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# Malaysia's Star Media to launch first homegrown Asian-exclusive OTT platform

By: Joyce Goh  
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(Nov 7): Star Media Group Bhd, the parent company of SGX-listed **Cityneon Holdings**, will launch the first homegrown OTT (over-the-top content) offering exclusively Asian content called dimsum this week, group managing director and CEO Datuk Seri Wong Chun Wai tells *The Edge*.

“It is a first for the group and the industry as a whole. We will be offering the best Asian content on a subscription video-on-demand service from our curated library, sourced from all over the region. The content will mainly be drama series from Taiwan, Japan, China, Thailand, South Korea, Singapore and Malaysia.

“We will charge a flat rate of RM15 (\$4.95) a month, which will allow up to five concurrent users and devices,” says Wong, who took on the top job in 2013. He was group chief editor before that.

“This is part of our digital strategy. We have been exploring new products. We really hope this works out well and gives us the possibility to look at the region as a potential market. People like visual entertainment now. We will launch in Malaysia and Brunei first.”

The group, he says, will monitor the progress of the service in these two markets before deciding where to go to next.

Wong acknowledges that Star Media is not sheltered from the tougher operating landscape and disruption that have weighed the sector down as a whole. This is why the group has been actively looking at ways and means to diversify, he says (see “Reshaping Star Media to keep its shine” below).

“In Malaysia, *The Star* remains strong ... but the reality is that profits have started to drop,” he admits.

It is apparent that the group is actively diversifying to ensure it is not wholly reliant on the print segment. The group is certainly not short of cash for its diversification plans.

For its six months ended June 30, 2016, Star Media is sitting pretty with a net cash

position of RM337 million. About 60% of its revenue still comes from print, a segment that contributed nearly 100% to its profit in FY2015 ended Dec 31.

“For a long time, this has been staring at us in our faces — the changing landscape of the media industry. We have to evolve ... This is also why we brought in new talent such as Roy [Tan] to be chief digital officer three years ago and recently, [Lam Swee] Kim as chief marketing officer for our OTT venture. We also feel that news as a component will have a shelf life and is a very domestic product,” Wong says. “We need to have a product that has strong local appeal and can travel beyond Malaysia.

“So, the digital strategy was rolled out two years ago. The first part was by using Cityneon (Holdings Ltd) as the platform to acquire Victory Hills Exhibition, which has the global rights to exhibit the *Marvel Avengers S.T.A.T.I.O.N.* franchise exhibition and recently, Transformers from Hasbro.”

“This digital initiative has contributed to the group the strong Singapore and US dollars as well as propelled us into global markets. Now, this new OTT venture is Phase Two of our digital plan.”

Star Media expects the payback period for the new venture to be faster than a normal broadcast business, but Wong declines to reveal when that will be.

The average payback period for a broadcast operator is seven to nine years and in some cases, can go up to 15 years, according to Tan.

### **Strategic opportunity**

Tan says the reason Star Media is venturing into the OTT space is because it believes it is a strategic opportunity.

“This is the right strategy for the group. Two of our strongest assets are The Star and 988 FM. The thing about both of them is that they have a very strong premium component. As an example, 52% of The Star’s readers are Chinese-speaking, from the premium market,” he points out.

“As a media group, we want to make sure we have assets that have overlapping

reach so that we can increase our potential revenue because it is synergistic to the group and makes sense. That is why everything we do needs to have synergy and drive the same belief in terms of getting the right audiences. So that starts fleshing out the reason why we are doing what we are doing for this venture. We train all our guns on this segment for optimal results.”

Given that Star Media has a ready audience via its media platforms, Wong says, the OTT Asian segment is venturing into a market the group is already familiar with.

“To make this work, we need to rely on The Star’s readers and radio ... this will be the bulk of our subscribers we are targeting because we know what they like. There will be a cross-bundling of sales. There is advertising potential in this, but we want to give subscribers of dimsum uninterrupted viewing pleasure for now,” he says.

Lam, who has close to 20 years’ experience in the entertainment, broadcast and technology sectors, says, “We are already sitting on the base, so it makes sense for us to go into the premium audience through Asian-skewed content... but we also decided to put in subtitles in Malay, English and Chinese as we realise Malaysians across the board will enjoy the content served in multiple languages like Korean, Japanese and even Thai. There is demand here. The content we have will be premium, exclusive and even simulcast with the country of origin. We are not going for the mass market but the premium market.

“We also have a parental control option and you can download the show to your devices to watch offline. Statistics show that people spend about three hours a day online, the majority of them on their devices. That used to be the time people would spend watching TV ... the way people consume media has changed.”

Wong says, “This is why we want to ensure the content is in HD (high-definition) quality with many exclusives that include simultaneous broadcast from country of origin to cater for the demand and change in media consumption.

“At RM15 a month, it works out to 10 sen a day per device. That is cheaper than any dimsum outside!”

Consumers have several OTT platforms to choose from currently from but content from the standalone players such as Netflix and iflix are mainly in English.

Charges for Netflix start at RM33 for a basic package for one screen, RM42 for two screens and RM51 for its premium package that covers four screens. Meanwhile, iflix charges a flat RM8 monthly rate.

Media Prima Bhd also has an OTT service provider — tonton — that has a large library of local Malay and Chinese content.

There is a free package that includes some videos and four live channels — 8TV, TV3, ntv7 and TV9. Users can access other shows and videos for RM3 for 24 hours, RM5 per week, RM10 per month or RM96 per year.

Astro Holdings Bhd has Astro on the Go and NJOI on the Go, similar to OTT, which allows users to watch programmes on devices. Astro has a range of packages with charges of between RM84.80 and RM188.68 a month that are bundled with Chinese and Korean content. The Wah package, at RM84.80 a month, provides access to over 60 channels. NJOI is its subscription-free satellite service where customers pay RM285 for a refurbished decoder and RM350 for a new decoder for 29 TV channels and 20 radio channels.

While Star Media is venturing into new waters with its OTT venture, it is not new to the digital space. Interestingly, it has been 22 years since it launched its online website.

“The website has made consistent revenue the last few years, but has not been able to grow substantially. From a business point of view, we are the only one that has a viable business model for an online website,” says Wong.

“We have five million unique visitors and an average of 50 million page views per month. It is consistently strong ... but when you look at the whole thing, I don't think it is sufficient ... without the print side, I don't think the earnings are enough. Star Media Group is just like any other media group everywhere... we are still a very print-based company where you have over 60% of the RM1 billion revenue coming from print and we have to diversify our revenue base to survive.”

“I think all media businesses can echo this. In the case of Star Media, we have seen the numbers drop and we can still withstand the headwinds very well.

“And personally speaking, we want to do something and try to make it work. We are talking about wanting to carry Star Media for many years to come. The shape and product has to change,” he says matter-of-factly.

“It won’t be easy, but we in Star Media Group want to try because there is nothing worse than not trying.”

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### **Reshaping Star Media to maintain its shine**

“The shape and product have to change,” says Star Media Group Bhd group managing director and CEO Datuk Seri Wong Chun Wai. Wong, who started his career as a journalist at its Penang bureau more than three decades ago, is referring to the group’s future.

He is realistic about the changes a traditional print media company has to make when the operating landscape becomes challenging.

“We are 45 years old this year — this is the beginning of the strongest change for Star Media Group to move on and continue to be sustainable,” he tells The Edge.

Wong, who has seen The Star grow into the country’s most widely circulated paid English daily, is concerned about the group’s financial numbers. To him, the print media business is not as profitable as it was before.

To sustain growth, the group will be launching dimsum, the country’s first homegrown OTT (over-the-top content) service, providing Asian content exclusively, on Nov 8.

“Basically, we see the importance of taking on the digital effort. Of course, all media groups are talking about digital, but how does one monetise it? To us, rather than focusing on just the news part, we feel that there is value in the entertainment segment. We are serious about our new venture into OTT. It is a sizeable venture for us,” Wong says, but declines to say how much it will be investing.

Media analysts are surprised by the news.

“It is surprising that they are going into this space. Yes, Star Media needs to diversify ... But this new venture isn't going to be a walk in the park,” says a media analyst with a local bank-backed research house. “OTT is the next big thing, yes, but can it make money? And how much are investors willing to invest in this field? To give you an idea, iflix Malaysia posted a net loss of RM120 million for the period of August 2014 to December 2015. Players need to have enough cash and strength for this marathon ... it is not a 100m sprint.

“For OTT, players need good content and strong data analytics — those are two key things. When it comes to content, some people may not realise it, but local content is important,” he adds.

The analyst believes the group can still be a dividend play. “The big question is the sustainability of their dividend payout. For this year, they have communicated to us analysts that they are targeting 18 sen, which translates into a 7% yield.”

Star Media declared 18 sen dividends for FY2014 and FY2015. It reduced its payout to 15 sen in FY2013 from 18 sen in FY2012.

Star Media's earnings picked up in the financial year ended Dec 31, 2015 (FY2015) after two consecutive years of lower year-on-year earnings. Net profit grew 20% to RM132.96 million in FY2015 after two consecutive years of contraction.



STAR MEDIA GROUP    CITYNEON HOLDINGS    OTT (OVER-THE-TOP CONTENT) OFFERING  
CEO DATUK SERI WONG CHUN WAI