Breaking Through The Boundaries

Contributed by RW Connect
Wednesday, 29 August 2012

Marketers believe Latin America is on the cusp of transformations that will reshape its consumer markets for years to come.

Latin America is urban and young, with over 370 million people aged 35 years and under, and it is increasingly technologically sophisticated, says Carlos JosÃ© Fonseca, vice president of International Markets Strategy at MasterCard Worldwide.

Access to cell phones is already on par with US parameters, and education levels are rising as economic conditions improve.

â€œThe overall implication of this, in terms of consumer behaviour, is a dynamic and better-informed consumer, with higher expectations and emerging and demanding needs that constitute a significant business opportunity,â€• says Fonseca.

This dynamism challenges companiesâ€™ decision making and market researchâ€™s role in shaping strategy. The flows of dat
may be there, but the discernment to sift them in large quantities and in a value-adding manner does not come easily, says Fonseca. Marketers must constantly make difficult decisions about priorities and choose specific problems that they wish to solve.

â€œThe challenge of being a better listener in this day and age is greater than ever,â€• he says. â€œReacting quickly and effici
is important, but it is even more important to pick your battles.â€•

Rational consumers
Gone are the days when LatAm consumers could be relied upon to maintain brand loyalty out of simple familiarity and well-worn emotional attachments.

The regionâ€™s shoppers have now become hyperaware of cost-benefit, regardless of their income levels, and are increasingly concerned with issues such as nutrition, environmentalism, charitable causes, and corporate social responsibility, according to Paloma Altolaguirre, corporate manager, market intelligence, at Mexicoâ€™s Grupo Gruma.

â€œAfter suffering the impact of the recent economic crisis, consumers will no longer â€˜give awayâ€™ their money, and thereâ
turning back on that,â€• says Altolaguirre. â€œFor many more years, despite a recovery in their purchasing power, the consume
will continue to be cautious with their money.â€•

Not only that, but consumers have also become more concerned about saving time and shopping efficiency, she adds. Other concerns have become more important too, including security, since crime lingers as a key problem in many countries.

â€œThat feeling of safety and security which organised commerce can often offer the consumer has become a factor in shopping decisions,â€• says Altolaguirre, â€œand has boosted the growth of retail businesses and represents a huge opportunity for emotional brands to establish a bond.â€•

Of course, on the other hand, for market researchers, security worries and concern about time-saving have meant a plummeting survey response rate.

But perhaps the overriding factor shaping consumer behaviour is the relatively positive performance of the regionâ€™s economies in the last decade, even as financial crises enveloped Europe and the US. That trend is especially pronounced in Brazil, which this year became the worldâ€™s sixth-largest economy. Brazilian consumers are beginning to plan their futures around an expectation of stability and upward mobility.

â€œBrazil is the great engine leading the region in terms of positivity and progress,â€• says Pablo Kennedy, global and Latin America knowledge and insights director at The Coca-Cola Company. â€œBrazilians are optimistic. People believe they are going to be better off in the future and that makes a big difference in their spending habits.â€•

This attitude means Coca-Colaâ€™s consumers, even as they rebalance household budgets, are looking beyond the basics and demanding choices in tune with their new lifestyles. With larger incomes and more access to information, theyâ€™re looking to purchases with more value added, such as fruit juices. â€œLatin Americans are gaining access to a greater breadth of product categories,â€• he adds.

Fast-paced marketplace

If LatAmâ€™s consumer markets ever felt slow paced, that day is definitely now past. Marketers report constant pressure to gain an edge on competitors, as well as bottom-up pressure from consumers for products that offer solutions to lifeâ€™s challenges.

This competitive atmosphere, at its best, generates a virtuous cycle in which competition spurs innovations, and these in turn lead to quality of life improvements. â€œThereâ€™s a more aggressive attitude on the part of market participants, and much more is offered, which generates benefits to the consumer, since in the course of our search for their preferences weâ€™re constantly offering better products and at a better price,â€• says Altolaguirre.

Companies have also become more sensitive to their role in countriesâ€™ social progress. As the regionâ€™s citizens become more knowledgeable about the business world and aware of their own clout as consumers, they evaluate marketers differently.

Many companies have commissioned market research to learn more about countriesâ€™ emergent middle classes, as well as â€œbase of the pyramidâ€• (BOP) poorer consumers. These segments offer a business opportunity, but marketers are also aware they have responsibilities in terms of easing these new participantsâ€™ entry into the consumer space.

Thus, MasterCard is promoting financial education to drive a world beyond cash and further empower lower-income consumers, while also producing technology to make payments safe and simple at the BOP. It also exchanges expertise with nonprofits such as the microfinance specialists Grameen Foundation and PlaNet Finance important for gaining a richer picture of reality.

Says Fonseca, of MasterCard, â€œwe believe upward social mobility is a key trend and we want to contribute to it. We are continuously exploring new technologies to better serve the bottom of the pyramid and empower consumers in general.â€•

As challenging as LatAm has become, and diverse as it is, one rewarding facet of working there is that messages carry well across countries, if the tone of communication is fine-tuned for different contexts.

â€œNot only do we find that many values are universal, but in LatAm these values are generally shared,â€• says Coca-Colaâ€™s Kennedy. â€œInsights generally are applicable across the region.â€•

Whatâ€™s certain is that the regionâ€™s advertisers are boosting spending. According to ESOMARâ€™s last global survey, â€œ Market Research 2011,â€• marketers spent well over US $16.8 billion to advertise in the region in 2010, the last year for which complete data is available (the figures exclude Colombia, Mexico and some smaller markets). That represents a 23% increase over the 2009 spend. Over US $10.5 billion was spent in the Brazilian market alone.

New demands

But growth does not come without friction. Marketers worry researchers are not always keeping pace with new pressures, and they suggest that in many instances agencies remained attached to old models for doing business.

Suzana Pamplona, global strategic insight director at Johnson & Johnson, wants to know why it is that the wide availability of new technologies hasnâ€™t speeded up the delivery of quantitative survey results.

Some agencies are still working with the same old deadlines for some types of research,â€• says Pamplona. â€œEven considering all the electronic smart devices, mobile and online, we still have to wait 8 to 12 weeks for more complex quantitative research.â€•

There are also opportunities in how data collected online is processed, argues Pamplona. She says this analysis is being done mostly according to highly systematised metrics â€“ flagging comments as negative, neutral, or positive, for example â€“ without enough attention paid to other methods for parsing the rich data generated by online interactions.

â€œThere is a great deal of room for a more customised analysis of all this already-quantified data,â€• she says

Finally, Pamplona believes a technocratic culture lingers in parts of the research industry, which has prevented it from being more proactive in innovating, guiding users of research and re-framing the information available.

Researchers should not be afraid to recommend concrete business decisions, Pamplona believes, or to play the role of strategic consultants or knowledge curators, or to â€œhave an opinion and ultimately also be accountable for that decision. Insights are not for psychological comfort. We need to turn insights into actions.â€•

Kennedy, of Coca-Cola, agrees that many providers have remained mired in the now-baseline practice of producing research reports and data, and not going much further than that. On the whole, in LatAm, he sees the larger research outfits as slow to understand that clients expect more. â€œThe smaller companies have managed to adapt more quickly and more effectively,â€• he says. â€œNumber crunching is no longer enough.â€•

As an example of what the new market research provider-client relationship could look like, Kennedy draws an analogy with the constant feedback relationships between companies and consumers on social media. (Coca-Cola, for example, has a Facebook page with over 40 million â€œlikes.â€•)

Too many research agencies, says Kennedy, think the relationship with the client is about meeting a deadline, and then simply waiting for the next call.

â€œToday weâ€™re in a constant dialogue with the consumer. And just as that relationship does not come to an end, our relationship with the research agencies shouldnâ€™t come to a conclusion. The relationship is not just about delivering projects. It should be an ongoing flow of conversation. There are very few research providers that seem to understand that â€“ I can count them on one hand â€“ and I think thereâ€™s a great opportunity there.â€•

New methodologies
LatAm market research has definitely not lagged in absorbing all the available methodologies. Regional researchers deploy techniques such as neuroscience, social media research, mobile, ethnography and online consumer innovation groups.

Pamplona, of Johnson & Johnson, sees a common denominator to many of these new approaches. They allow for market research that does not disturb the day-to-day reality of the multitasking, on-the-go consumer as a typical face-to-face or phone survey might.

â€œIf the new technologies are allowing more of this, we have to embrace them,â€• she says, â€œbeing careful of course to maintain our ethics and how we deal with consumer privacy.â€•

Some methodologies are better adapted to certain products and markets. Grupo Gruma, a multinational maker of tortillas, chips, flatbreads and flours, has experimented with neuroscience but has yet to find a concrete application for this approach, says Altolaguirre. Gruma has applied online consumer innovation groups only in Australia, the US and the UK, where the company markets more value-added products, but not elsewhere.

Fonseca, of MasterCard, acknowledges that innovative methodologies are important but argues that research should not lose sight of its ultimate goal: delivering new and better services to consumers.

To that end, he says, there should be a search for methodologies that improve data collection and interactions with respondents, â€œbut equally important is to develop analytical processes to derive incremental knowledge from that information, and put it into actions that better serve those consumers.â€•

â€œUltimately, for us in Latin America and around the world the challenge is to have the proper insight that enables more precise development of products and services,â€• adds Fonseca. â€œWe do this by leveraging our technology and by continuing to innovate, and evolving our research capabilities.â€•

This approach, focused on results, was a common thread in the opinions of the marketers, some of whom proposed a greater emphasis on pay-for-performance schedules for research. All said they would welcome a closer, more consultative partnership with researchers, and desired that researchers better understand the ins and outs of their business.

â€œThis is key to focus research, so that it ultimately generates a bottom-line impact,â€• says Fonseca.

Carlos Jose Fonseca is Vice President of International Markets Strategy at Mastercard Worldwide, Pablo Kennedy is Global and Latin America Knowledge and Insights Director at The Coca-Cola Company, Suzana Pamploma is Global Strategic Insight Director at Johnson & Johnson, Paloma Altolaguirre is Corporate Manager Market Intelligence at Grupo Gruma.

By Marcelo BallvÃ©

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10 May 2012