



LATAM RETAIL POWERFUL AND EVOLVING

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Brand marketers need to prepare

A tourist arriving in Rio de Janeiro for the first time probably would want to visit the Sugar Loaf, walk along Copacabana beach, and perhaps watch a game of football at the famous Maracana Stadium. This last option of course is not possible at the moment because the stadium that was built for the 1950 World Cup is currently being redeveloped for the next World Cup in 2014.

Nevertheless, having taken in the sights and sounds of these regular tourist attractions a visitor probably would feel that he or she has received a good insight into the lifestyle of a Cartoca – the name given to natives of Rio.

However, like any other city in the world, to get a more granular view of the habits and lifestyle of a resident, a quick trip to the local supermarket would be no bad thing. In the case of Rio, a visit to a Zona Sul supermarket (with its heart shaped logo), or a more price conscious Mundial supermarket, would give an equally enlightening look into the habits of a Cartoca.

Obviously this type of granular view isn't just restricted to supermarkets. The whole retail universe is a reflection of the society it serves. ▶

ON THE PERIPHERY

For most of the last century Latin America was on the periphery of the world's economic and political stage. This was reflected by a retail universe that was dominated by traditional retailers that for the most part focused on offering basic products to low-income consumers in their local neighborhoods. Many of these traditional channels profited from an "informal" market, which allowed them to compete on price with larger retailers.

But as Latin America's economies have strengthened over the last decade, the consumption habits across the region moved on, and the retail landscape evolved. Non-basic consumption items have grown quickly all over Latin America led by the soft drinks and the beer categories. The opening of credit lines to consumers also has greatly changed consumption patterns, with greater spending on durable white goods (within the formal market) for the first time by low-income consumers.

At the same time, in high-income neighborhoods, traditional stores have progressed to offer better overall quality service, a more specialized assortment of products and greater attention to the "purchase experience."

Consolidation of the retail universe is taking place at an ever-faster rate. Supermarket chains, as well as department stores, are growing organically or through acquisitions, and gaining greater power. They are attracting more consumers, extending credit lines, gaining bargaining power with suppliers, and driving efficiencies across the supply chain.

LIMITED MULTINATIONAL PRESENCE

Despite these advances of the modern trade, Walmart and Carrefour remain the only two multinational retail companies that figure in the Top 15 largest retailer groups in Latin America. This clearly demonstrates that local knowledge still holds sway in the region, a region where the local powerhouses grew up in difficult economic times of rampant inflation, complex supply chains, as well as competition from the informal market.

Chile, Mexico and Brazil represent the most developed retail environments in Latin America, and not surprisingly the biggest retailers in the region come from these three nations. Colombia is conspicuous by its lack of representation

(with the exception of the retailer Exitó) in the top retailer list. But this has more to do with a mountainous country, which is very regionalized by topography, than with anything else.

Looking forward, the challenges of the informal market will be superseded by the challenges of the digital world. E-commerce is still very much in its infancy in Latin America, but a purchase behavior shift is already taking place with consumers, driven by improvements in technological infrastructure and the increased usage of smart phones. We are at the very early stages of a seismic shift in consumer behavior and demands, which will require retailers to adapt even more, with more aggressive pricing strategies and more efficient home delivery mechanisms, all the way through to better in-store shopping experiences.

These are all global digital trends, but to be successful brand marketers will need to prepare for them with a distinctive Latin touch. ●

Ogilvy Action focuses on better understanding consumer behavior and how shoppers make purchasing decisions.
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