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The strategic approach towards broadcasting in the mobile world

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Acknowledgements

The high spires of Oxford reach for the skies as if to embody the institution's thirst for knowledge. I have spent the past year on the same stone path walked by the scholars of the world. At the Bodleian Library, I ruminated on the wooden bench that looks sturdy enough for another five centuries. At other times, I simply sat and drank tea at a small café, watching the people race by in both the past and the future.

I would first like to extend my deepest gratitude towards the Foundation for Broadcast and Culture and MBC for providing me with the opportunity to research and meet with journalists from all over the world at Oxford for the past year.

Special thanks to Tim Suter, James Painter and David Levy who have pushed me to challenge the task, to persevere in the face of difficulty and to not lose heart until the end. Their support I cannot ever forget.

I dream of the bright summer day when I return to Oxford with my loving wife Soyeon and my three daughters Jiho, Jihyun and Jisu.

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Introduction

People are watching less television, and terrestrial broadcasters’ grip on the people's main media platform is weakening accordingly. Television today, unlike in its earlier days when it used to assert absolute influence on mass media, has become just one of the many mediums to choose from.

The landscape of the broadcast market is rapidly changing. In the US, the advent of online video streaming in 2007 and its increase in users have eroded the market share of pay television users. Moreover, Netflix and Amazon have started to produce their own TV series, threatening their more traditional counterparts.

The broadcast media content market is predicted ultimately to be led by non-network based platform firms such as Google, Apple, Amazon, Netflix and Hulu. While network based platforms such as terrestrial, cable and satellite TV are trapped in small domestic markets, non-network based platforms are expanding their reach both within and outside their borders.

All media services attempt to attract the attention of their users and secure their profits from advertising and paid-for programmes based on that attention. In this sense, one can say that all media services are in competition with one another. However, the primary medium for each user is different, and if a user starts to use only a particular medium or service, the competitive relationships among different media services needs to be reexamined.

Audio-visual services can roughly be classified into two categories: ‘live-broadcasts’ and ‘time-flexible’ (replays and VOD). In the case of the US where OTT is more developed than in Korea, 'time-flexible' OTT services such as Netflix and Hulu are leading the market.

In Korea, the market shares of 'live-broadcasts' and 'time-flexible' services are roughly the same. Live OTT is provided by the OTT services of the three telecommunication firms, as well as Tving, Pooq, and EveryonTV. Time-flexible OTT services are provided by internet portal firms such as Naver and Daum.

Broadcasters are facing a grave threat as content users migrate from conventional TV platforms to the internet and beyond to mobile services, accessed via the user’s smartphone. It is in such context that Korea’s Big 3 broadcasters, MBC, KBS, and SBS, launched an OTT service called ‘Pooq’ in 2012, aiming for the mobile broadcasting market. Initially, Pooq was to provide the terrestrial TV contents of its owners to telecom providers but later terminated its supplying service due to disagreements in pricing. This, in effect, granted Pooq a monopoly over terrestrial TV. Because this content is the most popular in the market, Pooq has holds a highly advantageous position in content distribution. Pooq is expanding its user base by adding recent-release movie streaming and exclusive sports broadcast services to its current broadcaster contents

However, the News is missing from Pooq. It has therefore excluded one of the two biggest elements that make up the broadcasters' offer. While it is a function of broadcasters to create and distribute TV series and entertainment programs, it is simultaneously their function to create and circulate news, the keynote of journalism.. However, by not providing news services, broadcasters with a strong commitment to journalism in their broadcast services have excluded journalism from Pooq. Why is the news missing from Pooq? In the extremely competitive and innovative media market, where new and unexpected platforms are springing up and disrupting the market every day, it seems worth testing whether Pooq can grow and develop while excluding an element of journalism. This research seeks to investigate the structural issue of the exclusion of the news in Pooq. The world's largest OTT service, Netflix, launched in Korea this past January, and a bloody struggle in the OTT market is expected to ensue. The users' verdict of the battle between Netflix and Pooq will be noteworthy, with massive capital backing the former and the latter possessing monopoly over domestic broadcaster contents.

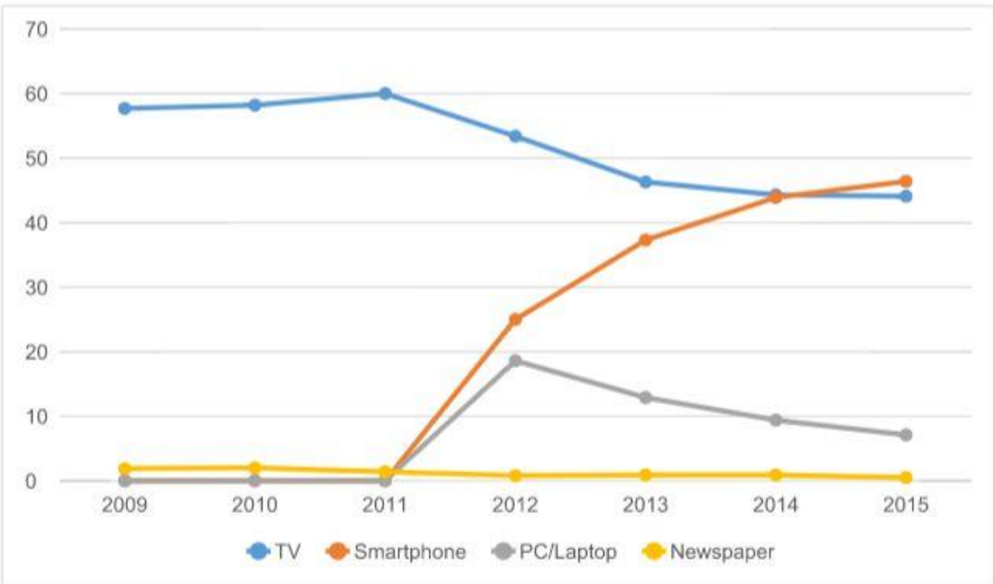
Having assessed the possible reaons for the current situation, this research also seeks to suggest some of the possible forms of news service for Pooq. Mobile news must adopt a completely different format from that of traditional network news. While network news had been a unilateral supplier of contents, mobile news must be chosen by the consumers - the tables have turned. Considering such context, Pooq's news service must be planned largely from the consumer's perspective.

Chapter 1. The Korean Broadcasting Environment

1. The Smartphone Surpasses TV

We are exposed to the news every day. In the past, we received the news at the time dictated by the availability of the newspapers, radio and TV. For example, every morning my father used to read the papers before work, and the family would gather around to watch the 9 o'clock news. But today, we can access the news 24/7, anywhere, anytime.[1] Furthermore, where internet news was originally only able to be consumed via computers, now anybody can access the news anywhere through a smartphone the size of your palm. Just how much is the smartphone affecting our daily lives? According to the 2015 Study on Broadcasting Media Consumption Patterns published by Korea Communication Commissions, smartphones have surpassed TV and are now considered the most important medium in our daily lives.[2] In one face-to-face survey of 7553 male and female subjects over the age of 13 conducted by the KCC in June 2015, smartphones elevated their status from "a necessary medium" to "the most necessary medium". The importance of smartphones has increased from 46.4% from last year's 43.9%. The respective rankings of the Daily Life Necessity Medium Survey of 2014 were TV (44.3%), smartphone (43.9%), desktop/laptop (9.4%), newspaper (0.9%), radio (0.5%), but in 2015, the smartphone surpassed TV with the results at smartphone (46.4%), TV (44.1%), desktop/laptop (7.1%), newspaper (0.7%), radio (0.5%).

Figure1: 'Necessary Medium' Perception Trends by Year (Units: %)



Source: Study on Broadcast Media Usage Patterns, Korea Communications Commissions (2015)

[1] Jung, Yunkyung (2015), *Study on effective composition format of mobile news lists*. Korea University, p.1.

[2] Korea Communications Commissions (2015), *Study on Broadcast Media Usage Patterns*.

While the daily average usage time of TV decreased by 8 minutes from 2 hours 52 minutes in 2014 to 2 hours 46 minutes in 2015, the same figure for smartphones increased by 2 minutes from 1 hour 17 minutes to 1 hour 19 minutes. At 76.2%(TV) and 73.7%(smartphone) for weekly medium usage over 5 times, TV and smartphones are overwhelming in their usage rates regarding medium usage frequency. There were clear age differences in preference of TV, radio and newspapers, which had higher usage rates with older age groups, whereas smartphones and desktop/laptops fared better the younger the age group.

There is another interesting study demonstrating the rise of smartphones. In the 2015 Mass Media Consumer Awareness Survey, the internet was classified into mobile internet (smartphone/tablet) and static internet (desktop/laptop). Furthermore, social network usage was separated from internet usage. Mobile usage increased while usage for its static counterpart decreased. The analysis results of mobile internet usage are notable. In terms of media usage rate, comprehensive internet usage increased by only a slight margin compared to the previous year. Media usage rate is defined as 'usage in the past week', and it was found to be at 76.4%, an increase by 1.4 percentage points. This means that of the 5,062 total respondents, 76.4% had used the internet at least once in the previous week. The increase in internet usage is worthy of notice taking into consideration that the usage rates of other media included in the survey have decreased. The increase in internet usage is driven by the rise of mobile internet usage: static internet usage decreased from 57.8% in 2014 to 49.2% in 2015 and mobile internet usage increased by 4.0% percentage points from 69.5% to 73.5%.[3] (2015, Lee Mina)

In the survey, social media was defined as 'Services that connect people and information such as blogs, Twitter, Facebook, KakaoTalk, KakaoStory, YouTube'. Social media usage rate increased by 3.6 percentage points, reaching 53.5%. The only media that managed to increase its usage rate were mobile internet and social media.

2. Decline in TV Viewership

The Television Crisis Theory had been long discussed ever since the advent of the internet. However, with the rise of the smartphone which enables internet usage whenever and wherever, the theory is closer to becoming reality. The crisis theory is based on the trend that while TV viewing is declining every year, internet usage rates are rising. Typically, usage rates have been recognized as an indicator of the influence of the particular medium. Therefore, the increase in usage rate signifies that the influence of the medium has grown.

According to the 2015 Report on Broadcast Market Competitive Market Evaluation, the channels of big 3 terrestrial wave firms (KBS, MBC, SBS) are maintaining viewing figures at roughly 4~6%.[4] The composite ratings of the big 3 firms have decreased by 1.6 percentage

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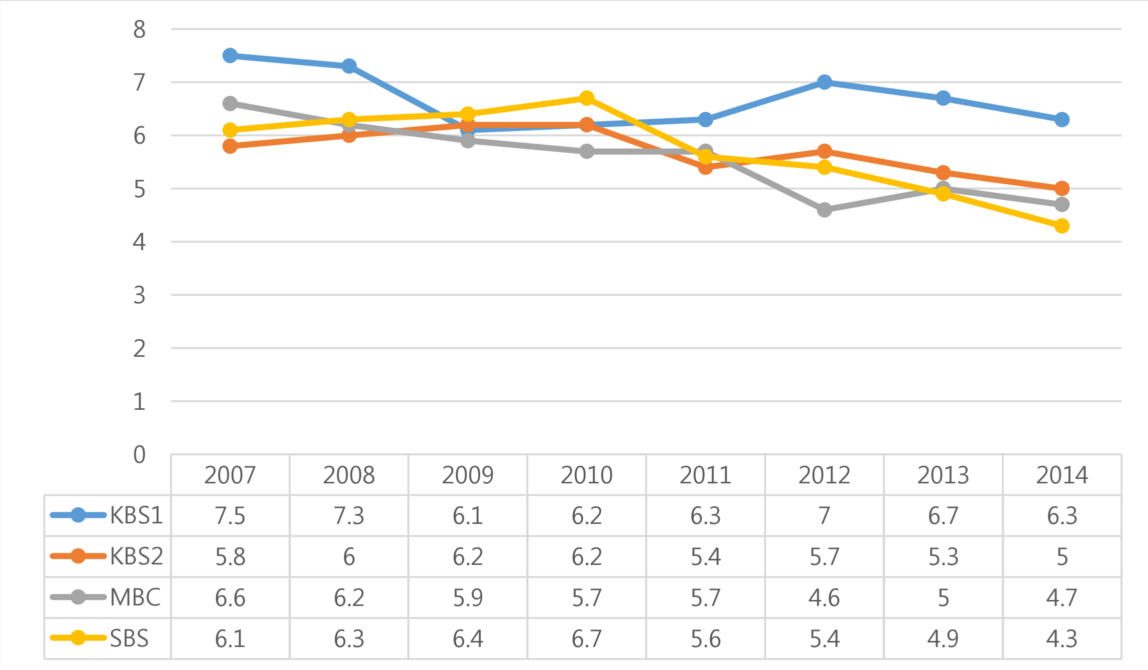
[3] Lee, Mina (Jun. 2016), "Increase in Internet & Social Media Usage with All Other Media Usage Decreased", Newspaper and Broadcast, NO. 542, p. 17.

[4] Korea Communication Commissions (2015), *2015 Broadcast Market Competition Status Evaluation Report.*

points from 20.5% in 2014 and have been decreasing steadily since 2010.

Figure 2: Terrestrial Big 3 Firms Annual Average Viewership Trends per Household (Units: %)

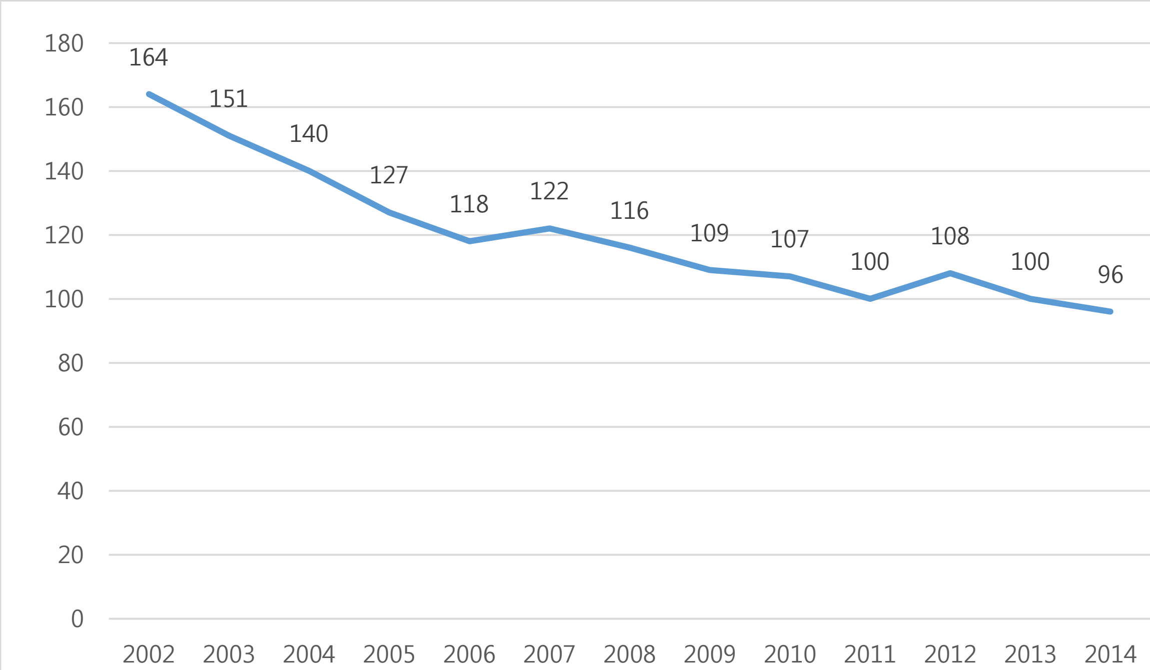


	2007	2008	2009	2010	2011	2012	2013	2014
KBS1	7.5	7.3	6.1	6.2	6.3	7	6.7	6.3
KBS2	5.8	6	6.2	6.2	5.4	5.7	5.3	5
MBC	6.6	6.2	5.9	5.7	5.7	4.6	5	4.7
SBS	6.1	6.3	6.4	6.7	5.6	5.4	4.9	4.3

Source: Nielsen Company Korea

Likewise, daily average terrestrial TV viewing per person decreased from 164 minutes in 2002 to 118 minutes in 2006, a 10-minute decrease per year. It did recover briefly in the following year but then declined again. In 2011, the figures dropped to 100 minutes, the psychological Maginot Line, but seemed to rebound as it spiked to 108 minutes in 2012, only to break the 100-minute line as it fell to 96 minutes in 2014.

Figure 3: Daily Average Terrestrial TV Viewership per Person (Units: Minutes)



Source: Nielsen Company Korea

3. How Much of the News Do We Watch on TV?

According to the 2015 Mass Media Consumer Awareness Survey by the Korea Press Foundation, there have been great changes in the frequency and duration of TV news availability and consumption.[5] The main feature in the 2015 study regarding TV news is that the share of terrestrial TV news shrunk by a large margin. To begin, the share of those who responded that they watch TV every day is 68.3%, below the 70% line. Only a few years back in 2011, 2012 and 2013, the share had been over 80%. However, only 2 years later in 2015, the figure has fallen below 70%. This means that 3 in 10 people do not watch TV every day. There were great changes in the frequency and duration of TV news usage. The share of those who watch TV news 'every day' decreased by 15.7 percentage points, from 57.4% in 2014 and 41.7% in 2015. But the share of those who watch TV news 3-4 days a week had increased from 2014(approx. 11%) to 2015 (approx. 19%), and the share of those who watch TV news at least once a week had hardly changed from 87.1% in 2014 and 86.8% in 2015. We can see that the decrease was only amontg the loyal viewers who habitually watched TV news every day. This decrease in loyal news viewers was especially pronounced for terrestrial TV consumption. Up until 2013, those who responded that they watch terrestrial news every day maintained its levels at 66~67%. However, in 2014, the share dropped to 53.7% and to 36.4% in 2015, falling another 17.3 percentage points. Furthermore, while the share of those who do not watch terrestrial TV had been at 6.2% in 2013, it has more than doubled to 14~15% in 2014 and 2015. It is worth noting that the loyal viewing of terrestrial news has been shrinking since 2015.

[5] Korea Press Foundation (2015), *Mass Media Consumer Awareness Survey*.

While terrestrial news usage is decreasing, there is an increasing trend in news consumption on comprehensive programming channels. The share of those who watched comprehensive programming channels at least once a week had been 28.1% in 2012, its opening year. In one year, it had grown to 53.3%, passing the 50% line and grew to 61.6% by 2015. In contrast to terrestrial services, news viewing of specialist news channels such as YTN and NewsY is holding at 55%~56%. Up until 2013, the usage rate of comprehensive programming channels was lower than that of all-news channels, but the usage of comprehensive programming news has risen by the largest margin since 2014.

However, the decreasing trend of loyal viewership of those who use the service daily was also found for both comprehensive programming channels and all-news channels, and was not too different from that of terrestrial TV news. For comprehensive programming channel news, the share of those who identified themselves as 'watch comprehensive programming channel news daily' was 15.5% in 2014, but it fell to 9.4% in 2015. Likewise, for all-news channels, 'watch daily' group fell to 7.9% in 2015 from 15.8% in 2014. In its place, responses for 1~3 days a week increased greatly. The large decrease in 'daily' news viewers and in its place an increase in '1~3 times per week' viewers signify that TV news viewers are migrating to other media in general.

Figure 4: Frequency of TV News Usage

(Units: %)

	Daily	3~6 Days per Week	1~2 Days per Week	No Usage
TV News	41.7(57.4)	38.5(22.6)	6.7(7.1)	13.2(12.9)
Terrestrial TV News	36.4(53.7)	40.4(23.6)	9.3(7.4)	14.0(15.3)
Comprehensive Programming Channel News	9.4(15.5)	25.9(22.2)	26.2(16.5)	38.4(45.8)
All-News Channels	7.9(15.8)	22.1(22.5)	26.3(16.6)	43.8(45.0)

*Values in () are data from the 2014 study

Source: Mass Media Consumer Awareness Survey, Korea Press Foundation (2015)

4. Where Did the Viewers Go?

Where did the loyal viewers of terrestrial news go? They went to the internet. The main platform for internet news are portals. According to the 2015 Mass Media Consumer Awareness Survey by the Korea Press Foundation, the usage rate of mobile internet increased by 5.8 percentage points to 65.4%, and the usage rate of internet use via static internet decreased by 7.9 percentage points to 39.8%. It was more common to use internet news via portals than via the respective homepages of the originating service. News usage via internet portals has been increasing steadily since 2011, and in 2015, 69.4% of the total responded that they had seen the news via an internet portal in the past week.

As for the portals used, Naver (58.6%) and Daum (29.3%) ranked 1st and 2nd in usage rate, respectively. In contrast, those who responded that they saw the news from press homepages were only 22.2%.

The fact that portals are used as the main platform for internet news usage is reinfoirced by the usage pattern of mobile apps. The usage rate of portal apps for news usage was found to be 42.9%, much greater than 16.7% for press apps and 11.0% for 'News collection' apps. ('News collection' apps are mobile applications that gather and provide the news at websites such as NewsKorea, GenieNews, News Reader.)

News usage via social media was found to be 18%. Although it had steadily increased from 11.4% in 2011 and peaked at 20.7% in 2014, it experienced a slight fall in 2015. The duration of usage of news via social media increased. to 8.1 minutes.

The important message of the 2015 Mass Media Consumer Awareness Survey is the confirmation of the status of the internet as a main media source. In a general downward trend for media usage time, only mobile internet(smartphone/tablet) and social media usage increased. Mobile internet came second to TV in usage rate and also in time spent on the medium as the second most used media source.

Analysis of media reliance also supports this claim and shows the internet as the second most relied on media after television, beating radio, and newspapers. With internet found to be mainly used in a study of the general public, there can be no disagreement with regard to the claim that the internet performs a key role in today's media society. Particularly, the mobile internet usage patterns allow us to project future media usage pattern trends.

The results of the 2015 Mass Media Consumer Awareness Survey allow us to predict the expansion of mobile internet usage and demonstrates that mobile internet will lead the daily media usage environment. In particular, news consumption via mobile internet has consistently increased since 2011 and demonstrates that mobiles devices must be recognized as a key player in news consumption. The long claimed transition from 'Mobile First' strategy to 'Mobile Only' is getting closer.

5. The Financial Crisis of Broadcast Firms

Broadcast revenues from advertising are struggling as viewers are migrating from TV to the internet. According to the 2015 KCC Report, the 2014 net figure for terrestrial TV broadcast advertising revenue was 1.686 trillion KRW (approx. 1 billion GBP), 8.0% lower than the year before, and decreasing for three consecutive years since 2012. The TV broadcast advertising revenues by firm are 507.4 billion (KBS), 409.9 billion (Seoul MBC), 409.4 billion (SBS), 25.2 billion (OBS), 173.7 billion (regional MBC net), and 120.7 billion KRW (regional commercial broadcast).

Figure 5: Terrestrial TV Channel Advertising Revenue Trends (incl. DMB)

(Units: one hundred million KRW, %)

	2009	2010	2011	2012	2013	2014
KBS	4974	5637	5774	6048	5627	5074
MBC	3956	4628	5387	4423	4368	4099
SBS	3952	4827	5010	4724	4414	4094

Source: 2015 Broadcast Market Competition Status Evaluation Report

The 2014 total operating profit ratio of the big three broadcast firms and its associates was -2.26%, lower by 2.71% than that of the previous year. All of the Big 3 are making losses and their profitability is worsening. MBC's operating profit ratio is at - 3.37%, KBS at -3.04%, and SBS at -1.62% recording deficits.

Figure 6: Terrestrial Broadcast Business Operating Profit Ratio Trends by Year (Units: %)

	2007	2008	2009	2010	2011	2012	2013	2014
KBS	-3.76	-7.34	1.63	1.03	-4.51	-2.50	-1.83	-3.04
MBC	3.05	0.57	0.91	8.15	8.31	1.90	1.97	-3.37
SBS	5.11	0.91	2.79	-0.63	11.48	5.37	4.01	-1.62

Source: Annual Broadcast Business Publication of Asset Status, Korea Communications Commissions

Note: Operating Profit Ratio is calculated by operating profits & losses / total, "MBC" represents SeoulMBC

In 2014 the net profit of terrestrial broadcast firms (KBS, MBC, SBS) was 11.2 billion KRW, down by 84% from the previous year. Only SBS recorded a net loss of -3.4 billion among the three, but while KBS and MBC did record a net profit, it was reduced by 20.9% and 71.2% respectively compared to the previous year.

Figure 7: Terrestrial Broadcast Business Annual Net Profit Trends

(Units: one hundred thousand KRW)

	2008	2009	2010	2011	2012	2013	2014
KBS	-765	693	434	48	-62	43	34
MBC	28	746	975	1174	801	386	111
SBS	77	238	38	580	289	267	-34

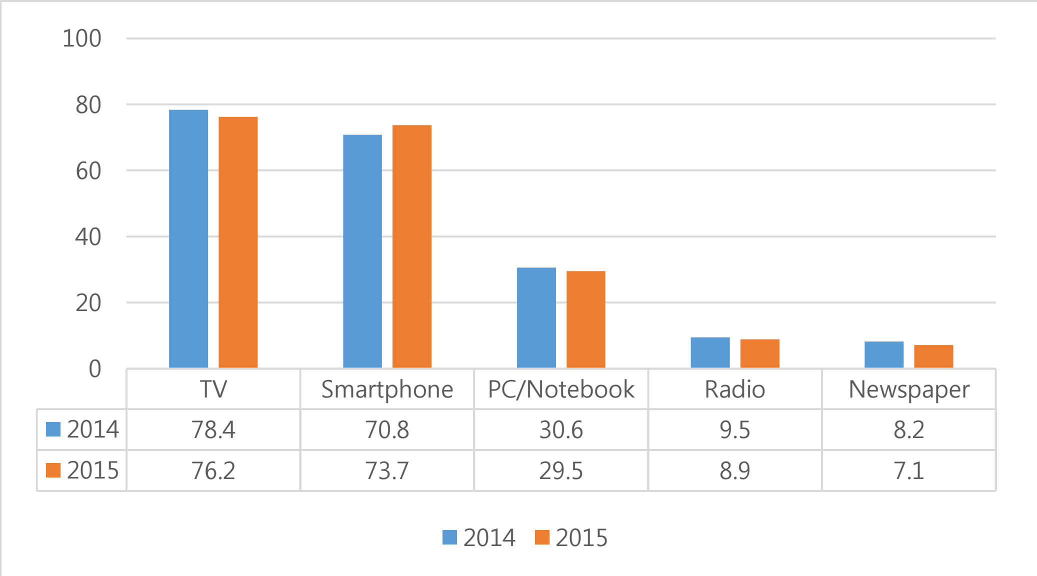
Source: Annual Broadcast Business Publication of Asset Status, KCC

The management of the main broadcasting companies are facing a severe crisis. According to a 2015 KCC study, the advertising revenues of terrestrial broadcast firms have been in decline for the past four years. Broadcast advertising revenue previously dropped temporarily when the Korean advertising market froze with the effects of the 2008 financial crisis triggered by the collapse of Lehman Brothers, but promptly recovered in the following year. However, advertising revenues for MBC, KBS, and SBS are now in secular decline (2015 Broadcast Market Competition Status Report, Terrestrial TV Channel Advertising Revenue Trends).[6] In 2014, the operating revenue for all three firms finally ended up recording a negative figure. They are running at a loss. Even allowing for the current sluggish state of the economy, this is staggering. Viewers are migrating from television to another medium.

According to the usage frequency figures of the 2015 Study on Broadcast Media Usage, TV and the smartphone were by far the most commonly used medium for more than 5 times per week at 76.2% and 73.7% respectively, followed by desktop/laptops at 29.5%. It is especially worth to noting that the smartphone saw a rise in usage frequency while the same measure for all other media fell.

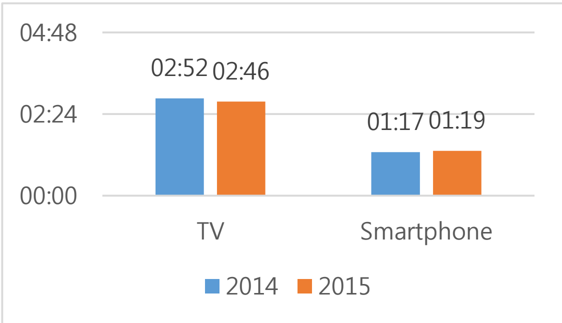
[6] Korea Communications Commissions (2015), *2015 Broadcast Market Competition Status Evaluation Report, Terrestrial TV Channel Advertising Revenue Trends.*

Figure 8: Medium Usage Frequency (More than 5 times a week/Units: %)



Source: Study on Broadcast Media Usage Patterns by KCC (2015)

Figure 9: 2015 Medium Usage Duration (Daily average per person/Units: Hours)



Source: Study on Broadcast Media Usage Patterns by KCC (2015)

Comparing the daily average usage durations of smartphones and television, TV still remains overwhelmingly high with 2 hrs. 46 min for TV and 1 hr. 19 min for smartphones. However, compared to the same figures for 2014, TV usage duration decreased by 8 minutes from 2 hrs. and 52 min and smartphone usage duration increased by 2 minutes from 1 hr. 17 minutes. In effect, the smartphone is chasing TV for the frequency and duration of usage and the figures have increased in absolute numerical terms as well. In contrast, while TV still maintains the upper hand in medium usage frequency and duration, there is a clear relative decline in usage.

Chapter 2. Broadcast Firms Hooked on 'Pooq'?

In response to the trends described in the previous chapter, terrestrial broadcast firms had no choice but to create their own mobile platform through which they could provide their content via smartphones to their mobile-bound migrating users. This is why, in 2012, MBC and SBS both launched an N-Screen paid OTT service and Pooq was born.

1. What is N-Screen, OTT?

1) N-Screen

N-Screen is a service that allows multiple devices to play the same content freely. It is a computer network service that enables users to access the same content on multiple different digital information devices such as the smartphone, PC, smart TV, tablet etc.

The service uses cloud computing, and the content is therefore saved in the server, allowing users to load the content onto their various devices at will. It goes beyond playing the same content on various devices by being aware of the "play" and "resume" information across devices. For example, if you download and watch a show on your smartphone and quit the video before the end, you can simply resume watching on your PC or TV without a separate download, from the point where you ended your last session. In effect, users can share and play multiple contents when and wherever. This user-centered seamless viewing experience is the cornerstone of N-screen services.

Empowered by the development of smart devices and content infrastructure, a variety of inter-smart screen user experience is being synchronized. Such services are being provided by different types of businesses such as Apple, Google, Netflix, Samsung, LG etc. The most prominent services that provide N-screen services in Korea are Pooq, Tving, EveryonTV, Hoppin, OllehTV Now, U+HD TV etc. [7]

2) OTT (Over The Top)

OTT (Over The Top) TV services are those that can be watched on the internet. OTT uses the public internet to provide video content, rather than via terrestrial, satellite or cable transmission. A literal interpretation would be: 'services provided through the set top box.' The English term 'over the top' actually originates from World War I, when soldiers gained control of an enemy trench and called it 'over the top.'

The development and spread of high-speed internet enabled the growth and uptake of OTT services. High internet speeds are needed for an acceptable video streaming experience.

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[7] "N-screen" *Doosan Encyclopedia*.
http://terms.naver.com/entry.nhn?docId=3338014&cid=40942&categoryId=32828

Therefore, most OTT services started to arise from the mid-late 2000s. Google launched 'Google Video' in 2005 and acquired YouTube in 2006. Netflix began its internet streaming service in 2007, and Apple presented 'Apple TV' in 2007.[8]

Vint Cerf[9], commonly referred to as the 'Father of the Internet,' made the following remark in his interview with The Guardian, a British daily. He had already predicted the OTT market 10 years ago.

"We would soon be watching the majority of our television through the internet."

- Vint Cerf, in his 2007 interview with the Guardian -[10]

2. The Birth of 'Pooq'

Pooq is a form of N-screen service that is being provided by Contents Union Platform, a joint creation by MBC and SBS. Pooq has also formed a partnership with the rest of the terrestrial broadcast firms, KBS and EBS. The main selling point of Pooq is that with a monthly membership fee, the subscriber gets unlimited live and replay access to all of the programmes of all four terrestrial broadcast firms. Moreover, Pooq provides 40 channels consisting of cable channels owned by the terrestrial TV networks and comprehensive programming channels such as specialized and reporting channels, including YTN, JTBC, and MBN. Subscribers are also granted unlimited access not only to domestic services, but also foreign films.[11]

Created with direct investment from terrestrial broadcast firms, Pooq and its expansion of coverage is interpreted as an attempt by the terrestrial TV sector to seize dominance in the OTT market. The reason that the OTT market is drawing attention in the industry is that users' consumption habits have become different from those in the past. Today, anyone can enjoy video contents from their mobile devices whenever one wants to, and the OTT market has become the new gold mine for the broadcasting industry.

In fact, the entry of terrestrial TV networks into the OTT market has been rather slow. So far, telecommunication firms have had the OTT market to themselves. During the last seven years, telecom firms pushed a combination commodity strategy, bundling IPTV services with mobile telecommunications, home telephone, high-speed internet, and internet phones. As a result, the number of IPTV registered households have grown rapidly, exceeding ten million. For the telecom firms, their marketing strategy has been to bundle broadcast programmes free

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8 Bae, Kihyung (2015). "Understanding OTT Services", *Communication Books*.

9 Vinton Gray Cerf (1943~) is an American computer scientist referred to as one of the "fathers of the internet" for is contribution to the birth of the TCP/IP protocol. Cerf founded the Internet Society in 1992 and served as Chairman until 1999 when he stepped down, subsequently serving as a Google vice president

10 "Vint Cerf, aka the godfather of the net, predicts the end of TV as we know it", *The Guardian*, 26 Aug. 2007, <https://www.theguardian.com/technology/2007/aug/27/news.google>.

11 " About Contents Alliance Platform Premium Contents Portal Pooq ", *Pooq*, Contents Alliance Platform, <http://www.pooq.co.kr/customer/company.html>.

with their high-speed internet memberships.

Terrestrial TV networks which have fallen behind their telecom rivals in the OTT market are belatedly taking aggressive action in order to gain dominance at least in the mobile market. At the same time, they are implementing a new strategy to retain the full value of terrestrial TV content being provided on paid services.

Terrestrial broadcast firms have demanded that the three major telecommunication firms raise their payments for the re-transmitted content to their mobile TV services from 1,900 KRW to 3,900 KRW. This was a response to the criticism by the broadcasting business sector that telecommunication firms had downgraded broadcast content to a mere bait to sell bundled products. The telecommunication firms refused on the grounds that the prices were too high, and broadcasters terminated their transmission as negotiations broke down.

Pooq lagged behind 'Tving' of CJ Hello Vision, which launched two years before Pooq itself. Providing CJ E&M affiliated live TV, replay services as well as terrestrial TV contents, Tving was the users' favorite. In June 2015, Pooq improved its N-screen capabilities and video definition and started to provide the latest domestic movies as well as films from the six major foreign film studios. Moreover, terrestrial broadcast firms began to deal with the issue of re-transmission of their contents to Tving. They filed for an injunction on the grounds that the re-transmission services of Tving was an infringement of their copyright. The court subsequently granted the injunction, thereby stopping re-transmission of terrestrial TV via Tving.

In this context, terrestrial broadcast firms have now established a stable supply channel of their contents through Pooq, and Pooq has acquired its status as their representative platform in the mobile market in particular. In other words, Pooq is the only platform on which one can watch live terrestrial TV broadcasts and VOD services on smartphones. As for the number of users, although the number had been in stagnation at around 220,000 until the reforms of June 2015, the number of users has been steadily increasing to 260,000 as of November, 2015.

Pooq stated plans are to lower user reliance on existing platforms by providing N-screen services directly via an internet opened by terrestrial content holders. Furthermore, as the content-holding broadcast firms directly own the platform, it strengthens the content provider’s ability to control the content and prices. Furthermore, it seeks to maximize the revenue of existing businesses and enter new markets.

3. The News is Missing from Pooq

Pooq has secured carriage of over 45 channels including those from the four terrestrial broadcast firms (MBC, KBS, SBS and EBS), terrestrial affiliated PP, comprehensive programming channels (TV Chosun, JTBC etc.), all-news channels (YTN, YonhapNewsY) etc. There are four service categories: LIVE (live TV), Broadcast VOD, Movies and Kids. The live TV service includes a time machine function, allowing viewers to replay and resume. The Broadcast VOD category is divided into soap opera, entertainment, culture and refinement, sports, kids, animation and foreign soap opera. ‘Movies’ is comprised with movie contents from the 6 major foreign studios and major Korean providers. 'Kids' are programs for children. (as of May 2016. Pooq website).

But there is no "News" category in Pooq. To watch the news on Pooq, users must register as a member, pay a monthly fee and use the Live TV function. To see the news through other methods, users must use the replay function for all-news channels such as YTN. There are long-form current affairs programmes, but these are different from the 'current affairs' provided by the news bulletins updated by the minute. An anonymous Pooq representative explained that although KBS and SBS are providing news programs in VOD format to Pooq, this is only to tie the users within the Pooq platform. In other words, the goal is to increase the time spent on Pooq and is not focused on providing news services.

There are various causes for the omission of the news from Pooq. First is the equity structure of Pooq. In May 2012, MBC and SBS launched a joint investment for incorporation, and with the decision by KBS to participate in equity sharing in December 2013, Pooq became a joint investment incorporation with equal shares among MBC, SBS, and KBS. In other words, there are three families under a single roof. With the three broadcast firms all speaking for their respective interests, they have been unable to achieve a consensus on major sensitive issues. According to the anonymous Pooq representative, there had been a discussion regarding news services, but the broadcasters were unable to come to an agreement regarding the positioning of their respective news services on the platform, and ended the discussion. The termination of the discussion was also confirmed with MBC representatives. One anonymous MBC representative claimed that there had been a discussion about news services in the early stages of Pooq, but their disagreements regarding the arrangement of the news services stalled further discussion.

Second, there is a limit to the capability for adjustment of Pooq. Pooq Incorporated (CAP: Contents Alliance Platform) is composed of approximately 30 employees. It is a small, newborn corporation only three years old even from the point of the joint investment by MBC, KBS and SBS in December 2013. However, Pooq must deal with the Big 3 terrestrial broadcast firms of Korea. Pooq is too small to negotiate effectively with the Big 3 which have overwhelming influence on public opinion formation and programme creation. Furthermore, the newsrooms of the three broadcasters are the largest and most influential departments within the respective firms. Therefore, it is possible to conclude that a small, newborn corporation like Pooq is severely outmatched to persuade the Big 3 and its newsrooms.

Third, some of the challenges are technical. In order to provide news services in clips, a unified technical standard is required. However, the newsrooms of MBC, KBS and SBS each possess a different technical system. Even if they were to decide a technical standard, there would be strong disagreements in determining which newsroom to use as its standard. There are cost issues associated with using a fourth standard outside of MBC, KBS and SBS. Each broadcaster's newsroom would have to modify how its website is run, and the question of where the funds will come from, and from whom, will be a source of trouble.

As it can be seen from the discussion above, Pooq Incorporated attempted to provide news services from its initial stages, but had to terminate the discussion due to equity structure, limits in adjustment capability and technical difficulties. However, a Pooq representative also made the following statement regarding news services. “Pooq Incorporated (CAP) decided to exclude the news as it decided that it does not affect Pooq’s service greatly.”

If that is the case, it is necessary to confirm the exact positions of MBC, SBS and KBS regarding Pooq’s news services.

First, the MBC representative claimed that providing the news to Pooq was not discussed in-depth. This means that although they are aware that the news consumption via mobile devices will increase, nevertheless the complex internal and external circumstances of newsrooms meant they were unable to find the time and resources to focus on Pooq. Furthermore, although MBC was an original partner in the service, Pooq is run as a consultative group among MBC, SBS and KBS, thereby making it difficult for MBC to make unilateral decisions. Although Pooq is only three years old and not very well known, Pooq has explained that it is willing to negotiate the provision of news services with other broadcast firms.

SBS is well aware of Pooq’s potential. Terrestrial programmes are the users’ favourites on mobile, and this is only available on Pooq. SBS believes that its news is communicated effectively via social media. It hopes that SBS news will be served via Pooq in the near future. However, with Pooq run as a consultative group of the Big 3, SBS doubts Pooq’s managerial capability. An SBS representative explained that although Pooq holds certain advantages, SBS does not desperately need Pooq because its membership is relatively small due to Pooq’s paid membership system. Instead, having been selected as the Korean partner for providing news for Facebook, SBS is focusing instead on social media.

Lastly, KBS is holding a wait-and-see attitude towards Pooq. A KBS representative said that not only is KBS news the most influential on TV with overwhelmingly high ratings, but that it is also well served by its current arrangements. The representative further explained that the three firms can negotiate when news services on Pooq becomes necessary.

Chapter 3. News to the Rescue for Pooq

1. The Concern of TV Journalists.

The rationale behind the omission of the news given by Pooq itself and discussed in the previous section was that the news simply does not greatly affect Pooq's service. But as we have seen, the true reason is more likely the fact that it was not easy to deal with the major Big 3 broadcast firms MBC, KBS, and SBS. In particular, the fact that conflicting interests of the respective broadcasters terminated the discussion for news contents allows room for an interpretation that it was even more difficult to persuade the stubborn newsrooms of each firm. Furthermore, each broadcaster possesses a distinct technological model for internet news service operation, confirming a burdensome need for the creation of a new common technical standard.

If this is the case, what kind of concerns do the directors broadcast firm newsrooms have in midst of a mass migration of news users from TV to the mobile? Seoktae Shim, head of the New Media Department of SBS newsroom, revealed his concerns in a media related magazine.[12]

"It is always difficult for field journalists to keep up pace with media strategists. They proclaimed 'Digital First' as soon as traditional press slowly took its first step to adjust to New Media and demanded that they rewrite their digital New Media strategy - only to change their strategy slogan to 'Mobile First' when traditional press had only just begun to seriously consider the need for 'Digital First.' Furthermore, IT firms such as Google are not satisfied with mobile first and advocate a 'Mobile Only' strategy. But the cold light of reality of the Korean traditional press is that it has not even fully digested the first slogan of 'Digital First.' This is roughly true throughout the world. Fresh, attention-grabbing attempts and strategies have been introduced, but it is difficult to name a 'successful attempt' or 'successful strategy.' Of course, the market is already shifting towards 'Mobile First.' Although comprehensive and systematic statistic data is yet to come, a solid quantity of data points that news usage in the New Media sector is 60~70% mobile. Even for SBS, 70% of New Media news traffic already occurs on mobile. Korean broadcast firms are beating their brains to catch up with the 'Mobile First' reality of usage." - March 2015, Newspapers and Broadcast Magazine

The mobile strategy of Korean broadcast firms can be examined largely in two dimensions: the development of a content delivery system, and the creation of content suited to mobile needs. First, the basic content delivery system suited to the mobile environment is the mobile application and the mobile web. In developing an app and web service for mobile, a completely different approach must to be taken from that of a website assuming a PC environment. Unlike the PC, for which developers only need to consider a few mainstream browsers such as Internet Explorer and Google Chrome, there are far more elements to be considered in mobile regarding the OS and the sizes of the device. It is also difficult to set a

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[12] Shim, Seoktae (Mar. 2015), "The Mobile Flag is Up – The Response of Broadcast Firms", *Newspaper and Broadcast*, 03, p. 12~15.

standard model for tablet PC due to its screen size, ranging from those comparable to PC to those only slightly larger than smartphones. The lack of a separate revenue model for mobile content despite all the necessary additional effort may make it more difficult to justify sufficient investment for the development of such apps and websites. However, broadcast firms are trying to find their own efficient ways to provide their respective core content to users and to improve the user experience. A similar service is in operation via mobile news apps aimed at smartphones and tablets and the news sections included in the general mobile web service of the entire broadcast firm. A separate app may be developed or the news page for PC can be slightly modified for tablet services.

Besides apps and web services, one method of mobile content delivery that broadcast firms consider important is via social network services (SNS) such as Facebook. Needless to say, the extent of SNS usage varies across firms. According to Seoktae Shim, head of the media department for SBS, there is a great discrepancy of fans of the respective Facebook pages among the broadcast firms with 450,000 for SBS, 17,000 for KBS, and 11,900 followers for MBC as of 2014. SBS even runs specialized separate accounts such as English and covering files with tens of thousands of fans each. The gap among the followers on Twitter are not so severe, with 230,000 SBS, 220,000 KBS, and 180,000 MBC followers. Broadcast firms mainly use Twitter for the dissemination of breaking news contents, whereas Facebook is used to distribute other content, optimized for the mobile environment. Broadcast firms place significant weight on SNS in their response to the shift to mobile. However, unlike some foreign broadcast firms, Korean firms do not tend to have a separate organization devoted to SNS. A separate department was temporarily established in MBC, only to be merged with the Online News Department during its reorganization process in 2014.

Depending on the quality of the way it is operated, an SNS account with hundreds of thousands of followers can boast the prestige of the service as an outstanding content distribution platform. With portals monopolizing mobile news distribution, SNS platforms serve as one of the precious few windows where broadcast firms can attempt independent content distribution.

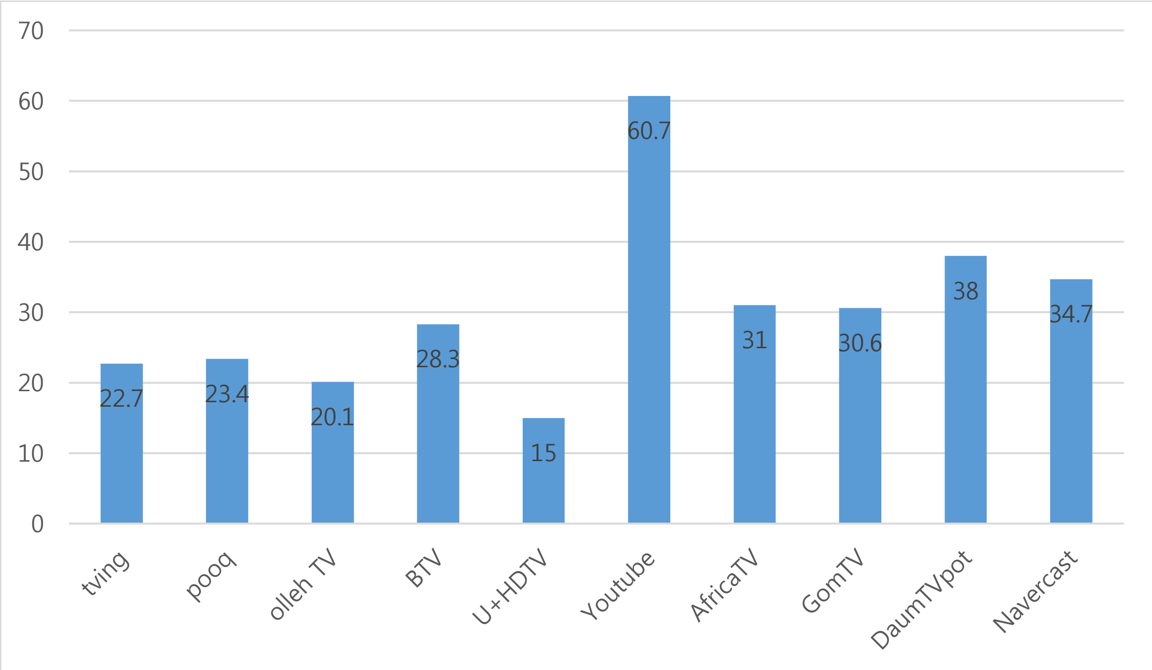
Of course, it is important to recognize that SNS are not the broadcast firms' own platform. Although they possess more strategic leverage compared to portals, they are still obliged to conform to the terms and conditions of the SNS. In particular, the constant changes in Facebook's algorithms significantly affect broadcasters' content exposure. Despite this, Korean broadcast firms are not trying their best with mobile platform development. This suggests that they do not yet feel the desperation. Furthermore, it is also uncertain whether independent distribution platforms per broadcaster can change the order of the mobile news distribution market monopolized by portals.

Head of the media department of SBS, Seoktae Shim claimed in a media related magazine in 2015 that the creation of a joint mobile news platform that aggregates a diversity of news contents such as Pooq could be an alternative approach to the issue. With the news distribution market already mobile centered, Shim sees the experiments currently being conducted by broadcast firms as not yet reflecting the urgency of the situation. He criticized the level of awareness of broadcast firms that they spend billions (KRW) on election broadcasts for a single day, while it is difficult to commit half that amount for structural issues such as the mobile situation.

2. Limitations of Pooq

Pooq's market share in the OTT market currently remains small. According to a 2015 survey by Korea Information Society Development Institute (KISDI) with a national standard sample of 568 people, the service with the highest share in the OTT market among OTT users was YouTube (60.7%), followed by Daum tvPot (38.0%), Navercast (34.7%), AfreecaTV (31 %), GomTV (30.6%). The user shares of joint platforms of broadcast firms, Pooq (23.4%) and Tving (22.7%), were in the early 20%. Among IPTV providers, BTV mobile showed the highest usage rate (28.3%).

Figure 10: OTT Service Usage Rate (Units: %)



Source: Korea Information Society Development Institute (2015)

3. Pooq Users

Lee Heeju, policy director at Contents Union Platform stated in an interview with PDJOURNAL that "Pooq is open to all types of content and seeks to become a platform where all content holders can flourish." Pooq users comprise mostly of the smartphone or tablet PC using younger generation, and Pooq is expanding its reach to such younger generation. Pooq has also formed a partnership with the popular broadcast network JTBC. It's a bold strategic move on Pooq's part by collaborating with a paid channel in competition with ground-wave broadcast networks.[13]

In order to understand the characteristics of Pooq users, it is important to look at the current status of smartphone usage. According to the 2015 Study on Broadcast Media Usage Patterns, smartphone usage rate was at 78.8%, with men (51.7%) higher than women (48.3%) and with a high share in the 20~40 age group (61.5%). Smartphone ownership rates were high with those in white-collar jobs, bachelor's degree, and high income. TV consumption via smartphones at least 5 days a week recorded 7.4%, radio consumption 2.5%, newspaper/magazine article search 49.2%, and games and music recorded 17.4% and 17.3% respectively. Teenagers and those in their 20s were the most likely to watch TV programmes on their smartphones.

As the characteristics of smartphone users demonstrate, although Pooq is expanding its target territory into the younger generation, there are several serious points of concern. Team Leader at SBS Media, Kim Hyuk stated that "The younger generation of today watches content whenever they want and they focus on the genre of their choice. They also boldly consume foreign content as well. They leave easily when they feel bored. The younger customers give us hope, but their needs are picky. Our main concern is that it will be difficult for us to satisfy them with the existing ways of the ground-wave channels."[14]

4. News, Pooq's Cleanup Hitter Up the Mound

Broadcast firms need to pay more attention to the alternative proposed by Shim in order to respond to the changing news consumption patterns. There are several ways to create a mobile news platform. First, the Big 3 could create a new joint mobile news platform. Second, they could each create their respective independent mobile platform. Third, they could add news services to Pooq, the existing joint OTT service.

First, let us examine the case for the launch of a new joint mobile news platform. The new news platform will most likely be created under the supervision of the newsrooms of each broadcaster. However, it is realistically difficult for the Big 3 to create a joint news platform given their competition for both breaking news and ratings. Combining the high quality news of the Big 3 could be theoretically possible, but it will not be an easy alternative to accept given the sharp divergences of each broadcaster's interests, especially from the respective newsrooms' perspectives.

As for the launch of an independent mobile platform, each broadcaster is most likely continuing to deliberate. However, it is questionable just how effectively these individual news apps run by broadcast firms are serving their users. As Shim points out, even if the broadcast firms are to each create an independent distribution platform, it is unknown whether they can

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[13] Koo, Sora (13 Oct. 2015), " 'pooq' in the War of Platforms." *PD Journal*. Korean Producers and Directors Association,

[14] Keum, Junkyung (11 Apr. 2016), "Had pooq had 1 milllion users, it would have exclusively aired 'Descendants of the Sun'", *Media Today*, <http://www.mediatoday.co.kr/?mod=news&act=articleView&idxno=129299>.

make a dent in the market pecking order of the mobile news distribution market dominated by portals such as Naver.

Finally, the Big 3 could consider adding a news category to an existing joint OTT service. Although Pooq is a pay service, the news must be provided for free. Because Pooq once considered including the news in its initial stages, its entry is unlikely to be a hindrance to the service. Let us investigate how news categories can be organized in Pooq.

1) MBC, KBS, SBS News Button

First, Pooq could create news buttons for MBC, KBS, and SBS in the news category. These buttons could connect directly to the news app or website operated by the broadcast firms. A Pooq representative has already been quoted saying that the broadcast firms hold sharply different views about the appropriate order of arrangement. One way to resolve this issue would be to rotate the order of arrangement over a regular cycle, such as a week, a month, or some other period of time.

2) HOT HOT HOT

At 'HOT HOT HOT', users could view the best videos provided by each of the broadcast firms. This is the section expected to hold the most interest with users. Each broadcaster would provide 10 videos, with the Best 10 updated daily.

3) 'Focus on'

'Focus on' would be where the broadcasters would provide their in-depth news, such as investigative reports, exposes, exclusives, in-depth news etc. Although it would be called by a different name per newsroom, this is the place where the in-depth news with great social impact would be handled. Considering the fact that such contents are difficult to create daily, each broadcast firm will provide 2-3 contents daily.

4) Star & Stars

'Star & Stars' would provide news regarding entertainment, such as Korean and foreign celebrities, entertainment programs, and movie related news. Because each broadcast firm already carries its entertainment news as a separate corner and provides its content at a particular news time, it would not be difficult to channel that to Pooq.

5) Sports

'Sports' is another important genre of news. Pooq Sports would provide highlights for Korean big leagues for sports such as baseball, football, basketball, volleyball, golf etc., as well as foreign sports highlights.

6) Weather

'Weather' plays a critical role in modern life. Pooq Weather would provide weather casts created by each of the broadcast firms.

7) Health

'Health' is a collection of health themed videos created by broadcast firms. For reference, MBC operates a Health section in its daily morning news time slot.

8) Bonus

'Bonus', as the name implies, is a bonus section. This section is for the videos that broadcast firms wish to provide but do not quite fit in the above 7 categories. There videos will be either highly entertaining or beneficial for users.

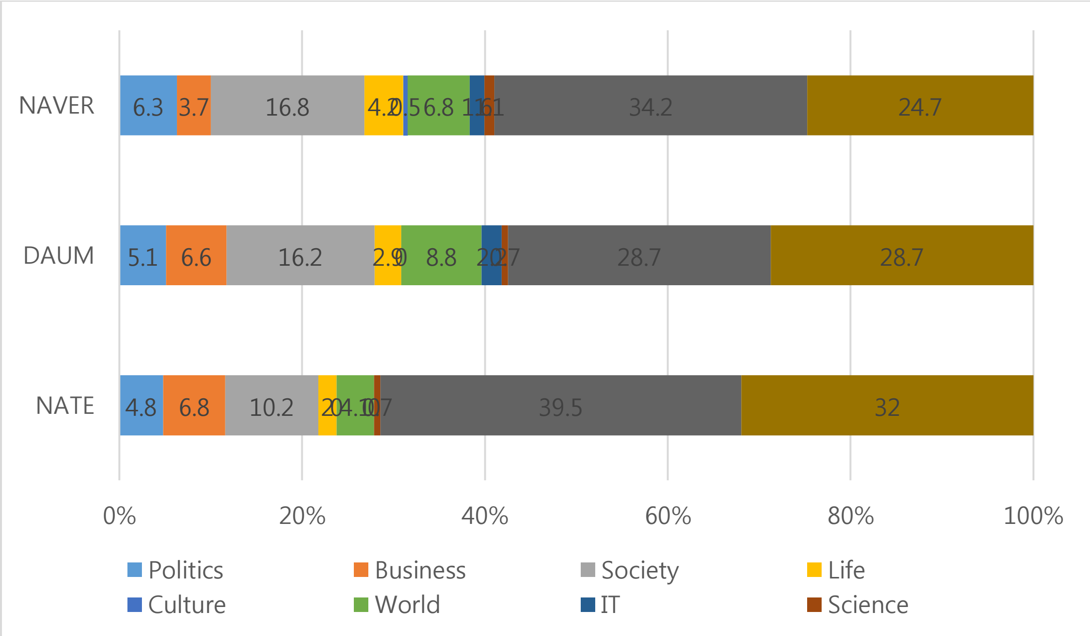
5. Why Pooq Needs News

The news categories proposed for Pooq are user-centered rather than driven by the demands of the news organizations themselves. For this purpose, user preference was seriously considered and videos were emphasized. This is expected to drive an influx of users to Pooq. Next up is traditional news. News produced by the efforts of the reporters of each broadcast firm is collected in 'Focus on'. News with depth and social impact, scoops, exclusives, in-depth news, would be placed here. Other news genres such as politics and the economy do not have a separate corner; instead, users can find and freely explore their favorite broadcast firm.

Traditional news arrangement of broadcast firms has been in the order of: politics, economy, society, culture, entertainment, and sports. However, this arrangement has become meaningless. Users are no longer interested in a prearranged news sequence. Entertainment and sports news are emphasized in lieu of politics and economy. Entertainment and sports news is the mobile users' favorite news genre.

The preference for entertainment and sports is well demonstrated in the study by Wikeun Kim of Korea Press Foundation. According to Kim's study on 'Mobile Usage in the Smart Media Age' (2011.9), portal news service usage occurs in a chronologically fragmented manner. Therefore, it is expected that short news usage for the fulfillment of individual interests will be popular; entertainment and sports news demonstrate such qualities. Upon reviewing the genres of news articles in the mobile version of the world-wide-web front page news box of the 3 main Korean portals (Naver, Daum, Nate), Kim discovered that entertainment articles are most common with 34.2% and sports holding a significant share with 28.1%. The composite share of entertainment and sports news was found to be at 62.4%, more than three-fifths of the total.

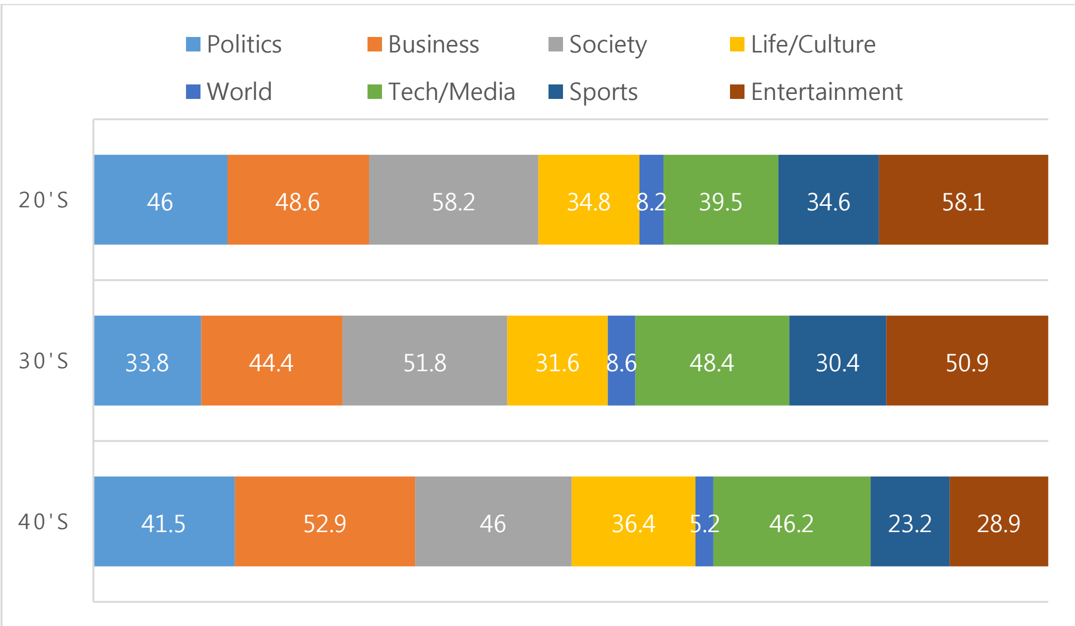
Figure 11: News Article Genres of Mobile World-Wide-Web Front Page Newsbox by Portal (Units: %)



Source: Mobile News Usage of the Smart Media Age, Korea Press Foundation

The preference for entertainment and sports articles are particularly accentuated in the younger generation. According to the Study on Online News Contents Consumption conducted by DMC Media with 585 nationwide adult respondents in 2013, every age group is interested in political, economic and social issues, and the younger the age group, the higher the preference demonstrated for entertainment.

Figure 12: Main News Category Distribution by Age (Units: %)



Source: Study on Online News Contents Consumption, DMC Media (2013.6)

Next, Pooq could strengthen its video services. Broadcast firms have traditionally used videos over text as its main characteristic of their content. However, there were limits to providing large HD videos in the early days of the internet. Over time, users became used to scrolling through the headlines provided by portals such as Naver, and the introduction of the smartphone intensified this phenomenon. One interview in Kim's Study on 'Mobile News Usage of the Smart Media Age' illustrates such reality.

"TV viewing frequency fell markedly. Especially, people are watching less TV news. It's because they are consuming enough of it on their smartphones and PCs. Currently, we judge highly accessed news based on live news headlines on portals." (Smartphone Users O) - From the Korea Press Foundation Report on 'Mobile News Usage of the Smart Media Age' (Kim, Wikeun 2011.9)

However, the tables have turned with technological advances. Today, people can download large videos, and live video streaming services in non-Wi-Fi areas continues to expand. Such technological breakthroughs are great news for broadcast firms which have been using videos as their main content tool. Perhaps it is not impossible to overturn the loss of influence to portals and SNS ever since the internet age. Broadcast firms are repositories of high quality videos. With thorough observation and analysis of user video usage patterns and habits, broadcast firms could devise a fine response plan to reclaim market share.

In MBC News's case, user reaction to '1 Minute Power Health' was better than to hard news topics such as politics and economics in their comprehensive morning news programme. The following are stories aired on MBC News Today's '1 Minute Power Health' suggesting the editorial approach that could be taken:

- Park, Cho-rong yoga instructor, Lee Yeonhee look alike… "ratings on the rise" Donga Daily Dated: 2014-10-21[15]
- Netizens showing various responses such as "Yoga instructor Park, Cho-rong, 1 Minute Power Health ratings on the rise?" <SportsChosun> Dated: 2014-10-21[16]
- Yoga instructor Park Cho-rong. Morning news viewership momentary explosion? Seizes men's hearts. /SportsDonga Dated: 2014-10-20[17]

Weather casters are always the center of attention of viewers. The following directly confirms the popularity of weather casters.

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[15] "Park Cho-rong yoga instructor, Lee Yeonhee look alike… 'ratings on the rise'", *Donga.com*, 21 Oct. 2014, <http://news.donga.com/ISSUE/Vote2016/News?m=view&date=20141021&gid=67326246>.

[16] "Lee Yeonhee look alike yoga instructor Park Cho-rong, corset diet "4 cm waistline reduction possible in 5 minutes"", *SportsChosun*, 21 Oct. 2014, <http://sports.chosun.com/news/ntype.htm?id=201410220100257830016237&servicedate=20141021>.

[17] "Yoga instructor Park Cho-rong. Morning news viewership momentary explosion? Seizes men's hearts", *SportsDonga*, 20 Dec. 2014, <http://sports.donga.com/3/02/20141020/67317388/2>.

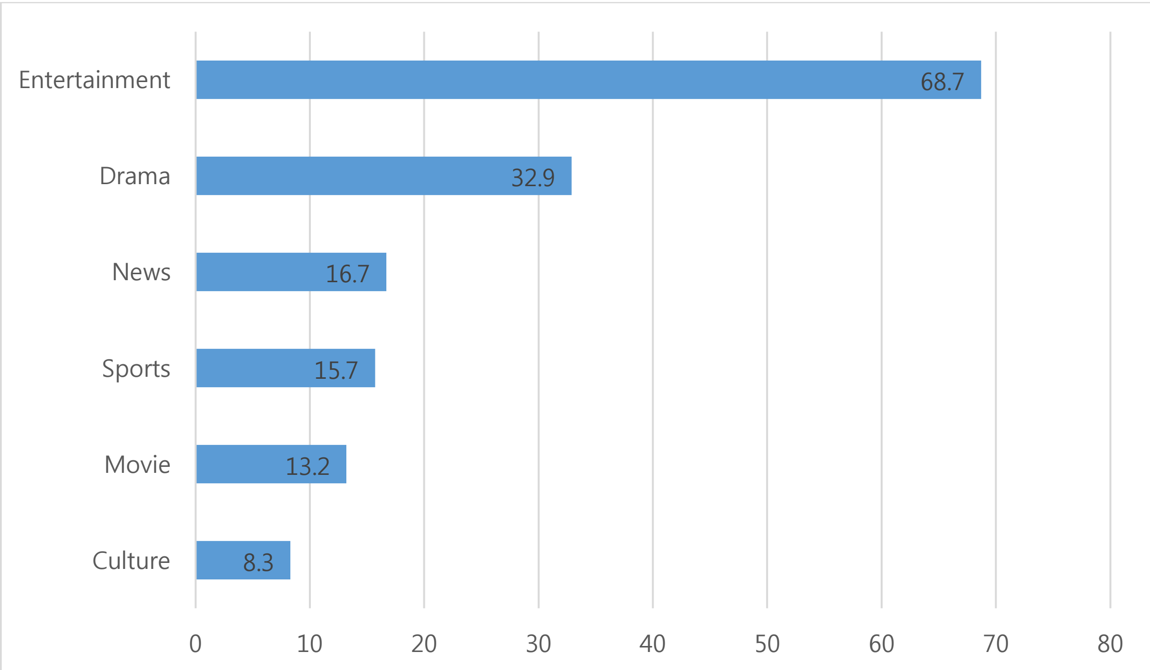
World's Hottest Weather Caster…Ratings Factory 'Weather Goddess'

A female weather caster in Mexico is gathering worldwide attention for her beauty and body. Yanet Garcia, a weather caster for MTY News of Monterey, Mexico is the woman of the hype. Garcia, who appears onstage at 9:30AM shouting "senorita" is known as the 'Weather Goddess' to the world. Garcia is extremely popular worldwide with 600K Facebook and 900K Instagram followers. It is said that nine out of ten Mexicans watch her weather report[18].

The above examples confirm that health videos and weather casters have a strong appeal for viewers. If Pooq News can attract users to the platform, it means that authentic journalism would now have a better chance of attracting users' attention. According to the 2015 Study on Broadcast Media Usage Patterns, those who responded that they watched entertainment programmes via online video services were the largest group at 68.7%, and soap operas were at 32.9% and the news at 16.7%. This suggests that users still consider the news to be important. Therefore, if the news is added to Pooq, its userbase can be expanded. This will allow news produced by terrestrial broadcast firms to be delivered more efficiently through smart devices.

Figure 13: Programme Types of Videos Consumed Online (1 Week)

(1060 users, multiple responses, units: %)



Source: 2015 Study on Broadcast Media Usage Patterns, Korea Communication Commissions

[18] *Herald Economy* 2016-04-30

There is a more fundamental reason to add news services to Pooq. Traditionally, as broadcasts were delivered via the limited resource of radio waves and their influence reached every corner of society, a sense of public responsibility was bestowed upon these broadcasts. However, the digitization of broadcasting is transforming traditional broadcast centered on terrestrial channels. On the macro scale, the quantitative range of broadcast services is expanding greatly due to the advent of a variety of new services, while on the other hand the convergence of cable and wireless is accelerating qualitative changes.

While such a trend for convergence that enables a comprehensive multimedia service calls for a fundamental paradigm shift regarding broadcasting in general, it also foreshadows the weakening of the public function of broadcasting and the advent of sweeping changes in the industry. In particular, the fact that this challenges the stature of terrestrial broadcasts and requires from them a new business model signifies both a grave threat as well as a thrilling opportunity. On the other hand, the same phenomenon will result in massive structural shifts, resulting in changes in viewer experience in terms of both quantity and quality.

However, even in an age of channel diversification and broadcast communication convergence, the traditional ideal of broadcasts for the public interest still stands and remains a value that we must protect and preserve. While the responsibility for the public interest was based on market monopoly in the analogue age, a non-market based counterpart in the digital age will depend on the harmonization of 'business value' and 'public interest' in free market competition. Furthermore, there may even be a need for the establishment of a standard for the public interest in broadcasting that can accommodate the fragmentation of broadcasts from a number of terrestrial programmes to hundreds of mass digital channels. [19]

It is in such context that a logical foundation for the protection of welfare in the multi-channel, multi-medium, and especially the smart-phone age must be prepared. In conclusion, in order to secure the value of public interest in the age of digital convergence, a new paradigm that recognises the changes in the environment, and a plan based on such foundation to secure the public interest to realise viewer welfare, must be established. (Lim, Dongsik 2010)

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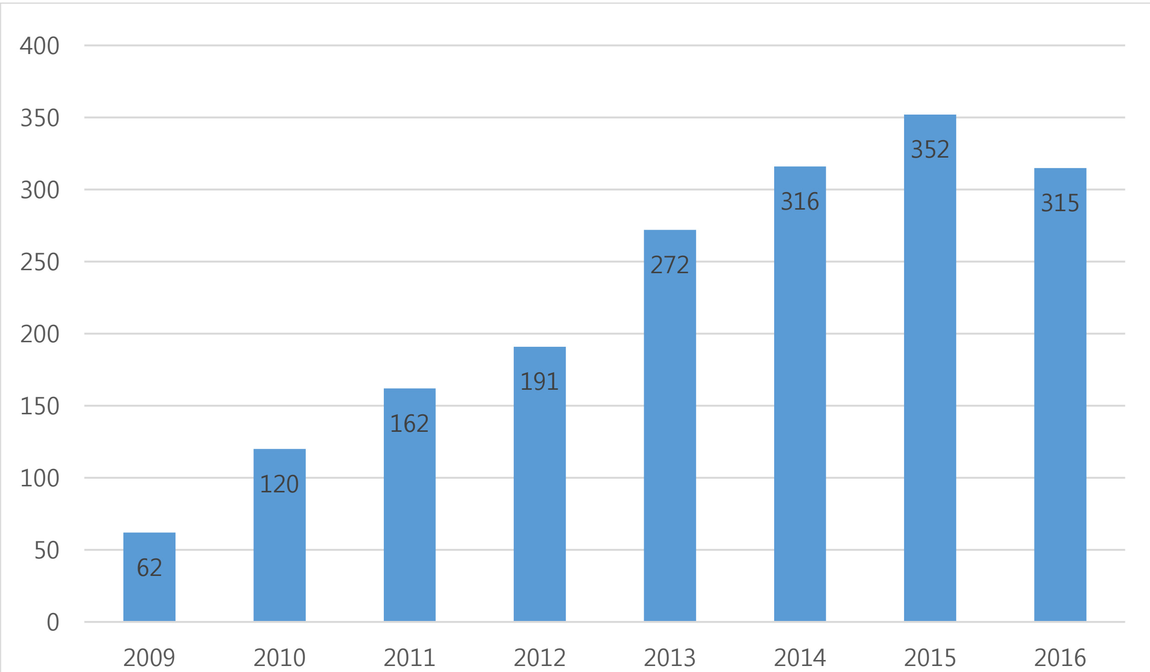
[19] Lim, Dongsik (2010), "Study on the Establishment of the Public Interest Element of Broadcast in the Digital Convergence Age – Viewer Welfare Centered", *Chung-Ang University*, p. 72~73.

Chapter 4. BBC's OTT iPlayer

As discussed earlier, adding a 'News' category to Pooq was intended at the initial stages but had to be terminated because the Big 3 firms failed to come to an agreement. If it is too difficult for MBC, KBS, and SBS to create a combined news category in Pooq due to their disagreements, they could always consider an independent OTT service. The BBC's iPlayer offers an example of this approach. Launched in December 2007, iPlayer began as a free on demand video service that allows users to stream and download BBC broadcast content on their PC 7 days after original airing. Although iPlayer started out as a PC-based service, it has expanded the devices it serves, now ranging from game consoles such as Wii and PS3 to the smartphone, cable TV, IPTV and smart TV. The BBC currently provides its broadcast contents for 30 days on iPlayer.

iPlayer requests have soared dramatically since its launch. According to the BBC, iPlayer requests were at 62 million a year into the launch in January 2009, but the figure has increased fivefold to 315 million in January 2016 according to recently published data.

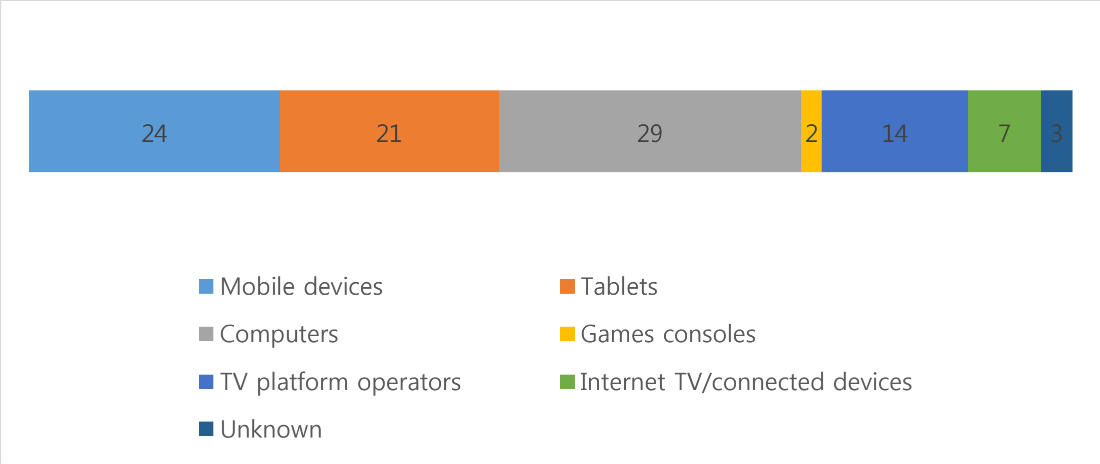
Figure 14: BBC iPlayer requests across all platforms (Unit: million/every January)



Source: January 2015 Monthly Performance Pack, BBC Communications

Of the 315 million iPlayer requests of January 2016, mobile devices and tablets each comprise 24% and 21% respectively - reaching almost half of the total number of requests at 45% combined. Considering both the smartphone and tablet as mobile devices, it seems that iPlayer is highly accessible and popular in mobile devices. Computers followed at 29%, while number of requests via TV sets showed relatively lower levels.

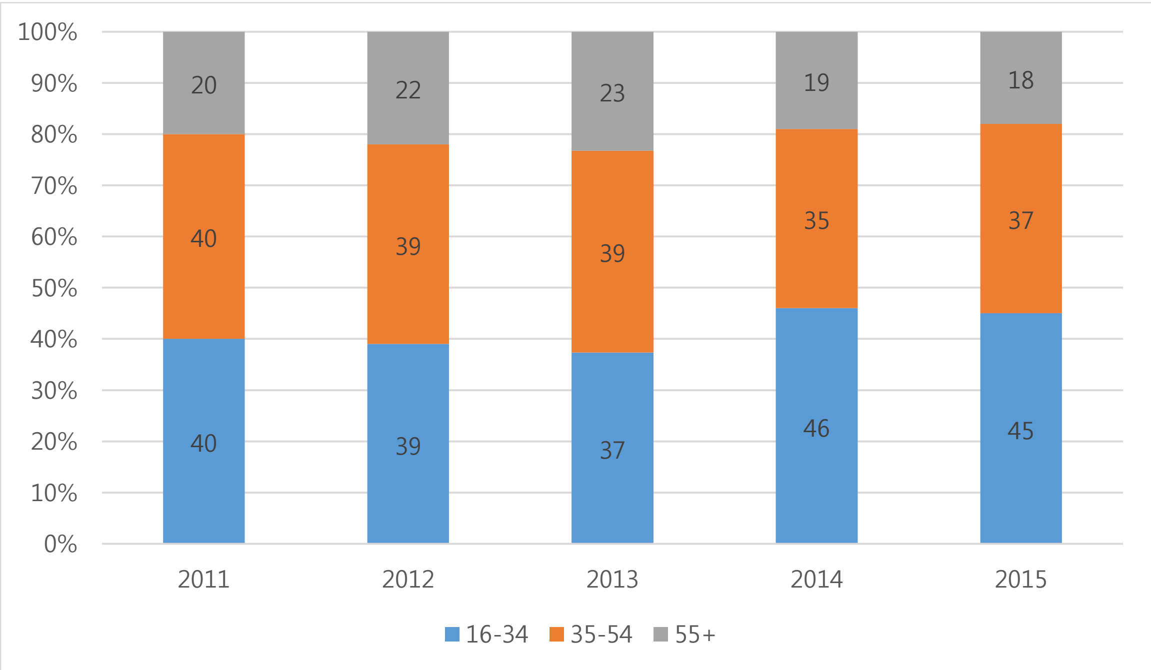
Figure 15: TV and radio: Requests for programmes by device type (January 2016, Unit: %)



Source: January 2015 Monthly Performance Pack, BBC Communications

The demographics of iPlayer users in the past 5 years show that in 2011, the shares of users of the 16 to 34 and 35 to 54 age groups are standing roughly equal at 40% : 40% and continued to do so until 2013. However, in 2014 and 2015, the age group that uses iPlayer the most is 16-34 at 46% and 45% each.

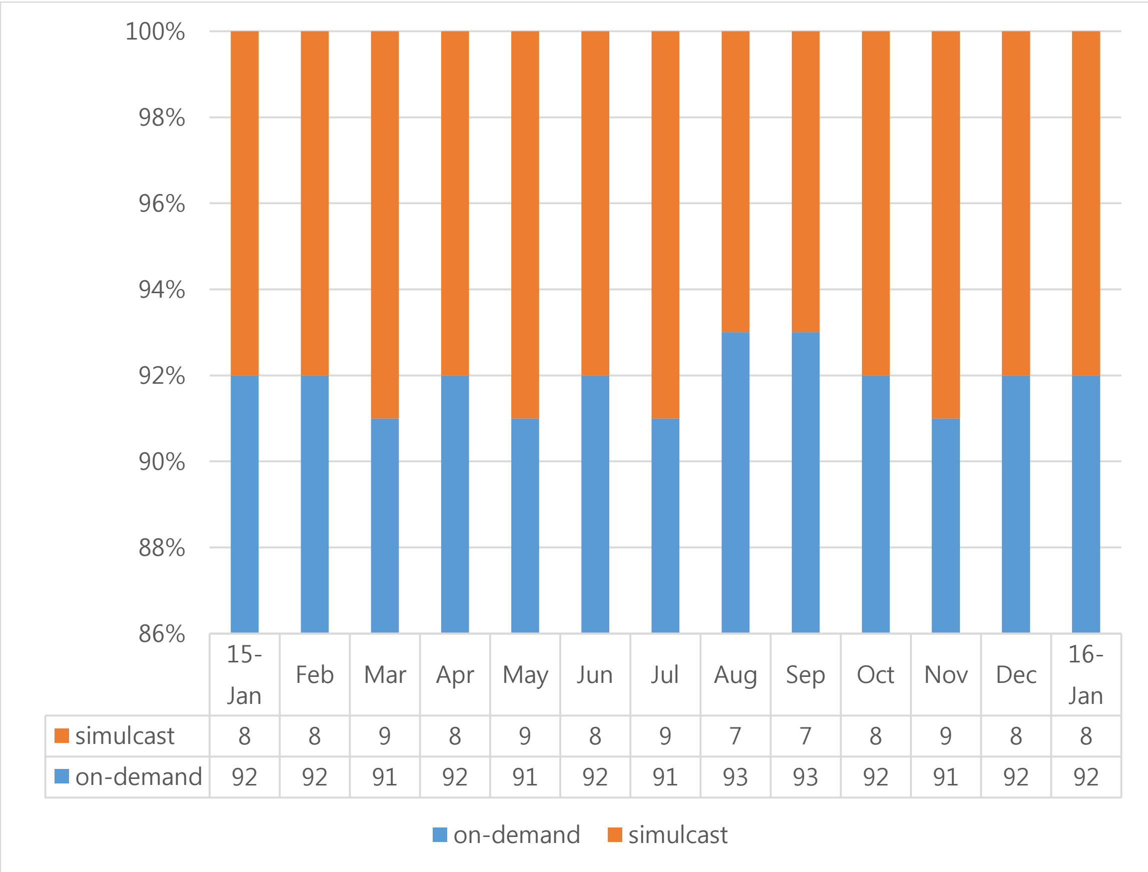
Figure 16: Demographics of BBC iPlayer users



Source: January 2015 Monthly Performance Pack, BBC Communications

A comparative analysis of Live vs. Catch-up regarding iPlayer online requests from January 2015 to January 2016 demonstrated that over 90% of users were on-demand, preferring catch-up over live. This signifies that iPlayer is a service appropriate for watching BBC programs free of time constraints.

Figure 17: Live vs Catch-up online requests(TV)



Source: January 2015 Monthly Performance Pack, BBC Communications

BBC also uses social network services such as Facebook and Twitter to promote its broadcast content and communicate with viewers. The Facebook page of 'Top Gear', a hit BBC program, is a prime example of BBC communication with its viewers. Top Gear Facebook provides a variety of content such as pictures, untransmitted scenes, games, discussions and quizzes. Furthermore, the BBC promotes debate about its broadcast content and maintains its reputation through its Twitter account. In other words, BBC allows its users to express their opinions and communicate with other viewers live about the broadcast contents.[20]

BBC News was originally only available via the web but can now be accessed via mobile

[20] Shin, Hocheol (2011), "Trends and Strategies of BBC's Online Media Business", *Trends* Vol. 23 No. 18 Serial Number 517, p. 72~80.

and tablet apps, with recent optimizations for connected TV such as Samsung Smart TV.

The BBC, with its strategic goal of ‘one service, ten products, four screens’, has moved beyond its existing web service and is now providing mobile, tablet and connected TV services.

The BBC is proactively investing in the online media business, seeing it as a new business opportunity in the digital age. Such actions by the media firm are related to the spread of personalized devices and change in viewing patterns. The advent of the smartphone and tablet PC have led to the decrease of TV and PC usage frequency, and the increase in broadcast content consumption on such personalized devices has led to the decrease in live viewing of terrestrial broadcasts. In response to such shifts in viewing patterns and the diversification of viewing devices, the BBC is successfully attracting viewers by constructing the iPlayer as a separate brand. The BBC also focuses on improving user convenience by continuously improving its homepage and simplifying its user interface.

Conclusion

Vint Cerf, commonly referred to as the 'Father of the Internet,' in his 2007 interview with The Guardian, a British daily newspaper, predicted that 'we would soon be watching the majority of our television through the internet.' And he added the following. 'A revolution that could herald the death of the traditional broadcast TV channel in favour of new interactive services.' Cerf had already predicted 10 years ago the OTT (Over the Top) market providing TV service via the internet. And in 2016, America's largest OTT firm Netflix landed in South Korea.

Korea's terrestrial broadcasters MBC, KBS and SBS have been providing their OTT service, Pooq, since 2012. However, despite Pooq's advantage of monopoly supply of terrestrial programs, its market reach remains low. A Pooq representative stated that the exclusion of a news category in Pooq was because providing the news on Pooq will not significantly affect its service. However, it has been confirmed that Pooq's early business plans had included a news category and that there was an issue of combining the different internet technology standards of each firm, with another critical issue being the order of arrangement of each broadcaster's content that stalled its development. As a result, discussions regarding news services on Pooq were terminated and Pooq's market reach still remains low.

The Study on Broadcast Media Usage Patterns carried out by the Korea Communication Commissions points to some important results. The survey asked 1,060 users the types of programs watched using online video services. Entertainment ranked 1st by far at 68.7%, followed by drama at 32.9%, the news at ranked third place at 16.7%. This figure is higher than those of sports (15.7%) and movies (13.2%) - meaning that viewers consider the news important. Therefore, adding the news to Pooq would increase its number of users, thereby transmitting the news contents created by terrestrial broadcast firms to viewers more efficiently through smart devices.

The news categories that could be included in Pooq would comprise the respective news buttons of MBC, KBS and SBS, 'HOT HOT HOT' with the best videos provided by each of the Big 3, 'Focus on' with in-depth news, 'Star & Stars' with news on entertainment, 'Sports', 'Weather', 'Health', and the 'Bonus' corner with funny videos.

If it is not possible to provide the news through Pooq due to fierce competition and sharp divergences of interest, each broadcast firm should consider launching its own independent OTT service. BBC's iPlayer is a prime example of this. iPlayer requests have increased fivefold in 7 years from 62 million in January 2009 to 316 million in January 2016. There is a wide range of serviceable devices such as mobile devices, tablets, computers, IPTV and smart TV - virtually all types.

In May 2014, Sir Howard Stringer, a non-executive director at BBC, laid out the changes in the external media environment and the points of opportunity in a report '2022: towards 500 Million,' stipulating the strategic challenges that the firm must address and the general direction that it must take to reach 500 million viewers in the year 2022.[21] Sir Howard's report actively calls for the provision of mobile and social media news content and active engagement with the global market. Looking ahead to 2022, Sir Howard sees that the key to the transformation of the media platform is that mobile and social network services will be at the centre of consumption, and that the BBC should reform itself into a broadcaster of a global scale with news and content created in further diverse languages. The reason that mobile and social network services are important is that a world in which broadcasters must utilize such services in order to reach viewers is fast approaching. Asking a TV and radio centered broadcast firm for such changes, let alone a public one, is surely not an easy task. However, as it can be seen from the case with iPlayer, BBC already possesses a success story in online-based broadcasting.

In the end, the direction of change for future public broadcasters pointed to by the BBC report can be summarized as: 'Maintaining the core identity as a public service broadcaster while instituting the governance to push ahead effectively with commercial services within the boundaries of public broadcasting, actively embracing mobile and social network services, raising both content and brand value in the global market.'

[21] Stringer, Howard (2014), "2022: Towards 500 Million", *BBC Mediacentre.*

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