

DISCUSSION FOR REVISION SHARE REVISION

1. Overview:

- The revenue share for Maxis and Celcom has been a major setback to Content Providers.
- Especially with the implementation of the preventative system, the revenue share for CP is further cut.

Current revenue share for telcos:

Telco	Telco's Revenue Share	Non-premium Messaging Cost to CP	Premium Messaging Cost to CP
Celcom	53%	RM0.05/MT	RM0
Maxis	42%	RM0.095 to RM0.05 (refer tier table below **) (1 Free MT for every MO received*)	RM0
Digi	30%	RM0.11/MT	RM0.07

* For every SMS MO received from the Subscribers in any particular month, the Client shall be entitled to send an equivalent number of SMS MT (with no premium value attached) to the Subscribers at no cost and any subsequent SMS MT (with no premium value attached) in excess of the total SMS MO for that month will be charged based on the band of usage as per the Bulk SMS pricing table below.

** MAXIS BULK RATE PRICING

Band of Usage			Unitary Price Per SMS MT with no premium value attached (RM)
First 0	To	25,000	0.095
Next 25,001	To	50,000	0.085
Next 50,001	To	100,000	0.075
Next 100,001	To	250,000	0.065
Next 250,001	To	500,000	0.055
Next 500,001	To	3,000,000	0.050

2. Revision Rationale

2.1 Malaysian's Telcos have one of the highest revenue share in the region

Please refer spreadsheet attached for tabulation of telco share for SEA.

2.2 Music and branded contents is not fully taking off

The reason is obviously there is not enough profit margins for the content providers to offer these contents to consumers at a reasonable price.

As one of the example given below, content provider who is selling a music ringtone at RM4 is merely making RM0.17 gross profit or a **pathetic 4%** of the selling price! This has yet to include other costs (such as advertisement and promotions, telco's network and shortcode fees, operation costs, etc) **and telco's revenue report variance, which is up to 5% or more.**

Sample Profit Margin Calculation for Content (for CP **with USP** contribution):

Celcom

Selling Price

\$ 1.00 \$ 4.00

RM

Telco's Revenue Share	53%	\$ 0.53	\$ 2.12
Content License (eg: Music, branded content)	40%	\$ 0.40	\$ 1.60
MT Cost		\$ -	\$ -
USP Fund Deduction	6%	\$ 0.03	\$ 0.11
Gross Profit Margin for CP	4%	\$ 0.04	\$ 0.17

Maxis

Selling Price

\$ 1.00 \$ 4.00

RM

Telco's Revenue Share	42%	\$ 0.42	\$ 1.68
Content License (eg: Music, branded content)	40%	\$ 0.40	\$ 1.60
MT Cost		\$ -	\$ -
USP Fund Deduction	6%	\$ 0.03	\$ 0.14
Gross Profit Margin for CP	14%	\$ 0.15	\$ 0.72

Digi

Selling Price

\$ 1.00 \$ 4.00

RM

Telco's Revenue Share	30%	\$ 0.30	\$ 1.20
Content License (eg: Music, branded content)	40%	\$ 0.40	\$ 1.60
MT Cost		\$ 0.07	\$ 0.07
USP Fund Deduction	6%	\$ 0.04	\$ 0.17
Gross Profit Margin for CP	19%/24%	\$ 0.19	\$ 0.96

Sample Profit Margin Calculation for Content (for CP **without USP** contribution):

Celcom

Selling Price

\$ 1.00 \$ 4.00

RM

Telco's Revenue Share	53%	\$ 0.53	\$ 2.12
Content License (eg: Music, branded content)	40%	\$ 0.40	\$ 1.60
MT Cost		\$ -	\$ -
USP Fund Deduction	0%	\$ -	\$ -
Gross Profit Margin for CP	7%	\$ 0.07	\$ 0.28

Maxis

Selling Price

\$ 1.00 \$ 4.00

RM

Telco's Revenue Share	42%	\$ 0.42	\$ 1.68
Content License (eg: Music, branded content)	40%	\$ 0.40	\$ 1.60
MT Cost		\$ -	\$ -
USP Fund Deduction	0%	\$ -	\$ -
Gross Profit Margin for CP	18%	\$ 0.18	\$ 0.72

Digi

Selling Price

\$ 1.00 \$ 4.00

RM

Telco's Revenue Share	30%	\$ 0.30	\$ 1.20
Content License (eg: Music, branded content)	40%	\$ 0.40	\$ 1.60
MT Cost		\$ 0.07	\$ 0.07
USP Fund Deduction	0%	\$ -	\$ -
Gross Profit Margin for CP	23%/28%	\$ 0.23	\$ 1.13

2.3 Crippling of Content Industry

With the current revenue share and gprs pricing system, this has crippled the business of content providers.

With a better revenue share, the **benefits** would be tremendous, both to the providers and users, which is:

- More content providers are able to acquire or develop more interesting or licensed contents and services to revive the industry.
- Content providers are able to transfer the benefits to users which is a lower price and a better variety.
- Content providers would be able to have a more sustainable business.

2.4 Exorbitant Fee for Users

Content providers are often forced to charge user an exorbitant fee especially for music and branded for music content due to the current revenue system. To users and content providers, this has the effect of further damaging the reputation of content providers as not only users are paying a high price for such contents but they are also being charged for GPRS which can go up to RM20 for a 2 megabyte full track music download. (@10 sen/10kb)

This also translates to substantial revenue to telcos but minuscule and unfair revenue to CP. For example, for a full song download at the selling price of RM4, Telco will be earning RM22.27 while CP getting a mere RM1.88 of revenue after telco share.

Sample calculation (Full song download @ RM4):

Revenue to Telco	Revenue to CP
GPRS rev. : RM20	GPRS rev. RM0
MT revenue share: RM2.12	MT revenue share: RM1.88
MO charge: RM0.15	MO charge: RM0
Total Revenue: RM22.27	RM1.88 (nett revenue) RM0.04 (nett revenue after USP & licensing fee) <i>excl. telco shortcode fees, misc. cost.</i>

2.5 Global Recession

With the looming economy recession, the content industry will be further hit by the contracted consumer spending.

3. MMCP's Proposal

In the view of **urgency and significance** of the rationale presented above, MMCP do strongly urge that following to be implemented in the earliest time in order to sustain the struggling business of content providers **and also for end-users'sake**.

1. To standardize all Telco's revenue share to 70/30 in favour to CP
2. Revenue sharing with CP on GPRS charges **or/and;**
3. Waiver of GPRS charges (for users) for:
 - Content browsing on WAP portal for MMCP members
 - Content download