

## International Business Lectures - Doing Business in Brazil

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### Classroom Case Study

#### Havaianas in Europe



#### The story

The Havaianas brand of rubber flip-flop sandals started life 50 years ago as a basic shoe for poor plantation workers in Brazil. The brand had flat sales in the country before gaining fresh impetus in the mid-1990s, when parent company Alpargatas decided to reposition the declining brand as an aspirational fashion product. It hired leading designers to come up with attractive colors and designs and soon Brazilian and then international celebrities were wearing the new, colorful and stylish, higher-priced sandals. Sales grew rapidly.

However, the market was saturated in Brazil, where Havaianas sold 850 pairs of flip-flops for every 1,000 people in 2007. And although it was enjoying strong overseas sales growth in 65 countries, it did not have a strategy for international expansion. In 2008 Marcio Luiz Simoes Utsch, Alpargatas chief executive, decided to try to turn Havaianas into Brazil's first truly global brand.

#### The challenge

Making Havaianas a global brand would require further expansion in Europe, the US and Asia. Although wealthy markets with huge potential, they required several responses from Havaianas.

- It would have to expand its range of colors and designs to appeal to consumers who were more sophisticated and who did not have either the same flip-flop culture or climate as Brazilians.
- Heavy investment in sales, marketing and production was necessary.
- Rivals included successful brands such as Crocs, Rip Curl and Quiksilver.
- Lack of precedent: global brands had generally come out of the US, western Europe or Japan, not emerging markets.

#### The strategy

The key elements of Havaianas' strategy were a constant focus on product innovation; a consistent global marketing and communications strategy; and fast, flexible responses to consumer tastes.

The company introduced new sandals with closed tops for cooler climates, sandals with straps around the ankle, and even sandals with real diamonds for fashion shows. It also kept the Havaianas brand fresh by introducing socks, bags and softer, washable shoes.

The marketing message suggested innovation and aspiration; it also built on Brazil's positive image overseas by portraying Havaianas as a colorful, joyful, simple product. This general message still allowed the company to

tailor its approach to different countries. For instance, in the US, Havaianas was careful not to promote its sandals to college students so much that it threatened the brand's "cool" edge in this demographic; in France, sales took off when the French importer positioned the brand in the luxury market alongside design names such as Lacoste and Jean Paul Gaultier.

To help maintain a consistent message, the company preferred to run its own operations rather than work through local importers and distributors. The main exception was Europe, where it has five offices but 18 distributors.

The company reacted fast to market intelligence. Sales slumped if the flip-flops were made outside Brazil, so Havaianas opened a new plant in the southeast of the country. When it realized customers liked shops with a full range of its flip-flops, it opened stores in Rome, Paris, London and New York.

### **Havaianas Nowadays**

Havaianas is the world's most popular brand of rubber-soled flip flops. Born as a working class brand - flip flops, which were durable and colorful, were worn by the poorest in Brazilian society - they became a symbol of the South American country's relaxed culture and style throughout the world. The brand's success in Europe may be directly influenced by the Brazilian spirit, a mix of cheerfulness, colors, soccer, and dance, that go well with European culture.

Alpargatas started working on international development for Havaianas seven years ago, when it assumed direct management, through the EMEA subsidiary, in France, Spain, Italy, Portugal, and the United Kingdom. Today, the brand counts 27 distributors in 35 countries, but the Brazilian group wants to assume direct management in five other European countries: Germany, Austria, Belgium, Holland, and Luxemburg. There's also a development of the brand's stores: today in Europe, Havaianas has 127 single-brand locations including directly-operated stores and franchise stores.

The company's strategy to increase sales in a region of medium temperatures goes in two fronts: increasing the brand visibility in kiosks in malls and stores, to reach the audience of the lowest layer of the pyramid and launching exclusive collections to stores, such as Selfridges, which sells a model with Swarovski crystals by 140 pounds (around R\$ 700.00). The cheaper models can be purchased at major shoe networks from 18 pounds (R\$ 90.00). Besides espadrilles, sandals and boots, in Brazil, Havaianas also launched an apparel line. "Before bringing it to Europe we have to understand how to position it, and work on the fitting and the quality of the pieces. The idea is to bring the swimwear and beachwear lines to Italy and Portugal in 2017," said Eno Polo, President of Europe of Alpargatas.

For this year (2013), international sales grew 23.9% to R\$ 500.8 million. Incomes in Europe grew 22.2% in euros. In total on the continent, there are already 120 outlets, of which 100 are franchises. In the UK, Alpargatas operates exclusive partnership with the franchisor network Seventy Three Retail which also owns franchises of Timberland. "We started to make our own marketing campaigns and brand awareness increased from 20% to 55% over five years. We are premium but are also affordable," says the executive Merel Werners, Marketing Director of the European market.

### **Actions in Europe**

#### **Summer is Coming**

The last marketing campaign realized by Havaianas in Europe is called "Summer is coming". Their slogan says: "Havaianas loves bringing to Europe some of the best things Brazil has to offer: samba, flip flops, football and

of course summer! Join our welcoming summer party and celebrate the beginning of the funniest and most Brazilian season of the year.”

For example, to help show people the product benefits which make Havaianas so famous, loved and used all over the world, they created some characters who are also made from the same rubber as Havaianas. The object is make people discover the comfort, durability and flexibility any pair of Havaianas has to offer.

In this small movie, available here, <https://youtu.be/Ihm3DoaqMnI>, they introduce Europeans the “lage parties”, because in Brazil, mostly in Rio de Janeiro, the coolest Summer parties are thrown at lages (typical favela rooftops). Although Europe may not have Lages, there are plenty of potential “surprising” and unexpected places to throw a great party packed with Brazilian attitude, wearing Havaianas.

### Beach Showers

The last summer in Europe, Havaianas tried to keep people cool as the iconic Brazilian flip-flop brand launched a series of beach showers. These showers were all over Europe in the UK, France, Italy, Spain and Portugal. They were on some of Europe’s best beaches and in the form of a giant Havaianas flip-flop so nobody could say that missed it.

The movie showing the showers is available here: <https://youtu.be/UUBBPFB45tI>. It had a huge repercussion around Europe, and Havaianas lined again Summer and beach with her flip-flops.

### Havaianas Weddings Flip Flops

In Brazil and now all over the world there is a tradition to give your guests flip flops at your wedding so they can dance all night and keep the party going. And in Brazil they give Havaianas. This all started with the wedding of 2 very famous TV presenters in Brazil about 10 years ago, they chose Havaianas for their guests and since then they have been the dance floor filling choice for weddings all over Brazil.

This season Havaianas announced that this tradition is available for everyone in Europe too. Couples can choose two special models and three special pins exclusively for weddings. It’s another idea from Brazil that is making huge success in Europe.

### Discussion

- 1) Explain Havaianas international success based on Brazil’s country image and marketing strategy.
- 2) Identify other aspects that could be explored by Alpagatas in marketing the Havaianas brand in Europe as a whole, and in your country in particular.
- 3) Identify a brand from your country which has a potential to build upon your country image to underpin its internationalization.

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