“Latin America is growing in global strategic importance while remaining a region of diverse economic opportunities and challenges. Most countries in the region made significant progress in achieving sustained economic growth, placing Latin America ahead of other regions with an average 4.6% estimated growth for 2011.”

Marisol Argueta de Barillas
Senior Director, Head of Latin America
World Economic Forum on Latin America 2011

EXECUTIVE SUMMARY

Latin America promises to be an engine of future growth for the world economy. Industries such as telecommunications, financial services, consumer goods, manufacturing and healthcare are advanced and face increasing domestic competition, as consumers increasingly demand first-class products and services.

While development in the region has been rapid over the past few years, it has been disorganized. As a result, there are stark disparities between the private and public sectors and many countries within the region are at different stages of development.

The business opportunities from the natural resources, ethnic and geographic diversities and warm business cultures contrast starkly with the tremendous social disparities and major economic challenges that each country faces.

Conducting market intelligence (MI) in the region requires keen understanding of the local cultures and potential pitfalls inherent in this vast diverse region.

This updated Global Intelligence Alliance (GIA) White Paper begins with an overview of the key economic indicators and describes the state of MI in Latin America. It will demonstrate how to overcome the challenges of conducting research in Latin America, ending with four case examples from the manufacturing & industrial, construction, logistics & transportation and consumer goods industries.
The term “Market Intelligence” used in this paper refers to an understanding of the present and future business environment by using the intelligence process to provide decision-making support. Terms such as competitor analysis, technology analysis, or customer insight will be used under the overarching term “Market Intelligence.” “Market Intelligence” should be seen as synonymous with concepts such as Competitive Intelligence and Business Intelligence.
1. INTRODUCTION AND BACKGROUND

For most businesses, Latin America is grouped together as one region, given its commonality of language (Spanish is the official tongue in 20 of 21 countries) and relatively small economic contribution to the world economy. Such a grouping may be convenient for managing a business but it belies the vast differences in economic development, cultural heritage, and business environments found from country to country and even within some of the larger countries. Culturally, Peru has more in common with Mexico than it does with its Andean neighbor, Venezuela. Chile is characterized as conservative and Catholic. Brazil is liberal yet Evangelist. Chile has one of the most neo-liberal business environments in the world. Venezuela is increasingly a state run economy. There are two million people of Japanese heritage living in São Paulo but only a few hundred living in Latin America’s other great metropolis, Mexico City.

Latin America is also vast, which those tasked with managing the region soon learn when trying to cover its distances by plane. The length of Chile is greater than the distance from Acapulco, Mexico to Anchorage, Alaska. There are 40 cities in Brazil with at least 500,000 inhabitants, a daunting fact for anyone trying to penetrate the world’s 7th largest economy.

Demographers often describe Latin America as a “sea of poverty dotted by islands of tremendous wealth”. Poverty remains a vexing issue to the region while simultaneously Latin America is home to 36 different billionaires, according to the Royal Geographic Society. The region has the world’s worst distribution of income, which serves to disguise the impressive purchasing power of a slice of the population. With a GDP of over $400 billion USD, Mexico City’s middle class includes over 300,000 households that each earn over $250,000 USD per year. Traditionally, producers of luxury goods and basic staples have thrived in Latin America where concentrated wealth lives side by side with vast numbers of aspirational consumers.

In the 1990’s after a demoralizing “lost decade” of the 1980s, every major economy in Latin America undertook radical but limited economic reforms that changed monetary and trade policies. These neo-liberal reforms forced Latin America to compete in the global economy, a tough task for a region that lacked competitiveness, exceptions like Chile noted. Those reforms were undertaken in a period of low commodity prices and relatively austere conditions. By 2003, when commodity prices began again to climb, those who had stayed the course of reform, benefited enormously from increased investment flows and rising incomes. A decade long commodity boom has enriched Latin America to levels not seen since the 1970s. In many cases, the new wealth creation is staying put in the domestic economy thanks to fiscal and monetary policy.

The export income and inbound FDI has swelled the values of Latin American currencies, which pleases import seeking consumers but worries the region’s manufacturer exporters. Auto parts, shoe and clothing, and electronics assemblers in Brazil, wine makers in Chile, clothing makers in Colombia and Peru have all lost market share abroad as their currencies have appreciated. This phenomena, known as the “Dutch Disease” reveals Latin America’s underlying lack of competitiveness. Though the region embraced macro-economic reforms, it has been slow to accept micro-economic reforms including legal and judicial reform, labor law reform, education reforms, and others that are needed to produce a more productive and efficient economy. The upstart of this trend is creeping protectionism in countries like Argentina, Brazil, and Colombia whose local manufacturers are struggling to compete with Asian imports.

Still, Latin America remains one of the most open economies in the world, particularly when compared to other emerging markets. Its investment climate is very open to foreign entry, even foreign control of almost all its industries – a stark contrast to much of Asia.
In the end, no serious investment or export initiative will meet success without adequate intelligence gathering ahead of time. Two decades of economic modernization has brought much higher levels of competition to Latin America, both from global firms and well financed local ones. In the 1990’s, characterized by volatility, economic forecasting was the crucial component of any market intelligence effort. Today, with almost all of Latin America’s economies managed with floating currencies and ample reserves, the greatest risk to new business ventures is not economic but rather competitive risk. That places added importance on collecting timely competitive intelligence. The other area of risk, partly stemming from a more competitive environment is one of regulatory risk. A rising policy tolerance for protectionism combined with a still weak judicial system can represent a threat to new business entries, particularly if their arrival promises to cannibalize the sales of a politically connected incumbent. Thus, political intelligence becomes doubly important ahead of any investment and local partner selection process.

It is our hope that this GIA Geographies White Paper will provide a useful overview of Latin America, which we have divided into three sub-regions. Greatest emphasis is placed on Brazil and Mexico that together make up approximately 68 percent of the region’s gross domestic product (GDP). These two markets are also the focus of most Market Intelligence projects. Other countries that are of increasing importance are Colombia, Argentina, Chile and Peru.
2. MEXICO & CENTRAL AMERICA

The region between the Panama Canal and the Rio Grande River is composed of Mexico, Central America and the Caribbean. Of the 22 countries, Mexico is the colossal economic driver. The 2010 GDP in this region was 1.48 trillion US dollars, led by Mexico’s 1.09 trillion USD GDP.

Table 1. Population and economic figures of Mexico & Central America

<table>
<thead>
<tr>
<th>Country</th>
<th>Population</th>
<th>GDP</th>
<th>GDP/CAPITA</th>
<th>GROWTH</th>
<th>CURRENT ACCOUNT BALANCE</th>
<th>EXPORTS</th>
<th>IMPORTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costa Rica</td>
<td>4,576,562</td>
<td>$35.8</td>
<td>$11,300</td>
<td>4.2%</td>
<td>$ -1.3</td>
<td>$9.3</td>
<td>$13.3</td>
</tr>
<tr>
<td>Cuba</td>
<td>11,087,330</td>
<td>$57.5</td>
<td>$9,900</td>
<td>1.5%</td>
<td>$ -0.2</td>
<td>$3.8</td>
<td>$10.5</td>
</tr>
<tr>
<td>Domin. Republic</td>
<td>9,956,648</td>
<td>$51.6</td>
<td>$8,900</td>
<td>7.8%</td>
<td>$ -4.4</td>
<td>$6.6</td>
<td>$15.3</td>
</tr>
<tr>
<td>El Salvador</td>
<td>6,071,774</td>
<td>$21.7</td>
<td>$7,200</td>
<td>0.7%</td>
<td>$ -0.5</td>
<td>$4.5</td>
<td>$7.9</td>
</tr>
<tr>
<td>Guatemala</td>
<td>13,824,463</td>
<td>$41.5</td>
<td>$5,200</td>
<td>2.6%</td>
<td>$ -0.8</td>
<td>$8.6</td>
<td>$12.9</td>
</tr>
<tr>
<td>Haiti</td>
<td>9,719,932</td>
<td>$6.6</td>
<td>$1,200</td>
<td>-5.1%</td>
<td>$ -1.1</td>
<td>$0.5</td>
<td>$2.7</td>
</tr>
<tr>
<td>Honduras</td>
<td>8,413,564</td>
<td>$15.4</td>
<td>$4,200</td>
<td>2.8%</td>
<td>$ -1.0</td>
<td>$5.7</td>
<td>$8.6</td>
</tr>
<tr>
<td>Mexico</td>
<td>113,724,226</td>
<td>$1088</td>
<td>$13,900</td>
<td>5.5%</td>
<td>$ -5.6</td>
<td>$298</td>
<td>$306</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>5,666,301</td>
<td>$6.6</td>
<td>$3,000</td>
<td>4.5%</td>
<td>$ -0.9</td>
<td>$3.2</td>
<td>$4.8</td>
</tr>
<tr>
<td>Panama</td>
<td>3,460,462</td>
<td>$26.8</td>
<td>$13,000</td>
<td>7.5%</td>
<td>$ -2.5</td>
<td>$11.3</td>
<td>$16</td>
</tr>
<tr>
<td>Puerto Rico</td>
<td>3,989,133</td>
<td>$93.5</td>
<td>$16,300</td>
<td>-5.8%</td>
<td>n/a</td>
<td>$68.9</td>
<td>$41.4</td>
</tr>
</tbody>
</table>

Source: CIA Factbook: Population figures are July 2011 est; economic figures are 2010 est.

Table 2. Population and economic figures of Central America (smaller countries)

<table>
<thead>
<tr>
<th>Country</th>
<th>Population</th>
<th>GDP</th>
<th>GDP/CAPITA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Antigua &amp; Barbuda</td>
<td>8,800</td>
<td>1.4</td>
<td>16,400</td>
</tr>
<tr>
<td>Bahamas</td>
<td>313,312</td>
<td>8.9</td>
<td>28,700</td>
</tr>
<tr>
<td>Belize</td>
<td>321,115</td>
<td>2.7</td>
<td>8,400</td>
</tr>
<tr>
<td>Dominica</td>
<td>72,969</td>
<td>0.8</td>
<td>10,400</td>
</tr>
<tr>
<td>Grenada</td>
<td>108,419</td>
<td>0.7</td>
<td>10,200</td>
</tr>
<tr>
<td>Trinidad &amp; Tobago</td>
<td>1,227,505</td>
<td>20.6</td>
<td>21,200</td>
</tr>
</tbody>
</table>

Source: CIA Factbook: Population figures are July 2011 est; economic figures are 2010 est.
2.1 Mexico

Mexico is the region’s 2nd largest economy, its largest importer and exporter, and home to the region’s largest accumulated foreign direct investment. Mexico’s modern economic strategy is designed around building a world-class manufacturing platform to service global markets. Mexico has signed free trade agreements with US, Canada, EU and Japan precisely to fulfill this goal. In sectors such as automobile assembly, aviation parts assembly, television and white goods assembly, Mexico has become a world class competitor. Around its manufacturing base, mostly situated in the northern half of the country, Mexico has built Latin America’s most competitive logistics infrastructure and business environment. Logistics represent less than 5% of the cost of most goods consumed versus closer to 15% in Colombia.

Since the 1990’s Mexico has radically transformed its banking, transport and retail sectors as well by allowing unfettered foreign investment. In 2000, Mexico was one of the most under-banked major economies in the world. Thanks to close to $40 billion in foreign bank investment over the last 15 years, access to credit has grown at over 20% per year – spurring business start-ups and aspirational consumption. Before the NAFTA and bank reforms came into effect, only five car companies sold product in Mexico. Today, more than 40 car companies vie for the Mexican consumer.

Mexico’s business climate makes it a favorite among seasoned operators because its tax, labor, and other regulations are considered more flexible than countries like Brazil, Colombia and Argentina. But, new investors have been shy to enter Mexico in recent times due to the escalating drug related violence that has gripped parts of northern Mexico. Most people would be surprised to learn that Mexico’s murder rate continues to be less than that of Brazil, Colombia, Venezuela, Guatemala, Honduras, El Salvador, Trinidad & Tobago, Jamaica, Baltimore and Washington, D.C. Being safer than other countries or cities does not make Mexico a safe place to do business in but it does provide some perspective as to the relative risk facing those travelling there.

Increasingly, micro reforms of the financial system, property rights, and the labor code are producing important productivity gains for Mexico, raising incomes and producing an impressive internal economy. Today, more than 70% of Mexico’s GDP stems from domestic consumption. That is why the recapitalization of the banking sector has been so important for Mexico.

But Mexico is still exposed to exogenous shocks. Mexico’s economy, even its larger domestic firms, are highly integrated with the US economy. Over 70% of trade flow is tied to the US, more than 2/3 of historical FDI comes from the US, more than 90% of in-bound remittances (estimated at $20 billion) and the majority of tourism revenue originates from the US. Not surprisingly, Mexico was immediately and severely impacted by the global financial crisis that began its contagious effect from New York. In 2009, the GDP plummeted 6.2%, export income dropped 20%, remittances slowed by more than 10% and tourism receipts fell. According to the U.S Energy Information Administration, Mexico is the 7th largest oil producer in the world and the largest producer in Latin America. At 3 million barrels a day, oil is still an important source of income though one that threatens to decline over time because of the lack of investment by Pemex, Mexico’s government energy monopoly, in new off-shore field exploration. One of the great challenges going forward will be to overcome the political obstacles to foreign investment in Mexico’s energy sector. Without it, Mexico is forecast to be a net energy importer by 2020.
3. CENTRAL AMERICA & CARIBBEAN

Altogether, 90 million people live in Central America and the Caribbean. Spanish is the official language in all but one country in Central America along with Puerto Rico, Cuba and the Dominican Republic in the Caribbean. English, French and Creole are spoken in the remaining Caribbean islands. The economically tiny Caribbean offers as much variety culturally, linguistically, economically as any region of the world. It includes both the extremely safe and prosperous Curacao alongside the miserably poor Haiti and dangerous Jamaica. It includes one of the world’s most restricted economies, Cuba, and one of its most open, Puerto Rico. It is difficult to find commonality when discussing economic maturity or trends related to the Caribbean. What all these countries do share in common is their relatively small size which presents them with competitiveness challenges.

Almost every Caribbean country tries to promote its tourism industry and by and large the region is very successful at attracting tourists in spite of its set-backs. The Caribbean is increasingly the site of new hydro-carbon exploration with fields found off-shore near Cuba, the Dominican Republic, Haiti, and Trinidad & Tobago. Exploiting those reserves would help alleviate one of the region’s greatest economic disadvantages, its reliance on imported energy sources.

Central America is a much more integrated and unified economic block. Free trade in varying degrees has been practiced between Central American economies for three decades. The DR-CAFTA accord served to unify the market in the eyes of investors. Within two weeks of the passage of the accord, Wal-Mart announced massive investments in the region. Similarly the banking sector has consolidated under fresh foreign investment.

In contrast to the Caribbean, Central American economies are considered to be more competitive in traditional agricultural and manufacturing sectors. Guatemala, Honduras, Nicaragua, Costa Rica and El Salvador are all competitive agrifood producers. El Salvador and Guatemala are low cost manufacturers and Costa Rica and El Salvador are increasingly competitive outsource service providers. Light manufacturing assembly, in search of low cost locals, often bypass Mexico and head to Central America.

Panama is a unique economy, driven by three pillars, logistics, banking and real-estate.
development. The expansion of the Panama Canal, due to be completed in 2015 is generating record investment in the country and the fastest growth rates in Latin America.

But parts of Central America and the Caribbean are plagued by violence that any visiting business person must be appraised of before travelling. Again, the region is home to very safe environs like Aruba and Costa Rica but also dangerous places. Security strategies are a must for anyone investing in operations that will employ a large number of people.

More positively, both the Caribbean and Central America enjoy higher purchasing power than their GDP levels would suggest. Over $20bn in remittances is sent to the region plus considerable development soft loans, both of which make the region an impressive consumer of imported products.

### 4. SOUTH AMERICA

Twelve countries make up South America and are grouped into four sub-regions for this GIA White Paper; Brazil, the Andean Region, the Southern Cone and finally, Guyana and Suriname. Together, their combined GDP is 3.5 trillion US dollars, with the Andean Region contributing $10 billion US dollars, Brazil 2.17 trillion US dollars and the Southern Cone 631 billion US dollars.
Table 3. Population and economic figures of South America

<table>
<thead>
<tr>
<th>Country</th>
<th>Population</th>
<th>GDP</th>
<th>GDP/Capita</th>
<th>Growth</th>
<th>Current Account Balance</th>
<th>Exports</th>
<th>Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>41,769,726</td>
<td>$370</td>
<td>$14,700</td>
<td>7.5%</td>
<td>$12.1</td>
<td>$68.5</td>
<td>$56.4</td>
</tr>
<tr>
<td>Bolivia</td>
<td>10,118,683</td>
<td>$19.4</td>
<td>$4,800</td>
<td>4.2%</td>
<td>$0.9</td>
<td>$6.3</td>
<td>$5.4</td>
</tr>
<tr>
<td>Brazil</td>
<td>203,429,773</td>
<td>$2,170</td>
<td>$10,800</td>
<td>7.5%</td>
<td>$20.2</td>
<td>$201.9</td>
<td>$181.7</td>
</tr>
<tr>
<td>Chile</td>
<td>16,888,760</td>
<td>$203</td>
<td>$15,400</td>
<td>5.3%</td>
<td>$15.9</td>
<td>$71.0</td>
<td>$55.2</td>
</tr>
<tr>
<td>Colombia</td>
<td>44,725,543</td>
<td>$285</td>
<td>$9,800</td>
<td>4.3%</td>
<td>$2.1</td>
<td>$40.8</td>
<td>$38.6</td>
</tr>
<tr>
<td>Ecuador</td>
<td>15,007,343</td>
<td>$58.9</td>
<td>$7,800</td>
<td>3.2%</td>
<td>-$1.6</td>
<td>$18.1</td>
<td>$19.6</td>
</tr>
<tr>
<td>Paraguay</td>
<td>6,459,058</td>
<td>$18.5</td>
<td>$5,200</td>
<td>15.3%</td>
<td>-$1.3</td>
<td>$8.3</td>
<td>$9.6</td>
</tr>
<tr>
<td>Peru</td>
<td>29,248,943</td>
<td>$152.8</td>
<td>$9,200</td>
<td>8.8%</td>
<td>$6.7</td>
<td>$35.6</td>
<td>$28.8</td>
</tr>
<tr>
<td>Suriname</td>
<td>491,989</td>
<td>$3.7</td>
<td>$9,700</td>
<td>4.4%</td>
<td>$0.1</td>
<td>$1.5</td>
<td>$1.3</td>
</tr>
<tr>
<td>Uruguay</td>
<td>3,308,535</td>
<td>$40.3</td>
<td>$13,700</td>
<td>8.5%</td>
<td>-$1.6</td>
<td>$6.7</td>
<td>$8.3</td>
</tr>
<tr>
<td>Venezuela</td>
<td>27,635,743</td>
<td>$290.7</td>
<td>$12,700</td>
<td>-1.9%</td>
<td>$27.2</td>
<td>$65.8</td>
<td>$38.6</td>
</tr>
</tbody>
</table>

Source: CIA Factbook: Population figures are July 2011 est; economic figures are 2010 est.

4.1 Brazil

Brazil is the economic engine of South America, the world’s 7th largest economy and one of the largest recipients of FDI anywhere in the world. Yet, it is also a country little understood by foreign companies. Business visitors often limit their travels to Brazil to São Paulo and Rio de Janeiro yet there are no less than 40 cities in the country with at least half a million inhabitants. Culturally, Brazil demands of its visitors that they learn the customs and language (Portuguese) of their country if they want to thrive. Indeed, market entry into Brazil requires careful planning and a sizeable investment. The relatively high costs of regulations as well as a challenging learning curve favor those who enter with some scale versus the traditional toe-hold approach to market entry.

São Paulo is the economic heart of Brazil. It hosts most businesses, multinational companies and international events, and contributes 40 percent of Brazil’s GDP. Growth was approximately 7.5 percent in 2010, while income per capita in São Paulo is 50 percent above the national average. São Paulo and Rio de Janeiro are the most sought after cities for European companies to expand business in the Americas, according to European Cities Monitor 2011, a survey conducted by Cushman & Wakefield. Globally Rio de Janeiro and São Paulo rank 2nd and 3rd, won only by Shanghai.

Brazil rebounded impressively after the initial phases of the financial crisis sent capital fleeing back to New York and the Real plummeted 25% in a few weeks. After realizing negative 0.7% growth in 2009, Brazil grew over 7% in 2010 and will achieve a more moderated 3.5 to 4% growth in 2011. Consumption has grown at rates considerably above the GDP thanks to a very strong currency (that aids imports) and falling interest rates, which boost consumption.

Brazil is the most diversified economy in Latin America with export income drawn from iron ore to state-of-the-art aviation. However, the commodity boom has brought unwelcome cost increases to labor intensive assemblers in Brazil while favoring domestic consumption and imports. The recent devaluation of the Real in the face of the European debt crisis brings some relief to uncompetitive exporters in Brazil but will likely be short-lived, leading to a stronger Real again.
Brazil has the region’s strongest and most advanced financial sector. Banking and credit penetration in Brazil, though higher than Mexico, is still less than 1/3 of that of the US. There is enormous potential to extend banking products to the masses, particularly those in the north underserved by banks.

Beyond the 23.5 million people that moved up to ‘consumer class’ (SES C) between 2005 and 2008, another 3.6 million joined this group between 2010 and May 2011, making this segment the largest among social economic segments (over 105.4 million people as of May 2011). More than 127.9 million people are in consumer classes A, B and C combined. Unemployment has also further decreased over the last 3 years, from 8% in 2008 to 6.1% in 2011.

Brazil is part of Mercosul (Southern Common Market), which promotes free movement of goods, currency and people amongst its members, Argentina, Brazil, Uruguay and Paraguay. As a trade union, its objective is twofold – to promote internal trade among members but also to provide a wall of protection from the cheap access of foreign made product. As strong currencies have overwhelmed manufacturers in Argentina and Brazil, the union’s most important members, more attention has been paid to castigating cheap imports from China, a problem for many US, Japanese, Korean and European brands that manufacture in Asia.

Recent policy tonal changes on trade reinforce the need to manufacture domestically at least some of the products that one chooses to sell in Brazil. The last two governments have gone to great lengths to improve the transparency and predictability of the investment climate in Brazil. Not surprisingly, FDI has soared, reaching an estimated $57bn USD in 2011, more than any country in the region.

### Table 4. GDP by Industry in PPP (=Purchasing Power Parity)

<table>
<thead>
<tr>
<th>Industry</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil GDP USD: Trillion</td>
<td>2.02</td>
<td>2.17</td>
<td>2.24</td>
</tr>
<tr>
<td><strong>SPLIT BY INDUSTRY</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Agriculture</strong></td>
<td>7.7%</td>
<td>6.9%</td>
<td>7.1%</td>
</tr>
<tr>
<td>Industrial</td>
<td>24.9%</td>
<td>26.9%</td>
<td>26.5%</td>
</tr>
<tr>
<td>Mineral Extraction</td>
<td>1.0%</td>
<td>2.4%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Transformation</td>
<td>15.8%</td>
<td>16%</td>
<td>14.7%</td>
</tr>
<tr>
<td>Civil Construction</td>
<td>4.8%</td>
<td>5.3%</td>
<td>5.2%</td>
</tr>
<tr>
<td>Energy &amp; Utilities</td>
<td>3.3%</td>
<td>3.3%</td>
<td>3.0%</td>
</tr>
<tr>
<td><strong>Services</strong></td>
<td>67.4%</td>
<td>66.1%</td>
<td>66.5%</td>
</tr>
<tr>
<td>Commerce</td>
<td>11.7%</td>
<td>12.1%</td>
<td>11.7%</td>
</tr>
<tr>
<td>Transport, Warehousing, Mail</td>
<td>5.1%</td>
<td>5.2%</td>
<td>5.3%</td>
</tr>
<tr>
<td>Information Services</td>
<td>3.7%</td>
<td>3.4%</td>
<td>3.1%</td>
</tr>
<tr>
<td>Financial Services</td>
<td>7.2%</td>
<td>7.6%</td>
<td>7.6%</td>
</tr>
<tr>
<td>Other Services</td>
<td>15.1%</td>
<td>14.2%</td>
<td>14.8%</td>
</tr>
<tr>
<td>Real Estate &amp; Rent</td>
<td>8.4%</td>
<td>7.9%</td>
<td>7.8%</td>
</tr>
<tr>
<td>Public Admin, Health and Education</td>
<td>16.2%</td>
<td>15.8%</td>
<td>16.2%</td>
</tr>
<tr>
<td><strong>Total Products &amp; Services</strong></td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Taxes on Products &amp; Services</td>
<td>15.6%</td>
<td>16.9%</td>
<td>17%</td>
</tr>
<tr>
<td><strong>Total GDP</strong></td>
<td>115.6%</td>
<td>116.9%</td>
<td>117%</td>
</tr>
</tbody>
</table>

Source: IBGE. Brazilian Institute of Geography and Statistics
4.2 The Andean Region
The Andean Region includes Bolivia, Colombia, Ecuador, Peru and Venezuela, which together (except for Venezuela) form the CAN (Andean Community), one of the longest surviving trade agreements in the region.

The Andean, whose collective GDP reaches 806 billion US dollars, includes some of the world’s most attractive investment climates (Colombia, Peru) as well as some of the worst (Venezuela, Bolivia, Ecuador). All five countries share in common an abundance of mining and energy resources but the differing approaches to investors mean that Peru and Colombia attract far more extraction foreign investment than the other three Andean countries.

4.3 Colombia
There is a tremendous spirit of optimism in Colombia today that is palpable to any investor or exporter exploring opportunities there. After 8 years of steady leadership under Uribe, Colombia has mostly shaken its once dark reputation as the kidnapping capital of the world. President Santos has proven to be an excellent complement to Uribe. Where Uribe’s stern leadership could divide, Santos’ consensus building in congress has helped pass monumental economic and political reforms much needed to the country’s development.

It is probable that by the end of 2011, the US congress will finally ratify its free trade agreement with Colombia, which is sure to usher in new waves of needed foreign investment as well as open a sizeable market to US made goods. Colombia is pursuing free trade agreements with different partners in Asia after inking separate deals with the EU and Canada.

The geological richness of Colombia is only now being explored en masse by mining and energy companies. Colombia is already a world class producer of coal and minerals. Its full mining and energy potential could supersede that of Peru.

Colombia has an impressive internal economy. In 2011, it will import more than $60bn of products, mostly value-added finished goods. That number may grow at more than 10% a year if Colombia achieves free trade with the US. Suppliers will find 48 million consumers in Colombia with rising income levels but the great challenge is how to reach them in a cost effective fashion. Like Brazil, Colombia’s population and consumption power is divided among many cities and regions and the cost of delivering goods internally is some of the highest in the world due to its challenging topography, poor roads and outdated logistics industry.

Colombia has a strong history of rule in law, perhaps the best in Latin America. It is the only country in the region never to default on its debt obligations, a distinction that Colombians take pride in sharing. That environment bodes well for investors, especially those whose business models (telecom, utilities, energy, mining, etc.) require large capital outlays and slow returns.

GDP by Industry 2010

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Agriculture</td>
<td>9.2%</td>
</tr>
<tr>
<td>Industrial</td>
<td>37.6%</td>
</tr>
<tr>
<td>Services</td>
<td>53.2%</td>
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</table>
4.4 Peru

With 9 percent growth in 2007 and in 2008, Peru has been Latin America’s record breaker in terms of growth. It has also shown the most consistent of high growth rates over the last six years. Its exchange rate is steady and its inflation under control. The high global prices for metals and minerals may have helped spur its growth, but Peru could be too highly dependent on this sector. With the US-Peru Trade Promotion Agreement (PTPA) set up in February 2007, business between the two countries should increase further.

Peru has enjoyed some of the highest growth levels in Latin America over the last 10-15 years. Reforms by the controversial President Fujimori opened up the country’s mining riches to foreign investment. Since then, miners from across the globe have poured in. An estimated $40 bn USD will be invested in Peruvian mining from 2011-2016. Mining royalties have helped boost federal and state level government coffers, helping unleash an infrastructure spending boom the country has never witnessed.

Some of that windfall has also been wasted on ill-conceived plans and too little of it has trickled back to the mining communities. Those were the primary reasons why the left wing candidate Ollanta Humala came to power in the recent 2011 Presidential elections. His first act as President was to negotiate a reasonable but higher royalty program from miners. His policies have thus far rung centrist and have not proved distasteful to investors. Should that political climate be sustained, then growth will continue to come to Peru’s economy.

Peru is a highly competitive horticulture producer, one of the most productive in the world, attracting farming investments from Chile and Spain and the US. It is also a world class exporter of fish and sea food.

The inflow of export income has helped recapitalize Peru’s banking system and attract more investment from foreign banks. Now a consumer finance boom is underway, expanding credit at more than 15% per year to the previously under banked. As a result, consumption, particularly of larger ticket items like computers and cars is growing aggressively. One can see a similar pattern of consumption growth that has transpired under similar conditions in the past in Chile and Mexico.

GDP by Industry 2010

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Agriculture</td>
<td>10%</td>
</tr>
<tr>
<td>Industrial</td>
<td>35%</td>
</tr>
<tr>
<td>Services</td>
<td>55%</td>
</tr>
</tbody>
</table>

4.5 Venezuela

Venezuela is the richest country in the Andean, thanks to its vast oil and natural gas reserves. Were it not for the destructive policies of Hugo Chavez and his Bolivarian Revolution, the per capita income would probably be twice the level that it is today. Since he fired most of the managerial and engineering staff of the once respected PDVSA in 2003, oil production has fallen by 1/3, depriving the country of much needed income. Additionally, in an effort to win friends in the neighborhood, Venezuela sells oil at less than market values with paybacks negotiated over 30 years. Venezuela is also home to the world’s cheapest gasoline at roughly $0.03 per liter, a huge subsidy given to Venezuelan citizens. These policies combine to deprive the country of 2/3 of its potential oil revenue.
Foreign investors have tread carefully in Venezuela since 2004 when Chavez began a series of nationalizations of more than two dozen different industries. Early nationalizations were settled at market prices with exiting investors reasonably happy with the deals reached. Since the financial crisis, which shook the economic foundation of Chavez’s fiscal house to the core, his nationalizations have come with far less generous terms.

The best way to service Venezuela’s considerable consumer demand is via an export strategy. Venezuela is the number one export market for Miami based freight forwarders. The products sold to Venezuela are paid for in dollars outside of Venezuela. However, the Venezuelan government puts tight controls on foreign currency holdings used for importing so getting paid for a shipment can take more than six months.

GDP by Industry 2010

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Agriculture</td>
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<tr>
<td>Industrial</td>
<td>36%</td>
</tr>
<tr>
<td>Services</td>
<td>60%</td>
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</tbody>
</table>

4.6 The Southern Cone

The Southern Cone – Argentina, Chile, Paraguay, and Uruguay – represents a combined GDP of 632 billion US dollars. The largest economy by far is Argentina, with a GDP of 370 billion US dollars in 2010, followed by Chile’s steady economy at 203 billion US dollars. Argentina continues to grow at above 7 percent rates since 2007; however, this is still below Paraguay (at an impressive 15 percent) and Uruguay, at 8 percent. Chile has the highest GDP per capita (15,400 US dollars), followed closely by Argentina at 14,700 and Uruguay at 13,700 US dollars. Mercosur – which is the main economic agreement in this region, also including Brazil, and Chile as associate member – was designed to promote free trade and a fluid movement of goods, people, and currency within the bloc. However, unilateral trade barriers, bureaucracy, and even language barriers have shaken the integrity of the agreement.

4.7 Argentina

Argentina is an economy whose success defies the quality of its political leadership. When the country’s economy melted down in 2001, almost ¾ of its GDP value in dollars was destroyed. It has been a long hard slog back to respectability but today, Argentina is as economically robust as ever. Part of Argentina’s impressive recovery stems from the fact that it decided to stop servicing its enormous debt, much to the chagrin of the investment community, many of whom were left holding useless Argentine paper. Liberated of that burden, the government could tread relatively lightly on business as well as spend heavily in targeted areas, helping ignite growth as well as serve the Kirchner administration.

Argentina’s growth has been mostly financed by Argentines. The country did not return to international debt markets until 2010, once it had settled with the last of the debt holders. In the meantime, fiscal surpluses, thanks to windfall taxes on agri-food exports, and private savings were the basis of local financing. Most of the country’s growth has been driven by micro-investment, returning capital from affluent Argentines who parked money off-shore as well as locally generated savings. Where Argentina has failed to invest, in roads, electricity, ports, and telecom, rusty infrastructure is beginning to hurt growth. Brown outs are increasingly common.
4.8 Chile
With 16.6 million inhabitants, Chile has one of the smallest populations amongst the seven largest economies in Latin America. It is an outward-focused economy with exports accounting for 40 percent of GDP. The country has 57 bilateral and regional trade agreements, including agreements with the United States, the European Union and China – more than any country in the world. Foreign direct investment will reach more than $18bn in 2011, or 9% of GDP, the highest rate in Latin America. Outbound direct investment in the same year will reach $8bn, a demonstration of its economic maturity.

Chile is unique in Latin America for its own brand of conservatism. Chileans, be they worker, business leader or politician, are known for their cautious and pragmatic approach. Chile is the only country in Latin America on its way to joining the “developed” world of nations because it succeeds at brushing off uncompetitive industries and investing in more value added new ones, in spite of its incredible natural resource wealth, which might burden less disciplined economies.

Chile’s rainy day fund of more than $20bn has helped to keep its currency from overheating and provides Chile with the unique ability to exercise counter-cyclical measures when commodity prices collapse, as they did in the financial crisis.

Chile is embarking on the tenuous journey of transition from middle income country to affluence. In that process, it will invest more and more in the democratic process, the protection of its workers and its indigenous, the protection of its environment and its education system. Consistently upheld as a model of good policy making and democracy formation, Chile is a market to watch in Latin America.

GDP by Industry 2010

<table>
<thead>
<tr>
<th>Industry</th>
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<tbody>
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<td>Agriculture</td>
<td>8.5%</td>
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<tr>
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<tr>
<td>Services</td>
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GDP by Industry 2010

<table>
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<tr>
<th>Industry</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>5.1%</td>
</tr>
<tr>
<td>Industrial</td>
<td>41.8%</td>
</tr>
<tr>
<td>Services</td>
<td>53.1%</td>
</tr>
</tbody>
</table>
5. THE STATE OF MI IN LATIN AMERICA

Many countries in Latin America have rebounded from the 2008 crisis, but are still suffering from the 2011 developments of the crisis, with the difficult issue of the European debt and uncertain recovery plans. Strong domestic markets are still supporting countries like Brazil, but the decrease in external demand and the deterioration of currency rates are issues to be solved in the short term. Regulatory and tax models and interest rates are still waiting for the long-needed reforms, which have been constantly postponed by local governments’ agendas. In Brazil – with the World Cup 2014 and the Olympics in 2016 – private and government investments are increasing in important sectors, but accompanied by increased corruption, change of priorities in the country’s needs, and political instability as a fragmented government base seems more worried with concentrating power than actually ruling the country.

The bursting liquidity triggered by commodity exports is now diminishing, raising the cost of capital and pressuring business to invest more wisely. The “easy” growth experienced in Latin America over the last ten years is likely to slow somewhat over the next five years while still offering attractive rates of return vis-à-vis more mature markets in the US, Europe and NE Asia.

In such an increasingly competitive market, good business planning and intelligence gathering is paramount to success. The most effective organizations have their MI departments aligned with strategic planning, at a corporate or even business unit level. Some local Latin American giants have developed rather sophisticated MI departments over the past five to 10 years, but broader interest in setting up structured MI processes, especially in companies with revenues above 200 million US dollars, is only just starting to emerge.
Most companies lack an established MI process and culture, and struggle to prioritize their MI procedures; be it assembling structured departments, continuous monitoring programs or customized ad hoc assignments. Many are unclear about how to position MI within their organizational structures. It is not unusual to see MI practitioners awkwardly inserted into a market research department, where their insights are not turned into strategic action because they are located away from key decision makers.

There is however, a growing awareness of the benefits of MI, and a growing interest in how to set up MI departments. As such, Latin American companies have been more and more seeking advice from external market intelligence practitioners. The Strategic and Competitive Intelligence Professionals (SCIP) organization has not missed this development, as they held their first official event in Latin America in October 2009, successfully replicated in 2010 and 2011.

Organizations are beginning to reap the returns on their expenditures on structured MI, with some companies saving millions of dollars by investing thousands of dollars in MI that helps them anticipate and plan strategic initiatives. They have been able to properly identify external threats and warning signals as well as new market opportunities.

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**6. THE CHALLENGES OF CONDUCTING MI IN LATIN AMERICA**

“In Latin America it is very difficult to obtain accurate data about anything, and therefore MI is a critical tool that if well implemented will help organizations meet their strategic needs and identify opportunities for growth.”

Mauro Martins, CI Development expert - Brazil.

MI in Latin America is time consuming and can often be more costly than similar projects in the United States or Europe.
6.1 Poor secondary information structures

The development of reliable information structures has not matched the pace of economic development. This makes it difficult to plan adequately. Management tends to be reactive rather than proactive, a competitive disadvantage while doing business in dynamic markets.

Shortage of secondary information is one of the biggest problems global companies face when conducting competitive intelligence in the region. While Argentina, Brazil, Chile and Mexico have the most advanced secondary sources (particularly in financial services, automotive, telecom, and consumer electronic industries), these sources still lack the precision and definition one finds in the United States or Europe.

One will find a void of corporate financial data, as governments lack the resources to enforce the tax code and timely reporting by private and public companies. Complex tributary systems tempt companies to under-report earnings.

Due to low demand, few third-party company profile services exist, especially in second-tier markets. Multinationals that report global earnings for their listings in the United States, European or Asian stock exchanges are not always required to report country level financial performance. Lack of published industry research is another barrier. Unchecked theft of published reports and a lack of investment interest have been deterrents to the establishment of such services. In addition, most governments do not invest in business-level research due to a lack of funds. Government research tends to focus on macro statistics such as population, income and health. Even then, socioeconomic levels, purchasing power parity, unemployment rates, and other population measurement tools are incomparable to those of developed countries and must be adapted to local conditions and climates. What’s more, obtaining access to full data sets requires personal contacts and relationships within state organizations while foreign exchange fluctuations and devaluations (usually in US dollars) must be taken into consideration.

There is also inadequate industry and business press. Newspapers are only just starting to build their research capabilities. They have traditionally relied on government-sponsored advertising and “article sponsorship” where companies pay for favorable coverage. This has led to a lack of objective business reporting. Magazines focusing on specific industries are also not common, due to the relatively small market size and small advertising revenue.

Neither is exhaustive industry or company level research available from industry associations, which in general, tend to operate more as lobbyists for the largest members rather than as sources of information.

Cultural knowledge, industry experience and years of analyzing similar data are the most valuable skills one can possess in order to overcome secondary information barriers. For example, if you are conducting market sizing studies, it is important to take into account unreported black or grey market factors. The impact of contraband products, copies and clones must be taken into consideration within short-, medium-, and long-term sales objectives. Another example is that of public data. Governmental hold on legislation, monopolies, and oligopolies, all with “special” or “unique” interests means that few governments have reliable statistics departments to monitor trade activity. Tax regulations favoring exports lead to these figures being less accurate than import data. Manual data capturing often results in errors and lack of centralization results in vast statistical disparity from one report to the next. And the list goes on.

The expertise to make reliable assessments takes years of experience in understanding the local market situation.
6.2 Cultural barriers to primary research

The barriers in primary research are even more challenging. Interpreting primary results and transforming them into actionable solutions is impossible without local knowledge.

Most companies in Latin America (even multinationals) exhibit higher levels of bureaucracy than companies in more developed countries. Corporate decision makers are often difficult to reach, posing various levels of secretarial barriers. As employee empowerment remains fairly limited, executives with valuable market information recluse themselves in higher hierarchical ranks and maintain a barrier similar to that of social class seclusion, leaving coworkers and teammates out of the information loop. In the rare cases where information travels freely, internal staff are reticent to reveal commonly available information such as gross sales, for fear of upper management reprisals. Therefore, having good contacts is an essential part of modern day competitive intelligence in Latin America.

In both business and consumer markets, it is very unlikely that respondents will answer questions about income accurately, if at all. High fiscal evasion (both in businesses as well as in households) has led to respondents being reluctant to share information regarding income, sales, and revenue structure. With no objective credit reporting institutions and rampant tax evasion, distrust is the norm.

In business, it is common for Latin American companies to keep two sets of books, and there may often only be one or two people who know the real numbers. As a result, indirect questions and mapping via secondary source data are almost always required. Direct questions regarding revenue should be avoided (or at least not part of the filter). Furthermore, extreme levels of bureaucracy and hierarchal barriers make it difficult, if not impossible, to reach the right person. Once the appropriate person is reached, he or she is usually reticent in sharing information, giving the traditional runaround speech. It is preferable to approach this subject through indepth face-to-face interviews. Access to such interviews however, will mostly only be successful through contacts in the region.

In consumer research, alternate income estimates must be used, such as asking about the quality of life of the household ie. the size of the home, the number of bedrooms and bathrooms, the number of cars, telephones etc. Social class disparity can be counterproductive within focus groups, and classes should be kept separate so as to avoid dominance within the group structure. What’s more, understanding how local firms segment and position their markets is a major challenge for global companies. SES segments in Latin America are incomparable to those in the United States and Europe. For instance, purchasing power in the SES B segment in Brazil is comparable with SES C in the Europe. Until very recently, SES D and E across Latin America were considered unprofitable and remained ignored by major market players. Understanding social differences is also crucial when conducting competitive intelligence. It is therefore not surprising that global companies have struggled in penetrating Latin America’s lower SES segments, which today represent highly attractive markets.

In the United States or European Union, questionnaires may ask for critical opinions without a reference. This may not work in Latin America. Some Latin cultures are extremely reluctant to provide frank assessments of this type. For instance, unless measured in relation to other entities, such as competitors, customer satisfaction scores in the region will almost always score higher than in the United States, Europe and other countries where being direct in one’s communications is encouraged.

In most Latin American cultures, it is considered highly impolite to give a straightforward “no” as an answer.

This trait is often observed in qualitative studies, as candidates give the traditional runaround of not answering calls and e-mails. The most common excuses are that candidates are “out to
lunch”, “in very important meetings” or “out of the country”. In quantitative studies, therefore, researchers must keep the “afraid to say no syndrome” in mind, especially with information that is difficult to obtain. Respondents will prefer to give erroneous statements, rather than admit to a lack of knowledge.

Again, local knowledge and experience to design, conduct and analyze surveys within the Latin American context is crucial. Local qualitative studies should be designed, implemented and analyzed in order to develop targeted quantitative surveys. This is the common understanding of the market situation in theory, but it is, lamentably, not often put into practice.

6.3 Challenges to Proper Analysis

As with any MI challenge in any country, the most crucial phase is transforming all the collected information into decisions, and then strategic action. Simply knowing the language, gaining access to published information and interviewing market players will not be enough to conduct proper MI in Latin America.

In recent years, the competitive environment has evolved into a dynamic marketplace, fueled by constant legislative changes, new market entrants and an increasingly sophisticated consumer base. Understanding the subtle dynamics that operate in each of the region’s 34 local markets is vital.

MI practitioners need to know how to analyze and interpret all of the information that they receive from the market in the form of secondary research, visits, interviews with competitors, distributors, suppliers, customers etc., and have highly-honed and seasoned skills to conduct reality checks or cross verification analysis in the context of the local culture/s. Having a local MI partner therefore, is simply critical. If such capabilities are put into practice, executives will be able to make business decisions that are on-target.

7. TACKLING THE CHALLENGES OF CONDUCTING MI IN LATIN AMERICA

7.1 Local knowledge, on a country level

Market Intelligence practitioners must understand the intricacies of conducting MI in each country. True understanding comes through hands-on experience on the ground. This includes continuously interacting with consumers, distributors, competitors, and living or having lived in the country. Delegating a MI challenge in Chile to a practitioner who lives in São Paulo can be just as challenging as delegating it to someone who lives in London, unless this practitioner understands Chile thoroughly. Quiz your partner or practitioner on their knowledge of the region or market.

Challenge your partner or practitioner on their in depth knowledge of the region. Go beyond history and macro economics, and inquire about local ways of doing business, specific companies, second tier cities, contacts, etc.

7.2 Cross Verification Analysis

Excellent and reliable secondary sources of information can be found on paper and on the Internet in some countries and industries. There are however, also truckloads of unreliable information that will confuse analysts and provoke misguided interpretations and conclusions. Differentiating what is good information from what is bad is a challenge.
Rely on multiple sources to cross verify information in order to reach confident conclusions prior to any action.

Look for published industry reports (magazines, associations, off the shelf studies), newspapers, local news providers and websites from companies that participate in the value chain of your industry. Cross verify the results. Remember, published information will bring you insight on the past and future, but trend analysis insights will be limited.

7.3 Primary Research
Nothing beats being on the ground and talking to members of the value chain. In general, decision makers are difficult to reach, but once you reach them, they tend to be open. Latin Americans are generally talkative, but will not always tell you what you want to hear. Questions should not be too direct. It is always best to come prepared to meetings by understanding the general context of the subject matter. This will scale up the value of your interviews from information seeking to validation of existing information and insights regarding the future direction of the company, industry or market. Multiple interviews throughout the value chain (including your own company) are always best.

Choose to work with partners who have operated on the ground for a long while and who have built large, efficient and reliable networks of information sources. Join your partners whenever relevant. Remember the “afraid to say no” syndrome.

7.4 Continuous Monitoring
Things are constantly changing in dynamic and emerging markets such as Latin America’s, so it is important to monitor the marketplace continuously. Ad hoc studies are excellent, but may lose value as time goes by. Businesses are gradually migrating from single ad-hoc studies to continuous market monitoring partnerships.

Continuous customized intelligence monitoring is cheaper than multiple nonscheduled customized ad hoc studies, even when ad hoc studies are inserted into the continuous program. They also enable better annual budgeting. This is especially important in large countries such as Brazil that sometimes demand individual efforts per geographic region or state.

7.5 Knowledge Management
Knowledge management and MI work hand in hand. MI efforts can be significantly reduced through enhanced knowledge management efficiencies. How often have you hired external consultants to find information that you have in-house? Companies have sales representatives and employees who constantly interact with the external environment and who can contribute systematically to the knowledge management library. Internal research, releases and reports which are often lost or not shared, are often duplicated as a result of the lack of or inefficient use of a knowledge management system.

Building knowledge management is a challenge, as it involves the commitment of the entire organization. Effort must be placed in building a knowledge management culture internally. GIA’s Intelligence Plaza® is a tool that has been built for combining market intelligence with knowledge management. This tool can help a company save millions of dollars by appropriately storing, disseminating, analyzing and distributing information, thus avoiding duplicate investments in research assignments, and bringing valuable intelligence close to the ultimate decision makers.
7.6 Deeper MI Relationships

Try to construct a partnership relationship with your external MI partners. Be careful when selecting and changing external partners. Seriously committed MI firms will usually provide increasingly valuable results from project to project. The first project is often an adaptation period, and will serve as a learning curve to understand a company’s corporate culture and align expectations. When working on continuous projects, results will become increasingly valuable, as expectations will be thoroughly understood.

Choose a partner whom you trust and who has a track record. Don’t hesitate to ask about the back office, resources, systems and presence of your partner. The partner should practice what they preach and have the internal processes that they recommend to its client. Once you select this partner, work with the partner to invest in the relationship as this will only serve to improve the results and achieve your objectives.

8. CASE STUDIES

8.1 Market analysis and market entry strategy for a multinational manufacturer of household decoration products

Industry: Consumer Decoration Products
Geographic Scope: Brazil
Methodology: secondary research, primary research (market and competitive interviews), analysis & recommendations; client visits to selected companies in Brazil.

NEED:
An international company, leader in its segment in USA and neighboring countries, needed to understand the Brazilian market: size, growth rates, local regulations, and competitive environment, in order to build a strong entrance strategy.

APPROACH
Through a series of interviews with store managers, product managers, and industry executives, Global Intelligence Alliance conducted a solid analysis, allowing for the development of strong recommendations to the client.

SOLUTION
The results of the study allowed the client to understand in detail the Brazilian market and to correctly narrow down its entrance possibilities. As a second phase to the study, the client required that GIA accompanied them in visits to Brazilian candidates for a partnership.

KEY BENEFITS
A head start to the client, who needed to quickly understand the Brazilian market before making important strategic moves.
8.2 Competitive intelligence and price benchmark for Brazilian civil construction company

**Industry:** Civil Construction  
**Geographic Scope:** Brazil  
**Methodology:** secondary research, mystery shopping, primary research (competitive interviews), analysis & recommendations.

**NEED**  
A Brazilian company, one of the leaders in construction of SES A and B apartment buildings, needed to understand competitive development and price trends of raw materials, in order to become more competitive in the local growing market of civil construction.

**APPROACH**  
Global Intelligence Alliance assessed industry published reports, historical databases of construction raw material prices, and conducted a series of interviews with industry players, in order to gather the required information.

**SOLUTION**  
GIA presented a series of tables showing future price trends of materials, along with strategic insights obtained in interviews and analysis, providing solid recommendations to the client. The study was further replicated in different regions of Brazil.

**KEY BENEFITS**  
The study allowed the client to lower its cost of raw material purchasing, obtaining an important competitive advantage in its industry.

8.3 Investment analysis for a global supplier of industrial goods

**Industry:** Diversified industrial products  
**Geographic Scope:** Mexico  
**Methodology:** Benchmark Analysis

**NEED**  
The client, a global supplier of industrial goods, was seeking to understand the impact of the 2009 economic crisis on their business, and where to best place their investments in order to take advantage of the new market dynamics.

**APPROACH**  
AMI conducted a thorough analysis of the client’s key industry segments, from competitive to customer analysis, identifying gaps.

**SOLUTION**  
The information was then analyzed in order to provide a detailed roadmap of the sectors to focus on coming years, as well as the distribution structure necessary to reach these markets.

**KEY BENEFITS**  
In light of the market analysis and results of the study, our client decided to undertake acquisition talks with a well-positioned player in a specific segment, thus enabling our client to be better positioned to capitalize on upcoming market growth.
8.4 Privatization bid investigation for an international port operator

**Industry:** Port Management  
**Geographic Scope:** Central America  
**Methodology:** Political Risk Assessment

**NEED**

Our client, a leading international port operator wanted to pursue a bid for the privatization of a Pacific coast cargo port. They had two principal concerns. Was the port privatization rigged whereby another firm was unofficially pre-selected, as can often happen in Latin American public bids? They also questioned some of the volume growth expectations built into the privatization pricing process.

**APPROACH & SOLUTION**

AMI began by investigating the level of transparency of the bid. By leveraging very well positioned contacts in the supervising Ministry of Transport and through friends of the Minister in charge of the bid, we were able to determine that the bidding process did in fact promise to be transparent. If any prejudice existed, it could in fact favor our client because the government ideally wanted an experienced international port operator to win the bid. Next, we meticulously scrutinized the demand forecast assumptions of the bid and built our own demand model to challenge the assumptions.

**KEY BENEFITS**

Our intelligence gathering showed that the bid could be won by anyone. However, our demand forecast seriously challenged the overly optimistic numbers published by the Ministry of Transport. By comparison, we predicted that demand would grow at 1/3 the rate predicted by the public bid organizers, who had failed to take into account the capacity investment plans of competitive ports within 1,000 km of the port in question. Our client decided not to pursue the bid and communicated to the Ministry their doubts about their demand forecasts. A few months later, the global financial crisis began and the Ministry of Transport cancelled its privatization plans, declaring that it would have to recalibrate its demand forecast in light of falling global trade flows. Our client was thankful to not have committed themselves to what could have been an unprofitable investment.

9. CONCLUSIONS

Since 2003, Latin America has proven to be a highly profitable market to foreign investor and exporter alike. Solid growth led by commodity export income, expanded domestic credit and strong currencies have favored most business ventures in the region. The global financial crisis challenged the fiscal and monetary policy discipline of the region. Those who had led orthodox paths (Brazil, Mexico, Colombia, Peru, Chile, Uruguay) bounced back from the crisis very quickly, particularly Brazil which has been the pillar of the region’s growth since late 2009. The less orthodox (Venezuela, Ecuador, Bolivia) have not fared well since the crisis, a welcome political reminder to those policy makers willing to exercise leadership and discipline.

Consumer demand has literally exploded over the last ten years, averaging close to 20% per annum expansion as Latin America went from a highly under banked region to one flirting with high levels of debt. As consumers have woken to their potential under strong currencies, local manufacturers have suffered and now increasingly call for protectionist favors.

Over the next few years, Latin America will continue to deliver growth but it will be at more moderate levels, en par with global averages, i.e. mid-stream between anemic US and European...
growth on the one hand and still stronger growth in lower income Asia. Questions remain as to whether Latin America can pull itself out of its middle income trap and become an affluent part of the world. The only countries that have demonstrated the political will and educational levels to make that leap are Chile and Uruguay. In the meantime, Latin America will continue to bask in a benign climate of relatively high commodity prices, thanks to enduring Asian demand. That will ensure that the region remains a very attractive market into the mid-term.

Competing in Latin America has already grown more difficult. In Brazil, profit seekers must push beyond the familiar south-east and tap huge demand in the north and southern tip of the country. Greater competition also obliges businesses to remain more keenly aware of their business environment, by employing monitoring practices, either internally or with external assistance. Business investments will receive greater scrutiny in an environment of less frenetic growth, thus pre-investment intelligence gathering becomes even more essential than ever.

10. ABOUT GIA

Global Intelligence Alliance (GIA) is a strategic market intelligence and advisory group. GIA was formed in 1995 when a team of market intelligence specialists, management consultants, industry analysts and technology experts came together to build a powerful suite of customized solutions ranging from outsourced market monitoring services and software, to strategic analysis and advisory.

In Latin America, GIA runs its South American operations from the São Paulo office, led by Natan Rodeguero. In the northern half of the region including Mexico, Caribbean and Central America, GIA Member Americas Market Intelligence (AMI) manages two offices, one in Miami and one in Mexico City.

Today, we are the preferred partner for organizations seeking to understand, compete and grow in international markets. Our industry expertise and coverage of over 100 countries enables our customers to make better informed decisions worldwide.
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