

Economising households a game changer

By Le Thi Bach Duong*

Fostered by a series of price increases in foodstuffs, energy, electricity and petroleum, a negative outlook for Vietnamese consumer power has been predicted since early 2011.

The speed of price increases is now much faster than income growth rates, posing serious risks to consuming capacity. Consequently, consumers face juggling consumer cravings with a shrinking back pocket.

According to the General Statistics Office, until April 2012, Vietnam's consumer price index increased by 18.7 per cent over the past year. At this speed, price inflation has surpassed consumer income growth. Our research findings show that, after adjusting for the increase in prices, consumer's real earnings in four urban key cities (Ho Chi

40 and 33 per cent, respectively. Vietnamese consumer power has been squeezed as inflation filters into the cost of daily life. As a result, in urban areas, FMCG growth rate has dropped from 11.1 per cent annually in 2010 down to the nearly-zero per cent in 2011. The scenario is brighter in rural areas, yet threats are still there since this is the first time in the last three years price inflation has surpassed consumer income growth in rural Vietnam.

Price sensitivity and providence have become common shopping attitudes among consumers. The lower household income, the more sensitive to price they are these days. According to Kantar Worldpanel Lifestyle Survey, three out of every four urban household works to a strict budget when they do grocery shopping. In addition, more than half of urban consumers are confident they know when a promotion price is



Budget conscious households are changing the way consumer goods firms think

later, it costs them up to nearly one quarter and, at the same time, pushing other not-quite-necessary categories to shrink themselves to fit a tight budget. However, the largest part is always dairy and chilled food, which accounts for more than one-third of urban FMCG spending. Apart from rearranging their share of wallet, consumers also drop some products off their basket.

pack size because the price is usually less expensive". As a result, more households are heading for big pack sizes when they go shopping for FMCG products. However, this does not mean that consumers just go out to their favourite stores and pick up the biggest packs available. According to Kantar Worldpanel Lifestyle Survey, 56 per cent consumers agree that they often look at the price per

during inflation time, "value for money" should be the key message for manufacturers and retailers. In addition, consumers are not homogeneous. Just like two faces of the same coin, there are different consumption trends happening at the same time in FMCG market. While low income consumers focus on different tactics to manage their spending including seeking cheap prices, the upper class

Minh City, Hanoi, Danang and Can Tho) and rural areas felt by 3.6 and 1.7 per cent, respectively. This reminds us of the remarkable price hike in 2008 when prices increased by 23 per cent, per year whereas income was struggling to grow at 8 per cent.

Strongly bouncing back since the end of 2010 at double-digits, high inflation has had a heavy impact on the economic landscape and influenced the everyday lives of millions of people around the country. Our research findings show that FMCG (fast moving consumer goods) typical basket's price index increased by 44 per cent since 2009, while household income index tried hard to follow at 34 per cent. In rural areas, the numbers are

a good price. Besides, consumers are more provident about the future, which is clearly shown via their expanding wallet share of savings from 11 per cent in 2010 to 13 per cent in 2011. "I save harder rather than spend now to make life easier" is the shared tactic of more than 60 per cent urban housewives.

Confronting recurrent price hikes, urban Vietnamese consumers reorganise FMCG shopping behaviour by rationalising spending on the bare necessities consumer goods categories to meet soaring prices for the packaged groceries such as cooking oil, sauces, and instant noodles. In 2010, an average household spent only one-fifth of its FMCG budget for packaged groceries. One year

Our research findings show that non-food categories such as personal care and household care were those which suffered the most from this trend. For instance, less basic categories for in-home consumption such as glass cleaner, air fresher, shaving foam, lipstick and hair-styling are not on the shopping list.

Bulk buying – the fact that consumers go shopping for FMCG less frequently, yet increasing their trip size – is also observed as another reaction of consumers during inflation time. In addition, smart consumers go for big pack sizes as an economical solution to their annual basket. According to our Lifestyle Survey, nearly two-thirds of urban housewives agree that "I will buy bigger

kilo/litre, not just the pack price.

However, not all consumers have the same reaction towards inflation. If the majority of the consumers are buying smart with bulk-buying patterns, the down-trading trend is found among low-income shoppers, who are switching to more affordable solutions. This group is seeking lower prices and smaller pack sizes disregarding the relatively lower quality. One of the most noticeable reactions of those shoppers towards high inflation is buying shampoo and hair conditioner in sachets instead of bottles. They also choose powder detergent of low price brands or private labels in replacement of mainstream ones.

In order to sustain the growth

may not find themselves so strongly affected by high inflation. Therefore, the key to success lies in the flexibility in understanding and adapting different demands of different consumer groups.

Moreover, despite the price hike and consumer power squeeze, the best part of the story is an upswing in confidence with consumer price index having eased down in recent months thanks to a range of measures adopted by the government. As a result, shoppers are gaining back confidence and businesses should also be well prepared to catch the recovery phase. ■

** Marketing manager of Kantar Worldpanel Vietnam*

Overtime rejection is hard labour for enterprises

By Nguyen Thanh

Foreign employers in Vietnam are disappointed an increased overtime proposal might hit the wall.

According to the Article 108 of the draft revised Labour Code, expected to be adopted by the National Assembly on June 18, blue-collar workers' overtime is capped at 50 per cent of work time per day, 30 hours per month and 200 hours per year. In some special cases, the overtime is allowed to be 300 or 360 hours per year by the government.

Many National Assembly deputies said these limits, carved in the existing Labour Code, were

suitable to Vietnamese people's physical condition.

"If the overtime is increased, it will affect workers' health, especially for female workers. Besides, it will enable employers to limit recruitment of new workers to exploit existing ones, while curtailing workers' salary and social and health insurance packages," said NA deputy Nguyen Van Tuyet.

Dong Nai deputy Dang Ngoc Tung, chairman of Vietnam General Confederation of Labour, said: "Workers don't want to work overtime. They have to do that because their salary is too low. The new Labour Code needs to reduce workers' work time, so that they can

have more time to refresh themselves."

National Assembly Committee for Social Affairs chairwoman Truong Thi Mai said workers had to work overtime every Saturday and they should have more time with their families.

However, foreign enterprises in Vietnam are unhappy.

Mark Gillin, vice chairman of AmCham - which proposed the yearly overtime in Vietnam be more than 360 hours, told Vietnam Business Forum that maximum overtime of 200 hours per year restricted flexibility and reduced productivity of factories and Vietnam.

"AmCham members are dis-

couraged by the lack of progress on revisions to Vietnam's Labour Code. Years of cooperative efforts on the Labour Code revisions have not produced an outcome that keeps Vietnam a competitive destination for manufacturing many of the goods that have driven Vietnam's economy forward and raised the standard-of-living for millions of Vietnamese citizens," Gillin said.

According to the Korean Chamber of Commerce and Industry, the yearly maximum overtime of 200 hours was "not realistic." Even foreign buyers regulated legal maximum overtime up to 60 hours a week. It meant workers could work more than 500 hours in overtime a

year. Therefore, the maximum overtime should be extended up to 400 hours a year, it said.

Hirofumi Miyake, Japanese embassy's economic section chief, told VIR according to Japan's labour related laws, overtime was allowed if there was an agreement between employers and employees and it was submitted to the labour authority, and if employers paid extra wages to employees.

"But, I personally think setting overtime cap has nothing to do with reducing the workload itself. Improving the labour productivity is an urgent task for Vietnam to industrialise itself before 2020," Miyake said. ■