

Delineation of the Relevant Market in the Television Industry —A Case Study of MOD and Cable TV

Lai, Weber H. W.*

Abstract

In the age of Digital Convergence, technological progress in the television industry has been affecting the way the audience accesses audio-visual content as well as the structure of the media market. New media technologies are reminders of the need to ensure a cautious and neutral approach in the delineation of the Television market. Technological developments therefore affect the conditions of competition and market power since they alter the extent of the barriers to entry, and the ability of the audience to switch service providers. The delineation of the relevant market becomes more and more necessary before measuring market power. According to the Fair Competition Law, the “relevant market” is defined as a competitive market, where products or services can be substituted for each other, that includes two dimensions: a relevant product market and a relevant geographical market. Digital convergence affects the traditional concept and definition of the relevant market. New media technology has increased the mutual substitution between media products and services, and thus the traditional definition and the boundaries of the product market are becoming more and more vague. Based on a literature review regarding the delineation of the relevant market, the SSNIP test method which was adopted by the USA and the EU, the concept of the Midpoint formula of arc elasticity, and the attitude of the Taiwan audience toward the range of cable price changes, this study designs a questionnaire to measure the cross-elasticity of demand. The results show that the elasticity is 2.48 when there is a 10% price reduction in the price of the cable monthly fee, and is 2.075 when there is a 20% price reduction in the price of the cable monthly fee. Otherwise, the elasticity is 2.54 when there is a 10% price reduction in the price of the MOD monthly fee, and is 1.52 when there is a 20% price reduction in the price of the MOD monthly fee. The survey’s results regarding elasticity imply that cable TV

and MOD ought to be included in the relevant product market.

Keywords: Market Delineation, Market Power, Elasticity, MOD, Cable