INTRODUCTION

Latin America is a market of 508 million people, with a GDP of about USD1.7 trillion and per capita income of USD 3300.

The entire Latin America was a neglected region for Indian Businessmen due various problems encountered in the past years, have been solved. We have lot of advantage and strength in doing business in this region. As this market has lot of potential, this is right time for us to exploit the opportunities.

India’s international trade is poised for a quantum jump in the coming years. South- South trade will be an important component of the trade expansion. Latin American and Caribbean region, comprising 40 countries, offer tremendous scope for expanding our trade and investment relation. Already, Indian pharmaceutical companies have made considerable inroads into number of countries in this region with their world class, competitively priced pharmaceutical products. Opportunities exist for number of other products as well.

The Ministry of Commerce, Ministry of External Affairs, Export Import Bank of India, Our Embassies/Consulates situated in the LAC region, Export Promotion Councils, FIEO, CII, FICCI and other Regional Chamber of Commerce have been extending excellent support in promoting exports to this region.

The region, in recent years has offered promising business opportunities to Indian exporters. In the last 13 years, India’s trade with Latin America has increased nearly five times to reach a level of USD5.00 billion, with exports accounting for USD3.00 billion in 2004-05. The Government of India, considering the potential that the region offers, launched an integrated programme, called “FOCUS-LAC”. The programme is aimed at enhancing India’s trade significantly.

The target is to double our exports in the next three years to this region. What we did is a mere a drop in the ocean. The entry of China into Latin America should be a wake up call to our Indian businessmen, who have not paid much attention to this emerging market.
Latin American countries have started the liberalisation process and are reducing tariff and non-tariff barriers, thereby opening up doors for competitive imports to the region. As a result, the region is emerging as a major importer in global trade.

Latin Americans are seeking partnership with Indian companies as a diversification policy and Indian businessmen should take advantage of this situation and act fast, to get a share of this growing market.

The potential offered by the LAC region is yet to be tapped fully by the Indian exporters. To achieve the objective of “FOCUS-LAC” of Government of India, substantial awareness needs to be created about the potential of the region, amongst the Indian exporters.
EXECUTIVE SUMMARY

ABOUT THE EMERGING LATIN AMERICA

Latin America has undergone profound political and economic transformation becoming more stable and prosperous and there is a paradigm-shift in the culture and approach of Latin Americans. The LAC region grew by 5.5% in 2004, the highest growth rate in the last ten years. The growth was based on robust macroeconomic indicators in all sectors. Growth for 2005 was 4.3%.

Success in Latin America, as in all emerging markets, requires genuine commitment. The long-term vision is positive. Globalisation is transforming the business landscape of the Latin world. Firms competing in this region are reacting not only to new trends in technology but also to the impact of fundamental changes that have transformed the economic landscape.

Latin America is a fast-growing market. Its imports increased 3 times from USD 113 billion in 1991 to USD 398 billion in 2004. Its share of world imports went up from 3.7% in 1990 to 6.1% in 2004. Exports in 2004 were USD 460 billion. Foreign Direct Investment in Latin America rose from USD 11 billion in 1991 to USD 90 billion in 2000 and thereafter declined to USD 40 billion in 2002, USD 37.8 billion in 2004. The total FDI in the period 1995-2004 was USD 506 billion. The region achieved a trade surplus for the first time in 2002 and increased it to an impressive USD 62 billion in 2004.

Brazil and Mexico, the biggest markets, offer different platforms for entry into the region and they have become part of the global value chain for the Multi National Corporations. Argentina, Venezuela and Uruguay have bounced back from the crisis of the last few years with impressive growth in 2004. Chile is the most transparent and well-managed market. Chile ranks first in investment grading in Latin America.
Although Latin America is a challenging region to do business, it offers rich rewards. The essence of strategy in Latin America is to identify the windows of opportunity, timing of entry, resource commitments, and creative response necessary to succeed. Success in Latin America, as in all emerging markets, required genuine commitments, with long-term view.

The fact remains that even with risk ever-present, the rewards can be great. This is certainly the case in Latin America, even now. North American, European, and Asian firms continue to maintain a significant presence in the region, and these firms have learned to live with the volatility that characterises business in this region.

Long-term vision for Latin America remains positive. Globalisation is transforming Latin America’s business landscape, ushering in new trends in corporate organisation, technology utilisation, consumer demographics, patterns of financing, infrastructure, and government responses to the challenges of economic growth and development.

Latin America is as diverse as it is vast and effectively consists of sub regions each with distinctive and different characteristics. It is essential to understand the particular features of the target country. Brazil and Mexico are the two biggest markets and have stable economies, manufacturing experience and potential for growth, so are good first targets.

Indian businessmen have added advantages in entering the market and to get a share of the business as the Latin Americans are very much interested in associating with Indians for the reasons furnished in this research study. However, every market has competition, consumer preference and value. Likewise, the Latin American markets. To tap the potential of this market successfully, differentiated market strategy has to be formulated for respective countries, region and products.
OBJECTIVE OF THIS RESEARCH

The primary objective of the research study is to provide a differentiated marketing strategy for doing successful business with Latin American countries.

The other objectives of this study is

1. To raise the level of understanding of the Business Leaders and the Top Level Executives involved in International Business about the Latin American Market.

2. To provide detailed information on this region, approach to this market, formulation of strategic policies, government initiative & support and business creation model.

3. The study also provides necessary information and the tips to Indian Businessmen to enter and expand the trade in this region.

TOP SIX MARKETS

The study is concentrated on the top six markets namely, Argentina, Brazil, Chile, Colombia, Mexico and Venezuela, which contributes more than 90 per cent of the GDP of this region. In this chapter, the overview of these markets, bilateral trade between India and the top six markets, country profile and the major item of exports from India are furnished.

BARRIERS IN DOING BUSINESS WITH LATIN AMERICAN COUNTRIES

The barrier said to have been faced by Indian businessmen in doing business with Latin American countries have been listed.
RESEARCH METHODOLOGY

The Research design, Methodology adopted, sources of Primary and secondary data collected, the factors considered important and taken for the study, the analysis of the data collected, diagrammatic presentation, statistical tools, interpretation and the limitations.

DOING BUSINESS WITH THE NEW LATIN CONSUMERS

The realistic expectation of the Latin American consumers, their consumption and shopping patterns, socio economic distinctions, the choice of brands and products available for their selection. The consumers are seeking better values, the price imperative, the price to value propositions. Their awareness, concern on health and environment, their budgets, their belongingness, shopping strategies, expectation on honesty and transparency in commercial transactions. The firms are to rethink strategies crafted for the expansion and the liberalised market conditions. The challenge before the firms is to integrate several dimensions of consumer value, to deliver more compelling value propositions that meets the present economic realities, to build new growth platform, to protect the market share, to sustain the revenues and to be among the market leaders.

POSITIONING TO MEET THE CONSUMER VALUE

Positioning of the firm and products in this region and the approach required to meet the expectations of the consumers. As the realignment of the consumer expectations challenges the approach, the firm’s decision to apply the conventional approach based on socio economic segment or an emerging approach for the emerging market is very important. Earlier the competition was from local firms. Now the economy is liberalised, competitors from overseas are taking positions in the market including multinational companies, the market approach is different.
SEGMENTING THE LATIN MARKET

Latin American society is complex and fragmented. One way to reduce complexity is market segmentation. For many years, marketers have relied on the socioeconomic segmentation of Latin American markets to formulate marketing strategies and targeted their products for affluent and lower class segments. With a fickle middle class and blurring distinctions of income-based segments, this conventional strategy is no longer effective. New definitions and different market segmentation are becoming the norm. Better solution is to lay several approaches and find one or a combination of ways that corresponds best to the type of business or consumer category targeted. The view of the market could be a combination of life cycle segments and socioeconomic classes or any other combination. Market success may depend on seeing opportunities for positioning and segmentation.

STRUCTURE OF COMPETITION IN LATIN AMERICA

The Latin American competitive landscape encompasses four categories of players namely large domestic firms, state-owned enterprises, small and medium sized businesses and multinational firms. The economic prowess of large domestic and foreign firms, whether public or private, is formidable.

Many firms have benefited from market liberalisation policies, trade opening, deregulation, and administrative reform. Some firms could not benefit as they are unwilling to change or unable to meet the challenges of increased competition from both within and outside their markets. There will be winners and losers from the ongoing process of globalization and the Small and Medium Enterprises (SMEs) will continue to play an important role in the economic growth and development of Latin America.

ECONOMIC VARIANCE IN LATIN AMERICAN REGION

The region is characterised by an economic, demographic and cultural asymmetry, which stands in the way of pan-regional strategies. The region is dominated by a group of big six markets namely Argentina, Brazil, Colombia, Chile, Mexico and Venezuela. They are markedly dissimilar. Brazil, Mexico, and Argentina alone account for 60% of the region’s
population and 77% of its GDP; with the addition of Chile, Colombia and Venezuela, the big six reaches fully 75% of the population and 90% of the GDP. Even with in this top tier, there are significant variances.

**TYPES OF STRATEGIES**

This chapter deals with the types of strategies from Shapers to Adapters. In environment characterised by uncertainty and rapid technological change, companies have to follow either shaping or adapting strategies. Shapers strive to reduce uncertainty by driving change in an entire industry or one of its sub-sectors. Although shapers tend to emerge in innovation-driven industries, they can also be in low-technology companies. Shapers also restructure their competitive landscape with aggressive mergers and acquisitions.

Adapters do not attempt to change their industry structure radically, but thrive within its confines by leveraging their resources and differential advantages. Depending on the scope and nature of their resources, adapters further sub divide into specialists, integrators and regional.

Specialists may focus on one part of the value chain or on an industry sub-sector. Most large multinationals have adopted integrator strategies, often through cross-border acquisitions, which deepens their scale and market access advantages. The regional companies are in the form of family-owned conglomerates, historically dominated the region.

**THE LATIN MARKET AND MARKET BASED STRATEGIES**

In reaching the Latin market, firms need to understand that Latin-ness is a continuum that ranges from purely national to the fusion of two or three similar or different cultures: National, Latin, Non-Latin. The degree and relevance of the three cultural components depend on the geographic location of the consumer. For Latin Americans in their own country, the relevant culture is the national culture. In itself, the national culture may be a blend of many local cultures resulting from the complex processes of colonisation of native population and waves of immigration.

For Latin Americans outside their cultural milieu, the approach depends on degree of assimilation and cross-fertilisation.
In reaching the complex Latin market, the market-based strategies can be (i) Local national strategy, (2) Latin localisation strategy, (3) American Latinisation strategy and (4) Global localisation strategy.

**LEVEL OF MARKET AGGREGATION AND STRATEGIC DECISIONS**

A related strategic decision to reach Latin American consumers is to decide on the level of market aggregation, which means the broad and narrow geographic scope. The best strategy is to aggregate markets with minimum adjustments to the fundamental consumer value. The level of market aggregation depends on the size of the target segment across the region that fits the strategy.

**Market Nesting Strategy:** Choosing one of the group countries in different demographic transformation. The first group includes the markets in advanced stage of demographic transformation, which include the highly urbanised urban markets of Argentina, Chile, Uruguay and Puerto Rico. The second group includes markets in full demographic transformation with a mix of urban and rural markets, such as Brazil and Mexico, along with Peru, Venezuela and Colombia. The third group consists of countries with moderate levels of demographic transformation and substantial rural populations in Central America.

Given the choices, the firms may choose to select a market platform in either the Southern Cone countries or the mass markets of Brazil and Mexico. These two options lead to two different consumer value propositions. The value proposition for markets at an advanced stage of demographic change and level of urbanisation is different from that of markets that are at the full stage of transformation. Another difference is the market size of Brazil and Mexico, which are gigantic when compared to Argentina or Chile. So the firm should focus on developing an effective strategy for one group or other.

Mexico can be a North American platform. Mexican market platform should include the households of Mexican origin in the United States. Mexican platform can be used to reach the North American corridor in view of North American Free Trade Agreement (NAFTA). This platform can be used to expand the operations to Colombia, Venezuela and Peru.
Brazilian market platform can be used for entering the Argentinean market. Brazilian and Argentinean firms which assumed that proximity and the Mercosur trade agreement would ensure quick market penetration in each other’s market.

The Southern Cone Market Platform includes Argentina, Chile and Uruguay. Few companies have used this corridor to establish a strong home market position and expand into neighboring countries.

Pan-Regional Latin market strategy is used in markets where regional aggregation provides as strategic advantage. The region’s cultural diversity makes it imperative to localise content for each country.

**BRAND STRATEGY**

Building a strong brand, whether global or local is an important business strategy for Latin America. The challenge is to build one that resonates with the new market reality.

Global brands entering Latin American markets leverage their world-class status and technological superiority. Global brands appeal to local consumer aspirations of cosmopolitan and sophisticated lifestyles.

Familiarity strikes a chord with consumers who are reluctant to experiment with new products or ideas and are not interested in the allure of the global culture. Local brands derive market power from their identification with local community value, heritage, folklore and tradition. Since local brands were conceived and produced for the local market, consumers perceive them as more appropriate to their context and consumer situation.

Past brand-building efforts and investments are paying off nicely for both global and local brands. The most successful global and local brands have reached a level of admiration and respect among Latin American consumers.

**REGIONAL INTEGRATION**

Regional integration continues to be an effective tool for broadening markets, diversifying exports and achieving economies of scale, which in turn, are decisive factors for the Latin American countries to enhance their productivity, generate employment, attract capital and
stimulate investment. All the countries are now part of one or other trade blocs. Individual countries and regional groups have been signing Free Trade Agreements (FTA) with other countries and blocs within as well as outside the region.

Mercosur, Andean Community are important and taken for the study as the top five markets namely Argentina, Brazil, Chile, Colombia and Venezuela belongs to this regional group and Mexico another top market, is part of North American Free Trade Agreement.

1. MERCOSUR – Brazil, Argentina, Uruguay and Paraguay are the members. Chile and Bolivia are the associate members.

2. ANDENAN COMMUNITY – Venezuela, Colombia, Peru, Ecuador and Bolivia.

3. NORTH AMERICAN FREE TRADE AGREEMENT – Mexico, USA, Canada.

**ECONOMIC SITUATION IN LATIN AMERICA**

The turnaround of the Latin American economies has come on top of a fundamental transformation the region is undergoing in political, economic and cultural aspects. Three driving forces have caused a paradigm shift and fundamental and irreversible changes. These are (i) democratisation (ii) globalisation and (iii) integration.

The recovery has gathered and strength expanded. Great improvement in the last few years. Macro Economic Scenario, Economic Growth, Fiscal and Monetary measures, Foreign Trade and Foreign Direct Investment has been encouraging and the economies are growing consistently.

With these fundamental changes, Latin America is set on a new course of stability, growth, and prosperity. The economies have become more resilient and resistant to external shocks.

**Riding on the wave of anti neo-liberalism leftist parties have come to power in a number of countries in South America. They seek to diversify their economic and commercial relations and establish partnership with countries like India.** The political and socio-
economic agenda of the region is driven by middle class voters whose basic needs are affordable medicines and essential necessities.

APPROACH TO THE MARKET – DIFFERENTIATED MARKET STRATEGY

The approach to this market being the differentiated market strategy is classified under four heads. The summary of the strategies to be adopted is provided.

1. FOREIGN TRADE APPROACH

Types of strategies, market based strategies, market aggregation and strategic decisions, market nesting strategy, selecting a market platform, pan-regional strategy, brand building strategy, positioning to meet consumer value, structure of competition and strategy, supply of products under preferential rate of duty.

2. INFORMATION TECHNOLOGY APPROACH

Use of Information technology tools as marketing strategy like e-commerce, on line product catalogue, info-portal, on line business model.

3. GOVERNMENT INITIATIVE AND SUPPORT


4. BUSINESS CREATION MODEL

Direct Interaction with the Prospective businessmen, Appointment of local representative, Alliance with a local company, Participation in delegation, Exhibition, Trade-fairs, Buyer-Seller meet, Investment and Joint Venture, Merger and Acquisition.
CONCLUSION

Based on the data collected, information obtained, study, interaction, analysis and the important factors considered, the opportunities and challenges of Latin markets for different sectors, Indian businessmen should adopt different market strategies for different sectors, regional group and the countries in this region for successful business.
CHAPTER –1

OBJECTIVES

Latin America has emerged as a new market for India’s exports in the last decade. Our exports went up from USD124 million in 1991-92 to USD3.00 billion in 2004-05. Our target is to get a one percent share of Latin America’s total imports, which stood at 400 billion dollars in 2005. We have achieved this in the case of Brazil in 2002 itself and our exports have crossed USD1.00 billion in 2005 to Brazil and USD1.00 billion to Mexico.

The time has now come to get out of the stereotypes of Latin America simply as an exotic continent of carnival and football, samba and salsa. We need to go beyond the headlines of CNN and Wall Street Journal and look out for the opportunities for our business. We have to deepen our understanding of the Latin American market.

“Integration” is clearly the direction in which all the countries in the hemisphere from the mighty USA to the tiny Antigua and Barbuda are moving; integration in all degrees ranging from Free Trade Area to Customs Union and to Single Market. We should prepare ourselves to take advantage of the opportunities arising from the emerging and integrating Latin America.

1. The objective of this study to raise the level of understanding of the Business Leaders and the Top Level Executives involved in International Business about the Latin American market potential.

2. To provide detailed information on this region, approach to this market, formulation of strategic policies, government initiative & support and business creation model.

3. This research study is to provide a differentiated marketing strategy for doing business with Latin American countries.

4. The study also provides necessary information to Indian Businessmen to enter and expand the trade in this region.
This research study is restricted to top six markets in the Latin American region namely Brazil, Mexico, Argentina, Venezuela, Colombia and Chile.

The details on other countries situated in the region are included as additional information to the Indian Business community.