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IN-STORE

Cartier reinforces retail ties in Brazil through Iguatemi flagship

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Cartier red jewelry box

By JEN KING

Although many brands are focusing on pinpointing the next emerging marketplace, French jeweler Cartier is aiming to strengthen its retail footprint in Brazil through shopping center placement.

As the BRIC countries have matured, Brazil's luxury market has not developed in the ways that many brands and marketers had hoped, especially when compared to China and the Chinese consumer. Although numerous luxury names operate storefronts and have continued to open outposts in Brazil, various brands, including Cartier, have employed different strategies to make their presence more worthwhile and resonate with local consumers.

"It's not a very good time for Brazil right now," said Gustavo Gomez, director of research and methodology at Envirosell, New York. "Brazil has slipped into recession, month to retail sales have slipped for many consecutive months and even ecommerce is seeing shrinking rates.

"The recession is also bad because it slows down the growth of the growing middle class

that has driven Brazil's retail sales during the last few years," he said. "Unfortunately, the current uncertainty of the Chinese economy also hurts Brazil since China is Brazil's largest trading partner.

Mr. Gomez is not affiliated with Cartier or Iguatemi, but agreed to comment as an industry expert.

Cartier and Iguatemi, provided comment, but not directly.

Betting on Brazil

On Sept. 10, Richemont-owned Cartier will open the doors to its largest boutique in Brazil set inside the Iguatemi São Paulo shopping center. The jeweler currently operates two other storefronts in the country, one at the Village Mall in Rio de Janeiro and a second in São Paulo at the Cidade Jardim shopping center.

An Iguatemi shopping center, owned by family-owned commercial real estate company Jereissati Group, is an ideal choice as a retail partner for Cartier as they are already an established entry point for luxury brands entering Brazil.

Exterior of the Iguatemi department store in São Paulo

As the leading port of entry for luxury brands in Brazil, Iguatemi has helped brands such as Prada, Miu Miu, Goyard, Tod's, Bottega Veneta, Dolce & Gabbana and Van Cleef & Arpels, among others, open their first South American flagships. With 15 strategically placed shopping centers throughout Brazil, Iguatemi offers luxury brands a trusted venue among affluent Brazilian consumers to promote their products and image.

For Cartier, its Iguatemi flagship will be the largest it operates within the country at the present time. The boutique will be two levels with a floor plan of 3,121 square feet of retail space.

Cartier's Iguatemi São Paulo flagship, exterior

Designed by French architect Bruno Moinard, Cartier's shop in a shop at Iguatemi will reflect its global aesthetics shared by the jeweler's international flagships.

In statements, Carlos Jereissati Filho, CEO of Iguatemi and Maxime Tarneaud, general manager of Cartier in Brazil, echoed the same sentiment of elation in regard to the partnership.

Ms. Tarneaud said, "We are very proud to announce the opening of our boutique in Iguatemi São Paulo in September 2015, which demonstrates the commitment of Maison Cartier to continue investing in the country since its arrival in 1977."

Interior of Cartier's Iguatemi São Paulo flagship

In addition to Cariter, Iguatemi São Paulo is also home to Burberry, Bottega Veneta, Chanel, Diane von Furstenburg, Dolce & Gabbana, Armani, Ermenegildo Zegna, Gucci, Brazil's own H.Stern, Longchamp, Louis Vuitton, Max Mara, Michael Kors, Montblanc, Prada, Salvatore Ferragamo, Tiffany & Co., Tod's and Versace.

Cartier is not the only brand to set sights on a wider physical presence in Brazil recently.

U.S. fashion label Ralph Lauren, for instance, opened its first Brazilian flagship location in the city of São Paulo in April.

The brand announced the store's opening on its social media channels which are likely followed by native Brazilians or consumers who visit the country regularly due to Ralph Lauren's global notoriety. Ralph Lauren's latest store opening reinforces the brand's efforts to increase its retail footprint internationally and in the Americas (see story).

But panelists at the NRF Retail's Big Show 2015 on Jan. 12 pointed out that even though the BRICs and MINTs have seen successful growth in recent times, when strategizing for international retail expansion, sometimes the best plan is to find the right local partner who can tackle the policies and logistical hurdles.

In "To Boldly Go…Where Exactly?" the panel agreed that mature and emerging markets offer both unique challenges and opportunities. Navigating unchartered territory with a collaborator is easier than going it alone with direct operated stores (see story).

For Cartier, this strategy is at play with its Iguatemi flagship boutique, but does not discount its mono brand storefronts' impact on Brazilian consumer awareness and retention.

"Spurred by a growing consumer economy, luxury brands have poured into Brazil. Since 2009, the number of foreign luxury brands in Brazil has increased significantly," said Reynaldo Hernandez, consulting manager, Boston Retail Partners. "Although Brazil is still very much a growing market for luxury retailers, they continue to face multiple challenges. Import taxes remain high and Brazilians consume high-end goods differently than other markets.

"A high percentage of all Brazil's luxury goods spending takes place abroad while wealthy Brazilians are travelling, mostly to destinations in the United States. and Europe," he said. "Brazilians spend more on luxury in the U.S. than visitors from any other nation and shifting just a portion of this U.S. spending would have major implications for Brazil's local market.

"Brazilians consumers are particularly responsive to getting personalized products being made just for them, whether it's the inclusion of a monogram on the product or the development of exclusive designs."

Going beyond

Despite pairing with third party retailers, many luxury brands are neglecting the spending power of consumers living within Brazilian's interior cities.

According to Boston Consulting Group report, most brands concentrate their efforts on Brazil's coastal cities even though consumers residing in the country's interior are projected to contribute more than 45 percent of the growth through 2020.

"Capturing Retail Growth in Brazil's Rising Interior" explains that Brazilian consumers in general are tightening their spending compared with the past 15 years, but inland

consumers go against the trend, and are anticipated to account for $60 billion in new purchases over the next five years. While sporadic demand within the population may not justify a wide retail presence, brands can use other strategies to reach these consumers (see story).

Also, as its economy plateaus, Brazil has decreased its spending on luxury goods, trading for necessities.

Brazil was once considered one of the prime emerging markets for luxury brands to focus on, with a decade of economic stability that resulted in more consumer purchasing. These changing consumer spending habits call for a retooled strategy for luxury brands (see story).

"What does this mean for luxury?" Envirosell's Mr. Gomez asked. "It's not a straight cut answer.

"For luxury brands that were once aspirational and within reach for the growing middle class it will mean decreased sales," he said. "Uncertain times will mean that the middle class will not have the discretionary income to spend on luxury. For luxury brands that are only truly available to the upper classes, it will mean the possibility of growing sales in the short run because of the decreased value of the Brazilian currency.

"Those whose income comes from United States- or European-based funds will find that they could afford a lot more in Brazil. It could also mean an increase in luxury shopping based tourism since luxury goods will be cheaper in Brazil than in countries with a more stable currency. This probably wouldn't be a long-term trend as even the wealthy will cut back if the economy continues to suffer."

Final Take
Jen King, lead reporter on Luxury Daily, New York

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