

## IS NETFLIX DOMINATING BRAZIL?

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**ABSTRACT:** *This article investigates the challenges that Netflix faced while consolidating its strategic operations in the Brazilian streaming video content market (Over-the-Top – OTT). North American entertainment company, Netflix was founded in 1997 in Scotts Valley, California, to initially provide DVD sales and rental by mail. In 2007, after delivering its billionth DVD, Netflix changed its business model, and introduced video on demand via streaming on the Internet. In 2011, one year after its first attempt at international expansion, Netflix entered the Brazilian market, offering streaming video content. On December 2017, Netflix had approximately 110 million subscribers worldwide (six million in Brazil), available in 190 countries. Despite its remarkable business performance, Brazilian Netflix operation faces several pitfalls and challenges. In recession since 2015, Brazil is experiencing a turbulent and unprecedented economic crisis due to the downfall in domestic consumption and decline in investment, followed by governmental corruption scandals and one presidential impeachment. Contrary to expectations, Netflix is doing quite well, even facing strong local competition from Pay-Tv providers, in a newly regulatory environment, yet to be fully developed. Also, Netflix is being accused of tax evasion and unfair competition in the country. Findings suggest that the Brazilian OTT market should be further regulated in the near future, and players must be strategically ready for this scenario.*

**KEYWORDS:** Streaming Video, Brazilian OTT Market, Netflix

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### INTRODUCTION

Netflix CEO and co-founder, Reed Hastings, said recently that "in the first year, I remember that we were very weak in Brazil. Today the country is a rocket" (Money Time, 2017, p.1). In 2017, Netflix had approximately six million subscribers of streaming video content in Brazil (see milestones in Figure 2).

However, in this period, the North American company has been accused of unfair competition due to tax evasion, by: (a) the traditional Pay-Tv competitors; (b) the Pay TV Brazilian Association (*Associação Brasileira de TV por Assinatura – ABTA*), and (c) National Cinema Agency (*Agência Nacional de Cinema – ANCINE*). According to them, Netflix should pay, as any other regular movie business in Brazil, all due taxes that are not collected, such as: PIS, COFINS, ISS, ICMS and CODECINE (tax over movies)<sup>1</sup>.

Once Netflix subscriptions are collected only by credit card, without a Brazilian invoice emission, Netflix does not pay taxes, generating approximately economy of 50% of its operational cost. The Brazilian Federal and State Governments are planning to create a new

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<sup>1</sup> PIS - Programa de Integração Social (Social Integration Program), COFINS - Contribuição sobre Fim Social (Social contribution), ISS - Imposto sobre Serviços (Tax over Services), ICMS - Imposto sobre Circulação de Mercadorias e Serviços (Taxover Merchandise and services), and CODECINE - Contribuição para o Desenvolvimento da Indústria Cinematográfica (Contribution to cinematographic industry) are some of the main taxes and contributions a company regularly must pay in Brazil, which Netflix is being accused of evading.

regulation for OTT (Over-The-Top) services, including tax collection that would affect Netflix directly (Exame, 2017).

São Paulo State Governor, João Doria, just took the lead regarding the tax collection “crusade” against Netflix, by sanctioning Law Project no. 555/15 into State Law 16.575/17, on December 15, 2017, approving the tax collection of 2.9% of ISS (Services tax), over the operations in São Paulo State, where Netflix has its headquarters. Mr. Doria said that “Netflix is too rich to repass the tax value to their costumers” (Isto É, 2017, p.1, our translation). Marcelo Crivella, Rio de Janeiro’s Mayor, followed the same example and sanctioned on December 2017, a 2% ISS tax collection on streaming services like Netflix and Spotify. Both initiatives are supported by a Federal Legislation, sanctioned by president Michel Temer in from November 2016, which authorizes tax collection by municipalities (G1, 2016).

Therefore, the present study investigates the consolidation of the strategic operations of the unit of analysis (Yin, 1988), denominated *Netflix Entretenimento Brasil Ltda.*, hereafter Netflix Brazil, which is registered in São Paulo State Government as a limited society, since April 27<sup>th</sup>, 2011. We analyzed and discuss the major challenges and pitfalls faced by Netflix in the country, including a set of lessons learned and indications for future research.

## METHODOLOGY

This is a qualitative, inductive, interpretive, multiple methods study, involving extensive archival research, direct observation, qualitative interviews, and single case study, which unit of analysis (Yin, 1988) is Netflix Brazil, located at São Paulo State, Brazil. Primary data were collected through video recording (N=5). The invitations were sent via e-mail or phone call, with 100% of response rate. The interviews were designed as semi-structured (Myers & Newman, 2007). Five questions were posed, with 100% response. All the interviews were processed and coded manually by two analysts. The sampling strategy adopted was purposive, following Miles, Huberman & Saldaña (2014).

The process coding was conducted in two phases: (a) first cycle coding; (b) second cycle coding. In the first cycle coding, attribute, holistic, descriptive and In vivo codings were used. In the second cycle coding, eclectic coding was used, following Saldaña’s (2013) recommendations. All the (N=5) interviews were conducted in Portuguese. The interviewees signed a disclosure information protocol. The overall interviews were validated after final submission and acceptance by the interviewer. Disclosure information were assured and interviewees were told that they could end the interview at any point without necessity of additional explanation. Primary data were then analyzed through content analysis. Secondary data were gathered through literature review and archival research. Findings are discussed further.

## Background

Netflix was originally denominated Kibble Inc., by its the co-founders Marc Randolph and Reed Hastings, back in August 29<sup>th</sup>, 1997, one week later renamed NetFlix Inc. (with capital ‘F’ until 2002), as show in Figure 1, as follows:



Figure 1 Netflix's logos. Note that the first logo, from left to right, kept the capital F until 2002. Source: Netflix

Before Netflix, Hastings founded Pure Atria on October 1991, a computer company, and then sold to Rational Software Corporation in 1997 for \$700 million, one of the richest transactions of the Silicon Valley history, at those days (Keating, 2017). Hastings invested \$2,5 million in Netflix, the newly created start up.

The motivation for Netflix creation is curious. The North American space movie, *Apollo 13* (1995), directed by Ron Howard and starring Tom Hanks, had a participation on it. The idea came up in 1997, after Hastings got a \$40 fee because of one-week late return on *Apollo 13*<sup>2</sup>, as Hastings declared to *Fortune* in 2009, when he was elected Business Person of the Year:

The genesis of Netflix came in 1997, when I got this late fee, about \$40, for *Apollo 13*. I remember the fee, because I was embarrassed about it. That was back in the VHS days, and I got me thinking that there's a big market out there (Keating, 2017, p.3).

Back in the 1990s, the VHS (Video Home System), was a standard for analog video recording, later substituted for DVD (Digital Video Disc), a standard for digital video recording. Hastings and Randolph designed a new business model, using the brand new technology of DVDs instead of VHSs, offering a rental service, just like the main competitor, Blockbuster, which came to have more than 9,000 stores across America at that time, but with two main differences: (a) instead of physical stores, they would send the DVDs by mail; and (b) with no fees for late delivery back. The customer had more days than the competitor to watch the movies, without the embarrassment of paying fees for late return. Blockbuster fees annually generated a revenue of \$ 600 million, equivalent of 15% of the gross income of Blockbuster.

The DVDs were sent by mail to the customer, which paid the same \$7 than its competitor, Blockbuster, with the main advantage of no fees for late return.

The business model proved to be a success, and in the next year, 1998, Netflix launched its website, [www.netflix.com](http://www.netflix.com), on April 14<sup>th</sup>. At that time, there were only 30 employees and 925 DVDs available through rental model. It crashed for the next weeks, due to high volume of

<sup>2</sup> This version of the Netflix creation is contested by his former partner, Marc Randolph (see Keating, 2017, p.6)

requests. In 1999, the French tycoon Bernard Arnault became an investor, injecting over \$30 million in Netflix (Keating, 2017).

However, it took almost three years to Blockbuster take a real action against the competition: in 2000, Hastings was contacted by Ed Stead, to meet with him and Randolph at Dallas, where Hastings

laid out his proposal. Why not turn The Netflix into an online arm of Blockbuster? The win-win, as he saw it, was that Blockbuster would be spared the expense of converting its huge VHS inventory to DVDs and Netflix would get access to Blockbuster's twenty million active store users, and pay a fee for this privilege (Keating, 2017, p.66).

When Hastings offered to be bought by Blockbuster for \$ 50 million, Blockbuster immediately rejected the proposal, with its representatives essentially laughing. There was no alternative to Netflix but to continue growing through external capital, and conquer Blockbuster definitively. Therefore, on May 29<sup>th</sup> 2002, Netflix launched its first IPO at the National Association of Securities Dealers Automated Quotations (NASDAQ).

In 2007, Netflix delivered its billionth DVD (See Figure 2). In the same year, an important shift occurred: Netflix decided to invest on streaming video, rather than focusing attention to DVDs, which decreased the participation on business.

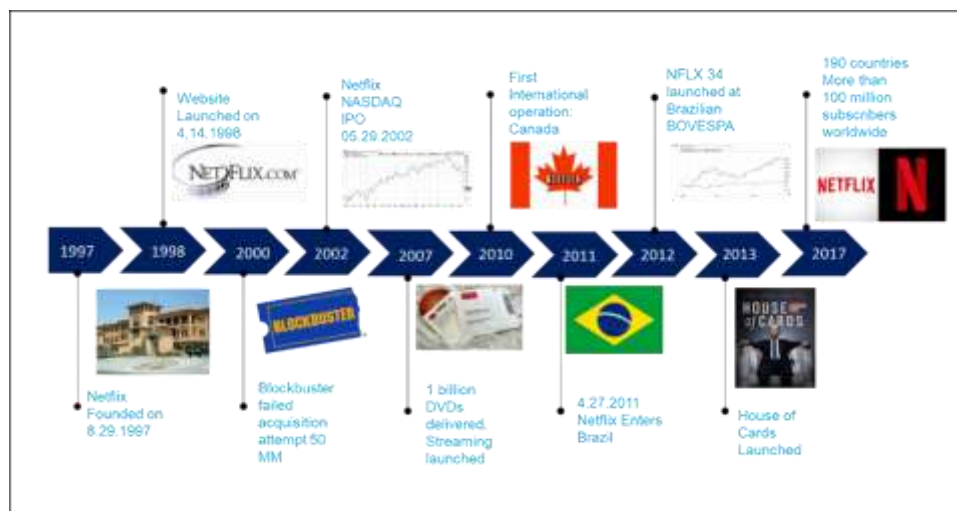


Figure 2 Netflix's milestones

Headquartered at Los Gatos, California, Netflix continued attracting new customers to its innovative business approach. From 2011 to 2017, it jumped from approximately 23 million to more than 100 million subscribers worldwide (See Figure 3), streaming 125 million hours of content each day.

In 2011, Hastings created a new company, called Quickster, thereafter responsible for the DVD mailing, separating the two different operations (in Brazil, the DVD rental service was never launched). Netflix abandoned definitively the former business model, to be dedicated solely to the new streaming business. Two years later, in 2013, Blockbuster Inc. announced the closing of the remaining 300 stores, declaring bankruptcy.

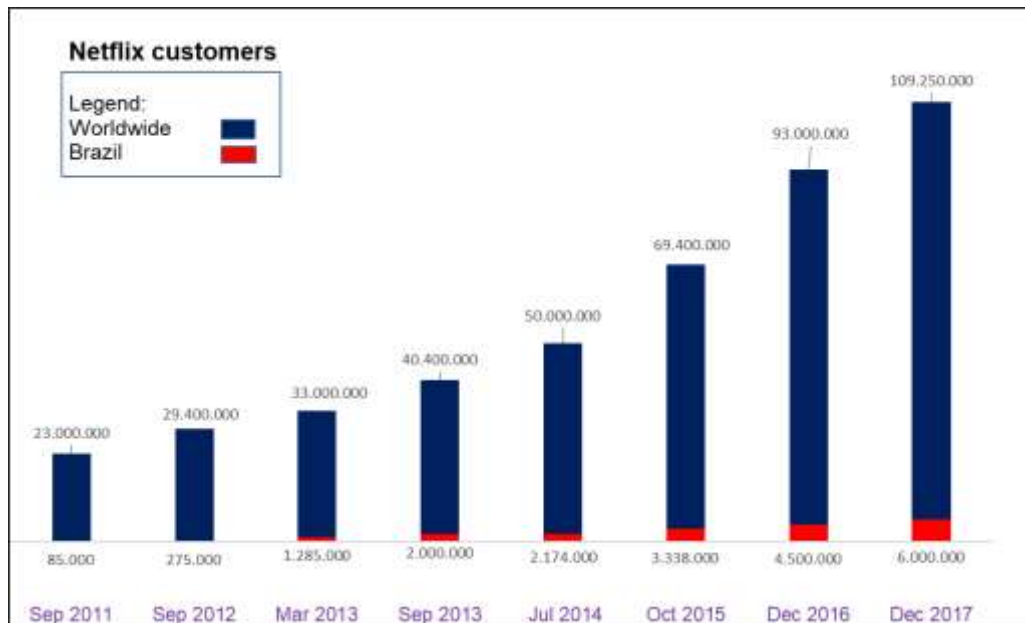


Figure 3 Netflix customers worldwide and Brazil, from 2011 to 2017. Source: Netflix (2017)

Netflix first international experience through global expansion took place in Canada, 2010.

In 2011, Netflix was ready to enter the virtually non-existent, non-regulated Brazilian OTT market, and it did, on April 25<sup>th</sup>, four months before the Brazilian Federal Government (BFG) approved Law n° 12.485, from September 12<sup>th</sup>, 2011, regulating conditioned access audiovisual communication, or Pay-TV market, altering Provisory Measure (MP) n° 2.228-1/01, and Federal Laws 11.437/06, 5.070/66, 8.977/95, and 9.472/97, aligned with Netflix's interests, to be discussed on the next section (Brasil, 2011).

### Brazilian Pay-TV and OTT Regulatory Contexts

The Pay-TV market in Brazil dates back to 1991. TVA (Television Abril), the first Pay-TV network, owned by the Brazilian Media Group Abril, started its operations on September 15<sup>th</sup>, 1991, with the following channels: Showtime, CNN, TNT, ESPN and Supercanal. The cable signal was captured via an external antenna (Anatel, 2011; ABTA, 2017).

At that time, the Telecommunications sector in Brazil was strictly controlled by the Brazilian Federal Government (BFG), which allowed state or mixed economic societies to explore the Brazilian telecommunications market.

The market reserve endured until 1995, when the Constitutional Amendment 8/95 started to rule, allowing privatization, and promoting competition, "to explore, directly or through authorization, concession or permission, the telecommunication services (...)" (Brasil, 1995, Article 21, subsection XI, our translation). In practice, the Amendment n° 8/95 paved the way for international private investment in the Brazilian telecommunication sector, regulated two years later through Law n° 9.472 (Brasil, 1995).

In 1997, after the enacting of the Telecommunications General Law n° 9.472 (*Lei Geral das Telecomunicações*), which started to rule on July 16<sup>th</sup>, foreign investments were attracted, and privatizations started to grow on a newly created telecommunications market in Brazil. The Law also gave birth to ANATEL (*Agência Nacional de Telecomunicações – National Telecommunication Agency*), a regulatory agency dedicated to this segment (Brasil, 1997). In 2017, the Brazilian telecommunication reached €1,146 billion market size and OTTs are responsible for 10% (Oi, 2017; Anatel, 2017).

The Brazilian Pay-TV market reached 18,9 million subscribers in 2017, in a growing market, as shown in Figure 4, according to the ABTA, as follows:

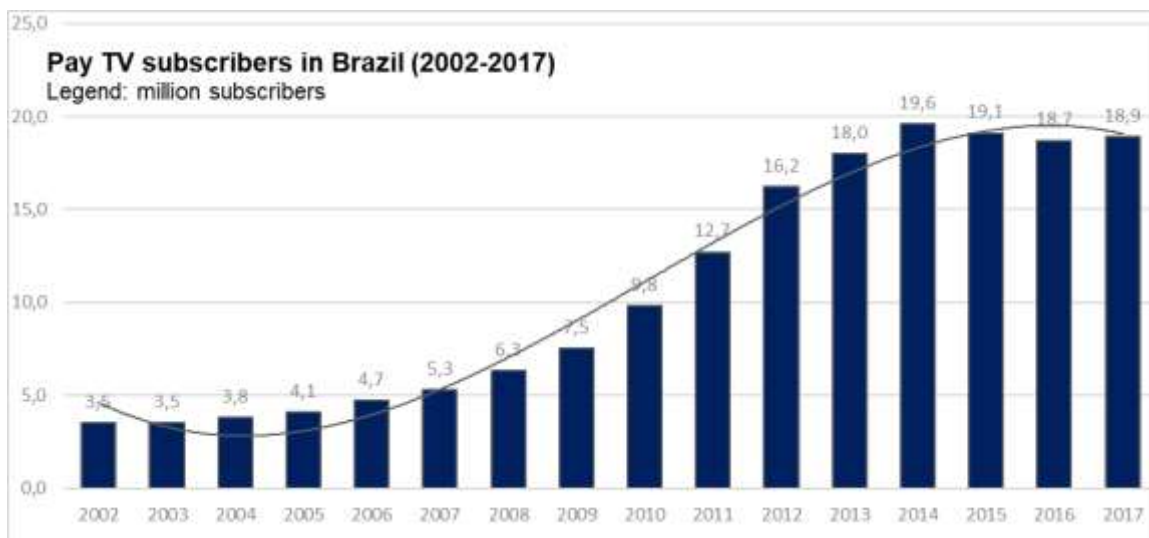


Figure 4 – Number of Pay TV subscriber's' evolution (2002-2017). Source: ABTA, 2017.

The next important regulatory mark was the Audiovisual Law n° 12.485/11, which allowed for the first time Mobile Service Providers to become also a Pay-Tv Providers.

In 2012, Claro TV, a mobile company controlled by Mexican company America Móvil, owned by the Mexican tycoon Carlos Slim, entered the Brazilian Pay-Tv market, supported by the newly approved Audiovisual Law (n° 12.485). In 2014, Claro merged with NET and Embratel, although keeping its brands intact (Brasil, 2011).

Law 12.485/11 left out the newly Over-The-Top (OTT) market, also known as Video-On-Demand (VOD) market, defined as “to stream video content via the internet to a television set” (Com Score, 2017, p.4).

Regarding the OTT market, on April 2017, it reached within the United States 51 million Households (HH) – in Brazil, 18,6 million HH (Com Score, 2017), that brings the country to the 8<sup>th</sup> position in the worldwide OTT market.

In the United States, 40% of the total OTT viewing hours on HH are dominated by Netflix, as shown in the following Figure 5:

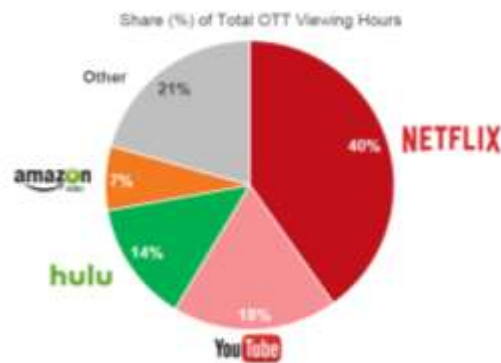


Figure 5 Total of OTT Viewing Hours, USA. Source: ComScore, 2017. Note that hulu® is not available in Brazil and Amazon video only entered in 2016 in the Brazilian OTT market.

### Netflix in Brazil: Building a Strong Competitive Advantage

In 2011, by the time Netflix entered the Brazilian market, there were a few bigger competitors. The Brazilian Pay-TV or Cable-TV providers (*TV por assinatura*, or subscription TV, our translation) NET and SKY were responsible for 68% of the market share, as shown in the following Figure 6:

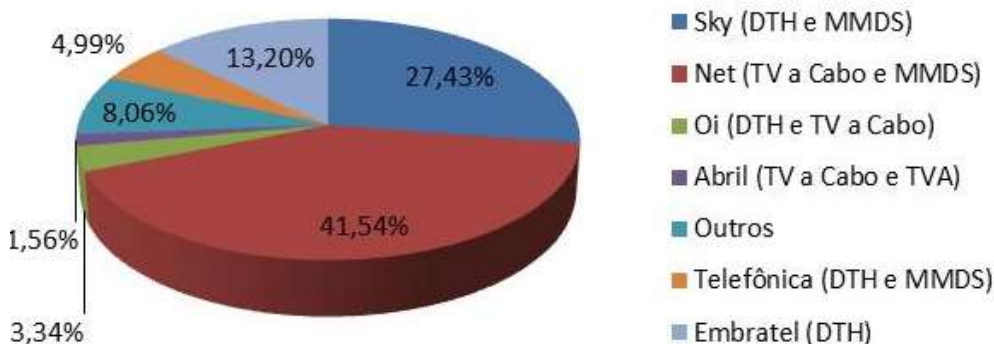


Figure 6 - Brazilian Pay-TV providers in 2011. Source: Anatel (2011)

On April 25<sup>th</sup>, 2011 Netflix registered at Junta Comercial de São Paulo – JUCESP (São Paulo Board of Trade), a limited company under the denomination *Netflix Entretenimento Brasil Ltda*, with equity capital of R\$ 10.000,00 (approximately \$ 3,000), later raised capital to R\$ 202.374,00 (approximately \$70,000), to provide “Portals, content providers and other information services on the internet. Data processing, application service providers and web hosting services” (JUCESP, 2017, p.1).

Netflix is still located at Alameda Xingu, 350, 14<sup>th</sup> floor, Alphaville Industrial, Barueri, São Paulo State.

The customer had access to Netflix content firstly on Monday, September 5, 2011. Initially, Netflix had licensing contracts to the Brazilian audience with Paramount Pictures, Sony Pictures Television, NBC Universal International Television, ABC Television, CBS Television, MGM, BBC Worldwide and Disney.

On September, 26<sup>th</sup> 2013, Netflix entered the Brazilian Stock Market, BOVESPA (*Bolsa de Valores de São Paulo*), as Brazilian Depositary Receipt (BDR) from Netflix Inc, under the name NFLX34, ordinary, under the classification BRNFLXBDR000, by R\$ 704,00 each 1,000 shares. On January 3<sup>rd</sup>, 2018, NFLX34 was sold by R\$ 664,90, 94.4% of the original stock price (BOVESPA,2018).

The initial subscription monthly fee was R\$ 14,90 (aprox. US\$8, See Figure 7), and Netflix offered 17,000 movies, available at the website [www.netflix.com](http://www.netflix.com) (G1, 2011).

In comparison with the Pay TV competitors, Netflix generated a tremendous advantage, based on a strategy that is common to many start-ups designated as “disruptive”. It comprehends a well-defined low cost/low price competitive strategy, with a simultaneous high perceived value by clients: while SKY offered the *New Sky Mix Cinema 2011* with 141 channels + 6 Telecine channels + 10 HBO channels (the cheapest bundle) for R\$ 159,90 (approximately US\$85), and NET *Essencial HD* with 45 channels, including 6 Telecine channels for R\$ 179,80 (approximately US\$95), Netflix offered a US\$7 streaming service. Netflix fees, in comparison, are still in 2017 cheaper when compared to Pay TV, at R\$ 27,90 (approximately US\$9).

From 2011 to 2017, the monthly subscription fees constantly raised from R\$14,90 to R\$ 27,90, almost 87% in six years, as shown in the following Figure 7:

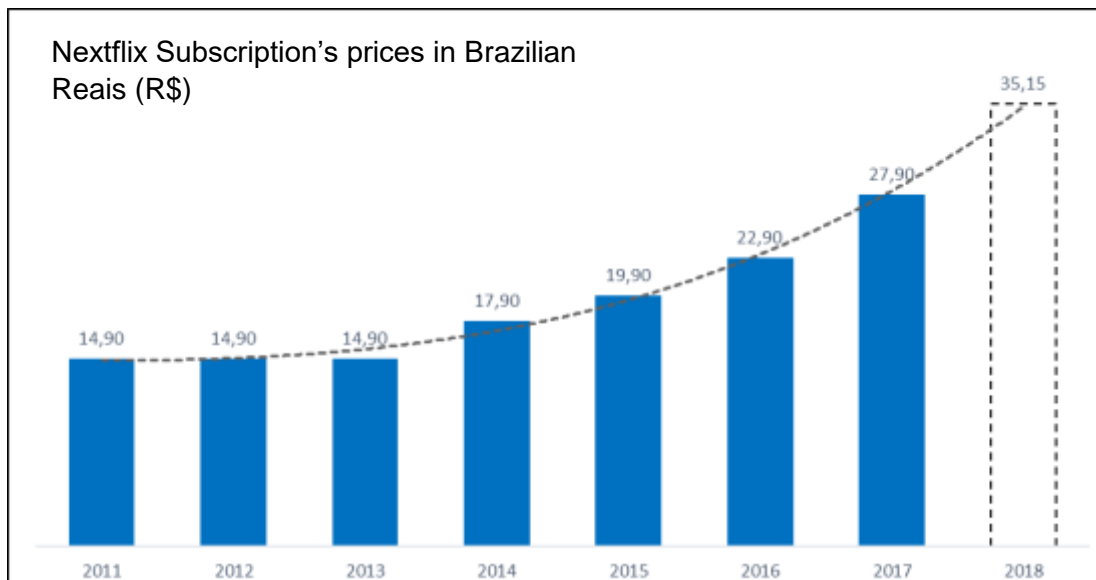


Figure 7 Netflix simplest subscription monthly fees from 2011 to 2017, and projection to 2018.



## **First challenges**

Netflix had the following initial challenges regarding its operation in Brazil: (a) low quality of internet connection, which impacted seriously the quality of image broadcasted, and generated interruptions in the streaming transmission; (b) little use of credit card on the internet, seen as an unreliable payment system, at that time; (c) the lack of the Brazilian audience habit of paying for video content; (d) audience not familiarized with the streaming video technology; (e) piracy; (f) DVD strong competition; (g) content adequacy to the Brazilian audiences (for instance, the first videos were offered on a dubbed version, later discovering that audiences preferred the subtitled version).

More recently, challenges continued, for instance with the (h) economic and political crisis in Brazil, especially from 2015 to 2017, affecting the Pay-Tv market, that shrunk in almost 1 million subscribers (see Figure 4); and (i) claims that Netflix was presenting only old movies.

Many of the above mentioned challenges were reported basically the same throughout Latin America (Mundo do Marketing, 2011).

## **Brazilian Audiences Adaptation**

In 2017, Brazilian customers became more familiar and adapted to the Netflix business concept in general, as technologies have been developed and improved. In 2017, Netflix reached six million customers in Brazil (see Figure 3).

The vast majority of the initial challenges have changed: (a) the quality of the internet significantly improved up to 200Mb, against 2Mb in 2011 (Anatel, 2017); (b) credit card buying operations for the first time surpassed cash operations on Christmas 2017 (Folha de São Paulo, 2017), showing that Brazilian customers rely more on online transactions; (c) Brazilians are fully adapted to the streaming video OTT market offers; (d) idem for the technology, each day friendly easier to the final user; (e) although decreasing, piracy is still Netflix most difficult challenge; (f) DVD is no longer a competitor, being overpassed by streaming video; (g) Netflix is adapted to the Brazilian audiences interests.

Despite (h) economic and political crisis affect the overall market, it seemed not to influence significantly Netflix, due to the low monthly fees' subscription, when compared with Pay TV equivalents. Finally, (i) Netflix is investing in its own local content, such as the Brazilian TV Series 3%, an attempt to take the consumer experience to higher levels of satisfaction.

## **Controversies on the Regulatory Front**

In practice, since the OTT service was not yet fully regulated in Brazil, Netflix was not obliged to pay taxes, because there were no service taxes to be paid. As a consequence, from 2011 until December 2017 Netflix did not pay state or municipal service taxes, such as the aforementioned ISS, among others.

Therefore, Netflix is being accused of unfair competition by its competitors. Although not seen as a competitor, but as service complementary, the president of the Pay-TV Brazilian Association (ABTA), Oscar Simões, declared that "the new forms of video consumption are complementary and not threats to Pay-TV" (ABTA, 2016, p.1, our translation). He argues that the risk is "unequal competition with new platforms, offering videos over the internet without

having to meet the same regulatory and tax requirements as Pay-TV” (ABTA, 2016, p.1, our translation).

Hastings defended himself, arguing that “(...) It is up to the Brazilians and the Government to decide which taxes should be collected and we just follow the law” (Exame, 2016, p.1).

A public consultation on OTTs, held by the International Telecommunication Union (ITU), was closed on August 29<sup>th</sup>, 2016, receiving over 50 contributions from several countries, being 7 from Brazil.

The Brazilian Telecommunications Agency (Anatel) delivered a contribution stating that telecommunication and value-added services in Brazil are offered under the terms of (i) the General Law on Telecommunications, (ii) the Civil Internet Framework, and (iii) Decree 8.771/16, which regulates the latter. Therefore, Anatel’s position is that any future legal provisions on OTTs in Brazil must follow the principles and rules established in these three instruments. Anatel is also conducting studies on interconnection regulations, with the idea to propose that telecommunications providers and value-added service providers are free to enter into commercial agreements, and that conflicts will be mitigated later by the local authority.

For SindiTelebrasil (Sindicato Nacional das Empresas de Telefonia e de Serviço Móvel Celular e Pessoal, *National Syndicate of Telecommunications Service Providers*), OTTs that are confused with the service that supports them should have regulatory equality or that imbalance should be mitigated as in the matter of taxes, for example. SindiTelebrasil’s contribution seeks to strengthen the role of ITU in this issue, in order to seek a fair and reasonable competition between the OTTs, advocating for instance a treaty, so these companies have to comply with the laws of the country, even if they do not have national representatives. One of the complaints that comes from their associates is about the use of advertising by OTTs, which ends up consuming the franchise of users' data.

Mobile Telecomm operator Claro presented similar positions to those presented by Sindi Telebrasil. The company believes that the agency should seize the moment to promote a regulatory equalization between telecommunication companies and OTTs, ending the imbalance, stating that it is necessary to adopt new approaches to improve the environment, the regulatory review to establish similar obligations.

Another contribution came from the Brazilian Association of Internet and Telecommunications Providers (Abrint). It affirms that OTT companies are mere users of telecommunications services and should be treated as such, in order not to hinder the development of new services. In other words, this means that if some application competes with conventional telecommunications services, this should not be the concern of the regulator, since its function can not be the defense of the companies, but of the consumer who is the true beneficiary of the innovations brought by OTT. In this view, the goal of regulators should be catalyzed to new opportunities offered by these companies to the benefit of consumers and to support competition, and not extend the regulatory barriers of telecommunications services to OTT.

Another entity, ABETIC (*Associação Brasileira das Empresas de Tecnologia da Informação e Comunicação*), or Brazilian Association of Information Technology and Communication Companies, disagrees with SindiTelebrasil's proposal on the taxation of OTTs, claiming that the user is already charged a lot in the broadband service in Brazil.

On its turn, Idec (*Instituto Brasileiro de Defesa do Consumidor*, Brazilian Consumer Defense Institute), refutes the contributions of telecoms by stating that (i) the rules of level playing field for OTTs are not applied, since they are operating in different markets; (ii) it also does not fit the rules of free rider, because OTT services generate demand for access; and (iii) the "same service, same rules" does not apply, since most OTTs do not completely replace telephones, so they must follow their own obligations of accessibility, freedom of expression and affordable cost, in a different way from telephones.

Finally, the Brazilian Association of Internet Service Providers (Abranet), presented contributions in the sense that ITU should not discuss Internet-related topics so as not to duplicate efforts with other organizations. The Association understands that national problems cannot be brought into the institution.

As seen, a lot of discussions on the topic is still on going, specially – but not limited to – the proper regulatory framework. Anyway a final decision from ITU on this subject is expected only after its 2018 Plenipotentiary Conference, to be held in Dubai from October 29<sup>th</sup> to November 16<sup>th</sup>, 2018.

Despite all challenges and controversies, on question still remain: is Netflix dominating Brazil?

## DISCUSSION

Netflix faced similar adaptation challenges as other companies, when entering Brazil. Part of these mistakes were observed through the lens of the fundamental attribution error (Jones & Davis, 1965). Netflix tried to impose to the Brazilian customer the North American habits, literally disregarding or misinterpreting the Brazilian customer habits and behavior.

The same can be applied on the regulatory front, where Netflix followed the same institutional strategy (instead of a sectoral strategy) adopted by other companies with disruptive business models in Brazil, such as Uber (Navarro, 2016; Dias & Navarro 2017).

Lessons learned with the Brazilian Netflix case, suggest the following recommendations for entrepreneurs and managers:

1. *Dealing with different cultures takes planning.* Netflix should spend more time in understanding the Brazilian culture, before entering the Brazilian market;
2. *Get to know your customer's habits, behavior, before launching a product or service.* It is much more expensive to correct an error before the customer takes contact with the product or service.
3. *Don't think that if something is good for you and your country, it will be good for others.* This is one of the most common errors when a company expands its activities to other countries. To avoid this error, always rely on the expertise of local people, or hire local facilitators, to engage them in the process. Misinterpreting local habits can destroy one's business.
4. *Do not rely on one country infrastructure.* This is another version of the attribution error, now directed to the local infrastructure. Not all countries offer a high-speed internet, nor at an affordable price. Even high speed should be investigated first, because

of different perceptions of speed. The solution is to test first the local infrastructure to later adapt to it.

5. *Pay close attention to the non-market forces impacts.* Besides the frequent market forces analysis regarding existing competitors, barriers of entry, substitute products/services, and negotiation powers of clients and suppliers, in some markets – specially developing countries – other forces such as Government, Media, Non-Government Organizations (NGO's) and other stakeholders (at first sight) not directly linked to the business, can make the difference of success or failure.
6. *Consider using a sectoral strategy instead of an institutional strategy.* Governments (and other key stakeholders) usually prefer to answer to a common claim that comes from an entire sector, not from a particular company or different, conflicting ones. This way, study carefully current local associations and join the one that fits most your objectives, ideally seeking for a position of influence. If such Association does not exist, consider creating one together with other companies that share similar goals and visions<sup>3</sup>.
7. *Keep an open mind and willingness to negotiate.* Different regulations and norms are present and in constant change, at national and international levels. They may therefore bring significant impacts to the business model or to the market(s) in which the company is operating. Due to this, keep the openness to new scenarios and be very watchful to changes. For instance, it is important to hire local Institutional and/or Government Relations professionals, more familiarized with sudden changes of norms, rules or new legislations.
8. *Be creative, with a constructive approach.* Unusual problems require, sometimes, unusual solutions. The vast majority of start-ups face the highest challenges not in the field of attracting investors nor building up a brilliant team, but in adapting current legislations (and beliefs) to new business models. The term “disruptive policies” is becoming more and more usual<sup>4</sup>. However, creativity has its boundaries. Be alert to local legal limits when developing solutions, for instance in the taxation or customer rights fields.

Finally, the Netflix success in the Brazilian OTT market might be related to low costs of operation in the Brazilian market and because of few competition, the absence of regulation to the OTT market. Those relations are aspects encouraged for future investigation, as well as revisiting the case.

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<sup>3</sup> In the case of OTTs in Brazil, an Association was created in December 2017 to support their interests before selected key stakeholders – ABOTT's ([www.abotts.com.br](http://www.abotts.com.br)): Associação Brasileira de OTTs, *Brazilian Association of OTTs*.

<sup>4</sup> See, for instance: Biber, E. *et al* (2017).

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