Latin American Brands

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Recognition of region increases as power grows

Juggling skills: Adidas, as a sponsor of the World Cup, has stepped gently round the mass protests Reuters

An economy of $6tn and a 600m population entice multinationals on the hunt for fresh markets, writes *John Paul Rathbone*

In branding terms, it must have seemed like an open goal – until the Brazilian street protests erupted. Adidas, the sponsor of next year's World Cup in Brazil, had targeted Latin America for further growth, given that sales had tripled there over the past decade to more than 10 per cent of the German sportswear maker's revenues.

But, in June, came three weeks of marches, flag waving and occasional tear gas as up to 2m Brazilians took to the streets in protest over the parlous state of public services while huge amounts of public money were being spent on the contest.

That surprise souring of the Brazilian mood, when the world realised the country had an emotional range beyond being "happy", forced Adidas on to the front foot. Was the company, as a sponsor of the World Cup, also tacitly a subject of the protests?

"In Brazil, people are not against football, or even the stadiums," said Herbert Hainer, chief executive. "Rather they are demonstrating against the country's situation."

Fiat faced a trickier situation. It had just launched a television advert, since pulled, with football in mind – although the Italian carmaker never imagined its catchy jingle, "Come to the streets, come!" would become a protest slogan.

Brazil's protests hardly seem to have dented the country's or the region's image – at least from the outside. Of the 15 countries poised to become among the world's most successful national brands, according to FutureBrand, a consultancy, four – Chile, Mexico, Brazil and Colombia – are from Latin America.

"The region is becoming better known, even as [it] sees itself as having more power and influence," says Gustavo Koniszczer, FutureBrand's Latin America managing director. "It's all about greater projection."

There are four reasons behind this greater projection of Latin America and its rising importance for company or fund managers.

Although the shine has come off the region's economy, as it has all emerging markets, it remains a source of growth. It is forecast to expand 4 per cent next year, twice the rate of the developed world.

Despite its many inequalities and failings, most of Latin America is reasonably well governed, market-orientated and democratic. Heterodox or populist countries such as Venezuela, Argentina and Ecuador, make up just 15 per cent of the regional economy.

"Brazil and Mexico will always remain the biggest stars, because of their size," says Mr Koniszczer. "But there is also Chile, the 'best economic pupil in the class' and the rising stars of Peru and Colombia as well."

The second reason for Latin America's increased projection is the investment lure of its multilatinas, domestically based companies with regional operations. According to HSBC, multilatinas make up one-third of the MSCI Latin America stock market index and have tended to show

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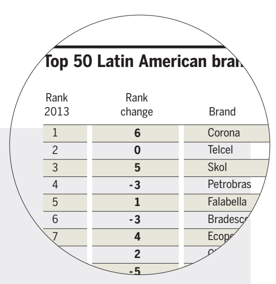
Top 50 Brands



Thirst quenching
Beermakers fare well, with Corona and Skol taking first and third spot

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Banco do Brasil drops 27 places to 36

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Sky-high spending: model-turned-businesswoman Cozete Gomes, one of a new breed of Brazilian millionaire, spends up to $10,000 a time on shopping sprees at designer boutiques AFP

Designer labels follow rise in wealth

Luxury goods

High-end shopping centres and enthusiastic consumers put sales on track for sharp growth, says *Gabriel Penna*

Every week or so when Cozete Gomes visits the Cidade Jardim luxury shopping centre in São Paulo, the 40-year-old former model spends up to R$25,000 ($10,600) at shops like Fendi, Prada and Louis Vuitton.

"I invite a friend and we go to the hairdresser, have lunch at a fancy restaurant and then spend the afternoon shopping", says Ms Gomes, who has built a successful marketing agency in the past decade and won something of a celebrity status locally when she took part in a reality TV show.

Ms Gomes, the proud owner of 250 pairs of shoes, is one example of the enthusiastic consumers driving sales of high-priced luxury goods in Brazil, which have grown on average by 20 per cent annually over the past five years.

In spite of a recent slowdown, sales are expected to grow by at least 12 per cent this year, six times faster than Brazil's economy as a whole.

That expansion is underpinned by a steady rise in wealth after 10 years of economic stability. Since 2002, the number of better-off families earning more than R$7,475 ($3,200) a month has nearly doubled. By 2022, they are expected to reach 30 per cent of the total population, according to local consultancy Data Popular.

Brazil also has an increasing number of millionaires and billionaires.

Wealth-X, the Singapore consultancy, expects the number of billionaires to reach about 130 in 2022, up from 53 in 2012. Brazil will produce at least one millionaire per week in the next five years, Credit Suisse estimates.

The country's relative state of economic health has improved, both compared with the developed world, where companies suffered after the financial collapse of 2008, and local neighbour Argentina.

Starved of significant growth opportunities at home, luxury brands are investing heavily in Brazil. Burberry, the UK-based fashion retailer, has opened seven stores in the past three years and plans an eighth later this year.

Other high end clothing and accessories brands, such as Italy's Dolce & Gabbana, and Goyard, Lanvin and Yves Saint Laurent of France, established their only shops in Latin America last year in São Paulo.

By contrast, Buenos Aires, the Argentine capital, which has traditionally looked on itself as a Latin American Paris, has seen luxury companies such as Louis Vuitton and jeweller Cartier leave and establish outlets in Brazil.

Brazil's luxury goods growth has been associated with the rise of shopping malls that have a high level of security against crime. Such malls as Cidade Jardim have been described by Carlos Ferreirinha, a former Louis Vuitton executive who is head of the São Paulo-based MCF consultancy, as "safe temples".

Brazilians place a high premium on service. Some of these centres offer a chauffeur to bring customers from their homes, and frequently provide fashion consultants.

Since last year the country has seen four new high-end shopping centres open, one each in São Paulo, Rio de Janeiro, Curitiba and the booming northeastern city of Recife. Another two are expected to open in the coming months, both in smaller cities in São Paulo state.

French fashion label Christian Dior is one of the brands that have tapped into areas beyond the country's metropolises. In September 2011, it organised an exclusive party for customers in São José do Rio Preto, a thriving town in São Paulo state.

"There are several advantages to shopping locally," says Ana Cristina Jalles, a local businesswoman. "If you become a frequent customer, you can go to product launches and get samples of new collections sent direct to your home. You feel special."

Ms Jalles says more of her wealthy friends are choosing to buy luxury cosmetics locally rather than on shopping trips to the US and Europe, even though prices are still up to 30 per cent higher at home.

Demand for luxury goods is not confined to the fast-moving beauty and fashion products typically sold in the malls. Sales of expensive yachts, apartments and cars have also surged.

> Sales of expensive yachts, apartments and cars have surged

Brazil is one of the top five markets for luxury vehicles in the world, even though taxes, duties and – of late – weakness in the local currency make prices relatively expensive. Manufacturers such as Bentley and Rolls-Royce are beginning to dip their toes in Brazilian waters.

In the first six months of the year, sales of imported cars with prices of more than R$150,000 rose by 30 per cent compared with the same period last year. Land Rover more than doubled its sales during the period, offering customers the possibility of paying for cars of up to R$400,000 in 12 instalments with no interest.

"Our clients may have the money invested in a fund and prefer to leave it there and opt for a credit scheme", says Frederico Fuchs, a manager at Jaguar Land Rover.

At the other end of the spectrum, manufacturers of relatively cheaper cosmetics are finding growing demand from better-off low-income families, attracted by affordable luxuries such as L'Oréal face cream or TRESemmé shampoo. Sephora, the beauty care retailer owned by luxury group LVMH, has opened seven outlets in Brazil and plans another 33 for the next five years, with at least one in every major capital.

Consumer research from LatAm Confidential, the FT research service, has highlighted the attractions even for low-income groups of premium brands. Keen to promote sales, brands such as Givenchy, Christian Dior and Make Up For Ever, have reduced prices and allowed customers to pay by instalment.

Love affair with premium goods remains intact

Column
RICHARD LAPPER

Whether they sell cars or washing machines, shampoo or face cream, over the past few years international consumer companies have been unable to ignore Brazil.

Not only are growing numbers of low-income consumers buying more of virtually everything, they are increasingly attracted by relatively expensive premium products.

It is a trend that remains intact despite two years of stagnation. Rising concerns about inflation and a fall in investment have hit consumer confidence and undermined the government's popularity, with a wave of protests in June underlining the extent of discontent.

Yet all the evidence suggests the Brazilian love affair with premium products remains intact. A survey last month by LatAm Confidential, an FT research service, of Latin American food buying habits showed that even though spending is coming under pressure, Brazilians still want expensive high-quality products.

Of the 6,500 Latin American respondents who took part, 51.2 per cent said price was the most important consideration, with cost a particularly important consideration in Argentina, where inflationary pressures have been growing strongly.

But quality and the dietary aspects of food emerged as especially important secondary concerns in Brazil.

Quality was the main concern for 40 per cent of respondents, compared with 46.7 per cent who viewed price as the big issue. One in every 15 Brazilian consumers viewed health and diet as the most important factors in buying food, a much higher proportion than in the other five countries.

What's more, Brazilian habits may be spreading.

In the FT survey, 35.2 per cent of Peruvians voted quality as their most important requirement compared with 40 per cent who opted for price.

Although only 28.7 per cent of Mexicans viewed quality as their main concern when buying food, analysts argue that low-income consumers there are becoming choosier, perhaps because upwardly mobile, low-income families are keen to display the fact that they are better off than their parents.

Gerard Schoor, who runs the Mexico City office of Integration, a management consultancy, says: "A lot of people don't have enough purchasing power to buy houses and cars, but they do have enough to buy an aspirational item every month or so, whether it's an expensive face cream or a pair of tennis shoes."

Separate LatAm Confidential surveys of the Brazilian market have shown that premium brands have continued to do well in spite of the downturn. Hard-pressed consumers appear willing to economise elsewhere, buying cheaper toothpaste or razor blades.

It's not just that sales of expensive Apple electronic products have dipped this year – in line with a global trend – mainly to the benefit of Samsung, the US company's Korean rival. Brazilians are also buying more of the cheaper own-brand products offered by some supermarket groups, and more shoppers are taking advantage of the volume discounts offered by cash-and-carry outlets.

In March this year, 36 per cent of households shopped at least once at cash and carries, up from 33 per cent in the same month last year.

Brazilian private labels have a market share of about 5 per cent compared with a global average of 16 per cent. Supermarket revenues from own-label products – typically 15-20 per cent cheaper than branded alternatives – have more than doubled over the past six years, reaching R$2.9bn ($1.3bn) in 2012.

As Neide Montesano, head of the supermarket association Abmapro, points out, the trend is clearly related to inflation (running at more than 6 per cent in Brazil), with lower prices helping customers "preserve their purchasing power".

Nevertheless, the LatAm Confidential data show premium sales have held up well in a number of product categories. Premium or mid-market sales accounted for 16.4 per cent of purchases of beer by respondents in August, compared with 14 per cent in December last year, when the research began.

More expensive brands of margarines represented 48.6 per cent of purchases by our respondents in August, up 2.9 percentage points on the April figure. And the same tendency was evident in relation to chocolate sales, with premium products regularly accounting for 8 per cent of sales over the past three months.

The search for quality among body-conscious Brazilians is perhaps most evident in the cosmetics and personal care market.

Sales of mid-market and premium cosmetics have held up well, regularly accounting for more than 20 per cent of sales per month. The grip of up- and mid-market shampoos has steadily strengthened, rising from 69 per cent of sales in March to 72.2 per cent in August

> 'People . . . have enough to buy an aspirational item every month or so'

International groups have experienced some extraordinary successes. Take the example of Unilever, one of several big hitters in the personal care sector, which launched its mid-market shampoo TRESemmé in Brazil towards the end of 2011.

Within months, the shampoo, sold in salon-style containers, was flying off the shelves partly at the expense of cheaper alternatives such as Seda (the local version of Sunsilk), the company's own economy product.

Unilever announced last October that TRESemmé had achieved a market share of 7 per cent in less than a year. The LatAm Confidential survey suggests that Brazilians, however hard pressed, are still happy to pay the extra few Reals for TRESemmé, with sales holding up well in recent months.

Richard Lapper is principal of LatAm Confidential, an FT subscriber-only research service to be launched this month. LatAm Confidential incorporates the existing Brazil Confidential service

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Contributors »

John Paul Rathbone
Latin America editor

Richard Lapper
Principal, LatAm Confidential

Barney Jopson
US retail correspondent

Andres Schipani
Andes correspondent

Benedict Mander
Argentina, Chile, Uruguay & Paraguay correspondent

Samantha Pearson
Brazil correspondent

Pan Yuk
Emerging markets correspondent, New York

Amy Stillman
Gabriel Penna
Senior researchers LatAm Confidential

Aban Contractor
Commissioning editor

Andy Mears
Picture editor

Steven Bird
Designer

For information regarding FT commercial platforms please contact John.Moncure@FT.com

Loyalty is biggest barrier to new entrants

Colombia

From banks to beer, locals know what they like and are resistant to change, says *Andres Schipani*

Top five Colombian brands, 2013

Rank 2013	Rank change	Brand	Category	Brand value ($m)	Brand value change (%)
1	1	Ecopetrol	Energy	5,137	21
2	New	Aguila	Beer	3,903	n.a.
3	0	Bancolombia	Financial institution	3,009	-13
4	New	Poker	Beer	2,487	n.a.
5	-1	Banco de Bogotá	Financial institution	2,466	-13

Source: BrandAnalytics/Millward Brown

Earlier this year a man posing as a recently hired sales associate with Bancolombia, the country's largest single commercial bank, visited family businesses around a middle-class neighbourhood in Bogotá offering financial products.

He says: "We have been working on the humanist idea of a bank: trying to satisfy the needs of our clients through confidence, having them recommending us to other clients."

That man is none other than the bank's chief executive, Carlos Raúl Yepes, who believes his employees need to "connect with society".

Certainly local banks, which control most of the country's market, have developed an impressive network throughout the rugged landscape.

Bancolombia, for example, has more than 800 offices, and more than 1,600 trusted banking representatives all around the country.

Colombia's fortunes have changed in recent years, emerging from the drug-fuelled violence that long racked it. The country has started to open up and multinationals – from banks to retailers – have begun to do business there.

However, the strategy to gain entry has been something that has proved difficult, as local companies have been building up some formidable brands over the years that are proving a barrier to entry. "Many foreign [financial] companies arriving in Colombia chose to work with brokers, intermediaries," explains David Bojanini, the chief executive of Grupo Sura, one of the country's biggest financial groups and the majority shareholder of Bancolombia.

> The strategy to gain entry has been mostly by means of acquisitions

"But they are lacking the amicable face that local banks, like Bancolombia, have developed through their distribution channels over the years, all over the country, [which reach] a lot of people. That is crucial."

That applies to most large local companies, particularly food and beverage producers such as Postobon, a soft-drink maker controlled by the powerful Ardila Lülle family, or Grupo Nutresa, the country's largest food manufacturer.

But no one has been able to break Bavaria-SABMiller's beer grip in the country. Formerly owned by the powerful Santo Domingo family, in 2005 SABMiller one of the world's largest brewers, bought Bavaria for $7.8bn on an enterprise basis.

But Bavaria's brands such as Águila, Poker, and Club Colombia, are so strong that SABMiller still controls about 98 per cent of Colombia's beer market with 370,000 sales points all over the country.

Thanks to that robust market share, the Andean country is the biggest driver in the brewer's Latin American business, which, in turn, accounts for a third of the company's operating profit.

Fernando Jaramillo, the brewer's vice-president of corporate affairs, says: "The greatest barrier to entry that a brewer faces when trying to set up in Colombia is not how much it costs to build a plant; our [foreign] competitors have enough resources to pay for that.

"The biggest barriers to entry are our distribution channels and brand loyalty," he says.

Mergers keep airlines aloft

Aviation

Fuel costs, airport fees and competition are driving deals, says *Andres Schipani*

In *The Sound of Things Falling*, a novel set against the backdrop of Colombia's raging drug wars, Juan Gabriel Vásquez describes an episode from 1989 that has haunted the country's flag carrier airline for more than two decades.

"There was the Avianca plane, a Boeing 727-21 that [drug kingpin Pablo] Escobar had blown up in mid-air," he writes.

After that, things kept happening to Avianca: a crash in New York a year later, then a series of regional crises that so undermined Latin American currencies that in 2003 the airline filed for Chapter 11 bankruptcy relief.

Just as Colombia has experienced an impressive turnround in the past decade, so has Avianca, which, founded in 1919, is the world's second-oldest airline still in operation.

In 2004, Germán Efromovich, a Brazilian-Colombian businessman bought Avianca. Since then the company has doubled its fleet and opened many new routes. Last year, it hit the 23m-passenger mark.

"The idea was to create a truly pan-Latin American airline, to show the new company's ability to bring the best of the region to the world," says Fabio Villegas, Avianca's chief executive.

In recent years, with passenger numbers doubling thanks to rising income and greater access to credit in Latin America, local airlines saw the opportunity to expand regionally. But they found themselves under pressure because of higher fuel costs, airport fees and competition. This prompted the region's biggest airlines to merge, float their shares and to revamp their brands.

Avianca holds the new brand for Avianca-Taca Holding, formed after the 2010 merger with the El Salvador-based Taca.

Brazil and Chile's largest airlines merged after a near-$3bn share-swap deal, forming the Latam Airlines Group, the region's biggest carrier. For Lan, Chile's flagship carrier, Brazil's largest airline Tam was a vital piece of its regional expansion plan. For Tam, merging with the ever efficient Chileans was aimed at puting them on a firmer financial footing and provided a platform to muscle in on international routes. But, just a year after the merger, times are difficult.

Copa Airlines, the Panamanian flag carrier, is the smallest of the three airline groups that have consolidated in the region. After going public on the NYSE in 2005, its US partner, now Continental United, sold its holdings while maintaining a strategic alliance.

Copa has focused on turning Panama into a profitable hub linking cities across the region, with 8m passengers last year and 90 planes. "Copa's purpose is connecting the Americas with the Americas," says Stanley Motta who, with other Panamanian investors, took control of the company in 1986.

Top five Brazilian brands, 2013

Rank 2013	Rank change	Brand	Category	Brand value ($m)	Brand value change (%)
1	3	Skol	Beer	6,520	39
2	-1	Petrobras	Energy	5,762	-45
3	-1	Bradesco	Financial institution	5,492	-18
4	-1	Itaú	Financial institution	4,006	-39
5	2	Brahma	Beer	3,803	61

Source: BrandAnalytics/Millward Brown

High-profile sponsorship can be a boon – or backfire

World Cup Protests in Brazil are the latest sign that companies cannot assume their deals will result in positive publicity, writes *Amy Stillman*

Sponsors of the Fifa World Cup and the Olympic Games are accustomed to controversy. During the 2012 London Olympics, Dow Chemical was plagued by criticism for its association with the 1984 Bhopal tragedy, when a toxic gas leak killed thousands at a Union Carbide plant in India it later acquired.

Protesters have pressed Coca-Cola to step down as a patron of the Winter Olympics in Sochi, after Russia approved an "anti-gay propaganda" law. And McDonald's, long-time sponsor of the World Cup and the Olympics, has come under fire for encouraging unhealthy eating habits by linking its brand to major sporting events.

While companies have a ready arsenal of marketing campaigns to counter such unpleasant publicity, they can also be taken by surprise.

One such rare example was the nationwide protests in Brazil in June during the 2013 Fifa Confederations Cup, a dress rehearsal for the World Cup. Millions of Brazilians – many from the emergent middle class, a desirable market for international brands – criticised public spending for the Fifa events in the midst of underinvestment in Brazil's infrastructure, education and health system.

"Companies were taken by surprise and because of that, they had no plan B," says Marcelo Haddad, the president of Rio Negócios, an investment promotion agency for the city of Rio de Janeiro. "It's difficult for companies to deal with these uncertainties, because nobody wants to be involved in something that the Brazilian crowd would be against."

One concern is that although the protests have largely died down, they could kick off again during the World Cup and may even continue to the 2016 Olympics in Rio.

Mr Haddad counsels sponsors of the games to have a "back-up plan" in the event of further riots. "Companies will have to choose whether they want to move forward into high-profile exploitation of their sponsorship in the country, or to keep a low profile and do something among their suppliers or key customers."

Some companies are already taking a more cautious approach. One local sponsor for the 2014 World Cup declined to be interviewed by the Financial Times, because of "a ban on communicating around the World Cup . . . due to the context that Brazil is in now", according to a press agency contracted by the company.

However, not everyone is staying quiet. Coca-Cola is hoping to tap into popular sentiment through social programmes including a recycling initiative, creating jobs for young people and a youth sports programme.

Its 2014 World Cup anthem *Todo Mundo* ("Everyone"), featuring Brazilian techno-pop singer Gaby Amarantos and samba band Monobloco, is another example of its efforts to reach out to middle-class Brazilians.

"Coca-Cola has been in Brazil for more than 70 years and we know the feelings of Brazilians," says Victor Bicca Neto, the Brazil director of government affairs for the company. "We know the moment Brazil is in, we are not blind. [But] our plans are to connect with this."

> 'Companies were taken by surprise and, because of that, they had no plan B'

The tactic appears to be paying off. According to an Ipsos study conducted during the Confederations Cup, Coca-Cola was the most remembered brand to be associated with the games. "That is the result that we are looking for," says Mr Bicca.

According to Mr Bicca, Coca-Cola considers Brazil a key growth market despite its recent economic slowdown. The world's largest soft drinks maker – which grew just 3 per cent in Brazil last year compared with 33 per cent in India and 20 per cent in Russia – plans to invest R$14.1bn ($6.2bn) in the country by 2016, of which R$2.6bn is due to be spent this year.

Dow Chemical also takes an optimistic view. Nicoletta Piccolrovazzi, technical director of its Olympic operations, says: "We engaged in sponsorship with the Olympic Movement, it's not just Rio 2016, it's a long-term partnership that will span 10 years and we will try to make the most of it."

According to Ms Piccolrovazzi, the company expects to earn $1bn through its 10-year Olympic sponsorship. And there are other benefits.

"We have a much more recognised brand when we associate the diamond [Dow's logo] with the rings," says Sandro Sato, the business development manager for Dow's Olympic operations in Brazil.

"At the same time, we're able to explore new areas through the connections and partnerships that we establish, and we're able to have our products in the right place to be noticed."

Like Coca-Cola, Dow has also engaged in social initiatives to promote its image in Brazil. Its flagship stadium wrap for the 2012 London Olympics was repurposed and donated to the Bola Pra Frente Institute, a Rio-based youth education programme founded by retired Brazilian football player Jorge de Amorim Campos, better known as 'Jorginho'.

Still, the prominent, £7m stadium wrap has also served as a reminder that increasing brand exposure through sponsorship deals can backfire.

Although the Olympic 'clean venue' policy meant that Dow could not carry its logo on the wrap, amid the furore over Bhopal it did not even attempt to put it on the test panels. The protests in Brazil carry a similar warning.

On the ball: the 2014 World Cup mascot. Coca-Cola hopes to tap into popular sentiment through social programmes, including some aimed at creating jobs for young people AE

Multinationals adapt to appeal to Hispanics

The US market

Barney Jopson looks at demographic changes driving sales

Abuelita hot chocolate in Mexico traditionally comes as a dark tablet that looks like a hockey puck. It's dropped into a pan with four cups of milk and stirred over a flame. After 15 minutes or so, the result is a sweet, frothy drink that could have been made by the genial granny – or *abuelita*, in Spanish – who is the face of the brand. But making it that way yourself? That's a lot of hassle.

The tablet has been in Mexican kitchens for many years and its producer, Nestlé, the Swiss food group, wants to sell Abuelita to people of Mexican origin north of the border. But the US is a busy place and 15 minutes is a long time.

So it's had to adapt. Since 2009, it has sold Abuelita as a powder that consumers can stir into a cup of hot milk. "The timing constraint is critical," says Carlos Velasco, president of its international brands division.

Multinationals such as Nestlé are realising that such adaptations are vital to winning over more of the US's 53m people of Hispanic origin, who they see as one of the US's most attractive consumer groups.

Whether they're tweaking merchandise from Latin America, or modifying goods from US mainstream, food manufacturers household goods makers and media multinationals are eager to find new ways to capture their attention.

They have concluded that if they don't establish successful Latino brands in North America – brands that either specifically target Hispanics or are "inclusive" of them in marketing-speak – they are likely to miss out on a demographic wave that could carry much of the sector's sales growth.

Hispanics make up about 17 per cent of the US population today, but the Census Bureau predicts that will rise to 31 per cent as the Hispanic population grows to 129m people by 2060.

The average income of Hispanic households is lower than the national median, but the buying power of US Hispanics in 2012 was $1.2tn, more than the gross domestic product of all but 13 national economies, according to the Selig Center at the University of Georgia's Terry College of Business.

Of course, US Hispanics are not "new" consumers. They have been buying consumer products for as long as they've been in the US. But what's been available to them are the same generic products – backed by the same generic marketing – that go out to the mainstream.

Marketers argue that by tailoring products and messages to Hispanic habits and preferences companies can win more of the market from their rivals.

Clorox, a household products group from the San Francisco Bay area, concluded that in the product categories where it competes, which include bleach, rubbish bags and charcoal, Hispanic consumers would account for more than half the growth in US sales between 2010 and 2020.

In the big Latino cities – New York, Los Angeles, Miami, Houston, Dallas and Chicago – the proportion is likely to be even higher.

Clorox is also taking lessons from Latin America – Mexico in particular – given that nearly two-thirds of US Hispanics are of Mexican descent. But, like Nestlé, it is adapting things for the US.

US Hispanics and Latin Americans tend to have different economic profiles, shopping habits and ties to the Spanish language. The differences are increasing, as native births have taken over from immigration as the driving force of Hispanic population growth.

David Cardona, director of multicultural sales at Clorox, says: "We're not just going to Latin America, pulling those insights and applying them here in the US. We're validating them with Hispanic consumers."

So, for example, Clorox's Poett and Mistolín cleaning brands in Latin America bear out an oft-cited finding of Hispanic consumer research: many Latinos prefer products with strong fragrances, which they associate with cleanliness.

But when Clorox launched an equivalent product in the US, it asked consumers what it should be called and found they preferred what has become a US-only name: Fraganzia.

Procter & Gamble, which does not have the Latin American heritage of some of its peers, has tried to "Hispanicise" some of its US brands. The world's biggest consumer goods group by sales, based in Cincinnati, it says it has more than 30 brands that are "active" with US Hispanics, among them its scented Gain dishwashing liquid.

The brand began in the southeast states of the US and turned out to be especially popular with African-Americans. Then P&G saw it was proving to be a hit with Latinos too. So it started to design its marketing programmes around US Hispanics and tweaked the product, for example adding a citrusy fragrance that it says Latinos love.

The products designed to catch their eye on supermarket shelves will only proliferate. But if US Hispanics are too busy to make a cup of Abuelita the old-fashioned way, companies will find they are fighting over small slivers of their attention.

Top five Mexican brands, 2013

Rank 2013	Rank change	Brand	Category	Brand value ($m)	Brand value change (%)
1	1	Corona	Beer	6,620	29
2	-1	Telcel	Comm providers	6,577	-22
3	1	Televisa	Comm providers	3,281	27
4	1	Bodega Aurrera	Retail	2,992	19
5	1	Bimbo	Bakery	2,976	49

Source: BrandAnalytics/Millward Brown

Can a marketing strategy be too successful?

Brazil

Protesters latched on to ad slogans, says *Samantha Pearson*

When hundreds of thousands of protesters chanted *Vem pra rua, vem!* ("Come to the street, come!") across Brazilian cities in June, executives at Fiat probably could not believe their ears.

The slogan had been the centrepiece of the Italian carmaker's advertising campaign, launched only the month before, part of its most expensive marketing project in the Latin American country this year.

While the phrase itself has been used during political movements in the past in Brazil, for the crowds of mainly young protesters who hit the country's streets this year it was simply recognised as "that slogan from the Fiat ad".

Fiat was not the only company to have inadvertently become an unofficial sponsor of the biggest protests in Brazil in more than two decades.

Another favourite slogan among demonstrators was *O gigante acordou* ("The giant woke up"), made popular by a 2011 Johnnie Walker commercial.

But has the unexpected free advertising been worth it for Fiat and UK-based Diageo, owner of the Johnnie Walker whisky brand?

Three months after mass protests broke out, drawing as many as 1m demonstrators at their peak, the movement has lost much of its original support.

While the initial protests began as demonstrations over issues such as public transport and corruption, the movement gradually gained more sinister characteristics. Vandals, political factions, the so-called Black Bloc masked anarchist group and even allegedly undercover police officers infiltrated the protests, scaring away many other demonstrators.

So, for Fiat and Diageo, their association with the movement has become even more dangerous.

Marcello Queiroz, editor-in-chief of Jornal Propmark, a Brazilian advertising and marketing magazine, says that the risks of being associated with the protests always outweighed the potential benefits.

This is especially true for Fiat, says Mr Queiroz, as their slogan could be seen as a direct call to action.

"In this sense, Johnnie Walker is at an advantage because there is no risk its slogan will be associated with the wave of violence; it is not inciting people to come to the streets but just to 'wake up'," he says.

Johnnie Walker's television commercial shows Rio de Janeiro's iconic landscape morphing into a giant who wakes up and starts walking – a play on the depiction of Brazil in the national anthem as a giant "resting eternally". "The giant is no longer asleep – keep walking, Brazil!" is the advertisement's tag line.

The commercial was launched in 2011 and instantly gained popularity, capturing a period of widespread optimism in the country after the economy's impressive 7.5 per cent growth in 2010.

During the demonstrations, the slogan came to represent a form of political awakening and greater vigilance by the people of their often corrupt leaders.

Fiat's slogan also comes from a TV commercial – this time showing fans taking to the streets to celebrate the national football team's victory. The advert was aired just before Brazil kicked off the Confederations Cup, the warm-up for the football World Cup next year. The lyrics of the catchy song go: "Come to the street, because the street is the biggest football stand in Brazil".

> For Fiat and Diageo, their association with the movement has become a dangerous one

The lines resonated with Brazil's protesters, many of whom had never taken part in activist movements before, as an accessible and fun way to gain support for their various causes.

Fiat took the commercial off the air at the end of June, even though the Confederations Cup was still in progress. The company said it had always planned to withdraw the commercial at the time, but gave few details about when, or if, its *Vem pra rua* slogan would return.

"The campaign's focus is solely and exclusively the joy and passion of football," the carmaker said.

While Fiat is unlikely to use the slogan again, Diageo may also find it difficult to revive its *O gigante acordou* commercial for fear of associating itself to a movement, which has occasionally turned violent and already led to several fatalities, says Mr Queiroz.

Nevertheless, Fiat and Johnnie Walker's commercials should still serve as examples of successful marketing strategies in the country – even if their downfall was ultimately being too successful, say advertising executives.

Fiat's campaign was widely seen as a clever way of cashing in on Brazil's football mega-events without paying Fifa, the tournament's organising body, to be an official sponsor.

Many have praised Diageo's Johnnie Walker commercial for its ability to "Brazilianise" a foreign product – a challenge for consumer goods companies attempting to break into the market.

Leandro Leal, a freelance copywriter in São Paulo, says: "When international companies come to Brazil, they often impose their culture and this happens a lot in advertising.

"An international campaign is often simply adjusted for the local market," he says.

"However, when a genuinely local campaign is created for a foreign product, as in the case of Johnnie Walker, I think people feel they have been recognised and it leaves them with an affinity with the brand."

Polar's chilly relationship with Chávez likely to thaw under Maduro

Venezuela

Supplying staple foods puts company beyond politics, says *Benedict Mander*

Venezuelans may live nowhere near the Arctic Circle, but polar bears are nonetheless a common sight in the Latin American nation.

Most of the beer swilled in the alcohol-loving country comes in a can or a bottle – that must be as cold as possible without freezing – that carries the image of this exotic animal.

Polar is far and away the most successful brand in Venezuela, and has become a national icon since the Polar brewery was founded in 1941.

The undertaking has become the country's largest privately owned company, second only to the state-run oil monopoly, PDVSA.

Such is Polar's success that not even Hugo Chávez, the late president and the scourge of Venezuela's private sector and an expropriation aficionado, dared to mess with the company, despite his open dislike of Lorenzo Mendoza, who runs it.

Indeed, the socialist firebrand once went so far as to opine that Mr Mendoza, one of the country's richest men, was guaranteed a place in hell. Yet Polar managed to flourish during the 14 years of Mr Chávez's so-called Bolivarian Revolution – in large part thanks to the strength of its brand.

Pollsters say that the Polar brand always enjoyed greater popularity than Mr Chávez ever did.

There was even a long-running joke that any opposition politician wanting to beat the invincible Mr Chávez at the ballot box would have to put his or her head in the place of the polar bear's on the company's products.

That way they would obtain the kind of recognition and approval they needed to win against the former president.

National icon: Polar beer

Today, Polar does much more in Venezuela than just make beer, where it enjoys about three-quarters of the market.

Most Venezuelans hardly let a day go by without consuming one of Polar's products.

Its Harina PAN maize flour is the key ingredient for the national staple dish known as the *arepa*, Venezuela's answer to the sandwich.

The company's products range from margarine and cooking oil to mayonnaise and ice cream, and also sells US products such as Pepsi, Gatorade and Quaker Oats.

Indeed, Polar's dominance of the food and drink market provides another reason for Mr Chávez's reluctance to meddle with it.

The company was simply "too big to fail" in a country where a shortage of basic foodstuffs remains a fact of daily life.

The question now is what the relationship will be between Polar and Mr Chávez's successor, Nicolás Maduro.

Shortly after he was elected, Mr Maduro summoned Mr Mendoza, as one of the most powerful representatives of the private sector, to a closed-doors meeting in the Miraflores presidential palace.

Although concrete results have yet to be seen, the meeting is said to have gone well.

Indeed, there are widespread hopes that the Maduro government will preside over a gradual rapprochement with the private sector.

Latin American Brands

Recognition of region rises as power and influence grow

Continued from Page 1

faster revenue growth and share price performance than their peers.

The best known are companies such as Brazil's Havaianas, the flip-flop maker, which has a brand value of $422m, and Mexico's América Móvil, which in August launched a €7.2bn bid for KPN, the Dutch telecoms company. Yet, because most multilatinas have a regional rather than global presence, many of their leading lights – such as Chilean retailers Falabella and Ripley – are not worldwide names.

The third reason is the attraction of the region's domestic markets, especially to consumer goods companies. This attraction is undeniable given Latin America's $6tn economy and 600m population, 80 per cent of whom live in cities.

Breaking into those regional markets is hard, though, as local companies have well-developed brands. Colombians, for example, were asked recently what best symbolised their country. After the flag and the national anthem, the surprise answer in third place, says Bancolombia analyst Rupert Stebbings, was "a tiny chocolate bar called Jet, produced by Grupo Nutresa", the Medellín-based food company.

Still, multinationals are successfully tapping the growing Hispanic market in the US. In a reverse crossover, Hispanics may then take home to their families some of that "brand value" created abroad.

The last reason for the growing importance of branding in the region is that many companies are embracing an equity culture, as seen in the increasing number ofl istings. Despite sluggish markets, there was $22bn of Latin American equity issuance in the first half of 2013, twice the amount in 2012, according to Dealogic.

For company executives, putting a dollar value to their brand can be a valuable tool for comparing their company's performance across countries and sectors, although some caveats are required.

Brand value in the Top 50 table (right) is essentially value attributed exclusively to brands as a proportion of shareholder value measured by BrandZ.

By using market information, the rankings cannot capture the many Latin American companies that remain family-owned. Odebrecht, the Brazilian construction company, is a notable example.

Latin American company brands remain far smaller than global ones because the region remains a collection of fragmented markets. Corona, the Mexican beer company that tops the BrandZ Latin American charts with an estimated brand value of $6.6bn, does not even make it on to the BrandZ Top 100 Global list.

Only by re-aggregating brands – such as Anheuser-Busch InBev's Brazilian beer brands Skol, Antarctica, Brahma and Bohemia, for a combined value of almost $13bn – does a single company vault into the global ranks, within which Volkswagen comes 100th with a brand value of $8.8bn and Apple first with $185bn.

Nonetheless, changes in this year's ranking reveal several interesting stories.

A noticeable trend is that the brand value of commodity producers, such as Vale or Petrobras, has slumped along with their share prices as the China-fuelled commodity price boom has come off the boil. Such companies were arguably never true brands – they were only big.

Banks have slipped down the ranking, as Latin America's credit boom has matured. As for nations, "brand Argentina" has been the biggest faller, with the cumulative value ofi ts top five corporate brands down 43 per cent.

On the other hand, the value of consumer-related companies has soared. Many of this year's best performers are beer brands. This is partly a global story, as multinational brewers boost distribution ofl ocal brands, while also wheeling out international brands. But it also speaks to the region's still-strong consumer demand and Latin conviviality.

What of the coming year, though? "De-premiumisation" is a new buzzword and a pointer towards how value-conscious brands may make a resurgence.

Then there is the World Cup itself; protests aside, it is sure to be a draw for a football-crazy region. Even if most people do not go to any events, there is still the texting, calling, downloading and video-watching that football will surely lead to.

Carlos Slim, the Mexican telecoms tycoon, has bought the World Cup's Latin American broadcast rights. He also recently unified his South American telecoms brand under the name "Claro". With an estimated brand value of $4.5bn, it may well be one to watch in 2014.

Top 50 Latin American brands, 2013

Rank 2013	Rank change	Brand	Brand value 2013 ($m)	Brand value 2012 ($m)	Brand value change 2013 versus 2012 (%)	BC Index **	Category	Country
1	6	Corona	6,620	5,114	29	4	Beer	Mexico
2	0	Telcel	6,577	8,449	-22	3	Communication providers	Mexico
3	5	Skol	6,520	4,698	39	4	Beer	Brazil
4	-3	Petrobras	5,762	10,560	-45	1	Energy	Brazil
5	1	Falabella	5,611	5,263	7	4	Retail	Chile
6	-3	Bradesco	5,492	6,690	-18	2	Financial institution	Brazil
7	4	Ecopetrol	5,137	4,240	21	1	Energy	Colombia
8	2	Claro	4,454	4,336	3	1	Communication providers	Latam
9	-5	Itaú	4,006	6,606	-39	2	Financial institution	Brazil
10	New	Aguila	3,903	-	n.a.	5	Beer	Colombia
11	13	Brahma	3,803	2,359	61	4	Beer	Brazil
12	3	Natura	3,707	3,307	12	4	Cosmetics	Brazil
13	3	Banco de Chile	3,632	3,109	17	3	Financial intitution	Chile
14	0	Sodimac	3,537	3,318	7	5	Retail	Chile
15	6	Televisa	3,281	2,585	27	2	Communication providers	Mexico
16	-4	LAN	3,274	3,964	-17	4	Airlines	Chile
17	2	Copec	3,204	2,815	14	4	Energy	Chile
18	-5	Bancolombia	3,009	3,465	-13	4	Financial institution	Colombia
19	3	Bodega Aurrera	2,992	2,511	19	2	Retail	Mexico
20	5	Bimbo	2,976	1,995	49	3	Bakery	Mexico
21	-1	Telmex	2,768	2,656	4	2	Communication providers	Mexico
22	New	Poker	2,487	-	n.a.	4	Beer	Colombia
23	-5	Banco de Bogotá	2,466	2,842	-13	3	Financial institution	Colombia
24	12	Modelo	2,301	1,244	85	4	Beer	Mexico
25	-2	Banco Popular	2,094	2,414	-13	3	Financial institution	Colombia
26	8	Inbursa	2,091	1,352	55	1	Financial institution	Mexico
27	11	Liverpool	2,066	1,156	79	3	Retail	Mexico
28	3	Cemex	2,034	1,494	36	1	Cement	Mexico
29	1	Sadia	1,993	1,496	33	2	Food	Brazil
30	-4	Lider	1,932	1,980	-2	4	Retail	Chile
31	New	BCP	1,636	-	n.a.	2	Financial institution	Peru ***
32	0	Elektra	1,578	1,398	13	2	Retail	Mexico
33	New	Banorte	1,567	-	n.a.	2	Financial institution	Mexico
34	-5	Almacenes Paris	1,558	1,699	-8	4	Retail	Chile
35	-8	Sanborns	1,465	1,834	-20	2	Retail	Mexico
36	-27	Banco do Brasil	1,427	4,574	-69	2	Financial institution	Brazil
37	New	Cristal	1,401	-	n.a.	5	Beer	Peru ***
38	-1	Exito	1,286	1,168	10	3	Retail	Colombia
39	4	Antarctica	1,284	851	51	3	Beer	Brazil
40	-5	Davivienda	1,281	1,251	2	4	Financial institution	Colombia
41	-24	YPF	1,272	3,074	-59	2	Energy	Argentina
42	-9	Jumbo	1,248	1,361	-8	4	Retail	Chile
43	-3	Mall Plaza	1,190	1,116	7	3	Retail	Chile
44	New	Soriana	1,187	-	n.a.	2	Retail	Mexico
45	New	Interbank	1,095	-	n.a.	2	Financial institution	Peru ***
46	0	Lojas Americanas	1,046	762	37	2	Retail	Brazil
47	-2	Perdigão	1,036	778	33	2	Food	Brazil
48	-1	Bohemia	1,010	697	45	5	Beer	Brazil
49	-21	Vale	1,009	1,708	-41	1	Mining	Brazil
50	-11	Banco de Occidente	992	1,143	-13	3	Financial institution	Colombia

* Claro is based in Mexico, but has no operations there
** The Brand Contribution Index runs from 1 (low) up to 5 (high)
*** Peru is a new country in the Latam ranking

Source: BrandAnalytics/Millward Brown

Growth leaves nowhere else to go but abroad

Overseas strategies *John Paul Rathbone* looks at two success stories

The last time you sloped off to the beach – especially if that was in Latin America – it is likely that you wore or carried a pair of Havaianas flip-flops and a cell phone operated by a network owned by Carlos Slim, the Mexican telecoms magnate.

Apart from being mass consumption products – which rank among the region's most emblematic brands – and being largely made of plastic, these two goods have more in common than might seem. They have both become transnational brands.

Havaianas flip-flops began life 50 years ago as a basic shoe for poor plantation workers in Brazil. Some 15 years ago, the parent company, Alpargatas, decided to reposition the brand as an aspirational fashion product, hiring designers to create an attractive range with different colours and designs.

The strategy was so successful that by 2007 the company was selling 850 pairs of flip-flops for every 1,000 Brazilians, according to Dominique Turpin, professor of marketing at IMD, the business school.

With the domestic market saturated, it was time to expand abroad – a strategy that Alpargatas chief executive Marcio Luiz began in earnest in 2008.

With the flip-flops now sold in 80 countries – including stores in Rome, Paris and London – Mr Luiz effectively turned Havaianas flip-flops into Brazil's first truly global brand. Today, it has a brand value of about $422m, according to BrandAnalytics.

By comparison with Alpargatas, Carlos Slim's stable of telecoms companies is a colossus. Telmex, his Mexican fixed line company, has a brand value of $2.8bn, while Telcel, his Mexican mobile arm, has a brand value of $6.6bn.

Telmex, Carlos Slim's Mexican fixed line company, has a brand value of $2.8bn


Foot loose: Havaianas flip-flops are sold in 80 countries AP

Just like Havaianas, however, domestic saturation – combined with, in Mr Slim's case, growing regulatory risk at home – prompted expansion abroad. In the classic multilatina strategy, this began in Mexico's near-abroad and then spread further afield.

Today, Mr Slim's brands include Claro, his pan-Latin American mobile brand (excluding Mexico), which has a brand value of $4.5bn. He also controls TracFone, a US business marketed under the Telcel America brand that is aimed at the Hispanic community and has 22m subscribers and more than $4bn of annual revenues.

Here, though, is where these two collections of brands part. For one, over the past year, Havaianas' brand value has almost doubled, according to Brand Analytics, while Telcel's brand value has slumped by almost a quarter, despite its 70m subscribers.

This is largely due to greater regulatory scrutiny at home, where Enrique Peña Nieto, the Mexican president, wants to break Telcel's near-monopoly grip on 66m subscribers.

But Mr Slim is also a good competitor in new markets, as shown by the brand value of Claro, with over 150m subscribers, which has strengthened.

Mr Slim, however, has had less luck expanding in Europe. There his €7.2bn takeover offer for KPN has run into the sand and he is also nursing a €2bn paper loss on the nearly 30 per cent stake he had built up in the Dutch telecoms company.

Investors complain that Mr Slim has not explained his European strategy properly. Yet, so far, he is sticking to his guns – a case, perhaps, where not doing a flip-flop may have dulled his personal brand as well.