# MARKETING STRATEGIES FOR LATIN - AMERICAN MARKETS

OCTOBER 18, 2005

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# RAPIDLY EXPANDING ECONOMIES = OPPORTUNITIES



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GLOBAL EMERGING MARKETS

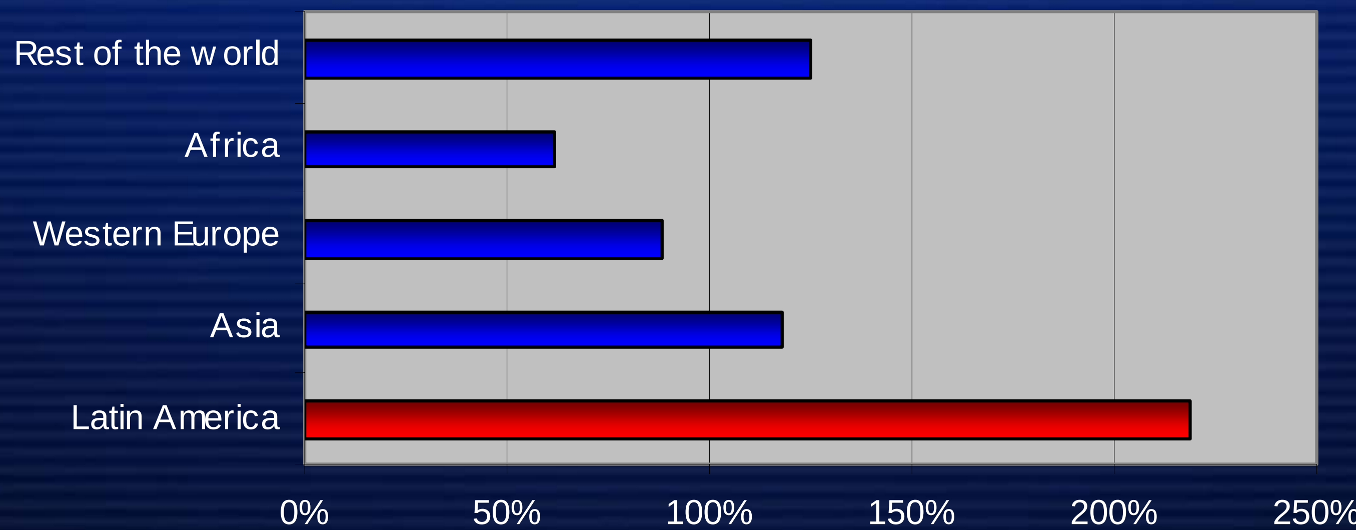
## ➢ Main reasons for presence in new markets

- Cost-cutting opportunities
  - Manufacturing
  - Better perform in core market
- Growth opportunities in core markets dry up
- Active local and overseas suppliers
- Global innovation cycle
  - Ways to innovate, adapt and reinvent business

# LATIN – AMERICAN MARKETS

## ➢ Increasing Role as U.S. Trade Partner

- Fastest growing U.S regional trading partner
- 219% growth in trade over last 10 years

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# TOP U.S. TRADE PARTNERS

## ➢ Who are the key players?

| Country | Trading Volume - 2003 | Trading Volume - 2004 |
|---|---|---|
| **Mexico** | 97,457 | 11,0775 |
| **Brazil** | 11,218 | 13,863 |
| **Venezuela** | 2,840 | 4,782 |
| **Colombia** | 3,755 | 4,504 |
| **Dominican Republic** | 4,214 | 4,343 |
| **Chile** | 2,719 | 3,625 |
| **Argentina** | 2,435 | 3,386 |
| **Costa Rica** | 3,414 | 3,304 |
| **Honduras** | 2,845 | 3,077 |
| **Guatemala** | 2,274 | 2,548 |

**Latin America has experienced the strongest growth performance for nearly 25 years in 2004, with growth of 5.7%**

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## ECONOMIC OVERVIEW

- New trend of outbound foreign investment
  - 22% increase in FDI flows to Latin America coming from Latin-American neighbors and Europe
- Brazil & Argentina more influenced by China and the U.S.
- FDI sent to Latin America - service internal economies
  - Internal economy surpass Chinese consumption levels
- Venezuela is the greatest concern in Latin America
- Colombia - demand for mid-high ticket durables such as furniture, computers, and cars should grow

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# ECONOMIC OVERVIEW

- Mexico, Chile, and Costa Rica - successful reformers of trade policy
- Brazil ranked 5th most ethical country out of 10 examined by M&E
- Latin America needs to triple its spending on infrastructure
- Brazil and Mexico rivals for leadership in region
  - Offer different platforms for entry into the region

| Mexico | Brazil |
|---|---|
| High dependence of foreign trade | Least dependence on foreign trade |
| Exports primarily manufactures | Dependent on export of commodities |
| USA destination | Europe main market |

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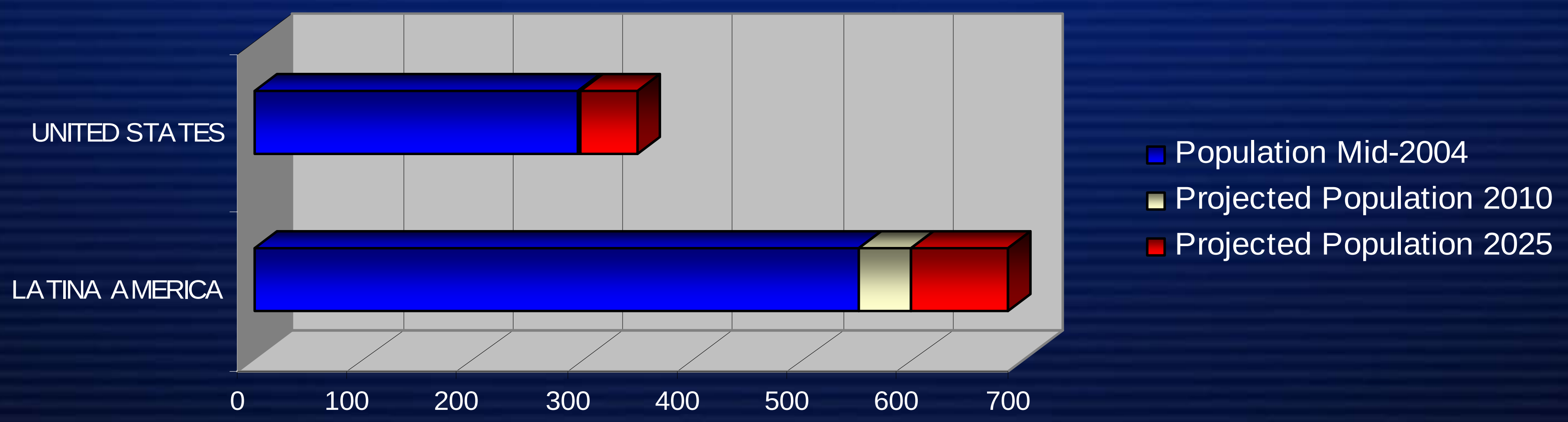
# MARKET ASSESSMENT

## ➢ How big is the opportunity?

- U.S.: 297,306,979 (Sept 2005)
- Latin America: 546,723,509 (July 2005)

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# CONSUMER BASE & DEMOGRAPHICS

| Nation | Population (Millions) |
|---|---|
| Brazil | 179 |
| Mexico | 106 |
| Colombia | 45 |
| Argentina | 38 |
| Peru | 27 |
| Venezuela | 26 |
| Chile | 16 |
| Guatemala | 13 |
| Ecuador | 13 |
| Dominican Republic | 9 |
| Bolivia | 9 |
| Honduras | 7 |
| El Salvador | 7 |
| Paraguay | 6 |
| Nicaragua | 5 |

## Population by Age:

- Aging rapidly - 2015
- 50% under the age of 20
- U.S. – 30% under the age of 21
- Customer lifetime value

## Household size:

- 4.3 individuals since 1990
- U.S. – 1 or 2 people per house
- Total households – 121 M

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# LATIN – AMERICAN BUYING POWER

- Total: 1.3 trillion dollars in 2000
- Increased with decrease of inflation

Latin-American GDP per capita
almost **3 times as big as China's**

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# PURCHASE POWER & CONSUMPTION

| Nation | PPP per capita |
|---|---|
| Argentina | 11,982 |
| Chile | 10,981 |
| Mexico | 9,726 |
| Brazil | 8,594 |
| Colombia | 6,741 |
| D. Republic | 6,503 |
| Peru | 5,385 |
| Venezuela | 4,725 |
| El Salvador | 4,457 |
| Paraguay | 4,223 |
| Guatemala | 4,048 |
| Ecuador | 3,979 |
| Bolivia | 2,926 |

| Nation | PPP |
|---|---|
| Brazil | 1,376 |
| Mexico | 941 |
| Argentina | 436 |
| Colombia | 263 |
| Chile | 155 |
| Peru | 146 |
| Venezuela | 118 |
| Guatemala | 157 |
| D. Republic | 53 |
| Ecuador | 46 |
| Uruguay | 44 |
| Costa Rica | 35 |
| Cuba | 32 |

| Nation | Consumption |
|---|---|
| Argentina | 7% |
| Mexico | 6.6% |
| Chile | 6.4% |
| Venezuela | 5.7% |
| Peru | 5.7% |
| Ecuador | 5.1% |
| Colombia | 4.4% |
| Brazil | 4.0% |
| El Salvador | 4.0% |
| Nicaragua | 3.9% |
| Guatemala | 3.4% |
| Honduras | 3.0% |
| D. Republic | 2.7% |

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# In each country: Two different worlds

Masses vs. Sophisticated consumers

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# SOCIAL SEGMENTATION

## ➢ Economic Breakdown:

- U.S. – **bulk of middle class** – 56% between 25,000 and 100,000
- Latin America – **Pyramid structure**

| Social Segmentation | Percentage of Population | Percentage Buying Power |
|---|---|---|
| **Upper class** | 2.2% | 19.6% |
| **Upper Middle class** | 12.4% | 26% |
| **Middle class** | 29.6% | 37.8% |
| **Low-poor class** | 55.8% | 16.5% |

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# LATIN – AMERICAN POPULATION

- **Ethnically a mix:**
  - Europeans with local population and Africans
- Brazil – strongest mix:
  - Largest population of African origin in Western hemisphere, including USA
  - Sao Paulo has the largest number of Japanese outside Japan
  - Sao Paulo has more Italians than Rome and Milan put together
- Argentina, Chile and south of Brazil - German strong presence
- All over Latin America - Lebanese are significant business force

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LATIN – AMERICAN VALUES & BELIEFS

- **Geographical disparities:**
  - Home of Amazon forest and Andes
  - Bustling cities: Mexico City, Sao Paulo, Buenos Aires, Caracas

# Family is the Nucleus

- Child is the king
- Young Population
  - Mexico:
    - 65% have children under age 18 at home
  - U.S.:
    - 41% Americans have children under age 18 at home
- Socially dependent
  - Latin Americans are constantly connected
- Family size
    - 2 parents w. children and non-working spouse (46%)
    - 2 parents w. children and non-working spouse (36%)

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# ATTITUDES & PREFERENCES

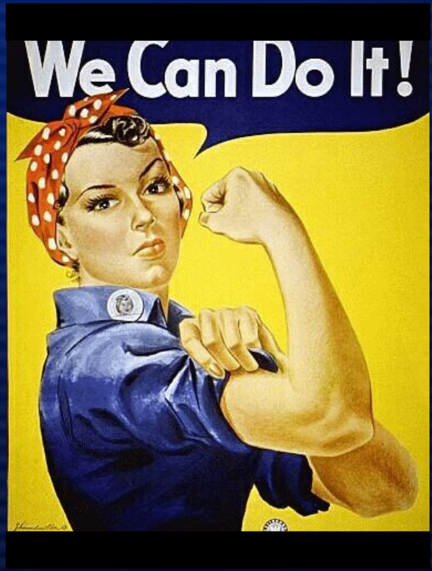
- Language
  - Business = English
- Education
  - College = higher income, usually white collar job
  - Data used to identify social class
- Religion
- Effects of weather on people
  - Outdoor activities
  - People’s usage of product (frequency, etc) and mind set
- Life is more complex than appears at first

# PEOPLE'S PERCEPTION


- External Beauty
  - Extreme importance for both men and women
  - Clothing, grooming, product packaging, etc
- Perception of categories
  - World of Nations:
    - European beauty products still perceived as better quality
    - Russian vodka is better
    - Changes in some sectors
      - Wine industry (South African, Chilean, etc)
- Feel tricked - “Made in China” label in US product

# PATRIARCHAL TRADITIONS

- Women participation:
  - Machismo
  - In all countries women's participation in domestic sphere is considerably higher than men's
  - Brazil:
    - High number of entrepreneurs & CEOs
  - Latin America
    - Evolution
    - 33% of women in labor force
  - U.S. - 46% of women in work force

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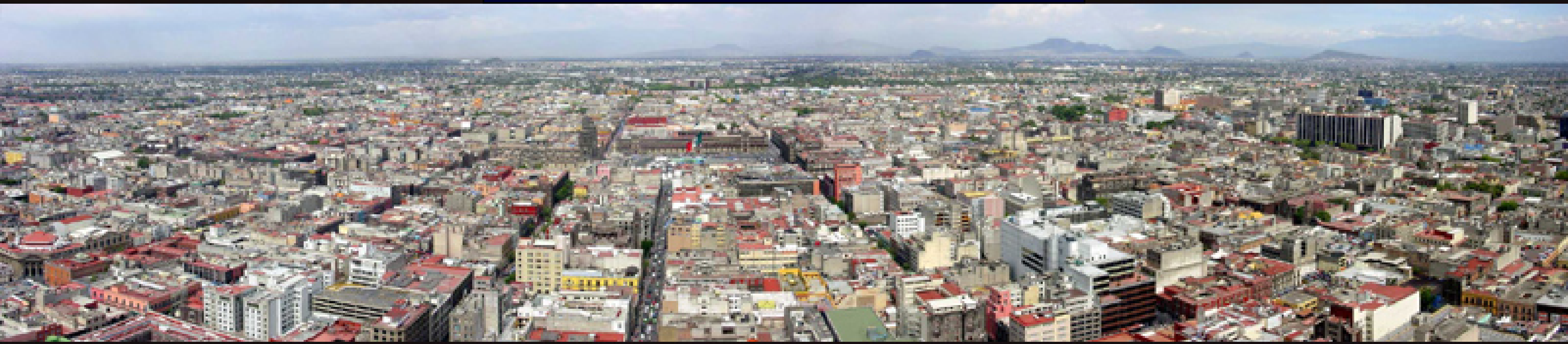
- How are you? Brazil – Hand shake
- Very social market that works on Network
  - Usually school environment or family circle
- Negotiation:
  - Long – like to bargain and no guarantee of deal
  - Latin Americans fight – Tomorrow we are happy
  - Sometimes we are late for meetings – Chicago contrast
  - Family related activities – Sign that you are welcomed
  - Relation guarantees business (family, friends)
    - Find common grounds

# COORDINATING BUSINESS IN LATIN AMERICA

## ➢ Executives choices among given cities:

- Miami (29%)
- Santiago (15%)
- Mexico City (10%)
- Sao Paulo (9%)
- Buenos Aires (4%)
- Barcelona and New York (4%)

**Latin American Cities = Major Opportunity for Business**



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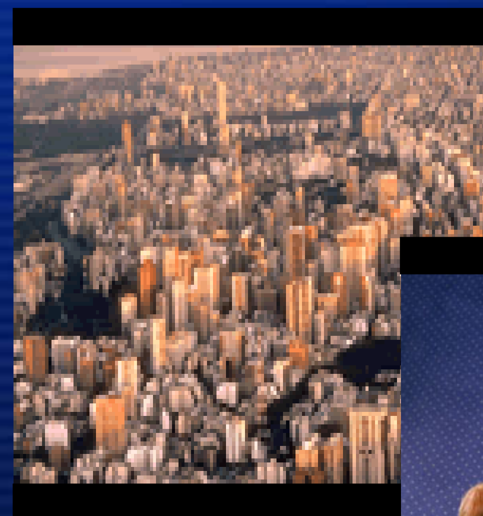
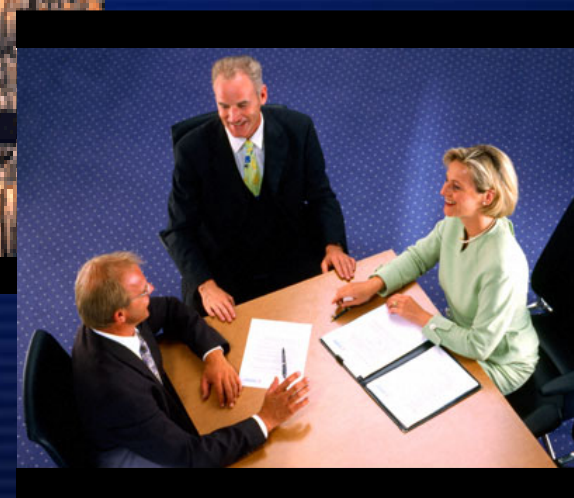
# EXECUTIVES' SELECTION

- Executives choices - free option:
  - Santiago, Chile
  - Miami, USA
  - Sao Paulo, Brazil
  - Monterrey, Mexico
  - Curitiba, Brazil
  - Mexico City, Mexico
  - Guadalajara, Mexico
  - Porto Alegre, Brazil
  - Belo Horizonte, Brazil
  - Buenos Aires, Argentina





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# LATIN – AMERICAN CITIES PROFILE

- Sao Paulo, Brazil
  - High scores in open-mindedness and Racial/sexual diversity
  - Industrial & financial center generating over 30% of the GNP
  - Most developed concentration of innovation in region
  - Brazil's economy outweighs that of all South American countries
  - Need to work on security measures
- Santiago, Chile
  - Low scores in tolerance and openness to the new
  - Commitment to sound economic policies

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# LATIN – AMERICAN CITIES PROFILE

- Monterrey, Mexico
  - Change from maquiladora to knowledge / intelligence industry
  - Proximity to U.S
  - Alliances between government agencies and universities
- Mexico City, Mexico
  - Proximity to U.S.
  - Need to work on security measures

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# DISTRIBUTION CHANNELS

- Most companies enter the market through big retailers
- Retail landscape is highly fragmented
  - Traditional channels dominate
    - Street fair: 1 out of 5 in Brazil
- Shopping priorities
  - Helpful staff, express checkout not as important as in U.S.
  - Low prices and location are relevant
    - 61% Mexicans stated they choose a store by location (45% U.S.)
    - 50% Mexicans cite price as relevant (31% U.S.)
  - Private labels - not so welcomed as in developed countries
    - Private label packaging leaves room for improvement

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# REACHING THE TARGET

## ➢ Media Structure

- Allow large gains for ad. agencies - Profit driven companies

## ➢ Media Preferences

- TV - Main source of entertainment
  - Average watch is 4.87 hours per day
  - Novelas – Soap Operas
- Internet
  - Penetration – around 12.6%
  - U.S. Penetration – 68.1%
  - Acceptance of new technologies and media
- Newspaper – literacy is an issue


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# THE SHOPPING EXPERIENCE

- Represents a great deal of satisfaction
  - Trip to mall means social interaction
- Latin Americans need help with housework
  - Permanent or temporary maid
  - Baby sitter
- Upper class has maid doing supermarket shopping
  - Affect in strategies
  - List ready to shop (strategy)
  - They have decision power too (POP strategy)

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# RIFLE STRATEGY

- Urban Population:
  - U.S. urban population: 80.1%
  - Latin America urban population: 76.7%
- U.S. – 9 cities with more than 1,000,000 people
- Latin America – 52 cities with over 1 million inhabitants
- Buying power:
  - 70% Latin Buying power is concentrated in 10 metropolitan cities
  - Example: 5.3% of the urban households in Venezuela account for 40% of total urban buying power

# LATIN – AMERICAN ADVERTISING

- Multinational and Product brand perception
  - Welcome international products and businesses
  - Social programs - sense of community benefit
- Returns & Money-back guarantees
  - Latin Americans do not believe in such claims
  - Only 27% believe (urban areas of Brazil, Mexico, Venezuela)
  - 49% of Americans believe in such promises
- Endorsements
  - Latin Americans are more likely to believe
- Use of Adjectives
  - More likely to believe in “new”, “improved”, “official”
- Creative talent (awards in Cannes, etc)

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# BRAND LOYALTY

## ➢ How loyal are Latin Americans?

- Among Americans the ones that are not loyal choose from 3 brands
- Latin American best deal
- Longer menus of brands = opportunity to convert consumer
- Affluent people tend to be more loyal
- Consider known brands vs. generic brands

## ➢ Different sectors - Different degree of Loyalty

- Beer market: local brand brews
- Soft drink: 48% loyalty - almost as U.S.
- Shampoos: 50% loyalty level

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# BRAND VS. PRICING


- **U.S. Strategy**
  - Expensive brand building
  - Frequent product enhancements
  - Sophisticated marketing techniques
- **Latin-American Strategy**
  - Price-sensitivity
  - Select portfolio of products
  - Pre-test price against other features
  - Avid label readers – less trust in manufacturers
  - Opportunity for customer care programs
    - Strengthen brand perception
    - Develop loyalty and solidify customer relationship

# URBAN HOUSEHOLD EXPENDITURE

| Sector | % of Household Expenditure |
|---|---|
| Food | 35.4% |
| Clothing | 7.7% |
| Housing | 11.1% |
| Household furnishing | 8.0% |
| Health | 6.2% |
| Transportation | 5.3% |
| Education and leisure | 5.3% |
| Others | 14.3% |

During periods of crisis spend more on
clothes and cosmetic products for better appearance

# MAIN DIFFERENCES AMONG LATIN-AMERICANS

- Argentineans – the most Europeans
- Brazilians – do not consider themselves Hispanics
  - Greatest disparity between rich and poor
  - 73% poor people have TV
- Different social agendas
  - Crime, corruption, drugs, etc
- Sports:
  - Argentinean and Brazilians – Soccer
  - Venezuelan, Cubans, and Puerto Ricans – Baseball
  - GOLF – spreading fast (Trump investment)
  - Women and men like sports (Go with your client to a game)

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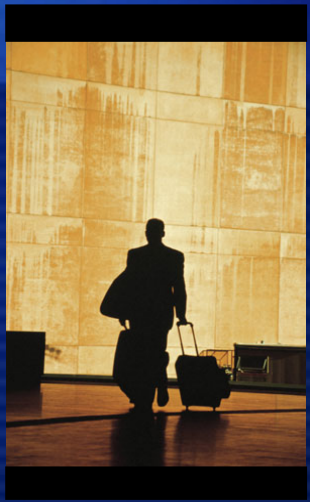
# SIMILARITIES WITH U.S. POPULATION



- Marriage
  - 50% optimistic about the institution of family
- Recreation
  - 62% like to listen to music
  - 55% like to watch TV (84% access to TV)
    - Like cable TV – upper class
    - Latin America is the fastest growing market for cable TV
  - 1 out of 5 travel on weekends
  - 1 out of 10 visited a new-car dealership
  - 4 out of 10 shopped for clothes for themselves (5/10 US)
  - Attitude towards comparison with competitor product (39%)
- Consumers are ever more demanding
- Major conflicts balancing family and work

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# MARKETING INSIGHTS – PRODUCTS

- No matter what you always need marketing services
  - PR is essential
  - Market research - Monitor the market
  - Study co-op marketing opportunities
    - Venezuela: high consumption of Black Label whisky and cosmetics
- Define a business plan for international initiatives
- Create an International Product Life Cycle Assessment
  - General acceptance (which markets)
  - Create chart for timing for demand (current and forecasts)
  - General modifications vs. core positive assessment
- Choose the correct mix of products and prices for the market
- Map the region and identify key opportunities

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# MARKETING INSIGHTS – CLIENTS & MARKET

- Select target and understand the prospective client
- Address each country's needs separately
  - Traditional Events:
    - Can be used as center theme for campaigns
    - Carnival, independence, etc
  - Trade shows
  - Research
  - Infrastructure
  - Consumer trends and behavior
- Plan at least 2 years ahead of time
- Have some international folks in your U.S. international department

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# STRATEGY SELECTION

| Low Income Strategy | High-Priced Products |
|---|---|
| Use local branding and positioning | Pursue global brand positioning |
| Elevate traditional values | Use global image with local flavor |
| Imitate local competitors understanding the key points that provide them advantage. Use this learning in global level | Do not be afraid of showing international experiences & highlight your local and international power |
| Adhere to local standards of quality | Keep your global standards of quality |
| Address all points-of-contact (new technologies and media) | Address all points-of-contact (new technologies and media) |
| Adapt your product to local preferences | Do not extensively change your product |
| Apply market strategies that work best to save money and understand consumers rational | Brand is status – is a way to prove you belong to a certain class |
| Relate to local people with specific role models (coming from low income and making money) | Key role models – Social active brand ambassadors |

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# INSIGHTS – BUDGET & MANUFACTURING

- **Show me the money!**
  - Determine how much you can afford
  - Try not segment the budget by country
  - Forget about forecasts in dollar
  - Create a 3 or 5 year marketing plan
- **Use regional hub for manufacturing**
  - Keep manufacturing separate from operations
  - This is an investment act as a venture capitalist investor
  - Give autonomy to maintain low cost infrastructure and still innovate
  - Explore cross-border alliances and partnerships

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# IT'S ALL ABOUT THE PEOPLE

- Hire a good lawyer, a savvy banker, a knowledgeable accountant, and a seasoned transport specialist
- Understand regulations and procedures
- Utilize social marketing programs
- Think globally and act locally

**Never forget that you are the most valuable business asset you have.**
**The human touch is even more precious**
**in our age of advanced technology**

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# CASE STUDY

- **Strategy:**
  - Made use of Powerful U.S. Brand
  - Invested High amounts of money
  - Partnership with a media company based in region (Cisneros Group - Venezuelan) and regional bank (Banco Itau – Brazil)
- **Situation:**
  - Peak - in 2002 with 1.4 million paying users mostly in Argentina, Brazil, Mexico, Puerto Rico
  - March 2005 – 400,000 subscribers
  - Filed for bankruptcy – June 2005
  - Loss – U.S. $ 1 billion

## CASE STUDY

## ➢What went wrong?

- Underestimated competition?
- Getting in too late?
- No changes to US business model?
- Marketing Plan?

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# CASE STUDY

- Underestimated competition?
  - Competitors were allies of content providers
    - UOL in Brazil – Folha de Sao Paulo - Big Newspapers
    - Company core product – information
    - Trouble with free Internet service providers – iG Brazil
- Getting in too late?
  - Average operating for 3.5 years already
- No changes to US business model?
  - Massive distribution of CDs with Internet setup software
    - Need for having a credit card when sign up via CD
    - **<u>Latin America</u>** – Lower use of plastic

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# CASE STUDY

- **Message**
  - The best because we're the biggest
  - AOL perceived as arrogant
- **PR Strategy - Preparing enemies?**
  - Launch News: December 1998 vs. Opening: November 1999
- **Pricing**
  - Charged more than competitors
- **Product Mix**
  - Growth of Broadband usage in Latin America
  - Late introduction of such product (2003)
  - No lesson learned from U.S.
- **Distribution**
  - CD mailing costs - 30% to 40% higher in Latin America
  - Response rates 50% of those in U.S.

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# TOTAL MARKET SOLUTION™

| Audience / Point of Influence | Target | Discipline | |
|---|---|---|---|
| Marketing Efforts & Consumers | ➢ Identification of Target<br>➢ Target Profiling<br>➢ Company Positioning Strategy<br>➢ Company Current Marketing Efforts | ➢ Advertising<br>➢ Public Relations<br>➢ Sales Promotions<br>➢ Event Marketing | Internet |
| Distribution Efforts | ➢ Current Distribution Channel Study<br>➢ Analysis of Distribution Options<br>➢ Identification of Plan for bigger ROI | ➢ Cross-Promotional Marketing<br>➢ Retail Sales Velocity Programs<br>➢ Public Relations | |
| Market Landscape & Key Decision Makers | ➢ Market & Competitors Analysis<br>➢ Industry & Consumer Trends<br>➢ Identification of Key Players & Experts | ➢ Community / Media Relations<br>➢ Synergistic Partnerships | |
| Sales Force Enhancement Program | ➢ Current Sales Operations<br>➢ Ideal Sales Structure<br>➢ Identification of Goals<br>➢ Timing and Calendar Map | ➢ Incentive Programs<br>➢ Sales Presentations<br>➢ Cross-Promotional Marketing | |
| Co-Marketing Partners | ➢ Complementary advertisers seeking market share amplification | ➢ Cross-Promotional Marketing | |
| Internal Stakeholders | ➢ Company decision-makers who should be updated on program progress | ➢ Intranet Communications<br>➢ Presentations<br>➢ Newsletters | |

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# SJN COMPETITIVE ADVANTAGE

**The San Jose Network™ is the largest group of marketing communications firms exclusively serving the U.S. and Latin-American markets.**

MISSION: To accomplish unprecedented marketing results for our Clients

- **24 years of experience** at national and international levels.
- **Serving 21 countries** across the Americas with **cSTRAm**™, our centralized strategic model.
- 24 offices and **525 specialists** working to achieve your growth objectives.
- **Strategic and tactical competencies** aligned with a fully integrated marketing model.

Strategic Intelligence Gathering

World Class Creative & Brand Building

Sales Integration/ Enhancement Programs

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# CONTACT US

**The San Jose Network™ can help you accomplish unprecedented marketing results in Latin-American markets. To identify if there is a best fit between your needs and our experience please contact:**


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