Market Analysis of Indonesian Television Industry Using Industrial Organization Theory: Case Study Of Media Holding Company PT Global Mediacom Tbk

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Abstract
As commonly happens to any other nations, Indonesian Television industry growth is also followed by ownership integration. This practice was done by the market leaders to establish and sustain massive business empires. Relying on the Structure-Conduct-Performance analysis model, this study reveals that although the economic performance of media holding companies are impacted by both the recent economic slowdown and the technology rapid development, the domination of PT Global Mediacom Tbk in media industry is in fact remain intact throughout decades. The collective case study in this research will elaborate the performance of the group in order to get a conclusion on how this corporation solidifies and strengthens its existence in the Indonesian media industry in the current digitization era. This research finds that (1) the television market structure after 1998 is oligopolistic and is highly concentrated onto very few groups, (2) Global Mediacom as the market leader, has been trying to apply integration strategies and product digitization resulting in its stable domination in both audience and advertising market and (3) although this holding company has committed several major digital strategies, the results have yet to generate significant profit because it eventually still dependent on its conventional line of business lines like television and pay TV.

Keywords: Industry, Television, Structure, Conduct, Performance

Introduction
The growing commercialization in mass media that first started in the New Order era has changed the benchmark for media success; from what was previously measured by how much they could influence political practice into how much profit it could generate
for its respectively owners. The economic and political crisis later in 1998 became the very moment where the media business had proven itself as a tested business line that was able to make a comeback and rise rapidly after the economy fall down. This can be particularly seen in the period 1999-2002 in which national advertising expenditure experienced growth above 40% a year, among the highest growth in Asia (Triputra, 2004). So it was no surprise that the trend of increasing national advertising expenditure on the television platform every year after the political reform made this business line very tantalizing for investors.

In addition to the neoliberalization aspect, the current technological communication development has a part in influencing the capital movement in the media industry. Media digitization has caused erosion of the media industry’s entry barriers such as the density of capital and the flexibility of organizational structures, and also changed the patterns of production, distribution and consumption of both printed media and broadcast media that were previously distributed in single-platform patterns (analog) into integrated multi-platform patterns. On one hand, the technological innovation is the most responsible factor for the declining number of analog-traditional media consumers. But on the other hand, it also provides a new opportunity for the media industry players to expand their market.

The tight competition in the mass media industry, whether it’s locally or globally, is not only forcing the media conglomerations to strategically run its strategies to survive, but to also expands its business even further. In this sense, various forms of adaptation in the field of technology are being done; both in terms of creating new media based on interactive digital technology and the adoption of the working pattern of media convergence (Alliance of Independent Journalists, 2012 in Nainggolan, 2017; 2). The macro-political dynamics of media and communications technologies as explained above later changed the pattern of capital accumulation in Indonesia media industries it is clearly reflected by the vertical, the horizontal and the diagonal ownership concentration policies by most of the media owners.

As mentioned above, the main reason as to why conglomerates were interested in joining the media industry in the first place was because the potential of revenue that comes from advertising. Although the findings of the Nielsen Consumer Media View (CMV) survey shows that television is still the media platform with the highest penetration capability in Indonesia, securing an astonishing 96 percent, it cannot be denied that the internet presence has changed the tendency of how people consume information and ultimately, receive exposure from advertisement. As the growing number of interactive media users arises, the opportunity for business actors to market their products through the alternative platform became more common as well.

In response to this phenomenon, media conglomerates certainly do not remain silent. The policy of integrating capital through mergers and acquisitions within mass media business lines and digital platforms is underway. This research hence, was meant
to study how the market structure, the market conduct and the market performance of PT Global Mediacom Tbk as the biggest media conglomeration in Indonesia adapting to digitization and were the strategies that have been applied by this company were sufficient to maintain its domination while also yielding more revenue.

Literature Review

**Industrial Organization Theory**

A set of models/theories is required to describe the interplay between the structure, behavior and market performance of an industry. The Industrial Organization (IO) Model also known as the Structure-Conduct-Performance (SCP) paradigm developed by Edward S. Mason and Joe S. Bain was accepted as the theoretical foundation in the previous media economic studies because of its benefits to researchers in approaching and analyzing the mechanism of the free market logically and systematically. This paradigm would explain how the mechanism of an industrial structure influences the behavior of a marketer (market conduct), which further affects a company's performance in particular and the performance of the industry as a whole or vice versa. The relationship between these three objects was to simultaneously affect each other. In relation to the media industry, the SCP paradigm has been predominant in providing a guide for formulating empirical assessments of the implementation of the media market including the normative implications for policy-making and regulation in the media industry (Fu, 2003: 275).

The media industry is an industry that naturally has high entry barriers given the dense capital and technology that is required to run it. Perfect competition is almost impossible to be manifested in the media market because only companies with large capital could participate in the business. When there are only a few groups of suppliers in a market, the greater the likelihood of concentration of the capital to happen. This eventually causes the market to become less competitive.

**Table 1**

<table>
<thead>
<tr>
<th>No</th>
<th>The Market of Media Industry (Television Advertising)</th>
<th>Concentration Ratio (%)</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1997</td>
<td>2007</td>
</tr>
<tr>
<td>1</td>
<td>Global Mediacomm (MNC)</td>
<td>46.4</td>
<td>34.1</td>
</tr>
<tr>
<td>2</td>
<td>EMTEK</td>
<td>38.8</td>
<td>22.0</td>
</tr>
<tr>
<td>3</td>
<td>Visi Media Asia</td>
<td>14.8</td>
<td>13.2</td>
</tr>
<tr>
<td>4</td>
<td>Trans Media Corp</td>
<td>-</td>
<td>22.7</td>
</tr>
<tr>
<td>5</td>
<td>Etc</td>
<td>0.0</td>
<td>8.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Recomputed and calculated based on data provided by Media Scene 1997-2014; ITKP Mediatama Advertising, in Nainggolan, 2017
From the table above it can be concluded that the Market Concentration of the Indonesian Television Industry has always been quite static and dominated by four groups only (high concentration) namely Global Mediacom group, Elang Mahkota Teknologi group, Visi Media Asia group, and Trans Media group, making up to 89.2% of the market in 2014. This implies the tendency of a closed and uncompetitive media market that does not economically facilitate the entry of new players in the media industry. In this case also, groups that own television stations that have been airing since the privatization era of the New Order television industry began (Global Mediacom with RCTI and TPI, Emtek with SCTV and Indosiar, and Viva with ANTV) are more benefited because they already have loyal audiences, meaning greater control over the advertising market from the start.

In any oligopolistic market, market leaders will undertake series of capital management and procedural strategies to accumulate capital while also trying to eliminate competitors (market conduct). At this stage, it will be elaborated what are the strategies that being applied to maintain and expand the market leader’s domination in this media industry by comparing its annual reports throughout the decade and see how the performance goes by looking at its annual report. For a holding company, the performance measurement will also include the efficiency and development of the subsidiaries, which in this case, related to its position as part of the corporation and media conglomerate.

Research Methodology

Although analytical methodologies can take various forms through the use of various data collection methods, this study will use secondary data literature studies or documents analysis such as company profiles, annual reports, and financial statements to uncover the research questions. The case study in this research will elaborate the performance of PT Global Mediacom Tbk as the leader of a media groups in Indonesia, in order to get a comprehensive conclusion on how this corporation solidifies and strengthens its existence in the Indonesian media industry in the current digitization era.

Result and Discussion

The PT Global Mediacom Tbk was established on 30 June 1981 by Hary Tanoesodibjo, a businessman from Surabaya, initially operating as a general trading company with share ownership in the media and broadcasting industry, telecommunication and information technology, hotels and property, chemicals, infrastructure and transportation. The year 1995 was the year in which the company conducted an initial public offering (IPO) on the Indonesia Stock Exchange which was immediately followed up by consolidating, restructuring, and gradually releasing its ownership in several subsidiaries beyond its core business to improve the efficiency of the company.

In 1997 PT Media Nusantara Citra Tbk (MNCN) was established as a holding company in the field of advertisement-based media, content, and subscriptions. Global Mediacom
Group officially became a player in the private television industry in 2001 after officially acquiring 70% of GlobalTV shares. In 2004 and 2005, Global Mediacom succeeded in acquiring two of Indonesia's first three private television, namely Rajawali Citra Televisi Indonesia (RCTI) and Indonesian Education Television (TPI).

A year later in 2006, a merger between PT InfokomElektrindo (Infokom) and PT Elektrindo Nusantara was established. Global Mediacom's attempt to takeover media industry did not stopped on the television platform, because in this period, its subsidiary PT MNC Networks (MNCN), was known to have operated 4 radio stations (Trijaya FM, Radio Dangdut Indonesia, V Radio and Global Radio), PT MNI Global (MNI Global) launched new lifestyle tabloids named Reality and Mom & Kiddie and initiated a business in Value Added Services (VAS) for TV viewers. Not to forget, a subsidiary of PT Media Nusantara Indonesia (MNI) in the same year also launched a new newspaper called Seputar Indonesia daily. Global Mediacom's integration of capital strategy has led to the first and largest integrated media company in Indonesia to date.

In line with the introduction of the new logo and name, the group managed to record its highest financial performance record both in terms of revenue and net profit after 26 years of operation in 2007. The company's consolidated revenue in its annual report shows an increase of 49% compared to the previous year's consolidated revenue. As the elaboration, in that year the field of content and advertising-based media was the largest contributor to this group's revenue making up to 60% of its total revenue. The telecommunication and information technology line follows in second place by gaining 27%. While the newly acquired customer-based media business line PT MNC Sky Vision Tbk (MSKY) had also already been able to contribute significantly to the company with Rp 384 billion. On the other hand, the revenues from investment portfolio showed a negative growth trend compared to previous years resulted in the group decision to steadily divesting its transportation and property segments.

Although the 2008 economic slowdown has a serious impact on demands in media industry, particularly seen in the form declining worldwide advertising expenditures including in Indonesia, the group's consolidated business revenue that year could still book a solid Rp 5,535 billion or 15% more than the previous year. The significant increase was due to the increasing contribution of the content-based and subscription-based media as a result of strategies implemented in strengthening those business lines. This year, the group also gradually completed the acquisition of MNC and Linktone Ltd, and launched new luxury and lifestyle magazines name HighEnd and HighEnd Teen. In contrast, on this year, there was a decrease in the performance of telecommunication and information technology business line, through PT Mobile-8 Telecom Tbk and PT InfokomElektrindo. The revenue contribution of the two subsidiaries to the company has dropped 26% from previous year’s accomplishment. The decrease in revenue contribution in telecommunication and information technology business line was followed up seriously by the company by releasing a portion of its ownership in PT...
Mobile-8 Telecom Tbk which resulted in the company becoming a minor shareholder in the CDMA operator company.

In 2009, in line with previous years' strategy to focus more on media, Global Mediacom resold its last share of ownership in PT Mobile-8 Telecom Tbk. Furthermore, the company's strategies in 2009 were conducted in the form of establishing a printing factory by Seputar Indonesia daily, continuing purchases of MNC shares, establishing Star Harvest Academy, launching new satellite "INDOSTAR II" to increase Transponder and Channel capacity, as well as launching over 20 new digital TV channels by MSKY.

In 2010 through its subsidiary Linktone, an acquisition of a controlling stake in Letang Game Ltd, a mobile and PC games provider from the People's Republic of China was done. Then Global Mediacom, still together with Linktone, also acquired 87.5% shares of InnoForm Media Pte.Ltd., with composition 12.5% for MNC and 75% for Linktone. In addition, the company also built an online shopping center in Indonesia under the brand "Rakuten Belanja On-line" in cooperation with Japan's largest internet company Rakuten. Still in 2010, the group resumed a vertical integration action by launching a new television station called Sindo TV, a new magazine 'Just for Kids', and a new radio channel called V-Radio.

The growth of the Indonesian economy in 2011 was the key to the group's ongoing growth. As of 2011, the group's annual report Global Mediacom states that the corporation has two core business-based content and advertising (MNC) media in the national TV broadcasting industry that contributes 74% to the Company's revenue and customer-based media (MSV) 24% for the company's revenue. As well as one supporting business line, namely supporting media and infrastructure (Infokom), which contributes 2% to the total revenue of the company. This year MNC officially launched SindoMedia which was a new 5-in-1 media strategy. Rosano Barack, group commissioner of Global Mediacom, said on "The 2011 Annual Report of PT Global Mediacom Tbk Annual Report's report page" The year 2011 is the period in which the company succeeds in stabilizing its overall strategic position by ensuring all parameters related to the company's medium-term development plan and long term has been achieved."

The group’s TV stations outstanding performance in 2012 resulted in a 21% increase in ad revenue, exceeding the whole industry that only grew by 15%. The presence of MNC Channel became a competitive advantage for MSV to its competitors and a source of new growth for MNC because its ad revenue has high growth margins and profits. This year’s relatively slow online and digital media growth, was tackled through the development of a new division of new media division (Linktone Ltd) that oversees PC/online games, search engines, social media, internet TV & portals, and also home shopping division (MNC Shop).

2013 was still a good year for the Global Mediacom group because all three FTA TVs successfully secured a cumulative prime time viewer share of 40.1%. Not to forget that the three pay TV brands also collectively controlled 74% of the subscription TV market in
Indonesia. The company's excellent performance encourages the group to extend its reach by actively working on other subscription business lines, especially internet provider services by investing in PT MNC Kabel Mediacom (MKM), and plunged into the digital business line by setting up content-producing companies like PT MNC International License and PT MNC Tencent.

Since online and the new media services have become the main focus of the group in 2014, three types of online-based media were launched: collaboration with one of the world's largest Internet service companies Tencent, placing a strategic emphasis on mobile games that have a fourfold sales jump in China, and operates the Okezone news and entertainment portal which has become the most popular portal in Indonesia. In June 2014, the group re-launched Play Media, Indonesia’s first fiber optic broadband internet service. In this year, the group was also increasing their focus on developing the third digital home shopping mediaby utilizing the logistics and payment infrastructure that has been owned.

2015 was the year of a weak economy that can be seen from declining consumer spending in both domestic and multinational advertising spending, especially in the FMCG category. The weakening of the currency in 2015 (against the US dollar), low election campaign spending due to restrictions on campaign spending costs, a decrease in manufacturing and export commodities and a steady increase in the number of unemployment have resulted in the decreased advertising spending. This in time, took its toll on the group’s performance too and became evident in the expansion efforts. The low penetration of pay TV subscribers, could still be tackled with revenue that was generated from the popularity of FTA content.

In the year 2106 the group re-launched an OTT streaming video service that allows subscribers to access MNC content library anywhere via any device. Moviebay.com, e-commerce fashion company The F Thing, video sharing site Metube.id, online travel company Mister Aladin, and 24 hours Home Shopping service at MNC Vision and MNC Now were all showing quite a good performance considering the revenue that has successfully generated for the company in 2016 amounted to 8%.

Thus, by 2017 the Global Mediacom group has become the parent of three business lines that focus on content and advertising-based media (MNC), subscriber-based media (Sky Vision Networks), and online media, each of which consists of numbers of other subsidiaries. The horizontal, vertical, and diagonal ownership integration pattern that run by the Global Mediacom group resulting the largest market share of the media industry market in the country. In the television advertising industry market, 2016 data shows that as many as 34.3 percent of the ad share is successfully occupied, putting the group as the industry’s top ruler by 10 percent above its closest competitor Elang Mahkota Teknologi (Emtek) with 24.0 percent share.
### Table 2

Ownership Integration Pattern of Global Mediacom Group

<table>
<thead>
<tr>
<th>Holding Company: Grup Global Mediacom</th>
<th>Initial Media: Rajawali Citra Televisi Indonesia</th>
</tr>
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<tbody>
<tr>
<td><strong>Horizontal Integration</strong></td>
<td><strong>Vertical Integration</strong></td>
</tr>
<tr>
<td>Television(s):</td>
<td>Media Infrastructure: Infokom Elektrindo (1998);</td>
</tr>
<tr>
<td>Global TV (2001), MNC TV/TPI (1991,2010),</td>
<td>Advertising Agency: Cross Media International (2001);</td>
</tr>
<tr>
<td></td>
<td>Talent Management: Star Media Nusantara (2005);</td>
</tr>
</tbody>
</table>

Source: Nainggolan, unpublished doctoral dissertation

The adoption of digital strategies was pioneered by Global Mediacom group in 2006 by launching the Mobi TV service in September 2006. This service enables Mobile-8 customers to enjoy live broadcasts from free-to-air television channels as well as media content visuals on mobile phones via video streaming technology.
Global Mediacom in its 2007 financial statements describes their view of the emergence of a global digital media trend in which they believe that "Indonesia’s online media will still have a low level of advertising spending absorption over the next few years, this caused by minimal internet infrastructure as well as low levels of computer usage." Even so, the group’s first online business okezone.com still established in the same year with the aim “to have a running operation so that it could be developed quickly if there is a change in the trend of online media usage."

In 2010 Global Mediacom through its Linktone subsidiary, acquired controlling stake in Letang Game Ltd, the provider of mobile games and PC games online from the People's Republic of China, acquired 87.5% shares of InnoForm Media Pte., Ltd (together with Linktone), and established cooperation with Rakuten. In 2011, along with the launch of the local content edition, Seputar Indonesia’s online edition which is also a part of the 5-in-1 strategy was re-launched as Sindonews.com, providing internet databases for latest news and news archives of Seputar Indonesia and access for regional content that appear in local editions of newspapers. In 2011, Okezone conducted a test for a new online video platform named Okezone.tv.

New Media Business began to be intensively developed by the company in 2012 including internet, social media and online games by establishing a collaboration with Tencent and Hillhouse Capital. In 2014 Infokom’s subsidiaries continue to strengthen its support to PT Linktone Indonesia to enter the new mobile media business. In 2015 BMTR further amplifies monetization strategy of application-based content by creating portfolio assets focused on mobile games, social commerce and leisure-tainment industries. In 2016 BMTR launches Moviebay.com, a public OTT video streaming service that will expand the company’s online audience. In 2017 BMTR again increased its involvement in several online media initiatives by launching the MNC Now OTT app.

**Figure 1 Global Mediacom Group Market Performance 2005-2017**

![Graph](image-url)
The chart above shows the overall performance of PT Global Mediacom Tbk from 2005 to the present. This performance can be divided into three periods of time, namely the period of building market controls in 2005-2007 (Period I), the period of glory 2007-2014 (Period II) and the period of maintaining market control amidst the technological developments 2014-present (Period III).

First in the 2005-2007, chart shows, although the assets the company continues to grow, the status of the company was still struggling because the total revenue it has received has not been able to cover the company's expenses. PT Global Mediacom Tbk explained that it had carried out a procedural strategy in the form of telecommunication investment of US $ 60 million and Rp 304.4 billion: 65% of the amount will be used to buy and develop CDMA devices and 35% will be used to investment in PT Komunikasi Selular Indonesia (Komselindo) and PT Metro Selular Nusantara (Metrosel). In addition, BMTR also consolidates media and telecommunication business units to strengthen and enhance synergies and efficiencies, by selling non-core assets unrelated to key business lines to gain additional cash from divestment proceeds that can be used to strengthen capital work of the company.

2008 or the crucial era for PT Global Mediacom Tbk (BMTR) was characterized by an intersection of revenue line and liability line, meaning that for the first time ever the liability (Rp4,465,553,000,000,-) of the company was below revenue (Rp5,584,640,000,000,-). This period began with the implementation of numbers of procedural strategies in the form of investment maximization in China which was believed to be one of the important ideas for long-term growth, improving the content distribution business, completing the launch of at least one local "national" TV station network, as well as the sharpening of Global TV viewer segmentation.

In the second period PT Global Mediacom Tbk still implementing cross-selling print and radio exploiting strategies, strengthening the content library by focusing on the quality and quantity of in-house production of free to air channels. These strategies brought a sweet outcome as shown in its financial and annual reports, marking the time when conglomerate glorious period occured.

In the third period the strategies run by PT Global Mediacom Tbk for its content and advertising business line was expanding audience reach by maximizing the potential of SINDO TV and enhancing the growing library of MNCN's proprietary content. While MSKY's subscription-based business line strategy still seems to be filled by fundamental strategies such as creating differences and adding values that could differentiate the company's products and services with other competitors, trying to get a better understanding of the target market especially in terms of customer's need and desire, providing after sales service for maintaining customer market share, and lastly producing manpower capable of competing with outside workers.

In addition to implementing strategies for its conventional business lines in this period PT Global Mediacom Tbk appears to be intensifying its online digital media
strategy by: 1) cooperating with Tencent WeChat application developers who have become one of the largest social media platforms in Indonesia; 2) creating a portfolio asset that focuses on mobile games industry, social commerce and leisure-tainment industry; 3) operating Okezone; and 4) start moving towards Internet-enabled Video-on-Demand service as part of long-term integration of 'Over the Top' (OTT) services.

The setbacks in market performance started to be felt by PT Global Mediacom Tbk in 2014 primarily triggered by the poor performance experienced by its subsidiary MNC Sky Vision (MSKY). Referring to its financial report, during the period 2014-2017, while still being the second largest contributor for the parent company, MSKY consistently suffers slowdown on both annual income and assets. The explanation of that matter mentioned in the financial statements of PT Global Mediacom Tbk in 2013 where in that year MSKY recorded a loss of Rp486.9 billion compared to net profit of Rp81 billion in 2013. Losses are caused namely by the non-cash transactions precisely foreign exchange loss that have not been realized amounting to Rp635 billion and Rp146 billion respectively in 2013 and 2012 due to the depreciation of the Rupiah against the US Dollar. In its annual report in the same year, MSKY also mentioned piracy, price competition, churn to customers and weakening Rupiah as the variables that hampered the growth of the pay TV industry in 2014.

2015 annual report mentioned that MSKY was currently looking for options to refinance the $243 million debt. Despite the fruitful efforts to reduce the burden in the years to come, the company is still experiencing losses that was indicated by a net loss of the current year in 2017 of 289,337 million, a significant increase over the previous year’s at 197,442 million. However, this loss did not decrease the profit received by the company in the following year because the majority of the Company’s revenue was still contributed by two major business lines content-based and advertising media managed by PT Media Nusantara Citra Tbk (MNCN).

Conclusion

Ever since 2012, Global Mediacom has experienced ups and downs of market share of the audience, ranging between 29.3-35.6%. Similar situation in the ad market with 34.4-37.9% market share. This parent company is in fact, since 2012 until now, facing the tendency of the decreasing proportion of ad share. The condition is quite alarming considering the efforts made to increase share of the audience (since 2014) did not align with the increase in the proportion of their ads (Nainggolan, 2017).

If studied further, this group’s share of television advertising shows an unsettling trend: 37.9 percent in 2012, 37.9 percent in 2013, 36.8 percent in 2014, 35.5 percent in 2015 and the last 34.3 percent in 2016. The group, which was known for steadily delivering a positive growth shown by increase in assets, revenue and profit from time to time, since 2014, struggling to repeat its glorious performance like in 2012. By calculating various financial ratios for example will be shown that the level of return on assets from
the benefits achieved become longer, the obligation is greater than the number of assets owned, and profit margins are smaller than previous years (Nainggolan, 2017).

Thus it can be concluded that the growth rate of this media group since 2014 has been slowing down. The increase in the number of assets and the decline in the revenue and the net income of the current year shows that although this industry’s market leader is still expanding, growth is no longer as significant as the previous years’. These findings lead to the second conclusion that the business development and digital strategies undertaken by the conglomerate of the market leader of the Indonesian media industry after 2014, have yet to increase the group’s performance since its annual report still indicates that the company is still heavily dependent on its conventional broadcasting based and subscription based business units.

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References

