

## Emerging Markets



Your Satellite Connection  
to the World

SES  GLOBAL

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Opportunities abound in various markets worldwide. From Africa to China, Howard Greenfield examines the prospects in these hot markets.

HDTV is one of the hottest new products in North America.

Europe will launch its first HDTV Channel January 1, 2004, but will it meet with long-term success?

Introducing DBS in a "developing country" is not an easy task. But with the right strategy, it can work.

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Industry consultant Bruce Elbert outline what markets are emerging from recent global trends.

SatMagazine EMEA Editor, Chris Forrester spoke to New Skies' CEO Dan Goldberg on various issues on the global satellite market and New Skies' future direction.

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## Markets Emerging Around the World

By Howard Greenfield

*“With all of the glitter of our new satellite technologies, The major success factors in emerging markets remain the nuts and bolts of execution, marketing, pricing, customer service and money collection.”*

-Jacob Arback  
Managing Director, Business Research International

Sometimes my week feels like I'm going in circles around the planet. But this week it was propelled by news from industry leaders in London, Dubai, China, and Africa. Determining the direction of global markets takes extensive research. But speaking with these experts provides insight on where to expect growth and where we may encounter barriers and opportunities.

### Setting Out: Africa and Beyond

The issues that will be on everyone's mind when SatCom Africa 2004 convenes in Johannesburg next February, and SatCom Asia 2004 next March are the big industry developments and applications. However, in addition to the latest global government policies and new product projections will be the search for revenue trends.

Where are the next new businesses and what are the regions? We know business is growing. According to Frost & Sullivan, transponder capacity revenues in Europe, the Middle East, and Africa will grow from \$3.79 billion in 2002 to \$4.88 billion in 2009. But Satellite is one of the world's most dynamic industries, so growth curves and patterns can be elusive. For instance, according to information released in this month's ITU (International Telecommunication Union) Digital Access Index (Digital Access Index 2002), many African countries rank among those with the lowest access.

Africa's development for 820 million people is unique. Technology can leapfrog as it has with the telephone—by early this year the mobile phone accounted for greater than 65% of total usage. The same principle applies to satellite service deployment whose reach and efficiency generally surpasses terrestrial capabilities.

Yet Astra CEO Ferdinand Kayser sees that as an opportunity: “Africa is one of the strongest growing Internet and telecommunication markets in the world, despite many users experiencing difficulties in connecting or facing unreliable service and frustratingly slow transmission speeds. Satellite broadband offers a ubiquitous, state-of-the-art high-speed service, not least in those areas not served or underserved by terrestrial networks. We are convinced that IP Direct's customized and scalable two-way satellite services respond to a real market demand across Africa”.

There are multiple views on the question of emerging markets. Many see Africa as an audience and market of the future—perhaps because it is believed that satellite can best serve dispersed, remote users with poor terrestrial connectivity. Some look to India, others even argue in favor of advanced applications and services across Europe and North America

### The View from China

In making sense of this, and assessing large-scale growth potential, all is relative. This is pointed out by Patrick French, Senior Analyst, Europe and Northeast Asia, Northern Sky Research. Mr. French currently works out of Chongqing (previously AKA Chung King) and has some interesting views on China, Asia, and other global regions. “Typically when you look at satellite services you divide them into a few major market segments. The biggest among the various satellite services, is transmission of TV channels, which usually accounts for 60% to 80% of the service revenues across the Geos. Satellite is the best way to distribute video across geographic areas, and it will be into the future. While there's a lot of talk about other

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aspects, you do have to keep in perspective that this video market is the mainstay where everyone makes their money.”

Mr. French points to India as an interesting example. “So, if you comment on particular country level markets, let’s take India, with the lessening of the telecom services deregulation, for most operators it’s an interesting market these days. It’s seen significant growth in VSAT (corporate networks), as seen in recent Hughes and Gilat announcements. However, a caveat for India is that you have to have an Indian partner that owns the majority of the service and is based in India. I am a little concerned that quite often after the growth spurt that follows deregulation comes a downturn—not every player can maintain the growth.”

Regarding China’s market, French says the government reports 8-10% growth. Despite the any of the government’s positioning of the data, it is doubtless a major developing area. Growth will continue and satellite will have a big role. “But China is not a common market” says French. “It is controlled, for better or worse, by the government—probably necessary for control and consolidation in a country so large. Growth is also hard to forecast, it depends on government rulings, but the potential for pay satellite is enormous. There are lots of little cable systems here

and there, but it’s normally a free service. If the government were to approve a pay TV system along the lines of what you see in Europe or US—though the exact model would certainly be different—I would not doubt that within in a short period of time you would have millions of subscribers. It’s potentially a huge market that translates into needs for satellite capacity”.

In Africa, the impact of such services as Internet is huge—so many parts of Africa have minimal terrestrial networks. But in many sub-Saharan African countries, the people need a lot more basic services than satellite TV for example. French goes on to say, “For instance, SES Astra is now working in a South African partnership on delivering 2-way broadband access. [see Astra CEO Ferdinand Kayser's remarks above - HG]. There is a real demand there, maybe there’s 10-20% growth in the last year, but in reality if it means they’re going from half a transponder to one transponders usage, that’s not such big deal; it doesn’t translate into lots of capacity or money.” So, growth in terms of required transponder capacity depends on bandwidth demands. Again, growth statistics are relative.

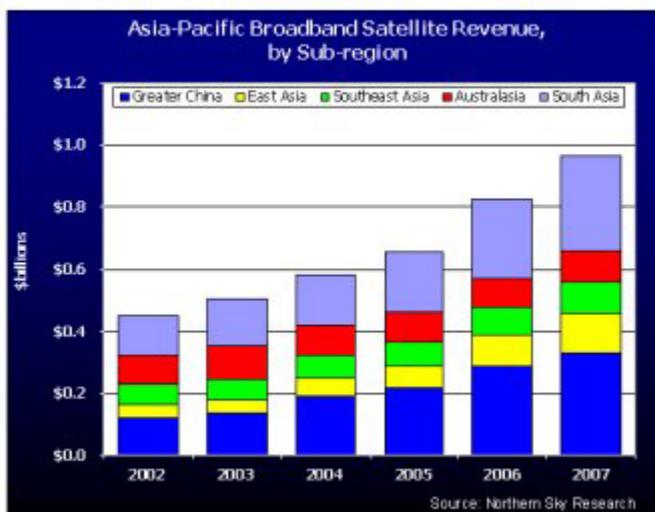
As French puts it: “I will take 2 or 3 % growth in the video market any day, over 10 to 15% growth in most of the other markets for the simple reason smaller growth in the that segment translates into large

transponder capacity and revenues. Don’t get me wrong, it’s good to see growth in any segment; but whenever you see satellite operators touting growth in certain areas, it’s important to take it in perspective of the market for overall satellite services”.

### The Gulf: Middle East, North Africa

Showtime digital satellite pay-TV network in the Gulf has grown steadily in the region since its first MPEG-2 broadcast in April 1996. They offer very sophisticated services including ordering movies by SMS from your mobile phone. They claim

## Demand Trends per Sub-Region



Source: Northern Sky Research



Data Source: Northern Sky Research, 2003

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it's the quickest, simplest way for subscribers to order and purchase movies and events broadcast on the network's Home Cinema™. "For us, the territory is Middle East, North Africa (MENA) which really means services in 22 territories, individual countries, including Iran and Iraq—whom we see as opportunities for the future" remarks Showtime Gulf CEO, Peter Einstein. "Across this territory are around 400 million customers almost as big as the US. So it's a huge regional market. Having said that, there are also 22 difference currencies, GDP's and economic climates, and business-wise we must also discount this large market as they're all in different stages of 'emerging'".

Showtime is currently trading in four main areas: Saudi Arabia, UAE, Kuwait, and Egypt. Within the Gulf, these are the higher GDP areas (including Bahrain, Oman, and Khatar). "These have the highest per capita salaries of the entire middle east of 20-30K\$/year," says Einstein. "Looking to Syria, Lebanon, Jordan it drops to roughly \$3K-5K\$/yr. Then you have Egypt, which is massive, but less than \$3K/yr despite being a huge territory with a population around 68 million. So of this initial 400-million sized market, the initial phase for us is the 1.7 million 'A and B' income households of the Gulf. We offer 50 channels, as well as premium pay channels—Western programming with Arabic subtitles, at \$29-\$59/month.

Over the last seven years since their start in the region, they've added channels to add value. They claim around 250,000 subscribers, 20-25% of the top end market they are targeting. Their next phase is to increase that percentage and then move further in the other territories. But they will need alternative pricing options in these areas, supported by new enabling "box and card marriage" technology (smart card and decoder box).

"ArabSat is one provider in the region. However, we work exclusively at the moment with Egypt's NileSat, a dominant provider in the area running three Marconi satellites."

In terms of growing the business, Showtime's Senior VP of Finance, Andrew Young puts it "The Middle East teaches you to stay very focused on the key objectives of being in business - namely to drive the value of the business and return on shareholder investment. Always stay focused on the business model, and be



Peter Einstein, President and CEO, Gulf Showtime

prepared to walk away from uneconomic deals and projects".

There seem to be minimal barriers from broadcast rules and regulations in the Middle East from Showtime's point of view. Says CEO Einstein: "So much of how we deploy content is based on sensibilities of the region. Of course, no gambling, no pornography. But our audience is 85% Arab Nationals, which is what we want to see. At first, in the early days, we thought some of the Western movie material might be offensive, interestingly, we mainly got angry calls from viewers about the censored version!"

In markets this broad, it's not easy to identify which new market beachheads to target. But it's clear the wide world of satellite services business is growing. Tracking that growth may prove to be a challenge worthy of a rocket scientist, but is full of opportunity. So, around the world we go. **SM**

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Howard Greenfield is a freelance writer who has held leadership roles in Fortune 1000 and some of Silicon Valley's top companies including Sun Microsystems, Informix Software, University of California, Apple Computer, Kraft and was VP, Product Marketing at Obvious Technology and Softface. He is principal of Go Associates, a leading consultancy that develops and implements high tech product marketing and business development strategies. Howard also currently serves on the board of BlueVoice, a non-profit marine life preservation organization.