



Fondazione
Altagamma

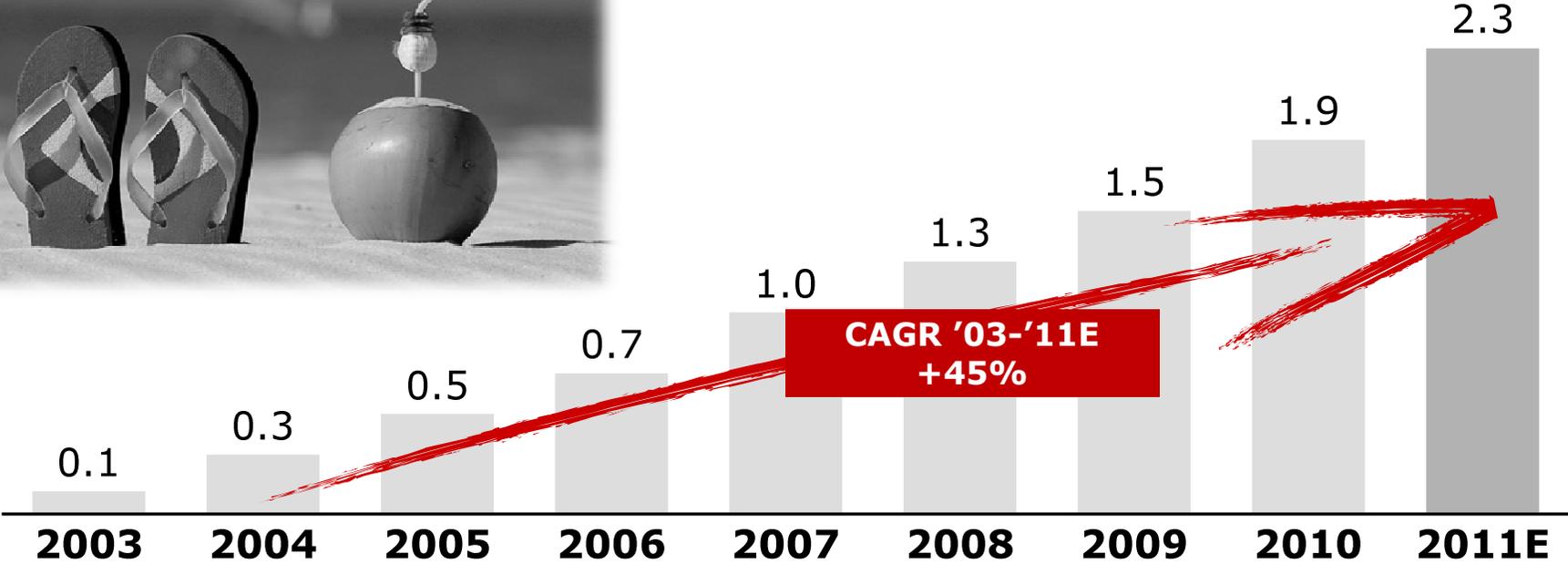
Luxury, Demographics and Lifestyle in Brazil

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Milan, 25th October 2011

Brazil, a small but fast growing market for luxury goods

Brazilian Personal Luxury Goods Market trend (2003-2011E, €B)



YoY growth

150% 67% 40% 43% 25% 20% 25% 20%

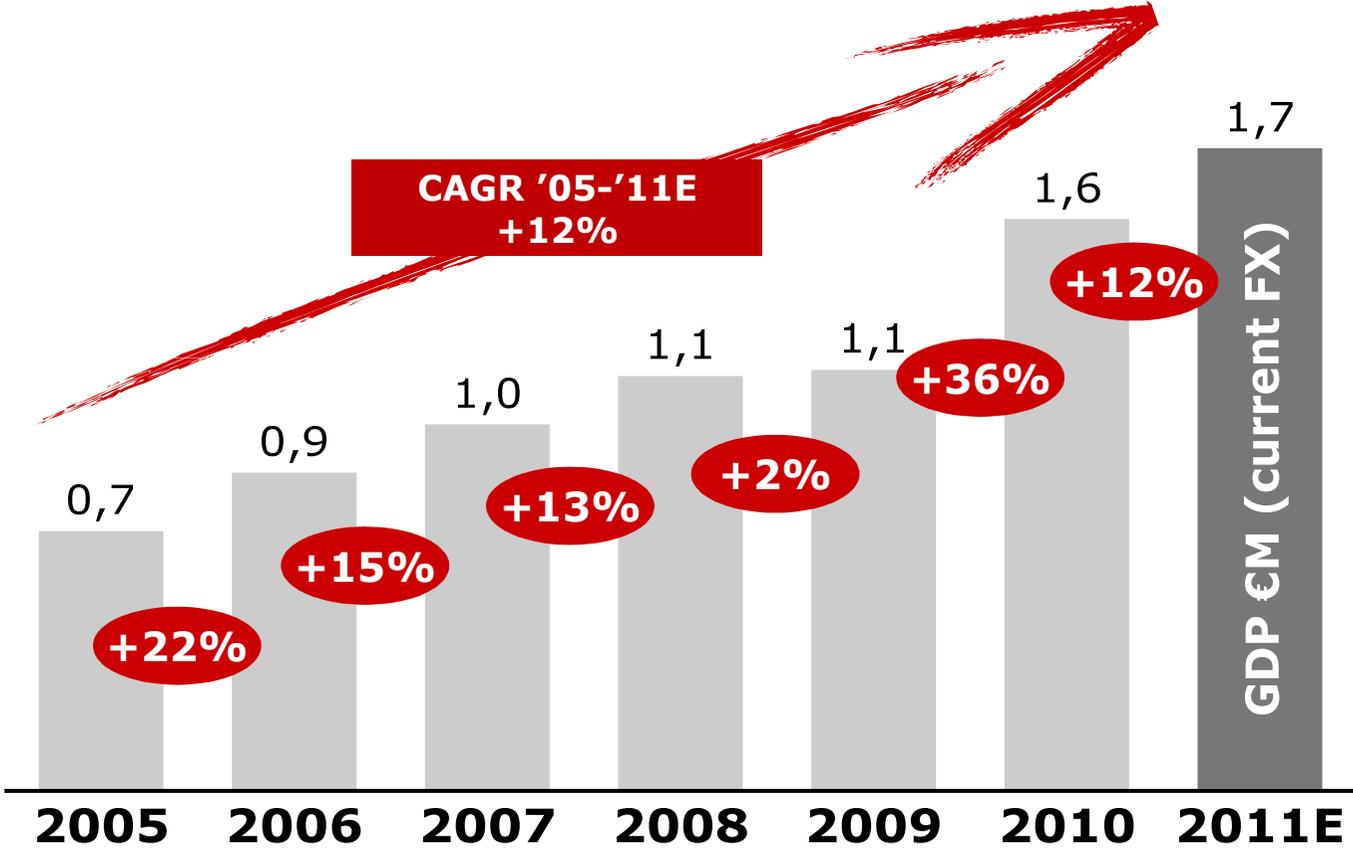
3 macro-pillars of the Brazilian luxury market



Brazil more than doubled its GDP in 5 years

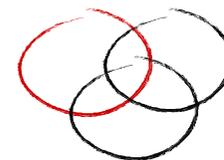


Brazilian GDP trend (2003-2011E, €B)

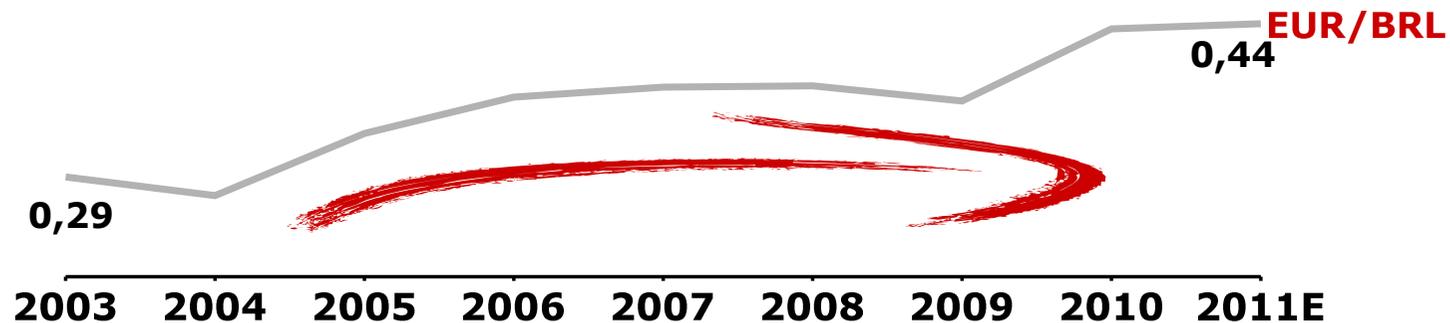


GDP growth (2010 fixed FX) 10% 12% 14% 5% 14% 10%

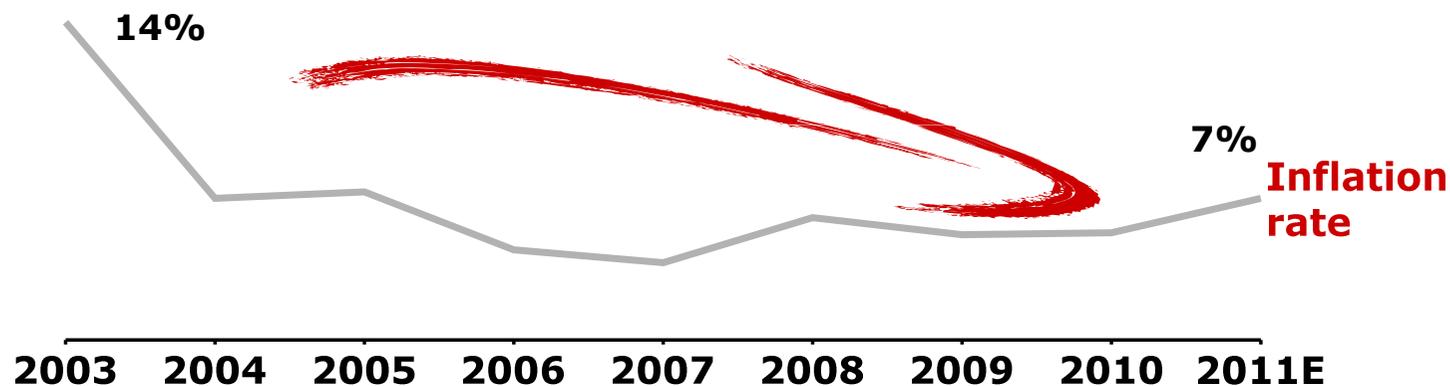
Solid macroeconomic basics supporting GDP growth



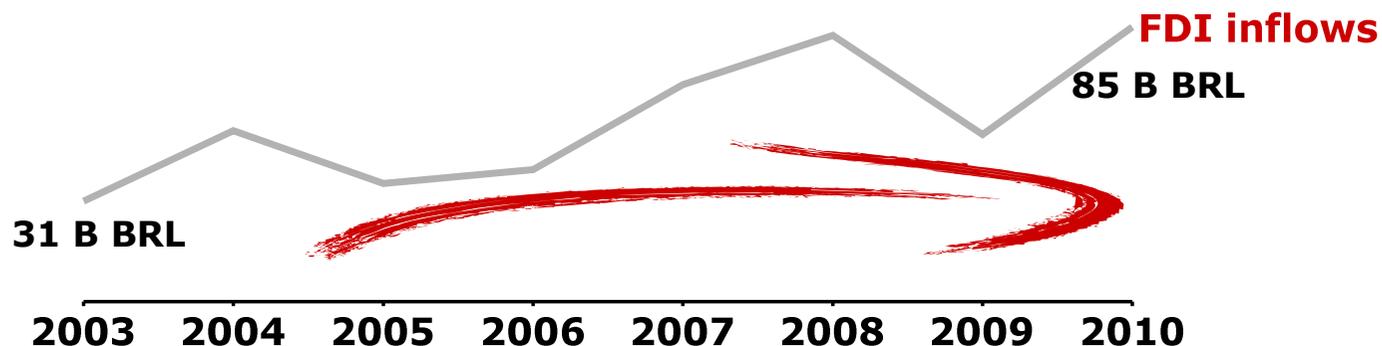
**Strengthening
currency**



**Stabilizing
inflation**



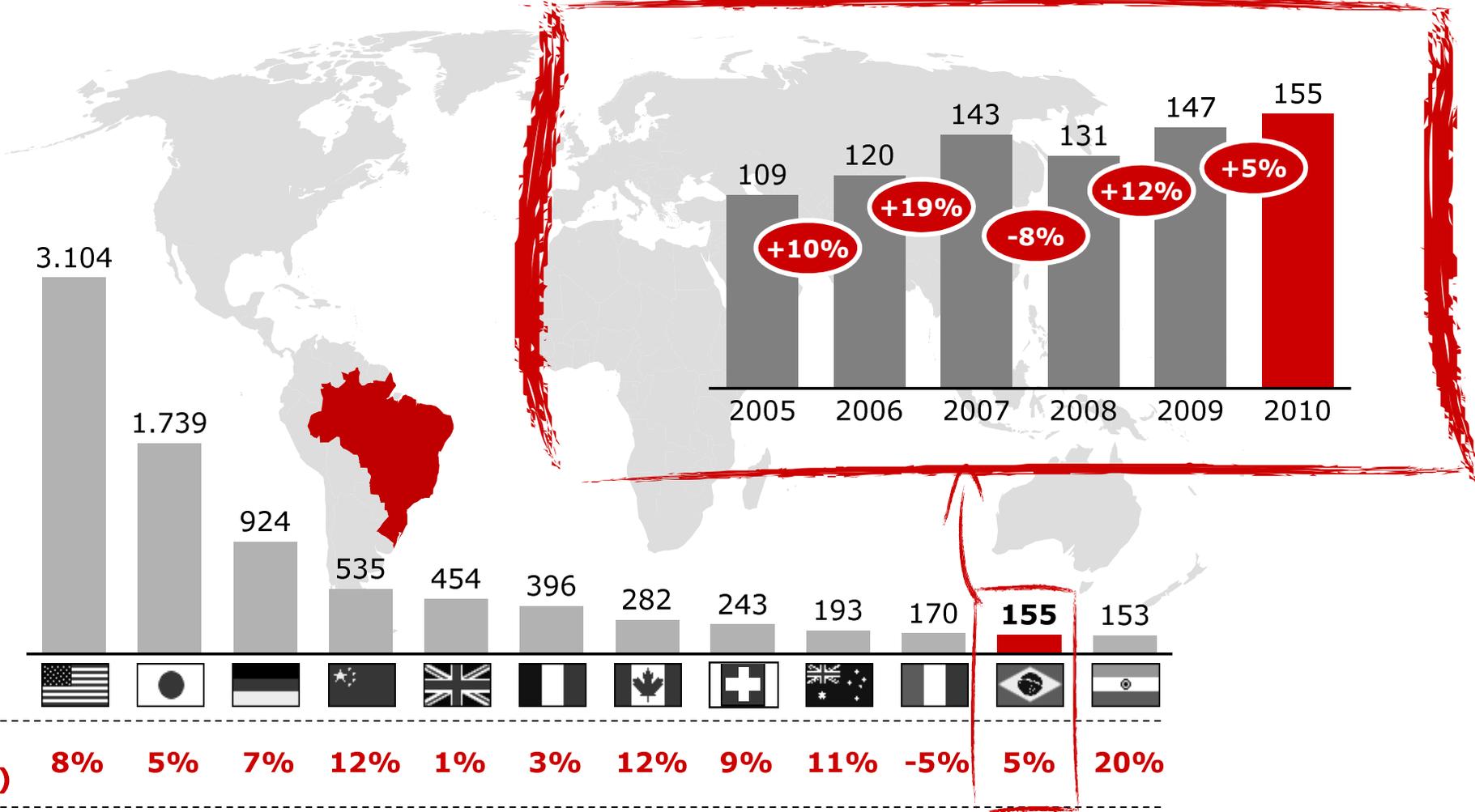
Increasing FDI



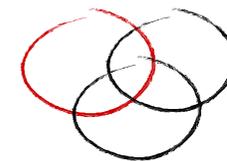
Brazil is the 11th country in the world for number of HNWI's



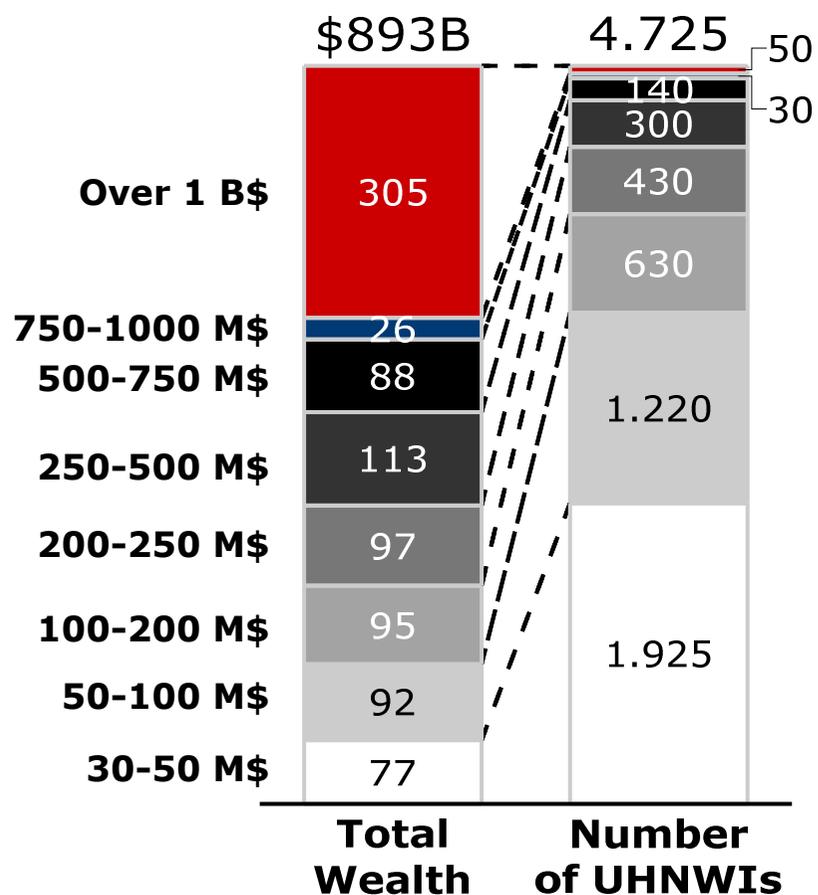
HNWI Population by Country, 2010 ('000)



50 billionaires in Brazil control wealth for an amount roughly corresponding to the Danish GDP (~\$300B)



UHNWIs' population breakdown by wealth



- In Brazil live around **5.000 people** with **individual wealth over 30 M\$**

- Less than **9%** of the **HNWIs** living in **Europe** (~54,000), but controlling over **13%** of European HNWI's **wealth** (~7 T\$)

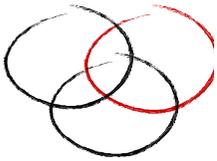
- **Highest figure within Latin America** corresponding to (**40%** of the entire Latina American HNWI's population)

- **Over 60% more than Mexico**, second country in Latin America for number of HNWI's

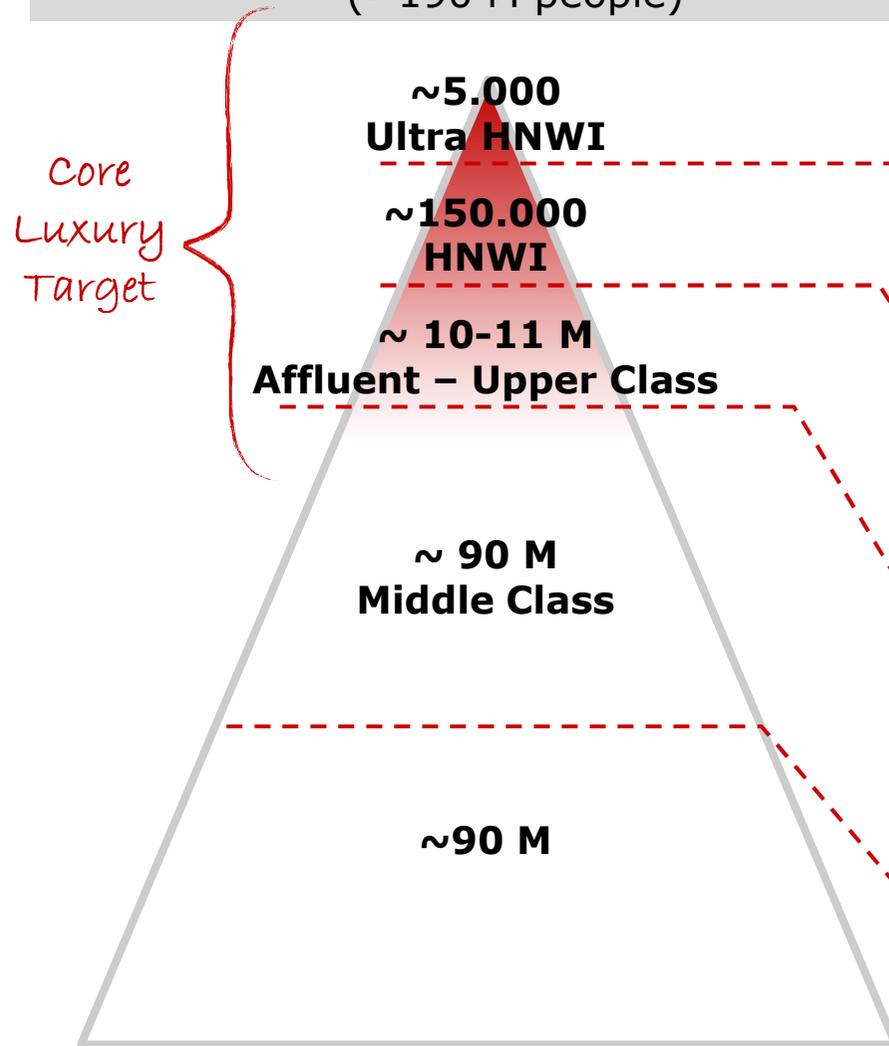
- Among them there are at least **50 billionaires** for a **total wealth of 305 B\$** and thus an **average individual wealth of 6 B\$ each**



Brazil luxury goods market is currently fuelled by over 10 M target consumers



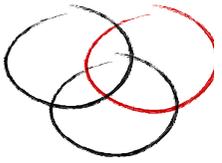
Breakdown of Brazilian Population (~190 M people)



Social Status and Purchasing Power

- Most of them come from **traditional wealthy families** and **expats**
- Mainly **males** and **entrepreneurs**
- Brazil is the **11th country** in the **world** by **number of millionaires**
- Most of them are **entrepreneurs, business executives** or **doctors**
- They are in the **30-45 age bracket**
- Concentrated in **São Paulo**
- **Married** and **highly educated**
- **DINKs** (Double Income No Kids)
- Concentrated in **São Paulo** and **Rio de Janeiro**
- Corresponding to **nearly half of the population**, the increase in the social group is driven also by the **growing number of women entering the workforce**

3 (+1) key luxury consumer segments in Brazil



Wealthy Brazilian
Natives



Expats

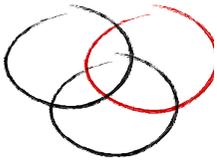


"2°
generation"



DINKS/ WOMEN





They have specific peculiarities and tastes

Wealthy Brazilian Natives



Expats



"2° generation"



Where

- In **all Brazilian big cities**
- In **Sao Paulo**
- In **Sao Paulo and Rio de Janeiro**

What they buy

- Very **linked to Brazilian culture**, they are **starting to buy international brands**
- Taste: very **colorful** but **"easy"** and wearable items
- They **exported international luxury** to Brazil
- **Mature** luxury consumers with a **"Brazilian" twist**: colors and fits
- **Reinterpretation of Brazilian taste** with **international influences**: mix and match between local and global consumption

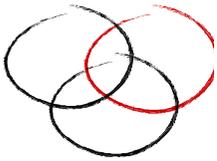
% of Luxury Market

40%

40%

20%

DINKs are a cross-cluster phenomenon, further enlarging the existing luxury consumer base



DINKs

- **DINKs** ("Double Income No Kids"): families composed of two people, both employed
- In the last years DINKs have been **growing faster than the overall population** in **Brazil**, and the trend is forecasted to stay:
 - average "marriage age" is increasing
 - couples postpone having children
- DINKs are **expected to drive luxury goods' sales** growth more than any other social group in the Brazilian society, since **they have**:
 - ... **more leisure time**
 - ... a **high spending capacity** (two salaries and no child to grow)
 - ... a **strong propensity to purchase and seek satisfaction in material goods**

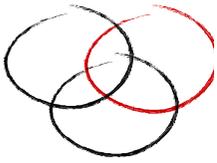


Women

- **In Brazil**, unlike in other emerging markets, **female consumption** of luxury goods represent around **75% of total**, thus characterizing the market in a very peculiar way
 - Luxury **cosmetics** and **fragrances** account for **over 60% of total market**
 - **Hard luxury**, and especially **jewels**, is the **3rd largest category**, with relevant international local players like H. Stern



Typical tastes of Brazilian luxury consumers



Colors, colors,
colors!

Brazilians like colors in their clothes, regardless gender, age, social class, and occasion of use



Extreme brand
loyalty

Brazilians are loyal to brands and hardly abandon the preferred ones of proven quality



An outfit for each
purpose

Usually Brazilians wear very casual clothes but they're very formal when going to work or to special occasions



Catalogue
shopping

In Brazil, the more classic catalogue shopping is still used by many consumers, especially for cosmetics

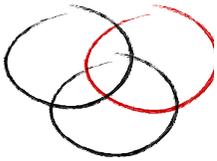


Financing
shopping
through
debit

For Brazilian is not uncommon to finance products' purchase through loans

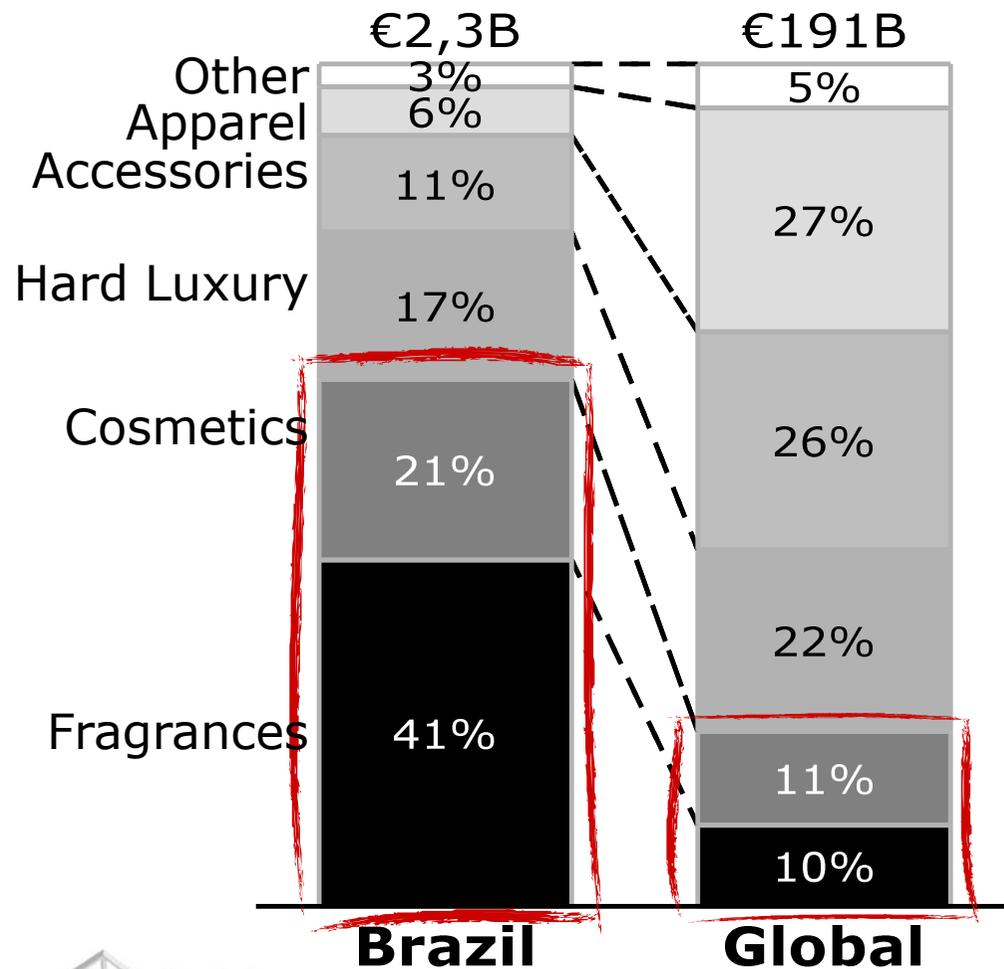


Local product preferences make beauty products 60% of total luxury goods sales



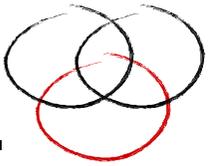
Brazilian vs. Global Luxury Market

Comparison



- **Beauty products** emerge as the **most relevant category**
 - Recently men are increasingly using cosmetic products
- The increasing pace of entrance of **international brands** is **driving the growth of apparel and accessories**
- If once the purchase of luxury goods was essentially driven by personal satisfaction, **status is increasingly important among Brazilians**, as in other emerging and mature markets

Recent years witness a second wave of consistent investments from international brands to enter Brazil...



Before 2000...

...early 2000s...

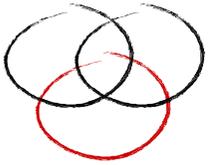
...late 2000s



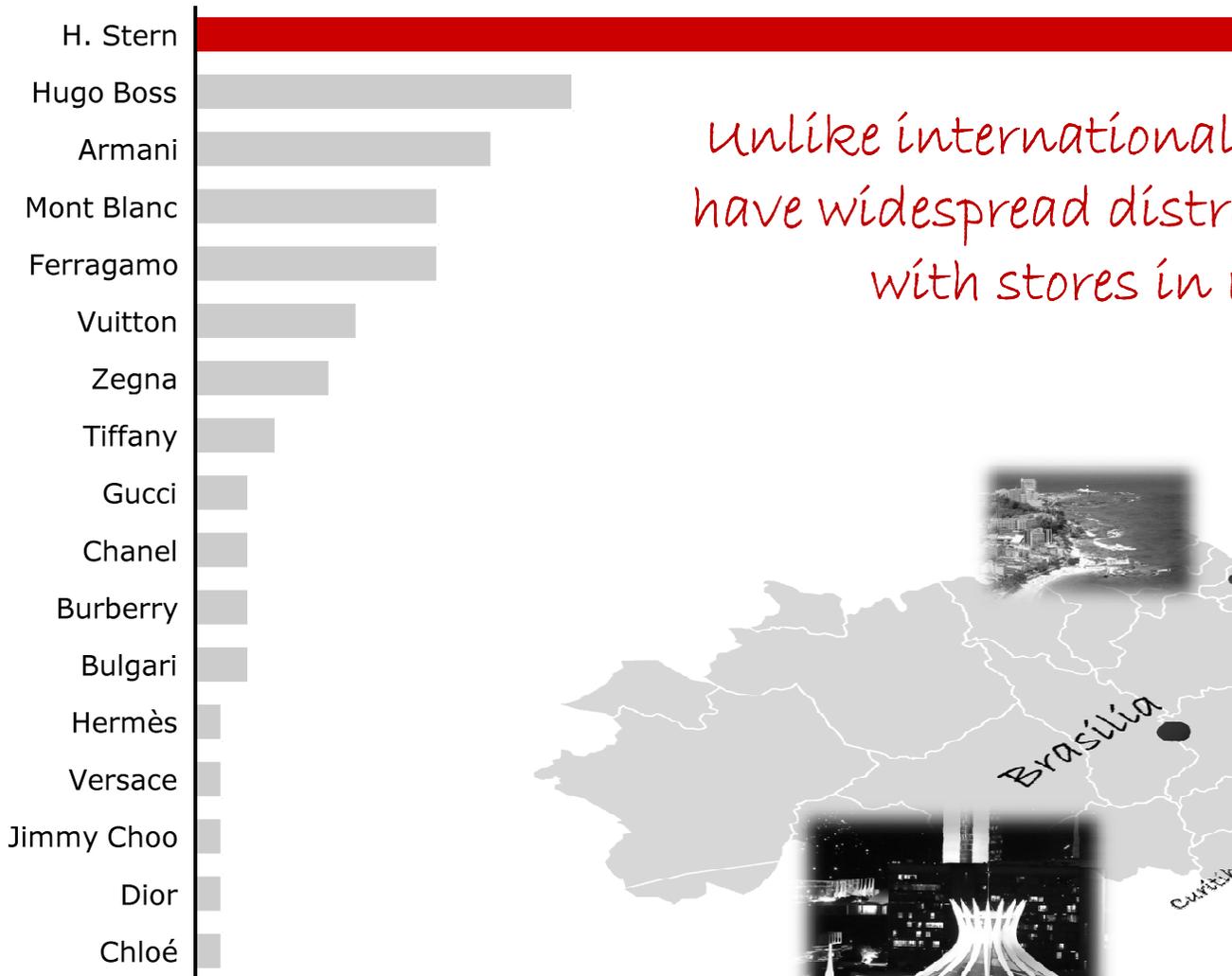
Despite still very high import duties for luxury goods, international brands are increasingly focusing on Brazil in recent years



...where local brands, with much larger distribution networks, are absolute leaders of the market



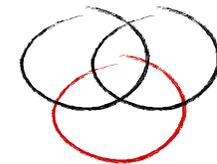
Number of monobrand stores in Brazil



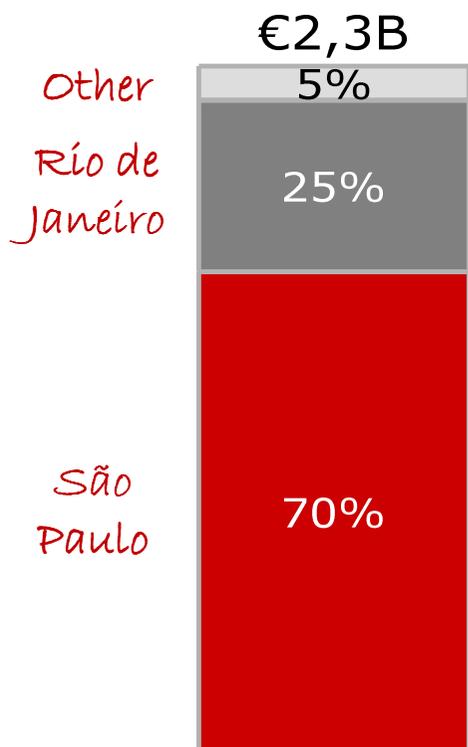
unlike international luxury brands, local ones have widespread distribution networks in Brazil with stores in many 2nd tier cities



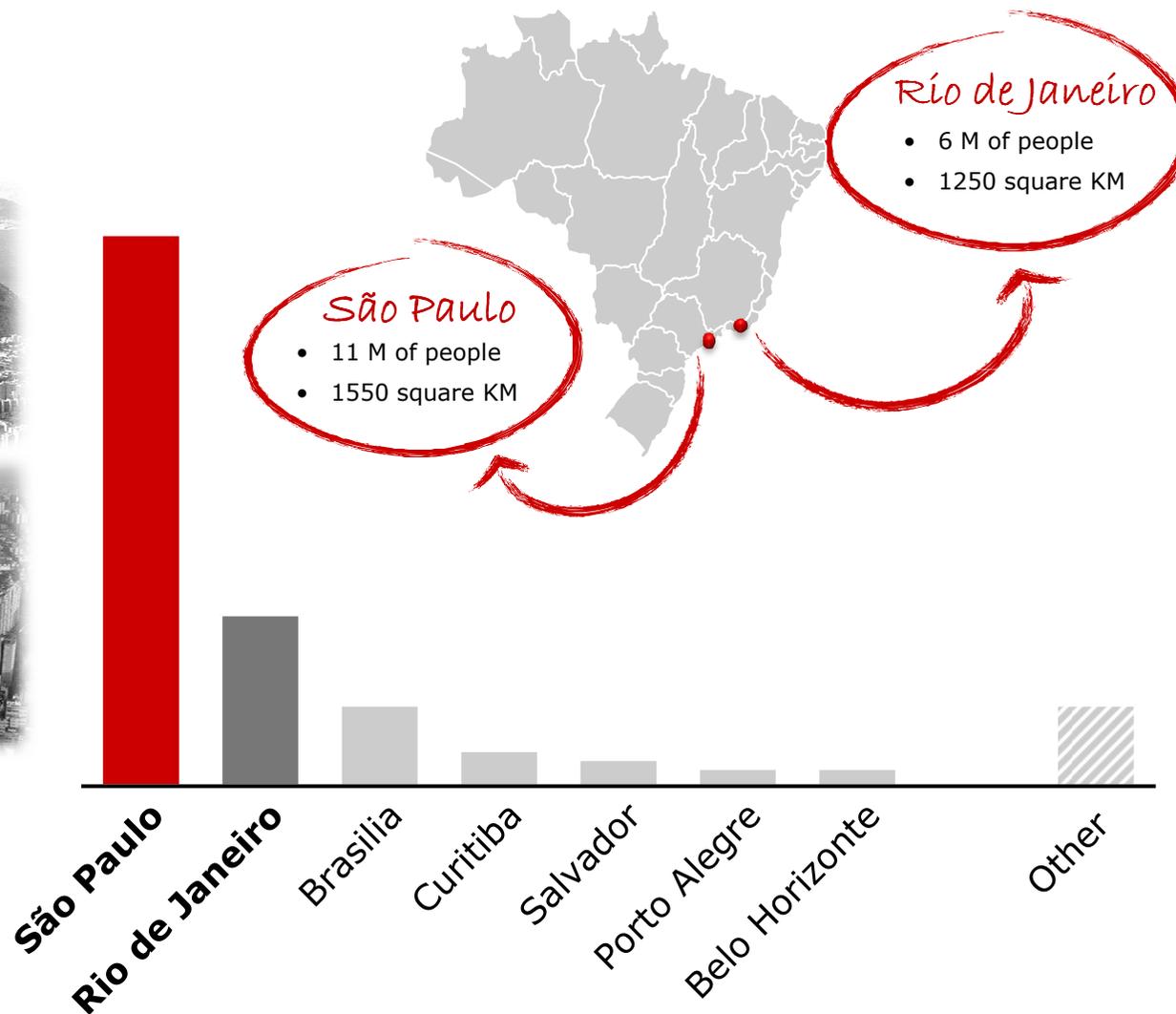
Luxury brands' sales, especially international ones, are still mainly done in São Paulo and Rio de Janeiro



Brazilian Luxury Market by City



Number of monobrand stores in Brazil



Brazilian luxury market 2011E

Sao Paulo still represents today the first place to go for all the luxury brands



Iguatemi

The first luxury shopping center in Brazil with locations in 15 cities



Rua Oscar Freire

The most important luxury shopping street in town, in the only walking area



Shopping Cidade Jardim

Shopping mall opened in April 2008. 78.000 sqm of retail surface, 120 premium and luxury stores



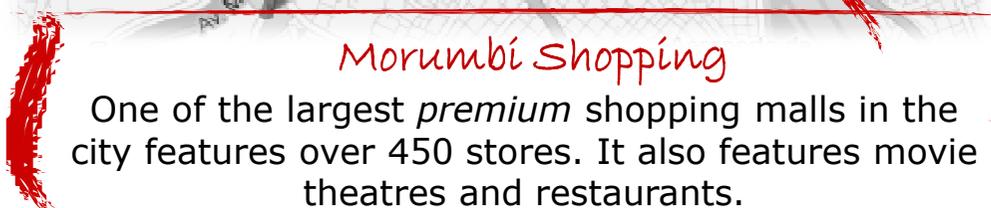
Villa Daslu

The only luxury concept store in the country with 17.000 sqm of retail space and strong presence of international brands but also local ones and a private label



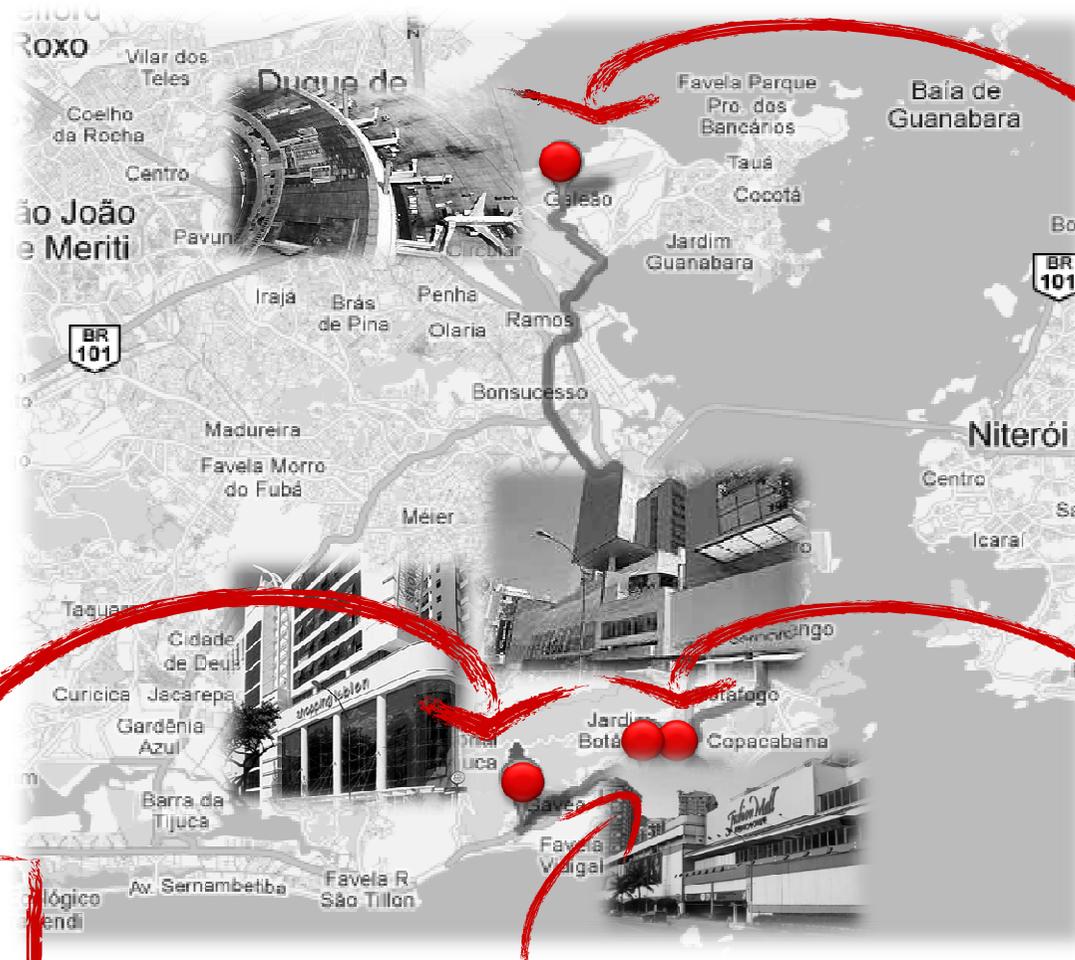
Morumbi Shopping

One of the largest *premium* shopping malls in the city features over 450 stores. It also features movie theatres and restaurants.





Rio is still at its first stage of "luxury" development



Rio de Janeiro
international airport
Many local and international brands have concessions at the international airport, outside the city

Shopping Leblon
Premium-luxury mall in the upper residential area of Rio de Janeiro

Fashion Mall
The most posh shopping mall in Rio
40 stores of all product categories: from fashion to electronics to

Rua Garcia D'Avila
"Luxury" street in the heart of Ipanema, in which Brazilian and global brands coexist



So, what's next?



The future of Brazilian luxury market, between drivers of growth and criticalities

Pillars of future growth

Sound macroeconomic basics

Enlargement of current consumer base

Overall infrastructure upgrade (2014 FIFA World cup and 2016 Olympic games opportunity)

Local brands/groups upgrading to luxury

Potential drawbacks

Deflation and economy slow down (strong dependency from China)

Limited retail space and luxury shopping locations

Extremely high import duties on luxury goods

Bureaucracy slows down international brands' pace of entrance and expansion



One final word for a special project: Art and fashion can transform the lives of children living on the streets



Children who find themselves on the streets are used to living without hope, without a future.

For 21 years Projeto Axé has been working towards the rehabilitation of these street children through the *“Pedagogy of Hopes and Desires”*:

it teaches the youngsters to dream and desire, and it does this through art, including fashion

Rehabilitation takes place by means of **ArtEducation**: dance, capoeira, music, visual arts, fashion design and textile/prints (*ModAxé*)

Axé is a not-for-profit organization founded in 1990 in Brazil by the Italian Cesare de Florio La Rocca. Since its inception, has rehabilitated more than 19,000 young girls and boys, being successful about 85% of the time.

Art is appearance and so the children learn to appear: what was formerly invisible to society (the street child) becomes visible through art

