

OTT IN THAILAND: AN ANALYSIS OF THE OPPORTUNITIES AND CONSTRAINTS

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Abstract - OTT first became a viable alternative to television platforms in the mid-2000s. While in Thailand, the OTT was introduced in 2014 and also has received widespread adoption due to the healthy development of Internet infrastructure and access. In September 2017, the National Broadcasting and Telecommunications Commission (NBTC), Thailand's media regulator, showed its inclination to regulate the OTT as subscription television service. The commission required all OTT broadcasting platforms to register with authorities to continue operating in Thailand lawfully. It also set up an OTT working group committee to develop the regulatory framework that supports OTT providers under the guidelines of the Asean Telecommunication Regulators' Council (ATRC). Today Thailand is in the process of digital television transition. While there is an opportunity for future growth in OTT services in Thailand, some constraints have to be taken into account such as the registration of service providers, the proportion of foreign ownership, the issue of intellectual property, net neutrality, and the control of content.

Index Terms - OTT in Thailand, Over-the-Top, streaming videos.

I. INTRODUCTION

OTT (over-the-top) is defined as services provided over the Internet rather than solely over the provider's own managed network [1]. Using application to stream video content via the internet to a television set, OTT has emerged as the new generation of TV. The service was also driven by the ever-expanding array of connected applications and devices, the rapid pace of technology, and insatiable demand for new content [2]. In addition, OTT players rely on IP based networks to reach customers, do not make any direct contribution towards the cost of providing it. Examples of OTT Services include: chat applications (WhatsApp, WeChat, Facebook Messenger); streaming video services (Netflix, Amazon Prime, YouTube); and voice Calling and Video chatting services (e.g. Skype, Facetime).

In the past, the online value chain has included three primary video-on-demand (VoD) business models, known as AVoD (advertising-based VoD), TVoD (transaction-based VoD), and SVoD (subscription-based VoD). As the VoD abbreviation indicates, these services are not tied to a linear television schedule in which the TV company sets the time of viewing. However, there are an emerging number of OTT players that now offer live content but are not tethered to traditional, facilities-based distribution infrastructure such as cable or telco. For example, Facebook Live, which is supported by advertising revenues, streams video content. This phenomenon definitely has an impact on traditional TV services worldwide. This article aims at exploring the situation of the OTT in Thailand, including an analysis of the opportunities and challenges.

II. THE GROWTH OF OTT MARKET WORLDWIDE

OTT encompasses the distribution of video content "over the top" of traditional distribution technologies. By eliminating constraints on content distribution and space, OTT has introduced new types of content creators to the market [3].

- Traditional professionals who constituted the TV content production ecosystem. Before the advent of OTT. This group produce expensive, high-quality content and are characterized by a well-defined and well-funded ecosystem of studios, production houses, and professional talent (including actors and directors).
- Professional amateurs (pro-ams) do not have access to large production infrastructure, but they have regular production schedules and profit motives, and they generate revenues. They are focused primarily on producing content for OTT, and many began as amateurs on YouTube or other social media platforms.
- Amateurs make content sporadically, but they are frequent and prolific contributors to the content community. Their output forms the backbone of consumption on social media such as Facebook and Twitter. Amateurs are especially good at capturing public's imagination by their production including viral videos. This is a new but very important part of the content production ecosystem.

All three types of content creators have been fueling the massive growth in OTT. Arthofer, Hardarson, Kon, Lee, & Rose (2016) argued that OTT has unlocked three transformational changes in video

content and how it is created and consumed: space shifting, place shifting, and time shifting.

- **Space Shifting**

The change with the biggest impact on the video value chain has been that facilities-based distribution (such as cable and satellite) is no longer the only means of access for consumers. OTT has had a similar impact in video. No longer are content creators and aggregators bound by the limited-distribution “bandwidth” available on a fixed number of TV channels delivered over the air or on cable, fiber, or satellite transponders. This democratization of consumer access has provided audiences for all kinds of content creators.

- **Place Shifting**

The proliferation of mobile and streaming access (as well as various types of portable media devices with ever-larger and higher-definition screens) has enhanced consumers’ ability to choose the type of content to watch at their convenience, such as scheduled programming or streaming video. Online viewing has increased the size of the overall video pie and has created new consumption opportunities for video viewing both at home and away from home.

- **Time Shifting.**

The shift in viewing to OTT and distributors’ development of free VOD services, has moved consumers away from linear “appointment viewing.” To nonlinear or “time-shifted viewing,” either tethered or untethered to traditional facilities-based distribution. In the United States, nearly half of all US viewing is expected to be nonlinear by 2018, and the rest of the world is following.

The OTT have had a negative impact on revenue in the TV market from both demand and supply sides. The GfK MRI (2017) conducted tri-annual Cord Evolution studies into streaming attitudes and behaviors among 10,000 respondents in the United States and found that Cord Cutters (viewers who had and then eliminated standard TV subscriptions) account for 8% of the US population and have an average age of 43 – while Cord Nevers (people who have never paid for a traditional TV connection) are 9 years younger on average (34) and represent 9% of all US consumers. Over half (52%) of Cord Nevers are Millennials (ages 18 to 34), compared to just 35% of Cord Cutters. [4] While Comscore (2017) argued that Cordless households naturally stream more content than the average OTT household. However Cord Cutters stream significantly more than Cord Nevers [2]. According to Vimeo’s study in 2017, SVoD (subscription video on demand) revenues are predicted to soar from USD11.13 billion in 2015 to USD25.71 billion in 2021. The global OTT market — primarily comprised of subscription-based video on

demand (VoD), transactional VoD, and ad supported VoD — has gained significant traction in 2017. [5] In the second quarter of 2017, the OTT penetration in many countries showed a promising future. In the United States, the penetration rate was 103% while in Canada was 69%. The Vimeo’s study also reported that over 73,390 customers subscribed OTT via a web browser (on a laptop, tablet, or phone). Of that, 76% went on to watch videos through one or more applications via their iPhone (nearly 32%), Android (19.8%), iPad (3.3%), and Roku (2.4%). Consumers are moving beyond typical video on demand websites and downloading and consuming their OTT content through applications [5]. A 2016 study found that the OTT has an exponential market growth globally. The global OTT content market was estimated to be valued at USD53.2 billion by the end of 2016 and is expected to register a CAGR (compound annual growth rate) of 14.5% during the forecast period (2016–2026). The video content is always the biggest source of revenue. [6] (see Fig. 1). The number of OTT subscription video service subscribers worldwide has increased from USD46 million in 2012 to USD473 million in 2018, and expected to reach USD650 million in 2021. [7] (see Fig. 2). To date, there are nearly 100 subscription platform providers in the United States and Canada, with a variety of strategies for OTT. From 2010, OTT revenue worldwide has increased dramatically from USD6.1 billion to USD46.5 billion in 2017, and it is expected to reach USD83.4 billion in 2022. [8] (see Fig. 3)

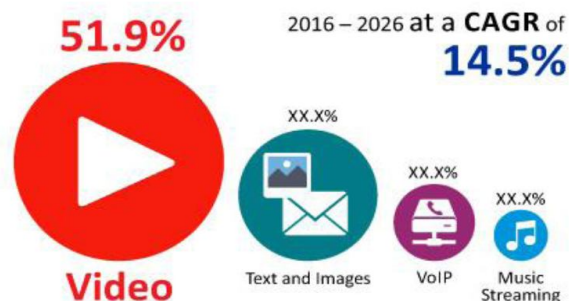


Fig. 1: OTT content market value share (%) by content type
Source: Future Market Insight. (2016).

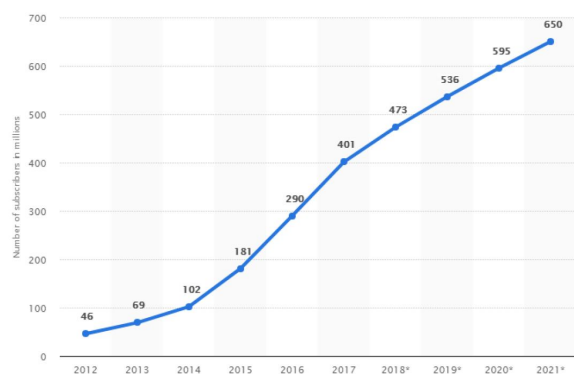


Fig. 2: Number of OTT subscription video service subscribers worldwide from 2012 to 2021 (in millions)
Source: Statista (2018a).

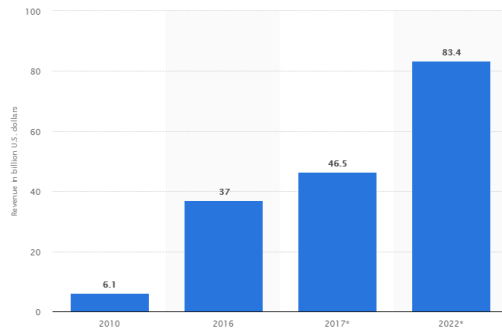


Fig. 3: OTT revenue worldwide from 2010 to 2022 (in billion U.S. dollars)
Source: Statista (2018b).

Rentals or subscription-based services (SVoD) such as Netflix, Hulu and Amazon Prime Instant Video are expected to account for 30 percent of this total, with forecasted revenues of around USD16 billion by 2021. Just under half of this total revenue is projected to be generated in the United States. Netflix is the leading streaming media provider in the United States. With USD8.8 billion in revenues in 2016, and it has experienced unprecedented growth in recent years. The number of Netflix users in the U.S. is projected to increase from 120 million users in 2016 to almost 140 million by 2020. Original programming, convenience of on-demand streaming programming, cost effectiveness and range of content are a few of the main reasons the users choose Netflix over its competitors such as Hulu and Amazon Prime Instant Video. [9] Amazon Prime Instant Video also has a significant presence in the United States. In 2015 there were 65.2 million Amazon Prime Instant Video users in the United States and it is estimated 95 million subscribers in June 2018, up from 85 million in June during the previous year. [10] Hulu also has similar growth projections. The number of Hulu's paying subscribers worldwide has increased from less than one million in 2011 to 12 million in 2016. During a recent survey in the United States, 23 percent of those who subscribe to an online video service stated that they had an active Hulu Plus subscription, with the service being most popular amongst Millennials. [11]

According to Video Advertising Bureau (VAB) Report (2018), the content most enjoyed on Netflix by users are original TV programs (35%) and acquired TV network series (35%), followed by movies (29%). While the content most enjoyed on Hulu is acquired TV network series (64%), and the content most enjoyed on Amazon Prime Video is movies (44%). Consumers can access OTT content through Internet-connected devices such as smartphones, smart TVs, set-top boxes, gaming consoles, computers and tablets. However the VAB study (2018) found that the preferred methods of watching online video among

Internet adults in the United States were on smart TV and smartphone. [12] (see Fig. 4).

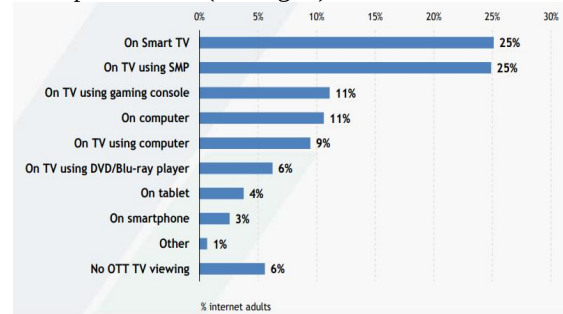


Fig. 4: Preferred method of watching online video
Source: VAB (2018).

III. OTT LANDSCAPE IN THAILAND

In Thailand, terrestrial television has been significantly influential among approximately 66 million or 98% of Thai population. Prior to the transition to digital broadcasting, Thai people watched six analogue television channels about an average of 250 minutes per day. Digital television was launched for public in Thailand in 2014 using DVB-T2 system. The 24 digital commercial channels were categorized in 4 different groups: seven news channels, seven SD variety channels, seven HD variety channels, and three children's channels. However the transition to digital television system in Thailand has proved to be difficult due to an ineffective measure to increase DTV accessibility among 22 million households nationwide as required by the First Broadcasting Master Plan. This also resulted in the lost of income among many DTV operators, and led to the DTV industry mergers and acquisition in Thailand.

Pay TV services in Thailand are categorized as non-spectrum broadcasting, which comprise three types of services: 1) Pay TV via satellite television, 2) Pay TV via cable television, and 3) Pay TV via both satellite and cable television. The Pay TV providers have to obtain licenses from the National Broadcasting and Telecommunications Commission (NBTC). As of May 2018, there were around 360 Pay TV licenses granted by the NBTC for all three types of services. Competition among Pay TV providers is very tight due to the effect of Must-Carry regulation and the sequencing of channel numbers.

The OTT service was first introduced in Thailand in 2014. From the 2017 report, the OTT in Thailand still considered as initial stage. [13] However Statista (2018f) reported that Video Streaming (SVoD) segment in Thailand is expected to show a revenue growth of 23.9% in 2019. [14] (see Fig. 5)

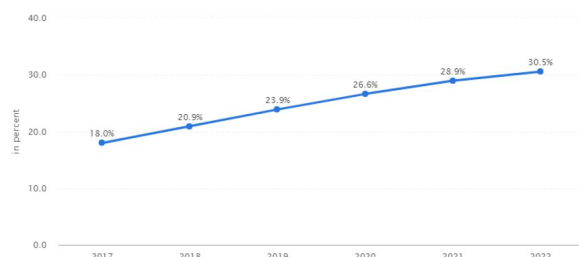


Fig. 5: OTT revenue growth in Thailand (2017-2022) Source: Statista (2018f).

OTT TV Providers in Thailand can be divided into different categories as follows: [13]:

- **Independent OTT TV Providers**

Independent OTT providers in Thailand are from various backgrounds such as, local Tech Start-Ups, foreign Tech Start-Ups, and global OTT TV Providers. Notable Providers are Hollywood HD, Primetime, DOONEE, iflix, Netflix, Hooq, LINE TV, and YouTube

- **OTT TV from Free TV Providers**

The top five most popular digital TV channels in Thailand are Channel 7, Channel 3, WORKPOINT, MONO, ONE and Channel 8, respectively. These channels also offers time delayed re-broadcasting of program which is already going on live or running in its parent channel.

- **OTT TV from Pay TV Providers**

Cord-cutting due to the rise of OTT services is an important issue in the industry. Most reports show a clear negative impact on subscribers and revenues of mainly telecom and cable companies. In Thailand, some Pay TV providers also offer OTT services in order to maintain their viewership. Those include TrueVisions (the leader of national Pay TV in Thailand) and PSI (a large satellite Pay TV provider).

- **OTT TV from Telco Providers**

The use of telecommunications service has been shifting from voice to data communication in recent years. Large telecommunication service providers in Thailand started to add IPTV as their additional services. These include TOT IPTV, AIS IPTV, 3BB, and AIS Play.

In Thailand the OTT operators usually have various forms of revenue generation based on their strategy and expertise. These included:

1. **Subscription Video on Demand (SVoD).** SVoD is similar to traditional TV packages, allowing users to consume as much content as they desire at a flat rate per month. With SVoD, there is far greater freedom to opt out as users are not tied into a long term contract. The major OTT operators offering SVoD in Thailand included Hollywood HDTV, Primetime, Monomaxxx, Doonee, iflix, and Hooq.

2. **Transactional Video on Demand (TVoD).** With TVoD, consumers can purchase content on a pay per view basis. There are two sub-categories – known as Electronic Sell Through or Download to Own (DTO), by which consumers have permanent access to a piece of content once purchased; and Download to Rent (DTR) by which customers can access the content for a limited time upon renting. TVoD services typically retain customers by offering attractive price incentives, so they will continue to return in the future. In Thailand, TVoD services offered by Netflix, iflix, and Hooq, for instance.
3. **Advertising-Based Video on Demand (AVoD).** AVoD is offered free to consumers. However, much like television, consumers will have to sit through advertisements, – for instance on YouTube. However, premium content owners rarely use AVoD as it generates lower amounts of revenue than SVoD and TVoD. The major AVoD provider in Thailand is Facebook, YouTube, Line TV and television operators who also provide AVoD services for their customers.
4. **Freemium or hybrid AVoD/SVoD model.** Freemium has become more popular as it delivers two discrete revenue streams —advertisers buying ad-space and/or a sponsorship and customers paying subscription fees. In Thailand, services like Hulu and Amazon are taking advantage of the hybrid approach. YouTube currently offers free ad supported VoD access on its primary site, as well as two premium subscription services: YouTube TV, a skinny bundle service with a mix of broadcast networks, cable-TV channels and live news; and YouTube Premium (formerly You Tube Red), a paid streaming subscription service that provides advertising-free streaming of all videos hosted by YouTube.
5. **OTT TV as a feature.** The operators offer OTT service for free to their customers. For example Pay TV operator provides additional OTT channels in order to maintain their subscribership and reduce cord cutting.

IV. THAILAND'S OTT OPPORTUNITIES AND CONSTRAINTS

The development of OTT worldwide can be considered as three stages. According to the NBTC and TIME Consulting report in 2017, the OTT in Thailand is still in the initial stage of implementation (see Fig. 6). There are opportunities for growth as well as some constraints to consider as follows:

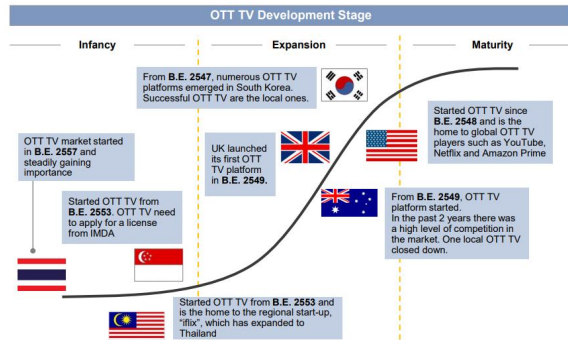


Fig. 6: OTT Development Stage Source: TIME Consulting (2017).

Opportunities

According to Internet World Stats (December 2017), Thailand has 82% Internet penetration, and the number has increased continuously. [15] The country's smartphone users are among the most active in Southeast Asia, in terms of data consumption and daily time spent with their devices. In December 2017 Thais have an average daily time spent on the Internet 9.6 hours a day and on mobile Internet at 3.16 hours a day. [16]

The OTT market creates good opportunities for competition in Thailand. There are now both local and foreign OTT providers offering their service at a reasonable price with the variety of programs. Additionally, many studies show a positive trends in Thailand's OTT market as mentioned earlier.

Constraints

The OTT penetration is increasing due to the penetration of high speed internet. Therefore public Wi-Fi, and unlimited wireless data plans are the key factors that are expected to drive the growth of the global over-the-top market. However, despite the clear importance of smartphones for digital access, the device is not equally prevalent across Thailand's geographic regions. In the capital city of Bangkok, the country's largest urban area, more than 70% of the overall population uses smartphones. By contrast, the country's less developed Northeastern region has a usage at very lower rate.

On the regulatory perspective, the OTT regulation has not yet been clearly established in Thailand. In September 2017, the National Broadcasting and Telecommunications Commission (NBTC), Thailand's media regulator, showed its inclination to regulate the OTT as subscription television service. The commission required all OTT broadcasting platforms to register with authorities to continue operating in Thailand lawfully. It also set up an OTT working group committee to develop the regulatory framework that supports OTT providers under the guidelines of the Asean Telecommunication

Regulators' Council (ATRC). In drafting the OTT regulations, the NBTC has hired independent advisors to compare patterns of regulations and their effect on OTT in other countries. Currently, six countries have regulations in place to govern OTT services, which are Australia, South Korea, Malaysia, Singapore, the U.K., and the U.S. [17]

CONCLUSION

There are many kinds of OTT services offered in Thailand, including by global service providers such as YouTube, Facebook and Line. Some TV channels also offer OTT services by broadcasting their content on OTT networks. Telecommunication players also offer OTT services such as AIS Play. The OTT marketplace has seen unprecedented growth as falling barriers to entry are allowing creators to build ever larger audiences.

TV advertising income in Thailand is growing at a slower pace due to the competition between many television channels and platforms, as well as a sluggish economy. There is a need for operators to adapt to compete for maximum advertising revenues and audiences. While consumers are decreasing the amount of time they spend watching linear television, they are increasingly spending time watching OTT. However it is much more accurate to say that television consumption is evolving than it is to say it is dying. Like any other countries, the OTT service in Thailand is growing, both for marketers and for consumers alike.

Based on opportunities and constraints, the OTT service is increasing rapidly worldwide, governments in a number of countries seem keen to create new rules that would subject OTT service providers to tax, security and content regulations in order to protect local consumers and to create a level-playing field between new service providers and more traditional competitors, and Thailand is not the exception.

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