Synovate Hotspots
Brazil

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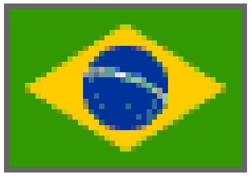
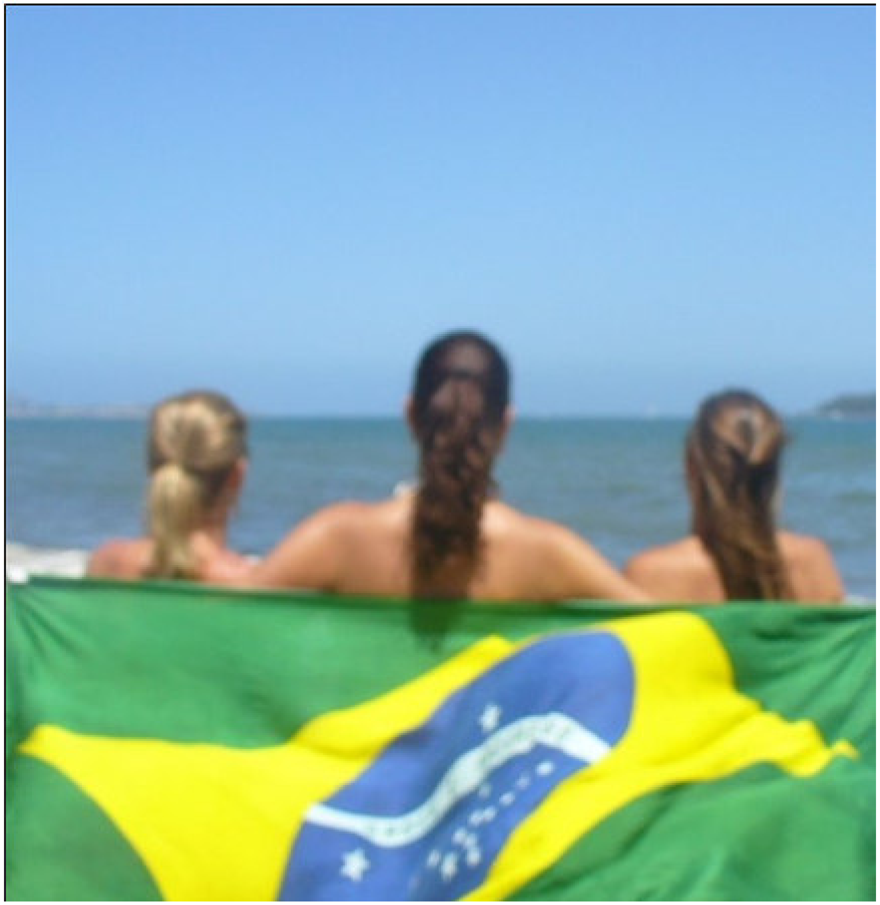
Bringing **Brazil** to life



Bringing Brazil to life



- Free-spending hedonists still influenced by traditional Catholic values, Brazilians are addicted to soap operas, football, and a tropical lifestyle that's distinctly Latin. Applying North American or European marketing models to these flamboyant party lovers won't get you far.
- To show you where Synovate's curiosity has taken us, we've produced this brief guide as a starting point for your successful journey into Brazil.
- Our discussion has three main parts:
  - "Big Ideas" – important insights that will help you better understand Brazil
  - Implications for research
  - Data

Section I:
Big Ideas

Big Ideas

- Soap opera as religion
- Natural born shoppers
- Climbing interest – the true price of all that spending
- Banking on the future
- Tropical lifestyle, tropical products

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Soap opera as religion: Small screen, big sell

Besides Catholicism, you might be surprised to learn that Brazilians fiercely follow a second religion – the television soap opera (or novela in Portuguese). More than just mass entertainment, these soaps are a major influence on fashion trends and even social norms. One popular novela called America, recently caused a buying frenzy of cowboy-style clothing when it focused on an American rodeo. O Clone, a 2002 soap based on Arab culture, made the phrase Insha'Allah ("Allah willing") a common interjection in everyday Brazilian conversation. When a female star on another novela started to decorate her nails with small pictures, women across the country did the same.

Soap opera as religion: Commercials that will wash

The network with the biggest soap opera audience, Rede Globo, broadcasts them three times daily in prime time and reaches 98.9 per cent of households. The most recent episodes of its 9pm soap lit up 80 per cent of all television screens – or 54 million households across the nation!

Unsurprisingly, Brazilian soap stars are always in great demand to promote almost every kind of product. And product placement is a growing trend. Just imagine 54 million households watching a beloved soap star eating your brand of butter!

Soap opera as religion:

As well as dictating fashion, soaps are a forum for debating controversial social issues. Recent topics have ranged from the plight of the homeless to immigration to the United States, from heart transplants to drugs, and from the problems of the blind to same-sex relationships.

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Natural born shoppers

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Brazil's consumerism is driven by the search for status and the popularity of shopping as a leisure activity. In a recent ONU survey, 7 out of 10 Brazilian teenagers said they "love to go shopping." This figure was easily the highest of the countries surveyed, surpassing other developing nations (Argentina, India, Mexico) and First World countries (Italy, France, Australia and the United States).

Two decades ago, with inflation growing at 1 per cent a day, Brazilians were forced to 'use it or lose it.' The economic instability of the 1980s taught them that goods were far better than cash. Today, the Brazilian 'live for today' culture appears to be independent of inflationary fears. Did you know that only 30 per cent of Brazilians have any savings in the bank and half have less than US$50,000 invested?

Natural born shoppers

Spending in Brazil remains focused on short term aims, with people splashing out as soon as pay day arrives. When people are paid their ‘13th month’ salary (ie, bonus), it’s estimated that nearly two-thirds is immediately spent. Banks normally specify loan repayments at the 13th month (usually November or December) or tax rebate time as these are the only periods when people have cash on hand. Banks are right to be wary – in 2005, 19 out of every 100 Brazilian cheques bounced because of insufficient funds!

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Climbing interest – the true price of all that spending

Brazilians have no qualms about paying dearly to support their Buying spree. As a result, the consumer credit business is booming. In 1995, 12 per cent of the population purchased on credit. This nearly * quadrupled to 46 per cent by 2005.

According to ANEFAC, the association of Brazil's finance professionals, around a third of the population's income is being used to service debt – at some of the world's highest rates. While Brazilian law limits consumer interest rates to 12 per cent per annum, actual rates are more like 12 per cent per month! Thus, the interest on credit card debt can reach a shocking 234 per cent per annum while the Brazilian cheque especial, essentially overdraft protection, goes for about 204 per cent per annum.

Climbing interest – the true price of all that spending

Consumers pay these exorbitant rates mainly because of their financial naivety. They tend to focus on whether they can afford the monthly payments for credit card purchases, rather than the item's final price inclusive of interest. Even if consumers understand the premium they are paying, the urgency of the purchase usually wins the day.

Credit card issuers have been particularly aggressive in marketing to lower-income groups. Citibank recently announced plans to expand distribution from its current 133 agencies to 600 by the end of 2009 to expand its customer base beyond traditional high-income clients.

No proof? No problem

Risk management for creditors can be tricky in a country where 70 per cent of the low-income bracket have no proof of income. As a result, alternative forms of credit have sprung up. For example, crediario proprio (retailer credit cards) offer minimal spending limits (usually less than US$5) at shockingly high interest rates (about 100 per cent per annum).

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Banking on the future: Thoroughly modern money

Despite Third World interest rates, Brazil’s banking system is thoroughly modern. In 2000, Brazil was home to three of the ten largest internet banks in the world. In fact, 90 per cent of all Brazil’s bank services are available on the internet and about 18 million citizens bank online (a jump of almost 100 per cent in the past two years). ATMs are widespread throughout the country and perform the whole host of usual functions from deposits to money transfers to payments. In addition, technologically driven services like mobile banking have been launched and adopted in Brazil far earlier than in more developed economies.

Banking on the future: The need for speed

Brazil's unusually sophisticated banking sector is due in part to its historical economic instability. During hyper-inflationary times, customers wanted to monitor their finances anytime, anywhere. The industry responded with cutting-edge technology. This technology has also been utilised internally to help banks better manage and market to their customers. Therefore, it is hardly surprising that Brazilian banks' knowledge of their customers' behaviours and preferences rivals that of institutions in much more developed countries.

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Tropical lifestyle, tropical products: Tall and tan and young and lovely

The word ‘Brazil’ evokes images of endless golden beaches populated by scantily clad tanned beauties, swaying gently to the rhythm of the samba. Although this may be a stereotype, it is firmly grounded in reality. Brazil’s enviable climate and sun-drenched coastal communities wield a huge influence on how locals dress and eat – and in some interesting cases, how products are designed and commercialised.

Tropical lifestyle, tropical products: Fast food ...Brazilian style

While Western fast food has arrived in Brazil, it has struggled to compete with local fare. Most Brazilians feel that a menu of hamburgers and French fries is too hard on the digestion given the heat – and in body-conscious Brazil it doesn’t help the battle to stay slim for the never-ending bikini season. The local comida a quilo restaurants generally outsell the local McDonald’s by serving many types of salad and charging by weight, allowing customers to eat as much or as little as they want.

Tropical lifestyle, tropical products: Tropical footing

Brazil's fun-loving tropical lifestyle has become so iconic that the country can now export it! Havaianas sandals were originally invented as the poor man's shoes, selling for about US$3 per pair in Brazil. But with people outside the country willing to pay much more for their own little piece of Brazil, over 25 million pairs of Havaianas were sold last year alone at an average price of US$20.

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Tropical lifestyle, tropical products: Bikini babes

This is what Procter & Gamble discovered before redesigning its Pampers diapers to reflect bikini styling for the Brazilian market. Since the climate is warm and so many Brazilians live near the beach, personal fashion is casual but body-conscious, with tight T-shirts, shorts and diaphanous fabrics prevailing. Parents, used to dressing minimally themselves, complained that their babies' diapers were too big. P&G responded by helping babies to dress like their mums!

Section II: Implications for research

Implications for research in Brazil

Brazilians are guarded about approaches from strangers, so research must be carefully planned to achieve maximum cooperation.

- Interview methodologies
- Ethnic and religious groups
- Questionnaires
- Schedules

Interview methodologies

Telephone

Telephone interviewing is the most commonly used data collection method in Brazil. Fixed-line calls are still substantially cheaper than mobile calls, so only short surveys (eg customer loyalty) should be conducted using the latter. Targeting rural consumers through mobile phones is not recommended as most own pre-paid handsets and their identity cannot be checked. Computer-aided telephone interviewing (CATI) is widespread, but should be kept to 20 minutes in length both for consumer to-business (C2B) and business-to-business (B2B). Longer interviews are possible, but the success rate, cost and ultimately quality will be dramatically affected. Longer B2B telephone surveys ideally require an appointment. Interviews should have a pre-scripted introduction explaining the purpose, otherwise many prospective interviewees will assume it is a sales/telemarketing call and hang up.

Interview methodologies

Door-to-door

When conducting 'intercept' sampling, especially in urban and metropolitan areas, a number of factors must be taken into account. In the Tier 1 cities of São Paulo and Rio de Janeiro, restricted access to upmarket neighbourhoods makes it difficult to contact higher income people. Many other households will not open the door to interviewers.

In such cases, telephone interviewing is recommended. In the cities, most shopping is done in malls rather than on a main street and access is usually very difficult to obtain. This can lead to sample bias favouring those with higher disposable incomes. On completion of interviews, computer assisted personal interviewing (CAPI) using GPRS (GSM network) equipment means data can be streamed to a central data centre. The lack of infrastructure in Brazils more isolated regions creates additional problems for researchers. Many tropical rainforest zones, for instance, can only be reached by boat or plane.

Interview methodologies

Central location tests (CLTs)

CLT can provide useful information about many sectors of the population, with the exception of higher income groups.

Focus groups

Focus groups are conducted throughout Brazil and qualified moderators can be found in São Paulo, Rio de Janeiro and other major cities. However they are expensive and finding suitable respondents is often difficult. If doctors agree to take part, they will charge the equivalent of a medical consultation. People in higher social circles usually require a hotel room or a restaurant as a venue. The severe traffic congestion that afflicts many Brazilian cities will affect both turnout and starting times, usually limiting this data collection method to two sessions per day.

Interview methodologies

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Ethnographic studies

Ethnographic methodologies can be readily applied to lower-economic households in Brazil. However, conducting this type of research among higher-income households is a much greater challenge as many are wary of inviting strangers into their homes owing to fear of crime.

Online

Low internet penetration across many socioeconomic groups means that online studies in Brazil are uncommon. The internet is only widely available among the higher social classes.

Ethnic and religious groups

Brazil is home to numerous ethnic and religious groups. The largest ethnic group is white and most widely practiced religion, Catholicism.

There is no significant cultural opposition to the main market research approaches among the various ethnic and religious groups.

Questionnaires

Any market research questionnaire should take the following issues into consideration:

Language

Most research is conducted in Portuguese, Brazil's official language. If needed, English and Spanish translations can be easily arranged. Translators for other languages are typically found only in São Paulo or Rio de Janeiro.

Length

As a rule of thumb, add 25 per cent more time to any interview translated from English into Portuguese. A 30-minute questionnaire in English, for example, is likely to take about 38 minutes in Portuguese. This has research implications as the maximum recommended length for a telephone interview in Brazil is 25 -30 minutes.

Questionnaires

Guidelines for face-to-face interviews are:

- Door-to-door up to 40 minutes
- CLT up to 40 minutes
- Street intercept up to 20 minutes
- Business up to 35 minutes
- Focus group up to 2.5 hours
- In-depth up to 1.5 hours

Guidelines for telephone interviews are:

- Household up to 30 minutes
- Business up to 25 minutes

Schedules

Brazilian Public Holidays 2006 (Last six months)

- 15 Jun Corpus Christi Day
- 9 Jul Constitutionalist Revolution (only in São Paulo)
- 7 Sept Independence Day
- 20 Sept Farroupilha's Revolution (only in Rio Grande do Sul)
- 12 Oct Our Lady Aparecida Day (Brazil's Patron Saint Day)
- 2 Nov All Souls' Day
- 15 Nov Republic Proclamation Day
- 20 Nov Zumbi dos Palmares Day (honours Brazilians of African descent only in Rio de Janeiro)
- 25 Dec Christmas Day

Schedules

2007:

- 1 Jan New Year's Day
- 20 Jan São Sebastiao Day (Rio de Janeiro's Patron Saint Day – only in Rio de Janeiro)
- 25 Jan São Paulo City Foundation Day (only in São Paulo)
- 19 Feb Carnival
- 20 Feb Carnival
- 21 Feb Ash Wednesday (44 days before Good Friday – only the morning is considered a holiday)
- 6 Apr Good Friday
- 21 Apr Tiradentes' Day (Independence Martyrs' Day)
- 23 Apr São Jorge Day (only in Rio de Janeiro)

Schedules

- 1 May Labour Day/May Day
- 7 Jun Corpus Christi Day
- 9 Jul Constitutionalist Revolution (only in São Paulo)
- 7 Sept Independence Day
- 20 Sept Farroupilha's Revolution (only in Rio Grande do Sul)
- 12 Oct Our Lady Aparecida Day (Brazil's Patron Saint Day)
- 2 Nov All Souls' Day
- 15 Nov Republic Proclamation Day
- 20 Nov Zumbi dos Palmares Day (Afro Descents' Conscience Day – only in Rio de Janeiro)
- 25 Dec Christmas Day

Section III: Data

Sources

This data is assembled from a variety of sources including:

- A Synovate telephone survey of a representative sample of adults in São Paulo and Rio de Janeiro conducted in April 2006
- Euromonitor
- Economist Intelligence Unit (EIU)
- IMF, International Financial Statistics
- Central Intelligence Agency World Factbook

Basic country facts

- Population: 181.41m*
- Urban population as a percentage of total population: 84.2%*
- Area total: 8,511,965 sq km†
- Rank in world by area: #5†
- Number of cities with a population over 10 million: 2
- Number of households: 52.61m
- Average household size: 3.4

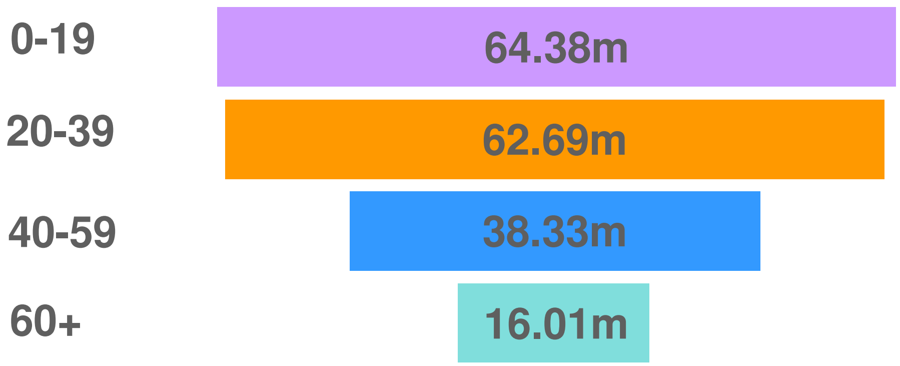
Sources: * EIU † Central Intelligence Agency World Factbook

Economy (2005)

- GDP: 1,946,092m (R$)§
- GDP per capita: 4,570 (US$)*
- Growth in GDP, 2005 vs 2000 (CAGR): 12.1%§
- Growth in GDP per capita 2005 vs 2000 (CAGR): 5.3%*
- Amount of Foreign Direct Investment inward: 15,193m (US$)*

Sources: §Euromonitor *EIU

Population distribution by age (2005)



Source: EIU

Education

	2005
Population aged 15-19 in education	74.8%
Adult literacy rate	87.1%

Source: Euromonitor

Income

Income

8.2%
earning less than $1 per day

22.4%
earning less than $2 per day

Source: Euromonitor 2001

Savings rate (as a percentage of income)

2000	2001	2002	2003	2004	2005
17.5%	16.6%	18.1%	20.6%	23.3%	21.9%

Source: IMF, International Financial Statistics

Consumer expenditure 2005

	2005
Consumer expenditure	1,202,159.28m (R$)
Food and non-alcoholic beverages	12.5%
Alcoholic beverages and tobacco	3.2%
Clothing and footwear	6.4%
Housing	20.6%
Transport	9.8%
Hotels and catering	4.6%
Household goods and services	8.7%
Health goods and medical services	6.0%
Communications	8.1%
Leisure and recreation	6.8%
Education	5.6%
Miscellaneous goods and services	7.6%

Source: Euromonitor

Top 10 Brands*

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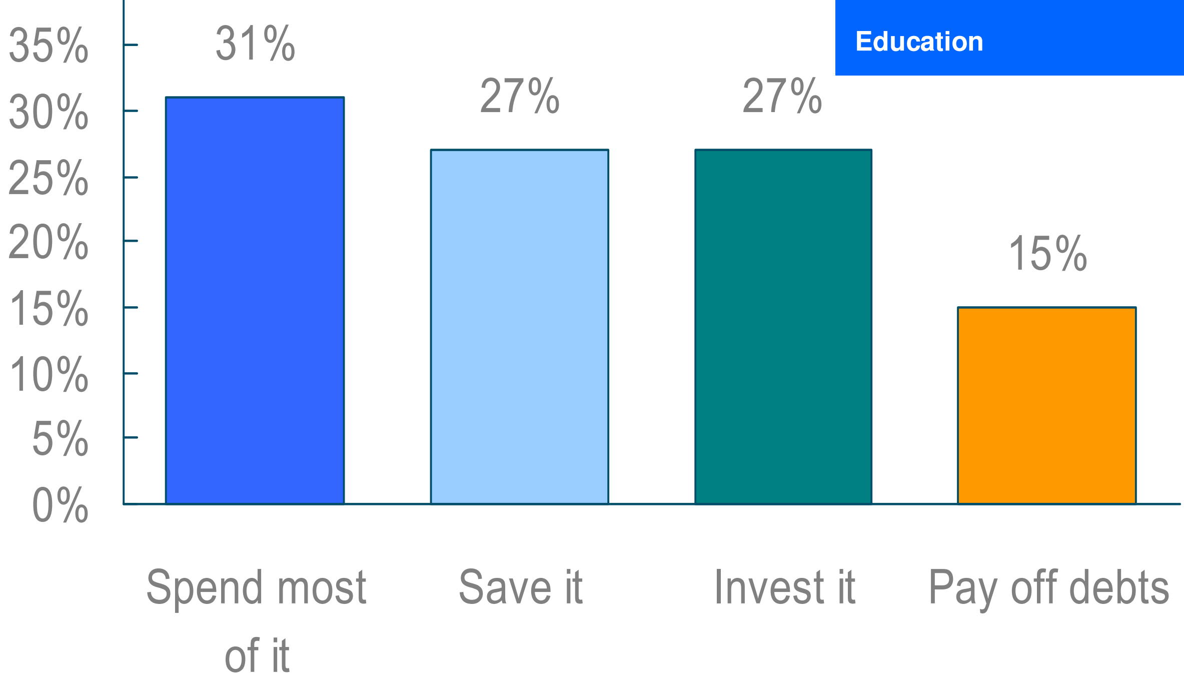
1. Petrobrás
2. BR
3. Vale
4. Volkswagen
5. Fiat

1. Ambev
2. GM
3. Shell
4. Bunge
5. Carrefour

In terms of revenue – according to Exame Magazine "Melhores e Maiores 2009"

What would you do with 20% more household income?

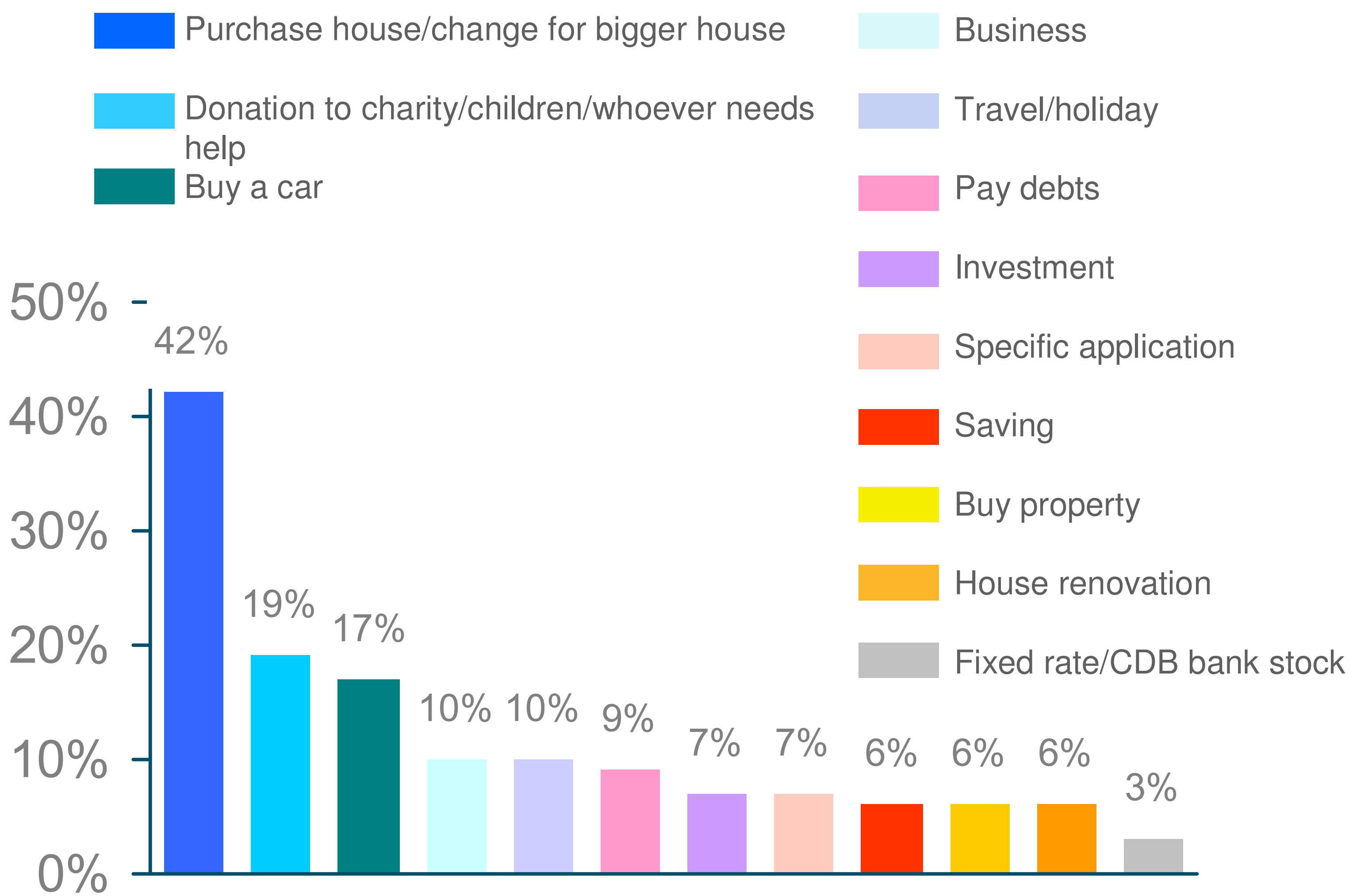


Better more food	24%
Clothing	21%
Repair home	14%
Electronics	8%
Home durables	8%
Car	7%
Education	5%

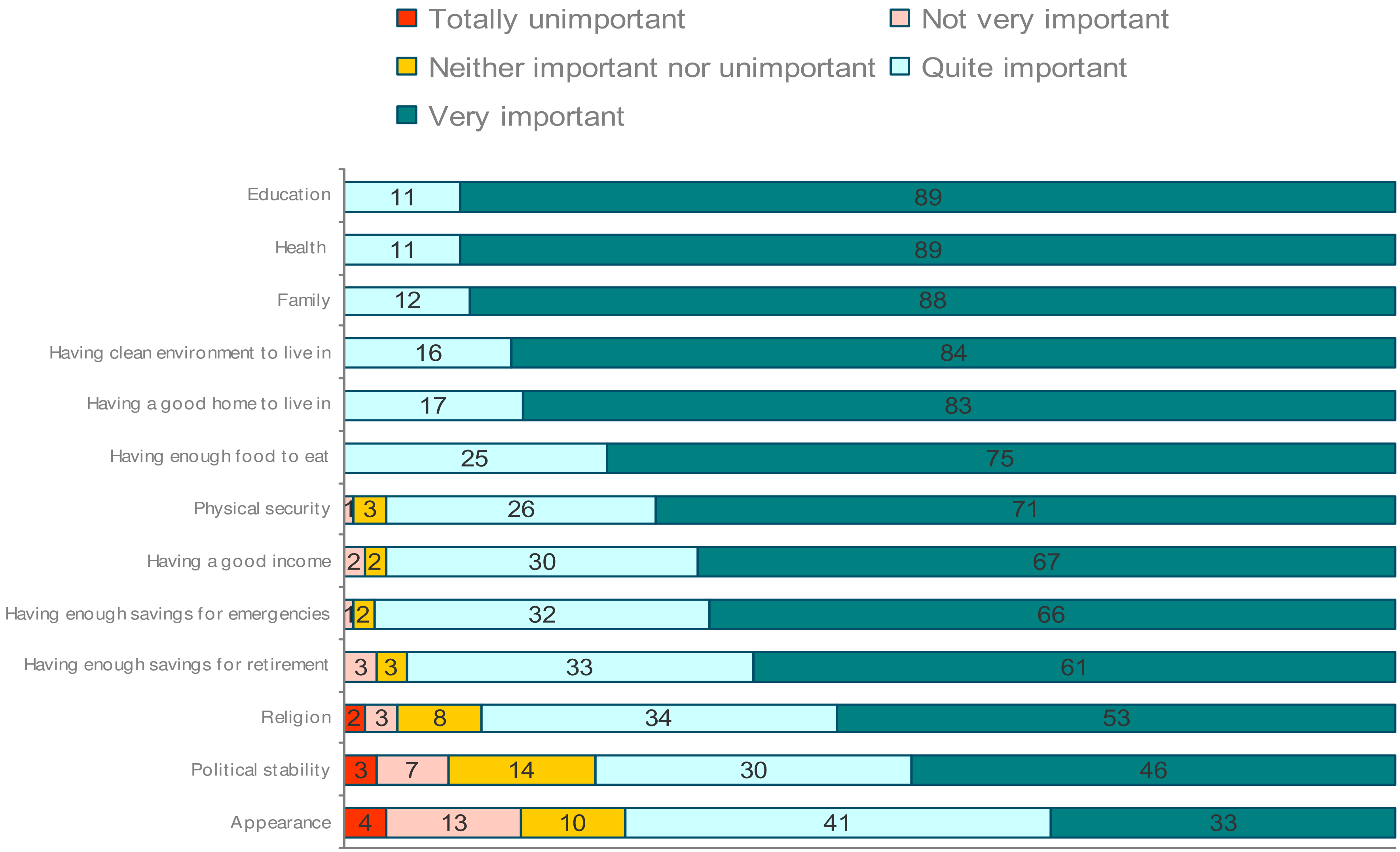
Bank	95%
At home	4%
Financial institution	2%

Property	41%
Stocks, annuities, bonds, mutual funds	29%
Business studies	10%
Courses/ university	10%

What would you do if you won US$100,000 in a lottery?

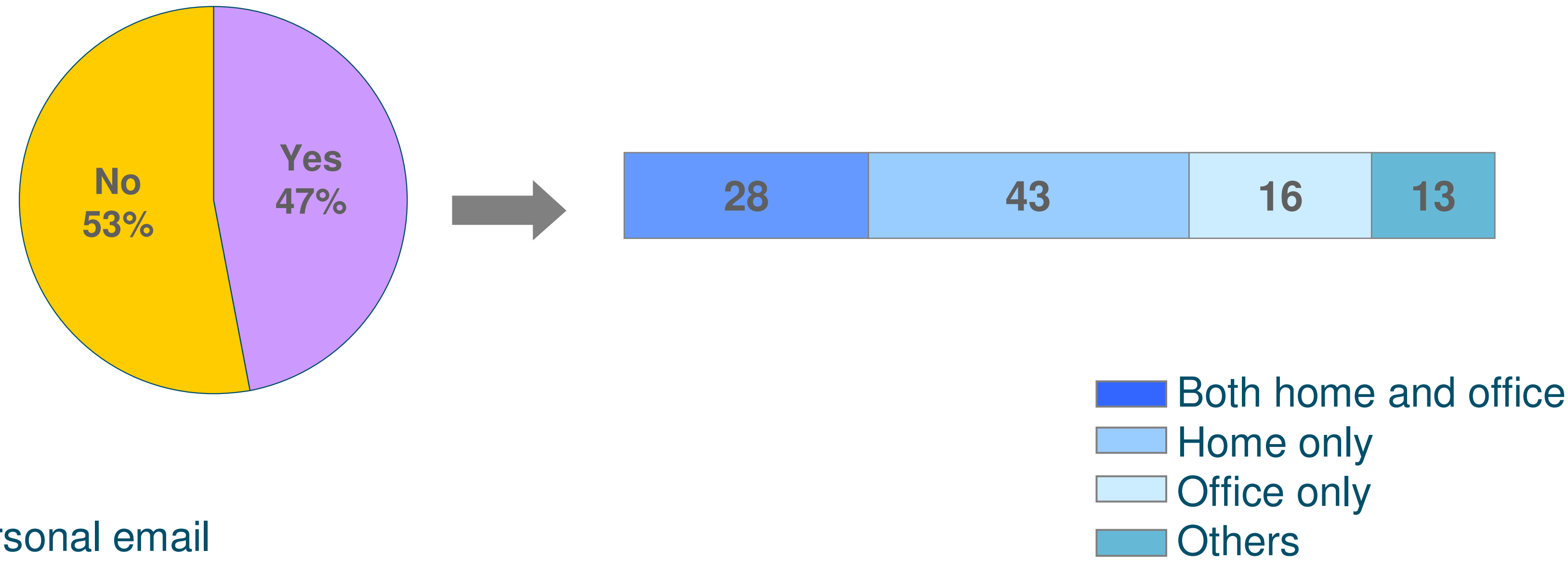


Lifestyle personal importance
(Numbers in percent)

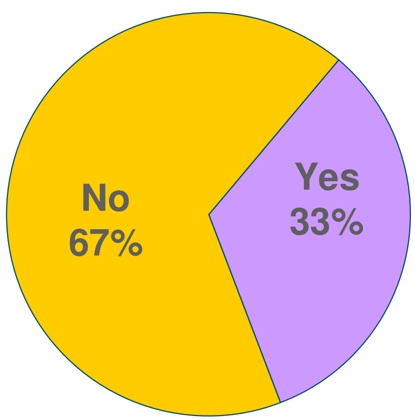


Cyberspace

Internet access



Personal email



Products and services – usage during past three months and brand image

	Used past 3 months	Best Brand	2nd Brand	3rd Brand
Travel				
Hotel Group	9%	Ibis	Caesar/Arcor/ Copacabana/ Mirante	-
Airline	6%	TAM	Varig	Gol
Alcohol				
Beer	45%	Skol	Brahma	Bohemia
Whiskey/Scotch	11%	Johnnie Walker	Chivas/ Ballantine's	-
Brandy/Cognac	7%	Domec	Dreher	Presidente

Products and services – usage during past three months and brand image

	Used past 3 months	Best Brand	2nd Brand	3rd Brand
Soft Drinks				
Cola	83%	Coca-Cola	Pepsi	Dolly
Auto				
Car/Pick-up Truck/ SUV	46%	Volkswagen	Fiat	Chevrolet
Fuel for your car/ motorcycle	39%	Petrobras(BR)	Shell	Ipiranga
Motorcycle	9%	Honda	Kawasaki	-

Products and services – usage during past three months and brand image

	Used past 3 months	Best Brand	2nd Brand	3rd Brand
Retail				
Everyday clothing store	53%	C&C	Marisa	Renner
Designer clothing store	19%	C&C	Colombo	-
Fast food chain	32%	MacDonald's	Habib's	Bob's
Technology				
Mobile phones	64%	Motorola	Nokia	Samsung
MP3 player	16%	Sony	Gradiente/Philips	iPod

Products and services – usage during past three months and brand image

	Used past 3 months	Best Brand	2nd Brand	3rd Brand
Personal Care				
Soap	98%	Lux	Dova	Phebo
Shampoo	89%	Seda	Garnier	Dove
Conditioner	76%	Seda	Natura	Dove
Lipstick	35%	Avon	Natura	Boticario
Facial Moisturiser	32%	Natura	Avon	Monange
Eye Make-up	24%	Avon	Natura	Boticario
Facial Cleanser	20%	Natura	Avon	Leite de Rosas
Face Make-up	19%	Avon	Natura	Boticario
Shower Gel	11%	Natura	Avon/Lux	Bozanno/Boticario/OX

Product ownership

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Technology	Own	Likely to buy in next 12 months	Purpose of purchase: Initial	Replacement	Additional
Mobile phone	64%	30%	47	43	10
PC	35%	55%	73	17	10

Vehicle

Vehicle	Own	Likely to buy in next 12 months	Purpose of purchase: Initial	Replacement	Additional
Car	36%	53%	73	17	9
Motorcycle	5%	15%	85	12	3
Pick-up/SUV	5%	20%	88	7	5

Product ownership

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Financial service	Own	Likely to buy in next 12 months	Purpose of purchase: Initial	Replacement	Additional
Bank account	64%	36%	68	6	26
Credit card	47%	23%	72	6	22
Investment	7%	30%	84	2	14

Luxury goods

Luxury goods	Own	Likely to buy in next 12 months	Purpose of purchase: Initial	Replacement	Additional
Large screen/ Flat TV	49%	57%	39	29	32
Designer clothes	38%	44%	69	13	18

Global retailers' image

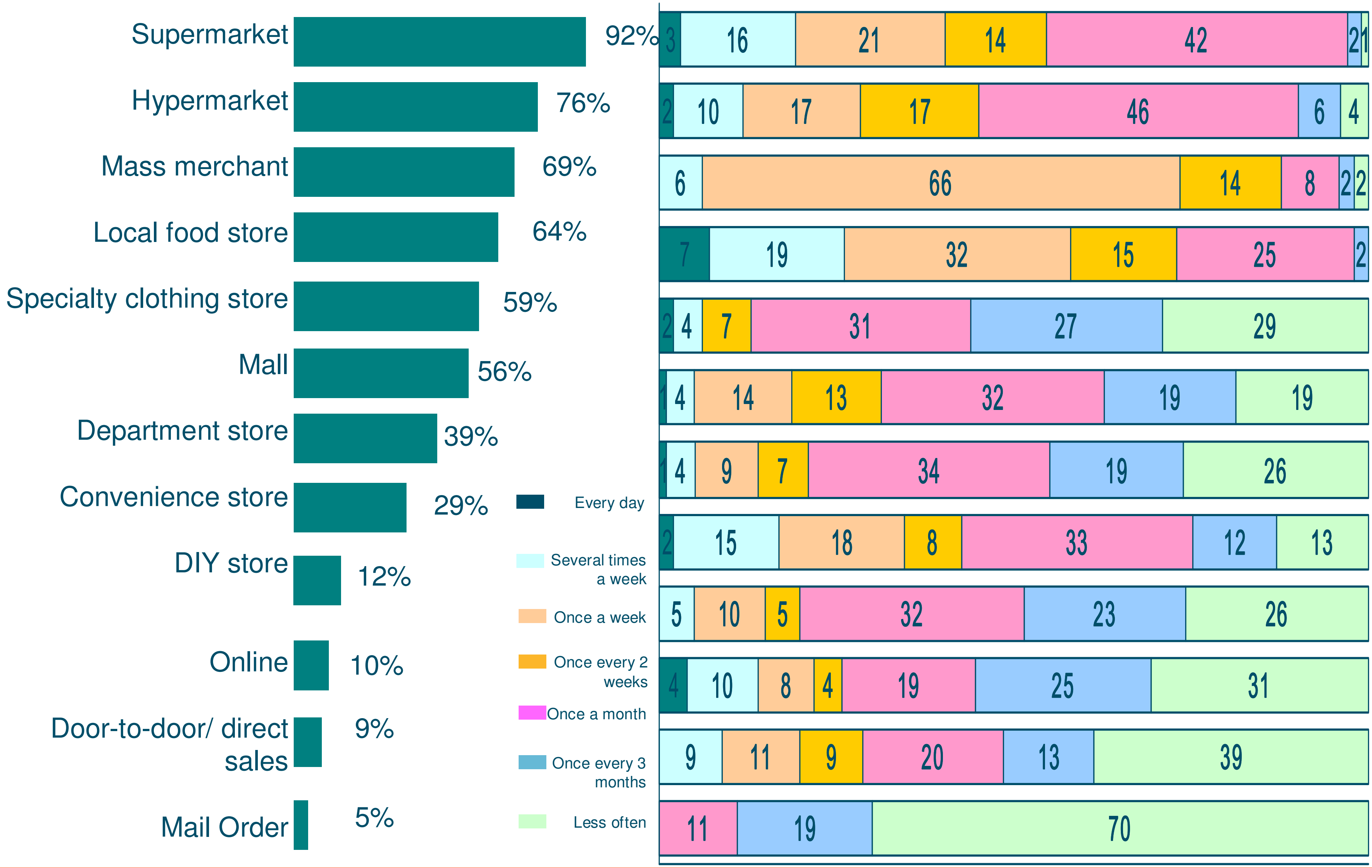
	Awareness	Very positive	Positive	Neutral	Negative	Very Negative
Carrefour	99	44	30	19	4	3
Wal-Mart	81	29	22	43	4	1
Tesco	7	15	12	59	15	-

How do I spend my weekday/weekend (Hours)

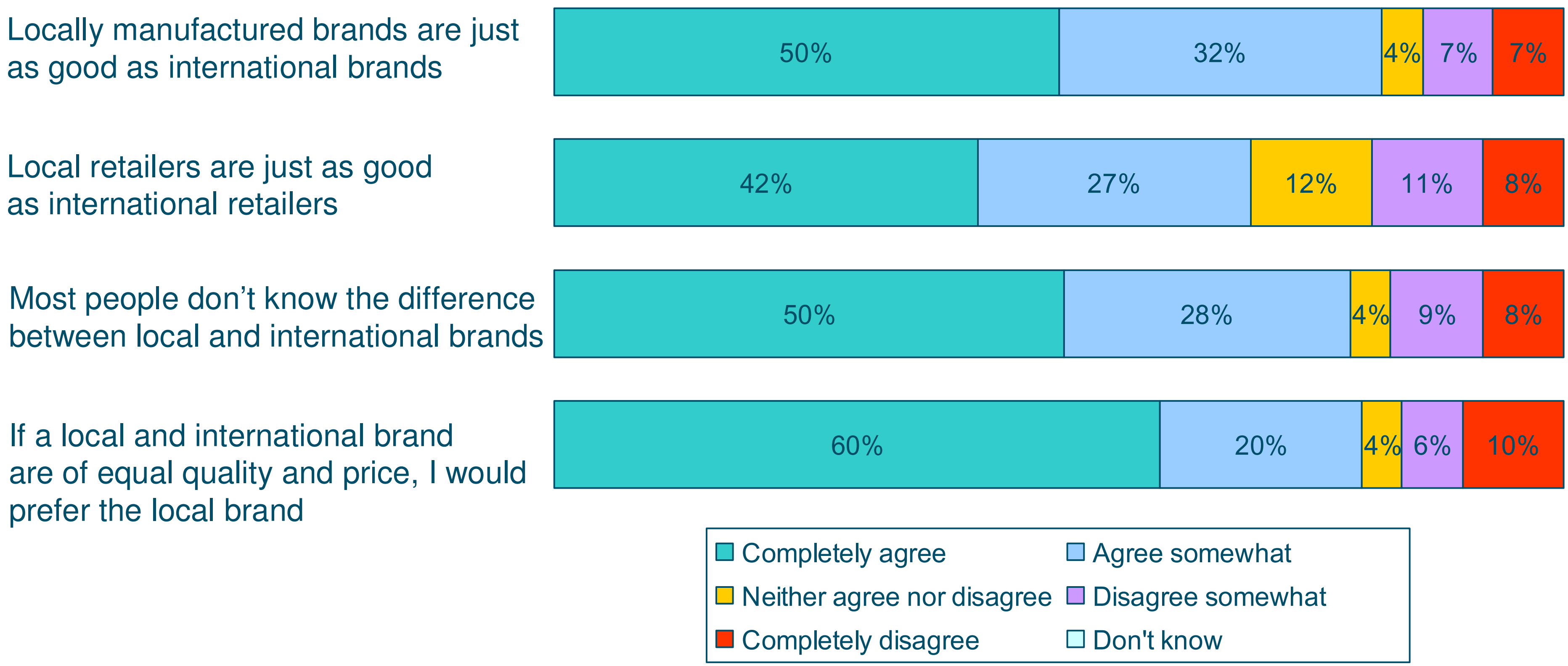
	Media/Information			Sleeping
	Reading newspapers/magazines	Surfing the Internet	Watching TV	
Weekday	0.64	0.63	2.08	6.96
Weekend	0.65	0.57	2.26	7.48

	Working/school			Exercising/ Playing sports	Staying at home
	Commuting	Housework	Work/school		
Weekday	0.47	1.55	4.15	0.62	2.99
Weekend	0.24	1.24	1.27	0.53	2.89

Retail penetration and frequency (Past year)



Local or international

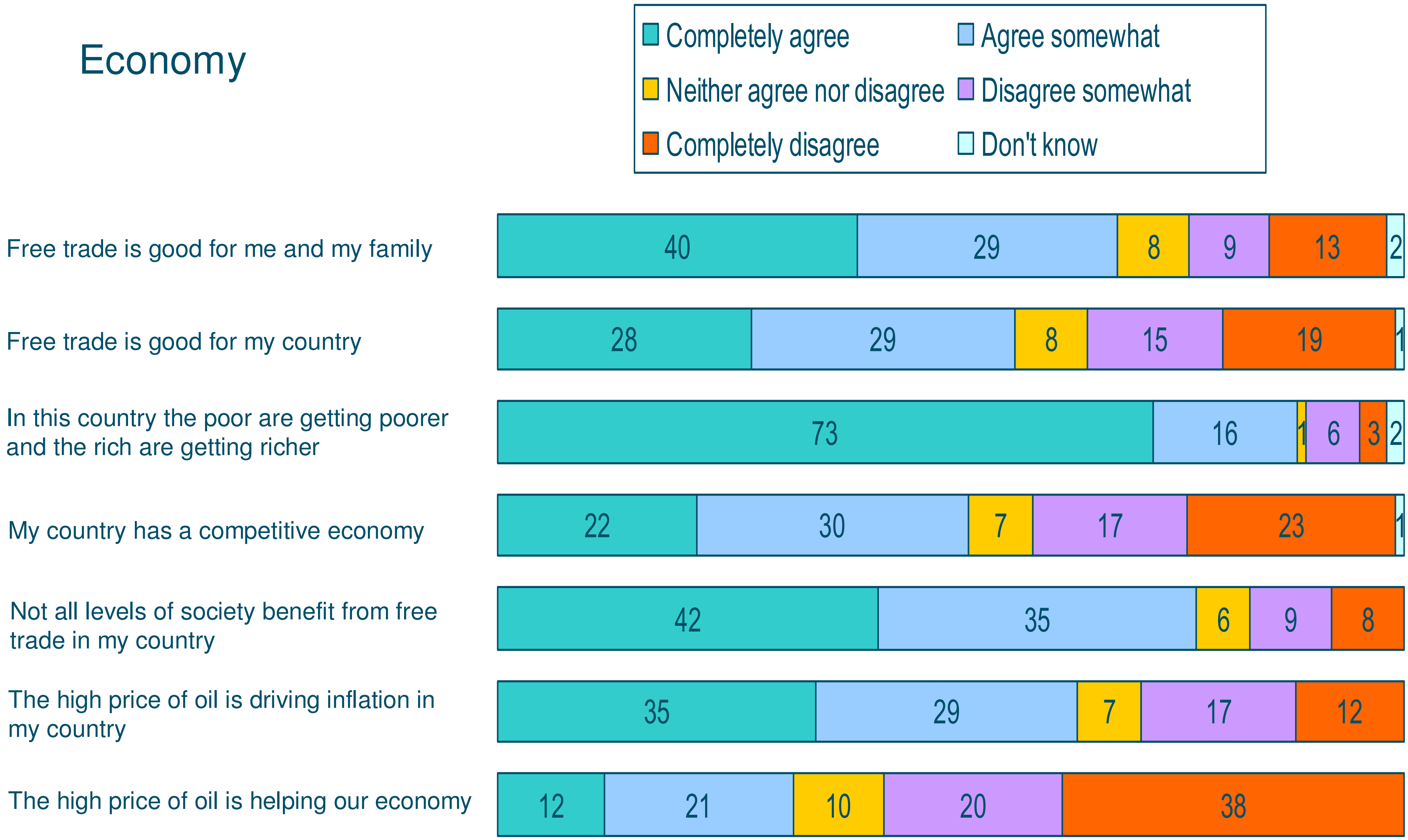


Have you experienced any of these distressing situations in the past year?
(Figures in per cent)

	Total
None	50
Lost a primary job	19
Been sick and could not afford medical attention	14
Had to accept a pay cut	14
Been sick and could not get medical attention	12
Had to skip a meal because you did not have money for food	9
Been the victim of discrimination	8
Been the victim of a crime	8
Been asked for bribe by a& corrupt official	5

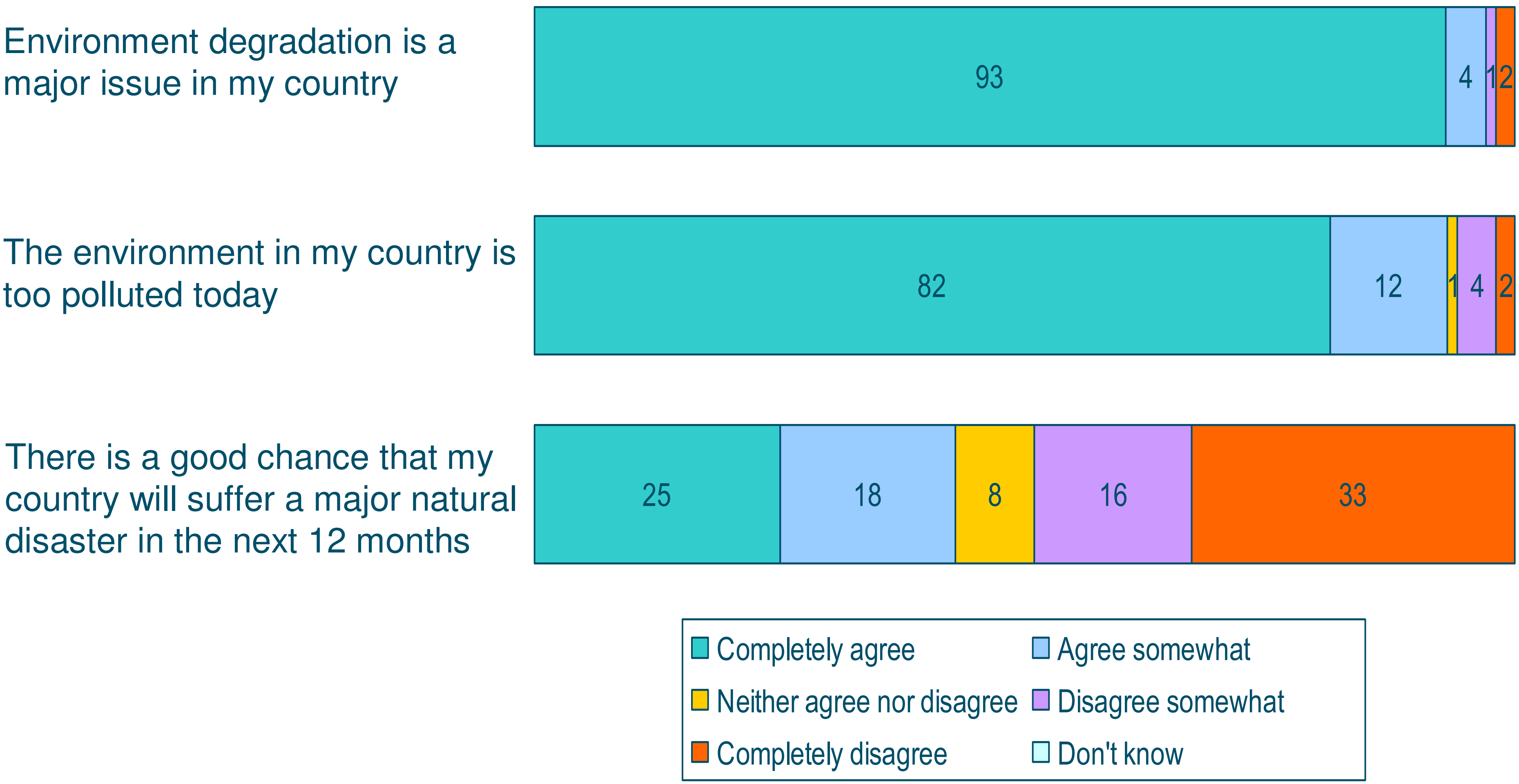
Attitudes (Figures in percent)

Economy



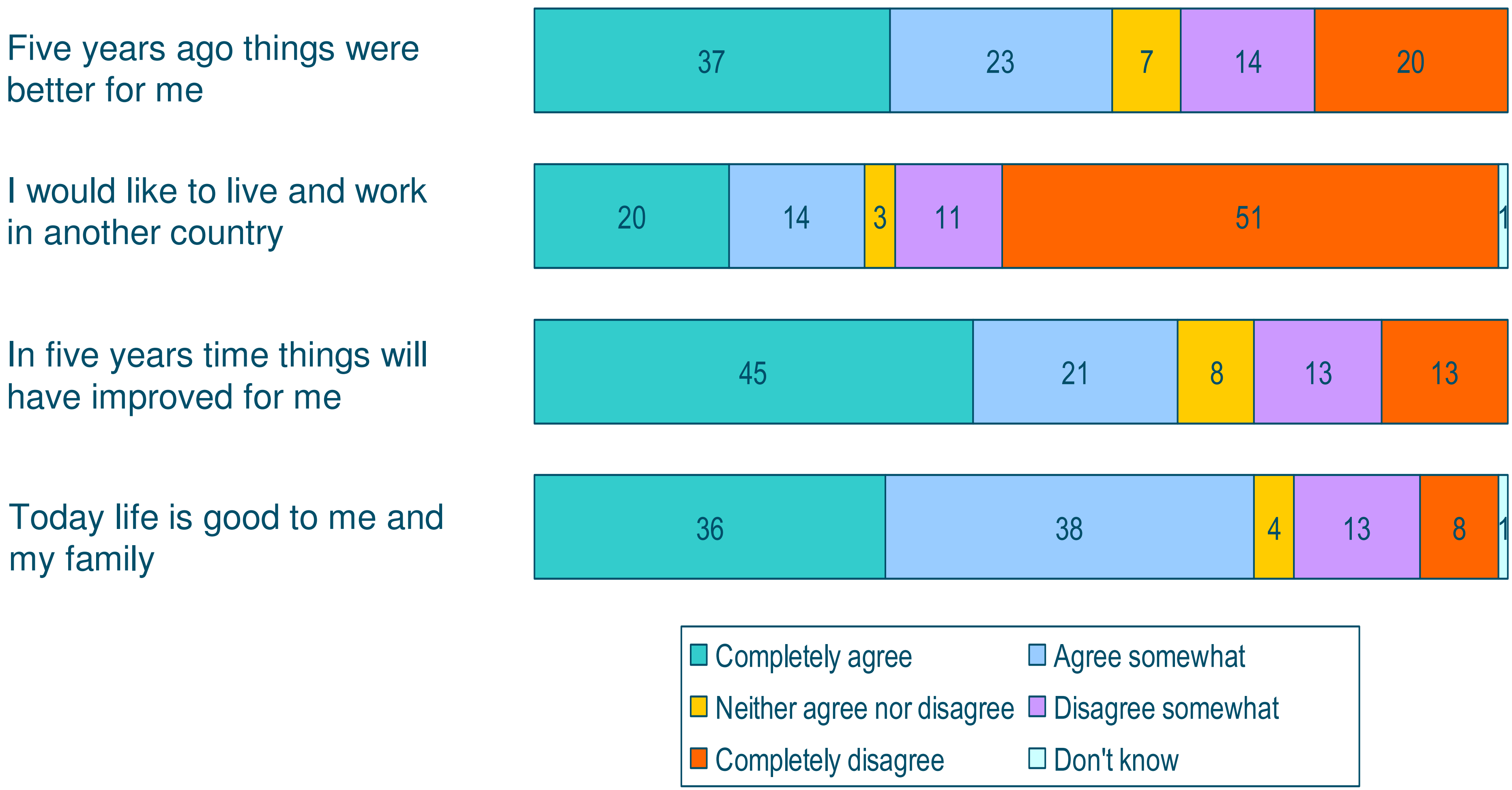
Attitudes

Environment



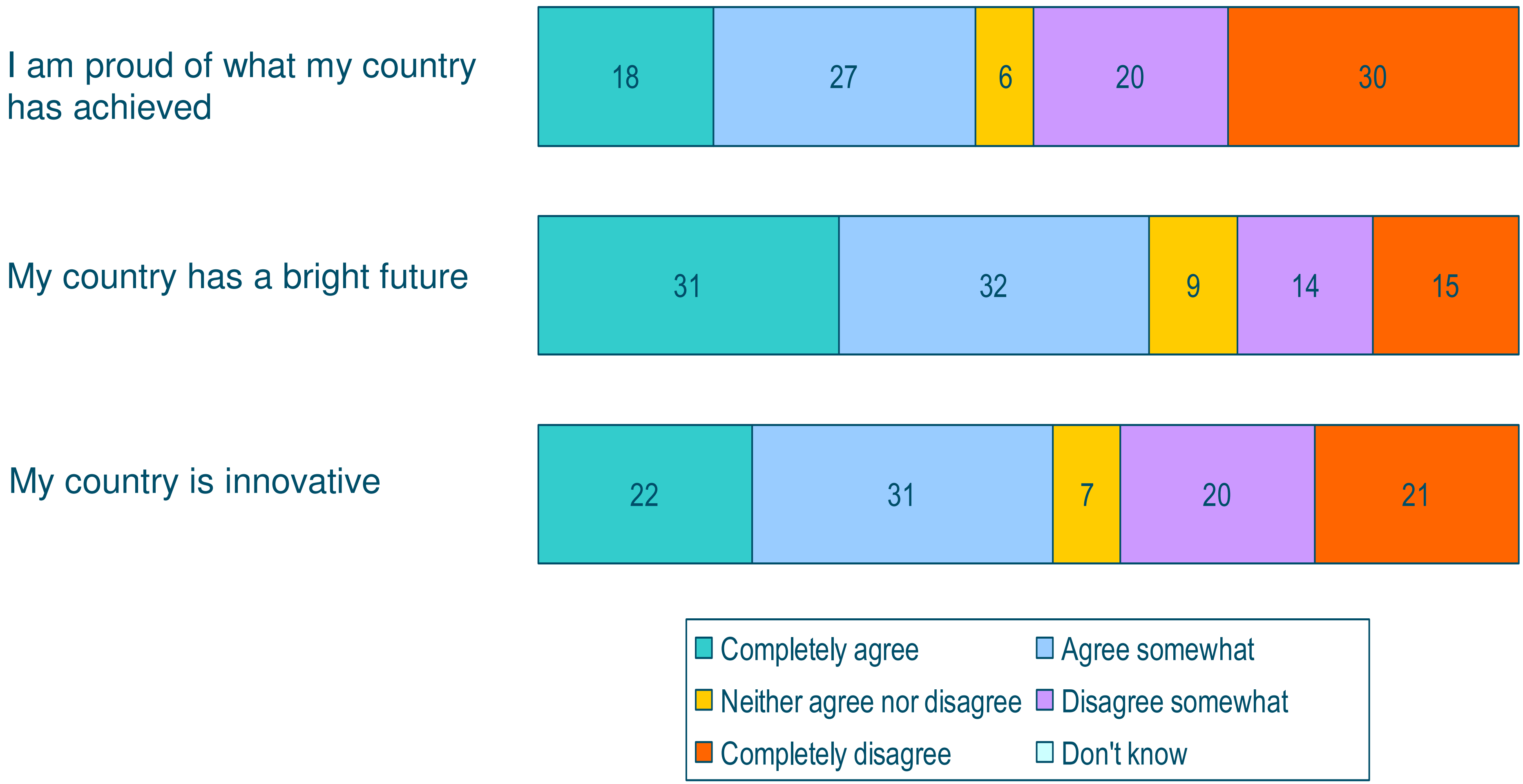
Attitudes

Personal



Attitudes

Social



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Thank you