



# NBTC Public Forum: Changing of Consumer Behavior and Challenges in Thai Pay TV Business

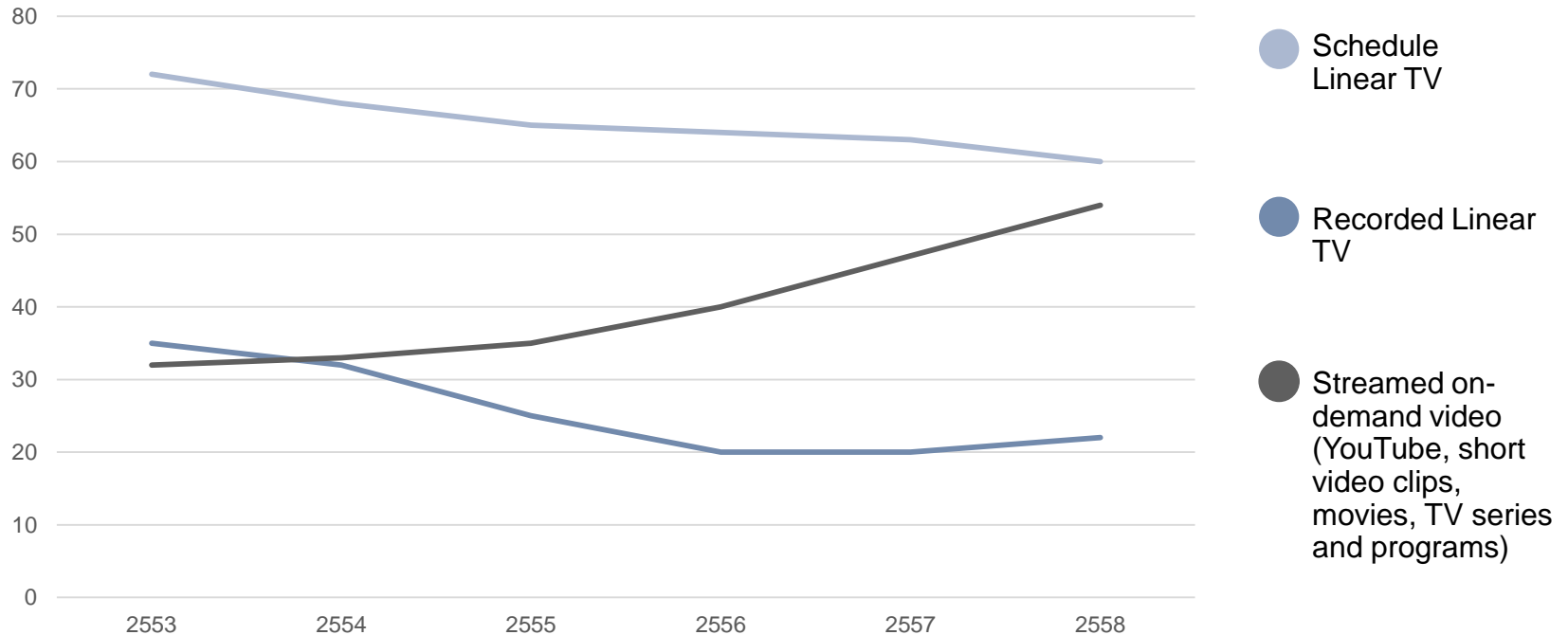
9 March 2017



The on-demand video streaming is a proven trend and will drive non-linear video consumption in the future.

### Percentage of People Watching Different Media Types at least Once per Day

Percentage



Source: Ericsson ConsumerLab, TV and Media, B.E. 2558

Base: At least weekly viewers of video/TV with broadband at home, aged 16–59, in Brazil\*, China, Germany, Spain, South Korea\*, Sweden, Taiwan, UK, US

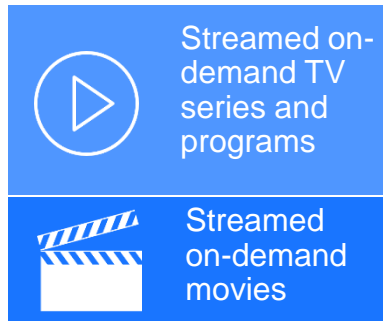
\*excluded in B.E.2553 figure

Over the past 5 years, global consumption of on-demand content significantly increased. Main driver is the contents from TV (Series & Programs).

## The Increase in Watching On-demand TV Series and Movies

Main activities of on-demand viewing is from TV contents which accounted for 2/3 of total on-demand viewing time spent

2.9 hours/week

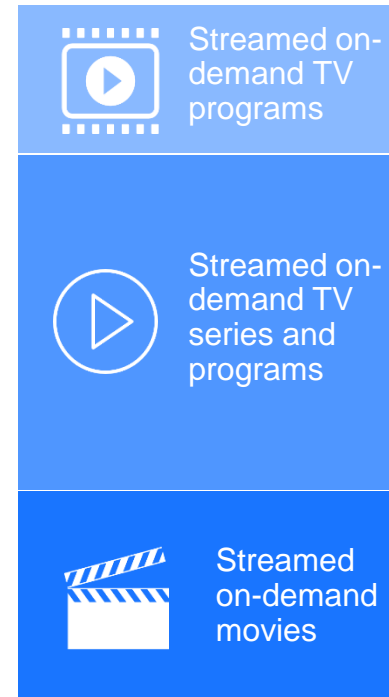


2554

↑ 121%

↑ 90%

6.0 hours/week

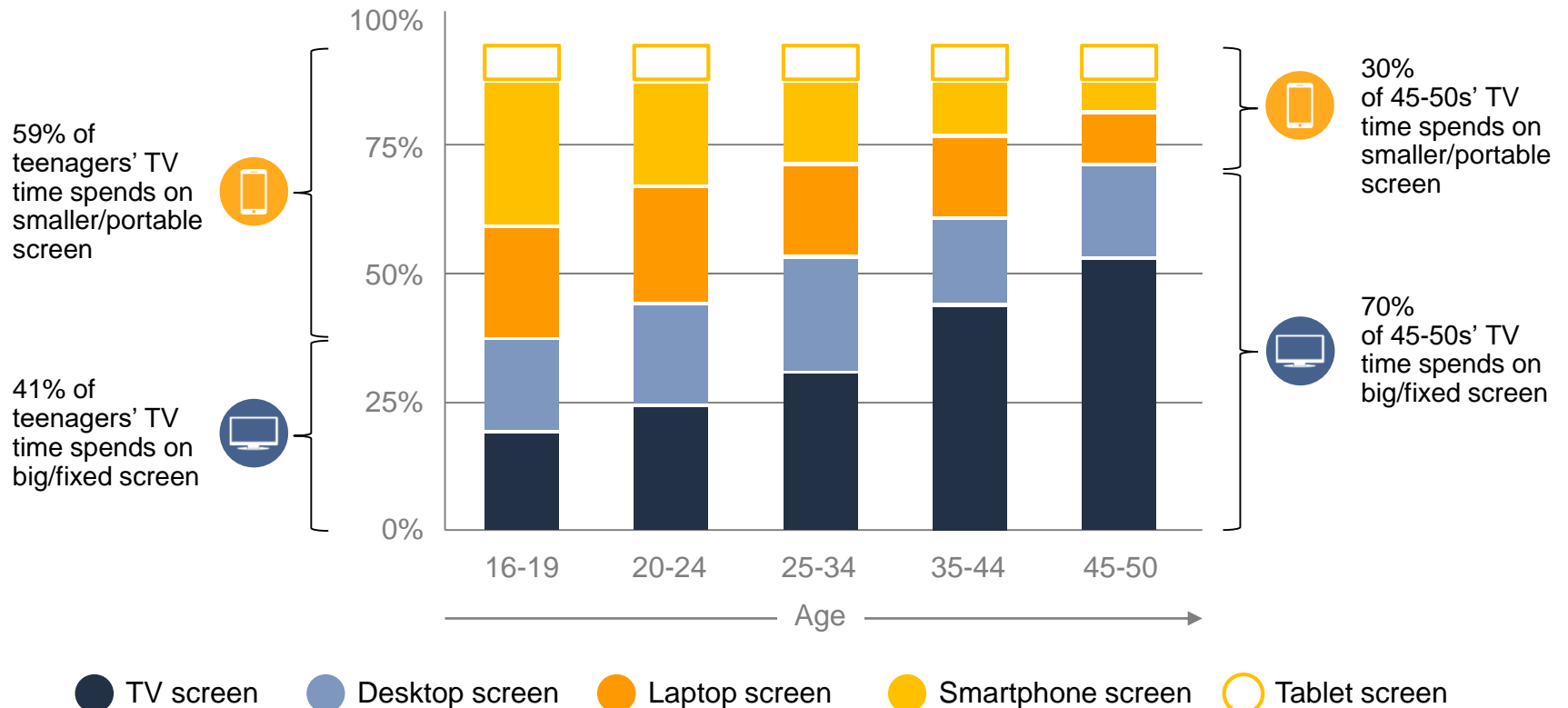


2558

Source: Ericsson ConsumerLab, TV and Media B.E. 2554 and B.E. 2558  
Base: At least weekly viewers of video/TV with broadband at home, aged 16–59

The trend of video consumption is on smartphone and on any screen. Preference also depends on age group.

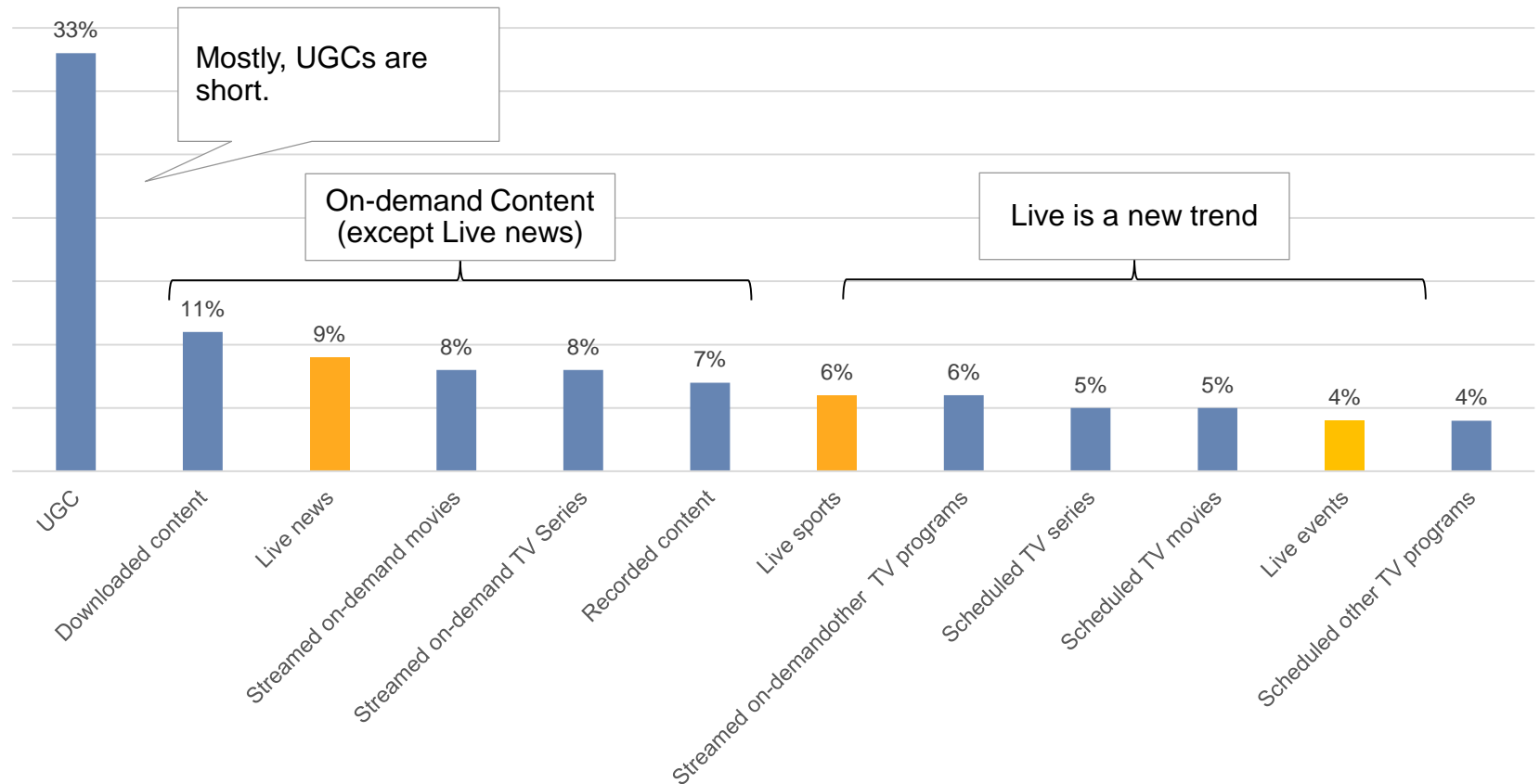
### Share of Total TV Time by Age Group



Source: Ericsson ConsumerLab, TV and Media, B.E. 2558  
 Base: At least weekly viewers of video/TV with broadband at home, aged 16–59, in 20 markets

We have experienced the high consumption of UGC and VoD already in the past. The next wave is going LIVE with interaction e.g. with social media.

### Percentage of Consumers who Watch each Content Type on Their Smartphone



Source: Ericsson ConsumerLab, TV and Media, B.E. 2558  
 Base: At least weekly viewers of video/TV with broadband at home, aged 16–59, in 20 markets

OTT TV can be classified into 2 main categories: monetizing on 1.) advertising market or 2.) on consumer market.

## Categories of OTT TV Monetization Model

### Free Platform

#### Advertising-driven (AVoD) and OTT TV as a Feature

AVoD offers free-view platform with pop-up ad banners and ad video played at the start and/or periodically throughout the video.

While pay TV uses OTT TV as a feature to retain its customers.

dailymotion



hulu

vevo

Vine

### Freemium

A hybrid model offering a combination of free, advertising-driven content, transactional and/or subscription-based VoD.

Customers can choose to enjoy advertising-driven videos for free, or subscribe to watch ad-free videos.

YouTube Red

hulu PLUS

vimeo

Spotify



voddler

### Premium/Paid Platform

#### Subscription (SVoD) and Transactional (TVoD)

For SVoD, customers gain unlimited access to the digital content by making monthly/annually, recurring subscription to the operators.

For TVoD, customers pay each individual VoD program and watch in limited time (PPV) or anytime they want (DTO)

amazon Prime

primetime



HBO NOW

MLB.tv PREMIUM

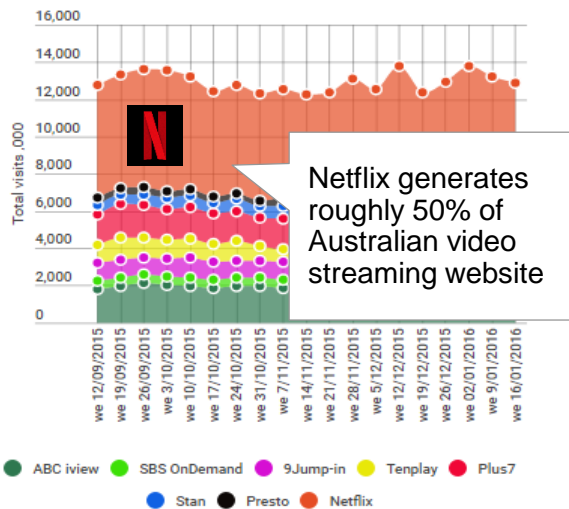


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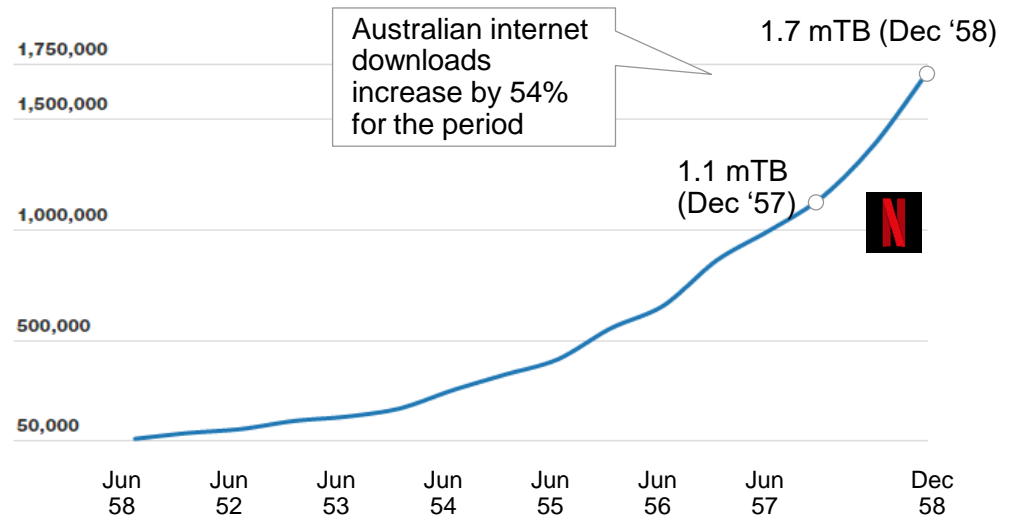
# OTT places a challenge to Telco to manage its network capacity and cost. An example in Australia shows OTT VoD can significantly make an impact.

## Challenge to Telco: Netflix Effect Case in Australia

### Aggregated weekly visits to Australian video streaming sites



### Australian Internet Downloads (Terabytes)



- Netflix launched in AU in March 2558.
- Together with Stan and Presto it creates a lot of traffic especially during evening primetime
- Customers demand for high-speed services

- Retail service providers or RSPs (Such as Telstra, Optus, iiNet, TPG) need to purchase more Connectivity Virtual Circuit or CVC from NBN
- **CVC was set at a base rate of AUD 17.50 per mbps/m**
- Cost of RSPs increases

- Complains arise from RSPs
- Smaller RSPs will struggle in long run



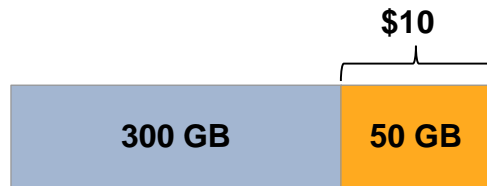
- NBN overhauls its CVC pricing regime by **giving RSPs discounts for heavy use customers**
- Avg. CVC rate would be **AUD 15.75 per mbps/m**

The US Operators have not only experienced high traffic increase but “retail offer adjustment” and “cord-cutting”.

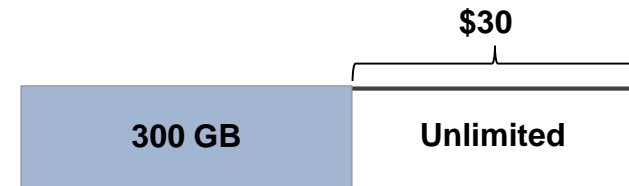
## Challenge to Pay TV: Comcast’s Usage-based Pricing



- ▶ Face a **declining trend in the number of pay TV subscribers** due to the growing popularity of OTT TV services e.g. Netflix, YouTube, Hulu.
- ▶ The consumption of OTT TV services **largely increases the data traffic** on Comcast’s network. To avoid the traffic congestion problem, it will need to **expand the network capacity** to handle the data traffic.
- ▶ Starting from Oct 2015, Comcast imposed a **300 GB limit on monthly data usage** through its home broadband service.



- Each home broadband subscriber has 300 GB limit on their monthly plan.
- After exceeding the data cap, customers will be **charged \$10 for each 50 GB they exceed**.



- Alternatively, customers can choose to pay **\$30 to get the unlimited data usage**.

Source: Cinemablend and Bloomberg (B.E. 2558), Comcast (B.E. 2558)



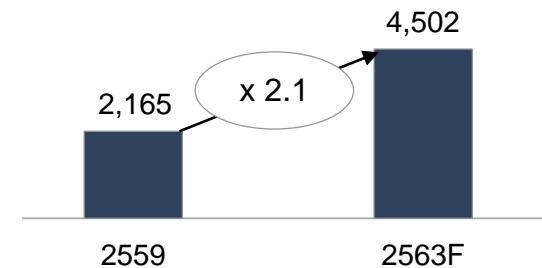
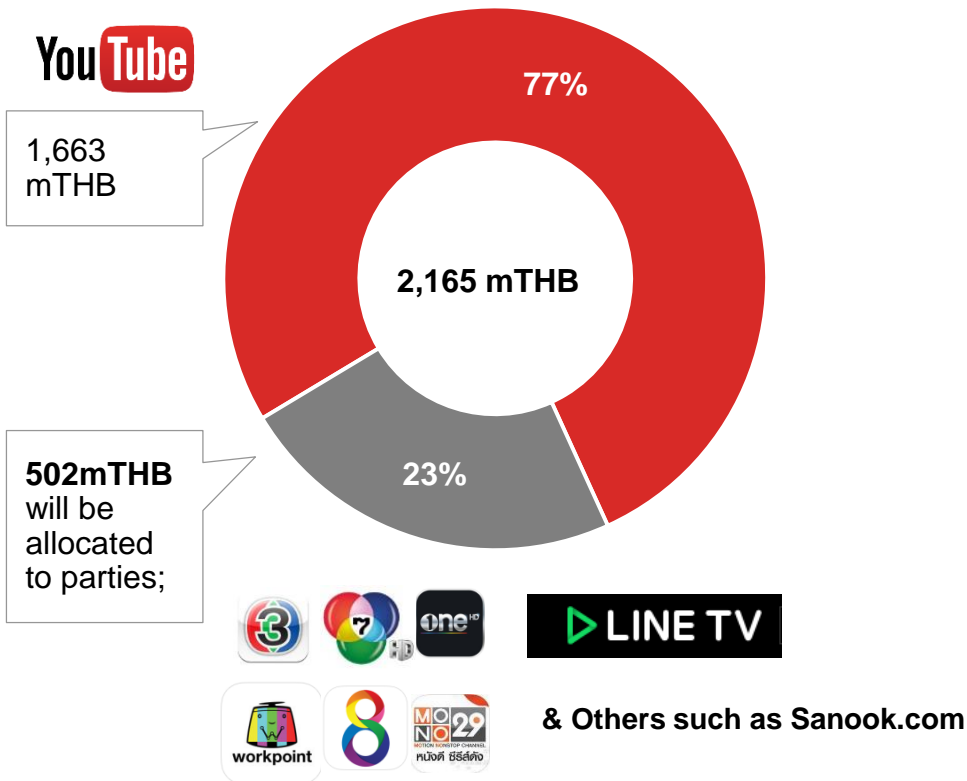
In Thailand (and also in many countries), international video platform providers gain dominant position on non-linear advertising market.

## International Invasion: AVoD OTT TV in Thailand

Digital Video Advertising Revenue 2559\*

Digital Video Advertising

mTHB

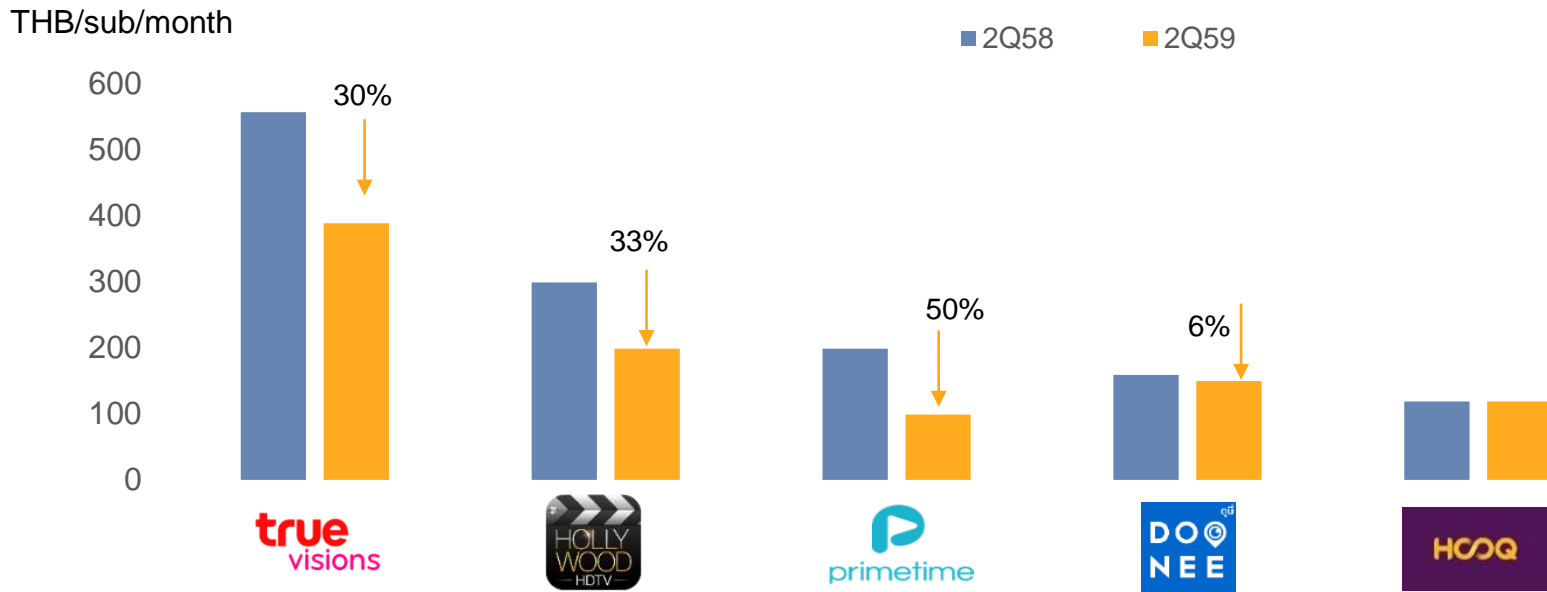


- Digital video advertising is expected to grow from 1,599 mTHB last year (2558) to 2,165 mTHB this year (an increase of 26%)
- Currently, video advertising dominates by the spending on YouTube
- The increasing number of platforms and the changing of consumer behavior toward on-the-go TV will be key driver of digital video advertising in the near future.

Source: TNS, DAAT, Thailand Digital Advertising, mid year 2559, TIME estimations

# The big challenge for Pay TV operators are how to compete with OTT providers and/or integrate OTT services into their ecosystem.

## Market Impact: Price Trends and Technologies



- The decreasing in price reflects the competition in the market, in particular for truevisions.
- Truevisions has occupied the mass segment, but it lower the price in order to offset with more subscription base they gained.
- SVoD pricing of independent providers is lower than 200 THB/m

# OTT TV licensing is a tool for NRA to help alleviate regulatory gap between linear TV & OTT. Consumer & public interest protection should be covered in licensing.

## OTT TV Licensing



- OTT TV providers are “**Internet Content Providers**”. They are subject to **Broadcasting (Class License) Notification (N1)** and need to pay fee to IMDA
- OTT TV who **broadcast in or from Singapore** need to apply for the licence



- OTT TV in South Korea refers to “**Internet multimedia broadcast service providers**” and “**internet multimedia broadcast content providers**” which need to obtain **permission from MSIP**.



- OTT TV providers are considered as “**On Demand Program Service**” providers
- They need to **give notifications to Ofcom** for intention to provide/ make significant change/ cease an ODPS
- The rules apply to OTT TV who **has head office and/or decision making is in EU member states**

Benchmark Countries			
	none	Considering	Class license ✓
Benchmark Countries			
	none	Notifications ✓	Service Specific ✓
	none		none

- Pro:
- NRAs have the information of OTT TV providers in the countries
  - Easier to impose regulations when needed
  - **Leveled playing field** between traditional TV and OTT TV

- Con:
- **High regulatory cost**
  - **May obstruct OTT TV providers** to establish their OTT TV business because OTT TV is a relatively new-comers to the market.

**Our recommendation to NBTC is to strengthen “core competence” in Pay TV business i.e. Content which is always King. Licensing regulation should also be considered.**

