

PCCW expands OTT business to attract young users

1a) Demographic segmentation / by age (1 mark).

1b) Reasons why young people market is a suitable target market:

- More young people are used to watch TV through OIT devices.
- -There are not much media setting young people as their target audiences at this moment. Hence, the market competition is relatively small.
- -PCCW's Now TV and Viu TV have produced many TV programs for young audiences, which can assist the development of Now E.
- -Young people are willing to and have sufficient purchasing power to pay for the fee of OTT services.

(2 marks for each relevant reason, max. 4 marks)

2a) **Financing method for developing OTT business:**

Long-term financing (1 mark), because PCCW raises capital by issuing preferred shares (1 mark).

2b) THREE characteristics of the financing methods (Long-term financing)

- More costly
- Less flexible
- Lower risk

(1 mark for each relevant characteristic, max. 3 marks)

2c) **Formula of gearing ratio**

$$= \frac{\text{non-current liabilities} + \text{preference share capital}}{\text{non-current liabilities} + \text{shareholders' fund}} \times 100\% \quad (1 \text{ mark})$$

Rises (1 mark), because the preference share capital will increase after financing (1 mark).

(c)

Process of purchasing:

1. **Need recognition:** Mr. Chan loves watching football match. Hence, it will derive the demand for the program of World Cup matches.
2. **Information search:** Mr. Chan should find out how to purchase for Now E and search for the program guide and the arrangement of the World Cup programs.
3. **Evaluation of plan:** Mr. Chan can evaluate Now E's program arrangements and functions, so as to determine whether it can satisfy his needs.
4. **Purchase decision:** Mr. Chan should submit the application and choose the payment method.
5. **Post-purchase behaviour:** Mr. Chan should watch the World Cup program and assess whether the quality of screen and commentator can reach his expectations. If Mr. Chan feels satisfied, he will renew the services of Now E.

(2 marks for each relevant procedure, max. 10 marks)