

BRAZIL STARTUP REPORT



A 15-min guide by World Startup Report

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OUR MISSION

Document

Document our world's startup ecosystems through a series of reports detailing the local culture, trends, key players and challenges. Share these reports for free to benefit everyone in the global startup community.

Connect

Identify and empower local startup activists to become the ambassadors of each ecosystem. Leverage this network of ambassadors to help connect people to each other and build a global startup community.

WHY BRAZIL?

Brazil is the gateway to success in Latin America.

The companies that have won Brazil are the **largest** in the region.

BRAZIL AT A GLANCE

	Brazil	India	United States
Population	<u>202M</u>	<u>1237M</u>	<u>314M</u>
GDP (2013)	<u>\$2.4T</u>	<u>\$1.8T</u>	<u>\$15.6T</u>
GDP per capita (2012)	<u>\$11,339</u>	<u>\$1,503</u>	<u>\$51,748</u>
Inflation rate (2014)	<u>6%</u>	<u>7%</u>	<u>2%</u>
Area (km2)	<u>8,515,767</u>	<u>3,166,414</u>	<u>9,372,610</u>
Ease of doing business (2014)	<u>123</u>	<u>134</u>	<u>4</u>
% of population that speaks english (2012)	<u>5%</u>	<u>10%</u>	<u>94%</u>
Number of millionaires (2014)	<u>126,000</u>	<u>190,000</u>	<u>9,630,000</u>
World Cup match victories (all time)	<u>70</u>	<u>0</u>	<u>8</u>

WEB AND MOBILE STATISTICS

	Brazil	India	United States
Population	<u>202M</u>	<u>1237M</u>	<u>314M</u>
Internet population (2013)	<u>50%</u>	<u>13%</u>	<u>81%</u>
Mobile phone penetration (2013)	<u>126%</u>	<u>72%</u>	<u>106%</u>
Smartphone penetration (2014)	<u>23%</u>	<u>10%</u>	<u>76%</u>
Credit card penetration (2013)	<u>69%</u>	<u>1.6%</u>	<u>71%</u>
Facebook penetration (2013)	<u>35%</u>	<u>5%</u>	<u>53%</u>
E-commerce revenue (2013)	<u>\$13.1B</u>	<u>\$16B</u>	<u>\$207B</u>
Largest internet company	B2W (\$2.1B)	Flipkart (\$2.5B)	Google (\$410B)

BRAZIL

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ALL OTHER SOUTH AMERICAN COUNTRIES COMBINED!

Brazil		All Other South American Countries Combined
<u>202M</u>	Population	<u>190M</u>
<u>8.51M km2</u>	Geographic size	<u>9.39M km2</u>
<u>64B</u>	Foreign direct investment	<u>64B</u>
<u>99M</u>	Internet users	<u>95M</u>
<u>242M</u>	Mobile subscription	<u>215M</u>
<u>2.34B</u>	PE & VC Raised in 2013	<u>2.53B</u>

“Startups across other South American countries also understand the opportunity, and will try to bring their businesses to Brazil once a model is partially validated.” [@nicoberman](#)

ECOSYSTEM HISTORY

"Brazil's economic miracle actually occurred in the 1970's. The country already has basic infrastructure and is not starting completely from scratch like India." @eachr

1998-2008: PIONEERS

The first wave of Brazilian internet startups started in 1998 during the hype of the Internet Bubble.



Zeek and Cadê?
Search (1999)

Acquired by Starmedia



UOL
Media (2005)

IPO but no longer
publicly traded



Akwan
Search (2005)

Bought by Google

The Akwan office in Belo Horizonte remains Google's South American research and development center.

THE BRAZILIAN BUBBLE BURSTS

“When the bubble burst in 2000, almost all startup activity disappeared. Similar to the USA, the internet startups that did survive became some of the biggest tech companies in Brazil.”

@dttg

2009: A HERO EMERGES

The Global Financial Crisis lightly impacted Brazil

While the developed world witnessed low growth rates, American and European investors along with companies like Naspers, Tiger Global, NEA, Goldman Sachs and Barclays Capital saw growth opportunities in Brazil.

Local Venture Capital firms like Monashees Capital and Confrapar were doing early stage deals and passing them to foreign firms for follow on rounds.



When Buscapé (a price comparison engine) sold to Naspers for \$342 million, foreign investors had a success case to prove their investment thesis. Capital then poured into Brazil.

2010-2012: ATTACK OF THE CLONES

Replicating a proven internet business model was hot!

- E-commerce business models were the most commonly copied.
- Forrester forecasted that the e-commerce market in Brazil would grow by 18% annually.
- High profile VC's competed for deals and valuations were inflated.



Dafiti

(Amazon clone)

Total investment of \$249 million

Estimated revenues of \$200 million
in 2013



BrandsClub

(Gilt clone)

Raised more than \$17 million

Facing crisis and considered a
failure by some



Peixe Urbano

(Groupon clone)

0-500 employees in under a year

Underwent a complete restructuring

RACING TO REPLICATE

“Investors could be convinced more easily in 2010 that copying a proven internet business model from the United States was a sure bet. Many were too early and did not understand the market.” @ClemensRaemy

2013: NEW BEGINNINGS

Foreign investors get nervous

- By 2013, prominent foreign investors like Sequoia and Accel Partners closed their offices in Brazil because startups were not growing at expected rates.

So local investors moved in

- Local investors with more knowledge of the Brazilian landscape quickly took their place and are now leading the ecosystem.
- There are at least three funds with more than \$100 million under management that are focused on investing in Brazilian companies: eBricks Ventures, Redpoint eVentures and Kaszek.

But no one wants to miss out on Brazilian opportunities

- Foreign investors are choosing to keep their operations in the USA and invest alongside local venture capital and private equity funds.
- This allows foreign investors to take advantage of the large market and skip the complications of deal flow and bureaucratic policies.

The new (2014) \$135 million fund of Kaszek Ventures received participation from both Sequoia and Accel Partners whose departure worried many entrepreneurs.

NAMES TO KNOW



TOP STARTUPS

Recent Success



Dafiti
(Amazon Clone)

Raised \$249 million dollars
Funded by Rocket Internet



EasyTaxi
(Uber Clone)

Available in over 27 countries
Funded by Rocket Internet

Rising Stars



Resultados Digitais

First marketing automation
company in Brazil
0 to 500 clients in 2 years



ContaAzul

Leading B2B accounting software
More than 10k customers
Funded by 500 startups



Bidu

Raised \$9 million
Mercado Livre partner for
online insurance sales

ANGELS, ACCELERATORS, VCs

Angels	Accelerators	VCs
Florian Otto (Founder Groupon Brazil)	21212	Kaszek Ventures
Kai Schoppen (CEO of BrandsClub)	Wayra	Monashees
Fabrice Grinda (Serial entrepreneur)	Papaya Ventures	Tiger Global
Manoel Lemos (Chief Digital Officer of Abril) Media)	Microsoft Accelerator	Rocket Internet
Luciano Tavares (Founder of Magnetis)	AceleraMGTI	RedPoint eVentures
Cassio Spina (Anjos do Brasil founder)	Outsource Brazil	eBricks Capital
Jose Marin	Aceleratech	Insight Venture Partners
	SEED	500Startups
	Startup Rio	Trive Capital
		Astella Invest

MEDIA, MEETUPS, EVENTS

Blogs & Media	Meetups	Events & Conferences
Startupi	BR NewTech	PREI
Webholic	Circuito Startup	Campus Party Brazil
Exame PME	SanPedroCerva	Lean Startup Machine
Man in the arena	Brazil Founders	Demo Day Minas
Terceiro Turno	Geeks on a Plane	Campus Party
Startup Stars		Startup Weekend
		Startup Farm

CULTURE

“Brazil is so diverse that a Brazilian passport is one of the most coveted items on the black market. Anyone can be a Brazilian!”

@CassioSpina

BRAZIL CULTURAL SURPRISES

Trust is the only scarce commodity in Brazil

- Brazilians must trust someone before they ever sign a contract due to the country's history of violence and corruption.

But foreigners are loved!

- Brazilians are incredibly hospitable and often times more willing to trust a foreigner.
- Foreign founders can use this to their advantage in order to fundraise and receive introductions to prominent figures in the ecosystem.

Friendship and celebration are obsessions

- *"Americans typically conduct business in a transactional way with companies. Brazilians do business with people. Friendship is typically the first step in a business relationships and it causes longer sales cycles than in USA."* @dttg
- Brazilians are extremely extroverted and enjoy celebrating every occasion.
- Municipalities can decide to make Brazil's World Cup matches into public holidays.