

# The re-export of the US commercial television model time-life/Globo/SIC: replicating business strategies?\*

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The implementation and successful commercial development of Globo Network in Brazil was made possible by the transfer of capital, technical and managerial expertise from the US Time-Life group. The agreement in the 1960s between these two groups was crucial because, in a short period of time, Globo acquired entrepreneurial know-how used by the most advanced US commercial TV stations. In five years - from 1962 up to 1967 - Globo became the dominant actor in the Brazilian broadcasting scene. Having a strong position in Brazil, Globo managers decided to export its most relevant

cultural products, *telenovelas*. Due to cultural and linguistic proximity, Portugal was a natural market. Indeed, Globo's *telenovelas* have hooked Portuguese audiences since the late 1970s. However, in recent years, Globo's role in Portugal has been far more comprehensive. Globo's business strategies have been imported by the Portuguese commercial channel, *Sociedade Independente de Comunicação* (SIC). With Globo's expertise, namely in the area of programming, SIC managed to become the number one channel in terms of audiences. Thirty years on, and despite obvious differences, the result of Globo's assistance to SIC might be seen as a re-export of the US commercial television model.

## 1 Globo's dominance

'If we are speaking of television in Brazil, that necessarily means we are speaking of Globo' (Lima, 1990:35).

Globo - run by the Marinho family - is today one of the most powerful multi-media groups. Though Roberto Marinho (in his 90s) built up a conglomerate of nearly 100 companies, the most important ones in the communications arena are Globo's own ten

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television stations and 68 affiliated stations, Globo's Radio network (11 own stations and 15 affiliated), *O Globo* newspaper (the second largest paper in the country), Globo News Agency, Globo Publishing, Sigla audio producer, Globo Video and Globo Films (Lima, 1990:36).

According to João Roberto Marinho, Vice-president of Globo enterprises and son of Roberto Marinho, 'the Globo network reaches today a potential market of 33 million households with TV, and the network reaches 97% of the Brazilian territory' (quoted in Mayblin, 1996:8). The TBI Yearbook 96 claims that TV Globo currently attracts 65% of the country's viewing audience. This figure is nevertheless disputed by João Roberto Marinho who states that the figure is 70% (Ibid.). The remainder 30% is divided between five national, privately run services - São Paulo based SBT, TV Manchete in Rio de Janeiro and the former regional stations TV Record, Bandeirantes, and CNT - and one publicly owned broadcaster.

Literature about Globo often portrays it as being the world's fourth largest network in terms of audience size. The 'fourth largest in the world' which is still taken for granted was established when TV Globo won an international award in the US in 1985. At that time research showed that Globo was the fourth biggest network in the world after the American NBC, ABC and CBS. Since then no research had been conducted to find out if that is still the case. But, in terms of audience size, things might have changed. 'Both India's and China's state TV network monopolies, for instance, now command audiences several times larger than Brazil's Globo network, not only because they are monopo-

lies but also because of the sheer size of their respective population (Mayblin, 1996:9).

Being or not the 'fourth largest in the world', Globo gets most of Brazil's US\$3.9 billion expenditure a year in advertising (Kucinski, 1994:52). The Globo network absorbs about 80% of advertising for television and 60% of the total amount of money spent on advertising in the seventh largest advertising market in the world (Amaral and Guimarães, 1994:29). In the 1992 financial statement, the Roberto Marinho group declared just over US\$2 billion net revenue (Kucinski, 1994:52).

TV Globo's commercial success has certainly been related with its intimate relationship with the political and economic power. As Guimarães and Amaral point out, the broadcasting monopoly was not constructed on the margins of state, but in its shadow, with the support and protection of the successive military regimes. Its consolidation took place under the patronage of the New Republic and the Collor government was key. After securing the private system with public investment and a technological infrastructure owned by the state, the military governments singled out one of the private systems, the Globo network, as their favoured. The military's choice was confirmed by the next civilian government, even though this meant that the government would refrain from enforcing even the minimal existing regulatory legislation (1994:32).

The relationship between the media business and national politics in Brazil could hardly be closer. Indeed, Roberto Marinho makes no excuse for supporting those in power given that without their permission, Globo could not operate in its present form. 'As long as the political power re-

mains strong, we will show solidarity with it; if things change towards public opinion, we will change as well' (Marinho quoted in *Diário de Lisboa*, 30 July 1984).

## 2 Globo's US partner

Without the support of the domestic political and economic elite over the past decades, Globo Television would not have become a virtual broadcasting monopoly in Brazil. Still, in the early beginnings, Globo had a crucial ally - the American Time-Life group. In no more than five years - from the Globo's Television foundation on the 28th of June 1962 up until 1969 when Time-Life shares were bought by Roberto Marinho - Globo became a highly sophisticated broadcasting company.

Roberto Marinho secured the first radio broadcasting license from President Juscelino Kubitschek in 1957. But television broadcasting was also on his mind and it is believed that by late 1950s Roberto Marinho already had business contacts with Time-Life. From February to May 1959 *O Globo* newspaper gave special attention to the diplomatic career of Mrs Claire Luce, the wife of Henry Luce, the Head of Time-Life (v. Herz, 1991: 97-100). This sympathetic reporting suggests an obvious interest in co-operating with the US media group in the television broadcasting arena.

Time-Life was looking for a partnership in Brazil. Both *O Estado de São Paulo* and the *Dailies and Associated Radio Chains* refused Time-Life partnership offers. Indeed, acceptance of a foreign partnership would be unconstitutional. The Brazilian Constitution forbade foreign companies from owning and participating in the administration or intel-

lectual orientation of a domestic broadcasting company. Given the close relationship between Roberto Marinho and influential political actors, Globo managed to circumvent the law. It was in the government's interest to develop a television network which would be prepared to 'unite' the country around its prospect economic and industrial reforms.

'Time-Life needed a way to enter the market, and Globo needed money and assistance: there were all the ingredients for a perfect plot, written and directed by a local media baron financed by a multinational as the executive producer, with the military an appreciative audience conveniently ignoring the unconstitutional nature of the arrangement' (Mader, 1993 quoted in Mayblin, 1996:12).

Indeed, on the 24th July 1962, the recently created *Globo TV Ltd* firmed in New York two contracts with Time-Life. The general points of the agreement were set out by the *Contrato Principal* and the minutiae was presented in the *Acordo de Assistência Técnica*. These two contracts were prepared by Luiz Gonzaga do Nascimento Silva, a stern advocate of Globo's interests with privileged access to the Brazilian ambassador in the US, Roberto Campos. According to Herz (1991), even before the signature of partnership contracts, Globo received US\$ 1,5 million from Time-Life Inc.

The *Contrato Principal* established a number of responsibilities for both Globo and Time-Life. On the one hand, it was up to Globo to buy the necessary television equipment and to build Globo's headquarters in Rio de Janeiro. The building and the studios would have to be operational by the 1st July 1963.

On the other hand, Time-Life had the following responsibilities:

- a) To give technical assistance in the television arena.
- b) To receive and train Globo's personnel in its facilities.
- c) To exchange information and data of administrative and commercial nature.
- d) To provide engineering assistance and consultancy in matters such as design, construction and operation of television studios and equipment.
- e) To provide guidance concerning the acquisition of films and foreign programmes.
- f) To provide financial contribution.

(*Contrato Principal*, 1962)

The *Contrato Principal* also clarifies that Time would receive 30% of Globo TV's profits. In order to have full control of the company's finances, the contract states that all Globo balance sheets would have to be checked and approved by Ernest & Ernest on a monthly basis. Ernest & Ernest should have free access to all of Globo's book-keeping and archives. Furthermore, Time itself would be free to visit and inspect any part of Globo TV's facilities, examine accounts and archives, and discuss with employees whenever it wished. This contract, expected to last 11 years, would be broken by Time if, for any reason, Roberto Marinho and his wife ended up having less than 51% of the shares.

Given the unconstitutional character of the arrangement, and despite the obvious contradiction, Roberto Marinho's lawyer included the following declaration in the contract: 'Time's financial contribution to Globo does not mean that Time has any right to Globo shares nor has it the right to directly or in-

directly interfere in Globo's management' (*Contrato Principal*, 1992: point 5a).

The *Contrato de Assistência Técnica* established between Globo and Time-Life group was signed in the very same day of the *Contrato Principal* (24 July 1962). Still, whereas the *Contrato Principal* was signed with Time-Life Broadcast International, Inc., the *Contrato de Assistência Técnica* was signed with Time Inc. This option was an attempt to disguise the potential impact of one US company in Globo's affairs.

The grounds on which the technical assistance contract is based are related to the experience Time has - through its subsidiaries - in radio and television. The contract refers the considerable technical, artistic and commercial experience of Time in commercial television and says that Globo wishes to benefit from this experience and know-how.

Therefore, the most relevant aspects of the technical assistance Time was supposed to give Globo were:

- a) Time shall give assistance in administrative procedures providing information concerning modern company business strategies, and new techniques related to programming, news services and activities of public interest, sales, promotion and advertising, financial control, budgeting, engineering and technical guidance specifically related to the building and equipment. Time shall also give assistance in determining the number and responsibilities of *TV Globo* employees, and more generally, it will assist in commercial, technical and administrative aspects of the setting and running up of *TV Globo*. In order to organize this assistance, Time will send a consultant (with the professional profile of an executive director) to Rio de Janeiro for as long as Globo wishes.

Furthermore, Time will send a qualified accountant who shall be working full time as an Assistant to the Head of *TV Globo*.

b) Time shall train, in all television specialities, all the personnel Globo wishes to. This training will be done in various Time television stations as well as in Time's headquarters in New York.

c) As long as it is required by Globo, Time will train Globo's staff in *TV Globo* headquarters in Rio de Janeiro.

d) Whenever necessary, Time will provide guidance and will assist *TV Globo* in terms of acquisition of the broadcasting material and in terms of negotiation techniques with actors and personalities. This guidance is not only related to the financial aspects of the negotiations and techniques but also to the artistic value of the products and actors. In special occasions, Time will assist *TV Globo* in the sale of commercials space, and visits to New York advertising agencies. (*Contrato de Assistência Técnica*, 1962).

This contract includes a number of aspects, besides the so-called technical assistance. It establishes the value of TV Globo payments to Time by its services, the deadlines and means of payment, and states that the contract should last for 10 years, being automatically renewed.

These contracts were not dead letter. Indeed, Globo was assisted/controlled by Time-Life group at all levels. Time-Life's representative in Globo, Joseph Wallach (formerly director of Time-Life's TV station in California) became a *de facto* Globo's executive director. Moreover, US technicians taught Globo staff in Rio de Janeiro and Globo's employees did travel to the US in order to acquire know-how in several areas.

But, in addition to administrative, techni-

cal, commercial and artistic know-how, the Brazilian television station (later network) received an estimate US\$6 million from Time-Life group between 1962 and 1966 (Herz, 1996:193). Both money and assistance were understood as unconstitutional and unfair by other TV stations operating within the law. Globo was in an advantageous position comparing with existing media organizations and, therefore, it managed to lay a solid foundation to its future development.

'The Time-Life agreement was fundamental for two sets of reasons: firstly, because there was a substantial influx of capital which was indispensable to the setting up of a highly competitive TV station; secondly, it enabled Globo to develop a commercial television similar to the most advanced US television networks' (Filho in Bolão, 1988: 87). A member of the first Globo team, Herbert Fiúza, says that the team has worked within the parameters established by the Americans. 'Globo was inspired in WFBM, an Indianapolis station. The engineer from that station did most of the work, we did not know a thing' (in Bolão, 1991: 88). Apart from the technical aspects, Globo staff in general did not have any training in television. So, it comes as no surprise that they were keen to learn from Time's experience in the sector.

So, following Time-Life's advice and expertise, Globo established itself as a successful commercial TV network. By 1969, Globo's business orientation plus its uncompromising struggle for audiences shook the market and transformed Globo into the number one television in Brazil. Rival television networks, such as Tupi and Excelsior, had no financial means nor human resources to fight

Globo's increasing dominance and were closed down. In the 1970s, Globo became the regime's network. The military not only invested in the expansion of Globo's network but also gave Globo the government's official advertising accounts.

Although, the Globo/Time-Life agreement officially terminated in 1969 - following an intricate parliamentary investigation (see Herz, 1991) - Globo's foundation had been laid, and US experts continued working for Globo. Joseph Wallace, for instance, remained effectively as an executive director up until 1980 (Herz, 1991: 142).

### 3 Beyond Brazil

With the support of Time-Life, Globo established itself as the Brazilian television model. Having a dominant position in the domestic market, Globo started considering the export of its cultural products, mainly *telenovelas*. In the 1970s, Globo's executives perceived the export of its products as a 'prestige factor' rather than as a revenue source. Given that *telenovelas* were made for the domestic market, its export implied practically no additional costs. Any extra-funds it could generate would be well received but, in the early stages of internationalisation, profits from the external market were expected to be kept low.

At that time, two external markets stood up as the 'natural' markets for Globo's *telenovelas*: the Latin American market considering that most Latin American countries were at the time strong producers and consumers of the *telenovela* genre, and the Portuguese market due to its cultural and linguistic proximity.

The export to Latin American countries

would be more demanding as it would involve promotion, distribution and the dubbing to Spanish. Apart from that, in Latin America, Globo already had a strong competitor in terms of production and distribution of *telenovelas*: the Mexican television network, Televisa. In contrast, Globo would not have any competitor in Portugal and there would be no need to make any linguistic adaptation. Therefore, Portugal became the first external market for Globo's *telenovelas*. In 1976, Globo sold *Gabriela* to the Portuguese Public Broadcasting Service (PBS) company, *Rádiatelevisão Portuguesa* (RTP). Its success was remarkable: 'Globo was surprised with the success of its products in Portugal', says the executive Director of Globo, Pedro Carvalho (interview with author, 24 April 1998).

One year later, Globo set up an international division to support the export of *telenovelas* to Latin America. As expected, Globo's penetration in the Latin American market was not easy particularly due to Televisa's competition. But their strategy was very aggressive as an executive from the international division explained. 'To enter and win this market we had to face Televisa which produces 26 hours of Spanish programmes per day (...). Still we have been able to sell our products, adding dubbing costs, 50% cheaper than Televisa's. How? Using what I called 'drugs strategy': first you practically give, wait for success and later you sell for the best price' (quoted in Grael and Rocha, 1988:143).

The *telenovela*'s popularity in the Portuguese market made Globo's executives consider further expansion into the European market in the early 1980s. Globo started promoting its products in specialised internatio-

nal magazines. Presenting itself as 'Globo TV Network of Brazil', the corporation was prepared to sell not only *telenovelas* but also mini-series, talk shows and sports programmes. Globo became a constant presence in international television festivals and markets (e.g.. Monte Carlo festival, London Multimedia market, NAPTE, organized by the National Associated TV Program Executives, in the US, etc.). Furthermore, Globo became highly competitive in terms of international televisions awards. These awards were important to promote the product (Grael and Rocha, 1988:143-4).

Orders from Latin American countries were dealt with by the International Division in Rio de Janeiro. The New York office distributed Globo's products in the US and Canada while the Roma office received orders from Europe, with the exception of Portugal. RTP negotiated directly at board level in Globo's headquarters in Rio de Janeiro (Grael and Rocha, 1988:144). By the mid-1980's Globo not only retained its leading position in the Brazilian television market but it was exporting its cultural products to 128 countries (Melo, 1988:39). Globo's *telenovelas*, in particular, are galvanising audiences in Latin America, Europe, Africa and Asia.

If the export of programmes was relatively risk-free, the same cannot be said about direct investment in a foreign company. In 1985, Globo exported, for the first time, capital to Europe, buying 90% of Telemontecarlo. The headquarters of the company was in Monte Carlo and its potential audience was in Italy and part of France. The initial investment was of US\$9 million but additional capital was needed, among other things,

to improve the reception of the television signal in Italy.

With the acquisition of Telemontecarlo, Globo expected to strengthen its position in the European market and 'to develop an European television network' (Louven quoted in Grael and Rocha, 1988:149). This was however a very unsuccessful venture and in 1994 Globo decided to sell its remaining shares. It is believed that Globo suffered huge losses with this undertaking, though the company has never revealed figures. Amongst the reasons to leave Telemontecarlo, Globo mentions the European economic recession and the fall of the Italian lira in relation to the US dollar (*Diário de Notícias*, 16 January 1994). This failed investment had repercussion in Globo's future investment strategy.

#### 4 Globo's first step in Portugal

Portugal was indeed a 'natural' export market for Globo's products. Apart from the non-existence of a linguistic barrier, there has always been a strong cultural affinity between both countries. This means that popular television products in Brazil generally become popular in Portugal. 'The audience patterns in Brazil coincide with the audience patterns in Portugal. Furthermore, the preferences of the Portuguese people are getting closer and closer to those of the Brazilian people', says Geraldo Casé, artistic director of Globo's International Division (quoted in *O Jornal, Suplemento*, 20 May 1988). In both Lusophone countries, *telenovelas* are the most widely watched television programmes.

In the beginning however *telenovelas* were a truly difference product for the Portuguese

public. *Gabriela, Cravo e Canela*, an adaptation of a Jorge Amado's novel, was the first *telenovela* to be broadcast in Portugal by the PSB company, RTP. The first episode went on the air on the 16th of May 1977 and soon became highly successful. People were actually changing their life style so they could watch the programme. This massive popularity was not foreseen and surprised the people involved in the process. 'RTP was very conservative. With the exception of the BBC, no European channel was programming serials. So, I was hesitant in terms of introducing changes in prime time', states Carlos Cruz, RTP's Programme Director at the time (quoted in *Expresso*, 17 May 1997).

Indeed, it was Globo itself that first approached RTP with a proposal to acquire its products. Carlos Cruz says that he ended up doing the very first negotiation with Globo by mere accident. He happened to be in that position when Globo tried to sell *Gabriela* to RTP. Still, Carlos Cruz believes that the development of this relation was 'inevitable' (in *Expresso*, 17 May 1997). Once the floodgate had been opened, Globo substantially intensified the export of *telenovelas* to RTP. *O Casarão*, *Astro*, *Escrava Isaura* and *Dancin' Days* followed *Gabriela*, all beating audience records, with no competition either from other Brazilian TV networks or from Portuguese producers.

From 1977 up until 1987, Globo sold 19 *telenovelas* to RTP<sup>1</sup>. After one decade of monopoly, Globo had to face competition

<sup>1</sup>*Gabriela*, *Casarão*, *Astro*, *Escrava Isaura*, *Dancin' Days*, *Sinhazinha Flô*, *Dona Xepa*, *Água Viva*, *Olhai os Lírios do Campo*, *Baila Comigo*, *Cabocla*, *Pai Herói*, *O Bem Amado*, *Guerra dos Sexos*, *Rabo de Saia*, *A Sucessora*, *Louco Amor*, *Corpo a Corpo*, *Vereda Tropical*.

from other Brazilian television networks. *Manchete* and *Bandeirantes* started exporting *telenovelas* and mini-series, though the vast majority of *novelas* continued to be Globo's products. Globo's *telenovelas* were perceived as being those with higher quality and the network had already strong links with RTP.

On a comparatively smaller scale, Portuguese companies also started to produce *telenovelas*: in 1982, Edipim produced the first one, *Vila Faia*; in 1985 RTP produced *Chuva na Areia*; in 1987, *Estúdios Atlântida* produced *Palavras Cruzadas*. Overall, less than a dozen *telenovelas* were produced by Portuguese companies. Still, these 'domestic' products represent an effort to 'fight the ultra-dependency on Brazilian *telenovelas*', as Carneiro<sup>2</sup> puts it (quoted in Sousa, 1996:210). Indeed, soon after the first Brazilian *novelas* were on the air, fears of 'reverse colonization' have been expressed by the Portuguese cultural elites. The Portuguese *telenovelas* - in itself a repercussion of Brazilian *telenovelas* - were an attempt to counter-balance the Brazilian predominance.

But, neither Portuguese *telenovelas* nor other Brazilian networks' *telenovelas* could effectively compete with Globo (*Pantanal* from *Manchete* being an exception). Globo increased considerably the export of *novelas* to RTP throughout the years. During the first decade, Globo was exporting an average of three per year while by 1986/87 this figure had duplicated. Guaranteeing audiences, Globo's *telenovelas* became, in the 1990's, a trump card fiercely disputed between the tra-

<sup>2</sup>Roberto Carneiro is a former chairman of the private national TV channel, *Televisão Independente de Comunicação*, TVI.

ditional PSB company, RTP, and the newly created private TV channels, SIC and *Televisão Independente* (TVI).<sup>3</sup>

With the break up of RTP's monopoly in 1992 and the subsequent ferocious battle for audiences, *telenovelas* became even more dominant in television programming. The demand was so intense that companies had to look for other content providers rather than Globo. TVI acquired novelas from *Bandeirantes*, *Serviço Brasileiro de Televisão*, *TV Cultura* (all Brazilian networks), *Televisa* (Mexico) and *Venevision* (Venezuela). In January 1995, for instance, TVI was programming three Venezuelan *telenovelas* (dubbed into Brazilian-Portuguese) per day and one Brazilian in prime time. Lacking financial<sup>4</sup> and human resources, TVI could not compete with RTP and SIC in terms of getting Globo's products and/or technical support.

Being more resourceful than TVI, RTP has been able to afford Brazilian *telenovelas* which are perceived as having more quality. In RTP's generalist channel, RTP 1, *telenovelas* are indeed a constant presence. In January 1995, this channel was broadcasting two *telenovelas* in the morning, one in the afternoon and the most popular one (usually the most recent) around 8.30 pm.

For SIC too, Brazilian *telenovelas* are the most important programming aspect of its highly competitive strategy. It was mainly with *telenovelas* that SIC managed to over-

take RTP 1 in terms of audiences, being today the most watched TV channel in the country. Considering also January 1995, as we did for the other channels, SIC broadcast two *novelas* in the morning, one in the afternoon and two in the evening. Great importance is given to the selection of the last two *telenovelas* (before and after the main news bulletin of the day).

In contrast with a number of Latin American countries, Portugal produces a very small number of series or movies, being therefore dependent on foreign products. Brazilian *telenovelas* in general, and those of Globo in particular, are crucial to the sustenance of bulky audiences. Watching *telenovelas* clearly became an ingrained habit of the Portuguese people.

The cultural and social consequences of 20 years of *telenovelas* in Portuguese TV have not yet been thoroughly studied. Nevertheless, a number of signals are already observable. Brazilian expressions entered into people's vocabulary, Brazilian first names are quite popular, *novela*'s actors and actresses fashion accessories are imitated, 'Brazilian-style' Carnival is 'reproduced' in a substantial number of towns. There is also a common sense perception that *telenovelas* had an important role in terms of liberalizing social behaviour.

## 5 SIC's brazilian partner

In the 1990's, the influence of Globo in Portugal has spread to other spheres beyond the export of *telenovelas*. The opening up of the television market in the early 1990's provided Globo with the opportunity to acquire a solid position in Portugal and, indeed, its

<sup>3</sup>RTP operated in monopoly until the 6th of October 1996, when the first national private channel, SIC, started broadcasting. On the 20th of February 1993, a second national TV channel, TVI went on the air. So, presently there are four national terrestrial TV channels: RTP 1, RTP 2, SIC and TVI.

<sup>4</sup>TVI has only 10% of the television advertising cake.

strategy adapted to the new competitive environment.

Once the Television Act (law nº58/90) was passed and the bidding regulations approved, on the 2nd April 1991, three Portuguese candidates applied for the two available national TV channels: *Sociedade Independente de Comunicação* (SIC) led by former prime-minister, Pinto Balsemão; TV1 *Rede Independente*, chaired by Proença de Carvalho with the support of the Carlos Barbosa media group (*Presslivre*), and *textit Televisão Independente*(TVI), close to the Catholic Church. Even before the results were publicly announced, Globo had invested in SIC the very maximum allowed by law to a foreign participation (15%). At that time, 15% of SIC's capital represented US\$34m. Currently, as the companies' capital increased, 15% represents US\$74m.

Though SIC was an expected winner in the bidding process, investing capital in a Portuguese broadcasting company was not an easy decision for Globo's executives to make. For Globo, it has always been safer to export cultural products because, once investment had been recouped in the home market, selling telenovelas, mini-series and other shows could only mean extra-funds. Investing capital in a Portuguese broadcaster was inevitably a risky business. The licence-fee had been abolished and four national TV channels (RTP 1, RTP 2, SIC and TVI) were preparing themselves to fight for a small advertising cake (£160m) (Sousa, 1996: 4). Additionally, in the early 1990's, the first (and by then only) European Globo's experience in terms of capital investment, Telemontecarlo, was already in serious trouble. Telemontecarlo had been, in fact, a poorly judged manoeuvre and investing capital in the Portu-

guese market was therefore not in Roberto Marinho's plans. Not prepared to waist anymore financial resources, Roberto Marinho (father) resisted to the idea for quite some-time.

Still, Roberto Marinho's son, Roberto Irineu Marinho, responsible for the Audiovisual and New Markets, and Pinto Balsemão himself, ended up convincing Globo's chairman that SIC would be a solid investment. Having failed with the first European market (Italy), Roberto Irineu might have also wanted to prove his father that successful investment in Europe was possible.

Pinto Balsemão took the task of convincing the Brazilians personally and travelled to Rio de Janeiro to secure the investment and the technical/human support that SIC so badly needed. 'I was recently in Brazil and dr. Roberto Marinho offered a dinner in my honour at his home. Amongst the 30 guests were the most important Globo's executives. I had meetings with these executives for two days and I discussed issues such as equipment, commercial difficulties and the profile of Globo's representative in SIC's board' (quoted in *O Independente*, 24 May 1991).

The personal relationship between Pinto Balsemão and Roberto Marinho was a determining factor in terms of Globo's investment in SIC. According to SIC's Marketing Director, Correia Pires, there are affinities between both which probably made their talks easier: 'both started their careers as journalists and both worked in newspapers; both developed multi-media strategies and, coincidentally, their first television experiences were developed when they were middle-aged men; apart from that and, although in different forms, both have been involved in politics' (interview with author, 26 May 1997).

All efforts were made to convince Roberto Marinho because Globo was perceived by SIC's executives as an ideal strategic partner. Firstly, Globo had 'the' perfect products in terms of audiences, *telenovelas*; secondly, Globo had managerial and technical experience; thirdly, any help they could provide would not be impaired by linguistic barriers. Following initial unsteady talks, the Marinho family finally reached a consensus and decided to invest financially in SIC and to provide assistance.

Globo's backing was particularly important right after the disclosure of the winners of the television channels bidding process. On the 6th of February 1992, after a Cabinet meeting, the *ministro* Marques Mendes announced that SIC had won one of the two national television licenses. From that moment up until the beginning of SIC's regular broadcasts, on the 6th of October 1992, Globo's expertise was crucial. Neither Balsemão nor his most trusted collaborator, Emídio Rangel, had any previous experience in television. Two thirds of newly recruited journalists had never faced a camera and, in a country where RTP operated in a monopoly, there were not too many places where SIC could recruit its technicians from. As Globo's executive director, Pedro Carvalho, so bluntly put it: 'SIC was a group of entrepreneurs willing to be in the television business, knowing nothing about television' (interview with author, 24 April 1998).

According to Pedro Carvalho, it was not however in Globo's plans to set up a Globo-style television in Portugal. 'We did precisely that in Italy with Telemontecarlo. We got there and we set up a Globo TV. But we paid an heavy price for that strategy. Telemontecarlo was a terrible experience be-

cause at that time we did not understand that television is local entertainment, done by locals' (Ibid.). Globo managers were well aware that they could not replicate Globo in Portugal. 'Had we imposed our model in Portugal, it would not have worked', argues Pedro Carvalho (Ibid.)

However, Globo being - in SIC executives eyes - a model commercial television, its managers travelled to Brazil in order to understand how their counterparts were organized and how the company performed. Pinto Balsemão, President of the board, and Emídio Rangel, Programmes and Information Director, made numerous working trips to Globo. 'Emídio Rangel had a radiophonic view of television. I introduced him to Boni (a top Globo's strategist) and in five minutes Rangel changed his mind', says Pedro Carvalho, himself the Vice-President of SIC's administrative board and the Vice-president of SIC's executive board.

Pedro Carvalho is a man of confidence of Roberto Marinho and has a strong position in SIC. Although he dismisses his importance, referring that he is one in ten members of SIC's board, his opinions are seriously taken and his influence in SIC's implementation and successful commercial strategy should not be underestimated. In fact, it comes as no surprise Pinto Balsemão's admission that there is an 'intimate' relationship between Globo and SIC: 'They have given us plenty of advice, we tried to follow it, and so far it has been very fruitful' (quoted in Sousa, 1996:207). To SIC's chairman, this privileged relationship is only natural since Globo is a shareholder and it has a member sitting on SIC's administrative board. Pedro Carvalho travels frequently to Portugal and he does not miss monthly board meetings. Basically

he co-ordinates all linkages between Globo and SIC.

Even considering that SIC is not a mere imitation of Globo, SIC has learnt from Globo on several areas. In terms of programming, SIC's strategy - just like Globo's - is unconditionally designed to maximise audiences. 'The core of a programming strategist activity is to secure maximum audience loyalty', points out Pedro Carvalho (interview with author, 24 April 1998). Both Globo's and SIC's managers know that programming strategies have to consider the cultural/social context of audiences. So, and despite cultural proximity between Portugal and Brazil, it is Emídio Rangel who selects Globo's products for SIC and schedules them. 'Emídio Rangel is today as good as any of our programming strategists with the added bonus of having the *Portuguese eye*', says Pedro Carvalho (Ibid.). Notwithstanding initial trips to Brazil to learn about Globo's organization and logic, Emídio Rangel makes two annual trips in order to choose the most adequate Globo products to Portuguese audiences (Carvalho, Ibid.).

Following the lead of top management, SIC's middle-management has also been prepared to learn from Globo. SIC's Marketing Director and Commercial Director were trained in Globo where they made professional internships (Correia Pires, fax message, 5 June 1997). In Pedro Carvalho's words, all SIC's directors (e.g. Programming, Production, Commercial, Marketing, Technical, Financial) were in Globo at least once, but some travel to Brazil more frequently (interview with author, 24 April 1998).

Globo's technical department has also provided crucial know-how to the newly created TV station. It has provided expertise

in terms of selection of equipment and human resources. SIC's technicians have travelled to Brazil to develop their expertise and Globo's experts have come to Lisbon to provide their services at SIC's studios. Beyond engineering and the selection of human resources, Globo has also been very important in terms of defining SIC's image. SIC's logo and image was developed by Globo's graphic designer, Hans Donner (Correia Pires, fax message, 5 June 1997).

Globo's management strategy and technical expertise has, in fact, been essential to the setting up of SIC and to the development of so far winning tactics. But, it is still as a 'content provider' that Globo is most desired. Since the beginning of Globo's co-operation with SIC, its executives have always expressed their aspiration to have the exclusive of Globo's *telenovelas*. This was not an easy option for Globo because RTP had been, for many years, one of Globo's best clients and there had always been a courteous and professional relation between both companies.

For two years, Globo sold *telenovelas* to both RTP and SIC. So, Globo's products were actually competing with each other during prime time and dividing audiences. SIC argued that this was not the best strategy for Globo itself as *telenovelas* actors were overexposed (often same actors were on the air simultaneously in two channels interpreting different roles). Basically, SIC's management argued that fragmenting audiences with Globo's own products was not sustainable in the long term. Firstly because *telenovelas* image would deteriorate and, secondly, because currently Globo produces an average of nine *novelas* per annum, and - at present levels - that would not be enough for

two channels (RTP 1<sup>5</sup> and SIC). It followed the 'natural' conclusion that if Globo had to contribute to the commercial success of one channel only, that would be the one where its money was.

In September 1994, after initial resistance, Globo signs an exclusivity contract with SIC. This contract, which became effective from January 1995, was a very serious blow to RTP. RTP's generalist channel (RTP 1) was already having problems to keep its audiences and the consequences of this contract were predictable. By mid-1995, mainly due to Globo's *telenovelas* and expertise, SIC became the most watched TV channel in the country. In 1996, the four most watched TV programmes amongst terrestrial channels, were four Globo's *telenovelas* exhibited by SIC.

## 6 Conclusions

There are obvious differences between the Time-Life/Globo agreement and the Globo/SIC agreement. In the first case, it was the US group which was looking for foreign business opportunities; in the second case, it was the newly created company, SIC, which was looking for an ideal strategic partner. Globo was not particularly interested in investing in a Portuguese broadcasting company, once the domestic advertising market was knowingly small for four national channels depending almost exclusively on advertising revenues.

The political/legal circumstances in which these agreements were established were also completely different. Thirty years ago, Bra-

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<sup>5</sup>Although RTP has two channels, only RTP 1 (the generalist channel) broadcasts Brazilian *telenovelas*.

zil lived a highly volatile situation and the arrangements between Time-Life and Globo were not developed within the existing legal framework. On the contrary, when Globo and SIC developed their relationship, in the 1990s, there was no political instability in Portugal, and the legality of the arrangements was not an issue.

Still, the support of Time-Life to Globo was crucial at that time. And the support of Globo has also been of the highest importance to SIC. In the early stages of both Globo and SIC, the companies managers and staff had no television experience, so they were keen to learn from more experienced broadcasting companies. Globo's assistance to SIC appears to have a more informal character but clearly its staff was also eager to learn with their successful partners.

With money and assistance from Time-Life, it took Globo few years to reach the number one position in the Brazilian broadcasting arena. Similarly, having followed Globo's managerial 'advice' and buying its products, SIC became, in a short period of time, the number one in terms of audiences and the most financially balanced TV channel in Portugal.

In any case, Globo did not 'impose' its expertise or products. In fact, it did not have to because SIC managers and staff recognized that they had no experience in the field and they were well aware that Globo would be a crucial content provider. Furthermore, Globo did not want to set up a Globo-style station because it has had that experience and it has not worked out. Globo managers understand that a successful television has to take the national cultural and social context into consideration. After their reluctant entry in the Portuguese television market, Globo's

main objective in Portugal was to assist SIC in winning the audience battle and, for that, a *Portuguese eye* - as Pedro Carvalho puts it - was essential.

In addition to the notorious relevance of Globo in SIC's management and programming strategy, Globo's commercial television model - originally based on the US commercial television model - has had an impact in the overall television system. Given the financial hardship the other television stations have to deal with, they have been convinced that their best alternative is to imitate SIC. This being the case, Globo's presence in the Portuguese television market shaped, to a certain extent, the overall domestic television scenario.

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