

BUSINESS NEWS CHANNELS IN ASIA: STRATEGIES AND CHALLENGES

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The decade of the 90s saw some of the most sweeping changes in broadcasting and cable television in Asia. Direct Broadcast Satellite Television started in 1991 and opened the floodgates to international channels like CNN, HBO, MTV and many others. Countries that till then had had limited amounts of foreign programming on their terrestrial channels now had a variety of foreign channels to choose from. The foreign programmers were attracted to a market that had a large English speaking population and a substantial middle class that was expected to grow. However, as time would show making a success of these international ventures was not as easy as had been expected.

A previous study has examined the internationalization strategies of general news channels, CNN International and BBC World in this region.¹ This paper focuses on two international business news channels Asia Business News (ABN) and CNBC. They illustrate what happens when specialized content providers seek to establish themselves in new overseas markets. Both channels were the international ventures of two major media players, Dow Jones and NBC. The parent companies saw these ventures as part of a larger plan of internationalization. This paper focuses on the strategies these channels adopted to develop a competitive advantage and examines the challenges facing them as

¹ Seema Shrikhande, "Competitive Strategies in the Internationalization of Television: CNNI and BBC World in Asia," Journal of Media Economics, 14(3): 147-168, 2000.

they attempted to establish a new market. Specifically, this paper focuses on three areas – content customization, the first mover’s advantage and the role of strategic alliances in the process of developing international markets.

Data for this study was obtained from articles about news channels appearing in both trade and general interest publications. Before reviewing the literature in the main strategic areas, a brief background on the two main players, ABN and CNBC is provided. The paper concludes by considering the implications for other content providers and for the audience of these channels.

Asia Business News (ABN)

This channel was launched in December 1993 with the aim of becoming the first truly pan-Asian news broadcaster. The shareholders of this company were TCI, Dow Jones and New Zealand Telecom each with a 29.9% share. The remaining 10.3% was owned by the Singapore government and groups associated with it.² Although US corporations had a majority ownership in ABN, it was the most Asian of the international news channels that included CNNI and BBC World. It identified a market need for an all-business news channel and looked to develop programming to meet this need.

Of all the international news broadcasters in the region, ABN emphasized that it was an outgrowth of the region. The objective was to provide business news in Asia for Asians by Asians.³ Its journalists and anchors were

² South China Morning Post, 14 April 1994.

³ Edward Gargan, “The media business: Home-grown business news in Asia,” New York Times, 5 September 1994, sec 1. p. 35.

from Asia and the channel promoted itself as a homegrown enterprise in contrast to being a foreign news broadcaster. The channel had hoped to capitalize on the tremendous economic growth in Asian countries, “the expansion of trade and investment and the demand for more and faster business news by executives.”⁴

ABN set up a recording studio and a bureau in Hong Kong but chose Singapore for its headquarters – a decision partly driven by the lower cost of office space as compared to Hong Kong. Also, Singapore offered easy access to other Asian cities. A staff of 115 produced 18 hours of programming a day. Dow Jones staffers at the Asian Wall Street Journal and the Far Eastern Economic Review were required to be a part of ABN’s programs.⁵ The network was expected to break even in five years.

CNBC

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

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

⁴ Ibid

⁵ South China Morning Post, 14 April, 1994.

channel, CNBC.⁶ NBC had reserved two transponders on the satellite Apstar2 which was to be operational in January 1995. The launch failure of the satellite left NBC scrambling for alternatives. Initially, CNBC was distributed only as an overnight service on the Indonesia focused Palapa-B satellite. NBC announced that CNBC Asia would be fully operational by June that year.

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

LITERATURE REVIEW

The entry decisions of these international channels into a new market are studied in the context of three strategic areas— the choice of regional vs. global strategy, the first mover's advantage and the role of strategic alliances.

Global strategy

The realization that markets for consumer goods are becoming global has raised the question of product standardization to meet this global need. The driving force behind standardization is economies of scale. As corporations give up trying to adapt their product to differences in local tastes they can embark on

⁶ Asia Pacific Television: Channels. Thousand Oaks, CA: Baskerville Communications Corporation, 1995).

large scale production of standardized goods that cost less to produce and thus results in a lower price for the consumer.⁷ The assumption is that consumers will be willing to give up on certain preferences in return for a higher price/quality ratio. Adopting a global strategy to meet such global demand gives the firm a competitive advantage in cost and efficiency.

In the marketing strategy literature, the reaction to this argument has ranged from complete rejection to qualified acceptance. Researchers pointed out that factors such as the similarity of the home and host countries along lines of economic development, market development and cultural differences determine whether standardized global products would work.⁸ Media corporations have to decide whether product standardization is a viable strategy in the process of globalization. Direct Broadcast Satellites that have been instrumental in opening up new overseas markets, by their nature create regional markets. These regional markets include a number of different countries that vary along economic, cultural and social indicators.

A number of communication studies demonstrate audiences' preferences for national over international products. Straubhaar argued that audiences prefer national over international products and that the "cultural proximity" of

⁷ Theodore Levitt, "The Globalization of Markets," Harvard Business Review, May/June 1983.

⁸ Philip Kotler, "Global Standardization: Courting Danger," *Journal of Consumer Marketing*, no 2: 13-15, 1986. For a detailed discussion of the literature in this area see Seema Shrikhande, "Competitive Strategies in the Internationalization of Television: the case of international news providers in Asia." Unpublished doctoral dissertation, Michigan State University, 1999.

media products increases their appeal.⁹ An examination of the top 20 programs in eight Asian countries showed that between 75% and 90% were locally produced.¹⁰ Audiences in Hong Kong, Taiwan, Indonesia, Malaysia and India show a preference for domestic over foreign programming.¹¹ This trend was similar to what has been seen in Europe and Latin America.

The media corporations' desire to reap the benefits of scale economies is in conflict with the audience's desire for content that is culturally proximate and relevant. It would appear that in order to develop an audience, these channels would have to provide localized content.

First mover advantage

One factor that can confer a competitive advantage is market entry timing. The first mover advantage is the ability of a pioneering firm to earn profits that are in excess of the cost of capital.¹² The advantage is thought to be the result of the competitive head start that the first entrant has and results in a dominant market position that is enduring. The first mover enjoys the scale and learning advantages. There is believed to be a causal connection between the order of

⁹ Joseph Straubhaar. "Beyond Media Imperialism: Asymmetrical Interdependence and Cultural Proximity." Critical Studies in Mass Communication 8:39-59, 1991.

¹⁰ Georgette Liu, Lin lin Liu, and Chun-chou Liu, "Local and National Cultural Industries: Is there life after globalization?" in Georgette Wang, Jan Servaes and Anura Goonasekera (eds) The New Communications Landscape: Demystifying Media Globalization, 2000

¹¹ Kalyani Chadha and Anandam Kavoori, "Media Imperialism Revisited: Some Findings from the Asian Case," Media Culture and Society 22:415-432, 2000.

¹² Marvin Lieberman and David Montgomery, "First Mover Advantages," Strategic Management Journal 9:41-58, 1988.

entry and market share, the earlier a firm enters the market, the higher will be its market share.¹³

Kerrin et al. group the theoretical explanations into two broad perspectives – economic and behavioral.¹⁴ Economists see first mover advantages accruing because of barriers to entry faced by the later entrant. These include scale effects, experience effects, asymmetric information about product quality, differences in the marginal effects of advertising between first and later entrants, reputational effects, buyer switching costs, technological leadership and preemption of scarce resources.

One of the most significant behavioral factors that confer an advantage on a first mover is the ability to preempt the perceptual space. Since consumers know little about a new product, the first entrant's product influences their perceptions about what that product should be like. The first mover may be able to determine what attributes are valued, what product characteristics are perceived as ideal and use this to their benefit over competitors who enter the market after them. The first mover may even be able to define the product category as a whole, and thus become the "prototype" against which later entrants are judged.¹⁵

¹³ Roger A Kerrin, P Rajan Varadarajan and Robert A Peterson, "First Mover Advantage: A Synthesis, Conceptual Framework and Research Propositions," *Journal of Marketing* 56:33-52, Oct 1992.

¹⁴ *Ibid.*, 34

¹⁵ Frank Alpert, "Product Categories, Product Hierarchy and Pioneership: A Consumer Behavior Explanation for Pioneer Brand Advantage," in Susan P Douglas et. al (ed.) *AMA Educator's Proceedings*, 133-38, 1987.

While the behavioral aspect of first mover advantages provides useful insights it has been criticized for its assumption that the follower is believed to have a me-too brand. In fact, some firms deliberately choose to enter a market later rather than earlier and use the performance of the pioneer as a basis for determining whether the market is a viable one. The later entrant's levels of performance can be comparable or even superior to those of the market pioneer.¹⁶

Even when the first entrant has a competitive advantage, there is the question of whether this competitive advantage is sustainable. Coyne sets out three necessary conditions for a sustainable competitive advantage.¹⁷ First "customers should perceive a consistent difference in important attributes between the producer's product or service and those of his competitors."¹⁸ Second, this difference should be the result of a gap in the capability of the producer and his competitors and both these factors should endure over time. Finally, the product must be differentiated enough to win the loyalty of a significant set of buyers.

In the case of the business channels, the first mover was ABN, and the advantage if present, would go to it. It is interesting to consider whether, as a follower, CNBC was able to benefit from any weaknesses ABN may have had. The first mover advantage can also be examined in the context of the merged

¹⁶ Lieberman and Montgomery, "First Mover Advantage."

¹⁷ Kevin Coyne. "Sustainable Competitive Advantage: What it is, what it isn't." Business Horizons, 54-66, Jan/Feb. 1986.

¹⁸ Ibid, 55.

CNBC Asia and later entrants to the market such as Channel NewsAsia. One aspect that is considered is whether CNBC Asia determined the attributes of a business channel and defined this product category.

Strategic Alliances

An alliance is an economic relationship between a firm and another entity such as a factor supplier or a distribution channel that involves an explicit contractual agreement between the entities.¹⁹ A strategic alliance implies some degree of strategic as well as operational coordination.²⁰ Strategic factors involve using alliances to enhance a firm's competitive position through market power or efficiency.²¹

Over the last two decades there has been an increase in the number of strategic alliances formed, and experts see globalization as the driving force behind this.²² Strategic positioning theory implies that alliances are motivated by the desire to shape competition and consolidate the firm's market position. Different strategic motives have been offered as explanations for alliance formation. These include risk sharing and market dominance,²³ conforming to

¹⁹ Liam Fahey, Outwitting, Outmaneuvering and Outperforming Competitors, Ch. 1999.

²⁰ D. Teece, "Competition, Co-operation and Innovation," Journal of Economic Behavior and Organization, 18, 1992.

²¹ Bruce Kogut, "A Study Of The Lifecycle Of Joint Ventures," in F. K. Contractor and P. Lorange (eds.), Cooperative Strategies in International Business, 1988.

²² C Demers, et. al., "The Industry Dynamics of Cooperative Strategy: Dominant and Peripheral Games," in P. W. Beamish and J. P. Killing (eds.), Cooperative Strategies: North American Perspectives, 1997.

²³ M. E. Porter and M. Fuller, "Coalitions and Global Strategy," in M. Porter (ed.) Competition in Global Industries, 1986.

host government policy²⁴ and developing vertical linkages that lead to competitive advantages.²⁵

In the case of the international business news channels, the two main strategic factors that drive alliance formation are the development of vertical linkages for distribution and conforming to host government policies, specifically dealing with the legality of satellite dishes.

A major challenge that the international channels faced was effective distribution. From the early 90s when satellite channels began operations in Asia to the end of the decade, penetration of satellite dishes has not shown a significant increase, going up from 0.7% TV homes in 1991 to 3.5% in 1998.²⁶ This can be attributed to two factors – the cost of the dishes and government regulation. As a result cable operators have become gatekeepers to Asian audiences. The international news channels have found themselves at the mercy of cable operators who have to be wooed in order for these channels to reach their potential audiences. Thus agreements with these operators have become a critical component of a channel's distribution strategy. To increase the distribution of the channel, other strategic alliances these channels entered into are with terrestrial broadcasters and in some instances, country governments.

²⁴ P. Mariti and R. Smiley, "Co-operative Agreements and the Organization of Industry," The Journal of Industrial Economics, 30 (4): 437-51, 1983.

²⁵ F. K. Contractor and P. Lorange, "Why Should Firms Cooperate? The Strategic and Economic Basis for Cooperative Ventures," in F. Contractor and P. Lorange (eds) Cooperative Strategies in International Business, 1988.

²⁶ Jonathan Barnard et. al. Cable and Satellite in Asia Pacific to 2002, London: Zenith Media, 1998. This estimate is an average of penetration in a sample of Asian countries and includes all major markets.

THE BUSINESS CHANNELS' COMPETITIVE STRATEGIES

Globalization or customization?

A global media product is one that is common across different markets. Most often it is programming produced in the home country that is distributed to international markets. Customized programming is created specially for an international market. Customization can take one or more of the following forms – the use of local on-air personalities, stories that are relevant to the region, and language customization by either subtitles or versioning. Both channels increased the customization of their programming over the time period studied.

From its inception ABN emphasized that it was a channel that was going to provide regional programming that would interest its audience of business people and executives in the region. This was illustrated by its decision to cover the APEC summit in Indonesia in 1994.

The channel found that it needed to go beyond upscale demographics to be financially viable and this meant developing programming that was more regional. Managing Editor Chris Graves commented:

“Knowing how much to customize for certain markets is becoming the catch phrase among regional television broadcasters for 1996. If you are looking for a broad base audience that includes lower demographics, you better customize and customize idiomatically.”²⁷

This strategy was reflected in the steps that ABN took to strengthen its position in the region.

²⁷ “ABN Sharpens Programming. South China Morning Post, 8 February, 1995 ,p.9.

The launch of a separate channel for India, ABNi, that carried more local content and provided a separate opportunity for local advertising reiterated ABN's emphasis on regional programming. In order to localize content, 18 bureaus were set up all over the country. During India specific prime time, a chunk of basic programming from Singapore was removed and replaced by programs created specially for the Indian audience. Local programs covered news from the Bombay stock market, analyzed news from the subcontinent and examined trends in the Indian business environment. The entire programming was done from New Delhi, with ABN Singapore retaining total editorial control. Over the period of a year the number of local programs was increased from three to six.

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

CNBC initially went into Asia with a more international feed. However, within a year of starting operations, the channel announced plans to customize for key markets.²⁸ The channel added two language feeds in Mandarin for Taiwan and China, and a separate feed for India. President and CEO of NBC Asia, S. K. Fung identified the different approaches NBC channels would take in order to make them relevant in key markets. CNBC would produce in the local

²⁸ June Teng, Director of Programming CNBC, quoted in Helen Johnstone, "Asian TV Companies Take Lead in Local Content," Asian Business, October 1996.

language using subtitling or dubbing, timeshift to suit local viewing tastes and package the programs to alter the look and feel of the channel.²⁹

CNBC launched the Global Finance Channel in China as a coproduction with GuangZhou Cable TV which allowed it to overcome the tight restrictions on foreign broadcasters in China. This was a delayed broadcast of CNBC Asia with a Mandarin voice over. The local partner was allowed to select programs, dub them into Mandarin and insert them in to the channel.³⁰ In 1998 CNBC entered into an agreement with Eastern Television of Taiwan, renamed ET-CNBC and carried ten hours of local programming.³¹

Apart from different language feeds, stock market tickers led the localization program with a plan to develop market specific tickers for Taiwan and India. This customization hinged on NBC's presence on different satellites allowing the channel to "pick and choose what we want to do on a regional basis where everyone gets the same program, and what we want to customize."³²

Within a year or two of starting operations in Asia, both channels found the need to customize their programming in the region in order to attract larger audiences. This customization included programs designed specifically for a national rather than regional audience, as well as broadcasts in local languages.

²⁹ K. F. Kwong. "An American Peacock on Chinese Soil: The Challenges Facing NBC in Asia," Unpublished Master's thesis, Hong Kong Baptist University, 1998."

³⁰ Helen Johnstone. "Asian Companies Take the Lead."

³¹ Ibid.

³² S. K. Fung quoted in "Basic Instinct," Cable and Satellite Asia, Nov/Dec 1996.

First mover advantage and the impact of competition

In 1993, when ABN was launched, it was the first business news channel in the region. ABN's programming consisted of news and analysis of the region's many financial markets, companies both large and small, investments and coverage of major political developments in the region. A year after it began operating in Asia, ABN expanded its business coverage from 18 to 24 hours. CNNI and BBC World had started operations a few years earlier, but were not seen as direct competitors by ABN, which had the advantage of being the first mover in the business news segment. When CNBC started operations in 1995, the channel realized it would have to make changes in order to hold on to the advantages it had from being first in that segment.

The effect of this competition was to make ABN step up its efforts to introduce a livelier presentation style and improve programming quality. It planned to add live business news with updates from European financial markets. "Competition is a great catalyst," said Managing Editor Chris Graves, commenting on the programming changes at his channel.³³ In the months prior to CNBC's inception, ABN launched a live global business news show that linked ABN with its center in New York and sister channel EBN in Europe. Once accused of being good radio, ABN tripled its on-location story count. Live news broadcasts at the top of the hour were also added. Despite these changes, ABN

³³ Janine Stein. "Information Overload." Cable and Satellite Asia, July/Aug 1995, p. 24.

stressed that its Asian emphasis would not be affected. Chris Graves characterized the difference between the two channels in this way.

“The competitor’s philosophy is one that it is a financial markets channel which will shift with the sun as the markets open. ABN on the other hand will stay in Asia and bring in from Europe and the US news that is relevant to Asia, as and when it happens.”³⁴

From the outset, ABN was characterized as having a lean operation.

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

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

NBC had launched CNBC Asia as a 24-hour global business news channel. Its programming was broken down into 8-hour segments covering Asia, Europe and North America.³⁵ CNBC planned to attract Asian audiences by following the money wheel from Asia to Europe and the US. The channel offered live, day-

³⁴ “ABN Sharpens Programming.”

³⁵ Global Media: TV News Wars Wage in Europe, Asia,” Advertising Age International Supplement

long coverage of Asian stock market news followed by an Asian market wrap-up. It then switched focus to Europe with CNBC Europe, followed by live broadcasting in the US. Along with this, CNBC also carried live programming including a daily, half-hour show about corporate leaders and a magazine format program, Money, Money, Money, which taught viewers how to invest their money.³⁶ Their plan was to provide 12.5 hours of original Asian programming. The channel's prime differentiating factor was its global coverage.

Speaking of competitors, NBC Asia's director of marketing and network development said, "We consider them [ABN] our direct competition in a particular area, although in some respects I guess we are competing with the likes of CNNI or even the financial news section of the broadcast channels."³⁷

CNBC was possibly the most expensive satellite network in Asia. NBC was believed to have spent up to \$150 million to launch its business network in Asia. This high cost was, to a large extent, the outcome of choosing Hong Kong, one of the most expensive cities, as its headquarters. CNBC had a large staff of 170 in Hong Kong. The company forecast losses of \$10 million a year for the first five years.

CNBC was the fourth of the international news channels to enter the Asian market. NBC Asia was forced to offer high salaries to attract personnel

³⁶ Janine Stein, "Information Overload," Cable and Satellite Asia, July/August 1995.

³⁷ "CNBC Launches in Asia," Cable World, June 1, 1995.

away from other channels. Thus, being a late entrant proved costly. The channel also spent a large part of its operating budget leasing transponders. In its bid to enter the greater China region (i.e. mainland China, Taiwan and Hong Kong) CNBC went the route of subtitling and dubbing. This added to the channel's expenses.³⁸

A year after its inception, CNBC revenues were far below expectations and costs were way over budget. CNBC responded with cuts in the business news budget. In 1996, its offices were moved to a less expensive part of Hong Kong. From a peak staff of 120 in summer 1995, the staff size was down to 60 by early 1997, the number of anchors down from nine to four. The size of the Tokyo bureau was reduced and a daily satellite newsfeed to the Hong Kong headquarters was cut.³⁹

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

Strategic Alliances

Both CNBC and ABN found that although they were DBS channels they were dependent on cable systems for distribution. Without carriage by the major

³⁸ K. F. Kwong. "An American Peacock on Chinese Soil: The Challenges Facing NBC in Asia," Unpublished Master's thesis, Hong Kong Baptist University, 1998."

³⁹ Mark Clifford and Elizabeth Lesly, "CNBC Adjusts Its Dials," International Businessweek, excerpted in Economic Times (India), March 22, 1997.

MSOs, their access to households was limited. Thus strategic alliances with cable operators were critical to extending their reach.

ABN was broadcast via the Indonesian satellite, Palapa. Unlike AsiaSat1 – the ‘hot bird’ -ABN’s satellite did not have a strong following. Initially the channel reached 2-3 million households in southeast Asia and parts of east Asia including Hong Kong, Singapore, Malaysia, Thailand, Indonesia and the Philippines.⁴⁰ Analysts pointed out that although there might be a market for a business service, the importance of a good distribution system (or lack of) was critical. ABN’s strategy was to become the first business news broadcaster in Asia and to establish itself before any competitors attempted to claim the territory it had staked out for itself. Developing a good distribution network was an important part of meeting that goal.

The tight government control over the media in many Asian systems posed an additional problem to setting up a comprehensive distribution system. Despite being based in Singapore, ABN’s signal could not be viewed there since dishes were illegal. A year later the Singapore government allowed one hour of ABN programming on its cable network, NewsVision. To counter the low viewership of DBS TV, ABN decided to sell its programming to terrestrial broadcasters, such as TVB in Hong Kong. By 1996, ABN had redistribution deals in place with China’s Shanghai TV and Ghangdong TV as well.⁴¹

⁴⁰ “ABN sees profit in five years.” [South China Morning Post](#), 13 December 1993 p.3

⁴¹ Janine Stein. “Basic Instinct.” [Cable and Satellite Asia](#), Nov/Dec 1996.

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

At its inception CNBC was picked up by Star TV to be distributed as part of the package of channels it offered cable operators or dish owners in Asia.⁴² This meant that CNBC was available to almost all the homes that subscribed to cable, since the STAR channels were part of the basic lineup.

At the time of its launch CNBC was estimated to reach 2.5 million homes from Japan to India east to west, and China to Australia, north to south. CNBC signed daily program supply agreements with the S. Korea business news cable TV channel, MBN and with the terrestrial Singapore channel, TV-12.⁴³

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

⁴² "Murdoch's STAR TV to beam NBC Business News to China." Singapore Business Times, 2 February, 1995.

⁴³ Media Week, 26 June 1995.

In its first year of operation, much of CNBC's focus was on signing deals with cable operators in different countries to expand its distribution. In August 1995, a deal with Liann Yee Productions in Taiwan gave it access to 3 million cable subscribers.⁴⁴ It also signed redistribution deals in the Philippines, China and Thailand and was able to increase its coverage in India.⁴⁵

CNBC viewed India and China as important Asian markets. In order to be successful in the region, penetration of these markets was essential. An agreement with Indian MSO, IN Cablenet systems gave CNBC access to an additional 2.3 million subscribers, as compared to the 650,000 homes that CNBC reached prior to this agreement.⁴⁶ A deal with another major cable operator gave it access to 2 million more subscriber. This made it the most widely distributed business television network in Asia, giving it a lead on its primary rival, ABN whom the Hindujas dropped in order to pick up CNBC.⁴⁷

The greater China region was an important market where CNBC hoped to make an impact. In January 1997, it signed a deal with China International Television for distributing CNBC in hotels in China. From April 1996 to 1998, CNBC formed an alliance with China's Guangzhou cable TV that gave it access to 800,000 homes in the region.⁴⁸ Obtaining carriage on Taiwanese cable

⁴⁴ NBC in Taiwan." *Cable World*, 14 August, 1995.

⁴⁵"NBC in Asia", *Cable and Satellite Asia*, November 1996, p. 29.

⁴⁶ CNBC gets boost in India." *Electronic Media*, 24 February, 1997, p. 26.

⁴⁷ *International Business Week* excerpted in the *Economic Times (India)*, Mar 22, 1997.

⁴⁸ K.F.Kwong. "An American Peacock on Chinese soil."

was very competitive. The multiple system operator, Filmate was chosen for an exclusive deal.⁴⁹

Both CNBC's and ABN's strategic alliances with various cable systems helped overcome government restrictions and helped each gain a competitive edge. Most cable operators saw the channels as substitutes. As capacity on cable systems began to fill up, they showed a tendency to pick one or the other rather than offer viewers two international business channels. In the pre-merger period strategic alliances with cable operators were critical to their plan to establish themselves in this market.

The merger

From the time CNBC entered the Asian market in June 1995, CNBC and ABN found themselves in direct competition with each other. Both channels had been costing their parent companies huge losses annually. In December 1997, after two years of intense and sometimes bitter rivalry, the two channels announced that they would be merging.

The new joint venture named "CNBC: A service of NBC and Dow Jones," was co-owned and managed by both companies. Dow Jones relinquished its role as a satellite TV operator to NBC but retained its role as a service provider by giving NBC worldwide rights to all Dow Jones materials and resources. The objective of the merger was to cut losses and share the costs of increasing their global operations. CNBC production facilities in Hong Kong were shut down

⁴⁹ Janine Stein. "Basic Instinct." Cable and Satellite Asia.

and 150 employees were laid off with production taking place in Singapore where ABN had been located and where real estate costs were significantly lower.⁵⁰

For CNBC and ABN the merger aimed at strengthening their position and building on their combined market share. Analysts had questioned whether there was a market for an exclusive financial channel in Asia. In theory the market for international business channels was lucrative, attracting Asian business executives who would get their daily market and business information in English. In practice this was a difficult market to reach. In many Asian countries, English is a second language and the international channels faced competition from local channels that had a business news component.

Another difficulty the international business channels faced was attracting advertisers and advertising revenues. ABN had hoped to achieve a 50-50 split between subscriber revenues and advertising but failed to do so. Only a small group of businesses such as airlines, telecommunications companies and luxury brand items who were interested in a pan-Asian audience found these channels suitable. The CNBC-ABN merger highlighted the fact that Asia was not big enough for two English language business channels.

The new channel CNBC Asia was launched in February 1998. It reached between 9 and 10 million households on a 24-hour basis. Within three months of

⁵⁰ “Business Television in Asia Receiving Mixed Signals.” Financial Times (London), p.28, December 11, 1997.

the merger, the newly formed CNBC Asia claimed to have increased distribution to more than 12 million households as a result of combining patchy distribution of the two original channels.⁵¹ ABN had not been carried by Wharf cable in Hong Kong and CNBC did not have carriage on Singapore cable. Combining forces led to more comprehensive distribution.

After the merger

The newly formed CNBC Asia began carrying seven hours of live programming from its US feed for overnight viewers in Asia. CNBC's Chris Graves claimed this was being done in response to viewer demands, despite a substantial cost to the network.⁵² CNBC Asia continued to recognize the importance of local programming. In November 1998 its ticker was upgraded to include information from nine markets instead of five. It reiterated its regional commitment through the production of new programs.

The channel continued to see a role for strategic alliances with local channels that would get its content greater exposure. In May 1999, it signed an agreement with the Japan's Nihon Keizai Shimbun Inc. (Nikkei) to create a new business channel Nikkei CNBC.⁵³ Later that year, CNBC India a joint venture with TV 18 India was set up to offer a dedicated India service with eight hours of programming. Within 18 months the channel had become the most popular and fastest growing news and analysis channel in the group. The success of this

⁵¹ "Cable Able," Hollywood Reporter, February 2, 1998, p.3.

⁵² South China Morning Post, March 4, 1998.

⁵³ "Nikkei, CNBC Asia to Launch New Business Channel in Japan." Asia Pulse, May 28, 1999.

venture led to an increase of local programming hours to 10 as well as increasing programming in Hindi.⁵⁴ Similar joint ventures for localized content were set up in Taiwan and Australia, Hong Kong and Singapore.

The biggest market in terms of viewership is India, Japan leads with revenues, Taiwan is an important advertising market and Australia the largest market for subscription revenues. According to CEO Paul France, the channel has the largest news gathering organization in Asia with bureaus in Hong Kong, Tokyo, Mumbai, New Delhi, Taiwan, Shanghai and Bangkok.⁵⁵ The channel has also increased the hours of live programming, which were up to 18 hours a day by the end of 2000. By the middle of 2001, the hours of live programming were up to 23. At the same time, programming from Europe and the US was reduced.⁵⁶

While the channel has been able to carve a niche for itself as the only international provider of business news, competition for both audiences and advertisers has increased. The growing popularity of this news segment has attracted new players. In India, state run broadcaster Doordarshan introduced a six hour live business program that discusses global financial trends, corporate news, policy decisions and stock markets.⁵⁷ In China, Phoenix Satellite Television announced that they would launch a 24-hour regional news channel

⁵⁴ "CNBC sets Ambitious Viewership Target," Business Line, November 3, 1998. "India: Hindi, Mavericks and More on CNBC India," Business Line, Mar 17, 2001.

⁵⁵ Quoted in Leah Gatdula, "Mergers Strengthen CNBC's position," Philippine Daily Inquirer, June 11, 2000.

⁵⁶ Alicia Kan. "CNBC Expected to Axe Five Shows in Shake-up." Hong Kong iMail, May 31, 2001

⁵⁷ "DD Moves into Hot Scene of Business Channel," The Times of India, October 21, 2000.

by the end of 2000. The channel, InfoNewsChannel, was to be modeled after CNN and CNBC. Announcing the launch, Chief Executive Liu said, "There is a gap in this segment in Asia. We see infonews(sic) channels like CNN and CNBC serving the western community but none in Chinese. We want to create our own CNN and CNBC to serve the Chinese communities in the Asia-Pacific region."⁵⁸

A similar argument of bringing viewers 'Pan-Asian voices faces and programs,' was made to explain the decision to make Singapore's Channel NewsAsia a regional channel.⁵⁹ The channel, which is an operation of the government-linked Media Corporation, was established in 1999. "We will talk with scholars about social, political and economic issues within Asia. We want more Asian think-tanks and experts talking on issues concerning Asia."⁶⁰

While the merger strengthened the position of the CNBC Asia with increased market share and improved distribution, there continues to be competition in this segment. CNBC finds itself investing in original programming in order to stay ahead and maintain its advantage of being an early entrant in the market.

CONCLUSION

Contrary to expectations international business news channels did not find it easy to establish a presence in the Asian market. The assumption that there was a substantial English speaking audience was proved wrong, and broadcasting in

⁵⁸ Hui Yuk-min, "Phoenix Aims to be Chinese CNN," *South China Morning Post*, June 7, 2000.

⁵⁹ K. Basrie, "Channel NewsAsia to go regional in September," *The Jakarta Post*, March 2, 2000.

⁶⁰ Ibid.

English further limited the audience in many countries. Both ABN's and CNBC's response was to localize by dubbing and subtitling and broadcasting in local languages. Both realized that there is a greater interest in regional content and after they merged continued to take steps to localize content.

The business news segment has seen an increase in competition from both national and regional channels. Retaining the first mover's advantage has meant making substantial investments to develop original and interesting programming. Whether this advantage will be retained can only be assessed by looking at how the international channel compares with national channels in terms of both advertising revenues and ratings. At present this data was not available.

Before the merger each channel realized that strategic alliances with cable operators and terrestrial channels were very important to getting maximum exposure with the audience. Cable networks in most of the region were analog coaxial and only now are being upgraded to fiber. The coaxial analog cable service placed a finite limit on the number of channels that could be carried. With two international business channels, the operators tended to choose one over the other. ABN had to convince cable operators to choose it over CNBC, and in order to make this happen ABN worked out deals that would be attractive to the cable operators. The CNBC-ABN merger was in itself a strategic alliance of a different kind that improved chances of cable carriage. The patchy distribution

of each individual channel was replaced by the more comprehensive distribution of the merged channel.

The lessons for international specialized content providers are that audiences prefer customized regional products. Being an early entrant in the market does not ensure a long term competitive advantage and strategic alliances with distributors play a very important role in getting larger audiences. Future researchers could consider examining the programming styles and content of national news/business news channels that see themselves as competitors, to determine whether first mover CNBC Asia established a product standard in terms of content, style and format, that competitors followed.

One of the concerns that media scholars have had as media conglomerates carve out market share is a loss in diversity for the audience. The merger of ABN and CNBC meant that two voices became one, where there were two different points of view there was now one. Post-merger there is competition from regional and national business channels, but does this mean that there is greater diversity? Channels need to distinguish themselves from each other and therefore the argument can be made that it will lead to greater variety for the audience. However, the content and style is often set by first mover, others who follow tend to adopt similar formats. In that case, diversity suffers. A textual analysis of content on the different channels in this segment is needed if we are to reach a more definitive conclusion on the issue of diversity.

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