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COMPETITIVE STRATEGIES IN THE INTERNATIONALIZATION OF TELEVISION: THE CASE OF INTERNATIONAL NEWS PROVIDERS IN ASIA

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ABSTRACT

COMPETITIVE STRATEGIES
IN THE INTERNATIONALIZATION OF TELEVISION:
THE CASE OF INTERNATIONAL NEWS PROVIDERS IN ASIA

By

Seema Shrikhande

In 1991, Asia opened up as a market for direct broadcast satellite television. This study focuses on the competitive strategies adopted by four international news channels -- CNNI, BBC World, ABN and CNBC -- to penetrate the Asian market from 1991 to 1999. An industrial organization framework is used to examine how changes in competition in this market affected the strategic behavior and performance of these players.

An overview of the conditions in five Asian countries, is presented. Attention is focused on the state of the cable industry which serves as the primary means of distribution for satellite programming; the regulatory environment and on competition from local news services.

Drawing on literature in the area of marketing and international communication, four research questions are derived to guide this inquiry. The case study method is used to assess the impact of increase in competition on resource commitment and product differentiation; the importance of strategic alliances; the role of the first mover's advantage and the role of countries' historical ties in explaining a preference for certain news providers.

Overall, it was found that changes in the market structure led to changes in the conduct of news services. As more players entered the market,

the news services, except CNBC, increased their financial commitment in Asia, spending more on personnel and programming. There was also an increase in the amount of customized programming produced for Asia.

Strategic alliances with cable operators played an important role in determining a channel's reach. That the demand for business news was not strong enough to support two separate business news channels was evidenced by the strategic alliance that took the form of a merger between ABN and CNBC.

CNNI was able to sustain its competitive advantage as a first entrant in the region, except in India. Historical or economic ties between the channel's home country and the host countries were not a good predictor of that channel's performance. CNNI was the market leader in all the countries studied except India, where BBC World earned the highest viewership of all the international news channels.

DEDICATION

To my son, Nishant.

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INTRODUCTION

This study focuses on the internationalization of television markets, with particular attention to international news providers in the Asian market. This study is placed in the context of the industrial organization approach and examine how changes in competition affect the strategy and performance of each of these players in this market.

As domestic markets got saturated, and production costs rose, the internationalization of markets appeared to be the way to grow. At the same time, the globalization of consumer goods markets has meant that more consumers worldwide are interested in the same product. This raised the need for international media that can serve as a vehicle for advertising for such products. By the end of the 80s, there were a handful of print media such as the Wall Street Journal and the International Herald Tribune that carried out this function. Broadcast media saw the opportunity to play this role and the development of Direct Broadcast Satellite (DBS) technology made it feasible.

The first region that US media corporations expanded into was Europe — a market comprised of highly industrialized nations that were working towards economic unity. The European market was not very dissimilar to the US. The next major region into which broadcasters were interested in expanding operations was Asia. With the inception of STAR TV, marketers saw the possibility of a Pan-Asian market, and a number of US players such as Prime Sports, Viacom and MTV gained a share of this market.

Unlike western Europe, in the early 90s, there was a great differential among the countries that made up the Asian market, with respect to GDP and standard of living. At the high end of the scale were the Asian tigers or Newly Industrialized Countries (NICs) like Korea, Singapore and Taiwan. At the bottom end of the scale were the Less Developed Countries (LDCs) like Pakistan, Nepal and Bangladesh. At the same time the forces of economic liberalization opened up markets like India and China that were traditionally inaccessible or difficult to access. It is a television market that was constructed as a result of a technological innovation -- Direct Broadcast Satellites (DBS).

CNNI was the first international channel to beam its programming to the region in 1989. Soon after CNNI another international news provider, the British Broadcasting World Service (BBC), entered the Asian market by joining the STAR TV platform in 1991. In 1993, Asia Business News (ABN), an all-business news channel, started operations from Singapore. Its uniqueness lay in that it provided a regional slant on news. ABN was followed by another business news channel, CNBC. Thus, in four years the market had acquired three new players. However in 1997, two and a half years after its entry into Asia, CNBC merged with ABN. In early 1999, Bloomberg announced plans to expand its operations in Asia with a business television channel. The Asian market for news is still in a state of flux so that strategies once adopted cannot be adhered to without modification. To be effective players in this market international news channels need to respond to changes in their competitive environment.

Our study of international news providers in Asia offers an opportunity to examine the strategic choices these media corporations have made as they try to penetrate a new market. Drawing on literature from the area of international communication and media economics, I develop a framework for examining such internationalization of media organizations which will continue to take place into the next century. The case study method is used and covers an eight-year period from 1991, when DBS television went into operation in

Asia, to August 1999. Data was obtained from interviews with media executives, industry reports, trade journals and other archival sources.

The impact of growing competition on these broadcasters' financial commitment to news, and on the amount of product differentiation each practices is studied. Economies of scale argue for a standardized global product, however product differentiation is an effective competitive strategy, especially in situations where price competition is not feasible. Studies of international news show that audiences are more interested in news and information about their own region. Thus there are opposing forces at work, and this study tries to determine which of these are dominant in the international news market. The approach recommended by Porter for analyzing competition in a given industry is used to guide this research.[1]

The satellite signal covers a larger portion of Asia, including countries that differ in terms of their broadcasting systems and regulations. The role of strategic alliances with governments or distributors in determining each organization's competitive position is considered. The influence of market entry timing on the competitive position of the different news providers is also considered. Finally, the impact that the economic and cultural ties of a news channel's home country can have on a news channel's appeal to audiences in different countries is examined.

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[1]Michael .E. Porter. Competitive Strategy: Techniques for Analyzing Industries and Competitors (New York: The Free Press 1980).

CHAPTER 1

THE INTERNATIONALIZATION OF TELEVISION

The globalization of consumer markets

The internationalization of television markets needs to be examined as part of a larger trend -- the globalization of consumer markets. Industrial goods markets have been globalized earlier, consumer goods markets have become globalized more recently or are still in the process of being globalized.

The most common reason for a company to go international is a lack of growth or slowing down of growth in domestic markets. Businesses face pressure from consumers for new and innovative products. At the same time R&D costs are rising and product life cycles are shortened, making the search for wider markets a logical way to deal with these factors.[1]

But there are a number of other factors as well --- economies of scale, the threat of global competition and the desire to position oneself as a niche marketer.[2] According to Root, "In this economy, no market is forever safe from foreign competition. And so even when companies stay at home, sooner or later they learn from hard experience that there are no domestic markets, only global markets."[3]

One important factor, better termed as a removal of an obstacle, according to Dunning, has been "the renaissance of market-oriented policies pursued by national governments and regional authorities."[4] Between 1992 and 1997, over 30 countries have given up the central planning model, and

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[1]John Dunning. Alliance Capitalism and Global Business (London: Routledge, 1997), Chapter 2.
[2]Jagdish Seth and Abdolreza Eshgi, (eds.). Global Marketing Perspectives (Cincinnati: Southwestern Publishing, 1989), Introduction.
[3]Franklin Root, Entry Strategies for International Markets (New York: Lexington Books, 1994), 19.
[4]Dunning, 35.

over 80 countries have liberalized their inward Foreign Direct Investment (FDI) policies.

International trade has been growing at twice the rate of gross world product for more than three decades.[5] International trade and foreign operations have always been an important part of many companies' strategy but now global operations are almost necessary for survival. International operations of corporations is not a new phenomenon. But in the past this has largely been in the form of exports to selected countries or through multinational corporations. What we are seeing more and more in the 90s is a global approach. This means rather than focusing on select geographic markets, products are being introduced in multiple markets simultaneously.

Dunning points out that in the 90s the world economy has moved from hierarchical capitalism to alliance capitalism. Alliance capitalism is characterized by competition as well as cooperation among wealth creating agents. This change requires reassessing why firms engage in international activity and whether competition by itself is sufficient to motivate a firm's behavior. .[6]

According to him, competition is not the only motivating factor for internationalization. Firms undertake foreign investment and alliances across national borders in order to acquire or learn about foreign technology and markets. Also, firms may decide to follow a voice strategy, i.e. enter into strategic partnerships in order to reduce market failure, rather than exit from a market. Finally, he emphasizes that a firms decision regarding efficiency go

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[5]Ibid., Chapter 1

[6]John Dunning. "Reappraising the Eclectic Paradigm in the Age of Alliance Capitalism." Journal of International Business Studies, no. 3, 1995.

beyond ownership boundaries, and are significantly influenced by collaborative agreements it may have with other firms.[7]

The widely subscribed to product life-cycle theory held that international markets were a way of extending the life of a product that had reached its market peak domestically. Historically, entry into international markets has been a gradual process. Initially, highly industrialized nations were chosen as target markets, later sales would be expanded to other markets. In the case of consumer goods it was believed that demand in other countries had not yet caught up with demand in industrialized countries.[8] In the age of increasing globalization, many believe that international marketing can no longer be gradual.

While no direct measure of globalization exists, its magnitude can be gauged by looking at the growth in international trade and foreign direct investment (FDI). The latter consists of cross border expenditures that make possible corporate control of productive assets. Over the last 15 years international trade has made up a gradually increasing proportion of US GNP. Total US trade growth has been far greater than the increase in US nominal gross national product. During the decade of the 80s world trade in goods, measured in constant dollars, increased by 8%. US increase in world trade was greater at 24% but most of it occurred in the US' share of world imports rather than exports.[9] The removal of trade barriers has helped increase long term capital flows in the form of FDI which have increased almost three times

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[7]Ibid, 481.
[8] Michael Czinkota, Illka Ronkainen and John Tarrant, The Global Marketing Imperative (Lincolnwood, IL: NTC Business Books, 1995), 3
[9] Salah Hassan, and Erdener Kaynak, (ed), Globalization of Consumer Markets: Structures and Strategies (Binghampton, NY: Haworth Press, 1994).

between 1980 and 1990.[10] This supports the view that markets are getting more globalized.

Besides increases in the volume of trade and FDI, the past two decades have also seen the emergence of a number of new players in the global economy, which had been dominated by the US Europe and Japan. The most notable of the new players were the Newly Industrialized Countries (NICs) of east Asia. The closing of the technology gap, inexpensive labor and easier access to international capital had fueled the growth of these economies.[11] Between 1975 and 1985 while the gross domestic product of the world increased by 34%, the GDP for Asian developing countries increased by 71%.[12] The rapid economic growth in Asia (in conjunction with lower growth rates elsewhere) has resulted in making Asia an important player in US trade flows while decreasing the importance of Europe.

A number of factors have helped in the globalization of consumer markets. Constantly improving communication links around the world that have lead to an accelerated rate of information flow are an important factor in this process. The standardization of manufacturing processes, and growing urbanization have also contributed to the growth of consumer markets. Increasing levels of wealth in emerging nations have created a growing middle class with an appetite for consumer products. All this is resulting in a convergence of demand preferences around the world.

The internationalization of media : The case of Europe

The situation was ripe for the emergence of international media which could provide an advertising vehicle for these consumer products. The Wall Street

[10]Kenneth Froot. Foreign Direct Investment (Chicago: Chicago University Press, 1993).
[11] Franklin Root. Entry Strategies.
[12]Hassan and Kaynak, Globalization of Consumer Markets.

Journal and the Economist are two examples of print media that have a large circulation overseas. By the second half of the 80s the power of television as an international medium was being touted. Egar predicted that "...television, that most efficient, effective and spectacularly profitable of all mass media, will soon be available to serve as global marketing's instrument of consumer access."[13] But it is the direct broadcast satellite (DBS) technology that made the internationalization of television a reality. In the last ten years there has been tremendous growth in the international satellite television arena.

The first market to open up to the possibilities of satellite broadcasting was Europe. As the prospect of a unified Europe became a reality and small direct broadcast satellite (DBS) receivers became more affordable Rupert Murdoch's Sky broadcasting, followed soon after by British Sky Broadcasting (BSB), went into operation, beaming their signals to western Europe.[14]

Europe had in place the infrastructure that made internationalization of television more viable. As the possibility of a Pan-European market for television was developing, the countries of Europe were working towards cultural and political unity. They were in the process of economic integration and the creation of a single market. The internationalization of television had been of interest even before it actually happened. Institutions such as the European Broadcasting Union (EBU) addressed issues like the harmonization of differing broadcast standards.[15] The European Community (EC) Directive and the Council of Europe (CoE) Convention attempted to provide a support system for common television regulations across Europe.[16]

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[13]John Egar, "Global Television: An Executive Overview," Columbia Journal of World Business 22 (1987) : 7.
[14]"British Satellite Broadcasting versus Sky Television," Harvard Business School Case, # 9794031.
15. Ralph Negrine and Stylianos Papathanassopoulos, The Internationalization of Television (London: Pinter, 1990).
[16]Ibid.

A number of factors combined to bring about the internationalization of television and the creation of a Pan-European market. The 80s were a period of rapid changes in national broadcasting structures that resulted in liberalization, deregulation and privatization of these systems as a whole or parts of it. The deregulatory activity in the US also had an impact on European PTTs.

Increased cross-border capital flows have made it possible for international funds to move into program making and for developing the infrastructure. Related to this is the flow of advertising revenue across borders to implement a global approach to marketing. "A global marketing approach requires, in turn, a global medium."[17] And television was becoming that medium. The last decade has also seen an increased trade in television programs. As the costs of program production increase, the domestic market, by itself is insufficient to earn the needed revenues and international markets are central to profitability. "More and more it is clear that the real television market is international: The question is only to what extent the content is European and to what extent American."[18]

In Europe, cable rather than DBS introduced the possibility of cross-border markets, and a change in existing broadcast structures. Later, DBS became a more efficient way of delivering the signal. With these changes already in place, DBS only served to advance the potential of the Pan-European market. Most Pan-European channels distributed via satellite are general entertainment television services that do not require a high level of familiarity with the language and include music and sports channels. DBS in Europe thus became a means to distribute programming across this market.

[17] Negrine and Papathanassoupoulos, The Internationalization of Television.
[18] Anthony Smith, The Age of Behemoths: The Globalization of Mass Media Firms (1991).

By itself it was not the harbinger of the Pan-European market. Noam points out that "technology played a role in this change but it is inaccurate to ascribe to it a central role and to hide basic societal decisions behind the alleged restlessness of technology. Technology was enabling, not determinative."[19]

The internationalization of media : The case of Asia

The critical difference lies between DBS in Europe and DBS in Asia lies in the role of technology. Asian governments had recognized the potential of satellite technology to enhance their own broadcasting and telecommunication systems. India had been using satellites for rural education projects. The Indonesian satellite, Palapa, was being used to overcome the difficulties of terrestrial broadcasting in a country made up of numerous islands. But nowhere was there any interest in or recognition of the potential of a Pan-Asian audience. It took a Hong Kong based entrepreneur, Li Ka-shing to envision the use that satellite broadcasting could be put to, and to explore the opportunities it offered for creating an international television market in Asia.

In Asia, the role of DBS in creating a Pan-Asian market has been much greater than it has in Europe. Here the technology has led the way in the creation of a commercially viable Asian audience. One factor in common with the popularity of DBS in Europe has been the demand for greater diversity by audiences. There was a general dissatisfaction with services and programs that were public service oriented, had too much discussion or political content. Consumer markets in both continents seemed to be ready for new and varied entertainment programming.

In 1991 Satellite Television For Asia Region (STAR) went into operation, leasing transponders on the Apstar satellite. With two footprints

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19. Eli Noam, Television in Europe (New York: Oxford University Press, 1991), 324.

that extended from Egypt to Japan and Indonesia to Siberia, and the potential to reach an audience of 2.7 million viewers, STAR TV created the Asian market. In spite of some early skepticism, STAR was able to put together an initial package of programmers that included MTV, Prime Sports, the BBC World Service, an entertainment channel and a mandarin language channel.

While satellite technology has been a major factor in making international television a reality, it would be remiss not to recognize other factors that have made this possible. As Negrine and Papathanassoupoulos explain, "the creation of satellite broadcasting systems in association with the internationalization of economies and markets have brought television one step nearer to becoming an international medium."[20] The liberalization of major economies in Asia, in particular India and China, has attracted foreign investment and production facilities, all of which have opened up new consumer markets. According to some estimates, the number of affluent Asian households (annual income US $ 30,000 or more) is expected to rise by 50 per cent by the year 2000.[21]

The other important factor has been the rise of a substantial middle class. "Asia's rapidly swelling ranks of middle-class consumers with plenty of disposable income are splurging on autos, consumer durables, cellular phones and packaged goods. Fancy shopping malls, department stores and restaurants are sprouting across the region."[22] Advertisers for all these products saw television as a suitable medium to reach potential consumers.

From the point of view of the advertisers, DBS in Asia provides access to a regional market in Asia. Now they had the means to reach consumers

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[20]Ralph Negrine and S. Papathanassoupoulos, "The Internationalization of Television," European Journal of Communication. 6 (1991): 3.
[21]Data from J. Walter Thompson cited in Jonathan Karp, "Medium and Message," Far Eastern Economic Review, 25 February 1993.
[22]Andrew Tanzer, "Citibank Blitzes Asia" Forbes, 6 May 1996.

across national boundaries. This is particularly valuable to multinational corporations (MNCs) that operate in a number of countries in the region. For the first time they had the means of reaching all their potential consumers through a single transaction with an advertising agency in Hong Kong. Regional print advertising became less important. Satellite television advertising provided a means to bypass national advertising regulations and advertise product categories banned on terrestrial television.[23]

Interest in STAR and its growing audiences spurred other programmers to enter this market. CNNI which had declined to joined the STAR bandwagon of free-to-air programming leased transponders on the Indonesian satellite Palapa and provided a subscription-based service. Later, the subscription strategy was dropped in favor of free-to-air. A number of regional providers such as Zee TV (targeting audiences on the Indian subcontinent) and ABN (Asia Business News) were started up. MTV has spawned another music video channel, Channel V which features mostly Asian artists. New players that continued to enter this market included CNBC and Turner's Cartoon Network .

It is not the technology alone that is new and that makes DBS TV an interesting phenomenon, the implications of such a system in Asia are far reaching. For one, such TV has brought multichannel broadcast television to the countries in its footprint. Previously, most of these countries had two or three channels which were often government run. The change has been not only in the amount of programming but also, in the kind of programming available.

From the point of view of the audience the greater content diversity and access to previously restricted programming was STAR's major appeal. The

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[23]Jonathan Karp, "Medium and the Message."

demand for diversity explained the popularity of VCRs in many third world countries where prerecorded tapes made up for the lack of variety in domestic programming. The fact that DBS television did not require a large initial financial outlay, and was, in fact, not very expensive, only added to its appeal.

Traditionally, many third world countries have placed a limit on the amount of foreign programming that they would air. Star TV, as a DBS broadcaster has been able to bypass such restrictions. Underlying the restriction on foreign programming is the concern over cultural or media imperialism and the fact that DBS television does not respect national boundaries. Some of the governments in the region e.g. Singapore and Malaysia tried to restrict satellite television's reach by making the receiving dishes illegal, but this has not been very successful.

As a region, what makes it significant media-wise is the fact that there has been a tremendous growth in satellite delivered foreign television programming, and it is in fact being recognized as the largest market for such programming in the world.[24] Economically, it has a diverse mix of countries that range from the less developed like Bangladesh and Nepal, to the little dragons of East Asia, like Korea and Singapore and Hong Kong. In 1993, Asia (excluding Japan) accounted for six times the total output of the leading industrial nations. Economists predicted that by the year 2050, the region will account for 57 per cent of the world's economy.[25]

The glowing forecasts about economic growth in Asia suffered a set back with the Asian financial crisis that occurred at the end of 1997and continued into the early part of 1998. Asian currencies devalued rapidly while

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[24]Joseph Man Chan, "National Responses and Accessibility to STAR TV in Asia," Journal of Communication 44, no. 3 (1994) : 112-131.

[25]L. Zukerman, "Even at a Slower Pace Asia Will Lead the Pack," Asian Wall Street Journal Weekly, 18 October 1993, 1.

governments and corporations defaulted on their long-term loans. The effect of this crisis on international media was felt by many. Advertising revenues dropped and some media corporations like MGM Gold closed operations in the region.[26] By the end of 1998 however, the economic recovery had begun and by the middle of 1999 prospects for most Asian countries were looking much better.

[26]Owen Hughes, "Licking their wounds," Multichannel News Supplement, December 1998.

CHAPTER 2

LITERATURE REVIEW

The Industrial Organization Model

In our study we use the Industrial Organization paradigm to look at the role of international news channels in Asia. Under this paradigm, market structure, the conduct of firms in this market and their performance are all interrelated. Market structure "describes the characteristics and composition of markets and industries in an economy."[1] It is also concerned with the characteristics of individual markets within the economy. It focuses on the milieu in which particular firms in a market operate and is measured by considering the number of buyers and sellers in the market, the degree of product differentiation and the extent to which firms are diversified or integrated.[2]

Conduct focuses on the behavior or actions of firms in a market, the decisions taken by firms and the way these are taken. Typically, these are decisions about price setting, and advertising budgeting and spending. Performance refers to the output of the firm and is often measured as profits and allocative efficiency. Market structure is determined by the barriers to entry, the conduct of firms is determined by market structure and this in turn influences the performance of these firms.

The industrial organization approach has been used in a number of studies about media industries which examine at the impact of increased competition on the conduct and performance of newspaper and television stations.

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[1]Paul and Glenys Ferguson. Industrial Economics: Issues and Perspectives (1994), 14.
[2]Ibid.

Litman and Bridges theorized that competition among newspapers would lead to better quality newspapers.[3] They introduced the concept of 'financial commitment' as a means of measuring quality, and it was operationalized as the size of the staff, the number of wire services subscribed to and the size of the newshole. They found that competitive papers subscribe to more wire services and have a larger newshole.

Studies of newspaper markets that measured competition as a categorical variable found no difference between the content of monopoly and competitive newspapers.[4] When competition was measured as a matter of degree, differences in content were found.[5] Lacy measured the intensity of competition and found that competition did have an impact on daily newspaper content.[6] Under intense competition, newspapers spend more money to differentiate themselves and to try and remain a substitute for the competition. He found that intensity of competition has a positive relation with both the size of the newshole and the percentage of local news. [7] These results support the contention that competition causes the media outlets — in these cases, newspapers — to differentiate themselves from their competitors.

The broadcasting industry studies focus mainly on the impact of changes in market structure in television markets. Litman looked at the impact of competition on the networks' conduct and performance. [8] He found

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[3]Barry Litman and Janet Bridges, "An Economic Analysis of Daily Newspaper Performance," Newspaper Research Journal 9, no. 26 (1986) : 9-26.

[4]See for example, David Weaver and L. E. Mullins. "Content and Format Characteristics of Competing Daily Newspapers," Journalism Quarterly 52 (1975) : 257-64.

[5]Stephen Lacy, "A Model of Demand for News: Impact of Competition on Newspaper Content," Journalism Quarterly 66 (1989) : 40-48, 128.

[6] Stephen Lacy, "The Effects of Intracity Competition on Daily Newspaper Content," Journalism Quarterly 64 (1987) : 281-90.

[7]Stephen Lacy, "The Impact of Intercity Competition on Daily Newspaper Content," Journalism Quarterly 65 (1988) : 399-406.

[8]Barry Litman, "The Television Networks, Competition and Program Diversity," Journal of Broadcasting 23 (1979) : 393-409.

that both these factors were affected by the increased competition-- seen in the increase in program expenditures and in the increased diversity of programming. Atwater found that editors made a conscious effort to differentiate their newscasts and used soft news to differentiate the local news products of competing stations. [9]

Lacy, Atwater and Qin examined whether the financial commitment theory held in the case of television news.[10] They found that television stations face competitive forces that are similar to those facing newspapers and react in broadly the same way, thus supporting the financial commitment theory. Resources allocated to television news increased with an increase in competition. Stations that were close competitors spent more per newscast than those that were clear market leaders or far behind in the ratings.

Looking at how market structure affects conduct, Wirth and Wollert focus on the impact of the degree of television market competition on prices charged for advertising spots on local news.[11] They found that in markets that were less competitive or, to put it conversely, highly concentrated, news prices were increased. A related finding of interest was that as competition from cable increased, advertising prices were lowered.

Powers also applied the IO model in the context of local television news markets with an emphasis on conduct variables.[12] Intensity of competition and market size were used as measures of market structure; hours of news per day and staff size were used to measure conduct and ratings were taken as a

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[9]Tony Atwater, "Product Differentiation in Local TV News," Journalism Quarterly 61 (1984)

[10]Stephen Lacy, Tony Atwater and Xinmin Qin, "Competition and the Allocation of Resources for Local Television News," The Journal of Media Economics 2, no. 1 (1989) : 3-14.

[11]Michael Wirth and James Wollert, "The Effects of Market Structure on Television News Pricing," Journal of Broadcasting 28 (1984) : 215-24.

[12]Angela Powers, "Competition, Conduct and Ratings in Local Television News: Applying the Industrial Organization Model," The Journal of Media Economics 6, no. 2 (1993) : 37-42.

measure of performance. She found a positive correlation between the intensity of competition and the hours of local news; between the intensity of competition and ratings and between local news hours and ratings. Thus she found that both structure and conduct affected performance and suggested that as competition in the local news market intensifies, stations are more likely to differentiate their product by increasing news time in order to compete effectively. This strategic decision of adding more hours seemed to play an important role in ratings.

Unlike earlier IO studies that primarily emphasized the influence of market structure on performance, recent studies recognize the importance of conduct variables and their impact on performance. Conduct encompasses the behavior of firms and the strategic decisions it takes to deal with market conditions. One aspect of conduct is competitive strategy which is aimed at achieving dominance in a product market or segment.[13]

Since competition is used as a motivating force for much of the discussion of the international new services' conduct, it is useful to examine the nature of competition in such markets. Like other media firms international news channels will face competition for audiences and advertisers. Channels seek to develop audience loyalty by designing a program mix that appeals to the demographic of interest. Audiences' preferences for one channel over another leads advertisers to exert similar preferences. Channels may modify their programming in order to attract more advertisers.

There is an additional submarket in which these channels compete --- the distribution market. "At its most basic level, competition exists when one or more potential buyers consider two or more products to be acceptable

[13]Kevin Coyne, "Sustainable Competitive Advantage - What It Is, What It Isn't," Business Horizons (Jan./Feb. 1986) : 54-61.

substitutes for each other.[14]" With an increasing number of channels to choose from and a limited amount of channel capacity, cable operators may find that one news channel can be substituted by another.

The motivation for having an effective competitive strategy is to gain a competitive advantage in the market in which one is operating. When faced with competition, firms can choose one of three generic approaches to competitive strategy -- overall cost leadership, differentiation or focus.[15] In media industries there is no price competition for audiences. Thus media firms try to differentiate their product from that of their competitors. If a media firm' s audience develops loyalty to this differentiated product, it will serve as a barrier to entry into that market and the firm will find itself insulated from competition.[16] However, differentiating a product has costs attached to it and firms have to trade off these costs against benefits that may follow from differentiation.

Bae examined product differentiation in the case of all-news national cable networks. He found that the three major cable news networks each offered their own characteristic style of programming in order to attract viewers. He concluded that his research "confirmed the theoretical propositions of product differentiation that competing firms will focus on product differentiation as a 'generic competitive strategy.'"[17]

In the case of DBS television, where price leadership is not relevant because of the way the distribution is setup, product differentiation becomes

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[14]Stephen Lacy and Jan. Vermeer. "Theoretical and Practical Considerations in Operationalizing Newspaper and Television News," The Journal of Media Economics 8, no. 1 (1995).
[15]Michael E Porter, Competitive Strategy: Techniques for Analyzing Industries and Competitors (New York: The Free Press,1980).
[16]Ibid.
[17]Hyuhn-Suhck Bae, "Product Differentiation in Cable Programming: The Case of the Cable National All-News Networks," Journal of Media Economics 12, no. 4 (1999) : 265-77.

an important part of a firm's competitive strategy. We examine this in the context of the globalization-standardization debate. Another factor that has been found to confer a competitive advantage on a firm is the order of entry into a market. In the last subsection we examine the advantages that result from market entry timing.

The globalization - standardization debate.

The realization that markets for consumer goods are becoming global has raised the question of product and marketing standardization to meet this global need. The debate over the feasibility of such an approach was set off by Levitt's contention that unlike the multinational corporation that operates in a number of countries and adjusts its products and prices to each one separately, "the global corporation operates with resolute constancy -- at low relative cost -- as if the entire world (or major regions of it) were a single entity; it sells the same things in the same way everywhere."[18]

The driving force behind this standardization is economies of scale. As corporations give up trying to adapt their product to differences in local tastes they can embark on large scale production of standardized goods that cost less to produce and thus results in a lower price for the consumer. The assumption is that consumers will be willing to give up on certain preferences in return for a higher price/quality ratio. Adopting a global strategy to meet this convergence of demand gives a firm a competitive advantage in cost and effectiveness.

The reactions to Levitt's thesis have ranged from complete rejection to qualified acceptance. These qualifications address two dimensions of

[18]Theodore. Levitt, "The Globalization of Markets," Harvard Business Review (May/June 1983).

standardization: standardization of the product itself and standardization of marketing strategies. The latter refers mostly to the marketing program aspect which is concerned with various aspects of the marketing mix. This includes product design and positioning, brand name, packaging, retail prices and type of outlet, advertising, sales promotion, media allocation, the role and management of the sales force and customer service.

Kotler believes that there are few instances where a global standardized product will work and holds that for the most part, there is need to adapt the product to national and regional tastes.[19] He uses the degree of product dissimilarity, buyer dissimilarity and environmental dissimilarity to create a customization index that can be used to determine whether and how much standardization will be effective. He recommends the use of 'psychic distance' to determine how much customization might be needed in another country, concluding that, "Standard products tend to be more successful if introduced into target markets that have the least psychic distance from the source market.'[20]

Sheth and Eshgi suggest looking at the distance between countries (markets) based on differences in the level of economic development, market development, and cultural differences.[21] Strategic decisions have to be made offsetting the advantages of standardized marketing against the need for localized marketing. Where the need for the customization to local tastes is absent and there are high advantages to standardizing, a global strategy is relevant. They still see a role for multinational strategy -- regional marketing by grouping countries physically close to each other -- in situations where the

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[19]Philip Kotler, "Global Standardization: Courting Danger," Journal of Consumer Marketing 3, no.2 (1986) : 13-15.
[20]Ibid, 15.
[21]Jagdish Sheth and Abdolreza Eshgi, (Ed.), Global Marketing Perspectives (Cincinnati: SouthWestern Publishing Co., 1989), Introduction.

need for localized marketing is absent or low but where standardization does not offer any advantages to the business.

Wind points out that a firm faces three broad strategy choices: complete standardization, complete differentiation and mixed strategies that fall along a wide spectrum.[22] He identifies seven specific conditions under which the standardization approach might be appropriate -- homogenization of consumer wants worldwide, willingness on the part of the consumers to sacrifice preferences for low price, economies of scale, preference for a uniform physical product and brand image, the absence of international and external constraints on the firm to standardize and finally, the presence of a positive synergy from multi-country operations. He finds that there are problems with each of these conditions and therefore concludes that standardization is but one of many options available to the firm.

Sheth claims that global competition is being mistaken for global markets.[23] He goes on to point out that "the success of foreign companies doing business in the domestic markets is probably due to factors other than an emerging universality of consumer needs and wants."[24] These factors are access to domestic markets, the increasing degree of international standardization of product quality and the growing number of worldwide mergers, acquisitions and joint ventures. He uses two criteria to determine whether markets are global -- market needs and market resources of money, time and expertise. When both the needs of the host and home market and the resources of the host and home market are highly similar, then markets are truly global.

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[22]Yoram Wind, "The Myth of Globalization," Journal of Consumer Marketing 3, no. 2 (1986) : 23-26.
[23]Jagdish Sheth, "Global Markets or Global competition," Journal of Consumer Marketing 3, no. 2 (1986) : 9-11.
[24]Ibid., 9.

Porter's critique focuses on the marketing aspect of the argument.[25] He agrees with Levitt's thesis that there is a greater homogenization of needs internationally. However, he does not agree that international marketing should be standardized. He emphasizes that marketing strategy should be considered as part of the firm's overall strategy; and believes that in some instances "standardizing marketing can lead to competitive advantages that support the overall global strategy."[26]

He develops the idea of a value chain in the context of a firm's activities. The operations of a firm can be broken down into a series of discrete activities such as the making of sales calls, the design of products or the raising of capital, the performance of each of which creates value. Such activities performed by the firm can be grouped into categories in what he terms the 'value chain'. The way these activities are carried out, and the way the value chain is organized is guided by strategy.[27]

Porter identifies two basic variables of international strategy: configuration and coordination. Configuration refers to decisions about where in the world to perform each of the activities in the value chain. Coordination refers to decisions about how these activities in different countries should be related to each other. The firm has to decide whether to disperse or concentrate activities in a few places and whether to coordinate these activities. A global strategy would mean that the firm tries to benefit either from coordinating or concentrating activities from a global perspective. Marketing should not be standardized but should help other functions of the business gain advantages of scale and learning. Marketing can provide the

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[25]Michael E Porter. "The Strategic Role of International Marketing," Journal of Consumer Marketing 3 no. 2 (1986) : 17-21.
[26]Ibid., 17.
[27]Michael E. Porter. The Competitive Advantage of Nations (New York: The Free Press, 1990), Chapter 2.

information and support to create a universal product, create demand for such a universal product and use segmentation to target the product in each market.

Jain holds that total standardization is not practical and points out that the feasibility of standardizing a marketing program depends on a variety of factors such as target market, market position, nature of the product and the environment. [28] He develops a series of propositions that relate the feasibility of standardization given the presence or absence of a number of factors. He concludes that standardization is practical in markets that are economically alike.

Of the market position factors that Jain identifies, the one most germane to our study is that of market competition . He contends that " the presence of competition may necessitate customization to gain an advantage over rivals by providing a product that ultimately matches local conditions precisely."[29] In the case of CNNI and BBC this would mean that in order to gain an advantage over their rivals, they would have a product that specifically appeals to their audiences. This argues against a standard product.

In a related proposition Jain states that where there is a high degree of similarity in a firm's competitive position in different markets, a higher degree of standardization is feasible. This would imply that if each broadcaster's competitive position in Europe and Asia is the same, then, standardization would work. Jain also recognizes the advantage held by local companies over foreign ones and holds that "competing against the same adversaries, with similar share positions, in different countries leads to greater standardization

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[28] Subhash C. Jain, "Standardization of International Marketing Strategy: Some Research Hypotheses," Journal of Marketing 53 (Jan. 1989) : 70-79.
[29] Ibid., 74.

than competing against purely local companies."[30] Thus, who a firm's competitors are in a given market is important.

Standardization also depends on the nature of the product -- industrial or consumer. Standardization is most feasible for industrial goods, and for consumer durables rather than nondurables because the latter appeal to each society's tastes and customs. This raises the question about the nature of the media product -- international news -- that is of interest to us. According to traditional marketing definitions, mass media falls into the services category. However, a narrower, and more appropriate categorization might be as a cultural product. This makes it similar to consumer nondurables, in that its appeal varies by national taste.

In the case of most goods the physical, legal, political and marketing infrastructure have a bearing on the degree of standardization. Jain contends that "the greater the difference in physical, political and legal environments between home and host countries, the lower the degree of standardization."[31] Since most of the Asian countries differ along these criteria, it would appear that a standardized product might not be the best approach. He also emphasizes the role of the organizational factors, like the parent subsidiary relationship in making a standardized product successful. The more centralized the authority for setting policies and allocating resources the more effective will be the implementation of such a standardized strategy.[32] This would suggest that the way CNNI is organized in terms of the number of bureaus, the location of its production facilities needs to be considered when examining the feasibility of a standardized news product.

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[30] Ibid., 74.
[31] Ibid., 75.
[32] Ibid., 76.

Preferences for national or regional media product

The question that arises out of foregoing discussion is whether standardization works for media corporations as they begin to globalize. From the suppliers perspective, the economies of scale argument has a strong appeal, but from the audience demand perspective, it remains to be seen whether this approach will work. DBS, the technology that has opened up new overseas markets to these media corporations, by its very nature creates regional markets. These regional markets (often spanning half a continent) are composed of a number of countries that differ along economic, cultural and social indicators. How effective, then, will the standardized media product that is delivered via satellite be, given the different qualifications put forth by researchers in the area. In effect, what we are looking at is whether regional markets will work for mass media products, and if they are to do so, under what conditions will that be.

A growing body of communication literature points to the fact that audiences have a preference for national over international product. Offering a counter-argument to media imperialism, Straubhaar proposed that audiences exhibit a preference for "cultural proximity" in their consumption of the product of cultural industries.[33] He held that "...audiences make an active choice to view international or regional or national television programs, a choice that favors the latter two when they are available, based on a search for cultural relevance or proximity."[34] His approach distinguishes itself from media imperialism in recognizing that audiences do not passively accept any programming that is beamed at them, but play an active role in deciding what to watch.

[33]Joseph D Straubhaar, "Beyond Media Imperialism: Asymmetrical Interdependence and Cultural Proximity," Critical Studies in Mass Communication 8 (1991) : 39-59.
[34]Ibid., 39.

In a study of audiences in the Dominican Republic researchers found some interesting patterns -- that audiences expressed a preference for national programming, that there was a market for regional programming and that the US continued to be a major exporter in Latin America.[35] They observed that:

> The Dominican audience shows clearly a second layer of the search for cultural proximity; although audiences, particularly in the middle and popular classes, prefer national material, when they cannot find it in certain genres, they tend to prefer regional Latin American productions, which are relatively more culturally proximate or similar than those produced in the United States.[36]

These findings support Pool's prediction that *ceteris paribus*, audiences will choose their own cultural products whenever they have the opportunity to express such a choice.[37] Tracey also believes that audiences prefer domestic over international media product. He re-examined television flow data and looked at patterns of media consumption in a number of countries.[38] He challenges the proposition that there is American dominance of television programming and asserted that, "...audiences do discriminate, and do tend to prefer home produced television rather than slavishly pursuing imported programming."[39] He found that imported programs do not necessarily attract larger audiences than home-made programs, nor do they come in the way of domestic production of programs.

Evidence from Europe where satellite television has been a presence since the late 80s seems to support this trend. Recent ratings data shows that home-grown programs are overtaking American programs in popularity, as evidenced in Italy where the top five shows are Italian, and in France where

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[35] Joseph D Straubhaar and Gloria M. Viscasillas, "Class, Genre and the Regionalization of Television Programming in the Dominican Republic, "Journal of Communication 41 no. 1 (1991) : 53-69.
[36] Straubhaar, "Beyond Media Imperialism," 55.
[37] Ithiel dela Sola Pool, "The Changing Flow of Television," Journal of Communication 27, no. 2 (1977) : 139-149.
[38] Michael Tracey, "Popular Culture and the Economics of Global Television," Intermedia 16, no. 2 (1988) : 8-25.
[39] Ibid., 19.

the top seven show are local made ones.[40] "... ratings reveal an enormous appetite among viewers for their own stars, plots and characters, [and] local flavor is increasingly the key to success."[41] This is in keeping with a trend that has been observed for the last couple of years.

A similar trend (though perhaps not as pronounced) is evident in Asia as well. A 1992 survey about the share of local programs in the top 20 programs in seven Asian countries found that local programs made up more than 90 per cent of the list in six of these (Hong Kong, Malaysia, the Philippines, Singapore, S. Korea and Thailand)..[42] Indonesia too, despite a multi-lingual viewership, follows this pattern of greater popularity of local programs.[43] In India, Zee-TV, a channel carrying local entertainment programming (in which STAR TV now has a share) has been earning higher ratings for many of its offerings as compared to the foreign programming on STAR. This, despite there being a relatively large English speaking audience, lends support to the cultural proximity argument. According to Hong Kong based media consultant Sara Rechin:

> It is language and culture, in varying degrees that determine what Asian audiences will or will not choose to watch. People basically watch whatever seems closest to their lives and makes the most sense to them in terms of their own culture ...This is particularly the case in Asia.[44]

Most of this evidence concerns entertainment programming. But there is reason to believe that the same holds true for news programming. Hoskins and Mirus have developed the concept of 'cultural discount' to explain the

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[40]John Tagliabul, "European TV's local flavor," New York Times, 14 Oct. 1996.
[41]Ibid.
[42]Georgette Wang, "Satellite Television and the Future of Broadcast Television in Asia-Pacific," Media Asia 20, no. 3 (1993) : 143-148.
[43]A. Sen, "The Impact of American Pop Culture in the Third World," Media Asia 20, no. 4 (1993) : 208-217.
[44]Jonathan Karp, "Do It Our Way, "Far Eastern Economic Review, April 1994, 68-70.

preference for domestic programming.[45] It attempts to capture the loss of value or discount that programmers face when they offer audiences foreign programming. They believe that, "Informative programming is much more culture specific and hence, particularly for news and public affairs programming, subject to such a large discount that little trade takes place."[46]

Hester recognized that international news flow is influenced by a number of factors. His propositions for the determinants of news flows among nations included the hierarchy of nations, the cultural and historical ties between nations and the economic relationships between countries.[47] He hypothesized greater information flows between countries that have a cultural affinity. So also, countries with an active economic relationship would demonstrate a greater flow of information between them than countries that don't have an active economic relationship.

A number of researchers have tried to determine what makes an international event newsworthy. Galtung and Ruge suggested twelve factors that make an event is newsworthy: frequency, threshold, intensity, unambiguity, meaningfulness, consonance, predictability, unexpectedness, continuity, composition, relevance to elite nations, people, persons or something negative.[48]

Chang, Shoemaker and Bredlinger used a context-oriented approach rather than an event-oriented approach in determining what makes a world event newsworthy to the US media. [49] They made the assumption that

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[45]C. Hoskins and R. Mirus, "Reasons for the US Dominance of the International Trade in Television Programmes," Media Culture and Society 10 (1988) : 499-515.
[46]Ibid., 500-501.
[47]Al Hester, "Theoretical Considerations in Predicting Volume and Direction of International Information Flow," Gazette 19, no. 4 (1973) : 239-247.
[48]J. Galtung and M. H. Ruge, "The Structure of Foreign News," Journal of Peace Research 2 (1965) : 64:91.
[49]Tsan-Kuo Chang, Pamela Shoemaker and Nancy Bredlinger, "Determinants of International News Coverage in the Media," Communication Research 14, no. 4 (

"media coverage, regardless of the content per se, is a dependent variable that can be predicted by certain independent variables external to the media. Their results showed that the normative deviance of an event, its relevance to the US, potential for social change and geographical distance distinguish those events that are covered. Another study, that used the context-oriented approach, found that the most news coverage was given to world events that were deviant *and* that were of economic and political significance to the US.[50]

Extending these criteria of newsworthiness to other countries it seems reasonable to expect the same to hold true. That is, the newsworthiness of world events is a function of its normative deviance and its political and economic significance to that country.

An early study by Gerbner and Marvanyi indirectly supports this assumption by illustrating the differential relevance of news for different regions.[51] Their multinational analysis of foreign news coverage found that the different regions of the world are represented differentially by press systems around the world. If we assume that reporters report news that their audience is interested in, then their findings suggest that audiences in different regions do not have an equal interest in all other parts of the world. Foreign coverage of US newspapers, for example, focused on events in western Europe, South Asia and the Far East, north America and the middle east. The war in Vietnam gave that region a prominence that was much greater than the coverage of China and Africa combined. The third world newspapers gave much greater importance to news in the Soviet Union than did any other press

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1987) : 396-414.

[50]Pamela Shoemaker, Lucig Danielian and Nancy Bredlinger, "Deviant Acts, Risky Business and US. Interests: The News-worthiness of World Events," Journalism Quarterly 68, no. 4 (1991) : 781-95.

[51]George Gerbner and George Marvanyi, "The Many Worlds of the World's Press," in George Gerbner and Marsha Siefert (ed.) World Communication: A Handbook (New York: Longman, 1984).

system. Next in importance were South Asia and the Far east, with western Europe, North America and Latin America following in that order.

A similar study, encompassing data on news coverage from 29 media systems, reported the 'prominence of regionalism' as a major overall finding.[52]

> "Every national system devoted most attention to events happening within and to actors belonging to its immediate geographical region. Thus Nigeria was most concerned about African affairs and African actors, Argentina featured Latin American news most prominently, and so on."[53]

These quantitative findings are supported by findings from similar studies that preceded it: regional news dominates the news in media of all countries.[54] Similar results were also found in a 1991 study conducted by the International Institute of Communication. Audiences are not interested in global new per se, but in news that focuses on their region.[55]

Apart from geographical proximity, cultural affinity has also been found to be an important determinant of the interest in and the flow of international news.[56] In a study of Canadian newspapers, Karien and Rosenvall found a significant relationship between cultural affinity and the volume of news about the country with which a cultural affinity exists.[57] French-language newspapers were found to carry more news from French culture countries while English-language papers favored news from the United Kingdom. Factors like population size, volume of trade, GNP and eliteness or the relative

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[52]Annabelle Sreberny-Mohammadi, "The 'World of the News," Journal of Communication:, (Winter 1984) : 121-134.
[53]Ibid.
[54]Ibid.. Sreberny-Mohammadi examined findings from ten separate empirical studies that comprised data from 42 countries, including the study by Gerbner and Marvanyi cited earlier.
[55]Cited in Richard Parker, Mixed Signals: The Prospects for Global Television News, (New York: Twentieth Century Press, 1995).
[56]Herbert G. Kariel and Lynn A. Rosenvall, "Factors Influencing International News Flow," Journalism Quarterly 61 (1984) : 509-516.
[57]Herbert G. Kariel and Lynn A. Rosenvall, "Cultural Affinity Displayed in Canadian Daily Newspapers," Journalism Quarterly 60 (1983) : 431-36.

standing of nations in the eyes of others have been found to influence news choice.

These studies emphasize the regional dimension of news and point out the importance of political and economic ties with the country where the news originated. In the context of satellite news networks in Asia, this might translate into an affinity for news that is about countries with which strong historical, cultural or economic ties exist. Anecdotal evidence suggests that there is a preference for a news provider from a country with which there are strong economic and historical ties. A number of Asian countries like India and Pakistan are former British colonies, other Asian countries like Korea and the Philippines have strong ties to US. CNNI is perceived as an American news channel and can be expected to attract larger audiences in countries with ties to the US; BBC is seen at a British news channel and can be expected to have a greater appeal in its former colonies.

First mover advantage

Like product differentiation, another factor that can confer a competitive advantage is market entry timing. The first mover advantage is the ability of a pioneering firm to earn positive economic profits i.e. profits that are in excess of the cost of capital.[58] Firms that are first to enter the market for a specific product or service are believed to gain a competitive advantage over their rivals. These advantages are thought to be the result of the competitive head start that the first entrant has and results in a dominant market position that is enduring. The first mover enjoys scale and learning advantages. There is believed to be a causal connection between the order of entry and market

[58]Marvin Lieberman, and David B Montgomery, "First Mover Advantages," Strategic Management Journal 9 (1988) : 41-58.

share, the earlier a firm enters a market, the higher will be its market share.[59] A number of empirical studies have tried and often succeeded in documenting this effect and different theoretical explanations have been put forward to explain this effect.

Kerrin et. al. group the theoretical explanations into two broad perspectives -- economic and behavioral.[60] Economists see first mover advantages accruing because of barriers to entry faced by the later entrant. These include scale effects, experience effects, asymmetric information about product quality, differences in the marginal effects of advertising between first and later entrants, reputational effects, buyer switching costs, technological leadership and preemption of scarce resources. One of the most significant behavioral factors that confer an advantage on a first mover is its ability to preempt the perceptual space. Since consumers know little about a new product, the first entrant's product influences their perceptions about what that product should be like. The first mover may be able to determine what attributes are valued, what product characteristics are perceived as ideal and use this to their benefit over competitors who enter the market after them. The first mover may even be able to define the product category as a whole, and thus become the "prototype" against which all later entrants are judged.[61]

First movers often face less resistance from consumers and are able to attract early adopters, leaving later entrants with those customers less interested in the product. Since they are first in the market, there is a high degree of awareness about their product, which leads to high levels of product

[59]Roger A Kerrin, P Rajan Varadarajan and Robert A Peterson, "First mover advantage: A Synthesis, Conceptual Framework and Research Propositions," Journal of Marketing 56 (Oct. 1992) : 33-52.
[60]Ibid., 34.
[61]Frank Alpert , "Product Categories, Product Hierarchy and Pioneership: A Consumer Behavior Explanation for Pioneer Brand Advantage," in Susan P. Douglas, et. al., (ed) AMA Educator's Proceedings (1987) : 133-38.

trial. If the consumption experience is positive, it results in repurchase and a disinclination to switch brands even after more choices are available in the market.

While the behavioral aspect of first mover advantages provides useful insights it has been criticized for the assumptions it makes. Proponents of this approach believe explicitly or implicitly that the first entrant's product is of a high quality, and that the first mover chooses the correct positioning and follows the right competitive strategy. The follower is believed to have a me-too brand. But later entrants could be able to position their brands better by learning from the mistakes of the first entrant.[62] Even when the first entrant has correctly positioned its product, the later entrant can achieve a competitive advantage by creating its own distinct position and influence rather than respond to consumer preferences.[63]

A number of factors have been found to moderate the first mover advantage. We discuss those that are relevant to our study -- an important one being the Minimum Efficient Scale (MES). A firm can benefit from economies of scale when the cost per unit of production drops as more of a good is produced. The minimum efficient scale is the scale at which production needs to be carried out in order to be able to obtain the lowest possible cost per unit. The scale dependent cost advantages that can accrue to the first mover are moderated by the ratio of the Minimum Efficient Scale to the size of the market. A large MES becomes a barrier to entry. The ratio of the MES to the size of the market indicates how many players the market can support. The lower this ratio, the smaller the first mover's cost advantage.

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[62]John R Hauser and Steven M. Shugan, "Defensive Marketing Strategies, "Marketing Science 29 (1983) : 319-60.
[63].Gregory S. Carpenter and Kent Nakamoto, "Consumer Preference Formation and Pioneering Advantage, "Journal of Marketing Research 26 (1989) : 285-98.

Marketing cost asymmetries arise because the first entrant's messages are heard in isolation. But all else being equal, the first mover's ability to achieve cost advantages due to this are less in advertising-intensive rather than non-intensive industries. The longer the response time, i.e. the time between the first and second entrant's entry into the market, the more opportunities the first mover has to achieve cost and differentiation advantages.[64] The shorter the response time the less opportunities the first mover has to develop experience-based and scale dependent cost advantages, cost advantage due to marketing cost asymmetries and differentiation advantage due to information and consumption experience asymmetries.

Another factor that moderates the first entrant's advantage is the existence of scope economies in the case of other entrants in the market. Scope economies arise when firm is a multi-business unit and features from one of these business can benefit another related business. For example, the BBC has been in the business of international radio broadcasting, the BBC world service is heard around the world. This may confer economies of scope on it when it enters the satellite television arena as a provider of international news. CNNI, too, has been an international broadcaster for about ten years and is part of a media corporation that owns a number of other channels like the Cartoon network etc. We need to ascertain which company is better positioned to benefit from economies of scope. If the BBC can reap economies of scope then CNNI's first entrant advantages will be diminished.

Of the factors that moderate the advantages arising from behavioral factors, the nature of the good is a significant one . Researchers have categorized products into experience and search goods. Experience goods are those goods whose benefits can be determined by a buyer only after purchasing

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[64]Kerrin, Varadarajan and Peterson, "First Mover Advantage," 44.

and using such goods. Search goods are those whose qualities can be evaluated before use. Buyer uncertainty has been found to be greater in the case of experience goods. The first mover advantage stemming from product consumption asymmetry is less the more predominant the search characteristics of the good. Consumption experience asymmetries arise because consumers have more consumption experience with the pioneer's product than with the late entrant's offerings. If buyers are satisfied with the first brand and have imperfect information about the competitor's product, they are likely to remain loyal to the first brand they encounter that is satisfactory.[65]

Finally, the lower the search and evaluation costs and the cost of making a purchase mistake, the smaller the first mover differentiation advantage due to non-contractual switching. Non-contractual switching costs are those associated with the investment in cospecialized assets in order to use the new product.

Another factor moderating the first mover's advantage is the rate of market evolution. As the market for the good in question undergoes changes in terms of the number of competitors, consumer preferences, introduction of newer technologies of production and distribution, information and consumption information asymmetries get diluted and lessen the first mover's competitive advantage. Thus, Kerrin et. al. propose that there is a negative relationship between the rate of market evolution and the endurance of first mover's cost and differentiation advantages.[66] The composition of the DBS television market in Asia is already changing. As more players enter, some of

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[65]Ibid, 43.
[66] Ibid.

whom might be regional, the competitive advantage (if any) that stems from market entry timing can be expected to diminish.

Some firms deliberately choose to enter a market later rather than earlier and use the performance of the pioneer as a basis for determining whether the market is a viable one. Yet the later entrant's levels of performance can be comparable or even superior to those of the market pioneer.[67] Even when it is not pursued as a deliberate strategy there are some advantages that the second mover or later entrant enjoys, and these mitigate the competitive advantage of being first in the market. The later entrant can achieve cost and differentiation advantages that are a result of lower imitation costs, free rider effects, scope economies and lessons learnt from the first entrant's mistakes.[68]

The later entrant can save on pioneering costs such as educating potential buyers. The later entrant can free-ride on the first mover's entry costs when they save on some of the costs of product and market development. One way that the later entrant can gain a strategic advantage is by influencing and shaping consumer preferences.[69] It can do this by changing the products design and characteristics or its positioning.[70] The later entrant, with the benefit of hindsight can also gain just by doing things differently, such as altering the configuration of value chain activities involved in designing, producing, marketing, delivering and supporting a product.

Even when the first entrant has a competitive advantage, there is the question of whether this competitive advantage sustainable. Coyne sets out

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[67]Jeffrey Conant, Michael P Mokwa and P Rajan Varadarajan, "Strategic Types, Distinctive Marketing Competencies and Organizational Performance: A Multiple Measure Based Study," Strategic Management Journal 11(1990) : 365-83.
[68]Lieberman and Montgomery, "First Mover Advantage."
[69]Carpenter and Nakamoto, "Consumer Preference Formation."
[70]Hauser and Shugan, "Defensive Marketing Strategies."

three conditions that are necessary for a sustainable competitive advantage.[71] First "customers should perceive a consistent difference in important attributes between the producer's product or service and those of his competitors."[72] Second, this difference should be the result of a gap in the capability of the producer and his competitors and both these factors should endure over time. Finally, the product must be differentiated enough to win the loyalty of a significant set of buyers.

Only a few basic criteria serve as a basis for a meaningful competitive advantage. The difference in product and delivery attributes refers not only to elements such as price, quality, aesthetics and functionality, but also to broader attributes like availability, consumer awareness, visibility and after-sales service. But this is not enough to ensure that such an advantage once achieved, will endure. "An advantage is durable only if competitors cannot readily imitate the producer's superior product and delivery attributes. ...a gap in the *capability* underlying the differentiation must separate the producer from his competitors; otherwise no meaningful competition exists."[73] If competitors or potential competitors can take steps to close the capability gap, then the initial advantage is not sustainable. The question in the context of CNNI is what would it take to obtain a sustainable competitive advantage.

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[71]Kevin Coyne, "Sustainable Competitive Advantage."
[72] Ibid, 55.
[73] Ibid, 57.

CHAPTER 3

RESEARCH QUESTIONS AND METHODOLOGY

We look at the case of international news providers in Asia from the perspective of competitive strategy which is geared toward gaining a competitive advantage in a given market. Following the industrial organization approach, we will determine how the elements of structure, conduct and performance work to influence the competitive strategy of international news channels. We will identify variables that operationalize these elements and examine the changes that took place in each of these over the period of our study, 1991-98.

The application of the Industrial Organization (IO) theory needs to be adapted to the specific circumstances of the industry being studied in order to get insights that might not otherwise be obtained.[1] Much of the application of the IO theory has been concerned with competition in the newspaper industry and in the area of local television news with an overall focus on domestic markets. Few studies have used this perspective to look at international television markets. In our analysis, we identify factors that are relevant in the case of an international news provider and incorporate these into our discussion.

A number of media studies reviewed earlier have found that competition or the degree of competition affects the conduct and performance of media corporations. Over the period of our study, the number of international news providers in Asia has increased. We expect that both CNNI 's and BBC's conduct and performance will be affected by the growing competition in that region.

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[1] Michael O. Wirth and Harry Bloch, "Industrial Organization Theory and Media Industry Analysis," The Journal of Media Economics 8, no. 2 (1995).

R1: What impact will increased competition have on CNNI's and BBC's conduct in Asia.

Criticism of the industrial organization approach has focused on the fact that this is a static model, and that the market structure is not necessarily an exogenous variable but often influenced by conduct.[2] Our study looks at a seven year period during which we look at how the performance in the first time period (t_1) affects conduct in the next time period (t_2). We also recognize the dynamic relationship between conduct and structure variables and look at how conduct in t2 may have an impact on changes in structure in t_3.

One aspect of conduct in a market is the strategic alliances a company enters into. Differing levels of home government regulations and restrictions on the global corporation are one reason why it is difficult to offer a standard product across countries. Strategic alliances with government and important distributors such as cable operators are therefore an important factor affecting the competitive position of news providers. We look at the strategic alliances that each broadcaster has made in the region and try and evaluate their role in giving CNNI a competitive advantage .

Our review of the literature reveals that standardization of a product is seen as a way to achieve efficiency in international operations by benefiting from economies of scale. However, such a standardization policy does not gain unqualified acceptance from most researchers. The common thread that emerges is that in markets that differ in their levels of development, standardization of products is not feasible. The distance from the source country -- psychic, economic and cultural also moderates the success of a standardized product.

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[2]Paul R Ferguson and Glenys J Ferguson, Industrial Economics: Issues and Perspectives, (1994).

We have seen that the Asian countries that lie within a satellite footprint, differ widely in terms of their levels of economic development. There are also cultural and linguistic differences between them. The method of distribution for the satellite signal being largely through SMATV, the price to the viewer is determined by the operator of such a system. What this means for the international broadcaster, is that the main way to compete would be through product differentiation.[3] This is a way to build viewer loyalty. But while product differentiation is desirable, it is also important that the product be seen as a substitute for competitor's offerings.

The communication literature reviewed indicates that audiences prefer media product that is culturally relevant and that in the case of news, this is manifested as preference for stories about one's region. We expect, therefore, that the news provider with more regional news stories and programs will have a competitive advantage. From this it follows that if a news channel offers a standardized product to audiences in the Asian market, it will not be as successful as they would with a product that is tailored to regional or national tastes and needs.

R2: How will change in competition influence the amount of product differentiation by international news providers?

Audience preferences regarding news have also been linked to political and trade ties of the home countries. We argue that such preferences would be extended to news providers from former colonizing countries, or countries with which there are strong economic or political ties. Two of the major news providers, CNNI and CNBC are strongly associated with the US, while BBC World is a British corporation. Of the countries in their Asian footprint, some

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[3]Michael E. Porter, "The Changing Patterns of International Competition," California Management Review 28, no. 2 (1986) : 9-40.

have historic ties to the United Kingdom others to the US. This could affect audience preferences for CNBC and CNNI over BBC World in different countries.

R3: Will CNNI's and CNBC's appeal in certain Asian countries and BBC's in others be linked to the US' and the UK's ties with those countries.

As regards market entry timing and the advantage of the first mover, the literature shows that a number of factors moderate this effect. We will try and determine whether the first mover did gain an advantage and examine which of the factors identified in the literature moderated this effect. Also, the advantages if any, to later entrants in the market will be considered.

R4: Is market entry timing an important factor in conferring a competitive advantage?

I hope that this case study of international news providers in Asia will provide some answers to questions that arise as the internationalization of television continues. Will the audiences interests for programming that is relevant to them be served or will these be sacrificed in the interests of lower costs of production. What can media corporations entering a new market do in order to gain a competitive advantage? And once gained, is such a competitive advantage sustainable?

Methodology

We will use the case study method to try and answer the questions raised. The choice of a case study method allows us to gather data from multiple sources in order to capture the complex factors that are at work in this market. Our case study will cover a seven-year period from 1991 (when CNNI had just entered the Asian market) to December 1998. This will allow us to look at changes in strategy that might have been implemented and link them to changes in market structure and performance.

Since competition in the marketplace has been found to be critical to both product standardization and first entrant advantages, we will also look at the other competitors in the area of news and information. Initially, the only competition was from BBC World Service, but by 1995 Asia Business News(ABN) and CNBC also became players in this market. Based on the literature and the research questions developed in the previous section, we will attempt to test the following hypotheses. The first research question about the impact of competition on conduct leads to the first two hypotheses. The next three hypotheses correspond to the next three research questions.

H1: As competition increases, international news providers will increase their financial commitment to news in Asia.

H2: The player that increases its strategic alliances with distributors and governments will increase its reach in those markets.

H3 As competition increases international news providers will increase their product differentiation as seen by greater regional interest programs.

H4: An international news channel will be market leader in those Asian countries with which its home country has cultural/historic links.

H5: Although the first entrant in the Asian market, CNNI will not retain its first mover advantage in every country in the Asian market.

Competition, a market structure variable will include the number of international news providers in the Asian market. Ideally, intensity of competition would be a suitable way to measure changes in competition. However, there is some uncertainty as to whether ratings data is available. Another possible to approach would be to look at the threshold of competition.[4]

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[4]Stephen Lacy and Jan Vermeer, "Theoretical and Practical Considerations in Operationalizing Newspaper and Television News Competition," The Journal of Media Economics 8, no.1 (1995): 49-61.

The point at which another firm is seen as a threat that requires a response is the threshold of competition. We expect such a reaction to be in the form of an increased financial commitment to news and/or product differentiation.

We follow the financial commitment approach as a means to measure conduct. The variables that provide a measure of conduct are the number of bureaus and the number of reporters in Asia, operating agreements and programming expenditures. The availability of data on the last variable, programming expenditures, is uncertain.

Strategic alliances, which include any agreements made with either country governments, domestic broadcasters or cable operators will also be taken as a measure of conduct. Reach, a performance indicator will be measured by ratings in an individual market. Advertising rates for each news channel are another conduct variable that will be used. These can serve as indicators of competitive strategy.

Similarly, product differentiation is another conduct indicator. The research reviewed indicates that audiences have a preference for media product that is culturally and geographically proximate. Therefore it seems reasonable to expect that rather than diversity, regional content would be desirable.

Product differentiation can take different forms that focus on content or presentation or both. Product differentiation by content refers to programming that is relevant to the region because of the subject matter. This may be enhanced by using on-air talent that is local. The presentation aspect of product differentiation refers to the language of the program. Broadcasters may decide to customize for the region or subregion by broadcasting in the local language. This could be done in one of two ways -- subtitling or versioning.

Market leadership which is a dimension of market performance will be measured by audience ratings, advertising revenues, profits. Cultural and economic ties will be operationalized as follows: whether a country is was an ally of the US or UK whether there are US army bases, and whether there are strong trade ties with the US. Countries that were part of the British Empire will be classified as having ties with the UK. The first mover advantage will be operationalized as being a market leader.

CHAPTER 4

THE PLAYERS AND THE ASIAN MARKET

This chapter begins with a chronological outline of relevant events and developments in the region., starting in 1989. This is followed by a brief profile of the four international broadcasters in the news area, CNNI, BBC World, ABN and CNBC and the most recent entrant, Bloomberg Business Television. Although ABN and CNBC were business news channels they were still seen as competitors by the general news channels, who over time, increased the business content of their news. Likewise, the business news channels saw CNNI and BBC World as competitors and have tried to broaden the focus of their channel beyond purely business-related topics.

In the second half of this chapter I outline conditions in five Asian countries -- China, Hong Kong, India, Singapore and Taiwan -- that have been considered important markets in the region.

A CHRONOLOGY OF EVENTS IN ASIA

1989: CNNI gets carriage on the Palapa satellite and is available in Asia in hotels

1990: Gulf war breaks out and CNNI gets an increased viewership

1991: BBC World Service Television is launched in Asia. Distribution is on the STAR

TV platform.

1993: ABN is launched in Asia by Dow Jones and TCI.

Rupert Murdoch buys a majority share in STAR TV

1994: Murdoch drops BBC from STAR's northern beam to appease Chinese government, temporarily ending BBC's reach in China and northeast Asia.

1995: CNBC Asia is launched by NBC

ABN launches an Indian feed called ABNi.

1996: CNBC launches an Indian feed.

BBC World is once again available to cable operators all over Asia.

1997: CNNI divides its feed into four and launches a three year regionalization program.

1998: ABN and CNBC combine to form CNBC Asia.

Bloomberg Television expands operations in Asia.

The BBC sets up airtime sales offices in India and Singapore and Hong Kong.

1999 Television Corporation of Singapore starts a regional news channel for Asia, Channel NewsAsia.

THE PLAYERS.

CNN International (CNNI)

The internationalization of CNN has been characterized as part of Ted Turner's plans to become a world player, and came out of his understanding "that the international news market was limited to only major news organizations." In order to be successful it he believed that it would be necessary to penetrate all world markets.[1]

The beginnings of CNN International go back to 1985 when CNN began broadcasting to Europe and was renamed CNNI. In 1987, CNNI became available to cable households in Britain. A year later a Latin American feed was launched. By 1989, CNNI was available in Japan and most of China. At this time both the direct-to-home (DTH) and cable markets in most of Asia were almost non-existent and CNNI's signal was viewed mainly in hotel rooms and foreign compounds. The Gulf War and CNN's coverage of it drew growing audiences. Enterprising cable operators put up dishes to pick up the CNNI signal and delivered it into individual homes.

In 1991, BBC's WSTV became available in the region as part of STAR TV's platform of channels. CNNI had been offered the opportunity to be part of the STAR service, which was free to air. CNNI refused, claiming it wanted subscription revenues. Soon after, CNNI secured a transponder on the Palapa satellite and actively began to market itself to the newly emerging cable industry in the region.

CNNI planned to add three additional half-hour World News slots in its Asia Pacific prime time and to boost its business coverage. It also announced

[1]Lewis Friedland, Covering the World: International Television Services (The Brookings Institute, 1992), 19.

plans to increase its general news coverage in Asia by opening a bureau in New Delhi, and one in Bangkok the following year.[2]

BBC World

The BBC's decision to go international was motivated by two factors. One was a concern that in order to retain its international status it needed to expand into television.[3] Second, as the BBC entered the 90s, its mission and the rationale for a license fee faced increasing questions in an age of broadcasting plenty. In its 1992 discussion document Extending Choice, which supported its license, the BBC set out its objectives for the changed broadcasting environment of the 90s. The development of World Service TV (BBC Worldwide) was one of the four roles emphasized. BBC World Service Television (WSTV) was formed in 1991. The main point of its operations was to generate funds which are returned to the BBC to supplement their license fees.

The 24-hour all news channel was initially launched in Europe. In September 1991, BBC WSTV began daily, two-hour broadcasts to Asia. BBC World Service Television's 24- hour broadcasts began on November 15, 1991, transmitted on AsiaSat 1 as part of STAR TV's bouquet of channels. Chris Irwin, chief executive of BBC WSTV, called Asia the "launchpad for our news and information channel which will soon span the globe.[4] In 1992, WSTV obtained carriage on the South African M-Net satellite which gave it coverage in Africa.

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[2]"BBC to launch world service television." The Xinhua General Overseas News Service, 16 December 1990.
[3]"Ibid.
[4]Oh Kwee Ngor, "BBC to begin 24-hour broadcasts in Asia," The Nikkei Weekly, 16 November 1991.

The channel was funded by advertising rather than by subscription. Anyone with a dish could receive the service. Unlike the parent BBC, WSTV was not supported directly by a license fee nor was it subsidized by its parent corporation. It received no direct funding from its parent corporation, the BBC or the British government.[5] It had to pay for BBC programs that it aired. Therefore, it looked to commercial partners. It was expected to pay its own way through joint ventures, subscription fees and advertising. Joint ventures were central to the BBC's international expansion strategy, since the joint venture partners were to cover the cost of expansion in new markets.[6] As part of its global expansion, BBC Worldwide entered into a global alliance deal with UK media conglomerate, Pearson, owner of the Financial Times and Thames Television. The alliance would help BBC World distribute its satellite channels globally. This partnership was terminated in 1998.

Friedland identifies another factor that stimulated the BBC to set up an international news channel. CNN's coverage of the Gulf war and Tiannenmen Square had demonstrated how an international network was able to attract viewers and gain visibility. According to Christopher Irwin, then head of WST, this was the first time in international television that there would be an alternative to the world view presented by CNNI.[7] The strength of BBC WSTV would come from its in-depth analysis rather than spot news. Its expansion into Asia was part of a global strategy to become a force to reckon with in international news.

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[5]Richard Parker, "The Future of Global Television News," Research Paper R-13, Joan Shorenstein Center, Harvard University (1994).
[6]Friedland, Covering the World.
[7]Pascal Privat, "The BBC's New Baby: Challenging CNN in All-News TV," Newsweek, 28 October 1991.

In 1994 there was a restructuring of BBC's global operations. WSTV became a part of BBC International Television, and the all-news channel was renamed BBC World.

Asia Business News (ABN)

Asia Business News was launched in December 1993 with the aim of becoming the first truly pan-Asian news broadcaster. The shareholders of the company were TCI, Dow Jones and New Zealand Telecom each with a 29.9% share. The remaining 10.3% was owned by the Singapore government and groups associated with it.[8] Although US corporations had a majority ownership in ABN, it was the most Asian. Of all the international news broadcasters in the region, -- it emphasized that it was an outgrowth of the region. The objective was to provide business news in Asia for Asians by Asians.[9] Its journalists and anchors were from Asia and the channel promoted itself as a home grown enterprise in contrast to being a foreign news broadcaster. The channel hoped to capitalize on the tremendous economic growth in Asian countries , "the expansion of trade and investment and the demand for more and faster business news" by executives.[10] It identified a market need for an all-business news channel and looked to develop programming to meet this need.

ABN set up a recording studio and a bureau in Hong Kong but chose Singapore for its headquarters-- a decision partly driven by the lower cost of office space as compared to Hong Kong. Also, Singapore offered easy access to other Asian cities.

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[8] South China Morning Post, 14 April 1994.

[9] Edward Gargan, "The media business: Home-grown business news in Asia," New York Times, 5 September 1994, sec 1, p. 35.

[10] Ibid.

CNBC

At the beginning of the 90s NBC began to consider global operations for its networks. Europe and Asia were the two regions on which these globalization efforts focused. CNBC Asia began with preview transmissions in November 1994. At that point it was called ANBC. The channel asobroadcast a seven-hour daily European and US business news service on Wharf Cable in Hong Kong.

In early 1995, NBC underwent a restructuring. As part of the changes that followed, two separate channels were created for the Asian market. One was a general entertainment channel, NBC Asia, the other was a 24-hour business news channel, CNBC.[11]

NBC had reserved two transponders on the satellite Apstar2 which was to be operational in January 1995. The launch failure of the satellite left NBC scrambling for alternatives. Initially, CNBC was distributed only as an overnight service on the Indonesia focused Palapa-B2P satellite.[12] NBC announced that CNBC Asia would be fully operational by June that year.

Speaking of competitors, Robert Wilson, director of marketing and network development NBC Asia said, "We consider them [ABN] our direct competition in a particular area, although in some respects I guess we are competing with the likes of CNNI or even the financial news section of the broadcast channels. The plans were to ultimately provide 12.5 hours of original Asian programming".[13] Its programming was broken down into 8-hour segments covering Asia, Europe and North America[14]

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[11] Asia Pacific Television: Channels (Thousand Oaks, CA: Baskerville Communications Corporation, 1995).

[12] "The peacock spreads its wings over Asia, but profits are still on the horizon," ASIAcom, . 17 September 1996.

[13] "CNBC Launches in Asia," Cable World, 6 June 1995.

[14] "Global Media: TV News Wars Wage in Europe, Asia," Advertising Age International Supplement, 16 January 1995.

The channel set up a production facility in Hong Kong which was to become the base for its operations. Regional offices were opened in Tokyo, Singapore and other financial centers. CNBC estimated that it would need a subscriber base of 25 million to break-even. By the end of its first year, it expected to have 5 million subscribers.[15]

<u>The ABN -CNBC merger</u>

From the time it entered the Asian market in June '95, CNBC found itself in direct competition with ABN. Industry observers had been unsure whether the market was large enough to support two similar services. In December '97, after almost two and a half years of intense and sometimes bitter rivalry, ABN and CNBC announced that they would be merging into a new channel. Neither channel had successfully defined its role and media observers were unclear whether the target audience was the Asian small investor, the stock analysts or the general viewer with a taste for business news. While the companies emphasized the synergies of distribution and content, the main benefit of the merger was a substantial reduction in both costs and competition for the same advertisers and audiences.

The new joint venture named CNBC, was co-owned and managed by both companies. Dow Jones partner TCI remained a minority shareholder in the newly-merged channel. The deal gave CNBC the right to Dow Jones' editorial material, reporters, resources and content, in return for a license fee.[16] The objective of the merger was to cut losses and share the costs of increasing their global operations.[17] As part of the cost controlling CNBC laid off 150

[15] Ibid.

[16] "Dow Jones, GE's NBC agree on plan to consolidate TV channels overseas," <u>Wall Street Journal</u>, 9 December 1997, p. B6.

[17] "Dow Jones and NBC in TV pact abroad," <u>New York Times</u>, 11 December 1997, sec. C, p. 4.

employees in Hong Kong and the offices were moved to Singapore. The merger forced NBC terminate its 12-year lease with the satellite company PSN for a transponder on Palapa C-1 at a cost of $16.3million

The merger also resulted in new alliances with program providers. In Bombay, India, CNBC's Indian partner IGE was dropped in favor of TV18. TV18, a leading production house was made responsible for production, marketing and advertising sales in India. Distribution would continue through STAR TV. TV-18 had been ABN's equity partner in their Indian news channel, ABNi, and produced daily India-based shows for ABN. In Sept. '97 TV18 also took on marketing and advertising responsibilities.[18]

The new channel CNBC Asia was launched in Feb. '98. It reached between 9 and 10 million households on a 24-basis, an additional 50 million homes were reached part of the day.[19] Within three months of the merger, the newly formed CNBC Asia claimed to have increased distribution to more than 12 million households (compared to 10 million in Feb.), as a result of combining patchy distribution of the two original channels, ABN and CNBC. ABN had not been carried by Wharf Cable, while CNBC did not have carriage on Singapore cable. Combining forces led to a more comprehensive distribution. Market growth in India, Malaysia, the Philippines and Taiwan was a factor in this increase. The newly formed channel reached 5.5 households in India and 1.9 million households in Taiwan according to Peoplemeter.[20]

Programming changes.

Post merger CNBC Asia continued to recognize the importance of local programming. It reiterated its regional commitment through the production of

[18] "CNBC/ABN merger causes fall-out," Cable and Satellite Express, 29 January.1998.
[19] "Cable Able," Hollywood Reporter, 2 February 1998, p. 3.
[20] "CNBC Asia, CNNI come to blows on distribution," South China Morning Post, 27 May 1998, p 6.

new programs. In a move that appeared to counteract this approach CNBC began carrying seven hours of live programming from CNBC's US feed for overnight viewers in Asia.[21] CNBC's director Chris Graves claimed that this was being done in response to viewers' demands, despite a substantial cost to the network. In June 1998, NBC decided that its Asia feed would consist of CNBC news programming in the morning and National Geographic the rest of the day.[22] In November of that year the CNBC ticker was upgraded to include information from nine markets instead of five. These were Hong Kong, Singapore, Tokyo, Kuala Lumpur, Manila, Bangkok, Jakarta, Sydney and Wellington.

The merger seems to have led to improved programming. The new service was described as "timely, topical, faster than before. It is more visually appealing than ABN used to be and less frenetic than the old CNBC....There's enough world news to fill viewers in on important international issues and a healthy respect for regional news."[23]

Bloomberg Television

The latest all- news channel to enter the Asian market is Bloomberg Television. Bloomberg had established itself as a business information company that provided news and finance terminals, in the 80s. By 1998, Bloomberg Television had been established with terrestrial redistribution, cable carriage and direct-to- home distribution deals in many Asian countries. By mid-1999, two separate services, one in English and the other in Japanese

[21] South China Morning Post, 4 March 1998.
[22] "An Evolving Media Animal," Multichannel Media News International Supplement, June 1998, p.9.
[23] Janine Stein, "CNBC'n," Cable and Satellite Asia, March/April, 1998, p. 15.

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were available. The channel claimed access to 1 million households in Asia, with part-time penetration at approximately 65 million households[24].

Programming on Bloomberg Television includes, but is not limited to, news, business and finance, sports and weather. Bloomberg's emphasis is on more news and information and less commentary by studio experts. It offers 12 hours of Asia-Pacific programming every weekday. This includes Bloomberg Malaysia, a program produced specifically for Malaysia's direct- to-home satellite service.

The merger of long-time rivals ABN and CNBC appeared to support the view that the market could not support more than one business channel Michael Bloomberg appeared to agree when he said, " I don't know if we'll ever get enough advertising in Asia to pay for production and distribution of a 24-hour business TV channel ... someday maybe but that will be a very difficult task."[25]

Bloomberg Television, however, is not solely dependent on multichannel television for its revenues, but is part of the larger business information empire where every element cross promotes others,and the business are not separted out. Costs are kept down by spreading resources across radio, TV and news and wire products, with the same people producing reports for the company's different outlets.

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[24]Janine Stein, "Two's a Crowd," Cable and Satellite Asia, Jan./Feb. 1998; and Janine Stein, "Brave News World," Cable and Satellite Asia, May/June 1999, 20-24..
[25]Quoted in "Two's a Crowd."

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MARKET CONDITIONS

What follows is an account of the conditions in five major Asian countries, China, Hong Kong, India, Singapore and Taiwan. International broadcasters saw Hong Kong as a strategically important region because it had potential to be the gateway into China when that eventually opened up. Starting with an overview of the distribution systems and restrictions on foreign broadcasters the discussion examines domestic news channels that compete with international broadcasters for audiences.

China

China's 305 million households represent more than half of the total households in the Asia Pacific. The largest television market in Asia, it is also the most heavily regulated. There are 1,200 licensed cable systems and an estimated 1,800 unlicensed ones. In 1998, television penetration was 80% and cable penetration was 24%.[26]

Cable systems began to appear in China in the 60s, typically set up by factories or communes as a way for employees and members to watch state run CCTV. In 1988, the government began taking steps to rationalize these systems into larger entities using coaxial cable and headends to create urban networks that could broadcast state and provincial programming.[27]

When STAR TV became available in the region in 1991, there was a concern over the availability of foreign programming. This led to a campaign to limit all dishes in private hands and a de facto ban. Between 1993 and 1994, 1,641 cable licenses were issued. Despite this, cable operators interpreted

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[26]"Networks Hang Tough in Potentially Lucrative , but Tightly Regulated Market," ASIAcom, 29 September 1998.

[27]Owen Hughes, Pay TV in Asia: The Market opportunity (London, UK: FT Media and Telecoms, 1997) , Chap.11.

licensing conditions as they saw fit. This resulted in the April 1994 Regulations for Cable TV Management that set the terms for all aspects of cable operations. Foreigners were banned from operating, investing and managing the systems.[28]

Despite this, foreign involvement in the cable systems continued. In the 90s the Chinese government followed a policy of "one city one system" to replace the ad hoc arrangement that allowed as many as five or six competing systems, each carrying the same channels, to operate in a single city. The average cable subscription is $2 month.[29] Operators supply between 12 and 20 channels. National and local terrestrial channels take up about half this capacity. The rest is filled with channels provided by the cable system.

China is characterized by great disparity in wealth. Recent economic reforms have concentrated investment and wealth in the south eastern coastal provinces near Hong Kong and Taiwan. The province of Guangdong with the city of Guangzhou, is the richest and has the highest disposable income. Cable operators in the wealthy cities of Shanghai, and Guangzhou are investing in upgrading the existing coaxial systems to fiber optic networks.[30]

Broadcasters and cable operators are officially forbidden from carrying foreign channels. These are only allowed in foreign compounds and in three-star hotels. Until 1996, the government granted approval to sites wishing to offer international channels. In 1997, this policy was suspended. The government invited bids from the broadcasters for approval to broadcast to all designated sites. ABN and CNBC were among the eleven broadcasters that applied for approval. Guangdong is the only province where cable operators are

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[28]Ibid.
[29]"Networks Hang Tough." ASIAcom Sept. 29, 1998.
[30]Jonathan Barnard et. al., Television in Asia Pacific to 2002, (London: Zenith Media, 1998)

allowed to retransmit foreign signals. Since 1994, four channels from Hong Kong have been available in the region.[31]

DTH

Private satellite dishes were banned in 1993, in an attempt to safeguard the population from foreign influences. Despite the 1994 regulations that required all satellite dishes to be licensed, there has been a tremendous growth in these dishes. In 1997 there were an estimated 250,000 installed dishes mainly in remote areas. Although various government ministries are interested in using DTH as a programming platform, there is concern that this would allow foreign broadcasters unrestricted access into China.[32]

Hong Kong

In 1991, which is the starting point for this study, Hong Kong was still a British colony, separate from China. The handover of Hong Kong to China was to take place in 1997, and there was some uncertainty about how China would treat Hong Kong. In the years preceding the handover, international broadcasters saw having a presence in Hong Kong as a way to gain access to China and treated it as an important link in their strategic planning in the region.

In 1993, an exclusive license was granted to Wharf Cable to set up a cable system in the territory. By 1996, the system had 250,000 subscribers. The exclusive license was originally granted for three years. In May 1996, this franchise was extended for two more years, so that Wharf Cable would have some more time to turn a profit. Four days after the license extension, the

[31]Ibid.
[32]Ibid.

company revealed losses of $105.7 million for the previous year. The license would be reviewed once again in 1998.[33]

Initially Wharf cable concentrated on building a cheap MMDS network. Later it stepped up the construction of a broadband fiber optic system with greater signal capacity. The fiber-optic network was more popular. By 1997, 31% of the homes passed subscribed to this service, compared to a 22% subscription to the MMDS service. Cable penetration reached 20% with the cost of a subscription about $28.50 per month. Wharf Cable expected to pass 90% of homes by the year 2000.[34]

Subscribers to the MMDS system got a basic tier of 20 channels consisting of film, sports and news channels along with in-house channels. It retransmitted feed from BBC World, CNNI and CNBC along with two other international channels. Subscribers to the fiber optic system got a second tier of 10 more channels that included pay per view.[35]

About 80% of the revenues were derived from subscription. In 1997, Wharf Cable began selling time on its in-house channels. This was not expected to be a substantial revenue source since most of the 20% penetration was in public housing where the subscribers were not attractive to advertisers. Advertising on foreign channels was sometimes expunged and replaced with interstitial material.

The economic crisis in the region resulted in a stagnation in demand for cable television. Cable TV(formerly Wharf Cable) suspended construction of its hardwire system after reaching a government imposed target of 600,000 homes passed.

[33]"Waiting for July 1997: Hong Kong Broadcasters Worry about Life with China." ASIAcom, 4 September 1996.
[34] Jonathan Barnard et. al., Television in Asia Pacific to 2002.
[35]Ibid.

DTH

The number of homes receiving free satellite signals increased from 2% in 1992 to 20% in 1996. By 1997 over 350,000 (20%) homes received fee-to-air satellite channels by dish or SMATV. Most of the channels received this way are pan-regional broadcasters, who are not allowed to sell air-time within Hong Kong. The channels sell time to international advertisers on the understanding that only satellite homes will see it. Cable channels block out international advertising and replace it with local advertising. Hong Kong has the highest per capita advertising expenditure in the Asia Pacific region.[36]

Programming.

In 1993, Wharf cable launched two 24-hour news channels as part of the original basic package. News 1 focuses on long-form current affairs programming, including government press conferences and Legislative Council debates. News2 is the all news channel with 30-minute news programming on the hour, repeated on the half hour, which includes district news and human interest stories. Both these news channels are programming drivers and are important in retaining subscribers. In-house surveys have shown news to be the most watched service along with sports and movies.[37]

India

A major market in S. Asia, India was relatively unaffected by the economic crisis of 1997. It is seen as having good long term prospects for broadcasters. India's cable industry developed in response to the availability of satellite television programming. In 1990, during the Gulf War, a few enterprising operators put up dishes and set up SMATV systems to pick up CNNI's signal.

[36] Ibid.
[37] Janine Stein, "Brave News World.

When STAR TV became operational, there was a surge in the demand for cable. This was especially the case in urban areas where high rises and a high population density made it a viable proposition.

Until 1994, cable systems were technically illegal , but it did not hamper their growth. Most systems were basic, aerial networks that typically serviced 200-300 homes.[38] Bombay was the most important market. A single operator could service as many as 5,000 homes by stringing the cables over 25 apartment buildings. The Cable bill of 1995 was the first attempt by the government to organize the country's 100,000 or so cable systems.

Between 1995 and 1996 there was considerable consolidation in the industry. Smaller operators, unwilling or unable to pay taxes or other fees, were bought out by larger operators. This brought the number of operators down to 35,000[39] Penetration reached 27% of television homes and consolidation continued.[40]

The Broadcast Bill, whose passage has been delayed for more than three years because of frequent changes in the ruling party, would grant cable licenses. If introduced, it would reduce the number of operators to 50. Without legislation, the number of cable operators is expected to settle at about 50,000.

Major industrial houses have entered this potentially lucrative market, and become MSOs. In 1996, three MSOs formed an alliance to maximize viewership and improve the subscription collection process. The partners hoped that this alliance would prevent smaller operators from attempts to bypass paying headend fees by switching from one of the three headends to

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[38]Eileen Krill, Asia Pacific Cable and Satellite Markets:1997 (Washington D.C.: Strategis Group, 1997).

[39]"Ibid. Another analyst estimated 60,000 systems with 20,000 registered. "Cable programmers fight." ASIAcom, 1 April 1997.

[40]Eileen Krill, Asia Pacific Cable and Satellite Markets:1997.

another. By 1997, about half a dozen operators controlled 20% of the market.[41]

Cable operators are notorious for under-reporting subscribers as this allows them to pay a lower fee to the channel providers. A large portion of cable households are not connected through a set top box. As a result, the selection of channels is limited to the bandwith built into the television sets, a maximum of 14 VHF channels. This means that cable operators have significant distribution power over program providers. Few channels are able to impose carriage fees on the cable networks and satellite channels rely almost completely on advertising revenue. Competition among operators could overcome this limit on channel availability, but although there are no franchises issued officially, there has been a *de facto* division of the market into franchise areas, each monopolized by a single operator.

In 1998, the cable industry which had, for the previous two years, seen little new investment, appeared to be re-energized. Cable operators focused on upgrading to a fiber-optic network and introducing addressability in their systems.

The economic crisis of 1997–98 did not affect India as much as the Asia-Pacific region. While subscriber growth slowed, it was still positive at 4–5% in urban areas and 11% in rural areas.

DTH(Direct to Home)

The greatest potential for the direct to home market lies in rural areas which do not have access to cable. Seventy-three percent of the population engages in agriculture, most of it being subsistence farming. The potential customers for DTH would come from the rural rich. In 1997 there were 900,000 homes

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[41]Kaushik Shridharani, Asia Pacific Television: The Big Picture, Global Equity Research: Media (Saloman Smith Barney, 1998).

with satellite dishes. The proposed Broadcast Bill had provisions to grant DTH licenses.[42]

A number of groups have expressed interest in launching digital DTH services. One hurdle that needs to be overcome is the lack of a mechanism for distributing equipment and collecting subscriptions.[43] Penetration of DTH is limited by its relatively high price. In order to compete with cable and increase penetration significantly, DTH operators would have to offer a large bouquet of channels and subsidize a large portion of household hardware cost. This can only be done by operators with deep pockets.[44]

Programming.

In early 1998, STAR TV started an all-news channel, STAR News on a trial basis, in the period before the general election. The channel, run by STAR's subsidiary in India, News Television India, was originally scheduled to operate for a two-month period. But the tremendous response it received prompted it to make a more long term commitment.. By December 1998, the channel offered 8 hours of original programming with newscasts on the hour in English and on the half-hour in Hindi. Although owned by News Corporation, STAR News is completely localized and aimed only at India.[45]

Zee India TV, also began offering a news and information channel around the time of the elections. Zee broadcasts in Hindi and has more of a mass appeal than STAR News which is seen as an elite product.[46] A third news channel, TVi was launched in December 1997. Originally launched in 1995, the channel had difficulty defining itself. In 1996, one of the channel's

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[42]Eileen Krill, Asia-Pacific Cable and Satellite Markets:1997, Strategis Group.
[43]Ibid.
[44]Ibid.
[45] Monica Tata, Vice President, Advertising Sales, Star Plus and Star Movies, interview by author, Bombay, India, 12 January 1999.
[46]Sainath Iyer, Acting CEO, Zee India Television, interview by author, Bombay, India, 4 January, 1999.

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investors, Jardine Fleming pulled out and the channel went off the air. It was relaunched as an all news channel with an equal mix of Hindi and English programming.. TVi signed on as a CNN affiliate which allowed it to air 10 minutes of CNN news every day.[47].

These news channels appeared to be partly a response to the growth in audiences for the current affairs and news segment. A May 1998 survey in Delhi found that 45% of viewers said they watched at least one news bulletin or current affairs program in the previous week.[48]

Singapore

In 1990 when international satellite channels began they had little access to Singapore, since dishes were illegal except in diplomatic compounds and hotels and there was no cable system. In 1992 Singapore CableVisison (SCV) launched a UHF terrestrial subscription service. The service consists of three channels which could be received across the island. One of these,NewsVision contained selected programming from a number of international channels such as AusTV, BBC World, CNBC, CNNI and NHK. By 1995 the system had 250,000 subscribers. When the SCV began building a broadband cable network that year, it stopped taking new subscribers to its UHF system. SCV holds an exclusive pay-TV license till 2002.[49]

The $500 million broadband cable network will connect all of Singapore's 884,000 households. By the end of 1997 61% of the homes had been passed. The basic service, which offers 29 channels including four Singapore terrestrials and two Malaysian channels, costs $35 per month.

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[47]"Satellite Tv Network Repositions Itself, Optimizes Synergies," ASIAcom, 14 April 1998.
[48]Gurbir Singh, "A Newsy Spin," Economic Times (India), 1 July 1998.
[49]"Lion City Takes Lion's Share of Asian TV Business as State Keeps Claws Poised," ASIAcom, 27 May 1997.

The take up rate of cable has remained at 14%, below government expectations. Different explanations have been offered. These include the fact that early network construction was restricted to low-income government housing. Also in the beginning the emphasis was more on passing homes rather than promoting and marketing the service. Finally, there is a concern that the content of most of the channels offered by the SCV is not culturally relevant, since only five of these are produced and packaged for Singapore.[50]

The Singapore government has chosen to back the development of cable, since it sees cable as a way to monitor and control foreign influence which is not possible with DTH. The latter continues to be banned.

There are no ownership restrictions on international broadcasters operating out of the country, as long as overseas customers are not offended by content. With regard to local distribution, international channels have to abide by local rules. Local content is restricted in terms of language. The Hong Kong supplied TVBS premium channel is only allowed to supply one third of its programming in Cantonese.[51]

Programming.

On March 1, 1999, the government-owned Television Corp. of Singapore entered the news programming arena with its all-news channel, Channel NewsAsia. Currently available only in Singapore, the channel plans to go regional by next year. It is being positioned as having a regional perspective that enables it to understand the regions sensitivities and complexities, unlike international networks like CNNI and BBC World. It has been criticized for looking too much like other channels. It remains to be seen whether it will be able to attract sufficient advertisers. [52]

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[50] Jonathan Barnard et. al., Television in Asia Pacific to 2002.
[51] Ibid.
[52] Ben Dolven, "The Local Angle," Far Eastern Economic Review, 1 April 1999.

Taiwan

Taiwan is famous for being Asia's most cabled country with television penetration close to 100% and cable penetration at 80% in 1998. Taiwan 's cable industry began with a number of small operators in the 70s. In 1991, when DBS broadcasting was just beginning, cable penetration of TV homes was 18%. By December 1993, it had increased to 50% and in March 1996 the 75% mark was crossed.[53]

Until the passage of the 1992 Act, cable was largely an illegal industry. The 1992 Cable TV Law passed by the Government Information Office (GIO) divided the country in to 51 service districts. The objective was to bring the more than 800 unlicensed cable operators under official control. The law achieved its objective. A number of mom and pop operations disappeared due to mergers and consolidations. In 1995 cable operators were granted interim permits. By 1997 there were about 130 cable operators. Rebar TV system accounted for 30% of Taiwan's subscribers, while UCG accounted for another 30% . The remaining 40% remained with the independents.[54] The number of cable operators declined to 115 in 1998. Two companies established themselves as major MSOs --- UCG (belonging to the Koos Group) and Eastern Multimedia (formerly China Rebar). In Taipei, 80% of subscribers were connected to Eastern controlled systems making it the single most powerful MSO in the country.[55]

It remains to be seen whether consolidation will end in a single license being granted for each of the franchise districts. Given the growing power and vertical integration of the two market leaders, foreign programmers who have

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[53]"Cable Mandarins Tighten Grip on Market," ASIAcom, 26 May 1998.
[54]ASIAcom, 25 November 1997.
[55]"Cable Mandarins," 26 May 1998.

been unceremoniously bumped off systems, are arguing for at least two franchises in each region.

As of 1998, most cable systems remained relatively low grade, MMDS or coaxial delivered, nonaddressable, offering their customers a single tier of 60-65 channels at about $15 a month. There were about 75 channels in total, but analog/copper cable could carry about 50. When run at full capacity, picture quality was lost. There were no computerized billing systems and no on-line customer service. Competition was a factor in preventing upgrades. Cable systems needed capital to acquire or fight competitors.[56]

The cable industry is expected to see upgrade of technology, partly in order to meet the GIO requirements, partly as a result of consolidation. The reluctance to upgrade systems and make them addressable stems from the operators' beliefs that doing so would allow program suppliers to increase their charges as more accurate subscriber numbers become available.

Developments in 1998 caused concern to foreign, pan-regional programmers. Three major cable operators that have largely controlled the program distribution system were believed to have formed an unofficial alliance. They had an understanding to carry a mutually agreed upon channel line-up. If a channel was not part of that line-up, it did not mean that it would not get carriage, but that it would have to fight harder for its revenue and position.[57] Although the cable companies denied this, Taiwan's Fair Trade Commission was planning a legal challenge on grounds of antitrust and anti-competition.

[56]Ibid.. Also, "Taiwan DTH: Feast or Fable," Cable and Satellite Asia, March/April. 1997.
[57]Owen Hughes, "Licking their wounds," Multichannel News International Supplement, December 1998.

DTH

With cable so strong in Taiwan, questions remain about whether DTH would be feasible. However about 20% of cable subscribers are dissatisfied, and 2% of the population is unserved by cable making for a potential audience of 2 million. Analysts see the potential for high-quality DTH services that offered at least 100 channels and, in contrast to cable, emphasized customer service. However, the economic crisis of 1997-98 served to delay the launch of two potential DTH services.

Programming.

Cable channels are also content providers. Vertical integration and finite channel space leads cable systems to prefer their own channels over foreign programmers. There are six 24-hour news channels in Taiwan, that offer strong competition to the international news broadcasters. The cable news channel, TVBS-N which was the first to break away from the traditional role of news channels as political mouthpieces, consistently enjoys high ratings. A May/June 1998 Nielsen study found that 36% of Taiwanese viewers chose TVBS as their preferred news source, placing the channel ahead of four terrestrial networks.[58]

Audiences have shown a marked preference for local news and the domestic news channels. The low English literacy rate of 5% has been another factor limiting the audiences for international news channels. Audiences for the international channels are limited to the elites, many of whom have studied in the US and are familiar with CNN.[59]

[58]Janine Stein,"Brave News World."

[59]Bessie Lee, MindShare Taipei, Taiwan, electronic communication, with author, 3 April 1999.

Conclusion

This overview of conditions in major Asian markets highlights the different conditions that international broadcasters have to contend with. India has relatively low cable penetration and restrictions on uplinking, that limit the reach of these channels. At the other end of the cable penetration spectrum is Taiwan, but there competition from local news channels makes it difficult for international broadcasters to attract audiences. China, though the largest market in the region, does not allow foreign broadcasters to be carried on cable systems. Singapore is still heavily regulated and Hong Kong does not allow advertising on international channels. These differing market conditions offer challenges to the international news broadcasters.

The tables below outline where these countries stand along some key variables.

TABLE 1

TV Penetration as a % of all households

COUNTRY	1991	1992	1993	1994	1995	1996	1997	1998
CHINA	68	69	70	71	73	75	77	78
HONG KONG	99	98	98	98	99	99	99	99
INDIA	25	27	28	30	31	33	34	35
SINGAPORE	99	99	99	100	99	99	99	99
TAIWAN	99	99	98	99	98	98	99	99

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TABLE 2

Cable Penetration as a % of TV Homes

COUNTRY	1991	1992	1993	1994	1995	1996	1997	1998
CHINA	8	10	12	13	17	20	22	24
HONG KONG	-	-	-	9	11	17	22	23
INDIA	5	5	14	21	24	30	33	36
SINGAPORE	-	-	-	-	2	5	11	14
TAIWAN	19	31	50	65	74	77	81	82

TABLE 3

DTH Penetration as a % of TV Homes

COUNTRY	1991	1992	1993	1994	1995	1996	1997	1998
CHINA	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1
HONG KONG	2	4	11	14	20	20	21	22
INDIA	-	2	2	2	3	5	4	4
SINGAPORE	-	-	-	-	-	-	-	-
TAIWAN	-	-	2	2	2	2	2	3

TABLE 4

Satellite advertising expenditure as a % of total TV expenditure

COUNTRY	1991	1992	1993	1994	1995	1996	1997	1998
CHINA	0	1	1	1	1	1	1	2
HONG KONG	-	-	-	-	-	-	1	2
INDIA	1	2	6	10	14	21	23	24
SINGAPORE	-	-	-	0	0	1	1	1
TAIWAN	-	-	3	6	11	20	23	23

TABLE 5

Sat viewing share in sat homes

COUNTRY	1991	1992	1993	1994	1995	1996	1997	1998
CHINA	17	19	21	22	23	24	25	26
HONG KONG	-	-	-	30	33	35	37	38
INDIA	25	30	35	36	38	40	40	40
SINGAPORE	-	-	25	27	29	31	33	35
TAIWAN	58	58	58	58	60	59	62	62

CHAPTER 5

FINDINGS AND DISCUSSION

The findings of this study are presented as they relate to the research questions and hypotheses developed in chapter 4. After presenting the findings for each hypothesis, there is a discussion of the results.

RESEARCH QUESTION 1:

What impact will increased competition have on the conduct of international news services in Asia?

From this question two hypotheses were generated. The first examined the effect of competition on financial commitment and the second focused on the role of strategic alliances.

HYPOTHESIS 1

As competition increases international news services will increase their financial commitment to news in Asia.

As explained in chapter 4, an increase in the number of players in the market is taken as an increase in competition. A channel's financial commitment is demonstrated by the number of reporters, and bureaus, programming and other expenditures that it undertakes.

Results

CNNI

During the early years of its operations in Asia, CNNI did not make a substantial resource commitment in the region. It piggybacked on the newsgathering resources of its parent company. The majority of CNNI's footage and coverage came from CNN's 29 bureaus around the world. This was supplemented with coverage from news agencies like WTN and Reuters, and CNN's affiliates around the world. However, it has its own anchors as well as its own producers, and executive producers to put the international network's programming together. Six bureaus were set up in Asia, in Tokyo, Beijing, Seoul, Manila, Bangkok and New Delhi. As and when the need arose, these were moved around from one country to another to respond to changing news stories. For example, the Manila bureau was moved to Jakarta as the political climate began to heat up there.[1]

As competition increased in the form of more players, there was an increase in the channel's financial commitment. In 1995, CNNI strengthened its Asia operations by opening up a regional production center in Hong Kong. The choice of Hong Kong over Singapore was based on cost considerations, news value and ease of travel to major cities in the region. Hong Kong's proximity to mainland China, then in the early stages of economic liberalization, was an important factor.

In 1997, CNNI announced a three-year regionalization plan. CNNI is estimated to be spending between $3 to $4 million per year on this regionalization project. In 1998, the staff at the Hong Kong bureau was increased substantially as part of the three part regionalization initiative undertaken by the company.

BBC WORLD

BBC World initially relied on the resource commitment of its parent channel. With 250 journalists around the world, the BBC had excellent news gathering resources that the international channel could draw upon. The financial arrangements were such that BBC World had to generate its own revenues

[1]Rena Golden, Vice President, Programming, CNNI, interview with author, Atlanta, Feb. 2, 1999, .

and was expected to supplement the parent corporation's license revenues. Thus BBC World was limited in its ability to commit resources to its international operations. It relied on its partners like STAR TV and Pearson to put up the investment needed, and to sell advertising for the channel.

It was only in 1997, when the competition in news services had increased that the BBC World made a change in the way the channel was run. It took control of the marketing function of the channel, making a substantial financial commitment by hiring a total of 30 advertising sales and marketing personnel.[2] Managing Director, Mark Young announced that the channel would be supported by more marketing dollars than ever before.[3] The BBC made the decision to focus its marketing efforts around major events like the Hong Kong handover and the 50th anniversary of India's independence.[4] Sales offices were opened in India, and Singapore and personnel were recruited for these offices.

From the time it began operation in Asia, India has always been a very important market for BBC World. This emphasis on India continues to be a part of BBC World's strategy. In 1999, it announced that it had finalized plans to triple spending in India for the current year. The objective of this spending was to broaden its viewership base beyond the older, 40+ demographic it had traditionally sought, to the younger, 30+ segment that included women as well. In order to execute these plans, the channel recruited close to 30 new staffers in the areas of marketing and airtime sales[5].

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[2]Gurbir Singh, "Beeb Makes BBC World Key to Global Plan Despite Losses," Economic Times (Bombay), 21 July 1999.
[3]Interview, Cable and Satellite Asia, Sept./Oct. 1997
[4]"BBC goes regional," ASIAcom, 10 July, 1997.
[5]Sujoy Bosu, "BBC to Triple Spending on India." The Times of India,

ABN

ABN from the outset was characterized as having a lean operation. Although its parent corporation, Dow Jones had been in the area of business news, the broadcast operation in Asia had to built from the ground up. The initial investment was $ 20 million and running expenses were estimated at $10-15 million per year. This was modest compared to the outlay of $150 million made by CNBC.

A staff of about 115 produced 18 hours of programming a day. Dow Jones staffers at the Asian Wall Street Journal and the Far Eastern Economic Review were required to be part of ABN's programs. Production teams of four people each wrote, produced and put on their own programs.[6] The network expected to break even in 5 years.

The impact of direct competition in the business news segment was greater financial commitment in the form of more on-location programming, and live news broadcasts. In 1997, the channel introduced plans for three 30-minute magazine shows. The production cost for each program was approximately $100,000. One of the new programs was a business game show called Corporate Raiders. The network also invested $1 million in a 'virtual studio' that used digital production techniques developed for the BBC in London.[7]

CNBC

CNBC was possibly the most expensive satellite network in Asia. NBC was believed to have spent up to $150 million to launch its business network in Asia. This high cost was, to a large extent, the result of choosing Hong Kong, one of the most expensive cities, for its headquarters. CNBC had a large staff

[6]South China Morning Post, April 14, 1994.
[7]"TCI/Dow Jones' Business News Channel Takes on Double Dare in Asia," ASIAcom, 27 May 1997.

of 170 in Hong Kong. The company forecast losses of $10 million a year, for the next five years.[8] In 1996, CNBC opened bureaus in Singapore and Shanghai.

The last of the international news channels to enter the Asian market, NBC Asia was forced to offer high salaries to attract personnel away from the other channels. The channel also spent a large part of its operating budget on leasing transponders. In its bid to enter the greater China region (i.e. mainland China, Taiwan and Hong Kong) CNBC went the route of subtitling and dubbing. This added to the channel's expenses. The channel also incurred high costs for transponder leases, which were necessary in order to deliver programming for different regions within Asia. [9]

A year after its inception, CNBC revenues were far below expectations and costs were way over budget. CNBC responded with cuts in the business news budget. In 1996, it moved its office from Hong Kong's Central district to the Chai Wan district where rents were lower. From a peak of 120 staff in summer 1995, the staff size was down to 60 by early 1997. The number of anchors was reduced to 4, as compared to the original 9. The size of the Tokyo bureau was reduced and the daily satellite newsfeed to the Hong Kong headquarters was cut.[10]

From the time CNBC began operations in Asia, the number of competitors did not change. However, unlike the other news channels, CNBC, having incurred an exceptionally high cost in order to overcome the barrier to entry in an established market, reduced its financial commitment in the region.

[8] Multichannel News, 26 June 1995, p. 44.
[9] K. F. Kwong. "American Peacock on Chinese Soil: The Challenge Facing NBC Asia in Greater China." Unpublished Master's Thesis, Hong Kong Baptist University, 1998.
[10] Mark Clifford and Elizabeth Lesly. International Businessweek.

Discussion

There is partial support for the hypothesis that an increase in competition will result in greater financial commitment. To varying degrees, CNNI, BBC World and ABN did increase their resource commitment in the face of increasing competition. As more news channels entered the market and competition increased, CNNI increased its resource commitment to the region. In the case of BBC World, it took a longer time for the channel to increase its resource commitment. This was because the channel had limited resources and a parent company which was a public broadcaster, unable to invest in the international channel. In the case of ABN, direct competition from another business news channel led to greater programming expenditures.

However CNBC exhibited the opposite pattern. The channel entered the market when there were already three players. It made a high initial investment to overcome the disadvantage of being the last in the market. Unable to begin recovering this investment as expected, it cut back on its financial commitment. After CNBC entered the market, there were no new international news services that entered the market, till Bloomberg TV went into operation in 1998. However competition from local news channels continued to grow.

Competition did lead to greater financial commitment but this was constrained by resources that channel had at its disposal. CNNI had a parent company with deep pockets. BBC World, on the other hand, was unable to make a similar resource commitment because its role was to generate revenues for its parent corporation. ABN's parent Dow Jones had a financial setback with its television station in New York city and did not have unlimited resources to invest. CNBC chose to make a substantial investment up front and therefore when revenues did not meet expectations cut back.

HYPOTHESIS 2:

The player that increases strategic alliances with distributors and governments will increase its reach in those markets.[11]

Strategic alliances serve to increase the distribution of the international news channel. These include agreements with cable operators and terrestrial broadcasters and in some instances country governments. The most fundamental way to measure reach is to measure the number of homes in which the channel is available. The penetration and success of international broadcasters is dependent in a large part on conditions prevailing in the different countries. In particular distribution systems -- cable and satellite dishes, regulation and local programming are major factors that have an impact on the operations of international broadcasters.

From the time that satellite broadcasters began their operations in 1991, to the present, penetration of satellite dishes has not shown a significant increase, going up from 0.7% of TV homes to 3.5% in 1998.[12] In some part, this has been due to the cost of the dishes, but a more important factor has been regulation. Domestic governments have restricted or banned the use of satellite dishes. As a result cable operators have become the gatekeepers to Asian audiences. The international news channels have found themselves at the mercy of cable operators who have to be wooed in order for the channels to reach their potential audiences. Thus agreements with these operators have become a critical component of a channel's distribution strategy.

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[11]Reach is used here to mean distribution or access to homes.

[12]Jonathan Barnard et. al., Cable and Satellite in Asia Pacific to 2002. (London: Zenith Media), 1998. This estimate is an average of penetration in a sample of Asian countries and includes all major markets.

Results

CNNI

By 1994, CNNI was received in about 9 million homes and close to 700 hotels in Asia.[13] It extended its reach into China by signing up 43 hotels in Beijing to carry CNNI. This was the largest single hotel distribution deal that the news broadcaster had made to date.[14] It supplied news feeds for Singapore CableVision's channel, News Vision.

The same year CNNI entered into a major strategic alliance -- an agreement with the Indian state broadcaster Doordarshan -- which it secured over other contenders like News Corporation. The deal made it the first private broadcaster to be given access to the Indian satellite INSAT-2B and gave CNNI the ability to reach 16 million cable television viewers in India, and 5 million television households in S. Asia.[15] CNNI had been transmitting its programs to India on the Apstar and Arabsat satellites since 1989, but the reception had been somewhat poor. Under the new arrangement, CNNI would be uplinked from Doordarshan's facilities in New Delhi. At the same time it would also be available on the Palapa satellite. Later it was able to gain carriage on the PAS4 satellite.

This deal cost CNNI $1.5 million per annum. Advertising dollars exceeding this fee were to be shared equally by the two partners. The agreement was unique in that the CNNI service would contain local Indian programming produced by Doordarshan for up to four hours a day. Under the contract, Turner International would provide at least one hour per day of current affairs and entertainment programming to air on Doordarshan's terrestrial channels. This agreement with Doordarshan was terminated in

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[13] Wall Street Journal, 25 March 1994, sec B, p. 5.
[14] Hollywood Reporter, 5 April 1995.
[15] Shiraz Sidva, "CNN's India TV Deal Sparks Opposition," Financial Times, 3 July 1995.

1997, when the two-year contract expired. CNNI's signal continued to be available in the region off the PAS 4 satellite.[16]

That carriage on a well-established cable system cannot be taken for granted was illustrated by what happened in Thailand April '95. The country's largest cable system, IBC decided to drop CNNI since CNNI had refused to give IBC exclusive carriage rights. While negotiations were under way, IBC carried BBC World 18 hours a day, on a trial basis. Whether negotiations failed, since the BBC had an exclusive carriage agreement with rival cable MSO, Thai Sky Cable; or whether IBC gave in to disappointed viewers complaints was not clear. The upshot was that CNNI was reinstated on IBC's 150,000 system. The BBC settled for exclusive 24-hour coverage on Thai Sky, which had 50,000 subscribers. A year later CNNI signed a two year agreement to provide news excerpts and feature programs on the Thai terrestrial television station, ITV.[17]

By the middle of 1995, CNNI had established a strong presence in Asia. Efforts were being made to strengthen its distribution network. Apart from the Indian deal, a number of arrangements with cable and terrestrial broadcasters were finalized, that served to improve its reach. Turner International made an agreement with Singapore Cablevision that would take CNNI into Singapore on a 24-hour basis. A similar arrangement with Cableview Services in Malaysia helped to make it available 24 hours a day there too. In Taiwan, CNNI feature programming became available with subtitles in Chinese. In S. Korea, an agreement was reached with news channels, YTN and MBN to provide excerpts of CNNI news and feature

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16"DD-CCNI Goes into the Dark," Cable and Satellite Express, 3 July 1997.
17"CNN, BBC Battle for Thai Viewers," The Reuters Business Report , 18 May 1995.

programs to cable audiences in Korea. On YTN, the 24-hour Korean language news channel, CNNI programming was dubbed.[18]

As a result of all these agreements, CNNI expanded its reach to 15 million households in Asia by the end of 1995. Three years later, its subscriber base had increased to 20 million households and was up to 25 million households in 1999.[19]

Yet problems with distributors continued to crop up. On January 1, 1998, CNNI and the Cartoon Network were taken off cable systems in Taipei city. In November of the previous year Turner Broadcasting had been unsuccessful in its efforts to renegotiate its distribution deal with the major distributor in the city, Videoland. Turner moved its distribution to another cable system, TV Time in January.[20] Ultimately, CNNI did get back on the air. This incident again illustrated the fact that despite being a popular channel, satellite broadcasters like CNNI remain at the mercy of the distributors, the cable systems.

As Asia's cable market matures, more local programmers are vying for space on cable systems making carriage even more competitive. But this is less of a concern for CNNI, which, having established itself as the market leader among international news channels is seen by cable operators as a "must carry." CNNI's recent strategy has been to try and get out its programming using different platforms such as pagers.[21]

18"CNNI Increases Asia-Pacific Distribution," M2 Presswire, 3 July 1995.
19CNN Int'l Stretches International Reach," Business World18 February, 1999.
20Charles Haddad, "Turner Fights for Beachhead in Taiwan," The Atlanta Journal Constitution, 2 February 1998.
21Ringo Chan, Turner International Asia Pacific, interview with author, Atlanta, 2 May 1999.

BBC WORLD

Distribution of direct broadcast satellite channels is a concern at two levels -- finding room on a satellite and getting cable carriage. In the case of BBC World satellite carriage became a critical factor in determining reach. Its case also highlights the important role of STAR TV as a distributor in the region.

At its inception, BBC WSTV teamed up with Star TV, a five-channel DBS television service launched by Hong Kong entrepreneur Li Ka Shing. The STAR package consisted of five channels, one Mandarin and the other four English. BBC World was the only news channel in this package. The service was free-to-air and relied entirely on advertising revenues.

Since BBC World had no budget of its own, HutchVision (STAR's parent company) agreed to give BBC World an advance against future earnings. Under the arrangement, it was given a share of the advertising revenues that STAR generated, and in return WSTV would provide the programming free. Instead of setting up its own advertising sales unit, advertising sales were handled by STAR's parent company, HutchVision. The partnership with STAR TV gave BBC World access to 11 million households in Asia. Realistic estimates of viewership placed it at about 2-3% of this reach.[22] The distribution arrangements that STAR had made included the BBC news channel. Thus, there was no need for individual arrangements with cable operators in the various countries that fell under STAR's footprint. This changed with the change in ownership at STAR.

The contract that BBC WSTV had with HutchVisison owned STAR TV placed no restrictions on its editorial content and STAR TV claimed to be free of any political intervention. In 1993 Rupert Murdoch acquired a 64% share of

[22]Hugh Williams quoted in Richard Parker, "The Future of Global Television News," (New York: Twentieth Century Press), 1995

STAR TV at a cost of $525 million in 1993. The following year BBC WSTV was dropped from STAR's northern beam. Murdoch acknowledged that this was a political decision.[23] Chinese authorities were displeased with WSTV's programming, such as a documentary on Mao Tse Tung that showed him in an unfavorable light. Rather than lose favor with the Chinese government and jeopardize his position in the largest market in Asia, Murdoch chose to drop the BBC WSTV signal from AsiaSat's northern beam when its contract with STAR was up for renewal in 1994.

This arrangement meant that BBC broadcasts to northeast China, Hong Kong, Taiwan and Mongolia came to an end, and its reach in Asia was substantially reduced.[24] In May 1994, when Wharf Cable in Hong Kong began showing blocks of BBC World programming, it gave the channel a small foothold in the far east. In 1995, the Thai Sky Cable network began broadcasting BBC World 24-hours a day to its 50,000 subscriber in Thailand. It also became available on cable in Singapore for the first time when the new network Cablevision was launched. But it would be two more years before channel was able to make a full fledged return to the region.[25]

Interestingly enough, the broadcast deal that BBC World had with STAR which covered S. Asia -- India, Pakistan and Bangladesh -- was extended to March 1996. The channel continued to have STAR TV carry out its advertising sales.

Soon after the arrangement with STAR ended, BBC World began to look at reestablishing itself in China and the Asia Pacific. However, only one beam was available on the existing satellites through the end of '94 and no new

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[23] "Murdoch Acknowledges BBC Move Influenced by China," Media Daily, 13 June 1994.
[24] Around this time the BBC channel was renamed BBC World. From here on this name is used.
[25] Mimi Chakraborty. News Television. (London: Financial Times, Media and Telecoms), 1998.

satellites were scheduled to be available till 1996. Thus, it was two years before BBC World could return to the region. In 1996, using a C-band transponder on PanAm Sat's PAS-4 and a digitally compressed stream on PAS-2 BBC World's signal was once again available to cable operators throughout the region.[26] At this point the alliance for signal carriage with STAR TV was terminated, but BBC World continued to use STAR to handle their advertising sales in Asia.

The new deal gave the BBC coverage over most of southeast Asia. The PAS-4 beam gave it access to audiences in Taiwan, Thailand, mainland China, the Philippines and Indonesia. The PAS-2 beam reached the middle east and south Asia, thus continuing coverage of BBC World's major market in the region --- India. By 1997 BBC World reached 18.3 million households in Asia; 12.4 million were in India where the channel is received free to air. In E. Asia, the channel is encrypted on PAS-4. In Taiwan, a distribution arrangement with TV Time gave it access to 1 million homes. Penetration in mainland China is limited to hotel rooms.[27] BBC World is not available in Malaysia because of its refusal to give in to the domestic government's demand for a delayed rebroadcast of its feed. Such an arrangement would allow the government to censor "objectionable programming."[28]

<u>ABN</u>

ABN was broadcast via the Palapa satellite. Initially it had a reach of 2-3 million households in southeast Asia and parts of east Asia including Hong Kong, Singapore, Malaysia, Thailand, Indonesia and the Philippines.[29] Unlike

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[26] "BBC World Beefs up Asian Distribution." <u>Cable and Satellite Express</u>, 21 March 1996.
[27] <u>Asia Pacific Television: Cable and Satellite</u>., (Thousand Oaks : Baskerville Communications Corp.), 1998.
[28] Jonathan Howlett, Regional Airtime Sales Manager, interview with author, 18 May 1999, London.
[29] "ABN Sees Profit in 5 years." <u>South China Morning Post</u>, 13 December 1993, p.3.

AsiaSat1 -- the so-called hot bird -- ABN's satellite, Palapa B2P did not have a strong following.

Analysts pointed out that although there might be a market for a business service, the importance of a good distribution system (or lack of) was critical. ABN's strategy was to be the first business news broadcaster in Asia and to establish itself before any other competitors attempted to claim the territory it had staked out for itself.

The tight government control over the media in many Asian systems posed an additional problem to setting up a comprehensive distribution system. Despite being based in Singapore, ABN's signal could not be viewed there, since satellite dishes were illegal. To counter the low viewership of DBS TV, ABN decided to sell its programming to terrestrial broadcasters, such as TVB in Hong Kong. A year after ABN was started the Singapore government decided to allow one hour of ABN programming on its cable network, NewsVision. By 1996, ABN had redistribution deals in place with China's Shanghai TV and Ghangdong TV as well.[30] ABN's distribution in India gave it access to 16 million households, and to 19.8million in the rest of Asia Pacific.[31]

The importance of strategic alliances was evident in the set up of ABNi, a feed dedicated to the Indian subcontinent. The Indian channel involved a partnership with a production house TV-18 and IndusInd. The latter, a large and growing MSO, handled airtime sales. A year after its inception, ABNi's airtime sales partner IndusInd decided to opt out of the partnership leaving sales and distribution in the hands of TV-18. IndusInd also dropped ABN from its systems in favor of its rival CNBC. This reduced the number of households ABNi could reach.

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[30]Janine Stein, "Basic Instinct." Cable and Satellite Asia, Nov./Dec. 1996.
[31]Ibid.

CNBC

At its inception CNBC was picked by STAR TV to be distributed as part of the package of channels it offered cable operators or dish owners in Asia. This package included BBC World on the southern beam, but not on the northern beam that covered China, Hong Kong, Taiwan and Mongolia.[32] CNBC also had a redistribution deal with Hong Kong's Wharf Cable.

At the time of its launch CNBC was estimated to reach 2.5 million homes from Japan to India east to west, and China to Australia, north to south. CNBC signed daily program supply agreements with the S. Korea business news cable TV channel, MBN and with the Singapore terrestrial channel, TV-12.[33]

CNBC continued to tie up its distribution with STAR TV. The India-specific feed was launched on the STAR TV controlled satellite, AsiaSat. The channel planned to join the STAR TV managed Indovision digital package in Indonesia on Palapa C-2.

In its first year of operation, much of CNBC's focus was on signing deals with cable operators in different countries to expand its distribution. In August 1995, a deal with Liann Yee Productions in Taiwan gave it access to 3 million cable subscribers.[34] It also signed redistribution deals in the Philippines, China and Thailand and was able to increase coverage in India. By January 1996, CNBC claimed it reached about 3 million homes full time and 12 million part time. By the end of 1996, CNBC had secured distribution to almost 160,000 hotel rooms in Asia.[35]

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32 "Murdoch's Star TV to Beam NBC Business News to China," Singapore Business Times, 2 February 1995.

33 Media Week, 26 June 1995.

34 "NBC in Taiwan," Cable World; 14 August 1995.

35 "NBC in Asia," Cable and Satellite Asia, November 1996, p. 29.

India specific digital channels were launched on Star TV controlled AsiaSat2 in November 1996. CNBC viewed India and China as important Asian markets. In order to be successful in the region, penetration of these markets was essential. An agreement with the Indian MSO, IN Cablenet systems gave CNBC access to an additional 2.3 million subscribers, as compared to the 650,000 homes CNBC reached prior to this agreement.[36] In February 1997, CNBC signed a deal with another major cable operator, the Hinduja group. The deal with the Hindujas gave it access to an additional 2 million subscribers. This made it the most widely distributed business television network in Asia, giving it a lead on its primary rival, ABN whom the Hindujas dropped in order to pick up CNBC[37].

The greater China region was an important market where CNBC hoped to make an impact. In January 1997, it signed a deal with China International Television for distributing CNBC in hotels in China. From April 1996 to 1998, CNBC had an alliance with China's Guangzhou cable TV that gave it access to 800,000 homes in the region.[38] As part of its priorities for '97, it planned to promote growth in Taiwan, which it saw as the cornerstone for any network's regional operation. Obtaining carriage on Taiwanese cable systems was very competitive.[39] The MSO Filmate was chosen for an exclusive distribution deal.

In 1997, two years after it began operations in Asia, CNBC entered into a strategic alliance with ABN to merge operations. High costs and disappointing advertising revenues motivated this move.

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[36]"CNBC Gets Boost in India," Electronic Media;, 24 February 1997, p.26..
[37]International Business Week excerpted in the Economic Times(India), Mar 22, 1997.
[38]K. F. Kwong. " American peacock on Chinese soil:
[39]Janine Stein, "Basic Instinct."

Discussion

It is clear that all the international broadcasters and cablecasters recognized the importance of strategic alliances. However, it is difficult to count the number of alliances each has made. Also, who the alliance is with is often more important that how many alliances are made. In some cases a single alliance with a large MSO will have a greater impact on a channel's reach than the number alliances. Thus it is difficult to determine clearly whether hypothesis 2 is supported.

By 1997, CNNI was reaching 19.8 million homes in Asia, BBC World reached 18.3 million homes, ABN reached 5.7 million homes and CNBC 6.7 million homes.[40] Thus it is clear that CNNI had the maximum reach in the region. It is important to consider that reach, as measured by homes reached is not the best measure of a channel's performance, since reaching homes does not ensure an audience as noted earlier. However, extending access to the maximum possible homes is prerequisite to increasing the audience for a channel.

In trying to increase reach, news channels faced a number of difficulties. When BBC World returned to the region in 1996, the channel had to begin building up relationships with the cable operators all over again. CNNI on the other hand had the advantage of being in the region consistently and for the long haul. In the case of CNBC there was always the feeling that if the returns were not up to expectations, the channel would terminate its operations in the region.[41] ABN had to convince cable operators to choose it over CNBC, in order to so, it worked to make deals that would be attractive to them.

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[40]Asia-Pacific Television: Cable and Satellite 1998 and "Dow Jones, ABN Concede to the Inevitable," ASIAcom, 31 December 1997.

[41]Janine Stein, Editor, Cable and Satellite Asia, interview with author, London, 20 May 1999.

Cable networks in most of the region are analog coaxial and are only now in the process of being upgraded to digital fiber. The coaxial cable analog service places a finite limit on the number of channels that can be carried. Where there is vertical integration in the cable industry, the cable operators are more inclined to make room for their own channels. In order to select an international news channel, they would have to see a strong audience demand. CNNI with its strong audience following appears to be the first choice for cable operators in most countries. When there were two business channels, cable operators had more of a case for choosing one over the other. The CNBC-ABN merger will help to improve chances of carriage. The merger also helped improve the patchy distribution of each channel to yield a more comprehensive coverage.

In India, technological constraints make channel location on the cable system critical for reaching the maximum possible audience. A large number of television households still have television sets that are capable of receiving between 9 and 14 channels. The 'prime band', which refers to the top 14 channels which can be received without a set-top box, is the desired location for a programmer. BBC World was ensured a place on the prime band in India. However other channels cannot be sure of getting this placement.

Given these inherent difficulties with distribution, international news services have looked to redistribution arrangements with terrestrial broadcasters as a way of improving their reach. CNNI's strategic alliance with state broadcaster Doordarshan was historic since it was the first time that the Indian state broadcaster had entered into such an agreement with a international broadcaster. The arrangement helped improve CNNI's presence in India for the duration of the agreement.

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Another important distribution area is hotels. ABN's director of sales, Mike Cooper, has pointed out that channels see hotels as a showcase. The business travelers' demographic that hotels cater to, is the very demographic that the news channels are seeking. Getting an exposure to this group leads to a greater likelihood of a cable subscription. CNNI appeared to be the leader in hotel room distribution.[42]

A different kind of strategic alliance was the one between the business news channels CNBC and ABN. Both were in competition for the same advertisers and for carriage on cable systems. They found that the market for business news was not large enough for both of them, thus competition drove them to this merger. The immediate result of the merger was an improved distribution network.

A channel's relationship with domestic governments is also an important factor in ensuring distribution. CNNI has managed to keep this relationship on an even keel. Although it can be critical of a government, its policy of offering the concerned government equal time to tell its story has stood CNNI in good stead and provided it with access and distribution in the region. When local broadcasters, often the government monopoly, are given rebroadcast rights to CNNI's signal, they are also given the right to edit or alter the material. For instance, the Indonesian government was given the right to edit CNNI signal which was carried on the Indonesian satellite Palapa.[43]

BBC World has refused to compromise its strict editorial standards, sometimes at the cost of distribution. For instance, in Malaysia Prime Minister Mahathir's government, fearing criticism, has stipulated that BBC

[42]"Room Service," Cable and Satellite Asia, Nov./Dec. 1996.
[43]Richard Parker, Mixed Signals: The Prospects for Global Television News. A Twentieth Century Fund Report, (New York: Twentieth Century Press), 1995.

World could be broadcast in the country only if it accepted a time delay. BBC World refused to these terms and as a result is not seen in Malaysia.

It is clear from this discussion, that there are numerous challenges to getting adequate distribution. In most respects, CNNI appears to be doing better than its competitors perhaps as a result of longevity in the market.

RESEARCH QUESTION 2:

How will change in competition influence the amount of product differentiation by international news services.

HYPOTHESIS 3

As competition increases, international news services will increase their product differentiation as seen by greater regional interest programs.

As defined earlier, an increase in the number of players indicates an increase in competition. Product differentiation is operationalized as news programming that is customized for the Asian market. Such customization could take one or more of the following forms -- stories that are relevant to the region, use of Asian anchors, language customization either by subtitles or by versioning.

Results

CNNI

In the early years in Asia, CNNI was very much an international news service with no plans of regionalizing its content. Vice President Peter Vesey explained his channel's position:

> "We want programs with an Asian focus, but not so exclusively Asian as to remain of interest only to Asians. For the time being, our belief is to be very international while highlighting and showcasing the stories that we think are important and can cover from Asia....There may be a case for regionalizing our service one day. In three

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to five years, having a CNN Asia and concentrating on Asia -- that's certainly possible."[44]

In 1995, CNNI strengthened its Asia operations by opening up a regional production center in Hong Kong. As part of the promotional exercise, three principal programs, including Larry King Live were broadcast live from Asia for the duration of a week. A half-hour current affairs program, Inside Asia, broadcast from Hong Kong, was launched.

Inside Asia was part of a two-hour Asia-focused block of prime time programming of news and information that included World News Asia, World Sport and Business Asia. The international programming included live breaking news and international features such as Global View, Diplomatic License, and CNN Presents. Apart from this there were also business news updates from the world's financial markets. Popular domestic feature programs such as Larry King Live, Showbiz Today, and Style with Elsa Klensch were included in the line-up.[45] Programming decisions and newscasts were made at the CNN center in Atlanta. In 1996 CNNI introduced another program from its Hong Kong bureau -- Asian Edition-- a 15-minute prime time review of the top regional stories.

CNNI followed a strategy of using a rolling prime time. Depending on the time of day, and the part of the globe where audiences would be the largest, the news content was modified. Thus, when it was prime time in Asia, news bulletins gave greater play to stories that originated in or were relevant to Asian audiences.

Like other international news broadcasters, CNNI had argued that it did not see the need for language customization, since its target audience spoke

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[44]"Asian Focus Yes, But News Will Still Reach Out to International Audience: CNNI," Straits Times, 24 March 1993.
[45]"CNNI Hong Kong Debut," South China Morning Post, 19 April 1995.

English. The only language customization was for Japan. However, the need to expand its audience reach led it to begin experimenting with subtitling. In 1995 CNNI began a 24-hour service with subtitles in Thailand, via ThaiSky TV. In 1996, a test project was set up in Taiwan to provide 10-15 hours of subtitled programming for shows that could be scripted ahead of time.[46]

The process was time consuming and laborious, particularly since Turner International wanted to retain absolute control over the editorial matter. Scripts were downloaded from the Internet by the Taiwanese distributor Videoland, and translated by them. These were then re-inputted and sent to Atlanta via modems, where the translation was checked for quality, time coordinated with visuals and then transmitted back to Taiwan over four satellites.

In early 1997, CNNI announced a three-year regionalization plan. The first phase took place in September, when CNNI split its feed into four separate feeds targeting different geographical regions -- Europe, Africa and the Mideast, Latin America and Asia. Up to this point, although CNNI had operated in four clusters, the programming on each had essentially been the same. The hope was that this new strategy would bring the channel closer to the audience.[47]

The separation into regional feeds would allow for more region-specific programming and would make it possible to better align the programming schedule to local time zones. The technology is such that when there is breaking news, a single switch can fuse the four feeds into one single feed.

Since 1996, CNNI had reduced its dependence on its parent CNN for programming. In early 1996, about 40% of CNNI's programming came from

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[46] Janine Stein, "Speech Therapy," Cable and Satellite Asia, Mar/Apr. 1996.
[47] Peter Elman. "CNN Gets Quartered as International Channel Splits," New Media Markets September 1997.

CNN. By the end of 1997, programming from CNN made up 20% of its schedule. The following year CNN's contribution was down to 10% with CNNI producing 90% of its own programming.[48] CNNI also began to look outside for programming. For the first time, an outside producer was used to provide a new program of international arts news, Art Beat. CNNI's Vice President, Chris Cramer stated, "That is the way we will be going, we don't have all the skills in house."[49]

The second phase of the regionalization initiative was to produce more regional programming. In 1998, CNNI announced that it would increase its Asian coverage, boost the number of hours of programming made and broadcast in South Asia from 2.5 to 5 hours a day. To accomplish this, the staff at the Hong Kong bureau were increased. The network planned to make significant changes in its programming schedule, and to add feature-style shows, more business coverage as well as non-news genre programming. New programs for Asia were Asia This Day, a half-hour morning round-up of leading regional and world stories and Asia's Power 50 (in collaboration with Time Warner's Asiaweek), a 30-minute show centered around the 50 most influential people in Asia.[50]

By 1998 the network had announced plans to launch four hours of Asian programming in the morning. The network offered 14.5 hours of Asia focused programming per week which was increased to 22 hours a week by May 1999[51]

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[48]Zach Coleman. "CNN fends Off Its Competition in Foreign Markets." Atlanta Business Chronicle, 18 August 1997.
[49]Zach Coleman, "CNN Expands its Viewership Around the World," Atlanta Business Chronicle.
[50]"CNNI to Boost Input from Asia," South China Morning Post, 21 October 1998;.Asia Pacific Television: Cable and Satellite, 1998.
[51]"More Asian Programs Planned." Bangkok Post, 26 November 1998 and Ringo Chan, interview with author.

Apart from regionalization, CNNI looked at developing "appointment viewing" in its audience, that is the having audience members choose one or two programs that fit their individual lifestyles. Programs such as Style, Travel Guide and Science and Technology were subtitled in Chinese to lend themselves to this kind of viewing. The channel began to look at developing more long form programmingas a way of retaining its audience for longer periods of time. It also sought to broaden its audience base to include more students and more female viewers.[52]

BBC WORLD

WSTV's European channel, which preceded its Asian sibling, carried a mixture of entertainment and news from the BBC's channels 1 and 2 in Britain. Early programming in Asia reflected the same mix. The plan was to develop a global news product that was devoid of any national identity.[53]

The WSTV Asian service was broadcast in English with Cantonese and Mandarin Chinese available on separate language tracks. WSTV customized its feed with a five-minute insert at the end of each news hour. The BBC claimed that these Asian bulletins received a favorable response and decided to strengthen these and to focus on subregions.

WSTV's strategy was to use the joint resources of its parent corporation, the BBC. With 250 correspondents around the world, it had the ability to provide greater depth of coverage than its rivals. According to Chris Irwin, WSTV's chief executive, WSTV had more material specially built for it than CNNI and their product was specially designed for an international market. He stated that 75% of WSTV's material was produced exclusively for international distribution and only 25% had already been shown on the BBC's

[52]Ringo Chan, interview with author.
[53]Pascal Privat. "The BBC's New Baby."

domestic services. In comparison, at that time, CNNI's output for an overseas audience was small .[54]

By 1995, the channel had been renamed BBC World and was established as a 24-hour news and information channel. It broadcast hourly news and weather bulletins as well as BBC documentaries and lifestyle shows such as Panorama, Horizon, Holiday and The Money Program.[55] By 1997, Asia-specific programming included the daily BBC Business Hour at 13:30 GMT, and the weekly half-hour India Business Report. BBC World also provided its viewers a comprehensive teletext service featuring program schedule, financial indices and share prices.[56]

Between 1994 and 1996, when BBC World was taken of STAR's northern beam and was thus unavailable in most of north and east Asia, the news channel focused its efforts on south Asia. The objective was to retain the market there and build on it. Once that position had been secured and BBC World obtained carriage on PAS-2, it turned its attention to east Asia.[57] Programming on PAS 4 was subtitled in Mandarin to target its 650,000 Taiwanese subscribers. Prior to being dropped from STAR's northern beam, BBC world had reached 1 million households in Taiwan, and the channel had ambitions of building up to that level once again. In Japan the network was translated for 65 hours a week for its 1 million subscribers which were expected to go up to 1.5 million in a year.[58]

With its satellite distribution in place, by 1997 the BBC was once again ready to develop a strategy for its Asian market. Mark Young, BBC World's

[54]Lewis Friedland, "Covering the World: International Television Services," (New York: Twentieth Century Press, 1992), p .30
[55]Asia-Pacific Television: Channels, 1995.
[56]Asia Pacific Television: Cable and Satellite, 1998
[57]Interview with Mark Young. Cable and Satellite Asia, Sept./Oct. 1997.
[58]"BBC Goes Regional," ASIAcom, 10 July 1997.

Managing Director stated that BBC World's "aim is to deliver a channel that the audience wants and to create a demand for it on the other end of the value chain, which would pull BBC World through cable and satellite distributors and deliver us ratings." BBC World made the decision to focus its marketing efforts around major events.[59] The first project The Last Governor, provided a behind the scenes account of Britain's last days of rule in Hong Kong. A program called Dynasty marked the 50th anniversary of India's independence.[60]

With the special coverage of the Indian independence anniversary, BBC World took its first steps at regionalization. It launched three India-focused shows which were locally produced: India Business Report Midweek, Question Time and Style. A special time band was introduced for India and the mideast at 10:00 p.m. every night. The objective of this regionalization was to increase sales and audience share and it is this programming that drives revenues and viewership.[61]

Airtime Sales Director, Jonathan Howlett pointed out that BBC World has extended the definition of regionalization beyond creating and playing programs for a specific region. It emphasizes the importance of promotions and he pointed out that, "creating opted programs it not the only way to regionalize. How you promote a program that is global to a particular audience is very critical." BBC World's strategy was to promote the same program differently to different audiences. A third dimension of regionalization that the channel considers is maintaining a relationship with the audience. One way that this is done is by switching from Greenwich Mean Time (GMT) to local time to announce the program schedule.[62]

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[59]Ibid.
[60]Asia Pacific Television: Cable and Satellite.
[61]Interview with author, London, 18 May 1999.
[62]Ibid.

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BBC World's programming is a mix of news which is broadcast on the hour followed by a half hour of long form programming. There is a limited amount of programming that is directed to Asia, aired when Asian audiences are expected to be the highest in the day. The World Today newscast that is broadcast at 2:30 p.m. GMT looks to find a strong Asia lead. Asiafile which is a part of the World Today carries the best stories from all of Asia. Asia Today is a current affairs breakfast program that consists of analyses, previews, and features.[63] The importance of long form programming is that viewers stay with the program for its duration, a tactorknown to be important to the advertisers.[64]

ABN

ABN's programming consisted of news and analysis of the region's many financial markets, companies both large and small, investments and coverage of major political developments in the region. From the outset, ABN's emphasis was on providing regional programming that would be of interest to its audience of business people and executives in the region. Its focus on business and economic news in the region was illustrated by its decision to cover the APEC summit in Indonesia in 1994.

A year after it began operating in Asia, ABN expanded its business coverage from 18 to 24 hours. 1995 proved to be an interesting year. CNBC entered the Asian market offering head-on competition in the business news segment. The effect of this competition was to make ABN to step up its efforts to introduce a livelier presentation style and improve its programming quality. It planned to add live business news with updates from European

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[63]Rita Payne, Editor, Asia Today, BBC World, interview with author, London, 20 May 1999.

[64]Jonathan Howlett, BBC World.

financial markets. "Competition is a great catalyst," said Managing Editor, Chris Graves, commenting on ABN's programming changes.[65]

In the months prior to the inception of CNBC, ABN launched a live global business news show which linked ABN with its center in New York and sister channel EBN in Europe. Once accused of being good radio, it tripled its on-location story count. Live news broadcasts, at the top of the hour, were also added. Yet executives pointed out that the Asian emphasis would not be reduced. Chris Graves characterized the difference between the two channels in this way:

> "The competitors philosophy is one that it is a financial markets channel which will shift with the sun as the markets open. ABN on the other hand will stay in Asia and bring in from Europe and the US news that is relevant to Asia as and when it happens."[66]

As part of its efforts to strengthen its programming ABN launched a weekly program called Business USA, a 30-minute magazine show that aired on weekends and provided viewers with the opportunity to catch up with the week's news.[67] The need to go beyond upscale demographics to be financially viable was made clear by Graves' comment that, "Knowing how much to customize for certain markets is becoming the catch phrase among regional television broadcasters for '96. If you are looking for a huge, broad base audience that includes lower demographics -- you better customize and customize idiomatically."[68]

The launch of a separate channel for India, ABNi, that carried more local content and provided an opportunity for local advertising reiterated ABN's emphasis on regional programming. In order to localize the content,

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[65]Janine Stein, "Information overload," Cable and Satellite Asia, July/Aug. 1995, p. 24.
[66]"ABN Sharpens Programming," South China Morning Post 8 February, 1995, p. 9.
[67] Ibid.
[68] "Talking Business," Indian Express, 2 June 1996, p. 5

eighteen bureaus were set up all over the country. During India specific primetime, a chunk of basic programming from Singapore was removed and replaced by programs created specially for the Indian audience.

From 9 p.m. Monday to Friday, ABNi broadcast programs such as India Business Day, South Asia Report and Asia Talks. The emphasis was on local coverage with a regional and global perspective. India Business Day primarily broke news from the Bombay stock market, covered developments in the hi-tech computer sector from Bangalore and reported on the central government's policies. South Asia Report concentrated on news and analysis form India, Pakistan, Bangladesh and Sri Lanka. The third show, India Talks, was a talk/discussion show that examined trends in the Indian business environment with corporate leaders, investment analysts and government officials. The entire programming was done from New Delhi, with ABN Singapore retaining total editorial control. By the end of '96, the number of local programs had increased to six and ABNi claimed a reach of 2.8 million households.

In late 1996, ABN entered a joint venture for distribution in Japan. ABN owned 70% of ABN Japan. Plans included dubbing and subtitling prerecorded programs with the possibility of later using Japanese graphics.

CNBC

NBC launched CNBC Asia as a 24-hour global business news channel. CNBC planned to attract Asian audiences by following the money wheel from Asia to Europe and the US. The channel offered live, day-long coverage of Asian stock market news, followed by an Asian market wrap up. It then switched its focus to Europe with CNBC Europe, followed by live broadcasting from the US. Along with this, CNBC also carried live programming such as The Winners, a daily, half-hour show about corporate leaders. The initial program line-up also includ

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included a magazine format program, Money, Money, Money, which taught viewers how to invest their money.[69] The plan was to provide 12.5 hours of original Asian programming. The channel's prime differentiating factor was its global coverage.[70]

In 1996 CNBC announced plans to customize for key markets.[71] The business news channel had added three language feeds -- Mandarin for Taiwan, Mandarin for China and a separate feed for India. President and CEO of NBC Asia, S. K. Fung identified the different approaches the NBC channels would take in order to make them relevant in key markets. CNBC would produce in the local language (using subtitling or dubbing), timeshift to suit local viewing tastes and package the programs to alter the look and feel of the channel.[72]

In April 1996, CNBC launched the Global Finance Channel in China as a coproduction effort with GuangZhou Cable TV (GZTV). The Global Finance channel was a delayed broadcast of the CNBC Asia channel with a Mandarin voice over. The local partner was also allowed to select programs, dub them into Mandarin and insert them into the channel.[73] The coproduction allowed it to overcome the tight restriction on foreign broadcasters in China.

For Taiwan, the programs were dubbed in Mandarin. In April 1997, CNBC switched to using Chinese subtitles for the previously dubbed programs. In January 1998, the channel took the localization approach even further when it signed an agreement with Eastern Television of Taiwan. The channel

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[69]Janine Stein, "Information Overload."

[70]John Frank-Keyes, "Channel Covers Business All Day," South China Morning Post, 26 April 1995.

[71]June Teng, Director of Programming CNBC, quoted in Helen Johnstone, "Asian TV Companies Take Lead in Local Content," Asian Business, October 1996.

[72]K. F. Kwong, "American Peacock on Chinese Soil."

[73]Helen Johnstone, "Asian Companies Take Lead."

was renamed ET-CNBC Television and carried 10 hours of local programming.[74]

Apart from different language feeds, stock market tickers led the localization program with a plan to develop market specific tickers for Taiwan and India. This customization hinged on NBC's presence on different satellites allowing the channel to "pick and choose what we want to do on a regional basis where everyone gets the same program, and what we want to customize.[75]

In 1996, claiming that audiences were asking for more international programming, CNBC dropped its Asian feed in favor of live feeds from European Financial Markets[76] In March 1997 CNBC decided to add two local shows to its program line-up in Asia. The hour-long, local programs were Talk of Asia and Morning Call. In addition two US shows, CNBC World Briefing and Bull Session were also added to the program line-up. In July 97, a program called Inside India was launched on the networks' regional feed. The 30-minute show was produced in conjunction with their production partner IGE (India), a subsidiary of GE, as part of Money Wheel.

Initially, CNBC had won praise for its production quality and global coverage. The resources invested by NBC gave it an edge over ABN. However a year after it went on the air, critics found that the channel lacked a clear focus. Its programming included a mix of Asian, European and US coverage and ranged from personal finance to breaking market news.[77]

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[74] Ibid.
[75] S. K. Fung quoted in "Basic Instinct."
[76] South China Morning Post, 4 March 1996,p 6.
[77] Mark Clifford and Elizabeth Lesly, "CNBC Adjusts its Dials," International Business Week.

Discussion

The early programming of the international broadcasters CNNI and BBC World exhibited little regional content. Janine Stein, editor of Cable and Satellite Asia says," When they started no one was regionalizing. Now we are seeing a more regional take on news."[78] When they began broadcasting in Asia, both BBC World and CNNI tried to benefit from economies of scale, using the parent company's newsgathering resources to produce and existing product to fill the schedule. Each had one domestic product and one global product. Their expectation was that the power of the brand name would be strong enough to draw audiences.

Initially, the international broadcasters had focused on establishing good distribution networks. But a few years into their operations came the realization that reach alone did not ensure viewers. By the second half of the decade, each of the international broadcasters had begun steps toward regionalization of content. Content that was more regional was seen as a way to increase viewership and to broaden the audience from executives and international travelers to the A and B class households.[79] Advances in technology, that make it relatively simple to split a satellite feed helped the trend towards localization. As broadcasters switched to digital compression technology, it became easier to divide the beam and provide multiple channels.[80]

It becomes clear that market structure, as measured by the number of players, had an impact on their conduct in the form of greater regional content. As competition increased, more regional content was offered. The

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[78]Interview with author, London, 20 May 1999.
[79]A and B households are standard classifications used by market researchers and refer to the top socioeconomic strata of a society.
[80]Helen Johnstone.,"Asian Companies Take Lead."

effect of the changing market structure in the form of increased competition can be seen on the amount of regional programming offered. The different players' response varied in degree, determined partly by their own resource structure, partly by the place they saw for themselves in this region.

CNNI's customization included content that was regional and originated in the region, the use of local on-air talent and language customization in the form of subtitling. The first step towards regionalizing its content were taken when it set up its production center in Hong Kong in 1995. It is interesting to note that this step was taken two years after ABN was launched and around the time that NBC's business channel CNBC went on the air. The splitting of feeds into four in 1997, allowed CNNI to regionalize their product further and to provide more programming targeted to Asian audiences.

Thus, CNNI's steps toward regionalization in the form of programs originating in Asia, and language customization came in response to the increasing competition in the market. There has been a growing recognition of the fact that English though widely understood in the region, is not the preferred language for television viewing. In Singapore, English is widely used in the workplace but English channels do not earn high viewership figures.[81] In Taiwan, English literacy is at 5%, thus making language customization very important.

In 1997, CNNI took its regionalization initiative further, increasing the programming originating in Asia to 14 hours a week. Vice President, Programming, Rena Golden emphasized that "we don't want to stray from CNN's primary goal which is to being the world's news leader. But we also recognize that we have to offer the audience certain things at certain times of

[81]Owen Hughes, Pay TV in Asia: The Market Opportunity, (London: FT Media and Telecoms, 1997).

day when we have a larger viewership."[82] However, the benefits of this regional approach are yet to be assessed. BBC World's Howlett cautioned, " Given the size of the audience in Asia Pacific, can CNNI recoup the costs of regionalization? You need to look at how quickly you can recoup your costs."[83]

BBC World took longer to regionalize and included limited content regionalization and some language customization for the Greater China market. One reason for its limited regionalization was that it saw itself as an international news channel and defined the Asia Pacific market as a pan-regional one. The other reason was resources. The channel has to be careful with its cost base not to spend huge sums of money developing regional business plans.[84] Although holding on to the pan-regional strategy in Asia Pacific, it has seen the need to capitalize on its strength in India by creating a special India time band in prime time. "You need to spend money to keep away from the opposition or to stay ahead."[85] It chose to adopt a strategy that would enhance audience share in a market where CNNI had failed to make significant inroads.

Compared to BBC World and CNNI, ABN positioned itself as more regional to begin with. Product differentiation at ABN took the form of content that was regionally relevant and the use of local talent. Language customization was used less. Initially this, and the fact that it was a business news channel seemed sufficient to distinguish itself from its competition. But when CNBC entered the Asian market, ABN felt the need to increase its audience base. One way it tried to do this was by launching a separate feed to India with programming that centered on that market.

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[82]Interview with author, Atlanta, Feb. 2, 1999.
[83]Jonathan Howlett, BBC World.
[84]Ibid.
[85]Ibid.

CNBC's product customization emphasized both language customization and regional content. CNBC made a major effort to gain a foothold in the greater China region by dubbing and subtitling programming to make it more accessible to local audiences. Between eight to twelve hours of programming was produced for the region, stock ticker were customized to represent major financial markets in Asia. As ABN's closest competitor, CNBC followed a similar strategy of creating a separate feed for India and S. Asia.

CNBC found itself faced with disappointing revenues and had to cut back expenditures, thus it was not able to live up to its promise of a world quality product. The two business channels finally decided that the market was not large enough for both of them, and merged.

Thus over time all the channels recognized the importance of more regional product and attempted to provide it based on the resources at their disposal.

RESEARCH QUESTION 3

A news channel's appeal in different Asian countries will be linked to the ties of those countries with the channel's home country.

HYPOTHESIS 4:

International news services will be market leaders in those Asian countries where their home country has cultural or historic links.

Market leadership is defined as having the highest viewership among the news services. Cultural and economic ties will be operationalized as follows: whether a country is was an ally of the US or UK, whether there are US army bases and whether there are strong trade ties with the US. Countries that were part of the British Empire will be classified as having ties with the UK. BBC World's home country is the UK, CNNI and CNBC are both US corporations. ABN, although owned by US corporations, TCI and Dow Jones, presented itself as a Asian company.

Results

The five countries we looked at in Chapter 5 are China, Hong Kong, India, Singapore and Taiwan. Of these, China cannot be considered, since penetration of international news services is restricted and ratings for international news services are neither easily available nor representative.

Hong Kong, though now a part of China, for most of the period of this study, was a British colony. Therefore it is interesting to examine whether news viewership follows the expected pattern. Monthly viewership figures for July to December 1997 show CNNI to be the leader among news providers with 111,000 households per month watching the channel. BBC World was a close second, with viewership in 106,000 households per month. CNBC was in third place with viewership in 58,000 households per month and ABN with 32,000 households was in last place.[86]

In India, which has strong historical ties with the UK, BBC World led the competition with 73% of decision makers picking it as the channel watched the previous week. Over 60% of the top income earners rated it as their favorite news channel.[87]

In Singapore which was once part of the British Empire in Asia, CNNI was the market leader with viewership figures of 176,000 households per month for the July to Dec. 1997 period. BBC World was in second place with a

[86] A.C. Nielsen CabSat Asia, July-Dec. 1997, Monthly Viewership, Hong Kong.
[87] ORG-MARG 1997 Decision Makers Survey, national sample.

viewership of 146,000 households. ABN with 48,000 households was ahead of CNBC which was seen by 10,000 households per month.

Taiwan has strong political and economic ties with the US. In Taiwan it is the local channels that draw the highest audiences. Of the international providers, CNNI has the highest viewership.

Discussion

Based on the evidence presented above, we find that hypothesis 4 is only partially supported. Although countries such as Hong Kong and Singapore were British colonies and therefore predicted to prefer BBC World over CNNI and CNBC this is not the case. In both these countries CNNI is the market leader.

From the outset, CNNI made it clear that the market it was catering to were the countries of E. Asia. That is where a large part of the revenues came from in the early years, and that continues to be where their main thrust remains.[88] BBC World lost ground in E. Asia when it was removed from STAR's northern beam and absent from E. Asia for almost two years. Distribution arrangements had to be built from the ground up. Historical factors do not appear to be strong enough to overcome these disadvantages.

In the case of India, we do find support for the hypothesis. BBC World is watched more than CNNI, CNBC and ABN. BBC World's historical ties were a big part of its early success in India. BBC World Service Radio had very high credibility and audience support in India. However, as BBC World's Colin Lawrence points out, the BBC has taken steps to build on this advantage. "It doesn't make sense to overestimate the role of heritage. BBC World's programming is what Indian audiences are looking for , and that is why it is

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[88]Rena Golden, VP Programming, CNNI.

popular."[89] It was because of this that BBC World was able to ensure carriage for itself on the 'prime band'.[90] .

Another mediating factor was that BBC's resource commitment to India is greater than for any other Asian country. BBC World's bureau in New Delhi is one of the seven hub bureaus around the world. It is the nerve center of newsgathering in south Asia. Its coverage of India is detailed and up to date. The Indian elections are covered in great depth.[91]

It is important to remember that BBC World first steps toward regional programming focused on India. Using the 50th anniversary of its independence it established an India specific programming time band in its schedule. It was the first foreign broadcaster to commission locally produced programming. Currently, four hours a week are dedicated to locally produced programming.[92]

In Singapore, ABN fared better with viewers than CNBC. One possible explanation could be that viewers preferred the "local programmer" over the US owned CNBC. Also, ABN was based in Singapore and might have generated some loyalty from viewers..

CNBC had a higher viewership than ABN in Hong Kong. In keeping with the argument that viewers prefer programming that is relevant to them, it was expected that ABN would do better in the greater China region. However, CNBC had expended a lot of resources on establishing itself in the greater China region, using language customization and regional programming. This, perhaps helped it do better than its rival ABN. Also, there was competition between CNBC and ABN for carriage on cable systems, and this could be a factor that explains the different viewership levels.

89Telephone interview, June 1999.
90The majority of television sets in use in India can receive between 8 and 14 channels. A high channel placement is critical to being able to reach as many homes as possible
91Menaka Shivdasani, "BBC World in India," Business Line, 17 December 1998.
92Ibid.

RESEARCH QUESTION 4

Is market entry timing important in conferring a competitive advantage?

HYPOTHESIS 5

Although the first entrant in the Asian market, CNNI will not retain its first mover advantage in every country in the Asian market.

First entrant refers to the first player to begin operations in the market. CNNI was the first international news service in Asia, when its signal became available in parts of the region in 1989. The first mover's advantage is operationalized as being a market leader. The channel with the highest audience ratings is considered a market leader.

Results

In 1994, the Asian International Air Travel Survey (IATS), that examined media usage among business travels added satellite channels viewing patterns to their questions. The survey, conducted at regional airports, was repeated every two years.

Table 1

International Air Travel Survey

% Who watched the channel the previous day.

	1994	1996	1998
CNNI	35	25	30
BBC World		12	13
CNBC		9	8.5
ABN	–	4	–*

*ABN had merged with CNBC thus separate viewing data is not reported.

CNNI was listed the most as the channel watched the previous day. It did see a drop in reported viewership in 1996, but it was still the market leader. BBC World and CNBC's viewership remained about the same between 1996 and 1998.

In 1997, recognizing that it was in their interest to get viewership data for the region, a number of satellite channels collaborated to underwrite the first Pan Asian Cross Media Study (PAX). The study covered six cities -- Taipei, Hong Kong, Bangkok, Jakarta, Manila and Kuala Lumpur -- and was supported by CNNI, ABN, Discovery, NBC Asia, STAR TV and the magazine Asian Business.

The study, conducted by Asian Media Intelligence(AMI) used a phone survey methodology and had two samples, Business Decision Makers (BDMs) and Affluent households. Business Decision Makers were defined as being 25-64 years old, in charge of a department employing 10 or more people, with a monthly income of $1,950 or more. BDMs comprised 5% of the population in Asia. Affluent viewers were individuals aged 18-64, in homes where the monthly income was above $3,200 and they comprised 18% of the population.

The PAX survey did not include two major Asian markets, India and China. The exclusion of India particularly hurt BBC World which had a strong presence in S. Asia. At the time of the PAX study, BBC had been reestablished in E. Asia for only a year and was in the process of establishing its distribution network in that region.

The PAX study was criticized on a number of counts. One criticism was that it was not representative of the region. According to one industry analyst, the PAX study only covered 1.6% of the region, and in order to cover the Asian market it needed to split the market into four regions., China, India, Taiwan and S. E. Asia.

Another shortcoming of the study was that it did not convey the information in which advertisers were most interested: Who was watching and at what time. Others criticized the use of telephones, pointing out that in areas of low telephone penetration, the results would be compromised; and emphasized the fact that phones were not as reliable as electronic measures. In Taiwan, audience levels for some channels were several percentage points higher than shown by Peoplemeter results.[93] In response to criticism that the affluent response base would not be relevant to many advertisers, AMI director Peter Snell countered, "Look at the people who advertise on regional TV -- they're not Colgate -- they are high end and they are looking for high end viewers."[94]

Despite its shortcomings, the PAX study was one of the first studies to use the same methodology in different markets and provide data for the region. The results from the study are summarized below.

Table 2

PAX 1 1997

Favorite cable and satellite channels. (%)

	BDMs	AFFLUENTS
CNNI	32	24
BBC World	7	6
ABN[95]	4	3
CNBC	2	1

93 ASIAcom, 14 October 1997.

94 "Doubts Dog AMI Survey," Asian Advertising and Marketing, 18 April 1997.

95 The very low numbers for ABN and CNBC in this and the following table seem to indicate that these channels are not really comparable to CNNI. See discussion of possible umbrella model of competition in Chapter 6.

Table 3

Most often watched cable and satellite channel in the last 7 days.

	BDMs	AFFLUENTS
CNNI	21	14
BBC World	7	5
ABN	5	3
CNBC	2	2

CNNI, chosen as the favorite channel by 32% of the Business Decision Makers and 24% of the affluent sample, was the market leader. Although fewer respondents in both samples reported watching it the previous week, it remained the market leader among the news services. BBC with an average of about 6% saying it was their favorite channel and the one watched most, was far behind CNNI in second place. ABN was in third place and CNBC in fourth on both counts.

Despite reservations about the methodology, sample and choice of cities, the survey was repeated the following year. This time a seventh city, Singapore, was added to the study. By this time, the ABN-CNBC merger had taken place.

Table 4

PAX 1998: AFFLUENT SAMPLE

	Past 7 days viewing of a cable or sat. channel.	Favorite cable or satellite channel
CNNI	27.2.0%	24.1%
BBC World	10.1%	6.5%
CNBC-ABN	17.0%*	3.2%

* This high figure could be the result of adding the figures for the two separate channels if part of the data was collected before the merger and part after.

The second PAX study once again found CNNI to be the favorite satellite channel with 24% of the affluent sample picking it. BBC World's relative and absolute position was also unchanged. The combined business channels were chosen by 3% of the affluent sample as a favorite channel.

The second PAX study revealed the same pattern as the previous one. More people named CNNI as their favorite channel than reported viewing it the previous week. While the percentage of people who chose BBC World as their favorite channel remained the same over the two studies, there was an increase in the percentage of respondents who had watched the channel the previous week. Although only 3% said they had watched ABN-CNBC the previous year, 27% claimed to have watched the channel the previous week, placing it higher than its competitors.

Since the PAX surveys did not cover BBC World's largest market in Asia, India, audience research conducted within India is examined to understand how the channel was performing there. The ORG-MARG 's Decision Makers media survey 2 (1997-98) conducted in major Indian cities found BBC World to be the most popular channel among India's elite. About 3 out of 4 respondents (73%) said they had watched the channel every week. BBC World was the favorite news channel of half the respondents.

Results from the Cable and Satellite Television Asia Survey (CabSat Asia, 1998) confirmed that CNNI remained the top international cable and satellite news or business news channel for reaching professionals, manager, executives and business people (PMEB) across the region. CNNI has the highest viewership on a 'viewed yesterday', 'past seven days' or 'past month' basis. The study was carried out using interviews among adults 15 and older in

China, Hong Kong, Indonesia, Malaysia, the Philippines, Singapore, Taiwan and Thailand.[96]

Discussion

Data from the different audience surveys presented above clearly show that CNNI was the market leader in the country's surveyed. The only exception to this is India, where BBC World led with the audiences. Thus, there is partial support for the hypothesis that CNNI would fail to retain its first mover's advantage in Asia.

The literature on first mover advantage points out a number of circumstances under which this advantage does not materialize. However, CNNI was able to gain an advantage and hold on. It was able to benefit from the worldwide branding of its parent corporation. It established good distribution networks that took it into the most homes and hotel rooms. BBC World's two year absence from the region proved advantageous to CNNI which was able to develop a loyal following.

India was the only country that was an exception to CNNI retaining its first mover advantage. Programming in Asia is challenging because of the time zones. India is two and a half hours behind Hong Kong. In concentrating on the Far East and following its rolling prime time strategy, CNNI programs were scheduled to match prime time in the East Asia. Programs like World News Tonight aired at 5:30 p.m. on the Indian subcontinent. Contrary to repeated claims that India is a market that will be getting greater attention, CNNI continued to focus on E. Asia. CNNI's resource commitment in India

[96]"CabSat Survey Says CNN Int'l is Top News Channel in Asia, Business World, 5 July 1999, p. 24.

has been minimal. The New Delhi bureau consisted of a single journalist. For a period of time in 1998, there was no correspondent based in India.

In the early years of its operations, the CNNI signal was not received well in India. In contrast, BBC World was part of the STAR bouquet of channels till 1996. This gave it reach into every cable homes as the STAR channels were first to be picked up by cable operators. With CNNI not having uniform reach in India, BBC World had the first mover's advantage.

In India, BBC World benefited from both historical factors and economies of scope. BBC's World Service radio has a large audience there. This audience was carried over to its satellite channel. BBC World was able to shape the audience's preferences with a news style that was markedly different from CNNI. CNNI was often perceived as superficial and repetitive. BBC World's long form programming won audiences and helped to prevent frequent channel switching that takes place during news bulletins.[97]

REVENUES

Revenues for satellite channels, another indicator of performance, came from two main sources -- advertising and subscription. Obtaining systematic data on revenues for the four news channels was difficult. None of the four broadcasters declare their revenues. Even when revenue figures are offered, they are often not broken out by region, making it difficult to estimate the revenues generated in Asia, as opposed to other regions. The only data available was from analysts and press reports. Hence there are gaps in the data. Also, in some instances, estimates differ considerably.

[97]Jonathan Howlett, interview May 18, 1999.

Despite their impact on domestic broadcasting in terms of content, the satellite broadcasters impact on advertising spending was marginal. In 1995, spending on pan-Asian satellite TV was estimated at $120 million, equivalent to 1% of TV budgets. The news channels' share of this was an even smaller amount.[98] As cable networks grew and broadcasters tailored their programming for specific audiences, spending on TV was expected to increase. However the currency crisis resulted in a 20% drop in TV revenues in the region. Revenues which were up by 12% in '97 at $322.2 million dropped by 20% to $256.9 million[99]

Total advertising revenues for cable and satellite for 1999 were estimated at $250-300 million, with 90% of that coming from Taiwan.[100]

There is a large differential in television advertising per household in the different countries in the region. The average television advertising expenditure per household was $56. That covered a range from $5/households in India to $398/households in Hong Kong.[101]

In general, product categories such as luxury goods, banking and finance and corporate advertising used satellite television channels as advertising vehicles. However, these channels had difficulty in persuading consumer goods manufacturers to allocate their advertising budgets to them.[102]

What is quite clear is that till 1996, none of the channels were making money on their Asian operations. In 1997, CNNI was the only channel that was profitable in Asia. At the time of their inception, most channels had

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[98]Nicole Dickenson, "The Explosion of Asian Satellite TV." Campaign Report, 7 June 1996, p. 6-8.
[99]Campaign, April 9, 1999.
[100] Normandy Madden, "Growth a Challenge for TV in Asia; But Beverage Giants, Telcos and Computers Keep Expansion Going," Advertising Age International, 22 February 1999.
[101]Analyst's estimate: Baskerville Communication Corp., 1997.
[102]Niclole Dickenson, "The Explosion of Asian Satellite TV.".

expected to reach break-even in five years. A couple of years into their operations, most players had extended this horizon out further.

CNNI

In 1992, revenues from the international service reached $70 million, accounting for 15% of the total revenues of $536 million. Most of the advertising revenues originated in Hong Kong and Singapore where most multinationals were based.[103]

Advertising revenues were up 50% in '93 and 65% in '94. In 1994, revenues were $66 million of the $240 million profits of CNN. Costs were $46 million of $427 of CNN costs.[104] (The Economist had different figures: CNNI advertising revenues in 1994 were $44 million, as compared to $ 4 million in 1990.) Yet Ted Turner was cautious about the prospects for his channel in Asia, recognizing that CNNI's profitability was partly due to synergies with its US parent company. Referring to the increasing number of satellite delivered channels in Asia he said," The more there are, the harder it will be to make money."[105]

CNNI's global revenues for '96 were $163 million. Asia accounted for 29% of CNNI's revenues, approximately 47 million. Its major revenue sources were Thailand, Taiwan and Japan, a result of lucrative advertising contracts.[106] Despite the Asian crisis, CNNI's revenues for the region increased 100% for the first half of 1998. CNNI's senior vice president for Tuner International's sales said this was a demonstration of the fact that "advertisers tend to stick with proven brands."[107] Overall, revenues for 1998

[103]Peter Furhman, "All News Orgy Anyone?" Forbes, 22 November 1993, p. 54-60.
[104]Asia Pacific Television: Channels, 1995.
[105]Wall Street Journal, 25 March, 1994.
[106]Asia Pacific Television: Cable and Satellite, 1998.
[107]"CNNI's Asian Ads Up," Daily Variety, 6 July 1998.

showed a 12% increase over the previous year and this was attributed to the succes of the channel's regionalization strategy.[108]

BBC WORLD

In 1992, the first year of its operation in Asia, BBC WSTV lost $3 million on revenues of $22 million. These figures are for the entire operations of BBC WSTV. In Asia, WSTV led with audiences and revenues.[109] In 1993/94 BBC World suffered losses of $7 million partly due to the removal from the northern beam of Asia Sat-1. Losses dropped to $6 million for 1994/95.[110] At the time of its international launch, the cost of producing a single half-hour news broadcast was about $12 million.[111]

In east Asia (Indonesia, Japan) subscription revenues were the main revenue driver. In South Asia, BBC World is free-to-air, so there is no subscription revenue. Advertising revenue is the only source of revenue for the major market in the area, India. Although BBC World made a loss of GBP 15.6 million in the 1998-1999 financial year, losses were down 36 %. Advertising revenues in Asia had increased significantly and were expected to double in the next financial year.[112]

ABN

ABN is estimated to have spent $20 million on setting up the channel. At the time of its launch general manager Paul France made it clear that the channel was not expected to recover these costs in the short run. The main revenue source would be advertising, subscription would be developed as a revenue source at a later date. Ultimately, it hope to achieve a 50-50 split between

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[108] Al Campbell, "CNNI Increases Asian Programming to Boost Regional Presence," South China Morning Post, 31 May 1999.

[109] Forbes, 22 November 1993.

[110] Asia Pacific Television: Channels, 1995.

[111] "BBC to Launch World Service Television."

[112] Gurbir Singh, "Beeb Makes BBC World Key to Global Plan."

subscription and advertising revenues. However this aim was never achieved, and the channel found itself relying on advertising as a primary revenue source.

ABN's advertising strategy was to offer cross-media advertising through Dow Jones' 50% holdings and excerpt arrangements with some terrestrials such as Hong Kong's TVB. Advertisers who also used sister channel EBN were given a 10% discount. Advertisers who used Dow Jones-owned print media , The Asian Wall Street Journal and the Far East Economic Review got a 20% discount as long as they had bought a certain minimum of ABN air-time. Apart from volume discounts, the channel also offered advertisers discounts on its Indian channel, ABNi.

The channel's Asian orientation made it a suitable vehicle for companies such as Singapore Airlines which were seeking to convey an Asian image.[113] The entrance of CNBC into Asia brought greater competition for audiences and advertisers.

CNBC

Start up costs for the new network were estimated to be in the tens of millions of dollars. According to one estimate, NBC was believed to have spent $150 million on the staff studios and satellite transponders needed for CNBC and NBC Asia. At its launch it reported advertising deals with multinationals like Cathay Pacific, British Airways, AT&T and Sprint. The channel expected to suffer losses of about $10 million per year for five years and break even by the year 2000.[114] A year after its inception, CNBC revenues were far below expectations and costs were way over budget.[115]

[113]Louise Lucas, "Business Television in Asia Receiving Mixed Signals," The Financial Times, 11 December 1997.
[114]Multichannel News, 26 June 1995, p. 44.
[115]Mark Clifford and Elizabeth Lesly, "CNBC Adjusts its Dials,"

Revenues for 1997 dropped 4% compared to the previous year, instead of picking up as predicted by CNBC. The difficulty in earning revenues was a major factor that lead to the merger of CNBC and ABN. The two channels would no longer be competitors for the same advertisers. Advertising revenues for CNNI and CNBC from 1996-98 are presented in the table below.

Table 6

TV advertising revenues in Asia, 1996-1998 in $000.[116]

	'96	'97	'98
CNBC/ABN	46,518	44,562(-4%)	35,848(-20%)
CNNI	45,415	30,8039(-32%)	37,472(22%)

In India, the merged channel was able to meet its advertising target for the whole year in less than six months. The 1997 advertising revenues in India crossed $30 million, compared to combined revenues of $40 million the previous year. The merger helped to consolidate the advertiser base that both channels were competing for. Major advertisers included IBM, Intel, Daewoo, Liberty and Maruti. The advertising volume increased from 4-5 clients at the beginning of the year to 45 by early 1999. Prime time advertising rates were increased from $40/10sec to $150/10sec.

Discussion

An average satellite channel has expenses of about $20 million per year.[117] Thus, in order to make a profit or at least break even, revenues would need to

[116]Reported in Campaign, 9 April 9, 1999, compiled by Mind Share, Hong Kong.
[117]Estimate by analyst at Baskerville Communications Corp.

exceed that. Until 1996, none of the satellite news channels are breaking even. In 1997, CNNI announced that it was profitable in Asia.

In Asia, of the two revenue streams advertising and subscription, the former has proved to be the main revenue source. One of the reasons for this, is that satellite dishes do not have a high penetration level, leaving distribution in the hands of cable operators.

Cable operators chronically under report subscribers in order to avoid paying higher fees to the channels. Cable operators have difficulty passing on channel subscription fees to the subscribers who are sensitive to price increases. Cable subscriptions in Asia are among the lowest. The Asian audience is resistant to paying for television, and also watches less television than their American counterparts. "There has been a 40-year tradition of having government controlled broadcast TV that is informative, instead of entertaining, in most Asian countries. This information spin has not lent a lot of interest in TV amongst local viewers in a great many markets." [118]

Disappointing revenues have had to do with the fact that advertising revenues have been below expectation. International satellite channels rested on the assumption of a pan-regional market for goods and services that would use regional media to advertise their products. BBC World, CNNI , ABN and CNBC had all hoped to capitalize on the growing Asian middle class that was consumption oriented. However, for the most part advertising revenues for satellite channels have not met these expectations. A number of different explanations have been offered.

Colin Lawrence of BBC World questions the existence of this 'Asian middle class'. "The premise was that there would be this large group of people,

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[118]Ted McFarland, former President of Turner International Asia-Pacific, quoted in Owen Huges, "Asia's Reality Check," Multichannel News International Supplement, Sepember 1997.

described as the Asian middle class, leading certain lifestyles, who would become consumers. Anyone who has an in-depth knowledge of the region would know that isn't true except in one or two markets like Hong Kong or Singapore."[119] The size of the markets is considerably below projectionsthat were made DBS TV was launched. Then, there was talk about 560 million homs that had the potential to be satellite homes with a growth rate between 20 and 30 percent, but these numbers have not materialized.[120]

Kate Stephenson, client services director at Carat Hong Kong identified two factors for DBS' failure to pull in advertising budgets. One, was that many multinationals were not evenly distributed across Asia, and not strong in every market. Often there was a mismatch in the strength of satellite TV broadcasters and the strength of advertisers. Two, not all clients have regional headquarters and a regional budget. In such cases, satellite TV's advertising budget is taken out of local budgets. Justifying this on a cost basis becomes difficult because the numbers for satellite TV are small.[121]

The lack of audience data and research that showed who is watching which channel was a factor brought up repeatedly. In the early years of operation satellite broadcasters emphasized their distribution and the homes reached. But this was not enough for advertisers to commit a part of their budget to these channels. Jonathan Howlett points out that, "BBC World now focuses on increasing viewership rather than distribution alone. There is a movement towards a more detailed and audited market. Accountability is even more critical, the accountability of a channel to drive and gain viewership."

[119]Telephone interview with author, June 1999.
[120]Owen Hughes, "Asia's Reality Check."
[121] Quoted in Nicole Dickenson Ibid.

As more audience research becomes available this should no longer be a factor holding back advertisers. By 1996 Peoplemeters were being used in a number of the Asian countries. But the availability of ratings figures brought other problems. In almost every country in Asia, the international channels have been outranked by local channels. "...to get significant advertising revenues, you need ratings and that just hasn't happened with any of the channels. None of them have demonstrated an audience comparable with how local channels perform."[122]

Yet another factor limiting advertising on the satellite news channels was that even in the case of advertisers who have a regional budget and operate throughout the region, a pan-regional strategy was not preferred. These budgets are deployed country by country. The kind of advertising that crosses boundaries most easily is corporate image advertising.[123]

Product promotions don't always work across boundaries, brand names differ between markets and rollout times vary. Coca Cola, though sold throughout the region, has different advertisements for different countries, often in the local language. Another factor is that advertising regulations vary from market to market. For example, in Malaysia, a government directive stipulates that all commercials aired in that market use local talent. This excludes it from any pan-regional advertising. In the Philippines, cable channels were only allowed to run advertising from 1997 onwards. Most of the advertisements cable networks ran prior to that were run illegally. Cable operators sometimes had their own agenda. In Taiwan, which has the highest

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[122]Colin Lawrence, BBC World.

[123]"Asian Multichannel TV Advertising: The Hunt for Credible Numbers," ASIAcom , 4 February, 1997.
Also, "SubsStandard Earning," Cable and Satellite Asia, Nov./Dec. 1997.

cable advertising revenues in Asia, operators often removed advertising in the channel and replaced it with their own locally produced materials.

The Asian economic crisis made revenue generation even more challenging for international broadcasters. For many consumers, cable television became an unaffordable luxury. Many of the heavy regional advertisers were Korean and Japanese car makers and consumer good marketers. As export markets in Asian dried up, both these groups slashed their advertising budgets. It was US and European multinationals like Coke, Pepsi, Nokia, and Intel that kept the networks going.[124]

[124]Normandy Madden, "Growth a Challenge for TV.in Asia.

CHAPTER 6

CONCLUSIONS

The purpose of this study was to gain an understanding of the internationalization of the media and the strategic choices that news services make when they begin to establish a presence in a new region. The industrial organization model was used as a framework for this inquiry. Five hypotheses were derived from the literature surveyed, four of these were partially supported.

As competition increased, news services increased their financial commitment in Asia, spending more on personnel and programming. The only exception was CNBC which had made the highest initial investment and cut back when revenues did not meet expectations. The increase in competition also led to more product differentiation. This took the form of regionalization, that is programming that originated in Asia; and customized programming which was achieved by subtitling and dubbing.

The model of satellite television growth in Asia was different from Europe, where cable and satellite penetration was initally driven by cheap, US sourced programming with local product being added only when a reliable subscriber base had been established. In Asia programmers found that they had to invest in expensive local product before they had a reliable source of revenues from subscriptions and advertising.[1]

The degree of regionalization varied from one service to another, depending on product positioning and resource base. Until 1996, there was little product customization by either CNNI or BBC World. Both emphasized

[1]AsiaCom, "New Channels' Launch Fuels Local Production Spree," 26 September 1995, p. 1-2.

that they were international news channels. But this changed in the second half of the decade.

In the latter half of the 90s CNNI made a substantial investment with its regionalization initiative. CNBC and ABN both utilized dubbing and subtitling as a way of attracting audiences and created a separate feed for India. CNBC's approach was to tailor programming for the subregional markets in Asia, but the cost of leasing different transponders proved to be very high. BBC World had the least regionalized product. Newscasts during high viewership periods in Asia led with stories about the region. The main emphasis of its regionalization effort was in India where a daily one-hour of band of 'made in India' programs was instituted in 1997.

Creating customized programming can be seen as a response to audience preferences for news that is has a regional focus. This finding is in keeping with past findings on audience news preferences.[2] A number of researchers have theorized that audiences prefer culturally relevant programming and in some instances offered empirical findings that support this position.[3] Such studies have considered entertainment programming. The findings from this study go some way toward showing a similar pattern in the case of news programming. in Asia.

Strategic alliances played an important role in a channel 's reach. But it was difficult to ascertain which news provider had the most alliances. Whom the alliance was with was sometimes as important or more important than how many alliances were made. Overall CNNI had the best distribution

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[2]See George Gerbner and George Maryanvi, "The Many Worlds of the World's Press," in George Gerbner and Marsha Siefert (eds.) World Communication: A Handbook (New York: Longman, 1984) and Richard Parker, "Mixed Signals: The Prospects for Global Television News," (New York: Twentith Century Press, 1995), p.78.
[3]See for example Joseph D Straubhaar, "Beyond Media Imperialism: Asymmetrical Interdependence and Cultural Proximity," Critical Studies in Mass Communication 8 (1991) : 39-59 and Michael Tracey, "Popular Culture and the Economics of Global Television," Intermedia 16, no. 2 (1988) : 8-25.

network. It also signed rebroadcast deals with terrestrial channels which helped to increase its reach. BBC World had distribution problems at the level of satellite carriage. Its almost two-year absence from E Asia found it looking for carriage on crowded cable systems that had already contracted to carry other international news services. ABN and CNBC both had patchy distribution, their merger led to better reach.

Historical or economic ties between the channel's home country and the country of operation were not found to be a good predictor of a channel's performance as measured by audiences. CNNI was the market leader in most countries studied. Despite the fact that both Hong Kong and Singapore were former British colonies, BBC World was not the market leader among international news channels. The only exception to this was India, where BBC World was viewed more than any of its international rivals.

Contrary to predictions, CNNI was able to sustain the competitive advantage it had as a first entrant in the market. As first entrant, CNNI was able to get the first opportunity at setting up a good distribution network, and its recognizable global brand name played a role in this too. The one country where CNNI was not able to sustain this advantage was in India. A number of factors mediated the first mover's advantage there. BBC World's historical ties to India and the economies of scope it gained from BBC World Service radio worked to overcome CNNI's advantage. CNNI was the only international channel that did not customize programming for India, for the most part because it did not see India as a major revenue source.

International news channels sought to maximize the audience they reached in order to be able to attract advertisers.[4] Initially, the news services had targeted English speaking elites in the Asian market. However, within a

[4]The different submarkets interntional news channels compete in, is discussed in chapter 2.

few years it became clear that this population was not as large as had be estimated. International news services sought to broaden their audience base beyond this demographic to viewers with an "international mindset." News content was regionalized and language customization undertaken in some markets. Thus audiences influenced the conduct of international news channels.

CNNI emerged as the undisputed leader in the competition for audiences, except in India where BBC World dominated the news scene. Competition for viewers also came from local all-news channels. In Taiwan, local news channels were ahead of international news channels in ratings, while in India, Star News was narrowing the gap between itself and market leader BBC World.

The second submarket where channels compete for advertisers is connected with the market for audiences. The competition for advertisers affects the performance of media entities. International news channels found that smaller than anticipated audiences led to revenues that were below projections. This trend seems to support the view that there can be no global advertising, rather advertising needs to be tailored to different geographic and linguistic regions.

An additional submarket that international news channels operate in, is the market for distributiors, in this case cable operators. With an increasing number of channels to choose from and a limited amount of channel capacity, cable operators found themselves exercising monopsony power. This is a situation where, the cable operator, as a buyer of programming exercises sufficient power to affect the supply in the market.

CNNI as a prestige brand and market leader did not appear to be affected as much by this situation as were CNBC, ABN and even BBC World.

Cable operators treated ABN and CNBC as perfect substitutes and chose one or the other based on the strategic alliances and pricing deals they had worked out. In fact, the difficulty of establishing adequate distribution networks was a major factor that drove the two business news channels to a merger.

In future, the cable operators may be in an even stronger position and act as a barrier to entry into markets in this region. If systems get channel locked, these operators will have the power to completely exclude certain news channels, thus affecting the degree of competition for audiences. They can indirectly affect the conduct of news channels. Cable operators may show a preference for programs that customize (language or content) over those that don't. Thus the direction that international news channel programming takes could, in part, be determined by the preference of cable operators. It is important to keep in mind that cable systems in many leading Asian markets are getting consolidated. In some cases they are in the process of upgrading to fibre-optic networks, in others this is under consideration. If the upgrade to fiber does take place and more channel capacity is created, the scenario outlined aboove may not materialize. Greater channel capacity will reduce the role of the distributor as a barrier to market entry.

Using the definition of competition as a market where the product of one channel is seen as a substitute for that of another channel, it becomes clear that neither of the business channels, ABN or CNBC were seen as a substitute for CNNI.[5] Audiences, advertisers and cable operators found CNNI to be essential. On the other hand all three groups appeared to be comfortable substituting one business channel for the other. This, despite the efforts of the channels to broaden their content beyond only business.

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[5]For this definition see Stephen Lacy and Jan Vermeer, "Theoretical and Practical Considerations in Operationalizing Newspaper and Television News," Journal of Media Economics 8, no. 1, 1995.

Thus, in the international news segment, the products of the business news channels was seen as substitutes for each other. The model of competition that emerges is similar to the umbrella model of competition observed in US newspaper markets, where "suburban dailies, weekly papers and other publications compete in different layers under the umbrella of a metropolitan daily."[6] Here CNNI is the top layer, offering a mix of general and business news. The other competitors in this layer were BBC World and local all news channels. The second layer was made up of business news channels, CNBC and ABN. With increased channel capacity as in digital, this model may become more obvious.

Overall, changes in market structure led to changes in the conduct of the news services. This was manifest in more financial commitment to programming in the region and more regionalized programs. The conduct of international news proviers can be examined in the context of alliance capitalism. In order to get the maximum exposure for their programming, news channels entered into a number of strategic alliances -- alliances with cable operators, domestic broadcasters.

While domestic broadcasters were competitors they also served as distributors in getting the product of international news channels into homes that may not be cable subscibers. This is best seen in the case of CNNI's arrangement with the Indian state broadcaster, Doordarshan. Although the arrangement was terminated in 1997, during the time it was opertional, Indian viewers got an opportunity to see what CNNI was all about.

The merger between CNBC and ABN is an expample of firms choosing a 'voice strategy' over an exit strategy. Rather than leave a market where neither channel was able to generate expected revenues and break even, they

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[6]Robert Picard, Media Economics: Concepts and Issues, (Newbury Park, CA: Sage , 1989).

chose to enter in to a partnership which offered each a chance at overcoming market failure.

Turning to performance, until 1996, none of the channels were making money on their Asian operations. In 1997, CNNI was the only channel that was profitable in Asia. Satellite broadcasters in Asia found that their impact on advertising spending was marginal. In general, product categories such as luxury goods, banking and finance and corporate advertising used satellite television channels as advertising vehicles. However, these channels had difficulty in persuading consumer goods manufacturers to allocate their advertising budgets to them.[7]

The performance of the international news channels in turn had an impact on market structure. CNBC and ABN finding that they were not able to generate revenues they anticipated, and realizing that they were competing for the same advertising dollars, decided to merge.

This study of the market conduct and performance of the international news channels from 1991-1999, highlights the importance of distribution and regional programming. It is clear that it is a mistake to think of Asia as a single homogenous pan-regional market. The two general news channels have carved out different areas within the larger region where each has an advantage -- CNNI's strength is in east Asia, BBC World's in India.

Programmers have to convince cable operators to carry them, but that does not guarantee subscribers. Analysts have found that audiences in various Asian countries are averse to paying for television.

Contrary to expectations, news channels have found that the English speaking elite audience is not large enough to sustain them, and there has been some attempt to broaden the appeal of these channels. Local channels

[7]Campaign, June 6, 1996.

whether news or entertainment are able to earn both a larger audience share and share of advertising revenues. None of the international news channels rank in the top ten channels (by viewership) in countries in Asia.

Limitations

The hypothesis based on the literature reviewed, were offered as a tentative guide to the inquiry. However, these were not all inclusive. Over the course of the research, other factors, that had not been included in the framework, were identified. One such factor, that has had a significant impact on the conduct and performance of the international news channels, was competition from local and regional news channels.

Discussing the prospect for international news in the early 90s, Parker cautioned that global broadcasters would soon have to face competition from nationally based broadcasters who broadcast in the vernacular.[8] This proved prophetic. By the end of the decade, most national Asian broadcasters had responded to the foreign broadcast invasion with their own programming alternatives.

Hong Kong, Taiwan and India had domestic news channels that became very popular. BBC World's Airtime Sales Director, Jonathan Howlett pointed out that in India, his channel was more concerned about competition from locally originating channels like Star News than CNNI.[9] In Taiwan, foreign news broadcasters had less of an impact on audiences, and more on local news channels' programming. Local news channels modeled their news packaging

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[8]Robert Parker, "The Future of Global Television News" Research Paper R-13, the Joan Shorenstein Center, Harvard University (1994).

[9]Interview with author, London, 18 May 1999.

and anchors' news presentation style on that of the international news channels.[10]

The success and popularity of local news services shaped the strategic responses of the international news providers. Early on the international channels had done little customization, believing that the power of the brand name would be sufficient to attract audiences. This strategy worked partly because the audiences sought were the English speaking elite audience, and partly because there were little or no local alternatives available. As local alternatives did become available, international channels were more inclined to customize their programming and to extend the appeal of their channel beyond the elites. Despite this, international news channels are able to account for a small percent of the audience. In every country studied, local channels (entertainment or news) are chosen as the most viewed ones. One possible scenario is that domestic news channels can buy international news from sources such as the Associated Press, thereby further reducing the demand for international news channels.

The case study method is best suited to this kind of inquiry, allowing an examination of different sources. However, while different individual variables were identified as predictors of certain results, in fact these variables are inter-related and the process is more complex than has been modeled here. Program customization is both a function of strategic choice and the resources that are available to a firm. Performance is affected by both the distribution arrangements, regulatory constraints, kind of programming, and the amount of competition in a given market. By isolating single variables as determinants of the news services conduct and performance, there is a danger of oversimplifying our understanding of the forces at work.

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[10]Bessie Lee, Mindshare, Taiwan, electronic communication, March 3, 1999.

In this study, product differentiation was operationalized as product customization. However, it was found that all the channels studied engaged in product customization to a lesser or greater degree. Since all the channels followed similar means of product differentiation, it is not clear if 'differentiation' is still a relevant term. Perhaps it would be more appropriate to come up with another measure of differentiation that considers program formats. Customization can be used as a separate variable, with efficacy of the different forms of customization being assessed.

The major difficulty in doing a case study of this kind is that the desired data and information is not always available. Some of the variables that were identified as measuring market conduct and performance could not be included because information on these was unavailable or insufficient. For instance, information on the programming produced for Asia as a percent of the total programs was not available.

One of the primary sources for information is the news corporations themselves. Some of the information sought, such as revenue figures was not made public.[11] This study used a historical approach -- corporations do not necessarily keep records of materials like advertising rate cards. Thus it was not possible to compare advertising rates as an indicator of conduct. There is more information about some of the players like CNNI, and less about the others like ABN, depending on their own information management and the amount of media coverage they received.

Directions for future research

This study could serve as a basis for future theory building. As international channels become established and more data become available, it will be

[11] Revenue figures quoted in this study come from press clippings and analyst's reports.

possible to develop a predictive model of factors that impact performance in international markets and test it statistically. Based on the findings of this study, the independent or predictor variables could include local competition, international competition, distribution arrangements, regional content and language customization. When considering competition it is important to look at both the number of competitors, the intensity of competition and the degree of substituability of content with these programming providers. Performance could be measured by advertising revenues and ratings, the latter will be increasingly available with more regional audience surveys like PAX.

A similar study can be conducted for international entertainment channels. In its early years in Asia, MTV was one of the first to regionalize its content and became very popular. Later it had to face competition from Murdoch's Channel V that is regionalized for the markets within Asia. Entertainment content is more culture specific, and there is more competition in this category from domestic channels. So it would interesting to see how international channels such as HBO and MTV have positioned themselves in a market like Asia and what strategies they use to stay profitable.

Another direction for research is a comparison of regional strategies. In Asia, satellite news channels have found that regionalization became necessary in order to improve ratings and revenues. What strategies have been used in other regions like Europe or Latin America? Are there differences in the market that would call for a different approach.

The proliferation of international satellite channels raises questions about the effect of such programming. There is room for more research on the impact that international channels, both news and entertainment, have on audiences. Also, audience preferences for international news channels and local/regional all news channels should be assessed. This will give news providers and idea of how much penetration they can expect to achieve and whether they will be seen as a supplement to local all-news channels.

When satellite broadcasters regionalize their product they incur significant costs for production and leasing different satellite transponders. Therefore, it would be useful to assess how much an international channel can customize its programming and yet be able to make a profit.

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