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## **The Status of the Digital Content Industry in Taiwan**

Recently, the digital content industries improve significantly because the government invests a lot of time and fund in it. Since the first stage of the “Strengthening Promotion of the Digital Content Industry” project, the digital content market value grows from \$133.4 billion NT dollars in 2001 to \$360.9 billion NT dollars in 2007, giving a 21% CAGR. It builds a great foundation for the development of digital content industries in Taiwan.

### **(I) Supply & Demand**

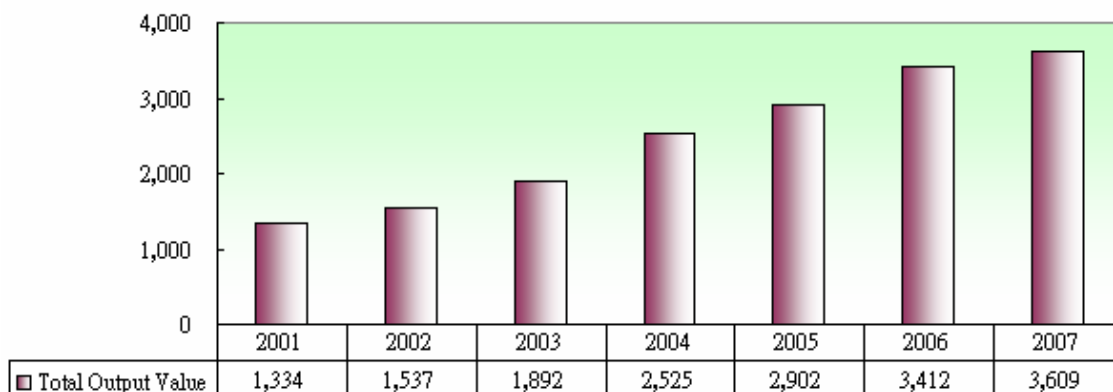
According to the definition of digital content industries in Taiwan, a digital content converts the traditional media data to digital data in order to develop different usages. These usages share characteristics such as easiness to connect, transfer, duplicate, search, edit and reuse. Then, these usages collocate with service, bandwidth, charges and copyrights for management. Digital content format sent out from internet, mobile communication network, terrestrial/cable TV, satellite communication, movies and digital radio. Users receive digital content by using hardware like TV, cell phone, PDA, personal computer and MP3. These are the main frames of digital content industries.

Expert estimated that the digital content market value of Taiwan will approximate \$360.9 billion NT dollar in 2007 with a growth rate of 5.7% from 2006. In view of output value structure, the digital content market is led by software of approximately 48% of the market value. The second largest area is internet service of 22% of the market value, followed by the digital media of 11%. Mobile net service and digital video games has output value of 7.9% and 6.6% of the market value. Digital learning, computer animation

and digital publishing have output value of 0.6~2.7% of the whole market value. It is smaller than the output values of other areas.

**Taiwan Digital Content Output Value 2001~2007**

Unit: NT\$100 million

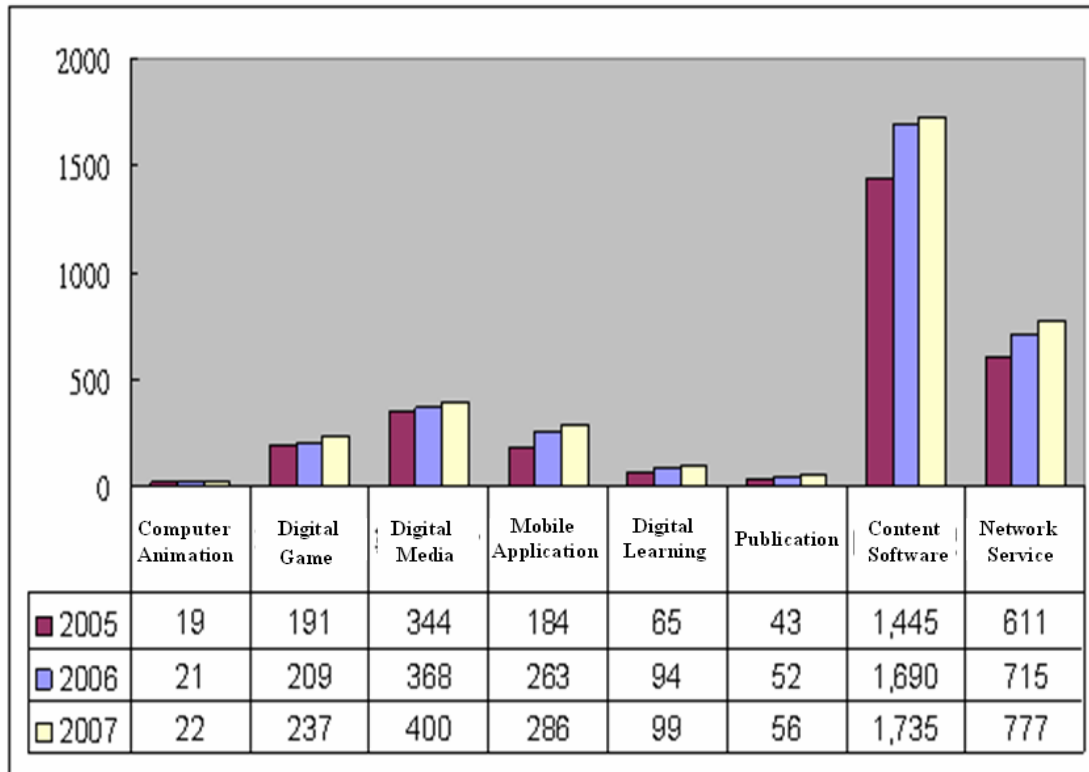


Source: DCIPO, 2007/12

In the recent development of each area of digital content industries in Taiwan, the output value of computer animation dropped in the past few years, because the process of transforming from OEM to copyright did not go well. The output value is growing back smoothly after 2007 along with the development of wire and wireless broadband network services like digital video games, mobile application service, digital learning and digital publication. All are expanding. The average CAGR in each area is over 30%, especially in the areas of digital learning and digital publication. Because of the government's funding project, the CAGRs of digital learning and digital publication raise to 88% and 42%, respectively.

## Taiwan Digital Content Industries Output Value

Unit: NT\$100 million

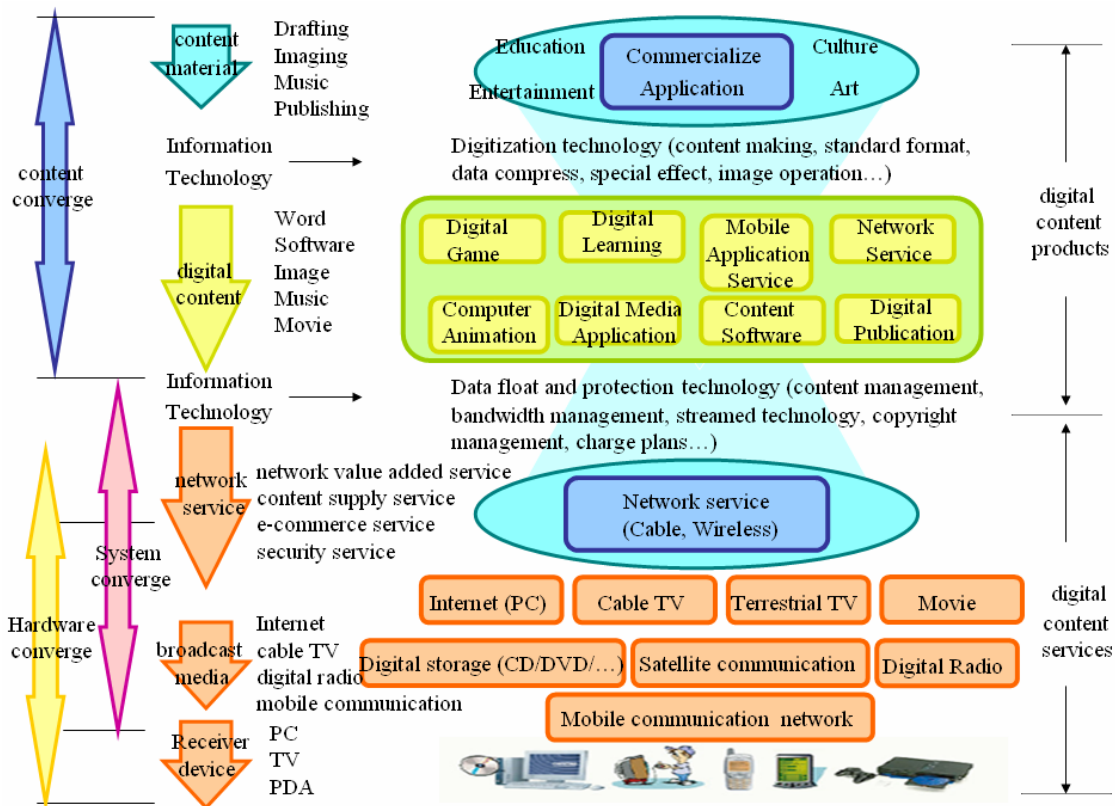


Source: DCIPO, 2007/12

### (II) Analysis of a Gap in the Industry Supply Chain, Investment Niches, and Prospective Foreign Investors

Digital content includes many different industries, such as internet, content software, wireless broadband network and mobile application services. All these industries play an important role in the M-Taiwan project. Animation industry in Taiwan has transformed completely from OEM to cooperating development and building new brand. Digital video games industry also breaks into the international market. Currently Taiwan works with nations from Europe, US and Asia Pacific to improve its abilities in product research, development and operation management.

## Structure of Digital Content Industry



Source: DCIPO, 2007/07

Digital TV becomes the future trend of the world, which will affect digital media industries significantly. Taiwan has great potential in the area of digital media within Asia Pacific Zone in the future. In addition, digital publication is one of the core industry in the knowledge-driven economics. When the digital publication is combined with internet media technology, it would develop to a new industry, a digital knowledge-driven service. This new industry is important to the formation of the new information society in Taiwan.

The gap in Taiwan digital content industry supply chain could be filled by some potential foreign companies. The potential foreign companies in computer animation are Dreamworks, Pixar, Disney, Nickelodeon, and BBS.

The potential foreign companies in digital video games are Nexon, Microsoft, NCSoft, and UBIsoft. The potential foreign companies in rising digital leisure and entertainment industry are Apple, Microsoft, TBS, and KBS. The potential foreign companies in innovative mobile data service are Orange, 3mobile, Tencent, and Sina. The potential foreign companies in innovative internet service and appliance are My Space, Google, Yahoo, Baidu, and Alibaba. The potential foreign companies of digital Chinese learning are Amazon, and Youtube.

Recently, most Taiwan hardware production companies moved overseas because of globalization. It really affects output value and employment opportunities in Taiwan. As a result, knowledge-driven, service-driven and creativity-driven economics are needed to raise Taiwan's competitiveness. Taiwan should take the advantage of rich resource from information electronic industry to increase and expand the digital content industry; also, set an example for the other industries and improve relationship with cooperated nations. More importantly, takes the advantage from the industrial vigorous development and values to transform Taiwan into a higher quality information society.

### **(III) Major Suppliers in Taiwan**

In May 2002, Executive Yuan passed a project called “Strengthening Promotion of the Digital Content Industry”. The purpose of this project is to take the advantage of the existing industries and culture characteristics in Taiwan to strengthen the development of Taiwan’s digital content industries. The final goal is to become the center of digital content development and exploitation in Asia Pacific Zone; also, it develops related knowledge-driven industries. Digital content industries have the potential to expand knowledge-driven and digital economics. In order to increase the competitiveness of the industries in Taiwan, the need for the traditional industries to gain knowledge is very important. Furthermore, it will transform from the traditional industries to the knowledge-driven industries.

In order to effectively guide the expansion of digital content industries, Taiwan Ministry of Economic Affairs combined all possible resources and strength to form a team for this project: “Digital Content Industry Progressive Office” (DCIPO). For the past two years, the team of DCIPO has worked with the academics and industries to build an suitable environment for investment and legislation. In this way, Taiwan’s industries could attract more international investment and cooperations. Taiwan’s domestic industries has already built up a great foundation to complete the system for economic assistance on industries development, strengthen core technologies and product development, train industries innovation and creation talents, and assist industries in leveling up their international marketing strength.

The digital content industry in Taiwan can be divided into two parts: digital contents products and services. There are eight areas in digital

content products parts: digital video game, digital learning, mobility service, internet service, computer animation, appliance of digital Audio/Video, content software and digital publication. The major manufacturers in these eight areas are Softstar, Soft-World, Gamania, IGS, InterServ, XPEC, Giga media, SOFA Studio, TVbean, SMEC, YAOX, Green Paddy, Spring House, and so on. As for services like internet, cable television, terrestrial television, movies and satellite communications, the main manufacturers are Rockmobile, WalkGame, PChome, DAWN TV TECHNOLOGY, CMC, CNS, Ettoday, PTS, KKBOX and CHT.

#### **Major Supplier of Digital Content Industry in Taiwan**

<b>Item</b>	<b>Major Supplier</b>
Digital Content Products	SoftStar, Soft-World, gamania, IGS, Interserv, XPEC, funtown, SOFA Studio, TVBean, SMEC, Yaox, GreenPaddy, Spring House, Tomorrow Studio, Pilar Digital, Reallusion, ImageTech, brightideas, aEnrich, LearningDigital, Craftsman Software, UDN, Storynest, Chinatimes...
Digital Content Services	YoYoRock, Walkgames, PChome, dawn-tv, CMC, CNS, ETToday, PTS, KKBOX, CHT, 104, CatchPlay, Enterprise TV, Seednet, Webs-TV...

Source: Organized for the present study, 2007/12