

COMMERCE

## Brazil's 170M-strong consumer base prefers shopping abroad due to price, portfolio

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*H. Stem's Oscar Niemeyer Monument earrings*

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By JEN KING

MEXICO CITY, Mexico - While some economists may argue that Brazil missed the window of opportunity, the rise of the middle, or C Class, is evidence of the country's potential in the global economy, according to a panel session May 12 at the FT Business of Luxury Summit.

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Of the country's ultra-high-net-worth population, 70 percent consume in Brazil's three main cities, Belo Horizonte, Rio de Janeiro and Sao Paulo. Brazil has also seen an increase of consumer activity in its smaller, tier 2 cities as its middle class begins to consume at a higher rate.

"It was stunning to see in 2013, when economists said Brazil had blown it," said Massimo Mazza, partner at [McKinsey & Company](#).

"[The] boom of the middle class is not only happening in the main cities," he said. "More than 50 percent of the growth of mass C-Class growth is happening in the midsized cities."

Brazilian state of mind

During Mr. Mazza's presentation at the onset of the Brazil-focused panel, he explained that the changes Brazil has seen in the last decades are here to stay.

From 1988 to the present has seen an immense growth in the Brazilian consumer population. In the past 25 years, the consumer population has grown from 70 million to 170 million individuals.

During that time Brazil also saw a GDP growth of \$1.2 trillion to \$2.2 trillion and a credit increase from \$60 billion in 1988 to \$500 billion now due to the country's lax interest rates.

In Brazil's consumer culture 50 percent choose to shop abroad rather than within the country due to the high price of products. From a brand perspective, this is a result of Brazil's strict labor market and the complexity of doing business in the country.

The second reason is more dependent on consumer demand. Thirty percent of consumers choose to shop outside of Brazil because of a wider selection of products and do not want to wait for local boutiques to receive the merchandise.



#### Hublot Classic Fusion Pelé (6 photos)

Hublot opens its first boutique in Latin America and unveils its model dedicated to Pelé!

Today, 5th February 2014, the "Cidade Maravilhosa" - or marvellous city - of Rio de Janeiro was selected by Hublot for its first Latin American address... [See More](#)



## *Hublot opened its first Latin American store in Brazil*

For instance, in 2011 products in Brazil were priced three times as high as in the United States. In 2014, the difference is a little under 1.8 times higher than U.S. prices.

Also, in 2011, portfolio selection outside of Brazil was 1.8 times broader in the U.S. compared to 1.2 times in 2014.

To respond to this type of consumer culture brands must alter business models in Brazil.

Brazilians are looking for immediate consumption and want to have products consistent with the brand's presence outside of Brazil. This is especially notable in the Brazilian automobile market.

Interestingly, Brazilian consumers have moved away from the traditional private shopping experience to in-house shopping.

Brazilians no longer want to shop alone in a boutique, but rather the store's merchandise be brought to them in the comfort of their primary residence or hotel rooms in Miami or New York, for example.

For brands, this offers a networking opportunity not achievable by typical in-store shopping excursions if the consumer chooses to invite friends into her home to share in the experience.

Brand personalization is also key to appeal to Brazilian consumers. Mr. Mazzo mentioned an unnamed brand which does not have a physical store presence in the market that has changed the fabric used in its designs to cater to consumer living in north eastern Brazil due to the very hot climate.

Credit also comes into consideration for Brazilian consumers due to the country's business model. The low interest rates present a reason to shop within Brazil rather than abroad, but also opens up the market for brands to easily interact with aspirational consumers.

Case in point

Also on featured on panel was Roberto Stern of Brazilian jeweler H. Stern who noted that amidst the pessimism, there has been an interesting evolution in Brazil that has changed the luxury market.

H. Stern is considered to be the first international brand from Brazil and has equated its success to a number of variables including the country's last 30 years of democracy that has worked to modernize its economy.

Brazil's growth is also enhanced by consumption.

Classes in Brazil are ranked by letters A through E, with A being the most affluent individuals.

Between 2003-09, Brazil saw the growth of its C Class as more than 29 million people

above the poverty line at E to create a “gigantic army of consumers.”

H. Stern has continued to flourish in the Brazilian economy through organic growth with 55 stores in Brazil and a physical presence in 20 other countries. With a focus on design, innovation and Brazilian miscegenation has worked to support this growth.

For example, Brazilian jeweler and silversmith H. Stern celebrated the influence of late architect Oscar Niemeyer with an expansion of its jewelry collaboration and a new campaign effort.

Although Niemeyer, a native of Brazil, was responsible for the design of the United Nations building in New York and architectural works throughout Brazil, H. Stern’s collaboration was inspired by the architect’s sketches. Since the pieces were created directly from Niemeyer’s sketches, the designs have an organic quality and will likely appeal to consumers with a penchant for artful lines as well as fans of the late architect ([see story](#)).



*Pieces from H.Stern's Oscar Niemeyer collection*

Skill and internal organization comes into play for any brand, regardless of market of origin.

“We are a luxury brand that has a skill, which makes a difference,” said Roberto Stern, president and creative director of H. Stern, Rio de Janeiro.

“[H. Stern] is vertically integrated and we have everything under the same roof, which helps with decision-making and work between designers and artisans,” he said. “We don’t need to depend on external factors.”

In terms of H. Stern’s success at catering to the Brazilian mindset and its global

consumption habits, Mr. Stern said to “think about the best of Brazil, and bring the best of Brazil abroad.”

Final Take

*Jen King, editorial assistant on Luxury Daily, New York*

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