

Retailer at home in the favelas

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The live music is by Exaltasamba and, as it pounds out of stacks of loudspeakers, the singer gets the several hundred people in front of the store dancing, jumping and waving their arms as if there is no tomorrow.

It is 9.30 am, and the show has been put on for the opening of a new Sao Paulo outlet of Casas Bahia, a Brazilian retailer of furniture and electrical goods.

The store is one of the chain's 550 in Brazil and its first to open in a favela - one of the sprawling shanties that spring up wherever space allows around the country's cities.

"There are Casas Bahia delivery trucks up and down here every day of the week," says Carlos de Assis Silva, a labourer. He bought his television, most of his furniture, and even a stone-cutting saw for work from what used to be the nearest Casas Bahia, in the lower middle-class district of Santo Amaro about an hour away by bus.

Casas Bahia thrives on people like Mr Silva. While no cheaper than many shops aimed at richer customers, it is hugely popular with the poor because it allows them to pay in small instalments -and at hefty rates of interest that average 4.5 per cent a month, or about 70 per cent a year. Customers receive a stack of payment slips and must go into a store to make payments. This keeps them coming back and usually keeps them shopping -unless they are among the 10 per cent who default.

Talk of economic crisis raises smiles among the shoppers who pour in when the doors open. Casas Bahia foresees no immediate downturn. It expects sales to rise from R\$13bn (\$5.6bn, €4.5bn, £3.8bn) last year to R\$14bn this year. It spent R\$2m to open its new store. Another 30 will follow next year, including others in favelas.

Mr Silva lives across the street from the new store, so he will now be able to pay his remaining instalments more easily. He is one of about 80,000 people living in Paraisopolis, one of Brazil's biggest favelas. The new store's manager says 3,000 people applied for its 50 jobs, of which 40 - all except management - were filled locally.

That will be important for building good relationships. Most favelas are strict no-go areas for outsiders - often dominated by drug gangs and other criminals.

Paraisopolis is not much different. In recent years, it has gained piped water and sewerage in many areas. Houses change hands for between R\$15,000 and R\$400,000, putting many inhabitants well inside Brazil's expanding middle class.

One young man in the crowd, who cheerfully admits to being "linked to the Paralel" (the PCC, a criminal organisation that briefly terrorised São Paulo with bombs and shootings in 2006), explains how the role of organised crime has changed in recent years.

"In the 1990s, anyone running a business here had to pay bribes," he says. The favela used to be dominated by an extended family from Brazil's north-east. They would extort about R\$15,000 a year, for example, from anyone running a minibus service in and out of the favela. At the turn of the decade, the PCC moved in. "They make their money only from drugs," says the young man - although the PCC also robs banks and blew up a police station this week, stealing drugs and guns. The PCC keeps itself popular by distributing free food.

On national children's day last month, it gave out 12,000 toys. "Extortion isn't in their philosophy. If you want to set up a business, that's fine," says the man. They were less tolerant towards the area's former gang lords. The few who survived the PCC's arrival quickly fled.

With businesses able to operate unmolested, several more are getting ready to join Casas Bahia. Also at the opening is Fauze Fares, whose cousin owns a rival furniture chain - one of several looking at sites in Paraisópolis.

"For the past six years these stores have been moving beyond the traditional city centres to poorer parts of town," he says. "These people are big spenders."

Mr Silva says his monthly take-home pay is usually between R\$1,800 and R\$2,200. Many locals work elsewhere in low-skilled jobs, but others, he says, have opened businesses in Paraisópolis, become wealthy and either moved away or built bigger houses in the favela.

"Casas Bahia have been really smart opening up here," says Tania Ribeiro de Barros, an English teacher doing voluntary work in Paraisópolis. "The locals buy a lot, but many don't pay. They'll be able to keep closer tabs on them now."

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