

# Netflix unveils Latin America service in Brazil

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In this Aug. 2, 2011 photo shows Netflix CEO Reed Hastings speaking at a meeting in Palo Alto, Calif. Starz says that it has ended renewal talks with Netflix on providing movies and other content for its on-demand streaming service. The decision announced Thursday deals a big blow to Netflix Inc.'s streaming service at a time when many users are angry about its recent decision to raise its monthly subscription prices. (AP Photo/Paul Sakuma)

(AP) -- Netflix launched its movie and TV streaming service in Brazil on Monday, the beachhead for a push into Latin America that is seen as key to the company's continued growth after recent setbacks in the United States.

Netflix Inc. says it plans to expand into 43 countries throughout Latin America and the Caribbean soon, the online movie rental company's largest international expansion yet.

"What Netflix seeks to do is connect the world to provide the world's content to the world's citizens," CEO Reed Hastings said as he inaugurated the service in Brazil on Monday.

Netflix will add service to Argentina, Paraguay and Uruguay on Wednesday, then will expand to Bolivia, Chile, Colombia, Ecuador, Peru, Venezuela, Mexico, Central America and the Caribbean within a week.

The move brings challenges not seen in Netflix's core markets, the U.S. and Canada.

[Broadband internet](#) reaches a far smaller percentage of homes in Latin America than in the United States, and speeds are slower. [Piracy](#) of movies is among the most widespread on the planet, meaning many consumers can pick up a DVD or CD of the latest films for less than a dollar. Also, Netflix has little brand recognition in the region, and in the case of Brazil it already faces a homegrown competitor.

"This just won't work in Ecuador or Costa Rica or even Mexico as it has in the U.S.," said analyst Michael Pachter of Webber Securities. "It's going to depend on how many households have broadband access and what the quality of the content will be like."

Only 20 percent of Brazil's 42 million [Internet users](#) have a [connection speed](#) above 500 kilobytes per second, according to a May report from Ibope Nielsen Online. A speed of around 800 kilobytes per second is the minimum required to stream movies online.

Netflix subscribers across the region will be able to watch TV shows and movies streamed on a wide range of gadgets. Foreign and domestic content will be offered in Brazil, with some titles dubbed in Portuguese, Spanish or English, and people will also be able to opt for subtitling.

The service in Brazil will cost 14.99 reals per month (about \$9), and new subscribers will get the first month for free.

In the U.S., a streaming subscription costs \$8 a month and customers can pay slightly more to get DVDs in the mail. As in Canada, Netflix's service in Latin America will be streaming-only, with no DVD option. Netflix's streaming library in the U.S. is about one-fifth the size of the 100,000 selections in the DVD section.

Hastings declined to say how many movie and TV titles would be available to Latin American consumers. He also would not say how much the company has invested in the venture.

The company based in Los Gatos, California, is working on broadening its international reach as its service it launched in 2007 in the U.S. becomes more ubiquitous and as it faces new pressures. As of March, Netflix had 22.8 million subscribers in the U.S., about 34,000 more than the number of households subscribing to Comcast Corp.'s cable-TV service.

The company is trying to pacify subscribers incensed about a price increase of as much as 60 percent on plans that bundle Internet video with DVD rentals.

It's also scrambling to fill a potentially big void in its video library that will be created in March if it loses the rights to stream movies and TV shows from Starz Entertainment, part of Liberty Media Corp.

Netflix had been trying to renew the Starz deal, which included recently released movies from Walt Disney Co.'s various studios, only to have the talks collapse last week when Starz announced that it wouldn't renew a contract that allows Netflix to stream recently released movies and TV shows online under the \$30 million annual deal.

Those developments have raised fears that Netflix might lose subscribers in the U.S., and that has driven down the company's stock price by about 25 percent, wiping out about \$4 billion in shareholder wealth since the price increases were announced in July.

Anti-piracy advocates hope that Netflix's entry into Latin America may provide a market-based solution to the rampant infringement of intellectual property rights in the region, ranked by many watchdog groups as the worst in the world.

Kelsey Zahourek, director of the Washington-based watchdog group Property Rights Alliance, hopes Netflix can change consumer habits in [Latin America](#).

"If you give consumers a fairly inexpensive choice to get all the movies they want for a fairly inexpensive prices, it's going to bring down piracy rates," she said. "Increasing enforcement along with changing consumer habits can go a long way in reducing piracy."

Hastings said the use of peer-to-peer sharing networks to spread pirated movies in Canada has declined since Netflix entered that market, but he was doubtful the service alone was the answer.

"We're not going to eliminate piracy with Netflix, but you can make a dent," he said.

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