

Retailing in Latin America – Adrian Finch, OgilvyAction

Retailing reflects the culture and society it serves.

A tourist arriving in Rio de Janeiro for the first time would probably 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 re-developed for the next World Cup in 2014.

Nevertheless, having taken in the sights and sounds of these regular tourist attractions a visitor would probably feel he, or she, has received a good insight into the lifestyle of a Carioca – 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 Carioca, 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 alternative, and equally enlightening look into the habits of a Carioca.

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

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, who 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, so have 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 has also greatly changed consumption patterns, with greater spending on durable white goods (within the formal market) for the first time by low-income consumers.

While 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. Attracting more consumers, extending credit lines, gaining bargaining power with supplier, and driving efficiencies across the supply chain.

Despite these inextricable advances of the modern trade, Walmart, Cencosud and Carrefour mean that International Retailer companies now figure in the top 15 largest

retailer groups in Latin America. But 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 3 nations. Colombia is conspicuous by its lack of representation (with the exception of the retailer Exito) in the top retailer list. But this has more to do with a mountainous country, which is very regionalized by topography, than 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 their demands, which will require retailers to adapt even more. From more aggressive pricing strategies, to 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 they will need to be delivered with a distinctive Latin touch.