

ITU Workshop on "TV and content delivery on Integrated Broadband Cable Networks"

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Telecommunications: Diffuse borders in terms of incomes and investment in Latin America. The Netflix case.

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NETFLIX

The leading streaming video service by subscription worldwide.

- In Latin America every day gain more strength.
- Competing with Netflix, the Latin American market has suffered great economic loss.
- NETFLIX operates with expensive infrastructure provided by Latin American companies to upload their content.
- Latin American cable operators do not profit from this operation.



It is worth highlighting that for countries such as Argentina and others in the region- which have developed significant capacities in the industry of creating content throughout the last two decades- the emergence of actors like Netflix leads to a huge asymmetry between the incomes generated by the OTT industry and the possibility of being reinvested in the territory



As the consumption trend is irreversible, local operators have been forced to update their models and, though Netflix is not affable, to confront the circumstances with various strategies



Signal providers and programmers have also internalized the new game and its rules to guarantee the survival of all the players. However, Comcast's (USA) view upon Netflix is quite different from that of Latin American cable operators.

Companies which own infrastructure are more reluctant to changes than those which are subject to signing contracts order to be able to operate.



The cable industry continues to assert its coaxial cable, now equipped with technology DOCSIS 3.0 (Cablevision) and DOCSIS 3.1 (Comcast) offering more than 1 GB and 5 GB per second , respectively (first tests have already reached 10 GB)



Every year, network providers must increase the bandwidth capacities (50% year-to-year), according to the requirements of the users.

Online video at any time and place, streaming music (Spotify) and homely benefits (monitoring) among others, are driving these requirements



Responding to this demand and considering providers as non-threats is a constant challenge in the field of OTT services.

Although relationships are sometimes taut (even in court), this is the new path that cable operators are taking to cope with the rapid and inevitable advance of Netflix.



What if Netflix becomes the Amazon.com of the entertainment industry?

- During 2016, Netflix offered 31 TV series, 10 feature films, 30 programs for children, 12 documentaries and 10 special comedy shows: a person should consume Netflix original content during 25 full days.
- Beyond each product, Netflix is obtaining consumer data to improve its service and fulfill clients' expectations. Hence, satisfying a wide range of demographic customers around the world.



NetfliX managers are well aware of the power bestowed upon them regarding content business and how it will be used to demand favorable prices in the contents purchased

Once at the top, subscriptions fees (currently attractive in the media business) are expected to increase.



Average clients pay about 14 cents per Netflix hour, whereas the cable is between 25 and 30 cents.

So Netflix basically charges half the price than any other operator (OTT or cable).

This economic disadvantage is one of the major concerns among the Latin American audiovisual content production industry



This document intends to warn about what should be done nationally and locally so the contents produced in the countries have a network display of their own, in which they are prioritized, avoiding, therefore, being at foreign companies' will.



To conclude, it is time to wonder what would happen if Netflix covered 70% of the contents circulating in local networks: it will surely be consulted about decisions made regarding their future, including OUR network.





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