

# SPOTLIGHT ON VIETNAM



October 2011

Dear partners and clients,

## Welcome to another issue of "Spotlight on Vietnam"!

As our foreword of this new issue, we would like to sincerely thank you one more time for attending our latest conference 'Your consumers in high definition'. We hope everything about your journey with us was inspiring, and that we will soon have the occasion to work closely together on your business challenges and opportunities either in urban or rural Vietnam!



2012 will be a very special year for Kantar Worldpanel in Vietnam as we will celebrate our 10th year of operation in this country. And for that particular event it will be again a great honor and eagerness to welcome you personally to celebrate with us our entrance into a new age of understanding your consumers and shopper behaviors.

In this edition, we wish to share with you the latest FMCG shopping trends in urban Vietnam under this new price hike over the first 9 months of this year. This is then followed by snapshot on how we ensure high data quality at Kantar Worldpanel. To end with, we are delighted to introduce you the Price Targeter, one of our Expert Services, an advanced and valuable research solution in this time of high inflation.

Your feedback, as always, is very welcome. Please e-mail us at [vietnam@kantarworldpanel.com](mailto:vietnam@kantarworldpanel.com)

We wish you an excellent and inspirational reading.

Best regards,

**FABRICE CARRASCO**  
Managing Director  
Kantar Worldpanel Vietnam, Indonesia, Philippines

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Kantar Worldpanel reports 15% value growth for the FMCG market in the first 9 months of 2011 compared to the same period last year, however also notices some major changes in the purchase behaviours of urban consumers under the current inflationary pressure...>>>



### How do we ensure high data quality at Kantar Worldpanel?

Throughout the whole process of building the high-end databases for our consultants to bring to life insights on the Vietnamese consumers, what matters the most is to commit ourselves on ensuring high data quality and thus carry out a close checking process at each stage...>>>



### Optimizing price to maximize sales

Kantar Worldpanel is proud to introduce you in this issue one of our Expert Services – the Price Targeter – to assist your team in optimizing the price to maximize sales revenue and competitive share, a rough task especially in this time of high inflation...>>>

## Price hike and urban consumers' reaction towards Fast-Moving-Consumer-Goods (FMCG)

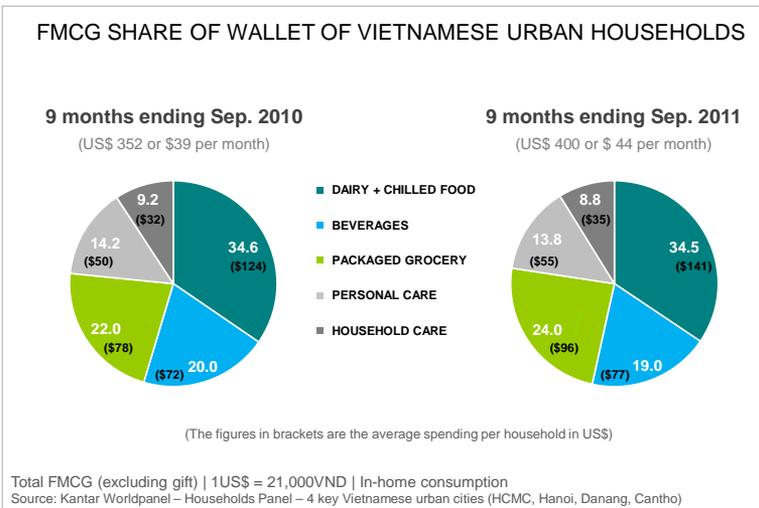
Fostered by several macro-economic factors such as the devaluation of the Vietnam dong, a prolonged trade deficit, unsuccessful public investment and a series of price increases in foodstuffs, energy, electricity and petroleum, it has now been a year since inflation once again reared its ugly head, in October 2010. And despite a range of measures being adopted by the government to apply the brakes, the CPI in Vietnam continued to grow and has climbed to over 20 percent year-on-year since June, according to the General Statistics Office (GSO). Although we observed some signs in September of the CPI easing, with an increase of 22.4 percent year-on-year compared to 23 percent in August, inflation in the first nine months of the year soared 18.2 percent overall against the same period last year, remaining a major challenge for the government to reach its target of keeping inflation below 18 percent by the end of the year.

Even though a slowdown from last year's growth and a clear shift in the price and volume equation have been noted, the FMCG market in urban Vietnam was still flourishing compared with other sectors such as the entertainment and dining out. Kantar Worldpanel Vietnam reports that FMCG maintained double-digit value growth of 16 percent in the first nine months of this year. However, with inflation on the rise again FMCG manufacturers and retailers are certain to have to cope with some major changes in the purchasing behaviour of urban Vietnamese consumers.

### 1. Purchase behaviour rationalization

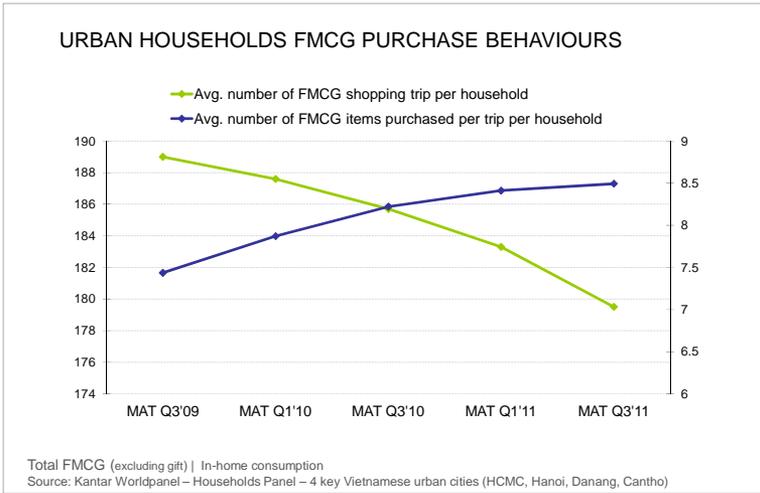
Confronting recurrent price hikes, urban Vietnamese consumers have once again reorganised their FMCG shopping behaviour by rationalizing their spending on the bare necessity consumer goods categories. The latest data from Kantar Worldpanel Vietnam consumer panel tracking indicates that urban families have had to re-arrange their budget on FMCG categories in order to afford soaring prices for cooking oil, sauces, and instant noodles while maintaining similar consumption of these packaged groceries. On the other hand, less basic categories for in-home consumption, such as carbonated soft drinks, fruit juices, loose leaf tea, instant tea, beer, liquor, paper products, air freshener and insecticides have been sacrificed, either by delaying the next purchase or simply by removing the item from their shopping list.

At the same time, it was interesting to note that liquid milk, soya milk and tonic food drinks continued to gain more acceptance among urban households. As these categories are health-related, consumers are apparently ready to pay higher prices. Notably, baby care products - particularly diapers and baby wipes - continued to be priority items among urban shoppers during these times of budgetary constraints.



### 2. Buying smarter

After significantly accelerating with the latest economic downturn, bulk buying attitudes prevail. Basically this means that consumers keep moving away from daily shopping to stocking up on more items each trip, buying larger pack sizes and spending more during each shopping expedition. Within the detergent category we see more shoppers switching consumption to 3-4.5kg bags or to 1.8-2 litre bottles. A similar trend was also noticeable in shampoo, where bottles of over 900ml significantly gained a more important role in the consumption of urban shoppers. This trend was also noticeable across numerous other categories, like fabric softener, shower gel, granules, diapers, milk powder and so on, primarily driven by mid- and high-income families earning over VND4.5 million (\$215) a month, and being bought in greater numbers in modern trade channels. More urban housewives were aware of the better price per unit when purchasing larger pack sizes (70 percent in 2010, versus 50 percent in 2009).



### 3. From traditional to modern

Urban consumers also continued to shift their shopping from traditional trade (both street shops and wet markets) to modern trade channels, where they can find a better range of products at more competitive prices, in particular by larger pack sizes and promotions, while enjoying a safe and convenient shopping experience. In the last nine months modern trade recorded dramatic growth of 19 percent in sales growth compared with last year.



### 4. Mind the income

Manufacturers and retailers should bear in mind the income factor, as consumer reaction under inflationary pressure may differ greatly depending on their income. As noted by Kantar Worldpanel Vietnam, both up-trading and down-trading among urban consumers were happening at the same time. Prominent up-trading was seen in detergent, where mid-and high-income shoppers tended to switch their powder consumption to liquid bottles, or in dishwashing liquid, where branded products won in the competition against unbranded products. It was especially interesting to detect open-minded switching to or the trial of premium moisturiser brands among prosperous shoppers. At the same time, it was important to not forget the limited “cash outlay” of low-income consumers, who were skewed to more economical products in smaller pack sizes. They still preferred shampoo or hair conditioner sachets and down-traded to low cost brands or distributors-owned-brands (DOBs) for detergent consumption.

### 5. Opportunities for manufacturers

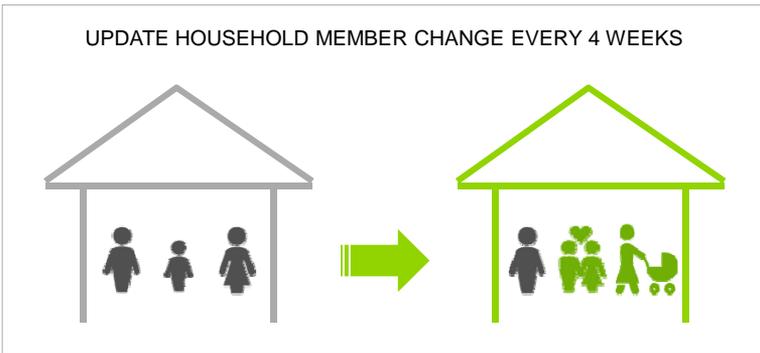
Last but not least, Kantar Worldpanel also noticed that the trend for sophistication and self-indulgence that currently blows among urban consumers appeared to stay on track, contrary to the high inflationary time of mid-2008. This demonstrates that consumers in urban Vietnam are increasingly segmented based on their purchase behaviour. There are a group of consumers who will still look for better products and additional benefits and are willing to spend more money, while there are also consumer groups who are worried about inflation, cutting down spending on entertainment, high-tech purchases, etc. Therefore, even under high inflationary times, there are still opportunities for manufacturers. It is not that surprising to see that over recent months some personal care items, facial care, body lotion, and cosmetics remained within the shopping basket of some shopper groups and even enhanced in some cases. At the same time, urban consumers may also find ways to ponder price increases in foodstuffs while maintaining their pampering habits by delaying consumption of more basic items like toothpaste and shampoo.

## How do we ensure high data quality at Kantar Worldpanel?

It has been almost a decade that Consumer Panel set up in Vietnam and brought to the FMCG manufacturers and retailers the opportunity to look into the heart of Vietnamese consumers' purchase behaviours. From continuous weekly purchase diaries collection and face-to-face interviews, several stages of data processing are next proceeded to build high-end databases as the essence for Kantar Worldpanel consultants to bring to life insights on the Vietnamese consumers. Throughout the whole process, it is a matter of great importance to commit ourselves on ensuring high data quality and thus carry out a permanent and close checking process at each stage as follows:

### 1. Regular panel update

First of all, an annual mini-census is a prerequisite for Kantar Worldpanel to ensure the representativeness of consumer panel in terms of demographic criterion such as the household population in each area, the monthly household income, the size of the family, the main purchase decision maker's age and so on. In addition to this, any household member change within our current panellists is kept updated every month, which led us to a thorough understanding of their purchase behaviours linking to their latest member status. It is also critical to guarantee their enthusiasm for the daily recording job.



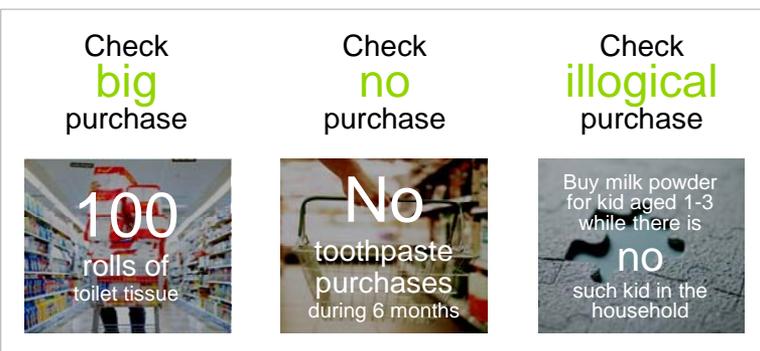
### 2. Field work checking

In the weekly face-to-face diary collection of the interviewers, eight compulsory questions would be inquired to remind panellists and assist them for any difficulties.

- Did you record all items purchased in this week?
- Did you record all items purchased by other family members?
- Did you purchase any unbranded items?
- Did you lose the package of any items and could not record them?
- ...

### 3. Data processing checking

The qualified diaries are then transferred to the data entry division to be encoded into computers. Especially, there exists always the double punching until the data is matched between the data encoders and quality controllers. Afterwards, the matched encoding data must be checked of its logicity. For such cases that happen unusual purchases as the panellists bought too much volume at a time, didn't buy the necessities during a long time or suddenly made an illogical purchase to their member status, we would contact them again to find any special reasons. It was exclusive of so much more of other checking steps that we put into each stage of the process, like the checking of price, volume, etc...



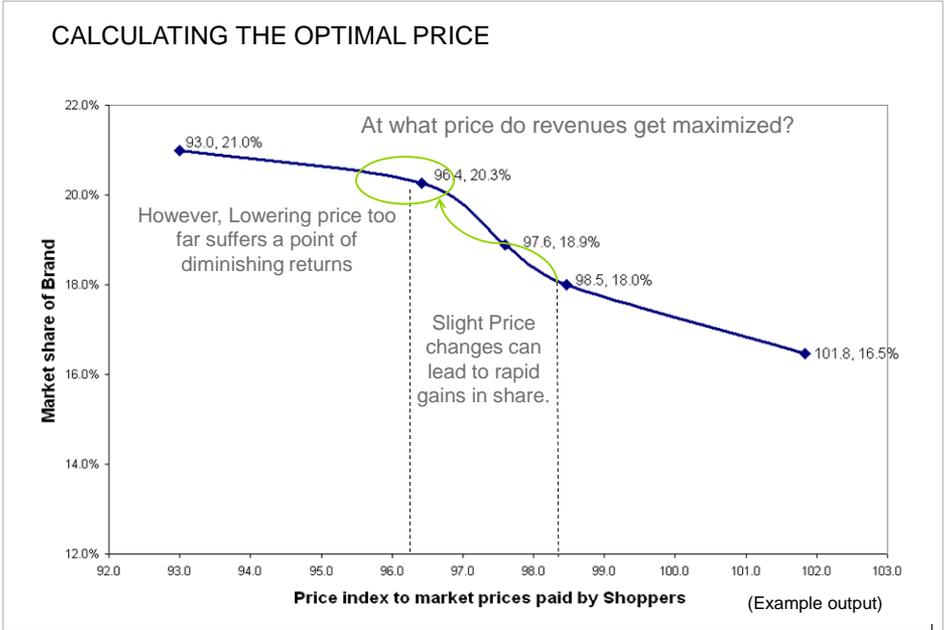
Our ultimate goal is nothing short of ensuring the high data quality of our Consumer Panels and inspiring you to future success.

## Optimizing price to maximize sales

As the right price is in most cases the top priority determinant in the purchase decision of the consumers, we are proud to introduce you in this issue one of our Kantar Worldpanel Expert Services to tackle this question: the Price Targeter. As stated in the name, the main purpose of this research tool is to assist your team in optimizing the price to maximize sales revenue and competitive share, a rough task especially in this time of high inflation!

What's in it for your business?

### 1. Maximize sales revenue for your brand with the optimum price level.



### 2. Measure and simulate different market reactions to your brand and rival price changes

Knowing the price elasticity of brands and the level of interactions between the brands we can build a price model to determine which brands or SKU can raise prices to minimize the risk of loss of market share. It will guide us to react quickly to the actions of lower prices from competition and discover best prices for profitable promotion activities.

#### PriceTargeter

Product	A	B	C	D	E	F	G
Price per Pack	6400	7850	10950	9950	5900	9550	6100
Pack size g	600	350	400	400	200	400	200
Percentage change in Price	0.0%	0.0%	5.3%	0.0%	0.0%	0.0%	0.0%
Price per 100g	1066.67	2242.86	2737.50	2487.50	2950.00	2387.50	3050.00
Price index vs comp set weight	99.72	99.67	103.66	99.83	99.88	99.68	99.82
SKU Price Elasticity	-1.35	-1.54	-0.92	-0.64	-0.64	-1.85	-3.60
Simulated market share	4.32%	2.71%	2.61%	7.91%	2.30%	6.04%	0.70%
Share / Loss	0.4%	0.5%	-3.4%	0.1%	0.1%	0.6%	0.7%

When I change my price what happens to my share and which rivals benefit?

### 3. Understand exactly how sensitive the shopper is to your price changes by different demographics and key accounts.

Based on their overall price sensitivity and purchasing behaviour, buyers are classified into different groups varying from their low to high elasticity level to price. This should help as a guideline for us to define different pricing strategy to different consumer groups in different channels.