



# Brazil: Market Entry Information

COMPUSTREAM CONSULTORIA LTDA.

## Developing Strategic Partnerships in Brazil





## I. Doing Business in Brazil

Brazil has recently been occupying a strong role in the international scenario, reactivating commercial agreements and relations with old partners, and reopening relevant issues for discussion on the development of trade goods and services throughout the international community. Although Brazil has always had a "natural vocation" for international partnerships and relations, it can be said that international trade has only recently received greater attention from the Brazilian government as a result of the need to generate resources internally, aiming at a development that is able to promote social integration.

Future investors seeking to take advantage of the opportunities Brazil has to offer are advised to approach with care. Rapid industrial, urban and commercial development has created a labyrinthine legal and tax system which requires sound professional advice.

Almost any market entry approach is open to US companies seeking to tap into the huge Brazilian market direct sales (import), agents, distributors, partners, joint ventures, licensing or start-ups. The appropriate form depends largely on the product or service, as well as the international experience of the US Company and its sales goals.

One important thing, however, is to find and use competent experts on Brazil. In other words, don't go in alone.

All standard international forms of business relationships are recognized in Brazil. It is difficult to freely state which form is most appropriate since it largely depends on the product or service, as well as the maturity of the business and the probable market penetration.

Small companies with financial and manpower restraints usually rely on agents or distributors to sell their products. This form of distribution is most favored by companies that have limited overseas market experience or exposure. There are low investment risks and this form permits penetration into a foreign market which otherwise would be impossible.

A company that has done its due diligence and has invested in a serious market analysis for its products would most likely prefer to enter into a partnership or joint venture. This permits it to have a participation in the development, marketing and growth of the product, and allows it to invest capital or know-how in the venture, maximizing growth potential.

Many times, it is preferable to license the rights to a local manufacturer rather than enter into a possible competitive situation with the local company.





Whichever form of business venture is decided on, in most cases it is best to stay on the conservative side until experience and results are obtained.

It is important to develop a market research. Do your due diligence and homework first! [CompuStream help you with initial stages of market entry and strategic planning.](#) When ready for implementation, the product will dictate the distribution channel. Basically, the channel that has proven successful in the US or Europe will prove successful in Brazil.

US companies need to do a good situational analysis of the industry and the participants before committing to one approach or another. Qualify people you are doing business with. The decision to use partners or to form joint ventures needs to be the product of thinking about what the US company and local participants will each contribute, in terms of reputation, market, and product knowledge, management/ skills, and experience.

Whatever the inclination, it would be most advisable to [seek CompuStream professional services](#) and benefit from the experience in identifying, screening and qualifying potential local parties, in order to make the best decision.

To sell products and services in Brazil, US companies need to have legal representation in Brazil, which could take the form of a local office, an agent or distributor or joint venture. This is because products sold in Brazil need to be accompanied by a *Nota Fiscal* (invoice) at the point of sale, which bears the identification number of the seller. The seller can only have an identification number on his invoice if he is a registered legal entity in Brazil.

Be cautious when selecting your Brazilian partner. Anywhere in the world, you will find people who are very entrepreneurial. Many people will say they can be your agent, distributor or partner, but they may or may not be your best choice. The importance of being there to understand the issues first-hand, assisted by someone objective who is an expert on Brazil, cannot be overstated.

## II. Joint Ventures

Establishment of joint ventures is a common practice in Brazil. A major motivation for joint ventures is to pair foreign firms with Brazilian partners to compete in segments of the government procurement market or in other markets subject to government regulation, such as telecommunications, computers and capital goods. Formation of a joint venture can be accomplished through a variety of business entities.





### III. Licensing

Licensing agreements are common forms of accessing the Brazilian market. CompuStream is linked to competent local attorneys specialized in structuring such agreements. All licensing and technical assistance agreements, including trademark licenses, must be registered.

A major concern of foreign companies trading with Brazil is protection of intellectual property rights is often inadequate and uncertain. Brazil is a signatory to the Paris, Bern and Universal Copyright conventions on intellectual property rights (IPR) protection.

Most of the country's statutes on IPR are consistent with Western standards. However, serious gaps exist regarding patent protection for pharmaceuticals, trademarks and trade secrets. Legislation is before Brazil's Congress to address most of these issues.

A firm doing business in Brazil must carefully watch its trademark rights. Licensees, distributors, agents and sometimes purchasers will file trademark applications on your firm's trademarks. You should consider using a trademark watch so you will be able to oppose any such trademark application.

Companies established in Brazil are now virtually free to negotiate technology transfer contracts. INPI will no longer express an opinion on the terms on which a company has negotiated a technology transfer agreement. However, contracts still have to be registered with INPI, a process that should take no longer than one month.

### IV. Steps to Establishing an Office

Either setting up a company in Brazil or acquiring an existing entity are options for investing in Brazil. Setting up new companies is relatively easy and inexpensive. Acquisitions of existing companies are monitored by the Central Bank.

The more critical issues are usually related to starting a business without a local partner who knows the lay of the land. Selecting the right partner, as in any other country, is also critical. Specific expertise, track record and business ethics are probably the more important issues to be looked at.

Branch offices are difficult to form, whereas corporations (*sociedades anonimas*) and limited liability companies (*limitadas*) are relatively easy to form.





Capital registration with the Central Bank is required for access to foreign exchange, capital repatriation and profit remittance.

Office space and personnel is quite expensive in Brazil so we strongly recommend against this exposure, at least in the beginning. Go slowly and carefully. Be absolutely sure you need an office because you will have to staff it!

Brazil's minimal capital requirements are nominal in general, but are significant for establishment of financial institutions. When selecting the site of an investment, potential local investment incentives should be carefully considered, as should tax considerations.

It is important to look at taxes during the evaluation of entry strategies into Brazil. There are several 'waterfalls' of taxes that need to be applied for the importation, sale and exportation of products in Brazil. Although there are many taxes, they are well-defined and well-known.

It is essential to consider taxes to assess if your products will be competitive in Brazil. [CompuStream help you on this, informing on all specific taxes](#) and finding a good customs broker to get products successfully imported. The broker will know or can research what taxes apply, and will fill out all the importation paperwork. Improperly filled out paperwork or the non-payment of applicable taxes can delay products and trigger heavy fines.

## V. Trading Companies

The trading company is another type of import marketing organization in Brazil. Although principally designed as an export promotion tool, trading companies may play a role in importing through direct purchase or counter trade activities. The operation of Brazilian trading companies is open to foreign as well as to national interests.

In Brazil, trading companies are called *empresas comerciais exportadoras*, *companhias comerciais*, or *companhias de comercio exterior*. They are set up to give small and medium-sized manufacturers the same operational flexibility as large manufacturers in promoting Brazilian exports, especially of non-traditional exports.

Whichever form of market entry is selected, the bottom line for US companies is to do your homework before entering the Brazilian market. Common sense and long-term approaches are a good idea, too.





## VI. About CompuStream

CompuStream started its operations on May 5th, 2000 as a consulting firm mainly focused on creating and implementing innovative business strategies for companies interested in exploring new ways to compete in a market transformed by technology.

After few, but very successful Strategy Formulation and implementation projects for international computer (hardware and software) companies interested in expanding their presence in Latin America, the path was set to change our own strategy so, in 2002, we added to our service portfolio the International Representation services.

By 2008, we decided to start investing and applying our know-how in the development and management of our own web sales and services portals adding a new set of services to our portfolio; Web services...

This led us to understand why we are doing all this; staying on top of our industry was not enough anymore; we aim to inspire others. To achieve that, in 2009, we introduced what we call internally our 360° set of combined services: International Representation, Strategy Formulation Consulting and Web services.

We believe that "Quality is more important than Quantity" so we assume few projects a year, concentrating on delivering tailor-made services to our customers, and guarantying the success of their venture.

Also, our focus in one Latin American Country, Brazil, positions CompuStream as a company with an in-depth understanding of the opportunities and limitations of the region, therefore providing our customers with proper growth strategies.

Based on the knowledge gathered on the projects delivered during all those years of business in Brazil, we have the network, the experience, and the expertise necessary to help maximize our client opportunity in one of the largest technology and telecommunication market in the world.

Moreover, CompuStream incorporated ISO/IEC 17799:2005 Security Standard witch contains best practice guidance to help protect the confidentiality, integrity and availability of our client's information, a touchstone for effectively ensuring compliance with data protection, privacy and information misuse regulations.

**Contact us and discover what we have to offer you!**





# CompuStream

An outsourced business development firm dedicated to generate sales and assist international technology companies to establish or enhance their presence in Brazil.

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