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<th>Thinking globally and acting locally: the art of accommodation</th>
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Thank you, ladies and gentlemen, good morning. It's a huge compliment to see the interest so many of you have in what we at STAR are doing. By the very nature of your positions I think it's a fairly safe bet to assume you share our excitement over the potential this region offers. But I hope, by the end of my presentation, you will also understand why we are so optimistic about STAR TV's future, as well as that of our industry as a whole.

This morning I will attempt to show how this project represents a tremendous and continual learning process for us. And I would like to share with you some of the things we are learning as we build this business amid our many dynamic and rapidly evolving markets.

Now two years into our "localisation" strategy, we have realised that the 500-channel market is a myth; there is no real call or interest here for huge volumes of diverse programming. But there is great demand for what we call the four key entertainment categories - sport, music, movies and general entertainment - versioned for local markets.

Our next step forward, therefore, is to address our existing markets better through those four key categories and build on our already formidable audience base. STAR's present 15 services reach more than 220 million viewers across the region. We take great pride in that. But now we must enhance both the number and variety of channels we transmit and the number of people who see them. And we must maximise our revenue streams through both advertising and subscriptions.

Two elements are key to those aims: STAR must offer customers a range of quality services to choose from and we must have the ability to physically deliver our product to them.

Each of our major markets presents its own unique mix of programming and distribution challenges. Each deserves its own response mechanisms, and we're as flexible as we need to be in adapting to the characteristics of the territory concerned. But as I touch on these markets you will notice one common strategy:
as much as possible decision-making and actions which have a direct bearing on individual territories are made and executed at the local level.

The theme of today's session, "thinking globally, acting locally" is part and parcel of our corporate philosophy. All of our services draw on the international programming resources of our parent company, The News Corporation, but are driven by locally sourced and produced material - much of which we are creating ourselves. I'll return to these ideas throughout my presentation.

First, however, it would probably help if I give you a little bit of background on STAR as that will illustrate where we have come from and where we believe we're going.

STAR is Asia's first and only multi-channel television network. More than half the world's population lives within our AsiaSat "footprint," which extends from Cyprus across the CIS to Korea and Northern Japan, down through China to Indonesia, across the Indian sub-continent and up through the Middle East.

Driving the STAR TV project is our team of approximately 1,300 staff. Between them they represent 25 different nationalities and average 29 years of age!

From a management structure perspective we will increasingly break up STAR into component parts, and develop local management talent to run what will basically be local stand-alone businesses. While our headquarters and primary satellite uplink centre are in Hong Kong and will remain so, the programmes and services we send out to our major markets are meaningless unless they are relevant. There are no advantages in programming a channel for India or Indonesia from Hong Kong. It just doesn't make sense.

To this effect, we now have key regional offices in Mumbai, Delhi, Dubai, Taipei, Jakarta, and Tokyo, with sales offices in Singapore, Beijing, Chengdu, Guangzhou, London and New York.

Where has all this brought us? A long way, but with further yet to go! I'd now like to discuss our strategy in action through reference to three of our major markets: India, Indonesia and Taiwan. Each presents its own unique mix of programming and distribution challenges. Each deserves its own response mechanisms. This is why virtually all decisions and actions affecting our operations in these markets are made and executed at the regional level.
Obviously time does not allow me to illustrate all these points in practice so for each market I will concentrate on a single theme: for India, programme development; for Indonesia, distribution; and for Taiwan, marketing television services to what is arguably STAR’s most intensely competitive territory.

I’d like to begin with India, because our approach and experience there provide a model for our regional businesses. India is the place we have gone “local” most quickly and with the greatest success.

Despite India’s complexity, the country is unified by a voracious demand for television; the number of multi-channel households and households taking pay channels is increasing by nearly 15 percent each year.

India is very exciting for us personally because we know we are getting it right. The STAR channels are seen in virtually all of India’s cable and satellite homes.

We’re most actively focused on younger viewers - most obviously through our popular music video service, Channel [V]. It’s probably our proudest creative achievement; the channel was borne on instinct, and it’s an internal “joke” not too far off true that [V]’s success largely stems from the fact that the “suits” in Hong Kong have had nothing to do with the creative process! Our 100-percent Indian product that has tapped a uniquely local sense of humour and created an entirely new vocabulary, with phrases such as “mind it” and “we are like this only” slipping into the vernacular.

We progress our India strategy from a position of strength; STAR is already India’s dominant satellite and cable broadcaster. And underscoring the importance of a strong local programming base, our Indian partner, ZEE TV, offers us a wealth of expertise and talent. ZEE TV screens seven of India’s top-10 rated shows each week. Even after four years in the market, ZEE still generates in excess of 1 million letters a week and holds 18 of the top 20-rated shows in cable and satellite homes. Channel [V] excepted, all of our Hindi-language channels are joint-ventures with ZEE TV.

STAR would not be where it is in India without strong local management, sound local knowledge and by encouraging local talent. And the potential of that local talent base is explosive. Empowerment and development of creative skills is a
responsibility we take very seriously, just as we do in creating new opportunities for that talent to express itself.

I'd now like to shift the focus from India and programme development to Indonesia and to look at distribution issues.

In turning to Indonesia, we move from the predominantly cable environment that is India to an exclusively direct-to-home (or DBS) environment. This presents crucial distribution and marketing challenges, especially because we are creating a DBS platform from scratch.

Pay TV is a relatively new concept in Indonesia, though satellite-delivered television certainly is not. With 190 million people spread across 14,000 islands, even the terrestrial stations broadcast via satellite, and there is virtually no cable TV.

There are some 1.2 million dish homes in Indonesia, and that's predicted to grow by at least 20 percent a year for the rest of the decade. With such a geographically spread-out population, television is a vital means of communication. Tellingly, TV takes more than half of all advertising spend - one of the highest proportions in our region.

This summer, in partnership with the Indovision Group we will introduce a subscription package of at least 20 digital channels. This is an extremely exciting proposition for us. Indonesia will almost certainly be our largest DBS market and the potential is extraordinary. But I cannot claim that serving it will be easy or straight-forward.

Confusion is our biggest enemy in any market, and no where is this felt more acutely than in Indonesia. The market is segmented, with numerous programme providers using different encryption technologies, decoding equipment and satellites. Consumers are confronted with a baffling jumble of services and hardware from which to choose.

We think the best hope for DBS to really to take off in Indonesia is through a uniform delivery and reception framework. This is somewhat simplified by the fact that there is just one pay television provider; we hope it will be possible to create a common platform with our partners and the other international programmers whose services Indovision will offer. Ideally, customers should be able to choose among
any number of channels - whether STAR's, or other international and/or Indonesian services - through a single framework.

Aside from delivery, the other great challenge lies in making this a consumer proposition. We must educate consumers about pay TV, excite them about it and we must make the product easy to get and understand.

On the subject of marketing and promotions, I'd like to turn now to Taiwan.

In many ways, Taiwan represents the kind of market we hope China will become. An affluent, sophisticated audience with a voracious appetite for television entertainment, and the will and ability to pay for those services. The majority of all TV homes (65 percent) take cable and satellite-delivered programming, and the average Taiwan cable home now receives at least 50 channels. And one or more STAR channels is seen in virtually every cable home.

But the most dramatic proof that our Taiwan programming "works" lies in the number of viewers who see us ... over the course of 1994, as we introduced more Taiwan-specific programming, our Taiwan audience doubled.

Again, you'll remember my mentioning how important our local-language services have been in "driving" our channels in our various markets. We're so confident in that strategy that in March we launched a special Mandarin-language general entertainment channel, STAR Chinese Channel, specifically for Taiwan.

How can we be so sure this is the way to build on our achievements to date? After several years on the ground in Taiwan (our Taipei-based team now numbers about 50) we understand which programmes will work and how best to promote them. We no longer have to speculate about the return on the investment or viability of programme production. We know the economics of it and can quite accurately gauge the likely reaction of the advertising communities and customers.

A large part of our success comes in recognising that Taiwan is a distinct market in its own right. The needs of Taiwan viewers are in many ways different from those on the mainland or other Chinese-speaking communities in Asia, even if they share a spoken language. It is challenging enough to make "Chinese" product appealing in the Taiwan sense, let alone do it for international fare. We have to make the line-up "fit" the local context.
This is what versioning - tailoring those four key programming categories for individual markets - is all about. Taking our STAR Sports channel as an example, we use mainstream international and Asian sports to create a variation of a sports service that is intensely local in style, feel and content.

Just imagine the cumulative impact you can achieve - in terms of programming, promotions and content creation - and the penetration you can secure through multiple language services targeted at specific groups. And in so doing, consider the access you gain to a young, upwardly mobile, increasingly discerning class that - for the first time - has consumer empowerment.

That is a good note upon which to sum up. To conclude, I’m not going to make any predictions about the future. The dynamics of the Asian television industry are such that no one should place much faith in crystal ball gazing. We are developing a business in markets that themselves are developing - all at different rates of speed and within their own parametres. It is impossible to foresee the shape they will take on. The only thing you can be sure of is that viewers will be ever-more sophisticated, demanding and fickle as they are presented more choice.

Our best hope of dealing with that is to continue to look at Asia from the ground up, from individual territories, where it makes sense - not from the satellite, or corporate headquarters level down. Even if the same STAR philosophy or formula is applied to each market, the variables - the individual response mechanisms - will be varied indeed.

Ladies and gentlemen, I thank you for your attention. I'd now be pleased to try and answer any questions you might have.