

# THE ECONOMIC IMPACT OF VIDEO ON DEMAND SERVICES IN TAIWAN



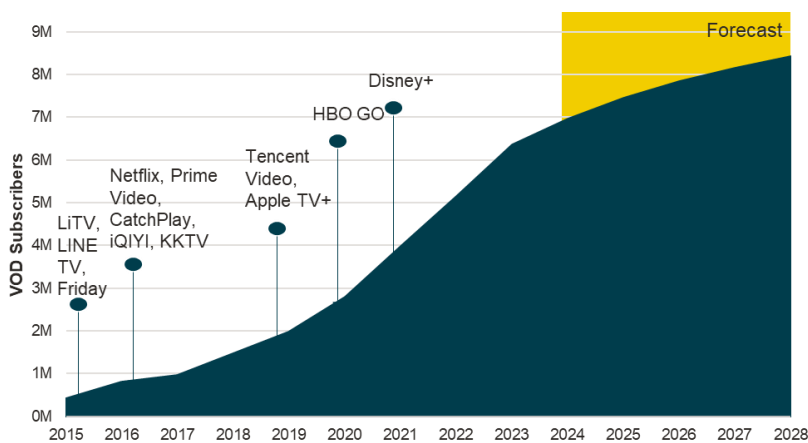
2023

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

## 1. VOD is thriving in Taiwan

Taiwan supports a vibrant video on-demand (VOD)<sup>i</sup> sector with consumers spoilt for choice of services. The popularity of the services, and the local content they offer, has been growing and nearly 27% of the population subscribed to at least one SVOD service in 2023.<sup>1</sup> 87% of internet users in Taiwan use VOD at least once a week.<sup>2</sup> Almost half (48%) of the content watched on VOD services is “local content”.

**Figure 1 Growth of VOD subscribers over time<sup>3</sup>**



Source: Media Partners Asia

Note: Subscribers include any VOD subscription customers that pay a fee. Launch date is the year the service could be first used in Taiwan. myVideo was the first service to launch in Taiwan in 2012 followed by Hami Video in 2014.

<sup>i</sup> 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 that VOD providers have in Taiwan. It considers how the regulatory and policy environment can support continued investment in local Taiwanese content.

**Video-on-demand (VOD) services have important direct and indirect economic effects on the market’s audiovisual (AV) industry.** VOD providers make significant investments in Taiwanese content and the AV industry, creating jobs and promoting local content and culture. 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 Taiwan 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 Taiwan’s global cultural representation, and support wider social goals.

**To promote made-in-Taiwan 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.

VOD related revenue is increasing. Revenue generated by Taiwan’s online video program production sector grew by 26% between 2019 and 2023, following the entry of local, regional and global VOD providers. Early entrants such as Netflix, myVideo, CatchPlay, LINE TV have been joined in recent years by AppleTV+, Tencent Video, HBO GO and Disney+. Revenue for online video sector (defined as a video service which is delivered over an open internet or broadband connection such as SVOD or Advertising VOD) industry in 2023 was \$895m (TWD28.9bn).<sup>4</sup>

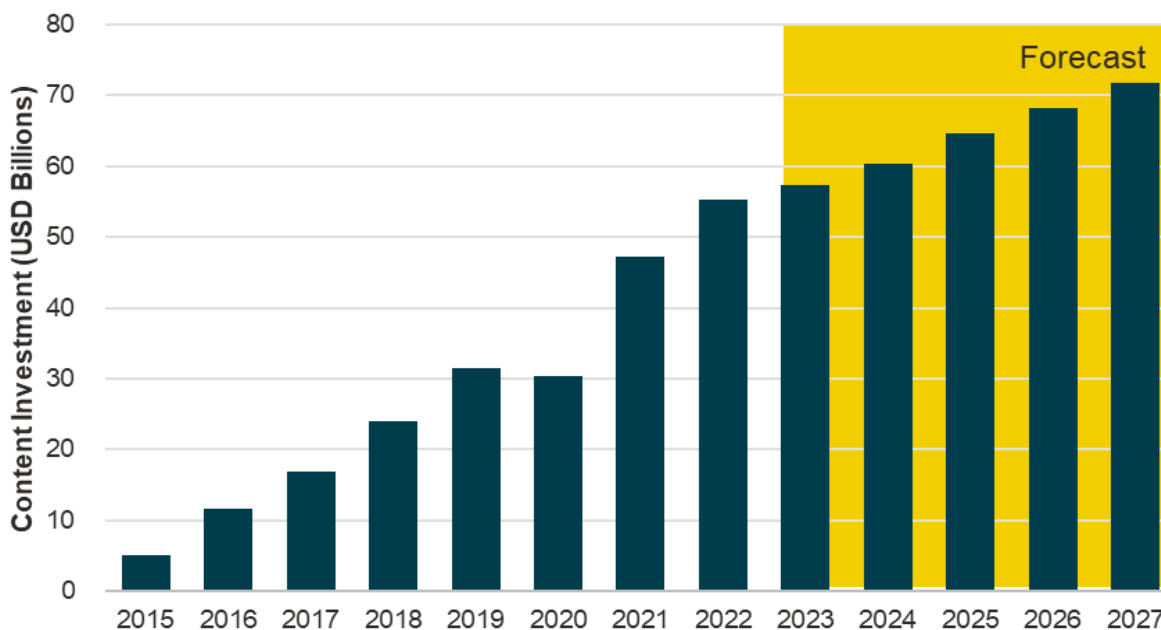


## GLOBAL INVESTMENT, LOCAL IMPACT

### 2. VOD services generate creative content boom

VOD providers invest heavily in content to support their services globally. In 2022, they directly invested **\$55.3bn (TWD1788bn)** in VOD content worldwide, including original and licensed titles. This sum is likely to soar to **\$71.8bn (TWD2322bn)** by 2027.

**Figure 2 Global VOD content investment 2015-2027**



Source: Ampere

The significant increase in content investment in the pipeline includes:

- Original content spending by the Walt Disney Company’s subscription-based, VOD streaming service is expected to hit **\$7.7bn (TWD249bn)** in 2027;<sup>5</sup>

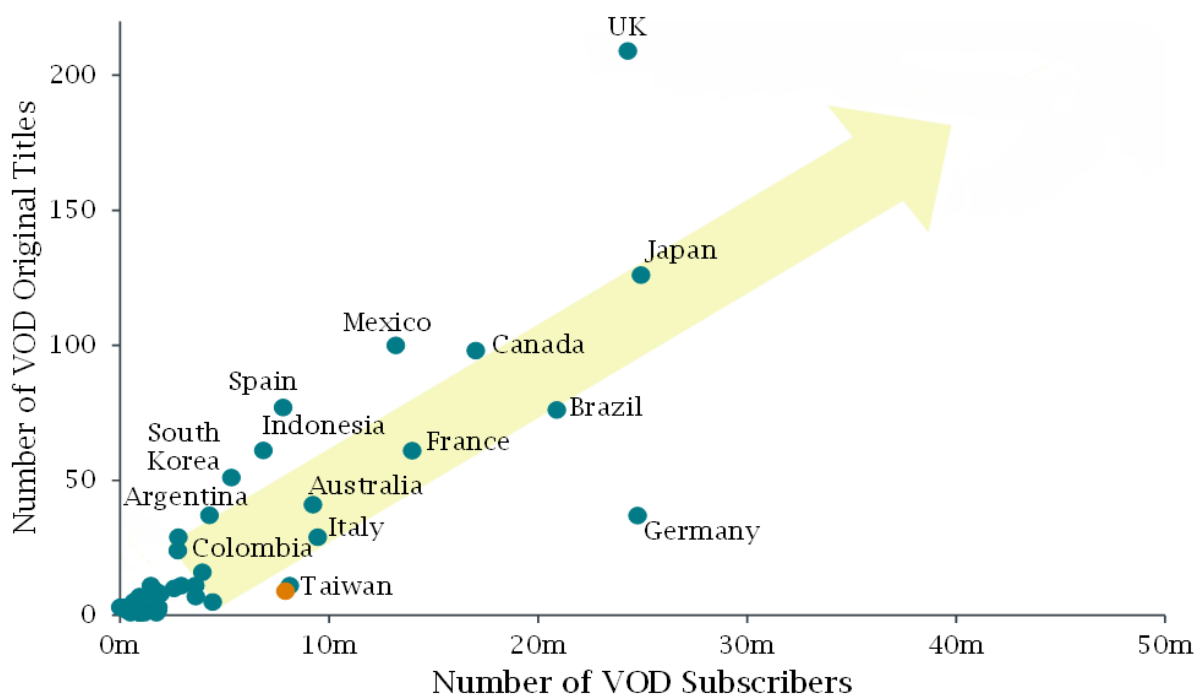
- Netflix plans to spend **\$17 billion (TWD549bn)** on content in 2024 up from **\$13 billion (TWD420bn)** in 2023.<sup>6</sup>

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

Frontier Economics' research aligns with previous work that has found that there is strong consumer demand for local content and that 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 VOD subscriptions in a market grow, so do the incentives to produce content from that market. Notably, the overall geographic distribution of VOD investment in original<sup>7</sup> titles is broadly proportionate to each market's number of VOD subscribers ([Figure 3](#)). Therefore, it is no surprise that, as in other major markets where subscriber numbers are rising, the production of local VOD content is expanding to meet customer demands.

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 2023, The Walt Disney Company, NBCU, Warner Bros. Discovery, and Paramount were collectively expected to invest **\$85.7bn (TWD2.7trn)**<sup>8</sup> into content spending and creation globally (including sports) across their distribution channels, which they will partly monetise on their VOD services (Disney+, Peacock, HBO GO, and Paramount+ respectively). The investments in content by these four providers made up a significant proportion of total 2023 global content investment of **\$243bn (TWD7.9trn)**.<sup>9</sup>

**Figure 3 Relationship between VOD subscribers and market specific “original” titles**



Source: Frontier analysis of Ampere and Media Partners Asia data (Chart based on an analysis of catalogue 2019 data in 2020)

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 markets: 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 markets that have had a VOD original title produced in their market are included in the analysis. China has been excluded as data was not available. Note that US 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 increase employment and the creative economy in Taiwan.

- Since 2020, Netflix has been investing in a diverse range of high-quality local content in Taiwan, including crime thrillers series like *Copycat Killer* and *The Victims' Game*, as well as local favourites like *Light the Night*, *Let's Talk About CHU*, *At the Moment* and *Wave Makers*. Additionally, Netflix announced four highly-anticipated Chinese-language series from Taiwan launching in 2024, including *Marry My Dead Body* spin-off, *GG Precinct*, and star-studded drama series, *Born for the Spotlight*.<sup>10</sup> Netflix has also given local box office hit films such as *Incantation* and *The Pig, The Snake, and The Pigeon* a new lease of life among international audiences. In December 2023, Netflix also released 4 acclaimed Taiwanese films – *The Rope Curse 3*, *Hello Ghost*, *Miss Shampoo*, and *The Abandoned* – bringing diverse Chinese-language content to audiences worldwide.<sup>11</sup>
- The Taiwan Creative Content Agency (TAICCA) and Taiwanese VOD provider Catchplay have co-invested in a new venture, Screenworks Asia, to create Taiwanese content for international audiences. The collaboration aims to increase the quantity and quality of Taiwanese film and TV content produced for global consumption. The venture also hopes to create a platform for international collaboration, aiming to make Taiwan a powerhouse for Asian original content.<sup>12</sup> The investment in the Taiwanese creative ecosystem will drive content production, employment, and skills development.
- Disney+ launched in Taiwan in 2021 and has become the second largest VOD service in the Taiwanese market by number of subscribers.<sup>13</sup> The Disney+ original *Taiwan Crime Stories* has already received appreciation and awards.<sup>14,15</sup>
- Warner Bros. Discovery has signed a multi-year Memorandum of Understanding with Taiwan Mobile and the Taiwan Creative Content Agency (TAICCA) to create and distribute Taiwanese original content. Warner Bros. Discovery has produced several scripted and unscripted Taiwanese shows for its networks and streaming service, including scripted HBO Asia Originals such as *The Accidental Influencer*, *The Teenage Psychic*, *The World Between Us* and unscripted shows like *Master Class Taiwan* and *Food Masters: Taste of Taiwan*.
- iQiyi Taiwan currently holds 6% of the market share in subscription VOD (SVOD).<sup>16</sup> iQiyi will invest in nearly 30 original productions and licensed shows in Taiwan, including Screenworks Asia's *Not A Murder Story*, which was released in January 2024.<sup>17</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 films, TV content production, distribution of pay TV channels and the licensing of consumer products. According to research, on average 60% of production costs are incurred outside the AV sector in the broader economy, for example on catering, hospitality, construction and legal services.<sup>18</sup>

- The audiovisual industry (which includes pay TV, broadcast TV and VOD revenue) directly contributed **\$1.1bn (TWD35 bn)** to the Taiwanese economy in 2023.<sup>19</sup> In addition, activity in the sector generates economic activity elsewhere in the economy. This can be because other sectors directly supply to it, for example transport, finance or professional services, (“indirect impacts”); and as a result of the consumer spending by individuals directly employed by the television sector or those indirectly employed in related sectors (“induced impacts”). Including indirect and induced impacts, the total contribution of the television industry to GDP in Taiwan in 2023 was **\$2.8bn (TWD90bn)**.<sup>20</sup> The VOD industry directly contributed **\$300m (TWD9.7bn)** to the Taiwanese economy in 2023.<sup>21</sup>
- In 2021, the film and television industry in Taiwan employed 31,132 individuals.<sup>22</sup> But taking into account the jobs created throughout the supply chain, the television sector supported a total of 103,000 jobs, around 1% of the national workforce in Taiwan.<sup>23</sup>
- In 2021, the arts, entertainment and recreation industry employed 113,000 individuals.<sup>24</sup> The film and television industry represents a large share of this sector’s employment (approximately 25%).

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

Frontier Economics surveyed 1,000 internet users in Taiwan and found that they demand a diverse array of content, both local and international, and that VOD services are delivering content that consumers want and love.



**48% OF HOURS WATCHED ON VOD SERVICES WAS LOCAL TAIWANESE CONTENT** <sup>25</sup>



**54% OF PEOPLE IN TAIWAN CONSIDER IT IMPORTANT THAT THEIR VOD OR TV CONTENT SERVICES PROVIDE LOCAL CONTENT** <sup>26</sup>



**53% OF CONSUMERS ARE SATISFIED WITH THE AMOUNT OF LOCAL CONTENT ON THE VOD OR TV SERVICES THEY USE** <sup>27</sup>

Consumers feel it is important that VOD services provide local content and are satisfied with the amount of local content on VOD services they use. The latter is broadly similar to the proportion of consumers who are satisfied in Australia (58%). Taiwanese consumers use their VOD services to watch local Taiwanese content. Almost half the programming they stream is from Taiwan.

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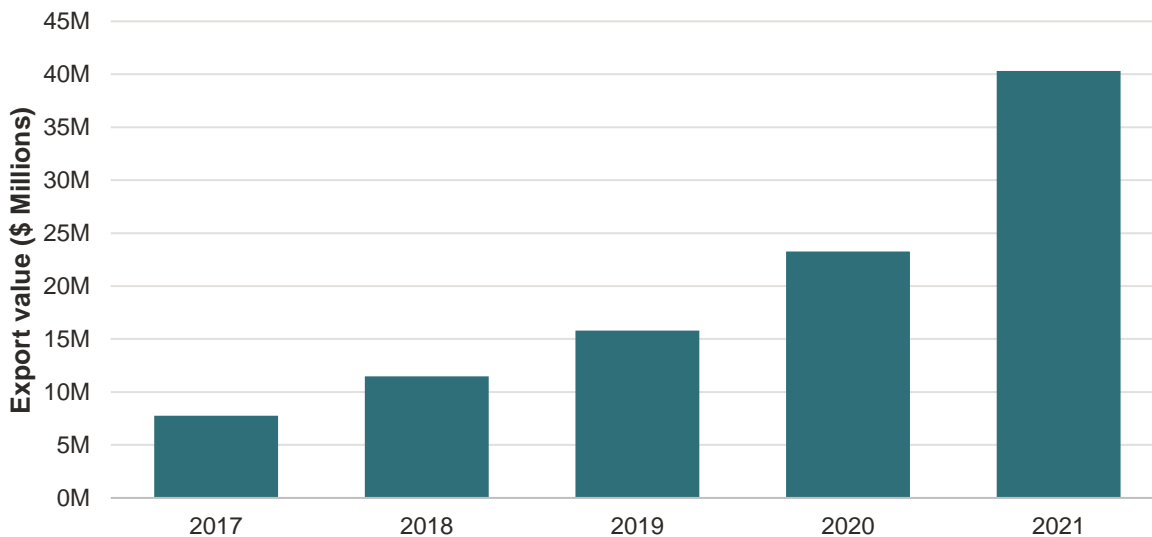
## 6. VOD services bring Taiwanese content to the global stage

International VOD services expand the reach of Taiwanese content to global audiences. VOD services offer unprecedented scale and reach to diverse viewers, including audiences around the world that value Taiwanese content. By meeting this demand and exposing new audiences to Taiwanese content, VOD services are supporting local producers and Taiwanese exports and are promoting the market's artists and culture.

This trend benefits consumers and producers alike. Global consumers are better able to find or discover Taiwanese content they enjoy while producers can increase the export value of their content.

**Figure 4** shows the rapid growth in the value of online video program production exports. In 2021, total exports had reached **\$40m (TWD1.29bn)**.

**Figure 4      Export value of Online Video Program Production**



Source: TAICCA

Note: Converted to USD using exchange rate of .031 as per Forbes

## Case Study 1– VOD content investment in Taiwan: *Copycat Killer*

Taiwanese crime thriller *Copycat Killer* has made history by being the first Taiwanese series to make the Global Top 10 ranking (for non-English content) on Netflix.

On the success of the series, producer Phil Tang said “A huge thank you to fans around the world. This is one step forward for Taiwanese content and a momentous moment for the entire industry.”<sup>28</sup>

The series producer also noted the important role that global streamers play in allowing Taiwanese producers to invest in expensive high profile content. Phil Tang echoes that after the success of *Copycat Killer*, “...we’ve only had two routes for premium drama – either get funding from [public broadcaster] PTS or work with a global platform.”<sup>29</sup>

## Case Study 2– *The Accidental Influencer*

Warner Bros. Discovery teamed up with Taiwanese production company Each Other Films, Inc. to produce *The Accidental Influencer*, a HBO Asia Original which premiered in February 2024 on HBO GO. Directed by Pei-Ju Hsieh and executive produced by Jacqueline W. Liu and Tiffany Yu-Chia Chen, the 13-episode comedy drama series stars Golden Horse Award winner, Shu-Yao Kuo as well as Aviiis Zhong, Ke-Fang Sun and Ken Lin.



## 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 and incentivising investments, 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 skilled workers shift jobs and collaborate with others. These spillover effects have been found to increase with the size of investment.<sup>30</sup> Example of such programmes include:
  - Netflix and Taiwan Creative Content Agency (TAICCA) collaborated to host a production workshop, enhancing production capabilities among Taiwanese creators and production teams.<sup>31</sup>
  - Netflix also hosted a colour grading workshop in partnership with Golden Horse Masterclass Program in 2023 to cultivate post-production talents in Taiwan.<sup>32</sup>
  - Warner Bros. Discovery, New Media Entertainment Association (NMEA) and TAICCA co-organised an Unscripted Format Lab Workshop in December 2023 to share best practices in creating and localising popular international formats.
- Innovations adopted in Taiwan on the back of inward investment will diffuse around the industry and be taken up by other domestic productions.<sup>33</sup>
- Investments in infrastructure, such as studio space or post-production facilities, increase the capacity and capabilities of the industry as a whole.

## 8. VOD investments produce broader benefits for Taiwan

VOD investments bear fruit beyond the AV sector. The creative industries disproportionately generate wider economic benefits.

Specifically, the industry can connect people and act as a source of identity and expression. Investing in content can be a magnet for tourists who want to see where their favourite show was shot. 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>34</sup> VOD services, with their ability to showcase Taiwanese content to a global audience, naturally stimulate tourism and generate wider reputational benefits for Taiwan, long after a title's initial release. An example of the above is the show *Someday or One day* which sparked tourism interest in Tainan (a city in the southwest of Taiwan). The show has provided a new perspective to tourism in Tainan with filming locations becoming popular tourist attractions.<sup>35</sup>

In addition, through training partnerships and content decisions, VOD services can also help achieve broader social goals and influence public opinion. Netflix collaborated with the screenwriters of *At the Moment* to host a writers' workshop which delved into the creative journey and experience of working on *At the Moment*, sharing tips to foster creativity and navigate challenges in the writers' room.<sup>36</sup>

The Taiwanese government recognises the role that content and culture play in promoting Taiwan around the world. Former Minister of Culture, Shih Che stated that government support and aspiration for the cultural sector meant that *"the world will see we are confident of our culture and we hope to speak a common language with the world and we hope that the world will see Asian culture through Taiwan"*.<sup>37</sup>

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

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

Taiwan's government has been relatively restrained in intervening directly in the SVOD sector. At times concerns have been expressed about the impact of overseas content on Taiwan, while also recognising the value of incentivising investment in Taiwanese content.

Taiwan's government has taken a pragmatic approach to the VOD sector. At various points there have been different motivations to implement policy, whether citing concerns over Chinese influence<sup>38</sup>, piracy<sup>39</sup>, or creation of local content<sup>40</sup>. In September 2020 Ministry of Economic Affairs banned Taiwanese firms from serving as agents for Chinese streaming platforms<sup>41</sup> (such as iQiyi), however, the ban has not prevented Chinese services from being supplied in the market. <sup>42</sup>A government bill was introduced in 2020 by the National Communications Commission (NCC) which was intended to limit access by Chinese content providers to the Taiwan market, though not enacted. In 2022 a new draft of the bill was reintroduced by the NCC which required large VOD providers to register with the NCC, and it remains under consideration. The government has recognised the importance of the creative sector at achieving overlapping and reinforcing economic and cultural objectives. The Taiwan government noted in 2023 that *"Nowadays we are investing not only in semiconductors and heavy industry, but also in media and content"*. To support investment in the sector, the government announced a new policy *"1 Plus 4T Content Plan"* to invest in content. The plan includes **TW\$10bn (\$310m)** of government funding to stimulate private investment in the sector. The Taiwan Creative Content Agency (TAICCA), which was established in 2019 to nurture local creatives and help popularise them globally, awards funding for projects and has stated that it is explicitly looking to attract international investment.<sup>43</sup>

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 around the world such as in Australia (see Case Study 2).<sup>44</sup>

### Case Study 3 – Australian Screen Production Incentive (ASPI) program: A success story

While some Australian SVOD platforms have been producing a handful of Australian originals each year since 2015, it was not until 2019 – with the expansion of eligibility for the Federal Government's tax offsets incentive scheme to SVODs, the entry of new SVOD competitors, and the ramping-up of production by Netflix and Amazon Prime Video (APV) – that the rate of local SVOD production increased.<sup>45</sup> In the financial year ending 2023, SVOD providers spent \$219.2 million on 67 commissioned or co-commissioned Australian programs.<sup>46</sup>

ASPI is the primary mechanism the Australia government uses to incentivise local production. It provides tax incentives for film, television, and other screen production in three areas: the Producer Offset, the Post Digital and Visual Effects (PDV) Offset and the Location Offset. These tax incentives have led to a significant economic impact. Between 2018 and 2022, the three Offsets contributed a total of **A\$5.9 bn (\$4bn)** to the country's GDP. 20,600 FTE jobs were supported across the three Offsets in 2021.<sup>47</sup>

There are wider benefits generated from having a robust production industry. Australia benefited from investment in skills and training and infrastructural development (studios, screen production sights etc.) to support production. The additional productions enabled by the ASPI also support screen tourism.

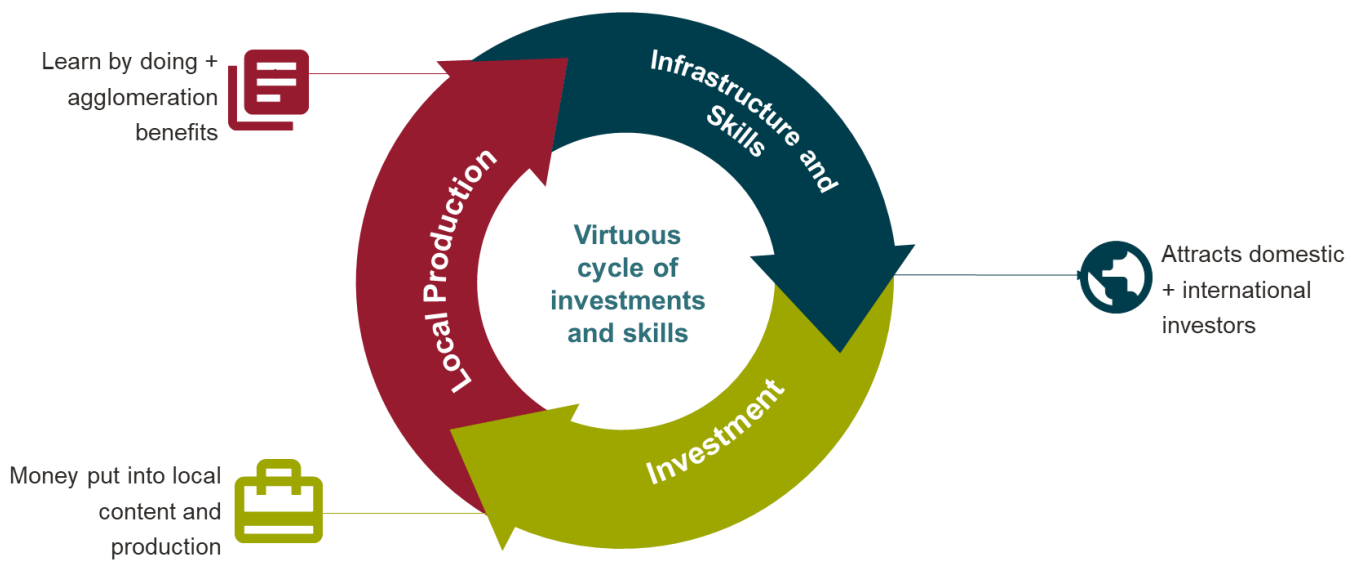
Schemes such as this can act as a template to incentivise content production including in Taiwan.

Policymakers can also ensure a strong supply of skilled, high-value workers by supporting training and education programmes that will benefit both global and Taiwanese providers of local content.

A policy framework that encourages investment in Taiwan's AV sector could underpin a virtuous circle of investment.<sup>48</sup> Catalysing investment in infrastructure and skills enhances the industry's capacity and capabilities. This in turn would make Taiwan increasingly attractive for new investment.

Such policies can nurture the growth of self-sustaining creative hubs of local production, with firms incentivised to concentrate activities in Taiwan to the benefit of the market's economy. For example, in Taiwan, Netflix's Post-Production Partner programme is benefiting firms such as Ezenhall and IYUNO Taiwan. The collaborative scheme aims to improve the quality of post-production work, including dubbing, audio description, scripting, and quality control.<sup>49</sup>

**Figure 5** Virtuous cycle of skills and investment



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 or heavy-handed regulation may hamper innovation and growth opportunities in the long run.

The policy framework in Korea demonstrates how resisting protectionist regulation can foster inward investment, which supports and grows the local sector. As a result, Korea creates globally admired content which attracts even more investment.

## Case Study 4 – Government policy has supported the Korean Wave



Over recent decades Korea's cultural sectors have grown from small scale producers catering to domestic audiences to large global cultural brands producing high quality cultural content. The contribution of the industry to Korea's total GDP has increased from 0.6% in 1970 to 3.5% in 2022.<sup>50</sup>

Policy decisions over the last two decades to open up and promote the sector, as well as recent government action to protect copyright, have supported competition and investment and incentivised the creation of high-quality content. Korea's stable policy environment with limited direct regulation of the sector has allowed market forces to drive creation and investment.

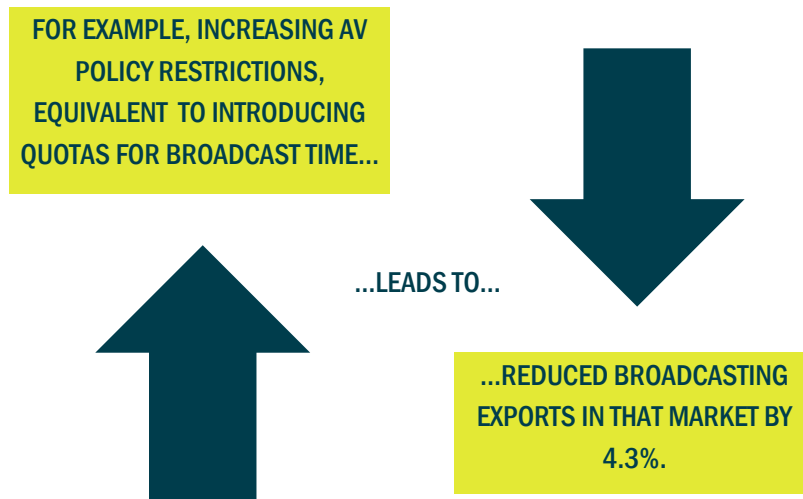
VOD services have brought Korean content to global audiences.

The many hugely successful pieces of content (such as *Squid Game*, *The Glory* etc.) are driving further investment from local and global players.

Investment in the production sector by local and global VOD services continues to grow, particularly in film. This investment, supported by government policy, drives economic growth in the sector and creates jobs in Korea.

## 10. Our research finds that protectionist policies can hurt the economic potential of local AV industries

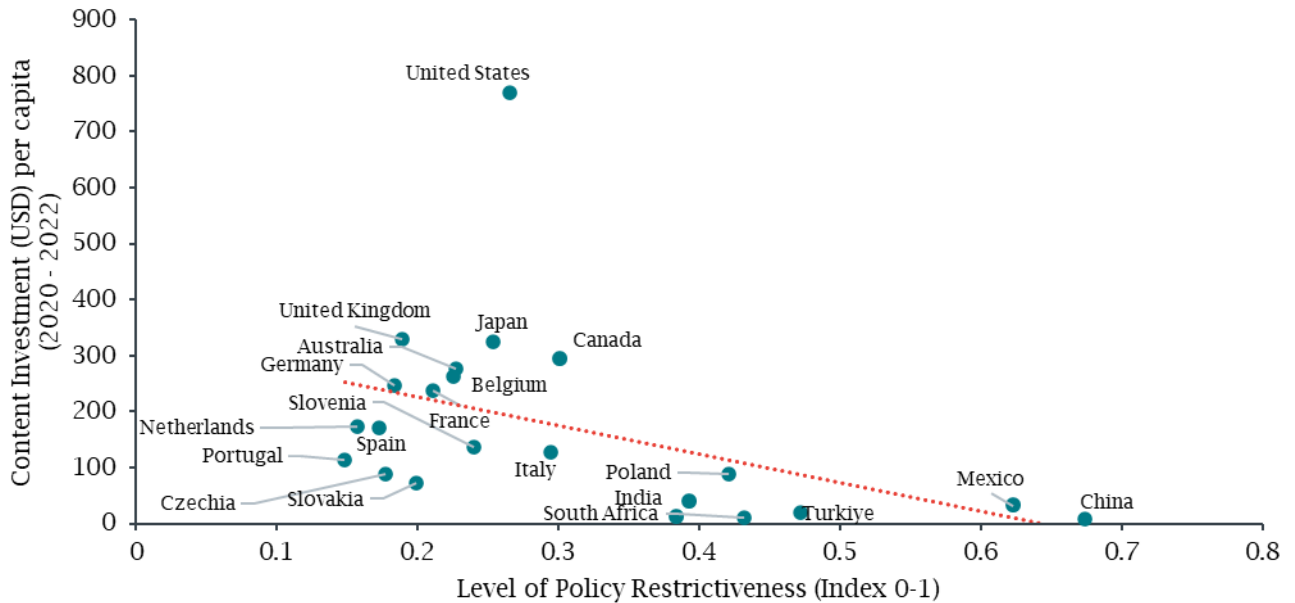
Many markets have cultural policies aimed at promoting local content, but some come at a cost and prove ineffective at achieving the goals they pursue. Protectionist policies intended to shield local companies from international competition could result in local industries that are inward-looking, less innovative and less able to produce high-quality content that is in demand internationally.. Our analysis, which examined the relationship between protectionist policies and AV trade (i.e. licensing content internationally), found that higher levels of protectionist policies (for example the introduction of content quotas) lead to reductions in AV exports.<sup>51</sup> This implies that markets with higher levels of protectionist policies are less able to monetise their content in international markets, or show off and promote their culture to audiences around the world. To illustrate the impact of restrictive policies, increasing AV restrictions equivalent to introducing quotas for broadcast (recognising that Taiwan already has some broadcast quotas in place) would reduce AV exports by 4.3%.



## 11. Putting up barriers may put off investors in content

Markets that have stricter policy restrictions tend to have lower levels of investment in content. While there are many other factors at play, [Figure 6](#) below is consistent with the hypothesis that more protectionist policies discourage content investment across the selected markets. The result of reduced content investment is inevitably lower employment and skills development in the sector.

**Figure 6 Restrictive AV policy correlates to lower investment (selected OECD markets and China)**



Source: Frontier analysis of Ampere and OECD data

Note: All values of content investment are nominal. For each market, content investment data includes investment by commercial and public broadcasters and also by selected VOD services, where spend can be disaggregated by market. Excludes any investment in sports rights. Markets were selected based on data availability and include OECD markets 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 market, where zero would imply no policy restrictions, and one the highest possible policy restrictions.

## 12. Restrictions reduce incentives

Like many markets around the world, Taiwan's AV industry is growing, driven by investment of VOD suppliers. Policymakers can encourage this growth to continue. While protectionist restrictions may have understandable policy objectives (e.g. to support the creation or consumption of local cultural content or to help the home-grown AV sector), they can also have adverse impacts, including the following.

- Restrictions can drive up costs for domestic and foreign companies, reducing competition and raising prices for consumers.<sup>52</sup>
- Measures that erect barriers to inward investment deter the inflow of international capital, talent, and skills, and can impede the introduction of new techniques and innovations that inbound investment brings.
- Onerous definitions of local content for the purpose of defining quotas, or other restrictive policies, can discourage investment in local content and the domestic industry.<sup>53</sup>



- Local content quotas 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>54</sup>
  - Quotas can distort incentives, as providers are motivated to focus on the quantity of local content rather than its quality.<sup>55 56</sup>
  - VOD services may reduce the size of their overall libraries in proportion to the volume of local content that they are able to acquire, 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 increasing costs, restricting investment, and ultimately limiting the content available to local consumers, with potentially further negative consequences for the creative industries in Taiwan.

Some protectionist measures may have the unintended effect of increasing levels of piracy. Piracy drains a market's AV economy by lowering the returns on investment and blunting the incentive for creatives to innovate and produce new content. It also reduces the government's tax take as legitimate business revenue streams are hit. In Taiwan 53% of VOD users 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 market's economy and its culture.



## VOD can help Taiwan's AV industry continue to flourish

Taiwan has a vibrant film, television and VOD industry which brims with potential. VOD services make a significant and growing economic contribution, and have already played a key role in developing the sector and showcasing Taiwanese content in international markets. Consumers are increasingly subscribing to VOD services and, as a result, the services are delivering the content made in Taiwan that consumers want and love. VOD services can be Taiwan's "shop window" to the world: offering international audiences a diversified menu of Taiwanese content.

The Taiwanese government has committed to offering policies and programs that support investment and nurture and internationalize Taiwanese content. By continuing to carefully calibrate policy to incentivise investment, Taiwan will enjoy wider benefits such as new employment opportunities, higher economic



output, increased exports, a more competitive skills base and expanding sector infrastructure. This, in turn, creates conditions to attract new investment. Policymakers should seek to achieve the right policy mix. They need to be mindful of potential unintended ramifications of protectionist policies that can reduce investment, economic outputs and exports while stimulating digital piracy. By working with companies that develop or acquire content for international distribution, as well as producers and production companies, policymakers can create the right conditions to support the investment that will allow the creative sector in Taiwan to continue to flourish.

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<sup>1</sup> Media Partners Asia Video and Broadband Market Model, 2023

<sup>2</sup> Results are from an online consumer survey of 1,000 Taiwanese internet users ("Kantar Survey"). The survey, designed by Frontier Economics, was conducted by Kantar between 30th November and 14th December 2023. See technical annex for further details. 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 (1,000)

<sup>3</sup> "VOD subscribers" count the number of paid subscriptions there are to VOD services in Taiwan. These are often used by more than one person, usually within the same household. Source: Media Partners Asia Market Model 2023 and 2020.

<sup>4</sup> Media Partners Asia Video and Broadband Market Model, 2023

<sup>5</sup> FDI Intelligence, Streaming wars: Disney+, Netflix and Amazon to drive original content spend, February, 2023

<sup>6</sup> Observer, Netflix Has Hiked Prices Again But Leadership Promises Better Shows and New Products, October 2023

<sup>7</sup> 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.

<sup>8</sup> Media Post, Big Media Content Spend Forecast To Rise Just 1% In 2023: Analyst, 2023

<sup>9</sup> Ampere Analysis, Content spend to grow 2% in 2024, recovering from strike-hit 2023, 2024

<sup>10</sup> Netflix, Unveiling the Next Chapter in Chinese-Language Entertainment, February, 2024

<sup>11</sup> Netflix, Netflix Lights Up the End of the Year with Four Acclaimed Taiwanese Films, December, 2023

<sup>12</sup> Screen Daily, Taiwan's TAICCA, Catchplay launch joint venture to create international content, July 2020

<sup>13</sup> Deadline, Taiwan's Premium VOD Subscriptions Top 5.8M In Q3; Netflix & Disney Driving Growth, Report Says, October 2023. This article is referring to a Media Partners Asia report.

<sup>14</sup> CNN, Disney wants some of Netflix's Asian success, October 2021

<sup>15</sup> Variety, Disney's Korean Original 'Moving' Dominates Asia Contents Awards & Global OTT Awards, October 2023

<sup>16</sup> Deadline, Taiwan's Premium VOD Subscriptions Top 5.8M In Q3; Netflix & Disney Driving Growth, Report Says, October 2023

<sup>17</sup> Screen Daily, China's iQiyi announces bumper slate for Malaysia, Thailand at Asia TV Forum, December 2023

## AUTHORS

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**Clive Kenny**

**Manya Bhatia**

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+44 (0) 207 031 7000

<sup>18</sup> Olsberg•SPI, *Global Screen Production – The Impact of Film and Television Production on Economic Recovery from COVID-19*, June 2020

<sup>19</sup> The sector's contribution to GDP (i.e. sector Gross Value Added (GVA) has been estimated using sector revenue data (sourced from 2023 Media Partners Asia *Video and Broadband Market Model*). The total revenue used includes Pay-TV industry, TV industry and online video industry revenue. In order to estimate sector GVA, sector revenue is multiplied by a sector revenue to GVA ratio (of 2.55). A sector revenue to GVA ratio for the narrower video and TV industry was not available. Therefore, a revenue to GVA ratio for the wider publishing, motion picture, video and music production, and broadcasting sectors. This data is obtained from IO tables from Taiwan National Statistics.

<sup>20</sup> Indirect contribution includes both indirect and induced effects. These have been calculated using estimated Type I and Type II multipliers (sourced from a report for Motion Picture Association: *The Economic Contribution of Film and TV Industry in Taiwan 2016*). Type I multiplier = 1.87 and Type II = 2.57. More recent estimates of the economic multipliers were unavailable, though economic multipliers are not likely to have changed significantly over time so the 2016 estimates remain valid.

<sup>21</sup> The contribution to GDP has been estimated using sector revenue data (sourced from 2023 Media Partners Asia *Video and Broadband Market Model*) and IO tables from National Statistics. The sector revenue reflects 'online video industry'. The methodology is the same as endnote 22.

<sup>22</sup> TAICCA, *Taiwan Cultural Content Survey Industry Report 2022 Vol II, 2022*

<sup>23</sup> Indirect contribution includes both indirect and induced effects. These have been estimated using Type I and Type II multipliers (sourced from a report for Motion Picture Association: *The Economic Contribution of Film and TV Industry in Taiwan 2016* as in endnote 19). Type I multiplier = 2.17 and Type II multiplier = 3.31.

<sup>24</sup> National Statistics, Republic of China (Taiwan), *Employed persons by sector, 2021*

<sup>25</sup> Kantar Survey, Question: *When you watched your Video On Demand service(s) last week, how many hours each day did you spend watching Taiwanese content?* Base: *Respondents who watched subscription VOD at least once a day (467)*

<sup>26</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 market, is relevant to my life, is made by people from your market. The result shown here is an average across the content types. Base: All respondents (1,000)*

<sup>27</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 market and in your language? Scale; 1 = Very unsatisfied, 2 = somewhat unsatisfied, 3 = Neutral, 4 = somewhat satisfied, 5 = Very satisfied. Base: All respondents (1,000)*

<sup>28</sup> The Straits Times, *Copycat Killer is first Taiwan series on Netflix's Global Top 10 chart for non-English television*, April 2023

<sup>29</sup> Deadline, *Greener Grass President Phil Tang On Taiwan's Streaming Landscape; Upcoming Cross Border Series 'The Outlaw Doctor' & 'Three Tears In Borneo'*, November 2023

<sup>30</sup> O'Mahony, M., & Riley, R. (2012). *Human capital spillovers: The importance of training*. NIESR

<sup>31</sup> TAICCA, The Academy of Cultural Studies and Netflix collaborate to host a workshop. *Netflix Joins Hands With Taiwan Creative Content Agency to Host Content Partners Workshop*, September 2023

<sup>32</sup> Netflix, *Netflix Hosts Colour Grading Workshop in Inaugural Partnership with Golden Horse Masterclass Program*, November 2023

<sup>33</sup> Research has shown that 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>34</sup> TripAdvisor, *6 key travel trends for 2016*, December 2015. As an example, on-screen content attracts around 230,000 international tourists to Australia each year. They spend an estimated AUD725m (TWD15.6bn). Screen Australia, *Screen Currency Valuing Our Screen Industry*, 2016

<sup>35</sup> Overseas Community Affairs Council, *Time Travel Tainan: Filming Locations for Someday or One Day*, July 2023

<sup>36</sup> Netflix, *Netflix and NMEA Join Forces for the Fifth Consecutive Year to Host Writers' Workshop and Creators Panel in Taiwan*, 2023

<sup>37</sup> Content Asis, *Loud & proud: Taiwan fires up*, 30 November 2023 Minister of Culture, Shih Che opening address to the Taiwan Creative Content Fest (TCCF) in Taipei in November 2023.

<sup>38</sup> Taipei Times *Chinese OTT operators' local agents to be barred* 20 August 2020.

<sup>39</sup> Taipei Times *NCC bill lacks problem to solve* Sat, Jul 16, 2022.

<sup>40</sup> Taipei Times *NCC bill lacks problem to solve* Sat, Jul 16, 2022.

<sup>41</sup> Taipei Times *Large OTT TV operators subject to new regulations under NCC's latest draft act*.

<sup>42</sup> Taipei Times *NCC bill lacks problem to solve* Sat, Jul 16, 2022.

<sup>43</sup> C21 Media 27 March 2023 *TAICCA looks to boost Taiwan's coproduction prospects with new funding*

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<sup>44</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>45</sup> Scarlata A (2022). Subscription video-on-demand (SVOD) original production in Australia: Evolution or revolution?. Media International Australia

<sup>46</sup> Australian Communications and Media Authority, *Spending by subscription video on demand providers*, 2023

<sup>47</sup> SPI, *Study on the Impact of Film and Television Production Incentives in Australia*, February 2023

<sup>48</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>49</sup> Netflix Post Partner Program - <https://np3.netflixstudios.com/>

<sup>50</sup> Korean Statistical Institute, GDP and GNI by Economic Activities (seasonally adjusted, chained 2015 year prices, quarterly)

<sup>51</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 markets. 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). See technical annex for further detail.

<sup>52</sup> OECD. (2015). *Emerging Policy Issues: Localisation Barriers to Trade*. Paris: OECD Publishing

<sup>53</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>54</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>55</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>56</sup> Crampes, C., & Hollander, A. (2008). The regulation of audiovisual content: quotas and conflicting objectives. *Journal of Regulatory Economics* 34.3, 195-219