Online Video Study in Thailand

CONC, Thammasat Business School

Executive Summary: Introduction

Audiovisual markets in Thailand changed rapidly in recent years, benefiting local content producers more than foreign content producers as 90% of video content in Thailand is in Thai. Over-the-Top platforms (hereinafter, OTTs), also called online services, online content providers, or rich interaction applications (RIAs), continue to flourish and supporting local growth in Thailand. Users, producers, and consumers therefore benefit – culturally and economically - from an ever-increasing range of creation and distribution platforms, content and services.

The phrase 'OTT' originates in the telecoms industry and simply describes any application or service travelling over the Internet. This imprecise phrase therefore applies to any and all services running over the internet, from banking to government services. More specifically, RIAs correspond to applications that are used for a wide range of functions, allowing parties to interact with each other in a long and growing number of ways. (WIK, 2017)

It may not be practical to directly regulate OTTs or RIAs as telcos, broadcasters or cable casters are fundamentally differ by nature and feature a vast variety of business models. OTTs are also subjected to a variety of other national and international regulations, including intellectual property, security, cybersecurity, privacy, consumer protection, antitrust, and others. These regulations vary by country, resulting in high transaction costs and corresponding legal complexity for OTTs, which typically operate across multiple countries regardless of size.

Telco and broadcasting sectors in countries around the world have pressed for regulators to impose their own regulatory regimes against OTTs under a “level playing field” argument. This pressure is present in Thailand, where the National Broadcasting Commission (NBTC) is discussing the application of broadcasting type rules to OTTs that offer Video on Demand (VoD) services.

This study aims to map and understand the situation in Thailand and make recommendations to ensure that any proposal is fit for purpose and based on the public interest. As in any highly innovative ecosystem, in the online environment a rule-by-rule analysis is called for, rather than a broad stroke, impractical extension of traditional rules that may not be applicable to new services. The recommendations we point to in this study are based on the analysis of information and data obtained from bibliography review, case mapping, and interviews with stakeholders and industry experts.

Executive Summary: Benefits of OTT Online Video

The online audiovisual expansion brings numerous benefits to consumers, content creators, producers, companies and the whole economy, generating a strong demand for better internet infrastructure and data.

Consumers:

- Consumers can gain immediate access to content faster and easier, anywhere and anytime that Internet access is available at sufficient speeds, via various devices. Compared to the traditional channels of broadcast and cablecast, consumers have more choice and more power.
- **Consumers acquire new knowledge and transform that into income (THB 53,857/year) and savings (THB 13,218/year).**
- The average consumer surplus is **116 THB per person.**

Executive Summary: Benefits of OTT Online Video

Benefits for Content Creators (both professionals and amateurs):

- Content creators can create, reach and expand viewership without the content industry's traditional intermediaries.
- When compared to traditional platforms, these content creators can benefit from using OTT platforms as a creative space with a reduced production cost and lower barriers to entry.
- Case studies show that OTT platforms can give content creators the opportunity to transform their hobby into a career.
- Producers that had only traditional TV as a distribution channel can now also benefit and use OTT platforms as a new distribution and revenue channel, resulting in the expansion of their viewership and allowing for a better and more personalized engagement with their existing viewers.

Benefits for Thailand's Economy:

- The entire economy also benefits. By using an input-output model, and estimating the impact of OTTs on employment, **OTT players in Thailand generated THB 36.8 billion in 2016, and around 29,456 job positions were created to serve the production of online content industry in 2016[1].**

Source: [1]CONC analysis based on the data from Cebr analysis, jobsDB Thailand

Executive Summary: Study coverage

While the potential economic and social benefits of online VoD business models are still emerging, this study focuses on providing an overview of the flourishing Thai market and on its benefits for content creators and consumers. The report also maps the positive contribution of this market to the Thai economy.

The report also draws on international OTT regulation discussions, finding no consensus or model regulation proposed, with some countries like Singapore deciding to step back and let innovation happen before any political or legal intervention. We also find that OTT regulatory debates, research and consultations are still in early stages in most countries around the world, with the exception of Europe, which has been discussing reforms for both the video and communications sectors for the past couple of years. Within those processes, EU, by design and based on best practices, undertook ample and ongoing stakeholders' participation in debating OTT regulation.

While this study focuses predominantly on video, it should also be noted that other OTT services, such as those involved in e-commerce, payments, messaging, the sharing economy and transportation services, would not necessarily fit into any regulatory model appropriate for video or telecom. OTT services cover a wide array of services and innovations, and it is unlikely that they would adequately be regulated under one umbrella 'OTT regulation'.

Regulators should engage with industry to identify policies that will enable citizens and entrepreneurs to benefit from OTT applications, without distorting the marketplace with ineffective policies.

Executive Summary: Influencers of The Online Audiovisual Market

This study identified the core influencers for the growth of the online content industry in Thailand, finding:

- demographic change, especially on consumer behavior and producers' opportunities to produce and share content in an easy and cheap way,
- digital transition[1],
- increasing availability and quality of connectivity,
- decreasing price of broadband[2] and,
- increasing number of smartphone users[3].

These factors have encouraged consumer demand for user-controllable Internet-based content and for the development of new technology for the constantly-connected mobile viewer.

This increasing demand for online content and services provided by OTTs also increases network access and data use demands, which network operators monetize. OTTs and network access providers thus complement each other. Technology, innovation, and consumer demand will continue to drive the evolution of the online audiovisual industry and traditional broadcasting, generating an increasing demand for better infrastructure.

Source: [1]CONC analysis based on the data from Wearesocial
[2]CONC analysis based on the data from Thailand Board of Investment
[3]CONC analysis based on the data from National Statistical Office of Thailand

Executive Summary: Viewership Behavior

Data Estimations:

In Thailand, we observe an increasing number of local online content creators as well as a wider variety of offers by traditional broadcasters. Traditional broadcasters have added online channels as another distribution channel for their content.

In line with global trends, Thai consumers are spending less time on TV. From 2012 to 2016, the observed decrease, with a CAGR -6.0%, was from 3.2 hours per day to 2.5 hours per day. By 2020, we forecast that the time spent on traditional audiovisual mediums (e.g. TV set) will decrease to 1.9 hours per day, with CAGR of -6.4%. This will result in 19,755 million hours of total traditional audiovisual consumption in Thailand[1] .

In turn, the market value of the online content industry in Thailand reached THB 10,005 million in 2016, with CAGR of 37.6% between 2012-2016. It has been forecasted that by 2020 the online sector is expected to grow to THB 16,245 million at CAGR 12.9%. The traditional sector is expected to slightly decrease to THB 68,991 million mainly due to more consumer choices and changes in behavior.

Survey Results:

This study also conducted an online consumer survey of Thai users across all ages and regions to understand online content consumption behavior. Some of our observations based on this survey are: Thai users are likely to shift towards online mediums, during 2012-2016, daily time spent on online audiovisual content grew significantly with CAGR of 12.2% from 2.4 to 3.8 hours per day. We predict that the time spent online will continue to grow, with CAGR of 5.5%, and in 2020 Thai users will be online for, at least, 4.7 hours per day. This forecast will drive the total online audiovisual consumption to reach 54,695 million hours per year in 2020[1].

Source: [1]CONC analysis based on the data from online consumer survey (n=409)

Executive Summary: Thailand's Regulatory Discussion

The NBTC has concluded that since the OTT market in Thailand is young, Thailand should, for now, keep the status quo and monitor for impacts, rather than intervene in the market through regulations or other measures.[1]

The NBTC also concluded that while many countries are aware of the rising use and potential impact of OTT video services on traditional telcos and broadcasters, there is no universally-accepted best practice or model for regulating OTTs. The NBTC, however, points to some key recommendations for the government to consider:

- Support good and creative local content created for and distributed through OTT platforms, including a *Content Support Fund* in Thailand to foster development of local content.
- Impose on OTTs licensing with 2 levels of implementation based on OTT company maturity and competition potential with broadcasters.
- Impose content quota, maturity system and accessibility requirements.

Source: [1]CONC analysis based on the data from CASBAA

Our Recommendation: Proceed with Caution and Based on Evidence

There is a real risk that **small local content providers** would be unrealizable by requirements such as licensing and **subjected to unnecessary regulatory barriers**. This would restrict local Thai providers from being able to compete and have their content distributed globally. **And deny Thailand and its citizens the very many social, cultural and economic benefits that arise from supporting local emerging artists and Thailand's creative sectors**.

The **adverseness on the industry and overall economy in Thailand should not be underestimated**. For example, economic modeling in a variety of industries has shown that licensing requirements especially on new and innovative services can significantly delay launch of new services.

At the very least platforms that do not exercise editorial control over the content in question should be out of scope. There should also be a **distinction between TV like content vs other content**, and **user-generated-content (UGC)** should clearly be out of scope.

Rather than jumping in and imposing overly broad and potentially counterproductive regulations. It may in the interest of any government to step back and carefully evaluate the benefits of online video services, and the potential costs of regulation.

Our Recommendation: Proceed with Caution and Based on Evidence

We believe that a competitive online video ecosystem should provide local and global businesses opportunity to innovate as opposed to being restricted by prescriptive rules. Lower restriction should promote content creation, expansion of the local media industry and subsequently strengthen the position of Thailand as a regional and global hub for creative content creation.

Based on our findings, and on the early stage of the OTT Video market in Thailand, we make the following recommendations that focus on how the government can step-in to create an environment that generates economic growth and benefits Thai society.

1. Treat digital literacy as a foundational issue: Government and private sector should work together to promote digital literacy as targeted support scheme.

1.1. Digital literacy, including digital security, acts as a strong foundation to help the public make their own judgement and selection of content, supporting better decisions in regard to inappropriate content.

1.2. Specific digital literacy programs can also provide professional training in support of a new generation of talents and content creators.

2. Support investment and partnerships: Government should create incentives for both foreign and local investors to partner with local creators. It should also establish government supporting system to promote creative content production in Thailand . In particular it can further expand DEPA supporting funds that currently provide financial support for new and existing players in the creative content business. All of these aim to create high-paid local jobs and expand the Thai media industry. This would subsequently contribute towards increasing the overall competitiveness of the country.

3. Allow self-regulation. Self-regulation has proven itself an effective way to address emerging challenges in fast moving industries. The self regulation body should be represented by key stakeholders in a public-private partnership manner.

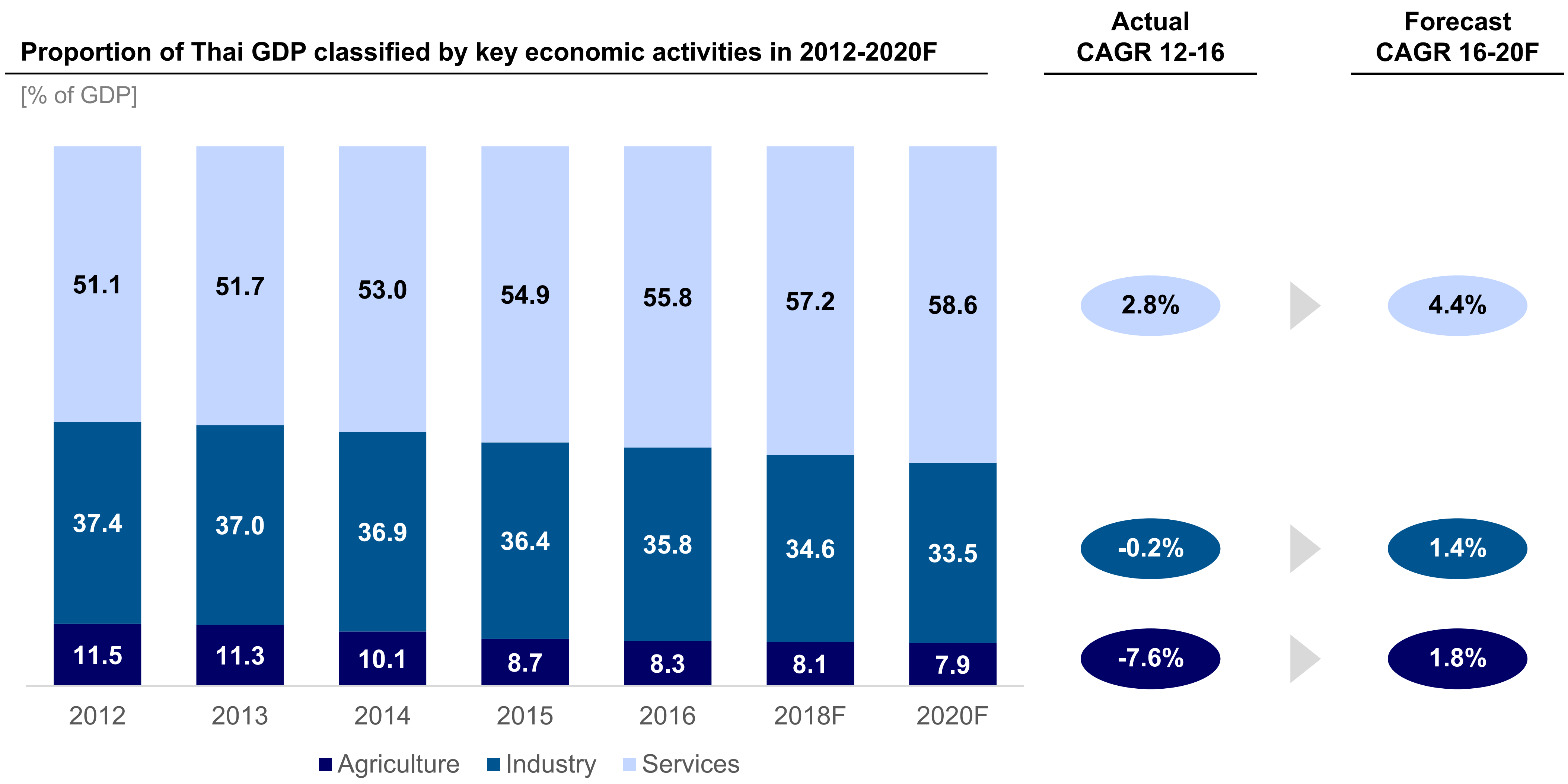
4. Adopt a reactive as opposed to proactive approach: Introduce regulations and amend laws only when required to tackle a specific problem that cannot otherwise be solved by self-regulation, rather than predicting the rules to address an issue which may not have come fully into focus yet. This is especially when technology has not fully developed.

5. Review and simplify: Review the current regulations applied to broadcasters and cable broadcasters based on a rule-by-rule analysis and forgo or level down regulations that are not justifiable due to technology and market changes as well as the needed flexibility that these traditional business require to catch-up and innovate.

6. Engage in dialogue: Existing regulatory bodies such as NBTC should better discuss and engage with the industry and stakeholders in order to generate appropriate informal and formal response to fast-changing industrial landscape.

Thailand economy

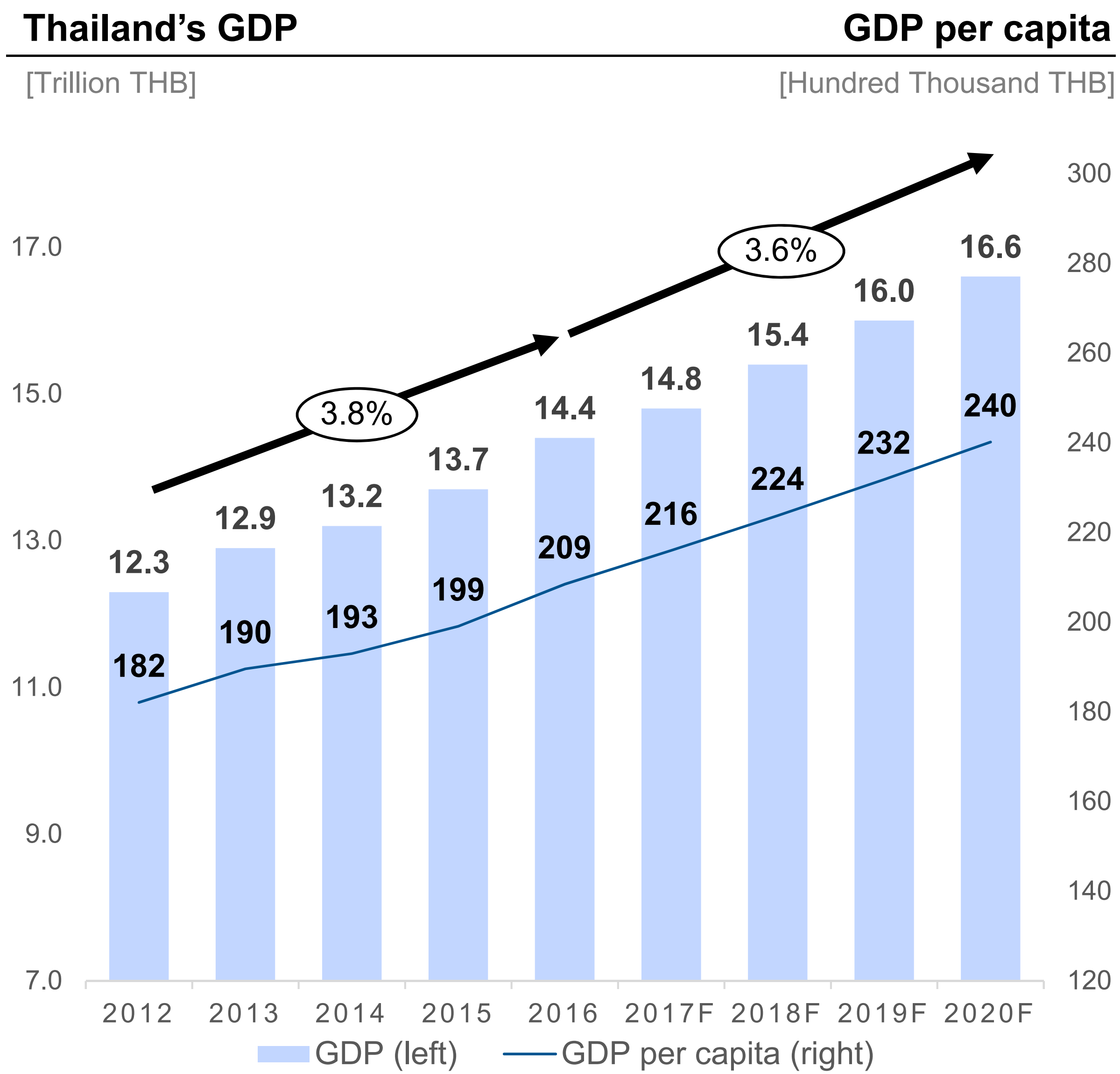
Thailand's GDP is composed of three key activities, which are agriculture, industry, and service sector. Service sector dominates more than half of Thai GDP.



Service sector had the fastest growth from 2012 to 2016 and is forecasted to grow CAGR 4.4% in the next five years.

Source: CONC analysis based on the data from Investopedia

EIC forecasts the growth of GDP to be 3.6% due to the increase in private consumption, public investment, and expand in manufacturing and tourist sector.



Drivers

- \+ Oil-related export product drives up the growth from increasing in global oil demand and price.
- \+ Recovery of global manufacturing sector, especially vehicles, electronics and electrical appliance, leads the expansion of Thai manufacturing exports.
- \+ Tourism sector are recovered due to the crackdown on illegal tours and the increase of Chinese and Russian tourist.
- \+ 190-billion-baht government's fiscal stimulus helps the growth of economy.
- \+ Government support on the low incomes and more deductions for personal income tax

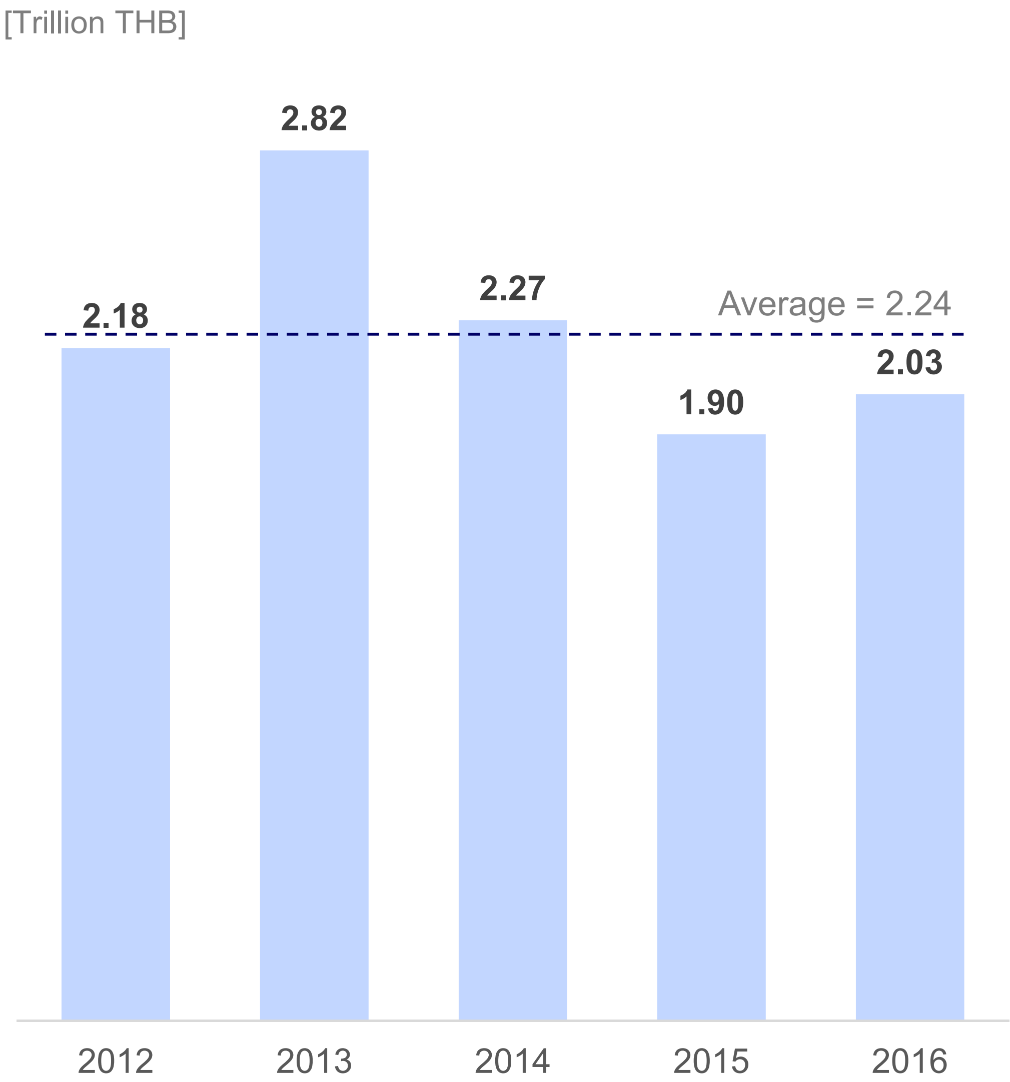
Drawbacks

- Employment rate has not recovered yet.
- Trump's US trade protectionism may affect on some export sectors.
- Political uncertainty if reforms and elections become postponed can impede Thai exporting sectors.
- Strong baht lessens the competitiveness in agriculture sectors, comparing with neighbor countries.

Source: CONC analysis based on the data from World Bank, Focus Economics, EIC

In 2016, the inflow of foreign direct investment (FDI) dropped below the last five years' average due to political instability, economic problems, and neighboring countries attractiveness.

Foreign direct investment (Inflow) in 2012-2016



Overview

- Japan investment, the main source of capital, has plunged 81% in 2015.
- Investment from EU was also badly decrease from 86,700 million baht to only 2,000 million baht.
- It was a same trend in US and China investment.
- The Board of Investment of Thailand reported that 1,038 project applications were recorded in 2015, comparing with 3,469 projects in 2014, or about 70% drop.

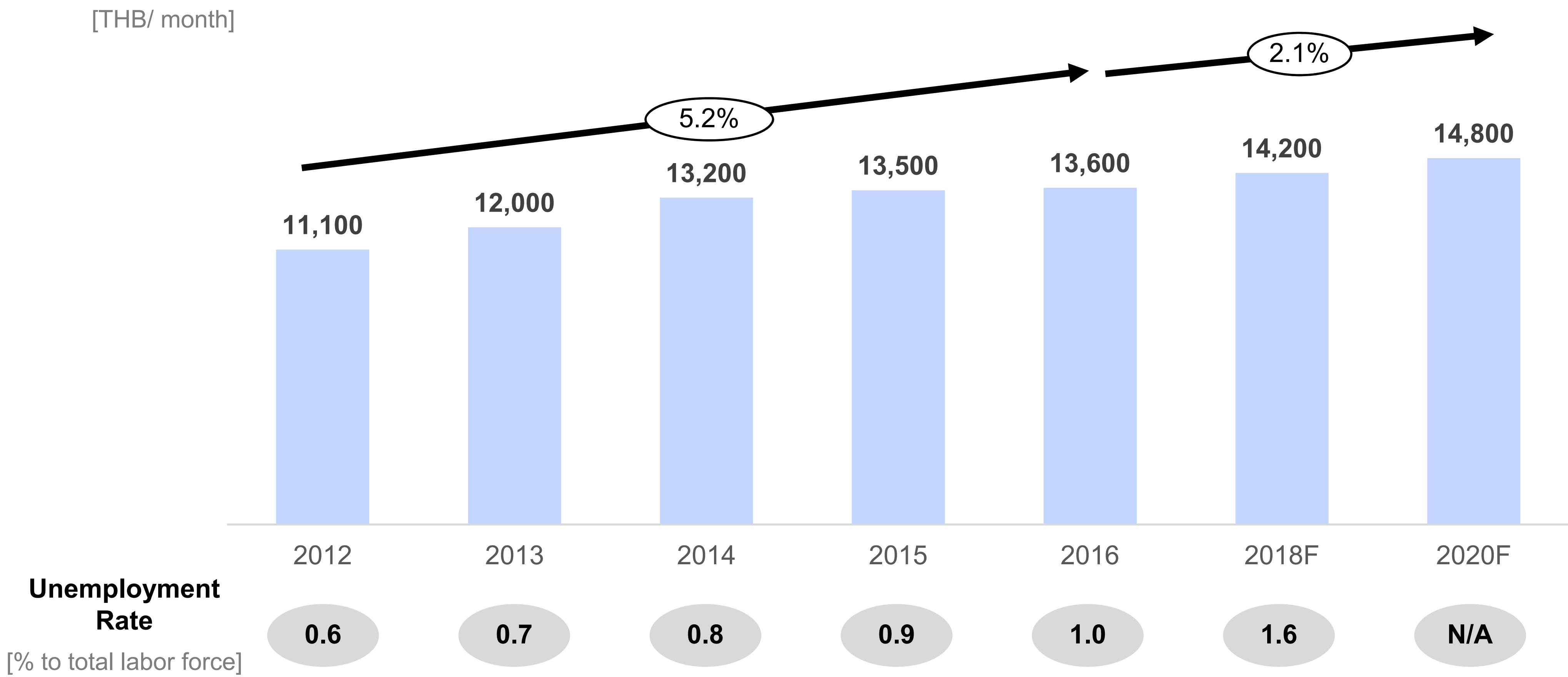
Reasons

- Thai coup d'état in May 2014 greatly caused a political uncertainty, reflecting in negative view of foreign investors to Thai economic competitiveness.
- Thailand's chronic economic problems still have not been resolved yet, such as high household debt level, sluggish exporting sector, and low consumer confidence index.
- Thailand faces a stiff competition from increasingly attractive neighboring countries, such as Cambodia, Myanmar, and especially Vietnam, which has the fastest growth rate of 6.7% in 2015.

Source: CONC analysis based on the data from BOT, Capital Economics

Despite the average wage of Thai labor forces has been increasing over the time, the rate of unemployment is climbing up as well because of low investment and lack of necessary skills, especially in technology.

Thai labor forces' average wage in 2012-2020F



Lack of investment in the country leads to the shortage of new job opportunities.
In addition, most of new graduates lack skills that are necessary to meet the demand of industry.
With the coming of robotic age, 72% of job in the country is in risk of being replaced by robots.

Source: CONC analysis based on the data from Report of the Labor Force Survey, BOT, National Statistical Office, Trading Economics

Based on the Inclusive Internet Index, Thailand ranked 31st out of 86 countries globally and also is in the top third of both Asian and upper-middle-income nations.

Overall rankings in 2017

Rank	Country
1st	Sweden
2nd	Singapore
3rd	United States
4th	Denmark
5th	South Korea
…	…
28th	Malaysia
29th	Argentina
30th	Estonia
31st	Thailand
32nd	Brazil
33rd	Colombia

Source: CONC analysis based on the data from The Inclusive Internet Index

How the rankings work

The overall Index score based on the scores of the Availability, Affordability, Relevance, and Readiness categories.

Availability
This category examines the quality and breath of available infrastructure required for access and levels of Internet usage.

Affordability
This category examines the cost of access relative to income and the level of competition in the Internet marketplace.

Relevance
This category examines the existence and extent of local language content and relevant content.

Readiness
This category examines the capacity to access the Internet, including skills, cultural acceptance, and supporting policy .

Thailand is connected; however, the connectivity needs relevance, especially the local content, which ranks at 76th out of 86 countries.

Thailand score and rankings in 4 aspects

	Score (Out of 100)	Ranking (Out of 86)
Overall	77.8	31st
Availability	74.5	27th
Affordability	84.6	26th
Relevance	75.2	49th
Readiness	75.2	26th

Thailand's relevance index

Relevance

This category examines the existence and extent of local language content and relevant content.

Local Content

Rank: 76th – (71.4/100)

Local content measures the availability of the Internet content in the local language(s).

Relevant Content

Rank: 23th – (79/100)

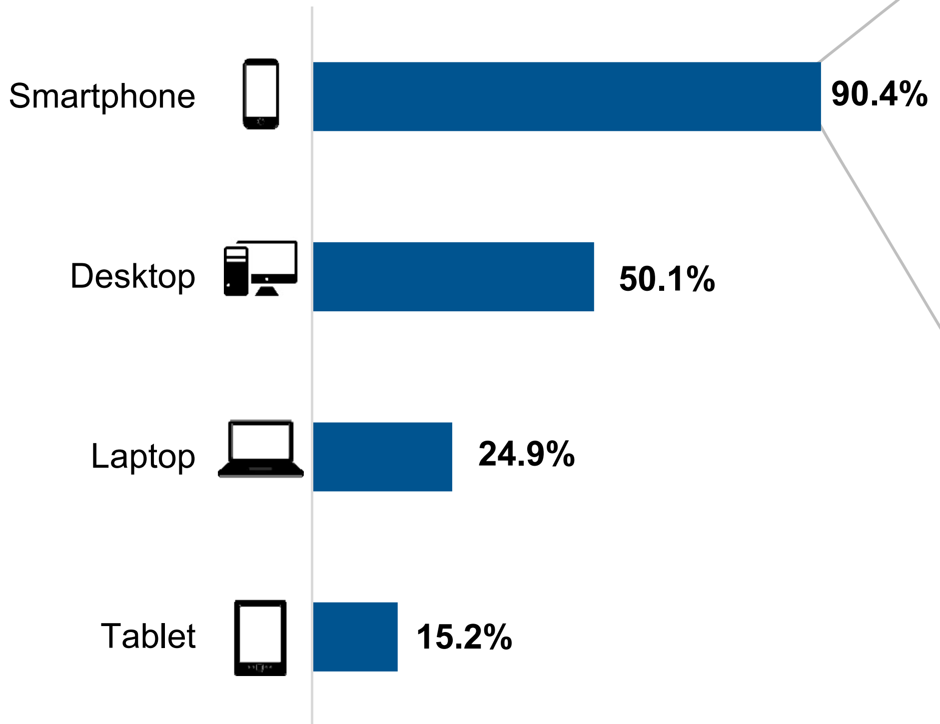
Relevant content measure the availability of news, finance, health entertainment and business information. While the definition of “relevant” can vary, these types of content are common, “e-Content” refers to electronics or mobile content

Source: CONC analysis based on the data from The Inclusive Internet Index

More than 90% of internet users in Thailand use smartphone to access internet. However, the device is prevalent only in Bangkok, the country's capital.

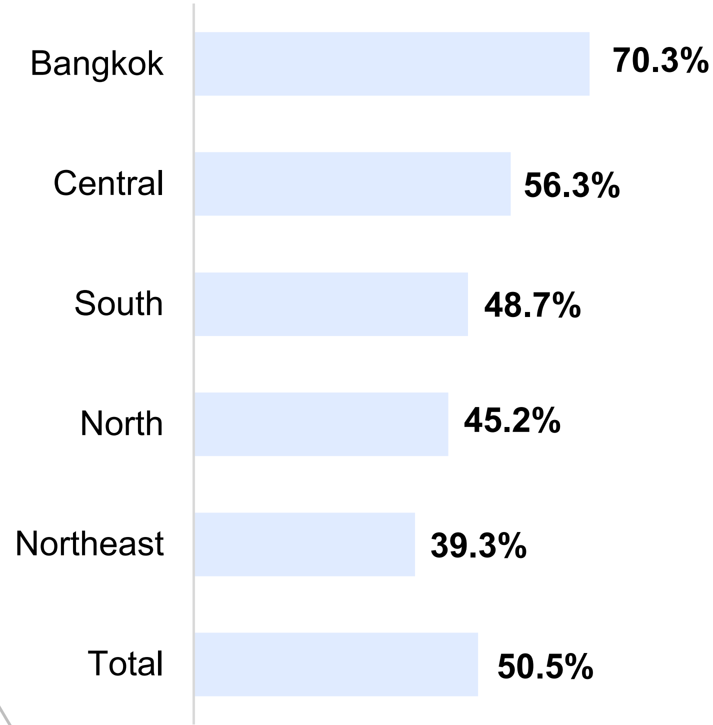
Devices used by internet users in Thailand to access the internet in 2016

[% of respondents]



Smartphone user penetration in Thailand by region in 2016

[% of population]



Source: CONC analysis based on the data from National statistic office of Thailand, eMarketer

Section 1 Global overview of online audiovisual industry

This section includes global media trends, consumption behaviors, development phase of global online broadcasting industry, OTT business model, definition of OTT for the scope of this study and categories of audiovisual OTT

Section 2 Online audiovisual industry in Thailand

Section 3 Domestic regulation and international practices

Section 4 Recommendation

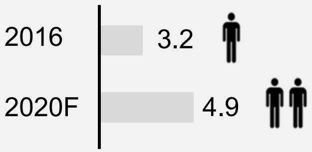
Global online content industry trends

The growth of global online content industry is driven by 5 main factors: demographic change, digital transition, increasing availability and quality of connectivity, decreasing price of broadband and, increasing number of smartphone users.

1 Demographic

Growth of global middle class

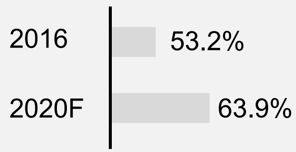
[Billion people]



Global connected devices per person

Population access to internet

[% of global population]



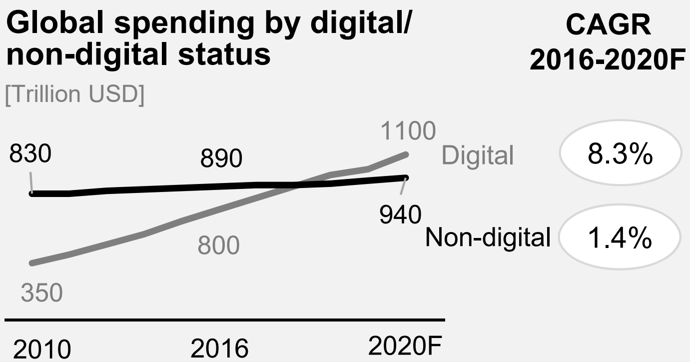
The graphics show that as income level is improving, people are likely to own more devices, driving demand up for better connectivity, more data, and more speed.

The symbiotic relationship between OTTs and ISPs becomes clear.

2 Transition to digital

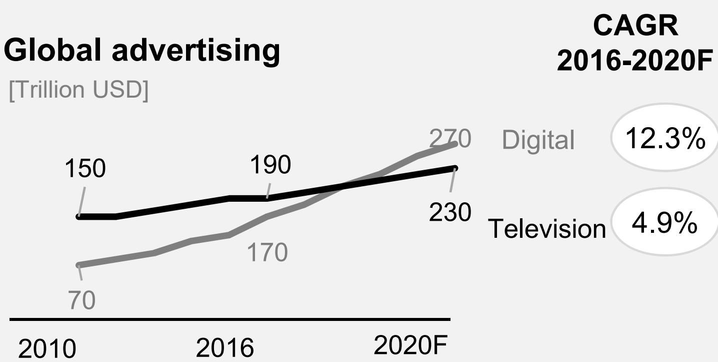
Global spending by digital/ non-digital status

[Trillion USD]



Global advertising

[Trillion USD]



Spending on digital services has surpassed non-digital services.

Example of these digital services are digital advertising and subscription digital video, digital recorded music download, online video game, mobile video game, etc.

Source: CONC analysis based on the data from Brookings, GlobalWebIndex, McKensey & Company, Statista

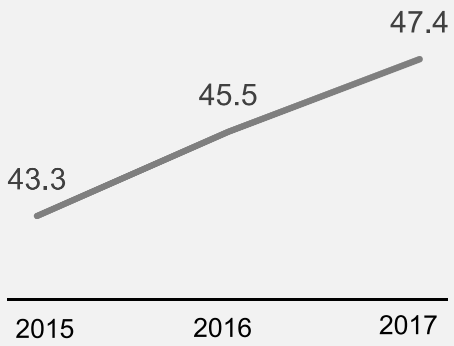
Global online content industry trends

The growth of global online content industry is driven by 5 main factors: demographic change, digital transition, increasing availability and quality of connectivity, decreasing price of broadband and, increasing number of smartphone users.

3 Connectivity

Average global connectivity index

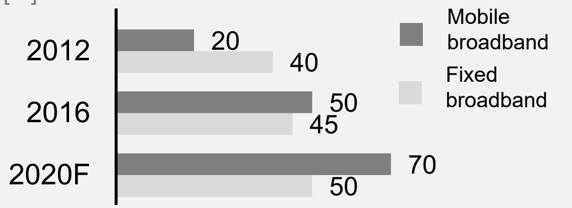
[Points out of 100]



4 Ascendancy of Mobile

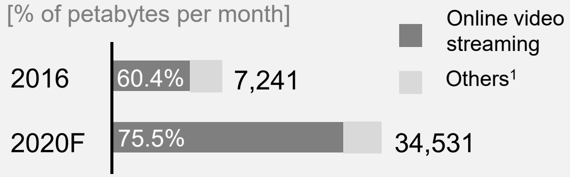
Global broadband penetration

[%]



Global mobile data traffic

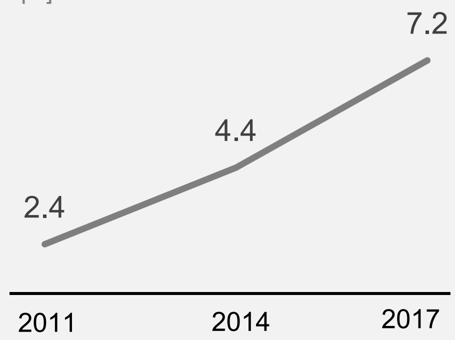
[% of petabytes per month]



5 High speed broadband

Average global internet connection speed

[Mbps]



The Global Connectivity Index, created by Huawei in 2014, aims at analyzing a broad spectrum of indicators for Smart infrastructure and digital transformation in 50 countries, accounting for 90% of global GDP. The GCI measures 40 indicators in 4 pillars; Supply, Demand, Experience and Potential.

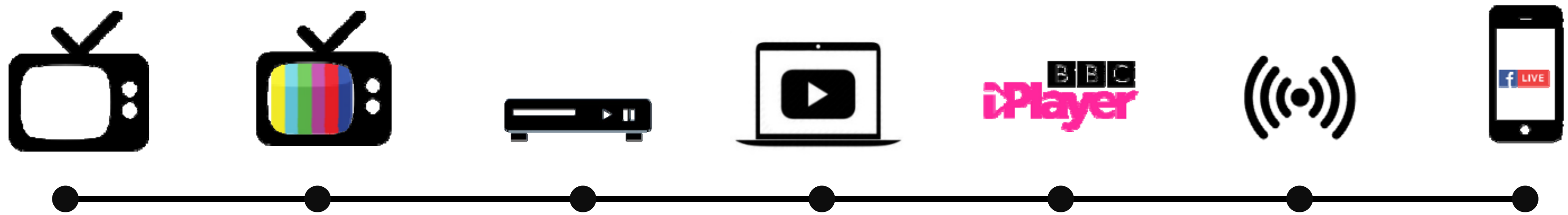
Mobile broadband has surpassed fixed broadband in terms of global penetration as the number of smartphone has rocketed up. Majority of data traffic is used for online video streaming.

There is a significant development in the average speed of internet broadband due to new technology, which helps consumer access to online content faster and more convenient.

Note: [1] Others include Web, data and VoIP, Audio streaming ,and File sharing.

Source: CONC analysis based on the data from Brookings, GlobalWebIndex, McKensey & Company, Statista, Huawei

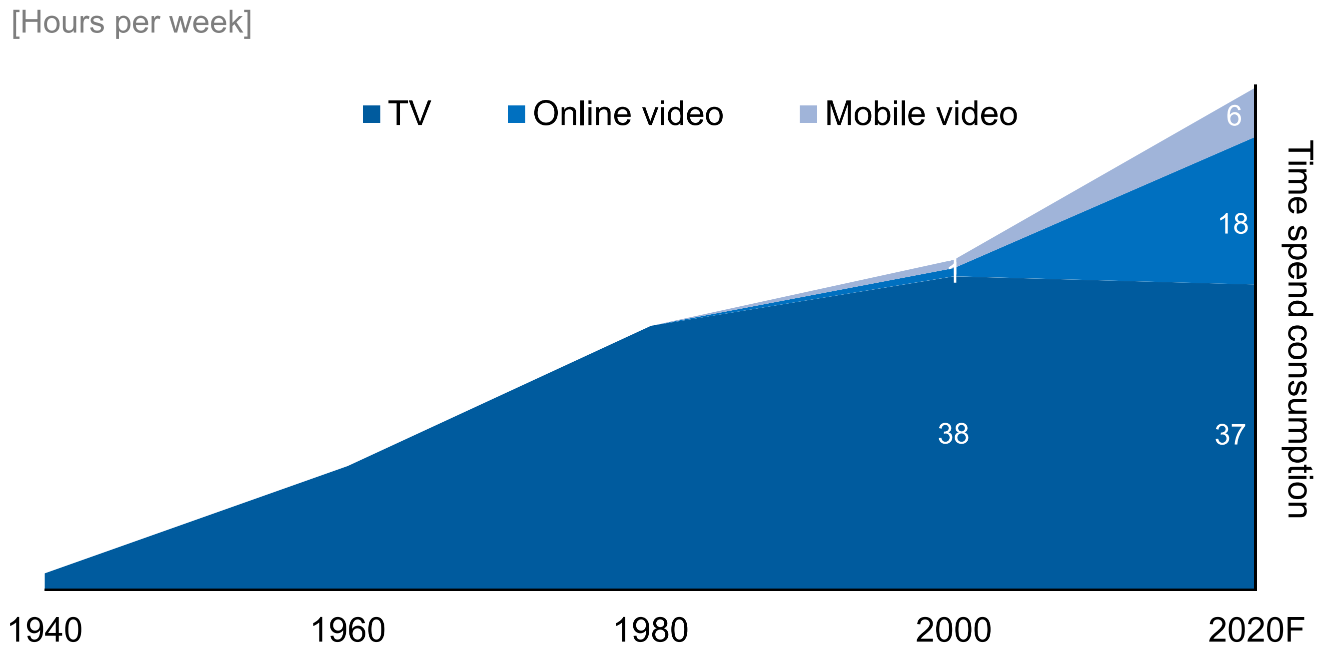
Transition to Digital: Development phase of global online broadcasting industry



1938	1954	1999	2005	2007	2007	2016
black & white analog television	**color analog television**	**DVRs**	**YouTube**	**BBC launched iPlayer**	**Netflix moves from DVD to streaming**	**Facebook live**
RCA debuted the first black & white analog television at the 1938 New York World's fair.	**Kicked off with the first nationwide color analog television broadcast** in the United States : the Tournament of Rose parade.	**The first DVRs shipped to the home**, forever changing the way we watch TV.	**YouTube launches**, providing the videos at the click of a mouse.	**Traditional broadcaster added online distribution service** to serve the demand in UK	**Netflix moves from DVD to streaming**, in response to demand from their customers.	**First time of Facebook live broadcasted features occurred.** Everyone can watch any interested channels on smart phone.

Transition to Digital: New consumption behaviors in media industry

Global video consumption



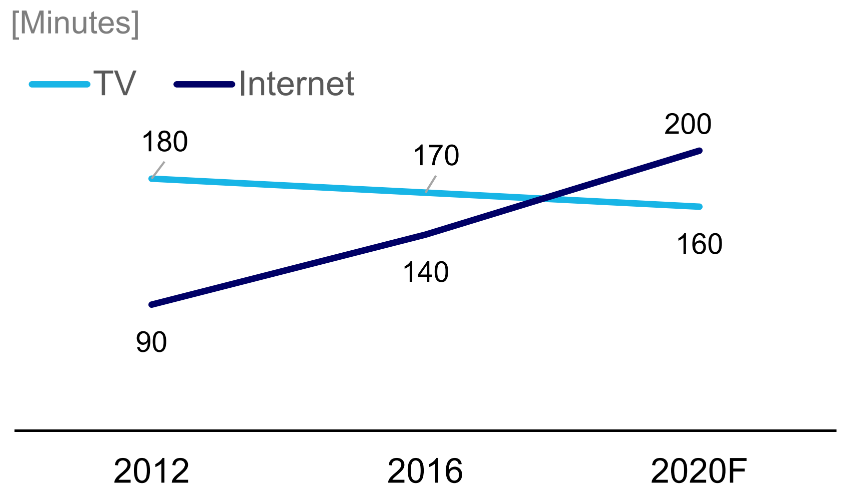
Consumer in the center: mobility and control

While traditional TV watch time is still higher, it is expected that people will spend more time watching content via portable devices. And there will be a significantly increase in time spending on online video and mobile video since these two channels provide consumer more choices of content and time-space watching opportunities than traditional TV.

Source: CONC analysis based on the data from The Boston Consulting Group, McKensey & Company, Nielsen, Statista

Transition to Digital: New global consumption behaviors in media industry

Average daily TV and internet consumption

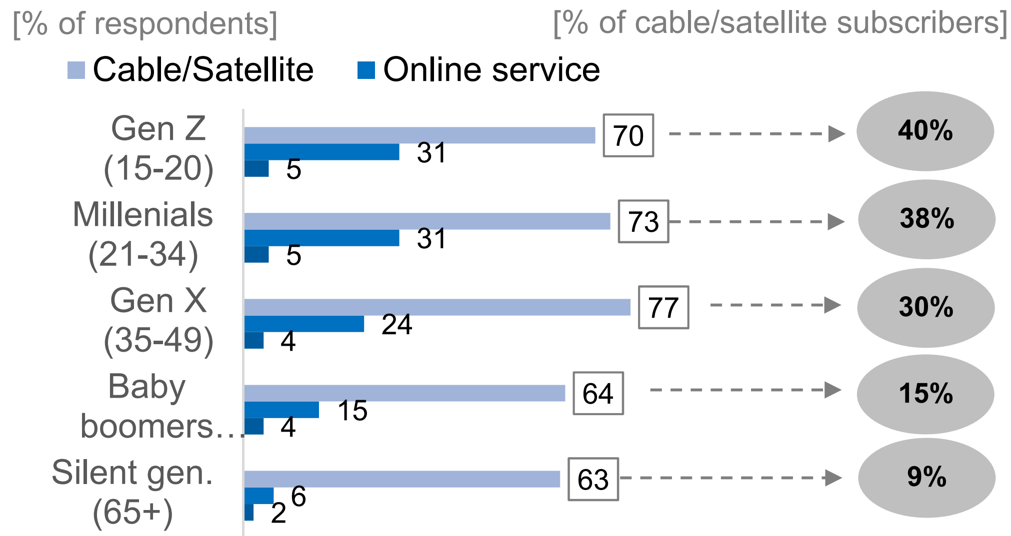


People are spending more and more time engaging with and watching content online. Another observed phenomena is that more and more people are "cutting the cord", and canceling their expensive cable subscription.

In some countries, consumers are still plugged into business with big payed TV providers, but are only paying for broadband rather than the "triple play" combo with landline, cable, and Internet bundled.

Payment behavior for program provider by age

Cable/satellite subscribers who plan to cancel service in favor of online-only service



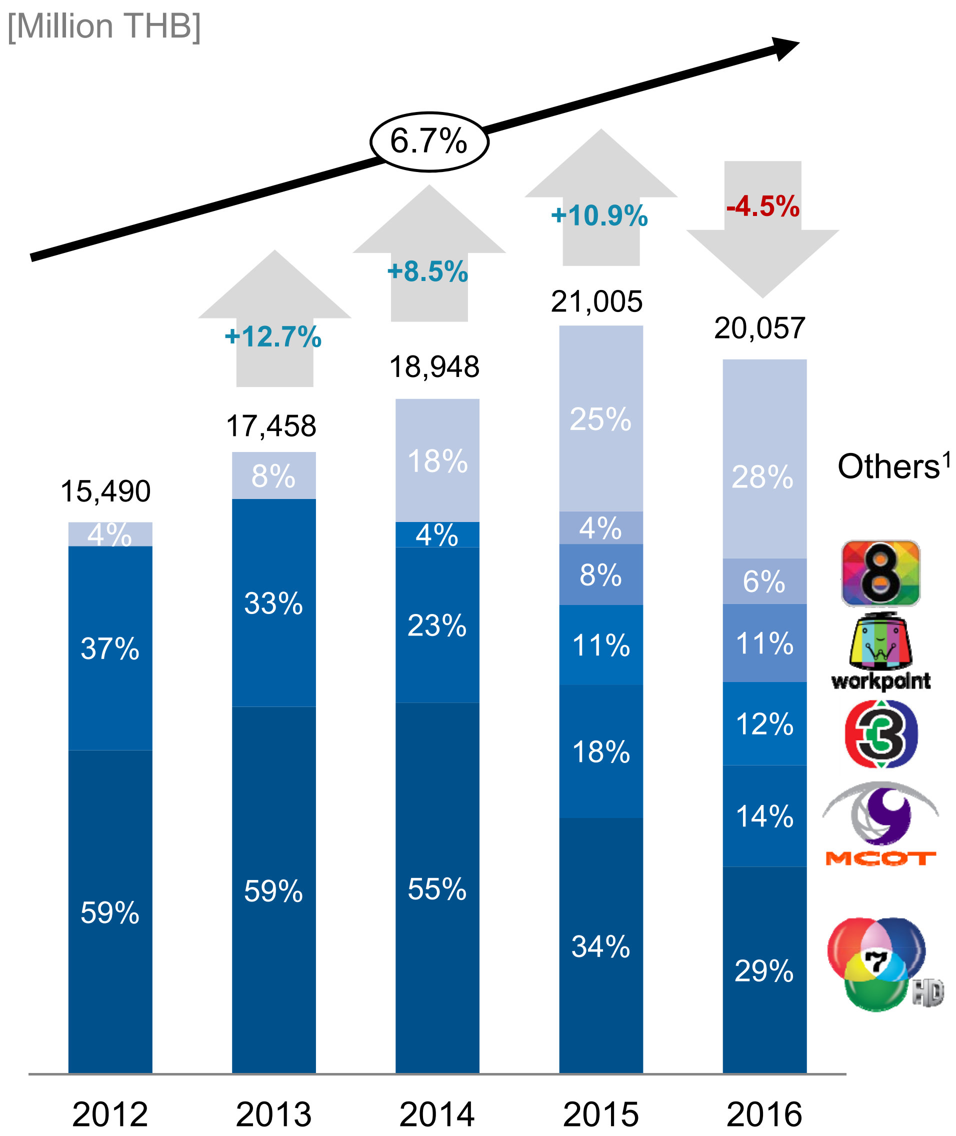
Currently spending on traditional pay TV is higher than online pay TV. However when analyze in detail, respondents from Gen Z and Millennial generation are planning to cancel their traditional pay TV subscription in favor of maintaining only online pay TV subscription.

The change in behavior of new generation might eventually result in online pay TV overtaking the traditional one.

Source: CONC analysis based on the data from The Boston Consulting Group, McKensey & Company, Nielsen, Statista

Key traditional players' revenue proportions have been decreasing in Thailand since 2014.

Total revenue on traditional broadcasters in Thailand



Source: CONC analysis based on the data from Department of Business Development, Ministry of Commerce

Drivers

+ Thai people who have television which is about 22 million households can freely access with digital TV in low cost.
+ Traditional TV is remaining the main medium for brand advertising for mass market.

Drawbacks

- Cost:
- The NBTC provided DTTV[2] license via auction with very high license cost. The auctions generated a total of THB 50.9 billion with winning bids averaging 2.3 times of the starting price.
- Production of traditional TV is expensive in every step of value chain, especially in broadcasting
- Consumer behavior gradually changed to watch online medias by their mobile devices, so do the advertising has changed to spread online which is another potential channel.

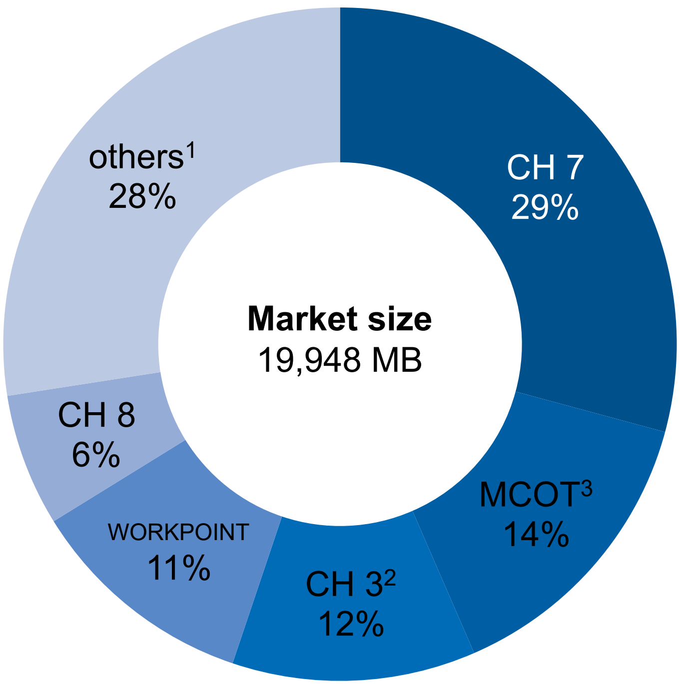
Note: [1] Others include MONO29, True 4u, GMM25, Thairath TV, GMM ONE, TNN24, Bright TV, Nation TV, PPTV HD, Amarin, Spring News, NOW, Voice TV ,and New TV.

Note: [2] DDTV was first launched by the respond of NBTC in 2014.

Although CH7 has the most market share of digital broadcasting industry in 2016 in term of revenue, its CAGR has declined continuously. However, Workpoint has a strong revenue growth, which is partly generated from its contents on OTT platforms.

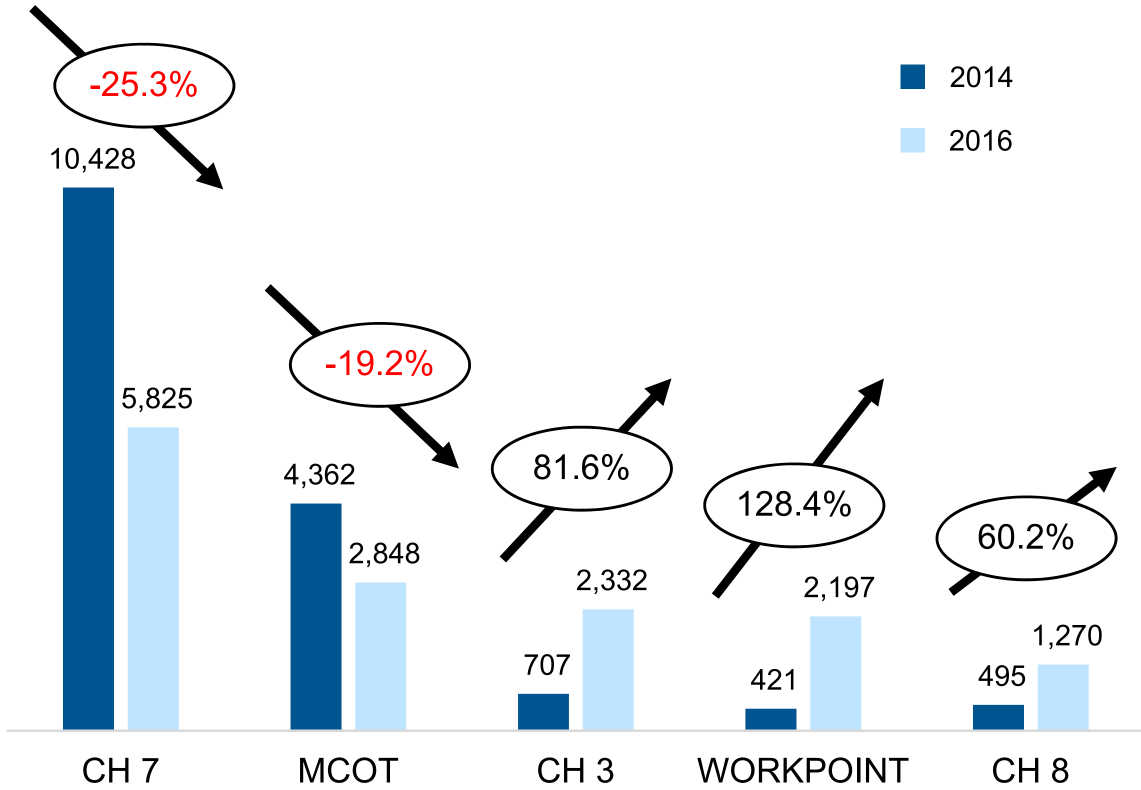
Market share by revenue of digital broadcasting in Thailand in 2016

[%]



Revenue of key players in digital broadcasting in Thailand during 2014-2016

[million THB, %]



Note: 1 Others include MONO29, true4U, GMM25, Thairath TV, one31, TNN24, Bright TV, Nation, PPTV, Amarin 34HD, Spring NEWS, NOW26, VOICE TV and NEW TV.
2 CH 3 includes CH3 Family, 3 SD, and 3 HD. 3 MCOT includes MCOT HD and MCOT Family.

Source: CONC analysis based on the data from Department of Business Development, Ministry of Commerce

There are currently 26 channels are competing in digital TV industry in 2017.

Public TV[1]	5 HD	NBT	Thai PBS	TPTV			
Children's channels	3 Family	MCOT Family					
News channels	TNN24	NEW TV	SPRING NEWS	BRIGHT TV	VOICE TV	NATION TV	
Variety channels SD	WORKPOINT	TRUE 4U	GMM	NOW	CH8	3 SD	MONO
Variety channels HD	MCOT HD	ONE	THAIRATH TV	3 HD	AMARIN TV	7 HD	PPTV

Note: Data as of October 20, 2017

14 channels of public TV did not have to be auction.

Source: CONC analysis based on the data from NBTC

Digital innovation has led to the proliferation of a wide variety of different business model for online video platforms.

OTT Business Models

- OTT's business models develop at a fast pace and change the traditional revenue split.
    - **Advertisement** is the main revenue source of many OTTs.
    - **Paid subscriptions** start to work for larger customer base OTTs.
    - **Freemium apps** have thrived as an innovative monetization strategy.
    - **Cloud storage** as an add-on service has ramped profitability.
    - **Business intelligence** is the most powerful tool of content distributors.
    - **Best-effort free** services surpass traditional revenues.
    - **Online service** as a part of traditional broadcaster such as BBC iPlayer or HBO Now
- **Flexibility** and **innovation** are the only way operators can **monetize** on **future opportunities.**

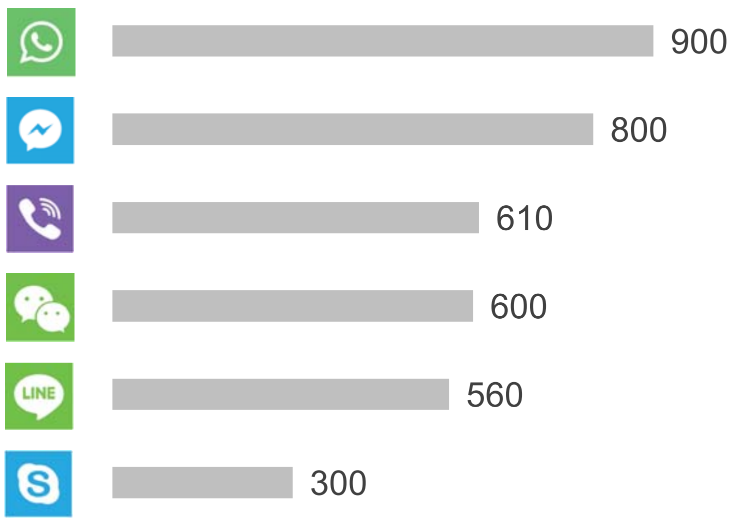
Source: CONC analysis based on the data from DETECON Consulting

Over-the-top: Some players

While studies have identified over 139 RIAs/OTTs (WIK, 2017) as some of the most frequently used, some key apps in millions of visitors are:

Global key communications OTT (RIAs) players in 2016

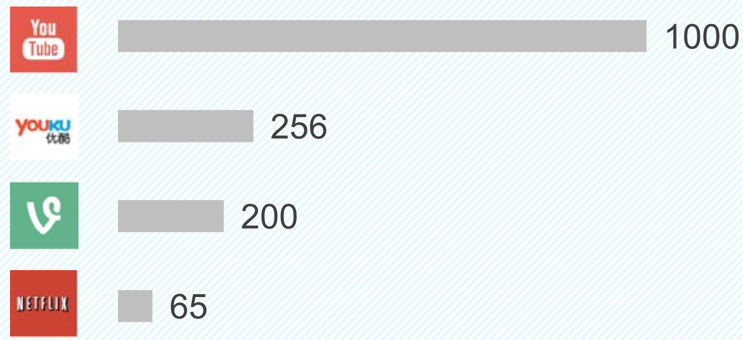
[Millions of visitors/users/subscribers]



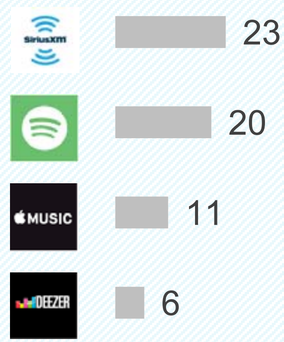
Global key audiovisual OTT players in 2016

[Millions of visitors/users/subscribers]

- **Video services**



- **Audio services**



Source: CONC analysis based on the data from Waveston

Examples of OTT Business Models

By content

Mass content
- Content in the interest of public
- Available in the dominant or foreign language with subtitle
- e.g. movie

Niche content
- Content produced to serve a specific group of audiences
- e.g. cooking shows, cartoon

User generated content
- Content produced by independent users in the video sharing platforms

By provider

Independent provider
- Established by providers who are not related to existing provider

Pay TV provider
- Established as an add-on feature to existing satellite, cable and IPTV customers

Content provider
- Established by movie or TV producers

Telco provider
- Established for the benefit from utilizing their network and subscriber base

Free TV provider
- Established by Free TV broadcasters
- For an alternative distribution channel

Collaborated provider
- Established by collaboration between existing providers

By business model

AVod
- Advertising-based VOD
- OTT providers with revenues from advertising.

SVoD
- Subscription VOD
- OTT providers that charge a membership fee.

Section 1 Global and regional overview of Online audiovisual industry

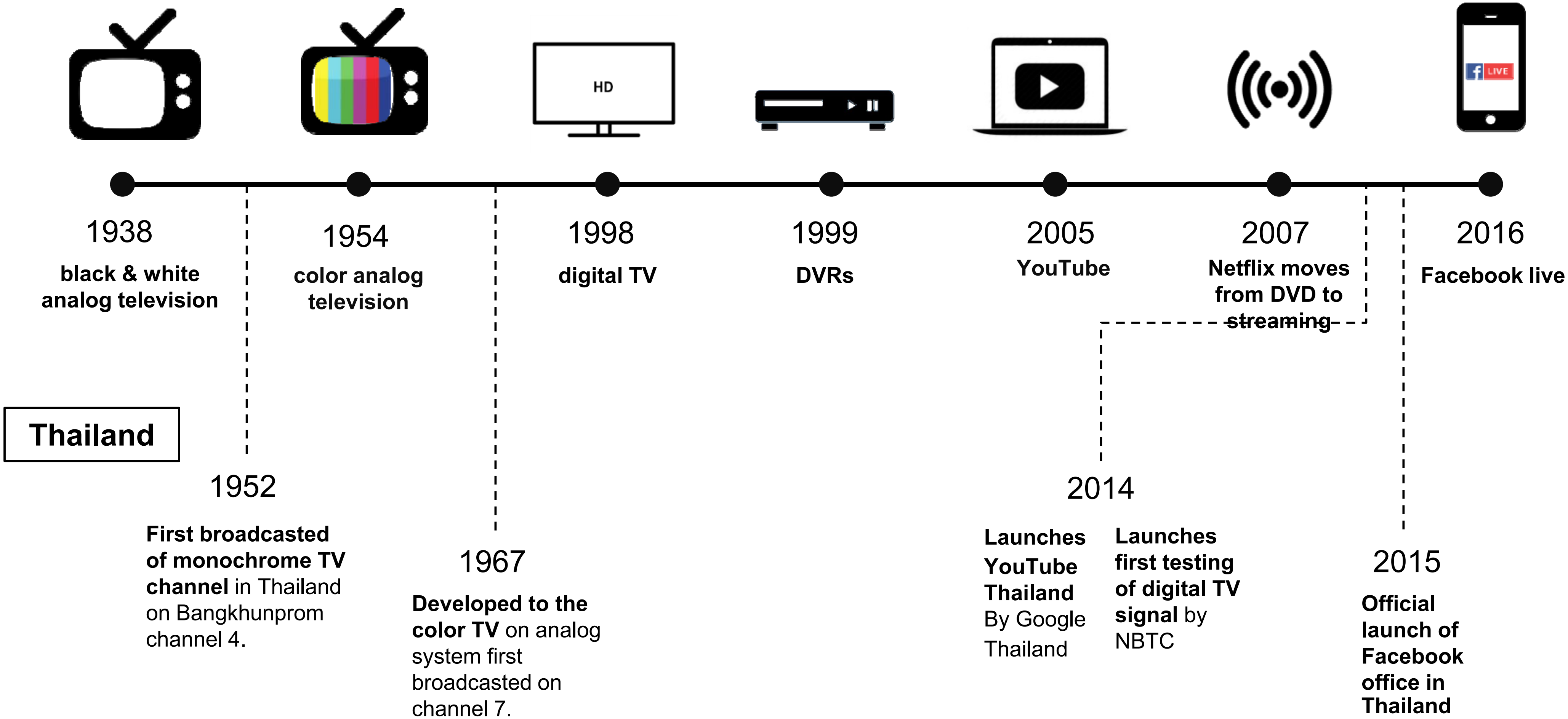
Section 2 Online audiovisual industry in Thailand

This section covers the characteristics of the national online audiovisual market, in both the production and consumption sides. It also points to the benefit of this market to the Thai consumers. It brings comparison data w/r/t traditional broadcasting channels and TV digital channels.

Section 3 Domestic regulation and international practices

Section 4 Recommendation

Development phases of broadcasting industry in Thailand



Source: CONC analysis based on the data from Thai Digital Television

TV Content Value Chain in Thailand

Production → **Distribution** → **Consumption**

Traditional TV industry

Production studio

Platforms → **Devices**

Home television

Residency

Content is created locally or imported by studio/production houses that distribute it to broadcasters (traditional TV platforms). The local broadcasters deliver content to the consumer's home TV through cable or satellite technology.

The content is consumed at home, offering lower choice of content, time and place to viewer.

Source: CONC analysis based on the data from Time Consulting, industry experts interview

Online Content Value Chain in Thailand

Production → **Distribution** → **Consumption**

Audiovisual OTT industry

Production

Content creators + **MNCs**[1]

MCNs[1]

- **Foreign**: STUDIO71
- **Thai**: INDY, Jeban.com

Content creators

gdh, polyplus, XACT MUSIC, Kantana, SpokeDark.TV

Distribution

Platforms → **Telecommunications** → **Devices**

Platforms

- **Free**: YouTube, Facebook, LINE TV
- **Subscription**: iflix, Netflix, HOOQ
- **TV Channel**: workpoint CREATIVE TV, 3 LIVE, 7
- **Telecommunications**: AIS PLAY, true visions anywhere

Telecommunications

AIS, dtac, truemove H, CAT, TOT (TELECOM OF THAILAND)

Devices

- Smart phone
- Tablet
- Laptop
- PC
- Internet devices
- File sharing devices

Consumption

On the go

Residency

Content is created by studio/production houses or individual creators (amateurs or professionals), who directly distribute to consumers through online platforms. Creators can work individually or with a platform partner, called MCNs.

Consumers can access the content using any device connected to the internet (via, e.g., data, broadband, etc.), with control w/r/t time, place, and on-demand content.

Note: [1]MCNs stand for Multi-Channel Networks.

Source: CONC analysis based on the data from Time Consulting, industry experts interview

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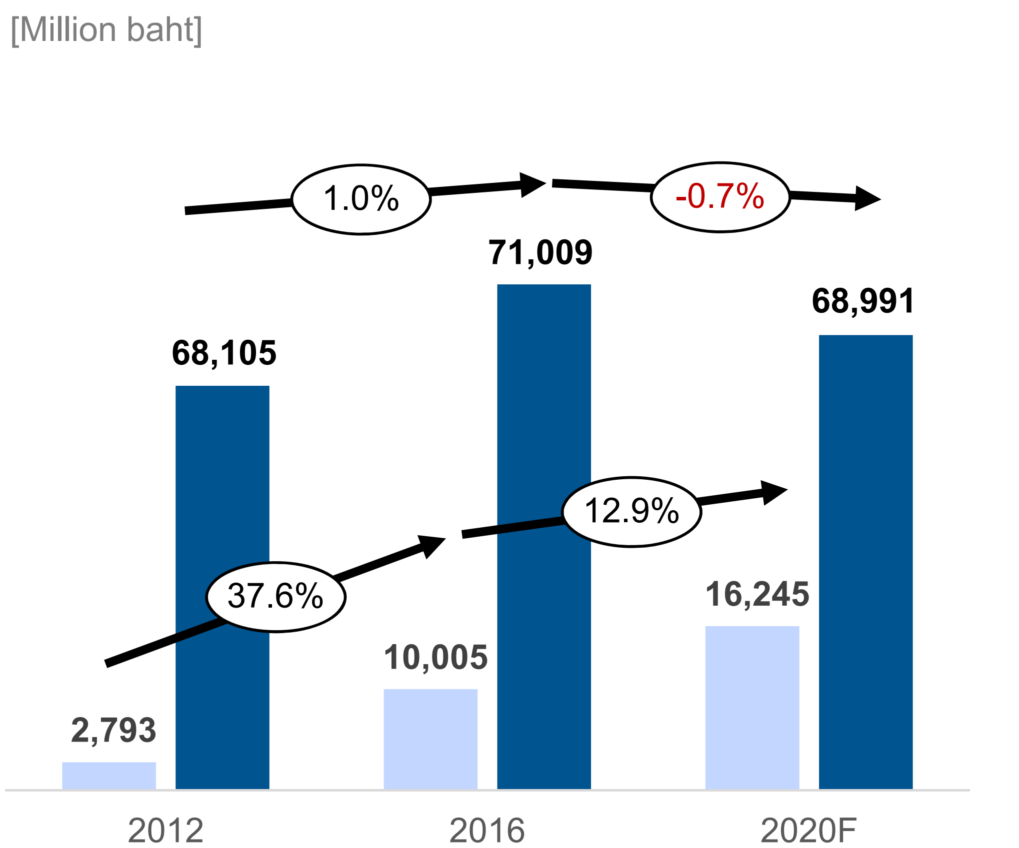
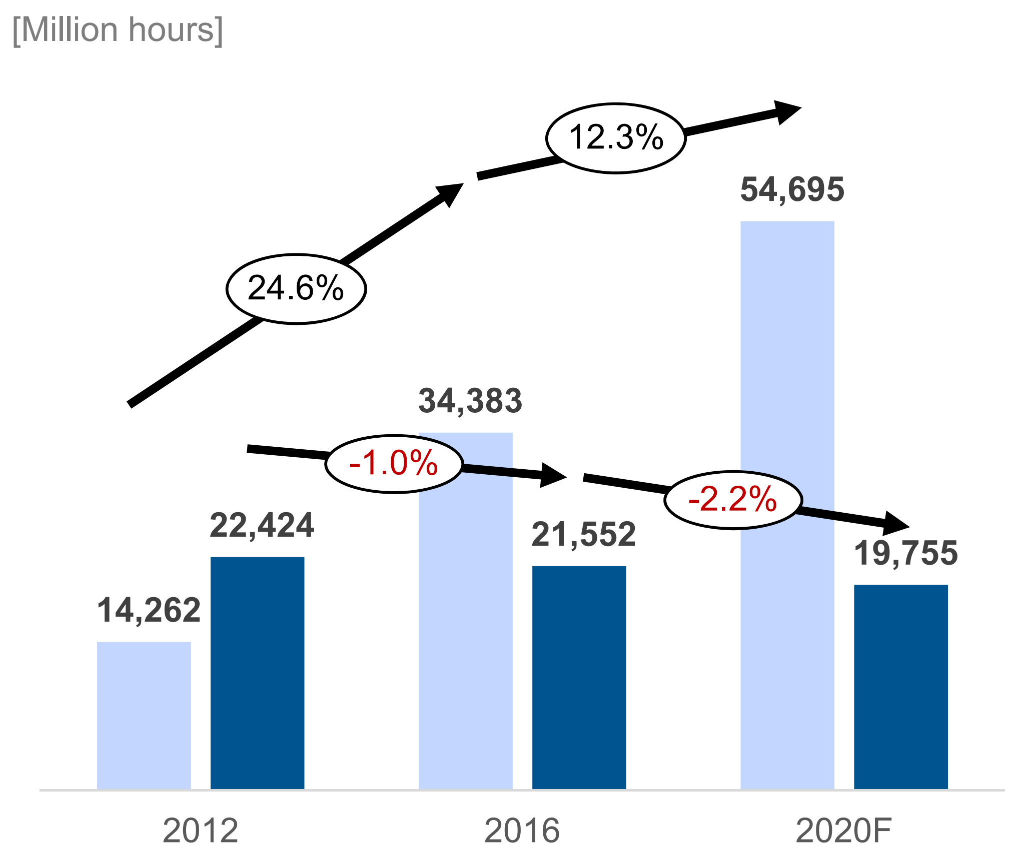
Historical data and growth of online vs traditional audiovisual industry in terms of production and consumption.

Audiovisual Industry Total Production in Thailand[1]
- in Million THB -



Audiovisual Industry Consumption in Thailand
- in hours –



Online audiovisual industry
Traditional audiovisual industry

Note: [1] Industry's total production is represented by the total size of SVoD and AVoD market

Source: CONC analysis based on the data from DAAT and online consumer survey (n=409)

OTT Audiovisual Players in Thailand

By provider

Independent provider
- Local OTT

primetime

- Global OTT

iflix

Pay TV provider

true visions anywhere

Free TV provider

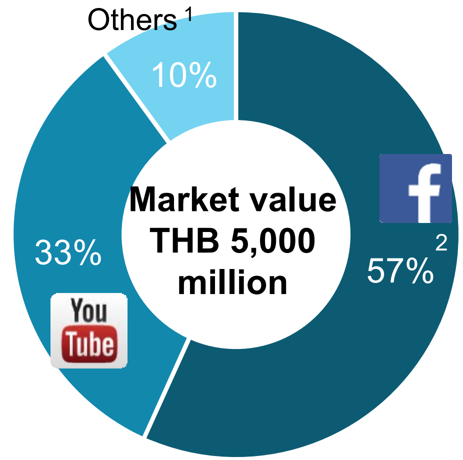
CH7
CH3 Official
workpointofficial

Telco provider

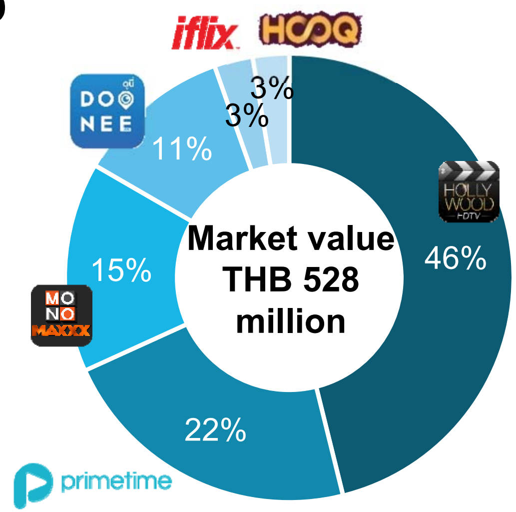
AIS PLAY

By revenue (in Thailand)

AVod



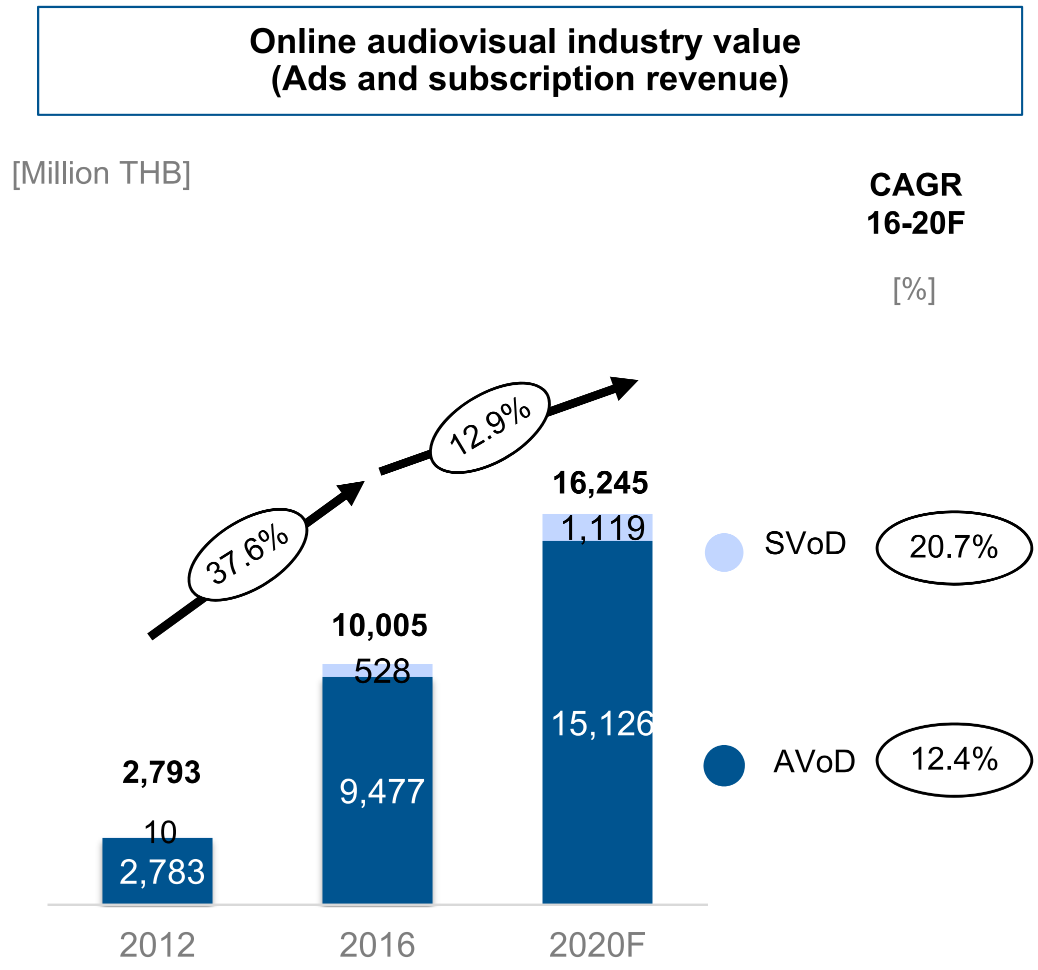
SVoD

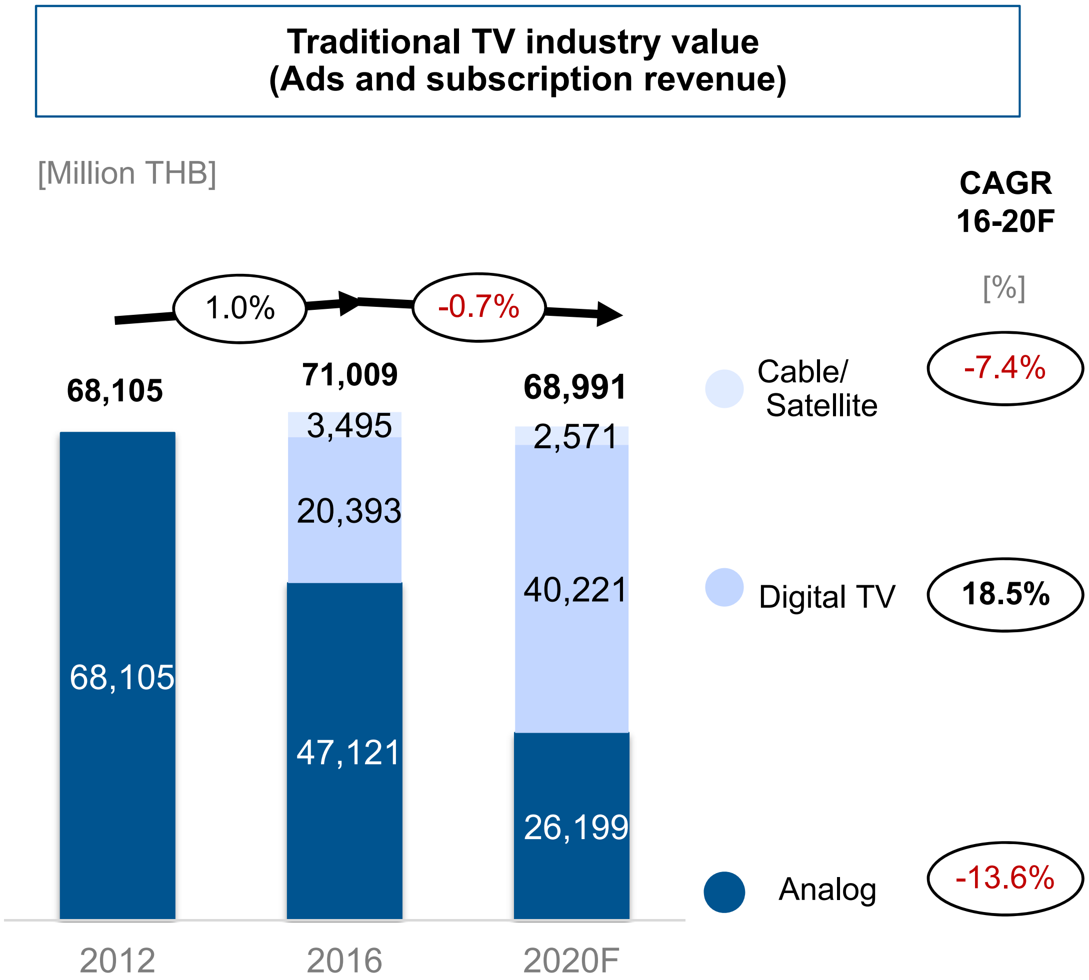


Note: [1]Others includes CH3, Workpoint, Line TV, etc..
[2]The revenue of FB is total revenue. It is not specified as ads in the videos.

Source: CONC analysis based on the data from Time Consulting

Online Ads Market Vs. TV Ads. Market: Online shows rapid growth.

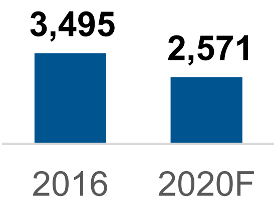
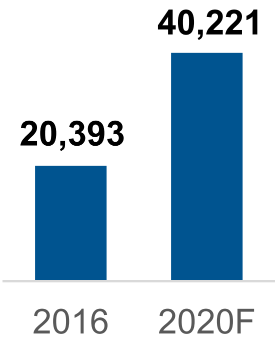
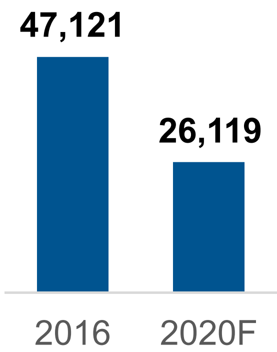




In 2012-2016, online advertising spending grew significantly with CAGR of 37.7%. In 2016-2020F, the trend will continue with online ads market presenting positive growth and traditional broadcasting/cablecasting ads spending presenting negative growth. Ads dollars are decreasing on the TV set, but increasing in digital TV.

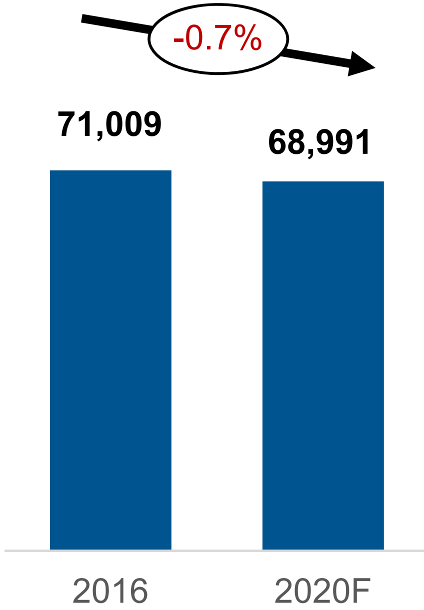
Source: CONC analysis based on the data from DAAT

Traditional TV Ads Market in Thailand: growth drivers

		CAGR 16-20F	Growth drivers
Cable/ satellite [Million THB]		-7.4%	• Decrease in local content • Monthly fee is charged
Digital [Million THB]		18.5%	• No monthly fee • Larger in variety of content • Broadly access • **NBTC decreases in licensing fee**
Analog [Million THB]		-13.7%	• Nearly concession expiration and not unlikely to continue • Trend in transition to digital TV of the players

Traditional TV industry value and growth

[Million THB]



Source: CONC analysis based on the data from DAAT

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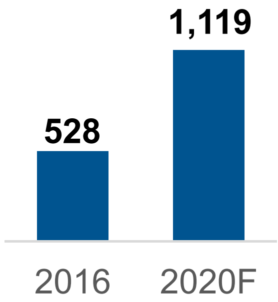
Online Ads Market in Thailand: growth drivers

CAGR 16-20F

Growth drivers

SVoD

[Million THB]

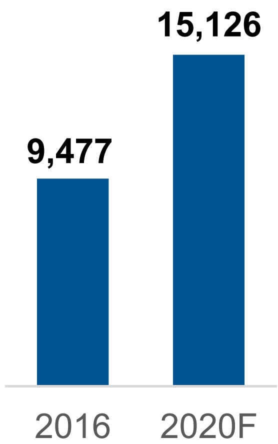


20.7%

- Increasing variety of content provider
- Trend of lower in price of subscription

AVoD

[Million THB]

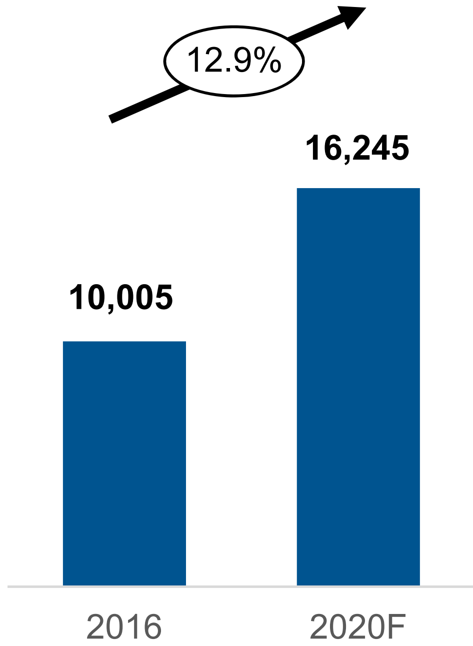


12.4%

- Greater access to mobile internet and rapid adoption of smartphones

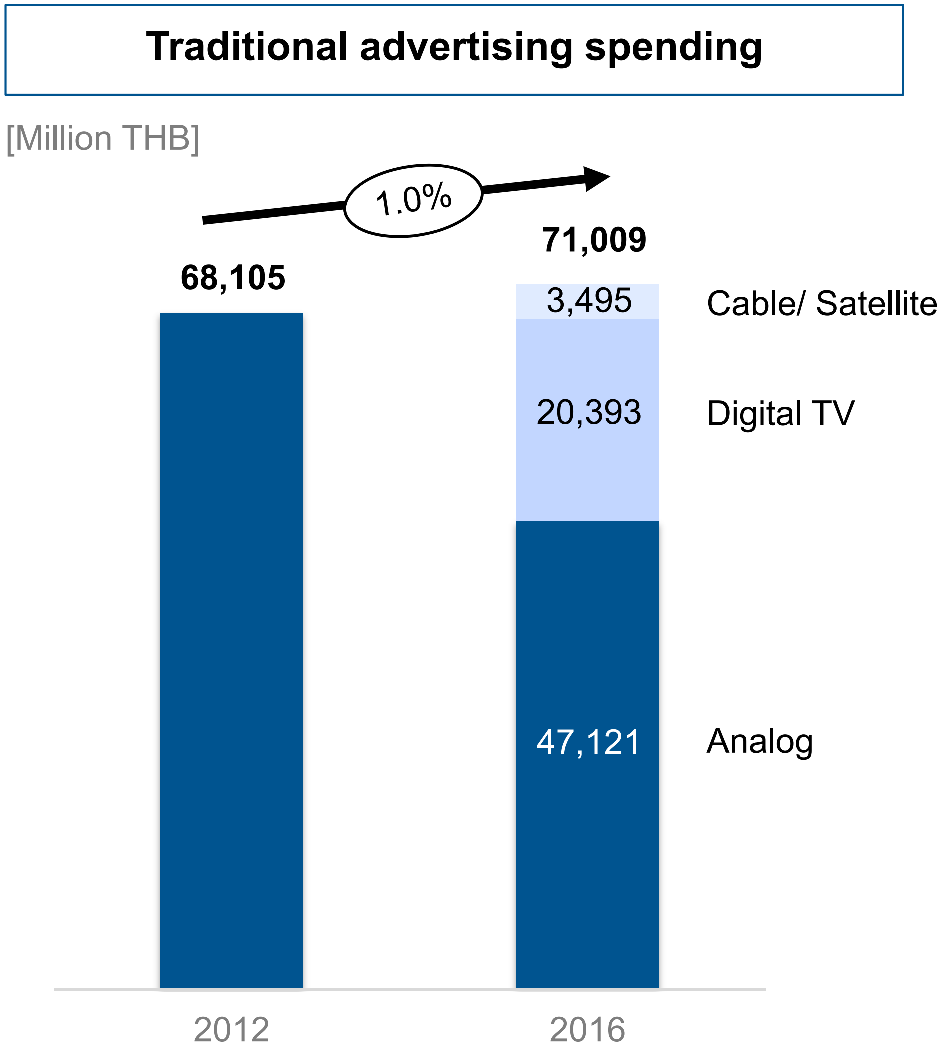
Online audiovisual industry

[Million THB]



Source: CONC analysis based on the data from iab.sg, eMarketer, Statista

Ads spending on traditional TV channels is diversifying, with positive growth on Ads spending on Digital TV.

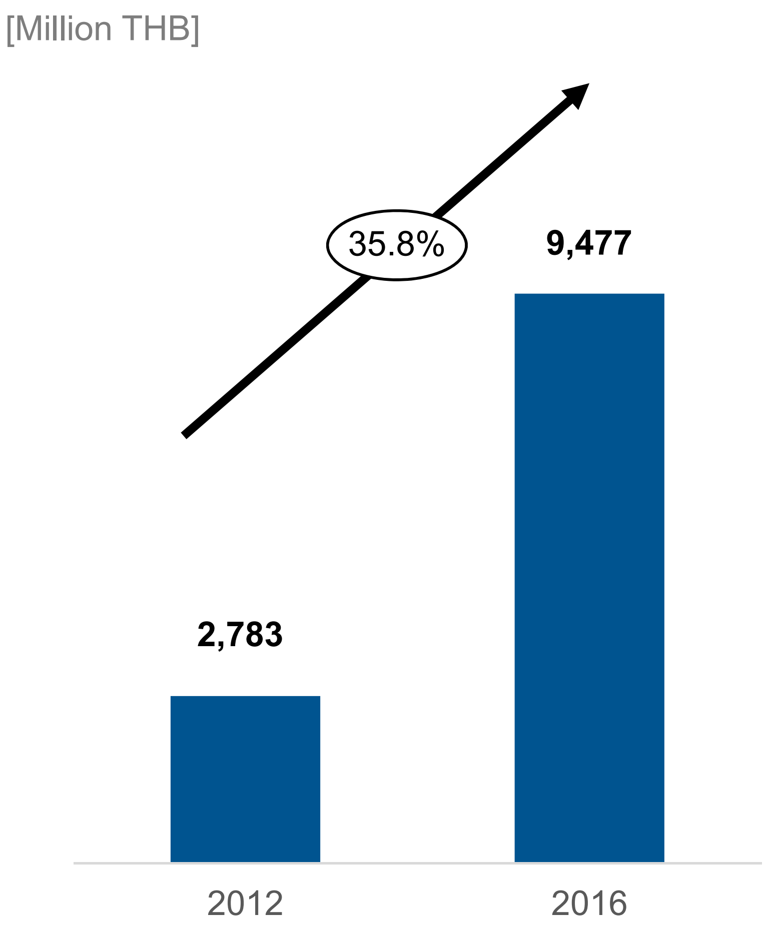


- Traditional advertising includes analog, cable/ satellite, and digital TV advertising.
- Shift in advertising budget is partly driven by the shift in consumer behavior towards digital channels.
- Traditional advertising spending in Thailand grew continuously and had strong growth when NBTC provided DTTV licenses in 2014.
- Traditional advertising spending in 2016 decreased due to cancellation of TV program during the national mourning.

Note: Traditional advertising spending of digital TV and cable/ satellite are available from 2014 onwards.
Source: CONC analysis based on the data from DAAT, eMarketer, The Nation

Online Business Models and Ads: Video on Demand based on Ads (AVoD)

Digital advertising spending (AVoD)

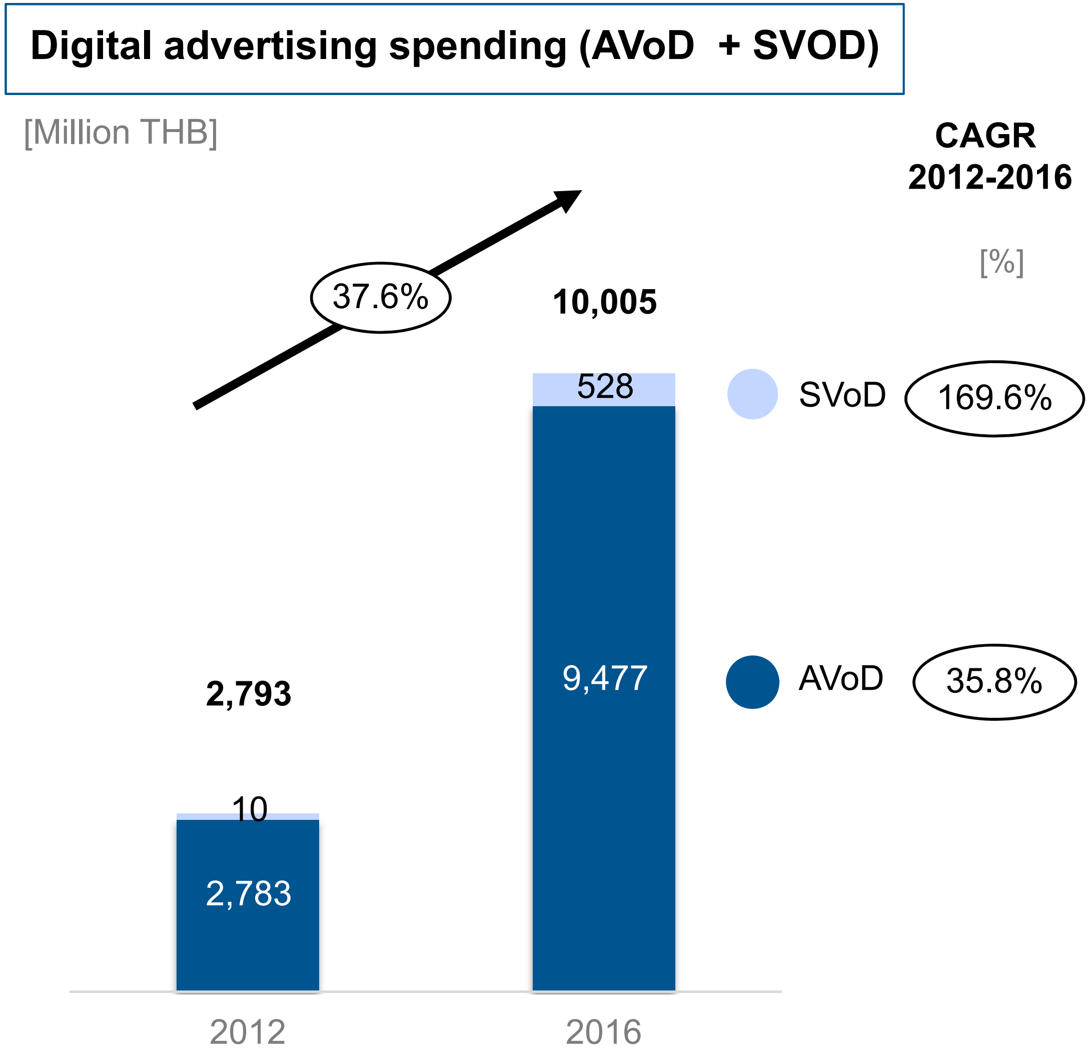


- In keeping with regional and global trend, spending on digital advertising has been growing continuously within video on demand which business models are subscription free and ads based. The growth trend continues within 2020F forecasts.

- Top 4 spenders by sector include:
  - Communications (e.g.DTAC),
  - Non- Alcoholic Beverages (e.g.Coke)
  - Skin-care (e.g.Unilever) and
  - Motor vehicles (e.g.Toyota).

Source: CONC analysis based on the data from DAAT and Neilsen

Online Business Models and Ads: Subscription Based Video on Demand (SVoD)



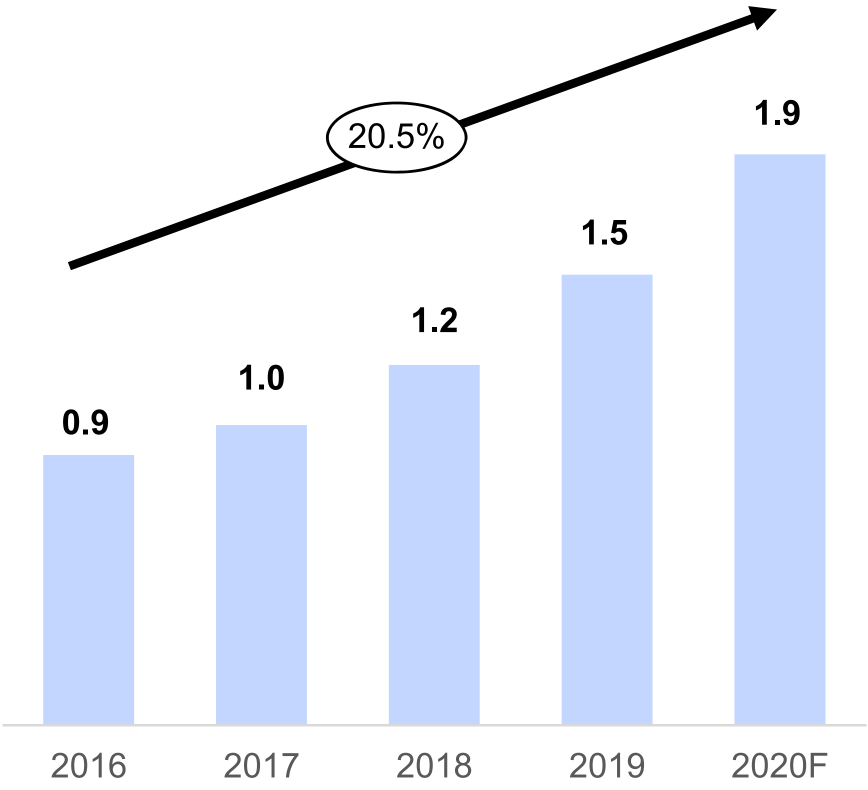
- Subscription-based video on demand (SVoD) has a total market of THB 528 million and has a double growth every year since Doonung.com (renamed to Monomaxxx) was first introduced in 2011.
- Although SVoD market is small and nascent when compared to AVoD, it shows a high growth potential.
- So far, there has been an intense competition among local, regional and global players since the first introduction in Thai market in 2011 by Monomaxx and later HollywoodHD.
- There level of competition is becoming more and more intense with arrival of several new players coming from local, regional and global levels.
- The major players are Netflix, Iflix, HollywoodHD and Monomaxx.

Source: CONC analysis based on the data from DAAT, MONO annual report, Media Business Asia, Industry expert's interview

SVoD: 1.9 million active subscribers by 2020F (20.5% CAGR) due to the growing of content variety and lower service fee

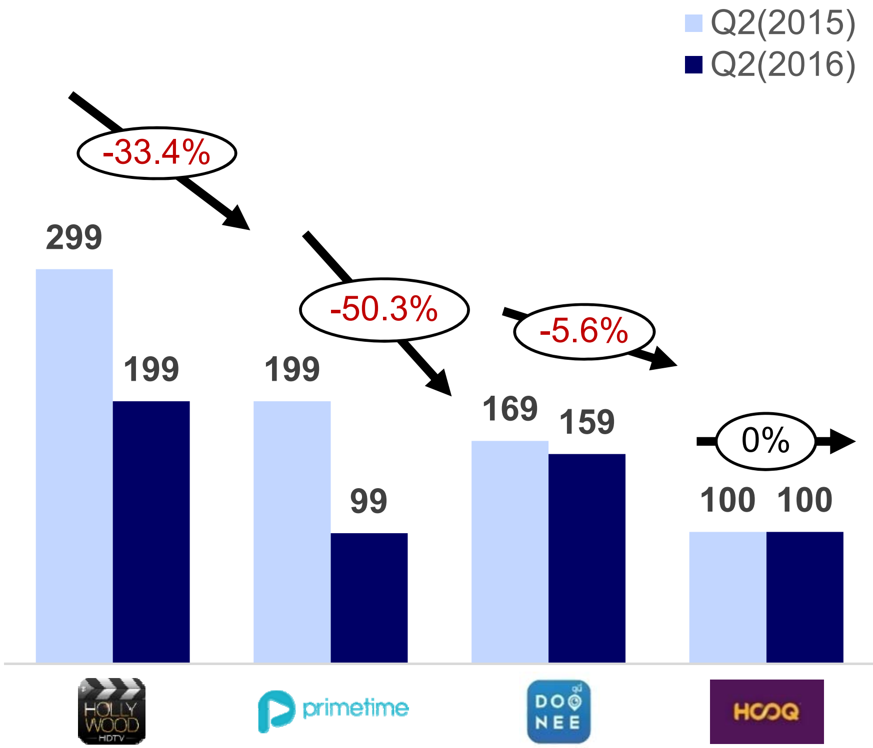
Forecast of the number of active user in SVoD segment in Thailand

[Million people]



Price trend in SVoD segment of key players in Thailand

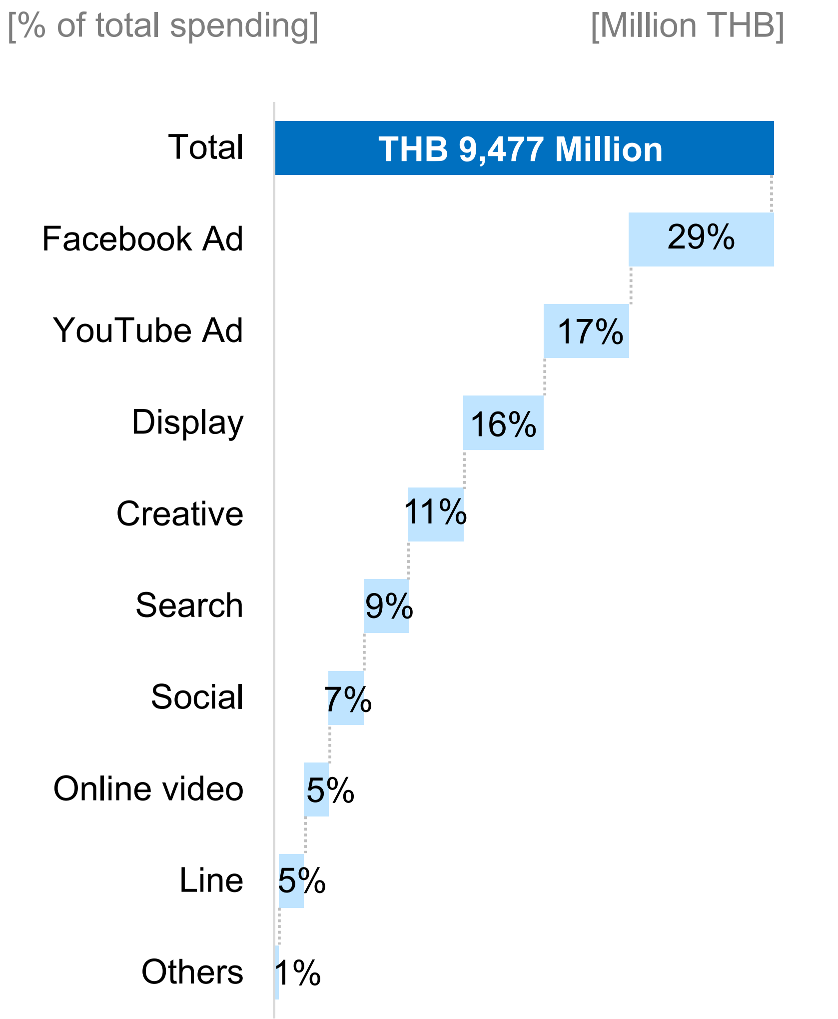
[THB per month]



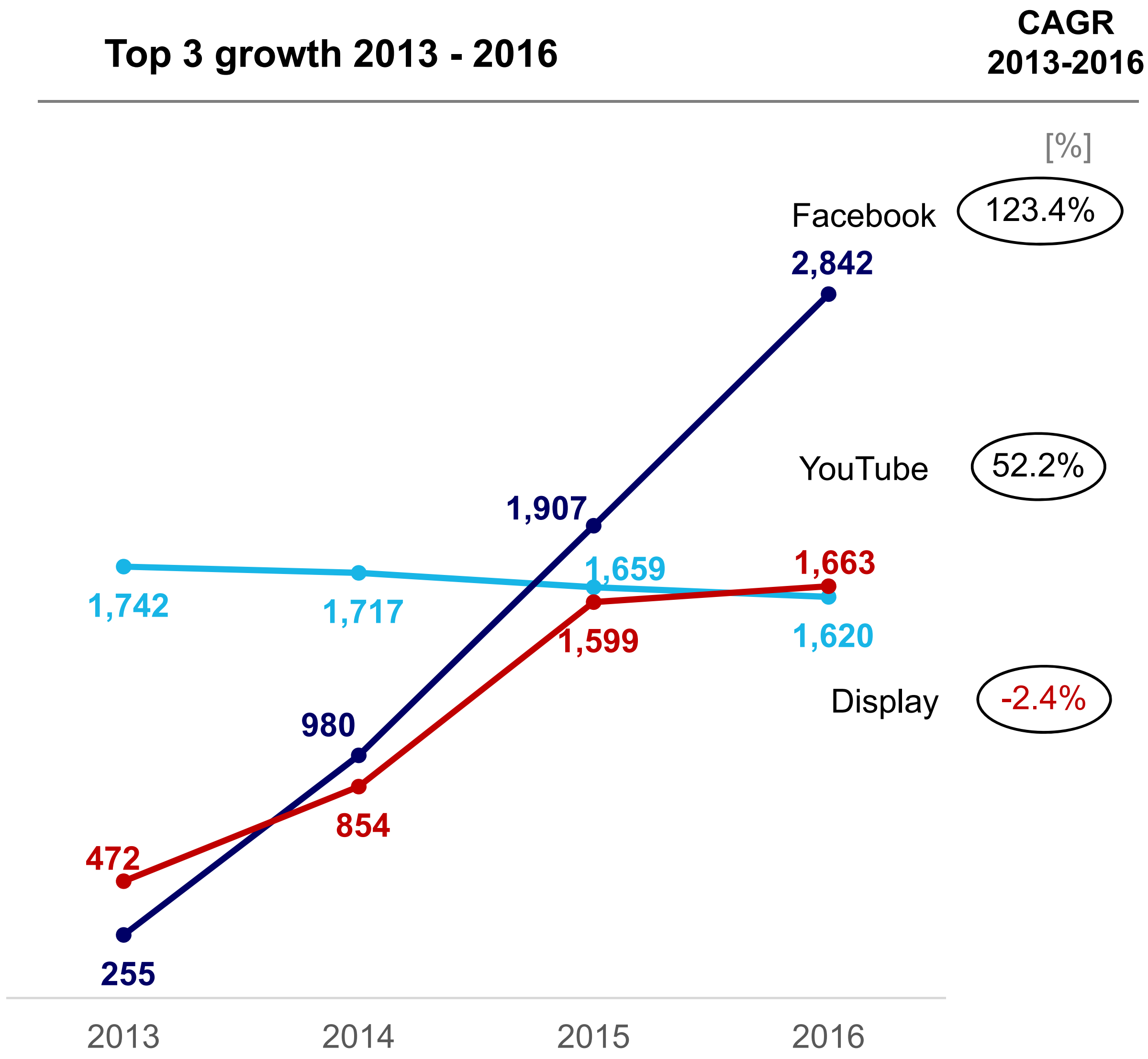
Source: CONC analysis based on the data from Statista, Nakono

Where $$ is spent online: Facebook Ad, YouTube Ad, and Display account for 62% in 2016

Ads spending share in online platforms in 2016

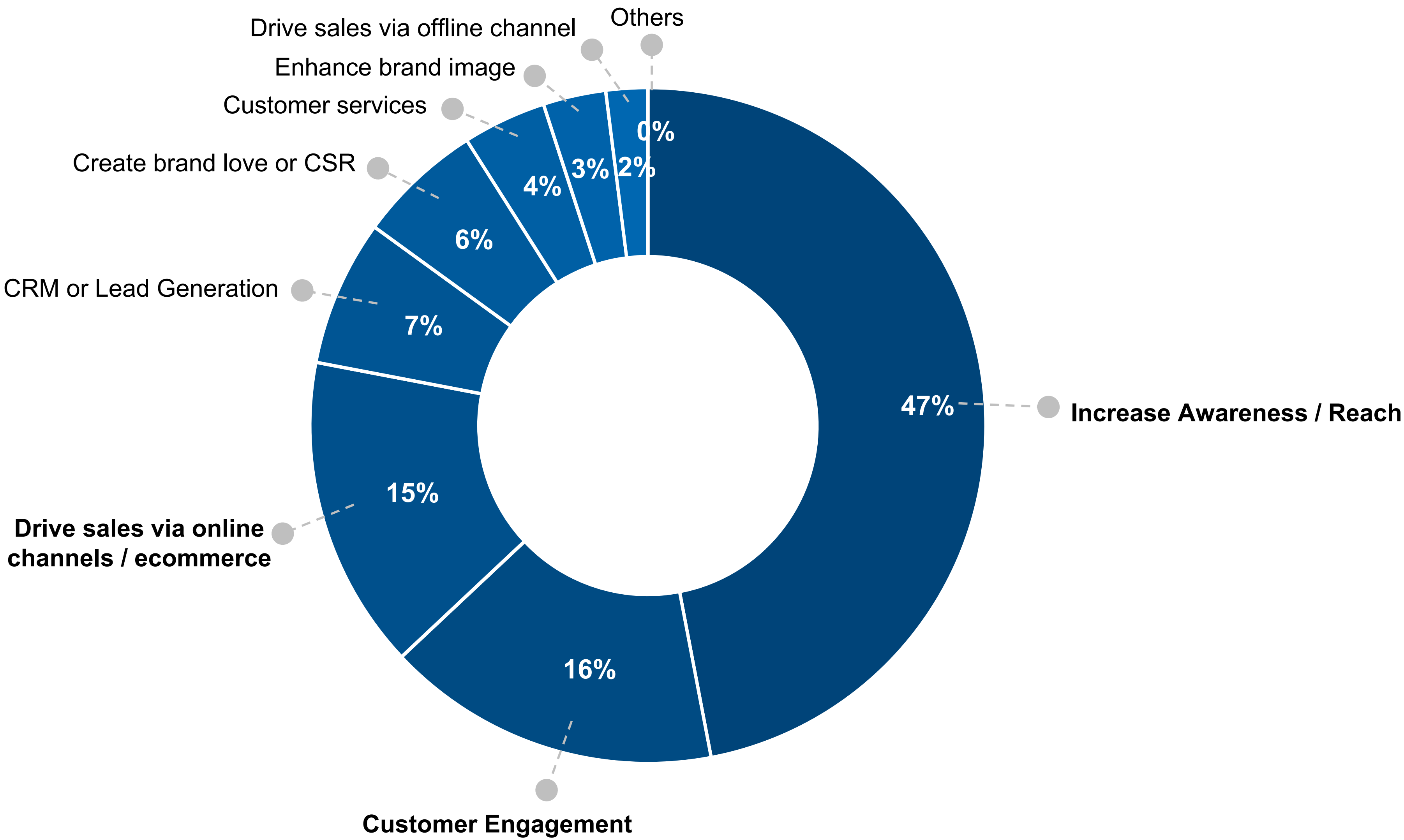


Top 3 growth 2013 - 2016



Source: CONC analysis based on the data from DAAT

Advertisers core goals with online Ads in Thailand in 2016

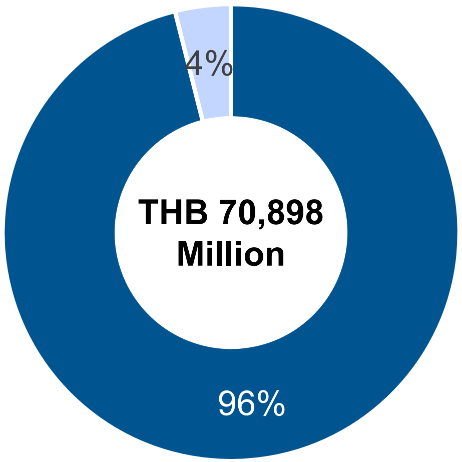


Source: CONC analysis based on the data from Kantar

Summary: Online Ads Market Vs. TV Ads. Market: Ads spending on traditional broadcasting channels still is 4 times bigger.

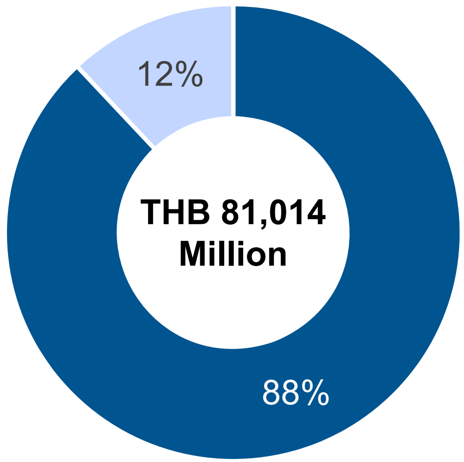
Advertising spending in 2012

[% of total advertising spending]



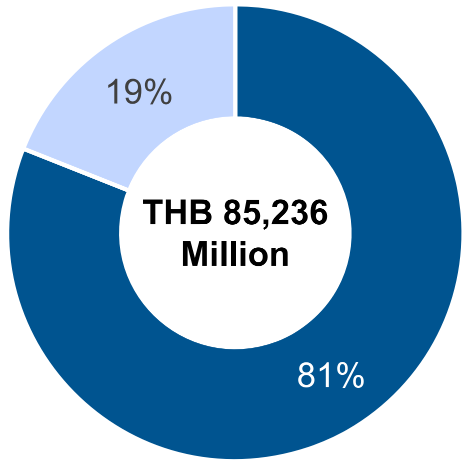
Advertising spending in 2016

[% of total advertising spending]



Advertising spending in 2020F

[% of total advertising spending]



Online advertising spending   Traditional TV advertising spending

Even though online advertising industry has a rapid expected growth during 2012-2020F, the proportion of online advertising spending is still small when compared to advertising spending in TV broadcasters.

Various "growth drivers" explain the evolution above.

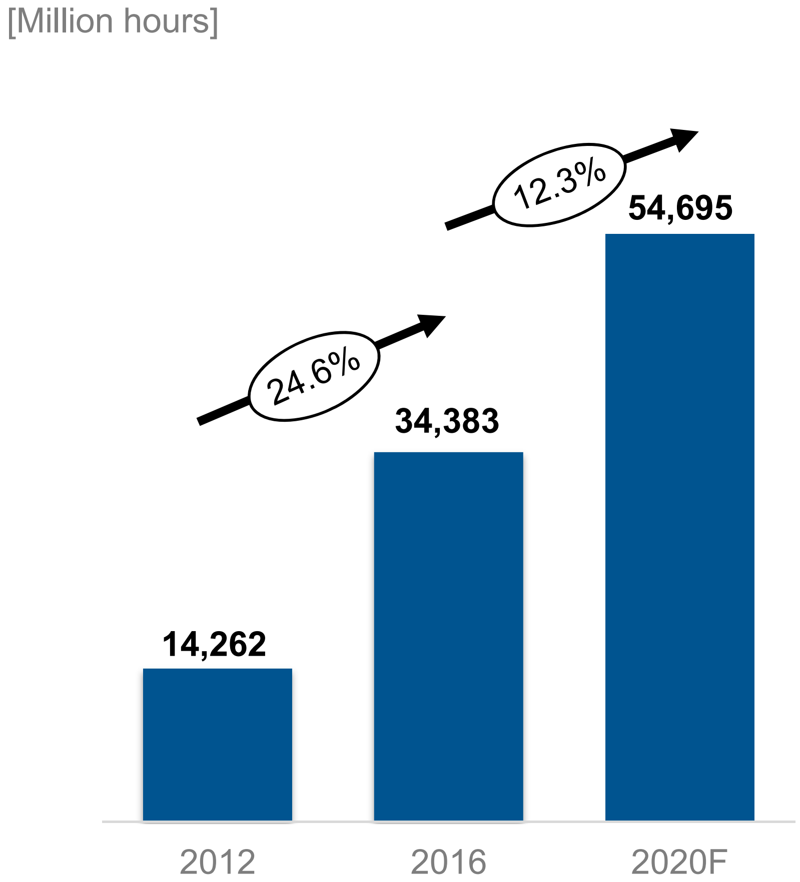
Source: CONC analysis based on the data from DAAT

Section 2 Online audiovisual industry in Thailand

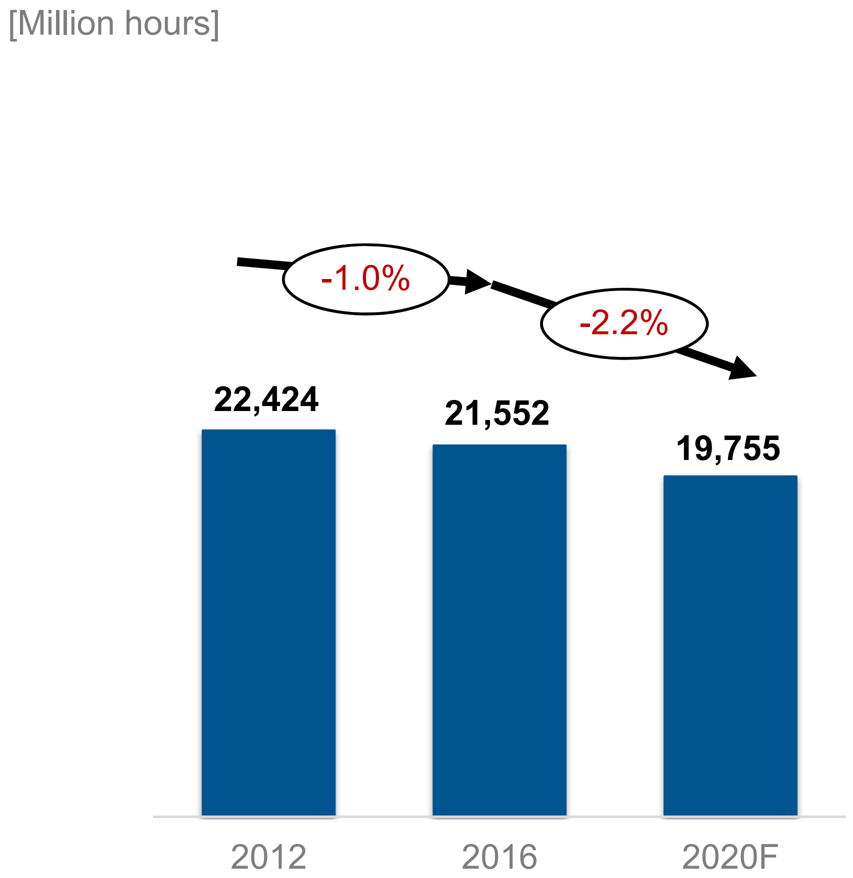
Consumption

Viewership habits in Thailand

Time Spending on Online audiovisual[1]



Time Spending on Traditional TV



In 2012-2016, online audiovisual industry grew significantly with CAGR of 24.6% and will grow continuously with CAGR of 12.3% in 2016-2020F. But traditional TV industry had negative growth with CAGR of -1.0% in 2012-2016 and will drop -2.2% annually during 2016-2020F.

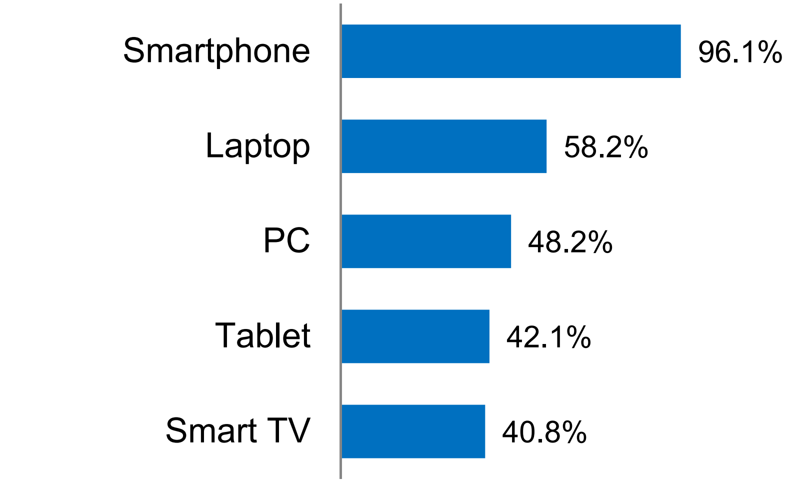
Note: [1] Including watching online content on SVoD (eg. Netflix) and AVoD (eg. Youtube)

Source: CONC analysis based on the data from online consumer survey (n=409)

Average time spending on online audiovisual of respondents is 3.8 hours per day, and most used device is smartphone. In addition, most of consumers own more than one connected device.

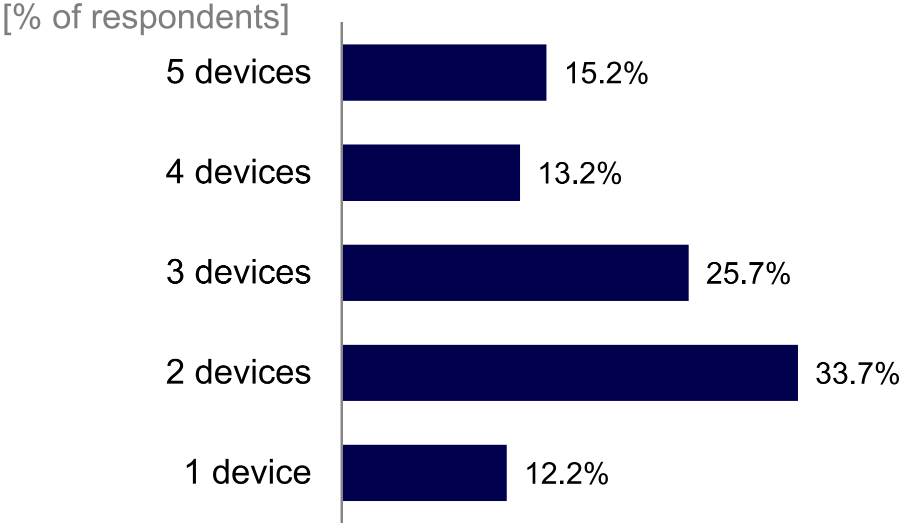
Type of devices used to watch online audiovisual by respondents

[% of respondents]



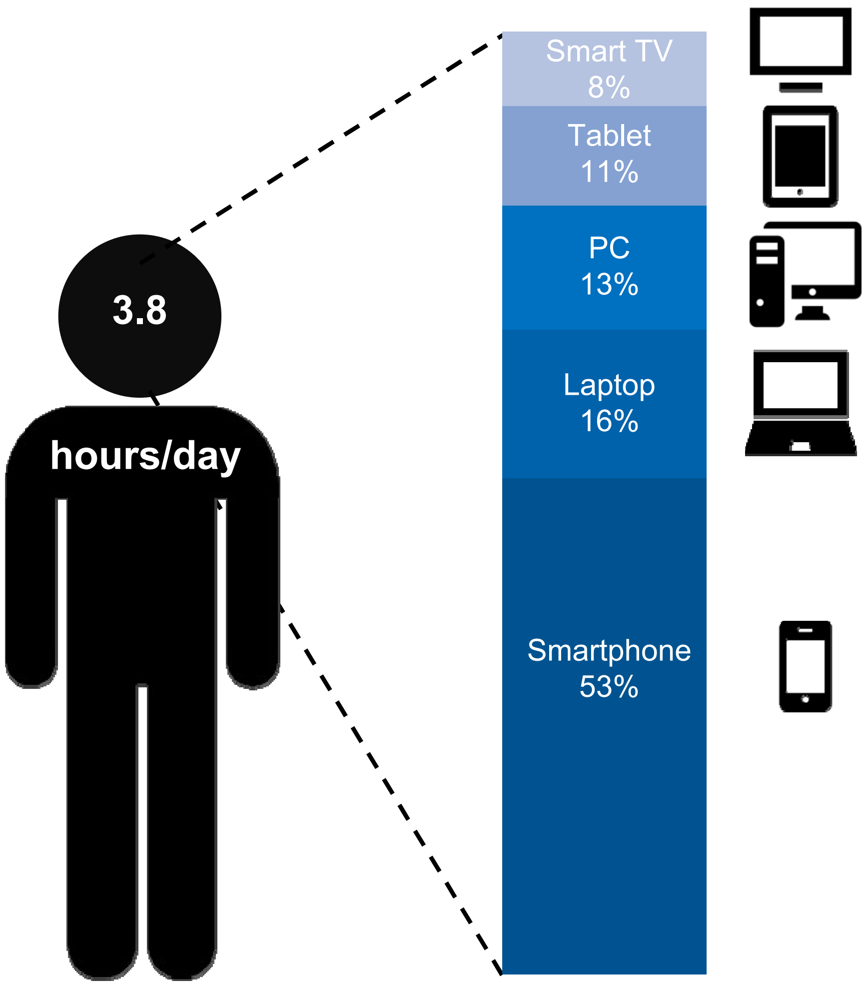
The number of devices used by respondents individually

[% of respondents]



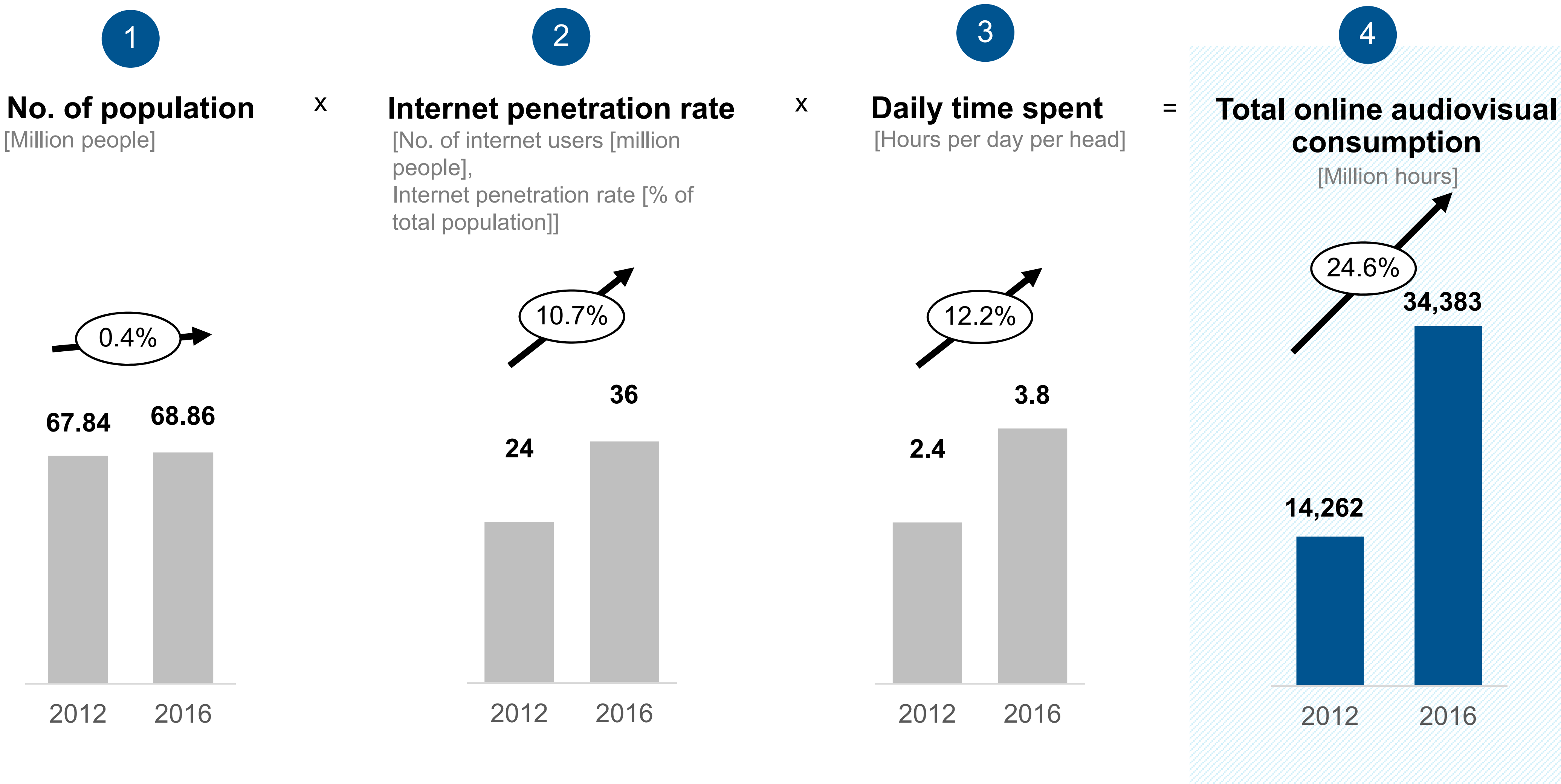
The average time spent on audiovisual OTT per day and average time spent on each device by respondents

[% of total time spending]



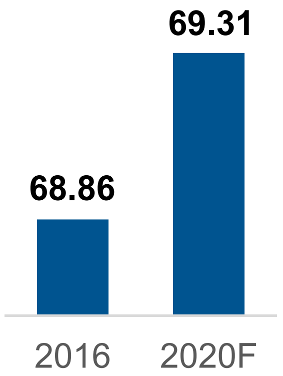
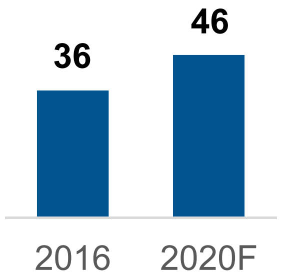
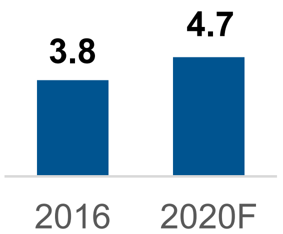
Source: CONC analysis based on the data from online consumer survey (n=409)

Total online audiovisual consumption in Thailand had a rapid growth in 2012-2016 with CAGR of 24.6% which was largely a result of increasing Internet penetration rate and time spent daily.



Source: CONC analysis based on the data from online consumer survey (n=409)

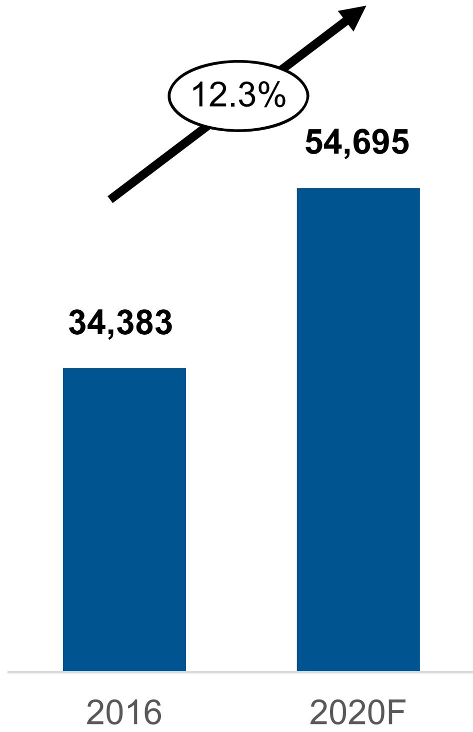
Online audiovisual consumption in Thailand is expected to grow with CAGR 12.3% in 2016-2020F which will be mainly impacted by increasing in the internet penetration rate and daily time spent.

Variables		CAGR 16-20F	Growth drivers
No. of population [Million people]		0.2%	• Urbanization • Aging society
Internet penetration rate [Internet penetration rate [% of total population]]		6.1%	• Affluence of Thailand's young people • Government supporting policy on internet infrastructure in suburb area "Netpracharat"
Daily time spent [Hours per day per head]		5.5%	• Development of internet connectivity and speed • Shift to online communication

X

X

Total online audiovisual consumption annually
[Million hours]



Source: CONC analysis based on the data from online consumer survey (n=409)

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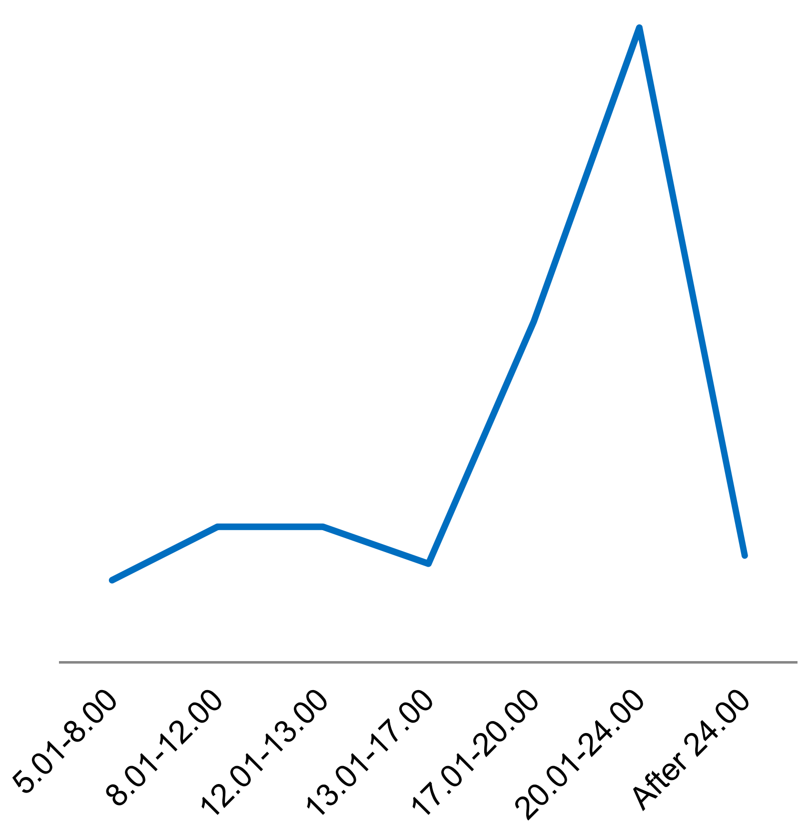
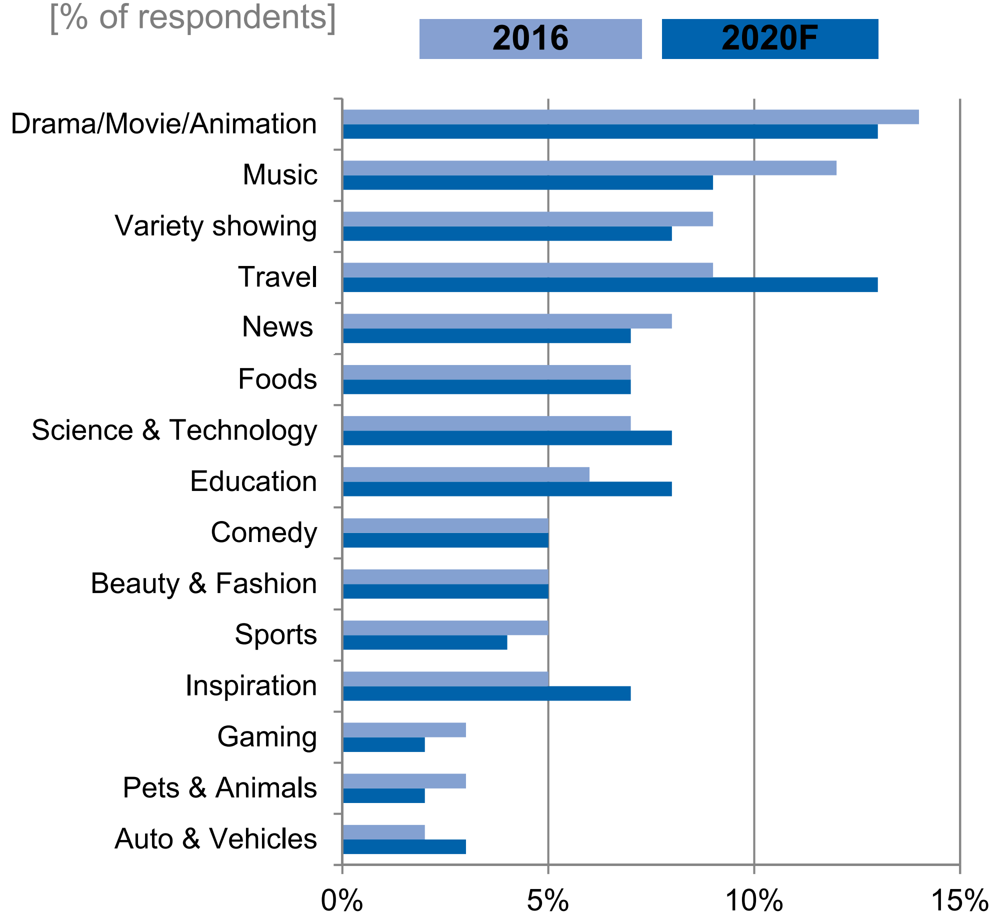
Viewership habits in Thailand

Period of time watching online audiovisual in 2016 by Thai people



Contents consumed in 2016 and trend in the future



Most of respondents watch online audiovisual during 17.01-20.00 and 20.01-24.00 Hrs. which are after work, and before bedtime. The most viewed contents are drama/movie/ animation, music, variety showing, travel and the trend is increasing continually.

Source: CONC analysis based on the data from online consumer survey (n=409)

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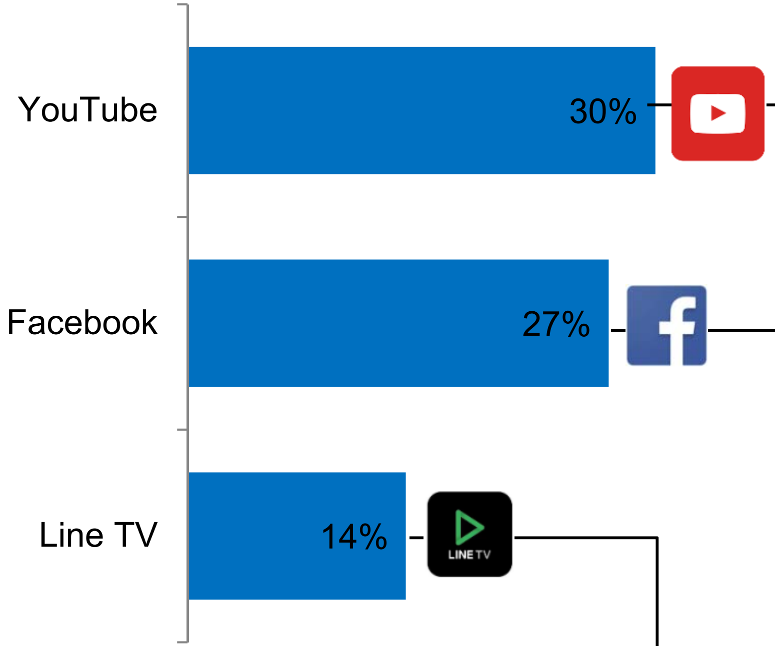
According to the survey, the most used online audiovisual platforms are YouTube, Facebook and Line TV. From these three platforms, the most viewed contents are drama/movie/animation. This is because majority of Thais watch online audiovisual for entertainment.

Top 3 most used platforms for watching online audiovisual

[% of respondents]

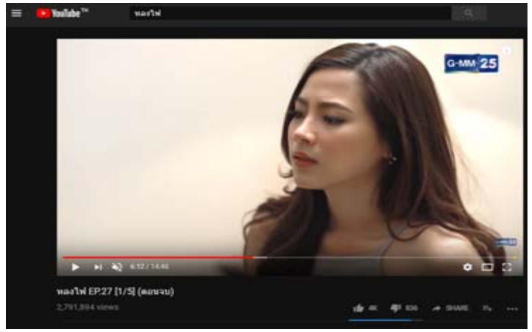


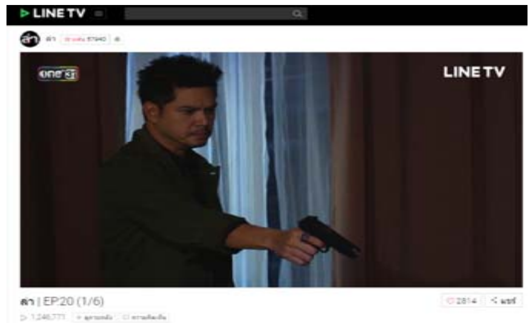
Top 3 contents in each platform

YouTube
1. Drama/Movie/Animation
2. Variety showing
3. Music

Facebook
1. Live Shows
2. News
3. Variety showing

Line TV
1. Drama/Movie/Animation
2. News
3. Science & Technology





Note: 4th is Workpoint app(7%), 5th is GMM25 app(5%), and others (17%) include Netflix, iflix, PrimeTime, Hollywood HDTV, Ch3 app, Ch7 app, Kantana app, AIS play, and Truevision Anywhere.

Source: CONC analysis based on the data from online consumer survey (n=409)

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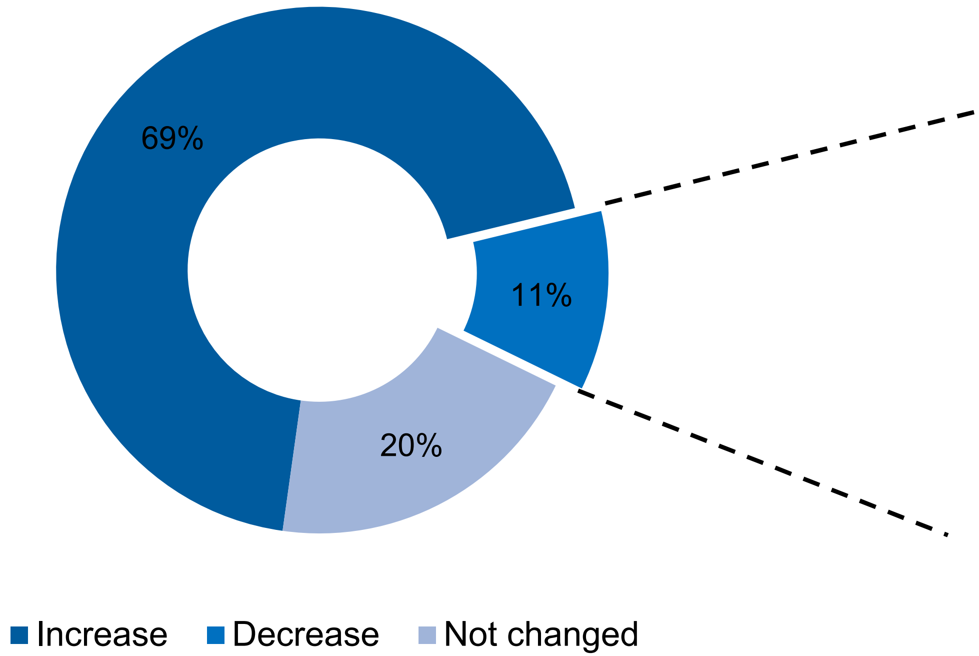
There are only 11% who spent less time on online audiovisual in 2016. The main barriers are less available time spending, no interesting contents and bad internet connection (4%). However, 69% of respondents have spent more time watching online audiovisual.

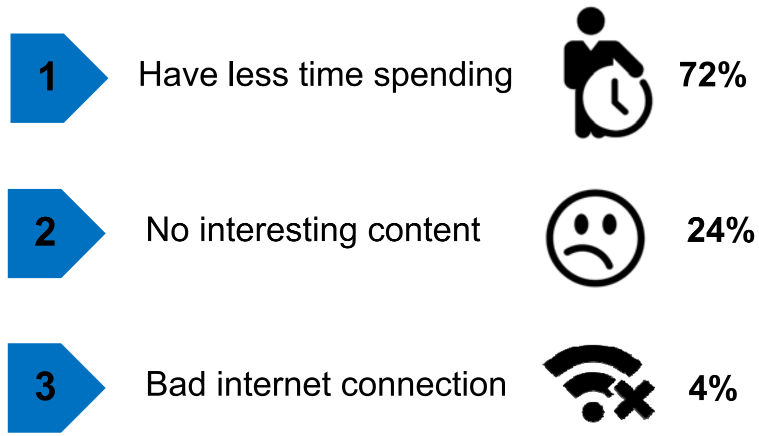
Proportion of time changing in watching online audiovisual in 2016 by respondents

[% of respondents]



Barriers that prevent respondents from consuming online audiovisual content

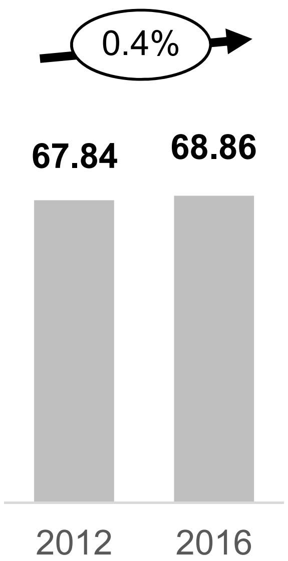
[% of sample size who decrease their spending time]



Source: CONC analysis based on the data from online consumer survey (n=409)

Total traditional audiovisual consumption in Thailand has decreased in 2012-2016 with CAGR of -1.0% which was mainly resulted from decreasing of daily time spent on traditional TV.

No. of population
[Million people]



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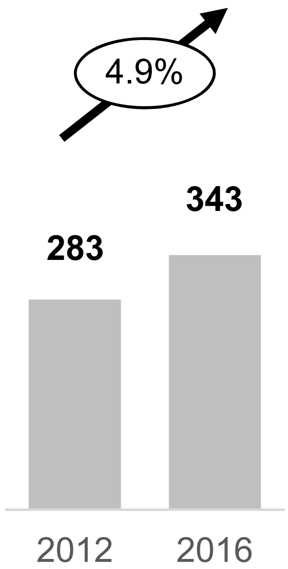
1

No. of television owned (per 1,000)
[Units per 1,000 people]



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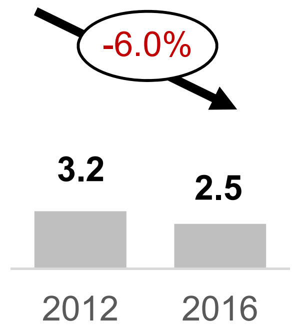
2

Daily time spent
[Hours per day per head]



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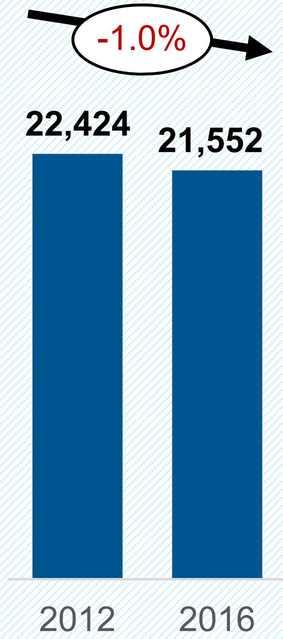
3

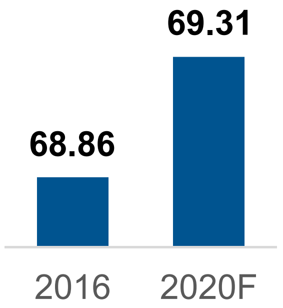
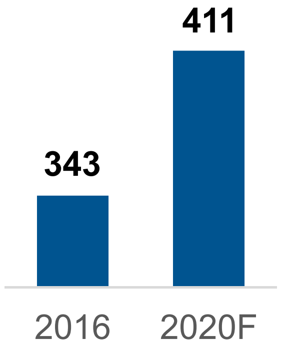
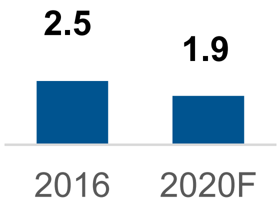
Total traditional audiovisual consumption

[Million hours]

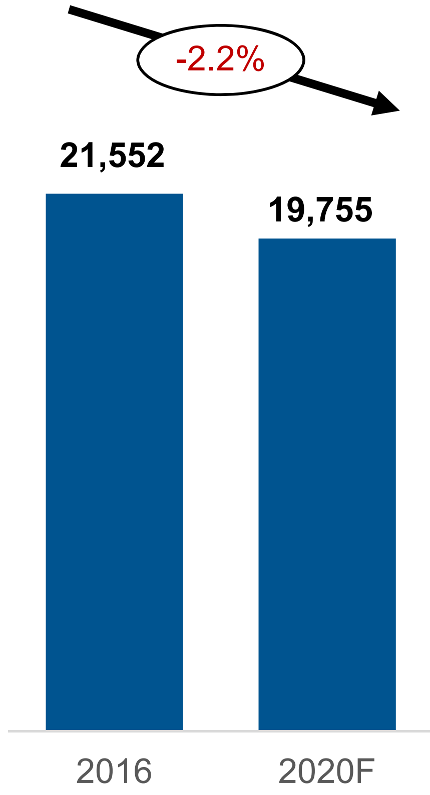


Source: CONC analysis based on the data from online consumer survey (n=409)

Traditional audiovisual consumption in Thailand is expected to have a negative growth with CAGR of -2.2% in 2016-2020F which will be largely resulted of decreasing daily time spent.

Variables		CAGR 16-20F	Growth drivers
No. of population [Million people]		0.2%	• Urbanization • Aging society
No. of television owned* (per 1,000) [Units per 1,000 people]		4.6%	• New technologies and functions in TV
Daily time spent [Hours per day per head]		-6.4%	• Impact of online media • Less variety of contents than OTT

Total traditional audiovisual consumption annually
[Million hours]



Source: CONC analysis based on the data from online consumer survey (n=409)

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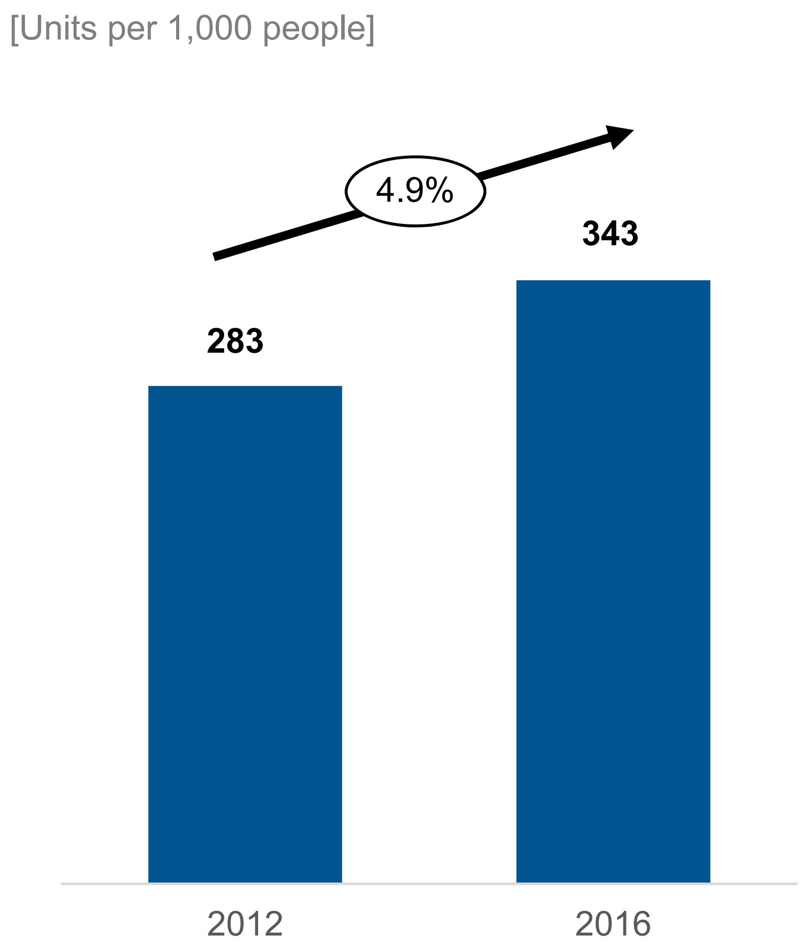
Although television is becoming relatively less popular popular, the number of television owned is actually increasing with moderate CAGR at 4.9% in 2012-2016. Growth of the sales were driven from smart TV.

1 **No. of television owned (per 1,000)**

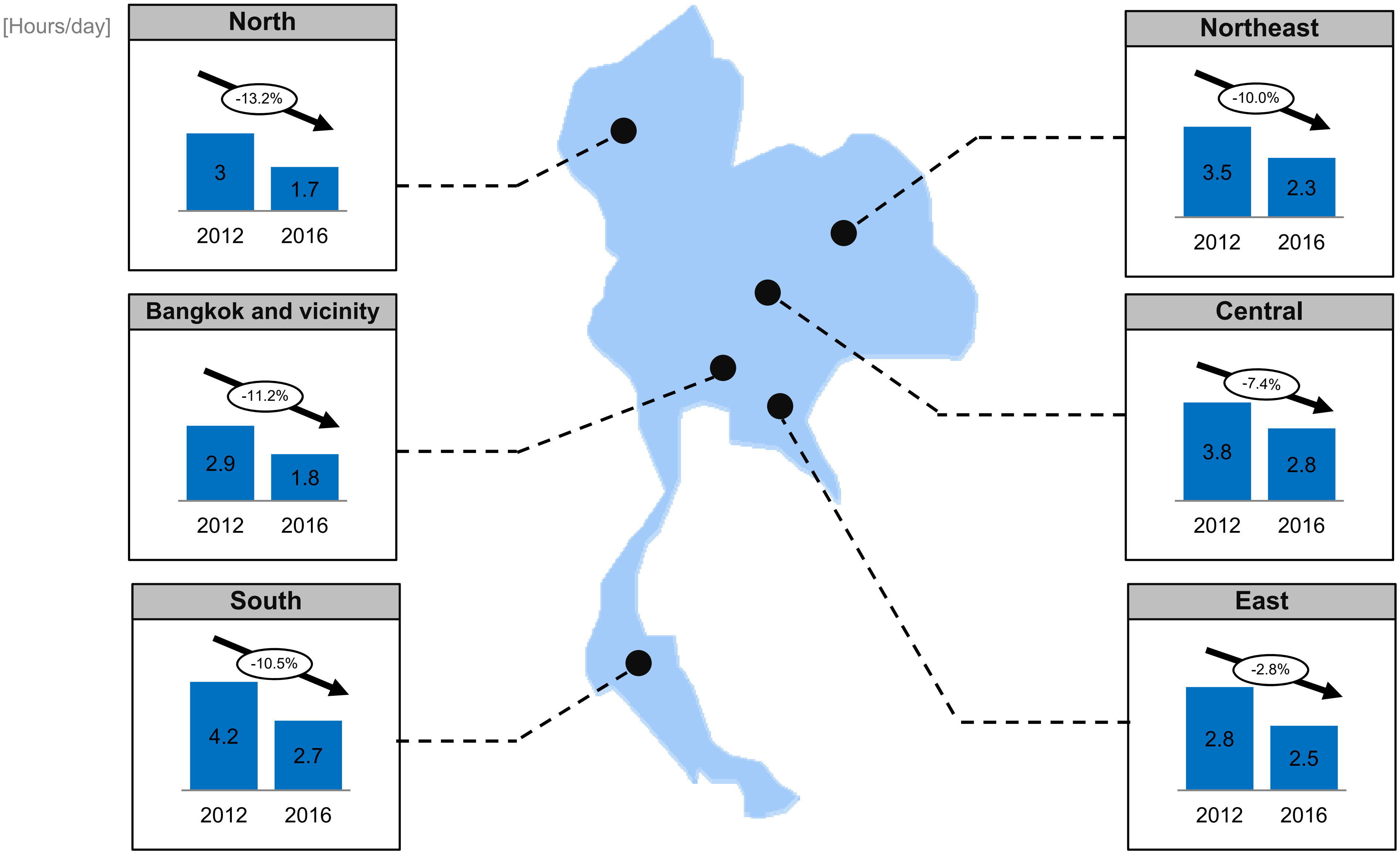


- These years, smart TV is the key device that dominated TV sales. A number of manufacturers use new technologies and functions to develop their products including the internet and online platform.
- Moreover, TV content creators always update and create the interesting programs to drive their business.
- There is still a small growth in number of TV owners as more people especially in countryside and older generation, which mainly consume media via TV, is gaining more access.

Source: CONC analysis based on the data from Statista, Economist Intelligence Unit; PwC.

Respondents in Northern region spend least of their time watching traditional TV following by Bangkok and vicinity, Northeastern, Eastern, Southern, and Central in 2016.

Time spent on traditional TV comparing of 2012 with 2016 by regions of Thailand.

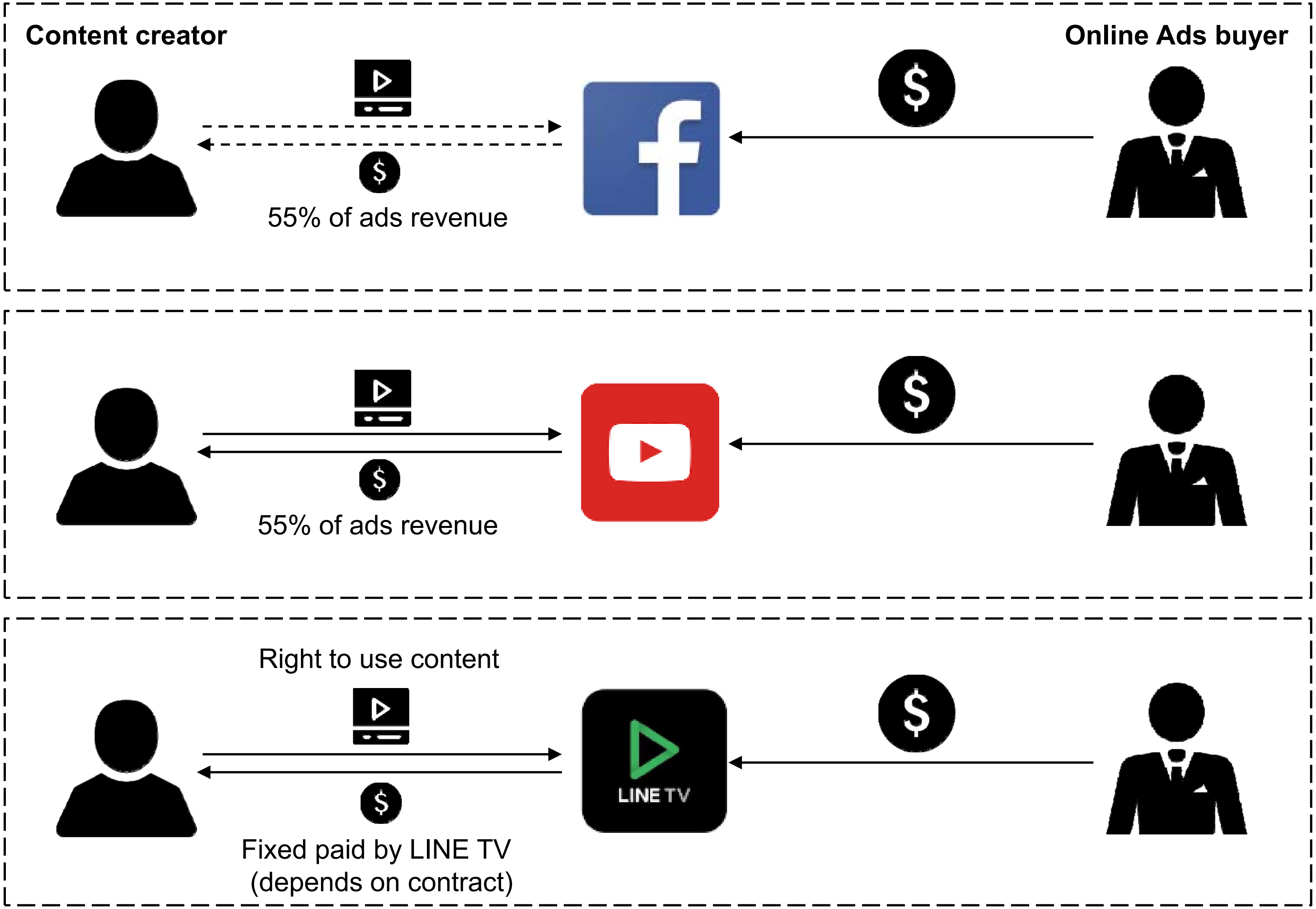


Source: CONC analysis based on the data from online consumer survey (n=409)

Section 2 Online audiovisual industry in Thailand

Benefits of online audiovisual industry

Creators can share content direct to the public



- Facebook's revenue sharing system is still in a testing process. The pricing method is not revealed yet.
- The only format, called **"mid-roll"**, gives content creators a chance to insert ads into clips.

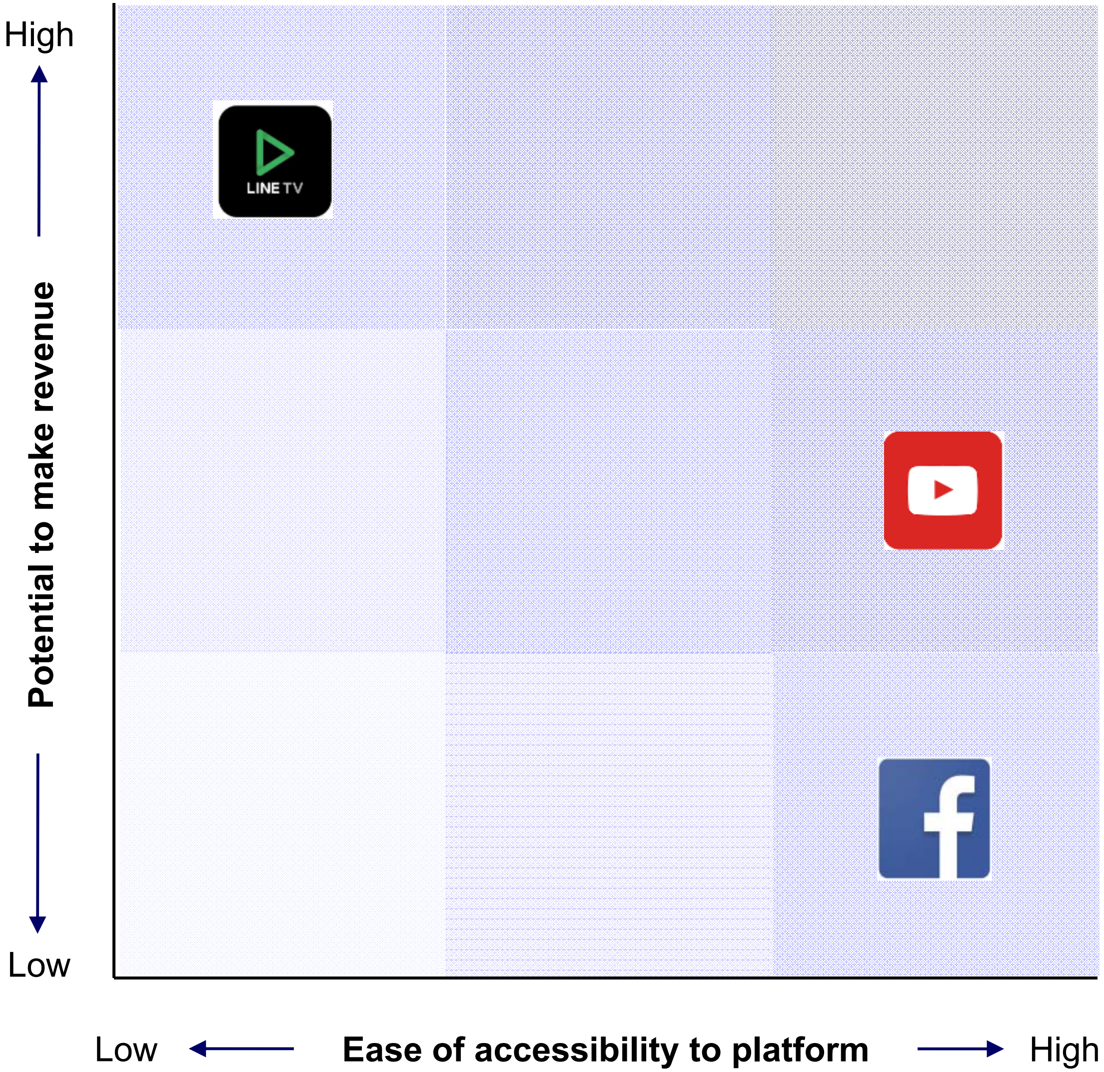
- **Cost per thousand (CPM)** model is used to measure and convert to be creators' revenue.
- There are several formats, such as display, overlay, and view in screen.

- LINE TV is only available for **exclusive content**, which coming from the deal between LINE TV and specific creators.
- The revenue level and term of right to use content are varying depending on a contract.

Source: CONC analysis based on the data from industry expert interview

YouTube and Facebook are suitable for new content creators, while LINE TV is more suitable for the experienced and popular creators who want to make high revenue in exchange of the right to broadcast own contents.

Comparing three main OTT platforms in terms of ease of accessibility and potential to make revenue for content creators



Pros and cons of three main OTT platforms

Platform	Pros	Cons
	- Highest watch time - Sponsored system helps increase engagement - Tools supporting creators (e.g. Creators App)	- Audience may skip content only by swiping pass the video in the news feed - Might not suitable for long videos
	- Most similar to watching TV - Google search engine's result suggest videos from YouTube first	- Difficult to create a strong following enough to reach a minimum number of subscribers to make revenue from video
LINE TV	- Guaranteed the revenue - High potential to make a high income - Negotiable in contract terms	- Only for exclusive content creators - Loss a right to upload content for a period of time (depends on a contract)

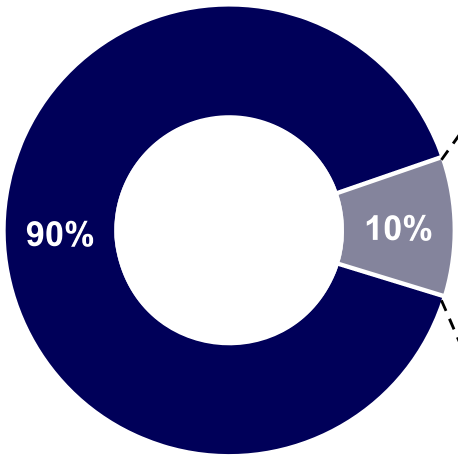
Source: CONC analysis based on the data from industry expert interview

Only around 10% of total consumption of Thai video is from foreign based countries due to several factors, such as language barrier, video searching prioritizing system and mismatch between preference of Thai and foreigners' type of content.

Proportion of domestic and foreign based countries consumption of Thai video on YouTube

[% of total consumption]

1.3 million channels



■ Foreign based consumption consumption

■ Domestic consumption

Popular types of video watching by foreigners

International cover music

How-to and Lifehack

Pranking

Key obstacles for Thai exporting content

- **Language:** Most of Thai content creators still use Thai to communicate, so foreigner audiences could not be able to understand the content.
- **IP address:** It is a rare chance for foreigners who are searching outside Thailand and come across Thai videos, maybe due to searching prioritizing.
- **Lack of content diversity:** It is a mismatch between type of content and foreign demand. For example, there is not much local video about Thai boxing.

Source: CONC analysis based on the data from industry expert interview, Positioning

Examples of Thailand online audiovisual contents in YouTube

Music
- 9.9 M Subs
- 7.4 M Subs
- 7.3 M Subs

Variety showing
- 9.8 M Subs
- 2.9 M Subs
- 549 K Subs

Comedy
- 5.4 M Subs
- 4.3 M Subs
- 3.5 M Subs

Drama/Movie/Animation
- 5.2 M Subs
- 4.7 M Subs
- 2.6 M Subs

Gaming
- 4.0 M Subs
- 3.5 M Subs
- 2.8 M Subs

News
- 1.7 M Subs
- 1.5 M Subs
- 1.3 M Subs

Foods
- 1.4 M Subs
- 550 K Subs
- 407 K Subs

Travel
- 1.1 M Subs
- 842 K Subs
- 504 K Subs

Beauty & Fashion
- 904 K Subs
- 530 K Subs
- 364 K Subs

Education
- 776 K Subs
- 538 K Subs
- 499 K Subs

Science & Technology
- 431 K Subs
- 354 K Subs
- 210 K Subs

Sports
- 423 K Subs
- 378 K Subs
- 287 K Subs

Inspiration
- 296 K Subs
- 255 K Subs
- 114 K Subs

Pets & Animals
- 517 K Subs

Auto & Vehicles
- 387 K Subs
- 360 K Subs

More than 5 M Subs
More than 1 M Subs
More than 500 K Subs
More than 100 K Subs

Source: CONC analysis based on the data from Socialblade

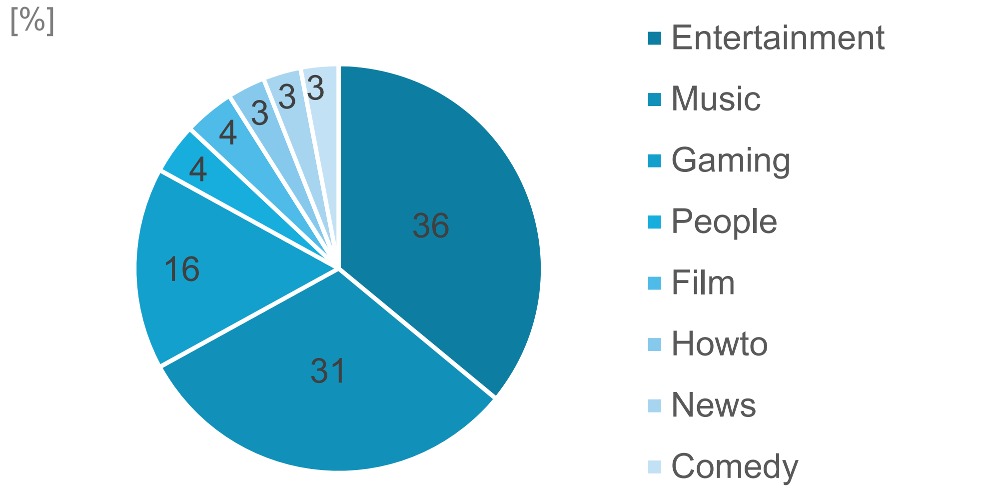
Entertainment and music are the major types of content in top 100 Thailand YouTuber, based on subscribers. There are more individual content creators than creators from traditional platforms.

Top 10 Thailand YouTube subscriber

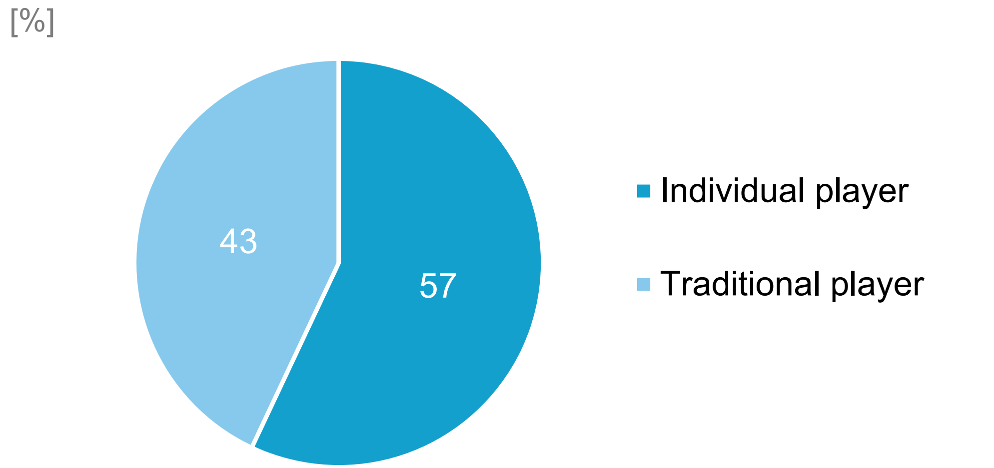
Rank	Channel	Type	Subscriber
1	GMM GRAMMY OFFICIAL	Music	9,889,112
2	WorkpointOfficial	Entertainment	9,793,806
3	Genierock	Music	7,387,026
4	RsiamMusic	Music	7,304,304
5	Bie The Ska	Entertainment	5,430,639
6	one31	Entertainment	5,227,920
7	rsfriends	Music	5,134,394
8	Ch3Thailand	Entertainment	4,686,390
9	welovekamikaze	Music	4,316,015
10	VRZOchannel	Entertainment	4,282,733

Note: As of 28 September 2017

Top 100 Thailand YouTube subscriber classified by types of content



Top 100 Thailand YouTube subscriber classified by content creator



Source: CONC analysis based on the data from Socialblade

Examples of Thailand online audiovisual contents in Facebook

Variety showing
- 11.5 M Followers
- 7.0 M Followers
- 5.0 M Followers

News
- 11.3 M Followers
- 8.7 M Followers
- 5.7 M Followers

Drama/Movie/Animation
- 9.3 M Followers
- 5.1 M Followers
- 3.7 M Followers

Foods
- 3.3 M Followers
- 3.2 M Followers
- 2.4 M Followers

Comedy
- 2.1 M Followers
- 1.0 M Followers
- 547 K Followers

Beauty & Fashion
- 1.4 M Followers
- 1.4 M Followers
- 1.2 M Followers

Music
- 1.8 M Followers
- 1.2 M Followers
- 451 K Followers

Travel
- 1.4 M Followers
- 1.2 M Followers
- 765 K Followers

Sports
- 2.0 M Followers
- 1.4 M Followers
- 344 K Followers

Health
- 1.6 M Followers
- 902 K Followers
- 580 K Followers

Pets & Animals
- 3.1 M Followers
- 842 K Followers
- 745 K Followers

Inspiration
- 2.0 M Followers
- 356 K Followers
- 337 K Followers

Education
- 1.3 M Followers
- 245 K Followers
- 101 K Followers

Science & Technology
- 553 K Followers
- 372 K Followers
- 260 K Followers

More than 5 M Followers
More than 1 M Followers
More than 500 K Followers
More than 100 K Followers

Source: CONC analysis based on data from Facebook

Examples of Thailand online audiovisual contents in LiveTV

Drama/Movie/Animation

GMM TV	1.0 M Fans
gdh	690 K Fans
one 31	550 K Fans

Variety showing

workpoint	158 K Fans
OH! BABY	128 K Fans
TV Thunder Public Company Limited	101 K Subs

Comedy

	221 K Fans
	21.6 K Fans

News

PPTV HD 36	126 K Fans
MCOT HD	3.1 K Fans

Beauty & Fashion

VOGUE	130 K Fans
Jeban.com	4.9 K Fans
GQ Thailand	3.3 K Fans

Travel

The Sun Hunter	102 K Fans
Journey The Series	4.7 K Fans

Sports

8 MAX Muay Thai	74.1 K Fans
Thai Fight King of Muay Thai	2.2 K Fans
beIN Sports	1.7 K Fans

Music

BEC TERO Music www.becteromusic.com	10.2 K Fans
true Fantasia	9.9 K Fans
What The Duck	9.0 K Fans

Foods

cookat TV	9.9 K Fans
wongnai	2.6 K Fans
Sista cafe	1.2 K Fans

More than 1 M Fans
More than 100 K Fans
More than 10 K Fans
More than 1 K Fans

Source: CONC analysis based on data from Line TV

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There are several benefits for both traditional players and new independent content creators from using OTT platform.

Benefits of OTT to content creator

	Traditional player
Expand viewer base	• Due to the ease of accessibility, OTT platforms help content creator reaches new audiences, both Thai and foreigners. For contents in Thai, there are also foreigners from Laos watching because the similarity of language. • Traditional and online channels are complementing each others, not cannibalizing. Content creators are able to use both channels to maximize the efficiency in reaching audiences.
Increase engagement	• Traditional content creators can use OTT as a tool to engage audience interactively through features that platforms provide, such as comment, live chat, like/dislike and subscription buttons, and emoticons. • OTT also create a society for fans to discuss and share about their common interest, which leads to the increase in the loyalty. • Content creators can easily get feedbacks about their content from online comments.
Power shifting	• Before OTT platform is introduced, broadcasters have an absolute control. They had a sole decision to choose what they want people to watch. However, now people can select content by themselves online from various sources. The ability to freely choose content makes quality become more important. • Bargaining power is now shifting toward consumers rather than content creator/broadcaster. This results in higher competition among content creators and broadcasters, pressuring them to improve their content quality.

Source: CONC analysis based on the data from industry expert interview

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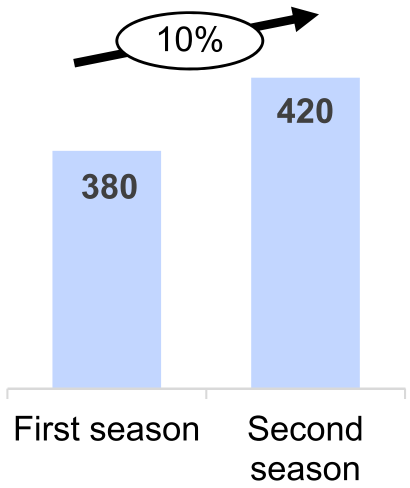
The Mask Singer is a solid example to show that both traditional channel and online channel are supporting each others, as the number of viewers from both channels were peaking at the same time.

Case study: The Mask Singer

- The Mask Singer, produced by Workpoint Entertainment, is remarked as a talk-of-the-town TV show in 2017 and became a flagship program of the channel.
- Chalakorn Panyashom, Chief Operating Officer, states that the program's key success factors are comprised of several attributes, which one of them are the adoption of social media to boost TV ratings. It is evidence that both channel are synergizing each others, not weakening.

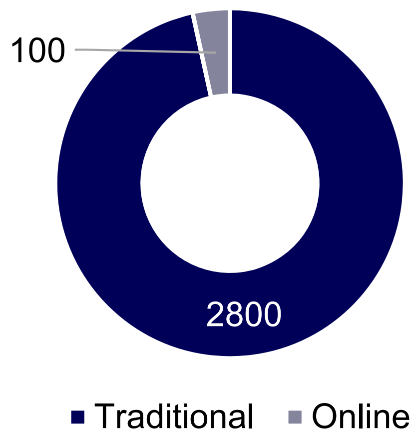
The mask singer's rate card

[Thousand THB per minute]



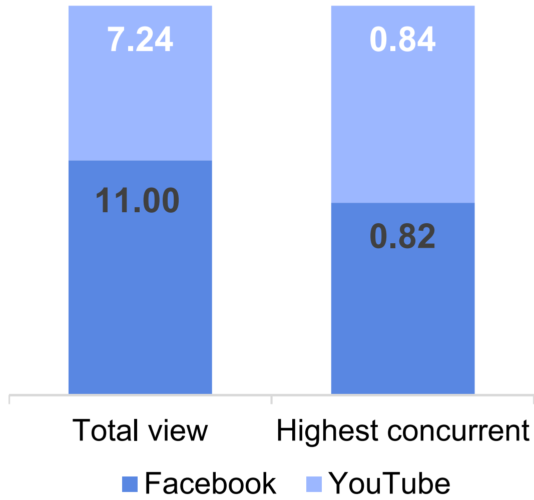
Workpoint revenue breakdown (2017F)

[Million THB]



OTT platforms' stat on the final episode (23 March 2017)

[Million views]



Source: CONC analysis based on the data from industry expert interview

Kantana is a traditional player who sees an opportunity from the changing of consumer behavior in term of media consuming channel. OTT platform aids Kantana in expansion of viewer base, revenue stream and engagement to traditional audience.

KANTANA

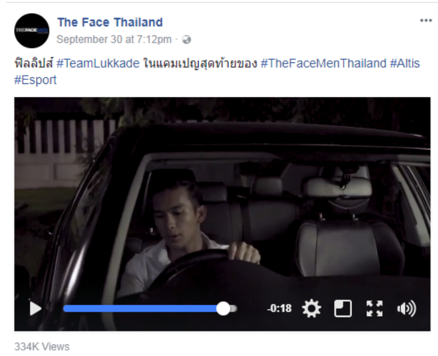
Case study: The Face Men Thailand

- The Face Men Thailand , produced by Kantana Group , is an international Thai reality television modelling competition for male, aired on Channel 3 and also online platforms.
- To extend the show, there is a spin-off show, called Artemis Elite, where the Face Men's contestants living and training in the resident, exclusive content on LINE TV.
- Sasikorn Chansate, Chief executive of TV program, believes that OTT has benefits but it has to be used in a right way.

THEFACEMEN THAILAND

LIVE

- Not only the full episodes of show, but also brand sponsors' clips are uploaded on OTT platforms for marketing purposes. So, Kantana has another revenue stream, asides from advertisement on the traditional platform.
- Live broadcasting on Facebook gives benefit in terms of expanding audience base. For example, there are some neighbor audiences watching the show on Facebook.



ARTEMIS ELITE

LINE TV

- LINE TV pay Kantana to produce exclusive content, which is a spin-off from The Face Men Thailand, so Katana can use the same resource, such as casts and production team to generate more revenue for LINE.
- The related content on online platform help expanding the reach and creating relationship with audiences from traditional platform.

Source: CONC analysis based on the data from industry expert interview

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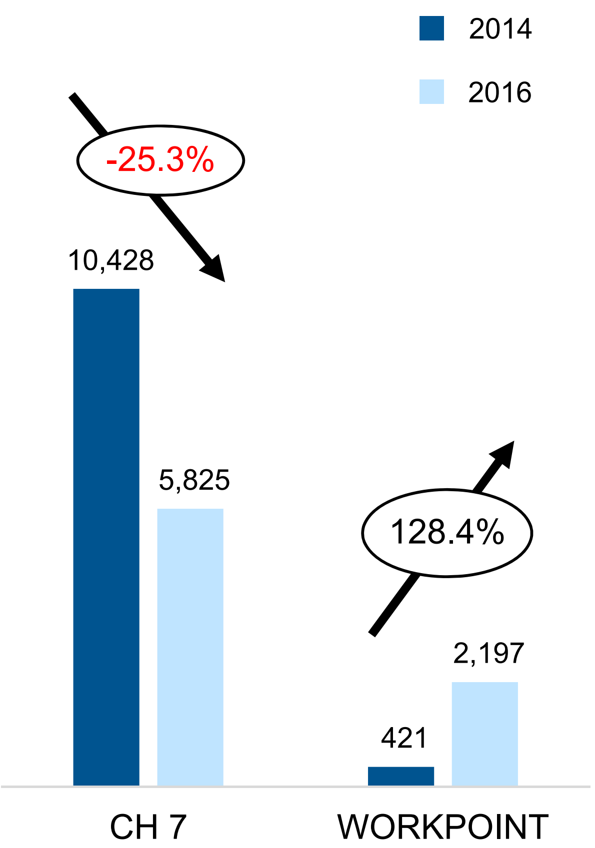
Workpoint's performance is improving continuously because of their business strategies. Online channels and content creators play a bigger role in the value chain.

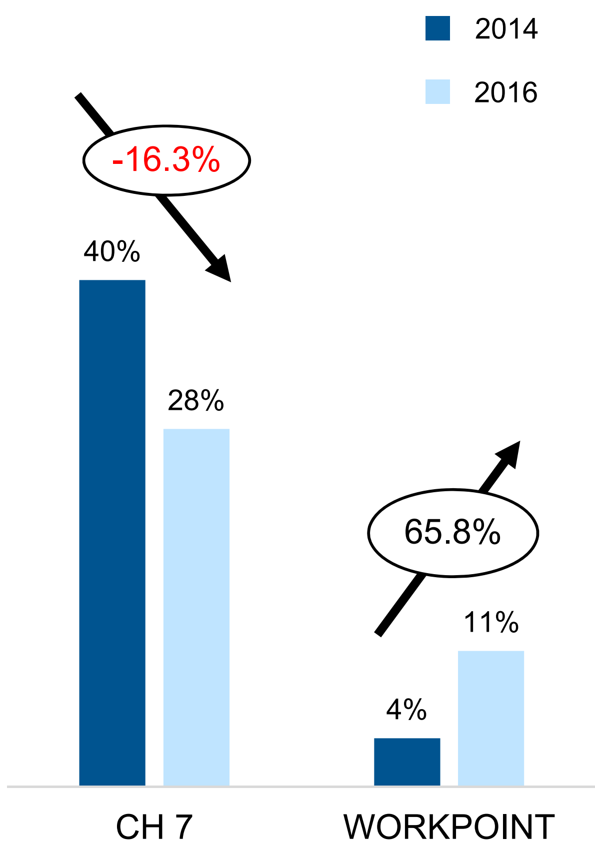
Revenue and CAGR of key players' revenue of digital TV in Thailand

[Million THB, %]



Digital TV audience share in Thailand

[%]



Key success factors of Workpoint

Investing new programs

These years, Workpoint has invested in many interesting programs that have the potential to boost the company's ad rates by more than THB100,000/min.

Number one in online media

Workpoint is the leading TV station that is engaging viewers via online media platforms. The company expected that it can generate revenue more than THB 200 millions (30% of earnings) this year.

- 6 m. subscribe, 50 top viewers worldwide every month
- 23 m. likes, more than 40 m. video views per week
- #1 top hashtag every week in 2016

Surprising Contents

Workpoint pays attention to audiences behavior and need by doing the research and getting feedback often. So, they always create interesting and surprising contents for audiences.

Source: CONC analysis based on the data from Department of Business Development, Ministry of Commerce, Workpoint Entertainment, AGB Neilsen

OTT platforms generate benefits to both traditional players and new independent content creators

Benefits of OTT to content creator

Independent artist/creator

Job creation	• YouTubers can generate sufficient income from direct payment from platforms and tied-in advertisement. Some successful YouTubers expand to have their own production house with several employees. • OTT platforms create an opportunity for normal people who want to turn their interest into a job, such as Nas Daily that has grown from single-person business to global channel with production teams.
Less cost of production	• Online content creator has less cost of broadcasting, unlike TV programming, which need large investment and time commitment to produce. When comparing to traditional content production, OTT content requires less labor cost because the scale of production is smaller.
Creativity space	• Independent artists, particularly niche content creator, can easily gain access to an online space to show their abilities. All the uploaded video on channel acts as work portfolio or reference in the future. • The platform is an community to exchange ideas and foster creativity and innovation in society.

Source: CONC analysis based on the data from industry expert interview

Sean Buranahiran build his dream career by sharing videos about his life story and philosophy on Facebook.

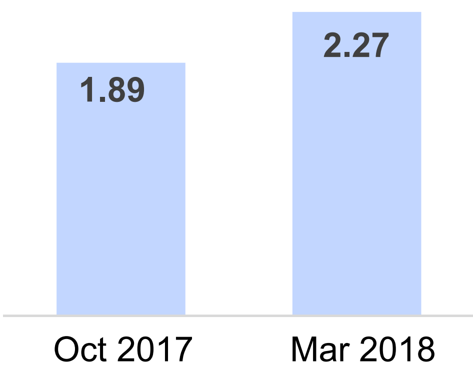
Posts

Case study: Sean Buranahiran

- Sean Buranahiran, the famous social influencer with 2.2 million followers on Facebook, is one of people who use OTT platform to create a job opportunity. He started to make short videos to share his life stories, aiming for changing audiences' lives.
- With his passion of sharing and good storytelling skill, he becomes a speaker for several organizations and public events.
- Until now, he also hosted live podcast show on Facebook, called "HaZara".
- He had his first live talk show in 2017, called "Story of My Life".

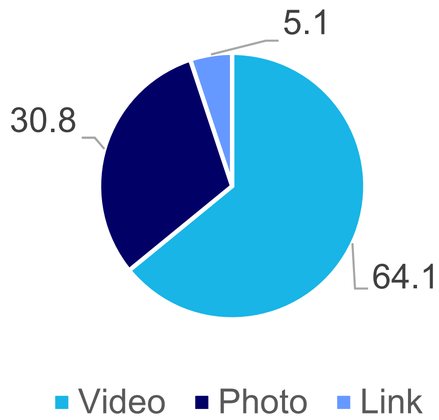
Total fans on Facebook page

[Millions]



Distribution of Page Post Types in 2018

[%]



Source: CONC analysis based on the data from Socialbaker (As of 23 March 2018)

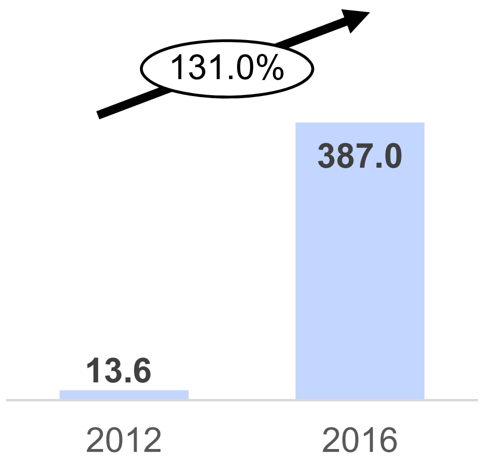
Krit Boonyarang (also known as Bie The Ska), a famous Thai YouTuber, started making videos for entertaining purpose. Up to now, he is managed to change a hobby to become his main job. He has founded his own production house and hired 17 employees to do online content.

Case study: Bie The Ska

- Krit started his journey as video creator 9 years ago from making a parody music video on several platforms, such as MThai, Clipmass and Daily motion. Then when YouTube became more popular, he created Bie The Ska channel on YouTube.
- He founded his own company, called The Ska Film co ltd., currently consists of 17 employees.

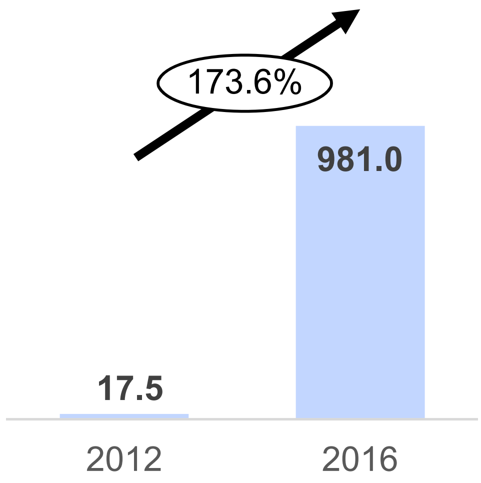
Total subscribers on YouTube channel

[Thousands]



Total views on YouTube channel

[Millions]



Key breakthrough moments

2008 Uploaded first clip on YouTube

2011 Parody of Bie The Star and become “Bie the Ska”

2012 Parody of Gangnam Style started to be well-known

2013 - Present Own content/program

Source: CONC analysis based on the data from industry expert interview, Socialblade

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Section 2 Online audiovisual industry in Thailand

Benefits of online audiovisual industry

Consumer Survey

Consumer Benefits: Survey objectives and methodology

Research objectives

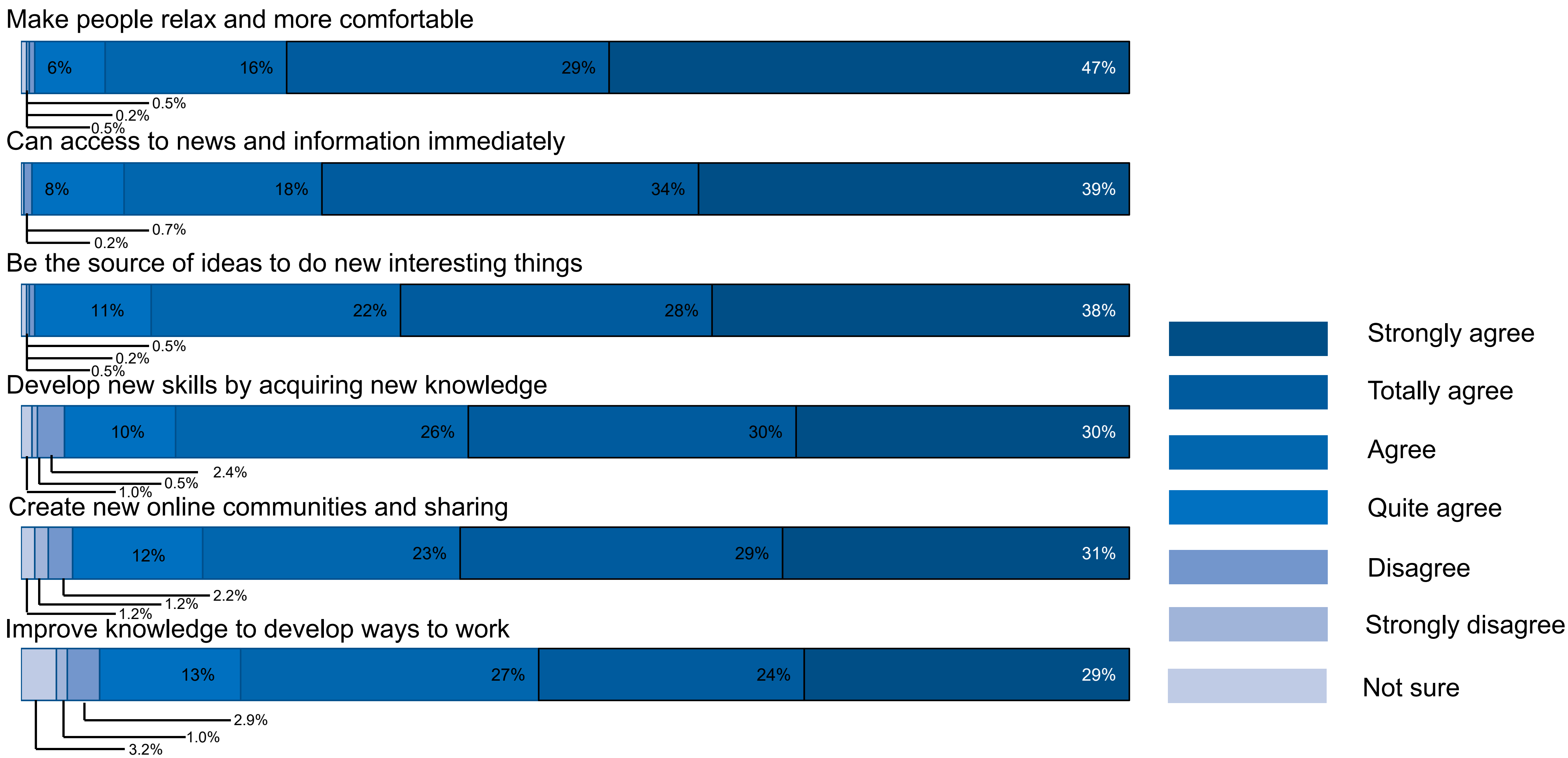
Section 1: Explore Consumer behavior on OTT services	Section 2: Explore Consumer attitude towards OTT services	Section 3: Estimate spending and benefit from using OTT services
Explore former and current consumption behaviour to find out the reason behind behaviourial shift. This part is done by comparing hours, usage purposes, content types, platform and device types	Explore consumer opinion and attitude on three main areas : (i) The advantages that they would gain when using online audiovisual services. (ii) Comparing OTT services to traditional TV services (iii) Future direction of OTT services	Estimate both direct and indirect benefits from using OTT services. Moreover, estimate the monetary spendings in order to calculate the consumer's economic benefits from online audiovisual comsumption.

Research methodology

- All 409 surveys were completed between September 1 and September 15, 2017, via online survey.
- Data were weighted by age and income level to correlate with demographics in different parts of Thailand

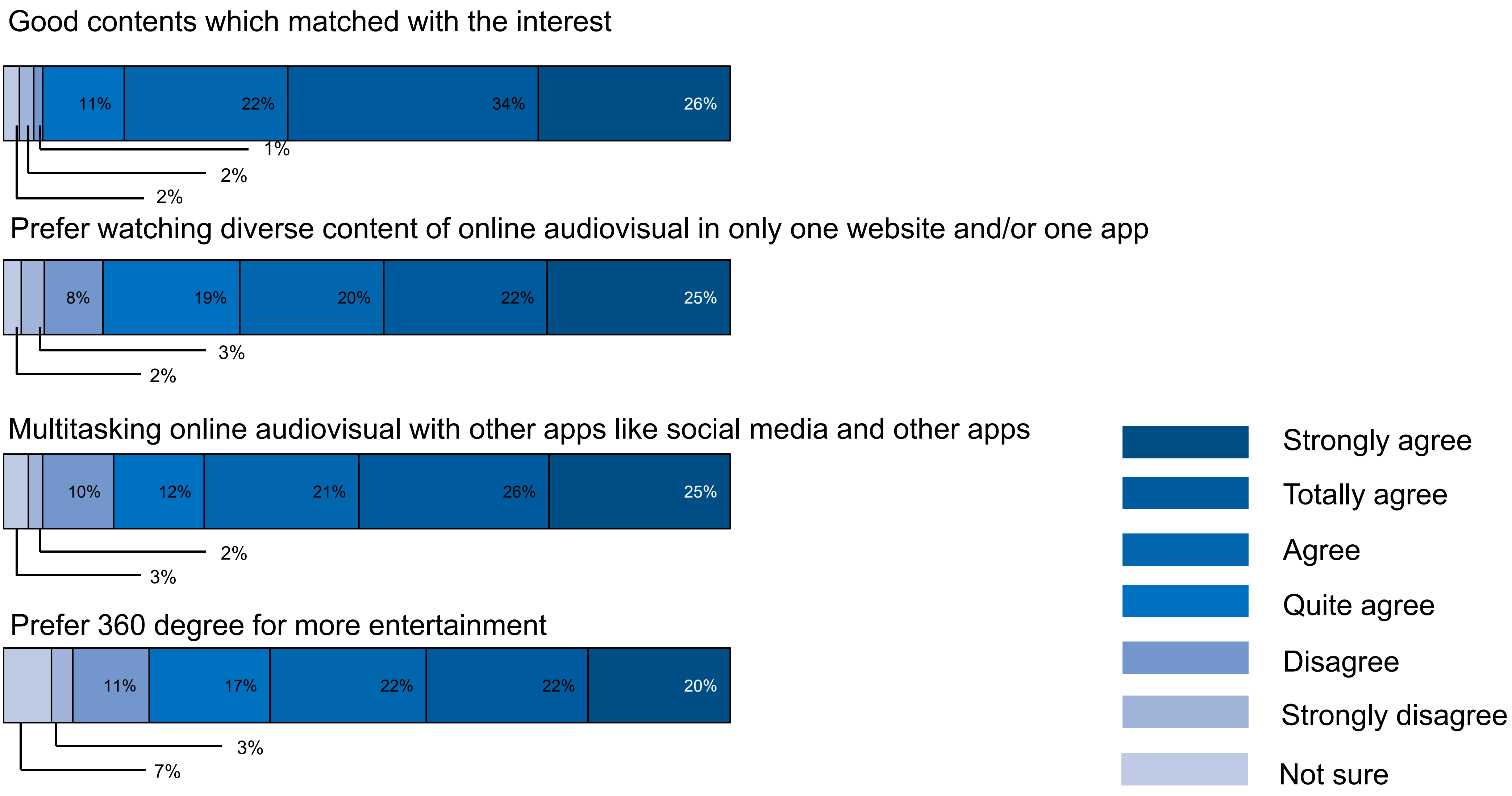
Consumer benefits: from unwinding to accessing new content to creating communities of interest

Consumer benefit from online audiovisual in 2016 by respondents



Source: CONC analysis based on the data from online consumer survey (n=409)

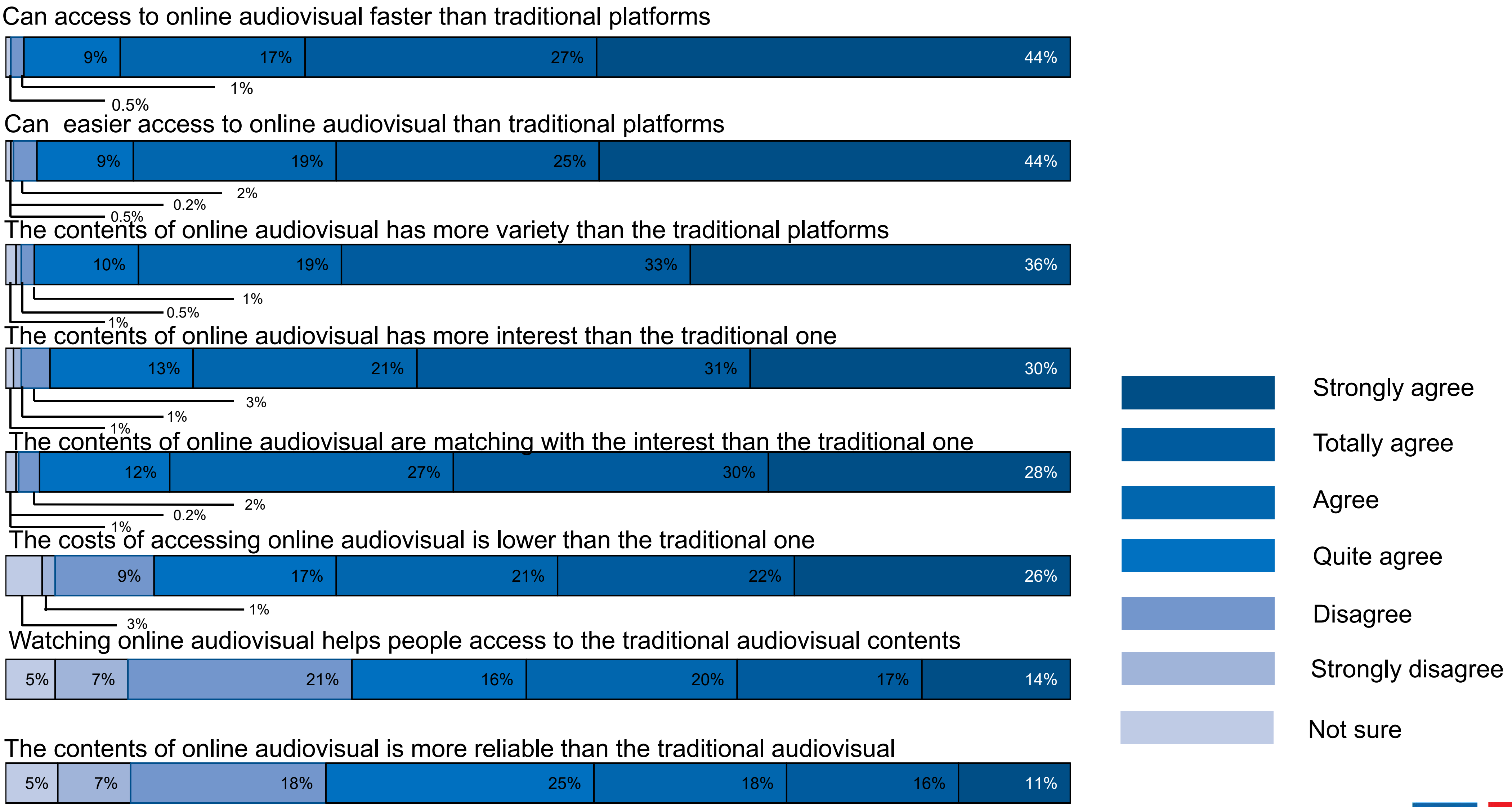
Consumer expectations from online audiovisual services: easier access, good content, ability to multitasking while watching it



Source: CONC analysis based on the data from online consumer survey (n=409)

Most of respondents agree that online platforms comparing to traditional ones can give access to contents faster, cheaper, easier, and more comfortably.

The opinion of respondents about traditional platforms and online platforms



Source: CONC analysis based on the data from online consumer survey (n=409)

Aside from a commercial aspect, OTT is providing social benefits to consumers. For example, OrmSchool is one of social enterprise that using YouTube as a platform to provide an invaluable education to Thai students for free.

Case study: Orm School

- Ormschool has been a part of Thai education for 12 years. Nitikarn, the founder, states Ormschool as social enterprise, believing that giving knowledge should be free for everyone.
- Over 13,000 videos with 2.2 millions hours are uploaded on YouTube channel.
- The channel has around 130,000 subscribers, which most of them are middle and high school students.

Social benefits through OTT

Accessibility	Value of time	Gap reduction
• OTT platforms has changed the deliver method to the end consumers. The contents are used to be delivered by CD, which was costly, time-consuming and deflectable. After OTT became more influential, the videos are instead uploaded on YouTube, which allows anyone easily access the knowledge with lower cost.	• Watching and learning from YouTube at home reduces their time and money spending on traveling to /from tutorial schools. Moreover, it gives more time to spend with family or on activities that they love.	• The free online academic content helps reduce inequality between ones who have money to access a good education and ones who lack those opportunities. • One of Ormschool's students got the top score on admission to faculty of medicine without studying from any other tutorial schools. It shows that free online tutoring channel can provide be an affordable option for less fortunate students.

Source: CONC analysis based on the data from industry expert interview

Online video also provide significant consumer surplus.

Consumer surplus means people are willing to pay extra for online audiovisual contents.

Average THB consumer willing to pay on online audiovisual

Survey question:
How much are you willing to pay for benefits that happen from using online audiovisual in each month?

537
THB/person/month

–

Average THB consumer actual paid on online audiovisual

Survey question:
How much do you actually pay on online audiovisual in each month (such as mobile/fixed internet broadband and SVoD fees)?

422
THB/person/month

=

Average consumer surplus on online audiovisual

116
THB/person/month

Source: CONC analysis based on the data from online consumer survey (n=409)

The knowledge attained from watching online audiovisual leads to ability to generate revenue and savings. The average amount of income and saving that respondents generated more from the knowledge from online audiovisual are THB 53,857 and THB 13,218 consecutively.

Revenue

Survey question:
How much do you think that online audiovisual help you increase your income/revenue? (e.g. Watching baking tutorial and start bakery business.)

Avg. by the number of persons

4,488
THB/person/month

Min 0 — Max 250,000

More income

53,856

THB/person/year

Saving

Survey question:
How much do you think that online audiovisual help you cut off your spending? (e.g. learning english at home to save a transportation cost.)

Avg. by the number of persons

1,102
THB/person/month

Min 0 — Max 150,000

More savings

13,224

THB/person/year

Source: CONC analysis based on the data from online consumer survey (n=409)

Survey-based benefits to Thai consumers

Benefits of OTT to online audiovisual consumer

Accessibility	• Consumer can access the online audiovisual data from anywhere or at anytime they want via many devices, such as smartphone, tablet, or PC. • About 90% of respondents agree that OTT platform help them gaining immediate access to news and information. • Comparing with traditional platform, 88% of respondents agree that they can access online audiovisual content faster and easier than content on traditional platforms.
Content	• OTT platform composes of many contents which are variety, interesting and match with the consumers' interest. Moreover, around 88% of respondents agree that OTT is source of ideas to create new interesting things. • About 51% of consumers agree that watching online audiovisual helps access to audiovisual contents that previously only available to only traditional channels.
Economic Benefits	• About 69% of consumers agree that costs of accessing online audiovisual is lower than the traditional one because of the ease of access. • Consumer surplus: 116 THB/person/month • The average amount of income and saving that respondents generated more from knowledge from online audiovisual contents are THB 53,857 and THB 13,218 respectively

Source: CONC analysis based on the data from online consumer survey (n=409)

Section 2 Online audiovisual industry in Thailand

Benefits of online audiovisual industry

Benefits to the Thai Economy

Based on Cebr analysis, the input-output modelling suggests that the art and culture industry's output multiplier is 2.15. We apply this calculation method to OTT industry.

Input-output Model

	Description	Output
Input	• Total spending on SVoD and AVoD market	• SVoD market size: THB 528 million • AVoD market size: THB 9,480 million • Total = THB 10,008 million
Direct impact	• Expenditure on OTT industry triggers industry's supply response. In providing its services, the OTT produce additional output.	• THB 1 of output is the direct output impact of the relevant increment in expenditure on OTT industry.
Indirect impact	• To increase its supply, OTT must increase its demands on its suppliers, who increase demands on their suppliers and so on down the supply chain.	• An increase in output throughout the supply chain of THB 0.58 for every additional THB 1 of OTT industry's output.
Induced impact	• The combined direct and indirect impacts have an impact on household income throughout the economy, through increased employment, profits etc. A proportion of this income will be re-spent on final goods and services.	• This produces the induced impact of THB 0.56 for every additional THB 1 of OTT industry's output.
Total Output	• Impact of OTT industry to economy	• For every THB 1 increase in OTT industry's output, the economy-wide increase in output due to direct, indirect and induced impacts is THB 2.15.

Source: CONC analysis based on the data from Cebr analysis, jobsDB Thailand

By estimating using input-output model and employment impact, **OTT players in Thailand could generate economic impact of THB 36.8 billion to Thai economy in 2016.**

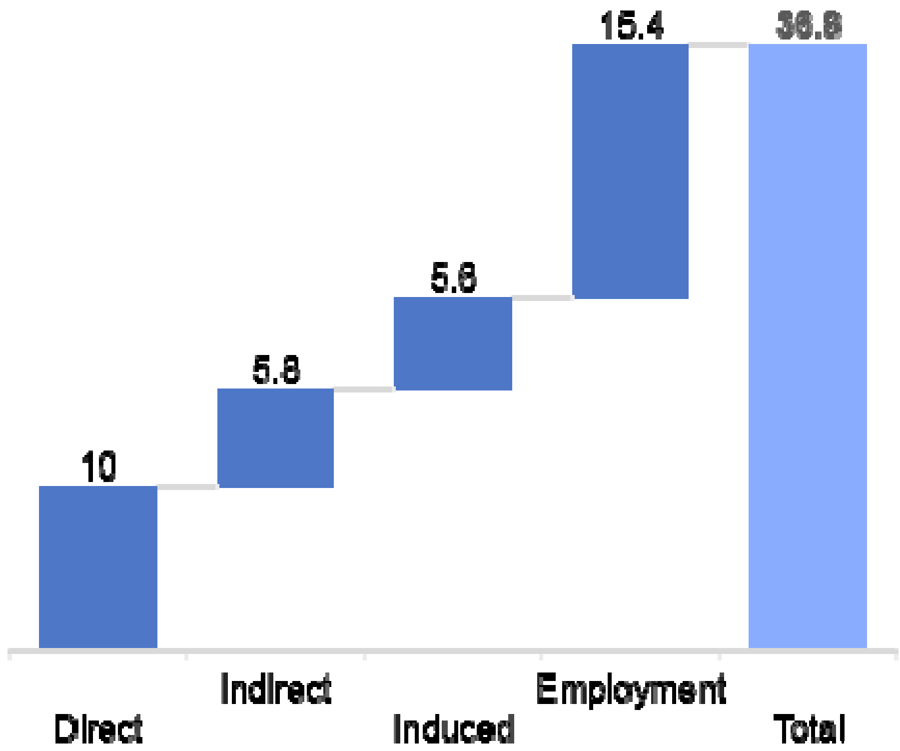
Assumption on employment impact

Total employment of Thai media industry	209,000 positions
✖ **Proportion of OTT employment to total employment**	14.09%
= **Employment in OTT industry**	29,456 positions
Average yearly wages per person	THB 524,400

Economic impact

Economic impact of OTT industry in 2016

[Billion THB]



OTT industry currently creates 29,456 job positions
and contributes THB 36.8 billions or about 0.26% of total Thai GDP in 2016.

Source: CONC analysis based on the data from Cebr analysis, jobsDB Thailand

Section 1 Global and regional overview of Online audiovisual industry

Section 2 Online audiovisual industry in Thailand

Section 3 National and International Regulatory Debates

Section 4 Recommendation

Goals of Thailand digital policy

Relevant government support

Thailand 4.0

New Engine of Growth

- Goals: Become high income country by creating 3 New Growth Engine – Productive Growth Engine, Inclusive Growth Engine and Green Growth Engine
- Change from commodities to innovative products
- Change from product-based to service-based
- Move technology toward 5 target industries:
  - Food Agricultural & Bio-Tech
  - Health, Wellness & Bio-med
  - Smart Devices, Robotics & Mechatronics
  - Digital, IoT & Embedded Technology
  - Creative, Culture & High-valued Services

What to do and How?

1. Active Role of Private Sector
2. Demand-driven Policy
3. Offer Tailored Support Fund
4. Build a Global, Reginal & R&D Networks
5. Strengthen Vocational Training & Educational System
6. Develop Infrastructure
7. Introduce Capacity-Based Investment Promotion Scheme & Performance Based Conditional Grants & Incentives

Source: Dr. Suvit Maesincee, Deputy Minister of Commerce.

Source: CONC analysis based on the data from Division of Economic Information, Ministry of Foreign Affairs, Thailand

Goals of Thailand digital policy

Relevant government support

Network infrastructure

- Deploying broadband to 75,000 villages within 2018
- Providing Free Wi-Fi at 10,000 locations, including schools (reaching 2,000,000 students) and Digital Community Centers all over the country.
- Doubling International bandwidth to meet the demands of growing economic activities
- Setting up Digital Thailand Infrastructure Fund

Digital Economy Master plan By Ministry of DE

Digital Economy

- Fostering 1,500 digital startups, SMEs, and Micro SMEs annually
- 300 ready-to-commercialize prototypes
- Building 10,000 online community stores via digital community centers
- Building Tourism Thailand Open Platform (B2B)
- linking to global platforms for Tourism SMEs
- Building 5 Smart Cities within 3 years
- Creating data standards for the National e-Payment System

Source: CONC analysis based on the data from Netpracharat, Ministry of Digital Economy and Society

Regulation should take into consideration public interest justification, technology and market differences. While traditional broadcast regulation generally does not apply to online video providers, OTTs must follow a series of sector specific laws.

In Thailand	Traditional boardcasters	OTT Players
Infrastructure / Network	Own the network and gain license to use spectrum from the government through license auction.	OTTs do not own or control the infrastructure and the network.
Licensing	Must pay for annual license fee to operate for 15 years.	No specific operation licensing.
Data Privacy	Strict data protection and privacy requirements by Law. (E.g.data retention and usage Telecommunications Business Act (2001))	OTT submitted to national privacy laws, and contractual obligations with its users. (E.g. Computer Crime Act B.E. 2550)
Quality of Service (QoS)	License includes requirements for Services Level Agreement (SLA).	OTTs are not submitted to QoS since they do not own, nor control the infrastructure.
Consumer protection	Subject to consumer protection government policy	OTT submitted to national consumer laws, and contractual obligations with its users.
Taxation	Sector-specific fees e.g. spectrum , USO, license and general corporate taxes	OTT submitted to national tax law (e.g. corporate taxes). Nature and value varies by country.
Content		OTT submitted to Copyright Act B.E. 2558 (revision of the Copyright Act B.E. 2537) + more (see following slide)

Source: CONC analysis based on the data from industry expert interview
, Law study ITU Study, 2016

Nowadays online platforms are regulated by existing government policies as well as self/co -regulatory systems. Specific laws mostly exist to address content related issues.

Overview of current regulation that impacts OTT in Thailand

Regulation		Primary regulator	Key governing
Content Regulation on OTT	Harmful and offensive material	Computer Act 2017	• Ministry of DE has full authority to govern illicit content • Collaborate with Technology Crime Suppression Division to take action against illegal or harmful content. • Harmful and offensive material regulation is now under a mix of Computer Crime Act and self/co-regulatory systems such as self-censorship from content creators whereas OTT providers also have their own mechanism to block or remove those.
	Copyright Infringement	Copyright Act 2015	• While the OTT platforms follow their piracy global policies rigorously and establish partnership with MPAA to reduce online piracy, the Copyright Act is now legislated and covered to online content in Thailand. • This specific law require platforms to take responsibility on removing copyright work, including audiovisual work, when author appeals to the court.
Consumer Protection		Consumer Protection Act 1979	• Consumer protection is governed by both co-regulatory system from stakeholders snd OCPB's Consumer protection Act, along with other departments in relevant issues. • OCPB mostly regulates online advertisng on post-protection concept as the consumer's behalf to take action when they receive complaints,

Source: CONC analysis based on the data from Department of intellectual property, Office of The Consumer Protection Board, Ministry of Digital Economy and Society

The NBTC is already supporting traditional broadcasters, by reducing license fees.

Previous structure for digital TV annual license fee

Total revenue per year [Million THB]	Rate of fee [%]
0-5	0.5
> 5-50	0.75
> 50-500	1
> 500-1,000	1.75
> 1,000	2

New structure for digital TV annual license fee

Total revenue per year [Million THB]	Rate of fee [%]
0-100	0.125
> 100-500	0.25
> 500-1,000	0.5
> 1,000-10,000	0.75
> 10,000-25,000	1
> 25,000-50,000	1.25
> 50,000	1.5

An example of broadcaster that received discount for licensing fee

SPRING NEWS

Spring News is the first broadcaster to receive reduction on licensing fee and annual operating fee as part of NBTC plan to bring down current unsustainable fee to benefit all traditional TV operators.

Source: CONC analysis based on the data from Notification of the National Broadcasting and Telecommunications Commission on License Fees BE 2560, Bangkok Post

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Various jurisdictions have discussed or are discussing different approaches towards regulating OTT. No model or best practice have emerged. They have dropped the idea of regulating OTT to let the market flourish first.

COUNTRY	AUTHORITY	VIDEO REGULATION THAT IMPACTS OTT
	Federal Communications Commission	• The FCC is no longer considering expanding MVPD definition to include online video distributors. • In the US the FCC has made an active decision not to license ISPs or service providers to encourage the further development of the internet application market.
	TRAI Telecom Regulatory Authority of India	• Regulators are considering proposals to require that the OTT services be placed under a telecom licensing-style regulatory framework.
	國家通訊傳播委員會 National Communications Commission	• Currently in Taiwan, OTT service providers are not regulated except for content restrictions. There are currently no laws or regulations that specifically apply to OTT and other online video streaming services.

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COUNTRY	AUTHORITY	VIDEO REGULATION THAT IMPACTS OTT
	HONG KONG	• Regarding to the Review of Television and Sound Broadcasting Regulatory Regimes on February 2018, the Commerce and Economic Development Bureau proposes to level down regulations on broadcasters and further promote self-regulation. Four groups of major broadcasting regulatory issues that are subjected to further review are cross-media ownership restrictions, foreign control restrictions, requirement of a licensee being a non-subsidiary company, and licensing authority.
	INFOCOMM MEDIA DEVELOPMENT AUTHORITY	• In Singapore, the Minister for Communications and Information in January 2017 revealed plans to amend the Films Act and the Broadcasting Act in 2017 to clarify the application of content regulation to ‘over the top’ (OTT) video providers. This might impose strict content restrictions w/r/t nudity, references to homosexuality, and extreme language.

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Section 4 Recommendations

Our Recommendation: Proceed with Caution and Based on Evidence

There is a real risk that **small local content providers** would be caught by requirements such as licensing and **subjected to unnecessary regulatory burdens**. This would greatly restrict local Thai providers from being able to compete and have their content distributed globally. **And deny Thailand and its citizens the very many social, cultural and economic benefits that arise from supporting local emerging artists and Thailand's creative sectors**.

The **negative impact on the industry and overall economy in Thailand should not be underestimated**. For example, economic modeling in a variety of industries has shown that licensing requirements especially on new and innovative services can significantly delay launch of new services.

At the very least platforms that do not exercise editorial control over the content in question should be out of scope. There should also be a **distinction between TV like content vs other content**, and **user-generated-content (UGC)** should clearly be out of scope.

Rather than jumping in and imposing overly broad and potentially counterproductive regulations, any Government should step back and carefully evaluate the benefits of online video services, and the potential costs of regulation.

Our Recommendation: Proceed with Caution and Based on Evidence

We believe that a competitive online video ecosystem should provide local and global businesses opportunity to innovate as opposed to being restricted by prescriptive rules. Lower restriction should promote content creation, expansion of the local media industry and subsequently strengthen the position of Thailand as a regional and global hub for creative content creation.

Based on our findings, and on the early stage of the OTT Video market in Thailand, we make the following recommendations that focus on how the government can step-in to create an environment that generates economic growth and benefits Thai society.

1. Treat digital literacy as a foundational issue: Government and private sector should work together to promote digital literacy as targeted support scheme.

- 1.1. Digital literacy, including digital security, acts as a strong foundation to help the public make their own judgement and selection of content, supporting better decisions in regard to inappropriate content.
- 1.2. Specific digital literacy programs can also provide professional training in support of a new generation of talents and content creators.

2. Support investment and partnerships: Government should create incentives for both foreign and local investors to partner with local creators. It should also establish government supporting system to promote creative content production in Thailand . In particular it can further expand DEPA supporting funds that currently provide financial support for new and existing players in the creative content business. All of these aim to create high-paid local jobs and expand the Thai media industry. This would subsequently contribute towards increasing the overall competitiveness of the country.

3. Allow self-regulation. Self-regulation has proven itself an effective way to address emerging challenges in fast moving industries. The self regulation body should be represented by key stakeholders in a public-private partnership manner.

4. Adopt a reactive as opposed to proactive approach: Introduce regulations and amend laws only when required to tackle a specific problem that cannot otherwise be solved by self-regulation, rather than predicting the rules to address an issue which may not have come fully into focus yet. This is especially when technology has not fully developed.

5. Review and simplify: Review the current regulations applied to broadcasters and cable broadcasters based on a rule-by-rule analysis and forgo or level down regulations that are not justifiable due to technology and market changes as well as the needed flexibility that these traditional business require to catch-up and innovate.

6. Engage in dialogue: Existing regulatory bodies such as NBTC should better discuss and engage with the industry and stakeholders in order to generate appropriate informal and formal response to fast-changing industrial landscape.