

*Short title:*

**THE REVOLUTION IN BRAZILIAN TELEVISION'S MARKET**

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**NEW MEDIA, NEW VALUES – THE REVOLUTION AND  
PERSPECTIVES IN BRAZILIAN TELEVISION'S MARKET**

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**Abstract:** the importance of the television in the world, mostly in Brazil, is evident. This present research intended to evaluate how the digital technology will change the telecommunication sector. In order to accomplish it, we interviewed five of the television's broadcasters. Some of the conclusions of this research are: Brazil is technologically ready for the digital television, and this investment will bring a great financial return within medium/long-term.

**Keywords:** Digital Television, Digital Interactive Television, Digital Television Standards, Digital Tv's Business Models, Digital Tv's Investment, Digital Tv's Technologies

## **Introduction**

Since its invention, television has been an excellent mean of communication. And, once TV links vision and audition, it has become the more attractive one.

Approximately 40 years after the first Brazilian test of the television, the technological evolution and progress of the television's broadcasters, has made TV a bigger and stronger mean of information, in Brazil and around the World. But this evolution has brought to the Brazilian television broadcasters two important dilemmas, mainly.

The first one was approximately 40 years ago, when the transitions between the black-and-white and the color television has happened. Cause three standards had been created: American (NTSC – National Television System (or Standard)

Committee), Germany (PAL – Phase Alternation Line) and French (SECAM – Systeme Electronique Couleur Avec Memoire). And Brazilian authorities must decide what to do: choose one of them or a combination among the standards. The second one has been the final decision.

Nowadays Brazilian Authorities are facing the second dilemma cause the digital television is forcing a decision among different standards, like 40 years ago: American (ATSC – Advanced Television System Committee), Japanese (ISDB – Integrated Services Digital Broadcasting), European (DVB – Digital Video Broadcasting) or create a Brazilian standard.

The core of the current discussion is the possible media's fusion in the digital TV, with the possibility of have all the characteristics present in the others means of communication in this one only. We will have, for example, a TV set which will permit to access radio stations, news papers, magazines, internet and e-mail. Therefore, the current discussion involves a deep revolution not only in the quality of the communication's transmittion but in the way that it is made. We are talking about the possibility of a complete customization of the information offered to the people, the possibility of each individual choose what want to see, how, when and where.

So, this research has pretended to discuss the way how the technological changes are transforming the media's industry. Quick and simultaneous developments are modifying completely the manner how the customers buy, use and record the information of different medias. New channels, based on new technologies, are impacting dramatically the traditional media's distribution and

commercialization and this is today the biggest challenge to the means of communication

With the new technology's spring up and a bigger segmentation of the customers as a consequence of the possibility of qualify precisely the audience – knowing the gender, social class and musical preference, for example – the challenge has become to this new technology to improve the traditional media. Furthermore, digital TV brings new tools which provide more possibilities of increase the audience and the return on advertise investment, transforming consequently the television industry in a more lucrative business.

Finally, this research intended to contribute to the discussion of the decisions that the Brazilian broadcasters are facing, through an illustration of the current scenery and the perspectives of the digital media in Brazil.

## **Objectives & Hypotheses**

The main objective of this research is to develop one case study with the principal broadcasting station from Brazil and to gather information in order to draw nowadays canary aiming to discuss what are the technological tools applied into this market.

Based on that, we estimated the following hypothesis and questions:

1<sup>st</sup> Hypothesis: Is Brazil ready for digital television?

- What is necessary to be adapted for the implementation of digital television, adopting a technological point of view?

- Has your company the right technology in order to do that?

2<sup>nd</sup> Hypothesis: A Different angle is the only function that digital television offers?

- What does digital television brings to public?

3<sup>rd</sup> Hypothesis: The digital television doesn't bring about return on investments from companies.

- Is it profitable investing on digital television?
- Does the company develop a research/ studies to obtain the results cited on the previous question?

4<sup>th</sup> Hypothesis: Does Brazil entail the right conditions to create its proper technological standard?

- What's the most adequate standard that your company ought to use: the Japanese, American or the Brazilian one? Why?

## **Methodology**

This research might be qualified as one case study, although we pretend to point out and map the position of broadcasters concerning digital television.

YIN (1994) pursue that there're three conditions to use the case study strategy, what particularly we find applicable in our case: a) research questions were more based

on open questions b) the research doesn't require control under people researched and c) the focus was historic, not contemporary.

### ***Population and Sample***

We assume as population 269 broadcasters thanks to standards of retransmissions being, as a consequence of, definers of the tendencies to Digital Television.

On the other hand, only three broadcasters concentrate the national audience. Their huge audience was qualified on the research with broadcasters as 1, 2 and 3 and justifies one case study. It's convenient to refresh that audience implies the intensity of the relation between public and broadcasters, interfering on news, updates and publicity investments. This show us that broadcasters receive more capital from publicity sell and thanks to this they effectuate more investment on new technologies. The three concentrate 97,6% of the publicity investments on television in the first trimester of 2001.

We choose other two smaller broadcasters identified on this research as broadcasters 4 and 5 in order to understand if the hugest ones defines implantation tendencies because of their privilege position in relation with the public.

We have interviewed one responsible person for the implantation of the digital television of each broadcaster.

## Theoretical Reference

### *Introduction*

In 1939 we had in Brazil the first test of television on Rio de Janeiro. After the Second World War, September, 1950, was founded the Tupi Television, São Paulo, owned by the journalist Assis Chateaubriand, starting with the American system. Brazil was the fifth country of the world to have television (FEDERICO, 1982, p.81).

Television had a promising start as a vehicle of divulgation and announcements. As a consequence of the incompatibility with the colored television with the white and black system, it's been created three standards: The American NTSC (National Television System Committee), the German Phase Alternation Line (PAL) and the French SECAM.

To choose the right pattern it's been made one study of the three systems. It was concluded that the NTSC/PAL standard was the most adequate, having a great resolution and bigger compatibility, proving that Brazil was capable of creating one new analogical pattern even though it has a competitive disadvantage, engineering speaking. (ZUFFO, s/d.)

As what occurs in the past, nowadays we have the same anathema. What pattern should be chosen of HDTV (High-Definition Television)? There're three systems: the American pattern – ATSC (Advanced Television Standard Committee),

the Japanese – ISDB (Integrated Services Digital Broadcasting), recommended by Brazilian Society of Television and Communication Engineering (SET) and the European one – DVB (Digital Video Broadcasting) The latest pattern is the Chinese one (ATSC, DVB e ISDB), that was originated in response of Govern solicitation and that is focusing on mobile convergence.

### ***Digital TV***

Recently, interactivity is not exclusively of computers. There're already interactive digital televisions in the market. However in Brazil, they are being tested yet (ALLAN, 2002). With this kind of media the public get down to have a more initiative attitude towards communication activity. Nowadays it's possible to access Internet, practice electronic commerce (*t-commerce*), watch programs through different angles, listen a crystal and clear sound, see a mesmerizing image and much more than that.

But in order to initiate that innovation it'll be necessary a huge investment from broadcasters and public: equipment need be updated and adapted for the new system of digital transmission/reception. Moreover, the quantity of information traffic has increased in order to offer a great mix of services and products to client (WHITAKER, 2001).

To do so, there're created many technologies on several countries but only three technological patterns are market available and that have the appropriate technology to implement one system of digital transmission and reception.

As we mentioned before, that's the three patterns in question: the American pattern – ATSC (Advanced Television Standard Committee), the Japanese – ISDB

(Integrated Services Digital Broadcasting), recommended by Brazilian Society of Television and Communication Engineering (SET) and the European one – DVB (Digital Video Broadcasting), which characteristics are presented on the following table:

Table 1 – Characteristics of the principal patterns of Digital Television

<b>Pattern</b>	<b>Characteristic</b>
ATSC (Advanced Television Standard Committee)	American, Has solutions to terrestrial transmission or via cable – doesn't support portability.
DVB (Digital Video Broadcasting)	European, permits terrestrial transmission and via satellite, doesn't support simultaneous appliance.
ISDB (Integrated Services Digital Broadcasting)	Japanese, supports portability, simultaneous transmission and convergence of other media.

The transition process to Digital Television isn't made in warp speed, on the other hand, it requires meticulous studies not only about technical aspects of

patterns but also about political and economical aspects, entitled 'business models' which refers to those services offered by the new television and by the country supplier of the pattern, all together with the formation of strong allies to produce televisions. Thanks to that strategy, countries that retain technology are looking forward adepts to improve the group strength (BRASIL,s/d).

This gives to Brazil a great negotiation or bargain power as a consequence of having 60 million of televisions and being one potency of Latin America. As far as we are concerned, it's nine to ten that after Brazilian big shoot that the others from Latin, Central and South America will follow our pattern (TV DIGITAL, 2002). According to articles published on "Valor Econômico *online* "19<sup>th</sup>, March, 2002, Digital Television will be a US\$100bi business. Countries from European Union have compromised on transfer technology and incentive research programs with the aim to develop a web, if Brazil chooses DVB. The USA govern is inclined to by Brazilian digital televisions, on the other side, we should pay royalties through ATSC. Japanese keep on relying on their pattern superiority.

Brazil has not seen yet only one success case through the implementation process of digital television around the world, what ought to jeopardize our digital plans. The govern great concern entails Brazil huge social and economic internal and external discrepancies what could shed light on the possibility that no pattern is able to overcome Brazilian inequalities, particularities and priorities (TEIXEIRA, 2003).

Thanks to this, Brazilian govern is investing R\$ 80 million on the project of national interactive digital television (SBTD). It's expected that this system considers digital inclusion, the utilization of our installed industry of 54 million of

analogical television, the particularities of each region and the increasing of strength of a solid national industry of electronics capable of Brazilian and world digital demands.

## Results

Once we made the interviews, we get down to describe the results of them.

The results are described in the same order of the hypothesis and questions previously cited (see Objectives & Hypotheses).

There're interviewed the responsible people that are coordinating the implantation of the digital television project in five national broadcasters, as mentioned before.

### **1st HIPOTHESIS: Brazil is technologically prepared to digital television.**

It's observed towards the three main broadcasters that Brazil is technologically prepared for the introduction of Digital Television. On the other hand, what we obtained from the two followers and not public opinion leaders is that Brazil isn't ready yet.

What the interviewers found necessary to implement this new technology is a more adequate definition of a solution for broadcasters, producers and consumers, since programming to producing of televisions and equipments. It seemed that there're fewer setbacks relate to this topic. The greatest drawbacks comes through

political restrictions and 'REDTAPE' all together with financial troubles – capital to investment – HDTV.

Referring to the broadcasters and the introduction of digital television, only two out of five demonstrate capacity and the others are still waiting for one pattern in order to further acquisition of equipment and capital investments. However, all broadcasters demonstrate an initiative of investment or some type of tests related to the new technology.

We could notice that the influence of the three broadcasters definers of tendency is unequal. Broadcaster 1 retains an audience much greater than the other 2, being much more influent on the all the others, being the leader of the sector. Number 2 has a huge audience, but it has fewer influence and independency when compared with Number 1. As a matter of logic, Number 3 has the fewer audience, influence and independency, even though it has own initiative to effectuate new investment in spite of only monitoring to other two.

**2nd HIPOTHESIS: Different angles are the only function that Digital Television offers.**

Generally, answers were similar and didn't escape from the most know applications of Digital Television. There're mentioned the benefits of reception (this system can reach places where analogical sign couldn't reach before – question of waves format and shape), quality of image and sound, portability, mobility, interactivity (issuer-receptor/broadcaster-public and vice-versa)

**3rd HIPOTHESIS: The digital television doesn't bring about return on investments from companies.**

What was observed is that all the interviewers admit that investments on this new type of television pattern are a matter of consequence of a natural development of this kind of communication. Even better, the introduction of digital television on Brazil is a question of time. Definitely, investment onto this new technology and digital television is inevitable.

According to Broadcasters 1 and 2, return on investment will depend on the success of this new business model. This implies that broadcasters must innovate and elaborate new services that can incentive the public to by the new product and consume its several services.

To Broadcaster 3 the return is a question of time because with a pattern that permits one more accessible price could produce a greater penetration and economies of scale.

Broadcasters 1, 2, 3 and 4 considered that interactivity is not going to be the add on in terms of attraction of public, at least at first glance. They pursue at first moment one passive position from the public that will not be attracted by Internet, t-banking or t-commerce.

Broadcaster 5 affirms that this new application of digital television will be necessary in the future in order to they dispute parcels of interactivity market, sharing it with the Internet.

As we could see, companies in Brazil will have to test those services and products offered through television and add on new functions and applications based on the barriers that technology from digital television removed and on the new limitations of it.

About the last question, the majority of the interviewers skipped from answer it and we couldn't jump to conclusions so far. Only one interviewer, on behalf of one broadcaster, affirmed that is impossible to consider valuation of return on investment referring to digital television. But for this, it gave us one more fact that proves that investment will be inevitable as we can observe the passive action towards studying if this model will bring about or not positive returns.

**4th HIPOTHESIS: Does Brazil entail the right conditions to create its proper technological standard?**

Here, we observe that two tendency definers TV broadcasters assert that the Japanese standard (ISDB) is the best to be adopt in Brazil, because this do not have technological limitation, and offer all current benefits of the digital television. And this avoid that the business model of the Brazilian television will be limited by the technology of a simpler standard.

The broadcaster number three affirms that the European standard (DVB) is the best one because offer a scale gain and prices more accessible. And that is consistent with the business model that this broadcaster defends, because poor people characterize the majority of its audience. The broadcaster number five choose the American standard (ATSC) as the best one, defending that the American offer bring more benefits to the country, and that this agreement could fortify the FTAA (Free Trade Area of Americas).

According to the interviews, the broadcasters believe that the creation of a Brazilian standard could be possible just if the national broadcasters desired a different application from those that are current offered. The prominence is the

concordance among the tendency definer's broadcasters as the need of the creation of an own business model.

## **Conclusion**

This research has concluded that, in Brazil, there are few television's broadcasters that really are tendency definers. And they are technologically able to face the spring up of the digital television. Moreover, political questions, like the transmission standard that will be adopted by ANATEL, and economic-administrative questions, like the business model that will be implemented, are the main blockade to the development of the digital television in the country. But despite this adversity, the broadcasters has shown to be optimist about the new system and the future business model, and they consider that in the medium/long-term the investment, probably, will have a considerable return.

Considering the Japanese transmission standard (ISDB), the tendency definers television's broadcasters think that it is the best standard, and this opinion is deep based on the technological benefits that the ISDB can provide, and they do not consider political and commercial questions, except from the broadcaster number three that, aiming to short-term return on investment, have chosen the European standard (DVB), but, this broadcaster is the less influent one among the tendency definers. Furthermore, the major part of the broadcasters understands

that the creation of own transmission standard is not recommended. But they see like a necessity the revision of the current business model of the Brazilian TV.

Considering the benefits inherent to the digital TV's introduction, the broadcasters are not betting on the interactivity as a differential that will attract the customer in the beginning. They say that the customer will not have, in an initial moment, an active attitude about the television set. But, even so, the TV broadcasters pretend to elaborate services and products to be offered to customers.

Finally, only a few broadcasters are studying and investing in digital television, however they are doing this deeply. And maybe, this is the main future differential of this broadcasters face the television digitalization that certainly will happen.

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