



SPECIAL REPORT

**Audiovisual Overview of
Latin America**
Concentration and
technological renewal

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d+i LLORENTE & CUENCA

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1. INTRODUCTION

The audiovisual landscape is complex and rapidly evolving in Latin America, particularly in the almost decade and a half since the beginning of the 21st century. This profile is the result of technical, business and political changes occurring in the region.

This report will offer a portrait of television in the region highlighting the main features of the model and the challenges it will face in a future characterised by the following developments:

- **The growing process of concentration and globalisation**
- **The pervasive penetration of audiovisual media**
- **The increased intervention of the state via legislation and as a communication player through public channels**
- **The diversification of platforms for the future: broadcast television, pay and digital terrestrial television and the audience fragmentation they produce**

These four points underscore trends in the region, in line with those occurring worldwide, which involve the appearance of a number of mega-corporations that dominate and in some cases hegemonise the audiovisual market (**concentration**) in a sector that wields social influence, as more than 90% of the population has access to at least one television (**penetration**). Simultaneously, technological changes **have diversified supply and fragmented audiences**.

This situation has led to various governments —ranging from those aligned with the political centre-right such as that of Peña Nieto in Mexico and others involved in “21st century socialism” such as Rafael Correa and others with clear leftist populist leanings such as Cristina Kirchner— to try very different ways of exerting more control over mass media in general and audiovisual media in particular (**state intervention**).

“Public media have thus far failed to occupy a central position within the range of available media”

2. THE GROWING PROCESS OF CONCENTRATION AND GLOBALISATION

The structure of television in Latin America is determined by three distinct dynamics:

- High levels of concentration in the media sector.
- High level of centralisation of the sector. This process includes the production of content in main urban centres, thus relegating the interior areas of each country to the role of consumers of content produced by others.
- Television has developed historically in the region as an essentially commercial venture, and public media have thus far failed to occupy a central position within the range of available media.

Media concentration in Latin America (generally the top four stations account for 80% of audience and turnover) is not a recent phenomenon, but goes back to the very beginnings of television in Latin America. What is unprecedented is the degree of integration (horizontal, vertical and multimedia) and concentration of the current television industry: media owners are also owners of landline, mobile and data transmission companies. Their business is not limited to television but also includes radio and newspapers (traditional, free, popular and sport).

This process has been accompanied by the prevalence of **modern business structures** (less related to family interests than before) that have created **globalisation-inspired alliances with major transnational groups** which themselves become, in some cases, “multilatina” companies.

This **economic and geographical concentration** is linked to major urban centres, in most cases the capital of each country.

As stated by Professor Bernardo Diaz Nosty, Founder and first President of the Association for Research in Communication and Director of the UNESCO Chair in Communication at the University of Malaga, “technological convergence and contemporary corporate logic combine to promote media concentration. Digitized messages travel faster, farther and cost less than before. Companies that already have communication resources are better able (unlike, for example, new audiovisual production groups) to disseminate the content they produce.”

The trend has brought on **appearance of communication mega-groups** such as Televisa in Mexico, O Globo in Brazil, Cisneros in Venezuela and Clarín in Argentina.

“These groups, as noted by journalist and professor at the University of Seville (Spain) Mancinas Rosalba Chávez, are connected to financial and technological (telecommunications)

“This concentration does not exclude the more recent appearance of regional and community media that have driven the modest level of diversification that exists”

networks. In addition, they have been gradually merging (a dynamic which will continue in the future) and establish short-term alliances or agreements for specific actions and the purchase/sale of products.”

This concentration does not exclude the more recent appearance of regional and community media that have driven the modest level of diversification that exists. Although their range is smaller and their economic capacity limited, their influence could be key to mobilising local groups.

Concentration rates vary from country to country:

- Some television systems are highly concentrated around a **single operator** (such as Brazil’s Grupo Globo).
- There are also **duopolies** as in Mexico (Televisa and TV Azteca), Venezuela up to 2007 (Cisneros Group (Venevisión) and Grupo 1BC) and Colombia (Caracol and RCN).

Specifically, Mexico’s audiovisual structure is characterised by the historic “duopoly” of two major media groups: Televisa, owned by the Azcárraga family, and TV Azteca, in hands of the Salinas family. The channels from these two large corporations account for nearly 97% of viewers across the country, giving them major media, economic and political power.

In Colombia, the audiovisual sector is also characterized by the duopoly of two major media groups with a high level of concentration: Grupo Santo Domingo (Caracol) and Ardila Lülle (RCN). Both groups have alliances with international conglomerates and own broadcast and cable television stations as well as production, publishing, radio, newspaper, internet etc. According to the IBOPE audience measurement company, both national private channels account for more than 50% of audience share in Colombia (RCN with 26.9% and Caracol with 25.2%), while no public channel has more than 1%.

- In most countries in the rest of the region, three or four channels are particularly predominant. The level of concentration in the audiovisual sector in Peru is very high because just **three private national television stations** command 50% of the total television audience. According to IBOPE data, the share of América Televisión is 21.3% (Grupo Plural TV, controlled by Grupo El Comercio), while ATV (ATV Group, controlled by the Mexican-American Ángel González) holds 13.3% and Frecuencia Latina (managed by Baruch Ivcher) accounts for 13.2%.

In Argentina, four stations (Cana 11, Telefé, Canal 13, Canal 9 and Canal 2) account for more than 90% of the audience. However, just **three business groups** —Grupo

“If anything unites all social classes in Latin America it is that there is at least one television set in every household”

Clarín, Telefónica and Grupo ONE— control nearly 50% of all broadcast stations. In Bolivia, four channels (UNITEL, Red Uno, ATB and Bolivisión) have held 90% of the audience since the 1990s, but in the last five years a new player, the PAT network, has joined the fray.

Unlike these countries, Ecuador’s communication sector has a structure in which the state is one of the largest media hubs due to the seizure of large companies carried out in 2008 from groups of ex-bankers as in the case of the Isaias brothers. Thus the state is currently managing more than 20 media outlets, in addition to being an internet and cable television provider. Meanwhile, the space for business groups that manage private media is shrinking. Under the constitution, the Eljuri and Egas groups had to sell their media companies because they hold shares in or own financial firms outright. And now, there are only a few families running media organisations: groups such as Vivanco, Martínez, Alvarado, Mantilla, etc.

3. THE POWERFUL SOCIAL PENETRATION OF AUDIOVISUAL MEDIA

Despite the social differences and gaps in many sectors, if anything unites all social classes in Latin America it is that there is at least one television set in every household.

In fact, the penetration of broadcast television is extremely high throughout the region: nearly 100% in Argentina.

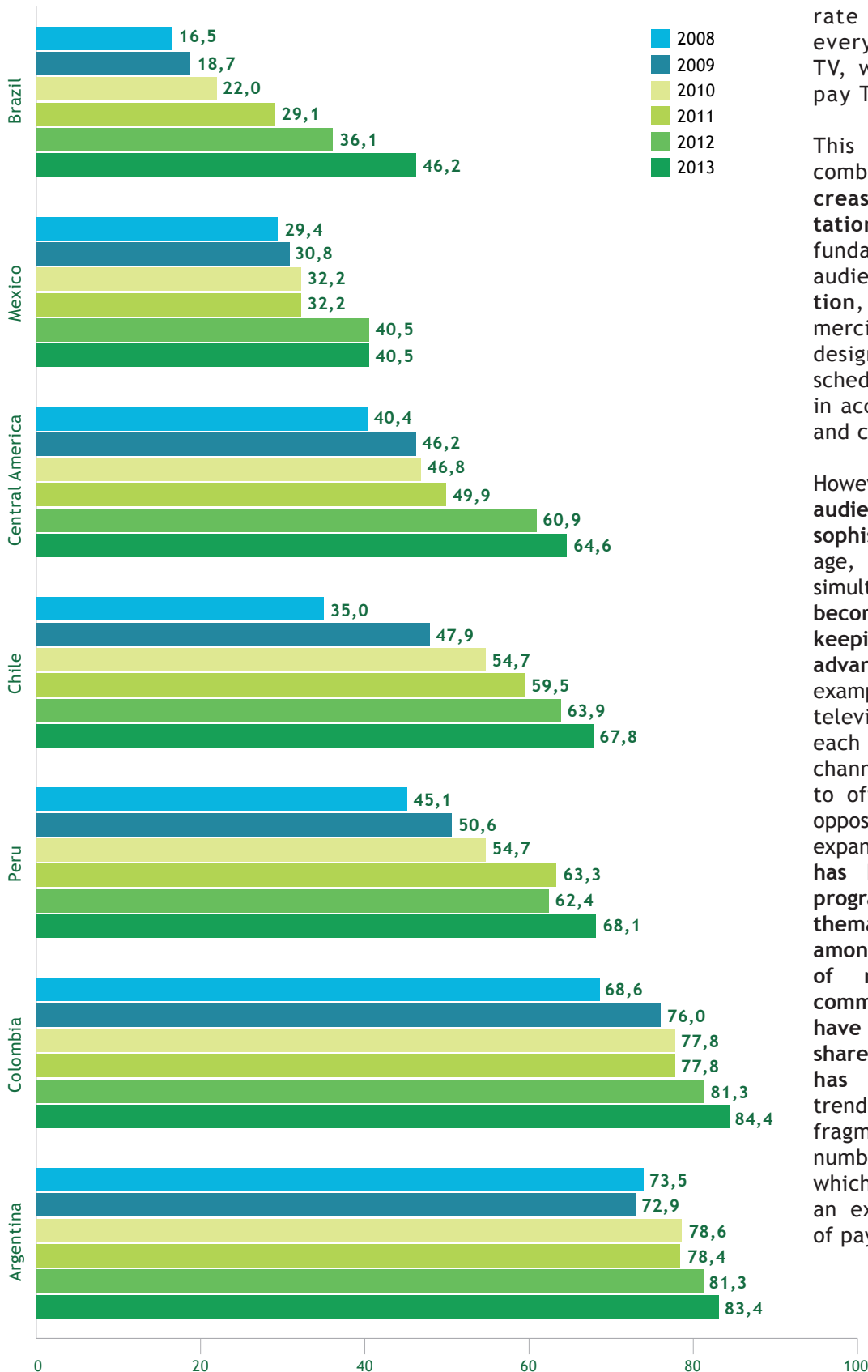
In Brazil, TV is also the medium of communication par excellence, as it has had the highest penetration rate in the region since the 1990s. Hence, Brazil is the largest Latin American broadcast commercial television market, with coverage of 98% of households that represent a potential audience of 175 million people.

Television is also the most consumed media by the 120 million people in Mexico, where 98% of households receive broadcast TV and just over 32% pay TV. The same situation exists in Colombia, where TV is the most consumed media by the country’s 47 million inhabitants, and its penetration rate is 94.4%.

Similarly, television in Peru is the country’s most widespread information technology and communication medium. It is the gateway to information, entertainment and opinion for most of the country’s nearly 30 million people. 99% of households have a television at home, and about 30% have access to pay TV. In Venezuela, the rate of household penetration is 95%.

Even in countries with lower penetration rates, the figure remains high. This is the case of Ecuador, where the

“PAY TV” PENETRATION - TOTAL INDIVIDUALS BY COUNTRY (%)



rate exceeds 90%. Almost everyone receives broadcast TV, while the penetration of pay TV is 14.5%.

This significant penetration combines with the current increase in audience fragmentation. Until the 1990s the fundamental characteristic of audiences was their segmentation, which resulted in all commercial stations developing and designing their programming schedules for audience segments in accordance with their habits and consumer availability.

However, since the 1990s, audiences have become more sophisticated depending on age, sex, social status and, simultaneously, the offer has become more diversified in keeping with technological advances (to give just one example, in Bolivia new digital television legislation will allow each frequency to carry 3 channels, making it possible to offer 66 digital channels as opposed to the current 22). The expansion of the pay TV system has broadened the offer of programming and promoted thematic specialisation amongst channels. The process of migration of broadcast commercial channels, which have lost significant audience share, towards pay TV channels has been accentuated. This trend has accentuated audience fragmentation, from a very small number of broadcast channels, which had been hegemonic, to an extremely diversified range of pay channels.

“The flood of new channels and increasingly easier and cheaper access results in a fragmentation of the viewing audience”

This fragmentation affects ratings. In Argentina, audience share for pay TV stood at 50% of the population during the first quarter of 2013, a record in terms of consumption of this medium. In Chile, audience share for pay TV has grown in the last five years from 40% in 2008 to 45% in 2013. In Colombia audience share for pay TV set a new record in April 2013 with a percentage of 43.5.

This reality, which is already present in these Latin American countries, is nascent but significant in others such as Mexico where Televisa is still has the largest audience share but has been losing ground. Televisa has 43.4% audience share, followed by pay TV with 27.4% while TV Azteca has been relegated to third place with 19.5% market share.

Fragmentation is making its way to Mexico through pay TV, which has increased its TV audience share by 53% in the last three years: according to the annual study conducted by Nielsen-IBOPE, pay TV outlets (about 90 channels) exceeded the audience for TV Azteca, the second largest broadcast network in Mexico.

This same phenomenon is taking place in a bigger way in Brazil. In 1993, the O Globo network had a 56-59% audience share; it now reaches only 37% of the population.

The flood of new channels and increasingly easier and cheaper access results in a **fragmentation of the viewing audience, which is becoming less concentrated and more divided, making it difficult to achieve double-digit ratings.**

These data are confirmed by audience ratings in countries such as Argentina, where **Telefe** arrived in 2012 with 11.2% share, 1.7% higher than its main competitor, Canal 13, which had 9.5%. These figures from **Telefe** were due to the great success of the series “**Graduados**” and “**Dulce amor**”. The third ranked station was Channel 9, with 4.7%. **América** was fourth with 4.3%, while **Canal 7** achieved an average of 2.7%.

The phenomenon of fragmentation occurs in both Chile and Argentina, where audiences and TV ratings barely reach double digits. **Channel 13 was the highest rated channel in 2012, with an average rating of 8.9%** because of hits such as the TV series “**Soltera otra vez**” and the reality show “**Mundos opuestos**”. Behind them came **TVN with 7.7%**, followed by **Chilevisión at 7.1%** in third place and **Mega** in fourth at **6.6%**.

In Peru, the fight for audience share is embodied in the competition between América, ATV, Frecuencia Latina and Panamericana, while in Colombia IBOPE reports that Caracol

“Sport in general and football in particular is one of the star products in the region”

exceeded RCN in audience share in 2012, a feat it had only managed accomplish twice since 1998. Caracol Televisión has fallen from 36% to 28%, while RCN remains at 27% after peaking at 35% in 2006. Caracol TV based its success in 2012 on productions such as “Escobar”, “El Patrón del Mal”, “Rafael Orozco”, “El Ídolo” and the reality show “La Voz Colombia”. In Brazil, TV Globo occupied the first ten places in the rankings thanks in part to its 9:00 p.m. telenovela “Avenida Brazil”, which achieved an average rating of 19.5%, followed by the newscast Jornal Nacional (14.5%) and Big Brother Brasil (13.5%).

According to a study by AGB Nielsen, **the ten most watched programs on Venezuelan television in 2012** were broadcast by Venevisión (Grupo Cisneros), with a 46% national share. The channel Televen (Televisión de Venezuela) posted a 31% share, behind Venevisión, while VTV achieved 11% and Globovisión 8%. In Mexico, the predominance of Televisa has remained relatively unaffected by TV Azteca: as stated before, Televisa has a 43.4% audience share, followed by pay TV with 27.4%. TV Azteca has been relegated to third with 19.5% market share.

As for audience tastes it should be noted that the most watched and the most popular shows continue to be those that have traditionally been broadcast:

- **Football:** sport in general and football in particular is one of the star products in the region because only

telenovelas have the ability to top football matches from the national and international leagues (the Spanish and English leagues and Europe’s Champions League), regional tournaments such as the Copa Libertadores and supranational tournaments such as the World Cup, the Confederations Cup, Eurocopa and the Copa América.

Thus, for example, in Chile, the two most-watched broadcasts in the first quarter of 2013 were the Peru-Chile match on 22 March, which headed the list at 41.8%, followed by the 41.5% share from the match between Chile and Uruguay on 26 March.

Football has become a television business, and income from TV rights for the major leagues in Latin America rose by 56% in 2012, exceeding USD \$1 billion. According to a report by the consultancy Dataxis, television rights to football matches in first division leagues in Argentina, Brazil, Chile, Colombia, Mexico and Peru generated USD \$1.07 billion. Four countries —Brazil, Argentina, Chile and Mexico— accounted for over 90% of the figure for 2012 and rights to the Brazilian championship match were valued at USD \$610 million in 2012, almost 57% of the total.

Sport broadcasts are more than a business for football clubs and broadcasters: they are also a political weapon.

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In Argentina, Cristina Kirchner’s government acquired from the Clarín Group, with which it had had a stand-off since 2008, broadcasting rights for the local league and created “Fútbol para Todos” (Football for All) to provide broadcasts of Argentina’s league matches. Providing what until then had been available via pay TV through the state programme Fútbol para Todos was considered to be a move with clear populist overtones. In Ecuador the situation is similar: the three largest state channels (TC Televisión, Gama Tv and Ecuador TV) took over the rights to broadcast the National Football championship.

In Mexico, the fight is between private parties: a “war” for football being waged between Carlos Slim, Televisa and TV Azteca. It should be remembered that América Móvil (owned by Slim) has interests in clubs such as León, Pachuca and Estudiantes Tecos, while Televisa owns América and TV Azteca owns Morelia and Jaguares.

- **“Telenovelas”** (soap opera) are a regional phenomenon that have little to do with the well-know cheap melodrama. They offer higher production value, more professional mise-en-scène and well-written scripts performed by highly qualified actors.

They also embody a genuine television culture that transmits values and in many cases

has educational objectives and influence. According to a study by the Brazilian Society for Interdisciplinary Studies in Communication, “the telenovela became, throughout its history, not only the most profitable product for the Brazilian audiovisual industry, but also the most culturally significant format after the Brazilians began to see themselves reflected in them, sharing common points of reference”.

At this time, in 2013, the broadcast of telenovelas is the only programming besides football in each country capable of reaching and exceeding a 30% audience share. The most striking cases are “Amores verdaderos” on Televisa and “Los Rey” on Mexico’s Azteca, “Solamente vos” on Canal 13 in Argentina, “Soltera otra vez” on Canal 13 in Chile, “Avenida Brasil” on O Globo, “La reina de las carretillas” and “Solamente milagros” on América Televisión in Perú, “Tres caínes” on RCN Colombia and “Válgame Dios” on Grupo Cisneros in Venezuela.

We must take into account the fact that Avenida Brasil, the Brazilian telenovela that follows Jornal Nacional, broke audience records in Brazil and surpassed the match between Argentina’s Corinthians and Boca Juniors, South America’s biggest two teams, with a figure of 49%, one percentage point higher than the match.

“The 1990s were characterised by increasing liberalisation, deregulation and opening up of the economy in general and in the audiovisual business in particular”

- After football and telenovelas, the most watched programmes are **reality shows, game shows and talk shows**. These include the “El Programa de Susana Giménez” on Telefe in Argentina, reality shows such as “Combate” in Ecuador and “Desafío África” on Caracol in Colombia.

There are exceptions to the dominance of football and soap operas. “Periodismo para todos”, on Canal 13 in Buenos Aires, is an investigative journalism programme hosted by Jorge Lanata that has topped football in terms of viewership.

“The hegemony of telenovelas, reality shows and series in primetime network TV may be affected by the fragmentation of the audience resulting from the availability of new content, but these three genres could be reinforced through a multiplication of the number of ‘clone’ offers on future channels as the result of a conservative view of the television business,” says Daniel Condeminas, a communication consultant and professor at the University of Barcelona.

4. THE RISE OF STATE INTERVENTION

The 1990s were characterised by increasing liberalisation, deregulation and opening up of the economy in general and in the audiovisual business in particular. This process facilitated

the media diversification, internationalisation and globalisation that did away with the old “home grown” aspects of these companies which had been linked to large families without external influences.

Indeed, as noted by William Mastrini (Argentine professor at the University of Buenos Aires, specialised in media concentration), one of the “essential features of Latin American media, from its appearance and up to the 1980s, is that its ownership and management was in the hands of family business groups, which were gradually expanded and gave rise to the giant conglomerates that control and concentrate ownership of the media in the region. This still occurs today, in spite of a dynamic marked by globalisation and international business alliances. These powerful family businesses grew in the shadow of political power in a relationship that benefited both parties”.

Currently two regional and political trends can be observed in regards to relations between the state and the media:

Growing state intervention

In the last five years, several governments in the region have made changes to their mass media policies. The degree of state regulation of ownership concentration levels has been stepped up.

In Venezuela, the audiovisual industry had traditionally been dominated by two major private media groups, Grupo Cisneros

“The degree of state regulation of ownership concentration levels has been stepped up”

(Venevisión) and Group 1BC, also called Grupo Phelps (RCTV-Radio Caracas de Televisión). This structure changed as the Chavez government became more powerful between 2002 and 2004 and new state-owned channels appeared (Vive and Telesur). Moreover, this structure was clearly modified in 2007 with the non-renewal of RCTV’s license and the replacement of Tves with a public station. The May 2013 sale of Globovisión, owned by the Zuloaga family for years and the only TV outlet open to the opposition, has led to uncertainty regarding its new editorial position which is now assumed to be close to the government.

In addition to the case of Venezuela, in 2008 the Ecuadorian government seized the country’s media, including two major TV channels, Gama Tv and TC Televisión, from Grupo Isaías. Additionally, it has created some public media outlets such as Ecuador TV and the newspapers El Ciudadano and PP El Verdadero. Added to this is the recent passage of the Communications Act, which mandates the distribution of 100% of the airwaves equally amongst public, private and community media.

In Argentina, Act 26.522 on Audiovisual Communication Services was enacted in 2009. It establishes guidelines governing the operation of radio and television media and creates government regulatory body, the Federal Authority of Audiovisual Communication Services. It also

seeks to limit the expansion of Grupo Clarín as it limits the number of cable channels as well as corporate concentration practices.

These governments seek to advance two objectives through these measures:

- **To create new regulatory frameworks.**

Governments in the region are in a dynamic process of making significant changes to legislation in the field of communication, as did Argentina in 2009 and Ecuador in 2013.

In that vein, the National Assembly of Ecuador recently approved by a large majority a controversial measure that regulates the media and that has been described by the opposition as a kind of “gagging” order. The regulation establishes, amongst other things, a new distribution of frequencies that substantially reduces space for the private sector. However, the aspect that the media have most complained about is the creation of two bodies: the Superintendency of Information and Communication and the Media Regulation Council.

The former is responsible for “supervision, auditing, control and intervention” and may apply economic and administrative sanctions to media organisations. Meanwhile, the Media Council will have authority in various

“In other countries, the state has been transformed in the last five years into a media player that creates its own channels”

areas such as the allocation of frequencies. The law also includes the concept of “media lynching”, produced by the repeated publication of information in order to “discredit or reduce” the public credibility of individuals or legal entities.

- **To provide governments with sufficient mechanisms to act as significant communication operators.**

There is no single model of public television in Latin America. Cuba’s public television holds a monopoly position typical of a totalitarian state, and public media in Venezuela are highly politicised in favour of the government. In Mexico, national public stations aim to produce unique cultural content, while in Colombia regional stations (eight in total) offer extensive public interest programming.

Moreover, in other countries, the state has been transformed in the last five years into a media player that creates its own channels that have become not only spokespersons for public policy but also private media competitors. These new state media, in the cases of Argentina, Bolivia, Ecuador and Venezuela, seek openly to compete with private groups for audience share.

Venezuela and Ecuador are two prime examples. Until 2004, Venezolana de Televisión (VTV) was the only public television operator. Now, in 2013, there are seven: besides Venezolana de Televisión, there are TVES, Vive, ANTV, Ávila TV and Telesur, the latter with two channels.

This emphasis on public television (for example, in 2007 the Rafael Correa government in Ecuador created the public television station Ecuador Tv) representing a historical dynamic change from a situation of underdeveloped public television in a market where private and commercial channels are predominant. It is worth noting in the case of Ecuador that competition between public and private channels is unlikely because the state media are funded by the state treasury, i.e. they do not compete for advertising because they do not need the income.

A different phenomenon is taking place in Mexico. There are traditional federal stations such as Canal 11, Canal 22 and TV UNAM, some of which offer good quality and excellent programming content such as Once, which has received international awards. In addition to these stations, there are also those linked to local state and

“Given the trend of ‘21st century socialism’, or leftist populist governments seeking more interventionist roles in mass media, a liberal’ alternative is offered”

municipal governments such as Canal 13 in Yucatan and Telemax in Sonora.

The 1980s saw the creation by state and local governments of other regional television systems. Until 2003 there had been 27 state media systems that were founded to provide a platform to showcase regional culture. Now, as noted by Raúl Trejo Delabarre, researcher at the UNAM Institute for Social Research (Mexico), “28 of the 32 states have television outlets that are run by local governments. There are a total of 253 frequencies. However, many of them broadcast at low wattage and do not entirely cover the entirety of the states in which they operate. In contrast, private broadcasters often have broader reach. For example, in Oaxaca, one of the country’s poorest states, the local government TV has 52 channels. In Huajuapán de León, Oaxaca, the state transmitter broadcasts at 700 watts while Televisa’s transmitter does so at 36,000 watts”.

Commitment to liberalisation and openness

Given the trend of “21st century socialism”, or leftist populist governments seeking more interventionist roles in mass media, a “liberal” alternative is offered for which Mexico offers a clear example in the government of Enrique Peña Nieto.

The bill put before Congress and agreed with the opposition as part of the Pact for Mexico, which he approved as the President of the Mexico with the aim of modernising the

fundamental structures of the country, is a genuine milestone in the field of Mexican television and telephony.

The reform seeks, for the first time, to liberalise the sector so as to improve services, lower prices and increase competition in the telephone and television markets dominated by América Móvil, owned by Carlos Slim, and Televisa, owned by businessman Emilio Azcárraga. We thus face the possibility of substantial changes within the Mexican television market, dominated until now by the strong Televisa-TV Azteca duopoly.

The key focus of the reform is the creation of two new national television stations by awarding frequency bands that Televisa cannot apply for. Up to a 49% share of TV networks may be under the ownership of foreigners. Producers are also required to offer their programs to all cable TV companies, while forcing companies to broadcast cable TV from all producers. It represents a new opportunity for the Mexican population, which for the first time in history is able to witness the democratisation of Mexican audiovisual media.

5. THE FUTURE: BROADCAST, PAY AND DTT TELEVISION

The short-term future of television in the region is clearly linked to technological innovations. **Pay television, in line with such technical changes and socioeconomic progress (the**

“The dramatic growth of pay TV has been accompanied by new broadcast TV licenses”

emergence of a middle class with consumption capacity), is gaining importance at the expense of general broadcast television. Yet at the same time it faces a challenge, that DTT may jeopardize its “reign” especially since the “digital switchover” will take place over this decade.

Broadcast and pay TV

At present there is a dual dynamic in the region: the dramatic growth of pay TV has been accompanied by the awarding of new broadcast TV licenses.

The Argentine government thus expects to issue 90 - 300 new broadcast TV licenses. In Mexico the Governing Council of the Pact for Mexico has agreed to create two new broadcast TV stations and a third channel to be operated by the state.

In Colombia, after the tender process for a third private broadcast TV channel failed in 2012, led by Grupo Planeta, in 2013 the tendering process may start for a third and maybe even a fourth private channel with national coverage.

In parallel fashion, Cable TV is undergoing spectacular growth in Latin America and accounts for about USD \$1.5 billion in turnover million per annum. The overall average penetration in the region is around 55%, having increased steadily from 36% over the last five years (2008-2013). In markets where pay TV has more penetration and it is more established and habitual in

households, such as Argentina and Colombia, penetration growth was around 15%. In countries such as Brazil, Chile and Mexico penetration growth between 2008 and 2012 was 118% in Brazil, 83% in Chile and 38% in Mexico, according to data from the Latin American Multichannel Advertising Council (LAMAC).

There are also huge growth prospects, particularly in the Brazilian and Mexican markets, which in gross terms have the highest subscription rates, although in relative terms they are surpassed by other countries in the region.

The main reason for this growth is that these two countries have both the largest populations in the region as well as a growing middle class. Between 2000 and 2010, middle class households and individuals went from comprising 38.4% to 42.4% of Mexico’s population, according to the National Institute of Statistics and Geography (INEGI). In Brazil some 39.5 million Brazilians entered the middle class between 2003 and 2011, according to a study by the Getulio Vargas Foundation (FGV). A middle class with greater consumption capacity can devote more resources to recreation and leisure activities where television plays an important role.

These countries also become the main area for development as TV companies can count on political (legal security in Mexico and Brazil) and social (growing middle class, some of it not vulnerable) scenarios that foster stable growth.

“We expect to see an explosion in Mexico and Brazil in the coming years”

“In those countries penetration growth has surpassed historical records. In the case of Mexico penetration in the period from 2007 to 2012 increased from 29% to 41%. Brazil, according to figures reported by IBOPE for eight cities, pay TV penetration in 2012 was 36.1%, which translates into an increase of 143% since 2007,” said Gary McBride, president and CEO of the Latin American Multichannel Advertising Council.

According to McBride, “We expect to see an explosion in Mexico and Brazil in the coming years, and that will contribute to the consolidation of our business in these countries. Looking at growth, we see a common phenomenon: the fastest growing penetration rates are in the middle and lower socio-economic categories”.

Colombia, another country with a growing urban middle class, has become the Latin American country with the highest level of pay television penetration with a presence in eight out of 10 Colombian households, according to the Latin American Multichannel Advertising Council (LAMAC). Pay television in Colombia grew by 23% in the last five years, reaching 84.4% of Colombians.

LAMAC data show Argentina in second place, having led the region up to 2012, with 83% penetration of households. Third is Chile with 60%, which between 2012 and 2013 grew by 40%. Next come Peru (53%) and Venezuela (50%), followed by Mexico (44%) and Brazil (40%).

Other markets are less powerful, but are also experiencing significant growth.

This is the case of Ecuador, where the market for pay TV reached 650,870 subscribers on 31 January, 29.9% more than the 500,893 subscribers registered on the last day of 2012. Something similar is happening in Uruguay, where Pay TV subscribers are increasing by about 10% per year.

This growing trend of pay television can be explained by several factors:

- **Competition amongst cable operators**, which has enabled a “process of massification” with new offers and more affordable payment options.
- **Social and economic improvement of the region**, embodied by a new emerging middle class with increased consumption capacity.

The industry itself admits that 2012 was very positive in terms of distribution owing to three factors: the growth of the “C class” in Brazil, the consolidation of mature markets such as Argentina and the strong performance of markets in Colombia, Peru and Chile. For all these reasons, the region stands as one of the most attractive markets for the development of pay TV.

The future of pay TV

In the last five years, pay television has not only consolidated its position in Latin America but has made a qualitative leap. For the first time in history, more than

half of the region's households reported having pay TV in 2012, as shown below.

In the medium term, pay television will be characterised by two features: **impressive growth and increased concentration.**

- **Impressive growth**

Television will experience some interesting changes in the next five years. Digital Terrestrial Television and the advent of internet TV will diversify supply and require pay TV operators to redefine their business models.

Although the television offer will undergo gradual changes, it seems that pay TV will remain viable and even grow. This notion is corroborated by the market intelligence consulting company Dataxis, which specialises in Latin America.

Over the next few years, pay TV will undergo consolidation throughout Latin America, where the vast majority of countries will achieve penetration rates above 70%. According to the analysis by Dataxis, the seven most significant pay TV markets in Latin America will have more than 67 million customers in 2016.

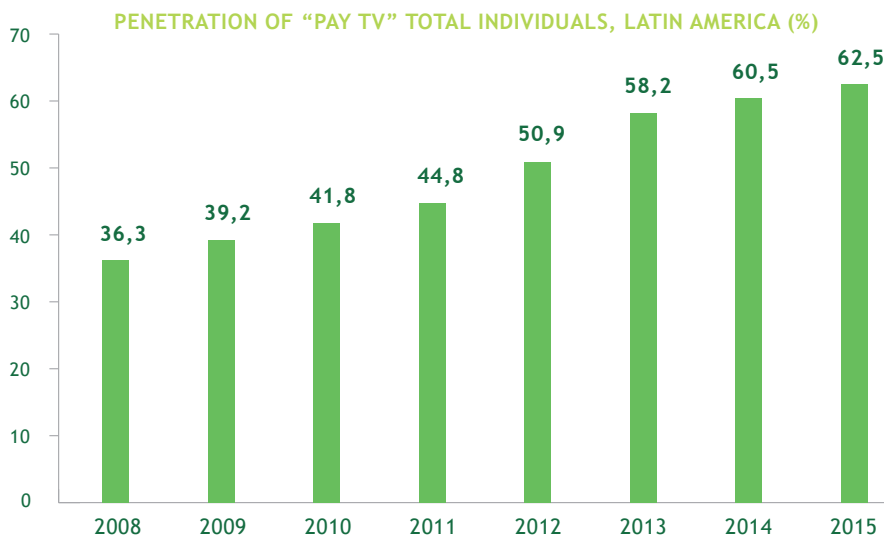
This Dataxis study indicates that by 2016 Brazil, Mexico and Colombia will be the leading countries in the medium term. They, along with Argentina, will constitute the four largest pay TV markets by customer volume with close to 90% of all subscribers.

- **Increased concentration**

Dataxis also notes substantial business concentration between 2006 and 2010. The top 10 pay TV groups in the region accounted for 73.7% of subscribers in 2010, 10.5% higher than in 2006.

The two groups with the highest rates of growth in that period were DirecTV and América Móvil, who were first and second respectively.

DirecTV has been the leader in this segment since 2007, supported by its main markets: Argentina, Brazil, Colombia, Venezuela, Chile and Peru. However, Mexican tycoon Carlos Slim has become the leading pay TV provider in Latin America,



Source: Data released by IBOPE in the Establishment Survey. Data for 2013, 2014 and 2015 are estimates by LAMAC.

“Over the next few years, pay TV will undergo consolidation throughout Latin America”

and with services such as “triple-play” took a leading position in countries such as Chile, Ecuador and Peru in 2010, Argentina and Mexico being exceptions. The Mexican group América Móvil, has surpassed the American holding company DirecTV as the leading provider of subscription television services.

6. CONCLUSIONS

The coming years will witness major changes in the Latin American audiovisual landscape. These changes will occur in two ways that may seem contradictory even through they share parallel characteristics.

On one hand, the process of concentration will intensify because large mega-corporations have long since followed this trend

and powerful communicational groups that hegemonise the market for broadcast and pay TV have appeared in the region.

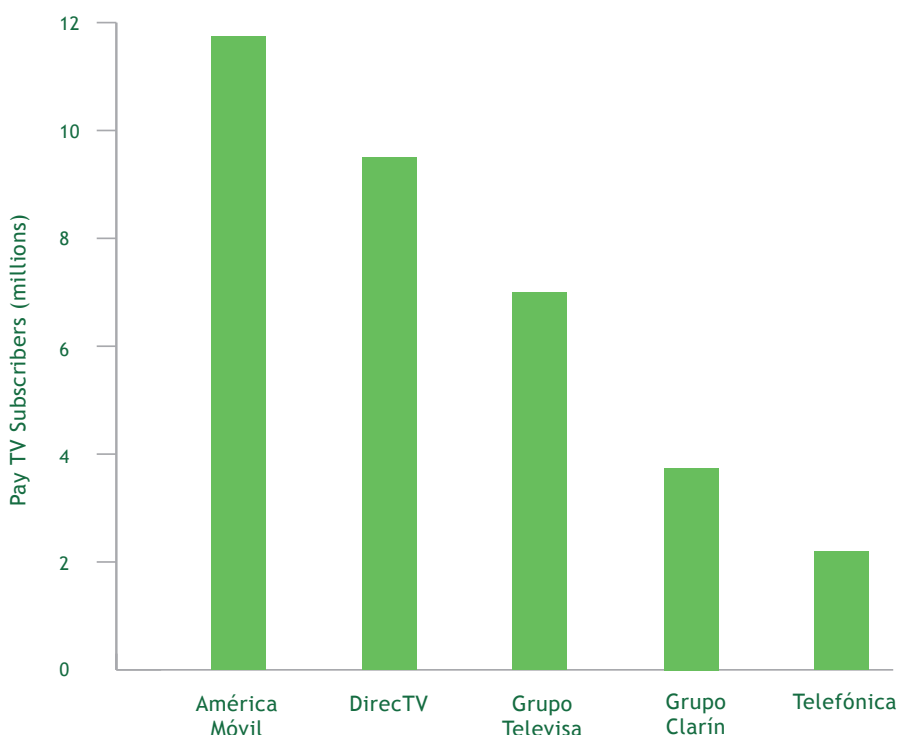
Furthermore, technological advances in communication will further increase the diversification and fragmentation of audiences due to access to information via pay TV, internet television channels, local community channels and those operated by ethnic and social minorities.

Specifically, two “revolutionary changes” in the audiovisual field will prove significant in the medium term: the “digital switchover” (and the subsequent introduction of DTT) and the rolling out of “multi-play” technology.

The main challenge for Latin America will be the “digital switchover”, which is already underway, even though Latin America is running somewhat behind Europe and the United States in this regard. At present, in 2013, only one city in the region, Tijuana in Mexico, has ceased all analogue broadcasting (May 2013). At the end of 2012 more than 12 million homes in Latin America had access to DTT, i.e. almost 10% of households with television in Argentina, Brazil, Chile, Colombia, Mexico, Peru and Venezuela.

According to a study published by Dataxis, in 2016 “more people in Latin America will watch DTT than analogue TV. In addition, the study predicts that by 2017 DTT will be the main television reception platform

TOP 5 LATIN AMERICA PAY TV - TV OPERATORS, H1 2012



“The main challenge for Latin America will be the ‘digital switchover’”

for households that are not subscribed to a pay platform in Brazil, Argentina and Venezuela. Among the countries that will record the highest number of households with access to DTT in late 2017, Brazil was first with about 65% of the total for Latin America. Mexico, with 10.3% of households, will be in second position while Argentina will be positioned as the third largest market with 8%.”

Mexico’s analogue transmissions must end no later than 31 December 2015, the same date set for Uruguay and the Dominican Republic. Brazil, Paraguay and Colombia will do the same in 2016, while 2017 will be the year for Costa Rica, Panama and Chile; El Salvador and Ecuador will do so in 2018, while in Argentina and Colombia it will come in 2019; Peru, Bolivia and Venezuela will make the definitive switch in 2020, Honduras in 2021 and Peru in 2014.

DTT will be a qualitative and quantitative change not only for television, but also for radio and other communication systems:

- Analogue TV represents an inefficient use of the spectrum as it saturates the number of channels available in a country. With DTT, a smaller amount of the spectrum being used makes it possible for more channels to exist.
- Digital signals make higher quality audio and HD video possible.

In the field of DTT, Latin America has again demonstrated its characteristic **heterogeneity by opting for three alternatives as opposed to a single homogeneous DTT system.**

Japan’s Integrated Services Digital Broadcasting standard (ISDB) was adopted by the Brazilian government in 2006, a move which prompted other Mercosur countries (Argentina, Paraguay and Uruguay) to follow suit, ruling out the European (DVB) and American (ATSC) standards that were adopted primarily by countries most closely linked to the US (Mexico, Central America, except Guatemala and Nicaragua, and the Caribbean).

This heterogeneity, beyond illustrating Latin American peculiarities, will result in serious problems when future attempts are made to make use of communication synergies in the region and promote cultural, educational and television integration due to the lack of compatibility between systems. This situation will promote isolation between countries and between the region’s two largest geographical areas (North and South America).

The other challenge for Latin America will be the “triple-play”, which will involve changing the concept of media in general and television in particular (the provision of bundled voice, internet, television, fixed and mobile phone services as well as “Wi-Fi” wireless connectivity).

The logic is that Latin America is going through the same process as Europe, where home triple-play has peaked and expanded into the field of mobile telephony through the creation of content targeted to that medium. Internet Protocol television (IPTV) has the capability of offering video and multichannel television content, with image quality similar to that of DVDs.

In the medium term, the world of television in Latin America will experience a profound transformation: the development and competition between digital, satellite and multi-play TV which will diversify the media through which one can view television content (triple-play with Pay TV, telephone and internet

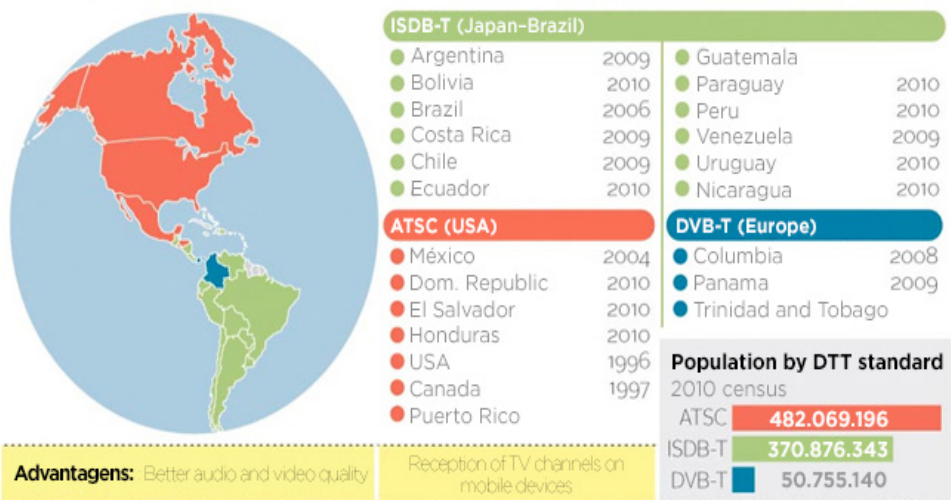
services) via computers, tablets or smartphones. Users will benefit from a more diversified array of offers and from more affordable prices, but they will not always get better quality and service.

DTT offers more channels, with better image quality and free, but its emergence comes at a time when there are other technologies that offer more features, particularly internet television, which embodies an alternative offering a la carte television and video on demand that enables the broadcast of digital content.

This duel between the DTT and multi-play will give rise to the new audiovisual map of Latin America.

DIGITAL TELEVISION IN THE AMERICAS

► DTT (Digital terrestrial television) is the broadcast and reception of moving images and sound through digital signals (binary codes) through a network of land relay stations.



News of interest

Argentina: One million decoders delivered; offer of 10 million mobile phones with broadcast TV.
Bolivia: In May 2012 Bolivia TV digital broadcasting began.
Brazil: 448 cities covered in September 2012.

Columbia: 40% DTT coverage.
Costa Rica: ISDB-T standard adopted in 2010.
Chile: DTT legislation debated in Congress.
Ecuador: Digital TV master plan enacted in October 2012.

Guatemala: ISDB-T standard adopted 1 June 2013.
Mexico: More than 192 decoders delivered and digital switchover concluded in Tijuana.
Panama: DTT legislation enacted in 2009.

Peru: Digital TV master plan approved in 2010.
Dom. Republic: ATSC standard adopted in 2010.
Venezuela: 13 digital terrestrial stations and 300,000 decoders acquired in 2012.
Uruguay: DTT legalised by decree in 2012.

Source: MediaTelecom Policy & Law / Grafic: Luis M. Morales Campero

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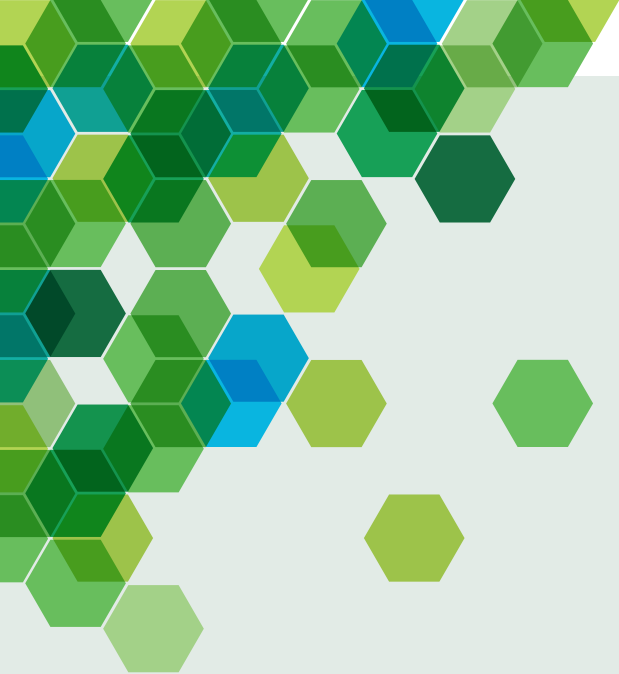
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