

ONLINE VIDEO IN CHINA, JAPAN & KOREA



ABOUT THIS REPORT

This report was commissioned by the Cable & Satellite Broadcasting Association of Asia (CASBAA) and researched and written by Mike Walsh, head of the digital research agency Tomorrow. Its objective is to assess the current state of online video in the Asia region.

There will be three components to this report - this executive summary of our findings, a comprehensive slide data pack and a documentary video focused on China featuring interviews with some of the leading entrepreneurs and media company executives in the sector.

The video and slide deck will be released in early January 2009.

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TV is changing.

Not in the nature or format of shows that audiences watch – but in the way that consumers discover, consume and interact with content. Nowhere is this more evident than in the highly connected and fluid media markets of China, Japan and Korea where the television business is being disrupted by a youth driven consumption culture that expects free on-demand entertainment and is equally proficient in utilising on-line video, social media, gaming and web connected mobile devices for their media experiences.

To some extent, these trends are global. In the West, faster broadband, video sharing platforms such as YouTube, new professional content aggregators such as Hulu and iTunes, as well as the rise of social networking sites like Facebook and MySpace have gradually brought the experience of watching video on the Web to mainstream television audiences.

Asia, however, remains a unique case.

Our aim in this report is to explore the emergence of a new online video ecosystem, which has evolved to meet the needs of a new generation of media consumers in China, Japan and Korea.

All three of these countries represent both significant media markets in their own right, as well as lead indicators for new consumption patterns in other territories.



With over 253 million Internet users, of which over 180 million are regular viewers of online video content – China has already surpassed the United States as the largest Internet audience in the world.

Korea, with 83.2 million online users has both the highest penetration rate of broadband connections as well as the fastest broadband infrastructure in the world.

Finally Japan, with more consumers accessing the Internet from their mobile phone than their desktop PCs, has a history of mobile web innovation established long before the introduction of the iPhone into the US.

THE FUTURE OF TV

This report explores how the experience of TV in China, Japan and Korea are being transformed by a new generation of urban media consumers

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Over the last few years, these markets have gone through a period of uncertainty as new consumer behaviours and disruptive content models provoked conflict with copyright owners, traditional media enterprises and regulators.

However, as online video markets mature and consolidate over the next 18 months - it is our view that real opportunities will exist for content owners and platform operators to partner with web video aggregators as well as trial new distribution models



Innovation is rarely driven by new technology, but rather people utilising technology in new ways

THE NEW AUDIENCE

Although TV programming remains popular, the way that the new generation of audiences access and consume content in Asian countries has changed dramatically.

In our research we have identified a number of unique characteristics of this new media audience.

The Internet has become a primary entertainment destination.

If the Internet initially evolved in the West as a business and information tool, for young urbanites in Asia it was always primarily an entertainment destination for music, video, socialising and gaming.

In China, there is considerable evidence of a shift in entertainment patterns. A survey by the China Youth Daily and Sina in January 2008 indicated that more than 80% of young Chinese

placed the Web as their primary source of entertainment compared to TV, at 66%¹. 33% of Chinese Internet users when asked "how often do you use the Internet to watch video clips" replied that they do so most or every time they go online. In comparison, the U.S. number was 18%². Finally, according to the CNNIC, the top four uses of the web in China are music, news, instant messaging and video, with more transactional and business focused activities such as banking and job search attracting less interest.

Social discovery drives the popularity of content rather than traditional programming or marketing campaigns.

When it comes to the discovery of content, blogs, referrals through instant messaging clients, BBS boards, and top ten lists on video sharing sites show up as the most influential sources behind popular and viral content. China in particular has a strong grass roots media culture. In China, 63.7%, of video content is discovered through social connections, 94.1% of this sharing taking place instant message tools such as QQ and MSN³.

Social media forces also play an influential role in the creation of local celebrity. In contrast to Japan, where the most popular media celebrities tend to be 'tarento' created by partnerships between broadcasters and advertising conglomerates such as Dentsu, in China there is a well documented phenomenon of 'netstars' who rise to fame on blogs and bulletin boards and are then co-opted by the commercial media and marketing apparatus. For example, netstars such as the the Backdorm Boys were signed by Motorola, while BBstar Tianxian Meimei represents Sony Ericsson mobile phones.

Long form professional content is the most popular format

For a number of reasons, including a lenient copyright environment and cultural inhibitions around self expression – long form professional content represents the major content type downloaded and hosted on video sharing sites in Asia.

86.3% of the online video watched by Chinese netizens is either studio created films or TV shows⁴. In Korea, 47% of users had illegally downloaded at least 55 movies a year, or more than one a week.⁵ Although user subtitled western shows attract interest, the most popular content tends to be local language and sourced from the Asia region. So for instance, Korean and Taiwanese dramas have cross cultural appeal in all three of the markets surveyed.

Audiences actively participate in content experiences

Asian online video audiences interact with content in very different ways from their Western counterparts.

In Japan, the most popular video sharing site, Nico Nico Douga (Smiley Smiley Video) attracts almost a billion page views a month. The distinctive feature of the site is its on screen commenting function, where user messages scroll as commentaries across the video while playing like a form of visual karaoke. There is an entire sub-culture on Nico Nico Douga of popular commenting phrases and ASCII art, with the overall effect that you are watching a video in the company of hundreds of people.

Similar trends exist in China, where content fans will frequently re-cut or photoshop content and pop culture icons – the remixed versions often getting more traffic than the original. In the video documentary accompanying this report, blogger and media academic Rebecca Mackinnon discusses the case of a big budget Chinese movie whose web satire generated more traffic than the official version.

Communal consumption

Cyber Cafes in China and PC Baangs in Korea are key consumption nodes for young media consumers.

China has about 113,000 licensed cafes, with many more operating illegally. Young Chinese gather regularly in cyber cafes to download new release movies and TV shows, often hosted locally on servers in the café as well as to play games and message each other. Unlike

at home, where parents will typically control viewing on the one TV in the household or monitor PC usage – cafes provide a social and free space for media consumption for urban youth.

In China, 39.2% of Netizens access media content from Internet cafes – a total of 99.18 million. Male Internet café users account for 63.3%, and they are predominantly young, with 70.7% of them 24 years of age or younger⁶. Chinese cinemas, by contrast, remain a niche market, with about one screen per 430,000 people compared with one screen per 8,000 people in the U.S.⁷

There is a similar phenomenon in Korea, where despite strong home broadband connections, most youth prefer to socialise in one of the 26,000 PC Baangs. PC Baangs in Korea are part of the social fabric of how young Koreans meet each other. Some of the stations are outfitted as 'love seats', so that guys can play video games while their girlfriends video chat.

User anonymity is important

One of the major differences between Western and Eastern online users is the importance of privacy and anonymity.

Most Japanese online users prefer to use imaginary names and cartoon avatars rather than photos to represent themselves while in China, much of the attraction of bulletin board systems is the ability to post comments without revealing your actual identity.

This trend has had implications for Western social networking and video sharing sites trying to establish local operations. YouTube in Japan for example, after attempting to encourage greater amounts of user generated content is now focused on the more culturally acceptable practice of uploading cute pet videos.

For the full Executive Summary for CASBAA Members, please click here.

For more info. on CASBAA's Online Video in China, Japan & Korea Report, please visit www.casbaa.com.

¹ "Chinese Internet cafes see bootlegs brew", Variety Asia, Clifford Coonan, August 2007

² Circuits of Cool Study, 2008, Microsoft & MTV Asia

³ Research Report on the Network Video Market and Netizens' Video Consumption in China, CNNIC, June 2008

⁴ Research Report on the Network Video Market and Netizens' Video Consumption in China, CNNIC, June 2008

⁵ Korean Film Council Survey 2008

⁶ 22nd Statistical Report on the Internet Development in China, CNNIC, June 2008

⁷ "Chinese Internet cafes see bootlegs brew", Variety Asia, Clifford Coonan, August 2007