2016 MALAYSIA DIGITAL LANDSCAPE

EXPLORING THE DIGITAL LANDSCAPE IN MALAYSIA-BOOSTING GROWTH FOR A DIGITAL ECONOMY

Digital Integration & Business Transformation Asia Conference
3 - 4 August 2016 | JW MARRIOTT Kuala Lumpur, Malaysia
MALAYSIA DIGITAL OVERVIEW

31,545,990
Total Population (as of Feb 2016)

21,056,126
Internet Users

5,368,070
Households Broadband
(Total households 7,435,000)

20,650,133
Users on Top Social Network Sites

44,509,884
Mobile Subscriptions

76%
Urban

24%
Rural

68.5%
Internet Penetration

72.2%
Broadband Households Penetration

67.7%
Social Network Penetration

144.8%
Mobile Penetration

Source: Department of Statistics Malaysia, MCMC Q2’15, comScore,
International CCS Survey 2015 – Benchmark – Malaysia (Adult 15+)
ESTIMATED MALAYSIA DIGITAL REVENUE

Source: © Statista 2016 – Digital Advertising Spending in Malaysia 2014 – 2020. USD to MYR Exchange Rate of 4.05
ESTIMATED MALAYSIA DIGITAL REVENUE VS. GLOBAL

RM 1,085,580mil
RM 1,001,618mil
RM 920,192mil
RM 834,456mil
RM 752,300mil
RM 667,528mil
RM 582,638.22mil

Source: © Statista 2016 – Digital Advertising Spending in Malaysia 2014 – 2020. USD to MYR Exchange Rate of 4.05
<table>
<thead>
<tr>
<th>Industry</th>
<th>Revenue (RM)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>FMCG &amp; Packaged Goods</td>
<td>192.42mil</td>
<td>34.6%</td>
</tr>
<tr>
<td>Services &amp; Others</td>
<td>103.30mil</td>
<td>18.6%</td>
</tr>
<tr>
<td>Pharma &amp; Healthcare</td>
<td>86.29mil</td>
<td>15.6%</td>
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<tr>
<td>Entertainment &amp; Media</td>
<td>56.31mil</td>
<td>10.2%</td>
</tr>
<tr>
<td>Automotive</td>
<td>28.36mil</td>
<td>5.1%</td>
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<tr>
<td>Telco</td>
<td>23.50mil</td>
<td>4.2%</td>
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<tr>
<td>Retail</td>
<td>21.07mil</td>
<td>3.8%</td>
</tr>
<tr>
<td>Financial Svc</td>
<td>19.85mil</td>
<td>3.6%</td>
</tr>
<tr>
<td>Travel</td>
<td>17.42mil</td>
<td>3.1%</td>
</tr>
</tbody>
</table>

Source: Statista 2016. Due to limited data availability, the chart shows the Display-Revenue Split for the corresponding world region.
DIGITAL MARKET OUTLOOK – ECOMMERCE

Revenue In Million U.S. Dollars (Malaysia)

Source: Statista 2016
DIGITAL MARKET OUTLOOK - CLOTHES & ACCESSORIES

Revenue In Million U.S. Dollars (Malaysia)

Source: Statista 2016
DIGITAL MARKET OUTLOOK – ESERVICES
Revenue In Million U.S. Dollars (Malaysia)

Source: Statista 2016
DIGITAL MARKET OUTLOOK – FLIGHTS

Revenue In Million U.S. Dollars (Malaysia)

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</thead>
<tbody>
<tr>
<td></td>
<td>2,140</td>
<td>2,572</td>
<td>2,951</td>
<td>3,420</td>
<td>4,193</td>
<td>4,943</td>
<td>5,901</td>
</tr>
</tbody>
</table>

Source: Statista 2016
DIGITAL MARKET OUTLOOK - FOOD & BEVERAGES

Revenue In Million U.S. Dollars (Malaysia)

Source: Statista 2016
DIGITAL MARKET OUTLOOK - HOBBY, LUXURY & OTHER GOODS
Revenue In Million U.S. Dollars (Malaysia)

Source: Statista 2016
DIGITAL MARKET OUTLOOK - TOYS & BABYWARE
Revenue In Million U.S. Dollars (Malaysia)

Source: Statista 2016
TAPPING INTO DIGITAL MARKETING ON GROWING DIGITAL MARKET IN MALAYSIA
DIGITAL ADVERTISING REVENUE SPLIT - DESKTOP / MOBILE

Source: Statista 2016
DIGITAL ADVERTISING SPEND TAKEAWAY

• Revenue in the "Digital Advertising" market amounts to RM1.37bil in 2016.

• RM716.63mil of total revenue in the "Digital Advertising" market will be generated through mobile in 2020.

• FMCG & Packaged Goods accounts for the largest revenue share, that is 34.6% (RM192.42mil) of Digital Advertising revenues in 2016.

USD to MYR Exchange Rate of 4.05
<table>
<thead>
<tr>
<th>Year</th>
<th>Digital Display</th>
<th>Digital Video</th>
<th>Digital Mobile</th>
<th>Digital Total</th>
</tr>
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<tbody>
<tr>
<td>2010</td>
<td>n.a</td>
<td>n.a</td>
<td>n.a</td>
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<tr>
<td>2011</td>
<td>n.a</td>
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<tr>
<td>2012</td>
<td>n.a</td>
<td>n.a</td>
<td>n.a</td>
<td>5.0%</td>
</tr>
<tr>
<td>2013</td>
<td>n.a</td>
<td>n.a</td>
<td>n.a</td>
<td>8.0%</td>
</tr>
<tr>
<td>2014</td>
<td>-1.4%</td>
<td>20.0%</td>
<td>52.0%</td>
<td>11.0%</td>
</tr>
<tr>
<td>2015</td>
<td>5.0%</td>
<td>5.0%</td>
<td>3.0%</td>
<td>5.0%</td>
</tr>
<tr>
<td>2016f</td>
<td>10.0%</td>
<td>10.0%</td>
<td>5.0%</td>
<td>11.0%</td>
</tr>
<tr>
<td>2017f</td>
<td>10.0%</td>
<td>10.0%</td>
<td>5.0%</td>
<td>11.0%</td>
</tr>
</tbody>
</table>

• Negative inflation reported in 2014 due to switch of traditional CPM vs. biddable inventory.
• Increasing biddable & programmatic advertisers will drive higher prices in digital ad inventory.

Source: Carat Malaysia Digital Media Inflation Estimates 2015/16
<table>
<thead>
<tr>
<th></th>
<th>MALE</th>
<th>FEMALE</th>
<th>CHILDREN</th>
<th>HOUSEHOLD SIZE</th>
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<tr>
<td></td>
<td>Total Internet</td>
<td>Total Internet</td>
<td>Total Internet</td>
<td></td>
</tr>
<tr>
<td></td>
<td>11,122</td>
<td>8,609</td>
<td>3,591</td>
<td>HH Size 1: 294 (1.5%)</td>
</tr>
<tr>
<td></td>
<td>% of Online</td>
<td>% of Online</td>
<td>% of Online</td>
<td>HH Size 2: 869 (4.4%)</td>
</tr>
<tr>
<td></td>
<td>56.4%</td>
<td>43.6%</td>
<td>18.2%</td>
<td>HH Size 3: 2,490 (12.5%)</td>
</tr>
<tr>
<td></td>
<td>(against total internet population 6+)</td>
<td>(against total internet population 6+)</td>
<td>(against total internet population)</td>
<td>HH Size 4: 3,420 (17.3%)</td>
</tr>
<tr>
<td></td>
<td>Avg. Min/Visit</td>
<td>Avg. Min/Visit</td>
<td>Avg. Mins/Visit</td>
<td>HH Size 5+: 12,673 (64.2%)</td>
</tr>
<tr>
<td></td>
<td>27.6mins</td>
<td>29.3mins</td>
<td>24.7mins</td>
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<td>Total Internet</td>
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<tr>
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<td>3,591</td>
<td>4,492</td>
<td>3,110</td>
<td>4,150</td>
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<td></td>
<td>% of Online</td>
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<td>% of Online</td>
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<tr>
<td></td>
<td>18.2%</td>
<td>22.7%</td>
<td>15.7%</td>
<td>21.0%</td>
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<td></td>
<td>(against total internet population)</td>
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<td>24.7mins</td>
<td>28.0mins</td>
<td>28.5mins</td>
<td>30.4mins</td>
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<td></td>
<td>3,329</td>
<td>2,620</td>
<td>1,564</td>
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<td></td>
<td>% of Online</td>
<td>% of Online</td>
<td>% of Online</td>
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<td></td>
<td>16.9%</td>
<td>13.3%</td>
<td>7.9%</td>
<td></td>
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<tr>
<td></td>
<td>(against total internet population)</td>
<td>(against total internet population)</td>
<td>(against total internet population)</td>
<td></td>
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<tr>
<td></td>
<td>28.2mins</td>
<td>27.8mins</td>
<td>27.7mins</td>
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<td>1,564</td>
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<td>7.9%</td>
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</tr>
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<td></td>
<td>27.7mins</td>
<td></td>
<td>30.4mins</td>
<td></td>
</tr>
</tbody>
</table>

Source: MCMC Q4-2014, International CCS Survey 2015 – Benchmark – Malaysia (Adult 15+), comScore – Malaysia, Total Audience Home & Work Sep 2015
Malaysians are Internet addicts with growing time spent

Malaysians spend an average of

5.1 hours a day on the internet

Malaysians spend an average of

2.8 hours a day on social networks

47% Malaysians access websites from their mobile phone

Source: We Are Social estimates, comScore Media Metrix, January 2015 - Internet audience 15+ accessing internet from home or work PC
# The 5 Platforms in Digital Ads

## Display
- Premium Sites
- Ad Networks
- Ad Exchanges
- In Game Ads
- Email Ads
- Native Ads

## Video
- YouTube / GDN
- Facebook
- Video DSP
- Premium Sites
- Video Network

## Mobile & Tablets
- Mobile AdNetworks
- Telco Networks
- Mobile DSP

## Social Media
- Facebook
- Blog Networks
- Telco Networks
- Social Seeding
- Forum Seeding
- Videos / UGC
- Article Seeding

## Search
- Google
- Bing
- Yahoo

**Audience Filter:** Demographics, Geographic, Time, Device, Interest, Topics, etc.

**Content Generation:** Video, Articles, Pictures, Microsite, UGC, Apps, Contest, Games, Social Postings, etc.
TRENDS IN DISPLAY ADS
2016: THE YEAR OF DISPLAY

MOBILE FIRST ADVERTISING

THANKS TO SOCIAL, ADVERTISERS PLAN TO SPEND MORE PROGRAMMATICALLY IN 2016

REAL-TIME CONTENT

Using display to increase reach across campaigns as more targeting filters being made available through 1st and 3rd party data in Malaysia.

Start mobile campaigns as incremental reach across different TA. Explore new mobile platforms (i.e. LINE, WeChat, FB Canvas, etc) across key brands.

Setting up of programmatic buying in 2016 to gather new digital insights, audience groups, data collection for retargeting and media reach efficiencies.

Establish quicker and faster display and video creatives through Dynamic Creative Optimization and video partners.

TRENDS IN VIDEO
Malaysians spend an average of 18 hours using the internet each week, of which 7.2 hours are spent watching online videos vs. 10.6 hours on TV.

Source: ComScore, Nielsen

42% of Malaysian netizens watch TV content and movies via the internet.

80% of Malaysian netizens stream or download online video content each month.

Source: Nielsen
VIDEO REACHES 21MN VIEWERS

EXAMPLE OF USING ONLINE VIDEO TO ADD REACH

Source: Carat Consumer Connections System Planner 2015
TRENDS IN SOCIAL
## TOP 10 SOCIAL SITES ACCESSED BY MALAYSIANS (DESKTOP ONLY)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Social Media Platform</th>
<th>Total Unique Visitors (000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>FACEBOOK</td>
<td>12,536</td>
</tr>
<tr>
<td>2</td>
<td>WORDPRESS.COM*</td>
<td>2,855</td>
</tr>
<tr>
<td>3</td>
<td>BLOGGER</td>
<td>2,122</td>
</tr>
<tr>
<td>4</td>
<td>LINKEDIN</td>
<td>2,021</td>
</tr>
<tr>
<td>5</td>
<td>TWITTER</td>
<td>1,864</td>
</tr>
<tr>
<td>6</td>
<td>TUMBLR.COM*</td>
<td>1,603</td>
</tr>
<tr>
<td>7</td>
<td>PINTEREST.COM</td>
<td>1,191</td>
</tr>
<tr>
<td>8</td>
<td>REDDIT</td>
<td>900</td>
</tr>
<tr>
<td>9</td>
<td>GOOGLE+</td>
<td>802</td>
</tr>
<tr>
<td>10</td>
<td>SCRIBD.COM</td>
<td>729</td>
</tr>
</tbody>
</table>

Source: comScore MMX Total Malaysia 6+, Home & Work Locations,  
Desktop & Laptop February 2016  
*Extrapolated to 21,056,126 internet population in Malaysia
LESS THAN HALF OF BRANDS ARE NOT HEAVILY INVOLVED IN SOCIAL MEDIA

Source: Econsultancy State of Social Media in Malaysia 2015 Report

How would you describe the extent of your organisation’s / clients’ social media activity?

- We / our clients are heavily involved in social media: 48% (Company respondents), 38% (Agency respondents)
- We / our clients have experimented with social media but not done much: 50% (Company respondents), 62% (Agency respondents)
- We / our clients don’t do anything: 2% (Company respondents), 0% (Agency respondents)

Source: Econsultancy State of Social Media in Malaysia 2015 Report
SOCIAL MEDIA IS PRIMARILY USED TO INCREASE BRAND AWARENESS / ENHANCE REPUTATION

What are the top three objectives that you or your clients are trying to achieve with social media marketing?

- To increase brand awareness / enhance reputation: 87% (Company respondents) / 90% (Agency respondents)
- To engage with / retain customers: 48% (Company respondents) / 44% (Agency respondents)
- To drive traffic to the website: 24% (Company respondents) / 37% (Agency respondents)
- To generate leads: 26% (Company respondents) / 31% (Agency respondents)
- To sell products, services or content directly online: 31% (Company respondents) / 48% (Agency respondents)
- To inform product and services development: 27% (Company respondents) / 40% (Agency respondents)
- To improve customer service / customer satisfaction: 13% (Company respondents) / 16% (Agency respondents)
- Other: 2% (Company respondents) / 2% (Agency respondents)

Source: Econsultancy State of Social Media in Malaysia 2015 Report
4

TRENDS IN MOBILE
MALAYSIANS CAN’T LIVE WITHOUT THEIR MOBILE PHONES

Mobile Phone User Base (‘000) : 16,744

- Mobiles are essential to stay in touch with... 80
- My mobile is an important part of my social life 71
- I feel lost without my mobile phone 71
- My mobile phone is essential for my job 56
- I like to have the latest mobile handset 56
- It is acceptable to get ads on my mobile phone... 46
- Wouldn't like company send ads if I haven't... 43
- My mobile is my main source of entertainment 39
- I like to get news via mobile on things I'm... 39
- I ignore all commercial text messages I receive 38

Source: Carat Consumer Connections System 2015
Mobile becoming the go-to device for our every need and activities

Source: Nielsen Smartphone Insights 2014
PENETRATION REACHING CRITICAL MASS

MOBILE OWNERSHIP - SMARTPHONES

Source: Nielsen Smartphone Insights 2014
TOP TIME SPENT IN MESSENGER APP

Source: Google Think Mobile 2015
TRENDS IN SEARCH
The market's largest segment is "search advertising" with a market volume of RM435mil in 2016.

GOOGLE REMOVED SIDEBAR SEARCH AD

• Google has removed their search ads from the right side of search results pages. So essentially they are decreasing the number of ads you are seeing, even though they are also adding a fourth ad to the set of ads at the top of the search results page. The rest of the ads will be forced to the bottom of the results page. This is a global rollout which will sees the ad changes brought to all languages and it brings the look more in line with how Google works on mobile devices.

• Good news for advertisers as this tweak is designed for highly commercial queries where the layout is able to provide more relevant results for people searching and better performance for advertisers.

Source: Searching Journal 2016
PERSONALIZED PPC

• One-third of marketers see personalization as the most important capability to the future of marketing, according to an Adobe study. 2016 will see more customized PPC beyond targeting the right set of keywords.

Source: Searching Journal 2016
STRUCTURED DATA WILL BECOME EVEN MORE SIGNIFICANT

• In 2015, Google announced the usage of their new machine-learning system, known as RankBrain. This A.I. technology has been designed to better understand the intent of searches. Google says that it has been particularly helpful when the search engine faces a query it has not seen before.

Source: Search Engine Land
SITE LAYOUT WILL BE CRUCIAL FOR SUCCESS

- Site features, such as the layout, will be an important part of rising above the noise of the modern content battleground. When customers have trouble finding the information they need on a website, they are likely to just click back to search results. An estimated 50 percent of potential sales are lost because customers cannot find what they seek.

Source: Search Engine Land
Maturation in online marketing as success becomes less defined by a website’s ranking and more about the overall online presence of the brand. The website will need to be well integrated with the rest of the online platforms, especially social media.

Source: Search Engine Land
THANKS FOR LISTENING!
• **A/B Testing**: A method used to compare different versions of digital ads or website landing pages in order to determine which one performs better.

• **Above the Fold**: It describes the area of a web page that’s visible before the website visitor scrolls down the page.

• **Ad Audience**: The total number of people that have been exposed to or could possibly be exposed to an ad during any specific time period.

• **Ad Exchange**: A technology-facilitated marketplace that allows Internet publishers and advertisers to buy and sell advertising inventory in real-time auctions.

• **Ad Impressions**: The number of times an ad has been served, regardless of whether the user has actually seen or interacted with the ad in any way.

• **Ad Network**: A vendor that connects advertisers to publishers. Ad networks act as a single point of contact between publishers and advertisers, helping negotiate supply and demand.

• **Ad Serving**: The delivery of an ad from a web server to the end user’s device, where the ads are displayed on a browser or an application.

• **Ad Targeting**: Delivering ads to a pre-selected audience based on various attributes, such as geography, demographics, psychographics, web browsing behavior and past purchases.

• **Bounce Rate**: A “bounce” is a website visit in which the visitor looked only at the single page they landed on, did not interact with it, and then left the site.

• **Call to Action (CTA)**: A phrase included within an ad, or a graphic element such as a button, which invites the audience to take a certain action.

• **Clickthrough Rate (CTR)**: Expressed as a percentage of total impressions, this statistic shows how often people who are served an ad end up clicking on it.

• **Contextual Targeting**: Selecting audiences based on the type of content being displayed on a particular webpage.

• **Conversion**: When launching a campaign, advertisers select a specific action or set of actions they want audiences to take.

• **Conversion Pixel**: A 1×1 image pixel placed on a web page (such as a thank-you page) which is triggered whenever a conversion occurs. Usually transparent.
KEY DIGITAL ADVERTISING GLOSSARY

• **Conversion Tracking**: Monitoring how many conversions have occurred during any specific time period, and analyzing which ads led to the conversions.

• **Cookie**: Information stored on a website visitor’s browser. A cookie tracks the visitor’s movement on the website and is used to remember the visitor’s behavior and preferences.

• **Cost per Acquisition**: The cost of acquiring one customer. Typically calculated by dividing the total amount spent on an advertising campaign by the number of customers acquired through that campaign.

• **Cost per Click (CPC)**: How much an advertiser pays, on average, for each ad click. CPC is calculated by dividing the total amount spent on a campaign by the number of clicks generated.

• **Cost per Lead (CPL)**: How much an advertiser pays, on average, for each ad click that results in a lead conversion. CPL is calculated by dividing the total amount spent on a campaign by the number of leads generated.

• **Cost per Thousand (CPM)**: Metric that shows how much it costs to serve 1,000 ad impressions.

• **Cross-Device Targeting**: Serving the same buyer targeted ads across multiple devices.

• **Demand-Side Platform (DSP)**: A system that allows advertisers to bid for and purchase inventory from multiple ad exchanges, through one single interface.

• **Direct Response**: A campaign or ad specifically created to encourage audiences to take immediate action.

• **Display Advertising**: A digital advertising format where graphic ads are shown on a web page. The term originated in newspapers, and the principles still apply.

• **Expandable Banner**: Banners that increase in size when a user hovers over them.

• **In-Stream Video Ads**: Video ads played before, during or after the video content the publisher is delivering to the consumer.

• **Interstitial Ads**: Ads that appear between two different content pages, served when a website visitor navigates from one page on a website to another.
KEY DIGITAL ADVERTISING GLOSSARY

- **Keyword**: A specific word or phrase chosen by advertisers to trigger and include their ad within search engine results.
- **Lookalike Audience**: If you’re like most businesses, you know who your customers are from a demographic and even psychographic point of view.
- **Native Advertising**: Any paid advertising that is indistinguishable in form from the channel being used to present it.
- **Pay per Click (PPC)**: Pricing model where advertisers pay vendors or publishers based on the number of clicks received in a campaign.
- **Programmatic Media Buying**: An automated method of buying media which ensures that advertisers are reaching the right person, at the right time, in the right place. The ads are bought based on a set of parameters pre-defined by the company placing the ads. Programmatic advertising uses data to make decisions about which ads to buy in real time, which improves efficiencies and increases the effectiveness of the ads.
- **Reach**: The total number of people who see your message. One person who is served your ad five times and clicks on it once yields a reach of 1, 5 impressions, and a clickthrough rate of 20%.
- **Retargeting/Remarketing**: Serving ads to people who have previously visited your website.
- **Rich Media**: Interactive media such as quizzes, games, and ads with video and special effects. This category is growing quickly. Check out the IAB’s “Rising Stars” examples of new types of ad units such as the Pushdown and the Sidekick.
- **Social Advertising**: Running paid ads on online social networking platforms, such as Facebook, LinkedIn, and Twitter.
- **View Through**: Used to measure a consumer’s behavior after they’ve been served an ad.