

Environmental analysis of brazil marketing essay



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DAIM Co. is the company that has been operating successfully for the past 15 years providing and manufacturing computer and computer devices and considered as the market leader in the Malaysian market. Due to the high competition in the market, the manager of DAIM Co. intends to persuade company's BOD (Board of Directors) to penetrate Brazilian market. The main idea of the business is to sell computers and computer devices in Brazil.

The main purpose of this assignment is to perform environmental analysis of Brazil, to identify possible opportunities and threats, and to analyze how the environmental factors in terms of political-legal, social, economic and technological environment can affect the international operation functions and decision-making of a business. Also, this research paper provides most appropriate market entry strategy.

Selected Product: Computer and computer devices

Executive Summary flag_of_brazil. png images. jpg

Geography

It is a country that situates in the South America, and continent's largest nation. Borders almost all the countries on the continent except Chile and Ecuador and has exit to Atlantic Ocean that makes country easy to access by the sea. The surface area of the country is 8 547 000 square km. Brazil ranks as fifth largest country. The capital city is Brasilia, while the most important cities are Sao Paulo and Rio de Janeiro.

Brazil's climate is tropical due to the location of the country, with the south being temperate. (Appendix 1, Political Map of Brazil)

Demography

It is the most populous nation in the South America, and world's 6 country according to population after China, India, USA, Indonesia and Russian Federation. The population of Brazil is equal to 190, 732, 694 people as of August 2010, which is 2.76% of World's Population. And the birth rate is 22.65 births per 1,000 populations.

Different ethnic groups can be described as follows: 55% are whites of European descent, 22% are mulattos of mixed European and African Descent, 11% blacks and 0.1% Native Americans. (http://www.ibge.gov.br/english/presidencia/noticias/noticia_visualiza.php?id_noticia=1766&id_pagina=1)

Economic Profile

Brazil has best economy among all countries in Latin America. Since its independence September 7, 1822 the economy is rapidly developing. And the result by 2010 is:

GDP (nominal exchange rate): \$ 2.1 trillion.

GDP (purchasing power parity): \$2.194 trillion. (Appendix 2, GDP of Brazil)

Annual real growth (2010): 7.5%.

Natural resources: Iron ore, manganese, bauxite, nickel, uranium, gemstones, oil, wood, and aluminum. Brazil has 14% of the world's renewable fresh water.

Agriculture (6% of GDP): Products–soybeans, coffee, sugarcane, cocoa, rice, livestock, corn, oranges, cotton, wheat, and tobacco.

Industry (28% of GDP): Types–steel, commercial aircraft, chemicals, petrochemicals, footwear, machinery, motors, vehicles, auto parts, consumer durables, cement, and lumber.

Exchange rate (March 3, 2011): U. S. \$1 = 1. 65 Brazilian reals.

International Business

Trade balance of Brazil as for 2011 is \$20 billion surplus. Exports: \$202 billion. Major markets of exports are: China 15%, USA 10%, Argentina 9%. Imports: \$182 billion. Major suppliers are USA 15%, China 14%, and Argentina 8%. (<http://www.state.gov/r/pa/ei/bgn/35640.htm>)

PESTLE Analysis

PESTLE is a strategic management tool that provides useful framework to analyze the environmental pressures on Business (Goyal et al, 2009).

Political:

Brazil is a federal republic with 26 states and a federal district. The 1988 constitution grants broad powers to the federal government, made up of executive, legislative, and judicial branches.

Electing Lula da Silva in the 2002 as the president of Brazil has been described as a “ milestone,” a starting point for secured democratic rule in the nation. This was an important in the establishment of economic norms and practices for the country; the more socialist models of state-run industry have been rejected, and significant international debt has been incurred to <https://assignbuster.com/environmental-analysis-of-brazil-marketing-essay/>

address the social ills facing the country. During the economic crisis in Latin America, the Brazilian economic situation becomes even more important; the growth of the Brazilian market has come to bear significantly on the world's economy.

After the election there have been significant improvements in the political environment, but political wrangling still exists, and a fragmented congress means economic risks still remain. Issues surrounding policy implementation mean that expected future benefits from current policies are uncertain.

Economic:

Brazilian economy is the largest in the South America region; country has well developed agriculture, mining, manufacturing and service sector. From 2003, Brazil improved its macroeconomic situation, built foreign relations, reduced internal debt, kept inflation rate under control. Later during the financial crisis Brazilian economy had a solid performance and its strong and early recovery, including 2010 growth of 7.5%, have contributed to the country's transition from a regional to a global power. Expected to continue to grow in the 4% to 5% range, the economy is the world's eighth-largest and is expected to rise to fifth within the next several years. During the administration of former President Lula, surging exports, economic growth and social programs helped lift tens of millions of Brazilians out of poverty.

Social:

The large and growing consumer market provides a strong basis for considering market entry.

It is unlikely that overall workforce availability will be an issue, given the option of using international labor if requirements cannot be met locally.

Labor costs are attractive but there are significant costs on top of basic wages and requirements for additional training.

Technological:

Brazil is a leader in science and technology in South America and in some fields a global leader, such as bio fuels, agricultural research, deep-sea oil production, and remote sensing. U. S. Government, private sector, and academic researchers have extensive ties with Brazilian counterparts, and the extent of bilateral scientific and technological cooperation is expanding. The Brazilian Government seeks to develop an environment that is more supportive of innovation, taking scientific advances from the laboratory to the marketplace.

Legal:

The Legal rules governing business activities in Brazil are basically laid down in federal legislation, but constitution allows Federal Government to legislate on certain matters related to business activities, such as tax, financial and economic issues, liability for environmental and consumer damages. Federal Government's power is limited to enacting basic rules on such issues, whereas States and Federal District have authority to legislate on a supplementary basis, in line with the general rules laid down in the federal legislation.

Brazil offers big business opportunities for foreign investors, in light of its economic potential, its diversified economy and its huge domestic market,

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now considerably expanded as a result of several international trade agreements entered into with economic blocks and countries the World over.

Environmental:

According to the geographical location of Brazil, it is very easy accessible by the sea, this means the country has an exit to the Atlantic Ocean. The raw materials, equipment, and products can easily be delivered by the sea which is not costly comparing to transportation by air.

Also, according to the geographical location of the country there is no natural disaster like earthquakes and tsunami, which may cause stoppage of the business.

Due to the large size, the climate of Brazil is different, even though the most part of the country is within tropical zone. The climate of Brazil experiments two seasons: the rainy which is summer and dry season which is winter.

There is no cold at all, so the climate is partly same as in Malaysia, and it is very suitable for doing business in this country.

Market and Segment Analysis

STP (Segmentation, Targeting and Positioning) is the essence of marketing.

(Kotler, 1994, p. 93)

Segmentation – is the process of defining and subdividing a market into clearly identifiable segments having similar needs, wants, or demand characteristics.

(<http://www.businessdictionary.com/definition/market-segmentation.html>)

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Demographic Segmentation – refers to a wide study of the potential customers (Kotler, P., 2002). It consists of the variables such as: age, income, occupation and gender.

The below diagram demonstrates the age segmentation:

13-25 years – for Education and Entertainment

25-65 years – for doing business.

Segment. jpg

The income level is an important part of segmentation, everyone can afford computers and computer devices, because nowadays there are many types of devices and they vary in pricing. It is available for all levels of users, occupation and gender.

Geographic Segmentation is done by dividing people (markets) into different geographical locations. (Kotler & Armstrong, 2002, p. 252)

Here, the main target will be main cities like capital Brasilia, and the most important cities in the country Sao Paulo and Rio de Janeiro.

Targeting Strategy – is the selection of potential customers to whom a business wishes to sell products or services. The targeting strategy involves segmenting the market, choosing which segments of the market are appropriate, and determining the products that will be offered in each segment. (<http://www.businessdictionary.com/definition/targeting-strategy.html>)

Mostly computer devices will be selling to the big companies who need computers to operate their business and customers who uses computers that need devices to coordinate their busy schedules and communicate with colleagues, friends and family.

Also, high schools, colleges and other educational institutions will be targeted in Brazil.

Positioning Strategy – states how the firm defines its business or how a brand distinguishes itself, how the customers will benefit from its features, and how these benefits or aspects will be communicated to the intended audience.

(<http://www.businessdictionary.com/definition/positioning-statement.html>)

We are positioning our computers and computer devices as the versatile, convenient, value-added devices for doing business, personal and professional use. The marketing strategy will focus on the convenience of doing business, entertainment with access to the internet.

Mode of Entry to the Market

The proposed way to enter Brazilian market is through Joint Venture strategy, which is defined as a contractual business undertaking between two or more parties. It is similar to a business partnership, with one key difference: a partnership generally involves an ongoing, long-term business relationship, whereas a joint venture is based on a single business transaction.

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.

Entering a joint venture is a complex, and sometimes, time consuming process. As any type business structure, it holds a good opportunity for anyone to grow and make money fast; but just like any other business type; joint venture also holds threat to anyone who wants to enter.

Porter's 5 Forces

Porter's five forces model is a model which is used to analyze a particular environment of an industry in terms of Competitive rivalry, power of suppliers, power of buyers, threats of substitutes and threat of new entrants.

Competitive rivalry:

When entering to the market, the first thing you have to do is to analyze competitive rivalry in the country you are going to set your business. If entry to an industry is easy then competitive rivalry will likely to be high. If it is easy for customers to move to substitute products for example from coke to water then again rivalry will be high. Generally competitive rivalry will be high if:

- There is little differentiation between the products sold between customers.

Actually, there is not so much difference between computer devices sold in different companies. This means the customers will look for those products

which have better quality or long life cycle of the product, in other words durability.

- Competitors are approximately the same size of each other. Those companies who are operating as retailers only, will face a big trouble against big companies. The buyers prefer to work with best, well known companies who provide stability and confidence to them.

Power of suppliers

Suppliers are also essential for the success of an organization. Raw materials are needed to complete the finish product of the organization. Suppliers do have power. This power comes from:

- If they are the only supplier or one of few suppliers who supply that particular raw material.

- If it costly for the organization to move from one supplier to another

- If there is no other substitute for their product.

Power of buyers

Buyers or customers can exert influence and control over an industry in certain circumstances. This happens when:

- There is little differentiation over the product and substitutes can be found easily.

- Customers are sensitive to price. The pricing should not be high, it must suit their expectations. The overall life concerns in Brazil are low, this means we have to identify the prices in relation to the customers, are they able to

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buy our products. If the prices will be high, the customer will switch to another product or company which is not costly for them.

Threat of Substitutes

This is about the alternative products that customers can purchase over your product that offer the same benefit for the same or less price. Threat of substitute is high when the price of your PC is higher than your competitor's price, or when competitors decide to cut the prices of their products. In this industry, we can say that there is high competition, so this can bring to losing customers because customers sometimes are willing to substitute and compare the products or companies itself.

Threat of new entrant

The threat of a new organization entering the industry is high when it is easy for an organization to enter the industry.

An organization will look at how loyal customers are to existing products, how quickly they can achieve economy of scales, would they have access to suppliers, would government legislation prevent them or encourage them to enter the industry.

Actually, there is high probability that other companies will enter the market and will compete with you in the market.

Conclusion

Doing business in Brazil may be very profitable to the international companies. All the factors that may affect the business are positively

affecting the business. PC industry is developing on Brazil. And there are many drivers to start your own business in the Brazil.

International companies have advantage over the local companies, as they are undervalued and in need of restructuring, capital and technology. There is creative and flexible labor force, which is not expensive comparing to other countries. Growth potential of consumer market is very high.

Privatization in late stages, inflation is under control in the last 10 years.

There is increasing globalization and international trade. Foreign investors are eligible for most available fiscal incentives. And established transportation networks such as railways, highways, ports make it easy to operate in Brazil.