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Firing up Asia's Creative Engine: The Way Forward for Digital Content in Indonesia and Beyond

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Firestarters

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Session Summary

The landscape of Southeast Asia media is rapidly evolving. Industry players recognize that change is accelerating as the region demonstrates a healthy appetite for digital media. Business models in the online and mobile space are evolving, although questions of monetization remain. In order to create business value, companies may need to take consumers' needs and point of view into greater consideration. Meanwhile, government involvement must strike a balance between ensuring online confidence and freedom of expression to foster this digital revolution. Overall, collaboration among key stakeholders will be critical in marrying innovation in digital media with sustainable business models.

Introduction

The session examined the changing landscape of Southeast Asian media, with particular emphasis on how the digital revolution is impacting the entire media ecosystem. On many accounts, Asia is at the heart of the digital revolution and is charting its own path independent from other geographic regions. Many issues remain, however, including the role of government in stimulating content creators and the best strategies for media incumbents to monetize innovations.

Digital industry still evolving; monetization challenges remain

The internet and mobile media sector has yet to fully develop as an industry in Southeast Asia. While consumers are using and distributing digital media, the sector contains relatively few major players. These few players, moreover, have not yet figured out how to best monetize digital innovations.

One participant, who has worked with a number of multinational media companies across Asia, said, “With the way consumers are consuming media online, it is surprising that content creators and companies are not following the trend. For instance, online ad spend is less than 1% of total advertising in Indonesia. Given where consumers spend their time, digital ad spending should be at least 5-7% of overall ad spend.”

There was general agreement that in order to address monetization issues, including the discrepancy between time spent and ad spend, companies should consider content from the consumer’s point of view. Decisions about online content should be driven more by consumer need and less by technological capability. As one participant mentioned, “Use consumer habits as the center of technology, not the other way around.”

An online media pioneer mentioned, “The complication is that every country has a different profile of users and consumption patterns.” For instance, most of the online consumption in the U.S. is in online stores and virtual goods. While in Indonesia, there has been a strong adoption of social communication, potentially due to some latent need for the ability to express oneself. Social media’s success in Southeast Asia has highlighted the large opportunity for local and user generated content.

Monetization of digital media is a particularly important issue for the content creators. It was suggested that partnerships may offer an avenue for content creators to capture additional value. Another participant added, “In order to boost emerging business models in the media industry, ‘collaboration’ will be a critical lever to use.” A good example of such collaboration is the Batam project between Singapore and Indonesia/Malaysia that established a cross-border content and media infrastructure hub in the region, which has become the largest post-production facility in Southeast Asia, engaging both local and international productions. More developed countries in general could engage in partnerships by providing R&D capabilities and access to financial resources.

A regional business leader summarized the topic by saying, “Business models to monetize the internet and mobile media trend are still in a developing stage in SE Asia (and probably in global market). The potential is high as people start to spend money on internet and mobile media consumption.”

Prerequisites to developing new business opportunities

Participants then focused the conversation on prerequisites for developing new business opportunities. The prerequisites identified were: (1) economic development, (2) online payment platforms, (3) investment in infrastructure, (4) government regulation, and (5) education.

First, economic development (in terms of disposable income) is needed for consumers to have the ability to pay for media content consumption. In turn, development of credible online payment platforms will be a key enabler for additional spend to go to digital formats, particularly for SMEs and individual users. Thirdly, continued investment in infrastructure is still critical to fuel growth of innovative content. While mobile platforms are essential, fixed line infrastructure is also critical to enable growth.

Additionally, in order to foster the digital revolution, government regulation must strike a balance between ensuring safety online (including tight intellectual property rights) and allowing freedom of expression and creativity. Consistency and clarity are critical for any type of media guidelines. The key to realizing changes in the government regulatory framework is to facilitate cross-authorities communication within the government, such as the Ministry of Finance, Ministry of Trade, Ministry of CTI, etc. If the ministries advance, people will potentially have the power to leapfrog in the digital revolution.

Lastly, underlying the digital revolution is a need for education across all stakeholders in the ecosystem, including consumers, industry players and the government. The re-education of older generations by an internet-friendly younger generation, for example, may ignite the needed changes within government. One participant, a former media policymaker, has proposed a “reverse mentoring” program that aims to initiate such a program.

These changes may even be felt in large corporations which need to adapt to the emerging media ecosystem. For example, businesses will need to learn to target the right consumer segments with customized products and solutions. In addition, SMEs will need to learn to unbundle or compress full version content to provide a product at an affordable price point to SE Asian consumers.

Local content is rising in importance

Participants discussed how in the Asian content market, local content will be more important than before, mainly as a result of the non-English speaking environment. The lack of a large English-speaking population in Indonesia, for example - although ostensibly a disadvantage for business – is helping to drive the growth of local content production. On the other hand, the pay TV industry has been hit hard because it has historically been dependent on imported content for programming, which in part explains the slow growth rate of the pay TV market in SE Asia.

Another important consideration for participants was the different cultural codes embedded in the creative business. One participant clarified, “One thing about Indonesia, culture is not part of the game. It is the game itself. It has come from democracy, decentralization and deregulation.”

Despite the importance of culture, participants pointed out that content can transcend language and culture barriers. The success story of Korean media content in SE Asia market (“Korean wave”) serves as an example to the region. More recently, examples from China have also proven that Asian content can travel across national boundaries. “SE Asia

is poised to achieve the same outcome,” as one participant stated. “It has a long history and has many interesting stories to be told.”

One hurdle, especially in Indonesia, however, is the lack of creative talent. Without a robust monetization model, the industry fails to draw top quality people to start media content businesses in SE Asia. There have been exceptional success stories that demonstrate talent in the region, such as the singing policeman who received 2M video hits. However, it appears that there needs to be a more systematic and structured approach to identify and develop business talent. Monetization remains a key prerequisite to produce future success.

One participant noted that it is worth paying attention to user generated content. The film-making industry, for example, has been testing new business models by allowing end-user participation in media content.

A new media market ecosystem

The group discussed the new value chain that is being generated out of content creation. Just as an entire community and economy arose around the gold rush, the digital revolution will produce a whole ecosystem to support it. The question remains: who will get the “choke point” of this new value chain?

Participants agreed that “money online” needs to increase given the consumer appetite. Ultimately, a more concerted effort across industry sectors (content, platforms and devices) and between public and private sectors is needed to transform this potential business opportunity into real profit.

Conclusion

Southeast Asia presents many powerful opportunities for content creators and consumers. Although spending online remains low relative to the amount of time spent with digital media, there is an intense interest in experimenting with business models to improve monetization. Far-reaching improvement in the industry is likely dependent on further progress in economic development, payment platforms, infrastructure, government regulation and education.