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Digital Business Accounting in Streaming Platforms: Narrative Disclosure, Content Cost Efficiency, and Financial Performance of iQIYI 2020–2024

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Abstract
This study examines the relationship between narrative disclosure, content cost efficiency, and financial performance in a digital streaming platform. Using iQIYI, Inc. as a longitudinal case from 2020 to 2024, this study applies a quantitative content analysis of five Form 20-F annual reports and non-parametric correlation tests. A Composite Content Analysis Index (CA_INDEX) is developed from four disclosure dimensions: drama-related content frequency, content strategy orientation, subscriber discourse, and management tone. Financial performance is measured using net income, gross profit, content cost, content cost ratio, membership revenue, and gross margin. The results show that content strategy orientation and management tone are positively associated with profitability, while CA_INDEX is negatively associated with content cost. These findings indicate that digital platform performance is not merely driven by higher content spending, but by more efficient resource allocation and clearer strategic disclosure. This study contributes to digital business accounting literature by showing how narrative disclosure and intangible content investment efficiency can provide relevant information for assessing financial performance in platform-based companies.
Keywords: Digital Business Accounting; Narrative Disclosure; Content Cost Efficiency; Financial Performance; Streaming Platform.

1. Introduction

The global over-the-top (OTT) video streaming market surpassed US$150 billion in 2024 and is projected to grow substantially through 2030 (Statista, 2024; Grand View Research, 2024). For platform-based firms in this market, value creation increasingly depends on intangible assets—particularly investment in digital content—rather than on physical capital (Haskel & Westlake, 2018; Corrado et al., 2022). iQIYI, Inc. (NASDAQ: IQ), a Chinese digital streaming platform, offers an informative setting for examining how content investment and its narrative disclosure relate to financial performance. Between 2020 and 2024, iQIYI moved from a net loss of RMB 7.0 billion to its first net profit of RMB 1.95 billion in 2023.

This turnaround is analytically interesting because it did not coincide with higher content spending. Instead, iQIYI reduced its content cost ratio by roughly 25 percentage points while intensifying the strategic content orientation expressed in its annual report narratives. This pattern raises a question central to digital business accounting: how does narrative disclosure about intangible content investment relate to the financial performance of a platform firm, and can such disclosure provide information beyond conventional financial statements?

Traditional financial statements were not designed to capture the value-creation process of intangible-intensive digital firms (Lev, 2019; Lev & Sougiannis, 1996). Content assets are scalable and their returns are non-linear, so reported expenditure alone is an incomplete signal of strategic quality (Haskel & Westlake, 2018; Corrado et

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al., 2022). Disclosure theory suggests that managers' narrative communication can reduce information asymmetry and convey value-relevant information (Spence, 1973; Verrecchia, 2001; Healy & Palepu, 2001), and textual analysis research shows that managerial tone and forward-looking language carry economically meaningful signals (Loughran & McDonald, 2011; Li, 2010; Bochkay et al., 2023). Yet little evidence exists on how these mechanisms operate in the accounting of digital streaming platforms.

The case of iQIYI is also relevant for emerging digital economies in Asia, including Indonesia, where platform-based businesses increasingly rely on intangible assets, digital content, and subscription-based revenue models (UNCTAD, 2021). Although the institutional context differs, the accounting challenge is similar: traditional financial statements may not fully capture the value-creation process of digital platform firms. Therefore, narrative disclosure and content investment efficiency become important complementary information for evaluating business sustainability (Schaltegger et al., 2016; Bocken et al., 2014).

Two accounting-relevant perspectives frame this study. The resource-based view treats original content as a strategic resource whose efficient management—not merely its volume—drives performance (Barney, 1991; Teece et al., 1997). Signaling and disclosure theory predict that management's narrative orientation and tone carry information about financial prospects (Spence, 1973; Li, 2010; Loughran & McDonald, 2011). On this basis, three hypotheses are tested:

H1: Content strategy orientation disclosure is positively associated with profitability.
H2: Management tone is positively associated with profitability.
H3: Content disclosure intensity is negatively associated with content cost.

This study contributes to the digital business accounting literature in three ways. First, it shows that narrative disclosure in annual reports can signal the financial performance of a digital platform firm. Second, it extends the discussion of accounting for intangible assets—particularly content investment—in platform-based companies. Third, it provides evidence that cost efficiency, rather than higher content spending alone, is associated with sustainable financial performance.

2. Method

Research Design and Data Sources

This study adopts a quantitative longitudinal archival design using annual report disclosure data and audited financial information. The research object is iQIYI, Inc., a digital streaming platform listed on NASDAQ, observed over the 2020–2024 fiscal years. The five-year period was selected because it captures a major financial transition from loss-making operations to profitability, allowing the study to examine whether changes in narrative disclosure and content cost efficiency are associated with changes in financial performance (Yin, 2018; Wooldridge, 2019). The primary data consist of five Form 20-F annual reports (iQIYI, 2020, 2021, 2022, 2023, 2024), while financial variables are extracted from the audited consolidated financial statements. All financial figures are stated in RMB millions.

Variable Measurement

Content disclosure variables were obtained through quantitative content analysis of four sections of each annual report: Management's Discussion and Analysis, Risk Factors, Business Overview, and Notes to the Financial Statements (Holsti, 1969; Krippendorff, 2018; Neuendorf, 2017; Duriau et al., 2007). Frequency variables were extracted by automated text processing and verified manually. Judgmental scores (content strategy orientation and management tone) were coded by two independent coders following double-blind protocols (Milne & Adler, 1999; Beattie et al., 2004). Intercoder agreement reached Cohen's $\kappa \geq 0.82$, exceeding the conventional threshold for content analysis research (Cohen, 1960; Landis & Koch, 1977). Operational definitions are summarized in Table 1.

Table 1. Operational Definitions of Variables

Variable	Measurement	Source
CA_INDEX	Weighted index of content frequency, content strategy orientation, subscriber discourse, and management tone (range 0–1)	Annual report content analysis
CSO_SCORE	Score 1–5 based on content strategy orientation	Form 20-F narrative (MD&A)
TONE_SCORE	Score −2 to +2 based on management tone	MD&A
RISK_DISC	Number of content, platform, and regulatory risk disclosures	Risk Factors section
DRAMA_FREQ	Frequency of drama-related content terms	Annual report text
NET_INCOME_M	Net income/(loss) in RMB million	Audited financial statements
GROSS_PROFIT_M	Gross profit in RMB million	Audited financial statements
CONTENT_COST_M	Content cost in RMB million	Audited financial statements
MEMB_REV_M	Membership services revenue in RMB million	Audited financial statements
CC_RATIO	Content cost divided by revenue	Author calculation
GROSS_MARGIN	Gross profit divided by revenue	Author calculation

Note. MD&A = Management's Discussion and Analysis. Source: iQIYI Annual Reports 2020–2024 and author calculation.

Composite Content Analysis Index (CA_INDEX)

To summarize disclosure intensity, a Composite Content Analysis Index (CA_INDEX) was constructed as a weighted average of four normalized dimensions: drama-related content frequency, content strategy orientation, subscriber discourse, and management tone. Each dimension was scaled to a 0–1 range. Drama frequency and content strategy orientation received higher weights (30% each) as direct proxies of strategic resource commitment, while subscriber discourse and management tone received lower weights (20% each) as supporting signals. The index increases monotonically from 0.247 in 2020 to 0.653 in 2024.

Statistical Analysis

Because the study uses five annual observations, parametric assumptions cannot be reliably established, and the findings should be interpreted as exploratory longitudinal evidence rather than causal evidence. Shapiro–Wilk tests indicated that most variables did not reject normality, but the small sample makes parametric inference unreliable. Non-parametric rank correlations—Spearman's rho (Spearman, 1904) and Kendall's tau-b (Kendall, 1938)—were therefore used for methodological triangulation (Gibbons & Chakraborti, 2011; Loughran & McDonald, 2016). Analyses were conducted in JASP (JASP Team, 2023). All tests are two-tailed; * $p < .05$, ** $p < .01$.

3. Result and Discussion

Financial Trajectory and Disclosure Intensity

Table 2 presents iQIYI's financial performance together with CA_INDEX. The data reveal a structural inflection in 2022: content cost fell by about 20% in a single year—from RMB 20,745 million to RMB 16,534 million—while content strategy orientation simultaneously increased. This co-movement of intensified strategic orientation and reduced absolute spending constitutes the core empirical pattern. Across the five years, CA_INDEX rises monotonically while the content cost ratio declines from 70.3% to 53.8%.

Table 2. iQIYI Financial Performance and CA_INDEX, 2020–2024

Year	Revenue (M)	Content Cost (M)	Gross Profit (M)	Net Income (M)	CC Ratio	Gross Margin	Memb. Rev. (M)	CA_INDEX
2020	29,707	20,886	1,823	−7,007	70.3%	6.1%	16,491	0.247
2021	30,554	20,745	3,041	−6,109	67.9%	9.9%	16,714	0.267
2022	29,000	16,534	6,678	−118	57.0%	23.0%	17,711	0.344
2023	31,873	16,243	8,770	+1,953	51.0%	27.5%	20,314	0.591
2024	29,225	15,710	7,272	+791	53.8%	24.9%	17,763	0.653

Note. All monetary values in RMB million. CC Ratio = Content Cost/Revenue; Gross Margin = Gross Profit/Revenue. Positive Net Income = profit year; negative = loss year. CA_INDEX = weighted Composite Content Analysis Index (range 0–1). Source: iQIYI Annual Reports 2020–2024.

Hypothesis Testing

Table 3 summarizes the correlation results for the three hypotheses using both Spearman's rho and Kendall's tau-b. The convergence between the two measures indicates that the results are robust to the choice of rank-correlation method.

Table 3. Hypothesis Testing Summary (n = 5)

Hyp.	Relationship	Spearman ρ	p	Kendall τ-b	p	Decision
H1a	CSO_SCORE → NET_INCOME_M	0.949*	.014	0.894*	.037	Supported
H1b	CSO_SCORE → GROSS_PROFIT_M	0.949*	.014	0.894*	.037	Supported
H2a	TONE_SCORE → NET_INCOME_M	0.975**	.005	0.949*	.023	Supported
H2b	TONE_SCORE → GROSS_PROFIT_M	0.975**	.005	0.949*	.023	Supported
H3	CA_INDEX → CONTENT_COST_M	−1.000*	.017	−1.000*	.017	Supported

Note. n = 5. Two-tailed. * $p < .05$, ** $p < .01$. CSO_SCORE = content strategy orientation score; TONE_SCORE = management tone score. Source: authors' analysis; JASP output (JASP Team, 2023).

H1 is supported. Content strategy orientation is positively and significantly correlated with both net income and gross profit ($\rho = 0.949$, $p < .05$). The pattern is consistent across the period: a low orientation score corresponds to deep losses, while higher scores correspond to break-even and then profit. H2 is supported and yields the strongest result in the study: management tone correlates with profitability at $\rho = 0.975$ ($p < .01$), indicating that the affective register of the MD&A co-moves closely with financial outcomes. H3 is supported: CA_INDEX shows a strong negative rank correlation with absolute content cost ($\rho = -1.000$, $p < .05$), and a comparably strong negative association with the content cost ratio ($\rho \approx -0.88$). As strategic content orientation intensified, absolute content spending declined—the central evidence for what may be described as a content efficiency relationship.

Additional Analysis: Drama Frequency and Membership Revenue

An additional, exploratory test examined whether drama content frequency is associated with membership revenue. The relationship is positive but not statistically significant ($\rho = 0.800$, $p = .133$). This is consistent with the view that subscriber revenue depends more on curation, pricing, and recommendation than on the raw volume of content (Napoli, 2011; Herbert et al., 2020), and reinforces the study's central message that efficiency, rather than volume, is the more relevant accounting signal.

Discussion: The Content Efficiency Relationship

The negative association between disclosure intensity and content cost indicates that performance is not driven by higher spending but by more efficient resource allocation. This is consistent with the intangible-economy view that content assets are scalable, so strategic selectivity can produce better outcomes at lower cost (Haskel & Westlake, 2018; Corrado et al., 2022; Lev, 2019). The 2022 inflection—a reduction of roughly RMB 4.2 billion in content spending alongside intensified strategic orientation—illustrates a dynamic-capabilities reconfiguration in which improved content-selection capability allows the same strategic ambition to be executed at lower cost (Teece et al., 1997; Eisenhardt & Martin, 2000). Subscription economics similarly favors curation over accumulation, because subscriber retention depends on perceived value density rather than catalogue size (Seufert, 2014; Lotz, 2022; Iansiti & Lakhani, 2017).

The strong association between narrative variables and performance is consistent with two non-exclusive mechanisms. Under a signaling mechanism, management with private information about improvement communicates it proactively through optimistic, strategy-focused narratives; under a reflection mechanism, narrative optimism follows realized results (Spence, 1973; Verrecchia, 2001; Li, 2010; Henry, 2008). The annual reporting frequency and the small sample prevent disentangling temporal precedence, but in either case narrative quality provides information beyond lagged financial ratios alone (Loughran & McDonald, 2011; Bochkay et al., 2023; Clatworthy & Jones, 2003; Merkl-Davies & Brennan, 2011).

Implications for Digital Business Accounting

These findings carry practical implications for several stakeholders. Voluntary, structured qualitative disclosure about content strategy and investment efficiency can complement the quantitative content-asset figures currently required, providing investors with information that the balance sheet does not capture (Healy & Palepu, 2001; Francis et al., 2008; Lev, 2019). Table 4 summarizes the implications.

Table 4. Practical Implications by Stakeholder

Stakeholder	Implication
Digital platform management	Manage content cost efficiently rather than simply increasing content spending.
Investors and analysts	Narrative disclosure can serve as a complementary signal for reading digital platform performance.
Accountants and preparers	Annual reports should explain intangible-asset strategy and the efficiency of digital content investment.
Regulators and standard-setters	Greater attention is needed to the disclosure of digital assets and content investment.
Accounting academics	CA_INDEX can be developed further as a tool for analysing disclosure in digital business research.

Note. Source: authors' synthesis.

4. Conclusion

This study examined the relationship between narrative disclosure, content cost efficiency, and financial performance in a digital streaming platform, using iQIYI as a longitudinal case from 2020 to 2024. The results support all three hypotheses: content strategy orientation and management tone are positively associated with profitability, and content disclosure intensity is negatively associated with content cost. The central contribution is the documentation of a content efficiency relationship—improved financial performance accompanied by reduced, not increased, content spending—which is consistent with the intangible-economy and dynamic-capabilities perspectives.

For digital business accounting, the study shows that narrative disclosure in annual reports can provide information about the financial performance of platform-based firms, that intangible content investment should be assessed by efficiency rather than volume, and that the proposed CA_INDEX offers a replicable measure for further research. From the perspective of Asian digital economies, including Indonesia, the principle of "efficiency over volume" is relevant for the growing number of subscription-based, intangible-intensive platform businesses.

Several limitations should be considered when interpreting the findings. First, the small longitudinal sample (n = 5) constrains statistical power, so the results should be read as exploratory rather than causal. Second, the design cannot establish the direction of the relationship between narrative variables and financial outcomes; future research should extend the data to quarterly observations to test temporal precedence. Third, the evidence is specific to iQIYI and the Chinese streaming market, so replication across other platforms and across Southeast Asian markets, including Indonesia, is needed before broader generalization.

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