

Chapter 7

SWOT Analysis

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CHAPTER 7

SWOT Analysis

1. Analysis Framework

The status of content industries (mainly audiovisual content) in each member country was analyzed, based on interviews conducted in member countries in addition to market data, regulations and promotion policies, sample cases of ripple effects on export and other industries presented in previous chapters. The analysis results were presented below as the form of SWOT analysis.

Through the SWOT analysis, strengths and weaknesses of content industry (internal environmental analysis) and opportunities and threats for content industry (external environmental analysis) were extracted. The viewpoints after the extraction were presented below. Parameters related to the below viewpoints would turn to be Strength/Weakness or Opportunities/Threats on the SWOT analysis.

Table 26: Parameters considered for SWOT Analysis

Viewpoints	Examples
Internal environmental analysis	Ability to create content
	<ul style="list-style-type: none">● Ability to create attractive ideas● Ability to establish business for specific content● Skill to create high quality content● Ability to create content within a certain level of budget● Production with the latest technologies● Productive resources (enrichment of productions and human resources)● Production business performance in the past● Business relationships with other fields and overseas content productions● Access to content distributors● Intellectual property protection

		<ul style="list-style-type: none"> ● Increasing stock of content ● Existence of popular characters and pop-idols
	Ability to sell content	<ul style="list-style-type: none"> ● The number, power or reliability of domestic business operators that distribute and produce content ● The status of illegal content distribution ● The number of networks and platforms that distribute content ● Diversity in business models (ex; advertising, subscription, freemium⁴, export, media-mix, ripple effect) ● Accessibility to overseas and related markets
	Market conditions	<ul style="list-style-type: none"> ● Existence of large or high added value markets ● Ideal competitive environment ● Quality and volume of content users or viewers
External environmental analysis	Potential domestic market size	<ul style="list-style-type: none"> ● Population and the number of households ● Macro level economic indicators (ex. GDP) ● Advertising expenditures and disposable income ● Price difference among foreign countries
	Relationships with investors and sponsors	<ul style="list-style-type: none"> ● Availability for investment in or sponsorship to content business
	Relationships with foreign countries	<ul style="list-style-type: none"> ● Connections through languages, cultures, religions, ethnics and etc. ● Political and economic partnership (ex. Free Trade Agreements)
	Infrastructure and environmental change	<ul style="list-style-type: none"> ● Penetration of TV, PC, smartphone, tablet and etc. ● Penetration of Internet ● Penetration of fixed broadband ● Provision of services based on network (ex. IPTV, OTT⁵, social media, etc.) ● Conditions of migrating from analog to terrestrial digital broadcasting and plans for multi channels
	Potential resource for content industries	<ul style="list-style-type: none"> ● Educational programs related to content in institutions for higher education ● Systems for human resources development ● Carrier path for talents in the content field ● Promotion programs for introducing new technologies
	Relationships with other industries	<ul style="list-style-type: none"> ● Existence of dominant manufacturers, sellers and service providers
	Governmental promotion policies	<ul style="list-style-type: none"> ● A variety of policies to promote content industries ● Trend of deregulation

⁴ Freemium, in general, is a pricing strategy by which a product or service (typically a digital offering such as software, media, games or web services) is provided free of charge, but the premium is charged for advanced features, functionality, or virtual goods.

⁵ Over-the-Top or OTT content refers to delivery of product (such as video and audio) over the Internet without a multiple system operator being involved in the control or distribution of the content.

2. Results

The results of SWOT analysis in each member country were presented below. As mentioned above, the results were based on various indices, market data, regulations, interviews with specialists in each member country.

2.1. China

The size and growth of the domestic market is a huge advantage. Along with the growth of the domestic market, domestic content supply capability (production capability) is also increasing. Aggressive promotion in the global market has been conducted. Furthermore, the country has the advantage of low production costs. However, it does not yet have enough sales performance abroad.

In addition to the potential size of the domestic market, it is likely that more Chinese companies will advance into the global market, and business expansion overseas is expected.

Though market expansion is progressing, countermeasure against piracy are a critical issue in the domestic market. Additionally the economies of scale are not always working because the domestic market is divided by a variety of languages and ethnic groups. Regulations related to importing programs have the possibility of being a factor suppressing the growth of the domestic market.

Table 27: SWOT Analysis: China

Internal	
<p>Strengths:</p> <ul style="list-style-type: none"> ● Large scale domestic content market ● Lower production costs and content prices (ex. compared with the Japanese) ● Increasing supply capability of content due to increasing demand in the large scale domestic market ● Aggressive promotion in international trade exhibitions/markets 	<p>Weaknesses:</p> <ul style="list-style-type: none"> ● Limited experience for sales promotion abroad
<p>Opportunities:</p> <ul style="list-style-type: none"> ● Domestic population, GDP scale and economic growth rate ● Moderate penetration of Internet and fixed broadband ● Presence of Chinese companies starting operations overseas (as an advertisement sponsor abroad) ● Diffusion of services like Baidu, Sina Weibo and etc. 	<p>Threats:</p> <ul style="list-style-type: none"> ● Ethnic and language barriers (especially performers in dramas and movies) ● regulations related to importing programs ● Piracy problems
External	

2.2. Indonesia

Richness of local cultures with attractive designs, overseas connections (experience of co-production etc.) and low production costs are recognized as an advantage.

On the other hand, lack of working capital and managerial skills, difficulty in achieving profitability for small productions, inefficiency of governmental financial support etc. are disadvantages suppressing a sustainable content industry. Regional gaps between major cities, including Jakarta and other province capitals and rural areas are also recognized as an issue.

In the external environment, the size of the domestic population and potential market, the growth of subcontracting markets and relatively high diffusion of social

network media are good factors for the content industry

Lack of established career paths, however, inadequate support for talent training and education, deficient governmental support for content distribution and fundraising, ineffective countermeasures against piracy etc. in the content industry are considered as drawbacks for the industry.

Table 28: SWOT Analysis: Indonesia

Internal	
<p>Strengths:</p> <ul style="list-style-type: none"> ● Flexibility to respond to market trend ● Attractive design ● Low production costs ● Some cases of international co-production by major studios ● Rich of local values and local cultures 	<p>Weaknesses:</p> <ul style="list-style-type: none"> ● Lack of working capital ● Lack of managerial skills ● Difficulty to diversify profitability for small productions ● Low and inequality of financial access provided by the government to develop creative industry ● Mostly centered in Jakarta and other province capitals
<p>Opportunities:</p> <ul style="list-style-type: none"> ● Strong domestic market potential ● Increasing of subcontracting markets ● Large domestic population ● Diffusion of social network media like Facebook and etc. 	<p>Threats:</p> <ul style="list-style-type: none"> ● Unproven career paths for ambitious people ● No support from training and education sector ● No governmental support in distribution and finance ● Still low penetration of Internet ● Piracy/ infringement of IP
External	

2.3. Japan

Along with a relatively large domestic market, high planning and production capabilities, an established production environment including related industries and technologies, holding plenty of attractive content, the popularity of Japanese content in the global market are considered as advantages.

On the other hand, the mature market with low growth, relatively high production costs, differences in needs and business customs between the domestic and overseas markets, unsuccessful efforts for generating profit from interest in Japanese content abroad, insufficient promotion policies or support systems to sell content abroad etc. are disadvantages.

In the external environment, high GDP and GDP per capita, the high diffusion of network infrastructure including the Internet, diffusion of services such as Nicovideo and LINE, many Japanese companies operating overseas, strengthened support by public-private partnerships to promote Japanese content etc. are good factors for the content industry.

Depopulation and aging, however, maturation and low growth in the domestic economy, the unpopularity of broadcast media in the young generation, language barriers, insufficient governmental support, and the necessity of countermeasures against piracy are considered as problems.

Table 29: SWOT Analysis: Japan

Internal	
<p>Strengths:</p> <ul style="list-style-type: none"> ● Program planning and producing ability ● Popularity of animation, comic, game and character goods ● Extending range like idle and geek culture ● Developed broadcasting domestic market ● Many broadcasting stations and production companies ● Development ability for program formats (Takeshi's Castle, SASUKE, Iron Chef, Thirty-one-legged race by thirty people, Brain Wall and so on) ● Experience of international joint production 	<p>Weaknesses:</p> <ul style="list-style-type: none"> ● Maturation and undergrowth in domestic content market (especially broadcasting market) ● Relatively high production costs and prices and low competitiveness and profitability abroad ● Not enough promotion policies or support system and experience or know-how to sell products abroad ● Mismatch between the domestic target for animation programs and the overseas broadcasting slots (young adult in home and children abroad) ● Difference of cultures and business customs (speed in program direction, the number of title in a series program etc.) ● Interests in Japanese content abroad did not lead to profitability
<p>Opportunities:</p> <ul style="list-style-type: none"> ● Still high level in GDP and GDP per capita ● High penetration of Internet, fixed broadband and mobile network ● Diffusion of services such as Nicovideo, LINE and etc. ● More & more Japanese companies are starting operations overseas (with advertisement sponsor abroad) ● High rating of Japanese content and cultures abroad (ex. Cool Japan) ● Strengthening support by the Japanese government for overseas promotion (Cool Japan /Creative Industries Policy) 	<p>Threats:</p> <ul style="list-style-type: none"> ● Depopulation and aging ● Maturation and undergrowth in domestic economy ● Unpopularity of TV in young generation (diversification in media usage and progress of online media) ● Ethnic and language barriers (especially performers in dramas and movies) ● Still necessary to strengthen support by the Japanese government for overseas promotion ● Presence of pirated copies is one of the big barriers against overseas development
External	

2.4. Korea

The well-established system to support content exports, profitable results from trading content in overseas markets, the popularity of Korean content domestically and internationally, ripple effects on other business fields, relatively low production costs and selling prices are advantages.

On the other hand, the small domestic market, the lack of storytelling ability, immature market held back by piracy and the low awareness of the need for payment for content are problems.

In the external environment, the high diffusion of network infrastructure including the Internet, the presence of Korean companies in the global market and high expectations on Korean content by media related companies abroad are good factors for the content industry.

Depopulation and aging, however, language barriers, long-term economic depression and shrinking domestic consumption are considered as problems.

Table 30: SWOT Analysis: Korea

Internal	
<p>Strengths:</p> <ul style="list-style-type: none"> ● Program planning and producing ability ● Popularity of “Korean made” content (drama and music) ● Preference of domestic content ● Ripple effect on tourism and industrial products ● Overseas promotion based on cooperation between the Korean government and private companies ● High presence in overseas markets (established Korean content in overseas countries) ● Lower production costs and content prices (especially as compared with the Japanese one) 	<p>Weaknesses:</p> <ul style="list-style-type: none"> ● Limited size of domestic market and importance of exportation in content industries ● Lack of storytelling ability ● Immature market caused by piracy and devaluation of content purchase price
<p>Opportunities:</p> <ul style="list-style-type: none"> ● High penetration of Internet, fixed broadband, mobile network and smartphone ● Presence of Korean companies starting operations overseas and good condition and their good condition in business (as an advertisement sponsor abroad) ● Expectation on Korean content by media related companies abroad (acquisition of content with potential high program rating) 	<p>Threats:</p> <ul style="list-style-type: none"> ● Depopulation and aging ● Ethnic and language barriers (especially performers in dramas and movies) ● Long-term economic depression and consumption shrinking
External	

2.5. Malaysia

Strong governmental support for the content industry, the availability of raw talent in content fields, growing presence in overseas markets for animation and live action, active overseas promotion by business entrepreneurs are advantages.

On the other hand, the small domestic market, human resource scarcity for production, the necessity of expanding investment, slow growth in subscription services as compared with the diffusion of satellite broadcasting, still limited successful cases of sales promotion abroad are problems.

In the external environment, relatively high GDP per capita, the fairly strong diffusion of the Internet, the launch of terrestrial digital broadcasting in the near future and strong relationship with Islamic nations which provide wide opportunity for market expansion, are good factors for the content industry.

The small size of the domestic population, however, high dependence on exports, the brain drain from the domestic market, and a “comfort zone mentality” are considered as problems

Table 31: SWOT Analysis: Malaysia

Internal	
<p>Strengths:</p> <ul style="list-style-type: none"> ● Strong government support in developing the creative content sector (national policy, developmental programs, grants, incentives) ● Availability of raw talent that can be trained ● Growing presence in the international market as a regional player for animation and live action production ● Active overseas promotion of industry players who are capable of servicing the needs of the global market 	<p>Weaknesses:</p> <ul style="list-style-type: none"> ● Limited domestic market size ● Limited size of human resource for production (labor shortage and etc.) ● Necessity of expanding investment in productions due to relatively high production costs and insufficient budget in some cases ● Diffusion of satellite broadcasting and relatively slow growth of other subscription services (ex. IPTV and etc.) ● Aggressive sales promotion abroad and still limited successful cases (the most popular and valuable programs produced domestically in most countries)
<p>Opportunities:</p> <ul style="list-style-type: none"> ● Relatively high level in GDP per capita ● Good penetration of Internet ● Start of terrestrial digital broadcasting at the end of 2013 and the completion of shifting predicted by 2015 ● Strong connections with Islamic nations, which provide wide opportunity for market expansion 	<p>Threats:</p> <ul style="list-style-type: none"> ● Limited size of domestic population ● Importance of export and import in the content industry as same as other industries ● Brain drain into other countries ● Comfort zone mentality
External	

2.6. Philippines

Declining telecommunications costs, skilled and educated labor, English proficiency, professional niches, strong industry association, international reputation for talent and creativity are all considered as advantages for the Philippines' creative content industries.

On the other hand, lack of funding for overseas promotion, difficulty establishing export-based enterprises (Small and medium-sized enterprises: SMEs), weak local market collaboration, inadequate marketing and distribution networks, high production/input costs are problems.

In the external environment, rising per capita income, advances in modern technology, increasing international demand for creative goods and services are positives for the content industry.

Strong cost-based competition from other countries in the form of both products and services, however, low awareness of the domestic market, domestic consumers' preference for foreign/imported products, keeping skilled labor competitive on the global level in future, and the need for countermeasures against piracy and copyright infringement are problems

Table 32: SWOT Analysis: Philippines

Internal	
<p>Strengths:</p> <ul style="list-style-type: none"> ● Declining telecommunications costs ● Skilled, educated labor ● English proficiency, high level among neighboring countries ● Cultural affinity with USA ● Professional niches – medical-related fields, accounting, art ● Strong industry association ● International reputation for talent and creativity – i.e. Lea Salonga, Kenneth Cobonpue, Dante Brillantes, etc. 	<p>Weaknesses:</p> <ul style="list-style-type: none"> ● Lack of funding for overseas promotion and marketing ● Export-based enterprises (SMEs) not enabled ● Weak local market collaboration ● Inadequate marketing and distribution network ● High production/input costs (raw materials, software licenses and new equipment)
<p>Opportunities:</p> <ul style="list-style-type: none"> ● Increasing international demand for creative goods and services ● Rising per capita income ● Advances in modern technology 	<p>Threats:</p> <ul style="list-style-type: none"> ● Greater competition from other countries ● Future supply of skilled labor – recognized need to keep workers competitive on the global level ● Low market awareness ● Preference for foreign/imported products ● Piracy ● Copyright infringement
External	

2.7. Singapore

Connections through languages (English, Chinese and Malay), established infrastructure for media business including the network capability and payment infrastructure, hosting international media/content companies and production studios with high end technologies, established economic environment with openness, being a financial hub, having a legal framework to protect IPR are all advantages.

The small domestic market, however, highly fragmented by language, media related industries not seen as a popular career choice, small size production companies are considered as problems.

In the external environment, high GDP per capita, the diffusion of mobile internet networks, the launch of terrestrial digital broadcasting in the near future, and the appetite for global and regional content in a cosmopolitan city. are positive factors for the content industry.

Keen competition from foreign content is a problem, as are the small talent base and the ageing population.

Table 33: SWOT Analysis: Singapore

Internal	
<p>Strengths:</p> <ul style="list-style-type: none"> ● Connections with English, Chinese and Malay speaking world ● Reasonable bandwidth and payment infrastructure – especially for new media businesses ● Host to international broadcasters, international games and animation companies. ● Open economy, strong governance for business, financial hub in Asia and legal framework to protect IPR ● Host to high end VFX studios that use state-of-the-art technologies 	<p>Weaknesses:</p> <ul style="list-style-type: none"> ● Limited size of domestic market ● Highly fragmented market due to language segmentations ● Media not seen as a career choice ● Small size of production companies
<p>Opportunities:</p> <ul style="list-style-type: none"> ● High level in GDP per capita ● High smartphone users and mobile internet subscription rate ● Cosmopolitan who have appetite for global and regional content ● Start of terrestrial digital broadcasting at the end of 2013 and the completion by 2020 	<p>Threats:</p> <ul style="list-style-type: none"> ● Keen competition for consumer attention from foreign content ● Small talent base ● Ageing population
External	

2.8. Thailand

A fast growing domestic market, the high quality of the content industry including related industries and human resources, a variety of film locations and facilities services, progressive overseas development by domestic business entrepreneurs, some cases of ripple effect on tourism and other fields are advantages.

The relatively limited governmental resources available to assist private companies, however, weak human resources development programs within the industry, many different regulatory government departments related to the content industries, absence of established conditions of agreement for international cooperation are problems.

In the external environment, with an affluent population, high economic growth in a variety of fields is expected. Growing spending power along with a growing middle class, the launch of terrestrial digital broadcasting, economic integration in ASEAN scheduled in 2016 are positive factors for the content industry.

Low average GDP per capita, however, undeveloped broadband networks, unstable power supply, the shortage of funding and staff in governmental support for the content industry, insufficient measures in terms of tax incentives and other privileges offered to business entrepreneurs, lack of legal enforcement to suppress copyright violation and the existence of censorship in films are problems.

Table 34: SWOT Analysis: Thailand

Internal	
<p>Strengths:</p> <ul style="list-style-type: none"> ● Fast growing domestic market. ● High quality of digital content production, service equipment, post production and manpower. ● Variety of film locations & good facilities services. ● Cost of living consider not high. ● Digital content program produced by major independent production known oversea and has started co-producing with their counterparts in China and other countries in the region. ● Some major cases of ripple effect on tourism. 	<p>Weaknesses:</p> <ul style="list-style-type: none"> ● Relatively limited resources to assist private companies from the government including financing & academic support. ● Weak human resources development program within the industry. ● Regulations are mostly issued with an aim to control the industry and thus divide the power to control to too many difference government departments. ● No international film cooperation agreement been negotiated yet.
<p>Opportunities:</p> <ul style="list-style-type: none"> ● Large domestic population and high potential growth in a variety of fields. ● Growing spending power along with growing economy and growing middle class. ● Terrestrial digital broadcasting started at the end of 2012 and expects the completion of shifting predicted by 2015. ● 10 ASEAN nations will become a single production base in 2016. 	<p>Threats:</p> <ul style="list-style-type: none"> ● Low GDP per capita. ● Still in an early stage of 3G Broadband with average 7-10 Mbps internet speed. ● Unstable of electricity current in some upcountry area. ● Ministry of Culture is still short of funding and staffs. ● Still lack of legal enforcement to suppress copyright violation. ● Measures in tax incentive and other privileged offers such as Tax Credits and Cash Rebates for business entrepreneurs in the country and abroad are not enough to counter the global competition. ● Classification or censorship of films remains in place in Thailand, and is still using the rating and censorship system; this has marketing impact.

2.9. Summary of SWOT Analyses for 8 Eight Countries

The SWOT analysis results for the 8 countries targeted in our research were integrated. Due to the different social and economic conditions in each country, the following integrated analysis result is not always applicable to all 8 countries. However, the factors that may represent common features of the content industries in eight countries were extracted from the SWOT analysis results for each country.

In terms of strengths (S), the size and growth of domestic market, the attraction and accumulation of content, affluent consumers, talented creative people and resources for creating content, including the cultural and natural environments are common factors. Though not common to all, several countries considered the lower production costs as a strength.

In terms of weaknesses (W), the small size and low growth of domestic markets, insufficient industrialization, including lack of labor/human resources, lack of managerial skills, limited financing methods and difficulty in achieving profitability for small productions are considered as weaknesses. And a highly fragmented market by languages and ethnic groups is stated as a weakness by some countries. Furthermore, lack of the governmental support necessary to solve the above weaknesses is also mentioned.

Each county has ideas for content, materials for content, human resources, technologies and leading companies as "strengths". On the other hand, these factors are not organized enough to establish a strong industry and governmental support for this industrialization is insufficient. Although each country has conducted aggressive overseas sales promotions, most of the cases have not yet produced satisfactory sales performance. These are almost common "weaknesses" for all eight countries.

In terms of opportunities (O), the expectation of market growth based on the diffusion and improvement of communications infrastructure, increasing international demand for content, and creative goods and services are commonly mentioned. And in addition, more than a few countries consider the expectation of fundamental growth, such as in the size of their population and GDP, and overseas connections through languages and ethnic groups as opportunities.

In terms of threats (T), keen competition with foreign companies along with growing international demand for content, problems of piracy and copyright infringement, the necessity for proper governmental roles, suitable organizations, and lack of budgetary provision are indicated as threats.

This means that increasing international demand calls for stricter countermeasures against piracy, and keen global competition requires more aggressive governmental involvement.

* All factors in the SWOT table are not always applicable for all 8 countries (the factors that are applicable for most of countries were extracted).

Table 35: SWOT Analysis: Summary of Eight Countries

Internal	
<p>Strengths:</p> <ul style="list-style-type: none"> ● Large scale domestic content market and/or growing domestic content market ● Enough quantity and quality of content ● Enough domestic resource to supply content (human resources, related industries and state-of-the-art technologies) ● Resources of creating contents including cultural and natural environment ● Experience of overseas business and coproduction ● <i>Relatively lower production costs</i> 	<p>Weaknesses:</p> <ul style="list-style-type: none"> ● Small scale and/or immature and/or low growing domestic content market ● Limited successful cases though aggressive sales promotion abroad ● Lack of labor resource (human resources development program, not yet established carrier path, unpopularity as an occupation and etc.) ● Insufficient industrialization (lack of funds, managerial skills and etc.) ● Insufficient governmental support for content business ● <i>Low demand for local content and preference for foreign/imported products</i> ● <i>Relatively higher production costs</i>
<p>Opportunities:</p> <ul style="list-style-type: none"> ● Progressing diffusion of Internet, broadband network, smartphone and etc. ● <i>Large population</i> ● <i>High growth in domestic economy</i> ● <i>High level of GDP and GDP per capita</i> ● <i>Start of terrestrial digital broadcasting</i> ● <i>Overseas connections through languages, ethnic groups, religions and etc.</i> ● Increasing international demand for creative goods and services 	<p>Threats:</p> <ul style="list-style-type: none"> ● Keen competition between domestic industry and overseas ones in the content market ● Importance of countermeasure against piracy ● Governmental roles (promotion and regulatory policy), necessity of optimization and enrichment of financial resources and staffing ● <i>Depopulation and aging</i> ● <i>Matured domestic economy</i> ● <i>Still low GDP per capita</i> ● <i>Language barriers</i>
External	

Note: Factors written in *italics* show the features of content industries in the Asian region that are applicable for some countries but not for others.

3. Extraction and Mapping of Factors that Lead the Growth of Content Industries

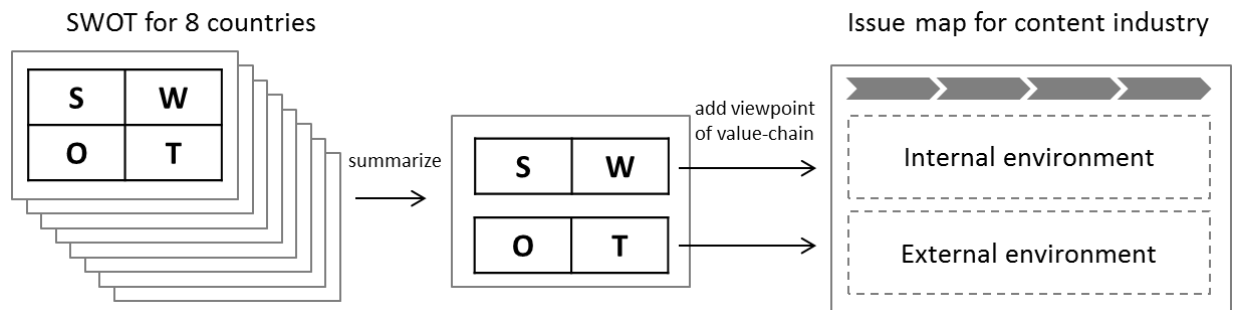
In this section, factors that drive the industry's growth are assessed, based on the SWOT in the previous section.

Figure 46 shows the process. The factors that drive the growth of the content industries were extracted after summarizing the result of the SWOT analysis in the previous section. Then the factors were mapped along with the value chain and a perspective of grouped factors was taken.

In particular, strengths and weaknesses are categorized as factors of the internal environment and opportunities and threats are categorized as factors of the external environment. The factors from the SWOT were outlined, along with two different environmental factors.

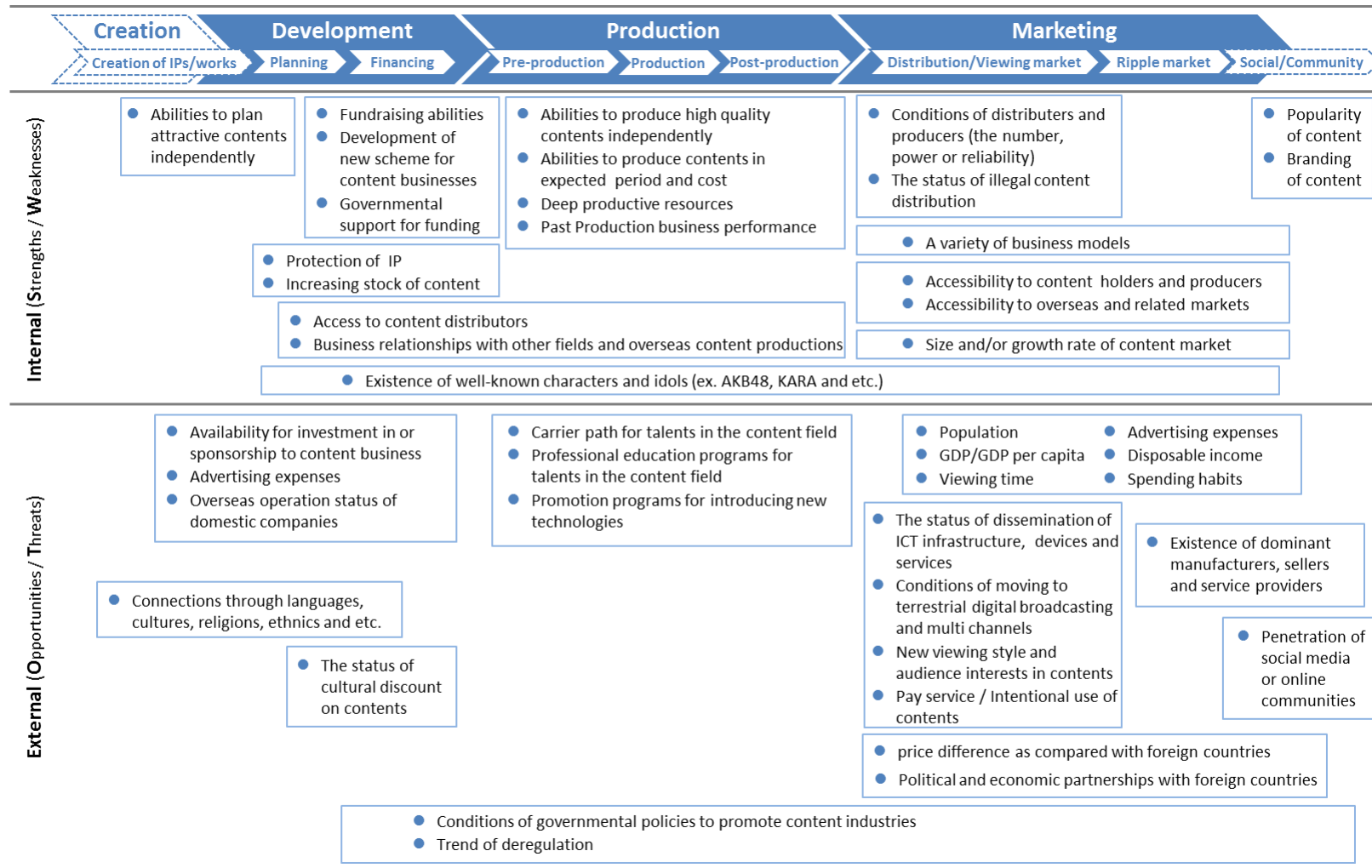
If a factor of the internal environment factor inclines toward a positive trend, it should be considered as a strength. If it inclines to the negative, it is taken as a weakness. If a factor of the external environment inclines to the positive, it is an Opportunity. If it inclines towards a negative trend, it is a threat.

Figure 46: Chart Analysis Process



The extracted factors are mapped and shown in Figure 47. The horizontal axis on the chart is value chain. The vertical axis on the chart describes the internal / external perspectives extracted from SWOT.

Figure 47: SWOT vs. Value Chain



The chart overviews the factors of internal and external environment in content industries along with the value chain. The chart depicts grouped factors necessary to be considered in content industries. Each factor mapped on the chart is essential for industry growth.