

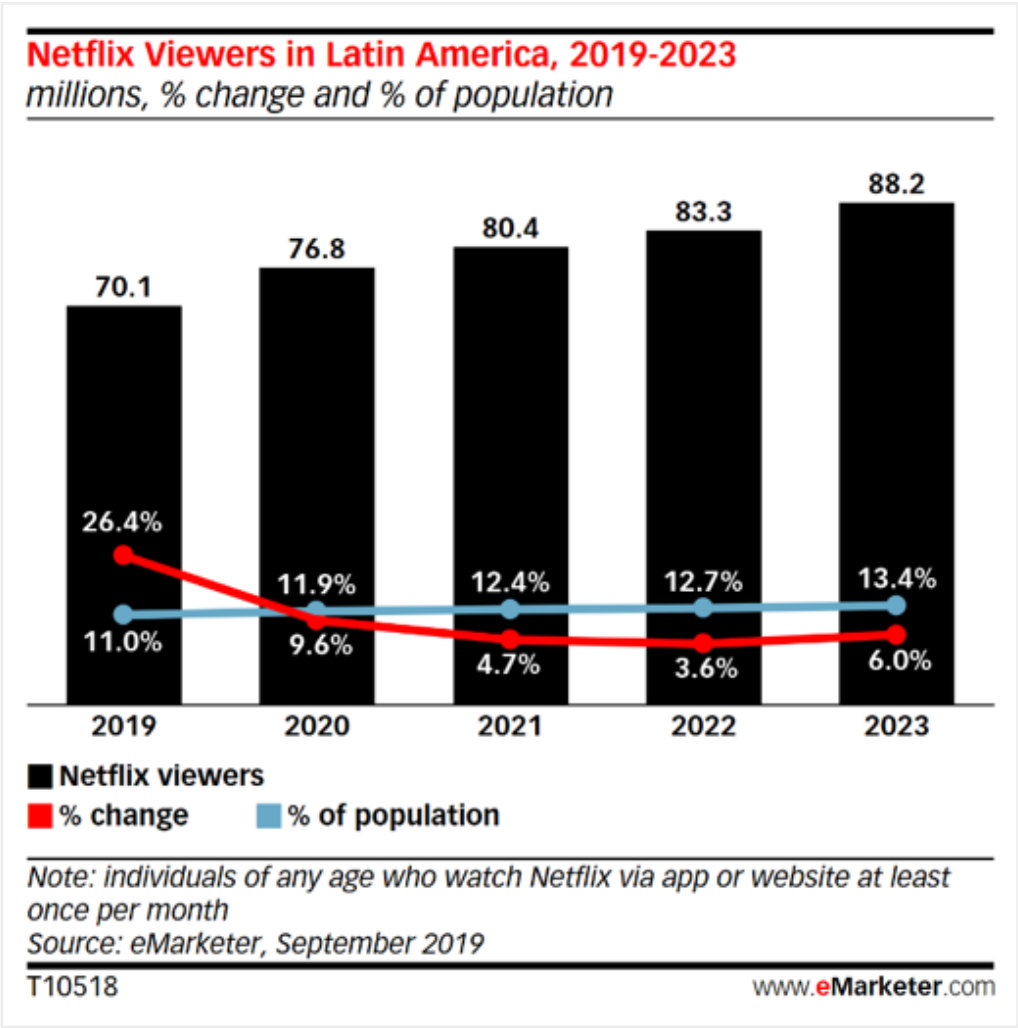
Netflix Viewership Growth Remains Strong in Latin America Despite Price Increases

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Though Netflix increased the cost of its subscriptions worldwide, the price hikes didn't have an equal effect everywhere. While much has been written about the company's loss of US customers in Q2 due to costlier subscriptions, we estimate that Netflix's viewership growth in Latin America will remain strong.

We forecast that this year, the Netflix audience in Latin America will increase by 26.4% to 70.1 million users. As the company continues to offer more local content, we expect this number to rise to 88.2 million by 2023, when 13.4% of individuals in the region will regularly watch Netflix.



A wide variety of local-language and international content, along with a user-friendly interface and affordable price point make Netflix a popular choice for internet users in Latin America.

Instead of curating TV shows or movies like other competitors in the region, Netflix offers original content that resonates with audiences—this is partly why the company has started to produce and license a large amount of local content in Latin America to convert consumers into subscribers.

In January 2019, Netflix announced it would raise its prices by 13% to 18% for its US subscribers, making it one of the largest price hikes in the company’s history. Similarly in Latin America, Netflix users saw their monthly subscription costs increase, regardless of whether they were billed in US dollars or their local currency. In Argentina, the price

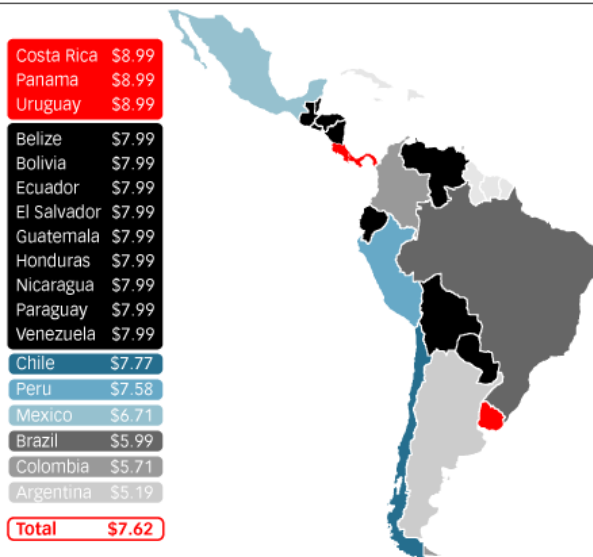
jumped 20.1% for Netflix's most basic plan, while consumers in Mexico and Brazil saw their monthly subscriptions increase by 18.3% and 10.1%, respectively. Despite this, we expect continued growth in the regional user base overall.

Viewership and Price by Country

Netflix viewership will be highest in Brazil this year, with 28.7 million monthly viewers, followed by Mexico (19.3 million). Argentina will have far fewer monthly Netflix viewers (5.9 million), with an audience one-fifth the size of Brazil's and nearly one-third the size of Mexico's.

Countries like Argentina (\$5.19), Colombia (\$5.71) and Brazil (\$5.99) have some of the cheapest monthly subscription fees worldwide for the basic plan, compared with the \$8.99 that subscribers in Costa Rica, Panama, Uruguay—and even the US—pay monthly.

Cost of Netflix's Basic Plan* in Latin America, by Country, Sep 2019
dollars



Note: *allows users to stream TV shows and movies from Netflix on one device at a time in standard definition (SD)

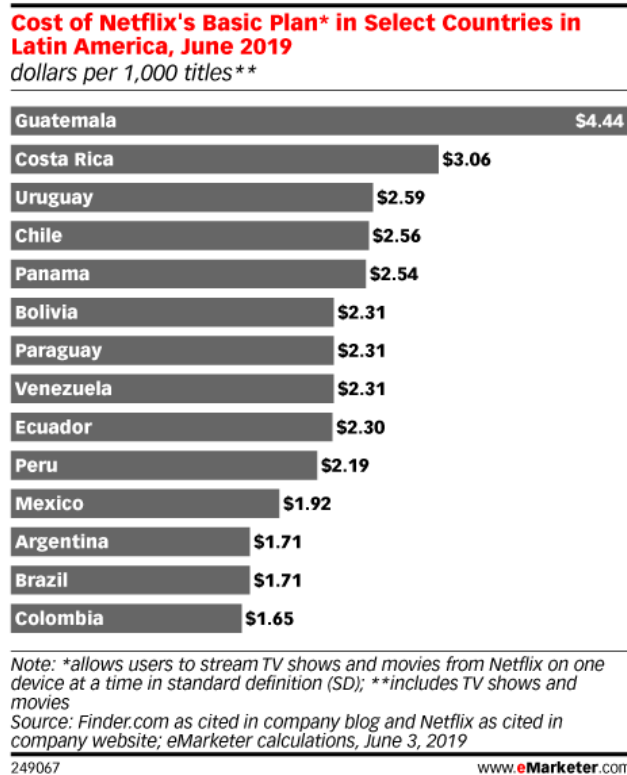
Source: Finder.com as cited in company blog and Netflix as cited in company website; eMarketer calculations, June 3, 2019

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Colombia, Brazil and Argentina are also the three most cost-effective countries to use Netflix in Latin America. For example, Netflix users in Colombia had access to 3,461 titles in June 2019, according to

Finder.com. With a monthly subscription costing COP16,900 in Colombia (\$5.71), this makes each title \$0.00165, or \$1.65 per 1,000 titles.



Similarly, countries with monthly subscriptions were billed in US dollars—instead of the local currency—were some of the least cost-effective ones to use Netflix. This was the case in Guatemala, Costa Rica and Uruguay, where costs per 1,000 titles were \$4.44, \$3.06 and \$2.59, respectively.

Netflix's decision to localize its prices in select markets is part of a broader strategy to best position—and grow—its product offering. In **India**, for example, many consumers watch a large amount of video content on their mobile phones. In light of this, Netflix decided to launch a mobile-only plan in **July 2019**—costing only INR199 (\$2.91)—to drive subscriber growth.

Though the company did not provide further details on plans to export this model to other markets, Greg Peters, chief product officer, said in a company earnings call that Netflix intended to “experiment with other

pricing models, not only for India, but around the world that [will allow] us to broaden access by providing a pricing tier that sits below our current lowest tier. We'll see how that does in terms of being able to accelerate our [international] growth.”

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