

# The Global Success of Netflix with Korean Contents<sup>1</sup>

## The collaboration between the Korean government and local OTTs

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**ABSTRACT:** The Korean Wave has been present in Taiwan for over 20 years, permeating various sectors including dramas, K-POP, movies, Korean cuisine, video games, fashion, and cosmetics. Its influence is not just limited to Asia; Korean content products are now recognized globally. Previously, the success of Korean content in European and American markets was facilitated by concerted efforts from both the industry and the government. However, in recent years, particularly during the pandemic, the robust involvement of the streaming platform Netflix, exemplified by the global sensation *Squid Game*, has intensified the world's fascination with Korea. Netflix serves as an optimal tool for the dissemination of film and media culture. While Netflix's support has undoubtedly been beneficial for Korea, it has also raised concerns regarding their investment strategies and the challenges they pose to Korea, such as intellectual property (IP) issues, monopolistic control over broadcasting rights, localization strategies, diversification of production formats, revenue sharing with telecommunication operators, and the survival of domestic over-the-top (OTT) media service platforms. In response, both the industry and government have initiated measures such as government subsidies for OTTs, tax reductions, levies on Netflix's use of the internet, standardized contracts, and the active cultivation of creative talent. Additionally, industry efforts include mergers, fostering alliances to expand capital, and ensuring the production and circulation of quality content. This paper will comprehensively organize and

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analyze data from official Korean sources, academic papers, and field studies conducted by the author, to explore the competitive and cooperative issues between Korean OTT platforms and Netflix, and to identify viable responses. The analysis will cover three main aspects: (a) Netflix's investments in Korea and the challenges they present to the country; (b) the Korean government's response policies; and (c) the current situation and potential improvements for local Korean OTT platforms.

**KEYWORDS:** OTT, streaming platform, Netflix, South Korean drama, content industry

**摘要：**韓流在台灣超過20年，從戲劇、K-POP、電影到韓食、電玩、時尚、美妝…等，無所不在，不僅在亞洲，現在全世界都知道韓國內容商品。以前靠產業與政府的各方努力，闖關歐美市場，但這幾年，尤其是疫情期間，串流影音平台(以下簡稱OTT)Netflix的強勢投入，一部《魷魚遊戲》竟讓全世界瘋韓國。OTT是影視與文化流動的最佳利器，Netflix的加持對韓國而言無疑是好消息，但卻引發韓國對Netflix投資方式的疑慮以及對Netflix帶來的挑戰感到憂慮，如智慧財產權(IP)問題、播映權獨寡占、在地化策略、製作形態的多元化、OTT應與電信業者分潤、本土OTT的生存等問題。對此業者與政府陸續提出應對措施，如：韓國政府對OTT的補助、減稅、徵收OTT網路使用費、制定定型化契約、積極培養創作人才；業者部分則進行整併、促成業者聯盟擴大資金、確保優質內容的產出與作品的流通等。本文將就以下三個層面，透過韓國官方資料、學術論文、以及過去筆者實地考察所得的資料做全盤的整理與分析，試著爬梳韓國OTT與Netflix的競合問題，以及找出可行的因應措施。(1) Netflix對韓國的投資情況以及帶給韓國的課題(2) 韓國政府的因應政策(3) 韓國本土OTT的現況與可能的改善作為

**關鍵詞：**OTT、串流平台、Netflix、韓劇、內容產業

## 1. Introduction

The Korean Wave has permeated Taiwan for over 20 years, with Korean culture seeping into every corner of Taiwan. Almost effortlessly, one can encounter messages of Korean pop culture, which has evidently become a part of the lives of the Taiwanese, particularly evident through Korean dramas. According to the Taiwan Creative Content Agency's (TAICCA) 2022 statistics on drama broadcast time by country from 2015 to 2020, Korean

dramas were ranked third, after Chinese dramas, except in 2017 when they were second (TAICCA, 2022). As of August 23, 2023, there are 33 Korean dramas broadcast in Taiwan, including cable and terrestrial TV stations (excluding reruns), with 17 of these airing during the prime-time slot of 18:00 to 22:00 across 17 channels, available 24 hours a day. Including reruns, one can watch Korean dramas on TV at any time of the day<sup>2</sup>, a rare phenomenon worldwide.

After the outbreak of COVID-19 in 2020, as people spent more time at home, attention shifted to over-the-top (OTT) media services<sup>3</sup>, with Netflix seeing the highest subscription rates, seemingly becoming essential for household viewing. This has also changed how Korean dramas are accessed. According to this paper's survey, out of 124 Korean dramas that premiered in 2022, 111 debuted on OTT platforms, accounting for 89.5%; by the end of August 2023, 66 out of 72 premiering dramas were on OTT platforms, comprising 91.7%. Several Korean dramas consistently rank in the top ten weekly. This data clearly shows the shift away from traditional TV and pirated websites, with OTT becoming a legal channel for audiences.

One of Korea's local OTT platforms, Wavve, initiated OTT services in 2016. Netflix established "Netflix Services Korea" in South Korea in July 2015 and began streaming Korean dramas in June 2019. Since then, Korean service providers have felt a sense of urgency, with new OTT platforms emerging in 2020, invigorating production companies. However, with Netflix's robust funding, which includes a production budget of USD 21.4 million (approximately TWD 642 million) for *Squid Game* (Heo, 2021), leading to 1.65 billion hours watched within 28 days after its release on September 17, 2021, and continuing to top the viewing charts for 46 consecutive days from September 23, 2021, winning numerous awards (Han, 2022), it is a significant milestone that has encouraged related Korean industries to strive for global recognition. Therefore, production and related businesses are eager to join the enormous Netflix platform, hoping to spread their works globally for greater benefits.

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2 Official website of Nio Television Network: <http://korea.niotv.com/>.

3 Over-the-top media services are a type of online streaming video service delivered directly to viewers via the internet, independent of network service providers. This means that regardless of which telecom network you use, as long as your device is connected to the internet and meets the OTT provider's specifications (such as subscribing and paying for membership), you can access the streaming video content offered by the OTT platform.

The success of *Squid Game* has led to much reflection and shock within relevant Korean entities. The intellectual property (IP) rights sold entirely to Netflix resulted in profits of USD 900 million falling into Netflix's lap, prompting concerns within Korea about Netflix's investment methods. In response, the producers of the critically acclaimed *Extraordinary Attorney Woo* (2022) kept the IP rights in Korea, only selling overseas broadcasting rights to Netflix in an attempt to generate more economic benefits, though the results were not as expected. So, should the success of *Squid Game* be attributed to the narrative and production of the work or to Netflix's global marketing? How can local Korean OTTs carve out their own path amidst Netflix's substantial funding and global network? How can the government support the local OTT and film industries with regulations and funding? How should creative talents be nurtured? These questions return to the fore because not every production through Netflix can achieve the immense success of *Squid Game*. Beyond successful platform marketing, the quality of the story content is a crucial determinant of success. Over the years, Korea has continually introduced high-quality dramas, and the diversity of these themes has gained international renown, which is key to sustaining the longevity of Korea's film and television industry.

Due to the lack of related literature in Taiwan, there are only a few recent studies such as "Korean OTT policies and industry development trends and outlook" published in July 2022 by Wu Mengxin (Wu, 2022) and "Government responses to cross-border OTT platform fee disputes in Korea" released in October 2022 by Liu Rongning (Liu, 2022). Although these papers are recent, they mostly reference media sources and lack discussions from Korean scholars. Therefore, this paper will examine the current status of OTTs within Korea, the competition and cooperation between Korean OTTs and Netflix; and will outline the impacts Netflix has had on Korea, as well as feasible policies that the Korean government and industry operators could implement. This aims to provide a comprehensive and up-to-date examination of Korean OTT issues and corresponding strategies for Taiwan entities and readers interested in this topic. Thus, the paper will analyze and explore the following three aspects:

- (1) Netflix's investments in Korea and the challenges they bring to Korea
- (2) The Korean government's response policies
- (3) The current state of Korean local OTT and potential improvements

## 2. Korean Domestic OTT Current Situation

According to data from the Ministry of Culture, Sports and Tourism, the use of OTT services in Korea increased from 52% in 2019 to 69.5% by 2021 (MCST and Other Related Ministries, 2022, p. 1). There are seven main OTT services in Korea, including international platforms like Netflix and Disney+, and local services such as Wavve, Tving, Seezn, Watcha, and Coupang Play. As of June 2022, Netflix's subscription numbers in Korea reached 11.17 million, which, even when combined with the first local OTT, Wavve (4.23 million), and the second, Tving + Seezn (5.57 million), still shows a deficit of around 1.37 million subscribers compared to Netflix, highlighting the challenge for local OTTs to catch up.

### 2.1 Local OTT Platforms

The major local OTT platforms in Korea include Wavve, Tving, Seezn, Watcha, and Coupang Play. Here's a brief overview of these platforms:

Owned by SK Telecom, **Wavve** started planning in 2012 and launched its OTT service in 2016. It primarily offers programs from Korea's three major broadcasters (KBS, MBC, SBS) and provides about 300,000 programs, including international dramas and animations, and 20,000 movies. The basic monthly subscription is KRW 7,900 (approximately USD 5.7), allowing usage on mobile and computer only. For KRW 10,900 (approximately USD 7.80), two simultaneous streams are available, and for four streams, the cost is KRW 13,900 (approximately USD 10).

Operated by CJ ENM, **Tving** began its service in 2020, featuring content from its channels such as OCN, tvN, Mnet, and JTBC, as well as original programming. It also offers international content. The lowest subscription rate is KRW 9,500 for use on a mobile and computer only, with plans for multiple users at higher rates.

A service by KT, **Seezn**<sup>4</sup> was launched in 2020, primarily featuring content from CJ ENM's channels like OCN and tvN. It offers over 200 live channels and about 300,000 VODs, including news and dramas. The basic monthly subscription is KRW 5,500, which includes access to over 200 live channels and 300,000 VOD programs (including more than 80,000 available

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4 Official website of Seezn: <https://product.kt.com/wDic/productDetail.do?ItemCode=190>.

for free viewing) such as YTN News Network, TV Chosun, MBN, Dramax, and others. There is also a KRW 8,800 monthly plan that offers an unlimited music channel in addition to the content available in the KRW 5,500 plan; there are also KRW 9,900 and KRW 13,200 plans, which mainly differ in some bundled benefits, with the KRW 13,200 plan offering an additional unlimited use music channel compared to the KRW 9,900 plan. In December 2022, CJ ENM's Tving officially merged with KT's Seezn to become the largest domestic OTT in Korea. Although the merger was not primarily intended to compete against Netflix, being able to contend with Netflix is a welcomed development for Korea.

Initially focused on the Japanese market, **Watcha** has two subscription options and began providing services in 2011. It has since expanded but reported significant financial losses last year despite also producing Korean dramas.

Started by e-commerce firm Coupang in October 2020, **Coupang Play** targets subscribers of its shopping service, Rocket Wow, offering an inexpensive monthly fee and a variety of content, including games and reality shows, although its selection is currently limited.

## 2.2 Netflix in Korea

When Netflix was founded in 1997, it primarily offered DVD rental services in the United States and introduced a subscription service in 1999. In July 2015, Netflix established 'Netflix Services Korea' as a legal entity in South Korea; in 2016, it formed a Korean-specific division in Singapore and shortly thereafter began OTT services in Korea. In May 2018, it moved to establish a permanent division in Korea, and by June 2019, it had set up a dedicated business space in Seoul and began launching Korean dramas. According to data from June 2022, Netflix operates in over 190 countries globally, with 220 million subscribers<sup>5</sup>. It has 73.3 million subscribers in the United States, and a significant presence in Korea with 11.17 million subscribers. Although Netflix's subscription numbers decreased for the first time in ten years in the first quarter of 2022 (Ju, 2022; Sherman, 2022), dropping by 200,000 from 221.64 million in the first quarter of 2021, it is expected that over two million subscribers will cancel by the end of June, with the company's market value

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5 The statistic for October 18, 2022, is 230 million.

estimated to decrease by 70%. The cancellations were mainly in North America, Europe, and South America, while the Asian market continued to rise.

Netflix offers four subscription tiers: Basic at KRW 9,500, Standard at KRW 13,500, Premium at KRW 17,000, and an ad-supported option at KRW 5,500. Netflix's subscription fees are standardized globally. In November 2022, the introduction of the ad-supported plan, which reduces the monthly fee, also garnered significant attention.

The details of the six main OTT providers in South Korea, along with an overview of their services, are summarized in Table 1 (see p. 169).

### 3. Challenges Brought by Netflix to Korean OTTs

After officially setting up in Seoul in 2019, Netflix focused on collaborating with Korea on original content and began acquiring rights to Korean series. In just 2021, Netflix invested approximately KRW 16 trillion (about TWD 400 billion) in Korean original content, equivalent to the total annual revenue of the Korean film and TV industry in 2017 (KRW 16.5 trillion). Seeing the potential in Korean media and the expansive Hallyu market, in 2022 Netflix further increased its investment by 25% to KRW 20 trillion (Park, 2022). This investment in original content places significant pressure on Korean OTTs. Moreover, from 2016 to 2020, a total of KRW 770 billion was invested in production costs, with an additional KRW 550 billion in 2021. Following the success of series like *Squid Game*, the investment for production costs was raised to KRW 1 trillion in 2022.

The issue of funding is the first major challenge faced by domestic Korean OTTs, so mergers or acquisitions by platform operators can increase funding sources and subscriber numbers, as previously mentioned with CJ ENM's Tving purchasing KT's Seezn, which the government viewed optimistically and supported with subsidies. After the merger of Tving and Seezn, to strengthen their collaboration, CJ invested an additional KRW 100 billion into KT's production company Studio Genie, aiming to create more works and generate greater profits. Apart from funding issues, this article outlines five challenges and issues that Netflix brings to Korea.

**Table 1: Comparison of content and services of major OTT providers in South Korea (Cheon, 2022)**

Comparison of content and services from major OTTs in Korea (Based on August 2022; mobile index: August 2022)						
OTT	Wavve	Tving	Seezn	Watcha	Coupang Play	Netflix Korea
Year of establishment	January 2016	January 2020	2019 (merged by Tving in Dec. 2022)	September 2011	January 2020	2015
Sales volume in 2021 (KRW)	230.1 billion	131.5 billion	21.0 billion	70.8 billion	-	631.6 billion
Series (unit: set)	340,000	-	300,000	100,000	-	20,000
Subscription fee (unit: KRW/month)	7,900 per person	9,500 per person	Plan A: 5,500	7,900 per person	2,900	Basic: 9,500
	10,900 for 2 people	10,900 for 2 people	Plan B: 8,800	10,900 for 2 people		Standard: 13,500
	13,900 for 4 people	13,900 for 4 people	Plan C: 9,900 Plan D: 13,200	13,900 for 4 people		Advanced: 17,000 Advertising type: 5,500
Number of subscribers (unit: persons)	4,323,469	4,286,023	1,690,221	942,705	3,800,517	12,137,780
Content characteristics	Mainly works from KBS, MBC, and SBS	Mainly CJ's OCN/TvN/Mnet/JTBC works	Mainly CJ's works, some original works	Mainly Japanese and other Asian works and animations	Focusing on games and real-life situations, buying copyrighted dramas	Buy copyrights, make your own, or invest in local companies to co-produce
Key content	<i>The Penthouse: War in Life, Taxi Driver, Running Man</i>	<i>Sing Again 3: Battle of the Unknown, Amazing Saturday, You Quiz on the Block</i>	<i>Hope or Dope, Gaus Electronics</i>	<i>When My Love Blooms, Red Balloon</i>	<i>I Live Alone, One Ordinary Day, Unicorn, Anna</i>	<i>Kingdom, Squid Game, Under the Queen's Umbrella, The Glory</i>



### 3.1 Standards of ‘Original’

When we see the label ‘Netflix Series’ on the Netflix platform, it is assumed to be a Netflix-invested production, but this is not always the case. For example, *Hometown Cha-Cha-Cha*, an original production by tvN, was presented without the tvN logo and branded as a ‘Netflix Series’ in Brazil, leading Brazilians to believe it was a Netflix-invested series, which caught the attention of Koreans. Although this issue should return to the content of the agreements between the parties, Netflix’s purchase of exclusive overseas broadcasting rights without showing the production company’s logo indeed stirs up sensitive nationalistic feelings in Korea (Lee & Cha, 2022, p. 159). Additionally, the standard for showing production logos when purchasing exclusive overseas broadcasting rights is unclear, and even the original wordings in opening animations differ. For instance, the aforementioned *Hometown Cha-Cha-Cha* appears as a ‘Netflix Series’ in Taiwan with the CJ ENM logo visible beforehand, and the recently popular *Under the Queen’s Umbrella* first shows ‘STUDIO Dragon CJENM’ before the ‘Netflix Series’ label (as shown in Figure 1). However, *Tomorrow* produced by MBC and *Extraordinary Attorney Woo* by ENA only display ‘Netflix Series,’ with no production company names appearing in the opening (as shown in Figure 2).

Dramas invested by Netflix or co-produced locally are termed ‘Netflix Originals,’ usually marked with the word ‘original.’ For instance, *Kingdom* is labeled as ‘A NETFLIX ORIGINAL SERIES.’ However, *Squid Game* and *Juvenile Justice* are merely labeled ‘A Netflix series,’ and these intros do not display any production company’s name. Interestingly, the series *Designated Survivor: 60 Days*, which holds exclusive overseas broadcasting rights, not only shows the ‘STUDIO Dragon’ logo but also includes ‘A NETFLIX ORIGINAL SERIES’ in the intro (as seen in Figure 4).

Drawing from the classifications of Netflix’s original content strategies by Afilipoaie et al. (2021), this paper categorizes Netflix series into three types:

- (1) Full Netflix originals: Content that Netflix invests in and produces itself, such as *House of Cards* from 2013.<sup>6</sup>
- (2) Co-produced or co-financed originals: Content like *Kingdom*, *Squid*

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6 *House of Cards* is the first original series produced by Netflix, personally overseen by Netflix’s Chief Content Officer, Ted Sarandos. Netflix was involved in the production, scripting, casting, and more.

Figure 1: Names of production companies ‘STUDIO Dragon’ appearing in the intros of *Hometown Cha-Cha-Cha* and *Under the Queen’s Umbrella*



Figure 2: The intros of *Extraordinary Attorney Woo* and *Tomorrow* do not display the names of the production companies



Figure 3: Korean dramas considered Netflix originals, such as *Kingdom*, include the word ‘ORIGINAL’, though no production company names appear.



Figure 4: *Designated Survivor: 60 Days*, having only overseas broadcasting rights, not only displays the production company’s name but also includes ‘ORIGINAL’.



*Game*, and *Juvenile Justice*, where Netflix invests and the production is carried out by Korean teams, known as Netflix ‘Originals’ only viewable on Netflix.

- (3) Licensed originals: Netflix purchases exclusive overseas broadcasting rights; these dramas are available on local channels in Korea as well, such as *Extraordinary Attorney Woo* produced by ENA and *Tomorrow* by MBC. The controversy in Korea is about this third category, arguing that it should display the production company’s name to be fair. However, for Netflix, since these are only viewable on Netflix outside Korea, they are categorized as ‘originals’<sup>7</sup> based on contractual content, a practice that has led to Korean production companies feeling disadvantaged, an issue taken seriously by Korean authorities due to IP concerns. Scholars suggest that the government should revise standard contracts to protect local interests without recourse.

### 3.2 IP Issues

*Squid Game* sold its IP to Netflix, making all content and derivative merchandising benefits fall into Netflix’s hands. Merchandise like the green tracksuits, masks, jumpsuits, instant noodles, and sugar honeycombs sold out on the Netflix Shop, with Netflix even trademarking the show’s name to develop related IP merchandise. This visibility without accessibility has left Koreans feeling unjustly treated in what they perceive as an unequal exchange; many smaller production companies still gravitate towards Netflix due to its substantial funding.

### 3.3 Localization Strategy

Netflix’s direct investments often incorporate local Korean themes and collaborate with Korean production companies, creating job opportunities and enhancing the reach and recognition of Korean content globally. This strategy has made Korea reconsider its approach to international market expansion. Taking *Squid Game* as an example, aside from the issue of IP buyout, Netflix’s investment in production costs without overly interfering in the content

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7 The case with Taiwan’s *On Children* is similar; although it is not exclusive in Taiwan, it becomes an ‘original’ in Japan. (Chang, 2019).

allows for an authentic portrayal of Korean culture. Moreover, *Squid Game* created 16,000 jobs and spurred a global craze for Korean content, benefiting Korea significantly. This type of partnership represents what is referred to as a localization strategy, a critical reflection for Korean providers and the government on how to co-create and establish a win-win relationship in global markets.

### 3.4 Diversification of Production Forms

The system of completing filming before broadcasting ensures the integrity of the content, causing Korean production companies, traditionally scripting and shooting simultaneously, to reconsider their approach. Traditionally, Korean dramas ranged from 16-18 episodes, sometimes extended or shortened based on ratings, affecting the quality. Netflix's introduction of varied episode numbers from 6-10 has prompted production companies to break the mold, opting for tighter content packing or releasing all episodes at once or in batches—methods not previously tried in Korea. Moreover, Netflix's preference for seasonal releases has been embraced by Korea, even splitting a single series into two seasons rather than airing it in full before producing a second season, as seen with *The Glory*, which divided 16 episodes into two seasons of eight each. These changes offer more diversity to creators and producers, though they evoke mixed feelings among audiences, with some preferring the regular weekly updates and others indifferent to the new formats. However, this topic remains under observation in Korea, with the industry likely to find the most audience-friendly model after some experimentation.

### 3.5 Consumer-Centric Platform Services

Since 2000, Netflix has implemented a personalized content curation recommendation mechanism using big data and algorithms to construct the 'CineMatch' content selection engine, which can recommend series aligned with a subscriber's viewing preferences within 90 seconds. Due to this mechanism, currently, 80% of the content watched by subscribers on Netflix is recommended by Netflix itself. This integrated personalization system saves Netflix over USD 1 billion annually (Ko, 2020, pp. 62-63). However, opinions on this strategy vary; its advantage lies in saving viewers time

spent searching, but some critics, including the author, feel that it narrows down viewer choices too much. For example, some fans of Korean dramas may not be aware of the availability of new Japanese or Taiwanese dramas because they rarely watch these genres, so Netflix does not recommend these series. It's like if your mother knows you like a certain dish, she keeps cooking it for you until you tire of it. The author believes that this type of content recommendation mechanism will ultimately lead to a monotonous experience for viewers.

## **4. Korean Government's Response Policies and Potential Improvements for OTT Operators**

In response to the challenges brought by Netflix, stakeholders from industry, government, academia, and research in Korea have collectively launched measures to address these issues. Key government agencies responsible for the OTT industry include the Ministry of Science and ICT, the Broadcasting and Telecommunications Commission, and the Ministry of Culture, Sports, and Tourism, each playing their role under government leadership to support the local OTT and film industries. Since some policies related to the promotion of the OTT industry in Korea are still unclear, this document will only discuss those that have been finalized, implemented, or are currently under discussion.

### **4.1 Korean Government's Response Policies**

#### **4.1.1 Incorporating OTT into the 'Telecommunications Act'**

On May 29, 2022, the Korean National Assembly passed an amendment to the Telecommunications Business Act, which classifies telecommunication providers into 'core telecommunications operators' and 'supplementary telecommunications operators.' The former primarily refers to the three major ISPs: SK Telecom, KT, and LG U+, while platforms like Kakao and Naver are defined as 'supplementary telecommunications operators' that provide video content. Essentially, the amendment officially includes OTT in the scope of subsidies and regulations, allowing tax deductions but also requiring consumer rights to be protected. The Korean government offers an 18% tax

incentive to OTT operators, but this benefit is limited to production costs. Since OTT operators also face substantial expenses in marketing, personnel, etc., they hope the tax incentive can be applied to overall investment expenses to address the core issues effectively.

Figure 5: YouTube Korea opposing network usage fee legislation<sup>8</sup>



#### 4.1.2 Proposing a network usage fee

Currently, Korean platforms like Naver and Kakao pay between KRW 0.7-1 trillion in network usage fees annually to the three major ISPs (SK Telecom, KT, and LG U+), but foreign content providers (CPs) like Google and Netflix do not have to pay these fees. This disparity has long been a contentious issue within Korea. In September 2022, a public hearing was held jointly by various Korean political factions demanding that foreign CPs like Google and Netflix pay network usage fees to Korean ISPs. Following the hearing, Google issued a statement on YouTube Korea opposing the legislation (as shown in Figure 5) (YouTube Korea, 2022) and mobilized other major social networking platforms like Twitter and Facebook to protest. The number of petition signatories grew from 170,000 on October 5 to over 280,000 by December 9. Those who signed the petition argued that the network usage fee bill merely benefits

8 The image on the left states, “The legislation for network usage fees cannot enhance the long-term potential of K-content; it merely seeks short-term benefits for Korean telecommunications companies, which is concerning” (YouTube Korea, 2022). The image on the right shows the number of petitioners on Opennet (<https://www.opennet.or.kr/21641>).

telecommunications companies and would infringe on the public's right to access content. Amidst strong opposition from the younger generation, the government agencies and legislators initially determined to pass the bill retracted their stance, and the bill had not been scheduled for legislative action by the end of 2022, potentially being indefinitely shelved (Kim, 2022).

#### **4.1.3 Budget assurance and blueprint planning**

On December 27, 2022, the Korean Ministry of Culture, Sports, and Tourism announced the "6th Long-Term Plan for the Promotion of the Broadcasting and Visual Industry (2023-2027)" (MCST and Other Related Ministries, 2022), which outlines three major goals and twelve key tasks, including support for strengthening OTT, talent development, international expansion, and improvement of the production environment. While the plan clearly sets out budgets and objectives, its main focus remains on nurturing the OTT industry. Although Korea's OTT market size increased by KRW 1.15 trillion from KRW 0.65 trillion in 2018 to KRW 1.8 trillion in 2021, the leading local OTTs, Wavve and Tving, reported losses of KRW 55.8 billion and KRW 76.2 billion, respectively, in 2021. Established 11 years ago, Watcha has accumulated KRW 59 billion in investments but lost KRW 24.8 billion in revenue in 2021 alone. With local OTTs continuously operating at a deficit, the question of how to manage international expansion and future challenges remains critical.

#### **4.1.4 Cultivating creative talent**

Over a decade ago, when new media was emerging, Korea developed online platforms for creators to freely produce work. Web novels and webcomics became increasingly popular, and many young people began experimenting with these formats, leading to a growing output of high-quality works. As a result, Korean dramas, traditionally dominated by scriptwriters, are now often adaptations of webcomics. From 2010 to 2019, there were 41 webcomic-based dramas on TV, with 10 in 2020, 8 in 2021, and 7 in 2022, totaling 67; on OTT platforms, from 2013 to 2019 there were 14, with 7 in 2020, 10 in 2021, and 11 in 2022, totaling 42 (Namuwiki, 2024b). These innovative storylines attract direct investments from OTT platforms, making the webcomic industry



highly sought after.<sup>9</sup> Currently, some schools have webtoon storytelling departments actively developing talent, and in 2023, the Ministry of Culture, Sports, and Tourism invested KRW 1.9 billion to expand research institutes that integrate OTT with content; additionally, KRW 600 million was invested to train new storytellers, and KRW 1 billion supported the commercialization of works from the Outstanding Story Awards (MCST and Other Related Ministries, 2022, pp. 3-4). The Korea Broadcasting Writers Association also holds the Korean Broadcasting Writers Awards annually since 1989, with over 100 recipients to date, and operates a training institute under its jurisdiction to actively nurture playwrights.<sup>10</sup> The Korea Creative Content Agency's (KOCCA) "Storytelling Center" plays a crucial intermediary role, not only training storytellers but also facilitating connections between creators and producers, making storytelling a recognized industry.<sup>11</sup>

## 4.2 Feasible Improvements for Korean OTT Operators

In response to the challenges posed by Netflix, aside from government measures, frontline Korean local OTTs are continually exploring ways to improve. This document outlines three key areas.

### 4.2.1 Diversification and optimization of platform services

Investment is being channeled into improving platform services and creating more quality content, so Tving's acquisition of Seezn to become the largest domestic OTT in Korea is intended to expand investment. After the merger, CJ further invested in KT's production company Studio Genie to solve financial issues. With sufficient funds, investing in content creation

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9 In 2021, the webcomic industry's sales reached a staggering KRW 1.566 trillion, an increase of 48.6% compared to the previous year. Since 2017, when sales were KRW 379.9 billion, the industry has seen a fourfold increase over five years.

10 Official website of the Korea TV & Radio Writers Association: <https://www.ktrwa.or.kr/web/user/main.do>.

11 The author once visited the Story Creation Center located on Daehak-ro, Jongno District, in 2016. Section Chief Kim Soo-kyung explained that they hold an annual storytelling competition, and the winners are granted free access to the center's space for one year. Since its inception in 2009 until 2016, there have been about 1,000 applications, but only 17 have been selected, indicating an extremely low acceptance rate. Of these 17, only about 12 have produced complete works.



and improving platform services are priorities. According to Seoul News (16 Sept 2022), mobile index statistics from September 16, 2022, showed 42.875 million OTT app users in August alone, meaning 8 out of every 10 Koreans use OTT, with total usage time in August reaching approximately 1.74 billion hours, underscoring modern dependency on OTT (Na, 2022). Furthermore, according to a KOCCA (2022) survey (Lee, 2022), OTT usage frequency jumped from 41.0% in 2019 to 72.2% in 2020 and reached 81.7% in 2021, growing rapidly during the pandemic. Young Koreans often rely on smartphones or tablets for OTT, not just for film and TV but also for animation, variety shows, and educational content, which is why local OTTs are actively creating diverse content. In a market where OTT usage is nearly saturated and dependency may decrease now that the pandemic has eased, retaining customers is the greatest challenge for local OTTs. Therefore, after mergers and financial expansion, besides dramas, securing broadcasting rights for sports or international events, and incorporating games are ways to satisfy diverse viewer needs and stabilize customer bases, marking the active transformation direction for OTT providers.

#### 4.2.2 'All-at-once' or 'weekly updates'

Netflix initially predominantly released entire seasons all at once. Later, it adopted a weekly update model primarily to spark discussions on social media platforms, thereby driving program promotion to attract other viewers and media attention for secondary publicity. A common example is the moderators of Facebook groups who often post their thoughts after one or two episodes have aired to engage discussions. Over time, this approach persuades some viewers to purchase OTT plans, constituting a win-win strategy. For Korean dramas with exclusive overseas broadcasting rights purchased by Netflix, the norm is to update weekly, quickly following their broadcast on television.

The 'all-at-once' or 'weekly updates' models each have their pros and cons. Some viewers feel that weekly updates require a long wait and dislike the fragmented viewing experience, thus they prefer the all-at-once model, or they wait until a significant number of episodes accumulate before watching. The all-at-once model allows viewers to binge-watch on their own schedule. Those who prefer weekly updates usually want to keep up with the pace to participate in discussions, and some also believe that watching all at once may

lead to unhealthy binge-watching habits.

For Korean dramas, which typically release two episodes per week, weekly updates are standard. However, influenced by Netflix, shorter series of 6 or 8 episodes have emerged, which are usually released all at once after completion. However, series like *Reborn Rich*, also completed before release, chose to air three episodes a week, and *The Glory* split its 16 episodes into two seasons. With such diverse formats now available, future models might break away from the conventional all-at-once or weekly updates to find a third or fourth option. As previously mentioned, the key is to keep viewers continually engaged with the platform.

#### 4.2.3 Ensuring the production and distribution of quality content

Jang et al. (2021) used three criteria—acquisition, delivery, and management—to analyze the content strategies of local Korean OTT providers. They found that major Korean OTT providers often maintain content volume by purchasing rights from other businesses or production companies. This model can also be observed in Table 1; for instance, Wavve primarily uses content from the three major networks KBS, MBC, and SBS, with few original productions, making it challenging to ‘manage’; Tving, with CJ ENM, has its own original productions from channels like OCN/tvN/Mnet/JTBC, excelling in ‘acquisition, delivery, and management,’ making it one of the most competitive platforms.

Jang et al. (2022, pp. 97-98) surveyed Tving, Wavve, Kakao TV, and Netflix, compiling the production and distribution methods of all original content (including dramas, variety shows, and movies) aired in the first half of 2021, as shown in Table 2. Distribution methods are divided into exclusive and non-exclusive offerings, while production types are categorized into in-house production, co-production, and outsourcing. Of Tving’s 10 pieces of content, 2 were non-exclusively offered, with one each of outsourcing and co-production; 8 were exclusively offered, with 6 being in-house, and one each of outsourcing and co-production, making it a highly independent and competitive company. Wavve, out of 21 pieces, had 17 non-exclusively offered, with 12 outsourced and only one in-house; of the 4 exclusively offered, 3 were outsourced and one was a co-production. Compared to Tving, Wavve may have more content but relies almost entirely on outsourcing, showing less competitive resources than Tving. Netflix’s 17 pieces, though all outsourced,

were exclusively offered, accessible only to members, leading to a market monopoly and retaining customers, one of the reasons Netflix can surpass local Korean OTTs.

**Table 2: OTT original content production and distribution methods**

Distribution	Production type	Tving	Wavve	Netflix
Non-exclusive platform offering	Outsourced	1	12	-
	Co-produced	1	4	-
	Self-produced	-	1	-
Exclusive platform offering	Outsourced	1	3	17
	Co-produced	1	1	-
	Self-produced	6	-	-
Total		10	21	17

Source: Jang et al. (2022, p. 97, Table 3), reproduced by the author

Taking dramas as an example, besides purchasing rights, Netflix’s main strategy is to invest in local Korean production companies to co-produce or outsource original series. *Squid Game* is the most representative example of this type. According to statistics from 2019 to December 14, 2022, there have been 27 original series of this type (counting the first and second seasons of the same drama as two separate entries): 4 in 2019, 5 in 2020, 9 in 2021, and 11 in 2022.<sup>12</sup> As of October 6, 2023, the count for 2023 is 9 (Namuwiki, 2024a), showing steady growth. Furthermore, from Table 3, it is evident that of the 48 Korean dramas aired on Netflix from 2020 to June 25, 2023, 29 have ranked for 4 weeks or longer (including 4 weeks), with 9 ranking for 8 weeks or longer (including 8 weeks). This indicates that Netflix not only provides a sufficient quantity of dramas but also maintains the quality of the content, as sustaining popularity requires the continuous creation of high-quality content.

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12 The search was made on October 6, 2023 in the following link: [https://search.naver.com/search.naver?where=nexearch&sm=tab\\_etc&mra=bkdJ&qvt=0&query=%EB%84%B7%ED%94%8C%EB%A6%AD%EC%8A%A4%20%EC%98%A4%EB%A6%AC%EC%A7%80%EB%84%90](https://search.naver.com/search.naver?where=nexearch&sm=tab_etc&mra=bkdJ&qvt=0&query=%EB%84%B7%ED%94%8C%EB%A6%AD%EC%8A%A4%20%EC%98%A4%EB%A6%AC%EC%A7%80%EB%84%90).

**Table 3: Weekly rankings of Netflix Korean dramas<sup>13</sup>**

2020-2023 Netflix original Korean drama weekly rankings (Top 10) up to June 25, 2023

Year	Name of title (Korean)	Name of title (English)	Ranked in Top 10?	Cumulative weeks
2020	킹덤 시즌2	Kingdom: Season 2	Yes	6
	인간수업	Extracurricular	Yes	7
	보건교사 안은영	The School Nurse Files	Yes	4
	스위트홈	Sweet Home	Yes	8
	좋아하면 울리는	Love Alarm	Yes	1
2021	무브 투 헤븐	Move to Heaven	Yes	5
	내일 지구가 망해버렸으면 좋겠어	So Not Worth It	Yes	1
	킹덤:아신전	Kingdom: Ashin of the North	Yes	2
	D.P.	D.P.	Yes	8
	오징어 게임	Squid Game	Yes	16
	마이 네임	My Name	Yes	8
	지옥	Hellbound	Yes	5
	고요의 바다	The Silent Sea	Yes	5
	지금 우리 학교는	All of Us Are Dead	Yes	6
	2022	소년심판	Juvenile Justice	Yes
안나라수마나라		The Sound of Magic	Yes	3
종이의 집		Money Heist: Korea - Joint Economic Area	Yes	4
블랙의 신부		The Bride of Black	Yes	4
모범가족		A Model Family	Yes	4
수리남		Narco-Saints	Yes	10
글리치		Glitch	Yes	3
썸바다		Love and Leashes	Yes	3
환혼		Alchemy of Souls	Yes	18 (including 15 hours from 2022)
환혼: 빛과 그림자		Alchemy of Souls: Light and Shadow	Yes	7 (including 2 hours from 2022)
2023	슈룹	Under the Queen's Umbrella	Yes	10
	더글로리	The Glory	Yes	18

13 For data on original Korean dramas prior to June 28, 2021, refer to FlixPatrol. For data after June 28, 2021, refer to the official Netflix website.

Year	Name of title (Korean)	Name of title (English)	Ranked in Top 10?	Cumulative weeks
2023	스토브리그	Hot Stove League	Yes	6
	일타 스캔들	One Hit Scandal	Yes	12
	낮과 밤	Day and Night	Yes	3
	사랑의 이해	Understanding of Love	Yes	3
	힘쎈 여자 도봉순	Strong Woman Do Bong-soon	Yes	3
	여신강림	True Beauty	Yes	4
	연애대전	Love Battle	Yes	3
	철인왕후	Mr. Queen	Yes	9
	아무 것도 하고싶지 않아	I Don't Want To Do Anything	Yes	2
	초콜릿	Chocolate	Yes	3
	검사내전	Civil War of Prosecutors	Yes	3
	사장님을 잠금해제	Unlock My Boss	Yes	5
	나는 신이다: 신이 배신한 사람들	I am God: People Betrayed by God	Yes	2
	신성한, 이혼	Sacred Divorce	Yes	6
	퀸메이커	Queen Maker	Yes	5
	닥터 차정숙	Doctor Cha Jung-sook	Yes	8
	나쁜 엄마	Bad Mom	Yes	8
	택배기사	Delivery Driver	Yes	1
	대행사	Proxy Agent	Yes	2
	사냥개들	Hunting Dogs	Yes	3
킹더랜드	Kingderland	Yes	2	
이번 생도 잘 부탁해	Please Take Care of Us This Life Too	Yes	1	

Source: <https://www.netflix.com/tudum/top10/> (compiled by the author)

Currently, in addition to striving to produce their own dramas, local Korean OTTs are actively collaborating with production companies to provide a sufficient quantity of high-quality film and television works. Production companies, in turn, try not to sell exclusive broadcasting rights to foreign OTTs, allowing Korean audiences to watch these programs on local OTT platforms without having to use foreign services. Additionally, broadcasting major sports events and incorporating video games to enhance

cost-performance value are improvements that local OTTs can consider. Besides optimizing platforms and producing quality content, improving the production environment is also a critical issue that providers need to actively address. Furthermore, the previously mentioned strategies of production companies collaborating with creators, and even forming alliances with the three major legacy media networks, are future considerations. Korea's major networks have the funds and capability to produce their own dramas and cultivate talent. However, to maintain the profits of legacy media, they often offer their content to foreign OTTs. How these networks could form alliances with local OTTs is also a significant issue to address.

## 5. Conclusion

In choosing an OTT platform, the first phase often involves considering price, user-friendliness of the platform, system quality, and content diversity. In the second phase, users typically desire more, especially in terms of content diversity. Besides movies, dramas, and variety shows, they also want access to major sporting events and online games through the platform, ultimately achieving an all-in-one functionality. Whether this could replace traditional television remains an area of keen interest.

Netflix's success, apart from being a good opportunity during the pandemic when everyone was watching more content at home, also comes from collaborating with Korean production companies to ensure quality content. With Korean cinema particularly favored globally in recent years, Netflix has capitalized on favorable circumstances to achieve numerous successes. The Korean government recognizes this unique advantage and believes that instead of providing content to Netflix, it is better to create competitive local OTTs. Thus, the future goal is to support OTTs that can enter the international market, making an OTT alliance necessary. Facing the immense pressure from Netflix may be challenging to overcome immediately, but shifting focus to the international market is a viable strategy. However, how to coexist with Netflix remains an ongoing challenge for OTT providers.

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