

# Evolving identity of Brazil's middle class brings new era for brands : The Luxury Project

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BRAZIL. Defining who is 'middle class' in Brazil is a complex task, as the country's traditional middle class often sees itself as at odds with the new middle class.

Record low unemployment, competition for scarce labour from a booming construction industry and inflation at a six-year high have put the squeeze on Brazil's small-and medium-sized businesses. In a country that's long struggled with poverty, the gains in salary bring benefits.

Millions of people have joined the middle class, now able to give their children better educations and to provide more for their own futures.

This new middle class, largely the C-Class, is a very different middle class to the equivalent American or European one. With monthly salaries between BRL1,000 and BRL4,000, or US\$631 and US\$2,526, income is just one facet that defines this new mass of consumers. In fact, identity is at the heart of the evolving socioeconomic spectrum in Brazil, as Brazilians try to redefine themselves within a rapidly changing country.

Defining who qualifies as middle class not only depends on the source, but even Brazilians themselves can't seem to decide. According to a recent survey by Data Popular, only a third of those who are considered in the C-Class defined themselves as middle class; the other two-thirds defined themselves as "lower income or poor." While most low-income workers defined themselves as such, 55% of the upper class defined themselves as middle class.

Traditionally, the middle class was something different entirely, and something closer to upper class than working class. There's entertaining insight to this traditional middle class online, with blogs like Class Média Sofre and The Classe Média Way of Life, that mock the tendencies and habits of this group of people. This socioeconomic class would be closer to the B-Class today: educated professionals who own their homes or rent relatively expensive real estate, who pay for private health care and education, take international vacations, buy name brand clothing, have a full-time maid, and maybe own or rent a second home in the mountains or at the beach. It's a group with disposable income, but one with a heavy tax burden.

They tend to be sophisticated and worldly; they likely speak another language, at least on a basic level. The new middle class, on the other hand, has lower levels of education, and tend to be first-time homeowners. They may be taking their first trips abroad, and buying their first washing machines or flat screen TVs. They might send their children to public school, or if they can afford it, to less expensive private schools. They tend to be newer to technology and the Internet, and they're far less likely to speak another language.

Given the cultural differences alone, the traditional middle class is very much at odds with the new middle class. As described in a recent Financial Times article, the old middle class isn't necessarily overjoyed by the rise of new consumers.

Unlike in India, where the old middle class benefited from the creation of new industries, such as information technology outsourcing, many in the Brazilian middle class complain of rising prices, taxes, congested infrastructure and increased competition for jobs.

In addition, according to one of the most comprehensive studies on the new middle class by Professor Marcelo Neri at the Fundação Getúlio Vargas, incomes have grown faster and by larger amounts for the least educated members of society, while in some cases salaries have actually decreased among the more educated. Coupled with inflation and a rising cost of living in cities, the traditional middle class can even see itself as at odds with the new middle class.

The traditional middle class sometimes looks down at what is now the new middle class, and some in the traditional middle class would consider themselves "culturally superior" to the new middle class: more American, tech-savvy, and literate than a more Brazilian pop-culture, newer to technology, and less well-read (or with little access to books).

A traditional middle-class teenager, for example, might look down on a new middle-class teenager for liking sertanejo (Brazilian country music), rather than say, White Stripes, and Brazilians who have been on Facebook for years complain about the "Orkutization" of Facebook by the new middle class. It's the same dynamic you might find between urban yuppies in the US and lower-income

working-class Americans living in rural areas, but more acute and on a deeper level, since the two groups co-exist and interact.

A key example of the divide between the traditional and new middle classes is clear in a recent article from *Época* magazine, where a São Paulo marketing consultant claims to debunk the “myths and truths” of the new middle class.

The traditional middle class can sometimes show disdain for Brazil’s Northeasterners, from the poorest region of Brazil. This type of attitude is implied. The article claims the Northeast is where the “real” C-Class lives, and goes on to explain that they have different consumption (and cultural) habits than the middle class in other parts of the country. But it also makes some good points about why it’s important to understand the C -Class from a realistic perspective.

“These guys were living in poverty until recently. They were going hungry, and now they have a plasma TV in the living room.” And the article also asserts that because of this diverse middle class, Brazil “is in search of a new identity.”

Meanwhile, despite the cultural divide between the traditional and new middle classes, one thing they have in common is the empowerment of women, a factor that is too infrequently credited for Brazil’s economic growth.

In an excellent article from *National Geographic*, Cynthia Gorney explains why fertility has dropped across the board in Brazil. It’s not just smaller families that are helping women excel. With more educational opportunities and job prospects, they’re flourishing. Women with previously little access to the formal job market are now entering in droves.

As a BBC article about domestic workers explains: “Even with a basic education, job opportunities in supermarkets, telemarketing, cleaning companies, restaurants and offices beckon for women who would previously have worked as home helps for a middle-class family.”

In a recent article for the *Christian Science Monitor*, Julia Michaels profiles a typical member of the new middle class: a woman who previously lived in a favela, received job training, and now earns US\$1,000 a month working at an Ipanema spa. After getting help from her friends and family to “pad” her bank account, she was able to afford to buy her own home. She owns a computer and sends her two daughters to private school. It’s really illustrative of the changes of the new C-Class, and indicated that culture and identity will change as incomes rise and opportunities grow.

It’s useful to have a realistic perspective on Brazilian social classes, since the media often provides a confusing view on what it’s really like, especially with all of the excited and sometimes overblown talk of an economic miracle.

The most recent example is a recent *New York Times* article, heralding the influx of foreigners in Brazil, chasing the country’s economic boom. It only glossed over the fact that many of these foreign workers are getting hired instead of Brazilians, either because of a lack of skilled local workers or because some firms prefer to import managers from the US and Europe. It also briefly mentioned that more educated Brazilians are returning to Brazil looking for jobs, a reverse brain drain, and are sometimes finding themselves competing with highly paid foreigners with hefty relocation packages.

The article failed to mention altogether that the vast majority of the work visas issued are temporary, for between 90 days and two years, and less than 4,000 work visas were extended in 2011 (meanwhile, nearly 25,000 temporary visas were issued this year, over half of which were for a stay of one year or less). This means that while Brazilians coming home from abroad are coming for good, many foreigners coming to work aren’t relocating permanently, at least not officially.

Finally, it’s important to understand the financial limitations of both the new and traditional middle classes: namely, a high tax burden, inflation, and a rising cost of living, all of which reduce purchasing power and increase consumer debt.

UBS recently released its cost of living study, which showed that despite rising salaries, Brazilian purchasing power has actually declined. It is now as expensive to live in São Paulo as it is to live in New York, but salaries in São Paulo are 61% less than in New York. Similarly, the cost of living in Rio is amongst the highest in the hemisphere, but Rio salaries are 66% less than New York salaries.

So what does this mean for the Brazilian middle class? The culture gap between the traditional and new middle class will likely persist, but the new middle class is challenging perceptions about how increased access to higher salaries, skilled jobs, and increased consumption can change a person’s standing in a country that has historically been highly stratified, and where social mobility

wasn't always easy.

It will be interesting to see how people self-identify in five years to define what the Brazilian middle class has become.

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