ABSTRACT  The role of integrated marketing communications has become increasingly important across emerging markets in Latin America. Marketers must understand how the changing landscape has impacted consumer behavior and given rise to social and digital media platforms. Disruption must be embraced.
Easy money is leaving emerging markets, just as developed economies have new hope: Japan is showing signs of growth after some stagnancy, the United States is in its early stages of economic recovery, and Western Europe is beginning to rebound. China, on the other hand, is cooling down from a major hot streak and India is now heavily indebted with souring interest rates. Are the golden days for emerging economies over? Not across the emerging markets of Latin America! There, exists promise; recent years of growth have nurtured a smarter middle class, one that seeks a better way of life and therefore, demands higher-quality products and services. So, perhaps, the middle class is the sweet spot for LatAm marketers? If so, marketers must exploit operational efficiencies, select disruptive, profit-driven projects, and deliver on innovative, customer-focused strategies.

The Traditional Marketer

Still, LatAm CMOs have been traditionally risk averse; they struggle to take risk and shy away from any kind of innovation, regardless of the potential reward. “Si no esta roto, no lo arregles”, or “If it ain’t broke, don’t fix it.” The high turnover of CMOs does not help either. Moreover, managerial decisions rarely consider return on marketing investment (ROMI). Conventional marketing practices are not evaluated by long-term metrics. Even today, in a society inundated with digital media, traditional platforms (television, radio, newsprint) still take precedence in LatAm. Because such platforms still reach the masses, the benefit of innovating and embracing the “new” seems distant, suggests Juan Pedro Garcia, a Medill IMC alum and the current Director of Chilean Edgy.cl, a media and digital marketing company.

Understanding the Socio-Cultural Context

Don Schulz, PhD, professor at Northwestern University and the “founding father of IMC,” contends that to understand marketing in LatAm, one must have a full grasp on the cultural nuances. A common theme across these emerging markets is the strong presence of family-operated businesses. Familial ties favor loyalty, tradition, and safe choices. Most of these business attempt to remain completely risk averse in the long term. The idea of short term growth initiatives - common in the U.S., where managers are pressured by boards, shareholders, and earnings estimates to make short-term decisions driven by innovation - is, well, foreign.

In Latin America, value is placed on the common good or, “La familia.” So, while the LatAm family influences consumer behavior to a degree, some more cutting-edge companies in countries like Chile, Colombia, Peru, and Panama, have begun embracing the capitalistic approach, thereby driving economies to new stages of development. Still, that does not mean that marketing is going to work commercially. International companies working in the region must understand how each Latin American country behaves, says Professor Schulz. Even within the same area, one will find a rainbow of cultural differences. For that reason, the role of marketers is to listen to the consumer, according to Camila Orlandini (IMC 2002) who works for Ferreyros Co. (Caterpillar, Peru).

Marketers Working at Suboptimal Levels: The Need to Embrace Innovation and Big Data

Lucas Mentasti, a Medill IMC alum and Manager Director for Latin America at Xaxis.com, is developing a new product designed to gather data from millions of consumers by measuring online behavior through cookies. After segmenting consumers, he can sell their (public) information to brands and publishers who may wish to target these consumers based on their specific behaviors. This is managing big data, an opportunity for LatAm marketers to understand consumer behavior, thereby eventually increasing their current audience and acquiring new customers.

According to Mentasti, LatAm businesses see marketing as an art. They are hesitant to embrace the science - valuable data and metrics tools - and do not want to be accountable for the investment it takes. Additionally, the deficit of expertise and experience with big data does not help; they need to be educated on the potential, lucrative rewards of these innovative tools. Moreover, some companies are heavily regulated when it comes to tracking online behavior in LatAm. Culture plays a role too: entrepreneurs are viewed as greedy, whereas in the U.S., they are sexy and cutting-edge. As a result, marketers rarely step outside of the box for fear of damaging their reputations and therefore, are performing at suboptimal levels. Companies with an international presence, might therefore be able to exploit these insights, but they still need to have an acute understanding of the cultures they touch.
Marketers must also be aware of the income gaps in Latin American countries, especially those with growing populations. While the last decade has altered the socio-economic mold, the new middle class still does not measure up to other middle classes around the world. Disposable income is scarce, so marketers have to be increasingly skilled at reaching and resonating with this group.

For many years, a product-centric view lead marketers, products and services were pushed at consumers. But, with the digital age, a customer-focused approach has become necessary. Consumers now have an abundance of choices, they dictate how and when they receive information.

Digital Media Changes the Landscape

Alas, fear not! There is still hope for integrated marketing communications programs in South America. Some companies genuinely understand the challenges of marketing to emerging populations, especially a new and powerful middle class. In Chile, for example, marketers have begun to integrate a digital strategy into their campaigns, and telecommunications companies have taken the lead. According to Juan Pedro García, there are 1.2 mobile phones per capita in Chile, a nation of 16 million people. The growth of smart phones is fast and furious and marketers must be able to access consumers on this platform.

Other companies are beginning to transform their websites into interactive, service channels. The Clínica Alemana (www.alemana.cl), a private clinic in Chile, is leading the charge. Via the clinic’s website, physicians can respond to patient inquiries and clients can access medical records, book appointments, and check their test results. Retail enterprises are also beginning to use social networks to advertise. For example, Falabella and Ripley (two major retailers) have over one million Facebook followers, thereby decreasing their reliance on traditional television or print advertising.

According to Paul Thorndike and Jose Carlos Mariategui from Phantasia, a Peruvian agency that specializes in digital strategy and communications (www.phantasia.pe), the history of digital marketing in Peru has evolved from early adopters—who created web pages for their companies—to followers who want the latest digital tools to keep up with the crowd. In its infancy, Phantasia serviced clients by providing simple website enhancements; today, it provides long-term digital strategies. Thorndike and Mariategui urge marketers to be aware of three paradigms of digital marketing: 1) Digital is not cheap, but necessary to move the marketing needle; 2) Digital strategies should not just be targeted at younger generations; and 3) Facebook is not the only social media channel. Digital natives are being hired by agencies to master media platforms for campaigns, and the increasing use of mobile technologies and apps is at the forefront of marketers’ minds. The fact that only 15 percent of Peruvian mobile users have an actual data plan is not seen as deterrent to marketers because the other 85 percent have found a workaround: They plug in to omnipresent Internet servers at homes, offices, and public spaces without having to pay for costly data plans, and therefore, still have access to mobile advertisements. Companies are recognizing, more and more, the long-term value of data as a tool to understand consumer behavior. The rest of LatAm can certainly take a cue from Peru.

Disruption in Marketing: The Role of the Entrepreneur and Active Consumers

If traditional Latin American companies do not eventually embrace disruption, entrepreneurs are sure to take the pie, says Maria Isabel Rodriguez, Kellogg alum and professor of Marketing at the University of Francisco Marroquin in Guatemala. She defines two types of companies in her country: big corporations (some of which have a global footprint), and entrepreneurial ventures. Even though many corporations realize the significance of a customer-centric vision and the need to exploit big data, many fear change. On the other hand, nimble-minded entrepreneurs have entered the marketplace with open arms. They embrace the digital environment and use social media tools to generate word-of-mouth promotions for their brands. Professor Rodriguez recognizes the power of curation sites to aggregate content based on browsing and purchasing behaviors to offer relevant products. She references themayanstore.com, which uses social media tools to engage customers. Entrepreneurs innovating on e-commerce platforms have become leaders. ■
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