Future Perspectives

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The Coming Decade for Latin America:

Belleza Del Sur

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The coming decade for Latin America: Belleza Del Sur

With Europe's economies stagnating, China worrying about sustaining growth and property bubbles, India faltering, and the US showing only limited signs of a post-crash recovery, Latin America remains one of the few regions exhibiting continuing growth and healthy long-term prospects.

At the individual country level, Brazil passed the UK recently to become the world's sixth largest economy; by 2020 Mexico may well have become the tenth largest[1]. On a city scale, measured by contribution to GDP, Paris (currently sixth), Osaka (currently seventh) and Washington DC (currently 11th) will be overtaken in 2025, respectively, by Mexico City, São Paulo and Buenos Aires[2].

> There are dangers in talking about such a large and complex region in general terms, but it is worth identifying the confluence of factors running in Latin America's favor

Although there are dangers in talking about such a large and complex region in general terms, it is worth identifying a confluence of factors running in Latin America's favor at present. These include:

- a young population, giving a 'demographic dividend' in many countries;
- a 'political dividend' in the shape of center and center-left governments, which in turn have an economic impact both by reducing the region's historically high levels of economic inequality and by increasing levels of social protection, which encourages lower savings rates and increased consumption;
- a 'technology dividend' from the take-up of mobile, which increases economic growth; and
- a 'China dividend' in which demand from China has reduced the region's historical dependence on the United States. China is now Brazil's biggest economic partner.

The Futures Company produces consensus-based forecasts for the main Latin American economies. Rates of growth have recently slowed. In some cases quite sharply, and this in turn reflects the region's increasing economic connections with China and East Asia, which are also slowing. But the signs are that the region will continue to out-perform Europe and the United States, not least because of its demographic advantages.

The economic benefits from growth will be enjoyed by consumers

We also see unemployment rates decreasing across the region, as these growing economies create jobs within their national borders, and people also move from informal to formal work.

These new jobs will enable consumer expenditure to rise year-on-year, in line with the projections in the box below.

The economic benefits from growth will be enjoyed by consumers who will see their disposable incomes and their purchasing power increase.

Economic Projections to 2014

Country	Total GDP % Growth Forecast 2012	Total GDP % Growth Forecast 2013	Total GDP % Growth Forecast 2014	Unemployment Rate % 2012	Unemployment Rate % 2013	Unemployment Rate % 2014	Consumer Expenditure % Growth 2012	Consumer Expenditure % Growth 2013	Consumer Expenditure % Growth 2014
Argentina	5.6	4.2	4	9	8.5	8.4	7.1	4.7	4
Brazil	3.4	3.6	4	6.7	6.7	6.7	5.4	5.1	5
Colombia	3.8	4.5	4.5	11.5	11	10.5	6.5	5.5	5
Mexico	0	2.9	3.8	4.5	3.9	3.5	3.6	3.5	3.9

Note: GDP and Consumer Expenditure Growth = Year-on-year % Growth

Latin America's four dividends

Latin America's young demographics will give it an increasing economic advantage

A 'Demographic Dividend'

By 2020, the population of Latin America will have reached 650 million, mainly in urban areas. Two-thirds of this population, around 430 million people, will be aged 15 to 64 and, mostly, economically active.[3] This relatively young demographic skew will become an increasingly significant advantage in the coming years over the aging societies of China, Japan, Russia, Europe and the US.

Most of this population growth will take place within the region's emerging middle class. According to one definition, used in recent research by the Organization for Economic Cooperation and Development, the middle classes now make up the majority of the population in Chile, Brazil, Mexico, Uruguay, Costa Rica and to a lesser extent Colombia. These figures continue to grow rapidly. In contrast, in the 1960s and 1970s the middle classes represented barely 30% in these countries.[4] Although Latin America's middle classes are not as secure or prosperous as their counterparts in Europe or North America, they still have significant economic power. For instance, research from the Federation of Trade in Goods, Services and Tourism of the State of São Paulo (Fecomercio SP) predicts that household consumption in Brazil will be R$3.53 trillion in 2020, up by 50% on the comparable figure for 2011, largely as a result of middle-class spending.[5]

The failure of the market to deliver a higher quality of life for many individuals has led voters to turn towards more social democratic parties who have tended to increase social protection

A 'Political Dividend'

During the early 1990s, international creditors invested heavily in Latin America as many of the countries moved from dictatorships to democracy, and were seen to have established stable markets. Investor confidence was further supported by Mexico joining the North American Free Trade Agreement and of Argentina pegging its peso to the US dollar. However, this lending boom dramatically ended with exchange-rate crises in Mexico in 1994, Argentina in 2001 (then the largest financial crisis in history) , Brazil in 1998 and 2002 and Uruguay in 2002.[6] This failure of the market to deliver a higher quality of life has led many voters to turn towards more social democratic parties who have tended to increase social protection. Social transfer programs pioneered in Mexico (Oportunidades) and Brazil (Bolsa Familia) are now seen as model tools for reducing poverty, and have been copied elsewhere.[7]

There is an increasing economics perspective that believes that this increased emphasis on social protection in the region, has contributed to the economic growth throughout Latin America. The reason: they have reduced poverty and inequality, putting more money into the hands of poorer members of society, who in turn are more likely to spend it rather than hoard it or even move it overseas.[8]

This landscape of increased social equality (albeit from a very low base, historically) and political stability has enabled economic growth within Latin America. It has also contributed to the rise in entrepreneurship, as can be seen in Brazil. Between 2000 and 2010, the number of Brazilian companies grew by 47%. Brazil also has the second highest percentage of entrepreneurs in the world at 15% (China is first with 24% and the US is third with 12%).[9]

A 'Technology Dividend'

The way in which Latin American consumers connect

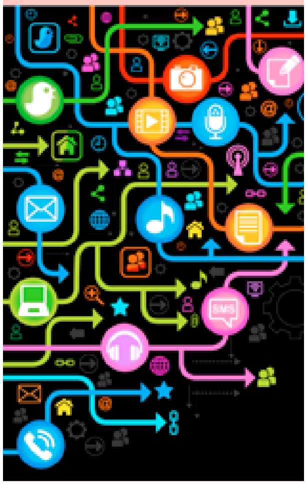
In 2011, Latin America accounted for 6% of the world's population but 8% of its internet users

and engage with each other, as well as with brands, the media and retailers is changing fast. In 2011, Latin America accounted for 6% of the world's population but 8% of its internet users, and the average level of internet penetration in the region was 43%. At the country level, Brazil represents the largest market, with 79m internet users (39% of the population), compared with Argentina, which has 28m internet users (67% of the population) and Paraguay which has the lowest online penetration, with 1.5m internet users (24% of the population).[10]

Increasingly, these are mobile connections. In 2011, mobile broadband overtook fixed broadband as the preferred way to access the internet in Latin America. Mobile broadband subscriptions have grown at 127% per year for the last five years and are forecast to grow at 50% per year for the next five.[11] At the same time, smartphone penetration in Latin America is also increasing at pace and is forecast to grow more than three-fold, from 9% in 2010 to 33% in 2014. Latin America seems to be tracking the US's historical trend, suggesting that by 2018 smartphone penetration in Latin America could reach almost 60%.[12] World Bank research suggests that increases in internet penetration and mobile penetration engender increased economic growth.

Social Networking is booming

In June 2011, 114.5 million people in Latin America visited a social networking site, representing 96% of the online population in the region. Between 2010-2011, the number of social network users increased by 16% while the total time spent on social networking sites grew by 88%.[13]



Managing for these technological developments and the ways in which they are used by different groups of consumers will become critical for businesses in the region. We are also likely to see technological leapfrogging in the region, whereby consumers adopt the latest devices and systems (for example 4G) without going through the intermediate phases seen in other markets (such as fixed-line broadband). Backing the right technological horse will require skillful judgment, but will deliver competitive advantage.

> Latin American exporters have benefitted from stronger relationships with China and its trading partners

A 'China Dividend'

China is increasingly becoming a leading economic partner for many Latin American countries as they turn towards the East and away from the United States. In 2009 an agreement was signed whereby the China Development Bank and Sinopec, a Chinese oil company, will lend Brazil's state-controlled oil company, Petrobras, $10 billion in return for up to 200,000 barrels a day of crude oil for the next 10 years. China has also offered Argentina a currency swap and Chinese companies have bought stakes in oilfields in Ecuador and Venezuela, to mention a couple of examples.

This exposure to China has undoubtedly better enabled Latin America to survive the global recession relatively unscathed, but there are some concerns surrounding this relationship that will continue into the future. Latin American economies, specifically that of Brazil, have largely benefited from the export of their commodities to China, Latin American exporters have further benefited from stronger relationships with China's other trading partners. However, this relationship is not without its difficulties, as it has brought competition at the manufacturing level, seen in cost pressures on Mexican textiles and the closure of Brazil's toy-making industry.[14] These issues will provide continuing challenges. The China effect is part of the wider trend towards greater South-South trade. Brazil, in particular, is looking to develop its economic ties within Africa, especially with the Portuguese speaking countries such as Mozambique and Angola.

Latina Energies

As well as the macro picture, consumer trends in the region are also important. In this section we review the 'Latina Energies' from our custom research into the consumer trends that are shaping lifestyles in Latin America. The overall research identified 10 Latina Energies; here, we focus on the five that are most distinctive to the region. We have also used the data from our proprietary survey, Global MONITOR, which surveys four countries in Latin America (Argentina, Brazil, Colombia and Mexico). Where we reference Latin American consumers this is an aggregate of data from these four countries.

Considered Consumers

'Considered Consumers' highlights the way in which consumers are becoming increasingly thoughtful about purchase decisions. Latin American consumers' improved access to information allows them to search for these deals. While there is 'considered consumption', this is not to say that consumers are being frugal. There is a growing demand for luxury products, as consumption is increasingly seen as an expression of individual progress.

The combination of economic growth, increased disposable income and improved availability of credit has increased consumers'access to brands

Ten years ago, many of the goods and services depicted as 'luxury' would have been out of reach for most people in the region. The combination of economic growth, increased disposable income and improved availability of credit has now allowed consumers to increase their access to brands. Only 44% of Latin American consumers agree that "price is more important to me than brand names" compared to a global average of 56% from the 21 countries covered in the 2012 Global MONITOR survey.[15] Consumers are also starting to customize their products so they can reflect their identity through their consumption. One example is Totto in Mexico, where consumers can design their own bags.[16] 66% of Latin American consumers agree that "I increasingly expect products to be customized to suit my personal needs," compared to 50% globally. (Global MONITOR 2011)[17]

Identity Tensions

'Identity Tensions' concentrates on the conflict of values between genders, generations, and cultures. Within this Global Energy there is particular emphasis in Latin America on respect and tradition. Latin American consumers are more worried about the loss of their cultural identity and traditions than the global average—60% agree that "I worry that the values and traditions that I most appreciate about my country are being eroded by other cultural/global influences" compared to 56% from the 21 countries covered in the Global MONITOR survey.[18] An example of a brand celebrating tradition is La Chilanguita[19], a Mexican cantina restaurant chain which celebrates Chilangos (Mexico City residents) and their folklore. Its website has a short, funny clip on the meaning of being Chilango, celebrating their individuality. In general, Latin Americans across the region are concerned about this loss of traditions, but this is not evenly spread across all countries. In Brazil, people are somewhat less worried about the erosion of their culture compared to the other Latin American countries.

> Latin American consumers are more worried about the loss of their cultural identity and traditions than the global average

Living with Risk

'Living with Risk' focuses on managing life's risks, as well as safeguarding the assets and people that are valued by consumers. Latin America is increasingly concerned about social and health risks, and social equality. 70% of Latin-American consumers agree that "The world I live in feels like an increasingly hostile and uncertain place" compared to an average of 66% from the 21 countries covered in the Global MONITOR survey.[20] This is highest in Argentina (83%) and Mexico (74%), and can be attributed to the insecurity felt within Argentina since the financial crisis of 2001, and to the hundred year wave of violence in Mexico. An example of a brand helping consumers to manage everyday risks is Bompreço[21], a supermarket chain in Brazil that promises to offer low prices for different products every single day, while also encouraging repeat visits.

Navigating Wellbeing

'Navigating Wellbeing' identifies the need for consumers to manage their

The lack of trust in public health facilities has led to an increased focus on self-monitoring

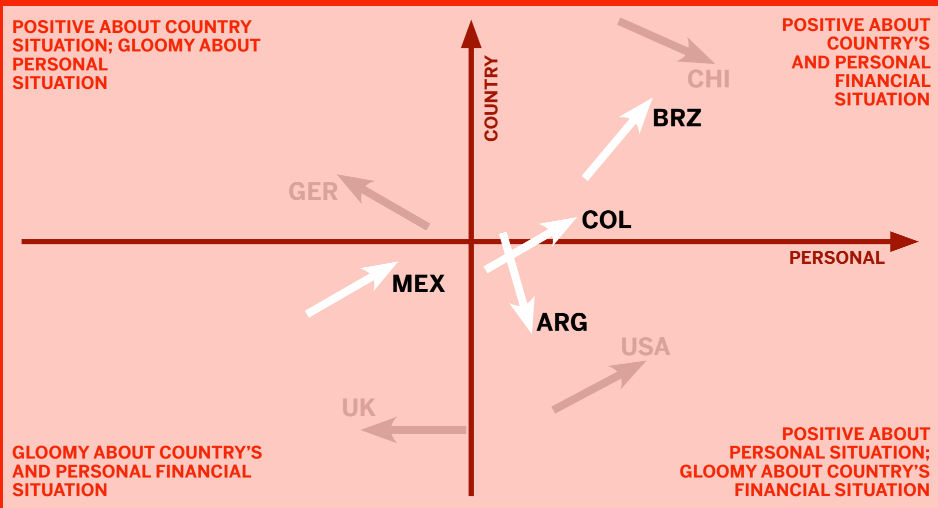
health and wellbeing through the routines of daily life. In Latin America key areas of focus within this Energy relate to the lack of trust placed in public health systems, and the increasing number of consumers who are now prioritizing their health. 46% of Latin American consumers agree that "I have made it a top priority in my life to live a healthy lifestyle" compared to 35% globally.[22] This is why brands such as Luchetti pasta, which we will look at later, have resonated well with Argentine consumers looking for healthy options to feed their family. The lack of trust in public health facilities has led to an increased focus on self-monitoring. 85% of Latin America consumers agree that, "I would like to be able to monitor my own health more effectively", compared to 78% globally.[23] Despite the increase in volume of health information available, consumers are still confused about the actions they should take. As a result, Latin American consumers still place importance on the most respected pillar in the health community, the doctor, to help filter this wealth of information.

Seeking the Genuine Article

'Seeking the Genuine Article' talks about consumers seeking comfort, reassurance and trust provided by things that are honest, genuine and true. Latin America has distinctive characteristics in this area, stemming from a history associated with corruption and distrust, and from the current desire to maintain local culture within the region. The lack of trust in the public sector and in private companies has created an atmosphere of skepticism among Latin American consumers. As a result, they expect brands to communicate values that go beyond their products and are transparent, as well as strongly connected to their roots and traditions. An example of a brand expressing its genuine culture is Natura, the local beauty brand in Brazil, (see page 19) which has been successful because it projects a clear story about being Brazilian together with values around kindness and fun, demonstrated in its advertisement with grandparents and grandchildren that celebrates "strengthening the bonds between generations".

The Country Landscape

Consumer assessments of their country'seconomic prospects



White arrows indicate direction of change between 2011 and 2012 scores

Mexico

Mexico has been convulsed by its centennial pattern of violence, making consumers feel that the world is becoming increasingly hostile (74% vs 66% globally). Yet at the same time Mexicans also report some of the most upbeat attitudes when it comes to emotional wellbeing (77% satisfied with this aspect of their lives vs 50% globally). Their sense of optimism is enhanced by Mexico's recent economic upswing, boasting real GDP growth of 3.9% in 2011, ahead of Brazil's 2.7%.[24] Although some of Mexico's attraction as a home for Foreign Direct Investment (FDI) inflows is driven by its static real wages, since 2011

Brandz™ Top 5 most-valuable Mexican brands 2012

1	telcel	Communication Provider
2	Corona	Beer
3	TELMEX	Communication Provider
4	Televisa	Communication Provider
5		Retail

Brazilians display the strongest appetite for novelty and new experiences, as branded goods come into the reach of new consumer segments

there has been a 9% rise in people viewing their personal financial situation well or fairly well, rising to 51% in 2012.[25]

Given Mexico's close ties to the US market, Mexicans have had more exposure to foreign brands than many of their regional peers. According to the findings of a recent McKinsey survey, Mexicans have remained loyal to brands, cutting back on overall spending instead of trading down.[26] Equally, against the global average of 56%, only 43% of Mexicans consider price more important than brand names, despite financial constraints in many households.[27] While foreign companies are likely to benefit from this appetite for branded goods, the importance of culturally-relevant propositions is key. Partly as a response to the domineering influence of their northern neighbors, 66% of Mexicans worry that "the values and traditions that I most appreciate about my country" are being eroded by other cultural/global influences against the global average of 56%, and the Latin American average of 60%.

Brazil

After years of rapid growth, the Brazilian economy has experienced a slowdown amid accelerating consumer debt. Nonetheless, Brazilians remain optimistic about their country's (75% vs 39% globally) and their personal financial outlook (63% vs 54% globally). Brazilians also display the strongest appetite for novelty and new experiences, as branded goods come into the reach of new consumer segments. However, willingness to take on short-term debt has fallen 7% since 2010, to 45%. Although this is still above the global average,

Brandz™ Top 5 most-valuable Brazilian brands 2012

1	Petrobras	Energy
2	Bradesco	Financial Institution
3	Itaú	Financial Institution
4	Skol	Beer
5		Financial Institution

Brazilian consumers are likely to become more considered about their purchases in the near future.

This climate is contributing to increasingly risk-averse attitudes in a country with ongoing security concerns. Against the global average of 63%, 73% of Brazilians prefer to play it safe. In contrast with the dominant global trend of consumers striving for self-reliance, Brazilian consumers are far more likely to seek the help of experts as a path to success (72% vs 44% globally), creating opportunities for brands in this space. Unlike their fellow Latin Americans, Brazilians are not strongly worried that the values and traditions of their country are being eroded by other cultural/ global influences (44% vs 60% Latin American average). The impact of Brazil's growing economic and geopolitical influence on national pride should not be underestimated.

Colombia

Colombian consumers have benefited from recent improvements in Colombia's security situation and several years of solid growth, and are among the most upbeat in the Global MONITOR survey. Although high levels of unemployment and informal employment still affect consumers, 60% of Colombian consumers judge their personal financial situation as going very well or fairly well, an 8% rise since 2011. Although some of this is fuelled by high levels of household debt, consumer attitudes signal positive prospects for consumer demand. 68% of Colombian business owners also believe business will be better than a year ago; the highest of any Latin American country in 2012.[28]

In contrast with many fast-growing economies, Colombians are less focused on material pursuits and engage with idealistic goals, such as reaching their full potential in life (91% vs 69% globally) and making the world a better place (89% vs 65% globally). A general sense of consolidation in the country is also driving national pride and a growing interest in exploring Colombia's rich cultural diversity.

Sixty indigenous languages are spoken in Colombia and it has the second largest population of African descent in Latin America, after Brazil. [29] With 67% worried that "the values and traditions that I most

Brandz™ Top 5 most-valuable Colombian brands 2012

1	COMCEL	Communication Provider
2	ECOPETROL	Energy
3	Bancolombia	Financial Institution
4	Banco de Bogotá	Financial Institution
5		Financial Institution

appreciate about my country are being eroded by other cultural/global influences"—the highest level in Latin America—brands need to build particularly strong local resonance.

Argentina

Since its financial crisis in 2001, Argentina has succeeded in achieving solid growth, driving down unemployment and raising purchasing power for many. Nonetheless, consumers currently have to face very high levels of inflation and government-imposed import restrictions, generating shortages of industrial and consumer goods, as well as public dissent. In this volatile environment consumers are more pessimistic about their country's financial outlook, with 36% saying their country's financial situation is going very well or fairly well, against a much more optimistic Brazilian outlook of 75% and a Latin American average of 47%.

Nonetheless, Argentines still score above the global average (54%), with 56% agreeing their personal financial situation is going very or fairly well. Despite financial worries, reported levels of savings remain the lowest in the Global MONITOR survey (17% say they have enough savings), and Argentinians are also the most open to short-term debt among all surveyed countries globally (58% vs 33% globally). However, it appears that many are looking for respite from these financial pressures, with a reported rise in the importance of family and community ties and the longer-term rise in the popularity of psychotherapy in Argentina (There are now 196 practising psychologists per 100,000 people in Argentina compared with 27 per 100,000 in the USA).[30]

Brandz™ Top 5 most-valuable Argentinian brands 2012

1	YPF	Energy
2	Personal	Communication Provider
3	Telecom	Communication Provider
4	Quilmes	Beer
5	Galicia	Financial Institution

Argentinians are the most open to short term debt among all surveyed countries globally

Managing Differences in Latin Markets

Source: The Futures Company

The country landscape conveys some of the differences between countries. Across the whole continent, extremes are even sharper.

For instance, Brazil is 80% the size of the whole of Europe[31], while Bermuda is the fifth smallest territory in the world[32]. Literacy rates vary from 99.8% in Cuba to 62.1% in Haiti. The population of Brazil is nearly 200m, while fewer than 20,000 people live in Anguilla.[33] Although Spanish is spoken broadly across most of the region with the distinct exception of Brazil, Mexico alone recognizes 68 distinct indigenous Amerindian languages.[34]

To explore what these similarities and differences mean for brands and their marketing strategies in Latin America, we have developed a brand strategy framework (shown left). It focuses only on marketing strategies within the Latin American region. While there are case studies that demonstrate successful Latin American brands operating internationally, such as Havaianas,[35] these are not examined here because the focus is on brands that are successful within the region.

The horizontal axis, brand origin, is defined by whether the company originated in a Latin American country or from outside the region. The vertical axis, Latin American market focus, is contingent on whether the business or brand, and its marketing activities, are concentrated on one particular market or whether they span the region.

Theae quadrants and their definitions are not mutually exclusive, and there is some blurring between them, but we believe that where brands' centers of gravity lie on this matrix plays a critical role in determining their most appropriate and credible marketing strategies in the region.

Brazil's national beauty brands all grew faster than multi-nationals to 2010

Exploring the four quadrants

Domestic brands, domestic markets

When the popular Brazilian poet, Vinícius de Moraes, said "*As feias que me desculpem, mas beleza é fundamental*" (*Forgive me the ugly, but beauty is fundamental*), he summed up the nation's attitude to the importance of physical appearance and of looking good. Brazil is the second biggest market in the world for plastic surgery, with around 600,000 procedures a year, and has the fourth highest number of gyms. Brazilian women, in particular, take the business of beauty extremely seriously. Sales of beauty and personal care products exceed $35bn a year.[36] Since 2005, hair care revenues have increased by an average of 9% a year, fragrances by an average of 15%, and cosmetics by 19%.[37]

For a long time, cosmetics giant Avon has been a successful case study in selling beauty products in Brazil. The company's army of 1,200,000 door-to-door sales people has generated huge growth over the past decade, and two-fifths of the company's revenues come from Latin America.[38] The direct sales approach struck a chord with Brazilian consumers who value personal service. Nevertheless, Avon has faltered recently. While this is partly explained by problems with a new distribution center and IT systems, there are signs of broader shifts in Brazilian consumer culture that will challenge the company's future success and its competitive positioning.

Brazilian consumers, like their counterparts throughout Latin America, are highly aspirational and this has been fuelled by rising disposable incomes. Pride and optimism around the future lead directly to confidence in the nation and in its ability to do well, and its identity is strong. While the emerging middle class has been happy to buy cosmetics from an international corporation with an effective distribution model and endorsements from global celebrities, this may no longer be enough. Brazilian consumers are increasingly looking for something that feels more relevant.

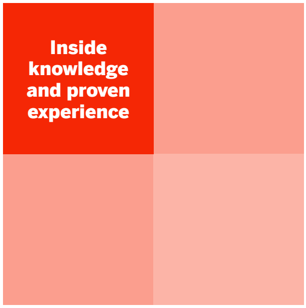
As a result, local beauty brands are becoming increasingly successful. The top three domestic companies, Natura, O Boticário and Hypermarcas, all grew faster than multinationals between 2006 and 2010.[39] Natura is the largest beauty and personal care business in Brazil; O Boticário, which is second, is the largest specialist beauty retailer.

The rise of O Boticário is a success story whose rise mirrors the development of the beauty industry in Brazil. The company embodies many qualities that make

it appealing to the modern Brazilian consumer. Its franchise model, one of the first to be used in Brazil, reflects the growing sense of empowerment that consumers feel, and it demonstrates that entrepreneurial commercial success can be achieved by those with ambition. Second, it is well known for its 800 Brazilian conservationist projects and its local CSR programs, which emphasize the company's local links to and its re-investment in Brazil. The company also has a deep understanding of what beauty means in a local context and positions itself around this. Unilever's Dove brand may understand women globally, and Avon understands how to sell cosmetics to women in Brazil, but Boticário understands Brazilian women and the fundamental importance of beauty to them. This is what makes the company stand out from the crowd.

Another domestic brand that has enjoyed success through demonstrating its local understanding of women, but from a very different perspective, is Luchetti in Argentina, mentioned earlier. Luchetti shifted its marketing focus and efforts away from a product benefit-driven approach towards communications that celebrate the role of its target consumers—mothers and housewives. It reinforced the important role of mothers in Argentine society as 'amas de casa' (housewives) and championed their contribution to family life, an empowering message for women who are not family breadwinners but who want to be recognized for their contributions and achievements nonetheless.

Domestic brands, regional markets



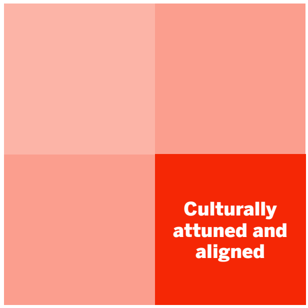
The success of Latin American brands is not limited to the countries from which they originate. For example, the Argentine confectionery brand Arcor is the world's largest producer of candies, and the largest exporter of confectionery in Argentina, Brazil, Chile and Peru. The company uses the strapline, "*Le damos sabor al mundo*" (*We give the world flavor*), a clear indication of its international focus and ambition.

Arcor's ascendancy owes much to its clear understanding of the distinctive macroeconomic climate in Latin America. From its inception, the company demonstrated a sharp awareness of the operating risks in the region, through fluctuating commodity prices, unstable economies or over-reliance on one product range in one market. An early focus on internationalization, the rapid adoption of best practice and quality requirements in highly competitive markets, and a commitment to modernizing production and management processes all ensured the company was able to survive in volatile economic times. However, Arcor's vertical integration, born of the difficulties posed from sourcing supplies in Argentina's closed economy in the 1970s, has arguably been its greatest asset.

Arcor's ascendancy owes much to its clear understanding of the distinctive macroeconomic climate in Latin America

By producing its own raw materials and creating its own packaging and energy, the company insulated itself from a range of external pressures and created a robust business model that was particularly suited to Latin America. Today, Arcor's strong distribution networks throughout the region have helped it to compete with larger international players such as Unilever and Nestlé.

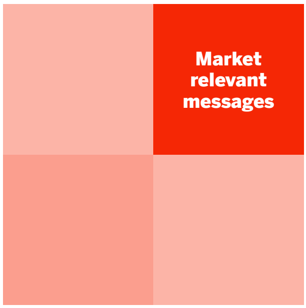
International brands, domestic markets



Latin America's diversity and the individual character of the countries in the region mean that adopting a pan-regional approach to marketing is fraught with pitfalls. Campaigns that do not resonate with local contexts render brands at best irrelevant and at worst alienating. Yet the region remains hugely attractive to international brands looking for new sources of growth. The fact that international brands often have limited leeway to deviate from globally mandated positioning or territories adds further complexity.

A good example of a brand that has managed to stay aligned with its core values, while also appearing culturally attuned to local beliefs and consumer desires in a particular country, is Diageo's Johnnie Walker in Brazil. In a recent campaign, Diageo used the brand's global platform of 'Keep Walking' but made it relevant for Brazilians by tapping into the aspirational mood of the country and by referencing local legend. The advertising depicts the iconic Sugarloaf Mountain as a sleeping giant that wakes up and walks out into the sea accompanied by the 'Keep Walking Brazil' strap-line, an analogy for the positive economic momentum the country is experiencing and consumers' sense of progress.

International brands, regional markets



When resources, time, strategy or organizational structure prohibit the creation of a tailored country campaign, it is still possible for brands to recognize and reflect the importance of local nuances. This is particularly important in Latin America. While culture, language and history may appear similar across the region, the difference in relative levels of income, education and infrastructural development is much greater in Latin America.

A brand that has done well to surmount these problems and create advertising campaigns that deliver market relevant messages in countries across Latin America, while maintaining a consistent look and feel, is Coca-Cola.

Coke's recent regional campaigns have been devised as a menu of different advertisements and vignettes, with the company running the most relevant local combinations in different countries. The overall campaign, execution style and format remain the same across the region but the story and emphasis differ slightly location to location. For example, the recent, 'Razones para creer' (Reasons to believe) campaign included "Reasons to believe in a better Mexico"[40], an optimistic vision of Mexico, on how—despite the country's present experience of violence—the positives of life outweigh the negatives. As the last line of the ad says, "*For each weapon sold, 20,000 people share a Coca-Cola.*"

This hopeful message is replicated in other countries such as Argentina and Colombia, but the exact details and points of reference vary.

This is an example of creating local relevance through a 'jukebox strategy', where brands maintain 80% of their global brand positioning platform, but allocate 20% to the local market they are targeting. This requires having multiple ads and picking one that is relevant to the specific locality, like a jukebox, with some leeway for the tailored aspects.

These campaigns are notoriously difficult to manage and execute, but when a regionally resonant theme is identified, such as Coke's 'reasons to believe' campaign, the benefits of a coherent and coordinated approach can be substantial and the brand's values remain aligned and undiluted.

Conclusion

Latin America remains a complex continent. It is highly divergent, with extreme differences of wealth and culture, both between and within countries, and our work at The Futures Company shows us that generalizations are dangerous. Certainly, one size will not fit all: Brazil is not Argentina; Mexico is not Colombia. Consequently brands will need to understand each country on its own terms, and localize their products and their positioning in order to be successful.

The combination of demographics, prevailing political and economic policies, and technology gains means that many countries in the region are poised for a sustained period of growth; they are effectively primed for new products and businesses. If positioned correctly, companies based in the region are as likely to benefit from this as global competitors. Therefore global businesses will need to think locally if they want to succeed, rather than trying to impose generic business models on their Latin American operating companies.

Brands need deep local insight and experience so that they are able to understand what is important to local consumers, and consequently make marketing messages relevant. This requires specific focus, expertise and knowledge to achieve results that combine deep cultural understanding and future focus.

Endnotes

1. http://www.pwc.com/en_GX/gx/world-2050/pdf/world-in-2050-jan-2011.pdf
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How we can help

How can I assess how consumer values, lifestyles and needs differ across Latin American markets and the risks and opportunities for my business?

Our LatAm MONITOR bundles our consultancy capabilities and resources into a versatile subscription package that helps our clients to gain a deeper understanding of Latin American consumers. LatAm MONITOR includes insight and analysis from our annual quantitative survey of over 5,000 respondents in four key Latin American markets as well as a continuous feed of locally-sourced trend insight, macro driver data and workshop tools via cultural collage newsletters and tailored presentations.

What are the key trends shaping consumers' lives in Latin America and what are their implications?

We use our trends and futures knowledge base and horizon scanning techniques to identify changes in consumer attitudes and behaviors in your markets. We develop a structured framework of the most relevant trends and bring this to life by combining quantitative data with real-world examples. We flag specific implications for your business and brands. We will also help you to embed and activate the trends program within your organization via high-impact multimedia design and interactive workshops.

How can I create future-focused innovation opportunities?

We begin by unlocking fresh insight about emerging needs, beliefs and behaviors through a combination of trends analysis and future-facing qualitative immersion. We then use inspirational stimulus and creative facilitation to draw out breakthrough ideas. We enhance and refine them by engaging with consumers to ensure that the concepts remain true to the original insight and will stay relevant in the future.

How can I understand how my category might evolve and ensure that my strategy is fit for the longer term?

We identify and prioritize the forces of change affecting your market or category via robust, proven scanning methodologies. We then explore how the category could evolve, and the potential alternative futures that may emerge, as these forces of change interact. We assess the strategic implications for your business and can help you to develop effective action plans and roadmaps of future innovation in response.

Sebastian Codeseira is The Futures Company's Trends & Futures Director, He was based in Mexico for three years and now works from Brazil. He help clients understand changes in consumers' lives and Latin American culture, to identify opportunities for business growth across the region.

sebastian.codeseira@thefuturescompany.com

+55 11 9929 87350

Bernardo Geoghegan is the Managing Director for The Futures Company in Latin America. He focuses on strategic futures and innovation, turning insights about the future into inspiring solutions to clients that can be applied today.

bernardo.geoghegan@thefuturescompany.com

+54 (9) 11 4530 9656

Rebeca Dreicon is a Director for The Futures Company in Brazil. She manages multinational projects on branding, communication and innovation, helping clients make the most of today's opportunities to leverage their future success.

rebeca.dreicon@thefuturescompany.com

+55 11 8859 2658

Florencia Davidzon manages The Futures Company in Mexico. She is focused on creativity and innovation to offer clients solutions that allow them to see their issues from a new perspective.

florencia.davidzon@thefuturescompany.com

+52 1 554 1907 332

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About The Futures Company

The Futures Company is a leading global strategic insight and innovation consultancy. Unparalleled global expertise in foresight and futures enables The Futures Company to unlock new sources of growth through subscription services and research and consulting solutions.

The Futures Company is a Kantar company within WPP with teams in Europe, North America, Latin America and (from 2013) Asia.

The Coming Decade for Latin America was written by Giles Powdrill and Christina Hughes. It was based on interviews with and research by Bernardo Geoghegan, Sebastian Codeseira and Rebeca Dreicon. Global MONITOR analysis and country profiles were written by Vera Kiss.

Will Galgey, Global CEO
T: +44 (0)20 7955 1818
will.galgey@thefuturescompany.com

www.thefuturescompany.com
www. twitter.com/futuresco
www.facebook.com/futuresco
http://www.linkedin.com/company/the-futures-company