

Let's hear it for

BRAZIL

Not only is Brazil hosting the next summer Olympic games and the World Cup soccer, they are also one of the destinations the world's economists, and of course brands, are trying so hard to be part of

Daniel Scheffler reports from Brazil

THE COUNTRY IS THE fifth largest by land, has almost 200 million inhabitants and most significantly is the sixth largest economy by nominal GDP. But this is all old news; the BRICS have been named, followed and over and under estimated. So what's really happening in Brazil and who's there to capture it all?

For one, the luxury brands have swooped down and impressed the Brazilians with products that their middle class money can now give them access to. For instance IWC, the sterling watch brand, has opened up in Sao Paulo in the very hyped JK Iguatemi Mall – mall is used lightly here, as the shopping centre is an architectural slash art shrine complete with every service traditional malls, and airports, have forgotten about like over the top concierge services, mobile apps and downtempo lounges.

A Tyler Brule dream come true and very much an indicator of how new ways are utilised to reach Brazilian consumers beyond the historically overused television strategy. With a new *novella* (compact story) starting ever so often it has been for the last few decades the best way to reach a wider market as Brazilians watch TV as a family and *novellas* easily reached the majority of the population in this way. Now mobile phones are king and the brands are taking the experiences onto the phone and off the phone with unique mobile supported experiences to the next level – from the streets, to nightclubs, to parks.

The rest of the country has been hard at work with diverse industries like soy, beef and tourism that fuels the economy and although the third quarter in 2012 showed a slow down of growth the President, Dilma Rousseff made her views that Brazil's growth is surpassing Europe's very clear. But the reality is SA and India has left the country behind – but with a *Caipirinha* in hand.

One successful business has opened in Brazil, at this interesting and critical time, and has ameliorated their operation; and that is Barrows. A marketing and retail specialist, Barrows has recently joined the, let's call it double-think, WPP group and have offices on almost all the continents now (minus far off Australia).

Spending time with the business, on two continents this time, they answered *Advantage's* Q&A as a

squadron with insights into retail's future, marketing as we know it (or don't), where the industry is going and also how Brazil fits into developing economies or not.

WHAT DEFINES EMERGING MARKETS RIGHT NOW IN 2013?

Many companies and analysts have different variations of what defines an 'emerging market' but in our opinion, it is simply a market that is experiencing significant transition and growth. There are three main factors behind this:

- Opening up of these economies to global capital, technology and talent
- Lifting millions out of poverty into the middle class, which has propelled these rich industrial markets into consumer markets
- Large, low-cost and educated labour pools that give the markets increased competitive production advantage

HAS YOUR EXPANSION TO BRAZIL AIDED THE BRAND?

Absolutely, while some might argue that Brazil is currently 'out of favour' as a high growth market due to the credit exposures in 2012 and that the time of the BRICS is being challenged by some of the other emerging markets (Mexico, Philippines, South Korea), any emerging market fast approaching 200 million people with a burgeoning middle class cannot be ignored by any consumer goods company... these are our clients, so our presence in Brazil has had significant impact in moving us on and up the ratings of our current and prospective future clients radar. We have always networked very effectively between the various Barrows Operating Companies and lessons learnt in Brazil are shared between Barrows companies around the world and from this our clients benefit. Brazil is in the top three emerging markets globally for all of the leading FMCG companies. Expanding



into Brazil was fundamental to the growth of our brand but more importantly it has allowed Barrows to test and prove the unique operating model that we plan on rolling out across the emerging markets we operate in.

WHAT WAS YOUR MARKET ENTRY STRATEGY FOR A COUNTRY LIKE BRAZIL?

Barrows has always put our clients at the centre of our strategy. Our expansion out of SA into the European market more than 12 years ago was based on two of our long-standing client's requests and today we still retain these partnerships. Brazil was no different in that we were invited by one of our global clients to assist them gain significant competitive advantage in the Brazilian retail environment. This required a medium to long term investment from both our client and Barrows and looking back, both parties would agree it was a mutually beneficial partnership which still continues today. As an entrepreneurial business, we took a long view and saw the Brazil business set up as a beachhead into the LATAM region, much as we see our regional offices around the globe.

HOW DOES YOUR INDUSTRY DIFFER IN BRAZIL COMPARED TO SA?

The modern retail trade in SA is dominated by a

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few national, large conglomerates found across the entire country i.e. Shoprite, Checkers etc. Brazil has a state based modern trade, which results in a more decentralised client-base. The effect on our industry is a much broader range of solutions required in Brazil to meet all the individual customers needs. Also there are very small, informal stores situated in the townships that characterise the 'traditional trade' in SA and these stores are supplied goods through the wholesalers. The 'traditional trade' in Brazil is significantly more developed and the stores are much like mini independent supermarkets, which operate formally and are serviced by the distributor network. In total, Brazil has approximately one million points of sale and so this represents a much bigger opportunity for our industry.

WHERE DOES THE GROWTH LIE IN BRAZIL?

The growth lies in the 'traditional trade', which is classified as retail outlets with less than four checkouts. They are generally stores in close proximity to the lower and middle class neighbourhoods whereby shopper's frequency of purchase is high – every day or at least four to five times per week. Also with the mass middle market experiencing such dramatic growth in the past decade, many households have had access to the first time to 'disposable income' and the 'white goods' industry is booming in Brazil, sales of TVs, fridges and other home appliances sky-rocketing, this is a key sector we are targeting as a company. Also car and mobile phone sales are booming which are core sectors for us to offer our services to.

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shades

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WHAT IS MARKETING TODAY IN 2013?

Marketing is more complex than ever before. With the growth of retail marketing and non-traditional media channels, especially related to digital and social media, brands need to be online and available 24/7/365 – constantly monitoring, adapting and executing their marketing strategies. And coupled with tough economic times and the need for a return on investments, successful marketing has become the difference between good and great. Multi-Channel marketing is the current buzzword and through our minority sale to WPP in May of 2012, we now have access to the reach and multi-channel disciplines within and across the WPP network.

AND RETAIL SPECIALISTS 2013?

The goal is simple: whether in a small convenience store in the middle of Soweto or in a Makro wholesaler, we assist our clients in converting a shopper into a buyer at the actual point of purchase.

WHAT MAKES RETAIL INTERESTING?

The very fact that 'retailing' *per se* is the oldest trade in the world. The possibilities to better

understand consumers and shoppers' minds and predict their needs. The opportunity to learn how trends and current context can change the retail environment. Finding new ways to cause a positive impact socially and environmentally where we operate. And finally the whole idea of transforming shopping into an easy and pleasant activity is what moves us.

HOW DOES TECHNOLOGY PLAY A ROLE IN YOUR BUSINESS?

Technology is being used very effectively in engaging and educating shoppers (think of in-store digital screens) as well as providing sustainable solutions i.e. LED lighting versus fluorescents. Technology and innovation will continue to play a major role in our industry. Technology has also threatened the entire 'traditional concept of retail' as being a 'bricks and mortar' space and place where one visits to purchase his or her products. Amazon, eBay and iTunes have shaken the retail industry by the scruff of the neck and said, 'Wake up or die' and many have. We are excited and not threatened by this trend, as it has caused big global retailers to seriously consider their offering, offering 'everyday

low prices' is no longer appealing to shoppers/consumers as they can get this on-line and cheaper. So retailers are seriously having to consider and re-invent the 'shopping experience' and how they can continue to add value to their shoppers lives, to encourage them to continue visiting their stores as opposed to shopping online – it is this 'experience' that we assist our clients deliver to shoppers.

AND MOBILE, WITH THE HUGE EMERGENCE OF CELLPHONES AND SMART PHONES IN EMERGING ECONOMIES?

In Brazil, for example, 70% of people older than

10 have a cell phone. The mobile marketing scenario is expected to go under huge changes in the next couple of years, as technology becomes more accessible. This means more people will have more access to real time information, social connection etc. However, we still have to discover new truths about mobile. For example, mobile doesn't necessarily mean 'on the go': 68% of smartphone use happens at home. Another example, only 12% of primary motivation for mobile users is to seek info about a product or service. 46% of all interactions are 'me time' (seeking relaxation or entertainment). More than anything, we have to understand the user holding the mobile.

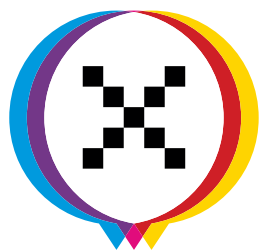
TELL ME WHAT YOU DID FOR BRAZILIAN BRANDS CHANDON AND HAVAIANAS?

Both brands are iconic in Brazil. But when you walked into store, it was completely the opposite – the visibility of these brands was very poor and not in line with the other marketing mediums and certainly not what shoppers had grown to expect from these brands. So we went to war on re-building these brands and their equity in store. Today we would be proud to walk you into any store in Brazil or any other market they are now growing for that matter. For us establishing a business in Brazil, we wanted to target and win business from an iconic Brazilian brand and what better icon than Havaianas? And we are rolling out the strategy globally with them and their retail partners.

WHAT DO YOU SEE AS THE FUTURE OF YOUR INDUSTRY IN EMERGING MARKETS?

Retail Marketing will continue to grow as the one of the most successful channels in both the first world as well as emerging markets. Think about it: seeing something on TV, hearing it on radio, seeing it on some social media network is all cool and it re-enforces brand awareness. However, when a consumer becomes a shopper and has money in hand... every brand has to win the awareness war and be sold. Digital and social media will continue to build brands and influence consumers but for as long as we see, shoppers will always want to touch, feel, smell, taste and experience a brand before making a purchase. So we will continue to innovate, adapt and ensure that we always provide our clients the ability to win at retail.

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