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Priorities of local OTT platforms’ Internationalization strategies

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Keywords: Over-the-top (OTT) platforms, Internationalization strategies, AHP analysis

1. Introduction

Digitalization is widely recognized as a pivotal force influencing the evolution of the business world and societies at large (Cortellazzo et al., 2019). Media platforms have entered foreign markets to grab new opportunities, especially for geographic and product expansion in the global market. Over-the-top (OTT) platforms focus on global expansion into diverse regions, aiming for platform expansion in the global market. Many established competitors have led to many OTT platforms including Netflix expanding internationally (Deloitte, 2018). For instance, Paramount planned to commission 150 original international programs for Paramount Plus streaming services by 2025, while Disney Plus has expanded its services in the international regions (FICDC, 2022). OTT platforms have become the main distribution and consumption channel for digital content by global users.

In particular, K-content has become a major source of international distribution and consumption by global audiences in the international media industry, following the global popularity of *Squid Game* and *The Glory* (Macdonald, 2021; Nam et al., 2023). In the local¹

Korean market, with the increasing competition and the opportunities in the global market, there exists a necessity for local OTT platforms to expand their services beyond their home market. This paper specifically examines media firms, specifically South Korean local OTT platform’s strategies for platform internationalization, examining the criteria, the sub-criteria, and the alternatives for the OTT platform’s internationalization. The study employed AHP analysis to examine the priorities of local OTT platforms’ internationalization strategies in the global market.

2. Platform Internationalization

Platforms are playing a significant role in the digitalized society, where digital platforms can easily reach consumers globally, reaching a more borderless community. Many platforms have expanded their platform businesses beyond their home markets (Chen et al., 2022). Platforms are defined as “a set of digital resources, including services and content - that enable value-creating interactions between external producers and consumers” (Constantinides et al., 2018).

In the borderless digital media environment, many stakeholders participate in multi-sided markets (Ojala et al., 2018). That is, digital platform providers must operate in two-sided or multi-sided markets across different regions in the global environment to bring various stakeholders, such as content providers, government, end-users, and other actors together (Eisenmann, 2006). Digital platforms are scalable

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beyond the borders of a single market and expand their business outside their local region (Nambisan et al., 2019). It has become common for platforms to expand their services outside their home country. Especially, media platforms constantly adjust to wide-ranging external and internal changes that are altering modes of production, rapidly increasing competition among other platforms, and the changing market dominance patterns (Picard, 2011).

3. Methodology

To explore the priorities of local OTT platform's internationalization, this study employed the analytic hierarchy process (AHP) model for analyzing complex problems (decision-making) based on mathematics and psychology (Hassan et al., 2013). Prior studies have employed the AHP to prioritize electronic device technologies (Kim et al., 2010) and the influential factors in building successful IoT system for IoT-related enterprises (Ly et al., 2018). For data collection, we reached out to participants in OTT, telecommunications, and broadcasting domains based in South Korea. We utilized the responses from 12 professionals that participated in the online survey.

Table 1. Criteria, sub-criteria, and alternatives of the AHP model

Criteria	Sub-criteria	Definition
Target market	Cultural distance	Cultural distance between the home country and the target market.
	Market potential	Market size, the scale and characteristics that that market entails.
	Regulatory environment	Regulations and the regulatory ecosystem of the domestic market.
Domestic market	Policy support	Financial incentives that support networking, financial investment.
	Domestic market competition	Intensity of competition in the domestic OTT market.
	Resource abundance	Relative abundance of resources in the domestic environment and the

		capacity
Organization	Financial resources	Resources related to the platform's finances: assets, financial and in-kind of financial support
	Organizational vision	Strategic motivation and aims set at the platform level to achieve the internationalization goals
	International experience	Prior experiences of the platform's internationalization

4. Results

Referring to Table 2, the criteria level results show that target market was the most crucial criterion (.384), followed by domestic market (.317), and organization (.299). In the sub-criteria, market potential (.145) was the most important sub-criterion, followed by policy support (.149), financial resources (.146), cultural distance (.145), organizational vision (.111), and resource abundance (.101).

Table 2. Weights of Criteria and sub-criteria

Criteria	Weight WC	Sub-criteria	Local Score WL	Global weight WC*WL	Rank
Target market	0.384	Cultural distance	0.376	0.145	4
		Market potential	0.418	0.160	1
		Regulatory environment	0.206	0.079	7
Domestic market	0.299	Policy support	0.499	0.149	2
		Domestic market competition	0.163	0.049	9
		Resource abundance	0.339	0.101	6
Organization	0.317	Financial resources	0.460	0.146	3
		Organizational vision	0.350	0.111	5
		International knowledge	0.190	0.060	8

Note: WC = weight of a criterion; WL = weight of a sub-criterion within the criteria; WG = weight of a sub-criterion across all sub-criteria, (WC*WL)

5. Discussion

The results of the AHP analysis showed that target market was the most important factor in the context of internationalization. It is perceived

that selecting the appropriate target market where the local OTT platform will operate is the most significant aspect, as there are many institutional, environmental, and market-specific aspects for platform's consideration with regards to the internationalization process. Firms that want to internationalize maximize their priorities on the target market factors such as scale, distance, and language utilized in the global markets. Prior research showed that selecting the appropriate target market is vital as there exist uncertainties and risk that need to be considered for international business venture (Colak, 2016). The organizational factor is considered the next important factor, referring to the firm-specific qualities and capabilities that are required for international business activities. Acquiring and optimizing an appropriate level of resources are critical when entering new markets, as optimizing firm-internal resources leads to the firm's competitive advantage (Barney, 1991). The priorities pertain to the target specific environment and market circumstances, referring to the macro-aspect, followed by the firm-specific resources and capabilities.

Considering the importance of sub-criteria, the most critical factors were market potential, policy support, and financial resources. The expected potential of the market can be estimated by the geographical, demographic, and economical aspects of the target market (Rusta, 2004). The market growth implies that although the size of a market may be small, the probability of its growth should be considered. The formation of the policy and guideline that can guide and assist the local OTT platforms are critical to their internationalization. The role of institutions in constraining, facilitating, or supporting firms' growth and internationalization are important (Singh et al., 2023). A firms' financial resources are critical to a platform's expansion into new markets. The capabilities originate from a firm's activities and depend on firm's financial resources (Haapanen et al., 2016). Available resources, capabilities, and firm's capabilities relate to the

firm's competitive advantages, and their performance depends on firms' financial resources and past international experiences and choices (Teece et al., 1997).

Among the three suggested alternative options, firms perceived that selecting the business strategy, strategic alliance with local media firms would be the preferred choice. Local OTT firms also showed more intentions to select joint venture with local firms, rather than entering new markets solely on their own. This business strategy received high scores in resource abundance and cultural distance. The local OTT firms prefer selecting strategic alliances with local media firms when the local OTT ecosystem is equipped with the capabilities and resources available for initiating partnerships with other firms operating in the target market. Entering the global markets with the strategic alliances with local firms requires a careful consideration of the target market's estimated size and the demographics of mobile or device usage, as it is critical to consider the types of local firms for their foreign operations.

While prior research on internationalization has focused on motivations and strategies of IT, commerce, or game platforms' internationalization in the context of international business research, our understanding of internationalization strategies of local OTT platforms remains rather scant. The study investigates local OTT platforms' internationalization strategies. The findings of the study expand the scope of literature on platform internationalization, enriching the literature in the context of the media firm's internationalization.

The study provides implications for local OTT service providers. To achieve a more successful internationalization process, local OTT firms that are planning to expand into global markets need to develop strategic local partnerships and networks to enhance their understanding of the local knowledge, regulations, and experiences that can cater to the specific target market. Strategic alliances between alliance

partner firms can lead to the sharing of complementary capabilities and specific resources. From this perspective, local OTT platforms must be equipped with specific knowledge and processing capability to strengthen international strategic alliances.

6. Conclusion

In overall, facing increasing deficits for local OTT platforms, fierce competition from global OTT platforms, and the increased market competition, it becomes necessary for local OTT platforms to search new opportunities, making the choices to pursue business in the global media industry. The study gives insights into developing a theoretical framework that identifies the local OTT platform's internationalization strategies to successfully operate in the global markets. The findings of the research make contributions to platform management and platform internationalization strategies in the global media industry.

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