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The Impact of the Recession on the TV Industry in Mexico and Spain

Impacto de la recesión económica en la industria de la televisión en México y España

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ABSTRACT: The impact of the recession has been different in media market in America and Europe. In most Latin American countries, advertising revenue has not decreased as dramatically as in Europe. Spain is one of the European countries in which the recession has hit hardest and, as a result, the media market, mainly free to air TV, has been strongly affected. In contrast, the recession has not affected the Mexican market so profoundly, because its television market does not depend exclusively on advertising. Mexico has historically been regarded as a net exporter in the audiovisual market. The aim of this study is to analyse the influence of the recession on the television market of two countries, Mexico and Spain, and to identify some keys to overcome the consequences of the global recession from market and media management points of

view. Although they are very different countries, they share a common language and may become competitors in the international markets.

A number of microeconomic indicators are compared, such as media advertising investment, the economic performance of media companies and the international sales of television programs, as well as macroeconomic indicators such as Gross Domestic Product (GDP) and the inflation rate from 2005 (two years prior to the beginning of the crisis) to 2010.

RESUMEN: El impacto de la recesión ha sido muy diferente en el mercado de los medios en América y en Europa. En los países latinoamericanos, la inversión publicitaria no ha disminuido tanto como en Europa. España ha sido uno de los países europeos en los que la recesión ha sido más fuerte y ha afectado al mercado de la televisión en abierto. Por el contrario, el impacto en México ha sido diferente. La razón principal es que su televisión no depende exclusivamente de los ingresos de publicidad. Las exportaciones a otros países siempre ha sido una importante fuente de ingresos.

El objetivo de este artículo es analizar el alcance de la recesión en el mercado de la televisión en México y en España, e identificar las posibles claves para superar la crisis desde la perspectiva del mercado y de las compañías. A pesar de ser países diferentes, México y España tienen en común el idioma y compiten en la venta internacional de sus productos audiovisuales. Se compararán algunas variables como son la inversión publicitaria, los resultados económicos de las compañías, las ventas internacionales, así como indicadores macroeconómicos que servirán para entender las dimensiones globales de la crisis. El periodo de análisis es de 2005 a 2010.

Keywords: Economic recession, advertising revenues, television market, audiovisual exports, media companies, Mexico, Spain

Palabras clave: recesión económica, inversión publicitaria, exportaciones audiovisuales, mercado de la televisión, México, España

1. Introduction

The recession has had a different impact on developed countries than on developing economies, and the media sector is one of the fields in which this phenomenon is reflected most clearly¹. According to the President of the film division of the Spanish Group Antena 3: “In the 2000s the business power centre shifted from the Atlantic rim to the Pacific. The fundamentals of their economies and the market structure are different”².

¹ Cfr. JIMÉNEZ, Miguel, “Latinamérica como solución”, *El País*. 18 December 2011. Retrieved:http://www.elpais.com/articulo/empresas/sectores/Latinoamerica/solucion/elpepueconeg/20111218elpnegemp_5/Tes; ALMIRÓN, Nuria, “Grupos privados propietarios de medios de comunicación en España: principales datos estructurales y financieros”, *Comunicación y Sociedad*, vol. XXII, nº 1, 2009, pp. 243-263.

² LEJARZA, Mikel, President of Antena 3 Films, Antena 3’s production company, personal interview, Pamplona, Spain, 15 March, 2012.

Advertising is one of the sectors most influenced by external factors³. Moreover, if advertising investment decreases, the revenue for media decreases as well. However, advertising revenue has not decreased as dramatically in Latin American countries as in Europe⁴.

Spain is one of the European countries in which the recession has hit hardest and, as a result, the media market has been strongly affected. Special issues of specialized publications analysed how general recession has affected the media market⁵. There was a 27% decrease in advertising expenditure in media between 2007 and 2010, whereas the sector in Mexico saw an 11% increase over the same period⁶. According to the General Manager of territorial expansion of the Spanish journal *ABC*, media are affected by a triple crisis: the global economic crisis, the media sector crisis stemming from the transformation brought about by digital convergence, and the resulting crisis in the media business model⁷.

In addition to the general economic recession and the particular crisis in the press sector, the Spanish television market has also been experiencing a profound change⁸. The DTT switch-on in 2010 increased the costs of television companies. New channels have been launched and audience segmentation has had a negative influence on media company revenues. As a result, these companies have invested very little in new programs⁹, while advertisers lack confidence in the ratings of new channels because they were not high enough to justify their investments. As McAllister (2010) pointed out: “advertisers demand evidence from their agencies of how advertising increases purchases”¹⁰.

Consequently, mergers and acquisitions were provided for under Law 7/2009 in order to facilitate competitive advantages in taking on the debts of some media companies. Another factor that has altered the competitive dynamic was the elimination of advertising from the public television channel in 2010¹¹. This development could have been an advantage for other, private channels; but this has not proven to be the case in the end because advertisers simply decreased their investment in television as a whole.

³ Cfr. AAKER, David and MEYERS, John, *Advertising management*, Prentice Hall, Englewood Cliffs NJ, 1992; PICARD, Robert, “Effects of recessions on advertising expenditures: an exploratory study of economic downturns in nine developed nations”, *The Journal of Media Economics*, vol. 14, n° 1, 2001, pp. 1-14.

⁴ TORRES, Emma, “La crisis del sector publicitario en España”, en CAMPOS, Francisco (ed.), *El campo mediático*, Comunicación Social, Zamora, 2010, pp. 107-136.

⁵ Cfr. FARIAS, Pedro and ROSES, S., “La crisis acelera el cambio del negocio informativo”, *Estudios sobre el Mensaje Periodístico*, 15, 2009, pp. 15-32. Cfr. “Informe especial”, *Intermedios*, n° 339, 2009; MADINAVEITIA, Eduardo, “Crisis en el negocio de los medios”, *Revista APD*, n° 242, 2009, pp. 24-25; “Especial crisis”, *Noticias de la Comunicación*, n° 288, February, 2009; ROMERO, María., PÉREZ, M. José and OROZ, Sara, “Prospectiva de la Crisis Mediática en un Contexto de Crisis Global”. *Revista RE – Presentaciones Periodismo, Comunicación y Sociedad*, Vol. 3, n° 6, 2010, pp. 73-94.

⁶ Cfr. Confederation of Industry of Communication and Marketing.

⁷ ERICE, Manuel, General Manager of territorial expansion of *ABC*, Session at the University of Navarra, MA in Media Management, Pamplona, Spain, 17 February, 2011. Cfr. SÁNCHEZ-TABERNERO, Alfonso, “Los grupos de comunicación en España: estrategias frente a la crisis”, in CAMPOS, Francisco (ed.), *op. cit.*, pp. 59-73.

⁸ Cfr. ALCOLEA, Gema and GUTIERREZ, Estrella, “El sector televisivo español en el contexto de crisis económica: Análisis y perspectiva jurídico-empresarial”, *Periodismo, Comunicación y Sociedad*, vol. 6, 2010, pp. 125-144.

⁹ Cfr. FERNÁNDEZ, David, “El Mercado de la producción independiente en España ante la aparición Cuatro y La Sexta” [The Spanish independent production market in view of the appearance of Cuatro and La Sexta], *Comunicación y Sociedad*, vol. XXII, n° 1, 2009, pp. 59-87.

¹⁰ Cfr. McALLISTER, Mathew P., “But Wait, There's More!: Advertising, the Recession, and the Future of Commercial Culture”, *Popular Communication*, vol. 8 n° 3, 2010, pp. 189-193.

¹¹ Cfr. MEDINA, Mercedes and OJER, Teresa, “The New Spanish Public Service Broadcasting Model”, *Comunicación y Sociedad*, vol. XXIII, n° 2, 2010, pp. 329-359; SEMOVA, Dimitrina-Jivkova, “Financing Public Media in Spain: New Strategies”, *International Journal on Media Management*, vol., 12, n° 3, 2010, pp. 141-157.

In marked contrast to the Spanish context, the Mexican television market is a duopoly, in which one of the companies, Televisa, controls more than half of total market turnover. Furthermore, the audiovisual sector in Mexico did not suffer the negative consequences of the current global recession as severely as the Spanish market. Although advertising spending decreased by 9.5% for free-to-air television in 2008-2009, this loss was recovered in subsequent years due to the high audience ratings of some of the television channels; indeed, the investment figures for 2010 outstripped those for 2005¹². Moreover, the advertising revenues for pay-per-view TV increased by 36.18% between 2005 and 2010¹³. At the same time, Mexican companies have been diversifying their commercial activity by selling their products in the international market; such international activity is not limited only to the sale of contents, but also involves know-how and co-production with other countries¹⁴. The DTT switch-on will take place in Mexico in 2015, although most of the cable operators are already using the digital signal.

Although they are very different countries, what Mexico and Spain have in common are close historical and commercial ties, and both are important contributors to the Spanish-speaking market. In fact, after many attempts to do so, Televisa finally became a stakeholder in the Spanish audiovisual company La Sexta, in 2005.

A comparative analysis of the two markets over the same period may contribute to an analysis of how the global recession impacts different countries in different ways, as well as to a clearer understanding of keys to overcoming external threats, not only at the macro level of market structure, but also from a media management strategy perspective.

First, the research literature about the consequences of the recession for the television markets and the methodology to measure it is reviewed, followed by an overview of the variation in micro and macro indicators for Mexico and Spain from 2005, two years before the crisis started, to 2010. Finally, both countries are compared in order to identify similarities and differences as regards the impact of the recession, and a number of conclusions relating to the reasons for such impact are raised in the discussion section. The paper closes with further recommendations to media companies based on what has been learnt through this study of the two countries, along with a brief description of some possible limitations on this research.

2. Literature review

The impact of recessions has been studied by a number of scholars, but as Picard (2001) noted, there is relatively little literature about the recession and its effects on the economic results of advertising and media companies¹⁵. He studied how advertising expenditures are influenced by recessions and which media were most negatively affected by lower advertising expenditure during the period 1989-1998. Following an analysis of nine countries, his conclusion was that the print media were more affected than electronic media; but no single reason to account for why advertising expenditures were reduced in the developed countries he studied. In some cases, such reduction was directly related to changes in GDP, but in others it may have been related to advertiser type and the uses they make of media. Picard did

¹² Cfr. JARA, Rubén, “La inversión publicitaria repuntará 5.0%”. *El Economista*, 2010. Retrieved March 15, 2011 from <http://eleconomista.com.mx/industrias/2010/03/09/inversion-publicitaria-mexico-repuntara-50>.

¹³ Cfr. Confederation of Industry of Communication and Marketing.

¹⁴ Cfr. SINCLAIR, John, *Televisión: comunicación global y regionalización*, Gedisa, Barcelona, 2000.

¹⁵ Cfr. PICARD, Robert, “Effects of recessions on advertising expenditures: an exploratory study of economic downturns in nine developed nations”, *The Journal of Media Economics*, vol., 14, nº 1, 2001, pp. 1-14.

not address the economic behaviour of media companies in relation to other income streams and financial results.

Chang and Chan-Olmsted (2005) likewise used GDP as a variable to explain advertising spending on media in seventy countries, but they also took a number of other indicators into account, such as market economic freedom and press freedom, and changes to the media markets prompted by the emergence of new media, including multichannel television and the Internet¹⁶. They concluded that while the impact of new media seems to be global, different patterns of responses could be discerned across different countries. They reached the same conclusion about print and electronic media, asserting that the latter depend on large advertisers which are less recession-sensitive.

A few years later, Van der Wurff, Bakker and Picard (2008) carried out an extensive study of the relationship between economic growth and advertising expenditure for different media in twenty-one industrialized countries over the period 1987–2000, and they confirmed some of the previous theories¹⁷. In the current recession, the print media have been under considerable pressure due to strong competition from online media and the cost of paper. The general consensus in the research literature is that media advertising investment is affected by recession conditions differently in different countries and in line with different factors, not only the general economic situation as outlined in the Principle of Relative Constancy (PRC)¹⁸. The principal contribution of this paper is that it analyzes a developing country where the impact of the recession was different to its effect on developed countries; moreover, while the analysis focuses primarily on the television sector, its scope is not limited only to advertising, but also encompasses other income streams and the final results obtained by media companies.

The impact of the current global recession on media markets was catalogued in a special issue of the journal *Popular Communication*¹⁹. Some of the considerations compiled there are taken into account in the conclusions here. For instance, Lotz (2010) examines the effects of the recession in the valuation of television advertising and the consequent uncertainty about future patterns of media use in the US market. One of the outcomes she highlighted is that the changes in “revenue sources suggest a significant alteration in the broadcast economic model that too will have consequences for programming” and showed that the economic crisis has produced higher levels of market concentration²⁰. Hartley (2010) stresses the transformation in media consumption during the current crisis and the shift to alternative and free content²¹.

¹⁶ Cfr. CHAN, Byeng-Hee and CHAN-OLMSTED, Silvia, “Relative Constancy of Advertising Spending. A cross-national examination of advertising expenditures and their determinants”, *Gazette, The International Journal for Communication Studies*, vol. 67, n° 4, 2005, pp. 339-357.

¹⁷ Cfr. VAN DER WURFF, Richard, BAKKER, Piet and PICARD, Robert, “Economic Growth and Advertising Expenditures in Different Media in Different Countries”, *The Journal of Media Economics*, vol. 21, n° 1, 2008, pp. 28-52.

¹⁸ The Principle of Relative Constancy refers to “the level of spending on mass media by consumers and advertisers is determined by general state of the economy”. Cfr. McCOMBS, Max, “Mass Media in the Marketplace”, *Journalism Monographs* 24; McCOMBS, Max and EYAL, Chaim H., “Spending on mass media”, *Journal of Communication*, vol. 30, n° 1, 1980, pp. 153-158; McCOMBS, Max and NOLAN, J., “The Relative Constancy Approach to Consumer Spending for Media”, *Journal of Media Economics*, vol. 5, n° 3, 1992, pp. 43-52.

¹⁹ Cfr. SANDVOSS, Cornel, “Conceptualizing the Global Economic Crisis in Popular Communication Research”, *Popular Communication*, vol. 8, n° 3, 2010, pp. 154-161.

²⁰ Cfr. LOTZ, Amanda, “US Television and the Recession: Impetus for Change?”, *Popular Communication*, vol. 8, n° 3, 2010, pp. 186-189.

²¹ Cfr. HARTLEY, John, “Attack of the Creationist Reverberators! Or: The End of the World (As We Know It)”, *Popular Communication*, vol. 8, n° 3, 2010, pp. 180-185.

To others, recession periods prompt small companies to develop new and low-cost contents²². It is an opportunity to innovate in media contents, advertising strategies and media consumption habits and to re-think the traditional strategy. However, as Steemers (2010) illustrates, economic crises tend to cause a decline in local and specialized television production²³. Furthermore, some commentators have noted that the recession has affected audiovisual production budgets and jobs in the sector²⁴.

The impact of the current recession in the media market has been analysed by different authors²⁵. However, their conclusions reach only few years after the crisis started and they do not lead the focus on the television market.

3. Hypothesis, research questions and methodology

The aim of this study is to analyse the influence of the recession on the television market of two countries, Mexico and Spain, and to identify some keys to overcoming the consequences of the recession by looking at other sources of revenues.

The hypotheses are as follows:

1. Market structures in relation to revenue streams explain the different impact of the crisis in different countries.
2. The economic recession has affected the profitability of media companies.

In order to account for the strengths that better protect the audiovisual sector from the crisis, the research questions are as follows:

RQ1: Is market concentration a better defense against the crisis or, on the contrary, does competition help companies to protect their activity and results?

RQ2: Has the economic crisis helped television companies in Mexico and Spain to increase their presence in the international market, and how may the diversification of revenue streams contributed to their profitability during the recession years?

The methodology applied is a comparative analysis of the evolution of some micro and macroeconomic variables from both countries. The microeconomic variables selected are: the evolution of advertising expenditures in media, the main economic results of the most important audiovisual companies, the audience share of TV channels, and the international sales of television contents. In order to contextualize media finance performance, the rates of inflation and GDP of each country over the same time-period are also taken into account.

Consequently, it is an explanatory investigation, based on analysis of reports and financial statements for these television broadcasters and trade and general journals. The annual reports were consulted for economic results; for advertising investment, the World Media Advertising Expenditure and the CICOM (Confederation of Industry of Communication and Marketing) for Mexico and Infoadex for Spain; audience data, IBOPE AGB (Brazilian Institute of Public Opinion and Statistics and Auditors of Great Britain) for Mexico and Kantar Media for Spain; the information on audiovisual exports come from the annual reports of companies for Mexico, and from the Spanish Association of Audiovisual Producers (AEAP) for Spain; and

²² Cfr. BIELBY, Denise and HARRINGTON, Lee, "Global TV 2010: Update of the World Market for Television", *Popular Communication*, Vol. 8, n° 3, 2010, pp. 217-221.

²³ Cfr. STEEMERS, Jeanette, "The "Canary in the Coalmine": The Recession and the Crisis in the Production of British Children's Television Programming", *Popular Communication*, vol. 8, n° 3, 2010, pp. 213-217.

²⁴ Cfr. BIELBY, Denise and HARRINGTON, Lee, *Global TV: Exporting television and culture in the world market*, NYU Press, New York, 2008; CALDWELL, John, "Breaking Ranks: Backdoor Workforces, Messy Workflows, and Craft Disaggregation", *Popular Communication*, vol. 8, n° 3, 2010, pp. 221-226.

²⁵ Cfr. ALMIRÓN, Nuria, *op. cit.*; SÁNCHEZ-TABERNERO, Alfonso, *op. cit.*; ALCOLEA, Gema and GUTIERREZ, Estrella, *op. cit.*

finally, the macroeconomic data came from the Mexican National Institute of Statistics and Geography (INEGI) and the Spanish National Institute for Statistics (Spain). Secondary sources such as academic papers and specialized media and press reports complete the information.

A comparative analysis of the variables for both countries is carried out and a number of conclusions about the impact and the consequences of the recession drawn. For the purposes of such comparison, all financial figures are cited in current euro value. The selected time-period is from 2005 to 2010 that covers some years before the crisis and the main recession period. Though Spanish recession was not over yet in 2012.

The Mexican market is analyzed first; then the Spanish market; and finally the two are compared. A number of conclusions may then be reached regarding the impact of the crisis, a series of further recommendations for media managers made, and the possible limitations on the research outlined.

4. Mexican TV Industry

Mexico has an area of almost 2 million km². It is the fifteenth largest country in the world in terms of geographical extension. The population comprises more than 110 million people, so it is the most populous of Spanish-speaking countries. Politically speaking, it is a federal, democratic and representative republic, based on a presidential system; it is composed by 32 free and sovereign states and the Federal District. Until 2000 the only political party in government was the PRI (Institutional Revolutionary Party), which had held power for 71 years; after the 2000 general elections, other parties took control of the presidency. Under PRI domination, however, the government had centralized control of the country, and established in Televisa, one of the largest media groups, an effective communication channel with public opinion²⁶.

Competition for open commercial television arose in 1993, when Imevision, the public television service, was privatized and became TV Azteca, owned by Grupo Salinas²⁷. Nowadays, the audiovisual market in Mexico is a duopoly, where Televisa is the leader and TV Azteca tries to maintain its position in the market²⁸.

Grupo Televisa is a multimedia company that is totally integrated both vertically and horizontally, and belongs to Azcarraga family²⁹. The company attempted to expand its cable television business³⁰, and in 2009 Televisa announced a €12 million investment in upgrading

²⁶ Cfr. MOCTEZUMA, Regina, "Los contenidos y la publicidad ya no son el único negocio...", *CNN Expansión*, <http://www.cnnexpansion.com/personaje-2010/2010/12/13/televisa-tiene-nuevo-rostro>, 20-12-2010. Retrieved October 27 2012.

²⁷ Cfr. GUTIÉRREZ, M. Elena, "Media Concentration in the Hispanic Market: A Case Study of TV Azteca vs Televisa", *The International Journal on Media Management*, vol. 9, nº 2, 2007, pp. 70-76; GUTIÉRREZ, M. Elena, "Multimedia información-industry en México", *Revista de Comunicación*, vol. 9, 2010, pp. 23-41.

²⁸ Cfr. VILLAMIL, Jenaro, "La concentración televisiva en México", *Regeneración*, <http://www.regeneracion.mx/portada/268-co-mexicanas/1146-la-concentracion-televisiva-en-mexico>, 16-11-2012. Retrieved November 16, 2012.

²⁹ Cfr. GONZÁLEZ, Edgar, "Los Capitales", *La Prensa*, 22-08-2011. Retrieved October 17, 2012 from <http://www.oem.com.mx/elsoldemexico/notas/n2195799.htm>.

³⁰ Cfr. "La inversión publicitaria en México crecerá un 10% según la IAA", *El Economista*, December, 2010, Retrieved January 18, 2011 from http://eleconomista.com.mx/.../2010/.../inversion_publicitaria-mexico-repuntara-10.

its cable network in Mexico City³¹. In fact, in 2010 cable sales increased by almost 50% over the previous year.

As Televisa is regarded as the largest producer of Spanish content in the world, exporting *telenovelas* to more than 50 countries, it is trying to increase international programming sales at a global level, especially in the growing Hispanic market in the United States³².

TV Azteca is a subsidiary of Azteca Holdings (Grupo Salinas), which has various business units, including the national Channels 7 and 13, channel 40 in Mexico City and the metropolitan area, as well as subsidiaries such as Azteca America, which operates in the United States and broadcasts programming produced in Mexico.

In contrast to Televisa, 91% of TV Azteca's revenues comes from advertisers at national and local levels. Internally-produced programming amounts to higher costs than purchased programming and the company seeks to offset production costs by selling its programming outside Mexico.

Although not by especially high percentages, in-house production has declined in recent years due to high production costs of production and, as a result, purchases have increased: 68% of programs was produced in-house in 2005 and 32% was bought; the corresponding figures for 2009 were 63% and 37%, respectively³³.

Channel 13 broadcasts in-house productions, mainly 'telenovelas', sports and news programs, and while Channel 7 also broadcasts its own series, most of its programming is acquired abroad, including coverage of sports and special events.

Hence, these mega-groups are not only broadcasters, but also producers and exporters of programs. How the recession affected media economic results from 2005 to 2010 is outlined below.

4.1. Advertising revenues and economic results

Although the crisis did not affect Latin America so severely as it did Europe, a fall in advertising revenues in television may be traced between 2008 and 2009, as shown in Table 1. After 2009, the advertising market recovered by almost 30%, and then the total amount of advertising revenues increased by 13%. While other media such as newspapers were affected by the recession, the percentage of advertising for television increased by just 9.5%. In 2010, the value of the advertising market was approximately €3,500 million. Most of the spent advertising was on free-to-air TV (56%).

³¹ Cfr. "What's New in your industry", *Business Latinamerica*, vol. 7, 16 de noviembre de 2009, Retrieved January 17, 2011, from <http://web.ebscohost.com/ehost/pdfviewer/pdfviewer?hid=8andsid=2dae013d-cd60-4357-897a-2bd5e711404c%40sessionmgr113andvid=3>.

³² Cfr. "Amplía Televisa presencia en Univisión", *Mural.com*, 4-12-2010. Retrieved October, 17 -2012 from <http://busquedasgruporeforma.com/Mural/Documentis/DOcumentoArtCom.aspx>; CORDOBA, José and HARRUP, Anthony, "Televisa readies move in Mexican media battle", *Wall Street Journal-Eastern Edition*, vol. 257, n° 80, 2011, b1-b2.

³³ Cfr. TV Azteca's Annual Reports. Issued by the Mexican Stock-Exchange. 2005-2009.

Table 1. Media advertising expenditure in Mexico in constant 2005 €(millions)

	2005	2006	2007	2008	2009	2010	2005-10
Open TV	1,766	1,805	1,864	1,623	1,535	1,935	9.5%
Radio	244	280	281	249	240	311	27.45%
Outdoors	335	280	281	237	217	276	-17.6%
Newspapers	244	280	281	237	217	242	-0.81%
Pay TV	152	156	178	164	151	207	36.18%
Magazines	152	139	129	116	96	138	-9.21%
Internet	30	31	62	97	130	121	303.3%
Others*	123	156	31	116	74	226	83.73%
Total	3,046	3,127	3,107	2,842	2,659	3,456	13.46%
E. R. (Dec.)	12.5	14.25	16.07	19.34	18.81	16.53	

*Films and SMS.

Source: Confederation of Industry of Communication and Marketing

The Internet was the medium that experienced the greatest increase: from 1% in 2005 to 5% in 2009, an overall growth rate of 303% from 2005 to 2010.

The worst years for Mexico in economic terms since 2005 were 2008 and 2009: there were high rates of inflation during these years (see Table 2) and GDP decreased in 2008 and was negative in 2009 (see Table 3).

Table 2. Inflation rate accumulated over the year

	2005	2006	2007	2008	2009	2010
México	3.33%	4.05%	3.76%	6.53%	3.57%	4.40%
Spain	3.73%	2.66%	4.22%	1.43%	0.79%	2.98%

Source: INEGI (México) and INE (Spain)

Table 3. Annual evolution rate of the GDP

	2005	2006	2007	2008	2009	2010
México	+2.8%	+5.7%	+3.13%	+1.2%	-6.12%	+5.4%
Spain	+3.6%	+4.0%	+3.6%	+0.9%	-3.7%	-0.1%

Source: INEGI (México) and INE (Spain)

Both Televisa and TV Azteca experienced a decrease in advertising revenues and economic results in 2007 and 2008. Televisa started to recover in 2009 because, unlike TV Azteca, it did not depend exclusively on advertising. In fact, from 2005 to 2010, advertising sales at Televisa fell by 7%, whereas international sales and cable sales grew by 24% and 538%, respectively.

In 2010, there was an increase in television advertising sales. Jara (2010) explains that this was due to the high audience ratings³⁴. Televisa controls four national channels. Channel 9 is the only one whose audience figures declined in 2007, while the Channel 2 audience increased in the same year. However, TV Azteca's market participation declined during that period, although the audience figures for local channels increased slightly.

³⁴ Cfr. JARA, Rubén, *op. cit.*

4.2. International sales

Historically, Mexico has been a powerful force in the audiovisual exports market³⁵. As noted by Sinclair (2004), although Mexican ‘telenovelas’ have a local style, their marketing and commercialization strategy follows US patterns³⁶. The main foreign target market for Televisa and TV Azteca is the Hispanic population of the United States, followed by the rest of Latin America and Eastern European countries.

Televisa exports much of its production and distributes its programs through its offices in Miami, Madrid and Beijing; it has also established strategic alliances with other companies in many parts of the world, such as China CBTB, Telemundo, Univision and the Colombian RCN³⁷. According to the vice-president of Televisa, they allied to Argentinian producers, such as Cris Morena Group and RGB Entertainment on order to overcome the financial recession of US³⁸. The total amount for international sales was €186 million in 2010, a marked growth since 2005 (Table 4).

Table 4. Economic data of Group Televisa in constant 2005 €(millions)

	2005	2006	2007	2008	2009	2010	2005-10 %
International sales	150	145	141	125	150	186	24%
Advertising sales	1,481	1,432	1,292	1,095	1,138	1,377	-7.02%
Cable TV sales	112	139	162	342	488	715	538%
EBIDTA	861	965	901	782	806	943	9.5%
Exchange rate (December)	12.5	14.25	16.07	19.34	18.81	16.53	

Source: Group Televisa’s Annual Reports. Issued by the Mexican Stock-Exchange

Since 2000, TV Azteca has distributed its programming in the United States through its subsidiaries Azteca America and Echostar Communications Corporation. Through the Comarex company, it distributes its contents to more than 80 countries throughout the world; and it has also formed a number of co-production and sales alliances. The most important such partnership in recent years was the joint-venture signed with Group Globo from Brazil. The agreement was established to co-produce, broadcast and distribute ‘telenovelas’. However, program exports amounted to less than €5 million since 2007 (Table 5).

Table 5. Economic data of TV Azteca in constant 2005 €(millions)

	2005	2006	2007	2008	2009	2010	2005-10
Consolidated Net Sales	680	672	591	508	530	699	2.7%
International sales	8	6	5	2	3	N.A.	-62.5%
EBIDTA	276	244	223	177	192	254	-7.97%
Exchange rate (December)	12.5	14.25	16.07	19.34	18.81	16.53	

Source: TV Azteca’s Annual Reports. Issued by the Mexican Stock-Exchange

³⁵ Cfr. MEDINA, Mercedes and BARRÓN, Leticia, “Latinoamerican Telenovelas on a Global Scale”, *Journal of Spanish Language Media*, n° 4, 2011, pp. 125-149.

³⁶ Cfr. SINCLAIR, John, “The globalization of Latin American Media, NACLA”, *Report on the Americas*, vol. 37, n° 5, January-February, 2004. Retrieved: October, 21 2010 from: <http://depaul.university.edu>.

³⁷ Cfr. HARRUP, Anthony, “Mexican TV revenue could hit rough patch”, *Wall Street Journal Eastern Edition*, vol. 249, n° 89, 2007, p. b3.

³⁸ Cfr. GASCÓN, Verónica, “Busca Televisa library crisis”, *Reforma*, 7-10-2008. Retrieved October 10, 2012 from <http://busquedasgruporeforma>.

Tables 4 and 5 show that international sales were lower between 2007 and 2009, and 2008 was the worst year in this regard; TV Azteca produced less content in that year due to high production costs, and this had a negative impact on their local and foreign sales.

5. Spanish TV Industry

Spain is a democratic country, structured politically as a parliamentary government under a constitutional monarchy. Spain is divided into 17 Autonomous Communities, each of which has its own regional government. In 2010, the Spanish population was 47 million.

More players have entered the market since the privatization of the Spanish television sector in the early 1990s. As a result, competition is higher, and the television market has been seriously affected by the economic crisis and, in recent times, by major changes in the media industry. According to Alcolea and Gutierrez (2010), the economic crisis has framed most of the legislative changes that have radically transformed the Spanish television industry, with a clear tendency towards liberalization of the sector, a shift that has had two principal consequences: the scope of public service has been progressively reduced and market concentration is increasing leading to a possible undermining of media pluralism³⁹.

The recession has had a profoundly negative impact on Spain. GDP (Table 3) has declined in recent years, and was negative for 2008 and 2009. In this case, there is a direct relationship between advertising expenditure and GDP. The employment rate has also declined dramatically. How these variables have affected the audiovisual market is explored below, especially as regards advertising investment, international sales and media company profitability.

5.1. Advertising revenues and economic results

Most of the television industry depends on advertising to a significant extent, and this sector has been one of those most severely affected by the economic crisis. In 2008, the rate of advertising spending in media fell by 7.5%, and in 2009 the decrease was 14.9%. This was mainly due to lower investment in strategic sectors such as housing and the automotive industry, which comprise a major proportion of investment in the advertising industry. In this regard, it is notable that non-traditional media such as personalized advertising, social marketing, sponsorship, POS, brochures, etc., have attracted higher advertising expenditure than traditional media: in 1997, they drew only 25% of advertising expenditure, whereas by 2010, they amounted to a total of 55% of advertising spending (Table 6).

³⁹ Cfr. ALCOLEA, Gema and GUTIERREZ, Estrella, *op. cit.*, p. 127.

Table 6. Media advertising expenditure in Spain in constant 2005 €(millions)

Media	2005	2006	2007	2008	2009	2010	2005-10
Television	2,951	3,188	3,469	3,082	2,378	2,472	-16 %
Newspapers	1,666	1,791	1,894	1,508	1,174	1,124	-32 %
Magazines	675	688	722	617	402	398	-41 %
Radio	610	637	678	642	537	549	-10 %
Outdoor	494	529	568	518	401	421	-15 %
Dominicals	119	123	134	104	69	72	-39 %
Internet*	162	310	482	610	654	790	388 %
Cinema	43	41	38	21	15	24	-44 %
Pay TV	31	45	60	56	50	65	110 %
TOTAL media	3,769	7,307	7,985	7,103	5,631	5,850	55 %
Other media	7,065	7,447	8,136	7,813	7,078	7,034	0.4 %
TOTAL	13,786	14,754	16,121	14,916	12,709	12,884	6.5 %

Source: Infoadex 2010

Television was one of the media to lose most advertising revenues. Since 2007, television channels have attracted 32% less advertising. Such expenditure was still lower in 2010 than in 2005. However, television is still regarded as the most valuable medium in terms of advertising expenditure.

The periods 2007-2008 and 2008-2009 were the worst for advertising spending; both the rate of inflation and the decline in GDP were highest in those years (Tables 2 and 3).

Since 2010, 81% of television advertising revenues has gone on national free-to-air television channels. Pay-per-view TV advertising amounted to just 3% of the total advertising expenditure. These revenues are listed in Table 7, and it is especially noteworthy that the €500 million of the advertising spending before on TVE benefited not only the direct competitors, but more recently established channels with smaller audiences such as Cuatro, La Sexta and themed channels (the Disney Channel, for instance).

Table 7. Estimated advertising expenditure by F.T.A. TV channels Spain (€million)

	2007	2008	2009	2010
TVE	716,5	596,8	480	0
Tele 5	1.036,80	919,5	606	793
Antena 3 TV	834,8	685,4	583,8	690
Cuatro TV	281,9	301,8	258	295
La Sexta	132,8	165	198,2	276

Source: Infoadex

The Spanish television market is apparently fragmented in terms of audience share, but no in terms of ownership. After many years, TVE returned to the market leadership position in 2010, followed by Tele 5 and Antena 3. The new channels, Cuatro and La Sexta, each opened a niche in the TV sector, achieving market shares of 7% and 6.6%, respectively, in 2010. The themed channels overall reached a share of 18%, and the large national channels did not exceed 16% of audience share. Furthermore, during the recession period, television consumption increased to an average of 240 minutes per day.

The decrease in cinema advertising was likewise dramatic from 2005 to 2010. As in Mexico, only Internet-related advertising expenditure experienced an increase: online advertising was 2.4% of the total advertising spending in 2005; by 2010, it had reached 12%.

During the worst years of the crisis (2007-2009), every television company lost millions of euros in advertising revenue. This critical situation was addressed by the Spanish government with the Law 7/2009 on providing digital television services through conditional access, which makes explicit reference to the “serious financial crisis”, “the reduction in advertising revenue” and “the critical moment for TV companies facing the scheduled switch-off time”. The Law 7/2009 set out a series of urgent measures in the telecommunications sector, allowing for television company mergers provided that no more than a 27% audience-share for a given company was involved. Since then there have been two acquisitions: Cuatro was bought by Gestevisión-Tele5, and La Sexta was bought by Antena 3.

Table 8 is a compilation of the results for the major audiovisual groups over the period 2005-2010. After a number of difficult years, especially for companies that depend most on the print business such as Prisa, Vocento and Unidad Editorial, only a few (those with a stronger presence in the audiovisual sector) achieved positive net results. All of the companies accumulated debt during these years. Gestevisión-Telecinco (now Mediaset España) did not experience a marked decrease in income, but the increase in costs due to the digitalization process had a negative impact on net results. Antena 3’s revenues decreased by more than 35% from 2007, and its net result by 60%. The impact of the recession was especially marked in the case of the Prisa group (121%) and Vocento (101%). Prisa’s debt was extremely high, and the group was forced to sell Channel 4 to Mediaset. According to Jiménez and Hernández (2009), the strategy adopted by such companies to overcome the decrease in advertising income, was to cut costs and to implement a severe contention policy⁴⁰.

⁴⁰ JIMÉNEZ, Luis and HERNÁNDEZ, Luis, “Aspectos económicos”, *La televisión en España. Informe 2009*, UTECA-CIEC, Madrid, 2009, pp. 197-235.

Table 9. Economic and financial results of media groups in Spain in constant 2005 €(millions)

	2005	2006	2007	2008	2009	2010
PRISA (Cuatro)						
Revenues	1483	2811	3696	4001	3208	2822
EBIT	218	285	779	948	368	336
Finance Results	-22	-110	-195	-397	-214	-159
Net Results	159	230	-35	-8	64	-34
Gestevisión (Tele 5)						
Revenues	907	979	879	774	656	855
EBIT	413	439	379	298	122	219
Finance Results	5	9	45	-577	3	3
Net Results	290	314	320	269	26	36
Antena 3						
Revenues	1002	803	802	660	555	630
EBIT	325	310	297	136	56	123
Finance Results	-14	0	-24	-38	-7	-8
Net Results	226	309	175	91	47	91
Vocento (Net TV)						
Revenues	794	872	918	855	751	717
EBIT	81	64	39	-51	-28	49
Finance Results	2	2	-5	-7	5	-8
Net Results	114	82	89	30	11	-2
Unidad Editorial (Veo TV)*						
Revenues	311	341	629	648	512	531
EBITDA	55	61	128	70	12	41
Finance Results	2	-3	-13	-20	-45	-7
Net Results	219	219	219	18	-52	6

*finance results and net results are from RSC, the Italian media group

Source: Annual Reports

5.2. International sales

As in the Mexican market, another revenue stream for television companies in Spain is to sell programs on the international market. However, the Spanish industry is not so developed as the Mexican television sector in this regard. The production of universal stories that can succeed in other cultural contexts and further investment in their promotion and distribution is also needed⁴¹. There are very few companies devoted exclusively to the distribution of Spanish television contents. Imagina International Sales from Grupo Globomedia and Vertice Sales are the largest ones.

It has not been possible to calculate the international sales of the media groups on the basis of the annual consolidated accounts. However, according to the Association of Spanish Producers (FAPAE), Spain has been active player, not only in the creation, commercialization and exportation of television contents, but also in establishing a substantial number of co-productions and sales deals⁴². 2007, the year in which the negative impact of the recession

⁴¹ Cfr. LEJARZA, Mikel, *op. cit.*

⁴² Cfr. FAPAE, *Annual Report*, Madrid, 2008-2009.

was worst, sales decreased by 1.4%; however, in subsequent years, overseas sales increased by 4.4% and 6.8% in 2009, reaching €39.1 million across the sector as a whole.

In the years of the crisis, Spanish producers have explored new markets. For example, in 2008, a number of drama series were sold to the Middle East, Africa and Asia; they have also been screened in the following European countries, among others: Germany, Italy, Portugal, Greece, Slovakia, Hungary, Russia and Bulgaria⁴³. Others countries such as Vietnam, the Ivory Coast, Guinea, Mali, Mauritius, Senegal, Lebanon, Saudi Arabia, United Arab Emirates and Iraq also bought some of the fiction programs. The popular show *Los Serrano* was adapted in the Czech Republic, Hungary, Portugal and Italy, and sold to France, Germany, Chile, Uruguay, Mexico, Finland, Portugal, Greece and Turkey⁴⁴. Some agreements to sell Spanish-produced programs to Latin America have been signed between Spanish production companies and Latin American distributors.

Because the economic crisis has been particularly severe in Spain, the television and media market has been completely transformed in recent times: new channels started up, some companies merged and, as a consequence, audience fragmentation has intensified, competition has grown more intense, and audience consumption of television has increased.

6. Comparison between Mexico and Spain

The similarities and differences between the impact of the recession in the Mexican and Spanish markets are summarized below.

The fall in advertising investment fall has been sharper in Spain than in Mexico. In this country, it decreased by 6% and 30% in 2008 and 2009, respectively. Television remained the industry leader as regards advertising revenue, although its position is stronger in Mexico (58%) than in Spain (43%); and the Internet is the only media whose revenues increased in both countries. However, one of the preferred medium for advertisers in Mexico is cable television⁴⁵. 2010 was the year that the economic recovery started in Mexico; but such recovery has still not begun in Spain.

Spain began the DTT switch-on in 2010 and Mexico will start it in 2015, which changes some characteristics of the TV industry in both countries. The profitability of Spanish media conglomerates was dramatically affected by the recession. Advertising revenue decreased and earnings fell sharply, leading to overall deficit in some cases. Spanish media groups have recovered slowly after three years of difficulties and managers have had to implement strict employment reduction and cost-cutting policies. Media companies based primarily in the audiovisual sector have been quicker to recover than those based mainly on the press.

In Mexico, the recession had a stronger impact on TV Azteca than on Televisa. The domestic and international revenue of TV Azteca has decreased since 2005, whereas Televisa's revenue and profits have continued to increase. 'Telenovelas' were the contents that provided Televisa with both higher national audience ratings and export revenue.

In Spain, rather than television companies, distributors began to look for new countries to sell in and started to seek out alliances with international production companies.

However, it seems that crisis has affected Spain more seriously than Mexico. The sector in Spain has likewise been subject to greater structural change than in Mexico, where the

⁴³ *Ibíd.*

⁴⁴ Cfr. MEDINA, Mercedes, (ed.) *Creating, producing and selling TV shows. The case of the most popular dramedies in Spain*, Formalpress Media xxi, Lisbon, 2009, pp. 117-150.

⁴⁵ Cfr. MEJÍA, Angelina, "Crece la tv de cable", *El Universal*, 09-12-2008. Retrieved October 17, 2012 from <http://www.eluniversal.com.mx/articulos/51351.html>.

monopoly of the two big groups and the dominant position of Televisa have functioned as a barrier to recession. In fact, 2006 saw Televisa's second attempt to enter the Spanish market, in this instance as a financial partner to the TV channel, La Sexta⁴⁶, and according to its president Emilio Azcarraga, they will continue investing in telecom companies and exploiting the production and distribution of their contents⁴⁷.

7. Discussion and conclusions

In response to the research questions, it may be concluded that the impact of the crisis has been different in Mexico than in Spain and likewise different as regards media groups, so in this regard the current recession is not yet a global one: the crisis has been more European than Latin American.

The economic results were worse in Spanish companies than in the Mexican ones. Apart from the decline in advertising revenue, the transformation of the sector and more intense competition has had a negative impact in Spain.

The duopoly in Mexico helped the companies (especially Televisa) to maintain their revenue levels. Hence, market concentration may be a more effective structure in terms of protecting companies against recession. However, the potential negative consequences of media concentration for audiences, media employment and external pluralism should not be overlooked.

As well as market structure, in the domestic market, the diversification of revenues resources has helped Mexican companies, especially Televisa, to maintain their profitability. *Telenovelas* can be considered *cash cows* for Televisa and TV Azteca in domestic and international markets, because generate high levels of audience and profits, even in times of recession. Perhaps a strategy to search for any television company face the global recession is to find its own content production to survive.

Engaging with international markets may prove a solution to instability within the domestic market. At the same time, a focus on pay-per-view options may also ease the sector's (over) dependence on advertising revenue. The number of pay-per-view television subscribers in Mexico has increased by more than 200% and the international sales have become an important income stream.

Finally, audience figures for themed TV channels in Spain reflect the positive potential of that emerging market, which suggests that the sector invest further in making more specialized contents for more specific audience segments. On the other hand, it seems clear that the Internet and new devices afford new opportunities in this regard. Television companies have been rolling out online services and contents for new platforms in recent times⁴⁸.

⁴⁶ Cfr. FERNÁNDEZ, Claudia and PAXMAN, Andrew, *El Tigre. Emilio Azcárraga y su imperio Televisa*, Grijalbo, México, 2000, p. 217; MEDINA, Mercedes, "The Hispanic Globalization", in BOYD-BARRET, Oliver, *Communications, Media, Globalization and Empire*, John Libbey, Eastleigh, UK, 2006, pp 164-181.

⁴⁷ Cfr. EFE, "Televisa aspira a aumentar su participación en La Sexta", *El Mundo*, 04-10-2011. Retrieved October 27, 2012 from <http://www.elmundo.es/2011/10/04/comunicacion/1317726369.html>.

⁴⁸ Cfr. MEDINA, Mercedes and OJER, Teresa, "Estrategias online de las cadenas de televisión". *La televisión en España. Informe*, UTECA-CIEC, Madrid, 2009, pp. 299-316; GALLARDO, Jorge, *La televisión tradicional quiere gobernar internet: el fenómeno YouTube España*. Euro Editions, 2010; MEDINA, Mercedes et al. "Implementation of Innovation strategy: The case of CCRTV Interactiva", in VUKANOVIC, Zvezdan and FAUSTINO, Paulo (eds.), *Managing Media Economy, Media Content and Technology in the Age of Digital Convergence*, Media xxi, Lisboa, 2011, pp. 87-118.

Some limitations of the present study ought to be borne in mind. One of the limitations of this research relates to the time-period covered. Although a number of analysts forecast the end of the recession for 2010, the recession is still ongoing. Thus, it is difficult to predict its dimension and duration, and to assess specific consequences for media companies. Moreover, data comparison is complicated because of the diversity of measurement methodologies and sources involved.

The inclusion of other data such as the evolution of the media employment rate, the number of in-house production contents and the figures for international sales for Spanish companies may also be enabling, although such information is not always easily available.

Furthermore, more countries might be included in the study to come to more general conclusions. Moreover, in the current economic climate, it has proved very difficult to isolate the general recession from its particular impact on the media market, which tends to blur any overall view of the impact of the recession.

8. *Further recommendations*

From the managerial point of view, the lessons learned in relation to resisting a recession are that media activity must be managed using more efficient strategies and resources should be rationalized not only in recession periods but also in boom times. In the years to come, media managers must develop commercialization strategies to generate business from the new digital devices. The high cost of local production is an opportunity to export programs, so production companies should look for distributors to sell their catalogue and establish partnerships with companies abroad. Finally, the future of the business model (free-to-air or pay-per-view) is still an outstanding issue. The increase in advertising investment in other electronic media such as the Internet, as well as the expansion of both pay TV and the international market, are business opportunities for traditional media companies. However, in spite of the emergence of new digital television channels, it is still possible to forecast a long life for free-to-air TV. Nevertheless, the key to success in the end is the production and/or purchase of exclusive, unique and irreplaceable contents.

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