The Changing World of Shopper Needs and Values in Latin America

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Latin America
Coca-Cola
RETAILING RESEARCH COUNCIL

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Introduction



Cultural changes translate into new consumer values and needs

Imagine you could look into the minds of your shoppers. You could learn what motivates them to choose one store or another. You could find out what problems fill their days and how you could better serve their real needs. And you could learn more about who they are and how they are changing.

Such insights have never been more important or more necessary. Economic growth and better access to technology are greatly changing the ways Latin American families shop, cook and eat. Those same changes raise new and significant challenges and opportunities for retailers hoping to best serve shifting consumer needs and wants.

Shoppers throughout Latin America face daily realities that cause them to accept shopping choices below or out of line with their aspirations. Retailers who learn how to help shoppers achieve some of those desires could be well positioned for growth into the future, but the path is extremely complex.

Success begins with retailers understanding this changing world and the very real and powerful issues faced by shoppers today, including these considerations:

- Urbanization is changing traditional family structure, schedules and mealtimes.
- Household size is shrinking dramatically, leading to significant changes in shopping and cooking.
- Nightmarish traffic conditions make for long commutes to work, limiting free time and impacting how consumers select their regular stores.
- Economic mobility is swelling the size of the middle class, impacting consumer habits and goals for improved lifestyles.
- National issues, including inflation, taxation, debt and corruption, impact consumer spending.
- Access to emerging technology is growing widely, but significant challenges remain for many consumers.

The members of the Coca-Cola Retailing Research Council of Latin America commissioned this special study to investigate all these dynamic changes and to create a document that will aid discussion of these challenges in companies throughout the region. Although the retailers on the Council recognize that every company needs to find its own path, they believe the findings in this report can provide useful insights for operators of all sizes and types of products.

Specifically, this report examines four major issues:

1. Understanding the emerging middle class by exploring social class mobility, aspirations and values across class lines in a variety of countries.

2. Examining the changing food culture by looking at cooking frequency, kitchen technologies, cultural changes impacting shopping and meal preparation, time pressures on the consumer, food aspirations and even health and wellness concerns.

3. Identifying why shoppers select specific stores, formats and even products. Specifically, what causes them to move between traditional and modern formats, what expectations they have in each and how proximity impacts all these decisions.

4. Learning the potential and limits of new consumer technologies and how Internet access is impacting shopper choice today and what changes could be coming in the near future.

This study was conducted through a variety of research methods, including in-home visits with shoppers in four different areas that permitted an unusual level of insight into living conditions and the realities of shopping and mealtime. Although the four cities visited (Bogotá, Colombia; Lima, Peru; Mexico City, Mexico; and Salvador, Brazil) and four countries (Argentina, Brazil, Colombia and Mexico) surveyed cannot properly represent all of Latin America, they do provide significant insights that should be useful elsewhere in the entire region.

Although a broad study like this cannot possibly provide perfect insight to every company, the Council members believe this study can be a powerful tool. They think it can help all companies in the region better understand the vast changes your shoppers are experiencing and can enable you to build stores, products and services to ensure their loyalty into the future.

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Executive summary

Overview

As hypermarkets and other modern Latin American food retailers expand, winning share from traditional retailers such as produce markets, butchers and bakeries, it's important to consider the cultural shifts that underlie and influence such sweeping market changes. Retailers with an in-depth understanding of food and consumer culture carry with them an excellent and adaptable gauge to serve shoppers' needs and aspirations going forward.

Latin American consumers have vastly different attitudes toward shopping, cooking and eating now than they did two decades ago, and their tastes continue to change at such a rapid rate that retailers throughout the region face a wealth of unique growth opportunities.

The best strategies, as always, come from retailers who are steeped in consumer culture – with the formats, products, services and marketing strategies that people want at any given time and place.

This report illuminates a host of strategic and actionable opportunities for the modern retail sector in Latin America, drawing on in-depth explorations of four cultural forces:

- The emerging middle class
- Food culture in Latin America
- Shopping patterns, preferences and expectations
- The new age of consumer technology

The emerging middle class

The number of people with enough disposable income to shop at modern food retailers in Latin America has exploded. An estimated 37 percent of people in the middle and upper class population grew up in a lower socioeconomic class. Because change has come so quickly, it's important to trace these new shoppers' histories. People's values, priorities and choices arise from the nuances of their life stories, which for today's Latin American shoppers often includes seminal transitions from agrarian homesteads to urban apartments, or from blue-collar occupations to professional aspirations and degrees. For a society undergoing such rapid socioeconomic change, the so-called "class" experience is less about status and more about trajectory or mobility.

Although it's tempting to focus on households moving from a low socioeconomic class (SEC) into the low end of the middle class, **emergence is happening across all class levels – and at a greater rate among the upper classes**. The values and aspirations of these socially mobile households – those with individuals who climbed up from a lower class – are different from those of people whose class remains the same.

Socially mobile consumers place greater value on self-improvement and refinement, and that affects everything about the way they live, including what they buy and eat. **They value healthy eating and regular exercise more highly than people who remain in their class** – and they're dramatically more optimistic about their progress.

Food culture in Latin America

As people become socially mobile, they adopt more modern approaches to cooking and eating. At least half of the people in lower SEC groups cook every day. In upper SEC groups, food traditions have relaxed in favor of modern conveniences.

More people are installing microwaves and other modern devices that provide cooking shortcuts, and they are better able to afford prepared and packaged products that replace perishable ingredients. They also start to view cooking from scratch as a form of culinary exploration – something budget-conscious consumers also do as "value gourmets."

Female empowerment and the resulting shrink in household size translate into fewer people cooking from scratch and a greater desire for prepared and packaged foods.

Shopper patterns, preferences & expectations

Although traditional markets convey a Latin American ideal of fresh and continue to enjoy frequent shopping trips from people in all classes, they are less favored than large, modern stores offering great values and a wide selection. Yet shoppers use modern channels for stock-up trips rather than daily shopping because of the distance and time it takes to reach many of these channels.

Five cultural factors drive shopping behavior in Latin America:

Fresh People equate buying fresh foods and beverages with being able to provide the best quality of life for their families, and they tend to buy fresh perishables every day or two.

Proximity and Convenience Because of traffic and other transportation issues, shoppers make trips to large, modern stores for stocking-up trips and use nearby traditional channels for frequent fresh and fill-in purchases.

Service Ideals about service are formed in the imagery of the municipal market, a social space that is both formal and familiar. Over time, as vendors share their knowledge, experiences and advice, they garner trust and loyalty.

Value People like hypermarkets and other large, modern stores for delivering great value for basic, non-perishable items.

Assortment inspires people and allows them to consolidate many traditional shopping trips into one. Upper classes are especially fond of large, modern stores with lots of variety.

Balancing consumers' desires. Proximity is the major driver for retail, often trumping other needs and values, particularly for fresh and fill-in trips. That's why consumers make fewer trips to large, modern stores that are located miles away – and why even smaller footprints of those same stores will be popular when they're close to home.

Lower-middle class shoppers prioritize value and service – and are least able to reach modern channels. Upper class consumers look for easy access and a wide assortment of products and services to inspire them and make shopping easier.

Modern retailers gain a competitive edge when they create comfortable, easy-to-access social spaces and communicate information and narratives that remind shoppers of their trusted traditional market vendors.

Shopping trips are often divided up based on the types of items being purchased. Basic trips are value driven and include basic, non-perishable, everyday items. Fresh trips for perishables are quality driven and happen at a high frequency. Other trips occur spontaneously or on-the-go for items that are wanted in the moment, as a fill-in or for replenishment.

Large, modern stores are preferred for 85 percent of basic, stock-up trips. Smaller modern formats, such as mini-markets and express stores, are favored for fill-in and unplanned trips because they're close to home or work and offer easy in-and-out access.

Consumers recognize that these stores offer benefits not available from neighborhood markets – particularly good value and assortment – but distance prevents them from shopping modern channels more frequently.

Large, modern stores are particularly favored by upper class consumers, who often can reach them most easily. Their preference also reflects that modern retailers offer new approaches to food and more nuanced definitions of fresh that appeal to upper class and socially mobile shoppers.

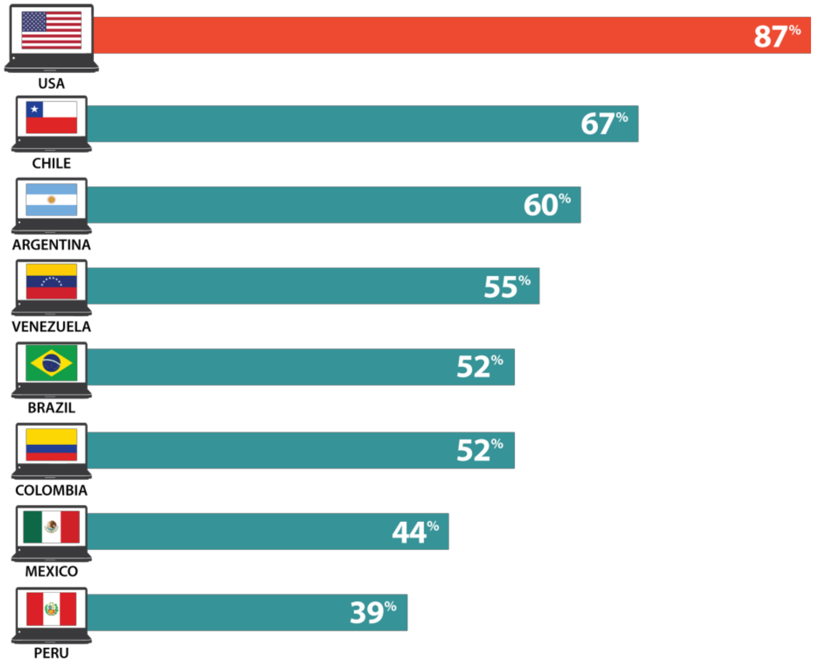
As large-format stores start to open locations in smaller footprints closer to city centers, they can expect consumers to shop them more frequently. The stores will have to tailor their selections to fit tighter spaces – for example, creating express stores for dry goods and other basics – and could boost their competitive edge by offering enhanced services such as online shopping and home delivery.

Traditional channels are primary destinations for 58 percent of occasion-based trips for fresh, perishable foods. Although there is often redundancy, shoppers perceive fresh markets as having greater choice and flexibility because they can choose among products from a number of stalls or storefronts, based on presentation or charisma of the vendor, and prices can often be negotiated.

Trips to traditional stores outpace visits to modern ones almost three-to-one. While shoppers expect a higher level of quality and authenticity from traditional markets, their close proximity is the major driver: **On average, it takes half as long to reach a traditional channel (12 minutes) as it does a modern one (23 minutes).**

Travel times are more favorable for smaller-format modern retailers such as a mini-market/express stores (18 minutes) and convenience stores (16 minutes).

Figure 1.1
Internet Penetration Across Countries



The new age of consumer technology

Internet and smartphone penetration in Latin America is gradually increasing – presenting an opportunity for retailers to start interacting with customers digitally by creating websites and apps for them before competitors do.

Consumers in Latin American are less connected than those in the United States, where 87 percent of people have access to the Internet, including 78 percent of Hispanic-Americans. In Latin America, the percentages vary considerably by country. Chile has the largest share of Internet users at 67 percent, while Mexico has 44 percent and Peru only 39 percent.

Two-thirds of connected Latin Americans access the Internet via personal computers at home and primarily use it for email and social networking – avenues that food retailers might consider tapping early to reach existing and potential customers.

Mobile technology is important to most Latin American consumers, but access to smartphones remains limited. Even people with mobile data plans often are frustrated with connection speeds, preventing greater use of apps that might alter current shopping behaviors.

That creates another opportunity for retailers – to provide reliable Wi-Fi in stores as a way to connect with and build loyalty among shoppers. Many people, particularly among the emerging middle class, actively seek Wi-Fi hotspots when they're away from home.

Upper socioeconomic groups lead the way with consumer technologies, including buying from online stores – although such retailers have the lowest reach among all grocery channels, attracting only 13 percent of shoppers.

Source: The World Bank, Internet users 2013. http://data.worldbank.org/indicator/IT.NET.USER.P2

The future of shopping in Latin America

Understanding and meeting the changing needs and expectations of the emerging middle class, and to some extent all socially mobile households, are key to winning market share in the retail food environment.

Formats that will win. Although most shoppers say they want a hypermarket in their neighborhood, their underlying desire is for better access to the types of items a hypermarket provides at a price a hypermarket offers. **Shortening the distance to the shopper is vital, and the best way to achieve it is through smaller footprints and more stores** – as well as online ordering, particularly when technologies become more widely available. Virtual stores can be established within physical ones where shoppers use tablet devices or near-field communication from smartphones to make and pay for orders. Retailers that want to further reduce the frustrations of time and distance might provide home delivery or online ordering for in-store pick-up.

Assortment that inspires. Tapping into food culture for culinary insights is on the rise throughout Latin America, and it can inspire a well-curated selection of high-quality products favored by consumers at all socioeconomic levels.

As health and wellness concerns become increasingly important, people will look to food as part of the solution to their health aspirations. Retailers can become powerful partners with their customers by offering a wide assortment of wellness products and information about them.

Retailers should focus heavily on "fresh" departments. Particularly for the lower socioeconomic classes, a quality halo can be maintained by approximating the functional and emotional benefits of traditional markets.

Because of increasing demands on shopper time, **modern retailers also can provide more convenient meal solutions:** prepared foods, frozen and processed foods and in-store food service are likely to become the growth and loyalty drivers of the future.

Relationships that promote loyalty. Personable, knowledgeable staffs are integral to the success of retail brands in Latin America. **The traditional, municipal market demonstrates the importance of seeing the retail space as a social space.** It is the place to promenade, to see and be seen – and to eat. It's also a place for product narratives directly from vendors providing personalized service. In order to compete, large, modern retailers should consider creating inspiring shopper experiences, which requires investments in recruiting, training and nurturing employees – particularly in fresh and perishable departments.

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Since 1978, the Coca-Cola Retailing Research Council (CCRRC) has helped food and beverage businesses address industry issues through cutting-edge studies conceived by retailers for retailers. Unique in its size and scope, CCRRC is known worldwide as one of the retail food and beverage industry's most prestigious think tanks and has produced more than 60 studies on topics ranging from shopper insights and market dynamics to technology, innovation, personnel management and social media.

The Coca-Cola Retailing Research Council – Latin America (CCRRC – LA) is dedicated to developing a better understanding of food retailing and allied merchandise distribution in Latin America. It concentrates on identifying and studying selected relevant issues, then presenting its findings to the manufacturing and retailing communities in order to assist in the development and enhancement of the food retailing business.

All studies from Latin America and the five other global councils can be found and downloaded for free at www.ccrrc.org.

Other inquiries may be directed to www.ccrrc.org

Research methodology

Phase 1: Knowledge discovery and immersion

Extensive secondary research, case study and syndicated data review pertaining to retail trends in Latin America:

- Personal interviews with CCRRC members
- Review and synthesis of previous CCRRC research and any country-specific research available
- Data mining of The Hartman Group's Latin American consumer culture and food trends

Phase 2: Retail and consumer ethnography

Ethnographic fieldwork, including nearly 60 in-depth interviews and over 120 retail audits in four Latin American markets:

- Bogotá, Colombia
- Lima, Peru
- Mexico City, Mexico
- Salvador, Brazil

Markets were carefully selected based on early research and facilitated by the Council, advising and identifying the most relevant format, local history, and the most appropriate areas of the cities to investigate, providing logistical support and access to key personnel. On-the-ground fieldwork in each market included several research techniques:

- **Key informant/market expert:** In each market, our team was accompanied by a local, bilingual food culture specialist. This individual was recruited for depth and breadth of knowledge about local and national culture and a high degree of social connectedness and understanding across social strata.
- **Retail landscape audits:** Holistic, sensorial evaluations of the shopper retail experience, using trained analysts as the instruments of data collection. They are important means by which to identify the key elements that contribute to a positive retail experience.
- **Personal interviews with personnel of Council members:** Interviews with store management and staff, as well as executive team members of several retailers in each market.
- **One-on-one, in-home consumer interviews:** Eight in-depth consumer interviews were conducted in each market with respondents representing a variety of social classes. Each respondent granted a tour of their home for field analysts to compare what consumers say they do and what they actually do. Homework was also collected from most consumers, illustrating shopping patterns over a typical month.

Phase 3: Quantitative Consumer Surveys

A 30-minute online survey fielded over one week to 1,675 primary household shoppers aged 18 to 65 in four countries: Argentina, Brazil, Colombia and Mexico. Respondents answered questions regarding socioeconomic class and mobility, attitudes on progress of their country, family and self, values, channel selection and shopping frequency, trip type, product categories and digital technology/Internet access and activity.

*For more detail regarding methodology, please see Appendix 1

02

The emerging middle class in Latin America

02

The emerging middle class

Key takeaways

- Social mobility – moving across class lines – affects lifestyles and desires as much as actual socioeconomic status
- Mobility is occurring across all socioeconomic levels, and at a greater rate among upper class segments
- Socially mobile consumers place greater importance on self improvement and show interest in health and wellness and other trends
- In the lower and middle classes, mobile shoppers want higher-quality foods, including organic and natural offerings
- Upper class consumers prioritize socializing with friends and family, drinking finer wines and consuming more organic and natural foods.

Since attention in the past decade began focusing on the substantial economic growth of the BRIC countries, it was also accompanied by an infatuation with the “emerging middle class”. Academics, management consultants and marketers everywhere began to put their talents to work on understanding this seemingly immense and growing consumer segment in order to identify significant market opportunities.

However, marketing to this “emerging middle class” has proven to be quite a challenge because there doesn’t seem to be any agreement on how to define this increasingly important consumer segment.

So, how do we define an “emerging class”? More importantly, how do we understand these unique consumer segments? What are the behaviors, attitudes and aspirations of these shoppers?

The minimum criteria in for inclusion in the middle class is some degree of economic independence, even in the absence of relative social or political capital. Additionally, the middle class typically possesses the following cultural characteristics:

- Desire for social mobility and advancement
- Employment, normally within the service sector
- Greater interest in culture
- A positive worldview
- A belief that education is essential (e.g., Demand for better schools)
- Stability of social and cultural values
- An inclination to reject anything that could destabilize their security
- Fewer children
- Greater amount of women in the workforce

Economic growth in Latin America and the "emerging middle class"

According to the World Bank, Latin America's middle class has grown by over 50% over since the year 2000. The middle class in Latin America now includes about 150 million people, almost a third of the region's population.* The subsequent increase in disposable income for middle class shoppers represents an attractive opportunity for modern retailers.

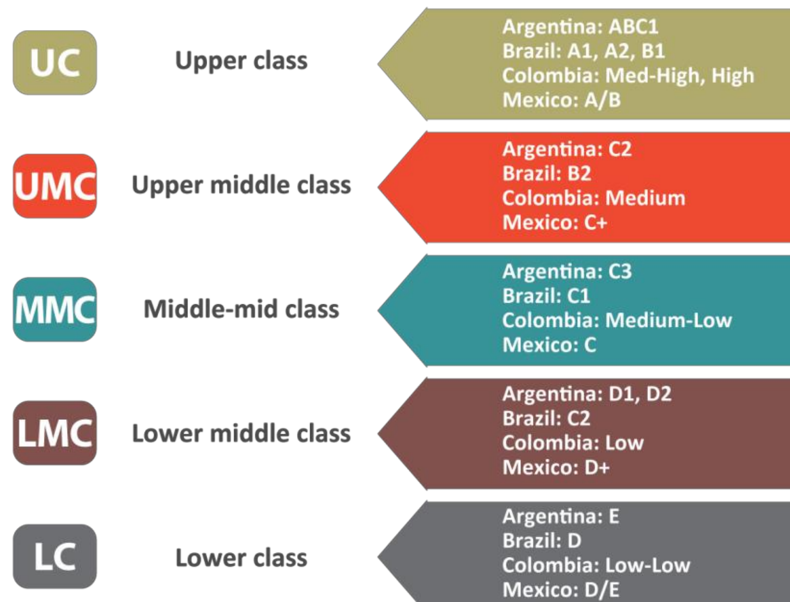
However, for a region undergoing rapid socioeconomic change, it is not enough to look at where shoppers are today; we must consider where they have been and where they are going. People's life experiences determine their points of daily friction – their regrets, challenges, struggles and triumphs – as well as their aspirations for what lies ahead. Shoppers' values, priorities and choices arise from the nuances of their life histories, and for Latin American shoppers, that history sometimes includes the transition from rural homesteads to urban apartments or from blue-collar backgrounds to professional occupations with differing lifestyles and a new set of aspirations.

Rescaling socioeconomic classes across countries

Although each country in Latin America has its own measure of socioeconomic class (**SEC**), for this report consumers were assigned to one of five socioeconomic classes using a single, unified measure of class to allow for cross-country analysis (Figure 2.1). Class assignment was based on established country specific codes, then distributed across the five universal class levels. Common SEC measures, such as education, occupation and income were compared to confirm a strong relationship between country specific SEC levels and the universal scale.

Figure 2.1**

A unified measure of socioeconomic class in Latin America



*Source: Ferreira, F.H.G., et al. 2013. Economic Mobility and the Rise of the Latin American Middle Class. Washington, DC: World Bank. **Cross-country SES alignment based on AMAI (a Mexican marketing and public opinion industry association), May 2004 (reconciling Mexico SEC with Brazil and Argentina), updated to account for shifts in income, population distribution, usage of an online sampling frame, and to enable alignment with Colombia's five class tiers.

A model of socioeconomic class mobility

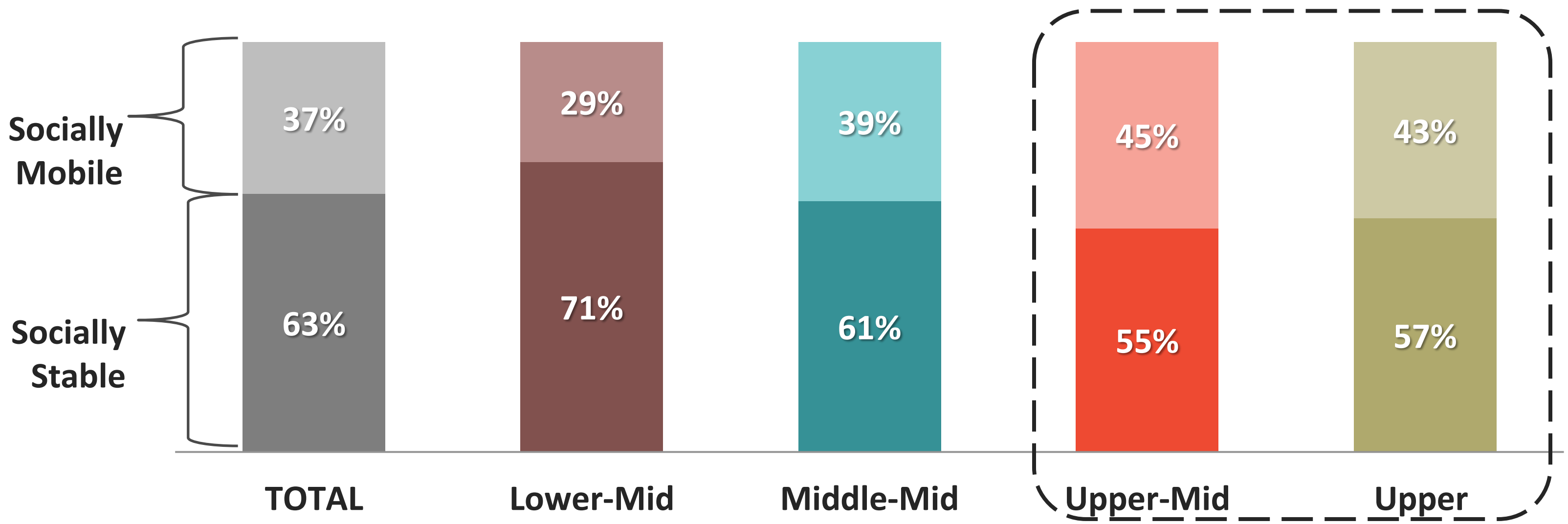
Working within the assumption of an emerging middle class, data was collected to identify the drivers for emergence. Respondents reported on several indicators, including education, occupation and household consumption, to estimate the socioeconomic class (SEC) of the home they came from and compare it to their current household SEC level. This model for tracking emergence, or social mobility, was developed to identify people who experienced class change within the last generation.

Results revealed that not only has there been a significant amount of emergence from low classes breaching into the middle class, there also has been an even larger emergence of middle class households into upper-middle and upper SEC levels across Latin America. Overall, 37 percent of Latin America's middle class population today grew up in a lower SEC level household (Figure 2.2). Although upper-middle and upper SEC levels have experienced the largest proportion of socially mobile growth, the 29 percent of consumers who have moved from low SEC levels to lower-mid SEC levels represent the largest group overall.

The next areas of analysis focus on understanding the differences between people who rose to a new class segment – consumers we call socially mobile – and those who remained in the class they came from, whom we call socially stable.

Figure 2.2*

SEC mobility across classes over past generation



Total n=1,675. Class strata aligned and totaled across 4 countries in study. Upper n=466, Upper-Mid n=595, Middle-Mid n=379, Lower-Mid n=209. SEC mobility determined by changes in household education and occupation levels over the last generation. *Our focus on inter-generational social mobility is inspired by the work of French sociologist Pierre Bourdieu, who described how the social trajectory of a class shapes values and tastes.

Social mobility and outlook on life: Measuring optimism

Socioeconomic class is more than just economic indicators. It also involves a certain worldview and ethos; an outlook on life. As such, an individual's personal evaluation of the progress of their country, their family and his/herself can serve as indicators of economic optimism. To measure it, we used an approach that focuses on perceptions of progress and found that they varied among the classes (Figure 2.3).

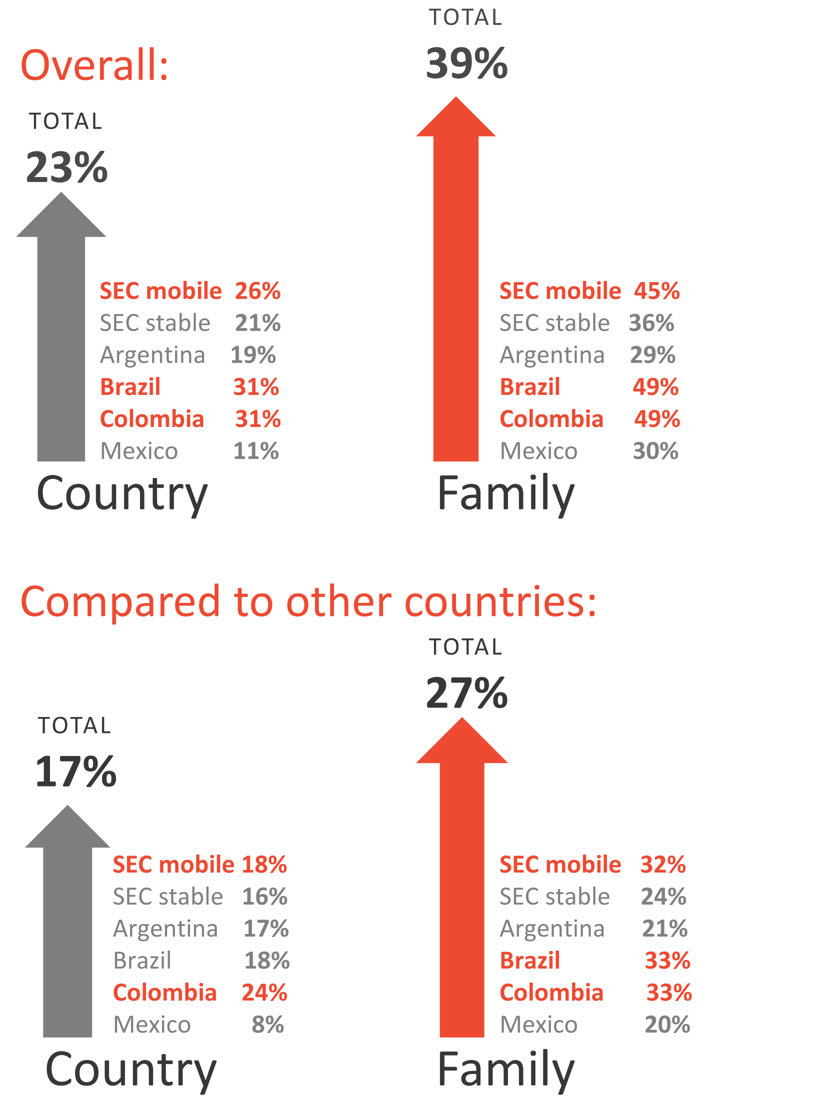
Across the countries surveyed, people rated their own family's progress much more favorably than that of their own country. Brazilians and Colombians hold a much more favorable view than people in other countries about the progress of both their families and their countries. Mexicans, by contrast, dramatically lag other countries' respondents in evaluating their progress during the past decade.

That dynamic appears unlikely to change, with economists predicting continued growth for Brazil and Colombia but slower gains for Mexico.

Not surprisingly, the lower socioeconomic groups report the lowest ratings for how their families have progressed compared to other families – a reflection of persistent economic and life challenges. Still struggling to find jobs that pay well and to afford basics such as food, shelter and clothing, they are not convinced that the overall economy is strong – at least not as convinced as middle and upper class consumers.

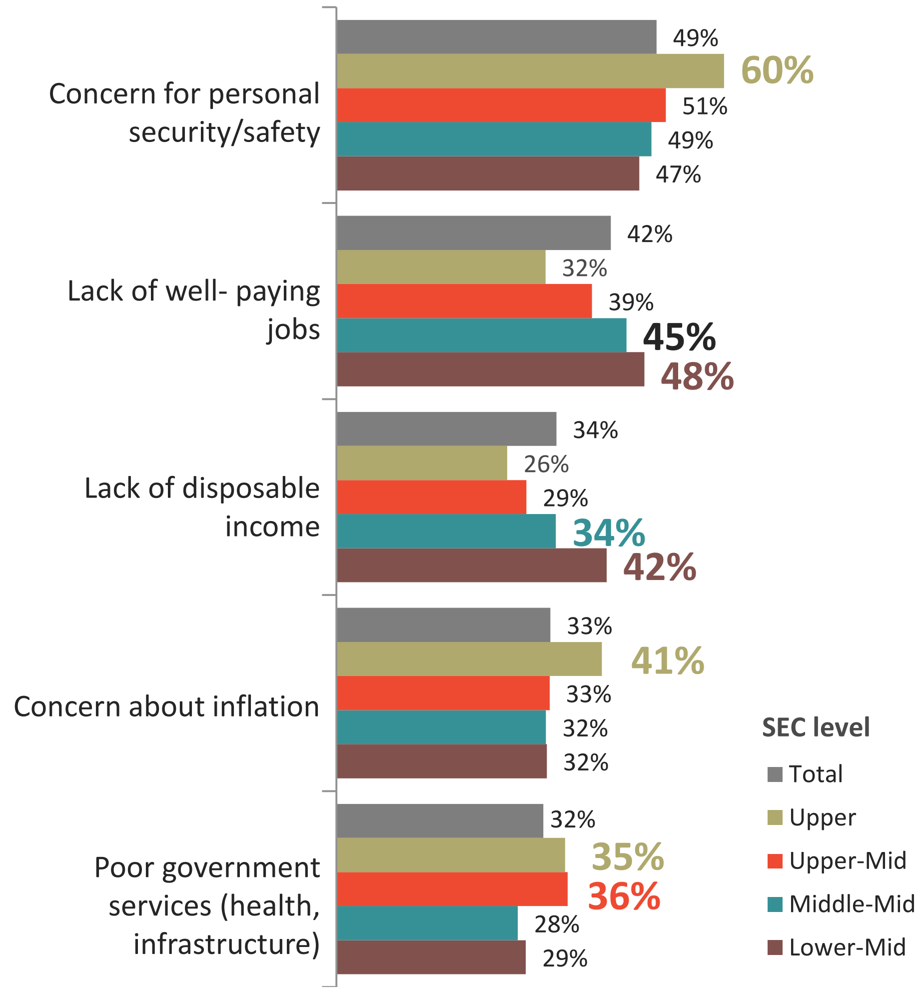
Overall, socially mobile consumers demonstrate dramatically greater economic optimism for their own families than those who are socially stable.

Figure 2.3
Consumer perception: "Great progress" over past 10 years



Total n=1,675. *How would you rate progress in the past 10 years? (since 2004)*. Segments shown in bold red in graphic significantly over-index compared to the total. For more detail on economic optimism, see charts in Appendix 2.7 and 2.8.

Figure 2.4
Top daily concerns by SEC



Daily stressors are similar across classes

Regardless of socioeconomic class, Latin Americans share similar daily frustrations, although certain SECs worry about particular aspects of their lives with greater intensity than others (Figure 2.4).

Still, the degree to which daily concerns are experienced reflects social and economic realities. Consumer responses to daily life stressors reveal that lower-middle and middle-middle SECs are most concerned about employment and disposable income. while frustrations in higher SEC groups are more likely to be concerned with safety, inflation and government services.

Class strata aligned and totaled across 4 countries in study. Upper n=466, Upper-Mid n=595, Middle-Mid n=379, Lower-Mid *n=209.Which of these frustrations or worries are of concern to you on a daily basis? (select all that apply).*

Values by class

Consumers can cultivate social mobility beyond economic means through acquisition of new forms of cultural capital, or a new set of values that reflect their new status. These values, in turn, determine the rules of taste, or the ability of society to evaluate what is beautiful, good and proper. Those of lowest SEC status typically lack the necessary means of evaluating taste, e.g., terminology to describe quality distinctions.

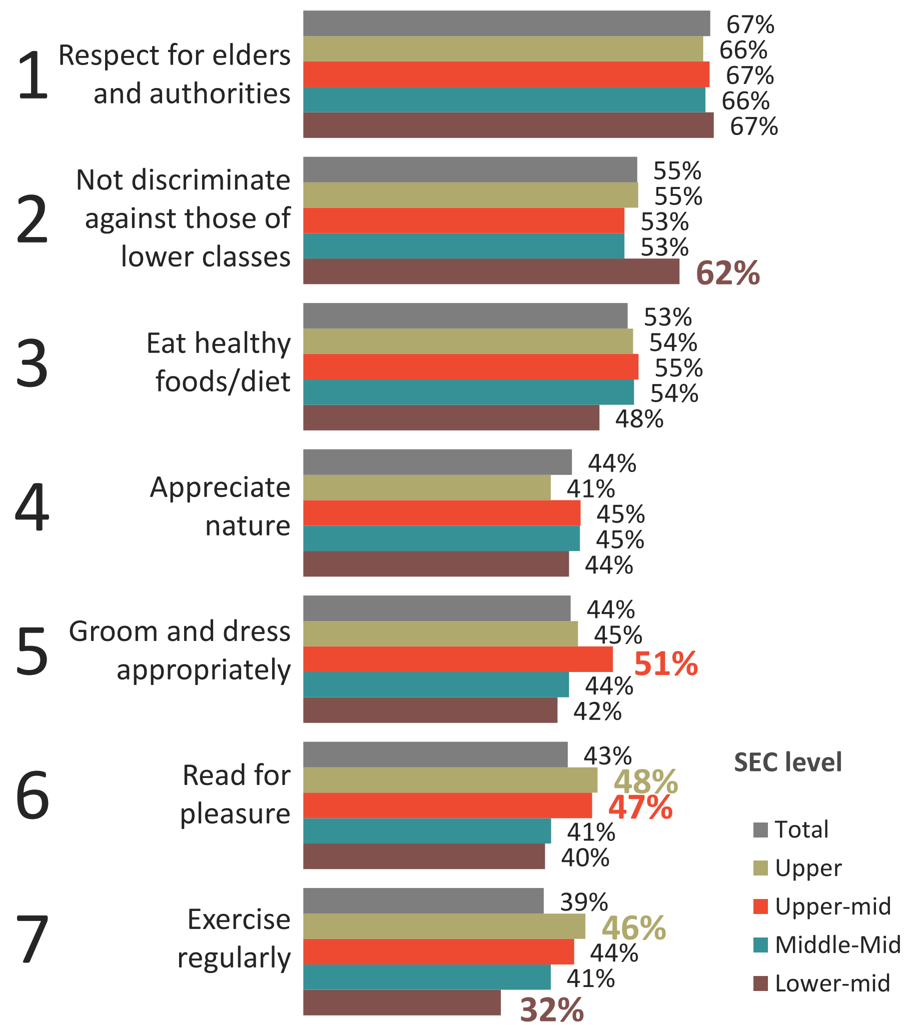
The qualities contributing to self-improvement and self-discipline are the strongest among the socially mobile segments in each socioeconomic class (Figure 2.5). Values such as healthy eating, regular exercise, grooming, reading and pursuit of higher education are more important to people in the upper classes, and even more significant among socially mobile households.

"Exercise regularly"

SEC Stable	vs.	SEC Mobile
35%		**47%**

Culturally embedded values, such as respecting elders and authority and not discriminating against lower classes, remain consistent across classes, whether socially mobile or not.

Figure 2.5
Top 7 values to impart to the next generation



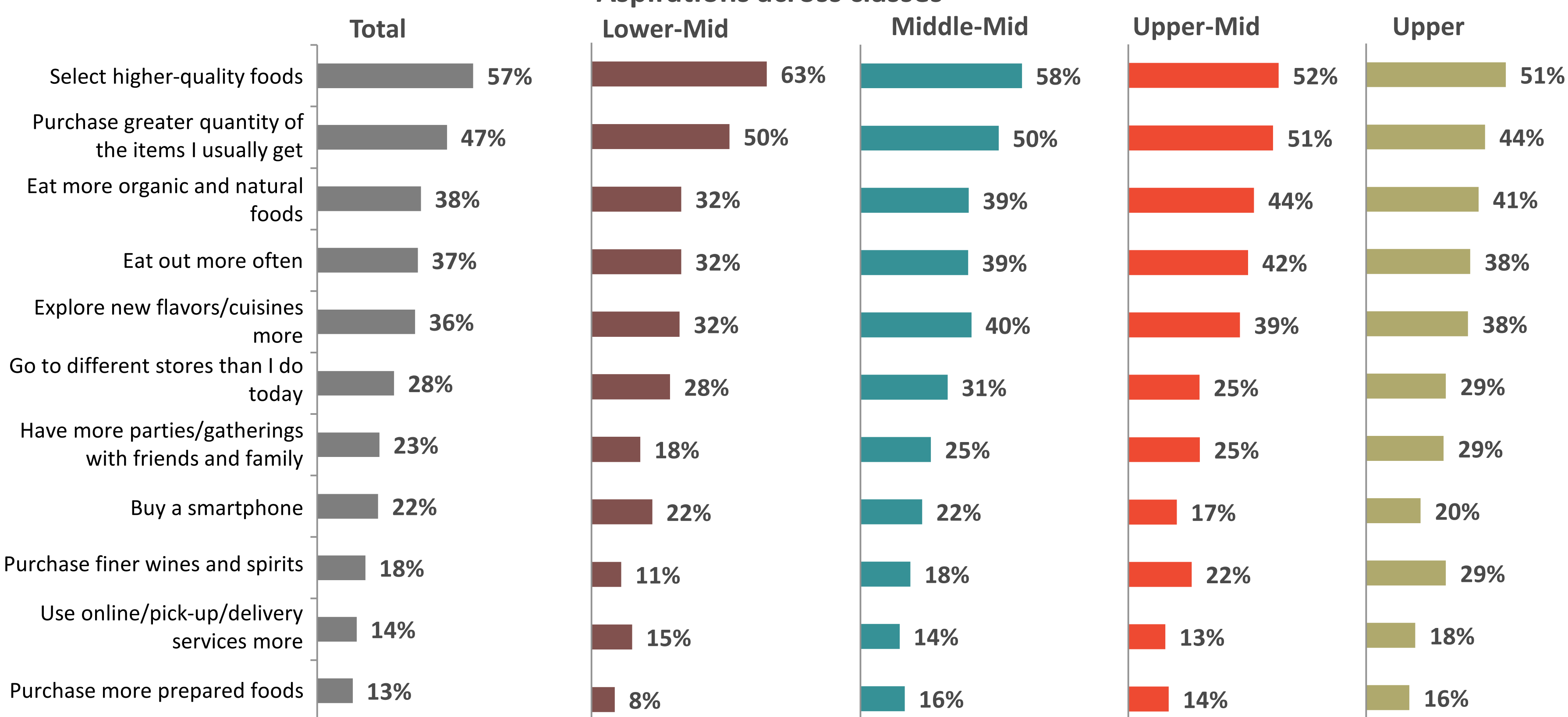
Class strata aligned and totaled across 4 countries in study. Upper n=466, Upper-Mid n=595, Middle-Mid n=379, Lower-Mid n=209. *Which skills do you consider to be especially important to teach your children? (select up to 5).*

Material aspirations by class

We asked survey respondents "If you had twice as much money to spend on food, beverages and grocery items, how would you spend it?" Shoppers from all classes report that above all other options, they would select higher-quality foods, followed by purchasing more of the items they already buy (Figure 2.6).

As consumers move up the socioeconomic ladder, they aspire to a lifestyle that includes more organic and natural foods, more parties and gatherings and greater exploration of flavors and cuisines. While some choices are aspirations, others are attractive because they make life easier – for example, a desire to eat out more and buy more prepared foods among the middle and upper classes.

Figure 2.6
Aspirations across classes



Class strata aligned and totaled across 4 countries in study. Upper n=466, Upper-Mid n=595, Middle-Mid n=379, Lower-Mid n=209. *If you had twice as much money to spend on food, beverages and grocery items, how would you spend it? (select all that apply).*

Social mobility has a positive impact on aspiration

Upper socioeconomic class (SEC) groups would change their shopping baskets to include finer wines and spirits, more prepared foods and more organic and natural foods (Figure 2.7). Socially mobile consumers in the upper class would buy food for more gatherings with family and friends.

Upper-middle SEC groups, like upper SEC groups, are particularly interested in eating more organic and natural foods. This is an even greater desire for socially mobile groups at the upper-mid level. While some are content to buy more of what they already buy, socially mobile shoppers want higher-quality foods as well (Figure 2.7).

Middle-Middle SEC groups are more dynamic, sometimes behaving similarly to lower-mid SEC groups, but more often behaving like upper-mid and upper SEC groups. Shopping aspirations include purchasing more fine wines and spirits, eating healthier and selecting higher-quality foods (Figure 2.7).

Lower-middle SEC groups have the most dramatic differences between SEC stable and SEC mobile segments. In order of importance, SEC mobile shoppers in the lower-mid SEC group want higher-quality foods, greater amounts of food they already buy and more organic and natural foods (Figure 2.7).

Figure 2.7
Aspirations across classes and mobility

		TOTAL	SEC Stable	SEC Mobile
UC	Have more parties/gatherings with friends and family	**29%**	28%	29%
	Eat more organic and natural foods	**41%**	42%	40%
	Purchase finer wines and spirits	**30%**	33%	25%
UMC	Select higher-quality foods	**52%**	51%	54%
	Purchase greater quantity of the items I usually get	**51%**	50%	51%
	Eat more organic and natural foods	**44%**	41%	47%
MMC	Select higher-quality foods	**58%**	54%	64%
	Eat more organic and natural foods	**39%**	50%	35%
	Purchase finer wines and spirits	**18%**	19%	17%
LMC	Select higher-quality foods	**63%**	59%	74%
	Purchase greater quantity of the items I usually get	**32%**	28%	43%
	Eat more organic and natural foods	**11%**	10%	12%

Class strata aligned and totaled across 4 countries in study. Upper n=466, Upper-Mid n=595, Middle-Mid n=379, Lower-Mid n=209. *If you had twice as much money to spend on food, beverages and grocery items, how would you spend it? (select all that apply).*

03

Food culture in Latin America

03

Food culture in Latin America

Key takeaways

- As women become more educated, household sizes are shrinking – which changes the way people shop
- Fresh remains a powerful symbol of quality that underlies cultural notions of "the good life"
- Culinary aspirations are rising, with even lower class consumers steadily increasing their food literacy
- People cook from scratch less frequently as buying power increases, but reserve it for culinary exploration
- Budget continues to drive many shopping decisions, because even socially mobile consumers face financial constraints
- Health and wellness concerns are becoming more important, and consumers look to food as part of the solution to their health aspirations

Latin America's food culture reflects a recent rural past, which shapes contemporary food shopping

Eating patterns vary across Latin America, but the food culture of each country melds influences from indigenous, African and European traditions to one degree or another. Across countries, food culture remains steeped in the traditions of a more agrarian lifestyle, rooted in colonial society. Unlike the United States, where industrialization altered the social landscape at a much earlier time, urban migration and modern employment opportunities are much more recent phenomena in Latin America. Since the late 1950s, U.S. food culture has been transformed by the drive for convenience. The packaged goods industry became a dominant force in supplying the U.S. market with food, and the self-service grocery store became the model format for provisioning for increasingly time-pressured U.S. consumers.

Urbanization in Latin America has occurred much more recently. A consequence of this is that much of the contemporary food culture is tied to traditional food culture, reflecting a more recent rural past. Additionally, the municipal market has stood as the center of the provisioning of food since the colonial times. This agrarian past and the central place of the traditional marketplace provide the basic building blocks of Latin American food culture. To truly understand the rich and storied food cultures of Latin America in the broadest and most basic terms, we must begin with the symbolic importance of "fresh."

Fresh is the definitive and primary quality distinction throughout Latin America, and deconstructing its meaning is fundamental in identifying the implications for the future of shopping behavior and retail preferences and expectations.

The cultural relationship between food and family establishes a strong social and emotional obligation to provide only the best to loved ones. Thus, "fresh" becomes a powerful symbol of quality that underlies cultural notions of the "good life." The meaning of fresh for the consumers we spoke with depended on class status to some degree, but for nearly all of them "fresh" represented one or more of the following attributes:

- **Health** — pure, nutritious
- **Authenticity** — natural, simple, real, from the earth
- **Experience** — a way to show love and caring, soulful
- **Distinction** — unique origin, production methods or from real or imagined producers

Changes in the meaning and importance of fresh are related to changes in social standing. The embracing of packaged foods increases with class mobility as time become a premium, as was learned from observations of consumer panties, refrigerators and freezers (Figure 3.1). The upper classes now cook from scratch mostly as a means exploration of culinary diversity. They are most able to afford prepared and packaged foods that make cooking at home easier and often more varied and interesting.

Figure 3.1
Consumer Pantry Comparison Across SEC Segments

This series of photos shows the contents of consumer food storage spaces. In the lower SECs, the freezer is typically reserved for ice and fruit pulps – if anything at all. The refrigerators contain fresh foods for a limited number of meals, reflecting short-term planning and frequent shopping trips. As socioeconomic status rises, we see an overall greater variety and volume of food, and we also observe that the presence of packaged foods and frozen foods increases. These class differences reflect the cultural realities created by wealth, but also the importance of the changing orientation to time and the demand for more convenient meal solutions. What these pictures tell us is that as the ranks of the middle class swell, the demand for packaged foods and the importance of modern retail will also grow.

Cooking frequency varies across Latin America. For example, although the average Argentine household is cooking with packaged goods much more than the other countries surveyed, they are cooking more frequently due to economic constraints associated with a high inflation rate. Eighty-five percent of Argentinians are cooking at least 3 days/week, compared to 77 percent of Mexicans, 76 percent of Columbians and only 68 percent of Brazilian households (Figure 3.2).

Cooking from scratch is embraced by all classes and in all countries, particularly compared to the United States. In fact, 42 percent of Latin American consumers cook from scratch, compared to only 14 percent in the United States.*

The reasons are influenced by a number of factors, including geography and history. Sixty-two percent of Colombians, for example, cook everything from scratch, in part because its urban centers such as Bogotá have been relatively isolated by decades of social and political instability, small expatriate communities, a lack of ports and a high cost of international travel (Figure 3.3). Another result of such isolation is that Bogotá boasts more high-quality foods and beverages, and its residents have greater distrust for processed foods than people in Mexico City, Lima and Salvador.

Figure 3.2
Cooking frequency across countries

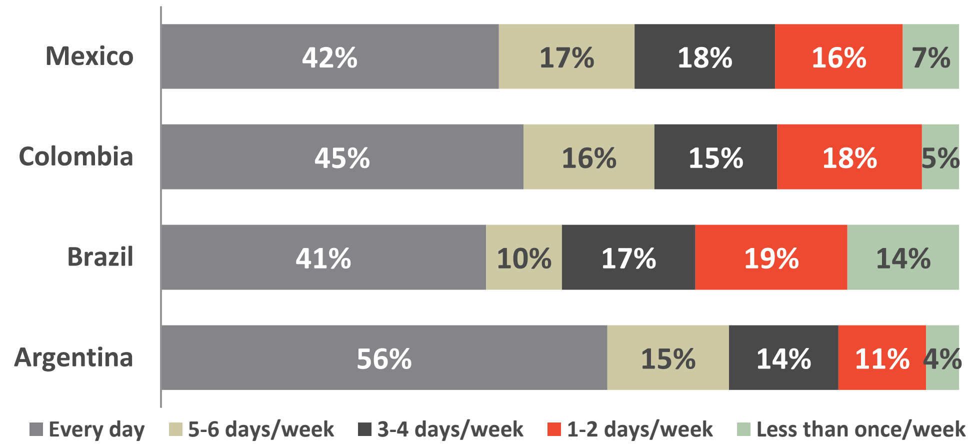
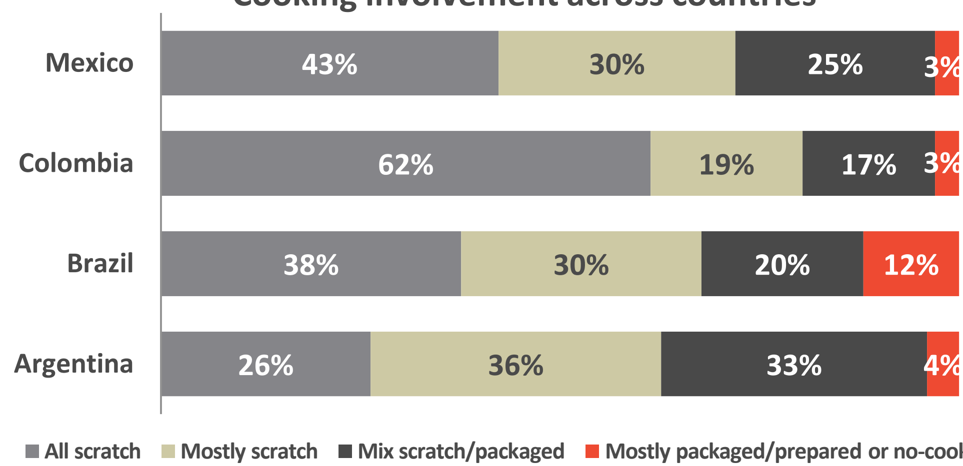


Figure 3.3
Cooking involvement across countries



Total n=1,675. Argentina n=428, Brazil n=404, Colombia n=421, Mexico n=422. *How often do you personally cook at home in an average week? When I cook at home, I usually (select cooking involvement).*

*Hartman Compass 2013, n=21,163. *"Was the [food] consumed on this occasion made from scratch using individual ingredients?"*

Zaifir's home, Colombia

Kitchen technology also affects cooking patterns. In addition to their isolation – or perhaps because of it – Colombians have the fewest kitchen technologies of the countries surveyed (Figure 3.4), with only 36 percent having kitchens that include a microwave.

In Argentina, the country least interested in scratch cooking, 76 percent of people have full kitchens at home. The average Argentinian household cooks with packaged goods much more frequently than the other countries surveyed. They also cook at home more frequently – 85 percent of households do it at least three days a week – even if it's not from scratch.

By contrast, only 68 percent of Brazilian households cook at home at least three days a week. Brazilians tend to eat out more often, reducing the household chore of daily cooking – although its lower middle class cooks at home much more frequently than the others.

As kitchens are more equipped, cooking from scratch decreases. Only 52 percent of lower-middle SEC households have a full kitchen (excluding a microwave), and yet 45 percent typically cook from all scratch ingredients (Figure 3.6) Meanwhile, 98 percent of upper SEC households enjoy a full kitchen, and yet only 33 percent cook from all scratch ingredients on a regular basis (Figure 3.6).

Figure 3.4
Consumer household technologies/assets across classes and countries

	LOWER MIDDLE	MID-MIDDLE	UPPER MIDDLE	UPPER	ARGENTINA	BRAZIL	COLOMBIA	MEXICO
TRANSPORT	43%	55%	77%	88%	67%	65%	47%	52%
CREDIT	53%	67%	81%	92%	76%	78%	55%	58%
FULL KITCHEN	52%	68%	85%	98%	76%	79%	56%	62%
MICROWAVE	45%	59%	80%	89%	65%	74%	36%	66%

Total n=1,675. SEC classes: Upper n=466, Upper-Mid n=595, Middle-Mid n=379, Lower-Mid n=209. Countries: Argentina n=428, Brazil n=404, Colombia n=421, Mexico n=422 *Which of these technologies do you have in your household?*

The impact of differing economic resources on cooking behaviors can be easily seen via cooking frequency and involvement across classes.

People in lower socioeconomic classes cook more frequently and more often from scratch, typically because of budget restrictions. People in the upper classes also cook from scratch – not as a chore, but as a form of culinary exploration. Somewhere between those poles is the "value gourmet," who wants to elevate his food and cooking experiences but is confined by a budget. Even people with rising economic fortunes face inflation, higher taxes and, increasingly, issues with credit that keep them budget conscious.

Eighty-one percent of lower-middle class consumers cook at least three days a week, compared with 71 percent of upper class consumers (Figure 3.5). The differences in daily cooking rates are even more pronounced: Half of lower-middle class consumers report they cook daily compared with only 37 percent of upper class consumers.

We see similar differences for cooking involvement. Consumers in lower classes tend to cook from scratch most often, with 72 percent of lower-middle class consumers reporting all or mostly scratch cooking and the remaining 28 percent using at least some packaged/prepared foods (Figure 3.6). Upper classes cook all or mostly from scratch 60 percent of the time.

Figure 3.5
Cooking frequency – by socioeconomic class

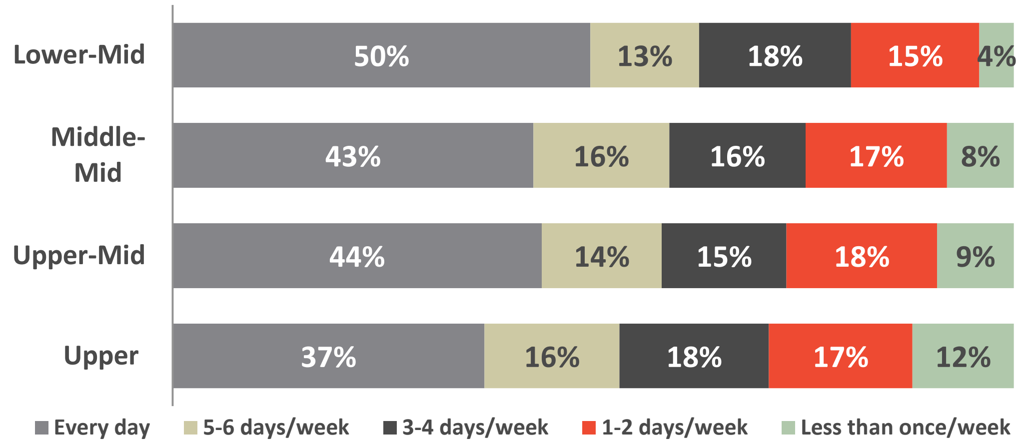
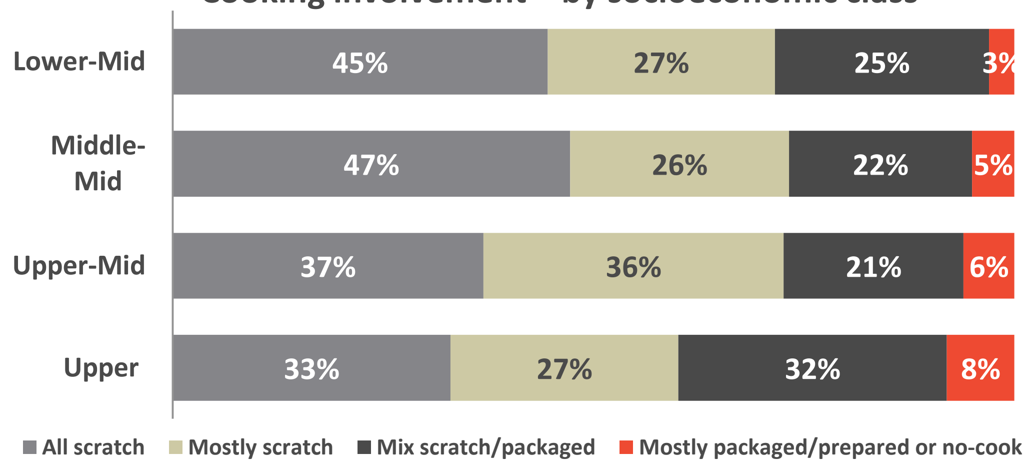


Figure 3.6
Cooking involvement – by socioeconomic class



Class strata aligned and totaled across 4 countries in study. High n=466, Middle-high n=595, Middle-mid n=379, Middle-low n=209. *How often do you personally cook at home in an average week? When I cook at home, I usually (select cooking involvement).*

Female empowerment drives major changes in household composition

Urbanization and other societal shifts drive consumers away from traditional food culture and reconfigure their values regarding home cooking. For example, new forms of work, transportation and leisure opportunities change eating patterns, and social mobility requires the broader food culture to bend traditional rules around eating.

Two of the greatest forces in this regard involve women – their new roles in the kitchen and how their empowerment has changed household composition and therefore shopping and eating norms.

Female empowerment has been on the rise. Women are more educated, achieving an average of 9.3 years of education today compared to 5.9 years in 1980.*

Higher education translates into better jobs, greater social mobility and smaller households. These social advancements challenge traditional cultural obligations that tied women to the kitchen. As more women move into the work force, they have less time and energy to prepare meals.

Thus, the desire for a better life distances socially mobile women from time-intensive meal preparation, which subsequently changes the landscape of what cooking means.

Shrinking household size

Along with female education and empowerment comes a decreasing fertility rate. In Latin America, women now have 2.1 children on average, down from 5.9 children per woman in 1960. The drop is even more dramatic in Brazil, where the fertility rate has fallen to 1.7 children per women.*

The smaller household has created important new forms of the small urban household in Latin America. The extended/joint family system of traditional Latin America made it nearly impossible for women to consider not cooking family meals from scratch.

While the nuclear family came to represent the most common of household composition with the depopulation of rural zones, the percentage of single-person households is demanding that we go even further in thinking about family composition. As household size shrinks, the desire to prepare a full meal from scratch also dwindles. In São Paulo for example, the average time to prepare a meal has declined from two hours to a total of 15 minutes.**

*"Current situation and outlook for fertility in Latin America", Economic Coalition for Latin America and the Caribbean, 2011.
**USDA Foreign Agricultural Service, GAIN report, December, 2010.

"Time is money" Historically a mantra of the upper classes, "time is money" now belongs to the emerging middle class as well. Modern employment means long work hours, often six days each week. Getting up early and going to bed late has become routine. In order to live within their economic means, middle class workers must accept housing options some distance from the centers of economic activity. **These distances are compounded by inadequate infrastructure, congestion and limited alternative transportation options.** People frequently endure commutes of up to two hours. In addition, parents must get their children to school and after-school activities, often pooling transportation with friends and relatives.

As a result, Latin American consumers are looking everywhere for time savers, including ways to decrease the time they spend shopping and cooking. They mention a variety of solutions that help them adapt to the hectic pace of contemporary life, including more sandwiches, prepared foods, frozen meals and frozen ingredients, pre-cut fresh vegetables and packaged meal components or meal kits.

Eating out has become almost a necessity for busy, socially mobile consumers. Even for people who cannot afford the time and money it takes to eat out, affordable take-out and delivery options have become wildly popular solutions. Refrigerators hold magnets for all kinds of quick food choices from Chinese restaurants to pizza delivery services.

Time constraints have obscured dayparts and negated the meaning of traditional mealtimes and social rules. Dinner is often later, and getting the whole family together at lunch – historically the most important family meal in Latin America, accompanied by an afternoon siesta – is becoming nearly unthinkable.

Lunch is invariably eaten away from home, either with coworkers or often alone at a desk, something that not long ago was taboo. Varying schedules mean that all family members eat alone more frequently, and especially for breakfast. Consumers also are becoming more amenable to eating on the go, seeking handy nutrition for snack occasions throughout the day.

Social mobility and evolution of "taste" in food culture

Aspiration and budgetary realities drive perceptions of quality. As consumers move up the socioeconomic class ladder, their notions of taste evolve as well (Figure 3.7). With each rise in status, there's an increase in the number and sophistication of quality distinctions. Even the newly emerging middle class consumer is entering with higher expectations. There appears to be a greater willingness to pay more for grocery categories that offer relevant distinctions – a phenomenon common to televisions and smartphones and observed across classes, albeit to a different degree depending on spending power.

Figure 3.7
Food culture needs across classes

SEC	Needs
UC	High assortment in categories of greatest distinction (e.g., cured meats, aged cheeses, wine)
UMC	"Value gourmet"
MMC	Basics with more exclusivity and greater quality distinction (e.g., mushrooms, fresh pasta, seafood)
LMC	Basics at a greater quantity
LC	Basics

Consumers in the lowest classes are mostly concerned with obtaining the basic necessities. As they move into the middle class, people first look to buy larger quantities of traditionally consumed foods (e.g., beans, rice, meat and poultry). Although tradition and customs are slow to change, socially mobile consumers in particular quickly catch on to flavor and quality distinctions, ingredients and techniques.

Moving higher within the middle classes, people continue to be concerned about price – which creates a great market opportunity for mainstream processed food manufacturers and private label products. They begin to consume greater quantities of products with less sophisticated distinctions, although these are not necessarily items they traditionally consumed – for example, yogurt, soft drinks, snacks, packaged juices and deli foods.

Even without more money, middle classes aspire to what they consider more interesting and distinctive products. Many like to add items that were traditionally out of their social and economic reach, such as fresh pasta, seafood, mushrooms, olives and wine. They also look for "value gourmet" items such as cured meats, aged cheeses and imported specialty products.

For the highest classes, where price is of much less consequence, a larger assortment of products with excellent quality distinction is fundamental. In spite of a greater distrust of processed foods, some conveniences such as frozen fresh items are acceptable.

Discovery is becoming a central feature of food culture worldwide, including in Latin America. Even lower class consumers are steadily increasing their food literacy as popular food-based television programming and the Internet make knowledge acquisition nearly passive.

Many middle class consumers are beginning to “collect” food experiences the way stamp collectors collect stamps – sampling beverages like Mezcal or Pisco, cured meats, aged cheeses and chocolate.

Latin Americans have been exposed to a variety of global cuisines through increased international travel and migration of family and relatives, as well as the media, Internet and social media. Latin American chefs are helping to drive culinary aspirations, and many (e.g., Gastón Acurio of Peru and Alex Atala of Brazil) are now as famous outside of their countries as in them.

These chefs introduce consumers to techniques, traditions and ingredients from around the world, and, even more importantly, they celebrate food in their respective nations by mixing cuisines and specialties from various geographies and ethnicities. The diner in Lima, for example, can choose from a variety of Andean, Amazonian and Afro-Peruvian foods, as well as Argentinian barbeque, sushi and so on.

Overall, culinary aspirations are rising regardless of class. Consumers are trying new things on the weekend and with friends and family. Product narratives (e.g., origin, production techniques and varietals) increasingly provide a basis for conversation around the dinner table. Only a minority of consumer pantries and refrigerators in the homes we visited lacked signs of cultural fusion in their food and beverage choices.

Health and wellness aspirations are now common among the upper classes and socially mobile consumers in Latin America. As increasing incomes cause changes in eating habits, there is often a corresponding rise in obesity rates and a decrease in overall physical activity. As a result, health and wellness concerns become more important – and consumers look to food as part of the solution to their health aspirations. Because food is the gateway to wellness in the minds of consumers, grocery retail is an obvious place for them to start their journey.

Based on the attitudes and behaviors of the consumers and retailers we spoke to across all markets, it is clear that the health and wellness trend in Latin America will only grow stronger with time. Store managers almost unanimously indicated that the health and wellness category is one of the fasting growing in their stores.

The upper classes are as thoroughly involved in the world of health and wellness as they are in more developed economies, and interest is spreading rapidly to the lower classes. Even consumers we interviewed from the lowest socioeconomic class were somewhat engaged with products and behaviors related to health and wellness. The presence of flaxseed oil, whole-grain breads and sugar substitutes was ubiquitous in the pantries of nearly all consumers with whom we spoke across classes.

For the lowest classes, healthy choices are often juxtaposed with comfort and satiating foods. This is beginning to change because of a number of important influences. For example, many lower socioeconomic consumers are learning more about healthy eating from their interactions with upper classes through their jobs – from domestic servants to hair stylists. Medical professionals seem to be the most influential in encouraging their patients to engage in healthier lifestyles and eating habits, but the conversation about health and wellness is everywhere and growing. Popular magazines and TV personalities like Ana Maria Braga in Brazil and Jeanette Emmanuel in Peru are also increasing awareness.

For details on which stores help consumers learn about staying well through healthy eating, see Chapter 4, Figures 4.26 and 4.27.

Sustainability is on Latin American consumers' radar, but it is not a significant motivator except in some segments of the upper class, principally because of the costs associated with it.

Most consumers are concerned about retailers being responsible in their general business practices: keeping their environmental impact to a minimum, participating in local activities and contributing to the economic vitality and social well-being of their communities.

Sustainability, where it clearly relates to quality distinctions anchored in social and/or environmental issues, resonates most with Latin American consumers and influences their purchase decisions. They want the right choices to be obvious, accessible and carry benefits that are not overly abstract. They do not want to have to compromise on the quality of the product. Lower socioeconomic classes with greater awareness of sustainability often want to do more, but they cannot afford to make the necessary economic sacrifice. For many, a number of other personal concerns in their lives makes sustainability seem like a distant problem. As social and environmental stewardship continues to increase in importance, retailers who embrace sustainability and larger notions of responsibility will be well positioned to strengthen consumer trust and loyalty.

In practical terms, sustainability is related to health and wellness and is witnessed in the growing popularity of the itinerant “organic markets” in urban centers with the creative class. Markets such as the Buenos Aires Market, the BioFeria in Lima and the Mercado de 100 in Mexico City foreshadow some trends that will have an impact on quality perceptions in the future. Many products offer distinction, represented through a mix of health, artisanal craftsmanship and small-batch production novelty, while providing shoppers with an authentic market experience.

04

Shopping patterns, preferences and expectations

04

Shopping patterns, preferences and expectations

Key takeaways

- Proximity is a major driver to retail, often trumping other needs and values, particularly for fresh and fill-in trips
- Fresh determines frequency of shopping and is commensurate with proximity in determining where people shop
- People will travel a little farther for a great deal, particularly if it's on the basics
- Lower-middle class shoppers prioritize value and service, while upper class consumers look for easy access and a wide assortment of products and services
- Creating a comfortable, informative and easily accessible *social space* is key to attracting the emerging middle class
- Across all classes and countries, consumers say they want more hypermarkets because of their value and assortment

Grocery shopping in Latin America today

For the last two decades, the largest retailers in Latin America have invested in modern retail formats such as the hypermarket to drive growth in the region and displace the historically entrenched informal market. However, continued success in modern store types and formats is dependent on understanding the ever-changing socioeconomic landscape in Latin America. Although consumers seem to prefer large, modern retail store formats, they continue to shop at traditional retailers such as butchers, bakers and produce markets far more frequently.

The gap between their aspirations and their behaviors stems in part from imbedded cultural norms – they are used to shopping at small local shops – and from their need for convenience. Latin America's urban infrastructure has not kept pace with growth, exacerbating traffic and other transportation issues and making it difficult to visit larger, more modern stores that are not typically located in city centers.

Understanding what drives channel and brand selection in the Latin American retail environment today requires a more robust understanding of the cultural mindset of around shopping. While some factors are beyond retailers' control, by delving into the reasons shoppers prefer modern stores, there are steps they can take in both site and product selection to effectively compete with traditional channels.

For the vast majority of Latin Americans, shopping behavior is typically patterned around, and described in terms of, trip types: perishable (fresh) and non-perishable (non-fresh), "emergency," "away from home" or "on the street." As such, for this study we chose to define trip types as closely as possible to the native colloquial usage (Figure 4.1): **Basics** (stock-up), **Fresh** (occasion-based), **Fill-in/Spontaneous** ("emergency"), and **On-the go** (immediate consumption).

Figure 4.1.
Latin American trip types

BASIC

Basics (Stock-up)

- lowest price for non-perishables
- larger quantities for minimal rotation/continuous availability
- occur once or twice a month

FRESH

Fresh (Occasion-based)

- obtaining fresh foods
- occurs regularly (even daily) to prevent spoilage

FILL-IN / SPONTANEOUS

Fill-in/Spontaneous

- un-planned
- an "emergency"
- 3-5/month

ON-THE-GO

On-the-go (Immediate consumption)

- occur at any time or place, based on impulse or whim
- snacks and beverages are the most common form

The range of channels available to shoppers falls into two broad categories: the "**traditional**" (Figure 4.2) and "**modern**" (Figure 4.3). Shoppers are visiting modern grocery retail to purchase non-perishable product categories - the "basics" - and visiting traditional grocery retail to purchase perishable products – "fresh" (Figure 4.4). Fresh categories include bread, meats, produce, eggs, fish and poultry. Although dairy can be fresh, it is often sold in shelf stable form and purchased during stock-up trips in modern channels where is less expensive. Basics include items such as dry goods, cleaning supplies, personal hygiene products.

Figure 4.2
Traditional Retail Channels

Large format:
- Municipal market

Small format:
- Informal neighborhood market
- Bakery
- Butcher/fish market
- Produce market

Other format:
- Street vendor
- Weekly/period market

Figure 4.3
Modern Retail Channels

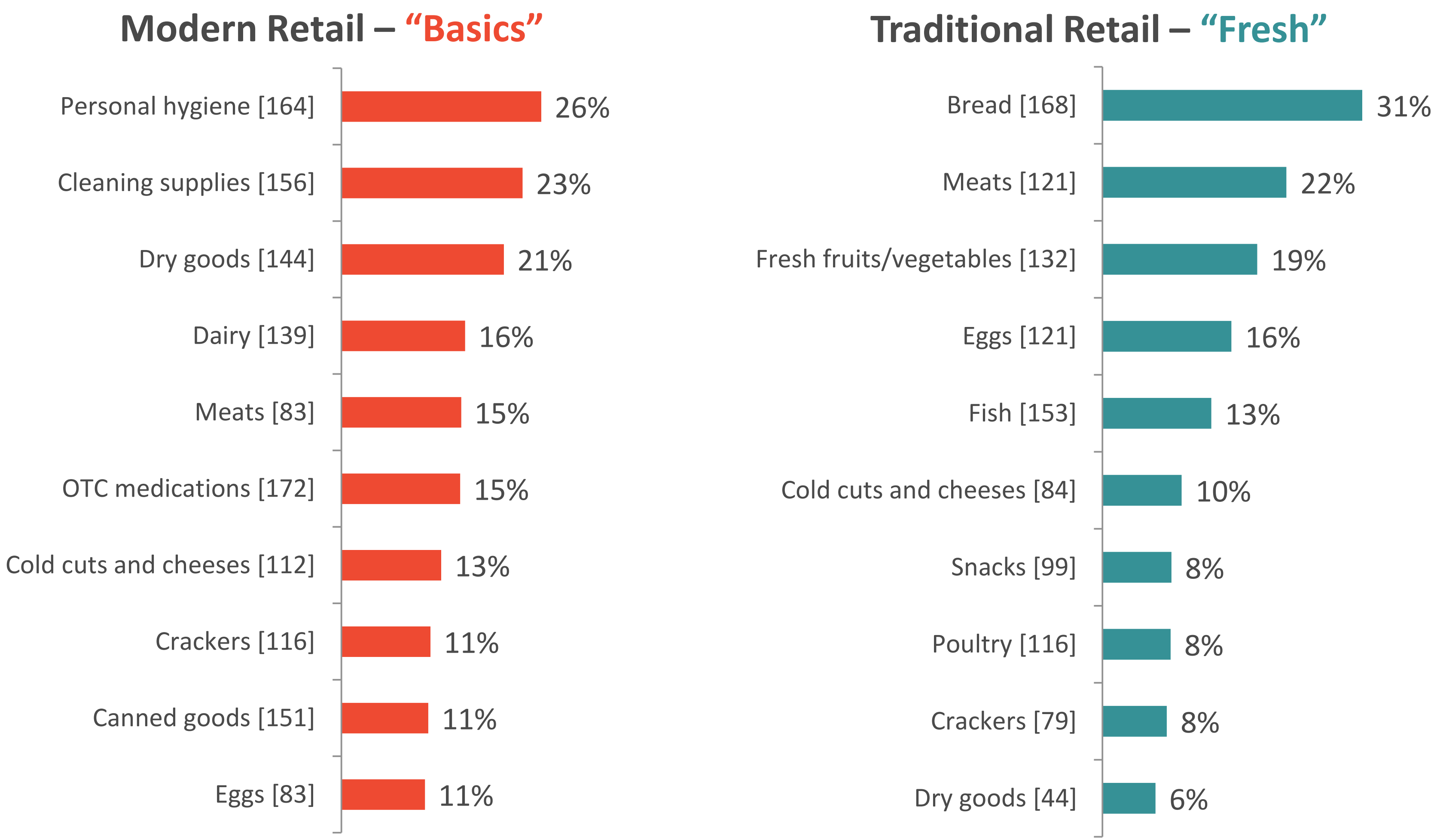
Large format:
- Club
- Cash & carry
- Hypermarket
- Supermarket

Small format:
- Convenience store
- Mini-Market/ Express
- Specialty

Other format:
- Discount store
- Online only
- Pharmacy

Modern=Basics=Non-Perishables & Traditional=Fresh=Perishable

Figure 4.4
Product categories purchased by channel type*



Total n=16,128. *What type of store do you usually go to for each of these types of shopping trips. How often do you purchase each of these types of products?*
*Index scores [in brackets] are derived from comparing product categories at a traditional or modern retailer to the total of all retailers combined. Indexes higher than 100 indicate the product category is purchased at that type of retailer more often than other types of retailers. Similarly, indexes lower than 100 indicate the product category is NOT purchased at that type of retailer as much as other retailers.

Modern = Basics; Traditional = Fresh

Although it has lost its relevance in obtaining the "basics" in stock-up trips to modern channels, the nostalgic and aesthetic elements of the "**traditional market**" provides a strong emotional attachment for many consumers.

Throughout Latin America, the municipal market serves as the cultural ideal upon which shopping preferences and expectations are constructed and shared. Consumers from all socioeconomic classes speak of the market in intimate, often mystical terms. The market experience is an authentic one. There is order in the chaos, a sense of excitement in the hunt and discovery; it is alive: a cacophony of colors, smells and sounds.

As consumers cross class lines, they are increasingly willing and financially able to trade the traditional retail experience for greater value and convenience in buying the basics – but mostly during stocking-up trips that do not happen with the frequency of fresh trips.

Modern Channels are associated with purchasing larger quantities of "basics" or non-perishables at the lowest price. Modern retailers are now capturing 85% of these stock-up trips, dominating shopping trips for the "basics" (Figure 4.5). They enjoy a slight advantage over traditional channels for "fill-in" and "on-the-go" shopping trips.

Figure 4.5
Channel share of shopping by trip and category

TRIP TYPE	MODERN CHANNELS (Channel share of visits by trip type and top three channels)	TRADITIONAL CHANNELS (Channel share of visits by trip type and top three channels)	TOP 5 BASKET ITEMS (By trip type)
BASIC	85% 1. Cash & Carry 2. Supermarket 3. Hypermarket	15% 1. Municipal Market 2. Informal Neighborhood Market 3. Weekly/Period Market	Personal hygiene 26% Cleaning supplies 23% Dry goods 21% Dairy 16% Meats 15%
FRESH	42% 1. Hypermarket 2. Specialty Store 3. Supermarket	58% 1. Butcher/Fish Market 2. Produce Market 3. Weekly/Period Market	Bread 31% Meats 22% Fruits/vegs 19% Eggs 16% Fish 13%
FILL-IN / SPONTANEOUS	54% 1. Pharmacy 2. Mini Mkt/Express 3. Convenience (tie) 3. Specialty Store (tie)	46% 1. Butcher/Fish Market 2. Produce Market 3. Weekly/Period Market	Bread 43% Eggs 22% Cold cuts & cheeses 14% Crackers 14% Dairy 13%
ON-THE-GO	53% 1. Convenience 2. Pharmacy 3. Specialty Store	47% 1. Street Vendor 2. Bakery 3. Informal Neighborhood Market	Fruits & vegs 22% Snacks (sweet & salty) 17% Sodas 14% Crackers 10% Eggs 10%

Total n=1,675. *What type of store do you usually go to for each of these types of shopping trips?* Figure 4.5 provides share of trips by the type of retailer with top 3 channels for trip type. Product list identifies top 5 items purchased on shopping trip type across all channels.

All socioeconomic classes report visiting both modern and traditional retail channels

Which channel shopped depends on the cultural importance given to the various drivers according to SEC.

Traditional channels are visited with much greater frequency, outpacing **Modern channels** by a greater than 2 to 1 ratio (Figure 4.6). Upper classes tend to shop at a higher rate in Modern channels and a lower rate than Traditional channels (Figure 4.7), suggesting that as shoppers progress up the socioeconomic ladder, their shopping needs shift more towards modern channel offerings.

Figure 4.6
Average number of consumer shopping trips per month by channel type across countries

	Argentina	Brazil	Colombia	Mexico
Modern	**3.6**	2.9	3.5	3.4
Traditional	8.2	6.3	**9.3**	7.9

Figure 4.7
Average number of consumer shopping trips per month by channel type across SECs

	LMC Lower-Mid	MMC Middle-Mid	UMC Upper-Mid	UC Upper
Modern	3.2	2.9	2.9	**3.9**
Traditional	**9.5**	8	7.4	7.1

Total n=1,675. Argentina n=428, Brazil n=404, Colombia n=421, Mexico n=422. SEC: Upper n=466, Upper-Mid n=595, Middle-Mid n=379, Lower-Mid n=209.

Traditional channels dominate "share of visits" each month

Combining all the shopping trips that happen in an average month, traditional retailers are visited much more frequently than modern retailers (Figure 4.8), and regardless of SEC (Figure 4.9). Evidence that "fresh" drives frequency as perishables require a higher rate of replenishment.

More Brazilians shop modern channels than traditional channels, but when they do shop traditional channels, it is with much greater frequency.

Figure 4.8
Channel "share of visits" across countries

	Argentina	Brazil	Colombia	Mexico
1	Bakery	Bakery	Bakery	Bakery
2	Informal Neighborhood market	Informal Neighborhood market	Informal Neighborhood market	Informal Neighborhood market
3	Produce market	Produce market	Produce market	Produce market
4	Butcher/Fish market	Butcher/Fish market	Butcher/Fish market	Butcher/Fish market
5	Mini-Market/ Express	Mini-Market/ Express	Mini-Market/ Express	Supermarket

Figure 4.9
Channel "share of visits" across SECs

	LMC Lower-Mid	MC Middle-Mid	UMC Upper-Mid	UC Upper
1	Bakery	Bakery	Informal Neighborhood Market	Bakery
2	Informal Neighborhood Market	Mini-market/ Express	Bakery	Informal Neighborhood market
3	Produce market	Butcher/Fish market	Produce market	Produce market
4	Butcher/Fish market	Produce market	Butcher/Fish market	Butcher/Fish market
5	Supermarket	Weekly/Period market	Street Vendor	Municipal Market

Total n=1,675. Argentina n=428, Brazil n=404, Colombia n=421, Mexico n=423. SEC: Upper n=467, Upper-Mid n=595, Middle-Mid n=379, Lower-Mid n=210.

Channel penetration of modern channels grows with higher SEC

Traditional channels have the highest market penetration in all countries (figure 4.10), but modern channel penetration increases with higher socioeconomic status (figure 4.11).

Figure 4.10
Channel penetration by country

	Argentina	Brazil	Colombia	Mexico
1	Produce market 90%	Bakery 82%	Bakery 85%	Bakery 78%
2	**Pharmacy 82%**	**Pharmacy 77%**	Informal neighborhood market 84%	**Supermarket 71%**
3	Bakery 82%	**Hypermarket 70%**	Butcher/ Fish market 74%	**Pharmacy 69%**
4	Informal neighborhood market 81%	**Mini-market/ Express 70%**	Produce market 73%	Butcher/ Fish market 68%
5	**Supermarket 79%**	**Supermarket 69%**	**Supermarket 72%**	Informal neighborhood market 67%

Figure 4.11
Channel penetration by SEC

	LMC Lower-Mid	MC Middle-Mid	UMC Upper-Mid	UC Upper
1	Bakery 76%	Bakery 84%	Bakery 85%	**Pharmacy 86%**
2	Butcher/ Fish market 74%	**Supermarket 74%**	**Pharmacy 81%**	**Supermarket 83%**
3	Informal neighborhood market 74%	Produce market 74%	**Supermarket 81%**	Bakery 82%
4	Produce market 71%	**Pharmacy 72%**	Produce market 75%	**Hypermarket 79%**
5	**Supermarket 68%**	Informal neigh. mkt 69%	Butcher/ Fish market 75%	Butcher/ Fish market 71%

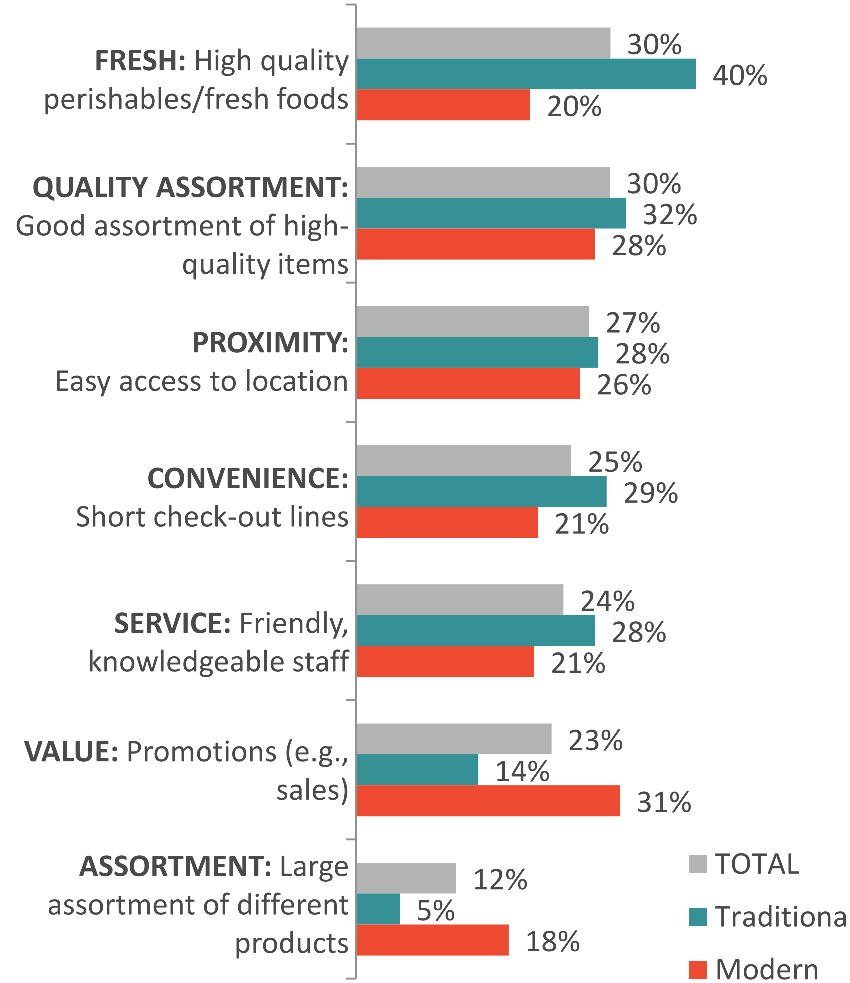
Total n=1,675. Argentina n=428, Brazil n=404, Colombia n=421, Mexico n=423. SEC: Upper n=467, Upper-Mid n=595, Middle-Mid n=379, Lower-Mid n=210. *Which kinds of stores have you shopped in the past 3 months? (select all that apply)*

The major drivers of channel selection reflect practical and cultural values

From a practical perspective, shoppers are seeking value (low prices and promotions) and convenience, which has two dimensions: proximity to the home or place of work and access getting in and out. Shoppers across socioeconomic classes want modern retailers in closer proximity. As a result, consumers make trips to large, modern stores for less frequent, stocking-up trips and use nearby traditional channels for frequent fresh and fill-in purchases. From a cultural perspective, shoppers use subjective evaluations of quality in fresh foods, service (personalization and social connection) and assortment.

Figure 4.12 identifies the key drivers in grocery channel selection in Latin America. **Fresh** is one of the most important drivers. The center of family in Latin America is the mother, the center of her world has traditionally been the kitchen and, thus, on the food. As a consequence, fresh a has evolved into a key quality distinction throughout Latin America and across classes, one that represents love, nurturing and caring. People equate buying fresh foods and beverages with being able to provide the best quality of life for their families, reinforcing a strong historical and cultural connection between food and family. Shoppers believe that traditional channels are twice as likely to offer high quality perishables than modern retail.

Figure 4.12
Most important channel attributes by store type



Total n=16,128. *Which three offerings are most important to you when choosing which [selected channel[to shop?*

Quality assortment involves how well curated stores are for higher quality foods and other products (e.g., personal care) that inspire people to discover and explore, and how varied their selections are. Shoppers rank traditional only slight higher in quality than modern retailers.

Proximity (how close is it to home or work) and **convenience** (how easy is it to get in and out) are also critical drivers of channel selection because of the traffic issues most urban centers face. People across socioeconomic classes are hoping for modern retailers in locate in closer proximity to their homes. The barrier is particularly high for the lower classes, although even upper-class shoppers consider it a sacrifice to travel to shop. As a result, consumers make trips to large, modern stores for less frequent, stocking-up trips and use nearby traditional channels for frequent fresh and fill-in purchases.

Service offers shoppers social connections and personalized attention – and helps drive channel selection. Ideals about service are formed in the imagery of the municipal market, a social space that is both formal and familiar. Over time, as vendors share their knowledge, experiences and advice, they garner trust and loyalty, a concept that in Spanish is known as *confianza* and in Portuguese is called *confiança*.

Value Shoppers love the value they receive from large, modern stores – both via low prices and sales promotions. People look to these hypermarkets, club stores and cash-and-carry operations for basic, non-perishable items at great prices. Although it takes almost three times as long to reach a modern store compared to a traditional market, the trip is often deemed worth the time because consumers are able to stock up on well-priced basic necessities.

Shoppers expect a greater variety (**Assortment**) of products in modern retail. The upper classes are especially fond of stores with a wide variety of inspiring products that also allow them to consolidate many traditional shopping trips into one. While assortment is not a top driver for overall channel choice, it can be a key differentiator.

Shoppers seem to prefer modern channels across countries and classes

Supermarkets and hypermarkets are the most favored channels across classes and countries, except in Colombia, where mini-market/express stores trump hypermarkets. The upper-middle class strongly favors hypermarkets, with more than a third of its shoppers preferring them, while roughly a quarter of each of the other classes view hypermarkets as their top channel.

Figure 4.13
"Favorite" stores across countries

Argentina		Brazil		Colombia		Mexico	
Supermarket	29.9%	Hypermarket	37.8%	Supermarket	27.0%	Hypermarket	25.4%
Hypermarket	26.8%	Supermarket	22.0%	Mini-market/ Express	13.2%	Supermarket	20.1%
Informal neighborhood market	12.1%	Cash & Carry	9.6%	Hypermarket	12.9%	Cash & Carry	12.2%

Figure 4.14
"Favorite" stores across SECs

LMC Lower- Mid		MC Middle-Mid		UMC Upper-Mid		UC Upper	
Supermarket	26.7%	Hypermarket	25.8%	Hypermarket	34.1%	Hypermarket	25.7%
Hypermarket	17.9%	Supermarket	25.8%	Supermarket	23.4%	Supermarket	24.8%
Informal neighborhood market	11.6%	Cash & Carry	9.4%	Cash & Carry	11.0%	Cash & Carry	9.3%

Total n=1,675. SEC classes: Upper n=466, Upper-Mid n=595, Middle-Mid n=379, Lower-Mid n=209. Countries: Argentina n=428, Brazil n=404, Colombia n=421, Mexico n=422.
*Which is your **FAVORITE** type of store? (select one)*

The correlation between preference for modern channels and value is striking!

Shoppers tend to conflate modern value with value, rather than quality and positive shopping experience. These findings suggest that modern grocery retailers must begin to rethink "commoditization" and the "why" behind quality distinctions, e.g., Mexican consumers rarely buy avocado or mole at modern channels.

Figure 4.15
Stores that help you get the most for your money across countries

Argentina		Brazil		Colombia		Mexico	
Hypermarket	32.1%	Hypermarket	40.0%	Supermarket	27.6%	Hypermarket	25.0%
Supermarket	32.1%	Supermarket	26.4%	Discount store	21.8%	Supermarket	21.3%
Informal neighborhood market	16.4%	Cash & Carry	20.0%	Mini-market/ Express	21.6%	**Municipal market**	21.2%

Figure 4.16
Stores that help you get the most for your money across SECs

LMC Lower- Mid		MC Middle-Mid		UMC Upper-Mid		UC Upper	
Supermarket	25.2%	Hypermarket	30.1%	Hypermarket	32.7%	Hypermarket	41.3%
Hypermarket	21.3%	Supermarket	28.9%	Supermarket	27.1%	Supermarket	29.9%
Informal neighborhood market	18.5%	Cash & Carry	18.2%	Cash & Carry	23.0%	Cash & Carry	18.9%

Total n=1,675. SEC classes: Upper n=466, Upper-Mid n=595, Middle-Mid n=379, Lower-Mid n=209. Countries: Argentina n=428, Brazil n=404, Colombia n=421, Mexico n=422.
Which types of stores help you get the most for your money? (select all that apply).

“If you could choose any new store/shopping area to move into your neighborhood, who would you want to move in?”

When asked what kind of store they would like to move into their neighborhood, shoppers, across both class and national boundaries, chose modern formats. Across all classes, hypermarkets are the most desired retailers, followed by supermarkets and cash and carry stores. What they are asking for, is greater access to a modern retailer that **provides value and assortment on non-perishable goods.**

Figure 4.17
Desired store in neighborhood across countries

	Argentina	Brazil	Colombia	Mexico
1	Hypermarket	Hypermarket	Supermarket	Hypermarket
2	Supermarket	Cash & Carry	Hypermarket	Supermarket
3	Cash & Carry	Supermarket	Cash & Carry	Club

Figure 4.18
Desired store in neighborhood across SECs

	LMC Lower-Mid	MC Middle-Mid	UMC Upper-Mid	UC Upper
1	Hypermarket	Hypermarket	Hypermarket	Hypermarket
2	Supermarket	Supermarket	Supermarket	Supermarket
3	Cash & Carry	Cash & Carry	Cash & Carry	Club

Total n=1,675. SEC classes: Upper n=466, Upper-Mid n=595, Middle-Mid n=379, Lower-Mid n=209. Countries: Argentina n=428, Brazil n=404, Colombia n=421, Mexico n=422. *If you could choose any new store/shopping area to move into your neighborhood, who would you want to move in?*

Modern (stock-up) channels are the most difficult to reach

Shoppers recognize that modern channels offer benefits not available from neighborhood markets – particularly better value and greater assortment of the "basics"– but distance is the key factor that prevents them from shopping modern channels more frequently. Traffic makes it difficult to visit larger, more modern stores.

Figure 4.19
Most difficult channel to reach across countries

Argentina		Brazil		Colombia		Mexico	
Hypermarket	**24.3%**	Hypermarket	**16.2%**	Supermarket	**19.3%**	Hypermarket	**18.0%**
Supermarket	**16.3%**	Supermarket	**11.5%**	Hypermarket	**16.9%**	Club	**11.9%**
Cash & Carry	**14.2%**	Cash & Carry	**10.6%**	Cash & Carry	**9.5%**	Supermarket	**11.4%**

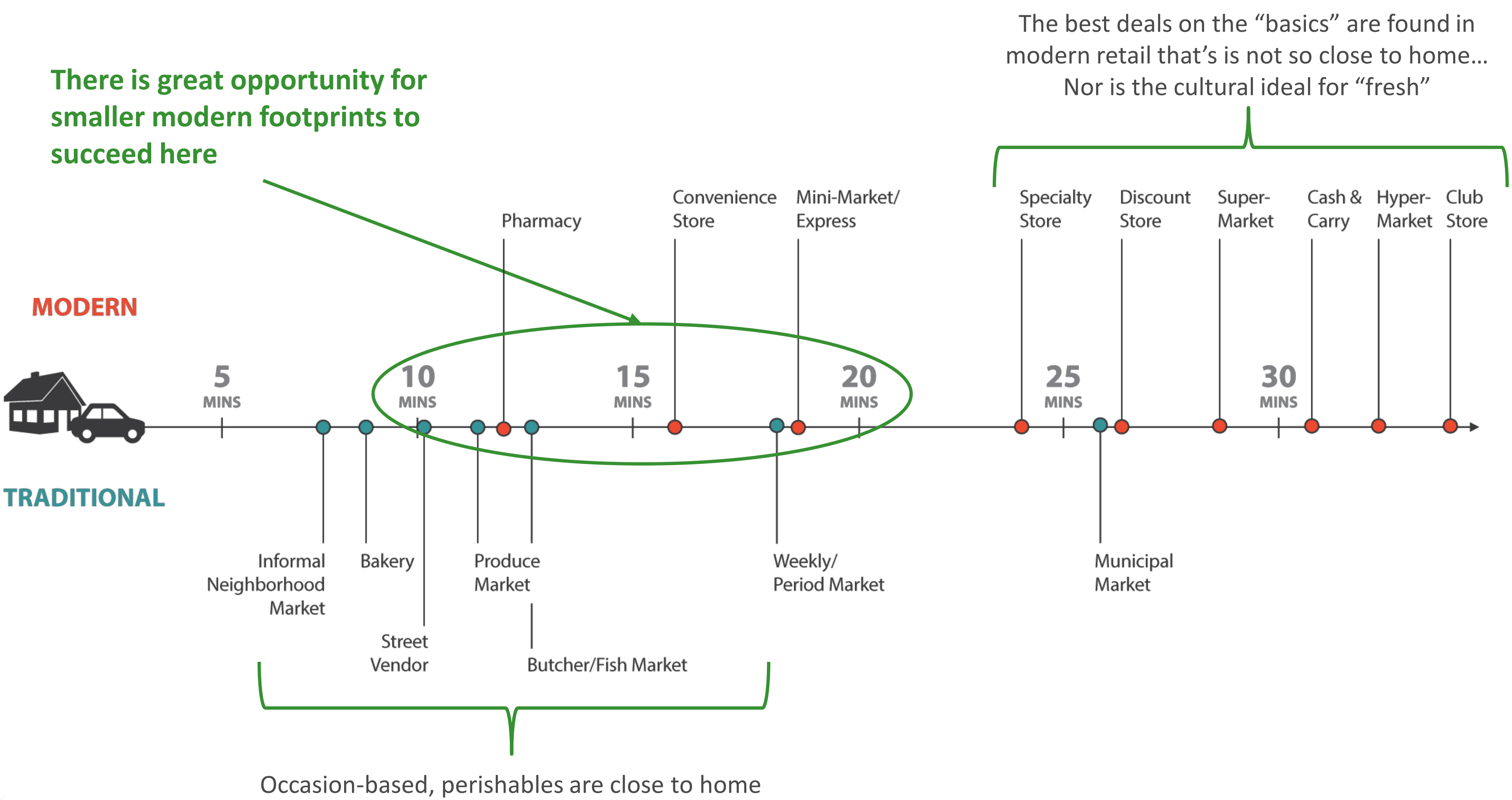
Figure 4.20
Most difficult channel to reach across SECs

LMC Lower- Mid		MC Middle-Mid		UMC Upper-Mid		UC Upper	
Hypermarket	**19.7%**	Hypermarket	**18.2%**	Hypermarket	**21.5%**	Hypermarket	**13.3%**
Supermarket	**19.4%**	Supermarket	**12.4%**	Supermarket	**14.0%**	Specialty store	**10.2%**
Cash & Carry	**9.1%**	Cash & Carry	**11.7%**	Cash & Carry	**13.9%**	Supermarket	**10.0%**

Total n=1,675. SEC classes: Upper n=466, Upper-Mid n=595, Middle-Mid n=379, Lower-Mid n=209. Countries: Argentina n=428, Brazil n=404, Colombia n=421, Mexico n=422.
Which types of stores do you find difficult to reach? (select all that apply)

Modern retail wins by locating closer to where their shoppers live!

Figure 4.21
Proximity from consumer homes to retail channels



Total n=16,128. *On average, how many minutes of travel does it take to reach each of these types of stores where you shop for groceries? (one-way)*

The success of modern retail channels will depend on an understanding of the benefits shoppers associate with traditional channels

Traditional channels, with the municipal market as the central symbolic reference, are preferred by shoppers for the quality of their "**fresh**" foods, personalized service and proximity to their homes. Proximity favors traditional channels, which are visited with much greater frequency. Although consumers are looking for the best value, with the best prices, the convenience of the local produce stand or butcher accommodates a lifestyle where time is limited and cooking from scratch is a priority.

Trips to traditional stores outpace visits to modern ones almost three-to-one. The average travel time to a large, modern store such as a hypermarket is 32 minutes, compared to only nine minutes to reach a traditional neighborhood market. Travel times are more favorable for smaller-format modern retailers, such as mini-market/express stores (18 minutes) and convenience stores (16 minutes).

Traditional fresh channels fit well into the shopping strategies of lower SEC shoppers. Consumers purchase fresh perishables more frequently to prevent spoilage and to meet the needs of specific occasions (e.g., bread for breakfast). Because fresh trips occur much more frequently, their closer proximity (less than 12 minutes for bakery, butcher/fish market, produce market and street vendor) is certainly advantageous for attracting shoppers.

Traditional channels are also associated with the perception of greater choice (assortment) for many shoppers. Even though there is often great redundancy, shoppers can choose among products from a number of stalls or storefronts, based on presentation, price, charisma of the vendor, etc., while at the modern channels there is only one display/product to choose from.

Right or wrong, most Latin American shoppers still believe that modern retailers do not deliver on freshness the way traditional retailers do. Particularly among lower SEC shoppers, there is a concern that meats, poultry and seafood may have been thawed and refrozen numerous times before making it to the counter. They believe that food arrives daily in traditional channels and, therefore, tastes better. And, since the cultural relationship between food and family establishes a strong social obligation to provide the best, fresh options are thus preferred.

For lower SEC shoppers, the traditional market is also an important social space. Service is culturally defined in terms of face-to-face interaction with vendors and taps basic human notions of reciprocity. More important is the fact that market-stall vendors become trusted experts on particular goods over time, often remaining nameless to the shopper for years, exchanging experiences and advice (Figure 4.22 and Figure 4.23) . The cultural relationship between food and family bonds and well-being underpins this trust and loyalty (*confianza/confiança*). Additionally, on-the-spot pricing adjustments exploit the semiotics of generosity, and for many lower SEC shoppers, negotiation with market vendors allows them to feel like a shrewder shopper.

Channels that engender customer recognition and trust, by country and class

Informal neighborhood markets are the number one destination for consumers when it comes to knowing people you recognize and trust – except in Brazil, where bakeries win the top spot.

Figure 4.22
Channels that engender customer recognition & trust across countries

Argentina		Brazil		Colombia		Mexico	
Informal neighborhood market	46%	Bakery	32%	Informal neighborhood market	43%	Informal neighborhood market	30%
Produce market	34%	Mini-market/Express	28%	Bakery	28%	Hypermarket	26%
Bakery	29%	Weekly/Period market	21%	Supermarket	26%	Municipal market	23%
Butcher/Fish market	25%	Supermarket	20%	Produce market	15%	Bakery	20%
Supermarket	17%	Pharmacy	19%	Hypermarket	13%	Supermarket	20%

Figure 4.23
Channels that engender customer recognition & trust across SECs

LMC Lower- Mid		MC Middle-Mid		UMC Upper-Mid		UC Upper	
Informal neighborhood market	37%	Informal neighborhood market	32%	Informal neighborhood market	32%	Informal neighborhood market	27%
Bakery	27%	Bakery	28%	Bakery	30%	Bakery	27%
Supermarket	19%	Supermarket	21%	Produce market	23%	Hypermarket	25%
Produce market	18%	Produce market	20%	Supermarket	20%	Supermarket	24%
Hypermarket	15%	Butcher/Fish market	19%	Butcher/Fish market	20%	Butcher/Fish market	22%

Total n=1,675. SEC classes: Upper n=466, Upper-Mid n=595, Middle-Mid n=379, Lower-Mid n=209. Countries: Argentina n=428, Brazil n=404, Colombia n=421, Mexico n=422.
Where do you know people who recognize and trust you? (select all that apply)

Although modern channels can serve as meaningful social spaces, many emerging middle class consumers do not feel the same emotional connection to which they had been accustomed. Many consumers indicated that they thought that modern channel staff could be friendly but their product and departmental knowledge was often limited, except in certain instances and generally in the meat and fish departments. Winning over the loyalty of the emerging middle class shopper will require efforts to create a comfortable social space for shopping to occur.

Proximity is a major determinant of channel selection for all classes, but it becomes even more important for the emerging middle class, where shopping occurs in the context of great time and financial constraints. As life becomes more hectic, upwardly mobile shoppers begin to trade off this experience in exchange for convenience (proximity and ease of shop) and greater value (i.e., low prices in purchasing the “basics” (non-perishables) across all classes).

As lower SEC shoppers move into the middle class via more modern forms of employment, their cooking patterns begin to change. Daily or semi-daily occasion-based shopping becomes associated with short-term meal planning and cooking from scratch. Longer hours away from home also mean that small shops and markets may be closed before arriving home. Time to prepare meals also becomes shortened.

In other words, the new emerging middle class consumer must shift from a shopping strategy that privileges fresh and personalized service to one that places more value on convenience.

Consumers from the lower SECs lament that the lack of their own vehicle and poor public transportation options make the modern retail options cost prohibitive in the context of their limited budgets, even where they can obtain the lowest prices. Although taxi fares can make certain channels more attractive, often smaller formats, from the informal to the modern, in closer proximity become more time and cost efficient. The average distance to a mini-market/express store is 18 minutes, compared to only 9 minutes for informal neighborhood market.

Because higher SECs are more likely to own a vehicle (43% in lower-mid class compared to 88% upper class), they are more willing to travel a longer distance in order to go to a modern channel. Still, it is a sacrifice to go that distance on a regular basis, so they don’t go as often, are able to stock up to reduce the number of trips, and will still use traditional channels to make fill-in purchases. The upper and upper middle classes shop modern channels, like the hypermarket, supermarket and club store, more than the lower middle class. In part, this could be driven by food culture, but it could also be that modern channels are attracting them in and offering a new approach to food and what fresh means.

Regardless of channel type, lower-middle SEC generally has different attitudes and priorities than those in the middle SEC level and higher. Reflecting their cultural orientation of the market as a social space, when shopping for a basic basket of stock-up items, lower-middle SEC has a higher expectation for friendly, knowledgeable staff, even in modern channels (35% compared to 23% for upper classes). No other group has such a high priority on this attribute in any other trip type. Middle to upper-level SEC groups expect it when shopping traditional channels for fresh items, but only at 26% or less.

Regardless of channel type, lower-middle SEC generally has different attitudes and priorities than those in the middle SEC level and higher. Reflecting their cultural orientation of the market as a social space, when shopping for a basic basket of stock-up items, lower-middle SEC has a higher expectation for friendly, knowledgeable staff, even in modern channels (35% compared to 23% for upper classes). No other group has such a high priority on this attribute in any other trip type. Middle to upper-level SEC groups expect it when shopping traditional channels for fresh items, but only at 26% or less.

In terms of priorities, convenience and greater assortment, higher-quality products become greater with upward social mobility. Mid to upper SEC groups have similar priorities on store attributes, they want easy access, high-quality fresh and non-perishable items, great prices, short checkout lanes and help from friendly, knowledgeable staff. This is true of each of the kinds of shopping trips they take. On quick trips, easy access and short checkout lines take the lead, and on more substantial shopping trips, such as basic or fresh, quality assortment and promotions are more important when choosing which store they will shop. The idea of one-stop shopping in modern channels is correlated with upper classes, often preferring more high-end stores, such as Carulla, City Market, Wong's and Perini.

As large-format stores start to open locations in smaller footprints in more densely populated metropolitan centers, they can expect consumers to shop them more frequently. The stores will have to tailor their selections to fit tighter spaces – for example, creating express stores for dry goods and other basics -- and could boost their competitive edge by offering enhanced services such as online shopping and home delivery.

There is great opportunity for modern retail to grow by leveraging those attributes that resonate most with upwardly mobile and higher SEC shoppers

Regardless of where they currently shop, Latin American consumers of all SEC segments enjoy shopping at a large, modern retail channels (Figures 4.24 and 4.25). Consumers recognize that these stores offer benefits not available from in traditional channels– particularly good value and assortment – but distance prevents them from shopping modern channels more frequently.

Large, modern stores are particularly favored by upper class consumers because modern retailers offer new approaches to food and reflect contemporary quality definitions, related to health and wellness and new and different culinary traditions and techniques.

Figure 4.24
Most enjoyable channels across countries

Argentina		Brazil		Colombia		Mexico	
Hypermarket	**27%**	Hypermarket	**47%**	Supermarket	**27%**	Hypermarket	**31%**
Supermarket	**17%**	Supermarket	**32%**	Hypermarket	**25%**	Supermarket	**28%**
Cash & Carry	**5%**	Bakery	**29%**	Cash & Carry	**10%**	Warehouse Club store	**16%**
Discount store	**4%**	Weekly/ Period market	**23%**	Bakery	**10%**	Weekly/ Period market	**13%**
Informal Neighborhood market	**3%**	Mini-market/ Express store	**18%**	Discount store	**9%**	Cash & Carry	**12%**

Figure 4.25
Most enjoyable channels across SECs

LMC Lower- Mid		MC Middle-Mid		UMC Upper-Mid		UC Upper	
Hypermarket	**25%**	Hypermarket	**36%**	Hypermarket	**37%**	Hypermarket	**42%**
Supermarket	**24%**	Supermarket	**29%**	Supermarket	**24%**	Supermarket	**28%**
Weekly/ Period market	**8%**	Cash & Carry	**13%**	Weekly/ Period market	**13%**	Warehouse Club store	**19%**
Bakery	**7%**	Bakery	**10%**	Cash & Carry	**13%**	Bakery	**13%**
Cash & Carry	**7%**	Mini-market/ Express store	**10%**	Bakery	**12%**	Cash & Carry	**12%**

Total n=1,675. SEC classes: Upper n=466, Upper-Mid n=595, Middle-Mid n=379, Lower-Mid n=209. Countries: Argentina n=428, Brazil n=404, Colombia n=421, Mexico n=422.
Which types of stores do you look forward to spending time at? (select all that apply)

Shoppers look to modern retail channels to learn more about wellness through heathy eating

Shoppers across countries and classes look to modern retail over traditional retail to learn about healthy eating (Figures 4.26 and 4.27), particularly supermarkets and hypermarkets. This is due to the fact that modern retail channels have been much more responsive to the evolving culture of health and wellness through increased offerings and dedicated space in-store. There is great opportunity for retailers to build on this positive perception by developing more comprehensive and strategic approaches to delivering on health and wellness, both in terms of offerings, but also classes and related services.

Figure 4.26
Channels connected with staying well across countries

Argentina		Brazil		Colombia		Mexico	
Produce market	44%	Hypermarket	44%	Supermarket	47%	Hypermarket	40%
Hypermarket	33%	Pharmacy	29%	Hypermarket	33%	Supermarket	36%
Supermarket	25%	Supermarket	29%	Produce market	30%	Produce market	20%
Butcher/Fish market	14%	Produce market	17%	Mini-market/ Express	18%	Club/Warehouse	18%
Pharmacy	13%	Weekly market	15%	Discount store	12%	Cash & Carry	15%

Figure 4.27
Channels connected with staying well across SECs

LMC Lower- Mid		MC Middle-Mid		UMC Upper-Mid		UC Upper	
Hypermarket	34%	Supermarket	38%	Hypermarket	42%	Hypermarket	46%
Produce market	34%	Hypermarket	37%	Supermarket	35%	Supermarket	35%
Supermarket	33%	Produce market	30%	Produce market	22%	Produce market	22%
Butcher/ Fish market	15%	Pharmacy	18%	Pharmacy	16%	Pharmacy	20%
Mini-market/ Express	14%	Cash & Carry	13%	Specialty store	12%	Club/Warehouse	19%

Total n=1,675. SEC classes: Upper n=466, Upper-Mid n=595, Middle-Mid n=379, Lower-Mid n=209. Countries: Argentina n=428, Brazil n=404, Colombia n=421, Mexico n=422.
Which types of stores help you learn about staying well through healthy eating? (select all that apply)

Modern grocery retail is a place of discovery

Modern retail is also the most important contemporary reference for traditional retail in culinary discovery, particularly supermarkets and hypermarkets (Figures 4.28 and 4.29). Across countries and classes, greater than 70 percent* of shoppers believe that supermarkets and hypermarkets are the best places for learning about new and interesting foods, or cooking skills. Globalization has meant that the Latin American palate continues to expand and modern retailers are playing a critical role in helping the shoppers experience the world with their taste buds.

Figure 4.28
Channels that teach about new and interesting foods or cooking skills across countries

Argentina		Brazil		Colombia		Mexico	
Hypermarket	33%	Hypermarket	48%	Supermarket	47%	Hypermarket	40%
Supermarket	27%	Supermarket	33%	Hypermarket	30%	Supermarket	27%
Informal neighborhood market	10%	Mini-market /Express	12%	Mini-market/ Express	18%	Club/ Warehouse	17%
Produce market	8%	Bakery	12%	Discount store	15%	Cash & Carry	15%
Specialty store	8%	Weekly/Period market	12%	Cash & Carry	13%	Mini-market/ Express	12%

Figure 4.29
Channels that teach about new and interesting foods or cooking skills across SECs

LMC Lower- Mid		MC Middle-Mid		UMC Upper-Mid		UC Upper	
Supermarket	35%	Hypermarket	37%	Hypermarket	41%	Hypermarket	47%
Hypermarket	33%	Supermarket	34%	Supermarket	33%	Supermarket	31%
Mini-market/ Express	15%	Cash & Carry	12%	Cash & Carry	10%	Warehouse Club store	17%
Cash & Carry	8%	Produce market	11%	Mini-market/ Express	9%	Cash & Carry	11%
Informal Neighborhood market	7%	Mini-market/ Express store	10%	Produce market	7%	Specialty store	9%

Total n=1,675. SEC classes: Upper n=466, Upper-Mid n=595, Middle-Mid n=379, Lower-Mid n=209. Countries: Argentina n=428, Brazil n=404, Colombia n=421, Mexico n=422.
Which types of stores help you learn about new and interesting foods or cooking skills? (select all that apply) ;
*Top 2 stores combined

Channel connections with authentic food and traditions, by country and class

As we have seen, shoppers tend to enjoy the modern retail experience. Still, they to view the traditional market experience as more authentic than the modern version which they associate with purchasing larger quantities of “basics” or non-perishables at the lowest price. Our research, however, shows that the authenticity gap is not that great and modern retailers are in a good position to improve shopper loyalty and gain share from traditional channels. As can be seen in Figures 4.30 and 4.31, Latin American shoppers today look to supermarkets and hypermarkets as much as traditional channels such as informal neighborhood and municipal markets, to connect with authentic foods and traditions. If this trend continues, the grocery retail landscape is going to look quite different in the near future.

Figure 4.30
Channels that connect with authentic food and traditions across countries

Argentina		Brazil		Colombia		Mexico	
Informal Neighborhood market	**21%**	Hypermarket	**38%**	Supermarket	**31%**	Municipal market	**33%**
Hypermarket	**19%**	Supermarket	**28%**	Hypermarket	**23%**	Informal Neighborhood market	**24%**
Produce market	**18%**	Weekly/ Period market	**23%**	Informal Neighborhood market	**21%**	Weekly/Period market	**22%**
Butcher/ Fish market	**17%**	Bakery	**19%**	Produce market	**17%**	Hypermarket	**19%**
Supermarket	**16%**	Produce market	**16%**	Municipal market	**17%**	Supermarket	**19%**

Figure 4.31
Channels that connect with authentic food and traditions across SECs

LMC Lower- Mid		MC Middle -Mid		UMC Upper-Mid		UC Upper	
Informal Neighborhood market	**23%**	Hypermarket	**27%**	Hypermarket	**26%**	Hypermarket	**31%**
Supermarket	**21%**	Supermarket	**26%**	Supermarket	**20%**	Supermarket	**25%**
Hypermarket	**21%**	Produce market	**21%**	Produce market	**19%**	Municipal market	**21%**
Municipal market	**12%**	Informal Neighborhood market	**20%**	Informal Neighborhood market	**18%**	Weekly/ Period market	**18%**
Produce market	**11%**	Bakery	**15%**	Weekly/ Period market	**18%**	Informal Neighborhood market	**17%**

Total n=1,675. SEC classes: Upper n=466, Upper-Mid n=595, Middle-Mid n=379, Lower-Mid n=209. Countries: Argentina n=428, Brazil n=404, Colombia n=421, Mexico n=422.
Which types of stores help you connect with authentic foods and traditions? (select all that apply)

05

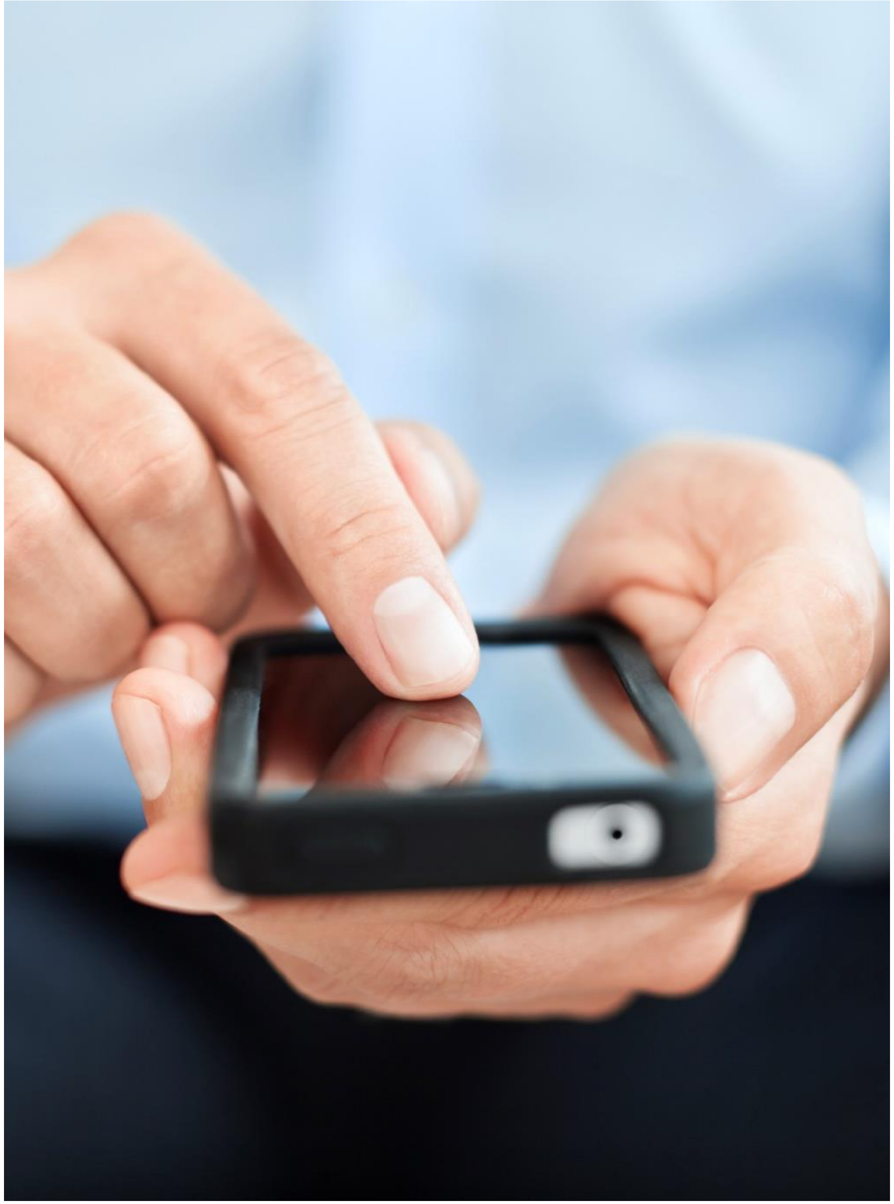
The new age of consumer technology

05

The new age of consumer technology

Key takeaways

- Mobile connectivity across Latin America is somewhat unreliable, even with mobile data plans
- Consumers, particularly Millennials, use Wi-Fi hotspots to overcome gaps in mobile service
- Internet penetration in Latin America remains low, especially in Mexico and Peru – and only 13 percent of consumers shop for groceries online
- Use of smartphone apps, especially for shopping and purchase decision making, is in its nascent phase
- Especially in the upper classes, consumers have begun using the Internet to search for deals and recipes
- As consumers move up the socioeconomic ladder, technology adoption accelerates



How the Internet shapes culture

With globalization and greater access to digital technologies, electronic media have begun to break down social and cultural distances both within and between countries.

There are four primary ways that digital technology transforms modern life with implications for shopper values and expectations in the future.

- Because information is right at consumers' fingertips, **their expectations regarding convenience are changing:** "I want to know now"
- Greater access to information also makes it **quicker and easier to learn, discover, navigate, collect, organize and act on desires**
- Existing **social connections are maintained and nurtured**, and new connections are kindled by shared goals and interests
- As people share their experiences swiftly and easily, **they more readily influence each other's decisions**

The upshot for food retailers is that the Internet offers exciting new ways to engage with consumers and to become part of their conversations regarding recipes, shopping and eating. It also opens up avenues for retailers to become trusted experts online in the way traditional vendors have been in person.

The quest for Wi-Fi hotspots

Access to the Internet and mobile technologies is growing in Latin America but remains behind the United States. In Latin America, 39 percent to 67 percent of consumers use the Internet (Figure 5.1). That compares to 87 percent of the U.S. population, including 78 percent of Hispanics living in the United States.

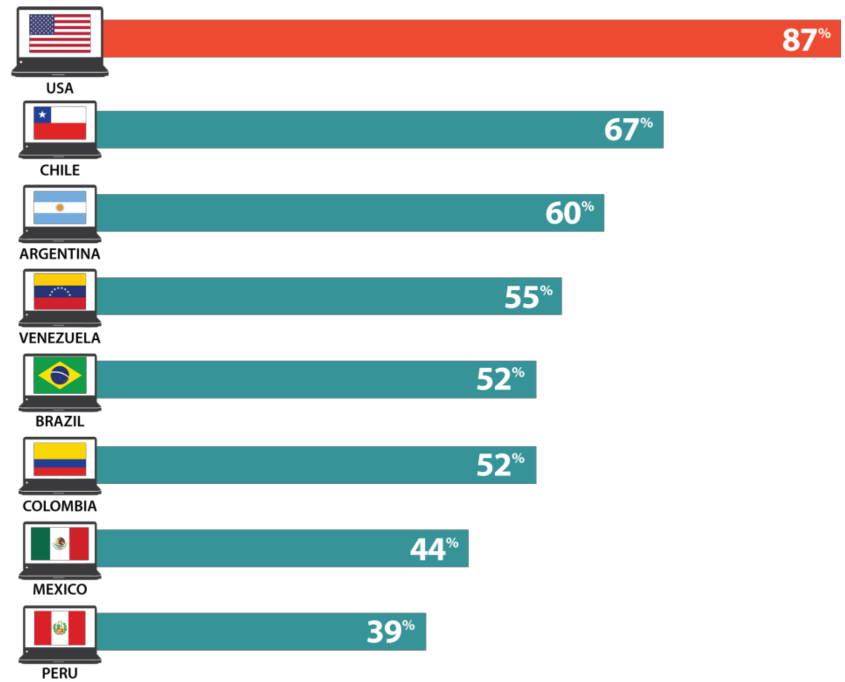
Modernization means greater use of technology, which is clear from the range of Internet access across Latin America. Among more developed countries, Argentinians connect both in-home and through mobile/Wi-Fi networks outside the home more often than people in other countries. A greater proportion of Brazilian and Mexican Internet consumers use smartphones to access the Internet at home. The highest pent-up demand for increased Internet access is in Colombia.

Nearly every consumer interviewed had mobile Internet access, although smartphones were used by people in higher socioeconomic classes. Everyone was frustrated with slow and inconsistent data connections, which meant most consumers do not use the mobile applications on their phones – including smartphone shopping apps.

Instead, they seek Wi-Fi hotspots when they're away from home. Hotspots give them better connections and save them money on pre-paid phone cards or expensive data plans.

Millennials (ages 18 to 35) are the most keen on this approach. Compared to other age groups, approximately 50 percent more Millennials use only Wi-Fi signals to connect to the Internet on their smartphones.

Figure 5.1
Internet penetration across countries



As Internet penetration grows, service is expected to improve and the use of shopping and other apps to increase. Review sites such as Trip Advisor and Yelp already are gaining traction in major urban centers like São Paulo where connectivity and penetration are higher.

Source: The World Bank, Internet users 2013. http://data.worldbank.org/indicator/IT.NET.USER.P2

Impact of new technologies on shopping behavior

As consumers start to use the Internet and mobile apps for shopping and purchase decision making, they will expect retailers to be more responsive and consistent in their marketing and other communications.

For now, digital technology is limited mostly to looking for deals (online circulars), finding recipes and lodging complaints. That's how people use major retail grocers' social media. The few shoppers who visit their sites are looking for promotions.

Major retailers have debuted mobile apps, which consumers approach the same way they do Internet shopping: to find websites and promotions and to communicate via social media.

There's growing enthusiasm for finding new recipes online, accompanied by a tendency to "shop to the recipe." However, there is a lack of mobile technologies, like shopping list apps, to help shoppers on their recipe quests.

Across countries, only 8 percent of consumers report using their smartphones to access the Internet while shopping, while 12 percent are interested in doing so (Figure 5.5). Shoppers in upper socioeconomic classes integrate technology into their daily lives more than any other group, leading the wave of consumer technology adoption. As this trend trickles down the class ladder, technology innovation and access will naturally grow among all classes.

The groups that will experience the highest velocity of technology adoption are the socioeconomically mobile segments, because they're moving up the class ladder as technology trickles down it.

Online-only stores have the least penetration among grocery shopping channels, reaching only 13 percent of shoppers overall, with even lower penetration among lower-middle class shoppers (Figure 5.3). It's not surprising that online grocers attract more upper class shoppers, because they're the ones with greater Internet access. Online shopping also varies widely by country, with the highest penetration in Brazil (24 percent) and the lowest in Mexico (6 percent) (Figure 5.2).

Although Brazil's Internet penetration is lower (52 percent) than Argentina's (60 percent) (Figure 5.1), only 9 percent of Argentinian shoppers make grocery purchases online. (Figure 5.2). Although there is a lower proportion of shoppers connected to the Internet in Brazil, they tend to be more engaged– purchasing products online and consulting and contributing to product reviews much more often than people in other countries (Figure 5.7).

Most online shopping purchases are unplanned: spontaneous and on-the-go occasions account for 71 percent of all online purchases (Figure 5.4). Very few people shop for perishables online, instead buying personal care and paper products as well as mobile phone charge cards.

The convenience of online shopping with home delivery is attractive to consumers, who also like amenities such as loyalty programs and a wide selection of global and gourmet products.

Percentage of population that shops online-only stores and trip types

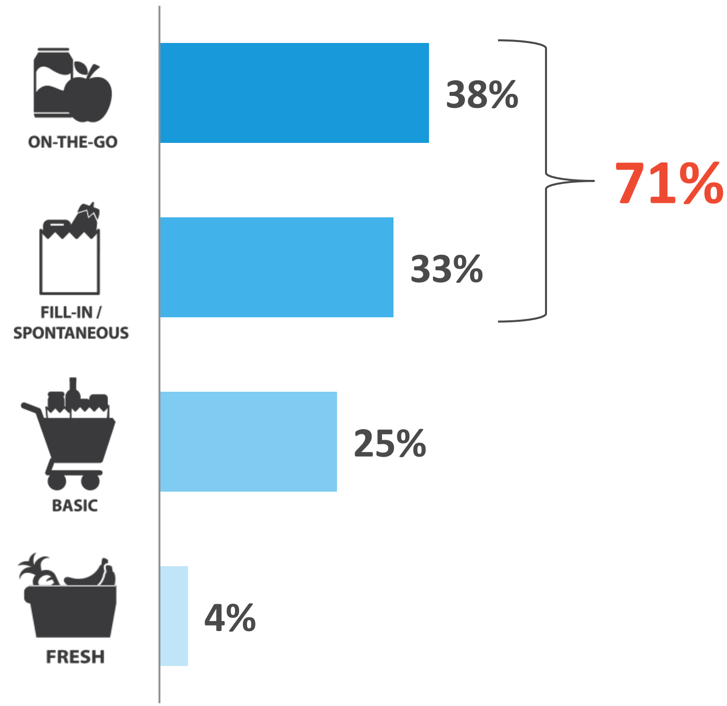
Figure 5.2
Online-Only channel penetration across countries

Total	Argentina	Brazil	Colombia	Mexico
13%	9%	24%	15%	6%

Figure 5.3
Online-Only channel penetration across SECs

Total	LMC Lower-Mid	MMC Middle-Mid	UMC Upper-Mid	UC Upper
13%	9%	14%	15%	20%

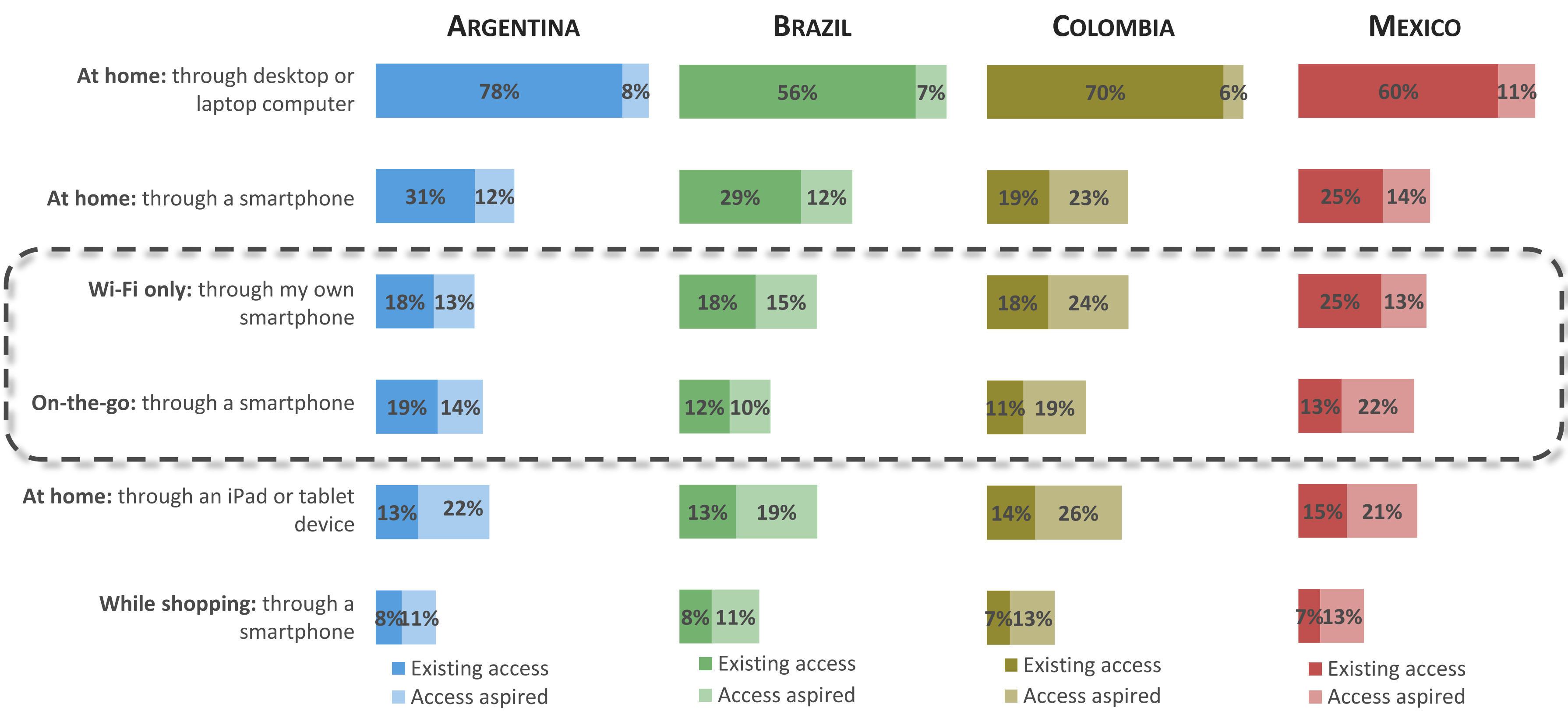
Figure 5.4
Online-Only channel visits by trip type



Figures 5.2-5.3: Total n=1,675. Argentina n=428, Brazil n=404, Colombia n=421, Mexico n=423. SEC: Upper n=467, Upper-Mid n=595, Middle-Mid n=379, Lower-Mid n=210. *Which kinds of stores have you shopped in the past 3 months? (select all that apply)*
Figure 5.4: Online-Only channel n=230. *What type of store do you usually go to for each of these types of shopping trips?*

Consumers access Internet at home and want to connect on the go

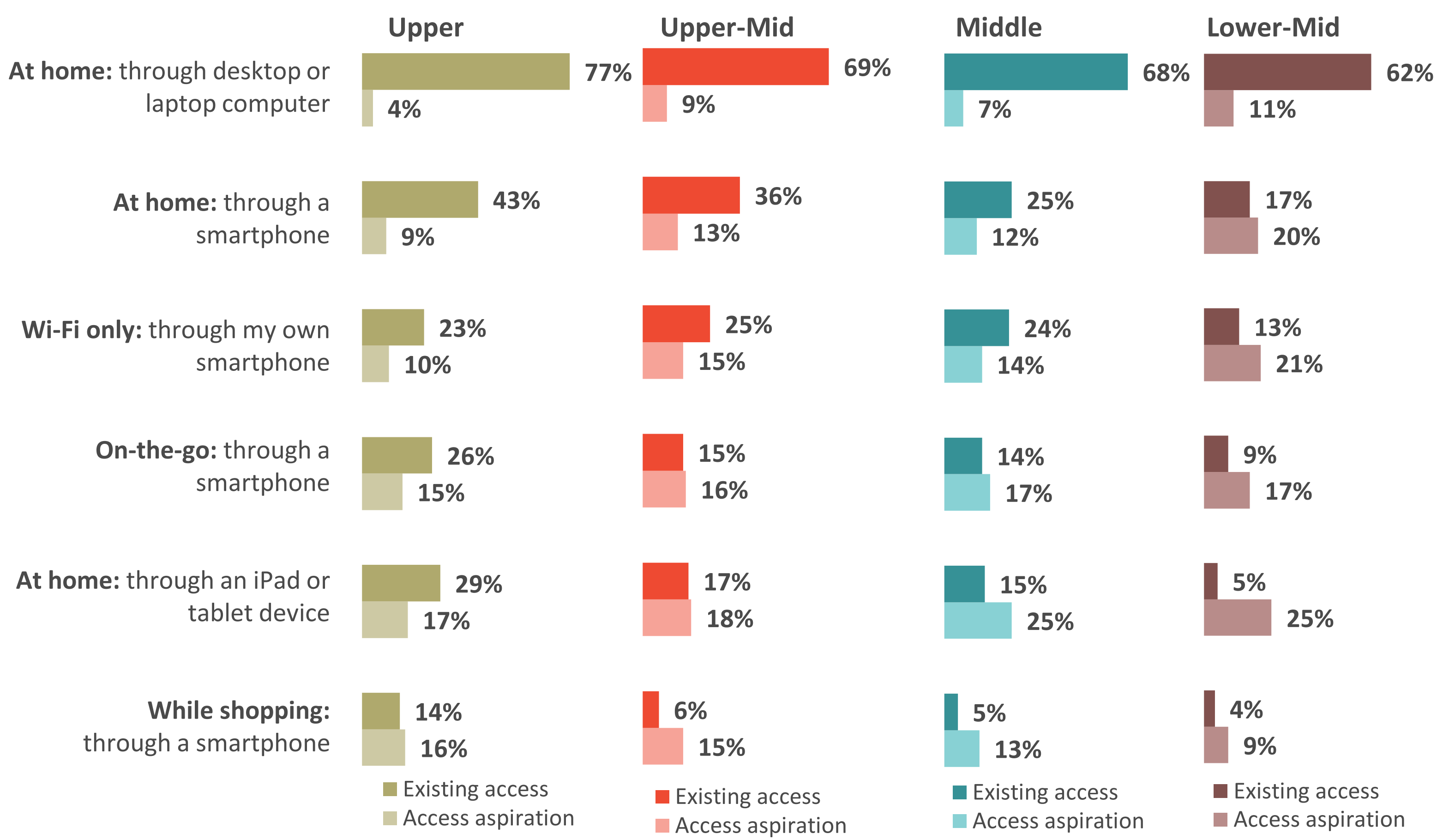
Figure 5.5
Internet access, existing and desired, across countries



Total n=1,665. Argentina n=428, Brazil n=404, Colombia n=421, Mexico n=422. *How do you access the Internet in a typical week?*

Smartphone use mostly among higher socioeconomic classes, but aspiration is consistent across all classes

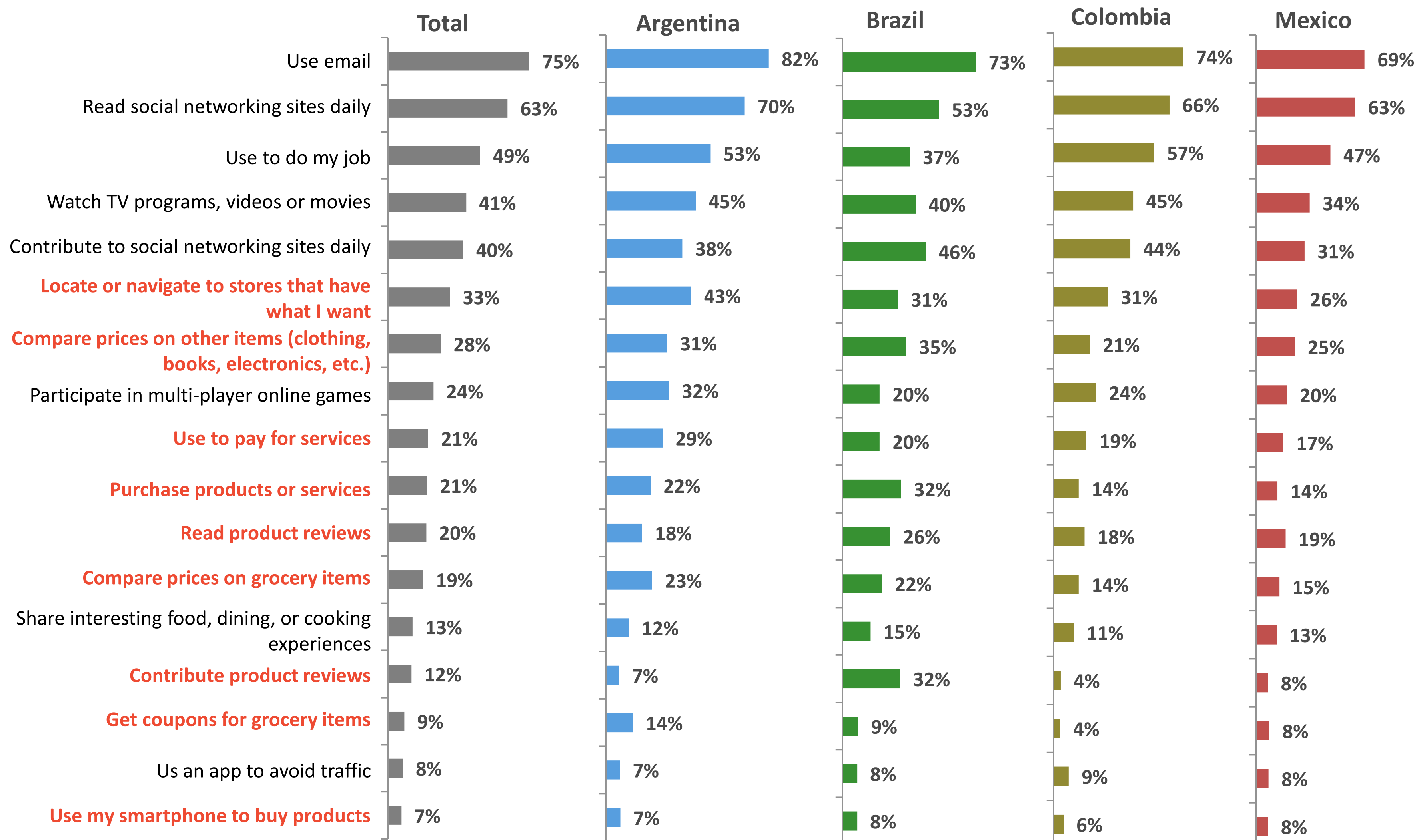
Figure 5.6
Internet access, existing and aspired, across classes



Total n=1,665. Upper n=466. Upper-Mid n=592. Middle-Mid n=376. Lower-Mid n=207. *How do you access the Internet in a typical week? (select all that apply).*

Email and social networking dominate Internet activities across countries

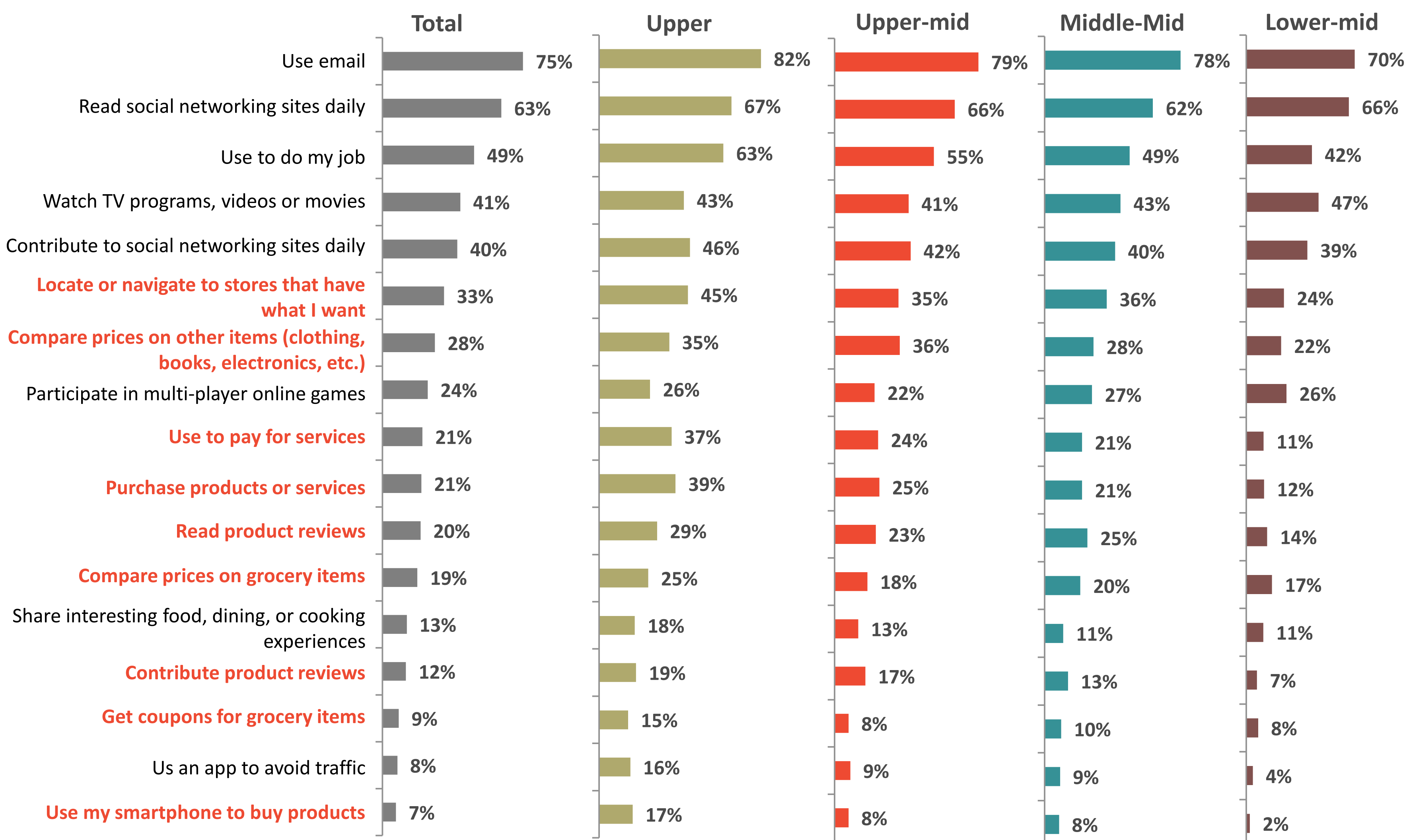
Figure 5.7
Weekly Internet activities by country



Total n=1,665. Argentina n=428, Brazil n=404, Colombia n=421, Mexico n=422. *In a typical week, what do you do online? (select all that apply)* Shopping related activities highlighted in **RED**

Email and social networking dominate Internet activities across classes

Figure 5.8
Weekly Internet activities by SEC



Total n=1,665. Upper n=466. Upper-Mid n=592. Middle-Mid n=376. Lower-Mid n=207. *In a typical week, what do you do online? (select all that apply)* Shopping related activities highlighted in **RED**

06

Conclusions and action steps

In this concluding chapter we highlight the principle findings of the study and offer "action steps" that will help modern retailers adapt to the changing technological, social, economic and cultural changes Latin America. The findings include:

- Reaching the emerging middle class
- Adapting to the evolution of food culture
- Meeting and exceeding the modern shoppers' expectations
- Leveraging the new age of consumer technology

The emerging middle class

In many cases, the so-called "class" experience is less about status than about the trajectory people are taking. Socially mobile consumers – those who have crossed class lines and sometimes made significant moves from the country to the city or from blue-collar jobs to professional ones – have different values from people who are not mobile. Understanding those trajectories and values helps retailers choose products and ways to communicate with customers whose needs and desires are changing along with their rising economic fortunes.

Despite the societal and political churn that accompanies such rapid socioeconomic change, most consumers remain positive about the progress their countries have made over the past decade. People who are socially mobile are dramatically more optimistic – and value self-improvement habits such as healthy eating and regular exercise more than people who remain in the same class.

Appealing to them – the emerging middle class and others crossing class lines amid Latin America's economic growth – is about catering to their increasing ability to afford prepared foods and other conveniences, offering products that match their values (such as organics for some segments) and creating retail environments that are comfortable social spaces where employees and information remind them of their trusted traditional market vendors.

Action steps to reach the emerging middle class

Recognize that the "emerging middle class" still prioritizes value in shopping behavior because their economic gains are often limited. Despite their lack of economic capital, however, they have strong aspirations for higher-quality foods in greater quantities and want to eat more healthfully. The more significant mobility among the higher SECs (MMC and up) is reconfiguring cultural definitions around taste and quality distinction:

- Self-improvement as well as health and wellness, e.g., organic and natural
- More time for socializing with friends and family
- Discovery and experimentation, e.g., higher-quality foods, global cuisine

Food culture in Latin America

As consumers move up the socioeconomic ladder, they adopt more modern approaches to cooking and eating and expect retailers to deliver what they need.

In particular, it’s imperative that retailers wanting more frequent visits locate stores in places that are easier to reach, even if that means smaller footprints.

Retailers also need to understand traditional ideas about fresh and service, both of which are grounded in the idealized municipal market and are now changing with the forces that accompany economic and technological growth.

Cultural changes have led to shrinking household sizes and more equipped kitchens, which translate into less cooking from scratch. People can now afford shortcuts to help them prepare food – an opportunity for retailers to provide prepared and packaged foods that appeal to ideals about fresh without being cooked from scratch at home.

That opportunity is enhanced by modern schedules that are exploding traditional mealtimes and social rules around eating. Retailers are called on to meet a variety of emerging needs stemming from more snacking and on-the-go occasions, a more liberal understanding of what can be eaten at mealtimes and an increase in people eating alone.

Consumers across classes aspire to eat higher-quality foods and beverages. They look for cues that food is high quality (e.g., artisanal and minimal processing) and distinctive (e.g., local, heirloom). They also see food as a gateway to improving their health. Although the concept of sustainability does not resonate with most consumers, they expect retailers to follow responsible business practices and to be good corporate citizens.

Action steps to address the evolution of food culture

Become a leader in promoting food literacy and help customers evaluate quality distinctions by partnering with popular chefs, food journalists, etc. Additionally, **make greater use of powerful narratives around sourcing**:

- **Geographic origin/unique varietal** (e.g., Malbec de Mendoza)
  - » Origins within a country can be as new and interesting as international ones, e.g., rainforest, mountains, coast.
- **Nostalgia** to cue historical simplicity (e.g., Criollo)
- **Culinary sanctification** via chef, magazine, food critics
- **Connections to culinary traditions** from a specific region in the world (Mole de Oaxaca)
- **Unique production methods** e.g., grass-fed beef from Argentinian Pampas
- **Small-scale/artisanal production** that recalls ideas of pre-industrial production (e.g., Pimenta Baniwa)

Leveraging private label is a way to introduce the emerging middle class to new culinary influences – “Gourmet econômica.”

Provision convenient meal solutions. Help customers adapt to the time-starved world in which they have increasingly less time for cooking from scratch. Make a greater investment in in-store food service, increase involvement and space to prepared foods and cross merchandise convenient meal solutions (e.g., meal kits). Further, offer packaged food solutions that appeal to Latin American cultural ideals about fresh. Develop marketing strategies around specific eating occasions (meal v. snack). Most importantly, prepare your organization structurally and culturally to adapt to more changes in the cultural rules around mealtimes as snacking and on-the-go occasions become increasingly relevant to more and more hectic lifestyles.

Invest heavily into health and wellness. As consumers look to food as part of the solution to their health aspirations, grocery retail is an obvious place for them to start their journey. Dedicate greater resources to meet the rising need for health and wellness-related products and services and greater space to emerging health and wellness products. Develop H+W-related private label (e.g., Taeq). Provide in-store healthy cooking classes and demonstrations, possibly through partnerships with local chefs and health professionals. Finally, leverage your weekly circulars to educate consumers on healthy eating and how your brand can support them in their journey to health and wellness.

Shopping patterns, preferences and expectations

People from all socioeconomic classes visit both modern stores (supermarkets, hypermarkets, club stores, cash and carry) and traditional shops (produce markets, bakeries, butchers) for routine shopping trips.

They all say they prefer large, modern stores that carry a wide selection of items at good prices and allow them to consolidate many traditional shopping trips into one.

But they actually shop at traditional channels more frequently – because those channels are closer to home. Their trips are driven by a need to replenish fresh perishables, such as produce, bread and dairy on an almost daily basis.

They also value traditional channels for their high-quality fresh foods and personalized service. Despite redundancies, they perceive these shops as offering more choice and flexibility; they can choose from various stalls and vendors. By contrast, modern stores often display only one product of each type.

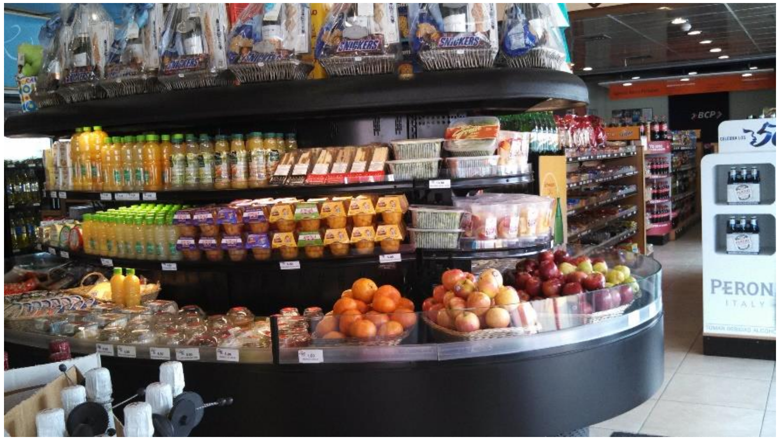
Consumers like modern stores for benefits that are not available from neighborhood markets, particularly good value and assortment. They're particularly valued by upper class consumers, who often can reach them more easily and who (like socially mobile shoppers) enjoy their new approaches to food and more nuanced ideas about fresh.

Action steps to meet and exceed shopper expectations going forward

The format of the future is **smaller footprints closer to where shoppers live**. Consider a variety of physical footprints to meet the specific needs of shoppers in well-defined geographical space.

Footprints **may not involve physical stores at all**. The online world will capture an increasing share of planned shopping trips, leaving brick-and-mortar retailers to capitalize on immediate, or impulse, needs. Planned stock-up trips can be made automatic for shoppers, particularly in low-engagement, high-turnover commodity-like goods like cleaning supplies and dry goods.

Smaller footprints seem to be ideal. Smaller stores can generate new growth, as already seen in several urban markets in Latin America (Sumesa, Bodega Aurerra in Mexico, and Todo Dia in Brazil, Surtimax in Colombia). It is easier to localize offerings in smaller formats to meet the needs of shoppers in well-defined market spaces. Brick-and-mortar retailers will continue to be in demand for immediate needs, and the closer to shoppers, the better.



As modern retail locates closer to shoppers, they are **blurring customary format boundaries**. While large-format footprints are shrinking, small-format footprints are growing. Bakeries, convenience stores, produce markets and even pharmacies are transforming traditional channel definitions of various departments including food service, deli, produce, and bakery.

The bakery, particularly in Brazil, has evolved from an assortment of bread, rolls and cakes to delicatessens (as they are called in Salvador) to hybrid bakery, convenience store and restaurant. Not to be outdone, gasoline posts have been adding sushi, fresh-prepared sandwiches, bakery and pizza to their portfolios of services, even fresh produce.

The convenience store model seems increasingly primed to **penetrate the traditonal, informal sector** of the neighborhood bodega; particularly in metropolitan areas with concentrations of higher SECs. Modern retailers can weaken the hold of the traditonal, informal sector by:

- Emphasizing foods and beverages for a variety of eating occasions
- Providing more intimate engagement/service
- Locating as close to consumers as possible

Approximate the shopping experience with the traditional market. Creating a comfortable, informative and easily accessible social space is key to attracting the lower SECs. Make the retail space a social space by injecting more elements of “food as theatre” with passionate counter personnel and more product narratives (e.g., origin, production techniques, varietals), make food sampling more strategic and offer cooking demonstrations.

Invest in human resources so that employees become an integral part of the brand. Speed up checkout with self-serve and offer in-store classes for both consumers and employees on a range of topics from knife skills to health and wellness.

Focus on perimeter departments where fresh is key (e.g., bakery, produce, meat and fish, deli). Invest in market-like produce displays, open production and an authentic sensory experience, e.g., skylights, natural lighting, wood, natural colors, live plants.

Pay close attention to adjacencies and entrance experience that detract from perceptions of fresh, such as powerful non-food aromas that can overpower the delicate and alluring aromas of real food. Locate flowers and bakery near entrances to activate consumer senses and set tone for trip, i.e., cue “fresh.”

The new age of consumer technology

Electronic media have broken down social and cultural distances across Latin America, transforming shopper expectations and values in several ways.

People gather information on the go now, and they have access to far more information to help them discover, collect and organize all sorts of food-related data from recipes to restaurant reviews to cooking advice to photographs of friends' delicious meals. Those social connections, which are made and nurtured more easily than ever before, allow people to share in ways that are fundamentally changing food culture and consumers' desires. Their expectations about convenience and access are changing as well.

Smartphones are not readily available in Latin America, so apps for making decisions and purchases are in a nascent phase. Most people access the Internet from home and use it for email and social networking, which creates enormous opportunities for retailers to establish online relationships with customers and potential customers quite early. Consumers also are discovering deals via online circulars, and although online purchases have yet to catch on, they are expected to as technology and consumers' access to it improves.

Action steps for retailers in the new age of consumer technology – digital strategy

Develop apps that go beyond lists, deals and social media, to pique customer interest in discovery and experimentation.

- Go beyond recipes to assist customers in meal planning, even as they move through the store.
- Enable customers to discover at-shelf deals with scanner.

Create community by making Wi-Fi available for use while shopping and draw emerging middle class shoppers.

- Activate on digital marketing, targeted offers, location-based offers, "social shopping" (e.g., Groupon), while building loyalty.
- Make it easy for shoppers to collect and pass along information online via social media.

Shopper marketing that includes digital technology such as smartphones and tablets could serve to generate foot traffic.

Focus on time-saving solutions over value.

The future of shopping in Latin America

Although modern retailers face many challenges in appealing to consumers in Latin America – among them, competing with traditional channels that are frequented for their fresh foods and proximity to homes – they also enjoy a host of opportunities to appeal to consumers who already favor their wide assortment of inspiring and well-priced items.

By considering the impact that urbanization (particularly traffic), shrinking household size and social mobility are having on consumers who are also experiencing increased buying power and high levels of optimism, several possible avenues for expansion become clear. Among them:

- Modern retailers need to make it easier for shoppers to reach them, possibly through smaller footprints that are already opening in some cities.
- Retailers can benefit from growing Internet access by offering online ordering, home delivery and one-on-one communication with customers via social media (including couponing, flash deals and loyalty programs).
- As health and wellness concerns become increasingly important – particularly for socially mobile consumers – shoppers will look to food as part of the solution. Like traditional vendors, retailers can become powerful partners by offering useful products and information.
- Fresh departments attract shoppers of all classes, and as large retailers come closer to city centers, their fresh offerings will be scrutinized by people considering shopping there daily.
- The emerging middle class and others are increasingly able to afford prepared and packaged foods, another possible driver and differentiator with people who want to grab something quick and flavorful.
- Modern retailers should consider creating inspiring shopper experiences akin to the storied municipal market, an endeavor that requires investments in recruiting, training and nurturing employees – particularly in fresh and perishable departments.

These are just a few of the possibilities opened up by Latin America's rapidly changing culture and demographics.

As the economies and social structures of the region continue to shift, there will be more – just as there are opportunities within particular countries and cities to appeal to more local ideas of fresh food, service and quality.

It's a grand economic and consumer and food adventure – and consumers are waiting to see what innovations await.

Appendix 1

Research objectives and methodology

Research Objectives

The Coca-Cola Retailing Research Council of Latin America has undertaken this research due to the incredible challenge and need for knowledge about how shopping patterns, values and use of technology are changing throughout the region. The objectives of the project were to examine three distinct yet interconnected areas of change:

1. The New (emerging) Middle Class

- Describe class and mobility in Latin America
- Identify how shopping patterns are changing with the various socioeconomic classes
- Detail how trip drivers (price, convenience, service, etc.) change with class mobility
- Identify how mobility alters preferences and expectations regarding product mix and payments methods

2. Retail-Format Use (Channel Selection) and Expectations

- Identify key channels and trip types
- Detail the motivations shoppers have for each format to better understand channel selection
- Identify the strengths and weakness of each format
- Explain why expectations are higher for one channel vs another; e.g., modern vs. traditional

3. Managing the New Age of Consumer Technology

- Describe how new technologies are likely to impact how consumers make decisions on where to shop
- Describe the impact of these new technologies on communication and marketing
- Summarize how well retailers are aligning with customer expectations in this new world of technology

Using the findings regarding these three critical areas of change, the goal of the Council is to provide retailers with clear action steps to help retailers best understand and address emerging shopper needs to best position their stores and marketing to win loyalty and additional business in the years to come.

Phase 1: Knowledge Discovery and Immersion

Extensive secondary research, case study and syndicated data review pertaining to retail trends in Latin America that served as the foundation for understanding how the social, economic and technological changes are driving shopper retail expectations and behavior.

- Personal interviews with CCRRC members regarding country-specific insights in regard to the evolving retail landscape
- Review and synthesis of previous CCRRC research and any country-specific research available
- Data mining of Hartman intellectual capital on Latin American consumer culture and food trends

Phase 2: Retail and Consumer Ethnography

Qualitative research included seven days of ethnographic fieldwork in each of four markets:

- Bogotá, Colombia
- Mexico City, Mexico
- Lima, Peru
- Salvador, Brazil

Markets were selected in consultation with the Council, based on size and differing rates of middle-class growth. Mexico City was chosen as representative of a major Latin American economic and cultural center. Bogotá and Lima were selected, as they represent mid-sized cities that have enjoyed significant middle-class growth over the last decade. According to the World Bank, 14 million Colombians belong to the middle class, rising from 15 to 28 percent over the past 10 years. Lima was identified as the Peruvian economy is considered the great “Latin American miracle” by some observers because of rising Asian demand for copper and gold. The Peruvian economy grew by 8.8% in 2010 and 7% in 2011. Peru’s middle class is also among Latin America’s largest. Salvador, Brazil, represents a smaller market, but one with significant social and economic growth and a rather unique grocery retail environment.

The Council greatly facilitated the ethnographic phase by making key team members available to help in the identification of the most relevant format, local history, and the most appropriate areas of the cities to investigate, providing logistical support and making key personnel available to speak with us. On-the-ground fieldwork in each market included several research techniques:

- Key informant/market expert
- Retail landscape audits
- Personal interviews with personnel of Council members
- One-on-one, in-home consumer interviews with consumers representing a variety of social classes (e.g., A/B, C & D)

Key Informant/Market Expert

In each market, our team was accompanied by a local, bilingual food culture specialist. This individual was recruited for their depth and breadth of knowledge of local and national culture and a high degree social connectedness and understanding across social strata. The role of the Key Informant was to:

- Suggest "must see" examples of best retail practices where socioeconomic change is most apparent
- Introduce the team to key players in the evolution of retail locally
- Aid in the description and interpretation of both major and minor changes to the retail landscape
- Identify and explain the transformation of consumers' expectations and behaviors regarding the retail experience

Retail Landscape Audits

Retail landscape audits are holistic, sensorial evaluations of the shopper retail experience, using our trained analysts as the instruments of data collection. They are important means by which to identify the key elements that contribute to a positive retail experience.

A minimum of 10 audits were conducted in each of the four markets. Comparing elements across the variety of retail formats permits the identification of specific opportunities that resonate with specific consumer segments, especially the emerging middle class. In order to understand socioeconomic differences, retail locations were sampled from both the city center and the periphery of each market, including the gray market. During many of these store audits, we were able to conduct impromptu interviews with both proprietors and shoppers.

Summary of Ethnographic Research

	Retailer Interviews	Store Visits	Consumer Interviews
Bogotá	9	20+	8
Mexico City	4	36+	8
Lima	6	34+	8
Salvador	8	32+	8
TOTAL	27	122+	32

One-on-One Interviews with Personnel of Council Members

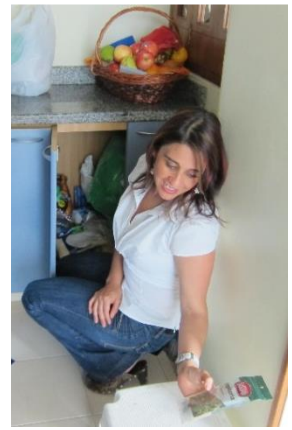
With the close and intense collaboration of Council members, we conducted interviews with store management and staff, as well as executive team members of several retailers in each market.

In-home Consumer Interviews

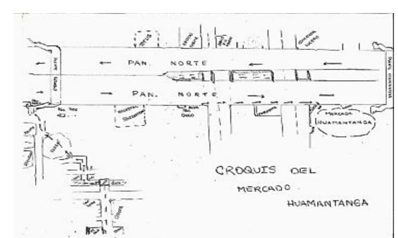
This method offered on of the best ways to uncover how the emerging middle classes are changing their shopping behavior as it allowed the ability to probe in a way that is not possible using traditional survey research.

- 8 in-depth consumer interviews were conducted in each market with respondents representing a variety of social classes (e.g., A/B, C & D)
- Semi-structured discussion guides allowed us to dig deep into the motivations which drive channel selection, their perceptions regarding the strengths and weaknesses of each relevant channel shopped, and the role of technology in shopping behavior (e.g., Internet, social media and mobile devices)

- We toured the home of each respondent in order to ensure a direct correspondence between what consumers say they do and what they actually do
  - » Photographic inventories were made of pantries, refrigerators and other food storage spaces, as well as those areas containing personal care and cleaning supplies



- Homework was assigned to most consumers interviewed.
  - » For some participants, the homework was to make a map of all the places they shop for groceries over the course of a month, including a photo of all the places they get food: grocery store, convenience store, farmers market, online, vending, restaurant, fast food, street food, etc.
  - » For others, we accompanied them to their principle destination for groceries to better understand the attributes that drive shopping trips.



Phase 3: Quantitative Consumer Surveys

Shopper Sample

- Total Sample size: n=1,675 general population adults from four countries
  - Argentina, n=428
  - Brazil, n=404
  - Colombia, n=421
  - Mexico, n=422
- Screened for significant involvement in grocery shopping, ages 18-65 years
- Balanced and weighted for SEC level, gender and age groups within each country
- All 4 countries weighted evenly to prevent overrepresentation of any one country
- Internet access and literacy naturally excluded individuals in the lowest socioeconomic levels

Online Survey

- 30 minute online survey fielded over 6 days (including weekends and weekdays)
- Translated into Spanish (Argentina), Portuguese (Brazil) and Spanish-localization (Colombia and Mexico)
- Survey topics: Socioeconomic class and mobility, attitudes on progress of country/family/self, values, channel selection, shopping frequency, trip type, product categories and digital technology/Internet access

Analysis

- Comparisons across counties and within countries, as sample allows
- Socioeconomic class across countries* and within countries
- Emergent middle class over the last decade
- Frequent/infrequent stress points
- Cultural values
- Shopping frequency and channel reach
- Trip types in relation to channel selection and product categories
- Channel attributes/preferences
- Internet access and digital technology behavior, current and desired

Appendix 2

Consumer profiles

LC

ISABEL (Lima - San Juan de Miraflores, Peru)

Age: 25

Civil Status: married

Children: 2 children (2, 5)

Occupation: Homemaker

Education: Technical

SEC: D

Shops at:

- Tottus for non-perishables
- Municipal market for fresh foods

Background:

- Shares a 3 story home with 3 other siblings, but each is responsible for their own shopping.
- Goes to the supermarket when promotions are available.
- She is trying to put her youngest sister through college.






LC

LINDOMAR (Salvador – Cajazeiras, Brazil)

Age: 26

Civil Status: Single (girlfriend lives with him and his mother)

Occupation: Cook at Outback

Education: Technical School

SEC: D

Shops at:

- Atacadão (cash& carry) 1/wk
- Fills in at Melhor Preço

Background:

- Daily commute of 1.5 – 2.5 hours each way.
- Mom works as a domestic servant in Center, which has taught her a lot about how the family can eat healthier.
- Pays taxi about R$14 (~US$7) to make weekly trip to cash and carry.

ANA (Salvador - Fazenda Grande 4, Brazil)

Age: 44

Civil Status: married

Children: 2 children (13, 19)

Occupation: Hairdresser

Education: High School

SEC: C-

Shop at:

- Melhor Preço once a week and other small super markets close by.
- She buys bread every day from a small bakery at the end of her street.

Background:

- Because she has no car, mainstream retail grocery is too far for her.
- Contact with her clientele has created a desire to eat healthier and try new foods such as aged cheeses.
- She is a regular viewer of *Bem Estar* (well being) on TV Globo.

LMC JESSICA (Lima – Centro/Cercado, Peru)

Age: 36

Civil Status: Partner

Children: 2 children (2, 14)

Occupation: Homemaker (works part-time at school). Husband is a member of the police force band.

Education: High School

SEC: C2

Shops at:

- Metro, Tottus or Plaza Vea, depending on the "ofertas" she discovers through TV commercials
- Municipal market and Bodegas for fresh

Background:

- She only buys produce at mainstream markets when they are on sale.
- She believes that frozen meats at the supermarket are inferior to those of the Mercado.
- Couple from areas traditionally associated with Peruvian cuisine (Lima and Chiclayo), where they were raised to demand traditional cuisine: "Peruvian flavor."
- The modern retail is treated as an entertainment space for surplus spending and lets them critically explore "modern" products such as sausage.

LMC MONICA (Lima - San Juan de Lurigancho, Peru)

Age: 41

Civil Status: Married. Mother lives with her and sister's Family lives upstairs.

Children: 3 children (10, 14, 21)

Occupation: Homemaker

Education: High School

SEC: C2

Shop At:

- Metro or Plaza Vea for non-perishables 2/month
- Buys bread at bakery daily
- Municipal Market for fruits and vegetables 2-4/week

Background:

- She avoids processed food.
- Believes that the traditional market is better than modern grocery for fresh foods because they arrive direct from producer.
- Enjoys going to modern retail on the weekend because there are activities for children nearby.
- She likes to shop with her Metro credit card to take greater advantage of promotions.

LMC NAIFIR (Bogotá – San Cristobal, Colombia)

Age: 27

Civil Status: Married

Children: 3 children (3, 9, 11)

Occupation: Sales Representative

Education: High School

SEC: NSE 2

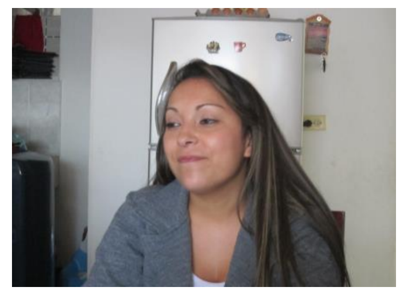
Shops at:

- Shops Éxito 2/month for non-perishables
- Shops Surtimax in her neighborhood as a fill-in option
- Buys fresh produce at neighborhood produce market (*fruver de barrio*)
- San Cristobal municipal market 1-2/month for meats and produce

Background:

- Informal neighborhood market for fill-in when she lacks cash
- Works various jobs because she is driven to have higher living standards and material comforts



LOREANA (Bogotá - Kennedy, Colombia)

Age: 28

Civil Status: Married

Children: 1 daughter (3)

Occupation: Accountant

Education: College

SEC: NSE 3

Shops at:

- Éxito 1-2/month for non-perishables
- Municipal market for fresh produce
- Surtimax and Cooratiendas for fill-in trips of non-perishables

Background:

- On weekends they try to visit different and more expensive restaurants that provide a "familiar experience."
- They are becoming more experimental with foods
- They have begun to eat more seafood, frozen ravioli, ketchup and olive oil.
- They are now looking for low prices on imported foods.
- Believes that the municipal markets are not as nice, but believes that the produce is fresher than in more modern retailers.

LMC MERY (Lima- Villa de Salvador, Peru)

Age: 43

Civil Status: Married

Children: 2 children (12, 15)

Occupation: Homemaker. Husband, Circo (50), works in a food distribution warehouse.

Education: High School

SEC: C2

Shops at:

- Tottus or Plaza Vea for non-perishables 1/week
- Municipal market for fruits and vegetables

Background:

- Rooted in their Andean hometown, they have replicated their former lifestyle to the degree possible in Lima (semi-rural and isolated)
- She still makes homemade bread in a backyard hearth, and cooks with many ingredients brought from her hometown because she associates them with healthy nutrition.






MMC ANGELA (Bogotá - Usaquen, Colombia)

Age: 24

Civil Status: Partner

Children: 1 son (6)

Occupation: Teacher

Education: College

SEC: NSE 4

Shops at:

- Comunale, a chain of neighborhood stores of various formats (Fruver grocery and general), for all her grocery needs except meat and produce.
- Shops at Surtimax for fill-in

Background:

- Since she had a child, she is much more interested in health and wellness.
- She believes that it's difficult to eat healthy (fresh) with the hectic lifestyle her family has.
- She feels that mainstream retail grocers are expensive, so she shops smaller neighborhood formats because they are so much closer and she spends less time shopping.
- She also likes that smaller stores can deliver her groceries for her.

ELIZABETH (Mexico City - Narvarte, Mexico)

Age: 37

Civil Status: Single. Lives with sister and 4 cats.

Children: None

Occupation: Optometrist Assistant

Education: College

SEC: C

Shops at:

- Costco for paper products and dry cat food 1/ 4-6 weeks
- Superama 1/week for non-perishables and fill-in trips
- Super ISSSTE 2/week for cat food (cans)
- Mercdo de 100 (itinerant organic food market) 2/month
- Nutralmex 2/month for health foods

Background:

- Digestive problems have caused her to become more interested in health and wellness products, and she is gluten free.
- Her biggest wish in life is to have more time.

MMC JESIKA (Lima – San Martin de Porres, Peru)

Age: 39

Civil Status: Married. Mother lives in flat below, and brother lives in flat above.

Children: 2 girls (6, 9)

Occupation: Homemaker

Education: Technical School

SEC: C

Shops at:

- Makro for non-perishables 1/ 2-3wk
- Plaza Vea for perishables 1/wk
- Independencia, Mercado Local, and Bodega
- Fills in at the neighborhood corner store.

Background:

- Looking to make the most efficient use of money on name brands and highest quality.
- Is willing to buy produce anywhere she shops.
- Uses Plaza Vea credit card to better manage her spending.
- Despite in the fact that she has more time for cooking, she looks for convenient meal solutions whenever possible.

MMC IVANA (Salvador - Cajazeiras, Brazil)

Age: 35

Civil Status: Married

Children: None

Occupation: Secondary school teacher and part-time clothing sales

Education: College

SEC: C

Shops at:

- Atacadão for non-perishables 2/month
- Extra in near the center of Salvador 1/month or when she is in the area
- Municipal market 1/week
- Super Market Ideal for special occasions

Background:

- She laments that there is no Notary or shopping mall in the area, making special trips necessary.
- She is excited that Cajazeiras now has its own Subway, Boticário, and a Cacau Show.
- She never buys with credit.
- Beginning about 3 years ago she has become increasingly concerned with eating healthier.

MMC LAZARO (Salvador - Imbui, Brazil)

Age: 45

Civil Status: Married, and nephew lives with him:

Occupation: 2 jobs: Teacher and Criminal Investigator

Education: College

SEC: C

Shops at:

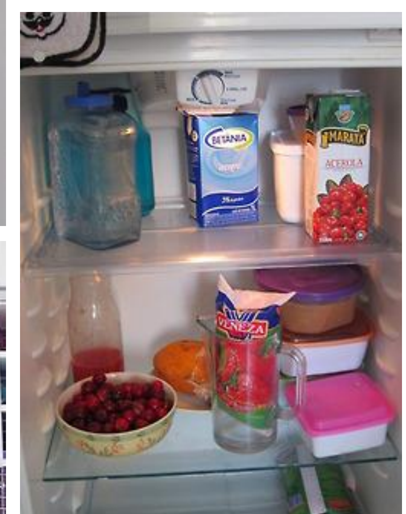
- *Cesta do Povo* (State-supported supermarket used state employees) 1/month for many non-perishables and frozen meats and chicken.
- Redimix (Cash & carry) and/or Bom Preço for non-perishables and perishables
- Neighborhood bakery/delicatessen for fill-in
- Produce market or itinerant vendor (Kombi) that passes regularly in front of his condominium for perishables

Background:

- His mom and sister come over to help him with cooking during the week.
- The cash and carry store is used frequently as it is very close to his home.
- He prefers to shop at retail grocery which does not have long check out lines as he feels he already has limited to time for doing the things he likes to do like spending time with his family.





MARGARITA (Mexico City – Colonia Roma, Mexico)

Age: 55

Civil Status: Married

Children: 2 adult children

Occupation: Retired Journalist

Education: College

SEC: C+/B

Shops at:

- Superama for non-perishables and some produce 1-2/week
- Mercado Medellin in Colonia Roma for produce three times per week

Background:

- She and her husband are much more health conscious as their concern about diabetes and weight gain has increased
- She notes that the more traditional barrio in which she lives has changed drastically over the last decade or so. Convenience store chains like 7-Eleven and Oxxo have replaces the ubiquitous informal neighborhood markets, there are more pharmacies, houses have been turned into offices and there are less people to be seen on the street.

JORGE (Salvador - Cabula, Brazil)

Age: 65

Civil Status: Married

Children: 2 children (33, 30)

Occupation: Retired, but operates a tourism agency.

Education: College

SEC: B

Shops at:

- Extra or G Barbosa 1/month for non-perishables and occasional fill-in trips
- Neighborhood bakery/delicatessen 3-4/week
- Produce market 1/week

Background:

- He and his wife have become increasing aware of the their health and healthy eating practices: reducing red meat consumption, eating more salad, using alternative sweeteners.
- He and his wife have been making typical Brazilian foods with more healthy ingredients.
- Drinking more wine because the quality available in Salvador is much greater today.

JOHN WALTER (Mexico City – Colonia Condessa, Mexico)

- **Age:** 31
- **Civil Status:** Single
- **Children:** None
- **Occupation:** Cultural Producer
- **Education:** College
- **SEC:** B
- **Shops At:**
  - Superama (high end banner of Walmart) or Sumessa (neighborhood version of Commercial Mexicana) 1/week for non-perishables and perishables
  - When he has more time, he will shop at Walmart or Commercial Mexicana ("Comer") for non-perishables

Background:

- Health conscious, but open to occasional indulgence.
- He believes that his Millennial generation is much more open to culinary exploration and, with greater internet penetration, it will grow in importance.
  - "Food is coming to resemble fashion"
- He likes to shop City Market, but it is too expensive to shop there for everything or too often.






UC CLAUDIA (Bogota - Gratamira Real, Colombia)

Age: 44

Civil Status: Married

Children: 2 children (9, 13)

Occupation: Homemaker

Education: College

SEC: NSE 5

Shops at:

- Éxito 1-2/month for non-perishables
- Codabas Norte and Canasta Campesina for perishables 1-2/week
- Carulla for special occasions
- Bakery 2-3/week

Background:

- Travels a lot and is disappointed that it is difficult to find broccoli and zucchini in the grocery stores of Bogota.
- She believes that lately there has been an increase in the variety of groceries, wines and cheeses in Colombia.
- She loves to shop in the municipal market because of atmosphere.
- She enjoys Codabas Norte (http://www.codabas.com/) because you can encounter everything that you would customarily find in the municipal market, but the quality is higher and the space is much cleaner.

UC VERONICA (Mexico City - Benito Juarez, Mexico)

Age: 43

Civil Status: divorced

Children: 2 boys (7, 9)

Occupation: Sells Mary Kay

Education: College

SEC: D

Shops at:

- Walmart 3/week for non-perishables and perishables
- Comercial Mexicana or Superama 2/month for fill-in trips
- Municipal market for perishables 2/week

Background:

- Convenience and children acceptance drive her purchase decisions
- If she had more time and resources, she would like to shop regularly at City Market
- Walmart is her preferred shopping destination because of the proximity and low prices

Appendix 3

Retail channel profiles

Channel Profile template key:

[Store type]

[Summary of store attributes and qualities]

Strengths

- [list of store type strengths – over-index]

Weaknesses

- [list of store type weaknesses – under-index]

[Shopper quotes regarding store type,

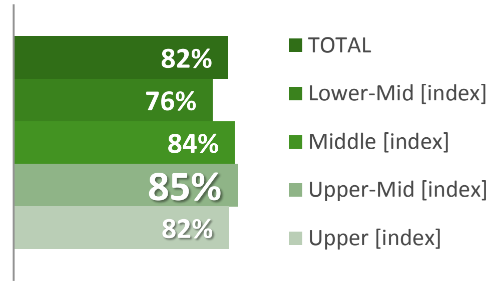
Response to question B26/27: “If you could choose any new store/shopping area to move into your neighborhood, who would you want to move in?” / “Why is that?”]

00% [Percent of consumers who shop story type at least once in the past 3 months]

Average Shopping Frequency:

0.0 [Number of visits per month]

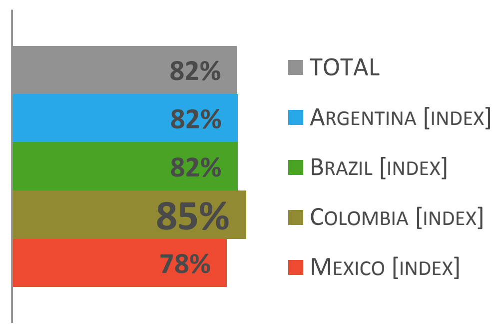
[Channel penetration by class]



Top Grocery Basket Items

1	[item 1]	91%
2	[item 2]	27%
3	[item 3]	13%
4	[item 4]	12%
5	[item 5]	11%

[Channel penetration by country]



Top Channel Drivers

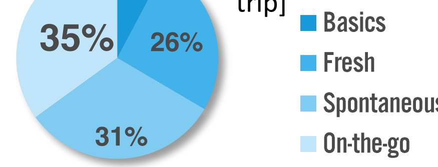
1	[driver 1]	36%
2	[driver 2]	34%
3	[driver 3]	32%
4	[driver 4]	32%
5	[driver 5]	26%

Distance:

00 minutes

[Average time consumer uses to travel ‘one-way’ to preferred store type]

[Share of store visits for each type of shopping trip]



TRADITIONAL
Small Format

Channel Profile:
Bakery

Many bakeries have expanded beyond fresh bread, capitalizing on high traffic patterns to expand into deli and other quick-serve items. Consumers visit this channel most often, not only to supply their home kitchens, but more often for a quick bite on-the-go.

Strengths

- High-quality perishables
- Friendly, knowledgeable staff
- Some in-store dining and catering
- Easy access/close proximity, driving high shopping frequency

Weaknesses

- Limited non-bakery items

Shoppers voice "Why I love my bakery"

"If there were a bakery in the neighborhood, I'd go there every day." (Brazil)

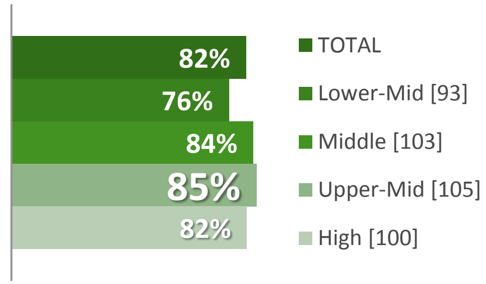
"A bakery that would sell everything and also have soups and assorted snacks." (Brazil)

"Because of the comfort, convenience and modernity." (Brazil)

82% of consumers shop **Bakery**

Average Shopping Frequency:
13.4 visits per month

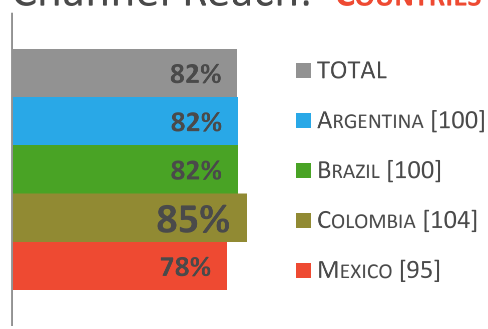
Channel Reach: SEC Segments



Top Grocery Basket Items

1	Bread	91%
2	Crackers	27%
3	Snacks (sweet & salty)	13%
4	Cold cuts and cheeses	12%
5	Dairy	11%

Channel Reach: Countries

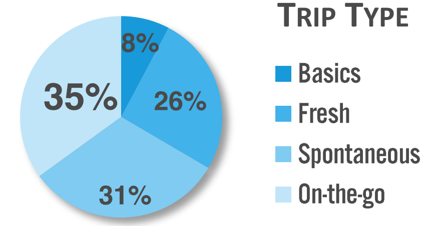


Top Channel Drivers

1	High quality perishables/fresh foods	36%
2	Good assortment of high quality items	34%
3	Friendly, knowledgeable staff	32%
4	Short check-out lines	32%
5	A store that suits me	26%

Distance:
9 minutes
Average travel distance (one-way)

Trip Type



TRADITIONAL
Small Format

CHANNEL PROFILE:
Butcher/fish market

Like produce markets, butchers and fish markets are valued for their fresh foods and knowledgeable vendors.

Strengths

- Good assortment of high-quality fresh foods, something that's particularly highly valued by Argentinians shopping this channel
- Friendly, knowledgeable staff
- Relatively easy access/close proximity

Weaknesses

- Potential hygiene issues
- Minimal promotions, which is important to lower and middle socioeconomic classes

Shoppers voice "Why I love my butcher/fish market"

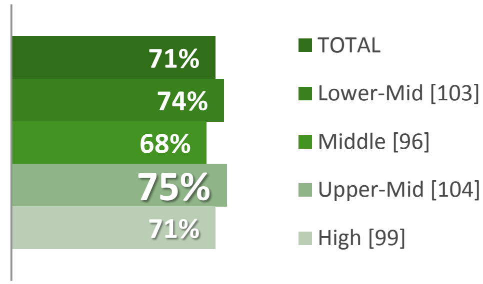
"Healthier and tastier" (Argentina)

"It will help us to improve our diet" (Argentina)

71% of consumers shop **BUTCHER/FISH MARKET**

AVERAGE SHOPPING FREQUENCY:
7.7 visits per month

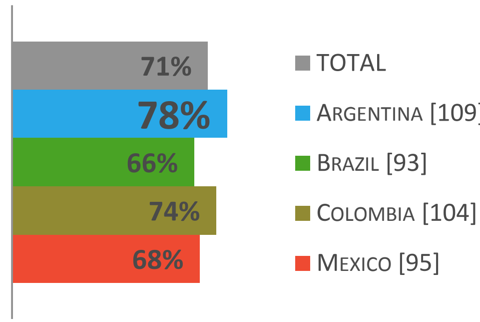
Channel Reach: SEC SEGMENTS



Top Grocery Basket Items

1	Meats	88%
2	Fish	68%
3	Poultry	27%
4	Eggs	18%
5	Cold cuts and cheeses	12%

Channel Reach: COUNTRIES

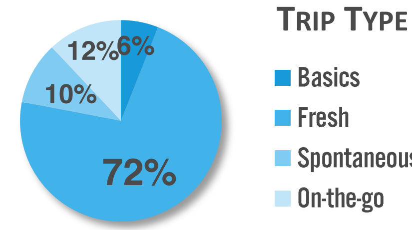


Top Channel Drivers

1	High quality perishables/fresh foods	46%
2	Good assortment of high quality items	44%
3	Friendly, knowledgeable staff	37%
4	Easy access to location	29%
5	Short check-out lines	26%

Distance:
12 minutes
AVERAGE TRAVEL DISTANCE (ONE-WAY)

TRIP TYPE



MODERN
Large Format

Channel Profile:
Cash & carry with no membership

Although people have to drive a long way to reach a cash and carry store, they often find the values on a large assortment of products to be worth it.

Strengths

- Value on a large assortment of products, particularly non-perishables
- In-store financial services
- Ample parking

Weaknesses

- Not a primary destination for produce, which is treated more as an impulse item
- Great travel distance, resulting in low shopping frequency
- Shopping experience is uninspiring

Shoppers voice "Why I love my cash & carry"

"Because it is a complete store, I would go more times per month to the same store that was going to fulfill my needs." (Brazil)

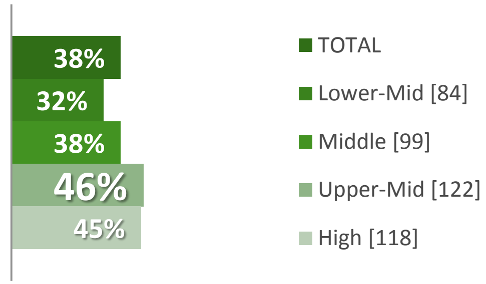
"Products in large quantities at more affordable prices." (Brazil)

"It is far. And they have sales I could take advantage of with my family." (Argentina)

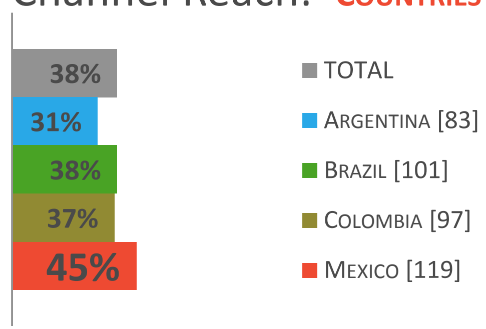
38% of consumers shop **Cash & Carry**

Average Shopping Frequency:
2.3 visits per month

Channel Reach: SEC SEGMENTS



Channel Reach: COUNTRIES



Distance:
31 minutes
Average travel distance (one-way)

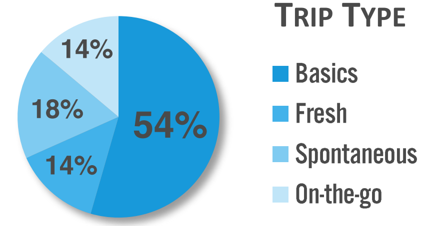
Top Grocery Basket Items

1	Personal hygiene	79%
2	Cleaning supplies	76%
3	Dry goods	72%
4	Canned goods	66%
5	Dairy, Crackers (tie)	60%

Top Channel Drivers

1	Promotions (e.g., sales & demos)	41%
2	Large assortment of products	30%
3	Good assortment of high quality items	28%
4	Easy access to location	26%
5	High quality perishables/fresh foods	25%

Trip Type



MODERN
Large Format

CHANNEL PROFILE:
Club or warehouse with membership

Upper classes in particular are willing to pay for club memberships, because they get not just value, but the chance to explore and discover new products and deals.

Strengths

- Experience is huge with club and warehouse stores, and discovery is a major attraction
- Large assortment of products, including global and gourmet foods
- Good values for basics like toilet paper
- Ample parking

Weaknesses

- Requires membership, which tends to exclude lower-middle class shoppers
- Not primary destination for produce, which is treated more as an impulse item in club stores
- Travel distance means low shopping frequency

Shoppers voice "Why I love my club store"

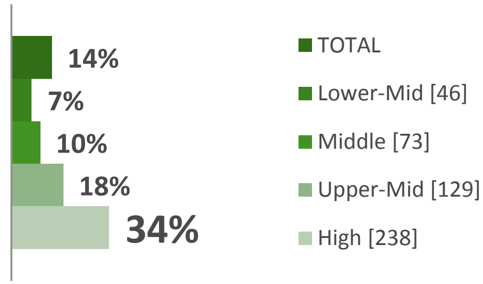
"I like the products that they have, good promotions, they are easy access, ample parking and high-quality imported products." (Mexico)

"I love the experience, not just to buy…has a wide variety of products and a good area to eat there." (Mexico)

14% of consumers shop **CLUB OR WAREHOUSE**

AVERAGE SHOPPING FREQUENCY:
2.4 visits per month

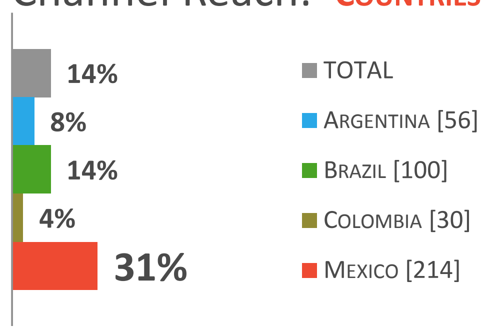
Channel Reach: SEC SEGMENTS



Top Grocery Basket Items

1	Personal hygiene	68%
2	Cleaning supplies	66%
3	Cold cuts and cheeses	53%
4	Breakfast cereals	52%
5	Crackers	51%

Channel Reach: COUNTRIES

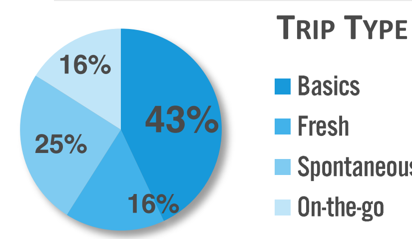


Top Channel Drivers

1	Promotions (e.g., sales & demos)	32%
2	High quality perishables/fresh foods	30%
3	Large assortment of products	28%
4	Good assortment of high quality items	27%
5	A store that suits me	21%

Distance:
33 minutes
AVERAGE TRAVEL DISTANCE (ONE-WAY)

TRIP TYPE



Channel Profile:
Convenience store (no gas station)

MODERN
Small Format

Shoppers run into convenience stores for sodas, snacks and staples to fill-in between major shopping trips. They also value them for carrying high-quality fresh foods.

Strengths

- Access including speedy check-out is key
- Products people need in a hurry, from beverages and snacks to high-quality fresh foods
- Prepaid phone cards
- In-store financial services

Weaknesses

- Limited food items

Shoppers voice "Why I love my convenience store (no gas station)"

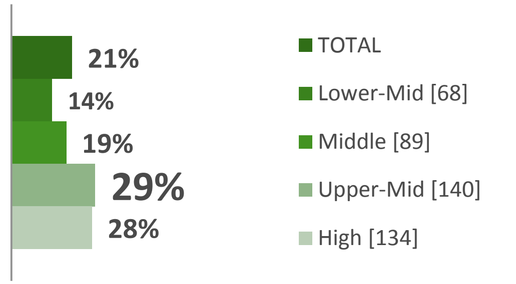
"They are all the more indispensable for unexpected occasions." (Mexico)

"Because it has lots of variety and is 24 hours." (Colombia)

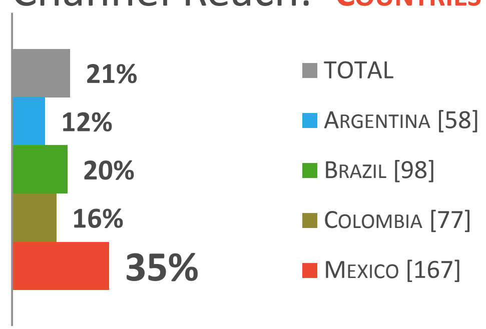
21% of consumers shop CONVENIENCE STORE (NO GAS STATION)

AVERAGE SHOPPING FREQUENCY:
4.7 visits per month

Channel Reach: SEC SEGMENTS



Channel Reach: COUNTRIES



Top Grocery Basket Items

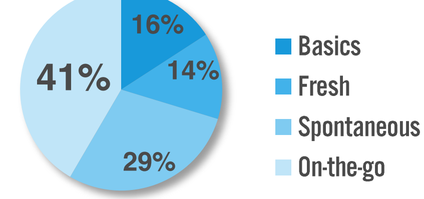
1	Sodas	39%
2	Crackers	34%
3	Snacks (sweet & salty)	33%
4	Dairy	30%
5	Bread	27%

Top Channel Drivers

1	Easy access to location	27%
2	Good assortment of high quality items	25%
3	High quality perishables/fresh foods	25%
4	A store that suits me	25%
5	Short check-out lines	19%

Distance:
16 minutes
AVERAGE TRAVEL DISTANCE (ONE-WAY)

TRIP TYPE



MODERN
Small Format

CHANNEL PROFILE:
Convenience store (with gas station)

Many consumers often stop for gas, snacks and a six-pack of beer or a bottle of wine on the way home. Others are just looking for something that will provide a quick energy boost or to help cook at home.

Strengths

- Access including speedy check-out
- Friendly, knowledgeable staff
- Prepaid phone cards
- In-store financial services

Weaknesses

- Limited food items

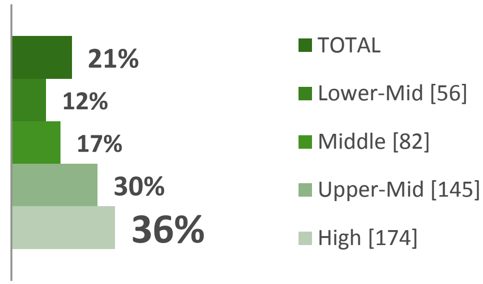
Shoppers voice "Why I love my convenience store (with gas station)"

"The stores or Express Bodegas close early and the Oxxo or 7 Eleven are open 24 hours a day 365 days a year." (Mexico)

21% of consumers shop **CONVENIENCE STORE (WITH GAS STATION)**

AVERAGE SHOPPING FREQUENCY:
4.1 visits per month

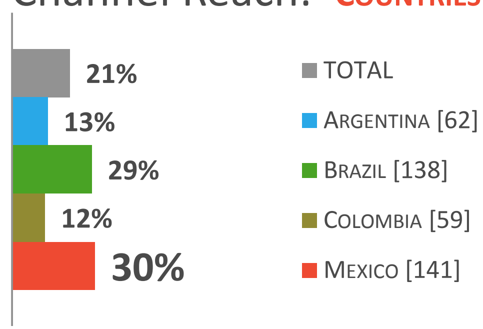
Channel Reach: SEC SEGMENTS



Top Grocery Basket Items

1	Snacks (sweet & salty)	37%
2	Sodas	35%
3	Crackers	32%
4	Wine, beer, alcohol	30%
5	Eggs, Bottled Water (tie)	26%

Channel Reach: COUNTRIES



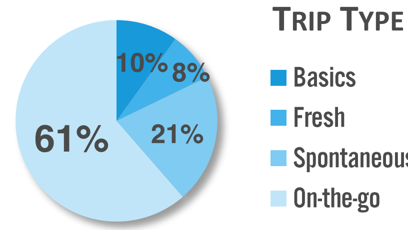
Top Channel Drivers

1	Easy access to location	39%
2	Short check-out lines	33%
3	Promotions (e.g., sales & demos)	22%
4	Friendly, knowledgeable staff	20%
5	High quality perishables/fresh foods	19%

Distance:
16 minutes

AVERAGE TRAVEL DISTANCE (ONE-WAY)

TRIP TYPE



MODERN
Other Format

Channel Profile:
Discount store

People love discount stores for their wide array of products and values on everything from cleaning supplies to dairy.

Strengths

- Great assortment of products
- Low prices, including promotions
- In-store financial services

Weaknesses

- Proximity is challenge for middle classes in peripheral areas of cities, resulting in only a few visits per month

Shoppers voice "Why I love my discount store"

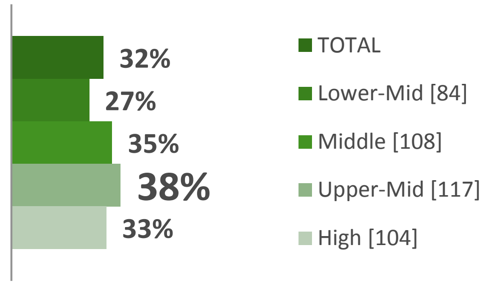
"Excellent prices on products." (Colombia)

"Because it offers ease of payment and promotions." (Colombia)

32% of consumers shop **Discount store**

Average Shopping Frequency:
2.7 visits per month

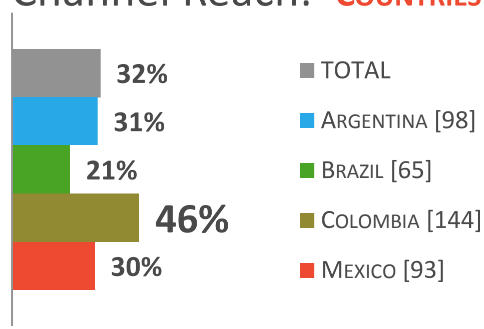
Channel Reach: SEC segments



Top Grocery Basket Items

1	Cleaning supplies	64%
2	Personal hygiene	64%
3	Dry goods	53%
4	Meats	45%
5	Dairy	44%

Channel Reach: Countries

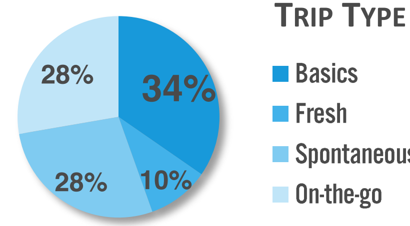


Top Channel Drivers

1	Promotions (e.g., sales & demos)	39%
2	Good assortment of high quality items	26%
3	High quality perishables/fresh foods	25%
4	Easy access to location	24%
5	Large assortment of products	23%

Distance:
26 minutes
Average travel distance (one-way)

Trip Type



MODERN
Large Format

CHANNEL PROFILE:
Hypermarket

Consumers across all classes report they love shopping at hypermarkets and would shop there more often if one came to their neighborhood.

Strengths

- Huge assortment with great values on commodities and brand-name products
- Good assortment of store brands valued in Mexico and to lower-middle classes
- Global and gourmet foods valued by higher classes
- In-store financial services
- Loyalty programs

Weaknesses

- Proximity is a challenge, particularly for middle classes in peripheral areas of cities, resulting in only a few visits per month
- Not a primary destination for fresh produce

Shoppers voice "Why I love my hypermarket"

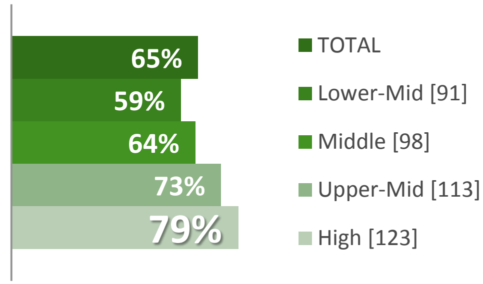
"I find many products (imported and/or gourmet) that are not available elsewhere." (Argentina)

"Loyalty program, bonuses, low prices, points for purchases, electronic money." (Mexico)

65% of consumers shop **HYPERMARKET**

AVERAGE SHOPPING FREQUENCY:
2.6 visits per month

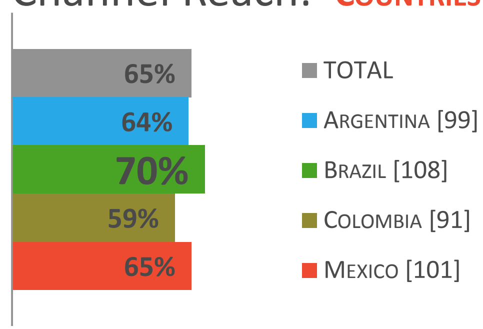
Channel Reach: SEC SEGMENTS



Top Grocery Basket Items

1	Cleaning supplies	73%
2	Personal hygiene	72%
3	Dairy	65%
4	Dry goods	64%
5	Condiments	62%

Channel Reach: COUNTRIES

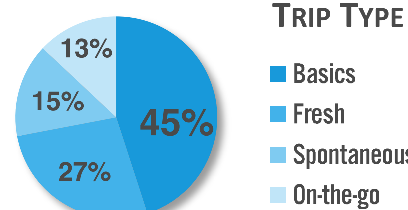


Top Channel Drivers

1	Promotions (e.g., sales & demos)	39%
2	Good assortment of high quality items	35%
3	Large assortment of products	30%
4	High quality perishables/fresh foods	23%
5	Easy access to location	20%

Distance:
32 minutes
AVERAGE TRAVEL DISTANCE (ONE-WAY)

TRIP TYPE



CHANNEL PROFILE:

Informal neighborhood market

TRADITIONAL
Small Format

Informal neighborhood markets are ubiquitous, located in close proximity for spontaneous and fill-in purchases.

Strengths

- High quality fresh foods
- Easy access and short check-outs, driving high shopping frequency
- Informal credit options
- Friendly, knowledgeable staff, which is more important to lower-middle classes

Weaknesses

- Limited assortment

Shoppers voice "Why I love my informal neighborhood market"

"I like to eat healthy." (Argentina)

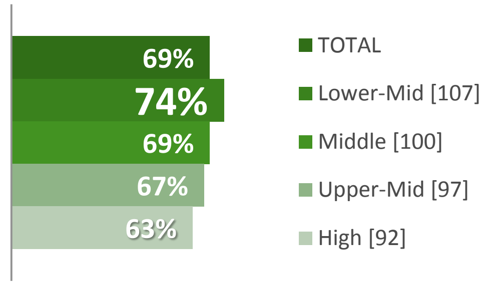
"Not having to waste time getting there." (Argentina)

"The shop in my neighborhood, we find everything and (at) very good prices." (Colombia)

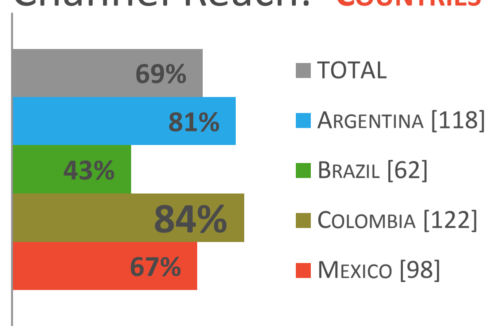
69% of consumers shop INFORMAL NEIGHBORHOOD MARKET

AVERAGE SHOPPING FREQUENCY:
11.6 visits per month

Channel Reach: SEC SEGMENTS



Channel Reach: COUNTRIES



Top Grocery Basket Items

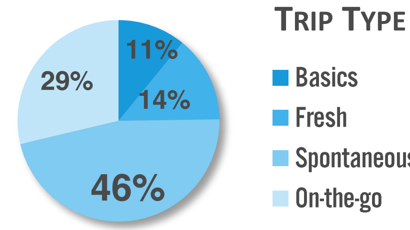
1	Eggs	58%
2	Bread	43%
3	Crackers	43%
4	Cold cuts & cheeses, dairy, sodas (tie)	33%

Top Channel Drivers

1	Easy access to location	46%
2	Short check-out lines	45%
3	A store that suits me	29%
4	Friendly, knowledgeable staff	28%
5	High quality perishables/fresh foods	27%

Distance:
9 minutes
AVERAGE TRAVEL DISTANCE (ONE-WAY)

TRIP TYPE



MODERN
Small Format

CHANNEL PROFILE: Mini-market/Express store

Also referred to as proximity markets, these smaller formats have fewer SKUs, but they save shoppers valuable time.

Strengths

- Easy access
- Easy-to-locate items in reduced size format
- Short check-outs, which are more important among higher socioeconomic classes
- Format features and product mix can be adapted to accommodate class differences

Weaknesses

- Although better than cash and carry, not currently a destination for fresh

Shoppers voice "Why I love my mini-market/express"

"Payment with debit, low prices and large stock of food." (Argentina)

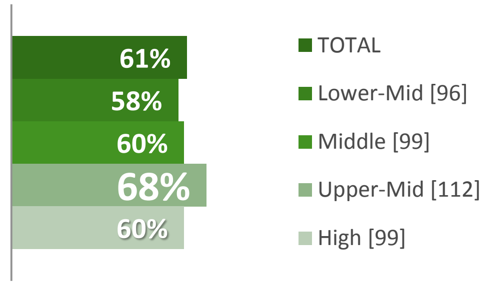
"Due to its proximity to my home and in general, they have more affordable prices (Argentina)

"To be able to go daily because there are certain items that I can't find in neighborhood stores and for the sales, because neighborhood stores increase the price like a supermarket." (Mexico)

61% of consumers shop MINI-MARKET/ EXPRESS

AVERAGE SHOPPING FREQUENCY:
4.7 visits per month

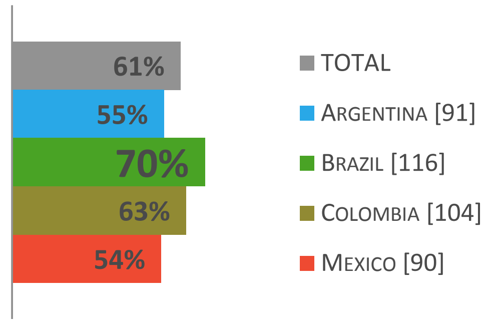
Channel Reach: SEC SEGMENTS



Top Grocery Basket Items

1	Crackers	46%
2	Eggs	44%
3	Dairy	40%
4	Cleaning supplies	40%
5	Dry goods	39%

Channel Reach: COUNTRIES



Top Channel Drivers

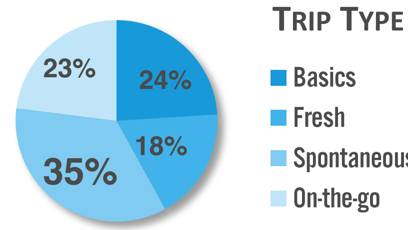
1	Easy access to location	33%
2	Short check-out lines	32%
3	Friendly, knowledgeable staff	24%
4	High quality perishables/fresh foods	24%
5	Promotions (e.g., sales & demos)	23%

Distance:

18 minutes

AVERAGE TRAVEL DISTANCE (ONE-WAY)

TRIP TYPE



TRADITIONAL
Large Format

Channel Profile:
Municipal market

A hallmark of the fresh, high-quality Latin American food shopping experience, municipal markets elicit almost mythical romanticism from consumers. The essential destination for cultural food exploration.

Strengths

- Large assortment of healthy, organic high-quality fresh foods
- Good assortment of prepared foods, including global and gourmet products
- Friendly, knowledgeable vendors
- Easy access

Weaknesses

- Proximity; potential hygiene issues

Shoppers voice "Why I love my municipal market"

"To get really fresh vegetables and fruit every day." (Brazil)

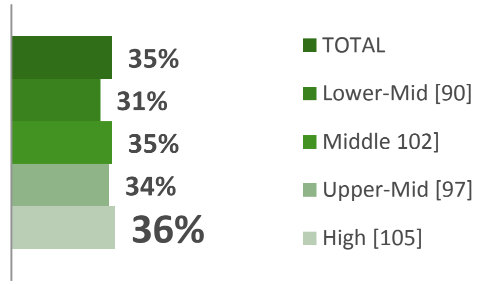
"Prices, vegetable quality and alternative options in all kinds of meats." (Argentina)

"It has low prices, which are more affordable, good quality products and quantity, good service." (Colombia)

35% of consumers shop **Municipal market**

Average Shopping Frequency:
5.1 visits per month

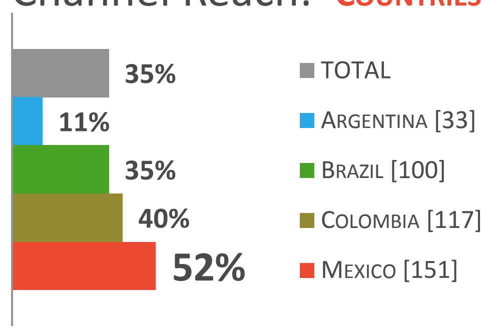
Channel Reach: SEC segments



Top Grocery Basket Items

1	Fresh fruits/vegetables	56%
2	Dry goods	36%
3	Poultry	30%
4	Meats	26%
5	Fish	24%

Channel Reach: Countries

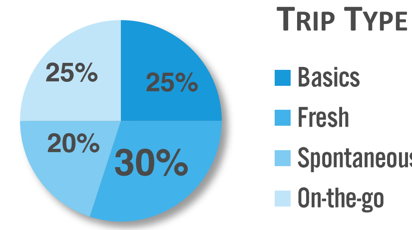


Top Channel Drivers

1	High quality perishables/fresh foods	38%
2	Good assortment of high quality items	28%
3	Good assortment of healthy/organic	27%
4	Short check-out lines	21%
5	Easy access to location	21%

Distance:
26 minutes
Average travel distance (one-way)

Trip Type



A3.12

CHANNEL PROFILE:

Online-only store

MODERN
Other Format

Only 13 percent of Latin American consumers make grocery purchases online, but that share is expected to grow with increasing online access.

Strengths

- Good prices or promotions
- Offer global flavors and gourmet foods
- Convenient ordering and home delivery
- Active social media

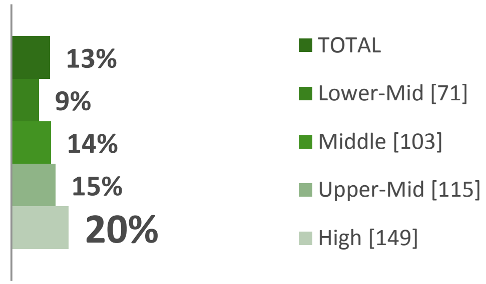
Weaknesses

- Distrust of quality of fresh products
- Technology/Internet access a major barrier

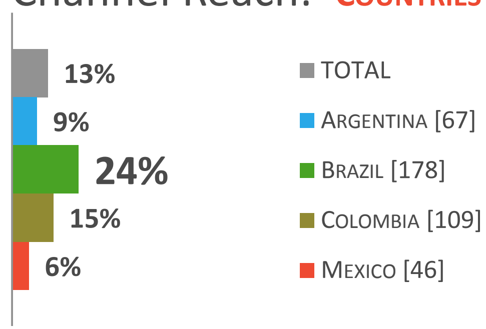
13% of consumers shop **ONLINE CHANNEL**

AVERAGE SHOPPING FREQUENCY:
2.9 visits per month

Channel Reach: SEC SEGMENTS



Channel Reach: COUNTRIES



Distance:

N/A

AVERAGE TRAVEL DISTANCE (ONE-WAY)

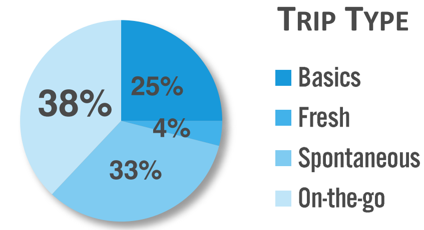
Top Grocery Basket Items

1	Personal hygiene	30%
2	Paper goods	28%
3	Mobile charge card	26%
4	Wine, beer, alcohol	19%
5	OTC meds/vitamins	18%

Top Channel Drivers

1	Promotions (e.g., sales & demos)	40%
2	Home delivery	37%
3	Online/phone ordering	32%
4	Good assortment of high quality items	20%
5	Large assortment of products	15%

TRIP TYPE



Channel Profile:

Pharmacy

MODERN
Other Format

Visited most often for medicine and vitamins, pharmacies have become major vendors for prepaid phone cards and other non-perishable items.

Strengths

- Friendly, knowledgeable staff
- Online or telephone ordering and home delivery
- Sense of security
- Proximity

Weaknesses

- Limited food items

Shoppers voice "Why I love my pharmacy"

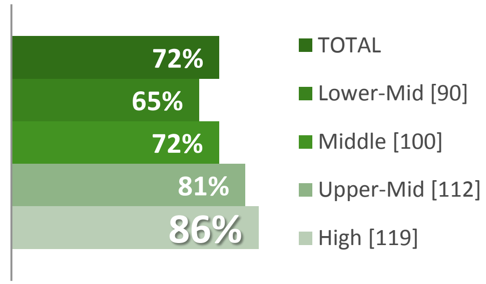
"Open 24 hours and I can buy medicine early in the morning because normally you get sick at night." (Mexico)

"Because in a pinch, having one close to home makes things easier." (Brazil)

72% of consumers shop PHARMACY

AVERAGE SHOPPING FREQUENCY:
3.0 visits per month

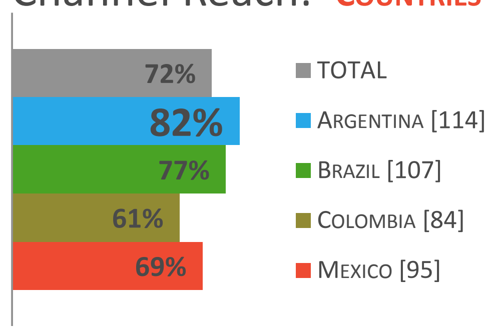
Channel Reach: SEC SEGMENTS



Top Grocery Basket Items

1	OTC meds/vitamins	76%
2	Personal hygiene	36%
3	Mobile charge card	11%
4	Cleaning supplies	10%
5	Paper goods	5%

Channel Reach: COUNTRIES



Top Channel Drivers

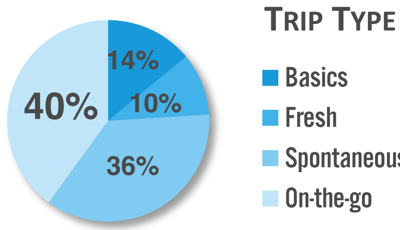
1	Friendly, knowledgeable staff	40%
2	Home delivery	32%
3	Good assortment of high quality items	31%
4	Easy access to location	29%
5	Short check-out lines	28%

Distance:

12 minutes

AVERAGE TRAVEL DISTANCE (ONE-WAY)

Trip Type



TRADITIONAL
Small Format

Channel Profile:
Produce market

Produce markets exemplify the idea of fresh and the ideal of scratch cooking. Consumers appreciate the personal service from trusted vendors.

Strengths

- Wide assortment of healthy, organic, high-quality fresh foods that are valued more by shoppers in higher socioeconomic classes
- Easy access
- Friendly, knowledgeable staff

Weaknesses

- Limited non-produce categories

Shoppers voice "Why I love my produce market"

"Because I believe that we need more healthy foods and that don't come in cans." (Brazil)

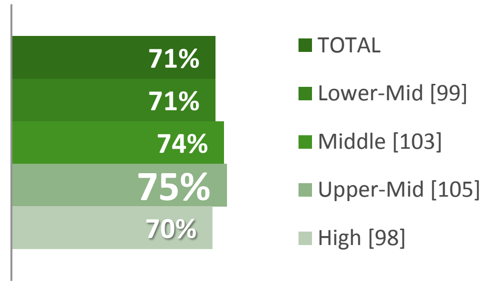
"In order to buy fresher food and more easily." (Mexico)

"The quality of products it offers, harmony of store staff and payment methods." (Colombia)

71% of consumers shop **Produce market**

Average Shopping Frequency:
8.5 visits per month

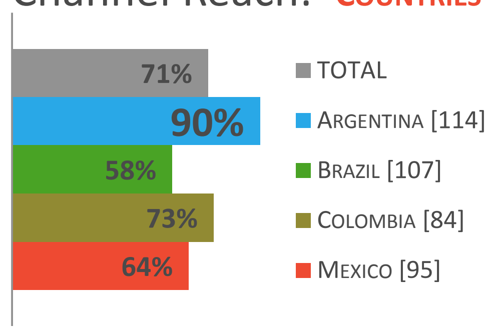
Channel Reach: SEC segments



Top Grocery Basket Items

1	Fresh fruits/vegetables	90%*
2		
3		
4		
5		

Channel Reach: Countries

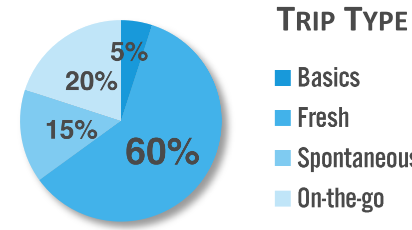


Top Channel Drivers

1	High quality perishables/fresh foods	51%
2	Good assortment of high quality items	40%
3	Good assortment of healthy/organic	29%
4	Easy access to location	26%
5	Short check-out lines	25%

Distance:
11 minutes
Average travel distance (one-way)

Trip Type



*Results not collected on this question for this channel. Imputed estimated results.

Channel Profile:
Specialty store

MODERN
Small Format

Consumers often look to specialty stores to find items of distinction, such as fine wines and spirits as well as specialty items such as local or imported cured meats and aged cheeses.

Strengths

- Assortment of high quality items, particularly for global flavors and gourmet foods
- Knowledgeable staff, inspiring shopping experiences
- Loyalty programs and social responsibility policies

Weaknesses

- Proximity is challenge for middle socioeconomic classes

Shoppers voice "Why I love my specialty store"

"I like to eat healthy and differently." (Colombia)

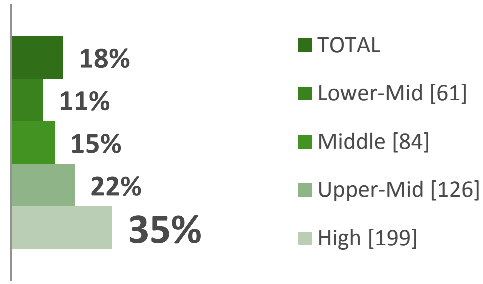
"To have greater variety and new possibilities." (Brazil)

"…food of better quality, organic and gourmet type." (Colombia)

18% of consumers shop **Specialty store**

Average Shopping Frequency:
3.6 visits per month

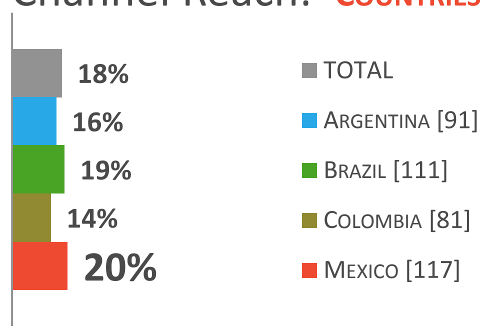
Channel Reach: SEC segments



Top Grocery Basket Items

1	Wine, beer, alcohol	36%
2	Cured meats/aged cheeses	20%
3	Cold cuts and cheeses	17%
4	Juice/sports drinks	16%
5	Fresh fruits/vegetables	15%

Channel Reach: Countries

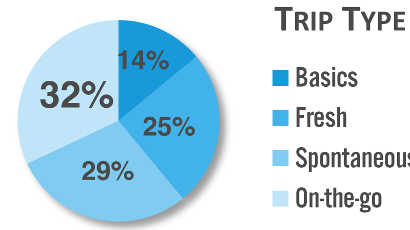


Top Channel Drivers

1	Good assortment of high quality items	28%
2	Friendly, knowledgeable staff	27%
3	Promotions (e.g., sales & demos)	24%
4	High quality perishables/fresh foods	23%
5	A store that suits me	22%

Distance:
24 minutes
Average travel distance (one-way)

Trip Type



TRADITIONAL
Other Format

CHANNEL PROFILE:

Street vendor

People frequent street vendors for produce and prepared foods. The higher classes particularly value certain street vendors for high-quality perishables.

Strengths

- Good assortment of fresh and prepared foods
- Friendly, knowledgeable staff
- Close proximity/easy access
- Home delivery

Weaknesses

- Potential hygiene issues

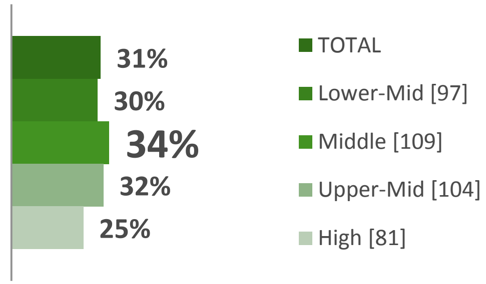
Shoppers voice "Why I love my street vendor"

"Best quality; freshness and kindness." (Mexico)

31% of consumers shop STREET VENDOR

AVERAGE SHOPPING FREQUENCY:
6.1 visits per month

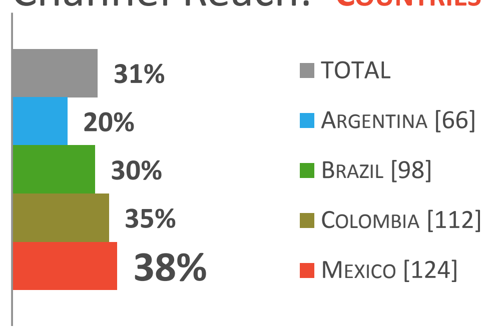
Channel Reach: SEC SEGMENTS



Top Grocery Basket Items

1	Fresh fruits/vegetables	39%
2	Snacks (sweet & salty)	16%
3	Prepared foods/meals	13%
4	Cleaning supplies	12%
5	Bottled water	11%

Channel Reach: COUNTRIES

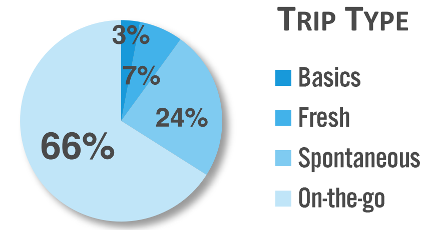


Top Channel Drivers

1	High quality perishables/fresh foods	34%
2	Friendly, knowledgeable staff	26%
3	Short check-out lines	25%
4	Home delivery	25%
5	A store that suits me	24%

Distance:
10 minutes
AVERAGE TRAVEL DISTANCE (ONE-WAY)

TRIP TYPE



Channel Profile:
Supermarket

MODERN
Large Format

Shoppers value supermarkets for offering low prices on a wide range of products, particularly dry and canned goods, breakfast cereals and frozen foods.

Strengths

- Commodity and brand name values, including promotions (less important to higher classes)
- Easy access
- Credit availability for lower socioeconomic classes
- Loyalty program more important to higher classes

Weaknesses

- Proximity is challenge for middle class shoppers in peripheral areas of cities, reducing visits
- Although better than cash & carry, produce quality perceptions are weakened in down-market stores

Shoppers voice "Why I love my supermarket"

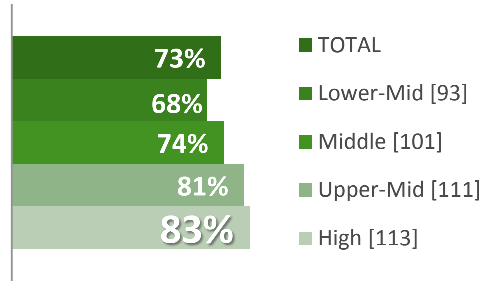
"I like the prepared foods, because they are fresh, varied and taste good, the bakery because of the great variety, the butcher shop because it's really good and the excellent quality fruits and vegetables." (Colombia)

"…because everything was very cheap …." (Mexico)

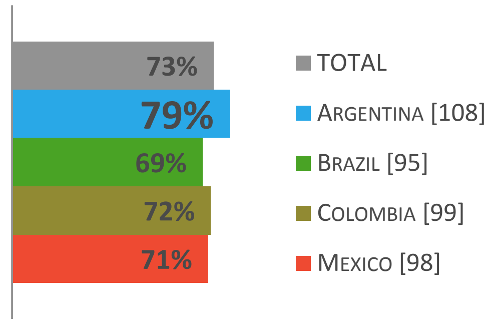
73% of consumers shop **SUPERMARKET**

Average Shopping Frequency:
3.5 visits per month

Channel Reach: SEC SEGMENTS



Channel Reach: COUNTRIES



Top Grocery Basket Items

1	Personal hygiene	71%
2	Dry goods	69%
3	Cleaning supplies	68%
4	Dairy	65%
5	Canned goods	61%

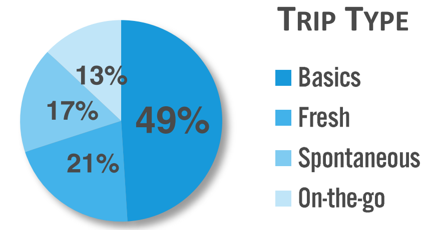
Top Channel Drivers

1	Promotions (e.g., sales & demos)	37%
2	Good assortment of high quality items	30%
3	High quality perishables/fresh foods	28%
4	Easy access to location	27%
5	Large assortment of products	21%

Distance:
28 minutes

Average travel distance (one-way)

Trip Type



TRADITIONAL
Other Format

Channel Profile:
Weekly/Period Market

Shoppers favor weekly markets for fresh fruits and vegetables, and people from higher socioeconomic classes often visit them for high-quality perishables.

Strengths

- Good assortment of high quality items
- Easy access, promotions (including in-person discounts) and catering services
- Fits with sustainability efforts

Weaknesses

- Potential hygiene issues

Shoppers voice "Why I love my weekly/period market"

"In order to have fresh food all the time." (Brazil)

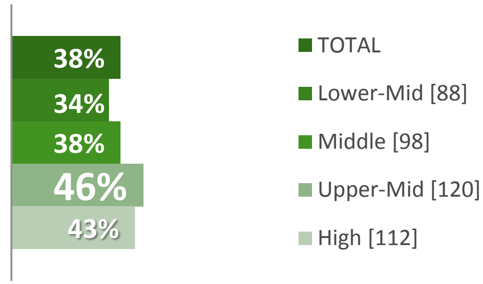
"Because the market offers me fresh greens and of better quality." (Brazil)

"Prices, fresh merchandise both vegetables, dairy products and meats." (Argentina)

38% of consumers shop **WEEKLY/ PERIOD MARKET**

AVERAGE SHOPPING FREQUENCY:
5.0 visits per month

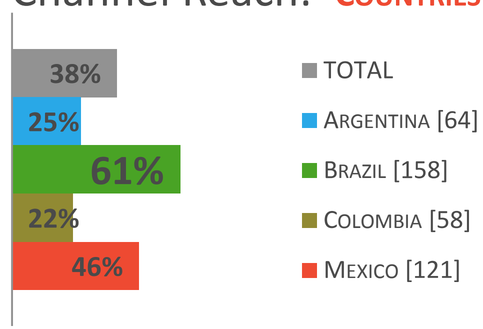
Channel Reach: SEC SEGMENTS



Top Grocery Basket Items

1	Fresh fruits/vegetables	69%
2	Eggs	35%
3	Dry goods	22%
4	Poultry	19%
5	Cleaning supplies	17%

Channel Reach: COUNTRIES

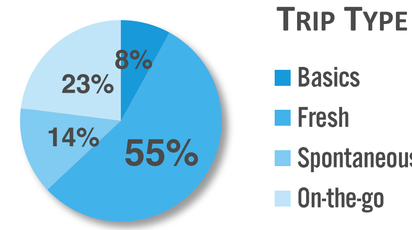


Top Channel Drivers

1	High quality perishables/fresh foods	45%
2	Good assortment of high quality items	33%
3	Promotions (e.g., sales & demos)	25%
4	Easy access to location	24%
5	Good assortment of healthy/organic	23%

Distance:
18 minutes
AVERAGE TRAVEL DISTANCE (ONE-WAY)

TRIP TYPE

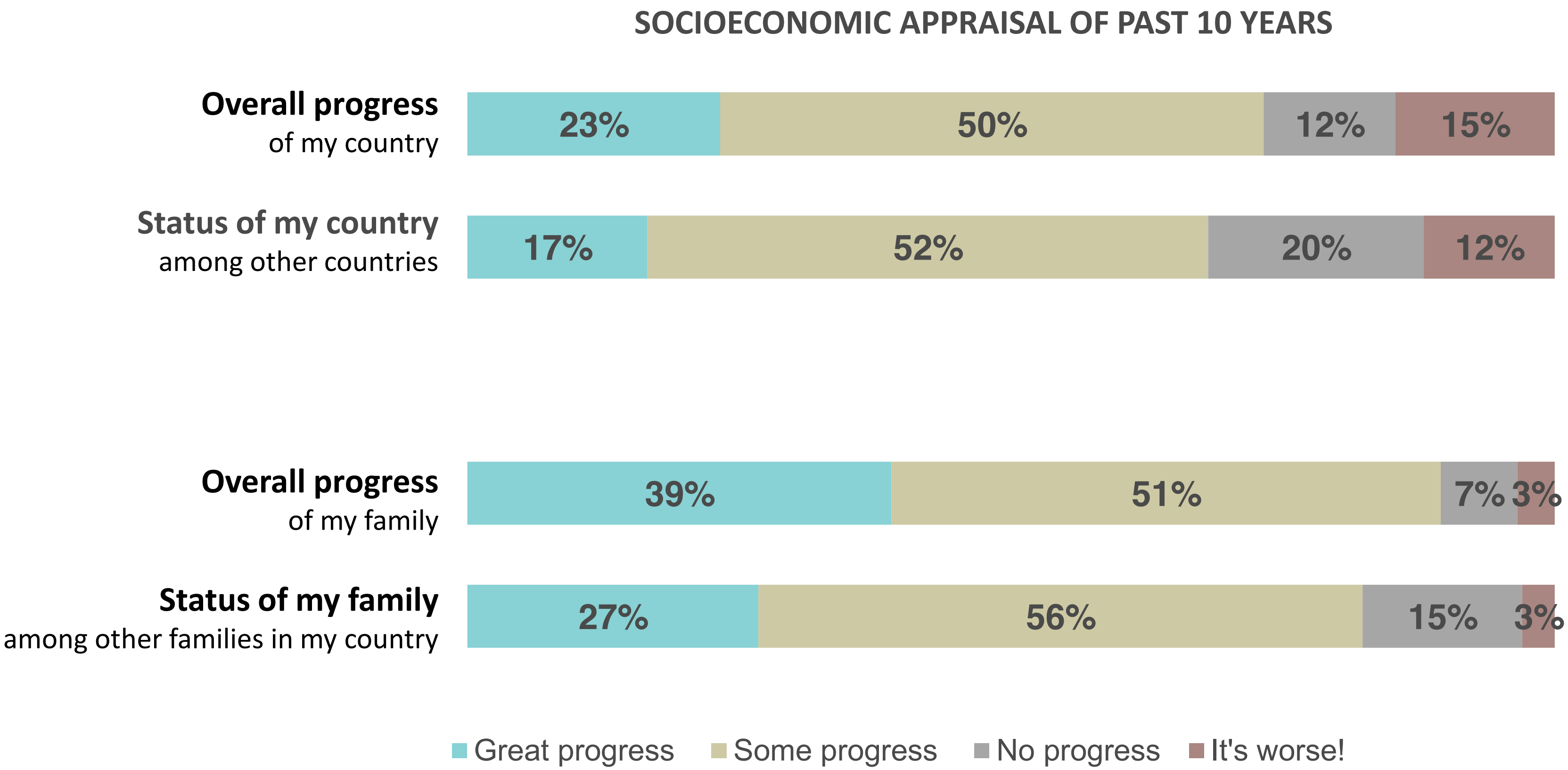


Appendix 4

Additional quantitative charts

Latin Americans see progress for their countries, and even more for their own families

Gains in "status," however, lag behind overall progress and quality of life, both for families and nations

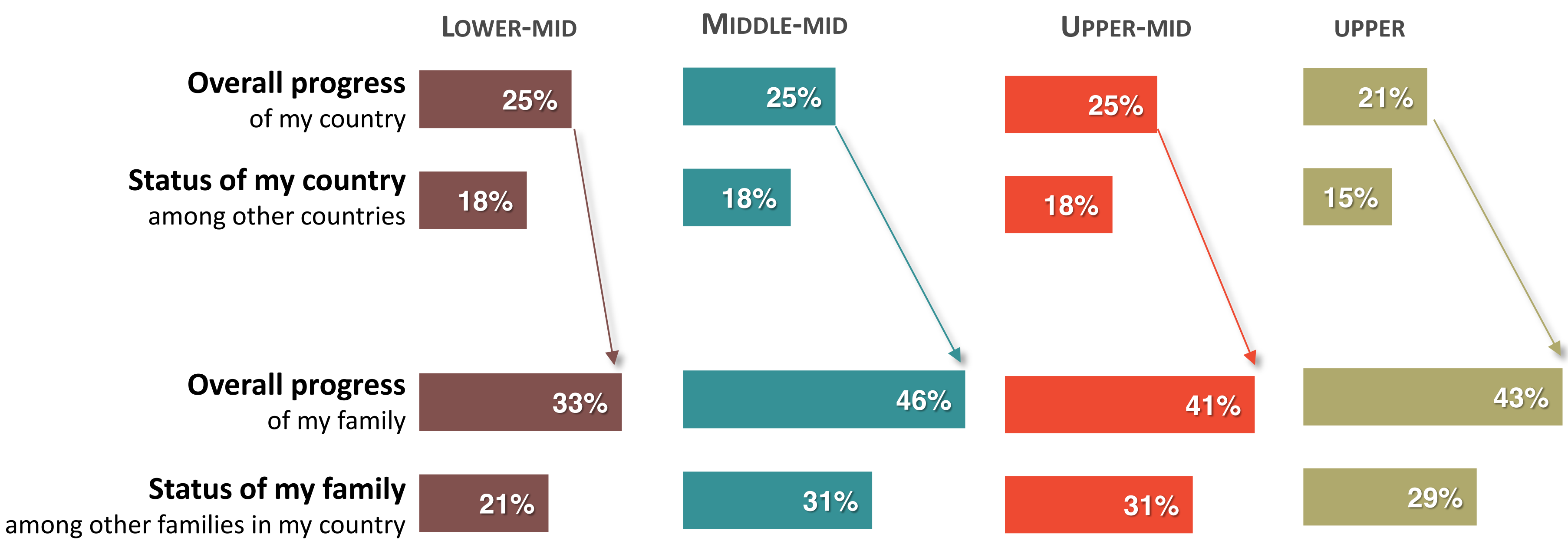


Class strata aligned and totaled across 4 countries in study. High n=466, Middle-high n=595, Middle-middle n=379, Middle-low n=209, Low n=25.

Perceptions of national and family progress are generally shared across class divisions

- **LOWER MIDDLE CLASS** CONSUMERS, OFTEN IDENTIFIED AS THE **"EMERGING CLASS"**, ARE LESS ENTHUSIASTIC ABOUT OWN PROGRESS, WHICH THEY SEE AS LITTLE BETTER THAN NATIONAL GAINS

SOCIOECONOMIC APPRAISALS: "GREAT PROGRESS" IN THE PAST 10 YEARS

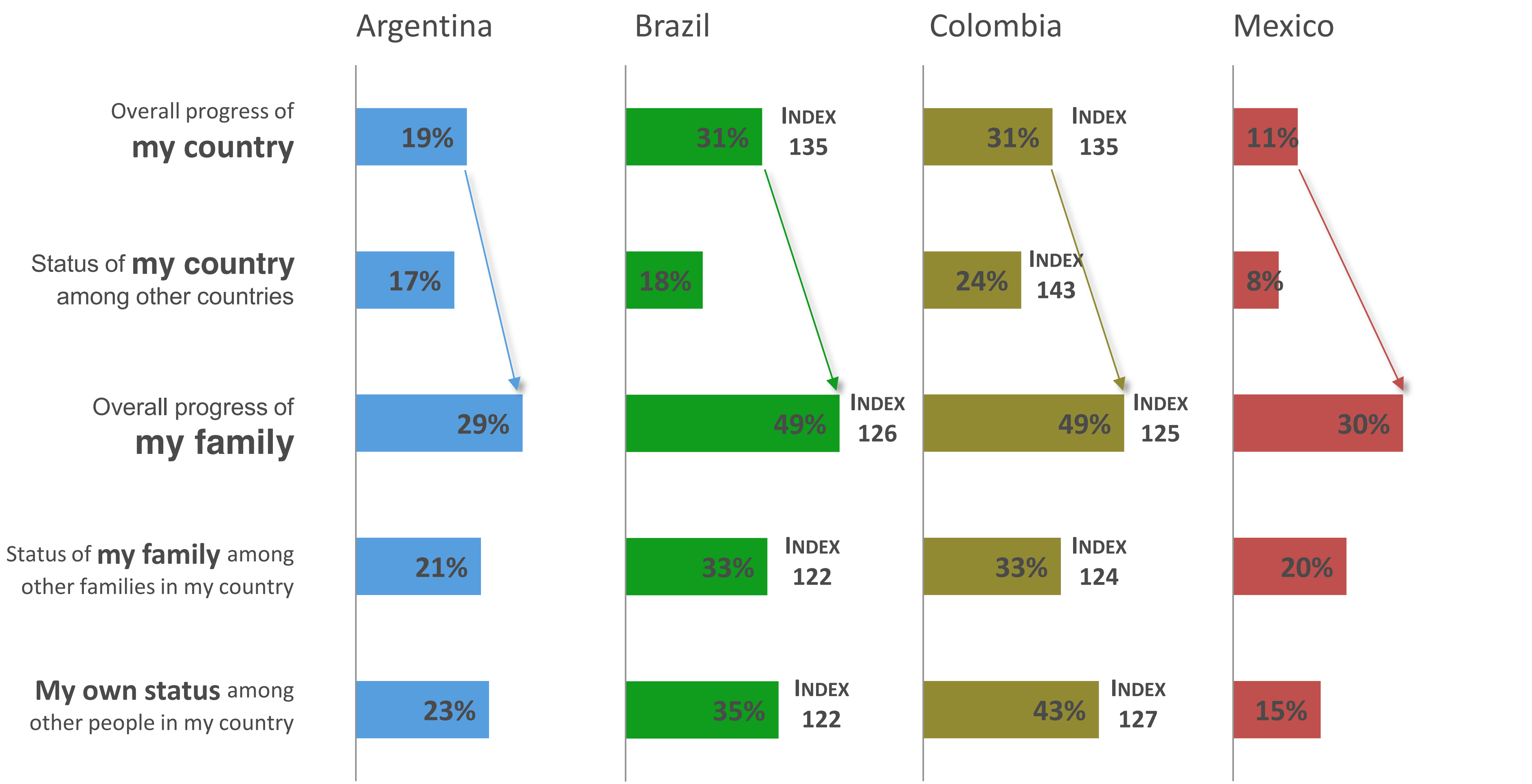


A1. How much progress do you think has been achieved in the past 10 years? Responses reported 'Great progress since 2004'.
Class strata aligned and totaled across 4 countries in study. High n=466, Middle-high n=595, Middle-middle n=379, Middle-low n=209, Low n=25.

Economic optimism across countries

Brazilians and Colombians hold a much more favorable view about the progress in each of their countries, as well as their individual families in the past 10 years. However, Colombia stands out in progress along all dimensions measured. Mexico, in contrast, is least enthusiastic about past 10 year progress.

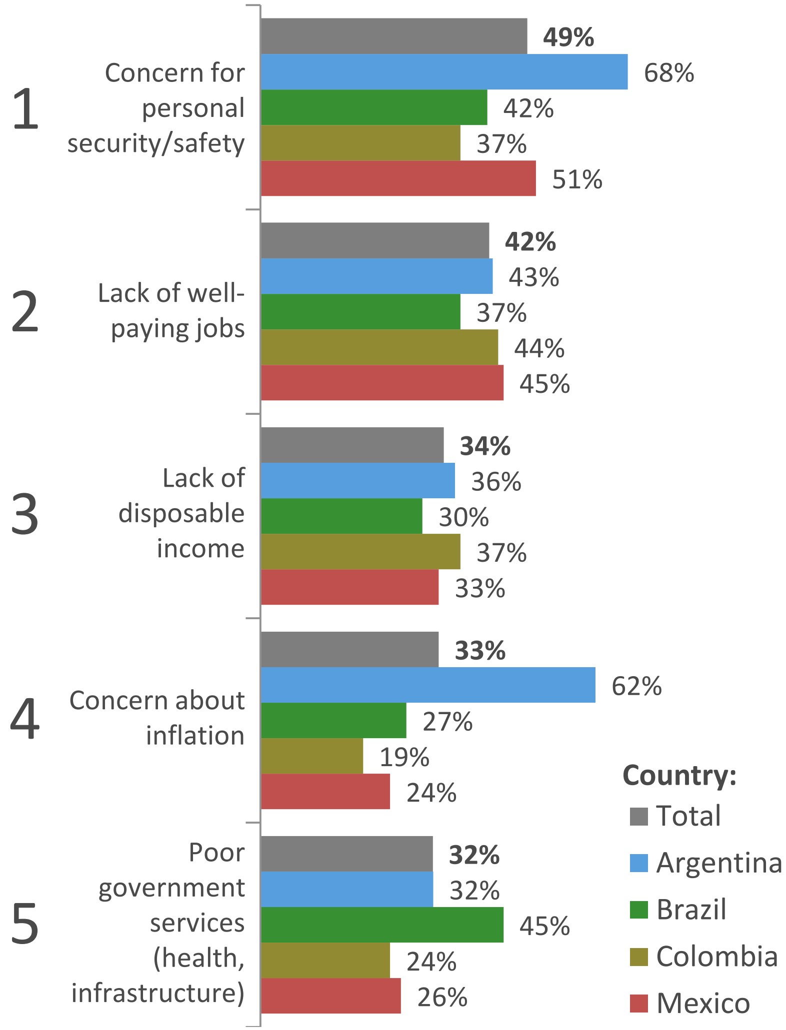
Respondents who report there's been 'Great Progress!' in the past 10 years



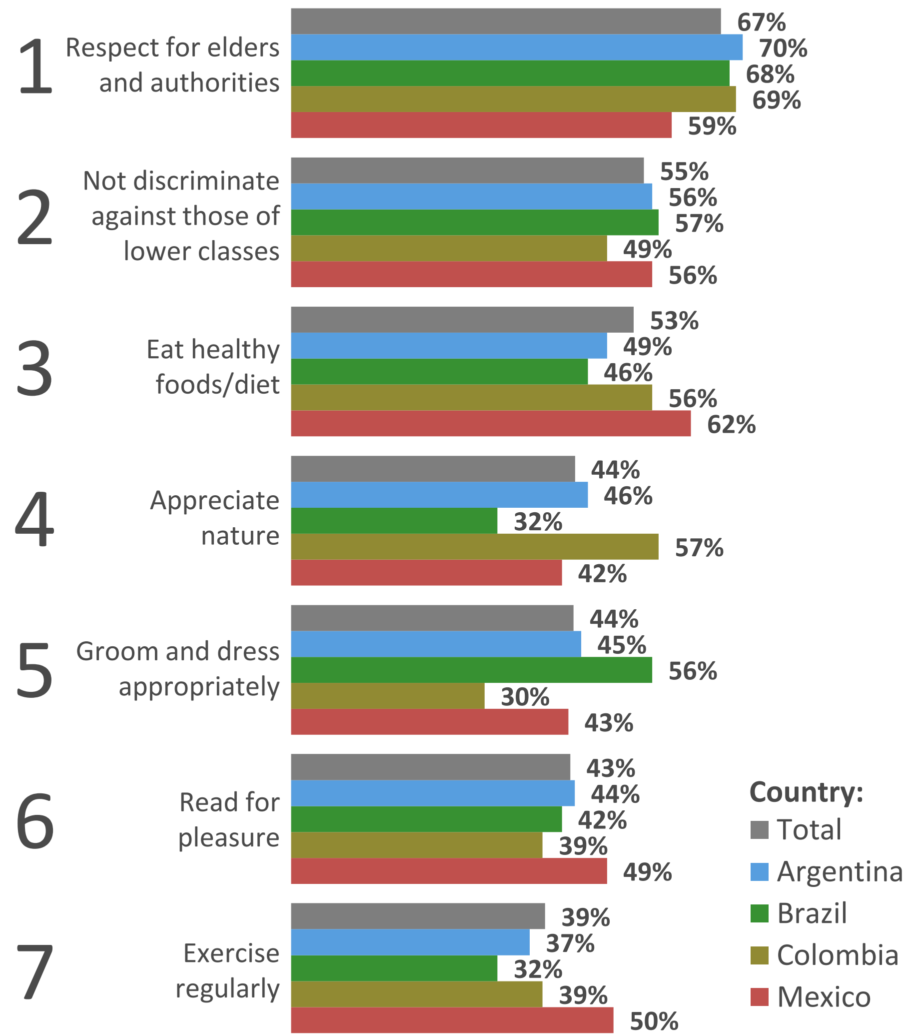
Total n=1,675. Argentina n=428, Brazil n=404, Colombia n=421, Mexico n=422. How would you rate progress in the past 10 years? (since 2004). Index score derived from comparing responses to total results of all countries combined. Scores above 100 indicate a higher performance, scores under 100 indicate poorer performance.

Top daily concerns and top values across countries

Top 5 daily concerns across countries

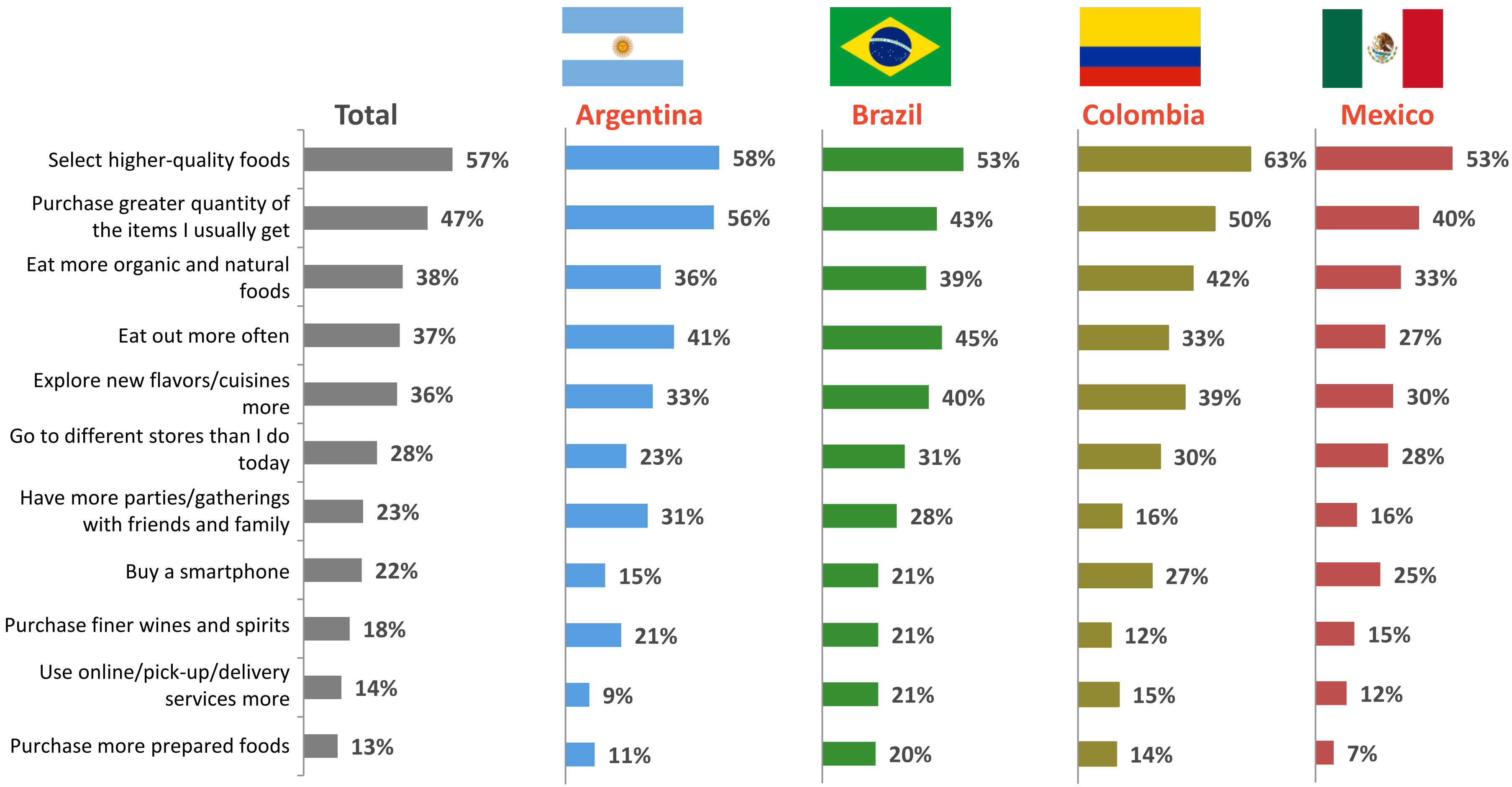


Top 7 values across countries



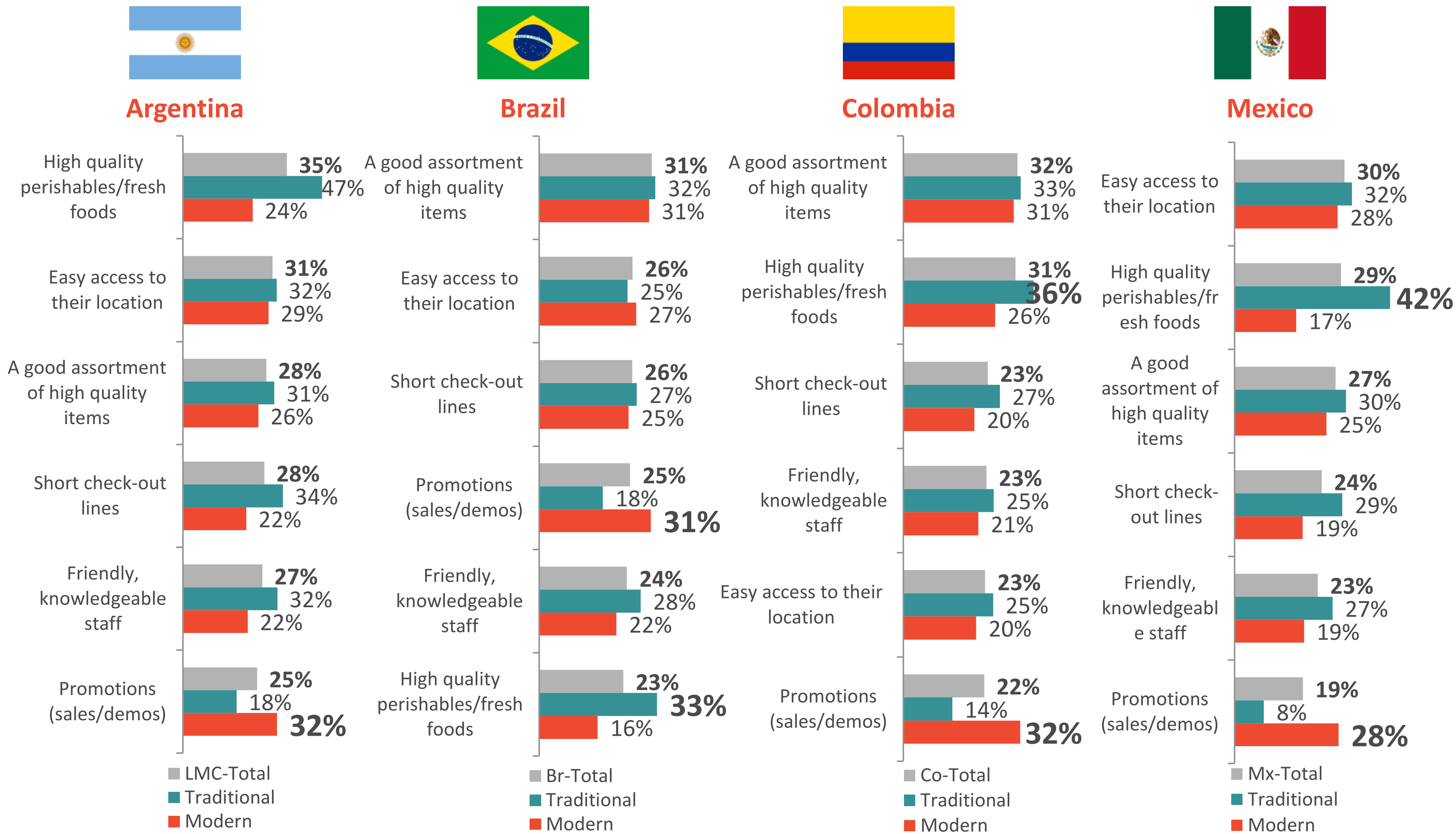
Total n=1,675. Argentina n=428, Brazil n=404, Colombia n=421, Mexico n=423. *Which of the following frustrations do you have on a daily basis? (select all that apply). Which of the following skills children can be encouraged to learn do you consider to be especially important? (select all that apply).*

Aspirations with increased grocery budget across countries



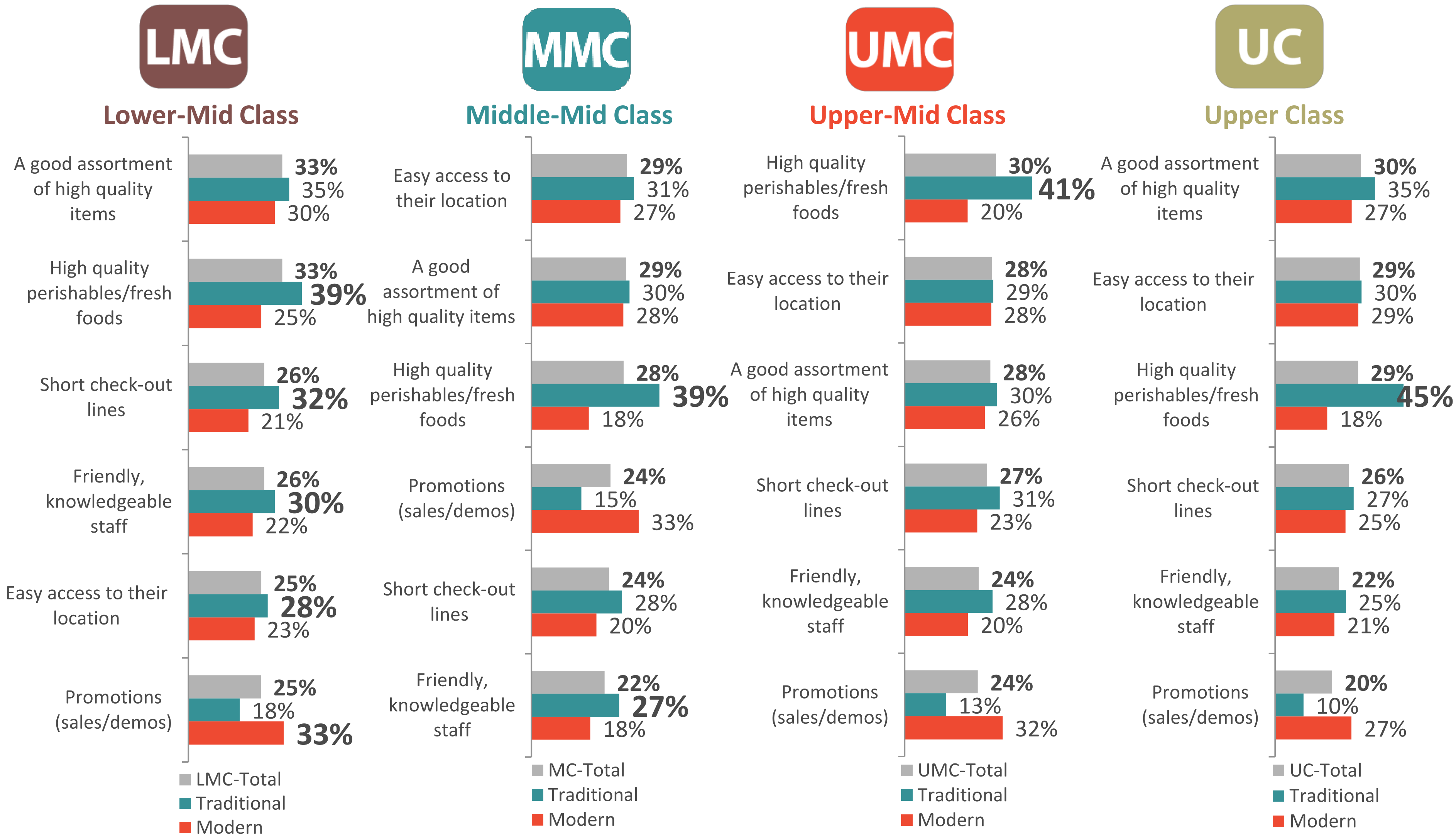
Total n=1,675. Argentina n=428, Brazil n=404, Colombia n=421, Mexico n=423. *If you had twice as much money to spend on food, beverages and grocery items, how would you spend it? (select all that apply).*

Top channel drivers across countries



Total n=16,128. Which three offerings are most important to you when choosing which [selected channel[to shop?

Top channel drivers across SECs



Total n=16,128. Which three offerings are most important to you when choosing which [selected channel[to shop?

THANK YOU!

ABOUT THE COCA COLA RETAILING RESEARCH COUNCIL OF LATIN AMERICA

The Latin American council, started in the year 2000, includes retailers from all parts of South and Central America, from the northern tip of Mexico to Tierra del Fuego in the south and the Caribbean Islands. Council members represent all forms of retail including supermarkets, hypermarkets, drug stores, convenience stores and on-line shopping.

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If you have any questions about CCRRC please contact us at: info@ccrrc.org

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The Hartman Group, located in Bellevue, Washington, blends leading-edge customized research and consulting to understand the subtle complexities of consumer and shopper behavior. Since 1989, The Hartman Group has been listening loudly to the underlying motivations and behaviors that move the needle for our clients. To learn more about how The Hartman Group stays sharply focused on how consumers live, shop and use brands and products, visit:

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