

# PIB

BRAZILIAN COMPANIES GO INTERNATIONAL



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## Locas por ti, América

Brazilian franchises cross the Andes in search of the new Latin American middle class

### ■ ■ HITTING THE ROAD

Where to find credit to export and set up shop abroad

### ■ ■ FASTER BRAZIL!

Volvo and Eletra contest the global race of hybrid buses (hybribus)

### ■ ■ IN SHOPS ALL OVER THE WORLD

Wax dummies of Expor “wear” stylish brands such as Lacoste, Tommy Hilfiger and Aéropostale





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The sustainable initiatives of GM's Joinville factory have contributed much more to the environment, community and region than anticipated. In recognition, our automotive factory was the first in South America to be LEED certified Gold.



FIND NEW ROADS™





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# The consumer lives next door

There was a time when Brazil and its continental neighbors lived with their backs turned to each other. Today, while not all the integration attempts pan out as hoped for, this is no longer the case. A sign of this change is the wave of Brazilian franchises entering fellow Latin American countries, the theme of this edition's cover story. Lured by the solid economies of some of our neighbors and by the recent emergence of a new middle — and consumer — class in these places, more and more well-known Brazilian brands are setting up shop in the main Latin American metropolises. The reporter Suzana Camargo tells this story.

A few editions ago, we began dedicating a section of PIB to small- and mid-sized exporters — or even transnationals. Since then, we have been surprised by the variety of businesses developed by these bold entrepreneurs, for whom size isn't an obstacle. Expor, depicted in this edition, is an example. The São Paulo company produces — with its own technology — and exports to retail stores worldwide its mannequins — that's right, the ones we see in shop windows "wearing" the clothes we would like to use. Some of the best-known deluxe international clothes lines choose Expor's mannequins to exhibit their creations, as we see in the article by Antônio Carlos Santomauro starting on page 64.

Eco-friendly buses are becoming part of the list of products that Brazil offers the world. We're talking about hybrid buses, which combine explosion engines with electrical propulsion. The editor Dario Palhares went to see how two companies — Eletra, from São José dos Campos, and the Brazilian subsidiary of Sweden's Volvo, in Curitiba — are doing in the task of convincing bus companies worldwide to swap their smoke polluting diesel engines for clean, silent electrical ones (for now, unfortunately, still expensive).

We also show how Brazilian designers are leaving their mark on the world: a handful of them brought home several awards from one of the most prestigious global competitions, the iF Design Award, in Munich. Finally, a pause amid a business trip: the businessman Ricardo Orlando, who lives in Cape Town, provides an itinerary of the beautiful and surprising South African city, theme of the Express Tourism section. Happy reading!

Nely Caixeta



TOTUM  
EXCELÊNCIA EDITORIAL



PIB

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INTERNATIONAL BUSINESS AND ECONOMICS

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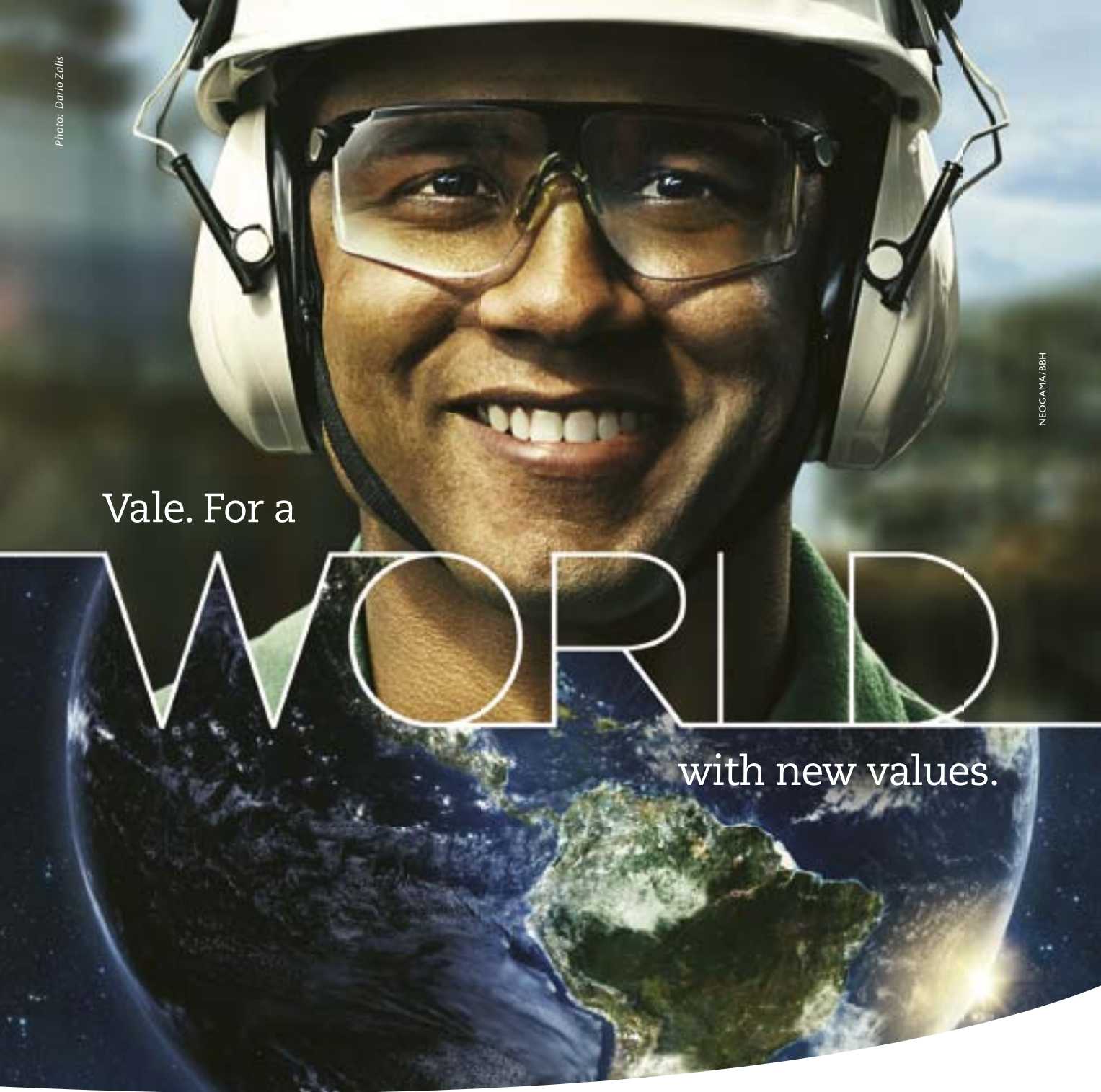


Photo: Dario Zellis

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The world is changing. Today, balance and respect are just as essential as mining and its applications when it comes to achieving progress. Sustainable development is the only viable option. That's what we believe in, and that's why we invest in new technologies, environmental protection and the development of the communities where we operate. We know we have a long way ahead of us. But by exchanging ideas and seeking solutions that are good for everyone, we believe we can build a brighter future together.





**1** Coffee  
plantation in  
Minas Gerais  
Cerrado...

**2** ...cigars  
from Bahia's  
Recôncavo  
region...

**3** ...and  
Santo Grau  
cachaça:  
Brazilian trio

## Coffee from the Cerrado...

Always working away quietly, Minas Gerais citizens have guaranteed the state the first Controlled Designation of Origin of a Brazilian coffee: the Minas Gerais Cerrado region. This certification was granted at the end of 2013 by the National Industrial Property Institute (INPI) and guarantees that the brand can only be applied to the coffee grown in the fields and crops of 4,500 producers of 55 municipalities from Alto Paranaíba and Triângulo Mineiro. From the Cerrado to the world: certification will be launched internationally at a trade fair organized at the end of April, in Seattle, by SCAA (Specialty Coffee Association of America). And the Minas Gerais certification will be registered in the large premium coffee markets: the US, the European Union and Japan. The *cerrado* coffee beans are already cosmopolitan: 70%

of annual production of around 5 million 60-kilo sacks is sold to foreign buyers. Certification will further boost exports, predicts Juliano Tarabal, Head of the Federation of Coffee Growers of the Cerrado. "It is especially important for consumers outside Brazil; Europeans, for example, are very familiar with this certification". Certifications of this type have been used for centuries in Europe to guarantee the authenticity and quality of products such as wines and cheeses. To receive it, according to Tarabal, a coffee just doesn't have to come from the *cerrado mineiro* region: it must obtain a minimum of 80 points on a SCAA ranking. QR codes inserted into the packaging will also enable consumers to track the product's movement, from planting to point of sale: "Today's consumer looks for this type of information", notes Tarabal.



PICTURES: HANDOUT

## ...cigars from the Recôncavo...

To accompany your cup of coffee from the cerrado, how about a cigar from the Recôncavo region? By the start of 2015, these cigars from Bahia should receive their own Denomination of Controlled Origin, predicts Marcos Augusto Souza, executive director of Sinditabaco-BA (Bahia state tobacco union). The region has already received positive visits from the entities responsible for certification, says Souza, who is keen to laud the product: cigars from the Recôncavo have been recognized for years as the best in the world, he says. The certification will help guarantee the origin of the product. And what about Cuban cigars? "Their advantage is in the luxury status and government propaganda", says Souza. "But all of the cigars currently produced in the world (including Cuban cigars) use in their blend an average of 6% of tobacco from the Recôncavo region". Around 3,500 tobacco producers and three processing and exporter companies produced last year around 10 million cigars in the region. But only 3% was sold in Brazil; the rest was exported. "In 2015, China alone will buy 3 million of our cigars", predicts Souza. The first shipment to the huge Chinese market is being prepared.



## ...and a Brazilian cachaça

And to round things off, a nice drink. How about Santo Grau, a premium cachaça that is starting to be sold this semester in bars and restaurants of Spain and Germany, led by a heavyweight guide: the Spanish group Osborne, which has just bought 51% of Natique (producer of Santo Grau). Santo Grau is produced in small historical mills of Minas Gerais, Rio de Janeiro and São Paulo — the latter, in Itirapuã, is perhaps the last water-powered mill in São Paulo. Grupo Osborne produces wines, brandies and foods, including Cinco Jotas, the famous *pata negra* ham. In the opinion of Luis Henrique Munhoz, founder and director-superintendent of Natique, Brazil can really boost its cachaça exports (Brazil exports the equivalent of 8% of the tequila exported by Mexico). "Outside the country, cachaça is bought as a commodity to make caipirinha", he says. "We need to show that the cachaça itself is a fantastic distillate, and that the better the cachaça, the better the caipirinha".



## Shopping in Colombia

Brazil was the second most buying (or committed to buying) nation at Macrorueda 50 — a major international business fair organized for the last 2 decades

by the Colombian government. Held in Bogota in February, this year's edition of the event featured buyers from almost 60 nations to around 2000 Colombian exporters.

Brazilian companies did business deals estimated at USD39mn, only trailing the US and its US\$116mn. With a trade surplus with Colombia for over a decade,

in the first two months of 2014 Brazil posted a trade deficit of US\$6mn: selling US\$32mn and buying US\$38mn.



THE WORLD  
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## The roots of cooking

A traditional ingredient in Brazilian cooking, manioc arrived at the Mount Olympus of global gastronomy via the hands of Brazil's Helena Rizzo, voted the 'world's best female chef' at an awards ceremony sponsored by the famous champagne maison Veuve Clicquot. Manioc is an important element in the restaurant menu of Mani, run by Helena in São Paulo alongside her husband and chef, Daniel Redondo. There, the simple root so common in Brazil is accompanied by *tucupi* froth, coconut milk and olive oil with white truffles. The award adds to others won in recent years by the young gaucha chef now living in São Paulo. Last year, Mani appeared in 46th place in the list of the world's top 50 restaurants of the UK magazine *Restaurant*, and Helena had already been chosen the best female chef in Latin America.



Helena  
Rizzo:  
world's  
best

## Game for the big boys

AcíGames (Brazilian Electronic Games Association) has upped the ante in the international strengthening of the Brazilian electronic games industry: after opening offices in the US and Italy last year, the entity plans to enter Spain and Tunisia this year. These countries were selected for specific reasons, explains Moacyr Alves, president of AcíGames: the US can generate large business volumes, while Spain has a dynamic games market, and in Tunisia there are good and cheap developers. Italy has excellent "locators" — professionals responsible for adapting games to the markets in which they will be consumed. "We also want to be in China" adds Alves, with an eye on the giant Chinese market. "But finding a partner is proving a tough task". The Brazilian games industry is worth US\$2mn a year, estimates the president of AcíGames, which today has around 150 associate members.

MIRÓ

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## Rice and beans forever

The world could (almost) come to an end but Brazilians would still have their rice and beans. Since February, samples of bean seeds produced by Embrapa (Brazil's agribusiness think tank) have been deposited in the Svalbard Global Seed Bank, located in the Norwegian city of Longyearbyen. The batch features *carioca*, black, *trepador* and red beans, among others. The bank was created precisely to guarantee the reemergence of agriculture after any catastrophe threatening the future of humanity — natural or caused by mankind. Its "safe" is home to seeds of vegetables from all over the world at an impressive site dug into an ice mountain close to the North Pole (the place was chosen to keep the samples at low temperatures even if such a disaster cuts energy supply). Financed by the Norwegian government and by the NGO Global Crop Diversity Trust, the Global Seed Bank had already received from Embrapa, in 2012, samples of corn and rice seeds.



LM SALAZAR / GLOBAL CROP DIVERSITY TRUST

**1** "Safe" of bank in Norway...

**2** ...and Embrapa president with seeds: donation

**3** Brazil stand at Gulfood: sales to the East



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## Coffees and sweets for the Gulf

The Middle East is becoming an increasingly attractive market for the Brazilian food industry. The last edition of Gulfood — sector trade fair held in Dubai, in the United Arab Emirates — confirmed the trend. The almost 80 Brazilian companies taking part struck business deals worth USD164mn, estimates Michel Alaby, secretary-general of the Arab-Brazil Chamber of Commerce (organizer, with Apex-Brasil support, of Brazil's participation at Gulfood). In the next 12 months, US\$653mn is expected to be struck in business deals — 55% more than in 2013. Among the deals closed at the fair, sweets and candies producer Peccin received orders from clients from Yemen, Kuwait and Palestine. Café Fazenda Caeté made its first sale to an Arab country — to a distributor from Dubai — of coffee sachets for infusion, while Brazilian Fruits signed contracts with clients from Iran, the Arab Emirates and Kuwait. Players such as JBS, Marfrig, Embaré and Oderich also participated at Gulfood.



PICTURES: HANDOUT

## Agribusiness exports

A boost to the theme of Brazilian international agribusiness: Brazil's Ministry of Agriculture has reactivated the Thematic Chamber of International Agricultural Negotiations for the first time since 2008. The Chamber brings together representatives of sector entities with an interest in exports and should play the role of negotiator between private sector and government. And about time too: agribusiness exports have kept the trade balance in surplus territory in recent years. What would happen to the trade balance if it weren't for soybean, orange juice, meat, sugar and other agricultural products?







## A Brazilian working for the G-8

'Investment readiness' may be a rarely used expression in Brazil: but a Brazilian, Daniela Barone Soares, will head the debate on the theme at a council created by the UK to integrate a structured task force of the G8 – the group now featuring 7 countries, after the recent exclusion of Russia, with the most developed economies – to stimulate the strengthening of a global market of social investments. In this case, assessing investment readiness signifies, says Daniela, creating the conditions so that the organizations receiving the resources can meet two simultaneous objectives: not just generating a financial return but also a social one. To do this, we have to develop with these organizations a set of managerial, cultural and leadership capacities -- “without foregoing a heavyweight social impact, simply because an investment meets the financial targets”, highlights Daniela, who has been living in London since 2001. There, Daniela, an ex-executive of Wall Street, presides over Impetus, a foundation that helps NGOs to do what she calls “philanthropy of results”.

## A season at Yale

Vivianne Naigeborin, a Brazilian who helped to unearth the social impact business field in Brazil, was chosen by the University of Yale, in the US, as one of the 16 Yale World Fellows of 2014. Vivianne is now a strategic advisor at Potencia Ventures (former Artemisia International), an organization that supports innovative business opportunities in emerging, low-income communities. As World Fellow, she will spend 4 months (August to December) at Yale's campus in New Haven, Connecticut. There, she will live with other Fellows from all over the world and use the vast academic resources that the university — one of the oldest and most renowned in the US — has to offer. The program was created in 2002 to be an incubator of new global leaders. Every year, the program invites 16 professionals in the middle of their careers who have excelled due to their initiative and achievement in all areas: from arts to finance and from technology to social entrepreneurialism.







VIP box of Apex at Sapucaí: for guests

## Samba, sweat and business

The sports fashion chain Bia Brazil has opened its first franchise in Mexico; the dental equipment manufacturer Gnatus almost tripled its sales to a Romanian client; Lorenzetti has expanded business with a client from Trinidad and Tobago to which it already supplied showers, and is now also selling taps and plastic parts. These are just some of the results of the 2014 Carnival Project, which brought to Brazil, during the Carnival festive period, 296 foreign guests from over 50 countries for seminars, conferences and technical visits to industries and service providers interested in exporting their products. In total, 169 Brazilian companies from different states and sectors—agribusiness, medications, textiles, cosmetics, biotechnology and footwear—received and discussed business with the guests of this year's Carnival Project. The event has been held since 2009 by Apex Brasil (Brazilian Pro-Exports and Investments Agency) and in 2014 generated expected exports of around USD630mn. Since there's more to life than just business, the visitors were also treated to a Carnival presentation by the samba schools of Rio de Janeiro at a space erected by Apex Brasil at the samba arena of Marquês de Sapucaí.

HANDOUT

## Quickies

■ AN OFFICE OF CNT (NATIONAL TRANSPORT CONFEDERATION) IS STARTING TO OPERATE IN PEKING, IN CHINA, WITH THE AIM OF ATTRACTING CHINESE INVESTMENTS TO BRAZILIAN TRANSPORT INFRA-STRUCTURE.

■ THE BRAZILIAN COPERSUCAR AND US PLAYER CARGILL HAVE CREATED A JOINT VENTURE BASED IN GENEVA (SWITZERLAND) TO TAKE CARE OF THEIR GLOBAL SUGAR SALES OPERATIONS.

■ ACCORDING TO THE REVENUE SERVICE, THE AVERAGE TIME TO DISPATCH IMPORTS IN BRAZIL FELL

FROM 53 HOURS AND 31 MINUTES, IN 2012, TO 40 HOURS AND 18 MINUTES IN 2013 (A REDUCTION OF 16.42%).

■ BRASKEM RANKED 41ST IN THE RANKING OF THE MOST INNOVATIVE COMPANIES OF 2013 OF THE MAGAZINE FAST COMPANY (GOOGLE LED THE WAY AND BRASKEM WAS THE ONLY BRAZILIAN COMPANY ON THE LIST).

■ AFTER ACQUIRING, IN JANUARY, THE MEXICAN COMPANY RODAK, BAUMGARTEN GRÁFICA (SANTA CATARINA) BOUGHT THE ARGENTINE COMPANY AUTOPACK, ONE OF THE

MAIN SUPPLIERS OF ADHESIVES FROM THE NEIGHBORING COUNTRY.

■ THE BRAZILIAN AIR FORCE HAS SIGNED AN AGREEMENT WITH THE NATIONAL AEROSPACE TECHNIQUE INSTITUTE OF SPAIN, WHICH WILL TRANSFER TECHNOLOGY TO IT FOR THE PRODUCTION OF DRONES.

■ HCI, DISTRIBUTOR OF FLANGES AND INDUSTRIAL CONNECTIONS, WHICH SERVICES THE OIL AND GAS CHAINS, IS OPENING ITS FIRST INTERNATIONAL OPERATION IN FUNCHAL, IN ILHA DA MADEIRA (PORTUGUESE ATLANTIC TERRITORY).

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RIO DE JANEIRO  
**CENTRO DE CONVENÇÕES**  
**SULAMÉRICA**

**MARQUE**  
**PRESENÇA NO**  
**MAIOR EVENTO**  
**NACIONAL**  
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- 1** Cinex project: laboratory in Italy
- 2** Rafael in Africa: voluntary work
- 3** Keko accessories: in Caribbean



## Joint adventure

The word maisha means 'to fly' or 'to live in Swahili, one of the spoken languages in Africa. It was this that led Rafael Luquiari and Renatha Flores to create the name — MaishÁfrika — of a voluntary social work project that led them to five countries between the end of 2013 and March 2014. Rafael (27) is a student of philosophy in Florianopolis; Renatha (23) studies art. After doing voluntary work in Brazil, they decided to travel the world. In a partnership with NGOs and local institutions, they developed art-education projects involving over 2,500 children and teenagers from poor communities in South Africa, Mozambique, Tanzania, Kenya and Malawi. According to Rafael, one of the objectives of the project is to make voluntary social work a more routine activity for Brazilians. "There is already a lot of voluntary work in countries such as Germany, the US and France, but in Brazil it still isn't very common", he says. "MaishÁfrika was the first Brazilian project to touch down in the community of Lifuwu, in Malawi. The African stage was the first of a planning process that includes at least two more phases: the MaisHaiti, probably in the second half of 2014, and MaishÁsia stages. Before hitting the road again, Rafael and Renatha work on the content of the site [www.projetomaisha.com.br](http://www.projetomaisha.com.br), where the material produced on the travels is being associated with the debate of themes related to art-education.

## Brazilian furniture a la Italy

Design and Italy are words that go hand in hand, and that would certainly be the verdict of the approximately 150 people (designers, architects and retailers) present in early April at the opening of Cinex Lab's new Italian HQ in the city (and important furniture center) of Treviso. It is a space dedicated to the development of innovative design, architecture and furniture projects, created and maintained at one of the birthplaces of contemporary design by Cinex, a Brazilian producer of aluminum and glass doors and partitions. The new Cinex Lab has an area of 700m<sup>2</sup> and received an investment of 1.3 million Euros, informs the company. In Brasil, the gaucho company Cinex has a similar space in the municipality of Bento Gonçalves, also home to its plant.



HANDOUT KEKO

## Pickup trucks from the Caribbean

Canvases for water transport, roll bars and frontal protectors produced in Brazil are now available to the lucky customers driving pickup trucks on the beautiful beaches of Jamaica and other Caribbean Islands. The first batch, produced by Keko (a Rio Grande do Sul producer of personalized equipment for vehicles) has just hit these markets. Including these recently-conquered territories, Keko now exports to over 30 countries and obtains some 20% of its sales from abroad.

## Welcoming Committee

A few weeks before the World Cup, the host cities are preparing to receive the 600,000 foreign visitors expected to come to Brazil (and who should spend around R\$6.8bn, according to estimates). Some examples: In São Paulo, ten new Tourist Information Centers are being created: one at the city's main coach bus terminal, another at Congonhas Airport, and 8 mobile centers.

- :: Downtown **São Paulo** is receiving signaling and orientation equipment.
- :: **Manaus** — where the main attraction will be the English Team — s preparing a guide with information on the city and its surrounding areas.
- :: **Brasília** is eyeing consumer protection: it will distribute pamphlets and manuals to street sellers and tourists and erect mobile Procon (consumer protection) centers close to the stadium, on the interstate highway and at commercial points.
- :: **Cuiabá** City Hall has launched the Cultural Arena project, a space for shows, expositions of handicraft and a gastronomical fair, where visitors will be able to appreciate the local cuisine — with a strong presence of fresh water fish.

PICTURES: HANDOUT





## 100% Brazilian eat-all-you-want barbecue

The gauchos presented the eat-all-you-can steakhouses to Brazil and the world and were such a hit that their leadership in the segment has been taken by foreigners. The largest chains, as we discussed in the cover story of our last edition of PIB, are located abroad and controlled by foreigners, such as Texas de Brazil (US), Brasayleña (Spain) and Fogo de Chão (US, previously Brazilian). A Sao Paulo native, however, guarantees a Brazilian presence among the top five. Ivan Utrera, ex-executive of the Pepsico group, who has been heading up his Rodizio Grill in the US for almost 20 years. "Our chain is a pioneer in the US", he says. "We started in Denver, Colorado, in 1995, and now have 17 restaurants in 15 states." Birmingham, in Alabama, and New York added to the list in the first quarter of 2014, and more novelties are ahead. By December, the target is to open another 3 steakhouses, two of which are touted to be in the cities of McCallen, in Texas, and Melbourne, in Florida. As a result, Rodizio Grill follows the trail of the giants Texas de Brazil and Fogo de Chão, which have 27 and 23 restaurants in the US. "We've already received proposals to operate in Canada and Dubai, but we're in no rush to go abroad. The priority is to grow in organized fashion, since we are an in-house operation, unlike some competitors", says Utrera, referring to Fogo de Chão, controlled by the investment fund Thomas H. Lee Partners.

## Award for expatriates

Brazilian Talent in the World is the name of the award created by Diáspora Brasil — a collaborative network run by the Brazilian Agency of Industrial Development—to recognize Brazilian professionals currently operating in other countries in the areas of science, technology, innovation and entrepreneurialism. The first award-winners will be announced on May 28 in Brasília, and the decision-making commission is presided by the Minister of Foreign Affairs, Luiz Alberto Figueiredo Machado. More information at [www.diasporabrasil.com.br/premio](http://www.diasporabrasil.com.br/premio).

## On the top of Brazilian portals

The Brazilian edition of the digital scientific library SciELO - Scientific Electronic Library Online — remains at the top of the category Top Portals of the Web of World Repositories ranking, elaborated by the Upper Council of Scientific Investigation of Spain to rank the most present and most impactful portals of free access and no-cost scientific publications on the web. Since 2011, SciELO Brasil has led the category of the ranking. The library is financed by the São Paulo State Pro-Research Institute (Fapes), with the support of Bireme (Latin American and Caribbean Center of Information in Health Sciences) and CNPq (National Council of Scientific and Technological Development).

PICTURES: HANDOUT



## The Cold Revolution

Embraco, created in 1971 in Joinville (Santa Catarina) and global leader in the market of hermetically-sealed compressors for domestic and commercial refrigeration, is launching a new product capable of changing energy consumption, the level of noise and even the format of fridges. Today, 20% of all fridges in the world (in Brazil, almost 100%) already use an Embraco compressor to circulate the cold air in the internal circuit. This leadership was achieved with a heavyweight investment strategy in R&D (3-4% of net revenue) and a global presence (almost 12,000 employees at the Brazilian HQ and at the company's plants in China, Russia, Italy, Slovakia, the US and Mexico). As a result, 70% of revenue is generated by products launched in the last 4 years. The new compressor, called Wisemotion, was almost 10 years in the making, almost exclusively Brazilian, and is a joy to behold. It has zero maintenance, a smaller environmental impact due to its compact size and the fact that it doesn't use oil in the lubrication circuit (that's why it uses the refrigerating liquid itself), consumes the energy of a 60 watt lamp, its noise is almost unperceivable and it works in any position — which designers will love since the compressor will no longer have to be located in the low section and back end of fridges. By year-end 2014, the first 600,000 Wisemotion compressors will be produced at the Monterey plant in México, and then another 1.5 million in China. The other markets will be supplied after that. In a few years, the old on-and-off compressors, which usually give late-night fridge raiders a shock, are expected to become a thing of the past, just like the box televisions — the ones that disappeared when the fine-screen LED TVs conquered the world (Marco Antonio Rezende).

1 Rodizio Grill team: number 3 in the US

2 New Embraco compressor: oil-free

3 Copenhagen chocolates: now with Lindt

## Tasty partnership

Brazil will be the first country in which the Swiss chocolate multinational Lindt will have a partner in its retail operation, currently formed by around 200 units worldwide. This feat was achieved by the CRM group, better known by the community of chocolate addicts for its Copenhagen and Brasil Cacau brands, sold at over 820 nationwide stores. "After studying the local market, they realized Brazil was a country with many specificities, full of regionalization", explains Renata Moraes Vichi, vice-president of CRM. "They thus looked for a partner who understood this reality and had retail experience". In Brazil, Lindt previously offered its products in supermarkets and duty free shops (distributed by Aurora Alimentos, which will continue to perform this task). In the new Brazilian operation, Lindt will hold 51% of shares and CRM 49%, and the first local point of sale with its brand will be opened in São Paulo in July-August. Renata doesn't see any competition between the products of the new partner and those of CRM's portfolio: "We realized there is space, in the national market, for a premium brand, somewhere between the luxury of Copenhagen and the affordable-by-all Brasil Cacau: this brand will be Lindt".





## On a global scale

A leading player on the Brazilian logistical market scene, Luft is expanding its operations: since last year, it has warehouses in the US cities of Miami and Jacksonville and an operation in the Mexican city of Toluca (always with local partners). Directed to healthcare — medications, cosmetics and health equipment —, the businesses have different objectives. The US warehouses are hubs for transporting materials to Brazil (the Miami unit, for air transport, and Jacksonville for sea transport). The Mexican operation is prospecting local businesses. With a presence in agribusiness and e-commerce, Luft still derives the lion's share of its revenues from Brazil. "But due to client demands, mainly of multinationals, we are thinking of expanding our presence in countries like Chile, Colombia, Russia and China", predicts Rafael Martau, director of the company created in 1975 in Santa Rosa (Rio do Grande Sul). "In the next 10 years we reckon our international business can match our national operations".

## No reasons to complain

Bucking the trend of the low external competitiveness of the Brazilian industry, the metal company Termomecânica boosted from 1.7% to 13%, in the last 4 years, the share of exports in total revenues of R\$928mn in 2012 (the outlook for 2013 is an increase of 24%). As a transformer of non-ferrous metals — especially copper — in tubes and laminates, Termomecânica began prospecting the global market more actively in 2010. In 2011, it acquired plants in Chile and Argentina. "This year we plan to boost our exports by 25%", adds Marcelo Silva, sales and export manager. With its products used by the auto parts, bathroom fittings, household appliances and electrical cables and wires segments, Termomecânica's main export market is Latin America. "But we are growing a lot in the US, where we work with distributors who buy heavy volumes", notes Silva. The challenge is to remain competitive in a market of very aggressive commercial practices.

**1** Luft warehouse: US operation

**2** Dambra: innovation in Latin America

**3** Termomecânica: rising exports

## Logistics goes from bad to worse

Ports, railroads and highways all have to be built. But what's really urgent is to improve the services on which foreign trade depends, such as freeing up cargoes stored in customs. This is the conclusion of the latest ranking based on which the World Bank measures the efficiency of the world's transport systems. The worst Brazil category ranking was in the item "Customs and Excise", in which we ranked 94<sup>th</sup> out of 160 countries. In the complete ranking, Brazil fell 20 spots and came in 65<sup>th</sup>, its worst ranking since the first list came out in 2007. The top dogs are Germany, Holland and Belgium, who traditionally rank highest in logistical efficiency. Our main Latin American neighbors all rank better than us: Chile, México and came in 42<sup>nd</sup>, 50<sup>th</sup> and 60<sup>th</sup> respectively. And even Brazil's best performance in partial categories, in 'Logistics quality and capacity', is nothing great at only 50<sup>th</sup>.

## 3 questions for Luis Dambra

What are the most innovative organizations and companies in Latin America? How are they innovating? How can we spread these good experiences? To answer these questions, the IAE Business School da Universidad Austral in Buenos Aires created the Latin America Innovation & Strategy Center (CIEL) which has the Brazilian consultancy and education company Symnetics among its sponsors. Luis Dambra, CIEL's Innovation director (and professor of the IAE Business School), was in São Paulo at the end of March to present the Center. He spoke to PIB magazine about how it intends examining the outlook for innovation in Latin America by bringing companies

and universities closer to create ideas and innovative models in the region.

### What does the CIEL do?

We produce cases to share and carry out research on how companies in Brazil, Argentina and Mexico are managing innovation. We want to share the best practices we find through studies, seminars and debate forums. One example is the case of Banco Itaú which has incorporated the Design Thinking methodology in designing services for its clients. With this study object in mind, we approached Symnetics, a consultancy that works on these issues, joined efforts and founded this Center, which has a

virtual root in São Paulo. We are now beginning a strategic movement in Mexico, in partnership with a business school. We are likely to have participants from Peru and Chile that will give us a more all-round image of Latin America.

### What position does Latin America have in terms of innovation at world level?

We are doing very badly at the moment and are only ahead of Africa. Even then, the World Economic Forum says South Africa and Kenya are surpassing Brazil, the best-placed country in the region, in innovation capacity. These two African countries registered 4.1 points on a scale from 1 to 7 while Brazil had 4 and Chile 3.5. However, we are convinced that the region has great innovative potential, particularly

Brazil thanks to its position as one of the world's largest economies.

### What do Latin American companies need to do to become more innovative?

There are lots of models on how to manage innovation, given that it does not result from some genius who stands up and says "let's do things like this". It is all a process, a system that has to be in place to function. The company that does not incorporate innovation runs the risk of disappearing. It has a lot to do with the creation of a culture of innovation so that innovation becomes a constant driver of the company's competitive strategy and is not something sporadic. Something new could happen today and it could be another 10 years before anything new happens again. However, by that time the company might not even exist.



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## Globalize to innovate

In February, Natura, a Brazilian cosmetics multinational with a strong presence in Latin America and annual net revenues above R\$6.3bn, opened a center of innovation in Soho, downtown Manhattan (the island that forms the heart of New York). Natura plans to “spark” the development of concepts and prototypes at the new center, explains the vice-president of brand innovation, Gerson Pinto. As such, he will bring together discussion groups baptized *Circles of Friends*, formed by designers, artists, musicians, businessmen, consultants and academics. The circles will discuss themes and concepts capable of fueling the innovation processes of the company, which also plans to get nearer to US centers of technological excellence, most of which are located in the New York surrounding areas. Natura already has projects in common, for example, with the Media Lab of the Massachusetts Institute of Technology, a reference institution in technology, design and innovation, and with the Center of Research in Skin Biology of the Massachusetts General Hospital, both located in the state of Massachusetts, near New York.

## Long-term objectives



2

A missile turbine only 16 centimeters in diameter — versus 30 for the turbines generally used in this task — was the novelty developed by the company Polaris, from São José dos Campos (SP), and presented in February at an event organized in the US by the American army. “Thereafter, we established talks with three companies who expressed strong interest in this product”, says Alberto Carlos Pereira, partner-director. The mini-turbine consumes less fuel than its competitors, thus increasing the range of the missiles it is equipped with, he says. Polaris develops turbines for various applications (including large models dedicated to energy production). It has already projected this type of equipment for Vale, Petrobras and ITA (Institute of Aeronautical Technology), but for now it is outsourcing production. “We’re already in talks with 2 investors (foreign) interested in assembling a plant to produce our tech”, says Pereira.

## Boeing touches down in Brazil

As well as a huge market, Brazil has major innovative capacity in aeronautics and aerospace, in the view of Antonini Puppini-Macedo, director of research at Boeing in Brasil. “It is one of a few Southern hemisphere countries with a consolidated industry in these sectors”. All this explains the creation, in São José dos Campos (SP), of a new R&D Center of the US aerospace giant. Already operating on a temporary basis, it will be Boeing’s 6th R&D center outside the US (the others are in Russia, Spain, Australia, India and China). It should be officially opened in June, when the repair work to the building should be finalized. By year-end, Macedo expects 10-15 researchers to be working there. But the number of engineers and scientists involved in the center’s projects will be much more, considering the partnerships with the São Paulo State University, the Federal University of Minas Gerais, the National Institute of Airspace Research and Embraer. The projects will focus on biofuels and biomaterials for aviation and air traffic control.

**1** Natura's center in NY: prospecting trends

**2** Polaris turbine: in search of investors

**3** Innovative Brazilians: ready for the world

## Startups head for London

The British are headhunting Brazilian talent. Ten IT companies from seven Brazilian cities were chosen to get to know the UK’s main technological centers. This was the reward for their victory in a competition on IT and innovation promoted by UK Trade & Investment (UKTI), a British government agency that aims to publicize investment opportunities in the UK. Those chosen included Meu Peludo from Natal, the creator of an identification tag for pets, Crowdmobi from Alagoas state that has developed an app that monitors the quality of phone lines between users, and System Haus from southern Brazil that wrote an ERP management software for the leather

industry. In May, they will get to know Tech City, London’s technological center which currently houses 1,400 companies ranging from startups to giants in the sector such as Google, Facebook, Intel and Twitter. “The aim of the competition is to select Brazilian entrepreneurs that are interested in turning their businesses global,” said Raquel Kibrit, UKTI investment manager in São Paulo. “The UK is Europe’s Silicon Valley and we believe Brazilian companies could grow rapidly with the opening of new opportunities in the country.” The selection of Brazilian companies was made in Belo Horizonte, Campinas, Rio de Janeiro, Campo Grande, Recife, Curitiba and Porto Alegre.





# Carnival in Germany

Brazil gives its best performance in the iF Award, the most important international industrial design prize

DARIO PALHARES

Brazilian designers started celebrating hours before Carnival even started this year. They had every reason to do so as, on Friday, February 28, they won 25 prizes at the iF Design Award in Munich, the most important industrial design competition in the world. The package of prizes included the three gold awards for

the first time, the “Oscar” of the area, taking to eight the total number of Brazilian conquests in the top category. This achievement put Brazil in eighth position in the ranking of the 2014 competition (see table), organized by the International Forum Design. “It was the best performance Brazil has ever had. Based on the Gold Awards, it even overtook China that won almost 160 prizes,” said Juliana Buso, coordinator of the Centro Brasil Design (CBD) and the iF representative for Brazil. The big Brazilian breakthrough occurred in Communication, a category that incidentally had a Brazilian member of the jury for the first time – Ronald Kapaz of OZ Design from São Paulo. Six trophies were won, twice the 2013 performance, including two gold awards. As usu-



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PICTURES: HANDOUT

1 and 2  
Communication  
on the way up:  
two top awards  
in the category

3 Don't touch  
me: condom  
with an “roll on”  
device won the  
gold award



3



## AND THE OSCAR GOES TO...

### RANKING OF THE iF Design Award 2014

		iF Gold	iF (Others)	Total
1	Germany	26	619	645
2	USA	12	96	108
3	Japan	10	167	177
4	South Korea	7	182	189
5	Netherlands	5	89	94
6	Switzerland	4	61	65
7	UK	3	55	58
8	Brazil	3	22	25
9	Austria	2	40	42
10	China	2	156	158

Source: International Forum Design

al, Brazilian designers led in the product projects category where 17 awards were won. Two packaging caps designed by Clever Pack from Rio de Janeiro completed the triumph. “The furniture and lighting manufacturers maintained the national tradition in the contest and won a total of seven prizes. However, the highlight was the internal and external coatings sector that won six,” said Juliana Buso.

Brazil’s golden trio consisted of Greco Design from Belo Horizonte, FARM, the women’s clothing brand from Rio de Janeiro, and DI – Design Industrial from São Paulo. The first two companies received awards for their work on the visual identity of the IV Bienal Brasileira de Design, held in 2012, and a book commemorating 15 years of the clo-

thing company, respectively. DI took the spotlight for a condom attached to a small plastic device – with a suggestive open lips format – that makes it easy for men to put the condom on. The product began being developed almost eight years ago – in partnership with the Dutch manufacturer Wingman – and only arrived on the European market at the end of 2012.

A lot of this time was spent in research on the plastic injection process. At the end of the day, the device had to be completely smooth with no protuberances that could

literally tear the project apart. “We overcame a number of challenges. The biggest was to ensure that the user did not have to touch the condom, not even to get rid of the air at the end,” said Jacob Breur, a Dutchman who is a founding partner of DI and has now won two iF Awards. All the effort was rewarded and not only by the iF. The technology created with the help of the Brazilian office allowed the brand to offer



BRAZILIAN LEADERSHIP

BRAZIL'S PERFORMANCE at the iF Design Award

	iF Gold	iF (others)
2014	3	22
2013	--	26
2012	1	23
2011	--	30
2010	--	13
2009	1	24
2008	--	21
2007	1	20
2006	--	24
2005	2	14

Source: International Forum Design

a thinner condom that guarantees greater sensitivity. This was so successful that the Wingman marketing area created the slogan “Almost without” to publicize it. “Surveys show that 86% of consumers are more than satisfied with the innovation,” said Breur.

Another company that also celebrated in Munich was Lumini that won two awards. The São Paulo brand therefore consolidates its leadership in the iF table of Brazilian prizewinners – with 14 trophies, of which three were gold. This was achieved despite suffering a big setback last year. The products that

won awards in the latest edition of the competition, the Vinte2 and Fool lights, had been entered in the 2013 contest but ended up not appearing as the airline transporting the lights failed to meet the deadline to deliver the models to the jury. “On the other



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PICTURES: HANDOUT



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hand, the two companies won the Good Design award in the United States and the Vinte2 light also won the German Design Award,” said creative director Fernando Prado.

The Fool light was inspired by a traditional Brazilian toy called “joão-bobo” that has a heavy base

and always returns to an upright position after being pushed around. It exemplifies the Brazilian design style perfectly. The company’s registered brands are fun, amusing and offbeat. “Brazilian creativity is already known and recognized abroad, due to renowned creators like the

1 The prize-winning Fool “joão-bobo” light designed by Lumini

2 Vinte2: setback overcome a year later

3 Red Dot: award-winning cutlery by Arthur Casas

Campana Brothers and the large number of awards that have been won in industrial design competitions,” said Prado.

The watershed that marked the rise of the Brazilian touch in industrial design on the international stage was the support provided by the federal government, according to Prado. When Luiz Fernando Furlan headed the Ministry of Development, Industry and Foreign Trade (MDIC) at the beginning of the last decade, it started subsidizing entries to the iF Design Award. “The subsidy was cut some years ago but the Brazilian designers grew to like taking part in the German competition and others. The sowing brought a good harvest at the end of the day,” added Prado of Lumini which was the first Brazilian company to win an iF Gold award.

NEW PRIZES IN SIGHT

JOAO ARMENTANO, Arthur Casas, Sig Bergamin, Isay Weinfeld, Brunete Fracarolli.... Brazil should shortly have new names to reinforce these and other heavyweights in the dispute for the iF Design Award. The prize organizers have announced that from 2015 two new categories will be added to the existing products, communication and packaging. The doors to the most important industrial design competition in the world will be opened to interior design, an area well explored by the five above-mentioned names, and

professional concepts. “The idea in this case is to show appreciation for works that have not yet arrived on the market. One well-known example is concept cars that are great attractions at international auto shows,” said Juliana Buso, coordinator of the Centro Brasil Design (CBD) and the iF representative in Brazil.

Although almost all the multinational auto manufacturers with Brazilian operations have project development centers, these subsidiaries are unlikely to take over the dream car showcases. The unres-

trained creativity should remain in the hands of the head offices. There is no doubt that interior design is the new large niche Brazilians are set to exploit in the industrial design “Oscar”. Isay Weinfeld has already made his mark on the competition. His track record includes no fewer than four iF Awards between 2011 and 2013, all in the communication category. The package includes the visual identity of four Livraria da Vila stores in São Paulo, the Fazenda Boa Vista real estate development in Porto Feliz (SP), the Numero bar in

São Paulo and the Midrash Centro Cultura in Rio de Janeiro.

Architect Arthur Casas is another strong candidate. He has still not won the recognition of the iF Awards jury but has received awards in other competitions. He won a Red Dot from Germany’s Design Zentrum Nordrhein Westfalen for cutlery created for Riva of Caxias do Sul in Rio Grande do Sul state. He was also featured in the trendy British magazine Wallpaper for his Kaa restaurant project in São Paulo.

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# Globalization has taken its time but is inevitable

*Brazilian banks are strengthening their operations abroad as they have little room to continue growing through acquisitions at home and are trying to gain space on the international capital markets*

LUCIANO FELTRIN

**T**he Brazilian economy's weak performance in recent years has raised an important message for the big domestic banks. They are now consolidated and have little room to continue gaining scale through acquisitions at home and are coming under increasing pressure to pursue expansion opportunities abroad. The thinking behind this path, which analysts regard as inevitable, seems to have become even more inevitable for those financial institutions

years and selective investors have had few opportunities in terms of new share offers, operating in a number of markets has become an essential factor in gaining competitiveness, diversifying sources of revenues and offsetting risks.

It is no coincidence that one of those banks that understood this message perfectly was not a retailer, with thousands of branches and millions of clients spread throughout Brazil, but a wholesale bank that was founded with an international inclination – BTG Pactual.

André Esteves bought back the bank from Switzerland's UBS, to which he had earlier sold it, at the height of the international crisis in 2009 and has placed all his chips on a global strategy. A clear ex-

**BTG Pactual has owned 2% of Italy's third-largest bank since April**

ample of this movement is that the bank, that already had a presence in Colombia, Peru and Chile, was given authorization to open a bro-

kerage in Latin America's second-largest economy, Mexico, at the beginning of this year. It has also expanded its range of activities in the Chilean market.

The new bet on the Pacific coast which was announced at the beginning of April is in the private pension segment which absorbed the state system during the dictatorship



Mobile branch: BB's creative approach in Japan

cializes in the financial sector. He believes that by being in a number of Latin American countries, BTG has substantially cut its dependence on revenue generation and business in relation to one or another country. "If things are not going well in Brazil at one moment, the bank can pursue resources and take advantage of the flow of investments from the markets that are growing more and where the stock exchanges are performing better," he said.

Although Latin America is the keystone in BTG's international expansion process, it is not the only aim. BTG's leaders have also shown their skills in taking advantage of a period that combines attractive prices and the possible beginning of a recovery in Europe to go shopping there. For example, it acquired a minority stake (2%) in the capital stock of Italy's third-largest financial group, Monte dei Paschi di Siena, at the beginning of April. This long-established company is undergoing a restructuring process. Speculation arose last year that BTG was considering injecting resources into the Italian highway concession holder Milano Serravalle although nothing has materialized to date.

A more concrete project is to strengthen business in oil, wheat, coffee, cotton and other commodities, a segment the large international institutions are paying less attention to, due to the growing regulation. At the beginning of the year, André Esteves rented another floor in the building of his London headquarters to fit in about 100 new specialist traders by December 31.

The big retail banks are also

of General Augusto Pinochet (1973-1990). The business got underway with an initial capital of around US\$ 100 million and the aim is to increase this amount tenfold by 2016 by expanding into Peru, Colombia and Mexico. The mission is in the hands of Chilean Alejandro Montero, a former partner in the Celfin Capital investment bank, which

BTG Pactual acquired for US\$ 245 million in 2012. This deal also gave Montero and his five former partners a stake of 2% of the capital of the group controlled by Esteves.

"BTG has been taking advantage of this geographical expansion strategy in an extremely intelligent way," said analyst Luís Miguel Santacreu of Austin Rating who spe-



moving abroad as there are no great prospects for the domestic capital markets in a year that brings together economic uncertainties, higher-than-average volatility, an election and the World Cup. This is the case with Bradesco. Joaquim Levy, a former secretary of the National Treasury, who is about to celebrate his fourth year in charge of Bradesco Asset Management (Bram) is heading the new developments. One of these is to expand the range of investment funds consisting of Brazilian assets, such as shares and private debt securities, offered to investors in countries like Portugal, Spain, France, Italy, the UK and Switzerland. Bram has also got an eye on the interests of Brazilian investors looking for international assets and a higher financial return by diversifying its fund segment with global assets. “These products can range from a very broad portfolio of commodities to share index futures, such as Standard & Poor’s. In the latter case, the fund is structured in



**1** On the other side of the world: BB branch in Tokyo

**2** Levy: Bram is betting on funds with global assets

**3** CorpBanca: agreement with Itaú held up by Chilean legal action

such a way that if the stock market index rises, the client gains from the variation. If it goes in the other direction, the client has a return of investment equivalent to the Selic rate,” Levy said, referring to Brazil’s overnight bank lending rate.

Bram has local partners in Peru and Chile to distribute funds containing Brazilian assets and is finalizing a deal to do likewise in Colombia. These portfolios jointly amount to almost US\$ 2 billion. Another of Bram’s aims is to take

an increasingly more active part in global bond issues by large Brazilian companies and work in partnership with BBI, Bradesco’s investment banking arm. In March, BBI acted alongside Bank of China, Citi, HSBC, J.P. Morgan and BB Securities as the

coordinator of an external funding operation in which Petrobras raised US\$ 8.5 billion through the issue of a dollar-denominated bond. Bram also intends setting up a physical structure to trade or manage funds in the United States in the coming

that carry out mergers and funding abroad. “With the backing of BB Securities in places like London, New York and Singapore, we also want to serve medium-sized companies with revenues of up to R\$ 400 million and are in the process of going international,” said Edson Rogério da Costa, BB commercial director.

There has been a breakthrough for BB in Asia. After a three-year wait, it has received Chinese government approval to open a branch in China. The bank has been in China since 2004 when it opened a representation office in Shanghai. However, the possibility of having a branch increases the variety of business and services that can be offered to Brazilian companies in China and Chinese companies that invest in Brazil. The branch, foreseen to start operations at the end of May, will allow BB to open accounts, grant loans and make currency operations.

Banco do Brasil has also made adjustments to its retail attendance strategy in Japan where it has been present since 1972 and has more than 100,000 account holders. To serve them better, the bank is pinning its hopes on making its mobile branches more popular. These are small adapted vehicles that drive to Japanese towns and cities where BB does not have one of its eight branches or attendance posts. “The mobile branches are complementary and they go to strategic points where there is great movement and aim to make our clients’ lives easier,” said Costa.

MERGER SEEN THROUGH THE EYES OF MINORITY SHAREHOLDERS

WHILE SOME of its competitors pursue new international opportunities to grow in the wholesale area, Itaú is concentrating its activities on the retail sector to consolidate its already strong operation in Latin America where it is the largest private bank. It announced an agreement at the end of January with CorpBanca of Chile to integrate their operations in Chile and Colombia. The merger will create the fourth-largest financial institution in Chile, with US\$ 45 billion in assets and a loan portfolio of US\$ 34 billion. However, the deal did not appeal to all parties involved and runs a risk of not coming about. A group of the Chilean bank’s minority shareholders is taking legal steps to op-

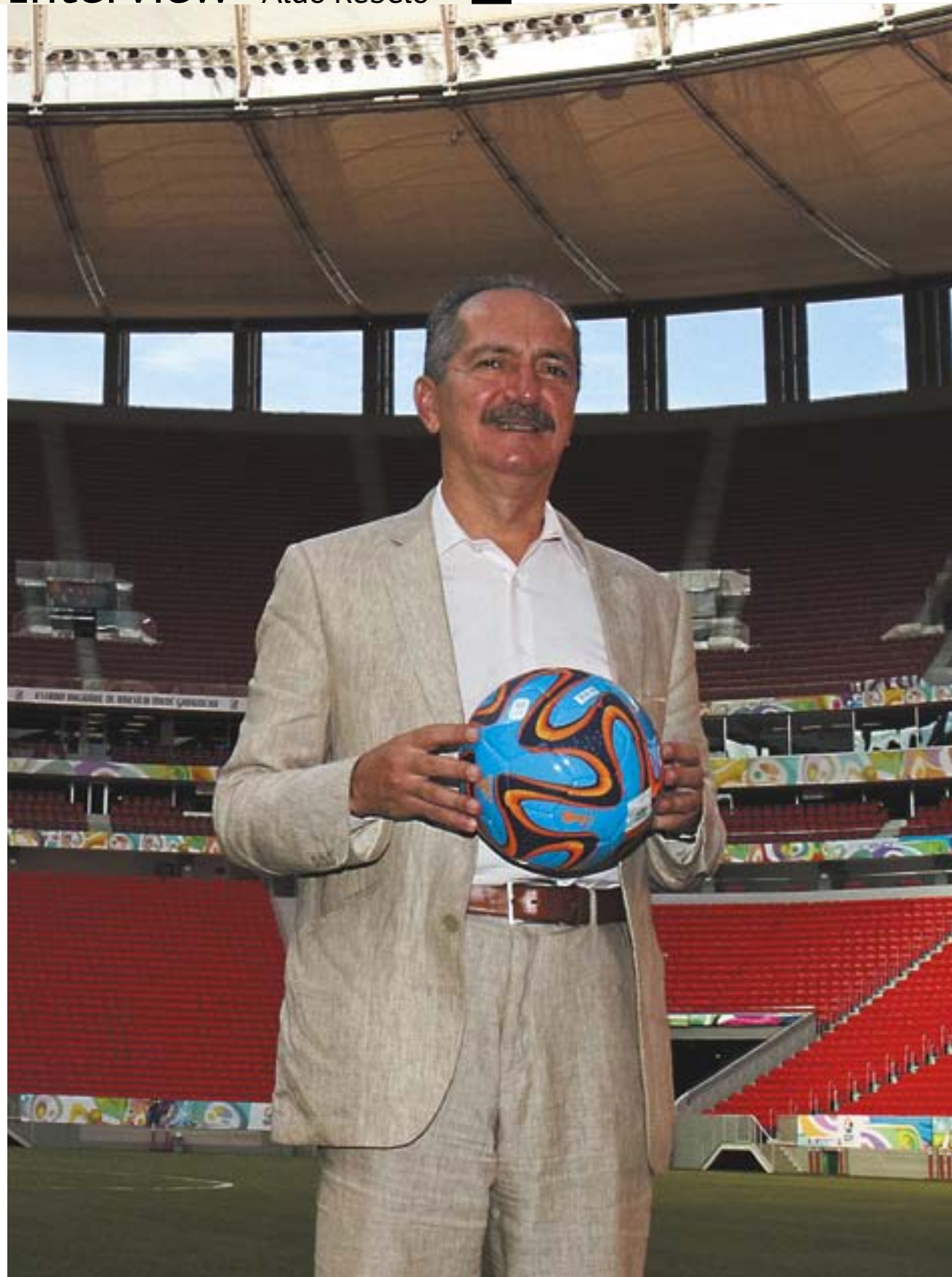
pose the terms of the deal. Cartica Management, which has taken the case to an American court, claims that Jorge Andrés Saieh Guzmán, CorpBanca’s current CEO, committed fraud in the merger. Cartica alleged that Saieh “used fraud to extract a control share premium for his majority stake in CorpBanca accumulating a number of short- and long-term benefits” in a statement published recently. Under the terms of the deal, Itaú will assume control as its share of the company will be 50.5%. The remaining 49.5% will remain in the hands of CorpGroup. Asked to comment, Itaú said the person who could speak on the matter was too busy to talk.



Bram plans a structure to trade or manage funds in the US

years. “Nothing has been settled yet but we will have to assemble a bigger team if we are going to act as managers,” Levy added. For its part, Banco do Brasil (BB) has taken advantage of the exit of Paulo Rogério Caffarelli, who became executive secretary of the Finance Ministry in February, to review its whole capital markets strategy outside Brazil. The aim is to ensure that its attendance is not just limited to large Brazilian companies





PAULINO MENEZES/ME

# In the first division

*It's time for Brazil to really make its mark in the global sporting events market, says the Minister of Sport. The World Cup is only the first step*

NELY CAIXETA

**I**n the opinion of Brazil's Minister of Sport, Aldo Rebelo, the World Cup, which starts in June, and the 2016 Olympics are more than just big competitions. They are unique opportunities to boost the presence of Brazilian brands and clubs in the global market of sporting services and events, in which Brazil's current participation is well below potential. "Nothing in the world gets near the World Cup in terms of impact", he says. "Not even the election of the Pope, global economic forums, nothing compares to the enhanced image, influence and power that the World Cup gives the host country". Rebelo spoke to PIB at Congonhas Airport, after meeting with the chamber assembled by the São Paulo State Industry Federation (Fiesp) to discuss the economy of sport and the business opportunities created by the World Cup and the Olympics. He says Brazil has everything going for it to definitively become a permanent destination for international sporting events and to make strong profits from the business opportunities created. "The mega

events push us to this challenge", says Rebelo, without paying much attention to the wave of skepticism surrounding the country's capacity to organize events and the criticism of spending of public funds.

**Investors are asking if we will be able to organize the World Cup and the Olympics**

**Given the delay in the infrastructure works and the protests expected for the matches at the World Cup, do you think the event will be a success?**

I am very confident. I am fond of and respect the World Cup and what soccer represents for the world, but Brazil has already accomplished more important and much more difficult things. Are we going to let the World Cup get in our way after constructing a country of this size? After becoming one of the ten largest economies in the world, with the most competitive agriculture? We make planes, sophisticat-

ed machines, so are we going to let the World Cup get in our way? It's a challenge but there's no secret or mystery to it.

**But are we doing everything needed to ensure that these events aren't just a success but also a major driver of the sports-related economy?**

I would say we are trying to do the right thing. A definitive judgment is only obtained via results. The World Cup and Olympics are more than major sporting events. The idea is that the final of the World Cup will be seen by over 3 billion viewers and that the event as a whole will be watched by at least 40 billion viewers. Of course, such an event projects the country's capacity. Investors are looking at Brazil and wondering if we will be able to organize the World Cup and the Olympics, and this influences business decisions in the economy.

**What are our chances?**

Brazil has everything going for it to attract major sporting events. The climate, atmosphere, the fact that everyone likes Brazil. It is a country with a sporting vocation and



is already a heavyweight player in soccer, volleyball, Formula 1, judo... I believe we are in a position to ensure that the running of the sporting events meets the entire world's expectations for Brazil.

#### **What is the estimated impact of the World Cup on business?**

The government doesn't have its own studies, but it works with information of private consulting firms such as Ernst & Young and Fundação Getúlio Vargas. For the World Cup alone, they expect Brazil to create 3.6 million jobs and add 0.4% to GDP per year until at least 2019. They also calculate potential generation of 3.40 reais of private investment for each real of public money invested.

#### **Brazil's standing in the global sports economy will certainly grow. What is the situation today?**

Our shortcomings begin with statistics. There is no calculation on the weight of Brazilian sport. It is a very approximate and very imprecise thing. But we have indications in the area of soccer. What I hear in the international forums such as SoccerEx — the largest soccer business seminar in the world — is that the English are in first place, with just over 30% of global soccer GDP; the Germans are in second, with just over 20%; Spain has 15-20% and Italy comes next with the same 15-20%. And Brazil is at a very low level, accounting for only 2% of global soccer GDP.

#### **Do you agree with these assessments?**

Empirically, to the naked eye, you can prove that we are major soccer agents on the pitch, but off the pitch our brands are not internationally disseminated. The average public in

Brazil's premier soccer division, for example, is lower than the average attendance of the same competition in the US, where soccer does not have much of a tradition.

#### **Why is this? Are our tickets much more expensive or is the price only part of the problem?**

It cannot be explained by one factor alone: it could be the precarious

**We cannot continue to sell the artist and import the show, which is what we do today**

nature of our stadiums, of the services offered to fans. I don't mean you have to offer luxury, but rather comfort, safety, hygiene and easy access. We have problems with violence, with the organization of the spectacle itself. And then there's the loss of artists, of the main players to European soccer. People want to see their star player in action. Our brands are devalued in Brazil and not well disseminated abroad.

#### **The soccer shirt of the Brazilian national team is very popular abroad, but we don't see in the rest of the world youngsters wearing the soccer jerseys of Flamengo, São Paulo or Corinthians, right?**

No, we don't. European teams divulged their brands, sold their

championships to the entire world, mainly to the frontiers of soccer, such as China and the Arab world, which are avid consumers of European soccer competitions. As a result, Brazil cannot just sell players! Look, I've got no problem with Brazil selling players, if we produce them on a mass scale. But this can't be the main source of revenue for our soccer. We have to specialize in the sale of soccer services.

#### **Exporting only players is similar to exporting commodities. Do you agree that you also have to add value in soccer?**

Exactly. You can't sell the artist and import the show, which is what we do today. I am sought out, at the Sports Ministry, by countries wanting to send delegations over to spend a period in Brazil. Male and female players, not just soccer, but from other sports as well. Coaches, trainers, nutritionists, physiotherapists... And we don't have the structure to receive these people and reap the dividends from the sale of our services. When a European player is hurt, they prefer to rehab in Brazil, due to the high level of our physiotherapy. But we have an insufficient structure to transform this into a source of revenues. Right now, a big club like São Paulo, which during the World Cup will receive the US national team at its training center, will have to withdraw its own players during this period. We could have structures capable of receiving delegations, which would pay for the accommodation and learning services, but we don't.

#### **Why are we unable to explore this market of sporting services?**

A business vision is what is missing. The leaders who go to our clubs are

soccer politicians who want to win a couple of trophies. But they don't see soccer as a business capable of strengthening the club and generating revenue for the country. We never worry about selling our brands. 50 years ago, foreigners knew who Santos, Botafogo and Palmeiras were — mainly these three, who were all very strong teams in the 1950s and 60s. But this prestige has steadily lost value due to management problems and the abandonment of internationalization prospects. We have to recover the capacity to make our sport more profitable, not just in Brazil, but in Mercosul. We need to value competitions such as the *Copa Libertadores da América*, so that it can have a global standing close, if not equal, to the Champions League. We have clubs with a huge soccer tradition in Argentina, Brazil, Uruguay, etc. We need to improve soccer management, recover the prestige of clubs and internationalize them.

#### **The government is investing a billion reais to train medal-winning athletes via the Plano Brasil Medalhas (Brazil Medals Plan). What is the target for the 2016 Olympics?**

We want to rank in the top five in the Paralympic Games and top ten in the Olympics. It is an ambitious target. In the first case, we have seen a strong evolution. Our performance is already top 10 at the last few Paralympic Games. In the case of the Olympics, it is even more ambitious. We are investing in the training of athletes, in the acquisition of equipment and means, in training subsidies. And we aren't just looking at the athlete. We also want to form a multi-disciplinary team, with psychologists, nutritionists, physiotherapists...

#### **How are the athletes chosen for these grants now?**

Every Brazilian athlete in the top 20 ranking in their sport receives financial assistance, which we call a 'podium grant', of up to 15,000 reais. We offer grants to the coach and his team. We acquire equipment so that the athlete can train with the same material used in the competition. We finance their participa-

**Mismanagement and the lack of any international perspective have been destroying the value of our soccer**

tion in international competitions, which is where they will come up against their future opponents at the Olympics. We have had some important results — if we calculate the medals obtained in recent international competitions (attained by the same athletes who will meet in the Olympics), our performance is already top 10.

#### **In Brazil, sport isn't practiced at school level in the same way as in the US, for example, where there are major university competitions and in other school cycles. How do we change this?**

We need to spread the practice of sport, but we also need to establish the transition from educational sport to high-performance sport.

For example: the first or second sport most practiced in Brazilian schools is maybe handball. But, after school level, there is no structure. The girls and boys have to play in Europe, since Brazil doesn't offer a network of clubs with minimum professionalism. We are trying to change this. You have to universalize education sports, but it is important to stress that there isn't always a relationship between disseminating sport in school and results in high-performance sports.

#### **What do you mean?**

Is there anything more disseminated in Brazil than soccer? We've never won a gold medal in soccer! But we have achieved good results in sports without much tradition and with organization. Women's rugby, for example: we have just won a gold medal, defeating Argentina 40x0 in the South American championship. It is a sport in which Argentina has more tradition, but we were more organized.

#### **Speaking of training, children in Brazil are becoming obese. Are any actions being taken by the Ministry of Sport with the Ministry of Health to combat a sedentary lifestyle and poor eating habits?**

We have spoken to medical societies, such as the Brazilian Society of Cardiology and the Brazilian Society of Sporting Medicine and Physical Activity. There is indeed a great concern. In the old days, you would arrive home and your mother would say: "Son, go and play in the street". Which mother says that nowadays? There is a lack of safety, computers, videogames. Children stay at home for several reasons, so a sedentary lifestyle and obesity have now become a public health problem.



# Nuevos Negocios

*Brazilian franchises take the path of internationalization, lured by economic growth and the potential of Latin America's new generation of consumers.*

SUZANA CAMARGO

**B**razilians traveling to other countries don't usually come across renowned national brands when they go shopping. Our products and services, with a few rare exceptions, have yet to conquer the world. But those recently visiting some neighbor-

miliar names and logos stamped on trendy addresses in capitals and other key cities in the region. On a trip to Bogota or Lima, for example, you might come across a kiosk of Chilli Beans, the sunglasses and watch brand so familiar in Brazilian shopping malls; if you visit La Paz, the capital of Bolivia, you can buy T-shirts at a Hering franchise, or even check out the latest launches of the footwear and accessories company Carmen Steffens. In Buenos Aires or Santiago, you will recognize the lingerie collections of

Hope in the local shops.

The upsurge of Brazilian brands isn't limited to the consumption sector. Logos of various service provid-

ers — from language schools to car rental to IT solutions and food — are also spread across the main South American cities. These are the cases, for example, of Totvs, the largest national management software company, present in 13 countries from the region, and Localiza, the car rental firm from Minas Gerais, which began its regional trajectory longer ago and now has a strong presence in 8 neighboring countries. With such different sizes and from so many sectors, these companies all have the same internationalization strategy in common. All of

them (and many others — see chart on Page 43) adopted the franchise system as an expansion model for their businesses in neighboring countries. As a result, they resorted to partnerships with local investors to avoid the risks — or at least some of them — associated with a direct external investment. In internationalization via franchises, the local franchise must bring not just the initial investment, but also its knowledge of the local culture and business environment of the market to be conquered — something that

would involve a long and often painful learning curve for a company entering the country.

**The region's middle class recently gained 50 million people**

There is a second point in common in the movement of Brazilian franchises around the continent.

The expansion driver derives from the same phenomenon that shook the Brazilian retail scene in recent years — the rise of the new middle class avid for consumer products, emerging from the solid economic momentum in much of the region. In fact, countries like Peru, Colombia, Bolivia, Chile, Panama and Paraguay stand out by posting consistent annual growth rates, at around 5%, as per Cepal (UN body







1



2

PICTURES: HANDOUT HOPE

for the Latin American and Caribbean economy). By comparison, the Brazilian economy, after a growth period, has been growing at much lower rates – only 2.3% in 2013.

The numbers attesting better income distribution and growth in consumption markets in the region are impressive. A recent World Bank study identifies a 50% rise in the size of the Latin American and Caribbean middle class: from just over 100mn in 2003 to over 150mn in 2009. This means around 50mn people – more than the population of Spain – left the poverty line. Two nations, Chile and Argentina, have a very high HDI (human development index), and Uruguay and Peru (like Brazil) have a high IDH – the minimum wage in Chile is now

US\$470, almost twice as much as a decade ago.

Given this scenario, it is easy to understand why Brazilian compa-

Chilli Beans wants to open 100 points of sale in the region in 4 years

nies are crossing the Andes to offer products such as footwear, apparel, watches and sunglasses, as well as a broad range of services to masses of new consumers in neighboring countries. Chilli Beans, one of the franchises with the most ambitious plans in the region, again illustrates

the point. The brand arrived in Colombia in 2011 and Peru in 2013. In Colombia, it signed a contract with a local master franchise – which runs several international franchises – to open 40 points of sale in the next 5 years. “Now, the Colombian economy is strong and solid”, says Cairo Maia, creator of Chilli Beans. “There was a revolution in Colombia in the last decade.” He is referring to the country’s transformation due to the efforts to attract investments, via fiscal reforms, reduced state intervention and bilateral trade agreements with the US and the EU, and the mood of greater security following the nu-

merous setbacks suffered by the Farcs.

Maia also plans to send Chilli Beans to Ecuador and Chile. “Our project for the next 4 years is to have 80-100 points of sale in South America”, he says. For the strategy to work, Chilli Beans focuses on a key point for those looking to grow by courting the middle classes of emerging markets, but

1 Giselle: popular with Latin American women...

2 ...in partnership with Hope

GLOBAL WINDOW DISPLAYS

BRAZILIAN FRANCHISES globally and in countries with cultural affinity

BRANDS	GLOBAL PRESENCE (N° OF COUNTRIES)	COUNTRIES THAT SPEAK SPANISH OR PORTUGUESE*
Via Uno (footwear and accessories)	25	Argentina, Chile, Colombia, Costa Rica, Cuba, Spain, Paraguay, Peru, Portugal, Dominican Republic, Venezuela
Carmen Steffens (footwear and accessories)	18	Angola, Argentina, Bolivia, Spain, Paraguay, Portugal, Uruguay, Chile, Peru, Ecuador, Colombia, Panama, USA
Totvs (communication and technology)	17	Argentina, Mexico, Chile, Paraguay, Porto Rico, Portugal, Uruguay, Bolivia, Peru, Colombia, Ecuador, Venezuela, Guatemala, Costa Rica, Angola, Mozambique
Showcolate (food)	12	Chile, Mexico, Peru, Panama, Guatemala, Portugal, Venezuela
CCAA (language school)	11	Argentina, Chile, El Salvador, Spain, Portugal, Mexico
Dumond (footwear)	10	Angola, Costa Rica and Paraguay
Fabrica di Chocolate (food)	9	Costa Rica, Spain, Mexico, Portugal, Dominican Republic, Venezuela
Wizard (language school)	8	Colombia, Guatemala, Paraguay
Localiza Rent a Car (vehicle rental)	8	Argentina, Bolivia, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay
Colcci (apparel)	8	Guatemala, Portugal, Spain,
O Boticário (cosmetics and perfumes)	6	Angola, Paraguay, Portugal, Venezuela
Fisk (language school)	6	Argentina, Angola, Bolivia, Paraguay, Chile
Maz Brasil (footwear and accessories)	5	Spain, Portugal
Truss Cosméticos (perfumes and cosmetics)	5	Angola, Ecuador, Venezuela
Chilli Beans (sunglasses and accessories)	5	US, Portugal, Colombia, Peru
Cia. Hering (apparel)	4	Uruguay, Bolivia, Paraguay, Venezuela
Hope	4	Portugal, Bolivia and Argentina
Arezzo (footwear and accessories)	4	Bolivia, Paraguay, Portugal, Venezuela
Livrarias Nobel (books)	3	Portugal, Spain, Colombia
Spoletto (food)	3	Mexico, Spain, Costa Rica
Vivenda do Camarão (food)	2	Paraguay, US

Source: ABF/ESPM Study – 2012 – Market and Strategic Aspects of the Internationalization of Brazilian Franchises, with supplementary information from companies.

\*Including the US



**1** Kravitz:  
designing  
sunglasses  
and watches...

**2** ...for Maia's  
Chilli Beans  
to sell in  
LatAm



1

with still modest income: competitive prices. While a pair of Ray-Ban sunglasses averages U\$150, a Chilli Beans model sells for U\$70. “When we arrived in Peru with quality and price, sales soared”, he rejoices. Revenues totaled R\$17mn abroad in 2013 — representing only 3.4% of total revenues of R\$500mn, i.e. there’s lots of room to grow abroad. An effort was made recently, via the investment in a partnership with an international showbiz star: the US singer Lenny Kravitz, whose design office created a collection of sunglasses, frames and watches that will be sold at the LatAm franchises. The singer himself is the star of the new line’s ad campaign.

The footwear producer Dumond, from Sapiranga (Rio Grande do Sul), is another brand eyeing the LatAm market. With franchises in Asunción (Paraguay) and San José (Costa Rica), in 2014 it plans to open another 2 stores in the same cities and is negotiating with partners to



PICTURES: HANDOUT CHILLI BEANS

take its products to Peru, Bolivia and Panama. “Latin America is a burgeoning consumer market”, says Jadir Bergonsi, head of international sales. “Consumers are increasingly

### Liking for colors is link between Colombian and Brazilian consumers

demanding”. Dumond plans to increase its business in the region by 35% this year, considering the opening of new franchises and its presence in multi-brand stores.

As well as the economy’s good phase, another factor is driving the arrival of Brazilian brands in Latin America: the cultural ties between countries, starting with the cousin-brother Portuguese language. This family climate translates into a similarity of habits and tastes perceived by Chilli Beans upon initiating its business in the region. “The similar culture with Brazil was

a big help in Colombia and Peru”, notes Maia. “We have the same seasonality – summer and winter at the same time — and habits that speak the same language”. In these coun-



2



tries, an offering of strong and varied colors is as successful as in Brazil. It’s different to Portugal, another country where Chilli Beans operates (the others are the US and Kuwait). There, the colors preferred by the Portuguese are more sober, such as black and brown.

It is thus no coincidence that countries like Paraguay, Mexico, Argentina and Chile were some of the main destinations of the brands of Brazilian franchises in 2013, as per an ABF study — Portugal, US and Angola round out the list (read more on page 50). In the area of fashion, a similar physique can also be an advantage. “Latin American women have similar body charac-

teristics to Brazilians”, says Sylvio Korytowski, director of expansion at Hope, which has 3 franchises in Argentina, 1 in Bolivia and is also betting on Chile, where it is negoti-

### Brazil is the number 3 country in franchises, with over 2,700 brands

ating store openings with interested parties. “This is one of the reasons why our products are well accepted”. Just like Brazil, the tight-fitting panties are a hit in Latin America.

In its international foray, Hope has a major ace up its sleeve. Photos of supermodel Gisele Bündchen, very popular in LatAm, decorate the walls of its stores. She appears wearing models of Gisele Bündchen Intimates — a brand owned by Gisele, and developed, produced and sold by Hope. The collection can be found at the company’s franchise in Buenos Aires and in niches of multi-brand stores from Uruguay, Peru, Bolivia, Paraguay, Equator, Chile and Suriname (and soon in Central America and Mexico). «We’re very satisfied», says Taís Rissi, project manager at Hope. “The results in these countries have surpassed expectations” (she won’t go into details). We are talking about lingerie for consumers with greater purchasing power — a bra and panty can cost U\$140. What makes them so coveted, even at a higher price, is the admired Brazilian cut — the Brazilian format that emphasizes the female form.

Cultural proximity is usually a major plus for companies going international for the first time. The affinities, in this case, help overcome the fear of the unknown, such a deterrent for Brazilian business globally. It is a relevant factor researched in the academic universe: professors from the University of Uppsala (Sweden), upon studying the internationalization of Scandinavian business in the 70s, created the concept of psychic distance to describe the phenomenon. The degree of uncertainty on the result of an investment increases with this distance, they argue. In other



words, corporations find it easier to acclimatize in nearby environments from the standpoint of mentality and customs, in which they (and their expat employees) may feel less like foreigners. “We believe that the smaller the psychic distance, the better for internationalization”, says Thelma Rocha, head of the Master’s Program in Administration with specialization in International Relations (PMGI) at ESPM-SP. “In places where the language and customs are more similar to the home country of the franchise, the risks of problems caused by the cultural barrier are smaller”.

Companies like Localiza and the language school Fisk thus had their reasons when they decided, a long time ago, to run the risk of pioneerism and take their brands to neighboring countries. Localiza, which opened its first operation in Argentina, in 1992, saw the opportunity to set up shop in a geographic niche largely unexplored by global rivals. “In the US and Europe, the market was already consolidated”, says Bruno Andrade, director of franchising. The strategic plan of Localiza is to be the leader in South America. “We are already number 1 in Colombia, Paraguay and Peru”, says Andrade. “For 2014, we expect good results, mainly in Argentina, Uruguay, Paraguay and Colombia.

Fisk began its international expansion in Paraguay in the 80s, when the region still wasn’t rated as attractive (the brand, which doesn’t divulge its revenue, was created in São Paulo in 1958 by the US expat Richard Hugh Fisk). Since then, the integration of the Latin American economy into the world — which brings large transnationals over here and leads local companies to also become multinationals — boosted demand for English classes. “The



Latin American market is extremely attractive, with an increasingly solid economy”, says Bruno Caravati, vice-president of Fundação Fisk, which runs the chain. “And inter-

## Localiza wants to lead the car rental market in South America

national companies need employees who can speak English”.

Caravati identifies a gap to be met in training these professionals. “Latin America has a massive shortcoming with the second language”, he notes. Fisk has 103 franchises in the region. For 2014, the bet is Chile, where it wants to open 2 new franchises. “It’s a country with a stable economy and clear laws”, says Caravati. “There is little bureaucracy and that’s essential to business”. In Ar-

gentina, it has 82 schools, with another 3 on the way despite the winds of economic instability frequently blowing there. “We’ve been there for many years and have experienced several crises”, says the executive, downplaying fears over Argentina’s economic woes.

Not everyone thinks that way. “There are two centers in Latin America: one increasingly prosperous and the other populist and economically bankrupt”, says Korytowski, from Hope. “For foreign investors, right now Brazil, Chile, Peru and Colombia are countries with a strong economy; the other center, featuring Argentina and Venezuela, has beleaguered economies.” The crisis in Argentina didn’t go unnoticed in the corner run by the Gisele Bündchen brand at Hope’s store in Buenos Aires. “Sales had been on the rise, but now the market is stag-



PICTURES: HANDOUT HERING

nant”, says Taís Rissi, GB Intimates project manager. “It’s a very desired brand, but the purchasing power of Argentines fell due to the difficulties in the country and the restrictions imposed by the government”.

Having a close market with so many affinities, such as the Latin American market from the standpoint of Brazilian companies, doesn’t mean the path will be easy. The familiar climate, whilst helping to soothe the impact of the arrival, can also lead to a sensation of comfort that can cause some management oversight (read more on page 48). Some things will always be different, such as the legislation

and market peculiarities that need to be studied and understood. Some players have good practices to share, such as Cia. Hering, from Santa Ca-

## Fisk identifies growing demand for English courses in the region

tarina, which has 17 franchisees of its informal fashion stores in four South American nations: Uruguay, Bolivia, Paraguay and Venezuela. Before opening a Hering store, con-

sultants investigate the market and assess the country’s economy to decide if the company will grant the use of the brand to a new franchisee. “Retail is dynamic and the movements are different in each country”, says Ronaldo Loos, commercial director. “The challenge is to understand the scenarios to offer the franchisees conditions of competitiveness and profitability and guarantee the chain’s solid growth”.

In the case of Hope, brand consultants visit the franchisees at least 3 times a year. For their part, the franchisees are always invited to learn about the launches of new collections in Brazil. The holders of the international license of the Fisk language school need to visit São Paulo every 6 months to take part in a recycling course, and representatives from the school visit the franchisees once a year. Market analyses and frequent tracking of the partners are vital steps. “Companies looking to consolidate their operations abroad need to have a specific internationalization management strategy, with a separate, dedicated internal structure”, recommends Thelma, from ESPM.

The companies, evidently, need to adapt to the fiscal, tax and labor specificities of each country. Thus, finding a good local partner is vital, since it is this partner that will open the doors, cut through the red tape and help to overcome any obstacles. “It needs to be a partner with an entrepreneurial spirit, and we like it when

Hering store and banner in Uruguay: market knowledge



the business is the main source of income of the franchisee”, recommends Korytowski, from Hope. The experience of Chilli Beans in Colombia carries a warning. The first year was very difficult, recalls Maia, company creator. “We closed a deal with a large group, but only a year later was a person designated to take exclusive care of the franchise”, he says. “Thereafter, the business took off.” The error was avoided in Lima. “We had the partner in place from the outset, someone who lives and breathes Chilli Beans”. The conclusion, for Korytowski and Maia, is the same. The commitment to managing the business by the franchisee is essential to guarantee good sales.



HANDOUT CARMEN STEFFENS

1

- 1 Carmen Steffens store: in Lima (Peru)
- 2 Localiza announcements: language nuances

The expansion of the Brazilian franchises — not just in Latin America, but globally— accompanies the consolidation of this business model in the home country. As per the Brazilian Franchising Association (ABF), Brazil is the number 3 country in terms of number of franchises, with over 2,700 brands. In parallel, the group of internationalized Brazilian franchises is also on the rise. In 2010, 65 companies exported their brand under the franchise model; in 2013, this number had risen to 121, in 60 countries— a rise of 86%. Now, most of these internationalized brands have



HANDOUT LOCALIZA

2

PAY ATTENTION TO THE SUBTLITIES

**THOSE WHO** start doing business in Latin America soon discover that the affinities and cultural similarities hide a trap: the small and subtle differences that exist even between very similar cultures can create uncomfortable situations and even jeopardize an initiative involving major investments and a lot of effort. We aren't just talking about the differences between the Portuguese and Spanish languages of our Latin American neighbors. The warning also applies to those working in different countries speaking the same language! – a common situation for companies with activities in Spanish-speaking Latin American countries. A common error to avoid is to imagine that a single advertising standard can apply to all of South America. “Frequently, messages don't have the same meaning in different countries, despite the fact that Spanish is the language spoken in all of them”, alerts Bruno Andrade, from Localiza. The company has learnt to customize its campaigns in accordance with the peculiarities and vocabulary of each market: in Paraguay and in other countries, the word used for rental, for example, is alquiler; in Chile, it's arriendo.

Even more subtle are the differences in interpreting the message due to cultural and political sensitivities. A while back, the car rental company Localiza used an ad campaign in Brazil with the slogan Alugue a liberdade de

ir e vir (rent the freedom to come and go). For its international ad campaign, the company initially did a literal translation of the text. But their staff in Argentina sent feedback warning that a message of alugar a liberdade (renting freedom) wouldn't go down very well in some neighboring South American countries. “Argentina is a highly politicized nation and at that time freedom was a delicate matter” recalls Andrade. “We thus had to work on another campaign”. Similarly, the photos used in the advertising campaign need to be adapted to local environments. While snow-filled landscapes at the weekend are common for Chileans and Argentines frequenting Andean ski stations, in the tropical country of Colombia these photos don't have the same effect, notes the director of Localiza. You also have to pay attention to the physical features of the people used in the images, prioritizing the dominant physical traits in each place.

If countries speaking the same language have subtle differences, then what about the numerous confusions facing speakers of 'similar' languages such as Portuguese and Spanish? Here, we have to state very clearly that our folkloric portunhol (an ugly mix of Portuguese and Spanish) is no longer welcome, for some time now, in business dealings with neighboring countries. To conquer a market, you have to invest seriously in perfecting

your language skills. At Localiza, for example, employees receive Spanish improvement lessons. “We had to prepare our executives and customer service team to the franchisees in order to be fluent in the local language”, says Andrade. “When we elaborate contracts, meeting minutes, training sessions and manuals, language skills must be 100%, so as to avoid any embarrassment”.

Peculiarities and differences can even be found in the same country. The experience led Chilli Beans to learn that Colombia's climate varies a lot from city to city. In Bogota, the sun hardly ever comes out, which is why consumers like to buy sunglasses with clearer lens. “In Medellin, it is hot all year round, so selling sunglasses is very easy”, says Caito Maia. Summing up, those looking to conquer a market need to learn very soon that a stereotype is nothing more than a preconceived idea – it is better to get rid of them and learn about real consumers in all their varieties.



HANDOUT LOCALIZA



operations in at least one country in Latin America or the Caribbean. What is the right moment to invest outside Brazil? Ricardo Camargo, executive director of ABF, and Thelma, from ESPM, advise prudence. “Our first recommendation is for the company to be already providing an excellent service in its home market”, says Camargo. The consul-

tant Paulo Cesar Mauro — president of Global Franchise, a company that works with foreign franchises entering Brazil and Brazilian franchises going international — doesn’t think that you first of all have to exhaust local market growth potential. “Today, the market is global for any company thinking of growing in the medium and long term”.

## IN THE SAME LANGUAGE

**THE PATHS** for the start of internationalization are numerous, but there is one standard model in the world of franchises: it is common for the initiative to come from the franchisee — in general, someone that knows and appreciates the brand — and not one of the franchisers. This was how the fast-food chain Vivenda do Camarão (a shrimp eatery) won its first franchise outside Brazil in a shopping mall in the Paraguayan city of Pedro Juan Caballero, on the border with Mato Grosso do Sul: a Brazilian living in Paraguay knocked on the door of the company looking to open a restaurant. The dishes are the same served at the restaurant chain’s more than 150 Brazilian restaurants. The difference is the menu in Spanish.

Something similar occurred with the franchisees of the Hope lingerie chain in Portugal and Israel — the latter, a multicultural country where the brand also arrived. But with a difference; the future Israeli partner had never been to Brazil. Interested in opening a lingerie store, the businessman did his research and contacted Hope. “The Brazilian model was a big success there”, rejoices Sylvio Koritowski, apparel production director. “Israel was a pleasant surprise”. Portugal, with 34 Brazil-

ian brands in activity, according to ABF, leads the global map of receivers of national franchises. Next to Angola, it is still an exception in internationalization due to cultural affinities: both countries speak the same language, albeit on different continents (Fisk, O Boticário, Carmen Steffens and Totvs are some of the 17 Brazilian companies that have seen the potential of the Angolan market and licensed franchisees in the African country).

The operation of Hope in Portugal has one particularity. Its success, according to the franchiser itself, doesn’t just lie in the affinities, but also in a difference perceived and appreciated by clients: the customer service style of Brazilian retail, which is more personalized and warm than the European standard. “Customer service in Europe is very cold, and we were able to transport the Brazilian warmth and attentiveness to our stores in Portugal”, says Koritowski, brand expansion director. Another peculiar case in the Iberian Peninsula is that of the Nobel bookstores in Spain — more specifically, in Galicia, the Northwest region of Brazil that, on the map, is tucked in right next to Portugal. And the proximity isn’t just on the map: there they speak

HANDOUT HOPE



galego, a language virtually the same as Portuguese (Portuguese and galego were in fact once the same language).

In 2007, Arnoia, the largest book distributor in Galicia, expressed an interest in the business model of Nobel, which already had a franchise in Portugal since 2005 and became master franchisee of the brand. Today, it administers 30 stores. “We plan our expansion only in Portuguese- or Spanish-speaking countries”, says Sérgio Milano Benciewicz, director of the Nobel bookstore network. “Our return is good, because our public is committed to the culture of reading, which helps drive the success of franchisees”. Out of Nobel’s annual revenue of R\$185mn last year, 3% came from international units.

What these stories illustrate is the importance of being flexible when it comes to seizing opportunities and venturing into other countries. After its international



HANDOUT VIVENDA DO CAMARÃO

baptism in Paraguay, Vivenda do Camarão went straight to the US: at the end of 2013 it opened 2 restaurants with the brand Shrimp House in Miami and Coral Springs, in Florida. The menu of the US restaurants illustrates the virtues of flexibility for a fran-

chise. It is more streamlined and spicier than the Brazilian restaurants. “We held tasting tests, in the US, with US, Brazilian and Latin American opinion formers”, says Diego Perri, partner-director. “The best rated dishes were the spicy, seasoned ones”.

1 Hope in Portugal: client focus

2 Vivenda do Camarão in Miami: more pepper

Those taking the lead know what this means. Few Brazilian franchises have achieved such a strong presence abroad as Localiza. In over 20 years of internationalization experience, it now has 57 stores in eight Latin American countries, with a “foreign” fleet of 14k cars. Around 20% of the revenue generated by its franchisees comes from abroad. In this aspect, Localiza is more of an exception than the rule. In general, in the other international Brazilian franchises, this percentage is much less — sometimes, almost insignificant compared to revenues in Brazil. Still, it is an investment considered important since it raises brand awareness and opens up new markets. “Revenue is small, but we have huge interest in our international projection”, says Korytowski, from Hope. In the case of Hering, which posted 2013 revenue of R\$2.01bn, the share of international operations is only 1.6%, but has grown 17.3% in the last 12 months. The company will not abandon its presence abroad, despite its relative small size. “Expansion in the international market is part of the company’s growth strategy”, says Loos, director. In other words: when it comes to venturing beyond Brazilian borders, it’s not the size of the immediate revenue that matters. A big factor is the intangible gains of international image and experience in other markets. And Latin America offers Brazilian franchises the most attractive opportunity, right now, to make these gains.



Volvo's  
Hybribus: from  
Curitiba to the  
Transmilênio  
corridor in  
Bogotá

# Clean Race

*Volvo's Brazilian subsidiary and the São Paulo company Eletra are staking out a presence in the dispute for the global market for hybrid buses*

DARIO PALHARES



**T**he starter's flag is up and they're off. As reducing polluting emissions is the order of the day, the mass transit systems known as Bus Rapid Transit, which originated in Brazil, are starting to stand down diesel-powered buses and looking for more environmentally-friendly options. One alternative being explored is the hybrid bus model which combines conventional internal combustion engine propulsion with an electric propulsion system. This is a segment in which Brazil has a presence in the global dispute, with two representatives: the subsidiary of Sweden's Volvo, based in Paraná state, and Eletra from São Bernardo do Campo in the ABC region of Greater São Paulo.

"The modernization of bus fleets is already a reality as a result of stricter environmental laws and efforts to cut fuel costs," said Luiz Gutiérrez, secretary-general of the

**Innovation at Volvo: batteries are given to the client, with maintenance included**

Latin American Association of Integrated Transport Systems and BRT (SIBRT). "The list of options that has been explored by urban transport companies is diversified and includes hybrid buses, trolleybuses and electric buses. The Chinese and South Koreans are well advanced in

this technology. Cars powered by natural gas are also being used on a large scale in Lima."

Volvo's Brazilian operation launched itself into this "clean" race in June 2012 when it began producing hybrid buses, known as the "hibribus", at its plant in the metropolitan region of Curitiba. The technology is 100% Swedish and was developed over a period of 12 years at an investment of US\$ 200 million paid for by the head office. Another US\$ 20 million was spent in Paraná adapting the chassis designed in Europe to the standards in Brazil and Latin America, a region in which the domestic producers have a strong presence.

The electric motor is produced by outsourced suppliers and imported. However, there are plans to produce it in the Curitiba Industrial City district (CIC). The equipment is mounted between the gearbox and the combustion engine propulsion and also plays the role of alternator, i.e. it transforms mechanical energy into electric energy when braking. The operating method of the vehicle is similar to that of hybrid cars like the Toyota Prius: the traction is completely electric at low speed, with the conventional engine coming into action when the vehicle goes faster than 20 kilometers an hour. "Electric motors are much more efficient at high torque," pointed out Luís Carlos Pimenta, CEO of Volvo Bus Latin America. "Our system eliminated

the diesel from the initial start-up of the engine which led to a reduction not only in the noise but also in solid particles of 90% and fuel consumption of 32%."

**"Apex-Brasil could help us show vehicles abroad"**

The "2 in 1" global production from 2010 is still in the process of taking off due to the cost which is 50% higher than conventional buses and to the sheer novelty of the model. Production amounts to 2,000 heavy buses (weighing 15 tons upwards) a year, equivalent to 15% of

Volvo's total in the segment. However, these models are expanding their share of Volvo's production lines at an annual rate of 2% to 3%. This should give them more room to maneuver and bring gains of scale that will lead to more palatable prices. "We believe the ratio will reverse in 10 years' time, with 85% of production consisting of hybrid buses and 15% buses running on combustion fuel," Pimenta forecast. Business is cropping up here and there. Volvo's subsidiary is currently talking to seven buyers in Brazil and abroad and has set a sales target of at least 400 units for this year, double the 2013 figure. To date, five of its hybrid buses are currently being



driven in the Iguaçu National Park in Paraná, 30 in Curitiba's Integrated Transport Network (RIT) and 200 began appearing on the Transmilênio system in the Colombian capital, Bogotá, last January. This transport corridor in Colombia has become an international benchmark in terms of BRT and will serve as a valuable showcase for new clients.

Another triumph for Pimenta and his team is the business model. The ion batteries that feed the electric motor are not sold but in fact transferred to the client through a contract. This is because surveys have shown that one of the main concerns was the supply of these "black boxes". The solution to stop potential clients being put off was to offer a package of extra services, including the delivery and maintenance of the appliances over the long term. "We are innovating in the technology and sale," Pimenta added.

Eletra has also set out on this road. The company was founded in 1998 by the brother and sister team of Maria Beatriz and João Antônio Setti Braga who controlled a group that had been active in the transport sector for more than a century and started out with wagons. The Bragas



**1** were looking for more economical buses for the fleet of the Auto Viação ABC company and decided to check out trolleybuses and other electric options that served the people of Florence in Italy. They liked the technology but felt the vehicles were very expensive and small by Brazilian standards. On their return, they were advised by electrical engineer Antônio Vicente Souza e Silva, one of the "fathers" of the Brazilian trolleybus, (see box below) to make the buses themselves. "They agreed to make a prototype and everything started from there," Silva recalled.

The then newcomer did not take long before showing what it could do and launched the first hybrid bus with Brazilian technology in 1999.

This project led to the company becoming one of the five finalists for the World Technology Award four years later. The main part in the system conceived by Silva and his team was related to the electric motor by WEG, responsible for the traction. The combustion propulsion, supplied by Mercedes-Benz, acts as a generator of energy and always carries out the same rotation. Lead acid batteries created by Moura guarantee an additional stock of "fuel" for contingencies. "The diesel motor we use is smaller than the versions installed in conventional buses which leads to a reduction of 95% in particle emissions," said commercial manager Ieda Maria Oliveira.

Only one of the 45 buses pro-

duced in São Bernardo do Campo has been exported so far. This is normal as Eletra's initial priority was to operate exclusively for its controllers which operate one of the longest transport corridors in Greater São Paulo, the ABD. However, it is keeping an eye on the renewal of the Transmilênio fleet in Bogotá and on other foreign cities. "We formed a partnership with Mercedes-Benz which increases our chances," she added.

If the company's hybrid buses are still trying to reach higher altitudes, its trolleybuses have already crossed the world. Eletra sold a trolleybus to Stagecoach, the transport concession holder in the New Zealand capital, Wellington, 10 years

ago. This electric-powered vehicle which could travel up to three kilometers without being connected to the energy grid, thanks to the batteries incorporated into the chassis, was highly regarded. The result was an order for another 61 from the New Zealanders. "The main lot was delivered in 2007 and was a great success there," Oliveira added.

There is no shortage of prospective markets for the trolleybuses. The authorities in Mexico, for example are considering renewing a fleet of around 200 trolleybuses that are now 20 years old. Work will start on a project to set up an exclusive corridor for 160 trolleybuses of the Metrobús kind in the Paraguayan capital, Asuncion, in the second half

**1** Ieda Oliveira: "Brazil could be a benchmark in hybrid and electric buses"

**2** On the other side of the world: Eletra trolleybus in Wellington

of this year. "We are also paying attention to the Transmilênio corridor as the Colombians are considering using trolleybuses as well as hybrids in the system."

Eletra is not neglecting innovation while planning its overseas expansion. For example, the first electric bus produced in Brazil, the E-bus, came into operation in Greater São Paulo on February 24. This 18-meter long articulated vehicle can carry 150 passengers and runs on batteries developed by the Japanese company Mitsubishi which also handles the charging. However, the chassis, bodywork and engine are made in Brazil.

"Brazil is in a position to become a benchmark in less polluting vehicles but more government support is needed. The BNDES (Brazil's development bank) recently relaunched a credit line directed at the sector but there is still a lack of resources to pay for shipping the models to be shown abroad, for example. The Brazilian Trade and Investment Promotion Agency (Apex-Brasil) could help us in this area," Oliveira said.

## WIRED UP

**THE TROLLEYBUS** made its debut on Brazilian streets and avenues on April 22, 1949 when the now defunct Companhia Municipal de Transportes Coletivos (CMTC) inaugurated a line between Praça João Mendes in the heart of São Paulo and Praça General Polidoro in the Aclimação district. The first vehicles were imported from the United States and Europe and the first domestically-

produced trolleybuses started being made by companies like Grassi and Villares 10 years later. Other brands began to exploit the niche but they all adopted foreign traction technologies, a tradition that would only end much later.

The first local innovator in the area was Tectronic, whose partners included electrical engineer Antônio Vicente Souza e Silva. It was set up

in Cotia in Greater São Paulo and began its activities in 1982. Shortly afterwards, it received an order for 290 units from the São Paulo CMTC. Sales soon amounted to around 400 trolleybuses and aroused the interest of the armaments company Avibras of São José dos Campos in São Paulo state. Avibras took control of the bus manufacturer in the middle of the 1980s, changed its name to

Powertronics and hired Silva as a consultant. Business continued to grow at a good rate and the company produced more than 100 buses to the end of the 1980s, including 20 that were exported to Rosário, in Argentina. Then the source of orders dried up. "There were no sales in Brazil for almost 10 years and Avibras decided to abandon the sector," said Silva.

The re-emergence of the trol-

leybuses occurred at the turn of the century, with the Tectronic co-founder playing a decisive part in this revival. After encouraging the creation of Eletra, in São Bernardo do Campo, he is now developing a radical version of the trolleybus, with the support of the Sygma Consultancy and Elektro, an electrical energy distributor operating in São Paulo and the Midwest. The project in question,

which is already in the test phase in Limeira in São Paulo state, is for a vehicle that does not need overhead wires i.e. it does not have "antennas". "The prototype is equipped with super capacitors that can be charged much faster than batteries. On the other hand, it can only run on its own for two kilometers. The solution is to charge the battery at every bus stop," said Silva.

PICTURES: HANDOUT



# Launch platforms

*Government credit lines give backing to companies interested in exporting or even setting up abroad*

DARIO PALHARES

Life is not easy for Brazilian companies that decide to go abroad. Besides coping with the exchange rate that is constantly subject to volatility, potential exporters have to deal with the adverse effects of the Brazil Cost that hits the competitiveness of their products. They are also subjected to the harsh effects of a poor and overloaded highway infrastructure. Furthermore, the more daring ones which decide to set up operations abroad not only face complicated bureaucracy but practically have to head off on their own due to the lack of structured state policies related to going international.

The creation of a Brazilian Exportbank, i.e. a government bank directed exclusively at financing exports, is an old dream. Both the governments of Presidents Fernan-

do Henrique Cardoso (1995-2002) and Luiz Inácio Lula da Silva (2003-2010) made announcements that such a bank would be set up. However, the fact is that the weapons available to the domestic companies are virtually limited to some mechanisms created by Banco do Brasil (BB) and the national development

## Export Financing Fund will speed up the release of Proex resources

bank (BNDES) during the short and tumultuous administration of Fernando Collor de Mello (1990-1992). Brazil took the first steps towards opening its economy at that time, right in the middle of a grave do-

mestic crisis, a process that would gain momentum at the beginning of this century.

The supply of credit for foreign trade left much to be desired in terms of volume and cost up to the end of the 1980s. Relief arose in July 1991 with the launch of the Export Financing Program, known as the Proex, which replaced the Finex program created in 1966 during the military dictatorship. This was led by Banco do Brasil, with the line operating on two fronts. It guarantees resources from the National Treas-

ury directly to exporters – and also importers – through the Financiamento line. It also brings some relief for those who had contracted working capital operations at high interest rates from private banks,

through the Equalização version (see table on page 62).

“The Proex arose at a time when Brazil was opening its ports to friendly nations. Its aim was to make exports more competitive by providing cheaper resources at costs equivalent to those on the international markets and in a more flexible way,” said Admilson Monteiro Garcia, current director of Internal Controls and former International Business director of Banco do Brasil.

The amounts involved in the program are high. Last year, the federal budget destined R\$ 2.6 billion to new operations – R\$ 1.6 billion for the Financiamento model and R\$ 1 billion for the Equalização model. This was a jump of 96.8% over 2012. New loans approvals rose by 59.2% between 2003 and 2012, from US\$ 270 million to US\$ 430 million. The winning sectors last year were agri-

business (59%), textiles, leather and footwear (22%) and machinery and equipment (11%).

Loan approvals should be further boosted with the introduction of the Export Financing Fund (FFex) approved by Act 12.545/11. The new law, that still depends on a final agreement between the

## Innovation agency prepares to start private equity fund operations

main government players, such as the Foreign Trade Chamber (Camex) that reports to the Office of the President, and some ministries, will change the path of the disbursements to the borrowers. Instead

of going directly to the Treasury, which is responsible for the funding, the payments will be deposited in the fund where they will be available for new operations. “This will speed up the whole process greatly,” BB’s Garcia said.

The federal government had the same intention at the end of 2012 when it opened the Proex to exports of up to US\$ 50,000 carried out through the Simplified Export Tax Declaration (DSE). This change is reflected in practical terms by a more flexible approach to the guarantees offered to the bank. “If the borrower does not have letters of credit, warranties or first-line insurance, we can accept property and quotas in funds and securities,” Garcia said.



Santos port: loans for exports expanded in volume in the 1990s





PICTURES: HANDOUT

Obviously this good news was welcomed by recent and former users of the line. Werner Calçados, a footwear company from Três Coroas in Rio Grande do Sul state, which belongs to the latter group, began exploring the foreign market 10 years ago and has buyers in 30 countries. Its products are directed exclusively at women and the company concentrates on design to ensure a presence on the international front. “We are always on the road, looking at the trends in Paris, Milan, New York, London and other fashion meccas,” said Werner Arthur Müller Junior, son of the founder and head of the stylist teams. “We also take part in big international footwear trade fairs, such as Riva del Garda and Micam in Italy.”

Selling abroad took off rapidly, with 55% of Werner’s revenues coming from foreign sales in the middle of the last decade. The good times lasted until 2008 when the international financial crisis hit the company’s main market, Europe, particularly badly. As a result the contribution from exports fell to around 30% of revenues and cur-

rently amounts to about R\$ 40 million a year.

The company reacted strongly in the face of adversity and made an all-out effort to win new niches on the world map. The results of that effort were acknowledged by Banco do Brasil itself which awarded Werner the Proex Excellence Prize in the External Competitiveness category

### The crisis led Werner to seek new niches for its shoes worldwide

in 2010. “Selling abroad is not a bit easy but it would be much tougher without the Proex. The costs of financing working capital for exporters would certainly be very high and the terms of payments we offer our buyers, from 120 to 150 days, would be cut by half,” said Werner.

The fall in global demand caused even more problems for Fezer Indústrias Mecânicas from Caçador (Santa Catarina state), one of the few

manufacturers in the world of wood and plywood laminates production equipment. The company’s revenues slumped from R\$ 42 million to R\$ 15 million between 2006 and 2007 during the toughest inter-harvest period but has since rebounded to around R\$ 24 million and has an upward bias. “We depend a lot on the homebuilding market in the United States that was constructing 2.5 million homes a year before the crisis. This dropped to 250,000 soon after the fall although it is now around 600,000,” said director Fernando Fezer.

The company was founded in August 1948 by a German immigrant and Fezer has a history of operating abroad. It was the winner of the Proex Excellence Prize last year in the Export Highlight category. It has been exporting since 1976 when it accepted its first order from Bolivia. It has already shipped machinery to more than 50 countries on five continents and the destinations include exotic and remote nations like



Fiji and the Republic of Vanuatu in Oceania. These and other unusual destinations obviously encourage Fernando to promote the loans Brazil offers to its importers. “I always recommend the Proex and BNDES Exim,” he said.

The second line was also created at the beginning of the 1990s during the Collor administration and operates exactly like the Banco do Brasil program. It guarantees credit to those who sell and those who buy. The difference lies in the sectors, all of which must produce higher added value products such as machinery and equipment, trucks, buses, locomotives and even planes. “We are big partners of Embraer. In this case we comply with the same functions as the US Eximbank, Export Development Canada (EDC) and European agencies in relation to Boeing, Bombardier and Airbus,” said Luciene Machado, superintendent of the BNDES foreign trade area.

The volume of the Exim portfolio easily exceeds that of the Proex. It amounted to US\$ 11 billion in 2011 but has averaged around US\$

7 billion in recent years, a jump of 250% over the start of the century. The loans are competitive and their “prices” are usually tied to long-term Interest rates (TJLP) and Libor in the pre-shipment and post-shipment operations directed at exporters and importers, respectively. “Both are currently showing similar amounts. However, the aim

### BNDES arrives in Africa which is increasing its presence in the Exim portfolio

is to reduce the weight of the pre-shipments by around 30% by the end of the decade as the domestic banks offer working capital loans with foreign funding and interesting conditions and costs,” Luciene explained.

Latin America is still the main market for the borrowers and accounts for around two-thirds of the operations. However, this region has been losing out to Africa which is growing as an economic partner

**1** Stepping onto the world stage: Werner Calçados exports to 30 countries

**2** Folds: BNDES looks at funding and external transfers

of Brazil. This partnership got under way in 2003 when former President Luiz Inácio Lula da Silva and a large business delegation visited South Africa, Angola, Mozambique, Namibia, and São Tomé e Príncipe. Since then trade relations have soared from US\$ 6 billion to US\$ 26.5 billion. “Everything points to African buyers equaling those of Latin America in our clients’ preference in a few years’ time,” he added.

The BNDES is aware of this trend and is taking action. It maintains contacts with exporters to understand their needs and also keeps in touch with importers through multilateral agencies and state and commercial banks. This led to an office being opened in South Africa in December. The new outpost joins the existing teams in Montevideo and London and not only aims to finance exports but also bring about projects by Brazilian companies in Africa. These foreign direct investment operations (FDI) began eight years ago when the bank’s backed the acquisition of the Argentinean company Swift by Brazil’s Friboi group. “We are talking to other builders, capital goods producers and companies in the agribusiness sector, amongst others,” said Sérgio Folds, superintendent of the international area.

Discussions are still being held on how much will be directed to this new business front. However, the project should be financed by resources raised abroad through the BNDES subsidiary in the UK. This subsidiary received a capital injection of around £ 50 million and will be ready for the mission as soon as





JOÃO LEBRÃO



JOÃO LEBRÃO



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the process turning it into a public limited company (PLC) has been concluded which is foreseen for 2014. "This will allow us to release the loans directly abroad without the need to hold the resources in Brazil. It is an option that will bring savings of around 15% per operation," Foldes added.

The Brazilian Innovation Agency, Finep, is another serious choice for companies that are looking to go international. It has an unrivalled great market differential: larger companies can obtain loans at annual rates of 2.5% to 6.5% while small companies have access, in some cases, to resources at zero cost and some do not even need to repay the principal. This free help is guaranteed by a kind of corporate social security grant called Tecnova. The program had R\$1.2 billion available for innovation projects in the 2013-14 two-year period. The borrower's only obligation is to prove that the money is put to proper use. The drawback is that the faucet is only turned on from time to time. "These are surgical, one-off operations," said Paulo José Pereira de Resende, superin-

tendent of supply and new business.

The Finep made loans of R\$ 3.2 billion from January to September of last year, 23% higher than in the 12 months of 2012. However, the fund, which comes within the structure of the Science, Technology and Innovation Ministry (MCTI), aims

## Cachaça producers unite to obtain Designation of Origin

to raise this sum to R\$ 6.5 billion. This wager is based on the launch in September of a new credit analysis system for operations of more than R\$ 10 million. "It is called the Finep 30-day loan and will bring a drastic reduction in the deadline for decisions on applications. This is an enormous leap forward as it took up to 420 days two years ago."

The strong demand for the development agency's resources is directly related to the Inovacred line which was launched in January of

last year. This credit line provides loans with very long maturity periods for the development of products and services with an innovative profile. It is also advantageous as the financial charges are limited to long-term interest rates (TJLP) of 5% a year. The "distribution" is decentralized. "We chose to work with development banks and state research foundations that know their public and markets better than anybody else," he said.

Another new source of credit is the Investment and Participations Fund (FIP) that was launched in September. The FIP is run by the BTG Pactual bank and plays a similar role to the BNESPar of the BNDES, i.e. it becomes a minority shareholder in companies. The Finep's targets are companies with revenues of more than R\$ 40 million that operate in the segments within its Company Innovates Plan. These include the health, aerospace, oil and gas and information technology and communication sectors. The initial

injection came to R\$ 200 million and should be boosted by another R\$ 800 million in the coming years. "The aim of the FIP is to strengthen companies from high tech sectors, particularly those looking at the international market," Resende added.

This is exactly the same approach as the Inova Brasil financing program which is directed at bigger projects of more than R\$10 million. It was created in 2008 and operates with annual interest rates of between 4% and 8%. Like Inovacred, it only considers applications from creative companies. One outstanding example is Arteccla from Rio Grande do Sul state which has become a benchmark in Latin America in adhesives, special laminated products, shoes and the engineering plastics that can replace metals. The group began an expansion process in 1997 which led to operations being set up in Argentina, Chile, Peru, Colombia, Mexico and even China where it has a joint venture with the Israeli company Orisol to produce powdered adhesive.

"We drew up four main directives at the turn of the century – to expand our business, develop new businesses, grow through innovation and go international," said the strategic planning manager Ber-

nardo Reinke. "We entered the consolidation phase of the expansion by the end of the last decade, around 2008."

It was at this point that the Finep entered the scene. It had already backed Arteccla in three projects – including the development of the Ecofibra line of shoe buttresses made from the fiber of the acerola fruit. In September 2010, it took advantage of a package through the Inova Brasil program that guaranteed a capital injection of R\$ 16.3 million in public and private resources into the company. Almost half the resources were used in the Latin American subsidiaries to buy equipment and raw materials, in training and skill building courses for the workforce, consultancy services etc. "The Finep is a partnership that goes back a long way. We were able to strengthen our presence abroad, thanks to its help in a unique operation."

The consolidation of the group's

## Arteccla received support from the Finep in its international expansion

external expansion has led to an exponential rise in its revenues. This is no exaggeration and sales are expected to have risen from R\$ 40 million in 1997 to the R\$ 1 billion mark this year. This achievement is more impressive considering that the resources from third parties were only used as a temporary measure. Arteccla has its eyes on new acquisitions abroad and has not ruled out choosing the FIP-Finep model. "We never became involved with private equity but are now mature enough to as-

sess this possibility," Reinke said.

Smaller concerns with a more conventional leaning also have possibilities to turn to that can help them at least dream of going abroad. The Brazilian Service of Support for Micro and Small Enterprises (Sebrae) offers a varied menu for would-be exporters that includes consultancy services, courses and even a free on-line self-diagnosis procedure ([www.internacionalizacao.sebrae.com.br](http://www.internacionalizacao.sebrae.com.br)) which allows the entrepreneur to assess his or her company's strong and weak points. The system automatically generates individual reports with evaluations in graphs and specific recommendations. "If the result indicates that the company is still not ready to operate on the external market, the entrepreneur is encouraged to concentrate efforts on overcoming the obstacles and carry out improvements with the support of Sebrae," said technical director Carlos Alberto dos Santos.

The driving force in the international expansion area is the Sebraetec National Program, created in 2003. Its action plan centers on three fronts: technological services, innovation projects and Geographic Identification seals. The seals are granted by the National Industrial Property Institute (INPI) for products from certain regions that meet specific high standards,

**1** Werneck: Inmetro certification opens doors abroad

**2** Innovation in the DNA: Ecofibra by Arteccla is made from the acerola fruit



such as wines from Vale dos Vinhedos (Rio Grande do Sul) which won the Designation of Origin status (DO) and the cachaça, a spirit made from sugar cane, from Salinas (Minas Gerais) and Paraty (Rio de Janeiro) which receive certificates of origin (IP).

These diplomas are valuable selling points for producers looking abroad, particularly the DO seal which attests not only to the recognized know-how of the producers but that the region has the right

climate for the specialties. These diplomas are awarded at international level for classic products such as the sparkling wines of Champagne and Roquefort cheeses in France and the green and port wines from the Douro and Porto regions of Portugal. This explains why the Paraty Association of Small Scale Producers and Friends of Cachaça (Apacap), which has held a seal in the IP class for six years, is thinking of upgrading its level.

“We are getting ready to carry out



PICTURES: HANDOUT

OPEN DOORS AND PORTS

**LINES OF CREDIT** available for companies with operations directed at the foreign market

FEATURES		AMOUNTS	PAYBACK PERIOD	INTEREST RATES
PROEX FINANCIAMENTO	guarantees credit for Brazilian exporters with annual revenues of up to R\$ 600 million.	up to 100% of the value of the export operation of up to two years; 85% in the other cases.	from 60 days to 10 years.	equivalent to International rates.
PROEX EQUALIZAÇÃO	allows exporters to adjust loans to international standards with more expensive interest rates contracted from private institutions.	up to 85% of the value of the export.	from 60 days to 10 years.	equivalent to international rates.
BNDES EXIM – PRE EMBARQUE	financing working capital for exports of higher added value products.	up to 90% of the value of the export.	from 2 to 3 years.	combination of long-term interest rates (TJLP) with fixed pre-shipment rates (TJFPE) plus the basic BNDES rate (from 1.5% to 2.0% p.a.), financial intermediation rate (from 0.1% to 0.5% p.a.) and rate of the accredited institution.
BNDES EXIM – POS EMBARQUE	refinancing working capital for exporters and loans for importers of Brazilian higher added value products.	up to 100% of the value of the export.	up to 12 years.	Libor plus the BNDES rate (minimum 1%) and credit risk rate (to be negotiated). Contracts are restated in terms of the exchange rate.
INOVACRED	provides loans for investments in technology, quality and innovation by companies with annual revenues of up to R\$ 90 million.	from R\$ 150,000 to R\$ 10 million.	up to 96 months.	long-term interest rates (TJLP) for companies in the South, Southeast and Midwest; TJLP minus 15% for companies in the North and North-east.
TECNOVA	economic subsidy for micro and small companies with an innovative profile.	from R\$ 120,000 to R\$ 400,000.	24 months*.	none.

\* Once the period has expired, the beneficiary company has to prove that the Finep resources were used correctly.



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this work as our region has special features in terms of the soil, humidity and temperature,” said Fernando Mello, the chairman of Apacap that was founded in 1997. “The Sebrae technicians unified the region’s seven stills and always encouraged the smaller producers to form an association. Their support has helped us add value to the production, sales increased and we are considering proposals from importers.”

The Paraty example is inspiring its rivals in Rio das Flores, 165 kilometers to the north, also in Rio de Janeiro state. Eli Werneck, the owner of the distillery that bears his family name, is the chairman of the association of cachaça producers of the Vale do Café which has started the process of applying for the IP origin certification. “We did some research on the history of the region and found that we had been producing sugar, molasses and cachaça long before coffee arrived. Our next step will be to present a proposal for the technical regulation to the INPI and the Agricultural Ministry,” he said.

With the backing of Sebrae, Werneck became the first of the group to display the recognition seal in 2012. The endorsement came from Brazil’s official standards body, the

National Institute of Metrology, Quality and Technology (Inmetro), and opens the door to foreign markets. The company, founded in 2008, began exporting bottles to the United States and recently signed contracts with China. It also won two medals, gold and bronze, at the 10th National Fine and Distilled Wines of Brazil Competition in July, organized by the Concours Mondial de Bruxelles organization.

“The approval by Inmetro has a great weight here and abroad as it is equivalent in practice to ISO 9000 and 14001 certification,” said Werneck who is also pinning his hopes on the visibility brought about by the recent awards and is planning new ventures abroad. “We are currently exporting 10% of production but this should shortly rise to 20% or 25%.”

**1** Global technology: Fezer has sent machinery as far as Vanuatu

**2** Resende: the FIP allowed Finep to acquire stakes in companies



## Brazil in the world's shop windows

*Expor mannequins "dress" creations of top international brands like Lacoste, Tommy Hilfiger, Aéropostale and Juicy Couture*

ANTONIO CARLOS SANTOMAURO

**G**isele Bündchen and Isabeli Fontana from southern Brazil and Adriana Lima from the Northeastern state of Bahia are among the top Brazilian stars on the international catwalks. However, Brazil's outstanding presence in shop windows around the world is from São Paulo and virtually unknown to the general public: the mannequin manufacturer Expor. Its products "dress"

**Expor already has two showrooms abroad and plans to open a third this year**

the clothes and accessories of some of the main global fashion chains in stores throughout Latin America, Europe, China, South Africa and the United States, amongst other markets.

The company is based in São Paulo and has a plant in the upstate town of Avaré. It gained around 25% of its revenues of R\$ 50 million last year from abroad. Its international

baptism occurred in the 1980s when it began to accept occasional orders from countries in Latin America – Argentina, Chile and Venezuela, in particular. The fact is that the business, founded in 1969, had made no great efforts to win sales and loyal clients abroad. This lack of interest stemmed from various factors, including the complicated bureaucracy which was imposed on exporters at that time and the exchange rate situation which was nearly always unfavorable. "When a foreign order appeared, I even hoped the deal would not go through as the procedures were very complicated," said director Marcos Andrade, son of the co-founder, Vilemondes

Garcia de Andrade Filho, who has worked with his father since 1992.

Things changed from the end of last century with the growing arrival in Brazil of fashion brands sold through franchises. The franchised stores have to follow certain strict standards at the sales points and, to do so, the franchise holders often had no choice but to import mannequins at very high prices.

In 1998, those interested in establishing a local operation of the American brand Tommy Hilfiger decided to find a solution on the domestic market to reduce these costs. They sought out the Andrades and proposed that they create the models so they could be approved as suppliers by the American chain. The proposal was accepted and the certification arrived promptly.

Clones: own system allows perfect scanning



Since then, deals with retail chains have represented one of the main supports of Expor's international business.

The company is an accredited supplier of some of the hottest international fashion chains. These include, besides Tommy Hilfiger, the French brand Lacoste and the American companies Aéropostale, Juicy Couture and Kenneth Cole.

"These brands buy products to supply stores set up anywhere in the world. That's why it's quite likely that our mannequins are being used in countries that we don't even know about," said Marcos who works alongside his two brothers, Guilherme and Octaviano, as well as his father.

With the official backing of big buyers, Expor decided to sell its

wares abroad. It started appearing at international trade fairs and devoted special attention to the sector's main event, Euroshop, which is held every three years in the German city of Düsseldorf. It has also been taking part for some time in projects promoted or supported by the Brazilian Trade and Investment Promotion Agency, Apex-Brasil. Two examples: the initiatives developed



## Small but outstanding

YOU DON'T NEED TO BE BIG TO GO INTERNATIONAL

by the Fashion sector chamber of the official agency and the Think Brazil Retail Solution in which Apex works in partnership with the Brazilian Retail Industry, Equipment and Services Association (Abiesv).

The Andrade family took a more daring step five years ago and set up a showroom in Mexico City where 10 people work. They opened a sec-

“Large chains demand personalized attendance. Our export director is always traveling,” he added.

The international demand is a prize resulting from the constant pursuit of innovation. When the patriarch Vilemondes started production in 1969, he had a French partner who maintained a permanent interchange with European

last decade, Expor created the Em-odels system with the help of third parties. This is a three-dimensional scanning process that allows the creation of “clones” with sizes and proportions that are absolutely identical to human beings. The method was used in standardized models for Latin American women, with bigger busts and hips. It was

its consumers. However, diversification is far from being the rule. “Some chains like Tommy Hilfiger use larger mannequins in Europe and smaller ones in Asia while others use the same sizes in all markets,” Marcos said.

The know-how developed at home attracted the interest of foreign competitors. At the beginning

start producing a line of this brand in Brazil,” he added.

This exchange of ideas has been brought about by the spread of production abroad. Although some European and American firms are a respectable size, there is still no single multinational that is the international leader. This lack of an outright leader is also due to the

**1** All in the family: Guilherme, Marcos and Octaviano

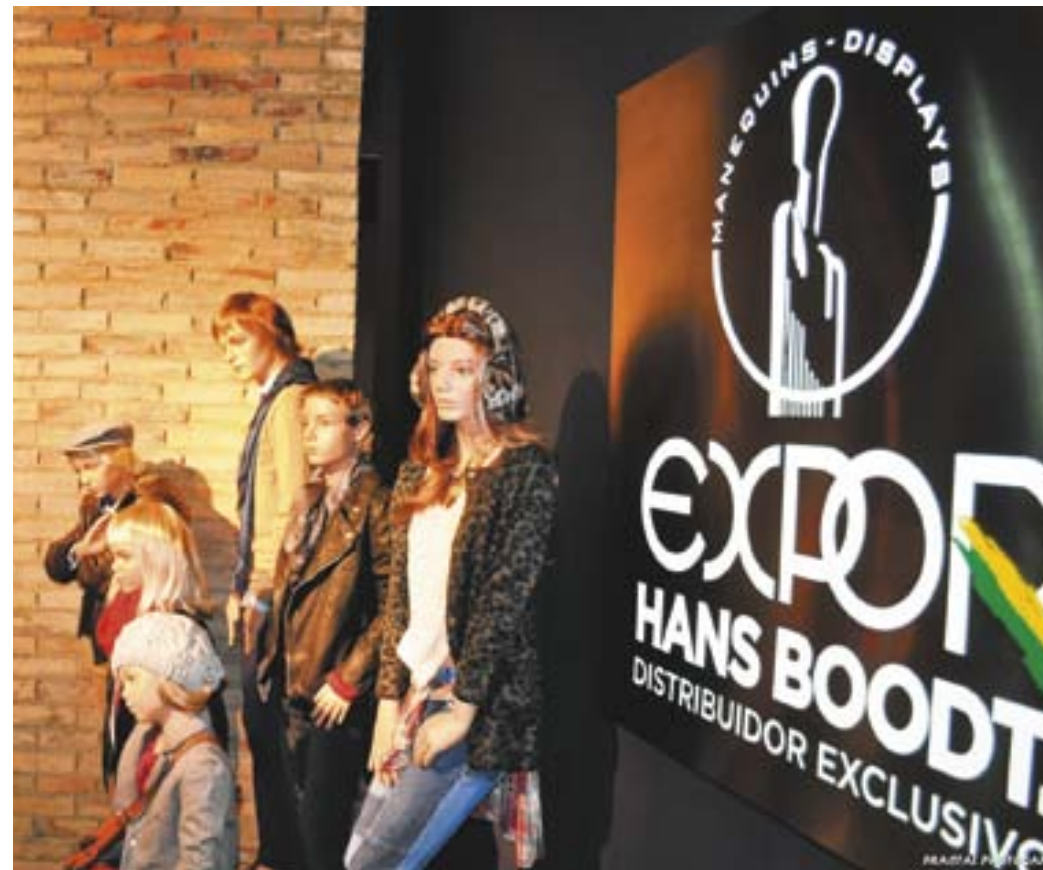
**2** Advanced post: Expor showroom in Bogotá

**3** Final touches: assembly line at the Avaré plant

already number one in the area in Latin America. Its business is heading upwards and it expects revenues to expand by 5% this year, with a big boost from the international side. This is not only because of the heated demand but also because of an exchange rate that looks like fa-



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ond outlet in 2013 in Bogotá with four employees. They do not intend stopping there. “We plan to open a showroom in Chile this year,” Marcos revealed.

The advance outposts abroad are also directed at smaller local retailers. However, the company does direct deals with the clients in bigger operations which are intermediated by its international sales team.

professionals in pursuit of up to date information on design and technologies. The partner left just over 25 years ago but his example remains the order of the day. “We introduced glass fiber products to Brazil as soon as we began our production. At that time, the competition only used plaster and wood as basic raw materials,” Marcos said.

More recently, at the end of the

also used to produce personalized “dolls” with which the top model Isabeli Fontana promoted a line of clothes sold under her brand in the C&A retail chain.

Customizing to fit the client’s taste is also applicable to colors. This was the case with a project developed for a client in South Africa which was looking for products with a black tone to please some of

of the 1990s, the company formed an association with the Danish firm Hindsgaul, at that time one of the biggest in the world. It even ended up manufacturing and exporting items from this European partnership for which it paid royalties. In 2013, the Andrades became the Latin American representatives of the Dutch company Boodt, a highly regarded brand in the area. “We may

Chinese omnipresence which is still highly focused on the question of price and pays no great attention to design - a factor that is one of Expor’s greatest triumphs. “We have two sculptors working full time and hire others when necessary. We also have a material research team and a products director.”

Expor produced 70,000 items in 2013, has a workforce of 300 and is

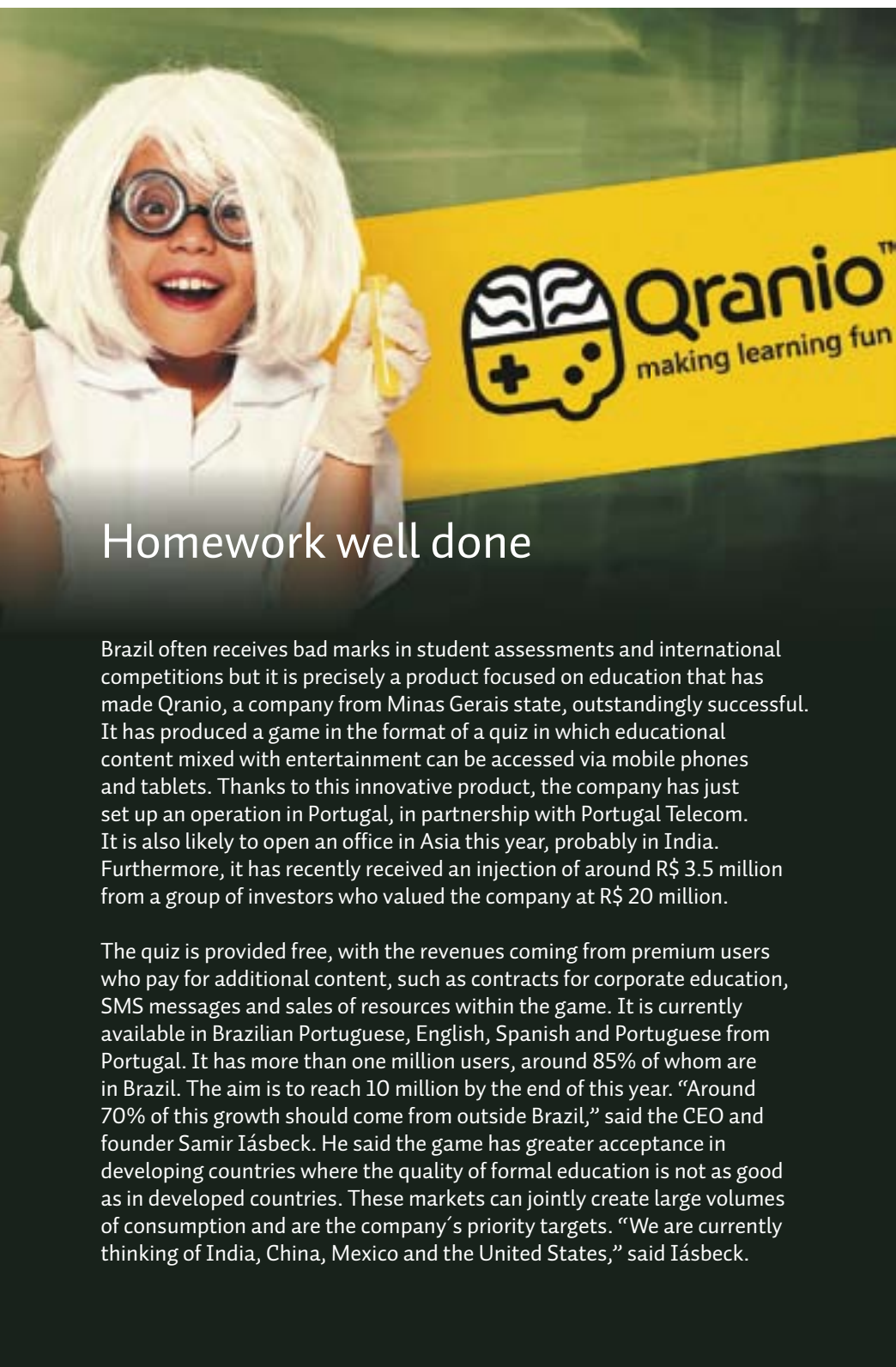
voring exports. “In Mexico, for example, we expect to grow by 30%,” said Marcos who, in contrast to more than 20 years ago, now knows the secrets of the external market and no longer turns his nose up at it. “You need to know the client’s business, its needs and then provide it with a complete solution at a good cost which includes design and services.”

PICTURES: HANDOUT



# Small but outstanding

YOU DON'T NEED TO BE BIG TO GO INTERNATIONAL



## Homework well done

Brazil often receives bad marks in student assessments and international competitions but it is precisely a product focused on education that has made Qranio, a company from Minas Gerais state, outstandingly successful. It has produced a game in the format of a quiz in which educational content mixed with entertainment can be accessed via mobile phones and tablets. Thanks to this innovative product, the company has just set up an operation in Portugal, in partnership with Portugal Telecom. It is also likely to open an office in Asia this year, probably in India. Furthermore, it has recently received an injection of around R\$ 3.5 million from a group of investors who valued the company at R\$ 20 million.

The quiz is provided free, with the revenues coming from premium users who pay for additional content, such as contracts for corporate education, SMS messages and sales of resources within the game. It is currently available in Brazilian Portuguese, English, Spanish and Portuguese from Portugal. It has more than one million users, around 85% of whom are in Brazil. The aim is to reach 10 million by the end of this year. "Around 70% of this growth should come from outside Brazil," said the CEO and founder Samir Iásbeck. He said the game has greater acceptance in developing countries where the quality of formal education is not as good as in developed countries. These markets can jointly create large volumes of consumption and are the company's priority targets. "We are currently thinking of India, China, Mexico and the United States," said Iásbeck.

## More "Simple" Exports

The federal government is proceeding with a project called "Simple International" that aims to reduce bureaucracy and logistical difficulties and encourage small Brazilian companies to export. The project is being undertaken by the Special Secretariat for Micro and Small Companies (SEMPE). One of the tools the program foresees is a portal to centralize all the bureaucratic processes associated with exporting which will include an area to connect these companies with clients and potential clients. However, one of its most important features should be the creation of a structure currently called 'Logistics Operator' which will operate in the name of the companies and carry out the logistical and operational procedures needed to do business with other countries. This is a particularly difficult and costly process for smaller companies. "It should be as simple for small and medium-sized companies to make sales abroad as on the domestic market," said Eduardo Celino, SEMPE's general coordinator of access to markets and exporting.

PICTURES: HANDOUT



## Debut at the creativity party

It took some time but Brazil finally participated in South by Southwest, the SXSW, an important occasion for promoting the creative economy. This annual event has been held in Austin in the United States since 1987. A Brazilian delegation of 26 companies was coordinated by Apex-Brasil this year. Fourteen took part in the Start-Up Village area – aimed at bringing companies and potential investors together in the initial consolidation stage – and 12 had a presence in the domestic stand in the Trade Show.

Everything indicates that this debut was a success, with deals being closed even during the event. For example, the Mosquito Project producer received orders for audiovisual projects from brands such as Nike and Adidas. Netshow.me – a startup dedicated to publicizing and selling on-line live music – established contracts with two bands. "Many companies left Austin with meetings scheduled in Silicon Valley and in San Francisco," says Ricardo Santana, Apex-Brasil business director.

The Brazilian presence at the event also included publicizing Brazil and its culture, through music, games, gastronomy, design and speeches. "Almost 5,000 people passed through the Casa Brasil area we set up in our stand," said Santana, who returned inspired from the US. "We will be at the SXSW in 2015 with an even bigger presence."

1 Quiz show: Qranio game wins room in the emerging markets

2 Casa Brasil: open doors at the South by Southwest event

3 Luzes (right) and partners: funding and support for the startups

## The giant goes to the source

Microsoft Ventures, the investment arm of Microsoft, has recently launched an investment fund for startups in Brazil that has already raised the promising amount of R\$ 10 million and has the ability to reach R\$ 300 million. The fund, known as Brasil Aceleradora de Startups Fundo de Investimento em Participações, was launched in partnership with Qualcomm from the US, Banco Espírito Santo and the Rio de Janeiro state development agency, AgeRio.

Besides funding, the new operation will provide consultancy services to young technology-based companies in strategic areas, operational and technological support, physical space and business networking, amongst other assistance. The startups will be initially selected through the Acelera Partners network chain that aims to speed up partnerships.

The Brasil Aceleradora operation means Microsoft Venture now has a direct presence in nine markets, including the United States, India, Israel and China. Director Franklin Luzes explained this investment operation by quoting the Czech-born economist Joseph Schumpeter (1883-1950) who said small companies operating within highly competitive industries were the main source of innovative activity. "Startups in Brazil and other countries are acquiring an increasingly more important and central role in revitalizing the economy and social development," Luzes said.





# Taking a global view

*The Brazilian entrepreneur needs to develop a mindset that is truly global and innovative in order to compete abroad*

ANDRÉ RIBEIRO COUTINHO

Innovation has certainly entered the strategic agenda of Brazilian companies since 2005, at least as a talking point by business leaders and government. However, it is obvious that most Brazilian multinationals still have difficulties in putting the “engine” of innovation at the center of their international expansion strategies. Innovation as a globalization tool has not managed to become a central issue in the discussion on Brazil’s economic development which has been bogged down in the confrontation between economists, politicians and business leaders who favor state-driven development and their “neoliberal” opponents. These two sides have been involved in a debate for many years that has been more ideological than pragmatic.

However, there is no shortage of examples of great progress being made in this area at world level, even among countries neighboring Brazil. In their book “Plowing the Sea”, Fairbanks and Lindsay (\*) describe how some developing countries were forced to adjust their mindsets— or even better, the deep-rooted mentality, framework and values of their leaders — in order to advance in terms of development. Latin America countries had to undergo a value shock in the effort to free themselves from the shackles of the past. One well-known example is Colombia which has become the world’s number one coffee exporter and made the Juan Valdez brand a

model of how to go international, thanks to a coordinated effort by members of the national coffee planters’ federation. The Colombian business leaders moved forward by breaking the conventional view of Colombia as a commodity-exporting country and creating a brand that has become known abroad

and bring the gains that had previously been obtained by international distributors and sales points in other countries back to Colombia. On the other hand, investment in innovation has been a crucial motor in the move towards going international. The multinational 3M group is a benchmark in this sense

and invested US\$ 1.8 billion (6% of its global revenues) in innovation. Of this amount, US\$ 100 million was invested in the acquisition of start-up companies. This approach has allowed the group to enter budding technologies and gain future markets. Companies like John Deere and P&G are creating open innovation platforms, connecting universities and research centers, entrepreneurs and even retired people around the world. These companies regard every country as a key part in the global R&D puzzle and new business challenge.

In Brazil, we still need to work

hard to change our mindset. When we look at Brazilian companies’ strategic foreign direct investment plans in recent years or study the objectives of innovation and going international, it is common to see a mixture of doubt, lack of knowledge and even prejudice among the shareholders, business leaders and executives when the subject concerns moving business outside the country through innovation. The reasons for this attitude can be found in some features of Brazilian corporate culture and the country’s history, presented as follows:

abroad but I don’t have information or the conditions to study and enter new markets”. With the exception of a few companies — such as Natura, which has just opened a research center in New York to capture insights and trends on new products with artists, designers and architects, or Embraer, which has been carrying out research directed at the international market for more than 20 years — Brazilian multinationals’ R&D centers usually operate with a domestic mindset. Adjusting this mental framework would mean global Brazilian business leaders would have to take

aims, targets and processes (such as R&D) directed at the international markets into account in their strategic plans.

**:: Brazilian cultural flexibility** – One of Brazil’s cultural features

is that it is receptive to trends and technologies. Writers Chu and Wood (\*\*) say this flexibility results from the liking for miscegenation and the new and exotic that marked the colonization of Brazil. The flexibility is seen through the easy assimilation of foreign practices and customs and highlights the willingness to favor models and concepts developed in other countries at the expense of those created locally. The adoption of foreign concepts and benchmarks in Brazil has been made in an uncritical way, historically and traditionally. This highlights the country’s high level of openness to foreign influences. In the real world of business, Brazil remains a receptor of trends and technologies

## Brazilian companies usually only think of innovation in domestic terms

**:: The seduction of the domestic market** – The bent towards domestic questions and the size of Brazil’s market lead the different players (companies, government and other institutions) to give priority to meeting domestic demand. Some incentives are provided for exporting but little real encouragement is given to going international. This happens with Brazil’s multinationals themselves. Surveys and decisions on innovation are made by looking at the Brazilian market and then thinking of adapting products and services to other countries in a second stage. Some typical mindsets are “I want to grow as long as it is in my own country” or “I would even like to go



HANDOUT

\* Published by Qualitymark.

\*\* Brazilian cultural organization in post-globalization: global or local? – Revista de Administração Pública





HANDOUT

Embraer:  
innovation in  
regional jets

developed abroad. It makes little development itself except in areas that can be seen as “R&D islands”: agribusiness, deep water oil exploration by Petrobras and the building of regional jets by Embraer. In these cases, the so-called triple helix operates, i.e. a well-balanced connection combining research/universities with companies and government. We often hear people say that “nothing is created in Brazil”. The adjustment in the mindset needed to reverse this impression would require a greater appreciation by business leaders, government and society of the technology, product and national service, as well as greater self-confidence seen in the “yes, we can” approach.

**:: The split between thinking and doing** – The distance between the thinkers (universities, research centers) and doers (companies) is seen in the dearth of applied research carried out. Brazilian companies make low investments in applied research in combination with universities and research centers compared with other countries. Most of the investment is made in development based on technology received from abroad and not created internally. One of the main obstacles has been the very model of

the Brazilian public university that aims to “publish” the results of the research despite the fact that this is a sensitive matter for companies due to the confidential nature of the projects. The view in this prevailing model is that implementing new ideas is only for companies. On top of this, policies related to industry and science and technology are marked by temporary, isolated and uncoordinated approaches.

The National Confederation of Industry (CNI) saw that it would be impossible to speed up innova-

## CNI is adapting the German model of applied research for Brazil

tion through the direct way— company + universities — and, in 2012, decided to establish more than 30 Innovation Institutes. This initiative

was financed by Brazil’s national development bank, the BNDES, and adapts the German model of the Fraunhofer applied research institutes to Brazilian conditions. The first institutes were launched in Bahia and Santa Catarina states. Adjusting the mindset of business leaders, universities and government needs a constructive dialogue involving companies and universities to direct the university research to innovative projects that could be brought about by business leaders. It is up to the government to create stimulus measures and bring about the conditions for this dialogue through the most suitable legal model and clear rules for all participants.

\*

*André Ribeiro Coutinho is a partner and innovation representative of the Symnetics consultancy, professor of MBA courses and executive programs of HSM Educação and Business School São Paulo. He is also director of the Center of Innovation and Strategy for Latin America (CIEL) based in Buenos Aires*



# Unfair play



## *Brazil is second in the ranking of purchasing frauds*

**O**n the eve of the World Cup, Brazil has shown it is on the ball even without the participation of football stars like Neymar, Oscar and Fred. However, this title has nothing to do with football and is certainly nothing to be proud of as it refers to Brazil's ranking in frauds committed by staff in companies' purchasing areas. The latest edition of the Global Economic Crime Survey published by PwC, PricewaterhouseCoopers, reports that 44% of the 132 Brazilian executives interviewed in the survey mentioned

occurrences of procurement fraud, 15 points above the world average and eight above that of the emerging countries (see table). "Brazil is second in the ranking, behind only Russia, with 52%", said Leonardo Lopes, director of forensic studies.

Brazil was also in a top position in the bribery and corruption section, according to PwC. Its rating of 28% was easily overtaken by Russia (62%) and registered a technical draw with China (39%). Brazil's position in this particular area was not so bad considering that the world average was 27%. However, other factors should be taken into

account. The first is that there was a rise of 10 percentage points in the reports of cases compared with an increase of three points at global level. The second relates to the old habit of sweeping the dirt under the carpet. Only 30% of crimes are notified to the authorities compared with the international average of 49%. "Generally speaking, Brazilian companies do not like to wash their dirty linen in public. The main punishment is to fire those caught which occurred in 87% of cases," Lopes said

This situation should change with the coming into law on January 29 of the Anticorruption Act (12.846/2013). This legislation lays down penalties ranging from fines of 0.1% to 20% of the gross revenues of companies involved in corrupt acts against public bodies. "The new law should encourage companies' compliance," said Martin Head, partner and leader of PwC's Forensic Services, referring to the corporate areas responsible for ensuring that legislation is fully complied with.

### WORKING WITH THE ENEMY

Main economic crimes committed in the corporate world – % of replies by those interviewed

	GLOBAL AVERAGE	LATIN AMERICA	EMERGING COUNTRIES	BRAZIL 2014	BRAZIL 2011
Asset misappropriation	69	74	71	<b>72</b>	<b>68</b>
Procurement fraud	29	27	36	<b>44</b>	--
Bribery and corruption	27	25	38	<b>28</b>	<b>18</b>
Accounting fraud	22	19	22	<b>25</b>	<b>11</b>
Cybercrime	24	20	22	<b>17</b>	<b>32</b>

Source: Global Economic Crime Survey 2014 - PwC



# Globe-Trotter

## EXECUTIVE TRAVEL

Marco  
Rezende

### HOTELS

## Price is everything

**BOOKING.COM AND** Hotels.com (as well as Decolar.com.br) provide an excellent service when it comes to reserving a hotel room, but right now none of them can offer lower tariffs than the new kid on the block (and increasingly popular) Travel Pony. And it's easy to see why, as the site offers the possibility of comparing the price offered by the other booking sites for the same hotel. According to its creators, Travel Pony is always able to offer lower tariffs because it does not spend money on advertising at Google. In the best spirit of the collaborative Internet, each client is invited to spread the word on this bargain, low-cost operator on the social networks, thus helping to multiply the site's exposure free of charge. All you have to do is one quick registration process. [travelpony.com](http://travelpony.com)

### AVIATION

## Gol-Aerolineas engagement

**WITH THE** definitive OK of CADE (monopoly watchdog) and ANAC (aviation sector regulator), the code share agreement between Gol and Aerolineas Argentinas will be implemented over the next few months. The novelty enables a passenger to buy an airline ticket of one airline and fly in the aircraft of the other, also multiplying the offer of flight times. For example, it enables a Gol client to arrive in Ushuaia on an Aerolineas flight and vice-versa (i.e. an Argentine client flying Aerolineas to Fortaleza

on a Gol flight leaving Buenos Aires). Although it has commercial agreements with other companies, such as Alitalia, Copa Airlines, Air France/KLM Iberia and Qatar Airways, so far Gol has only been able to establish a code share agreement with US airline Delta. The main problem was adapting the company's computer systems to simultaneously sell (and book) partner companies. The popular and lucrative Brazil-Argentina route is still dominated by LAN and TAM, with 45% of the market. Aerolineas and Gol have 38%, and Turkish Airlines and Qatar Airways have the remaining 17%. This status quo may change now in favor of Gol and its Argentine hermano. [voegol.com.br/pt-br/a-gol/quem-somos/aliancas/paginas/default.aspx](http://voegol.com.br/pt-br/a-gol/quem-somos/aliancas/paginas/default.aspx)



**1** Luxury hotel? With a discount? [Travelpony.com](http://Travelpony.com)

**2** Paulo Kakinoff, from Gol, and Mariano Recalde, from Aerolíneas

**3** Where? How? Friends and relatives have the answer

### TECHNOLOGY

## The new Nikon

**OK, MOBILE** phones have increasingly better cameras, such as flash and other tools, but for real, quality photos nothing substitutes a good old camera, right? And if your trip takes you to harsh, rainy places, it's better to have a camera especially resistant to falls, other accidents and waterproof (in fact, waterproof up to a depth of 15 meters). The latest fad is Nikon 1 AW1. Despite its small size, it offers a range of interchangeable lens, giving you the versatility and essence of the professional camera. And it also uses a motor to take up to 60 photos per second. [nikonusa.com](http://nikonusa.com)



### RESEARCH

## Mouth to mouth

**IN THE** Internet era, with the use of social media as a marketing and total connectivity tool, what is the main source of information when it comes to planning work or leisure trips? At least in Europe, it's still the personal tips of work colleagues, friends and relatives. The annual study "Flash Eurobarometer" on travel and tourism trends, compiled by the agency TNS

for the European Union throughout the continent and some neighboring countries such as Turkey and Israel, reveals that this is how 56% of people make decisions on flights, hotels, restaurants, shopping, etc. Directly researching specialized sites accounts for 46%. Personal experience, with 34%, is more of an influence than travel agencies (19%), catalogs (11%) and sector publications (8%). Note: the sum total exceeds 100% because respondents could mention more than one source. [ec.europa.eu/public\\_opinion/](http://ec.europa.eu/public_opinion/)





GASTRONOMY

A Frenchman in Rio

**DESPITE ITS** proximity to the Rocinha shanty town and the polluted seawater of its exclusive beach, Vidigal, the Sheraton Rio Hotel & Resort remains a landmark on the Rio de Janeiro hotel map, with spectacular views of the sea and of Leblon and Ipanema. Two good pieces of news: for the first time since its opening, in 1974, the hotel is undergoing a complete modernization of its 538 rooms and common areas. And it has already opened the new restaurant L’Etoile, on the building rooftop, which will be run by the renowned French chef Jean Paul Bondoux, creator of the two restaurants La Bourgogne de Punta del Este and Buenos Aires (the latter located inside the Alvear Palace Hotel). Since he will continue overseeing his restaurants but doesn’t have the ability to be in more than one place at the same time, Bondoux brought over to Rio his executive chef and right-hand man for the last ten years, Emmanuel Serrano, who has already assumed the mission of putting L’Etoile on the Rio de Janeiro gastronomical map. The first reviews have been excellent. [letoile-rio.com.br/pt/](http://letoile-rio.com.br/pt/)

**1** On the terrace of the Sheraton, at the new L’Etoile, the art of Chef Bondoux

**2** Business class of Singapore Airlines: similarities with first class are a mere coincidence

**3** Madrid Airport is now named after democratic giant



RANKING

The 12 Best Business Class Flights

**BASED ON** an average of opinions issued by specialized travel magazines and sites (such as Skytrax, based on open voting worldwide; SeatGuru, which ranks aircraft flat bed-seats; Savvystews and Hotel Insider), the US magazine Executive Travel ranked the best executive classes of 2014. First observation: some business classes today are better than the first class flights of a few years ago. Secondly: there are no Brazilian companies on the list. The number 1 company, unbeatable for years, is Singapore Airlines (which flies 3 times a week from Guarulhos to Singapore via Barcelona). Its seats are almost 90cm wide and turn into perfectly horizontal beds. The beds, featuring special duvets and pillows, are prepared by air hostesses, models of grace, courtesy and elegance. And on the most important routes, the client can choose the main dish before the flight. Since the seats are positioned in a 1-2-1 system, they all have constant access to the corridor. The main Persian Gulf airlines appear in second place (OmanAir), third (Qatar Airways), fifth (Etihad) and tenth (Emirates). In an honorable fourth place comes the venerable British Airways. The list is rounded off by Swiss (sixth place), Virgin Atlantic (seventh), Cathay Pacific (eighth), Qantas (ninth), Turkish Airlines (eleventh) and US airline JetBlue, which offers an excellent domestic service in the luxury New York to Los Angeles shuttle service. [singaporeair.com](http://singaporeair.com)



AIRPORTS

New name in Madrid

**THE MODERN** international airport of the Spanish capital was always known by the name of the district where it is located, Barajas. But it has officially changed its name to the Adolfo Suárez Madri-Barajas Airport, in a tribute to the country’s Prime Minister (recently passed away), who played a key role in the Spanish democratic transition after the death of the dictator General Franco in the 1970s. The change will cost at least a million euros in changing the signaling boards, markings, communication, new site and other expenses. [aena-aeropuertos.es/csee/Satellite/Aeropuerto-Madrid-Barajas/en/](http://aena-aeropuertos.es/csee/Satellite/Aeropuerto-Madrid-Barajas/en/)



# Globe-Trotter

## EXPRESS TOURISM



### CAPE TOWN

by Ricardo Orlando

**BUSINESSMAN RICARDO** Karbage Orlando was born in Rio de Janeiro and raised in São Paulo. He has known Cape Town since 1998 when the South African metropolis was one of the last stops on a 27-day tour the then young backpacker and a group of friends made from the north to the south of Africa. The experience left its mark on him to such an extent that he relocated to the city four years later to take a postgraduate course in Enterprise Management at the University of Cape Town (UCT). Ricardo ended up setting down roots in the city and, as he had given so many tips and information about the country to colleagues and acquaintances, he decided to become a tourism operator. He set up Planeta Africa Travel ([www.planetafrica.co.za](http://www.planetafrica.co.za)) which offers packages and trips throughout the continent. However, Orlando makes no secret of his preference for his adopted city. Breathtaking landscapes and delicious wines are some of the attractions of the route he has prepared for PIB. Check them out.

SOUTH AFRICAN TOURISM



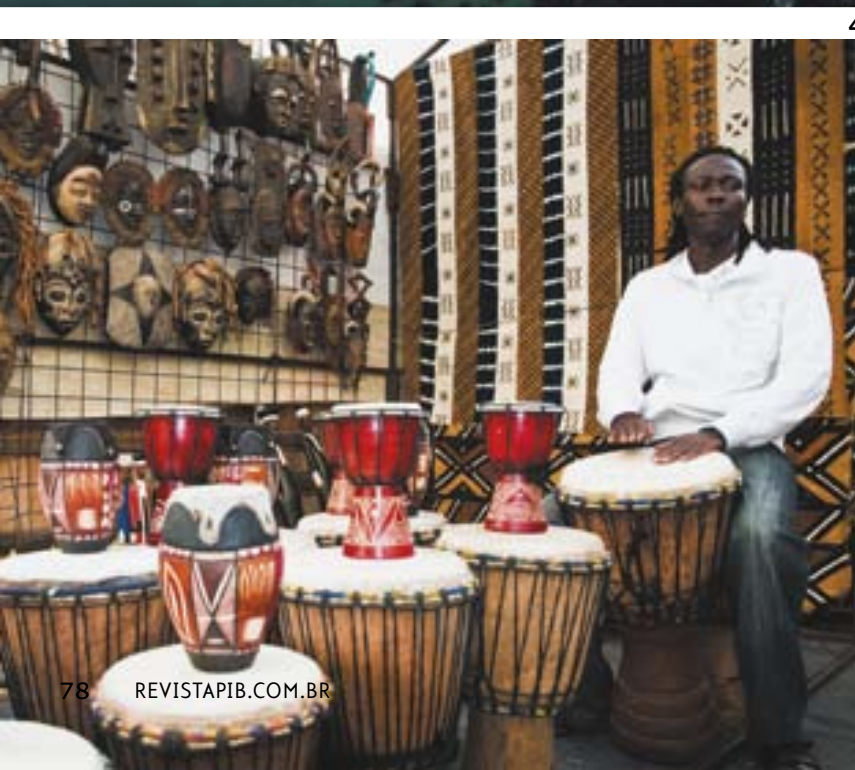
2

ISTOCK PLANETA AFRICA TRAVEL



3

- 1 Cape Town and its boundaries: sea and mountains
- 2 Heading up: climbing Table Mountain, one of the seven new wonders of the world
- 3 Passage to India: Cape of Good Hope
- 4 Quality handicrafts: Green Market Square
- 5 Cell 46664: Mandela was here



4

SOUTH AFRICAN TOURISM

SOUTH AFRICAN TOURISM



### If you only have a few hours...

**THE WALK** to Table Mountain is a must. The mountain was elected one of the seven natural wonders of the world in 2012 and is the main postcard view of the “Mother City” and a reason for vanity and pride by its 3.7 million inhabitants. Its height of 1,085 meters gives tourists a privileged view of the city on one side and the beautiful beaches of Camps Bay and Clifton on the other.

**ACCESS** to this rocky “table” is an experience in itself. The connection between the bottom and the top is made by a cable car similar to that used at the Sugarloaf Mountain in Rio de Janeiro. It starts operating from 08:30 from May 1 to September 15 and at 08:00 the rest of the year. A tip: to avoid crowds and save money, buy your ticket in advance at the site [www.tablemountain.net](http://www.tablemountain.net).

**THE SAME** advice goes for the Robben Island Museum ([www.robben-island.org.za](http://www.robben-island.org.za)). The museum is located on an island 12 kilometers from Cape Town docks and is where Nelson Mandela (1918-2013) spent 18 of the 27 years imprisonment to which he was condemned by the apartheid regime. The highlight is cell 46664 where the future head of state was locked up from 1964 to 1982.

**ON THE** way back, why not buy some handicrafts to decorate your home or give as a present? The best options are the street markets. I recommend the one at Green Market Square in the center that is open every day until 17:00. Two bits of advice: never buy at first sight and always bargain.



## If you have a whole day...

**I RECOMMEND** an on-the-spot history and geography lesson. Do what the Portuguese navigator Bartholomew Dias (1450-1500) did and go round the Cape of Good Hope at the southernmost tip of Africa where the wind literally makes a curve. The inverted “horn” was seen by Dias in 1488 and he called it the Cape of Torments due to the storms that the Portuguese fleet had encountered some days earlier. However, the name was changed by King João II, as the navigator had opened the doors of the Portuguese Empire to its long-dreamed maritime route to the Indies. That’s how (Good) Hope beat the Torments.

**“THE POINT”**, as the locals call the peninsula, is 70 kilometers southwest of Cape Town. Don’t think twice before facing the distance as the program is worth the effort from beginning to the end. At Chapman’s Peak Drive on the way, you will have cinematographic views of False Bay. Don’t miss the cozy little port of Simonstown and make a stop two kilometers south at Boulders Beach which houses the biggest community of penguins in the world.

**ARRIVING AT** Cape Point, take the Flying Dutchman. Don’t worry, it is not the famous ghost ship but a nice little funicular train. The ride lasts three minutes. All you need to do then is go up some stairs to arrive at the look out and admire the Cape that was celebrated by the Portuguese poet Luiz de Camões (1524-1580) in his famous poem “Os Lusíadas”.

**THERE IS** no better way of ending the day in great style than watching the sunset from Camps Bay beach, south of Cape Town, on the western slope of Table Mountain. A good idea after a walk along the coast in Victoria Road is to have a meal and a drink. There are a number of restaurants nearby offering gastronomic dishes and privileged views. Two good options are Café Caprice (<http://cafecaprice.co.za>) right in front of the sea and the Round House (<http://theroundhouserestaurant.com>) which offers more than 20 local beers.



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## If you have a whole weekend...

**MY SUGGESTION** is to reserve part of Saturday for Table Mountain and a few hours on Sunday for the Cape of Good Hope or vice-versa. Believe me, if you don’t include these two essentials in your route, you will end up losing a lot.

**I MUST** also recommend some wine sampling and walks in the vine-growing area of Stellenbosch, 40 kilometers east of Cape Town. The town was founded in 1679 and is the birthplace of the Pinotage grape, a cross between the smooth Pinot Noir and the full-bodied Heritage. The variety was developed in 1925 by Abraham Izak Perold, a professor of viticulture in the local university, but the first wines from these grapes only began being produced commercially in the 1940s.

**BEFORE GOING** to visit the vineyards, take some tips from John Platter, South Africa’s version of Robert Parker. He is the author of the best guide to South African wines which has sold 1.4 million copies. He also has a site ([www.wineoplatter.com](http://www.wineoplatter.com)) which is a reference for wine lovers. As a member of this group, allow me to take the liberty of recommending three vineyards in Stellenbosch: Vergelegen ([www.vergelegen.co.za](http://www.vergelegen.co.za)), Meerlust ([www.meerlust.co.za](http://www.meerlust.co.za)) and Spier ([www.spier.co.za](http://www.spier.co.za)).

**IF THE** Pinotage stirs your appetite, take a trip to the nearby town of Franschhoek. Visit the Le Quartier Français hotel ([www.lqf.co.za](http://www.lqf.co.za)) which has four restaurants. The highlight is The Tasting Room, run by chef Margot Janse whose cuisine was chosen as the 53rd best in the world in the latest ranking of the British magazine Restaurant. Its popularity means reservations need to be made to eat here.

**BACK IN** Cape Town, I suggest a walk in Bo-Kaap, the Malay Quarter. It is located at the historic center and is the main Moslem district, complete with a mosque. Its main attraction is the old house – a mixture of the Cape Dutch and Cape Georgian styles – in light, cheerful colors. There is a very good typical restaurant there called Biesmiellah ([www.biesmiellah.co.za](http://www.biesmiellah.co.za)).

**THE LAST** stop on the tour is the Victoria & Alfred Waterfront, close to Bo-Kaap. This port area was completely renovated at the beginning of the century. It gained 450 stores and 80 bars and restaurants and quickly became one of the favorite spots for locals and tourists alike. A final tip: if you decide to buy something in a V&A outlet you will get a refund of the value added tax (14% of the final price, excluding food), on purchases of more than 250 rands at the airport. For further information, access: [www.taxrefunds.co.za](http://www.taxrefunds.co.za). And Bonne Voyage!

**1** Buying and leisure: Victoria & Alfred Waterfront

**2** Stellenbosch: birthplace of the Pinotage grape

**3** Enjoyment at the seaside: Victoria Road



# GLOBE-TROTTER In Transit

## Holding hands at the factory

*Executive from Marcopolo learns that to conquer the world you have to be open-minded*

RUBEN BISI\*

I encounter lots of surprises on my trips around the world as Head of Strategy and Development of New Businesses at Marcopolo. One of the most frequent aspects in my daily routine is dealing with cultural differences and trying to understand what different customs represent for different nations. Today, I fully understand the significance of a kiss when Romanians meet, of the rubbing of noses by Arabs and of bowing one's head and body for the Japanese.

Around eight years ago, I experienced a completely different and surprising situation in India. We had just signed a partnership with Tata Motors to produce buses in the country, using chassis of the Indian company and Marcopolo bodies. We would be responsible for defining the production processes of the bus bodies, quality, productivity and the operation of the plant itself.

In our first trip to the country to visit one of the production plants, I traveled with other Brazilian executives to the city of Lucknow, where some bus models would be produced. There, we were formally introduced to our future work colleagues. During the visit to the chassis production lines of Tata,

in a group of some 10 people, the company's vice-president, Kulbhushan Girotra, grabbed my hand and we conducted the entire factory tour walking hand in hand. During this walk, I focused on that gesture. My hand was sweating and it wasn't just because of the infernal heat of Lucknow. When our walk was over, he let go of my hand. I was taken aback by this and didn't understand why.

Then, when we were with the managers and other Indian executives, they came to greet us. They explained that what had just happened was an important demonstration to the employees, since Indians only hold the hand of a close friend, so that, in behaving this way with me, the vice-president was expressing his confidence in both the partnership with me and, consequently, with Marcopolo.

After that, I had another surprise during the Marcopolo presentation to workers of the Tata chassis assembly line. At one moment, work was interrupted and all the

employees sat on the ground. On a stage, the president of the local trade union picked up the microphone and spoke of the importance for the company and for the employees of the new partnership and of everyone making an effort to ensure that the levels of quality and productivity were even higher following the arrival of Marcopolo. At the end, I received a bouquet of flowers and the "Puja" ritual was performed, a celebration to wish for happiness and success. They were two striking, unforgettable moments.

A short time later, Girotra visited Marcopolo, in Caxias do Sul. It was thus my turn to show him our plant. After a short while, at the assembly line, he again grabbed my hand and we did the whole factory tour holding each other's hand. The difference is that I didn't have the opportunity to explain to all the Marcopolo employees that this gesture had a very important meaning for the future of our Tata Marcopolo Motors Limited. People still talk about this today.

Bisi receives flowers at plant in India: celebrating the partnership



\*

*\*Ruben is Director of Strategy and Development of New Businesses at Marcopolo and played a key role in the partnerships signed by the company around the world*



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