The Short-Form Drama Industry

From Niche to Mainstream: The Global AI Phenomenon

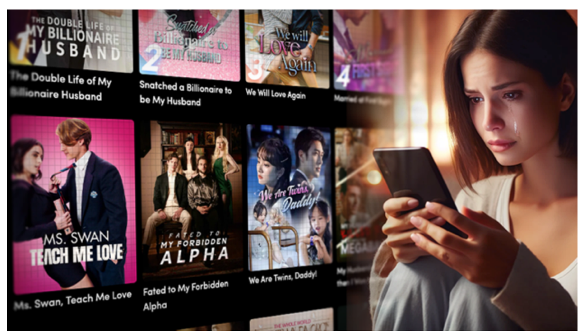
Short Drama is Bleeding Edge
Short-form drama has evolved from a domestic Chinese entertainment phenomenon into one of the fastest-growing segments of global digital media — a multi-billion dollar market spanning 200+ countries.

AI Driven Excitement is Palpable
AI-generated content and algorithmic promotion have reduced production costs by 80–90%. In January 2026, 470 AI-generated short dramas per day were released in China alone.

Ecosystem Is Consolidating
74 new apps launched globally in 2025; 19 exited. ReelShort and DramaBox now command approximately 70% of global IAP revenue. The proliferation phase is giving way to platform dominance.

Growth is Global
Ellery Voss proprietary estimates project the global short drama market growing from $15 billion in 2025 to over $68 billion in 2031 — a 29% CAGR — driven primarily by non-China expansion.

Investors are Coming
An estimated $500 million in Western institutional capital has been invested in short drama to date — just 0.1% of the total global media investment market. The opportunity gap is significant and institutional investors are circling.



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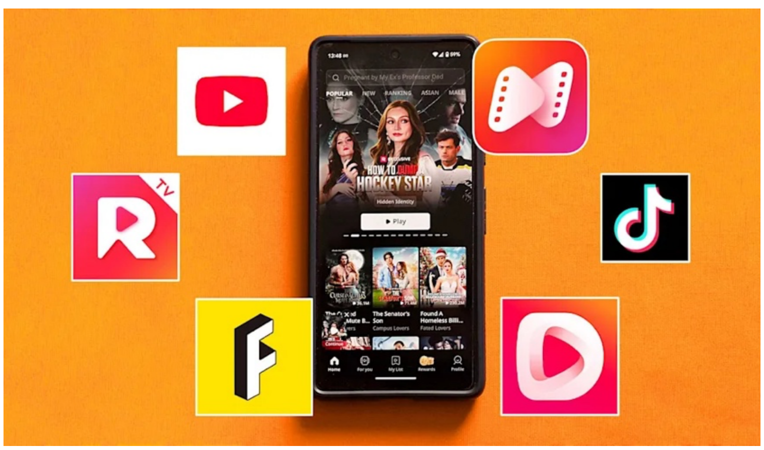
Contents



1. Executive Summary

Short-form drama — scripted, serialized video content delivered in episodes typically under ten minutes, optimized for vertical mobile consumption — has evolved from a domestic Chinese entertainment phenomenon into one of the fastest-growing segments of the global digital media industry. What began as a niche format on Douyin and Kuaishou has become a multi-billion dollar global market spanning over 200 countries, with a competitive ecosystem that now includes Chinese tech giants, Western media companies, independent studios, and a rapidly maturing advertising infrastructure.

The economics of short-form drama are compelling: production costs have fallen dramatically through AI-driven tools and standardized production pipelines, while monetization has expanded from pure in-app purchase (IAP) models to a hybrid ecosystem combining advertising (IAA), subscriptions, content licensing, and e-commerce integration. In China, where the industry has become more mature, faster, the sector has already surpassed the country's theatrical box office in gross consumer spending — a milestone that illustrates the scale of the opportunity. In 2024, China's short drama consumer market totaled $7.0 billion compared to a $5.9 billion domestic box office, the first time short drama eclipsed the country's box office sales.

Overseas expansion has been led by companies in China and many based in Hong Kong but the competitive landscape is rapidly globalizing. Local players from Ukraine (Holywater), India (KukuTV), and Germany (Galatea TV) are gaining market share, and Western media companies including Fox Entertainment, Disney, and former executives from major Hollywood studios have entered the space. TikTok's launch of its dedicated 'Minis' short drama section in late 2025 signals that the world's dominant short-video platform intends to become the primary distribution channel for the format globally.

User Growth is Staggering

Driving this impressive growth is the incredible amount of user engagement and consumer interaction that producers and advertisers alike have been able to inform through continual product development. Monthly active users on short drama apps, mini-programs, and paid platforms globally surpassed 400 million in 2025 — exceeding long-form video platforms for the first time. In China, where the industry has seen the most development in the past several years, the metrics are staggering. The China Micro-Drama Industry Development White Paper (2025), released at the Third Hangzhou Micro-Drama Conference, reported monthly active users growing from 104 million in January 2025 to 299 million by June 2025, with the paid conversion rate reaching 10.97%. This milestone — short drama surpassing long-form video in total usage time — marks the format's transition from niche category to mainstream entertainment.

AI Drives Unprecedented Engagement Across the Production Cycle

Why is user growth so stunning? The format – particularly the drama genre – allows for cost effective storyline customization catering to the attention-deprived culture down to the second. Continual testing of themes, storylines, plots, characters, wardrobes, hair styles, eye colors, down to the you name it customizable character or storyline, drives consumer engagement through dopamine spiked drama. Testing occurs through social media platforms which provides real-time feedback on storyline elements such that prior to launching the production it is known exactly what product will attract the high ROI audience through emotional engineering. Once the series is launched and actual data is gathered, the process can repeat itself almost immeasurably in infinitum. This type of engagement is enormously powerful and results in a compressed timeline between concept to launch, reducing production costs to less than $350,000 per series – a mere fraction of short drama's more traditional and longer compatriots. The industry is creating an entire ecosystem centered around catering to the minutiae of the wants and needs of today's entertainment culture.

By mid-2025, according to the China Micro-Drama Industry Development White Paper, the average daily viewing time per user reached 120.5 minutes — up 25.9% year-on-year — compared to the global average of 95 minutes per day in 2024. This shift from long-form to short-form as the dominant mobile video consumption format is one of the most significant structural developments in the history of digital entertainment.

It is the wonder of intelligent feedback loops that can be applied, nearly in real time, that is driving such groundbreaking growth in the industry. Powering this unprecedented integration of commerce, consumer, and entertainment are AI engines.

AI Implementation Throughout the Short Drama Lifecycle

Source: Ellery Voss Research, July 2026

The combination of rapid growth, the ability to tailor and customize content and high ROI monetization has incentivized the use of AI throughout the life cycle of short drama platforming. Aside from the obvious production value which will only continue to improve, the use of AI to optimize gamification and algorithmic promotional activities is both proprietary and rapidly growing. The fact of the matter is consumers enjoy the product, its unique storylines and its climactic play on drama. The ability to use AI to determine what types of content are most attuned to specific demographics of customers, rapidly and cost effectively, is becoming a more widespread use of the technology.

Industry Growth Attracts Global Investors

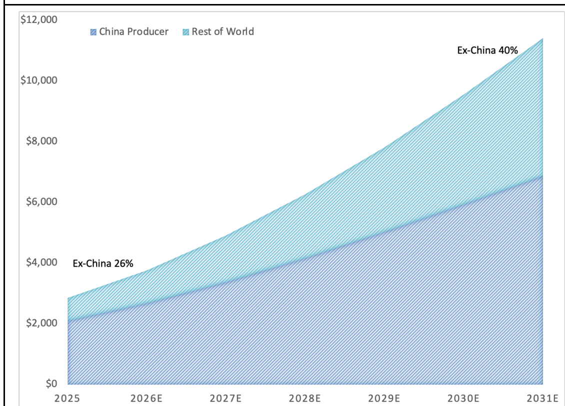
Meanwhile, as the market continues to refine the product and implements new technologies into the life cycle, companies operating the sector need capital to fuel the growth. In particular, and like other technology advances, the market is moving away from China and diversifying into western markets, the largest of which is of course the United States where investors and strategics have already taken an interest.

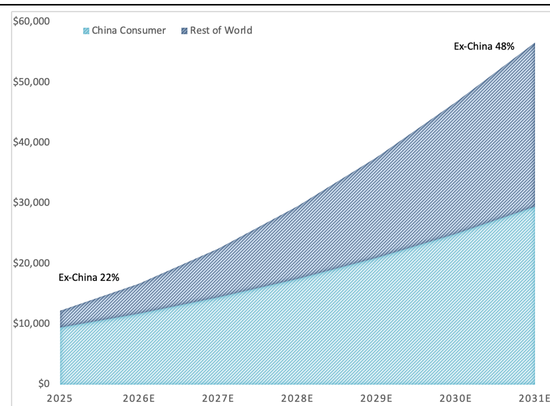
SHORT DRAMA 2025	MUSIC STREAMING 2025	GLOBAL BOX OFFICE 2025	US CASINO INDUSTRY 2025	MOBILE GAMING IAP 2025
$12.2B	**$31.4B**	**$33.5B**	**$78.7B**	**$81.7B**

SHORT DRAMA 2031		GRAND TOTAL 2031
$56.6B *Consumer market*	**Between music streaming and mobile gaming**	**$68B** *Consumer + production*

Sources: Ellery Voss proprietary model (short drama); Gower Street Analytics / Deadline (box office); Statista (music streaming); American Gaming Association (casino); Sensor Tower (mobile gaming).

Global Production Spend	Global Consumer Spend
Production market will reach $12 billion by 2031	Consumer market will reach $57 billion by 2031





Source: Ellery Voss Proprietary Estimates.

In 2025, we estimate the industry at approximately $15 billion, a combination of about $3 billion in production spend turning out $12 billion in consumer spend. China was three quarters of the global market, dominating product innovation, advertising and marketing, production brands, story and plotline development and the technology behind the entertainment niche. As with other industries, the western world is democratizing the product and is rapidly adopting it as its own. Ellery Voss estimates that the production market will grow at 26% per year through 2031 while the consumer side of the equation will grow nearly 30% per year, globally. Chinese consumer growth, which has been dominant, will inevitably slow to a respectable 20% per year while the non-Chinese markets will explode to nearly 50% year over year compound annual growth for the foreseeable future.

In the meantime, global investors to include multinationals are taking notice. Ellery Voss estimates that total non-China institutional capital investment in the sector exceeded $500 million between 2025 and 2026, an absolute miniscule amount compared to the global media investment environment.

2025 was the strongest year for media and entertainment M&A since 2021, with total announced deal value reaching $343.9 billion — driven by mega-transactions including the $82.7 billion proposed Netflix acquisition of Warner Bros. (later superseded by a $111 billion Paramount Skydance bid) and the $55 billion Electronic Arts take-private, according to Crunchbase and Alignment Growth. Meanwhile, media and entertainment venture and growth funding reached $19.5 billion in 2025, a 46% year-over-year increase, with nine $500M+ mega-deals raising $8.9 billion alone, according to Grant Thornton.

Short drama has attracted roughly 0.09% of global media M&A capital despite already being a $12+ billion global consumer market. Capital investment has not caught up with the demand environment. We believe investors, strategic and institutional, are taking a close look at the verticals in this industry and capital allocators will soon close the gap between the industry demand and capital needs for growth.