Intelligence & Insights Series

Streaming Wars Lighting Up in Latin America

New Global Entrants Poised for Success & Rapid Growth

eBook | Whip Media

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Why It Matters:

- LATAM is the second fastest growing region for streaming services in the world
- As Paramount+ and HBO Max launch in LATAM first, over European markets like France and Spain, they are better positioned to compete against Netflix and Disney+ in the region
- A combination of diverse content, deep catalogs and fresh originals, complemented by local content, offers a massive competitive advantage

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Latin America: Streaming TV Explosion

Multinational streamers around the world have their eyes on Latin America as the next chapter of the international streaming wars heats up. Latin America is a ripe battleground and projected to have 110 million Pay TV subscribers by 2024[1]. While the totals for 2020 are not yet out, it was projected that Latin America would end the year with over 62 million subscribers to streaming services, an impressive 36% growth over 2019[2]. That will mean that for the first time the customer base for Pay TV would overtake traditional free TV in Latin America. This makes Latin America the second fastest growing region for streaming services, second only to Sub-Saharan Africa where the subscriber base is very small and growth percentages are based on an extremely low starting point.

It is no wonder Latin America has captured the attention of major streaming companies. Netflix entered the region in 2011 and is the clear market leader with 34 million subscribers. For comparison, large local competitors like GloboPlay have an estimated 6.5 million subscribers[3] and Claro Video has an estimated 2.96 million subscribers[4]. Amazon Prime entered the region in 2016 and Apple TV+ in 2019[5]. Disney+ made its debut in November 2020, Paramount+ is set to launch March 4, 2021, and HBO Max will soon follow in June 2021. Peacock has not yet announced an entrance date. However, as the streaming wars go it is sure to follow.

Amount of Platforms & Available Content Among Latin American Countries

Countries	Platforms	Available Content
Argentina	48	82,138
Brazil	47	80,256
Chile	35	60,259
Colombia	36	62,601
Costa Rica	29	35,027
Ecuador	33	56,432
El Savador	27	36,653
Guatemala	27	38,435
Honduras	27	33,952
Mexico	42	66,154
Nicaragua	21	32,568
Panama	28	38,419
Peru	33	47,060
Uruguay	33	48,535
(Bolvarian Republic of) Venezuela	28	33,429
Grand Total	**494**	**751,918**

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1 Broadband TV News
2 Ampere
3 https://www.statista.com/statistics/1138978
4 https://www.statista.com/statistics/1129984
5 Digital TV Research and Statastia

It's All About the Content

2021 is going to be the year to watch Latin America. Digital TV Research, a consultancy that provides business intelligence for the television industry, predicts that five major global platforms – Netflix, Amazon Prime Video, Disney+, Apple TV+, and HBO Max – will dominate 88% of streaming subscriptions in Latin America by 2025. How? It's simple. It's all about the content. The ability to have diverse content, deep catalogs and award-winning originals intertwined with local Latin-related content, gives these major companies a massive competitive advantage.

The big streaming companies have spent billions of dollars on content curation with the belief that if they own headline content, they will command a large audience. At Whip Media, we've analyzed the data and we believe that to be true. While price, market saturation, promotions and various other factors contribute to the success of a platform, it is increasingly clear, content is still king.

The Whip Media Data

To best understand the power of content you have to analyze the audience it is commanding today. We conducted an analysis of the global market and consumption of parent company portfolio content, including in Latin America, to predict if the entrance of these large streamers would be met with success. To do this, Whip Media leveraged its first-party consumer data to identify key factors that validate and comment on the potential expansion routes of three nascent streamers -- WarnerMedia's HBO Max, NBCUniversal's Peacock, and ViacomCBS's Paramount+ -- while using already settled global platforms such as Netflix and Disney+ as benchmarks.

These streamers are poised to go global, with significant growth opportunities in markets such as France and Spain. But there is substantial appeal in first expanding in Latin America (the announced strategy for Paramount+ and HBO Max).

We evaluated hundreds of TV shows to answer: Will legacy content be strong enough for Latin American consumers to follow it to the launch of another platform? And will they then be dedicated enough to pay for that content in what may end up as a market with five major streaming platforms? **We believe the answer is yes.**

The Whip Media Approach

The following analysis looks at each parent company's subsidiary networks and television series that aired for the first time under those umbrellas. Specifically, we looked at the originating network of shows watched by TV Time users over the past 1.5 years (from July 2019 to EOY 2020, to capture both recent and pre-COVID viewing patterns). We excluded film, sports and news programming to isolate the impact of television content specifically. In the case of Netflix, we focused the analysis around their Original TV content only.

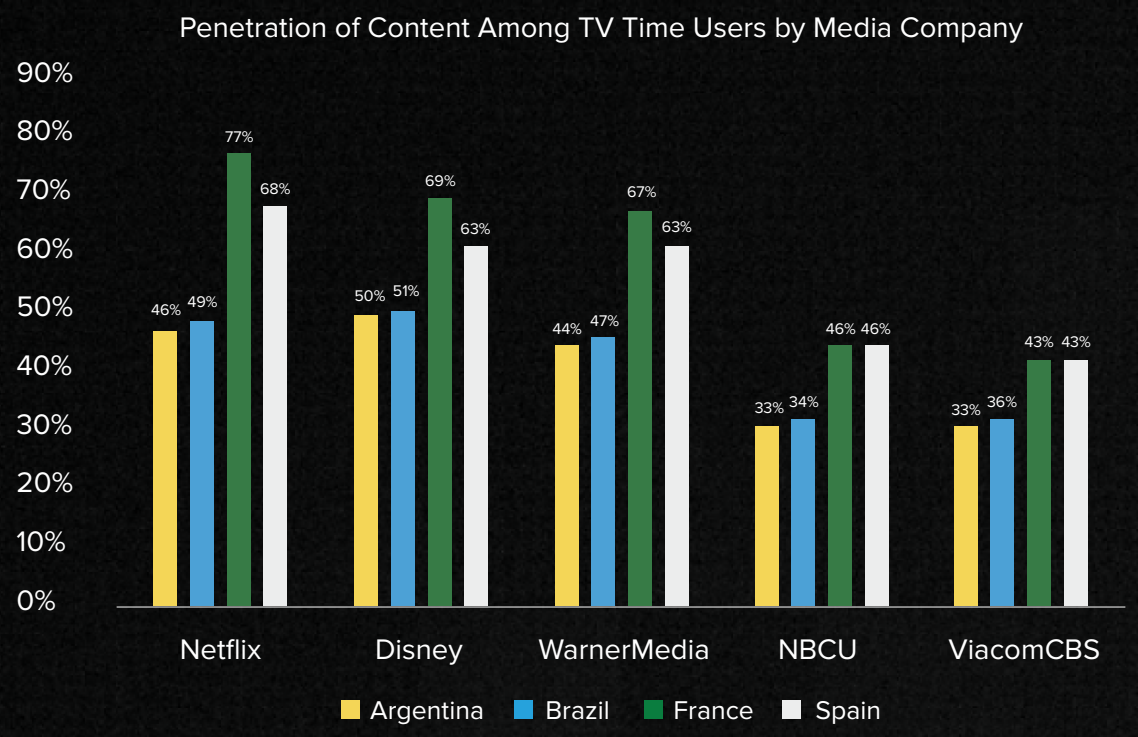
The study focuses on two key metrics: market penetration of portfolio and strength of legacy content. Case studies include four markets that rely on foreign-language content, with two high-growth countries forming the representative focus areas for Latin America (Argentina and Brazil), and established European markets brought in as a comparison benchmark (France and Spain).

Lastly, while the subject of the study mainly surrounds WarnerMedia, NBCU, and ViacomCBS, attempting to answer the question of "Why Latin America first?" -- we include Netflix and Disney as comparative data points, the former being the known market leader in SVOD streaming in each of these markets, and Disney providing a foil, having expanded sooner and with a more Europe-first approach.

Preliminary Market Penetration

We first looked at the percentage of TV Time users (and therefore estimated percentage of the market) that watch, and are therefore predisposed to subscribing to, parent company and streamers' content. What we see on the first take is perhaps not surprising.

Market penetration of content for all parent companies measured is higher in European markets than Latin America.

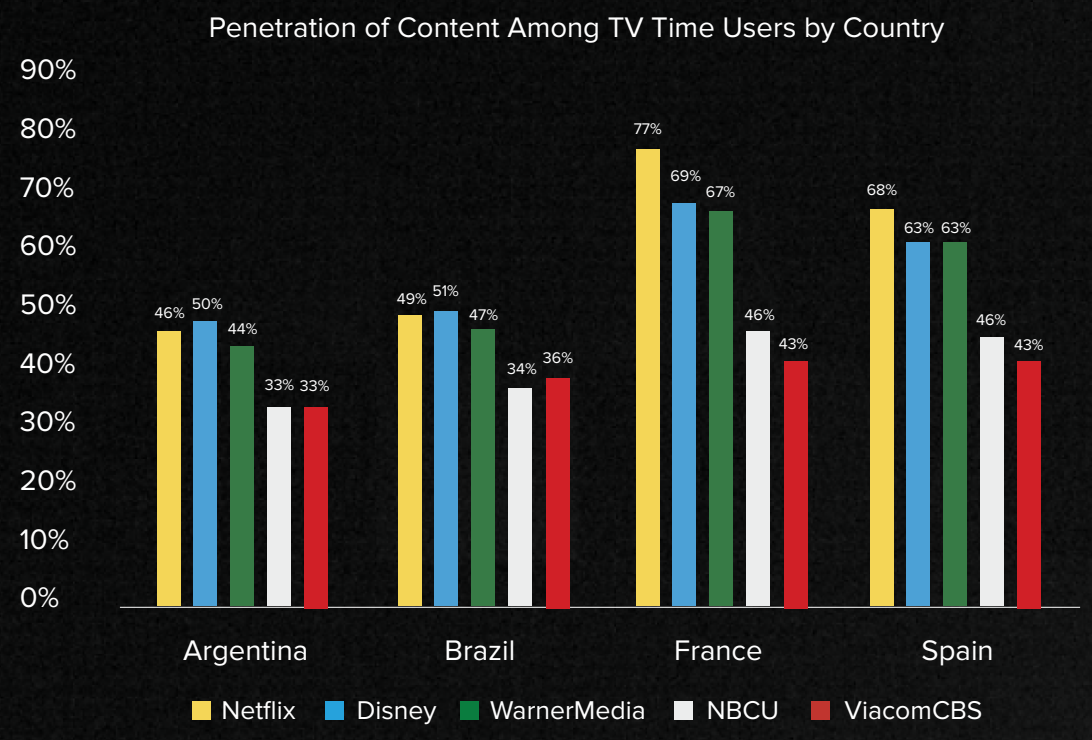


Data based on % of TV Time users in each country watching content from parent company's originating networks. Audiences limited to those who have watched 7/1/2019 - 12/31/2020.

Across all companies, France and Spain exhibit the highest user penetration. This is particularly expected in France, given the country's developed media market. Preliminary results are unsurprising, as Netflix's footprint of Originals has been extensive for the duration of the study's viewing period, and given the widespread popularity of the Disney brand, followed by WarnerMedia, NBCUniversal, and ViacomCBS. (It is important to note that these market penetration figures exclude the power of film in each of these portfolios, focusing primarily on episodic television content, as well as the presence and potential of sports content, a variable that will most definitely improve both NBCU's and ViacomCBS's competitive edge beyond the figures pictured here.)

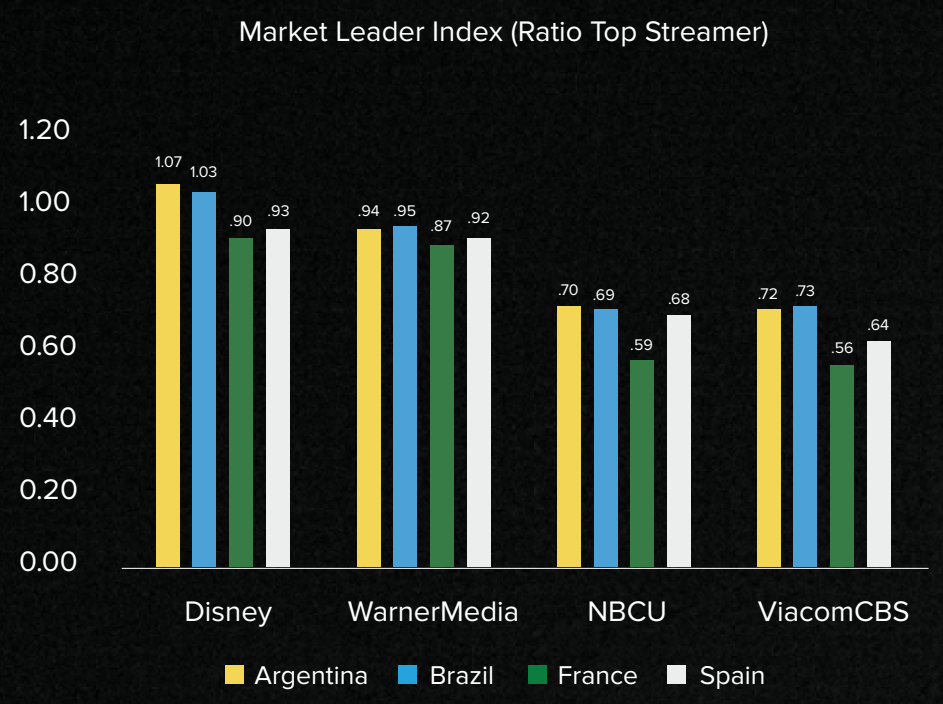
Given the results above, one may wonder why HBO Max, Peacock, and Paramount+ may find themselves foraying into Latin American markets such as Argentina and Brazil sooner than France and Spain, where each company already commands a ~40% market penetration rate or higher. However, if competition is the name of the game, perhaps it's best to consider these figures in reference to the existing market leader (in this case, Netflix):

There is less of a gap in market penetration of the streamers' portfolio content in Argentina and Brazil than in France and Spain.



Data based on % of TV Time users in each country watching content from parent company's originating networks. Audiences limited to those who have watched 7/1/2019 - 12/31/2020.

When benchmarked against market leader Netflix, content from WarnerMedia, NBCUniversal, and ViacomCBS is competitive in the emerging Latin America region.



Data based on % of TV Time users in each country watching content from parent company's originating networks, divided by % of TV Time users watching Market Leader (Netflix) originals. Audiences limited to those who have watched 7/1/2019 - 12/31/2020.

The Market Leader Index, charted above, contextualizes the market penetration of each parent company's initial projected portfolio via a ratio of subject company penetration to Netflix, the established leader in these spaces at the beginning of streaming wars. WarnerMedia, for example, has a projected market penetration of 0.94 times the market leader's in Argentina, a healthy figure compared to 0.87 in France. For WarnerMedia, this difference is mirrored in Brazil, as well, with a slightly smaller comparative presence in France and Spain. Argentina and Brazil are similarly compelling markets versus their European foils for NBCU and ViacomCBS, who, on average, are more competitive in sampled Latin American countries than in France and Spain. This gap spans by as much as 0.17 when looking at ViacomCBS, Brazil (0.73) vs. France (0.56).

1 For Argentina, WarnerMedia's 44% penetration / Netflix's 46% (see TV Time User Penetration by country); in France, WarnerMedia's 67% / Netflix's 77%.

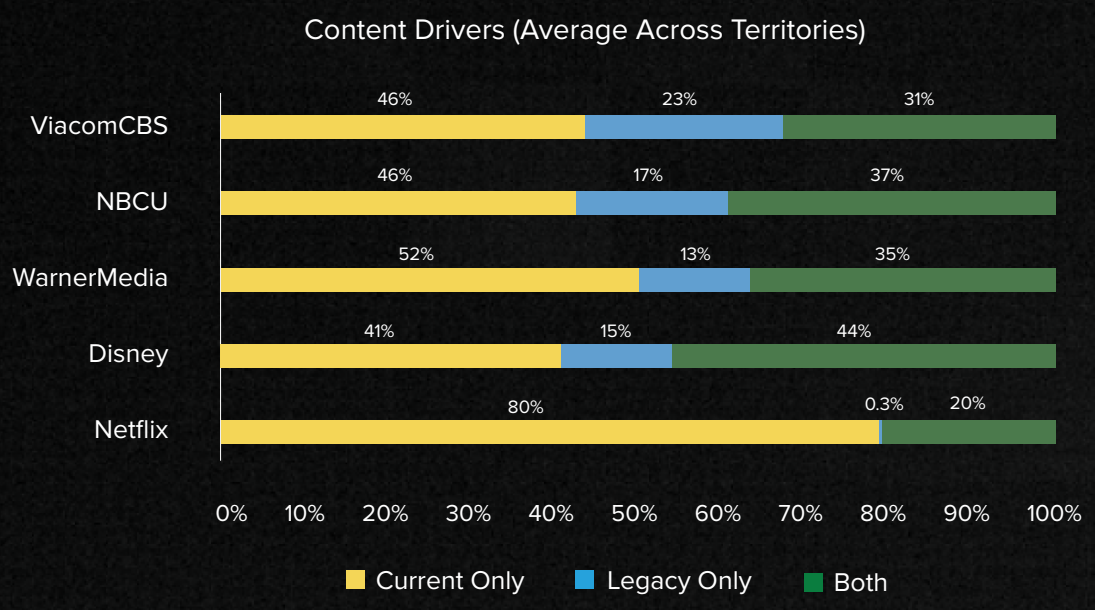
If the objective of these companies is to create sticky platforms that can withstand the intensely competitive environment that is about to emerge in the global chapter of the streaming wars, they will no doubt carefully monitor their ability to keep up with existing and fomenting players.

Disney, with much less variation across territories, and averaging close to 1x Netflix originals' penetration across all four samples, appears to have the opportunity to make expansive moves in terms of market size, unconstrained by their ability to make a splash that disrupts already existing players. Given the distinctive and well-known IP that undergirds much of Disney's portfolio around the world, we would expect nothing less from the Mouse House.

Legacy Content: The Power Behind the Portfolio

NBCUniversal, HBO Max, and Paramount+ have only begun to churn out the original content that will likely drive the value proposition of their parent companies' latest endeavors. Slowed in ambitious production timelines by the pandemic, their parent companies are therefore leaning slightly more heavily on content aired on their networks in recent years to fuel streaming offerings. However, the hidden goldmine for many of these companies, and their secret weapon against the relatively young Netflix and Prime Video market leaders, is the depth of their content portfolio. To highlight the critical nature of older content, we at Whip Media broke down each company's market penetration (calibrated below to 100%) by consumers exclusively watching relatively "current" content (less than three years old as of July 1st, 2019), those watching "legacy" content only (content aired for the first time over three years before this viewing period start date), and those watching some mix of both. As before, this analysis excludes film titles.

Viewership of legacy content is relatively high for WarnerMedia, NBCU, and ViacomCBS compared to Netflix, indicating the enduring popularity of their subsidiary brands, and the potential strength of a deep catalog.



Data based on % of viewers for each platform who have watched 1) Content only from within 3 years before view period (7/1/2016 onward); 2) Content only from 3 years before view period (before 7/1/2016); 3) Content from both periods. Audiences limited to those who have watched 7/1/2019 - 12/31/2020.

Within the four sampled markets, as we would expect to see globally, Netflix relies heavily on current original content to drive its user base, with almost 80% exclusively watching episodes aired for the first time either in the viewing period of 7/1/2019 to 12/31/2020, or at the earliest, three years prior to the top of that window. Besides seeing much higher figures of “Legacy Only” across all other platforms, ranging from 13 to 23 points higher across newer market entrants, even more consumers are watching some mix of new and old content, compared to Netflix.

The significance of this finding rests in the investment needed to maintain market share in the sampled countries. The more a streaming service rests on its parent company’s legacy content, the less it has to spend on current content to sustain subscriber activity on its platform. In other words, the backlog of content given the company’s portfolio acts as a built-in content parachute to limit churn for subscribers.

For each of HBO Max, Peacock, and Paramount+, the reliance on older content is stronger in Brazil and Argentina than the two European markets. If these streamers are looking to make a quick impact based on the value of their existing portfolio, rather than having to create a rapid and expensive pipeline to establish a foothold, Latin American markets do, in fact, appear to be an attractive option. When framed in this light, it becomes ever more clear why Latin America is a logical next step for the WarnerMedia, NBCU, and ViacomCBS triad.

Streaming Wars and the Global Expansion Arsenal

The strategic difficulty of expanding a streaming platform's footprint these days, in a pandemic, no less, is made no more easy when many other players are trying to win the same game. For that reason, many assessments of a company's stated (or projected) expansion objectives need to be taken in consideration of the factors explored above. That is, each expansion should be assessed in light of: 1) Competitive presence, and 2) Content driven by existing, legacy portfolio versus newer and ongoing investments.

That said, we at Whip Media are always looking at new ways to assess the strategic media landscape, and some of the other variables we look at internally when it comes to streaming wars. These can include genre fit within a country, impact of locally produced content, presence of specific talent, consumers' emotional response to content, and the evolving competitive landscape within a territory, all of which we continue to assess with our first-party dataset.

If the Netflixes and Prime Videos of the world had the opportunity to explore and innovate in markets as they expanded, it was very much due to the unique value propositions they were able to offer consumers. Later entrants will have to find a way to gain footholds in markets already benefiting from known SVOD brands. For that reason, it seems Latin America, while not the obvious choice in terms of consumer spending power, expansive infrastructure, and therefore potential revenue market size, is actually a region to look at alongside traditional next-stage regions such as France, Spain, or other Western European countries. Though all of these streamers of course have global plans, and though Western Europe will no doubt be a target at scale, Latin America first is an attractive proposition.

HBO Max, Peacock, and Paramount+ do all, in fact, seem more on par with both Netflix and Disney as umbrella brands through their subsidiary content in the Latin American markets sampled in this study. Furthermore, their ability to capitalize on long-existing content, rather than spending more for smaller audiences, put likely profitability closer in grasp than having to customize for other foreign-language markets. Leaning into these areas, as some already seem poised to do, is therefore a deft decision, and one that may well shape the future of global content for years to come. And, as content strategy becomes an ever more complex terrain with cross-platform/company licensing deals likely to foment (as they already have begun in the U.S.), and as companies adjust their strategies in real time to respond to the competitive landscape, we will continue to report on the tides as they change.

Data Sampling

Data is based on viewership of 1,833,486 TV Time (a Whip Media company) users in Argentina, Brazil, France and Spain during the study period of 7/1/2019 to 12/31/2020.

ABOUT WHIP MEDIA

Whip Media is transforming the global content licensing ecosystem with a market leading enterprise software platform that centrally connects data, processes and teams throughout the digital distribution journey. Powered by proprietary data and predictive insights, we enable the world's top entertainment organizations to efficiently distribute, control and monetize their TV and movie content to drive revenue and direct-to-consumer growth. Whip Media has offices in Los Angeles, New York City, London, Amsterdam, and Paris.

ABOUT TV TIME

TV Time, a Whip Media company, is the world's largest TV and movie tracking app for consumers. Every day, over a million people use TV Time to keep track of the shows and movies they're watching, discover what to watch next and engage in a global community of more than 16 million registered fans.

For more information, visit whipmedia.com