

Dress for Less: A Global Consumer in a Third-World Country Analyzing Ecuador's Market

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Abstract

While walking around the cities in Ecuador, it is easy to notice a great influence of external cultures through the use of multinational brands, incorporation of traditions and the usage of English slangs in their language. Apparently, some Ecuadorians reject their own cultural roots and feel better when they show an international lifestyle. Well-known brands are found everywhere in all socio-economical levels. However, if you look closely, not everyone is using the real brand products. Usually creativity flourishes when hard times strike, so most brand products in the Southern part of Quito are fake or stolen and sometimes one can even find a product with two brands on it. In order to understand the real people and their brand and product preferences, I used 7 groups of students from my Consumer Insights class at Universidad San Francisco de Quito (private university in Ecuador) and sent them in an ethnographical investigation which consisted in taking public transportation that traveled from North to South of the city. The purpose of the investigation was to understand real "Quiteños" (people from Quito), I wanted to have a comparison of the different areas of the city according to their socio-economical class and see the differences.

Keywords

Globalization, Brands, Consumer, Culture

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1. Introduction

It is all about brands, technology and communications. Even for a mid-class teenage boy in a third world developing country, having a well-known brand in a pair of shoes is mandatory. It sounds irrational to spend most of someone's monthly income on a pair of shoes, knowing that they could buy a common pair, for at least the third part of the price of a known brand.

But, according to Shiffmann and Kanuk in their book "Consumer Behavior" (2008), no human being is rational. Most of human conducts and especially consuming habits respond to certain amount of emotions that define them as individuals. Experiences, perceptions, motivations and culture influence in people and make them unique. There are

no two exact individuals; even two children born in the same family have different characteristics of personality and taste (Allport, 1937).

Culture is one of the main influences humans have in their lives. "Culture is the total group of believes, values and traditions learned, that set a pattern of behavior among the members of a specific society as consumers" (Shiffman and Kanuk, 2008). Humans learn their own culture since they are born and they usually perceive their world from their own culture's perspective. Each culture has their own characteristics that make them different from the rest. Most human beings perceive their world through the eye of their own culture.

In a globalized world, people tend to accept other cultures more easily than before where people have no or less communications and technology (Lerche III, 1998). In the

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present, it is very common to have an American breakfast (pancakes, cereal and eggs), Italian lunch (spaghetti or lasagna) and have Japanese sushi for dinner. The world seems to be smaller in the sense that it is easy to find products from any other country at a local supermarket and one does not care what their origin is.

The younger generations tend to become more global than local individuals. If one enters a college classroom in the US and a classroom in Ecuador, one can find similar individuals because they are wearing the same kind of clothing (jeans, t-shirt and a pair of Converse shoes), they listen to the same kind of music (rock and electronic), have similar recreational activities (hang out with friends at a bar, check their Instagram accounts, play soccer, go shopping) and have the same Lovemarks (Apple, Zara, Coca Cola and Crocs). The excess of mass communication has forced brands to have an international image, create global communication strategies and have presence around the world.

2. The Ecuadorian Consumer

Ecuador is a 280,000 square kilometer country, located between Colombia and Peru in South America. Its main economy is based on oil exports and other primary raw materials such as tuna fish, flowers, shrimp, cocoa, etc. (INEC, 2012). Ecuador returned to democracy in 1979, after many years of dictatorship. Since then, the country has not developed a good economical track even after oil was found back in the 70's. Ecuador is the eighth country in economical development among the thirteen in South America. It has 14 million people who are distributed in different cities of the coast, highlands, Amazon region and the Galapagos Islands.

3. Socio-Economical Division in Ecuador

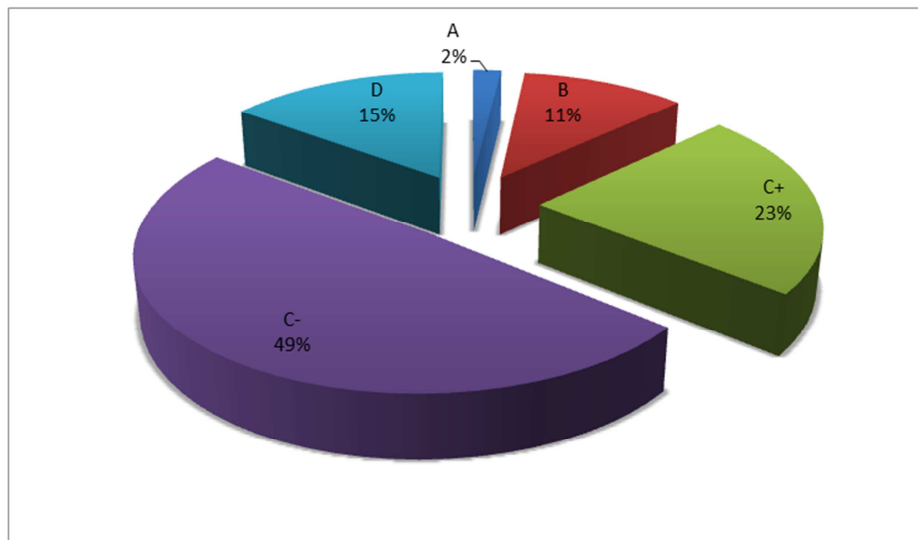


Figure 1. Socio-Economical classes.

*1. SOURCE: INEC (Ecuadorian Institute of Statistics and Research, 2011)

This graphic shows the reality of socioeconomic classes in Ecuador, in which 9,744 homes were visited for the research. Being A the higher social class, with a minimum of people (2% of the total population), they are the only ones who have the possibility to buy certain expensive or exclusive brands. However, there are more than ten shopping malls in Quito (the capital city) where you can see stores known as “elite brands”, such as Tommy Hilfigger, Guess, Zara, Mango, Nine West, Lacoste, Crocs, Tous, NorthFace, etc. Prices of these brands are even higher in Ecuador than any other country because of the taxes and costs of transportation fee.

In a country where the minimum wage is 340 dollars per month, and more than 49,2 percent of the country earns this

amount, there are too many people using well-known brands on their clothes, technology and even in their food. Most of the international food franchises and chains have presence in Ecuador, McDonalds, Burger King, KFC, Fridays, Tony Romas, Baskin Robbins, Dunkin Donut, Dominos Pizza, etc. and these are part of Ecuadorians habits in their every day's life. On the contrary, these food chains tend to be less expensive in Ecuador than in other countries probably because the ingredients are cheaper and the working class is less paid than in most of countries.

According to the World Bank more than 56 million people in different countries of Latin America came out of poverty (Forero, 2011). This means that many countries have grown economically due to the commercialization of products and

industrialization. The World Bank considers poor to all those people who earn less than 4 dollars per day. Ecuador can be considered among these countries, but it has not risen the way other countries have. The poorer people in Ecuador live in the highlands where agriculture is their main economic resource and they survive mostly in very cold weather.

4. The I-Must-Have Brands

The problem of image and branding is that people become completely obsessed with brands and sometimes they do whatever they have to do, in order to get the product. Lovemarks are the brands we love (Roberts, 2004); but sometimes these brands make people obsess and even become irrational as they need the product to the point of becoming criminals by robbing products or copying brands. South America and Asia are well known for the great amount of piracy, lack of respect for intellectual property and insecure environment.

The problem with Lovemarks is that it makes people act irrationally, making them do things they should not do, for example get a debt in order to buy the product that is out of their budget. It may also cause people to act illegally by stealing or buying products that are imitation of the original ones. Many traders sell products that are piracy because they know their target is not able to afford the real brand, but is willing to pay for a product that looks exactly as the original for much less.

The love for brands has developed a whole market of imitations in many countries in which this is allowed. These imitations occur in various product categories such as clothing, accessories, technology and even food. In Ecuador, a fast food cafeteria was called McDonalds back in 1970, it did not have any relationship with the world known brand, however, since the brand was legally registered, it was very hard for the international McDonalds to enter the Ecuadorian market and they had to pay an extremely high amount of money to use their name in the country.

5. The Culture of a Developing Country

The Ecuadorian culture and lifestyle is the result of its rich history. Quito, the capital, was the second largest city after Lima of the Inca Empire. Great architecture and art developed through the blending of the Inca's and the Spanish who conquered the land in 1500's. As a result of this invasion, Ecuador has race mixtures. Most Ecuadorians have Indian features (71,9%) and only a few (6,1%) are considered white (INEC, 2012).

According to Philosopher German Maldonado, MA., Ecuadorians are mostly a mixture of races, who feel that they do not belong to a single group. They do not feel either White, or definitely not Indians. They try to belong to the Caucasian White group because they see it as an aspirational image. However, they are perceived by foreigners more like Indians rather than any other ethnic group. Ecuadorians reject this personification and try very hard to look different that what they really are.

Many examples show this rejection to their own reality, the most highlighted example is how Ecuadorians try to avoid their Indian roots by using names in English such as Bryan, Johnny (spelled the way it sounds in Spanish like Yony or Joni) Jennifer and Mary (spelled Mery). They also use many words in English such as "brother" (pronounced broder) to call each other, the word "man" is commonly used also, and "cool" (cul). A lot of words come from the English language, but it is also interesting how even in the lowest economical classes, globalization seem to reach through brands and communication. Most of Ecuadorian homes have a color television (99,68% according to IBOPETIME research review) and many have access to internet (31,4% in homes), although not in their homes but many use it in Internet coffee shops or other public places. With the lack of the technological industry, all equipment brands are international, such as Sony, LG, Panasonic, Nokia and HP.

Maldonado assures that being the result of many small cultures, Ecuadorians are easily attracted to other cultures and are willing to accept it as their own.

According to a research made by the United Nations (in collaboration with the Economic and Social Inclusion Ministry of Ecuador) and presented on November 2012, 50% of young Ecuadorians (between 15 to 29 years old) live in poverty or extreme poverty (Diario La Hora, 2012). Most of them are having a very hard time finding a job and most of them have to stay living with their parents, even after they get married and have children. There are more poor women than men (60/40) because Ecuador is still a male chauvinist country where women are less paid than men in the same job.

This poverty factor is the result of the lack of schooling rate among young individuals. According to Cepal (Economic Commission for America and the Caribbean) in order to surpass poverty, one has to have at least 12 years of education. In the urban area the average of education is 8 years and in the suburban is 6 or 7. Only 40% of kids between 15 and 17 years old are educated, so the rest of them are not able to access high school or undergraduate levels. Although the government has tried to provide with education to the whole nation, there are not enough funds to sustain a massive program.

6. The “Quito Trends” Experiment

In my class of Consumer Insights at Universidad San Francisco de Quito, students worked in a class project called “Quito Trends”. It consists in an ethnographic research done by traveling along the city on a public transportation system

and observation of the reality of consumers in different areas of the city. It is a deep ethnographic experience in order to understand the real idiosyncrasy of the people in the city (known as “Quiteños”) and how people live in their every day’s life.

Students should find the following:

Project 1. Quito Trends: Outline of the Project:

| Quito trends | Objectives |
|---|---|
| <ol style="list-style-type: none"> 1 This is a 4-member group that should do an ethnographical research and observation in the city of Quito. Students should get on any of the public transportation systems in the city and it should take you to many spots from the northern part until the most southern. During the research, you should carry video or photo camera to record everything that you see. You should: 2 Watch graffiti’s along the way and detect the most significant ones in every area of the city. 3 Slangs and language used by people on bus. What topics are the most common? 4 Conversations... yes! You have to become spies of information. 5 Advertising along the city. 6 Billboards, outdoor advertising and signs that show interesting things. 7 Fashion, clothing and brands in different city areas. 8 Brands!!! You must understand where do brands go, who do they reach and their importance in the different areas. 9 Trends that call your attention. 10 You must have evidence of what you find in your research. 11 Prepare a written report of your findings and focus on the facts that you consider important in the Quiteños lifestyle. 12 What significant insights did you find in your travel along the city? 13 What are the trends you found and the differences you observed in the different areas you studied? 14 What can we predict for the brands that will try to conquer this market? 15 Prepare a PowerPoint presentation (or similar) with your most important conclusions. | <p>Promote qualitative research through the tools students learn in class. Teamwork enhances leadership and relationship skills. Creativity developed during the research as well as the presentation. General knowledge of liberal arts should be used during the Project. Marketing, Advertising and Research Methods are used during the development of the Project.</p> |

Like in many cities around the world, some areas are wealthier than others, some are safer than others and some are cleaner than others. As a result of the investigation made by the students in their Consumer Insights class (November, 2012), a group of female students was robbed when they took the bus in the Southern part of the city. Most of the lower economical classes are located in the Central (Downtown) and Southern part of Quito. Like in most cities, there are more criminals in the lower classes and most of them use public transportation.

7. The Real City: Results

Besides being robbed, students found out that many global brands are used in every area of the city, such as Abercrombie & Fitch, Gap and Nike. Many of the Abercrombie t-shirts are sold very cheap in outlets which bring left overs from Peru, where they are fabricated. People in middle and lower classes would not pay full price for brand clothing, most of them are maquila products that come from Peru, Colombia or China; or maybe imitations that are sold cheaper in open markets or fairs (Mercado Ipiales).

The results of these investigations (6 groups in total) show the reality of a third world city, where people with low

income are also influenced by the globalization of brands. It is very interesting to understand the human mind and the irrationality of society in order to feel part of a group that is no longer your close neighborhood.

The students went from the Northern part of the city through the Center and finished in the Southern part. The idea of this project is to understand the culture in the whole city and find the differences in the different areas, which are mostly separated by socio-economical differences.

The areas in the city are these:

NORTH ZONE: is the modern area of the city. It has developed in the last 30 years so the most modern buildings and constructions are located in this area, as well as commercial and financial. Residential neighborhoods of middle to higher income and shopping malls also lay here. Also the airport, the Metropolitan Park, Teleferico, important multinational hotel chains and other important tourist spots are here.

CENTER ZONE: is the oldest part where the most beautiful churches and the government house stand out. Small and tight roads with rock streets surround very old houses that are one next to the other. Most of the transportation is by bus and most of the people who live in this area are medium to low

economic class. Many museums of history and art are held here.

SOUTH ZONE: is the extended Downtown, many of the low class people from Downtown moved to the South, however many of these people evolved and gain economical power. The South has developed many points of interests such as shopping malls and museums like the Museum of Science and Technology. Even though there is much more money in this area than before, some basic ways of living are maintained such as paying in cash instead of credit cards and eating typical Ecuadorian food.

CUMBAYA VALLEY: a few years ago, Cumbaya was considered "rural", however, in recent years many families moved to this area in order to live in houses with bigger gardens. Now days, this is the most prosperous of all the areas, three new shopping malls were built in 2012, hundred of condominiums with private houses where wealthy families live. The main private university of the country, several private schools and day care centers, as well as business such as advertising agencies (Grey) moved to the valley. It is still cheaper to buy a big land, but it is increasing its price considerably every day. Cumbaya is the mixture of rural people and the new wealthy classes.

8. Different Results

According to the students' reports, usually in the North area of Quito, people tend to be less ostentatious. Even though they use known brands, they keep it in low profile. From my student's point of view, in the North one can tell that the brands are real and not fake like in the rest of the areas. "You can tell they are using real brands, the quality is better on real brand products" said Maria Gracia, 20 years old.

A group report assured that "Ecuadorians are not very proud of their own reality. They feel less than other cultures, an example is that there was a big billboard on the South that said "It's better if its made in Ecuador" and they used a picture of Mexican actress Salma Hayek".

Students mentioned that in Downtown and South, peddlers would enter the bus and offer different accessories or products, all of them fake, such as a "reversible belt, which was Armani Exchange on the one side, and Puma on the other".

In the South, most stores advertise the low price of their products. In their showcases, every product has a price tag. They want to emphasize that their prices are available to everyone. They do not care, and it seems there is no authority control to commercialize fake products and imitations that may look real (the good imitations) and some are blatantly pirate. Several groups mentioned they saw women carrying

handbags that showed brands such as Gucci, Aeropostale or even Louis Vuitton that were evidently fake. Sometimes the brands have some features that may be unique to the brands, like the Burberrys pattern, but they would slightly change the brand to something like "Barberrys" or "Buberrys". One group saw a man wearing an "Adida" (notice the missing S) sweatshirt, which looked exactly as the original even with the three stripes on the sides.

While listening to loud hip-hop music and mostly "regueton" (tropical music) the students found out that people in the bus talk about their economical problems, the presidential elections, their worries about the weather and other people's gossip.

Many people on the bus use uniforms, public school kids take public transportation in lower economical classes. Many schools in Quito are recognized by their uniforms, which are used by their students. Also, many companies, like banks, have uniforms in order to show a better image, many of their employers use the bus.

"It is easier to find original brands on shoes (Puma, Nike, Adidas or Reebok) than in any other piece of garment. However, in Downtown it was more evidently that they used fake brand shoes. Converse is a very popular brand everywhere." Hoodies are also very common in all the areas, young people use them with the hood up, most of the hoodies have very sightful brands such as Abercrombie, American Eagle, Gap or Old Navy.

"As a result of the investigation, we found that people prefer to use international brands on their clothing, even if they are not original". Many people from Quito were not actually born in the city, many came from different cities near de capital, and many of them are second generation. Students feel that the city has lost their traditions, they have allowed external cultures take over the original one. According to Santiago Castellanos PhD, Sociologist, this usually happens when there is a very powerful culture, such as the American, and a culture with low self-esteem, such as the Ecuadorian. Many Ecuadorians do not feel proud to be Ecuadorian, they feel that most of the things that are made in the country are not as good as the ones in other. They prefer to buy any product that is made "somewhere else". It is very common to listen to a seller saying "it is imported" referring this as a benefit of the product, many times as the most important benefit.

Many Ecuadorians are soccer fans, it is the most popular activity that they play or watch. Many people wear their team's t-shirt and use it during the whole day. When the national team plays, it is noticeable because there are many people using the yellow t-shirt with blue and red which represents the national team.

One of the groups found an interesting fact “Even the Otavalo Indians (from the northern region of the country) are becoming hybrids... they use their typical Indian costume and wear a Billabong sweatshirt on top.” This means that global brands have reach even the most convinced Ecuadorians.

9. The Think Globally, Act Locally Approach

One of first franchises that came to Ecuador was Kentucky Fried Chicken, now known around the world as KFC. Now days, KFC is the largest fast food company in Ecuador. KFC co-owner, Maria Cecilia Paez, says that the best step they took as a company was to introduce a different menu that fitted the Ecuadorian taste. KFC was first located near the financial area of the city and many people ate their lunch there. Ecuadorians are used to eat rice with their lunches and maybe fried chicken was fine for one or two days but not for the whole week. So KFC started offering soups, rice, baked chicken and “menestra” (cooked beans) in their everyday menu. This strategy was a success for KFC.

Although being a multinational company, KFC acted locally, understood the consumer preferences, made the necessary changes and made the consumers love the brand. Most KFC restaurants are full at lunchtime and now the company owns many of other franchises such as Baskin Robbins, Cinnabon, Tropicburger, Café Valdez, among others (Paez, 2012).

10. Brands Around the World

As a conclusion, there are no limits among borders anymore. The intense communication era in which we are living now has shrunk the world in the sense that we seem to be living internationally. Humans can be listening to music from India, watching a show in Canada and eating Chinese food. Brands have a great opportunity to reach every single corner of the world. No matter where we live, we know most of the multinational brands even if they do not have commercial presence in the country we live in. New generations are more open to absorb other cultures and adopt them as their own.

What students found during their Quito Trends research, is that people who have higher income (and live mostly in the Northern part of the city and Cumbaya) are willing to pay for real brand products. In a third world country, this group of people is very scarce (2%). People who lives on a low budget, knows the brands and wants them. However, the price to afford them is out of their hands, so they buy imitations in order to have them in their lives and live the same emotion that people who pay full price for an original.

11. Quito Trends, Group Members

GROUP 1

MICHELLE ROJAS

ANA GABRIELA PADILLA

CAROLINA CEDEÑO

PAMELA MULLO

ELIZABETH CASTILLO

GROUP 2

FIGORELLA CASTRO

MICHELLE PONS

PAMELA PALACIOS

MERCEDES MOGOLLON

GROUP 3

SARA MALDONADO

PATRICIO ORDOÑEZ

VERONICA VITERI

THALIA BUENO

GROUP 4

ANDREA HERRERA

ANDREA ARAUZ

BERNARDA TORRES

MICHELLE ALVAREZ

EMILIA GUILLEN

GROUP 5

KARINA BUCHELI

MARIA GRACIA CANO

GABRIELA GUEVARA

CRISTINA MONTERO

GROUP 6

SAUL LLERENA

GIANINA CARRILLO

JOSUE NUÑEZ

ANALIA VILLAGOMEZ

GROUP 7

ERIK TORRES

ANA MARIA CHACÓN

LORENA TORRES

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