



# LATIN AMERICA ENTRY POINTS

**LATAM** STARTUPS

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**south!**  
Consulting Inc.

White Paper

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## Table of Contents

LATIN AMERICA IS GROWING .....	2
KEY FACTORS.....	3
LANGUAGE.....	3
CULTURAL BUSINESS DIFFERENCES .....	4
MEXICO.....	4
CHILE.....	5
COLOMBIA.....	6
PERU.....	7
URUGUAY AND ARGENTINA.....	8
BRAZIL.....	9
POINT OF ENTRY.....	13
BUSINESS DEVELOPMENT STRATEGY.....	17
MARKETING STRATEGY .....	18
CONCLUSION .....	19
ABOUT GO SOUTH!.....	20
ABOUT LATAM STARTUPS.....	20



# INTRODUCTION

## LATIN AMERICA IS GROWING

Latin American markets are booming. Governments and industry are building infrastructure. The middle class has disposable income to spend. Demand for foreign products and services is at an all-time high.

How can you take advantage of this phenomenon?

For many North American companies, Latin America is a challenge. A copy-and-paste strategy from Asia or Africa will not work.

Some common mistakes:

- Assuming your potential buyer or partner in Latin America speaks English. Many serious business people speak only Spanish or Portuguese. If you want to do business in Latin America, you need to speak your customers' language—or find people who do.
- Exploring Latin American countries on your own without an interpreter or expert guide. Pitfalls await to trap the unwary.
- Hiring one person who speaks Spanish and assuming they will understand all the markets in Latin America. You need a Chilean to sell in Chile, a Mexican to sell in Mexico, etc.
- Attempting to copy-and-paste a successful strategy in, say, Mexico to other markets in Latin America. Market conditions vary widely across the continent.
- Ignoring the cultural difference between the markets. Just because half the continent speaks Spanish does not mean each country has the same culture.

LATIN AMERICAN ENTRY POINTS will help you better understand the challenges and opportunities to doing business in Latin America, and will suggest ways to optimize your business development strategy in the region.

**Go South! Consulting Inc.**

Connecting Canada with Latin America.



## KEY FACTORS

The following key factors are necessary to consider in your entering strategy to Latin America

## LANGUAGE

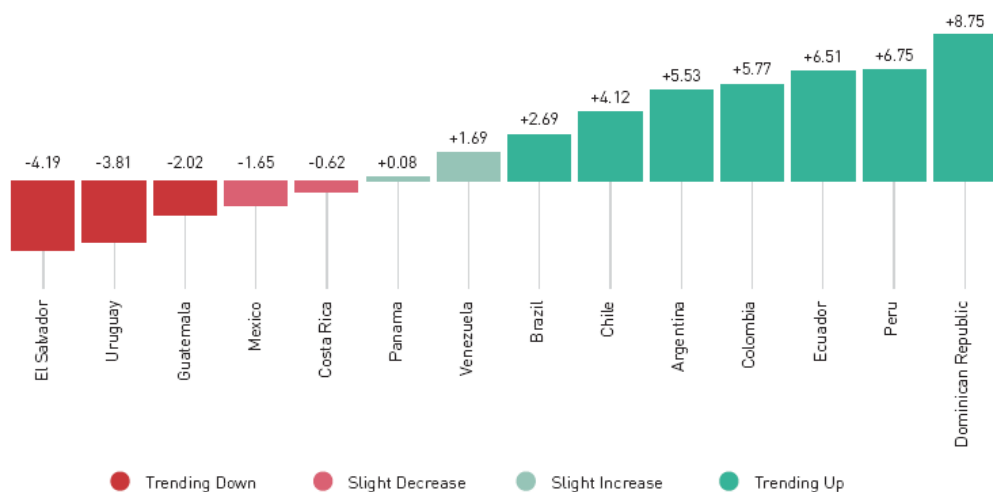


English proficiency in Latin America is very low compared to the rest of the world, even among the highly-educated and successful.

Some countries do better than others.

According to the English Proficiency Index, Argentina, Dominican Republic, Chile and Ecuador have more English-speakers than Brazil or Mexico.

EF EPI Score Change



*English Proficiency Index 2014 - Improvement per country in Latin America*





## CULTURAL BUSINESS DIFFERENCES

Culture business differences, even between Spanish-speaking countries, varies widely. You must tailor your market strategy to the culture you are operating in.

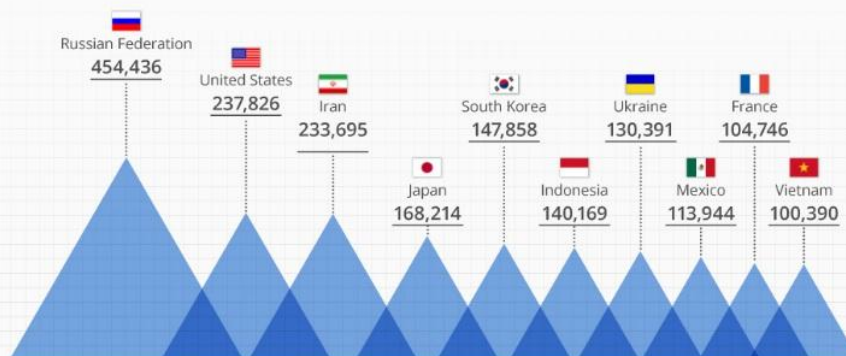
## MEXICO

Mexico has its own, very particular culture. The country is not similar to any other in the region. All LatAm countries have some slang, but Mexican vocabulary is rich with local dialect, and misunderstandings during a business negotiation are possible if you don't speak Mexican.

Mexico City alone has a population of 8.9 million people, around 7% of the country's total population. But Mexico City is not the only business center in Mexico. Medium-sized cities like Monterrey and Guadalajara, each with around 1.3 million people, are both important high-tech hubs.

### The Countries With The Most Engineering Graduates

Top countries for graduates in engineering, manufacturing and construction\*



\* 2015 rank out of 124 economies. No data available for China, India



Sources: World Economic Forum 2015/UNESCO  
Institute for Statistics

Forbes statista

According to the World Economic Forum, in 2015 Mexico produced more than 110,000 engineering graduates, placing the country in the top ten worldwide, and the leader in Latin America.

Source: Forbes 2015



## CHILE

Chile is one of the most mature economies in Latin America. Santiago is a well-organized city with good public transport. Chileans have been dealing with international business people for years, especially in the mining sector. The government offers significant incentives for foreign companies wishing to open an office in Chile.

Culturally speaking, Chile is an early adopter. Business practices in the country tend to be rigid, however—the CEO in a company usually is the best person to contact. Some Chileans don't answer emails; get used to it. Phone calls are better. In person meetings are best.



*Chuquibambilla is by excavated volume the largest open pit copper mine in the world*

Chile is the gateway to Latin America for many companies, and nowhere more so than the mining sector.

Doing business in Chile, nine times out of ten, means doing business in Santiago. The city has one of the best metro systems in the region, and it will take you (mostly) wherever you want to go—and faster than a taxi.

Chile has also been an innovator in Latin America, pioneering health care and pension systems that other countries in the region have adopted.

The country has a well-educated work force, and welcomes foreign investment and trade.

Santiago has been rated in the Top 20 Global Hot Spots for startups, the only country in Latin America to make the list.



## COLOMBIA

Colombia word association time: What's the first thing you think of when you hear "Colombia"? If you answered, "danger" or "drug cartel," you are sooo behind the times.

Over the last decade, Colombia has transformed itself into one of the fastest-growing economies in Latin America.



*Ruta N Medellín – One of the best tech hubs in Latin America*

If your high-tech company wants to do business in Colombia, you have choices. Unlike many other countries in the region, Colombian business is not concentrated in the capital (Bogotá). Medellín, the country's second city, is a must-visit, as many high-tech companies have their headquarters here.

In the recent years we have seen the renovation of Medellín city, becoming one of the most attractive cities to do business in the tech markets, one of the Latin American tech hubs.

Forget about what you've seen on "Narcos." That's ancient history.

Here are some basic mistakes to avoid if you want to do business in Colombia:

- It's Colombia, with an 'o'. Not Columbia, which may be a fine sportswear manufacturer, river in Oregon, or province in Canada.
- Colombia doesn't have north and south. It has up and down. At the equator, elevation is everything. Dress appropriately. Bogotá can be quite chilly, especially at night. Medellín is the "City of Eternal Spring." And Cali? Cartagena? Whoa, bring an air-conditioner. Heck, bring two!
- Colombians have a saying: "No dar papaya." (Literally: "Don't give papaya.") What does that mean? If you walk around wearing a Rolex with a wad of money sticking out of your back pocket, don't be surprised if someone, you know, robs you. Colombia is much safer than it used to be—but why go looking for trouble? Dress modestly. Don't flash how rich you are. It's only asking for trouble.

Colombia is a country in transformation. And with a population of 44 million, it's a market worth taking the time to master.





## PERU

Peru is another booming LatAm market. And not just tourism, either—the high-tech sector is set to explode.

But Peru can be a difficult place to do business, if you don't know how the country works. Here are some tricks to help you close the deal.

- Understand Peru's history. Less than a generation ago, Peru suffered from hyperinflation. People were pushing wheelbarrows of paper money to buy a loaf a bread. The resulting economic and political instability is still fresh in people's memories. The result? Peruvians tend to be shy about new ways of doing things, and are occasionally guilty of putting short-term profit ahead of long-term gain. Something to keep in the back of your mind.
- Peru isn't just Machu Picchu. Yeah, Machu Picchu's cool. But Peru is so much more than just the former Incan emperor's summer retreat in the mountains. The government is putting big money into developing infrastructure, and the startup ecosystem is growing rapidly.
- Traffic in Lima is horrible. São Paulo horrible. Give yourself plenty of time between appointments, and don't try to squeeze in more than three visits per day. Also note that taxis aren't metered, and taxi drivers may try to (\*ahem\*) overcharge you. Best to use a driver recommended by your hotel.
- Peruvians know how to haggle. Peruvians will give you a friendly welcome to the boardroom, but you better have a local business associate with you. Peruvians can be aggressive negotiators. Don't expect any special treatment because you're a foreigner.
- You must visit in person. Like most of Latin America, business is done in person. Don't expect to close over Skype. It's not going to happen.



*Peruvian ceviche – Peruvian food is rated among the best cuisine in the world*

Peruvians are proud of their culture. Ceviche and pisco are practically national religions. Be sure to praise your meals to your hosts. They will love you for it.

Peru is set to explode onto the international stage. Get in early, get in often. The moderate risk is worth the high returns.





## URUGUAY AND ARGENTINA

Uruguay and Argentina are very similar countries in terms of language, food and culture. In terms of business and economy, however, they are very different. Because of the difficulty of doing business in Argentina at present—especially the difficulty of expatriating profits—we do not recommend entering the Argentinian market at this time. The only exception is if you are offering an online service that does not require physical presence in the country.

Uruguay's economy is solid, one of the safest countries in Latin America, and based largely on finance, agriculture and tourism. Despite Uruguay's liberal politics, the culture is quite conservative.



*Montevideo city - Uruguay*

Uruguay punches well above its weight in Latin America. Former president Mujica's liberal financial and social policies led The Economist to name Uruguay their "Country of the Year 2013." Uruguay's strategic location, combined with a well-educated work force and open trade policies, make it an ideal hub for doing business in the region.

Many infrastructure companies do not bother much with Uruguay, preferring instead to concentrate their efforts in the larger, neighboring markets of Brazil and Argentina. However, large infrastructure projects, especially in the maritime sector, are slated for construction in the near-to medium-term.

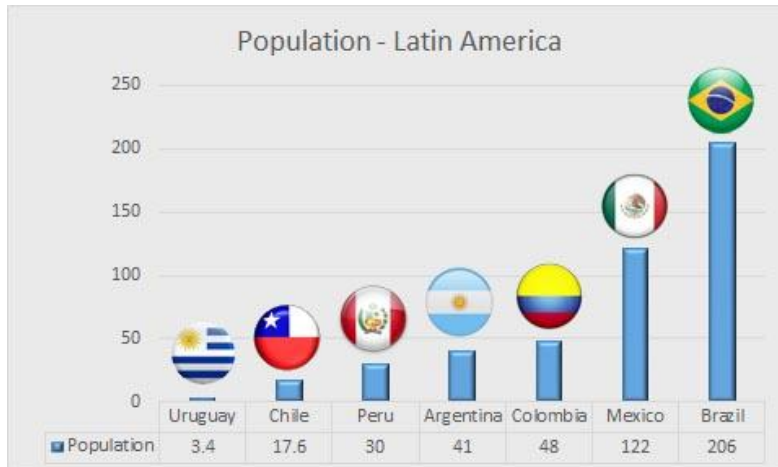
Uruguay is also a logistics and financial hub for businesses operating in the region. The country's unique zona libre (free trade zone) allow importers to maintain large quantities of stock in Uruguay without ever passing through customs – "stock in transit" – ideal for just-in-time fulfillment to Brazil and Argentina.

What's more, Uruguay is facing an energy crisis – the cost of electricity is among the highest in Latin America. Within five years, current hydroelectric production will be operating at maximum capacity. President Mujica has stated publicly that renewable energy sources – solar and wind – are the government's preferred option to keep the cost of energy affordable.



## BRAZIL

Brazil is unique in Latin America, not just because they speak Portuguese, but also because the way they do business differs significantly from their Spanish-speaking neighbors.



Brazil's GDP dwarfs that of every other country in the region. One legal system, one currency, almost 200 million consumers – Brazil is tantalizing for foreign investors, but oh-so-tricky to pull off in practice.

Brazil has some of the most advanced financial and taxation systems in the world, but they are also among the most complicated (and dare we say bureaucratic). This intimidates companies wanting to do business in Brazil—but these obstacles are manageable, and depending on your business, it may make good business sense to invest the time and money to "go Brazilian."

The key to doing business in Brazil is that you have to be IN Brazil. Brazilians like doing business with other Brazilians. If you move to Brazil, and learn to speak and talk and live like they do, they will welcome your business, and your friendship.

But what if you don't want to move to Brazil? Forget fly-in visits; you will have to partner with a local company, or hire Brazilian representatives on the ground. Joint ventures are also an option. It all depends on your product or service.

"It costs twice as much to enter Brazil as anywhere else, but you'll wind up making twice as much as anywhere else," goes the joke. For many companies wanting to scale globally, Brazil is too big a market to ignore.



#### TOP 10 OVERALL AMERICAN CITIES OF THE FUTURE 2013/14

RANK	CITY	STATE	COUNTRY
1	New York	New York	US
2	São Paulo	São Paulo	Brazil
3	Toronto	Ontario	Canada
4	Montreal	Quebec	Canada
5	Vancouver	British Columbia	Canada
6	Houston	Texas	US
7	Atlanta	Georgia	US
8	San Francisco	California	US
9	Chicago	Illinois	US
10	Miami	Florida	US

Source: <http://www.fdiintelligence.com/Rankings/American-Cities-of-the-Future-2013-14?ct=true>

For instance, according to FDI Intelligence and its report “American cities of the Future 2013-2014,” São Paulo ranked second after New York as the most attractive city in the hemisphere for inward investment.

This is the first time a Brazilian city has ever ranked in the top ten, much less second. All other cities mentioned in this ranking are North American cities.

Brazil overall generates 42% of the entire GDP of Latin America. (The next largest economy in the region, Mexico, generates only 21% of the region’s GDP.) So it is not a surprise to see São Paulo in such a high ranking in a report of this nature. At the same time, the city of São Paulo is the largest city in Brazil and the world’s seventh largest city by population, so there are opportunities that are created because of the sheer size and diversity of the city.

Many foreigners ask, should I open my office in São Paulo or Rio? The answer is: probably both.

The state of São Paulo as a whole has a strong focus on financial, manufacturing and agribusiness ventures, for example. Rio de Janeiro is the hub of the ongoing Oil & Gas and Energy boom taking place in the country, yet has strong service-oriented business opportunities as well. Although some of these industries are located in both states, there is a growing presence of these same industries, and new ones developed, throughout the country as a whole. A common mistake foreign companies make when looking into the Brazilian market is thinking that São Paulo and Rio de Janeiro are the only two main cities for them to invest in, or for them to establish a headquarter for their company in the country.

The Northeast of Brazil, for example, has grown at a faster pace than both São Paulo and Rio de Janeiro, with a population of about fifty million people, many of whom enjoy increased purchasing power as part of the growing middle class in the region.

With the increased investment in infrastructure and tax incentives in these different states of the Northeast region of Brazil, and a population with more money to spend and consume new products and services, Brazil offers numerous possibilities for new companies to enter and benefit from these opportunities.



Brazil is a unique country in Latin America because it cannot receive a copy-paste model from any foreign company wanting to enter this market after having already entered markets in neighbouring countries. [True in every country in Latin America! –Ed.] The cultural differences between regions even within this country, the disparities between classes of consumers (distinctions between the poor, the middle class and the more wealthy), and the complicated tax and bureaucratic systems – these are some of the main challenges SMBs face when entering the Brazilian market. It is important to choose an appropriate market entry strategy for SMBs, in particular by identifying reliable partners on the ground.



*Rio de Janeiro – Brazil*

Although there are obstacles to face when entering the Brazilian market, it is still worth the effort, over the long run, to get established and conquer the markets available in the country due to the sheer size and potential markets available for all kinds of products and services.

Learn some basic business terms or greetings in Portuguese, which helps “break the ice” and make the locals feel more comfortable and appreciate your efforts in trying to speak their language. Perhaps ask them if they prefer to conduct the meeting in Spanish or English (if you do not speak Portuguese well enough). It will depend on the Brazilians you meet, so check with them beforehand to avoid any uncomfortable situations during the meetings. You can also hire local interpreters and consultants to assist with these initial interactions.

In Brazil, as in many other countries throughout Latin America, the culture is a lot more based on relationships and personal contact than it is in the United States or Canada. Getting to know the person you work with, and having a series of meetings until the business deal is closed, is not uncommon.

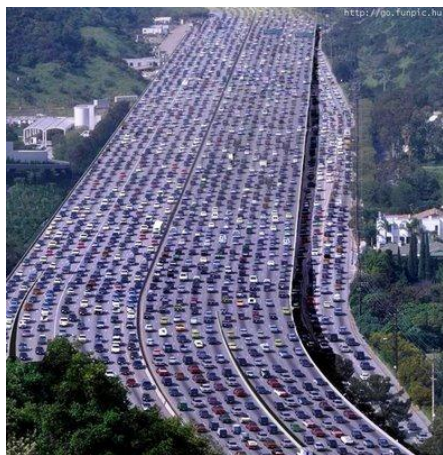
As a general rule though, be very patient in meetings, and courteous with invitations for lunch or dinner after meetings. People can be very open to sharing stories of their personal lives and wanting to learn more about your own personal stories. This is a culture that appreciates the personal contact with the person they are doing business with, so it is worth the time to drink coffee with the locals, or join them in a more social setting after the meetings are concluded.





Of course, these are general statements, and will be different depending on the individual you are working with in Brazil, or perhaps the industry they work in, or their work and educational background, because they may have lived and worked abroad and might have adapted to different working styles as well. Your interaction with the locals will be based on the initial contacts you have with them, or what you learn from them when you arrive to Brazil.

Due to the huge market potential throughout the entire country, Brazil has a lot to offer foreign companies who want to come in and establish their offices, factories, or pursue joint ventures with local partners.



*Traffic in São Paulo*

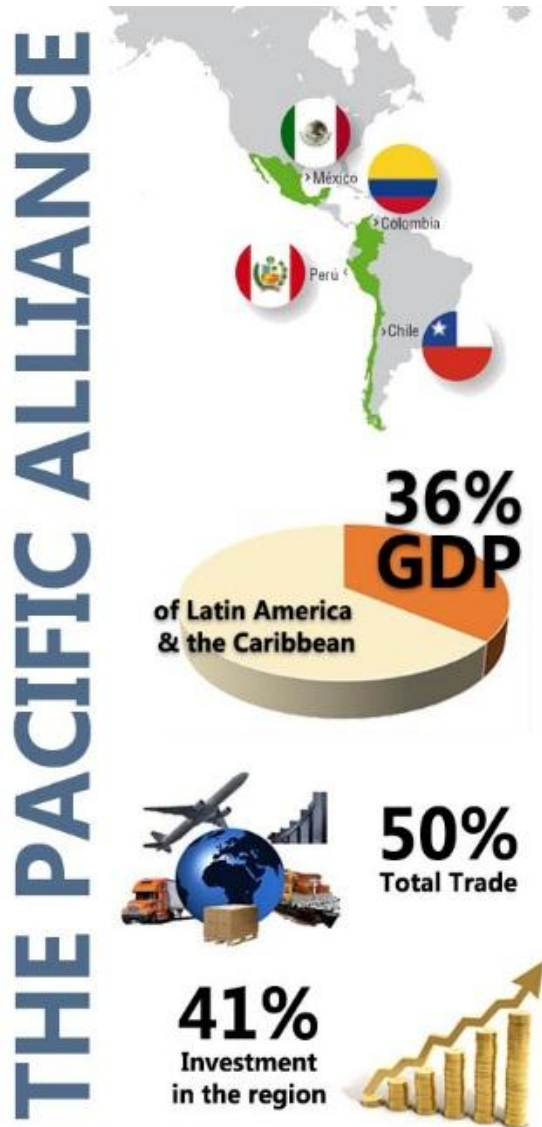
Yet, Brazil urgently needs more investment in infrastructure, but this is an area that is also very difficult to navigate. A lot of the large infrastructure projects are controlled by the government, or are provided under concessions to private sector companies. Through different bidding processes, foreign companies can also enter the market for some of these larger projects offered by the government.

There are growing opportunities to support these important infrastructure needs by working in partnership with local Brazilian companies or through Public-Private Partnerships (PPPs), which are becoming more receptive in specific States throughout the country. This is an area that will need a lot more investment for decades to come.

There should not be any major worries about government intervention when talking about foreign investments, but it is important for the foreign companies to do their due diligence before thinking of entering the Brazilian market. There are specific industries the government tends to protect more than others. This leads to higher taxes for the foreign companies wanting to enter the industry, or stringent rules they need to follow in case they want to do business in these markets.



## POINT OF ENTRY



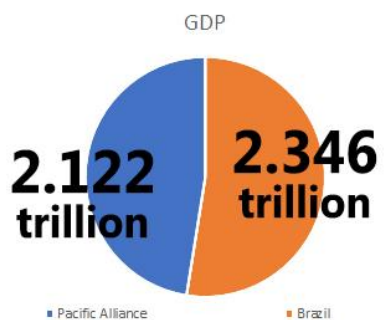
The Pacific Alliance stretches from the Rio Grande in the north to Patagonia in the south. Never heard of it? Few have—the alliance is new, and went into effect just in 2011.

But the Pacific Alliance is a unified market that serves as an economic counter-weight to Brazil, and offers foreign companies an opportunity to scale in LatAm at a fraction of the cost of "going Brazilian."

Some important points to keep in mind:

- As a whole, the Pacific Alliance constitutes the eighth largest economy in the world—seventh in terms of exports
- The Alliance represents 36% of total GDP in Latin America & the Caribbean, 50% of total trade and attracts 41% of the direct investment that flows into the region
- Young, skilled work force with growing purchasing power
- The Pacific Alliance looks north to the US & Canada, but also west to the Pacific Rim, with special emphasis on trade with Asia
- The region is highly competitive in the following industries: Mining, Forestry, Energy, Agriculture, Automotive, Fishing and Manufacturing, among others

Given limited resources, we recommend companies pick either the Pacific Alliance or Brazil to start with, depending on their business. The Pacific Alliance is a good option if you want to test the LatAm markets without a large upfront investment.

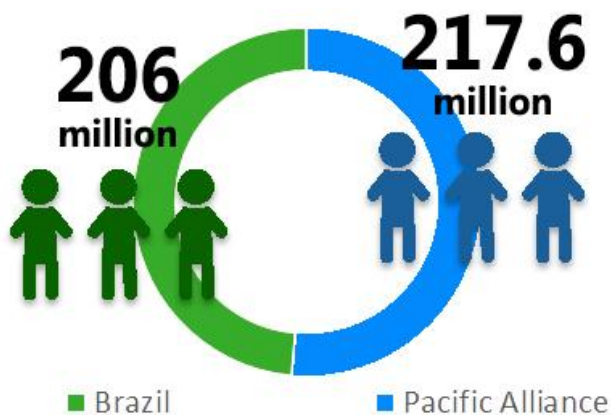


**Brazil**

**USD 2.346 Trillion**

Pacific Alliance	
Mexico	USD 1.283 Trillion
Colombia	USD 377.7 Billion
Chile	USD 258.1 Billion
Peru	USD 202.9 Billion
<b>Total</b>	<b>USD 2.122 Trillion</b>

Data by: World bank GDP 2014



As you shown in the table above, and the table at the left — both the GDP and population are very similar between the two different economies.

Data by: World Bank 2014

Your point of entry to the region is very important for your company. Some countries may give you better chances to succeed than others. Here pros and cons you may find in each country:

#### **Chile - Pros**

- Government supports investment and new companies in the country.
- Chile is an early adopter, and a cost-effective market to test a product or service, and its appeal in Latin America.
- Safe place to do business, economically stable.

#### **Chile - Cons**

- Banking regulations are strict, and it can be difficult to open a corporate bank account.
- Chile is expensive, it may be as expensive as Vancouver or Toronto.
- Isolated. Chile geographical position puts it far away from other countries in the region.



### ***Mexico - Pros***

- Part of the NAFTA (USA, Canada, Mexico FTA).
- Point of entry to North America.
- Good-size population and strong GDP.

### ***Mexico - cons***

- Low level of English.
  - Security concerns in some areas of the country.
- 

### ***Colombia - Pros***

- Welcome investment and new companies, especially the private sector.
- Competition between cities, especially Bogota and Medellin, mean tax incentives and other benefits are available to foreign companies.
- Entry point to Central or South America. Colombia is also a short hop to Panama, an important regional financial center.

### ***Colombia - Cons***

- Safety has improved but is still not the best in the region.
  - Low level of English for business.
  - Establishing a corporation and opening a bank account can still be difficult.
- 

### ***Peru - Pros***

- Strong Economy
- Early Adopter with some limitations.
- Good geographical position. Close to Chile and Colombia, two of the fastest-growing markets in the region.

### ***Peru - Cons***

- Relatively new to doing business with foreign high-tech companies.
  - Low level of English for business but improving as shown in the Proficiency Index.
  - Transportation may be difficult. Poor infrastructure.
-





### ***Brazil - Pros***

- Large economy, part of the BRICS countries.
- Competition between big cities. São Paulo and Rio de Janeiro compete for the attention of newcomers and investors, other medium cities follow similar strategies such as Belo Horizonte or Curitiba.
- One country, one system, one language, one market.

### ***Brazil - Cons***

- Language. Portuguese, anyone?
  - Entry Barriers. Establishing a company and taxation challenges are more difficult in Brazil than in the other countries in the region.
  - Corruption a common occurrence, especially with large infrastructure projects.
-



## BUSINESS DEVELOPMENT STRATEGY

Three steps to get better results in your business strategy while planning an expansion in Latin America.

1. **Business Tour and exploration of the market.** Look before you leap. Go on a fact-finding mission. Explore the market before you make a decision.

If you decide Brazil is the market you'd like to explore, stick to Brazil. The country can be overwhelming on a first visit, and you'll want to travel to several cities to see just how diverse—and huge—the Brazilian market is.

If you decide that the Pacific Alliance is a better fit for your business, then start with Chile or Mexico. A visit to South America can easily include a visit to Santiago, Lima and Bogota. Other companies Go South! works with have experienced solid returns from a "Pacific Alliance strategy".

After your trip you'll have a better sense of what it's like to do business in your target market. Be aware that trust in Latin America is not built overnight. It will likely take you numerous in-person visits to close a deal—with plenty of conference calls and emails in between.

Be sure to employ an interpreter or local business guide who not only speaks the local language, but also understands your business. Things do get lost in translation, and this can (and does) result in lost revenue, and even market entry failures.

2. **Attend Trade Shows and Events.** Select a couple of trade shows and events where you can network. In Latin America, business is still done face to face. Since high-profile events attract serious business people from across the region, you will have the opportunity to connect—and even close deals—with major players from across Latin America. (Attendees spending time and money in this type of trade shows are typically willing to do business faster than others.)
3. **Find local partners.** If you want to do business in any given country in Latin America, you need a local on your team. Don't rely on your Chilean employee to do business in Peru, or vice versa. You need a Colombian to sell in Colombia. You need a Brazilian to sell in Brazil. And so forth.



## MARKETING STRATEGY

Translate it. Yeah, really. So many times we see international companies sending their English-language marketing materials to South America, only to disappear into the void. If you want to be competitive, compete! Translation and customized marketing solutions are not as expensive as you might think.

1. **Printed Material.** Keep it short and sweet. People read maximum two pages, don't waste your time trying to translate more than that. Digital material, slide decks or PDFs should be translated as well.
2. **Social Media.** If you're company uses LinkedIn, Twitter, Facebook, or other social media, create a new account in Spanish or Portuguese (or both). Engage with people in their own language. Don't rely on Google Translate. Note that Brazil is Facebook's second-largest market and LinkedIn's third largest.



## CONCLUSION

Latin America is booming, and worth your time—and worth the time to do it right.

Get in first and you can dominate your vertical for decades to come. With the right guidance market entry can be smooth, painless, and profitable.

**We're Go South! Consulting.** Your guide to doing business in Latin America.





## **ABOUT GO SOUTH!**

We are your guide to doing business in Latin America. We specialize in helping small to medium-sized hi-tech companies to develop business and marketing strategies.

Doing business in Latin America is not as simple as translating your website into Spanish. Unlike North America, business in Chile, or Peru, or Colombia is done in person, face to face. Even if you speak Spanish fluently—and not all companies have a Spanish-speaker on staff—we can make your entry into this new market as smooth as possible.

## **ABOUT LATAM STARTUPS**

LatAm Startups is an initiative founded by Go South! Consulting Inc. We help startups scale.