

THE ECONOMIC IMPACT OF ONLINE CURATED CONTENT SERVICES IN THAILAND

2022

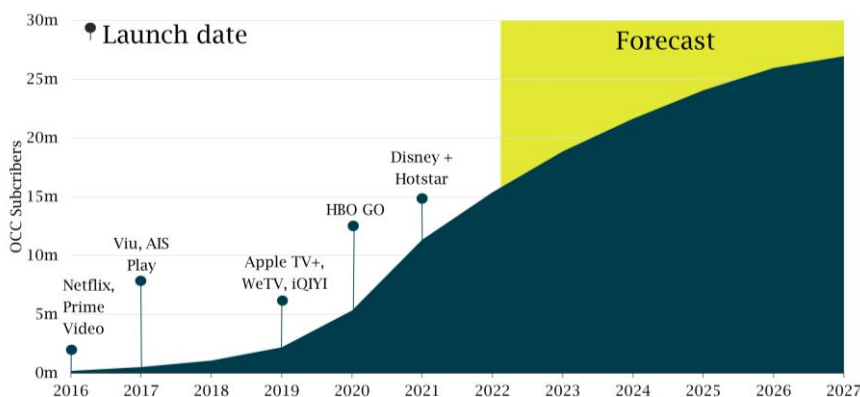


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1. OCC services are starting to take off in Thailand

Thailand supports a vibrant online curated content (OCC)* sector with consumers spoilt for choice of services. The popularity of the services, and the local content they offer, has been growing and there were over **11.3m** people in Thailand holding an OCC subscription in 2021 (Figure 1).¹ Though the sector is relatively young, already **81%** of internet users in Thailand use OCC at least once a week,² spending **49%** of their time on OCC services watching local content.³

FIGURE 1 GROWTH OF OCC SUBSCRIBERS OVER TIME



Source: Media Partners Asia

Note: OCC subscribers include any OCC subscription customers that pay a fee. Launch date is the year the service could be first used in Thailand. Figures from 2022 are forecast.

OCC-related revenue is increasing. Since 2016, following the entry of OCC services that now include Netflix, HBO GO, Amazon Prime Video, Disney+ Hotstar, WeTV, Viu and iQIYI, the revenue of subscription OCC services has risen to **\$313m (THB10bn⁴)**⁵ in 2021 and is projected to reach nearly **\$820m (THB26.2bn)** by

* The term online curated content (OCC) refers to professional and curated online video content and does not include user-generated platforms such as YouTube. Alternative terms can be used to describe online curated content services, including direct-to-consumer services (DTC), video on-demand (VOD) and online subscription services.

EXECUTIVE SUMMARY

This White Paper summarises research Frontier Economics has undertaken into the economic impact that Online Curated Content (OCC) providers have in Thailand and explores the implications for policymakers who wish to encourage and reap the benefits of such investments.

OCC services have important direct and indirect economic effects on the country's audiovisual (AV) industry. OCC providers make significant investments in Thai content and the AV industry, creating jobs and promoting local content. OCC services are in high demand from consumers, who especially prize domestic content. This drives OCC providers to invest in high-quality productions made in Thailand that they then showcase to global audiences.

These investments bring broad benefits. Investments spill over to the AV sector as a whole. They also spur tourism, enhance Thailand's global reputation and support social goals.

To promote made-in-Thailand productions, policies should continue to focus on increasing and incentivising investment and developing the infrastructure and skills capacity of the sector. Some policies (e.g., cash rebates) can significantly boost investment, while others that can be deterrents should continue to be avoided.

We have found that tough policy restrictions reduce broadcasting exports and are associated with lower investment in content.

2027.⁶ In the same time period revenue from advertising on ad-based OCC services has risen to **\$39m (THB1.2bn)** and is projected to climb to **\$94m (THB3bn)** by 2027.⁷ Additionally, subscription OCC services have sharply increased their household penetration in Thailand, now reaching **34%** of households, up from only **6%** in 2019. The share is forecast to rise to **52%** by 2027.⁸

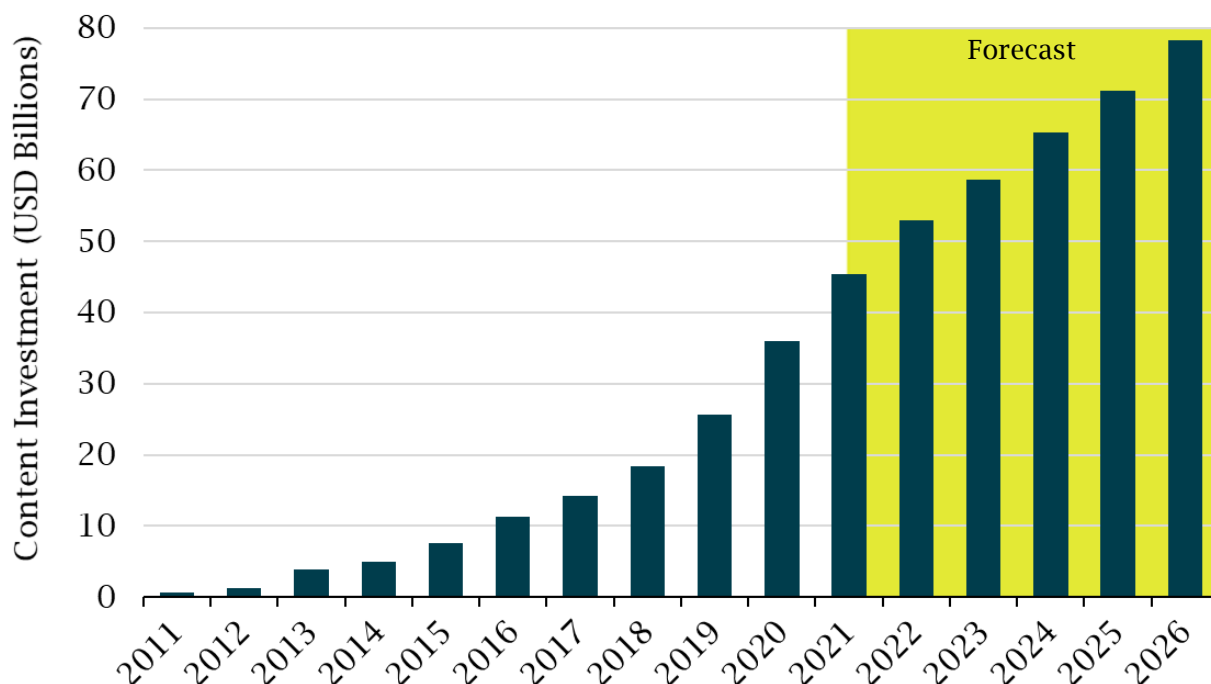
The popularity of OCC also fuels use of the internet, therefore creating incentives for greater investment by consumers (and hence telecommunications providers) in faster speeds⁹ and more connections.^{10 11} This brings additional associated benefits, such as higher productivity and increased connectivity. Thailand is a mobile-first market and internet penetration is on the rise. In addition, lots of streaming services partner with major telecommunication companies in Thailand, such as True and AIS, to bundle their services, which might make some internet offerings more attractive. This has benefited OCC services, which in turn encourages people to use the internet more. Research has shown that the proportion of the population using the internet has almost doubled since the entry of global OCC providers in 2016; **78%** of people in Thailand now use the internet, up from **48%** in 2016.¹²

GLOBAL INVESTMENT, LOCAL IMPACT

2. OCC services are generating a creative content boom

OCC services invest heavily in content to support their services globally. In 2021, they directly invested **\$45.4bn (THB1.5trn)** in OCC content worldwide, covering original and licensed titles. This sum is likely to increase to **\$78bn (THB2.5trn)** by 2026.

FIGURE 2 GLOBAL OCC CONTENT INVESTMENT 2011 TO 2026



Source: Ampere

Note: OCC content investment includes content spending by both subscription OCC and ad-based OCC services

The significant content investment in the pipeline includes:

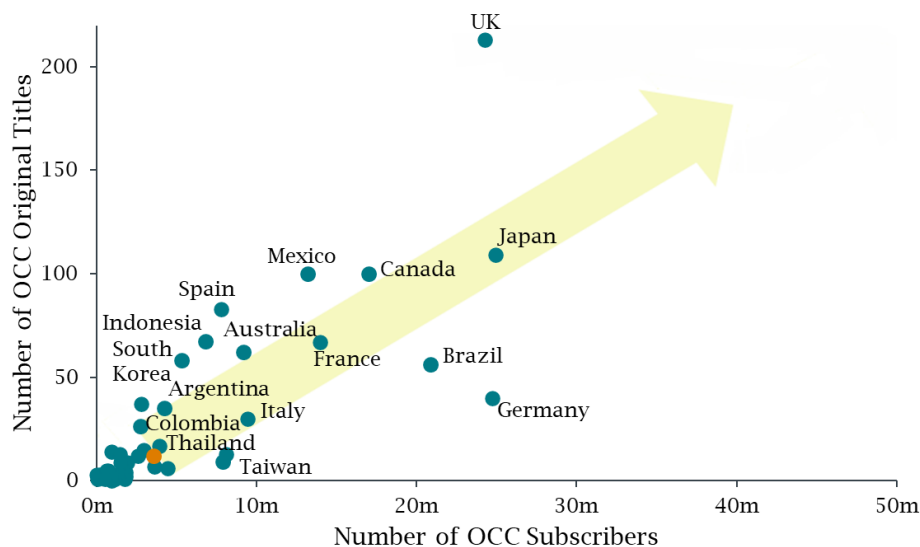
- The Walt Disney Company plans to invest **\$14bn-16bn (THB448bn-512bn)** per year in global OCC content by 2024;
- Paramount plans to ramp up investment in OCC content to **\$6bn (THB192bn)** in 2024;¹³
- Warner Bros. Discovery's **\$23bn (THB735bn)** in annual content spend;¹⁴ and,
- Netflix is set to spend in excess of **\$17bn (THB544bn)** on content in 2022, **57%** more than in 2020.¹⁵ Netflix recently said its annual spending would be about the same as in 2022 for the next few years.¹⁶

3. OCC services are investing in Thai content

Frontier Economics' research has found that there is strong consumer demand for Thai content and that this is driving investment in Thai content by OCC services and independent producers. As a country's OCC service subscriber base grows, so do the incentives to produce local content.

We have observed that the overall geographic distribution of OCC investment in original titles is broadly proportionate to each country's number of OCC subscribers (Figure 3). This relationship holds in Thailand, although it is at an earlier stage of OCC services development than some countries. Subscribers are not the only determinant of investment in local content. The success of previous content exports from a country (US, UK, South Korea, Canada), commonality of the spoken language (such as Spanish or English), or comparatively lower local production costs (Indonesia, Mexico) can also determine investment.

FIGURE 3 RELATIONSHIP BETWEEN OCC SUBSCRIBERS AND MARKET-SPECIFIC OCC "ORIGINAL" TITLES



Source: Frontier analysis of Ampere and Media Partners Asia data

Note: OCC subscribers include any global subscription OCC customers in 2019 who paid a fee. The 2019 values of OCC subscribers are used as they are the most comparable to the OCC originals data, which covers investment pre-COVID-19. Pre-COVID-19 data has been used because of the uneven impact of COVID-19 on AV industries across the world. A title has been included as an OCC original if it was produced by the OCC service and released only on the OCC service. The sample of titles reflects the catalogues of OCC services available in the following markets: Argentina, Australia, Brazil, Canada, Colombia, India, Indonesia, Mexico, Korea and Taiwan. OCC services included in the sample of titles are: Netflix (18% of titles), Amazon Prime Video (18%), Hotstar (7%), Wavve (7%), Foxtel Now (6%), iflix (5%), Eros Now (5%), WatchaPlay (4%), HaniVideo (4%), Hooq (4%), Claro Video (3%), friDay (3%), myVideo (3%), myVideo (2%), Looke (2%), SonyLiv (2%), Viu (1%). Others (inc. Globo Play, CraveTV, Vidio, Stan, Disney+, Apple TV+ and Crunchyroll - 10%). The data includes content titles that were available between June 2017 and April 2020, and an additional set of titles that were available in October 2020 in Indonesia, so does not reflect the most recent releases. All markets that have had an OCC original title produced in their market are included in the analysis. China has been excluded as data was not available. Note that US and India are not included in the figure since they are outside the limits of the scale. See technical annex for further detail.

It is important to note that leading content providers invest in Thai content and the Thai industry not only for their OCC services but for all their distribution channels, including linear and theatrical distribution. In 2022, the major global media groups (including The Walt Disney Company, Paramount, Comcast, Netflix and Warner Bros. Discovery) are planning to invest at least **\$115bn (THB5.0trn)** in new movies and TV shows across their distribution channels, which they will partly monetise on their OCC services.¹⁷

The relationship set out in Figure 3 is likely to continue to hold in Thailand in the coming years as more consumers sign up for subscription OCC and ad-based OCC services. Alongside the growth in subscribers, there has been a corresponding increase in new investment in local content and production in Thailand. There is growing competition for high-quality Thai originals from OCC services, meaning investment will continue and margins for producers may expand.¹⁸

- Viu invested in **80** original titles in 2019, including productions from Thailand, Hong Kong, Malaysia, Indonesia, India, the Philippines and the Middle East.¹⁹ The company is planning to release **30** more original productions in 2022, which includes returning seasons of the popular show *Close Friend* in Thailand and new local originals including the Thai musical *WANNABE*.²⁰ Viu's chief of content acquisition & development, Marianne Lee, stated that, "*In 2022, we continue to build a strong pipeline of Viu Originals with strong local content in Thailand, Malaysia, the Philippines, and Indonesia.*"²¹
- Since 2016, Netflix has invested in **180** Netflix originals from Southeast Asia, creating work for over **8,000** producers, cast and crew, with more investment planned.²² Recent investments include an adaption of the Tham Luang cave rescue story, filming in northern Thailand,²³ and *School Tales the Series*, led by six Thai directors, which was released in August this year.²⁴
- Warner Bros. Discovery has invested in Asia original productions for HBO since 2012. A total of **32** Asia Originals have been produced and aired to-date in a variety of Southeast Asian countries. Examples of such productions filmed in Thailand include *Folklore S1* and *2*, *Halfworlds S2* and *Food Lore*. An episode of Warner Bros. Discovery's new series *Dare to Ride* was also filmed in Thailand.
- In 2021, Disney+ filmed episodes of the company's new Marvel Cinematic Universe (MCU) series *Ms Marvel* in Thailand at The Studio Park facilities in Bangkok. The investment and use of facilities in Thailand created jobs for **450** people.²⁵
- In 2022, iQIYI announced that it was investing in its first Thai original series, *KinnPorsche The Series La Forte*. It is a 'boys love' action series shot by Thai director Kongkiat Komesiri and was released in April 2022.²⁶ Thailand is one of iQIYI's fastest growing markets, which is leading to increased interest in investing in Thai content.²⁷
- In August 2022, Amazon Prime Video launched a service in Thailand that has a local-language interface and more Thai original content. The company announced that it will be licensing more local content and that it is investing in at least four new original productions in Thailand – *Comedy Island: Thailand*, *Three Idiots* and *A Ghost* produced by Jungka Bangkok, *Metal Casket* from writer and director Banjong Pisanthanakun, and *How to Fake it in Bangkok*.²⁸ Josh McIvor, director of international expansion at Prime Video, said, "*We're delighted to be increasing our investment in Prime Video for customers in Southeast Asia, making it a truly localized experience – from local*

content specifically sourced for our customers, to a localized user experience, and the first full-scale local marketing campaign.”²⁹

CASE STUDY - CONTENT INVESTMENT IN THAILAND: *MS MARVEL*



The Disney+ original series *Ms Marvel* shot episodes four and five in Bangkok. The shoot took place over three months, starting in March 2021.³⁰ The crew of over 450 included many Thais.

The cinematographer, Jules O'Loughlin, said, “*Shooting in Bangkok in Thailand was awesome. Fantastic crew, big component of the crew were Thais ... We loved every moment.*”³¹

4. OCC services are creating jobs and are generating returns for the economy

The media companies offering OCC services create jobs directly in the production sector across activities within the AV ecosystem. These include OCC services, feature films, TV content production, physical production facilities, digital visual effects and the distribution of pay TV channels. Additionally, research finds that **67%** of production costs are on average incurred in the general economy outside the AV sector, for example on catering, hospitality, construction and legal services.³² This spending broadens the employment benefits and the media sector’s contribution to the Thai tax base.

- The “employment multiplier” measures the number of direct, indirect and induced jobs created in a particular area through investment. The multiplier for the creative economy in Thailand means that for every new AV position, **2.72** jobs are created in other sectors as a result of the ensuing demand for input.³³
- In 2020, the OCC industry in Thailand supported **45,000** jobs.³⁴
- In 2021, revenue from foreign film productions in Thailand generated around **\$155m (THB5bn)** for the economy through direct and indirect spending.³⁵
- In 2021, OCC services invested **\$118m (THB3.7bn)** in local Thai content, up from **\$50m (THB1.6bn)** in 2020.³⁶ That sum represented 18% of total video industry content investment, which includes investment by Free TV, Pay TV and for theatrical film releases. Media Partners Asia has forecast that investment by OCC services will rise to **\$165m (THB5.3bn)** in 2022, with total content investment in Thailand set to grow by **12%** in 2022, reaching **\$723m (THB23.1bn)**.³⁷

5. Thai people are finding the local content they demand on OCC services

Frontier Economics surveyed 1,000 internet users in Thailand and found they demand a diverse array of content, both local and international, and that OCC services are delivering content consumers want and love.³⁸

Thai consumers feel it is important that OCC services provide local content and they use OCC to watch local, Thai content. While the catalogues of OCC services offer subscribers a wide mix of content from around the world, **49%** of the content that users stream is from Thailand.



49% OF HOURS WATCHED ON OCC SERVICES IN THAILAND WAS LOCAL, THAI CONTENT.³⁹



84% OF THAI CONSUMERS CONSIDER IT IMPORTANT THAT THEIR OCC OR TV CONTENT SERVICES PROVIDE THAI CONTENT.⁴⁰



53% OF THAI VIEWERS THINK THAT THEIR OCC SERVICES PROVIDE A GOOD, OR THE BEST, AMOUNT OF THAI CONTENT.⁴¹



82% OF CONSUMERS ARE SATISFIED WITH THE AMOUNT OF THAI CONTENT ON THE OCC SERVICES THEY USE.⁴²

6. OCC services are bringing Thai content to a wider world

International OCC services are able to expand the worldwide appeal of Thai stories. OCC services offer unprecedented global reach, including niche audiences around the world who seek Thai content. They also provide additional funding routes and opportunities for local producers and broadcasters who can release content globally through partnerships with OCC services. By meeting international demand for Thai-made content, OCC services are supporting local producers and Thai exports and promoting the country's artists and culture.

The additional demand created by OCC services also benefits traditional Thai TV stations, which can gain extra revenue by licensing out their content – something that may not have been so easy previously. Furthermore, the global reach of titles may be extended, meaning that future demand for shows made by Thai TV stations could increase. For example, in 2018, both Netflix and Viu entered into licensing agreements with Thai entertainment company GMM to take Thai TV content to global audiences.⁴³

Examples of Thai content or OCC content that has been filmed in Thailand and has been popular worldwide include:

- Netflix's original Thai series *Bangkok Breaking*. The series' director, Kongkiat Khomsiri, said, 'This series will give the impression of a new and fresh Bangkok in the eyes of the international community and Thailand itself.'⁴⁴
- BBC and Netflix co-production *The Serpent*, which was mainly filmed in Thailand. When it was released, it amassed 31m streams in the UK. In the series' first week of release on Netflix, it was ranked first in countries including the US, Canada, Australia and Belgium.⁴⁵
- WeTV's *Bad Buddy*.⁴⁶
- BEC and Netflix partnered to launch six Thai series to Asian audiences. One of these, *The Miracle of Teddy Bear*, was broadcast to over 25 Asian countries.⁴⁷

CASE STUDY - CONTENT INVESTMENT IN THAILAND: *HOPE FROZEN*



Hope Frozen is an award-winning documentary telling the story of Thai Buddhist parents who decide to cryonically freeze their two-year-old daughter on the day of her death, caused by brain cancer. Their daughter, Einz, became the youngest person to undergo cryo-preservation. Einz's father hopes one day she can be reborn into a regenerated body.⁴⁸

The Thai story was directed by Pailin, the founder of Bangkok-based 2050

Productions, and a team of Thai producers who received the first-ever Emmy for a Thai programme.⁴⁹

Pailin said on receiving the coveted award, "Thanks Netflix for bringing this special story to the whole planet." **Error! Bookmark not defined.**

CASE STUDY - CONTENT INVESTMENT IN THAILAND: *MEG 2: THE TRENCH*

A portion of Warner Bros. Pictures' yet-to-be-released *Meg 2: The Trench*, the sequel to the 2018 sci-fi action thriller *The Meg*, was filmed in Phuket, Thailand, in 2022.

The executive producer, E. Bennett Walsh, highlighted how valuable the Thai film industry was in the production, saying, "The Thai government, local crew and suppliers were critical to our successful shoot in Phuket, where we were able to capture stunning locales that will play perfectly in the film."



CASE STUDY - CONTENT INVESTMENT IN THAILAND: *GIRL FROM NOWHERE*

Girl from Nowhere premiered on Netflix in 2018. Netflix licensed the first series from Thai producers SOUR Bangkok and Jungka Bangkok Production House after a successful run on Thai commercial TV channel GMM.

Netflix renewed the show for a second season, exclusive to Netflix, investing in the Thai content and story. The investment expanded the reach of the title far beyond Thailand; the second series reached number one in the Netflix charts in Thailand, the Philippines and Vietnam only three days after launching. It reached the top five in Taiwan, Malaysia, Hong Kong and Singapore and even ranked as the ninth-most-watched show on Netflix in Brazil.⁵⁰ The second season also won Best Asian TV series in the Asia Contents Awards 2021.⁵¹

The show's lead, Chicha Amatayakul, said, *"I'm grateful for all the support I've been receiving since the show landed on Netflix ... It's been a pleasure to present this unique series to fans around the world."*⁵²



CASE STUDY - CONTENT INVESTMENT IN THAILAND: *LAMPUT*



Warner Bros. Discovery partnered with a Thai Animation studio, The Monk Studios, to help produce the fourth season of *Lamput*, an International Emmy-nominated Cartoon Network Asia original. The series has aired on Cartoon Network and Boomerang around the world, as well as on streaming services HBO GO and HBO Max. The latest season employs the Bangkok-based studio for pre-production. The team

from The Monk Studios said, *"Cartoon Network holds a special place in our heart as we grew up watching the channel. Being a part of the Cartoon Network show means a lot to us. Lamput is also such a fun project and it's great to collaborate with other talented artists in the region. Our team had a blast as they were allowed to unleash their creativity. We hope the show will inspire the next generation of artists and creators in the region."*

CASE STUDY - CONTENT INVESTMENT IN THAILAND: *THAI CAVE RESCUE*

This Netflix limited series will show how the 2018 Thai cave rescue of the Wild Boars boys' football team unfolded, particularly focusing on the perspectives of the boys.

Netflix has partnered with filmmakers, cast and crew from Thailand to make this series, which will be released worldwide on the

22nd of September. The series was filmed entirely in Thailand and includes Thai cast as the football coach, the boys in the team, the rescue team and other key people in the story.

Thai director Baz Poonpiriya said, *"Thai Cave Rescue is the first opportunity for audiences worldwide to see the Tham Luang story in a new and more emotional light... I am very proud to have this opportunity to tell the stories behind the faces and names we have come to know well over the course of this world-famous rescue operation."* Showrunner Michael Russell Gunn added, *"...We intended for the show to cover not just the rescue operation but also what the Wild Boars went through inside the cave, and we believe our focus on achieving authenticity – from characters and languages to locations and emotions – will shine through and make an impact on viewers worldwide through Netflix."*⁵³



INVESTMENTS BRING WIDER ECONOMIC BENEFITS

7. OCC services' investments are spurring skills, innovation and infrastructure

Content investments by global OCC services and the media companies backing them create indirect economic benefits for the broader AV sector. Policymakers should consider these benefits when setting the policy and regulatory environment. The benefits include skills growth and knowledge sharing, growth in the productive capabilities and capacity of the sector from infrastructure investments, and greater diffusion of innovations. These wider benefits can also be accrued through co-production partnerships between OCC services and local producers or broadcasters.

- **Training and skills:** OCC services provide training and skills programmes in Thailand. For example:
 - In 2021, Netflix sponsored a film camp for young directors and producers who were under 30. The 12 teams, selected from the **136** applicants, came from central Thailand (60%) and other provinces to provide equal opportunities and include those from outside the capital. Three of the teams won **\$5,000 (THB160,000)** and a post-production package at White Light Post and Kantana Sound Studio, major production studios in Thailand.⁵⁴
 - Netflix launched its first post-production training programme in Asia. The scheme brought together over **30** creative professionals from India, the Philippines, Indonesia, Vietnam and Thailand, who received training on technical, financial, managerial and creative

aspects of post-production work on a series. They were also added to Netflix's global freelance production roster for possible employment in future Netflix productions.⁵⁵

- Viu announced it was expanding the Viu Pitching Forum to Thailand in 2021. The scheme aims to support and empower Thai creatives in the production of content. The winner's content becomes a Viu Original production which is aired in the 16 markets where Viu is currently present. *"Viu Original series produced by Viu Thailand have been some of the most popular content among Viu-ers in the past year. We are proud to provide a platform to elevate local Thai talent and showcase their works as a Viu Original production across 16 markets,"* said Chalermchatri Yukol, programme director of Viu Thailand.⁵⁶
- **Innovations** introduced to Thailand on the back of inward investment will diffuse around the industry and be taken up by other domestic productions.⁵⁷
- **Sector infrastructure:** As well as incentivising investment through increased demand for production space, OCC services invest in infrastructure too. These investments, such as studio space or post-production facilities, increase the capacity and capabilities of the industry as a whole.

CASE STUDY – COLLABORATION WITH NETFLIX SUPPORTING LEARNING AND SKILLS: *SEA OF LOVE*

Sea of Love was Thailand's first Netflix kids series. It was produced by Bangkok-based The Monk Studios in collaboration with Netflix and received support from the Thai Media Fund under the "Adventure of Little Bruda" project.⁵⁸

It is an animated series pitched at preschoolers by Thai creatives that was released in 2022. The series aims to teach children to develop important skills such as how to relate to peers.



The co-creator of the show, Aimsinthu Ramasoot, said: *"We learned a lot through our collaboration with Netflix. Sea of Love arose from our desire to provide high-quality animation that teaches preschoolers how to function in society."*⁵⁹

8. OCC services' investments are producing broader benefits for Thailand

OCC investments bear fruit beyond the AV sector. The creative industries have a disproportionately wide economic resonance. The industry can connect people, cut across cultural and political divides, and act as a source of identity and expression. Content and stories are a powerful tool to aid national integration, deliver social messages and project Thailand's culture and influence on the global stage. Through

diversified local investment, training partnerships and key content decisions, OCC services can help achieve broader social goals and positively affect the community.

Investing in content can attract tourists who want to see where their favourite show was shot. Research has shown that content helps to create connections between viewers and locations through scenes on screen. The connections can lead to a growing cultural affinity, leading to more interest in that country, including its products, and increased tourism.⁶⁰

OCC services, with their ability to bring Thai content to a global audience, are exceptionally well placed to stimulate tourism and generate wider reputational benefits for Thailand, long after a title's initial release. By showcasing Thailand, OCC services raise the country's international profile and reputation. Content-induced tourism is on the rise. A TripAdvisor survey suggested that **20%** of global travellers have visited a destination because they saw it in a TV show or movie.⁶¹

- The film *Lost in Thailand* led to a surge in tourism to Thailand from Mainland China. The year after the film's release, the number of Mainland Chinese tourists jumped by almost **70%**.⁶² The film was influential in promoting Thai culture, such as the martial art Muay Thai, and tourist locations including Chiang Mai, which became a popular destination for Chinese tourists.⁶³
- Phang Nga Bay has become very popular since appearing in two famous movies. One island in the bay is called James Bond Island, coined after appearing in the movie *The Man with the Golden Gun*. The bay also featured in *Star Wars: Episode III – Revenge of the Sith*.⁶⁴
- More recently, Boy Love (BL) dramas, which often focus on male relationships, have attracted international tourists, particularly from Japan.⁶⁵



HELP INVESTMENT, DON'T HINDER IT

9. Pro-investment policies can keep Thailand's AV sector growing

Thailand benefits when policies attract investment in content and in the wider AV ecosystem. This high-value-added activity makes a disproportionately large contribution to GDP, it provides skilled, well-paid employment and it supports a country's exports.

However, production of top-quality content is costly. It requires sector-specific infrastructure, state-of-the-art technology, complex production processes and large crews of highly trained specialists from many different trades. At the same time, content creation - like any art form - is a risky investment.

Policies such as cash rebates, tax reliefs or grants that mitigate the risk and high fixed costs of content creation have been found to significantly increase content investments.⁶⁶ Thailand has been successful in attracting international investment through a number of schemes. These policies continue to make Thailand an attractive place to invest. The incentives these create could be enhanced, for example by making them more accessible through simpler, more efficient and more transparent applications or by increasing the size of the rebate.

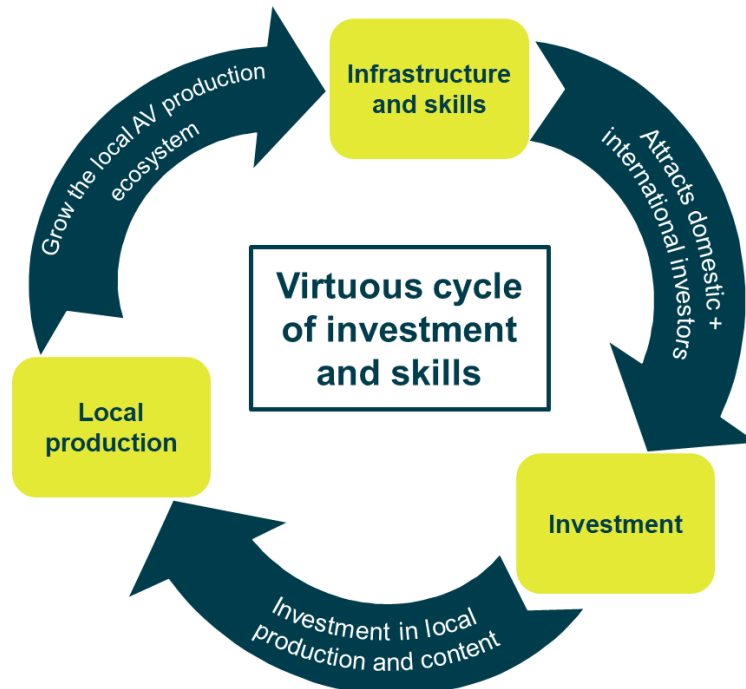
- Qualifying foreign-based film productions that shoot in Thailand can receive a **15-20%** cash rebate on their local spending.⁶⁷ Danucha Pichayanan, secretary-general of the National Economic

and Social Development Council, said the Centre for Economic Situation Administration was considering increasing the production incentives to **30%**, which would align Thailand with other countries in the region. However, the matter is still under discussion.⁶⁸

- Thailand is also in the process of granting a tax exemption for all foreign actors who work on movies or television productions in the country, in order to reduce the barriers for productions wanting to invest in Thailand.⁶⁹ The Thai cabinet approved the proposal in June 2022 but further steps are still needed before the law is enacted.⁷⁰

Policymakers can also ensure a strong supply of skilled, high-value workers by supporting training programmes that will benefit both global and local players active in Thailand. Increasing the capacity of the sector will ensure that Thailand can capture the full economic benefits from increased content investment. Government policies, including grants and rebates to incentivise and support media investment, can have large multiplier effects on the wider economy and on the government's fiscal position. These can outweigh the costs of policies to attract investment. Since the current rebate schedule took effect in 2017, revenues from foreign film productions in the country have increased. In the first year of the scheme, Thailand generated **\$94m (THB3bn)** in revenue from this source, a **30%** increase on 2016. By 2021, the sum had risen to **\$155m (THB5bn)**.⁷¹

A policy framework that encourages investment by OCC services in the AV sector in Thailand could underpin a virtuous circle of investment.⁷² Catalysing investment in infrastructure and skills enhances the industry's capacity and capabilities. This, in turn, makes the country an increasingly attractive location for new investment. The current environment in Thailand already supports this virtuous circle.



These policies can nurture the growth of self-sustaining “creative hubs of local production” with global producers and major studios incentivised to locate and concentrate activities in Thailand (so called “agglomeration benefits”), to the benefit of the local economy.⁷³ For example:

- Thailand already has a growing content creation ecosystem which OCC services' investment will help to expand. The ecosystem consists of in-house units at all of the major TV channels; affiliated production houses, large channel operators such as BEC World and Bangkok Broadcasting; independent production studios; format houses and film studios such as GDH 559, M Pictures and Sahamongkol Film, which are also expanding into online series.⁷⁴
- In Thailand, Netflix's Post-Production Partner programme is profiting firms such as IYUNO Thailand, Kantana Post Production Thailand and SDI Media Thailand. The collaborative scheme aims to improve the quality of post-production elements such as dubbing, audio description, scripting and quality control.⁷⁵
- Viu aims to build an industry ecosystem for Asia, by bringing together show creators, directors and production houses that wish to bring their work to a larger and more diverse audience. Through films such as the Thai drama *My Bubble Tea*, Viu wants to help create Asian content that can cross borders.⁷⁶ The managing director of Viu said: *"The Thai wave is now lapping on the shores in Asia ... This has prompted us to explore the ... Thai wave to create a new and hopefully refreshing breed of entertainment for our audiences."*⁷⁷

Policies that discourage or constrain foreign investment or market entry can disrupt this virtuous cycle. Instead of the local AV sector enjoying rising investment, cutting-edge infrastructure and ever-higher skill levels, more-protectionist policies may hamper innovation and growth opportunities in the long run.

10. Our research finds that protectionist policies can hurt the economic potential of local AV industries

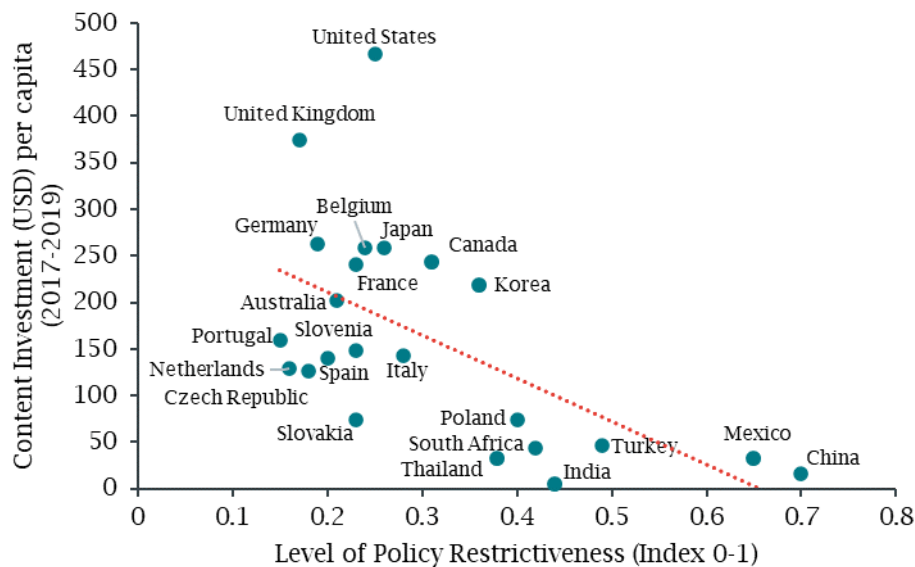
"Protectionist" policies intended to shield local companies from international competition could result in local industries that are inward-looking, less innovative and less able to produce high-quality content that is in demand internationally. Many countries have cultural policies aimed at promoting local content, but some come at a cost and prove ineffective at achieving the goals they pursue. Our analysis, which examined the relationship between protectionist policies and AV trade (i.e., licensing content internationally), found that higher levels of protection (for example, the introduction of local content quotas) **lead to reductions in AV exports**.⁷⁸ This implies that countries with more-protectionist policies are less able to monetise their content in international markets, or show off and promote their culture to audiences around the world.



11. Put up barriers and you may put off investors in content

Countries that have greater policy restrictions tend to have lower levels of investment in content. While there are many other factors at play,⁷⁹ Figure 4 below is consistent with the hypothesis that protectionist policies discourage content investment (at least for the countries selected). The result of lower content investment is inevitably lower employment and skills development in the sector.

FIGURE 4 RESTRICTIVE AV POLICY CORRELATES TO LOWER INVESTMENT (SELECTED OECD COUNTRIES AND CHINA)



Source: Frontier analysis of Ampere and OECD data

Note: All values of content investment are nominal. For each country, content investment data includes investment by commercial and public broadcasters and also by selected OCC services, where spending can be disaggregated by country. Excludes any investment in sports rights. Countries were selected based on data availability and include OECD countries and China. The level of policy restrictiveness is the OECD's broadcasting sector-specific Services Trade Restrictiveness Index (STRI), which captures the level and range of non-tariff barriers in services trade within the broadcasting sector. The STRI is a widely used measure of policy restrictions on services used by academics and policymakers. The STRI is an index between zero and one attributed to each country, where zero would imply no policy restrictions, and one the highest possible policy restrictions.

12. Restrictions reduce incentives

Thailand is home to a growing AV industry, though OCC services in Thailand are a relatively recent addition to the AV sector, with domestic and international OCC services launching later there than in some other countries and new services starting up each year. Policymakers can encourage this growth to continue in a way that keeps benefiting the local creative sector and the broader economy.

Protectionist restrictions (such as expenditure obligations, content quotas, conditional visas for foreign actors and broadcast quotas) may have a number of legitimate policy objectives (such as supporting the creation or consumption of local cultural content, or helping the domestic AV sector). But they can also have adverse impacts.

- Investment obligations are designed to ensure sufficient levels of investment in local content, but implementing them can have unintended consequences.

- Restrictions can drive up costs for domestic and foreign companies, reducing competition and raising prices for consumers.⁸⁰
- Policy restrictions that erect barriers to inward investment deter the influx of international capital, talent and skills. They can also restrict the adoption of new techniques and innovations that come with inbound investment.
- Onerous definitions of local content obligations can discourage investment in local content and the local industry.⁸¹
- Broadcast-time quotas are designed to nudge consumers towards local content, but implementing them for OCC services can be problematic.
 - Quotas applied to OCC services **may not be effective** in changing tastes, as consumers choose their content on demand.⁸²
 - Quotas can **distort incentives**, as services are motivated to focus on the *quantity* of local content rather than its *quality*, which could have less of an economic impact.^{83 84}
 - OCC services may **reduce the size of their overall libraries** in proportion to the volume of local content that they are able to license, leading to less choice for consumers and less investment in wider production by OCC services, without increasing the actual volume of local content.
 - Quotas can **create barriers to entry**, as they may disproportionately affect smaller OCC entrants rather than established OCC services with large domestic customer bases or content libraries.

Therefore, policymakers should seek to adopt policies which are most effective and least distortive. Content quotas are likely to be most distortive, since, as they effectively ration non-domestic content, they can strongly distort consumption decisions. Taxes, levies and tariffs applied to production are less distortive than quotas, since they are more transparent and do not warp consumption patterns, but they may not be well targeted on a specific market failure. Finally, production subsidies, cash rebates and tax incentives are the least distortive, since they do not significantly skew consumption and can be targeted at specific market failures.



Where the goal is to expand domestic capacity and capabilities, joint productions with foreign companies may be more effective than restricting entry or imposing additional requirements on international services in domestic markets.

Restrictive policies may also have the unintended effect of increasing levels of piracy. Piracy drains a country's AV economy by reducing the returns on investment and blunting the incentives of creatives to innovate and produce new content. It also reduces the government's tax take as legitimate business

revenue streams are hit. Online video piracy is forecast to lead to **\$475m (THB15.1bn)** in revenue leakage from the Thai AV industry in 2022.⁸⁵ **42%** of OCC users in Thailand have said that they would watch or download OCC content from unauthorised services if it was not otherwise available, to the detriment of both the country's economy and its culture.⁸⁶

In summary, some protectionist policies can increase costs, restrict investment and ultimately limit the content available to local consumers, with potentially further negative consequences for the creative industries in Thailand.

A blue square icon containing a white silhouette of a film camera.

OCC SERVICES CAN HELP THAILAND'S AV INDUSTRY CONTINUE TO FLOURISH

Thailand has a vibrant film, television and video on-demand industry, and OCC services make a significant and growing economic contribution within that sector. Consumers are increasingly subscribing to OCC services, which invest in Thai content that audiences want to watch. OCC services also act as an international shop window for the country's culture, while bringing Thai stories to global audiences.

By carefully continuing to calibrate policy to incentivise investment, Thailand can capture the full economic benefits from content investment, including new employment opportunities, higher economic output, increased exports, a more competitive skills base and expanding sector infrastructure. This, in turn, creates conditions to attract new investment. Policymakers should seek to achieve the right policy mix. Policies should continue to focus on increasing the supply of investment, expanding AV infrastructure in the country and enhancing the skills of people in the industry. They also need to be mindful of potential unintended consequences of protectionist policies that can reduce investment, economic outputs and exports while stimulating digital piracy. By working with OCC services, producers and production companies, policymakers can create the right conditions to support the investment that will allow the creative sector in Thailand to continue to flourish.

¹ OCC subscribers counts the number of paid subscriptions to OCC services in Thailand. These are often used by more than one person, usually within the same household.

² Results are from an online consumer survey of 1,000 Thai internet users ("Kantar Survey"). The survey, designed by Frontier Economics, was conducted by Kantar between 18th and 20th July 2022. See technical

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annex for further details. Question: *How often do you watch online subscription services which offer professionally-produced full-length movies, shows or series for a regular fee, such as Netflix, HBO GO, Amazon Prime Video, Disney+ Hotstar, WeTV (paid for VIP version), Viu Premium and iQIYI? Please exclude services that show videos uploaded by individual users such as YouTube.* Base: All respondents (1,000)

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