

Recession: Shifting Consumer Responses – May 2012

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Welcome to the latest edition of Euromonitor International's global consumer tracker designed to help you keep in touch with consumer responses to the recession all over the world and more crucially, to map signs of recovery via shifting consumer purchasing behaviours and attitudes in 60 developed and developing countries.

We explore the latest news within consumer themes including the newest thrift news, shifting consumer loyalty and downsizing and to what extent consumers are trading up or back to normal. This tracker includes stories on how Croatians and Norwegians are cross-border shopping; Singaporeans are embracing nostalgia; and Nigerians appreciate supermarket convenience.

THRIFT UPDATE/FRUGALISTA NEWS

Sachet sales spread beyond FCMG to Filipino consumer finance

A growing number of fast moving consumer goods are being sold in sachets in the Philippines to make them more affordable to those on low incomes. According to Nestlé Philippines, 40% of its products are now sold in sachets available in more than 90% of shopping outlets. When toothpaste manufacturer Lamoian Corp started selling Hapee toothpaste in sachets, Colgate quickly followed suit. Even the consumer finance sector is now selling its products in "sachets" of a sort. Some life assurance companies are selling cover at rates of PHP1 (US\$0.02) a day. Banko, the micro-finance arm of the Bank of the Philippine Islands, is now accepting deposits as low as PHP50 in its rapidly expanding branch network. Meanwhile, Planters Bank is using intermediaries to lend as little as PHP5,000 to borrowers.

Bangkok residents under pressure from rising prices

Bangkok residents are changing their spending habits and working more to adapt to the rising cost of living. A Bangkok University survey in March found 76% of respondents believed higher prices for consumer goods were having an impact on their living costs and wellbeing. 53% said they couldn't make ends meet, while 22% said they were dipping into their savings for day-to-day expenses, and 16% had borrowed money from others. 15% of the respondents said they had to seek additional employment or work overtime to boost their income. 36% said they were spending more carefully, while 23% said they were only buying necessities. 37% of respondents cited higher energy costs as a major issue.

Budget boom in Japanese luxury strip

Tokyo's high-end Ginza shopping district was back at its booming best late last month, all because of a budget fashion brand. About a thousand people queued for a sale event by fast-fashion retailer Uniqlo. "I've been waiting since 5:30 this morning," said 23-year-old Tsubasa Okamoto. "I would like to see their new offerings in the designer's collaboration line. But most of all, I like their products for the price," she added. Keiji Kanda, an economist at Daiwa Institute of Research, said: "This trend of price cutting is only going to get stronger in Japan."

More than 15% of Croatians are cross-border shoppers

According to a survey conducted by the newspaper Vecernji list during late 2011, 15% of Croatians regularly travel to a neighbouring country to buy groceries. "At least once a month, we go shopping over the border. The reason is that prices are lower, and we get a VAT refund, with cheaper fuel it pays off," said one couple from a town close to the Bosnia Herzegovina border.

Norwegian shoppers look to Sweden for cheaper groceries

A growing number of Norwegians are doing their grocery shopping across the border in Sweden, according to data released by the state statistics bureau. It found Norwegians spent NOK11.5 billion (US\$2.02 billion) outside the country in 2011, up 9% on the previous year. 94% of this was spent in Sweden. A total of seven million shopping day-trips were recorded. According to the website newsinenglish.no, the reason is simple: "Prices for food and other grocery store products from beer to shampoo can be as much as 40% lower in a Swedish store, and there are more brands from which to choose."

Supermarket feels the squeeze as Hungarian consumers seek value

Attila Fodor, head of communications at Hungarian supermarket chain CBA, told the Budapest Business Journal: "Consumers think twice before spending, and they are looking for the cheaper options and special offers. Thus, we have to closely follow other chains' offers, deals and discounts." However, he added, quality remains important: "For instance, they want to buy real chocolate bunnies for Easter, rather than the cheaper fake chocolate option."

SHIFTING CONSUMER LOYALTY (TAKING IN LUXURY/ BRAND NOSTALGIA/PRIVATE LABEL GOODS)

Supermarkets build on private label success in Argentina

With Argentina's official annual rate of consumer price inflation standing at 9.8% in 2011 (although many reckon the true figure to be much higher), local consumers have become expert at seeking value, and a growing number are turning to private label products. According to Euromonitor International data, the market share of private labels in the Argentine

packaged food market increased from 5.1% to 5.5% between 2006 and 2010, while in tissues and hygiene products, it expanded from 4.5% to 6.2%. Planetajoy.com, a popular food website, noted: "Thanks to strategic positioning, better packaging and improved quality, private labels have managed to widen their consumer base, going beyond low-income households and reaching out to middle class customers."

Chileans potty for Porsche

Chileans bought a record 330 Porsches in 2011. This year, Ditec (the company's Chilean distributor) expects to sell 370. With demand growing strongly, the company is planning to open two new showrooms in the Santiago suburbs of Chicureo and Los Trapenses. Just 35 Porsches were sold in Chile during 2004 but by 2008 this figure had climbed to 240. It then fell back to 170 during 2009 as economic conditions deteriorated, before recovering to more than 200 in 2010.

Singaporean flea market shoppers embrace nostalgia

Singapore's Orchard Road is one of the world's most famous shopping strips, with its modern malls and international brands, but increasing numbers of local shoppers are visiting weekly flea markets for a nostalgic experience. Up to 2,000 people make their way through the rows of 100-plus tables every Sunday at the China Square Flea Market, buying and selling everything from old currency and obsolete gadgets to postage stamps, jade carvings and advertising paraphernalia. Pauline Tay, a regular visitor to flea markets, said: "I'm bored with new things in malls. Passing memories on from one generation to another is what collecting old things is all about."

Lithuanian indigenous firm finds success in beauty and personal care

According to Linas Cereska, director of BLOK Laboratorija, the largest indigenous cosmetics maker in Lithuania: "Our sales have been growing in double-digit numbers in recent years, by 16% last year alone." He said: "Our most successful leap has been into oral care market, as Lithuanian customers were eager to try Lithuanian toothpastes made by us." This performance is particularly impressive in light of the fact that the value of the Lithuanian beauty and personal care market shrank by just under 25% in real terms during the period 2006-2011, to US\$228.1 million, according to Euromonitor International data.

ATTITUDES TO PLASTIC, OTHER FORMS OF CREDIT AND SAVING

Kiwi consumers rebel against credit card surcharges

Most Kiwi shoppers would forego shopping at their favourite store rather than pay a credit card surcharge, according to a survey conducted during February by public relations agency Impact PR. It found 90% of customers said they would stop shopping at their regular store if a 3% credit card surcharge were added to the cost of their purchase. Some merchants began introducing surcharges two years ago after credit card companies removed restrictions. According to Mark Devlin, owner of shopping website Showroom.co.nz, retailers who add a credit card surcharge are short-sighted.

Indonesians must curb their borrowing enthusiasm

The Central Bank of Indonesia introduced new regulations during April aimed at curbing perceived excessive consumer borrowing. According to Euromonitor International data, the annual value of consumer lending in Indonesia almost trebled between 2006 and 2011, from US\$33 billion to US\$92.2 billion. Under the new regulations, housing loans are now capped at 70% of a property's value, while the minimum down payment for private car loans has been raised to 30%. Until now, new automobile sales have usually been completely financed by loans, with many consumers taking more than a decade to repay the debt.

DOWNSIZING, TRADING UP OR BACK TO NORMAL?

Asian models benefit from booming Peruvian automotive demand

Sales of new cars rose at an annual rate of 35%, to 44,345, during the first quarter of 2012, a record, according to data from the Peruvian Association of Car Dealers. More than two thirds of all these cars were Asian marques. Toyota topped the list, at 16.3% of all sales, followed by Hyundai (14.1%), Kia (10.7%) and Nissan (9.4%). "When Peruvians think of cars, they see a Japanese car. This concept has gradually expanded to include other Asian countries, especially Korea and now China as well," according to a 25-year-old Peruvian student living in Argentina. Price is also a factor: Thanks to a trade agreement between Peru and Japan, Japanese cars are usually cheaper than the competition.

Imported beers grow in popularity in China

From restaurants to trendy nightspots, Chinese consumers are increasingly demanding imported beer. Eschewing more affordable local options, a growing number of drinkers are increasingly opting for more expensive imported brands, including Carlsberg, Budweiser, Bud Light, Heineken and Skol. According to Euromonitor International data, the annual consumption of imported lager in China more than doubled between 2006 and 2011, from just under 21 million litres to almost 53 million litres. In 2011, 52.9% of this was consumed at home.

Middle class Nigerian consumers increasingly favour supermarkets

According to the BusinessDay website, the recent entry of big supermarkets into Nigeria has found favour with affluent

consumers. Emeka Okos, who lives in Lekki, a Lagos suburb, said: "Apart from the convenience, the prices are good and the quality of the product is assured, unlike in the open market, where you can easily buy substandard products. Again, here you can always return a product if there is any problem with it." According to company secretary Uche Onyema, who lives in the Lagos suburb of Festac: "You don't have to sweat under the sun just because you want to buy things. This place is well air-conditioned; items are well arranged with their prices, so you don't need to waste time haggling like in the open market. It is very convenient, and that is why I can afford to use my lunch time to shop for things I need in the house."

THE GREEN BAROMETER OR ARE CONSUMERS FINANCIALLY FIT ENOUGH TO CARE?

German throwaway society

Something like 82kg of foodstuffs, worth several hundred euro, goes into German household rubbish bins every year. For many it's enough to see the food past the sell-by date to dispose of it, even if it still looks and tastes good. German Minister for Consumer Affairs, Ilse Aigner, is preparing an information offensive that she hopes will change consumers' attitude to food. Private households account for 61% of the total food waste in Germany.

WHAT'S FOR DINNER?

Taiwanese growing fondness for French pastries merges with love of afternoon tea

A love of French patisseries has merged with another popular pastime of Taiwanese consumers, afternoon tea. The practice is especially popular among young women. Ashley Su of Season Cuisine Patisserie said the craze for French patisseries was mostly due to the increasingly discerning palates of Taiwanese consumers, who in recent years have "travelled far and seen a great deal and are now looking for similar experiences back home."

TREATS THAT CONSUMERS CAN'T DO WITHOUT

Smartphones now a necessity for many Spaniards, even if they struggle to afford them

Annual sales of smartphones were worth almost US\$1.5 billion in Spain during 2010, according to Euromonitor International data. Victor Sampedro, a professor at King Juan Carlos University in Madrid, told the newspaper El País: "The fact that people with low incomes or who are unemployed have devices and internet connections they can hardly afford shows how important it is for them to be available, to be always in the know and, most of all, to show the world that they are aiming for something better. It is an attempt to advertise a certain status, regardless of their current work situation."

Cheaper smartphones allow aspirational Kenyan consumers to bypass computers

Like many of his fellow students at the University of Nairobi, 23-year-old John Njenga has never owned a computer. However, he recently acquired an iPhone 3, so "I can basically do all the things guys love to do using a laptop," he told The East African magazine. Local mobile phone networks have been offering special deals on mid-range smartphones, and consumers have responded, according to industry sources. "Most of the deals have been on mid-range smartphones, mainly those priced between US\$100 and US\$300," according to a spokesman for local mobile phone company Safaricom. According to Euromonitor International estimates, annual value sales of smartphones in Kenya were worth US\$811 million in 2011, up from US\$146 million during 2006.

THE LATEST FROM THE CONSUMER COCOON (THE HOME/ENTERTAINMENT HUB)

South Korean buyers of bargain-priced TVs upset by poor aftersales service

The half-price television war began in February 2011, when supermarket chain Lotte Mart began selling a 24-inch TV for KRW299,000 (US\$260). The trend then spread to high-end televisions. However, a growing number of consumers are complaining about poor after-sales services. According to the Korea Consumer Agency, a consumer rights group, it has received a lot of complaints on its website about cheap TVs. According to one contributor to the site, the TV he bought did not function properly, but both the store and the manufacturer's service centre refused to take responsibility.

THE TRAVEL BUG?

Number of Brazilians visiting Mexico almost doubles

According to the National Migration Institute, the number of Brazilian visitors to Mexico rose by 92.9% over the year-earlier period during the first two months of 2012, to just over 50,000. Among the reasons cited by online Brazilians for this include: "Mexico is cheap" (thanks to the appreciation of the Brazilian real on foreign currency markets)."

HOW ALLURING ARE FAKES?

When the genuine article costs too much, Vietnamese consumers settle for the fake

There is a growing market for fake civet beans in Vietnam. The coffee beans are fermented by passing through the digestive tracts of civet cats before being extracted from their dung. Genuine civet beans are now so expensive that nearly all Vietnamese consumers are priced out. As a result, most local customers are now settling for knock-offs.

Analyst Insight by Daphne Kasriel-Alexander, Consumers Editor

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