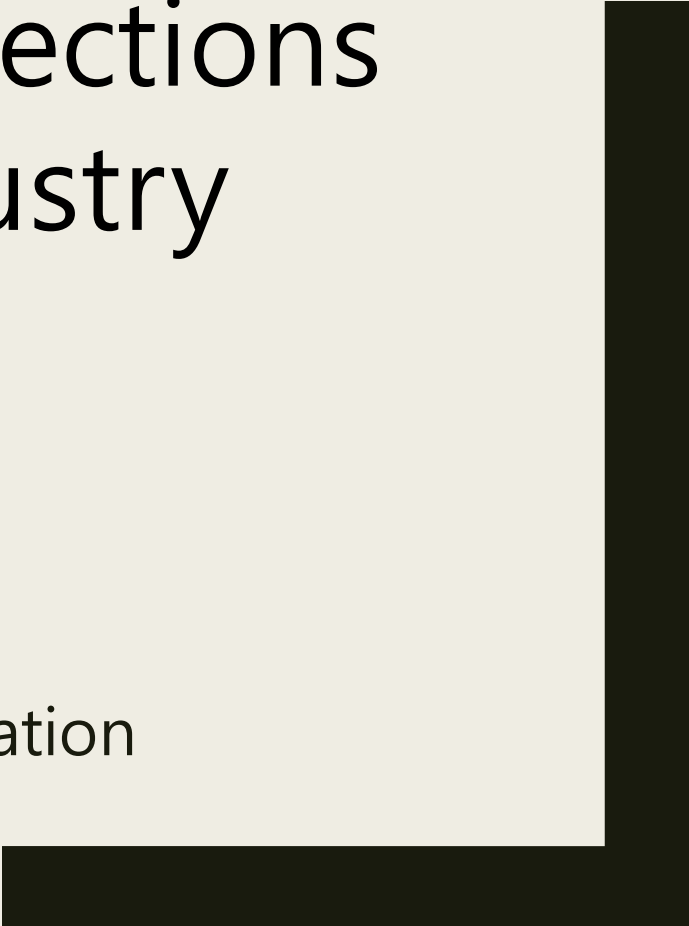




# Current and Future Directions for Korean OTT Industry

Prof. Dong-Kyoo Sung  
School of Media and Communication  
Chung-Ang University



# Contents

1. Introduction
2. Current Status and Challenges for Korean OTT Services
3. Future Directions for Korean OTT Services

# Contents

1. Introduction
2. Current Status and Challenges for Korean OTT Services
3. Future Directions for Korean OTT Services

# 1. Introduction

- Despite the global popularity of K-contents, the Korean media and content industry currently faces challenges due to (a) the oversaturation of legacy media and (b) limited growth potentials in the domestic OTT market
  - Declining advertising revenue due to the economic recession / PAY-TV service lost subscribers for the first time
  - Korean OTT services face challenges not only from declining growth rates in the domestic and global OTT market, but also from the diversification of pricing strategies among Global OTT services (i.e., advertisement tiers)
- Globalization of Media/Content sector is crucial to Improve the competitiveness of Korean OTT services and the future growth of the Korean media industry
  - Improving global competitiveness (e.g., globalization of Korean OTT services) is critical to ensure sustainable growth of Korean OTT services

# Contents

1. Introduction
2. Current Status and Challenges for Korean OTT Services
3. Future Directions for Korean OTT Services

## 2. Current Status and Challenges for Korean OTT Services

### < Current Challenges >

#### Small Domestic Market

- Small market size with fierce competition within the industry is the fundamental challenge for Korean OTT industry
- Globalization of OTT platforms is critical to overcome this challenge

#### Limited Growth Potential

- Currently experiencing post-Covid 19 growth plateau
- Considering the small domestic market size, Korean OTT market is currently oversaturated
- Korean OTTs have little room to increase prices and/or diversify their pricing plans

#### Increasing Content Expenses

- Increasing content expenses due to the global popularity of K-contents
- Investment from global companies (i.e., Netflix) accelerates the increase in production cost
- Domestic OTTs experience negative profit margins due to increasing content-related expenses

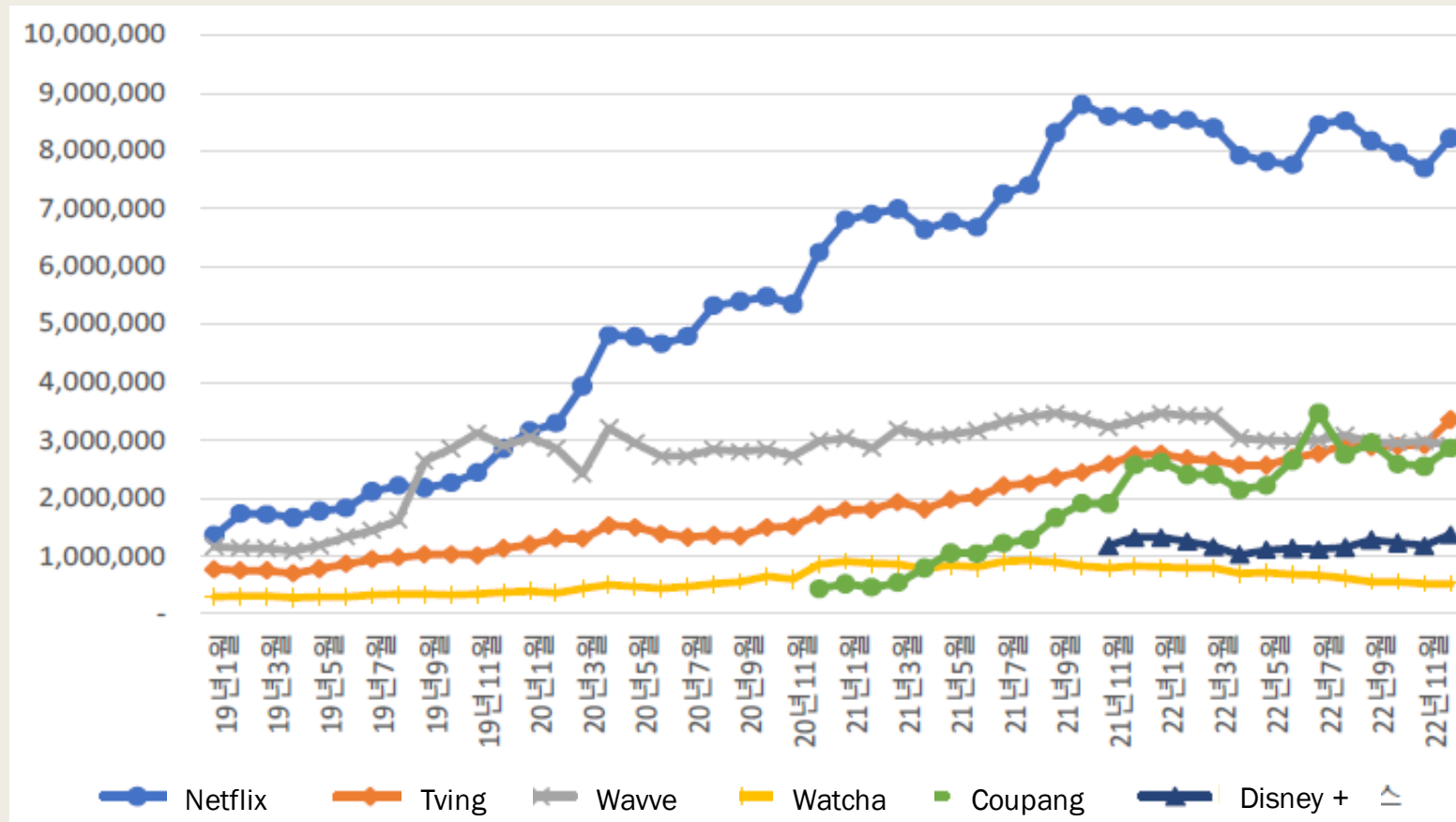
#### Declining Competitiveness of Domestic OTT Platforms

- Domestic legacy media and OTTs are relatively less competitive than the content industry
- Off-setting increasing content-related expenses requires cooperation between content industry and platforms, a necessary condition for the globalization of Korean OTTs

## 2. Current Status and Challenges for Korean OTT Services

- Netflix is currently ranked 1st in the domestic SVOD market, followed by Korean OTT platforms such as Coupang Play, Tving, and Wavve

< # of Monthly Active Users by SVOD Services (Android) >

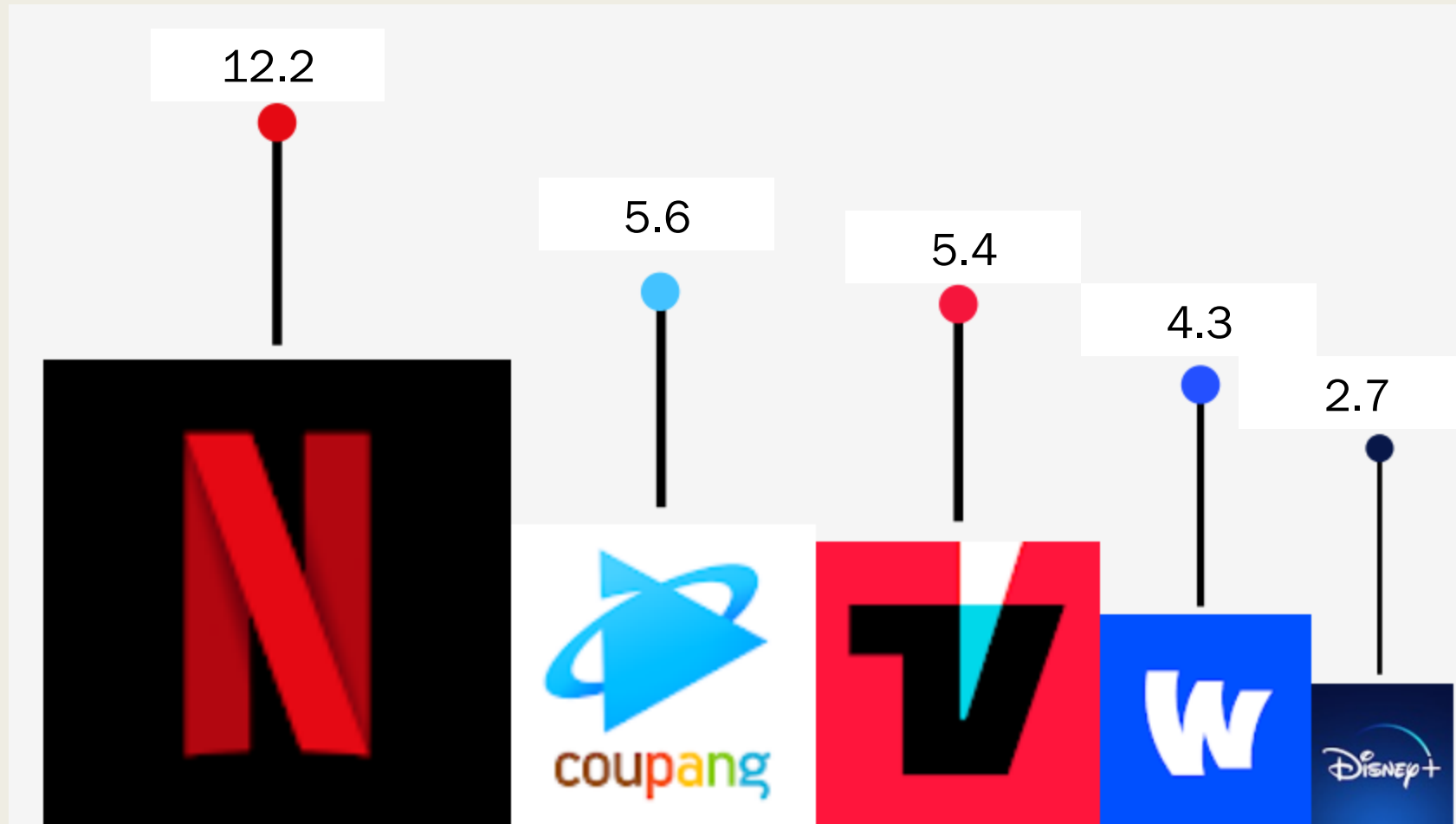


Ref: 방송통신위원회 (2022). <2022년도 방송시장 경쟁상황 평가>.

## 2. Current Status and Challenges for Korean OTT Services

- Netflix has the largest subscriber base with about 12 million subscribers. Coupang Play and Tving are two remote runners-up with more than 5 million subscribers (Aug, 2023).

< # of Active Users in Aug. 23 by OTT Service (Unit. Millions) >



Source: Mobile Index, <2023 Korean OTT Trend Insight>.



## 2. Current Status and Challenges for Korean OTT Services

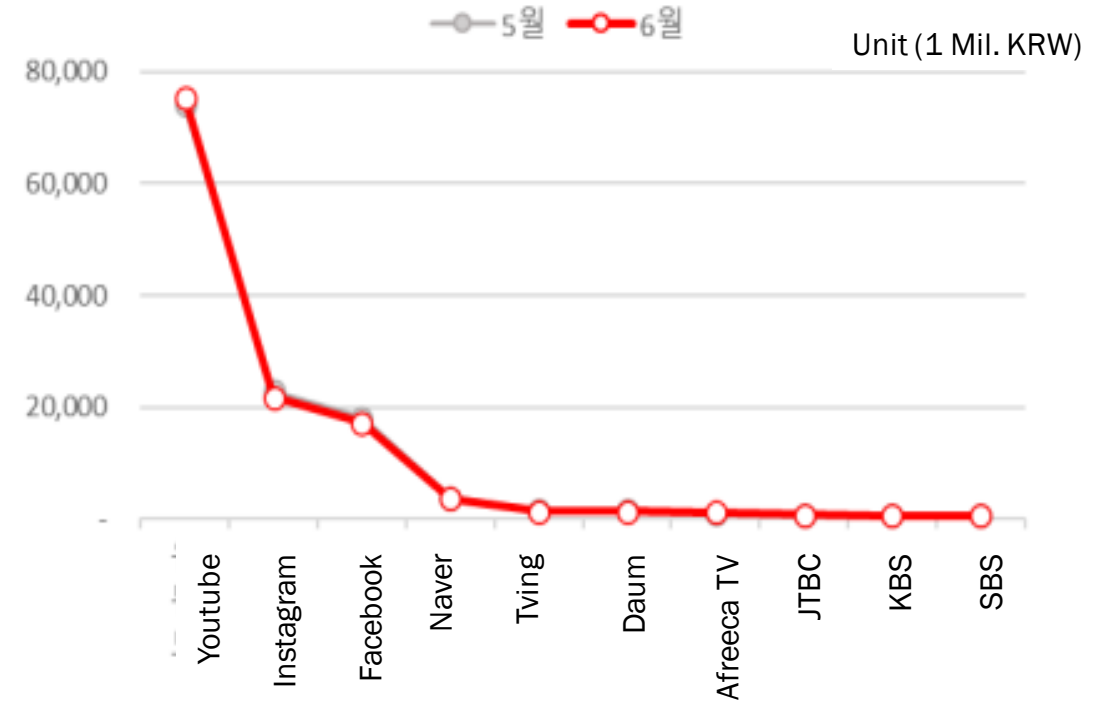
- Youtube is the dominant player in the AVOD market

< Yearly Revenue of Major Domestic Subscriber-base OTT services >

Top 10 Media

		Unit (1000 KRW)		
Ranking	Media	May	June	Change
1	Youtube	74,052,200	75,439,750	1.9%
2	Instagram	22,775,850	21,766,212	-4.4%
3	Facebook	18,179,532	17,218,863	-5.3%
4	Naver	3,730,383	3,575,195	-4.2%
5	Tving	1,552,897	1,309,260	-15.7%
6	Daum	1,444,129	1,295,222	-10.3%
7	Afreeca TV	994,300	1,168,638	17.5%
8	JTBC	774,933	682,517	-11.9%
9	KBS	642,178	671,232	4.5%
10	SBS	602,906	522,982	-13.3%

Top 10 Advertising Revenue



## 2. Current Status and Challenges for Korean OTT Services

- Except for global platforms (i.e., Google, Netflix), domestic OTT services show continuing net loss

< Revenue of Major OTT Services >

		2019	2020	2021	2022
Netflix	Sale	1,859	4,154	6,317	7,733
	Operating Margin	22	88	171	143
Wavve	Sale	973	1802	2,301	2,735
	Operating Margin	-137	-169	-558	-1,217
Tving	Sale		155	1,315	2,476
	Operating Margin		-61	-762	-1,192
Watcha	Sale	220	380	708	734
	Operating Margin	-109	-155	-248	-555
Google Korea	Sale	2,124	2,201	2,924	3,449
	Operating Margin	102	156	294	278

Source: DART(Data Analysis, Retrieval and Transfer System), Korea Communication Commission (2022).

# Media Business = Scale Business

This is why every production company relies on Netflix



subscribers  
230 million  
(190 countries)

**217 KRW**  
**(0.16USD)**

Cost per subscriber  
when investing KRW 50 billion  
in original content production

**vs**

**16,667 KRW**  
**(12.33USD)**

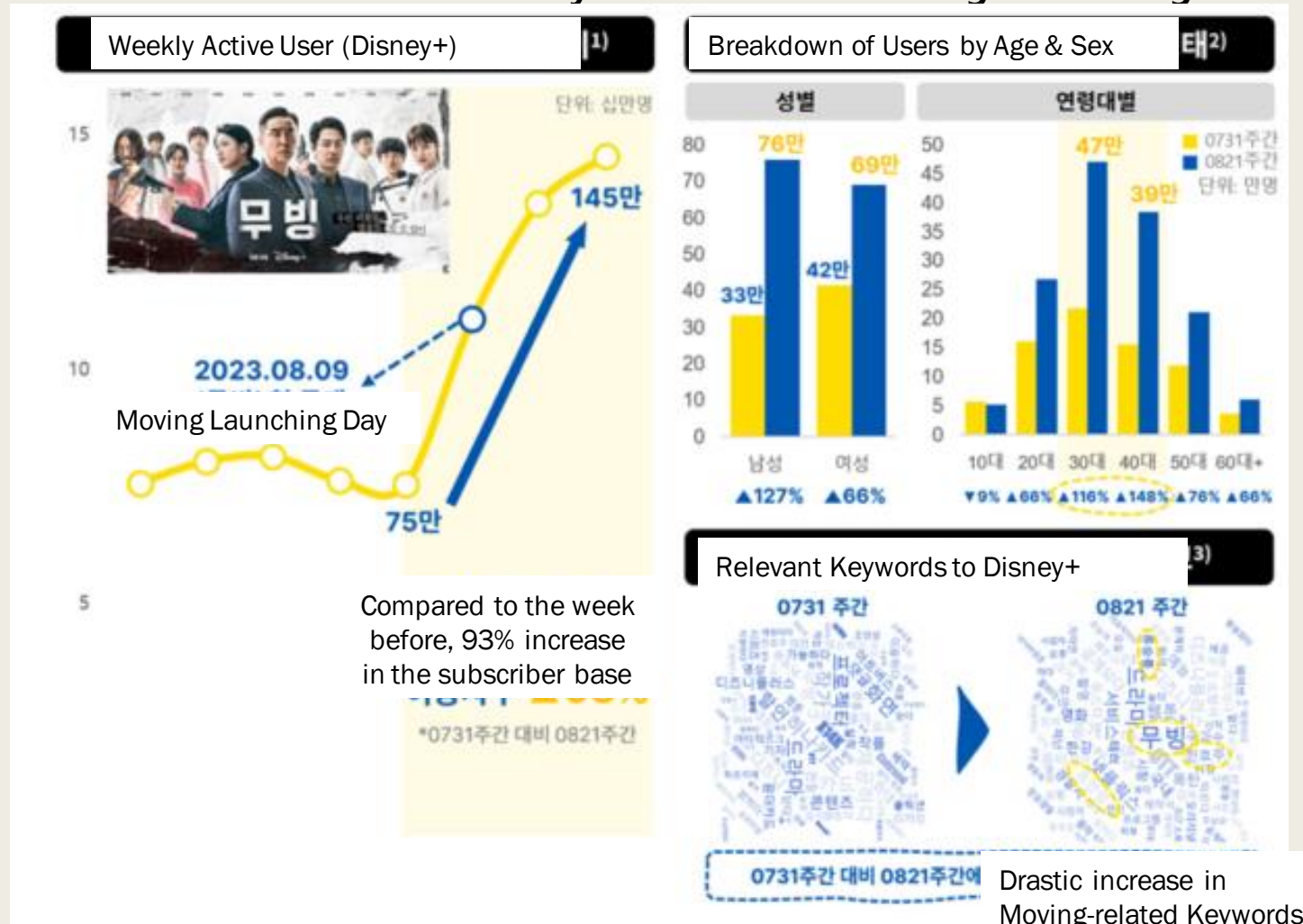


subscribers  
3 million  
(domestic)

## 2. Current Status and Challenges for Korean OTT Services

- As producing high-budget blockbusters (such as Moving) is critical to expand subscriber base, competition to provide more attractive content offerings among OTT services is expected to accelerate

### < Increase in Subscribers of Disney+ after the Launching of Moving >



Source: Nielson (2023).  
 <'Moving' Effects of Current Disney based on Attention.

## 2. Current Status and Challenges for Korean OTT Services

### STRENGTHS

- High quality K-content
- High-speed Internet infrastructure that enables seamless content consumption
- Media industry is very responsive to user feedback
- High media/Internet accessibility among citizens

### WEAKNESSES

- Launching in overseas markets crucial to ensure sustainable business model
- Low global competitiveness of domestic data-driven services and software industry
- Labor shortage in the media sector (e.g., technicians)

### K-OTT Industry SWOT Analysis



### OPPORTUNITIES

- Increasing global popularity of K-content (e.g., “Squid Game” “Extraordinary Attorney Woo”)
- Easy to procure original IP content due to successful Webtoon/Web-novel markets
- Global players (e.g., Netflix) are expected to continue to invest on K-content

### THREATS

- Declining media usage and consumption in post-Covid 19 economic recession
- Faltering domestic content industry (e.g., films) may impact the future of OTT industry
- Soaring production costs (e.g., Moving is estimated to have cost more than 50 billions KRW)

# Contents

1. Introduction
2. Current Status and Challenges for Korean OTT Services
3. Future Directions for Korean OTT Services

# 3. Future Directions for Korean OTT Services

## Globalization of Korean OTTs

- Globalization should be the underlying principle for policy decisions
- Short-term goal: Promoting competition within the domestic market
- Long-term goals: Incentivize the globalization of domestic OTTs

## Continuing Support for OTT Industry

- Given the potential of OTTs, promotion should be the priority of OTT policy framework
- Need to reform policy framework to meet the needs of OTT services
- Consolidating and prioritizing policies from relevant ministries

## Cooperation/Competition with Global OTTs

- Investments from global players (e.g., Netflix) have positive impact on the K-content sector
- Increasing reliance on Netflix and their presence in the domestic market (e.g., competitive pricing) poses potential challenges for domestic OTT services

### Principles of OTT Policy Framework



## Developing an OTT Policy Roadmap

- Regulatory uncertainty has been a persistent concern since the beginning of Smart-media and OTT policymaking processes
- Minimizing regulatory uncertainty by sharing a blueprint for an 'universal media law'

### 3. Future Directions for Korean OTT Services

- Aiming to provide support for domestic OTTs to foster global competitiveness in the short-term and focusing on cultivating an environment for the globalization of Korean OTTs in the long term
  - Short-term: Maintaining minimal regulation framework and providing support to meet the needs of OTT platforms
  - Long-term: Cultivating an industry environment for sustainable growth and globalization of OTTs

#### Financing Domestic OTTs

- Providing tax credits for domestic OTTs to induce aggressive investment / Necessary to support domestic OTTs through various policy financing plans/ include OTTs from large-cap companies in policies
- Expand the budget boundaries of relevant ministries (Min. of Science and ICT/Min. of Culture, Sports, and Tourism, KCC)

#### Strengthening Support

- Providing technical supports and training human resources to increase competitiveness of domestic OTT services
- Strengthening support critical for successful globalization such as assisting the creation of subtitles in the post-production stage

#### Foundation for Globalization

- Organizing a council to ensure continuing discussion among relevant players (OTTs, legacy businesses investing in OTTs, relevant ministries) to devise plans for successful globalization of domestic OTTs
- Constructing a global information system to facilitate globalization and promoting international connections for OTTs

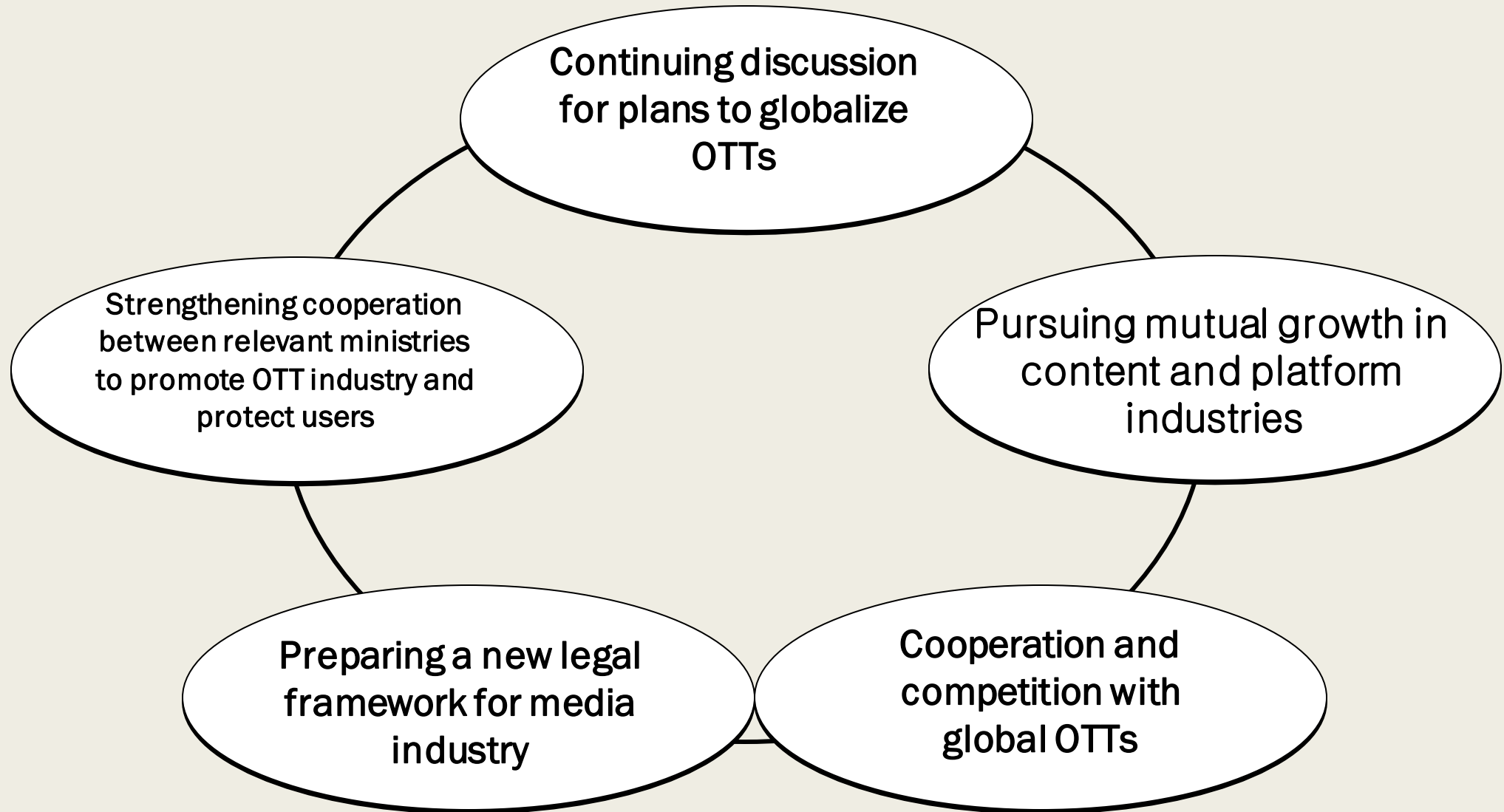


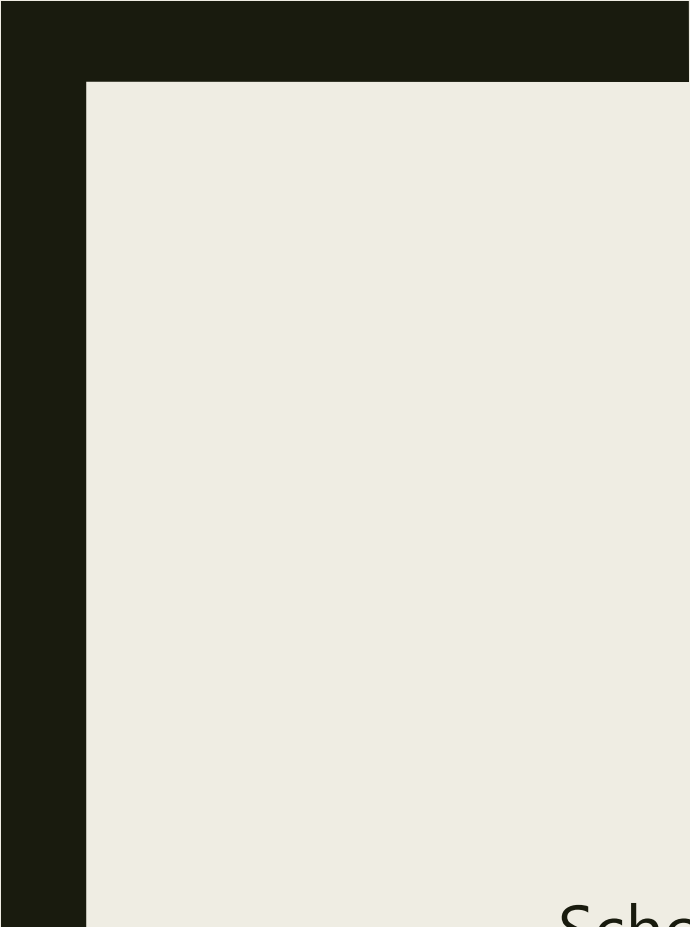
# 3. Future Directions for Korean OTT Services

< Principles underlying OTT-related policies of Major Ministries >

- Supporting Korean OTTs for global growth
- Developing long-term policy visions for digital media
- Acquiring financial resources for media/content growth
- Cultivating media environment to nurture global leading OTTs
- Creating innovation-friendly conditions for media sector  
(Financing+Infrastructure+Personnel)
- Setting-up K-content strategic fund to ensure global competitiveness
- Training OTT specialists

### 3. Future Directions for Korean OTT Services





# Q&A

Prof. Dong-Kyoo Sung  
School of Media and Communication  
Chung-Ang University

