



Strategy and International Business Center

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Introduction



The Fundação Dom Cabral **Strategy and International Business Center** is very pleased to present the 2014 **FDC Ranking of Brazilian Multinationals**.

The study's main investigation theme this year is the effect the Brazil Brand on the internationalization of Brazilian companies. In an year the World Cup's legacy to Brazil has been much discussed, we assess how positive or negative the country's image is in the various industries in which our multinational companies are present and how such an image affects business, while also comparing it to the strength of the companies' own brands.

Furthermore, we bring up the thematic of the opportunities Brazilian multinationals have glimpsed in Portuguese-speaking countries by taking advantage of shared historical and cultural bonds.

The 9th edition of the survey once again presents a panorama of the internationalization of Brazilian companies by showing the countries and regions they are present in, their performance and their future expectations, as well as the trends regarding the expansion, stability or reduction of their operations in 2014.

Besides the traditional ranking of companies based on their transnationality index according to the UNCTAD methodology, the study also includes the **FDC Ranking of Franchise Internationalization** for the fourth year in a row. This Ranking was developed by the FDC Strategy and International Business Center and it focuses on the particularities of international expansion through the franchising system.

We hope that the knowledge generated by this study will allow the business, government and academic sectors to gain a better understanding of the internationalization process of Brazilian companies.

This document is an executive summary of the survey and the following pages show its main results.

Enjoy your reading!

The Fundação Dom Cabral Strategy and International Business Center Team



Institutional

Fundação Dom Cabral





Fundação Dom Cabral is a development center for executives, entrepreneurs and public managers that practices dialogue and committed listening with organizations, thus building integrated educational solutions together with them. As an autonomous and nonprofit organization, FDC aims to generate and disseminate knowledge that is applied and applicable to worldwide sustainable development.

Ever since it was created in 1976 Fundação Dom Cabral has been actively working to improve Brazilian management standards and business development. FDC is currently a domestic and international reference in its field and in 2014 it was ranked as the best business school in Latin America according to the Financial Times Executive Education Ranking.

Fundação Dom Cabral believes that the solutions that lead to company development can be found within the organizations themselves. Synergy with the companies stems from the link between theory and practice that is reinforced by its technical team's interactive performance that melds academic education with business experience.

Its portfolio offers a broad range of programs encompassing the most diverse management fields. These themes can be studied under different formats that range from short and intensive programs in Brazil and abroad to customized solutions or partnerships that set up long-term relationships leading to a more structured company development.

To learn more about Fundação Dom Cabral, please access: www.fdc.org.br.

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The Strategy and International Business Center

The Strategy and International Business Center is one of the Knowledge Generation Centers at Fundação Dom Cabral where studies, research and educational solutions about several business management themes and challenges are developed to support the programs that FDC develops while translating its path forward as an institution that generates knowledge.

The Center's mission is to contribute towards the internationalization of Brazilian companies by generating knowledge that will allow them to formulate and implement competitive global strategies.

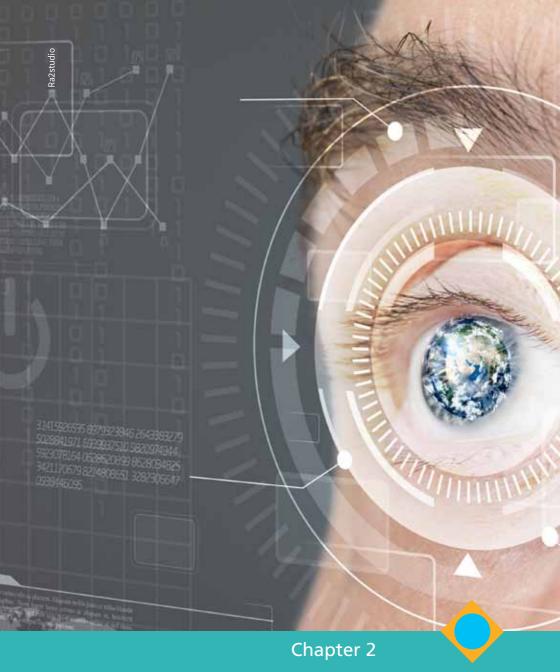
We seek to enhance knowledge about the process of internationalization of Brazilian companies through theoretical and empirical research and case studies as well as by generating and making available knowledge through partnerships with companies, business schools, study centers, government offices and multilateral institutions both in Brazil and abroad.

We develop content, methodologies and customized solutions that meet the needs of companies that are undergoing internationalization. Among these initiatives we would like to highlight the International Value Creation Reference Center (IVCRC) which brings together multinational companies to debate themes that are specific to internationalization. Its objectives are to:

 Encourage exchanges of experiences among executives that deal with a company's internationalization process;

- Structure and compile the knowledge that is found within companies by taking into account contributions by experts on the theme:
- Build a framework that will help leaders to design and carry out international strategies.





The survey

The FDC Ranking of Brazilian Multinationals

The FDC Ranking of Brazilian Multinationals has been compiled every year since 2006 and it has explored several themes related to companies' internationalization. The project provides data and reflections on the path taken by Brazilian multinationals, the challenges they have faced, and trends in international management.

Its main objective is to: Monitor the internationalization process of Brazilian companies and rank them according to their degree of internationalization. Furthermore, the project aims to understand the challenges faced by Brazilian multinationals, their competitive advantages, and their expansion trends. The survey allows us to understand the international strategies they have adopted and the results they have achieved, which generates relevant knowledge to companies, entrepreneurs, executives, government institutions and the academic community.

2014 Theme

The 2014 FDC Ranking of Brazilian Multinationals seeks to understand how Brazilian multinationals perceive the Brazil brand in the various industries they operate in and how the image of Brazil affects business, as in some cases it may be even stronger than a company's own brands. Adjacent to this theme we have consulted the companies regarding opportunities to internationalize in Portuguese-speaking countries due to historical and cultural bonds.

Previous issues

Below, please find the previous survey reports



2006's Edition



2010's Edition



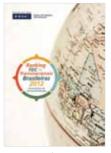
2007's Edition



2011's Edition



2008's Edition



2012's Edition



2009's Edition



2013's Edition

Survey Methodology

Survey participation criteria

- Companies whose majority shareholding capital and control are both Brazilian.
- Companies that are physically present abroad based on:
 - Commercial offices
 - Warehouses and distribution hubs
 - Assembly
 - Manufacturing
 - Services (such as civil construction and aviation, for example)
 - Bank branches
 - Research and Development Centers
 - Franchises

Companies in early stages of internationalization and that only work as exporters or operate abroad through commercial representatives do not qualify for this survey.

Owned subsidiaries x Franchises

Brazilian companies have operated abroad in different ways. Some of them open a commercial office to support their sales from Brazil while others ship unassembled products (CKD and SKD) and finish assembling them abroad. On the other hand, others carry out all the value chain stages at the country of destination. Service companies such as banks, construction companies and consulting firms generally either open a subsidiary to meet their clients' needs or send some of their staff to carry out the work at the final destination.

Besides these, franchising is another way to internationalize that has been attracting the attention of Brazilian companies, especially those that already adopt this model in Brazil.

Franchising does not necessarily require investing one's own capital to open the franchise. What it does require is transferring intangible assets such as the brand, the expertise and the business system to a third party, and so new metrics are needed to calculate the degree of internationalization of these franchising companies.

The 4th FDC Ranking of Brazilian Franchise Internationalization is based on the methodology that was created by the FDC Strategy and International Business Center team in 2011.

The Indexes Used in the Survey

- Companies that operate abroad with owned subsidiaries (UNCTAD – United Nations Conference on Trade and Development methodology):



The multi-dimensionality of the index is appropriate to carry out comparisons between groups from distinct industries, since each industry and company will use different entry modes.

The use of UNCTAD methodology also enables comparisons with internationalization rankings carried out in other countries.

- Companies that are present abroad through franchises (methodology developed by the FDC Strategy and International Business Center):



Sample

The sample in the 2014 edition was made up by 66 companies, thus distributed:

- 52 Brazilian multinationals that operate abroad mainly through owned subsidiaries
- 14 Brazilian companies that operate abroad mainly through franchises

The 2014 FDC Ranking of Brazilian Multinationals and the 2014 FDC Ranking of Brazilian Franchise Internationalization take into account data from abroad for the year 2013.

The companies that participated in the survey provided the data and the highlights published in this document and they are responsible for their accuracy.



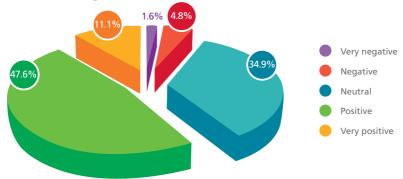
The strength of the Brazil brand at creating international value

The image of the Brazil brand

As its theme for 2014, the FDC Ranking of Brazilian Multinationals investigated the effect of the Brazil Brand on the internationalization of Brazilian companies.

The chart below shows how Brazilian multinationals perceive the image of Brazil within their industry:

Chart 01 - Brazil's Image

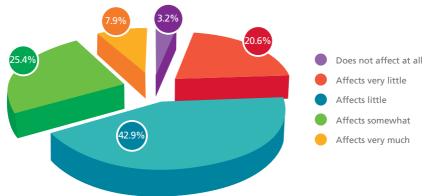


Source: The 2014 FDC Ranking of Brazilian Multinationals

Most of the companies (58.7%) find the Brazil brand positive or very positive within their industry, and while a little over one third of these companies find the Brazilian brand neutral, only 6.4% state that the Brazil brand is negative within their industry.

Despite Brazil's image being so positive in the industries these multinationals operate in, this image seems to have little effect on business, as the chart below shows:

Chart 02- The Effect of Brazil's Image on Business



Even so, 33.3% of these companies state that Brazil's image affects their business either very much or somewhat. From this universe, 90.5% believe that Brazil's image is either positive or very positive. Only 4.8% believe that the image is neutral while the same number of companies believes that Brazil's image is negative. These companies belong to the food and information technology industries. Nevertheless, it is not possible to state that this is a general opinion in those industries, as other companies in these same industries show different perceptions regarding both Brazil's image and the effect this image on business.

The results of the previous charts suggest that despite Brazil's image is perceived as positive by a large number of Brazilian multinationals and that this fact somehow contributes to business, the companies' own brands are actually the main factor responsible for international success.

The chart below compares the relevance of the Brazil brand to the companies' own brands, according to Brazilian multinationals:

Own brands are much more relevant

Own brands are more relevant

Own brands are as relevant as the Brazil brand is more relevant

The Brazil brand is much more relevant

Chart 03 - The Brazil Brand compared to the companies' own brands

Source: The 2014 FDC Ranking of Brazilian Multinationals

Practically half the companies (49.2%) state that their own brands are more or much more relevant than the Brazil brand as regards international strategy. Even so, it is interesting to observe that 17.4% of these companies perceive that the Brazil brand is stronger when commercializing their products and services abroad when compared to their own brands.

Lastly, additional analyses show that the more positive the image of the Brazil brand is, as perceived by Brazilian multinationals, the more it affects business and contributes to leverage the own brands of Brazilian companies abroad.



Ranking: The results

The result of the 2014 FDC Ranking of Brazilian Multinationals is presented on the tables that follow. Besides the traditional ranking that uses the UNCTAD internationalization index, specific rankings were generated based on other criteria. At the end we will present the results on franchises, according to the methodology developed by the FDC Strategy and International Business Center, as shown on Chapter 2 of this summary.

The Top 10

Companies with revenues up to US\$ 0.43 billion (1 billion Brazilian reais)

The companies with annual revenues up to US\$ 0.43 billion (1 billion Brazilian reais) that lead the Internationalization Ranking are: Metalfrio, Artecola and Ibope.

Table 01 - FDC Ranking of Brazilian Multinationals with total revenues up to US\$ 0.43 billion (1 billion Brazilian reais) - by internationalization index

Position	Company	Transnationality index
1	Metalfrio	0.530
2	Artecola	0.397
3	IBOPE	0.390
4	Sabó	0.387
5	DMS Logistics	0.320
6	CZM	0.234
7	IndusParquet	0.206
8	Cia Providência	0.169
9	Indústrias Romi	0.157
10	Ci&T	0.152

Ranking by the number of countries were the companies have subsidiaries

Stefanini is the company with subsidiaries in the largest number of countries (32), followed by WEG (31) and Vale (27).

Table 02 - FDC Ranking of Brazilian Multinationals - by the number of countries in which the company has subsidiaries

Position	Company	Number of Countries
1	Stefanini	32
2	WEG	31
3	Vale	27
4	Marcopolo	25
5	Banco do Brasil	24
6	Magnesita	22
7	Votorantim	21
8	Andrade Gutierrez	20
9	BRF	19
9	Gerdau	19
9	Itaú-Unibanco	19
10	IBOPE	17
10	Construtora Norberto Odebrecht	17
10	Petrobras	17

The top 10

Ranking by Revenues Index

The table below shows the companies ranked by their revenues index.

Table 03 - FDC Ranking of Brazilian Multinationals - by Revenues index

Position	Company	Revenues Index
1	JBS	0.701
2	Construtora Norberto Odebrecht	0.652
3	Magnesita	0.644
4	Marfrig	0.628
5	Gerdau	0.555
6	Metalfrio	0.490
7	DMS Logistics	0.487
8	InterCement	0.472
9	Sabó	0.466
10	Тиру	0.454

Source: The 2014 FDC Ranking of Brazilian Multinationals

Ranking by Assets Index

The table below shows the companies ranked by assets index.

Table 04 - FDC Ranking of Brazilian Multinationals - by Assets index

Position	Company	Index of Assets
1	Magnesita	0.758
2	Minerva Foods	0.745
3	Stefanini	0.705
4	Metalfrio	0.630
5	Gerdau	0.621
6	Construtora Norberto Odebrecht	0.619
7	OAS	0.599
8	Vale	0.516
9	InterCement	0.490
10	IBOPE	0.486

Ranking by Employees Index

The table below shows the companies ranked by employees index.

Table 06 - FDC Ranking of Brazilian Multinationals - by employees index.

Position	Company	Employees Index
1	InterCement	0.656
2	Marfrig	0.521
3	JBS	0.476
4	Metalfrio	0.470
5	Gerdau	0.465
6	Stefanini	0.460
7	Sabó	0.456
8	IBOPE	0.445
9	Marcopolo	0.398
10	Artecola	0.384

Rankings

The overall results of the FDC Ranking of Brazilian Multinationals can be found on the table that follows:

2014 FDC Ranking of Brazilian Multinationals

Table 06

Position	Company	Index of transnationality
1	Construtora Norberto Odebrecht	0.549
2	Gerdau	0.547
3	InterCement	0.539
4	Stefanini	0.537
5	Metalfrio	0.530
6	Magnesita	0.527
7	Marfrig	0.522
8	JBS	0.499
9	Artecola	0.397
10	IBOPE	0.390
11	Sabó	0.387
12	Tupy	0.375
13	Tavex Santista	0.369
14	Minerva Foods	0.343
15	Votorantim	0.339
16	DMS Logistics	0.320
17	OAS	0.305
18	BRF	0.293
19	Vale	0.290
20	Tigre	0.289
21	Andrade Gutierrez	0.284
22	WEG	0.281
23	Marcopolo	0.241
24	CZM	0.234
25	Embraer	0.227
26	Camil	0.217

Position	Company	Index of transnationality
27	Alpargatas	0.211
28	IndusParquet	0.206
29	Construtora Camargo Corrêa	0.201
30	Cia Providência	0.169
31	Indústrias Romi	0.157
32	Ci&T	0.152
33	Natura	0.145
34	Itaú-Unibanco	0.129
35	Agrale	0.116
36	Bematech	0.087
37	Petrobras	0.079
38	Banco do Brasil	0.076
39	Alusa	0.058
40	Ultrapar	0.054
41	Bradesco	0.042
42	M.Cassab	0.033
43	Randon	0.032
44	BRQ IT Services	0.029
45	TOTVS	0.028
46	MV Participações	0.017
47	Eliane	0.016
48	Grupo Seculus	0.014
49	Porto Seguro	0.010
50	Vivenda do Camarão	0.008
51	CEMIG	0.003
52	M. Dias Branco	0.001

The 2014 FDC Ranking of Franchise Internationalization

The results of the 4th FDC Ranking of Brazilian Franchise Internationalization are shown below.

Table 07 - FDC Ranking of Brazilian Franchise Internationalization — by index of internationalization

Position	Company	Index of Internationalization
1	Localiza	0.094
2	Mundo Verde	0.036
3	Depyl Action	0.020
4	Chilli Beans	0.015
5	Datelli	0.014
6	Hering	0.013
7	Giraffas	0.012
8	Yogoberry	0.011
9	Arezzo	0.008
10	Magrass	0.008
11	Норе	0.008
12	Bob's	0.007
13	Puket	0.004
14	First Class	0.003

Source: The 2014 FDC Ranking of Brazilian Multinationals

Ranking by the number of countries where the companies have franchises

The table below shows the ranking of Brazilian franchises by number of countries where they operate through franchises.

Table 08 - FDC Ranking of Brazilian Franchise Internationalization — by number of countries

Position	Company	Index of Internationalization
1	Localiza	8
2	Chilli Beans	6
3	Arezzo	4
3	Hering	4

Ranking by the index of franchised operations

The table below shows the ranking of franchises by the index of franchised operations.

Table 09 - FDC Ranking of Brazilian Franchise Internationalization — by index of franchised operations

Position	Company	Index of franchised operations
1	Localiza	0.249
2	Chilli Beans	0.036
3	Yogoberry	0.033
4	Datelli	0.029
5	Норе	0.025

Source: The 2014 FDC Ranking of Brazilian Multinationals

Ranking by index of revenues

The table below shows the ranking of franchises by the index of revenues*.

Table 10 - FDC Ranking of Brazilian Franchise Internationalization – by index of revenues

Posição	Empresa	Índice de Receitas
1	Depyl Action	0.038
2	Localiza	0.034
3	Giraffas	0.018
4	Cia.Hering	0.016
5	Datelli	0.014

^{*}Index of revenues = (Revenues from royalties and fees abroad + Revenues from the sales of products abroad) / (Revenues from total royalties and fees + Revenues from the total sales of products)

Highlights

The consolidation of international acquisitions is reflected on the consistent growth of **Stefanini**'s index of internationalization in recent years.

Metalfrio's capacity to leverage its production in its European operations has made it possible for it to grow its revenues abroad, which stems from greater market share regarding its portfolio of traditional customers and its business expansion into Middle East and Eastern European markets.

Artecola has expanded its foreign operations by entering the Asian market, which was made feasible by a new product and a joint venture with a local partner. Its index of internationalization should rise even more in coming years due to its having taken over shareholding control of Pegatex S.A, the largest adhesive manufacturer in Colombia.

Investments that surpassed the amount of US\$ 1 billion have considerably increased **VALE**'s capacity to supply nickel and copper throughout 2013.

CI&T is now forecasting a new growth cycle that surpasses 20% per year by offering higher value added services and establishing new performance levels in new international operations.

In international capital markets, **Banco do Brasil** has used external brokers to take part in 22 of the 45 foreign funding operations carried out by companies, banks and the Brazilian government in 2013, and in all of them the bank acted as the lead-manager.

Vivenda do Camarão has benefited from its international operations by becoming more credible to investors and new franchisees.



Ranking: from Brazil out into the world

The presence of Brazilian multinationals abroad

The companies that took part in the 2014 FDC **Ranking of Brazilian Multinationals** are present in 89 countries and on all continents. The map below shows the countries where these companies are present either with their own offices/plants or through franchises.

Figure 01 - Geographical dispersion of Brazilian's multinationals

Number of companies in the country Over 30 companies	Number of countries
Over 30 companies	2
21 - 30 companies	ъ
11 - 20 companies	10

Number of companies in the country	Number of countries
2 - 10 companies	46
Only 1 company	26
No company	Other countries

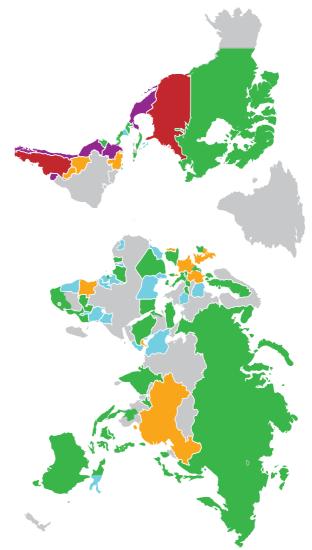


Table 11 - Countries with greater presence of Brazilian's companies

Position	Country	Number of Companies
1	Estados Unidos	39
2	Argentina	33
3	Chile	28
4	Uruguay	24
5	Colombia	23
5	Perú	23
6	Mexico	22
7	China	19
8	Venezuela	16
9	Paraguay	15
9	Portugal	15
10	Bolívia	14
10	Reino Unido	14

Source: The 2014 FDC Ranking of Brazilian Multinationals

The USA is the country where most of the companies surveyed have already set up business.

It is interesting to observe that out of the 13 countries on the table above there are 8 from South America. It is also worth highlighting that China is the country outside the Americas that hosts the largest number of Brazilian companies. Portugal and The United Kingdom stand out in Europe.

Geographic dispersion of Brazilian multinationals:

North America	Cuba	South America
Canada	El Salvador	Argentina
The United States	Guatemala	Bolivia
Mexico	Honduras	Chile
	The Cayman Islands	Colombia
Central America and	Nicaragua	Ecuador
The Caribbean	Panama	Paraguay
Antigua and Barbuda	Porto Rico	Peru
The Bahamas	The Dominican	Uruguay
Barbados	Republic	Venezuela
Costa Rica	Trinidad and Tobago	

Africa	Tanzania	Romania	The Middle East
South Africa	Tunisia	Sweden	Saudi Arabia
Angola	Zambia	Switzerland	Qatar
Angelia		Turkey	The United
Benin	Europe		Arab Emirates
Cape Verde	Germany	Asia	Iran
Cameroon	Austria	China	Israel
Congo	Belgium	South Korea	Kuwait
Egypt	Denmark	The Philippine	Lebanon
Gabon	Spain	Hong Kong (China)	Oman
Ghana	France	India	
Guinea	Holland	Indonesia	Oceania
Equatorial Guinea	Hungary	Japan	Australia
Libya	Ireland	Malaysia	New Caledonia
Malawi	Italy	Papua New Guinea	
Morocco	Luxembourg	Russia	
Mozambique	Poland	Singapore	
Namibia	Portugal	Thailand	
Nigeria	The United	Taiwan	
Kenya	Kingdom		

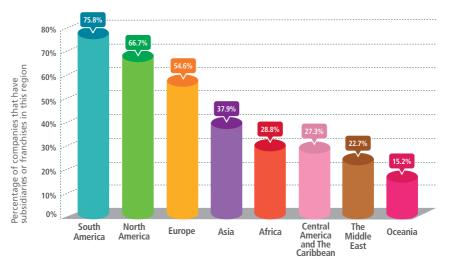
Caption:

Brazilian presence abroad	Number of countries
Only through own operations	74
Through own operations and franchises	13
Only through franchises	2
Total number of countries where Brazilian companies operate	89

As it could be expected, there is greater concentration of Brazilian companies in South America: approximately 75% of the multinationals that were interviewed operate in the region.

That is followed by North America, where about 67% of the companies operate, most of them in the United States.

Chart 04 - Geographic dispersion of Brazilian companies around the world



Source: The 2014 FDC Ranking of Brazilian Multinationals

When asked about their main international market, most of the companies (about 75%) pointed out countries in the Americas, and the United States was the most-often mentioned one.

Entering and exiting countries

The survey analyzed the movement of entering and exiting countries in 2013 on the part of the companies that took part in the 2014 FDC Ranking of Brazilian Multinationals.

It was ascertained that about 27% of the participating companies either began their operations or set up franchising agreements in some new country in 2013 while about 15% stopped them temporarily, deactivated their operations or broke off franchising agreements in some country in 2013.

Argentina was the most-often mentioned country regarding disinvestment. Approximately 60% of the companies that stated they had stopped operations or broken off franchising agreements in 2013 did so in Argentina. We attribute this factor to the current economic situation this country is undergoing, as it suffers from high inflation and the consequent devaluation of its currency.

The fact that 5 out of the 66 participating companies either stopped operation or broke off franchising agreements in Argentina is even more meaningful when we take into account that the country is the second one with the greatest presence of participating companies in the Ranking as

well as being a very frequently mentioned country by companies when asked where they started their internationalization process.

The figure below shows all the countries where the participating companies either entered or stopped operations in 2013. The number of companies that either entered or exited each country can be found in brackets.

Figure 02 - Brazilian companies entering and exiting countries in 2013

Entering countries

Canada (1), The United States of America (1), El Salvador (1), Guatemala (1), Honduras (1), The Dominican Republic (4), Argentina (1), Chile (1), Ecuador (2), Peru (1), Ghana (1), Equatorial Guinea (1), Mozambique (2), Nigeria (1), Netherlands (1), Ireland (1), The United Kingdom (1), China (1), Indonesia (1), Malasya (1), Russia (2), Saudi Arabia (1), The United Arab Emirates (1), Israel (1), Lebanon (1) and Australia (1)



Exiting countries

Argentina (5), Chile (2), Paraguay (1), Angola (1), Guinea (1), Liberia (1), Italy (1) and Portugal (1)

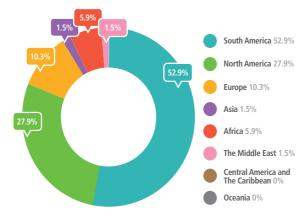
Source: The 2014 FDC Ranking of Brazilian Multinationals

The companies that took part in the 2014 FDC Ranking of Brazilian Multinationals entered 26 countries and exited 8 countries in 2013. The Dominican Republic was the country with the greatest number of companies entering, with 4 companies out of all participating companies.

The first subsidiary or franchise abroad

The charts below highlight the strong tendency of Brazilian multinationals to begin their internationalization process by South American countries, and Argentina is the most-often mentioned country in this region. Most of the participating companies (52.94% of them) set up their first international subsidiary or franchise in a South American country.

Chart 05 - Country where the first subsidiary or franchise abroad was set up



Source: The 2014 FDC Ranking of Brazilian Multinationals

North America is the second region most frequently chosen by the companies that took part in the survey to set up their first subsidiary or franchise abroad, and the United States of America is the country they mention most often. South America and North America together were chosen by over 80% of all the companies that took part in the survey when they launched their internationalization process.

However, it is worth highlighting that while the tendency to begin their internationalization process by South America is strong both at Brazilian multinationals and franchises, North America is significantly less important as regards franchises.

The charts below show this reality quite clearly:

Chart 06 - Country of the first subsidiary abroad

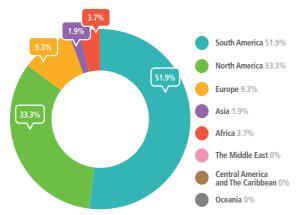
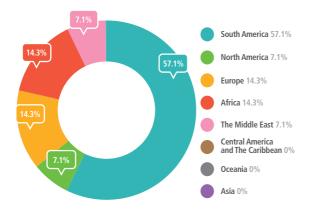


Chart 07 - Country of the first franchise abroad



Source: The 2014 FDC Ranking of Brazilian Multinationals

While about one third of Brazilian multinationals (owned subsidiaries) chose countries in North America to start their internationalization process, only 7.1% of franchises start in those countries. As regards franchises, Europe and Africa also attract a great number of companies for the first internationalization

When compared to other modes of entry abroad franchising usually presents less risks and demands less investments by the franchisor. Franchises point out that knowing the country of destination's culture and business environment represents a great advantage that makes this process more dynamic and the choice of the country of destination less predictable.

Highlights

Following its strategy to consolidate its presence in the Latin America market, **DMS Logistics** opened two new subsidiaries in Santiago de Chile (Chile) and in Santo Domingo (Dominican Republic), besides investing in operations in Panama City (Panama).

In the past few years **Intercement** has benefited from a strong rise in demand by African countries and it has supplied this market from the production plants it operates on that continent and in Portugal. Intercement practices its international knowledge management by promoting exchanges of best practices and by setting up internal benchmarking among its plants and commercial operations in the eight countries where it operates.

IBOPE keeps on consolidating its operations in Latin America by expanding its shareholding participation in several partner companies. It also has set up a hub in Colombia to process its data from the advertising market for other countries in the region.

Tavex Santista expanded its Market Share in the US denim market based on its operations in Mexico and most notably on the Los Angeles market, the latter an important trendsetter in the industry.

BRF intensified its globalization strategy in 2013 by becoming more assertive in its objectives: growing by qualifying its product portfolio, developing markets and channels, and strengthening its brand. Moving away from the idea of conquering all markets from an export platform, its mission evolved towards setting up leadership positions in specific regions through organic expansion and selective acquisitions in strategic regions.

EMBRAER's 2013 was remarkable for the opening of a new plant in the US to manufacture Super Tucano airplanes purchased by the United States Air Force. Its Melbourne operations delivered the first Phenom 300 executive jet and its first made-in-China Legacy 650 executive jet made a successful maiden flight.

In March 2013, Cia Providência opened its second production line in the US.

Through its strategy to be recognized as "The Bank of Latin America" **Itaú Unibanco** finalized the purchase of Citibank's retail operations in Uruguay in December 2013. Besides its over 15 thousand new customers, it acquired assets that mainly involved the credit card operations that Citibank developed in that market under the Visa, MasterCard and Diners' brand.

Natura acquired AESOP, an Australian cosmetics brand with over 80 sales outlets in 10 countries. It also continued to consolidate its operations in Latin America, mainly in Mexico, where its sales force now number over 100 thousand consultants.

In the past few years **Bernatech** has become a leader in commercial automation in Argentina, Peru and Uruguay. It is ranked among the top 5 in Colombia and Mexico and it is ranked among the top 10 in the Top of Mind ranking in its industry in the US.

Totvs has focused on achieving in the international market levels and indicators equivalent to the ones it enjoys in Brazil while seeking leadership positions in every one of the countries where it operates.

Randon has made efforts to consolidate its operations in China and to leverage its portfolio in the US while overcoming difficulties in the Argentinean business environment.

In the past few years, **CZM** has consolidated its leadership in the South American market and expanded its operations in the US through its manufacturing plant in that country.



The attractiveness of CPLP – Community of Portuguese Language-Speaking Countries

The presence of Brazilian multinationals in CPLP countries

A considerable number of Brazilian companies operate in the countries that belong to CPLP (Community of Portuguese Language-Speaking Countries - Angola, Cape Verde, Guinea-Bissau, Mozambique, Portugal, St. Thomas and Prince, and East Timor), as shown on the table below:

Table 12 - The presence of Brazilian companies in CPLP countries

Country	Number of companies oper- ating in this country
Portugal	15
Angola	12
Mozambique	6
Cape Verde	1

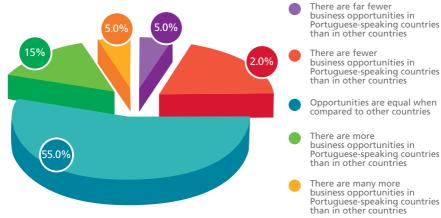
Portugal is the CPLP where the largest number of Brazilian companies operates, and it is followed by Angola. None of the companies that took part in the 2014 FDC Ranking of Brazilian Multinationals operates in Guinea-Bissau, St. Thomas and Prince, or East Timor.

However, does a shared language and historical and cultural bonds with Portuguese-speaking countries mean competitive advantages and better opportunities for Brazilian multinational companies?

Perceiving opportunities and competitive advantage

The companies were asked how they perceive the attractiveness of these countries. Below, please find their answers:

Chart 08 - Opportunities in Portuguese-speaking countries

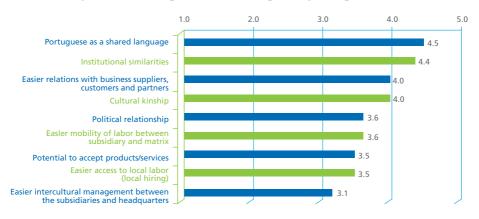


It is interesting to observe that most of the companies (55%) state that opportunities in Portuguese-speaking countries are no different from those in other countries.

However, 25% of the multinational companies state that there are fewer opportunities in Portuguese-speaking countries than in other countries. This result may be related to the economic, market and legal factors mentioned at the end of this section.

The companies that believe there are either more or many more opportunities in these countries are mainly mentioning opportunities related to a shared language and to institutional similarities, followed by easier relationships with business suppliers, customers and partners, as well as cultural kinship, as shown on the chart below:

Chart 09 - Competitive advantage factors in Portuguese-speaking countries



1 = It is not a competitive advantage

2 = It is a great competitive advantage

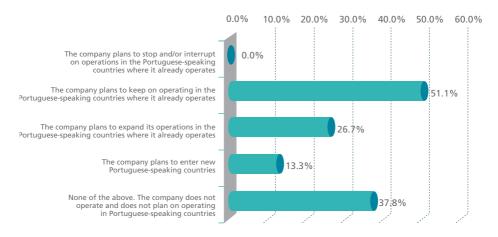
Source: The 2014 FDC Ranking of Brazilian Multinationals

It is interesting to observe that intercultural management is not as much perceived as a factor that makes life easier in Portuguese-speaking countries, and that is probably due to its being a very challenging topic no matter the country of destination, as other surveys carried out by the FDC Strategy and International Business Center have shown.

Plans for CPLP countries

Lastly, multinational companies were asked about their plans as regards CPLP countries for the coming five years. The chart below shows how they answered:

Chart 10 - Brazilian multinationals' plans for Portuguese-speaking countries



Fonte: Ranking FDC das Multinacionais Brasileiras 2014

Only 13.3% of the companies plan to enter new Portuguese-speaking countries. According to them, Portugal, Angola and Mozambique are their main targets.

Although a large number of multinationals (51.1%) plan to keep on operating in the Portuguese-speaking countries they already operate in, a considerable number does not plan to enter these markets (37.8%). These companies belong to diverse industries and there is no concentration of negative answers from one given industry.

Some of the possible motives pointed out by the companies are as follows: high production and logistics costs, difficulties to certify and license products, the small size of the markets, the lack of specialized labor, constantly changing laws, difficulties to set up a solid supplier foundation, and the economic crisis.



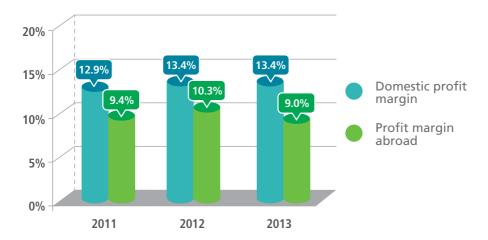
Chapter 7

Profit margins and satisfaction with performance

Profit margins

In recent years the FDC Ranking of Brazilian Multinationals has shown that the profit margins of Brazilian companies abroad are in general lower when compared to their domestic profit margins. The trend also happens in 2013, when this difference rises to 4.4%.

Chart 11 - Profit margins



Source: The 2014 FDC Ranking of Brazilian Multinationals

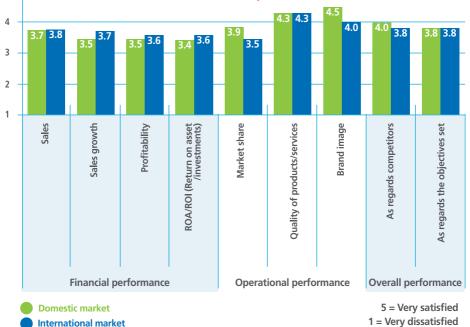
Satisfaction with performance

However, it is interesting to note that the differences between multinational's satisfaction with their performance in foreign markets is not very different from their satisfaction with their performance in the domestic market. As a matter of fact, for items such as Sales growth, Profitability and ROA/ROI (Return on assets/investments) their satisfaction with performance was slightly higher in international markets.

Despite lower profit margins in the international market, it is possible that companies' expectations regarding this result were even lower, thus leading multinationals to be relatively satisfied with their financial performance in foreign markets.

As regards operational and overall performance, the Brazilian multinationals' satisfaction assessment is equal to or slightly higher than that for the domestic market. The greatest difference lies in their satisfaction with their brand image in the domestic market when comparing it to international markets.

Chart 12 - The multinationals' satisfaction with performance



Lastly, the satisfaction of the multinationals with both their domestic and international performance for all items is superior to the 3.0 median, which shows that overall they are satisfied or very satisfied with the results they achieved in 2013.

Value attributes

Given the relatively high satisfaction with performance, we asked the participating companies how they would compare certain domestic market value attributes to international market ones.

Chart 13 - The performance of products and services

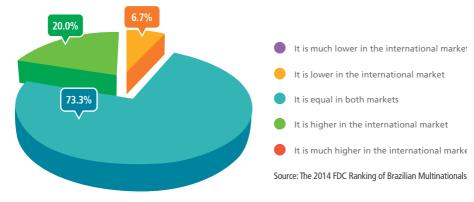


Chart 14 - The quality of products and services

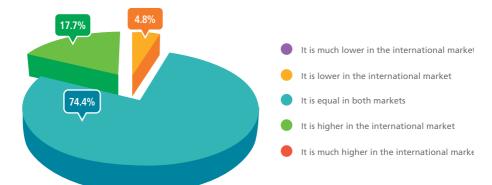


Chart 15 - The price of products and services

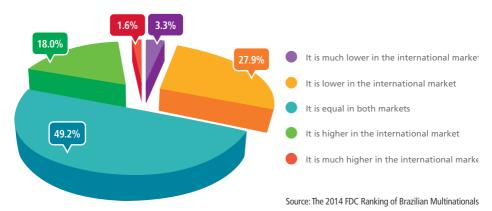


Chart 16 - The portfolio of products and services

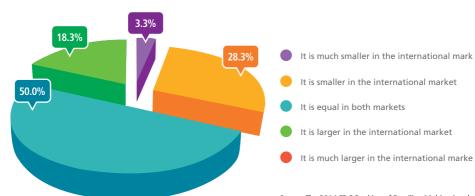
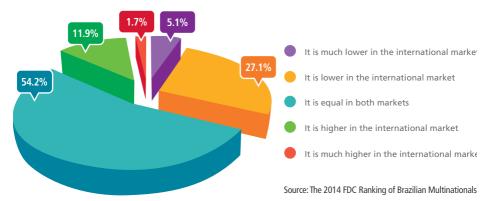


Chart 17 - Investment in R&D



Although most companies say that the performance, quality, price and portfolio of their products and services are the same in both their domestic and international markets, a number of companies state that the performance of their products and services (20.0%) and the quality of their products and services (17.7%) is higher in the international market. On the other hand, a considerable number of companies (31.2%) have lower prices in the international market. We attribute this to the stiffer competition that companies face when they internationalize, because they have to overcome the "liability of foreigners" when they compete with global brands that are often already well known in the destination market. This also helps to explain why profit margins are higher in the domestic market when compared to international ones.

Nevertheless, it is interesting to observe that while a considerable number of companies adopt the same policies for their domestic and international markets, a large number of them offer a smaller portfolio of products and services (31.6%) and invest less in R&D (32.2%) in international markets. This shows that many Brazilian companies still prefer to develop their products and services in Brazil, whether they are for their domestic or international markets. It is also possible that they launch new products in the domestic market and then introduce them into the other countries after they are successful in the domestic market.

As a matter of fact, when questioned about innovations and adaptations in products and services, 75.0% of the Brazilian multinationals surveyed stated that their international strategy is based on increasing the size of their markets, that is, the company either seeks to increase its sales to customers/consumers in markets where it already operates or seeks new customers in these markets by offering the same products and/or services. On the other hand, only 24.0% of the companies stated that they adopt a diversification strategy in the international market, that is, they seek new customers in markets where they do not yet operate by offering different products and/or services.

Figure 03 - The international strategy adopted by Brazilian multinationals

		Products	
		Same	New
Markets	Same	75.5%	61.2%
	New	24.5%	24.5%

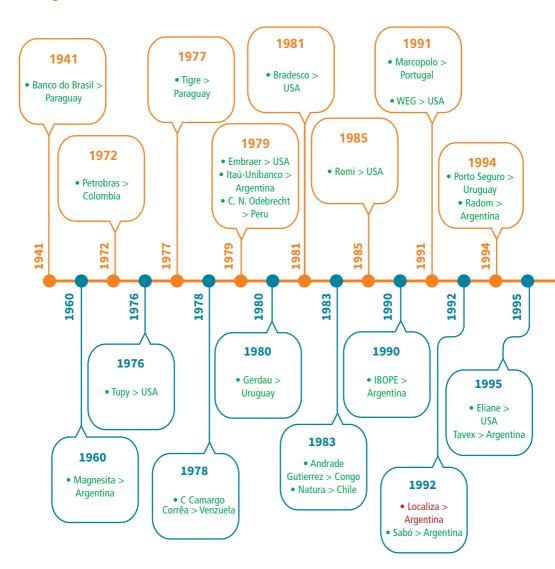


Chapter 8

Evolution and Trends

Timeline

Figure 04



The evolution of internationalization indexes for the past 3 years

The trend for Brazilian multinationals to keep on increasing their average index of internationalization remains and it has been growing by approximately 2% each year.

Chart 18 - The evolution of average internationalization indexes

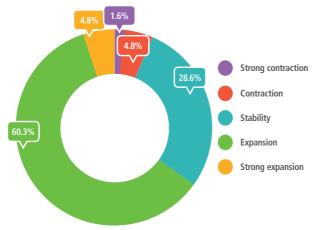


Source: The 2014 FDC Ranking of Brazilian Multinationals

International expansion plans for 2014

For 2014, most of the companies surveyed (about 65%) intend to expand their operations abroad in the markets where they already operate, while 28.6% forecast stability as regards their operations abroad and about 6% forecast either contraction or strong contraction.

Chart 19 - Plans for markets where a company already operates



Although most of the companies that were interviewed plan to expand internationally, only 44.4% of them plan to enter new countries in 2014. This may be linked to the relative conservative stance these multinationals take as regards their strategy in international markets, a topic we have discussed in the previous chapter.

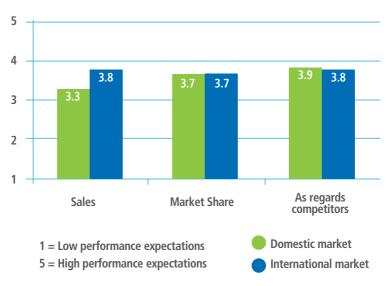
Chart 20 - Plans to enter new countries



Performance expectations for 2014

Most Brazilian multinationals are optimistic as regards performance expectations for their activities in 2014, both in the domestic and the international markets. The main difference between their expectations for the domestic and international markets is related to sales, and it is surprising that companies are more optimistic as regards international markets.

Chart 21 - Performance expectations for their activities in 2014





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