VoD OTTs in Thailand: industry and regulatory implications

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*IT'S* webinar: *OTT* and live streaming: an *Asian* Perspective

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VOD
- On-demand content distributed via a cable or satellite service (such as Xfinity On Demand)
- Prerecorded video used in enterprise settings (employee training, corporate communications, customer resources, and more)

VOD AND OTT
- On-demand streaming content delivered by a cable alternative (Netflix, YouTube TV, the list goes on)

OTT
- Live streaming broadcasts (such as online sports or live news) delivered over the internet
- Scheduled programming delivered via streaming (such as a channel accessed on Sling TV)
Facts and figures on Thailand and OTTs

- Smartphone is Thais’ favorite device, with the highest penetration rate in the region.
  - Thailand – 86%
  - India – 85%
  - Saudi Arabia – 79%
  - the Philippines – 78%
  - Taiwan – 76%
- Most Thai OTT viewers use a mobile device to access OTT VoD
- Thailand also has the highest rate of video consumption in Southeast Asia.
- Online VDO streaming services include two global brands – Netflix and Disney+ Hotstar – and regional players – iQiyi, Viu, Line TV, WE TV as well as local OTTs that are Telcos and broadcasters.
DAILY TIME SPENT WITH MEDIA

The average amount of time* each day that internet users aged 16 to 64 spend with different kinds of media and devices.

- Time spent using the internet (all devices): 6h 54m
- Time spent watching television (broadcast and streaming): 3h 24m
- Time spent using social media: 2h 25m
- Time spent reading press media (online and physical print): 2h 02m
- Time spent listening to music streaming services: 1h 31m
- Time spent listening to broadcast radio: 1h 00m
- Time spent listening to podcasts: 0h 54m
- Time spent playing video games on a games console: 1h 12m

*Average.
AVERAGE FIXED INTERNET CONNECTION SPEEDS

The average download speed of fixed internet connections, in megabits per second (Mbps).

Digital and online media

Digital industry in Thailand (as of January 2020) [comparing to January 2019]

- Total population: 69.71 million (+0.3%)
- Mobile phone: 93.39 million (+0.9%)
- Internet users: 52.00 million (+2.0%)
- Social media users: 52.00 million (+4.7%)

Daily time spent with media

- Using the Internet: 9H 01M
- Using social media: 2H 55M
- Watching TV: 3H 32M
- Listening to music streaming services: 1H 36M
- Using a games console: 1H 43M

Online content consumption

- Watching online VDOs: 99%
- Watching Vlogs: 53%
- Listening to music streaming services: 68%
- Listening to online radio stations: 52%
- Listening to podcasts: 44%

Exposure to entertainment media has continued in the same pattern while media consumption has evidently migrated online affecting the traditional television viewing.

Source: Datareportal (2020)

Note: TV refers to both traditional television and streaming
Revenue models of VoD OTT in Thailand

**SVoD**
Subscription Video-On-Demand
- membership fee
- monthly/annually/unlimited
- i.e. Netflix, MONOMAX, Primetime
  *subscription fees

**AVoD**
(Advertising-Based Video-On-Demand)
- advertising
- No fee for end user
- i.e. YouTube, LINE TV
  *free with ad

**Freemium**
Generate income from premium services
- No fee for basic services
- Relying on ads like AVoD
- But charging on-top membership fee like SVoD or per transaction like TVoD
- Ad visible with basic service and none with premium service
  - i.e. YouTube Premium, Vimeo, Spotify,
  *free (basic), charged for additional features

**TVoD**
Transactional Video-On-Demand
- fee charged per transaction
  1. Pay-per-view: PPV หรือ Download to Rent: DTR
  2. Download to Own: DTO/Electronic Sell Through: EST
- i.e. iTunes, Google Play, TrueID (rent)
  *paying for individual titles
Growth of advertising expenditure on digital platforms (overall)

Advertising expenditures on leading digital platforms in 2019

Source: Digital Advertising Agency (Thailand), KANTAR (2020)
Number of SVoD users in Thailand

Source: Ovum Research (2020)

Revenue of SVoD providers in Thailand

Source: Ovum Research (2020)
Revenue of TVoD providers in Thailand

Unit: Million baht

Source: Ovum Research (2020)
NBTC’s 4 Types of OTT Broadcasting Players

**1. Independent OTT operators**
- Domestic players, such as Hollywood HDTV, Doonee and Primetime
- Foreign operators, such as YouTube, Facebook, Line TV and Netflix

**2. Pay TV operators that broadcast via OTT platforms**, such as PSI and TrueVisions Anywhere

**3. Telecom operators that provide OTT broadcasting platform**, such as AIS Play

**4. Digital TV channels that broadcast their programmes via OTT platforms**, such as Channel 3, Mono, Channel 7, Workpoint and Channel 8

Source: NBTC
General consequences of OTT VoD

- **closed media system** with linear and not so massive amount of content under clear regulation framework
- **open, uncontrolled media ecosystem** with non-linear and massive content (“ATAWAD”—any time, anywhere, any device) under unclear regulatory framework

Consequences for related sectors

- Internet streaming gave rise to **borderless market and global services** to different national markets across the world
- *Declining revenue and growth* for traditional broadcasters
- *Net traffic impact* to ISPs and Telcos which take on extra burden to maintain customers’ quality of experience
- End users having **greater choices** in terms of content, platform, and price
WeTV, a video streaming platform run by Chinese internet giant Tencent, expects its business growth in Thailand to treble by 2023, driven by a broad variety of content and exclusive offerings.

Latest Thai series "Bangkok Breaking" premiers globally 23 September
Estimated number of active streaming subscribers to Netflix in Thailand from 2017 to 2020 (in thousands)

- 2017: 105.65 thousand
- 2018: 213.69 thousand
- 2019: 358.55 thousand
- 2020: 546.34 thousand
Netflix: No. 1 website visited (Jan–May 2021) (SimilarWeb, July 2021)
What foreign OTTs are doing to make Thai market inroads

Product differentiation to create preferences and loyalty

- Netflix has original content and documentaries that are exclusively provided only on their platform

- LINE TV was major platform for catch-up with local or rerun TV shows and famous for its original Y-series

- Viu TV as Korean series outlet with new listings
What foreign OTTs are doing to make market inroads

**Collaborations** with local industry players

**Collaboration with content producers**

- WeTV has made deals with major movie production house GDH to create adaption in Chinese from a successful Thai film “Bad genius”
- LINE TV has created alliance with more than 250 local production houses to create Original content

**Collaboration with Telcos**

- Netflix collaborate with True, a leading telco, to have TrueID TV set top box has Netflix application built-in.
- Viu cooperate with AIS to have AIS subscribers view Viu content free for 12 months
- Disney+ launched a deal with AIS to offer its streaming package for only USD1 per month.

**Collaboration with device providers**

- Doonee built business alliance with Smart TV and Set Top Box manufacturers that will install Doonee application as a basic feature in the device
### Legal advantages of OTT vs. traditional broadcasters in Thailand

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<thead>
<tr>
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<th>Traditional broadcasters</th>
<th>OTT providers</th>
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</thead>
<tbody>
<tr>
<td><strong>License</strong></td>
<td>Requisite for operation</td>
<td>N.A.</td>
</tr>
<tr>
<td><strong>Privacy/data protection</strong></td>
<td>Strict data protection framework</td>
<td>Voluntary basis with little requirement</td>
</tr>
<tr>
<td><strong>Quality of services</strong></td>
<td>Regulated under license obligation</td>
<td>No provision or enforcement</td>
</tr>
<tr>
<td><strong>Consumer protection</strong></td>
<td>Subject to consumer protection law and related regulations</td>
<td>N.A. or little enforcement</td>
</tr>
<tr>
<td><strong>Taxes and fee</strong></td>
<td>sector specific fees apply including frequency assignment fee, license fee and corporate</td>
<td>Since jurisdiction of registered business is overseas, national taxes and license fees do not apply</td>
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Comparative value chains in broadcasting and Netflix-dominated OTT VoD
Consequences of OTT on traditional broadcasters

Declining revenue of broadcasters

Overall revenue of traditional broadcasters

Unit: million baht

Source: Department of Business Development (2020)
Consequences of *OTT* on *traditional broadcasters*

- Organizational restructuring to reduce costs, reorient business direction and reposition the organization in the market

- More efficient use of content products via multi-platform outlets
Globalized collaboration and market expansion

8 + IQIYI

3 + JKN
Comparative value chain of Thai film industry, *before* and *after* OTT’s presence.
Based on content analysis of full catalogues in all operating VoD OTTs in Thailand, it is found that the source of content ranked in the top most correlate with the country of origin of each platform by 75%.

The analysis of Netflix Thailand’s library aptly shows a hybridization of global and local elements. While Hollywood may lead the tally, the content pool is far from being US-centered despite Netflix being an American brand. A look into popularized catalogues – Trending now and Top10 in Thailand Today – reveals micro-marketing endeavor and content curation that try to accommodate diversity of audience in a different locality, as evidenced in the presence of South Korean and Thai content in the top tiers.
Regulatory endeavors on VoD OTTs

- **NBTC**, the country’s broadcasting and telecommunications regulator, has made a number of efforts to bring foreign VoD OTT service providers under its oversight, but futilely
  - a three-month deadline was set in 2017 for major OTT players like Facebook, YouTube, and Netflix to register for licenses or face legal barriers that will stymie their revenue streams;
  - In 2018, 44 most popular local YouTube channels were singled out and demanded that they register with the NBTC due to their “influence to Thai economy and society;”
  - Between 2017 and 2020, three research projects were commissioned by the NBTC to three independent consultants to benchmark OTT regulation in different countries and to furnish recommendation for appropriate policy and regulatory framework for Thailand.
Regulatory endeavors on VoD OTTs

- NBTC is considering adopting a *reward-based light-touch regulatory approach* for VoD OTTs while promoting local content industry with capacity-building and promotional measures such as:
  - Building a *home-grown content platform* that could effectively market “Thai content” to international audience by learning from experiences of predecessors such as the UK’s Britbox, Singapore’s HOOQ, and South Korea’s Wavve.
  - Promoting local content by allocating funds or sponsorship, imposing *local content quota* on foreign OTTs as well as rendering financial support for local content creators with the potential to compete in international competition overseas;
  - Promoting business alliances by organizing meetings and talent matching between local content producers and overseas counterparts, joint venture between state and private endeavors, training workshops for content-related or creative workforce to foster *international best practice standard*. 
Policy and regulation of VoD OTT in Thailand

There is currently no sector-specific or special legal provision designed for regulation of VoD OTTs in Thailand.

Digital economy law and related Fund that could help promote

- Infrastructural support
- Digital workforce capacity-building
- Content creation that fits international platforms

“THAIFLIX” -- National digital platform, a collaboration of local operators to disseminate Thai audio-visual products to local and international customers particularly regional market like CLMV and China
E-service law recently launched to collect VAT tax on global OTTs

E-service tax law comes into force

The Revenue Code Amendment Act, published in the 'Royal Gazette' on Feb 10, is scheduled & to come into operation on Wednesday

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This law stipulates that foreign electronic service providers and electronic platforms which receive income of more than 1.8 million baht per year from providing electronic services to non-VAT registered customers in the country are obliged to register for VAT, file VAT returns and pay VAT by calculating output tax.

According to the Finance Ministry, e-services subject to this legislation include e-commerce platforms, online advertising, online accommodation booking, online music and film streaming, online games as well as applications.

Accordingly, scores of major international digital platforms now fall under this new obligation, including Apple, Google, Facebook, Netflix, Line, YouTube and TikTok.