

Brazil Buys More PCs Than TVs, Bolstering Hewlett-Packard, Dell

By Connie Guglielmofernando on: Tue 20 of May, 2008 [16:19 UTC] (8 reads)

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— When Catarina Delboni traded in her generic computer for a new system from Hewlett-Packard? Co., she joined the ranks of Brazilian consumers taking advantage of lower prices and payment plans to buy from the top U.S. brands.

Her old machine was a lumbering Frankenstein pieced together with parts from different companies, said Delboni, a 22-year-old engineering student in Sao Bernardo do Campo. The new one, bought in March for 1,800 reais (\$1,084) with her father's credit card, is faster. Spreading the cost over 10 payments ``definitely made my life easier," she said.

Brazil ranked as the fifth-largest PC market last year as bank credit offers, installment plans and growing prosperity fueled purchases, especially among low-income consumers. The shift is a boon to Hewlett-Packard and Dell Inc., the world's top PC makers. A tax break for PC makers has allowed them to cut prices and compete with unregulated sellers whose so-called gray-market machines dominated the market.

``You have a consumer market that's exploding as people have more access to credit, *said Mario Anseloni, managing director of Hewlett-Packard's Brazil division.* ``That's transforming the whole economy.

Demand in Brazil is helping PC makers expand revenue as U.S. spending slows. Hewlett-Packard?, which generates two-thirds of its sales outside the U.S., may disclose fresh evidence of the trend today when it reports second-quarter results. Sales grew 11 percent to \$28.3 billion in the period, according to a preliminary report last week.

Overtaking TVs

Total Brazilian PC shipments rose 38 percent to 10.7 million units last year, according to research firm IDC in Framingham, Massachusetts. That marked the first time that shoppers bought more PCs than television sets in the country. Brazil's PC market, which ranked seventh in 2006, is poised to take third place by 2010, behind the U.S. and China. Japan and the U.K. are now third and fourth, IDC said.

Palo Alto, California-based Hewlett-Packard fell 58 cents to \$46.71 yesterday in New York Stock Exchange trading. The shares have declined 7.5 percent this year, dragged down last week by concern that its \$13.2 billion acquisition of Electronic Data Systems Corp. is too costly. Round Rock, Texas-based Dell, down 14 percent this year, declined 11 cents to \$21.20.

Brazil's economy last year grew at the fastest pace since 2004 and should be able to maintain annual growth of as much as 4.5 percent, Standard & Poor's said in April after raising the country's debt rating to investment grade for the first time. The upgrade will spur foreign investment, furthering economic growth.

Low-Income Buyers

Low-income families, eager for Internet access, are buying PCs at a faster pace than any other group, according to the Brazilian Internet Steering Committee. Spending by Brazilian businesses on software, services and computers rose 12 percent to \$20.7 billion last year, IDC said. The country accounted for almost half of technology purchases in Latin America. Outlays may rise another 12 percent this year to \$23.3 billion, IDC said, compared with 4 percent in the U.S.

The opportunity to win consumers and business customers is prompting Hewlett-Packard, Dell and International Business Machines Corp., based in Armonk, New York, to expand operations in the country. Hewlett-Packard, which entered Brazil in 1967, has 8,000 employees in sales, research, services and manufacturing at four factories there.

Retail Help

Working with 3,000 retailers and 25,000 partners, Hewlett-Packard leads the Brazilian market in sales to consumers and small businesses and ranks behind IBM in corporate sales, according to Anseloni.

“Brazil is the most competitive market in Latin America, Anseloni said. “The challenge is not to win, but to win and make money.

Hewlett-Packard doesn't release sales figures for the country, saying only that orders in Brazil, Russia, India and China account for 9 percent of total revenue and that sales **in Brazil have doubled in the past three years**. Revenue in the four countries jumped 35 percent in the three months ended in January, compared with an 8 percent gain for the total Americas region.

Dell established operations in Brazil nine years ago as part of its move into Latin America, said Raymundo Peixoto, head of Dell Brazil. The tax breaks help the company compete with gray-market computers, machines from manufacturers that don't pay taxes or distribute computers through approved channels. Such systems had been selling for as much as 40 percent less than Dell's PCs, Peixoto said.

Gray-market PCs now represent less than half of Brazilian shipments, down from more than 70 percent in 2004, IDC said.

Like Hewlett-Packard, Dell relies on partners such as Wal-Mart Stores Inc. to reach consumers, who represent the biggest growth opportunity, Peixoto said. **“If you look forward, the next billion people connected to the Internet will come from emerging markets,” he said.**