



Thailand in View

A CASBAA Market Research Report

Executive Summary



1 Executive Summary



1.1 Pay-TV environment

The subscription TV market experienced a downturn in 2014 as a result of twin events happening almost simultaneously: the launch of DTT broadcasting in April 2014 increased the number of free terrestrial TV stations from six to 24 commercial and four public TV broadcasters, leading to more intense competition; and the military takeover in May 2014 both created economic uncertainty and meant government control and censorship of the media, prohibiting all media platforms from publishing or broadcasting information critical of the military's actions.

The ripple effects of 2014's events continue to be felt by the industry two years after. By 2015/2016, the number of licensed cable TV operators had decreased from about 350 to 250 because of the sluggish economy, which suppressed consumer demand and purchasing power,

market competition from satellite TV, and perceived unfair treatment by the National Broadcasting and Telecommunications Commission, whose very broad "must carry" rule created a large cost burden on operators (particularly those that still broadcast on an analogue platform).

Based on interviews with industry leaders, we estimate that in 2015 the overall pay-TV market contracted by three percent with an estimated value of around US\$465 million compared to US\$480 million the previous year. Despite the difficult environment, TrueVisions, the market leader, posted a six percent increase in revenue year-on-year. The company maintained its leading position by offering a wide variety of local and international quality content as well as strengthening its mass-market strategy to introduce competitive convergence campaigns, bundling TV with other products and services within True Group. These efforts

expanded the company's customer base, and at the same time brought solid revenue growth despite impacts from competition and the weak economy. At the end of 2015, TrueVisions had 3.1 million customers including monthly subscribers to its premium and standard packages, as well as FreeView and Free-to-Air box customers.

CTH, TrueVisions' biggest competitor, was the talk of the broadcasting community in 2013 and was perceived by many industry insiders to mount an effective challenge to TrueVisions, thereby creating strong competition never previously seen in Thailand's pay-TV history. Having secured broadcast rights in Thailand, Laos and Cambodia for the much-coveted English Premier

League for three consecutive seasons from 2013/14 to 2015/16, CTH was thought to be in a position to use the soccer tournament as its centrepiece and drive consumer take-up.

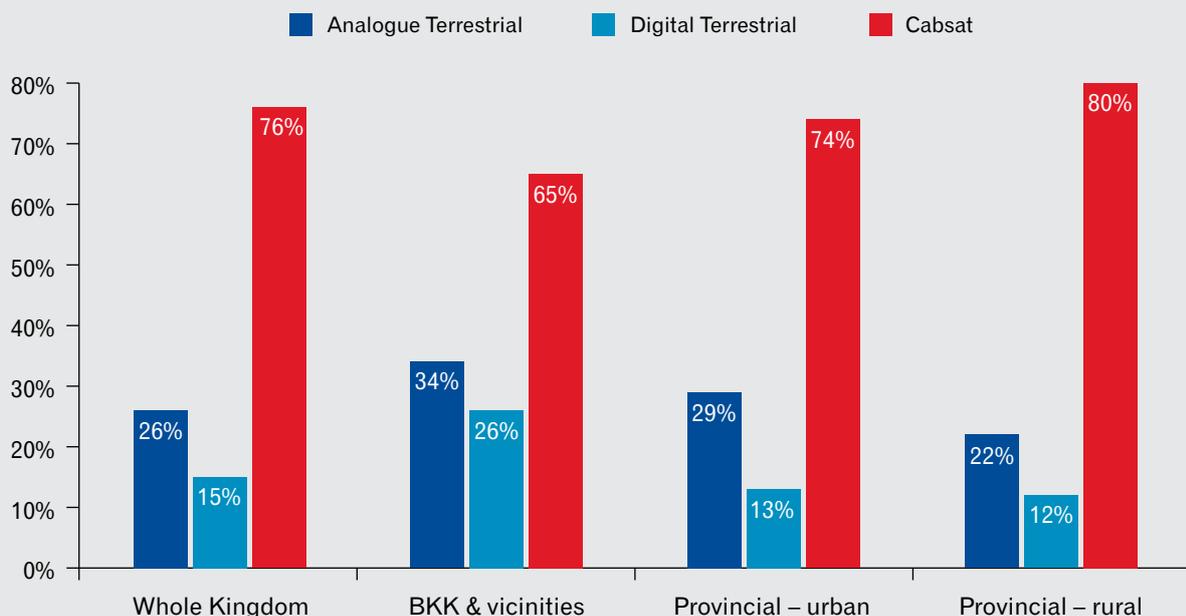
However, CTH failed to meet expectations despite forging a number of business partnerships with major players including GMM Grammy, RS, and even TrueVisions at one point. The company's most recent strategy involved going solo – cutting off all provincial cable operators who were previously in its network. Again it did not work. In June this year, CTH management announced that the company was undergoing a complete restructuring and by September 1 withdrew from the pay-TV industry, citing its inability to withstand the economic slowdown.

Cable & Satellite TV households & penetration rates: 2015-2016

As of end of December 2015, cable and satellite TV penetration rate stood at 73 percent, and terrestrial TV (analogue and digital) was 27 percent according to Nielsen's survey.

In 2016, Nielsen revised its presentation of TV penetration rates by platform. The following diagram presents most recent data from Nielsen (as of June 2016). The launch of DTT a couple of years ago has enabled a number of households to have connections to multiple TV platforms.

TV Penetration Rates By Platform As At June 2016



Source: NBTC as quoted from Nielsen

There are 415 licensed TV network operators in Thailand today. (NBTC, May 2016) They are further classified by geographical coverage as follows: national, 40; regional, 58; and, local, 317. Two regional operators hold two licences each making the total regional licences at 60, and overall total at 417. However, not all licensed local cable operators may be operating now, as discussions with industry insiders indicate that only around 250 are active.

An estimated 30 percent of Thai cable operators today have fibre-to-the-home capability. These are the larger operators offering 200-300 channels to customers in urban centres. The rest still transmit signals on analogue platforms that may carry 60-80 channels. With pressure from regulators to go digital (and carry all the licensed DTT channels), the biggest challenge faced by these analogue network providers is switching to digital transmission which requires huge investments beyond the financial capability of small cable operators.

Content for the pay-TV industry comes from a mixture of local and international sources. Leading Thai production

houses selling quality local content to cable operators include GMM Grammy, Kantana, Next Step and Workpoint.

Foreign content suppliers include Universal, Disney, Fox International Channels, Sony, Discovery, DreamWorks, the Time Warner group, and Zee-TV, along with regional production houses for Chinese, Korean, Japanese, and more recently, Indian movies, drama series, game shows, musical variety shows, and entertainment programming.

Other pay-TV platforms, such as mobile TV and IPTV, have developed more slowly than expected. Only two licensed IPTV service providers, TOT IPTV and 3BB, are 'visible,' while newly-licensed IPTV operator, Advanced Wireless Network (AWN), a subsidiary of leading mobile operator AIS, officially launched its AIS Fibre fixed line broadband service only in May 2016. While video consumption on 3G and 4G wireless networks is growing, there is not yet a specific licensing scheme for mobile broadcasting. (The NBTC indicates one may be forthcoming over the next year.)

Number of licensed TV channels by type of operator and genre

CONTENT	NUMBER OF LICENSED CHANNELS			
	CABLE	SATELLITE	IPTV	TOTAL
Type 2 – news and current affairs	41	57	4	102
Type 3 – children, youth, family, senior, handicapped and marginalized	2	31	-	33
Type 4 – education, religion, culture, science, technology, environment, promotion of vocation	1	46	-	47
Type 5 – sports, travel and health promotion	2	57	-	59
Type 6 – entertainment	103	260	7	370
Total	149	451	11	611

Note: No licenses issued for Type 1 – general

Source: Television Broadcasting Business Licensing Bureau, NBTC (May 2016)

1.2 Free-to-Air satellite TV

There are now 451 satellite TV channels licensed to operate (NBTC, May 2016). Despite the volatility of the market in the past two years, more than 60 percent of

23 million TV households in the country today still watch satellite TV using a set top box. PSI, Thailand's biggest satellite dish and set top box supplier, claimed to have sold 19 million dishes over the last decade, pointing to a satellite TV penetration rate of more than 80 percent

(assuming that all customers were still using the equipment). Challenged by the nearing saturation point of the satellite dish market, PSI recently diversified its business to becoming an OTT box supplier and service operator, while also maintaining its existing service as a satellite TV platform aggregator.

A few satellite TV channel operators have obtained licenses to also operate DTT channels, including MCOT Plc, RS Plc, Nation Multimedia Group, Workpoint and GMM Grammy. Workpoint now operates only a DTT channel, 'Workpoint TV', and has not applied for a renewal of its satellite TV license.

Most of the existing satellite TV channels provide entertainment content in various formats (musical, drama, movie, reality shows, etc.). Others fall under such categories as local documentaries, edutainment, home shopping, lifestyle, home & food, health and public service. More and more HD satellite TV channels are being offered to viewers.

Number of operators and TV channels

TYPE	NUMBER
Licensed pay-TV network operators (national)	40
Licensed pay-TV network operators (regional)**	58
Licensed pay-TV network operators (local)	317
Licensed cable TV channels	149
Licensed satellite TV channels	451
Licensed IPTV channels	11

**Two operators obtained 2 licences each (total number of regional licenses = 60)

Pay-TV includes cable, satellite and IPTV

Source: NBTC (May 2016)

1.3 New business models

In the cable and satellite pay-TV business, income is derived from subscriptions, sales of equipment, advertising and sponsorships. Every pay-TV operator aims at carrying lucrative sports programs especially soccer as nothing whets Thai TV viewers' appetite more than football. Several new sports offerings have been

developed and promoted in recent years, including the indigenous Thai Premier League.

This year could see large cable operators also offering broadband internet services as a way of earning alternative income. The NBTC recently granted Type 1 Internet Service Provider licences to a group of 46 regional Thai cable TV network operators led by Dr. Varin Cholhan of Digital Petchabun Cable TV. Because the group lacked the technical capability to lay their own fibre optics cable, they forged an agreement with Interlink Telecom Plc, a licensed ISP, to do the infrastructure layout and manage the operations. The cable operators expect to offer a monthly service fee of THB590 (16 US dollars) for broadband access, the same fee major telecoms players charge to their customers.

1.4 OTT services

The OTT market in Thailand is still new, but with more than 10 operators – both local and foreign-based – now offering services, the market is gearing up for vibrant competition. Last year, the OTT service market for subscription video on demand (SVOD) or video on demand (VOD) – had revenues valued at around 500 million baht (approx US\$3 million), according to the Managing Director of Mono Film, a homegrown video-streaming service provider. This year, he estimated subscriptions would more than double, as Thai consumers shift demand from DVD rental and as Internet-enabled devices become increasingly available.

SVOD service providers in Thailand are a mix of telecom operators, regional and international players (Hooq, Iflix, Netflix) and Thai entrepreneurs (MONO Maxxx, PrimeTime, HollywoodHD, Doonee).

Vicious competition is also coming from the pirate OTT sector, which is also growing rapidly, with many services offering premium sports and movie content in Thai-friendly interfaces.

Monthly subscription rates vary by operator. Today Iflix at 100 Baht per month for unlimited series seasons and

movie titles offers the lowest rate, while Netflix at 420 Baht per month for Ultra HD experience for four screens charges the highest. In between are Hooq (119 Baht per month), Doonee (159 Baht per month), PrimeTime (199 Baht per month), and HollywoodHD (199 Baht per month for older movies; 300 Baht per month for newer titles).

1.5 Challenges facing the industry

In addition to the economic squeeze stemming from increasing supply of FTA TV channels and weak advertising demand, the industry is facing a number of other challenges:

REGULATORY IMPEDIMENT: MUST-CARRY RULE

One of the most controversial regulations the NBTC has put in place for cable and satellite TV operators is the must-carry rule which mandates all cable and satellite TV operators to broadcast all 36 commercial and public digital TV channels. In addition, the watchdog required all cable and satellite network providers to reserve channels 1 to 36 for digital terrestrial TV stations on their broadcast platform. This meant that the same channel numbering is now carried across all platforms.

Operators, including TrueVisions, cried foul and rallied against the seemingly unfair ruling by the regulator, which was intent on giving a leg up to DTT licensees. The cable and satellite broadcasters argued that the must-carry and channel numbering rules expanded DTT penetration from 7-8 million homes to nearly 20 million, which gave DTT operators a lopsided advantage. Cable and satellite TV operators feared losing out on advertising revenues as clients such as the big consumer companies could transfer the lion's share of their advertising budgets to DTT programs which can be now watched by practically all Thai viewers, whereas all other content suppliers must contend with more fragmented audiences. They also faced the loss of carriage fees or placement fees, with the regulator having commandeered the lowest-numbered (and most valuable) channel slots.

In the end, major cable and satellite TV operators had no choice but implement the NBTC must carry/channel numbering rule; however, not every small cable operator is believed to have complied with the channel-numbering rule, especially those in the provinces using analogue transmission networks. In July this year, the NBTC was scheduled to inspect all small operators to find out if everyone was following the rule. The regulator issued a stern warning to operators that strong action will be taken against those that have not complied.

LACK OF LICENSING SCHEME FOR MOBILE TV AND OTT SERVICES

Despite the increasing popularity of multi-screen video consumption, the NBTC has not yet created specific licensing schemes nor content regulations for new TV-like services such as mobile TV. Similarly, OTT services are provided without an operator network, and therefore unlicensed under the current Thai law. In response to rapid technological advancements and strong competition among audiovisual media, it is crucial to apply a holistic regulatory scheme to oversee various cross-platform video services.

TECHNOLOGY CONSTRAINTS

The largest cable operators are already offering digital services, but some 70 percent of local cable operators are still operating on analogue networks, as they cannot afford the cost of digital equipment.

Their woes may be addressed to a degree by a new cooperative project with CAT Telecom. This project came out of an MOU in January 2016 between the telecom operators and the Association of Cable and Satellite Network Providers (CABSAT) consisting of 300 LCOs. Under the agreement, CAT will lay fibre optic cable to areas where LCOs have subscribers. Cable subscribers will use CAT's broadband internet and LCOs will be able to switch from analogue to using CAT's digital broadcast head-end – mutually benefiting both parties in the process.

PIRACY

As broadband internet access is rolled out to more people in more parts of the country, digital piracy has

intensified. Widespread availability of social media has made piracy easier, especially for movies whereby page owners share web links of pirated movies, and more offensively, upload pirated contents and recruit paying customers to watch the streaming videos illegally.

Affected content owners such as the Motion Picture Association (MPA) in Thailand, Thai Entertainment Content Trade Association (TECA) and Thai Film Association have petitioned the government authorities to amend relevant sections of the Copyright Act and Computer Crime Act in order to allow copyright owners to petition courts to shut down pirate websites in Thailand.

In response, respective government agencies made amendments to the Copyright Act which were implemented in 2015, and also approved in principle in April 2016 a number of amendments to the Computer Crime Act.

Relevant amendments to the Copyright Act which were implemented in 2015:

- An amendment to criminalize unauthorized camcording in cinemas; and,
- An amendment to promote the dissemination of content online while protecting the interests of right holders by introducing rights management information (RMI) protection, technological protection measures (TPMs) and ISP's liability limitation.

In April 2016, the National Legislative Assembly (NLA) approved in principle amendments to the Computer Crime Act which outlaw spamming for the first time

and give appointed committees the power to 'suppress the distribution of or remove computer data' even though the content has not been adjudicated as illegal. The bill is one of the series of laws in support of the digital economy initiative. (Industry insiders as well as the United States' Office of the Trade Representative (USTR) have criticized the amendments as lacking in clarity of the notice-and-takedown procedures, which may hamper their effective implementation.) So far, the impact of these measures has been limited, and there has not yet been effective enforcement against online pirates – even those operating in-country.

1.6 New TV audience measurement: Thailand getting ready to embrace multi-screen TV ratings

At the time of writing, AGB Nielsen Media Research Thailand ('Nielsen') remains the sole provider of TV audience measurement to the country's hundreds of broadcasting operators.

With the launch of DTT in 2014, Nielsen started to also monitor DTT platform performance with respect to audience measurements and advertising expenditure (in addition to analogue, cable and satellite TV services that were previously monitored). The company also plans to cover multi-screen and out-of-home viewing, but no dates have yet been announced.

Nielsen's monopoly in this field will end in 2017, as UK-based Kantar Media, in collaboration with Media Agency Association of Thailand (MAAT)'s Media Research

Advertising expenditures on free terrestrial TV and cable and satellite TV

Unit: Million Baht

YEAR	ANALOGUE TV	% GROWTH	DIGITAL TV	% GROWTH	CABSAT TV	% GROWTH
2013	69,249	1.7%	–	–	12,216	26.6%
2014	63,777	-7.9%	8,581	–	7,232	-40.8%
2015	57,526	-9.8%	20,930	143.9%	6,055	-16.3%

Source: The Advertising Association of Thailand (raw data from AGB Nielsen Media Research)

Development Association or MRDA prepares to provide multi-screen audience measurement services to clients in Thailand.

Kantar was reported to be mobilizing jointly with its local affiliate TNS Thailand, a local team of 100 employees to support its TV rating service. Once in place, it will take about a year to prepare for the measurement system to be fully set up – sometime in the second half of 2017.

As both audience measurement firms have proponents within the local broadcasting industry, it appears a competitive dynamic will subsist for some time to come.

1.7 The dawning of the digital TV Age

The introduction of digital terrestrial TV (DTT) broadcasting altered the free TV business dramatically as the NBTC implemented a sharp increase in the number of FTA terrestrial broadcasters, resulting in more players competing for eyeballs and advertisers during a period of economic downturn.

The NBTC in 2014 granted commercial digital licenses to 19 companies including the three private-sector incumbents to operate 24 digital TV stations in Thailand. Prior to April 2014, Thailand had six analogue terrestrial television stations with nationwide coverage, but only two commercial operators Channel 7 and Channel 3 dominated the TV broadcast sector, with combined market share of 80 percent during primetime. In addition to the 24 new commercial TV license operators, three existing public service stations – Channel 5 (Royal Thai Army), NBT Channel (Public Relations Department) and Thai Public Broadcasting Station (Thai PBS) were also licensed by the NBTC to transmit digital broadcast signals.

The NBTC allowed the simulcast of analogue and digital broadcasting for incumbent operators to give their customers time to prepare for the digital transition. To speed up the migration process and encourage people

that are still watching analogue TV, the NBTC employed a subsidy scheme to distribute 690-baht coupons to 23 million households nationwide. The coupons can be used to buy a digital converter or a digital TV. However, consumer take-up of the subsidy offer has been limited, as millions of customers with digital satellite dishes saw no reason to buy new DTT boxes. As of mid-2016, out of 14 million coupons already distributed, only 8.5 million have been redeemed.

DTT has faced some major hurdles; one year after launch in mid-2014, the DTT industry's revenues were disappointingly below expectations while competition intensified. The further slowing of the economy in 2015 dampened consumer demand and purchasing power, forcing advertisers to temper their advertising budgets. Facing stiff competition, operators revamped their programs to focus more on popular drama and series in their second year of broadcasting.

Two years after launch, the DTT channels reached a 43 percent share of viewing, a marked increase over the previous year's rating of 29 percent. This has sent positive signals to the channel owners and the NBTC as well. Efforts by both parties to stimulate viewership ratings appeared to be working. In addition to programming upgrades by DTT operators, the regulator adopted policies to bolster DTT operators' market share (at the expense of other segments of the TV industry, specifically the cable and satellite subsectors). The NBTC not only stepped up the distribution of subsidy coupons but also enforced a very broad must-carry rule with channel numbering requirements that require all cable and satellite TV networks to assign channels 1 to 36 for all DTT stations. (As explained in Chapter 4, this had a highly negative effect on small cable operators.)

The NBTC also sought the cooperation of the four digital multiplex providers to implement the digital network expansion plan according to agreed time frames. As of June 2016, DTT broadcasting infrastructure covered 90 percent of the country, and by June 2017, it is expected that 95 percent of total households will have access to DTT.

Leading DTT channels in the latest top 10 TV viewership ratings (April 2016) by Nielsen are:

- Channel 7 HD, variety & entertainment, including news
- Channel 33 HD, variety & entertainment, including news
- Workpoint TV, variety & entertainment
- Mono Group, variety & entertainment (focus on international content)
- Channel 8, variety & entertainment, variety & entertainment (focus on music)
- One 31 HD, variety & entertainment (focus on drama series)
- MCOT HD, variety & entertainment, including news
- True4U, variety & entertainment

Nation TV ranks first among 6 news channels, 17th overall among 25 DTT channels.

1.8 Thailand's new digital economy

Thailand has 38 million internet users, 34 million Facebook users, 33 million Line users and 7.1 million Instagram users. Currently, there are 83 million mobile phones in usage in Thailand with 40 million smartphone users. (NBTC, December 2015)

In order to prepare the country for the new digital economy, the Thai government has developed a large scale program spanning a 20-year period that includes reshuffling government agencies to align synergies and produce a digital economy framework revolving around four aspects of development and five strategies. The four areas for development are: digital commerce, digital entrepreneurship, digital innovation, and digital content. The five strategies to ensure these four aspects are successfully implemented focus on hard infrastructure, soft infrastructure, service infrastructure, digital economy promotion and innovation, and digital society.

In support of the 'digital economy promotion and innovation' strategy, the military-backed government unveiled in January 2015 eight draft bills that aimed to underpin the digital economy. Some addressed

challenges such as cyber security and consumer rights, while others tackled organizational and regulatory changes. The Ministry of Information and Communication Technology (MICT), for example, will become the Ministry of Digital Economy and Society (MDES). There would also be restructuring at TOT and CAT Telecom, state-owned telecoms companies.

The most significant organizational change which was proposed would see the NBTC cease operating as an independent regulator. Instead it will come under the scrutiny of a new Digital Economy Policy Committee, which will be responsible for setting guidelines and policy under the digital economy framework. The NBTC would still be responsible for spectrum allocation and overseeing issues around competition in the telecoms and broadcasting sectors. But the government would take over the management of spectrum auction funds, which would go into a Digital Economy Fund. The NBTC would also be required to allocate 50 percent of its licence fees to the Fund, supplemented by government seed money and donations.

In addition, a new computer crime bill aims to protect intellectual property and copyright, partly through new powers to order site-blocking of websites that are guilty of piracy.

During the second quarter of 2016, three bills pertaining to the MDES, NBTC and computer crime were submitted by the cabinet to the National Legislative Assembly (NLA) for further review and final approval. In June, the NLA passed the MDES bill into a law, paving the way for the establishment of MDES in September 2016, replacing the MICT. The new digital ministry will set up two ministerial agencies, namely the National Digital Economy Committee and the Digital Economy Promotion Agency, to take responsibility for the development of the digital economy. The incumbent Prime Minister will chair the National Digital Economy Committee.

Meanwhile the review of the NBTC bill and Computer Crime bill was expected to be completed soon.



About CASBAA

CASBAA is the Asia Pacific region's largest non-profit media association, serving the multi-channel audio-visual content creation and distribution industry. Established in 1991, CASBAA has grown with the industry to include digital multichannel television, content, platforms, advertising, and video delivery. Encompassing some 500 million connections within a footprint across the region, CASBAA works to be the authoritative voice for multichannel TV; promoting even-handed and market-friendly regulation, IP protection and revenue growth for subscription and advertising, while promoting global best practices.

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