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Headline: TECHNOLOGY: THE SCRAMBLE FOR MOBILE REVENUE

TECHNOLOGY

THE SCRAMBLE FOR MOBILE REVENUE

The disruptive force of over-the-top video services caught the broadcasting regulator flat-footed, and the breakdown of efforts to set a regulatory framework has left a wide-open field. By **Komsan Tortermvasana**

Among many industries affected by digital disruption, broadcasting and telecom services have fundamentally changed their operational structure and business models to cope with increasing threats from new media services, known as over-the-top (OTT) companies.

OTT refers to digital applications or services that operate on internet networks and are based on a traditional network structure. OTT includes the communication and broadcasting services that can operate on both wired and wireless internet networks.

The rise of OTT in online video and TV for Thais has created critical challenges for regulators, who are stymied about how to enact proper policies to regulate the content and operations of OTT operators and platform providers.

The National Broadcasting and Telecommunications Commission (NBTC) tried to set a regulatory framework to govern OTT operators and services last year, but due to clumsiness and impatience, efforts broke down and have not been restarted since.

With the encroaching influence of OTT platforms and services, at least three segments are benefiting from the rapid expansion of OTT in the market.

First, consumers save money by using a variety of OTT services, including mobile instant messaging and voice over IP network (VoIP) applications, online video and TV on demand, many of which are free of charge.

To this point, OTT has enabled a large number of consumers to access various media as viewers, distributors and content creators.

Second, real sectors that previously spent huge sums to advertise through media channels have benefited from lower advertising budgets, all while being able to create a greater impact on consumers through OTT platforms.

OTT also provides more opportunities for small operators to maximise their competitive potential in ways that they never could before under traditional market structures.

It can be said that through OTT, business models and relationships are changing the rules of advertising, subscriptions and engagement with consumers.

Lastly, OTT platforms allow tech startups to open platforms on which to develop innovative businesses, which could help turn local tech startups into cutting-edge innovators to build up the country's competitiveness, conveniently falling in line with digital economy policy.

On the other hand, OTT services are directly gouging broadcasting and telecom operators' revenues.

OTT operators provide services on mobile operators' networks, but none of the revenue they generate goes to the network's owners. Instead, OTT services directly diminish mobile operators' calling and data service revenues.

For traditional broadcasting operators, the OTT TV model has changed the live TV viewership norm, hurting the TV industry's ad revenues and leaving the future of the pay TV market up in the air.

This disruption has created pressing

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Consumers are spending more of their time on OTT platforms like Netflix. WICHAN CHAROENKIATPAKUL

questions for the industry. How are telecom operators that own networks able to retain their service revenue growth? And what should they do to create new revenue streams amid increasing OTT usage on their networks?

That mobile operators have invested heavily in annual network expansions is an unassailable fact. They have to create more added value on the existing network's capacity to avoid becoming "dumb pipe providers", all while witnessing OTT operators enjoy the fruits of their legacy infrastructure.

How will TV broadcasting operators be able to survive as ad revenue disappears?

Despite superficial similarities, the impact of the OTT takeover differs for telecom operators and traditional TV broadcasters.

OTT services are a critical threat to the revenue stream from traditional mobile services such as SMS and mobile advertising, yet telecom operators are seeing higher revenue from data services. Mobile subscribers who use OTT need heftier data plans.

According to the NBTC's 2016 report, the value of OTT-based advertising spending in the country was 5 billion baht.

> "OTT operators are considered more dynamic than telecom operators in critical operational management aspects.

Of the total, Facebook captured 2.8 billion baht or more than 50% of the advertising market, while 1.6 billion baht went to YouTube and the remaining 502 million to Line TV and others.

Traditional TV operators are considered to be facing a much greater crisis than telecom operators.

An analyst from Kasikorn Securities said OTT services and platforms have yet to become real threats to mobile operators because OTTs increase the number of high-data mobile subscribers on telecom networks, which is especially true with popular social media and video streaming applications.

However, mobile operators have to monitor and adapt their business model to partner with OTTs and capitalise on innovative communication development in a manner that ensures margin growth in the long term.

Somchai Lertsutiwong, chief executive of the leading mobile operator Advanced Info Service (AIS), acknowledges that OTT operators were free-riders on AIS networks for years, especially in mobile advertising, which once was a significant revenue stream for AIS.

In addition, increasing use of OTT services has affected some traditional revenue resources for telecom operators.

The AIS chief said mobile operators must define OTT operators as threats but also learn from and cooperate with them.

There are three approaches to handling OTTs that are featured across the various international forums: ignorance or continuing business through existing business models; competing directly with OTT by providing innovative services; and cooperative competition or cooperating with OTTs in some areas.

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OTT services are directly gouging broadcasting and telecom operators' revenues. PATTANAPONG HIRUNARD

Mr Somchai said cooperative competition is the most practical for telecom operators to survive and keep expanding margins in the long term.

Telecom operators and OTT operators are structurally different and have different strengths.

OTT operators are considered more dynamic than telecom operators in critical operational management aspects.

AIS is cooperating with several OTT operators to provide innovative solutions to customers, including e-wallet through Line and various entertainment platforms with OTT operators.

According to the NBTC, OTT businesses in Thailand are commonly divided into four types: independent OTT operators; pay TV operators that broadcast via OTTs; telecom operators that provide OTT; and some digital TV channels that broadcast their programmes via OTT platforms.

Independent OTT operators include domestic operators such as Hollywood HDTV, Doonee, PrimeTime and foreign OTT operators such as YouTube, Facebook, Line TV and Netflix.

Pay TV operators that broadcast via OTT platforms include PSI and TrueVisions.

AIS Play is an example of a telecom operator that broadcasts on an OTT platform.

Digital TV channels that broadcast their programmes via OTT platforms include Channel 3, Mono, Channel 7, Workpoint and Channel 8.

In addition, OTT services are also divided into two types based on revenue source: free platform (advertising-based video on demand or AVoD) and paid platform (subscription video on demand or SVoD).

Free OTT platforms include Line TV, YouTube and some digital TV channels that broadcast their programmes via OTT platforms.

Paid OTT platforms include Netflix, Iflix, Hollywood HDTV, PrimeTime, AIS Play and TrueVisions Anywhere.