

“People tend to grow younger at heart as they age”

● BMW's Julia Esterer, page 18

## MTV's troubles spark shift in media priorities

Management issues and a changing youth demographic are challenging the world's oldest music channel. By James Murphy

### LIVE ISSUE

MTV Networks Asia Pacific has had much to cheer about since its launch in the region 15 years ago, as part of Star TV's initial five-channel offering.

Its three core brands — MTV, Nickelodeon and VH1 — can now be seen in more than 300 million households across a swathe of markets; it has generally been able to lay claim to the title of the region's most-watched music channel; and, ultimately, it has enjoyed a healthy brand gravitas.

But, recently, the media entertainment conglomerate has reached a crossroads, with a series of senior restructures raising the industry's collective brow.

Globally, the Viacom board last month ousted MTV founder Tom Freston after more than two decades with the company, with reports suggesting the board had grown frustrated with the company's under-performing stock price during his watch.

In Asia-Pacific, it's been anything but a walk in the park. MTV underwent a significant operational restructure at the end of 2005. Then, just a few months ago, Toby Hayward, a media veteran and MTV's Asia-Pacific VP of ad sales, departed suddenly. On top of this, the network put its regional music awards show on the backburner, with no new date in sight.

Viewed collectively, industry observers believe the recent headlines signal deeper problems at MTV, with many suggesting the company has essentially dug its own hole. Synovate's *Young Asians 2005* survey, which covered 12- to 24-year-old consumers in eight key markets, shows that young people in Hong Kong now spend 3.5 hours daily online, compared with 2.1



MTV...rolling out a raft of digital initiatives in order to remain relevant to — and reach — its youth market

hours watching television. Other markets where online usage dominates television include Taiwan, Singapore, Malaysia and the Philippines.

Regionally, the figures average out at 2.8 hours online compared with 2.6 for television, and experts say this is not a trend that has emerged overnight.

“There is no question that (MTV) has been slow to react,” says Simon Dewhurst, head of media and entertainment investment banking, CLSA Asia-Pacific.

“One of the charges thrown at Tom Freston was that he was slow to adapt to the changing landscape, and he should have seen where News Corp was in terms of getting its hands on MySpace, and that was a miss. The people at Viacom claim that they understand what 17-year-

**“It's younger kids that they need to reach, and TV is not necessarily the best way to do this”**

olds do at home and at school, so therefore you would have thought they would have determined ahead of anybody that what they were doing was hanging around in consumer sites like MySpace trading music they've been able to produce themselves.”

Observers also point to key rival, Channel V, as a competitive thorn in the network's side, noting that the local competitor has been successful in positioning itself as more strongly aligned with Asian tastes and interests than MTV, especially in North Asia and India.

“MTV has taken steps to localise its content and go up against Channel V, but Channel V is a very strong brand across Asia, and has remained a lot more attached to the music format, while MTV has gone more for general entertainment,”

said Simon Woodward, Mind-Share's regional investment director, Asia-Pacific.

But MTV is moving quickly to recover lost ground, rolling out digital initiatives like MTV Boombox — an online community site, based around music, which targets the same consumer groups as MySpace — along with other key online and mobile platforms in a bid to recapture relevance among young consumers. It is also believed MTV is in the process of developing an interactive broadband format for IPTV.

“The changes that have occurred over the last 12 months in Asia have made us leaner, more strategic and keenly focused on our local markets,” says Nigel Robbins, president, MTV Networks Asia-Pacific. “We've seen a 56 per cent increase in page views across our 11 Asia-tailored MTV websites this last year — that's more than 30 million from August 2005 to 2006.”

Another key move which Robbins believes will be an important driver in MTV Networks' youth platform across the region is the appointment of Filter co-founder Ian Stewart, who will shift from Synovate — which acquired the youth research company last year — to work across MTV Networks' brands in a senior role.

Woodward adds: “It has had a difficult time recently, but MTV has got good content and it's changing the way it gets it in front of the consumer. It's younger kids — a more mobile, more technologically-adept generation — that they need to reach, and TV is not necessarily the best way to do this.”

“But I wouldn't say all is lost. MTV is a massive global brand and it's got the wherewithal to invest behind new broadcast formats and embrace the digital age — but it has to be commercially-minded in order to support its investments.”

## Can MySpace succeed in China's online marketplace?

### VOX POP

News Corp is signing a local partner to aid the launch of MySpace in China. If successful, China would become MySpace's largest network. Will it work?



**NO** Mark Newton, business director, Starcom IP

“The Chinese market has had a tendency to embrace local web properties such as Sohu.com, Sina.com and Baidu instead of the dominant Western web properties. In addition to this, bear in mind that for every big brand website in cyberspace, there is a copycat in China. This, of course, does not bode well for any large publisher looking to make an impact in China. MySpace must be able to localise and truly understand the Chinese market in order to be accepted as one of their own. That said, even if MySpace manages to accomplish this, I believe its chances of survival will still be pretty slim.”



**MAYBE** Sam Flemming, CEO, CIC Data

“A quick check on Alexa will show you that QQ, driven by its leading IM client and Q-Zone virtual world, has greater reach and rank than MySpace. Mop, with US\$58 million venture funding, is not far behind. Social networking is already thriving in China, so what point of difference does MySpace have to offer? Not much. Culture is the key to success, and not something that can be manufactured or bought, especially if you are from a foreign land. MySpace can succeed, but only through partnership with a leading networking property, and the willingness to let that partner lead the way.”



**MAYBE** Gavin Cranston, director, Proximity China

“Youth in China already network, share their lives online and blog heavily, in greater numbers than almost any other country around the world. From that perspective, there's little education that needs to take place for MySpace to succeed. MySpace's challenge will lie in infrastructure, legal requirements and competition. Does it set up its own infrastructure or work with one of the major telecoms? Will it need to jump through legal hoops — and are we sure that someone isn't already building ‘YourSpace.cn’? If it can answer these simple questions, then there is no reason it can't succeed.”



**YES** Scott Kronick, president, Ogilvy Public Relations Worldwide, China

“Young people in China are spending 15 hours online each week and much of that time is spent connecting with other people. Urban Chinese users average twice as many online friends — whom they have never met — than American users. News Corp's enthusiasm for digital media coupled with its strength in creating popular entertainment make MySpace a formidable online force. A Chinese MySpace is bound to attract a lot of attention. It will also attract opposition from homegrown social networks, but News Corp thrives on competition.”