Introduction

Film production in Indonesia has had a long creative history, and the industry itself has strengthened rapidly in recent years. The World Bank notes that Indonesia, with average GDP growth of 5-6% per annum during the past three years, has emerged as one of the world’s potential economic powerhouses. As a member of the G20 and the fourth-most-populous country in the world, Indonesia is in the process of transforming itself into a more “developed” nation. Indonesia’s natural resources, population, political stability and solid macroeconomy provide the foundation for it to achieve its full economic potential.

The Indonesian film and TV industry contributed over $845 million to the country’s economy in 2010, sustaining 191,000 jobs and achieving $199 million in tax revenue according to the magazine Movie Scope. Currently the country makes 80 to 90 local films a year. Indonesia has a target audience of more than 238 million people – and the biggest Muslim population in the world. The film and television industry thus stimulates a range of service industries and significant employment across multiple sectors. Currently one of Asia’s creative hotspots, Indonesia is exporting more films overseas. Its local film industry could soon be in line for government support.

There is still a demand, albeit a diminished one, for independent foreign films in Indonesia. Customs taxes imposed on imported films led to a drop in the availability of Hollywood films and other foreign content in 2011. A dispute occurred between Indonesian integrated media company Global Mediacom (once the country’s first private television station, it now specializes in investing in companies engaged in media and telecommunications) and Indonesia’s tax department, which started enforcing a neglected clause for the taxation of estimated royalties on
imported films in addition to that on the value of the celluloid reels. Previously, royalties were not included in the customs tax, because film importers argued that the amount would only be known after the film had been released. The state claimed the MPAA studios owed 31 billion Indonesian Rupees (IDR) ($3.2m) in back taxes since 2009. Despite the modest sum, the MPAA boycotted, and cinemas halted film imports. As a result, theatres saw a decline in admissions. The revised rules now eliminate the disputed customs tax on the estimated royalties. Although American fare has since returned to Indonesian screens, admissions are struggling to regain their pre-2011 level.

Group 21 (owner of Cineplex 21) nearly single-handedly controls the entertainment market in Indonesia. Cineplex 21 Group is both the primary theatrical exhibitor and foreign film importer of U.S. studio films. They possess a series of affiliated import and distribution companies as well that are controlled by Cineplex 21 Group, but technically are legally separate entities. Cineplex 21 imports U.S. films and show them in their theaters exclusively, mitigating the economic impact of other distributors/exhibitors who are unable to show prominent U.S. films to the public because of Cineplex 21 Group’s exclusive rights deals for MPAA studio films.

Theatrical

The cinema business is primarily dominated by a single operator, Group 21, which captures over 80% of the market via exhibition, production and distribution. Box office revenues have grown rapidly, doubling in five years. However, at $150m, Indonesia’s box-office revenues are still comparatively small by regional standards.

By 2000, local production was down to a handful of films a year. Since then, a wide range of producers have emerged, who have made a wider variety of better quality films, and output has climbed steadily to around 80 films a year. Action continues to be a staple in local cinema.

While the demand for B-movie horror films still exists, Indonesia now produces films ranging from mainstream dramas, romances and comedies – sometimes with patriotic or Islamic themes – to new wave horror and festival-friendly art-house fare. Demand for Hollywood and foreign film is mostly resilient, responsible for the majority of revenues on theatre screens. That said, local production volume has remained constant and the local industry still has access to private funding. Breakout Indonesian action film The Raid has grossed more than $4,105,187 worldwide – the largest local film gross to date. Most films are financed by local private investors, although art-house film producers often turn to Europe.

Theatre attendance is making a return in Indonesia and some 36% of Indonesia's population falls into the key cinema-going age bracket of 15-40. Ticket prices doubled at the top of 2013, cutting down the number of younger theagogoers. Tickets now average about US$7.50 per person. One of the reasons for this change was the crowded theatres which attempted to serve some 4-5 million viewers during each two to three month span of a film’s run. The higher ticket prices have helped to alleviate some of this crowding, though Indonesia remains incredibly under-screened. There is talk of the creation of an Indonesian Film Council which would be independent of the government, to review film policy and establish support programs for local film. Funding would cover production, marketing and promotion and encourage foreign films to shoot in Indonesia. The new body could be a crucial step in the development of the local film industry, but the question of who will run the organization remains unanswered.
Exhibitors / Screens

The market peaked in 2008 with 32 million admissions but declined to just 14 million in 2011 due to the dispute over unpaid back taxes, which hit the local industry as audiences decided to give cinemas “a miss.” Overall box office slumped by more than 50%.

2012 got off to a better start – Hollywood films returned to screens. But the uneven quality of local films and the fact that Group 21 retains its near-monopoly status continues to halt growth. The three largest film importers, which between them control the local distribution rights to all Hollywood blockbusters, are all part of Group 21, which also owns the country's dominant cinema chain, Cineplex 21. It had the market almost to itself until 2006, when a new chain, Blitz Megaplex, began opening screens in shopping malls. In 2009 Blitz complained about Group 21's dominance of distribution and the impact of this on rival cinemas, but the case was dismissed for lack of evidence. Today, Group 21, which declined to talk about the case, still controls more than 570 of Indonesia's nearly 700 screens.

Also, there are stringent restrictions on foreign investment. As a result, Indonesia only has 676 screens for a population of 245 million. Approximately 570 are owned by Cineplex 21. The government has set a target of 1,000 movie screens nationwide by 2014.

Primary Exhibitors:

21 Cineplex

Group 21 is Indonesia’s largest cinema operator with 570 of the country’s 676 screens. It has cinemas spread throughout twenty-four cities on the islands of Sumatra, Java, Kalimantan, Bali and Sulawesi.

Cineplex 21 Group is both the primary theatrical exhibitor and the exclusive importer of U.S. studio films. They possess a series of affiliated import and distribution companies that are controlled by Cineplex 21, but technically are legally separate entities. Cineplex 21 imports U.S. films and shows them in their theaters exclusively. As a result, this has impeded the growth of other smaller distributors/exhibitors who are unable to show prominent U.S. studio films to the public.

In 2002 there was an investigation into whether or not Cinema 21 was a monopoly and in 2009 a lawsuit was instituted by Blitzmegaplex only to be thrown out for “lack of evidence.” The local government’s attempt to enforce the royalty tax and resulting MPAA boycott in 2011 (February-July) unveiled the unhealthy nature of the Indonesian film industry and as a result a government regulation to end monopolies and new tax rates has been proposed.

While Cinema 21 does not have official output deals with any company, if a major studio brings them a title, they will screen and try to distribute the film. Not all major titles can be distributed, of course – it depends on market demand. For example, dramas and comedies (particularly those of the major U.S. studios) do not go over well in Indonesia. The market demand is primarily for action movies or big award-winning titles. From the entire studio slate, only about half of their
films have been distributed in Indonesia over the past year. Also, as of the past few years, Cineplex arranges to distribute at least two Indonesian titles per week. Wide releases typically go out on about 150 screens.

**Blitzmegaplex**

Indonesian multiplex chain Blitzmegaplex opened its first location in 2006 and has continued to expand each year, now operating 8 locations. They represent a small competitor to Cinema 21’s near monopoly. The company offers slightly more exposure for art-house and specialty films, and also exhibits Indian-language films in the region. Their flagship cineplex, the Blitz Megaplex Grand Indonesia in Jakarta, is dubbed Indonesia’s largest cineplex by the Indonesian Record Museum (MURI).

**Distribution**

The Indonesian Government does not allow foreign distributors of films and videos to establish branches or subsidiaries in Indonesia. The government licenses only companies that are 100% Indonesian-owned to distribute foreign films and videos, and these companies must belong to the European and American Film Importer’s Association (AIFEA) or the European and American Videocassette Importer’s Association (ASIREVI).

Cineplex 21 Group is owner of two local companies, which sub-distribute on behalf of the US major studios: PT Camila Internusa Film and PT Satrya Perkasa Esthetika Film. PT Amero Mitra Film is another importer and distributor reportedly controlled by Cineplex 21 Group. When the boycott of major studio films ended in July of 2011, a new importation and foreign film distribution company surfaced: PT Omega Film. Omega was granted a license on May 3, 2012 but the permit was suspended while tax authorities investigated connections between Omega and Cineplex 21 Group. Reportedly, Omega and five other companies whose applications were rejected all had the same registered address as PT Camila and that one of Omega’s two co-founders, Ajay Fulwani, is the nephew of Harris Lesmana, one of Group 21’s primary owners. Group 21 continues to reiterate in public statements that this does not constitute a monopoly, while most in Indonesia (particularly Blitzmegaplex, the country’s second largest exhibitor) seem to believe otherwise.

**Pricing**

Most deals are “All Rights” and typically cover theatrical, video and TV. An independent distributor will generally sell to a middleman who will then try to sell the film to Cinema 21. If distribution with them is not possible, the middleman will then try alternative avenues such as Blitzmegaplex, physical video or online video platforms.

Advertising budgets vary completely from film to film. There is very little outdoor advertising, unless the film is a major “tent-pole” film. A film’s sponsors may be able to leverage more visibility through placement in outdoor and TV spots. Promotion for most films includes PR spots on local radio and television in place of outdoor advertising spots.
A very large independent title can obtain $150,000 and up. A smaller film can receive $40,000 to $50,000 while a moderate-sized independent can expect around $60,000-70,000. These figures only apply if Cinema 21 accepts the film for its theatres. If Cinema 21 does not accept the film, it is recommended to no longer try for an all rights deal because of the lack of cinema competitors.

**Home-Video**

The home video market also is deeply affected by rampant piracy. Indonesia remains a market dominated by pirated material in physical form and supplied or distributed online to the country’s 55 million Internet users. Indonesia also retains some of the most restrictive market access barriers in the region, closing off opportunities to the creative industries to supply legitimate product into the country. But while piracy is still a problem specifically with the middle and lower classes, the upper class is still buying the originals. These consumers will go to a DVD store to purchase the legitimate physical copy or download a digital copy onto a USB that they can then take home to load onto their computer.

One such legitimate option is the outlet franchise that sell DVDs, Disc Tarra. The video products it accepts must have a minimum of 1000 copies, meaning they need to be pressed commercially instead of duplicated on a small scale. Also, the distributor needs to have formal status as a company. All the products need to have an attached tax ribbon issued by the Film Censorship Board. Other players in video distribution include Minikino, Boemboe Forum, HelloMotion, Fourcolourfilms and IVAA (Indonesian Visual Art Archives). However, these companies typically arrange distribution by developing consignment systems with independent music and clothing shops or other alternative outlets such as bookstores. As such, they typically supply small amounts of copies according to demand.

Indonesia’s market is fraught with retail piracy in kiosks and malls including factory and burned-to-order CDs, VCDs, DVDs, and CD-ROMs of music, movies (including pirated movies in or claiming to be in Blu-ray format), software, videogames, and published materials. Burned recordable discs well outnumber factory discs due to the lower expense and the fact it can be done at home.

Home audio and cinema equipment sales in Indonesia are still relatively low compared to most other categories of consumer electronics. In 2011, home cinema and speaker systems continued to be the product with highest growth (33%) compared to other products in the price range. Digital media player docks also registered strong volume growth, up by 18%, linked to the popularity of Apple Computer products such as iPod and iPad.

**Pricing**

The licensing price minimum for video is about $3,000, set by Cineplex 21 Group practices. This can range upward depending on the title, but will likely stay in the $3,000-$4,000 range. Most Video deals are done as part of the All Rights deals, but can be struck separately through franchises such as Disc Tarra, especially if the title does not gain distribution through Cinema 21. Most deals are flat fee, but if a revenue sharing deal is struck, terms are typically 50%/50%.
**Television**

Television dominates the media landscape in Indonesia. More than 90% of Indonesian households have at least one TV set. Most of the adult population in the country watches the news on television at least once a week.

Subscription-based cable and satellite television services are growing slowly but steadily. Cable television has experienced very modest growth in rural areas but overall household cable access makes up about 17% of the pay-TV households. The remaining 83% of pay-TV Indonesian households have satellite television. Satellite television is growing more rapidly than cable, particularly in rural areas, due to improved TV signals in remote locations.

The pay-TV market remains highly concentrated, but developments in 2011 and the prospects of strong growth point to a greater level of competition in years to come. Indonesian pay-TV is currently expanding at the slowest rate of all in Asia, with household penetration at a mere 3% in 2010 – roughly 1.3m households across the country. However, operators are bullish, expecting the ratio to rise to 7% by 2015. Media Partners Asia, a pay-TV industry association, expects that the potential subscriber base could grow to 16m based on income and affordability.

Even TV aggregators such as SkyMedia (Content Provider and Aggregator) in Indonesia will sell directly to Cinema 21 – provided the media giant shows interest. If the middleman has a big enough title, they can ask for theatrical distribution through Cinema 21.

**Free Television**

Publicly owned Televisi Republik Indonesia (TVRI) remains a leader in Free-TV and was the first state owned public broadcasting service -- government free-to-air terrestrial television station. It is still the only broadcaster with national coverage. TVRI has 22 regional stations and more than 6,800 employees, of which 2,000 are based in Jakarta. Until 1989, TVRI was the only television station in the country.

![Digital National Television](image)

There are more than 10 private national television networks (RCTI, SCTV, TPI, Indosiar, Global TV, Metro TV, TVE, Trans TV, Trans 7, ANTV, TV One) that operate in competition with the TVRI. There is also some locally produced programming for satellite and cable television channels (in Indonesian and English). Besides these national networks, there are more than 100 local television stations. In addition, there are hundreds of illegal television stations operating without a government license.
Free-to-air Terrestrial Broadcasting Channels

<table>
<thead>
<tr>
<th>Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>TVRI</td>
<td>1st state owned public broadcasting service.</td>
</tr>
<tr>
<td>RCTI</td>
<td>1st commercial broadcasting service. 100% owned by PT Media Nusantara Citra (MNC), which also owns Global TV and 75 percent of MNCTV, both private Indonesian television stations. Indonesia’s first privately owned television network and is based in West Jakarta. RCTI broadcasts Indonesian Idol as well as sinetrons (soap operas), films, news and current affairs, reality shows and religious programs. RCTI is the only Indonesian free-to-air TV channel to be broadcast free-to-air outside Indonesia. It now has 48 relay stations around Indonesia and reaches 180 million viewers.</td>
</tr>
<tr>
<td>SCTV</td>
<td>2nd commercial broadcasting service. Owned by Surya Citra Media.</td>
</tr>
<tr>
<td>MNCTV</td>
<td>3rd commercial broadcasting service. A 75% share is currently held by Media Nusantara Citra, which also has shares in RCTI and Global TV.</td>
</tr>
<tr>
<td>ANTV</td>
<td>4th commercial broadcasting service. Owned by PT Visi Media Asia Tbk.</td>
</tr>
<tr>
<td>Indosiar</td>
<td>5th commercial broadcasting service. Owned by PT Indosiar Karya Media Tbk.</td>
</tr>
<tr>
<td>Metro TV</td>
<td>6th commercial broadcasting service.</td>
</tr>
<tr>
<td>Trans TV</td>
<td>7th commercial broadcasting service. Fully owned by Trans Corporation.</td>
</tr>
<tr>
<td>Trans 7</td>
<td>8th commercial broadcasting service. Fully owned by Trans Corporation.</td>
</tr>
<tr>
<td>Global TV</td>
<td>9th commercial broadcasting service. It is a wholly owned subsidiary of the PT Media Nusantara Citra (MNC) which also owns RCTI and MNCTV. Established in early 1998, first went on air on January 1, 2001 with MTV programming. The station airs news and sports and also broadcasts MTV programs and Nickelodeon cartoons. Global TV has 30 transmission sites covering some 200 cities and towns across the country.</td>
</tr>
<tr>
<td>TVOne</td>
<td>10th commercial broadcasting service. Owned by PT Visi Media Asia Tbk.</td>
</tr>
</tbody>
</table>

Pay Television

Legitimate pay TV subscriptions reached 1.2 million of the 42 million TV households at the end of 2010. Despite several false starts in recent years, the pay TV market looks primed to finally take off, with several IPTV operations planned and the DTH sector increasingly vibrant. The pay-TV market is tough for service providers because many Indonesians are unwilling to pay for programming when so many free channels are available. Operators have thus been expanding their offering to increase their appeal to lower-income segments of the TV market.

Satellite DTH provider Indovision accounts for two-thirds of all pay TV subscribers. MNC SkyVision has long dominated the pay-TV segment with its Indovision brand. The group launched the TopTV channel in April 2008 to target the lower segment of the market.
TelkomVision, a subsidiary of telco Telkom, is the second largest pay TV player. It offers direct broadcast satellite, cable TV and a commercial IPTV service. Similar to Indovision, mobile phone operator Telkomsel broke into the market in 2007 with the launch of its TelkomVision brand. This offers TV packages such as Hit Family for $6.50 per month. The group is already one of the top three pay-TV groups.

Indovision and TelkomVision both use a direct-to-home satellite network while a third operator, First Media, uses a cable network. These providers accounted for 95% of pay subscribers in 2010.

TelkomVision launched the country’s first internet protocol television service in June 2011, Groovia TV, capitalizing on Telkomsel’s triple-play package of telephone, internet and television. One significant obstacle is that much of Indonesia’s infrastructure still cannot support the level of broadband connection needed for IPTV. In 2009 Telkom borrowed IDR 2,700 billion (US $278,000) to finance capital expenditure plans, including the expansion of broadband Internet services and development of IPTV.

Aora is an Indonesian direct broadcast satellite pay television company. In Q3 2011, Aora launched "Aora HD", a HD programming channel consisting of HBO HD, Star Movies HD, Discovery HD World, NGC HD, ASN, ESPN HD, FoodNetwork HD, Cartoon Network HD, HBO Hits HD and KompasTV HD. Fees are only charged for decoder rental which goes for IDR 99,000 (US$10.19) per month.

Cable television and Internet provider First Media is another player in the pay-TV market. It recently signed a content sharing agreement with Karyamegah Adijaya, which operates satellite TV provider Aora TV. As of last year, about 400,000 subscribers of First Media had access to BeritaSatu TV, an Indonesian talk channel with content targeted towards Indonesian executives and the influential upper income segment of society. With help from Aora TV, BeritaSatu will also make its broadcasts available to Aora TV’s 130,000 subscribers.

Multi Kontrol Nusantara (MKN), backed by the Bakrie Group, also plans to launch an IPTV platform ‘in the near future.’ MKN’s service will reportedly be HD-compatible.

Even as service options grow, an ongoing challenge for operators remains the large pool of illegal service providers, which cover a combined subscriber base larger than the legal brands. While the Ministry of Communications and Information Technology has only licensed 700 operators, the Indonesian Cable TV Association estimates a much higher figure of 2,500 providers. This would put the total number of subscribers at 2.5 million households instead of the official figure of 1.3 million. With the number of illegal operations growing, industry players are lobbying the government to crack down on a practice that costs them around IDR 1.2trn ($123m) in lost revenue each year.

Pricing

Television has become increasingly difficult to sell to Indonesia. The last five years have been the most difficult for foreign programs. On the Free TV side, there are only two terrestrial channels,
Globo and Trans TV, which continue to air American film content. These two channels air foreign content twice a day, though this is predominantly major studio fare. Pay TV only has content from existing Free TV channel operators with no new channels or content creation. Indonesian consumers will typically only subscribe to Pay TV as part of an internet broadband package or to ensure that the TV connection is always clear (the free terrestrial signal sometimes results in a blank spot).

Most TV deals are done in packages as part of an All Rights deal. Packages can range from 10 to 200 titles, but prices for these packages are often incredibly low. Typical price ranges for TV deals are about $9,000-$11,000. Maximum prices are around $15,000.

**NEW MEDIA**

Indonesia is experiencing a boom in broadband connectivity, with 236.8 million mobile phone subscribers (almost 98% penetration), 55 million Internet users, and more than 2.7 million fixed broadband lines. Broadband became the majority form of internet access only recently, with significant growth starting in 2011. The expansion of mobile broadband offers hope to the internet market as uptake of new generation services accelerates.

In June 2012, 1.2 billion people worldwide age 15 and older watched online video from a home or work computer, representing 83.1 percent of the world’s online population. Across the Asia-Pacific region, video viewing penetration ranged from 66.9% in Indonesia to a high of 89.8% in Vietnam, as both broadband access and content availability factored into online video viewing adoption.

This uptick in broadband usage means that online and mobile piracy remains a growing problem, including direct download sites and illicit P2P file sharing, mainly from servers located outside Indonesia.

With fiber rollouts and high-speed premium services becoming available, a number of households are paying extra in order to get faster speeds.

**Video on Demand**

VOD has just started in Indonesia and continues to grow out of its nascent stage on pay-TV and online platforms. As VOD slowly develops it should continue to grow assuming that broadband coverage continues to become more widespread. Many Indonesians who do have broadband already download films online. It remains to be seen whether they will pay for content once legitimate services are established.

First Media was one of the first to debut VOD via its pay-TV platform with its service entitled SHOWTIME. SHOWTIME offers international, regional and local content.

Indonesia Telkom is also joining pay-TV providers to launch VOD platforms. In September 2012, it released its UseeTV to rival MivoTV (streams local TV channels for free). UseeTV differentiates
itself by allowing consumers to select programs from the last three days to watch at their convenience. Telkom’s new UseeTV aims to address a larger audience of viewers with unlimited data packages. Telkom also introduced Groovia TV for online viewers. Groovia TV was meant for the high-end market.

UseeTV supports 13 local and national channels, including Al-Jazeera. It also offers both Indonesian and international films (including those from U.S. studios). Video content is provided by Telkomvision, part of the Telkom Group. Registration is free, but consumers must be a subscriber to one of Telkom’s services such as Speedy (internet provider with 2 million subscribers), KartuHALO (mobile services with 2.5 million users), or SimPATI (mobile services with 54.3 million users) for mobile services. Some of the content is free – though to enjoy most of the movies, you have to sign up for the premium package. Prices are still cheap with Telkom group subscribers able to get a premium package of 50 movies for only IDR 3,500 ($0.36). UseeTV had around 120,000 registrants by the end of November 2012.

The first online Transactional VOD portal in Indonesia, Button Ijo, was recently created by young filmmaker, Amir Pohan. The service is a multiservice portal selling not only films but also music, photos and clothing. CEO Pohan admits that he does not currently see a demand for online TVOD in Indonesia but thinks it will only be a matter of a few years before the market for such platforms grows. The company is seen as an alternative for indie filmmakers who are unable to obtain a theatrical release in the country.

**Pricing**

With VOD being so new to the territory, there is no standard deal in place. Deals can vary from Rev Share to MG or flat. Basic prices depend on the title’s box office performance yet prices are still cheaper than TV. Most sellers try to opt for deals that establish an upfront minimum guarantee. Reporting in the territory can be very difficult; therefore upfront deals are often recommended.