

Supermarket samba!

Steve Maxwell

Brazil is growing fast, but who are the major players in grocery, how is the market evolving and what are UK brands doing to gain a foothold?

As recently as the 1990s few multinational suppliers had managed to establish a presence in Brazil. Overseas companies were deterred by government legislation dictating that they had to install manufacturing plants in the country if they wanted to enter the market. But when these laws were relaxed in the early 1990s it opened the floodgates with a raft of overseas brands, from the likes of Unilever, Danone and Nestlé, hitting the supermarket shelves. Even some of the UK's most quintessentially British products – like shortbread and real ale – followed on the coattails of this invasion.

The influx of foreign grocery retailers was a more recent phenomenon, but the Brazilian supermarket sector is now dominated by a handful of major multinationals – notably Walmart, Carrefour and Casino.

Most have accessed Brazil through acquisitions: Walmart via Lojas Americanas in 1994, while the country's largest grocery retailer, Casino, entered after a protracted battle to gain a controlling stake in GPA, owner of Pão de Açúcar.

The reason for this overseas invasion is simple. In line with Brazil's status as one of the so-called BRIC fast-growth economies, the grocery retail sector has been expanding at a rapid rate of knots, with food consumption in Brazil rising by 4% in volume and 13% in value in 2013, according to Flavia Amado from Kantar Worldpanel's Latin America office. Euromonitor anticipates this growth will continue over the next few years, with grocery retailers expected to post a constant value CAGR of 4% between 2012-17.

Mouthwatering

The statistics are, on paper, mouth watering. A country the size of Europe, with a GDP of \$2.5tr (bigger than the UK), Brazil boasts a rapidly expanding middle class – in 2003 the middle classes accounted for 38% of the population whereas today it is north of 51% [OSEC]. In 2011, the total size of the grocery retail market in Brazil exceeded \$370bn [Canadean], with the food and drink export market worth £3.9bn the



BRAZIL GROCERY RETAIL SALES (2013)

	GROSS SALES	NO. OF STORES
	2013 (BRL million)	
Casino	64,406	1,999
Carrefour	34,013	241
Walmart	28,478	544
Censosud	9,811	221
Zaffari & Bourbon	3,765	30

Source: Planet Retail

same year [Food & Drink Exporters Association]. From 2007 to 2011 the country experienced a 140% increase in imported goods [FDEA], with this figure projected to grow further in the next few years as more international suppliers look to secure a piece of the action.

But it's not all been plain sailing for these international marauders. According to Daniel Wada, a partner at strategy consultants Advisia OC&C, a lack of understanding of Brazil's complexities has at times presented a major challenge to growth. Importers face a combination of high tax rates, all products must have Portuguese labels and although the nation's infrastructure is slowly improving there are a number of lingering logistical challenges.

"Foreign retailers need to look at Brazil as a continent, not a country because ➔

