

## Over-The-Top (OTT) Platforms' Strategies for Two-Sided Markets in Korea

Song, Minzheong

*Assistant Professor, Department of Media Communication & Advertising, Hansei University, Korea*  
*mzsong@hansei.ac.kr*

### **Abstract**

*The purpose of this paper is to present the Over-The-Top (OTT) platforms' strategies for two-sided markets. For this, we examine six strategic factors influencing OTT's success in Korea. The analysis reveals, among six OTTs, Netflix utilizes five strategic factors except the same-side network effects. OTTs from pay TV operators and channel providers tend to block the cross-side network effects on the opponent OTTs, because they think their giveaway to content providers is in vein, if the invested content by them would be consumed on opponent rival platforms. Interesting is that after experiencing a negative association between the market entry of Netflix and the subscription revenue growth rate of pay TV services, pay TV operators utilize the same-side network effects by offering hybrid services in partnership with global OTTs like Netflix, Disney+ which are considered as a complementary OTT. In conclusion, it is suggested to target a new connected TV based OTT service offering with collaboration with Korean TV device manufacturers for Korean OTTs' global strategy, because Netflix-like global market expansion is not easy for them to cover their content cost.*

**Keywords:** *Over-The-Top, Platform strategy, Subscription based VOD, Two-sided markets, Content provider.*

### **1. Introduction**

The Internet video streaming service, over the top (OTT) markets triggered by COVID19 are heating up. Due to an unexpected longer homestay, demand for well-made drama, entertainment, and movie is increasing faster than the demand for content of Youtubers. After Netflix, Disney Plus, Amazon Video Prime, and Apple Plus are entering global OTT market. As subscription-based video on demand (SVOD) OTT emerged in the US by code-shaving or cutting, TV advertising market began to decline. It is interpreted as a decoupling effect which cut the weakest link among TV viewing and advertising viewing behavior [1]. 'Tivo' is an example. If TV advertising revenue is decreasing even if popular TV genre's content ratings increase, it is because OTT decouples TV content and advertising viewing.

In 2019, Korean TV advertising profits fell 7.2% compared to the previous year: Terrestrial TV fell 15% and pay TV fell more than 3%. Previously, the movement of the broadcasting advertising market was moving horizontally within the TV advertising market, but in 2019, the total amount of TV broadcasting commercials have been collapsing. However, the relationship between viewers' preferred drama and entertainment ratings and advertising revenue remains unchanged. In other words, regardless of the devices, viewers still enjoy well-made dramas, movies, and entertainment content on other platforms like YouTube. This paper aims to look at the domestic OTT market landscape and to present the OTT platforms' strategies for two-sided markets.

## 2. Previous literature and theoretical background

### 2.1 Previous literature review

There is a study to try to solve the problem of complementation or substitution. The questions of complementarity and substitutability of emerging OTTs to broadcasting services have been investigated based on factors affecting OTT subscriptions and Korea Information Society Development Institute (KISDI) Media Diary panel data for 2014-2017 are used. For analyzing, the elasticity of the time devoted to OTT services to the time devoted to conventional media services are estimated. Results show that the elasticity is 0.77 which implies that the devotion to OTT and to broadcasting services may not have a substitution relationship. However, if restricted to the group of OTT service users, the elasticity is 2.92 which means, the growth rate of the time devoted to OTT services far exceeds the growth rate of the time devoted to broadcasting and OTT services substitute for broadcasting among the OTT user group [2].

In global OTT competitiveness study, competitiveness of monopolistic original content offering, diversity of content Intellectual property (IP), and securing external content IP essentially affect the platform's market share. It means, a competitiveness of the OTT platform is up how to operate content IP. For this, it is suggested that a valid management strategy of content IP is needed [3].

The service quality of Netflix has been classified as content diversity, rate system, recommendation system, N-screen service, binge watching, and quality of service (QoS) and the effect of each dimension on user satisfaction and continuance intention and the method are examined by an online survey on 202 Netflix users and data analysis with structural equation modeling (SEM). Results are as follows: First, content diversity, recommendation system, binge-watching and service quality are positively associated with the user satisfaction. Second, the N-screen service has neither direct nor indirect effects on continuance intention. However, rate system has a direct effect on continuance intention. The content diversity, recommendation systems, binge-watching, and QoS affect continuance intention positively through user satisfaction. Finally, the user satisfaction and continuance intention have a significant static correlation [4].

The competition strategy has been divided into content, service technology and price strategy and users' satisfaction and intent are evaluated. Technology acceptance model (TAM) is used to identify correlation between three user satisfaction levels (perceived usefulness, perceived ease of use and perceived enjoyment) and the intended use of the technology. There is a positive correlation between user satisfaction and intent to use continuously OTT service. Specifically, the satisfaction of the content strategy was identified as the most decisive factor affecting the intended use of the OTT service. At the level of user satisfaction, perceived enjoyment was identified as the most decisive factor affecting the intended use of the OTT service [5].

Factors influencing early paid OTT market growth in 50 countries has been examined. The results of the panel data analysis suggest, Netflix's market entry, traditional pay TV market size, broadband infrastructure, and OTT platform competition contribute to the early market growth of paid OTT services, such as SVOD services. The results reveal that the pay TV market and the paid OTT market initially grow together in many countries, but the findings also reveal, there is a negative association between the market entry of Netflix and the subscription revenue growth rate of pay TV services [6].

The key points of above researches are summarized in Table 1. In Korea, OTT services substitute for broadcasting services among the OTT user group. OTT's competitiveness is up how to operate content IP. Content diversity, recommendation system, binge-watching and service quality are positively associated with user satisfaction. The satisfaction of the content strategy is the most decisive factor affecting the intended use of the OTT service. Finally, there is a negative association between the market entry of Netflix and the subscription revenue growth rate of pay TV services in Korea.

**Table 1. Summary of previous research in 2019~2021**

Year	Authors	Key points
2019	<b>Kim and Baek</b>	OTT services substitute for broadcasting services among the OTT user group in Korea.
2020	<b>Lee and Kim</b>	The market competitiveness of the OTT platform is up how to operate content IP in Korea.
2020	<b>Chung and Zhang</b>	Content diversity, recommendation system, binge-watching and service quality are positively associated with user satisfaction in Korea.
2020	<b>Kim</b>	The satisfaction of the content strategy is the most decisive factor affecting the intended use of the OTT service.
2021	<b>Lee et al.</b>	There is a negative association between the market entry of Netflix and the subscription revenue growth rate of pay TV services.

## 2.2 Theoretical logic

Platform's strategies have been suggested for two-sided markets who have two sides of users. A group "subsidy side" who, when attracted in volume, are highly valued by the other user group "money side." To create a profitable pricing mechanism on the two-sided market or multi-sided market, the platform should examine the six strategic factors. The first is ability to capture cross-side network effects. Platform's giveaway can be wasted if the subsidy side can transact with the rival platform's money side. For instance, Netscape subsidizing its browser to individuals in order to sell Web servers to website players, but they didn't have to buy Netscape's server for sending pages to Netscape's users and they buy a rival platform's Web server instead.

The second factor is user sensitivity to price. It is usual to subsidize the more price sensitive side and to charge the side increasing its demand in response to the other side's growth. For instance, PDF market consists of two sides, writers creating documents and readers viewing them using different software. Readers are more price sensitive than writers. If readers were charged even a sent, Adobe Reader's user base would be much smaller. However, writers valuing this huge user base, pay a fee for their software. If Adobe reversed its approach, charging readers and subsidizing writers, its network would collapse.

The third factor is user sensitivity to quality. Rather than charging the side strongly demanding quality, the platform charges the side that must supply quality. Video games like PlayStation, Xbox are an example. To deliver quality, their game developers incur enormous fixed costs and for amortizing the costs, they seek the platform having many users. Ironically, the platform having enough user base makes sure game developers meet high quality by imposing strict licensing terms and charging a high royalty. So, the game developers are actual money side and charge the highest price regardless of the royalty rate, but the royalty helps weed out games of marginal quality. Then, game titles of minimal quality with poor sales prospects can't generate enough margin to cover their fixed costs.

The fourth factor is output costs. It is the usual case when the giveaway takes the form of a digital good such as a software program, or a cheap service such as otherwise-idle computer time. However, when a giveaway product has appreciable unit costs especially with tangible goods, platforms must be more careful. If a strong willingness to pay (WTP) doesn't materialize on the money side, a giveaway strategy with high variable costs can quickly rack up large losses. FreePC learned this lesson in 1999 when it provided computers and Internet access at no cost to consumers agreeing to view Internet delivered ads that couldn't be minimized. FreePC abandoned its offer after incurring \$80 million in losses.

The fifth factor is same-side network effects. Platforms normally wish growth in the user base on either side on their own platforms, because it encourages growth on the other side. However, platforms also assess the possibility of negative same-side network effects. Usually, sellers are happy to see fewer direct rivals on same platform and the same can be true for buyers when goods are scarce. In the face of negative same-side network effects, platforms should consider granting exclusive rights to a single user in each transaction

category and extracting high rent for this concession. Then, the platforms must also make sure that sellers do not abuse their monopoly positions.

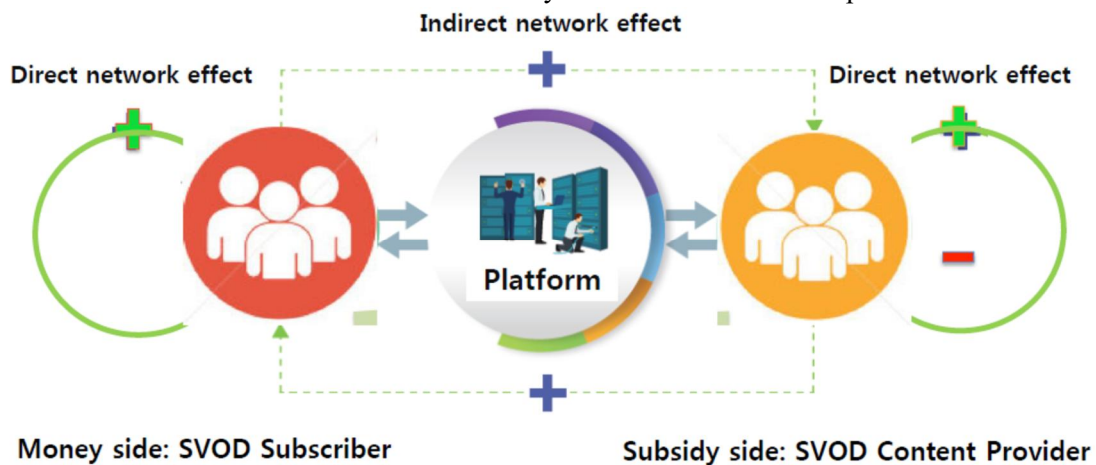
The last factor is users' brand value. The so called "marquee users" of the one side attracts users to the other side and they can be both sides. A platform can succeed if it can secure the participation of these users in the form of a commitment from them not to join rival platforms. So, it is quite expensive to convince them to forfeit opportunities in other platforms. When the participation of a few large users is crucial for mobilizing a platform, conflict over the division of value between platforms and large users is common. Microsoft (MS) learned this when Electronic Arts (EA), the largest developer of video games and thus a major potential money-side user of MS's Xbox platform, refused to create online, multiplayer versions of its games for Xbox Live. EA objected to MS's refusal to share subscription fees from Xbox Live. After an 18-month stalemate, EA agreed to offer Xbox Live games. MS announced that it would halt the in-house development of new games that would compete with EA's flagship sports titles.

Another case is Apple which provides a cautionary tale about misapplied pricing logic. Its well-regarded Macintosh OS has always commanded a price premium from consumers. When it launched the Mac, Apple tried to extract rent from the other side of its network, charging third-party developers \$10,000 for the software development kits (SDKs) required to create Macintosh applications. By contrast, MS gave Windows SDKs away for free. By the time of MS's antitrust trial, Windows had six times as many applications as Macintosh. This made Windows far more attractive to consumers, despite its functional shortcomings [7, 8, 9].

### 3. Research design

#### 3.1 Research questions

The main two strategies drawing attention in competition among OTT platforms are increasing the number of subscribers and securing the quality of content. To this end, the platform strategy for two-sided market can be proposed. For this study, consideration of six factors is a relevant theoretical logic. According to them, there are subsidy and money sides in the two-sided market and the platform facilitates active interaction between them. Only when two-sided markets with both groups are maintained, the platform and both user groups can have a win-win business structure. As Figure 1 [10, 11, 12] shows that a two-sided market strategy of OTT platform can consider the SVOD subscriber as the money side and SVOD content provider as the subsidy side.



**Figure 1. Research framework: OTT platform's money & subsidy side**

Unlike traditional media business, the OTT platform decouples TV viewing and commercial viewing [1] by charging the subscription fee to OTT end users. In the money side, there is a positive network effect because

more subscribers make the platform better, attracting more subscribers and content providers. However, in the subsidy side, there are both positive and negative network effect. It means, more content providers make the platform better, attracting more subscribers, but more content providers create more competition.

OTT player which has succeeded as a platform forming SVOD market, has experienced various technological innovations and realized that there are two options: To take the platform more centralized or to disclose the platform's R&D through various partnerships [13, 14, 15], there are two approaches such as platform envelopment and opening platform strategy. Finally, it is suggested that opening the market to suppliers is very useful in the long-term innovation process of technology and business as well [16].

Based on this theoretical logic, this paper focuses on six factors that each OTT can take. In fact, in addition to existing media and Internet platforms, telecommunication operators, device manufacturers, and content providers jumped into the OTT market. So, alternative business models have been suggested for minimizing 'network neutrality' conflict among players offering applications like SNS, video streaming service, based on two-sided market strategy because the conflict has been intensified between Internet service providers (ISPs) and non-ISPs like content provider, media and Internet platforms, and device manufacturer [10]. Same situation takes place in OTT market in Korea, because the OTT players on six rank in Korea are ISPs and non-ISPs [17]. The research scope of this paper is shown in Figure 2. The numbers on the left side are monthly active users (MAUs) of six OTTs, ISPs like Wavve, Seezn, U+Mobiltv and non-ISPs such as Netflix, TVing, Watcha. The right side shows six strategic factors for OTT platform's strategy.

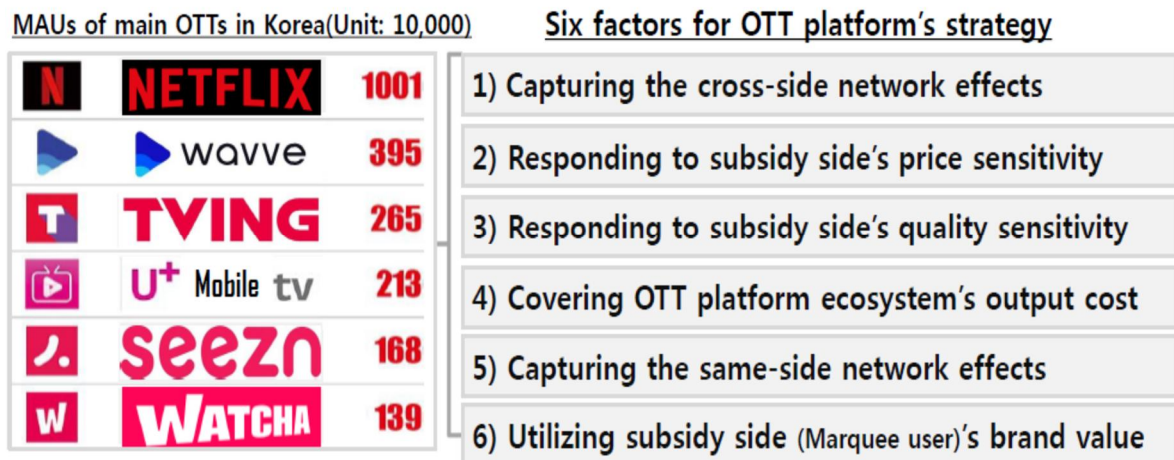


Figure 2. Research scope: Six OTTs and six factors for OTT platform's strategy

OTT platforms based on two-sided markets experience that the more OTT subscribers gather, the easier it is to invest in content and differentiate services through high-quality production investments. Therefore, OTT platforms in Korea start strategies by forming a two-sided market for content provider and end users. With this interest, the research questions are as follows:

- 1) How can the OTT platform capture the cross-side network effects?
- 2) How can the OTT platform to respond to the subsidy side's price sensitivity?
- 3) How can the OTT platform respond to the subsidy side's quality sensitivity?
- 4) How can the OTT platform to cover platform ecosystem's output cost?
- 5) How can the OTT platform to capture the same-side network effects?
- 6) How can the OTT platform to utilize users' (money & subsidy) brand value?

### **3.2 Research methodology**

Before the study, we searched the literatures dealing with OTT as platform provider between 2019 and 2021. During the same period as the previous researches, this study investigates business strategies and financial status of six rank OTT platform providers in Korea. So, this study is based on financial data, market survey data and company document analysis. In fact, there is not much study on OTT platform strategies so far, so we also check into related press releases and government documents as well.

## **4. Results**

### **4.1 SVOD OTT platform's capturing the cross-sided network effects**

Cross-side is where user dynamics on one side impact user dynamics on the other, usually where realizing demand-side economies of scale helps to achieve supply-side economies of scale and vice versa. The cross-side network effects are typically positive, but they can be also negative. For the SVOD OTT platform subsidizing the supply-side, content providers, the cross-sided network effects can be 'negative'. So, the best way to capture these effects is to block the invested content's access of the rival OTT platform. There are three kinds: The first is the exclusive content licensing by the production subsidy. 'Kingdom,' a six-part "Chosun dynasty Zombie" drama produced as exclusive 'Netflix Originals' at a cost of KRW1.5bn to 2bn per episode. Netflix released this drama in 27 languages in 190 countries at the same time in 2019 [18]. In Korea, drama producer, AStory getting KRW12bn investment from Netflix can't license it to rival OTTs.

The second is the discriminative content offering by the corporate merger. SKBroadband has chemically combined with the Joint venture of three terrestrial broadcasters by equity investments. Blocking the cross-network effects of new OTT, Wavve could be possible in three years after the merger, because it has been accepted by Fair Trade Commission (FTC) with the condition to negotiate content trade without discrimination for three years after the corporate merger in 2019. The FTC believes that the launch of merged new OTT having killer content of terrestrial broadcasters, may undermine market competition like monopoly [19].

The third is the selective channel black out by the fee increase. In June 2021, CJENM stopped providing its ten live channels such as tvN, tvN STORY, O tvN, XtvN, Olive, Ch.Dia, ChunghwaTV, Mnet, Tooniverse, OGN on U+MobileTV, a mobile OTT of IPTV, LGU+, as they increase the transmission fee. The official reason is that from 2009 to March 2019, LGU+ provided VOD of CJENM to its subscribers with multiple set-top boxes (STBs) without properly paying the transmission fee for it [20]. However, main concern of CJENM who has its own OTT, TVing, is to block the cross-sided network effects to TVing's rival OTT platforms of IPTVs including Wavve, Seezn, and U+MobileTV.

### **4.2 SVOD OTT platform's responding to the content provider's price sensitivity**

One way to react on content provider's cost sensitivity is to guarantee production margin. At the end of 2020, Netflix announced, it guarantees 10-20% margin on production costs of 'Netflix Originals' Korean dramas, which are normally KRW2-3bn. higher per episode compared to that of non-Netflix Korean dramas by paying it in advance. Higher production costs normally lead to higher content competitiveness, which should lead to higher profitability [21]. In this strategy, the SVOD model is risky, because Netflix pouring its cash into original dramas to prevent subscribers from leaving, could not avoid loans through bond issuance.

Another way to respond to the content provider's price cost sensitivity is to invest whole production costs by creating a private equity fund (PEF). Officially, Korean OTT content investment budget of native OTTs and it has been confirmed for the next five years from 2021 to 2025 to invest KRW 1 tn for Wavve, KRW 400 bn for TVing and KT respectively. 'Content Wave' operating Wavve, announced in July 2021 that it would form "Wavve fund," an investment fund with C47Investment, which is a fund company headquartered in

Singapore investing in Asian film and drama planning, development, and production. This fund is operated only for investing 100% in Wavve original content. The first invested movie of 'Wavve Fund' is "Gentleman," which is scheduled to be released in 2022 as an exclusive movie of Wavve after the release of box office [22].

#### 4.3 SVOD OTT platform's responding to the content provider's quality sensitivity

The target to be subsidized is the supplier providing a good content quality for SVOD OTT platforms. At the end of 2020, there were an in-depth interview with eighteen Korean drama producers making Netflix dramas. As shown in Table 2, Netflix's drama production style is quite different from the existing Korean drama production tradition. There are three process in general: Pre-, main-, and post-production. Overall, Netflix already starts the post-production process from the pre-production stage. Especially, in main-production, full episodes are ready before opening and screen quality is real 4K, not edited in post-production. Preference criteria of Netflix for choosing a writer, actor, and story are different from Korean dramas [23].

**Table 2. Comparison of production style between domestic drama and Netflix drama**

Production process		Domestic Drama	Netflix Drama
Pre-Pro-duction	Target viewer	- Targeting on Age group	- Targeting on genre
	Submitted script	- 4 episodes	- 1~2 episodes
	Writer reputation	- Important	- Less important than story
	Actor reputation	- Important	- Top actor not preferred
	Production cost	- Different recoup by contract	- 10% margin & return of balance after audit
Main-Pro-duction	Production before opening	- Production of 4 episodes before opening	- Full episodes before opening & purchased two weeks before opening
	Video sharing	- Control by director & editor	- OK cuts (picture lock) shared by participants
	Product placement (PPL)	- Many	- Nothing
Post-Pro-duction	Screen quality	- HD, partially 4K	- Over real 4K (not offline edit)
	Interim ad.	- Yes	- No interim advertisement at all
	Dubbing/subtitles	- No dubbing, no subtitles	- Kingdom2: dubbing of 13, subtitles of 29 nations
	Sponsorship bar	- Many of sponsorship bars	- No sponsorship bars
	Preview of next	- Very emphasized	- 'Skip' functions, if the viewer is not interested

Because of those differences, Korean drama producers prefer Netflix. In addition to the subsidy of the production cost presented in the factor, 'user sensitivity to price,' another reason why producers choose Netflix is that it does not interfere with the above production process after the basic standard direction is set. It can be an opportunity for Korean producers to work independently to create a drama. The results of this interview give six advantages for enhancing the drama content quality: Production with various stories, masterpiece production, diversification of drama programming, high screen quality of the drama with 4K, simultaneous distribution to the global market, and systematization or standardization of the production process [23].

#### 4.4 Covering OTT platform ecosystem's output cost

Since initial sunk costs are quite high, OTT platforms can recover those costs only when the size of customers increases early as possible. Thus, the subscriber expansion strategy applies to all OTT platforms. There are two kinds of the production cost recovery. First one is more advantageous for global OTT. Netflix can take the global expansion strategy of the local content. In fact, 'Netflix Service Korea' recorded more than KRW 400 bn in sales in 2020 but invested KRW 333.1 bn won in Korean content alone in same year. Thus,

the net profit of 'Netflix Service Korea' during the same period has been KRW 6.3 bn. It means, in the Korean domestic market alone, Netflix's output doesn't have the economic success and a global distribution strategy is essential [17].

In case of domestic native OTTs to whom are not easy to expand globally. So, the local telecommunication companies operating IPTV can push for a strategy to acquire and merge cable TV companies to expand the number of pay TV subscribers who are potential OTT subscribers. LGUplus's CJHello merger and SK Broadband's Tbroad merger, and KT's satellite TV, KTSkyLife's acquisition of Hyundai HCN have already been carried out. Meanwhile, for OTT subscriber expansion, the integrated OTT brand, TVing with the alliance between Tving and JTBCnow has been created [17].

#### **4.5 Capturing the same-side network effects**

In above theoretical logic, the negative same-side network effects have been captured, so platforms usually grant some exclusive rights to a prominent single supplier. In fact, the content providers would be happy to see fewer direct rivals on same side. The OTT subscribers would be happy to see more of their friends on the same side, because they can share reviews of the content such as drama, movies, and so on.

In fierce competition, some SVOD OTT platforms could consider a complementary OTT platform as a supplier. In fact, 117 partnerships between ISP running OTT business and Netflix have been analyzed from 2013 to first half of 2018. The results reveal four types such as simple marketing like three months free trial, mobile bundling with Netflix application, hybrid TV STB cooperation, and co-branding agreement deals, which allowed platform partnership to global OTT, Netflix. Especially, the zero-rating allowance of ISPs helps to strengthen Netflix's exclusive partnership [24]. Mobile bundling and hybrid TV STB are for ISPs operating their own SVOD OTT application to capture the same-side network effects.

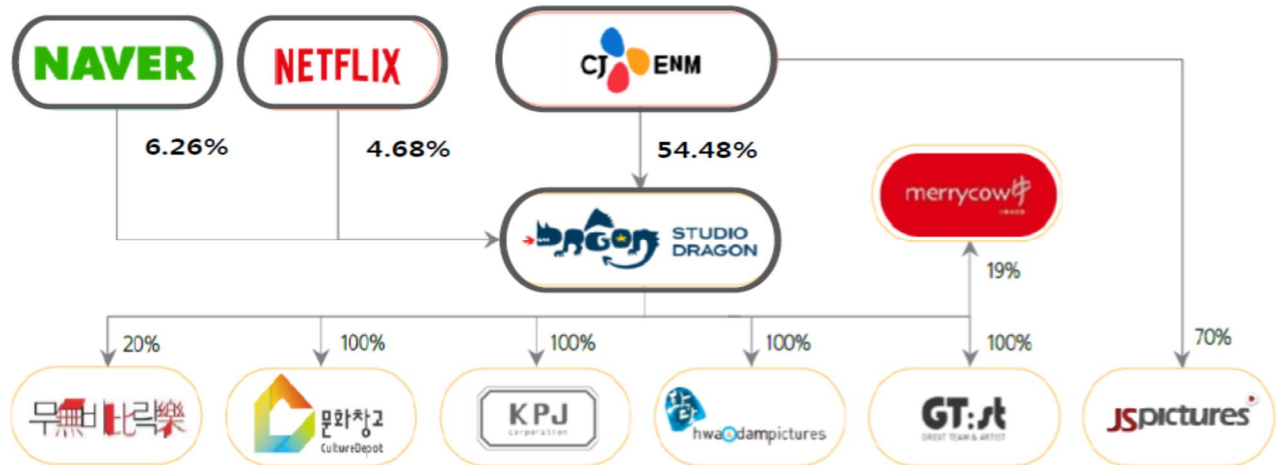
Domestic OTT platform of the ISP, LGU+ has firstly captured the same-side network effects by inviting Netflix to be exclusive complementary content provider on its own mobile OTT, U+MobileTV, which also is expected to invite Disney+, which enters in Korea at the end of 2021. It reveals that LGU+ chose a bundling and cooperation deal with prominent global OTTs rather than investing in killer content on its own platform. After succeeding in partnerships with Netflix (2018) and YouTube (2020), LGU+ tried to negotiate with Disney+ very actively, because it is better to give customers more content options through global OTTs like Netflix, YouTube and Disney+ than to invest big money in content. Another same side effects by inviting a domestic complementary OTT platform is Seezn's partnership with afreecaTV which has strength of the user generated content.

#### **4.6 Utilizing subsidy side (marquee user)'s brand value**

As mentioned in theoretic logic, like MS giving Windows SDKs for free to attract "marquee users" to its platform, Korean drama productions companies are "marquee users" to SVOD OTT platforms. Korea now has the second-highest number of dramas in Netflix's top 50 list, and Korean drama producers are gaining recognition and building loyal fan bases around the world [25]. The results of the 2015 analysis showed, after Netflix's continuous global expansion confronting limitations, its content investment focuses on the substantial resources [26]. As mentioned in capturing the cross-side effects, SVOD OTT platforms can support content providers which are on the one side, to secure loyal subscribers. They can purchase tentpole content created by key content providers and it includes paying a high license fee or increasing the portion of original content investment. As they have more original content for subscriber lock-in, they have the negotiating power for general content licensing too. So, native Korean OTTs have also begun to invest heavily in original content investments competitively.



In addition to these large investments, Netflix tries to utilize the “marquee” content provider’s brand value by investing in the share of the production companies. An example is Studio Dragon which has demonstrated its competitiveness through the big-budget original dramas like ‘Sweet Home’ (KRW3bn per episode). Studio Dragon is one of the most sought-after production companies, given its experience in making big-budget titles and extensive pool of hit-making writers. As the Figure 3 shows, this company’s distribution channel expands beyond TV channels. CJENM sold 4.68% of Studio Dragon shares to Netflix and the stock swap with Naver, the first rank of portal and the rollout of TVing-Naver bundled packages allow Studio Dragon to diversify its offerings to include short-form content [26, 27].



**Figure 3. Ownership structure of Studio Dragon**

Studio Dragon is gaining a global presence thanks to favorable developments in the domestic and global market environment and its proven content-production capabilities. Not only has it secured a new client like Netflix for its original content, but it enjoys favorable contract terms given its growing bargaining power. For Netflix, Studio Dragon can produce competitive content using Naver’s original content IP such as webtoon. Under this ownership structure in Figure 3, Studio Dragon can capitalize on Naver’s content IP to produce premium content. Studio Dragon produces not only long-form, but also makes middle- and short-form content being to increase [27, 28].

On the other hand, a domestic native OTT, Watcha which has relatively weak capital, tries to utilize content provider’s brand value in different ways. It invests in niche genres such as exclusively releasing videos of popular YouTubers in the form of an “extended edition” or making a sports documentary on a professional baseball team, ‘Hanwha Eagles.’ This strategic decision has been made, after Watcha collected and analyzed data such as reviews about content that subscribers have assigned what content they searched for and watched, and how much time they watched. 70% of Watcha users consume content through recommended services [29].

## 5. Conclusion

The size of the domestic OTT market which started in earnest from 2014 was only KRW 192.6bn, but it grew rapidly in 2016 with Netflix’s landing in Korea and increased to KRW 780.1bn in 2020 to more than quadruple in six years. As of the first half of 2021, the results of the study analyzing six main OTT plaare summarized in following Table 3. Following this, if Disney’s Disney+ lands in Korea with its own content, the market share of Korean OTTs will become smaller. Domestic OTTs are still at a loss in which direction to respond. On the other hand, Korean content producers are willing to join hands with OTT platforms regardless of nationality for increasing production volume and distribution channels. Therefore, native OTTs should

closely examine the six strategic factors described above and especially strengthen the global competitiveness by choosing the right strategic options.

**Table 3. Summary of results**

Factors for OTT platform's strategy	OTT	Method
Capturing cross-side network effects	<b>Netflix</b>	Exclusive content licensing by production support
	<b>Wavve</b>	Discriminative content offering by corporate merger
	<b>TVing</b>	Selective channel black out by fee increase
Responding to CP's price sensitivity	<b>Netflix</b>	Guaranteeing 10% margin on the production costs
	<b>Wavve</b>	Investing 100% in the production costs
Responding to CP's quality sensitivity	<b>Netflix</b>	Guaranteeing freedom of the production process
Covering OTT platform's output cost	<b>Netflix</b>	Global expansion of the content distribution
	<b>U+MobileTV</b>	Subscriber expansion by the corporate merger
Capturing same-side network effects	<b>U+MobileTV</b>	Allowing platform in platform to global OTTs
	<b>Seezn</b>	Allowing platform in platform to local OTTs
Utilizing subsidy side's brand value	<b>Netflix</b>	Investing in shares of key drama producer
	<b>Watcha</b>	Investing in niche genres like UGC & documentary

According to Netflix CEO's interview with a German magazine, 50% of the US households still do not own connected TV sets, so Netflix with 209 mn. subscribers believes that the time of classic TV programming is far from over. In his assumption, "it will take another 10 or even 20 years before linear TV disappears completely" [30]. In conclusion, for Korean domestic OTT platforms, it is suggested to target a new connected TV based OTT service offering with collaboration with Korean TV device manufacturers having global sales, because Netflix-like global market expansion is not easy for them to cover their output cost and Korean key production companies already have big support of global OTT platforms.

## References

- [1] Thales S. Teixeira and Peter Jamieson, "The Decoupling Effect of Digital Disruptors," Harvard Business School, Working Paper 15-031, October 28, 2014.
- [2] Jeong Hee Kim and Ji Won Baek, "An Empirical Analysis of the Effects of OTT Services on Changes in the Media Use Pattern," International Telecommunications Policy Review, Vol. 26, No.1, pp.47-79, Corpus ID: 201526870, March 2019.
- [3] Yong Seol Lee and Gong-Sook Kim, "Contents IP Strategy to Enhance Competitiveness of Global OTT Platform: Based on the Cases of Game Platform Market," Global Cultural Content, 2020, Vol., No.43, pp. 145-164, 2020. DOI : <https://doi.org/10.32611/jgcc.2020.5.43.145>.
- [4] Yongkuk Chung and Wei Zhang, "Effects of Service Characteristics of a Subscription-based OTT on User Satisfaction and Continuance Intention: Evaluation by Netflix Users," The Journal of the Korea Contents Association, Vol. 20, No. 12, pp. 123-135, 2020. DOI: <https://doi.org/10.5392/JKCA.2020.20.12.123>.
- [5] Jung Myung Kim, A Study on the Influence of User Satisfaction of Competitive Strategy on the intent to use continuously of OTT Service Platform in South Korea, Master Thesis, The University of Ewha, Seoul, Korea, 2020.
- [6] Sangwon Lee, Seonmi Lee, Hyemin Joo and Yoonjae Nam, "Examining Factors Influencing Early Paid Over-The-Top Video Streaming Market Growth: A Cross-Country Empirical Study," Sustainability13, 5702, 2021. DOI: <https://doi.org/10.3390/su13105702>
- [7] Eisenmann, Thomas R., Parker, Geoffrey, and Marshall W. Van Alstyne, "Strategies for two sided markets," Harvard Business Review, pp. 92-101, <http://www.hbr.org>, October 2006.
- [8] A. Hagiu, "Strategic decisions for multisided platforms," MIT Sloan Management Review, Sloan select collection, pp.4-13, Summer 2015.

- [9] Samjeong KPMG Economics Institute, Success strategy of platform business, Vol. 67, 2019.
- [10] Minzheong Song, "A Study on the Business Model, an Alternative to Network Neutrality Conflict: Based on the Six Strategic Elements of the Two-Sided Market Platform Strategy," *Cyber Communications Journal*, Vol. 30, No. 1, pp. 191-239, 2013.
- [11] Minzheong Song, "Six two-sided market strategy of OTT platform," *Dong-A Business Review (DBR)*, Issue 1, No. 326, pp.99-105, <http://www.dbr.donga.com>, August 2021.
- [12] Minzheong Song, "A Comparative Study on Over-The-Tops, Netflix & Amazon Prime Video: Based on the Success Factors of Innovation," *International Journal of Advanced Smart Convergence*, Vol.10 No.1, pp. 62-74, March 2021. DOI: <https://doi.org/10.7236/IJASC.2021.10.1.62>.
- [13] Thomas Eisenmann, Geoffrey Parker, and Marshall W. Van Alstyne, "Platform Envelopment," *Harvard Business School. Working paper 07-104*, 2007, 2008, 2009, 2010.
- [14] Thomas Eisenmann, Geoffrey Parker, and Marshall W. Van Alstyne, "Platform Envelopment," *Strategic Management*, Vol 32, Issue12, pp. 1270-1285, December 2011. DOI: <https://doi.org/10.1002/smj.935>.
- [15] Geoffrey Parker and Marshall W. Van Alstyne, "Opening Platforms: How, When and Why?" *SSRN Electronic Journal*, August 2008. DOI: <https://doi.org/10.2139/ssrn.1264012>.
- [16] Geoffrey Parker, Marshall W. Van Alstyne, and Sangeet Choudary, *Platform Revolution: How Networked Markets Are Transforming the Economy—and How to Make Them Work for You*, W. W. Norton & Company, Reprint edition, pp. 352, August 29, 2017.
- [17] Thescoop, "The different strategies of three telecommunication companies' OTT platforms," <http://www.thescoop.co.kr>, July 20, 2021.
- [18] Hankukilbo, "The power of content... Netflix in Korea, which is 5 times bigger in a year," <https://www.hankookilbo.com/News/Read/201903281855353898>, March 29, 2019.
- [19] Financialnews, "Fair Trade Commission (FTC) conditionally approves the merger of 'Pooq' and 'Oksusu'," <https://www.fnnews.com/news/201908201201280332>, August 20, 2019.
- [20] TheKoreaHerald, "CJENM sues LGU+ for 'unpaid' content usage fees," <http://www.koreaherald.com/view.php?ud=20210817000906>, August 17, 2021.
- [21] KB Securities, "Media Content Industry Set to Rebound With Overseas Expansion," [www.fnguide.co.kr](http://www.fnguide.co.kr), January 18, 2021.
- [22] Chosun.com, "Wave, raising KRW 40bn fund for original production," [http://it.chosun.com/site/data/html\\_dir/2021/07/12/2021071200743.html](http://it.chosun.com/site/data/html_dir/2021/07/12/2021071200743.html) 2021.7.12, July 12, 2021.
- [23] Geonsik Yoo, "Influence of Netflix on the domestic drama market - Focusing on in-depth interviews with producers," *Media Issue & Trend*, Vol.40, Korea Communications Agency (KCA), December. 2020.
- [24] Minzheong Song, "A Case Study on Partnership Types between Network Operators & Netflix: Based on Corporate Investment Model," *International Journal of Internet, Broadcasting and Communication*, Vol.12, No.1, pp. 14-26, 2020. DOI: <https://doi.org/10.7236/IJIBC.2020.12.1.14>.
- [25] Mirae Asset Daewoo, "Webtoons and dramas: Strengthening growth profile," January 18, 2021.
- [26] Minzheong Song, "A Study on Optimization of Business Models of Netflix, a video streaming company: Based on the Theory of Business Model Innovation," *Korea Communications Research, Broadcasting Society*, No. 93, pp. 40-74, Winter 2015.
- [27] Samsung securities, "Era of Korean content unfolding," January 26, 2021.
- [28] Studio Dragon, "Investor Relations 2021," February 2021.
- [29] Shipbuilding Biz, "Watcha, grow 190% every year... "Personal recommendation strengths"," February 4, 2021.
- [30] Broadbandtvnew, "Netflix CEO Hastings: Streaming market "far away" from saturation," [https://www.broadbandtvnews.com/2021/09/19/netflix-ceo-hastings-streaming-market-far-away-from-saturation/?mc\\_cid=53e067e2af&mc\\_eid=c08a0b68c4#:~:text=away%E2%80%9D%20from%20saturation-,SEPT EMBER%2019%2C%202021,-20.50%20EUROPE/LONDON](https://www.broadbandtvnews.com/2021/09/19/netflix-ceo-hastings-streaming-market-far-away-from-saturation/?mc_cid=53e067e2af&mc_eid=c08a0b68c4#:~:text=away%E2%80%9D%20from%20saturation-,SEPT EMBER%2019%2C%202021,-20.50%20EUROPE/LONDON), September 19, 2021.