



EMORY

GOIZUETA  
BUSINESS  
SCHOOL

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# Marketing In Argentina 2012

International Colloquium  
Goizueta Business School-Emory University

**ENI DI TELLA**  
ESPACIO DE NEGOCIOS INCLUSIVOS  
/ UNIVERSIDAD TORCUATO DI TELLA /



ESCUELA DE NEGOCIOS  
UNIVERSIDAD TORCUATO DI TELLA

# AGENDA

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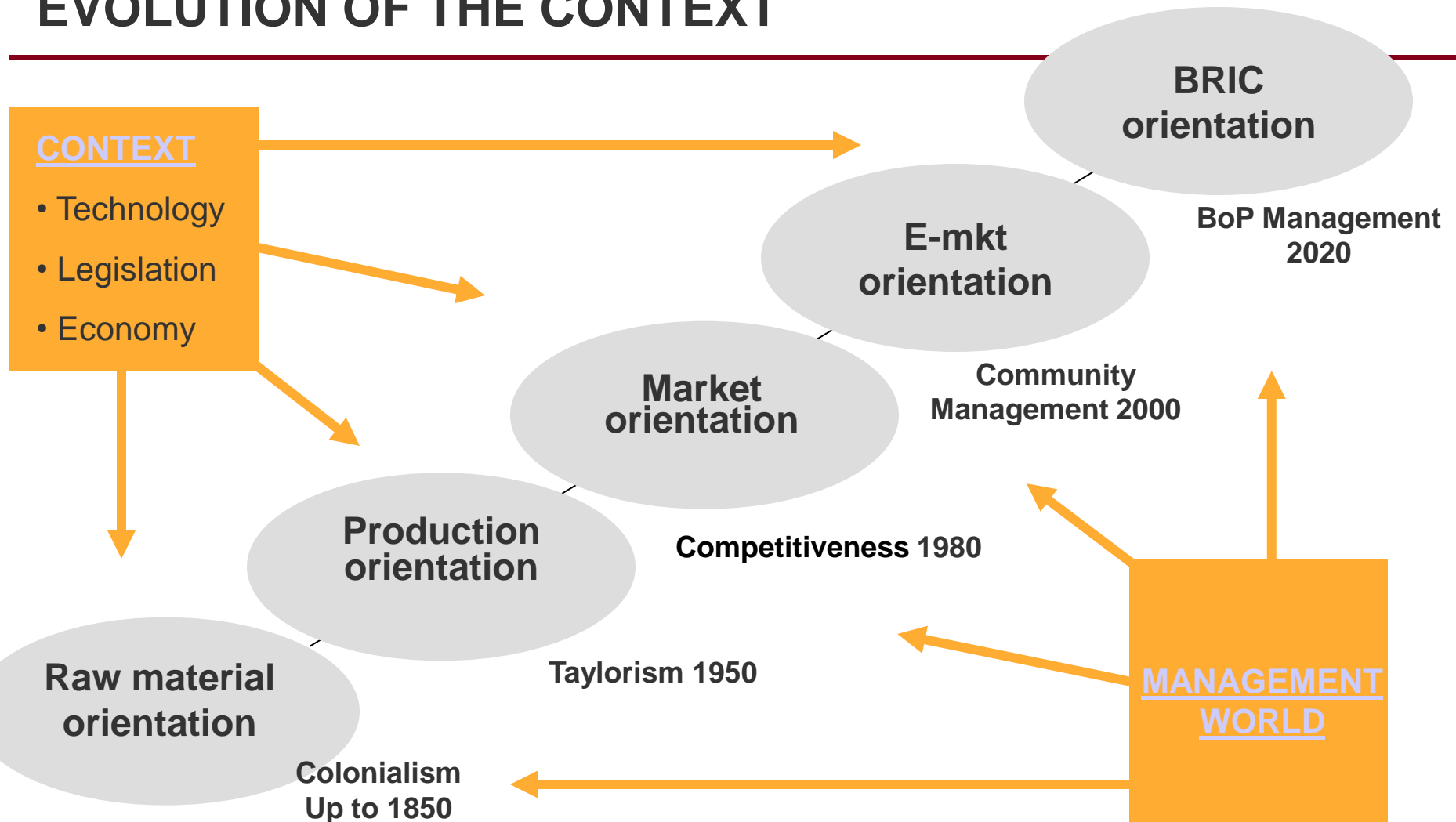
- ▶ What to discuss and why
- ▶ Distribution system benchmarking Latin America
- ▶ Consumption evolution in Argentina
- ▶ The argentine consumer



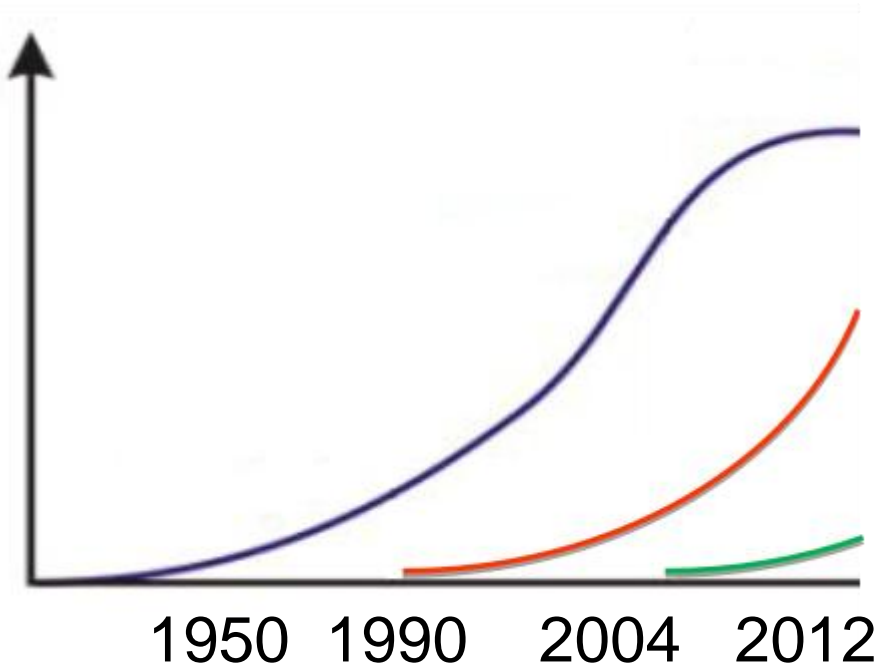
# WHAT TO DISCUSS AND WHY



# EVOLUTION OF THE CONTEXT



## EVOLUTION OF THE CONTEXT: Which customer???



- Developed Markets
- Dot Com Markets
- BRIC Markets

# DISTRIBUTION SYSTEM BENCHMARKING LATIN AMERICA



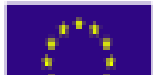
# Number of Food Retail

Country	Number of stores/ 1000 inh.
UK	0.7
France	0.7
USA	0.7
Germany	0.9
Canada	0.9
<b>Brazil</b>	<b>1.9</b>
Greece	1.9
Spain	2.1
Italy	2.3
<b>Mexico</b>	<b>2.9</b>
Portugal	3.6
<b>Argentina</b>	<b>3.8</b>

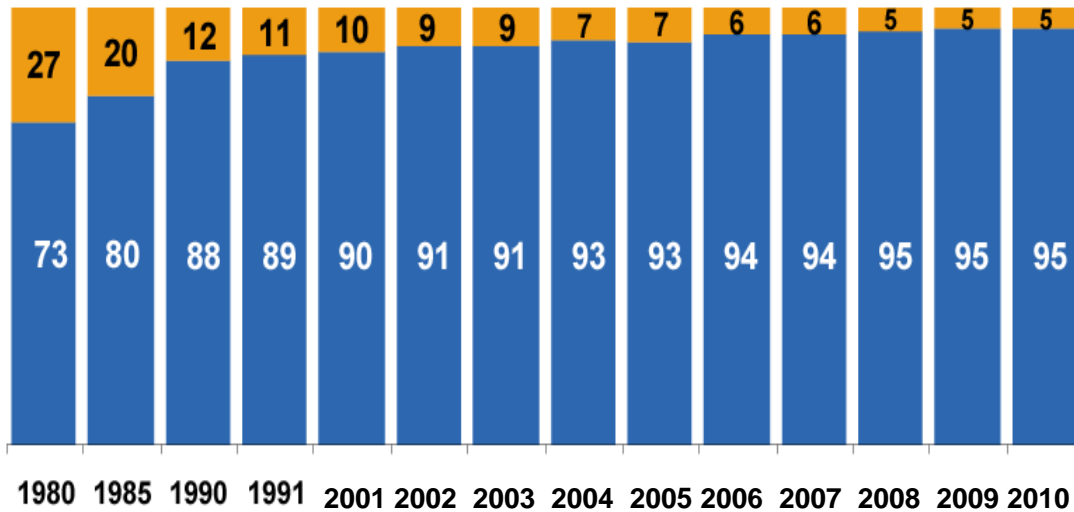


A.C Nielsen

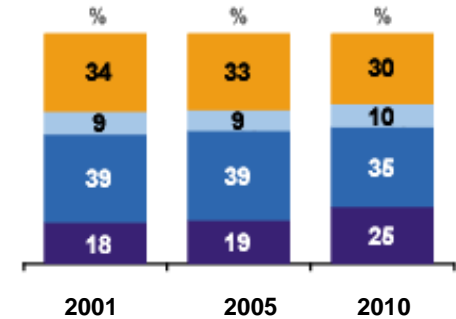
# Channels Structure Evolution



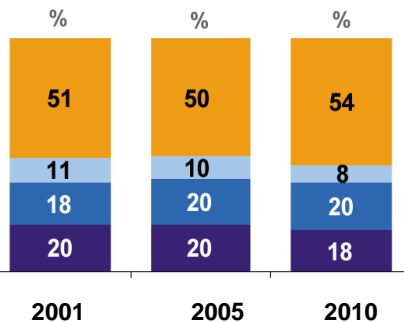
Europe



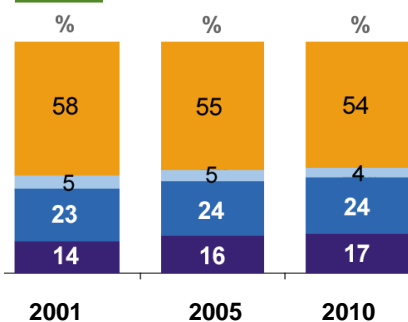
CHILE



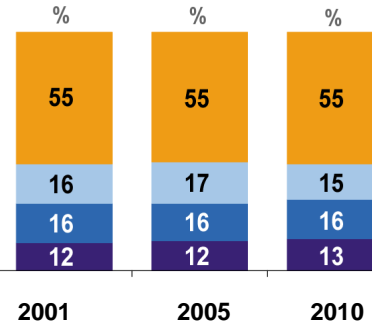
Argentina



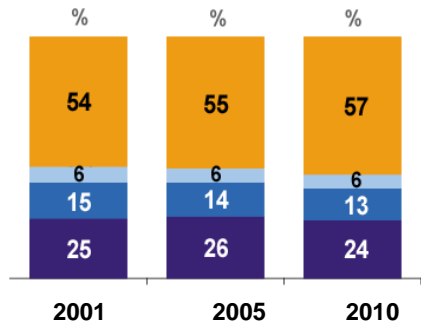
Brasil



Colombia

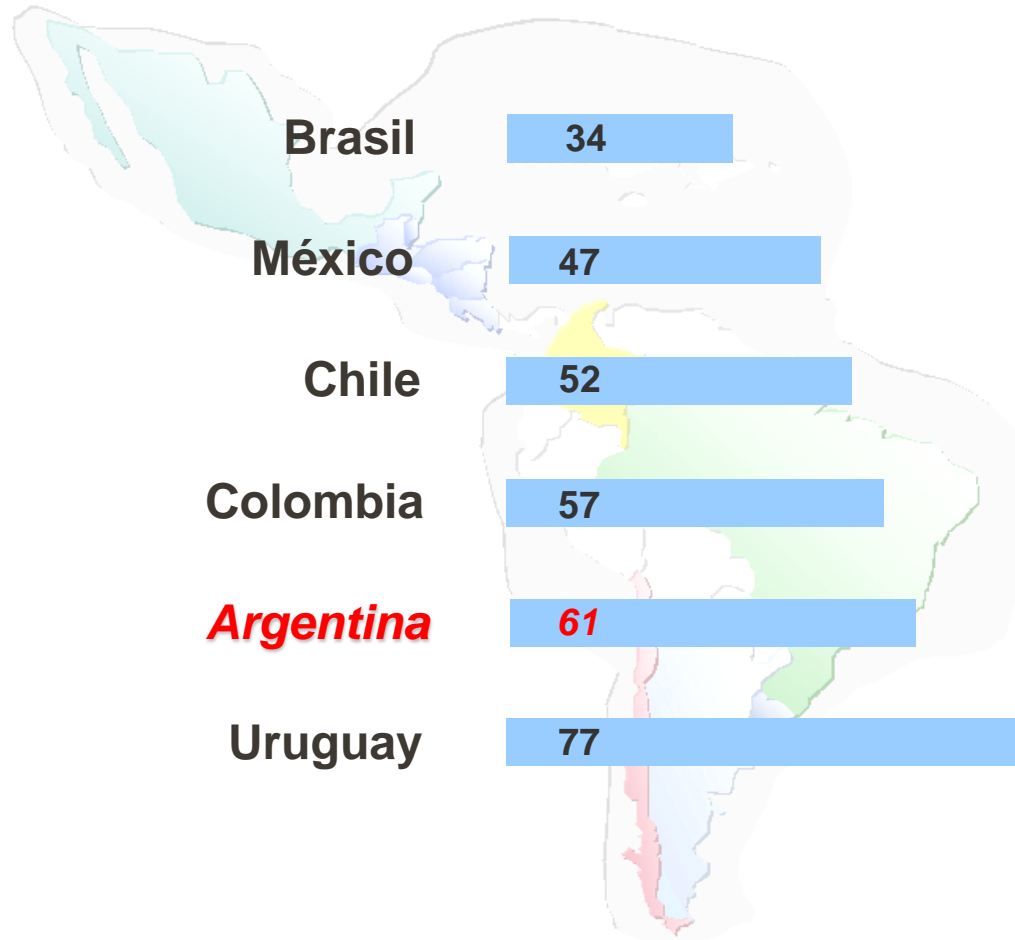


México



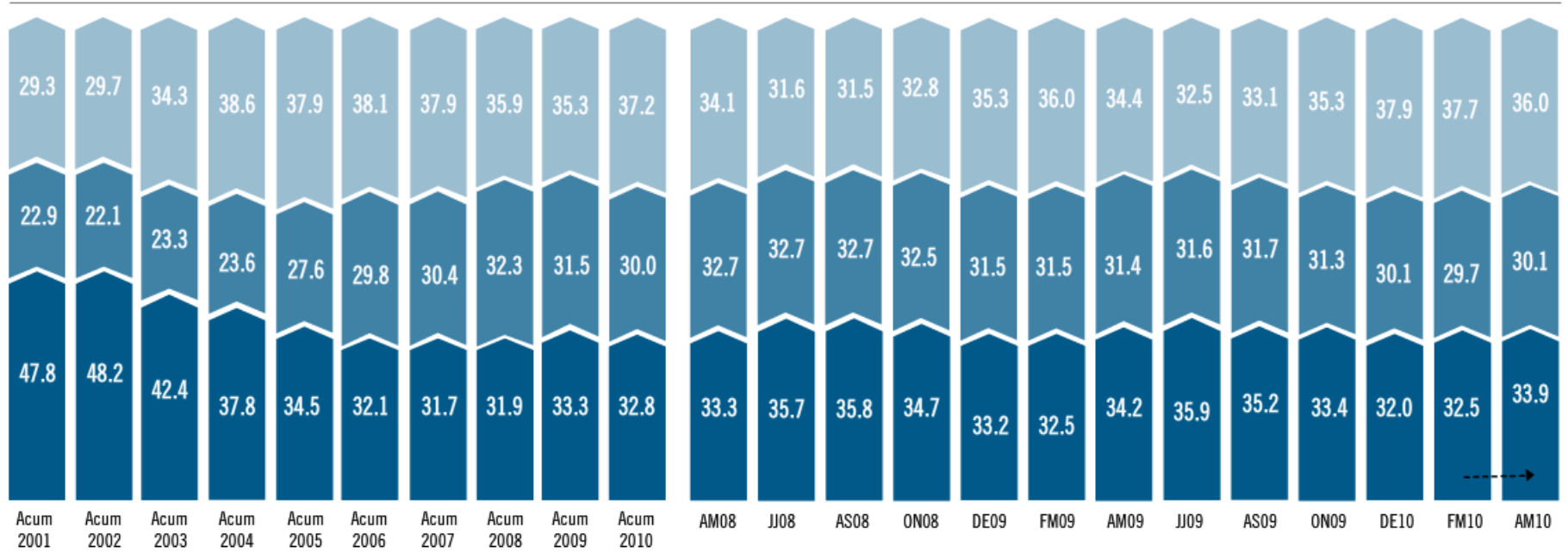
HYPER
  SUPER
  OTHER SELF
  TRADITIONALS

# TOP 5 – Concentration



# Channel Structure Evolution in Argentina

▶ SUPERMARKETS 
 ▶ SELF-SERVICE 
 ▶ TRADITIONALS  
(MOM&POP STORES, SPECIALTY STORES)

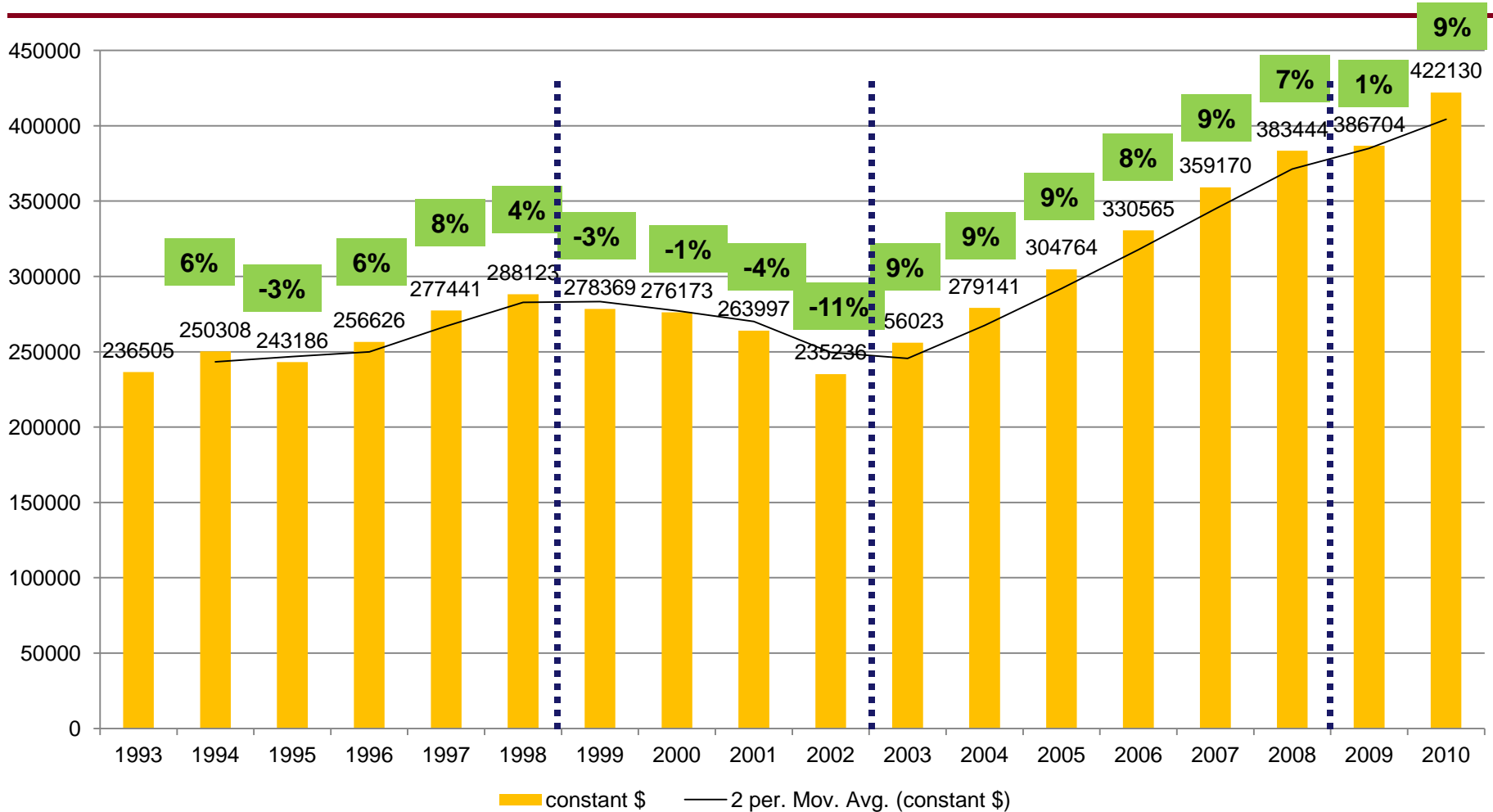


Source: Nielsen Retail Index – 81 categories

# CONSUMPTION EVOLUTION IN ARGENTINA

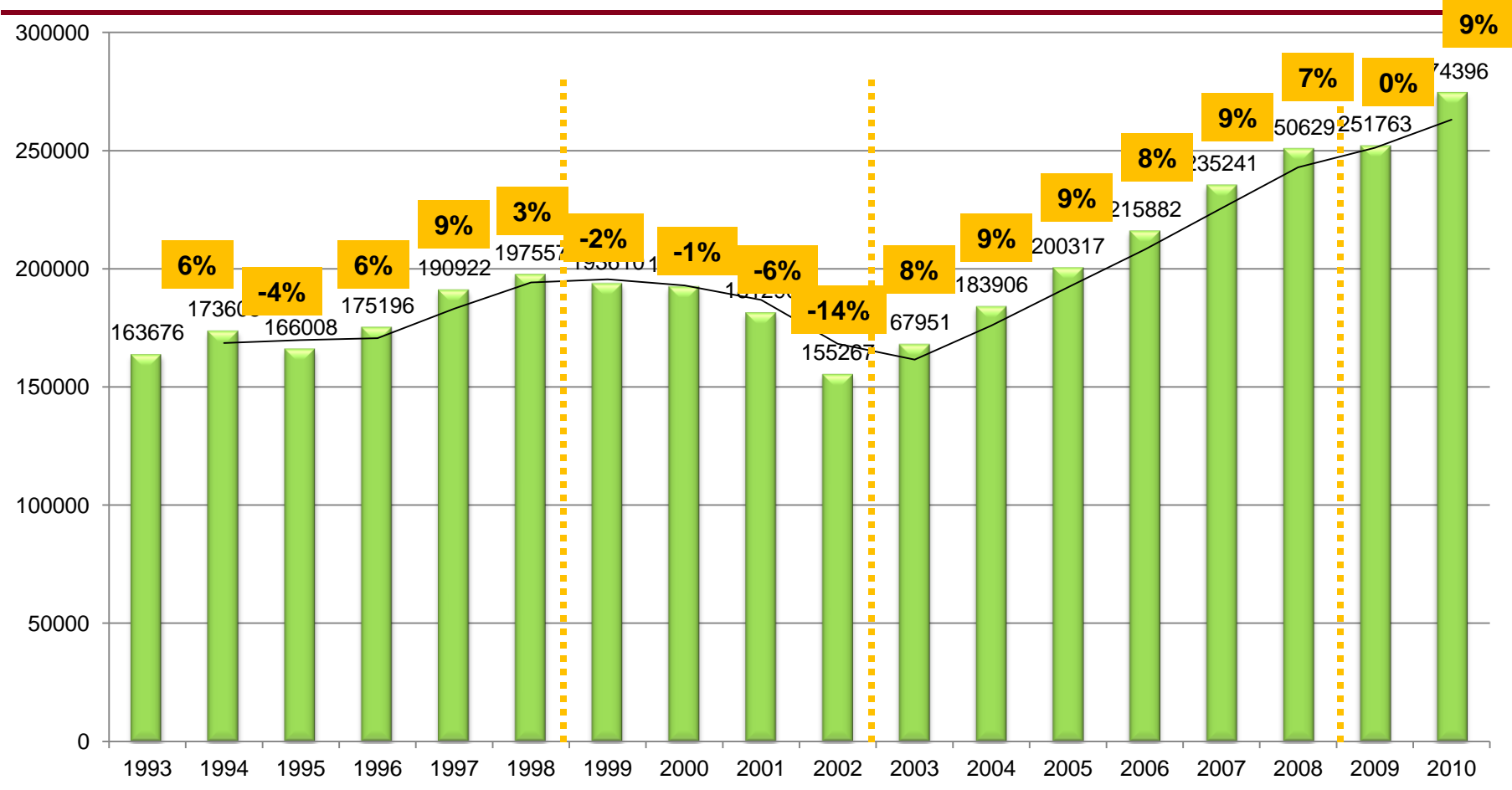


# GDP Evolution (in million constant \$)



Source: World Bank

# Consumption Evolution in End-consumers (Total Argentina)



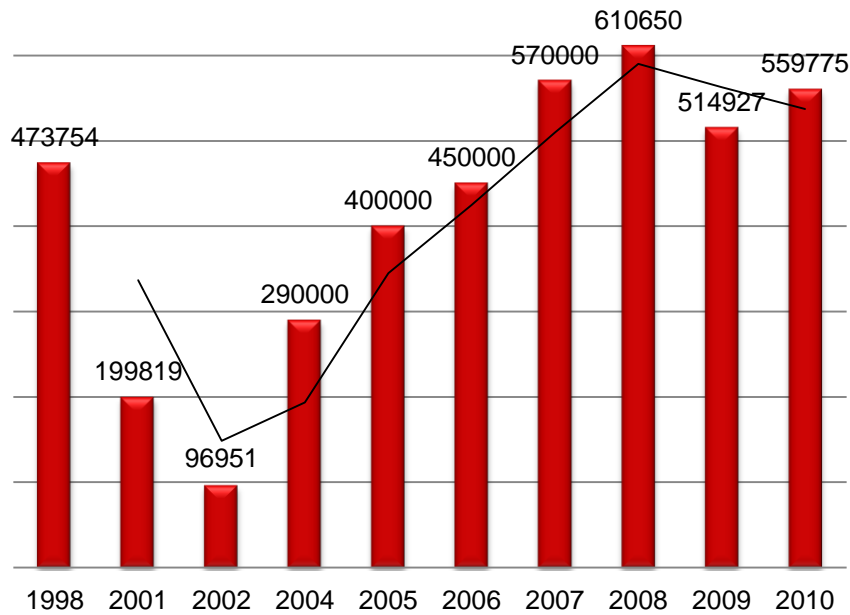
This includes food / non food

constant \$

Source: World Bank

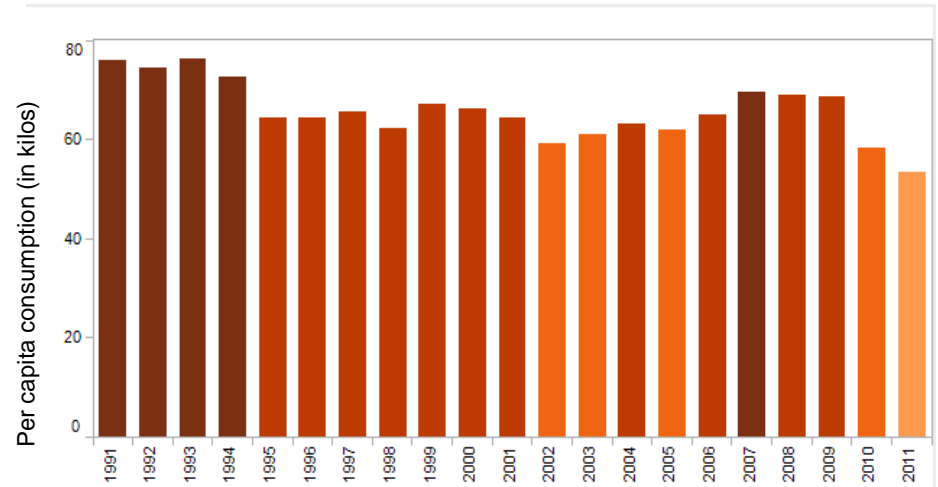


# Market Evolution (in volume)

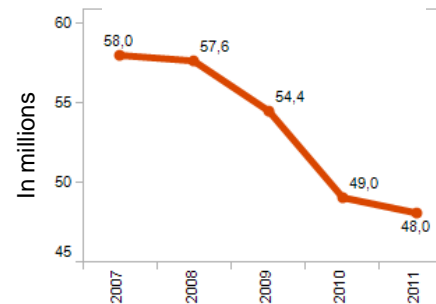


Source: ACARA

## Average consumption of meat

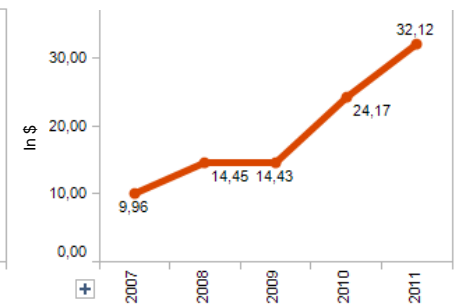


## Heads of bovine cattle



Source: Ministerio de Agricultura, IPCVA, SENASA

## Average price for kilo of meat



# EVOLUTION OF THE CONTEXT

## THE ARGENTINE CONSUMER



# The Social Economic Level Index

ARGENTINA - A.A.M.-	EUROPE	Brazil - A.B.A.- A.N.E.P.-	MEXICO - A.M.A.I. -
Education of H.H.	E.S.O.M.A.R. Education of H.H	Education of H.H.	Education of H.H.
Employment of H.H.	Employment of H.H. ó	-	Employment of H.H.
Possession of goods and services	- Possession of goods and services	- Possession of goods and services	Possession of goods and services
Automobile	- Automobile (included in the list of goods)	- Automobile (included in the list of goods)	-
-	-	-	Housing Data
<u>System:</u> Score and simple sum	<u>System:</u> Combined Matrix	<u>System:</u> Score and simple sum	<u>System:</u> Resolutions Tree

Source: AAM, 1996

# Profile of the Social Economic Level groups - 1996

	ABC1	C2C3	DE
<b>Education</b>	University	High School (Compl) University (Incompl)	Grammar (Compl)
<b>Employment</b>	<ul style="list-style-type: none"> <li>• Entrepreneur</li> <li>• Senior positions</li> </ul>	<ul style="list-style-type: none"> <li>• Independent worker</li> <li>• Middle/low staff</li> </ul>	<ul style="list-style-type: none"> <li>• Independent craftsman</li> <li>• Shop floor worker</li> </ul>
<b>Automobile</b>	96%	52%	19%
<b>Nº of goods X</b>	7.8	5	2.5

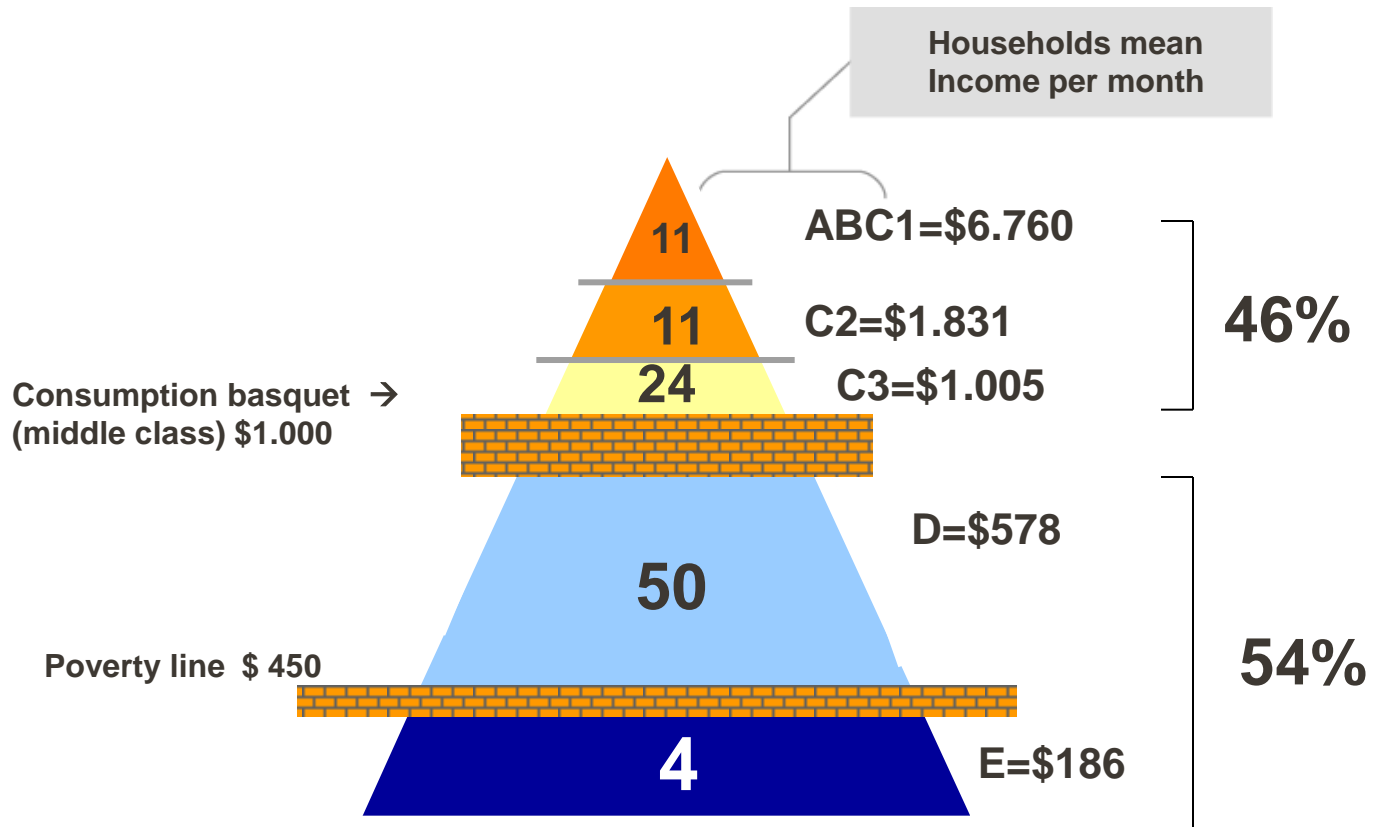
Source: AAM, 1996 (Sample size: 2150 cases)

## Social Economic Levels - 1996

	“CLASE”	%	
AB	Upper	11%	11%
C1	Upper Middle		
C2	Middle	11%	35%
C3	Lower Middle	24%	
D	Lower	50%	54%
E	Marginal	4%	

Source: AAM, 1996 (Sample size: 2150 cases)

# Social Economic Levels 1996 (1 peso = 1 U\$D)



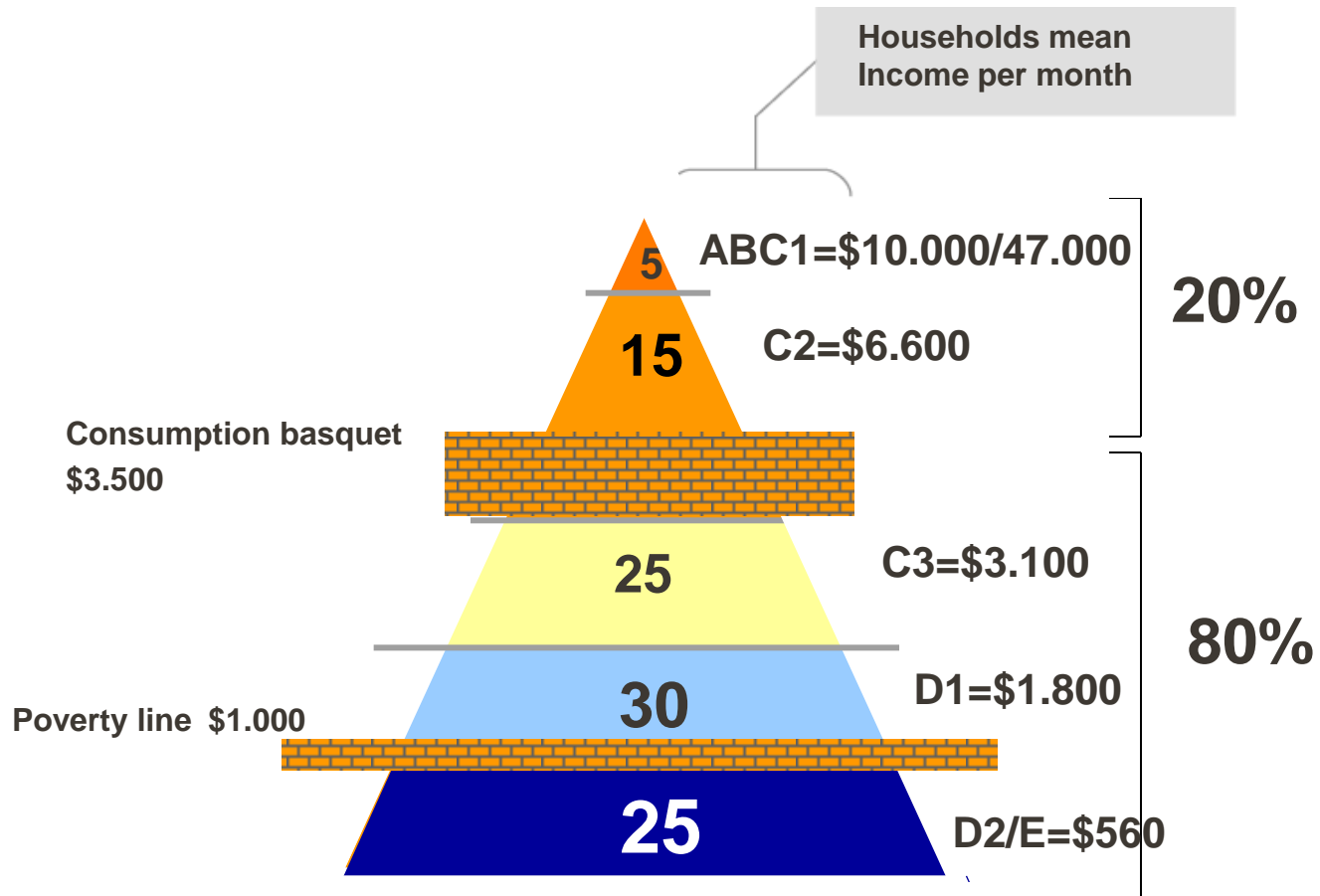
Source: CCR (Sample size: 5400 cases)

## Social Economic Levels - 2007

	"CLASE"	%	
AB	Upper	5%	5%
C1	Upper Middle		
C2	Middle	15%	15%
C3	Lower Middle	25%	80%
D	Lower	30%	
E	Marginal	25%	

Source: CCR

# Social Economic Levels 2007 (1 peso = 3.20 U\$D)



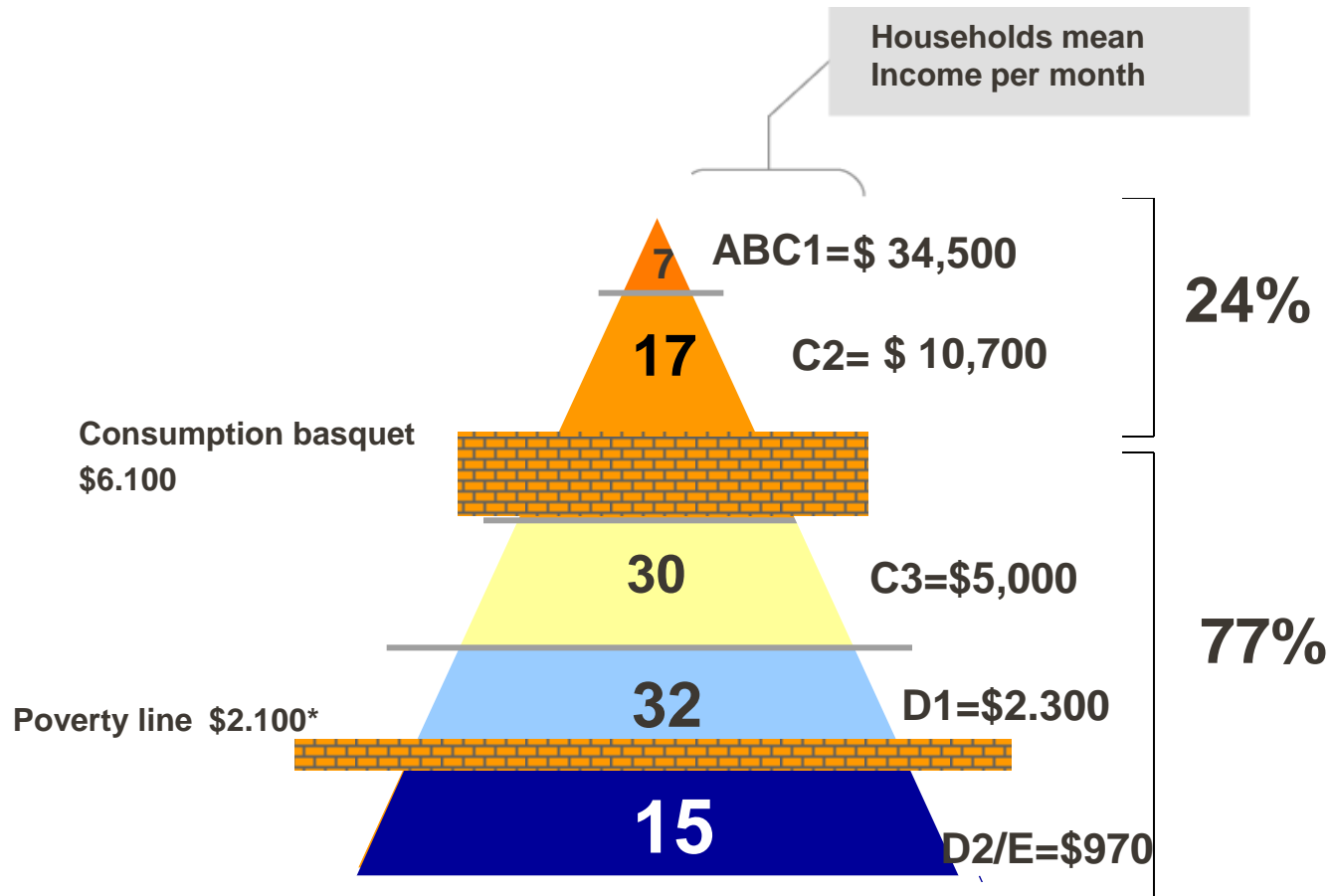
Source: CCR

## Social Economic Levels - 2010

	“CLASE”	%	
AB	Upper	7%	7%
C1	Upper Middle		
C2	Middle	17%	17%
C3	Lower Middle	30%	77%
D	Lower	32%	
E	Marginal	15%	

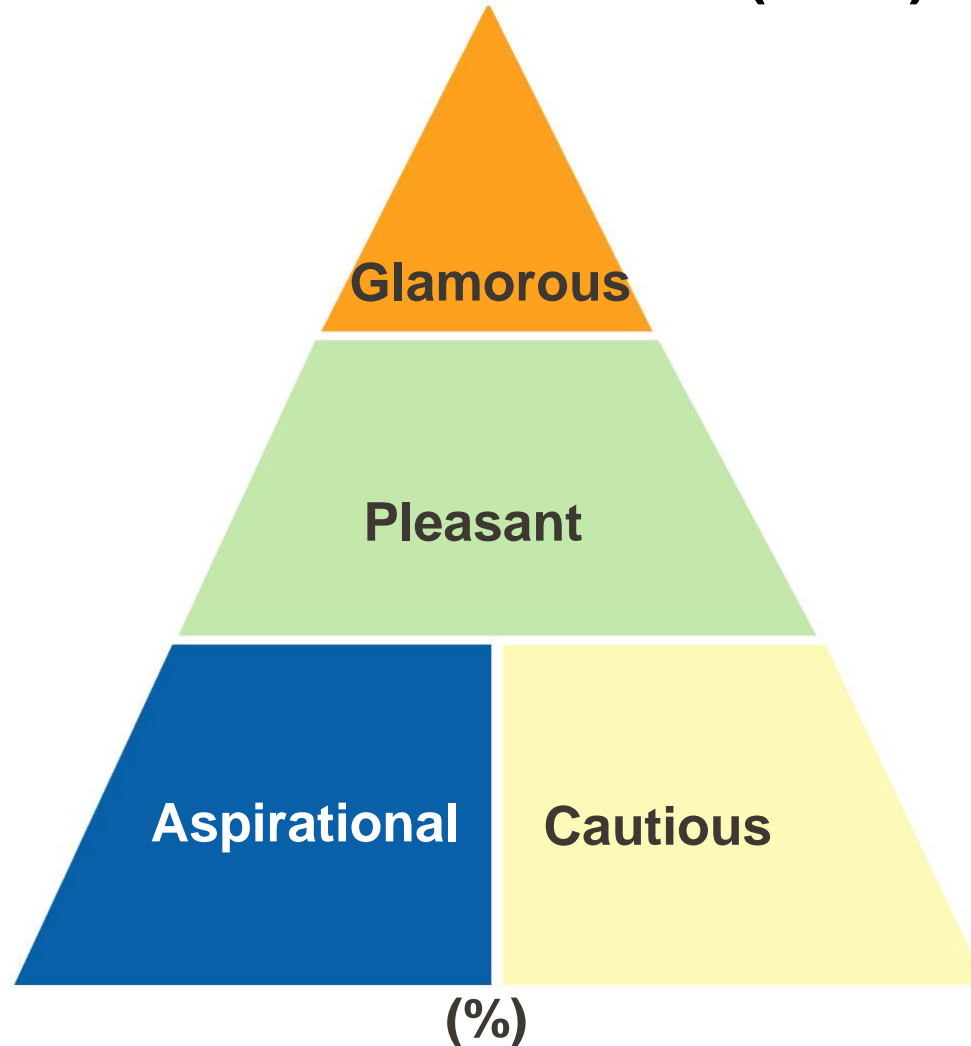
Source: CCR

# Social Structure 2010 (1 peso = 3.80 U\$D)

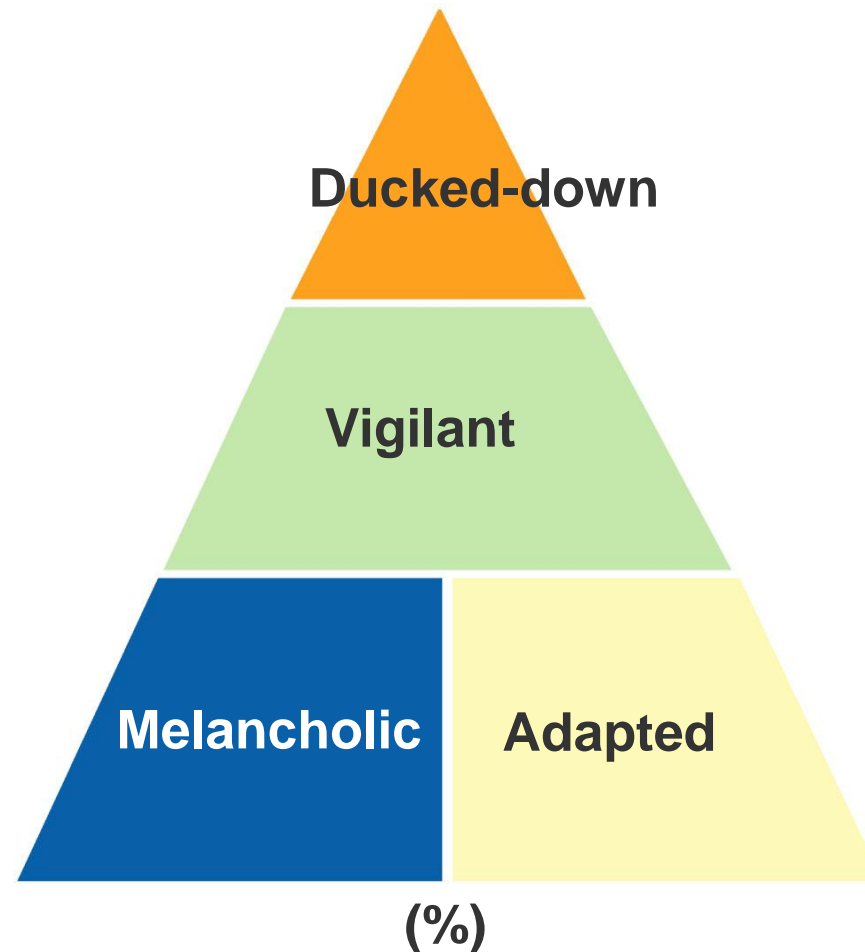


Source: Consultora W  
\*INDEC: \$1.750

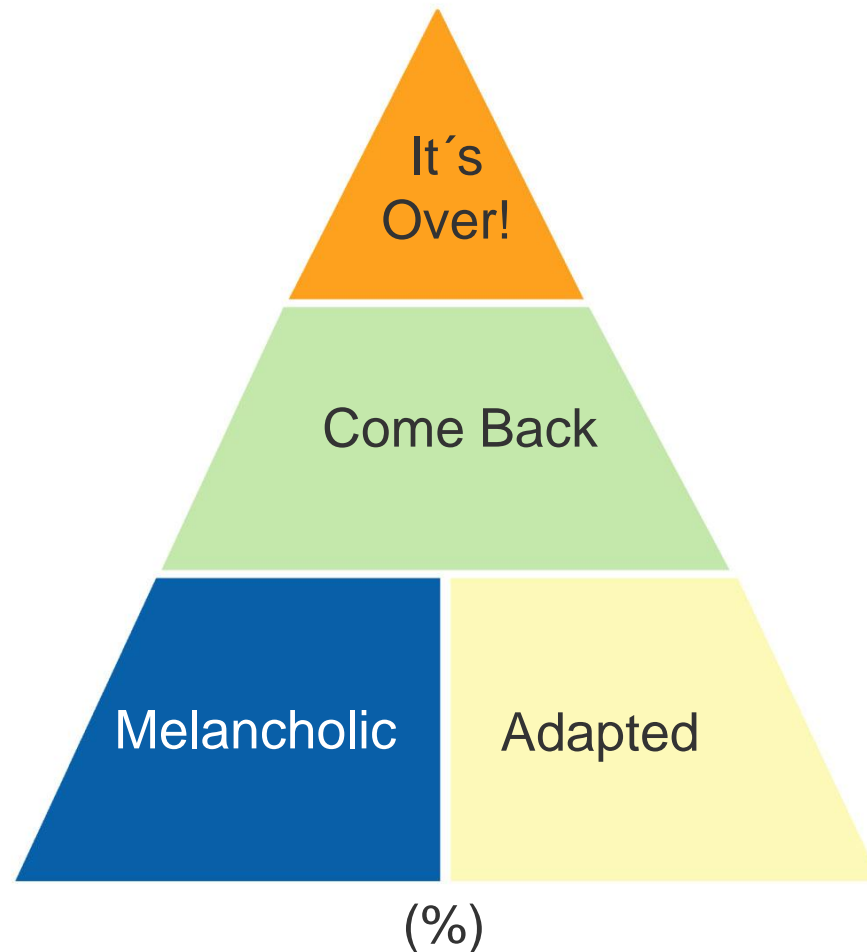
# Lifestyles by Social Economic Level (1996)

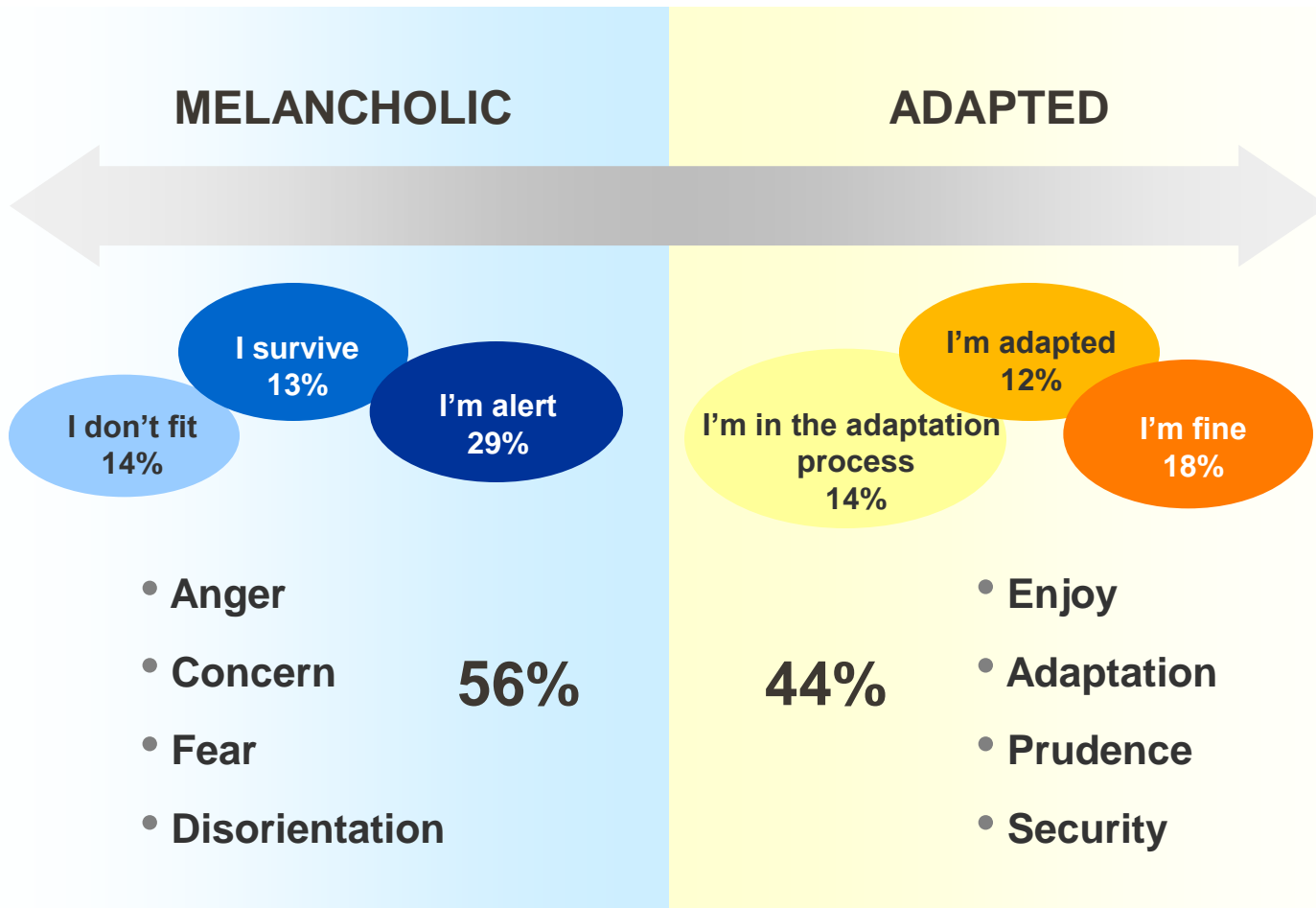


# Lifestyles by Social Economic Level (2002)

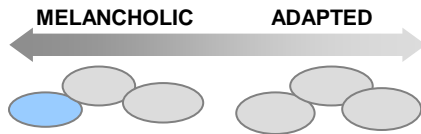


# Lifestyles by Social Economic Level (2011)





# “I don’t fit”



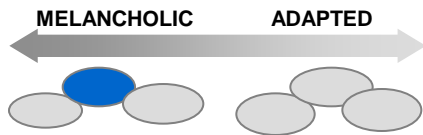
14%



2.093.075 million people  
in Capital Federal  
and Gran Buenos Aires

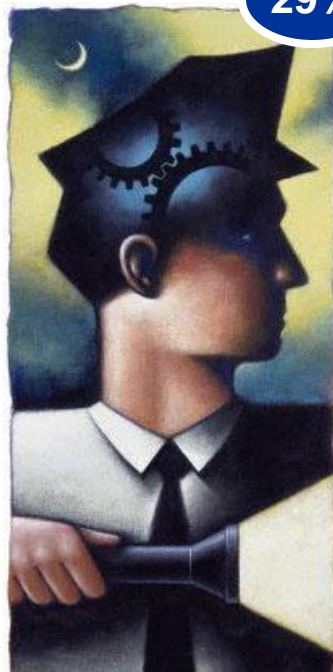
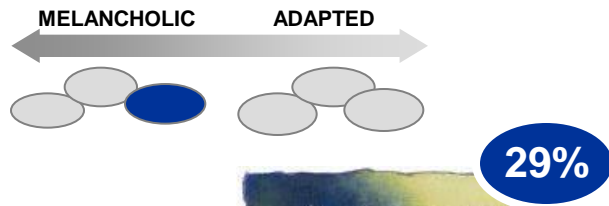
- As a consequence of the sudden lose of their pre-crises lifestyle, they feel lost, annoyed and sad.
- They are not adapted to their actual low income situation and they can't manage with what they earn.
- They are skeptic, insecure, without projects and living “day by day”.

# “I survive”



- Their current situation produces sadness and anger, but they managed to overcome the situation.
- They are not afraid nor feel lost because they are very conscious of their situation and they know how to deal with it.
- They seemed optimistic towards their future. Although they live “day by day”, they are starting to think about future projects.

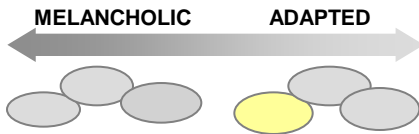
# “I’m alert”



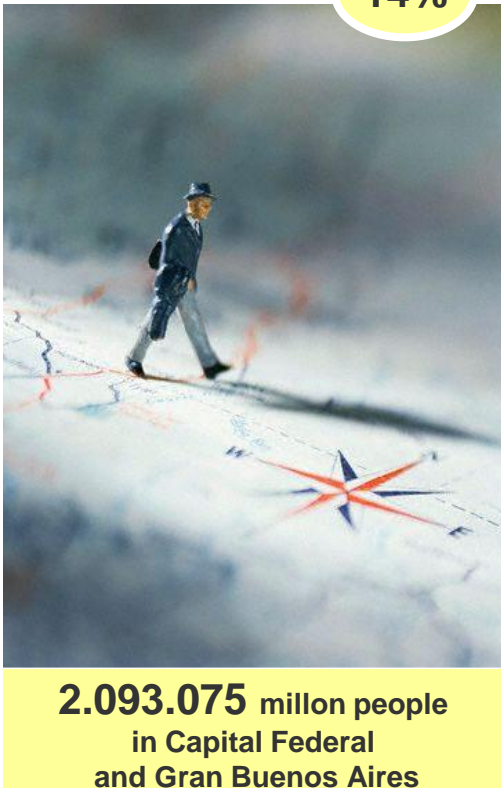
**4.335.656** million people  
in Capital Federal  
and Gran Buenos Aires

- They are *the* average segment.
- They are in an emotional transition: they are neither sad / mad nor optimistic.
- They feel neither utterly lost nor have they completely adapted their consumer strategies.

# “I’m in the adaptation process”

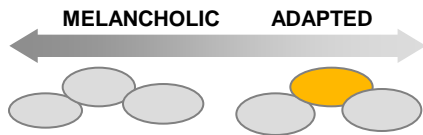


14%



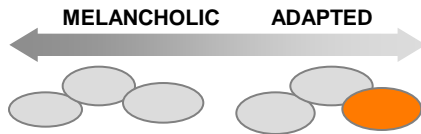
- They know they are not fine but they overcame this situation with optimism, desire to live and a lot of “energy”.
- They are conscious that their situation won’t change yet they grant themselves small pleasures.
- They are starting to consider new projects but remain with their feet on the ground.

# “I’m adapted”



- This segment is emotionally very stable.
- They know they have lost their chance but they are optimistic for their children.
- They are in a very tight situation, however, they enjoy the small pleasures of life.
- They are optimist, make plans for the future yet are always realistic in their analysis.

# “I’m fine”



18%



**2.691.097** million people  
in Capital Federal  
and Gran Buenos Aires

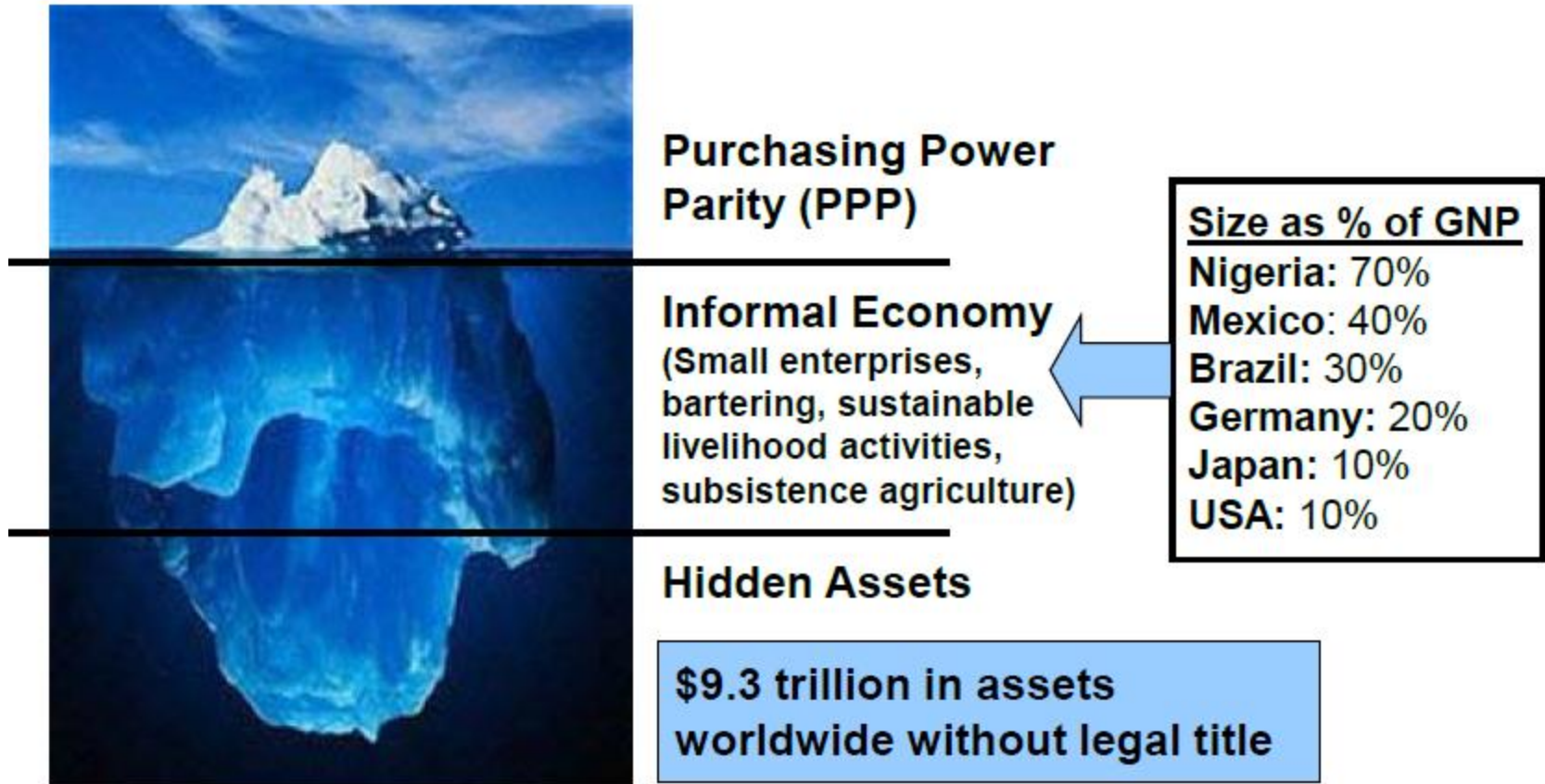
- This is the segment that is happy.
- They know that they need to be careful but they don't feel they are badly off.
- They enjoy life.
- They look into the future, have dreams and projects (both for themselves and their children).

## Myths on the BoP

- The poor are poor
- The poor dislike brands
- The poor are low-tech
- The poor are scattered

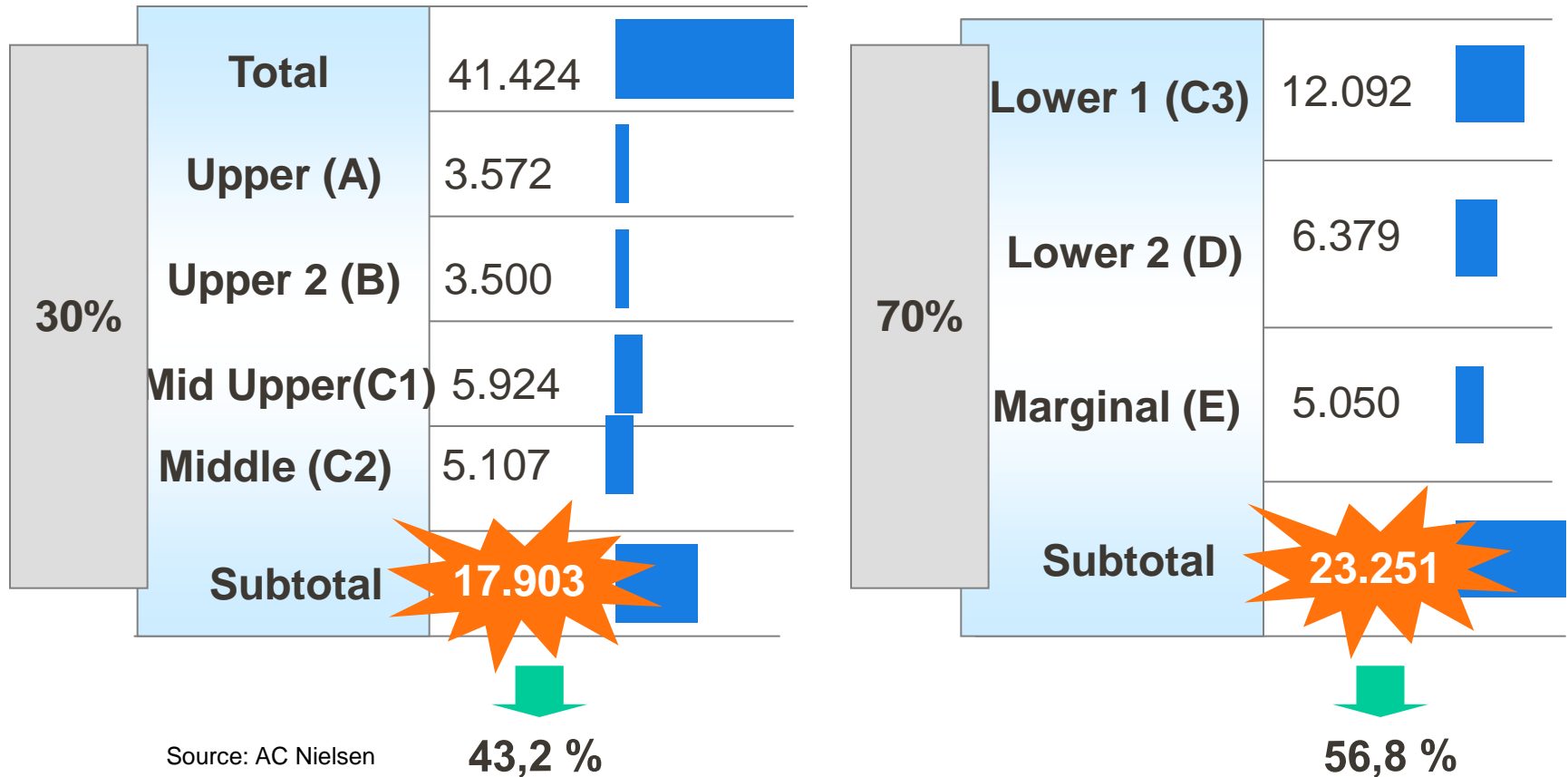


# What's below the Formal Economy?

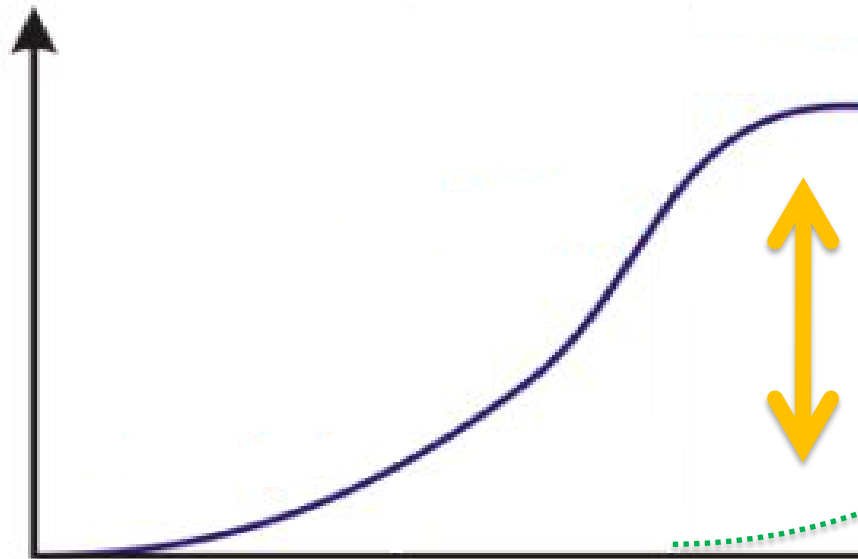


Source: de Soto, 2000

# Size of Food mkt (In millions of \$ tax incl.)



# Market potential

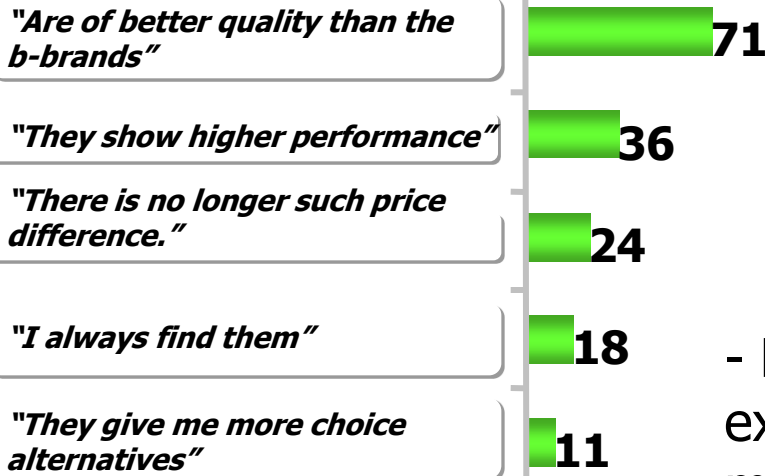


## Myth-Stakes on the BoP

- The poor are **poor** → aggregated consumption value (60%) > upper-class (40%)
- The poor dislike brands
- The poor are low-tech
- The poor are scattered

# Brands Situation

## Reasons:



## % of Brands



- New products, more expensive (up to 135% more) and still in constant growth.



Source: AC Nielsen, 2003

## Myth-Stakes on the BoP

- The poor are poor → aggregated consumption value (60%) > upper-class (40%)
- The poor dislike brands → value for money is particularly relevant in this segment
- The poor are low-tech
- The poor are scattered



## Myth-Stakes on the BoP

- The poor are poor → aggregated consumption value (60%) > upper-class (40%)
- The poor dislike brands → value for money is particularly relevant in this segment
- The poor are low-tech → frog leaping
- The poor are scattered

## Myth-Stakes on the BoP

- The poor are poor → aggregated consumption value (60%) > upper-class (40%)
- The poor dislike brands → value for money is particularly relevant in this segment
- The poor are low-tech → frog leaping
- The poor are scattered → current distribution systems were designed for urban upper-classes

## Beyond Myths on the BoP

- The poor are poor → aggregated consumption value (60%) > upper-class (40%) → attractive market
- The poor dislike brands → value for money is particularly relevant in this segment → brands are guarantees thus need to understand the values of the segment
- The poor need low-tech → frog leaping → rather than watered-down solutions use high-tech to reach the segment
- The poor are scattered → current distribution systems were designed for urban upper-classes → need to re-design distribution systems

# Videos BoP

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- ▶ [Introducción de Prahalad](#)
- ▶ [Casas Bahia](#)
- ▶ [Cemex](#)
- ▶ [Salt Hindustan Lever Limited](#)

Casas Bahia

Access

### Social Economic Factors

Culture  
Social Class → **informal**  
Group of Reference  
Family  
Rol → **head of household**

### Psychological Factors

Beliefs → **I can't/this is not for me**  
Experience  
Personality traits

### Consumer's Perception

Influence the

### Buying Behaviour Process

Acknowledging need

Seeking Information

Identifying Alternatives

Evaluating Alternatives → **cortesy, credit, low prices, brands.**

Buying Decision

Post Sales Experience → **delight**

**Cemex**

**Social Economic Factors**

Culture  
Social Class → **informal**  
Group of Reference  
Family  
Rol → **head of household**

**Psychological Factors**

Beliefs → **too complex**  
Experience  
Personality traits

**Integral  
Solution**

**Consumer's Perception**

Influence the

**Buying Behaviour Process**

Acknowledging need  
Seeking Information  
Identifying Alternatives  
Evaluating Alternatives → **full project, credit, advice,  
can pay in the USA**  
Buying Decision  
Post Sales Experience → **delight**

**Salt HLL**

**Superior Product**

### Social Economic Factors

Culture  
Social Class → **informal**  
Group of Reference  
Family  
Rol → **Shakti Ama**

### Psychological Factors

Beliefs → **all products are the same**  
Experience  
Personality traits

### Consumer's Perception

Influence the

### Buying Behaviour Process

Acknowledging need

Seeking Information

Identifying Alternatives

Evaluating Alternatives → **a superior product at a cheaper price**

Buying Decision

Post Sales Experience → **delight**