



THE FUTURE OF CONTENT: SOUTHEAST ASIA
A Bain & Company study for the
World Economic Forum

June 2011

*By Charles Kim, Daniel Hong, David Winterle and Audrey Zhao
Media, Entertainment and Information Practice Area*

Confidential Discussion Draft
For private circulation only

Overview

Please refer to Bain's June 2011 Southeast Asia Media Market materials for detailed facts and figures referenced in this paper.

Supported by a foundation of solid macroeconomic performance over the last decade, the media and entertainment industry in Southeast Asia ("SEA") is well positioned for strong growth. Although penetration of traditional internet and subscription TV services in the region remains far below world averages, media consumption in SEA is supported by mobile phone penetration in excess of 100%. National governments in the region, moreover, are taking steps to foster greater access to broadband internet, further buoying the media and entertainment industries. Although the headwind of intellectual property concerns remains, content creation in Southeast Asia is flourishing as large corporations embrace a multi-platform world and as citizens consume social media in significant quantities.

I. Supportive macroeconomic fundamentals

Southeast Asia has demonstrated strong real GDP growth over the last decade (6% per annum), ahead of the global average (4%) and only slightly behind the growth of India (7%) during that time. Confidence in the region, moreover, has been supported by an extended period of relative calm following the 1997 Asian financial crisis, as evidenced by a healthy decline in interest rates and strong growth in foreign direct investment.

Although SEA as a whole has performed well, regional averages mask significant country-level differences. Only two countries (Indonesia and Thailand) account for nearly 60% of the region's GDP, and there is significant wealth disparity in the region. The per capita income of Singapore, for example, is roughly 70x that of Cambodia and Myanmar.¹ This economic diversity within the region complicates efforts by the business community to create a single pan-SEA strategy.

Positive macroeconomic trends coupled with a growing working population, however, are expected to fuel material growth in media consumption in the years ahead. Rapidly rising income levels, for consumers across the economic spectrum, are likely to drive higher entertainment and media spending. Citizens of Singapore, in particular, are well positioned to increase their media spend as a percentage of disposable income.²

II. Media infrastructure is expanding with support from national governments

Mobile penetration far outpaces Internet and subscription TV

Southeast Asia is noteworthy for its deep mobile penetration and relatively shallow penetration of traditional internet and subscription TV services. Mobile connection penetration in the region, for example, reached 103% in 2010, with all major countries ahead of the global average

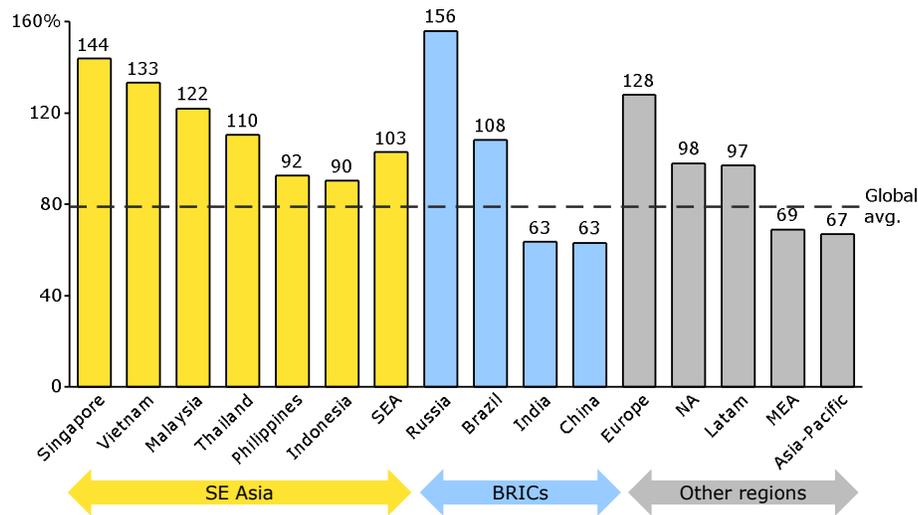
¹ World Bank, May 2011; Southeast Asia Media Market, Bain analysis, June 2011

² PWC Global Entertainment and Media Outlook 2010-2014; Southeast Asia Media Market, Bain analysis, June 2011

(79%) and other fast-growing nations such as India and China (both at 63%).³ The mobile sector, moreover, is showing little sign of a slowdown. Smartphone mobile device sales and 3G subscribers are each expected to increase five-fold to 33M device shipments and 404M 3G connections within the next five years, further signaling mobile as an important media consumption platform.⁴ Ironically, the region’s shallow penetration of both subscription TV (11%) and traditional internet (22%) may partially be an effect of the region’s extensive mobile infrastructure.⁵

Exhibit 1: All major SE Asian countries are ahead of the global average in mobile penetration

Mobile penetration (2010)



Note: SE Asia market built on the basis of 6 major geographies, which form >90% of SE Asia GDP
 Source: Wireless Intelligence 2011

Regional and national level initiatives underway to increase communications infrastructure

As referenced earlier, there are wide economic and infrastructural disparities in Southeast Asia. While Singapore and Malaysia have high internet household penetration (133% and 90%, respectively), for example, countries such as Vietnam, Philippines, Thailand and Indonesia fall well below the global average of 45%.⁶ One positive outcome of this disparity, however, is that it has led to several regional and national initiatives to improve information and communications technology (“ICT”).

³ Wireless Intelligence, 2011; Southeast Asia Media Market, Bain analysis, June 2011

⁴ Gartner; Wireless Intelligence; Southeast Asia Media Market, Bain analysis, June 2011

⁵ PWC Global Entertainment and Media Outlook 2010-2014; Southeast Asia Media Market, Bain analysis, June 2011

⁶ PWC Global Entertainment and Media Outlook 2010-2014; Southeast Asia Media Market, Bain analysis, June 2011

The ASEAN telecommunications and IT ministers, for example, came together in January 2011 to draft the **ICT master plan 2015** to promote increased collaboration among Southeast Asian countries and to begin to narrow various “digital divides”. As a result of this plan, countries are increasing efforts to make ICT access more affordable and to decrease the current infrastructure gaps between countries and within each country in the region.

Additionally, various national level efforts are underway to increase broadband penetration in the region. **Indonesia**, for example, launched a \$9.2B plan for “*Meaningful Broadband*” deployment in 2011 aimed to increase broadband penetration tenfold (from 3% to 30%) in only three years.⁷ Meanwhile, the government of **Thailand** is planning to invest 20 billion baht (\$0.7B USD) in developing a nationwide network for high-speed internet services over the next five years. The program is expected to expand the country’s broadband network to cover 80% of the population by 2015 and 95% by 2020.⁸

III. Evolving media economics

Traditional media companies expand presence in new media platforms

Despite advances in emerging communications infrastructure, traditional print media still forms roughly 45% of the \$18 billion Southeast Asian media market, and TV provides an additional 35%. Traditional media companies in the region, however, have acknowledged the strong growth in digital platforms and have begun to expand their online presence. **Kompas**, the most widely read newspaper in Indonesia, for example, started an online platform to host a community of citizen journalists called Kompasiana. Members of this community share information, opinions, and ideas in a forum that has evolved into a form of interactive social media. Since the launch of its revamped website in 2008, the Kompas page views per month have grown at a 73% CAGR.⁹

Astro All Asia Networks (AAAN), Malaysia’s leading multimedia service provider, has also actively taken steps to embrace digital platforms. As one example, AAAN was the first radio broadcaster in Malaysia to create a radio streaming iPhone application. In addition, AAAN recently introduced a digital sports initiative, Stadiumastro, to cover an array of national and local sports through online and mobile channels. Partly as a result of this new initiative, AAAN receives over 3M page views and 200k unique visitors every month.

Traditional media exploring new monetization models through partnerships

As traditional media companies migrate to digital, many companies are adapting their business models to monetize a multi-platform reality. **Media Prima**, Malaysia’s leading media investment group, for example, partnered with **YTL Communications** in an effort to expand into digital media. As part of this partnership, YTL will host Media Prima’s existing local content through mobile TV, serving as a distribution platform for content as well as new

⁷ Jakarta Declaration for Meaningful Broadband, April 2011

⁸ Thailand’s National Broadband Policy, Thailand Government Public Relations Department, November 2010

⁹ Marketwire, December 2010; Southeast Asia Media Market, Bain analysis, June 2011

application services. Industry leaders at Mobile TV World believe that with this partnership, “users will essentially have mobile broadband, mobile voice, home TV and mobile TV all in one account.”¹⁰ Media Prima’s ultimate intention is to create an alternate distribution channel that will grow to serve new consumers beyond their existing market.

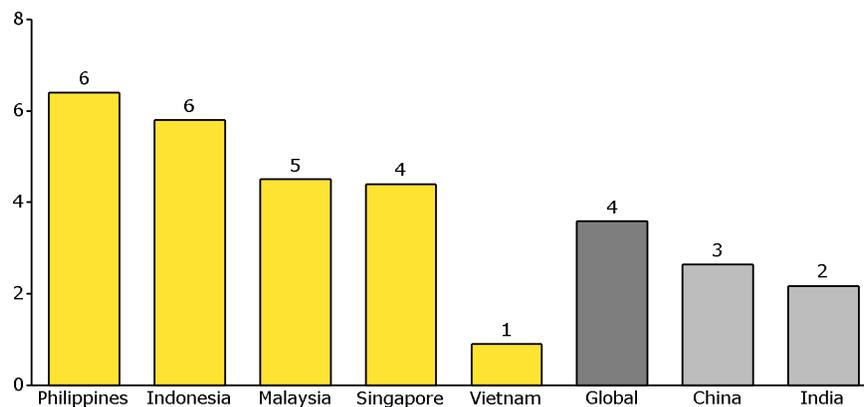
IV. Key drivers of the evolution of content creation

Social media plays an increasingly larger role in generating content

Consumers in many countries in Southeast Asia, particularly the Philippines, Indonesia and Malaysia, have shown a high level of social media engagement, surpassing the global average in terms of time spent on social networking. Businesses are embracing these new platforms to enhance customer engagement and drive innovative content. Yahoo, for example, acquired **Koprol**, an Indonesia-based social network for mobile users in May 2010. Similar to US-based Foursquare, Koprol allows users to “check-in” to certain restaurants and other venues and trade comments, photos and reviews. Yahoo plans to use Koprol’s community-based information to make its current home page and services more relevant to local and mobile users.¹¹

Exhibit 2: Social media has high reach and user engagement in most countries in the region

Average hours spent per user/month on social networking (2010)



Notes: Internet audience includes only those users 15 years old or older
Source: comScore

New group buying sites such as **Groupon** and **DEAL.com.sg**, are also growing strongly in Southeast Asia as companies harness the power of social media to influence consumer behavior.

¹⁰ Mobile TV World, November 2010; Southeast Asia Media Market, Bain analysis, June 2011

¹¹ Yahoo buys mobile social network provider Koprol, Cnet News, May 2010

“Social media basically powers our business,” claimed the CEO of DEAL.com.sg.¹² Partly as a result of this phenomenon, Groupon Singapore has overtaken eBay and Amazon to become Singapore’s 17th most visited website.

As social gaming grows in popularity in Southeast Asia, many media companies are generating innovative content to meet the demand. For example, a Singaporean-based startup, **Game Ventures**, produces and markets competitive multiplayer sports games with the aim of providing richer game play experiences to the social gamer community.¹³ Vietnam’s leader in online gaming, **VinaGame**, generated 50% growth in 2009 vs. 2008, with popular titles attracting 3.5 to 4.0 million gamers a month.¹⁴ Online gaming has grown to be so popular that as of March 2011, the Vietnamese government has required internet service providers to block access to all online games between the hours of 10PM and 8AM in order to prevent game addiction.¹⁵

In addition, citizens in Southeast Asia are using social media to generate political content and better engage with politicians. The impact of social networking on politics has been felt strongly in Singapore, where nearly 30% of the 3.8 million residents are between the ages of 15 and 34. This was evidenced in a recent election when the incumbent **People’s Action Party (PAP)** saw its share of votes fall to an all-time low.¹⁶ While PAP relied on traditional media outlets, opponents used Facebook, Twitter and YouTube to undermine PAP’s message. Prime Minister Lee Hsien Loong acknowledged the impact of social media on the election by stating that partly as a result of social media, there had been a “distinct shift in our political landscape.”¹⁷

Local companies are leveraging user-generated content

Companies across Southeast Asia, with its deep mobile infrastructure and robust consumption of blogs, online videos and social networks, are leveraging user generated content (“UGC”) to engage a wider audience. Singapore’s **MobileOne**, for example, launched a video-sharing service called MeTV to allow mobile subscribers to upload and share their favorite videos.¹⁸ Additionally, ten countries in Southeast Asia collaborated to launch **Southeastasia.org**, a campaign aimed to attract 85 million tourists annually to the region by 2015, a 25% increase from 2009.¹⁹ This interactive website provides travelers with a forum to comment, review and share their travel experiences, and it has already attracted a steady flow of traffic online, particularly from the US market.

The popularity of user-generated content has also been evident throughout Indonesia. For instance, **Politikana**, a prominent Indonesian UGC news and opinion website, has produced

¹² “Group buying sites boost e-commerce in Asia”, AFP, May 2011

¹³ Game Ventures, May 2011

¹⁴ Here Come the Viet Gamers, Forbes.com, February 2010

¹⁵ Vietnamese Government Puts Curfew on Online Gaming, Game Developer Magazine, April 2011

¹⁶ Parties’ candidates embrace social media, The Nation, May 2011

¹⁷ Social media shake up Singapore political terrain, Times of Oman, May 2011

¹⁸ Southeast Asia Media Market, Bain analysis, June 2011

¹⁹ Wego gets cracking on Southeastasia.org, TTG Asia, March 2011

over 16 thousand online articles within two years and has extended this popularity to its mobile site.²⁰ As the first Web 2.0 political site in the country, the site creates a venue for users to discuss their opinions and interact via comments and ratings, providing a new political experience for the digital generation in Indonesia. **Kaskus**, an Indonesian Internet forum, has also had success in attracting a large online community. In the forum, users can discuss topics ranging from current world issues to hobbies and lifestyle activities, and, as a result, Kaskus ranks as the sixth most popular website in Indonesia by traffic.²¹

Venture funding, particularly in Singapore and Malaysia, stimulate content creation efforts

Singapore and Malaysia, two of the wealthiest countries in the region, have further stimulated content creation efforts by developing government-funded agencies (such as Singapore's National Research Foundation) and by implementing national-level initiatives (such as Malaysia's Online Social and Community Content Creation Grant). As a result, multiple startups with innovative business models have emerged in each country.

Selected as one of seven technology incubators to participate in the \$50 million Technology Incubation Scheme sponsored by Singapore's National Research Foundation, **Neoteny Labs** has invested in several early-stage startups in Singapore. **Chalkboard**, one example startup, has created a mobile and web advertising platform for business owners to communicate daily specials and promotions to consumers.²² **Foound**, another Neoteny Labs portfolio company, offers a mobile application which allows users to organize "hangouts" with friends by updating their location and sending updates to multiple users.²³

Malaysia has also seen an emergence of innovative startups. **Epulze**, for example, created a sentiment search and discovery platform that empowers advertisers to modify campaigns in response to shifts in public perception.²⁴ **Social Walk**, an online event management platform with presence in Malaysia and Singapore, helps users organize events and allows attendees to match and meet using a "business matching engine."²⁵

²⁰ Politikana's 2nd Anniversary, with more than 16k articles, Daily Social Indonesian Tech-Startup Media, April 2011

²¹ Top 15 Most Popular Indonesia Websites, May 2011

²² Southeast Asia Media Market, Bain analysis, June 2011

²³ Neoteny Labs, Bain analysis, May 2011

²⁴ DEMO: ePulze uses sentiment analysis to build better advertising

²⁵ Southeast Asia Media Market, Bain analysis, June 2011

Exhibit 3: SE Asia has multiple online media startups with innovative business models

	<ul style="list-style-type: none"> • Social network service, operated by SK Telecom with 0.5M users (2009) in Vietnam • Generates revenue through sale of dotori, or "acorns", which are used to purchase virtual goods (background music, pixelated furniture and virtual appliances)
	<ul style="list-style-type: none"> • A Malaysian based company with a search engine that monitors public opinion and sentiment expressed in news and elsewhere online • Can help brands change advertising campaigns as public perception shifts
	<ul style="list-style-type: none"> • A S'pore based 'Neoteny Labs' portfolio company with mobile/web advertising platform for business owners to communicate daily specials, promotions etc. • Promotes messages to nearby customers (within 1 mile) of business at <\$1 a day
	<ul style="list-style-type: none"> • Malaysia/Singapore based online event mgmt. platform which help organize events and allows attendees match and meet using a 'Business Matching engine' • Helps create online profiles, collect ticket payment and send SMS reminders
	<ul style="list-style-type: none"> • A mobile application currently available on the iPhone and iPod Touch allowing people to organize 'hangouts' with friends • 'Neoteny Labs' fund has invested in the company
	<ul style="list-style-type: none"> • S'pore based 'Game Ventures' makes and markets competitive multiplayer social games • One of the portfolio companies under 'Neoteny Labs' fund

Source: Southeast Asia Media Market, Bain analysis, June 2011

V. Roadblocks to expanded content creation

Fears of intellectual property rights violations dampen media innovation

Fears of piracy and intellectual property theft in Southeast Asia serve as a modest headwind to media innovators in the region. As the Copyright Office director general of the Ministry of Culture in Vietnam recently stated, "Intellectual property rights violation in Vietnam is a pressing issue, causing great dissatisfaction amongst innovators, enterprises and consumers and adversely affecting innovation."²⁶

National governments, however, have begun to take steps to address this issue. In May 2011, for example, the Vietnamese government launched a campaign to raise business and consumer awareness of the impact of copyright violations. In addition, the Malaysian government launched the **GGCR Anti-Piracy campaign** in May 2010.²⁷ While enforcement of intellectual property rights is an issue across the developing world, Southeast Asia has been well served by anti-piracy efforts.

²⁶ Vietnam: Campaign turns spotlight on software piracy issue, Thai News Service, May 2011

²⁷ Move to end software piracy, The Star Online, October 2010

VI. Public policy has reinforced content development and innovation

Direct support for the media industry has fostered content creation

Several countries in Southeast Asia are leveraging public resources to foster digital content creation. The **Media Development Authority of Singapore**, for example, has repeatedly been involved in the promotion of the media industry, specifically in the funding of digital content. In 2010, the agency announced a commitment to provide each major animation project with up to \$5M in funding. In recent years, moreover, the program set up a \$6.6M fund to support content projects, 3D infrastructure, production and post-production facilities and training.

The Malaysian government has also implemented national content-specific initiatives through the **Economic Transformation Programme (ETP)**. One such project is **Nurturing Malaysia's Creative Content**, through which the government hopes to support and fund domestic content creation, services and distribution. The ultimate aim of the project is to transform Malaysia into a regional hub for digital content.²⁸

Economic liberalization will enhance the region's media profile

In recent years, many countries within Southeast Asia have embraced economic deregulation with the goal of achieving economic integration both within the region and with the global economy. As economic barriers fall across industries, the flow of information is likely to continue to accelerate, facilitating the growth of the media sector across the region.

The **ASEAN Economic Community (AEC)**, for example, was launched by a collective of Southeast Asian countries in order to create a single market and production base across the region.²⁹ As a participant of AEC, for example, the Malaysian government has encouraged small and medium enterprises to take advantage of the region's economic liberalization initiatives and form strategic partnerships with their peers within the association.³⁰ Through continued industry deregulation and promotion of free trade within Southeast Asia, the media sector is likely to benefit from an increase in cross-region communication, more competitive input prices, and increased ease of collaboration on media content generation.

Content creation efforts are also benefitting from additional easing of restrictions on foreign media ownership. In 2010, for example, **Indonesia** revised its "negative investment list", easing restrictions on foreign ownership in a number of sectors. As part of the revisions, foreigners were allowed to own up to a 49% stake in companies in the movie production sector, an industry in which foreigners had been previously forbidden from investing.³¹ As other media ownership restrictions are eased across the region, content creation and innovation in Southeast Asia will likely accelerate.

²⁸ Economic Transformation Programme, May 2011

²⁹ ASEAN Economic Community, Association of Southeast Asian Nations, May 2011

³⁰ SMEs urged to take advantage of region's economic liberalization & FTA, Bernama Daily Malaysian News, March 2011

³¹ The Jakarta Globe, June 2010

Conclusion

Solid macroeconomic fundamentals, deep mobile penetration, and targeted regional and national-level initiatives are supporting content creation in Southeast Asia. Traditional media companies in the region are expanding their presence in new media platforms, leveraging social media and enhancing business models through partnerships with multi-platform innovators. The media and entertainment industry has grown strongly in recent years in spite of concerns about intellectual property. Governments and industry are working together, however, to address this challenge and to foster a culture of innovation in Southeast Asia.

Key questions for discussion

How can Southeast Asian countries be more collaborative in creating and sharing digital content and knowledge given the varying level of economic maturity among countries in the region?

How are evolving trends in social media likely to shape the economics of content development in Southeast Asia?

What lessons can media content creators, aggregators and distributors in Southeast Asia teach non-media companies about adapting to disruptive technologies?