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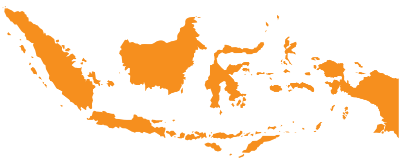
Indonesia— set for rapid spending growth powered by Internet-based segments

The Indonesian entertainment and media market will grow at a CAGR of 10.1% over the next five years to 2018, far outstripping the CAGR of 5.7% projected for Asia Pacific as a whole, and the 5.0% CAGR forecast globally.

Strong growth in digital revenues will be accompanied by resilience in traditional media, especially the dominant newspaper segment

Spending on entertainment and media in Indonesia has grown rapidly in recent years, driven by the country's expanding middle class and rising disposable incomes. While the country's entertainment and media market remains relatively small compared to other leading Asia Pacific countries such as China, it is set to be the region's equal fourth-fastest growing market over the coming five years. **PwC's Global entertainment and media outlook 2014-2018** ***projects that overall spending on entertainment and media in Indonesia will rise during 2013-2018 at a compound annual growth rate (CAGR) of 10.1% — a pace of growth that will be exceeded in Asia Pacific only by India (11.6% CAGR), China (10.9% CAGR), and the much smaller Pakistan market (10.6% CAGR). Growth in Indonesia's market will also be level with Vietnam's, and well ahead of the CAGR of 5.7% projected for the Asia Pacific region as a whole. This sustained rise in spending will see Indonesia's overall entertainment and media market expand from US$10.2bn in 2013 to US$16.5bn in 2018, taking the country's share of total regional spending from 2.2% to 2.7%. The increase in overall spending during the five years will be led by strong rises in Internet advertising and Internet access as the fastest-growing segments, followed by TV subscriptions and licence fees. However newspapers will remain the country's largest entertainment and media segment, with overall newspaper revenues growing much faster than in most other countries.***

Indonesian entertainment & media market by numbers

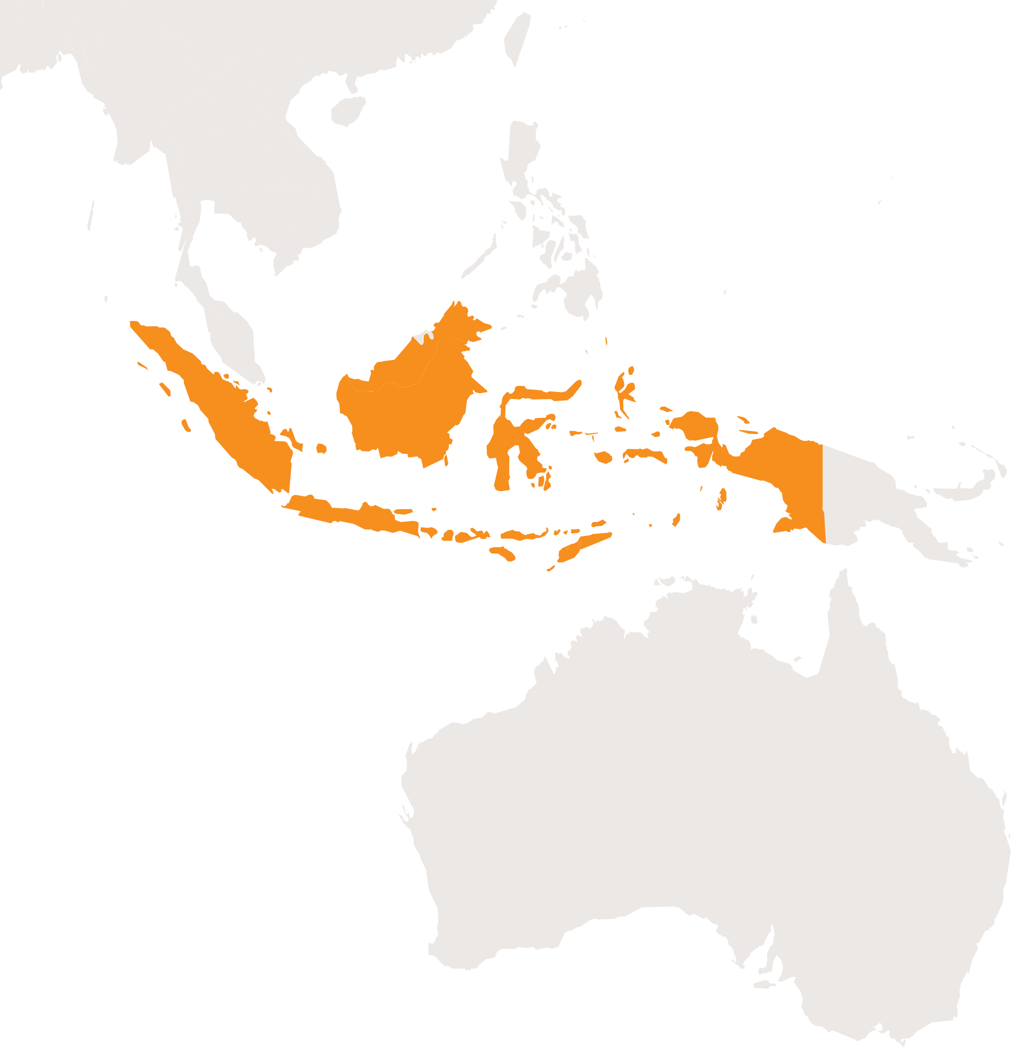


Indonesia	**vs**	**The World**
Size of the market 2013		
US**$10.2bn**		US**$1.8tr**
Growth 2013-2018		
10.1% CAGR		**5%** CAGR
Top 3 fastest growing segments 2013-2018		
1. Internet advertising **21.3%**		1. Internet advertising **10.7%**
2. Internet access **17.1%**		2. Internet access **9%**
3. TV subscriptions and licence fees **13.2%**		3. Video games **6.2%**

Source: PwC, Global entertainment and media outlook 2014-2018, www.pwc.com/outlook

Indonesia will outpace overall growth in entertainment and media spending both across Asia Pacific and globally through 2018

Within Asia Pacific, only India, China and the much smaller Pakistan market will see their entertainment and media spending grow faster than Indonesia's through 2018.



In 2013, total spending on all entertainment and media in Indonesia totalled some US$10.2bn, representing a strong rise of 14.8% from 2012.

- The Indonesian market is projected to continue to expand at a CAGR of 10.1% over the five years to 2018, far outstripping the 5.0% CAGR forecast for the entertainment and media market globally.
- Within the Asia Pacific region, only India, China and Pakistan will grow faster than Indonesia in terms of entertainment and media spending.
- In 2015, spending in Indonesia will overtake that in Taiwan, where the market will grow at a CAGR of only 4.1% during the five-year forecast period.

Growth in Indonesia will be spearheaded by Internet advertising and Internet access — but newspapers will remain the largest segment

Newspaper publishing — the country's biggest segment — accounted for over one-third of total entertainment and media spending in Indonesia in 2013, compared to an average share globally of less than 10%.

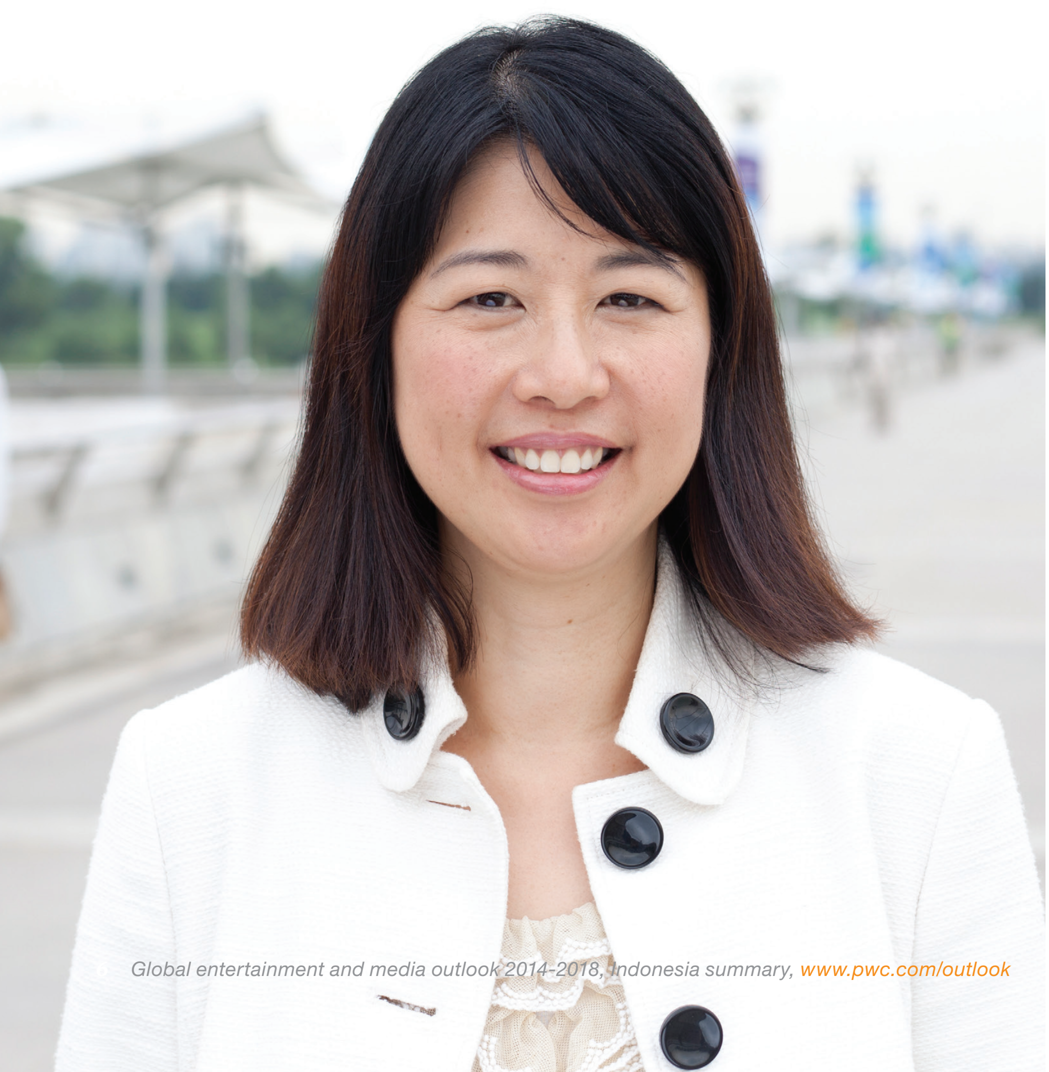
A distinctive feature of the Indonesian entertainment and media market is that newspaper publishing is the country's largest segment. With revenues of US$3.5 billion in 2013, newspapers accounted for 34.3% of the country's total entertainment and media spending, compared to an average share of 9.1% globally.

- Newspapers will hang on to the top spot in the Indonesian marketplace throughout the forecast period, despite growing more slowly than most other sectors, at a CAGR of 5.9%. However, by 2018, TV advertising — growing at a CAGR of 12.0% — will have almost closed the gap, and may be poised to overtake newspapers within the near future.
- The fastest-growing segment over the five years will be Internet advertising, rising at a CAGR of 21.3%. However this rise will be from a very low base, and Internet advertising revenues in 2018, at US$92mn, will be a mere fraction of TV advertising at US$4.6bn. In contrast, global Internet advertising will be narrowly behind TV advertising in that year, and poised to take over.
- The second-fastest-growing segment in Indonesia will be Internet access, expanding at a CAGR of 17.1% to reach US$3.9bn in 2018.
- All segments of entertainment and media in Indonesia will see spending rise during the five years, with music experiencing the slowest growth at a 1.2% CAGR.

By 2018, TV advertising will have almost caught up with newspaper publishing, and could be poised to overtake it as Indonesia's biggest entertainment and media segment.

Indonesia's entertainment and media spending will outpace global growth in every segment except music, where it will equal it

Fuelled by the country's expanding middle class, spending in Indonesia will exceed the global growth rate in every segment of entertainment and media except music over the next five years to 2018.



As well as growing at an overall CAGR more than twice that of the global entertainment and media market, Indonesia is projected to see every segment of its entertainment and media industry except music outpace global segment growth rates over the five years to 2018, fuelled by the country's expanding middle class.

- The segments seeing the largest gaps between growth rates in Indonesia and globally will include Internet advertising (Indonesian CAGR 21.3%, global 10.7%); Internet access (Indonesia 17.1%, global 9.0%); magazine publishing (Indonesia 5.2%, global 0.2%); business-to-business (Indonesia 9.0%, global 3.4%); and newspapers (Indonesia 5.9%, global 0.1%).
- Narrower differentials between Indonesian and global growth rates will be seen in segments such as music (Indonesian CAGR 1.2%, global 1.2%), and book publishing (Indonesia 1.4%, global 1.1%).

Internet advertising will be Indonesia's fastest-growing segment through to 2018 — but still has a long way to go to challenge TV advertising

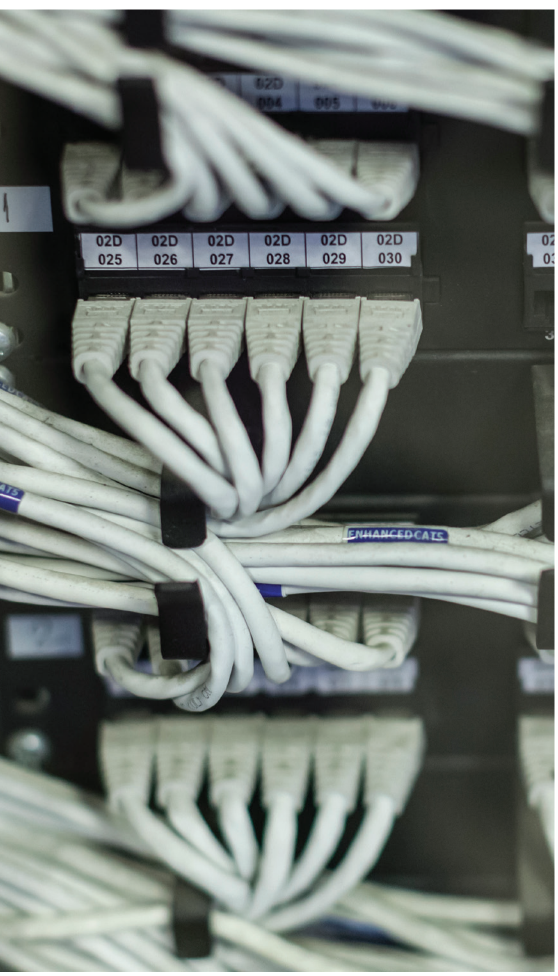
Mobile Internet advertising revenue in Indonesia will quadruple from US$6mn in 2013 to US$24mn in 2018, and will overtake search in 2015 to become the second-largest online advertising segment after display.

Globally, Internet advertising — the fastest growing segment of entertainment and media — is steadily catching up with TV advertising. In 2018 total global Internet advertising will be equivalent to over 90% of TV advertising, and poised to overtake it within a few years. In Indonesia, too, Internet advertising is set to be the fastest-growing segment over the next five years, outpacing the growth in TV advertising.

- However, the gap between TV and Internet advertising is so large in Indonesia that Internet advertising revenues will still only be a fraction of TV advertising by the end of our forecast period — with TV advertising of US$4.6bn dwarfing Internet advertising at US$92mn.
- That said, the long-term outlook for Internet advertising is very bright. Indonesia has a large population of 245.9mn, fast-growing economy and burgeoning middle class. Yet household broadband penetration is extremely low as of 2013 at 6%, although it is likely to grow rapidly in time. These attributes mean Indonesia is an enormous, near-greenfield opportunity for Internet advertising.
- Display advertising is the dominant form of Internet advertising in Indonesia, accounting for 63% of total Internet advertising revenue in 2013. It will retain its leading position but its share will drop to 52% by 2018 due to faster growth in search and mobile revenues. Mobile Internet advertising revenue is expected to grow from US$6mn in 2013 to US$24mn in 2018: it is forecast to catch up with search in 2015 and to overtake it in 2016, becoming the second-largest online advertising segment.

Internet access spending is set for rapid growth as mobile Internet penetration rises

Mobile Internet access revenues in Indonesia will be almost three times the size of fixed broadband access revenues by 2018.



Over the five years to 2018, Internet access will be Indonesia's second-fastest growing segment of entertainment and media, growing at a CAGR of 17.1% to US$3.9bn. This rise will be driven mainly by mobile Internet access revenues, which will be almost three times the size of fixed broadband access revenues by 2018.

- Indonesia's difficult terrain makes it one of the toughest countries in the world to deploy broadband infrastructure, and providing high-quality fixed broadband and mobile Internet access remains a struggle. Telkom Indonesia's ambitious plan — the Indonesia Digital Network — promises 70% of its fixed-broadband subscribers on fibre-to-the-cabinet (FTTC) services, 15% on fibre-to-the- home/building (FTTH/B) and the remaining 15% on DSL by end 2015, but progress remains slow.
- To help extend Internet access to regional areas, Telkom Indonesia has signed a deal with Alcatel-Lucent to build a 3,000km submarine cable system linking Sulawesi, Maluku and Papua in the eastern archipelago. This will help to increase the number of fixed broadband households from 3.5mn at end 2013 to 7.5mn at end 2018, a CAGR of 16.3%. Total fixed broadband access revenue will double from US$489mn to US$980mn over the forecast period.
- Huge untapped demand for mobile Internet services means growth in the mobile Internet market will be stronger than in fixed broadband. The number of mobile Internet subscribers will increase from 37.9mn at the end of 2013 to 103.4mn by the end of 2018, a CAGR of 22.3%. Mobile Internet access revenue will rise at a CAGR of 17.9% from US$1.3bn to US$2.9bn over the forecast period.

Newspaper publishing will hold on to its position as Indonesia's largest segment — but TV advertising will almost catch up by 2018

The CAGR of 5.9% projected for Indonesia's newspaper publishing revenues represents a very healthy growth rate compared to the global newspaper segment's projected CAGR of just 0.1%. But it will be outpaced by the 12.0% compound annual growth in Indonesian TV advertising.

Having grown strongly in recent years, newspaper publishing — Indonesia's largest entertainment and media segment, accounting for 34.3% of total spending in 2013 — is set to continue growing at a CAGR of 5.9% through 2018 to reach US$4.65bn. This is a very healthy growth rate compared to the global newspaper segment's projected CAGR of just 0.1%.

- While this growth will be enough to keep newspapers in first place among Indonesia's entertainment and media segments, TV advertising — growing at a CAGR of 12.0% — will be only a whisker behind in 2018, at US$4.61bn, and poised to overtake.
- The continued steady growth in newspaper revenues reflects Indonesia's prolonged economic boom, rising incomes and expanding middle class. As recently as 2009, the average daily unit circulation total for the entire daily newspaper sector in Indonesia stood at 8.1mn That figure had already risen to 9.7mn by 2013 and is expected to rise to 11.2mn by 2018.
- Meanwhile, Indonesia's healthy economic situation is also fuelling growth in TV advertising revenue, which is expected to almost double between 2013 and 2018. The market will remain dominated by terrestrial broadcasters, but multichannel will expand its share from the current 2.7% to almost 8% over the same period.

Indonesia's TV advertising market will remain dominated by terrestrial broadcasters, but multichannel will expand its share from the current 2.7% to almost 8% by 2018.

Business-to-business in Indonesia will outpace global growth as the economy expands and household consumption rises

The business-to-business segment in Indonesia will expand at a CAGR of 9.0% between 2013 and 2018 — the fastest growth for this segment in any Asia Pacific country, and well ahead of the segment's 3.4% CAGR globally.

The business-to-business (B2B) segment in Indonesia will expand from US$458mn in 2013 to US$705mn in 2018, at a CAGR of 9.0% — the fastest rate of growth for this segment in any country in the Asia Pacific region, and well ahead of the 3.4% CAGR projected globally.

- During the forecast period, B2B spending will benefit from Indonesia's large population and expected CAGR of 11.8% in nominal GDP.
- Total business information is the largest segment of Indonesia's B2B market, accounting for 53% of total B2B revenue in 2013. It is set to grow at a CAGR of 10.6% over the forecast period, reaching US$405mn in 2018, fuelled by a rise of 5% compounded annually in household consumption. According to ESOMAR, 52% of market research focusses on the FMCG sector.
- Only 3.5mn households in Indonesia had a broadband connection in 2013, and so print trade directories are currently an important format for businesses trying to reach consumers. Growth in total directory advertising revenue will continue over the forecast period, at a CAGR of 5.8%, reaching US$118mn in 2018.

Where will consumers and advertisers spend their money in the next five years?

This article is drawn from data in PwC's *Global entertainment and media outlook 2014-2018* (Outlook). The Outlook is an online source of five-year forecast and five-year historic consumer and advertising spend data for 13 entertainment and media segments, across 54 countries. PwC continually seek to update the online Outlook data, therefore, the data within this PDF may not be aligned with the data found online.

To find out more about the Outlook and to purchase a subscription to the full datasets, please visit: www.pwc.com/outlook

How PwC can help

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