

CLOSING CASE

MTV Networks: A Global Brand Goes Local

MTV Networks has become a symbol of globalization. Established in 1981, the United States-based TV network has been expanding outside of its North American base since 1987 when it opened MTV Europe. Now owned by media conglomerate Viacom, MTV Networks, which includes Nickelodeon and VH1, the music station for the aging baby boomers, generates more than \$2 billion in revenues outside the United States. Since 1987, MTV has become the most ubiquitous cable programmer in the world. By the late 2000s, the network reached some 450 million households, some 300 million of which were in 140 countries outside of the United States.

While the United States still leads in the number of households, the most rapid growth is elsewhere, particularly in Asia, where nearly two-thirds of the region's 3 billion people are younger than 35, the middle class is expanding quickly, and TV ownership is spreading rapidly. MTV Networks figures that every second of every day more than 2 million people are watching MTV around the world, the majority outside the United States.

Despite its international success, MTV's global expansion got off to a weak start. In 1987, when most of MTV's fare still consisted of music videos, it piped a single feed across Europe almost entirely composed of American programming with English-speaking hosts. Naively, the network's American managers thought Europeans would flock to the American programming. But while viewers in Europe shared a common interest in a handful of global superstars, who at the time included Madonna and Michael Jackson, their tastes turned out to be surprisingly local. What was popular in Germany might not be popular in Great Britain. Many staples of the American music scene left Europeans cold. MTV Networks suffered as a result. Soon local copycat stations were springing up in Europe that focused on the music scene in individual countries. They took viewers and advertisers away from MTV. As explained by Tom Freston, the former chairman of MTV Networks, "We were going for the most shallow layer of what united

viewers and brought them together. It didn't go over too well."

In 1995, MTV changed its strategy and broke Europe into regional feeds. There are approximately 25, including feeds for the United Kingdom and Ireland; another for Germany, Austria, and Switzerland; one for Italy; one for France; one for Spain; one for Holland; and one for Russia. The network adopted the same localization strategy elsewhere in the world. For example, in Asia it has 10 feeds: an English-Hindi channel for India; separate Mandarin feeds for China and Taiwan; a Korean feed for South Korea; a Bahasa-language feed for Indonesia; a Japanese feed for Japan; and so on. Digital and satellite technology have made the localization of programming cheaper and easier. MTV Networks can now beam a half-dozen feeds off one satellite transponder.

Although MTV Networks exercises creative control over these different feeds, and all the channels have the same familiar frenetic look and feel of MTV in the United States, a significant share of the programming and content is now local. When MTV opens a local station, it begins with expatriates from elsewhere in the world to do a "gene transfer" of company culture and operating principles. Once these are established, however, the network switches to local employees and the expatriates move on. The idea is to "get inside the heads" of the local population and produce programming that matches their tastes.

Although many of the programming ideas still originate in the United States, with staples such as *The Real World* having equivalents in different countries, an increasing share of programming is local in conception. In Italy, *MTV Kitchen* combines cooking with a music countdown. *Erotica* airs in Brazil and features a panel of youngsters discussing sex. The Indian channel produces 21 homegrown shows hosted by local veejays who speak "Hinglish," a city-bred breed of Hindi and English. Hit shows include *MTV Cricket in Control*, appropriate for a land where cricket is a national obsession; *MTV Housefull*, which hones in on Hindi film stars (India has

the biggest film industry outside of Hollywood); and MTV *Bakra*, which is modeled after *Candid Camera*.

This localization push reaped big benefits for MTV, allowing the network to capture viewers back from local imitators. In India, for example, ratings increased by more than 700% between 1996, when the localization push began, and 2000. In turn, localization helps MTV to capture more of those all-important advertising revenues, even from other multinationals such as Coca-Cola, whose own advertising budgets are often locally determined.⁴⁴

Case Discussion Questions

1. What strategy did MTV pursue when it initially started to expand internationally? What assumptions were managers at MTV making about foreign markets at the time?
2. Why strategy does MTV pursue today? What are the benefits of this strategy? What are the costs?
3. What must MTV do, in terms of its management and organization, to implement its current strategy?

