

Televisa's International Strategies

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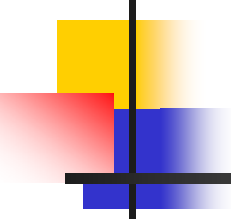
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Why is this topic interesting?

- ✓ The growing economical, political, and social importance of the Hispanic population here
- ✓ 60% of the Hispanic market in the United States is of Mexican origin. This market will grow to over 5 billion dollars in the near future
- ✓ The United States and Mexico have been classified as the greatest consumers of television in the world.
- ✓ At this time, many investors want to share the cake of the Hispanic media market in United States.

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- A Mexican entrepreneur had the skills and international vision to share his content and take advantage of his opportunities
 - His different productions helped promote Mexican culture in other parts of the world.
 - Televisa had the right formula for creating soap operas and entertainment programs that would capture the Hispanic market, beginning with incursion into radio and film in the fifties. *This was a man who always said yes to new opportunities.*



Structure of this Lecture:

- Historical analysis of the principal activities undertaken by the *Azcarraga* family outside of their original market.
- The micro and macro economic variables that surrounded the group during each distinct phase.
- Six stages that influenced Televisa's international presence:



The six stages:

1. 1960-72: The moment when the group began exporting content.
2. 1973 -90: The birth of Televisa, international expansion as a monopoly in Mexico and use of satellites.
3. 1991-93: “Liberalization and de-regulation of industry”
4. 1994-96: Televisa’s reaction to Mexico’s economic and political crisis.
5. 1997-2000: The Group’s reaction to a competitive market
6. 2001-05: The international position and problems



1. Beginning to export content (1960-1972)

The Azcarraga family:

- Began to buy stock in foreign television companies to offer content to the Hispanic population, who little by little were taking on a more active role in American society.
- Established two companies: Spanish International Network Sales (**SIN**) and Spanish International Communication Corporation (**SICC**). This chain would later become **Univision**.



1. Beginning to export content (1960-1972)

Telesistemas mexicanos (TSM):

- Increased its soap opera exports beginning in 1961.
- Participated in the Organization of Iberian American Television (OTI), created in Mexico in 1971.
- Fostered the exchange of programming among broadcasting companies in Latin America, Portugal, and Spain through satellite transmission.



1. Beginning to export content (1960-1972)

During the late sixties, Televisa:

- Was established as the major Latin American exporter of television.
- Exported 643 half hours of programming to the United States and Latin America.



1. Beginning to export content (1960-1972)

- The lack of Spanish language programming for Hispanic residents of the US helped the Azcarraga family develop and expand their distribution network in this country.
 - **SIN** became the number four broadcaster after **CBS**, **NBC** y **ABC**.



2. The expansion of Televisa (1973-1990)

- One of Televisa's key concerns has been to honor its name: –*Televisión Vía Satelite S.A.*
- In 1976, Televisa acquired 20% of the stock of SICC in the United States and founded **Univisión**.



2. The expansion of Televisa (1973-1993)

- Galavisión was founded in 1979 to broadcast Televisa programming via cable to the US and Puerto Rico.
 - Galavisión provided SIN with programming.
 - Televisa owned 75% of the stock in Galavisión.



2. The expansion of Televisa (1973-1990)

- At the end of this period, and thanks to the new Morelos Satellite System:
 - ✓ *“Televisa was able to broadcast its programming without needing processes or formal subordination before the Ministry of Communications and Transport and without geographical or cultural limits.”*



2. The expansion of Televisa (1973-1990)

In the 80's Televisa had investments in:

- ✓ Spain, through **Televisa Europe and Iberovisa**
- ✓ The United States, through **Univisión, Televisa International Marketing Group, International Satellite Network, and International Graphics, Fonovisa, Galavisión, Protele, Grupo Industrial Univisa, Videovisa, and Univisa Satellite Corporation.**
- ✓ The Netherlands, through **Eurovisa**



2. The expansion of Televisa (1973-1990)

- 1986, Televisa became the US owner of **ECO** -the international system for news in Spanish.
- Televisa signals reached 7 million homes, or about 41 million viewers in its home country.



The legal problems of Televisa in United States...

- 1986, the family **was forced to sell Univisión,**
- **Univisión was sold to Hallmark Cards Corporation and First Chicago Venture Capital.**
 - The new owners agreed, under contract, to maintain Televisa productions as their programming base.



3. Liberalization and de-regulation of the industry (1991-1993)

Televisa:

- Took advantage of the opportunities afforded by industry de-regulation around the world.
- Entered new sectors with potential for growth



3. Liberalization and de-regulation of the industry (1991-1993)

- In 1991, Televisa began to trade on the stock market.
- In 1993, Grupo Televisa defined its mission as *a producer of information and entertainment programming, with a distribution system that used the latest technologies to make its production available to 350 million Spanish speakers around the world.*
- The firm also defined three key areas: a) production, b) distribution and c) international presence.



3. Liberalization and de-regulation of the industry (1991-1993)

Corporate strategy:

- To **strengthen its presence on the domestic market** through the production of information and entertainment programs, and to **expand internationally through the available distribution windows.**

Tabla 3.7. Alianzas estratégicas del Grupo Televisa (1991-1993)

Pa's	Empresa	Tipo de alianza
Argentina	Argentina Televisora Color, ATC. (1991)	65% del capital social.
	Pampa Estudios, S.A. (1992)	Convenio de distribución.
Bolivia	ATB-Red Nacional Bolivia (1992)	25% del capital social.
Chile	Red Televisiva Megavisión, S.A. (1991)	45% del capital social.
España	Unión Ibérica de Radio, S.A. (1993)	25% del capital social.
Estados Unidos	Univisión (1991)	Licencia para la edición y distribución de revistas.
	Hearst Corporation (1992)	50% del capital social.
	PanAmSat, L.T. (1993)	25% del capital social.
	QVC Network (1993)	Joint Venture.
	News Corporation (1993)	Joint Venture.
	Discovery Communications, Inc. (1993)	Convenio de producción y distribución.
	Mobiel Telecommunications Technologies Corp. (1993)	51% del capital social.
Perú	Compañía Peruana de Radiodifusión, S.A. (1992)	76% del capital social.

FUENTE: Elaboración propia con información de GRUPO TELEVISIA (1991) p. 41; GRUPO TELEVISIA (1993) pp. 8-9; GRUPO TELEVISIA FINANCIAL STATEMENTS (1993) p. 15; MEJÍA, F. (1998) p. 58; FERNÁNDEZ, C.; PAXMAN, A. (2000) p. 372.



3. Liberalization and de-regulation of the industry (1991-1993)

- Horizontal integration brought about strategic growth, which allowed content expansion to domestic and international markets.
- Diversified activity, such as investment in satellites through **PanAmSat**, or Spanish language publications through **Grupo America**.



3. Liberalization and de-regulation of the industry (1991-1993)

- Grupo Televisa was opportune in taking advantage of reduced protectionism in foreign investments. A stronger presence abroad, coupled with diversification to reduce risk, especially at home, helped the group face the new competitor that threatened its market dominance.



4. Televisa's reaction the economic, political, and social crisis (1994-1996)

The economic crisis that affected Mexico in 1994:

- Caused a considerable **negative impact** on the **financial structure** of Grupo Televisa.
- Company leaders **decided to sell** of part of their stock in some foreign companies to obtain income in dollars.
- **Signed strategic alliances with industry leaders to create a new audiovisual business.**

Tabla 4.5. Actividades estratégicas del Grupo Televisa (1994-1996)

(Cantidades expresadas en millones de dólares)

	Actividad	Lugar	Ingresos	Participación de capital en 1996
1994	Univisa vende Central de Video a Videoprima.	Estados Unidos	16,80	0,00%
	Venta de Televisa Peruana, controladora de Compañía Peruana de Radiodifusión, a Perúvisión.	Perú	33,20	0,00%
1995	Hacen oferta pública de acciones del capital social de PanAmSat.	Estados Unidos	40,30	46,00%
	Vende el 49% de Cablevisión a Telmex.	México	211,00	51,00%
1996	Compra Bay City Television, Inc., y Radio Televisión, S.A. De C.V.	México	-176,00	100,00%
	Realizan oferta pública de acciones del capital social de Univisión.	Estados Unidos	190,00	19,80%
	Se fusionan PanAmSat y General Motors. La nueva empresa realiza una oferta pública de acciones.		1.200,00	8,50%
	Realiza alianza para formar Sky Entertainment Services con News Corporation Limited, Organizaciones Globo y Tele-Communications International, Inc.	Estados Unidos, México y Brasil.	-90,00	30,00%
	Firma acuerdo con Telefónica y otras cadenas de televisión españolas para el desarrollo de DTH.	España	0,00	
TOTAL			1.425,30	

FUENTE: Elaboración propia con información de MEMORIA ANUAL GRUPO TELEVISIA (1994) p. 56; GRUPO TELEVISIA (1995) pp. 2, 69; GRUPO TELEVISIA (1996) pp. 22, 75, 78.



4. Televisa's reaction the economic, political, and social crisis (1994-1996)

- Diversification strategies and international growth helped Grupo Televisa compensate for the effects of the economic situation in the country.
- The group took advantage of the situation to develop a new audiovisual business -digital platforms- in conjunction with companies such as **News Corporation** and **O'Globo**.



5. Televisa's reaction to a competitive market (1997-2000)

- Televisa had to face three simultaneous problems:
 1. Economic, a consequence of its size and its third party debts.
 2. TV Azteca's decision to enter a broader market.
 3. the 1997 death of Emilio Azcarraga Milmo, who for 24 years had been president and CEO.



5. Televisa's reaction to a competitive market (1997-2000)

- A **competitive environment**, an **enormous organizational structure** and significant **debt**, plus an *international audiovisual market that was becoming more dynamic*.
- *We have concentrated specifically on our ratings, the news programs, the sale of advertising time, our association with DTH, and the financial structure of the company.*

Tabla 5.2. Repercusi3n econ3mica de las actividades de Televisa (1997-2000)

	D3lares
Ingresos:	
Vendor	217.000.000
Pegaso Telecomunicaciones	126.000.000
Ovaciones	25.000.000
PanAmSat	675.000.000
Univisi3n	380.000.000
TOTAL	1.423.000.000
Inversiones:	
Plataformas digitales	200.600.000
Teatro Alameda	230.000.000
TOTAL	430.600.000

FUENTE: Elaboraci3n propia.



5. Televisa's reaction to a competitive market (1997-2000)

- Sold off participation in **PanAmSat**.
- Sold off part of its stock in **Univisión**.



5. Televisa's reaction to a competitive market (1997-2000)

- Signed different agreements with industry leaders in the production of entertainment:
 - Corporación Interamericana de Entretenimiento (CIE).
 - National Geographic Society and New York Times Magazine Group.
 - Distribuidora Intermex, which included a chain in Latin American.
 - Some of the leaders: **Grupo Prisa, Casa Editorial El Tiempo, Radio Cadena Nacional, RTI Comunicaciones de Colombia, Pastrana Arango, and Publicom.**

Tabla 5.4. Integración horizontal de Televisa (2000)

Ventanas de distribución

Nacional

<i>Canal 2</i>	<i>Cadena de televisión nacional en México (satélite y se- al terrestre)</i>
<i>Canal 4</i>	
<i>Canal 5</i>	
<i>Canal 9</i>	
XETV	Estaciones de televisión local, situadas al norte del país.
Sky	Televisión de pago (satélite, televisión directa al hogar)
Cablevisión	Televisión de pago (cable)

Internacional

Univisión	Cadena de televisión en Estados Unidos dirigida al mercado de habla hispana (vía satélite, terrestre, cable)
Megavisión	Cadena nacional de televisión en Chile (terrestre y vía satélite)
Sky	Latinoamérica y el Caribe, Estados Unidos y el sur de Canadá. (Satélite)
Vía Digital	España (Satélite)

FUENTE: Elaboración propia.



5. Televisa's reaction to a competitive market (1997-2000)

- Alliances formed with other communications groups guaranteed that Televisa could distribute its programming to the Spanish speaking market.
- Televisa was the exclusive broadcaster of entertainment and leisure programs, thanks to its association with **CIE**.
- Horizontal integration strategies were intensified through investments made in Internet and audiovisual business,



5. Televisa's reaction to a competitive market (1997-2000)

- The group also formed agreements, alliances, and associations with other leaders in the communications industry, in order to reinforce its principal outlet: television. These strategic activities were intended to continue strengthening horizontal integration.



The current situation of Televisa (2000-2006)

- Sold off participation in businesses that are not profitable
- Signed joint venture with Dutch company, Endemol



The current situation of Televisa (2000-2006)

In pay television, Televisa continues to work with:

- DirecTV

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Galavision, Telefutura, TuTV



The current situation of Televisa (2000-2006)

- In 2003, Televisa and Univision put up 50% each to form TuTV.
- The Mexican company would be the principal provider of content.
 - TuTV handles five pay television channels
 - Distribution is via satellite and cable.
 - TuTV has almost 14 million subscribers in 44 countries in Latin America, Europe, Australia, and the United States



The current situation of Televisa (2000-2006)

- Strategic alliance in Spain with Globomedia (Grupo Arbol) and Mediapro to establish La Sexta
- Associated with Grupo Prisa in Spain to start up a radio company
- Sold part of its stock in Red Televisiva Megavisión, Chile.
- Sold off its participation in Vía Digital of Spain
- Owns part of Sogecable, another digital television company in that same country



The current situation of Televisa (2000-2006)

- Still the leader in the publishing industry in Latin America. Of the 68 publications it offers, 27 are produced by the group
- Launched Tarabu, the first legal on-line digital music provider in Latin America
- Returned to the music industry thanks to a new alliance with EMI Music
- Participates in the entertainment industry through an alliance with OCESA, previously called CIE



Televisa



Problems

- Personal problems between Univision's principal stockholder, Jerrold Perenchio, and the principal stockholder of Televisa, Emilio Azcarraga Jean.
- In 2006, Grupo Televisa sued Univision Communications for altering its content without authorization, and for omitting to broadcast Televisa ads.
- Emilio Azcarraga Jean resigned his position on the Univision board in May of that year.



Problems

- In 2006, Univisión rejected the offer made by Televisa Group to buy stock in the American chain.
- Univisión instead accepted the offer of Haim Saban (Texas Pacific Group and Thomas Lee Partners).
- Televisa's contract for exclusive content distribution with Univisión will continue until 2017.