



2018

SOUTH EAST ASIA ANIMATION REPORT

The Regional Digital Content Landscape



EXECUTIVE SUMMARY

South East Asian markets are the fastest-growing for both consumption and production of digital content globally and will further expand as a hub for digital content development¹

That statement was made by a regional software industry promotional agency way back in 2012. Fast forward to 2018, the statement seems to hold true with the emergence of new creative studios, growing popularity of South East Asia (SEA) as an offshore animation services destination, and increasing numbers of intellectual properties (IPs) for local content. The region's talents are also being sought after by global industry giants, where they are said to be artistic, competitive and industry-ready.

However, hard evidence seems elusive, and lack of empirical data to support the region's industry assumptions means we are unsure of the actual strength of the industry and its growth potential.

Hence, with a leap of faith, Malaysia Digital Economy Corporation (MDEC) started an on-ground survey to seek out and analyse the actual industry scenario amongst selected South East Asian member countries.

This report is meant to shed some light on the state of the region's animation industry and to present some ideas for collaborative opportunities and beneficial alliances.

For now, findings show that the region's animation industry is young yet robust and promising; its capabilities and capacity fairly spread out; its ecosystem needing a lot of improvement; and its community eager to join forces.

Such information is profound and can lead to stronger alliances, promotions and investments, area specialisations, transfers of technology and knowledge sharing. The strategic intent is to see a greater growth of this region's creative industry, both in terms of technological advancement, as well as wealth and revenue creation – and collectively, create an economic force to be reckoned with.



CONTENT

EXECUTIVE SUMMARY

01 FOREWORD

Foreword by Datuk Yasmin Mahmood, CEO MDEC

Introduction by Takumi Furusato, Media Create

Quotes by Country Representatives

02 SOUTH EAST ASIA ANIMATION INDUSTRY AT A GLANCE

03 BACKGROUND

04 OBJECTIVE

05 METHODOLOGY

Phase 1: Primary and Secondary Data Gathering

Phase 2: Analysis and Synthesis of Survey Findings

Phase 3: Propose Recommendations and Way Forward

06 INSIGHTS AND OBSERVATIONS

Characteristics: Young and Promising

Capacity and Capabilities: Maturity vs Agility

Ecosystem Support: Youthful Environment with Potential for Growth

07 REGIONAL OVERVIEW

Malaysia

Indonesia

Philippines

Singapore

Thailand

Vietnam

2	08 GLOBAL INDUSTRY PRACTICES: LEARNINGS FROM INTERNATIONAL MARKETS	57
4	Japan	59
4	South Korea	62
6	India	68
7	Saudi Arabia	73
9	09 RECOMMENDATIONS AND WAY FORWARD	77
13	Ecosystem Building	78
15	IPs, Branding and Promotions	79
17	Investments, Market Access and Business Collaborations	80
18	Funding and Incentives	80
18	Talent Development and Reskilling	81
18	Regional Cooperation	82
19	REFERENCES AND ACKNOWLEDGEMENT	83
20		
27		
31		
41		
44		
46		
48		
50		
52		
54		

FOREWORD

BY THE CHIEF EXECUTIVE OFFICER,
MALAYSIA DIGITAL ECONOMY CORPORATION (MDEC)



Let 2018 and beyond, be the time where animation rises in South East Asia and we look forward to robust and exciting alliances and breakthrough ideas ahead.



Dear Members of the Animation Industry,

This publication marks our third excursion into the greater sphere of digital creative technologies within South East Asia.

We started this expedition with more data and insights of the region's game industry, where in 2015, MDEC provided holistic insights into the trade, especially from the developers' and producers' points of view. In 2016, we delved further to look at the same sector from the talent demand and supply perspectives.

This time around, we are moving to another facet of this fast-growing environment, namely the animation sector, particularly from the production and development angles. From a 2017-figure of USD305.7 billion to a forecasted USD404.8 billion in 2023, the global animation market is something we simply cannot ignore².

It is also said that about 90% of all American television animation is produced in Asia³ and we are positive that a bulk of that percentage comes from this region. For instance, in Malaysia alone, market revenues for animation and related efforts have reached USD187.7 million in 2016, translating to an estimated 11.2% boost from 2014 to 2016. The country also has an estimated number of 11,000 creative content and technology professionals⁴ for an industry which only started to be active slightly more than a decade ago.

Alas, for the South East Asia as a whole, we have no similar data to vouch for. Hence our decision to now look at the region's animation industry in greater scrutiny because it is our belief that with data analytics, we can collectively chart

a better and more fruitful pathway towards animation industry excellence.

Ladies and gentlemen,

Co-production, collaboration and outsourcing are just the tip of the iceberg in developing this industry. We need to pay closer attention at IP creation and merchandising as well; and build brands and characters that will be household names of the future – which will of course, lead to greater income and proficiency.

This report will not be possible without the support and enthusiasm of our partners from the participating South East Asian nations as well as our research partner, Media Create from Japan, and our highest appreciation goes out to them.

Let 2018 and beyond, be the time where animation rises in South East Asia and we look forward to robust and exciting alliances, as well as breakthrough ideas ahead.

Thank you and may you benefit from the findings we have obtained thus far.

Warm regards from

DATUK YASMIN MAHMOOD

Chief Executive Officer

Malaysia Digital Economy Corporation (MDEC)

INTRODUCTION

BY RESEARCH PARTNER, MEDIA CREATE

This South East Asia (SEA) Animation Report 2018 aims to present an impartial review and comprehensive overview of the current animation industry in Malaysia, Indonesia, Philippines, Singapore, Thailand and Vietnam.

This report is unique in the sense that it looks at the regional animation landscape from the development and production viewpoint. Through quantification and analysis from various aspects, the strengths and challenges of each country will be tabled in a much clearer fashion.

Currently, the importance of South East Asian countries in the animation industry has been relatively overlooked compared to those from America, Europe and Japan. It is our hope that this report will be able to assist governmental officials, executives of the industry, academic researchers and other stakeholders to understand the current scenario and potentials of the animation industry in each country and the South East Asian region as a whole - and subsequently give them clues for their way forward.



TAKUMI FURUSATO
Media Create

QUOTES

BY COUNTRY REPRESENTATIVES



MALAYSIA

Hasnul Hadi Samsudin | Vice President, Creative Content and Technologies, MDEC

These past decades have brought us so much excitement to the region's animation industry. We see the birth of new world-class content with local flavour, talented artists and workforce that are able to support global needs, and enlivening collaborations that manage to bring the best of our respective offerings. South East Asian animation certainly has much to offer and more, and I, for one, am looking forward to bigger and better things for our industry and anticipate much more future cooperation, so we can truly and collectively be a force to be reckoned within the realm of creative content technology.

INDONESIA

Rizki Uba Rachman | Operations Director, GRU Pictures |
General Secretary, Cimahi Creative Association



A South East Asian animation report is really needed by animation stakeholders especially those within the region itself. We hope that this report can comprehensively describe the region's current industry situation, so it can assist stakeholders, such as the government, academics and businessmen, take action on their respective parts in developing the trade as a whole. Governments can effectively decide on policies that can help the industry, potential investors can get full understanding of various business feasibilities, and companies can take note on which animation areas to improve on. Most importantly, this report can be a vehicle for producers and animators around South East Asia to collaborate in order to accelerate the growth of the South East Asian animation industry that can contribute to the global stage.



SINGAPORE

David Kwok | Founder and CEO, Tiny Island Productions |
Founder and Chairman, Singapore Animators Connection

I am truly excited for the potentials this report can offer. I am sure this will be of help to the economic growth of the regional animation industry. In addition, it allows more business and production collaborations to take place within the region. I look forward to more robust regional activities in the animation area, that will strengthen our industry holistically.

QUOTES

BY COUNTRY REPRESENTATIVES



PHILIPPINES

Miguel del Rosario | CEO, Morph Animation Inc (Toon City Animation) |
President, Animation Council of the Philippines (ACPI)

The Philippine animation industry has been around for decades but has thrived in the last thirty years primarily as a service providing industry. Many great talents have risen as a result of a recognisable few award-winning artists working in major production houses out West. This is testament to Filipino creative talent. While we are proud to be considered as a major service provider in the region, we are behind in terms of content development. It is our hope that the Philippines will eventually expand its offer both as service providers and also as worthy content developers by collaborating with experienced colleagues in the region. Here's to working together and making the South East Asian animation industry greater!

THAILAND

Nop Dharmavanich | Managing Director, Tomogram Studios |
President, Thai Animation and Computer Graphics Association

The South East Asian animation industry is rising in both outsourcing and IPs. To be able to take advantage of this opportunity, we need information to help us to plan and make strategic decisions. I strongly believe that South East Asia Animation Report 2018 will be one of the important keys to success of the South East Asian animation industry by providing us the information we need, enabling regional collaborations and bringing new friends together.



VIETNAM

Tuan Doan | Co-founder and CEO, Colory Animation

Animation production is new to Vietnam and we are excited to see how far we can go with it. The industry provides a new domain for creativity and as Vietnam learns from our friends in this region and beyond, we hope others would be able to benefit from us too. It is our hope and wish that animation can be one vehicle than can bring the South East Asian region closer together.

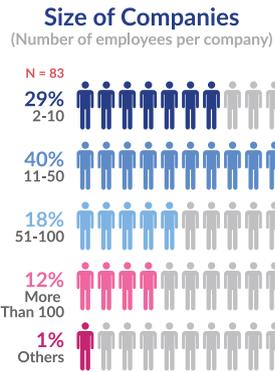
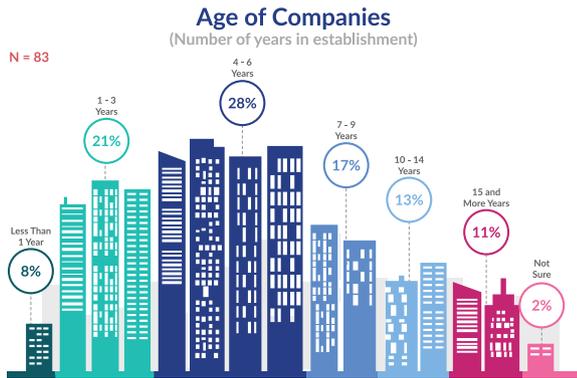




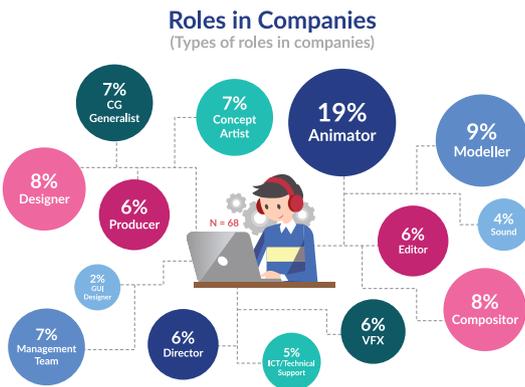
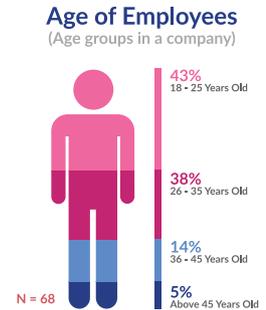
02

**SOUTH EAST ASIA
ANIMATION INDUSTRY
AT A GLANCE**

SOUTH EAST ASIA ANIMATION INDUSTRY AT A GLANCE

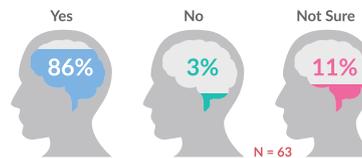


South East Asia's animation industry is youthful and still growing.

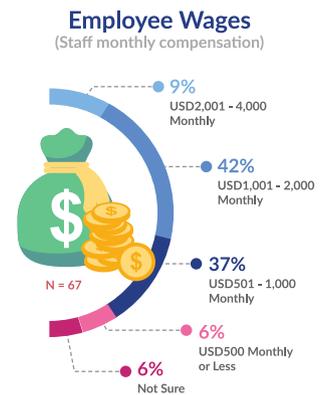


Creative Courses in SEA Region

(Provision of creative courses by IHLs or training centres in the country)

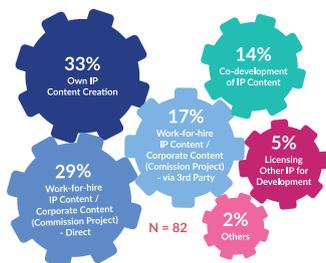


The region's creative prowess is in sync with global needs and is well supported by its education system; however, its labour force must be better compensated and taken care of to be retained.



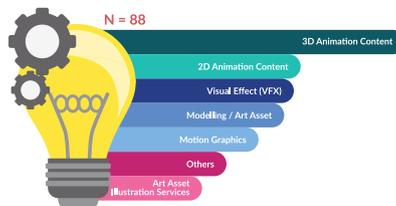
Type of Works

(Products and services companies create)



Nature of Business

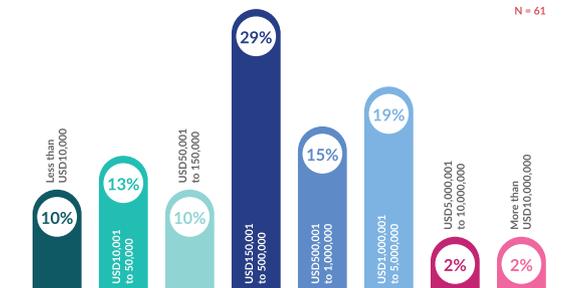
(Companies' area of specialisation)



SEA specialises in 3D animation and spends equal attention on own IPs as well as work-for-hire.

Company Annual Revenue

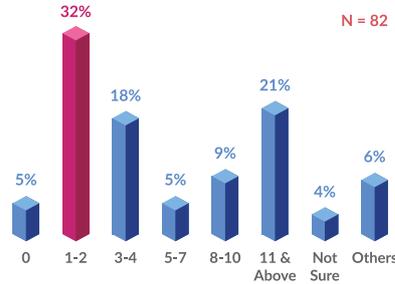
(How much companies earn per year)



Local capabilities and capacity are still on the rise. Sustaining and growing the business requires capital but financial assistance is hard to come by. Hence, South East Asian animation companies find strength in numbers and actively seek collaboration, especially from outside the region, as well as rely on association backing.

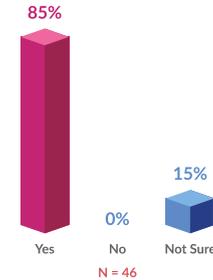
Annual Project Delivery Capabilities

(Number of projects studios can deliver in a year)



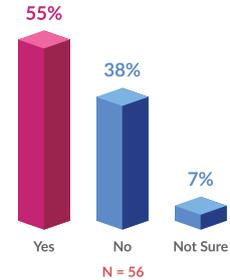
Engage Other Creative Companies in the Future

(Tendency to collaborate in the future)



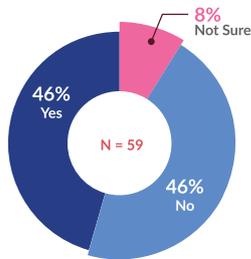
Past Collaboration with Other Creative Companies

(Collaborations participated in the past)



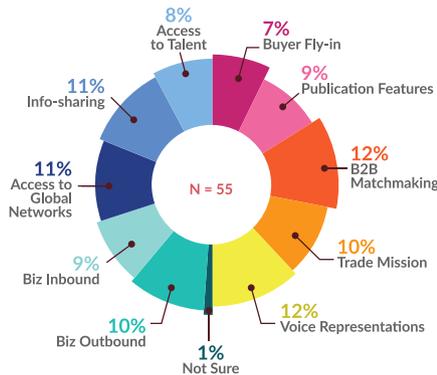
Member of Associations

(Percentage of companies that are members of associations)



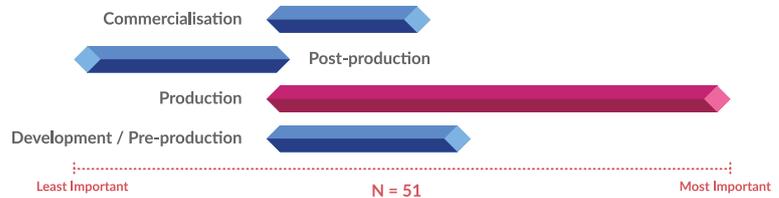
Benefits from Associations

(Companies' gains from being members of associations)



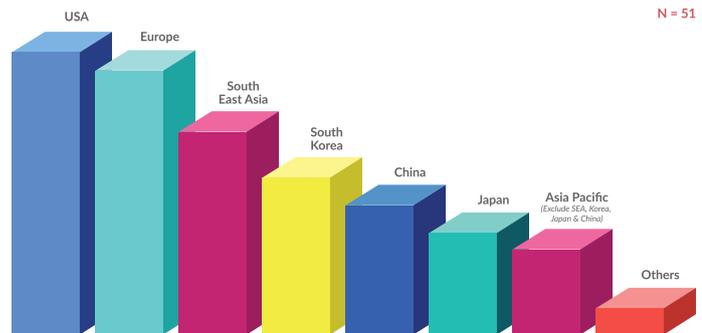
Stages of Animation Requiring the Most Funding

(The stage when funds are needed)



Target Markets and Regions for Partnerships, Co-Development, Co-Production and IP Sales

(Countries from which SEA companies would like to work with or get business from)



Kindly refer to Chapter 6: INSIGHTS AND OBSERVATIONS for further explanations and illustrations.

South East Asia's animation industry has the potential to expand both within the respective member countries and as a united regional force.

With the right nurturing programmes, financial and technological support, as well as clever adoption of new medias and business models, animation in the region will continue to flourish and be a major income and growth contributor to the economy.

The background is a dark blue gradient. On the right side, there is a large, glowing globe composed of red and white geometric shapes (polygons) connected by thin lines, representing a network or data structure. In the upper left, there is a faint blue icon of a laptop. In the lower right, there is a faint blue icon of a tablet with a pencil, suggesting design or editing. The overall aesthetic is futuristic and technological.

03

BACKGROUND

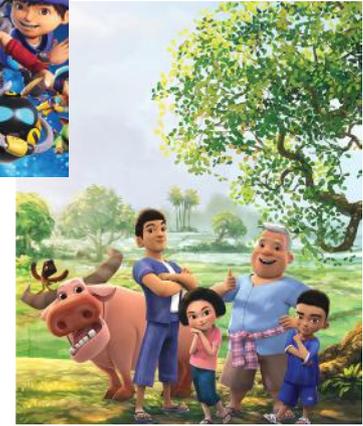
BACKGROUND

Similar to the game industry, South East Asia is slowly but surely gaining momentum in the global animation business. Through networking and discussions, we learn that South East Asia is the go-to region for animation outsourcing, mainly for its ample, competitive and reliable creative talents. However, hard facts and data to prove this assumption are scarce.

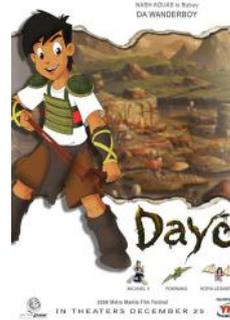
If South East Asian companies were to aspire to be in the same league as global animation studios such as Disney, DreamWorks, Ghibli, Pixar or Toei in the next 10 years, proper assessment of their current standing must be made.

Some of the prevalent questions in the market surround the need to gauge the size and worth of the region's industry as a whole, in comparison to the respective member country's achievements. People of the industry are also wondering what the region's global reach is, as well as its present capacity and capabilities. There is also a need to understand the industry ecosystem, what it takes to improve it and what the future holds for the region in both technical and economic contexts.

Boboiboy Galaxy, Animonsta, Malaysia



Gifts of the Land, Big Brain, Thailand



*Dayo, Cutting Edge Productions, Philippines**

Chubby Squid and Skinny Fish, Planion Animation, Vietnam



*Fox Tails, Chips and Toon, Singapore**



Permata Bank iSMART Advertisement, Cuatrodia, Indonesia

A futuristic digital globe with a network overlay and various icons. The globe is composed of glowing red and blue hexagonal facets, with a network of white lines and nodes overlaid on it. In the top left, there is a blue icon of a laptop. In the bottom right, there is a blue icon of a tablet with a pencil. The background is a dark blue gradient with faint hexagonal patterns.

04

OBJECTIVE

OBJECTIVE

The intent of this report is to present a clear view of the region's animation industry, specifically from the angle of development and production. It seeks to understand the region's industry landscape, scale and value, as well as its global market reach and forecasted outlook.

This report will capture the region's basic industry characteristics, study the maturity of its support ecosystem, as well as gauge the capacity and capabilities of its creative studios and talent supply. A few case studies will also be presented as benchmark towards further industry development or enhancement.

Strategic recommendations will then be put forth with the intention of building stronger regional animation communities that will eventually lead to greater growth of the industry.

*Battle of Surabaya, MSV Pictures, Indonesia**



*Godji The Adventure, Vithita Animation, Thailand**



Ejen Ali, Wau Animation, Malaysia



05

METHODOLOGY

METHODOLOGY

The research and analysis for this report were carried out in three phases.

PHASE 1

PRIMARY AND SECONDARY DATA GATHERING

Phase 1 focused on data gathering, both primary and secondary. The primary data was gathered through quantitative surveys and qualitative interviews, while the secondary data was collected via desktop researches and trade visits.

The primary data was gathered from 6 South East Asian nations, with a sample size of 90 companies. Interviews with some representatives from this sample were also conducted to provide on-ground and experiential views to the research. The survey and interviews were divided into three main segments:

- **Characteristics**
To gauge the physiognomies and attributes of the industry as a whole
- **Capacity and capabilities**
To measure the aptitude and competencies of the industry to succeed at local, regional and global scale
- **Ecosystem support**
To determine the types of support, incentives and collaborative activities/programme available to drive the industry further

Secondary data, on the other hand, was mainly procured from published or archived sources, to provide supplementary views and snapshots of the local creative trade. Combined, both the primary and secondary data offer a representative outlook of the region's animation industry, with examples to emulate and avenues for collaboration and improvement.

PHASE 2

ANALYSIS AND SYNTHESIS OF SURVEY FINDINGS

The second phase of this exercise looked into survey analysis and synthesis development. Data gathered was scrutinised and framed into several categories whereby industry challenges, opportunities and strengths were highlighted to show the member countries' respective as-is situation, as well as in the context of the region as a whole.

Throughout this exercise, the industry demography was also taken into consideration when analysing the region's animation landscape, achievements and progress.

PHASE 3

PROPOSE RECOMMENDATIONS AND WAY FORWARD

To conclude, Phase 3 puts forth global models and examples as industry benchmark, while recommendations are laid out as ideas for moving forward actions by the member countries.

Comparisons to or learnings from global industries are vital to provide proper contexts as sanity checks and offer reference points for the suggested recommendations. The last phase of the report also aims to provide opportunities for alliances and exchanges of ideas amongst the region's animation and digital content communities.



06

**INSIGHTS AND
OBSERVATIONS**

INSIGHTS AND OBSERVATIONS

CHARACTERISTICS: YOUNG AND PROMISING

South East Asia has been in the animation business as early as the 1940s. Some of its earlier works include simple animation instructing farmers to wear hats and boots in post World War II Thailand⁵ and Indonesia's first animated film by a Disney-trained animator in 1955. Vietnam too started way back in 1959, with short institutional and educational films produced by the government-run Vietnam Animation Company (VAC).

The beginnings of its critical mass can be traced to the time when the Philippines' animation industry boomed in 1980s, which experienced the entrance of well-known

industry players such as Australia's Burbank Animation Inc., Fil-Cartoons (subsidiary of Hannah Barbara Films, USA), Walt Disney's main Filipino contractor, Toon City Animation and Japan's Toei Animation. That decade also saw Malaysia's entry into the animation world with some short series like Hikayat Sang Kancil, Kluang Man and Usop Santorian, leading to the formation of her two founding animation studios: FilmArt and Lensamation⁶. Singapore, on the other hand, charted success in the early millennium, where her pioneer, Peach Blossom Media's Tomato Twins debuted on Nickelodeon in 2005.



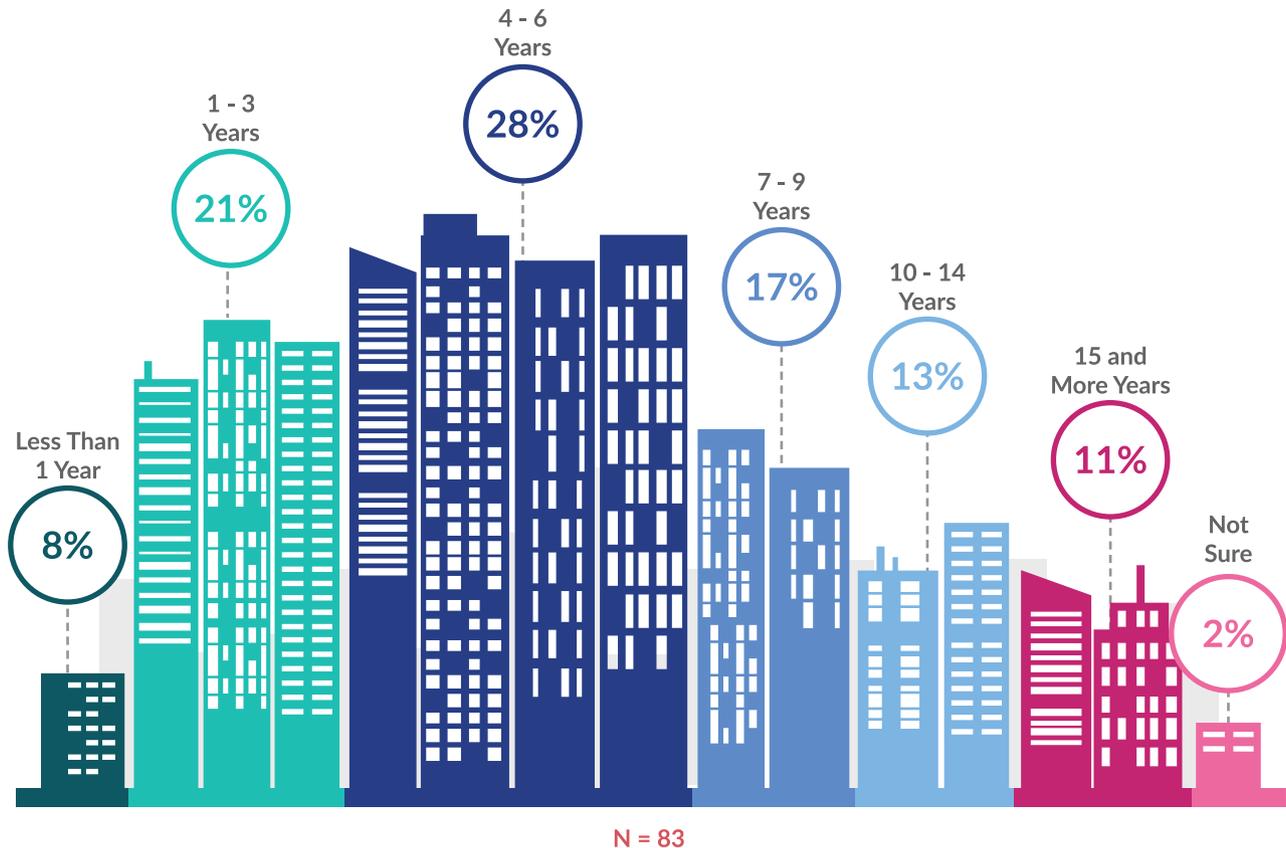
Tomato Twins, Peach Blossom Media, Singapore*

Kluang Man, UAS Animation Studios, Malaysia*



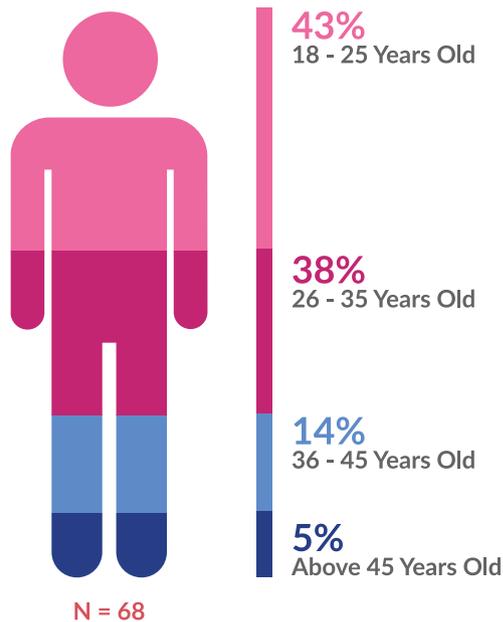
However, in comparison to global standards, the South East Asian animation industry can be considered relatively young. The majority of companies (57%) have only been established in the last six years (Figure 1). In contrast, the relatively young Pixar is already 32 years old (founded in 1986⁷) and Weta Digital, famed for its *The Lord of The Rings*' visual effects, is 25 years of age (founded 1993⁸), while pioneering Walt Disney Studios is just five years shy of being a Centenarian (founded in 1923⁹).

Figure 1 Age of Companies



Not only are South East Asian animation companies youthful, but the animation industry also leans heavily towards a young workforce. Majority of the respondents fall within the 18 to 25 years age bracket, 38% are between 26 to 35 years old, while only 19% are 36 years old and above (Figure 2).

Figure 2 Age of Employees



As such, South East Asia's animation industry seems to be in trend with the latest norms and techniques. With the meteoric rise in the technological capabilities of modern

digital media players, animation is now taking a three-dimensional (3D) form¹⁰. 3D animation is getting popular worldwide because of its technical and cost advantage, and South East Asia is becoming a hotbed for this area of expertise, as many regional studios tend to specialise in it.

This is reflected in the data gathered, whereby more than half of the survey respondents say that 3D animation is their main nature of business. 2D comes in second and Visual Effects third (Figure 3). Modelling and Art Asset Production too is placed high at fourth rank, implying South East Asian animation studios are also gaining expertise in the said area. Considering the fact that Visual Effects and Modelling, together with Motion Graphics are key elements in 3D animation, such emphasis is expected and appropriate for the region's industry growth.

Many South East Asian animation studios, like Vietnamese companies Planion Animation and Thunder Cloud Studio and Animation¹¹, focus on 3D animation – mainly for outsourcing assignments such as commercials and animated movie work packages.

Others like Singapore's Tiny Island Productions, create their own content. The said company produced the Republic's first stereoscopic 3D content, Dream Defenders, as shown at the Asia Television Forum (ATF) in 2010¹²; while Geng: Pengembaraan Bermula is Malaysia's first 3D animated feature film produced by Les' Copaque Animation in 2011¹³.

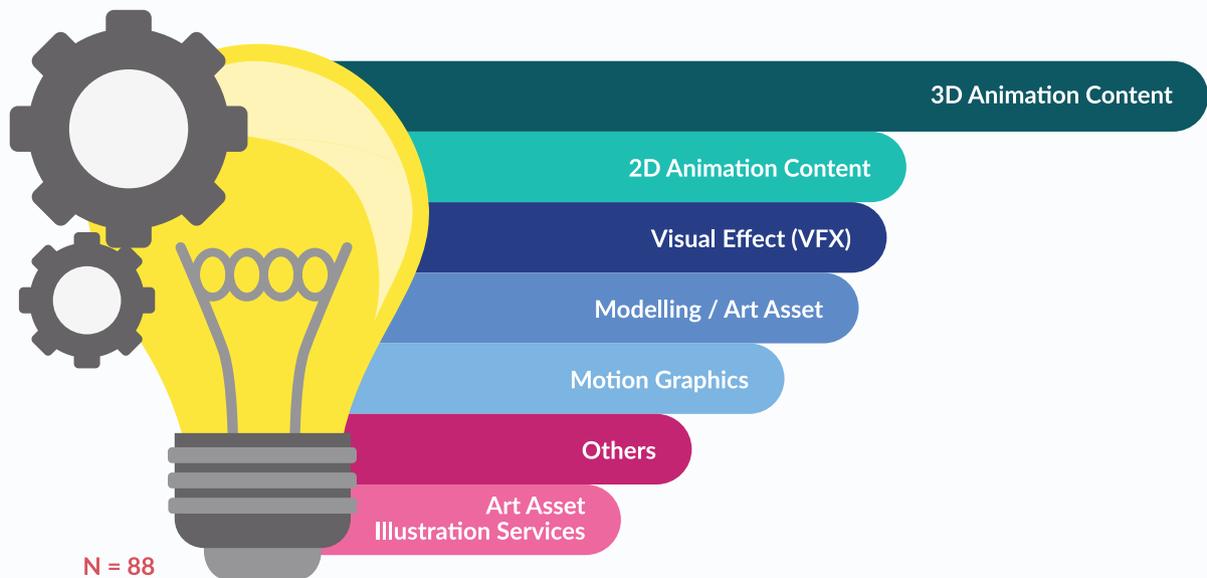
The Philippines, however, have chosen to specialise in 2D graphics, working on numerous household characters such as The Addams' Family, Dragon Ball Z, Finding Nemo, The

Incredibles, Scooby Doo and Tom & Jerry¹⁴; while Indonesia also maintains a presence in 2D animation and produces hybrid content like her Battle of Surabaya, produced in 2007 by MSV Studio.

While predominantly a nation with skillsets steeped in 3D animation, Malaysia too has seen an uptick in IPs that are based on 2D animation. Hit series such as Chuck

Chicken, Mustang Mama and Hogie the Globehopper are all Malaysian made, highly marketable IPs. Another hit series, Didi & Friends started out as a 3D project, but eventually pivoted to a cleaner 2D design in line with its target audience and proved to be a hit, culminating with over one billion views on Youtube.

Figure 3 Nature of Business



Thus far, the region has shown a steady growth in the industry. In the year 2000 onwards, Vietnam produced around 50 animated films, where Vietnam Animation Company (VAC) alone continues to produce 8-10 traditionally or computer drawn cartoons a year¹⁵.

Both Indonesia and Malaysia are seeing steady developments of talents, studios and communities, as well as seeing many local contents being produced, mostly related to local cultures and folklores.

Thailand and the Philippines remained as favourites for outsourced work packages by international animation giants. According to the Japan External Trade Organisation (JETRO), Thailand is ranked first place in 2016 in South East Asia for animation related businesses¹⁶, strengthened by her diverse educational infrastructure and projects designed to spur innovation and creativity. Philippines' popularity, on the other hand, was attributed to their strong grasp of the English Language and close affinity to the western culture and humour¹⁸.

However, South East Asian animation studios still have a long way to go to reach the levels of the renowned animation conglomerates like Pixar and Disney, especially in terms of profits and revenues. Company revenue generated by the region's animation companies is very small compared to the global average. Even within its neighbourhood, Japan scored an unprecedented high with USD17.7 billion (¥2.01 trillion) takings in 2017¹⁸ alone. In fact, way back in 1997, Studio Ghibli's breakthrough animated film, Princess Mononoke, was already raking an outstanding USD17 million (¥19.3 billion) at its mainstream box office release¹⁹, proving that animes (Japanese animation) are not for otaku (Japanese animation enthusiasts) alone.

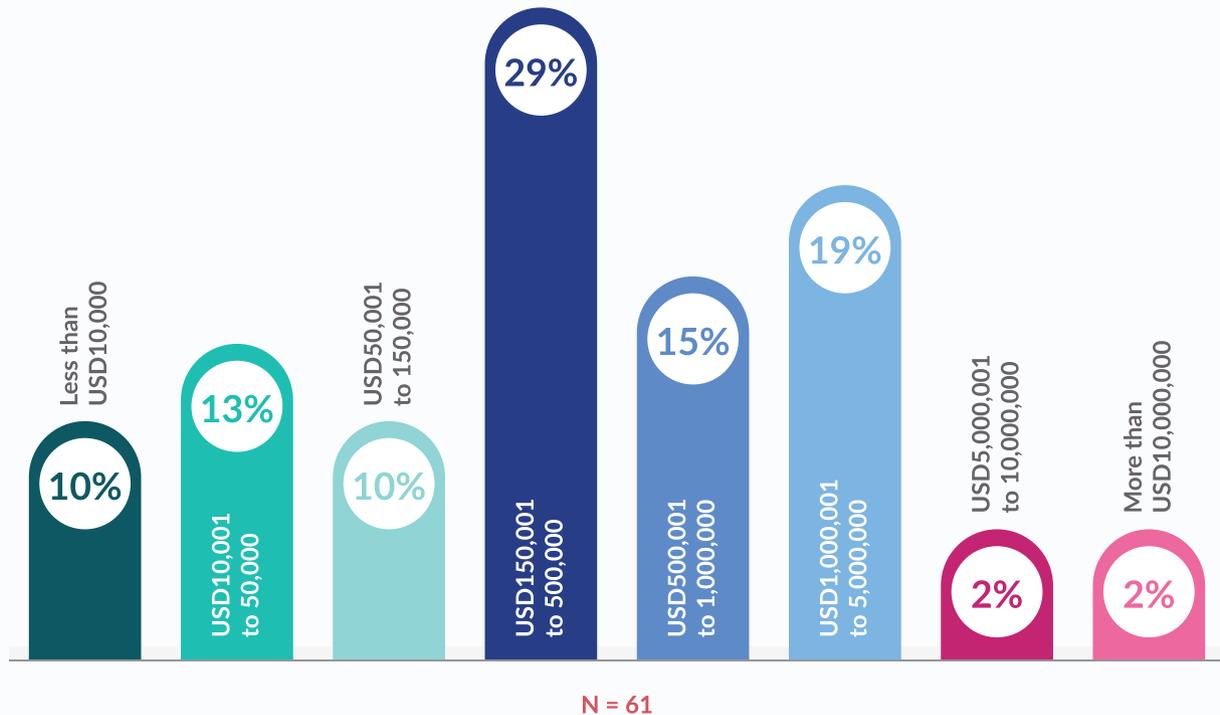
Animation companies in this region at best achieved only more than USD10 million in 2017. At 29%, the majority of the respondents cited USD150,001 to USD500,000 as their average company revenue, with the next brackets of USD500,001 to USD1 million and USD1,000,001 million to USD5 million at 15% and 19% respectively (Figure 4).

In some cases, lower revenue can be blamed on the high cost of production, taking away businesses from one country to another. In Singapore, for instance, production cost for animation productions can be higher than for normal media. A half hour animated film can cost about USD60,000 (SGD80,000), while a comedy or drama episode of similar length, costs only a maximum of approximately USD40,000 (SGD55,000).



As a comparison to top international animation series, such as The Simpsons, the costs can go even higher. An episode of The Simpsons costs about USD2 million (SGD2.67 million), while other international cartoons cost between USD200,000 (SGD267,000) to USD500,000 (SGD667,640) per episode²⁰.

Figure 4 Company Annual Revenue



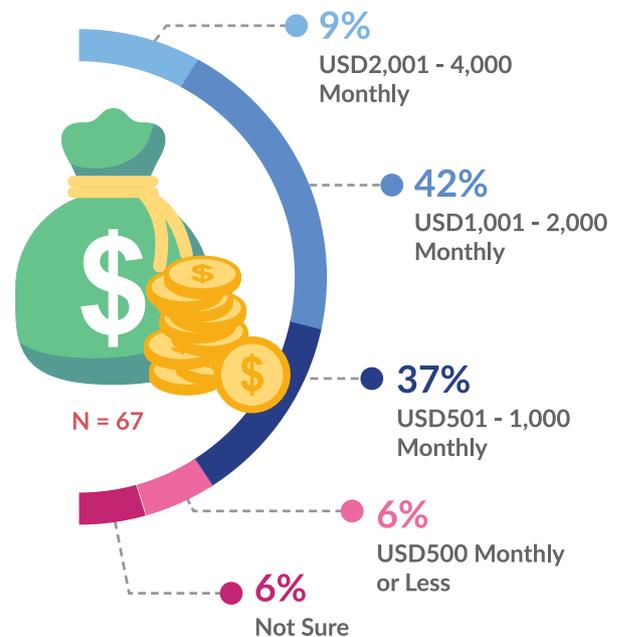
Average salaries within the South East Asian animation industry range from USD501 to USD2,000 per month (Figure 5), again very low in comparison to global average, which ranges between USD4,000 and USD6,000 based on education and experience²¹. Disney purportedly pays between USD9,600 to USD10,400 a month for their animators²². However, wages of the region's animators are quite consistent with the Japanese animation industry, where animators there earn on average USD28,000 (¥3,157,895)²³ per year ie approximately USD2,300 a month in 2013.

At the lowest rung, the Philippines pays her creative employees or talents between USD250–USD300 (PHP13,000 to PHP16,000) per month²⁴, while Thailand pays a monthly range of USD455–USD546 (15,000–18,000 baht). Malaysia and Vietnam's creative workforce earn slightly higher at monthly averages of USD900 (MYR3,650)²⁵ and USD800 (VND18.6 million)²⁶ respectively. Indonesia's and Singapore's compensation scales are the highest in the region at USD1,800 (IDR25.4 million) and USD1,800 (SGD2,500 million)²⁷ respectively.

Such competitive labour costs can serve well for the hiring studios but dampening for the talents themselves, which in turn, can lead to difficulties in attracting new talents to the industry.

As a conclusion, we can say that the region's animation industry is comparatively young in all aspects, providing not only a strong avenue for industry growth but a developmental springboard for talents to be developed in the creative technology space. With increasing numbers of outsourcing projects awarded to the region, coupled with a few notable, original local IPs, South East Asia's creative industry certainly looks promising and can definitely be a strong contributor to their members' respective economy.

Figure 5 Employee Wages



INSIGHTS AND OBSERVATIONS

CAPACITY AND CAPABILITIES: MATURITY VS AGILITY

Like other global creative entities, South East Asian animation companies ensure that each of them has the right capabilities in delivering good products and services. As per the expected industry profile, animators tend to be the backbone of any studio, with common specialisation in 2D, 3D, hand drawn and stop motion animation²⁸. Hence, while having all relevant roles and

capabilities needed in any effective animation process, responding participants cited 'animator' as the most prominent job role in their establishment (Figure 6). The survey data illustrates this by the emphasis on the needs of animators at 19%, compared to others like VFX specialists, directors and modellers, with roles allocation of 9% and below.

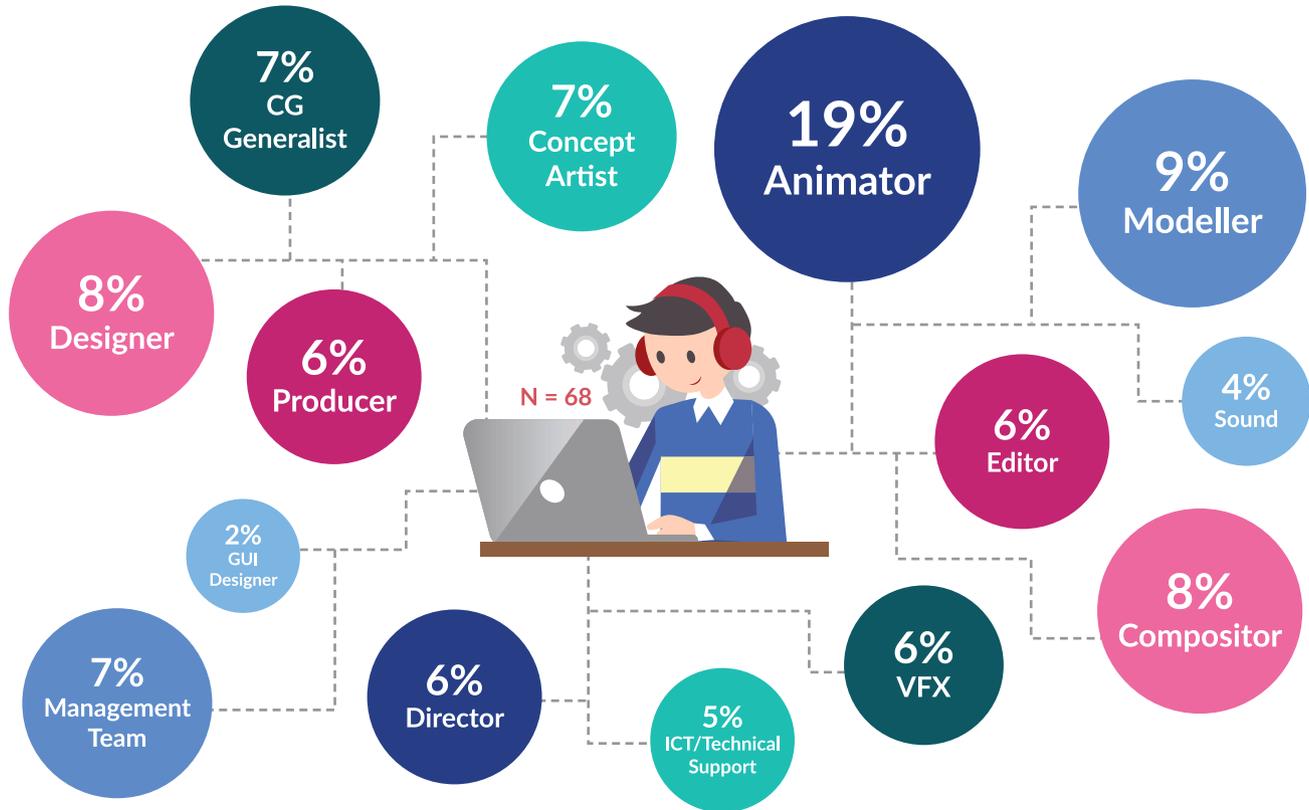


Figure 6 Roles in Companies

South East Asian animation companies tend to have small numbers of employees. In general, it is said that to deliver full-fledged TV animated series, 150-200 workers are needed while a feature-length animated movie requires approximately 240-300 employees²⁹. In this region, most animation companies tend to be small and medium sized (69%), with less than 50 workers each. Only 12% of the responding companies have more than 100 workers in their employment (Figure 7).

As an example, Singapore has more than 6,600 people employed in the film, video and game sub-sectors, spread amongst about a dozen animation studios, as well as production houses with in-house animation teams³⁰. The Philippines seem to have a smaller talent spread with 11,000 workforce across around 100 animation studios³¹.

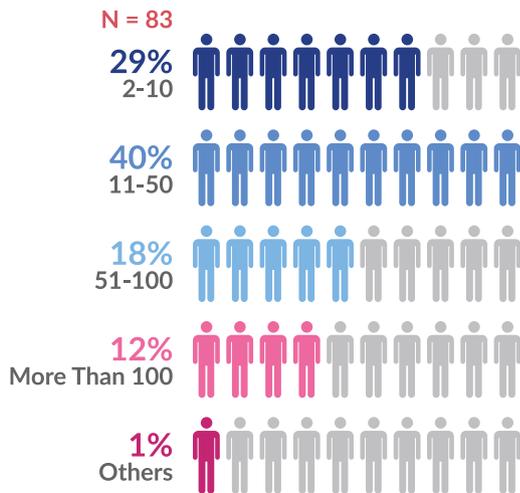


Figure 7 Size of Companies

In order to grow in both technological competency and business credibility, local animation companies must be encouraged to create their own Intellectual Properties (IPs), as only 33% of them do currently. Majority of them still carry out work-for-hire projects, either directly (29%) or through third party providers like advertising firms, media agencies, television stations etc (17%) (Figure 8). The fact persists that work-for-hire has many upsides for margins, streamlines workflow and keeps focus on core skillsets, but the long-tail benefits of having your own registered content, brands and characters, are the bigger and more innovative markets and growth potential they can bring.

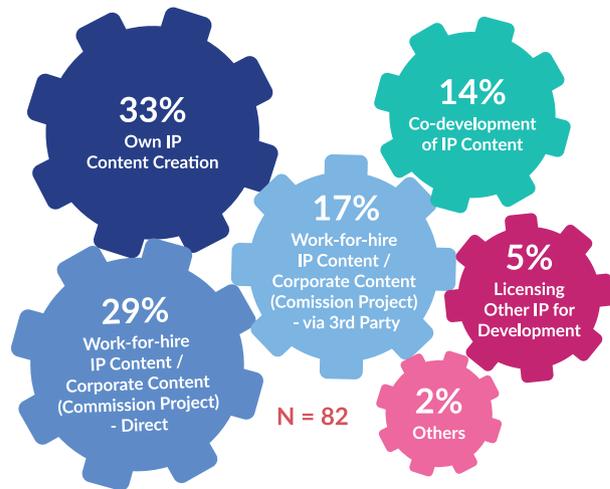


Figure 8 Type of Works



Most studios in ASEAN do work outsourced from companies in the US, China and Japan, but relatively little intellectual property is being created.

Marisa Tontaveetong

Executive Director of ASIFA-South Inc, 2017

However, it is a known fact that producing IPs is not an easy task. Developmental challenges such as conceptual design, prototyping and story-telling are the hurdles that local IP creators need to overcome.

For instance, in Indonesia, IP creation is minimal as its monetisation is considered less lucrative than their outsourcing services. This is taking into consideration the high price of local animation productions at USD1,000 per 24 minutes, compared to USD800 for imported ones³². Hence, local animation for TV series or movies are not as sellable within the local broadcasting companies, unlike the imported ones.

Similarly, Philippines animation tend to concentrate on work-for-hire and outsourcing rather than making their own content, as it is too costly for them. Their popularity as an outsourcing destination is made even stronger with

the fact that competitively priced Filipino artists can produce 24-30 drawings a day, equating to 2 to 3 seconds of animation daily³³.

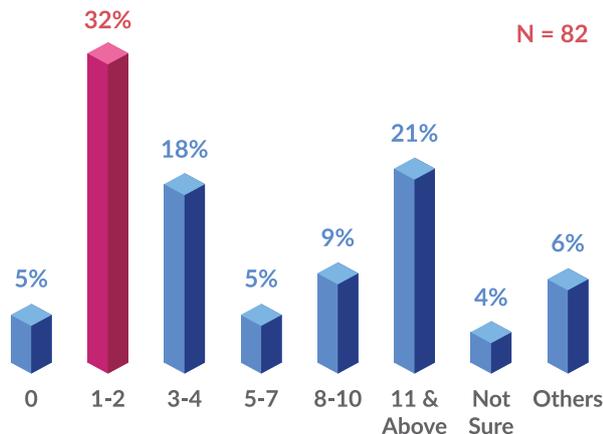
On the other hand, despite the smaller volume of animation output from Singapore, she does create some notable creative IPs. Amongst others, Singapore produced the award-winning children's animated series Dinosaur Train, a joint-venture between Sparky Animation and Jim Henderson. Similarly, in spite of Thai's preferences for international animated content, some studios are actively producing local content such as Kantana Animation Studios's EcoPlanet and Monk Studio's Nine³⁴.

Malaysia too is big on original content, with the likes of adorable and inspiring characters like Animonsta's superhero, BoBoiBoy; Digital Durian's singing sensation, Didi & Friends; Giggle Garage's four awesome Origanimals; Les' Copaque's terror twins, Upin & Ipin; and Wau Animation spy extraordinaire, Ejen Ali. These lovable characters are not just household names in their home country but in their neighbouring ones as well, and have contributed to making Malaysia the largest creator of local content characters from South East Asia to date³⁵.

In this context, local broadcasters can play a role in supporting the local and even regional industry, by helping the players monetise their IPs and break into external markets. External factors such as financing, developmental risk mitigations, building reliable ecosystems can also contribute towards healthy market for local IP commercialisation.

South East Asian animation companies also seem to vary at the number of projects they can deliver within a 12-month period. While the biggest group of companies (32%) is only able to produce 1 to 2 projects annually, a fifth deliver more than 11 projects within the same time frame. 18% can deliver 3 to 4 projects a year, while the next 14% delivers between 5 to 10 projects per year. Having said that, this variation in capabilities or project output, is possibly due to the difference in the project type and size, as well as the companies' employee strength and expertise (Figure 9).

Figure 9 Annual Project Delivery Capabilities



At a cursory glance, the South East Asian animation community seems to concentrate on the production side of the value chain, reflected by the higher numbers of animators, modellers, VFX specialists, composers and computer graphics generalists most local studios have.

As companies get bigger with better and higher valued projects, more personnel would be needed in the pre-production development side, or the overall management and directorial seats instead. Hence, in order to move up the creative process echelon, it is imperative that the creative community, either at country or regional level, create steady pools of young talents that are able to assume more leadership or supervisory roles. This can be done through training, upskilling or business development exposures.



SEA animation communities may also need to think on whether they need to grow bigger or be better. Perhaps there is a need to remain small yet impactful, with niche areas to specialise in.

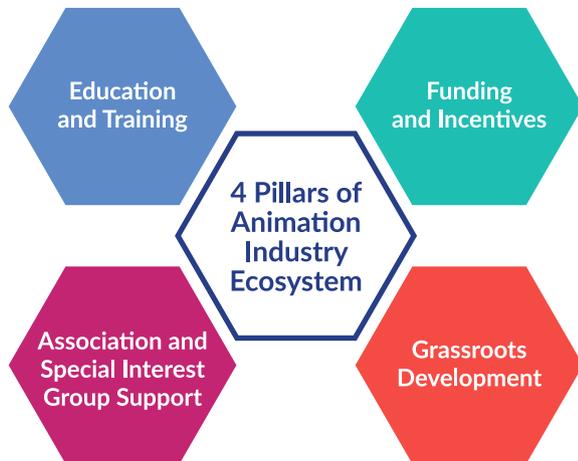
If the studios within this region remain small yet many in numbers, healthy competition, varied IPs and more room for collaboration at cost effective set-ups can be developed. While age and size are nothing but numbers, companies and their talents need to remain up-to-date and agile, if they aspire to create impact in the global animation scene.

INSIGHTS AND OBSERVATIONS

ECOSYSTEM SUPPORT: YOUTHFUL ENVIRONMENT WITH POTENTIAL FOR GROWTH

To ensure the rise and sustainability of any industry cluster, its ecosystem has to be nurturing and supportive. Education and training, funding and incentives, grassroots development, as well as collaboration and formation of association and special interest groups, are some of the main pillars of an enabling ecosystem. Research, development and commercialisation too are features of a vibrant ecosystem, but perhaps for a more matured environment.

Hence, for the South East Asian animation industry addressing the first four main pillars would suffice.



Far and wide, South East Asia's animation studios are deeply aware that there are creative courses available locally with 86% of the respondents stating their knowledge and awareness. (Figure 10). This is important as fresh talent from local universities represent the lifeblood of the industry and matching them to studios and employment is a vital effort.

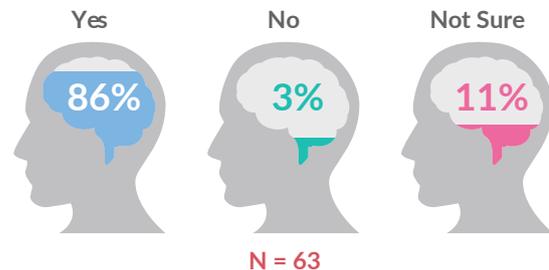
More than that, studios would benefit to stay well informed of possible professional training opportunities for reskilling and upskilling should they become available at IHL level. Only by both studio and IHL staying connected, can this engagement be realised.

Through on-ground interviews, it was found that Malaysia has the highest number of IHLs offering courses related to this field, while Indonesia and Philippines came in as close seconds. For nations with low availability of local digital creative courses, leveraging on their neighbours' educational offering would be a logical and often affordable choice.



Cross border education and training can provide avenues for idea exchanges and technology transfers.

Figure 10 Creative Courses in SEA Region



Respondents cited the list below as some choice examples of schools and institutions that develop creative technology talents in their respective countries:

MALAYSIA	INDONESIA
<ul style="list-style-type: none"> • Alpha College of Technology (ACT) • ASWARA • Dasein Academy of Art • GIATMARA • International College of Yayasan Melaka • International Islamic College • Kolej Kemahiran Tinggi MARA (Rembau) • Kolej Komuniti Kuala Langat • Kolej Yayasan Melaka • KRU Academy • Limkokwing University of Creative Technology • Multimedia University (MMU) • PIA College • Taylor's University • The One Academy • SEGi University • Universiti Kebangsaan Malaysia (UKM) • Universiti Kuala Lumpur (UniKL) • Universiti Malaysia Sabah (UMS) • Universiti Malaysia Sarawak (UNIMAS) • Universiti Pendidikan Sultan Idris (UPSI) • Universiti Sains Islam Malaysia (USIM) • University Teknologi Mara (UiTM) • Universiti Tunku Abdul Rahman (UTAR) • Universiti Malaysia Kelantan • UNDO Academy 	<ul style="list-style-type: none"> • Binus University • HHK Animation Academy • Institut Seni Indonesia • Institut Teknologi Bandung • Politeknik TEDC Bandung • Telkom University • Universitas Bina Nusantara • Universitas Komputer Indonesia (UNIKOM) • Universitas Multimedia Nusantara • Universitas Pelita Harapan
	PHILIPPINES
<ul style="list-style-type: none"> • 3dsense Media School, Singapore • Digipen • LASALLE College of the Arts • Nanyang Polytechnic (NYP) • Nanyang Technological University (NTU) • Singapore Polytechnic (SP) 	<ul style="list-style-type: none"> • Asia Pacific College • Ateneo de Naga University • De La Salle University • De La Salle – College of Saint Benilde • i-Academy • STI College • Toon City Academy (TCA) • University of Makati • University of the Philippines Diliman
	VIETNAM
	<ul style="list-style-type: none"> • Ho Chi Minh City University of Architecture • RMIT - Saigon Campus • VTC Academy
	THAILAND
	<ul style="list-style-type: none"> • Kantana Institute, Bangkok • Mahasarakham University, Thailand • Rangsit University • Sri Patum University • Walailak University

The animation value chain essentially lays out the whole sequencing for an animation creation starting from ideation to production, to sales and distribution. It normally refers to both the production as well as the business processes of the development cycle.

The Animation Industry Value Chain



Within the creative technology industry, animation and VFX are particularly dependent on larger teams and equipment, resulting in high expenditure for salaries and software licenses. As such, funding and incentives are other important facets of ecosystem building. In order to continue sustaining operations, many South East Asian studios stated that external funding is the only means to do so. On-ground interviews cited that external funding could be from grants, loans, angel investor and venture capital. Vietnamese and Malaysian studios were found to have the highest dependency on these external financial support, exemplifying the challenge of sustaining businesses without some form of external money. Without even factoring in growth, regional studios face challenges just to stay alive.

External funding can also be in the form of governmental incentives. In the case Thailand, her real impetus in digital content development started in 2004 when the government announced a USD2 billion (80 billion baht) expansion of the country's multimedia and animation sector. The budget, amongst others, was spent on producing world-class Thai animated movies, international promotions of Thai animation products and services, establishing digital content courses, providing low-cost broadband services, increasing the labour pool in animation and multimedia, and giving tax privileges to animation and multimedia houses³⁶.

Figure 11 Stages of Animation Production Requiring the Most Funding



Likewise for Malaysia, the country's turning point for modern animation started when Multimedia Development Corporation (MDEC) produced *Saladin: The Animated Series* in collaboration with Al Jazeera Children's Channel in 2004. The series served as an introduction to Malaysian digital content and a catalyst to spur local animation productions. Since then, Malaysia has produced numerous other export-friendly local content, as well created materials for celebrated global film productions like *The Life of Pi*³⁷.

An interesting finding from the industry survey was the relative importance of the stages of production that needs funding assistance. By far, the production stage is considered the most vital stage in need of assistance, being cited two times more than any other category. This ties in logically to the value chain, as it is the most costly section of IP creation and thus open to the highest risk. Next and almost of equal importance is the development and commercialisation stages. Post production is cited as the least important area for funding assistance (Figure 11).

From the survey and discussions with the local studios, this report concludes that most South East Asian animation

companies are too small to take up total developmental budget on their own – unless it is for small projects.

Unfortunately, the South East Asian ecosystem support for financing is still relatively underdeveloped. When asked which entities are likely to provide funding assistance and what is the relative ease of obtaining said financing, the industry clearly showed the challenges faced. Government assistance followed by commercial loans counted as the most accessible sources of funding. Conversely, the most difficult sources of funding was cited as venture capital and broadcasters. This category counted for nearly half of the overall response. This state of affairs shows the regional funding support structure that is not fully aligned with the needs of the content industry. Traditional investors such as broadcasters and firms that take high-risk profiles such as venture capitals are not putting the necessary focus in the animation sector.

While commercial loans were mentioned as one of the reasonable sources of funding, it was also cited as the third most difficult. Regional banks find the intangible nature of Intellectual Property hard to value as collateral, thus making securing bank loans a challenge to many content creators. Across the region, commercial facilities

for funding seem to have a low risk appetite for the animation sector.

This point is underscored by the heavy reliance the industry has on public sector funding. Governments realise the lucrative economic potential and opportunity for high-skill job creation thus can justifiably partially absorb the risk and volatility as part of industry development. However, more needs to be done in promoting the highly profitable and valuable animation industry to private money if long-term sustainability is to be achieved.

To encourage the creation of local content, Singapore's Info-communications Media Development Authority (IMDA) plays a main role in co-producing or co-financing in many of the local projects. In 2016, IMDA gave out 'Development Assistance' grants of as much as SGD150,000 (USD109,800) per recipient for the 'development of an idea into a script, manuscript or storyboard' by Singapore-based animation studios³⁸. Apart from IMDA, other bodies like the Singapore Animators Connection and the Singapore Economic Development Board (EDB) are at hand to lend support.

In parallel, the live action and film industry faces similar financing issues and has in part solved this through digital means, namely through crowdfunding. Notable crowdfunding platforms that the animation industry may want to approach as well, are Juntobox, Kickstarter and Seed & Spark. Juntobox has to date, successfully launched three movies; Kickstarter has raised around USD480 million for various film productions; while Seed & Spark can take a company up to distribution level with the help of mass financing from the ordinary public³⁹.

While not entirely similar to live action owing to longer gestation and development periods, the animation industry can benefit greatly from this digital model of crowdfunding. Animation IPs such as Thailand's The Legend of Muay

Thai: 9 Satra have already shown the possible future in collaborative private angel investing from multiple parties at the South East Asia level. With careful planning and governance, translation from live action crowdfunding models to animation is likely to become a viable option in the near future.

In search of opportunities beyond their shores, more than three quarters of the South East Asian respondents stated that they participate in various animated related events.

Some South East Asian nations host their own events, attracting both their local companies as well as regional and international affiliates. For example, the city of Cimahi, Indonesia hosts the Baros International Animation Festival since 2013 as a way of sharing knowledge amongst local studios and networking with the global animation industry ecosystem.

The Philippines too has a similar event called the Animahenasyon, an annual Filipino Animation festival that features the different animation works from both aspiring and professional animators in the country⁴⁰.

Likewise, Thailand hosts the Thailand Animator Festival, Japan Expo Thailand and the Bangkok International Digital Content Festival (BIDC) at periodical basis. Since 2010, Malaysia has been hosting her Kre8tif! Conference and Content Festival, aimed at igniting innovation and exploration of major trends across the creative sector. This industry conference is generally recognised to be the region's premier digital content conference, specifically covering a deep cross section of animation, new media and digital technologies and attracting regional following amongst the industry. Platforms such as these drive conversations, networking and business matching that brings the global attention to South East Asia's animation and digital content industry as a whole.

Business events where South East Asian animation companies have had presence in, thus far:

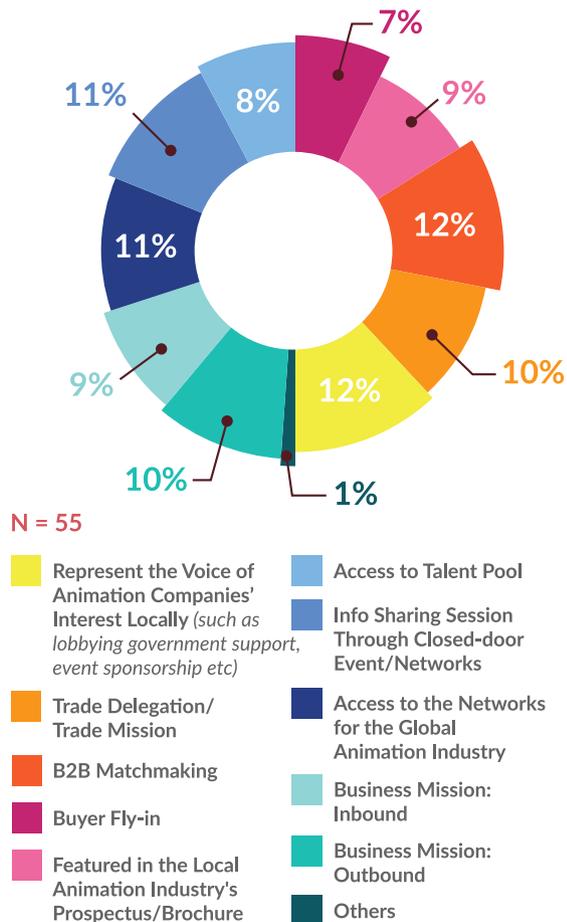
LIST OF EVENTS

- Animation Kingdom by Universiti Teknologi Mara, Malaysia
- Annecy International Animated Film Festival, Annecy, France
- ASEAN Character Award Japan, Tokyo, Japan
- Asia TV Forum and Market (ATF), Singapore
- Asian Animation Summit (AAS), Asia Pacific/various
- Bangkok International Digital Content Festival (BIDC), Bangkok, Thailand
- Baros International Animation Festival, Cimahi, Indonesia
- Bekraf Animation Conference, Indonesia
- Busan Contents Market, Busan, South Korea
- Cartoon Connection Asia, Europe/Asia/various
- Children's Media Conference, Sheffield, UK
- China International Cartoon and Animation Festival(CICAF), Hangzhou, China
- China Digital Entertainment Expo and Conference (China Joy), Shanghai, China
- China Licensing Expo, Shanghai, China
- DIGICON 6, Japan
- DISCOP, Johannesburg, Dubai, Abidjan
- Dubai International Content Market, Dubai, UAE
- Electronic Entertainment Expo (E3), Los Angeles, USA
- G-Star, Busan, South Korea
- Game Prime, Jakarta, Indonesia
- Game Developers Conference (GDC), San Francisco, USA
- Gwangju ACE Fair (Asia Content and Entertainment Fair in Gwangju), Gwangju, South Korea
- Habibie Festival, Indonesia, Jakarta, Indonesia
- Hangzhou International Animation and Game Business Conference, Hangzhou, China
- Hong Kong Film & TV Market (Hong Kong Filmart), Hong Kong, China
- Hong Kong International Licensing Show (HKILS), Hong Kong, China
- IABC World Conference (International Association of Business Communicators), Canada
- International Festival of Animated Film (Anifest), Global/various
- Japan Content Showcase, Tokyo, Japan
- Kidscreen, Miami, USA
- KL International Book Fest, Kuala Lumpur, Malaysia
- Korea Service Market, Seoul, South Korea
- K-Content Expo (Kocca), Various
- Kre8tif! Conference and Content Festival, Cyberjaya, Malaysia
- Las Vegas Licensing Expo, Las Vegas, USA
- MIPCOM, Cannes, France
- NAB Show, Las Vegas, USA
- Pause Fest, Melbourne, Australia
- Popcon Asia, Tangerang, Indonesia
- Reed Midem Event, Boulogne-Billancourt, France
- Seoul Promotion Plan (SPP), Seoul, South Korea
- SIGGRAPH ASIA, Asia/various
- Telefilm, Ho Chi Minh City, Vietnam, Ho Chi Minh City, Vietnam
- Tokyo Anime Festival, Tokyo, Japan
- Tokyo Game Show, Makuhari Messe, Makuhari, Chiba, Japan
- Visual Arts Expo, Asia/various
- XDS Summit, Canada, Vancouver, Canada

Some of the industry associations set up to assist and develop the animation business at country levels have been quoted as follows:

LIST OF ASSOCIATIONS	
MALAYSIA	INDONESIA
<ul style="list-style-type: none"> • Creative Content Association Malaysia (CCAM) • Creative Content Industry Guild (CCIG) • Persatuan Animasi Malaysia (Animation Society of Malaysia) (ANIMAS) • Persatuan Penerbit Televisyen Malaysia (PTVM) • The Post-Production, Animation and Creative Content Association of Malaysia (POSTAM) 	<ul style="list-style-type: none"> • Asosiasi Industri Animasi dan Kreatif Indonesia (AINAKI) • Cimahi Creative Association (CCA) • Indonesian Animation Association (Asosiasi Animasi Indonesia, Former-ANIMA)
PHILIPPINES	THAILAND
<ul style="list-style-type: none"> • Animation Council of the Philippines (ACPI) 	<ul style="list-style-type: none"> • Digital Content Association Thai (DCAT) • Thai Animation and Computer Graphics Association (TACGA)

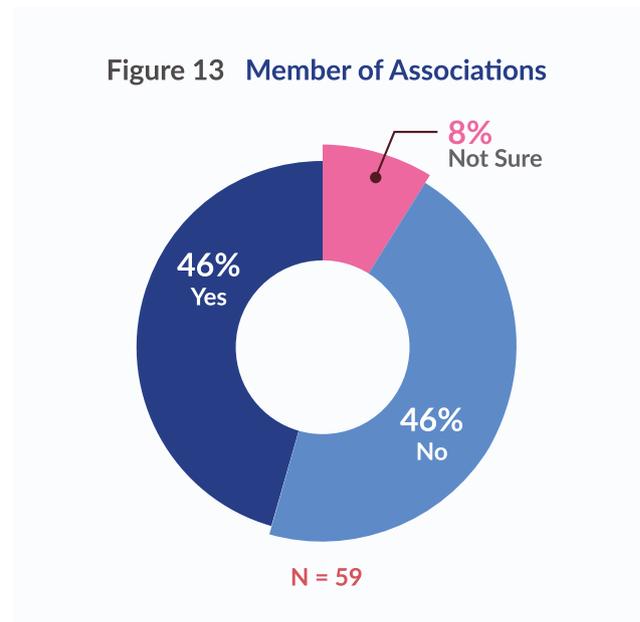
Figure 12 Benefits from Associations



This study shows that South East Asian animation companies choose to be attached through membership and/or associations for a variety of reasons - mainly for business matchmaking, to network with global counterparts or as avenues to air views or sentiments pertaining to the animation industry (Figure 12).

46% of the respondents are members of related local or international animation associations (Figure 13), indicating that half of the industry is still unrepresented or associated to a larger body. In retrospect, this indicates opportunities for widescale industry leadership in the near future with the further maturing of the ecosystem.

Figure 13 Member of Associations



All in all, South East Asia's animation companies express high enthusiasm for the industry. Despite being young and relatively small, more than half of the respondents already have experience in working with other creative companies (55%) (Figure 14). During interviews, most of them who do not have prior experience in external collaborations, also express interests in doing so. Hence, the potential for future collaborations are also very positive, with 85% echoing the sentiment to work with another studio in the near-future (Figure 15).

Figure 14 Past Collaboration with Other Creative Companies

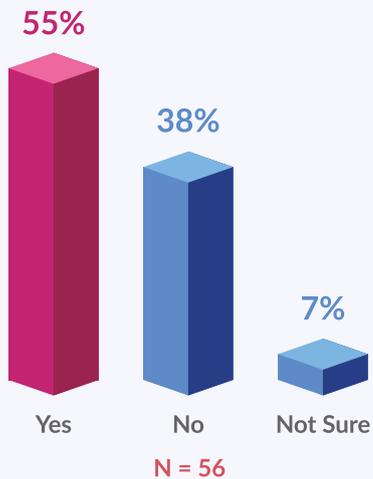
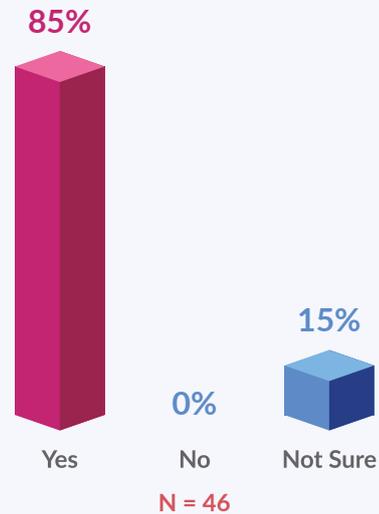


Figure 15 Engage Other Creative Companies in the Future

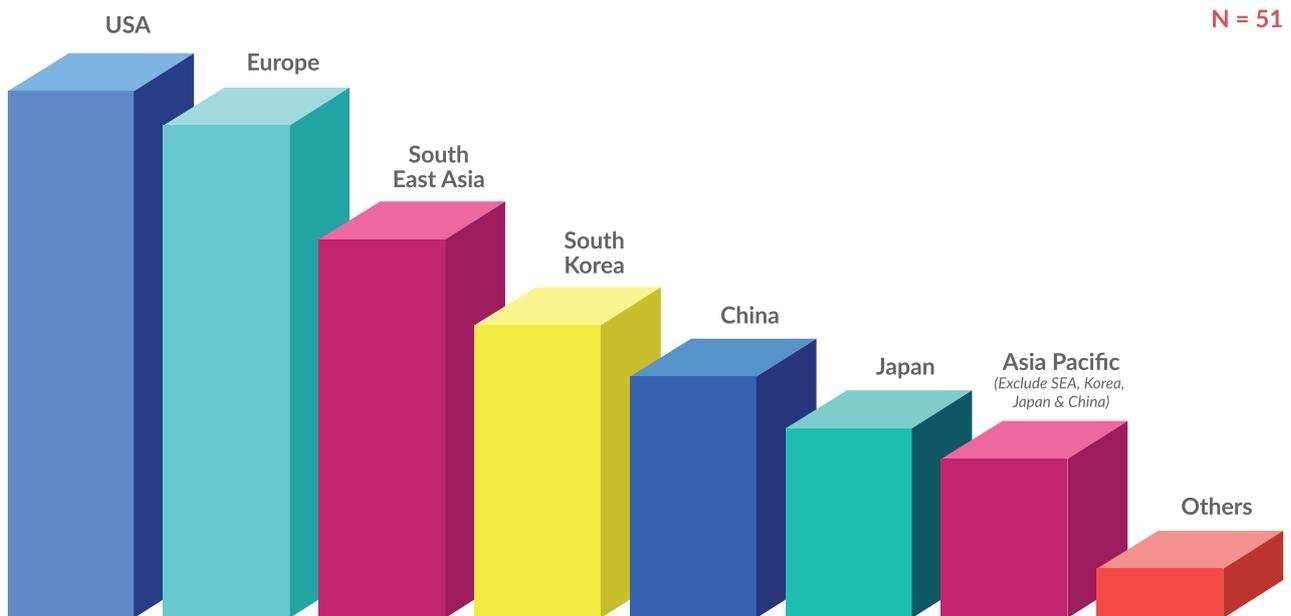


Currently, most of the work-for-hire or outsourcing works in South East Asia are coming from USA, Europe, Japan, China and South Korea. Studies show that there are demands for new market explorations and partnerships from these nations.

Figure 16 shows which country the South East Asian animation companies aspire to do business with (in terms of number of companies) and some are already engaging with strong country collaborations.

Leading the way is Singapore with her first tri-nation joint venture between the republic’s Tiny Island Productions, Thailand’s Shellhut Entertainment and a Chinese subsidiary, Wings Media, for a USD250 million deal that will create 10 feature films to be released between 2020 to 2032⁴¹. Such cooperations may very well serve as an example to other companies and counterparts in the region.

Figure 16 Target Markets and Regions for Partnerships, Co-Development, Co-Production and IP Sales





07

**REGIONAL
OVERVIEW**

REGIONAL OVERVIEW

South East Asian animation is characterised by a young cohort of skilled creative talents and enthusiastic industry players. Already serving national, regional and global markets, most of them are influenced by the culture and industry from both east and west sides of the globe. Though animation has developed in the region since the 1940s primarily as a tool for communication and entertainment, animation as an economic contributor only rose in the 1980s and for some countries, as recently as the turn of the century.

English language and the affinity to the western culture seem to play strong roles in dictating the pull factor certain countries have over another – present in the likes of the Philippines and Singapore. Strong bonds and excellent relations with colonial or ‘patriarchal’ countries like the United States for the Philippines and France for Vietnam, can also be factors of preferences.

The region’s capacity and capabilities to undertake projects vary from one country to another. Proficient and hardworking, yet affordable workforce will help deliver quality projects by the numbers; and most nations understand this and rightfully support it by gearing up their talents through education systems that are starting to holistically listen and work with industry. Training and exposure to technical skills as well as cultural touchpoints can also influence the creative outcome like how early Indonesia animation was crafted in the lines of Disney’s cartoons, or why Malaysia’s animated films initially resembled Japanese animes.



*Oddbods, One Animation, Singapore**

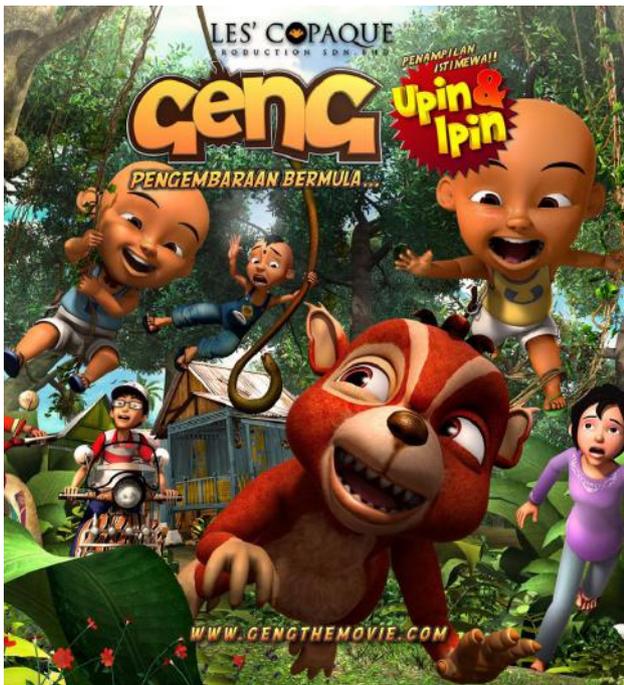


Baby Learn Color, Planion Studios, Vietnam



*Riku, Vithita Animation, Thailand**

There has been concerted efforts by most countries to attract major animation players set up offices in the country in order to provide ready business or employment for the industry. While this has certainly catalysed the overall industry, there have been concerns that it can also limit the development of local content and the threat of competition with the smaller local companies – evident by the minimal regional IP creations today.



Geng: Pengembaraan Bermula, Les' Copaque, Malaysia

Indosat Ooredoo Advertisement, Cuotrodia, Indonesia



On the upside, the growing importance of ASEAN as an economic bloc means there are opportunities for growth and development for the industry. Likewise, the South East Asian animation industry ecosystem is growing in strength but could still use a lot of nurturing and greater financial assistance. To this effect, most countries have developed strong industry associations that contributes to powering up the sector, as in the cases of Philippines, Thailand and Indonesia; while on the other side, governments play stronger roles like in Singapore and Malaysia, where their incentives, programmes and policies help shape and drive the industry on a grander scale.

The following pages outline the broad conditions each participating country faces in their pursuit to develop their respective creative content industries.

REGIONAL OVERVIEW

MALAYSIA

STRENGTHS

- Strong support from the government helps propel the industry especially at growth level e.g. creative and digital content creation nurtured at youth stage through programmes like #mydigitalmaker
- Organised and specialised facilities for the digital industries add to the efficiency of the creative content industry e.g. The Multimedia Super Corridor (MSC) and incubation and support hubs such as MSC Malaysia Animation and Creative Content Centre (MAC3)
- High degree of connectivity throughout South East Asia for content creation combined with multi-cultural and multi-lingual background, provides effective communication between Malaysia with her regional and international counterparts
- Skillsets to produce original IP and export culture. Malaysian animation industry has successfully released global-reaching original IPs which has created a generation of content developers skilled in concept, storytelling and development. More so, IPs are developed based on local culture or backdrop such as rural Malaysia (e.g. The Kampung Boy and Upin & Ipin) or South East Asian suburban life (e.g. Boboiboy) sharing uniquely original stories and characters based on Malaysian and South East Asian tradition

OPPORTUNITIES

- High quality of service companies and maturity of top studios have laid the runway for others to explore original IP creations
- Wide range of values and culture provide diverse global market for exports of local original content
- Recent growth of local IP traction has resulted in similar fast paced growth of licensing and merchandising opportunities. This 360 growth ventures have led studios to expand into other creative products (e.g. derivative titles, motion picture), non-entertainment (e.g. commercial tie-ins) and other verticals (e.g. game, theme parks, F&B etc)
- Universities and IHLs that serve digital content and creative technologies are plentiful; and more can be achieved with strong Industry-Academia collaborations in order to streamline efforts/outcomes
- The sustained hosting of the regional digital content platform, Kre8tif! Conference and Content Festival in Malaysia since 2010, has been an opportunity to both increased linkages and sharing of experience amongst regional studios, as well as attract attention from global industry and animation sector ecosystem to the region

WEAKNESSES

- Shortage of higher level animation talents such as Project Managers, Producers and Directors. This mid-level bottle neck has led to some creative companies unable to scale quickly and expand their businesses by taking more jobs or create more original content
- Local IHLs offer creative courses, but curriculum updates have been slower than expected. This has resulted in industry-facing challenges with fresh talents, in terms of base knowledge and extended on-board training time
- Malaysia's animation industry is united under friendly government initiatives but is not itself represented on its own. This can change with more mature companies taking leadership, but at the moment it represents an opportunity for self-governance and ownership



Chuck Chicken, Animasia, Malaysia

THREATS

- Competition with emerging markets particularly when production decisions are made purely on cost
- Difficulties in retaining experienced staff, since the talents are trained, highly qualified and can easily move out of the country



Mega Bear, Mirayi Animation, Malaysia

REGIONAL OVERVIEW INDONESIA

STRENGTHS

- Friendly legislation for domestic products are in place to encourage local manufacturers and service providers. This also impacts the animation industry and the related designer associations and communities⁴²
- Indonesia spans more than a thousand islands and hundreds of niche cultures. Rich natural history is just being uncovered to be commercialised into digital content IPs
- Most animation products are made for local markets rather than international ones and is a wise move since Indonesia remains the largest single market in South East Asia



Kumon, Cuatrodia Studio, Indonesia

OPPORTUNITIES

- Local council government has designed creative hubs that include the range of creative industries such as startups, design, jewellery etc have been setup in the satellite cities of Jakarta, Surabaya and Yogyakarta. Animation industry can leverage on this infrastructure for local animation communities' development and networking⁴³
- Excellent linkages to embassy partners from various advanced countries including European nations, South Korea and Japan to connect to overseas' industries, boost local digital content events and gain more work from abroad
- Experience levels are building with some local animation companies having experiences in working with big productions such as The Lord of the Rings, Spiderman and Iron Man, under studios like Lucasfilm, Industrial Light and Magic, as well as DreamWorks



Albi, Lumine Studio, Indonesia*

WEAKNESSES

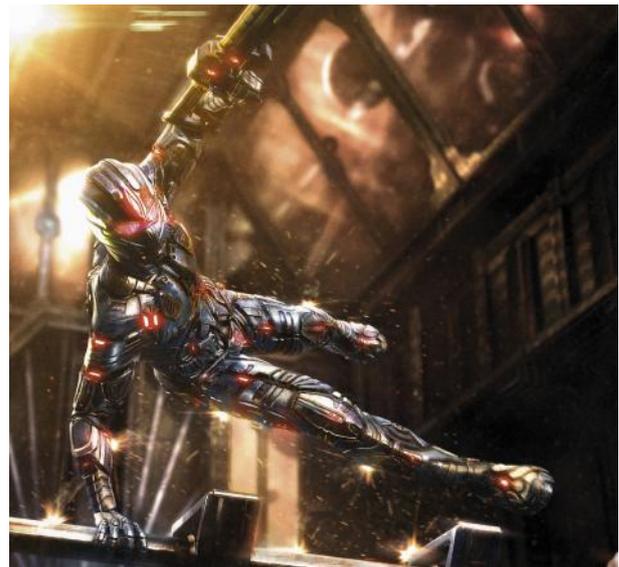
- There are a few key highly experienced local studios, but the large long tail of the industry is still relatively inexperienced technically, with challenges in pre-production works and obtaining tools for production/post-production activities⁴⁴
- Skilled workforce in production stages is scarce, with some amount of work being outsourced out of Indonesia
- Distribution and commercialisation channels are still limited, preventing local companies from reaching economies of scale
- Domestic universities and IHLs provide some courses for digital content but gaps exist beyond technical skills, such as pre-production skills (e.g. concept art, design) and others



*Kisah Nusantara, Lumine Studio, Indonesia**

THREATS

- Many local products are not IP protected and vulnerable to piracy. This is largely due to complexity of IP registration and challenges in law enforcement
- Technical capabilities and language skills improving rapidly, but at present, these factors hamper the pace of domestic IP gaining international market penetration
- Banks and venture capitalists see the industry as not bankable, hence the lack of financing opportunities
- Development agencies are still relatively new and have to divide their focus with other non-digital arts and creative industries such as fashion, handcraft, textiles etc

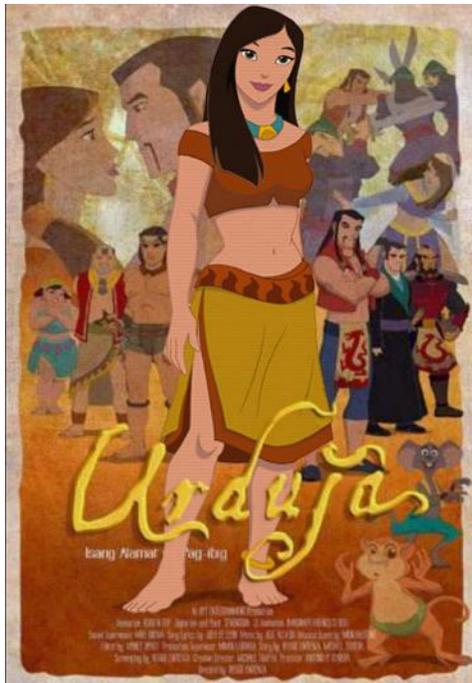


The Escape, Enspire Studio, Indonesia

REGIONAL OVERVIEW PHILIPPINES

STRENGTHS

- Long history and experience in animation services - animation is Philippines' oldest BPO industry sector. This has led to a long legacy of strong awareness of career in digital content creation, with exposure happening at the K-12 level
- Talents and workforce are greatly influenced by Western humour and nuances, with strong grasp of the English Language
- Competitively priced skilled labour within the region and amongst the most competitive globally



Urduja, APT Entertainment / Seventoon / Imaginary Friends, Philippines*

OPPORTUNITIES

- Ready market from locally based international animation studios that have decades of networks built with the American market. Strong cultural affinity with Western countries and the United States, help open doors to future markets
- Long history of industry has led to a large pool of talent interested in digital content and animation. Industry expansion can benefit from this talent availability. This is further augmented with numerous award winning Filipino talents that are working in world class studios around the world creating icons for the industry
- Emerging needs in other markets/sectors create opportunities in non-entertainment sectors such as commercials, training simulations for the medical profession, and 3D-computer animated designs in the architecture and engineering fields⁴⁵

Disney's 7D, Tooncity, Philippines*



WEAKNESSES

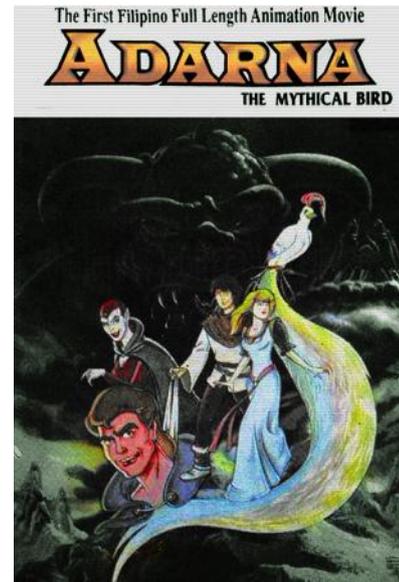
- Industry may be seen as fragmented due to studios of various size and maturity. This may lead to firms not banding together to realise their collective strength⁴⁶
- Delay in technological development and new media adoption, mainly due to limited and costly supply of animation software and hardware. This has also led to shortage of skilled and experienced animators specifically in 3D services, possibly due to the expensive supply and minimal investments in 3D infrastructure
- Scarce funding or financial sources lead to challenges in studio growth. Alternative sources such as private equity and venture capital have been slow in setting up and demonstrating focus in this industry



Jobert, Miracle Animation Studio, Philippines*

THREATS

- Distribution channels in the domestic market is not favourable to local content, making it a challenge for local IP creators to sell domestically
- While quality is still an advantage for the Philippines, risk of cost competitive market can lead to price war in outsourcing, leading to exposure to other global competition
- Internal competition from other outsourcing sectors within the country, as investors or local governments tend to turn to other lucrative, important or desirable outsourcing sectors such as call centre management or medical transcription services



Adarna, FLT Films International / Guiding Light Productions, Philippines*

REGIONAL OVERVIEW SINGAPORE

STRENGTHS

- Strong academic sector that is well endowed, and has leverage to purchase costly advanced technologies enabling the animation industry and talents to experience and adapt to the latest technologies
- Legacy of government support through the last decade has brought in talents, created the business linkages and brought processes and know-how to the local industry and stimulated the sector to match the global quality and standards
- Availability of certain programmes that are able to close gaps between the instruction and theory offered by traditional digital media schools, to the rigorous requirements of the visual effects and animation industries⁴⁷



OPPORTUNITIES

- Government subsidies managed to lure multinational heavyweights such as Industrial Light and Magic into the country – hence, opening job and joint venture opportunities to the locals
- Current government focus on technology development (e.g. IOT, SmartCity, FinTech) can provide opportunities for animation and digital content studios to further push the boundaries with regards to convergence of creative technology in new spaces
- Local studios are business savvy and able to undertake projects from non-entertainment sectors such as marketing, corporate engagements, advertising, tourism etc



Stoneboy, Chips and Toon, Singapore

WEAKNESSES

- Studios have strong commercial focus, with less emphasis on traditional entertainment, story-telling, episodic content resulting in less output in these product lines
- Suffers from high production costs and is a stark difference from more competitive rates from neighbouring countries like Indonesia, Malaysia and Thailand
- Crunch for talents domestically as labour market is very competitive in Singapore and animation industry has to compete with other booming digital and technology sectors

Insectibles, One Animation, Singapore



THREATS

- Attraction of local talents to the animation industry is a significant threat as other opportunities exist for the labour force
- Risk of losing opportunities to neighbouring countries due to high cost of business operations
- Government policy not favourable for hiring foreign talents resulting in animation companies facing difficulty to scale



Dream Defenders, Tiny Island Productions, Singapore

REGIONAL OVERVIEW

THAILAND

STRENGTHS

- Thailand has highly skilled, ample and competitive labour force as more than 25 universities offer related courses, producing around 2,000 graduates per year
- The industry is well supported by both the public and private sectors such as the Thailand Creative and Design Centre that stimulate both community building (e.g. creativity in the general population) and the creative industry (e.g. promotion of startups, business matching). This has led to a strong orientation that creative industry is a viable career in the country
- Animation and digital content are considered top career options in Thailand which has resulted in studios having excellent labour supply for growth

OPPORTUNITIES

- Thai creative talents excel in storytelling and high-quality productions. This provides opportunity for collaborations or development into other creative sectors (e.g. VFX, commercials, short form stories). This evolution could lead to higher quality and longer form of content
- Collaborative spirit amongst domestic creative studios is well recognised with proven successful projects such as *The Legend of Muay Thai: 9 Satra* that demonstrated larger projects can be undertaken by banding resources together
- Thai studios have been expanding their services throughout South East Asia, moving away from domestic market. Expansion to other markets within the region such as Vietnam and Malaysia has shown that potential for work within the region is significant



*Lady of Badal, Anya Animation, Thailand**

WEAKNESSES

- Thailand has large domestic market but market for original animation IPs is limited. This is due to local consumption preference for live action movies and dramas instead of digital content e.g. animation⁴⁸
- Thai animation community tend to produce very localised content, largely due to language and monoculture, which is difficult to export. This is changing with more studios moving towards global trends, but at present, the industry finds challenge in building export ready IPs
- Graduates in digital content and animation may find challenges in finding relevant jobs locally as most studios have not caught up to the supply of talents



Bling Bling, Big Brain Pictures, Thailand

THREATS

- Legacy of distribution in Thailand has resulted in animation IPs being largely imported/syndicated. Original domestic IPs receive little support in finding the right platforms for the domestic market
- Attraction of foreign studios to Thailand face regulatory hurdles from ownership standpoint with shareholding limitations
- Language barrier remains high although changes are taking place. At present, this barrier prevents more work from international partners owing to communication and cultural challenges when carrying out bigger, longer and multi-year engagements



The Legend of Muay Thai: 9 Satra, Exformat Films, Thailand

REGIONAL OVERVIEW

VIETNAM

STRENGTHS

- Availability of creative talent pool with more than 40% of Vietnamese universities offering ICT courses, enabling the creation of ready human resources for the industry led by the game sector. Translation of this talents from game and interactive media to animation is a real strength
- Strong, affordable infrastructure increases access to digital content, and enables businesses to remain competitive
- Broadband cost is low with many free public Internet access⁴⁹
- Good relationship with established global European animation industries and related consular offices has led to strong commercial growth and opportunities for local studios, raising the bar of quality and production

OPPORTUNITIES

- International events held in the country, such as the PanamAnim Animation Festival are important on several fronts including national competition, showcase of portfolios and students networking. This embodies the strong communal spirit amongst industry and the industry talents
- Untapped domestic market with high potential for consumption. Much like the fast growth of emerging markets, such as China in the early 1980s, Vietnam is modernising rapidly and developing a middle-income class that spurs demand for digital content such as animation and game
- Economic growth has also led to boom across non-entertainment sectors, meaning more opportunities for animation and creative studios to find projects in advertising, TV commercials, VFX work and more



In the Shade of Trees, Colory Animation, Vietnam



Lu and Robo, Colory Animation, Vietnam

WEAKNESSES

- Vietnamese production companies lack knowledge and exposure in marketing and promotions, owing to studios having little support or mentorship that could accelerate their expertise
- Limited ready talent availability in the market owing to IHLs and schools not as focused in animation. While there are significant number of courses in traditional ICT and programming, this shortage of digital creative technology courses has led to a smaller pool knowledge workers
- Relative youth of the industry is exemplified by its small number of associations. This lack of common platform to share, network and grow is bound to change as the industry expands



Bacon The Series, BlueR Production, Vietnam

THREATS

- ICT and game industries remain dominant areas for attracting talents, which skews human resource development towards these sectors. Awareness of animation as a career of choice is relatively low compared to ICT and other digital creative sectors
- Regulatory considerations facing content creation as there are legislative hurdles and permits needed from authorities. This may hamper not only the creative and artistic process but also commercial concerns (e.g. marketing and commercialisation)
- Much like most countries in South East Asia, Vietnam content makers face challenges in developing original IPs for local consumption owing to difficulties in distribution nationwide

Bridge's Story, Bamboo Animation, Vietnam*



South East Asia presents an exciting landscape for animation productions, both within the realms of outsourcing services as well as original IP creations.

The region is custodian to a wealth of content and hidden treasures. The possibilities are infinite and it is time to have the South East Asian stories told to the world.

Leverage not only on individual strengths, but take advantage in regional opportunities and any weaknesses can be overcome and threats mitigated.



08

**GLOBAL
INDUSTRY PRACTICES:
LEARNINGS FROM
INTERNATIONAL MARKETS**

GLOBAL INDUSTRY PRACTICES: LEARNINGS FROM INTERNATIONAL MARKETS

To provide a retrospective of the South East Asian market and appreciate the strengths, opportunities and learnings from a wider perspective, four global markets with diverse backgrounds, levels of maturity and factors for success are listed below to provide a measure of context.

Two of these markets, Japan and South Korea, represent the established animation industry powerhouses, with advanced and sophisticated economies surrounding animation production and commercial opportunities.

The other two markets, India and Saudi Arabia are excellent representative examples of emerging animation industries in the world, showcasing the competitive nature of the industry and the catalysing potential of digital content and animation for the greater economy.



JAPAN

Japanese anime (animation) is probably by far the oldest animated content industry in the whole of Asia dating back to early 20th century. The industry is largely made up and supported by the private sector, mainly comprising small medium sized companies, with approximately 542 out of 622 studios residing in Tokyo.

Government has little or no role in developing the trade as a whole, except perhaps in promotions of select works or titles. No financial assistance, governing policies, or special economic zones are set up to further develop the industry, as animation is considered as a small sector compared to others.

Yet, Japanese animation has a worldwide following and has spun anime tourism in Japan⁵⁰. In general, the Japanese creative content community does not seem to have any specific formula for success except for the fact that they are excellent storytellers, often with intricate storylines and underlying messages, imaginative artists and illustrators, as well as hardworking professionals.

Technically speaking, while Japanese animation has adapted well to global digitisation, the industry revels in its forte of hand drawn animation⁵¹, specialising in clear line drawings with expressive play of lights, shadows and colours. Established in 1956 as Toei-Douga, Toei Animation graced the small and silver screens with cult favourites like Digimon, Dragon Ball, One Piece, Sailor Moon and Slam Dunk. The studio served as earlier training grounds for renown Japanese producers and animators

like Hayao Miyazaki, Isao Takahata, Leiji Matsumoto and Yoichi Kotabe. Despite being one of the oldest player in the industry, Toei remains strong in the market and holds a stake in the anime satellite television network, Animax.

With shareholders like TV Asahi, Fuji Television, Bandai Namco and Sony Pictures Entertainment, Toei has its feet firmly in the grounds of production, distribution and merchandising. Toei Animation is also part of a bigger conglomerate that specialises in TV productions and film distributions, with many breakthrough techniques like the use of 'Henshin' or 'character transformation' in live-action martial-arts dramas, apparent in series like Kamen Rider, Devilman and Super Sentai.



Toei Animation*



Another prominent animation company, Studio Ghibli, founded in 1985, achieved success through world-class IPs, exemplified by the highly acclaimed Spirited Away. Helmed by co-founder and storyteller extraordinaire, Hayao Miyazaki, this 2001 film became the highest-grossing film in Japanese history, winning the Academy Award for Best Animated Feature at the 75th Academy Award – making it the only hand drawn and non-English language animated film to do so⁵¹. On the side, Ghibli plays up the merchandising game with a quaint whimsical museum in Mitaka, Tokyo – where tickets sell within days upon their monthly releases, and almost every otaku's bedroom is home to at least one Totoro doll.

Another success to making Japanese character as household names is perhaps the collaborations animation studios have with manga producers, as well as broadcasting

and distribution companies. For instance, Japan's well-loved teenage sleuth, Meitantei Conan (Detective Conan) animated series was created based on the best-selling manga by Gosho Aoyama and produced by Yomiuri Telecasting Corporation and TMS Entertainment⁵². Licenced for distribution by Funimation and Viz, Meitantei Conan resulted in 22 drama episodes, animated feature films, video games, audio disc releases and live action series. The animated series and films were released to Cartoon Network, as well as the Internet and social media platforms like Netflix and Crunchyroll. These collaborations not just amongst studios, but across value chains and verticals are the hallmark of advanced animation industries, ensuring studios are sustainable, if not wildly profitable, across the long term.



Studio Ghibli, Japan*



Detective Conan,
Yomiuri Telecasting Corporation and
TMS Entertainment, Japan*

ADVANCED ANIMATION INDUSTRIES - JAPAN

KEY TAKEAWAYS

Unique Market Characteristics

- Intrinsic cultural appreciation and national pride of the Japanese market for consumption of homegrown local content such as comics and animation resulting in sustained demands for IPs that can be catered by studios
- Long legacy of IPs that are built around universal issues and addressing human themes with compelling characters and stories as the driver, enhanced by cutting edge art and technology
- Mature industry that has led to deep pool of talent and leadership in technical production, are part and parcel of successful Japanese animation productions. Underlying to all this is the existence of strong and visionary leadership, who are not only savvy on the technical side but also good at imparting ideas and content that resonates
- Collaboration between studios, not only capable of producing hit titles (e.g. Kimi No Nawa) but navigating through partnerships and joint-ventures with commercial opportunities such as music, marketing, comics, novels and other related products

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your name.
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A Kimi No Nawa Lawson campaign*

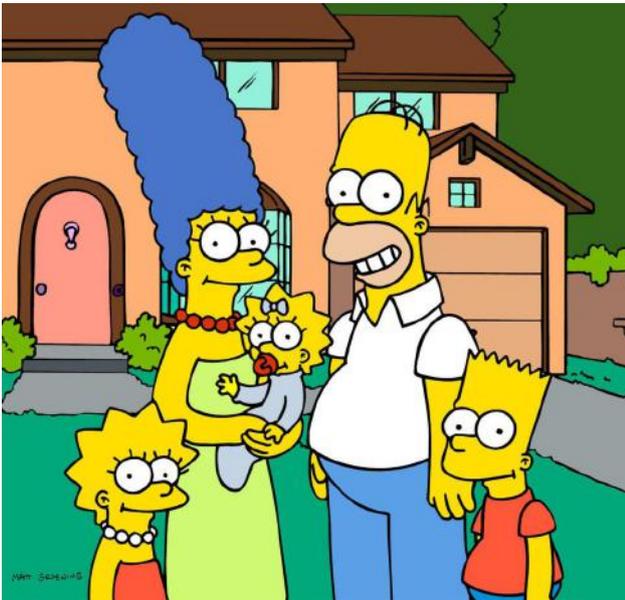


In-movie product placement by Suntory in Kimi No Nawa*

SOUTH KOREA

South Korean animation or aeni, as how the locals call it, may not be as well-known as her Japanese neighbour's anime. Nonetheless, by the 1990s, Animation World Magazine estimated that 30 percent of the world's animation production was done in South Korea, evidently grossing over USD120 million in the mid 1990s.

South Korean animation houses are the backbone to many globally popular 90s characters like The Simpsons, Scooby Doo, Fat Albert, as well as Ren and Stimpy⁵³. Even earlier than that, classics like Betty Boop, Krazy Kat and Felix of the 1970s were getting makeovers from South Korean companies like International Art Production⁵⁴.



*The Simpsons, illustrated and animated by AKOM Production, South Korea**

South Korea's rise in the animation outsourcing business started in the 1970s when American network agencies like ABC, CBS and NBC had to contract out their shows to external production studios, in order to meet rising domestic demands. Over time, South Korean animators grew to be indispensable by being technically astute and fast, drawing 240 pages for a single 20-second scene, and around 7,000 drawings per half-hour episode⁵⁵. The animation industry subsequently evolved to rely on a strong domestic cottage industry that specialise on many different phases of production, with a floating workforce of freelancers ready to take up available projects⁵⁶. Seoul has since developed a large and capable workforce and a workable system that can be maximised when needed, and downsized when slow work wanes.

Today, the South Korean animation industry is a complex web of around 120 studios, creating work for Fox, DreamWorks, Nickelodeon and the Cartoon Network⁵⁷.



Not many people know about the close relationship between Korean and American animation production. The only tell comes if you pay close attention to a show's credits.

Nelson Shin

Founder of Seoul's AKOM Production

At the turn of the century, South Korea started to slowly make her mark with her own brand of content. Mainly targeted to the younger audience, South Korea's own little penguin, Pororo (debuted 2003), Mashimaro the rabbit (debuted 2008), Tayo the little bus (debuted 2010) and Larva the pre-caterpillar friends (debuted 2011), have weaved their way into the hearts of countless Korean and global children. In 2014, Pororo was exported to some 120 countries while Larva has been sold to over 40 countries⁵⁸.



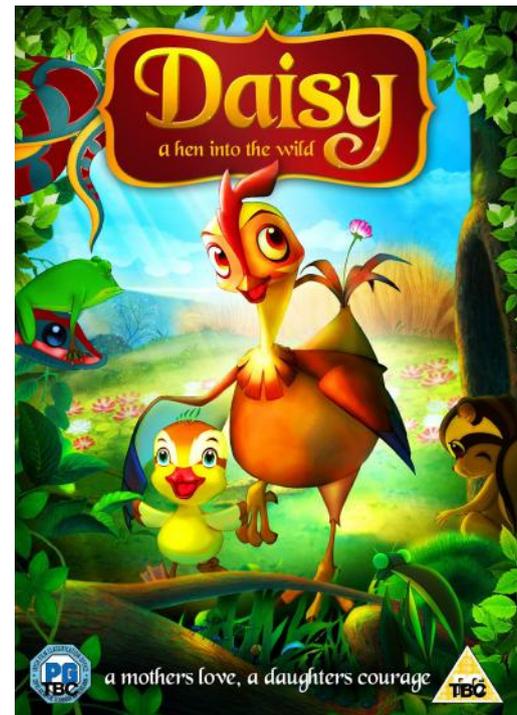
Larva, TUBA Entertainment, South Korea*

Pororo, the Little Penguin, Iconix Entertainment/
SK Broadband/Ocon/Channel One, South Korea*



Of late, South Korea has applied what she has learnt from being an outsourcing powerhouse to tell better stories. In 2011, *Daisy, a Hen into the Wild*, became the highest-grossing South Korean animation ever, surpassing the country's first feature-length cartoon, *Hong Gil-dong* (1967) and winning the prestigious Best Sitges Family Film Diploma and the Best Animated Feature Film awards at film festivals in Spain and Australia respectively. The success was attributed to 'strong storyline, setting a meticulously planned pre-production schedule, and cutting out superfluous scenes'⁵⁹. South Korean animation studios are also not shy of catering to the more mature audience either, with the likes of *Seoul Station* (2016), the animated prequel of international 2016 box office hit, *Train To Busan* and *The King of Pigs* (2011), a story of class inequality and violence⁶⁰. Furthermore, in strengthening their industry even further, international collaborations like the Spanish-South Korean-French partnership brings us gems like *Backkom*, known internationally to many as *Bernard*.

*Daisy, a Hen into the Wild, Myung Films, South Korea**



*Backkom, Dalgona Entertainment, South Korea**



*King of Pigs, Yeon Sang-ho, South Korea**

One thing to learn from South Korea, is the power of integrated marketing. Many South East Asian producers lack the knowledge, expertise or even budget to develop product and services variations, as well as multiple sales and marketing channels, based on one character alone. Seoul studios have long mastered the art of character development and strategic integrated marketing, where digitisation, film, music, travel and even food are intertwined to bring out the best in one single product.

South Korean animation is lucky to be well supported by the government and industry associations. In 2015, the South Korean government announced a funding of KRW380 billion (USD338 million) to develop the country's domestic animation and character industries by 2019⁶¹. In addition to that, South Korea has strong associations like the Korea Creative Content Agency (KOCCA), with over 500 staff and a 2018-budget allocation of KRW315.6 billion (USD280 million) to undertake developmental programmes and activities.

Samples of South Korea's State-of-the-Art Animation Facilities, Infrastructure and Support

Seoul Animation Centre

An animation and cartoon museum and activities centre established in 1999 and managed by Seoul Business Centre (SBA)

Content Korea Lab (CKL)

An incubation centre that nurtures growth, encourages export and investment, as well as promotes technology business model innovations

Nuritkum Square in Digital Media City (managed by National IT Promotion Agency - NIPA)

A centre equipped with various state-of-the-art production facilities (special effect studio, HD editing facility) to produce digital content such as movies, dramas and commercials

Jeju Center for Creative Economy and Innovation (J-CCEI)

Established in 2015 with the vision to transform Jeju into a creative island, by creating a startup ecosystem and an entrepreneurial hub through new connections based on the 3C's - Connect, Community and Co-creation

(All information are from various sources on the internet)



As Korea is favourable to all things creative, funding and incentives are relatively easy to come by as opposed to some other countries. Both the public and private bodies are always ready to assist with various terms and programmes such as a 'venture capitalist top up scheme' where the government will put up a certain amount of funding and the private sector complements the incentive with an amount of their own. Such schemes are normally targeted towards start-up companies where commercialisation is expected with private sector support and monitoring⁶².

To strengthen the industry further, South Korea's animation industry maintain close relations to its comics, or better known as manhwa, industry. The Korea Manhwa Contents Agency (KOMACON) has an annual developmental budget

of KRW200 million, and it is one of their missions to 'multi-platformise outcome of support projects'⁶³. This include the promotion of new area of growth in webtoons and animation. The webtoon phenomena has taken the world by storm with Naver's LINE Webtoon online application, released in 2004⁶⁴. Promoting both professional and amateur artists by integrating their graphic novels with music, animation and live action production, would be the natural step to take.

To date, the animation industry revenue has grown 1.7 times in the period of 2006-2016, exports grew over 4 times and employment increased by 7% and the country is ranked 8th in terms of market size and the country has nothing but positive things to look out for⁶⁵.



Naver Webtoon*

ADVANCED ANIMATION INDUSTRIES - SOUTH KOREA

KEY TAKEAWAYS

Unique Market Characteristics

- National and united effort by the government to sell and market Korean culture with entertainment, content as a primary feature. Government facilities and agencies behind the scenes (e.g. KOCCA) are well funded, have industry inputs and provide connectivity between industry and ecosystem. This effort extends to the provincial level with local government working with private conglomerates to support digital content and animation
- Core of the industry was built on work-for-hire, thus the strength in later years towards IP development that trended towards collaboration and partnerships owing to strong familiarity with the contracts and mechanisms
- Strong commercial push underpinning IP development is a major component of Korean animation. IP creators have a clear sense of business acumen mixed with artistic expression to ensure that projects have maximised the commercial potential. This ensures that the industry is sustainable, cross-sells other Korean products and services and presents opportunities to build the IP brand and expand business beyond the IP
- The industry is backed by clearly defined and well managed programmes for private and public funding and incentives. Primary beneficiaries for these schemes assist in bringing more companies into the industry, supporting startups and new IP creation



*Super Wings, a tri-nation collaboration between FunnyFlux Entertainment (South Korea), Qianqi Animation (China) and Little Airplane Productions (United States)**



*Tayo the Little Bus, a government assisted children's favourite by Iconix Entertainment, Educational Broadcasting System and the Metropolitan Government of Seoul**

INDIA

India's first taste of animation comes in the form of a peapod where in 1915, the Father of Indian Cinema, Dadasaheb Phalke created a stop-motion animation on the growth of a peapod into a plant⁶⁶. 40 odd years later, India got serious with the sector by inviting Disney Studios animator Clair Weeks to establish and train the country's first animation studio team. The training was part of the American technical cooperation mission, and together they produced a film called *The Banyan Deer* (1957)⁶⁷.

Throughout the years, India's animation industry is known for its excellent outsourcing works. Walt Disney, Imax, Sony and MTV are just some of the international companies that outsource their production packages to

India. *The Lion King*, *Jungle Book* and *Finding Nemo*⁶⁸ are some of the better known finished products.

Cost competitiveness is probably the biggest factor why India is chosen over others. An Indian animator cost USD25-an-hour as opposed the USD125-an-hour American rates. Cost of production is also very low with the total cost for making a full-length animated film in America estimated at USD100 million to USD175 million, compared to USD15 million to USD25 million in India. In addition, with its established reputation in ICT and digital technology, studios in India are also able to provide a large supply of English-speaking, low-cost but high-quality software engineers⁶⁹.

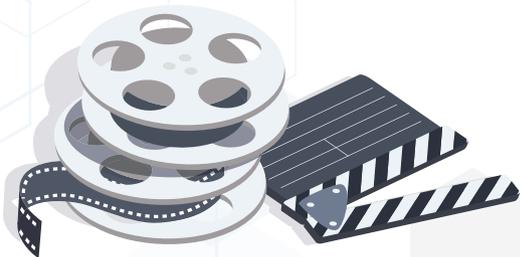


Bandbudh Aur Budbak, Paperboat Animation Studio, India*

India is said to have nearly 300 animation, 40 visual effects and 85 game development studios with over 15,000 professionals working for them⁷⁰. Currently, Toonz India Ltd, based in Trivandrum, is India's most successful animation company and have produced several internationally acclaimed movies such as Freefonix, Wolverine and the X-Men, Dragonlance: Dragons of Autumn Twilight, Kid Krrish, The Adventures of Tenali Raman, Return of Hanuman and Gaturro.

India's creative content industry specialises in mainly 2D and 3D animation. But of late, VFX has grown in popularity, lending its technologies to both animated films as well as special effects for live action productions. According to the KPMG India-FICCI Indian Media and Entertainment Industry Report 2017, the Indian animation and VFX industry grew at 16.4% in 2016 to reach a size of INR59.5 billion, driven majorly by a 31% growth in VFX, with animation remaining steady at a growth rate of 9%⁷¹.

However, India is not resting on its laurels. Since the 1970s, she has been creating her own local content and IPs, with strong Indian values and traditions.



Marvel's Wolverine and the X-Men, illustrated and animated by Toonz Animation, India*



We are keen to encourage our professionals to create original intellectual property content. India has a vast repertoire of epics and stories, and we can tap into this pool to create our own original content.

Priyank Kharge

Minister for IT, Biotech, Science and Technology,
Government of Karnataka, India⁷³

However, Indian animation is not without its woes. From limited production budget to poor education and training support, India's animation industry lacks the capability and capacity to neither produce original IPs nor be the go-to place for animation outsourcing⁷⁴.

Indian animation industry players cited studios in China, South Korea and the Philippines as their main competitors, taking away some lucrative outsourcing jobs based on technological and production expertise the aforementioned countries have over India, especially in feature animation productions⁷⁵.

India's local animated production also seem to lack good and compelling storytelling, with content that was too traditional to appeal to local modern children nor prompt the parents to spend precious Rupees at the cinemas⁷⁶.

*Delhi Safari, Krayon Pictures, India**

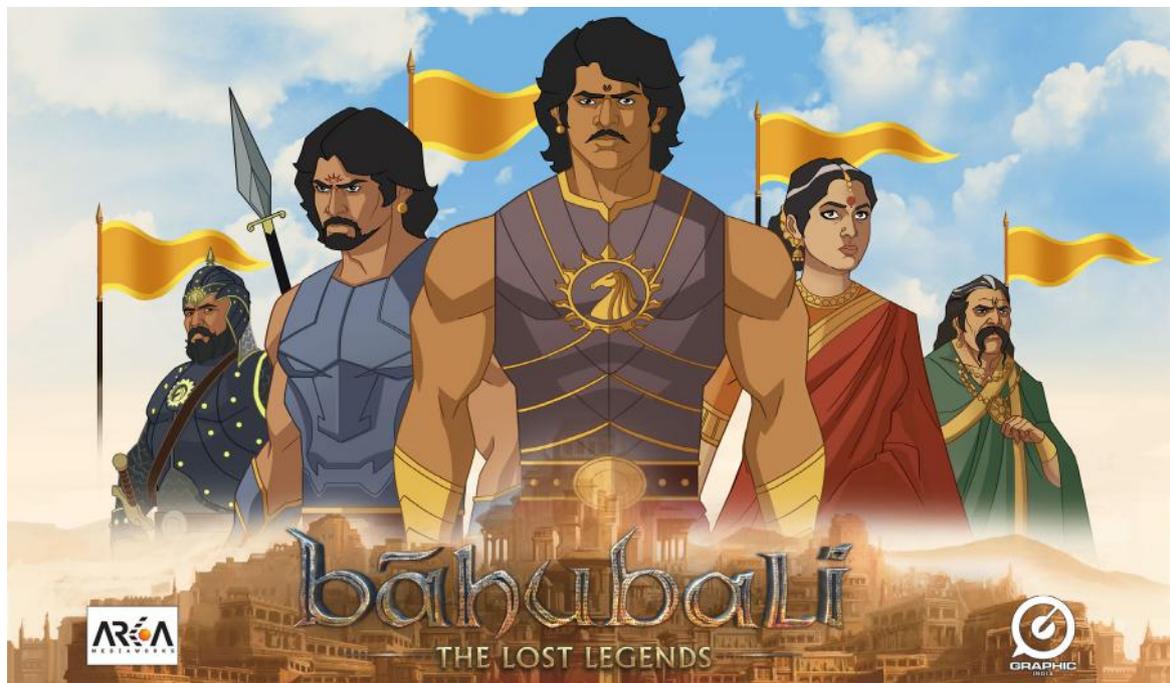


*Roadside Romeo, Yash Raj and Disney, India**

Local animation companies blame this on the lack of proper training and upskilling programmes, as well as government support and financing. India's central and state government have in the past been friendly at nurturing the ICT and digital technology industry, yet the same support does not flow through to the its sub-sector i.e. the creative content technology industry, leading to limited industry expansion, nor bagging any lucrative international co-production agreements⁷⁷.

However, to make up for certain shortcomings, India's animation industry is well supported by its associations,

each with their respective areas of assistance. The Animation Society of India (TASI) hosts Anifest India, the biggest annual animation festival in the Indian subcontinent. The ABAI (Association of Bangalore Animation Industry), with its head office in Bangalore, focuses on the AVGC markets (Animation, Visual Effects, Gaming and Comics). Media and Entertainment Association of India (MEAI) too is an active body promoting the Indian AVGC industry, with the knack of attracting high powered delegations to the international markets and festivals⁷⁸.



*Bahubali, Graphic India and Arka Media Works, India**

EMERGING ANIMATION INDUSTRIES - INDIA

KEY TAKEAWAYS

Unique Market Characteristics

- Historically strong post-production and VFX market has maintained fast growth, aiding in the development of the animation industry. This has led to commercial opportunities for international co-production (e.g. Arjun: The Warrior Prince)
- Growing investment by domestic production houses into the animation market helps sustain projects and businesses, while also opening opportunities for local studios to develop original IPs
- Compelling cost of labour combined with linkages to traditional outsourcing industry towards creative business, VFX and animation. While the industry is dominated by animation outsourcing projects, this has led to a steady demand within the industry, thus allowing companies to understand, grow, develop work pipelines and production capabilities
- The sheer domestic market size makes India an attractive market for digital content consumption as one of the largest markets in the world. Broadcasters and over-the-top (OTT) platform providers increasing their engagement with local studios for syndication, localisation and original IP creation to tap into this domestic market buoyed by the surge of demand of localised content
- There is a lack of overall public sector support for the industry, with most of the effort going to ICT and technology, but there are still platforms for industry support through associations and industry bodies. These associations play a role to unify the industry voice, share experience and bring businesses and opportunities to India



Arjun: The Warrior Prince, jointly produced by UTV Motion Pictures and Disney World Cinema*

SAUDI ARABIA

A relatively new entrant to the industry, Saudi Arabian animation has the advantage of being a patronage of one of the richest kingdoms in the world. Exciting times in the realm of digital transformation loom over Saudi Arabia with the announcement of its economic plan, Saudi Vision 2030, and the Kingdom's digital landscape is expected to change and thrive significantly.

Something that anyone in the film, animation and entertainment industries there can rejoice from, is the plan 'to increase household spending on cultural and entertainment activities inside the Kingdom from the current level of 2.9% to 6%' ⁷⁹.

This is a far cry from a country steeped in social and religious dogma and conventions, where cinemas were banned for the last 35 years. What is more amazing or even figurative, is the fact that Saudi Arabia decided to end the ban with the airing of two animated full-length films – The Emoji Movie and Captain Underpants: The First Epic Movie. The lifting of the ban will also make way

for the building of 300 cinemas by the year 2030, which will in turn create approximately 30,000 jobs⁸⁰.

The gradual release of the government strict control over the nation have positive results on the film, animation and entertainment industries especially with the establishment of the nation's General Authority for Entertainment (GAE) in 2016. Strategically formed to repurpose 25% government-spending into local travel and entertainment sectors, GAE also aims to raise capital by harnessing the previously unaddressed entertainment sector, helping to 'nurture entertainment in all its forms, while also seeking to safeguard precious cultural heritage'⁸¹.

To further enhance this strategy, Saudi Arabia plans massive infrastructure projects such as the Media City, an integrated township with satellite broadcasting services and related facilities⁸². In Saudi's Media City, journalists and media houses have the 'flexibility' to operate within the rules and regulations⁸³ of the Kingdom. It will also host a special zone, where incentives will be provided to attract local and international companies.



Saudi Media City*

Another project to highlight is the NEOM project, a USD500 billion mega-city near Aqaba expected to be completed by year 2025. It is part of Crown Prince Mohammed bin Salman bin Abdulaziz Al-Saud's vision to establish NEOM as the home to a vast array of different companies, from biotech firms to restaurants and art museums, completely powered by renewable energy⁸⁴.

Both facilities can very well be homes to both local and international animation companies, a sector that fits wonderfully with Saudi Vision 2030's earlier mentioned entertainment strategy. Nonetheless, Saudi Arabian animation companies are still few and far between, where most companies produce animation for advertising and educational purposes. However, one Saudi studio is taking its first step to produce animated films with the help of the more experienced Toei Animation of Japan. Toei Animation and Saudi Arabia's Manga Productions are now in the midst of producing 13 episodes of 20-minute-long cartoons. The series are based on Saudi Arabian folklore, and aired in both Japanese and Arabic, starting May 2018⁸⁵.



*The Woodcutter's Treasure, Toei Animation and Manga Productions, Saudi Arabia**

Photo credit – Weetas Real Estate*



A step towards economic diversity

Conceptualized as a transnational economic zone, Neom City will be situated in the city of Tabuk at the far Northwest corner of the kingdom.

In a country famous for its male-dominated culture, it may come to a surprise that Saudi Arabia creative content talent comes in the form of the fairer sex. It is enlightening to note that around 60% of Saudi's computer science graduates are women. Women also make up 80% of 3D modelers and animators⁸⁶. The all-women Effat University too has established the Visual and Digital Production (VDP) department, a first for the IHL, catering to the growing popularity of creative multimedia amongst the women⁸⁷. In a society where religious regulations set perimeters to the movements of women, it is an underlying knowledge that IT and media open up windows of opportunities for these women.

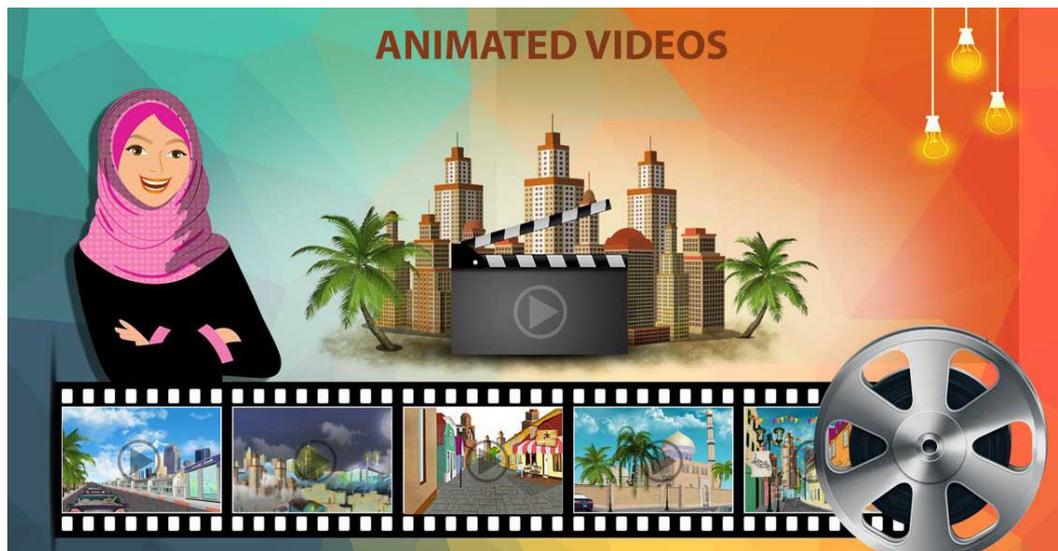
Saudi Arabia has long to go until it can reach even the likes of India, Philippines and Thailand. Nevertheless, with the amount of funding and support, coupled with state-of-the-art facilities she is privileged to have, it will only be a matter of time before Saudi Arabia catches up with the rest of the world.

EMERGING ANIMATION INDUSTRIES - SAUDI ARABIA

KEY TAKEAWAYS

Unique Market Characteristics

- Saudi Arabia recognises that the new paradigm of an economy beyond the oil and gas sector has led to social and economic reforms, with entertainment and the creative economy playing a key role. This reform and promotion of entrepreneurship opens opportunities for animation and digital content to participate in Saudi Arabia
- The infrastructure investment represents a springboard for access to the rest of Middle East and Asia, with a huge market of 411 million people in the Middle East alone, with most their consumption underserved by digital content
- Content and animation serving the Arabian market is a unique opportunity for the nascent animation studios in Saudi Arabia to promote their cultural stories, characters and their rich history to serve local needs as well as export them to the greater regional and global markets
- Government commitment to grow the entertainment sector, combing legislative and structural changes in support for media and the arts, includes creative platforms such as Saudi Comic Con, lifting of censorships for cinema screenings of animated features and increased female social participation
- Early movers to the market are beginning to open the industry through co-production, collaboration and partnerships and it is a market to watch in the next decade as it grows and matures further



*More and more Saudi Arabian companies, like Bytes Future Production, are engaging in animation**

By looking at the advanced animation industries, much can be emulated: strengthening opportunities to produce original IP creation, having and supporting anchor studios and scaling up and solving challenges through collaboration and cooperation.

Through the study of other emerging animation industries, there is some appreciation that South East Asia has spent the last few decades gaining momentum and maturity. While not all parts of the ecosystem are optimal, South East Asia's animation industry should hold itself proud of how far she has grown.



09

RECOMMENDATIONS AND WAY FORWARD

RECOMMENDATIONS AND WAY FORWARD

ECOSYSTEM BUILDING

Build a Strong Animation Community within a Designated Area that is Supported by Both the Public and Private Sector

A specialised environment for networking, mentoring, learning and production can definitely be catalysts to creativity, especially for amateur contents creators. Such virtual platforms can also work as showcase areas for local creator's works, incubators of new contents, as well as accelerators for potential companies and/or talents. Examples include MSC Malaysia MAC3 in Cyberjaya (Malaysia) and Thailand Creative and Design Centre (TCDC) in Bangkok and Chiang Mai (Thailand) to name a few. Notably as well, platforms could also be supplemented by virtual platforms.



7 Satria, Funcul, Malaysia

Develop Regional Collaborations to Take on Bigger Projects or Build Stronger IPs

Ecosystem building need not only stop within the respective countries – regional collaboration can be developed as well. One such collaboration is to set up a trans-South East Asian production committee to primarily look into the production of any significant IP within the region or beyond. Any potential project can then be tabled for a collaborative effort. Financiers, project teams, marketing engines can all very well come from different companies or agencies from different countries. With ample resources and possibly bigger funding, even a project that requires huge budgets can be undertaken. Respective investors can then take exclusive rights to use the project, characters and other spin-off potential as they deem fit.



Didi & Friends, Digital Durian, Malaysia

IPs, BRANDING AND PROMOTIONS

Organise Annual Animation Festival to Serve as a Platform to Showcase Local Content and Future Development in the Region

To spread the good work and talent of South East Asian animation industry to the outside world, annual festivals, conferences, showcases, strategy workshops etc can be staged at periodical basis. This can be a supplement to the trade shows or exhibitions outside the region that most community members are already taking part in. Combining local platforms with international participants or audience will give opportunities for the smaller studios or companies to showcase their products, as well as be privy to latest technology, marketing strategy and business matching processes.

Establish Trans-South East Asian IP Information Virtual Resource Centre to Oversee Efficient IP Creation and Monetisation

A regional body or system for locating, correcting and publishing local IP information can serve as a window to South East Asia's pool of creative content and can further stimulate monetisation and/or commercialisation of respective brands. Leveraging on this system, customers and business partners who are interested in South East Asian animation will find it easier to find stakeholders of any animation titles and characters.

Host 'Consultation Day' for Free Consultation and Advise on Rights and Opportunities in the Animation Industry

South East Asian animation community is still at puberty stage where certain legal matters or rights are not known or understood by them. To help protect local creations or studios from breaking industry norms or laws, awareness programmes or clinics to help studios craft the sales agreement and understand their rights, can be held where help is at hand and networking is ubiquitous.



Rimba Racer, Glue Studios, Malaysia



Kuu Kuu Harajuku, Vision Animation, Malaysia

INVESTMENTS, MARKET ACCESS AND BUSINESS COLLABORATIONS

Growth Mindset Without Growing Studio Overheads

With most studios being relatively small, expansion through verticalising i.e. having services and production facilities and teams that are in-house, is tempting, but with challenges in sustaining businesses already an issue, a better method for growth would be content development through cooperation and collaboration. This promotes an edge of specialisation while also adding potential markets e.g. developing good soundtrack by a popular artist in order to attract viewership to one's production.

Explore New Distribution Channels for New Content for Further Collaboration and Commercialisation

Differentiation in growing the animation business is not only in the variety of content, but also in the diversity of distribution channels. Learn from South Korea's Webtoon business and see how they transformed their dying manhwa (comics) industry to be an international platform where both professional and amateur artists connect and earn income. New media must be used as alternative market channels, and producers must be flexible in adapting to them. For instance, Youtube provides an alternative and lucrative channel for monetisation, but the content must be modified to fit the terms of the platform as well as viewer's attention span and habits.

FUNDING AND INCENTIVES

Diversify Funding and Incentives Platforms to Benefit All

At times, government and trade associations' funds may be limited or need to be allocated to other more critical causes. Hence, funding from wider range of people is needed, and one such platform is crowdfunding. Monetary support and pledges from the masses can many times be saviours to budding artists or fledgling companies. patreon.com and kickstarter.com are examples how such movement is proved successful. Alternatively, the South East Asian animation industry players as a whole can work together and create a regional funding platform to ensure the growth and sustainability of their business.

Venture into Non-Entertainment Sector to Generate More Income/Revenue

Merchandising sells, as many hardcore anime character collectors prove. Collaborating with clothing or toy companies can create win-win situations for both the animation creator as well as the merchandise producer. Hasbro for Transformers, Bandai Co for Kamen Riders or Jakel for Upin & Ipin are examples how toy and clothing companies can help boost animation sales, and vice versa. These collaborations will also help to increase the popularity and longevity of content.

Persuade Broadcasters to Enter Developmental Role

Government and trade organisations can set up programmes or incentives to encourage local or regional broadcasters and distribution arms to buy, increase airtime and heighten promotions of regional content. This will help local studios gain traction domestically and provide a runway for their growth.

TALENT DEVELOPMENT AND RESKILLING

Investment for Education

As production processes are getting digitised, one step towards being the right fit for the job is hands-on training. The government may want to provide financial support or favourable tax treatment for institutions that purchase advanced tools/instruments for this purpose – giving lecturers and students first-hand experiences on the said tools and instruments, before they get involved in real studio production activities and subsequently venturing into the market.

Collaborate with IHLs at Inter-Country Level to Share Higher Skilled Talents

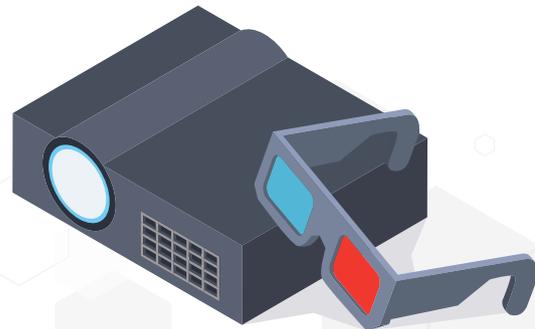
Most talents in South East Asia's animation industry are on the creation side. For higher levels of production i.e. IP creation, full animated movie production etc, specialists who have deep and wide knowledge and experience in production control, merchandising and related areas are crucial. Some schools have better courses than others and specialisation can help skill building. Student exchange programmes or collaborative training with international or renowned IHLs can be considered, like the one provided by the Center for Management of Enterprise in Media, Entertainment and Sports (Center for MEMES), UCLA.

Staff Exchange Programmes between Schools and Studios to Minimise Gaps between Theory and Practice

Regular sharing of information between schools and animation companies is necessary to avoid mismatched of curriculum and practical skills. Staff exchange programmes where animators or managers can give talks, lectures or even hands-on showcases would be good practices to adopt. These industry-academia support can also serve as a scouting exercise for the participating companies.

Diversify Talent Knowledge to Provide Holistic Skills in the Animation Industry

Animation workforce should consist of both technical and business skillsets in order to run an animation studio and make it profitable as well as sustainable. Animation is not the only skillset needed, but also technical (e.g. storytelling) and production (e.g. project management, legal, business management, sales and marketing) expertise. Such expertise can only come from exposure such as training in workshops, masterclass, schools, apprenticeships etc.



REGIONAL COOPERATION

Leverage on ASEAN Connectivity 2025

ASEAN Connectivity 2025 is providing the region a solid platform for cooperation and collaborations. Leverage on its five strategic areas - Sustainable Infrastructure, Digital Innovation, Seamless Logistics, Regulatory Excellence and People Mobility – and realise its vision to achieve ‘a seamlessly and comprehensively connected and integrated ASEAN’ that will promote competitiveness, inclusiveness, and a greater sense of community⁸⁸. In this regard, associations and government bodies may need to play active roles in ensuring that South East Asian animation players work together in constructive and nurturing environments, that are rewarding for all concerned. Mobility of talents, sharing of infrastructures and technology transfers, as well as favourable or flexible legislative and statutory assistance, can be some early steps to be taken into consideration.

Content Exchanges Between Countries for Regional Collaboration and Sharing

Certain countries like Thailand and Indonesia, whose content is highly creative but have yet to show fast growth domestically could share their content within the region. This cross promotion not only improves the commercial prospects of an IP but will increase exposure by other studios in the region to the IPs that are trending in South East Asia.

Make the South East Asian Culture and Humour Hip for the International Palate

Local content need not be confined locally. As how Thai food can be popular worldwide, so can Thai animation. The trick to getting any local content accepted by international viewers is compelling storylines that resonates. Princess Mononoke tells a story of environmental concerns in a Japanese rural setting in the Japanese language, yet it raked millions at international box offices and DVD sales. South East Asian nations sit on a wealth of culture and history that is largely untapped. Regional storytellers must not be afraid to tell their stories, rather tell them in a way that can easily be understood and accepted. South East Asian nations can be first to do this by accepting and supporting each members’ local creations before the content go out to other parts of the world.



Origanimals, Giggle Garage Animation, Malaysia



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Media Create is an independent marketing firm specialising in the game and digital entertainment industry. Since its inception in 1994, the company has collaborated with reputable Japanese game companies and entertainment giants including Konami, Nintendo, Sega and Sony Interactive Entertainment (SIE). With vast experience and knowledge in market research and consulting, Media Create offers in depth analytics for informed business decision making.

THANK YOU

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