Mr David Anjoubault, General Manager of Kantar Worldpanel Vietnam, tells VET's Linh San about Vietnamese consumerism over the last ten years and potential opportunities in the future.

Dual approach

■ What are your views on Vietnam's fast moving consumer goods (FMCG) market?

FMCG, together with fresh food, play an essential role in every Vietnamese consumer's life and always account for the largest portion of their expenditure. Even in these tough economic conditions the FMCG market in Vietnam continues to flourish compared to other sectors such as entertainment and dining out, with double-digit growth in both urban and rural areas.

■ How has the consumer purchasing behaviour of FMCG changed over the last decade?

With expertise in consumer panels and having been in Vietnam since 2002, Kantar Worldpanel has kept track of the long-term trends in consumer behaviour over the last ten years and has noticed many changes in the way Vietnamese consumers behave.

Firstly, consumers are now smarter and more rational. For instance, smart shoppers nowadays not only compare price per pack but have also started to adopt the habit of bulk buying or buying larger pack sizes in order to save time, effort, and money. Promotion seeking is also a new behaviour compared to years ago, with manufacturers and retailers now competing by offering promotions and discounts.

Secondly, in a market with over 3,000 new SKU (stock-keeping unit) product launches every year, consumers are now exposed to much more offers compared to the past. Therefore, they are now seeking products with better quality and enhanced benefits that better indulge their daily life. Ninety per cent of urban consumers in the middle-high income segment buy brands of good quality even if they are more expensive. More sophisticated needs for premium products have been observed across FMCG categories, such as premium toothpaste with advanced benefits, perfume-scented fabric conditioner, liquid detergent, ready-to-wear baby nappies, and so on.

Thirdly, with a higher level of living conditions but increasing concerns about health issues, consumers are now more health-conscious in their product choice. Eighty-eight per cent of urban housewives agree that they worry about health more than before and 81 per cent are ready to pay a higher price for healthier foods. Consequently, healthy foods and drinks like functional milk, soya milk, tonic food drinks, and liquid milk are among those FMCG categories that have seen the best growth recently.

Finally, with a busier lifestyle, consumers are now demanding more and more convenience. Around two-thirds of urban housewives like to prepare food that does not require much time. This trend opens a new horizon for taste-enhancer products, with the launch of the meal-maker category.

Convenience is not only sought in the food sector, with urban consumers also looking for more convenient options in beverages. Hence, tonic food drink powder, ground coffee and powdered milk are being gradually replaced by tonic food drink liquid, instant coffee, and liquid milk.

■ What changes are seen in terms of shopping behaviour?

I see a transformation in shopping habits, from traditional to modern shopping. Although traditional trade still dominates the retail structure, with a share of three-quarters, urban consumers are now shifting their shopping from traditional to modern channels (including hyper-markets, supermarkets, mini-markets, and wholesale). In modern trade channels they can find a better range of products at more competitive prices, in particular through larger pack sizes and promotions, while enjoying a safe and convenient shopping experience. Modern trade retailers have been expanding to reach more Vietnamese consumers, with store penetration being much higher than before. Today, nearly half of all urban households buy FMCG products in hyper-markets and supermarkets monthly, compared to only one-third in 2005. Moreover, not only increasing in terms of size, these shoppers are now also willing to spend more on each shopping trip to modern trade channels.

■ What do you think about the future of Vietnam's FMCG market and what are the implications for manufacturers?

Firstly, Vietnam's FMCG market will definitely become more and more sophisticated in the future. Existing trends will prevail and develop further. But the market will start to become more polarised, with different needs among different customer clusters. For instance, a two-tier society will lead to much more different purchasing behaviour between high- and low-income families, one towards value-for-money offers and one towards premium offers, which requires a dual marketing approach. In addition, we may see different lifestyles among different age groups. Young adults with a social lifestyle will have different needs with more senior people with a cocooning lifestyle. Therefore, moving from mass to segmentation and understanding the changes in your target consumers' needs and behaviours will be the key to success.

Secondly, remember that rural markets are the next engine of growth. An average urban household spends more than VND1 million per month on FMCG on average, while this figure is only about VND500,000 in rural areas. Though at a much lower level in terms of spending, Kantar Worldpanel has noticed the rapid growth in the rural market over the last five years and in this latest year growth outpaced growth in the urban market (23 per cent against 15 per cent). With 70 per cent of Vietnam's population living in rural areas, the rural market will be a truly important target for every manufacturer in the future and it is expected to catch up with the urban market within the next decade. ■