

A Study of the Influence of OTT Services on Competition in the Cable TV Service Market

1. Background of Study

In the digital convergence era, most consumers hope to acquire audio-video data instantly and the contents of such services are the principal consideration before they decide the provider they will subscribe to. Over-the-top (OTT) media service platforms offer audio-video services through the Internet without being subject to the limitations of conventional transmission devices. Consumer loyalty is relatively low and, as a result, cable TV service providers might face great challenges.

OTT services allow consumers to choose what they want to watch at any time and any place on various platforms and screens. In comparison, cable TV programs are watched on TV indoors. In an era where audio-video data can be accessed rapidly, competition among digital convergence businesses is becoming increasingly fierce. Their mode of management can have an impact on the patterns of competition among cable TV service providers. As the availability of online audio-video data rapidly increases, it is necessary to understand the competition relations between cable TV businesses and OTT service platform operators.

Consumers change their viewing habits and the number of people choosing to watch programs on OTT service platforms escalates. Such online traffic brings considerable profit. Due to this phenomenon, how to regulate the digital convergence industry, including cable TV service providers and OTT service platform operators, has become an important issue in competition policy making in every country. At the same time, whether OTT media services have any influence on competition in the cable TV service market is also a question to look into.

2. Methods and process of study

Initially, this study discusses the development of OTT media services and their business models. The policies and related laws and regulations in the main source countries of OTT media services as well as the administrative measures adopted by the domestic competent authority of the industry to regulate OTT and cable TV services are also examined in order to understand the competition relations between OTT platform operators and cable TV service providers in the country. It is hoped that the OTT service market and cable TV service market can be defined based on the results. In the end, conclusions are established according to the study outcome. The influence on competition between OTT service platform operators and cable TV service providers is analyzed and an overall concrete review and corresponding suggestions are presented.

3. Main suggestions

- A. Keep a close watch on the contents of OTT services and consumers' choice of contents of audio-video services offered by cable TV service providers in order to understand the developments in the market.

As the contents of OTT media services continue to change, related businesses also make active efforts to seek cooperation. Whether the viewing mode will become linear or nonlinear in the future and whether the contents of audio-video services offered by OTT service platforms will be integrated and become similar to multiple channel programs like cable TV, and cable TV and OTT services end up offering programs of similar contents, it calls for further observations. Different management modes will

cause substantial changes in consumers' choice between cable TV and OTT service providers and competition in the relevant market will be affected. In other words, the influence of the management directions of OTT platform operators and market developments on the competition among cable TV service providers will not be insignificant. For this reason, the contents of audio-video services offered by OTT service platforms and the service items as well as consumers' choice of cable TV service providers are all the concern of the FTC. It is suggested that the FTC continues to keep an eye on the development of OTT media services to understand if the diverse viewing patterns and contents of audio-video services have any effect on competition in the cable TV service market. Cases associated with the demand of consumers ought to be carefully analyzed and the relevant market definition can be adjusted.

- B. Enhance communication, coordination and cooperation with the competent authority of the industry to keep track of changes made to the domestic Cable Radio and Television Act and Telecommunications Act, and also pay attention to whether the OTT service industry is placed under the regulation of related laws in the future. Both sides ought to work together to maintain competition in the market.

The FTC lacks experience in investigation of cases involving OTT media services. This study can help the FTC understand the management condition and development of OTT services in different countries. However, since the changes in the industry are fast, it is suggested that the FTC continues to enhance exchange of ideas and cooperation with the competent authority of the industry to understand the restrictions in related laws and regulations and the latest management direction in the industry. The FTC should also be aware when changes are made to the Cable Radio and Television Act and the Telecommunications Act to assure the definition of the relevant market associated with cable TV services can be adjusted at the right time. In addition, related cases must be analyzed to have a firm grasp of competition in the cable TV service market.

Establishment of strategic alliances or market expansion has become an important management tactic in the cable TV service industry. Cable TV services have conducted upward integration and started to produce their own programs and make their own films to increase the opportunity to extend their management foundation and bring in other incomes. A synergy is created through provision of online transmission service. The tendency of cable TV services moving into diverse fields is becoming more and more obvious. It is necessary to pay attention to whether OTT media services are placed under the regulation of related laws in the future. Currently, cooperation between OTT media services and cable TV service providers can take place in many different patterns, and consolidation is not uncommon. How to prevent such businesses from restraining competition or impeding fair competition through alliances will be an important issue for the FTC. Therefore, it is suggested that the FTC continues to keep a close watch on the practices of such businesses and also communicate and coordinate with the competent authority of the industry to maintain competition in the market together.