

▼ THE IMPORTANCE OF LOCAL REPERTOIRE IN BRAZIL

Local repertoire dominates the Brazilian market. It had a 66% share in 1996, compared with 33% for international and 1% for classical. Mechanical royalty receipts compiled by most observers suggest that in 1997 the proportion of sales taken by local repertoire has risen still further, to over 70%. This is partly because a sector of the population which could not previously afford records has started to buy popular local repertoire, of which there is a wide choice, often specific to certain regions. Because Brazil is a Portuguese-speaking nation, Spanish-language albums from the rest of Latin America until recently tended not to sell well there and, conversely, few Brazilian artists have had major success outside Brazil. More recently there are signs that this is changing. The heavy rock group Sepultura and rock group Paralamas do Suceso have had success outside the country, as have Roberto Carlos, Daniela Mercury and Tom Jobim, while other acts, such as Leandro Y Leandro, have re-recorded albums in Spanish.

▼ THE GROWING PROBLEM OF PIRACY

In October 1997, local record industry association ABPD published a report about the Brazilian record industry, *Industria Fonografica Brasileira*, detailing how the market developed in the 1990s. According to the report, the record industry invests approximately 80% of its profits in local production and the Brazilian music business directly employs 8,000 people and employs another 55,000 in indirectly related jobs such as radio, retailing,

design companies and print publishing. The report's authors claim that soundcarrier sales in 1996 netted the government \$362m in tax revenues, a sum that would have been \$150m higher but for piracy. According to *Industria Fonografica Brasileira*, piracy remains a serious problem in Brazil. Over 60m pirate music-cassettes were sold there in 1996 (the latest year for which figures are available). Almost 30m of the pirate cassettes entered the country illegally via Paraguay, according to figures provided by the regional anti-piracy association APDIF. However, sales of pirate CDs were comparatively low, 2.4m units (3.85%) of the CD market in 1995, rising to 3.1m units in 1996, which was, however, a lower percentage of the total CD market, at 3.4% (see table below). In order to prevent CD piracy rates from becoming as high as music-cassette piracy rates, ABPD recommends that the country's penal code be altered, that a new copyright bill be enacted and that police and courts take more effective enforcement measures against pirates. *Industria Fonografica Brasileira* estimates that the legitimate record industry lost \$391m in sales because of piracy in 1996. Observers suggest that this probably rose in 1997.

ABPD has signed an agreement with Brazil's four main CD producers, whereby customers ordering CDs have to present the plants with a document from ABPD that verifies the legality of their order before the plants can press the order. Nevertheless, figures from APDIF suggest that piracy is growing. In 1995, APDIF organized fifty-three raids in Brazil. In 1996, these more than doubled to 116, and more than doubled again to 254 raids in the first ten months of 1997. The increased number of raids has resulted in greater

seizures. Over the three year period, the number of music-cassettes seized rose from 800,000 in 1995, to 1.6m in 1996, and to 2.3m units in the first ten months of 1997. The number of CDs seized has grown from 12,247 units in 1995, to 23,958 in 1996, and to 49,735 units in the first ten months of 1997. The value of seizures has also risen, from \$2.2m in 1995, to \$6m in the first ten months of 1997. Although CD piracy is clearly on the rise, to date APDIF has not found any illegal CD plants in Brazil. All pirate CDs seized in Brazil were made outside the country.

▼ RETAILING IN BRAZIL

The Brazilian retail trade was badly affected by the hyper-inflation of the early 1990s. As in Mexico and Argentina, retailers became accustomed to making their money by banking cash from their sales and making big interest gains before paying suppliers. A credit period of 180 days was not unusual. As interest rates fell, many retailers over-ordered in case prices rose. As a result, local observers estimate that in 1997 almost a third of the country's 1,800 retailers were in debt. At the end of the year, several of the major record companies refused to deliver new stock until debts were paid. Consumers similarly became accustomed to buying product they liked quickly, for fear the price would rise. This habit, one of the important reasons for the high CD sales, is only now declining. Although specialist outlets are still important sources of soundcarriers, supermarket and department store chains are becoming increasingly significant. ABPD calculates that 50% of music sales are through department stores, traditional stores take 40%, and wholesalers

take 10%. Leading department store chains often sell loss-leader full-price CDs at \$10 each. Almost one third (30%) of national sales take place in the city of Sao Paulo, where about 10% of the country's population lives.

BROADCASTING IN BRAZIL

Radio is available in 88% of Brazilian households and there are an estimated 2,800 radio stations in the country. However, they generated under \$250m in revenues in 1995. This is just under 5% of all advertising revenue in the country. Some groups are starting to form national networks, although there are stringent ownership regulations. Sao Paulo-based Joven Pan ZYD 825 has a chain of 50 stations. Other networks include Globo's growing chain

of franchised stations, Transamerica, Bandeirantes (which also runs a television network), and Lider. According to research by ABPD, 50% of sound-carrier purchases are made after hearing a song on the radio. Several of the networks are developing strong musical identities; for instance, Lider plays adult contemporary music. But leading city stations still play a mixture of all formats, although mostly local repertoire. APBD's research also found that 7% of records were bought after watching a video on MTV Brasil, which was operated under franchise by Grupo Abril since 1991 until 1996, when Viacom took a 50% stake. It now reaches 15m households. Income has been growing very rapidly and is estimated at about \$35m for 1996, although Viacom does not break out revenue figures by region. The channel plays about 40% local repertoire, mostly pop-rock, and has also backed compilation albums. The rest of pay and terrestrial television is dominated by Globo, which also broadcasts the main variety shows and live concert events.

The long-established **EMI Music Publishing Brazil** (EMI MPB) is the largest music publisher in Brazil. With a market share of over 25% in both mechanical and performing rights revenues, its success is based not on its international catalog, but on its domestic repertoire. In a territory where local repertoire accounts for some 70% of soundcarrier sales, this is very important. Until recently, because Brazil is a Portuguese-speaking nation in the middle of a Spanish-speaking continent, few Brazilian artists and composers have had success outside Brazil. More recently, this has begun to change, and just as several Brazilian acts have had record success outside the country (see Brazil profile for more details), so EMI MPB has had success with its composers in markets as disparate as Mexico and Japan. EMI MPB titles successfully recorded recently by artists outside Brazil include Evidencias (a hit in Mexico) and Doce Mel (Latin America), while best-selling Japanese artist Liso Ono has regularly recorded EMI MPB copyrights on her albums.

EMI MPB's managing director Jose Antonio Pedromo, is also the president of the Brazilian Composers Association (UBC) and the regional Latin American publishers association. In both capacities he has been active in the fight to increase royalty collections from broadcasters. In the course of these struggles Mr. Pedromo has been harassed, threatened and even shot at. This happened after the Parliamentary Commission, which was established to examine anomalies within Brazil's complex system for the collection of performance royalties, began an attack on the music publishing industry in Brazil. That phase of the battle with the broadcasters is now over, but that it even occurred is a testament to the importance of large publishers, especially when they are international, to commit themselves fully to fighting local issues which benefit all publishers and composers.