

New insights: Why your, colleagues, competitors, clients - *and hopefully you* - call Brazil a "**MUST**" market for new business potential.

ÁBACO BBB #4

Brazilian Business Bulletin

BRAZIL'S MEGA EVENTS

- 2013 - Confederation Cup Brazil - June
- 2013 - "Rock in Rio" 2013 - September
- 2014 - World Cup Soccer - June
- 2016—Olympic Games in Rio - August

"What time is it in Brazil?"

"**Spring forward, Fall back.**" Clocks move ahead in late Winter and back in early Fall. Each country has its own dates, so differences between your clock and ours vary 4x annually.



São Paulo is now 3 hours ahead of NYC and 2 hours behind London

08:00:00 CST 09:00:00 EST 11:00:00 CLST 12:00:00 BRST 14:00:00 GMT 15:00:00 CET 23:00:00 KST

DST saves Brazil from investing R\$3B in thermoelectric power plants otherwise needed for Summer evening peak consumption periods.

Population Update:

The Brazilian Census Bureau (IBGE) reports the population now expands at a "developed nation" rate below 1% a.a., This favors growth of Per Capita Income. New figures show:

- Total population 194M**, #5 in the world; soon less-developed nations will surpass Brazil.
- **42M in São Paulo State**, about the size of Colombia, Argentina, or all of Central America.
- **22M in the Greater São Paulo** metro area, the population of Taiwan or Australia.
- **11.4M in the main city, São Paulo Capital**, the size of Belgium, Greece, or Portugal.
- **The vital number is 149M**, Brazil's new Consumer Society: classes ABC, larger than all Russia.



View of Avenida Paulista from Ábaco HQ

5,600,000 Brazilians Escaped Poverty in Last Two Years

- Lower-middle class C exploded by 60% between 2003 and 2010, thanks to economic redistribution policies.
- Family incomes from R\$ 1734 to 7475, now 55%+ of population, probably exceed 60% in 2014..
- Classes A/B doubled in same period; expected to accelerate.

Source: Getulio Vargas Foundation

- Higher incomes reduced Gini social inequality index, .58 to .51
- Average worker income reached R\$1345 in 2011

Source: Instituto de Estudos do Trabalho e Sociedade,

Fewer Children and More Spending on Pet Care

- Brazilians spending estimated R\$6B on pets in 2012.
- Increase of 13% over 2011.

Economic Level	Billions of R\$	%
Class B	2,7	45
Class C	1,7	29
Class A	1,5	26

Source: Pyxis Consumo

More Brazilian Millionaires: Ranks Grew 6% in 2011

- 165,000 Brazilians have US\$ 1M or more financial assets, an annual increase of 6%.
- By comparison, USA has over 3M, but down 1% since 2010.

Source: Capgemini

Already 4th Largest Automobile Market

Surpassed all Euro nations

Country	2012	vs. 2011
China	10.3MM	+6,6%
EUA	9.7MM	+14,7%
Japan	3.8MM	+46,2%
Brazil	2.4MM	+7,0%
Germany	2.3MM	-0,6%
India	2.1MM	+10,1%

Source: Jato Dynamics

Online Sales Increased 3000% in 10 Years

- After mere R\$540M in 2001, Brazil's virtual stores moved items worth R\$18B in 2011.
- This total excludes travel, online auctions, and automobiles,

Source: eBit

Brazil has World's 2nd Largest Contingent of Facebook Users

- 88% of Latin American internet users are on Facebook, vs. 56% world average.
- Brazil has 58M users, second only to the USA.
- Growth potential: only 1/3 of homes now have web access.

Source: Facebook, SocialBakers

São Paulo is World's 4th Twitter City, and...

- Surpassing 50MM avid users, 1 in 4 Brazilians now Tweet.
- Produce 2% of all messages.
- USA now has over 150M, half the population is on Twitter.

Sources: SocialBakers, Semicast



2014 World Cup can spawn investments of R\$185B

- Expected to attract 3,700,000 tourists
- Inject R\$ 9.4B into local economies
- Create over 700,000 jobs: 332,000 permanent and 381,000 temporary positions
- Annual boost of 0.25% in Brazil's GDP: R\$47B
- R\$17B in additional tax revenue.



"Fiduco",
official mascot

Blumenau's Oktoberfest: #2 in World

- 590,000 people, 652,000 litres of beer.
- 25% more tourists than in 2011.
- Southern Brazil has a large immigrant population from Central and Eastern Europe.

Elimination of USA's Visa Requirement Could Add 300,000 Brazilian Tourists

- 1,800,000 visitors in 2012.
- Increase of 18% over 2011. Source: USTA

Card Replaces Check, Biometric Replaces Card

- 90% of Bradesco's 34,000 ATMs now read blood vessels in user's hand for identification.
- Half of its 26M clients "read" their palms, biometrically.
- Transactions 70% faster and ATM fraud reduced by 45%.
- 92% of bank's transactions are now online or via ATM.

Amazon Opens for Business in 2013

- Hires ex-CEO of Apple.
- Initial offering 5000 electronic books in Portuguese.
- Has 300,000 Brazilian buyers.

College Admissions Grow 124% in 10 Years,

- 6.7M new students in 2011.
 - One in seven is online-only.
- Source: Education & Culture Ministry

4th in Video Games

- US\$420M in revenue in 2011.
- Annual growth ~9%.
- One in 4 Brazilians plays some video game.
- Source: PwC Consulting

Rio-São Paulo Shuttle: World's 2nd Busiest

- 8M passengers/year between Brazil's two largest cities.
- Only busier route is Seoul-Jeju.
- Brazilian air traffic rose 17% in 2011, from 70M to 82M.

"One Liners"

- Wal-Mart invested R\$1.2B in 2011, growing network to 480 stores.
- BMW will build first Latin American factory in Santa Catarina state.
- United Health Group bought 90% of leading plan AMIL for US\$4.9B.

HOW NOT TO START RESEARCH IN LATIN AMERICA?

Risks and limitations of research techniques multiply exponentially when a study includes several countries with different profiles and cultures. Small lapses in adapting to each country can produce chaotic results ... as much as not adapting them. Communication with local partners must be extremely well considered.

These Twitter-sized examples, #93-101, are from a chapter about International Research, with a long checklist of "HOW TO AVOID (other people's) ERRORS, WHEN PERFORMING OR USING MARKETING RESEARCH". It's continuous *work in progress*. These errors occur in Project Startup.. As we say in Brazil, "*Bom proveito!*"

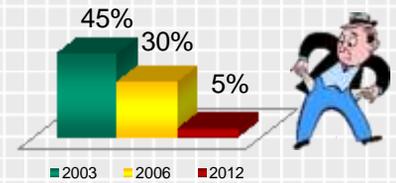
- 93. TIFG: Take It for Granted... Assume your briefing and summary job specification are clear everywhere.
- 94. Fill briefing with jargon, acronyms and abbreviations, unique to your firm, incomprehensible elsewhere.
- 95. Choose a provider to study countries outside its knowledge base, for low price or *One-Stop* convenience.
- 96. Assume a new partner, nodding in apparent agreement, really agrees and will follow your guidelines exactly.
- 97. Apply "usual" payment terms, 30-60-90 days, in developing countries with stratospheric financing costs.
- 98. Export results from one country to another with different characteristics, to save research budget. *...or...*
- 99. For economy, study only one inexpensive research market with devalued currency to represent all of LatAm.
- 100. Export "filters" (sample profile) easy in your country but difficult out there. Ex: "*Teachers earning US\$60K+*"
- 101. Try to deploy a single attitudinal metric, understood differently in each country.

In ABACO's next BBB: How not to analyze international research

DISCRETIONARY INCOME: *Do Brazilians have money to spend?*

- *MarkeTrend®* compared three notable eras: a 2003 Recession, 2006 Upturn, and mid-2012, when a huge new lower-middle class C comprises more than half the population (56%).
- When we ask consumers “How much money will be left this month after covering your basic expenses? ...an answer that always terrifies merchants and marketers is “Nothing!”
- Not long ago that outcry prevailed in Brazil. In 2003 almost half of class ABC affirmed they had zero income left for so-called luxuries.
- Today only 5% have empty pockets at month’s end. This helps explain the recent explosion in sales of automobiles, big-screen TVs, smartphones and tourism, especially to class C.

“I have nothing left this month after paying my bills and basic needs!”



“Nature abhors a vacuum”...so do marketers: ACCOR Hotel chain will double to 154 hotels in Brazil by 2016, many IBIS brand targeting class C.

WELL-BEING INDEX: *Does Money Buy Happiness? Health? Contentment? Satisfaction?*

- Maslow taught us human beings are perpetually frustrated. Once a basic need is satisfied, they discover new needs and anxieties over something they lack, tangible or not.
- *MarkeTrend®* compared 2012 levels of well-being with those of 2003, the Recession, expecting substantial improvements:
- “On this scale, excellent to poor, how are you financially?...physically?...emotionally?...romantically?”
- Maslow prevails. People do feel a tad better financially since the 2003 recession (*at least that!*), but their other three types of well-being are no more satisfied. In fact, all three seem slightly less satisfied. Shall we blame Human Nature, or Marketing, for creating new, unsatisfied “needs”?

WELL-BEING INDICES 0-100	2003	2012
...Financial	47	↗ 50
... Physical	75	↘ 73
...Emotional	70	↘ 68
...Romantic	66	↘ 64

CAREER WOMEN *Can “Brasileiras” find satisfaction at work?*

- Having a career is no longer a privilege, only for Class A women.
- *MarkeTrend®* asked: “Do you consider this employment as a career, or just a job?”
- In 2006, only one in three women had gratifying work, a career was “a Class A luxury”. For the rest, work was just a way to help balance the household budget.
- Much changed in little time. Now over half enjoy the “privilege” of a meaningful career. In class B, two-thirds of female workers now feel they have careers, vs. a fourth in 2006.
- Together with this perception come new feelings of power, entitlement, and consumption.



“I have a career, not just a job.”



Sports:

Which do they view on TV? Which take them to a stadium?

Symbolically, 30” during Super Bowl can cost US\$4M, vs. paltry \$2,000 in 1967. Knowing habits and preferences of target publics is priceless for team sponsors, in-stadium and media advertisers.

What Olympic Sports Drew Brazilian Audiences in 2012?

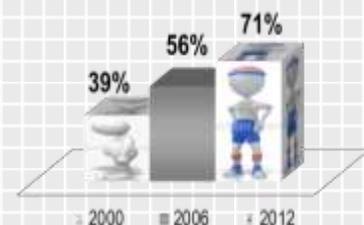
Three sports captured the interest of at least four in every ten adults:

- Swimming and diving,
- Gymnastics, and...
- Track and field events
- Soccer, volleyball, basketball, and martial arts were slightly less viewed. London’s Paralympic Games were also a major media attraction in Brazil.

View on TV %		Watch Live %	
Soccer	60	Soccer	22
Car Racing	56	VolleyBall	10
Volleyball	56	Cycling	9
Basketball	47	Martial Arts	8
Swimming	47	Athletics	8
Boxing	41	Basketball	7
Gymnastics	39	Car Racing	7
		Swimming	7

Are Brazilians Couch potatoes?

In 2000, Brazil was a confessed sedentary nation. Despite notorious *futebol-mania*, only four in ten adults declared practicing any physical activity. Today **71% get off the sofa, a radical evolution**, and the 2014 World Cup and 2016 Olympic Games are drawing closer.



What subject do you want to see in ABACO BBB#5? [Ask Abaco@AbacoResearch.Com](mailto:AskAbaco@AbacoResearch.Com)

What can Abaco do for you in this market? Consider these six recent examples:

- **Endomarketing Research** Face-to-face project with a sample of 46,000 people in 130 towns and rural sites without addresses or paved access roads...*in three weeks.*
- **Depth** interviews with heads of the Brazilian government to guide marketing of a famous university.
- **Market Due Diligence:** 8-part analysis of market dimensions, SWOT, evaluations of acquisition targets, consumer perceptions, and concise final reports to the client's various departments, totaling 198 slides.
- **Ethnographic** visits with truck fleet operators, including video-recorded *ride-alongs* with veteran drivers.
- **Corporate Identity development** Urgent research for a major retailer that suddenly "*disappeared*". Why? São Paulo city government banned outdoor ads, even large signs shoppers need to find stores on highways.
- **Complex Publics** Depth interviews for pharmaceutical laboratories and medical device makers with surgeons and sufferers of depression, type 2 diabetes, schizophrenia, advanced mycosis, and prostate cancer,.

Challenging projects? Yes, but Abaco has decades of market experience and logistical know-how.

For full-service research or complex data collection, the Abaco team willingly undertakes and satisfies the business information goals of the most demanding international firms...*like yours.*

- **ABACO's** multicultural research team has expertise in myriad business areas (some that surprise you). Our toolbox starts with market investigation and spans due diligence, product tests, brand image and strategy development, using every quali- and quantitative research method.
- **ABACO** will help start and grow your business with sound research + keen market understanding.
- Contact **ABACO** at our new São Paulo office, Avenida Paulista 1499, 14th floor.



For any QL/QT, B2B or B2C Marketing Research in Brazil or all LatAm, contact ABACO's Native English Speaking directors:

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