

# THE ECONOMIC IMPACT OF VIDEO ON-DEMAND SERVICES IN KOREA



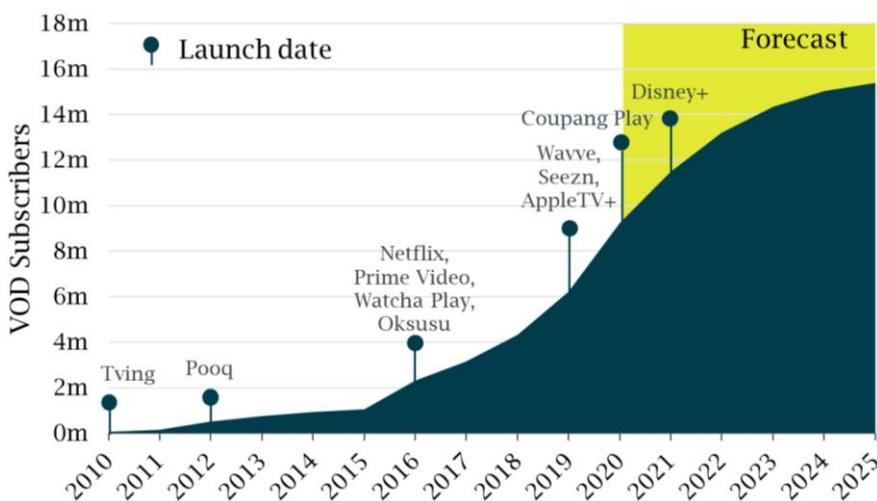
2021

# THE ECONOMIC IMPACT OF VIDEO ON-DEMAND SERVICES IN KOREA

## 1. VOD takes off in Korea

Korea supports a vibrant video on-demand (VOD)\* sector with consumers spoilt for choice of services. The popularity of the services, and the local content they offer, has been growing and nearly **9m** Koreans subscribed to VOD services in 2020 (Figure 1).<sup>1</sup> In addition, **53%** of internet users in Korea use VOD at least once a week,<sup>2</sup> spending **63%** of their time on VOD services watching local content.<sup>3</sup>

FIGURE 1 GROWTH OF VOD SUBSCRIBERS OVER TIME



Source: Ampere

Note: VOD subscribers include any VOD subscription customers that pay a fee. Launch date is the year the service could be first used in Korea. Figures from 2021 are forecast

VOD related revenue is increasing. Revenue generated by Korea's broadcasting and online video sector grew by **94%** between 2010 and 2019 following the entry of VOD providers including Netflix,

\* The term video on-demand refers to professional and curated online video content and does not include user-generated platforms such as YouTube. Alternative terms can be used to describe video on-demand services, including direct-to-consumer services (DTC) and online curated content (OCC).

## EXECUTIVE SUMMARY

This White Paper summarises research Frontier Economics has undertaken into the economic impact of protectionist policies in video content production. It also highlights the impact that VOD providers have in Korea, and the implications for policymakers who wish to encourage and reap the benefits of such investments.

**Video on-demand (VOD) services have important direct and indirect economic effects on the country's audiovisual (AV) industry.** VOD providers make significant investments in Korean content and the AV industry, creating jobs and promoting local content. VOD services are in high demand from consumers, who especially prize domestic content. This drives investment by VOD providers in high-quality productions made in Korea that they then showcase to global audiences.

**These investments bring benefits to the economy and society more broadly.** Investments in training or infrastructure spill over to the AV sector as a whole. They can also spur tourism, enhance Korea's global reputation and support wider social goals.

**To promote made-in-Korea productions policies should focus on increasing the supply of investment, not decreasing the incentives to create local content.** Some policies (e.g. tax incentives) can significantly boost investment, but others can act as deterrents.

We have found that tough policy restrictions *reduce* broadcasting exports and are associated with lower investment in content.

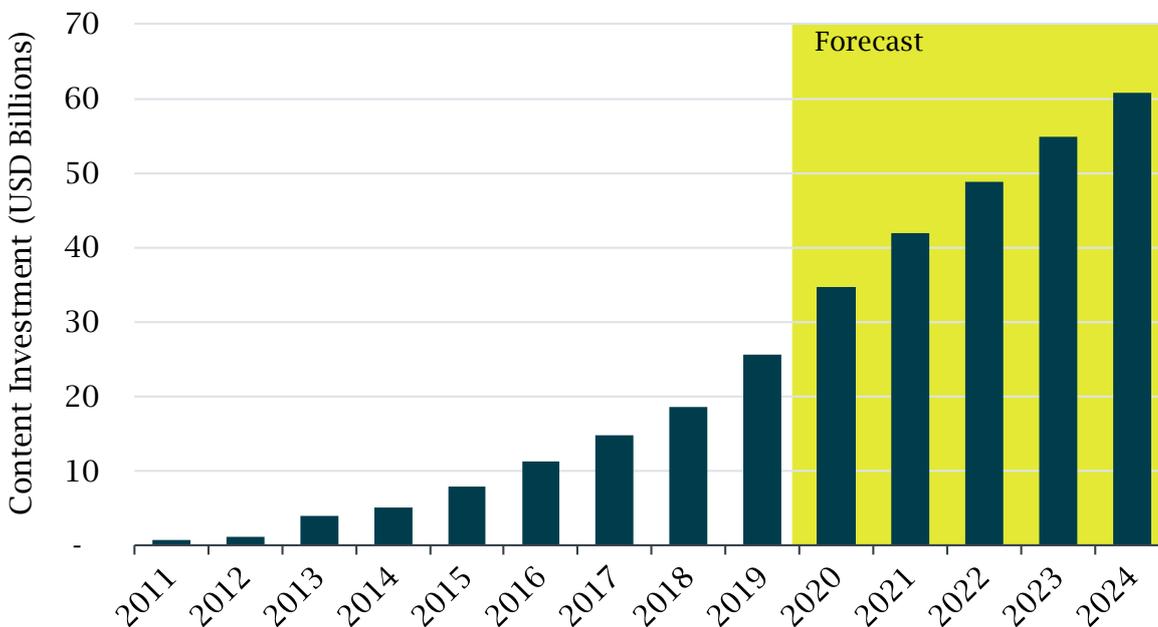
Tving, Wavve and Prime Video. The sector has been further strengthened by the recent launch of Coupang Play. Others, such as Disney+ are expected to launch in 2021. Since 2010, the revenue of VOD services has risen to **\$299m (KRW348bn<sup>4</sup>)**<sup>5</sup>.

## GLOBAL INVESTMENT, LOCAL IMPACT

### 2. VOD services generate creative content boom

VOD providers invest heavily in content to support their services globally. In 2019, VOD providers directly invested **\$25.7bn (KRW29.9trn)** in VOD content worldwide, including original and licensed titles. This sum is likely to soar to **\$61bn (KRW71.1trn)** by 2024.

**FIGURE 2 GLOBAL VOD CONTENT INVESTMENT 2011 TO 2024**



Source: Ampere

The significant increase in content investment in the pipeline includes:

- The Walt Disney Company’s plans to invest **\$14bn-16bn (KRW16trn-19trn)** per year in global VOD content by 2024;
- ViacomCBS’s plans to ramp up investment in VOD content to **\$5bn (KRW5.8trn)** in 2024;<sup>6</sup>
- WarnerMedia’s parent company, AT&T’s, pledge to invest **\$4bn (KRW4.7trn)** in HBO Max in the three years through 2022;<sup>7</sup> and,
- Forecasts that Netflix will spend **\$28bn (KRW32.6trn)** a year by 2028.<sup>8</sup>

### 3. VOD services are investing in Korean content

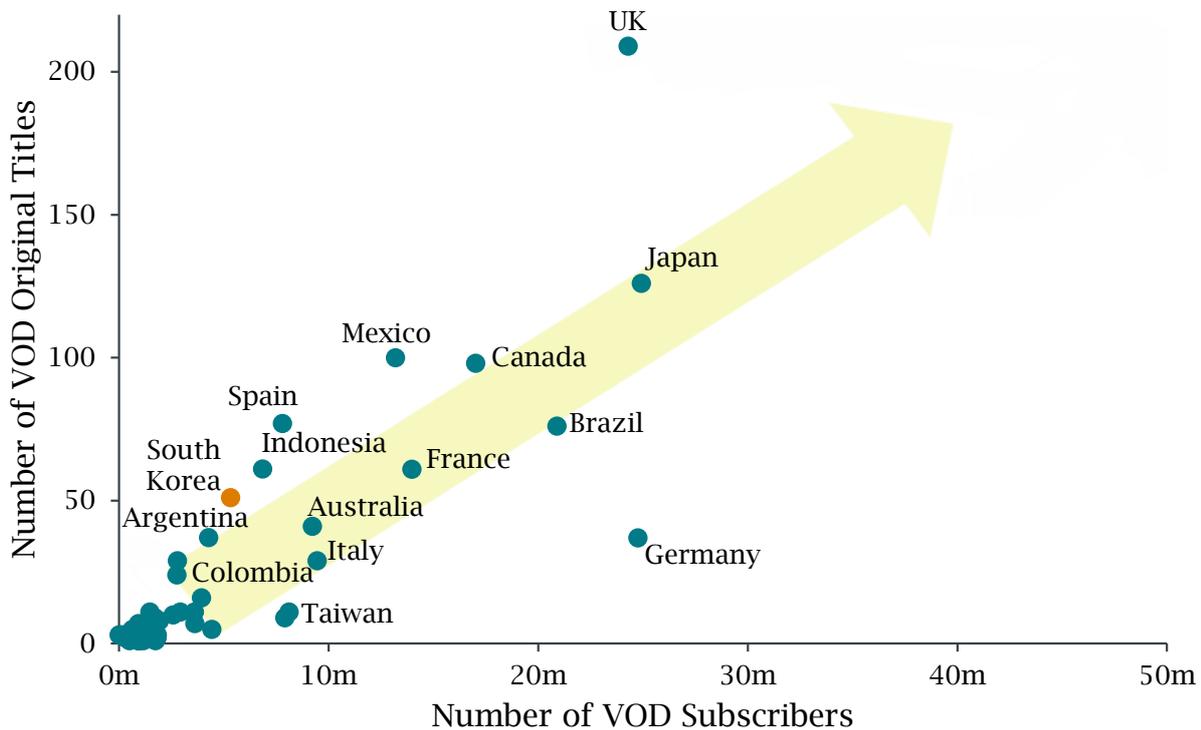
Frontier Economics’ research aligns with previous work that has found that there is strong consumer demand for local content and this demand drives local content production. VOD providers want to meet

this demand and are investing locally through original productions and licensing local titles. As a country’s subscriptions grow, so do the incentives to produce content from the country. Notably, the geographic distribution of VOD investment in original titles is broadly proportionate to each country’s number of global VOD subscribers (Figure 3). This relationship holds true in Korea, where Korea has a large number of VOD original titles relative to the number of VOD subscribers. In addition, it is no surprise that, as in other major markets where subscriber numbers are growing, the production of local VOD content is expanding to meet the demands of a growing number of subscribers.

In addition, VOD providers are not only investing in Korean content for domestic subscribers. Korean TV, films and culture is popular around the world and VOD providers are investing in Korea to meet demand from worldwide audiences.

It is important to note that leading providers invest in local content, and the local industry, not only for their VOD services but for all their channels, including linear and theatrical distribution. In 2019, The Walt Disney Company, NBCU, WarnerMedia and ViacomCBS collectively poured **\$45bn (KRW52.4trn)** into content spending and creation globally (excluding sports) across their distribution channels, which they will partly monetise on their VOD services (Disney+, Peacock, HBO Max/HBO GO and Paramount+ respectively).

**FIGURE 3 RELATIONSHIP BETWEEN VOD SUBSCRIBERS AND COUNTRY SPECIFIC VOD “ORIGINAL” TITLES**



Source: Frontier analysis of Ampere and Media Partners Asia data

Note: VOD subscribers include any global subscription VOD customers in 2019 who paid a fee. A title has been included as a VOD original title if it was produced by the VOD service and released only on the VOD service. The sample of titles reflects the catalogues of VOD providers available in the following countries: Argentina, Brazil, Canada, Colombia, India, Indonesia, Mexico, Korea and Taiwan. VOD services included in the sample of titles are: Netflix (19% of titles), Amazon Prime Video (15%), Hotstar (8%), Wavve (8%), iflix (5%), Eros Now (5%), WatchaPlay (5%), HamiVideo (4%), Hooq (4%), Claro Video (3%), friDay (3%), myVideo (3%), Looke (3%), SonyLiv (2%), VIU (2%). Others (inc. Globo Play, CraveTV, Vidio and Crunchyroll – 11%). The data includes content titles that were available between June 2017 and April 2020, and an additional set of titles that were available in October 2020 in Indonesia, so does not reflect the most recent releases. All countries that have had a VOD original title produced in their country are included in the analysis. China has been excluded as data was not available. Note that USA and India are not included in the figure since they are outside the limits of the scale. See technical annex for further detail.

VOD providers have plans for substantial investments in original and licensed titles that will further bolster employment and the creative economy in Korea.

- Netflix has announced that it will spend **\$500m (KRW582bn)** in 2021 on film and TV series produced in Korea. In the period from 2015 to 2020, Netflix invested **\$700m (KRW816bn)** to expand its slate of Korean content and established two purpose-built production facilities in the country. As well as acquiring rights to existing Korean content, Netflix has made more than **80** original shows and films locally and has announced more to be released this year.<sup>9</sup>
- In addition, Netflix has signed long-term contracts with Studio Dragon and Jcontentree, two Korean production companies, which over three years will bring more than **40** Korean dramas to Netflix.<sup>10</sup>
- Disney+ is expected to launch in Korea this year and has already started to invest in original programmes made in Korea.<sup>11</sup>
- VIU, a regional VOD platform, has announced plans to invest heavily in Korean content due to demands from their subscribers across Southeast Asia. VIU has announced multiple pieces of original Korean content to be released in 2021 including *River Where The Moon Rises*.<sup>12</sup> The VOD provider also recently announced volume deals with five major TV broadcasters in Korea.<sup>13</sup>
- When Wavve launched in 2019, following the merger of two local VOD services (Oksusu under SK Telecom and Pooq, jointly owned by broadcasters KBS, MBC and SBS), Wavve committed to investing **\$900m (KRW1trn)** over the next five years in local original productions and also licensing foreign content.<sup>14</sup> This includes building its own content studio to expand its in-house capabilities.
- Earlier this year, CJ ENM announced a partnership with production company JTBC Studios to operate CJ ENM's VOD platform Tving. The joint venture will invest **\$365m (KRW425bn)** in production costs over the next three years.<sup>15</sup>

#### 4. VOD creates jobs and delivers returns for the economy

The media companies offering VOD services create jobs directly in the production sector across multiple lines of business. These lines include VOD services, feature film, TV content production, distribution of pay TV channels and the licensing of consumer products. Additionally, according to research on average **60%** of production costs are spent outside the specific AV sector in the general economy on inputs that media companies investments require, for example on catering, hospitality, construction and legal services.<sup>16</sup> This spending broadens the employment benefits and the media sector's contribution to the Korean tax base.

- The film and television industry directly contributed **\$7.1bn (KRW8,280bn)** to the Korean economy in 2018, with the VOD sector directly contributing **\$206m (KRW240bn)** to this.<sup>17</sup> The contribution by the VOD sector more than tripled to **\$669m (KRW780bn)** in 2020.<sup>18</sup>
- The film and television industry directly supported **78,010** FTE Korean jobs through their investments and operations in 2018.<sup>19</sup>

- The economic impact of the industry stretches beyond the direct impact. The total contribution of the film and television industry to GDP in Korea in 2018 was **\$17.4bn (KRW20,300bn)**, creating **\$5.4bn (KRW6,260bn)** in tax revenues.
- The “employment multiplier” measures the amount of direct, indirect and induced jobs created in the area through investment. The multiplier for the creative economy in Korea also means that for every new position in the film and television sector, around **2.72** jobs are created in other sectors of the economy as a result.<sup>20</sup> In 2018, the film and television industry supported **315,400** jobs both directly and indirectly through supply chains, with VOD investments supporting **7,820** of them.<sup>21</sup>

## 5. Koreans are finding the local content they demand on VOD services

Frontier Economics surveyed 1,000 internet users in Korea and found that Korean consumers demand a diverse array of content, both local and international, and that so far VOD services are delivering content consumers want and love.<sup>22</sup>

Consumers feel it is important that VOD services provide local content. Korean consumers use their VOD services to watch local, Korean content as 63% of the programming they stream is from Korea. As consumers in Korea adopt VOD services at a rapid pace, the survey data shows that VOD services are already keeping their customers satisfied by meeting the demand for diverse local content



**63% OF HOURS WATCHED ON KOREAN VOD SERVICES WAS LOCAL CONTENT**<sup>23</sup>



**43% OF KOREANS CONSIDER IT IMPORTANT THAT THEIR VOD OR TV CONTENT SERVICES PROVIDE LOCAL CONTENT**<sup>24</sup>



**57% OF CONSUMERS ARE SATISFIED WITH THE AMOUNT OF LOCAL CONTENT ON THE VOD OR TV SERVICES THEY USE**<sup>25</sup>



**42% OF KOREAN VIEWERS THINK THAT THEIR VOD SERVICES PROVIDE EITHER A GOOD LEVEL, OR THE BEST LEVEL OF CONTENT THAT IS MADE SPECIFICALLY FOR PEOPLE IN KOREA**<sup>26</sup>

## 6. VOD providers bring Korean content to the global stage

International VOD providers are in a position to expand the reach of Korean content to a global audience. VOD services offer unprecedented scale and reach to diverse viewers, including niche audiences that have long sought to watch Korean content from the comfort of their home on a completely different continent. By meeting this demand, VOD services are supporting local producers, Korean exports and promoting the country’s artists and culture.

In addition, VOD services can support hallyu and increase the reach and growing popularity of Korean culture around the world. VOD services will be able to continue to directly share Korean content with consumers spreading the influence of Korean culture and increasing demand for Korean products, food and clothing.

## CASE STUDY VOD CONTENT INVESTMENT IN KOREA: *KINGDOM*

*Kingdom* was Netflix's first original Korean series. It was popular both within Korea and globally and was renewed for a second series. The production was also different to traditional Korean TV productions both due to the length of episodes but also due to its mix of cast and producers who had experience in films as well as TV.

It was produced in Korea using Korean cast, crew and producers. The show's success in Korea and abroad seemed to be a catalyst for investment in online content in Korea both by Netflix and other VOD providers. A

recent report stated that "*Netflix Korea took its time, building partnerships with local providers to populate its streaming offerings, and eventually delved into Korean originals with the series Kingdom, which debuted in 2019. The show was a hit both at home and abroad and proved to be a catalyst for Korea's fledgling online market. ... As the market for Korean content has globalized, a large number of new players have entered the content creation field, some from overseas, but many from within Korea.*"<sup>27</sup>



## INVESTMENTS BRING WIDER ECONOMIC BENEFITS

### 7. VOD investment spurs skills, innovation and infrastructure

Content investments by VOD services and the media companies backing them create economic benefits for the broader AV sector. Policymakers should consider these benefits when setting the policy and regulatory environment: by supporting investments and providing regulatory certainty, they enhance the capacity and capabilities of the entire sector.

- Investment by VOD providers in training and skills ripples through the AV industry as highly proficient workers shift jobs and collaborate with others. The spillover effects have been found to increase with the size of investment.<sup>28</sup> Netflix is working in partnership with the Korean Animation Producers Association to run workshops aiming to improve the film and writing skills of locals.<sup>29</sup>
- Innovations introduced to Korea on the back of inward investment will diffuse around the industry and be taken up by other domestic productions in Korea.<sup>30</sup>
- Investments in infrastructure such as studio space or post-production facilities increase the capacity and capabilities of the industry as a whole. For example, Netflix has invested in two studio production facilities in Paju-si and Yeoncheon-gun, just outside of Seoul, in Gyeonggi Province, Korea totalling **16,000** square meters of space.<sup>31</sup>

## 8. VOD investments produce broader benefits for Korea

VOD investments bear fruit beyond the AV sector. More broadly, the creative industries disproportionately generate wider economic impacts. Specifically, the industry can connect people, cut across cultural and political divides, and act as a source of identity and expression. Content is a uniquely powerful tool to aid national integration, deliver social messages and project Korea's culture and influence on the global stage. Also, through training partnerships and content decisions VOD services can also help achieve broader social goals such as diversity and inclusivity and affect public opinion.

Investing in content can be a magnet for tourists who want to see where their favourite show was shot. By showcasing Korea it raises the country's international profile and reputation. VOD services, with their ability to bring Korean content to a global audience, are exceptionally well placed to stimulate tourism and generate wider reputational benefits for Korea long after a title's initial release.

Content-induced tourism is on the rise. A TripAdvisor survey suggested that **20%** of global travellers have visited a destination because they saw it in a TV show or movie.<sup>32</sup> One example is Netflix's original series *Kingdom* which led to tours of Changdeokgung Palace being offered by the Korea Tourism Organisation titled: 'Become A Character In *Kingdom*" Changdeokgung Palace Tour'.<sup>33</sup>



## HELP INVESTMENT, DON'T HINDER IT

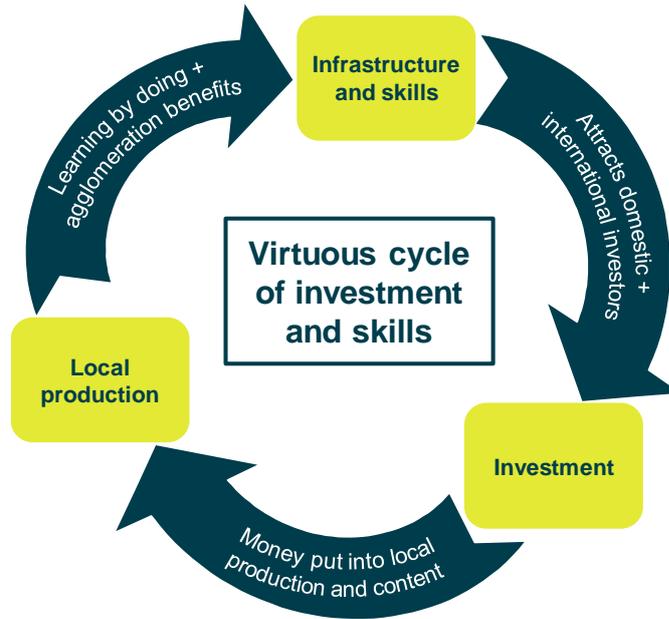
### 9. Pro-investment policies can keep Korea's audiovisual sector growing

Governments benefit when they attract investment in content: this high-value-added activity makes a disproportionately large contribution to GDP, supports skilled, well-paid employment, and supports a country's exports.

However, production of top-quality content is costly. It requires sector-specific infrastructure, state-of-the-art technology, complex production processes and large crews of highly trained specialist workers from many different trades. At the same time content creation, like any art form, is a risky investment.

Policies such as tax rebates or subsidies that mitigate the risk and high fixed costs of content creation have been found to significantly increase content investments.<sup>34</sup> Policymakers can also ensure a strong supply of skilled, high-value workers by supporting training and education programmes that will benefit both global and Korean providers of local content.

A policy framework that encourages investment in Korea's AV sector could underpin a virtuous circle of investment.<sup>35</sup> Catalysing investment in infrastructure and skills enhances the industry's capacity and capabilities. This in turn makes it an increasingly attractive location for new investment.

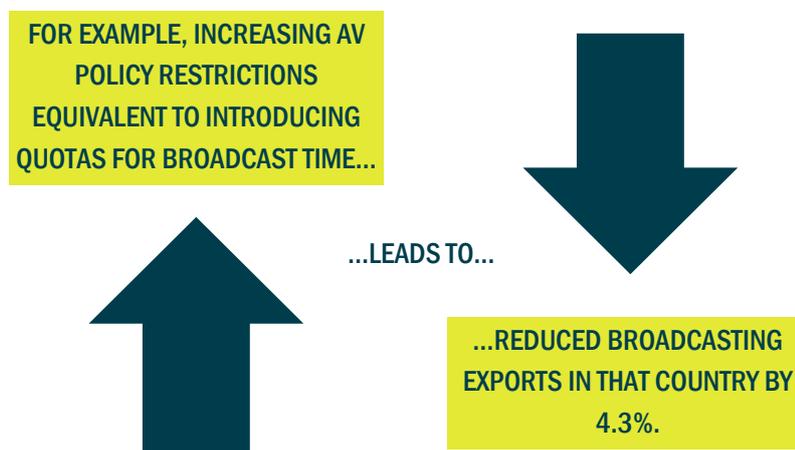


These policies can nurture the growth of self-sustaining “creative hubs of local production” with firms incentivised to locate and concentrate activities in Korea to the benefit of the country’s economy. For example in Korea, Netflix’s Post-Production Partner program is profiting post-production firms such as Adone Studio. The collaborative scheme aims to improve the quality of post-production work including dubbing, audio description, scripting, and quality control.<sup>36</sup>

In Korea, policies that discourage or constrain foreign investment and market entry can disrupt this virtuous cycle. Instead of the local AV sector enjoying rising investment, cutting-edge infrastructure and ever-higher skill levels, protectionism and heavy-handed policies may hamper innovation and growth opportunities in the long run.

## 10. Our research finds that protectionism reduces audiovisual exports

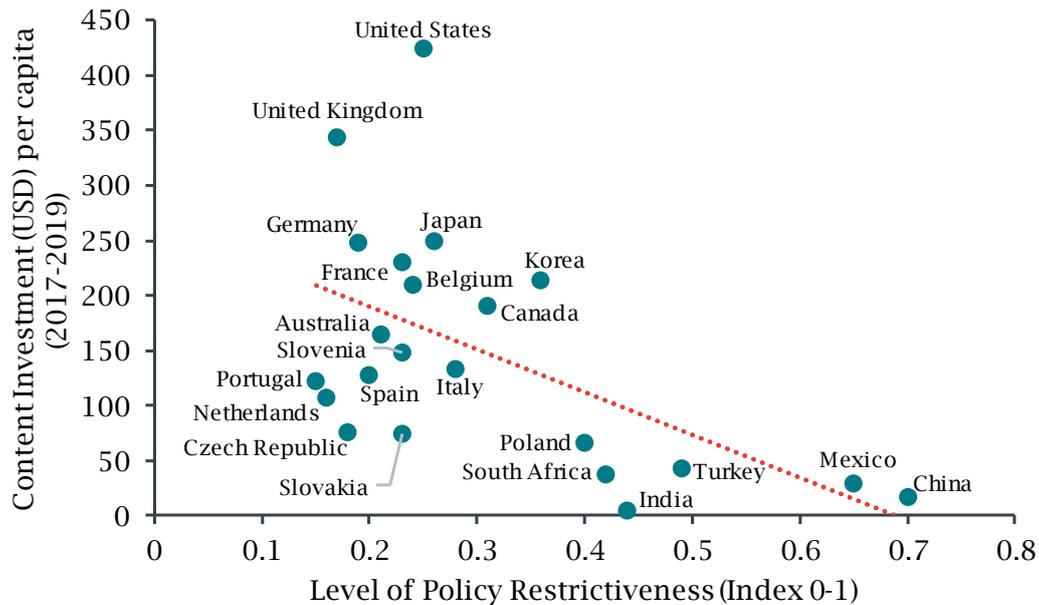
Protectionist policies intended to shield local companies from international competition could result in local industries that are inward-looking, less innovative and less able to produce high-quality content that is in demand internationally. Many countries have cultural policies aimed at promoting local content, but some come at a cost and prove ineffective at achieving the goals they pursue. Our analysis, which examined the relationship between protectionist policies and audiovisual trade, found that higher levels of protectionist policies are **negatively associated with AV exports**.<sup>37</sup>



## 11. Put up barriers and you may put off investors in content

Countries that have greater policy restrictions tend to have lower levels of investment in broadcasting content. While there are many other factors at play,<sup>38</sup> Figure 4 below is consistent with the hypothesis that tougher curbs discourage investment in the broadcasting sector (at least for the countries selected).

**FIGURE 4 RESTRICTIVE AV POLICY CORRELATES TO LOWER INVESTMENT (SELECTED OECD COUNTRIES AND CHINA)**



Source: Frontier analysis of Ampere and OECD data

Note: All values of content investment are nominal. Countries were selected based on data availability and include OECD countries and China. The level of policy restrictiveness is the OECD's broadcasting-specific Services Trade Restrictiveness Index (STRI), which captures the level and range of non-tariff barriers in services trade within the sector. The STRI is a widely used measure of policy restrictions on services used by academics and policymakers. The STRI is an index between zero and one attributed to each country, where zero would imply no policy restrictions, and one the highest possible policy restrictions.

## 12. Restrictions reduce incentives

The AV industry is growing globally and in Korea, benefiting the local creative sector and the broader economy. Policymakers can encourage this growth to continue. While protectionist restrictions can have a number of legitimate policy objectives (e.g. whether to support the creation or consumption of local cultural content or to help the home-grown AV sector), they can also have adverse impacts, such as:

- 1 Restrictions can drive up costs for domestic and foreign companies, reducing competition and raising prices for consumers.<sup>39</sup>
- 2 Policy restrictions that erect barriers to inward investment deter the influx of international capital, talent and skills, and can restrict the arrival of new techniques and innovations that inbound investment brings.
- 3 Onerous definitions of "local content" for the purpose of defining quotas, or other restrictive policies, can discourage investment in local content and the local industry.<sup>40</sup>

- 4 Broadcast-time quotas are designed to nudge consumers towards local content but implementing them for VOD services can be problematic.
- Quotas applied to VOD services may **not be effective** in changing tastes, as consumers choose their content on demand.<sup>41</sup>
  - Quotas can **distort incentives**, as providers are motivated to focus on the *quantity* of local content rather than its *quality*, which could have less of an economic impact.<sup>42 43</sup>
  - VOD services may **reduce the size of their overall libraries** in proportion to the volume of local content that they are able to license, leading to less choice for consumers and less investment in wider production by VOD services.
  - Quotas can **create barriers to entry** as they may disproportionately affect smaller VOD entrants rather than established VOD providers with large domestic customer bases.

As a way for the local industry to learn and grow, joint productions with foreign companies may be more effective than restricting the entry of international providers.

Protectionist policies can also have adverse impacts through increase costs, restricting investment and ultimately limit the content available to local consumers, with potentially further negative consequences for the creative industries in Korea. Some protectionist policies may have the unintended effect of increasing levels of piracy. Piracy drains a market's audiovisual economy through reducing the returns on investment, reducing the incentives of creatives to innovate and produce new content and it reduces government tax revenue as legitimate business revenue streams are hit. **17%** of VOD users in Korea have said that they would watch or download VOD content from unauthorised services if it was not otherwise available, to the detriment of both the country's economy and its culture.<sup>44</sup>



## VOD CAN HELP KOREA'S AV INDUSTRY CONTINUE TO FLOURISH

Korea has a vibrant film, television and video on-demand industry which brims with potential. VOD services make a significant and growing economic contribution within that sector. Consumers are increasingly subscribing to VOD services and as a result the services are delivering the content made in Korea that consumers

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want and love. VOD services can be Korea's shop window to the world: offering international audiences the best of Korean content.

By carefully calibrating policy to incentivise investment Korea will benefit from the wider benefits such as increased employment, higher economic output, higher exports, a growing skills base, and expanding sector infrastructure. This in turn creates conditions to attract new investment. Policymakers should be mindful of potential unintended consequences of some types of protectionist policies which can reduce incentives to invest, lower economic outputs or exports; or increase piracy. By working with producers and production companies policymakers can create the right conditions to support investment which allows the creative sector in Korea to continue to flourish.

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<sup>1</sup> VOD subscribers counts the number of paid subscriptions there are to VOD services in Korea. These are often used by more than one person usually within the same household.

<sup>2</sup> Results are from an online consumer survey of 1,006 Korean internet users ("Kantar Survey"). The survey, designed by Frontier Economics, was conducted by Kantar between 30<sup>th</sup> November and 14<sup>th</sup> December 2020. See technical annex for further detail. Question: *How often do you watch Online video subscription services (VOD) which offer professionally-produced full length movies, shows or series on online video services on demand for a regular fee?* Base: All respondents (1,006)

<sup>3</sup> Kantar Survey, Question: *When you watched your Online video subscription service (VOD) last week how many hours did you spend watching local content from your country?* Base: Respondents who watched subscription VOD at least once a week (534)

<sup>4</sup> The average 2019 USD-KRW exchange rate has been used to convert USD figures into KRW. OECD Exchange Rates.

<sup>5</sup> Ampere, Subscription VOD revenue in 2019, extracted October 2020

<sup>6</sup> Deadline, *With Ambitious Paramount+ Launch, ViacomCBS Targets 65 Million-75 Million Streaming Subs By 2024*, February 2021

<sup>7</sup> Variety, *Inside HBO Max, the \$4 Billion Bet to Stand Out in the Streaming Wars*, May 2020

<sup>8</sup> Fortune, *Netflix will spend over \$17 billion on content in 2020: Analyst*, January 2020

<sup>9</sup> CNBC, *Netflix to spend \$500 million in Korea this year to develop new content*, February 2021

<sup>10</sup> Asia Times, *Netflix buys big into K-dramas*, January 2020

<sup>11</sup> NME, *Kang Daniel in talks to make acting debut on Disney+ series*, February 2021

<sup>12</sup> PCCW Press release, *Viu announces new Korean Viu Original drama series River Where the Moon Rises*, January 2021

<sup>13</sup> Forbes, *Hong-Kong Based VIU Expands Korean Content And Invests In Adaptations*, July 2020

<sup>14</sup> Deadline, *Leading South Korean OTT Platform Content Wavve CEO Talks \$900M Originals Drive, International Roll-Out & Season 2 Of Hit Anthology Show 'SF8'*, April 2021

<sup>15</sup> YonHap News Agency, *Video streaming services focus on original content in S. Korea amid new competition*, January 2021

<sup>16</sup> Olsberg - SPI, *Global Screen Production - The Impact of Film and Television Production on Economic Recovery from COVID-19*, June 2020

<sup>17</sup> MPA APAC, *The Economic Contribution of Film and Television in Korea in 2018*, December 2018

<sup>18</sup> The Korea Herald, *Do Korean streaming services stand a chance against Netflix?*, January 2021

<sup>19</sup> MPA APAC, *The Economic Contribution of Film and Television in Korea in 2018*, December 2018

<sup>20</sup> Olsberg - SPI, *Global Screen Production - The Impact of Film and Television Production on Economic Recovery from COVID-19*, June 2020. Estimated that the employment multiplier for the Screen Sector Value Chain in Asia is 3.72.

<sup>21</sup> MPA APAC, *The Economic Contribution of Film and Television in Korea in 2018*, December 2018

<sup>22</sup> Kantar Survey

<sup>23</sup> Kantar Survey, Question: *When you watched your Online video subscription service (VOD) last week how many hours did you spend watching local content from your country?* Base: Respondents who watched subscription VOD at least once a week (534)

<sup>24</sup> Kantar Survey, Question: *Considering all TV and video services you use, how important is it that your TV and video services provide the following types of content on a scale of 1-5?* Scale; 1 = Not important to me at all, 2 = somewhat unimportant, 3 = neutral, 4 = quite important to me, 5 = Very important to me. The content types were, content that; includes people like me, represent where I live, is made in your country, is relevant to my life, is made by people from your country. The result shown here is an average across the content types. Base: All respondents (1,006)

<sup>25</sup> Kantar Survey, Question: *Considering all TV and video services you use, on a scale of 1-5, how satisfied are you with the amount of TV and video content that is made specifically for people in your country and in your language?* Scale; 1 = Very unsatisfied, 2 = somewhat unsatisfied, 3 = Neutral, 4 = somewhat satisfied, 5 = Very satisfied. Base: All respondents (1,006)

<sup>26</sup> Kantar Survey, Question: *Thinking about each of the different TV and video services that you watch, how well do they provide content that is made specifically for people in your country for example, telling stories about people in your country, or with actors or presenters from your country?* Scale: 1 = Does not provide any content that is made specifically for people in my country at all, 2 = Does not provide enough content that is made specifically for people in my country, 3 = Provides some content that is made specifically for people in my country, 4 = Provides a good level of content that is made specifically for people in my country and 5 = Provides the best possible level of content that is made specifically for people in my country. Base: All respondents that use the services at least once every 3 months (849)

<sup>27</sup> Korean Film Council, *Korean Streaming Market Heats Up*, February 2021

<sup>28</sup> O'Mahony, M., & Riley, R. (2012). Human capital spillovers: The importance of training. NIESR

<sup>29</sup> Fierce Video, *Hastings says Netflix has invested in 180 originals from the SE Asia region*, November 2019

<sup>30</sup> Research has shown that the companies that innovate obtain less than 10% of the total economic benefit of the innovation, with the remainder diffusing in the wider economy. (Baumol, W., (1997). Pareto Optimal Sizes of Innovation Spillovers. Working Papers 97-42, C.V. Starr Center for Applied Economics, New York University). Other research has described how the geographic clustering of media activity promotes innovation which is necessary for a successful AV sector. (Karlsson, C., & Rouchy, P. (2015). Media clusters and metropolitan knowledge economy. Handbook on the Economics of the Media.)

<sup>31</sup> Netflix, *Expanding Our Presence in Korea: Netflix Welcomes the New Year With Two New Production Facilities*, January 2021

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<sup>32</sup> TripAdvisor, *6 key travel trends for 2016*, December 2015. For example, on-screen content attracts around 230,000 international tourists to Australia each year. They spend an estimated AUD725m (KRW587bn). Screen Australia, *Screen Currency Valuing Our Screen Industry*, 2016

<sup>33</sup> Visit Korea - <https://english.visitkorea.or.kr/enu/ATR/VR360.kto>

<sup>34</sup> BFI (2018) *How screen sector tax reliefs power economic growth across the UK*. A study found that 91% of production would not have occurred absent the tax relief

<sup>35</sup> Messerlin. (2019). Building Consistent Policies on Subsidies in the Film Industry. *Kritika Kultura*, 32, 375-396

<sup>36</sup> Netflix Post Partner Program - <https://np3.netflixstudios.com/>

<sup>37</sup> This analysis examines the relationship between protectionist policies and audiovisual trade. An econometric model was used that simultaneously estimates how different factors impact the level of audiovisual trade between countries. This was done in order to correctly isolate the impact of trade restrictiveness on audiovisual exports (as measured by the OECD's Services Trade Restrictiveness Index). Alternatively, if Korea were to reduce its level of policy restrictions in the broadcasting sector to the average (median) level in the OECD, the modelling suggests that broadcasting exports could increase by 31%. See technical annex for further detail.

<sup>38</sup> Factors that affect the level of investment in a country include the existing capital stock in the sector, the level of income of a country and the level of public investment.

<sup>39</sup> OECD. (2015). *Emerging Policy Issues: Localisation Barriers to Trade*. Paris: OECD Publishing

<sup>40</sup> Lee, B., & Bae, H.-S. (2004). The Effect of Screen Quotas on the Self-Sufficiency Ratio in Recent Domestic Film Markets. *Journal of Media Economics*, 163-176

<sup>41</sup> Picard, R., Davis, C., Papandrea, F., & Park, S. (2016). Platform proliferation and its implications for domestic content policies. *Telematics and Informatics*, 683-692

<sup>42</sup> Anderson, C., Leigh, G., Swimmer, & Wing, S. (1997). An empirical analysis of viewer demand for US programming and the effect of Canadian broadcasting regulations. *The Journal of the Association for Public Policy Analysis and Management*, 525-540

<sup>43</sup> Crampes, C., & Hollander, A. (2008). The regulation of audiovisual content: quotas and conflicting objectives. *Journal of Regulatory Economics* 34.3, 195-219

<sup>44</sup> Kantar Survey, Question; *If the online subscription video service (VOD) that you use became unavailable to you, would you try and watch or download movies, shows and series from that service from another source, even if it was an unauthorized service, or app?* Scale: 1 = Definitely would not, 2 = Probably would not, 3 = Maybe, 4 = Probably would, 5 = Definitely would. Base: *All respondents that use the service at least once every 3 months (849)*