

The brazil
technological
environment
economics essay



INTRODUCTION

International marketers face a variety of problems when it comes to entering new foreign markets, this often means ample research has to be done before the decision to enter the a foreign country is taken. It is also important that the information is relevant and not too dated the more current the information the better. For the international it is important to use the most recent information that is available because using old information may lead to inaccurate decision making.

A small-medium company in the United States of America would like to enter the Brazilian market to sell their products. The company is an electronics company that manufactures and sells tablet computers. Before the company can enter the Brazilian it tasked the marketing manager to compile a report with all relevant information.

This report provides a country analysis of Brazil and in particular it outlines the investment opportunities available, it also investigates the political climate to determine feasibility of investment. This also investigates the economic environment of Brazil in fostering long-term investment including the ease of marketing the products of the company in particular.

In compiling this report various sources were consulted much care is taken to use the most recent information available, internet sources were used the most as they contain the most recent information on the country.

THE BRAZIL POLITICAL ENVIRONMENT

As stated by Ball (2009) known as peaceful country that enjoys a very stable democratic political system; they have no political enemies no ethnic or cultural conflicts or threats of terrorism and lastly no civil unrest. The international and domestic markets have maintained their confidence in the country's political stability. The president of Brazil Dilma Rousseff has been portrayed by world leaders as a progressive leader who has set the foundation in the implementation of effective economic policies as well as the implementations of new successful reforms that have cemented the country of Brazil amongst the high ranking countries in the United Nations Human Development Index (Ball 2009).

THE BRAZIL ECONOMIC ENVIRONMENT

The Brazilian economy is the largest economy in Latin America and the countries macroeconomic conditions have improved and shown promising results in later years (The world Factbook 2012). A recent study that was compiled by the world bank ranked Brazil as the 10th largest economy in the world and studies have also showed that the Brazilian economy has remained stable largely due to the results of the prudent macroeconomic management; the firm fiscal; monetary policies as well as good debt management (Experience International. 2011).

3. 1 ECONOMIC GROWTH

Over the years the Brazilian government has been very successful in adopting macroeconomic policies that have resulted in the country having a controlled inflation rate, improvements in the country's productivity, the

country having a positive balance of trade, large international reserves, a stable currency and lastly an impressive performance in exports (Ball 2009).

The Brazilian government has also thrived on the implementation of programs that have led to the improvement in the fiscal control; the significant encouragement of investment as well as the steady reduction in the country's prime interest rate over the last couple of years to a level that supports a sustainable economic growth (The world Factbook 2012).

The rate cuts that have been experienced in Brazil over the past five years brought down the country's policy interest rate over from 20 per cent to just over the 11 per cent last year. Further confidence has been instilled in the Brazilian economy based on the fact that the Central Bank of Brazil (2010) decided to temporarily halt the series of consecutive rate cuts in its last meeting mainly to just assess the impact of past rate cuts as well as other macro-economic stimuli's. Positives in the economy have also resulted in the reduction in unemployment and have led to an increase in the average earnings. This growth has be said will continue to increase according to the Organisation of Economic Cooperation and Development which predicts a Brazilian GDP, growth rates above the 4 per cent in the next 3 years , important to note that this will be above the ten year average of 2, 5 per cent (Ball 2009).

ECONOMIC STABILITY

Brazil has experienced a steady reduction in the prime interest rate over the past couple of years to a level that supports its sustainable growth. Reports from the Central Bank of Brazil have concluded that conditions are <https://assignbuster.com/the-brazil-technological-environment-economics-essay/>

favourable for continuing growth and stable interest rates with no apparent threat of inflation because of the supportive exchange rate trajectory and as the various economic indicators are below the inflationary levels (The world Factbook 2012).

With the country experiencing a strong economic expansion, a stable currency and a nominal interest rate that has fell to record lows; the consensus is generally continued growth. This has led to predictions from banks like Deutsche Bank that the Brazilian financial as well as the economic outlook is likely to remain strong due to the improved economic stability and the declining interest rates (Ball 2009). In Experience International (2011: 07) it is noted that the Brazilian government has been congratulated internationally with the OECD stating that there have been significant developments in recent years in achieving macroeconomic stability and the restructuring of the Brazilian economy. The productivity level in the country has risen as well as the successful implementation of a series of structural reforms.

The Financial Stability Report (2010) highlights developments in 2007 in the standard and poor rating services raised Brazil's long-term sovereign credit rating and the long-term local currency credit rating, the confidence of foreign investors in Brazil has been boosted considerable given the fact that the economy has shown strong, stable and sustainable growth over the last few years theses success have resulted in the Foreign Direct Investment coming into the Brazilian economy at unprecedented rates and it is expected to continue into the future as well as the economic indicators point in the direction of sustainable and robust growth.

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THE BRAZIL TECHNOLOGICAL ENVIRONMENT

According to Geromel., G. (2012) consumer electronic spending will grow by 15 per cent in us dollar terms by 2012 to the U. S 37 billion dollars. The consumer electronics retailers experienced strong growth in 2011 of goods like the notebooks; flat screen television sets experienced growth and the smartphone sales reported triple digit growth.

DEMANDS FOR THE TECHNOLOGY

Geromel., G. (2012) expects tax cuts, aimed at durable goods like computers and television sets to support the consumption over the coming quarters. Forecasts have been drawn up for relatively strong consumptions have been reinforced by the rises in demand in the beginning of 2012. Retail sales as from January have increased by 7.3 per cent year on year showing indications that the Brazilian consumers are starting to pick up as the fiscal and the monetary stimuli feed through the economy. Headline projections have shown an increase in computer sales from us \$12.4 billion in 2011 to 13.7 billion in 2012 showing a 10 per cent increase in terms of the U. S. dollar. According to Central Bank of Brazil (2012) expects Brazil is expected to be one of the region's most dynamic markets, with digital upgrades ahead of the 2014 Fifa world cup and the 2016 Olympic Games providing the country with further momentum.

THE BRAZILIAN MARKET

Brazil is Latin America's most advanced internet and e-commerce market. Brazil is the fifth largest Internet market in the world (Geromel., G. 2012). According to the Brazilian Institute of Geography and Statistics (IBGE) the

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number of online buyers increased 20 per cent in 2009. According to the International Telecommunications Union (ITU), the number of Internet users has grown rapidly in Brazil, by December 2011, more than 79 million Brazilians were online (The World Factbook. 2012) many of them via internet cafe. This is an indication that the people of Brazil are on the lookout for technology mediums that will assist them in consuming internet products.

In light of Brazil's continued economic expansion, lowered taxes on personal computers, and the government's pledge to extend internet access to all its citizens, there is plenty of room for growth for e-commerce in this market (Foreign Commercial Service 2011). The Brazilian government is very supportive of new technologies entering the country to support economic growth.

Geromel., G. (2012) highlights a study of the year's best-selling categories; main sectors which attracted Brazilian e-commerce in 2011 were those of electronic appliances (15 per cent of total sales) and computers (12 %).

POSSIBLE TRADE BARRIERS

According to the Foreign Commercial Service (2011: 43) a few years ago, import licences were the most significant barrier. Now they are generally granted automatically within five days, although on occasion they are still difficult to obtain. This would make distribution easy when exporting to Brazil; the red tape is generally to standard.

The Brazilian Customer Protection Code requires that product labelling provide the consumer with correct, clear, precise and easily readable

information about the product's quality, quantity, composition, price,
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guarantee, shelf life, origin and risks to the consumer's health and safety. Imported products should bear a Portuguese translation of this information. Since metric units are the official measuring system, products should be labelled in metric units or show a metric equivalent Foreign Commercial Service. (2011: 56-57)

LONG TERM SUSTAINABILITY

During the 1980s Brazil pursued protectionist policies in the computer industry but during the early 1990s their markets liberalised the industry. The liberalisation affected a set of national capabilities needed for production and use of computers and information technology (IT), this ultimately increased the need (Dedrick. J, Kraemer. K. L, Palacios JJ, Tigre P B & Botelho J A J. 2001).

According to The World Factbook (2012) in 2011 the gross domestic product (GDP) per capita was at \$11, 900 the years preceding that 2010 and 2009 was \$11, 700 and \$11, 000 respectively. This show an upward growth trend and taking these figures the economy should increase for 2013 and going forward.

According to The world Factbook (2012) the current prices in Brazil was reported to be at 16 414 127 Brazilian Real in 2009 these were results were given by the international monetary fund. Predictions by Brazil's Economic Chart Pack (2012) states that in 2015 the Brazilian GDP per capita at the current prices is expected to be 26 666 085 Brazilian Real. In 2015 Brazil shares of the world total GDP is forecasted to be 2. 77 per cent.

With recent developments in the market, according to McGrath D. (2012) Chinese PC maker Lenovo group's acquisition of CCE will increase the competition and they will now be entering and operating from inside the company they will be able to produce cheaper products because there will be no tariffs added to the cost of production. This makes Lenovo group the largest PC maker.

SUMMARY, CONCLUSION AND RECOMMENDATIONS

The political environment demonstrates great stability and shows consistency and there are no potential threats to the government. There is peace this means that the country will not face any attack from its people. The president is progressive and is loved by many.

From an economic perspective Brazil is a very sound country and is under good governance and the economic policies are progressive. In the past years the economy has shown positive GDP growth. Furthermore it is very evident that Brazil is in need of technology products, the demand is quite high.

Brazil's technology industry is on the rise and the industry is blooming. Brazil consumes billions in e-commerce per year and they are constantly investing in technology to move computers to the home and away from internet cafes as is usual in the country.

The Brazilian market is sizable and has many diverse consumers. The research shows that the market would be receptive to the products of the

company. There is a low unemployment rate and the education system is doing relatively well.

It is also important to note that Brazil has one the world's highest tax rates, so it is a great encouragement when the government offers a tax break such as the one on personal computers.

The consumer protection code has various requirements; however these requirements are standard and can easily be taken care of. This means that there may be a need to outsource a translator for the packaging and instruction on the product to the national language of Portuguese. The advertisements could also need to be made locally to accommodate the culture of Brazil.

The biggest problem that the company may face the company is the competition; the Lenovo group is now the largest PC maker in the world. A further more thorough report maybe required before the company enters this market.