

ENTERTAINMENT AND MEDIA

PwC: Market set to surge in line with advertising

Entertainment and media (E&M) spending in Thailand is poised to rise by 33% to US\$13.3 billion a year by 2018, fuelled by surging demand for online advertising, TV subscriptions and internet access, says a PwC forecast.

The Thai market will have a compound annual growth rate of 7.3% over the next five years, the second fastest in Southeast Asia after Indonesia.

This will contrast with much slower growth in developed markets, such as 4.8% in the US and 2.7% in Western Europe.

The Thai market is projected to reach \$9.99 billion this year.

Globally, the E&M market is expected to grow by 5% compounded annually from 2013-18 to a value of \$2.27 trillion. The US will remain the largest market, reaching \$723 billion in 2018 from \$573 billion last year, according to PwC's Global Entertainment and Media Outlook 2014-2018 report.

Vilaiporn Taweelapontong, a partner for PwC Consulting (Thailand), said the industry will continue to grow significantly in Thailand buoyed by consumer demand in the fastest-growing areas: online advertising, TV subscriptions and licence fees, and internet access.

"Digital advertising is boosting the long-term outlook in Thailand and around the world," Ms Vilaiporn said.

"This growth is largely being driven by the internet and by our love of new technology, specifically mobile technology and applications powered by analytics and the cloud."

Internet advertising revenue in Thailand, home to 18 million Facebook users, is among the fastest-growing in Asia, albeit from a low base of \$8 million in 2009.

The country's broadband penetration rate is expected to rise over the forecast period from 24% to 31%.

Thailand's internet advertising revenue is heavily driven by the growth of Facebook, arguably the largest social media site in the country with more than 8.5 million users in Bangkok. It is expected to rise to \$68 million in 2018 from \$25 million last year.

E&M spending on digital services worldwide is forecast to grow at a compound

annual growth rate of 12.2% from 2013-18 and account for 65% of global entertainment and media spending growth excluding spending on internet access, the report showed.

China, Brazil, Russia, India, Mexico, South Africa, Turkey, Argentina and Indonesia are forecast to account for 21.7% of E&M revenue in 2018, up from just 12.4% in 2009.

China will overtake Japan as the world's second-largest E&M market behind the US in the same year.

Despite political uncertainty and a sluggish economy, Thailand's fixed broadband and mobile internet markets have made steady improvements in terms of network quality, Ms Vilaiporn said.

The overall fixed broadband access market would likely see modest growth over the five-year period, with the number of households increasing from 4 million to 5.4 million in 2018.

Fixed broadband access revenue will also increase to \$1.5 billion from \$1.1 billion over the period.

"The next main growth engine, however, will be the transition towards 3G and 4G services," Ms Vilaiporn said. "With 3G finally making headway in the market, subscriptions reached 20 million at the end of September 2013."

On June 17, the National Broadcasting and Telecommunications Commission (NBTC) said it had temporarily suspended an auction of 4G mobile licences.

Ms Vilaiporn said the delay was not a cancellation of 4G services, and she believes mobile operators will continue expanding their 4G base stations while waiting for the auctions to proceed.

"We still believe the auctions will proceed eventually because telecommunications infrastructure is needed when Thailand becomes the centre of the Asean Economic Community," she said.

Thailand's proliferation of mobile usage will help to increase mobile internet access revenue from \$466 million to \$1.5 billion over the 2013-18 period.

The mass availability of 3G and 4G services will, however, cause monthly mobile

internet average revenue per user to decline to \$4.12 from \$6.

Thailand's number of mobile subscribers stood at 96.4 million in this year's first quarter, up from 87.3 million in the same period last year, NBTC data showed.

The other significant segment that will boost Thailand's E&M revenue is TV subscriptions and licence fees.

"Despite facing challenges of high levels of piracy, low disposable income and competition coming from free-to-air satellite service operators, there are some welcome signs that the market is picking up," Ms Vilaiporn said.

Ms Vilaiporn said growth in low-cost services to compete with pirated content means cable penetration will increase, with 4.8 million subscribers forecast for the end of 2018, up from 2.2 million last year.

"The growth of cable is expected to drive the pay-TV market overall. By the end of 2018, there will be 6.8 million pay-TV subscribers in Thailand, representing 38.7% of TV households and generating revenue of \$1.28 billion," Ms Vilaiporn said.