

# Your Market Is Everywhere

International Market Series

# South America

How Canadian producers can benefit from looking beyond borders

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 Canada Media Fund  
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This report focuses on the state of the television and gaming industries in selected key South American markets: Argentina, Brazil, Chile, and Colombia. Together, these markets represent approximately three quarters of the continent's population and the lion's share of its economic activity.

This report presents information on genres that are on the rise in South America, media consumption habits, major local broadcasters, the regulatory environment, current trade agreements with Canada, recent deals between Canadian producers and South American broadcasters as well as advice from experts.

#### Fast facts:

- ▶ Argentina, Brazil, Chile, and Colombia together represent a population of about 320 million people, i.e., approximately the same size as the U.S.
- ▶ Based on recent deals, Canadian producers have had success exporting to South American markets. ↓
- ▶ In the world of gaming, the countries examined in this report represent an industry that generates about \$2.2 billion in revenue annually. ↓
- ▶ Time spent on television and the Internet will be more or less equal by 2018 throughout Latin America.
- ▶ In South America, mobile phones are mostly used to access the Internet, as broadband infrastructure in the region is underdeveloped. ↓
- ▶ The OTT marketplace in South America is currently a fraction of the size of its Canadian counterpart and is therefore a key sector to watch for exponential growth in the years ahead.
- ▶ Canada has signed collaborative media agreements and treaties with various countries in South America. ↓
- ▶ South America hosts a wide range of annual trade shows and markets covering television, gaming, digital content, animation, and short films. ↓

Made up of a group of 12 countries and two dependent territories, the South American continent has a population of approximately 425 million people. This report focuses on four of the continent's 12 countries: Argentina, Brazil, Chile, and Colombia, which together represent approximately three quarters of the continent's population and the lion's share of its economic activity.

Most analyses use the umbrella term 'Latin America' in reference to the primarily Spanish-speaking cultural unit made up of South America, Central America, the Caribbean, and Mexico. Furthermore, many pan-country deals struck for media producers cover the Latin American market as a whole. While Mexico is usually part of Latin American deals in the media and entertainment sectors, it has been dealt with as a separate Fact Sheet in this series, largely due to its NAFTA partnership with Canada and the U.S. as well as its geographic proximity to the two countries.

This report has separated out a group of select South American countries to provide a more detailed look at key markets according to the following rationale: Argentina, Brazil, and Chile are the three

largest and most economically developed countries on the South American continent, and Colombia joins them on the list of the most industrialized countries in South America. Together, the four countries selected for this Fact Sheet represent a population of about 320 million, i.e., approximately the same size as the U.S.

While there are many similarities among the South American countries included in this report, it is worth noting that Brazil is markedly different from its neighbouring countries. First and foremost, it is separated by a language, Brazilian Portuguese. Secondly, there's the issue of size: Brazil's population is as much as ten times higher than that of other countries in the region and represents half of the population of South America. Brazil also has the largest media market in Latin America, is comprised of over 90% urban dwellers, and is home to an array of cultures that accompany any nation of such size.

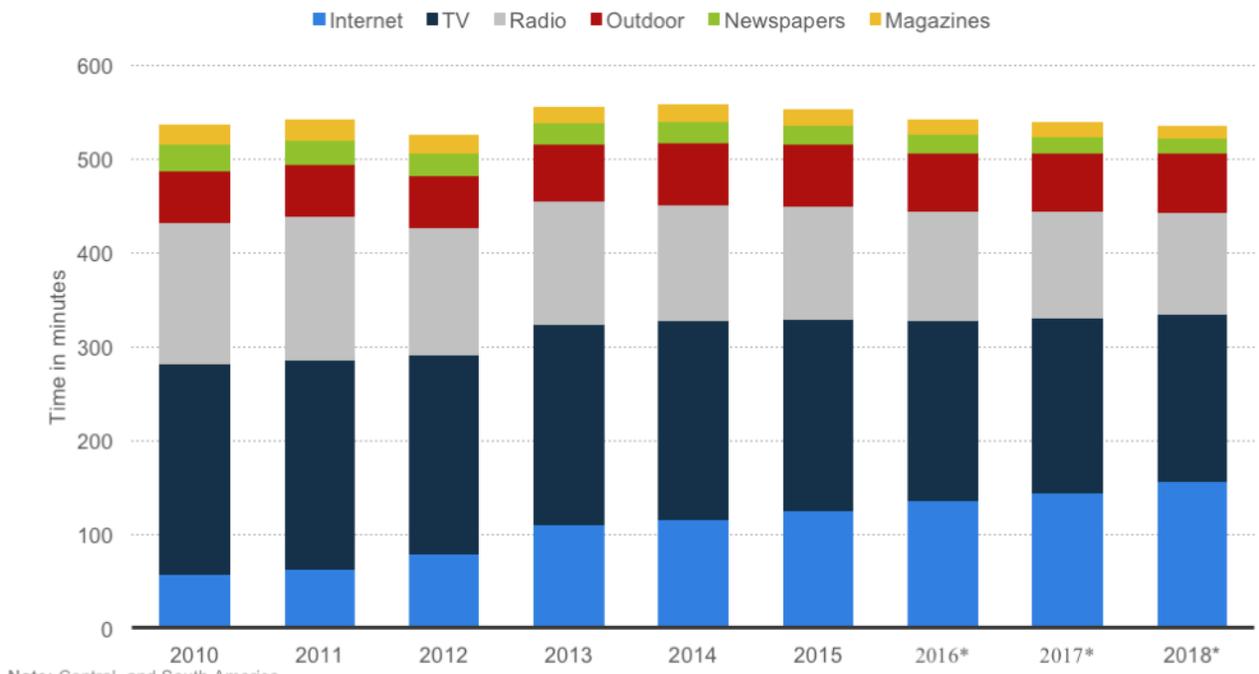
The following table provides an at-a-glance overview of key statistics on the four countries detailed in this report.

COUNTRY	POPULATION	GDP <sup>1</sup>	NUMBER OF INTERNET USERS & RATE OF INTERNET PENETRATION <sup>2</sup>	FREE TO AIR (FTA) TELEVISION HOUSEHOLDS <sup>3</sup>
ARGENTINA	44 MILLION	\$585 BILLION	35 MILLION / 80% PENETRATION	5 MILLION
BRAZIL	211 MILLION	\$1.8 TRILLION	139 MILLION / 66% PENETRATION	43 MILLION
CHILE	18 MILLION	\$240 BILLION	14 MILLION / 78% PENETRATION	2.5 MILLION
COLOMBIA	49 MILLION	\$292 BILLION	28.5 MILLION / 58% PENETRATION	7.5 MILLION

Similar to most countries in both the developed and the developing world, the story in these regions is one of media consumption shifting from a world of print, TV, and radio to news, information, and entertainment delivered online. As illustrated in the chart below, time spent with television and the Internet will be more or less equal by 2018 throughout Latin America.

For comparison purposes, Canadians are far more prodigious in terms of time spent online, with the average Canadian adult estimated to be spending 4.35 hours per day (approximately 275 minutes) with digital media as of late 2017<sup>4</sup>.

### Daily time spent with media per capita in Latin America from 2010 to 2018, by medium (in minutes)



Note: Central- and South America

Source: Zenith

## TRACK RECORD WITH CANADA

A number of Canadian producers have had success exporting to South American markets since several years. As one distributor of Canadian television interviewed for this report pointed out: “In many ways, South America doesn’t feel like an emerging market, particularly for factual shows. License fees for the pan South American deals can be as much as ten times the amount they are for an emerging market in, say, the Middle East.”<sup>5</sup>

Recent deals between Canadian producers and South American broadcasters include:

- ▶ Story Media: 80 x 11-minute episodes of *Nature Cat* to Discovery Kids Latin America<sup>6</sup>
- ▶ Proper Television: 12 x 30-minute episodes of *Last Stop Garage* to Discovery Networks for its Latin American channels<sup>7</sup>
- ▶ Rhino Content: Seasons 1 and 2 of *Masters of Flip* to Discovery Home & Health in Latin America<sup>8</sup>
- ▶ Entertainment One (eOne): Preschool series *Ben & Holly’s Little Kingdom* to Brazil’s TV Cultura<sup>9</sup>

### INSIDER TIPS

#### On pan-country deals

**“Generally speaking, you don’t want to make your first deal for a show in an emerging market because you have so many costs to recoup, plus sometimes there’s also the cost of format conversion. But, if you sell in multiple territories, in a pan-country deal, as you can do in South America/Latin America, then you’re more likely to see a good margin.”**

– Natalie Vinet, VP, International Distribution, Proper Television<sup>10</sup>

## SUCCESSFUL GENRES

Our tendency may be to associate South America with such cultural keystones as torrid telenovelas and gifted soccer, or ‘futbol’ players, but doing so would, of course, be missing some big and important parts of the story. While the continent still reigns supreme for its World Cup prowess, and drama remains among the most popular genres, nuanced changes are occurring around genres and formats in South America’s media and entertainment industries.

Some attribute the changes to impact of Netflix, or streaming in general, which has created shifts in the way television is not only consumed, but also created. As a result of a media landscape freed from the constraints of broadcast schedules, geographies, and single episode viewing, consumer tastes have changed dramatically, and so, in turn have the production strategies of producers and broadcasters.

For example, in a global media world made possible by OTT/Netflix, audiences for traditional telenovelas—melodramatic TV serials that held tens to hundreds of millions of viewers in their clutches—have declined steeply. In their place, broadcasters such as Argentina’s Telefe and Brazil’s Globo are creating higher end dramas for South American audiences. Guel Arraes, Chief Creative Officer of Brazil’s Globo, explains it this way: “[We are] trying to emulate international standards, themes, storylines, concentrations of ideas, and number of episodes.”<sup>11</sup>

A currently interesting oddity in the South American television market is the runaway success of TV dramas from Turkey. In countries across the continent, people have been hosting 'Turkish TV nights' with friends and neighbours and taking in popular Turkish programs such as *1001 Nights*, *Century*, and *Kosem*. Fans have reported that the Turkish shows are easier to relate to than American-produced shows, which are seen by many to be rife with violence and stereotypes and to 'over-sexualize' content and storylines. By contrast, the Turkish shows have narratives built around topics such as rural to urban migration and the challenges that accompany such shifts<sup>12</sup>. In the words of one industry insider: "[These shows] bring a new perspective. Family values taken seriously with a classic plot."<sup>13</sup> In a number of South American countries, including Chile, four of the top fifteen shows are Turkish, and not a single one of the most popular shows is American. As a result, exports of Turkish television swelled to \$350 million in 2016.<sup>14</sup>

Such changes in viewer preferences may also bode well for Canadian producers interested in exporting to the South American market, as Canadian programs can offer high quality productions with a flavour and sensibility distinct from those produced in the U.S.

## INSIDER TIPS

**On the decline of the traditional 'telenovela' audience**

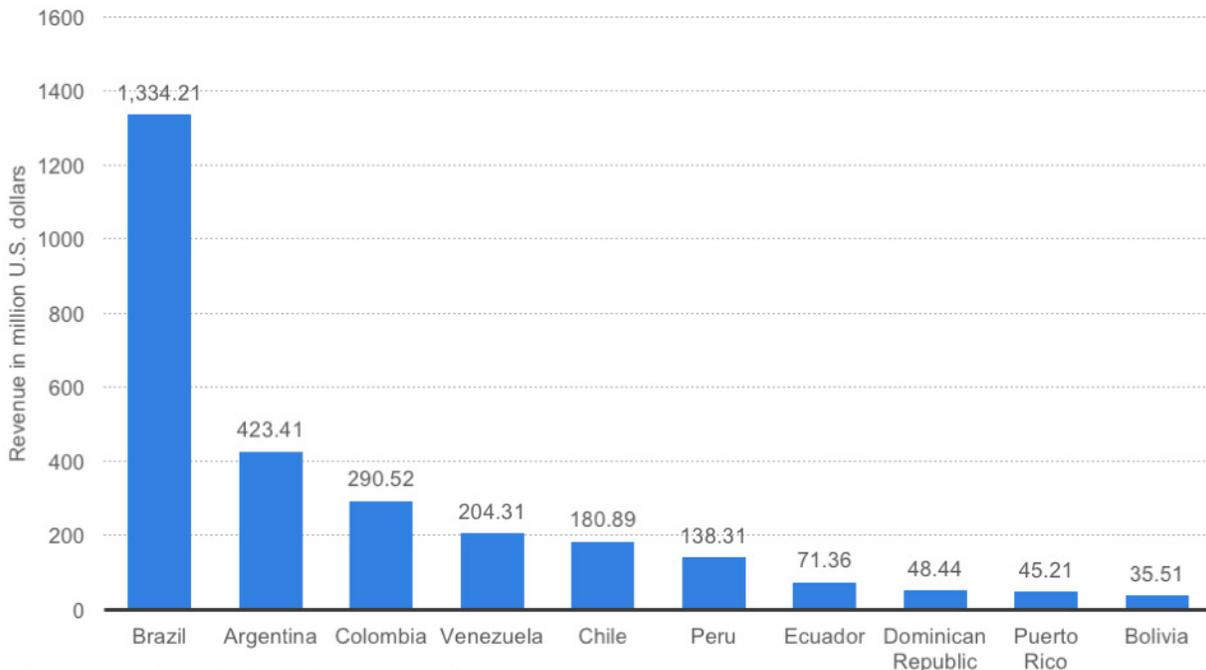
**“The Internet has meant a gigantic change in how we communicate [and] consume TV [...] People are their own programmers; Telenovela audiences are increasingly limited [...] spectators are looking for shorter, more impactful, better-quality programs.”**

– Marcos Santana, Telemundo International<sup>15</sup>

In the world of gaming, the countries examined in this report represent an industry that generates about \$2.2 billion in revenue annually, of which Brazil accounts for just over half of that revenue. Brazil is home to the second largest game market in Latin America (valued at \$1.3 billion in 2017), ranking in size just after Mexico's, which is valued at just over \$1.4 billion<sup>16</sup>.

As illustrated in the following graph, Brazil's game industry is by far the most prosperous and developed in South America.

## Leading gaming markets in Latin America as of April 2017, by gaming revenue (in million U.S. dollars)



Note: Central- and South America; April 2017; figures are estimates

Source: Newzoo

statista

According to the World Economic Forum, the governments of several South American countries have prioritized the game industry as a site for support and promotion by the creative and cultural industries.<sup>17</sup> As a result, gaming has been one of six industries featured at MICSUR (Mercado de Industrias Culturales del Sur, or Southern Cultural Industries Market in English), which is described as the largest cultural industry market in Latin America. Note that a 2017–2018 date for MICSUR had not yet been announced at the time this report was drafted.

## MAJOR BROADCASTERS

The broadcasting landscape in South America is as varied as its constituent countries. Some, such as Brazil, have hundreds of television channels, but they are highly concentrated and tightly controlled by government. Brazil also has a strong FTA (free-to-air) television market, while pay TV penetration in Argentina is as high as FTA television within the country. Colombia has close to two dozen television networks, made up of national, regional, private, and public broadcasters, as well as a mix of private/public partnerships<sup>18</sup>. And though Chile is by far the smallest of the countries covered in this report, it is said to have audiences that are among the most sophisticated and educated in the Spanish-speaking world<sup>19</sup>.

The uptake of Pay TV and FTA channels varies significantly in South America, as evidenced in the following table.

COUNTRY	FREE TO AIR (FTA) TELEVISION HOUSEHOLDS <sup>20</sup>	PAY TV HOUSEHOLDS	POPULATION
ARGENTINA	5 MILLION	4.25 MILLION <sup>21</sup>	44 MILLION
BRAZIL	43 MILLION	19 MILLION <sup>22</sup>	211 MILLION
CHILE	2.5 MILLION	1.6 MILLION <sup>23</sup>	18 MILLION
COLOMBIA	7.5 MILLION	5.5 MILLION <sup>24</sup>	49 MILLION

Top television networks in the region include:

#### Argentina

- ▶ America
- ▶ Canal 9
- ▶ Telefe
- ▶ El Trece
- ▶ Television Publica Argentina (public broadcasting)

#### Brazil

- ▶ Globo
- ▶ SBT
- ▶ RecordTV
- ▶ Bandeirantes
- ▶ RedeTV

- ▶ Gazeta
- ▶ TV Cultura (public broadcasting)

#### Chile

- ▶ Mega
- ▶ Chilevision
- ▶ Canal 13
- ▶ TVN (public broadcasting)

#### Colombia

- ▶ Caracol TV
- ▶ RCN TV
- ▶ Canal Uno

## OTHER DELIVERY PLATFORMS

Much of the Internet access in South America happens via mobile phones, as broadband infrastructure in the region is underdeveloped. For example, half of Argentinians access the Internet via mobile, as in addition to relatively low penetration of fixed broadband connections in homes and offices, broadband speeds are among the slowest in Latin America<sup>25</sup>.

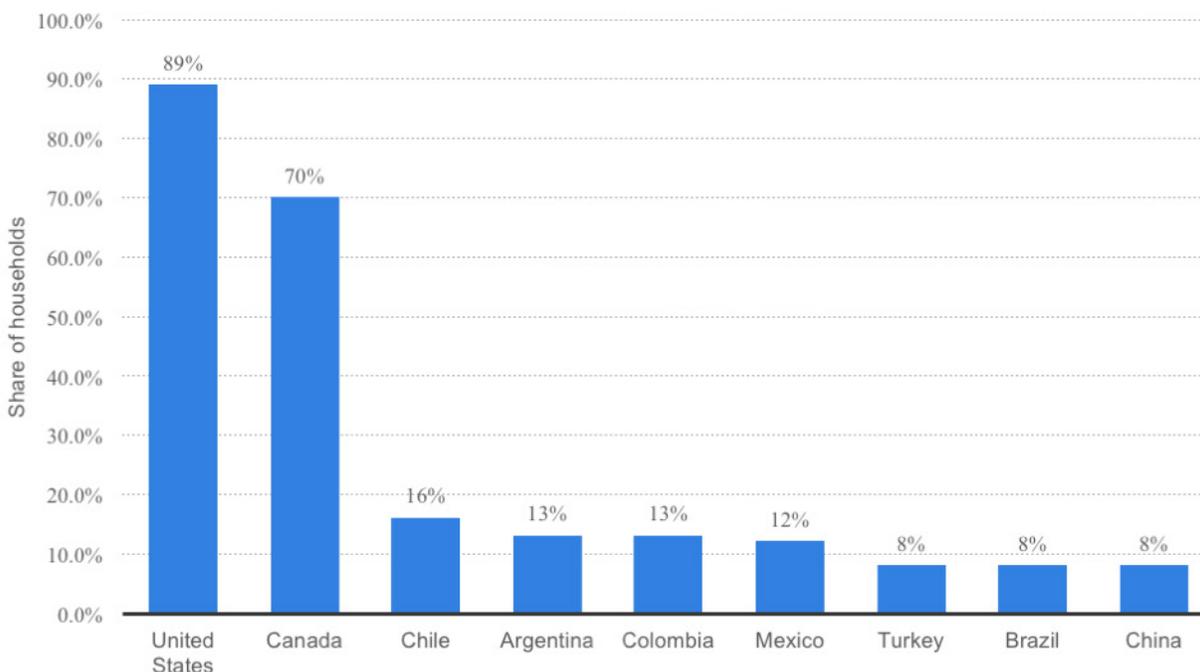
Fixed broadband penetration rates include households, offices, and businesses. In South America, these rates lag considerably behind those of Canada and the U.S., as do the available speeds for Internet connectivity. In the developed vs. the developing world rates of fixed broadband penetration can differ by factors of two to ten<sup>26</sup>.

In considering the table below, note that for comparison purposes, Canada has 13 million fixed broadband lines<sup>27</sup> and a population of about 36 million, whereas the U.S. has 88 million fixed broadband lines<sup>28</sup> and a population of about 325 million.

COUNTRY	FIXED BROADBAND LINES	POPULATION
ARGENTINA	7 MILLION <sup>29</sup>	44 MILLION
BRAZIL	27 MILLION <sup>30</sup>	211 MILLION
CHILE	3 MILLION <sup>31</sup>	18 MILLION
COLOMBIA	6 MILLION <sup>32</sup>	49 MILLION

Consequently, South America's OTT marketplace is currently a fraction of the size of its Canadian and American counterparts. It therefore represents a key sector to watch for exponential growth in the years ahead.

## Over-the-top (OTT) video services penetration rate in select countries worldwide as of December 2016



Note: Worldwide; December 2016

Source: Instituto Federal de Telecomunicaciones de México; Ovum

statista

It is still early days for OTT in South America, with just a handful of national players in most South American markets. Netflix is indisputably the dominant OTT provider, reaching as many as two thirds of OTT viewers in certain South American countries, though this number is expected to decrease in 2018 as regional providers begin to offer programming more customized for South American audiences<sup>33</sup>.

It must however be noted that the absolute number of OTT subscribers in South America is relatively low<sup>34</sup>:

<b>COUNTRY</b>	<b>NUMBER OF OTT SUBSCRIBERS</b>	<b>POPULATION</b>
<b>ARGENTINA</b>	900,000	44 MILLION
<b>BRAZIL</b>	4.3 MILLION	211 MILLION
<b>CHILE</b>	500,000	18 MILLION
<b>COLOMBIA</b>	900,000	49 MILLION

With so much room for expansion and capital requirements on the decline, on-demand streaming video in South America is seen by many investors and media companies as an attractive market in which to try their hand, and is therefore likely to grow significantly in the years to come.<sup>35</sup> Still, significant hurdles exist on the path to the mainstreaming of OTT. In Brazil, for example, in addition to a weak fixed broadband infrastructure, there is also a payment system problem; much of the population does not hold a credit card. Alternate payment systems will therefore need to be devised<sup>36</sup>.

OTT providers in Argentina, Brazil, Chile, and Colombia:

### Argentina

- ▶ Netflix
- ▶ Amazon Prime
- ▶ HBO
- ▶ 13 Max
- ▶ LN+ (La Nacion)
- ▶ Odeon
- ▶ Qubit.tv

### Brazil

- ▶ Netflix
- ▶ Amazon Prime
- ▶ HBO Go
- ▶ America Movil/Claro
- ▶ Bandeirantes
- ▶ Globo
- ▶ Globosat
- ▶ NET
- ▶ Oi
- ▶ Sky
- ▶ Vivo/Telefonica

### Chile

- ▶ Netflix
- ▶ Amazon Prime
- ▶ HBO Go
- ▶ Movistar Play
- ▶ TVN (OTT offering of free-to-air channel TV Nacional)

- ▶ OndaMedia (Fee-free OTT streaming platform focused on local cultural content)

### Colombia

- ▶ Netflix
- ▶ Amazon Prime
- ▶ HBO Go
- ▶ Movistar Video
- ▶ Caracol Play
- ▶ Clarovideo
- ▶ RTVC Play (Fee-free public broadcasting OTT, featuring educational, lifestyle, and documentary programming)

## TRADE AGREEMENTS WITH CANADA

For over 20 years, Canada has enjoyed collaborative media production agreements and treaties with various countries in South America.

Telefilm provides support for eligible film and television co-productions between Brazil and Canada and Colombia and Canada. The Canada-Brazil treaty can be accessed [here](#) and the Canada-Colombia treaty can be accessed [here](#).

In addition, in mid May 2017, an [agreement](#) was signed between the Canada Media Fund (CMF), Proimagenes Colombia, and MinTIC (Colombia's Ministry of Information Technologies and Communication), thereby creating a co-development incentive for animation, fiction, and documentary content created for digital platforms by Canadian and Colombian producers.

In 2014 an [International Co-Development incentive](#) was launched between the CMF and Brazil's SP Cine, an audiovisual development corporation based in Sao Paulo. This incentive provides funding for eligible TV, games, and digital media co-productions between Canada and Brazil.

Argentina and Chile also have co-production treaties with Canada for film and television production. The Canada-Argentina treaty can be accessed [here](#), whereas the Canada-Chile treaty is available [here](#).

## INSIDER TIPS

### On the rising demand for international coproduction

**“Our idea is to have more and more high-end drama of very high quality produced out of Argentina and elsewhere in Latin America via local production units and coproduction.”**

– Guillermo Borensztein, Head of International Business, Argentina’s Telefe<sup>37</sup>

where laws reducing red tape have been passed and the start-up scene is so vibrant that the term ‘Chilecon Valley’ is now being used to describe the burgeoning industry. In neighbouring Argentina, a ‘Ley de Emprendedores’ (or Entrepreneurs’ Law) was passed in March 2017. It provides a framework for public funding, crowdfunding, and attractive tax incentives for investors<sup>41</sup>.

## MARKETPLACES AND TRADE EVENTS

South America hosts a range of annual trade shows and markets covering television, gaming, digital content, animation, and short film.

Select events include:

### Argentina

- ▶ [Argentina Game Show](#)
- ▶ [Jornadas Internacionales ATVC](#) (Argentina’s cable TV association)
- ▶ [BAWebFest](#) (Buenos Aires WebFest)

### Brazil

- ▶ [Rio Content Market](#)
- ▶ [Rio WebFest](#)
- ▶ [Rio Film Festival](#)
- ▶ [Brazil Game Show](#)

### Chile

- ▶ [Chilemonos International Animation Festival](#)
- ▶ [Fesancor Chilean International Short Film Festival](#)

### Colombia

- ▶ [Bogota Audio Visual Market](#)
- ▶ [IndieBo](#)
- ▶ [Festival Internacional de Cine de Cartagena de Indias \(FICCI\)](#) (focuses on feature films, short films, and television series)

## REGULATORY ENVIRONMENT

Challenging the concentration of power in media ownership has been an ongoing process in the media landscape in South America. For example, in Brazil, South America’s largest media market, there has long been a single dominant corporation (i.e., Globo), which has been described as a “dynastic and patriarchal system of family control”<sup>38</sup>. Such media dynasties, also seen in Mexico with Televisa, have a tendency to integrate both vertically—combining functions such as production and distribution—and horizontally, owning companies in adjacent fields, thus increasing their leverage and providing them with cost advantages that can make competition difficult. A recent study reported that media ownership in the region is “arguably the most concentrated in the world”<sup>39</sup>.

Despite such predicaments, there are grounds for optimism in the media and entertainment landscape in South America. Government-supported initiatives to address the digital divide have been successful in Colombia, where the ‘Plan Vive Digital’ has brought Internet access to 500,000 low income Colombians in the past five years<sup>40</sup>. Government support programs also exist for media and technology-based innovation and entrepreneurialism in Chile,

## OFFICES/PERSONNEL IN CANADA

Canada counts a variety of organizations that promote business ventures and partnerships with the South American countries examined in this report.

- ▶ Canadian Council for the Americas
- ▶ Argentina Canada Chamber of Commerce
- ▶ Brazil Canada Chamber of Commerce
- ▶ Federation of Canadian-Brazilian Businesses
- ▶ Chile Canada Chamber of Commerce
- ▶ Colombian Canadian Chamber of Commerce
- ▶ Canada Colombia Chamber of Investment and Trade

### INSIDER TIPS

#### Language matters

**“While English is the second language taught in schools in Colombia, many people can have a basic conversation in English, but not necessarily much more. Knowledge of French is growing in Colombia, but it is well behind English as a language widely spoken in Colombia. Therefore, for producers having business discussions, and certainly any kind of technical discussions, it’s really important to have a Spanish speaker with you.”**

– Angelica Manrique, Canada Trade Commission Service, Bogota<sup>42</sup>

## FOOTNOTES

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