

Startup Economy v. Economy as a Whole

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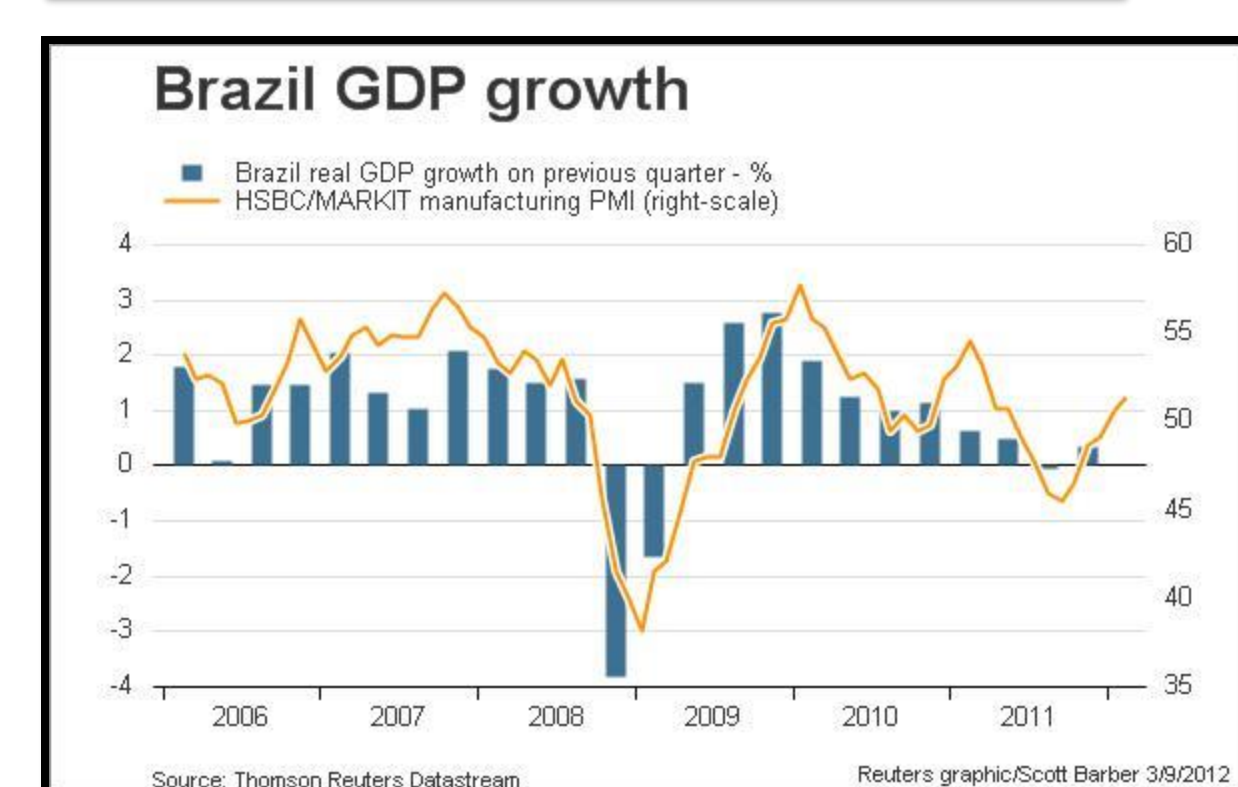
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INTRODUCTION

The Brazilian economy has been turbulent in recent decades. Coming out of the 2008 financial crisis Brazil saw large economic growth and was seen as major blossoming economy alongside countries like China, Russia, India, and South Africa. However due to a mixture of factors growth stagnated and eventually Brazil entered a recession that saw two years of contraction. There was some growth in 2017 but, it appears to be leveling out, from 1.3% growth in Q1 of 2017 to 0.1% in Q4 (1). However there is a sector of the Brazilian economy that has flourished even with a backdrop of decline in the overall economy, the startup economy.



Some of the companies that exist in the Brazilian startup scene focused on funding.



Brazil saw shifts of large magnitude in GDP surrounding the financial crisis, and have had up and down indicators since.

STARTUP ECONOMY IN BRAZIL

Thriving in an Online Space

Brazilians have never shied away from embracing technology. 76.18% of Brazilians use the internet and they have the third most users on Facebook and the second most on Instagram by nation (2). With these numbers in mind the fact that startups with software as a service (SaaS) have seen a great deal of success shouldn't be surprising.

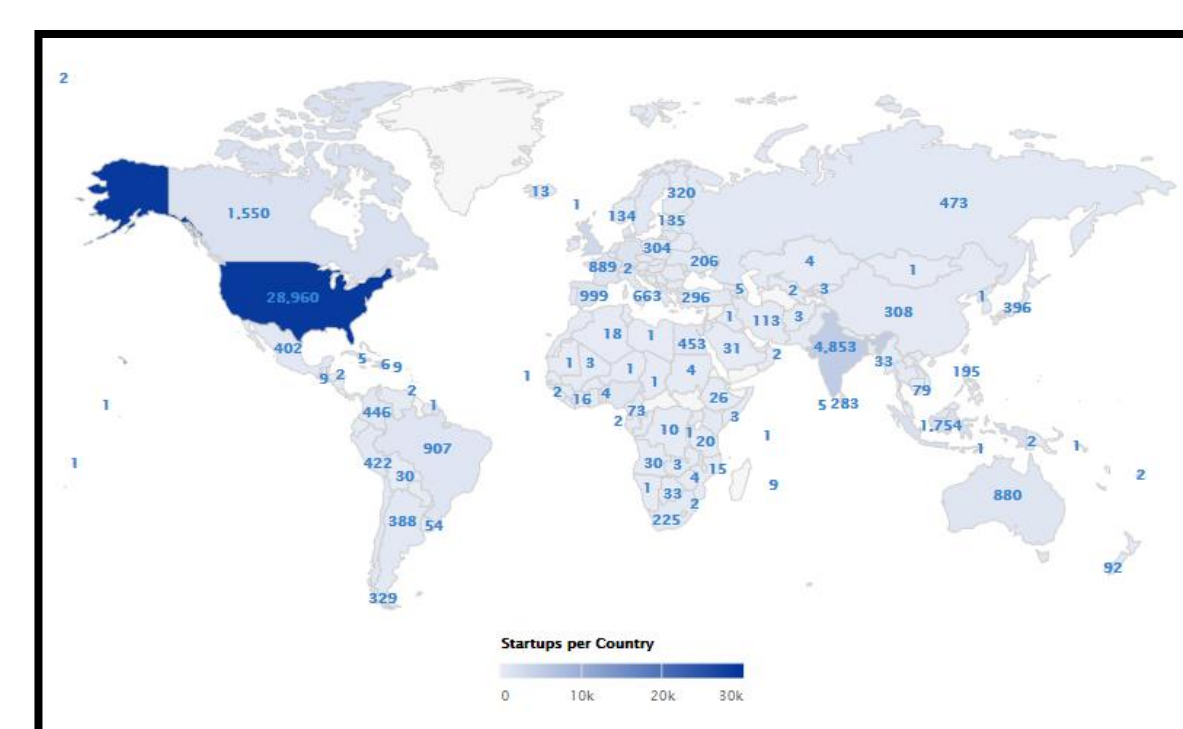
Entrepreneurship and Startups

In 2012 one in four adults in Brazil report being self-employed in some manner, with small businesses generating every two out of three jobs in the private sector. Former President Dilma Rousseff looked to implement policies to aid small businesses and tech entrepreneurs alike (3). Although the economy as a whole saw a sharp decline soon after 2012, the startup economy remained quite strong. In the first semester of 2015 there were 195 startups in Brazil that found capital investment from venture capital firms, angel investors, and accelerators.

COMPARISON TO THE US

Background of the US Startup Economy

It is undeniable that the most powerful player in the startup scene on a global scale is the United States. The United States dwarfs other nations in terms of volume, they currently have more than five times the number of startups as India, who has the second most. The US has also seen companies that began in the startup scene grow into some of the largest companies in the world such as Amazon and Facebook.



PERSONAL EXPERIENCE

Going into the trip I expected that there may be a noticeable difference in the experience that I had with startups in America and those we would see in Brazil. It was true that in Brazil the overall economic environment was quite different from the United States, there is a huge amount of wealth inequality in Brazil, with more than 50 million Brazilians living below the poverty line with family incomes of US\$5.50 a day, according to the Brazilian Institute of Geography and Statistics (4). While visiting CUBO though, I was surprised to find that the environment there was quite similar to the startup incubator I had worked at the previous summer. Everything from the feeling of the office, to the attire of those working there, to the technology being used in the startups would not have felt out of place back in America. I think that one of the reasons that the startup portion of the economy has seen greater levels of success relative to the rest of the country is because it's the richer portion of the country that is investing in these startups. Most of the startups in CUBO focused on the business to business market which may not be very representative of the economic environment as a whole in the country.



Can you tell which coworking space is American and which is Brazilian?

CUBO ITAÚ

Overview

CUBO is a non-profit startup hub located in Sao Paulo. The comp that was created by one of the largest banks in Brazil in conjunction with the venture capital firm Redpoint Ventures.

Logistics at CUBO

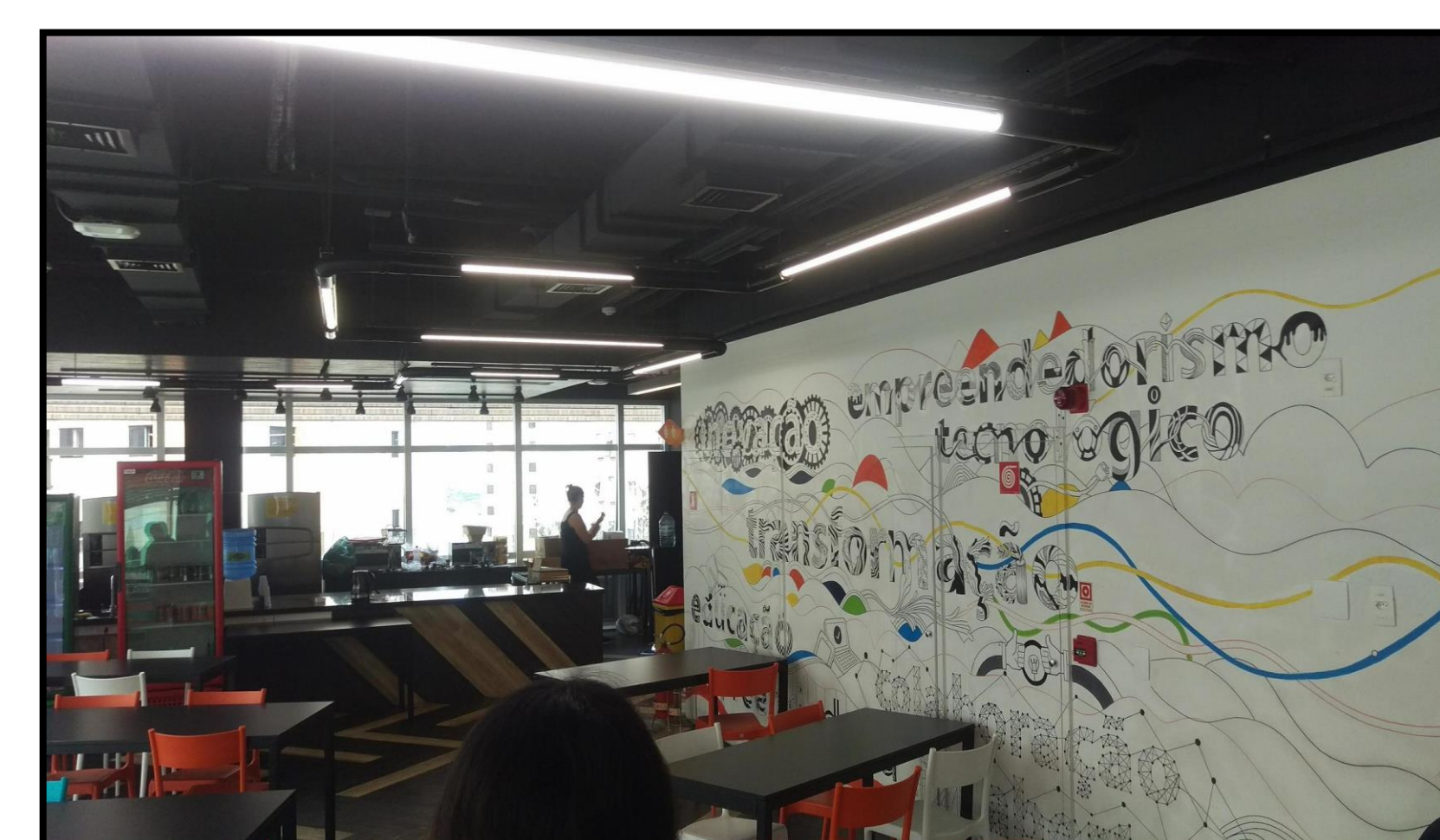
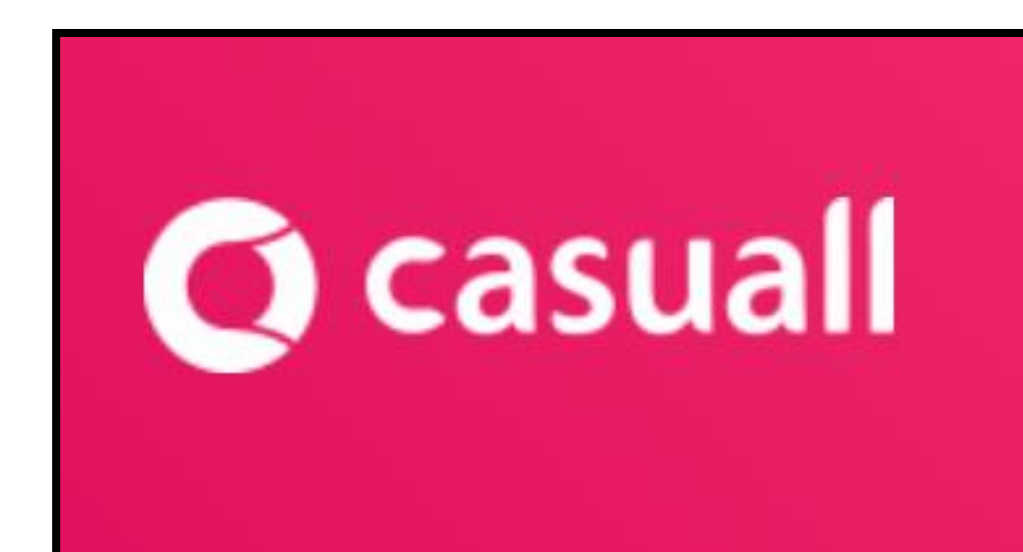
- More than 600 people a day come through the offices
- Comprised of 250 residents from 55 different startups
- Doesn't have equity in the companies present in the space to avoid conflicts of interest and focus on growth as the number one goal
- Criteria for startups to be eligible to be in the space: have a product, clients, and potential to scale
- Startups at CUBO are using a variety of cutting edge technology such as AI, machine learning to innovate in fields including health, energy, finance, and more.

(5)



The CUBO offices were located in the Vila Olímpia neighbourhood, which is also home to the offices of Google, Intel, Microsoft, and more.

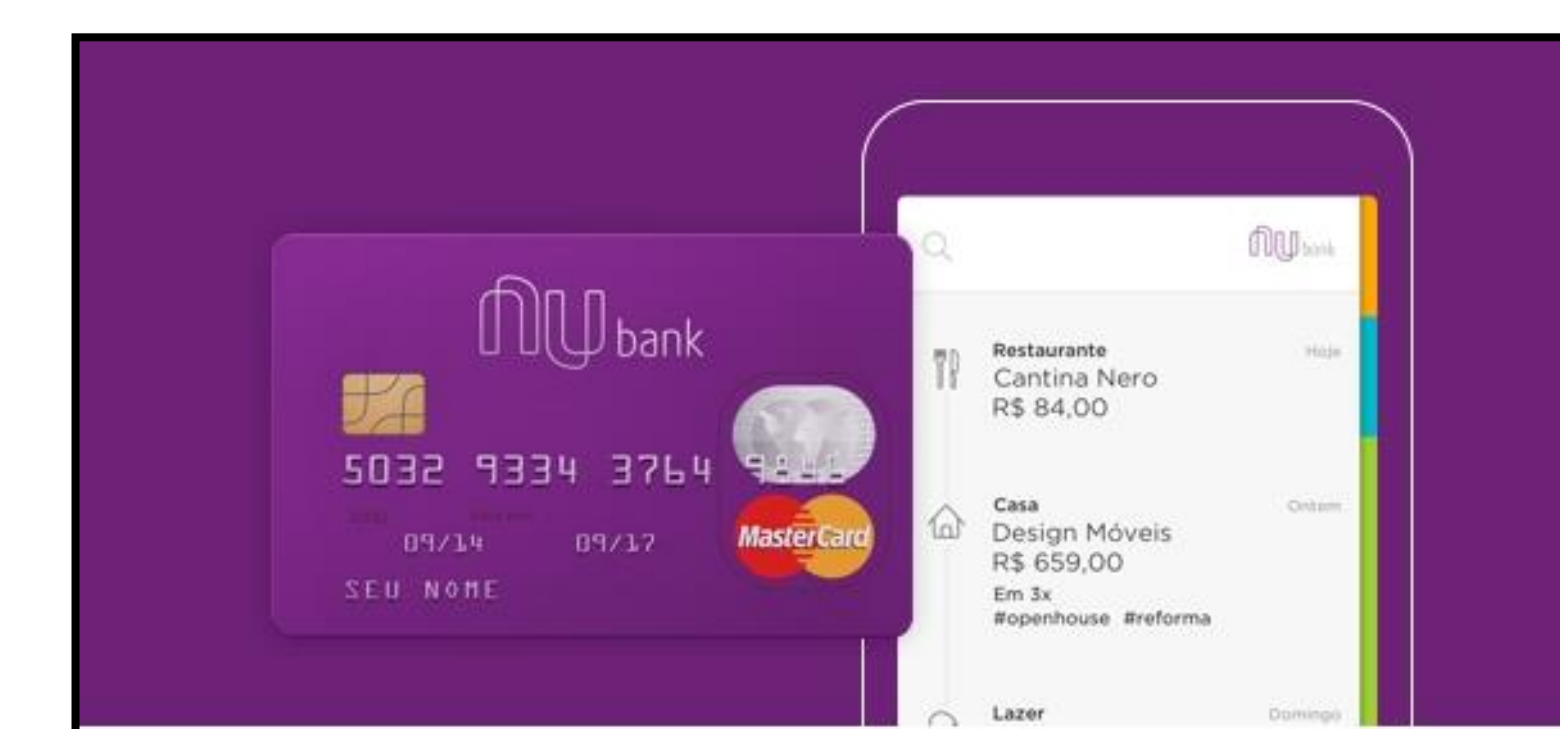
Casual hopes to use cutting edge technology to help change insurance into a force for good.



The offices at CUBO were designed with collaboration in mind, open-plan offices paired with shared leisure spaces fosters connections and networking.

NUBANK

One of the sections of the startup sector that has seen a lot of popularity in Brazil is the financial tech sector. We visited one of these companies, Nubank, that uses machine learning and AI to approve or deny people for credit cards, and allow customers to view transactions, balances, set spending limits, and much more all through a connected app. Nubank wanted to challenge some of the more established players in the Brazilian financial market and always kept a positive customer experience at the core of the decision making process.



The Nubank card and accompanying app, the name is a play on words with Nubank being phonetically similar to New Bank, but meaning Naked Bank in Portuguese.

REFERENCES

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- (3) <https://www.forbes.com/sites/alexisglick/2012/08/22/dilma-rousseff-brazil-entrepreneurs-power-women>
- (4) <http://riotimesonline.com/brazil-news/rio-politics/more-than-25-million-brazilians-living-below-poverty-line/>
- (5) CUBO lecture

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