

A Study on the Corporate Management Strategy of OTT Service: Focusing on Coupang Play

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Abstract

In a recent study, the phenomena of attention being drawn to the media business, particularly over-the-top (OTT) services, was the focus. Particularly, after the Squid Game was broadcast in September 2021, the total number of Netflix users had topped 213.6 million since the company first entered the domestic market. Domestic companies have also introduced OTT services like 'Wave', 'Tving', and 'Watcha Play' to capitalize on this market trend.

However, questions persist about how Korea's native OTT providers, both large and small, are being harmed by Netflix's strong financial position and massive content quantity. In order to offer realistic performance metrics, we analyze Coupang Play among domestic OTT service providers after reviewing the business model and management strategy of representative OTT service firms.

Keywords: *OTT Service, SWOT Analysis, New Media, Marketing Strategy*

1. Introduction

Consumer habits and patterns of product consumption are changing quickly along with new media and mobile sectors' explosive expansion. Instead of adopting passive attitudes, today's customers actively drive consumption as subjects of consumption activities. As a result, the power of traditional media like TV, radio, newspapers, and magazines, which target passive consumers, is steadily waning, while the influence of social media, where users are the primary agents, is gradually growing. In contrast to traditional wired broadcasting, which necessitates a set-top box, OTT offers video content across the open Internet. OTT provides content and services to end users using a general-purpose internet network and stipulates that video-based content and services are provided to users through an open network regardless of terminal type [1]. A service known as an OTT platform enables users to access the material they want whenever they want through a variety of terminals,

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including TVs, laptops, and smart devices. The way movies are seen is changing as a result of the fourth industrial revolution and the advancement of mobile communication technologies like LTE and 5G. The most mobile and easily available devices among those that can use OTT platform services are cellphones. LTE technology, which is very affordable and well-liked, has already been commercialized for the first time in the world; therefore, it is predicted that changes in the future generation of OTT platform services will be substantially influenced by 5G mobile communication technology [2].

The adoption of OTT platform services is significantly impacted by the ongoing expansion of smartphones and smart TVs. Additionally, coat cutting is becoming more popular in Korea, there are an increasing number of OTT service users, and the 40s and 60s generations are one of the industries that have seen rapid growth globally by primarily using OTT services to watch foreign film content. However, because content consumption habits and usage scenarios differ from those in the United States, OTT services are considered as complementary items in Korea rather than as a replacement for current paid television [3].

As a case company for this study, Coupang Play, a provider of OTT services both domestically and internationally, was chosen. In particular, Coupang Play, a recently launched OTT service by Coupang, an e-commerce company listed in the U.S. in March 2021, is relatively new compared to Korea's native OTT service, making it appropriate for analysis and strategy because it is competitive through rapid growth in content supply and demand as well as sports broadcasting rights. We want to examine a company's internal weaknesses and strengths, as well as any externally affecting opportunities and dangers, using the SWOT analysis technique. Through this, workable improvement strategies were sought after, and their shortcomings were assessed.

2. Characteristics of OTT Service

Netflix is leading the way as OTT, or on-demand video on demand, services proliferate throughout the world. Since launching a service to distribute movies online in 2007, Netflix has grown into a massive operation with 190 million users worldwide [4]. Additionally, the COVID-19 pandemic condition that has been engulfing the planet since March 2020 is accelerating the expansion of OTT services globally. Movies and television shows are just two examples of the new media materials that an OTT service makes available online. It also satisfies their needs by offering them a wide variety of options in a wide variety of material, in addition to convenience and accessibility [5]. Beyond merely offering VOD or replays of movies or dramas that were previously aired on existing screens or cable TV, OTT service providers are increasingly putting forth significant effort to create their own 'original content'. The popular OTT service provider Netflix created the original Korean material for 'Squid Game', 'Sweet Home', 'Surinam', and 'Boy Judge'. The Squid Game, which cost \$21.4 million out of the total, or roughly 25.3 billion won, was anticipated to have massive box office hits and knock-on effects, with 132 million households worldwide watching it 23 days after its premiere and more than 1 trillion won in income and value. Since its premiere in December 2020, 'Sweet Home' has also seen enormous success abroad, placing first in Korea, third in terms of popularity worldwide, first in 13 foreign countries, and top 10 in more than 70 nations [6].

3. Case Company of OTT Service Company

The most recent OTT service provided by Coupang, a domestic e-commerce startup, is Coupang Play. By acquiring Singapore's OTT provider 'Pooq', 'Coupang' announced its debut into the OTT market in July 2020. It first debuted as a mobile-only service, distributed its own apps via Google Play and Apple App Store, and then, in July 2021, a PC version was made available.

Since Coupang Play just launched, there aren't as many contents available as there are on other OTT services domestically and abroad. However, as time passes, more content, including exclusive affiliated content, is

added, suggesting that Coupang Play is attempting to meet both domestic and international demand for content. Additionally, self-produced original drama content is being broadcast, which is another indicator of how competitive OTT providers are.

What is notable is that Coupang Play provides video material that is comparable to the OTT services offered by its rivals, but is currently making audacious investments in 'sports content' to set itself apart from its new competition. First, Coupang agreed to a four-year, 2025, official partner agreement with the Korea Football Association (KFA). Coupang Play was allowed to advertise itself as a result as an official partner organization of the KFA and the national soccer team, and it now has the privilege to market itself at various events sponsored by the association, including the A-board advertising rights during a national team game. A digital broadcast of the second leg of the Olympic national soccer team's away match against the United Arab Emirates as well as the development of exclusive documentary content highlighting the national soccer team's challenge to the 2022 Qatar World Cup were also guaranteed [7].

4. Coupang Play's Marketing Strategy through SWOT Analysis

This study aimed to use SWOT analysis techniques, which are most frequently used to determine internal strategies and the external environments that companies must contend with. Other methods include scenario techniques, Delphi techniques, and value chain analysis techniques, and it is desirable to choose a few and use them in combination. The basis for developing strategies for accomplishing long-term objectives, a SWOT analysis examines the organization's strengths and weaknesses as well as its opportunities and threats.

The SWOT analysis technique has the benefit of allowing judgements to be made by grouping internal and external features and factors of the analysis target and identifying issues that need to be resolved in order to create a strategy using the stated factors. The dependability of the results is diminished if there is not sufficient knowledge and experience on all topics needed for comparatively in-depth research. To design a plan based on the generated elements, each aspect from the SWOT analysis approach should be consistent with the purpose and direction of the business or the project to be undertaken [8].

As a result, the target business Coupang Play examines the existing state of the company's internal resources and external environment, creates a table, and produces four strategic options (S-O, S-T, W-O, W-T), evaluating each option.

4.1 Strength

Coupang Play's parent company, Coupang, provides it with a lot of strength. Coupang acquired significant financial strength by going public on the NYSE in March 2021. Additionally, Coupang Play cannot overlook its massive 25 million user base, which has grown into a strength. Coupang adopted the same tactic with Coupang Play as did Amazon in the U.S. when it introduced its prime video program to further bond people who shop there. As a result, Coupang's premium membership service Rocket Wow, which grants free access to Coupang Play, has reportedly seen a surge in membership from 2 million in early 2021 to 4 million in just six months. The most fundamental and important element for businesses to flourish is securing clients, and Coupang Play has already made progress in this area.

Another advantage of Coupang Play over other OTT services is its affordable subscription rates. In the case of Netflix, 17,000 won a month after the service's fee hike on November 18, 2021, is required to use it in the highest possible quality. 14,500 won was the cost of the prior premium plan [9]. Users of Netflix were forced to 'share accounts' with friends or strangers in order to offset the hefty membership cost. In fact, account-sharing websites have started to appear, allowing users to share subscription payments for different subscription services including 'Spotify', 'MS Office', and 'Netflix'. However, Netflix started to take action

against these account-sharing practices as a loss of sales for businesses, and as a result, customers are reacting fairly negatively (Asia Economy, Mar. 13, 2021). On the other hand, Coupang Play has an advantage in terms of cost, allowing customers to watch high-definition videos up to FHD for 2,900 won per month. As stated in the previous corporate survey, Coupang Play's recent investment in sports content is another one of its key strengths. Coupang Play is regarded as the most affordable OTT service for customers despite SPOTV NOW being the service that additionally offers foreign sports game broadcasts and highlights. Coupang Play also charges a monthly subscription fee of 16,390 won based on the highest quality.

4.2 Weakness

Despite these advantages, it currently lacks the recognition and has comparatively little content holdings compared to other OTT platforms. Given the low entry hurdles for new operators and the relatively late release date, it is also an inevitable issue in the case of OTT services. The Netflix example shows that content is at the heart of OTT services. According to the information presented so far in this study, customers are very likely to be drawn to the service by the material that the OTT service offers. The absence of compelling material that draws customers' attention is mentioned as a problem in the case of Coupang Play, though. In 2021 alone, Wave and Tving created more than 20 original works that combined entertainment, drama, and film. The only original content on Coupang Play, however, is the drama *One Day* and the entertainment program *SNL Korea*. Coupang stated that it is supplying content in accordance with internal procedures that go through many discussions based on data rather than top-down decision-making methods in order to make up for its weaknesses, even though doing so would result in operating profit deficits of KRW 100 billion in 2021 alone (News Journalism, Nov. 25, 2021). However, it is anticipated that it will be challenging to fix the flaw of the seeming lack of material in a short amount of time. It is more realistic to see the cheap subscription fee of 2,900 won—which was cited as Coupang Play's strength—as the cost of using the Rocket Wow service rather than the price of Coupang Play. This is due to the fact that Coupang Play is a free service for Rocket Wow users. From this vantage point, Coupang Play is anticipated to have significant vulnerabilities in the OTT service sector due to its lax marketing and confusing positioning. First of all, unlike other OTTs, Coupang Play is a concept that offers services to paying members who purchase and use premium Coupang services. Instead, Coupang Play is an added service. Instead of taking over as the primary function of the Rocket Wow service, Coupang Play is acknowledged as an extra service concept. According to a representative of the industry, "Coupang did not grow OTT services alone, but started as a service idea for Coupang clients", with the additional statement that "The aim will be to make Coupang customers become more committed customers while utilizing Coupang Play" (News Journalism, Nov. 25, 2021). Like Amazon's Prime Video, Coupang is using Coupang Play to create a consumer lock-in effect, as was previously revealed. This appears to be a plan that aims to maximize the so-called trickle-down effect, increasing Coupang's share of OTT as many Rocket Wow members of Coupang lead to Coupang Play users, increasing Coupang's number of uses, and increasing Coupang's number of uses and one payment.

4.3. Weakness

In addition to creating an unprecedented level of global separation, the COVID-19 virus has created opportunities in the broadcasting and media industries at the same time as a problem. Many nations advised house quarantine and avoidance of public places in order to stop the spread of infectious diseases, which inevitably lengthened people's time spent at home. As a result, home media consumption gradually rose, which led to a considerable rise in OTT subscriptions, viewing time, and VOD revenues. Netflix's monthly active users (MAU) surpassed 10 million, according to data analysis from January 1 to March 1 in 2021, according to Mobile Index, a domestic application analysis service. When compared to the MAU of 4,704,524 in the

same month last year, this is an increase of 113%. (Joseon Biz, Mar. 15, 2021).

Additionally, the growing demand for K-content, or new media with a Korean flavor, on a worldwide scale may present a business potential for Coupang Play's OTT service sector. The 92nd Academy Award and the awarding of the Palme d'Or to the film 'Parasite' have increased the global importance of Korean films, according to the 'Content Industry 2021 Outlook Report' published by the Korea Creative Content Agency in February 2021. The first non-English-speaking film award changed attitudes toward foreign-language films and subtitles, formed a global consensus with the most Korean storylines, and laid the groundwork for Korean films' progress internationally. Additionally, it was determined that improving the status of Korean Wave contents, such as the promotion of Korean singers such as movies and BTS, will activate the spread of Korean Wave content to new regions and production and distribution cooperation between countries based on Korean IP and know-how. As previously said, 'Kingdom', 'Sweet Home', and 'Squid Game' are three essential Korean Netflix original series.

4.3. Threats

One of the main things impeding Coupang Play's development in the OTT service industry will be the restrictions set up by media behemoths like Netflix. Many OTT services are at risk because to the financial clout, investment scope, and volume of content that Netflix possesses. The battle for market share has recently intensified with Disney Plus entering the domestic OTT market. Netflix and Disney Plus have already made a name for themselves as powerful content platforms that are taking over the TV and theater districts thanks to their unmatched quantity and diversity of content compared to other OTT providers.

An unavoidable external danger to Coupang Play might be the unfavorable issues with its parent firm, Coupang. This appears to be the outcome of Coupang's striking performance decline and dim future prospects, as delivery demand has decreased since the debut of 'With Corona'. Despite higher revenues, Coupang claims that its KRW 300 billion quarterly deficit is a 'managed deficit', but the market seems unconvinced. Will Coupang, which has gained its market share through a low-cost offensive and generous investment, be able to become a surplus in the market for e-commerce, which is becoming more and more competitive? (Yonhap News, Nov. 20, 2021). Additionally, it is impossible to disregard the issue of Coupang's social duty. Since 2020, Coupang's reputation has been damaged in both significant and minor ways, including the ongoing occurrence of a Coupang employee dying as a result of unsafe working conditions and 3.3 billion won in fines from the Fair Trade Commission for a power abuse scandal. The WO strategy is a plan to explore opportunities, the ST strategy is a strategy to tackle threats as strengths, and the WT strategy is a strategy to make up for weaknesses and avoid threats. The SO strategy is a strategy to use opportunities as strengths. By combining tactical ideas, a matrix was created based on Coupang Play's SWOT, which was previously described.

5. Conclusion

The domestic OTT service sector is simultaneously faced with extraordinary opportunities and threats. The proliferation of smart device availability is driving up demand for OTT services, and domestic OTT services like Netflix have popped up one after another, growing at a rate of more than 20% annually [10]. Additionally, as more time is spent at home in line with the COVID-19 virus situation, the consumption rate of OTT services is rising. It is simple to obtain high-quality material, such as movies and TV shows, and its position in the OTT industry, which includes smartphones, tablet PCs, and smart TVs, has been enhanced by growing its impact in the convergence market through N-Screen strategy and platformization. OTT services are used as mobile media consumption among younger generations spreads quickly. As a result, they offer services that are unique from those offered by existing broadcasting services, escalating competition between terrestrial broadcasters and cable station operators to satisfy consumer demand.

The OTT market's reach is rising, and more material is vying for OTT distribution. It encapsulated how the streaming war is transforming the market for new media content. Netflix, Disney, and domestic native OTT service providers have all made enormous investments in one another, which has increased the level of rivalry to a significant level. They are vying for supremacy in a single market. Coupang Play, a case company, should concentrate most on content security in order to become a representative service in the OTT market. Despite the fact that Coupang Play is supposedly contacting numerous broadcasters, production companies, and distributors to secure fresh material, the content it offers is still insufficient when compared to competing OTT services. Additionally, there are only two of the exclusive original material, or the flower of the OTT service, including the lately hugely successful 'SNL Korea'.

The product for OTT service providers is content. Similar to how manufacturing firms create products, market them, and sell them to customers, OTT service providers should be able to offer a variety of enjoyable materials. Consumer-friendly content will eventually become the competitive edge of OTT service providers. Therefore, it is not a stretch to claim that the availability of content affects whether OTT services succeed or fail. Investment in content is necessary to maintain a competitive edge in the contemporary OTT industry, where competition is highly encouraged. Mobile is growing the number of OTT service users, but this hasn't translated into higher profits. Various policy support, such as banning lawful distribution, implementing a fair profit allocation mechanism, and encouraging the creation of OTT-specific content, are anticipated to be required. In addition, the quality of the information is what ensures its worth and competitiveness regardless of how it is disseminated. We emphasize that it is necessary to create a win-win ecosystem by enhancing content planning and creative competitiveness, supporting creators, and establishing a fair distribution structure. The competitiveness of the OTT service era is who produces the most valuable quality content on platforms that cross time, place, and screen. Coupang Play appears to require more rational decision-making and focus than ever in this internal and external context. The future course of Coupang Play depends on whether it will remain a subsidiary of its parent firm, which failed due to unclear positioning and a lack of content, or whether it will grow into a sizable OTT service that rivals Netflix and Amazon's Prime Video for first and second place.

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