

# Placing bets on TV's future

Three industry players assess how new platforms will change their revenue mix. Craig Stephen reports

**F**ew industries have experienced the pace of innovation that television has in recent years. It's now watched on more devices, across more channels and with better quality pictures than ever before. This can make peering into the future difficult. One way to sort the hype from the reality is to follow where dollars are being invested and hopefully made in the next few years.

With satellites hauling more channels for pay TV in Asia there is plenty evidence of robust demand. Measat for one expects to be busy. It placed an order for a new satellite that will double its Ku-band capacity in 2013. With a 15-year investment horizon for these birds, Measat has to be sure demand lies ahead.

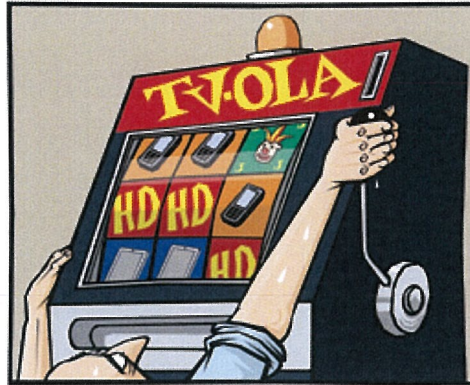
## LOCALISATION'S PUSH

More DTH operators, more channels and expectations of more high definition channels are all boosting the demand outlook, says Paul Brown-Kenyon, CEO of MEASAT. "One factor driving

demand for new satellite capacity is localisation of content. This is big and something we did not see five years ago."

This trend is echoed in the content industry, according to Paul Robinson, Managing Director of KidsCo. "There is an increasing localisation of content. One part of this is dubbing content into local languages where, for example, KidsCo in Hong Kong is almost entirely Cantonese. But KidsCo is also spending money investing in locally produced content, Robinson says. Season one of KidsCo's *Boo*

and *Me* was completed in Malaysia and some form or other of domestically originated content is also being made in South India, South Korea and even Australia and New Zealand.



HD is another area driving investment, although the jury is still out on how fast it will become mainstream in Asia. "Today operators have too few channels in HD for consumers and the market in Asia is still very price sensitive," says Alexandre Muller, Managing Director of TV5Monde in Hong Kong.

Measat, in fact, is doing its bit to nudge HD in Asia

along a bit faster. "We have worked with some of the channels and tech providers working with channels," says Brown-Kenyon. "We are starting to get the whole ecosystem out. Once you get a certain amount of satellite channels on board, it creates its own momentum," he says, adding he's seen innovation starting to happen in the HD business model. "It is a chicken and egg situation with HD."

Measat has adopted a more flexible approach to speed things along. "We have invested while accepting lower rates of return by looking at long-term viability. As customers become more successful, we become more successful," Brown-Kenyon says.

He says if you want to see the future in Asia look to the US. "HD will be the majority of content. In three to five years Asia will be the same as the US." In terms of audience readiness it is not a question of TV sets, but set-top boxes. Brown-Kenyon sees the biggest push towards HD coming from customer and channel expectations. "Every leading channel now has to be in HD."

HD is particularly important as a differentiator in a mature market where in some cases it's become a prerequisite, says KidsCo's Robinson. "In markets in Europe such as Poland and the UK it is already a must. You don't get in the queue, let alone get on the air, if you are not in HD."

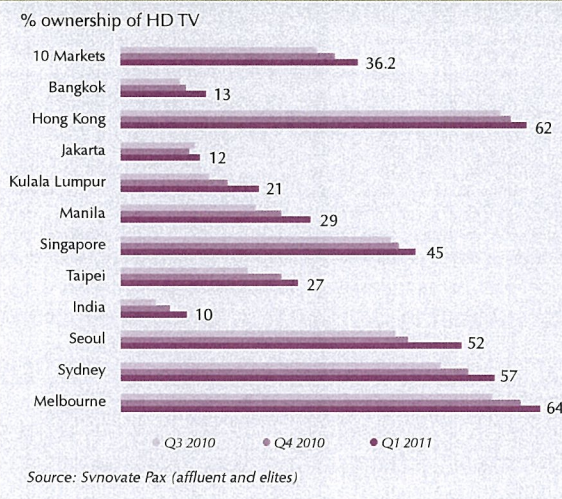
## KIDS COULD LEAD HD

"Children's content might not appear the obvious genre to lead HD, but it is moving fast in that direction," says Robinson. Indeed, KidsCo plans an HD feed in Asia; the plan calls for moving that



TV5MONDE's Alexandre Muller

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into more developed markets such as South Korea, Taiwan and Singapore first.

This all suggests pay TV as a platform and as a business is pretty resilient, despite the myriad new ways to reach viewers. "Pay TV as a business model works very well for television, especially for children's content," says Robinson. "You have to be careful about introducing too much advertising when people are already paying subscriptions." Indeed, a big consideration for KidsCo is TV spots addressing children: "We need to think carefully what is most appropriate and be mindful of the risk of alienating the audience."

Advertising on pay TV is becoming a more meaningful revenue stream – at least in Hong Kong. According to data from Group M, pay TV advertising in Hong Kong grew from 23% share of TV advertising in 2007 to 40% in the first five months of 2011. "Despite this, the future outlook is a bit uncertain, says KK Tang, CEO of Group M in Hong Kong. "The government plans to issue three new FTA licenses which might hinder growth of pay-TV advertising."

While pay TV still attracts the most revenue, some operators have also set their sights on new

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media revenues. TV5Monde is planning to expand the use of its media player that launched in Japan in 2006 and will go out to other Asian markets later this year. "Using peer to peer multicast, we are able to stream channels live in a quality similar to cable," explains Muller. The service running in Japan is free for a small player; a larger player is subscription-based and integrated into social networks.

"We want to give a 360 degree offering to the market, including PC, tablets, Android platforms and television," says Muller.

The full player will be launched in September in multiple languages and in a range of markets, including Singapore, Philippines, China, Australia and in Japan with geo blocking. The player will carry catch-up TV, back catalogues of movies, documentaries and web-TV for kids.

Group M's Tang shares much of this optimism but sounds a note of caution. "The advertising opportunities in mobile and tablets are huge, although in markets like Hong Kong revenues today are still insignificant."

Being publicly funded to a large degree, TV5Monde can afford to be more experimental and flexible. "We do not want to be followers – and we need to find our own strategy," Muller says. "There can be too much focus on monetising – luckily enough, we can focus on core programming."

Not that he doesn't watch the money side. Muller points out that one benefit of using an online platform is that TV5Monde can keep 100% of the revenue, although he will be offering the service to various pay-TV platforms.

KidsCo's Robinson also sees growth in mobile devices such as tablets, for things like VOD services. "KidsCo has launched an iPad service in South Korea. The high speed broadband infrastructure means it is a great place to trial future services and learn."

Still, Robinson says there are limits on how far online platforms can be used. "YouTube is predominately for marketing," he says. The relationship between the platform and customers is important and we want to keep that relationship in place."



Measat's Paul Kenyon-Brown