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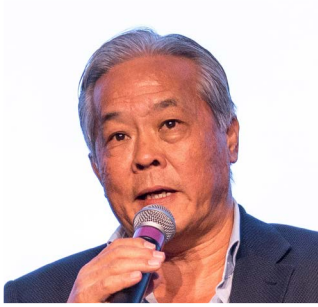








OTT REFRAMES TV GROWTH STRATEGIES

Vivek Couto, Media Partners Asia

Online video represents a small slice of APAC TV revenues today, especially outside China, yet it is already reshaping growth strategies and consumer expectations across the region.

Trials and tests around new kinds of content, services and partnerships – already prevalent in countries where most homes are plugged into high-speed fixed broadband – are becoming more common across the region, noted Vivek Couto – executive director for Media Partners Asia (MPA) – during his customary industry health check that starts MPA's APOS conference. This burgeoning activity is drawing incumbents, telcos and startups into a bigger, broader marketplace, where traditional revenue engines are slowing down and new ones are building up speed.

Online video will add US$22 billion in incremental revenue to APAC's TV industry over the next five years, according to MPA, out of US$38 billion of new money projected to come into the market. The OTT video segment in China alone, APAC's biggest online video market, will contribute US$17 billion in additional revenue over the same period.

Everyone is busy working out their next move. Broadband opens up new revenue opportunities for on-demand content and branded channels, together with new bundling options in distribution, as multiple services compete for consumer access in an increasingly crowded space.

"We've got three key themes that really inform our discussion," Couto remarked, after presenting a round-up of the latest industry projections from MPA. "The role of telecom players in video, how OTT and SVOD develops in this region, and how the whole industry comes together, in terms of investing more in content and finding more ways to monetize that content."

Two broad market dynamics are taking shape. One is anchored around viewing among more affluent consumers, which in time will start to pose a direct challenge to premium pay-TV. The other, at an earlier stage, is forming around mobile broadband, and is likely to compete for viewers traditionally served by free-to-air or low-Arpu pay-TV.

"How do you capture millennial consumption?"

Vivek Couto, Media Partners Asia

These trends are playing out at different speeds, with fiber and next-generation cable broadband networks ushering in the first wave of disruption. Over the next five years, online video will capture the lion's share of incremental industry revenue in China (80%) and Japan (70%), and a majority in Australia (55%), MPA analysts say.

Much of this growth will come from advertising, representing a long tail mostly served by native digital players, in addition to premium space in more direct competition with TV. At the same time, sizable SVOD markets will also gain scale in these countries, especially in China and Japan.

The industry is following a different path in Korea, where telco pipes are already converging with cable and satellite TV, thanks to some large, sector-defining deals. Here, pay-TV will claim a 68% share of incremental revenue from 2016 to 2021, according to MPA forecasts presented at APOS.

Meanwhile, in large growth markets in South and Southeast Asia, online video is still building momentum off a small base. Here, online viewing is held back by legacy infrastructure for fixed-line networks, as well as the reach, capacity and price of mobile broadband for the majority of consumers.

Current impetus for online video largely comes from ad-supported services, YouTube and Facebook in particular, which are benefiting from high demand for ad space on free-to-air. Between them, YouTube and Facebook could represent more than a third of online video revenue in APAC ex-China by 2021, intercepting a sizable chunk of ad spend growth that formerly went to incumbent broadcasters.

Pay-TV platforms are also charting possible outcomes for their businesses in this increasingly connected world. Large-scale drives in mobile broadband, together with a bigger presence for next-generation cable broadband and fiber networks, will help fortify subscription-based models molded around new forms of video consumption. These investments in infrastructure are mapping out tomorrow's marketplace for rights, content and channels.

In the near future for example, broadband bundles and OTT integration will form an important part of the pay-TV offer for premium customers, while operators look to defend the lower end of the market with a low-priced selection of some local and international channels.

In such a world however, there is little room for the middle tier. "Does it go OTT, like English general entertainment, does it go somewhere else? How do we focus on that?" Couto mused. "A lot of operators that have a return path are also integrating all of this with broadband, integrating with SVOD companies. That's definitely a trend that we will see take shape in the next few years."

This development is being shaped by two, interrelated forces: on one hand by the range of SVOD and OTT partnerships on offer, from a wide spread of standalone services as well as emerging forays in aggregation, and on the other hand by inroads into OTT content.

"How do you capture millennial consumption?" Couto challenged the assembled delegates. "Disney has invested a lot but how do you change your in-house strategy to monetize this and, more importantly, to create content that sticks and decide which platforms will drive it?"

DISNEY EYES LOCAL DEPTH, GLOBAL IP

Kevin Mayer, The Walt Disney Company

With its creative engines whirring, The Walt Disney Company is scouting for more country-specific deals, including partnerships and acquisitions, to embed its global franchises and IP deeper within local markets. Asia, home to some of the world's fastest growing and dynamic entertainment ecosystems, is a particular priority.

"Nothing is off the table," declared the company's chief strategy officer and main dealmaker, Kevin Mayer. "We are definitely cognizant of the different models in different countries. Unlike the US, free-to-air in Indonesia for instance is a very big and robust growth business, so that's interesting to us," Mayer added. "We need to get our brands and characters in front of as many people as possible, so we are always going to be interested in platforms that allow us to do that."

A four-year-old tie-up with Japanese mobile operator Docomo, which delivers customized handsets, games and short-form video to around 750,000 active subscribers, showcases the merits of localization tailored to individual countries.

"In Japan, we have businesses that are pretty unique. We want to take that philosophy and bring it to all the other countries in Asia," Mayer said. "In Asia specifically, it is going to be incumbent upon us to create partnerships and to work with other companies, and to look at acquisitions as well, to try to grow, because of the unique and local preferences in this part of the world."

STRATEGIC SHIFT

Disney started focusing on fewer but bigger brands within its portfolio – supported by advances in technology and global reach to make, distribute and monetize them – when current CEO Bob Iger took the top job in 2005. Successive swoops on Pixar, Marvel Entertainment and Lucasfilm, overseen by Mayer, have been key to this strategy, helping reboot Disney's hit-making credentials while lifting consumer revenue across multiple categories, from merchandizing to TV to online games.

"Content finds its way through many pathways to consumers"

Kevin Mayer, The Walt Disney Company

The acquired studios remain relatively autonomous, a working template formed in 2006 during the acquisition of Pixar, which has since become Disney's main animation hub. "We integrate them from a business model perspective and we have the synergies across multiple platforms," Mayer explained. "But from a creative perspective we acknowledge that each one is different, each one understands their brand and their connection to consumers in a unique way."

As local distribution and retail landscapes evolve, more opportunities to connect with consumers, and better understand them, are opening up worldwide. Disney has also picked up Maker Studios, one of the world's largest online video aggregators or multichannel networks (MCNs), that serves as both a marketing platform and short-form content engine, equipped with two-way interactivity.

"We're not going to place a bet solely on one mode of getting to consumers," Mayer said. "One thing that we see today is that content finds its way through a multitude of pathways to consumers. We need to be respectful of that, and seed all of those different pathways."

Those also include direct-to-consumer businesses such as multimedia offering DisneyLife, as well as branded on-demand services, such as Disney On Demand, provided by third-party distribution platforms. These initiatives, designed to complement Disney's pay-TV offerings, could become more common as operators add more broadband products to their linear services.

"Just because something is on-demand, it doesn't mean you can't sell in a bundle," Mayer remarked. "I think you will be seeing that evolution all across the world."

NETFLIX VOWS TO KEEP SPENDING

From left
Ted Sarandos, Netflix
Reed Hastings, Netflix

The world's largest SVOD company shows no sign of slowing down. Netflix has earmarked US$6 billion in cash to spend on content this year, while carrying billions in long-term debt and hundreds of millions in negative cash flow on its books. Co-founder and CEO Reed Hastings, speaking alongside chief content officer Ted Sarandos at this year's APOS conference, pledged to hold course, banking on investment in big-budget movies and shows ahead of revenue, in the quest for greater scale.

"Other internet companies are much, much larger," Hastings said. "There's an incredible opportunity for us if we can produce the right content. I keep saying to Ted: spend more money. We will raise the money, spend more money," he added. "I hope that free cash flow is negative for quite a while, because it's a sign of great growth, and that we have found great projects to invest in."

Netflix expanded its reach to almost everywhere in the world at the start of the year, bar China, North Korea, Syria and Crimea, forming a global network that can support a wider mix of programming. Little has been done to localize pricing or content for these new markets however, limiting the audience to affluent consumers who can pay by credit card for the time being.

"The way to think about it is, we just enabled access to Netflix and the content we have global rights for, including our global originals," Sarandos said. "People are excited but it's barely been optimized for local access, particularly in Asia. That's what we are working on every day. It's an ongoing process of launching in Asia that just started 100 days ago."

For Netflix, the internet offers an opportunity to create a global media service, not just a global media brand. Success hinges on backing the right shows. Popular programming with widespread, often multi-country appeal, provides the strategic bedrock for growth. These shows help ward off local competition and pressure on consumer pricing, the two executives argued, while consumer demand makes service integration more appealing to distribution partners on the ground.

Such deals can provide a better view of tastes across the world, helping direct programming spend. Data analytics also benefit from greater scale and an increasingly diverse audience mix. "We have a very broad range of consumers, and a very broad range of content," Hastings said. "This ability to match people with the content that they like best is very important to the system, and has been from the very beginning. It's a huge area of investment for us."

A UNIFIED APPROACH

Expansion, however, also means more competition from lower-priced rivals and more market-specific regulations and censorship. Big studios are also still cautious on global licensing. Nonetheless, Netflix is maintaining global pricing and content where it can, encouraged by earlier traction from growth markets in Latin America.

Other parts of the service, however, may adapt for a global audience. Offline viewing has been excluded so far, for example, as it adds complexity to the core service. That trade-off could change, now Netflix serves more countries with slower internet speeds and smaller WiFi coverage."We are more open-minded about it than we have been in a while, mostly because of the new emerging markets that we're getting into," Sarandos noted. "For our core business, it's a pretty small use case."

The price equation, meanwhile, is based on perceived value. "If consumers are watching Netflix for 10, 20, 30, 40 hours, it is a very inexpensive product," Sarandos explained. "It is incumbent on us to get that viewing up, and to justify that price point."

Great content expands consumer demand, Hastings contended, giving room for Netflix to grow as a differentiated service alongside pay-TV incumbents and other SVOD hopefuls. "Even with Netflix growing to 50% of US households, pay-TV is steady at 100 million," he said.

"There is a lot of talk about cord cutting but overall the numbers are steady. The impact Netflix has on the existing ecosystem is overstated," he added. "What's understated is the interest of consumers in spending a little bit more, to have one more experience."

VICE BRINGS DIGITAL IDEALS TO TV

Shane Smith, Vice Media

Vice Media, feted for its ability to woo advertisers as well as millennial viewers online, is trying out the same formula on TV. It's part of a bid by the sometimes provocative youth media company, valued at around US$4.5 billion, to extend monetization across more platforms, genres and geographies. "Traditional advertising isn't working online, it isn't working in mobile, it isn't working for young people," contended co-founder and CEO Shane Smith, pitching Vice as the voice of a generation.

Vice, which began life as a free magazine 22 years ago, is known for its freewheeling news reporting (resulting in a programming deal with HBO) as well as genre-specific online verticals, ranging from food to mixed martial arts. Now executives want to combine digital content sensibilities with the ad rates enjoyed by traditional TV. In February this year, they launched a linear channel, a lifestyle offering called Viceland, via JVs with A+E in the US and with Rogers in Canada.

Viceland's commercial model is geared more towards advertiser integration and branded content rather than standard ad slots, with less time devoted to advertising overall. It's a strategy inherited from Vice's online operations, echoing the early days of television.

How far Smith and his JV partners can take it with Viceland depends on advertiser demand, as well as ratings success among a younger audience watching less TV. Smith is confident that the formula works. "We don't look at it as a network," he said. "We say it's a content creation engine that can go into mobile, it can go into online, it can go into TV."

BROAD REACH

TV channels still need sizable and sustained audiences to attract ad dollars, while entry costs are high. Nonetheless, Viceland has secured a promising place on the dial in North America, replacing H2 from A+E and The Biography Channel from Rogers.

"We said we're platform agnostic. Why don't we act it?"

Shane Smith, Vice Media

Its North American partners are also shouldering much of the risk. While Vice oversees marketing and content, the channel is majority owned by A+E (which also has a 10% stake in Vice itself) in the US, and by Rogers in Canada. Both partners manage local distribution and assist with ad sales.

Smith, keen to extend the reach of Vice's content, has also signed multiplatform deals for Viceland with pay-TV majors Sky in the UK and Canal Plus in France, marking the start of a wider international rollout. Sky and Canal Plus will launch Viceland in their respective markets later in the year.

Additional forays in linear TV and online are on the cards for Asia as well as Europe, including large partnerships in China and Japan. Vice runs local operations in both countries, part of a global network of 36 offices that includes Australia and New Zealand within Asia-Pacific.

Smith wants to do more, and is seeking out local partners. "India, Indonesia, Philippines, Southeast Asia are very important to us; a young population thirsting for lifestyle content, music, travel, food etcetera, so we're really excited," he told APOS attendees. "And obviously here, mobile and OTT platforms are very exciting for us."

SIGNATURE STYLE

For Smith, success relies on handing production budgets to a younger generation, in tune with what their peers want to watch. The strategy can be foolhardy, he added, but it sets Vice apart. "We view it as a laboratory," he said, "where we get to make a lot of great content, and then auction it to the highest bidder or to the best platform in any country."

Vice's irreverent style, which could upset conservative segments in Asia, has drawn plenty of critics, doubting the extent and durability of its appeal. Despite the naysayers, the company's value has soared over the past five years. In addition to A+E, investors now include Disney (on top of its stake via its part ownership in A+E), 21st Century Fox, Raine and WPP, all placing bets on evolving trends in content and monetization.

In a deal announced after APOS, Viceland and Disney-owned ESPN will share programming and co-develop short-form series. For Vice, investor money helps power its production engines. These are more important than ever, as Viceland competes for eyeballs and ad budgets on TV. "We said, we're platform agnostic, why don't we act it," Smith said, "and be on all platforms, all screens, all the time."

CMC TAKES ON LONGER-TERM BETS

From left:
Li Ruigang, CMC Capital Partners/CMC Holdings
Thomas Hui, Gravity Corp./Television Broadcasts Ltd
Alex Chen, CMC Capital Partners

Ever-expanding opportunity and scale in China has encouraged plenty of local investors and entrepreneurs to chase enticing deals in media and entertainment, at home and abroad. China Media Capital (CMC), the country's first media-oriented VC firm, is keen to stay at the forefront of these changes, building a portfolio of assets that span production and distribution ecosystems across entertainment, movies and sports. "The market is booming," observed CMC's founding chairman, Li Ruigang. "For us, we just need to focus."

Li's company, which made its first investment five years ago, a majority stake in Star China, recently split into two divisions to better cover the market. CMC Capital Partners will continue to look for private equity stakes, while CMC Holdings, also backed by internet giants Alibaba and Tencent, will focus its attentions on longer-term greenfield opportunities. Sometimes, both will invest together.

The company is also organized around distinct verticals, including data services and location-based entertainment, as well as TV, movies and sports. CMC's portfolio has grown after its first investment in Star China five years ago, to more than 50 assets today. "There is a huge demand from the domestic market, with upgrades in consumption and urbanization. More than half of the box office comes from the lower-tier cities, compared with mostly from the major cities in the past," Li noted. "On the supply side, the government continues to privatize some assets and promote the local media and entertainment sector. Internet and mobile are also playing a very significant role to create a new infrastructure for media development in China," he added.

SPORTS OPENS UP

Until recently, sports was a relatively closed area, where leagues and teams were government-owned and national broadcaster CCTV controlled most of the rights. Now the government is adopting a more commercial approach, opening up opportunities to bring fresh capital into sports. Having invested in rights, CMC is also looking to manage local talent, leagues and stadiums, while developing specific assets in production and distribution. "We are not

going to make quick money from media rights," Li said. "Hopefully in the future we can make a return from this sports ecosystem."

CMC has made a big bet on football, in particular. It has bought rights for grassroots leagues and the men and women's national teams in addition to the main domestic tournament, the Chinese Super League (CSL), which was opened up to commercial bidding last year. It has already recouped a significant portion of its CSL investment, a precipitous price rise on the last cycle, by selling two years of streaming rights to LeEco, in another multi-billion RMB deal.

Content also remains key for CMC, building on the success of its first deal: transforming Star China into a production business, which made over RMB100 million (US$16.2 million) last year. CMC now counts around 20 program makers and film studios in its portfolio, to create IP for its own platforms as well as others in the market, where prices for quality content continue to rise. One particular focus is leveraging the talent and production capabilities of Hong Kong broadcaster TVB, via a bigger slate of original Mandarin content together with a bigger footprint in online distribution.

TALENT AND TVB

The company has operated a mainland-focused JV with TVB for over three years, overseeing licensing and content, as well as the channels business in Guangdong province, where TVB has landing rights. Li is also part of a consortium that bought a 26% stake in the Hong Kong TV company last year. Since then, TVB has joined Flagship Entertainment, a film studio JV with CMC and Warner Bros, after announcing plans to create new movies under the revived Shaw Brothers brand.

Hong Kong creative talent lies behind some of China's biggest box-office hits, pointed out Thomas Hui, MD of CMC investment vehicle Gravity and a non-executive director on TVB's board. "TVB has access to Hong Kong talent," Hui said. "Through the Shaw Brothers brand and its own ecosystem, we believe this is a winning formula to continue to produce the mega-hits we have seen in the movie market." CMC is also interested in exporting TVB's streaming service, revamped as MyTV Super earlier this year, into mainland China as well as Southeast Asia, once the new platform has found its footing at home in Hong Kong.

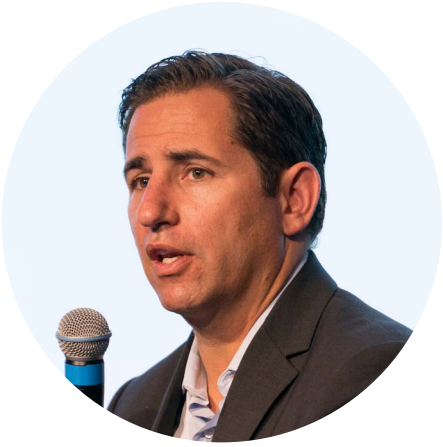
Overseas distribution is becoming increasingly important for CMC as a whole, as it continues to build out its library of IP at home. The company is exploring ways to distribute its content in Southeast Asia, potentially with local partners, said CMC Capital Partners MD, Alex Chen. "We know the China market very well, we know Chinese-language content very well, and there is increasing demand by the Chinese-speaking demo in Southeast Asia for this content," he explained. "We want to leverage that content power to have a meaningful presence in Southeast Asia from a platform standpoint."

"We have two pools of capital: US$600 million based in New York, and we are launching in Beijing, managing a US$350 million pool of capital there."

Rick Hess, Evolution Media Capital

"Our clients are no longer just actors or actresses or musicians or athletes. They're business people. They're smart, they're thoughtful, they're global."

Brian Weinstein, CAA



"We would like to leverage our operational expertise, the licenses we have and also the resources in our entity to become the leader in our industry."

Ling Gang, Shanghai Oriental Pearl Media

"We are open to working with local operators and content providers in Southeast Asia. In the future, we would like to co-produce content for local customers."

Li Huaiyu, Whaley Technologies

"I thought I knew everything regarding China's sports market but, two years ago, I suddenly got shocked by the big contracts being signed by OTT platforms."

Ma Guoli, Le Sports

"We use future trends to define what we are doing now. Our model is three to five years ahead of the market. Not everyone can understand the model."

Yu Hang, Le Sports

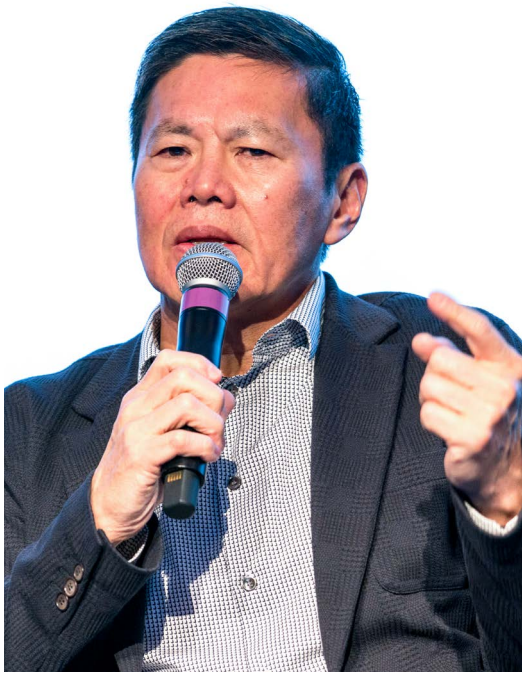
"We are opening a new avenue of investing: smaller ticket sizes, more earlier-stage deals, where risks and rewards are higher than those the main fund targets."

Bis Subramanian, Providence Equity Partners

"Providence was prescient in its investment in Hulu. The fragmentation in OTT makes it sometimes challenging to know where best to lay your bets."

Tony Ball, Providence Equity Partners

OTT BATTLE LINES WIDEN IN AUSTRALIA



"To win the game, I can't just have something everybody else has"

Allen Lew, Optus

Competition for online video revenue is entering a new phase in Australia, as free-to-air broadcasters, pay-TV providers and telcos stake out their market positions with differentiated content and services. Optus, the country's number two telco in both fixed-line and mobile subs, upped the ante last year by buying its own sports content, including two three-year deals with the English Premier League (EPL) and Cricket Australia respectively.

More genres will follow, adding to existing channels and services supplied via IPTV wholesaler Fetch TV, as Optus repositions itself from a broadband operator to a video provider. "To win the game, I can't just have something everybody else has," explained Optus CEO Allen Lew, speaking at this year's APOS conference. "I have to have something distinctive."

The focus this year is on rolling out the EPL, which cost Optus more than US$140 million, including broadcast rights, over three seasons. That's almost three times what the incumbent, Fox Sports, paid for the previous round. After APOS, Optus announced exclusive EPL packaging and pricing, including apps, supporting content and a dedicated channel, for its postpaid and home broadband customers, overturning consumer expectations that the full set of games would be more widely available.

It's a big bet on increasing loyalty, upselling prepaid subs and expanding the base, supported by additional investments in content, infrastructure and product. Getting it right will be key.

"Year one for us: get EPL off the ground, deliver a reliable product that resonates with that particular segment," Lew said. "Shortly after the launch of EPL, once we get our predictive analytics and our new UI in place, we will start to introduce EPL soccer fans to some other genres of content."

Success also hinges on managing costs to keep consumer pricing low, while persuading other program suppliers to come on board. Lew, who has also run promotional deals with SVOD platforms Netflix and Stan, wants a full content stack, so Optus as a video company can appeal to different customer segments.

"My big message to content providers: work with us, look at how you can tweak your existing business models," he said. "The world around is changing," he continued. "Linear television is here to stay, we will play in that; but where we will be making that big leap forward and be really aggressive is on mobile content."

WINDOWS AND RIGHTS

Differentiated content is also becoming more important for local SVOD startup Stan, which debuted in January 2015. To set Stan apart, company executives have been buying some early window as well as exclusive content from the likes of Sony, Warner Bros and, as part of a bigger licensing deal, Showtime. "The brand is the entire experience that you deliver to the consumer," said Stan's CEO, Mike Sneesby. "First and foremost in our game, it's about content."

Stan is enjoying promising subscriber momentum, and is on track to break even by FY 2018 (i.e. ending June 30) from an initial investment of A$100 million (US$75 million). The business, jointly owned by local broadcaster Nine Entertainment and local publisher Fairfax Media, is second behind Netflix in terms of paying subs in Australia.

"The brand is the entire experience, the content, that you deliver"

Mike Sneesby, Stan

"I don't think every telco has to own every part of the value chain"

Scott Lorson, Fetch TV

Stan is also spending over A$10 million (US$7.5 million) a year on making its own content, selling programming as well as format rights overseas to offset some of that investment and replenish production budgets back home. There are no plans to air these films and shows on Nine, however.

"One of the things that's important – this applies both with our original content as well as the deals we are doing for first-run shows – is to ensure you have a complete exclusivity on them," Sneesby remarked. "One of the real challenges when you're sharing windows on content is confusion in the consumer market, around 'where do I go to get that content?'," he added. "It's been critical for us, and we've tightened up a lot of that."

TELCOS AND TV

Six-year-old Fetch TV, meanwhile, which has assembled its own pay-TV platform for ISPs, spanning content, hardware and services, continues to upgrade its offering as the market evolves. This includes a cheaper mini set-top box and a mobile-only service as well as a new PVR, all to launch this year.

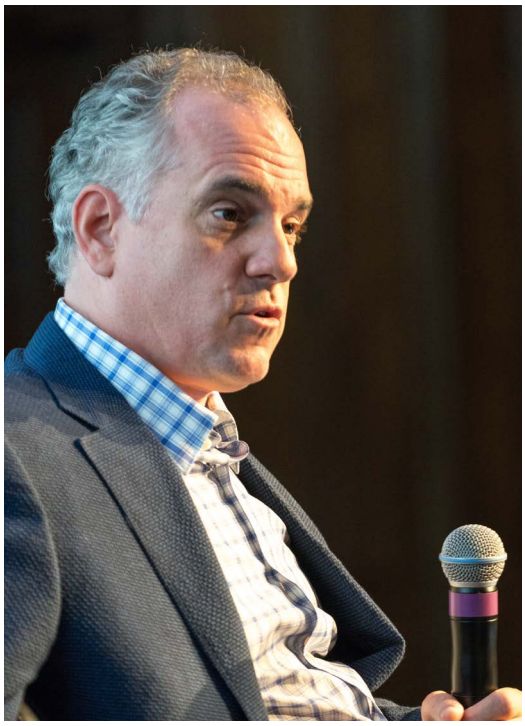
"If you just have a high-end PVR, that might lend itself to a high-end broadband bundle, but you also have low-end broadband bundles, you have mobile services," noted Scott Lorson, Fetch TV's CEO. "You need an array of services, so that you can present entertainment to people regardless of how they initiate or what relationship they have with the telco."

The company hit a speed bump in August last year, after one of its earliest ISP partners, iiNet, stopped selling Fetch TV's service following the telco's acquisition by TPG Telecom. Existing Fetch customers on iiNet can still access the service.

That leaves Optus as the main driver of growth for Fetch. Lorson dismissed the idea that the company may pool its resources with a single partner. Fetch has been developed with a coalition model in mind, he explained, leveraging scale to provide a foundation service that provides 90% of what telcos need.

Partners can then focus their investments on the other 10%. "It's a formula that works quite well," Lorson said. "I don't think every telco has to own every part of the value chain," he added. "If they can just find those assets that uniquely brand and differentiate their organization, and power that marketing machine, we do the rest, the meat and potatoes behind the scenes."

A+E EYES CO-PROS FOR DEEPER BONDS



"Content can be exported but it's about telling local stories"

David Granville-Smith, A+E Networks

A+E Networks – the stable for channel brands such as History and Lifetime – is looking to build local production hubs in some of Asia's biggest markets, via stronger footholds in India and Japan and potential partnerships in China and Korea. The moves are part of a strategic push to create more IP at home and abroad as the broadcaster diversifies its output, in drama and OTT content in particular, while stepping up international growth. The company announced two Asian deals during APOS: a majority investment in The History Channel Japan, increasing its stake from 50% to 80%, and the launch of its second channel in India, a localized version of FYI. Domestic co-production will anchor both moves, David Granville-Smith, A+E's EVP and CFO, told APOS attendees. "It's all about original content and local content," he said. "And it's not necessarily about exporting content. There's content that can be exported, and it resonates, but it's really about finding how to tell the local stories."

A+E has been steadily increasing its interests outside the US. In 2012, it took over operations in Southeast Asia, which had been run in a JV with Astro. In 2013, it took control in Italy, its first fully owned channels business in Europe, where the History brand had been licensed to Fox. "We will continue to do that," Granville-Smith said. "Over the past five years, we've grown 15-20% internationally. I think that growth will continue over the next five years. As we look at our different businesses, it's clearly the business growing the most, and we will put the most dollars in to invest."

In Japan, A+E's JV partner Super Network – a satellite broadcaster run by Hakuhodo DY Media Partners, one of the country's biggest media agencies, and local studio Tohokushinsha Film – will continue to assist on ad sales and distribution with a 20% share in the business. In India, lifestyle and entertainment offering FYI TV18 will roll out with a slate of 100 hours of Hindi content, including three locally produced shows. The channel will be managed by AETN18, a four-year-old JV with Reliance-owned TV18 Broadcast, which also operates History TV18, a localized version of the History Channel. Meanwhile, discussions are ongoing with potential distribution and production partners in China and Korea. The company currently airs History in Korea, and is working on a branded block deal in China.

Globally, A+E's international head Sean Cohan added the company's digital brief to his portfolio at the beginning of the year, bringing the two disciplines closer together. "It's important to marry international and digital," Granville-Smith said. "As we grow our businesses, linear will continue to be very important, but we want to have extensions in digital and focus on new digital brands as well." A+E is pushing to expand its OTT presence, including a bigger footprint for two SVOD services, Lifetime Movie Club and History Vault, which have already launched in the US. In May, the broadcaster centralized its digital resources into 45th & Dean, a new hub in New York to create branded as well as self-funded content for its linear channels and digital properties.

In the US, A+E also has a majority stake in Viceland, a new channel slanted towards multiplatform ad deals launched with youth media specialist Vice. A+E, which has a separate stake in Vice itself, can help steer Viceland's international rollout, Granville-Smith noted. Viceland has also launched in Canada, via a separate JV between Vice and Rogers, and has signed distribution deals with Sky in the UK and with Canal Plus in France. "There will be situations where we will do something together and potentially launch, and situations where they will launch a channel on their own," he said. "But ultimately we're working hand in glove on it, given our global reach and our ownership in both the channel in the US, as well as our ownership in Vice the parent company."

"Cartoon Network Anything is a platform developed for discovery. It's 15-second, snackable content but we're finding people spend at least 10 minutes on it."

Christina Miller, Turner

"We have a range of assets that can drive our success in markets beyond Japan, but we can't do it by ourselves. We need partners with local market savvy."

Kimio Maruyama, Nippon TV

"Content has an audience but a brand has loyal fans. Super fans not only spread your message and distribute your content, but make your business more efficient."

DJ Lee, CJ E&M

"We will try to acquire competitive sports rights to become a major broadcasting station. We are not just going to invest for a sports-only genre."

Jeongdo Hong, JoongAng Media Network

BROADBAND SURGE TO RESHAPE INDIA TV

From left:
Harit Nagpal, Tata Sky
Adil Zainulbhai, Reliance Industries
Sudhanshu Vats, Viacom18 Media

India's pay-TV market has passed a key milestone. More than half of pay-TV homes – around 70 million households, mainly in the country's biggest and richest cities – now subscribe to a digital cable or satellite service, opening up new shelf space for viewers and media companies. Celebrations are on hold however, as incumbents gear up for another period of rapid transition, this time around OTT video.

India's largest private company, Reliance Industries, is a major driver of change, investing US$22 billion in mobile, broadband and digital services, across 4G and fiber networks. Incumbent telcos have also ramped up investments in their own pipes in tandem, accelerating the arrival of a new media ecosystem for a country with low levels of broadband access.

"By the time this wave of investment goes in, by us and other telcos, we hope India will become number six or seven in the world in terms of broadband penetration," remarked Adil Zainulbhai, an independent director on Reliance's board. "When you do something that quickly and of that scale, it creates lots of changes in the market, in terms of what will be on it, how the different players will react and where the power lies," Zainulbhai added, speaking on a session called India's Digital Transformation.

For fixed line, Reliance is targeting a large proportion of high net worth homes passed within 18-24 months, but fiber rollouts will take time. Reliance's high-speed mobile networks, however, are almost ready to go. Tests among friends and families of Reliance employees, 500,000 people in total, show average monthly consumption at 20GB, a steep climb from the 0.18GB national average for Indians currently using wireless broadband.

"This is really a big disruption," Zainulbhai said. "We don't really know how everything will roll out when you give people the opportunity to consume as much as they want for a reasonable price. It's only when we actually see it that we start understanding what they want."

WIDER EFFECTS

Reliance's entry into the market should also provide a boost to digital pay-TV providers, predicted Harit Nagpal, MD & CEO of DTH operator, Tata Sky. Traditionally, pay-TV's pricing power has been heavily influenced by local analog cable operators, able to keep rates low by under-declaring subscriber numbers.

"When Reliance gets into that business, they are going to be paying their taxes and paying the broadcasters and cannot sell at US$3 Arpu," Nagpal said. "If they raise their prices and cable raises their prices, I also have the ability to take the prices to an affordable level. All of us have bled through the last 10 years because we have had to benchmark our prices against the analog guy."

In time, fiber will also provide another conduit for video delivery, that DTH operators such as Tata Sky can leverage. "I will fill their pipes up," Nagpal said. "I will get the content revenue out of that, and their pipes will get filled up and they will get the pipe revenue out of that. Both of us can make money."

India sits at the cusp of a digital metamorphosis. The government is making a serious push behind its Digital India initiative, while cheaper smartphones and falling data costs are putting mobile internet into the hands of more people. Voot, an ad-supported streaming service from broadcast major Viacom18, has around 300,000 daily users as of April, after making its debut in March.

"Look at the hunger in the country," commented Viacom18 Media's Group CEO Sudhanshu Vats. "Since the launch in March, there have been 1.5 million uniques," Vats noted. "We haven't advertised the service at all." Voot's visitor numbers have continued to build. The OTT platform launched its first marketing campaign in May.

Standalone digital platforms, primarily YouTube today, dominate India's online video ad market, claiming more than 80% of spend. Vats is confident that Viacom18 and other TV companies will fare better in the future, due to the hold domestic broadcast majors have on premium local rights.

"You will see a very strong play in the middle of India, the mass, by these players, who understand India," Vats said. "As large as India is, there is room for the global players to come in, they will perhaps have the top end of the pie," he suggested. "There could also be room for a few digital-only players, if they do very disruptive content."

"Innovation is great but, after a few years, there may be less interest in some elements and people do not get all the maintenance or the quality they are expecting."

Andre Kudelski, Kudelski Group

"Satellite broadband is an instant solution that covers an entire country. It is not for everyone, but starts to become feasible for a middle-income demographic."

Deepak Mathur, SES

"One key thing to look at, especially in a digital era, is how traditional linear long-tail content can transform to become more relevant for consumers."

Thomas Ee, Taiwan Broadband Communications

"Local production is getting more and more important for us in order to differentiate our products, particularly in the OTT world."

Jørgen Madsen Lindemann, Modern Times Group

STUDY – NETFLIX SETS STRONG PACE IN SE ASIA

"How telcos and OTT players manage integration will be crucial"

Aravind Venugopal, Media Partners Asia

The SVOD era has begun in Southeast Asia, picking up momentum last year as regional services joined local startups in the race for rights, distribution and subscribers. Global SVOD platform Netflix however, a relative latecomer which only launched local services in Southeast Asia at the start of this year, is enjoying higher conversion rates from trial to paying subs than almost all regional and local rivals, according to new consumer research presented at this year's APOS conference.

The findings were taken from a representative survey of fixed broadband users – a prime target for fledgling SVOD services – in three Asean markets: the Philippines, Singapore and Thailand. The study was carried out in April by Media Partners Asia (MPA) and media research specialist BDRC Continental.

Of the eight alternatives covered by the survey, comprising two regional (i.e. Iflix and Hooq) and six local services, Netflix only trailed one, Thai startup Hollywood HDTV, in terms of paid conversions. Hollywood HDTV, which launched in March 2014, enjoyed an 84% conversion rate in Thailand, the highest level recorded by BDRC, versus 82% for the Thai version of Netflix.

Thailand is Southeast Asia's most competitive and most developed SVOD market, where eight services are competing for a share of consumer spend. However, consumer awareness of Netflix in Thailand, at 71% of fixed broadband users, was found to be markedly lower than in the Philippines (at 95%) and Singapore (at 90%), both markets with a bigger appetite for US content.

Nonetheless, paid conversions for Netflix were lower in these markets, at 63% in the Philippines and 68% in Singapore. That's still higher than regional and domestic rivals in both countries, and also hints at better performance, for Netflix and others, as their SVOD industries mature.

At this stage, such findings are unlikely to concern Netflix, which is prioritizing bigger markets for now, and able to fall back on its global scale. The platform faced a barrage of criticism earlier this year, when users discovered that local Netflix offerings offered less choice than the service in the US.

For local and regional SVOD hopefuls however, persuading people to sign up to paid tiers is a more pressing concern. "If you have churns of 60-70% per annum, almost every 12-18 months you're acquiring new subscribers," said MPA vice president Aravind Venugopal, presenting the study's topline findings. "That drains out your cash," Venugopal added. "Your ability to generate free cash gets extended even longer."

PRESSURE ON PAY-TV

In Thailand meanwhile, pay-TV revenues are also under pressure, creating prospects for cheaper or more flexible services from incumbents as well as new entrants. The survey found that around a third of Thai pay-TV subs were planning to cut the cord over the next 12 months, compared with around a quarter of pay-TV subs in the Philippines and Singapore.

Additionally, around a third of subscribers to premium pay-TV channels in Thailand were also considering downgrading to cheaper packs, a similar level to the US. In the Philippines and Singapore, the figure was around 20%.

These trends may also reflect a growing reluctance to pay, as broadband makes pirated content more accessible. Fixed broadband consumers were generally willing to pay significantly less for an ideal SVOD service, usually comprising early-window Hollywood content currently found on pay-TV, than current prices charged by the pay-TV incumbent, BDRC found.

That difference proved to be smaller in the Philippines, however. Price sensitivity analysis set the optimal SVOD price for fixed broadband users in the Philippines at US$13.30 a month, close to the monthly Arpu for local cable leader, SkyCable.

Different dynamics are likely to come into play as the SVOD base expands, with the next wave of potential subscribers, connected via growth in mobile broadband, looking for different kinds of content at lower prices. For now however, the immediate challenge facing SVOD players in Southeast Asia, especially in growth markets like the Philippines and Thailand, is winning over more affluent A and B demos.

Many are tying up with telcos, allowing top-tier subs of local broadband providers to sample their video-on-demand services for free, sometimes for long periods, in the hope people will be more willing to pay once the complimentary trial ends. It's a page out the playbook from the early days of pay-TV, where channels and platforms were able to persuade viewers that some movies and TV shows are worth paying for.

It's also a risky proposition, however, that could commoditize premium content in a broadband world, where free and pirated options are common. "It is a double-edged sword," Venugopal warned. "How the telcos and OTT players manage that integration, how they get messaging across to consumers that this is not a free product, that content is not free, is going to be crucial over the next 12-24 months."

HKBN OUTLINES DUMB PIPE STRATEGY

From left:
William Yeung, HKBN
NiQ Lai, HKBN

Hong Kong Broadband Network (HKBN) has decided to stick with what it knows, decommissioning its pay-TV service BBTV in 2013 to focus on fiber broadband. Now, the telco operates in a capital-intensive business with a 90% gross margin. "We were in negative free cash flow for seven consecutive years, and that's why we have massive barriers of entry to our profitability protecting us today," recalled CFO NiQ Lai. HKBN maintains a hands-off approach to content investment these days, teaming up with OTT video providers instead. These include LeEco, which has Hong Kong rights for EPL football, and free-to-air incumbent TVB, for its recently revamped OTT service, MyTV Super.

These companies provide the set-top boxes which HKBN subsidizes upfront, offering them in a bundle for new and renewing subs while recouping the investment over the subsequent subscription period. "When we talked to LeEco in Q3 or Q4 last year, we had the army to acquire customers," explained CEO William Yeung. "On day one, we committed a PO of 300,000 set-top boxes. By doing so, we offer attractive offers to our customers which will help us on acquisition and retention." HKBN has delivered more than 160,000 boxes for LeEco over six months, and should be placing its second order soon. It has also distributed more than 30,000 boxes from TVB in one month, after committing to 400,000 over 18 months. HKBN has no plans to invest in its own set-tops, which can carry multiple services, at least at this stage. "When we work with partners like LeEco or TVB or whoever, we like to invest together and then reap the benefits together in the near future," Yeung said.

HKBN has the biggest share of fiber subs in Hong Kong although it trails the incumbent, PCCW, in the overall residential fixed-line market. Yeung and Lai hope to surpass PCCW's market share by 2018. The company is also considering an MVNO-based mobile offering that can enhance its packages and amplify its marketing. HKBN has enjoyed some robust growth of late, ending February 2016 with 792,000 fiber subs, a 10% year-on-year lift. Consumers pay US$18 per month for 100 Mbps fiber broadband, home fixed voice and an OTT box with free trial content. HKBN also guarantees the speed of its pipe, refunding double the monthly subscription fee should the service fall below 80% of advertised speeds. "This is all we do," Lai said. "We are proudly a big, fat dumb pipe provider, and we have no aspirations to go into content itself. Rather, we work with partners."

MEDIA PACTS PAY OFF FOR GLOBE

"The market is ready, but we have to change habits"

Ernest Cu, Globe Telecom

Paid video is moving center stage for Globe, the Philippine mobile operator which has penned distribution tie-ups with Disney, Singtel-backed Hooq, the NBA League Pass and, most recently, Astro's Tribe. These non-exclusive deals, reflecting Globe's ongoing repositioning as a lifestyle company, follow media partnerships with Facebook in 2013 and Spotify in 2014, both instrumental in driving data consumption among mobile subscribers.

Now it's video's turn to do the same for high-speed broadband. "The market, by way of demographics, is ready," said Globe's president and CEO, Ernest Cu. "The mobile networks are ready, with very prevalent 4G networks," Cu added. "But, much like the way we convinced people to move away from torrenting into legal music via Spotify, we have to change habits. That's why there's so much investment being put by Globe in helping people make that shift."

Globe's next promotion for mobile internet will take the form of digital lifestyle stores, that can also help market Globe's media partners. The first branch, patterned after Apple's retail outlets, is due to open in Manila within the year. "Once we've put smartphones in people's hands, we're now going to teach them what to do with it," Cu said. "What online video is about, what music is about, what connectivity is about in combination with the phones that they have."

Globe, which ended 2015 with 52.9 million mobile subs, now claims a 71% market share of mobile data revenues thanks to these initiatives. This monetizable base owes itself largely to an eight-year push to increase smartphone penetration, which began with Globe bundling iPhones with its plans in 2008. Later on, Android models and entry-level local brands, such as Cherry Mobile, were also included.

By the end of last year, smartphone users accounted for about 40% of Globe's mobile base. "We anticipated that the public was going to shift from feature phones to smartphones," Cu recalled. "The first thing we did was build a network out completely. We put in about a billion dollars into the business, putting 3G everywhere and eventually adding on a layer of 4G LTE. We revised our product offering and we put a lot of smartphones into people's hands."

Globe's six-month Free Facebook promo in 2013, meanwhile, cost the telco about US$25 million per month in lost revenue. Nonetheless, mobile data usage tripled as a result. Globe followed up by introducing Spotify to the Philippines, via a similar free access plan to data subscribers. Since then, a subscription to Spotify's premium tier in the Philippines has settled at roughly US$3 per month, perhaps the cheapest in the world.

The pricing helped create an alternative to piracy. "Filipinos have already ingrained in their mind that music is free because it's all over the internet," Cu said. "There's no value in the music itself per se, but the value was in the fact that there were so many features in Spotify, like the curated playlist, the on-demand feature, downloadability of the music, as well as the discovery aspect."

Persuading Filipinos to take on paid services remains a tough sell in a country where piracy is rife. Partnerships between content providers and distribution platforms allow both parties to leverage the other's expertise. "There's no way for us to build a better app than Hooq, or what our other partners may have, because that's not our competence," Cu explained. "Our competence is distribution, reach, marketing, caring for that consumer and, most importantly, billing that consumer."

SVOD HOPEFULS MULL MARKET REALITIES

From left:
Howie Lau, StarHub
Peter Bithos, Hooq
Mark Britt, Iflix Group
Kazufumi Nagasawa, Hulu Japan
SK Cheong, Television Broadcasts Ltd

Running an SVOD service in markets where few people have access to credit cards or fixed-line broadband was never going to be easy. The sector faces multiple challenges in emerging markets, contending with poor broadband infrastructure and mobile fragmentation, as well as limited payment mechanisms and fraud, while trying to match global licensing norms with local sensibilities and regulations.

"I think we all underestimated the amount of business model evolution that has to go on, to create what will eventually be the successful model," said Peter Bithos, CEO of regional platform Hooq. Hooq, which had been offering monthly subscriptions, recently announced a weekly alternative to expand its customer base, similar to top-up mobile data plans offered by telcos in growth markets. What works for affluent consumers can only go so far for services chasing mass audiences in South and Southeast Asia. "For the last 12 or 15 months, we've all been planting flags." Bithos said. "The next 15 months are going to be about finding the business model that works. You're going to see a lot of business model innovation."

Internet access offers another way to evaluate global scale and local relevance, suggested Mark Britt co-founder and CEO of regional rival, Iflix. "The search engine's a global business. The operating system's a global business. Media has historically been a very local business," Britt said. "This is going be a much bigger issue. It's not just about tools and technology. It's a fundamental philosophical and social question we have to tackle." Netflix, along with other global majors such as FIC, NBCU and Time Warner, currently serve a globalized world of premium services, spanning pay-TV and SVOD, where devices, tastes and payment channels are relatively similar, Britt noted. SVOD services targeting growth markets however, operate in much more diverse markets, in terms of technology as well as tastes, where potential customers are more likely to be buying pirated DVDs than pay-TV. "That's the new money we're trying to get into the market," Britt said.

In markets with widespread broadband connectivity, TV incumbents also are actively engaging with OTT to cater to changing consumer expectations. Singaporean cable and telecoms group StarHub, for example, has announced

tie-ups with two third-party SVOD products – Netflix and CatchPlay, an upcoming service from Taiwan – in addition to launching its own offering, StarHub Go. "The customers ultimately will make the choice," said StarHub's CMO, Howie Lau. "For us, it's about being the platform to provide the right set of players, the right set of contents, regardless of what the customer finally chooses." So far, on-demand and linear services seem to complement each other, Lau noted. StarHub customers are opting for more mainstream content on linear channels, suited for communal viewing, while watching edgier fare on their personal devices. "We're monitoring the consumption behavior and then adjusting, because ultimately it's the customer who will vote with their dollars," he said.

Free-to-air broadcasters made some of the first forays into OTT, with ad-supported catch-up services. Hong Kong's TVB, for example, launched its catch-up offering, MyTV, in 2008. "That's got great traction," said TVB's executive director and GM, SK Cheong. "We're selling at CPMs that are two and a half times television CPMs," Cheong added. "We're completely sold out on that so it shows that the service has gone somewhere." TVB is now making bigger strides into the OTT space, recently launching its MyTV Super OTT box, which carries all of its linear free and pay-TV channels, together with on-demand content.

Broadband is the distribution platform for the future, Cheong said, and TVB is consequently repositioning itself as an internet TV company. "I say, in a semi-jesting way, that if we're successful in five to ten years, you can pull the coaxial cable that brings you TV signal off-air from your television set and watch everything online, including linear, non-linear, free, pay, the works," Cheong said. "That's what we're trying to do."

MOMENTUM IN JAPAN

Five of the biggest free-air-broadcasters in Japan, meanwhile, run a joint catch-up service called TVer, which launched in October 2015. One participant, Nippon TV, uses the platform to promote its own SVOD service, Hulu Japan, and is inviting other broadcasters to follow suit. "Our vision is to let other broadcasters use Hulu as an integrated platform with theirs," said Hulu Japan's chief content officer, Kazufumi Nagasawa. "If that happens, there are two big moving pieces, as per the future relationship between TVer and Hulu." TVer's future remains unclear, however, with some partners such as Fuji TV and TV Tokyo also managing separate apps.

Hulu Japan, meanwhile, grew its paid base more than 40% year-on-year in 2015, and reached about 1.3 million subs as of March 2016. The service is doing well thanks to programming and promotional support from its parent, which bought the service in 2014 from Hulu in the US. SVOD has good prospects in Japan, by taking share from a still sizable DVD rentals market.

At the same time, the sector also faces severe pricing challenges. Amazon, which is ramping up investment in Japanese content, includes video as part of Amazon Prime, its broader paid ecommerce tier which costs significantly less than SVOD alternatives. "That's a huge threat to us," Nagasawa said. "But not only to us, to the whole OTT service or even to the whole entertainment industry, because that will change the customer's mindset."

MUBI EYES MORE TIE-UPS AFTER CHINA

"We have a very ambitious target, but we know what we are doing"

Efe Cakarel, Mubi

SVOD specialist Mubi, which offers subscribers a rolling choice of 30 art house films at any one time, started streaming movies at the same time as Netflix, in 2007. With 100,000 paying subs, Mubi is far smaller than its contemporary, although it leads in one area: entry into China, via a JV with local firm Huanxi Media announced in January.

The JV, majority-owned by Huanxi, will source its films locally, while adopting the same technology and product design as Mubi's global offering. "We have a completely Chinese mandate," said Mubi's founder and CEO Efe Cakarel. Huanxi is run by veteran Chinese film producer Dong Ping, who sold a 60% stake in his last company, ChinaVision Media, to Alibaba for around US$800 million in 2014.

The deal comes as the Chinese government tightens controls on OTT distribution of foreign content. In March and April, Apple and Disney suspended local versions of their online services, iTunes and DisneyLife, which both launched last year. Mubi China will be a different kind of business, Cakarel said, establishing China as the third market where Mubi has a dedicated operation, after the US and the UK.

Huanxi is paying US$40 million for 70% of Mubi China, which is slated to go live later this year. Mubi has the remaining 30%, in exchange for licensing its streaming technology and IP. Huanxi has also invested another US$10 million for an 8% stake in Mubi itself, valuing Mubi at US$125 million. Before the Huanxi deal, Mubi had secured about US$25 million in funding. The tie-up provides useful capital and market access as Cakarel, a former banker with Goldman Sachs, looks to expand Mubi's content offering and reach, including via potential tie-ups with pay-TV and broadband platforms.

Cakarel's company struggled in its early years, as executives tried out different ways to buy and sell a broad collection of movies online. The business started to gain traction three years ago, after hitting upon the idea of offering less choice: 30 movies at any one time, updated with one new film per day. The move, which offered something different to studios and consumers, brought down licensing costs while sidestepping design challenges around recommendations and discoverability. "That created the company," Cakarel recounted. "That introduced a very clear differentiation to the big guys, especially Netflix."

The films on offer are currently handpicked for the US and the UK but set by algorithms elsewhere, using data from a free social layer developed around the core service, as well as per-country rights that Mubi owns. Now Cakarel wants to ramp up funding, followed by subscriber numbers, to build on current momentum."In 2017, once we start proving the business model, we want to go raise significant growth capital, 100 million-plus, to really start scaling the business," he said. Cakarel is open to large strategics as well as institutional investors buying into Mubi, which has mainly raised money from individuals so far. He is also looking to land an additional US$30-50 million for movie production, helping secure fresher content for Mubi.

For the most part, the service relies on older films, especially in markets where big studios have large output deals with local pay-TV operators. At the same time, Cakarel wants Mubi's subs base to expand exponentially, from around 100,000 today to two to three million within the next three years. "A very ambitious target, but we know what we are doing," he said. "We haven't just launched our business 15 months ago. We can see the path to growth with our established presence."

HOPSTER FACES BIG RIVALS IN KIDS

"When I see Disney following us, I find that validating"

Nicholas Walters, Hopster

Hopster, a 30-month-old SVOD service for preschoolers, is starting to deepen its footprint overseas. The UK-based startup announced its first local-language apps (for France and Iceland) in the second half of 2015, after negotiating international rights for its licensed programming across 100 territories.

In April, the company also unwrapped its first distribution deal in Asia, with Malaysian telco Maxis. Hopster joins other OTT bundles on Maxis, from the likes of ErosNow, Iflix and Viu, as the telco pushes data usage on its platform. Following a two-month free trial, Maxis's subs can access Hopster's English-language videos and educational games for RM10 (US$2.6) per month.

Hopster's founder and CEO, Viacom alumnus Nicholas Walters, wants to push further. More distribution deals can raise Hopster's profile, while extra content and features can bolster the app's appeal and differentiate it from other, often larger players. "We raised our Series A in 2014," Walters said. "We've seen really good growth since then, so we'll be looking to invest against that growth. I'd expect to have some stuff to announce in the not-too-distant future."

Hopster's first funding round was led by Astro-backed Sandbox Partners – a strategic investor specializing in digital media and education. Hopster also landed some seed funding in 2014, after making its debut at the end of 2013. Over that time however, large OTT aggregators such as Netflix and YouTube, as well as more specialized local and international services, have been building out their own kids offerings. Parents and children have more options than ever.

Like other startups, Hopster has limited resources for product development and marketing, relying on word-of-mouth and distribution deals to get the word out as its product expands. The Asian offering will remain in English for the foreseeable future, catering to demand for English-language learning.

At the same time, Hopster's home market is becoming increasingly crowded. In March, the UK's pay-TV leader Sky unveiled Sky Kids as a free app for its subscribers, while free-to-air major BBC launched BBC iPlayer Kids as a free online offering in April. At the end of 2015, the UK also became the first global market for DisneyLife, a direct-to-consumer play offering online video, music and books for £9.99 (US$15.2) per month. Hopster costs less, at £3.99 (US$6.1) per month, but more than freemium rival PlayKids, a Latin American service rolling out globally, including in the UK at £2.99 (US$4.5) per month for its paid tier.

Hopster has room to grow, Walters contended, arguing that its slant towards learning and interactivity helps it stand out. "Of course you will have other people investing in this space, but this space is huge," he remarked. "When I see people like Disney following us into this space with DisneyLife, I find that validating." Hopster currently licenses its songs and videos but makes its own educational games, which are linked to videos as well as a learning curriculum that sits underneath the platform. The games account for around 30% of time spent on the platform, a proportion that has steadily risen since launch, Walters noted. "That's a very different experience from Netflix," he said.

Hopster's CEO is also eying self-produced short-form content – in areas such as songs and educational video – as one of the next areas for investment and differentiation as he seeks to increase the paid base. "That kind of content is performing really well," Walters said. "I think it proves in a digital environment you can range more widely. You can do different things you couldn't do in a linear environment."

ENDEMOL SHINE BROADENS REVENUE PUSH

"I want us to pivot away from pure B2B into a more B2C world"

Sophie Turner Laing, Endemol Shine Group

Endemol Shine, the product of a mega-merger in TV production, weathered a turbulent 2015 as its three constituent parts – Core Media, Endemol and Shine Group – combined across the world. Now, with only France to go, Endemol Shine CEO Sophie Turner Laing wants to focus on the merger's original aims, widening the revenue base by turning TV shows into multiplatform brands that can travel the globe. "We produced 733 productions last year in the middle of a merger and integration," Turner Laing said. "So I said to the team, so what's the number going to be this year, if it's all going to be plain sailing?"

Endemol Shine – best known for non-scripted formats such as Big Brother and Master Chef – is now treating all of its assets as enduring franchises, Turner Laing explained. The move should ease pressure on margins, while taking the group – co-owned by 21st Century Fox and private equity firm Apollo Global – into new areas, from online games to branded entertainment. "Thinking of programs as brands is very much our focus," said Turner Laing, a former executive with UK pay-TV player Sky. "I want to pivot us away from being purely B2B into a more B2C world." The company wants to be more involved in how digital rights are used, for example, to sustain interest in shows between seasons. "An interesting debate we have with a lot of our customers is, who does the social," Turner Laing remarked. "A lot of broadcasters say we need all the digital rights, we want to do this stuff and then, most of the time, sit on them. My feeling is we have to work with them… because we are much closer to the heart of the show."

Endemol Shine has also teamed up with YouTube star Michelle Phan to launch Icon, a multichannel online video network focused on the beauty segment, which made its debut in the US and Europe last year. In February, the network also landed a linear TV deal in Germany. Icon Asia, meanwhile, featuring online talent from Singapore, the Philippines, Malaysia, Thailand and Hong Kong, started rolling out in April, in English at first before further localization. Multichannel networks (MCNs) – often anchored around YouTube – open up new opportunities for brand sponsorships as well as ad sales. Digital monetization is proving to be tough, although Turner Laing is confident that it can become a major part of the business. "I recently hired a new director of strategy who is only a digital native, because quite frankly I have enough people who can tell me what to do on television," she said. "We are very focused on building partnerships with all sorts of platforms."

Across Asia meanwhile, much of Endemol Shine's reorganization took place early last year, as the regional hub moved from Hong Kong to Singapore under Asia MD Fotini Paraskakis. Viacom alum William Tan joined in April 2015 to head Greater China, while Deepak Dhar runs the business in India, a four-year-old JV where private equity firm CA Media owns a 49% stake. Around 55 Endemol Shine formats are on air across Asia. Turner Laing wants to see the region produce original ideas and IP that can then be exported abroad.

Earlier this year, Endemol Shine entered into an international co-development pact for non-scripted formats with Korean entertainment major CJ E&M. Early conversations included the role VR can play in supporting program franchises, within Korea and globally. That's in line with Turner Laing's wish to go beyond traditional revenue streams. "What I love is their total focus and energy on what the future could be," she said. "For us, that is highly important because we need to be incredibly fast and flexible, which is interesting running a group that has 120 production companies in it. We rely on our individuals leading each company to be as up to speed as they possibly can."

"The revenue mix will change somewhat but mobile distribution will significantly increase reach and time spent. That, ultimately, will be good for the industry."

Bob Bakish, Viacom International Media Networks

"OTT video is way beyond the stage of being experimental, although I think we have to be better in monetizing it."

Janice Lee, PCCW

"Across market clusters, linear TV's role is diminishing for millennials. That impacts where people want to see video and, more importantly, how people find video."

Arthur Bastings, Discovery Networks Asia Pacific

"In the new world, content is marketing. It's not just about reaching people, so they can consume. It's about establishing or reinforcing your brand relevance."

Sean Cohan, A+E Networks

"There will be a settling down of valuations and of fundamentals, whether it's from a traditional media owner or from a new media perspective."

Paul Aiello, Emerald Media

"Significant change is needed in a telco's core business before they address a brand new industry. At this stage, telcos should focus on dealing with the new reality."

David Goldstein, Iflix Group

"Founders in Southeast Asia today are older, with more work experience. Businesses are a lot more developed by the time they are raising the Series A round."

David Gowdey, Jungle Ventures

"We've only invested in a handful of content-related companies we've looked at, ones that are focused on community, have global ambitions and a real mission."

Gordon Rubenstein, Raine Ventures

INDUSTRY TAKES FIRST STEPS WITH VR

From left:
Jason Rosenthal, Lytro
Drew Larner, Vrse
Peter Levin, Lionsgate

It's still early days for virtual reality. Awareness is rising however, as headsets from Oculus Rift, Sony, HTC and Samsung have gone on sale over the last six months, piquing industry interest. Proponents say virtual reality (VR) is more than an incremental experience such as 3D, but a step-change in media production and delivery.

"3D, as we know it, was really a technology looking for a problem to solve," said Jason Rosenthal, CEO of Lytro, an imaging company working in the VR field. "VR is really the next platform," Rosenthal added. "If you think of PC, internet and mobile, virtual reality and augmented reality is what we're going to see next. It's going to be better and more exciting than all of them."

Nonetheless, the rudiments of VR are just starting to take shape. In terms of personal computing, Rosenthal compares current development to the launch of IBM's first green-screen PC. Development could be much quicker however, thanks to VR's links to the mobile sector, benefiting from global scale.

"The market, the standard for technologies, the content, the monetization, is going to mature at a rate far faster than any medium we've seen before, and in big part because it's all built on the back of the mobile supply chain," Rosenthal predicted. "Virtual reality is leveraging everything that took smartphones to over a billion devices today. We're about to see the whole cycle repeat itself."

Jens Christensen, CEO of VR hardware and software developer Jaunt, founded the company in 2013 after putting on a prototype Oculus DK1 headset. "When I tried VR, it completely blew my mind," he said, speaking in a separate on-stage interview at APOS.

"It was obvious that this was going to be big, even with that early technology which essentially was just animation," Christensen added. "When we saw that, we thought: 'why limit it to gaming and animation?'" Jaunt has raised about US$100 million since launch, with Disney, Evolution Media Capital and China Media Capital taking part in its most recent round.

Some news and entertainment producers are also starting to experiment with short-form VR video, although the technology is more commonly used in video games so far. VR is a medium in its infancy however, where companies need to develop a new ecosystem alongside demand. Jaunt, for example, shares its hardware and software with content creators in return for a share of the distribution rights.

"What we're really about is content, delivering fantastic experiences to end-users as efficiently as possible," Christensen said. "We don't actually sell the camera, we're not a camera company per se," he added. "What we do is make it available to our content partners."

"We're not a camera company, per se. We're really about content"

Jens Christensen, Jaunt

HEAVY HEADSETS

At the same time, best practice in storytelling will develop in tandem with technology. The clunky design of today's VR headsets for example, combined with the way immersive content is rendered, makes it uncomfortable to watch long-form programming.

"Five to 10 minutes is about the maximum amount of time that people will be comfortable with the headsets, but as the headsets improve, the content will be longer," said Drew Larner, COO of VR software and production company Vrse. "As technology advances, the content will change as well and the storytelling and the ability to do things in VR – which you can't do in film and TV – will only continue to get better," he predicted.

The ability to monetize VR video will also evolve, initially via advertising and one-off purchases before content volumes become big enough to support subscription. Traditional advertising approaches such as CPMs may also need to evolve under VR, given that platform owners will be able to track eye movements. "What that can mean to an advertiser could be enormous," Larner said. "How that gets monetized remains to be seen. It's just a question of what an ad in VR looks like."

Hollywood studio Lionsgate is moving on VR via games, creating a first-person shooter based on its John Wick movie for HTC Vive's headset. Launching the title on Vive opened up 125 million gamers on Steam, the gaming ecosystem owned by Valve, HTC's partner for Vive.

"Contextual media files, alpha adopters…we definitely see that there's going to be some earlier traction with those players," said Peter Levin, president of Lionsgate Interactive Ventures & Games. Lionsgate is also considering VR as a promotional channel, with mobile apps for its upcoming film Now You See Me 2, for example.

"So we see again in the nascent stage, what a great way to get lift and awareness by coupling VR experiences to ginormous pieces of intellectual property," Levin said. "It has to be a commercial environment or none of us are going to be here next year to talk about it," he added. "So we're all aggressively working towards making sure that it becomes a thing."

"When it comes to TV, there's an obsession about reach and numbers. The fact TV is fragmented means it is now about specialization, about customization."

Henry Tan, Astro Malaysia Holdings

"As marketers, we are used to thinking of audiences as target markets. What's important is understanding target markets, and target moments as well."

Parry Singh, Twitter

"Today, the real work starts after buying the ad. You are getting live feedback, trying to get it better. As a result, many marketers today budget every three months."

Jeffrey Seah, Starcom Mediavest Group

"We can now offer broadband nationwide, through our fixed broadband network in six cities and through mobile broadband co-operation with XL."

Hary Tanoesoedibjo, MNC Group

















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