

Investment Opportunities in the Digital Content Industry in Taiwan

I. Industry Definition and Scope

Taiwan's digital content industry includes eight sub-categories, of which five are core industries while three are related industries. Core industries include digital gaming, computer animation, digital audio and video, digital publishing and archives, and e-learning. Related industries include mobile application services, web services, and content processing software.

Table 1 Scope of Taiwan's Digital Content Industry

Main categories		Related Industries	
Digital Gaming	<ul style="list-style-type: none"> ● PC Games ● Online Games ● Software for Home Game Consoles ● Software for Commercial Game Consoles ● Software for Mobile Devices 	Content Processing Software	<ul style="list-style-type: none"> ● Multimedia Tools/Software ● Embedded Software ● System Integration Service ● Other Software
E-Learning	<ul style="list-style-type: none"> ● Textbooks ● Tools/Platform/System ● Integration Services ● Learning Hardware/Vehicles 	Mobile Applications	<ul style="list-style-type: none"> ● Mobile Content Add-On Services ● Mobile Receiving Service and System Integration
Digital Audio & Video	<ul style="list-style-type: none"> ● Digital Music ● Digital Karaoke ● Digital Video Broadcast ● Video Rental ● Digital Electronic Boards and Services 	Web Services	<ul style="list-style-type: none"> ● Internet Content Provider (ICP) ● Internet Service Provider (ISP) ● Internet Data Center (IDC)
Computer Animation	<ul style="list-style-type: none"> ● Television Animation ● Movie Animation ● New Media Animation ● Personal Image Authorization and Derivative Products 		
Digital Publishing & Archiving	<ul style="list-style-type: none"> ● Content Publishing ● Circulating Services ● E-book Reader 		

II. Taiwan's Industrial Environment

The digital content industry is a star industry of the new century, it contain two economy indexes for developing knowledge-based and digital economy. More and more household broadband users and mobile internet access boost the development of the digital content industry in the world. Taiwan network access popularization ratio has already over 50% and mobile internet customers are quickly increased. Hence the value added service has been emphasizes, with the improvement of information technology and communication devices, the digital content industry has significantly risen and benefited Taiwan.

According to a survey, the digital content industry production value in Taiwan is about NT\$730 billion in 2013, compare to 2012 production value NT\$633.8 billion grows up about 15.18%. The growth momentum is from the following factors. First, the teaching material content combines to learning terminal, which means the successful exportation of the intelligence classroom ; Second, the first year of digital TV drives more IPTV customers ; Third, the rise of smart terminals enhance the acceptance and penetration of the Internet video, digital music services to followed by the new growth momentum of animated film which broke another box office record by live-action and animation blend story; Another factor is that the mobile animation successfully enter the Chinese mainland niche market. Lastly, animation showcase and smart classrooms turnkey services, infuses into new business opportunities for digital content industry in Taiwan.

III. Analysis of Industry Chain Gap

Most of Taiwan's digital content industry is relatively weak and dispersed which has resulted in many gaps. The way to rectify this issue is outlined as follows:

- Strategy 1: Establish a good environment and construct a sound foundation, especially in the area of intellectual property protection.

- Strategy 2: The vastness of the Chinese market and culture could become motivating elements for foreign investment.
- Strategy 3: Cut into the industrial chain through the use of partnerships with international companies which offer related technology, personnel, or products.
- Strategy 4: Establish a developmental platform, enhance techniques of image processing, and actively training experts in digital content.
- Strategy 5: Successfully expand the overseas market by helping businesses access dealers and distribution of information.

Patterns of cooperation between the digital content industry and foreign investment companies include:

- Joint video production
 - International cooperation in the production of a 3D animated movie.
 - Co-production and distribution by the Taiwanese and international companies.
- Establishment of a research center
 - Strengthening of the cooperation pattern and establishing a base for digital content research.
 - Using Taiwan as a base to expand into the Chinese cultural circle.

IV. The Advantages of Investing in Taiwan

1. In 2013, Taiwan's digital content output value was estimated at NT\$730 billion, a 15.18% increase compared with 2012.
2. The Ministry of Economic Affairs' "Digital Content Industry Development Action Plan" has made Taiwan a highly successful model in terms of digital content development. Taiwan has become one of the leading countries to develop innovative entertainment and multimedia applications. In addition, the government is highly supportive of policies which foster preferential treatment and offers various subsidies.
3. In 2012, the total output value of Taiwan's digital audio and video industry was estimated at USD 2.26 billion, a 11.05% increase compared to 2011. The total digitization and the incorporation of cloud technology for television service

providers in 2012 will spur rapid growth in the digital audio and video industry.

4. The penetration rate of Smart TVs will jump from 20% in 2011 to 62% by 2014.

It is estimated that a USD 1.7 billion value output will be reached in 2014.

V. Business Opportunities and Potential

According to a study, it is estimated that Taiwan's Industrial Value Output in 2012 was USD 21.12 billion, a 5.59% increase compared to the USD 20.01 billion generated in 2011. The fastest growing sub-category is the digital publishing and archives industry. The advent of e-books and the iPad was credited for the staggering growth.

Table 2 Taiwan's Digital Content Industrial Output Value in 2012

(Unit: 100 million USD)

	Games	Animation	Publish -ing/ Archives	Video	E-Learn -ing	Mobile Applica -tions	Content Processing Software	Web Services
2011	14.53	1.5	23.87	19.8	11.07	24.37	58.03	46.93
2012	13.56	1.76	17.1	22.26	15.5	28.16	64.73	48.1
Annual Growth Rate(%)	-7.15	14.77	-39.59	11.05	28.58	13.45	10.35	2.43

Source: Digital Content Industry Promotion Office, Ministry of Economic Affairs

1. Computer Games

Because of the relative ease of producing web games and SNS social games, more and more medium and small business owners have begun to explore this area of development. To increase profit margins, more and more companies are developing web games.

2. Computer animation

The animation industry in Taiwan can be mainly divided into TV animation, film animation, new media animation, and personal image authorization and derivative products. In 2012, the output value of computer animation in Taiwan was around USD 176 million, a 14.77% increase from 2011.

3. Digital audio and video

In 2012, the total output value of Taiwan's digital audio and video industry was estimated at USD 2.26 billion, a growth rate of 11.05% over the USD 1.98 billion

generated in 2011.

(1) Digital television service:

In order to promote the development of digital television, the government has shut down analog television on June 1st, 2012. In the future, all production from the content industry will be broadcast over cloud platforms, thus accelerating the rate at which Taiwan's digital audio and video industry adopts cloud technology, multi-screen functionality, and other future technology trends.

(2) Digital audio and video broadcasting:

The quantity and quality of Taiwanese idol dramas have already reached the point at which they are suitable to be exported overseas. Patented rights have already been sold to China, Hong Kong, Macau, Singapore, Malaysia, Indonesia, Vietnam, Korea, Japan, North America, New Zealand, and Australia. The advantages associated with television show content already exist.

(3) Digital Music:

The development trend in Taiwan differs from other places around the world. Compared with other countries, online stores (such as Apple's *iTunes*) which offer bundled sales of digital products and music are have yet to become mainstream in Taiwan. This presents a burgeoning opportunity for foreign investors to introduce a new commercial platform.

4. E-Learning

In 2012, Taiwan's e-learning industry had an output value of around USD 1.55 billion, a 25.58% growth from 2011. The rapid growth of mobile devices in the past 2 years, especially the launch of the iPad and tablet PCs, has not only fostered the growth of the entertainment and games industries, but has also promoted children's learning and school education applications.

5. Related Industries

In 2012 the output value for related industries was around USD 14.1 billion, with an average growth rate of 8.27%. The breakdown of output value for mobile applications service industries, content processing software industries, and web services industries are USD 2.82 billion, USD 6.47 billion, and USD 4.81 billion, respectively

VI. Policies and Incentives Measures

1. Digital Content Industry Development and Assistance Project (DCDA)

The Bureau of Industrial Development employed an innovative plan to subsidize the review mechanism which encompasses the creative digital content industry, a viability study, development of creativity, product development, derivative products, and application service development. All of the above mentioned items are eligible for subsidies which could amount to as much as 50% of the total cost.

2. Important points for digital upgrading of the film industry

Encouraging the purchase of digitization equipment and technology as well as assisting in the training of specialists in the field of digitization are crucial objectives. Constructing a digitalized entertainment environment, promoting the overall development of the film industry, and elevating the standards of film post production will also be essential. Eligible businesses include those that are established in accordance with Taiwan's film law.