



## 2016 Top Markets Report **Media and Entertainment** Country Case Study

### Mexico

Mexico's M&E industry is set to grow at a CAGR of 6.7 percent to reach \$35.5 billion by 2019. The nominal GDP growth at 7.0 percent with an increasing household consumption, urbanization and broadband penetration (to reach 75 percent in 2018) signals a larger consumer base for M&E sectors. In 2010, the Mexican government launched a \$20 million film tax incentive program aimed at encouraging both domestic production and foreign investment in the filmed entertainment sector. Piracy is a significant challenge, and neither the legal framework nor enforcement is particularly effective in protecting creative content, and therefore this is a major policy focus for both governments.

Overall Rank

6

#### Ranking of the Mexican M&E Sectors 2016

1. **Filmed Entertainment**
2. **Publishing**
3. **Video Games**
4. **Music**

Mexico ranks sixth on ITA's list of top media and entertainment export markets in part due to its proximity to the United States and in part due to its proximity to Brazil. The two powerhouses, Brazil and Mexico, dominate M&E across Latin America. As a NAFTA partner, Mexico has much untapped potential for exporters in these sectors. The two largest growth sectors continue to be over-the-top streaming and digital console games.

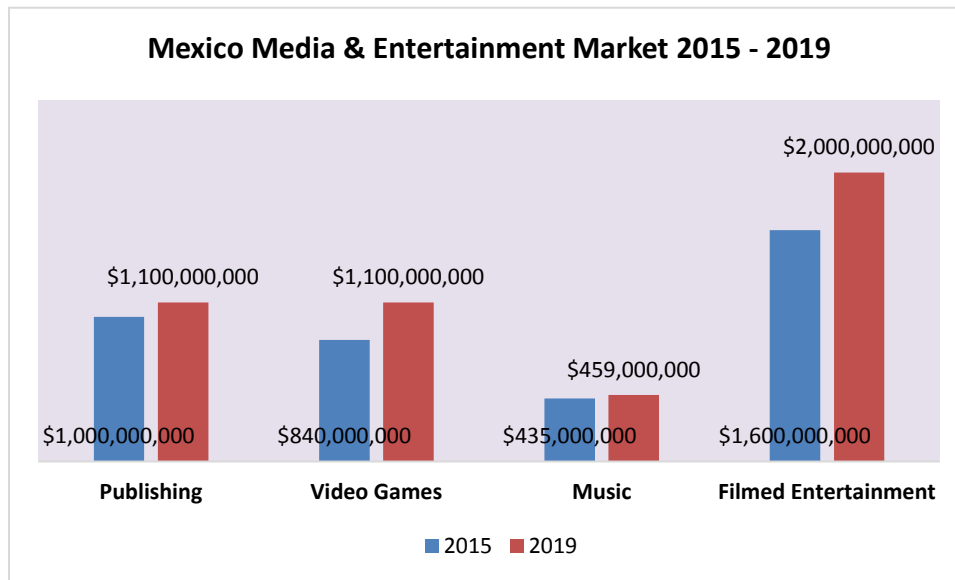
There are especially good opportunities for American producers that can deliver Spanish language content or M&E tailored to cultural preferences in the demanding telenovela marketplace. This holds true for publishing and all of the other sectors. Music is already so vibrant in Latin America, and there is taste for U.S. content, but it will vary by region and population, requiring close scrutiny of the marketplace by each licensor. Piracy is so ingrained in society that it is challenging to encourage legitimate consumption of music. The film industry is large, and while there have been many joint projects, one concern for U.S.

producers is safety of crew and equipment. The video games sector is growing in leaps and bounds, although it is unclear where U.S. programmers, producers and licensors can gain best access.

#### **Overview of M&E Market**

As a NAFTA partner, Mexico is an attractive market for U.S. businesses, and the country is trying to develop its exhibition industry as part of a broader economic plan to encourage commerce and tourism. Mexico's revenue from trade shows will reach \$368 million in 2019. U.S.-based Reed Exhibitions has recently made inroads into the predominantly Mexican-owned exhibition sector by acquiring two major trade M&E related industry shows, boding well for the U.S. sector, as this will create more opportunities in the Mexican marketplace to meet Mexican and other international partners, buyers, licensors and distributors than ever before available.

Partnering with a major organization, like Reed, that has vast experience with M&E sectors can create the sense the Mexican market is ready to invest in resources to build infrastructure that will support investments from M&E companies. Mexican entertainers and industry leaders are bringing their international success home in a move



\* Data Sourced from PwC Global Media & Entertainment Outlook 2014-2019

to build the domestic sectors, and the increased knowledge of how M&E business is conducted in global markets will be advantageous to U.S. partners entering this market.<sup>45</sup> With strong broadband penetration and more than 50 percent of the population owning smart phones, or 65 million connections, digital M&E sectors are set to see new growth.

Piracy in physical and digital M&E segments is rampant, constituting a serious threat. At the same time, demand for U.S. content is so strong in Mexico that many jokingly lament, “so close to America, so far from God;” in the case of this industry, it might just be a good thing for both parties.

### Opportunities for U.S. Companies

#### Filmed Entertainment

The robust Mexican film and television market will grow to \$2.1 billion (5.9 percent). That growth is attributed in part to a 2013 bill that allows greater competition for broadcast TV and telecommunications and a new national TV network auctioned in 2015. A second network, which will tentatively be auctioned in October 2016, is expected to continue this trend. By 2019, box office revenues should reach \$1.2 billion, up from \$944 million in 2014 (5.2 percent).<sup>i</sup> The film industry has experienced a surge in recent years after decades of low growth. U.S. blockbusters still dominate Mexican movie theaters, but the burgeoning domestic film production market is taking hold. There is excellent

opportunity for U.S. producers who would like to collaborate with local film and TV producers, especially with Spanish-language content.

In 2013, the Mexican government introduced a reform bill to increase telco and broadcast TV competition, and the market place responded very favorably. Digital home video is growing rapidly, as it is in most of the world, and will overtake physical by 2017. Netflix was an early entrant that helped with this trend in Mexico and spurred a surge in local OTT providers such as Claro Video, Blim and TotalMovie. Revenues will reach \$511 million in 2019 (16.1 percent growth from 2015), but over-the-top and streaming will really lead the growth with a whopping 91.4 percent to reach \$89 million by 2019.<sup>ii</sup> TV subscriptions will grow at a slower rate yet earn higher revenues at \$422 million by 2019 (91.4 percent).<sup>iii</sup>

#### Music

Mexico has Latin America’s second largest music market after Brazil and will reach \$459 million in 2019 (1.1 percent), a significant downward revision from 2014’s forecast of \$539 million by 2018 (3.6 percent).<sup>iv</sup> The expansion in digital recorded music and Internet-enabled devices has offset losses from CD sales. Downloads, while still popular, are facing a decline in market size to \$33 million (down 6.9 percent) by 2019, down from \$47 million in 2014.<sup>v</sup> Subscription services are growing exponentially, with every major service operating in the country. Streaming services will grow 4.1 percent to

constitute almost a half of digital recorded music sales by 2019.<sup>vi</sup>

Live music is larger in Mexico than anywhere in Latin America and will reach \$316 million in 2019.<sup>vii</sup> Corporacion Interamericana de Entretenimiento (CIE) is the largest concert venue in Mexico and is also the exclusive distribution partner in Mexico for global concert promoter Live Nation. There is excellent export potential for live performances<sup>46</sup> and in the subscription service arena.

Piracy is a perennial problem in Mexico. U.S. investors are advised to seek counsel on how to best protect content, as it is a fact of doing business in Mexico. The Mexican government is working to stem both physical and digital piracy as are Mexican music industry leaders such as Multimusic, Mexico's leading music content broker for independent artists.<sup>47</sup> AMPROFON is a trade association in Mexico that represents 70 percent of the music market (labels and producers), awards certificates for music releases, and is also an associate member of the International Federation of Phonographic Industry (IFPI).

### Games

Video games are growing fast from \$742 million in 2015 to \$879 million (4.5 percent) by 2019 and are very much part of Mexico's modern culture.<sup>48</sup> This is also the largest games market in Latin America with combined consumer revenues constituting 81 percent of the industry. Consoles earned \$341 million and app-based games \$151 million (2014).<sup>viii</sup> Both physical and digital consoles are growing; the former being unusual compared to most other top markets.

Online games are also gaining in popularity to reach \$123 million by 2019 at a solid 10.1 percent growth rate.<sup>ix</sup> Social/casual games (formerly mobile-based gaming) will grow by 6.3 percent to \$281 million. A significant amount of this increase will be driven by the widespread popularity and ease of access, which are attractive to a broader range of people than PC and console games. There are good growth prospects for brands seeking to collaborate with game licensing.<sup>49</sup>

### Publishing

The Mexican book publishing sector is set to increase from \$1 billion in 2015 to \$1.1 billion in 2019 at a growth rate of 2.8 percent.<sup>x</sup> Professional e-books will grow from \$26 million in 2015 to \$40 million at a growth rate of 11.5 percent.<sup>xi</sup> Consumer e-books will generate sales of \$28 million in 2015 and are slated to increase to \$91 million in 2019 at a rate of 37.6 percent. Educational e-books made up just \$3 million dollars of publishing revenue in 2015 but will double to \$6 million by 2019.<sup>xii</sup>

The increase in the penetration of tablets and e-book readers will contribute to the growth in these sectors, specifically with the increase in ownership of smartphone devices.<sup>xiii</sup> Educational books are supported by the government through grants to small- and medium-sized publishers.<sup>xiv</sup> E-books are slated to make up 12 percent of the total book publishing sector in Mexico by 2019, representing an increase of 8 percent over 2014 when e-books only made up 4 percent of the total publishing market.<sup>xv</sup>

The growth of the e-book sector presents export opportunities for U.S. publishers, especially those that can produce final products in Spanish. Furthermore, print books enjoy a benefit that prohibits their discounting within the first 18 months of the book's publication, driving profits for publishers.<sup>xvi</sup> Between support for small- and medium-sized publishers from the current Mexican government and the expansion of the e-book markets as well as the educational and professional print markets through 2019, the market is in a good position for U.S. publishers to successfully export their content.

### **Challenges Facing U.S. M&E Exporters**

Mexico is a large market, and there are opportunities for U.S. exports, especially Latin channels and Spanish language content but also English content. The government continuously cracks down on physical piracy but has not been very effective in protecting intellectual property in the digital environment. The major obstacles to effective enforcement of IP crimes in the digital environment are (1) a need for an improved legal framework to address IP crimes in the digital environment; (2) a need for more expertise by law

enforcement to investigate and prosecute digital crimes; (3) a need for more priority and focus to these types of crimes; and (4) enhanced judiciary expertise to adequately adjudicate these cases.

With regard to the current legal framework, Mexico has not fully implemented the World Intellectual Property Organization (WIPO) Internet Treaties, and copyright law reform has stalled in the shadows of the Trans-Pacific Partnership negotiations, according to the 2016 Special 301 Report.

### **Guidance and Resources for Exporters**

The following information is intended to provide guidance and resources for U.S. exporters looking to sell their services in Mexico.

- Typical buyers, licensors and distributors of M&E in Mexico might include state and federal government, small and medium sized private companies, and large private companies.
- Preferred business strategies to enter/expand in the market might include agreeing on distribution and setting up an office in country with local data centers.
- Common trade barriers to enter/expand in the market might include that most multinational vendors have set up their own regional or local office in country. It is a cost of doing business in the local market, as many potential clients, especially federal government agencies, insist on their data remaining in Mexico. Companies should expect some significant competition from local vendors -----
- U.S. Department of Commerce Country Commercial Guide:  
<http://www.export.gov/ccg/mexico090857.asp>

### Industry Trade Associations

- National Publishing Industry Association (Caniem) <http://www.caniem.com>
- Mexican Center for Copyright's Protection and Promotion (Cempro) <http://www.cempro.com.mx>
- American Chamber of Commerce in Mexico: <http://www.amcham.com.mx/>

### Government Agencies

- INDAUTOR (National Copyright Institute)  
Address: Puebla 143, Piso 5, Colonia Roma Norte  
Point of Contact: Manuel Guerra Zamarro,  
Director General

Telephone: 3601.8270  
Email: [mguerra@nube.sep.gob.mx](mailto:mguerra@nube.sep.gob.mx)  
Website: [www.indautor.gob.mx/](http://www.indautor.gob.mx/)

- The National Institute of Statistics, Geography and Information Technology (Inegi) <http://www.inegi.gob.mx>
- IMPI (Mexican Institute of Industrial Property)  
Address: Periférico Sur No. 3106, Colonia Jardines del Pedregal  
Point of Contact: Miguel Angel Margáin, Director General  
Telephone: 5624.0400  
Email: [mmargain@impi.gob.mx](mailto:mmargain@impi.gob.mx)  
Website: [www.impi.gob.mx](http://www.impi.gob.mx)
- PGR-UEIDDAPI (Specialized Unit for the Investigation of Crimes against Intellectual Property of the Attorney General's Office)  
Address: Insurgentes Sur No. 235, 1er Piso, Colonia Roma Norte  
Point of Contact: Arturo Ancona García López, Head of UEIDDAPI  
Telephone: 5346.4423  
Email: [arturo.ancona@pgr.gob.mx](mailto:arturo.ancona@pgr.gob.mx)  
Website: [www.pgr.gob.mx/Subprocuradurias/sei/df/Paginas/default.aspx](http://www.pgr.gob.mx/Subprocuradurias/sei/df/Paginas/default.aspx)

### Trade Shows

#### *Music*

- Sound Check Expo for Music is held every year during March [www.soundcheckexpo.com.mx](http://www.soundcheckexpo.com.mx)

#### *Publishing*

- Feria Internacional del Libro – Monterrey  
October 10-18, 2016 <http://fil.mty.itesm.mx/>
- Feria Internacional del Libro de Guadalajara (Guadalajara International Book Fair) November 26- December 3, 2016. The Guadalajara International Book Fair is the most important publishing gathering in Ibero America: [http://fil.com.mx/ingles/i\\_default.asp](http://fil.com.mx/ingles/i_default.asp)

#### *Video Games*

- Electronic Game Show – in Guadalajara (May) and Mexico City – Dates TBC  
<http://electronicgameshow.com/>

### Industry Trade Associations

#### *Film/TV*

- MPA (Motion Picture Association)  
Address: Patriotismo #229, 8<sup>th</sup> floor,  
office 303, San Pedro de los Pinos  
Point of Contact: Ana María Magaña,

Managing Director  
Email: [AnaMaria\\_Magana@mpaa.org](mailto:AnaMaria_Magana@mpaa.org)  
Website: [www.mpaa.org](http://www.mpaa.org)  
Telephone: 2881.0419

#### *Music*

- Mexican Society of Phonograms: [www.somexfon.com](http://www.somexfon.com)
- Mexican Association of Music Producers: AMPROFON
- (Mexican Association of Phonogram and Videogram Producers)  
Address: La Fontaine 42, Polanco  
Point of Contact: Gilda Gonzalez, Director General  
Telephone: 5281.6035  
Email: [ggonzalez@amprofon.com.mx](mailto:ggonzalez@amprofon.com.mx)  
Website: [www.amprofon.com.mx](http://www.amprofon.com.mx)

#### *Video Games*

- ESA (Entertainment Software Association)  
Address: Carretera México-Toluca 5420, Piso 19, El Yaqui, Cuajimalpa  
Point of Contact: Kiyoshi Tsuru, Legal Representative  
Telephone: 5652.2021  
Email: [ktsuru@tmilaw.com.mx](mailto:ktsuru@tmilaw.com.mx)  
Website: [www.theesa.com](http://www.theesa.com)

---

<sup>i</sup> Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/10/2016.  
<sup>ii</sup> Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/10/2016.  
<sup>iii</sup> Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/11/2016.  
<sup>iv</sup> Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/11/2016.  
<sup>v</sup> Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/11/2016.  
<sup>vi</sup> Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/11/2016.  
<sup>vii</sup> Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/11/2016.  
<sup>viii</sup> Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/11/2016.  
<sup>ix</sup> Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/11/2016.  
<sup>x</sup> Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/11/2016.  
<sup>xi</sup> Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/11/2016.  
<sup>xii</sup> Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/11/2016.  
<sup>xiii</sup> Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/11/2016.  
<sup>xiv</sup> Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/11/2016.  
<sup>xv</sup> Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/11/2016.  
<sup>xvi</sup> Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/11/2016.