



The fight for TV ratings and battle for ad money



Highlight

- Although TV ad spending continues to grow, TV channels still face threats from every direction, whether it be stiffer competition among channels or the challenges of creating new content to match changes in viewers' tastes, which are moving away from previously popular content like drama series.
- EIC suggests TV channels change their content strategies. For example, adopt big data analytics to analyze consumer behavior in order to tailor their content to meet viewer demand. Changes are needed in order to increase their business capabilities and for the survival of the Thai TV industry in the long run.

EIC believes TV ad spending will not be affected by digital media for at least 3-4 years despite the digital media's explosive growth over the past several years. This is because TV reaches a wider audience, while digital media still faces a number of limitations, including difficulties with measuring advertising effectiveness, ad-skipping, and fabricated advertising traffic. Some companies and advertising agencies therefore hesitate to pour all their ad budgets solely into digital media.

Case studies from France and Italy, where consumers mainly watch free TV similarly to Thailand, show that TV continues to attract the most ad spending without losing its share of the ad market. The media most affected by the newcomers are actually print and radio, facing 2-3% declines in ad revenue per year. In the short term, TV seems able to survive the rise of digital media. EIC estimates that it will take about 3-4 more years until the digital media can take ad spending out of TV.

Although TV ad spending continues to grow, TV channels' revenues and profits have plunged as a result of fierce competition in the TV market. Since digital TV has stepped into the game, all TV channels were quick to invest in developing their content to attract as many viewers as they can. This includes buying expensive rights to famous foreign sports shows and TV series. Average costs in 2015 then soared 70% compared to the previous year. However, ad spending flowing into TV channels was not as high as expected. New digital TV channels only gained 0.3-7% of all TV ad budgets per channel since they were not yet widely known. Meanwhile incumbent TV channels faced decreasing shares of ad revenue due to some viewer losses. Overall, two out of three TV channels suffered a loss of profits. EIC sees some channels taking more than five years to return to profitability.

Moreover, TV channels are facing new challenges, including developing content for new generations of audiences. In the past, the TV programs that captured the largest audience shares as well as ad spending were usually star-packed drama series. The finale of the drama series Nakee (Queen of Nagas: นางคิ) drew a 17.3 rating or 11.5 million viewers. However, since the beginning of 2017, drama series captured significantly fewer viewers despite having star-studded casts. Kleun Cheewit (Waves of Life: คลื่นชีวิต) and Pleung Pra Nang (Lady's Inferno:เพลิงพระนาง) could only hold about a 7 rating. The recent ratings show that TV channels can no longer rely on the old TV formulas to capture viewers of all age groups.

In fact, the super prime time (8-10 pm) TV program with the highest ratings in the past three months turned out to be a singing competition show. The Mask Singer has a 10.93* rating, securing viewers of all ages, especially teenagers (10-19 years old) and working-age people (30-49 years old). The show's wide-reaching appeal looms over drama series whose audiences are concentrated in the 40+ demographic. Its success lies in the novelty of mixing humor seamlessly into a singing competition while also flirting with the audience's curiosity about the identities of the singers under the masks. It has stirred up online buzz and attracted the attention of younger viewers. The first episode on YouTube was shared 30,000 times and received 15 million views despite having been on the air for five months.

When glancing at cases in developed countries we can also see a shift in content consumption. In France, the concert show Les Enfoirés and the satiric comedy show C'est Canteloup had the highest ratings in 2016, outperforming drama series, the past power players. In the US, talent shows like The Voice and America's Got Talent broke into the top 20 most popular shows of 2016 with higher ratings than famous drama series like Criminal Minds and NCIS.

Another challenge for TV stations is creating audience interaction in an era where smartphones and tablets rule. A survey from leading market research firm Millward Brown shows that 70% of Thais use smartphones, tablets, and computers while watching TV, revealing that consumers are less captive to television sets than before. TV channels are thus compelled to develop new strategies to enhance viewer experiences and hold their attention for the entire length of a program. In other countries, many TV channels have developed mobile applications as interactive "companions" to supplement the TV viewing experience. For instance, CNN and BBC iPlayer applications not only allow users to watch live shows as well as on-demand content similar to a typical TV app, but also feature games, polls, and additional content information to further engage viewers and keep them watching.

Implication ■ EIC recommends TV channels think outside the box when producing content in order to meet changing viewer lifestyles. For example, (1) TV channels could use Big Data to analyze TV-viewing behavior in order to design their content to target changing demand, and (2) they could buy the formats of successful foreign TV shows and create tailored versions to fit the Thai context and Thai viewers' lifestyles. In considering show formats, Thai channels should nevertheless weigh copyright fees against their financial standings to ensure their long-term survival.

■ TV channels should collaborate with software developers to create new

* Rating on 16 March 2017

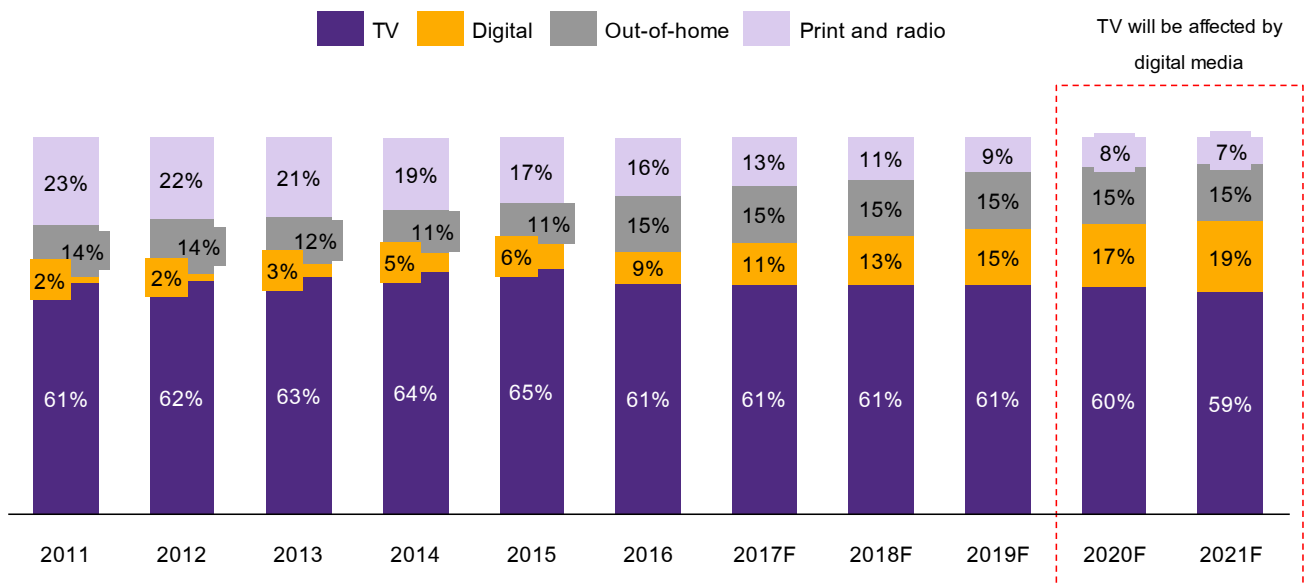
features on their mobile applications to enhance the TV viewing experience. For example, artificial intelligence (AI) could be incorporated into an app to interact with viewers as well as give them information and suggestions on what to watch next. This would not only make viewers feel like they are a part of the TV program, but it would also help direct them to the channel's other content.

- In the long run, EIC predicts more M&A deals within Thai TV industry to strengthen their content production, similar to the M&As we have seen in other countries. In the past five years, the value of media company mergers and acquisitions worldwide jumped 37% annually. For example, cable conglomerate Comcast bought animation company Dreamworks, and mobile operator AT&T acquired media giant Time Warner. EIC views these M&As more likely to happen in the future as companies look for ways to increase their ability to compete and expand their viewer base.

Figure 1: TV continued to gain the most ad spending share and will not be affected by digital media until around 2020-2021

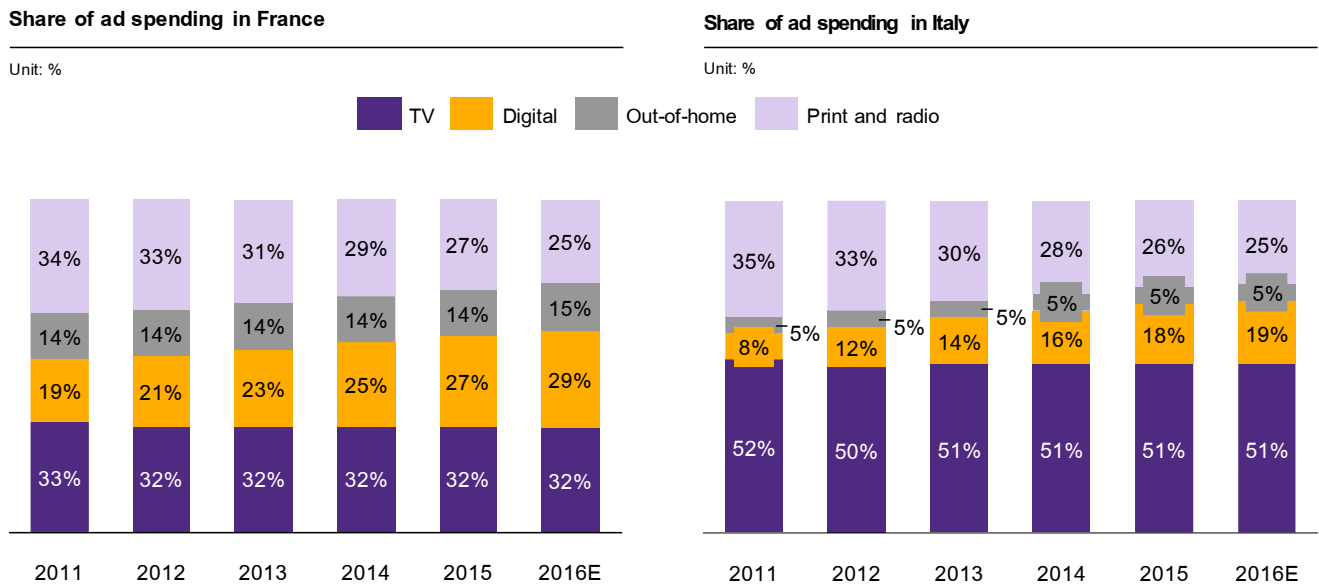
Share of ad spending by medium

Unit: %



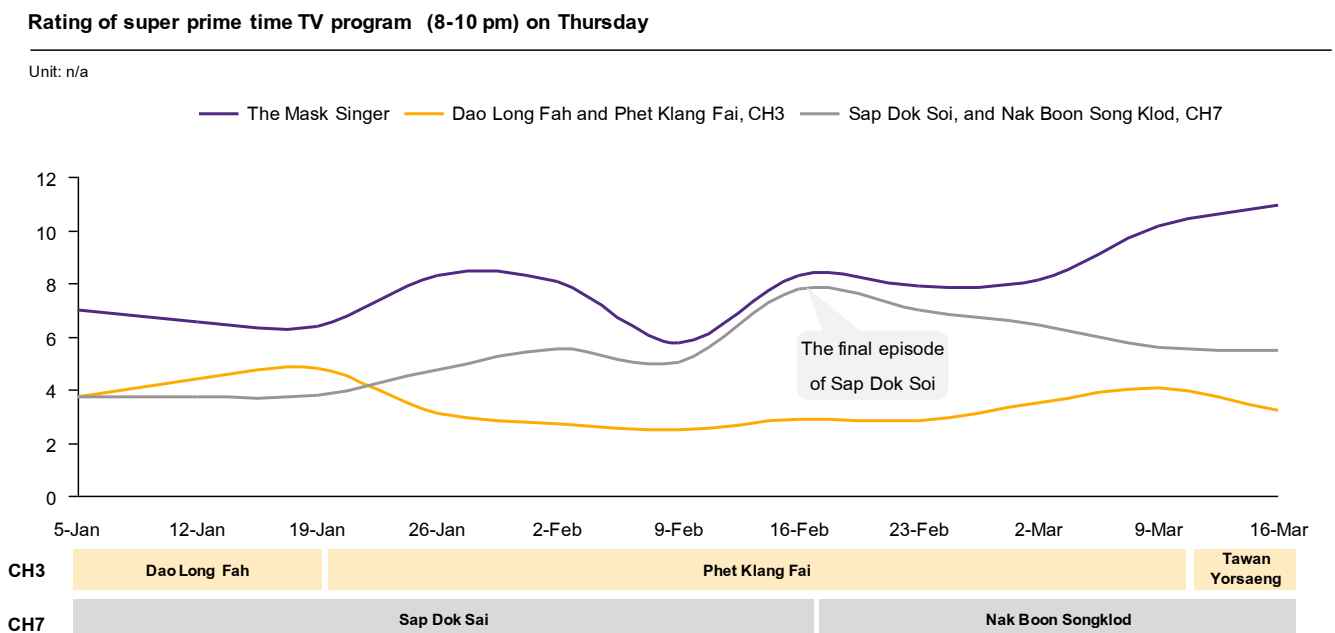
Source: EIC analysis based on data from Nielsen and DAAT

Figure 2: TV ad shares in France and Italy remained relatively unchanged amidst the momentum of digital media



Source: EIC analysis based on data from Nielsen and Credit Suisse

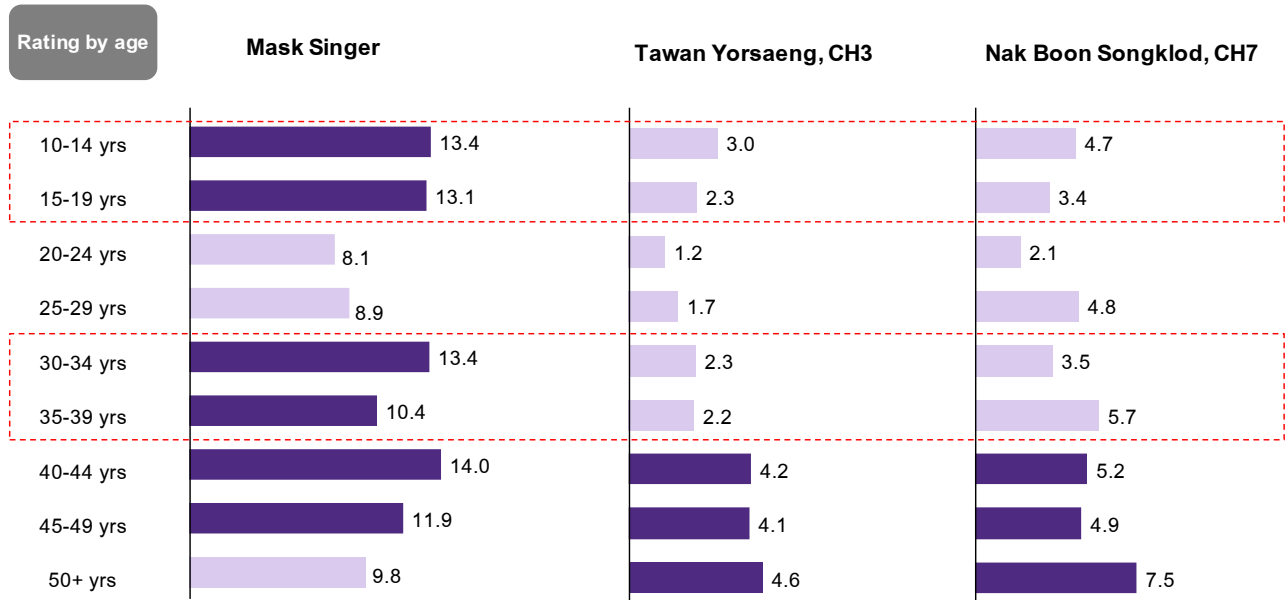
Figure 3: Ratings for The Mask Singer are significantly higher than those of drama series aired at the same time



Source: EIC analysis based on data from Nielsen and NBTC

Figure 4: The Mask Singer is popular across all demographics, particularly among teenagers and working-age viewers, while drama series from competing channels can only capture the 40+ age bracket

Rating of super prime time TV program (8-10 pm) on 16 March 2017



Source: EIC analysis based on data from Nielsen and NBTC

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