

Chapter 1

Background of this Research

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CHAPTER 1

Background of this Study

1. Objective

It is recognized that the content industry is one of the potential cores of economic growth in Asia and ASEAN countries.¹ This research aims to analyze this industry, considering its structure and contribution to the economy based on industry/market data and national statistics, as well as case studies describing ripple effects, industry-wise and country-wise, such as imports and exports. It is also overviews the policy measures taken in each country to assess the current situation of government's role in promoting industry growth.

Secondly, taking into account the opinions of government and industry/businesses, this report assess the strength/weakness/opportunity/threats (*i.e.* conducts a 'SWOT' analysis), for each country, and also for the region as a whole. The purpose of the SWOT analysis is to verify how the content industry in each country could enhance productivity and increase trade in the region, by looking at the challenges at several stages of the industry's value chain.

Finally, these analyses will be the basis of the policy recommendation, for promoting the industry in each country and also cooperation among governments and

¹ UNCTAD, Creative Economy Report (2008, 2010)

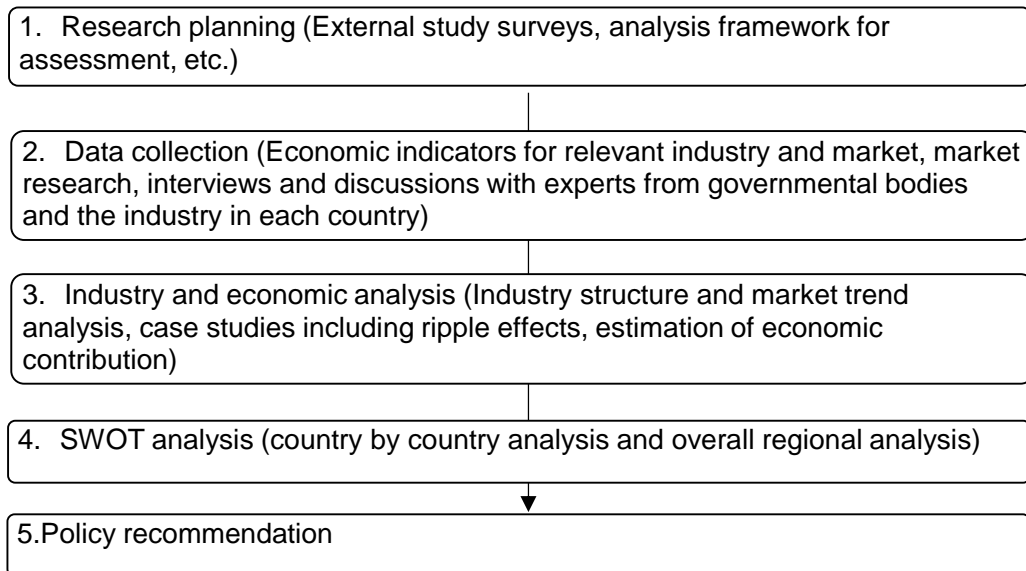
businesses in the content industry, to accelerate development in value chain and strengthening competitiveness.

2. Framework and Methodology

2.1. Study Flow

This report was conducted based on the following steps:

Figure 7: Study Flow



First, a research framework for analysis and research items was planned. Secondly, basic data from each country were gathered and reorganized for mutual comparison, to review the overall growth potential for the industry. Thirdly, the situation and issues regarding industry structure and/or relevant policies were verified and organized for qualitative analysis. Also, through cross-industry input-output analysis, estimation of economic contribution for the audiovisual content industry was conducted. A SWOT (Strength / Weakness / Opportunity / Threats) analysis was conducted taking into account opinions from government and industry /

businesses.

Finally, taking the analysis results into account, policy recommendation were developed.

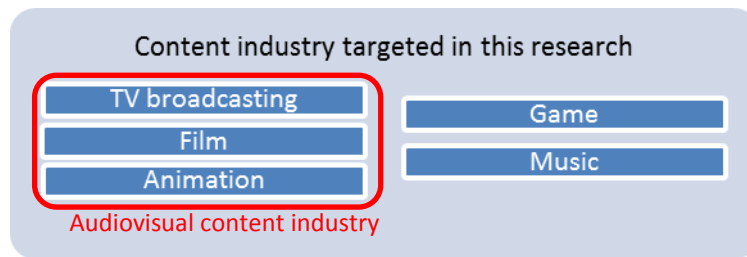
2.2. Covered Countries and Industries

In this report, eight countries, China, Indonesia, Japan, Korea, Malaysia, Philippines, Singapore, and Thailand is covered.

The definition of the content industry in this report is shown in Figure 8. Five subsectors, namely TV broadcasting, film, animation, game and music, are the scope of this research. In global perspective, especially in developed countries, the five subsectors is the driving growth in the content industry. To add, in general, these subsectors are commonly recognized category in terms of statistics and related industry data, which lowers the barrier of analysis and cross-country comparison.

On top of that, deeper analysis is conducted mainly targeting the audiovisual content industry (including TV broadcasting, film and animation), which is considered as the core industry in the context of content or creative industry. Note that animation is mostly considered to be a subset of TV broadcasting and/or film, however it is one of the growing sectors in Asia. Therefore the sector is independently analyzed with respect to available statistics.

Figure 8: Scope of the Industry



There are several ways of defining the audiovisual content industry in detail, by looking at individual subsectors within TV broadcasting, film, animation industry.

These are:

- ✓ Types of output
- ✓ Stages in the value chain

Breaking down the industry in this way helps to understand the value added in different stages of the economic activity in the industry.

“Types of output” refers to the output of content in products or services within the industry. In this report, the following outputs are included:

- TV programs (domestic and foreign program distributed domestically)
- Films
- Animation

The above currently represents the key outputs of the industry. However, when economically evaluating the content industry, it is difficult to distinguish the value added within the flow from production to final consumption. Moreover, taking into account the recent trends in market convergence, its range of outputs is increasingly transformative. To give examples relating to the film and television broadcasting industry; convergence among different types of content, merchandizing originating in film/ television programs can be seen as well as, and increasing demand for multi-

screen (TV/ PC/ mobile) provision over broadcast and communication network. The framework and industry categorization used in the national statistics do not exactly reflect these trends. Consequently, analysis of outputs based on the traditional film and TV sector split will not reflect the whole industry. The market trends concerning new subsectors, such as internet distribution, need to be taken into account and be assessed in a wider view, given that the estimates are bound by available statistics.

“Stages in the value chain” can be broken down into the following components:

- ✓ Production
- ✓ Distribution
- ✓ Film Exhibition
- ✓ Television Broadcasting (Terrestrial /satellite / CATV)
- ✓ Home video (retail and rental)
- ✓ Online service (Internet distribution to TV/PC/Mobile)

The definition for each component is explained in Table 3.

Table 3: General Definition of the Value Chain Component

Component	Definition
Production	Production subsector refers to producing the type of output defined in this report (film, television program, and other audiovisual content), which includes development, photography and related technical process. In general, it can be divided into, pre-production, production and post-production.
Distribution	Distribution subsector refers to distributing the produced or completed content.
Film (Exhibition)	Exhibition subsector refers to displaying the distributed films to the public, through location such as cinema and theatres. The revenue is generated from admission fees paid by the audience, or box office revenue.
Television Broadcasting	Broadcasting subsector refers to distributing of content through broadcast television media. Basically, terrestrial, satellite, and CATV are covered as these are the main television media. In general, its revenue includes advertisement, subscription fee, and governmental funds.
Home video	Home video subsector refers to selling or rental of content on physical format such as CDs/DVDs/Blu-ray discs. In this report, the figures used to derive the economic impact, are wholesale-based, which is the sale to retail shops or rental shops.
Online service	Online service subsector refers to distributing of content through internet media, viewed on multiple platforms (e.g. PC, TV, and Mobile). Internet Protocol TV (IPTV) is included here and its market trend is explained within this subsector.

2.3. Assumption and Limits regarding Quantitative Data

Data are collected and provided by the member countries based on this definition to enable mutual comparison and economic effects analysis. To fulfill the purpose of

this research, references may be made to a wider concept of industry, which include the audiovisual content industry and other segments of industry.

Note that each country has its limit in current statistics concerning certain areas; therefore in some cases external databases are referred to. Table 5 shows in detail, that was covered (provided by the member countries) in the analysis.

Table 4: Reference Source of Primary Indicators

Parameter		Reference Source
Economic Indicator	GDP per capita	● World Bank
	Population	● World Bank
	Labor	● National account, various country statistics sources
	Economy breakdown by industry, Input-Output table	● National account of each country
Industry indicator	Market revenue	● Statistics provided from each member country ● PricewaterhouseCoopers “Entertainment and Media Outlook”
	Employment	● Statistics provided from each member country

Table 5: Items that are included in Each Industry

	China	Indonesia	Japan	Korea	Malaysia	Philippines	Singapore	Thailand
TV Broadcasting	*Advertising *Cable TV *Financial fund *Other Operating Income	*Advertising *Radio & Television	*Terrestrial ,CATV, Satellite *Program production	*Terrestrial ,CATV, Satellite *Program Provider *Internet program provider *Program Production	*Creation (creation, development etc.) *Aggregation (aggregation, archival, storage, publishing, advertising etc.) *Distribution (dissemination of content to end user etc.)	<i>Quoted from PwC database</i>	* TV programme production *TV programme distribution *Other motion picture, video and television related activities *Radio programme production and broadcasting *Television broadcasting (including cable, satellite, terrestrial television, internet and mobile)	*Terrestrial ,CATV, Satellite
Film	*Box Office from city cinemas *Overseas sale Advertising from *Film channel	*Film Video & Photography	*Box office * DVD sale & rental *Internet distribution *Film production / distribution	*Film Production /Support/Distribution *DVD/VHS Production/Distribution	*Distribution *Aggregation *Creation	<i>Quoted from PwC database</i>	*Motion picture/video production *Distribution activities * Cinema services *Motion picture projection *Renting of VCDs and DVDs	*Box office *CD/VCD/DVD sale & rental *Production *Post-Production *Other

Animation	n/a	n/a	*Overall revenue (included in TV broadcasting, Film)	*Animation Production *Animation Distribution *Online Animation Distribution	n/a	n/a	Animation production (included in TV broadcasting, Film)	*Box Office *TV series *CD/VCD/DVD sale & rental *Visual Effect/post- production *Mobile Download *Character License
Game	<i>Quoted from PwC database</i>	*Overall revenue	*Package software *PC online game *mobile online game *social game *Arcade game	*Game Production /Distribution (console game software) *Game Distribution (PC Café, Arcade Game)	*Distribution *Aggregation *Creation	<i>Quoted from PwC database</i>	*Wholesale/Retail of computer games *Publishing of computer games *Development of computer games *Game arcade *Online game aggregation *LAN game operations	*Arcade video game *PC game *Online game *Manufacture CD/VCD/DVD *Licensor *Manufacture software & Amusement machine *Sale & Production software & Amusement machine

Music	<i>Quoted from PwC database</i>	*Overall revenue	*CD/DVD sale & rental *Internet distribution (PC) *Mobile distribution *Karaoke	*Music Production *Music & Audio Publishing *Record Reproduction /Distribution *Record Wholesale /Retail *Online Music Distribution	<i>Quoted from PwC database</i>	<i>Quoted from PwC database</i>	*Wholesale/retail sale of music and video recordings *Sound recording production *Music publishing and distribution	* CD/VCD/DVD *Operation Karaoke *Licensor Production *Post production
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