

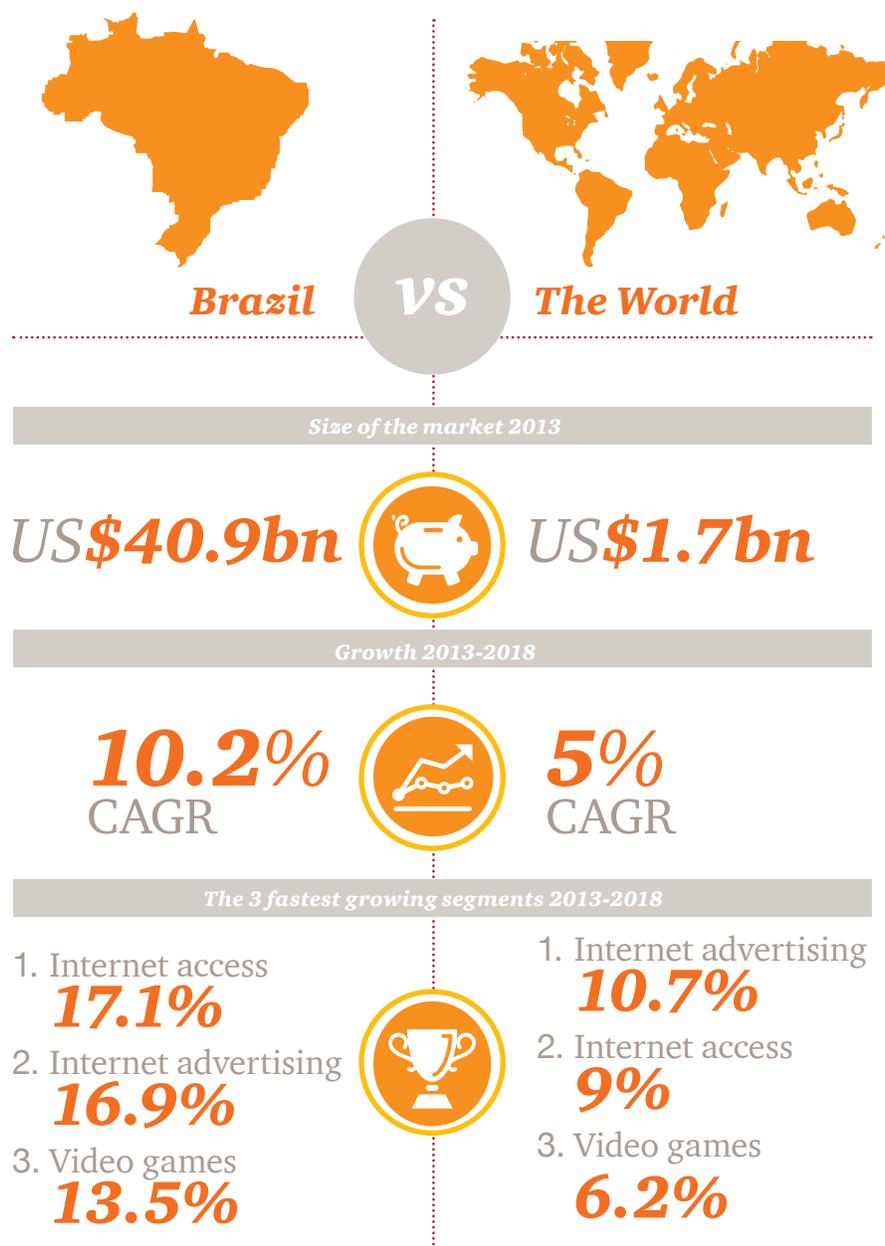
Brazil-
leading the digital
media revolution in
Latin America

A market set to grow at double the global average rate



Brazil is the largest economy in Latin America, and – as highlighted in the PwC Global entertainment and media outlook 2014-2018 – also the region’s biggest entertainment and media market by a wide margin. Spending on entertainment and media is buoyed up by Brazil’s growing middle class, and, during the period covered by the Outlook, stands to be boosted further by the 2014 FIFA World Cup and 2016 Olympics. Over the next five years, total entertainment and media revenues in Brazil will rise at a compound annual growth rate (CAGR) of 10.2%, compared to average global growth of 5.0% compounded annually. The rise in spending in Brazil will be led by digitally-driven sectors such as Internet access and Internet advertising, which will be the fastest-growing segments over the next five years, followed by video games.

Brazilian entertainment & media market by numbers



Source: PwC, Global entertainment and media outlook 2014-2018, www.pwc.com/outlook

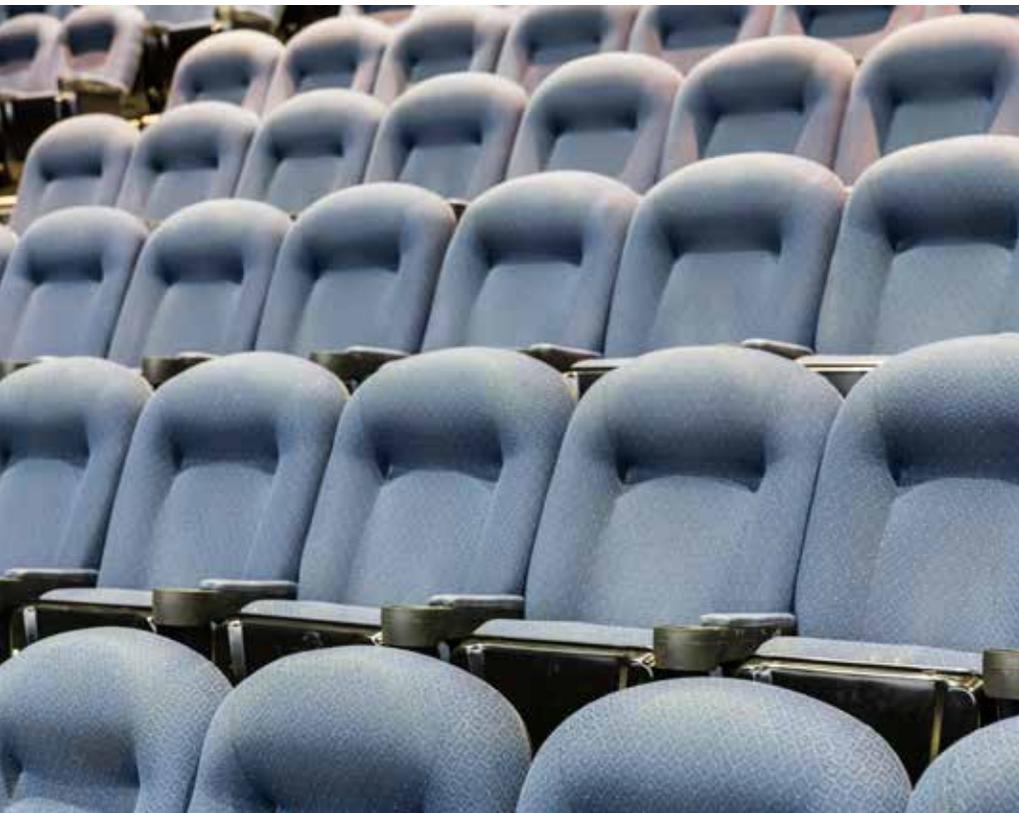
Brazil's entertainment and media market dominates Latin America



Entertainment and media spending in Brazil will rise at a rate of **10.2%** – twice that of the global growth rate.

In 2013, total spending on all entertainment and media in Brazil totalled some US\$40.9bn – making it by far the leading market in Latin America, well ahead of second-placed Mexico at US\$24.1bn.

- This means Brazil accounted for 42.6% of total spending on entertainment and media across the Latin America region in 2013.
- In the next five years Brazil will extend its already strong lead over the rest of the region, with spending on entertainment and media in the country projected to grow at a CAGR of 10.2% between 2013 and 2018. This is ahead of the 8.9% CAGR projected for Latin America as a whole, and more than double the global CAGR of 5.0%.
- However, Brazil will be only the second fastest-growing market in Latin America, being narrowly outpaced by the much smaller Peruvian market.
- By 2018 Brazil's entertainment and media market will be worth some US\$66.5bn, taking its share of overall entertainment and media spending across Latin America to 45.2%.



Growth will be spearheaded by Internet access and Internet advertising

Internet access is already the biggest segment in Brazilian entertainment and media, with revenues of US\$11.1bn in 2013 – substantially ahead of second-placed TV advertising at US\$7.1bn. Internet access will also be the fastest-growing entertainment and media segment in Brazil, expanding at a CAGR of 17.1% to reach US\$24.4bn in 2018.

- The second fastest-growing segment will be Internet advertising. While relatively small in 2013, at US\$1.5bn, spending on Internet advertising will expand at a CAGR of 16.9% to US\$3.3bn in 2018.
- This means the growth in Internet advertising will strongly outpace TV advertising, which will rise at a CAGR of just 9.1%. However, despite this growth gap, TV advertising will continue to dominate the Brazilian advertising market.
- The third fastest-growing segment of entertainment and media over the next five years will be video games, expanding at a CAGR of 13.5% to reach US\$844mn in 2018.
- All segments of entertainment and media will see spending rise during the five years, with books – including electronic books – experiencing the slowest growth at a 3.6% CAGR.



Brazil will outpace global growth in every segment – to varying degrees



Brazil is projected to exceed the global growth rate in every single segment of entertainment and media over the five years to 2018.

As well as growing at an overall CAGR more than twice that of the entertainment and media market globally, Brazil is projected to exceed the global growth rate in every single segment of entertainment and media over the five years to 2018, fuelled by its rising middle-class spending power.

- The segments seeing the biggest gaps between growth in Brazil and global will include Internet access (Brazil CAGR 17.1%, global 9.0%); Internet advertising (Brazil 16.9%, global 10.7%); video games (Brazil 13.5%, global 6.2%); and business-to-business (Brazil 7.2%, global 3.4%).
- Much narrower differentials between Brazilian and global growth rates will be seen in segments such as filmed entertainment (Brazil CAGR 6.7%, global 4.5%) and radio (Brazil 3.5%, global 2.7%).

Brazil is Latin America's Internet advertising powerhouse – and YouTube's fourth largest market globally

Brazil is comfortably the largest Internet advertising market in Latin America, with total Internet advertising revenue projected to rise from US\$1.5bn in 2013 to US\$3.3bn in 2018. This means Brazil will account for over 55.3% of all Internet advertising spending in Latin America, up marginally from 54.2% in 2013.



Internet advertising revenue in Brazil is projected to overtake newspaper advertising in 2014 to become the country's second-largest advertising medium after TV.

- During the forecast period, Internet advertising spending in Brazil is being boosted by the 2014 FIFA World Cup and 2016 Olympic Games. Partly as a result, Internet advertising revenue is projected to overtake newspaper advertising in 2014 to become Brazil's second-largest advertising medium after TV.
- As a developing Internet economy, Brazil is unusual in that search advertising is a much larger medium than display. Google was very quick to identify the Brazilian opportunity, and made Brazil one of the first markets where a local version of Google was launched.
- Online video in Brazil is phenomenally popular: the country is now YouTube's fourth largest market globally, with the site obtaining almost 39mn unique viewers in 2012 alone. But to date monetisation has not matched consumption, with the video Internet advertising market proving slow to take off because broadcasters were not quick to embrace it.

Internet access in Brazil was tested by the FIFA World Cup – and access revenues are set to continue to grow rapidly, especially mobile



Brazil's smartphone penetration rate is projected to rise from **27%** at the end of 2013 to **59%** by 2018 – when mobile will make up **56%** of total Internet access revenue.

Brazil's broadband infrastructure faced its fiercest test yet due to the hosting of the FIFA World Cup football tournament. The country's operators prepared for the event for several years, investing in fixed and mobile networks in the cities hosting the matches. The government also mandated that 4G

mobile Internet services be made available commercially first in the host cities.

- Brazil's fixed broadband access market is growing strongly. The number of fixed broadband households rose by 3mn in 2013 to

reach 23.2m, or 30% of the country's total households. The number of mobile Internet subscribers increased by a third in 2013 to reach 61.6mn, equivalent to 31% of the population.

- Brazil's fixed broadband market has potential for rapid growth, with the 30% households penetration rate at the end of 2013 lagging behind the Latin American average of 41%. The number of fixed broadband households is expected to rise to reach 37.4mn by the end of 2018.
- The mobile Internet market has benefitted from rising adoption of smartphones, with mobile Internet subscriptions rising by one-third in 2013 alone. The smartphone penetration rate is projected to rise from 27% at the end of 2013 to 59% by 2018. As a result, mobile will make up 56% of total Internet access revenue in Brazil by 2018.

TV advertising revenues in Brazil will still be three times the size of Internet advertising revenues in 2018

Although growth in TV advertising in Brazil will be outpaced by Internet advertising over the next five years, TV advertising will remain, the country's most popular medium for advertising by a wide margin. TV accounts for over 60% of total advertising expenditure in Brazil – a high proportion compared with most other countries in the region.



TV advertising spend in Brazil will reach almost **US\$11bn** by 2018 – still more than three times the size of the country's Internet advertising spend.

- TV advertising in Brazil remained resilient during the global financial crisis, growing by 7.6% in 2009. Growth has continued, and an expansion of 5.6% in 2013 saw expenditure reach a record level of almost US\$7.1bn.
- With a CAGR of 9.1% over the forecast period, TV advertising spend in Brazil will reach almost US\$11bn by 2018 – still more than three times the size of the country's Internet advertising spend. Particularly strong growth in TV advertising spend is forecast for 2014 and 2016, due to Brazil hosting the FIFA World Cup and Olympic Games, respectively.
- In recent years, multichannel TV advertising on pay-TV platforms has grown faster than advertising on free-to-air TV. With a CAGR of 17.6%, we project that multichannel advertising spend will more than double from US\$452mn in 2013 to over US\$1bn in 2018. However, despite this increase, terrestrial channels will still account for 89.6% of net TV advertising expenditure in 2018.

Books, magazine and newspapers will continue to grow through the forecast period – but far slower than the dynamic digital-based segments

While spending will rise in all segments during the next five years, Brazil will mirror global trends by seeing slower growth in traditional physical media – such as newspapers – than in digital-based segments such as Internet advertising. This pattern is part of a long-term, worldwide industry shift towards digital revenues.

- Total newspaper revenues in Brazil – combining both circulation and advertising – have increased steadily since 2010, and will continue to rise at a CAGR of 4.1% from 2013 to 2018. While print circulation

and advertising will continue to edge up at low single-digit CAGRs, the digital components will grow much faster – albeit from a low base – with digital advertising growing at a CAGR of 19.3% and digital circulation at a CAGR of 54.9%.

- Magazines will follow a similar pattern, with small rises in print revenues and much higher digital revenue growth. Digital consumer magazine circulation spending, for example, will grow at a CAGR of 61.3% over the five years to 2018.



Digital consumer magazine circulation spending in Brazil will grow at a CAGR of **61.3%** over the five years to 2018.

- Spending on print/audio books will also rise gradually, but will again be outpaced by a small digital segment, especially consumer electronic books. By 2018, e-books overall will account for 12% of all book revenues in Brazil.



Where will consumers and advertisers spend their money in the next five years?

This article is drawn from data in PwC's *Global entertainment and media outlook 2014-218* (Outlook). The Outlook is an online source of five-year forecast and five-year historic consumer and advertising spend data for 13 entertainment and media segments, across 54 countries.

To find out more about the Outlook and to purchase a subscription to the full datasets, please visit: www.pwc.com/outlook

How PwC can help

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