LATIN AMERICAN BRANDS

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Making a brew
Do names such as Brahma have the bottle to follow Corona into foreign markets?
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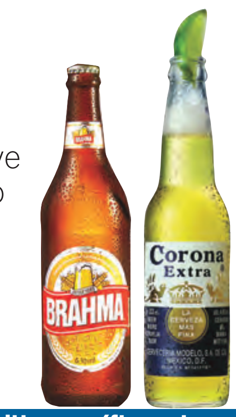

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Keen to make a bigger marque

Local brands are giving international ones a run for their money, reports **John Paul Rathbone**

On the crust of a wave: Mexico's Bimbo is the world's largest baker and 25th in the inaugural Top 50 Latin American Brands ranking Alamy

If you have taken a local European flight recently, it is quite possible you sat in an Embraer aircraft, designed and built in Brazil.

Or at a barbecue in the US this summer, it is likely the flip-flops that many people will be wearing are Brazilian Havaianas; the hamburger buns are made by Mexico's Bimbo, the world's largest baker; and the grilled chicken is supplied by Pilgrim's Pride, owned by Brazil's JBS, the world's largest meat producer.

Even the Budweiser beer you might drink is a slice of Latin America – most of the managers at Anheuser-Busch InBev, the Belgian-domiciled but New York-headquartered brewer, are Brazilian.

Clearly, the rise of emerging countries has reshaped not just geopolitical questions; their companies are changing global business patterns too.

That means that many western investors and managers also have to get to grips with foreign brands they may not be familiar with. For this reason, Brand Analytics, a São Paulo-based partner of the global advertising company WPP, has commissioned a new study on the value of Latin American brands.

There are three reasons why the notion of Latin American brand value has come of age.

First, some brands are going international, as the examples above show. Indeed, InBev's Brazilian beer brands – such as Skol and Brahma – possess among the continent's highest brand values. That is as you would expect from fast-moving consumer goods; in developed markets, the same is true of McDonald's or Coca-Cola.

Second, strong local brands are giving international ones a run for their money – a factor that multinationals need to be aware of when they enter Latin America's buoyant fast- growing markets.

In Brazil, Totys, a software company, is trouncing SAP and Oracle, while Natura, a cosmetics group, has trounced Avon. As a partial result of its Brazilian troubles, Avon is now subject to a hostile offer from Coty, the privately owned US fragrance group.

Strong local brands are not limited to consumer goods, but are also found in the field of financial services. In Colombia, Luis Carlos Sarmiento Jnr, chief executive of Grupo Aval, the country's largest financial services group, says: "We have seen US banks, then Spanish banks, come and go. Now it is the turn of other countries. They are all good banks, but we have lived through these 'conquests' before."

The third reason why the concept of Latin American brand value is coming of age is that many local companies are embracing the equity culture, either to fund growth or because a stock market listing can smooth succession at family-owned companies, which remain a feature of the local corporate landscape.

"There are a lot of medium-sized companies that will become public very soon," says Eduardo Tomiya of BrandAnalytics. The perception of capital markets as a good source of finance is almost a consensus in the region, he says.

Shareholder value creation is therefore of keen interest in Latin America, and with that the value of company brands.

But what is brand value? For a company manager, it is the grip that a company has on a consumer's imagination. In financial terms, however, it is

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Inside this issue

Online is expanding but TV is still king

Marketing in Brazil

Companies' web presence grows but mobile revolution is yet to take off, says **Henry Mance**

Spend enough time online in Brazil and the chances are that an ad for Netshoes will appear on your screen. The sportswear retailer, which started trading 12 years ago in a São Paulo car park, is the country's biggest buyer of internet display slots.

Its ads reach two-thirds of Brazil's internet users, according to consultancy ComScore, reeling in visitors to the main site with promises of low prices and free shipping. They have helped propel the company to become one of Latin America's largest ecommerce operations.

"We are a brand that grew without television [advertising]," says Roni Cunha Bueno, Netshoes' head of marketing. "We started advertising on television later, not to create our brand but to consolidate it."

Not all companies have embraced online tactics so decisively. Brazil has the world's seventh largest total of internet users and is among Facebook's fastest growing markets. Yet, in a country that bathes in soap operas, TV advertising remains king, taking more than half of last year's total advertising spend of R$88bn ($43bn).

Tim, a mobile phone network, spends some 70 per cent of its marketing budget on TV.

Livia Marquez, Tim's head of marketing, says: "Every year, I try to go down to 60 per cent, but everyone presses us to sell more, and the way to sell more is by being on TV".

Nonetheless, by cutting down on other media, Tim expects to double online advertising's share of the budget this year. That reflects the picture across Brazil, where print and outdoor media, rather than TV, have been squeezed by the arrival of online.

The challenge for advertisers is to link their messages across TV and online. Luiz Sanches, creative director of ad agency AlmapBBDO in São Paulo, says: "Advertising is becoming more like entertainment. Everyone can recognise a good story. It's not about the medium but how powerful the idea is."

Internet ads from Havaianas, the flip-flop brand, use a soap opera format – in effect, trying to continue to the TV story online. That humorous soap opera approach contrasts with the company's simpler tactic in foreign markets, which relies on images of Brazilian beaches.

Other brands are focusing on digital advertising to develop a closer relationship with consumers.

Tim's Beta initiative allowed young mobile users to go online and design their own phone tariff. The hoped-for result, says Ms Marquez, "won't be a boom of market share but a boom of quality", where existing consumers feel more connected to the brand. Like some of its global peers, Tim is moving away from display ads, which it feels offer little engagement.

Netshoes' Facebook page, which has more than 700,000 fans, recently ran a competition where consumers could upload photos of themselves to be shown on electronic monitors during a football match between Brazil and Argentina.

Another strategy that is favoured by fashion companies is giving bloggers the opportunity to try out products. More than 90 per cent of internet users in Brazil read blogs, according to ComScore – a much higher proportion than in the US. By partnering with bloggers, brands can increase their credibility.

But sophisticated campaigns can be a tough sell, even for innovative companies. Azul, a low-cost airline that was bold enough to chose its name using a public vote, has been relatively conservative when it comes to online advertising.

"We see social media mostly as a promotional tool [to increase sales], rather than something that will build the brand," says Gianfranco Beting, the airline's brand director.

The constraint, he points out, is showing a return on online investment.

For digital true believers, the next frontier is mobile phones. Netshoes aims to make 10 per cent of its sales via mobiles by the end of next year, up from 2 per cent at present. Companies in Brazil are increasingly developing mobile versions of their websites along with smartphone apps.

Overall, though, efforts have been unconvincing, says Marcio Chaer of the Mobile Marketing Association's Latin American branch, a trade grouping.

"An app is not a strategy – it's a channel. Not even the big brands have a head of mobile [strategy]. The people now who are managing digital are used to the old web, but the future is mobile," he says. "'Frustrated' is my word."

One key issue is effectiveness. "If you invest a dollar in TV, you know what impact you're going to have. With mobile, you don't know that," says Mr Chaer.

Other obstacles are more specific to Brazil. Mobile data are expensive and connectivity is often poor, so consumers may not be able to access mobile sites anyway.

And ad agencies, which receive a cut when companies buy TV or print slots, do not benefit similarly from digital investments.

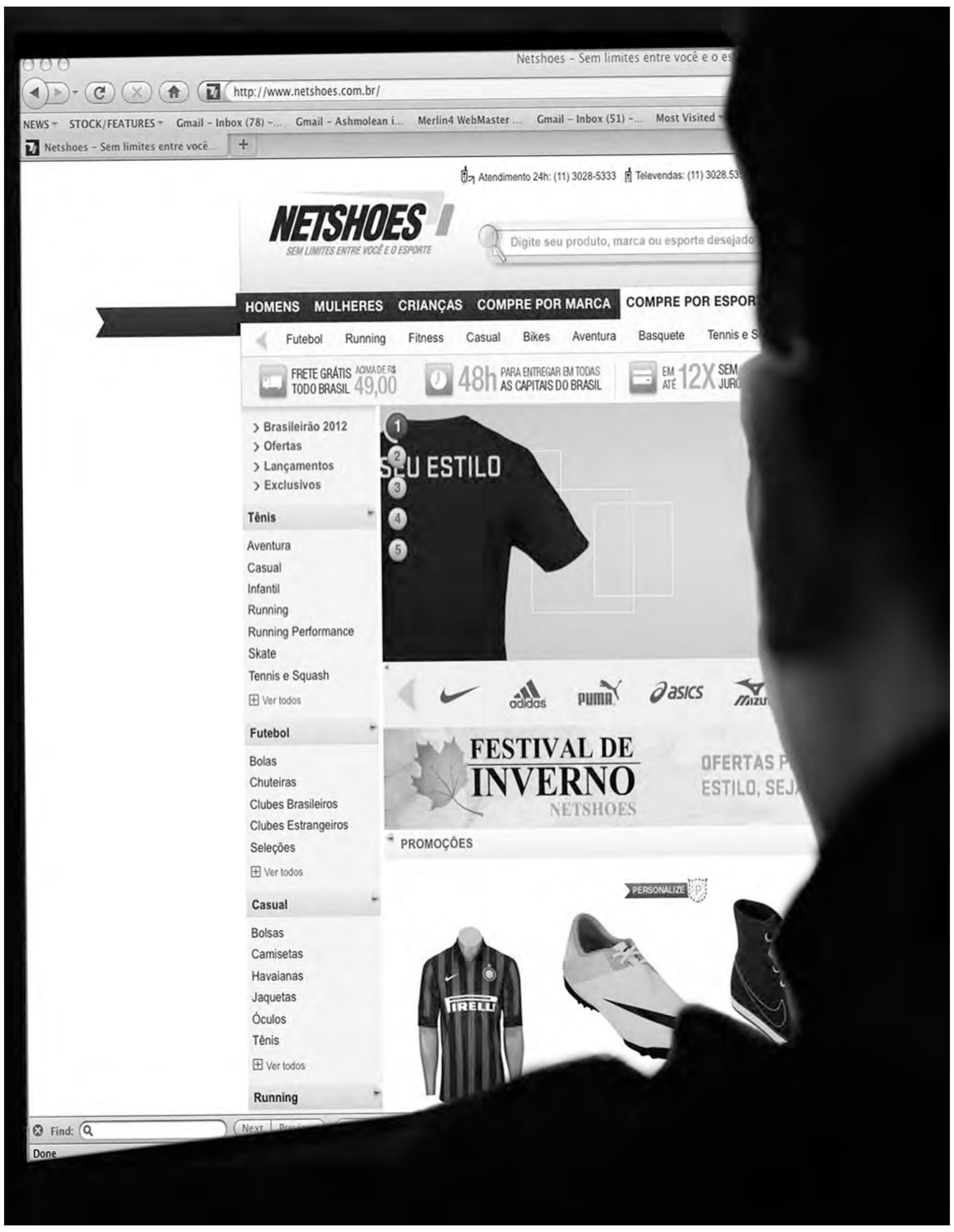
However, Alex Banks, ComScore's managing director for Brazil, is upbeat about the pace of change. The time it takes for digital ideas, such as online coupons, to reach Brazil from the US has fallen from two or three years "to about six months", he says.

Multinational companies are perhaps the best placed brands to pioneer innovation. But homegrown concepts are gaining greater weight.

"Brazil is a very dynamic digital market. There's a lot happening here that starts here," Mr Banks says.

As the strategies of Netshoes and Tim show, the direction of travel is clear.

'The people who are managing digital now are used to the old web, but the future is mobile'



Feet of endurance: not all Brazilian companies have embraced the web as decisively as 12-year-old Netshoes

Keen to make a bigger marque

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what is left after deducting a company's tangible assets from its market capitalisation.

Calculating it, however, is a rough-and-ready process, partly because tangible capital is broadly fixed, while market values – and thus the residual – change daily.

Also, the concept of brand value in Latin America has to be taken with a pinch of salt when measured against global brand rankings, because it describes such a different story.

For one thing, many of the Latin American companies are on the ranking only because they are big, and that is because they are former state-owned behemoths that have recently listed on stock markets.

These include organisations such as the Brazilian energy company Petrobras, which tops the list; Columbia's 11th-placed Ecopetrol; and Telmex, the fixed line telecoms company, ranked at 20th, and owned by the Forbes-rated world's richest man, Carlos Slim.

In world rankings, by contrast, the top companies are distinguished by genuine brand value, such as is the case with Apple. The difference illustrates the much talked about need for Latin American economies to develop intellectual capital and move beyond commodity processing.

Another quirk to the ranking is that it does not capture the many leading Latin American companies that are privately owned, and for which branding is a big source of value.

There are two conglomerates that spring to mind: Globo, Brazil's biggest media company, and Grupo Cisneros, the New York-based but Venezuelan-owned producer of soap operas, and owner of the Miss Venezuela franchise.

But perhaps the most notable difference between the Latin American and global rankings is that the Latin values are a great deal smaller. Petrobras has Latin America's most valuable brand, estimated at $10.6bn – close to BP's value. Yet it only comes 75th on the global list. Apple, by contrast, has an estimated brand value of $183bn.

This relative smallness reflects the highly local nature of many Latin American brands, even if they are owned by bigger groups. China's top 50, for example are worth $311bn, while Latin America's are worth half that – even though the regions are of a similar economic size.

"Latin America is much less monolithic than China," says Mr Tomiya. "But increasingly, companies are thinking about whether to develop a pan-regional brand, or maintain a portfolio of many local brands."

One example of this is the Colombian mobile company Comcel, which Mr Slim is poised to rebrand as Claro, after his Brazilian operation. The other few exceptions to Latin American regionalism, for the moment, are LAN, the Chilean airline, Itaú-Unibanco, the Brazilian bank that is expanding abroad alongside its clients, and Vale, the world's largest iron ore producer, which has a global industrial brand.

Despite such quibbles, the Latin American ranking still tells an interesting story. Indeed, it well describes what many are calling "the Latin American decade" and the rise of the region's middle classes.

Their relative smallness reflects the local nature of many Latin American brands

The most successful brands are those that project lifestyle aspirations (as reflected by the number of Chilean and Brazilian retailers and home-improvement outfits), upward social mobility, helped by financial stability (as seen in the large banks), the increase of leisure time and disposable income (as in the many beer companies), and the strength of the continent's commodity boom, as embodied in national champions such as Petrobras, Ecopetrol or Vale.

The anomalous inclusion of Argentina's YPF deserves a special mention. Its brand value – estimated at $3bn, earning it 17th place – has certainly plunged alongside its share price since Buenos Aires nationalised most of the Spanish oil company Repsol's stake in the energy company in April.

Still, one could argue that it was because of YPF's branding in the national imagination that President Cristina Fernández renationalised the company, with the intention of making it even "more Argentine". Brand value in Latin America is clearly a sword that can cut both ways.

Top 50 Latin American Brands 2012

Rank	Brand	Category	Brand Value 2012 ($m)	Brand Contribution (out of five)	Country of Origin
1	Petrobras	Energy	10,560	1	Brazil
2	Telcel	Communication Providers	8,449	3	Mexico
3	Bradesco	Financial Institution	6,690	3	Brazil
4	Itaú	Financial Institution	6,606	2	Brazil
5	Comcel	Communication Providers	5,513	4	Colombia
6	Falabella	Retail	5,263	4	Chile
7	Corona	Beer	5,114	4	Mexico
8	Skol	Beer	4,698	5	Brazil
9	Banco do Brasil	Financial Institution	4,574	3	Brazil
10	Claro	Communication Providers	4,336	2	LatAm*
11	Ecopetrol	Energy	4,240	1	Colombia
12	LAN	Airlines	3,964	4	Chile
13	Bancolombia	Financial Institution	3,465	4	Colombia
14	Sodimac	Retail	3,318	5	Chile
15	Natura	Cosmetics	3,307	5	Brazil
16	Banco de Chile	Financial Institution	3,109	3	Chile
17	YPF	Energy	3,074	2	Argentina
18	Banco de Bogota	Financial Institution	2,842	3	Colombia
19	Copec	Energy	2,815	5	Chile
20	Telmex	Communication Providers	2,656	2	Mexico
21	Televisa	Communication Providers	2,585	2	Mexico
22	Bodega Aurrera	Retail	2,511	2	Mexico
23	Banco Popular	Financial Institution	2,414	3	Colombia
24	Brahma	Beer	2,359	5	Brazil
25	Bimbo	Food	1,995	4	Mexico
26	Lider	Retail	1,980	5	Chile
27	Sanborns	Retail	1,834	2	Mexico
28	Vale	Mining	1,708	1	Brazil
29	Almacenes Paris	Retail	1,699	4	Chile
30	Sadia	Food	1,496	2	Brazil
31	Cemex	Industrial	1,494	1	Mexico
32	Elektra	Retail	1,398	2	Mexico
33	Jumbo	Retail	1,361	5	Chile
34	Inbursa	Financial Institution	1,352	1	Mexico
35	Davivienda	Financial Institution	1,251	4	Colombia
36	Modelo	Beer	1,244	4	Mexico
37	Exito	Retail	1,168	4	Colombia
38	Liverpool	Retail	1,156	3	Mexico
39	Banco Occidente	Financial Institution	1,143	3	Colombia
40	Mall Plaza	Retail	1,116	3	Chile
41	Ripley	Retail	987	4	Chile
42	Santa Isabel	Retail	948	4	Chile
43	Antarctica	Beer	851	4	Brazil
44	Vivo	Communication Providers	817	1	Brazil
45	Perdigão	Food	778	2	Brazil
46	Lojas Americanas	Retail	762	2	Brazil
47	Bohemia	Beer	697	5	Brazil
48	Arauco	Industrial	690	1	Chile
49	Personal Telecom	Communication Providers	681	3	Argentina
50	TV Azteca	Communication Providers	676	2	Mexico
		Total	135,745		

Source: BrandAnalytics (including data from BrandZ and Bloomberg) * Claro is based in Mexico but has no operations there

Why segmentation is vital to success

Richard Lapper
BRAZIL CONFIDENTIAL

There was a time not so long ago when the battle of the brands in South American consumer markets was a relatively straightforward matter. In the red corner, long standing domestic champions stressing the virtues of tradition. In the blue corner, international competitors emphasising the value of the new.

For both camps the target markets were the same: a relatively small minority of better-off, middle class consumers. But things across the region have become a lot more complicated.

Economic stabilisation, a commodity boom and the development of more diverse trade and investment ties have engendered growing prosperity.

Marginal groups that a generation ago scratched out a living on the edge of sprawling cities have become part of the social mainstream, acquiring formal jobs and access to credit. This has produced millions of new consumers.

In Brazil, South America's largest consumer market, over the past decade or so 40m people have joined the so-called class C, a middle income group defined by household income of between about $800 and $3,700 a month. More people belong to class C than any other economic category.

Minimum wage rises and the extension of social welfare mean even the poorest households, earning less than $800 a month, are consuming more.

The number of high income families has also expanded quickly, so that Brazilians are important purchasers of luxury goods ranging from fast cars to top of the range cosmetics.

The result is a market that is much more segmented than it used to be.

For businesses of all kinds these social changes have been far reaching. Rather than just focus on the better-off 20 per cent of the population as they used to, they are aiming to sell products to a much more diverse market.

Companies such as Procter & Gamble and Unilever are developing several lines of toothpaste or shampoo: a basic brand; a top-of-the-range product; and a mid-range effort.

In electronics there is great demand for smart phones and tablets but also a vibrant market for cheaper, simpler products that must often compete with Chinese devices sold in the informal market.

Brazil Confidential, the FT's fortnightly research report (www.brazilconfidential.com), has focused a good deal of its recent research on these markets. Each month we interview more than 1,000 Brazilians across income, age and regional categories.

One of the most striking things has been the attractions – for these new urban consumer classes – of more upmarket products.

For example, last year Unilever launched Tresemmé, an upmarket shampoo in the kind of bottles found in expensive salons and priced at about 50 per cent more than its popular Sunsilk brand. Our survey found Tresemmé flying off the shelves. More than 10 per cent of our sample said they intended to buy it in the next six months, indicating that its share of the shampoo market was growing very rapidly.

Brands such as Colgate, the toothpaste, are coming under pressure from products that contain more expensive ingredients, such as GSK's Sensodyne or P&G's Oral B.

Incumbents – whether international groups such as Colgate-Palmolive or Hypermarcas, a local drugstore-style company *(see article on page 4)* are having to work much harder and think much faster than ever before.

We have found similar patterns in other industries.

Twenty years ago, the Brazilian soft drinks markets pitched Coca-Cola, Pepsi and Antarctica (Brazil's best selling locally sourced carbonated drink known, made from the guarana berry and owned by the Ambev brewing group) against dozens of regional independent cola and guarana producers, known as *tubaínas*.

We found cola and guarana are losing share to energy drinks such as Red Bull, bottled water and fruit juices that appeal just as much to the health conscious C class as to the better off. To survive, local producers are widening their product range. The *tubainas* we interviewed are all developing their own energy drinks.

In some cases, despite having lower incomes than Europeans or North Americans, Brazilians spend more per capita on products, so that manufacturers are devising new products and brands.

Hypermarcas has developed a complex range of nail varnishes, employing well-known fashion designers to come up with new colours, effects and formats sometimes unique to Brazil.

This segmentation, which reflects developments in western markets, seems to be here to stay. Brazil's economy has slowed down this year, in part because of growing uncertainty in Europe and the fall in the price of the raw materials that still form a big part of its export mix.

There are signs too that the new middle-income groups are becoming financially overstretched and are having to rein in spending.

Our surveys have found that Brazilians plan to eat out and travel abroad less over the next few months, for example.

Even so, confidence levels are surprisingly high and retail sales are still rising year on year at more than double the rate of economic growth more generally.

In Brazil, consumer markets look as if they will continue to be more complex for some time to come.

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Bottlenecks in the system: beer, like local liquors – but unlike cognac, Scotch whisky and similar spirits – is highly domestic Bloomberg

Brewers seek to take tipples global

Beer brands

The sector has kept its fizz while others have wilted, says **Louise Lucas**

As befits a continent famous for its party-loving vibe, beer is big business in Latin America – and so are its brands.

Alone of all sectors, all the beer brands in the Latin American Top 50 for which comparative figures were available rose in value last year, according to BrandAnalytics, a partner of global advertising company WPP, which compiled the ranking.

While most brands have wilted, in the main because of a falling stock market which has shrunk the financial component, beers' gains reflect the joy of small treats and strong branding, says Cristiana Pearson, director for Brazilian rankings at Millward Brown Optimor, which produces the BrandZ Top 100 Global Brands ranking.

"It tends to be that when the economy is not doing so well, people tend to go out and have a good time and have a beer, it is part of the culture," she says, pointing out that a similar phenomenon occurred after the 2008 recession.

The brewers in the Top 50 are led by Mexico's Corona which, with a brand value of $5.1bn, ranks seventh. Skol is hot on its heels at $4.7bn and followed by Brahma ($2.4bn) – both from Brazil – and Mexico's Modelo ($1.2bn). Antarctica and Bohemia, both Brazilian, bring up the rear.

But beer's popularity is highly focused, and may prove tougher to spread internationally.

With consolidation sweeping through the global brewery industry, many brands are now held in a few hands.

In Brazil, for example, Anheuser-Busch InBev – the world's biggest brewer after a series of game-changing acquisitions – owns the four Brazilian brands in the Top 50. Together, these account for 70 per cent of the country's total beer sales.

Consolidation on this scale offers big advantages domestically, offering synergies in distribution as well as taking out the competition, but the benefits are harder to translate beyond borders.

That is partly to do with logistics – beer is heavy, bulky stuff which is expensive to move around the globe – and partly a matter of marketing. Beer, like local liquors but unlike cognac, Scotch whisky and similar spirits, is highly domestic.

Drinkers by and large stick with local brands, which are themselves often associated with a particular town or region. Indeed, international brands, led by Heineken, make up a small part of total beer sales.

AB INBEV is now pushing its US Budweiser brand globally, and the beer group is adopting a similar ploy, albeit on a far more modest scale, with some of its Brazilian brands, says Ms Pearson.

It initially aims at the Brazilian diaspora, a strategy followed by others in the drinks world.

Diageo, known for its Guinness beer and Johnnie Walker Scotch whisky and the world's biggest distiller by sales, recently took control of the maker of Shui Jing Fang baijiu, the local Chinese liquor likened to firewater by those yet to acquire a taste for the potent clear spirit.

Now there are plans to sell baijiu overseas, largely to Chinese expats and to tourists buying gifts.

Economic growth in Brazil has triggered more travel and more overseas residents, Ms Pearson notes.

Except for Havaianas flip-flops, Brazilian brands are still far from global currency. But Ms Pearson says the general feelgood factor about the country lends itself to internationalising brands.

"People love Brazil," she says. "You don't see people wandering around wearing football shirts that are not their own countries – unless it is Brazilian. It tends to be a country very much loved by people [aided] by the big carnival associations."

On home turf, Brazilian brands have also done a good job of segmenting and targeting different markets, just as multinationals do.

Skol, for example, is "young and innovative", boasts the highest volume sales and targets young adults through music festivals.

Brahma is the "warrior" brand, which is considered traditional but using modern day heroes such as musician Zeca Pagodinho and footballer Ronaldo in its ads.

"All brands are very attached to the carnival in February, sponsoring samba schools and VIP areas," says Ms Pearson.

As with other Asian and Latin American brands, such as Natura, a direct sales cosmetics group, brewers are taking their first steps abroad within the continent.

Thus Brahma bought Quilmes in Argentina, and has subsequently moved further overseas to Europe: Brahma can now be bought in Tesco, the biggest UK supermarket by sales.

Mexico's Corona, often with a wedge of lime plunged into the bottle neck, is a familiar site in bars from San Francisco to Tokyo, as beach tourists helped spread its popularity when they went back home. It is now available in 150 countries.

That sort of reach is impressive for countries where consumption levels are roughly half those of the biggest drinking nations.

Brazil's annual consumption per capita was 65.4 litres in 2010 according to Plato Logic, compared with 146.7 litres for the Czech Republic and 111.4 for Germany.

ON FT.COM

Benedict Mander explains why Venezuela's firebrand leader Hugo Chavez has long threatened to expropriate Empresas Polar but has never taken the plunge
www.ft.com/latin-america-brands-2012

Top Five Argentina Brands 2012

Rank	Brand	Category	Brand Value ($m)	Brand Contribution (out of five)
1	YPF	Energy	3,074	2
2	Personal Telecom	Communication Providers	681	3
3	Telecom Argentina	Communication Providers	390	3
4	Quilmes	Beer	334	5
5	Banco Galicia	Financial Institution	188	3
		Total	4,667	

Top 15 Chile Brands 2012

Rank	Brand	Category	Brand Value ($m)	Brand Contribution
1	Falabella	Retail	5,263	5
2	LAN	Airlines	3,964	4
3	Sodimac	Retail	3,318	5
4	Banco de Chile	Financial Institution	3,109	3
5	Copec	Energy	2,815	5
6	Lider	Retail	1,980	5
7	Almacenes Paris	Retail	1,699	5
8	Jumbo	Retail	1,361	5
9	Mall Plaza	Retail	1,116	3
10	Ripley	Retail	987	4
11	Santa Isabel	Retail	948	4
12	Arauco	Paper	690	1
13	Banco de credito e inversion	Financial Institution	600	1
14	Easy	Retail	566	5
15	Cristal	Beer	564	4
		Total	28,981	

Top 10 Colombia Brands 2012

Rank	Brand	Category	Brand Value ($m)	Brand Contribution
1	Comcel	Communication Providers	5,513	4
2	Ecopetrol	Energy	4,240	1
3	Bancolombia	Financial Institution	3,465	5
4	Banco de Bogota	Financial Institution	2,842	4
5	Banco Popular	Financial Institution	2,414	4
6	Davivienda	Financial Institution	1,251	5
7	Exito	Retail	1,168	4
8	Banco Occidente	Financial Institution	1,143	3
9	ETB	Communication Providers	558	4
10	Tigo	Communication Providers	517	3
		Total	23,111	

Top 15 Mexico Brands 2012

Rank	Brand	Category	Brand Value ($m)	Brand Contribution
1	Telcel	Communication Providers	8,449	4
2	Corona	Beer	5,114	5
3	Telmex	Communication Providers	2,656	2
4	Televisa	Communication Providers	2,585	3
5	Bodega Aurrera	Retail	2,511	2
6	Bimbo	Food	1,995	5
7	Sanborns	Retail	1,834	3
8	Cemex	Industrial	1,494	2
9	Elektra	Retail	1,398	3
10	Inbursa	Financial Institution	1,352	2
11	Modelo	Beer	1,244	5
12	Liverpool	Retail	1,156	4
13	TV Azteca	Communication Providers	676	3
14	Soriana	Retail	589	2
15	Tecate	Beer	563	5
		Total	32,219	

Source: BrandAnalytics (including data from BrandZ and Bloomberg)

Sweet success is achieved in different packs

Argentina

Arcor and Havanna have contrasting ways of building their presence, says **Jude Webber**

Forget Cadbury and Nestlé: The company that claims to be the world's biggest confectionery maker, in volume terms, is Argentina's Arcor.

But is the company, founded in a small provincial town in 1951 by the son of an immigrant Italian baker, a global household name? Is its blue and gold logo burnt indelibly into people's brains worldwide as is Coca-Cola's scarlet and white signature? No.

Arcor does not even rank in BrandAnalytics' top five for Argentina and there are only two Argentine brands among the top 50 in the region, in part reflecting a rash of takeovers by foreign groups in the privatising 1990s.

Apertura, a business magazine, this year, for the 10th year running, ranked Arcor as having Argentina's best corporate image and Luis Pagani, its president, the decade's most prestigious business figure, yet the studiously low-profile company is almost an anti-brand, reaching consumers instead through the pulling power of its products.

Indeed, some of its brands, such as the iconic Aguila chocolate bar, whose individually pink-wrapped fingers dunked into a glass of hot milk are the café classic, the submarino, do not even feature Arcor's logo on the front.

Contrast that with Havanna, a far smaller Argentine company that has honed its identity from seaside sweet treat to purveyor of luxury *alfajores* – chocolate covered biscuits sandwiched together with the country's ubiquitous *dulce de leche* caramel.

In May, the company – founded in the seaside resort of Mar del Plata in 1948 – was named a "country brand" under a tourism ministry initiative to promote Argentina's image abroad.

At home, its has developed its name through a chain of coffee shops and products emblazoned with its logo in large red letters.

Alan Aurich, chief executive, says: "I couldn't imagine the brand without the shops."

And as it expands abroad – Havanna is present in 13 markets across Latin America as well as in the US, Spain and Israel – it seeks to position itself as the quintessential Argentine souvenir. Its products are on sale in duty-free shops in New York and Miami, even though the company has yet to open stores in the US.

Havanna also has a deal with Lan, a Chilean airline, to serve Havanna products on some South American routes – a clever way to ensure that tourists "try us for free", Mr Aurich says.

Arcor sees its corporate name as a guarantee to consumers and has taken pains to preserve the individual brand identity of its products when it has taken over companies, says Valeria Abadi, corporate communications manager.

But just as Procter & Gamble, the global consumer product group better known among consumers for its individual brands, felt moved in 2010 to launch its first US corporate image campaign, so Arcor is working on more direct marketing strategies for the Arcor brand, Ms Abadi says.

Arcor relies on the pulling power of products such as the Aguila bar

One of Arcor's smart strategies has been vertical integration in its main base, Argentina: it produces its own glucose, sugar, milk and packaging, allowing it to keep costs down. And its distribution model allows it to reach 250,000 kiosks and small shops.

"We are always everywhere, like Coca-Cola," says Ms Abadi.

Arcor produces around 150m candies a day. But it is also far more than a sweet manufacturer. It produces biscuits and a range of other food products.

Though its main base is in Latin America, it distributes to 120 countries and is thinking of opening a plant in India. It has also upgraded its presence in China.

"Arcor represents the dream come true, that our [Argentine] companies can become multinationals," says Ms Abadi.

Brazilian guarana drink sales take off in Japan

Mini-brand
Cotuba

Expats' thirst for taste of home drives imports, says **Luke McLeod-Roberts**

In São José do Rio Preto, a sleepy town 450km north of São Paulo, year-round sunshine is a given. This is not only good for agribusiness, the mainstay of the local economy but it also helps boost sales for Arco Íris, a local soft drinks manufacturer.

"The climate keeps stimulating demand," says Oswaldo Gomes da Cruz Jr, director of marketing at the 50-year-old company.

Arco Íris would not disclose its total sales, but two-thirds are made up of Cotuba, a fizzy, intensely sweet and caffeine-filled soft drink made from guarana, the Amazonian red berry.

In São José, Cotuba has a strong following among generations of consumers raised on it. As a result its marketing campaigns have tended to emphasise family values and nostalgia, while drinks labels celebrate local festivals.

But go outside northern São Paulo state and you will be hard pressed to find the product at all in the national market, such is the fierce brand loyalty of Brazilians to locally produced guarana marques, which number in their dozens.

Travel 12,000 miles away to Japan though, and Cotuba may be easier to find there than in Rio de Janeiro.

"When it is available it flies off the shelves," confirms Tokyo-based Antônio Shinkiti Shikota, the son of Japanese emigrants to São Paulo who himself migrated in the opposite direction 23 years ago.

Mr Shikota sells Cotuba and other Brazilian products from a truck that visits some of the 300,000-strong ex-pat community.

He sells five brands of guarana in total. The vast majority of this, almost 500 cans a week, comprises the well-known AmBev brand Antarctica, which is produced locally under licence and is up to four times cheaper per unit sold than imported alternatives.

But Cotuba, which costs Y380 for a 2-litre bottle, is also extremely popular.

"People buy these smaller brands for the taste. It's a very Brazilian taste," he comments.

Mr Gomes da Cruz Jr thinks that the secret to Cotuba's relative success in Japan could be that ex-pats are more willing to experiment with new brands of guarana if they are the only ones available.

"Brazilians can't live without guarana," he says.

Arco Íris began exporting to homesick Brazilians at the end of the 1990s, but now the product has expanded its appeal to native Japanese.

"It's a sign of approval, because it's a closed and nationalist market," he says.

And such is the cachet associated with this endorsement that Arco Íris has moved beyond a focus on tradition and community values in its domestic marketing.

Its new slogan is "Success in Brazil and in Japan."

Cotuba: putting fizz into the Japanese market

Brazil
Top 50 by brand value

Rank 2011	Rank change	Rank 2012	Brand	Category	Brand Value 2012 ($m)	Brand Value 2011 ($m)	% Brand Value Change 2012 vs 2011	Brand Contribution (out of five)
1	0	1	Petrobras	Energy	10,560	13,421	-21	1
3	1	2	Bradesco	Financial Institution	6,690	8,600	-22	3
2	-1	3	Itaú	Financial Institution	6,606	9,600	-31	2
6	2	4	Skol	Beer	4,698	4,579	3	5
4	-1	5	Banco do Brasil	Financial Institution	4,574	8,259	-45	3
5	-1	6	Natura	Cosmetics	3,307	4,612	-28	5
7	0	7	Brahma	Beer	2,359	1,996	18	5
10	2	8	Vale	Mining	1,708	1,949	-12	1
8	-1	9	Sadia	Food	1,496	1,969	-24	2
16	6	10	Antarctica	Beer	851	801	6	4
13	2	11	Vivo	Communication Providers	817	857	-5	1
9	-3	12	Perdigão	Food	778	1,959	-60	2
18	5	13	Lojas Americanas	Retail	762	677	13	2
N/A	New	14	Bohemia	Beer	697		N/A	5
14	-1	15	Ipiranga	Retail	670	840	-20	3
17	1	16	Oi	Communication Providers	600	708	-15	1
12	-5	17	Casas Bahia	Retail	589	969	-39	3
24	6	18	Totvs	Information Technology	569	589	-3	3
15	-4	19	TAM	Airline	560	804	-30	3
20	0	20	Cielo	Credit Cards	555	640	-13	1
21	0	21	Multiplus	Loyalty Programs	519	632	-18	2
11	-11	22	Porto Seguro	Insurance	500	1,350	-63	4
N/A	New	23	Magazine Luiza	Retail	479		N/A	3
25	1	24	Gol	Airline	450	585	-23	1
22	-3	25	Redecard	Credit Cards	439	617	-29	1
19	-7	26	NET	Communication Providers	436	659	-34	1
23	-4	27	Extra	Retail	412	600	-31	2
27	-1	28	BM&F Bovespa	Stock Exchange	386	523	-26	1
37	8	29	Banrisul	Financial Institution	383	344	11	2
29	-1	30	Hering	Fashion	351	408	-14	2
38	7	31	Iguatemi	Retail	349	340	3	3
46	14	32	Odontoprev	Health Care	342	265	29	2
31	-2	33	Pão de Açúcar	Retail	332	391	-15	3
N/A	New	34	União	Sugar	322		N/A	4
34	-1	35	Embratel	Communication Providers	318	379	-16	1
26	-10	36	Anhanguera	Education	318	532	-40	2
32	-5	37	Amil	Healthcare	295	386	-24	1
33	-5	38	Lojas Renner	Retail	292	386	-24	2
28	-11	39	MRV	Real State	266	457	-42	1
45	5	40	Marisa	Retail	258	277	-7	1
N/A	New	41	Durafloor	Laminate Flooring	249		N/A	2
N/A	New	42	Arezzo	Fashion	236		N/A	3
44	1	43	Gerdau	Steel	232	285	-19	1
35	-9	44	Drogasil	Drugstores	219	366	-40	2
42	-3	45	Swift	Food	217	304	-29	2
40	-6	46	Havaianas	Fashion	216	331	-35	4
N/A	New	47	Deca	Faucet	215		N/A	2
41	-7	48	PDG Realty	Real State	200	317	-37	1
47	-2	49	Localiza	Car Rental	187	263	-29	1
39	-11	50	Riachuelo	Retail	185	337	-45	2
				Totals	59,050	76,932	-23	

Source: BrandAnalytics (including data from BrandZ and Bloomberg)

Retailers extend grip across the continent

Chile

Property and finance ventures drive expansion, writes **Jude Webber**

For a country with a population of just 17m, Chile punches well above its weight when it comes to brand building – and nowhere is that more evident than in the retail sector.

Indeed, of the BrandAnalytics' Latin American Top 50, a dozen are Chilean companies, compared with 13 in Mexico and 14 in Brazil. Far and away the most powerful of the Chilean brands is Falabella, the country's top department store chain, ranked the sixth-strongest brand in the whole region.

Alejandro Gravier, an Argentine businessman whose interests have spanned construction, the internet and real estate, says: "Falabella is probably the most successful Chilean business case.

It has demonstrated how to transform itself from a traditional chain of department stores to a monster on the Latin American retail scene, understanding and often adapting to the reality of each market."

"In the retail sector, Chile is the benchmark worldwide in the development of department stores," says Gabriel Badagnani, executive director for Chile at FutureBrand, a brand analytics, strategy and positioning company that is part of McCann Worldgroup.

"Chile leads the way across the whole Latin American market and it is growing strongly in the region," he adds.

That is testimony to a model for the sector that has seen off US competition and weathered a storm sparked by a consumer credit scandal last year at the country's fourth-biggest retailer, La Polar.

What is remarkable is that Falabella competes head-to-head in a small market with other retailers – principally Cencosud and Ripley – that offer essentially the same department store shopping experience and similar services and, in the case of Cencosud, fierce competition in the supermarket and DIY sectors.

Outside Chile, the companies are all expanding their presence and exporting their retail formula across Latin America.

Their genius, against such a backdrop, has been to become shareholders in the shopping centres that are pivotal to the way Chileans shop: Falabella is a partner in Mall Plaza, which operates 11 centres across the country, and Cencosud is a partner in the 300-shop Costanera Center in Santiago, for example.

But another approach, pioneered by Falabella, was to get into finance. Falabella's CMR card gave middle- and lower-middle class shoppers – especially those who did not have bank accounts – the opportunity to buy televisions and fridges on credit in instalments, beating the banks at their own game.

> 'CMR is bigger in Chile than Visa and understands what consumers want'

As a result, Falabella has been able to "build a brand, generating value, says Nicolás Fritis Cofré, director of the Brand Asset Valuator for Latin America at TheLab Y&R, a brand consultancy. "CMR is much bigger in Chile than Visa and has a better understanding of what Chilean consumers want," he says.

"Customers have a very strong relationship with the card – two out of three purchases are with CMR," he adds. "That's a lot of loyalty."

JC Penney, the US department store chain, tried to take on the Chilean retailers with two stores in Santiago in the mid-1990s. But it could not compete with the promotional firepower of the incumbents, and finally sold out to rival Almacenes París, now a part of Cencosud.

When Walmart, the US supermarket chain, bought D&S, a food retailer, in 2009, it kept the Líder hypermarket brand intact.

It is not only Chile's retailers that have built strong brands that command loyalty. But one – the airline Lan – now finds itself in a tricky position.

It is merging with Brazil's Tam in a deal due to be finalised soon that is a vital step towards its aim of becoming a global aviation group. The problem is that both airlines have strong brands domestically and weak brands in each other's countries, making creating a joint identity difficult.

"In Brazil, Tam is stronger. In the rest of Latin America, Lan is stronger. There is no doubt they are facing an important issue that is not easy to resolve," says Mr Badagnani from FutureBrand, which advised Lan a decade ago on unifying its brand under the Lan umbrella rather than continuing with regional derivatives, such as LanPerú.

Another innovative brand builder – but one that does not figure on the BrandAnalytics ranking – is Concha y Toro, a wine producer. It was voted the world's most admired wine brand by Drinks International, the global drinks magazine, for the second year running.

The winery's sponsorship deal with Manchester United football club, in 2010, was "brilliant", says Mr Fritis Cofré of TheLab Y&R, as a tool to open Asian markets through the UK club's legions of supporters.

"Chile is a small country with a lot of powerful brands. That has to do with a certain orderliness and the country's economic stability," says Mr Badagnani. "The Chilean context boosts the brand."

Storehouse of ideas: Falabella is 'a monster on the Latin American retail scene'

Brazil Domestic focus delivers for Hypermarcas

When the São Paulo-based football team, Corinthians, played Rio de Janeiro's Flamengo in September 2009, it was as much a match between rival boardrooms as between two of Brazil's top teams.

The Brazilian consumer goods conglomerate Hypermarcas had recently signed a sponsorship deal with Corinthians to advertise Bozzano, the male grooming line it had acquired from Revlon in 2008, on the squad's shirtsleeves.

When it became clear that Corinthians would be facing Flamengo, sponsored by Procter & Gamble, owner of Bozzano's main rival Gillette, Hypermarcas placed Bozzano branding clearly on the front of the shirts just for that match, leading some to see it as a Bozzano versus Gillette fixture.

Fortunately for the Hypermarcas executives, and for the team's fans, Corinthians won 2-1.

"Corinthians have the second biggest fan base in Brazil, with men of all ages," explains Gabriela Garcia, executive director of planning at Hypermarcas. The idea was to reinforce the brand as being essentially masculine and democratic."

Data compiled by Brazil Confidential, the Financial Times' research service, suggest the contract, which ran for more than two years, may have helped boost the Bozzano brand.

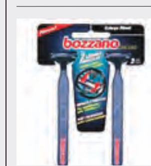
While Gillette continues to dominate sales of razor blades, accounting for 80 per cent of that category, compared with 5 per cent for Bozzano, 29 per cent of men say that Bozzano is their preferred brand, against 65 per cent for Gillette. In shaving gels Bozzano is market leader.

Hypermarcas' acquisition and development of the Bozzano brand is illustrative of its approach to the nearly 200 marques in its portfolio.

Founded in 2002 with a platform in food and cleaning products, it moved into the more profitable personal care and pharmaceuticals sectors, using proceeds from a 2008 initial public offering, in which it raised R$700m ($340m), and two follow-ons. Lower-margin lines were sold at the end of 2011 as part of a programme to pay down debt and restructure the business.

Focused entirely on the domestic market, it specialises in buying well-established brands from companies with succession issues or, as in the case of Bozzano, from multinationals selling non-core assets. It has turned many of them into the number one or two in their respective segments.

Its success is explained by several factors. It focuses largely on the lower-middle income bracket, a big source of growth in Brazil, with 30m people having been lifted out of poverty in recent years. It has effective distribution, and invests heavily in marketing to awaken so-called "sleeping brands", those with inherent potential but a lack of resources or drive.


Bozzano razors: in a cut-throat battle with Gillette in Brazil market

Hypermarcas typically spends 19 per cent of net revenues on this area. Net revenues totalled R$3.3bn in 2011, when it spent R$257m on television, radio and magazine slots alone.

It also has an in-house advertising agency, which allows it to negotiate directly with TV networks and get discounts on airtime.

Nevertheless, primetime advertising rates for the hugely influential Globo network remain extremely expensive, so a cheaper alternative is product placement in the hugely popular soap operas.

Hypermarcas used this tactic to launch ranges of vibrant colours for the nail varnish line Risqué, another leader in its sector. "We define the colours and send them to the guy who is writing the soap opera," explains Ms Garcia.

By launching varnishes for different occasions that women can paint at home, Hypermarcas transformed the custom Brazilian women had of getting their nails painted just with clear polish at the salon and boosted its sales volumes.

Use of TV often goes hand-in-hand with social networks – following this initiative Risqué's Facebook page has notched up more than 700,000 "likes".

One of Hypermarcas's brands that has capitalised most on the power of the internet is its condom line Olla. It bought Olla from Inal in December 2009 as part of a $120m deal that included the Lovetex brand. On the same day it also acquired Jontex condoms for $101m from Johnson & Johnson.

As part of a strategy Hypermarcas adopts in other sectors, from nappies to sweeteners, the three condom brands target different ages, regions and income groups. Lovetex is the cheapest and popular in the north-east, while market leader Jontex is targeted at older consumers and Olla at youths. With this in mind Hypermarcas recently launched an online campaign for an Olla-branded National Day of Sex.

"Mother's day, Father's day, Children's Day, Valentine's day. Amid so many commemorative dates in our official calendar, why not create a day of homage to that which gave rise to everything: Sex," proclaims its website.

"Research suggests Brazilians buy only 1.6 condoms on average a year; in the US it's 4.5 and in Japan it's 10," says Ms Garcia.

In condom sales, as in the other sectors in which it operates, Hypermarcas is betting there is plenty of room to expand its successful multibrand portfolio.

Luke McLeod-Roberts

No panic as Carlos Slim unit is denied TV access

Case Study
Telcel

Mexican mobile phone operator found other ways to get its message across, writes **Adam Thomson**

What do you do when, as a large company selling products and services to the general public, you suddenly find yourself cut off from free-to-air television advertising?

If that conundrum sounds like something that would appear only as an exercise in an MBA class, that is exactly what has happened to Telcel, Mexico's largest cellular-telephone provider with roughly 70 per cent of the market.

In February 2011, the company, which is owned by América Móvil and is part of the business empire of Carlos Slim, the Mexican billionaire and the world's richest man according to Forbes magazine, fell out with Azteca, the country's second-largest broadcaster, which has about 30 per cent of the free-to-air television market.

A few days later, it scrapped with Televisa, the largest media company in the Spanish-speaking world and Mexico's biggest broadcaster, with about 70 per cent market share.

The fight and its consequences, which has affected not just Telcel but Telmex, Mr Slim's fixed-line and broadband provider, as well as his entire stable of businesses in Mexico – Mr Slim's companies account for more than a third of the Mexican Stock Exchange's share index – would have been serious anywhere.

But in Mexico, where television reaches 92.5 per cent of households, far more than newspapers, radio or the internet, it could have been catastrophic. As José Rubén Jara Elías, president of IBOPE AGB Mexico, a market research group, explains: "Television has a huge reach nationally and, depending on the products and services that an advertiser is selling, is often the 'pivotal' medium."

One analyst commenting at the time of Mr Slim's fight with Televisa even doubted whether the company could stay away for long. "You can't avoid advertising with a company that controls 70 per cent of the national television market in a country where almost everyone watches TV," he said. "It just doesn't make sense."

Some unofficial estimates at the time calculated that the group's total advertising contracts with the television broadcasters were worth about $100m a year. Little wonder that television viewers were often caught by their friends humming company jingles and singing along to the advertising soundtracks.

But what many predicted would be a very tough year for Telcel, Telmex and the rest of Mr Slim's companies, failed to register even a blip.

As Damian Fraser, head of Latin American equities at UBS in Mexico City, says: "It was the dog that didn't bark".

Telcel has taken a two-pronged approach. The first, say people familiar with the strategy at the time, was to "max out" the company's existing presence in alternative media such as newspapers and magazines, radio and internet.

A part of that strategy looked for non-traditional channels such as advertising in cinemas, something the group had hardly done before, or taking wall space in airports. Arrive by air at Guadalajara, Mexico's second-largest city, for example, and you will see what looks like half the airport terminal covered in Telcel adverts.

Telcel also says it started advertising much more to its own client base. With about 68m mobile telephone subscribers in Mexico, the company began offering more services and promoting more of its offers through billing as well as SMS messages to customer's handsets. It also used its 20,000 vehicles to promote the brand.

The second prong of the strategy was to deepen offers. Some of these centre around subsidising handsets, in particular smartphones, to try to encourage customers using prepaid services to graduate to contracts.

Others target prepaid customers by offering additional benefits in return for topping up the phone's balance with larger sums than normal.

Put all that together and Telcel not only avoided the potential perils associated with losing one of its key advertising channels last year, but it seems to have been gaining customers from its competitors.

According to industry figures, the company has gained 1.6m subscribers over the past four years, and 57,000 during May alone, through "portability", the mechanism by which customers of one network can switch to a competitor without having to change their telephone number – though some analysts question the accuracy of portability numbers as a measure of competitiveness.

Mr Fraser says that the diversification strategy probably would not have worked for every company, and surely had a lot to do with Telcel's already hefty presence in Mexico's telecoms market.

"Telcel had a strong brand and the best distribution in the market," he says. "Few companies have that advantage."

Even so, it reacted quickly and strengthened outlets in non-traditional media, in many cases, using its own distribution network – no small feat for a market in which common wisdom said that you could not survive without TV.


Carlos Slim: scraps with Mexico's broadcasters Azteca and Televisa