frontier economics

BROADCASTERS ADAPTING TO DIGITAL TRANSFORMATION IN APAC

December 2020

CONTENTS

EXECUTIVE SUMMARY

It is common for policy makers around the world to intervene in the broadcasting sector to achieve cultural, social or economic objectives. In recent years, as online video service providers (OVSPs) have entered into the video services sector, traditional broadcasters have sometimes asked Governments and policy makers to 'take action' or 'intervene' to try and reduce the claimed negative impacts from the changing market dynamics. They often characterize these requests as an effort to 'level the playing field'—to ensure that OVSPs have the same regulatory burdens as traditional broadcasters.

With a specific focus on APAC[1] nations, Facebook has commissioned Frontier Economics (Frontier) to assess the competitive interplay between traditional broadcasters and online video service providers. The aim of our report is to:

1. Assess whether the arrival and growth of online video service providers has materially affected traditional broadcasters.
2. Identify the factors that policy makers should consider before intervening.

With regards to the first aim, **we find no consistent evidence of the growth of online video service providers negatively affecting traditional broadcasters, with a number of traditional broadcasters adapting to the challenges arising from the growth of digital technologies**. This suggests that there is no clear overall case for further government intervention to 'level the playing field'.

If, however, governments do consider intervening, we suggest a number of principles they should follow to ensure their action is proportionate, targeted and beneficial to viewers.

Country level EBITDA profit margins remain above or close to 30% in most cases

For the countries included in this study, our review does <u>not show any common pattern</u> on revenues and profits of the sector from the entry and growth of online service providers. Subscription revenues for pay TV services, for example, have generally grown across the APAC region (doubling in Vietnam and Sri Lanka), with the exception of Malaysia and Thailand, where declines were recorded. There has also been a mixed impact on TV advertising revenues, which have grown in Indonesia, the Philippines and South Korea, stayed flat in Vietnam, and fallen in Malaysia, Thailand and Taiwan.

Average profit margins of Free-To-Air (FTA) and Pay TV broadcasters at a country level have been volatile. However, while there has been a modest decrease in margins in some countries, EBITDA[2] profit margins remain above or close to 30% in most cases - with many companies adapting and maintaining profitability. Broadcasters in some countries, such as Thailand, have experienced a more persistent, downwards trend in profit margins over the past seven years. We find

[1] This report considers the following countries: Indonesia, Malaysia, Pakistan, the Philippines, Taiwan, South Korea, Sri Lanka, Thailand and Vietnam.

[2] EBITDA (Earnings Before Interest Tax Depreciation and Amortisation) is a measure of profit.

that a range of factors is driving the change in profitability[3], and, in some cases (for example, Thailand), TV broadcasting profits were decreasing before the entrance of online video service providers.

Broadcasters can, and have, adapted to digital transformation

Digital disruption has provided a challenge but has also provided an opportunity for broadcasters to develop existing and build new strategies. Therefore, one of the reasons OVSPs have had no consistent, clear impact on traditional broadcasters is that a number of the latter have adapted to change. Our review identified four main ways in which successful broadcasters have adapted to the presence of new technology in the sector. They have:

1. **Broadened their content offering**, whether by expanding their channel portfolio, offering content online, or investing in new and exclusive content. The Pakistani FTA broadcaster HUM Network, for example, offers on-demand content and live streaming via its website and mobile apps.
2. **Deepened their engagement with consumers**, through use of social networks, offering clips, or partnering with video-sharing platforms. TrueVisions in Thailand launched its own user-generated content platform, while MNC in Indonesia offers voting for its talent shows on its app.
3. **Adapted their advertising propositions** by investing in targeted ads, which are often deployed during on-demand programming. For example, Filipino broadcaster GMA Network recently partnered with Singapore Media Exchange (SMX), an advertising exchange that allows brands to target their advertising based on various audience segments.
4. **Offered new digital services**, by licensing their content to independent OVSPs (such as MNC licensing to iflix), or via a digital customer loyalty scheme (such as TrueVisions' TrueYou.)

OVSPs are different to traditional broadcasters. Policy makers should be sceptical of requests to “level the playing field” and any such efforts must be evidence-based and proportionate

Given the lack of clear impact that the arrival of OVSPs has had on traditional broadcasters, the evidence we found does not support a general policy of government intervention on behalf of the latter.

Policy makers should therefore be sceptical of requests to ‘level the playing field’, especially when they seek to impose additional burdens on new entrants, rather than reduce existing regulatory burden. Such claims may be motivated by a desire

[3] Most important are macro-economic factors that affect advertising and the exchange rate also affect costs of licensing non-domestic content. Pay TV subscriptions can be affected by loss of TV rights (for example to high value sports) and in some countries piracy issues could also affect revenues – the main report provides more detail.

to raise rivals' costs, rather than to achieve public policy goals. Furthermore, intervention without clear public interest could end up choking off investment, dampening competition and restricting innovation, to the ultimate detriment of consumers – whether through higher prices or less choice.

Where governments do contemplate intervention, any intervention should ensure that the benefits exceed the costs, based on sound evidence and analysis, and minimises *unintended* consequences. Regulations that might have made sense for traditional broadcast may not make sense for OVSPs. This is even more critical in fast moving markets, such as video services, which are subject to rapid technological change and where many differentiated providers offer services via a multitude of different business models. Where the intervention is motivated by an objective to 'level the playing field', policy makers should consider the possibility of easing some regulatory burdens on traditional providers, rather than imposing additional burdens on new entrants (i.e., 'levelling down', rather than 'levelling up').

Our report provides examples of best-practice policy making in broadcasting, which take into account these principles. These examples highlight the risks and trade-offs involved in interventions and demonstrate the importance of using a rigorous structure in making policy intervention decisions.

1 INTRODUCTION

Facebook has commissioned Frontier Economics to undertake an economic study which considers the competitive dynamic between new online video service providers and "traditional" broadcasters (including FTA and Pay TV broadcasters) and the implications for public policy.

Digital disruption has affected many sectors, particularly creative and publishing sectors whose output is "intangible" such as ideas, art and innovation. The advances in communications networks, devices, apps and services as well as production have rapidly changed how audio-visual content is both produced and consumed, enabled entry from new suppliers[4], and brought together new forms of content that compete for our attention, offering the content either on an advertising funded basis or a subscription (or mixed).

However, despite these shifts the fundamental business model of TV broadcasting remains the same: broadcasters and online video services providers attract audiences by creating (or acquiring) compelling content; and aggregating and distributing that content in a way that engages audiences in an ongoing way.

This report examines broadcasting sectors in developing/middle economies, with a focus on the APAC region, during this period of change. It focuses on the following countries: Indonesia, Malaysia, Pakistan, the Philippines, Taiwan, Thailand, South Korea, Vietnam, Sri Lanka.

The report considers the evolution of indicators of traditional broadcasters' performance, and the extent to which competition from online video service providers threatens traditional broadcasters. It assesses whether any challenges to traditional broadcaster revenue or profitability are the result of wider trends in advertising sectors or consumption of audio-visual content.

In this report we use the following terms:

- "Traditional broadcaster" – meaning a broadcaster who derives most of its value by distributing its content on linear channels over either terrestrial, satellite or cable. Traditional broadcasters either adopt two broad strategies:
  - "FTA broadcasters" distribute content for free and rely solely on advertising revenues;
  - "Pay TV broadcasters" supply bundles of channels in Pay TV subscription packages.
- "Online video service provider (OVSP)" – meaning a broadcaster who delivers professionally produced, principally long form content via broadband connections (such as Netflix or iflix). These are typically subscription based but can also be advertising funded.
- Video sharing platform – a platform which enables users to upload and publish content, often short form and user generated content (such as YouTube). These are distinguished from online video service providers and are out of scope of this report.

[4] Note that digital disruption has enabled new suppliers of both TV content, and advertising inventory.

This report is structured as follows.

- Section 2 summarises trends in broadcasting sectors in APAC. This includes:
  - Sector wide changes that have affected the broadcasting sectors (section 2.2);
  - Trends in revenues of ‘traditional’ FTA and Pay TV broadcasters, and online video service providers in APAC emerging sectors (section 2.3 - 2.6);
  - Profitability of traditional broadcasters, including analysis of financial viability (section 2.7 -2.8);
  - The profitability of the last five years of three broadcasters in more detail (2.9).
  - Conclusions on the factors that have affected the broadcasting sector and the profitability of the sector.
- Section 3 provides examples of the strategies that have been adopted by broadcasters adapting to digital transformation including broadcasters from the APAC region as well as international examples.
- Section 4 provides best practice guide for policy making / regulation in the context of digital disruption.

2 TRENDS IN CONSUMPTION AND REVENUES OF BROADCASTERS IN THE APAC REGION

2.1 Introduction

This section reviews how broadcasters' business fundamentals (revenues, subscribers and profit) have been affected during the period of "digital disruption" in the countries of interest.

Online video service providers have entered the sector in the countries in this report in the period 2016-2018 in most countries. The online video service providers increase the range of services available to consumers by offering additional choice alongside and consumed with the traditional Pay TV and FTA service providers. They do this based on a different business model: they operate often on a multi-national basis, they use broadband networks to distribute content, and they provide a range of content on-demand for users to view, alongside personalised recommendations.

However, as noted above, at the same time digital disruption has affected traditional broadcasters in other ways. For example, technology has changed how consumers, especially younger demographics, interact with TV content. It is now common to access content via recommendations from social media on a hand-held device, rather than via the Electronic Programme Guide (EPG). This has caused the existing traditional broadcasters to invest in and adapt their businesses.

Furthermore, there are many country specific factors that are likely to affect the business fundamentals. These are not just the macroeconomic issues (such as how the state of the economy can affect outcomes) but sector-specific issues such as broadcasting transmission standards. Therefore, caution should be exercised in interpreting the trends observed.

Our review finds the following "high level" trends.

- Broadcasting revenues and subscriptions continue to grow in most countries across the APAC This is likely supported by ongoing transition to digital television and increased broadband penetration.
- In less developed economies, both Pay TV and online video service providers are seeing strong growth in revenues and subscriptions. However online video remains a smaller sector than Pay TV (measured by subscription revenues).
- In more developed economies (like South Korea), online video service providers are overtaking traditional Pay TV broadcasters in terms of numbers of subscribers, though online subscription revenues remain below Pay TV subscription revenues.

2.2 Sector wide changes that have affected the broadcasting sector in APAC

There have been three structural factors that have shaped the broadcasting sector and explain some of the variation observed in the different countries studied.

- The transition to Digital Terrestrial Television
- The increase in broadband penetration
- The entry of new online video service providers.

Digital Terrestrial Television (DTT) transition

The last decade has seen investment in terrestrial transmission technologies. To make more efficient use of valuable spectrum broadcasters have invested in upgrading their transmission equipment to digital technology, while at the same time consumers need to update their reception technology (purchasing new set top boxes). Terrestrial transmission relies on a network of masts broadcasting to aerials on houses or buildings. For the user it is cheap to install. These changes mean broadcasters are able offer enhanced services (more channels, better quality resolution and additional services such as text, radio or limited interactive services).

Different APAC countries are at different stages of the transition to DTT, as demonstrated in Figure 1. Some faster-moving countries such as South Korea and Taiwan have already achieved the switch-off of analogue terrestrial television transmissions (“analogue switch-off” or ASO). But other countries, which were slower to launch the transition to DTT, or whose transition process has endured for many years, are yet to reach ASO. For example, Vietnam is targeting ASO in 2020, while the Philippines’ target is currently set for 2023.

Figure 1 Digital Television Transition statuses in APAC

Country	Year of launch	Year of ASO	Subsidies and Incentives
South Korea	2001	2012	
Taiwan	2009	2012	Subsidies for set-top boxes and for broadcasters who do not enough funds to invest in digital content
Pakistan	2015	Not set	
Malaysia	2016	2019	4.2 million poorer Malaysians given digital television decoders for free
Vietnam	2010	2020	Tax incentives for set top box and transmitter purchasing
Thailand	2014	2020	
Indonesia	2012	2024	
Philippines	2017	2023	Financial incentives for small scale broadcasters and financial subsidies for digital set top box purchases
Sri Lanka	unknown	Not set	

Source: Launch: South Korea, Malaysia, Vietnam, Thailand, Indonesia, Philippines: ITU; Taiwan: Su, H. and Chang, S-C. (2015); Pakistan: ZTE (2017);

Note: DTT: Digital Television Transition; ASO: Analogue Switch-Off
Post-2020 dates based on national targets. To our knowledge, no prospective ASO date has been set for Pakistan or Sri Lanka. Sri Lanka in 2008 initially decided to use the DVBT-2 standard used in Europe. But in 2014 the Government announced a change of course instead using the ISDB-T found in Japan, the Philippines and some Latin American countries. To date we are unaware of formal roll out of DTT in Sri Lanka.

Where countries have been slower to deploy digital terrestrial TV technologies there is a greater likelihood that audiences will have migrated away from terrestrial transmission towards other technologies. It is notable that a small number of European countries (Belgium and Switzerland) have already started to switch off their digital terrestrial service. The risk is that where ASO is delayed, then audience viewing habits will be engrained in using alternative methods (including broadband where it is available) meaning the benefits of launching a digital terrestrial transmission platform will be lower where viewers have already migrated to new platforms.

Broadband penetration has increased in all countries

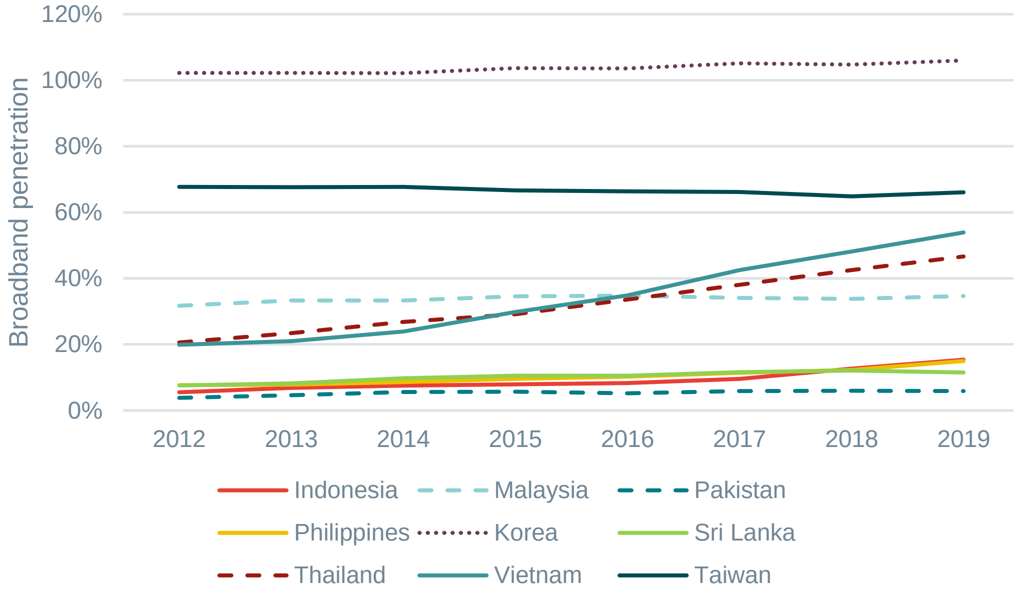
A key driver of subscriptions to online video service providers in APAC will be individual countries' broadband penetration (the proportion of households with access to broadband). As the penetration of broadband that can support TV services (greater than 5Mbps-20Mbps[5]) increases, broadband networks can increasingly be used to provide video services.

Fixed broadband penetration has been on an upwards trend across most of APAC, as shown in Figure 2. While fixed broadband penetration is generally on the rise in

[5] Typically, a video stream can be supported with a broadband speed of 2-5Mbps, however, with multiple users in household sharing a connection a faster speed would be required to provide a resilient service.

APAC, there is a large disparity in progress between countries. For example, Figure 2 shows several APAC countries, such as Pakistan, where broadband penetration is growing, but is still low (less than 25% of households with access to fixed broadband). Meanwhile other countries either have penetration levels which are already high or have a faster growth in broadband penetration. For example, Vietnam has seen an increase from just over 20% to almost 60% broadband penetration since 2015.

Figure 2 Evolution of fixed broadband penetration since 2012 in APAC



Source: Frontier analysis of Telegeography data

Notes: Penetration calculated as total DSL, cable, and fibre/LAN subscriptions divided by number of households

This means that demand for online video service providers may be higher in countries where broadband penetration is higher. However, the development of mobile network services (increased coverage and capacity on 4G, and in the future 5G) may offer some growth opportunities for online video service providers.

Entry of online video service providers

The increase in coverage, take up and capability of broadband has reduced barriers to entry for new content suppliers leading to the entry of many online video service providers.

There are now many subscription online video service providers across the APAC region. These include global brands such as Netflix and Amazon Prime, regionally focused operators such as iflix, and a range of national focused providers. The two biggest online providers in the APAC region are Netflix and iflix. Netflix entered all APAC countries in 2016. iflix entry occurred in 2014 for Malaysia, the Philippines and Thailand, in 2016 for Sri Lanka and Indonesia and in 2017 for Pakistan and Vietnam. Other online video service providers are listed in ANNEX A. They include Singapore’s Hooq, Indonesia’s Oona, Hong Kong’s Viu, and Vietnam’s VTC Now. The sector is also offering mobile only plans which offer lower price subscriptions.

Local online video services, whether specialist broadcasters or part of a traditional broadcaster's offering, date back further towards the beginning of the 2010s.

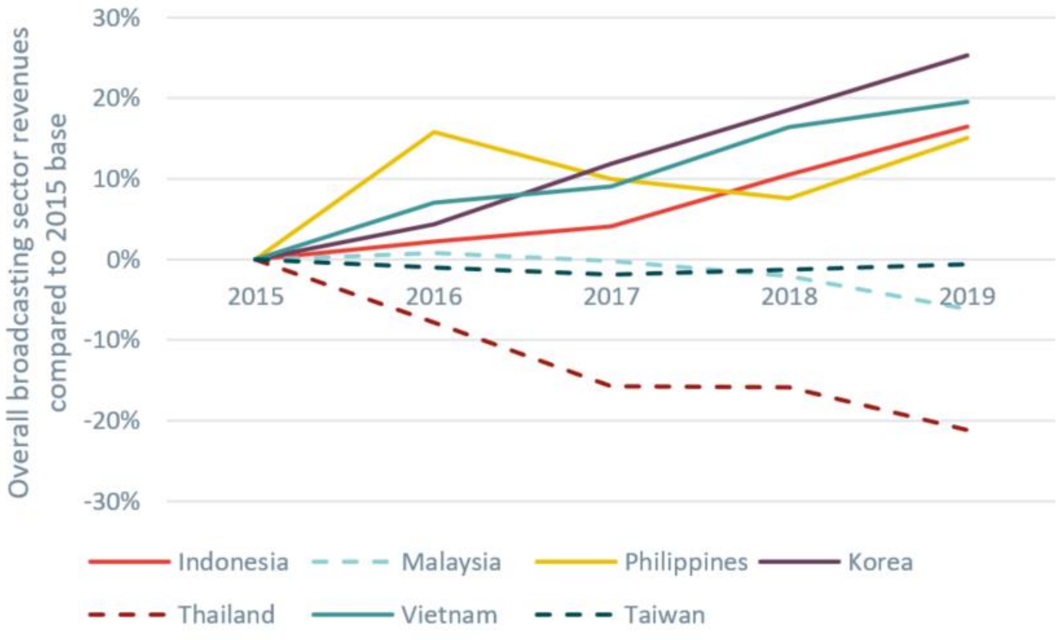
Various online video service providers across the region are also shifting their business model from one of Subscription Video On Demand (SVOD) to Advertising-based Video On Demand (AVOD). A notable example has been iflix which has made the transition from a more SVOD-based model to a primarily AVOD model (though premium, ad-free subscriptions are available).[6] While survey evidence found that 57% of subscribers said they would drop Netflix if it ever introduced ads, iflix's growth has continued despite its shift to AVOD.[7] The shift from SVOD to AVOD is likely to continue to unfold in APAC with more and more online broadcasting services, such as Thailand's Line TV, and Telekom Indonesia's online broadcasting service, OONA, finding success in with the AVOD model.

2.3 Overall broadcasting sector trends

Total sector revenues have grown strongly in most countries

In most of the countries studied the overall sector revenues (subscriptions and advertising) have grown, suggesting that the sector as a whole is healthy (see Figure 3). TV sector revenues have grown by between 15% in the Philippines and 25% in South Korea. Revenues in Taiwan have been stable with Thailand, and to a lesser degree Malaysia, showing a longer-term negative trend.

Figure 3 Evolution of revenues of Pay TV, online video, and Free-to-Air broadcasting services since 2015 in APAC



Source: Frontier analysis of Media Partners Asia data

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6 Why AVOD Solutions Are Becoming Increasingly Attractive. Dror Mangel (Viaccess Orca). August 7, 2019.

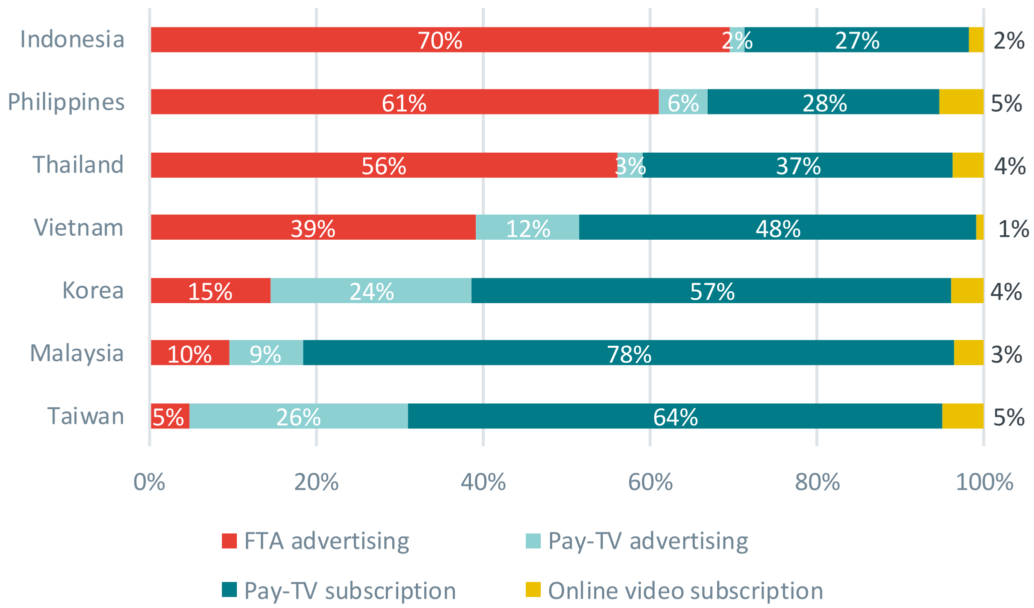
7 New study: Netflix continues to dominate the streaming market. Rune Werliin (The Audience Project). January 17, 2019

Note: Overall broadcasting sector revenues calculated as the sum of advertising revenues of Free-to-Air and Pay TV broadcasters, and subscription revenues of Pay TV and online video service providers. Data for Sri Lanka and Pakistan do not contain subscription revenues for specialist online video service providers, and do not contain advertising revenues of Free-to-Air broadcasters and are therefore omitted. Pay TV defined as the distribution of TV channels for a subscription fee. Online Video is defined as a video service delivered over an open internet or broadband connection. Measurement of advertising revenues is stated in net terms (i.e. after discounts and excluding agency commission). Subscription revenues accrued by channel suppliers and content providers is a direct reflection of how providers spend on programming, based on fixed and variable fees.

Sector revenues of traditional (FTA and Pay TV broadcasters) show a similar pattern given that OVSP subscription revenues make a relatively small contribution to overall sector revenues.,.

There is significant variation in the balance between FTA advertising, Pay TV advertising, Pay TV subscriptions and OVSP subscriptions (Figure 4). In Indonesia and the Philippines FTA advertising dominates, whereas in Malaysia and Taiwan Pay TV subscriptions dominate. In all countries the share of subscription revenues captured by online video providers is low (below 6%).

Figure 4 Share of overall broadcasting sector revenues in 2019 by revenue source



Source: Frontier analysis of Media Partners Asia data

Note: Overall broadcasting sector revenues calculated as the sum of advertising revenues of Free-to-Air and Pay TV broadcasters, and subscription revenues of Pay TV and online video service providers. Data for subscription revenues for specialist online video service providers, and advertising revenues of Free-to-Air broadcasters for Sri Lanka and Pakistan were not available. Pay TV defined as the distribution of TV channels for a subscription fee. Online Video is defined as a video service delivered over an open internet or broadband connection. Measurement of advertising revenues is stated in net terms (i.e. after discounts and excluding agency commission). Subscription revenues accrued by channel suppliers and content providers is a direct reflection of how providers spend on programming, based on fixed and variable fees.

Thailand and Malaysia have seen declines in sector revenue in the last five years

There are several country specific reasons why Thailand and Malaysia have experienced declines in revenues in the last five years. While the growth in availability of online video service providers may partially be a cause, the decline in broadcaster revenues in Thailand can also be attributed to other sector-specific drivers in the country.

Firstly, piracy is a problem in Thailand. In a 2018 survey by the Asia Video Industry Association (AVIA), 45% respondents claimed to use devices to stream pirated television and video content.[8] Such streaming devices are boxes that connect to the television and are used to stream Pay TV channels over the internet.[9] While these devices are popular across the region, Thai usage ranks the highest of all the countries surveyed by the Asia Video Industry Association (AVIA), with others ranging from 33% (Taiwan) to 15% (Singapore).[10,11]

Though also diverting viewing traffic away from FTA channels, the popularity of such boxes poses a unique threat to Pay TV companies. 69% of Thai respondents who purchased a box said they also cancelled some or all their television subscriptions, with international subscription services affected the least. The boxes are especially popular with those aged 18 to 24, who are also more likely to cancel legitimate subscriptions having acquired one (77%).

Because these boxes require the internet, their usage is a recent phenomenon. Figure 5 illustrates how such streaming devices grew in popularity during the period from 2016 and 2017. The chart uses Google search trends for three popular such streaming devices to illustrate user interest in the devices over time. The Thai government has declared its intention to crack down on these devices/boxes.[12]

8 See: https://www.bangkokpost.com/thailand/general/1594410/nearly-half-of-people-stream-pirated-tv

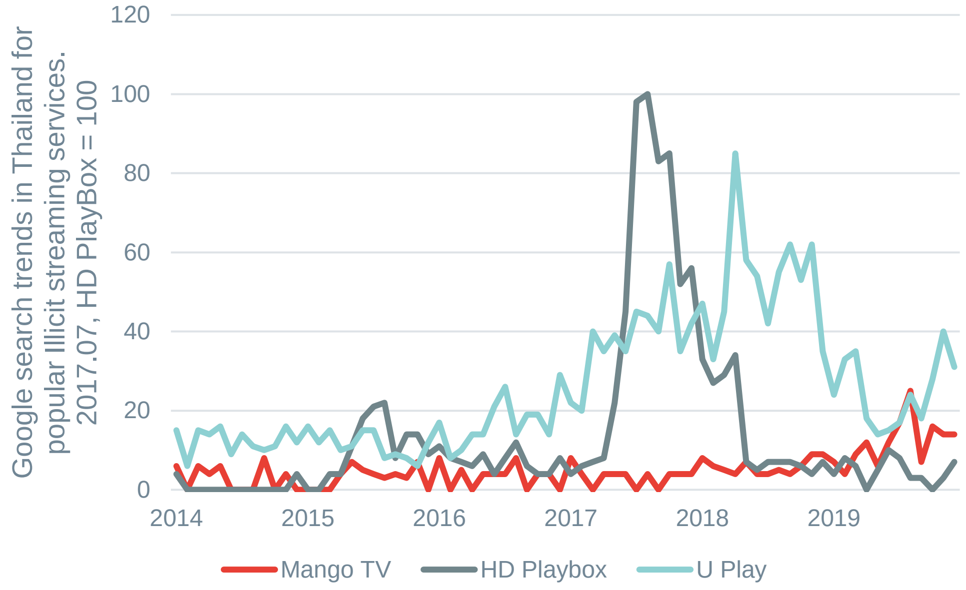
9 According to AVIA the TV boxes, also known as illicit streaming devices (ISDs), allow users to access hundreds of pirated TV channels and video-on-demand content, usually with a low annual fee. TV boxes often come pre-loaded with applications allowing "plug-and-play" access to pirated content.

10 See: https://www.devdiscourse.com/article/business/881759-33-of-taiwanese-consumers-access-streaming-piracy-on-video-services

11 See: https://marketingmagazine.com.my/15-in-singapore-use-illicit-streaming-devices-to-view-pirated-tv-channels-and-video-on-demand/

12 See: https://www.bangkokpost.com/thailand/general/1735571/ipd-plans-digital-piracy-crackdown

Figure 5 Google search trends for three popular illicit streaming devices in Thailand since 2014



Source: Google Trends

The Thai Government and regulator[13] have recently announced new website blocking provisions for piracy sites which violate Section 20 (3) of the Computer Crimes Act (CCA).[14]

Secondly, the rights to the English Premier League (EPL), which is popular in Thailand, have also changed hands between broadcasters on several occasions with TrueVisions losing the license to its competitor CTH from 2013 to 2015, before regaining it initially through a sublicense in 2016, then fully in 2019[15] after CTH shut down.[16] This may have increased pay TV churn in the sector.

Thirdly, in 2013 Thailand auctioned licenses for Digital TV that many broadcasters overpaid for. DTT channels dominate TV in Thailand accounting for 87% of TV viewership. Twenty-four (24) Digital TV operators launched services in 2014, however the fierce competition subsequently led to 9 of these stations shutting down by 2019.

With regards to Malaysia, the country experienced a stronger economic downturn than other Asian economies. Specifically, Malaysia's GDP per capita fell 12% between 2012 and 2016, a larger fall than any other country in the region. Declining GDP can be expected to have a significant impact on FTA revenues, as advertising revenues are particularly sensitive to the economic cycle.[17]

According to Media Partners Asia, Media Prima, which broadcasts four FTA channels in Malaysia as the audience leader with a 21% audience share "*is*

[13] The Department of Intellectual Property (DIP), the Ministry of Digital Economy and Society (DES) and the National Broadcasting and Telecommunications Commission (NBTC)

[14] See: https://avia.org/thailands-department-of-intellectual-property-dip-and-the-ministry-of-digital-economy-and-society-des-launch-new-website-blocking-provisions-in-efforts-to-clamp-down-on-online-piracy/

[15] See: https://www.nationthailand.com/news/30370947

[16] See: https://www.commsupdate.com/articles/2016/08/05/thai-cable-group-cth-shutting-down-in-september/

[17] Bils, M., 1989. Pricing in a customer market. The Quarterly Journal of Economics, 104(4), pp. 709

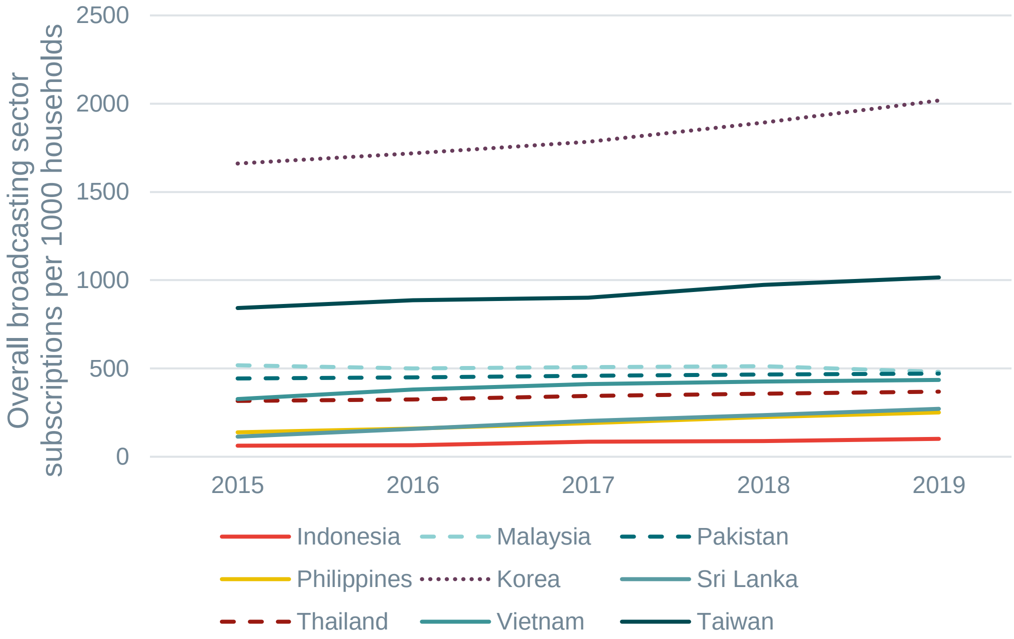
currently stuck in a negative feedback loop, with lower ad revenues leading to lower content investment which discourages viewership".[18]

Malaysia also faced problems with piracy with a reported 25% of households 2019 reporting using a TV box which can be used to stream pirated television and video content.[19] However, a recent report found that efforts of the Government had in 2020 succeeded in significantly reducing the use of piracy streaming websites or torrent sites to view pirated content. In 2020, 22% of consumers reported using such sites, though this was down significantly from 61% in 2019.[20]

Subscriptions have grown in most countries

Total broadcaster subscriptions (subscriptions to both Pay TV and online video service providers) also suggest that the Pay TV sector is growing in most APAC countries.

Figure 6 Evolution of the number of subscriptions to Pay TV and online video broadcasting services per 1000 households since 2015 in APAC



Source: Frontier analysis of Media Partners Asia data

Note: Data for Sri Lanka and Pakistan do not contain OVSP subscription
Overall number of subscriptions calculated as total Pay TV subscriptions plus total OVSP subscriptions (multiple subscriptions allowed per household). Pay TV defined as the distribution of TV channels for a subscription fee. Online Video is defined as a video service delivered over an open internet or broadband connection.

Figure 6 shows how the overall number of subscriptions to Pay TV and OVSPs has developed across APAC. In almost all countries observed (except for Malaysia), the average number of households subscribing to a broadcasting

[18] See: Asia Pacific Video Content Dynamics. Media Partners Asia. 2020

[19] See: https://avia.org/new-survey-finds-that-one-in-four-malaysian-consumers-use-pirated-tv-boxes/

[20] See: https://avia.org/huge-decrease-in-levels-of-streaming-piracy-seen-in-malaysia-over-the-last-12-months/

service has been increasing steadily in recent years.[21] There is significant variation in the number of subscriptions per household which relates partly to the level of wider economic outcomes. In the high-income economies of South Korea and Taiwan the level of subscriptions per household is 2 and 1 respectively.

Malaysia’s declining subscribers to broadcasting services is likely to be partly explained by its comparatively weak economic performance in recent years.

2.4 Trends in TV advertising revenues

Many broadcasters rely to some extent on advertising revenues as income. Free-to-Air (FTA) broadcasters rely (almost) totally on advertising revenues as their income. Pay TV broadcasters, who also generate revenues from subscription fees, may rely mostly or only partly on advertising revenues as a form of income.

FTA broadcasters are a mix of public broadcasters and commercial broadcasters (see ANNEX B), though Vietnam and Thailand are exceptions where all FTA broadcasters are public.[22]

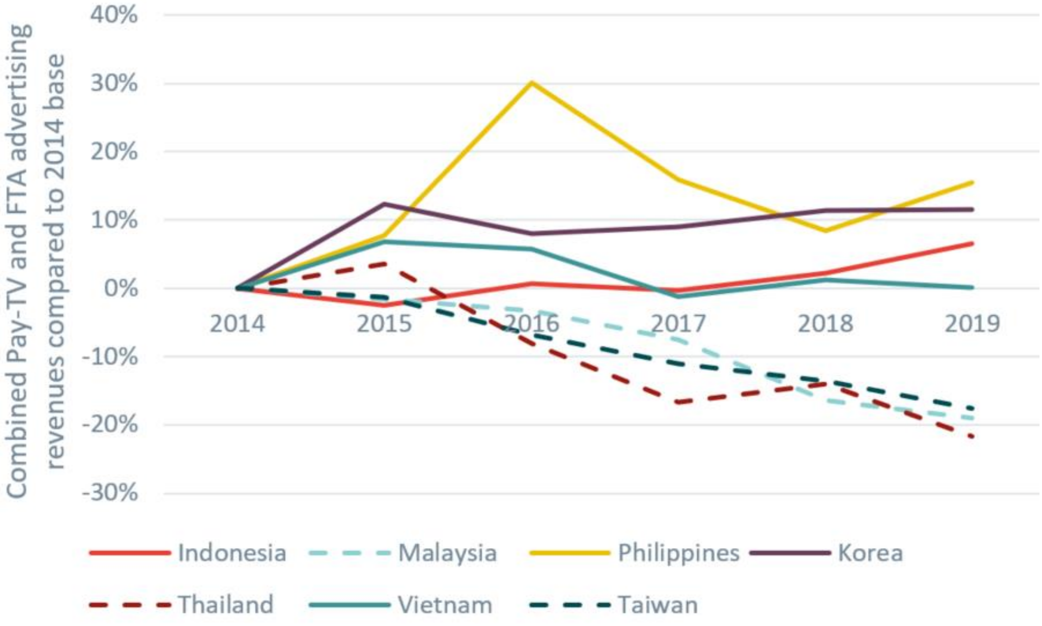
The trends in advertising revenues are mixed, with evidence of reductions in some countries but also growth in others.

Figure 7 illustrates how the overall level of advertising revenues made by FTA and Pay TV broadcasters in APAC has evolved in recent years. Some countries, such as Indonesia, have seen a gradual rise in advertising revenues amongst broadcasters. But others have witnessed a decline in advertising revenues in the broadcasting sector. In particular, Thailand and Malaysia have seen several years of decline.

[21] Note that many households may “multi-home” (i.e. simultaneously access more than one subscription).

[22] FTA channels are public and military in the case of Thailand

Figure 7 Evolution of advertising revenues of Pay TV and Free-to-Air broadcasters since 2014 in APAC

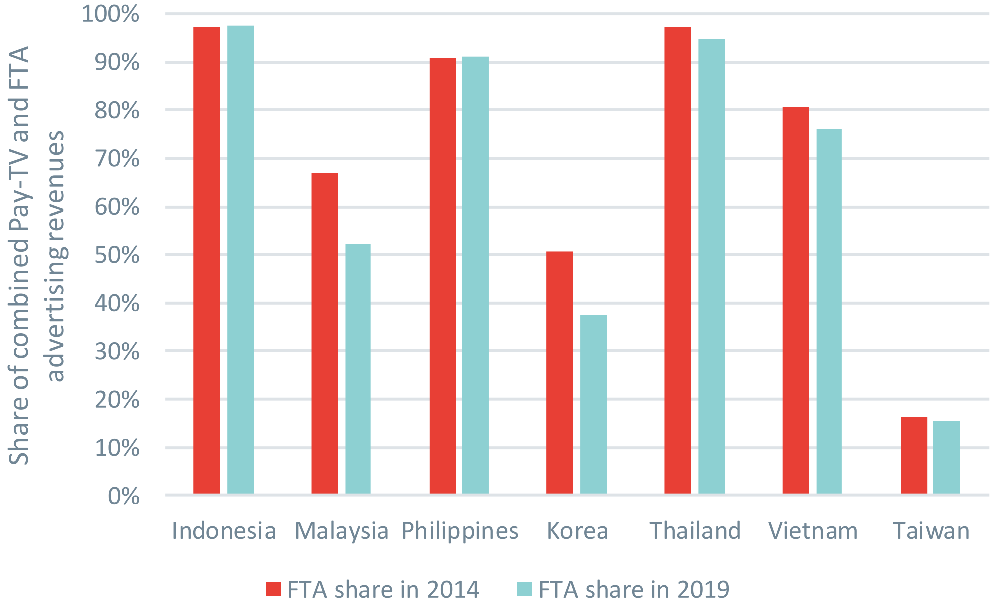


Source: Frontier analysis of Media Partners Asia data

Note: Data for Sri Lanka and Pakistan do not contain Free-to-Air broadcaster advertising revenues; and are therefore omitted. Pay TV defined as the distribution of TV channels for a subscription fee. Measurement of advertising revenues is stated in net terms (i.e. after discounts and excluding agency commission).

FTA share of TV advertising has been eroded in some countries by Pay TV providers, but not all (Figure 8). In Malaysia and South Korea, and to a much lesser degree in Thailand and Vietnam, the share of TV advertising revenues has declined more for FTA broadcasters in comparison to Pay TV broadcasters.

Figure 8 Comparison of share of total broadcasting sector advertising revenues accounted for by FTA broadcasters in 2014 vs 2019 in APAC



Source: *Frontier analysis of Media Partners Asia data*

Note: *Total broadcasting sector advertising revenues calculated as combined Pay TV and FTA broadcaster advertising revenues. Data for Sri Lanka and Pakistan do not contain Free-to-Air broadcaster advertising revenues; and are therefore omitted. Pay TV defined as the distribution of TV channels for a subscription fee. Measurement of advertising revenues is stated in net terms (i.e. after discounts and excluding agency commission).*

2.5 Trends in Pay TV

The APAC region is served by a mix of cable, direct-to-home (DTH) satellite, and internet protocol TV (IPTV) Pay TV broadcasters (see ANNEX C). While in some countries like Taiwan, cable Pay TV operators are dominant, in other countries like Indonesia, other forms of Pay TV transmission are more common.

Pay TV subscriptions

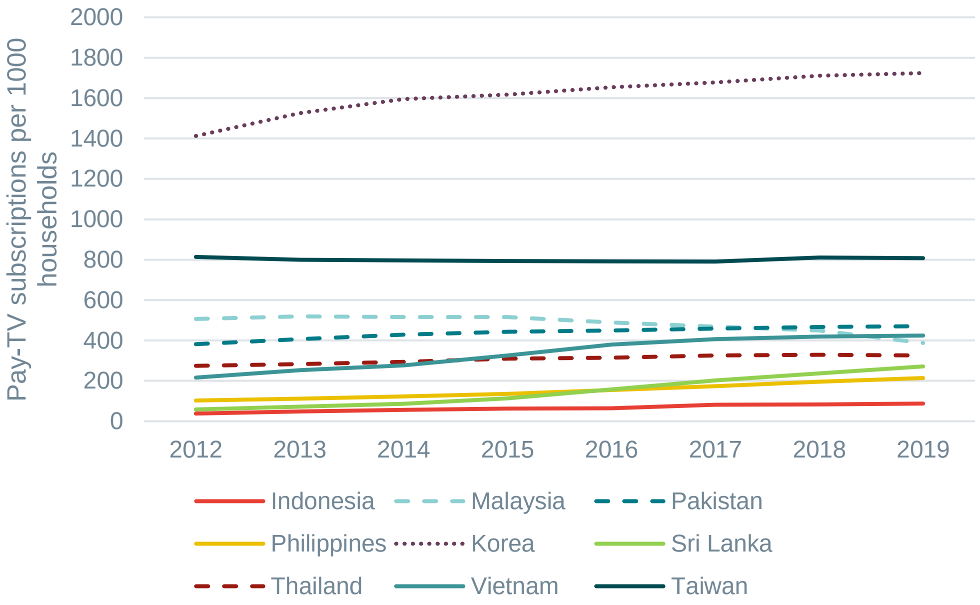
An increasing proportion of households in APAC are subscribing to Pay TV broadcasters' packages. This report defines "Pay TV" as distinct from OVSPs.[23] Figure 9 shows that in almost all countries observed, the number of Pay TV subscriptions per 1000 households has increased gradually since 2012.

Figure 9 exhibits some disparity between countries in both the overall number and rate of increase of Pay TV subscriptions per 1000 households. South Korea and Taiwan are countries with particularly high rates of subscription to Pay TV packages. South Korea, in particular, demonstrates an increasing trend of households subscribing to multiple Pay TV packages.

[23] Pay TV providers supply access to bundles of channels broadcasting linear content, whereas online video providers supply access to a library of content on demand over broadband networks

While almost all countries observed exhibit a rising rate of subscription to Pay TV services, in Malaysia subscription penetration has declined. In Malaysia, the number of subscriptions to Pay TV broadcasters per 1000 households has fallen from just over 500 subscriptions per 1000 households in 2012 to less than 400 subscriptions per 1000 households in 2019. For the reasons set out above the decline in the number of Pay TV subscriptions per household in Malaysia may be related to the economic conditions over the period or other factors such as piracy or entry of OVSPs.

Figure 9 Evolution in number of Pay TV subscriptions since 2012 in APAC



Source: Frontier Analysis of Media Partners Asia and Telegeography data

Note: Pay TV defined as the distribution of TV channels for a subscription fee. Media Partners Asia data used for Pay TV subscription figures, Telegeography data used for number of household figures.

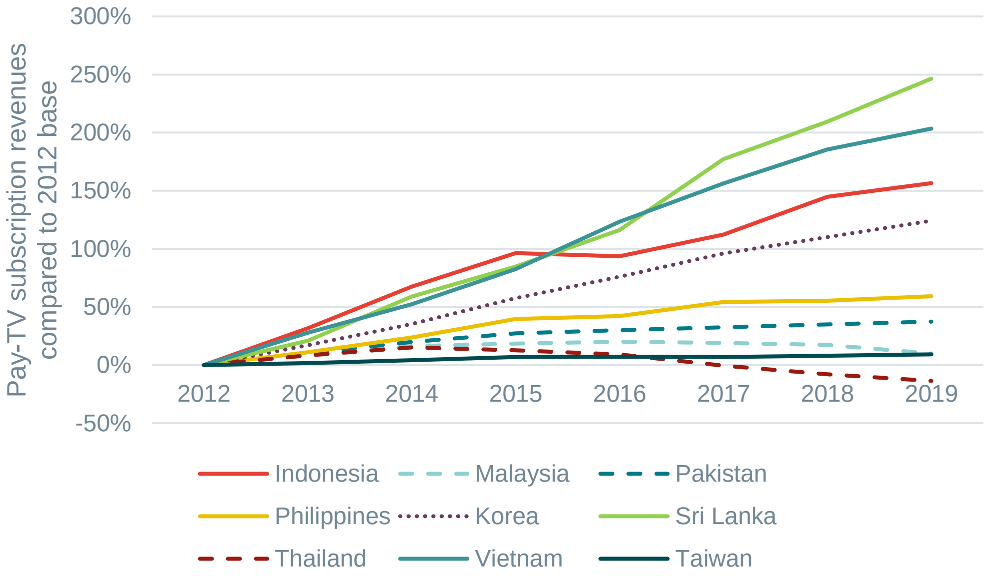
Pay TV revenues

As discussed above, Pay TV broadcasters may rely to different extents on both advertising revenues and subscription revenues as a form of income. Advertising revenue is increasing in some countries but decreasing in others.

Figure 10 shows how revenues from subscriptions for Pay TV broadcasters have changed over recent years in APAC. In the majority of countries observed, subscription revenues of Pay TV broadcasters have risen to varying degrees since 2012. But in Thailand and Malaysia, subscription revenues have also declined in several years, conforming to the downward trend in overall Pay TV subscriptions in these two countries.

Where Pay TV subscription revenues have grown (Figure 10), growth has generally been stronger than in advertising revenues. For example, combined FTA/Pay TV advertising revenues in the Philippines in 2019 had grown just under 16% compared to 2012 (Figure 7). But Pay TV subscription revenues in the Philippines in 2019 had doubled compared to 2012.

Figure 10 Evolution of Pay TV subscription revenues since 2012 in APAC



Source: Frontier analysis of Media Partners Asia data

Note: Pay TV defined as the distribution of TV channels for a subscription fee. Subscription revenues accrued by channel suppliers and content providers is a direct reflection of how providers spend on programming, based on fixed and variable fees

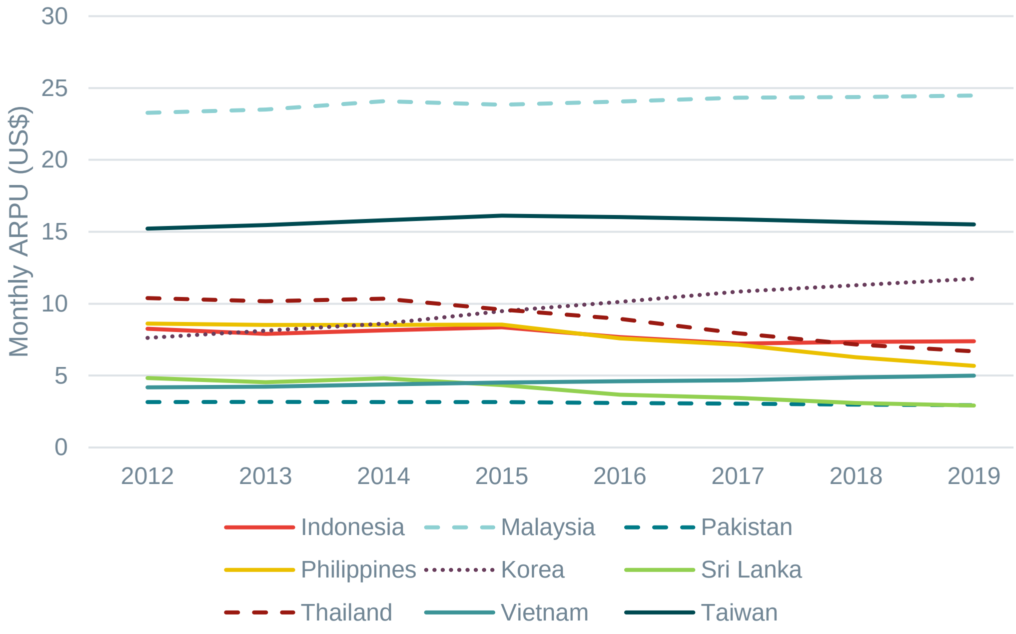
ARPU

Figure 11 shows the evolution of average revenue per user (ARPU) amongst Pay TV broadcasters in APAC in recent years. ARPU for Pay TV provides vary both in the level and the trajectory. Pay TV ARPU is highest in Malaysia and Taiwan at US$24.48 and US$15.51 in 2019, respectively. It is lowest in Pakistan, Vietnam and Sri Lanka. Pay TV APRU has declined in Indonesia, from a recent peak of US$8.26 in 2015 to US$7.38 at the end of 2019.

This suggests that there is no clear trend in ARPUs across the APAC region. Some countries such as Vietnam see growth, whilst others such as Pakistan see some decline. In some countries (specifically Taiwan, Vietnam, South Korea and Malaysia) ARPU has increased from its level as of 2012.

Pay TV APRU may be affected by the level of sector maturity. Later subscribers to Pay TV services are likely to be more price sensitive, hence more likely to subscribe to more basic Pay TV packages. The entry of OVSPs may have also led Pay TV providers to offer entry packages which compete more directly with online subscriptions. These trends may have expanded the market with some consumers that did not subscribe to Pay TV before, taking up cheaper Pay TV subscriptions.

Figure 11 Evolution of average revenue per user (ARPU) of Pay TV broadcasters since 2012 in APAC



Source: Frontier analysis of Media Partners Asia data

Note: Pay TV defined as the distribution of TV channels for a subscription fee. Average Revenue Per User (ARPU) is the monthly subscription revenue per user generated by a platform, based on an average subscriber number for the month.

2.6 Online video service providers

Subscriptions to OVSPs have grown rapidly from a small base

OVSPs have been able to enter in APAC countries and quickly build subscriptions, especially where broadband penetration is high. The sharp rise of OVSP subscriptions across APAC can be seen in Figure 12, which shows the number of OVSP subscriptions per 1000 households.

There is a significant degree of variation in the number of online video subscriptions in the countries covered. The lowest level of subscriptions was in Indonesian and Vietnam (at around 10 subscriptions per 1000 households), followed by Thailand and the Philippines (around 50 subscriptions per 1000 households) then Malaysia (at 95 subscriptions per 1000 households). In the higher income countries of South Korea and Taiwan have much higher levels of subscriptions at 300 and 200 subscriptions per 1000 households.

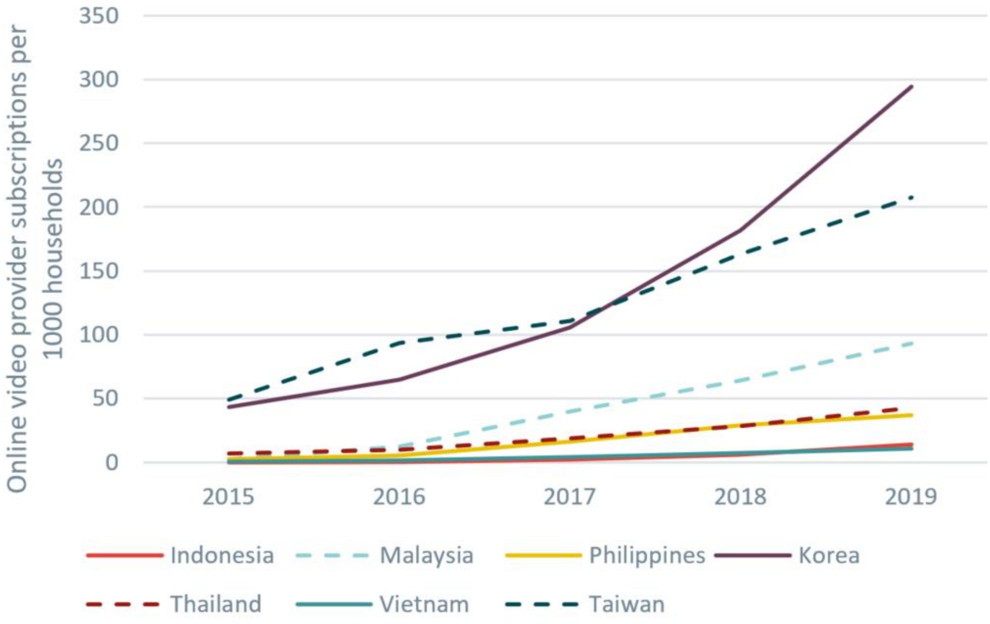
Figure 12 shows that in some APAC countries, OVSP subscriptions were relatively rare in 2015. But in others such as South Korea and Taiwan, more local online broadcasting services had been launched in 2015. Importantly, both Taiwan and South Korea were shown to have higher broadband penetration than other countries in Figure 2.

Although OVSPs appear to be quickly gaining subscribers across the APAC region, it is difficult to precisely measure the impact this will have on Pay TV broadcasters. Firstly, OVSPs may compete across different dimensions than Pay

TV and FTA broadcasters, for example by focusing on specific kinds of new/innovative content, or operating no-advertising business models.

Secondly, consumers may multi-home with several OVSPs: this means consumers may subscribe to/consume content from a combination of FTA, Pay TV and OVSPs. This consumer behaviour is becoming increasingly common in APAC countries such as Vietnam, where some Pay TV broadcasters are still aspiring to penetration levels of 70-80%, despite the entry of online video services.[24] There may also be a high rate of switching between different broadcasting services, especially among online video services.[25]

Figure 12 Evolution of number of subscriptions to OVSPs per 1000 households since 2015 in APAC



Source: Frontier analysis of Media Partners Asia data

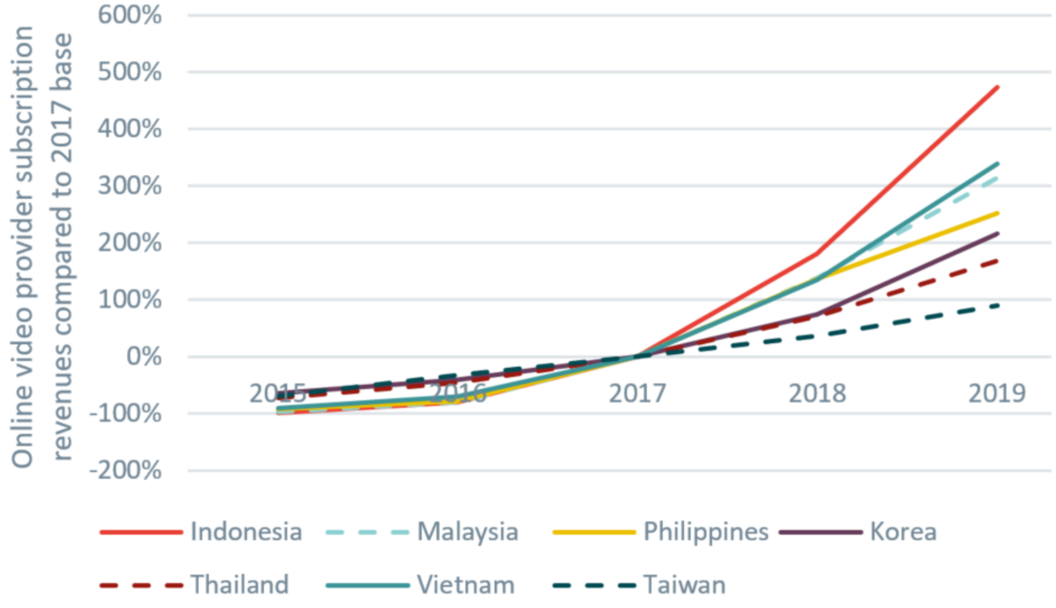
Note: Online Video is defined as a video service delivered over an open internet or broadband connection. Media Partners Asia data used for Pay TV subscription figures, Telegeography data used for number of household figures.

As online video subscriptions have grown so revenues have quickly grown from a low base.

[24] Vietnam in View. Asia Video Industry Association. September 2018.

[25] Netflix: the rise of a new online streaming platform universe. Harvard Business School. March 4, 2018.

Figure 13 Evolution of OVSP subscription revenues since 2017 in APAC



Source: Frontier analysis of Media Partners Asia data

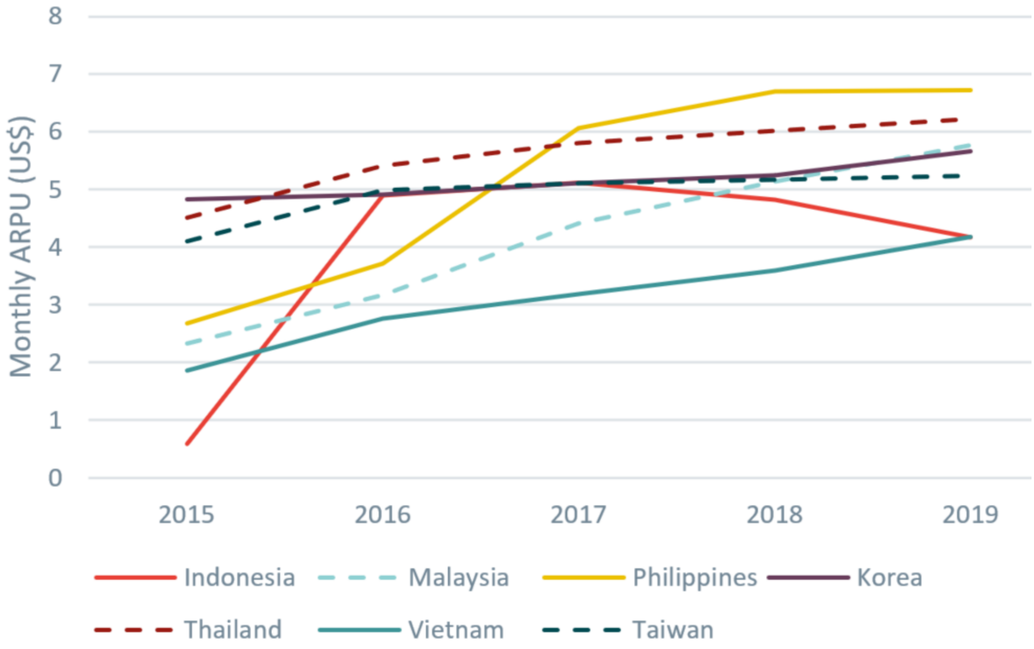
Note: Given that the level of subscriptions was low in the period 2015 – 2016 we have indexed growth in subscriptions to 2017 = 1. Online Video is defined as a video service delivered over an open internet or broadband connection. Subscription revenues accrued by channel suppliers and content providers is a direct reflection of how providers spend on programming, based on fixed and variable fees.

However, as noted in Figure 4, for OVSPs the share of revenues is small in 2019 (on average less than 6% in the countries assessed in 2019).

ARPU is growing

OVSPs' ARPUs have in general risen gradually in recent years in most APAC countries, though from a relatively low level - see Figure 14. We note also that ARPU grew in Indonesia prior to 2017, but has fallen since.

Figure 14 Evolution of average revenue per user (ARPU) of OVSPs since 2015 in APAC



Source: Frontier analysis of Media Partners Asia data

Note: Online Video is defined as a video service delivered over an open internet or broadband connection. Average Revenue Per User (ARPU) is the monthly subscription revenue per user generated by a platform, based on an average subscriber number for the month. Direct SVOD ARPUs reflect average blended direct consumer spend on SVOD services, some of which may include TVOD (transaction VOD) components.

2.7 Profitability of broadcasters

We have examined trends in profitability of broadcasters in the sector. For each of the broadcasters with available financial information, we gather data on EBITDA margins and the Return on Capital Employed (ROCE) over the past ten years (see ANNEX D for further information on the data availability).

EBITDA margins are a measure of profit (formally Earnings Before Interest, Taxes, Depreciation and Amortization divided by total revenue). ROCE refers to earnings before interest and tax (also known as operating income) divided by average capital employed, where capital employed is total assets less total liabilities.

EBITDA margins reflect overall profitability of a company as share of revenues, but do not account for capital invested in the business. ROCE is useful for comparing the profitability of companies by taking into account the amount of capital used but tends to be more volatile and less comparable across companies and especially countries, reflecting potentially different accounting standards/application.

2.7.1 Benchmarking the profitability of APAC TV broadcasters with other TV broadcasters

Profit margins of TV broadcasters within APAC are in line with, and often higher than, profit margins of TV broadcasters in developed and middle-income countries in North America, Latin America and Europe.

Figure 15 Average 2017-2019 EBITDA margins of TV broadcasters in APAC countries of interest compared to those in other APAC countries, North American, Latin American and Europe

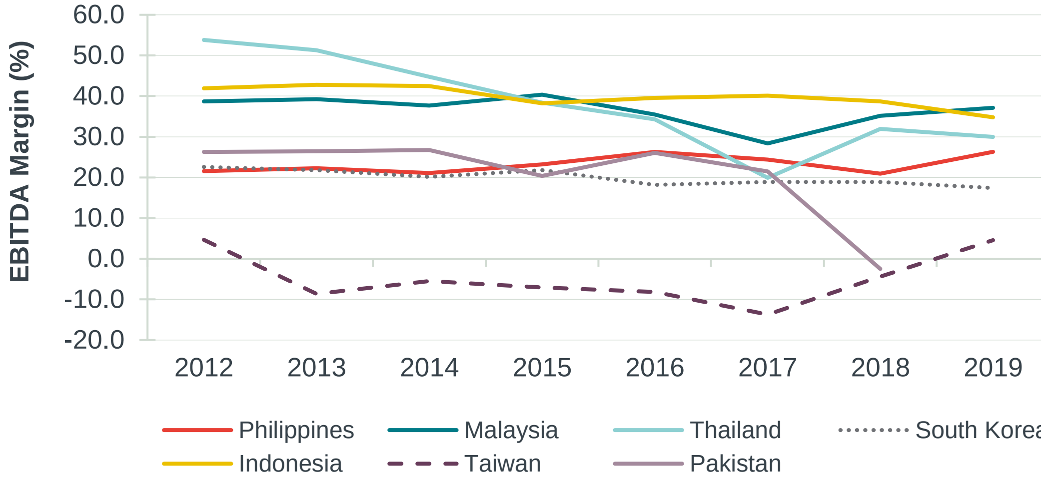
Source: Bloomberg and Frontier Economics calculations

Note: APAC countries of interest are highlighted in red and the dotted line shows the average across all countries in this sample. Sample of countries includes developed and middle-income countries in APAC, North America, Latin America, and Europe with available data. Note the sample includes only broadcasters where there is publicly available data. In the case of Pakistan this relates to one broadcaster (HUM Network) in the case of Taiwan this relates to two broadcasters (Taiwan Television Enterprise and China Television Co). In the case of Thailand this relates to two broadcasters (Bangkok Entertainment Co.ltd, TrueVisions)

Figure 15 show that the country weighted average EBITDA margins in all countries, with the exception of Taiwan and Pakistan, are the in the range 20% - 40% (though individual broadcaster EBITDA margins vary as seen in ANNEX E). As shown in

Figure 16, Indonesia, Malaysia, South Korea and Thailand have all seen small reductions since 2015. HUM Network in Pakistan saw a fall in 2018 (described in Section 2.9 and Annex F.4) which it related to increased costs due to the investment to launch a new channel and macro-economic issues affecting the advertising sector. Finally, the two broadcasters in Taiwan (Taiwan Television Enterprise and China Television Co) have shown on average negative profitability. In Thailand, profit margins have been decreasing since 2012, in line with a decrease in FTA ad revenues and declining ARPU (as noted in Figure 11 Pay TV APRU was ranked third highest of the countries studied in 2012 and has since declined).

Figure 16 EBITDA margins of TV broadcasters in the APAC countries of interest



Source: Bloomberg and Frontier Calculations

Note: Profit margins are revenue weighted averages of EBITDA margins of TV broadcasters in each country of interest. The profitability trends by region only reflect the profitability of broadcasters where data is publicly available (see ANNEX D for further information). Where the companies included are TV broadcasters, they may have other activities that are captured in these high-level profitability metrics (such as radio broadcasting or print publishing). Note the sample includes only broadcasters where there is publicly available data. In the case of Pakistan this relates to one broadcaster (HUM Network) in the case of Taiwan this relates to two broadcasters (Taiwan Television Enterprise and China Television Co). In the case of Thailand this relates to two broadcasters (Bangkok Entertainment Co.ltd, TrueVisions)

What have been the causes for changes in profitability?

Many factors affect the profitability of TV broadcasters, which can fluctuate substantially depending on both sector-specific and wider economic trends. We explore several factors weighing on revenue growth over the past three years as well as several cost pressures, which help explain the recent decline in TV broadcasting profits at a country level.

In the financial statements of broadcasters in APAC countries, higher content costs and lower levels of aggregate economic activity are cited as factors weighing on profit margins. For example, some broadcasters, including Elang Makhota in Indonesia and BEC World in Thailand, attribute the recent decline in profits to lower economic activity which has constrained advertising budgets.[26]

[26] See: Elang Makhota Teknologi 2018 Annual Report and BEC World 2019 Annual Report.

In addition to these pressure on revenues, TV broadcasters in the region may have also faced increased cost pressures. Some broadcasters, including Intermedia Capital TBK in Indonesia, attribute their decline in 2018 profitability to higher costs related to developing local content.[27]

These trends are explored in more detail in Section 2.9 in the case of three broadcasters.

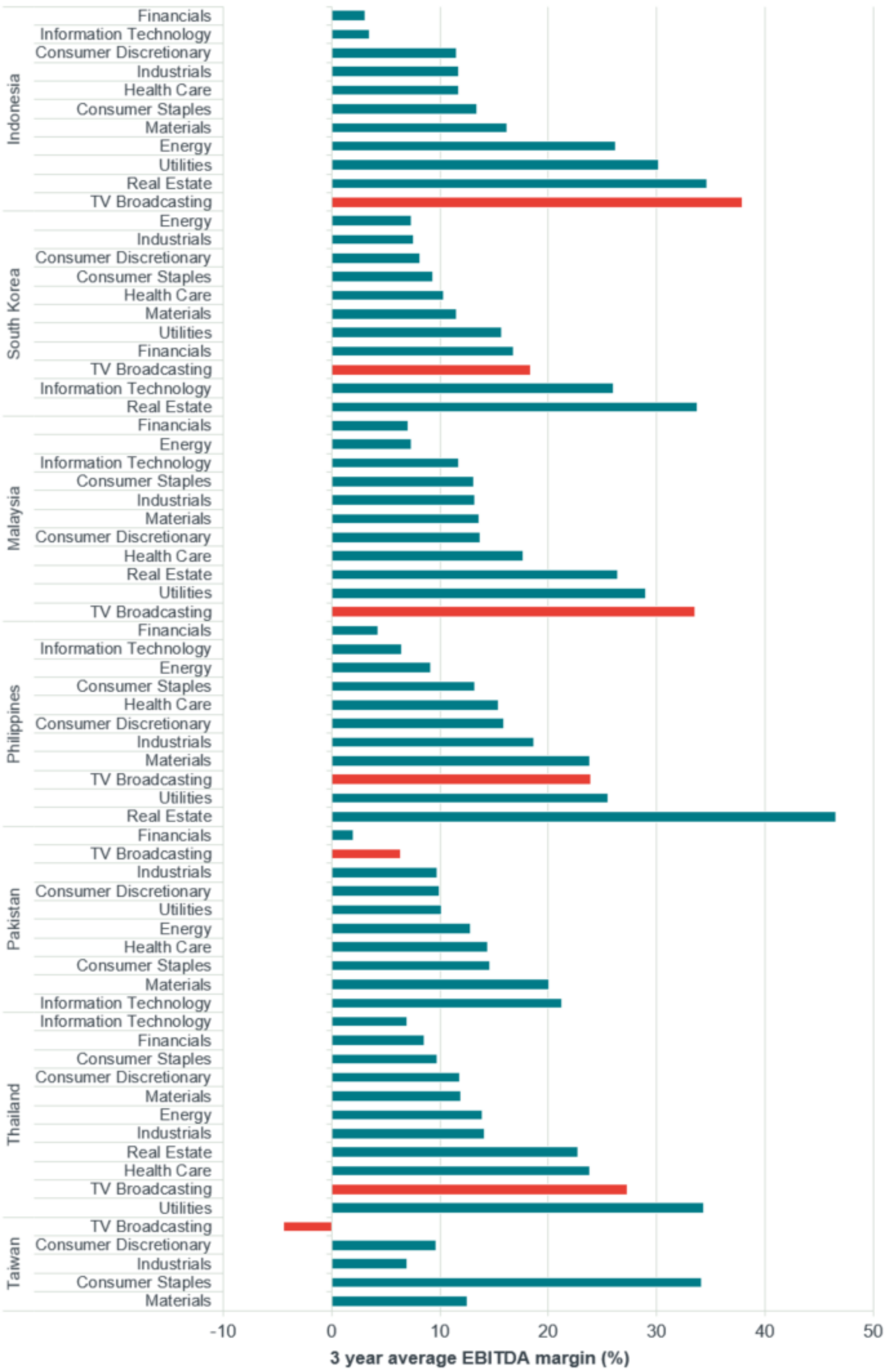
2.8 Benchmarking the profitability of APAC broadcasters with other sectors

Comparing profit margins across industries is complex, as different industries will have different capital intensity, demand or cost risks, or investment cycles. More generally it can be difficult to measure economic profit. Nonetheless, an assessment of profit margins can in some cases provide helpful evidence on whether there are concerns.

As shown in Figure 17, profit margins of TV broadcasters within APAC countries are generally higher than in other aggregate sectors.

[27] See Intermedia Capital TBK 2018 Annual Report, page 24.

Figure 17 Average 2017-2019 EBITDA margins for TV broadcasters compared to other sectors



Source: *Bloomberg and Frontier Economics Calculations*

Note: *TV Broadcasting sector is highlighted in red. This chart shows the EBITDA margin as weighted average across firms in a particular industry. The TV Broadcasting segment is based on manual classification verified with desk research and all other industries are based on the Global Industry Classification Standard (GICS), subgroups Cable & Satellite and Broadcasting. Note the sample includes only broadcasters where there is publicly available data. In the case of Pakistan this relates to one broadcaster (HUM Network) in the case of Taiwan this relates to two broadcasters (Taiwan*

Television Enterprise and China Television Co). In the case of Thailand this relates to two broadcasters (Bangkok Entertainment Co.ltd, TrueVisions)

2.9 Analysis of broadcaster profitability

To understand the factors that have affected broadcasters during the period of adapting to the adoption of digital technologies this section conducts a more detailed case study of three broadcasters from the region. The analysis reviews what the broadcasters consider to be the key factors that affect profitability, costs, revenues and opportunities in the period 2015 - 2020.

We have chosen broadcasters from the different countries in the region; with different experiences and characteristics. The case studies are summarised below and set out in full in ANNEX F.

It considers:

- how the entry of new OVSPs has affected their businesses
- how the broadcasters have positively responded to the opportunities of digital disruption
- what other factors have affected their business strategy.

The three APAC broadcasters have fared differently in the last five years.

MNC (Indonesia)

Media Nusantara Citra (MNC) is an **Indonesian** commercial advertising funded broadcasting group. It has four Free-To-Air channels – RCTI, MNCTV, GTV, and iNews – as well as 18 channels broadcast on Pay TV. RCTI is the most watched and widely broadcasted FTA station in Indonesia.[28] MNC has seen steady growth in EBITDA margins since 2015. In 2019, the Company's EBITDA margin reached a record high of 44%.[29]

GMA (Philippines)

GMA Network is a free-to-air broadcaster in the **Philippines**. Its core channel GMA-7 accounted for three quarters of revenue in 2018. GMA also offers international cable channels including GMA Pinoy TV, GMA Life TV and GMA News TV International. GMA Network's EBITDA margin has fluctuated over the past five years between 25% and 35%.[30]

HUM Network (Pakistan)

HUM Network is a global entertainment and news network, based in **Pakistan**, but with a strong following across South Asia. HUM Network owns HUM TV (offering a mix of content), HUM Sitaray (entertainment shows), HUM Masala (food channel) and HUM NEWS. The HUM network's profit margins have been fluctuating

[28] MNC Annual Report 2019, p. 128

[29] MNC Annual Report 2019, p. 48

[30] See Annex F for annual data

between 17% to 26% between 2010 to 2017 before falling to a loss of -2.5% in 2018 calendar year.

2.9.1 Broadcasters' view on the impact of digital technologies in their business

Broadcasters recognise the threat of digital advertising and sometimes point to the threat of OVSPs

Broadcasters recognise the growth in digital advertising over the period, though do not tend to identify it as a major concern.

HUM stated that there was *"a major shift in total advertisement spend from TV to Digital medium globally"*.

MNC stated in its 2017 annual report, MNC identified internet advertising as having a *"remarkably steep growth curve, driven primarily by online videos".* In 2015 it noted that *"Gross rating points (GRPs) for the industry have softened in recent years as eyeballs move to social media".*

GMA noted in 2018 that their international channels had been affected by the "continuing global shift in content consumption from the traditional pay platforms (Direct-to-Home/DTH and Cable) to OTT [OVSPs]".[31] GMA note that it "foresees" this revenue stream decline correcting itself as they develop their digital offering (though subscriber numbers did continue to decline in 2019).

However, other than these passing references in their Annual Reports the broadcasters do not seem to ascribe fluctuation in revenues as being materially caused by digital technologies.

However, broadcasters consider that OVSPs, and digital technologies more generally, offer opportunities to increase revenues

All broadcasters consider that digital technologies offer new opportunities to monetise their content assets by licensing content for both domestic and international audiences.

MNC considers itself well placed to meet audience demand for *"local content catering to the preference of majority of Indonesians who still prefer to watch local content such as drama series."*[32] It considers that "*amid the emergence of OTT players that push greater demand for local content, MNCN's timing fits perfectly in reaping the rewards through content monetization"*.[33, 34] By 2022, digital revenues are targeted to represent 50% of the MNC's revenue.[35]

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[31] GMA Annual Report 2018, p. 11

[32] MNC Annual Report 2019, p. 109

[33] MNC Annual Report 2019, p. 2

[34] MNC recently reached a deal with iflix to license 10,000 hours of its content to the online video service provider. See: https://blog.iflix.com/wp-content/uploads/2019/05/MNC-x-iflix-FINAL.pdf

[35] MNC Annual Report, 2019, p. 189

GMA has entered into content provisioning agreements with OVSPs HOOQ and iflix, providing the company an extra revenue stream via the monetisation of existing content.[36]

In 2015, HUM saw content monetisation in the digital space as "*an avenue for high growth*", and, that year, entered into a partnership with the Indian OVSP ErosNow to licence its content.[37] HUM made a similar agreement with iflix in 2016, with iflix stating the purpose being to provide *"some of the best Pakistani content to millions of keen internet users across the globe*", and "*introduce Pakistan's popular soaps to a new digital generation of South Asians globally*"[38], again showing how traditional broadcasters view their library of *local* content as a crucial advantage and opportunity within the digital space. In 2019 the company launched HUM News in the UK.[39]

In 2018, HUM considered that "*the consumer shift towards digital services"* is a sector wide trend HUM is *"well positioned to take advantage of*". HUM Network content is now available on the OVSPs Netflix, Iflix, and ErosNow,[40] as well as through channels on YouTube and Dailymotion.[41]

Similarly, digital technologies have supported advertising revenue growth. For example, in 2018 MNC attributed its success in increasing advertising revenues to digitalising and optimising unused slot inventory as well as developing new ad-revenue streams (virtual ads, built-in, and digital).

2.9.2 Advertising revenues are driven by macro-economic factors

All broadcasters studied have had periods where their revenues have been declined, or increased, but tend to ascribe the majority of these fluctuations to macroeconomic factors.

Macroeconomic trends are the biggest drivers of revenues

Typically, the broadcasters noted that macro-economic factors were the biggest contributors to reduction in advertising revenues. For example, Indonesia's MNC pointed to the exchange rate decline in 2015 affecting macroeconomic outcomes which in turn affected advertising spend. It noted that:

"The advertising market was weak in 2015, declining by 3% in net terms. Much of this weakness is pegged to macro issues and was exacerbated by currency depreciation, …2015 was challenging year, as key sectors including FMCG, telecoms and auto, largely driven by multinationals looking to protect margins in the face of increasing production costs, reduced their advertising budgets."

The Filipino company GMA noted that in 2018 there was a continued decline in revenue, driven by an "*industry-wide contraction in advertising spending*". GMA

36 GMA Annual Report 2018, p. 54

37 HUM Network Annual Report 2015, p. 15

38 See: https://blog.iflix.com/wp-content/uploads/2018/02/2016.12.27.IFLIX-SIGNS-MULTI-YEAR-DEAL-WITH-PAKISTAN%E2%80%99S-TOP-NETWORKHUM-TV.pdf

39 HUM Network Annual Report 2019, p. 36

40 HUM Network Annual Report 2018, p. 40

41 HUM Network Annual Report 2018, p. 37

points to the implementation of new tax measures as adversely impacting advertising spending.

Pakistan's HUM Network noted that revenues grew in the period to 2017 and fell in 2018 and 2019. HUM attributes the decline in 2018 to "political and economic instability".[42] It stated that *"Ad Revenue shrunk by 30% - 35% owing to economic instability due to dwindling foreign exchange reserves, low exports, high inflation, growing fiscal deficit and current account deficit"*.[43]

The political election cycle affects the advertising sector

MNC in Indonesia noted that the 2017 contraction in the advertising sector was "*expected to reverse and move upwards due to the forthcoming local and national elections in 2018*".

GMA noted that "*the drop in this year's top line mainly due to the absence of the non-recurring influx from the 2016 elections drove this year's consolidated*" EBITDA margin.

2.9.3 Cost trends reflect investments to grow the business

All three broadcasters pointed to investments which have increased their costs during their various investment cycles.

In 2016, MNC invested US$250 million to construct integrated studio buildings. MNC claimed the investment meant "there will be no more significant capex for many years to come", and that it would leave MNC from 2017 with an "expanded production capability", and "high on-screen quality". In 2018, MNC described the outcome as having improved "operational synergy", through the sharing of infrastructure and facilities. MNC also increased its use of in-house production capacity, enabling greater content production.[44]

In 2016 GMA's high production costs were due to the production of a high-budget fantasy soap opera, and election coverage.[45]

Pakistan's HUM faced higher production costs in 2018 due to the launch of HUM News, a new 24-hour news channel in Pakistan.[46] This increase in costs (along with the decline in advertising revenues) contributed to it making a loss in 2018. However, it considered this investment strategy that created a cost "surge" was nevertheless necessary to "*compete and provide the best content for viewers*".[47]

2.9.4 Conclusion

Of the three broadcasters studied two were positively profitable for the whole period studied since 2015, i.e. during the period of entry and growth of the OVSPs.

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42 HUM Annual Report 2018, p. 35

43 See: https://www.humnetwork.tv/pdf_2019/Corporate%20Briefing%20Session%202019%20(Final).pdf, p. 18

44 MNC Annual Report 2018, p. 124

45 GMA Annual Report 2016, p. 45

46 HUM Annual Report 2018, p. 35

47 HUM Annual Report 2018, p. 35

And one (HUM) was profitable for all the period except the most recent year where it recorded a loss in 2018.

- Analysis of the broadcasters' statements suggest that the biggest drivers of change in advertising revenues were macro-economic factors that affect national advertising sectors.
- All broadcasters have invested to grow their businesses (whether by investing in content, or in facilities or new innovative services). While these investments drive up costs in the short run, they also support future growth.
- All broadcasters view digital technologies more as an opportunity than a threat. Digital technologies offer opportunities to leverage their "local" content assets to earn new revenues streams, or to improve their advertising proposition.

2.10 Conclusions and commentary

2.10.1 Sector wide issues have affected broadcasting providers

Growing broadband penetration has opened the sector to online entrants, but also offered traditional broadcasters the opportunity to provide Video on Demand (VOD) services to complement their linear service offering. However, in many countries penetration of broadband is low, and the capabilities of broadband networks is limited. As penetration of faster fixed broadband grows it would be expected that the addressable customer base for VOD offerings (from both online service providers and from traditional broadcasters) expands.

The switchover of terrestrial services from analogue to digital services has a significant impact on FTA TV. Given the switch over requires consumers to upgrade and purchase new equipment (or upgrade their aerial) there is a risk that at switchover consumers instead migrate to Pay TV services offering more channels, or to online services. Countries that have been able to achieve earlier digital switchover will be better able to preserve their terrestrial TV base. Countries that delay switch over may struggle to attract viewers (some European countries such as Switzerland and Belgium) have already "switched off" their digital terrestrial TV services due to lack of demand from viewers.

2.10.2 The size of TV sector has grown in most but not all countries

Overall, the TV sector in APAC region has shown strong growth. This has meant that while new entrants have entered the sector and attract viewers and subscribers, in most countries (but not all) other sectors, such as TV advertising or Pay TV subscriptions have grown.

The trends in TV advertising revenues are mixed. Some countries, such as Sri Lanka and Pakistan, have seen a gradual rise in TV advertising revenues amongst broadcasters. But others have witnessed a decline in advertising revenues in the broadcasting sector. In particular, Thailand and Malaysia have seen several years of decline.

Pay TV subscription revenues in the majority of countries observed have risen to varying degrees since 2012. But in Thailand and Malaysia, subscription revenues have also declined in several years.

2.10.3 Profit margins appear consistent with margins of broadcasters in other countries

The country weighted average EBITDA margins for the TV broadcasting sector in all counties with the exception of Taiwan and Pakistan are the in the range 20% - 40% (though individual broadcaster EBITDA margins vary as seen in ANNEX E). Indonesia, Malaysia, South Korea and Thailand have all seen small reductions since 2015. Average profit margins of TV broadcasters at a country level have been stable in most of the countries of interest, some with recent declines attributed to higher content costs. Some countries, and in particular, Thailand, have experienced a more persistent, downwards trend in profits over the past ten years though average profit margin remain at 30% of revenues.

While benchmarking profit margins is complex, we observe that where TV broadcasting profit margins have declined in APAC countries, they are still in line with, or sometimes higher than profits of TV broadcasters in other developed or middle-income countries. Further, margins of TV broadcasters are higher than most aggregate industry average profit margins.

Macroeconomic factors have affected broadcast revenues. In particular in Malaysia 2019 GDP per capita is only slightly above the level seen in 2012 and fell in the period 2014-2015. These economy wide fundamentals will significantly affect the advertising sector (which is “procyclical” in that it is influenced by the macroeconomic change).

3 BROADCASTERS ADAPTING TO DIGITAL TRANSFORMATION

While digital disruption is a challenge to broadcasters, it also offers opportunities for "traditional" broadcasters. Traditional broadcasters can use broadband networks to distribute their content, engage viewers, and consider/develop new advertising propositions, as they are no longer limited by their distribution technology (whether terrestrial transmission, satellite or cable) in providing content to consumers.

We have identified several case studies of broadcasters that have adapted to digital disruption in different ways. Of course, all broadcasters are different and not all strategies will be appropriate for all. But what is clear is that broadcasters need to revisit and adapt their strategies to reflect the changing consumer tastes and habits, driven by technological advancement.

We have identified the following four case studies of broadcasters (identified below in Figure 18) that have developed their strategies to reflect the technological developments affecting the broadcasting sector – two from the region, and from the UK. ANNEX F offers a full outline of the challenges faced by traditional broadcasters and how our four case studies have responded.

Figure 18 Four case studies on broadcasters adapting to digital disruption

Broadcaster	Country	Description
Media Nusantara Citra (MNC)	Indonesia	MNC is an Indonesian commercial advertising funded broadcasting group. It has 4 Free-To-Air channels – RCTI, MNCTV, GTV, and iNews – as well as 18 channels broadcast on Pay TV. RCTI is the most watched and widely broadcasted FTA station in Indonesia.[48]
TrueVisions	Thailand	TrueVisions is a cable and satellite television operator in Thailand owned by the True Corporation. It offers services both with and without monthly fees (the monthly fee grants access to extra channels).[49]
Channel 4	UK	Channel 4 is a UK commercially funded publicly owned broadcaster. It has a public service remit that requires it "demonstrate innovation, experiment and creativity" and "exhibit a distinctive character" amongst other conditions
Sky	UK	Sky UK is a British broadcaster and telecommunications company, and is the largest Pay TV broadcaster in the UK, offering services through asset top box, and its service "Sky Q"

Source: Frontier

48 MNC Annual Report 2019, p. 128

49 See: https://www.bangkokpost.com/tech/289572/truevisions-launches-box

Our case studies identified four trends in how successful broadcasters have adapted.

- Use of digital technologies to broaden their content offering to consumers
- Use of digital technologies to deepen their engagement with consumers
- Adapt their advertising proposition to compete with digital advertising
- Diversify into offering new services

For each we set out below how digital disruption has challenged broadcasting and then identify the strategies that have been adopted to mitigate the impacts.

3.1 Using digital technologies to broaden content offering to consumers

Traditional broadcasters have faced the entry of OVSPs who have the digital means to provide a broad content offering. This challenges traditional broadcasters in four key ways.

- First, OVSPs offer instant access to a high volume of content, offering more choice than can be found on linear schedules.
- Second, compared to traditional broadcasting, OVSPs offer consumers more choice over when to consume content through the ability to pause and replay. Search capability enables consumers to find preferred shows and genres.
- Third, OVSPs increasingly invest in the production and distribution of their own, exclusive content. Netflix released 371 new TV series and movies in 2019.
- Finally, OVSPs invest in new distribution technologies. Netflix offers Ultra-HD quality in their premium edition.

We consider three key ways traditional broadcasters have responded to these challenges.

Expand channel portfolio

Traditional broadcasters have expanded their channel range in order to meet rising consumer’s expectations on breadth of content, by using the additional capacity enabled by the switch to digital terrestrial transmission services to offer more themed channels to viewers. These may be themed by genre, or a ‘timeshift’ variant to compete with the functionality offered by on demand. In this sense, traditional broadcasters have responded to OTTs by expanding their offering using the legacy distribution technology (terrestrial transmission) and the additional capacity offered by DTT and capacity on satellite or cable platforms.

CASE STUDIES – BROADCASTERS EXPANDING CHANNEL PORTFOLIO

- Indonesian broadcaster MNC launched six new Pay TV channels in 2013, expanding their total channel portfolio to 20 over Direct to Home (satellite) platform.
- Since 1998 the UK's Channel 4 has expanded its channel portfolio to include genre-specific, demographic-specific, and timeshifted channels.[50]

Use distribution technologies to offer more choice on how content is viewed

Traditional broadcasters have adopted hybrid linear and online models of distribution. They can compete directly with OVSPs by providing their content on-demand, while at the same time maintaining the benefits of their linear schedule. Many broadcasters now have a strategy of "everything everywhere" where they offer their content on-demand (alongside their linear channels) on as many platforms as possible.

Furthermore, traditional broadcasters have an important advantage relative to OVSPs like Netflix and Amazon Prime. Unlike OVSPs, they have a large library of local media content and can enter the online space with brand recognition.

CASE STUDIES – OFFERING ON DEMAND ALONG SIDE LINEAR

- MNC claims it possesses around 40% of the total local content library in Indonesia. By leveraging this, MNC's on demand service RCTI+, which launched on 23rd August grew to exceed 1 million monthly active users at the end of September 2019, making it the fastest growing OVSP in the country. In 2020, the service is targeted to have more than 20 million MAU with an estimated revenue of USD 30 million or 5 percent of total MNCN revenue. In the next 4 years, digital revenues are targeted to represent 50% of the company's revenue. (This includes revenue earnt via YouTube as explored in section 2.2).[51]
- Thai broadcasting company, True Corporation's digital media and internet division, True Digital Group is responsible for overseeing the distribution of its Pay TV broadcaster TrueVisions content to the digital space. They describe their mission as "to drive innovation and capture growth opportunities arising from the shift to the digital economy".[52] Since its launch, the TrueVisions mobile app, TrueID, which offers live streaming of TrueVisions channels as well as on-demand viewing, has become the most downloaded application in its category, reaching 24.6 million monthly active users (MAU) by the end of 2019.[53]
- The Pakistani FTA broadcaster HUM Network offers on-demand content and live streaming via its website and mobile phone applications.

[50] See Annex G for further detail on Channel 4's channel expansion

[51] See Annex G for figure sources here

[52] True Annual Report 2019, p. 29

[53] True Annual Report 2019, p. 8

Invest in content

As well as offering new channels and expansion into the digital space, traditional broadcasters have responded to the increased breadth of content offered by OVSPs through content investment. This has been particularly important given the recent growth of OVSPs such as Netflix into content production/exclusive content. In the APAC region, Netflix has invested in exclusive local film content. The Indonesian movie “The Night Comes for Us” was released exclusively on Netflix in Indonesia, and Netflix recently announced a partnership with the country’s Ministry of Education and Culture to support the local film industry.[54] The Filipino film “Maria” was released exclusive on Netflix in the Philippines.

As noted above some broadcasters, including Intermedia Capital TBK in Indonesia, attribute their decline in 2018 profitability to higher costs related to developing local content.[55] However, this investment benefits the Indonesian broadcasting sector as a whole.

CASE STUDIES – INVESTING IN EXCLUSIVE HIGH QUALITY CONTENT

- MNC has invested significant resources in broadcast and production facilities that enable the company to produce programmes such as drama series, animation (exported globally), and talent search shows like the Indonesian Idol, The Voice, MasterChef, and Rising Star. This is the type of content that traditional broadcasters have an advantage over OVSPs, due to the large/universal reach/appeal of their offerings.
- TrueVisions regained the rights to broadcast the English Premier League for the 2019/20 and 2021/22 seasons.[56]

3.2 Using digital technologies to deepen engagement with customers

Digital disruption challenges traditional broadcasters as online video platforms use digital technologies to deepen their engagement with customers. Consumers go online to watch short-form content as an alternative to traditional broadcasters’ long-form content. These are increasingly popular amongst young people and children in particular. Second, online video services allow for consumer interaction such as through user-uploaded content, comments sections, and voting.

Traditional broadcasters innovate in content

Traditional broadcasters appeal to consumer of short-form content by creating clips from their traditional long-form content and distributing them via their own on demand services or YouTube.

[54] See: https://e27.co/netflix-partners-with-indonesias-ministry-of-education-and-culture-to-boost-local-film-industry-20200109/

[55] See: Intermedia Capital TBK 2018 Annual Report, page 24.

[56] See: https://www.premierleague.com/news/1241698

This short-form content serves a dual purpose of both earning revenue in its own right and serving as a marketing tool to drive consumers both to the long-form content, and to the broadcaster in general.

CASE STUDIES – OFFERING SHORT FORM CONTENT TO GROW REACH AND ENGAGEMENT

- MNC operates a multi-channel network on YouTube which more than 2 billion views generated every month. It has the fastest growing number of views and subscribers in Indonesia. 5.5% of the total video viewership on YouTube in Indonesia is MNC produced content.[57]
- The TrueVisions YouTube channel has clips from TrueVisions shows and currently stands at 2.3 million subscribers.[58]
- Shows on Channel 4's on-demand service All4 often feature a "Clips and Extras tab" for shows where viewers can access short-form content taken from the main show.
- MNC's on-demand service RCTI+ features behind the scenes, trailers, and bloopers footage exclusive to the platform.

Offer interactive content

Traditional broadcasters use interactive functionality to create unique and compelling content. This serves the purpose of enhancing the content of the core program, as well as fostering greater consumer engagement, loyalty, and personal attachment.

[57] See: https://www.idx.co.id/StaticData/NewsAndAnnouncement/ANNOUNCEMENTSTOCK/From_EREP/201911/0648d12389_ab6d029fc2.pdf

[58] See: https://www.youtube.com/user/TrueVisionsOfficial

CASE STUDIES – OFFERING INTERACTIVE CONTENT

- MNC's on-demand service, RCTI+ has interactive content, a chat feature, quiz voting, and live chat with "MNC talents". It also features User Generated Content features for talent search competitions such as Indonesian Idol, where viewers can their upload audition tapes and vote on others' performances. The company's User Generated Content platform MeTube currently has over 10 million monthly active users.[59] Hence, the deep consumer interaction made possible through digital technology may not just be complementary to, but actually enhancing and made integral to longstanding traditional programming such as talent search shows.
- TrueID offers chat, voice, and video communication services.[60]
- In 2019, TrueVisions launched TrueID In-Trend, a user-generated content platform within TrueID. It promotes content created by Thai locals on topics such as food, travel, fashion, and the latest news, categorised by regions. It features 19,000 creators.[61]
- Also, in 2019, TrueID launched TrueID Station, a 24-hour TV station available on TrueID with original content and production, such as Influencer Live Community where internet influencers give commentary on sports.[62]
- TrueVisions partners with the personalisation, discovery, and recommendations solution, ContentWise to power personalised recommendations and discovery for the service, with the aim to increase customer satisfaction and drive Pay TV revenues.[63]
- Channel 4's new reality TV show "Circle" has an app providing news alerts about the show.

3.3 Adapting their advertising proposition

Traditional broadcasters rely on advertising either largely or wholly as their revenue base. The rise of digital advertising has offered advertisers new channels to reach consumers and importantly offers some benefits over other forms of display advertising in terms of measurement and targeting. Broadcasters have invested to offer "new value" added advertising propositions for advertisers. These can combine the benefits of TV advertising (deep engagement with the viewer, broad reach and allows advertisers to be associated with trusted TV brands).

[59] See: https://www.idx.co.id/StaticData/NewsAndAnnouncement/ANNOUNCEMENTSTOCK/From_EREP/201911/0648d12389_ab6d029fc2.pdf We assume that "10 MAU" means 10 million MAU and that this is a mistake.

[60] True Annual Report 2019, p. 29

[61] True Annual Report 2019, p. 11

[62] True Annual Report 2019, p. 11

[63] See: https://www.multichannel.com/pr-feed/truevisions-chooses-contentwise-deliver-multiscreen-personalization-thai-tv-viewers-391050

CASE STUDIES - TARGETED ADVERTISING AND AUDIENCE MEASUREMEN

- Filipino broadcaster GMA network recently partnered with Singapore Media Exchange (SMX), a Singaporean advertising exchange that allows advertisers to target their advertising based on audience segments, including demographics such as interests such as "Travel", "Finance", and "Shopping".[64]
- In 2019, Channel 4 signed a deal with Sky to use their Ad Smart technology, which targets ads to different customers watching the same program through different TV cable terrestrial and satellite platforms. On All4, Channel 4's Project Agora allows advertisers to create their own customer audience segments.
- Sky's AdSmart enables advertisers to place targeted advertising. The technology inserts targeted advertising on set top boxes, live and pre-recorded and during stream. In this way it can directly compete with online advertisers in terms of the functionality of targeted advertising, whilst offering level of quality and intensity made possible through its traditional medium.
- Sky has invested in audience measurement and offers advertising products which cross the linear and online inventory portfolio that it manages on behalf of its own broadcast and third parties.

TV broadcasters are consolidating their advertising sales

In order to provide a more compelling proposition to advertisers, traditional broadcasters are consolidating the sale of advertising with other broadcasters and other related suppliers of advertising to offer more efficient advertising opportunities.

CASE STUDIES - CONSOLIDATING ADVERTISING SALES

- Filipino broadcasters GMA network recently partnered with Singapore Media Exchange (SMX), a Singaporean advertising exchange that leverages the content of multiple media companies across South-East Asia in their offer to advertisers. GMA hopes the partnership will enable them to expand their reach outside of the Philippines.[65]
- Via 4sales, Channel 4 sells advertising on behalf of a number of other channels (i.e. it consolidates advertising), including all UKTV Channels (Alibi, Dave, Drama, Eden, Yesterday, Gold, and W), as well as HGTV, Really, BT Sport, and The Box Plus Network. This gives the channel greater bargaining power when competing for advertisers.
- Sky sells advertising on behalf of a number of broadcasters including MTV, Nickelodeon, and Comedy Central. Sky Advance enables advertisers to leverage broadcasting and non-broadcast advertising.

[64] See: https://smx.sg/segments

[65] See: https://www.channelnewsasia.com/news/singapore/singapore-media-exchange-expands-to-include-new-media-and-11406750

3.4 Diversifying commercial offering

Finally, broadcasters have diversified into offering new commercial services which use digital technologies. Successful broadcasters view digital disruption as an opportunity to develop incremental revenue streams. Broadcasters can exploit their competitive advantages for example in local content by licensing content to international OVSPs to reach global audiences, or local online platforms for local consumption.

CASE STUDIES – DIVERSIFYING COMMERCIAL OFFERING

- In 2019, MNC reached a deal with iflix to license 10,000 hours of its content to the OVSP.[66]
- MNC signed an agreement[67] with Facebook to obtain 55% of digital advertising revenues from their content on the site. (Such an agreement is commonplace for large YouTube content creators).[68]
- GMA has entered into content provisioning agreements with OVSPs HOOQ and iflix, providing the company an extra revenue stream via the monetisation of existing content.[69]
- In 2015, HUM saw content monetisation in the digital space as “an avenue for high growth”, and, that year, entered into a partnership with the Indian OVSP ErosNow to licence its content.[70] HUM made a similar agreement with iflix in 2016, with iflix stating the purpose being to provide “some of the best Pakistani content to millions of keen internet users across the globe”, and “introduce Pakistan’s popular soaps to a new digital generation of South Asians globally”.[71]
- In 2019, TrueVisions launched a privilege and loyalty platform called TrueYou. Customers can earn TruePoints to spend on deals in TrueID. True Corporation comments that this has “greatly enhanced customer retention and quality subscriber growth”.[72]
- The UK’s Channel 4 offers 4+, an ad-free version of its SVOD service “All4” for £4 a month (compared to £9 for Netflix Standard and £6 for Amazon Prime Video).

[66] See: https://blog.iflix.com/wp-content/uploads/2019/05/MNC-x-iflix-FINAL.pdf

[67] See: https://www.idnfinancials.com/news/34020/mnc-signs-agreement-facebook-digital-advertising-revenue

[68] See: https://www.investopedia.com/articles/personal-finance/032615/how-youtube-ad-revenue-works.asp

[69] GMA Annual Report 2018, p. 54

[70] HUM Network Annual Report 2015, p. 15

[71] See: https://blog.iflix.com/wp-content/uploads/2018/02/2016.12.27.IFLIX-SIGNS-MULTI-YEAR-DEAL-WITH-PAKISTAN%E2%80%99S-TOP-NETWORKHUM-TV.pdf

[72] True Annual Report 2019, p. 232

4 REGULATORY AND POLICY BEST PRACTICE IN THE BROADCASTING SECTOR

4.1 Introduction

Under certain conditions, competitive dynamics steer markets towards efficient and welfare maximising outcomes without the need for public intervention. Markets characterised by low barriers to entry, low transaction costs and well-informed consumers require typically limited interference from public bodies.

In practice, however, markets exist within a broad and dynamic spectrum of competitive conditions. Government policy interventions on a market seek to achieve a specific public policy objective, such as distributional objectives or the promotion of social or cultural values.

We set out below:

- Public policy interventions in broadcasting sectors
- Best practice on when to intervene
- Examples of best practice in assessing whether, and how, to intervene

4.2 Public policy interventions in broadcasting sectors

Policy restrictions on cultural content in broadcasting sectors can take many forms. Policy makers use the restrictions to promote cultural policy or economic aims. Different countries may consider different objectives when they set cultural policy measures affecting local content production and distribution sectors. Therefore, a range of different measures have been implemented. There are three broad types of measures applied to national content production and distribution sectors.

Cultural protections

These measures aim to promote the local culture, or particular aspects of the local culture through the production and distribution of audio-visual content. For example, the local audio-visual authority may impose a minimum quota on the proportion of locally produced/distributed content. Alternatively, a maximum quota might be imposed on the share of foreign-produced programming which is aired by domestic broadcasters.

Language protections

Language protections restrict the amount of audio-visual content produced and distributed in foreign language, or to ensure a certain level of content is distributed in a second language (such as French in Canada). Language protections can take the form of quotas similar to those used for cultural protections. But language protections can be imposed in terms of requirements for foreign language content to be dubbed in local language, or as taxes on hours of foreign language content broadcasted on TV or the number of foreign films shown in cinemas.

Industrial policies

These measures are types of fiscal policy aimed at bolstering the local content production and distribution sectors. For example, a government may grant subsidies to local content producers and distributors to reduce their exposure to foreign competitors with greater scale or resources, or to make local companies more internationally competitive.

4.3 Best practice on when to intervene

The rationale for intervention relies on weighing its expected benefits against the associated costs. From an economic theory perspective, intervention should be limited to instances where the costs of a prevailing inefficient market outcome outweigh the distortive effects of a proposed remedy. Possible unintended consequences (both present and future) should also factor into this cost-benefit analysis.

The rationale for government policy should be built upon a specific business case such as a particular policy objective or to correct an inefficient market outcome (i.e. market failure). UK government policy making follows the Five Case Model for preparing business case for intervention proposals, as summarised in Figure 19.

Figure 19 The Five Case Model for government policy interventions

Dimension	Assessment
Strategic	**What is the case for change, including the rationale for intervention?** What is the current situation? What is to be done? What outcomes are expected? How do these fit with wider government policies and objectives?
Economic	**What is the net value to society of the intervention compared to continuing with Business as Usual?** What are the risks and their costs, and how are they best managed? Which option reflects the optimal net value to society?
Commercial	**Can a realistic and credible commercial deal be struck?** Who will manage which risks?
Financial	**What is the impact of the proposal on the public sector budget in terms of the cost of both capital and revenue?**
Management	**Are there realistic and robust delivery plans?** How can the proposal be delivered?

Source: The Green Book, HM Treasury

Policy makers should seek to ensure their policies support competition but should not design policies to "protect competitors". Therefore, a goal to "level the playing field" should not be an end in itself. Rather policy makers should seek to implement their policy objectives in a way that is:

- ***Effective***: it achieves the objectives that it intends to, and avoids unintended consequences, and supports competition;

- ***Efficient***: it achieves the objectives either at lowest cost, or in a way that efficiently weighs up the relative costs and benefits of different approaches; and that the impacts are proportionate to the intended benefit; and,
- ***Evidence based***: it is based on sound evidence and industry stakeholders have the opportunity to contribute to the decision-making process.

Any intervention will have costs (whether to taxpayers, consumers, or in the private sector). Sometimes these may be direct costs (tax, higher prices, or higher production costs). Though in other cases costs may be indirect. They may be costs associated with lower competition (such as higher prices, less choice, or lower quality), or a loss of incentives to invest and innovate. It is likely that interventions that limit competition or supress investment will impose significant (indirect) costs.

In assessing the case for intervention, policy makers should therefore carefully consider the costs of intervention (both direct and indirect), and the benefits. It is inevitable that policy interventions will impose different costs on different sector participants (depending on size, business strategy etc). Interventions that are effective, proportionate, and preserve and promote competition, are likely to be more appropriate than interventions which aim to impose uniform costs on all sector participants (i.e. to level the playing field), regardless of the effectiveness or proportionality or impact on competition.

4.4 Examples of best practice in intervention

There are several examples of tools that policy makers can use to ensure that their interventions are effective, efficient, evidence based, and that they support competition, (not designed to protect competitors). We have identified five examples three from the UK and two from the Asia-Pacific region.

- Example #1: **Provide clarity on the process for assessing costs and benefits of policy interventions** - UK investment manual applied to all policy makers
- Example #2: **Consider the costs of intervention (including costs of unintended consequences) and consider non-intervention as an option** - Ofcom’s policy appraisal framework
- Example #3: **Review of the costs and benefits of public service broadcasting obligations in changing market conditions** Ofcom review of Public Service Broadcasting
- Example #4: **Consider levelling down rather than levelling up, and apply regulation proportionately** - Hong Kong Commerce and Economic Development Bureau Review of the Broadcasting Ordinance and the Telecommunications Ordinance
- Example #5: **Apply regulation which is specific to the market context** - Malaysia Communications and Multimedia Commission Licensing Guidebook, March 2018 Update

4.4.1 Example #1: Provide clarity on the process for assessing costs and benefits of policy interventions - UK investment manual applied to all policy makers

Appraisal is the process of assessing the costs, benefits and risks of alternative ways of meeting the objectives of the intervention. The UK Government publishes a manual that all government ministries and other public sector bodies must follow when implementing policy. This ensures the best practice is followed, that risks and unintended consequences can be identified and mitigated, and that stakeholders understand the process of policy making and the options for engagement. It ensures that policy decisions are based on sound, rational and evidenced based analysis.

UK GOVERNMENT INVESTMENT MANUAL

In the UK government policy interventions must go through a robust appraisal process before a solution is implemented. This process with reference to The Green Book. The Green Book provides detailed guidance that all parts of the UK government must adhere to when implementing policy that has costs either for taxpayers or costs imposed on industry.

Appraisal is the process of assessing the costs, benefits and risks of alternative ways of meeting the objectives of the intervention. Figure 20 summarises each step of the appraisal process within The Green Book’s best-practice policy-making guidelines.

Figure 20 Principles for effective government policy appraisal

Rationale for intervention	The rationale for government policy should be built upon a specific business case or rationale. This rationale can be based on a particular policy objective or to correct an inefficient market outcome (i.e. market failure)
Long-list of options	Starting with too narrow a set of options is likely to miss solutions that may offer better social value. Building a long-list of options, informed through consultation with stakeholders, will help capture the full range of possibilities. A **viability analysis** (e.g. affordability, achievability dependencies) is used to filter down to a short-list
Short-list of options	for an economic **cost-benefit analysis** (CBA). CBA requires monetising all expected impacts (social, economic, environmental etc) relative to the counterfactual. Impacts that can't be monetised should still be recorded and presented as part of the appraisal.
Identify preferred option	Options with the highest **Net Present Social Value** (NPSV) are considered, alongside their Benefit Cost ratio and any other relevant considerations (e.g. unmonetisable impacts)
Monitoring and evaluation	Monitoring is collection of data, both during and after the intervention, to feedback into implementation and decision making. Evaluation is the systematic assessment of the intervention's design, implementation and outcomes. Both Monitoring and Evaluation should form an integral part of the intervention.

Source: Frontier Economics, based on The Green Book.

4.4.2 Example #2: Consider the costs of intervention (including costs of unintended consequences) and consider non-intervention as an option - Ofcom's policy appraisal framework

Ofcom's (the UK broadcasting and telecoms regulator) regulatory principles[73] include a '*bias against intervention*', recognising that '*the effects of regulation and its unintended consequences may be worse than the effects of the imperfect market*'.

Ofcom has published guidelines on how it will assess policies that it implements. Some of the guiding principles that Ofcom adopts in its impact assessments are set out in the box below.

[73] Ofcom's Annual Plan 2005/6 Consultation document

OFCOM'S APPROACH TO IMPACT ASSESSMENT

"The decisions which Ofcom makes can impose significant costs on our stakeholders and it is important for us to think very carefully before adding to the burden of regulation. One of our key regulatory principles is that we have a bias against intervention. This means that a high hurdle must be overcome before we regulate. If intervention is justified, we aim to choose the least intrusive means of achieving our objectives, recognising the potential for regulation to reduce competition. These guidelines explain how Impact Assessments will be used to help us apply these principles in a transparent and justifiable way.

The option of not intervening…should always be seriously considered. Sometimes the fact that a market is working imperfectly is used to justify taking action. But no market ever works perfectly, while the effects of…regulation and its unintended consequences, may be worse than the effects of the imperfect market.

Impact Assessments form a key part of best practice policy making, which is reflected in our statutory duty to carry them out. They provide a way of considering different options for regulation and then selecting the best option. In selecting and analysing options, the need to further the interests of citizens and consumers is of paramount importance.

Impact Assessments are also useful tools for reviewing existing regulation. They provide a framework for weighing up the costs and benefits of removing regulation, as well as analysing other options."

4.4.3 Example #3: Examples in the broadcasting sphere – Review of the costs *and benefits* of public service broadcasting obligations in changing market conditions

In the UK broadcasting sector, the Public Service Broadcasting (PSB) remit is an intervention designed to require broadcasters to behave in ways that promote a number of public policy goals.[74] The UK broadcasting regulator has an obligation to review the costs of the public policy obligations that are imposed on PSBs at periodic intervals.

However, importantly Ofcom weighs up the benefits that accrue to PSB broadcasters against the costs. In fulfilling PSB obligations (together with licencing commitments), PSB channels receive a number of regulatory benefits including the use of spectrum for transmission of their services (DTT) under preferential terms, prominence on electronic programme guides (EPGs) and, in the BBC's case, licence fee revenues.

The UK regulator is required to periodically assess whether the benefits that the PSB broadcasters receive are proportionate to the costs. In this way the regulator can take account of changes in market conditions that affect broadcasters, to

[74] Goals include media policy (provision of accurate news or children's programming); social (serving all audiences including minorities); or economic (promoting independent producers). Private and public television channel broadcasters that contract into the PSB remit have a number of duties, see House of Lords Select Committee on Communications and Digital; 'Public service broadcasting: as vital as ever'

enable it to make rational and proportionate suggestions on how broadcasters can undertake their PSB activities in such a way that the costs are proportionate to benefits in a changing environment

In its latest five-year review[75] (February 2020) Ofcom took a particular focus on how the broadcasting sector has changed in the digital age and the challenges to PSB continued effectiveness. The review found that the growth of global streaming services has increased demand for high production value content which has, in turn, increased cost pressures facing PSBs. In addition, younger audiences are less connected to PSB's live broadcast format and are accessing content that contributes to PSB objectives through online streaming services.

4.4.4 Example #4: Consider levelling down rather than levelling up, and apply regulation proportionately - Hong Kong Commerce and Economic Development Bureau Review of the Broadcasting Ordinance and the Telecommunications Ordinance

Hong Kong's Commerce and Economic Development Bureau (CEDB) conducted a review of its television and sound broadcasting regulatory regime in 2018 as part of a modernisation exercise in light of "infotainment evolution [the rise of the internet and OVSPs as a substitute form of entertainment]".[76] As part of the review, it sought the views of members of the public, the broadcasting industry, and other stakeholders.[77]

The review considered the "Imbalance in Regulatory Regimes" between traditional broadcasters and OVSPs.[78] It considered that traditional broadcasters are subject to "*stringent controls under the existing regulatory regime*", the intention of which is to "*promote competition, encourage plurality of views and programming diversity… to forestall concentration of media ownership and control, conflict of interest and editorial uniformity across different media platforms.*"[79, 80]

The CEDB concluded that "the imbalance in the regulatory regimes is self-evident"[81] and that this imbalance has hindered innovation, and deterred newcomers.[82]

However, it considered two important factors. Firstly, to the extent that regulations on traditional broadcasters are particularly stringent, the CEDB's review makes

75 Small Screen: Big Debate – a five-year review of Public Service Broadcasting (2014-2018).

76 Hong Kong Commerce and Economic Development Bureau, Review of Television and Sound Broadcasting Regulatory Regimes, Consultation Paper, at 15 (Feb. 2018). See: https://www.cedb.gov.hk/ccib/eng/paper/pdf/BOTOReview_1%28eng%29.pdf

77 Hong Kong Commerce and Economic Development Bureau, Review of Television and Sound Broadcasting Regulatory Regimes, Consultation Paper, at 15 (Feb. 2018), p. 1

78 Ibid, p. 13

79 Ibid, p. 20

80 Traditional broadcasters must fulfil conditions around channel line-up, broadcasting hours and language, broadcast specified types of programme such as current affairs and news, investment plan on programming and capital expenditure, submission of audited accounts, etc. Comparatively, online video service providers are exempt from these regulations. Online video service providers face controls only against "repulsive content", similar to books and movies. Ibid, p. 14

81 Ibid, p. 14

82 Ibid, p. 18

clear its intention to 'level down regulation' rather than level up. In other words, the review concludes that "*internet TV and radio program services [OVSPs] should remain not subject to the any of the controls that solely affect traditional broadcasters*" whilst there is *"room for relaxation as regards individual restrictions imposed on traditional broadcaste*rs". For example, relaxing foreign shareholding restrictions in free TV licences.[83]

Further, the CEDB considers that the emergence of OVSPs has made it possible for ownership regulations intended to prevent the monopolisation of traditional broadcasting to be relaxed. They comment, "*in the era of OTT infotainment, the chances of having a single licensee monopolising the whole media market would be slim"*[84]*,* and so restrictions on the license holding should be "further adjusted to *encourage cross-sector fertilisation and enable economy of scale"*.[85]

The review therefore does not recommend increased regulation on OVSPs.

Secondly, the CEDB concludes that, even accounting for the proposed relaxation on traditional broadcasters, a general imbalance between regulatory regimes is inevitable, and indeed desirable: "*free TV services should be subject still to relatively the most stringent control, to be followed by Pay TV and sound broadcasting*".[86] Importantly, as shown below in Figure 34 they set out their criteria concerning the appropriate degree of control over different broadcasting content across different mediums:

Figure 34 CEDB criteria for considering the appropriate degree of control over different broadcast content carried by different media

Dimension	Assessment
Pervasiveness, Popularity, and Influence	Whether broadcast content is easily assessable by local households and its degree of pervasiveness on the viewing public
Impact on Minors	Whether broadcast content can easily reach and influence children and young people
Personalised Content for Viewers/Listeners	Whether individual viewers/listeners may choose to access broadcast content of their choices anytime anywhere
Uniqueness/Presence of Alternatives	Whether the broadcasting service is unique and whether there are alternatives to replace such services, and the number/accessibility of such alternatives

The CEDB comments that,

> *"Generally speaking, the more pervasive (in terms of signal coverage and popularity), the more impactful, the more accessible (e.g. watchable by just turning on a TV set) and the more monopolised (in terms of the lack of alternative forms of infotainment/broadcasting) a service is, the higher the degree of control is warranted as the mass public, including children and young people, are more susceptible to its influence. Over the years, therefore, free TV services, as the major, unique sources of infotainment the reception of which is free and spontaneous upon installation of the*

[83] Ibid, p. 49

[84] Ibid, p. 26

[85] Ibid, p. 27

[86] Ibid, p. 17

> *equipment, are subject to the most stringent control, followed by Pay TV and sound broadcasting."*[87]

After scrutinising the existing regulatory regimes, they conclude that the existing framework is "*proportionate and reasonable*"[88], and that the difference in regulation between traditional broadcasting and OVSPs is "*commensurate with the accessibility and impact of and influence commanded by each type of the broadcasting services*".[89]

Hence, when considering intervention in broadcasting sectors, policy makers should consider the qualitative differences between different forms of distribution, and the implications this has for regulation.

4.4.5 Example #5: Apply regulation which is specific to the market context - Malaysia Communications and Multimedia Commission Licensing Guidebook, March 2018 Update

The Malaysia Communications and Multimedia Commission Licensing Guidebook (MCMC) has explicitly exempted internet content applications services from its licensing regime after considering the specific market context.[90]

Under the 1988 Communications and Multimedia Act, one of the four licensable activities is "Content Applications Service Providers". These represent "*a special subset of applications service providers such as television and radio broadcast services, and services such as online publishing (currently exempt from licensing restrictions) and the provisioning of information services*".

This is the licensable activity online service providers would fall into if they were not exempt.[91] Content application service providers can be regulated by MCMC either as an individual licence – *"requiring a high degree of regulatory control which is for a specified person to conduct a specified activity and may include special conditions"* or a weaker class licence – *"a 'light-handed form of regulation which is designed to promote industry growth and development with easy market access*". Terrestrial free to air TV and satellite broadcasting amongst other services fall into the individual licence category, whilst "*a content applications service where the content is remotely generated and distributed through a network service and displayed on a screen*" amongst other services falls into the class licence category. "Internet content applications services", however, which includes OVSPs, are specifically exempt.

The MCMC therefore approaches regulation differently depending on the form of distribution of media content. Also, like the CEDB, online video services providers

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[87] Ibid, p. 17

[88] Ibid, p. 17

[89] Ibid, p. 17

[90] Malaysia Communications and Multimedia Commission Licensing Guidebook, March 2018 Update, p. 6, https://www.mcmc.gov.my/skmmgovmy/media/General/pdf/Licensing_Guidelines_Mar2018.pdf

[91] Ibid, p. 6

are exempt from licensing conditions faced by traditional broadcasters, such as restrictions on foreign ownership[92] and transparency about financing.[93]

4.5 Conclusion

It is common for policy makers to wish to intervene in broadcasting sectors to achieve a range of cultural, social or economic objectives. However, policy interventions can be costly to taxpayers, consumers, and firms. Risks of unintended consequences can be high, especially in fast moving sectors subject to rapid technological change.

Therefore, it is best practice for policy makers to intervene cautiously. This does not mean that policy makers should "surrender to the markets". Rather it means that policy makers should be required to clearly state the objectives of any intervention, then to identify and assess the most proportionate, and cost-effective approach to intervention. Our report highlights some examples of best practice in policy making. These examples highlight the risks of intervention and impose rigorous structure on policy makers in making policy assessments.

Policy makers should similarly be cautious of claims of sector participants to "level the playing field". Such claims can be motivated by sector participants' (understandable) desire to raise rivals' costs, rather than to achieve public policy goals. Incautious intervention can choke off investment, competition and innovation, and lead to unintended consequences (e.g. higher prices for consumers to recover higher costs). Our two examples from the Asia-Pacific region also highlight how the context in which OVSPs operate is different from that of traditional media, and how this differing context may be relevant for determining the correct regulatory requirements.

[92] Ibid, p. 7

[93] Ibid, p. 12

ANNEX A ONLINE VIDEO SERVICE PROVIDERS IN APAC

Figure 21 OVSPs by country

Country	Key OVSPs	Country	Key OVSPs
Indonesia	Amazon Prime Video Genflix HBO Go Hooq Iflix MNCNow Netflix Viu	South Korea	Amazon Prime Video Kakao TV Netflix Wavve Watcha Play
Malaysia	Amazon Prime Video Apple TV+ Dimsum Eros Now HBO Go Iflix Netflix Njoi Now Unifi Play TV Viu YuppTV	Taiwan	Amazon Prime Video Apple TV+ CatchPlay ELTA OTT TV Friday Fox+ Hami Video IQiyi LiTV Netflix
Pakistan	Netflix Icflix Iflix [others tbc]	Sri Lanka	Netflix Iflix [others tbc]
Philippines	Amazon Prime Video Apple TV+ Fox+ HBO Go Hooq Iflix IWant Netflix Viu	Thailand	Amazon Prime Video Apple TV+ Doonee HBO Go Hooq Iflix Netflix Viu
		Vietnam	Amazon Prime Video Clip TV HBO Go Iflix IQiyi Netflix

Source: Media Partners Asia

ANNEX B FTA BROADCASTERS IN APAC

Figure 22 Key Free-to-Air networks in the APAC region

Country	Key FTA networks (ownership)	Country	Key FTA networks (ownership)
Indonesia	TVRI (public) SCTV (commercial) RCTI (commercial) Indosiar (commercial) MNCTV (commercial) Trans 7 (commercial) Metro TV (commercial)	Philippines	ABS-CBN (commercial) GMA Network (commercial) ETC (commercial) People's Television (public)
South Korea	KBS (public) MBC (public) SBS (commercial) EBS (commercial) JTV (commercial)	Sri Lanka	SLRC (public) ITN (public) TV Derana (commercial) Hiru TV (commercial) Sirasa TV (commercial) TNL (commercial) ART TV (commercial) Swarnavahini (commercial) Shakthi TV (commercial)
Malaysia	RTM (public) TV3 (commercial) ntv7 (commercial) 8TV (commercial) TV9 (commercial)	Taiwan	CTV (commercial) TTV (commercial) FTV (commercial) PTS (public)
Pakistan	Pakistan TV Corporation Ltd (public) Geo TV (commercial) ARY Digital (commercial) ATV (semi-commercial) Aaj TV (commercial) Indus TV (commercial)	Thailand	Thai TV3 (public) TV5 (military) BBTV Channel 7 (military) ModerNine (public) TPBS (public)
		Vietnam	VTV (public)

Source: BBC Media Landscape

ANNEX C PAY TV BROADCASTERS IN APAC

Figure 23 Key Pay TV networks in the APAC region

Country	Key Pay TV networks (Satellite/ Cable/ IPTV/ Mix)	Country	Key Pay TV networks
Indonesia	MNC Vision (S) Link Net (C) Transvision (S) IndiHome (I)	Philippines	Cignal TV (S) Converge ICT (C) Globe Telecom (C) PLDT (C) SkyCable (M)
South Korea	CJ Hello (C) D'Live (C) HCN (C) Tbroad (C) KT SkyLife (S) KT (I) SK Telecom (I) LG U+ (I)	Sri Lanka	Dialog TV (S) Sri Lanka Telecom (I)
Malaysia	Astro Malaysia (M) Telekom Malaysia (I)	Taiwan	CNS (C) Kbro (C) TBC (C) Taiwan Mobile (C) Chunghwa (I)
Pakistan	PCTL (I) WorldCall Telecom (C)	Thailand	AIS (M) Jasmine (C) True Corp. (M)
		Vietnam	VSTV [aka K+] (S) SCTV (C) VTV Cable (C) MobiTV (S) MyTV (I) VNPT (C) FPT Telecom (I) Viettel Telecom (M)

Source: *Asia Pacific Pay TV Distribution 2020: The future of Pay TV & fixed broadband in Asia, Media Partners Asia, 2020.*

Note: *MPA defines Pay TV as the distribution of TV channels for a subscription fee, often combined with ancillary services, including high definition (HD) TV, video-on-demand (VOD), pay-per-view (PPV), near video-on-demand (NVOD) and digital video recorders (DVRs).*

ANNEX D MEASURING PROFITABILITY

Identifying TV broadcasters with publicly available profitability data

Where available, we gathered financial data for TV broadcasters in the countries of interest (Indonesia, Malaysia, Pakistan, the Philippines, Taiwan, Thailand, South Korea, Vietnam, and Sri Lanka). Data is gathered from Bloomberg.

Figure 24 shows that the breakdown of major broadcasters in each country with and without publicly available financial information. A significant number of broadcasters do not have publicly available financial data because they are either state-owned or privately owned but not publicly listed.

Figure 24 Data availability for all major TV broadcasters in the countries of focus

Country	Broadcasters with publicly available data	Broadcasters without publicly available data
Indonesia	Surya Citra Televisi Indonesia, RCTI, Indosiar, MNCTV, AnTV	TVRI, Trans 7, Metro TV
Malaysia	TV3, ntv7, 8TV, TV9	Radio Television Malaysia, Astro
Pakistan	HUM network	Pakistan Television Corporation, ARY Digital, Dawn News, Aaj TV, Geo TV, Dunya News TV, ATV, Indus TV
Philippines	ABS-CBN, GMA Network, DZRH News Television	ETC, People's Television
South Korea	South Korea Broadcasting System, Seoul Broadcasting System, Jeonju Television Corporation	MBC, EBS
Sri Lanka		SLRC, ITN, TV Derana, Hiru TV, Sirasa TV, TNL, ART TV, Swarnavahini, Shakthi TV
Taiwan	China Television Company, Taiwan Television Enterprise	Chinese Television System, FTV, PTS
Thailand	Bangkok Entertainment Co. Ltd, TrueVisions	Royal Thai Army Radio and Television, BBTV, MCOT, NBT, Thai PBS
Vietnam		VTV, Hanoi Radio Television, An Viên Television, HTV, Vietnam Multimedia Corporation

Source: Frontier Economics Research

ANNEX E PROFITABILITY AND SECTOR TRENDS BY COUNTRY

We set out below data on the outcomes in APAC countries.

- Section E.1 describes the broadcasting sector in Vietnam
- Section E.2 describes the broadcasting sector in Pakistan
- Section E.3 provides high level summary data for other APAC sectorS: Sri Lanka, Indonesia, Malaysia, Philippines, Taiwan, Thailand, and South Korea.

E.1 Deep dive on Vietnam

Vietnam's broadcasting sector beckons stronger competition

The broadcasting sector in Vietnam shows signs of increasing competition. This comes in the wake of a prolonged period of steady, strong growth in GDP per capita (see Figure 26), fast improving broadband penetration, and a recent ASO. All three factors suggest that consumers may be more able and willing to watch and subscribe to broadcasters.

But Vietnam's broadcasting sector also faces challenges. Piracy of TV content is prevalent, with the regulator recently being forced into action.[94] And the sector regulator, MIC, imposes tight restrictions on Pay TV broadcasters. For example, any content subverting national, cultural or religious values is not allowed.[95]

In 2019 content investment declined from US$488 mil in 2018 to US$468 mil. However, content investment remains higher than in 2017.[96]

Multiple OVSPs operate in Vietnam. This includes global players such as Netflix, which entered in 2016. The regional OVSP, iflix, entered the country shortly after in 2017. But several local players operate in Vietnam too, such as FPT Play and ClipTV. Total subscriptions to OVSPs have risen 42% since 2015 but stand at only 10 subscriptions per 1000 households. Investment spend in the sector is estimated at less than US$6 mil in 2019, with little content created specifically for OVSPs.[97]

Advertising revenues are strained for FTA broadcasters

Vietnam's FTA sector, consisting of 131 channels, is made up solely of state-owned broadcasters. The key broadcasters are Vietnam Television (VTV), which broadcasts 6 TV channels with a combined audience share of 22%. HTV airs five channels with a combined audience share of 13%. THVL airs 2 channels with a combined audience share of 7%. They are tightly regulated by the government, with advertising minutes capped at 5% of daily broadcast airtime. Broadcasters use a mix of transmission systems.

94 Vietnam Tackles Online Piracy with More Assertive Regulation and Practice. Lexology. June, 2020.

95 Asia Pacific Pay TV distribution 2020. Media Partners Asia. 2020

96 Asia Pacific Video Content Dynamics. Media Partners Asia. 2020.

97 Asia Pacific Video Content Dynamics. Media Partners Asia. 2020

Given that no Vietnamese FTA broadcasters are publicly listed, this report does not investigate how their profitability has been affected as Pay TV operators grow, and OVSPs enter the sector.

However, Figure 25 illustrates how overall advertising revenues of FTA broadcasters in Vietnam have evolved since 2014. The trend in FTA advertising revenues suggests that FTA broadcasters may have lost revenues as a result of big OVSPs like Netflix entering the sector. Though even before the entry of Netflix in 2016, FTA revenues from advertising looked to be stagnant. Furthermore, Pay TV revenues from advertising exhibit a slightly different trend.

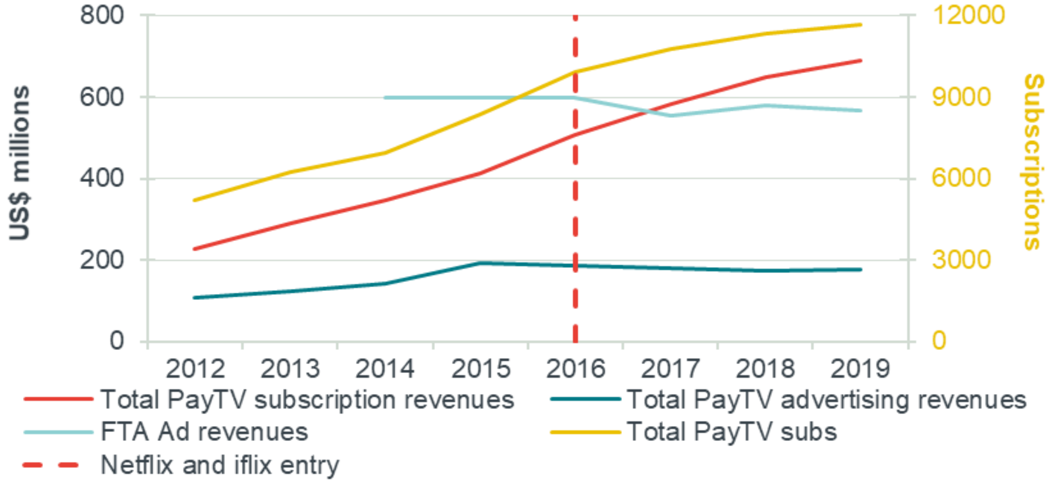
Vietnam's Pay TV broadcasters are adjusting to online disruption

62% of Vietnamese television-owning households access Pay TV services, and the audience shares of FTA and Pay TV split evenly between the two in 2019.[98] In key metropolitan areas including Ho Chi Minh City, Hanoi, and Danang Pay TV penetration exceeds 80%.[99] The two main Pay TV operators, VTVcab and SCTV directly operate or sponsor most popular local Pay TV channels. VTVcab is the Pay TV platform affiliate of VTV, whilst SCTV is owned by Saigon Tourist Holding Company and VTV.

While advertising revenues have fallen amongst FTA broadcasters in Vietnam advertising revenues have remained relatively flat amongst Pay TV broadcasters.

Pay TV subscription revenues are growing strongly and overtook FTA advertising revenues in 2017. Moreover in 2019, where subscriptions to Pay TV broadcasters showed signs of plateauing, revenues from subscriptions continued to grow, suggesting some increase in profitability for Pay TV broadcasters. But growth in both subscriptions and subscription revenues has slowed slightly in recent years.

Figure 25 Broadcasting revenues and subscribers in Vietnam

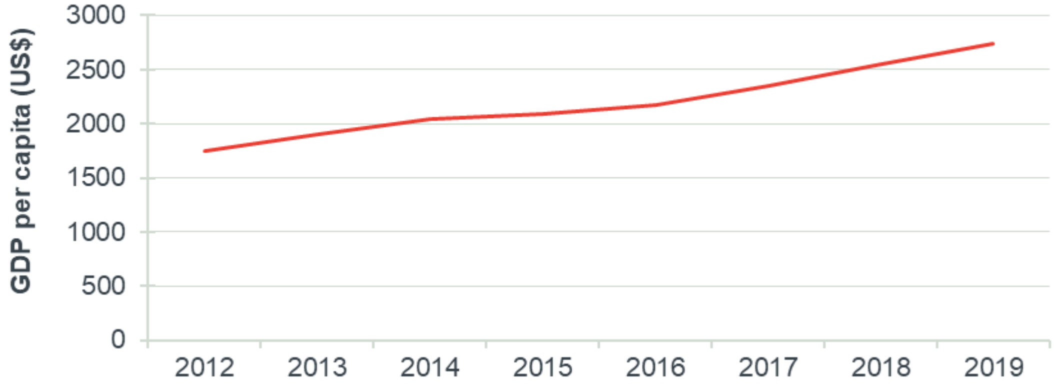


Source: Media Partners Asia

[98] Asia Pacific Video Content Dynamics. Media Partners Asia. 2020.

[99] Asia Pacific Video Content Dynamics. Media Partners Asia. 2020.

Figure 26 GDP per capita in Vietnam



Source: Telegeography

E.2 Deep dive on Pakistan

Pakistan's broadcasting sector is less developed than in other countries

Pakistan's broadcasting sector lags others within the APAC region. This is primarily because DTH Satellite penetration has been slow to launch amongst Pay TV broadcasters, meaning 99% of pay TV connections are via cable.[100] Additionally, broadband penetration is low and stagnant. This means that IPTV Pay TV and online video services have also been slow to launch and gain subscribers. Though Netflix did enter in 2016, at the same time as it entered the other APAC countries. And iflix entered in 2017.

Pakistan's regulator, PEMRA, has started to grant DTH Satellite licences to operators such as Mag Entertainment. And the rollout of 5G broadband is soon to be launched. Pakistan launched its transition to DTT in 2015 to ASO in 2016.

It remains unclear whether a recent slump in GDP per capita, and strict cultural regulations imposed on Pay TV operators by PEMRA (which has the power to censor "anti-national or anti-state attitudes against basic cultural values, morality and good manners") continue to limit sector growth.[101]

Pakistan's FTA broadcasters are unphased by online disruption

The FTA sector in Pakistan is made up by several networks, serving a variety of languages.[102] Unlike Pay TV providers, many of the FTA broadcasters operate using DTH Satellite transmission (such as ARY Digital).

One leading FTA broadcaster is HUM Network Ltd., Pakistan's only publicly listed FTA network. Although we do not have access to FTA advertising revenues data for Pakistan, we can see from Figure 29 that Hum's margins do appear to have been squeezed since the 2008 financial crisis.

[100] Asia Pacific Pay TV distribution 2020. Media Partners Asia. 2020.

[101] ibid

[102] BBC Country Media Profile - Pakistan

Another leading FTA broadcaster the state-owned Pakistan Television Corporation (PTC). As can be seen from the net profit margin chart below, PTC was struggling with declining and negative net profit prior to the entrance of Netflix and Iflix. After the entrance of Netflix net profit began to increase. There is therefore no evidence in the data available to us that Netflix has negatively affected the revenues of PTC, although we do not have data post-2017.

Pay TV broadcaster revenues are rising steadily, despite online video entrants

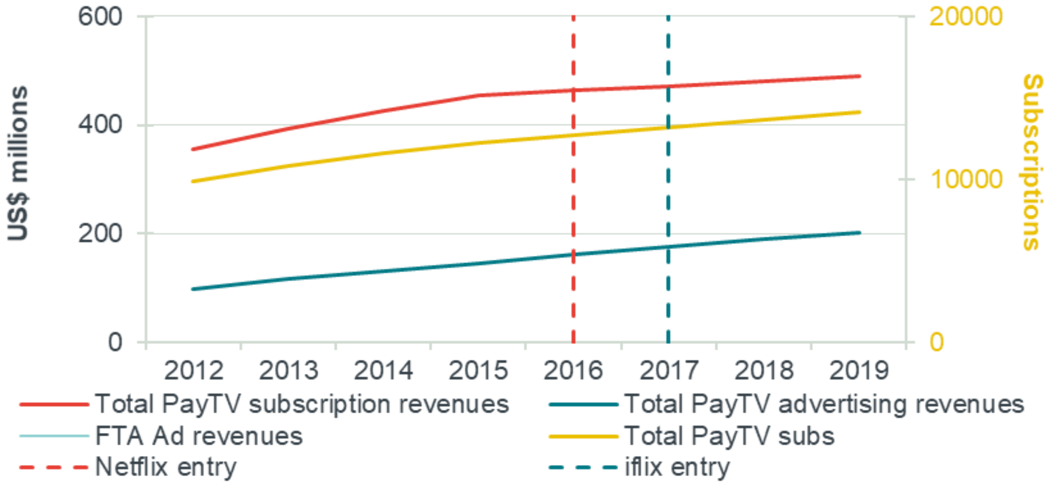
Pakistan's Pay TV sector comprises of two key players: PCTL and Worldcall Telecom. Figure 27 exhibits the gradual increase in subscriptions and revenues of Pakistan's Pay TV broadcasters.

Subscriptions are the core driver of Pay TV sector revenues in Pakistan, accounting for more than double the revenues Pay TV broadcasters receive from advertising between 2012 and 2019.

The Recorder Television Network, which operates the Pay TV channels Aaj News, Aaj Entertainment, and Play TV recorded increasing net profit between 2017 and 2018.

The entry of Netflix in 2016 appears to have had little impact on the growth of either subscriptions or revenues of Pay TV broadcasters as of yet. Echoing the same trend in FTA. Though Netflix has begun to offer concessions to Pakistani consumers to attract them to subscribe. For example, the company has signed a deal with PTCL and also allowed Pakistani users to pay in Rupees.[103]

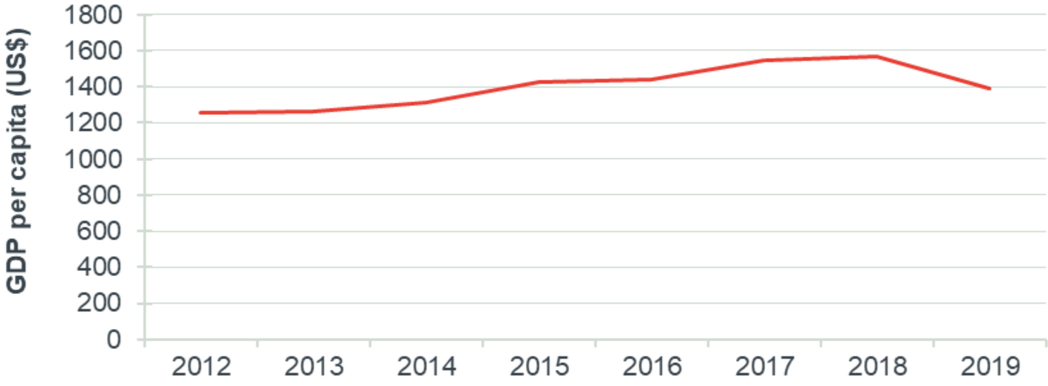
Figure 27 Broadcasting revenues and subscribers in Pakistan



Source: Media Partners Asia

[103] Where does Pakistan stand on Netflix chart? Usama Masood Ahmad (Global Village Space). January 4, 2019

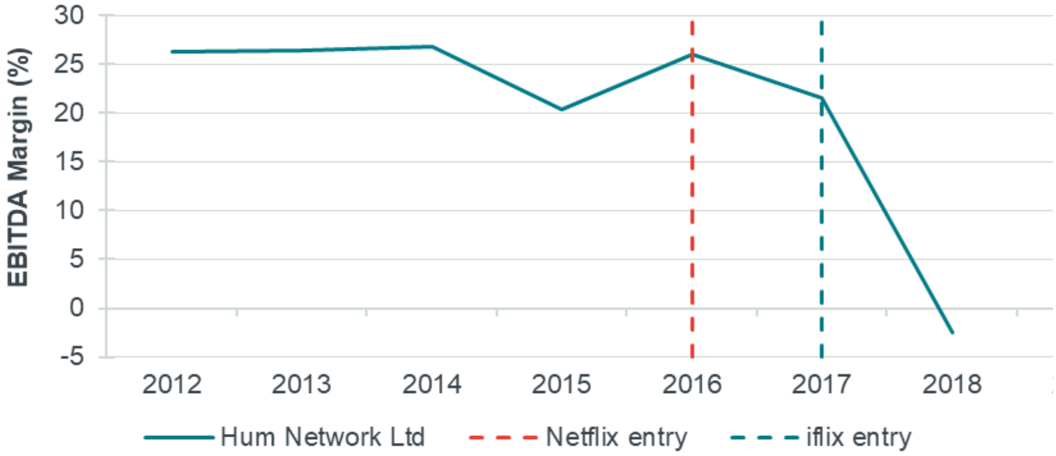
Figure 28 GDP per capita in Pakistan



Source: Telegeography

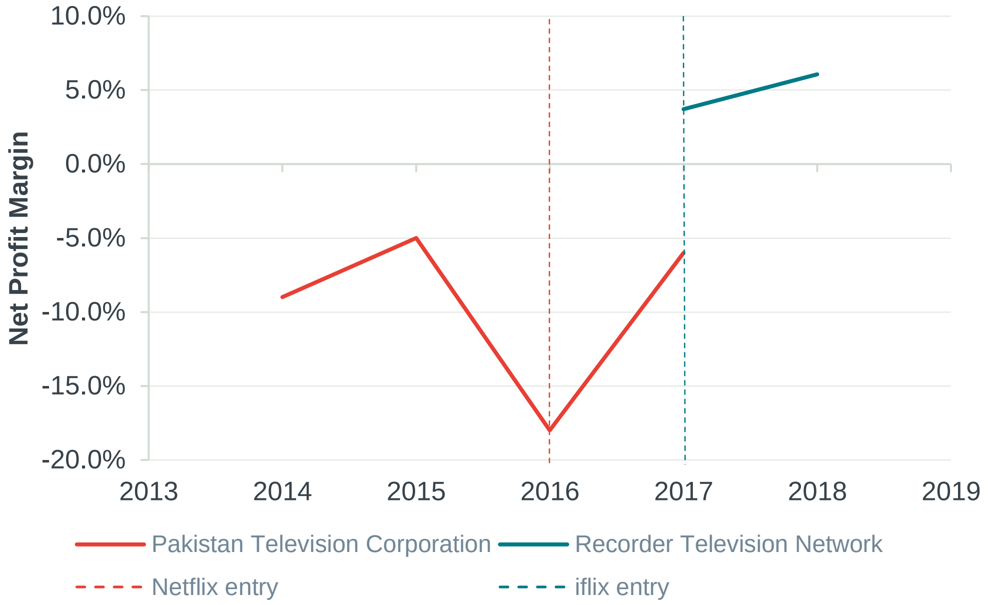
Note:

Figure 29 EBITDA margin for HUM Network in Pakistan



Source: Bloomberg

Figure 30 Profit Margins for Pakistan Television Corporation and Recorder Television Network



Source: *Pakistan Television Corporation data from Pakistan State Owned Entities Report. Recorder Television Network data from Director's Reports.*

E.3 Profitability and sector trends amongst other APAC countries

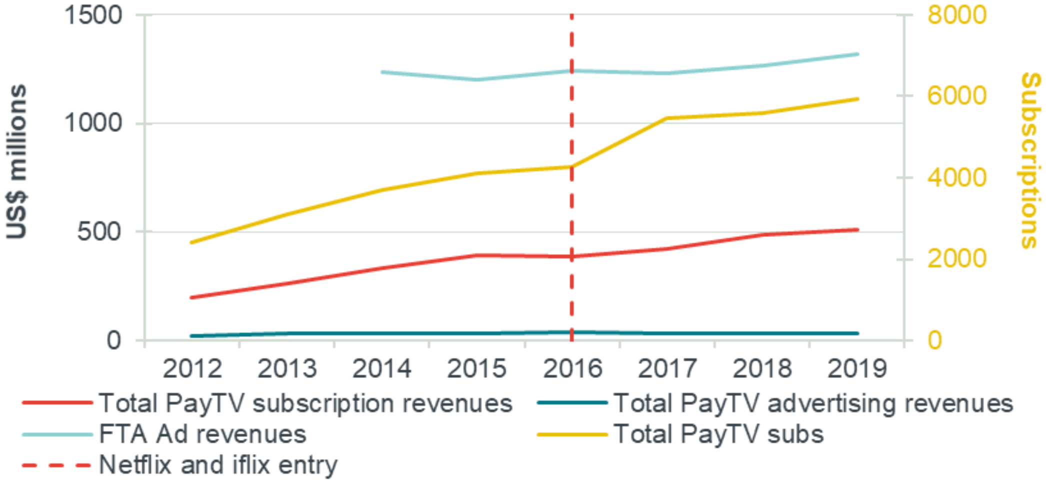
We set out below broadcasting sector data for a number of countries covered in this study where the data is available.

- Indonesia
- Malaysia
- The Philippines
- South Korea
- Taiwan
- Thailand
- Sri Lanka

E.3.1 Indonesia

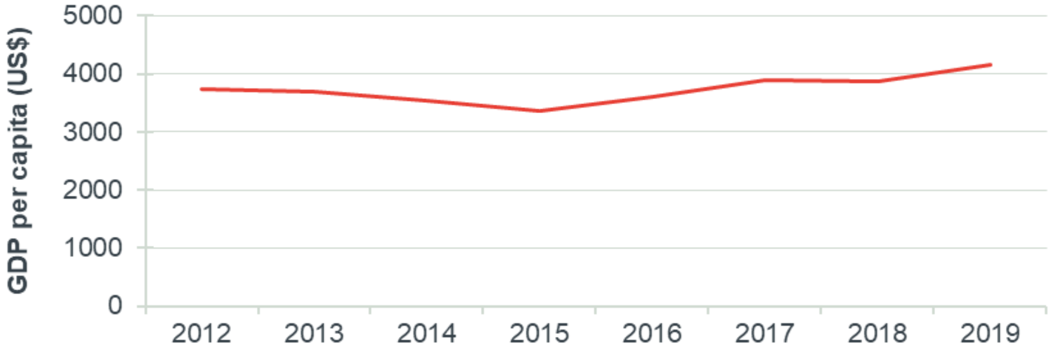
Broadcasting sector data for Indonesia.

Figure 31 Broadcasting revenues and subscribers in Indonesia



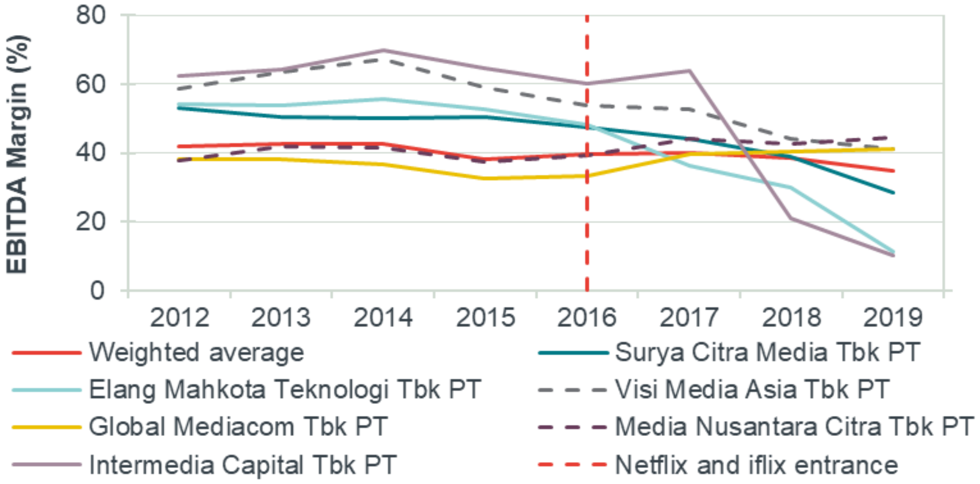
Source: Media Partners Asia

Figure 32 GDP per capita in Indonesia



Source: Telegeography

Figure 33 EBITDA Margins for TV broadcasters in Indonesia

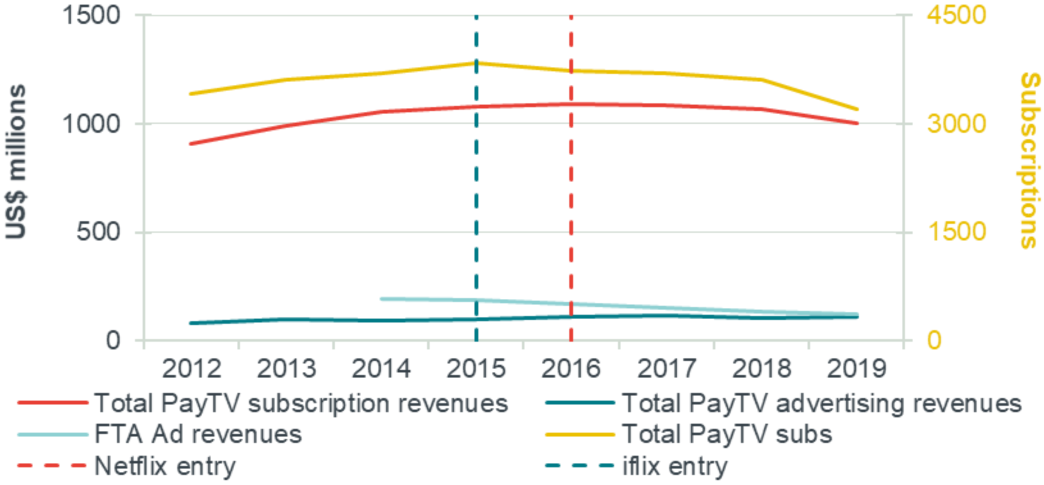


Source: Bloomberg

E.3.2 Malaysia

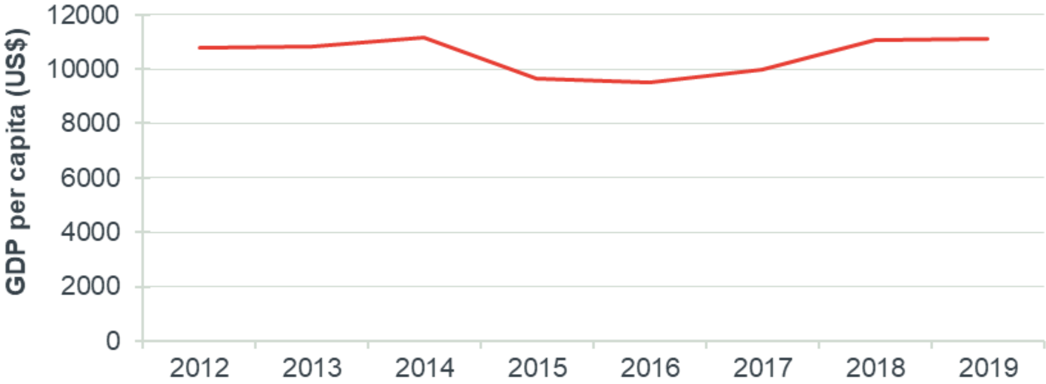
Broadcasting sector data for Malaysia.

Figure 34 Broadcasting revenues and subscribers in Malaysia



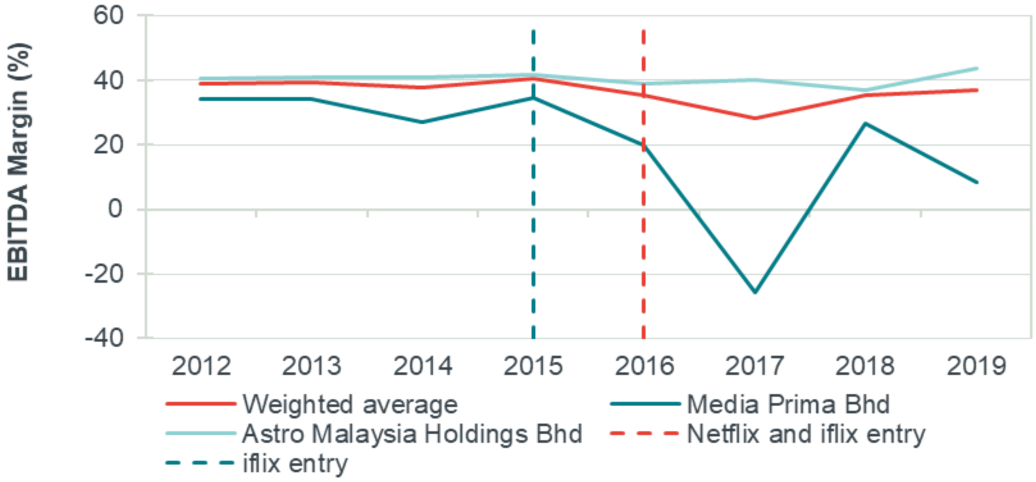
Source: Media Partners Asia

Figure 35 GDP per capita in Malaysia



Source: Telegeography

Figure 36 EBITDA Margins for TV broadcasters in Malaysia

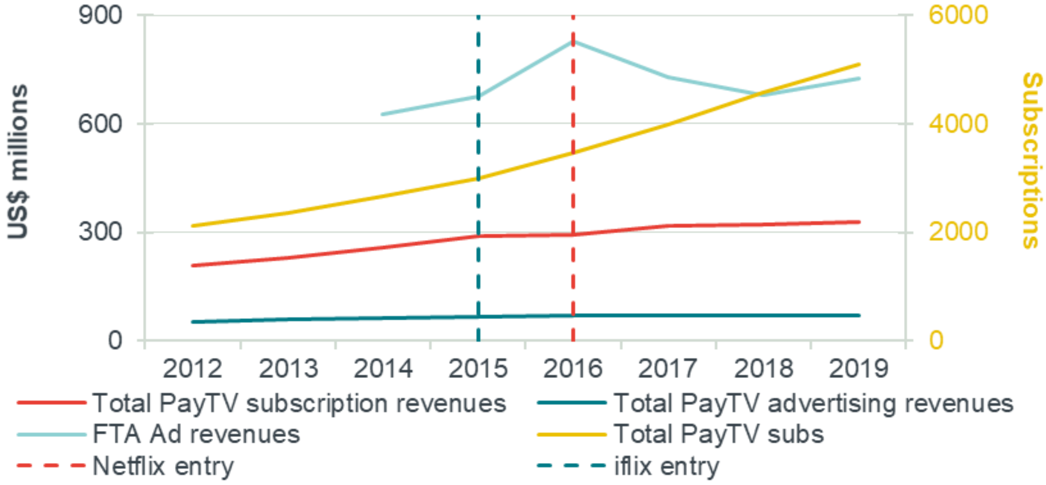


Source: Bloomberg

E.3.3 The Philippines

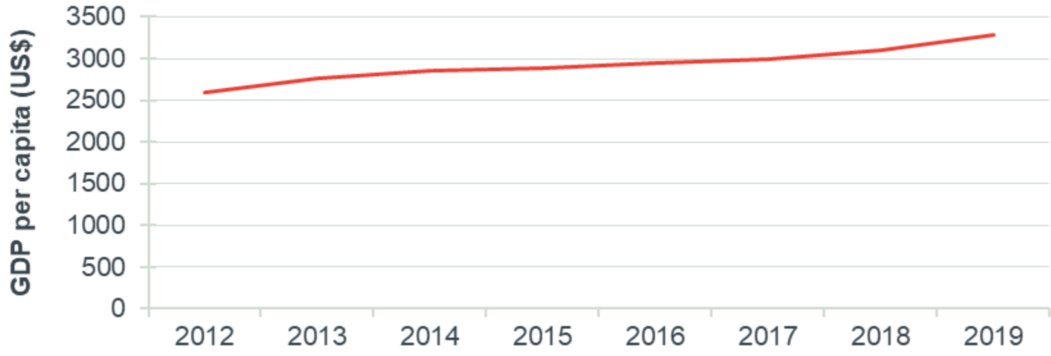
Broadcasting sector data for The Philippines.

Figure 37 Broadcasting revenues and subscribers in the Philippines



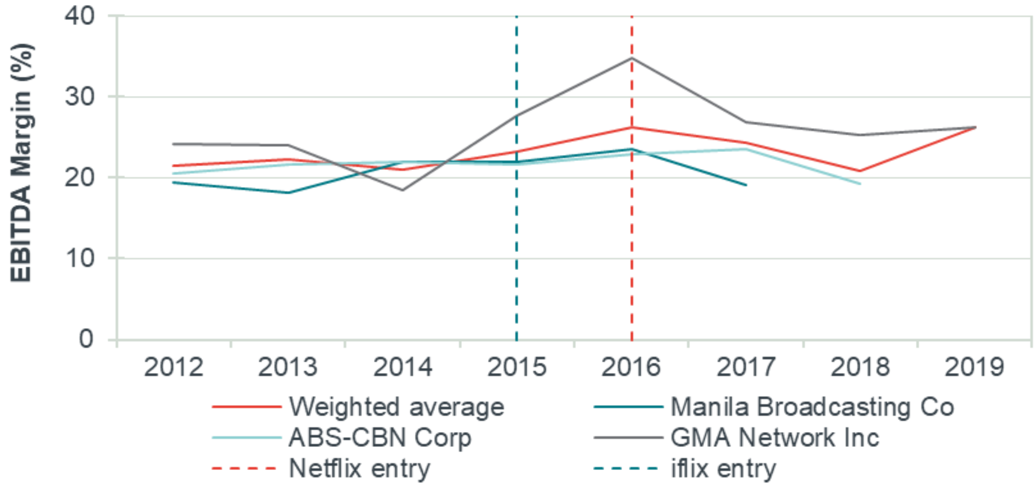
Source: Media Partners Asia

Figure 38 GDP per capita in the Philippines



Source: Telegeography

Figure 39 EBITDA Margins for TV broadcasters in the Philippines

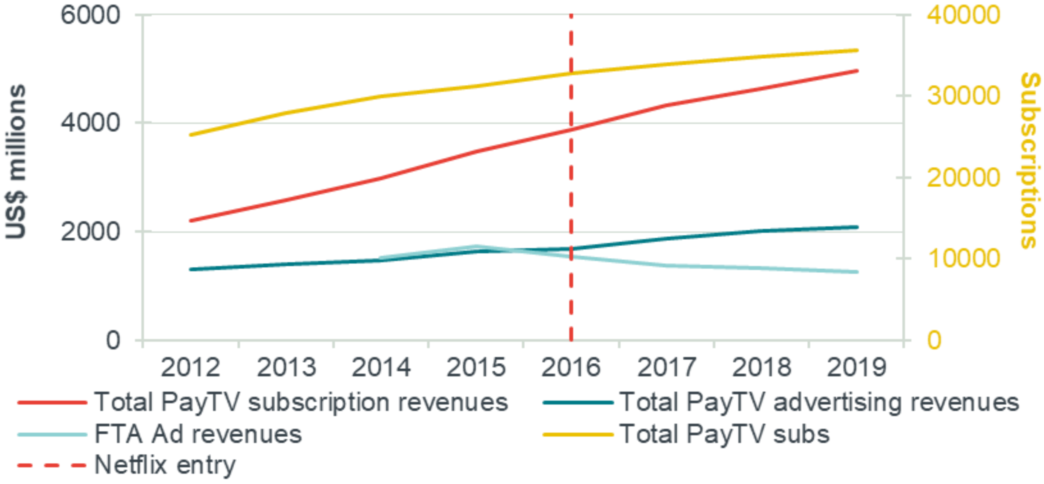


Source: Bloomberg

E.3.4 South Korea

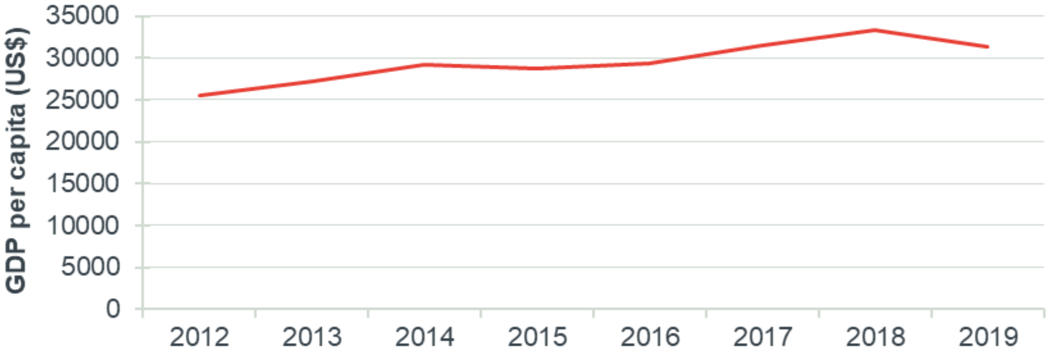
Broadcasting data for South Korea.

Figure 40 Broadcasting revenues and subscribers in South Korea



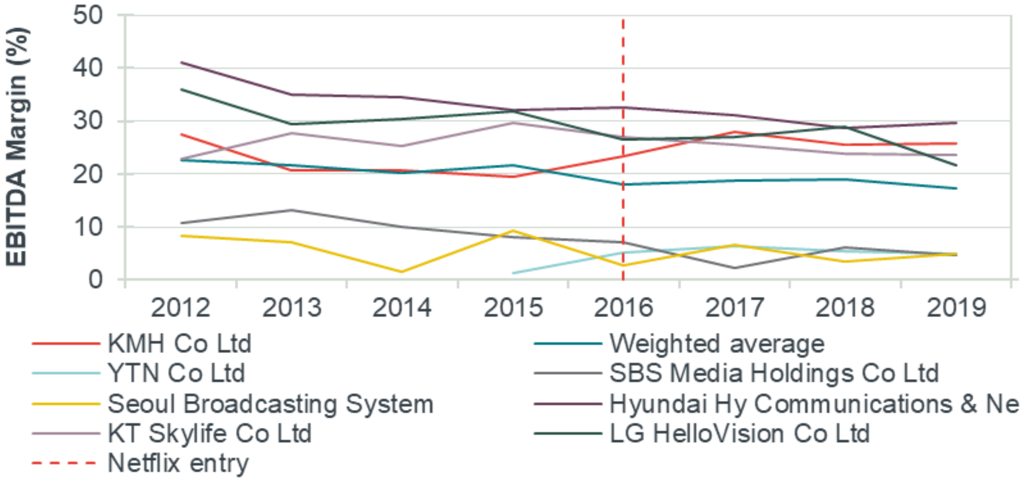
Source: Media Partners Asia

Figure 41 GDP per capita in South Korea



Source: Telegeography

Figure 42 EBITDA Margins for TV broadcasters in South Korea

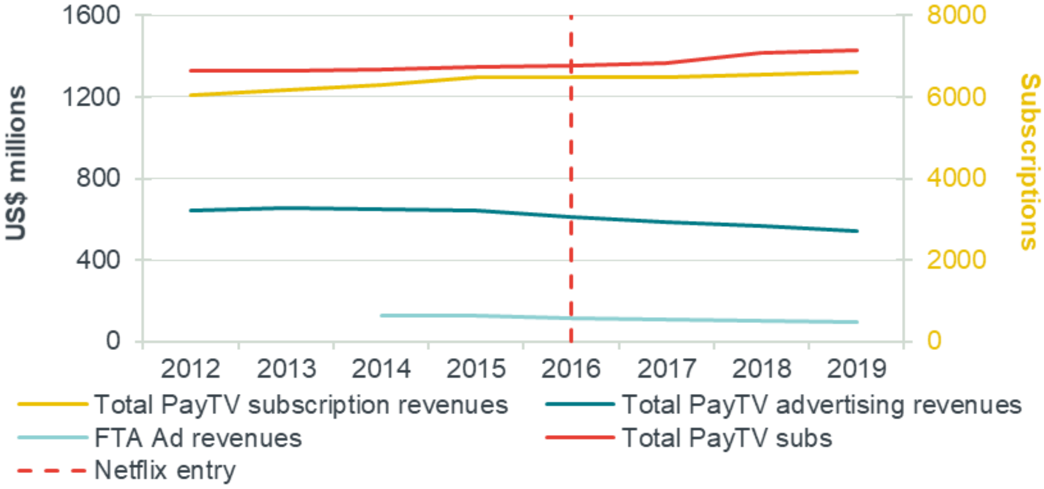


Source: Bloomberg

E.3.5 Taiwan

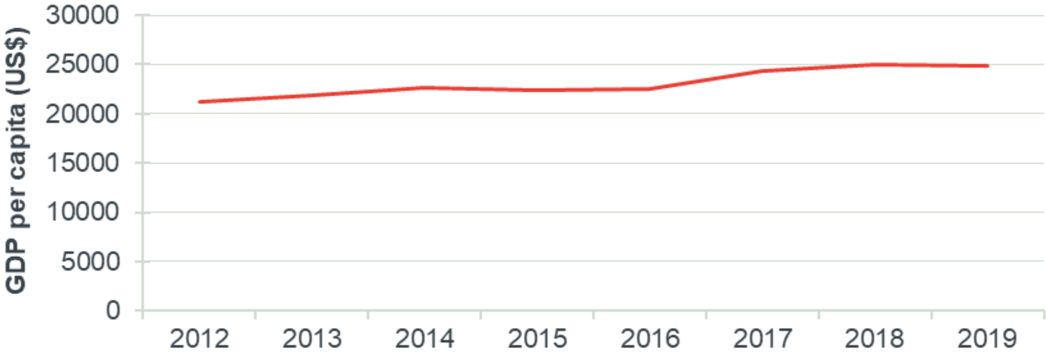
Broadcasting sector data for Taiwan.

Figure 43 Broadcaster revenues and subscribers in Taiwan



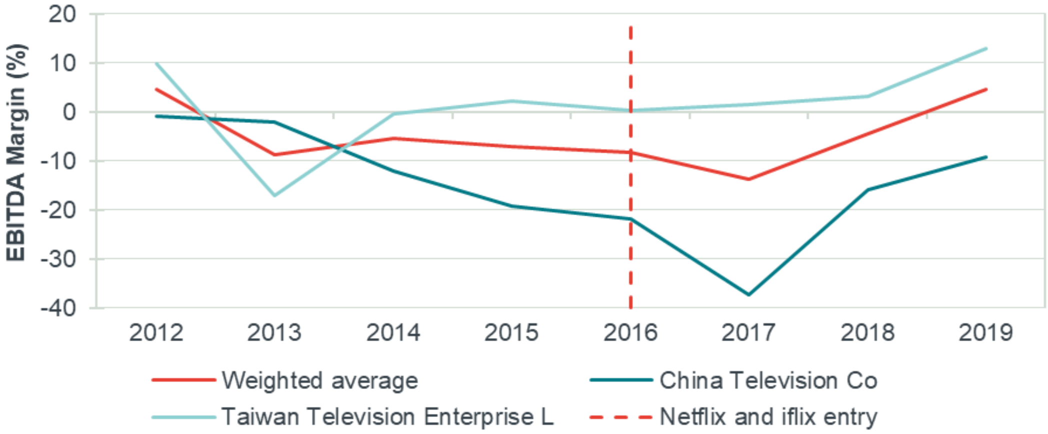
Source: Media Partners Asia

Figure 44 GDP per capita in Taiwan



Source: Telegeography

Figure 45 EBITDA margin for TV broadcasters in Taiwan

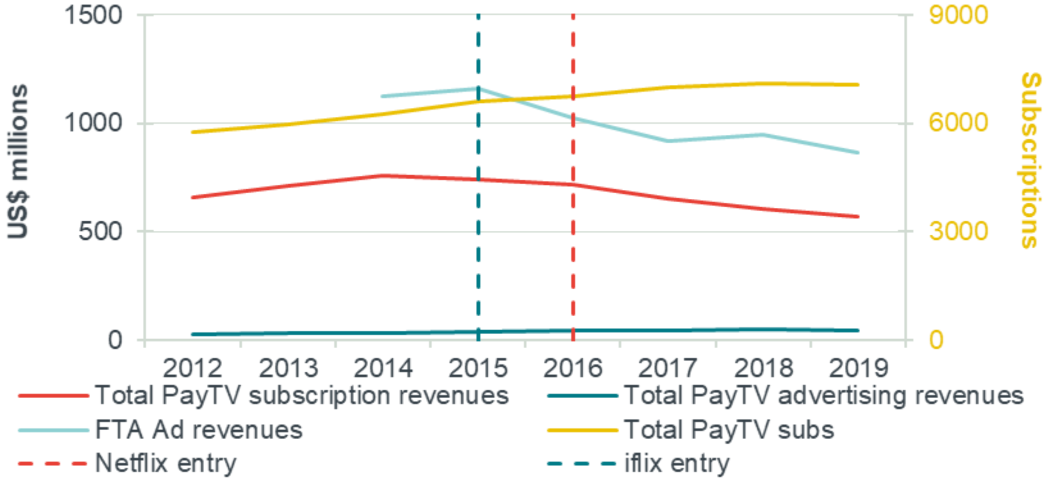


Source: Bloomberg

E.3.6 Thailand

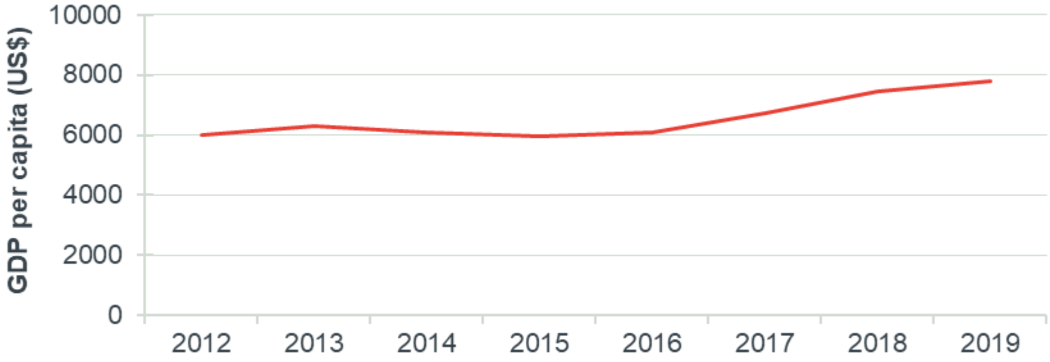
Broadcasting sector data for Thailand.

Figure 46 Broadcaster revenues and subscribers in Thailand



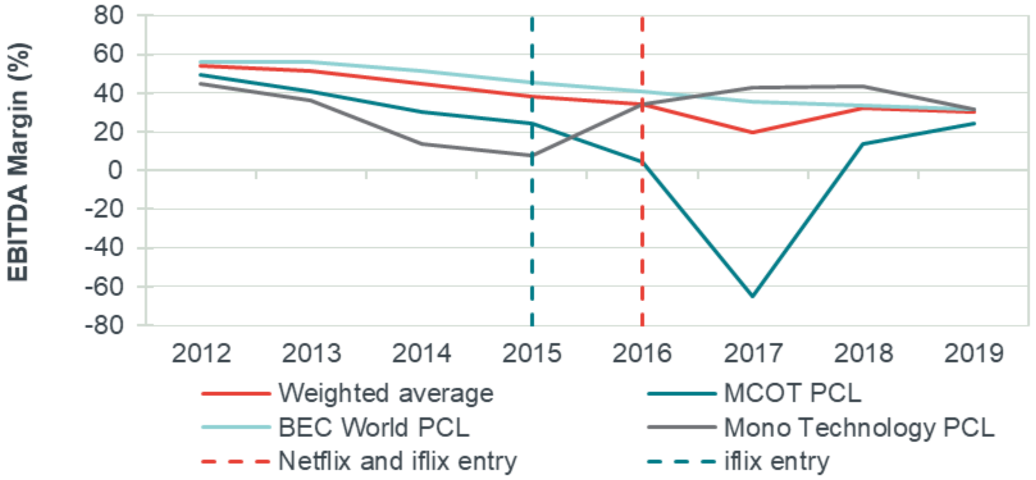
Source: Media Partners Asia

Figure 47 GDP per capita in Thailand



Source: Telegeography

Figure 48 EBITDA Margins for TV broadcasters in Thailand

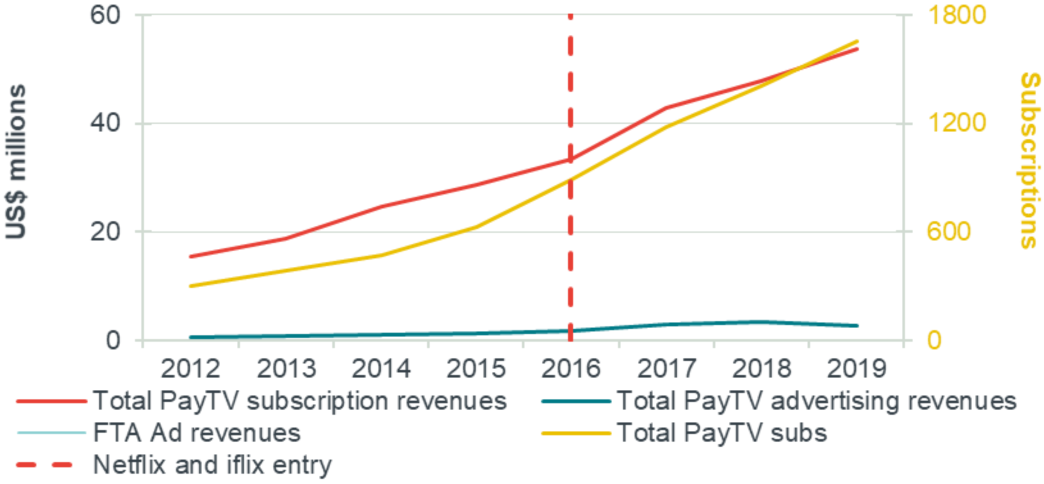


Source: Bloomberg

E.3.7 Sri Lanka

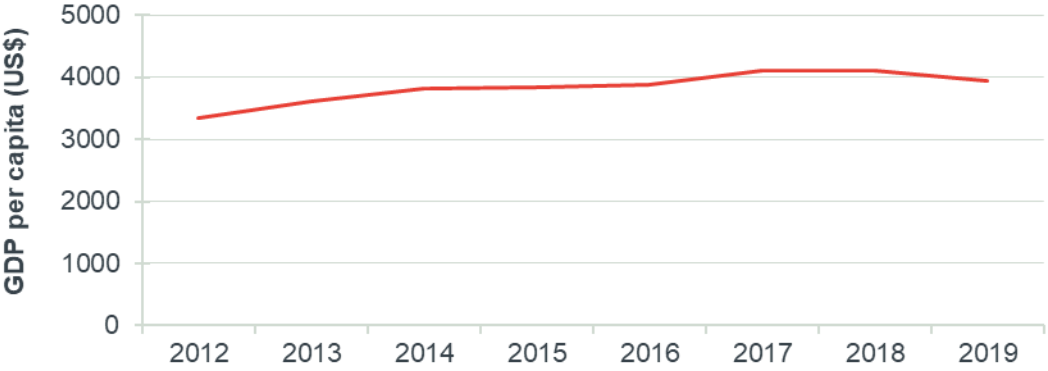
Broadcasting sector data for Sri Lanka.

Figure 49 Broadcaster revenues and subscribers in Sri Lanka



Source: Media Partners Asia

Figure 50 GDP per capita in Sri Lanka



Source: Telegeography

ANNEX F CASE STUDIES OF BROADCASTER PROFITABILITY

F.1 Introduction

To understand the factors that have affected broadcasters in the region during the period of adapting to digital disruption this section conducts a more detailed case study of three broadcasters from the region. The analysis reviews what the key factors are that affect profitability, costs, revenues and opportunities for the broadcasters in the period 2015 - 2020. We reviewed annual reports since 2015.

It considers:

- how the entry of new OVSPs has affected their businesses
- how the broadcasters have positively responded to the opportunities of digital disruption
- what other factors have affected their business strategy.

We have chosen three case studies to understand how digital trends have affected their financial fundamentals.

- MNC (Indonesia)
- GMA Network (the Philippines)
- HUM Network (Pakistan)

F.2 MNC

Media Nusantara Citra is an **Indonesian** commercial advertising funded broadcasting group. It has four Free-To-Air channels – RCTI, MNCTV, GTV, and iNews – as well as 18 channels broadcast on Pay TV. RCTI is the most watched and widely broadcasted FTA station in Indonesia.[104]

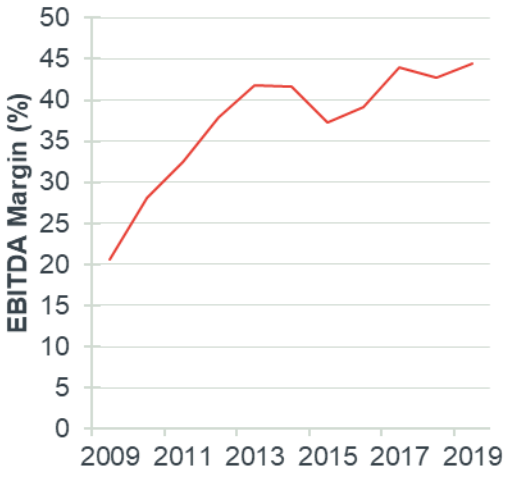
Introduction

MNC has seen steady growth in EBITDA margins since 2015. In 2019, the Company's EBITDA margin reached a record high of 44%, shown in Figure 51.[105]

[104] MNC Annual Report 2019, p. 128

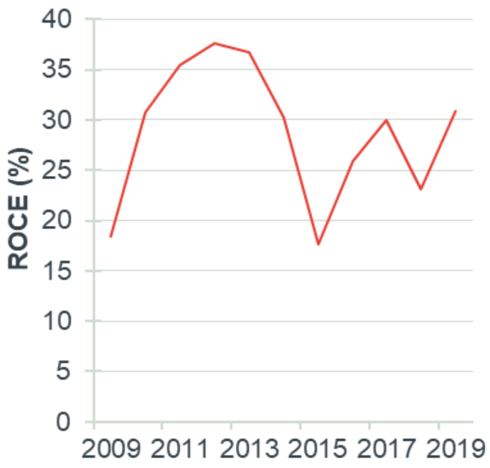
[105] MNC Annual Report 2019, p. 48

Figure 51. MNC EBITDA Margin



Source: Bloomberg
Note: Years in this chart refer to calendar years

Figure 52. MNC ROCE



Source: Bloomberg
Note: Years in this chart refer to calendar years

Revenues

MNC's revenue increased gradually from 2015 to 2017, were flat from 2017-2018 and increased again from 2018 to 2019. Overall, there was a significant increase in revenue across this period.

Advertising has always comprised the clear majority of MNC's revenue (81% in 2019).[106] Due to macroeconomic factors, this posed a challenge for MNC in 2015. *"The advertising market was weak in 2015, declining by 3% in net terms. Much of this weakness is pegged to macro issues and was exacerbated by currency depreciation, which crossed the Rp14,500 = 1US$ mark…2015 was challenging year, as key sectors including FMCG, telecoms and auto, largely driven by multinationals looking to protect margins in the face of increasing production costs, reduced their advertising budgets."* [107]

The advertising market remained a challenge in 2017, seeing a 2.3% FTA industry-wide contraction.[108] Nevertheless, MNC increased its advertising revenue by 5% in 2017[109] compared to 2016.

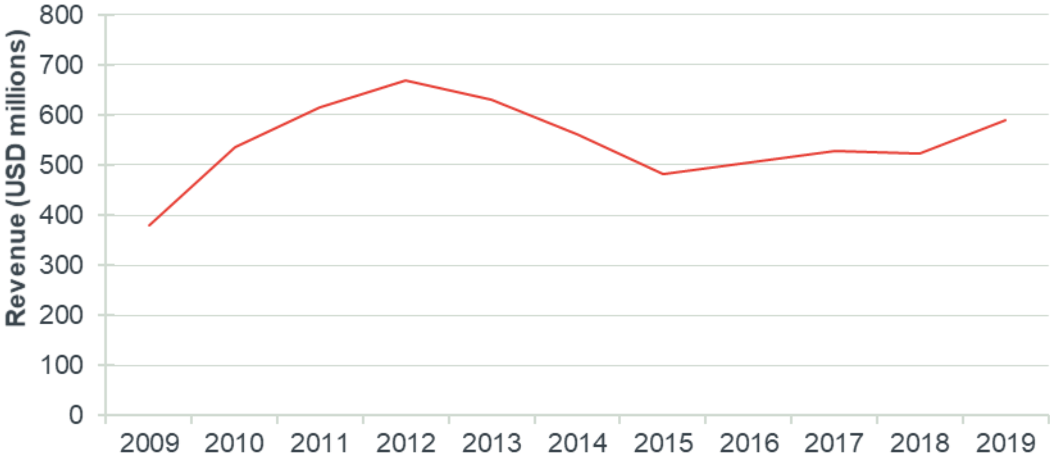
MNC's advertising revenue increased again in 2018 by 8% compared to 2017.[110] This was under more beneficial conditions, the 2017 contraction in the advertising market was "*expected to reverse and move upwards due to the forthcoming local and national elections in 2018*".[111]

[106] MNC Annual Report 2019, p. 110
[107] MNC Annual Report 2015. p. 100
[108] MNC Annual Report 2017, p. 116
[109] MNC Annual Report 2017, p. 121
[110] MNC Annual Report 2018, p. 124
[111] MNC Annual Report 2017, p. 121

MNC increased its advertising revenue again in 2019 by 11% compared to 2018.[112] In 2019, MNC enjoyed 45% of the total television ad-spend.[113] This was despite macroeconomic factors negatively affecting advertising revenues in this year.[114]

MNC therefore consistently increased its main revenue stream throughout this period despite varying macroeconomic conditions affecting the advertising market.[115]

Figure 53 MNC Revenue



Source: Bloomberg

Note: Years in this chart refer to MNC's financial year ending in December

Costs

MNC's main costs throughout the 2015-2019 period were capex investment used to increase content production quality and quantity.

In 2016, MNC invested US$250 million to construct integrated studio buildings. MNC claimed the investment meant "there will be no more significant capex for many years to come", and that it would leave MNC from 2017 with an "expanded production capability", and "high on-screen quality".

In 2018, MNC described the outcome as having improved "operational synergy", through the sharing of infrastructure and facilities. MNC also increased its use of in-house production capacity, enabling greater content production.[116]

[112] MNC Annual Report 2019, p. 110

[113] MNC Annual Report 2019, p. 49

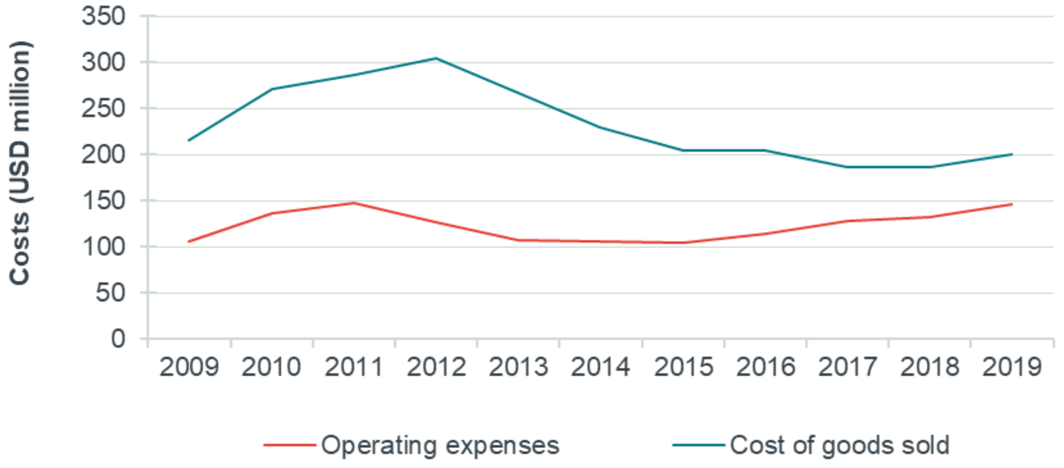
[114] President Director Letter to shareholders *"The world experienced a global economic slowdown in 2019 caused by the ongoing trade war between China and the USA which has dampened the global economic growth to as low as 2.9% compared to 3.6% in 2018. Such an event has triggered much volatility in the financial market, which negatively impacted business sentiment and advertisers confidence to spend on an advertising budget. Indonesia's economy grew by 5.02% in 2019, which was the lowest recorded since 2015."* MNC Annual Report, 2019, p. 44

[115] See section 3 for further discussion.

[116] MNC Annual Report 2018, p. 124

MNC's foreign programming costs also increased by 8.8% in 2015 due to a weak Indonesia Rupiah against the US dollar.[117] This remained a concern in 2018.[118]

Figure 54 MNC Costs



Source: *Bloomberg*

Note: *Years in this chart refer to MNC's financial year ending in December. Cost of goods sold includes direct labour, direct materials and overhead costs related to the goods and services sold. Operating expenses refer to expenditures that are not directly tied to the production of goods or services, such as rent, utilities and legal costs. These cost categories are mutually exclusive.*

Risks

Throughout the 2015-2019 period, MNC identified several factors that threatened its revenues.

In 2015, MNC identified uncertainty over the transition to Digital Terrestrial Television (DTT), stating "regulations governing DTT remain ambiguous, with little clarity on when a law will be passed". The transition has since started and planned to be completed in 2024.[119]

MNC identify the growth in online advertising throughout the 2015-2019 period. In MNC's 2015 and 2016 reports, it described digital/online advertising as "growing rapidly."[120, 121] In its 2017 annual report, MNC identified internet advertising as having a "remarkably steep growth curve, driven primarily by online videos"[122].

Opportunities & adapting to digital disruption

MNC's strategy in response to digital disruption includes the following: Firstly, to maintain its leading position in content library development; secondly, to leverage

[117] MNC Annual Report 2015, p. 106

[118] MNC Annual Report 2019, p. 120

[119] Tempo.co (2019)

[120] MNC Annual Report, 2016, p. 139

[121] MNC Annual Report, 2015, p. 103

[122] MNC Annual Report, 2017, p. 117

this large volume of content (40% of the total content library in Indonesia)[123] in the digital space; and thirdly, to offer exclusive online content and innovations.

In terms of content library development, MNC's content library was over 300,000 hours in 2019, to which it aims to add 18,000-20,000 hours of content annually.[124] It considers itself well placed to meet audience demand on: *"local content catering to the preference of majority of Indonesians who still prefer to watch local content such as drama series."*[125] It notes that this means it is well placed to meet competition from OVSPs. Indeed, the growth of OVSPs offer opportunities. It considers that "*amid the emergence of OTT players that push greater demand for local content, MNCN's timing fits perfectly in reaping the rewards through content monetization"*.[126] MNC recently reached a deal with iflix to license 10,000 hours of its content to the OVSP.[127]

MNC's main channel, RCTI consistently achieved the most viewers of any Indonesian channel throughout this period, achieving a 20% average prime-time audience share in 2015[128], 19.3% in 2016[129], 21.7% in 2017[130], 18.3% in 2018[131] and 18.4% in 2019.[132] MNCN's 4 FTA channels achieved a combined prime-time share of 36.3%[133] in 2015, 38.3% in 2017[134], 34.7% in 2018[135], and 37.2% in 2019.[136,137] It attributes this dominance to the continued popularity of "sponsorship-based programs, such as talent shows, anniversary, and awards programs, and musical concerts, all of which are managed and produced using the facilities developed and operated by the Company, facilitated with recent capex investment. MNC also recently expanded its Pay TV offering by launching 6 new channels.

In 2020, the Company aims to continue expanding its content offering, having achieved exclusive broadcasting rights to the talent show "X-Factor", and the 2020 Euros Football Tournament.[138]

In terms of leveraging their content, in 2019, MNC launched RCTI+, which combines both Advertising Video on Demand (AVOD) and Subscription Video on Demand (SVOD) services. MNC operates the most viewed YouTube channel in Indonesia, with YouTube awarding them a Multi-Channel Network in mid-2019, and signed a deal with Facebook to take 55% of advertising revenue from clips shared on the site[139] (such an agreement is standard for large YouTube content

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123 MNC Annual Report, 2019, p. 109

124 Ibid

125 MNC Annual Report 2019, p. 109

126 MNC Annual Report 2019, p. 2

127 See: https://blog.iflix.com/wp-content/uploads/2019/05/MNC-x-iflix-FINAL.pdf

128 MNC Annual Report 2015, p. 39

129 MNC Annual Report 2016, p. 157

130 MNC Annual Report 2017, p. 60

131 MNC Annual Report 2018, p. 129

132 MNC Annual Report 2019, p. 115

133 MNC Annual Report 2015, p. 40

134 MNC Annual Report 2017, p. 58

135 MNC Annual Report 2018, p. 66

136 MNC Annual Report 2019, p. 49

137 There is no reference to the combined share in MNC's 2016 Annual Report

138 Due to Covid-19 this did not go ahead, but remains indicative of MNC's approach to expanding their content offering

139 See:

creators).[140] It noted that "*The Company also takes pride in highlighting MNCN's content presence in social media/online platforms, which generates over 2 billion views every month, roughly equivalent to 5% of YouTube's viewership in Indonesia*."[141]

It will continue to leverage its content assets by licensing them to OVSPs and Pay TV platforms: *"MNCN owns the biggest content library with over 300,000 hours and it has become one of the Company's most valuable assets. Heading towards 2020, the Company will leverage on its strength in content by licensing to local and international OTT and Pay TV platforms."*[142] MNC also continues to monetise its content library through the licensing of programs to local and overseas parties.

As regards to MNC's exclusive online content, MNC operates three online portals: okezone.com, iNews.di and sindonews.com.[143] As explored in section 3.2, MNC also offers interactive content related to its programming via RCTI+.

In 2016, it developed an "innovation centre" to look at potential growth strategies in the digital space[144], in particular "investing to scale its own video platforms going forward to gain considerable share of the national online video advertising revenue".

In 2018 MNC attributed its success in increasing advertising revenues to digitalising and optimising unused slot inventory as well as developing new ad-revenue streams (virtual ads, built-in, and digital). For example, RCTI+, features ads that align with user comments in the chat feature. In 2017[145] and 2019[146], it claims these innovations are what increased its advertising revenues as a percentage of total revenue over the last 5 years, as described in the Revenues section above.

By 2022, digital revenues are targeted to represent 50% of the company's revenue.[147] This includes revenue earnt via RCTI+, YouTube as well as the company's online portals. MNC aims to combine its expansion in the digital space with exploiting its position in the traditional broadcasting space through an increase in its FTA TV rate card by 25%, a decision driven by the growing number of brands advertised on television every year in Indonesia.[148]

Conclusion

MNC has enjoyed success as OVSPs have entered the sector. As an advertising funded broadcaster, it considers the biggest risk to its business model to be the

https://www.idnfinancials.com/news/34020/mnc-signs-agreement-facebook-digital-advertising-revenue

140 See: https://www.investopedia.com/articles/personal-finance/032615/how-youtube-ad-revenue-works.asp

141 MNC Annual Report 2019, p. 49

142 MNC Annual Report 2019, p. 189

143 The latter two portals are news sites and the former is a news and entertainment site. Currently, on the Alexa rank, Okezone is the number one most visited portal from all portals in Indonesia, even higher than Google. See: https://www.mnc.co.id/contents/detail/en/570/terus-naik-digital-konten-akan-kuasai-40-pendapatan-mncn-pada-2022

144 MNC Annual Report 2016, p. 110

145 MNC Annual Report 2017, p. 121

146 MNC Annual Report 2019, p. 110

147 MNC Annual Report, 2019, p. 189

148 MNC Annual Report 2019, p. 52

growth of digital advertising and OVSPs. It has responded with a wide-ranging digital strategy, which seeks to harness a range of new revenue streams through both partnerships with existing sites, and independent innovations. MNC's success here is made possible through continued investment in content production because such content can be leveraged to grow rapidly within the digital space.

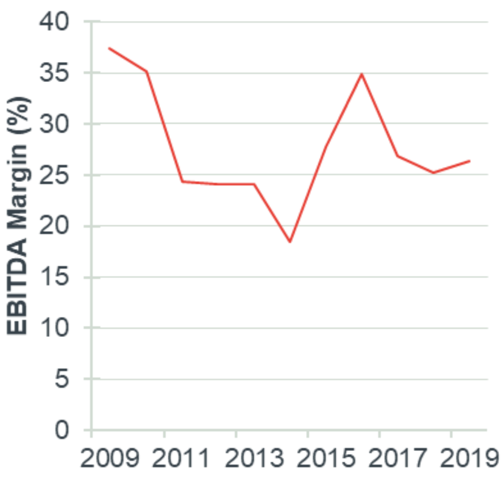
F.3 GMA Network

GMA Network is a free-to-air broadcaster in the **Philippines.** Core channel GMA-7 accounted for three quarters of revenue in 2018. GMA also offers international cable channels including GMA Pinoy TV, GMA Life TV and GMA News TV International.

Introduction

GMA Network's EBITDA margin has fluctuated over the past five years, increasing in 2015 and 2016 as revenue grew, decreasing in 2017 in line with decreasing revenues and decreasing in 2018 due to increasing costs. GMA's EBITDA margin then increased in 2019 as revenues increased. GMA Network's ROCE has trended similarly, with a recent fall due to higher costs.

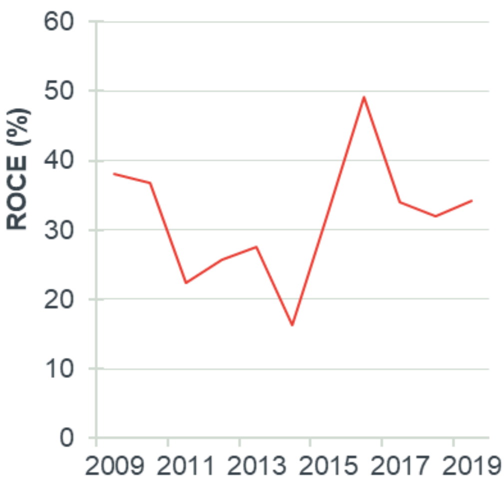
Figure 55. GMA EBITDA Margin



Source: Bloomberg

Note: Years in this chart refer to calendar years

Figure 56. GMA ROCE



Source: Bloomberg

Note: Years in this chart refer to calendar years

Revenues

GMA revenues have fluctuated around the US$ 300m over the last ten years. Looking closer at the 2015-2019 period, which sees an upswing in 2016, a fall in 2017-2018, and another increase in 2019, there are number of factors that it identifies as affecting its revenues, including political cycles, the increasing significance of online advertising, and exchange rate fluctuations.

GMA attributes their profitability decline in 2017 to the "*absence of the non-recurring influx from the 2016 elections*".[149] In other words, the success of 2016, as can be seen from the peaks in both the EBITDA and revenue charts was a special case because of an "*extra-ordinary election-related load*" with both national and local elections in the Philippines. Putting aside the election-related load, "*airtime revenues from regular advertisers ended at about the same level as last year*".[150]

In 2018 there was a continued decline in revenue, driven by an "*industry-wide contraction in advertising spending*".[151] GMA points to the implementation of new tax measures as adversely impacting advertising spending.[152]

While core channel airtime sales declined in the 2017-2018 period, online advertising revenue through the company's digital subsidiary, GMA New Media increased. GMA New Media operates GMA News Online and GMANetwork.com as well as the broadcaster's social media accounts and partnerships with OVSPs. GMA New Media saw strong growth rates throughout the period.[153]

This has meant that revenues have gradually become less reliant on the core channel, GMA-7, which comprised 81% of advertising revenues in 2017[154], "over three quarters" in 2018,[155] and "over three quarters" again in 2019.[156] GMA's remaining advertising revenue is generated from their other television channels, radio channels and online platforms.

The overall revenue increase in 2019 was driven by a revival in advertising revenue, with an increase of 10% compared to 2018.[157] GMA considers advertising revenues to be the "*lifeblood of the company*", and in 2019 there was a slight increase in its share of total revenue, from 91% to 92%.[158]

GMA's remaining non-advertising revenue is predominantly comprised of subscriptions income from international operations, the most important being GMA Pinoy TV, an international Pay TV channel aimed at the Filipino diaspora. There was growth in international operations and other businesses of 13% in 2017, owing to the depreciation of the Philippine Peso against the US dollar (the vast majority of the Filipino diaspora live in the U.S.[159] In 2018, revenue from international channels stayed flat as the depreciation of the Peso against the US dollar (less of a drop than in 2017) was counteracted by an attrition in subscriber count.[160] In

[149] GMA Annual Report 2017, p. 41

[150] GMA Annual Report 2017, p. 41

[151] GMA Annual Report 2018, p. 13

[152] GMA Annual Report 2018, p. 11

[153] Growth rates of 50% in 2015 (GMA Annual Report 2015, p. 14), 42% in 2016 (GMA Annual Report 2016, p. 15), 34% in 2017 (GMA Annual Report 2017, p. 42), 53% in 2018 (GMA Annual Report 2018, p. 13). GMA states that "online advertisements grew by 78%" in 2019 (GMA Annual Report 2019, p. 11)

[154] GMA Annual Report 2017, p. 42

[155] GMA Annual Report 2018, p. 50

[156] GMA Annual Report 2019, p. 53

[157] GMA Annual Report 2019, p. 52

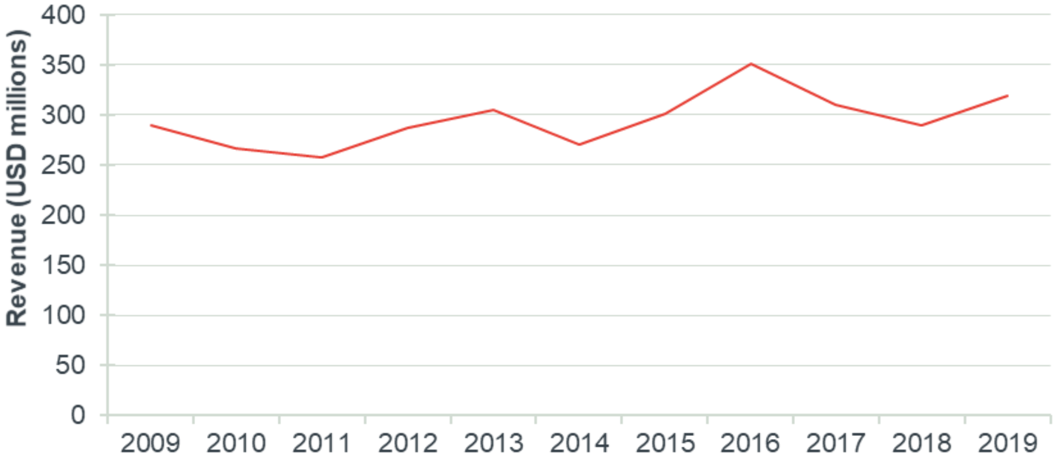
[158] GMA Annual Report 2019, p. 52

[159] GMA Annual Report 2017, p. 42

[160] GMA Annual Report 2018, p. 51

2019, there was a slight appreciation of the Peso against the US dollar, which compounded a continued loss of subscribers of 9%.[161]

Figure 57 GMA Network Revenue



Source: Bloomberg

Note: Years in this chart refer to GMA's financial years ending in December.

Costs

GMA's total operating costs rose in the period 2009 to 2014, then fell slightly to 2018 before rising again sharply in 2019.

GMA's operating costs comprise of production costs and non-production costs and in 2019 split evenly between these two categories.[162] This represents a slight decline in production costs as a proportion of total operating costs.

Changes in production costs, which includes talent feels, and rentals and outside services, are determined by which shows are produced in a given year. For example, the particularly high share in 2016 (and 8% absolute increase) was due to the production of a high-budget fantasy soap opera, and election coverage.[163]

Changes in non-production costs (GAEX – consolidated general and administrative expenses) are primarily driven by changes in personnel costs. For example, the increase in total operating costs seen in 2019 results from a 15% "hike" in GAEX.[164] (total production costs actually decrease by 1% this year), and GMA attribute this increase to "non-recurring/one-time…appreciation bonuses" as well as a "surge in provisions for pension liabilities".[165]

[161] GMA Annual Report 2019, p. 53

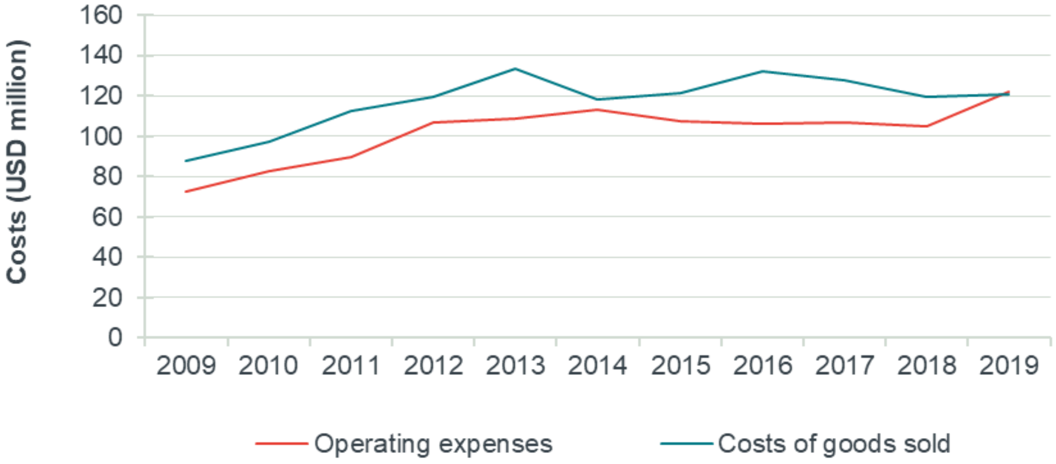
[162] GMA Annual Report 2019, p. 52

[163] GMA Annual Report 2016, p. 45

[164] GMA Annual Report 2019, p. 54

[165] GMA Annual Report 2019, p. 54

Figure 58 GMA Network Costs



Source: Bloomberg

Note: Years in this chart refer to GMA's financial years ending in December. Cost of goods sold includes direct labour, direct materials and overhead costs related to the goods and services sold. Operating expenses refer to expenditures that are not directly tied to the production of goods or services, such as rent, utilities and legal costs. These cost categories are mutually exclusive.

Risks

GMA notes their international channels have been most affected by the "continuing global shift in content consumption from the traditional pay platforms (Direct-to-Home/DTH and Cable) to OTT [OVSPs]".[166] GMA note that they "foresee" this revenue stream decline correcting itself as they develop their digital offering (though subscriber numbers did continue to decline in 2019).

Opportunities & adapting to digital disruption

GMA consider that the adaption to digital technologies offers opportunities. GMA manages its digital offer through its subsidiary GMA New Media.

Throughout the period, GMA's websites GMA Network.com and GMA News Online have been a consistent source of revenue, helping to drive continually strong revenue growth for GMA New Media, as analysed above in 'Revenues'.

More recently, GMA has entered into content provisioning agreements with OVSPs HOOQ and iflix, providing the company an extra revenue stream via the monetisation of existing content.[167]

GMA considers that its content is now accessible to "audiences both locally and internationally, through all available mass distribution platforms", and stresses its aim to be the *"best source of local, Filipino News and Public Affairs programming"*.[168] It also is notable that the 2015 iflix press release announcing GMA's partnership with the platform emphasises the broadcaster's "extraordinary library of *Philippine* TV programs, documentaries, and feature films [emphasis

[166] GMA Annual Report 2018, p. 11

[167] GMA Annual Report 2018, p. 54

[168] GMA Annual Report 2017, p. 12

added]".[169] As considered earlier, the broadcasting of Filipino content to the diaspora abroad is not a new strategy, given GMA's long-standing international channel, Pinoy TV. What this reflects is an acknowledgment that Filipinos internationally are increasingly better reached via online video streaming as opposed to 'traditional' Pay TV. GMA's app gives access to exclusive content, games, and features on mobile.[170]

GMA Network has also partnered YouTube, and received an innovation funding grant to produce a digital newscast for the site.[171] Finally, GMA is using social media to learn more about their audience and to consider the feasibility of increasing the volume of its exclusive digital content in the future.[172]

Since 2017, there has been a focus on the digitalization of terrestrial television. By 2018, GMA invested US$20 million to complete the roll-out of Digital Terrestrial Transmitters.[173] GMA also signed a Technology, Content and Distribution agreement in 2019 with the telecoms company PLDT-Smart which will further extend the reach and availability of GMA-7 and GNTV while offering bundled products of interest and value to the consumer.[174]

GMA has invested to supply branded set top boxes which support digital services (the "GMA Affordabox"[175]). This digital television product is both a receiver for digital television and a digital media set-top box, combines DTV and over-the-top (OTT) media delivery (device turned the television into a smart TV capable of playing on-demand content while simultaneously running chat applications). The Affordabox also expands GMA's channel range, including a new channel 'Heart of Asia' that features South Korean, Chinese, and Thai dramas alongside GMA-produced titles.[176]

Conclusion

GMA has adapted to digital disruption by licensing its content to other providers, seeking to expand geographically into different markets, and aiming to harness its specialisation in Filipino content for monetisation in the digital space. GMA has also pursued technological innovation with the Affordabox, which seeks to harness demand for digital terrestrial television generated by the Philippines' ongoing transition (due for completion in 2022)[177] and for on-demand online streaming content. Launched in June 2020, GMA has told shareholders the device has been "selling like hot pandesal [a popular Filipino bread roll typically eaten for breakfast][178]", though it does not provide any figures.[179]

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169 See: https://blog.iflix.com/wp-content/uploads/2018/02/2015.08.17.GMA-CONTENT-NOW-AVAILABLE-ON-iflix-INTRODUCES-CATCH-UP-TV-.pdf

170 See: https://play.google.com/store/apps/details?id=com.gmanmi.entertainment.mobile&hl=en_GB

171 GMA Annual Report 2018, p. 7

172 GMA Annual Report 2018, p. 11

173 See: https://www.dailypedia.net/2019/03/gma-network-invests-20-million-for-digitization-upgrades/

174 GMA Annual Report 2018, p. 12

175 See: https://www.gmanetwork.com/affordabox

176 See: https://www.bworldonline.com/gma-networks-affordabox-gets-overwhelming-public-response/

177 See: https://technology.informa.com/591608/philippines-sets-target-for-switchover-to-digital-terrestrial-television

178 See: https://www.lexico.com/definition/pan_de_sal

179 See: https://business.inquirer.net/302936/gmas-affordabox-selling-like-hot-pandesal

Although there was been three consecutive annual declines in EBITDA since 2016, GMA attribute the 2016-2017 and 2017-2018 revenue to a downturn in the political cycle, and new tax measures, respectively. Notably, the 2018-2019 period saw an uptick in revenue, which translates into a decelerating, but continuing, decline in EBITDA, due to, according to GMA, one-off extraordinary personnel expenses, as analysed in ‘costs’.

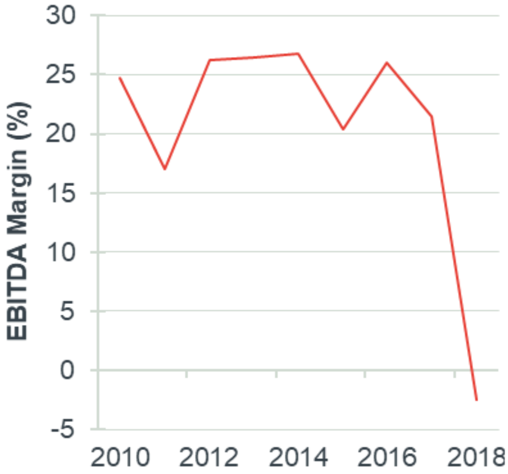
F.4 HUM Network

HUM Network is a global entertainment and news network, based in Pakistan, but with a strong following across South Asia. HUM Network owns HUM TV (offering a mix of content), HUM Sitaray (entertainment shows), HUM Masala (food channel) and HUM NEWS.

Introduction

The HUM network’s profit margins have been fluctuating between 17% to 26% between 2010 to 2017 before falling to a loss of -2.5% in 2018 calendar year.

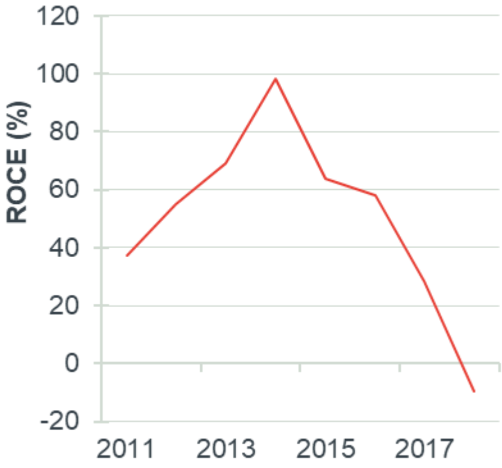
Figure 59. HUM EBITDA Margin



Source: Bloomberg

Note: Years in this chart refer to calendar years

Figure 60. HUM ROCE



Source: Bloomberg

Note: Years in this chart refer to calendar years

Revenues

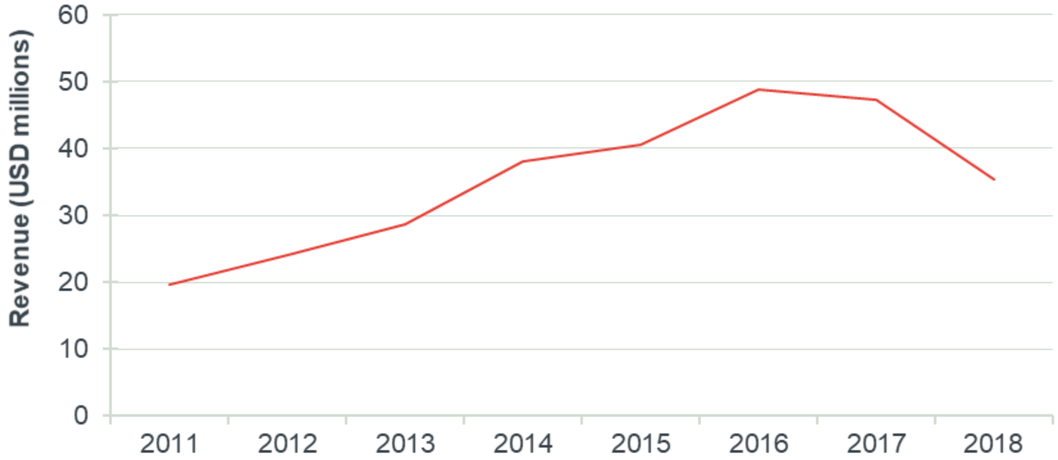
Revenues grew in the period to 2017 and fell in 2018 and 2019. HUM attributes the decline in 2018 to “political and economic instability”[180], though the decline in core advertisement revenue was cushioned somewhat by an increase in film distribution and subscription revenue. In 2019, revenue fell more sharply. HUM attributes this to short-term uncertainty created by economic reforms dissuading advertisers.[181] It noted that there was *“a major shift in total advertisement spend from TV to Digital medium globally”*. However, in commenting on its revenues it stated that *“Ad Revenue shrunk by 30% - 35% owing to economic instability due*

[180] HUM Annual Report 2018, p. 35

[181] HUM Annual Report 2019, p. 6

to dwindling foreign exchange reserves, low exports, high inflation, growing fiscal deficit and current account deficit".[182]

Figure 61 HUM Network Revenue



Source: Bloomberg
Note: Years in this chart refer to calendar years

Costs

HUM faced higher production costs in 2018 due to the initial launch of HUM News, a new 24-hour news channel in Pakistan.[183] This was part of an investment strategy that created a cost "*surge*" but was nevertheless considered to be necessary by HUM to "*compete and provide the best content for viewers*".[184] Going forward, HUM is comments that is continuously making efforts to reduce costs and implementing cost-minimizing strategy.[185] This includes "*better negotiations with suppliers and better control on distribution spends*".

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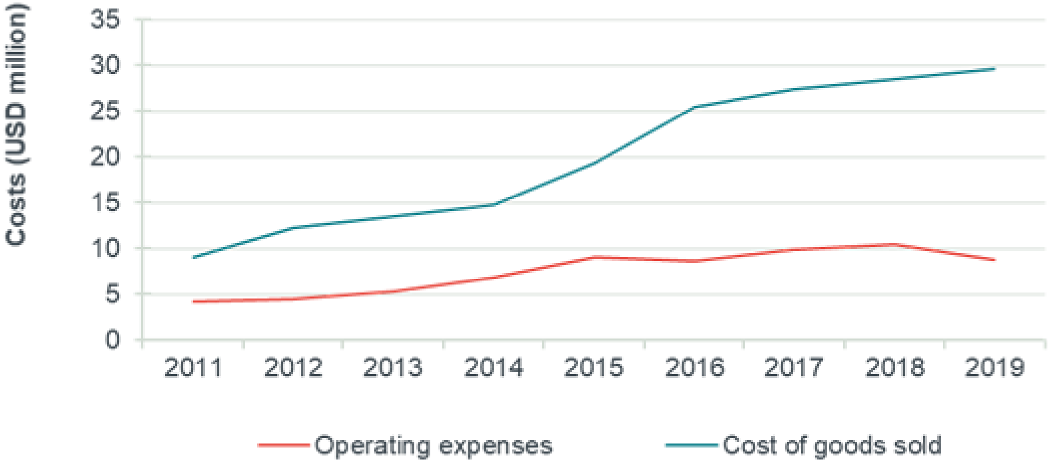
[182] See: https://www.humnetwork.tv/pdf_2019/Corporate%20Briefing%20Session%202019%20(Final).pdf, p. 18

[183] HUM Annual Report 2018, p. 35

[184] HUM Annual Report 2018, p. 35

[185] See: https://www.humnetwork.tv/pdf_2019/Corporate%20Briefing%20Session%202019%20(Final).pdf, p. 18

Figure 62 HUM Network Costs



Source: *Bloomberg*

Note: *Years in this chart refer to HUM financial years ending in June. Cost of goods sold includes direct labour, direct materials and overhead costs related to the goods and services sold. Operating expenses refer to expenditures that are not directly tied to the production of goods or services, such as rent, utilities and legal costs. These cost categories are mutually exclusive.*

Risks

HUM notes that its increased investment, for example recently in HUM News, may not necessarily result in sustained incremental viewership,[186] though it considers the incurring of high expenditure necessary from time to time in order to “compete and provide the best content to viewers”.[187]

HUM has recently pursed what it considers to be a risk mitigation strategy, by generating revenues from different avenues (diversification of revenue streams). This includes the acquiring of MD Productions, a television and film production company, and its venture into e-commerce through HUM Mart.[188]

Opportunities & adapting to digital disruption

HUM network has focused on several long term strategies in response to digital disruption, seeking to leverage its competitive advantage as a producer of Pakistani content.

In 2015, HUM saw content monetisation in the digital space as “*an avenue for high growth*”, and, that year, entered into a partnership with the Indian OVSP ErosNow to licence its content.[189] HUM made a similar agreement with iflix in 2016, with iflix stating the purpose being to provide *“some of the best Pakistani content to millions of keen internet users across the globe*”, and “*introduce Pakistan’s popular soaps to a new digital generation of South Asians globally*”[190], again showing how traditional broadcasters view their library of *local* content as a crucial advantage

[186] HUM Network Annual Report 2019, p. 36

[187] HUM Network Annual Report 2019, p. 35

[188] HUM Network Annual Report 2019, p. 36

[189] HUM Network Annual Report 2015, p. 15

[190] See: https://blog.iflix.com/wp-content/uploads/2018/02/2016.12.27.IFLIX-SIGNS-MULTI-YEAR-DEAL-WITH-PAKISTAN%E2%80%99S-TOP-NETWORKHUM-TV.pdf

and opportunity within the digital space. In 2019 the company launched HUM News in the UK.[191]

In 2018, HUM considered that "*the consumer shift towards digital services"* is an economy wide trend HUM is *"well positioned to take advantage of*". HUM Network content is now available on the OVSPs Netflix, Iflix, and ErosNow[192], as well as through channels on YouTube and Dailymotion.[193] In 2018, HUM launched an exclusive web series "Chattkhara" last year, available on HUM's YouTube channel.

HUM has also recently launched a new mobile app that allows users to live stream HUM TV shows on demand as well as view trivia and other exclusive content related to their most popular shows.[194]

Conclusion

HUM Network has recently faced declining revenue and EBITDA. It ascribes its sudden decline in profitability in 2019 (making a loss for the first time) to a 30-35% reduction in advertising revenues, whilst noting that advertising revenues in Pakistan face difficult macroeconomic conditions. HUM has also experienced rising costs related to new channel such the establishment of HUM News. Looking to the future HUM considers that "macroeconomic stability in the country will have a positive effect on the Company's profitability".[195] HUM hopes to leverage its advantage in local content in the digital space, and to continue expanding its offer internationally, highlighting the opportunities provided by digital disruption. Another aspect of their digital strategy is the reduction of risk through diversifying revenue streams. HUM has pursued both a risk reduction and opportunity-centred response to digital disruption.

[191] HUM Network Annual Report 2019, p. 36

[192] HUM Network Annual Report 2018, p. 40

[193] HUM Network Annual Report 2018, p. 37

[194] See: https://play.google.com/store/apps/details?id=tv.hum.navapp&hl=en_GB

[195] HUM Annual Report 2019, p. 32

ANNEX G CASE STUDIES OF BROADCASTERS ADAPTING TO DIGITAL TRANSFORMATION

This annex outlines how the broadcasters in our four case studies have responded to the challenges digital transformation.

Challenges from digital disruption come from both OTTs who compete with traditional broadcasters directly for the consumption of video content, as well digital media more broadly, which competes for consumers' time. Figure 28 outlines innovations enabled by the digital realm across four broad categories, with examples of how these threaten the business model of traditional broadcasters.

Figure 63 The challenges to traditional broadcasters of digital disruption

Innovation	How are traditional broadcasters challenged?
Broader content offering	▪ OVSPs offer a large library of content on an on-demand basis. Netflix offers 530 shows and 6,755 movies. Amazon Prime video offers 18,405 movies and 1,981 TV shows. ▪ OVSPs offer their content online with on-demand functionality. Compared to traditional broadcasting, consumers have more choice over when to consume content. Consumers can pause and resume content throughout viewing. Search capability enables consumers to better identify programs that interest them, such as preferred genres and local content. ▪ OVSPs invest in exclusive content on a global scale across film, high quality drama and comedy. Netflix released 371 new TV series and movies in 2019. ▪ OVSPs invest in new distribution technologies. Netflix offers Ultra-HD quality in their premium edition. Netflix offers Ultra-HD quality in their Premium edition.
Deeper engagement with consumers made possible by digital technology	▪ OVSPs are providing short-form content as an alternative to traditional broadcasters' long-form content. These are increasingly popular amongst young people and children in particular Algorithms optimise site pages to promote shows based on the user's viewing habits. ▪ Online video services allow for consumer interaction such as through user-uploaded content, comments sections, and voting. This threatens traditional broadcasters with a more compelling product than "standard" media consumption.
Innovative and powerful advertising new propositions	▪ Online advertising is highly targeted, offers significant functionality for advertisers, and offers more accurate measurement of audience reach.
Alternate commercial offering	▪ OVSPs offer cheap monthly subscriptions with minimal contractual restrictions.

Source: Frontier

Case Study 1: Channel 4

Channel 4 is a UK commercially-funded publicly owned broadcaster. It has a public service remit that requires it "demonstrate innovation, experiment and creativity" and "exhibit a distinctive character" amongst other conditions. Channel 4's channels include E4 (16-34-year olds), More4 (35-60-year olds), Film4 (movies), and 4music (music).

Channel 4's response to the challenges of digital disruption

Response	Channel 4
Use digital technologies to broaden their content offering to consumers	▪ All4 is Channel 4's on-demand online video service. It offers 1564 shows including not just catch-up from recently aired shows but back catalogue viewing, such as box-sets of comedies particularly popular with the younger demographic more likely to switch to OVSPs. Like Netflix, All4 is offered on PlayStation and Xbox video game consoles, as well as on Apple and Android phones as an app. All4 launched in November 2006. It was the first of the 4 traditional UK broadcasters (BBC, ITV, Channel 4, Channel 5) to do so, launching a year before BBC iPlayer. All4 has 18 million registered users. ▪ It has developed a portfolio of channels. Channel 4 offers Film4 (launched November 1998) – originally subscription based, free since July 2006 and currently the only film channel available free on digital terrestrial television. Channel 4 also offers E4 (aimed at ages 16-34), More4 (lifestyle at ages 35-60), 4Music (music videos), 4seven (catch up from all channels), and timeshift variants ("+1") of all its channels except 4Music and 4seven. Channel 4 was the first UK terrestrial broadcaster to offer a time-shift variant of its main channel (in 2007). ▪ Channel 4 invested £662m in originated and acquired content in 2018, including £489m in originated content alone. They invested £82m on originated and acquired films. They license high quality US drama such Homeland. In 2011, Sky launched Sky Atlantic, a channel dedicated to US imports. ▪ Channel 4's public remit necessitates that it "demonstrate innovation", which has helped build its reputation as a broadcaster "willing to take risks other broadcasters won't" and "pushing boundaries", according to a 2017 market research report . This gives Channel 4 a distinctive brand advantage ready to compete against OTTs in the exclusive content space.

	▪ Channel 4 HD launched in December 2007 earlier than ITV HD and Channel 5 HD, and the same month as BBC HD. All4 is offered on PlayStation and Xbox video game consoles, as well as on Apple and Android phones as an app.
Use digital technologies to deepen their engagement with consumers	▪ Channel 4 has integrated short form content into its demand programming. Channel 4 uses social media to generate and deepen interest in its TV including by offering clips of content. ▪ Channel 4's Facebook page has 2.6 million likes, the largest of all the traditional broadcasters. ▪ Channel 4's twitter account regularly tweets clips from its shows and news broadcasting in "viral" form with subtitles at the bottom of the video window and a sensationalised title in large text at the top. ▪ Shows on Channel 4's on-demand service All4 often feature a "Clips and Extras tab" for shows where viewers can access short-form content taken from the main show. ▪ Shows on Channel 4's on-demand service All4 often feature a "Clips and Extras tab" which have behind the scenes, trailers, blooper footage exclusive to the platform. ▪ Channel 4's new reality TV show "Circle" has an app providing news alerts about the show. This helps to build consumer engagement and excitement outside of the show's airtime to drive viewing figures.
Online adverting offers greater functionality	▪ In 2019, Channel 4 signed a deal with Sky to use their Ad Smart technology, which targets ads to different customers watching the same program through Sky and Virgin. On All4, Channel 4's Project Agora allows advertisers to create their own customer audience segments. ▪ 4sales offers weekly and monthly viewing reports. Pre-roll advertising online cannot be skipped. ▪ Via 4sales, Channel 4 sells advertising on behalf of a number of other channels (i.e. it consolidates advertising), including all UKTV Channels (Alibi, Dave, Drama, Eden, Yesterday, Gold, and W), as well as HGTV, Really, BT Sport, and The Box Plus Network. This gives the channel greater bargaining power when competing for advertisers.
Diversify into offering new services	▪ Channel 4 offers 4+, an ad-free version of All4 for £4 a month (compared to £9 for Netflix Standard and £6 for Amazon Prime Video).

Source: Frontier

Case study 2 – Sky UK

Sky UK is a British broadcaster and telecommunications company and is the largest Pay TV broadcaster in the UK, offering services through asset top box, and its service “Sky Q”. Sky’s channels include Sky Sports (sports), Sky Atlantic (American imports), Sky News (News), and Sky Cinema (movies).

Sky UK’s response to the challenges of digital disruption

Source: Frontier

Response	Sky UK
Use digital technologies to broaden their content offering to consumers	■ Sky’s satellite platform was initially was unable to offer “on demand” content (unlike cable or IP providers). However, it iteratively invested in its platform to offer ever greater on demand functionality in order to address competition from cable TV providers (and emerging IPTV services). It invested in its set top box to offer on demand capabilities (Sky Anytime launched in 2007). In 2010 it launched its true on demand service. From 2006 it launched Sky Go which enabled downloads to PC or mobile device. In 2012 it launched Now TV a standalone subscription on demand service. ■ Sky invested significantly in 3D broadcast technology. This ultimately did not take off – but is nonetheless illustrative of the investments and risks that broadcasters need to take to differentiate. ■ Sky invests significant amounts in (UK) exclusive “original” drama, comedy and entertainment which competes directly with Netflix (e.g. Chernobyl – a co-production with HBO).
Online adverting offers greater functionality	■ Sky’s AdSmart enables advertisers to place targeted advertising. The technology inserts targeted advertising on set top boxes, live and pre-recorded and during stream. In this way it can directly compete with online advertisers in terms of the functionality of targeted advertising, whilst offering level of quality and intensity made possible through its traditional medium. ■ Sky has invested in audience measurement and offers advertising products which cross the linear and online inventory portfolio that it manages on behalf of its own broadcast and third parties. ■ Sky sells advertising on behalf of a number of broadcasters including MTV, Nickelodeon, and Comedy Central. Sky Advance enables advertisers to leverage broadcasting and non-broadcast advertising.
Diversify into offering new services	■ Sky TV now comes bundled with Netflix and costs £25 a month. NowTV (provided by Sky) is supplied for £9 per month and offers on-demand viewing of Sky films, sports, and entertainment shows. Unlike Sky’s flagship satellite TV service, NowTV does not require a long-term contract.

Case study 3 – Media Nusantara Citra TBK PT

Media Nusantara Citra is an Indonesian commercial advertising funded broadcasting group. It operates 4 Free-To-Air channels as well as 18 channels broadcast on Pay TV. MCN's FTA Channels are RCTI (news, sports, and soap operas), MNCTV (quizzes, soap operas, and reality TV shows), GTV (game shows and cartoons), and iNews (news). RCTI is the most watched and widely broadcasted FTA station in Indonesia.[196]

Media Nusantara Citra's response to the challenges of digital disruption

Response	Media Nusantara Citra
Use digital technologies to broaden their content offering to consumers	▪ MNC possesses around 40% of the total local content library in Indonesia.[197] By leveraging this, MNC's on demand service RCTI+, which launched on 23rd August 2019 grew to exceed 1 million monthly active users at the by June 2020, making it the fastest growing OVSP in the country.[198] In 2020, the service is targeted to have more than 20 million MAU with an estimated revenue of USD 30 million or 5 percent of total MNCN revenue.[199] In the next 4 years, digital revenues are targeted to represent 50% of the company's revenue. (This includes revenue earnt via YouTube).[200] ▪ RCTI+ is available both in browsers and as a phone app. It features both live streaming app for their 4 FTA channels as on demand content. ▪ MNC has invested significant resources in broadcast and production facilities that enable the company to produce programmes such as drama series, animation (exported globally), and talent search shows like the Indonesian Idol, The Voice, MasterChef, and Rising Star. This is the type of content that traditional broadcasters have an advantage over OVSPs, due to the large/universal reach/appeal of their offerings. ▪ MNC launched 6 new Pay TV channels in 2013, expanding their total channel portfolio to 20 over Direct to Home (satellite) platform.
▪ Use digital technologies to deepen their engagement with consumers	▪ RCTI+ has content exclusive to the online space, including short form clips and behind the scenes footage, a chat feature, quiz voting, live chat with "MNC talents" and User Generated Content features for talent search competitions such as Indonesian Idol, where viewers can their upload audition tapes and vote on others'

[196] MNC Annual Report 2019, p. 189

[197] MNC Annual Report 2019, p. 109

[198] See: https://www.mncgroup.com/files/contents/1596508874_PR%20BHIT%201H2020.pdf

[199] See: https://www.idx.co.id/StaticData/NewsAndAnnouncement/ANNOUNCEMENTSTOCK/From_EREP/201910/a42af6b347_3f7c149743.pdf

[200] See: https://www.mnc.co.id/contents/detail/en/570/terus-naik-digital-konten-akan-kuasai-40-pendapatan-mncn-pada-2022

	performances MNC intends to introduce a reward program to increase user engagement. The company's User Generated Content platform MeTube currently has over 10 million monthly active users.[201] ▪ MNC operates a multi-channel network on YouTube which more than 2 billion views generated every month. It has the fastest growing number of views and subscribers in Indonesia. 5.5% of the total video viewership on YouTube is on MNC produced content.[202] ▪ MNC's largest FTA channel RCTI has 3.3m followers on twitter and regularly shares short-form content from its programming.[203] ▪ MNC operate three online portals: okezone.com, iNews.di and sindonews.com. The latter two portals are news sites and the former is a news and entertainment site. Currently, on the Alexa rank, Okezone is the number one most visited portal from all portals in Indonesia, even higher than Google.[204]
Online adverting offers greater functionality	▪ MNC sells different forms of advertising from filler TVC, built-in, product placements and "squeezed-frame" advertising for the FTA channels. ▪ They also sell a different form of digital ads, such as pre-rolls prior to video content, banner ads on apps and ads that align with user comments in the chat feature.
Diversify into offering new services	▪ In 2019, MNC reached a deal with iflix to license 10,000 hours of its content to the OVSP.[205] ▪ MNC signed an agreement[206] with Facebook to obtain 55% of digital advertising revenues from their content on the site. (Such an agreement is commonplace for large YouTube content creators).[207]

Source: Frontier

[201] See: https://www.idx.co.id/StaticData/NewsAndAnnouncement/ANNOUNCEMENTSTOCK/From_EREP/201911/0648d12389_ab6d029fc2.pdf We assume that "10 MAU" means 10 million MAU and that this is a mistake.

[202] See: https://www.idx.co.id/StaticData/NewsAndAnnouncement/ANNOUNCEMENTSTOCK/From_EREP/201911/0648d12389_ab6d029fc2.pdf

[203] See: https://twitter.com/OfficialRCTI?ref_src=twsrc%5Egoogle%7Ctwcamp%5Eserp%7Ctwgr%5Eauthor

[204] See: https://www.mnc.co.id/contents/detail/en/570/terus-naik-digital-konten-akan-kuasai-40-pendapatan-mncn-pada-2022

[205] See: https://blog.iflix.com/wp-content/uploads/2019/05/MNC-x-iflix-FINAL.pdf

[206] See: https://www.idnfinancials.com/news/34020/mnc-signs-agreement-facebook-digital-advertising-revenue

[207] See: https://www.investopedia.com/articles/personal-finance/032615/how-youtube-ad-revenue-works.asp

Case study 4 – TrueVisions

TrueVisions is a cable and satellite television operator in Thailand owned by the True Corporation. It offers set-top boxes both with and without monthly fees (the monthly fee grants access to extra channels).[208] TrueVisions channels include TrueFilm (films), TrueSport (sports), TrueSpark (children's programming) and TNN (news). TrueVisions faced declining subscriber rates in 2017[209], and responded by increasing its digital offer alongside other measures. It has since seen increasing subscriber growth.[210]

TrueVisions strategies to respond to digital disruption

208 See: https://www.bangkokpost.com/tech/289572/truevisions-launches-box

209 See: https://www.bangkokpost.com/business/1742489/screen-shake-out

210 See: https://www.thestorythailand.com/en/18/05/2020/1044/

Challenge	TrueVisions
Use digital technologies to broaden their content offering to consumers	▪ True Corporation's digital media and internet division, True Digital Group is responsible for overseeing the distribution of TrueVisions content to the digital space. They describe their mission as "to drive innovation and capture growth opportunities arising from the shift to the digital economy".[211] ▪ Since its launch, the TrueVisions mobile app, TrueID has become the most downloaded application in its category, reaching 24.6 million monthly active users (MAU) by the end of 2019[212]. It is available to all users, but TrueVisions customers get the best benefits. It replaced the older app, TrueVisions Anywhere, which launched in 2015 ▪ TrueVisions regained the rights to broadcast the English Premiere League for the 2019/20 and 2021/22 seasons.[213] This is the type of content OVSPs find hard to compete with, given its lack of substitutability, and the long-standing use of Pay TV services in licensed venues such as pubs. ▪ TrueID offers live streaming of TrueVisions channels, as well as on-demand viewing.
Use digital technologies to deepen their engagement with consumers	▪ The TrueVisions YouTube channel has clips from TrueVisions shows and currently stands at 2.3 million subscribers.[214] ▪ TrueID offers chat, voice, and video communication services.[215] ▪ In 2019, TrueVisions launched TrueID In-Trend, a user-generated content feature of TrueID. It promotes content created by Thai locals on topics such as food, travel, fashion, and the latest news, categorised by regions. It features 19,000 creators.[216] ▪ Also in 2019, TrueID launched TrueID Station, a 24-hour TV station available on TrueID with original content and production, such as Influencer Live Community where internet influencers give commentary on sports.[217] ▪ TrueVisions partners with the personalisation, discovery, and recommendations solution, ContentWise to power personalised recommendations and discovery for the service, with the aim to increase customer satisfaction and drive Pay TV revenues.[218]
Online adverting offers greater functionality	▪ In 2019, TrueVisions began utilising virtual ads in in the Viz Arena for volleyball games by collaborating with Virtz, who provide image-based tracking technology. This allows TrueVisions to insert ads onto and around the side of the court without any actual physical disruption of intrusion in the venue.[219]

[211] True Annual Report 2019, p. 29

[212] True Annual Report 2019, p. 8

[213] See: https://www.premierleague.com/news/1241698

[214] See: https://www.youtube.com/user/TrueVisionsOfficial

[215] True Annual Report 2019, p. 29

[216] True Annual Report 2019, p. 11

Challenge	TrueVisions
Diversify into offering new services	▪ In 2012, TrueVisions launched a new set-top box that incurs no monthly fee.[220] ▪ In 2019, TrueVisions launched a privilege and loyalty platform called TrueYou. Customers can earn TruePoints to sped on deals in TrueID. True Corporation comments that this has “greatly enhanced customer retention and quality subscriber growth”.[221]

Source: Frontier

[217] True Annual Report 2019, p. 11

[218] See: https://www.multichannel.com/pr-feed/truevisions-chooses-contentwise-deliver-multiscreen-personalization-thai-tv-viewers-391050

[219] See: https://www.vizrt.com/sports/case-studies/true-vision-viz-arena-volleyball

[220] See: https://www.bangkokpost.com/tech/289572/truevisions-launches-box

[221] True Annual Report 2019, p. 232

www.frontier-economics.com