



BRAZIL

Country Briefing

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An aerial photograph of Rio de Janeiro, Brazil, featuring the Christ the Redeemer statue on a hill overlooking the city and the bay. The image serves as the background for the presentation slide.

Agenda

Historical
Background

Current
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Emerging
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The Portuguese were the first Europeans to arrive in Brazil

Initial Migration

Early tribes came into the Americas from Asia by way of the Bering Strait



Indigenous life

- roughly 2,000 tribes
- lived clustered on the coast and along major river banks
- most tribes were semi-nomadic and relied on hunting, fishing, gathering, and migrant agriculture

Portugal arrival

In April 1500, Pedro Álvares Cabral arrived on the coast of Brazil and claimed the land for the Kingdom of Portugal



Portugal colonization

- aimed to convert the “Indians” to Christianity
- brought diseases with them that killed tens of thousands of natives
- some natives fled inland, the mountains acting as a barrier for inland development

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The colonial economy was driven by sugar production

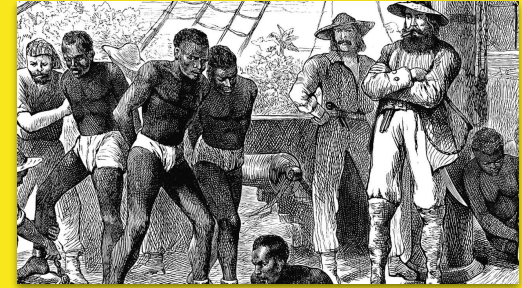


- Portugal named Brazil after the abundant brazilwood trees
- Became the chief export in the 16th century because of the red dye they produced

- The Portuguese began the first commercial production of sugar in the new world in 1550, building mills along the Atlantic coast of Brazil
- By the mid 1600's Brazil became the biggest producer of sugar in the world



Slavery in Brazil



- through the transatlantic slave trade, Brazil received over 4 million Africans, more than any other country
- slave labor was the driving force behind growing the sugar economy and later needed for mining when gold and diamonds were discovered
- Brazil didn't abolish slavery until 1888, they were the last Western country to do so

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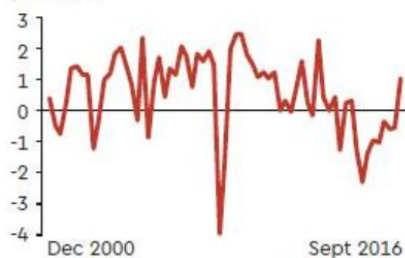
In recent decades Brazil has been ruled by elected officials

- **1822** After centuries of Portuguese rule, Brazil declared itself an independent country
- **1888** Slavery is abolished by the Golden Law, 4 million slaves are freed
- **1889** The monarchy is overthrown by a military coup led by Deodoro da Fonseca and a federal republic is established
- **1964** The military takes control of the government
- **1985** Democracy is restored through the military giving up governmental power
- **2011** Dilma Rousseff becomes the first woman president of Brazil

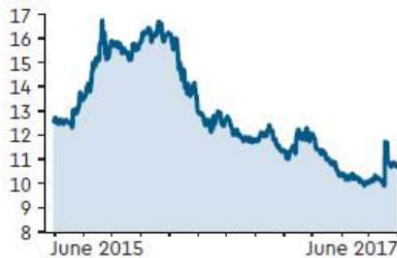


In 2014 Brazil experiences worst recession in their history

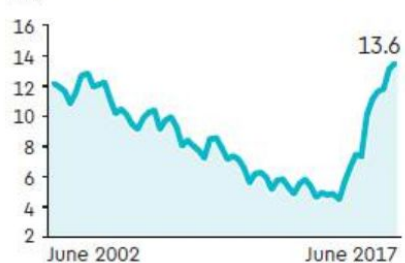
Brazil GDP growth
(% q-o-q)



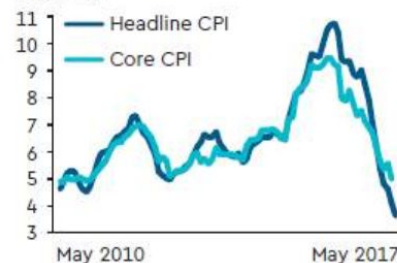
Brazil 10-yr bond yields
(%)



Brazil unemployment rate
(%)



Brazil CPI inflation
(%, y-o-y)



24 months straight of negative growth



Unemployment rates doubled from 2014 to 2016 and peaked at 13.6%



High inflation caused consumers to cut back their spending



Multiple corruption scandals including the impeachment and conviction of Dilma Rousseff in August 2016

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2016 Summer Olympics in Rio de Janeiro welcomed controversy

- Zika virus
- Sanitation
- Economic and political instability
- Crime
- Infrastructure



The Olympics cost the government billions in a time it could not afford it

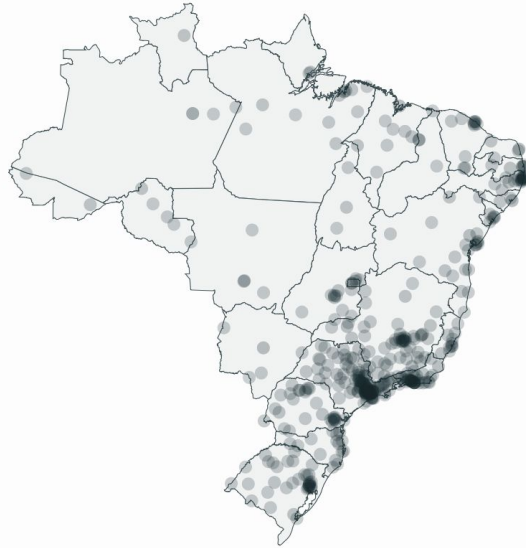


- Thousands of jobs were created leading up to the games but disappeared after
- An estimated \$12 billion was spent on the games
- State workers went unpaid and faced wage cuts due to the recession
- Unemployment in Rio doubled after the games and GDP fell 8.4%
- There was a growing anger in Brazil over the amount spent on the sporting events

Brazil has a large working age population to take advantage of

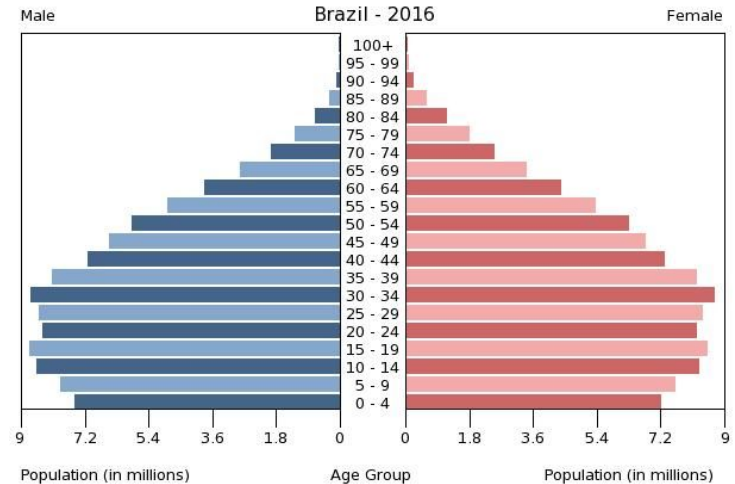
5th largest country in the world by population and land area

86.6% of total population lives in urban areas



The population is heavily clustered around the coast

Predominantly young population with signs of aging in future



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The Amazon Rainforest restricts inland development and stirs controversy regarding deforestation



60% of the Amazon Rainforest is in Brazil

- There are short term appeals of removing trees to make room for cattle or agriculture
- A major concern regarding deforestation is its effect on climate change
- Rain forests are important in the CO₂ exchange process
- Deforestation in the Brazilian Amazon is responsible for 10% of current greenhouse gas emissions



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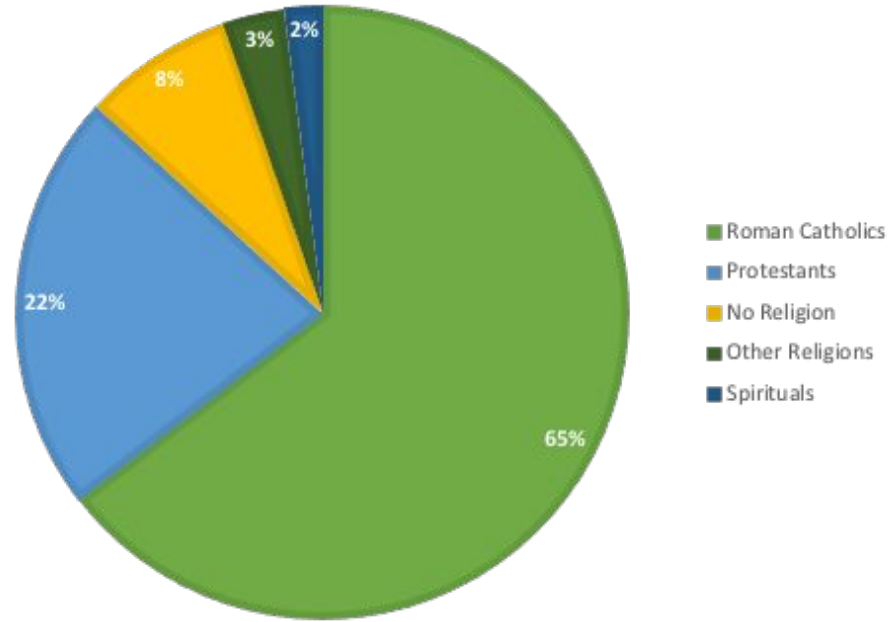
Language is a strong element of national unity

99% of
Brazilians
speak
Portuguese



There are moderate variations in grammar, pronunciation, and vocabulary in the Portuguese between states but these are diminishing as a result of mass media.

The majority of Brazil's population is Roman Catholic but secularism is rising



65% of Brazilians consider themselves Catholic, down from 90% in 1970

The 21st century has led to a growth in secularism as well as Protestantism

The current administration is working to combat the long history of corruption

Corruption Perceptions Index



22/180



105/180

- March 2014 began an investigation into executives at the state oil company Petrobras for accepting bribes from firms for contracts at inflated prices.
- The Workers' Party was also found guilty of using these funds to pay off politicians and buy their votes and help with political campaigns.
- The scandal ended up involving millions of dollars in kickbacks and over **80 politicians and members of the business elite.**

New President Jair Bolsonaro was elected in October 2018 with a populist anti corruption platform, with voters hoping he will restore law and order.

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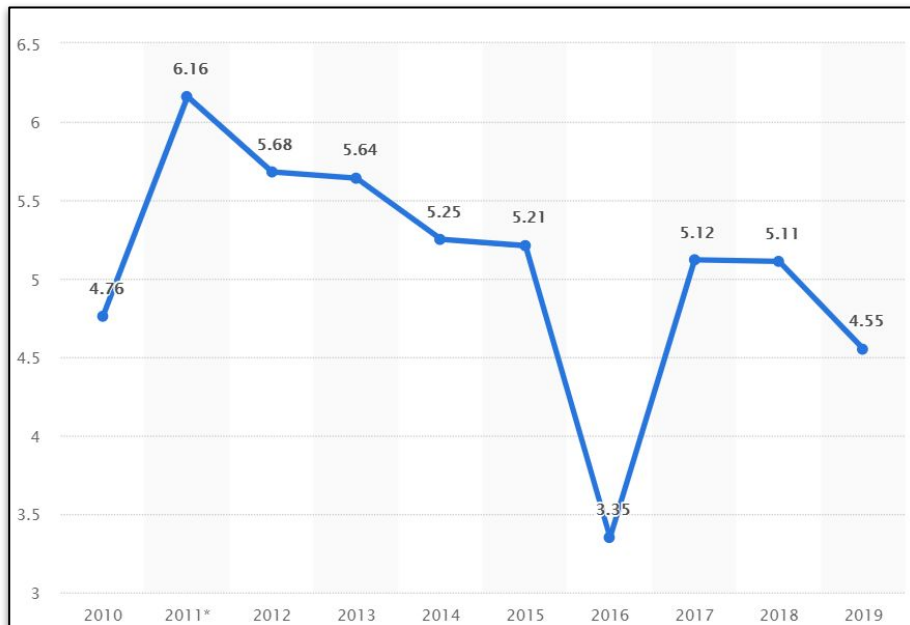
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The economy is showing signs of improvement

Prices for a Big Mac in Brazil from 2010 to 2019 (in USD)



1 Brazilian
Real
=0.26 USD

(annual variation in %)	2013	2014	2015	2016	2017
GDP per capita (USD)	12,278	12,106	8,785	8,720	9,896
Economic Growth (GDP)	3.0	0.5	-3.5	-3.5	1.0
Consumption	3.5	2.3	-3.2	-4.3	1.0
Investment	5.8	-4.2	-13.9	-10.3	-1.8
Industrial Production	2.1	-3.0	-8.3	-6.4	2.5
Retail Sales	4.3	2.2	-4.4	-6.3	2.1
Inflation Rate (CPI)	6.2	6.3	9.0	8.7	3.4

Historical Background

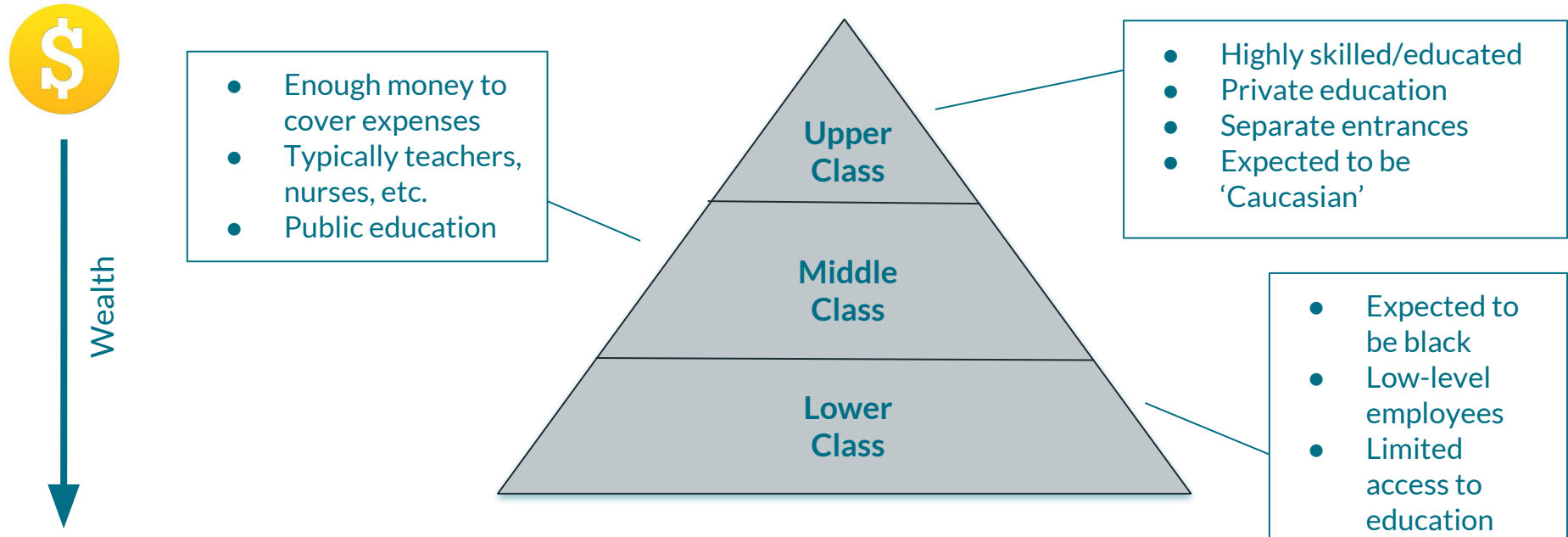
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Social stratification - Brazilian inhabitants are divided into classes



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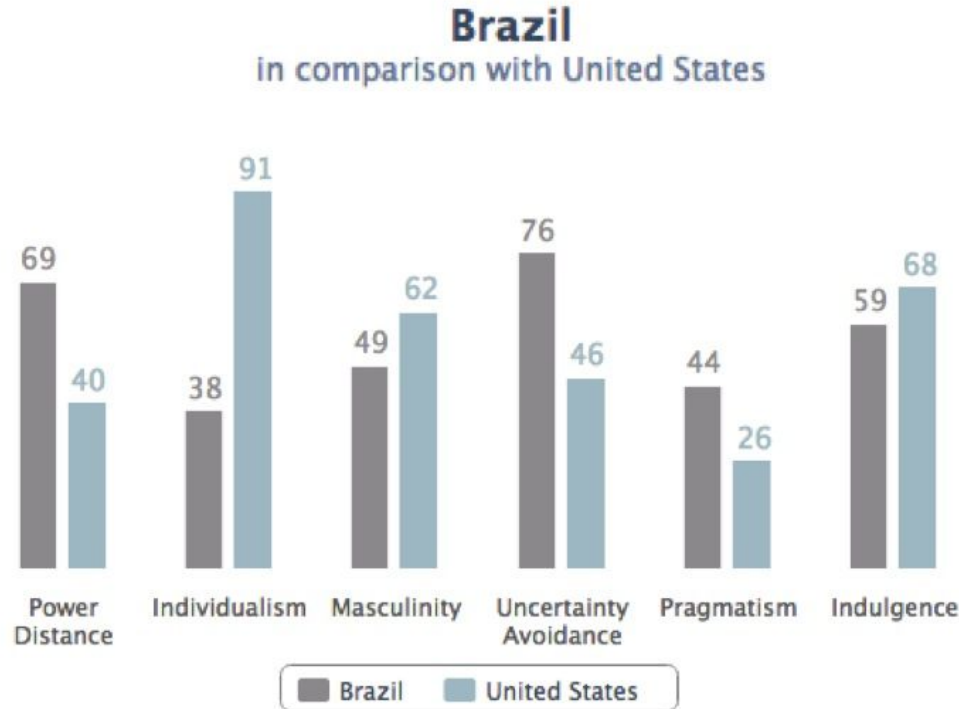
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Discrimination is based on various characteristics

- Woman are often in lower paid jobs
- Discrimination on the basis of skin color is common
- Upper and middle class rarely interact with the lower class
- Huge income disparity



The differences in power distance and individualism are important to note



- believes hierarchy should be respected and inequalities are acceptable
- boss has full responsibility
- status symbols of power are important
- integrated into strong, cohesive groups (extended family)
- show a strong need for rules and elaborate legal systems in order to structure life

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Men and women should be greeted differently



Man greeting man:

- Firm handshake
- Strong and steady eye contact
- Hugging and backslapping common once you know each other better



Man greeting woman/woman greeting woman:

- Kiss on the cheeks (left first)
- Extend hand first if you do not want that

Punctuality is NOT the most important thing in Brazil



- Brazilians tend to be late at business meetings
- Being on time is not necessarily recommended



- It is common to exchange business cards during introduction



- A lot of negotiations occur over meals (mostly lunch)

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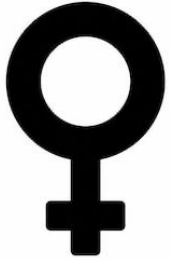
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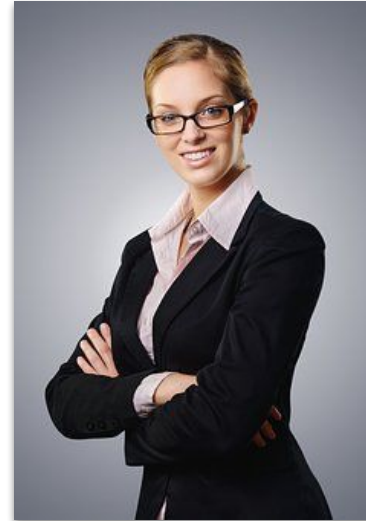
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Brazilians care about appearance - Dress Etiquette



- Dark coloured suits
- Three piece suit show that someone is an executive



- Suit, dress or skirt
- Good quality accessories
- Nails manicured



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Making eye contact is expected during a business meeting - What you should do



- Making eye contact is expected during conversations



- Brazilians tend to speak with a lot of physical contact



- You should bring a small gift, such as whiskey or wine
- Send flowers the day after

The OK sign is considered rude – What you should NOT do



Avoid doing the OK sign

The colours **black** and **purple** are connected to funerals



Do not talk about:

Religion



Argentina

Poverty



Politics



Historical Background

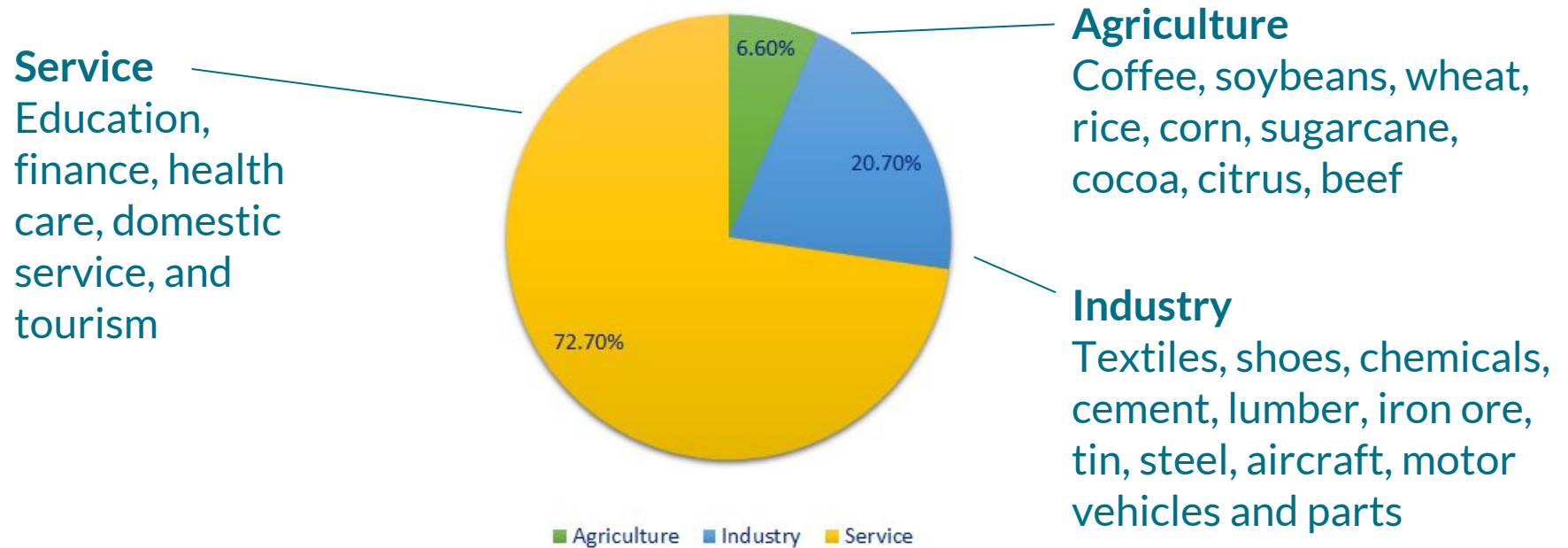
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Services make up the biggest economic sector in Brazil -GDP composition by sector



Brazil's biggest companies can be found in the banking sector

Banking		Mining/Oil and Gas		Utilities	
	\$ 61.3 bn revenue		\$ 27.1 bn revenue		\$ 17.4 bn revenue
	\$ 70.2 bn revenue		\$ 81.1 bn revenue		
	\$ 57.3 bn revenue				

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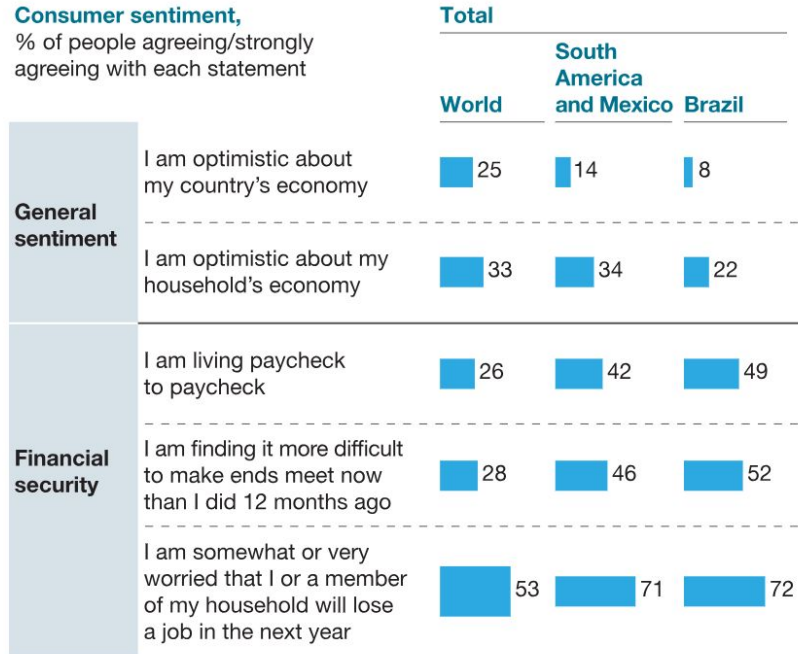
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Brazilian consumers are cautious and emphasize differing traits than North Americans

Consumer sentiment,
% of people agreeing/strongly
agreeing with each statement



Emphasize stronger than Europeans and North-Americans:

- Durability
- Reduced Maintenance Cost
- Simplicity

Emphasize less than Europeans and North-Americans:

- Product Design
- Certification like Fair Trade
- Environmental friendly products
- Ecological products

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Despite being one of the fastest growing economies, doing business in Brazil can be challenging

Developing Nation	Corruption	Taxes	Labor Laws	Imports
Areas of the economy such as the regulatory environment and sphere of investment are not as mature as developed counterparts.	If a company gets unknowingly wrapped up in corruption with Brazilian companies or officials, they will still be held accountable.	In 2014 PWC ranked Brazil the most time-consuming tax regime in the world. More than 90 taxes, duties and contributions are charged.	Labor laws are in 900 articles and difficult to navigate. Non-compliance leads to fines and a tarnished reputation. Businesses should be aware of how the unions operate.	Adopts the NCM classification of imports along with Argentina, Paraguay, and Uruguay which specifies the taxes and rates due. Taxes on imported goods can cost more than 70% of final price.

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Brazil struggles with transportation problems

Road transportation

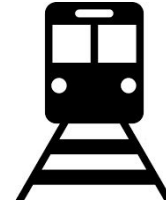


58%

Roads are in bad conditions



Railway



25%

- Only a few routes available
- Inflexible
- expensive



Good that services do NOT need transportation!

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Lenovo was able to successfully enter the Brazilian market



- in 2013 Lenovo Group acquired 100% of CCE, known in Brazil as a leader in PCs and consumer electronics
- the acquisition doubled Lenovo's PC market share in Brazil, the world's third largest PC market, and immediately positioned the company to execute its visions
- focused on distribution capabilities and were able to use the local manufacturing and management that CCE had already established

"Brazilian customers will see immediate benefit from this acquisition with products that embody Lenovo's heritage of innovation, quality and global supply chain efficiency, while building upon CCE's knowledge of Brazilian consumer needs and strong retail presence," -Dan Stone, President and General Manager, Lenovo Brazil

When considering doing business in Brazil there are a few helpful resources

Brazilian Investor Visa Program

Allows to gain permanent residence if:

- In partnership with a local company
- Interested in investing in an internet business, real-estate or government bond

E-Commerce

Several recommended platforms for setting up the business



→ When shipping directly from abroad there is NO need to register as a Brazilian company

Start-Ups

No financing of ventures until recently
→ new government initiatives and interest from foreign investors now

Co-working space opportunities and accelerators:



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Brazil's tech sector emerges as highly promising



AgriTech

5.

... largest agricultural producer



EdTech

Key point for skilled workforce



Fintech

... drives more transparency, speed and automation



HealthTech

5.

... most populous country, huge middle class
→ more demanding



Marketing Tech

Software as a service : one of the most promising and already growing markets

Human capital & the entrepreneurial ecosystem are success factors of the tech industry

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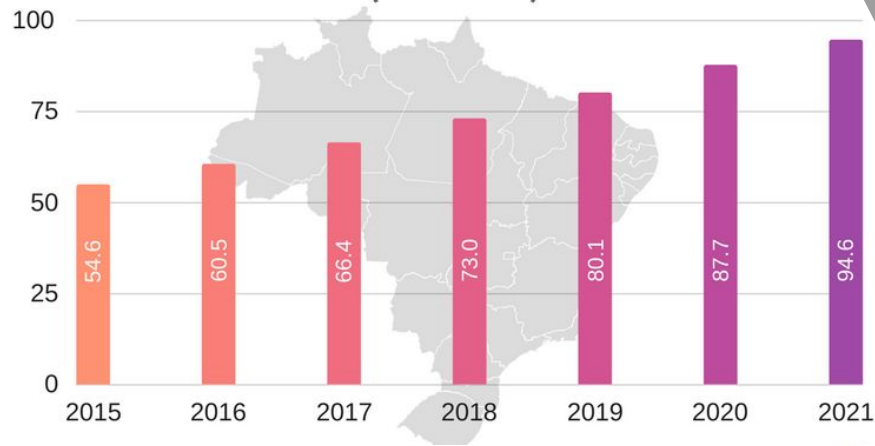
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Brazil is one of the biggest E-commerce opportunities in the world

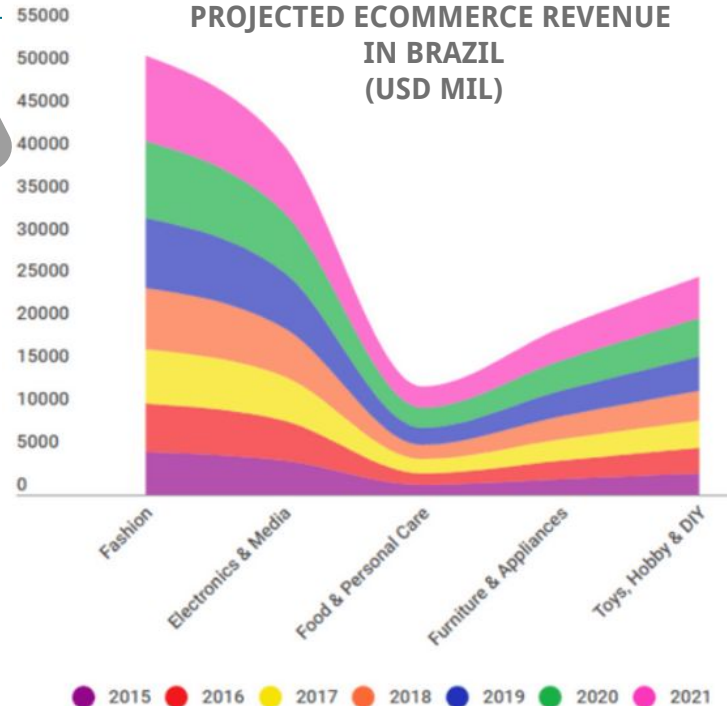
4th largest internet market globally

NUMBER OF ONLINE SHOPPERS IN BRAZIL
(in millions)



Fashion and Electronics and Media are the leading product categories

PROJECTED ECOMMERCE REVENUE
IN BRAZIL
(USD MIL)



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Brazilian businesses are finding ways to adapt to the price sensitivity

Recently coming out of a recession, price sensitivity is high in Brazil



Companies are changing their value proposition to adapt to the more cost-conscious customers

Companies such as Danone and Nestlé have tweaked their product portfolios in Brazil to include individual packages and mini versions making them affordable for customers and protecting their margins.



Value-added services such as product installation, maintenance, and repair, or technical assistance are becoming increasingly popular, allowing companies to maintain prices

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There are various added costs to consider when pricing



Make sure your product will have a competitive price point before adding the costs of being in Brazil:

- Import taxes
- Non-refundable sales taxes
- Industry average commission or distribution markup

Relationships and culture are important for promotional activities



- Respect, recognize and include Brazilian culture in all aspects
- Culture and mentality have a tremendous impact
- Close cooperation with Brazilian companies is highly recommended
- Putting time and effort into building relationships is vital for promotional activities

Social media plays an important role in Brazil's marketing practices



- Social Media became a primary channel for advertising
- Size and power of the internet market are huge



... largest internet market in the world



2. Largest market after the US



97% social media audience

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Carefully consider the risks before entering Brazil



However..



It is NOT easy to enter
Brazil

There is a lot of potential

- High population
- Good resources
- Being ahead of your opponents

**Always keep in mind
that adjusting to the
local market is vital!**

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An aerial photograph of Rio de Janeiro, Brazil, featuring the Christ the Redeemer statue on Corcovado Mountain, Sugarloaf Mountain (Pão de Açúcar), and the city of Rio de Janeiro. The text "Thank you" is overlaid in a white box in the center of the image.

Thank you