

# Behind the Dispute Between Influencers and MCN Company

-----is the Game between Content and Capital

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## ABSTRACT

This study adopted a case study approach to understand the cooperative relationship in the media profit model by analyzing, summarizing, and discussing the case of the top influencer Liziqi's rights protection incident. The public had numerous questions and guesses about this incident, which leads to differing views expressed online. The influencer economy, an emerging form of economy, can be profitable through a variety of channels, including live streaming, brand e-commerce, advertising, and more. Although the influencer economy may evolve with the advancement of technology, the society is still discussing its sustainability and commercialization. Additionally, more supervision is need from government department in this area. Liziqi's rights protection incident includes the cooperation, dispute, and settlement between Liziqi and Hangzhou Weinian Co. Ltd., By exploring the relationship between influencers and MCN influencer incubators, as well as the game between content creators and capital, the discussion in this article guides the practitioners in this field had warning and enlightening significance for most practitioners in this field. This work obtained information from CNKI, Aiqicha APP, and Baidu Baike, etc.

**KEYWORDS:** Liziqi's Rights Protection, The Game between Content and Capital, Internet Celebrity Economy, Dynamic Operation Model

## 1. Introduction

Internet celebrities, in the context of this article, refer to individuals who gain popularity among netizens due to events or behaviors, both online and offline. This definition extends to those who continuously export professional knowledge and sustain popularity over an extended period.

MCN, or multi-channel network, is an institution operating the MCN model, and serves as a influencer incubator, involving the discovery of high-quality content and potential creators for promotion, fan management, agent sign-ups, and other services.

With the swift evolution of network technology, the self-media landscape has experienced rapid growth in modern society. "Short videos have a civilian perspective, fragmented dissemination, and a wide audience." [1] More and more people registered self-media accounts to share videos and content. Teams have discovered diverse methods to monetize traffic, prompting the emergence of MCN (Multi-Channel Network) influencer incubator organizations. These MCNs utilize their existing resources to assist potential bloggers in creating high-quality accounts. The collaboration between influencers and MCNs has paved the way for profitability through live streaming rewards, advertising revenue, live-streaming sales, brand e-commerce, and other avenues. The synergy between influencers and MCNs has significantly contributed to the rapid

development of the influencer economy.

According to the 52nd Statistical Report on the Development of the Internet in China released by the China Internet Network Information Center in June 2023, China boasts 1.079 billion internet users, with a penetration rate of 76.4%. Short video users reached 1.026 billion, with a staggering user utilization rate of 95.2%. National online retail sales reached 7.16 trillion yuan, marking a year-on-year increase of 13.1%. The online retail sales of physical goods constituted 26.6% of the total retail sales of consumer goods, reflecting the influencer economy's substantial market prospects. Despite these promising figures, successful collaborations between influencers and MCNs inevitably leads to conceptual differences and disputes over interests. This article conducted an investigation into the case of the top influencer Liziqi, aiming to unravel the initiation, progression, and resolution of the collaboration between Li Ziqi and Hangzhou Weinian Brand Management Co., Ltd. The investigation analyzes the root causes of the dispute and reflects on the significance of the mediation results.

The cooperation between Li Ziqi and Hangzhou Weinian commenced in September 2016, culminating in the joint establishment of "Sichuan Ziqi Cultural Communication Co., Ltd." in July 2017 for more extensive collaboration. Under Weinian's operation, the "Li Ziqi" intellectual

property experienced rapid growth, amassing over 100 million fans worldwide. However, in October 2021, Sichuan Ziqi filed a lawsuit against Hangzhou Weinian, bringing the dispute into the public eye. The conflict between the two entities reached resolution through court-mediated settlement on December 27, 2022. This incident sparked discussion and speculation among a large number of netizens. There was more literature analyzing the successful cooperation between “Liziqi” and Weinian, fewer articles exploring the root causes of disputes between the two parties, and fewer articles exploring how influencers and MCN could cooperate for a long time. This article focused on analyzing the reasons for the disputes between the two parties, exploring the cooperative relationship and profit model between influencers and MCN, and providing reference suggestions and warnings to prevent excessive interest disputes and help both parties achieve long-term friendly cooperation.

## 2. Investigation process

### 2.1. *The entire process of cooperation, dispute, and settlement between Liziqi and Hangzhou Weinian*

Li Ziqi, born in 1990, gained recognition as a video creator focusing on ancient style and delicacy food in mainland China, accumulating over 100 million fans globally. The collaboration between Li Ziqi and Hangzhou Weinian commenced in June 2016, leading to the establishment of “Sichuan Ziqi Culture Communication Co., Ltd.” in July 2017. Weinian’s operational efforts propelled Li Ziqi’s influence, culminating in notable achievements, including breaking the Guinness World Record for the most subscribed YouTube Chinese channel. “Her video series focused on food production, ancient aesthetics, and rural ecology, fully showcasing the concept of “light health, new traditions, and slow life” and Liziqi’s charm. She is a good model of personal IP maturity.”[2] Hangzhou Weinian Brand Management Co., Ltd. (Hereinafter referred to as Hangzhou Weinian), established in February 2013, actively sought and cultivated potential influencers after obtaining investment from Qiyi Capital in May 2016. The company achieved significant success in commercial monetization as Li Ziqi’s fan base expanded. With the expansion of brand influence and the increase in sales, Weinian also began to penetrate the supply chain to ensure product quality. In July 2020, Weinian invested in Guangxi Xingliu Food Co., Ltd. “According to data from Dolphin, the sales revenue of the Liziqi brand reached 1.6 billion yuan in 2020.”[3] The story of Liziqi and Weinian was a win-win situation

between a high-quality content creator and a capital cooperation, their achievement set the highest standard for the industry.

However, the partnership encountered disputes in October 2021, leading to Li Ziqi filing a lawsuit against Hangzhou Weinian.

There was a lot of discussion on the internet. There was a viewpoint that Liziqi’s 49% stake in Sichuan Ziqi was the cause of the dispute between the two parties. In the equity structure of Sichuan Ziqi, Liziqi held 49% of the shares, while Hangzhou Weinian held 51%. This meant that Hangzhou Weinian had more discourse power in the matter.

After investigation, This article believed that the low proportion of influencer equity was a common situation in the early stages of cooperation, which was also conducive to MCN institutions using their capital advantages to quickly promote and operate influencer IP. The dispute between both parties lay in:

Firstly, Hangzhou Weinian changing the entrusted agent of Li Ziqi’s brand, encroaching on Sichuan Ziqi’s property. With the explosion of Liziqi IP on the entire platform, in order to obtain more profits, Hangzhou Weinian changed the entrusted agent of Liziqi brand from Sichuan Ziqi to Hangzhou Weinian in October 2020. Hangzhou Weinian’s breach of contract encroached on the property of Sichuan Ziqi.

Secondly, “Hangzhou Weinian, as the majority shareholder holding more than half of the shares, authorized the use of the “Liziqi” brand to other companies it held at a lower price”[4], in order to produce and sell goods under the Liziqi brand in large quantities. Most of the profit from the goods was attributed to Hangzhou Weinian, while Sichuan Ziqi’s income was only for obtaining brand authorization fees. Perhaps Li Jijia could obtain cooperation shares for the goods through the contract between the two parties, but the proportion of shares might not be high.

Thirdly, the unequal distribution of benefits, where Li Ziqi, despite being the founder of the IP, didn’t own equity in Hangzhou Weinian. Through the successful creation of Liziqi IP, Hangzhou Weinian obtained multiple rounds of financing. With the participation of ByteDance in financing in 2021, the company’s valuation was pushed up to 5 billion yuan. However, as the founder of Liziqi IP and the largest contributor to the company’s traffic, Li Jijia did not own the equity of Hangzhou Weinian and was unable to benefit from it. This was an extremely unequal distribution of benefits. After the dispute between Liziqi and Hangzhou Weinian was exposed, ByteDance then started the exit investment process, which also showed that investors pay more attention to the core value of the “Liziqi” brand.

Finally, capital pursues interests, and content creators place more emphasis on expressing spiritual and cultural values through content. After multiple rounds of financing, Hangzhou Weinian's pressure and ambition to pursue profits increased. Under the operation of Hangzhou Weinian, the Liziqi brand was excessively commercialized, which went against Liziqi's original intention of creating excellent short videos and disseminating traditional Chinese culture.

The above points were the reasons for the dispute between the two parties. "The essence of Liziqi's cessation of video was the creator's response to the current situation of cultural production under the domination of capital, and it was a "resistance" to the "hegemony" of capital. It was not only a game between creators and MCN institutions, but also a game between culture and capital in the process of cultural industrialization." [5]

On December 27, 2022, the official WeChat account of Hangzhou Weinian released a "settlement announcement": "Weinian and Liziqi reached a settlement under the mediation of the Intermediate People's Court of Mianyang City." According to the Aiqicha APP, from December 26, 2022, the equity structure of Sichuan Ziqi underwent changed, with Hangzhou Weinian changed its proportion from 51% to 1% and Li Jiajia changed its proportion to 99%. Starting from January 31, 2023, the 1% equity of Sichuan Ziqi was changed from Hangzhou Weinian to a person named Pu qianyun.

Here were three figures of the relationship between Liziqi and Weinian (The information came from the Aiqicha APP):

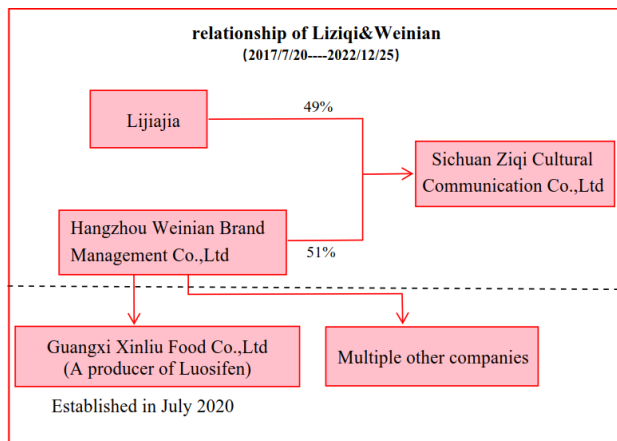


Figure1 The early relationship of Liziqi&Weinian

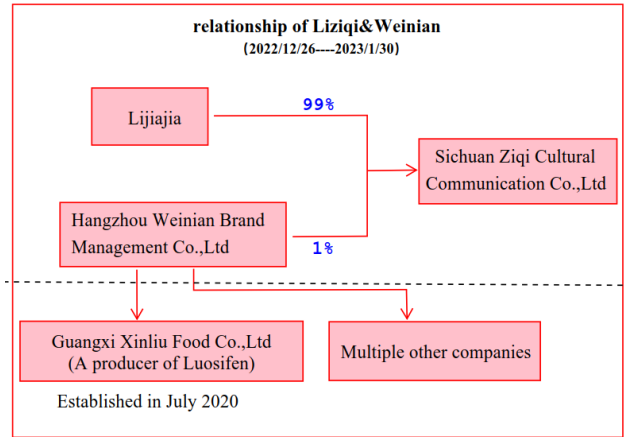


Figure2 The relationship of Liziqi&Weinian after reconciliation

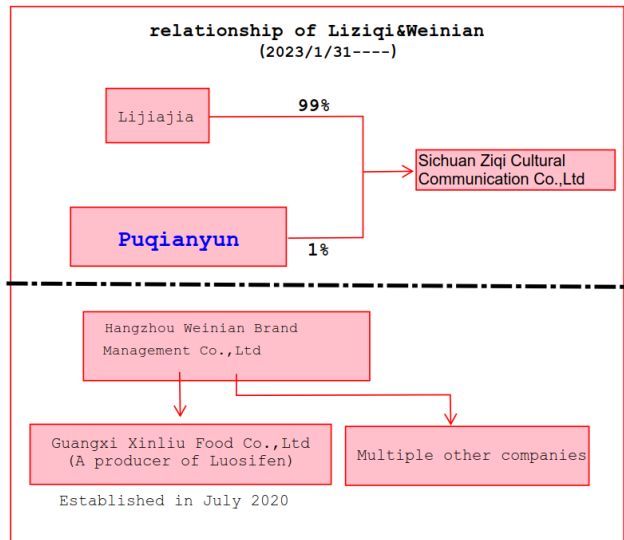


Figure3 The recent relationship of Liziqi&Weinian

The evolving narrative of Li Ziqi and Hangzhou Weinian reveals that Li Ziqi has regained control of her brand and emerged as the largest shareholder of Sichuan Ziqi. Although Hangzhou Weinian continues to hold authorized operating qualifications for the Li Ziqi flagship store on various platforms, including Xiaohongshu, Tmall, JD.com, and Pinduoduo, it has transitioned from the influencer business to the consumer goods brand industry. Despite a decline in Li Ziqi's influence within China, her global impact has not waned. This situation, while not realizing the anticipated synergies, avoids the "double loss" feared by the public, indicating a nuanced outcome for both parties.

2.2. The status quo of influencers under the management of MCN institutions

Li Ziqi and Weinian's collaboration reflects the intricate

relationship between influencers and MCN institutions. While Li Ziqi, as a top influencer, enjoyed more content autonomy, the broader landscape for small “influencers” and “quasi-influencers” under MCN agencies presents challenges. Surveys suggest that these individuals face pressures related to work intruding upon personal life and emotions, raising concerns about their overall well-being. When every video created by influencers was hijacked by a series of key performance indicators such as “regular updates”, “weekly updates”, “daily updates”, “click through rates”, and “fan conversion rates”, “they were likely to lose reasonable production compensation, basic rest time, and free creative rights, alienated their lives, emotions, and social relationships into pure labor products.”[6] It could be seen that MCN institutions had many indicators for the management of ordinary Internet celebrities, and the current situation of Internet celebrities was not optimistic.

### 3. Conclusion

Through the investigation of the entire process of cooperation, dispute, and settlement between Liziqi and Weinian, This article believed that the following inspirations were brought to the public:

There is a pressing need for increased government supervision of MCN institutions and heightened legal awareness among short video creators. To ensure the healthy and sustainable development of the influencer economy, legal measures and industry norms must be established and enforced. Relevant laws, including the “Advertising Law,” “Consumer Rights Protection Law,” and others, should be updated to address the specific dynamics of the influencer economy.

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The influencer economy brought enormous economic benefits, but there were also many drawbacks. It was necessary to governance it from multiple perspectives. From the perspective of hard law, it was necessary to improve laws and regulations, and law enforcement should be guaranteed with mandatory force; From the perspective of soft law, it was necessary to standardize industry autonomy, advocate socialist core values, establish legal awareness, provide guidance and support from the government, and explore multi perspective governance models.

[7] The government should improve the existing “Advertising Law”, “Consumer Rights Protection Law”, “E-commerce Law”, “Product Quality Law”, “Food Safety Law”, and “Contract Law”, and add provisions related to the influencer economy. At the same time, relevant departments and industries should also introduce management measures and industry norms for various entities in the influencer economy.

In addition to continuously standardizing and refining the behavioral standards of influencers and MCN, government departments at all levels should also increase the publicity of laws and regulations, strengthen supervision of legal entities, and enforce illegal and irregular events. At the same time, government departments should call on “influencers to pay attention to the distribution of interests, enhance their awareness of property rights protection, prevent being overshadowed by capital, and learn to safeguard their legitimate rights and interests when necessary while dealing with MCN institutions.”[8]

**3.2. *Individuals aspiring to enter the short video industry and become influencers should exercise caution. The prevalent notion that “everyone is an influencer” is a misconception, and the current situation for those who sign contracts with MCNs is challenging. Internet celebrities must be cognizant of their labor situation, safeguard basic labor rights, and avoid falling into a 24-hour work cycle.***

3.3. The success of Li Ziqi in confronting capital lies in her ability to produce irreplaceable, high-quality content that brings a peaceful pastoral atmosphere to viewers. For short video creators, focusing on content coordination and creative abilities is crucial. High-quality content not only retains audiences but also attracts the attention of MCN institutions, enabling content creators to transition their fan base into loyal consumers. ““Liziqi” was both a resource and a productive force.”[9] When content became a productive force, it would take the initiative in the game with capital.

**3.4. *Li Ziqi’s lawsuit serves as a warning for capital institutions, particularly MCN organizations. These entities should respect the influence of influencers on their fan base, refrain from treating celebrities solely as tools for profit, and prioritize brand protection and sustainable development. Establishing fair and reasonable benefit distribution and fostering partnerships with influencers are essential for long-term success.***

**3.5. *Both influencers and MCN institutions should adopt a long-term, friendly cooperation attitude. Planning for future development***



*prospects, quantifying expected targets, and negotiating agreements on equity, decision-making power, and interest distribution are crucial. The article proposes a “dynamic operational model,” emphasizing the need for regular evaluations and adjustments to adapt to evolving circumstances.*

Many media outlets believed that the fundamental reason for this incident was the 49% equity held by Liziqi at the beginning of the year. But in my opinion, the operational model between influencer and MCN needed to be changed in a timely manner. A dynamic operational model was essential for long-term cooperation between the two parties, achieving results where 1+1 was greater than 2. At first, there was a potential influencer discovered by MCN companies, and the two parties reached an agreement. This agreement was definitely an advantage for individuals carrying a large amount of capital, which was also one of the main reasons for the possible rupture of the bilateral relationship in the later stage. The MCN companies brought capital for publicity and promotion, made celebrities more influential in the network. Using the influence of network, celebrities helped MCN companies to make profits. As the influence of celebrities on the internet gradually increased, the more celebrities felt that the initial agreement was unfair to them. Therefore, both parties should objectively and dynamically evaluate the commercial value of IP and the contributions made by both parties based on early plans, regularly or irregularly, and adjust the equity structure, share ratio, etc. in a timely manner to achieve satisfactory results for both parties. At the same time, both parties should also agree on the cycle of regular evaluation and the mechanism for initiating irregular evaluations.

## 4. Explore

### 4.1. *Where is Liziqi's future?*

With Li Ziqi regaining control, her future involves re-establishing dominance in the market by allocating resources to operations, commercial monetization, and potentially recruiting experienced management personnel.

Sichuan Ziqi may need to engage in commercial operations to achieve commercial benefits while promoting Chinese food and traditional culture.

### 4.2. *How will Weinian develop?*

Hangzhou Weinian, despite losing the Liziqi brand, has transitioned into the consumer goods brand industry with notable success, launching the “Chou Bao” Luosifen brand. The company has established an overseas business unit, expanding its products to several countries and regions. The challenge for Weinian lies in better allocating the interests of celebrities and MCNs in its pursuit of overseas markets and sustainable business models. Learning from the Liziqi dispute, it is hoped that Weinian can navigate these challenges effectively.

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