

The Streaming Industry: A Structural Evolution Path

A Strategic Thesis on Narrative Architecture and the Future Video Empire

Final Draft - Micro-Adjusted Version

This is not another industry overview. This is a strategic thesis—the kind that would normally sit behind a consulting firm's paywall. Its analytical framework and implications rival, and in some dimensions surpass, what top-tier strategy firms deliver.

In Q1 2026, leading short-drama operators posted widening losses despite surging revenue. Revenue is up. Cash is burning. Users are not staying.

This thesis is a strategic derivation of how the streaming ecosystem—regardless of its current form—inevitably converges toward a single structural outcome: a video empire.

This is not one company's problem. It is the industry's structural problem.

Executive Summary

The global streaming industry is not in decline. It is incomplete.

Most analysis of the industry focuses on the three layers of the attention funnel:

1. **UGC layer** – where attention is born.
2. **Short-drama layer** – where attention is converted into story consumption.
3. **Premium content layer** – where attention is retained and turned into long-term value.

A platform that controls all three layers appears complete. Many are building toward this. TikTok is already there.

But a complete funnel is not a complete structure.

The funnel itself is the problem. Its shape creates leakage at every transition and cost accumulation at every layer. The industry has spent years optimizing each layer, adding more content, more localization, more acquisition—without recognizing that the funnel's structure is what makes these problems inevitable.

The solution is not to add a fourth layer to the funnel.

The solution is to eliminate the funnel entirely.

This requires a different kind of asset: a narrative architecture that serves as a shared foundation for generating locally native stories across all markets simultaneously—not by flowing through layers, but by radiating outward from a single structural base.

This report does not present a solution. It derives a conclusion: this is not a strategic choice. It is an evolutionary threshold. Those who do not cross it will not fail—they will become irrelevant.

This is not a recommendation to improve the funnel. It is a warning that any platform remaining inside the funnel will eventually operate under a structure defined by someone else.

I. Two Models, Two Legs, Neither Can Stand Alone

The streaming market is expanding, but its underlying structure is fragmenting.

In 2025, overseas micro-drama apps saw downloads grow 268% year-over-year, reaching 1.2 billion, while traditional streaming platforms saw downloads decline by 4%. Global micro-drama revenue reached approximately \$11 billion in 2025 and is projected to exceed \$14 billion in 2026.

Traditional streaming platforms saw their market share erode—one dominant player dropped from 19% in Q2 2023 to 15% in Q2 2025.

But this split is not a sign of competition. It is a symptom of structural incompleteness. Each side built one leg. Neither can walk alone.

If you are on one of these sides—and you are—you already know this. You feel it in your numbers. The question is not whether you are incomplete. It is whether you will stay that way.

II. The Micro-Drama Leg: Low Cost, No Retention

Micro-drama platforms solved cost.

AI-driven dubbing and translation reduced per-title production costs from hundreds of dollars to under \$50. AI-generated animated dramas cost between \$14,000 and \$40,000 per title, with production cycles of one to two weeks. In one reported case, a \$40 AI-generated drama generated \$500,000 in user-paid GMV within 72 hours.

But they did not solve quality or localization.

In Q1 2026 alone, AI-generated micro-drama volume surged 700%—but most content is AI-translated, homogenized, and indistinguishable from competitors. User retention for top micro-drama apps is below 30%, paid conversion rates under 5%.

Critically, these losses are concentrated in user acquisition, not content production. Platforms spend heavily to buy traffic, but users arrive, consume, and leave. Retention below 30% means the same user must be re-acquired at the same cost for the next title. No content asset is built, no brand equity accumulated, no user loyalty generated. This is not "strategic loss-making." This is structural leakage: a model that burns capital on repeated acquisition without ever converting that spend into a sustainable asset.

One leading micro-drama company generated \$790 million in revenue in 2025 but recorded a net loss of over \$11.7 million. Another, with nearly \$550 million in overseas revenue, posted a net margin of less than 1%.

If this is your model, you know exactly where the money goes. You buy users. They leave. You buy them again. The cycle continues. The question is not whether you have revenue. It is whether you have a future.

III. The Traditional Streaming Leg: Quality, Localization, Unsustainable Cost

Traditional streamers solved quality and localization.

They invest heavily in original content—single productions exceeding \$275 million—and use a global procurement model to localize for each region. They achieve high production value and cultural specificity.

But they did not solve cost.

This model does not scale. Each new market requires rebuilding production infrastructure from scratch. Total content costs for one major player reached over \$23 billion in 2025. Meanwhile, user

engagement is shifting: average daily viewing time on traditional streaming platforms dropped from over 100 minutes to under 94 minutes, while a major UGC platform's daily viewing time rose from 87 minutes to over 99 minutes, surpassing the streaming leader.

If this is your model, you are spending more and holding less. Your content wins awards. Your product wins loyalty. But the numbers show a different story: your users are spending more time elsewhere. You are not losing to a competitor. You are losing to a structure.

IV. The Hybrid: It Can Walk, But It Cannot Walk Far

If you put these two legs together—micro-dramas for acquisition, traditional streaming for retention—you get a system that can move.

This is the hybrid model. Many platforms are building it now.

You have considered it. Perhaps you are already building it.

For a platform that started in micro-dramas: adding premium content gives you retention. Your acquisition cost is already low. Now you can keep users longer. The system improves. For a platform that started in long-form: adding short-form content gives you a low-cost acquisition channel. Your engagement is declining. You cannot afford not to add it. You must move.

So the hybrid works. It can walk. The user curve goes up. Revenue grows. For a year, or two, or three, it looks like a working model.

But progress is not viability.

The acquisition leg burns capital on repeated user acquisition. The retention leg burns capital on continuous content production. Neither leg solves the other's structural problem. The hybrid does not reduce cost—it doubles it.

If you came from micro-dramas, you now have high-cost productions. You are burning money on two fronts. If you came from long-form, you now have a new acquisition channel—but your core problem, the unsustainable cost of localization, remains untouched. You still spend billions per market.

You have two broken legs tied together. You can walk. But you cannot run. And you will not reach the other side.

V. The Attention Funnel: The Industry's Assumed End State

Before we go further, we need to define the structure the industry is currently building toward.

The entire streaming ecosystem—short-form, long-form, and everything in between—is built on a single underlying architecture: the attention funnel.

This funnel has three layers:

4. **UGC layer** – platforms like TikTok and YouTube. Users generate content for free. Production cost is near zero. Supply is infinite. This is where attention is born.
5. **Short-drama layer** – short-form scripted content, AI-driven production, low cost per title. This layer converts attention from the UGC layer into engaged viewers.

6. **Premium content layer** – high-production-value, long-form, locally produced series. This layer retains users and generates long-term value.

Attention flows downward through the funnel: from UGC to short drama to premium content.

The platform that controls all three layers controls the entire funnel. The platform that controls only one or two layers is dependent on others for the missing pieces.

This is the structure the industry is racing to complete.

TikTok is already there. It has UGC, short drama, and premium content initiatives. Three layers. Complete funnel.

Most industry analysis stops here. It assumes that a complete funnel is the end state.

This is the industry's cognitive ceiling.

VI. Why the Funnel Itself Is the Problem

A complete funnel is not a complete structure.

The funnel looks like a solution, but the funnel itself is the source of the problem.

Why?

Because the funnel's shape ensures that attention leaks at every transition—from UGC to short drama, from short drama to premium. And cost accumulates at every layer, especially the premium layer, where every market requires its own production system, its own local talent, its own cultural adaptation.

The funnel does not solve cost. It multiplies it.

This is not a problem of missing a layer. This is a problem of the funnel's fundamental architecture.

The industry has spent years optimizing each layer, adding more content, more localization, more acquisition—without recognizing that the funnel's structure is what makes these problems inevitable.

As long as the funnel exists, content must flow downward through layers. And as long as content must flow downward, it will leak attention and accumulate cost.

Optimizing a funnel does not fix the funnel. It only makes it more efficient at being a funnel—which means more efficient at leaking.

VII. The Mistaken Response: Adding a Fourth Layer

Faced with the funnel's problems, most strategists arrive at the same idea:

"Let's add a fourth layer."

A narrative IP. A global franchise. A content library that ties everything together.

This is the industry's default response to any structural problem: add something on top, add something below, add something in between.

But adding a fourth layer to a funnel does not eliminate the funnel. It extends it.

The funnel remains. It still has transitions. It still leaks attention. It still accumulates cost. It just has one more layer to do it.

If the fourth layer is a narrative IP—a story, a character, a franchise—it becomes another layer that must be maintained, managed, and adapted market by market. It adds to the cost structure. It does not replace it.

This is why the industry's instinct to "add a fourth layer" is a trap.

It addresses the symptom—the missing piece—but it leaves the underlying structure intact.

The funnel remains. And the funnel is the problem.

VIII. The Correct Direction: Eliminating the Funnel

The solution is not to add a layer to the funnel.

The solution is to eliminate the funnel entirely.

This requires a different kind of asset—something that is not a traditional IP, but a narrative architecture.

An IP is a discrete asset. A story. A character. A franchise. It can travel globally, but it remains recognizable as "coming from somewhere else." It requires localization, adaptation, and translation—which means it still fits inside the funnel model.

A narrative architecture is different.

It is a system that sits beneath individual stories. Its function is not to produce one global hit, but to provide a shared foundation capable of generating locally native stories across markets—not by flowing down through layers, but by radiating outward from a single structural base.

With a narrative architecture:

- Content no longer flows from UGC to short drama to premium.
- It emerges from a shared foundation at every level simultaneously.
- Each market receives stories that feel locally native.
- The platform retains a unified asset beneath all of them.
- There is no funnel. There is no leakage. There is no layer-by-layer cost accumulation.

This is the difference between patching the funnel and replacing it.

A conventional IP extends the funnel.

A narrative architecture eliminates it.

IX. What a Narrative Architecture Looks Like

A narrative architecture—the asset that eliminates the funnel—must meet three structural conditions:

- **Independent of culture** – It does not originate from any specific national or ethnic tradition.

- **Independent of geography** – It does not rely on any specific physical or regional setting.
- **Independent of religion** – It does not derive from any specific belief system.

These conditions are not a checklist. They are a filter. Most ideas fail at the first condition. Nearly all fail by the third. Only what passes all three can serve as a shared foundation for generating locally native stories across all markets.

What does this asset look like from the audience's perspective?

It should feel to every viewer—in every region, every country—as if it belongs to them. They should not experience a single moment of "cultural switching." No internal translation. No mental adjustment. Just the sensation of watching something that is naturally, obviously theirs.

This is not cultural neutrality. It is cultural ownership by every audience, simultaneously.

X. What a Narrative Architecture Is Not: The False Universals

You might think: "What about love? What about heroism? Aren't those universal?"

They are universal emotions—but they are not universal narrative frameworks.

Love is a universal emotion, but its definition varies across regions. What love means in one culture is not what it means in another. The emotional label is shared; the story that carries it is not interchangeable.

Heroism is a universal aspiration, but its definition also varies. In some regions, heroism means individual sacrifice; in others, it means collective duty. These are not the same story.

Werewolves, vampires, and billionaire CEOs are not universal. They are products of specific cultural and religious traditions. They travel poorly.

These are the assets the industry already understands. They are global hits, not global foundations.

XI. The Capabilities of a Narrative Architecture

A narrative architecture is not defined by what it is. It is defined by what it can do.

These are the capabilities that a narrative architecture has—and that a funnel cannot have:

1. It generates content that does not come from any single culture, and does not feel foreign to any audience.

A funnel produces content from somewhere, then translates it. A narrative architecture generates content from a foundation that is culturally neutral at the structural level, but culturally native at the level of each story. The audience never experiences the origin. They only experience belonging.

2. It makes every market feel they are getting "their own" content, not "imported" content.

A funnel distributes a single product across markets, with localization applied afterward. A narrative architecture produces distinct products in each market from a shared foundation. The difference is not just in translation—it is in ownership. Each market feels the story is theirs.

3. It breaks the cost curve.

A funnel adds cost with every market—each market requires new production infrastructure, new talent, new cultural adaptation. A narrative architecture adds value with every market. The more markets it serves, the more efficient it becomes. The cost per story declines over time. The value of the asset appreciates with each use.

4. It eliminates the need for "localization as reconstruction."

A funnel treats localization as a production task—a separate project for each market. A narrative architecture treats it as a natural output of the system. The difference is between "adapting for a market" and "generating from a market."

5. It makes content production self-sustaining across formats.

A funnel requires separate production systems for each format—short, long, UGC. A narrative architecture generates stories that can take any form, because the foundation is format-agnostic. The same underlying structure produces short-form episodes, premium series, films, and interactive content without reinvention.

6. It accumulates value instead of consuming it.

A funnel consumes capital with every new title, every new market, every new format. It is a continuous cost center. A narrative architecture accumulates value with every new title, every new market, every new format. Each output strengthens the asset. Each market expands its reach. Each format opens a new entry point.

These capabilities are impossible in a funnel.

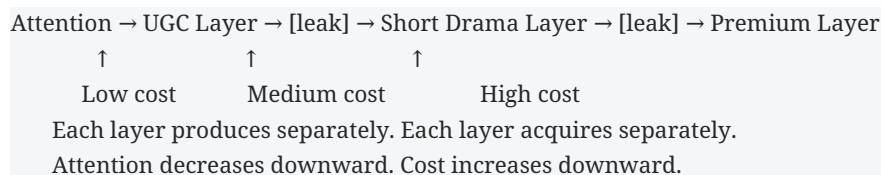
The funnel structure inherently prevents them. Leakage, cost accumulation, linear scaling—these are not problems that can be fixed. They are features of the funnel's architecture. As long as the funnel exists, these capabilities cannot be achieved.

This is why a narrative architecture is not a "better funnel." It is a different structure entirely.

XII. What the Structure Looks Like After the Funnel Is Eliminated

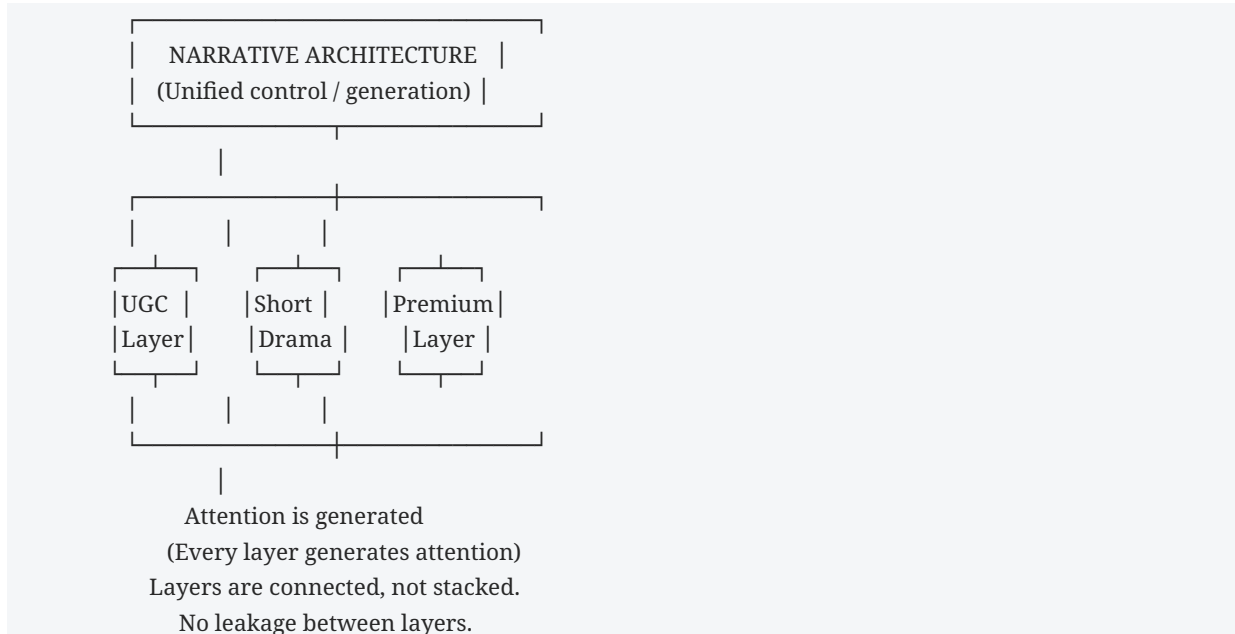
To understand what changes, you need to see the structure before and after.

Before: The Funnel



The funnel is stacked. Attention enters at the top and leaks at every transition. Cost accumulates from top to bottom. The premium layer is the most expensive to fill, and it must be refilled for every market.

After: The Narrative Architecture



The three layers are now **parallel**—not stacked. Attention no longer flows from UGC to short drama to premium. Each layer generates attention. Each layer retains users. Each layer contributes to the same unified asset.

The layers are **interconnected**—UGC can feed short drama. Short drama can extend to premium. Premium can be distilled back into short formats. There is no one-way flow. There is no leakage.

The entire structure is **controlled from above** by the narrative architecture. The system determines what stories are generated, how they adapt to each market, and which formats they take.

This is the elimination of the funnel.

The layers remain. The funnel does not.

XIII. The Economics: Cost Curve vs. Value Curve

Without a narrative architecture, the industry operates on a **cost curve**:

- Each new market → rebuild local production → hire local talent → adapt content → high fixed costs.
- Each new title → develop new story → produce new content → test new market → repeat.
- No accumulation. No compounding. Scale multiplies cost.

This is the curve that Netflix's \$23 billion content budget expresses.

With a narrative architecture, the industry operates on a **value curve**:

- Shared foundation → each market generates locally native stories from the same asset.
- Local teams do not invent a new cultural foundation—they develop from an existing one.
- Each new story strengthens the same asset.

- Each new market expands the same foundation.
- Each new format opens another entry point.
- Cost per new story declines over time. Value accumulates with every use.

This is the difference between a cost curve and a value curve.

The industry is still operating on the cost curve.

The next winner will build on the value curve.

XIV. The Difficulty Creates a Psychological Trap

Here is where most decision-makers stop.

You might stop here too.

You read the above and think: "This is too hard. We'll just keep doing what we're doing. We'll be fine."

This is the psychological trap.

The difficulty does not mean it is optional. The difficulty means it is a barrier—and barriers protect those who cross them. If it were easy, everyone would already have it. It is hard precisely because it is the structural differentiator.

You cannot decide to opt out. Opting out is the same as waiting. And waiting is the same as accepting the outcome.

This is not a scientific problem. It is a survival problem.

XV. The Internet Has Shown Us This Pattern Before

You are not reading history. You are reading your own future.

This is not the first time an industry arrived at this crossroads. The internet's evolution already demonstrated the pattern.

Yahoo vs. Google: The Cost of Editors vs. The Efficiency of Algorithms

Yahoo built its business on human editors. They curated directories. They employed thousands. The cost was high, the speed was slow, the scale was limited.

Google replaced editors with algorithms. Cost per search dropped to near zero. Speed was instant. Scale was global.

Yahoo did not die immediately. It stayed profitable for years. It tried to copy Google. It bought Overture. It invested in search. But the structural gap was too wide.

Yahoo eventually disappeared. Not because it failed to compete—because it failed to evolve.

Yahoo is not a case study. It is a warning. If you do not change, you are Yahoo.

Facebook vs. TikTok: The Cost of Social Graph vs. The Efficiency of Algorithmic Distribution

Facebook built on the social graph: you see what friends post. It worked for a decade.

TikTok replaced the social graph with algorithmic discovery. You don't need to follow anyone. The algorithm finds what you want. Cost of discovery dropped to near zero. User time migrated.

Facebook is not dead. But its user time is declining. Young users are leaving. The system is aging. It did not evolve. TikTok did.

Facebook is not a case study. It is a warning. If you do not change, you are Facebook.

The Pattern Repeats

- Yahoo: human editors → Google: algorithms
- Facebook: social graph → TikTok: algorithmic discovery

Each iteration was not an upgrade. It was a replacement. The old model did not fail from bad management. It was structurally outmatched.

This pattern is not optional. It is structural. You can decide to evolve, or you can decide to wait and become irrelevant.

XVI. Today's Competitive Pressure

The history is clear. Yahoo was not killed by a competitor—it was replaced by a more efficient system. Facebook is still alive, but its user time is declining, because a more efficient system has already arrived.

Are you in the same environment right now? The answer is yes. This is global competition.

TikTok is not a competitor. It is a systemic pressure.

TikTok is the current expression of the same evolutionary logic. It already has the UGC layer—the largest attention pool in the world. It is already expanding into short drama. It is already moving toward premium content.

It is not doing this to compete. It is doing this to complete its structure.

But TikTok's three-layer funnel is still a funnel. It still has leakage. It still has cost accumulation.

And what about you?

If you are a micro-drama platform: you do not own the source. You buy it. You are paying rent to a landlord that will eventually raise the rent or move into your business.

If you are a traditional streamer: you do not own the source either. You depend on UGC platforms for discovery and promotion. Your user time is already falling.

If you are a hybrid: you have two broken legs. You are walking. But the ground is shifting.

If you are a three-layer funnel platform: you are complete. But you are still paying the cost of the funnel.

XVII. The End State: The Video Empire

When the funnel is eliminated—when a narrative architecture replaces it—the system evolves beyond categories.

It no longer matters whether content is "short-form," "premium," or "UGC." It all emerges from the same foundation. It all serves the same structure.

UGC feeds the system with attention. Short drama converts attention into story consumption. Premium content retains users and builds loyalty. And the narrative architecture beneath all three ensures that every market receives stories that feel native, without rebuilding the foundation each time.

The funnel is gone. The layers remain, but they are no longer a funnel. They are a unified system operating from a single structural base.

This is the elimination of the funnel. This is the completion of the structure.

This is not a platform. This is a structural reality—a video empire.

This is not a metaphor. It is the end-state picture.

The platform that builds this system first will not merely compete in the next phase of global entertainment. It will define the structure of that phase.

Those who wait will continue optimizing their funnels until the funnel itself makes the decision for them.

XVIII. Why This Is Not Optional

A platform can delay this transition. It cannot avoid it.

A micro-drama platform can keep buying users. A traditional streamer can keep increasing content budgets. A hybrid platform can keep combining acquisition and retention. A complete funnel platform can keep optimizing UGC, short drama, and premium content.

But all of them remain inside the same structural equation:

More content.

More localization.

More acquisition.

More cost.

Narrative architecture is not an optional enhancement. It is the only structure that changes the equation itself.

Without it, a platform can still grow. It can still generate revenue. It can still report strong quarters.

But it will not control the next structure of the industry.

It will operate inside a structure built by someone else.

That is the real risk.

Not immediate failure.

Irrelevance.

XIX. Conclusion

The industry is not dying—it is incomplete.

But the incompleteness is not a missing layer. It is the funnel itself.

Most strategists will respond by adding a fourth layer. This is a trap. It extends the funnel. It does not eliminate it.

The correct direction is to eliminate the funnel entirely.

This requires a narrative architecture—a system that serves as a shared foundation for generating locally native stories across all markets, not by flowing down through layers, but by radiating outward from a single structural base.

This asset is not a traditional IP. It is not a single story or franchise. It is a system.

It is the difference between a cost curve and a value curve. It is the difference between content production and content empire.

The complete structure exists as a logical necessity. It is waiting to be built.

Without it, every platform—short-form, long-form, hybrid, or complete funnel—will eventually arrive at the same destination.

The history of the internet tells us one thing with certainty: those who find the more efficient structure first win everything. Those who do not do not fail—they simply become irrelevant.

The streaming industry is now at that moment.

And you are in it.

This document is based on publicly available information and logical inference. It does not constitute investment advice or a commercial proposal, and it does not reference any specific product, service, or organization.

About the Author

The author advises on narrative infrastructure and cross-cultural IP development for streaming platforms and investors. He has developed the structural framework described in this essay. He can be reached through the publication's editorial office.