

Malaysia in View



Executive Summary

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Growth in Malaysia's broadcasting industry continues to be challenged in 2019 due to intensifying competition and price erosion. This is further exacerbated by changes in both the technological base and consumer behaviour in terms of viewing preferences. Key take-outs from our review of the industry as of mid-2019 are in the following sections.

Malaysia economic overview

Malaysia's economy recorded a gross domestic product (GDP) growth of 4.7% in 2018, compared to a growth of 5.9% in 2017. The decline in growth was impacted by factors such as rising global trade tensions and the unanticipated supply disruptions in the mining and agriculture

sectors. Growth is mainly supported by domestic demand due to private consumption growth. The 3-month tax holiday from June to August 2018, following the zerorisation of the Goods and Services Tax (GST) rate, played a significant role in driving private consumption in 2018.

Malaysia achieved a GDP growth of 4.9% in the second quarter of 2019 (Q2 2019), driven again by private sector activity amid lower public sector spending. The economy is projected to expand by between 4.3% and 4.8% in 2019 but the government is also aware of the challenges, such as the on-going trade tensions between China and the USA and the interruptions in commodity production, that may impact the local economy.

Broadcasting and media landscape overview

The Malaysian Communications and Multimedia Commission (MCMC) refers to the revenues from two publicly listed companies comprising the satellite pay TV provider, Astro Malaysia Holdings Berhad (Astro) and the private Free-To-Air (FTA) TV provider, Media Prima Berhad (Media Prima) to track the performance of the broadcasting sector in Malaysia. The total revenue of these two companies was RM6.40 billion in 2018, which was a slight decline of 0.3% compared to RM6.42 in 2017. The lower revenues in 2018 were due to lower advertising and pay TV subscription revenues. There are other broadcasters in Malaysia but these are mostly private companies and revenue data for these companies is not publicly available.

The muted advertising outlook and structural shifts towards digital platforms are expected to pose continuing challenges to the broadcasting market players in 2019. Hence, industry players have begun to change their business strategy to include digital offerings, monetising their content and forging partnerships with Online Curated Content (OCC) service providers, besides having OCC services of their own. These initiatives are aimed at widening audience reach and increasing operating efficiencies.

Media Consumption

Similar to global trends, media consumption over the internet among Malaysians has shown an increase especially in 2017 and 2018.

Consumption of media via the internet reached three hours and 10 minutes per day in 2018 compared to two hours and 23 minutes per day in 2014, while consumption of radio has declined from two hours and 45 minutes per day in 2014 to only one hour and 58 minutes in 2018¹.

Although the number of hours spent on viewing content through TV has remained relatively stable in the last five years, it is expected that internet consumption will surpass TV in the next few years. The trend of viewing video content through multiple platforms including laptops and mobile devices has contributed to higher internet consumption and will likely increase in the future as well.

Advertising Expenditure

The total advertising expenditure for Malaysia was RM4.48 billion in 2018, declining 2.5% compared to 2017². Despite 2018 being an eventful year with the 14th General Election as well as sports events such as the FIFA World Cup, Winter Olympics, Asian Games and Commonwealth Games, advertising expenditure declined for the fifth consecutive year since 2014 and for the third consecutive year since 2016 it dipped under the RM5 billion mark.

1 Source: MCMC; Zenith, Media Consumption Forecast 2017; Roy Morgan Research; Nielsen Media Index; IMS Clear; Nielsen Consumer & Media View Q4/2015

2 Source: Malaysia Advertisers Association and GroupM

The share of advertising expenditure for digital overtook the combined FTA and pay TV share of advertising expenditure in 2018, and led all other media types, with advertising spend rising RM198.1 million, or 19%, to reach RM1.25 billion. Given the lack of key sports events in 2019 and the cautious spending adopted by advertisers, the outlook on advertising spend is likely to remain subdued. Growth is likely to continue to come from the digital platform. Although losing market share to digital, non-digital and traditional media is expected to make up the bulk of overall advertising spending.

FTA and the adoption of DTT

The first FTA channel in Malaysia was a government-owned news channel that started broadcasting in 1963, followed by a second government-owned FTA channel six years later in 1969. In 1984, the first private TV channel called TV3 started its broadcast service. There are currently eight FTA television channels in Malaysia with three of them offered by the government-owned Radio Televisyen Malaysia (RTM) which are TV1, TV2 and TV Okey; TV Alhijrah is owned by Al Hijrah Media Corporation; and TV3, NTV7, 8TV and TV9 are privately owned by Media Prima.

Certain areas in Malaysia are able to receive transmissions from neighbouring countries including Johor which receives FTA channels from Singapore's Mediacorp, Sarawak which receives RTB channels from Brunei and certain areas in Kedah, Perlis, Perak, Kelantan and Terengganu that are able to receive Thai channels.

The government, through the Ministry of Communications and Multimedia Malaysia, has been working on migrating from analogue to digital broadcasting with the Digital Terrestrial Television (DTT) Project to provide the public with sharper TV and radio transmissions at zero monthly fees. Branded as "myFreeview", the DTT service is being managed by MYTV Broadcasting Sdn Bhd (MYTV) through private sector funding. The migration to a digital system is being carried out in phases from April 2019 onwards and is scheduled to complete by the third quarter of 2019 after several delays.

OTT market environment

Over-the-Top (OTT) television refers to media content which is provided over the internet to consumers who can download or stream content anywhere, anytime and on any audio-video device that supports the broadcast of content. Online Curated Content (OCC) is one form of OTT. OCC is distinguished from other types of internet platforms by the exercise of editorial judgement and responsibility by the service operator. OCC platforms have many business models, including revenues from subscriptions and/or advertising.

OCC Market Players

The OCC services that are available in Malaysia are Tonton, Astro GO, NJOI Now, Unifi PlayTV, Iflix, Viu, Netflix, Dimsum, YuppTV, Long TV and Enjoy TV. Astro GO, NJOI Now and Unifi PlayTV are only available to customers of Astro, NJOI and Unifi TV respectively.

OCC Business Models

The two types of business models most commonly used are subscription-based video on demand (SVOD) and advertisement-based video on demand (AVOD). The last few years have seen quite a number of local and foreign OCC market players offering their services in Malaysia.

The OCC industry is still evolving, with market players continuing to experiment to find the most suitable business model. Except for Netflix which employs only an SVOD model, most OCC service providers in Malaysia such as Iflix, Viu and Dimsum adopt a mix of both SVOD and AVOD models. This is also known as the freemium model, with some content free of charge, while its full service can be viewed for a subscription fee. Revenue is sourced from the subscription fees as well as from fees from advertisements which are usually shown when free content is viewed.

Besides that, OCC market players also partner with telco providers to offer a telco-billing based subscription option. This allows OCC providers to tap into the telco providers' customers to acquire users by leveraging their telco partners' billing systems to reach new customers. Telco providers also benefit from this partnership as they can achieve higher data usage thereby increasing their average revenue per user (ARPU), while the consumers can view content from a reliable legitimate source.

Pay TV market environment

Broadband and Pay TV Penetration Rate in Malaysia

Broadband take-up in Malaysia has been growing in the last few years as a result of the completion of the High Speed Broadband (HSBB) network, a fibre network that was built as a joint venture between Telekom Malaysia, the national telecommunications company, and the government. The widespread deployment of 3G and 4G networks also played a role in increasing the number of broadband subscriptions. In 2014, broadband subscriptions were at 20.7 million. This increased to 41.5 million subscriptions in the first quarter of 2019 (Q1 2019). The penetration rate also increased from 68.3% per 100 inhabitants to 127.1% over the same period³.

Subscriptions for pay TV increased from 5.2 million subscriptions in 2014 to 7.4 million in Q1 2019, with the penetration rate increasing to 87.3% per 100 households in Q1 2019 from 71.4% in 2014⁴. As of 2019, satellite TV remains the mainstay of pay TV viewing with only one dominant market player, Astro, followed by Unifi TV. However, the industry is expected to get more competitive with more players coming into the picture as several new licenses have been issued for satellite DTH broadcasters, and new OCC services are also coming online.

³ The broadband subscription data and penetration rates are sourced from MCMC.

⁴ The pay TV subscription data and penetration rates are sourced from MCMC.

Pay TV Market Players

Figure 1 shows the “traditional” pay TV market players that are present in Malaysia. At present, there are two market players namely Astro and Unifi TV. Astro’s core service is broadcast via Ku-band satellite transmissions. Unifi operates an Internet Protocol Television (IPTV) service

(which is the delivery of television content over Internet Protocol (IP) network) which can only be accessed through the proprietary network of the service provider. Telekom Malaysia (TM) was the first provider to launch an IPTV service in 2010. Previously known as HyppTV, the service was relaunched as Unifi TV in January 2018.

Figure 1: Details of the Various Pay TV Services in Malaysia

Pay TV Service ⁵	Description
Astro	<ul style="list-style-type: none"> Year launched in Malaysia: 1996 Subscription-based satellite television provider Granted an exclusive licence as the sole satellite DTH TV provider by the Malaysian government for 20 years which ended on 28 February 2017
Unifi TV	<ul style="list-style-type: none"> Year launched in Malaysia: 2010 An IPTV cable TV service that is bundled with broadband and telephone services
Astro IPTV	<ul style="list-style-type: none"> Year launched in Malaysia: 2011 Initial target audience were those staying in high-rise buildings that were having difficulty with the installation of satellite dishes
NJOI	<ul style="list-style-type: none"> Year launched in Malaysia: 2012 Non-subscription satellite TV service by Astro

The combined penetration rate of both Astro’s pay TV and NJOI is 77%, or 5.7 million households, as of April 2019, with the growth mainly driven by the free service, NJOI. Astro does not provide breakdown data of its pay TV and NJOI subscribers. Unifi TV is bundled together with Unifi broadband with no option to subscribe to either one only. There were 1.32 million Unifi subscribers as of the first quarter of 2019 and this is used as a proxy for the number of Unifi TV subscribers.

Astro has 193 TV channels, including about 60

high definition (HD) channels, while NJOI has 30 channels as of its financial year 2019 (FY19) which ended in January 2019. Astro’s pay TV ARPU remained unchanged at RM99.90 for FY19 compared to FY18. However, ARPU for the quarter ending April 2019 increased slightly to RM100.40. Nevertheless, due to the increasing preference for cheaper alternatives such as OCC platforms and android set top boxes, the pay TV subscription revenue and ARPU are expected to come under continued pressure from both legitimate OTT and pirate set-top box services.

⁵ Launched in June 2013, ABNxcess was a digital cable television operator in Malaysia, offering cable television services via the cable network. Owing to financial difficulties, the company, which was operated by Asian Broadcasting Network (M) Sdn Bhd and a subsidiary of the ABN Media Group, ceased its operations in 2016.

Unifi TV has 109 channels as of end 2018. Unifi's ARPU (combined ARPU of both the bundled Unifi broadband and Unifi TV) was RM179 in Q1 2019. It has steadily declined since 2014 to reach its lowest in Q1 2019, partly due to the mandatory standard access pricing mechanism implemented by MCMC in October 2018 which has reduced the prices of broadband services in general.

Pay TV Business Models

The business models of the two largest pay TV market players are quite different. Astro's business model is based on a revenue diversification strategy, with multiple revenue streams, but subscription-based satellite TV remains the company's main revenue earner and business focus. Other revenue earners for Astro include advertisement fees, licensing fees of its original content, production services and home shopping. As for Unifi TV, its main source of revenue is the subscription service that comes bundled with voice and broadband. Unifi's go-to-market strategy is to leverage on the idea of convergence with a triple-play proposition of video, internet and phone.

Piracy and unauthorised distribution

Online piracy is the most prevalent form of illicit content access in Malaysia, involving the access or download of movies, TV shows and other proprietary video content from online sources who do not possess the rights to distribute these contents. Furthermore, the sale of android set top boxes used to stream content from illegal sites have been on the rise. Due to the increasing use of such illegal set top boxes, the authorities are considering banning the sale of android set top boxes in

Malaysia but no decision has been made yet.

At the moment, MCMC is concentrating on preventing the streaming of pirated content via the android set top boxes, taking down unauthorised websites that offer illegal streaming and stepping up enforcement efforts to weed out illegal set top boxes. The enforcement efforts by the authorities to block public access to websites that stream content illegally is seen in a positive light by the local content industry players who view online piracy as a much greater threat than foreign legitimate OCC service providers. However, concerns on content piracy will likely continue to cloud the industry's growth prospects over the short to medium term.

Regulatory environment

Whilst MCMC is the relevant regulator, the Malaysian Communications and Multimedia Content Forum (CMCF) is the designated industry body co-regulating content. There are intensive content control guidelines in place, with prohibitions on indecent, obscene, false, harassing, menacing or offensive content. However, pay TV services can be "exempted" through self-censorship based on detailed, published guidelines from the government, which is the Content Code. At present online service providers are exempted from the licensing regime, rate regulation and "made in Malaysia" requirements. However, the Content Code is applicable to online content providers. Copyright is protected under the Malaysian Copyright Act of 1987 which protects copyrighted works in broadcasts, with enforcement divided between two government agencies: the Ministry of Domestic Trade and Consumer Affairs (MDTCA) and the MCMC.



About the Asia Video Industry Association

The Asia Video Industry Association (AVIA) is the trade association for the video industry and ecosystem in Asia Pacific. It serves to make the video industry stronger and healthier through promoting the common interests of its members. AVIA is the interlocutor for the industry with governments across the region, leads the fight against video piracy and provides insight into the video industry through reports and conferences aimed to support a vibrant video industry. AVIA evolved from Casbaa in 2018.

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