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Haute école de gestion
Genève

Internationalization Strategy of a Service Firm : Live Forum TV in Hong Kong

**Bachelor Project submitted for the obtention of the Bachelor of Science HES in
Business Administration with a major in International Management**

by

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International Business Management

Declaration

This Bachelor Project is submitted as part of the final examination requirements of the Geneva School of Business Administration, for obtaining the Bachelor of Science HES-SO in Business Administration, with major in International Management.

The student accepts the terms of the confidentiality agreement if one has been signed. The use of any conclusions or recommendations made in the Bachelor Project, with no prejudice to their value, engages neither the responsibility of the author, nor the adviser to the Bachelor Project, nor the jury members nor the HEG.

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A handwritten signature in black ink, reading "Olivia Meiners". The signature is written in a cursive, flowing style.

Olivia MEINERS

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Executive Summary

Throughout the age of globalization, the internationalization of business and entities grows importance. When considering a mode of internationalization, various different factors come into play that effect how to create a strategy for entering a new market. Regardless of cultures merging to a new global society, each market faces its own new challenges and obstacles coming from one country into the next. When studying the literature on the internationalization of services, a standardized strategy proves nonexistent, with limited scientific and academic the models and theories for the entry mode strategy. Nevertheless throughout the age of globalization, the internationalization of business and entities grows importance.

This research will examine which country would prove as the best fit for the launch of Live Forum Foundation and furthermore analyse the risk in launching in that country. The objective of this research is to define what is the best fit internationalization strategy for the organization, foreign market will best sustain the launch of Live Forum TV, and what are the risks and recommendations in launching in that market.

Live Forum TV is a television format created by the Foundation headed by Michael Davis. The TV format will be launched on local broadcasting in a foreign market that currently struggles with miscommunication between the government officials and public. The debates discussed on the TV program will prove as a solution for the inefficiencies nations currently face in a budding or developed democratic system.

Hong Kong proves as the best-fit market for the internationalization of Live Forum TV as the telecommunication infrastructure of the market is the strongest in the Asia-Pacific region with high penetration of cable TV in households and usage of internet-connecting devices such as smartphones. Most importantly, Hong Kong currently faces a great need for solution to the political gridlock between pro-democratic and pro-Beijing forces that struggle to find a balance on topics such as universal suffrage.

Key words: internationalization, telecommunications, broadcast television, free-to-air television, country risk analysis, trade barriers, Hong Kong

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1. Introduction

Throughout the age of globalization, the internationalization of business and entities grows importance. When considering a mode of internationalization, various different factors come into play that effect how to create a strategy for entering a new market. Regardless of cultures merging to a new global society, each market faces its own new challenges and obstacles coming from one country into the next. Internationalization requires a study of both the home country exporting the product as well as an investigation on the potential host country. As business is made under different terms of trade and market environments, the entry barriers differ as per country.

International business can be defined as the transaction of business activities across national borders. This definition can be for small businesses that export abroad to large multi-national corporations with international strategies and global branches imbedded within the daily business activities. Each organization creates its own definition of international, therefore making it necessary for each organization to develop a unique strategy for internationalization. Internationalization strategies relate to an organization's success in adapting to, managing and manipulating the new market-related forces when entering a foreign country. These strategies are based from an industry-level perspective that decides the specific entry mode based on the external variables from the market, competition or trade barriers (Forlani, Parthasarthy, and Keaveney 2007).

1.1 Need for Research

However a need for research occurs for the internationalization of services as the models and theories currently are tested for manufacturing organizations and prove lacking for the service industry (Gerbrands 2008). As service firms take into account different influential factors for internationalization, further research becomes necessary.

1.2 Problem Definition

Live Forum Foundation, a non-for-profit organization in Geneva, Switzerland, will launch a new television format in a foreign market. This start-up organization will be founded on an international scale upon creation and is therefore currently developing a strategy for international launch. However, the difference between Live Forum Foundation and other service firms stems directly from the nature of the business. Unlike other service firms, Live Forum Foundation's business activity forms as an

innovation of the current system of democracy. The founder of Live Forum Foundation, Michael Davis, designed a TV format called Live Forum TV that will reduce the miscommunications faced between the public's voices and government officials as an independent public service. As Michael Davis notes in his book *Life After Democracy*,¹ the transition of an oppressive government to democracy can lead to severe consequences and unsafe situations for the citizens of that country.

Live Forum TV serves as a solution for both governments that undergo political transition to democracy as well as governments who already implement such a system but face miscommunication between the public and the government officials. Therefore not only does Live Forum Foundation require a specific internationalization strategy based on services, but a thorough study of the political, economic and social structures of the potential market to ensure proper adaptation to the market.

1.3 Specific Research Objectives

The objectives explored in this study are to:

1. Define what is the best fit internationalization strategy for service organizations, with the case study of Live Forum Foundation;
2. Explore which foreign market will best sustain the launch of Live Forum TV from the telecommunication industry from the select countries: Egypt, Hong Kong, Indonesia, Kuwait, Myanmar, Singapore, Taiwan;
3. And finally identify what are the risks in launching in the foreign market.

The first objective serves as a theoretical study on the internationalization strategies for service firms as documented by previous research, methodologies and theories. This will bring a clearer idea on which entry strategy Live Forum Foundation should use when internationalizing Live Forum TV in a foreign market. The second objective serves as a general analysis of the telecommunications industry in order to identify which foreign market best sustains the launch of Live Forum TV, from a select list of countries chosen by Live Forum Foundation. Lastly, the third objective serves as an analysis of the country risk on the political, social and economic aspects as well as the trade barriers when launching in the foreign market.

¹ DAVIS, Michael, 2013. *Life After Democracy* [online]. London: Practical Publication

1.4 Thesis Structure

This research serves to identify which country would prove as the best fit for the launch of Live Forum TV and furthermore analyse the risk in launching in that country. First to decide whether or not a country is a good fit, the infrastructure of the telecommunication market must be analysed to include information on the television, Internet, mobile device, and social media penetration and usage. Once deciding a country, the internationalization strategy will be performed as a picture of the environment evaluating the risks, strengths and weaknesses. Similarly, particular interest in the trade barriers for the TV industry will portray whether or not Live Forum TV could reach success in the foreign market as well as avoid governmental barriers.

As detailed in section 2.2.2.2.1 for the Telecommunication Reports requested by Live Forum Foundation, the thesis relies heavily on which foreign market to launch from the following list selected by the organization: Egypt, Hong Kong, Indonesia, Kuwait, Myanmar, Singapore, and Taiwan. The Telecommunications Reports are summarized in the Appendices 2-7. Hong Kong proves as the best-fit market for the internationalization of Live Forum TV as the infrastructure of the market is the strongest in the Asia-Pacific region with high penetration of cable TV in households and usage of internet-connecting devices such as smartphones. Similarly, Hong Kong currently faces a great need for solution to the political gridlock between pan-democratic and pro-Beijing forces. Protestors have taken to the streets during the end of 2014 and started again February 2015 to voice their opinions on universal suffrage, causing confusion and miscommunications between the public and government officials.² Therefore, the host market of Live Forum TV in this research was strategically selected as Hong Kong Special Administrative Region. The country risk analysis and competition discussion will focus solely on the factors potentially affecting Live Forum TV in Hong Kong. Once the collected data for each objective is completed, the information will base the discussion on the recommendations and options chosen.

This research proves as an academic, deductive research based on existing literature and investigation through various databases and sources. The bibliography for the research is completed in the style as requested by the supporting university, Haute école de gestion de Genève (HEG-GE) based on the ISO 690 (International Standard Organization 2010). The majority of sources are referenced with an imbedded citation with the remainder of a few small references footnoted.

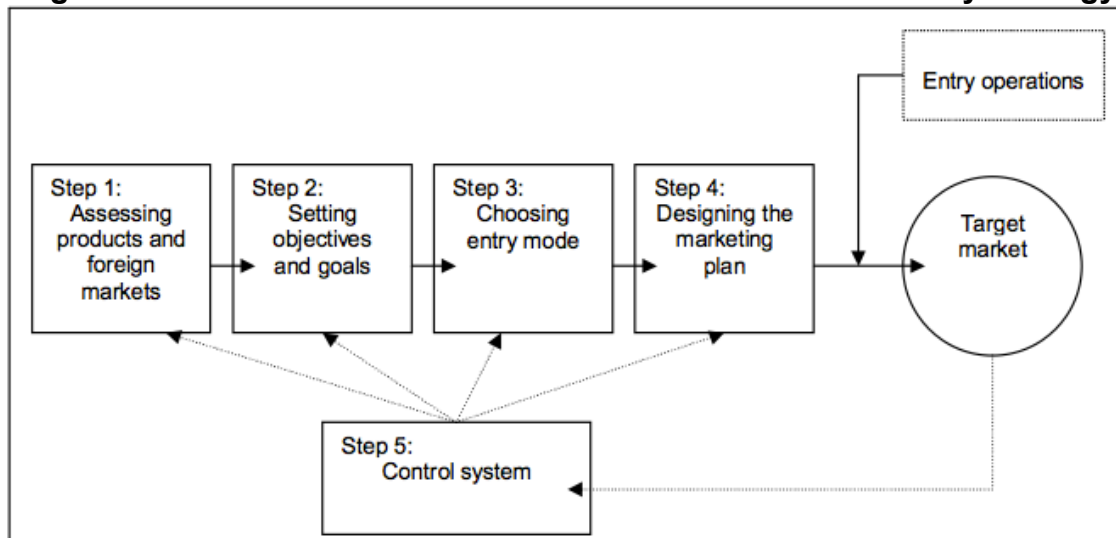
² BBC, 2015. Hong Kong pro-democracy protestors return to streets. *BBC.com* [online]. 1 February 2015. [Accessed 20 February 2015]. Available from: <http://www.bbc.com/news/world-asia-china-31079840>

1.5 Literature Reviews

When studying the literature on the internationalization of services, a standardized process proves nonexistent, with limited scientific and academic the models and theories for the entry mode strategy. Gwendoline Gerbrands argues in her “Internationalization of Service Organizations” PhD thesis from 2008 that the success of an organization's internationalization depends on the market entry strategy (Gerbrands, 2008).

Due to the fact that it would be unwise for an organization to enter a market blindly, there are various factors that influence which market entry mode a company will choose. Based on Root model as noted in *Entry Strategies for International Markets* from 1994, there are four steps in the design of an entry strategy comprising of (1) the decision of a target product and foreign market, (2) the assessment of the objectives and goals, (3) the choice of an entry mode and (4) the marketing plan of the product mix: price, product, promotion and place (Root 1994). These steps are graphically explained in Figure 1.1 from Root's model.

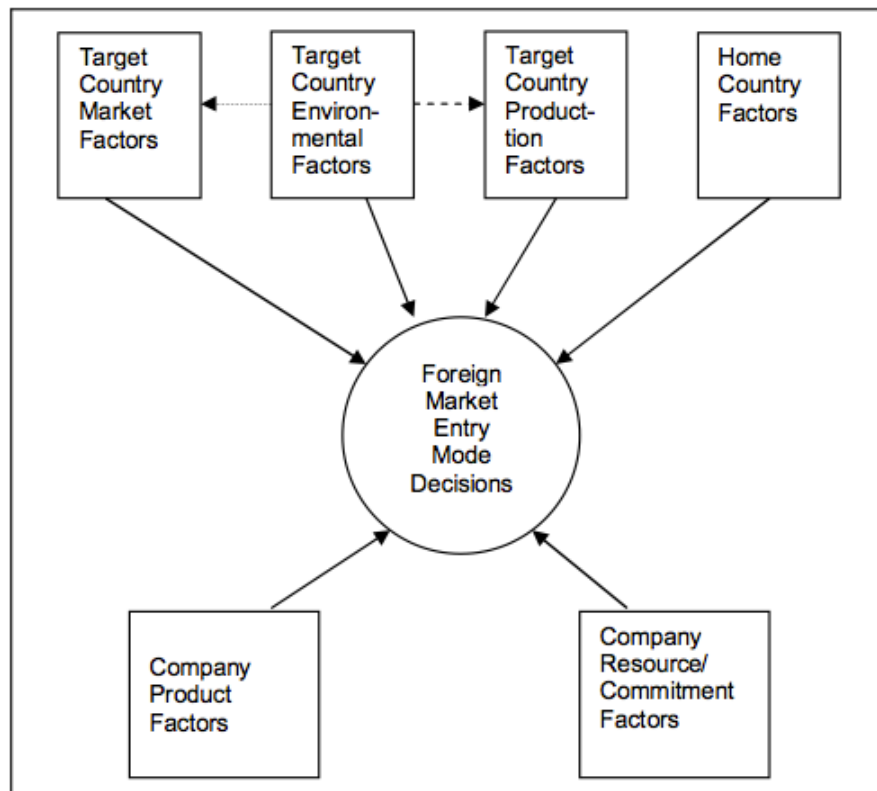
Figure 1.1 – The Fundamentals of an International Market Entry Strategy



Source: adapted from Root (1994)

The model shown in Figure 1.1 describes a basic strategy for internationalization and therefore lacks important details on how exactly an organization should implement the four steps when creating an international market entry strategy. With that said, before deciding the entry mode the organization must take into consideration the internal and external factors that influence internationalization strategy. According to Root (1994), the entry mode decisions revolve around market factors, environmental factors, production factors of the foreign market as well as the company resource and product factors as shown in Figure 1.2 Foreign Market Entry Mode Decisions.

Figure 1.2 – Foreign Market Entry Mode Decisions

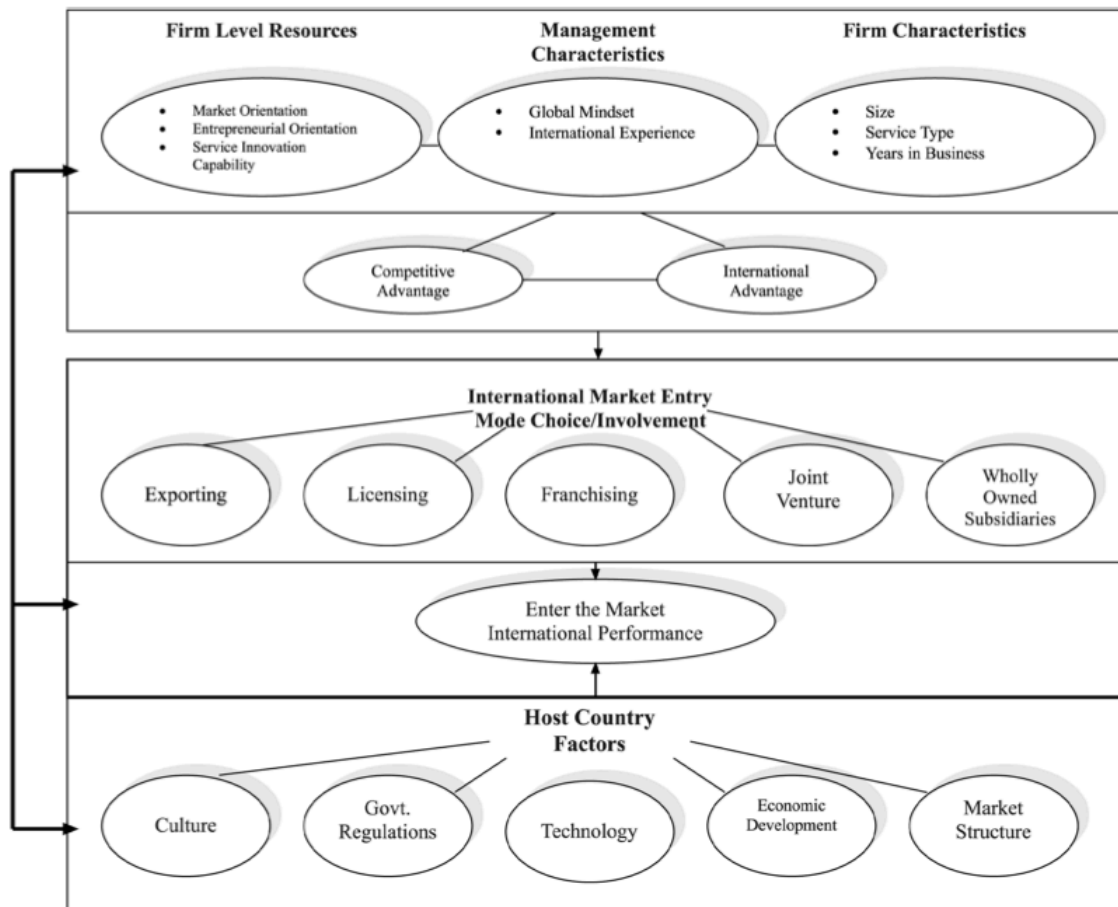


Source: adapted from Root (1994)

Although this model does not delve quite as deeply in the details of the entry mode strategy, Root begins to separate the factors that affect an entry mode decision from what the target market requires to the company's factors that influence internationalization. Furthermore, the Root (1994) model applies only for manufactured products, as services would not have production or product factors.

Instead, Rajshekhar G. Javalgi and Charles L. Martin innovated Root's model in their study "Internationalization of Services: Identifying the Building-Blocks for Future Research" from 2007 with a model adapted to service firms. In this model as shown in Figure 1.3, the internal and external factors are more developed for service firms. From this study, the strategy for internationalization improved the how services decided the entry mode by completing more thorough analysis on the internal firm factors such as the market, entrepreneurial and innovation orientation of the organization (Javalgi and Martin 2007). Furthermore, Javalgi and Martin (2007) introduced discussion on the management and firm characteristics, which implicate the organization's competitive and international advantage upon entering a foreign market.

Figure 1.3 – Home and Host Country Influences on Entry Mode Decision



Source: adapted from Javalgi and Martin (2007)

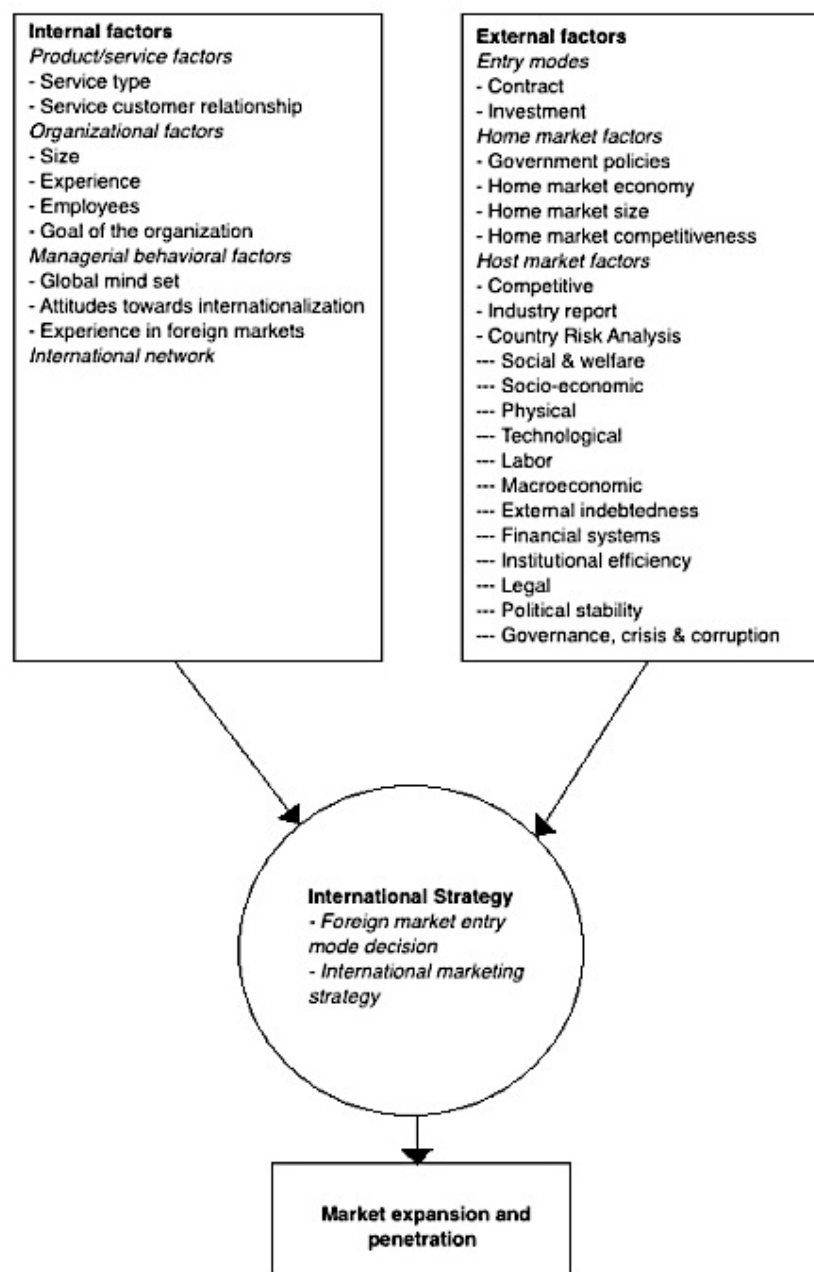
When researching the host country factors, the host country factors can be improved by the PSR Group's International Country Risk Guide (ICRG) methodology and rating system of a foreign market by Llewellyn D. Howell. The Country Risk Analysis focuses on political, economic and financial aspects to complete a comprehensive risk structure in assessing a potential market (Howell 2011). The ICRG model will be complemented and improved with a discussion of the socio-economic dimensions as well as more in-depth overview of the political, economic and financial situation. The next section 2.1 Figure 2.1 shows an adapted version on how Gerbrands (2008) innovated the previous models to create an internationalization strategy based on the previous models, adding factors related to chosen entry mode as well as the home and host country factors. However Gerbrands' model is further innovated in Figure 2.1 for the purposes of this research on the Internationalization of a Service Firm: Live Form TV in Hong Kong, with the inclusion of a thorough industry report based on the organization's requirements and a country risk analysis adapted from the PSR Group's *International Country Risk Guide (ICRG)* by Llewellyn D. Howell (2011).

2. Analysis

2.1 Research Methodology

For the purposes of this study, Figure 2.1 portrays the exact strategy undergone for the internationalization of Live Forum Foundation, with a strong focus on the host market factors in the foreign market. Although Live Forum Foundation is based in Switzerland, the home country factors will not be studied, as per the usual internationalization process, since the location in Switzerland serves primarily as a headquarters with the business activities to be located in the foreign market.

Figure 2.1 – Internationalization Strategy



Source: Internationalization strategy with the internal factors adapted from Gerbrands (2008) and country risk methodology from the International Country Risk Guide (ICRG) by Llewellyn D. Howell (2011)

The methodology of this study proves as a deductive research based on existing literature and investigation through various databases and sources in order to understand the host country factors of the chosen foreign market. Once studying the internal factors and the entry modes decision, the telecommunication industry will be analysed for the 7 countries and SARs (Egypt, Hong Kong, Indonesia, Kuwait, Myanmar, Singapore and Taiwan as chosen by Live Forum Foundation). Live Forum Foundation requested the telecommunication reports for their own strategic decision-making but equally serve as a basis for deciding which economy will best sustain the launch of Live Forum TV. Once the specific country is chosen, the host country factors are discussed for the selected foreign market including a direct and indirect competition analysis and country risk analysis. The country risk analysis serves as an extensive investigation on the political, economic, and social aspects in the economy to determine the level of risk when internationalizing touching the following points: social and welfare, socio-economic, physical, technological, labor, macroeconomic, external indebtedness, financial systems, institutional efficiency, legal, political stability and lastly the governance, crisis and corruption. This research will be based on a positive or negative recommendation for Live Forum Foundation to launch the TV format in the chosen country or SAR.

2.2 Required Data Collection

2.2.1 Internal Factors

Due to the nature of Live Forum Foundation as a small start-up and budding international organization, the internal factors prove less certain for the internationalization strategy. As Live Forum Foundation is located in Geneva, Switzerland's "neutrality" brings a welcoming stance for the potential foreign market as well as the "Swiss quality" adding as a comparative advantage.

2.2.1.1 Service Factors

Service type

Live Forum TV is a television format that will be launched on local broadcasting in a foreign market that currently struggles with miscommunication between the government officials and public. The debates discussed on the TV program will prove as a solution for the inefficiencies nations currently face in a budding or developed democratic system.

Service customer relationship

As the people both partaking or watching Live Forum TV will be normal individuals from different sectors of society, the program will be launched on an accessible broadcasting platform. A system of voting by the public for the speakers and views will attract the audience and allow for greater participation. Furthermore, communication will be upheld through various social media networks as well as through the connectivity of television, mobile and computer devices.

2.2.1.2 Organizational Factors

Size, Employees and Experience

Live Forum Foundation currently is a strategic team of advisors globally from around the world. The President of the Foundation, Michael Davis, wrote the book *Life After Democracy* that fuelled the beginnings of Live Forum TV.

Table 2.1 – Live Forum Foundation Present Team

Michael Davis <i>President of Live Forum Foundation</i>	Led work to resolve national and international conflicts as well as founded three television companies. His book <i>Life After Democracy</i> led to the development of Live Forum TV.
Roy Head	Chief Executive of Development Media International, previously a Director at the BBC and co-founder of UN television.
Steven Tebbe	Director of a prominent NGO helping the European Union and businesses to protect the climate, water and forests.
Xiao Ming	Writer, broadcaster and political commentator in China.
Christopher de Mattos	Ex army officer and business leader in South America and Europe.
Samantha Sost <i>Media Director for Live Forum TV</i>	Former International Business Director in a major media agency.
Jason Piper	Former stage performer in Korea, Japan and Europe. Now an Associate Professor teaching many of the skills used in Live Forum TV.
Philip Morley <i>Business and Video Director for Live Forum TV</i>	Founder and Director of businesses in Europe and China.
Graham Kean	A specialist in inter-personal relationships. Helps people with conflicting priorities and opinions to build constructive relationships.
Louise Le Gat	Helps large organisations to manage change and to build inter-personal relationships, leadership skills and integrity.
Vincent Casares	Former administrator at the International Committee of the Red Cross, now helping to manage the structure and integrity of Live Forum TV.
Aïda Thomi	Former Community Manager at the World Economic Forum, helping to develop Live Forum TV's relations in the Middle East and North Africa.
James Hurrell	Designer and manager of websites and online presence for regional governments and for Live Forum TV.

Source: Live Forum TV, 2015. The present team. LiveForumTV.com [online]. 2015 [Accessed 30 June 2015]. Available from: <http://www.liveforumtv.com/the-present-team/>

Goal of the organization

The organization maintains the goal to create a method of peaceful communication between the people of a country with the government officials in order to allow stronger understanding of the differing parties' interests. Live Forum TV forms as a "safe alternative to protests and conflict". As elections often end with competitive or confrontational that end up creating divisions within the system, a safe alternative is needed for democratic systems.

Live Forum TV proves as a solution for nations that are undergoing the initial steps of democratization or that have already a democratic system in place but confront polarity of the public and government views. The TV debates broadcasted in Live Forum TV will address practical issues with normal people to express their opinions with the support of a panel of experts on the subject. As the people involved will be normal individuals from various sectors of society, the public can therefore focus on the issue at hand rather than outside influences such as political parties or religion affiliation. The greatest added benefit of Live Forum TV proves as the strategic avoidance of violence or conflict as a means of communication without anger and insults.

2.2.2 External Factors

2.2.2.1 Entry Modes

Contract

The mode of entry into the foreign market, Hong Kong, will be through either licensing of the Live Forum TV television format on channel through an already established network or the purchase of a broadcasting network in the local market. The trade barriers through this entry mode are discussed in detail in the Country Risk Analysis as described in section 2.2.2.2.5.1 for Trade Barriers.

Investment

In order to retain independence from government affiliation, private investors will be involved for the funding of the television format. With the funds raised after a success of entering a foreign market, future growth to other nations will be possible. Internationalization will not be complete until the project is fully financed by investors from Hong Kong.

2.2.2.2 Host Market Factors

2.2.2.2.1 Industry Analysis: Telecommunications

For a summary of the telecommunications reports completed for the other six foreign markets: Egypt, Indonesia, Kuwait, Myanmar, Singapore and Taiwan, please refer to the Appendices 2-7. From the resources of Euromonitor International's "Technology, Communications and Media" report (2014), the Office of the Communications Authority's key communication statistics (OFCA 2015), Business Monitor International's *Hong Kong Telecommunications Report* (2015) as well as a few other sources, the following industry analysis for Hong Kong used scientific and reliable sources.

2.2.2.2.1.1 Hong Kong

Hong Kong's infrastructure is state-of-the-art from the widespread electricity grid to the extended operators and network providers. The telecommunications industry in Hong Kong uses proactive regulations through the Communication Authority (Communications Authority 2012c), rigid competition and market expansion (Euromonitor International 2014). The city offers high speed mobile and fixed broadband networks as well as Internet Protocol (IP) telephony providing customers with the best services possible (Euromonitor International 2014). Overall Hong Kong's most impressive characteristic is the cable TV penetration stretching to 92.3% penetration in 2013, as the 1st market in Asia Pacific (Euromonitor International 2014). Hong Kong is a sophisticated market filled with affluent and technologically in-tuned customers. Households are commonly equipped with DSL, cable, and fiber-optic lines, with a weak point in satellite connectivity (Euromonitor International 2014).

Table 2.2 – Overall Telecommunication Highlights

Hong Kong Highlights
High competition in market for domestic free TV licensing
Highest rate of cable TV penetration in Asia Pacific at 92.3%
Struggling satellite penetration rate at 0.5% in 2013 without forecasted potential growth for 2030
194.2% of the population was a digital mobile subscriber in 2011
Large mobile penetration with 17.4 million subscribers in 2014 at 244.7% penetration rate
Although the penetration for fixed broadband is extremely high in Hong Kong, the numbers of subscribers has declined since 2012 due to the expansion of wireless connections
UTV cross-network and multiplatform TV service that provides 8 FTA and pay-TV channels for users on a variety of platforms: PCs, mobile phones, set-top boxes, and other media players
High usage of social media platforms
Cantonese is the main language for television with English also broadcasted on FTA channels
New Free-to-Air network broadcasters licensed for 2016 bringing market diversity

Source: Euromonitor International (2014), OFCA (2015), Business Monitor International (2015) and Communications Authority (2012)

TV Households and Language of the Main TV Channels

There are about 2,407,000 TV households in Hong Kong (OFCA 2015). Out of all the Asian Pacific countries, Hong Kong is the leader in terms of cable TV penetration with a 92.3% rate in 2013 from 79.4% in 2008. Both DSL and cable services are common in Hong Kong households. PCCW serves as the biggest provider for DSL due to its extensive fibre network and i-Cable Communications offers the best cable pay service to households (Euromonitor International 2014). Both networks recently received approval for the domestic free TV service license under HK Television Entertainment (HKTVE) and Fantastic Television respectively (Communications Authority 2012a). The mass audience watches TV in Cantonese, as it is required to air both Cantonese and English programs for domestic free TV services (Communications Authority 2012d).

Free to Air and Satellite penetration

In total, 99% of households had a TV airing FTA services through analogue broadcasting in Hong Kong from 2014; on terrestrial TV stations, there are over 51 FTA television programs transmitted through analogue formatting (OFCA 2015).

Regardless of its first position as the leading cable TV infrastructure in the region, Hong Kong's satellite infrastructure needs improvement. In 2011, there were only 19,946 home satellite antennas, while the market prospered with 3,179,313 terrestrial multi-channel TV subscribers (OFCA 2015). The penetration rate for satellite TV only rose from 0.2% to 0.5% from 2008 to 2013. Due to the poor infrastructure, forecasts show that Hong Kong satellite market will not improve over the next 15 or so years with only an increase of 0.3% in 2030 (Euromonitor International 2014). Since Hong Kong is a highly urbanized city with most of the people living in high-rise apartment buildings, owning a satellite antenna is not very practical. Nevertheless, there is the option to have a single satellite master antenna television (SMATV) system for the entire building installed on the rooftop and then distributed to households through a cable. There are 76 different licenses SMATV operators in Hong Kong. There are more than 400 FTA channels in Hong Kong available through satellite connection (OFCA 2015).

Refer to Section 2.2.2.2.3 Competition Discussion in Table 2.10 to see the Hong Kong Digital Operators. China Mobile Hong Kong launched UTV in 2012, Hong Kong's first mobile TV service available on cross-networks and multiplatform (Business Monitor International 2015). This implicates that TV service expands to several types of mobile devices such as PCs, set-top boxes, mobile phones, and portable media players. UTV offers 8 FTA and pay-TV channels for HK\$58 per month (Business Monitor

International 2015). Lastly, the government in Hong Kong hold plans to switch off analogue television to digital terrestrial television broadcasting by 2020 (OFCA 2015).

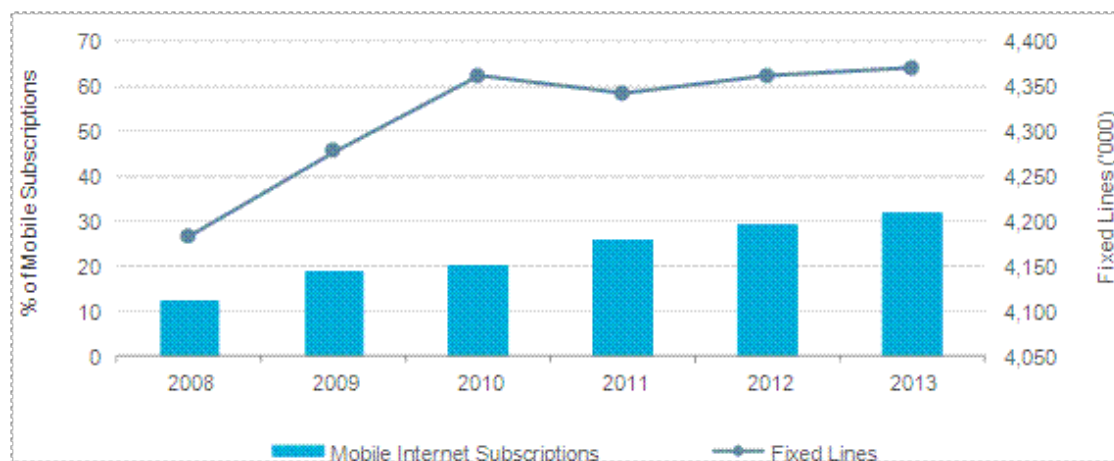
Network Telephone Coverage

The infrastructure of Hong Kong's networks telephone coverage proves highly sophisticated allowing for widespread access of services to the customers. The residential fixed line penetration reached 101.73% for telecommunications services in 2014 (OFCA, 2015). The top five mobile operators (Smartone, Hutchison Telecommunications, CSL HKT, and China Mobile) offer both 3G and 4G services while at the same time continue to strive for greater broadband coverage (Euromonitor International, 2014).

Domestic Landlines and Mobile Phones

The fixed broadband coverage in Hong Kong figures as practically perfect with 98.1% penetration from 2008-2013 (Euromonitor International, 2014). From a population of around 7 million, Hong Kong inhabitants owned 4.4 million fixed telephone lines in 2013, which created a 4.5% growth since 2008 (Euromonitor International, 2014). Figure 2.2 shows how both fixed lines and mobile Internet subscriptions continue to increase over 2008-2013 (Euromonitor 2014).

Figure 2.2 – Hong Kong Telephone Lines & Mobile Internet Penetration 2008-2013



Notes: % of mobile subscriptions; thousand fixed lines

Source: EUROMONITOR INTERNATIONAL, 2014. Technology, Communications and Media: Hong Kong. *Euromonitor.com* [online]. 17 July 2014. [Accessed 11 February 2015]. Available from: <http://0-www.portal.euromonitor.com.millennium.itesm.mx/portal/analysis/tab>

Per household in 2013, Hong Kong maintained a mobile phone penetration of 99.6% in 2013 with and expanding mobile phone subscription level to 47.6% from 2008 to 2013 (Euromonitor International 2014). Of the total 17.2 million mobile subscriptions, 11.9 million purchased an Internet subscription (Business Monitor International 2015).

Already in 2013 as shown in Table 2.3, 68.9% of the mobile users connected to the Internet. For 2016, forecasts show that this penetration of mobile phone users will already hit above 90% (Business Monitor International 2015). Due to the already high level of subscriptions as well as a saturated market, Hong Kong's mobile phone penetration rate will decrease in comparison to other Asia Pacific countries (Business Monitor International 2015).

Table 2.3 – Hong Kong Mobile Telecom Historical & Forecasts: 2012-2019

		2012	2013	2014e	2015f	2016f	2017f	2018f	2019f
Cellular Mobile Phone	Million Subscribers	16.4	17.2	17.8	18.2	18.3	18.5	18.7	18.9
Cellular Mobile Phone	Subscribers per 100 inhabitants	229.5	238.7	245.1	248.2	248.9	249.8	250.7	251.7
3G & 4G market	Million subscribers	9.4	11.9	13.9	15.5	16.6	17.3	17.5	17.1
3G & 4G market	% mobile market	57.2	68.9	77.9	85.6	90.7	93.4	93.4	90.6

Note: e/f are BMI estimates/forecasts

Source: Business Monitor International (2015) from *Hong Kong Telecommunications Report Q2 2015*

Radio Penetration

In terms of radio penetration in Hong Kong in 2014, radio reached 80% of the population through 17 DAB+ services that obtained an official license from the Digital Broadcasting Corporation Hong Kong Limited, Metro Broadcast and Phoenix U Radio. The population accumulated around 300,000 radio devices as of 2015 (OFCA 2015). For the analogue sound broadcasting, Hong Kong hosts 13 radio stations provided by the following: Hong Kong Commercial Broadcasting Company Limited, Metro Broadcast Corporation Limited and Radio Television Hong Kong (CIA 2014). Digital audio broadcasting spreads across 18 different channels from Digital Broadcasting Corporation, Metro Broadcast Corporation Limited, Phoenix U Radio Limited and Radio Television Hong Kong (OFCA 2015).

Internet and Social Media Penetration

In terms of Internet penetration, as the leader in cable penetration Hong Kong boasts high penetration rates for broadband connection. This allows Hong Kong to benefit from the 5th position in terms of the Internet penetration rate in the region at 74.2% of the population in 2013. With a 12.3% increase, the household penetration for broadband Internet increased to 83.2% in 2014 (OFCA 2015).

Among the online population, 93% of Hongkongers used social networking in 2011 with the popular social media platforms including Facebook, YouTube, Discuss, and Qq (eMarketer 2012). Twitter does not work as well in Hong Kong as the network does in other Western cultures, allowing for other social media networks to gain popularity such as Sina Weibo and Jiebang (eMarketer 2012). The age distribution for social media in Hong Kong were more or less equal in 2011 with the majority of social media users ranging from 12-34 years old at 38%. Similarly, a large group of population from 35 to 64 years old used social networking as well (eMarketer 2012).

Decision for Research Concentration on Hong Kong

Overall, Hong Kong makes for a competitive market for Live Forum Foundation as not only is there a thorough penetration of television through cable TV, the city also maintains a stable Internet and mobile phone penetration. A strategic way to tap the Hong Kong market would be through fixed cable TV lines using FTA services. Since there is large penetration for mobile Internet phones, Live Forum TV would be able to profit of that high usage through the social media applications.

Table 2.4 – Hong Kong Key TCM Indicators: 2030 Forecast

	2030
Possession of broadband enabled PC	89.4% of households
Possession of cable TV	96.4% of households
Possession of mobile telephone	99.7% of households
Possession of fixed telephone	98.1% of households
Possession of satellite TV system	0.8% of households
Mobile phone subscriptions	22.4 million
Internet users	7.0 million
% of population using the Internet	86.2%

Note: Figures are forecasts

Source: EUROMONITOR INTERNATIONAL, 2014. Technology, Communications and Media: Hong Kong. *Euromonitor.com* [online]. 17 July 2014. [Accessed 11 February 2015]. Available from: <http://0-www.portal.euromonitor.com.millennium.itesm.mx/portal/analysis/tab>

The infrastructure in Hong Kong proves sophisticated and advanced in comparison to the other countries in the region. There are no residency restrictions in place to limit foreign ownership in the telecommunications sector when applying for a non-domestic TV license. However, the TV licensing for domestic free and pay TV requires proof of residency for an organization to enter the television market (Communications Authority 2012d, 2012e). This point is discussed in greater detail in section 2.2.2.2.2.5.1. As the cable TV penetration is high, the strategic way to connect to the TV watcher would be through analogue or digital cable free or pay TV. Hong Kong SAR maintains a strong telecommunication sector that would prove as ideal for Live Forum Foundation to launch the TV format. With the high television household penetration and Internet-

connect device penetration, Hong Kong's telecommunication infrastructure competes with even most developed countries.

2.2.2.2.2 Country Risk Analysis of Hong Kong

As shown in Figure 2.1 in section 2.2.1, the host country factors, or in this case host economy, play a key role in understanding the environment in terms of political, economic and social indicators. To determine whether or not Hong Kong is a recommendable environment for the launch of Live Forum TV, a thorough Country Risk Analysis will assess the social and welfare dimensions, macroeconomic dimensions, external indebtedness, liquidity and solvency analysis, the financial systems and institutional efficiency indicators and finally the evolution of political stability and governance. Section 2.2.2.2.5.1 describes the Trade Barriers for the television market. This methodology was adapted from the PSR Group publication of the *International Country Risk Guide* by Llewellyn D. Howell from 2011 (Howell 2011).

2.2.2.2.2.1 Social and Welfare Dimensions of Hong Kong

In the country risk analysis, studying the social and welfare dimensions serves as an important practice in order to understand the different factors that could stir dissatisfaction within society as well as highlight the social aspects that could inhibit government actions. These factors include the following: geographical situation and land area, natural resource endowment, self-sufficiency in raw materials, physical infrastructure, population growth, language, age, gender, life expectancy, health care, illiteracy, expenditure on education, poverty, and income distribution.

2.2.2.2.2.1.1 Geographical Situation and Land Area

Located in the Asia Pacific region, Hong Kong is strategically located next to South China. Hong Kong consists of 261 islands excluding the main Hong Kong Island and Lantau Island. The total land area of Hong Kong ranges to around 1106 km² with a total sea area of around 1649 km², largely made up of Victoria Harbour (Survey and Mapping Office 2015). Hong Kong's landscape pictures as mountainous and hilly with the highest peak at Tai Mo Shan and more inferior sea levels in the North.

2.2.2.2.2.1.2 Natural Resources Endowment and Self-Sufficiency in Raw Materials

It is interesting to note that Hong Kong's economy depends on foreign imports of natural resources, primarily from China, for many basic necessities as well as for future growth. Hong Kong however has a competitive advantage of an outstanding deep-water harbour as well as other natural resources of metalliferous and non-metalliferous minerals, quarried rock, and offshore sand deposits. A few of the non-metalliferous

minerals have been commercially exploited, especially feldspar. Feldspar is used to make ceramics, tile and glass (Hong Kong Geological Survey 2009). The deep-water harbours and feldspar are the most profitable resources in Hong Kong. Due to the lack of natural resources in more sustainable areas, Hong Kong relies on importation for crops, meat, seafood, timber and other resources making the SAR vulnerable to external global changes (WWF 2011). Hong Kong most likely could not operate as a self-sufficient economy in the case of global isolation.

2.2.2.2.1.3 Physical Infrastructure

The physical infrastructure of Hong Kong is advanced and well developed for its regional location. As already discussed in section 2.2.2.2.1, Hong Kong maintains a strong telecommunication sector in all aspects for television, internet, mobile and social media usage, which is an important deciding factor for Live Forum Foundation to launch in a foreign market. According to the CIA World Factbook 2014, Hong Kong owns a major seaport called the Port of Hong Kong located in the Kowloon Peninsula on the South China Sea (CIA 2014). This port functions as one of the most important in the world due to its strategic location to the Southeast and East Asia regions as well as its deep-water accessibility. The roads in Hong Kong are extensively used, creating high traffic over the 2,099 km of paved roads in 2014 (Highways Department 2013). The Hong Kong-Zhuhai-Macao Bridge (HZMB) will link Hong Kong, Macau, and the Western Pearl River Delta region. This bridge will bring more competitiveness for Hong Kong with easier access to Mainland China and other providences (Hong Kong TDC Research 2015). Similarly, the Guangzhou-Shenzhen-Hong Kong Express Rail Link will provide a fast 48-minute connection between Hong Kong and Mainland China in Guanzhou (InvestHK 2012a).

As shown in Appendix 1, Hong Kong's airports are strategically located in direct route to many major business hubs in Asia-Pacific, within mere hours of air travel (InvestHK 2012a). There are two airports in Hong Kong, the Hong Kong International Airport on the island of Chek Lap Kok and the Shek Kong Airfield for military use. The HKIA is well connected to both the city and the Pearl River Delta through the Airport Express, public buses, hotel coaches, and ferry transfer (Hong Kong International Airport 2015).

2.2.2.2.1.4 Population Growth and Language

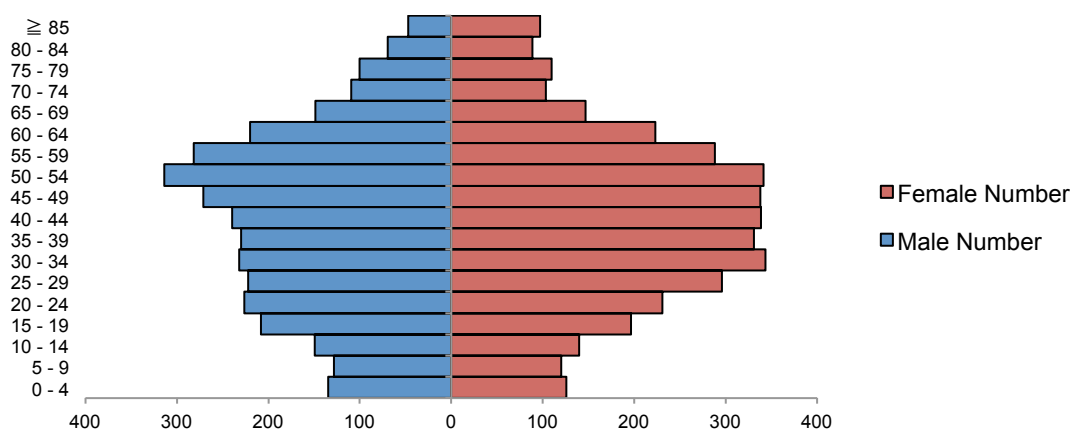
According to the Census and Statistics Department, in 2014 the population in Hong Kong surveyed at 7,264,100 inhabitants with a 0.6% increase since 2013 (Census and Statistics Department 2012). The number of domestic households accounted for 2,443,000 in 2014 at an average size of 2.9 members (Census and Statistics

Department 2012). As noted in the CIA World Factbook (2014), Cantonese is the official language of Hong Kong forming 89.5% of the population. English is also an official language with 3.5% of the population native speakers (CIA 2014). Other languages spoken include Putonghua (Mandarin) at 1.4%, other Chinese dialects at 4%, and other languages at 1.6% (CIA 2014).

2.2.2.2.1.5 Age, Gender Structure of Population and Life Expectancy

In the Census and Statistics Department's *Women and Men in Hong Kong Key Statistics* report (2014), Hong Kong may face an ageing population in years to come with the media age at 42.5 years old in 2013 as observed in Figure 2.3 of the population pyramid. There was a larger population of women than men in 2013. The life expectancy in 2013 figured at 80.9 for males and 86.6 for females (Census and Statistics Department 2014).

Figure 2.3 – Hong Kong Population Pyramid 2013



Source: Census and Statistics Department (2014, p. 8)

2.2.2.2.1.6 Health Care

The Health Care system in Hong Kong proves quite impressive with both public and private health care systems are available to inhabitants of the SAR. From the Department of Health's *Public Health* fact sheet (2015), the hospital bed to population ration in 2013 figured at 5.1 beds to 1000 people, which did not prove as competitive as Western countries with the UK at 2.8 in 2012 and the USA with 3.1 in 2010. The Hong Kong Hospital Authority manages public health providing services to the people at the same level as developed countries. Public health care is available for everyone, even expatriates. However individuals needs to contract their own private medical care. The health sector maintains 42 public hospitals spread along every district throughout the city. One downside in the public healthcare proves as the lack in public dental care (Department of Health 2015). Overall, the system is universal and efficient.

2.2.2.2.1.7 Illiteracy and Public Expenditure on Education

Education serves as a very important factor in the empowerment of a population. Depending on the education level, the people will have better opportunities for personal

Table 2.5 – Hong Kong Secondary Education for Population Aged 15+

	1986	2013	Comment
Female	50.0%	76.9%	Lower than male
Male	61.0%	83.3%	Increase over years

Source: Census and Statistics Department (2014, p. 60)

growth in both society and labor force. As documented in the *Women and Men in Hong Kong Statistics* by the Census and Statistics Department (2014), Hong Kong maintains a moderately educated population with only 29.0% of the population studying past secondary education. Public education is available in Hong Kong for free up until senior secondary education as well as Vocational Training for Secondary 3 level (Education Bureau 2015). In 2012, approximately 96% of the population surveyed as literate (The Hong Kong Council of Social Service 2015).

As Table 2.5 shows, education for secondary school has increased throughout the years. Unfortunately, women continue to achieve lower levels of education than men. Primary school enrolment for children from 6-16 years old figured to be universal in 2011, an accomplishment from the enrolment in 2001. Less than 0.05% of the population never attended primary school (Census and Statistics Department 2014). The Education Bureau in Hong Kong notes that the total public expenditure on education reached 18.7% making 3.3% of the GDP (Education Bureau 2015).

2.2.2.2.1.8 Poverty, Income Distribution and GDP per Capita based on PPP

As shown in the Table 2.6 the household income per month in Hong Kong appears to have large differences between the lower and upper classes. Over the span of 2009-2013, the lowest 10th percentile remained constant at the low of HK\$2,000 while the other income classes rose gradually over the same period, especially the 75th and 90th percentile gaining more disposable income each year (Census and Statistics Department 2015d).

Table 2.6 – Hong Kong Household Income 2009-2013

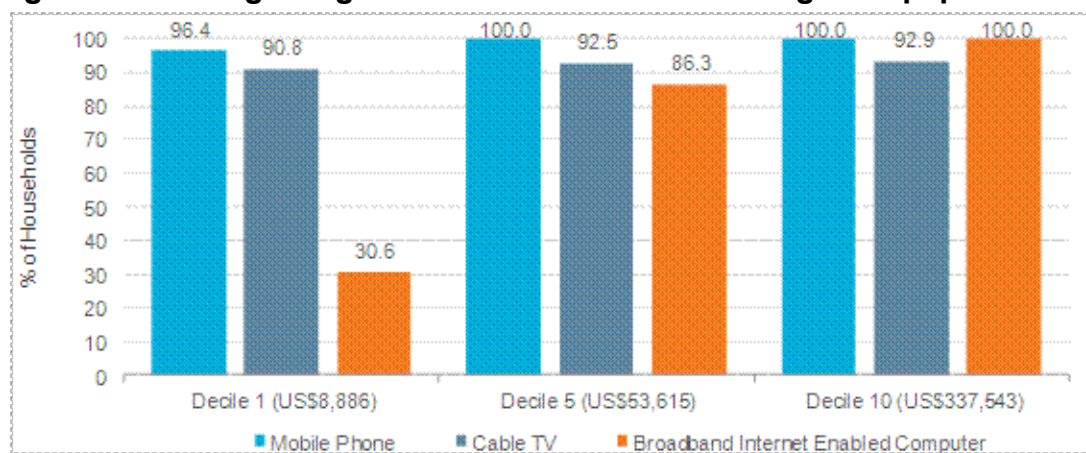
Percentile	Nominal household income (HK\$, per month)					Annual Change			
	2009	2010	2011	2012	2013	2010	2011	2012	2013
90th	54,000	55,000	59,300	60,900	65,100	1.9	7.8	2.7	6.9
75th	31,000	32,000	34,800	36,500	40,000	3.2	8.6	5.0	9.6
50th (median)	17,400	18,000	19,200	20,000	21,800	3.7	6.7	4.2	9.0
25th	8,000	8,400	9,000	9,900	10,000	5.0	7.1	10.0	1.0
10th	2,000	2,000	2,100	2,000	2,000	@	2.5	-2.0	-0.5

Notes: (@) means the annual change within +/- 0.05%

Source: General Household Survey 2014 from the Census and Statistics Department (2015, p. 12)

Social class inequalities are increasingly becoming more significant in Hong Kong due wider income distribution from a growing upper class. As of 2012, 19.6% of the population lived below the poverty line (CIA 2014). Nevertheless, these inequalities have not significantly affected the telecom industry as even the poorest 10.0% of households maintained high percentages of telecom equipment with cable TV and mobile phones. As we can notice from Figure 2.4, all three social classes identify with at least 90% of households owning a mobile phone or cable TV (Euromonitor International 2014).

Figure 2.4 – Hong Kong Household Possession of Digital Equipment 2013



Note: % of households; As determined by Euromonitor International, the decile are based on the disposable income rank of all households in Hong Kong in 10 different levels from lowest 10% household income Decile 1 to the highest 10% Decile 10. In brackets shows the average amount for disposable income as per decile.

Source: EUROMONITOR INTERNATIONAL, 2014. Technology, Communications and Media: Hong Kong. *Euromonitor.com* [online]. 17 July 2014. [Accessed 11 February 2015]. Available from: <http://0-www.portal.euromonitor.com.millennium.itesm.mx/portal/analysis/tab>

2.2.2.2.2 *Macroeconomic Dimensions*

This Country Risk Analysis focuses on the macroeconomic dimensions in order to understand the strength and weaknesses of Hong Kong's economic risk in the market. The following factors will affect the macroeconomic dimensions: domestic economic assessment, macroeconomic policy evaluation, and balance of payment assessment.

2.2.2.2.2.1 *Domestic Economic Assessment*

To understand the domestic economic situation of Hong Kong, the national accounts, economic sectors, informal economy, terms of trade, commodity prices and market sustainability will be evaluated. As described by Hong Kong TDC Research's "Economic and Trade Information on Hong Kong" (2015), the SAR currently maintains the freest market, the greatest service-oriented economy, the 2nd largest FDI inflow in its region, and the 3rd largest investor for FDI in Asia. To start, the national accounts

relate to the Gross Domestic Product (GDP) and the growth this indicator faces over a period. The GDP shows the value of the goods and services produced by Hong Kong. From the *World Development Indicators* by the World Bank, the GDP in 2009 confronted a negative growth rate but grew significantly in 2010 at a rate of 6.8% (World Bank 2014). Hong Kong continues to expand in GDP as a strong rate in comparison to, for example, the United States with a negative growth.

Table 2.7 – Hong Kong Economic Indicators 2012-2014

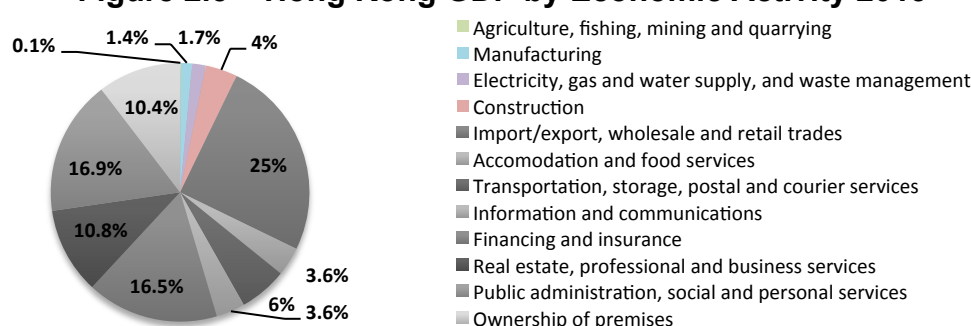
		2012	2013	2014
GDP	Current US billion	262.6	274.0	287.9
GDP Growth	Annual %	1.5	2.9	2.3*
GDP Per Capita PPP	'000 current international	47.2	50.1	53.2
Inflation GDP deflator	Annual %	3.7	1.4	n/a
Inflation CPI	Annual %	4.1	4.4	4.4
Current Account	Current US million	4,147.5	4,151.2	5,636.9
Gross External Debt	Current US billion	1,030.4	1,160.9	1,291.0
Total Exports	Current US billion	571.6	592.1	426.0

Notes: *Real GDP growth

Source: World Bank (2014), Census and Statistics Department (2015) and Hong Kong TDC Research (2015)

The Census and Statistics Department recorded in the “National Income” (2015) that the main sectors in Hong Kong remain around services such as imports and exports, financing and insurance, social and personal services, public administration and ownership of premises as shown in Figure 2.5. In 2013, the agricultural industry revealed to be practically non-existent at 0.1% while the telecommunication sector stood at 3.6% of the GDP (Census and Statistics Department 2015d)

Figure 2.5 – Hong Kong GDP by Economic Activity 2013



Note: Black and grey colors represent the service sector of economic activities

Source: National Income, Census and Statistics Department (2015)

As reported as the 18th largest trading economy and 10th largest exporter of commercial services in the world, Hong Kong generally maintains an open international trade structure (Hong Kong TDC Research 2015). From the trade performance data shown in Table 2.8 Hong Kong expanded the merchandise market in terms of exports and imports showing 3.6% and 2.1% growth in total trade respectively (Hong Kong TDC Research 2015).

From the Census and Statistics Department's *Annual Digest of Statistics* from 2014, the trade structure was built around exportations primarily to China at 55% in 2013. Other destinations included the US, Japan, Germany and India with 9%, 4%, 2% and 2% respectively. Hong Kong imported mainly from China at 48% with other countries such as Japan, Singapore, Taiwan and the US (7%, 6%, 6% and 5% respectively) (Census and Statistics Department 2014). Trade openness figures far above 100% in Hong Kong according to economic research, and the trade structure serves as an international hub and financial center in the region (Hong Kong TDC Research 2015). Hong Kong maintains a strategic location to Mainland China, the physical infrastructure, and financial services to uphold international trade.

Table 2.8 – Hong Kong Trade Performance 2012-2014

Trade Performance	Indicator	2012		2013		2014	
		US\$ billion	Growth %	US\$ billion	Growth %	US\$ billion	Growth %
Merchandise	Exports	443.0	2.9	456.4	3.6	287.9	3.2
	Imports	504.7	3.9	520.6	3.8	540.9	3.9
	Total Trade	947.7	3.4	977.0	3.7	1,011.8	3.6
	Trade Balance	-60.2	n/a	-64.2	n/a	-70.0	n/a
Service	Exports	128.6	6.6	135.7	5.5	138.1	1.8
	Imports	58.4	3.8	59.9	2.6	61.7	3.0
	Total Trade	187.0	5.7	195.6	4.6	199.8	2.1
	Trade Balance	70.2	n/a	75.8	n/a	76.4	n/a

Notes: n/a means not available

Source: Hong Kong TDC Research (2015)

2.2.2.2.2.2.2 Macroeconomic Policy Evaluation

Chief Executive C Y Leung announced in the 2015 Policy Address the plans to boost the economy as well as improve the housing supply and social prosperity for the people of Hong Kong (Hong Kong TDC Research 2015). A large portion of the government budget will continue to be spent on the important industries such as trading, shipping, professional services, tourism and financial services. For the social welfare, various initiatives will begin for health care, youth development, elderly care, poverty relief, environmental actions, housing and other aspects relating to the demographic changes occurring in Hong Kong (Hong Kong TDC Research 2015). The Mainland-Hong Kong Closer Economic Partnership Arrangement (CEPA) will expand the market liberalization to aid the trade and investment with free tariffs (Hong Kong TDC Research 2015).

2.2.2.2.2.2.3 Balance of Payments Analysis

As shown in Table 2.8 Hong Kong Trade Performance, the economy has faced trade deficit since imports expand at a larger rate than exports. Because Hong Kong relies so heavily on the exportation of merchandise and services due to the lack of natural resources, the trade deficit will remain with greater importation with China occurs each

year. From the Census and Statistics Department's *Annual Digest of Statistics* from 2014, the current account balance in Hong Kong fluctuated between deficit and surplus with an all-time high of US\$11.9 billion in Q4 2008 and an all-time low of US\$1.0 billion in Q2 of 2014. Nevertheless, each year the CA balance averages out to a surplus even in Q4 2014 at US\$5.6 billion (Census and Statistics Department 2014).

Table 2.9 – Hong Kong Balance of Payments 2012-2014

	Current Account		Financial non-reserve assets		Overall Balance of Payments	
	US\$ million	As a ratio to GDP (%)*	US\$ million	As a ratio to GDP (%)*	US\$ million	As a ratio to GDP (%)*
2012	4,142	1.6	15,823	6	24,367	9.3
2013	4,151	1.5	-3,459	-1.3	7,468	2.7
2014	5,637	1.9	5,599	1.9	17,943	6.2

Note: *as taken in HKD before conversion to USD

Source: Adapted from Census and Statistics Department (2015)

Similarly as researched in the Census and Statistics Department's "National Income" (2015), Hong Kong's capital accounts show the inflow and outflow of public and private investment to portray the economy's net income. Hong Kong faced net outflows in the capital account at US\$97.1 million in 2014 from US\$207.6 million in 2013 meaning the investments outside of Hong Kong were greater than investment inside the economy. However, the financial non-reserve assets figured to US\$5.6 billion at a 1.9% of total GDP in 2014, increasing from US\$3.4 billion in 2013 at 1.3% of GDP. The greater influx of the financial account resulted from financial derivatives, portfolio investment and other investments. The reserve assets inflow also grew at a 6.24% with US\$327.9 billion in 2014 from US\$308.7 billion in 2013 (Census and Statistics Department 2015e). In 2013, the net error and omissions from the Balance of Payments figured at US\$123.6 million (Census and Statistics Department 2015e).

2.2.2.2.2.3 External Indebtedness, Liquidity and Solvency Analysis

From the GovHK's *Hong Kong: The Facts: Financial Services* (2014), it appears that regardless of the government investment in GDP indicators, Hong Kong continues to rise in budget surplus due to the well-constructed financial system. Hong Kong's gross external debt stood at US\$1.2 million in 2013 and increased to US\$1.3 million in 2014. The government budget surplus to GDP figured at 3.8% in 2011, lowered to 3.2% and 0.6% from 2012 to 2013 and rose again to 0.7% in 2014 (GovHK 2014). According to KPMG, forecasts have shown that the budget surplus will raise to HK\$65.5 billion in 2015 due to larger revenues in stamp duty and profits tax than originally estimated. Even after large government expenditures, such as the Housing Reserve Fund, Hong Kong still will reach an increasing government budget surplus (KMPG 2015).

2.2.2.2.4 Financial Systems and Institutional Efficiency Indicators

Under the *Global Financial Centres Index 17* published by the Z/Yen Group and Qatar Financial Centre Authority from 2015, Hong Kong ranks at the third most competitive financial centre in the world in sector development, infrastructure, human capital, and reputation (Z/Yen Group Limited 2015). The “Banking Stability” research made by the Hong Kong Monetary Authority shows that the top 100 banks in the world uphold a branch and operate in Hong Kong, making the city one of the largest concentrations of international banking institutions (Hong Kong Monetary Authority 2014).

The Hong Kong Monetary Authority obtains the role to regulate the development and efficiency in the financial structure. From the “Financial Infrastructure in Hong Kong” research made by the HK Monetary Authority (2015), the financial structure in Hong Kong runs through a multi-currency and multi-dimensional platform that sustains many international transfers (Hong Kong Monetary Authority 2015). This structure largely supports the economic development in Hong Kong, with the infrastructure to smooth through global changes. The three categories in the financial structure are: domestic and external system links, payment systems and debt securities settlement systems (Hong Kong Monetary Authority 2015).

In April 2015, the interest rates for deposits ranged up to 3.40%, for savings up to 0.15%, for home loans from 2.15% and for credit cards from 31.20% (Deposits 2015). The Hong Kong Monetary Authority set the interest rates in 2008 at 0.5% and still maintain this level. Hong Kong rates as a highly free financial market according to the Index of Economic Freedom 2015 (The Heritage Foundation 2014) and continues to sustain itself with national income with a low 1.8% rate of money from abroad from national income in 2012, 2.4% in 2013 and 1.3% in 2014 (Census and Statistics Department 2015d).

The *HKEx Fact Book 2014* by Hong Kong Exchanges and Clearings Limited (2014) describes Hong Kong as the sixth largest stock exchange in the world and 2nd in Asia. The Stock Exchange Hong Kong (SEHK) continues to develop to greater levels of capitalization and value traded; however, the stock market still cannot compare to the US stock markets NYSE and NASDAQ with the values traded over the past three years ranging from US\$1.7 to US\$2.2 billion (Hong Kong Exchanges and Clearing Limited 2014) and a market capitalization of the Main Board and GEM market at around US\$23,622.7 billion (GovHK 2014). In May 2014, the Hong Kong stock market listed 1,673 companies and retains a highly (GovHK 2014). Transparency, efficiency, fairness, competition and order are all regulated in Hong Kong’s stock market by the

Securities and Futures Commission (SFC), not the government (Hong Kong Exchanges and Clearing Limited 2014).

From GovHK's *Hong Kong: The Facts: Financial Services* report, the Hong Kong Futures Exchange (HKFE) and SEHK both provide extensive services for derivatives and other options products such as interest rate futures, bond futures, option products, stock futures, gold futures and index options (GovHK 2014). Furthermore, the debt market proves as one of the most liquid in Asia Pacific with large development over the past few years (GovHK 2014). The HKEx incorporates 54% of the authorized insurers in Hong Kong, adding to the prominence of Hong Kong's insurance market as highly developed and open with gross premiums of around US\$290.7 billion in 2013 (GovHK 2014). The government supports various programs and financial schemes to help SMEs internationalize in the market with equipment and marketing support from HK\$6 to HK\$12 million, such as the SME Loan Guarantee Scheme (SGS) or the SME Financing Guarantee Scheme (InvestHK 2015).

2.2.2.2.2.5 Evolution of Political Stability and Governance

2.2.2.2.2.5.1 Trade Barriers

Media in Hong Kong faces various regulations set by the independent Communications Authority (CA) for telecommunications and broadcasting through the Broadcasting Ordinance Cap. 562 (Communications Authority 2012a). Currently Hong Kong locals can view over 700 domestic and international television programs through free-to-air (FTA), satellite or pay TV. The broadcasting industry in Hong Kong maintains goals for diversity and promotion of new channels to enhance the broadcasting media as a regional hub (GovHK 2014). As of September 2014 in the government publication *Hong Kong: The Facts* on "The Media", the broadcasting television services comprised of:

"...Two domestic free television programme service licensees, three domestic pay television programme service licensees, 19 non-domestic television programme service licensees, one government funded public service broadcaster, and four sound broadcasting licensees..."
(GovHK 2014)

However, the market faces many changes as seen in section 2.2.2.2.3.

Domestic Free Television Licensing

From the *Guidance Note For Those Interested In Applying for Domestic Free Television Programme Service Licences in Hong Kong* made by the Communications

Authority (2012), only incorporations originating and from Hong Kong are eligible to apply for a “domestic free television program service” as coined by the Communications Authority. Furthermore, only applicants who are “ordinarily resident in Hong Kong” as stated in Broadcasting Ordinance (Cap.562) Section 2(1) may apply (Communications Authority 2012d). If the organization fits these requirements, there are a few strict guidelines on the type of programming the network must air. The domestic free service must provide one service in a Chinese language with another service in English. Furthermore, other restrictions apply for a limited amount advertising time, minimum airing of children’s programs locally produced as well as school programs from the government (Communications Authority 2012d). For both domestic free or pay services, non-local organizations cannot apply with the restrictions of only organizations from and registered in Hong Kong may apply for a license (Communications Authority 2012d, 2012e).

Domestic Pay Television Licensing

Similar to the domestic free licence note, the Communications Authority wrote the *Guidance Note For Those Interested In Applying for Domestic Pay Television Programme Service Licences* (2012). Through this licensing, there are similar regulations on ensuring applicants reside in Hong Kong as well as that the management and control of the network occurs in the SAR (Communications Authority 2012e). Furthermore, the candidate must fill out a form (OFCA SF0001 (12)) in the application to determine whether or not the network will be airing programs targeted for Hong Kong.³ Otherwise if the network does not target Hong Kong, the applicant must file a license for a non-domestic television licensing and the regulations for residency does not apply (Communications Authority 2012e).

Non-domestic Television Licensing

The non-domestic television programs are reserved for broadcasters with interests to produce television programs targeted for audiences outside Hong Kong. Such programs are normally broadcasted internationally through satellite in countries in the region or Mainland China (Commerce and Economic Development Bureau 2004). The Communications Authority similarly published the *Guidance Note For Those Interested In Applying for Non-Domestic Television Programme Service Licences* (2012). Outside of the domestic and non-domestic television licensing exists the “Type A” and “Type B” categories for licensees who provide television programming in hotels, theme parks

³ The link for the form can be found at this website: <http://www.coms-auth.hk>.

and other sectors for organizations with audiences of under 5,000 specified locations free of charge. Under these two categories, there are 116 other licensable television programs (Communications Authority 2012f).

Who Regulates the Licensing?

The Chief Executive of Council (CE in C) is responsible for approving the domestic free television service licenses for both new applications and renewals. The CE in C decides this based on the CA's recommendations. The CA maintains the responsibility for non-domestic free television services (Communications Authority 2012c). Application for an annual license for domestic free service costs the fixed HK\$4,701,400 plus a variable cost for the first 17,000 hours of air time with the initial charge of HK\$13,200 per 100 hours and HK\$1,630 per 100 hours over that initial baseline (Communications Authority 2012d). Domestic pay service costs a fixed annual rate of HK\$1,533,000 with an additional variable cost of HK\$4 per subscriber (Communications Authority 2012e).

Due to these restrictions and high fees, purchasing a network for free television services appears difficult. Although no specific legislation against a larger number of domestic free service providers exists, the government continues to cap the amount by rejecting applications for free-to-air domestic television. In just the past six months, both Hong Kong Cable Television (HKTV) and Hong Kong Television Network Limited (HKTVN) were denied a free domestic license (Commerce and Economic Development Bureau 2015a). Nevertheless, the Chief Executive in Council denied the renewal of Asia Television Limited (ATV) for expiration April 2016 based on the recommendations made by the Communications Authority while accepting a free domestic license for PCCW's HK Television Company Limited (HKTVE) as well as accepting in principle the application made by i-Cable's Fantastic Television network (Commerce and Economic Development Bureau 2015b).

2.2.2.2.5.2 Government stability

After the Chinese took sovereignty of Hong Kong in 1997, the Hong Kong Special Administrative Region (SAR) formed under the Basic Law of "one country, two systems" to retain a limited democracy. The current chief executive, Leung Chun-ying took office in 2012 as a nonpartisan pro-Beijing alliance. From the government budget surplus, reforms for development in both economic and social aspects occurred due to the low public debt. The government expenditures make up for 18.5% of the economy's GDP (The Heritage Foundation 2014). Government stability remains strong in Hong Kong as Mainland China also supports the SAR in times of need (Chou 2009).

2.2.2.2.5.3 Corruption, Law and Order

Hong Kong preserves relatively low corruption in the government. In terms of regulation, Hong Kong supports a competitive and transparent environment. In the 2015 Index of Economic Freedom by the Heritage Foundation (2014), Hong Kong scored a mostly free from corruption value of 75% remaining more or less unchanged since the integration into the People's Republic of China in 1997. Furthermore, the rule of law is well protected in Hong Kong with respected and efficient judiciary systems. Nevertheless, the unicameral legislature and executive branch confront various influences from strong business actors (The Heritage Foundation 2014).

Corruption does however exist in the television industry as noticeable through the denial of Hong Kong Cable Television's domestic free license; critics claim that this was because of the network's pro-democratic stance in the program, which sparked the Occupy Central protests (Engel 2014). Hongkongers want universal suffrage and a liberalized TV market as promised to them from the 1997-handover. However, Television Broadcasts (TVB), a historic market leader for FTA, renewed the domestic free license for another 12 years regardless of the controversies revolved around the network on violating political neutrality and allegedly censoring police brutality (Chan 2015).

2.2.2.2.5.4 Socioeconomic conditions

Hong Kong is home to a large population of the super-rich as well as a middle class society. However, the consumer prices are rising with high inflation causing difficulties for the average middle class family to survive (Chou 2013). Not to mention these families struggle with decreasing real wage rates. Similarly, Hong Kong needs more social reform as the economy faces an aging population that creates strains of the fiscal budget. In terms of the labour force, Hong Kong upholds good working conditions but depends on the market as not all industries fulfil the best working conditions for the employees (The Heritage Foundation 2014).

2.2.2.2.5.5 Investment profile

While under Mainland China's sovereignty, Hong Kong maintains the "one country, two systems" motto which greatly benefits Hong Kong's international business front for further future investment. There are far less entry restriction when conducting business in Hong Kong, unlike the Chinese counterpart. As the "World's Freest Economy" coined by the Heritage Foundation for the past 20 years (The Heritage Foundation 2014), Hong Kong keeps its doors open with free enterprise, free market and free trade. Maintaining no tariff barriers or quotas, foreign exchange controls, restrictions on inflow

or outflow of investments or nationality restrictions on ownership, Hong Kong upholds a free market (InvestHK 2012b). The average tariff stays at 0% in order to open the market. Furthermore, the financial system proves highly developed allowing for various financing options available for FDI (The Heritage Foundation 2014). Nevertheless the telecommunications industry for broadcast TV faces many barriers for free TV as discussed in section 2.2.2.2.2.5.1.

2.2.2.2.2.5.6 Internal conflict and External Conflict

Throughout 2014 and continuing today, Hong Kong citizens are protesting for a pro-democracy government, for “universal suffrage”. Currently the elections are greatly influenced by Beijing, what demonstrators say goes against their democratic rights. In October 2014, over 100,000 students and protestors led by 17 year-old Joshua Wong gathered for a non-violent protest known as Occupy Central. However, on more than a few occasions the peaceful protests turned violent. The protests continued until December 2014 using a yellow umbrella as the symbol for suffrage as well as protection for the demonstrators. The movement started up again February 2015, but with less prominence in numbers, with some saying people are tired of the traditional protests and aspire a different way to impulse their demands across to government (Law, 2015). Hong Kong still remains in gridlock between the pro-democratic demonstrators and government for universal suffrage.

In terms of discussing Hong Kong as an independent economy, the SAR faces external conflict with the intervention of Chinese government in the politics. However, as China holds Hong Kong’s sovereignty the SAR’s external conflict fits more under the definition of internal conflict with the basic law “one country, two systems”. As China is placing growing efforts in the integration of Hong Kong in Mainland China, the SAR develops a divide between those who prefer to recognize themselves as Chinese nationals while others maintain their sense of belonging to Hong Kong.

2.2.2.2.2.5.7 Military in Politics

Since China’s sovereignty on Hong Kong in 1997, the People’s Liberation Army (PLA) entered Hong Kong to protect the SAR (Chou 2013). While Hong Kong maintains the “one country, two systems” policy under the Basic Law, the Chinese government may not intervene with in the local affairs in Hong Kong. However, once the protests initiated in 2014, the PLA sent around 6,000 troops to stand guard, not interfering with the events of the protest, but to send a message to the Hong Kong citizens that Beijing was present (Armstrong 2014).

2.2.2.2.5.8 Ethnic and Religious Tensions

While still the same country, the Hong Kong people view the Mainland Chinese as outsiders, which creates strife and high tensions within the country. Since China's regain of control of Hong Kong, more tensions have arose from fear of assimilation with the rest of China, losing their cosmopolitan culture.

According to *Hong Kong Under Chinese Rule: Economic Integration And Political Gridlock* Chapter 8 by Bill Chou, the struggle to gain a Chinese national identity is implicated by historical, economic, and education factors. Starting from the British colonial era, Hong Kong's exposure to mass media and the fundamentals of the education system impose barriers for the people to develop a Chinese national identity. The government depoliticized the schooling system to a more British education system than pro-Beijing. From the promotion of English schooling providing students with wider local and global opportunities to further their education in a Western style, these students developed a distinct ideology from the Chinese identity. Even in history classes, the spread on Chinese history stopped before modern times in order to not affect the student's identity as a Chinese national before the handover in 1997. These effects therefore create a discrepancy between the Hongkongers with the Mainland Chinese, as there exists a gap in the sense of belonging in Chinese history. The ban on political education ended in 1990 in order to prepare students with a political skill set for the transition of power (Chou 2013).

Mass media similarly estrange the Hong Kong people from the rest of Mainland Chinese as films portrayed the Hong Kong lifestyle as a superior cosmopolitan society with focus on efficiency and entrepreneurial spirit. Furthermore, mass media also served as a way for the people in Hong Kong to understand the history around them such as the 1989 Tiananmen Square Incident providing a corrupt image of the Chinese government. The current affinity for the Chinese nationality could largely derive from the hope for future business opportunities rather than a love of the culture (Chou 2013).

Other economic integration factors hinder the Hong Kong people's identification with China as well. Due to integration of CEPA, capital influx grew significantly raising the prices for property faster than the increase for salaries, hurting most Hongkongers. Furthermore, the influx of tourists from Mainland China brings about a negative image for the residents. Many pregnant Chinese women move to Hong Kong in order to loop through the population retractions in China, which furthermore places pressure on the health care system (Chou 2013).

2.2.2.2.5.9 Democratic Accountability

In terms of the political aspects in Hong Kong, the concept coined "Asian Capitalism" that may pose as a threat or opportunity for Live Forum TV since China may possibly be steering Hong Kong towards this direction. The books *First as Tragedy, Then as Farce* (2009) by Slavoj Žižek, *Singapore: The Air-Conditioned Nation* (2000) by Cherian George and Bob Beatty's *Democracy, Asian Values, and Hong Kong: Evaluating Political Elite Beliefs* (2003) all discuss this concept of an authoritarian style of capitalism which is becoming more prevalent in South East Asian countries. This concept may be of interest to Live Forum TV as it supports freedom and liberty of capitalism however within a structure of restrictions. The idea behind Asian Capitalism is that history shows how communism came about from authoritarianism while capitalism through democracy. Today a new form of capitalism with authoritarian values emerges while still proving as efficient and keeping people happy. We can observe this political model in Singapore.

2.2.2.2.5.10 Bureaucracy Quality

According to *Hong Kong Under Chinese Rule: Economic Integration And Political Gridlock*, Chapter 6 by Zheng Yongnian and Tok Sow Keat discuss how the current governance model serves as outdated that needs updating. The current model proves an extension of the colonial model from the British era unable to service needed political reforms. Due to this, the political reforms or democratization of the system would firstly occur in Mainland China before change occurred in Hong Kong. The mere succession of a new chief executive could not solve these structural problems (Zheng, Tok 2013).

Tung Chee-hwa became the first chief executive of Hong Kong after the handover in 1997. He fulfilled his first term and took office again in 2002 until stepping down in 2005 two years short once the Legislative Council fell into the hands of pro-Beijing parties in 2004. These events fired the public's contentious desires for democratization. Societal fissures arose in Hong Kong since 1997 with more Western-educated professional elites supporting political reforms while the lower socio-economic class enjoy the higher job security and other social benefits. Furthermore the older business elites similarly content to the current system without the need for reform. These varying opinions put pressure on the political system creating gridlock (Zheng, Tok 2013).

2.2.2.2.3 Competition Discussion

Currently in Hong Kong the free-to-air (FTA) channels serve as the largest competition, with Television Broadcasts Limited (TVB) reached 81% of audiences during primetime

hours throughout weekdays (Television Broadcasts Limited 2015). Furthermore, in April 2016 the Asia Television Limited (ATL) will reach expiration for the domestic free television service licensing allowing PCCW's HK Television Entertainment (HKTVE) and I-Cable's Fantastic TV enter the domestic FTA sector (Commerce and Economic Development Bureau 2015b). Table 2.10 portrays a list of television operators on Hong Kong using either domestic or non-domestic service licensing.

Table 2.10 – Hong Kong Television Operators

Licenses	TV Operators	
Domestic	Terrestrial Radiocommunications	Asia Television Limited (free TV) – expiring April 2016
		Television Broadcasts Limited (free TV)
		Hong Kong Television Entertainment (free TV) – launching April 2016
	Cable	Hong Kong Cable Television Limited (pay TV)
	Broadband Network	TVB Network Vision Limited (formerly Galaxy Satellite Broadcasting Limited) (pay TV)
		PCCW Media Limited (pay TV)
Non-domestic	Cable, Broadband Network, or Satellite	Starvision Hong Kong Limited (free/pay TV)
		TVB Network Vision Limited (formerly Galaxy Satellite Broadcasting Limited) (pay TV)
		Starbucks (HK) Limited (free TV)
		China Entertainment Television Broadcast Limited (free TV)
		Turner International Asia Pacific Limited (pay TV)
		Hong Kong Cable Television Limited (pay TV)
		Auspicious Colour Limited (free/pay TV)
		Phoenix Satellite Television Company Limited (free/pay TV)
		China Satellite TV Group Company Limited
		APT Satellite TV Development Limited (free/pay TV)
		Times International Media Group Limited (free TV)
		GLOBECAST HONG KONG LIMITED (free/pay TV)
		OneTV Media Global Limited (free TV)
		Hong Kong TV International Media Group Limited (free TV)
		Sun Television Cybernetworks Enterprise Limited (free TV)
		Power Star Limited (pay TV)
		Health TV Company Limited

Notes: More television services exist, table shows compilation of channels from 2012 and 2015 records
Source: Commerce and Economic Development Bureau (2012) and Commerce and Economic Development Bureau (2015)

There are many news broadcasts programs on television in Hong Kong, however particular interest goes to the Television Broadcasts (TVB)'s channels as this network is the oldest FTA channel and recently renewed its license for another 12 years with future plans for programming improvements of up to HK\$6.2 billion (Lee 2015). This network dominates the terrestrial TV broadcasting as the CE in C refused the only other domestic free TV license currently on the market, ATV, for expiration within a year (Chow, Nip and Cheung 2015). Since the newcomers HKTVE and Fantastic TV have not yet entered the free TV scene, it is difficult to foresee how popular such programs will become. Figure 2.6 portrays the different competitive channels Live Forum TV could face if the Foundation licensed a domestic free TV service. Notice how there are separate Chinese and English channels.

Figure 2.6 – TVB Free-to-Air Channels



Note: TVB programs from top to bottom: Jade, Pearl, hdJ, J2, inews
Source: Television Broadcasts Limited (2015)

Another popular media outlet proves as online streaming such as NowTV, which is becoming one of the most common ways for pay-TV subscribers to access their favourite programs (Media Business Asia 2015). NowTV, owned by PCCW, proves as a way for networks to get around the difficulties for television licensing. HKTV similarly airs

Newspapers, magazines and online forums pose as indirect competitors to Live Forum TV as they too discuss various political events and allow for discussion on various political issues. Based on All You Can Read's Editor's Choice, popular online news portals, newspapers, sports, business, radio and TV stations are: Apple Daily, Orient Daily, The Sun, RTHK, Ming Pao, ETNET, HKHEALINE, AA Stocks, Sina News, HK Reporter, Money 18, Wen Weipo, Epoch Times, Singtao, Now, ONTV, HKEJ, I-Cable News, Singpao, and AM730 (All You Can Read 2015).

2.3 Research Limitations

As this research is an academic, deductive study there are several research limitations in terms of time and resources. With more time, the research could have extended to a more in-depth examination of the Hong Kong telecommunications market, country risk analysis and competition discussion. Furthermore, the resources were limited due to a

lack of primary resources. With primary resources studying the Hong Kong market first hand, the data collected would have more accuracy to the real situation.

The Internationalization Strategy model was only tested on Live Forum Foundation, meaning that observing this model on a different organization would bring new insights. Furthermore, the section of the model for the home country was not investigated as Live Forum Foundation merely holds an headquarter in Switzerland as a start-up organization, and the internal factors could have been developed more thoroughly however as the organization is only just beginning such details are not available. As this organization is a small start-up, it would be difficult to apply this model on a larger organization based on this research. Additionally, the research is completed by only one person, which could permit greater human error and perception bias of the analysis.

Research limitations could occur in the country risk analysis as the result in a potential lack of transparency of the government's surveys and situation reports for the statistical information. Although the government officially records this information, discrepancies may occur in order to alter the reader's opinion. Furthermore, research limitations could relate to the unavailability of the current situation in Hong Kong as the research is completed based on published records, documents and online sources. Media and other news sites may have a bias from one side to the other based on political view for a pro-democratic or pro-Beijing government system.

3. Discussion

3.1 Internationalization Strategy for Service Firms

From the literature reviews based on previous studies on the entry modes for internationalization, a service firm requires a different strategy to enter a foreign market than a normal manufacturing firm. The internal factors of the organization play a large role for deciding the entry mode. Based on existing literature from both internationalization and entry mode strategies (Root 1994; Gerbrand 2008; Javalgi and martin 2007; Forlani, Parthsarathy and Keaveney 2008) as well as country risk analysis methodologies (Howell 2011), the internationalization strategy includes both internal and external factors. The internal factors include: service factors, organizational factors, managerial behavioural factors and international network. The external factors are split to the entry modes, home market factors and host market factors. This research placed a particular focus on the host market factors with an analysis of the competitive environment, industry report and country risk analysis. This model was tested on Live Forum Foundation for the internationalization of Live Forum TV in Hong Kong SAR.

3.2 Live Forum Foundation in Hong Kong

Throughout the internationalization strategy performed for Live Forum Foundation focuses on the study of the internal and external factors, Hong Kong proves as a strategic market for the launch of Live Forum TV. From the telecommunication reports in section 2.2.2.2.1 and Appendices 2-7, the three top countries and SARs for Live Forum TV launch would prove as Hong Kong, Singapore or Taiwan. Due to the fact that the market for launch requires a high television household penetration as well as a large mobile phone market and habitual social media usage, the other countries (Indonesia, Kuwait and Myanmar) would not have the proper infrastructure for such a TV program. Further future development of the telecommunication market would be necessary before such a TV program could reach the large majority of households. Egypt could prove as a potential market for Live Forum Foundation but outside the telecommunication infrastructure, the country faces difficult social and political strife that may attest as complicated for initial launch of the TV format.

For those reasons the selection is eliminated down to Hong Kong, Singapore or Taiwan. Nevertheless, Taiwan's infrastructure testifies as inferior to Singapore and Hong Kong. While Singapore similarly proves as a strategic market for Live Forum TV,

the current situation in Hong Kong demonstrates that this market may be in greater need for a political solution than Singapore at the moment. Currently in Hong Kong the country faces political gridlock between the government officials of differing party views (pan-democracy camp or pro-Beijing) and the public, where numbers of protestors hope to achieve universal suffrage (Hanrahan 2015). For that, protestors take to the streets to voice their opinions. As more protestors grow tired and frustrated to have their voices ignored, a need for a more efficient communication method arises. That is where Live Forum TV comes in as a potential solution to this problem.

Hong Kong's telecommunication sector reaches state-of-the-art levels in terms of development and infrastructure with large electricity grids throughout the city, proactive regulations from the independent Communications Authority and control from the government. Competition in the telecommunication industry runs high with television providers such as HKTV, HKTVE, HKTVN, ATL, TVB, PCCW and several others. Since the Hong Kong population maintains a near-perfect penetration of cable TV at a 92.3% average across social classes (Euromonitor 2014), a strategic way to connect with the population is through a cable TV on a free TV channel. Not only does Hong Kong maintain a strong telecommunications sector, but also the consumer market overall is highly tech-savvy and educated. From 2,407,000 TV households out of a population of nearly 7 million (OFCA 2015), the television market prospers with market saturation with a 16.2% growth of cable TV from 2008-2013 (Euromonitor 2014).

Live Forum Foundation should not launch the TV format solely on satellite TV since cable, terrestrial or broadband network are more saturated television markets. The satellite infrastructure suffers from a mere 0.5% penetration of TV households in 2013 (Euromonitor 2014) potentially due to the household structure within the city of residents living mainly in high-rise apartment buildings. Within the next few years, the Hong Kong market may face a growth of Satellite Master Antenna Television (SMATV) that connects an entire apartment building to an internal satellite system, however this system will need a few more years to compete with the already well-developed cable infrastructure.

For the purpose of Live Forum TV's voting system during the televised debates, the population in Hong Kong could easily connect to the voting service through an Internet-connected mobile device. Already in 2013, almost 70% of mobile users owned a phone with 3G or 4G services, with these figures forecasted to increase to almost 91% by 2016 (Business Monitor International 2015). Similarly, household linked to a broadband Internet connection figured to over 80% of total households in 2014 (OFCA 2015),

making the possibility to connect to an online voting system for the TV format even greater. Live Forum Foundation could successfully advertise the TV format on social media as well as radio. Over 80% of the population owned a radio-connected device (OFCA 2015) as well as around 93% of the online community used social media platforms such as Facebook (eMarketer 2012). From the Table 2.4 on the Key Telecommunication Indicators forecasted for 2030 in section 2.2.2.2.1, Hong Kong's telecommunication market will continue to grow and provide great services for consumers, increasing penetration rates for the benefit of Live Forum TV in Hong Kong.

The free-licensed TV service providers hold a great influence in Hong Kong society, as they are the media portals that connect to all audiences. As mentioned in section 2.2.2.2.5.1 for Trade Barriers, the Communications Authority sets high regulations for the companies receive an Executive approval from the Chief Executive in Council for a domestic free TV license (Communications Authority 2012c). Live Forum Foundation should launch in Hong Kong with an entry mode of licensing through one of the three options of licensing: domestic free television service, domestic pay television service, or non-domestic television service.

Since a domestic free TV network reaches the largest and most diverse audience, this proves as the most difficult yet desirable option. However the financial burden and program regulations for diverse program listing (children, senior, culture, art, news, government school programs, Chinese and English language, etc.) could prove too large of a task for Live Forum TV (Communications Authority 2012d). Furthermore, there are strict regulations on the voting controls for investors and residency of the management as well as the location of production. However this option will not be dismissed as Live Forum Foundation maintains investors and possibilities to create a network consortium of such requirements.

Another option for Live Forum Foundation would be to launch the television format on an already existing domestic free licenced network: Television Broadcastings Limited (TVB), HK Television Entertainment Limited (HKTVE) or Fantastic TV (Communications Authority 2012a). Neither of the newcomers have yet to being broadcasting, however HKTVE projects to begin broadcasting April 2016 as the Chief Executive in Council completely approved the network's license April 2015 (Hong Kong's Information Services Department 2015), while Fantastic TV affirms that broadcasting will occur one year after the application is fully approved (Ying-kit 2015). Domestic free TV licensing reaches 99% of households through terrestrial TV (OFCA

2015). Television Broadcastings Limited (TVB) holds strong market saturation on all the operating platforms for terrestrial, cable, broadband network as well as satellite (Commerce and Economic Development Bureau 2012). With an 81% audience (Television Broadcasts Limited 2015) of the 6.46 million individual TV-watchers in Hong Kong (OFCA 2015), TVB reaches the largest portion of the Hong Kong television market. However, the problem with this option could be that networks would not wish to sell their primetime slots to external productions. Since Live Forum TV requires the largest audience, having a primetime slot is key.

Similarly, TVB has been criticized for the violation of political neutrality (Chan 2015), edging more on the side of Beijing, which could detract certain viewers. Otherwise, the new FTA-approved network providers, PCCW's HK Television Entertainment (HKTVE) or i-Cable's Fantastic TV, would prove as good potential networks to purchase a channel. But these networks have similarly been renowned for the pro-Beijing owners (Vines 2015). Live Forum Foundation should avoid taking a political stance on the gridlock from the pro-democracy and pro-Beijing politics, therefore choosing the best network provider proves key. As TVB is an older network provider that has been accused of breaching the political neutrality, this could affect viewer's opinion of Live Forum TV. From past experience in international negotiations, the founder Michael Davis described in his novel *Life After Democracy* the importance of political neutrality in negotiations (Davis 2013).

Furthermore if Live Forum Foundation applied for a domestic pay license, the TV format may not reach all audiences. Nevertheless, the OFCA (2015) records that penetration for domestic pay TV reached nearly 99% February 2015 over the four current domestic pay-TV operators: Hong Kong Cable Television Limited, PCCW Media Limited, and TVB Network Vision Limited (Communications Authority 2012b). However, that penetration figures as the total subscription over the four providers. Otherwise, Live Forum Foundation could apply for a non-domestic television license, but may encounter restrictions as the Communications Authority mandates that applying organizations are restricted from airing television programs that are directly solely for the Hong Kong market, which would be the case in the Live Forum TV debates (Communications Authority 2012g). Therefore the domestic pay license would prove better than the non-domestic.

In any case, Hong Kong experiences grown popularity in the online streaming sites such as NowTV or HKTV's Internet streaming (Media Business Asia 2015). As 83.3% of households own a broadband Internet connection (OFCA 2015), this would prove as

a strategic way to reach a larger audience without having to deal with the elaborate process of television licensing. Furthermore, the television program should be produced in Cantonese as almost 90% of the population speaks this Chinese dialect. For the 3.5% English speak population, subtitles should be available since English is an official language as well (CIA, 2014).

3.3 Risks of Internationalization in Hong Kong

Before Live Forum TV should successfully enters the market, the risks of launching must be discussed as taken from the Country Risk Analysis in section 2.2.2.2.2 for the host economy, Hong Kong.

Social and Welfare Risks

With Hong Kong's strategic location on the Southern coast of China, the geographical situation next to the Mainland as well as its close proximity to other Asian-Pacific major cities strengthens Hong Kong's economy for international business. Regardless if the city comprises of a large number of islands, Hong Kong connects those few hundred islands from an extensive road and ferry system, with 2,099 km of paved roads (Highways Department 2013). Live Forum Foundation would benefit from this connection between the islands as it brings unity to a city separated by water.

Despite Hong Kong's integration to Mainland China, there is a only small percentage of Hongkongers that speak Mandarin or other Chinese dialects (CIA 2014). As the majority of Hongkongers speak Cantonese, the language barrier could potentially fuel a societal barrier from the Mainland Chinese. Other social aspects that could affect the launch of Live Forum TV prove as the imbalance of the population pyramid. As shown in Figure 2.3 from section 2.2.2.2.1.5, the majority of the population aged around 42.5 years in 2013 (Census and Statistics Department 2014, p.8). This may affect Live Forum TV as there is an aging population, which cold put pressures and stress on the economy over the coming years, especially for the health care system and retirement plans. While the health care system works universally and efficiently, public dental care needs improvement, as claimed by the Department of Health (Department of Health 2015). While these potential pressures could prove as a negative for most businesses internationalizing in a strained economy, Live Forum TV could benefit from this aspect de to the need for a solution to the problem—a potential subject of debate for the future TV format.

Hong Kong's population is educated with around 30% of the population continuing to university after secondary education (Census and Statistics Department 2014). Those

who do not continue to university can benefit from the government-funded vocational training (Education Bureau 2015), and in 2012, 95.5% of the population was literate (The Hong Kong Council of Social Service 2015). Live Forum TV will need a more education population with high literacy rate in order for audiences to understand the debates, make rational decisions and read the voting systems.

Although social class affects the possession of digital equipment, even the lowest segment of the population still connects to cable TV at 91% (Euromonitor 2014) as shown in Figure 2.4 in section 2.2.2.2.1.8. This ensures that Live Forum TV would reach a wide-spread percentage of the population and allow for a strong market representation for audiences of the TV format. Poverty still does affect the population as large differences in the income distribution exists between the top 90th and lowest 10th percentiles as shown in table 2.6 in section 2.2.2.2.1.8 as recorded in the General Household Survey 2014 (Census and Statistics Department 2015e). A large 19.6% of the population lived below the poverty line in 2012 (CIA 2014), proving that Live Forum TV may miss a large segment of the population if this poor market did not own a television.

Economic Risks

From the macroeconomic indicators, Hong Kong proves as a highly efficient and strong economy. From the Heritage Foundation's (2015) report, Hong Kong figures as the "freest" economy for business, however it is difficult to say how factual that status plays in real life. Live Forum TV would benefit, economically speaking, in internationalizing in the Hong Kong market due to the positive GAP annual growth and increasing GDP per capita, similarly as well since inflation remains low at a steady 4.1-4.4% from 2012-2014 (World Bank 2014). These economic indicators are expressed in detail in Table 2.7 in section 2.2.2.2.2.1 of the Domestic Economic Assessment from data taken from the Hong Kong TDC Research (2015), the World Bank (2014), and the Census and Statistics Department (2015).

Nevertheless, Hong Kong's economy proves to be highly dependent on global changes through the export and import services (Census and Statistics Department 2015c), which could fluctuate and weaken the economy's strength during a global crisis. However, Hong Kong's open international trade structure promotes this dependency on international trade, allowing for future growth in the economy based as the world's 18th largest trading economy (Hong Kong TDC Research 2015). Hong Kong's economy greatly depends on the import and export relationship, which may influence Live Forum TV as China could place economic pressure on the SAR to conform to Chinese market

behaviour, reducing the liberalization of the economy. This relationship was strengthened to a greater degree with the Mainland-Hong Kong Closer Economic Partnership Arrangement (CEPA) removing tariffs between the economies (Hong Kong TDC Research 2015).

From the Balance of Payments analysis, Hong Kong's economy relies largely on imports, however the current account fluctuates between deficit and surplus. This means the economy's net income suffers from the net outflow from external investments. The External Indebtedness in Hong Kong remains healthy with a budget surplus from a positive relationship between external debt to domestic growth (GovHK 2015), proving to Live Forum TV how the economy reinvests towards the GDP which in turns pays off the debt.

Financial Risks

Under the Global Financial Centres Index published by the Z/Yen Group and Qatar Financial Centre Authority from 2015, Hong Kong ranks at the third most competitive financial centre in the world in sector development, infrastructure, human capital, and reputation (Z/Yen Group Limited, Qatar Financial Centre Authority 2015). The top 100 banks in the world uphold a branch and operate in Hong Kong, making the city one of the largest concentrations of international banking institutions (Hong Kong Monetary Authority 2014). From these aspects, Live Forum Foundation could benefit from both public or private financial support as well as be reassured that proper regulation will take place in Hong Kong.

Political Risks

Since the British colonization of Hong Kong in 1841, the culture began to steer towards a more international "culturalization" of the society away from the traditional Asian value normally found in the region. As an international hub for business, the Hongkongers developed a sense of cosmopolitan society with a mixture of both Asian and Western ideals. Democratization in Hong Kong existed, however with ethnic segregation of Europeans to the native Cantonese as the British chose representatives from England rather than an equal representation. Not until the 1980s did the British colonists begin to reinforce a democratization of Hong Kong society before the handover to Chinese rule. Nevertheless, democratic values never fully existed in Hong Kong as the British chose the chief executive during the colonist-era and the Chinese now choose who represents the SAR. As protestors in Hong Kong yearn for universal suffrage, the elections in 2017 will prove as the most democratic in Hong Kong's

history as the Chinese government will select approved candidates for the people to elect.

Although one could argue how Live Forum TV upholds a global strategy for the internationalization of a TV format that innovates the current democratic system for non-Western countries, the concept that democratic thinking does not necessarily exist in all foreign markets. The national identity of the potential country could pose problems for internationalization. For example, the term Asian Capitalism, as described by Slavoj Žižek in his book *First Tragedy Then Farce* from 2009, could prove as a deterrent for Live Forum TV in certain cultures that fundamentally do not maintain the same cultural values as a pan-democratic society. Also supporting the idea of Asian Capitalism, the author of *Singapore: The Air-Conditioned Nation* from 2000, Cherian George, argues that the authoritarian political systems support freedom and liberty of capitalism however within a structure of restrictions. The idea behind Asian Capitalism is that history shows how communism came about from authoritarianism while capitalism through democracy. Today a new form of capitalism with authoritarian values emerges while still proving as efficient and keeping people happy.

From one day to the next Hongkongers became Chinese citizens with a new history book to study from the Chinese point of view in school system, acquisition of Chinese passports, influx of tourism from Mainland China and introduction of a new flag to honor. All of these factors as well as many more play a role in integrating Hong Kong into China. However, Hongkongers may struggle with their national identity, which may cause the pressures for protests against the homogenization of the Hong Kong culture with that of Mainland Chinese.

Although a television program that broadcasts peaceful and productive debates about political issues by the everyday individuals currently does not exist in Hong Kong, Live Forum TV does face a few direct and indirect competitors. Currently media promotes various discussions related to the political situation of Hong Kong as well as varying influences on the Hong Kong national identity. Violet Law discusses in her article "In Hong Kong, pro-democracy protestors find kinship with 'Selma'" from *LA Times* in March 2015 how the American civil rights movie *Selma* premiered in Hong Kong that same month. Law dictates that the movie poster's slogan "One dream can change the world" in the US was changed for the Hong Kong market to read "This March, it's time for civil disobedience. Fear not violent suppression. Blaze the path to democracy." as well as the movie title "Martin Luther King Jr.'s Road to His Dream" (Law 2015).

Similarly, Alan Wong wrote in his article "Fiction Echoes Political Fact in Hong Kong TV Drama" in November 2014 on Sinosphere from the New York Times that "The Election", a new TV series drama on HKTV Internet television that touches political subjects aired that same month during the heat of the protests Occupy Central. In the TV series, characters promote universal suffrage (Wong 2014). However this is not without consequences as the network HKTV petitioned for a FTA license only to be denied. In November 2014, HKTV reached 640,000 computers, phones, and set-top boxes to watch the program while the network's competitor TVB reaches 2.37 million homes through FTA television. For that reason HKTV continues to air via Internet for a larger market penetration (Wong 2014).

Finally, the media has changed over the decades from pre-1997 to post-1997 as noticeable from Television Broadcastings Limited change of the Hong Kong identity, as discussed in Benjamin Garvey's article "TV dramas were key to the formation of Hong Kong identity" from April 2015 on *Local Press HK*. "The Greed of Man" by TVB is a new TV series that promotes the similarities between Hongkongers with the Mainland Chinese, while previous to the 1997 handover TVB aired series that highlighted those differences. Series from the 1970s and 1980s promoted capitalism and affluent self-made Hongkongers with Chinese as poor and uneducated under an authoritarian political system. Today this is not the case, altering the viewer's national identity towards Chinese values (Garvey 2015).

Corruption does however exist in the television industry as noticeable through the denial of Hong Kong Cable Television's domestic free license; critics claim that this was because of the network's pro-democratic stance in the program, which sparked the Occupy Central protests (Engel 2014). Hongkongers want universal suffrage and a liberalized TV market as promised to them from the 1997-handover. However, TVB renewed the domestic free license for another 12 years regardless of the controversies revolved around the network on violating political neutrality and allegedly censoring police brutality (Chan 2015). Furthermore, critics disapprove of the HKTV's rejected free TV license as two other networks, owned by supposed Beijing loyalists, received the CE in C's approval to their free TV license (Vines 2014).

4. Conclusion

As discussed in the introduction, the objectives explored in this study are to: 1) define what is the best fit internationalization strategy for service organizations, with the case study of Live Forum Foundation; 2) explore which foreign market will best sustain the launch of Live Forum TV from the telecommunication industry from the select countries; 3) and finally identify what are the risks in launching in the foreign market.

The best way to enter a foreign market is to follow the internationalization strategy described in Figure 2.1 encompassing of the internal and external factors, with great focus on the industry report, competition discussion and country risk analysis.

Based on the collected data, Hong Kong proves as the most strategic market for the launch of Live Forum TV due to the sophisticated telecommunications infrastructure, in particular the cable TV penetration rate, as well as the need for political reform to resolve the political gridlock. Live Forum Foundation should launch in Hong Kong with an entry mode of licensing through one of the three options of licensing: domestic free television service, domestic pay television service, or non-domestic television service. Since a domestic free TV network reaches the largest and most diverse audience, this proves as the most difficult yet desirable option. However the financial burden and program regulations a diverse program listing could prove too large for the Foundation. Due to that reason, the most practical option without involving external (and already established television networks) would prove as applying for a domestic pay television license on digital cable TV and provide an extension of the service on Internet-connected mobile devices through a platform such as NowTV.

The main language of the TV format should be in Cantonese with English integrated within the program on occasions. Communication with the population through social media platforms should be conducted through both Cantonese and English since both are official languages (CIA 2014). Using popular social media sites such as Facebook to connect with the online community (eMarketer 2012), Live Forum Foundation could post press releases and communicate with the audience. Other forms of advertisements could be through online forums or radio announcements (OFCA 2015).

Although Hong Kong struggles with large portions of society living under the poverty line, this does not affect the digital equipment distribution to reach all inhabitants through cable TV as well as through Internet-connected mobile devices. The education in Hong Kong also supports the launch of Live Forum TV by providing an educated and tech-savvy consumer market. Furthermore, the economic and financial situation of

Hong Kong incentivizes foreign investors as a growing economy with strong service industries and stock exchange. Although the country struggles with minor government corruption in regulation of democratic accountability, the institutions are well orderedly and follow legal controls. Lastly, the national identity crisis in Hong Kong better calls for the need of Live Forum TV to ensure satisfaction for the city's inhabitants through political reform.

Live Forum TV would benefit greatly from this television format as one of the first developed cities in the world to integrate such an innovated solution to the complications caused by democracy. Not only would the people celebrate in acquiring a peaceful portal to voice their opinions, the government could work more efficiently and effectively towards future growth.

Future Research

As the internationalization of service firms currently requires further research for the methodologies for strategic entry in a foreign market, this research can bring a broader insight for organizations in creating their internationalization strategy. Future research for the internationalization of service firms could include several organizations with accessibility to primary research in the market in order to prove that the entry mode model fits with other organizations as well.

In regards to the future research for Live Forum Foundation, this could include in-depth market analysis of customer behaviour towards digital equipment, social media usage, voting behaviours, or feelings on expressing opinions on public platforms. Furthermore, Live Forum Foundation could look into which networks would like to engage the TV format or the investors interested in partaking in the creation of a new free TV network.

Furthermore, many of the details discussed in this research prove on an academic and theoretical basis without substantial primary research to support the conclusions. The information should be taken objectively and further research is needed before a in depth internationalization strategy could be implemented. Additionally, the study of the cultural affects in the launch of Live Forum Foundation would prove as highly beneficial.

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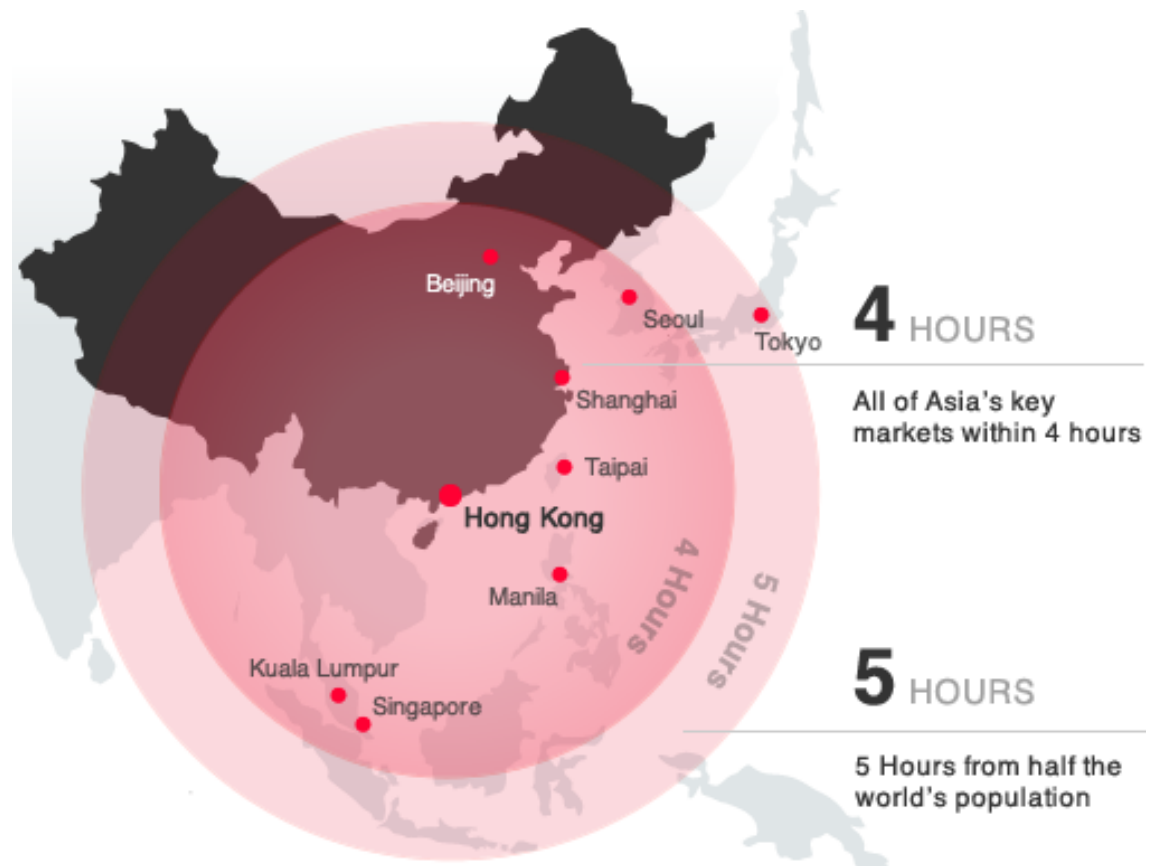
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5. Appendix

Appendix 1



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Appendix 2 – Egypt Telecommunication Report Highlights

Egypt Key TCM Indicators: 2030 Forecasts

Telecommunication Equipment	2030
Possession of broadband enabled PC	52.1% of households
Possession of cable TV	N/A
Possession of mobile telephone	98.9% of households
Possession of fixed telephone	28.7% of households
Possession of satellite TV system	95.3% of households
Mobile phone subscriptions	173 million
Internet users	72.8 million
% of population using the Internet	69.5%

Note: Figures are forecasts

Source: EUROMONITOR INTERNATIONAL, 2014. Technology, Communications and Media: Egypt. *Euromonitor.com* [online]. 17 July 2014. [Accessed 11 February 2015]. Available from: <http://0-www.portal.euromonitor.com.millennium.itesm.mx/portal/analysis/tab>

Overall Highlights

Halts on the government project eMisr National Broadband Plan for nationwide fixed-broadband affected broadband prices and usage, but is expected that the number of subscribers will grow 258% from 2014-2030

One of the top countries in the region for satellite TV penetration at 90.1% in 2013

High mobile penetration in 2014 at almost 111%, however a lacking fixed telephone market with a mere penetration of below 8% in the same year

Large amount of FTA channels available on satellite

High rate of Internet usage at 70% of total population

Source: EUROMONITOR INTERNATIONAL, 2014. Technology, Communications and Media: Egypt. *Euromonitor.com* [online]. 17 July 2014. [Accessed 11 February 2015]. Available from: <http://0-www.portal.euromonitor.com.millennium.itesm.mx/portal/analysis/tab>
Ministry of Communications and Information Technology. (2015). *ICT Indicators in Brief: December 2014 Monthly Issue* (1st ed.). Retrieved from

Conclusions from Telecommunication Report

Egypt maintains positive prospects for telecommunication expansion in both the areas of penetration and future expansion of infrastructure. With the large amount of FTA channels, satellite TV penetration, and mobile phone access to Internet, the Egyptian population obtains all the important factors for launching Live Forum TV into the market. Furthermore, the youth population from 15 to 29 years old is actively part of social media platforms, especially Facebook. Additionally, Egypt is in dire need of socio-economic changes, which could be boosted from the Live Forum TV format in a peaceful and communicative manner rather than the habitual form of protests that lead to further violence. Nevertheless, it can prove difficult to enter the Egyptian telecommunication market as foreign investors must pass through the General Authority for Investment (GAFI) for licensing and Egyptian Radio and Television Union (ERTU). A foreign investor must apply through the GAFI while the ERTU grants licenses, however there is little transparency in the application and assessment process for granting licenses. Overall, Egypt does not portray the safest playing field for foreign investment as the country is facing many political changes. With the corruption in business, this could lead to potential problems for Live Forum Foundation to enter the market as an initial contingent. For this reason, perhaps a more stable political front and a smaller market would prove the best fit for the initial launch of Live Forum TV.

Appendix 3 – Indonesia Telecommunication Report

Indonesia Key TCM Indicators: 2030 Forecasts

Telecommunication Equipment	2030
Possession of broadband enabled PC	24.6% of households
Possession of cable TV	10.1% of households
Possession of mobile telephone	90.6% of households
Possession of fixed telephone	7.9% of households
Possession of satellite TV system	32.1% of households
Mobile phone subscriptions	470 million
Internet users	104 million
% of population using the Internet	39.6%

Note: Figures are forecasts

Source: EUROMONITOR INTERNATIONAL, 2014. Technology, Communications and Media: Indonesia. *Euromonitor.com* [online]. 17 July 2014. [Accessed 11 February 2015]. Available from: <http://0-www.portal.euromonitor.com.millennium.itesm.mx/portal/analysis/tab>

Overall Highlights
Telkom Indonesia's plans for fixed broadband connectivity with goals of 15.0 million new users by the end of 2015
Unimpressive Internet and TV distribution to the populations
Investments in the fibre-optic infrastructure for greater wireless connection
Widespread 121.5% of penetration in mobile sector in 2014
Government reforms for the Indonesia Broadband Plan sets plants to expand fixed broadband services, reaching new markets for 30% of urban and 6% of rural populations for greater facility for mobile devices.
Government incentives of US\$24 billion for Telkom Indonesia to expand broadband capacity around the country
Young population with high growth in media usage
Widespread social media usage
Telkom Indonesia's plans for fixed broadband connectivity with goals of 15.0 million new users by the end of 2015

Source: BUSINESS MONITOR INTERNATIONAL, 2015. *Indonesia Telecommunications Report* [online] Q2 2015. London: BMI Research, February 2015. [Accessed 3 March 2015]. ISSN 1748-4561. Available from: 0-site.ebrary.com.millennium.itesm.mx/lin/itesm/reader.action?docID=17484561 [access by subscription]

Appendix 3 – (Continued) Indonesia Telecommunications Report

Conclusions from Telecommunication Report

Although the majority of the population owns a mobile phone, this would not make up for the lack of infrastructure in terms of Internet and television. Due to the poor infrastructure of the telecommunication market in Indonesia, Live Forum TV would find many difficulties in connecting to the population. Although data shows that around 70% of the population owns a television, this data does not correlate with the fact that there is a less than 5% of households with a cable TV line and a less than 1% of households with a satellite TV. Even though Indonesia is going through telecommunication expansion over the next 15 years, even then the market would not be saturated enough to get proper representation of the total population.

Indonesian citizens are avid social media users and could easily connect through social media platforms such as Facebook. However, without the television market saturated enough, the Facebook population will not be enough of a reason for Live Forum TV to launch into this country. Additional problems may arise due to the fact that only in the capital city do the large majority of households speak the official language Bahasa Indonesia as other languages such as Javanese are more commonly spoken.

Furthermore there appears to be some government corruption in the oversight of digital licensing. The Ministry of Communications and Information Technology (MoCI) controls the regulation of the telecommunications in terms of the sector's development and policy for expansion while the Indonesian Telecommunications Regulatory Authority (ITRA) regulates the networks and services for licensing. Open Society Foundation speculates that the ITRA keeps a selective oversight in respects to digital licensing. Normally, the licensing process in Indonesia proves independent and transparent; however there has been evidence to show the government ignored civil organized groups who were in opposition to the new rules for digital listening in 2010. Euromonitor International (2014) similarly included warnings of discrepancy in government regulation in certain areas, as there is a lack of control of licensing with hundreds of illegal networks while at the same time present oppression to the rights of freedom of speech.

Overall, Indonesia could be an interest potential market once the country expands further in the telecom sector to connect the population. Live Forum Foundation should keep an eye on this market for future growth, but look towards other potential countries for an initial launch of the TV format.

Appendix 4 – Kuwait Telecommunication Report

Kuwait Key TCM Indicators: 2030 Forecasts

	2030
Possession of broadband enabled PC	95.0% of households
Possession of cable TV	0.7% of households
Possession of mobile telephone	100% of households
Possession of fixed telephone	95.7% of households
Possession of satellite TV system	98.0% of households
Mobile phone subscriptions	10.7 million
Internet users	5.7 million
% of population using the Internet	96.5%

Note: Figures are forecasts

Source: EUROMONITOR INTERNATIONAL, 2014. Technology, Communications and Media: Kuwait. *Euromonitor.com* [online]. 17 July 2014. [Accessed 11 February 2015]. Available from: <http://0-www.portal.euromonitor.com.millennium.itesm.mx/portal/analysis/tab>

Overall Highlights
Privatization of the fixed-broadband lines from the state-owned monopoly, the Ministry of Communications
High increase projections for broadband subscribers at a 25% by year-end in 2015 and a total 722% increase until 2030
Forecasted 100% household mobile phone penetration by 2030
Due to lack in fixed-broadband, households are looking more towards high-speed mobile Internet connections
In the forefront for household satellite TV penetration in the Middle East

Source: EUROMONITOR INTERNATIONAL, 2014. Technology, Communications and Media: Kuwait. *Euromonitor.com* [online]. 17 July 2014. [Accessed 11 February 2015]. Available from: <http://0-www.portal.euromonitor.com.millennium.itesm.mx/portal/analysis/tab>
 BUSINESS MONITOR INTERNATIONAL, 2015. *Kuwait Telecommunications Report* [online] Q2 2015. London: BMI Research, February 2015. [Accessed 3 March 2015]. ISSN 1748-4561. Available from: 0-site.ebrary.com.millennium.itesm.mx/lin/itesm/reader.action?docID=17484561 [access by subscription]

Conclusions from Telecommunication Report

In order to enter the telecom industry in Kuwait, it is suggested to take into consideration the high penetration rates for satellite TVs and mobile phones. Due to the population's dependency on their smartphones, the best way to communicate via the Internet is through mobile-friendly websites and applications. Household mobile phone penetration is forecasted to reach 100% by 2030. Overall, the telecom industry in Kuwait is characterized by high regulation in the fixed-line sector with liberalized competitive mobile operators. Kuwait seems to undergo strict filtration of sensitive topics in the telecom sector that deem immoral or may stir political conflicts, even resulting with Twitter commenters going to prison for the word they posted on the social media platform. In general, Kuwait portrays a strong potential market for Live Forum Foundation to launch the TV format. With the country's high usage of satellite TVs, Internet and mobile phones, Live Forum TV would not face problems in terms of infrastructure. As long as Live Forum TV does not require cable TV broadcasting, the telecommunications industry in Kuwait is strong enough to reach the majority of the population. It would be very interesting to continue the research on the prospects of launching Life Forum TV in Kuwait.

Appendix 5 – Myanmar Telecommunication Report

Overall Highlights
Government implemented the MFIL in 2012, which promotes investment to attract more capital inflow including telecommunications sector
Growing economic stability created a thriving emerging economy from the fiscal reforms that significantly lowered inflation to 5.7% in 2013 from a post reform 22.5% in 2008
Around 70% of the population lives in rural areas causing more than 2/3 of the population lacking connection to an electricity grid
The lack of infrastructure for fixed broadband lines, strong bandwidth connection, and 3G/4G high speeds
431% increase in internet penetration from 2009 to 2013
Tech-savvy and social media using mobile internet market with growing penetration rate with set goals of 60% for year-end 2015
Many FTA and pay-TV channels hitting market since 2009 with international programming opportunities

Source: WORLD BANK GROUP, 2015. *Myanmar: Ending poverty and boosting shared prosperity in a time of transition* [online]. 1st Edition. Yangon: World Bank, 2015. [Accessed 23 March 2015]. Available from: <http://www-wds.worldbank.org>

Appendix 5 – (Continued) Myanmar Telecommunication Report

Conclusions from Telecommunication Report

From what the report shows, Myanmar deems as a perfect market for expansion in the telecom industry. There are many opportunities lying in Myanmar, as the prices are low yet the economy is booming. Nevertheless the poor infrastructure is a huge negative factor. If Live Forum TV launched in Myanmar, it would be necessary to enter the market through FTA channel, as satellite is not yet as widespread due to high costs. With 38% of TV penetration in 2011, these numbers must have surely increased with the change of government creating new reforms to allow greater telecom access. Skynet may prove as a good network provider as they air both FTA and pay-TV channels. Similarly, Skynet airs government peace talks, which would correlate with Live Forum TV's goals for peaceful communication.

Another interesting finding about the Burmese delves into the fact that the population is rather young with the majority under 30 years old. To complement this, the highest percentage of mobile Internet users corresponds to this age bracket from 16-34 years old. In order to connect with these new mobile phone users, Live Forum TV should be on Viber, Facebook, MySQUAR, and YouTube platforms. With all of these positive remarks, Myanmar also upholds several negative points. One idea could be that perhaps Myanmar is not the most suitable country for the initial launch of Live Forum Foundation's goals at this time. Due to lack of telecommunication infrastructure, Myanmar needs years of growth in order to have the populations connected to televisions and other telecom devices. There is simply not enough saturation in the telecom industry to connect all the populations to the television and Internet. Although Myanmar has a stable print and newspaper industry to take care of the more remote populations, some of these organizations do not publish on a daily basis.

In any case a great digital divide is forming in Myanmar. Even if the government succeeds in expanding mobile coverage to allow 60% of the populations have access to mobile phones, Myanmar still remains a country with extreme poverty with average annual incomes less than US\$200. Additionally, many of the consumers will frankly not be used to the idea of needing a mobile phone to have data access. Furthermore, the government holds restrictions for private investors in the telecom, broadcasting, and television sectors. While although there is the chance for the government to issue a license, such as in 2012 for the two networks from Qatar and Norway, uncertainty to whether or not the government will permit this license remains unsure and subject to case-by-case specific conditions. If Live Forum Foundation could form ties with one of the major media groups, this could go around the problem of government protectionism.

In terms of economy, stability finally seems to be characterizing the economic indicators. The current government is making the right moves to keep a leash on fiscal deficit below 5%, which also dramatically lowered inflation almost 20%. Nevertheless this uphill swing has only been apparent in the past three years. Live Forum Foundations may find it in their best interest to see how this economy performs over the next few years before launching in this market. In general Myanmar is a great candidate for Live Forum TV in terms of need for social and political change. The government currently is on a progressive move to bring up its country competitiveness, taking in help from foreign hands.

Appendix 6 – Singapore Telecommunication Report

Singapore Key TCM Indicators: 2030 Forecasts

Telecommunication Equipment	2030
Possession of broadband enabled PC	92.3% of households
Possession of cable TV	92.7% of households
Possession of mobile telephone	99.5% of households
Possession of fixed telephone	78.1% of households
Possession of satellite TV system	N/A
Mobile phone subscriptions	12.5 million
Internet users	5.6 million
% of population using the Internet	84.8%

Note: Figures are forecasts

Source: EUROMONITOR INTERNATIONAL, 2015. Technology, Communications and Media: Singapore. *Euromonitor.com* [online]. 17 February 2015. [Accessed 11 March 2015]. Available from: <http://0-www.portal.euromonitor.com.millennium.itesm.mx/portal/analysis/tab>

Overall Highlights
Highest rate of broadband penetration in Asia Pacific region at 86.9%
Continued investment in advanced technology and expansion of network coverage
Government banned satellite TV dishes for private households, causing for a low satellite TV penetration
High penetration of mobile phones in 2012 at about 152%
Seven local FTA channels cover all four of the official languages
Large portion of Internet mobile phone users also use social media sites, in particular Facebook.

Source: EUROMONITOR INTERNATIONAL, 2015. Technology, Communications and Media: Singapore. *Euromonitor.com* [online]. 17 February 2015. [Accessed 11 March 2015]. Available from: <http://0-www.portal.euromonitor.com.millennium.itesm.mx/portal/analysis/tab>
 NEI, L., LIN, T., and MEI MEI, L. 2013. *Mapping Digital Media: Singapore* [online]. 1st Edition. London: Open Society Foundation, 2013. [Accessed 7 March 2015]. Available from: http://www.opensocietyfoundations.org/sites/default/files/mapping-digital-media-singapore-20131017_0.pdf

Appendix 6 – (Continued) Singapore Telecommunication Report

Conclusions from Telecommunication Report

Although Singapore faces social and political democratic issues, the country is a strong economic player. Singapore is one of the most stable economies in terms of competitiveness, becoming an attractive location for more and more foreign investment. In terms of telecommunication infrastructure, Singapore has everything going in the right direction. Regardless of the national language split-up, TV channels are evenly distributed to represent the four demographics.

Singapore holds a high penetration for mobile phones as well with 50% of mobile users having 3G or 4G networks. The urbanized population in Singapore is connected reaches high Internet penetration rates and well as social networking. Using the social media, Singaporeans could connect with Live Forum TV through Facebook, YouTube, Google+, Instagram, and/or Twitter. Similarly, almost the entire population listens to a radio station at least once a week.

In terms of cable TV penetration, Singapore is the first country in Asia Pacific. However, the satellite penetration is extremely low due to the government ban on household satellite dishes. Singaporeans already have the habit to watch the news and are eager to keep up to date with the current events that are happening throughout the world. Furthermore, during the 2011 and 2013 elections, many Singaporeans relied on independent journalism in order to understand more precisely what was happening without the risk of government censorship. For that reason, Live Forum TV would easily fit in the culture in Singapore, to provide the populations with accurate information and allow for more productive discussions.

However, one interesting question to investigate would be, "In which language would the program be broadcasted?" Considering that 80% of the population over the age of 15 speaks English, English would be the answer. For that reason, a good potential FTA station would be Channel 5. Overall, the saturation of the Singaporean market proves that this would be a perfect country for Live Forum Foundation to launch the TV format.

Appendix 7 – Taiwan Telecommunication Report

Taiwan 2 Key TCM Indicators: 2030 Forecast

	2030
Possession of broadband enabled PC	94.9% of households
Possession of cable TV	87.1% of households
Possession of mobile telephone	93.4% of households
Possession of fixed telephone	96.6% of households
Possession of satellite TV system	0.4% of households
Mobile phone subscriptions	35.2 million
Internet users	21.4 million
% of population using the Internet	90.7%

Note: Figures are forecasts

Source: EUROMONITOR INTERNATIONAL, 2014. Technology, Communications and Media: Taiwan. *Euromonitor.com* [online]. 17 February 2014. [Accessed 11 March 2015]. Available from: <http://0-www.portal.euromonitor.com.millennium.itesm.mx/portal/analysis/tab>

Overall Highlights

Broadband penetration rate increasing due to fibre investments, lower tariffs, and competition in the market with estimated 35.0% increase in subscribers until 2030

One of the world's largest rate of penetration in cable TV at 83.7% with an impressive 96.2% penetration in domestic landlines in 2013

Large market exposure for mobile phones at about 130% penetration as well as with strong network coverage of 3G or 4G services of about 85.5% of mobile users in 2014

Source: EUROMONITOR INTERNATIONAL, 2014. Technology, Communications and Media: Taiwan. *Euromonitor.com* [online]. 17 February 2014. [Accessed 11 March 2015]. Available from: <http://0-www.portal.euromonitor.com.millennium.itesm.mx/portal/analysis/tab>

Conclusions from Telecommunication Report

Taiwan's population reached 23,359,928 inhabitants with a mixture of Taiwanese, Mainland Chinese, and indigenous ethnic populations in 2014. Similar to Hong Kong, Taiwan has one of the highest rates of cable TV penetration. Just under Hong Kong, Taiwan's rate figured to be 83.7% in 2013. Although there is a large portion of the population that can speak Taiwanese (Hokkien Chinese), the main language of TV is the official language as the five nationwide channels broadcast in Mandarin Chinese. However there are many TV programs in Taiwanese as well as an even smaller amount of programs in English and Hakka. When programs in foreign languages as broadcasted in Taiwan, the program usually remains in the original language with Mandarin Chinese subtitles. Taiwan broadcasts five free-to-air TV operators nationwide with around about 75 different network television providers. Unlike Taiwan's cable TV penetration, satellite connectivity was much lower. Nevertheless, thanks to Taiwan's broad cable TV penetration 83.7%, the low satellite TV rates do not necessarily mean that there is a problem in the TV market penetration. Furthermore, more families are investing in IPTV systems as well as the wireless market increases. The fixed-line telephone sector is quite large in comparison to the other Asia Pacific countries. In 2013, there were 6.3 million Internet subscribers in Taiwan after an 11.4% increase since 2008. Overall, the amount of Internet users equated to around 18.7 million making up of about 80% of the total population. In 2008, 85% of households listened to radio stations broadcasting both nationally and regional with a total of 170 radio stations. The most popular social media platforms in Taiwan include Facebook, Pixnet, Gigacircle, YouTube, and Xuite.