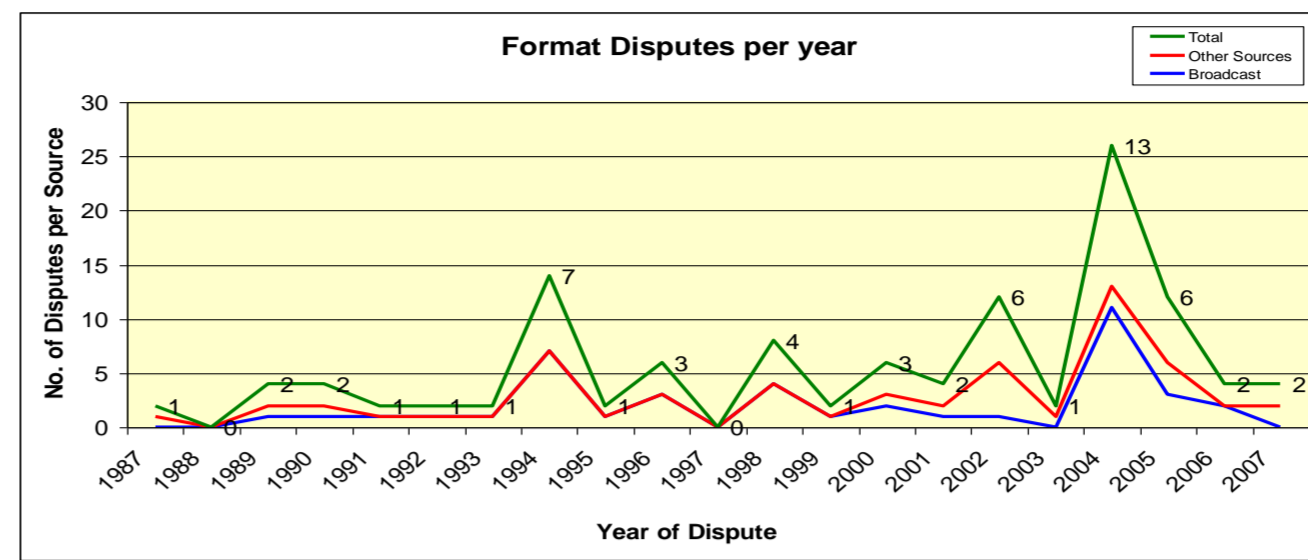


# Business Models for the Digital Economy

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## Exploitation & Protection of TV Format Rights



Idols, Who wants to be a millionaire, Strictly Come Dancing, Got Talent.

Formula (including idea and other components) to make a popular TV show and recreate localized versions (franchise) in multiple territories.

No copyright protection, copying (mainly of idea) is rampant - yet market worth more than € 9 bn a year!

Empirical observation: 2 spikes in format copying. May be attributed to technological shifts (multi-channel in mid 1990s i.e. clamour for content & internet early 2000s i.e. easy dissemination of ideas)?

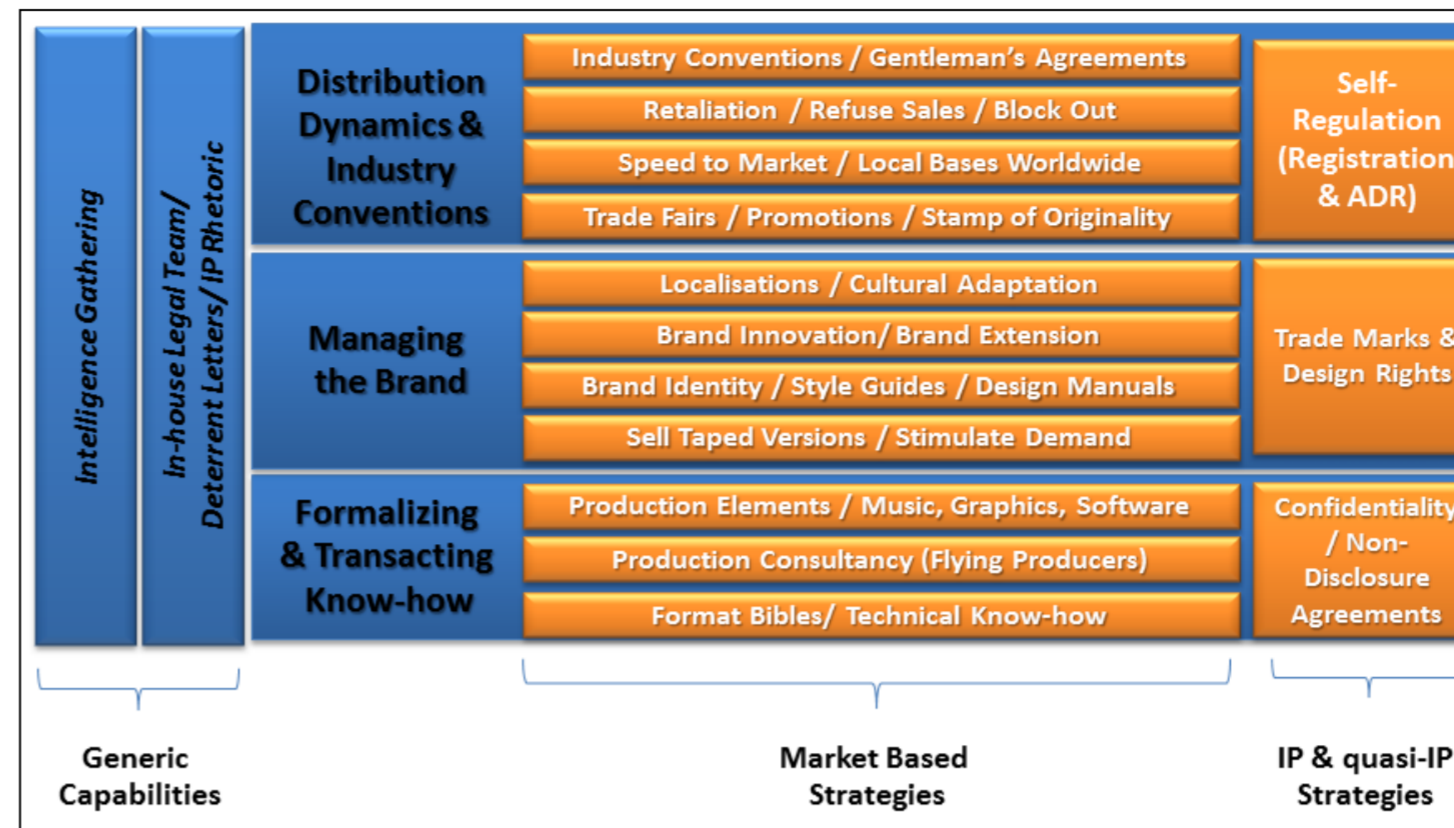
### BUSINESS MODEL: Complex/ Analogue

**CUSTOMER:** Final viewer doesn't pay; Broadcaster/ 'Local Production House' pays format originator. Deals take place in international trade shows.

**ENGAGEMENT:** Big deals are "Taxi" Project based (some off the shelf 'paper formats' are available for bus type scalability – not high profile).

**VALUE CHAIN LINKAGES:** Value delivered by i) Originator who creates winning formula including ideas, format bible, brand elements and ii) Local Producer who has localization expertise.

**MONETIZATION:** Advertiser pays Broadcaster; Broadcaster / buying producer pays originator fixed amount plus add-ons (production fee/ consultancy/etc.) per episode (usually per series a year). Higher profile formats attract better advertising.



## Niche Sports Broadcasting



### BUSINESS MODEL 2: Complex / Born Digital to Analogue

**CUSTOMER:** Final viewer doesn't pay; Commissioner (if present) pays; Producer's own site for broadcast. Rebroadcasting TV Station pays (on threat of cease and desist letters). Producer grants no exclusivity of content.

**ENGAGEMENT:** "Taxi" Project based (although has potential for "bus" type scalability if sought after content is provided by branded producer).

**VALUE CHAIN LINKAGES:** Value delivered by i) Producer who makes content and digital signal available + ii) Analogue Rebroadcaster. Risk mostly carried by Producer.

**MONETIZATION:** In digital mode: Advertiser pays producer/ commissioner. In analogue: Rebroadcaster pays Producer/ Commissioner. And Advertiser pays Rebroadcaster.

### BUSINESS MODEL 1: Simple/ Born Digital

**CUSTOMER:** Final viewer doesn't pay; Commissioner (i.e. league or rights holder) pays for production and broadcasting through own site.

**ENGAGEMENT:** "Taxi" Project based ("We provide online live streaming for sports organizations who cannot secure affordable television broadcast deals.")

**VALUE CHAIN LINKAGES:** All value delivered by producer with low risk (i.e. coverage mixed with commissioner's advertising and embedded online). Content may be pirated on other sites but since advertising is hard coded, commissioner doesn't mind as brand exposure is optimum.

**MONETIZATION:** Commissioner justifies budget through advertising on content. May wrap web advertising on site surrounding original content. Online pirates may wrap additional advertising around original content.



Piracy changes BM



In BM 2 (above), online piracy is less problematic. i) Commissioner's content is pre-hard coded with advertising providing optimum brand exposure. ii) Niche target market in less developed markets with low web penetration results in rebroadcast through analogue

TV stations who strip out or overlay hard coded advertising. Thus, no value to commissioner/ producer.



## China: Digital Publishing + Micropayments

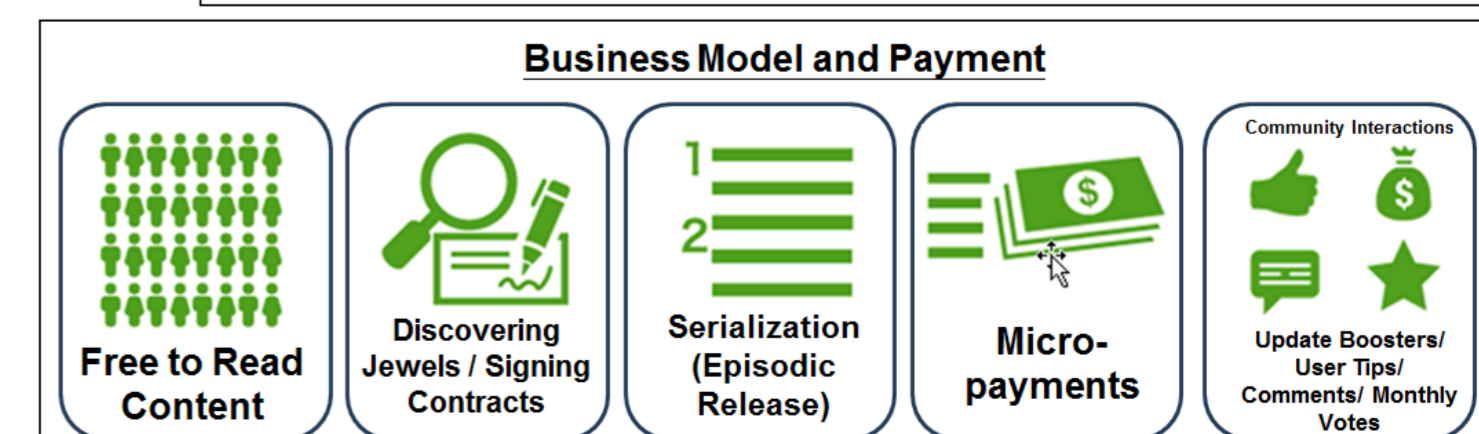
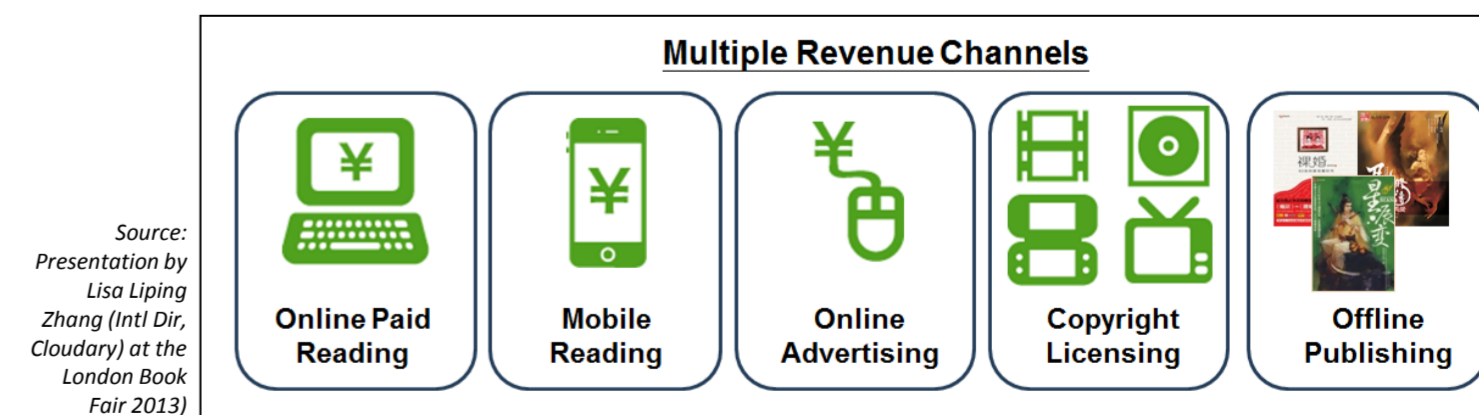
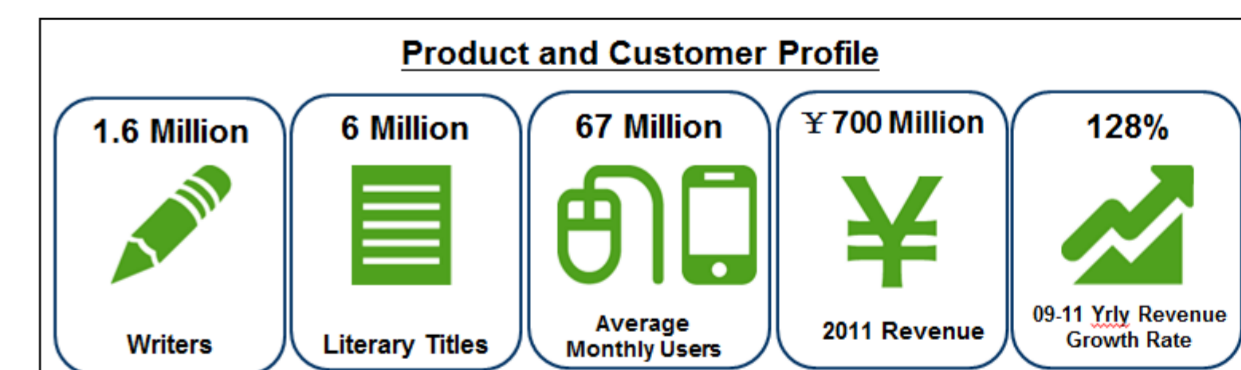
- 100 movies & TV series adapted (among 650 sold copyrighted works) in 2011.
- 4 in top 10 Chinese TV series adapted from online literature.
- \$110 M raised in 2013 privately via Goldman Sachs and Temasek Holdings
- Next what: US/ Western launch? Will it work?

Payment modes i) **Micro-payments** per 1000 characters per membership level to **unlock** additional episode, ii) **Monthly subscription** for access to subscribed books, iii) Complete e-book **purchase**.

Online literature majors [Cloudary, Hanvon, Chinese-all, Dangdang, 360buy, taobao, Suning, Amazon] Cloudary Corporation promoted **community driven platforms** have 70% market share; **Direct to reader publishing**; **Self publishing** taking the lead in Chinese digital publishing.

High reader segmentation through websites (e.g. **qidian.com** targets males with fantasy, sci-fi, martial arts; **hongxiu.com** targets females with rom-coms, self-help).

Growth in **cheap e-book & portable digital readers**; Market matured to **reading on small screen**.



### BUSINESS MODEL: Simple/ Born Digital

**CUSTOMER:** Free Basic Content; final customer (reader) pays for episodic serialized content; merchandising advertiser pays for targeted profile; publisher acts as direct marketplace between writer and reader.

**ENGAGEMENT:** "Bus" type / highly scalable (Portal editors discover high selling jewels and fleshes out market demand to invest in writers).

**VALUE CHAIN LINKAGES:** Low risk at all levels i) Value delivered to writer by access to paying market. ii) Value delivered to merchandiser for targeted ads (is content just the loss leader?) iii) Writer can access traditional copyright markets iv) Episodic content can be pirated but portal offers convenience through micro-payments & prepaid tie-ins with mobile data providers.

**MONETIZATION:** Online paid reading (direct), mobile reading through tie-ins, online advertising on site, copyright licensing, offline publishing.



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