Suruhanjaya Komunikasi dan Multimedia Malaysia
Malaysian Communications and Multimedia Commission

Developing the Networked Content Industry in Malaysia

Discussion Paper

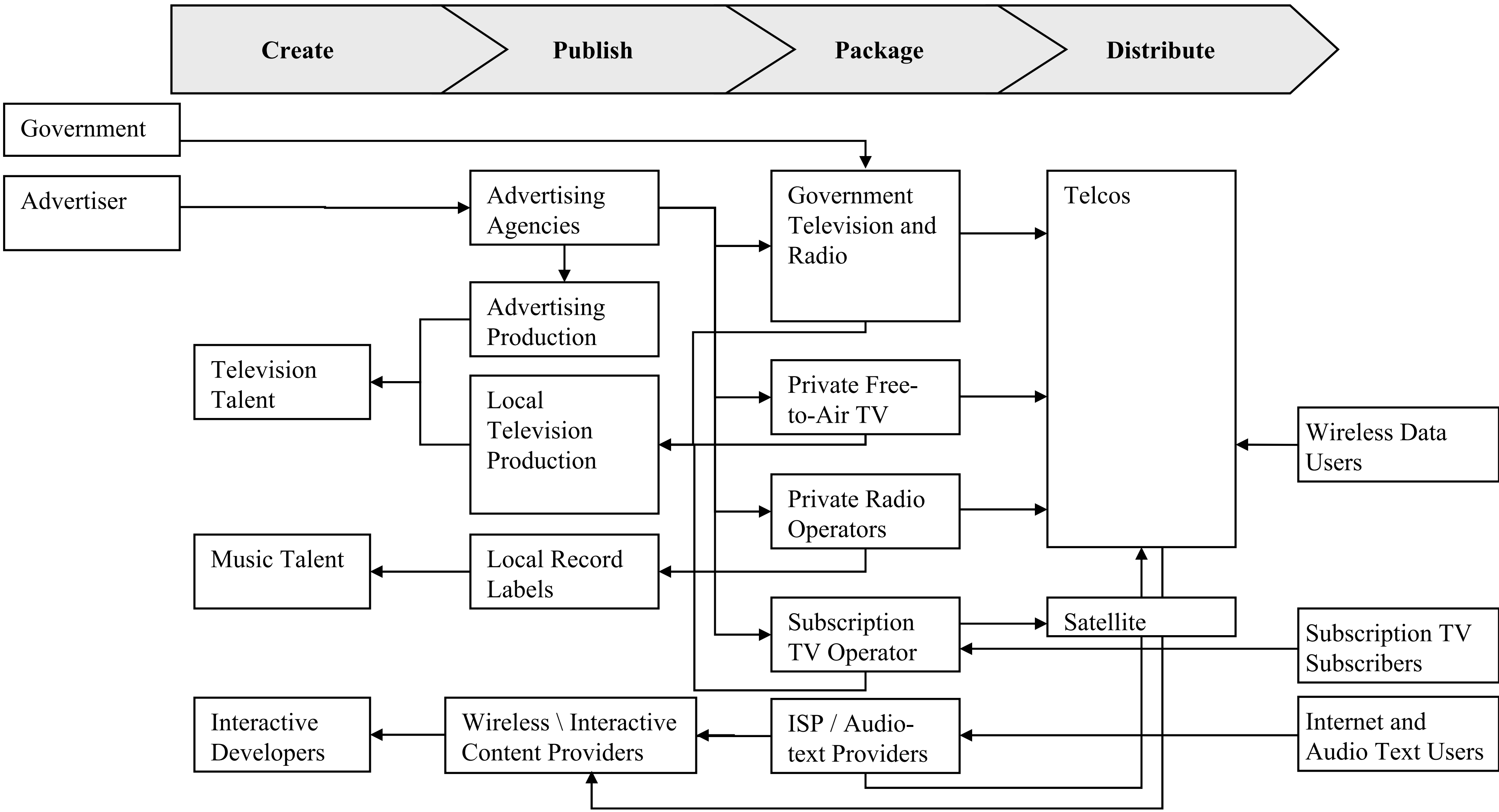
Attachments

27 June 2003

ATKEARNEY
an EDS company

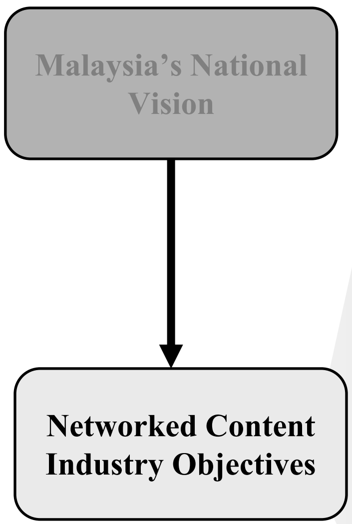
ZOHL

Objectives
Figure 1 : Flow of Funds in Malaysia's Networked Content Industry



Source: A.T. Kearney / ZOHL Group Analysis;

Objectives
Figure 2 : Networked Content Industry Objectives



Proposed

Cultural Objectives

1. Consolidate racial and national unity through the projection of national culture
2. Encourage the production of content which is high quality, innovative and creative
3. Enrich and enhance the quality of material and spiritual living in accord with social-economic development

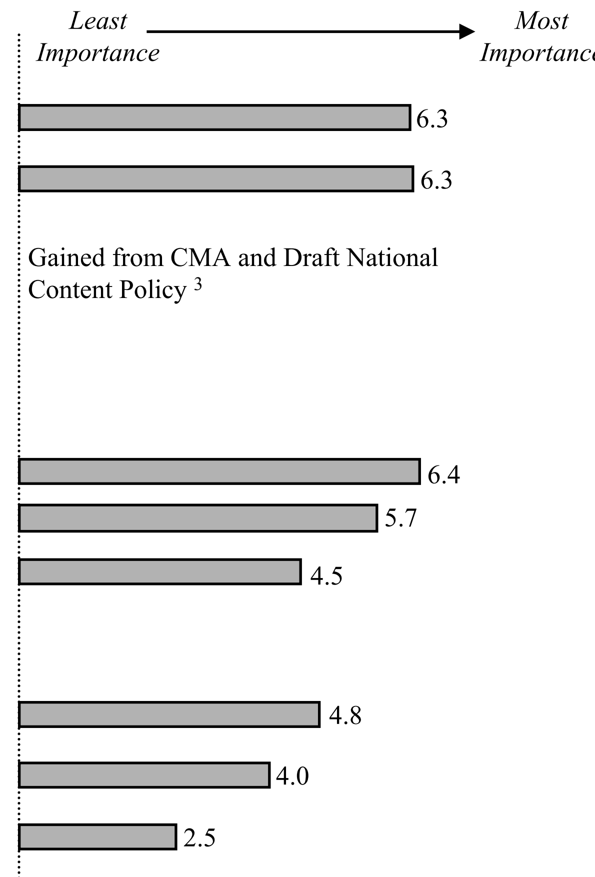
Economic Objectives

4. Make Malaysia a major centre for the national, regional and global content industry
5. Develop required capabilities to compete
6. Achieve efficiency and financial viability [2]

Social Objectives

7. Contribute to Malaysia becoming a knowledge society
8. Make access and content available everywhere and affordable to all
9. Establish a secure, robust and safe networking environment [2]

Relative Importance of Objectives [1]

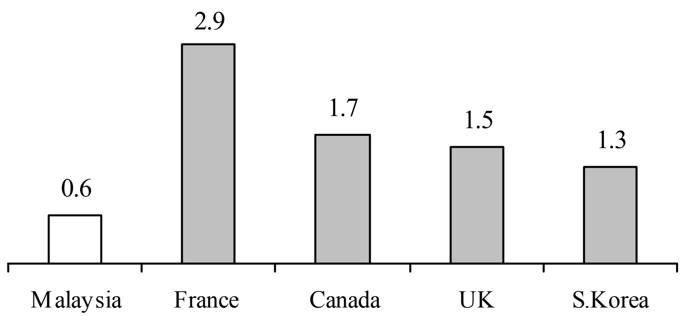


Notes: 1) Results of a government and industry survey conducted on 20 May 2003. Participants where asked to provide their personal opinion by allocating 1 through to 10 to the top 20 industry objectives.
2) For clarity sake, the survey objectives "Contribution to GDP" and "Job Creation" have been consolidated in to objective 3. Similarly, "secure and safe environment" and " robust network environment" are consolidated in 6.
3) Objective 9 was not identified in the survey, but found important based on CMA 1998 and draft national content policy

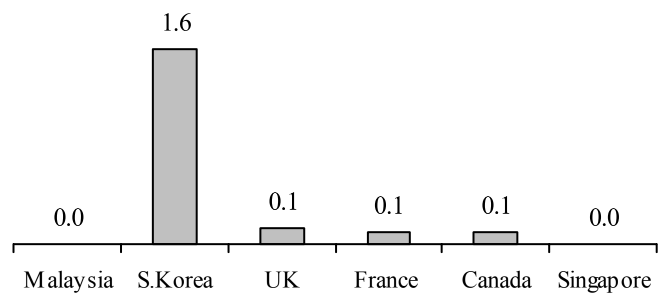
Source: CMA 1998; Draft National Content Policy, A.T. Kearney/ZOHL Industry Survey 20 May, 2003

Current Performance and Key Issues
Figure 3 : Local Content Popularity

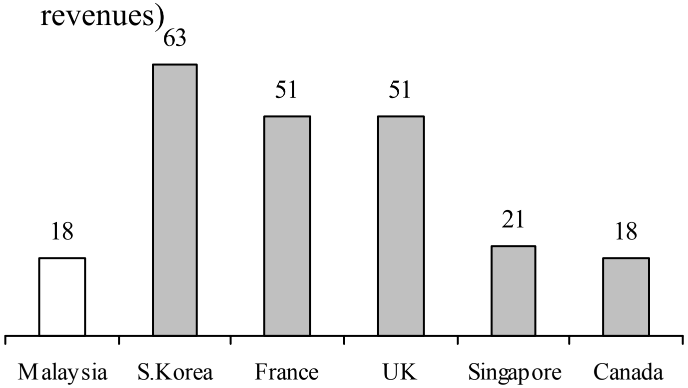
Moving Pictures
(Number of local movies produced per million capita)



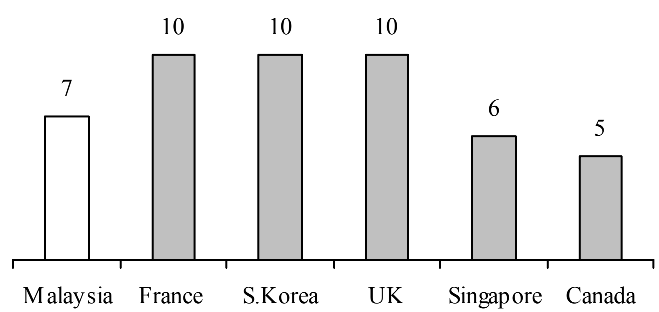
Internet
(Web pages in global Top 500 List per million capita)



Audio
(Local Content % Share of Total Music revenues)

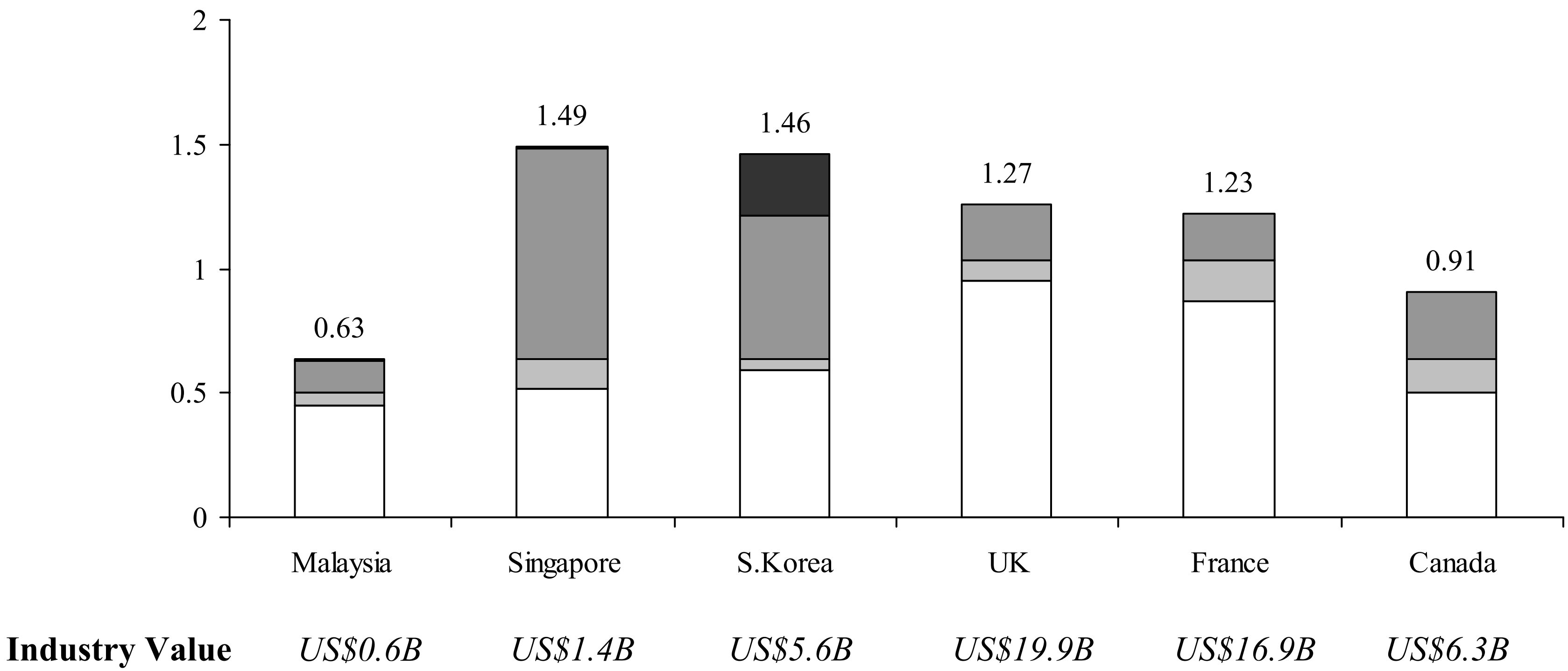


Television
(Local Content in Top Ten Programs)



Source: A.T.Kearney Analysis; OECD; Zenith Optimedia; Ovum; International Federation of the Phonographic Industry; ScreenDigest; Internet Software Consortium (ISC)

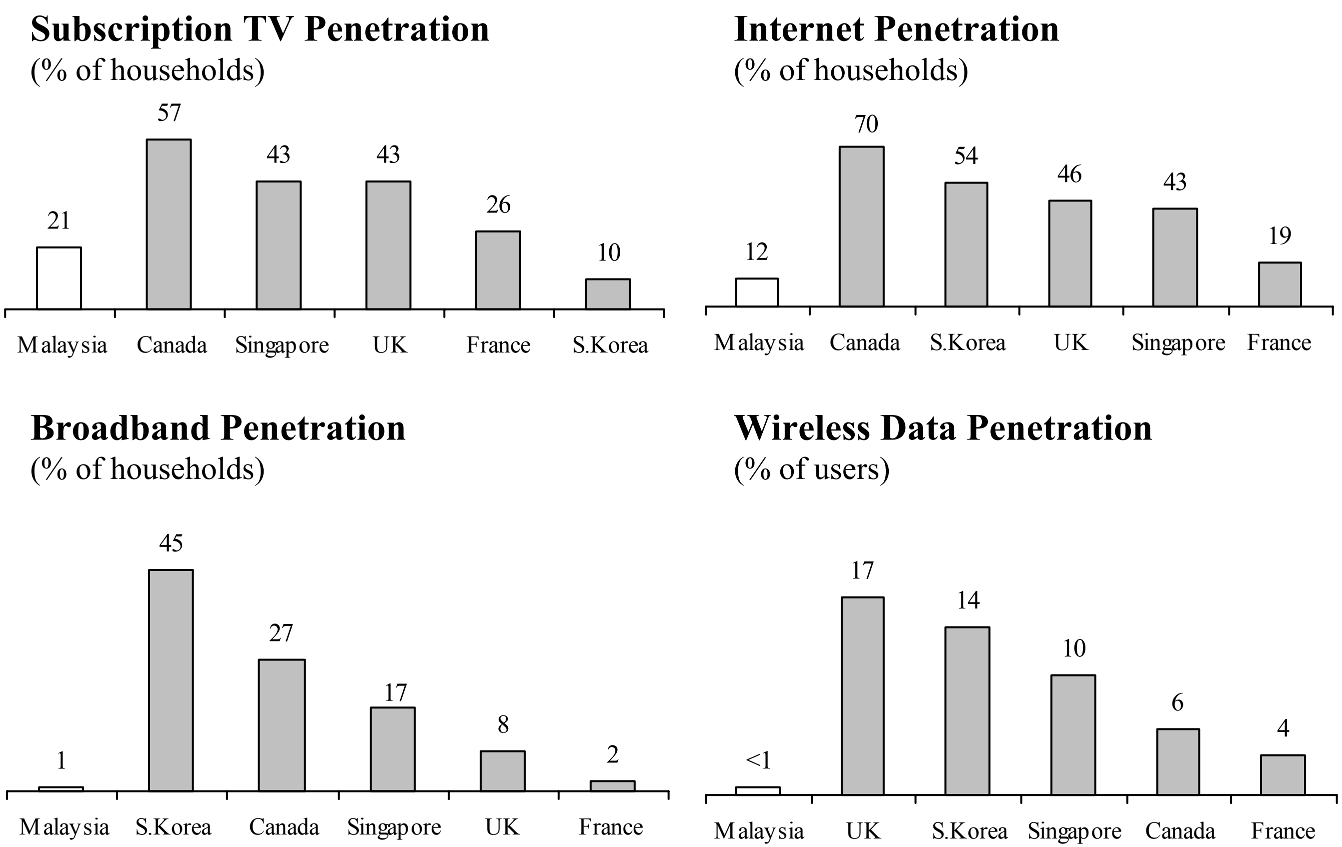
Current Performance and Key Issues
Figure 4 : The Networked Content Industry Size relative to GDP



Source: Local radio authorities;Zenith Optimedia; Ovum; IDC

Note: 1) These figures represent networked content related revenue only; excludes box-office revenue, records sales, SMS revenue and business internet subscription and usage

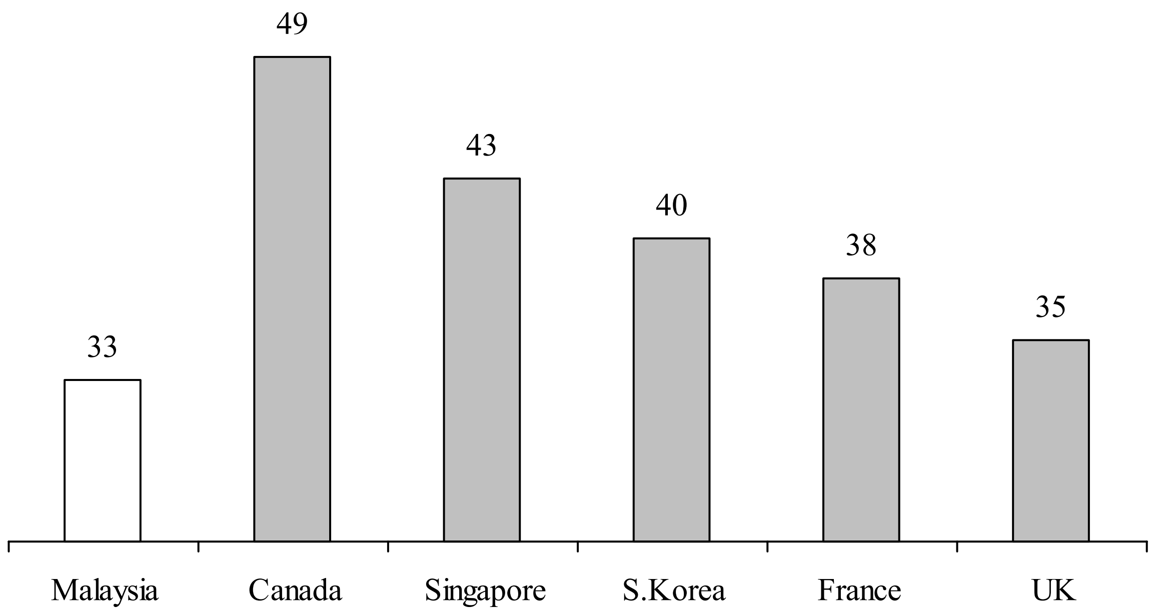
Current Performance and Key Issues
Figure 5 : Access Medium Penetration



Note: 1) TV and radio penetration are not mentioned as they are close to 100% in all countries

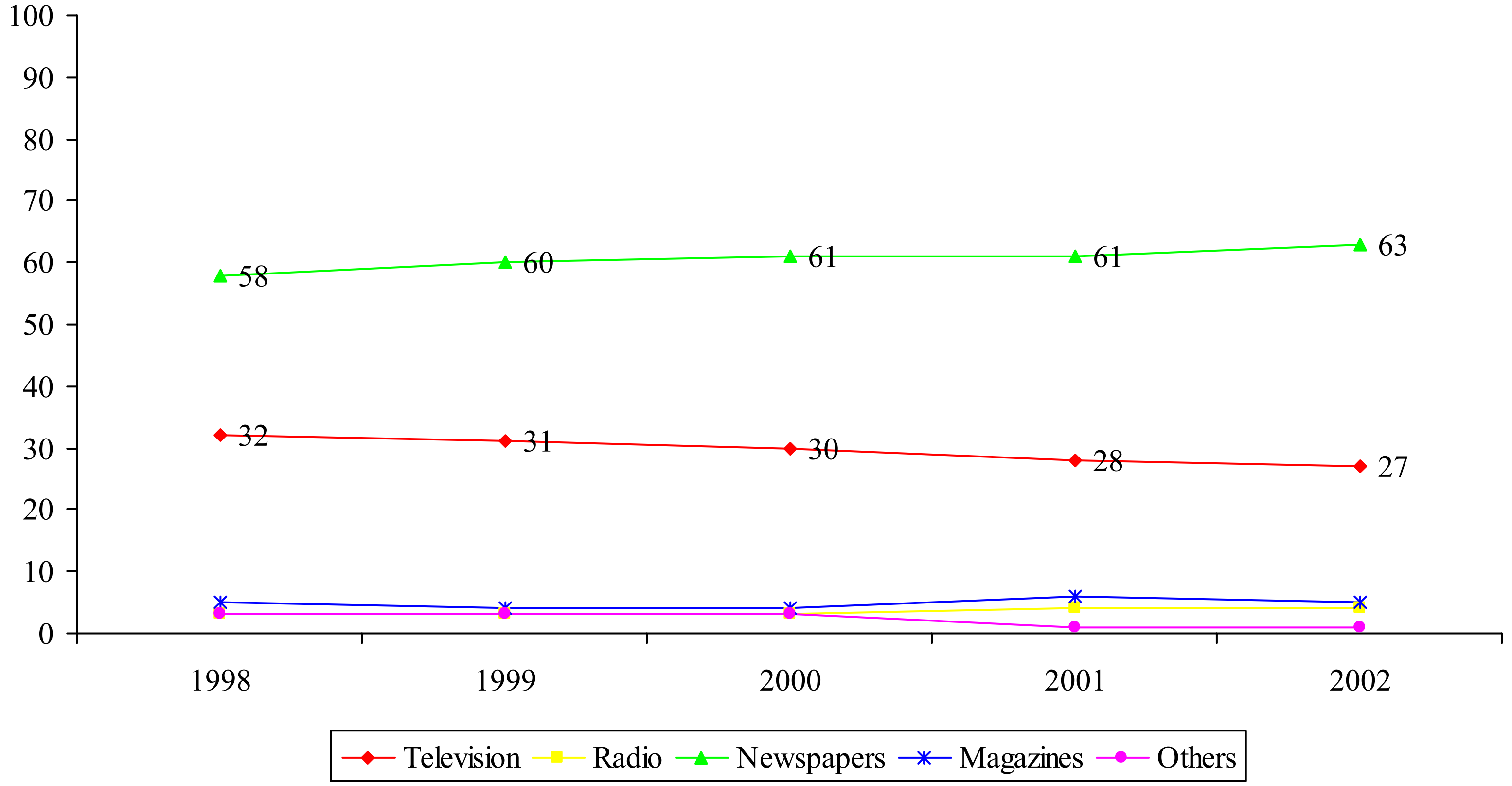
Source: A.T.Kearney Analysis; IDC; A.T.Kearney Mobinet Survey 2003; Zenith Optimedia; Ovum

Current Performance and Key Issues
Figure 6 : Percentage of Networked Content Share of Total Advertisement Spend



Source: Zenith Optimedia

Current Performance and Key Issues
Figure 7 : Percentage of Advertising Expenditure on Malaysian Media 1998 – 2002

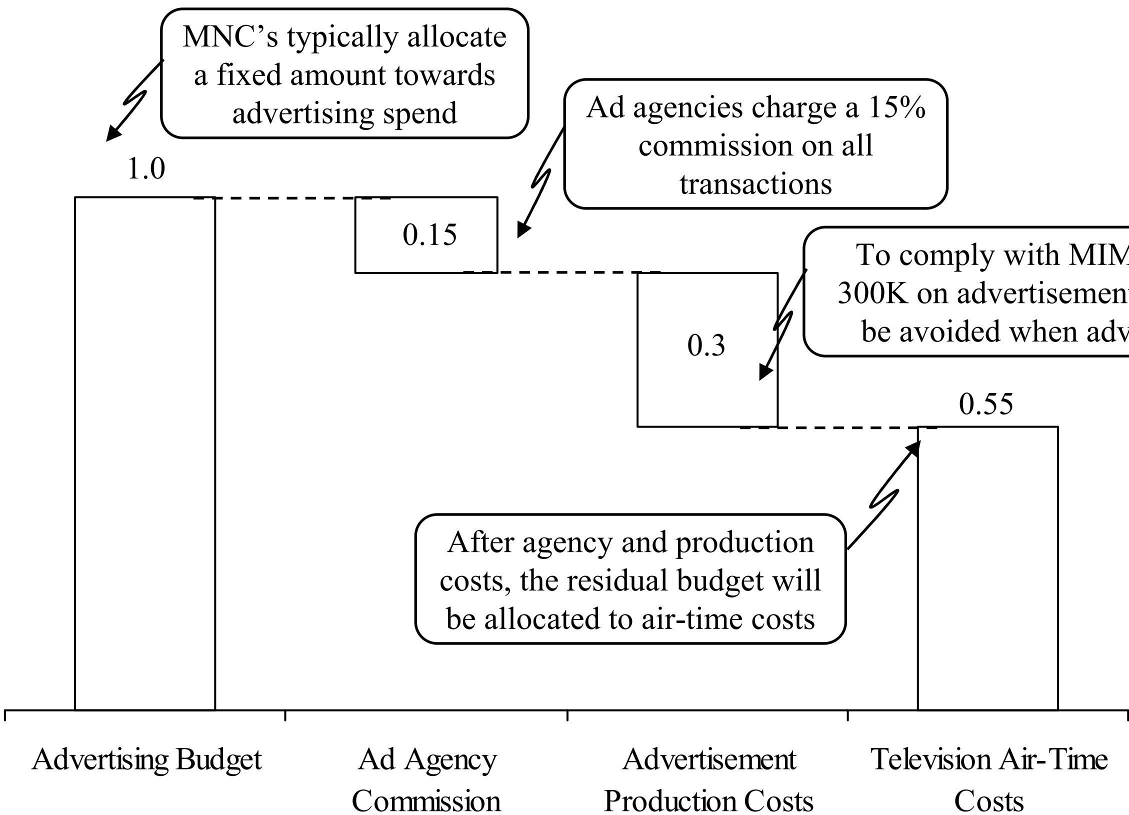


Source: ACNielsen 2002; Zenith Optimedia

Current Performance and Key Issues
Figure 8 : Effect of Made-In-Malaysia on Multinational Advertising Spend

Illustrative

Typical Multi-National Company Advertising Spend Allocation (RM million)

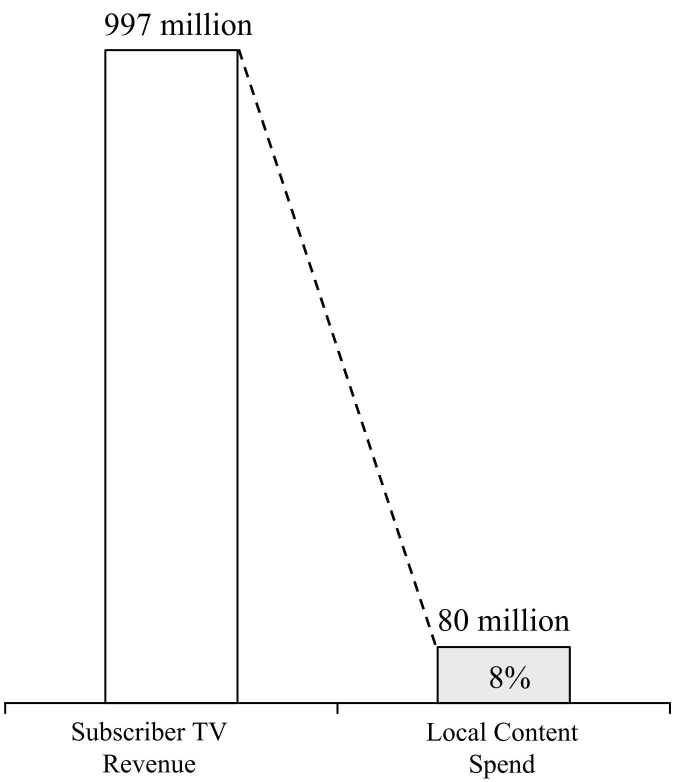


Note: MNC's are able to screen foreign television commercials in Malaysia if it is part of a sponsorship deal with a program, however sponsorship represents an additional cost burden on the advertiser

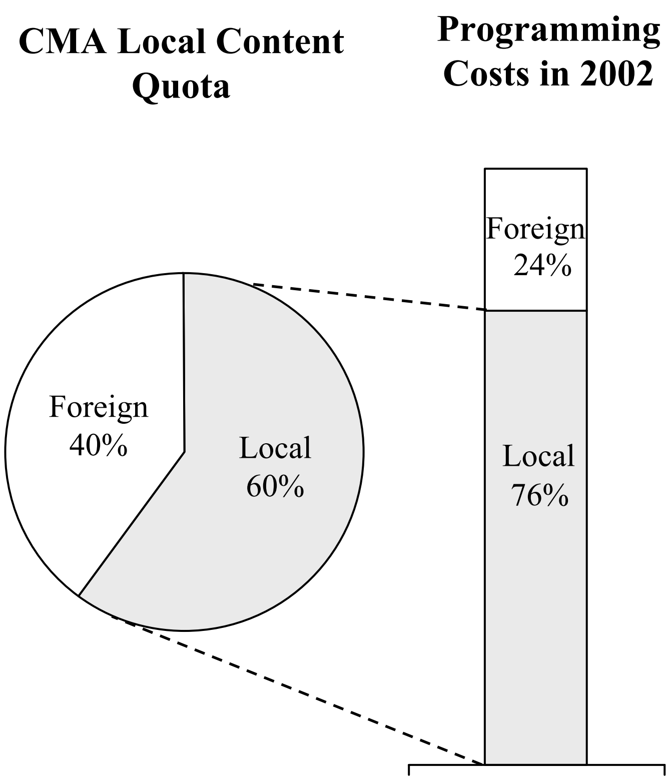
Source: Interviews with advertising agencies

Current State and Key Issues
Figure 9 : Revenue Redistribution to Local Content in Television

Subscriber Television Local Content Investment
(RM)

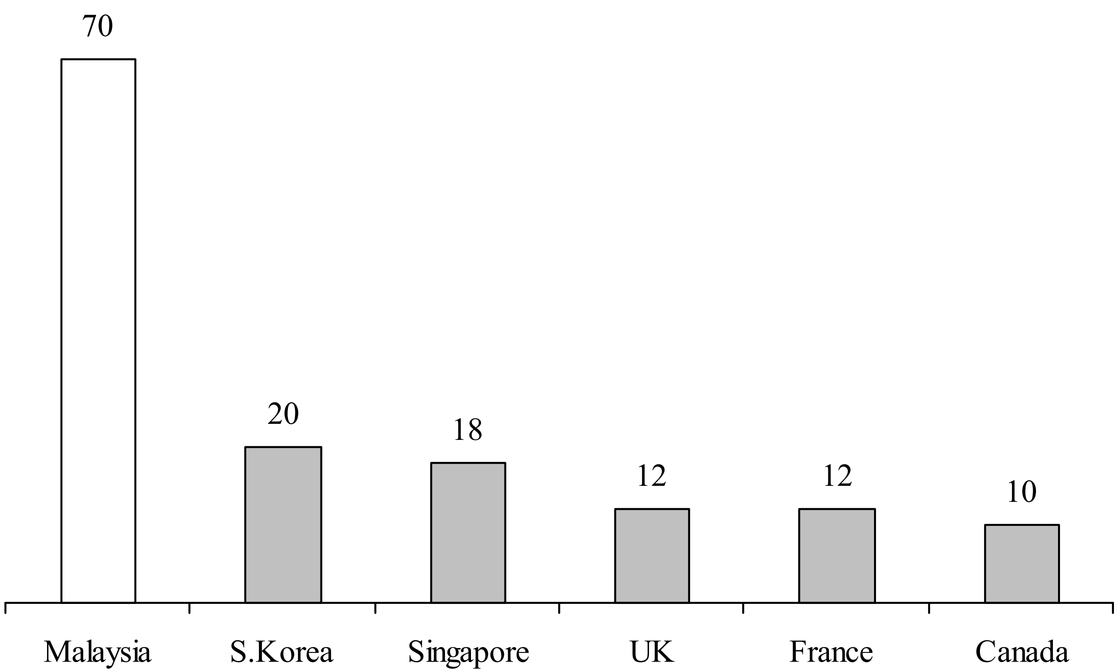


Free-to-Air Television Local Content Investment



Source: Malaysian Broadcasters Television Alliance; Interviews with Astro

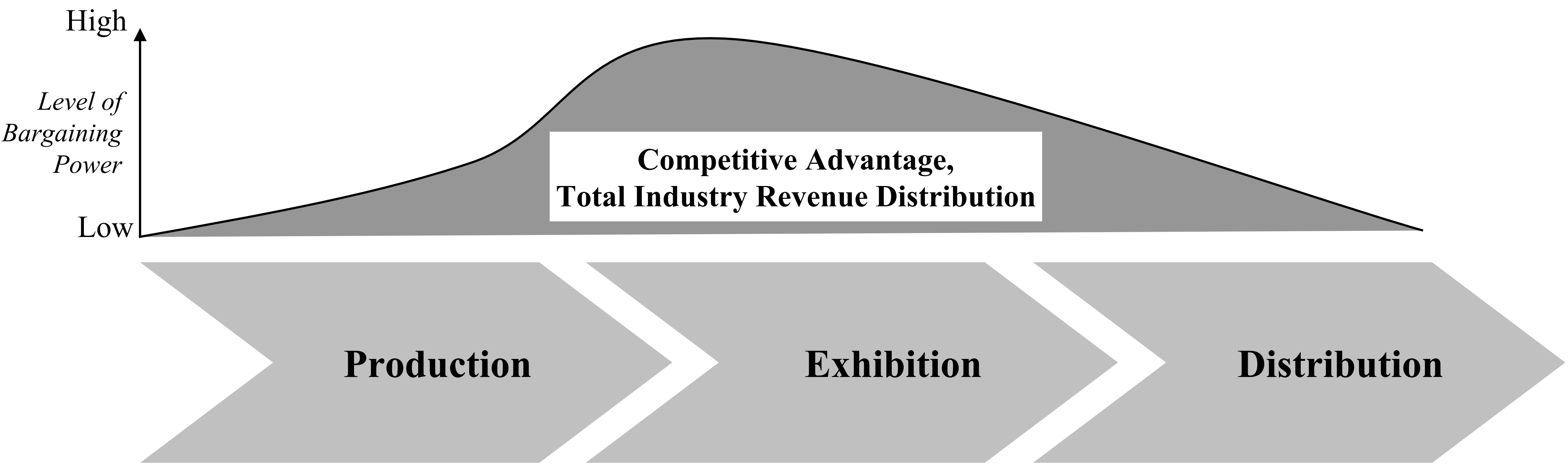
Current Performance and Key Issues
Figure 10 : Estimated Percentage of Moving Pictures and Music Revenue Lost from Piracy



Source: International Intellectual Property Alliance

Current Performance and Key Issues
Figure 11:Relative Bargaining Powers of Industry Players

Illustrative

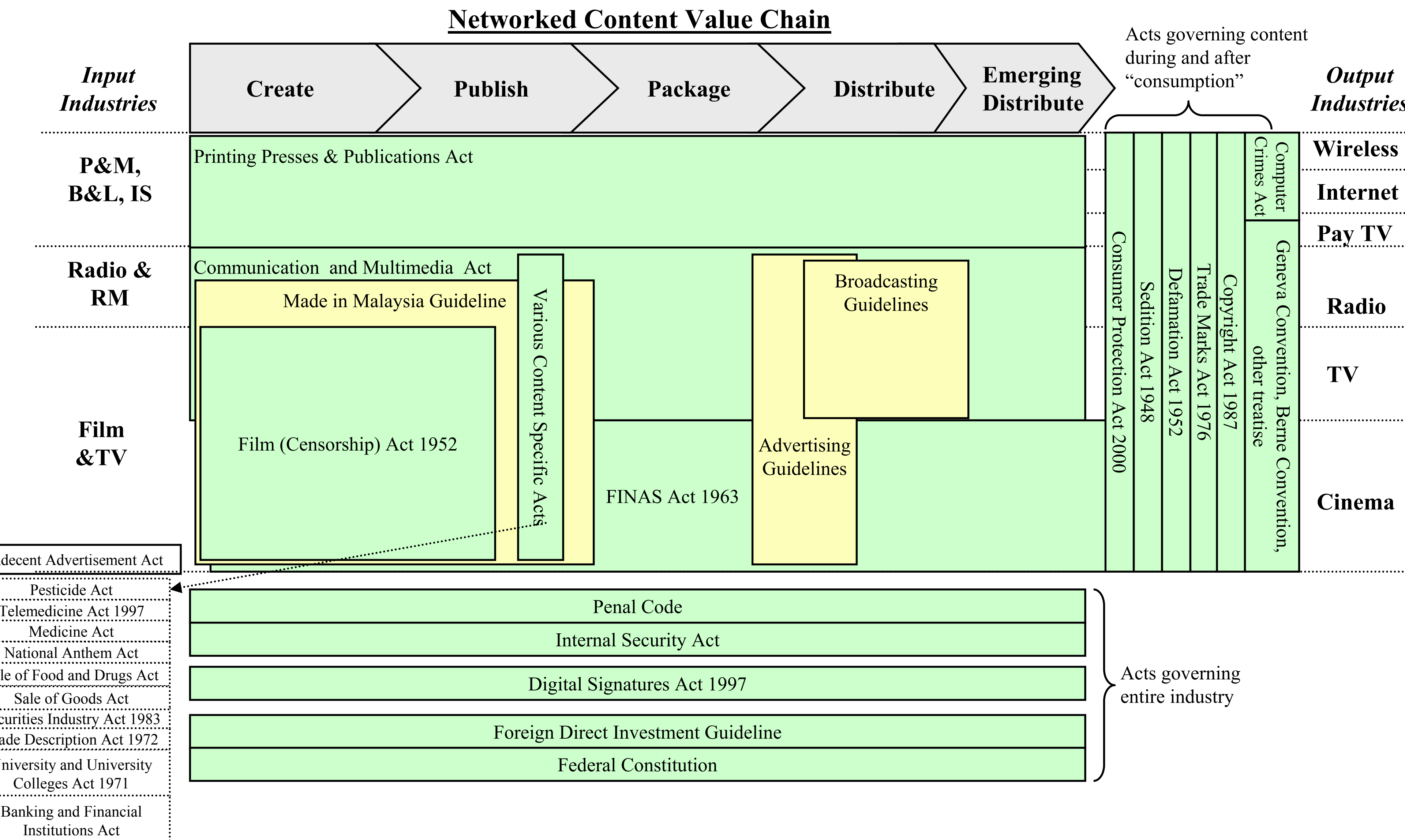


Production
- Small scale
- Low advertisement
- Insufficient lobbying
- Products in low demand
- No choice of distribution channel

Exhibition
- Relatively large scale
- Available Substitute Products
- Freedom of choice
- No possibility to integrate into production

Distribution
- Low revenues due to piracy
- Available substitute products
- Freedom of choice
- Can dictate prices
- No possibility to integrate into production

Current Performance and Key Issues
Figure 12 : Overlapping Regulation



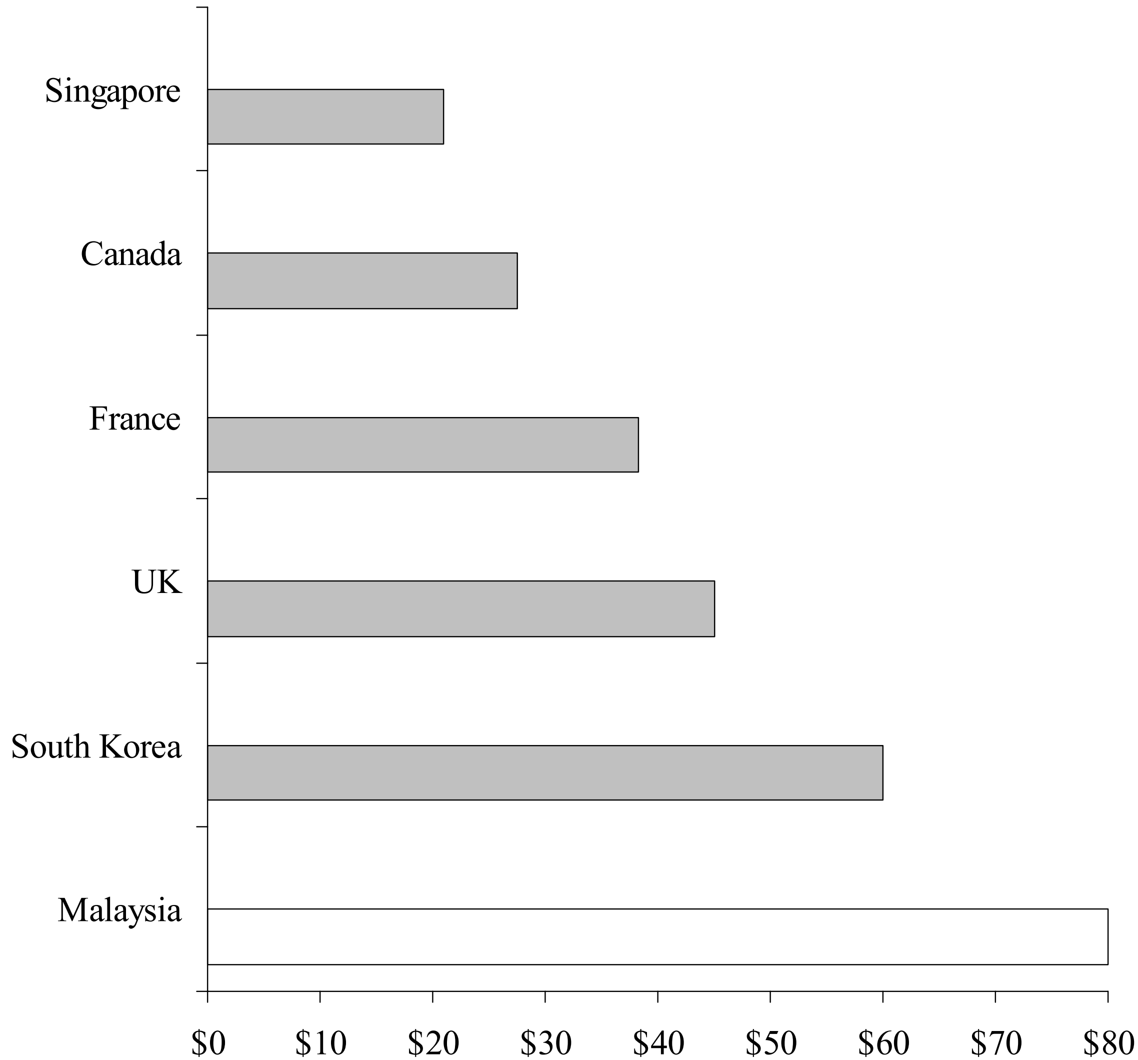
Note: 1) List only includes primary regulations, however there are also site specific local permits required by local authorities

Current Performance and Key Issues
Figure 13 : Government Bodies Involved in Regulating and Enforcing Networked Content Industry

Ministry	**Home Affairs**		**Information**		**Energy, Com. and Multim.**	**Agriculture**	**Health**	**Education**	**Finance**	**Domestic Trade Consumer Affairs**
Governing Body	**Lembaga Penapisan Filem(LPF)**	**JAKIM (Advisory)**	**FINAS**	**Commercial Department**	**MCMC**	**Pesticide Control Division**	**Food Quality Control Division & Pharmac. Division**	**Private Education Division**	**Administrati on Division**	**Intellectual Property & Consumer Affairs Division**
Access			Licensing of film distributors and exhibitors		Licensing of wireless, ISP, TV and radio					
Content	Censoring of all audiovisual / promotional content	Advisory	Licensing of film developers and producers		Enforcement					Monitoring of copyright and piracy
Advertising	Censoring of all adds		Licensing of all TV adds (MIM)	Approval for advertising on RTM (KP# Issuance)		Approving of all pesticide ads	Approving of all poison & medicine related ads	Approving of all private education ads	Approving of all gaming ads as defined in Common Gaming Act, 1953	Monitoring of false advertising

Note: Content forum will be the body responsible for administering the content code once it is ratified

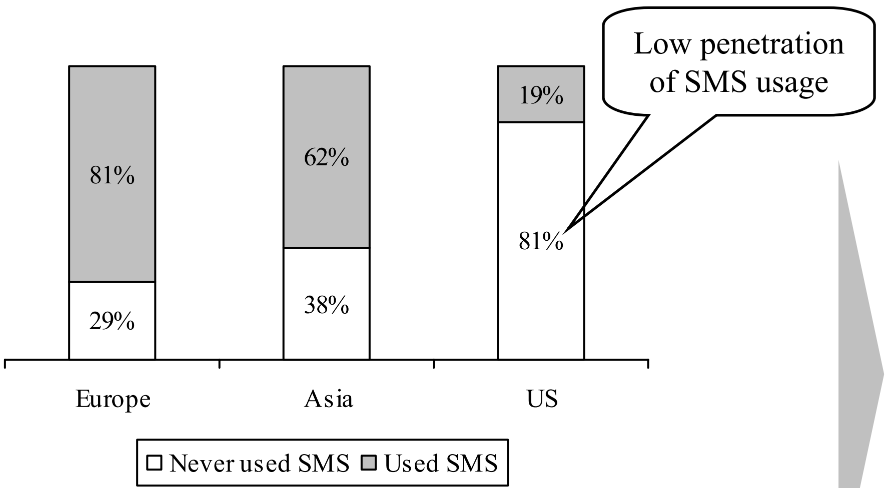
Current Performance and Key Issues
Figure 14 : Relative Broadband Subscription Fees (2003, US$ income adjusted)



Source: A.T. Kearney; Analysys

Current Performance and Key Issues
Figure 15 : Potential Adverse Impact of Ineffective Open Standards and Interconnectivity

SMS Usage in Europe, Asia and US in 2002



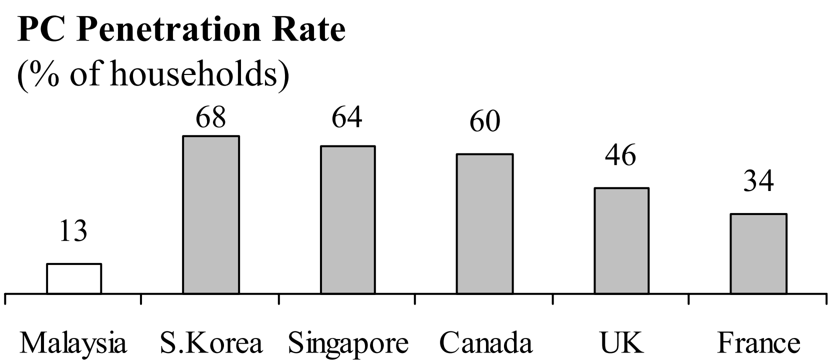
- US telecoms regulations, which permitted different mobile operators to choose different, incompatible technologies has led to complexities in formulating interconnect agreements for data
- In late 2002, the largest US mobile operators agreed to pass text messages between their networks, however the agreement is still only partly implemented.

Mobile Data Service Interconnect Challenges

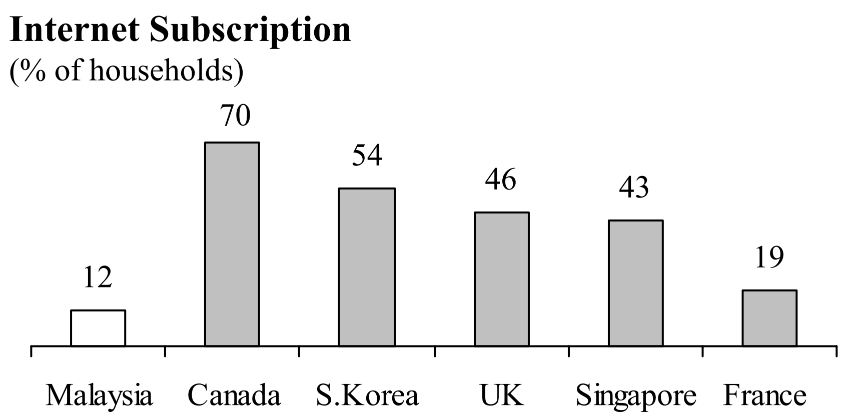
- Since interconnect agreements were formalised in September 2001, Malaysia has experienced a surge in SMS traffic
- In 2002, Malaysian telcos made preliminary agreements to share 'shortcodes' that allow users to access wireless data services from different providers on a single number
- Interconnect agreements are still outstanding in areas such as WiFi, MMS and 3G – which could pose a threat to the uptake of these new services

Source: A.T.. Kearney Mobinet Survey

Current Performance and Key Issues
Figure 16 : Ineffective Government Incentive Schemes



- In early 2000 the "One Family, One Computer" scheme enabled contributors to the EPF to withdraw part of their savings for personal computer purchases, but was cancelled in 2002

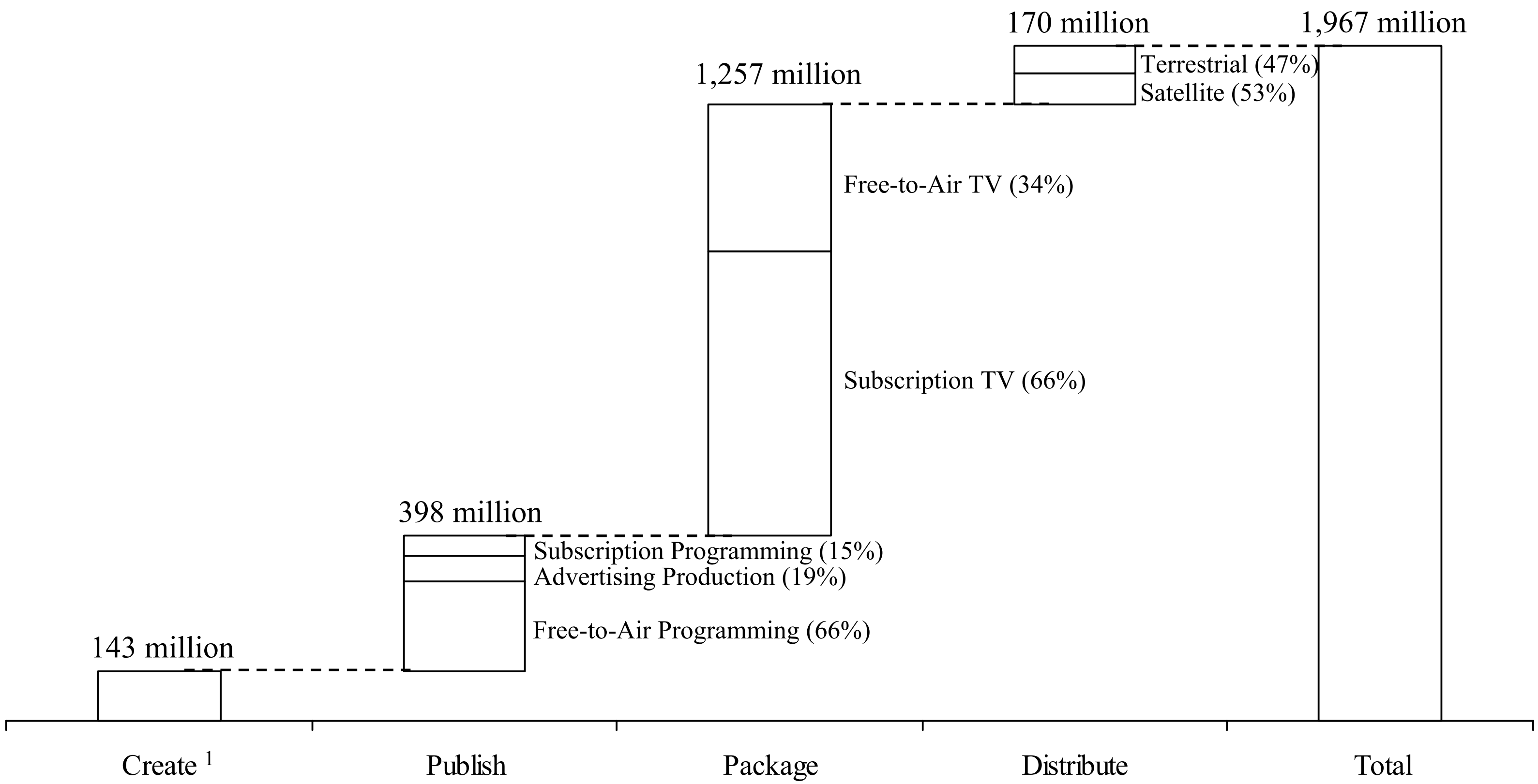


- Despite an investment of RM 5.1 billion over 5 years in ICT initiatives, Malaysia's internet subscription rate still lags benchmark countries

Source: IDC

Television

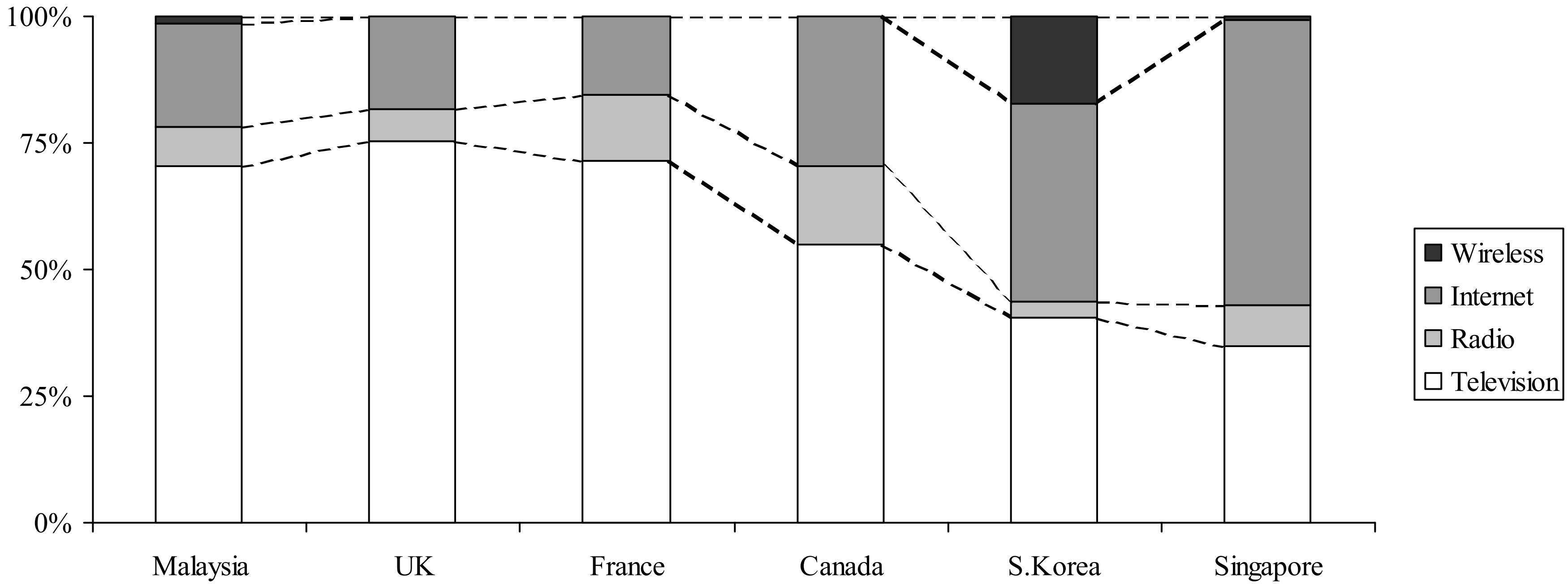
Figure T.1 : Malaysian Television Industry Size in 2002 (RM)



Note: 1) 'Create' represents the talent pool required for television production and is typically 25% of production costs

Source: Zenith 2002; ACNielsen; A.T. Kearney / ZOHL Group Analysis

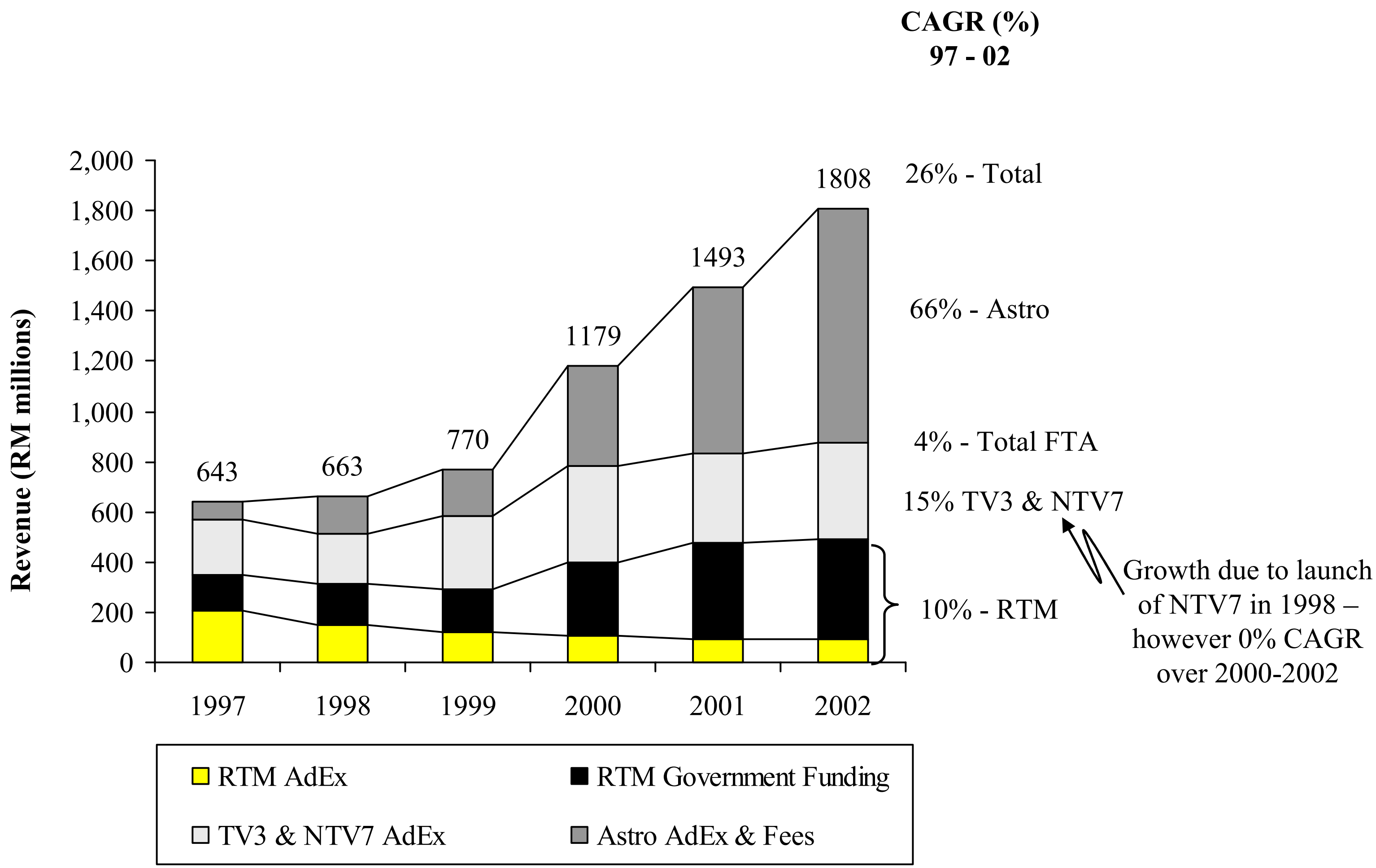
Television
Figure T.2 : Relative Networked Content Industry Size (Revenue % of Total NCI Revenue)



Source: Zenith 2002; ACNielsen; A.T. Kearney / ZOHL Group Analysis

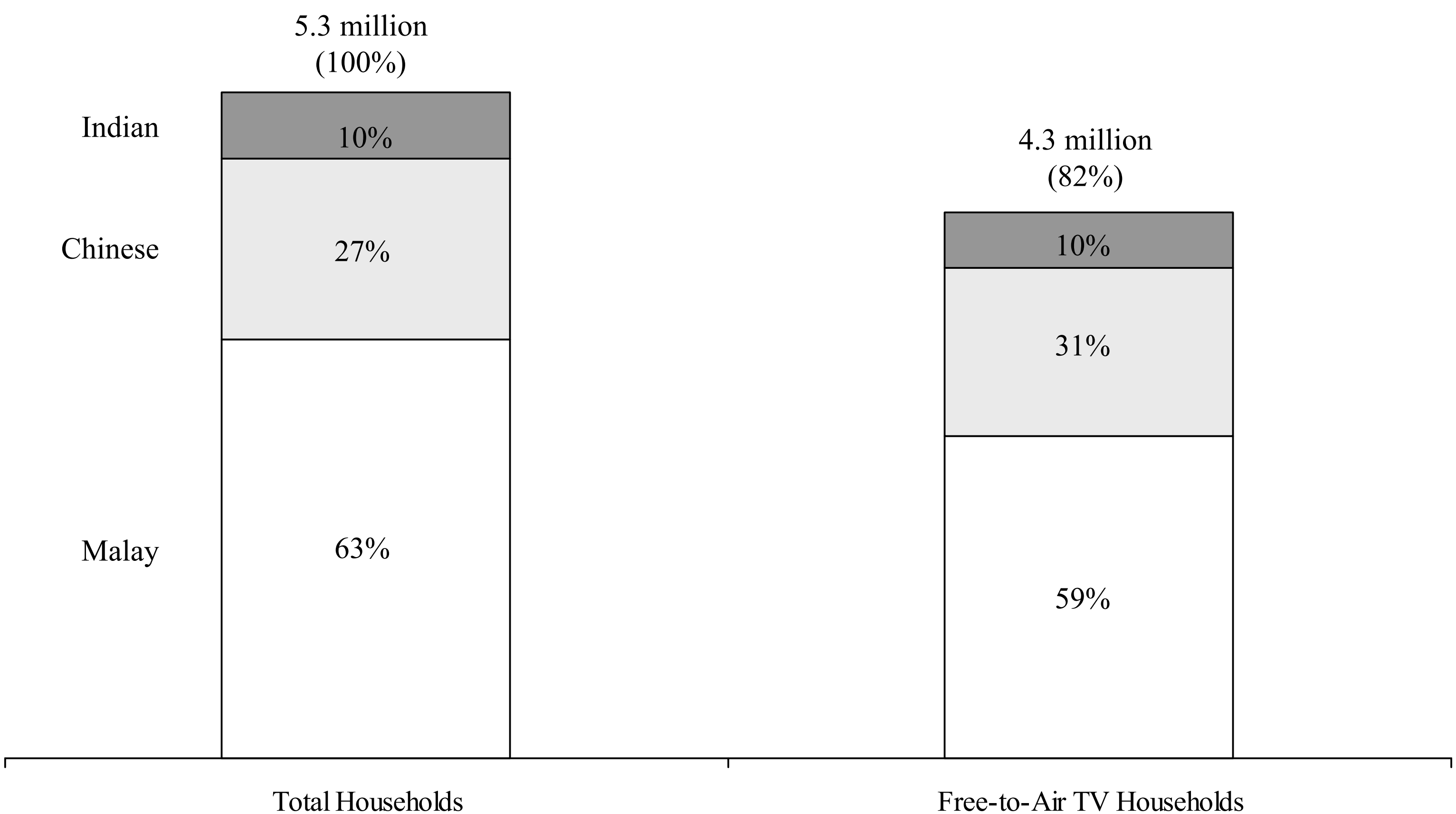
Television

Figure T.3 : Estimated Revenue Growth for Total Television Industry in Malaysia 1997 - 2002



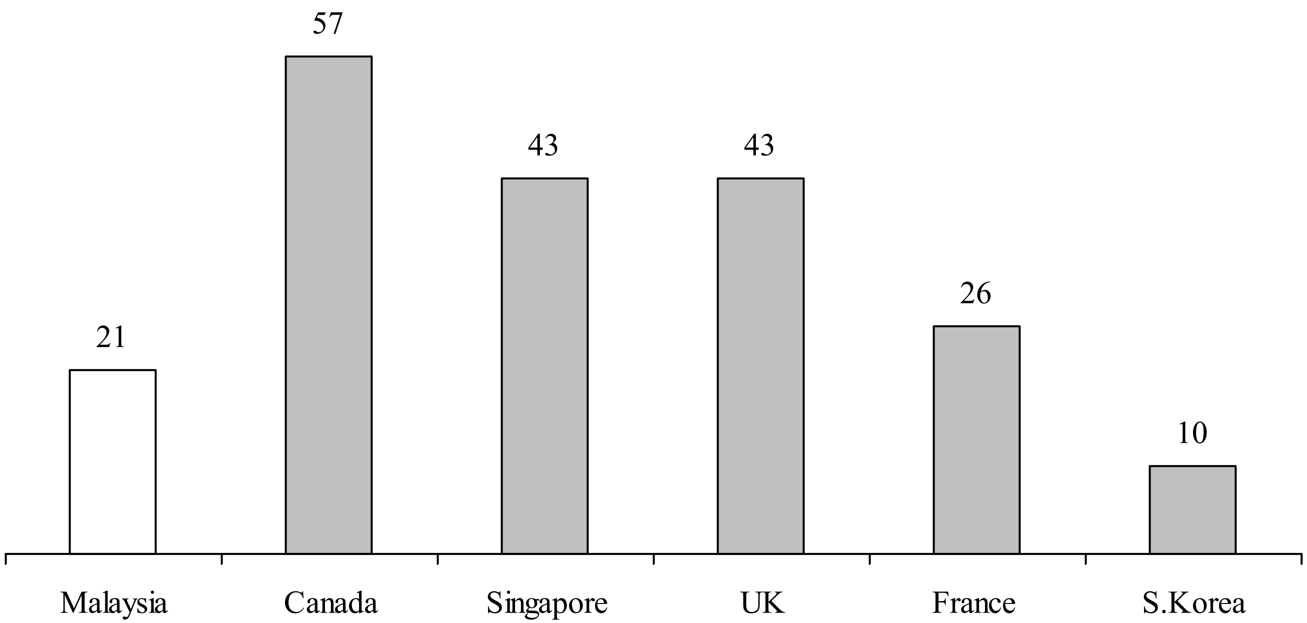
Source: Zenith 2002; ACNielsen; A.T. Kearney / ZOHL Group Analysis

Television
Figure T.4 : Television Penetration of Households in 2002



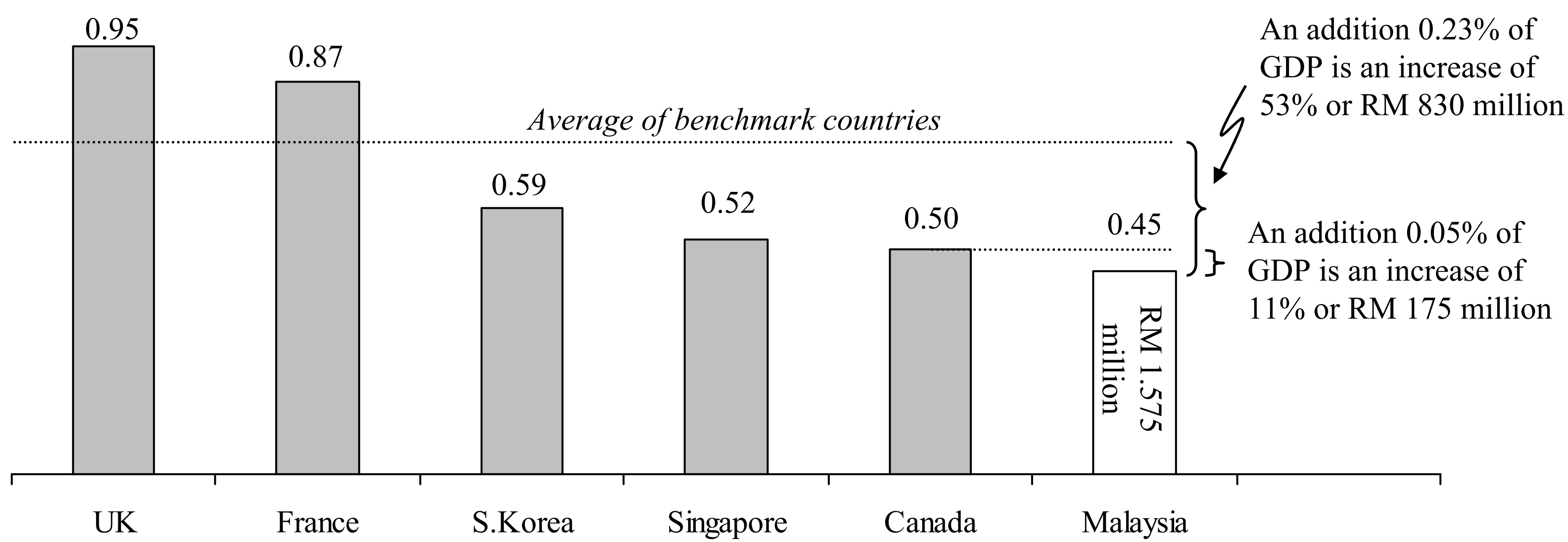
Source: MCMC Statistical Bulletins (2002); ITU
Note: TV Households Figures assume 2% growth from 2001 ITU estimates

Television
Figure T.5 : Subscription Television Penetration (% of households)



Source: Zenith Optimedia

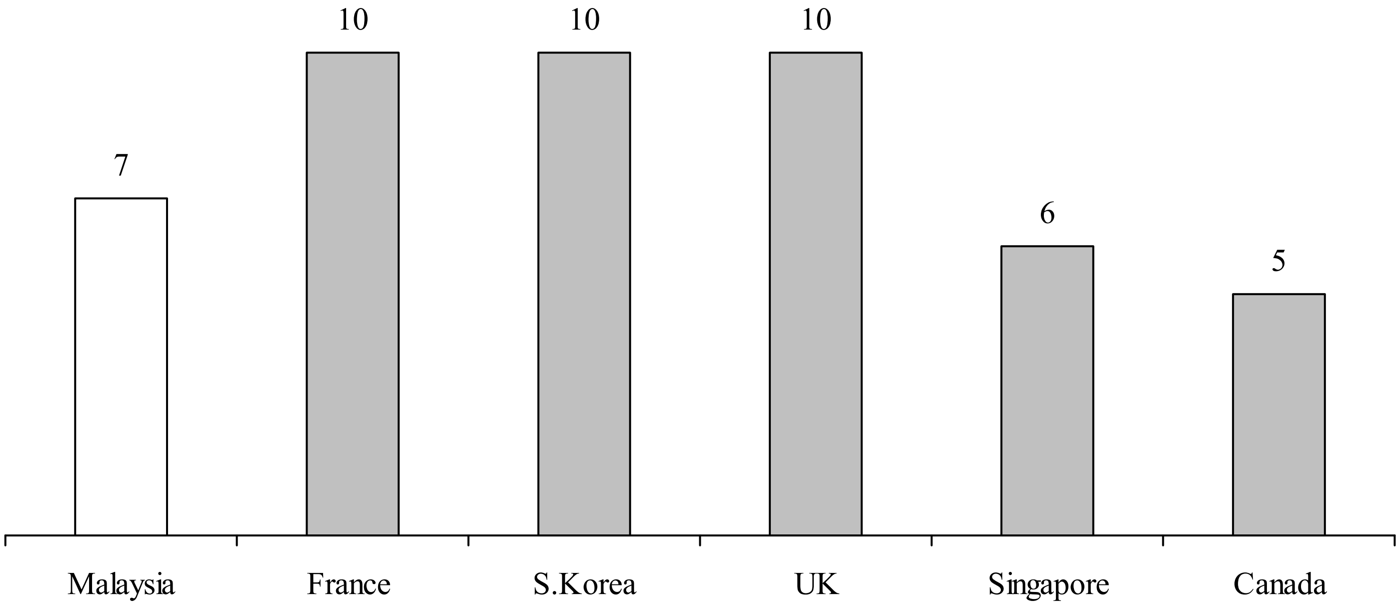
Television
Figure T.6 : Television Industry Size (Revenue % of GDP)



Source: Zenith Optimedia; IDC

Note: 1) These figures represent networked content related revenue only; excludes television content creation

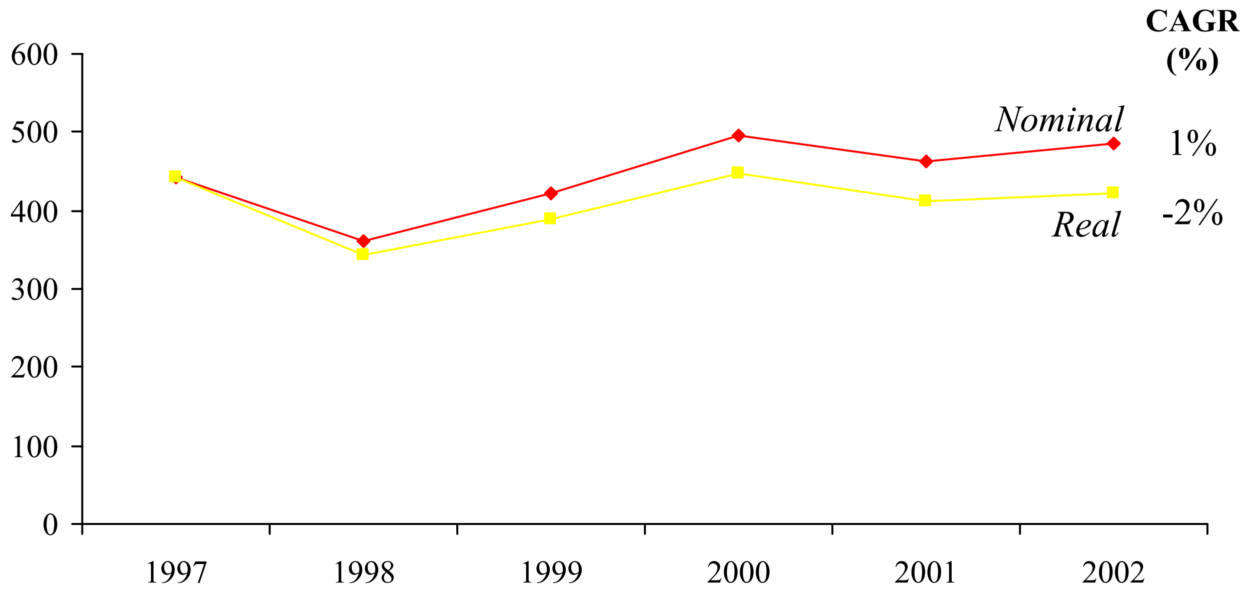
Television
Figure T.7 : Number of Local Programs in the Top Ten Television Programs



Source: A.T.Kearney Analysis

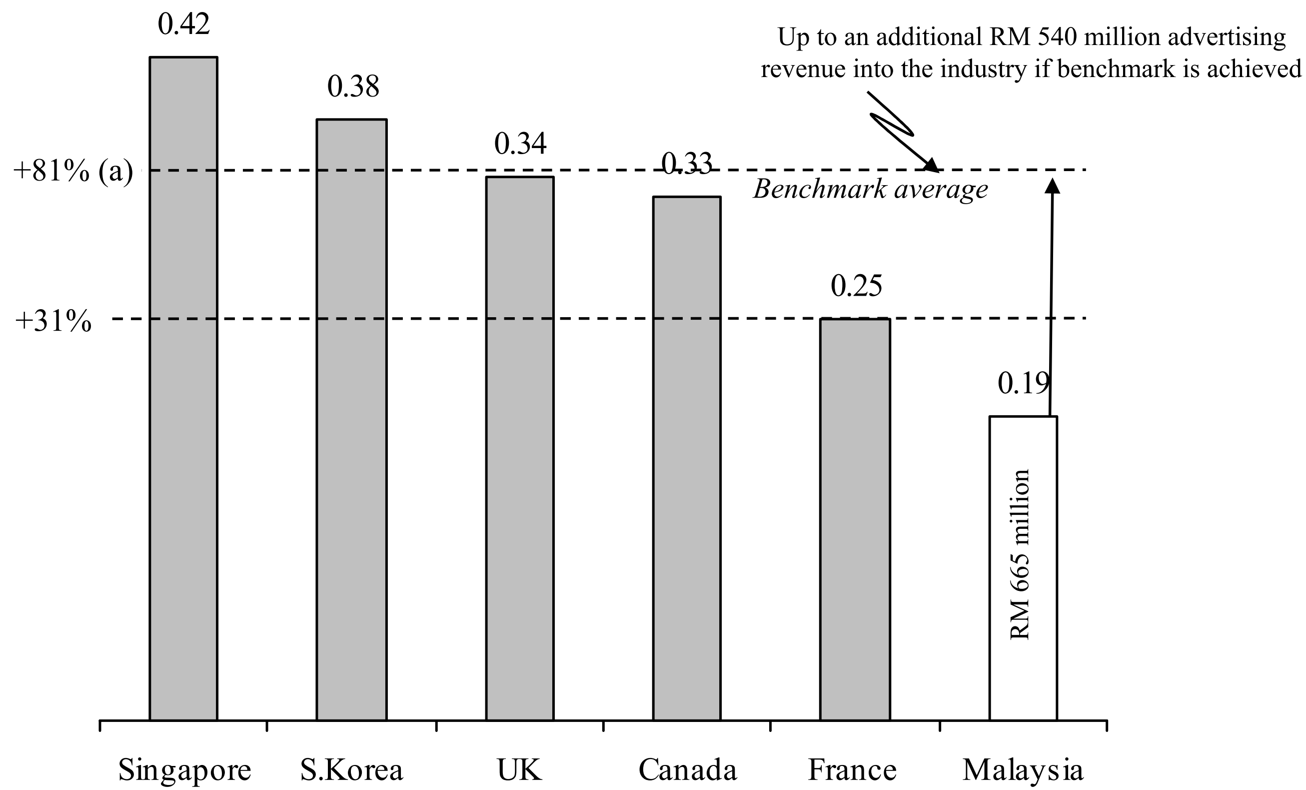
Television

Figure T.8 : Free-to-Air Television Advertising (RM millions)



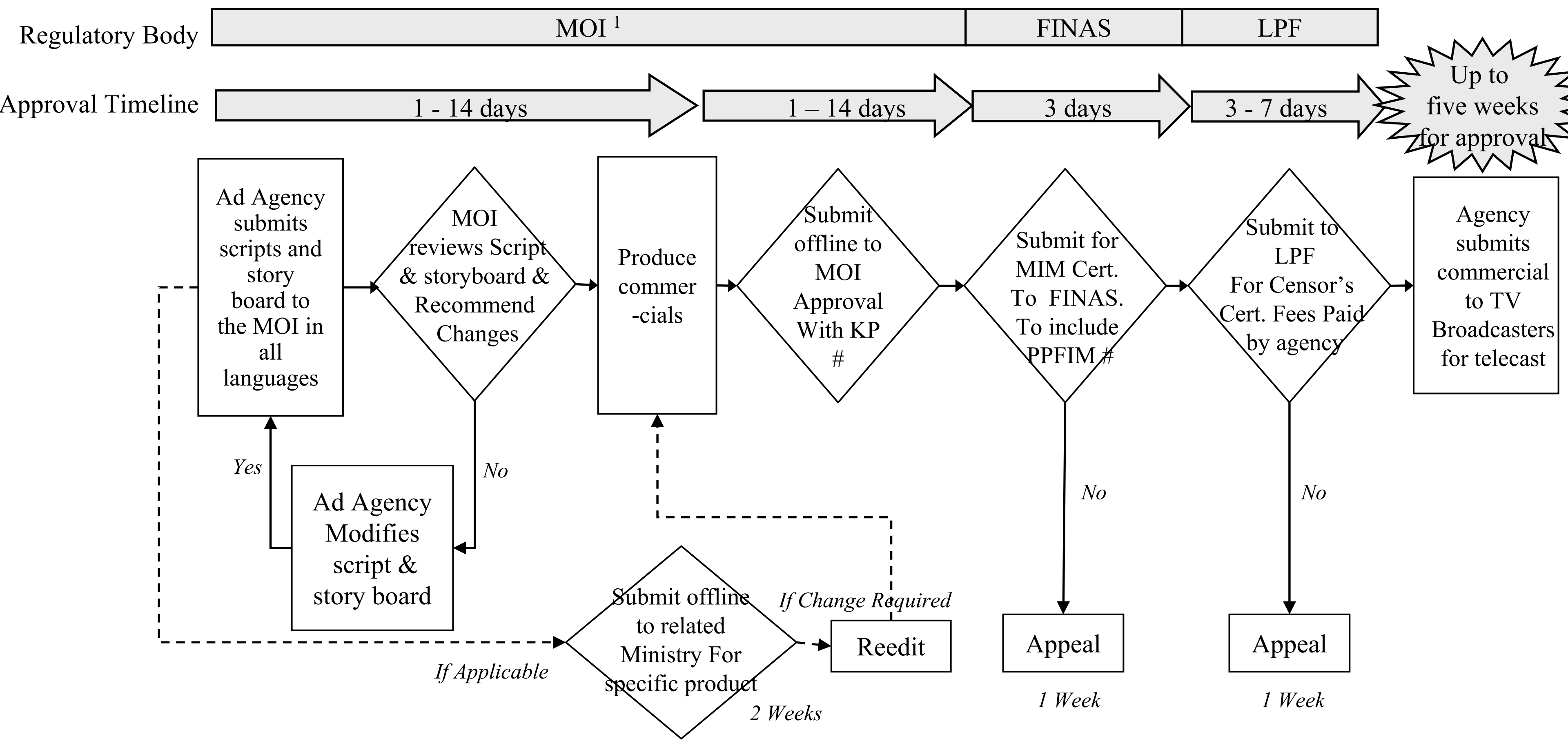
Source: ACNielsen 2002

Television
Figure T.9 : Benchmark of Television Advertising Spend (% GDP)



Source: Zenith Optimedia

Television
Figure T.10 : Approval Process for Advertising Content



Note: 1) MOI approval is only required for advertisements screened on RTM, however typical industry practice indicates that most advertisers choose to seek MOI approval in order to assure other commercial TV operators that their content is valid

Source: A.T. Kearney and ZOHL Group Analysis

Television
Figure T.11 : Local Content Quota

Regulations requires 60% local language to be ***broadcasted***, rather than specifying the amount to be ***invested*** in local content (e.g. station can choose to show low cost programs or air re-runs)

Television Investment in Local Content
(RM millions)

	Total Revenue		***Local Content Investment***
Free-to-Air Television	633	55% →	350
Subscription Television	997	8% →	80
Total Television	1630	26% →	430

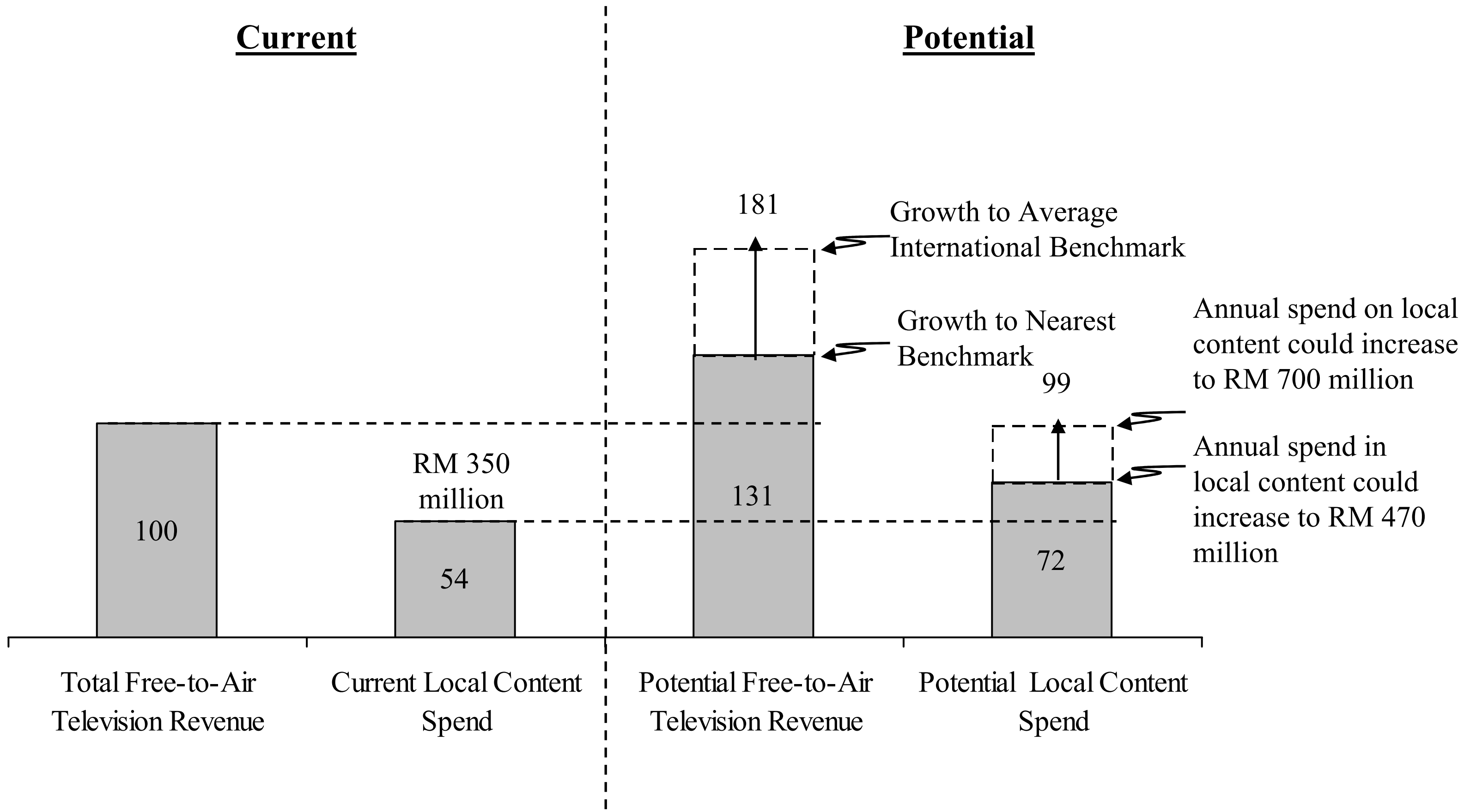
Subscription TV is not required to broadcast or invest in local content

Local content quota in benchmark countries for free-to-air television where as high as 65%

Not uncommon for national regulators to impose a local content quota on the subscription television providers

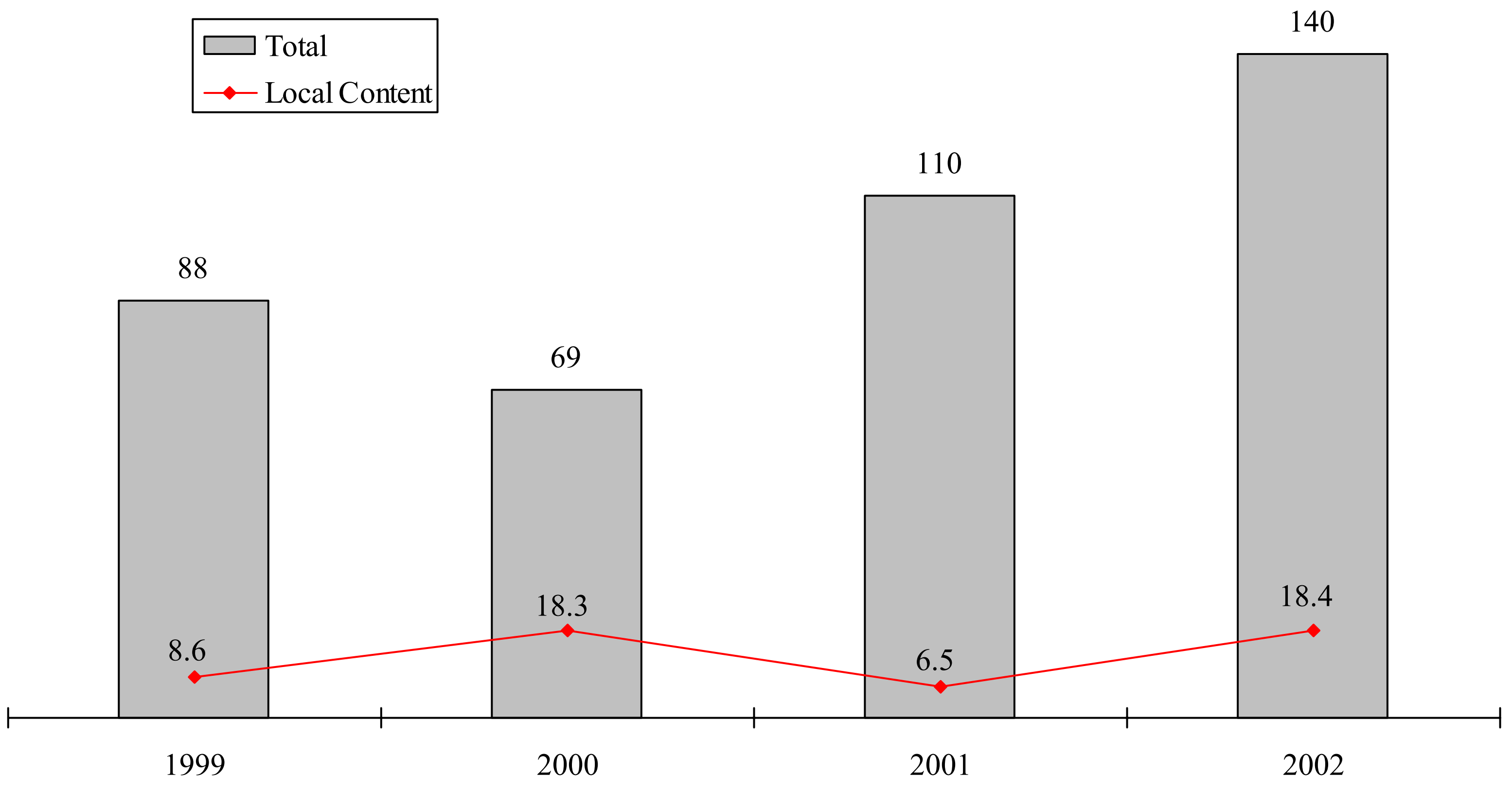
Source: A.T. Kearney and ZOHL Group Analysis

Television
Figure T.12 : Index of Free-to-Air Television Operators Local Content Spend (estimated)



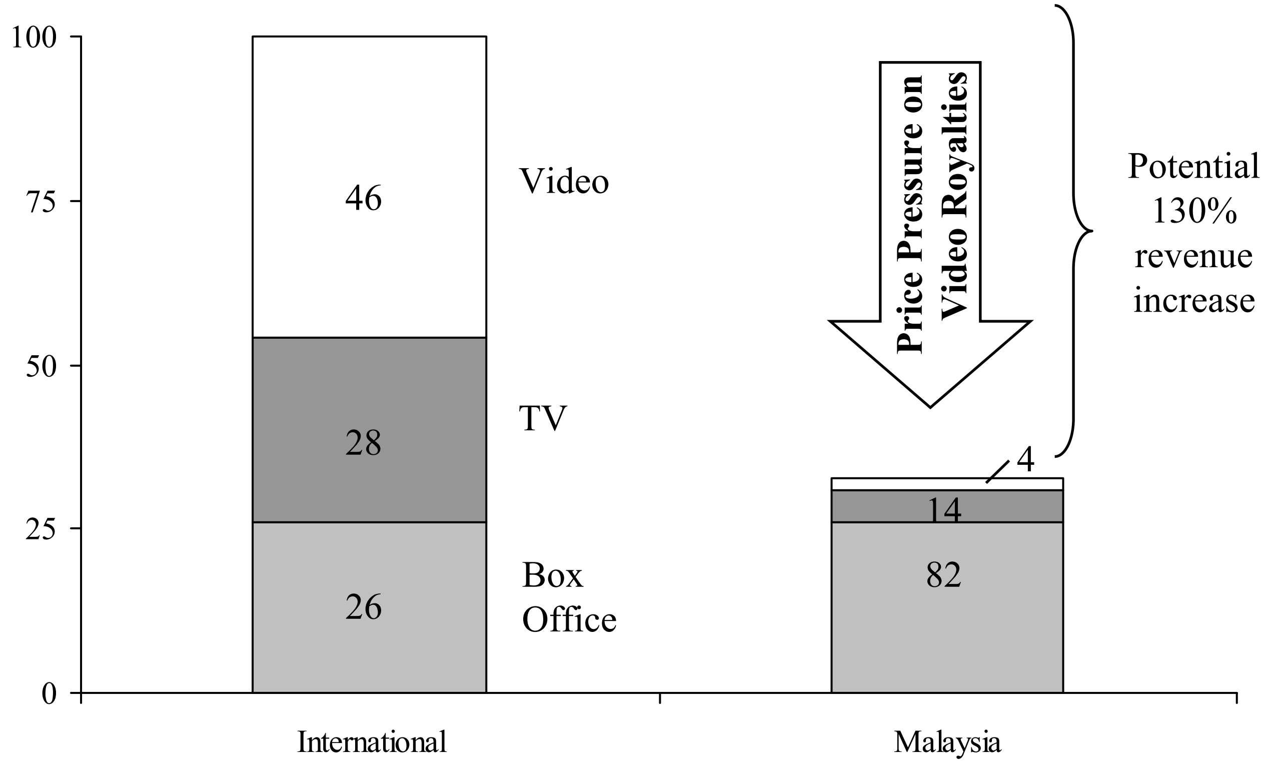
Source: A.T. Kearney / ZOHL Group Estimates

Moving Pictures
Figure M.1 : Total and Local Content Box Office Revenue (RM million)



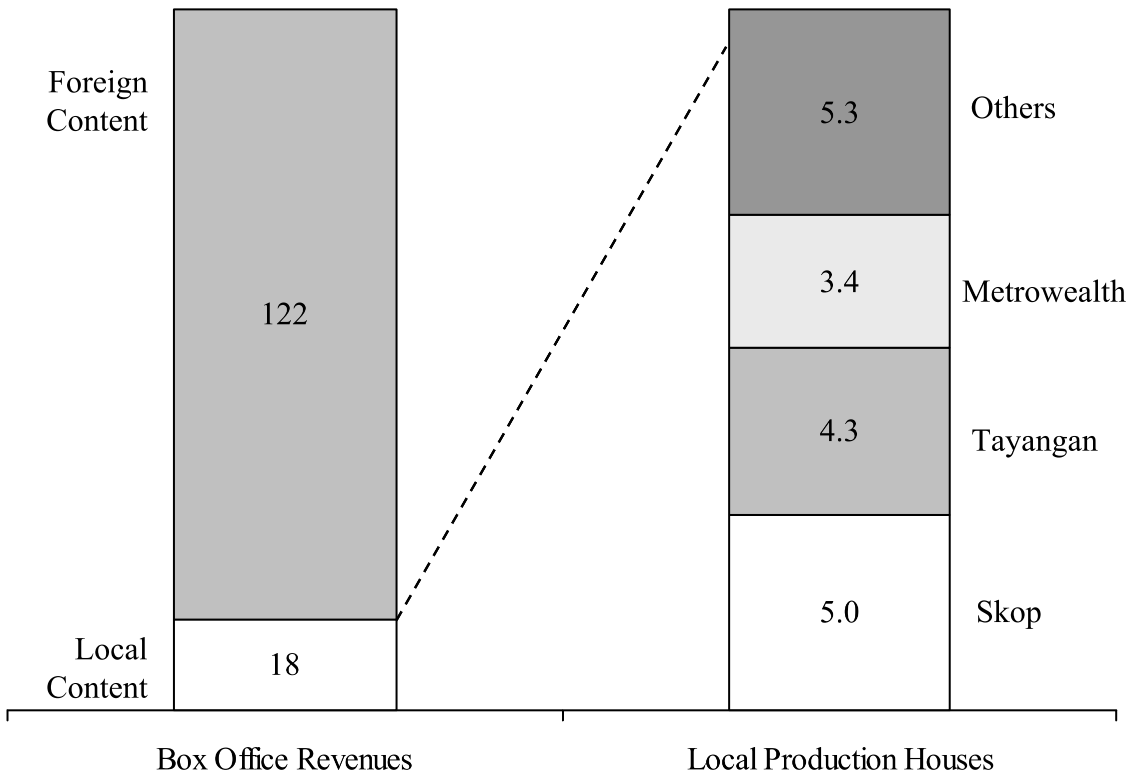
Source: Zenith Optimedia; FINAS

Moving Pictures
Figure M.2 : Index of International and Malaysian Sources of Revenue for Movie Producers



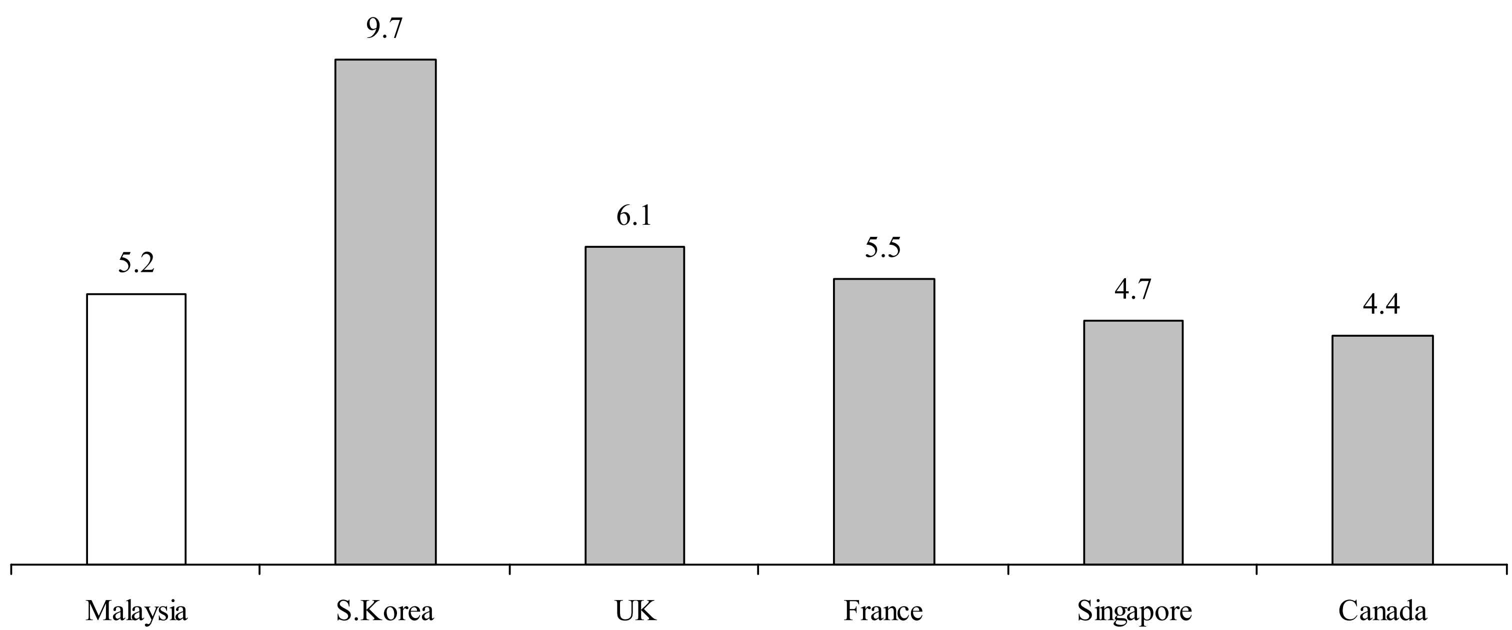
Source: A.T. Kearney / ZOHL Group Estimates

Moving Pictures
Figure M.3 : Box Office Revenues and Local Producers Market Share in Malaysia (RM million)



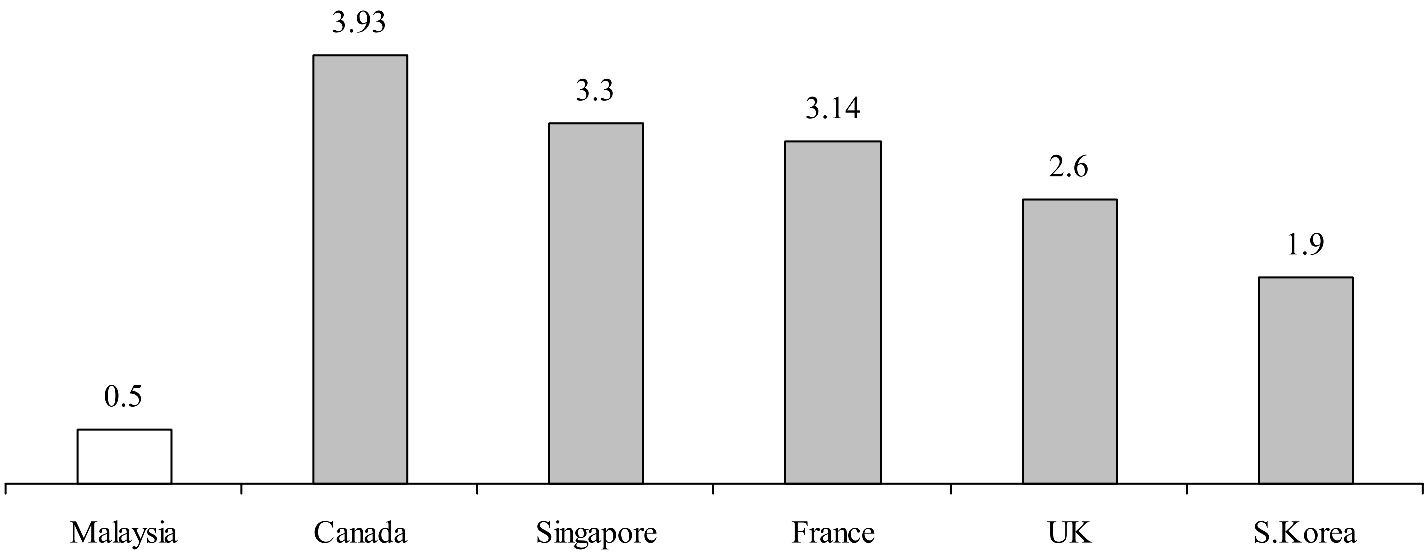
Source: FINAS; ZOHL Group Analysis

Moving Pictures
Figure M.4 : Cinema Admission Prices (US$ income adjusted)



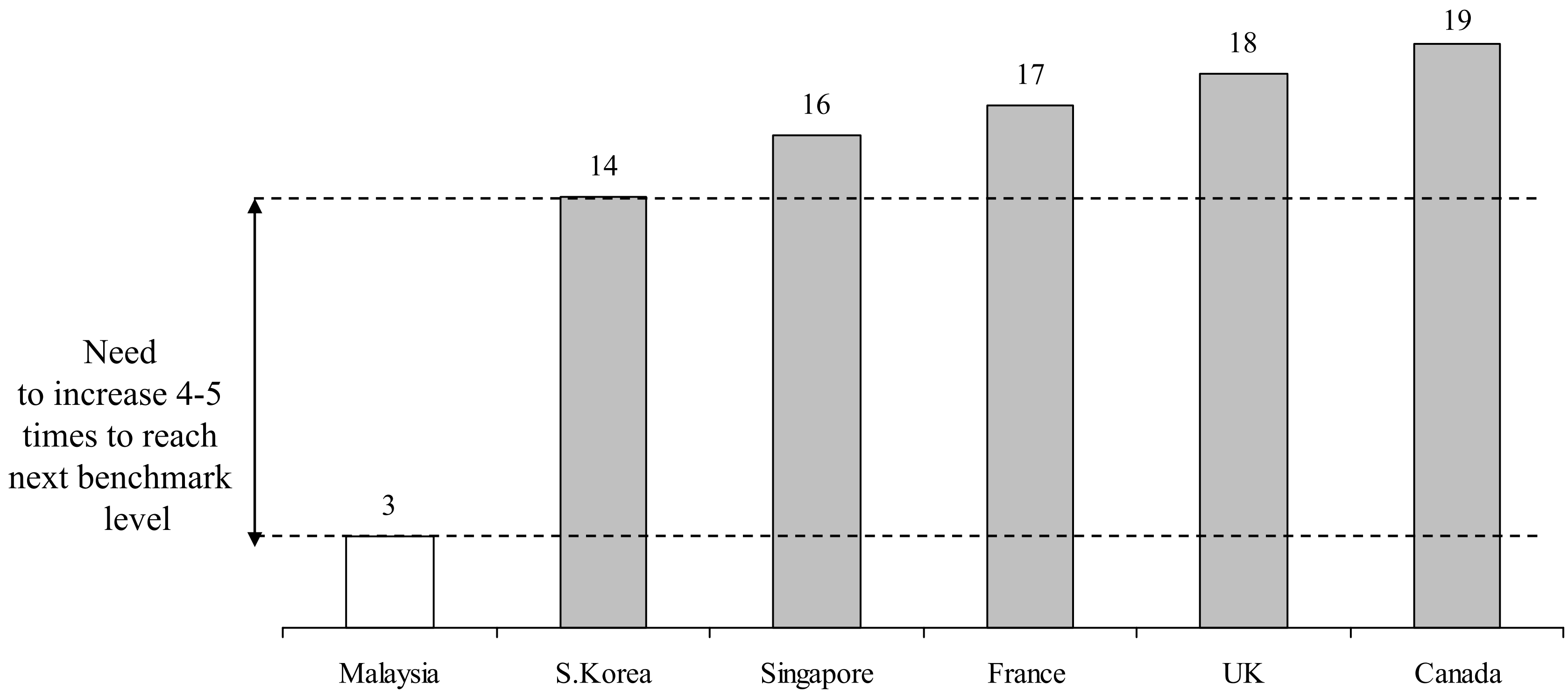
Source: Zenith Optimedia; Cannes.Market; Screen Digest

Moving Pictures
Figure M.5 : Annual Admissions Per Capita



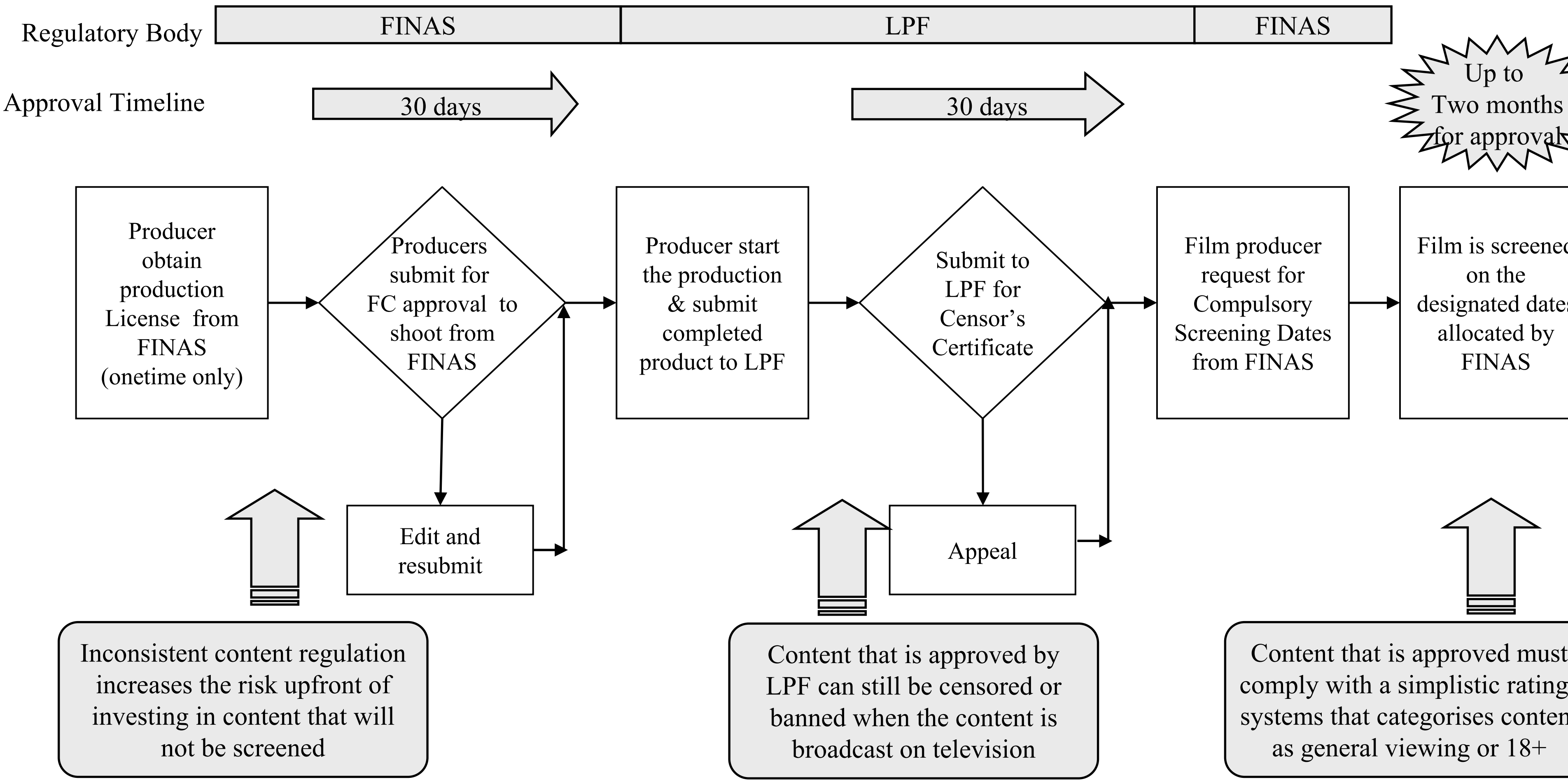
Source: Cannes Market; Screen Digest

Moving Pictures
Figure M.6 : Current Industry Size per Capita (US$ income adjusted)



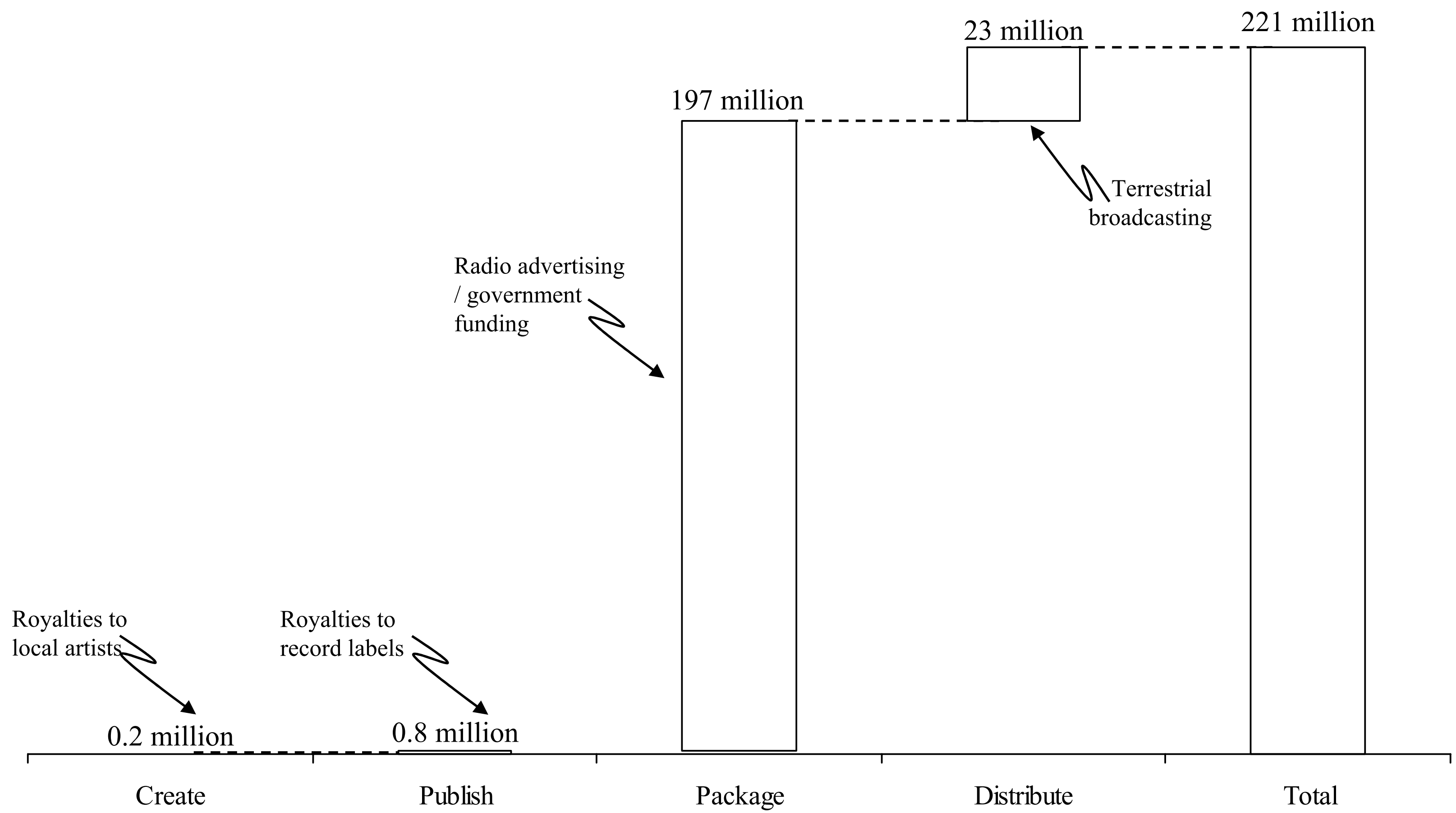
Source: Cannes Market

Moving Pictures
Figure M.7 : Approval Process for Film Content



Source: A.T. Kearney and ZOHL Group Analysis

Audio/Radio
Figure A.1 : Malaysian Radio Industry Size in 2002 (RM)



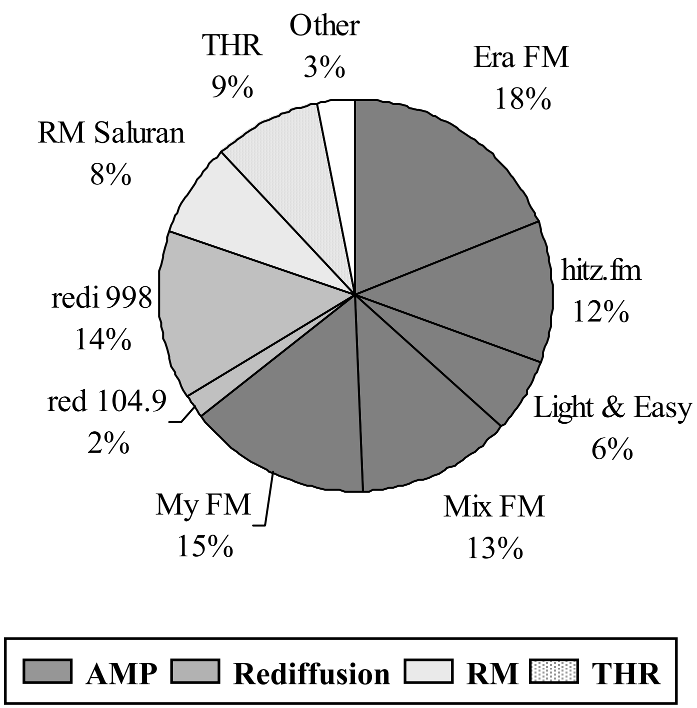
Note: Networked content for audio only includes content broadcast on radio networks
Source: Zenith 2002; ACNielsen; A.T. Kearney / ZOHL Group Analysis

Audio/Radio
Figure A.2 : Radio Industry Advertising Revenue Growth 1997 - 2002

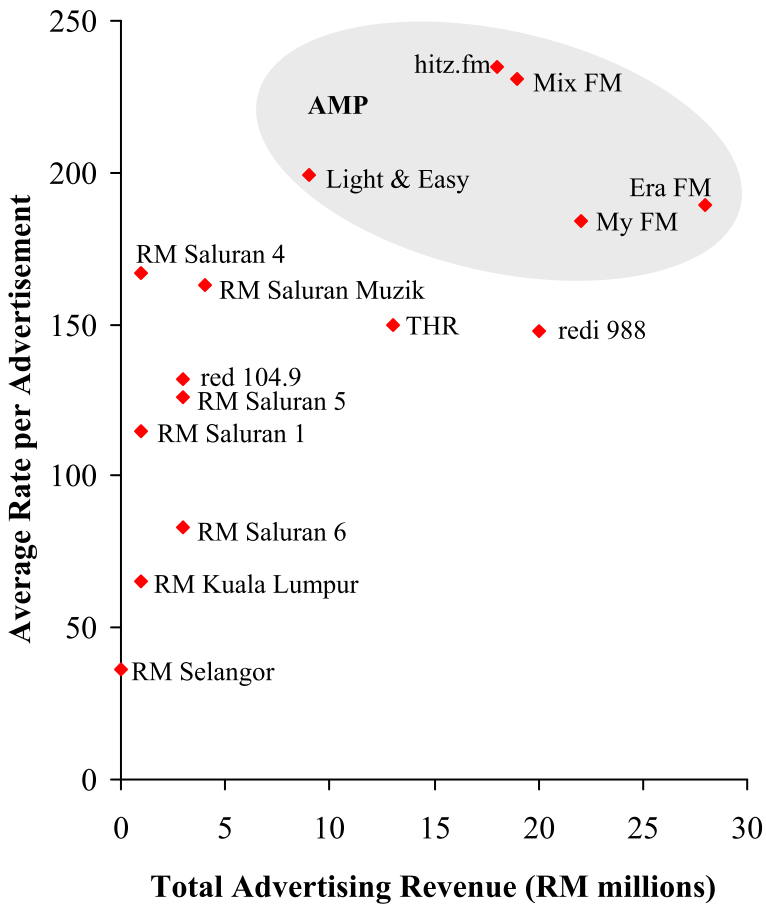
Source: ACNielsen 2002; Zenith Media

Audio/Radio
Figure A.3 : Radio Industry Market shares and Advertising Premiums 2002

Radio Station Market share in 2002



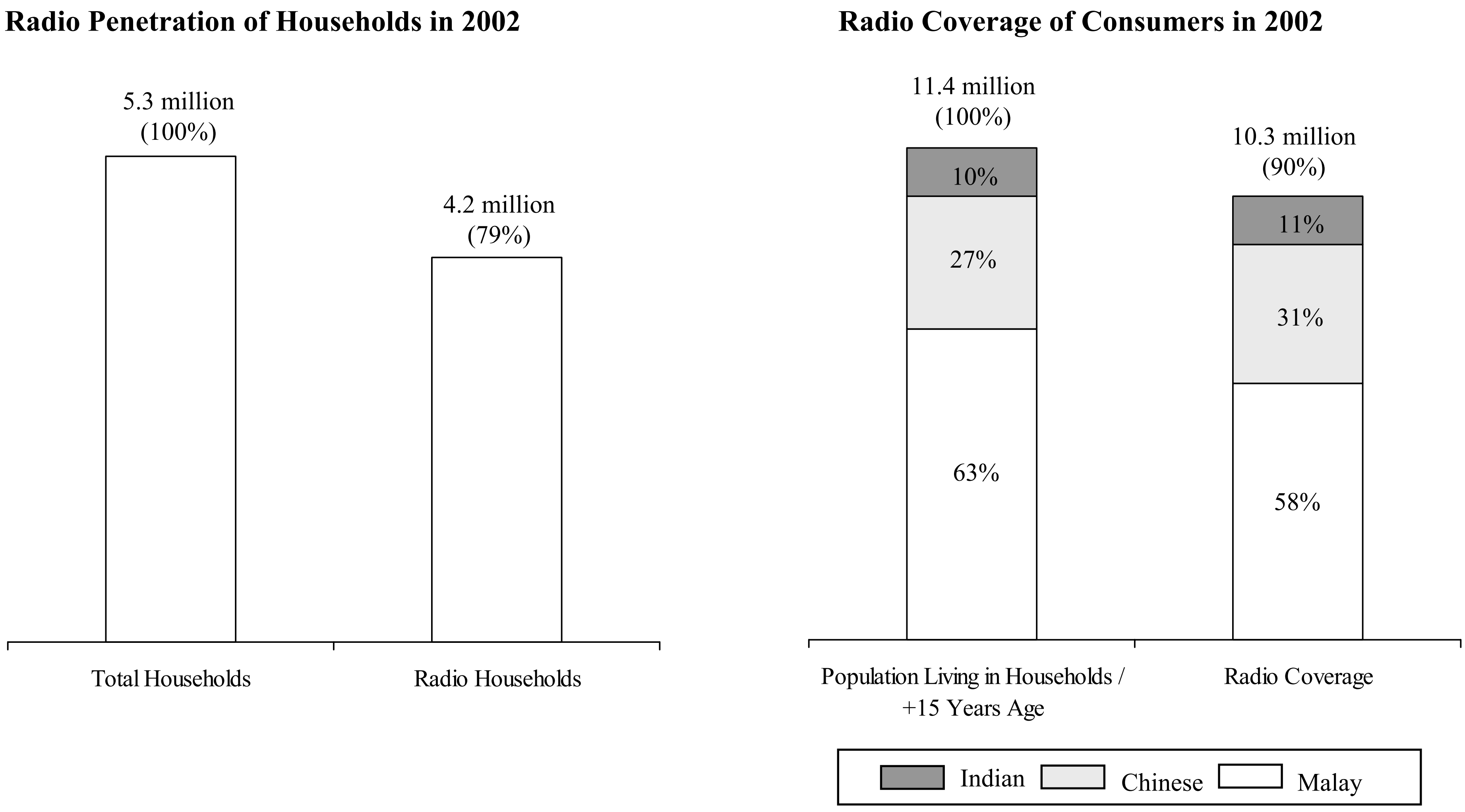
Radio Station Advertising Premiums in 2002



Source: ACNielsen 2002

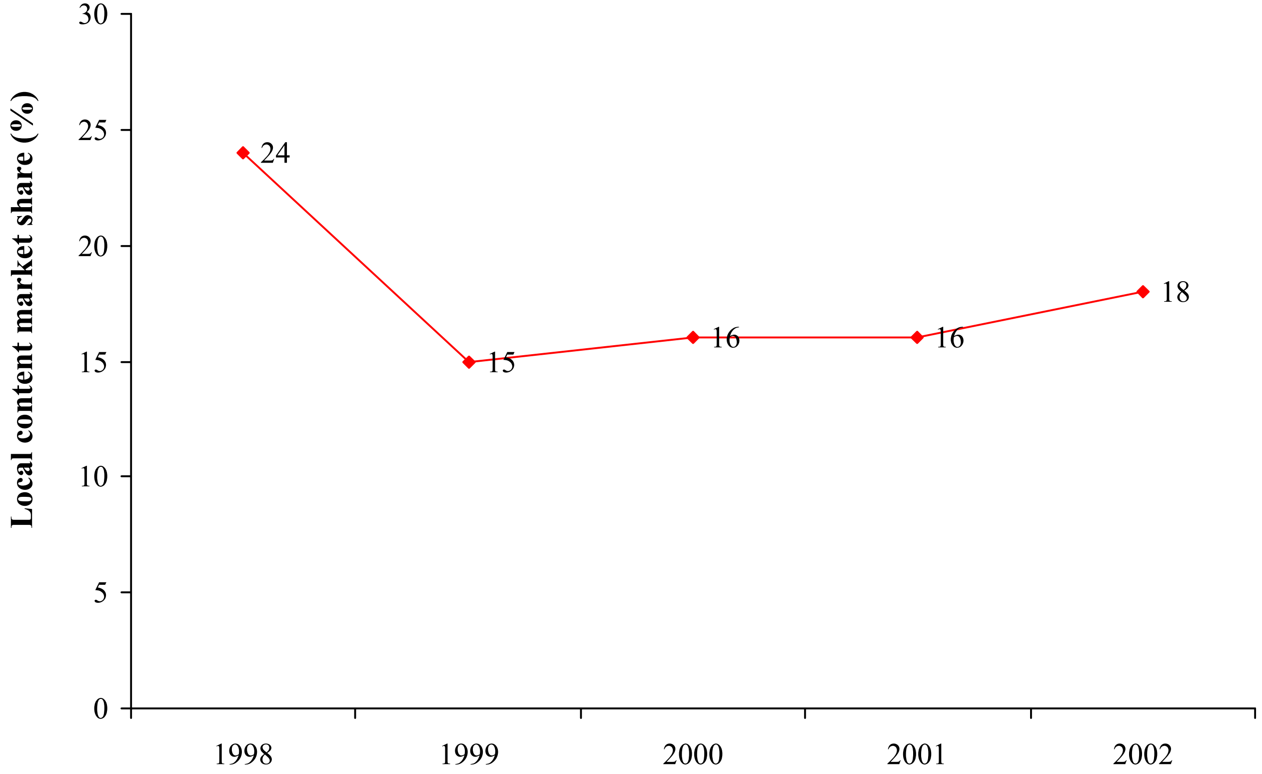
Note: RM Saluran includes 7 radio station: RM Saluran 1, 4, 5, 6, Selangor, Kuala Lumpur

Audio/Radio
Figure A.4 : Radio Penetration Rates in Malaysia 2002



Source: ACNielsen 2002; Malaysian Department of Statistics

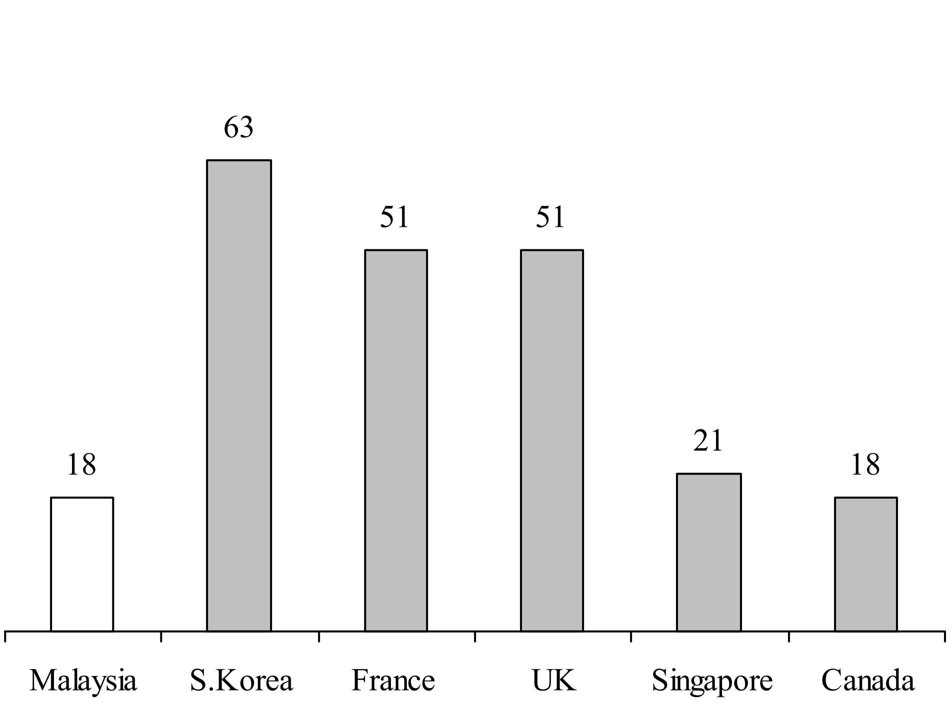
Audio/Radio
Figure A.5 : Malaysian Local Content as Percentage of Total Music Industry 1998 – 2002



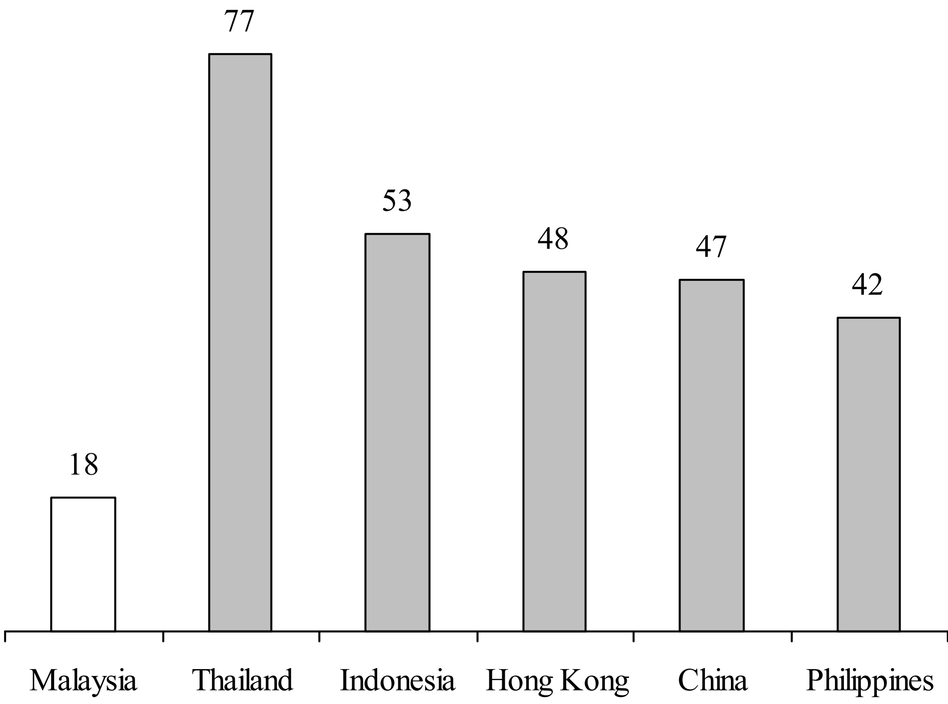
Source: International Federation of the Phonetic Industry

Audio/Radio
Figure A.6 : Malaysian Local Content Compared to Other Countries 2002

Local Audio Content Market Share of Benchmark Countries 2002

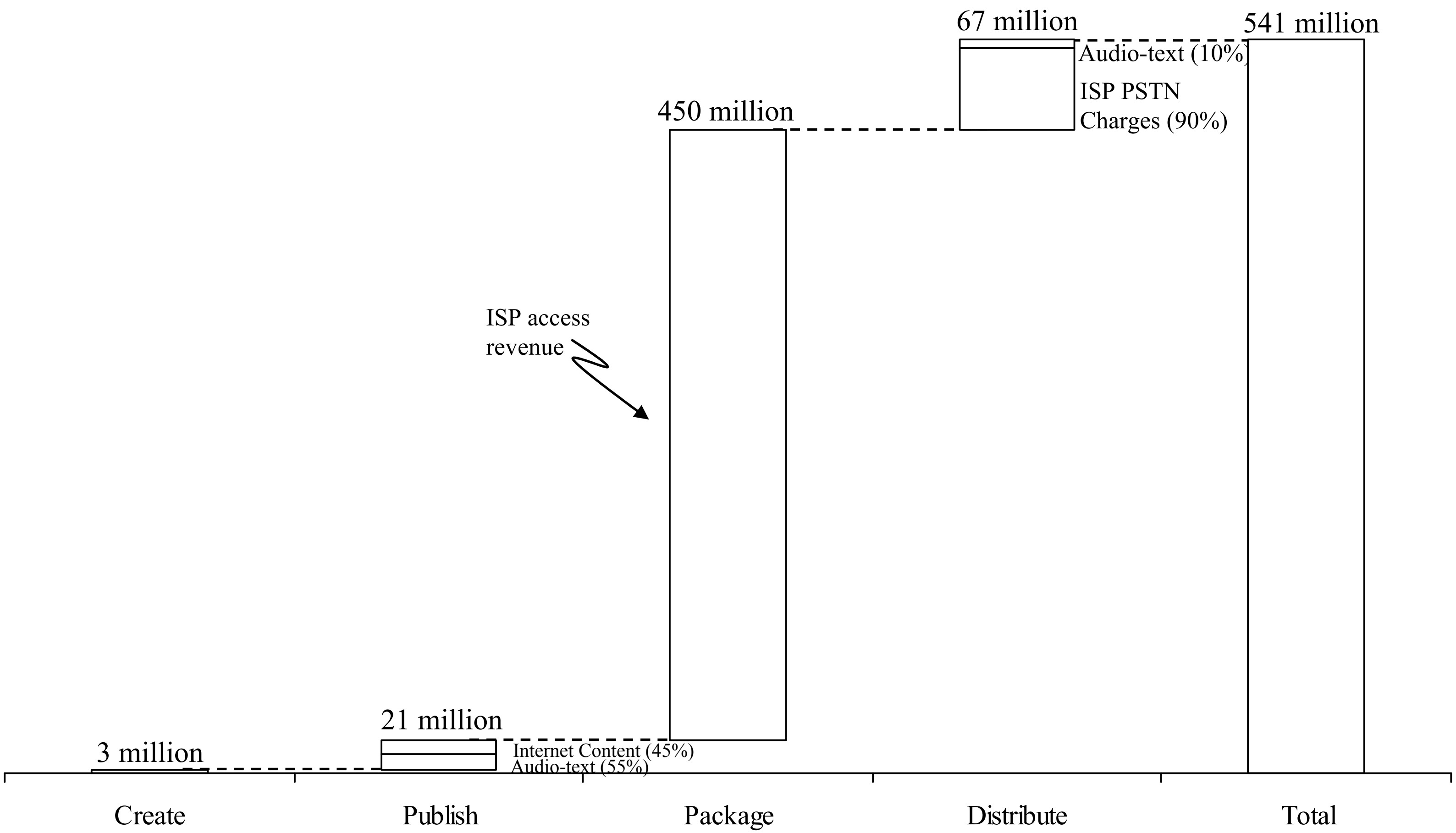


Local Audio Content Market Share of Regional Countries 2002



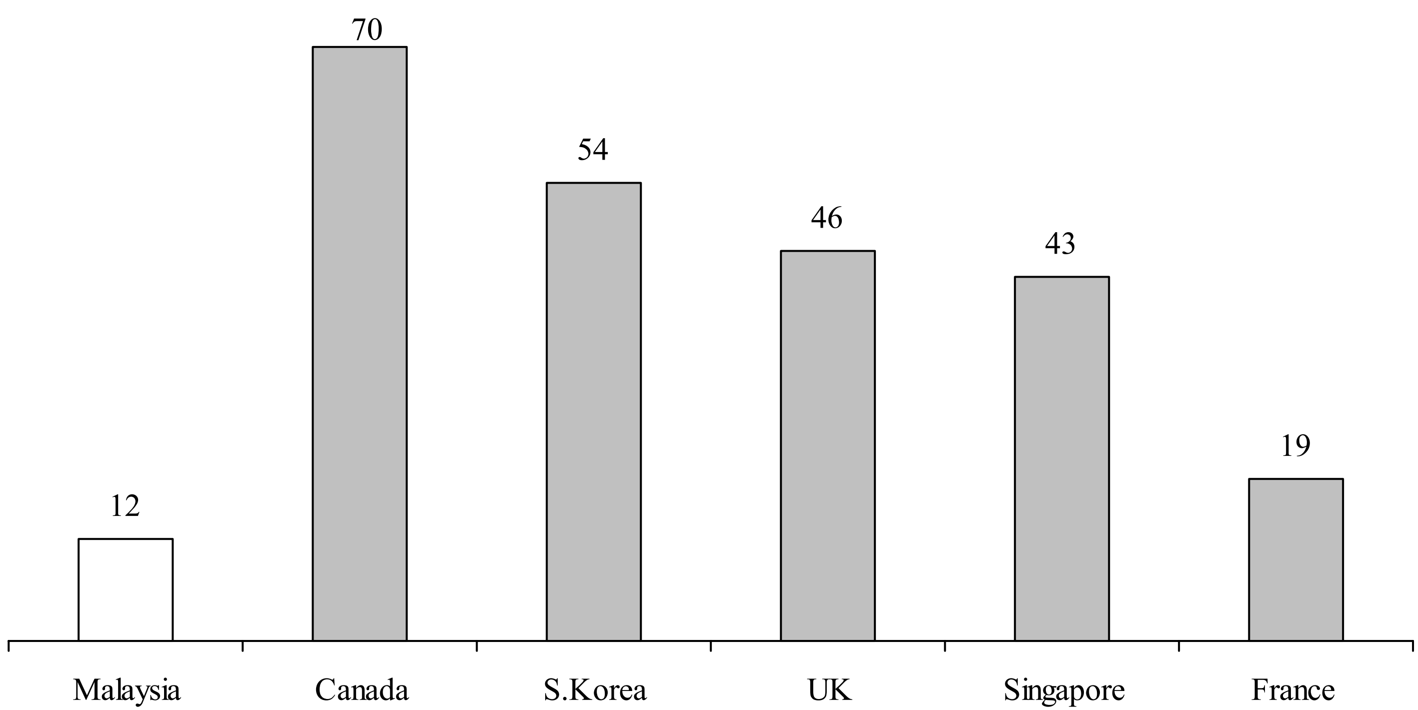
Source: International Federation of the Phonetic Industry

Interactive
Figure I.1 : Malaysian Interactive Industry Size in 2002 (RM)



Source: Gartner; A.T. Kearney estimates

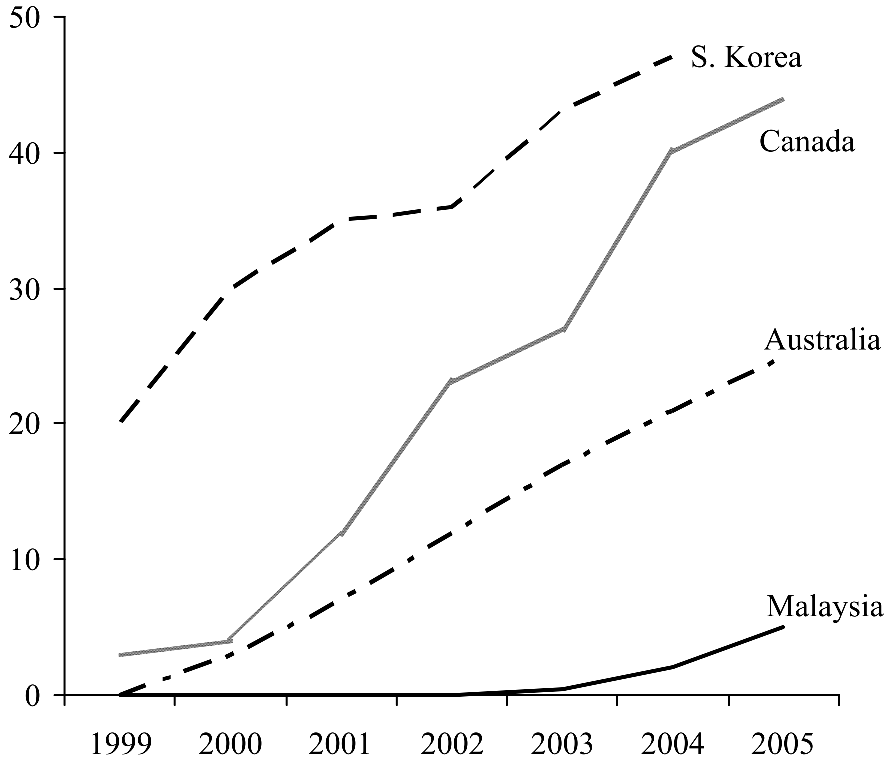
Interactive
Figure I.2 : Internet Penetration (% of households)



Source: IDC;

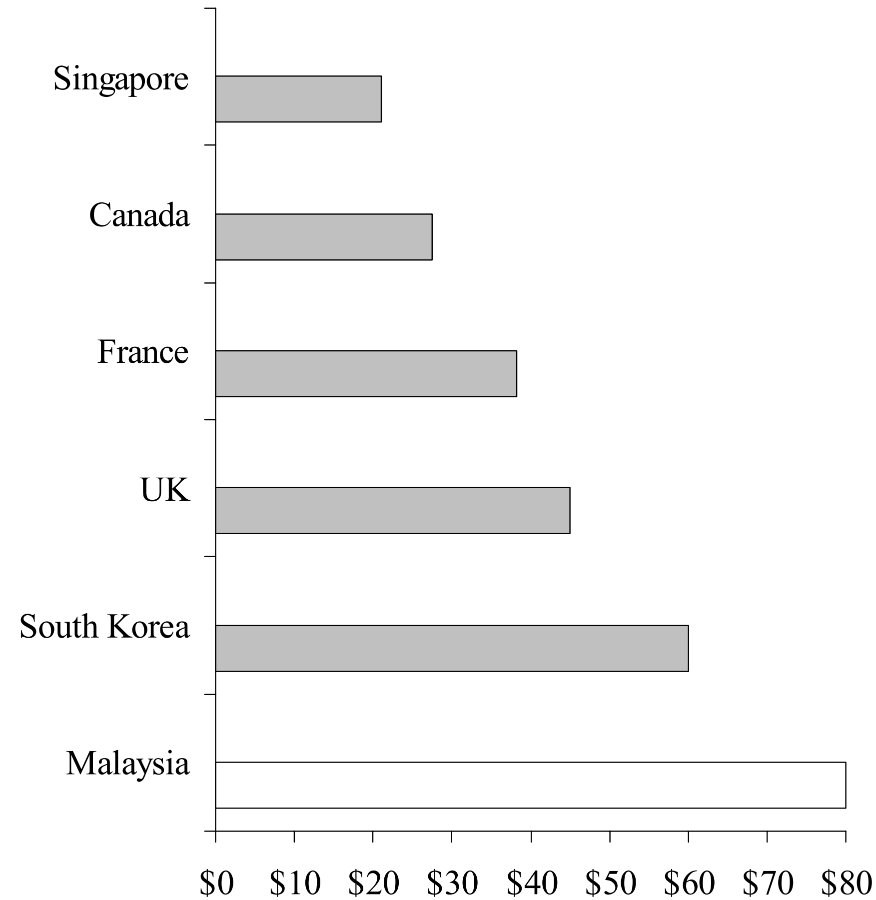
Interactive
Figure I.3 : Affordability and Accessibility of Broadband in Malaysia

Malaysia is behind in broadband roll-out
(% of homes connected)

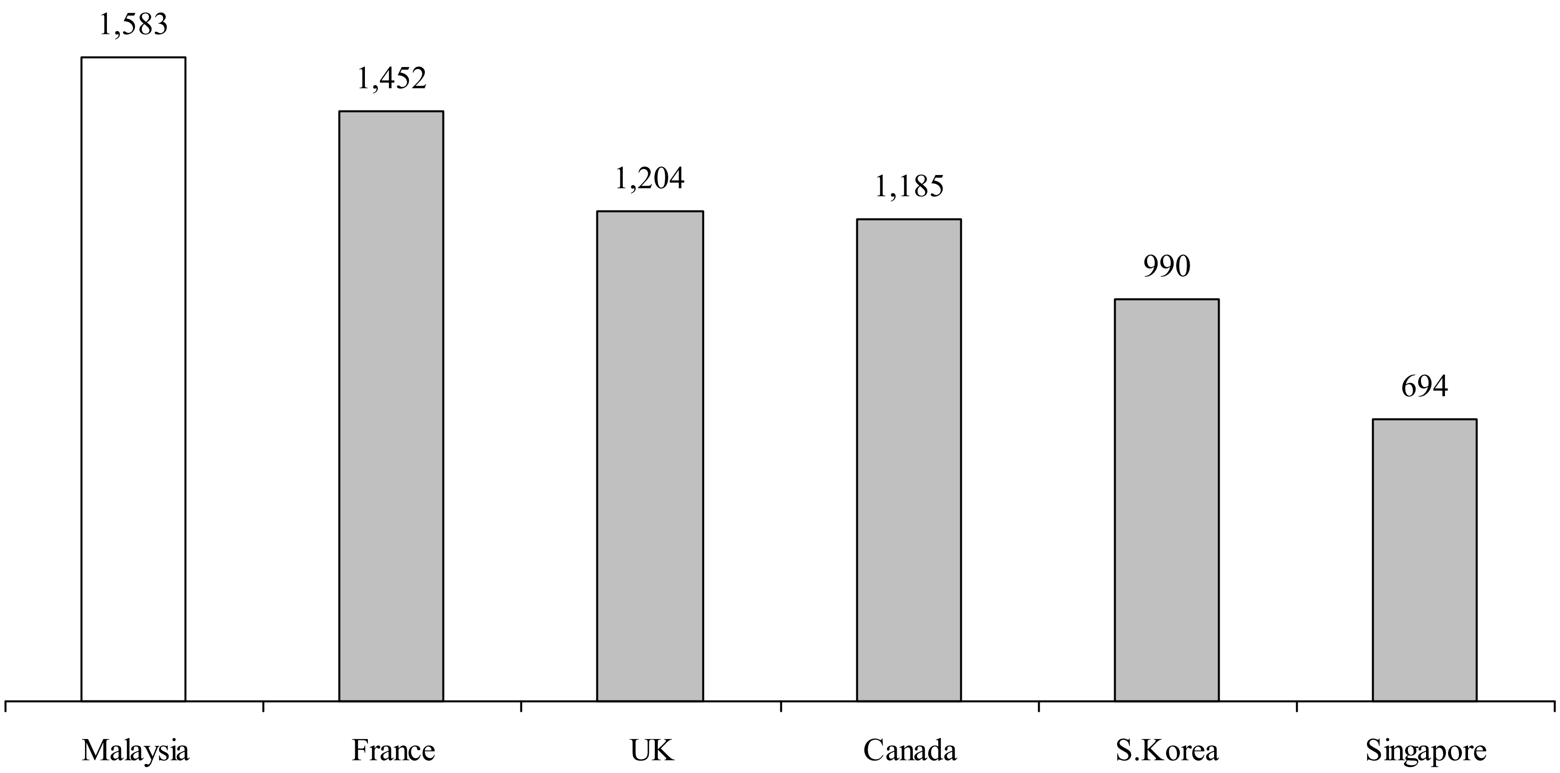


Source: IDC; A.T. Kearney; Analysys

Malaysia has the highest average ADSL monthly subscription fees
(2003, US$, income adjusted)

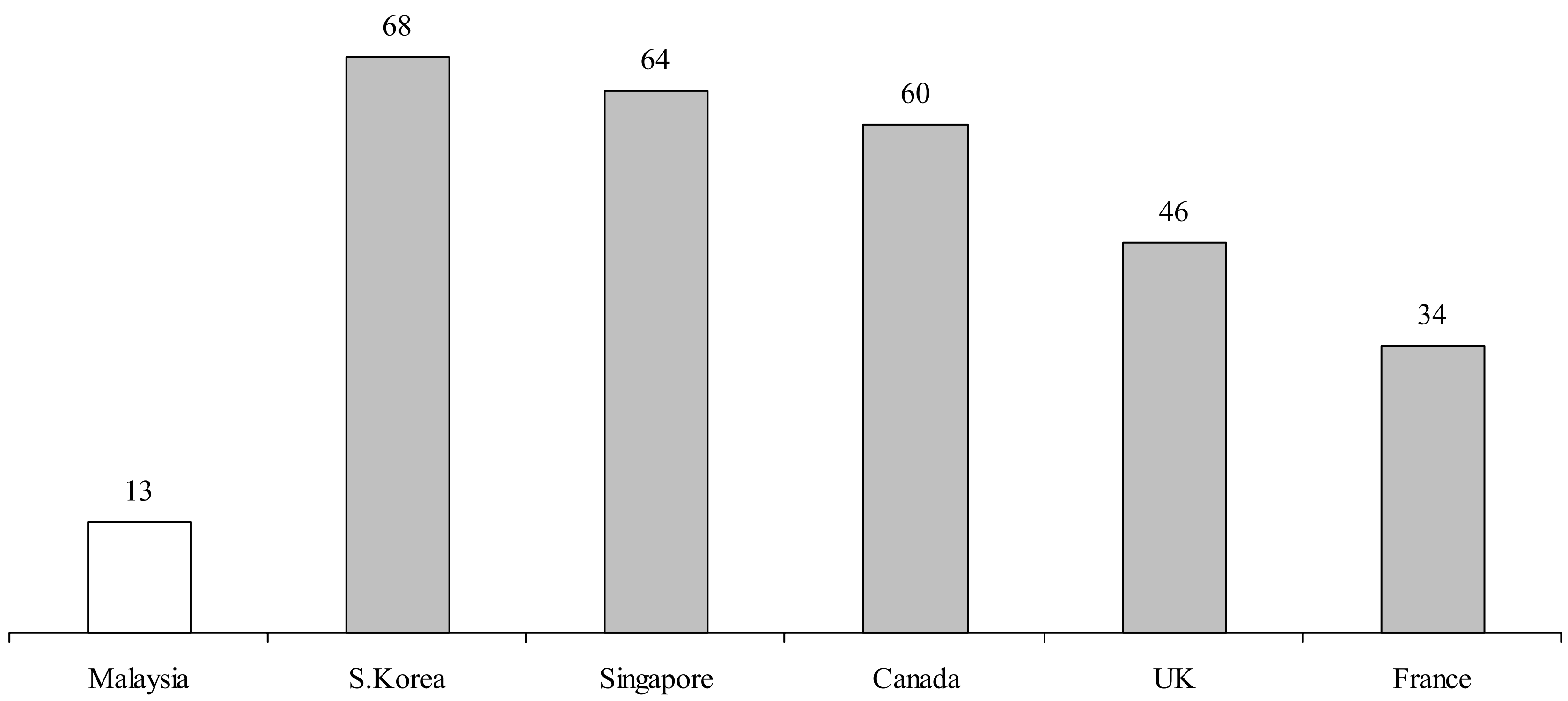


Interactive
Figure I.4 : Cost of a basic PC (US$, PPP adjusted)



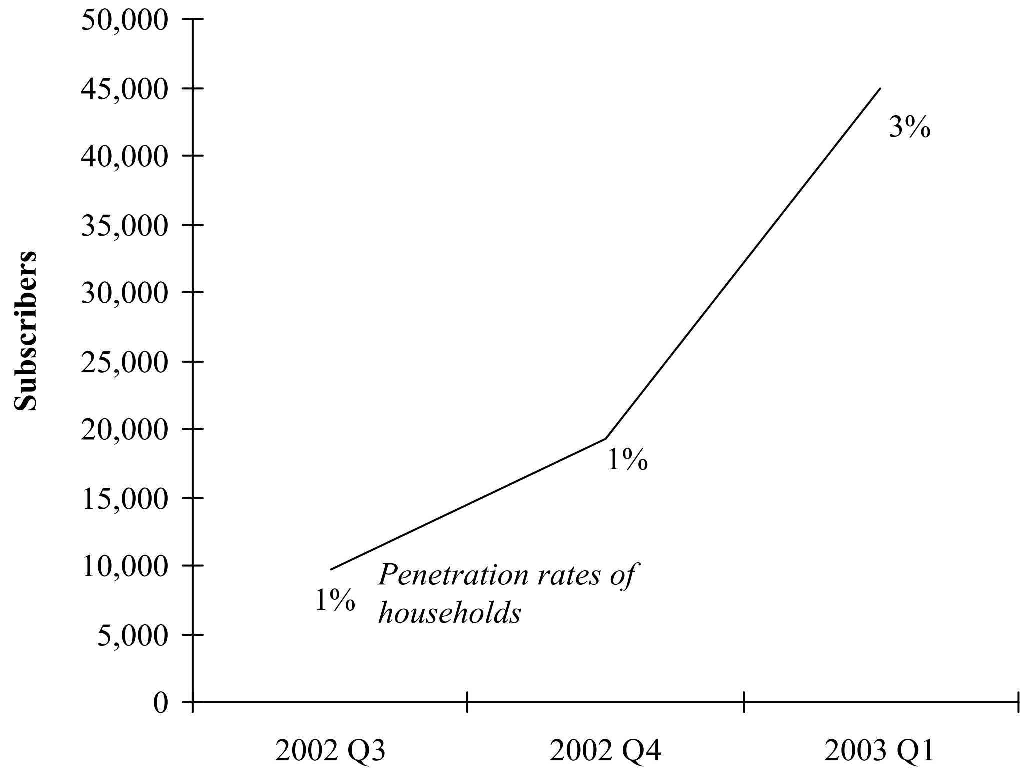
Note: 1) Based on price comparison for Dell 4600

Interactive
Figure I.5 : PC Penetration Rate (% of households)



Source: ACNielsen

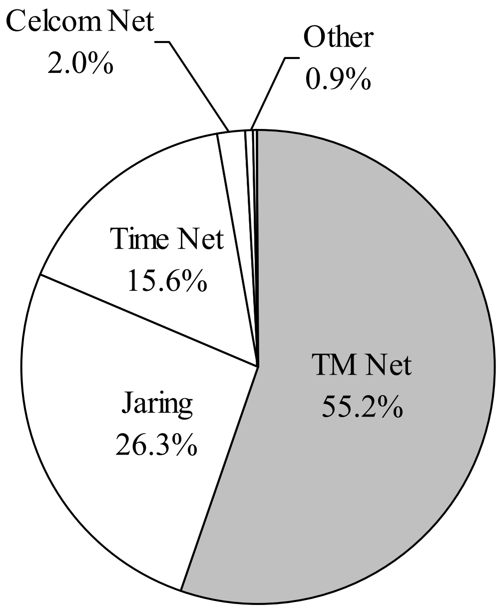
Interactive
Figure I.6 : Internet Broadband Subscribers 2002 Q3 – 2003 Q1



Source: MCMC Statistical Bulletins (2002)

Interactive
Figure I.7 : Internet Access Market Shares in 2002

Malaysian Internet Access Market Shares 2002

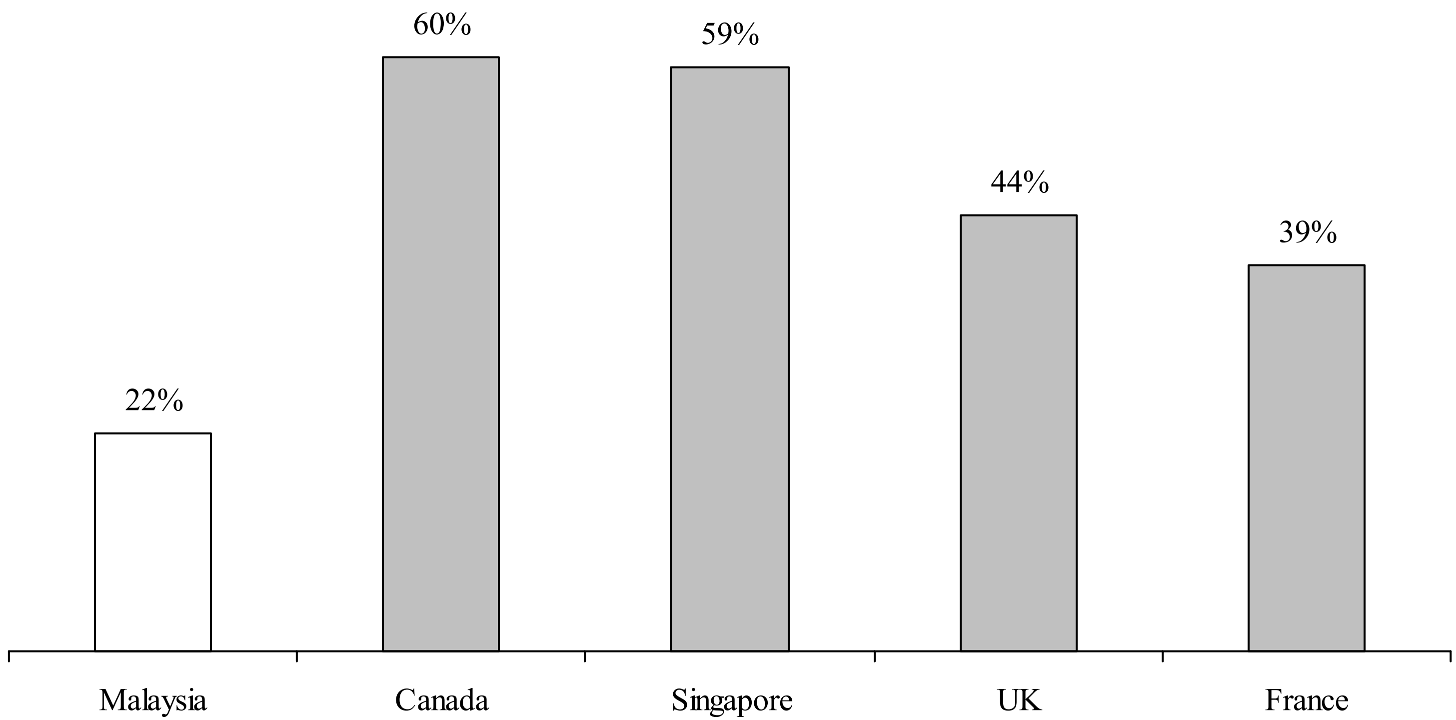


Observations

- 98% of the PSTN usage is billed per minute and provided by Telekom Malaysia
- Celcom Net is now owned by Telekom Malaysia

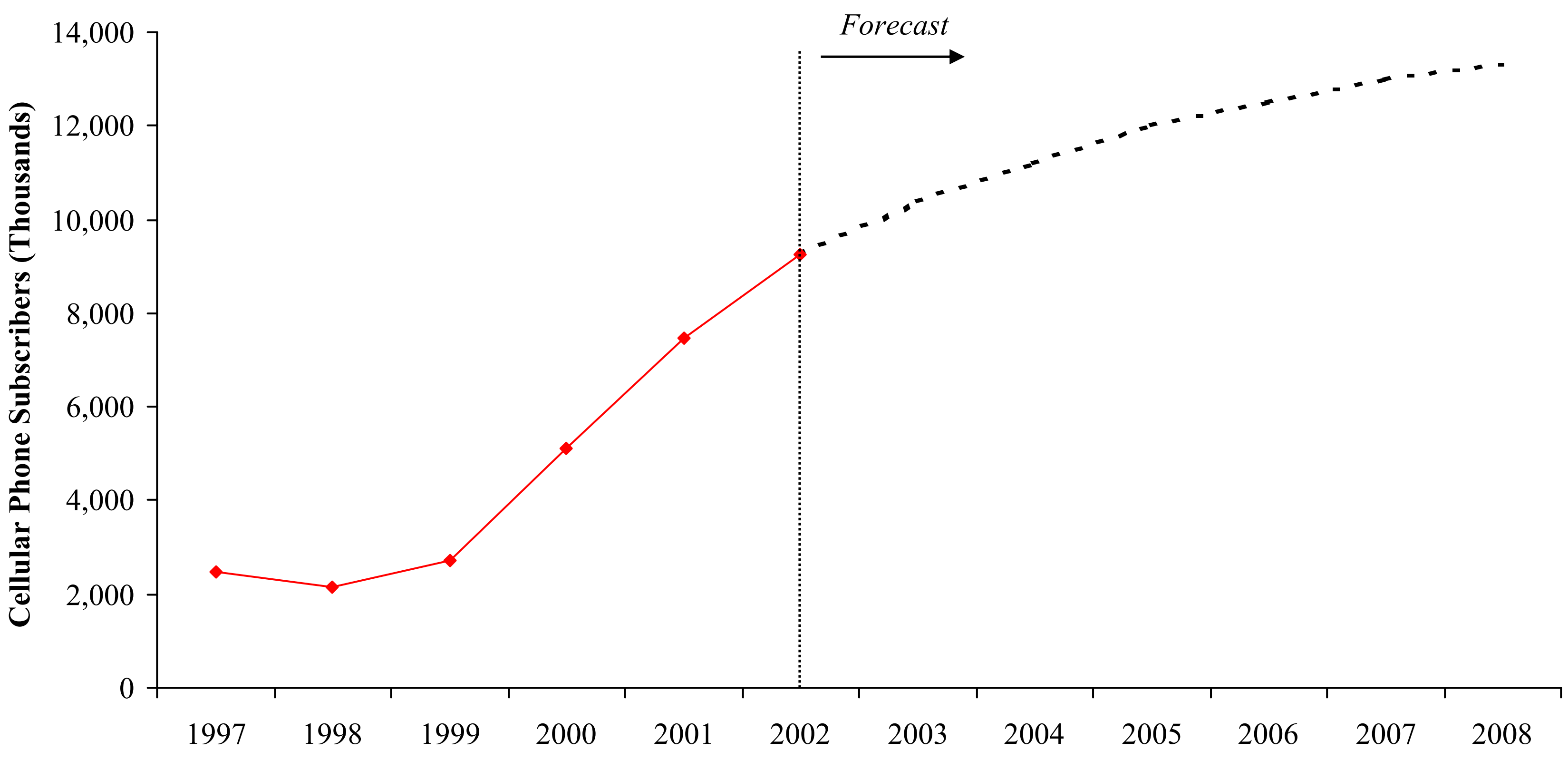
Source: MCMC Statistical Bulletins (2002)

Interactive
Figure I.8 : Maturity of Government Online Services in 2002



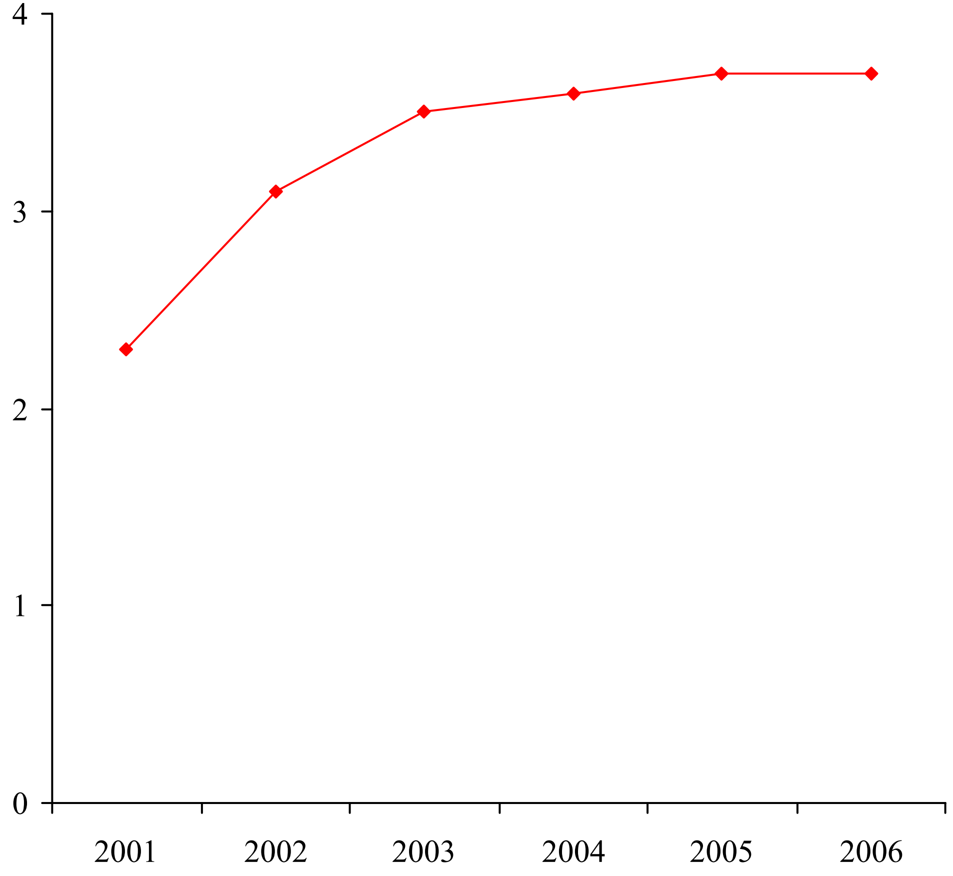
Source: *Realising the Vision*, Accenture, 2002

Wireless
Figure W.1 : Cellular Subscriber Growth in Malaysia 1997 – 2008



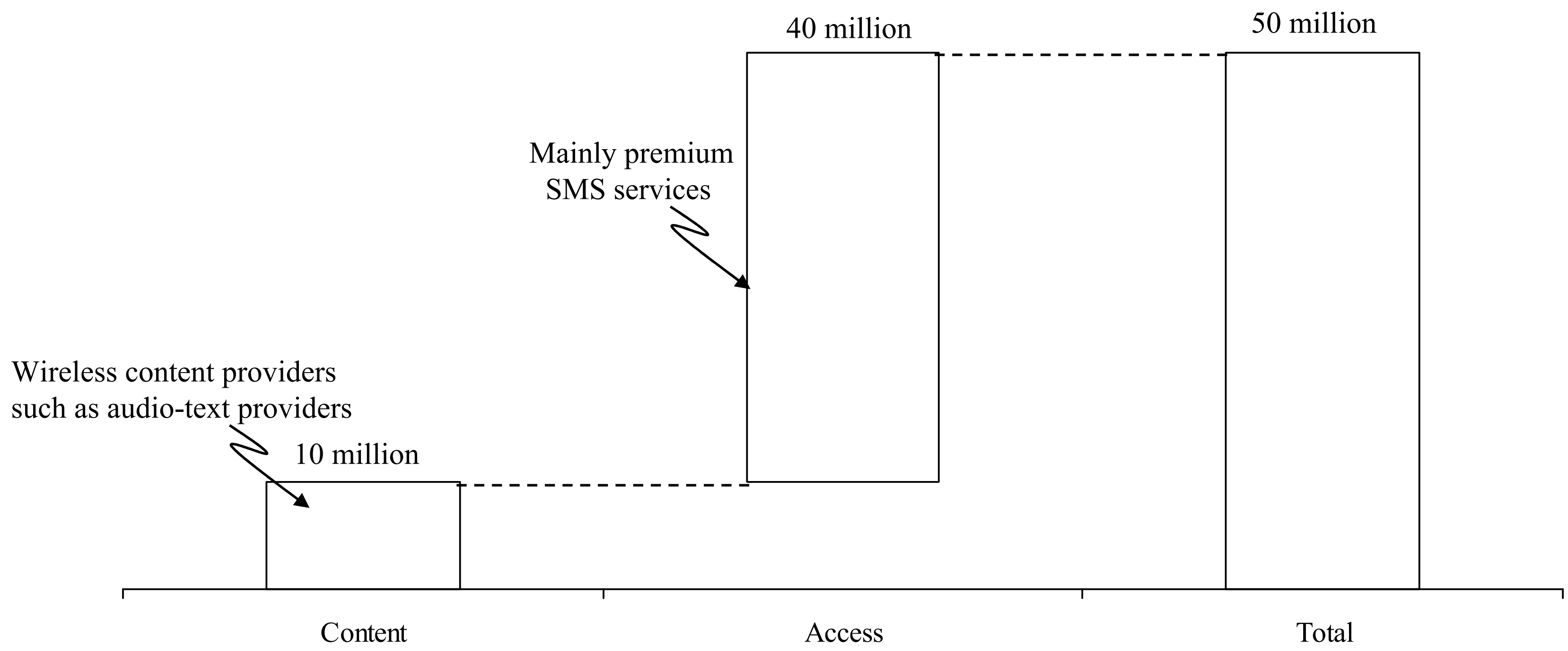
Source: MCMC Statistical Bulletins (2002); A.T. Kearney Analysis

Wireless
Figure W.2 : Revenue of the overall wireless industry (US$ billion)



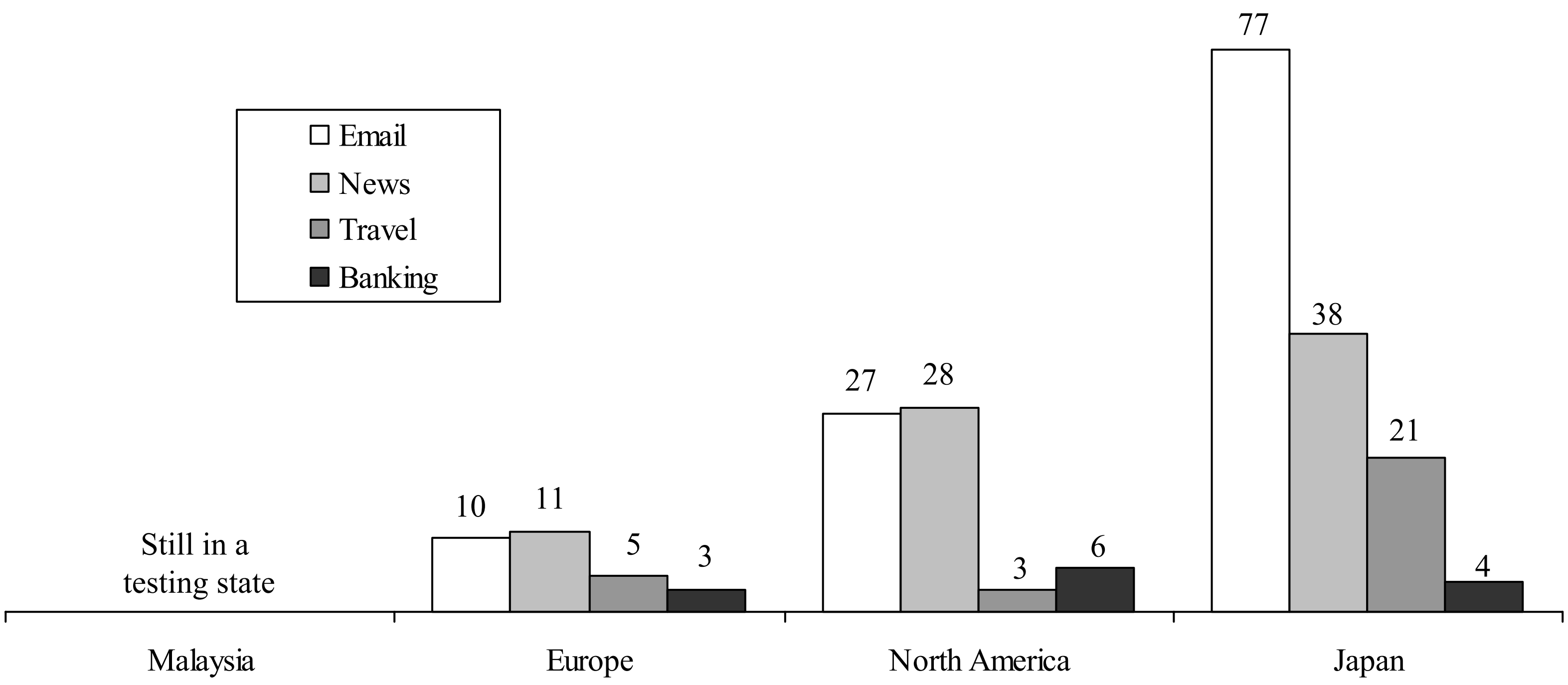
Source: Ovum

Wireless
Figure W.3 : Malaysian Wireless Services Industry Size in 2002 (RM)



Source: Industry interviews

Wireless
Figure W.4 : Usage of wireless data services around the world (% of users who have used the service)



Source: A.T. Kearney Mobinet Survey