

Case Study: Havaianas and Internationalization of a Brazilian RAND

Eric M. Ordonez

Department of Economics, College of Liberal Arts and Sciences, University of Illinois at Urbana-Champaign

INTRODUCTION

Havaianas is a Brazilian brand of flip-flop sandals. Its owning company was originally founded as footwear for the São Paulo working class. Today, it is the world's most popular flip flop and bought by people all across the socioeconomic spectrum.

The company's history and modern image are reflections of Brazil's history with immigration and its ongoing reconciliation of international influences with the evolution of local tastes, resources, and status. In this case study, I profile how Havaianas responded to these issues and the two phases of its subsequent growth into the prototypical Brazilian multinational firm:

Adaptation to Dynamic Domestic Needs and Tastes

A domestically produced solution to a common need arises due to limitations on foreign alternatives. The product evolves to local tastes, which also evolve with the economy.

Internationalization through Brand Strength

Positive international perception of a country or culture can be a product's value proposition, beyond quality or uniqueness. The brand abroad is built using country-of-origin image (COI) for product differentiation.

COMPANY HISTORY

Founding, 1907

- Founded by a Scotsman, Robert Fraser, as the Brazilian expansion of an English company in Argentina producing Spanish-style shoes (*alpargatas*).
- Established as São Paulo Alpargatas in the industrial Mooca district, popular with working class Italian immigrants.

Signature Product, 1962

- Inspired by Japanese sandals called *zori*.
- Used local resources to substitute the *zori*'s straw sole with rubber and fabric strips with PVC.
- Named *Havaianas* (Portuguese for "Hawaiians") since only rich and famous Americans were seen spending their vacations in Hawaii.

Branding Pivot, 1994

- Launched a new line of sandals (Havaianas Top) inspired by middle class fashion and consumption patterns.
- Refocused marketing campaigns to depict famous Brazilians wearing Havaianas in everyday situations.
- Began printing small Brazilian flags on all sandals for the 1998 FIFA World Cup.

CAPTURING AND EXPANDING IN THE DOMESTIC MARKET

As Legítimas

Despite their ubiquity, why did Havaianas begin to lose its leading market share in the late 1980s?

- Few competitive advantages, despite being *as legítimas* (lit. "the legitimate ones"), due to a simple design, production process, and thus cheap counterfeits.
- Stigmatized as being for poor people due to the company's origins, especially with the rapid growth of the Brazilian economy and middle class.



Left: *Zori* sandals, the inspiration for the Havaianas design. São Paulo and Brazil are home to the largest Japanese community in the world outside of Japan.

Right: A magazine ad for the original Havaianas sandal, 1969. Initially available only in blue and white, a production error yielded a green sandal that proved to be a popular seller. The company then rolled out brown, black, and yellow pairs, which would be the only options for the next 25 years.

A Sandal for Everyone

Havaianas refocused their presentation and marketing to pivot their brand as a sandal for all Brazilians.

- Now displayed in shoe boxes and storefronts.
- Advertisements valorized *wearing* the product, not the product itself.
- Little to no change in the product's design itself!



Havaianas Floral, one of the first printed designs launched in 1995. Simple pivots in design and marketing enabled Havaianas to generate high-end interest and demand for what was a lower-end product.



The Havaianas logo has remained virtually unchanged since the product's launch in 1962. The playful font and colors evoke a warmth and friendliness that are commonly associated with Brazilian culture, a key to the brand's internationalization.

LEVERAGING COI FOR GROWTH INTO A MULTINATIONAL FIRM

Trazemos o Brasil no Peito

Brazil may be best known worldwide for soccer. How did Havaianas tap into Brazilians' passion for it and leverage international renown of Brazilian clubs and players?

- Small Brazilian flags on sandals for the 1998 FIFA World Cup, establishing wearing Havaianas as a statement of national pride rather than just a status marker.
- Historical and contemporary success of the Brazilian national team in international competition (World Cup winners in 1994 and 2002, runners-up in 1998), tying the Brazilian passion for soccer with national pride.
- Endorsements from popular Brazilian players abroad like Romário, Jorginho, Ronaldo, Rivaldo, and Ronaldinho, solidifying Havaianas internationally as a Brazilian brand.



"Trazemos o Brasil no peito / Peito do pé" (lit. "We carry Brazil in our chest / The instep"), channeling Brazil's emotional connection between soccer and national identity. Note the Brazilian flag on the strap, a design pivot that propelled worldwide demand for Havaianas following the 1998 World Cup.

The Brazilian COI

What about Brazil's COI acts as a country-specific advantage (CSA) in the international market for footwear?

- Advertisements feature Brazilians of all ethnicities, a marketing strategy made possible by Brazil's history with immigration and amenable to international audiences.
- Positive stereotypical associations with Brazil such as friendliness and love of soccer are vicariously experienced through purchase of the product.
- The country's tropical climate makes the product design simultaneously functional and fashionable.
- Brazil's economic potential and touristic spectacle make it a place one *wants* to be.



A Havaianas store in Rio de Janeiro. Stores like this can be found worldwide, stocked with thousands of sandals decorated in all colors and designed for all kinds of movies, sports teams, countries, and more.

LESSONS AND APPLICATIONS

Brazil is a newly industrialized country. Patterns and trends in its economic development hold valuable lessons for other countries in similar stages of development, such as the other BRIC countries. In particular, Havaianas demonstrates what firms from such emergent economies can do to effectively compete domestically and internationally.

Havaianas offers many takeaways for other Brazilian firms seeking to expand internationally:

- Take advantage of Brazil's history with immigration and its multiethnic society today as a source of internationally informed ideas easily able to be adapted to a Brazilian context.
- Consider designing a product or service that can simultaneously target disjoint parts of the market through simple pivots in presentation, rather than for extreme ends of the market.
- Understand what positive and negative associations people in other countries reflexively make with Brazil.

PERSONAL TAKEAWAYS

I immensely enjoyed studying Havaianas as a company and as a case study for any business seeking to channel culture into economic value. Throughout my time in Brazil, I was able to see many of the uniquely Brazilian things that Havaianas seeks to evoke—communities from all over the world, warm and friendly people, and a rabid love for soccer. I take this away with high hopes for my ancestral Philippines, which can learn much from Brazil's successes and failures so far, and from the Havaianas model.

ACKNOWLEDGEMENTS

Muito obrigado to the following people and institutions for making this project possible:

- Prof. Joseph Petry, Melissa Newell, and the Department of Economics
- Murillo Soranso, Elly Hanauer, and the College of Liberal Arts and Sciences
- Tauan Asensi, Yani Ballesteros, and Campus Brasil
- Profas. Dras. Cristina Helena Pinto de Mello, Mariana Ribeiro Jansen Ferreira, and the Pontifícia Universidade Católica de São Paulo Faculty of Economics