

This research proposal is part of the final project in “Integrated Academic English Skills”. In this final project, students have to read journal articles in their own fields and find a gap to propose a research direction.

The relationships of coopetition on the OTT and traditional media industry in Taiwan- QIY

Group 5

Abstract

Over the Top (OTT) content, such as, Netflix, YouTube, PPS and etc., have grown dramatically in recent years. As long as users has network access, they can use OTT services on any device including computers, smartphones and tablets. In the future, this trend is estimated to continue around the world. However, OTT has made huge impact on traditional media industry. In order to survive in the predicament, Taiwan’s media companies nowadays make every effort to create win-win situation. This proposal aim to study how Taiwan traditional media environment has changed while OTT services entering into Taiwan’s media market and how traditional media industry collaborate with international OTT companies, using QIY (an international OTT company) as a case study. By this research, media practitioners in Taiwan may develop effective ways to build feasible business model.

Introduction

With improvement of Internet and technology innovation, audiences nowadays can use different devices such as laptops, smartphones, and tablets to enjoy various audio-visual contents. Due to increasing demand for video streaming, OTT (Over The Top) industry development has grown rapidly around the world. According to research conducted by Parks Associates in 2015, more than 65 players offering or about to offer video services globally and the revenues are predicted to top \$263 billion by 2016 (Weinstein, 2016). There's no denying that OTT industry have been proliferating and expanding, and the trend can expect to continue growing.

Audiences now can set their own schedule and access to any contents they want through the Internet rather than cable providers. With more OTT options beyond traditional cables, consuming video content experiences has changed dramatically. Based on 2015 Asia-Pacific Television Advertisement Report (2015 亞太電視廣告報告), it has shown that 75% consumers use streaming video to watch TV contents in 23 international markets including China, Indonesia, Malaysia, Singapore, South Korea, Taiwan and etc. The figure proves that consumers viewing habits has changes because of streaming video's convenience and availability. In other words, increasing audiences tend to watch video online rather than through traditional cable television.

In order to survive, Taiwan traditional media industry (cable television) need to find ways to win back those losing consumers from OTT services. For instance, some local media providers have developed their distinctive streaming video platforms such as FriDay, CatchPlay, 4G TV, and Vidol, to name a few. However, those streaming video platforms did not grow and developed successfully as foreign OTT because Taiwan's population is not enough to sustain a profitable entertainment market which means these local OTT services are underfunded. Although several corporation might have adequate capital and on-demand technology resources to develop Taiwan's own OTT services, violating Broadcasting Act is still a crucial challenge to overcome. (鄒昫捷, 2016)

Taiwan's OTT insubstantial and inadequate services give foreign OTT great opportunity to enter Taiwan's entertainment market. As one of important global markets in entertainment industry, foreign OTT companies such as QIY, Dailymotion, Netflix and Line TV entered Taiwan's market and tried to provide various video streaming services to meet audiences' entertainment needs. In Asia-Pacific, Taiwan's market is much smaller than China. However, Digital Convergence Development Association (2016) claimed that amount of OTT service companies still straggle to enter Taiwan for the following reasons. First, there is high internet penetration in Taiwan. Due to the proliferation of access to internet, the users in Taiwan have increased shapely. A statistic from Institute for Information Industry (III) FIND in 2014 showed that the rate of connecting to internet (家戶連網率) is about 83.6% which means that 69.9 million people use internet. Although it slightly declined from 84.84% in 2013, the rate of people using internet still remain stable. Second,

the content providers trade authorization actively. Third, the public have high acceptance to foreign culture. Hence, OTT service companies from other countries consider Taiwan as an important market.

Coopetition (競合關係) between local media industry & foreign OTT

It seems that neither traditional media production industry nor OTT industry could survive and make enormous profits by themselves. Traditional media production industry can produce various contents but they do not have enough capital resources and platforms to show to audiences.

Although OTT industry own abundant capital and users, they are restricted to high-priced licensing fee of popular video contents. OTT services are inexpensive than traditional services but with lower quality. OTT providers need to solve this problem or users might turn to use competitive companies services instead (Škrbić et al., 2014) In addition, OTT has the potential to provide content owners with unprecedented direct access to viewers and unprecedented ability to establish and maintain a direct relationship with those viewers. This will disrupt or even destroy an entire industry (Giant Interactive's blog, 2016). Consequently, both industries may need to cooperate in order to create win-win situations. And QIY in Taiwan may be a great example to discuss.

Research Gap & Significance

QIY has entered into Taiwan's media industry for only one year and its company has already planned to cooperate with traditional media companies by their OTT services with 分甘同味 project. However, researches about OTT services in Taiwan are quite few and limited, this proposal studies how Taiwan traditional media environment has changed while OTT services entering into Taiwan's media market and how traditional media industry collaborate with foreign OTT companies, using QIY (an international OTT company) as a case study. By exploring 分甘同味 project of QIY, it might offer traditional media industry practitioners in Taiwan to build feasible business model and overcome predicament in media industry of Taiwan. Therefore, our research question is:

1. How does foreign OTT (QIY) cooperate with local media providers in Taiwan? Could this business model be applied to Taiwan media industry successfully?

Context of “Over the Top” content

The term “OTT”, for “Over-the-Top” video, typically refers to file streaming services over the open Internet, irrespective of the underlying network characteristics and ownership (Syed, 2015). OTT video services, also called “TV over Broadband”, defined as the distribution of video content to a wide range of IP-enabled devices (TVs, PCs, mobile phones and tablets) over the unmanaged Internet (Venturini, 2011). OTT video service can be divided into different kinds of categories, as shown in Table 1.

	OTT video services				
Categories	Rent and sale industry	Content industry	Multi-channel and platform industry	User-generated industry	Equipped platform industry
Companies or platforms	Netflix Amazon Blockbuster	Hulu Plus ESPN3 HBO Go MLB TV	Xfinity TV online TWCable TV	Youtube	iTunes Skype Google voice

Table1: OTT video services categories

Youtube, Google Voice, Skype are also belong to OTT. These platforms transport sounds, texts, or videos through the internet. People can sent and receive information more conveniently and rapidly. Over-The-Top technology has fostered the speed of communication with lower or even no extra charge. As a result, OTT platforms are becoming applicable.

TV over Broadband includes some advantages that traditional media are lack of, such as on-demand service, cross-platform access, and the improvement of easy-to-use. Hence, due to above reasons, OTT Undoubtedly become the mainstream of communication. Ericsson (2014) also claimed that two main developmental directions of OTT video service might be displacing the linear TV and the channels. However, with the prevailing of OTT, lots of traditional services are becoming disadvantaged. The proposal will focus on the adversity that conventional television industry has to face, and the impact which is brought by the rise of OTT technology.

Context of “Coopetition” content

Coopetition is a modern interaction model which adopted by many institutions from different fields. Various fields in management studies have taken profit from the notion of coopetition (e.g. strategic management, organizational studies and experimental economics) (Bastista & Dagnino, 2009). In this chapter, there is definition and illustration about coopetition in detail. Then talk about a case about coopetition in media industries.

Definition and originate of coopetition

Coopetition strategy is based on a combination of cooperation and competition, derived from an understanding that business competitors can benefit and create values when they work together.

The coopetition business model is based on “Game Theory” from economics. Game theory is the study of decision-making using mathematical formulae, looking at how people act in games or scenarios involving gains and losses (Neumann & Morgenstern, 2007). Through game theory we can gain insights into all activities in which human cooperate or compete. The theory implies the concept of zero-sum games, which means the winner takes all, and the loser is left empty-handed. However, the studies about coopetition which was presented by Brandenburger and Nalebuff (2011), claimed that coopetition leads to plus-sum games and makes a win-win situation for all players.

The coopetition strategy skeleton provides an encompassing basis for integrating theories of cooperation and theories of competition to generate an enhanced understanding of sustained business performance. A number of authors (Brandenburger & Nalebuff, 1996; Lado et al., 1997; Gnyawali & Madhavan, 2001) have emphasized the increasing importance of coopetition for today’s interfirm dynamics, scientific investigation on the issue of coopetition has not gone much farther beyond naming, claiming and evoking it.

Case about coopetition in communication industries

The concept of coopetition is widely applied in different field nowadays. Take communication industries for example.

Nokia, HTC, and Samsung are globally famous mobile-device brand, and most of the time they remain a competitive relationship. In 2014, S5, which is launched by Samsung, was encountered mockery by Nokia and HTC tweeted “Buyers remorse: Coming soon to S5 owners” and “Not the Samsung” with an attached image of a Windows Phone, respectively (Matyszczyk, 2014).

Most of the time, these companies compete with each other by tweeting various topics to attract the attention of potential customers and to improve their brand awareness. But from the case, it is found that these companies may also cooperate with each other to some extent (Sun, 2014).

Case study of OTT in other countries

Industries have gone through or are going through a digital transformation process and were also reshaped by the internet. It seems like OTT video have affected business models and success factors from content creation to distribution in the TV industry. The following are some case studies that how local media providers determine their strategies to deal with digital transformation around the world.

Case study: OTT services in Brazil

The Latin American market is large and complex because of its’ specific political, economic and social aspects in different countries. Despite that Brazil OTT development is still at early edge compared to other regions, OTT services in Latin America have skyrocketed and grow drastically. According to ooyala’s research, the OTT market generates around US \$1.84 billion in revenue by 2018, compared to US \$510 million in 2014. This is more than a 262 percent increase within four years.

Traditionally, local media providers gain 100% revenue from the communication service they offered. In the past few years, it has been reported that revenue growth decrease and profit shrink due to growing OTT services. OTT makes local media providers to face significant challenges when dealing with impacts on their services, business models and traditional revenue sources.

Local media providers understand that they need to develop new strategies and different business models in order to catch up with OTT viewing trend. Many local media providers have created

unprecedented initiatives, offering new bundled services or even developing their own OTT. For instance, bundled service may include (across country or across a given regional area, such as Mexico, United States and Canada) video streaming services, a number of local initiatives come from the operators developing their own OTT services. Local media providers have to face the challenges with creativity and flexibility result from OTT services and adapt to evolving media environment (Bounaira, 2016).

Case study: OTT services in Bosnia and Herzegovina

OTT plays an important role in Bosnia and Herzegovina. Due to high-population of using smartphones, OTT service, including Facebook, Viber, WhatsApp and YouTube, has grown dramatically between 2012 and 2013 which is expected to expand in the future.

As for traditional telecom operators, however, OTT services are extremely strong competitors. These traditional company’s revenue decline sharply. Hence, for the short-term telecom operator’s solution, they execute a strategy blocking OTT services, which means these operators can charge extra fee or block the users who endeavor to access to OTT services. And for the long-term solution, traditional operators figure out that they can make the content individually, and OTT, it is just a platform, it can do nothing without internet. Therefore, they form their OTT platform to offer their own OTT service to cope with the OTT challenges. For example, My Web TV.

My Web TV is BH Telecom OTT service. BH Telecom acclaimed that My Web TV service will provide different quality from BH Telecom IP Television (IPTV) service and different package to different group, including existing BH Telecom broadband internet access service packages, subscribers and users of other Internet service providers, as presented in Table 2. It is available for anyone who can access to internet (Škrbić et al., 2014).

	<i>BH Telecom subscribers</i>	<i>Prepaid users</i>
<i>Activation Fee</i>	0,00 KM 1 KM	0,00 KM 17,094 KM

Table 2: rates for different groups of “MOJA WEBTV”

Case study: OTT services in Japan

According to the survey in 2012, top three television media who have most subscribers are broadcast TV, cable TV, and satellite TV (總務省, 2014). Television is probably the most popular media in Japanese family daily life. Shimura (2014) report that 99.8% of families in Japan have at least one television in the house, and averagely spend 3 hours a day watching TV. From the statistics, Asami (2011) had inferred that although broadcast TV was still the market leader, the competition of online video service was just begin. Another research shows that the users of broadband network is increasing (Kato, 2014). The popularity of Internet gave OTT platform a good chance to grow vigorously (see Table 3).

Media\Years	2009	2010	2011	2012
Broadcast TV	3,893.2	3,975.1	4,027.4	4,082.9
Cable TV	1,475.2	1,567.2	1,649.6	1,737.4

Table 3: TV subscribers in Japan (unit: 10thousand) Ministry of Internal Affairs and Communications, 2012

Since 2013, because of the decrease in rating, traditional television station such as Fuji TV, Nippon TV, TV Asahi, TVS, TV Tokyo started to operate their own OTT platform, offering high quality and free contents (Shimura, 2014).

Foreign company also entered the Japan market during the similar time. HULU, Netflix, and Amazon Prime Video joined the competition. However, the higher fee and the lack of local program made the alien company didn't get a good performance. Finally, HULU sold a part of it to the local TV station (TechNews, 2016).

Netflix entered Japan in 2015, learning form the experience of HULU. In order to expanse its scale, Netflix set a cheaper fee which is lower than other foreign OTT platform companies. Without the decrease, Japanese wouldn't embrace the Netflix.

In addition to the cheaper charge, another critical factor is the coopetative policy that Netflix implemented. It corporate with Fuji TV, the traditionally local TV station, producing a new soap opera which determines the Japanese audience (TechNews, 2016). Create a great cooperative case

between two media. After that, Netflix had a stable development in Japan market.

According to the report in television leisure time-spending, Japanese spend 95% in local show. However, subscribers of Netflix spend 30% to 50% in English show (吳家豪, 2016). As a result, the data show that Netflix not only assimilate into the local market, but also change the orientation gradually. This kind of cooperative strategy seems available in Japan media market.

QIY OTT service in China & Taiwan

QIY in China

In China, QIY is the most popular OTT service and has explosive growth. With viewing habit changing, QIY attempts to advance their OTT service technology and provide more TV programs or network dramas to users. According to 中國互連網絡發展狀況統計報告 from CNNIC in 2016, it showed that users use internet to watch TV programs have grown sharply during 2014 to 2015, as showed in figure 1 (尤騰毅、曾家宏, 2016) .

Figure 1: 2014、2015 年中國大陸影視收視用戶規模



Resource: 中國互連網路信息中心、MIC 整理, 2015 年 4 月

Nowadays, QIY has almost 10 million VIP members and becomes most influence OTT company in China (張司南, 2016) . The reasons why it has optimistic prospect, owing to its accurate business model, improvement of content and advance of technology. First, QIY adjust its business model, changing from advertisement-oriented to member-oriented. Most users have an antipathetic attitudes toward exceeded advertisements, signing up and becoming paid members can ameliorate this situation, which is now main income of company. With the exception of paid

members, it has free-members as well which was paid by advertisement revenue (顏理謙, 2016). Second, to ensure QIY market exclusivity and program access exclusivity(節目獨家播映權), it improves the content by making its own TV programs, cooperating with movie producers or acquisition other media company's copyright (尤騰毅、曾家宏, 2016). Gong Yu, the CEO of QIY said that, "QIY is a company founding on IP (Intellectual Property) which is a principal property of company. Also, it collaborates with other IP company to create high-quality programs." QIY provides diverse TV programs, such as, entertainment TV shows, talk shows or TV series, to enhance users' adhesive capacity (張司南, 2016). Third, QIY straggle to cooperate its own programs with VR technology in the future called "iVP" plan. The users can use specific APP to see VR film which make them feel the same in theater. (PingWest, 2016)

QIY in Taiwan

Recently, QIY has expanded its market into external market. In 2015, they start to move to Taiwan, the biggest Chinese market apart from China, and build the significant milestone. Due to Taiwanese watching habit and outstanding internet technology, QIY provides amount of dramas and various TV series. In the past, QIY cooperated with Taiwanese producers and made a TV series called 滾石愛情故事 which broadcasted on OTT online platform. Furthermore, QIY purchased TV series copyright, such as, 我可能不會愛你 and broadcasted them on its online platforms as well. In the future, QIY plans to integrate Taiwanese culture into online programs. Young Ming, the manager of QIY in Taiwan, also announced, "For high-originality in Taiwan media industry, we plan to cooperate with Taiwanese teams to shoot programs." It is estimated that QIY will invest about one billion to acquisition Taiwanese online or TV programs in one year (林韋伶, 2016). However, QIY was failed to apply the company last year, hence 歐銜銜娛樂 company became its agent nowadays (顏理謙, 2016). As to the service in Taiwan, QIY in Taiwan adapts the same business model and member-oriented systems as in China. Will it be as successful as China? The research will discuss about this below.

Methodology

In this research, it tends to use secondary data and in-depth interview to analyze QIY OTT in Taiwan. First, analyzing secondary data by collecting the data or pieces of information about this from papers, official statistics (e.g, revenue, ratings and so on), newspaper and its editorials to evaluate QIY business model in Taiwan.

Second, in-depth interview will be adopted in this proposal. The participants are about 6 people, including QIY CEO, QIY executive and famous producers in Taiwan, as showed in table 3. Through in-depth interview, referring to appendix 1, it can be known more about QIY business model in Taiwan.

job title	Name
CEO of QIY	Gong Yu (龔宇)
Vice Chairman of QIY and General Manager in Taiwan	Young Ming (楊鳴)
《滾石愛情故事》 executive producer (Broadcasting on QIY OTT video)	Ma Freda (馬宜中)
《我可能不會愛你》 producer (Broadcasting on QIY OTT video)	Chen Zhi-han (陳芷涵)
Famous Director in Taiwan	Ye Tianl (葉天倫)
Famous producer in Taiwan	Wang Wei-Chung (王偉忠)

Table 3: in-depth interview participants

Expected result

By the end of our research, we expect that QIY business model can be applied to Taiwan successfully and makes a significant impact on Taiwan media industry. However, it also indicated that QIY still has inevitable challenges to conquer. For example, Taiwan's laws, broadcasting Act, still do not allow QIY to establish company here. From another aspect, Taiwan should struggle to legislate for regulating these foreign OTT companies as well. How to response properly and create a win-win situation is still a difficult issue to discuss.

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This research proposal is written by the students in Group 1 in the course “Integrated Academic English Skills” at the Center for Language Studies in National Chung Cheng University.

Appendix 1: Interview Outline

A. basis information

1. Interviewing time:
2. Interviewing site:
3. Interviewing participant:

B. Interview outline

1. 請談談 QIY 與台灣製作人合作經驗

Please share the experience about the collaboration between QIY and the producers in Taiwan.

2. 版權買賣目前狀況如何？是否有糾紛或是問題出現？如何解決與避免？

What the current situation of Rights trading? Is there any conflict or problem? How to solve them and avoid them in the future? Please explain.

3. 近年來，QIY 嘗試與台灣影視產業合作，例如：製作連續劇、節目授權等等，對台灣的影視業者有何利弊與衝擊？

Recently, QIY has been tempted to cooperate with Taiwan media industry, such as, making online series, authorized program etc. What impact might cause on Taiwan media industry?

And explain pros and cons.

4. 在經營模式上，台灣業者主要提供節目內容給 QIY，而 QIY 則是提供資金購買台灣版權，這個經營模式在未來會有什麼轉變？

In QIY business model, Taiwan media industry principally offer contexts to QIY and QIY mainly provides funds to buy the copyright from Taiwan. How this business model be changed in the future? Please explain.

5. 面對其他 OTT 競爭者以及台灣傳統產業，QIY 要如何應對？

QIY how to response to the competitors from other OTT service and Taiwan traditional industry? Please explain.