Wattenberg 2004), we sent the questionnaires online to Chinese citizens who have bachelor’s degrees or above and ensured that all the survey participants have experience with OVPs and afford to purchase premium services of Chinese OVPs. No significant difference was observed between the number of male and female respondents, and ages between 20 and 40 take are revealed as the majority of the respondents. To calibrate users’ experience of premium service, we conducted online surveys to assess the relationships among the six constructs.

In this survey, the online respondents were asked to reveal their

perception or judgment for each scale based on a 7-point Likert scale - one representing “strongly disagree” to seven representing “strongly agree.” We sent out the online survey links to 750 OVP users, and 613 of the users responded to our invitation. We excluded unreliable and incomplete surveys, particularly the ones with too many missing values, completed in a few minutes, and with the same numerical choice for all scales. In the end, 530 valid questionnaires were obtained out of the 750 questionnaires distributed initially (70.67%).

In online surveys targeting specific groups of respondents, common method biases often arise due to the variances (in indicators) attributable to the measurement methods rather than to the latent constructs under investigation. Counterbalancing the order of the measurements among the variables could alleviate the method biases, but a disadvantage of doing so is that the logical flow of the survey can be disconnected (Podsakoff et al. 2003). Therefore, we prepared four alternative versions of questionnaires in which the order of survey instruments can be altered while sustaining the main logical flows. After the surveys were complete, we conducted a series of pairwise t-tests to compare the mean differences among the attained scales from the four versions of surveys and did not find any significant differences in most of the instruments. The details of the measurement items and the supporting literature are summarized in <Table 1>.

2. Construct Reliability and Robustness of Structural Equations

We conducted data analysis using confirmatory factor analysis (CFA) and structural equation modeling (SEM) by SPSS 24.0 and Amos 23.0. We report the results in <Table 2>. A test of scale items for reliability and validity was conducted using CFA (Anderson & Gerbing 1988). First, all the reliability indices, including Cronbach’s alpha and composite reliability,

exceed the threshold value of 0.8, indicating that the unidimensionality of constructs is well secured, and thus a total of twenty-four items were retained in this study. Then, we evaluated the reliability of scales through factor loadings. All the factor loadings are greater than 0.6, which indicates that all the scales are properly loaded to form the corresponding latent constructs.

In addition, we report the values of AVEs (the average variance extracted) - a ratio of the amount of variance captured by a construct to the amount of variance due to measurement errors. Discriminant validity is evaluated by comparing factor correlations and the square roots of the AVEs - the diagonal elements in <Table 3>. All the square roots of the AVEs are larger than the values of corresponding factor correlations, indicating that the discriminant validity of the constructs is well secured.

As shown in <Figure 1> and <Figure 2>, we proposed two alternative models and carried out a nested model test to compare the two models. The related statistics of Model A (Chi-square = 364.95, Degrees of freedom = 163) and Model B (Chi-square=617.50, Degrees of freedom = 244) yield a difference in the Chi-square values as 221.275 and a difference in degrees of freedom as 81. The differences in the values are statistically significant, indicating that Model B with more free estimated parameters fits the data better than the nested model (Model A). Moreover, the fit indices summarized in <Table 4> also confirm that Model B fits slightly better than Model A. Thus, we use Model B for hypothesis testing and interpretation of the statistical results.

Despite the better fit measures of Model B than Model A, it is important to check for the consistency of path coefficients between the two models, summarized in <Table 5>. It is apparent that the corresponding path coefficients are consistent except for a minor disparity in the path between opportunism and perceived value. It can also be observed that the superior fit of Model B to Model A is driven by the

strong causality between consumer satisfaction and purchase intention. The consistency of path coefficients indirectly supports the empirical robustness of structural equations.

<Table 1> Constructs and Measurement Items

Construct	Item	Measurement	Literature
Legal Compliance	LC1	Watching, downloading, and sharing movies through P2P software is illegal.	Liao (2019); Lysonski & Durvasula (2008); Plowman & Goode (2009); Wang et al. (2013); Weijters et al. (2014)
	LC2	I do not download pirated copies of videos.	
	LC3	I do not share movies through P2P software with my friends.	
	LC4	I am willing to advise my friends to watch videos on regular video websites.	
Opportunism	OP1	The video website advertises certain features without offering them.	Chandra et al. (2010); Chiou & Shen (2006); Hsieh (2012)
	OP2	The video website tends to conceal the details of the contract.	
	OP3	Automatic renewal is shown in the small size fonts in the contract.	
	OP4	After purchasing premium service, hidden advertisements still pop up in the videos.	
Perceived Value	PV1	Given the price of premium service, my purchase here seems a good deal.	Chang & Wildt (1994); Cronin et al. (2000); Kin et al. (2012); Ponte et al. (2015); Tung (2004)
	PV2	Despite my effort to subscribe to premium service, my purchase here is worthwhile.	
	PV3	I made a right decision to buy premium service.	
	PV4	Premium service on this video website delivers me a substantial value.	
Brand Loyalty	BL1	I am willing to continue to use the video platform for the next few years.	Osaki & Kubota (2016); Pai & Tsai (2011); Porral & Lang (2015); Shi et al. (2014)
	BL2	This video platform is my first choice for the premium service.	
	BL3	I am willing to leave positive comments about the video platform service.	

Construct	Item	Measurement	Literature
	BL4	I would recommend the video platform to my friends.	
Consumer Satisfaction	CS1	Using this video website seems a right decision.	Alnawas & Aburub (2016); Chae et al. (2002); Jin et al. (2013); Lee et al. (2014); Lin & Wang (2006); Saleem et al. (2015)
	CS2	I am satisfied with that premium service.	
	CS3	I received the service I expected during the first month trial.	
	CS4	Premium service has been provided successfully.	
Purchase Intention	PI1	My willingness to subscribe to premium service is high.	Alnawas & Aburub (2016); Chae et al. (2002); Jin et al. (2013); Lee et al. (2014); Lin & Wang (2006); Saleem et al. (2015)
	PI2	I would consider purchasing premium service in the future.	
	PI3	I plan to subscribe to premium service in the future.	
	PI4	Premium service of the website is worthwhile to purchase, compared to other websites.	

<Table 2> Confirmatory Factor Analysis and Construct Reliability

Construct	Item	Factor Loading	Cronbach's α	Composite Reliability	AVE
Legal Compliance	LC1	0.66	0.84	0.85	0.58
	LC2	0.88			
	LC3	0.78			
	LC4	0.72			
Opportunism	OP1	0.69	0.83	0.81	0.56
	OP2	0.83			
	OP3	0.79			
	OP4	0.67			
Perceived	PV1	0.72	0.88	0.88	0.66

Construct	Item	Factor Loading	Cronbach's α	Composite Reliability	AVE
Value	PV2	0.85	0.89	0.89	0.66
	PV3	0.90			
	PV4	0.76			
Brand Loyalty	BL1	0.78	0.89	0.89	0.66
	BL2	0.83			
	BL3	0.83			
	BL4	0.81			
Consumer Satisfaction	CS1	0.79	0.89	0.88	0.65
	CS2	0.82			
	CS3	0.75			
	CS4	0.87			
Purchase Intention	PI1	0.87	0.92	0.93	0.76
	PI2	0.92			
	PI3	0.90			
	PI4	0.78			

<Table 3> Factor Correlations

Factor	1	2	3	4	5	6
1. Legal Compliance	0.764					
2. Opportunism	0.033	0.748				
3. Perceived Value	0.448	0.047	0.811			
4. Brand Loyalty	0.487	0.050	0.786	0.813		
5. Consumer Satisfaction	0.540	0.084	0.75	0.755	0.809	
6. Purchase Intention	0.490	0.012	0.673	0.715	0.725	0.869

<Table 4> Fit Statistics

	Model A	Model B
χ^2	364.95	617.50
df	163	244
χ^2/df	2.24	2.53
RMSEA*	0.06	0.05
Goodness-of-Fit Index	0.89	0.91
Comparative Fit Index	0.93	0.95
Normed Fit Index	0.92	0.93
Incremental Fit Index	0.94	0.95

• RMSEA=Root Mean Square Error of Approximation

<Table 5> Hypothesis test results

Hypothesized Paths	Std. Path Coefficient	
	Model A	Model B
H1: Legal Compliance → Perceived Value	0.53**	0.46**
H2: Legal Compliance → Brand Loyalty	0.21**	0.18**
H3: Opportunism → Perceived Value	0.09†	0.04
H4: Opportunism → Brand Loyalty	0.01	0.01
H5: Perceived Value → Brand Loyalty	0.67**	0.70**
H6: Perceived Value → Consumer Satisfaction	0.38**	0.40**
H7: Brand Loyalty → Consumer Satisfaction	0.41**	0.48**
CP: Consumer Satisfaction → Purchase Intention	N/A	0.76**

• † $p < 0.10$; * $p < 0.05$; ** $p < 0.01$; CP: Complementary Path

3. Hypothesis Tests

The hypotheses were evaluated using SEM, an appropriate analysis tool to explore the relationships among latent constructs, and the results are shown

in Table 5. After reviewing the analysis results, we found that the structural model (Model B) fits the data well as indicated by the fit statistics shown in Table 4 ($\chi^2 = 617.50$, $df = 244$, $\chi^2/df = 2.53$, RMSEA = 0.05, Goodness-of-Fit Index = 0.91, Comparative Fit Index = 0.95) (Hooper et al. 2008).

We evaluated the individual paths of Model B. Hypotheses 1 and 2 are supported ($\beta = 0.46$, $p < 0.01$; $\beta = 0.18$, $p < 0.01$). The results indicate that OVP users' higher propensity for legal compliance positively affects their perceived value of premium service by the OVPs and tends to raise the users' brand loyalty toward the OVPs. However, Hypotheses 3 and 4 are not supported ($\beta = 0.04$, $p > 0.10$; $\beta = 0.01$, $p > 0.10$). We hypothesized that companies' opportunism has a negative impact on perceived value and consumer loyalty, thus reducing consumers' purchase intention (Chiou & Shen 2006). However, there may be other hidden factors not investigated in this study. And they seem to interfere with the association of opportunism with perceived value and brand loyalty. For example, the quality of the content (movies, dramas, and variety shows) could mitigate the negative effects of opportunism, making the coefficients insignificant.

Hypotheses 5 and 6 are also supported ($\beta = 0.70$, $p < 0.01$; $\beta = 0.40$, $p < 0.01$), suggesting that viewers' perceived value of premium service has a significant positive impact on brand loyalty and consumer satisfaction. Likewise, Hypotheses 7 is supported ($\beta = 0.48$, $p < 0.01$). The positive effect of brand loyalty on consumer satisfaction has been supported in consumer behavior research. Moreover, such a positive effect of brand loyalty on consumer satisfaction has translated into purchase intention.

IV. Discussion

The results of the statistical analysis support Hypotheses 1, 2, 5, 6, and 7. We found empirical evidence for the positive relationship between legal

compliance and purchase intention whereas the hypotheses about the negative effects of opportunism are rejected. In fact, the literature also indicates mixed findings on opportunism in its association with other constructs (Chiou & Shen 2006; Hsieh 2012; Liu et al. 2017).

China has earned a notorious image for the piracy of intellectual property. That is, anything could be downloaded illegally, including books, software, music files (MP3s), movies, and academic articles in China. Recently, the problem of illegal distributions in the entertainment industry has attracted worldwide attention. Accordingly, the Chinese government has enforced stricter measures and regulations to protect copyrights of movies, dramas, reality shows, and others, understanding that these piracy issues can further ignite diplomatic and economic conflicts with the U.S., European Union, Japan, and Korea.

The present study started a natural and fundamental inquiry into whether Chinese viewers' awareness of and propensity for legal compliance with intellectual property laws and regulations have nothing to do with Chinese OVPs' painstaking battle against illegal copies. Both anecdotal and empirical evidence has supported that Chinese viewers often choose pirated content over genuine ones for several reasons, including price advantage, lack of legal awareness, cultural norms, and peer pressure.

However, the empirical findings of this study indicate that the terrain has changed and Chinese viewers' propensity for legal compliance could change the norms of business in distributing copyrighted content. First, the empirical findings indicate that out of all the potential customers using OVP services, the ones with an elevated level of legal compliance value premium services the most. Note that customers' perceived value positively affects their level of customer satisfaction which in turn positively affects customers' purchase intention. In other words, customers' legal compliance can be considered the main driver and

attribute that can help convert free members to paying viewers. Given that paid subscriptions are an important part of revenue sources, it is necessary for OVPs to manage the pool of legally compliant customers. In terms of legal compliance management, other than government propaganda, OVPs can facilitate viewers' awareness of the importance of watching videos legally through online events. For example, OVPs can offer bonus points and free coupons and credits that can be redeemed for gifts, souvenirs, or watching special programs.

Second, as the level of competition intensifies among OVP service providers, the management of OVPs should use the viewers' legal compliance as a criterion to identify long-term subscribers. A key finding of this study is that legally complying viewers possess a higher level of brand loyalty toward specific OVP services. This finding may apply to global Over-the-Top (OTT) streaming service companies, such as Netflix and Disney, which may be willing to establish a business in China in the future. Key performance dimensions in any subscription business are how to build a stable pool of loyal (long-term) customers and how to retain them. Unlike the viewers in developed nations, Chinese viewers have been constantly tempted by illegal platform services due to lenient regulations. Under the circumstances, it is intuitive and reasonable to conjecture that paying viewers in general are more ethical, have more income, and show a higher level of legal compliance. Of course, these Chinese customers must be regarded as the target market for sustainable OVP businesses. In addition, the increased purchase intention among loyal customers implies that OVPs can exercise appropriate pricing mechanisms in conjunction with developing their own exclusive content.

Third, since viewers' perceived value of premium service significantly affects customer satisfaction and subsequently purchase intention, OVPs should pay more attention to enhancing their premium service quality. Chinese young generations, who are accustomed to social media and user

interaction, appear to be the target customers of OVPs nowadays. Chinese OVPs have placed more effort into cultivating online virtual communities to increase consumer stickiness and obtain more loyal viewers. This strategy must be adjusted to expand the community of ethical viewers, coupled with developing quality content to satisfy their needs. For instance, Paopao, iQIYI's entertainment community, is a place dedicated to the loyal fans of celebrities who have been cast in the movies and dramas streamed at iQIYI.

Finally, the associations of opportunism with perceived value and brand loyalty are statistically insignificant, indicating that other factors may interfere with these associations. However, deceiving customers into a purchase of premium service is not an ideal strategy for video platforms, given the empirical finding that potential premium service users tend to comply with legal regulations. Specifically, Chinese OVPs should make the cancellation of automatic subscription renewal easier. Moreover, to protect the legitimate rights and interests of viewers, OVPs should be transparent in describing the details of premium services.

V. Conclusion

To objectively understand how China's growing awareness of piracy of intellectual properties especially in the digital entertainment industry, we investigated the effects of viewers' propensity for legal compliance on perceived value, brand loyalty, and consumer satisfaction, based on the four rounds of extensive online surveys. With respect to the reproduction and distribution of digital media, the western world has blamed the Chinese government for its lack of effective intervention policies and regulations. However, the empirical findings of this study indicate that it is more efficient for OVPs to change their perspectives and business

models. That is, Chinese viewers, who are aware of piracy issues and tend to comply with copyright laws, could form a stable and profitable base for the digital entertainment industry. These customers are the ones who are willing to subscribe to premium services and stay loyal to the service. It seems apparent that customers perceive more value from premium service as well as feel a belonging to the platform with the increase of public compliance with copyright laws. As a result, legal compliance provides a new potential to encourage investments in value-based premium services.

This study is not free from limitations. First, the preceding analysis has not figured out the negative influence of opportunism. The empirical ambiguities could further obfuscate the debate over the mixed effects of opportunism. The causal linkages between OVPs' strategic decision/marketing tactics and consumer decisions are far more complex, restricted by other influencing factors. Therefore, it is necessary for future studies to expand the scope of this study, by considering the effects of an exclusive license, pricing, and digital media category (movies, dramas, music, etc.). In addition, future studies may investigate piracy issues in depth by classifying the issues from alternative spectrums - platforms, customers, and illegal online sellers. This extension may produce more interesting results because OVPs' performance can be dynamically influenced by the intensity of pirating activities of the illegal platforms and distributors. Finally, future studies may investigate the application of the global standard to the Chinese entertainment industry. The politics of blockage limits internet usage in China. Yet, Chinese OVPs are pushing for overseas cooperation and expansion as the Chinese economy gradually globalizes even in the service sector. Thus, relevant studies may investigate outbound strategies for Chinese OVPs.

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중국 디지털 엔터테인먼트 산업에서 저작권 침해 문제에 관한 관심은 지난 수십 년간 높아져 왔다. 중국 정부의 엄격한 감독과 규제 속에서 중국 VOD 플랫폼은 독점 라이선스를 놓고 경쟁해야 하는 상황에 있다. 이러한 플랫폼들은 새로운 콘텐츠를 제작하고 다양한 수익원을 확보하기 위해 노력하지만, 경쟁업체와의 고객 유치 경쟁에서 우위를 점하고 이를 유지하기 위해서는 저작권이 있는 동영상 콘텐츠에의 투자가 불가피하다. 이러한 상황에서 발생하는 기회주의적 행동, 불법 행위는 플랫폼들의 수익성을 향상시키지만 고객 만족도 측면에서는 부정적인 영향을 줄 수 있다. 하지만 그 중요성에도 불구하고 온라인 VOD에 관한 기존의 연구들은 아직 광범위하게 수행되지 않았다. 이에 본 연구는 중국 온라인 VOD 플랫폼에서의 법률 준수와 기회주의가 사용자의 구매 의도에 영향을 미치는 요인에 대해 밝힌다. 관련된 기존 연구를 기반으로 하여, 본 연구에서는 법규 준수, 기회주의, 인지 가치, 브랜드 충성도, 고객 만족, 고객의 구매 의도 사이의 관계에 대한 가설을 설정하였다. 온라인 설문조사 후 구조방정식 모형을 이용하여 가설들을 검증하였고, 분석 결과, 기회주의가 미치는 영향을 본 가설들을 제외한 다른 모든 가설들이 유의한 것으로 나타났고, 이를 통해 온라인 VOD 산업에서 법률 준수가 인지된 가치, 브랜드 충성도, 고객 만족을 통해 사용자의 재구매 의도에 미치는 긍정적인 영향을 확인하였다.

- 주제어: 중국 온라인 VOD 플랫폼, 법률 준수, 기회주의, 구매 의도, 저작권 침해