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# Considering sector specific impacts of the COVID-19 outbreak

Media & Entertainment

# Macro trends: Media & Entertainment

Malaysia's economy reported its weakest growth since 2009, with first quarter 2020 GDP coming in at 0.7% y-o-y according to Bank Negara Malaysia. Businesses bore the brunt of the COVID-19 impact, especially from the agriculture, mining and construction sectors, and also export oriented industries.

Second quarter GDP is expected to fall due to the full impact of the Movement Control Order (MCO) and Conditional MCO before it gradually recovers in the second half of 2020, supported by the sizeable fiscal and monetary policy stimulus introduced by the government.



## **Traditional media challenged. Over-the-top media services winning**

The pandemic has not spared the media and entertainment industry. In the first three months of 2020, traditional media advertising expenditure dipped by 9% with newspapers reporting the biggest losses, dropping 24%, according to Nielsen.

The uncertain outlook will continue to cloud the industry for the rest of the year as advertisers themselves struggle with dwindling businesses. The postponement of international events, such as Euro 2020 and Tokyo Olympics, has resulted in advertisers either having to defer or cancel their advertising campaign commitments.

The pandemic has been especially challenging for the traditional media, such as hardcopy newspaper, TV and radio, to maintain their share in the market with disruptions coming from digital, online and social media. In contrast, digital advertising expenditure gained traction by 27% in the first three months of 2020, according to Nielsen.

Digital channels will see even greater consumption as people turn to online channels for entertainment, news and social interactions while they stay indoors. In a study by the Malaysian Digital Association, it is reported that over-the-top media services (OTT) such as Netflix, Tonton, Dimsum and Viu had gained between 140% and 240% y-o-y growth in traffic in the third week of March 2020.

This structural shift is pushing those who are unable to adapt to the new normal to close, and those who are competitive to capitalise on the opportunities presented by people getting onboard digital platforms.

## Have you considered your tax strategy?

Businesses face various financial and operational challenges arising from the COVID-19 outbreak and the MCO implemented by the government. Tax obligations should not be neglected at this point in time as it would have various consequences. At the same time, proper management and planning would improve cash flow for companies.

- **Assess capabilities of the tax function** - are you able to meet your tax obligations with the work from home arrangement? This includes (1) filing and paying your tax liabilities in a timely manner; (2) meeting the tax incentive / facilities requirements in light of the current economic conditions; and (3) tax implications arising from the movement of people during the MCO period as well as new ways of doing business.
- **Improve cash flow from a tax perspective** - (1) review your tax estimate and revise the tax instalment scheme where appropriate to minimise cash outflow; (2) seek refund on overpayment of corporate income tax and / or goods and services tax; (3) review capex spending plan to maximise capital allowance claims.
- **Impacts arising from accounting adjustments** - various accounting adjustments might be taken up in the financial statements. This requires companies to have proper reviews of the situation to ensure documentation is in place to secure tax deductions or adopt accurate tax treatments in tax returns. This would include areas such as income recognition, provision for doubtful debts, provision for obsolete inventories, and impairment of investments.

The next few pages set out operational considerations for media & entertainment companies when reviewing your COVID-19 response.

# Setting up your COVID-19 response: Media & Entertainment



## COVID-19 response strategy



### Workforce

#### Protect your people and plan your workforce

Across the Media & Entertainment (M&E) sector, the workforce is varied – from IT contractors, to call centre workers, to cinema hospitality teams and film crews in remote locations – so the challenges will be diverse. All companies need to ensure that they have a plan in place to protect individuals in their organisations whilst future proofing their business.

- ❑ Have you completed workforce profiling to understand where work levels are likely to decrease or increase in the coming months?
- ❑ How can you enable flexible working arrangements during 'lockdown' and beyond, and do you have the necessary infrastructure in place?
- ❑ Have you identified critical projects and established a plan to remediate risks related to key roles?
- ❑ As the government advises avoidance of non-essential contact with others, how are you supporting those working remotely?
- ❑ Have you reviewed your HR policies (e.g. flexible working, carer / parental responsibilities, immigration, travel etc.)?
- ❑ Do you have a system in place to monitor changing laws and regulations (e.g. travel restrictions) affecting your workforce?
- ❑ As the majority of your workforce are now working at home, what processes are in place to train, review and monitor performance?



### Operations and supply chain

#### Maintain business continuity and protect your supply chain

As many activities across M&E come to a halt such as film and TV production and live events, consideration needs to be given to contractual obligations and the logistics of restarting these when restrictions are lifted. Broadcasters also need to consider vast schedule changes due to increased demand for current affairs and gaps due to a slowdown in filming and production.

- ❑ Have you performed an operational risk assessment and considered the impact of disruptions on critical business functions in Malaysia and overseas?
- ❑ Do you have full visibility of your supply chain and do you have a communications strategy in place for key stakeholders?
- ❑ Have you identified the suppliers of key goods and services and tested their resilience?
- ❑ Have you liaised with key third parties to ensure they will be able to continue to deliver desired service levels over the course of the COVID-19 recovery phase?
- ❑ Are you adjusting your business strategy to take advantage of the changing demands of customers i.e. an increase in demand for your digital offerings?
- ❑ How are you preparing for post COVID-19 demand increases in live events and conferences and the logistical challenges this may present?
- ❑ Have you evaluated how filming and production delays will impact your ongoing content strategy?



### Communications strategy

#### Provide clarity to employees and stakeholders and enable business continuity

Organisations must ensure there is a communications plan in place for employees, as well as customers, especially for those businesses that have a global workforce. It is more important than ever to be transparent and utilise the various sources of media that is now at our disposal i.e. Facebook, Twitter. The wellbeing of employees should be at the heart of every comms plan.

- ❑ Have you created an internal and external stakeholder map for key communications (i.e. staff, customers, suppliers, regulators, etc.)?
- ❑ How are you communicating with your workforce?
- ❑ How are you keeping employees regularly informed about the latest updates and guidance?
- ❑ Are you providing reassurance and consistent messaging to all staff and showing a duty of care?
- ❑ In light of a potentially prolonged period of working from home, what wellbeing initiatives have you put in place?
- ❑ Do you have a clear means for your employees to communicate issues to you?
- ❑ Are you prepared to handle significant inflow of contact from employees and customers / clients?
- ❑ Do you have a clear communications strategy that can be implemented in a crisis to protect your reputation and maintain the trust of your stakeholders?
- ❑ How are your crisis communications aligned with your organisation's culture and communications requirements?

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## COVID-19 response strategy



### Focus on data

#### Gain insight and assess your exposure to risk

The situation is very fluid and it's paramount that businesses have access to the right insight to make informed decisions. M&E businesses need to play a key role in ensuring that the data they hold for clients is secure and is trusted by businesses and consumers.

- ❑ Have you done an impact assessment to understand where affected countries / regions might impact the commercial performance of your business?
- ❑ Have you undertaken modelling to understand the impact that the global or country-specific slowdown, combined with Brexit, will have on your business?
- ❑ Are you able to access robust data insights to underpin key decisions that you need to make?
- ❑ Do you have the time and skills to digest and analyse existing data sources in new ways to enable decision making?
- ❑ Are you able to rapidly automate data capture processes for new data sources?
- ❑ Do you have up to date data (GDPR compliant) on your employees and know how to contact them, as part of a business continuity plan?
- ❑ Have you undertaken an assessment of the potential elevated risk of a cyber breach as a result of increased remote working and increased network traffic?



### Customers and revenue

#### Balance customer care with commercial priorities

We are seeing that some of the largest consumers brands have made cuts to sales forecasts for the year, which is having a knock-on effect on advertising spend. Also, consumer spending on entertainment will be down as a result of live events being cancelled or postponed. Equally, as we spend more time at home, the demand for streaming services and online gaming is likely to rise. However, it's key that with rising demand and pressures on the network, attention is still given to maintain service levels.

- ❑ Have you updated your sales and demand planning strategy, including assessing changes in customer behaviour?
- ❑ Do your policies reflect the need to protect both your customer and commercial interests (e.g. updating policies to be flexible on cancellations and changes, rationing products with insufficient stock sales to top customers)?
- ❑ Have you evaluated your competitive position under the new environment, identifying both risks and opportunities?
- ❑ Can you innovate and invest in available sales channels (e.g. online versus in-store)? Have you considered relocating resources where possible to home channels, like growing e-commerce ones?
- ❑ Have you considered with your advertisers their plans for re-starting marketing and advertising campaigns and how are you building this into your business plans?
- ❑ As more people begin to work from home, have you considered the increased demand from stay-at-home movie and TV watchers?



### Head office functions

#### Join up efforts on a cross-functional basis to ensure business continuity and resilience

Businesses need to ensure that they can continue functioning effectively but have explored where the risks lie for their business and what support is available.

- ❑ Do you have a crisis response team in place to make key decisions (stop discretionary spend, look at future operating model, identify and manage key stakeholders internally and externally etc.)?
- ❑ Do you need to financially or operationally restructure your business to reduce risk and protect value?
- ❑ Have you reviewed costs and updated your working capital plans and forecasts?
- ❑ Have you reviewed your headcount and identified if there is a need to flex individuals' responsibilities according to business needs?
- ❑ Are you aware of and taking advantage of the relevant government grants and support available?
- ❑ What are your contractual obligations as a customer, and as a supplier?
- ❑ What insurance policies and access to emergency insurance do you have in relation to various potential scenarios?
- ❑ What technology infrastructure and resilience capabilities do you have? Can your IT infrastructure support extensive remote access demands?

# Key Technology, Media and Telecommunications contacts



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