Jaqueline Pels

Consumer Behavior in Argentina

Doing Business in Argentina
2012

ENI DI TELLA
ESPACIO DE NEGOCIOS INCLUSIVOS
/ UNIVERSIDAD TORCUATO DI TELLA /

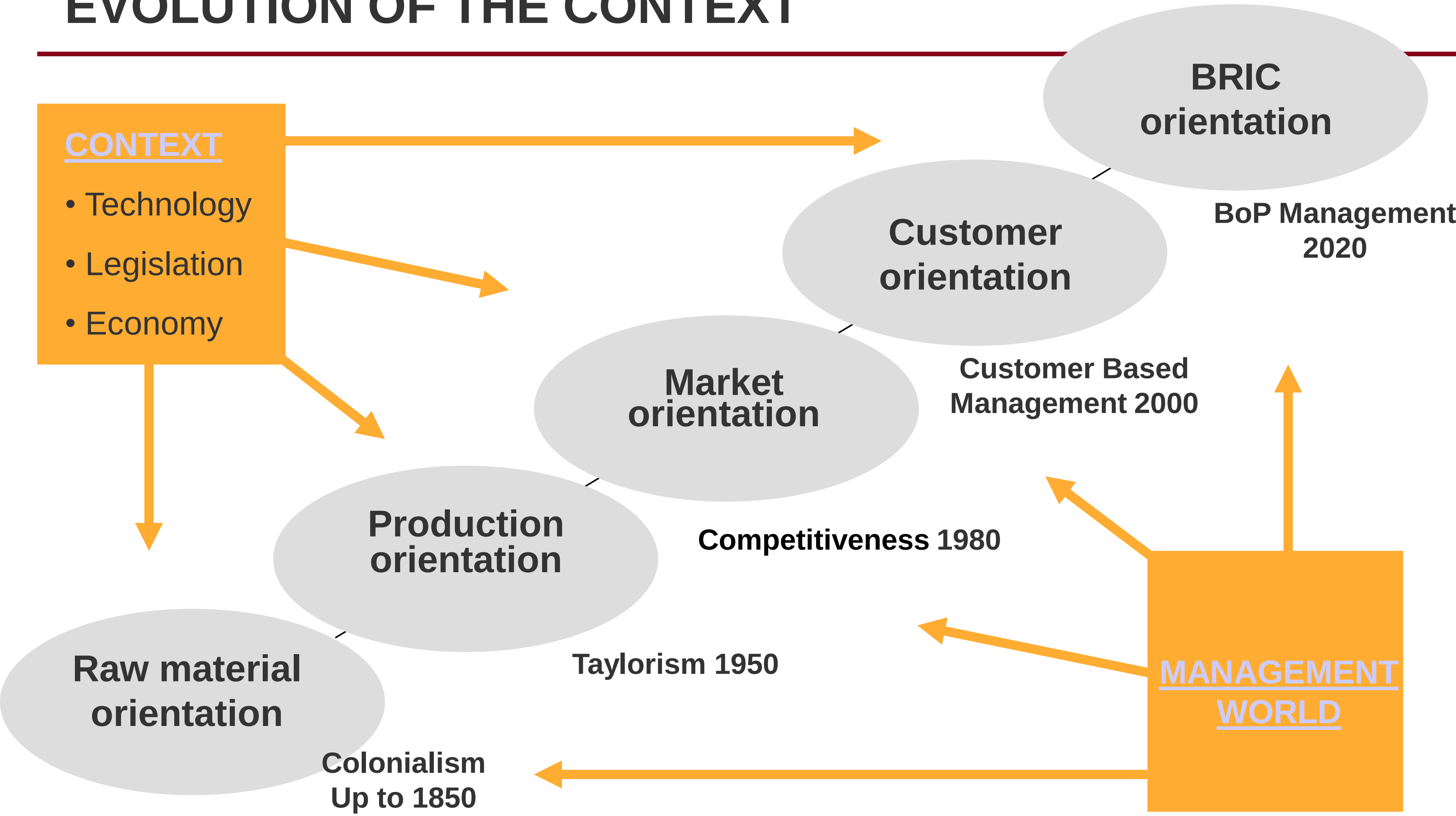
ESCUELA DE NEGOCIOS
UNIVERSIDAD TORCUATO DI TELLA

AGENDA

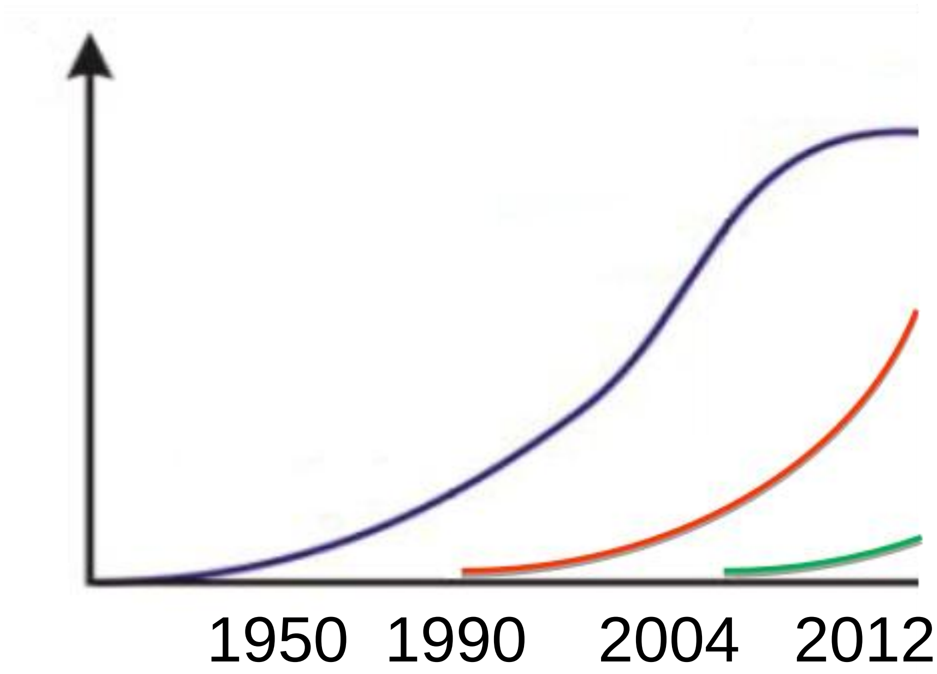
- What to discuss and why
- So what does a BRIC country look like?
  - Distribution system benchmarking Latin America
  - Consumption evolution in Argentina
  - The argentine consumer
  - Myths or Myth-stakes?
- Video Cases
- An excercise

WHAT TO DISCUSS AND WHY

EVOLUTION OF THE CONTEXT



EVOLUTION OF THE CONTEXT: Which customer???



- Developed Markets
- Dot Com Markets
- BRIC Markets

So what does a BRIC country look like?

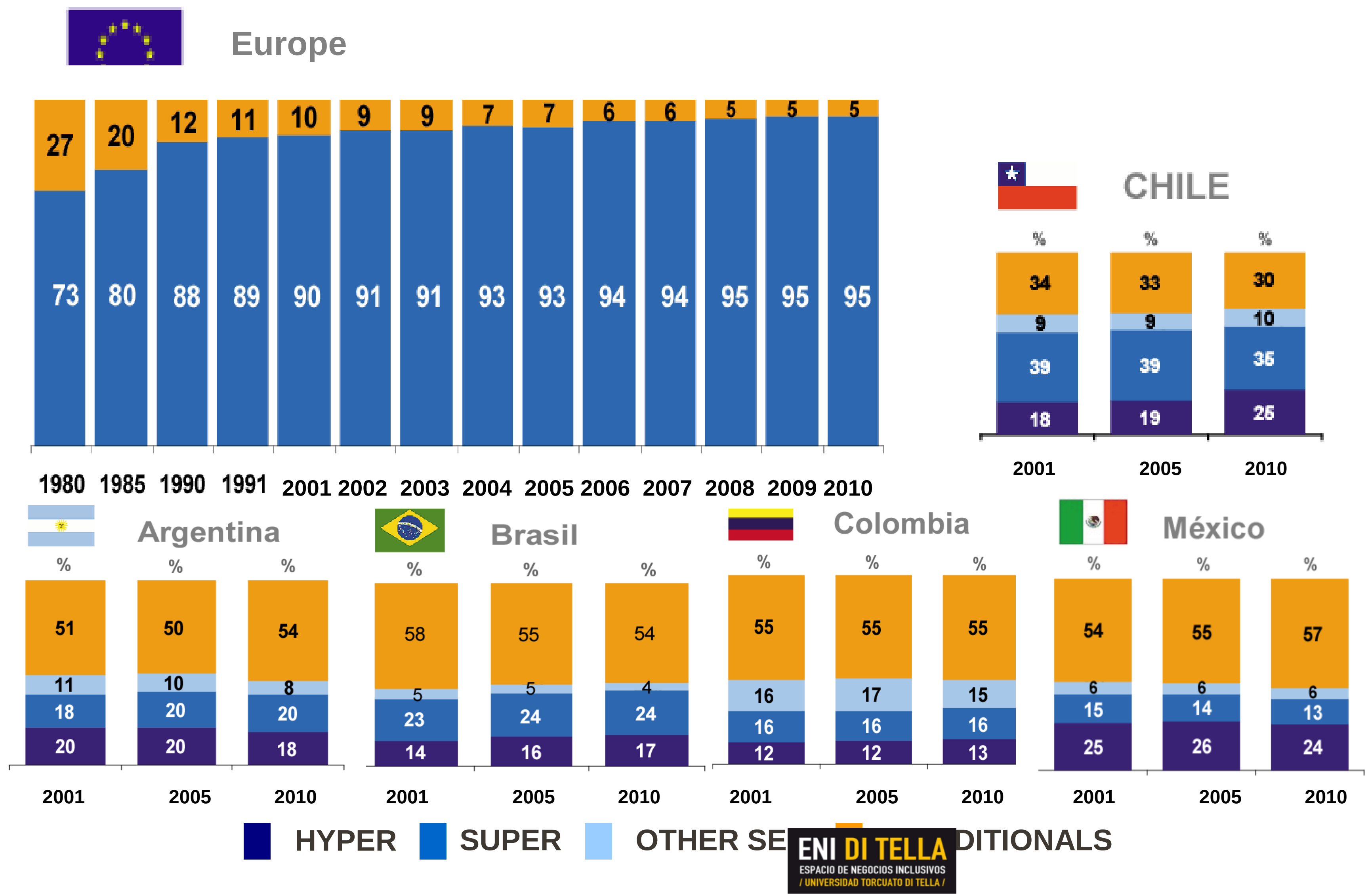
DISTRIBUTION SYSTEM
BENCHMARKING LATIN AMERICA

Number of Food Retail

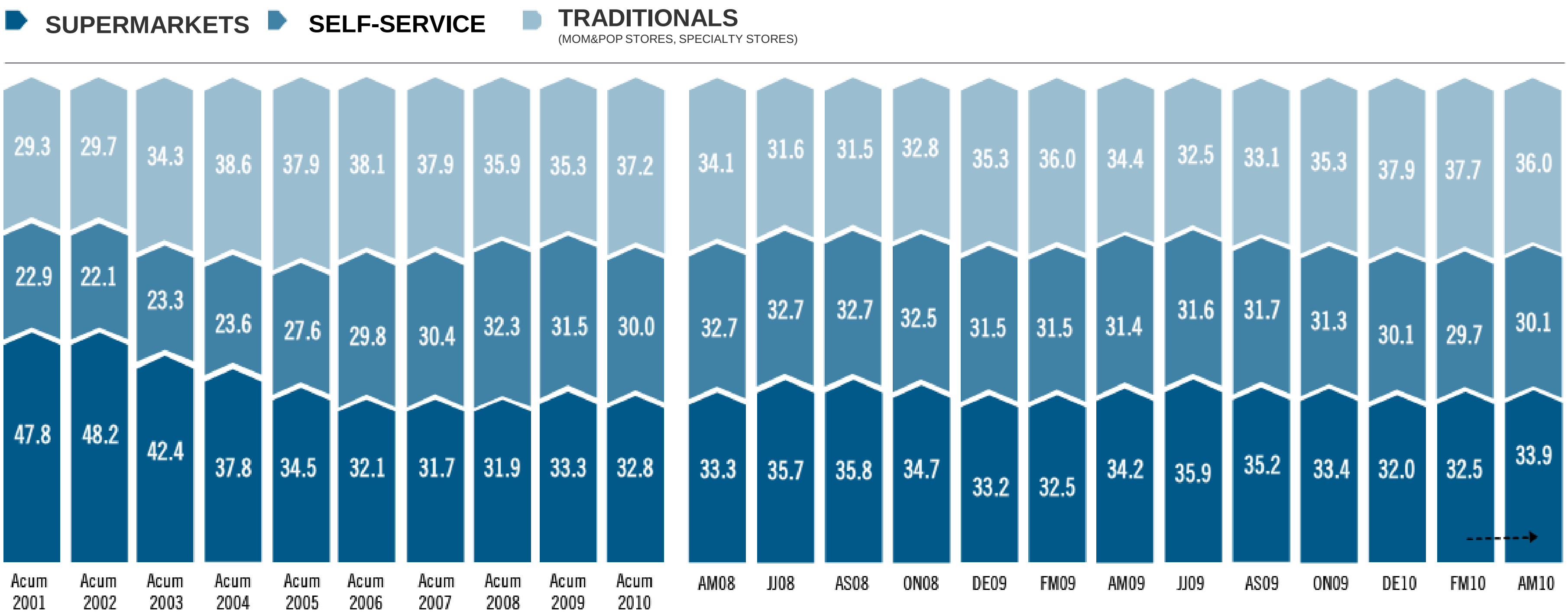
Country	Number of stores/ 1000 inh.
UK	0.7
France	0.7
USA	0.7
Germany	0.9
Canada	0.9
Brazil	**1.9**
Greece	1.9
Spain	2.1
Italy	2.3
Mexico	**2.9**
Portugal	3.6
Argentina	**3.8**

A.C Nielsen

Channels Structure Evolution



Channel Structure Evolution in Argentina



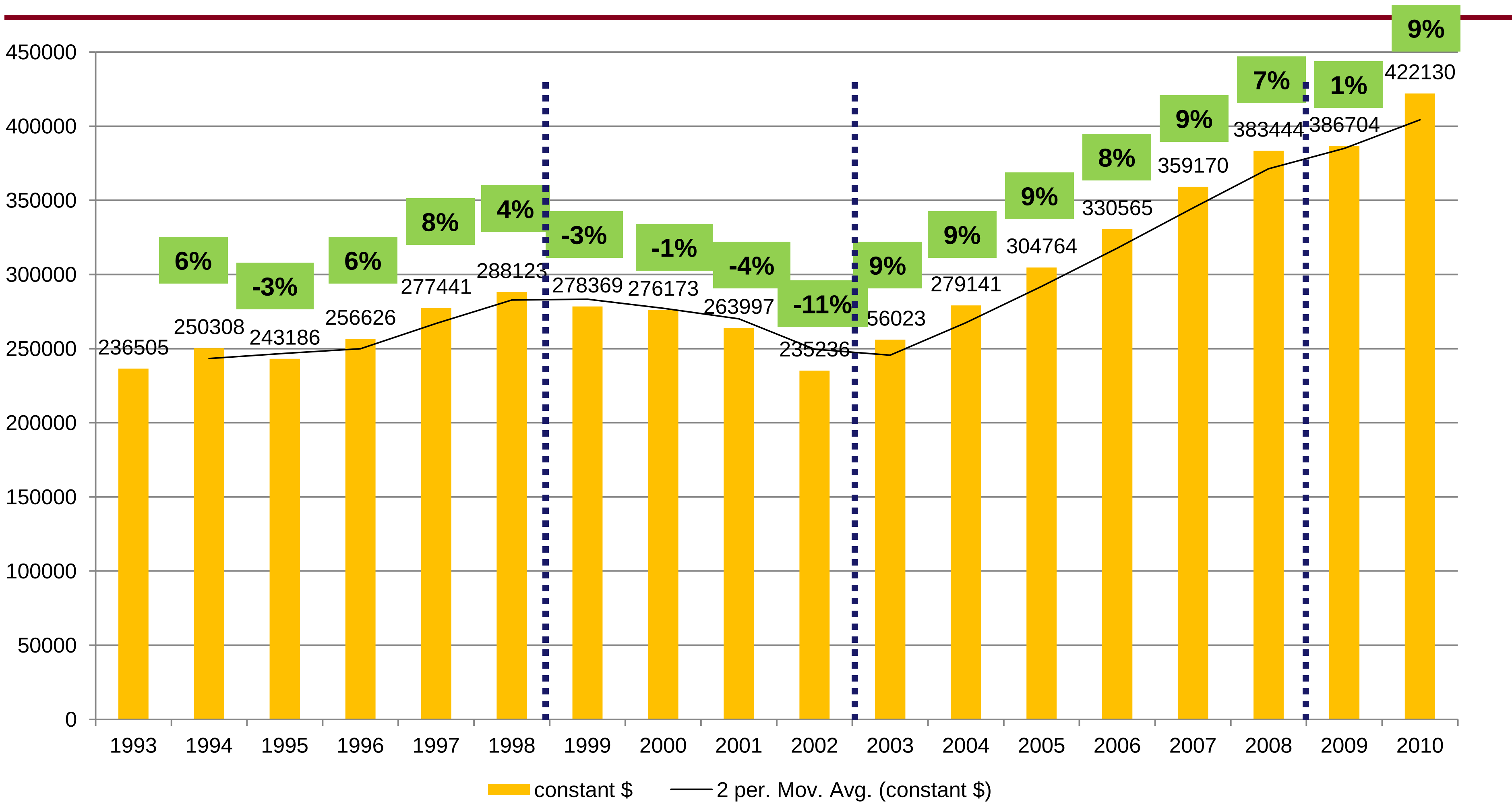
Source: Nielsen Retail Index – 81 categories

So what does a BRIC country look like?

CONSUMPTION
EVOLUTION IN ARGENTINA

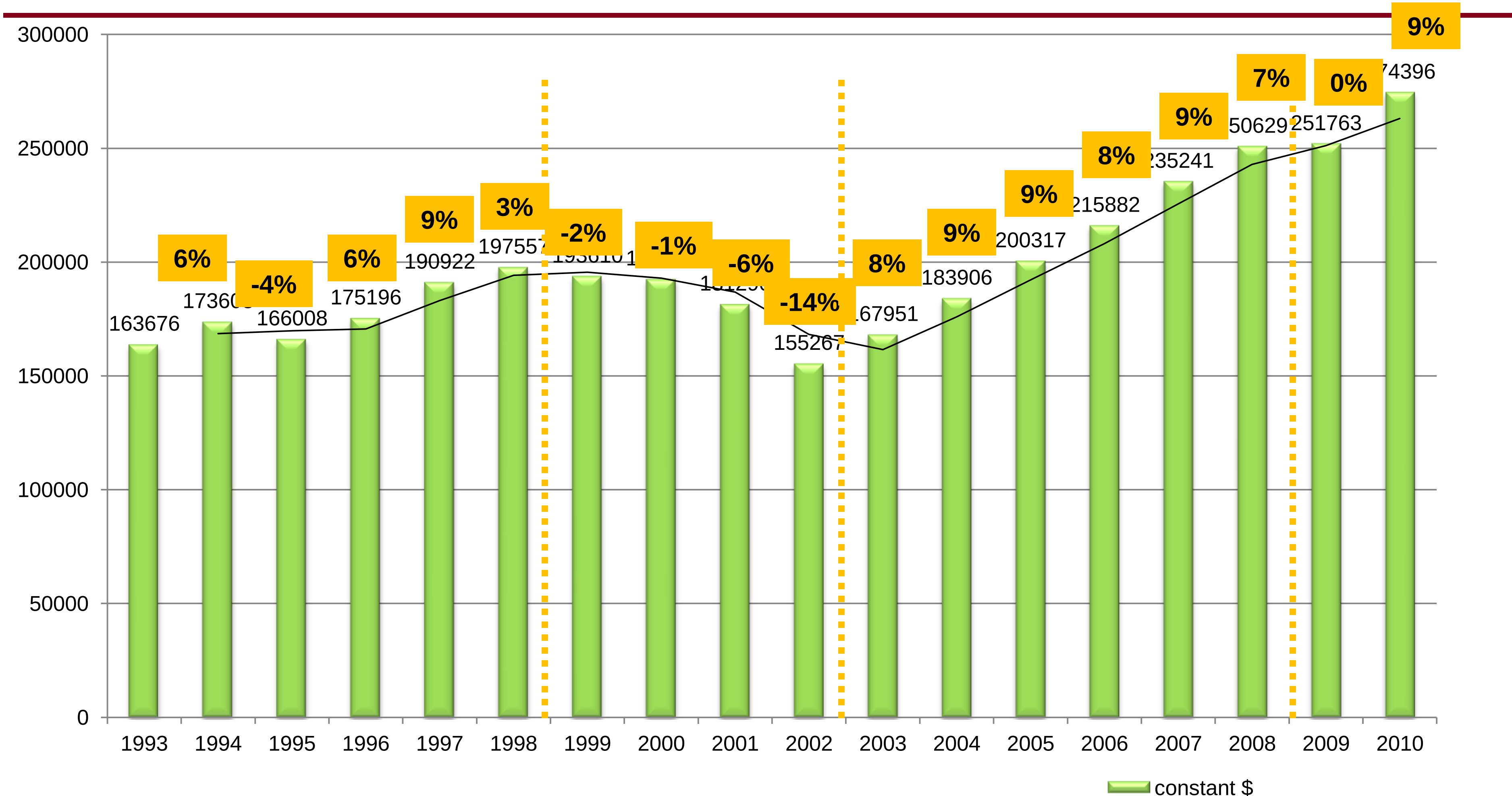



GDP Evolution (in million constant $)



Source: World Bank

Consumption Evolution in End-consumers (Total Argentina)

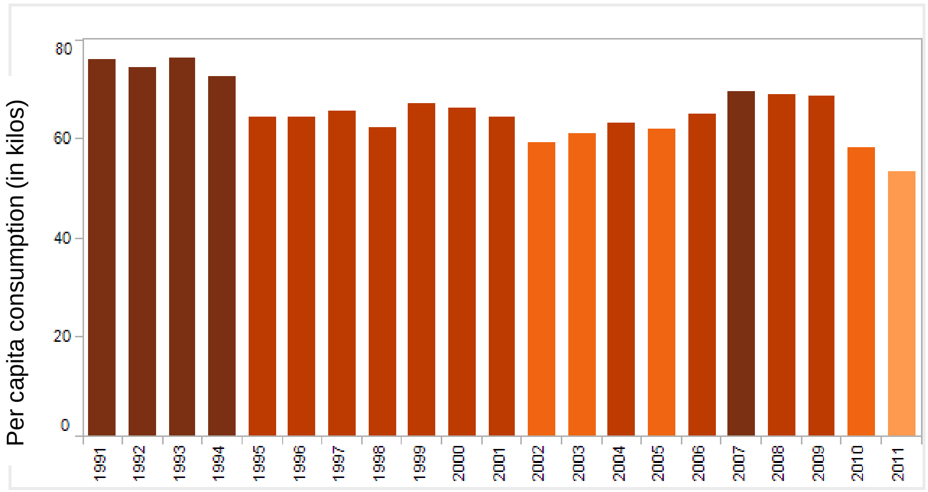


This includes food / non food

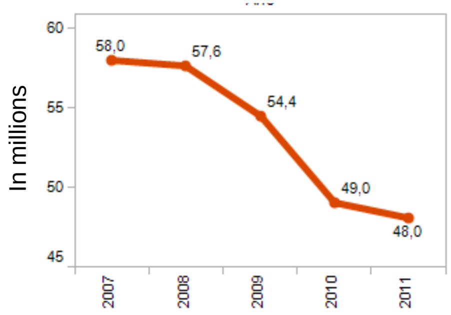
Source: World Bank

Market Evolution (in volume)

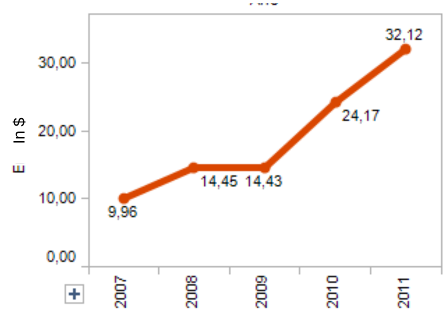
Average consumption of meat



Heads of bovine cattle



Average price for kilo of meat



Source: Ministerio de Agricultura, IPCVA, SENASA

Source: ACARA

So what does a BRIC country look like?

THE ARGENTINE CONSUMER




The Social Economic Level Index

ARGENTINA - A.A.M.-	EUROPE	Brazil - A.B.A.- A.N.E.P.-	MEXICO - A.M.A.I. -
Education of H.H.	E.S.O.M.A.R. Education of H.H	Education of H.H.	Education of H.H.
Employment of H.H.	Employment of H.H. ó	-	Employment of H.H.
Possession of goods and services	- Possession of goods and services - Automobile (included in the list of goods)	- Possession of goods and services - Automobile (included in the list of goods)	Possession of goods and services
Automobile			-
-	-	-	Housing Data
<u>System</u>: Score and simple sum	<u>System</u>: Combined Matrix	<u>System</u>: Score and simple sum	<u>System</u>: Resolutions Tree

Source: AAM, 1996

Profile of the Social Economic Level groups - 1996

	ABC1	C2C3	DE
Education	University	High School (Compl) University (Incompl)	Grammar (Compl)
Employment	• Entrepreneur • Senior positions	• Independent worker • Middle/low staff	• Independent craftsman • Shop floor worker
Automobile	96%	52%	19%
Nº of goods X	7.8	5	2.5

Source: AAM, 1996 (Sample size: 2150 cases)

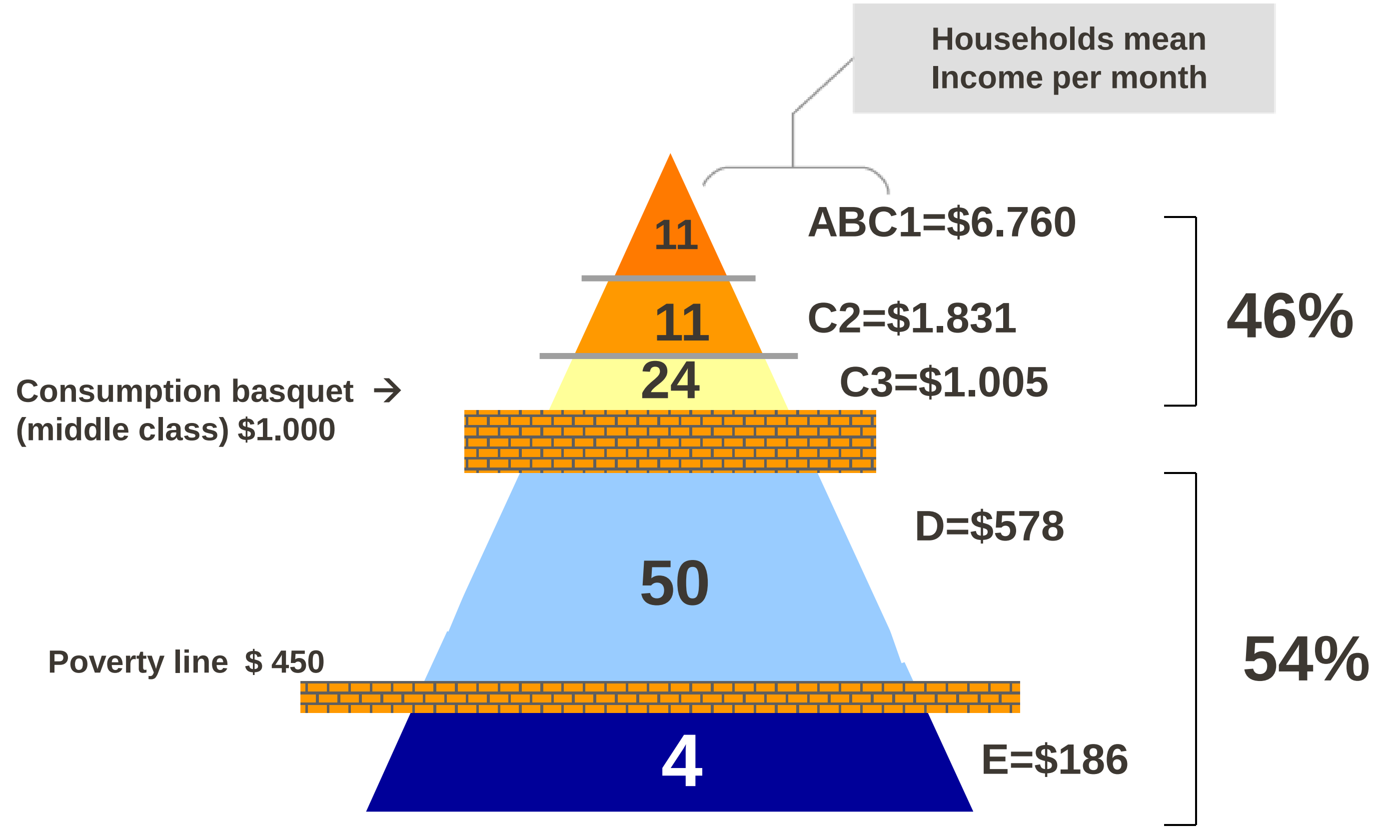
Social Economic Levels - 1996

	"CLASE"	%	
AB	Upper	11%	11%
C1	Upper Middle		
C2	Middle	11%	35%
C3	Lower Middle	24%	
D	Lower	50%	
E	Marginal	4%	

54%

Source: AAM, 1996 (Sample size: 2150 cases)

Social Economic Levels 1996 (1 peso = 1 U$D)



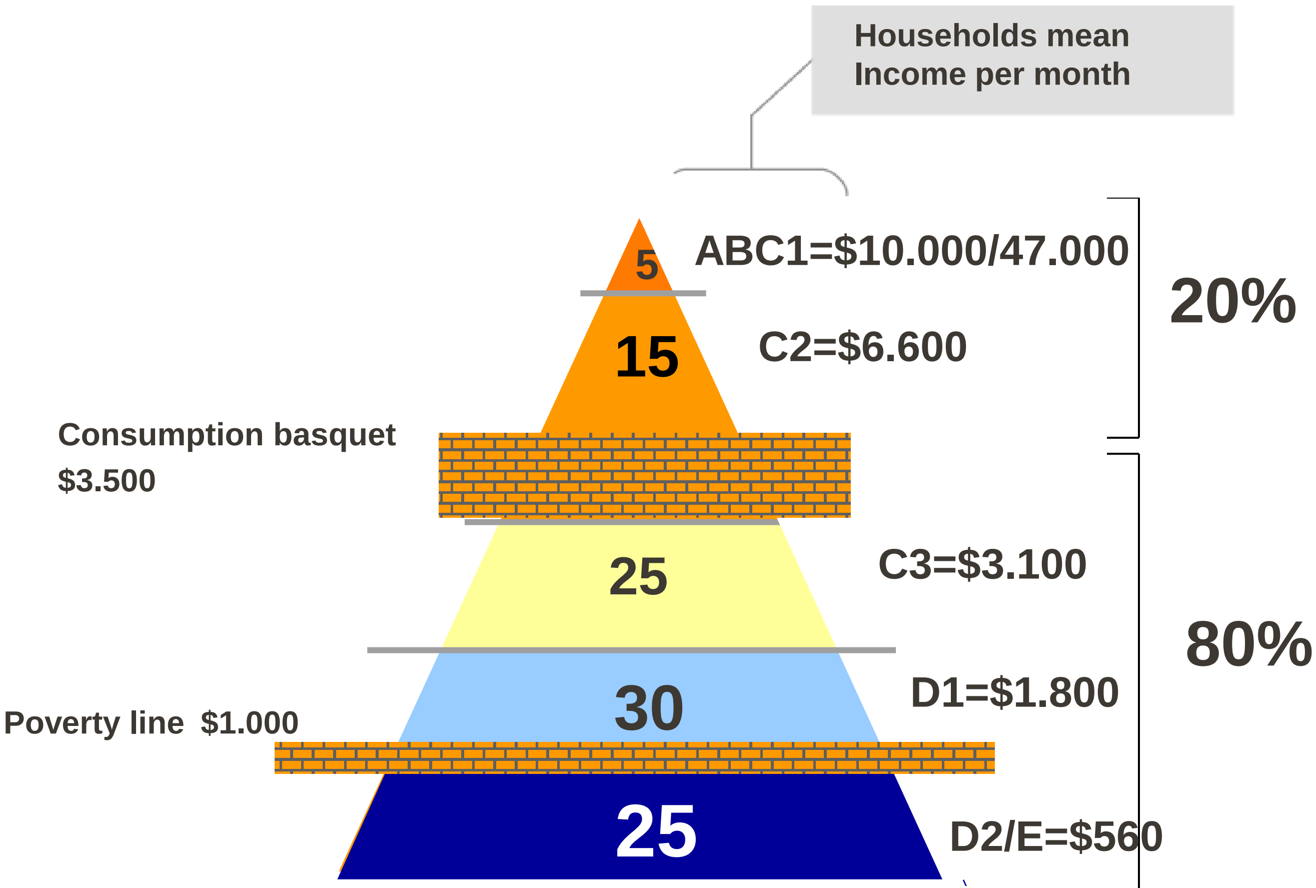
Source: CCR (Sample size: 5400 cases)

Social Economic Levels - 2007

	“CLASE”	%	
AB	Upper	5%	5%
C1	Upper Middle		
C2	Middle	15%	15%
C3	Lower Middle	25%	80%
D	Lower	30%	
E	Marginal	25%	

Source: CCR

Social Economic Levels 2007 (1 peso = 3.20 U$D)



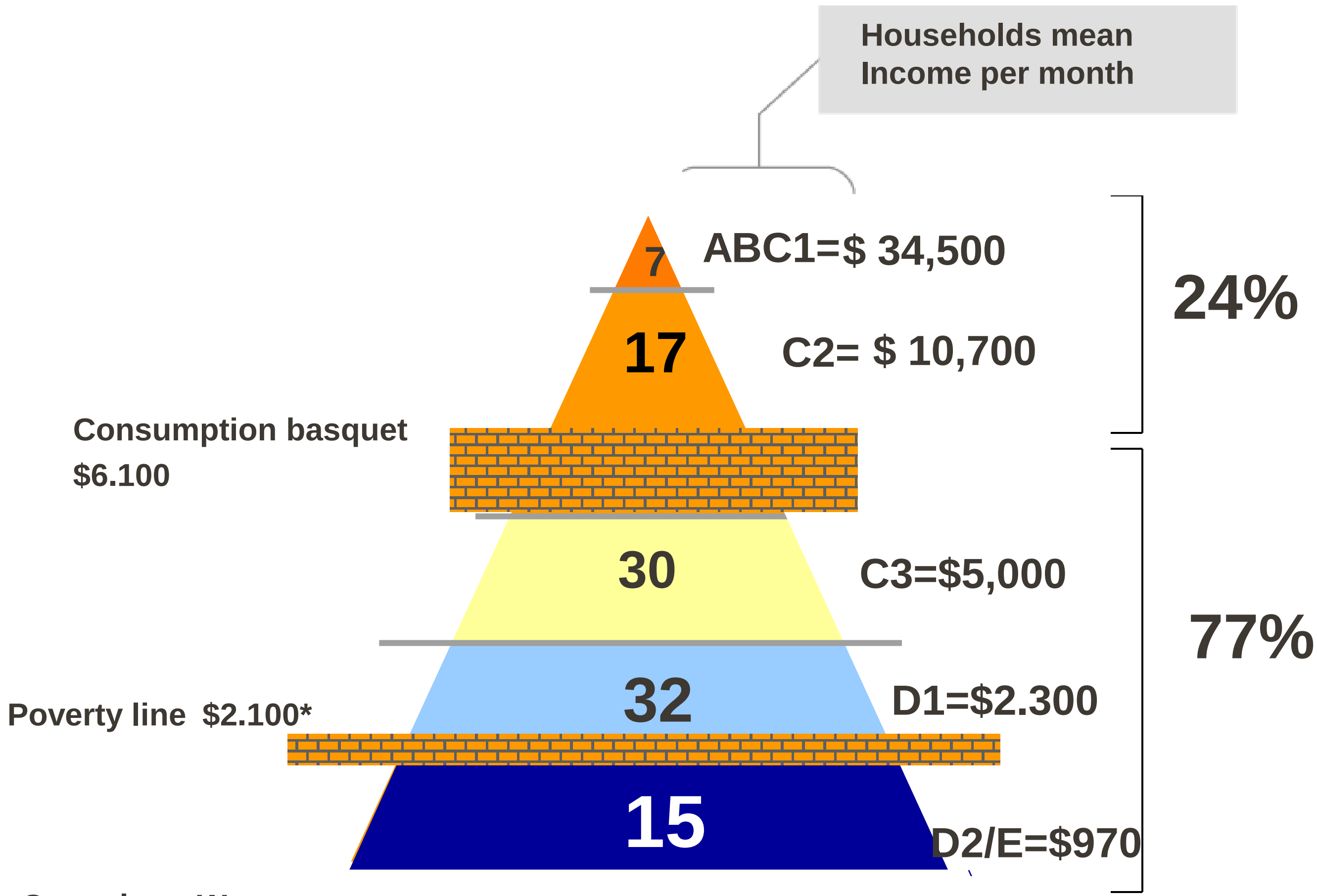
Source: CCR

Social Economic Levels - 2010

	"CLASE"	%	
AB	Upper	7%	7%
C1	Upper Middle		
C2	Middle	17%	17%
C3	Lower Middle	30%	77%
D	Lower	32%	
E	Marginal	15%	

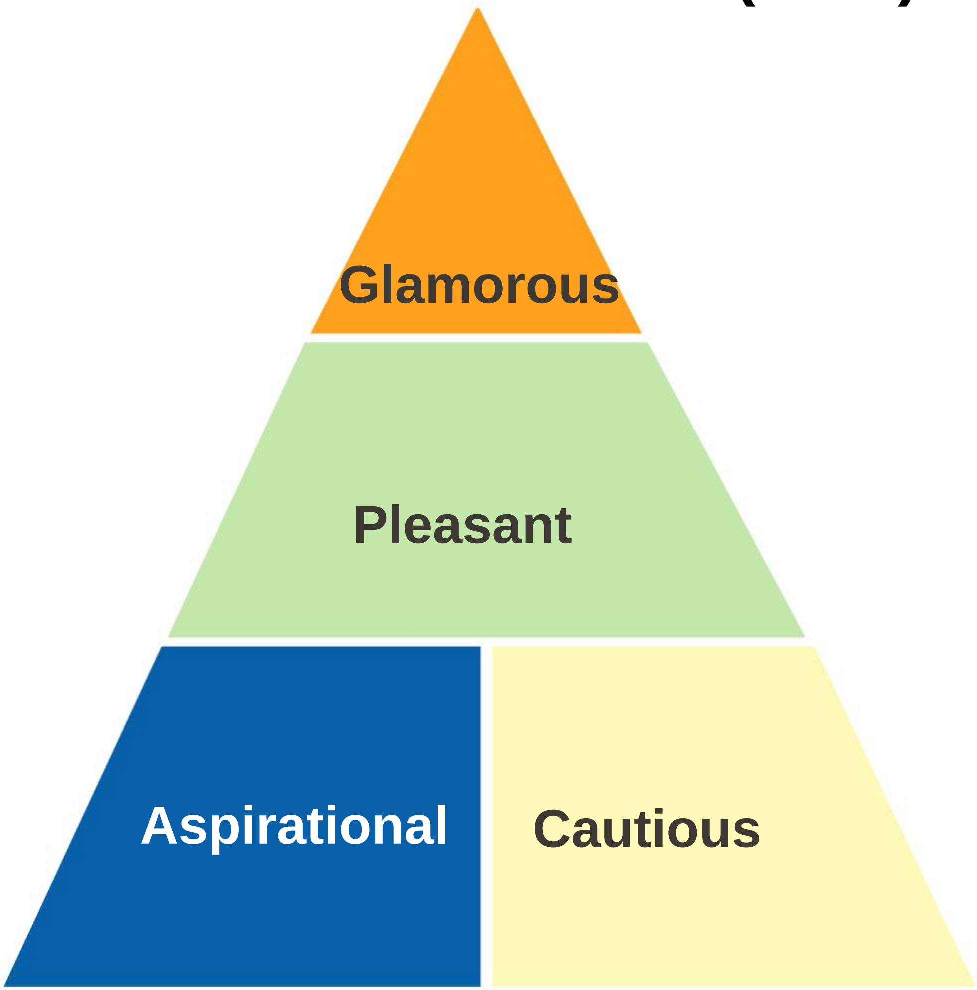
Source: CCR

Social Structure 2010 (1 peso = 3.80 U$D)



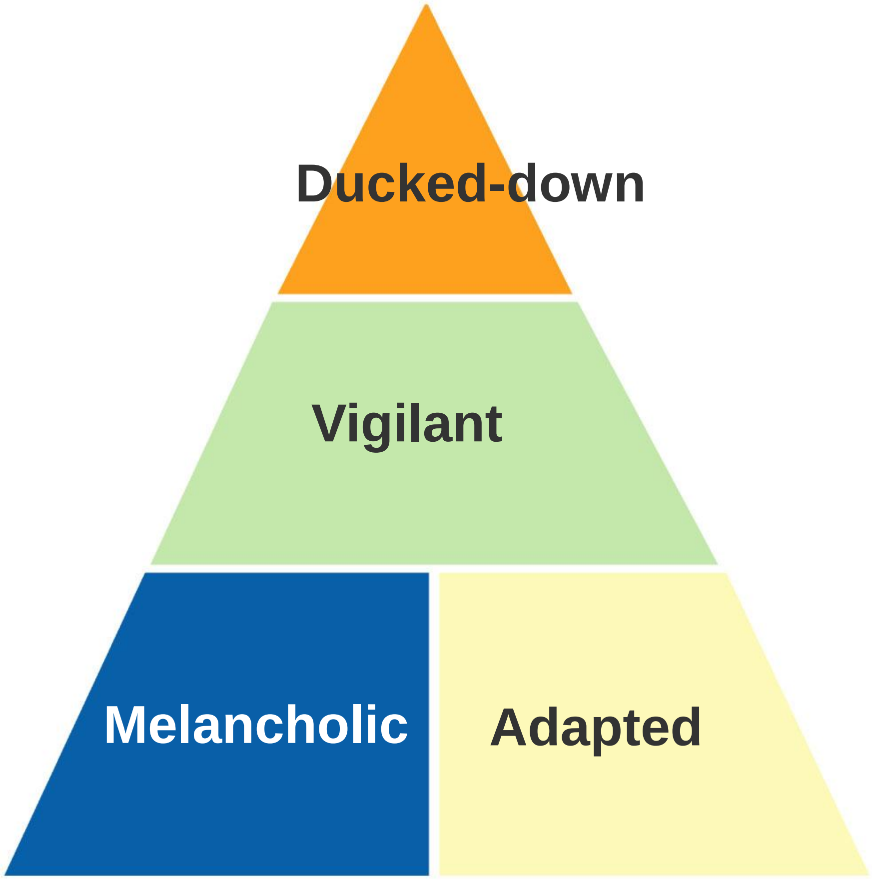
Source: Consultora W
*INDEC: $1.750

Lifestyles by Social Economic Level (1996)



(%)

Lifestyles by Social Economic Level (2002)



(%)

Lifestyles by Social Economic Level (2011)

(%)

So what does a BRIC country look like?

MYTH or MYTH-STAKES?




So what does a BRIC country look like?

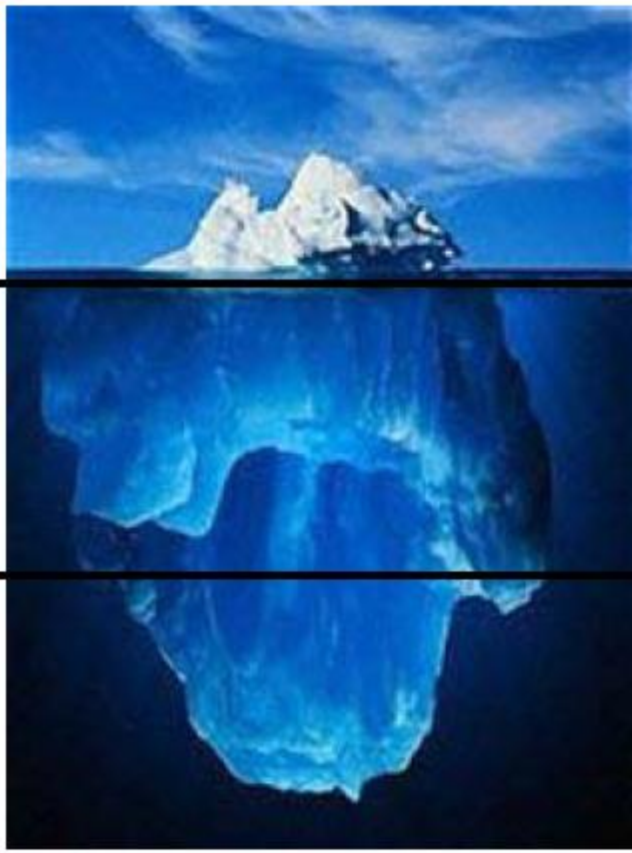
MYTH or MYTH-STAKES?




Myths on the BoP

- The poor are poor
- The poor dislike brands
- The poor are low-tech
- The poor are scattered

What's below the Formal Economy?



Purchasing Power Parity (PPP)

Informal Economy
(Small enterprises, bartering, sustainable livelihood activities, subsistence agriculture)

Hidden Assets

$9.3 trillion in assets worldwide without legal title

Size as % of GNP
Nigeria: 70%
Mexico: 40%
Brazil: 30%
Germany: 20%
Japan: 10%
USA: 10%

Source: de Soto, 2000

Size of Food mkt (In millions of $ tax incl.)

30%	Total	41.424
	Upper (A)	3.572
	Upper 2 (B)	3.500
	Mid Upper(C1)	5.924
	Middle (C2)	5.107
	Subtotal	17.903

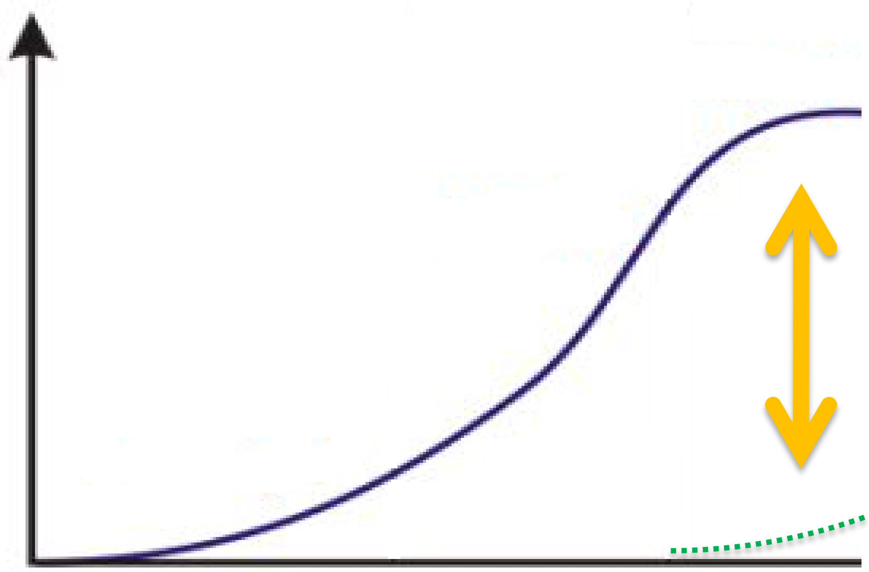
43,2 %

70%	Lower 1 (C3)	12.092
	Lower 2 (D)	6.379
	Marginal (E)	5.050
	Subtotal	23.251

56,8 %

Source: AC Nielsen

Market potential

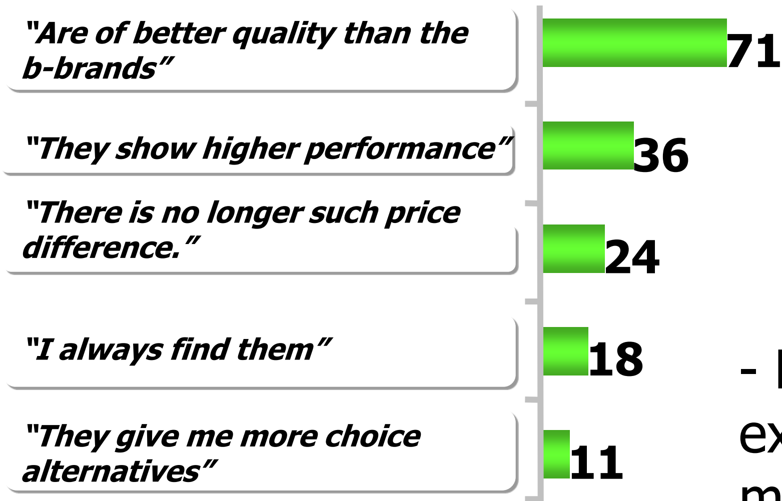


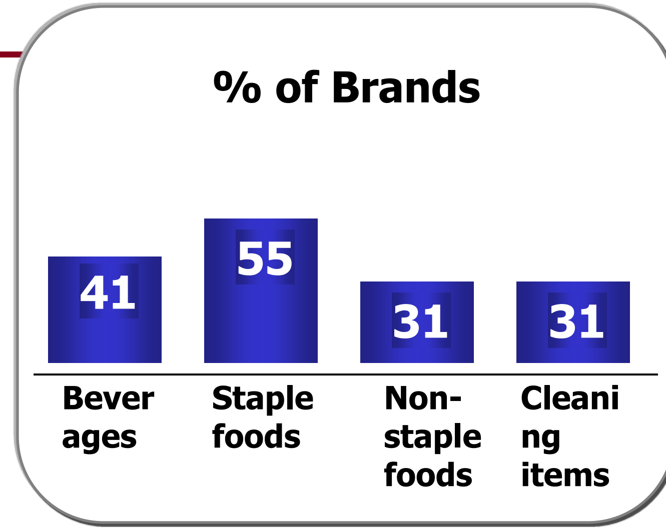
Myth-Stakes on the BoP

- The poor are poor → aggregated consumption value (60%) > upper-class (40%)
- The poor dislike brands
- The poor are low-tech
- The poor are scattered

Brands Situation

Reasons:





- New products, more expensive (up to 135% more) and still in constant growth.

Source: AC Nielsen, 2003

Myth-Stakes on the BoP

- The poor are poor → aggregated consumption value (60%) > upper-class (40%)
- The poor dislike brands →value for money is particularly relevant in this segment
- The poor are low-tech
- The poor are scattered


CYBER CAFE
Bell
WALL & FLOOR TILES
made beautiful


ATELIER DE MAINTENANCE DU SYSTEME SOLAIRE
Jean-Marie Komlan Zinzindohoué

Myth-Stakes on the BoP

- The poor are poor → aggregated consumption value (60%) > upper-class (40%)
- The poor dislike brands →value for money is particularly relevant in this segment
- The poor are low-tech→ frog leaping
- The poor are scattered

Myth-Stakes on the BoP

- The poor are poor → aggregated consumption value (60%) > upper-class (40%)
- The poor dislike brands →value for money is particularly relevant in this segment
- The poor are low-tech→ frog leaping
- The poor are scattered →current distribution systems were designed for urban upper-classes

Beyond Myths on the BoP

- The poor are poor → aggregated consumption value (60%) > upper-class (40%) → attractive market
- The poor dislike brands →value for money is particularly relevant in this segment → brands are guarantees thus need to understand the values of the segment
- The poor need low-tech → frog leaping → rather than watered-down solutions use high-tech to reach the segment
- The poor are scattered →current distribution systems were designed for urban upper-classes → need to re-design distribution systems

Video Cases

Videos BoP

- Introducción de Prahalad
- Casas Bahia
- Cemex
- Salt Hindustan Lever Limited

Casas Bahia

Social Economic Factors

Culture

Social Class→ **informal**

Group of Reference

Family

Rol → **head of houshold**

Psychological Factors

Beliefs→**I can't/this is not for me**

Experience

Personality traits

Access

Consumer's Perception

Influence the

Buying Behaviour Process

Acknowledging need

Seeking Information

Identifying Alternatives

Evaluating Alternatives→cortesy, credit, low prices, brands.

Buying Decision

Post Sales Experience→ delight

Videos BoP

- Introducción de Prahalad
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Cemex

Social Economic Factors

- Culture
- Social Class→ **informal**
- Group of Reference
- Family
- Rol → **head of houshold**

Psychological Factors

- Beliefs→ **too complex**
- Experience
- Personality traits

Integral Solution

Consumer's Perception

Influence the

Buying Behaviour Process

Acknowledging need

Seeking Information

Identifying Alternatives

Evaluating Alternatives→ f ull project, credit, advice, can pay in the USA

Buying Decision

Post Sales Experience→ delight

Videos BoP

- Introducción de Prahalad
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Dalt HLL

Social Economic Factors

Culture

Social Class→ **informal**

Group of Reference

Family

Rol → **Shakti Ama**

Psychological Factors

Beliefs→ **all products are the same**

Experience

Personality traits

Superior Product

Consumer's Perception

Influence the

Buying Behaviour Process

Acknowledging need

Seeking Information

Identifying Alternatives

Evaluating Alternatives→a superior product at a cheaper price

Buying Decision

Post Sales Experience→ delight

An Excercise




MELANCHOLIC

- I don't fit 14%
- I survive 13%
- I'm alert 29%

56%

- Anger
- Concern
- Fear
- Disorientation

ADAPTED

- I'm in the adaptation process 14%
- I'm adapted 12%
- I'm fine 18%

44%

- Enjoy
- Adaptation
- Prudence
- Security

“I don’t fit”

MELANCHOLIC ADAPTED

14%

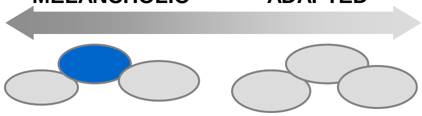
2.093.075 millon people
in Capital Federal
and Gran Buenos Aires

- As a consequence of the sudden lose of their pre-crises lifestyle, they feel lost, annoyed and sad.

- They are not adapted to their actual low income situation and they can’t manage with what they earn.

- They are skeptic, insecure, without projects and living “day by day”.

"I survive"



13%

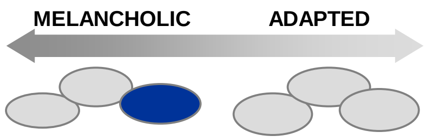
1.943.570 millon people
in Capital Federal
and Gran Buenos Aires

- Their current situation produces sadness and anger, but they managed to overcome the situation.

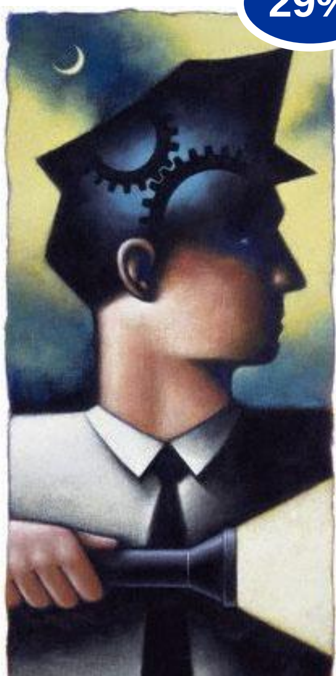
- They are not afraid nor feel lost because they are very conscious of their situation and they know how to deal with it.

- They seemed optimistic towards their future. Although they live "day by day", they are starting to think about future projects.

"I'm alert"



29%



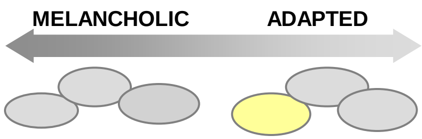
4.335.656 millon people
in Capital Federal
and Gran Buenos Aires

- They are *the* average segment.

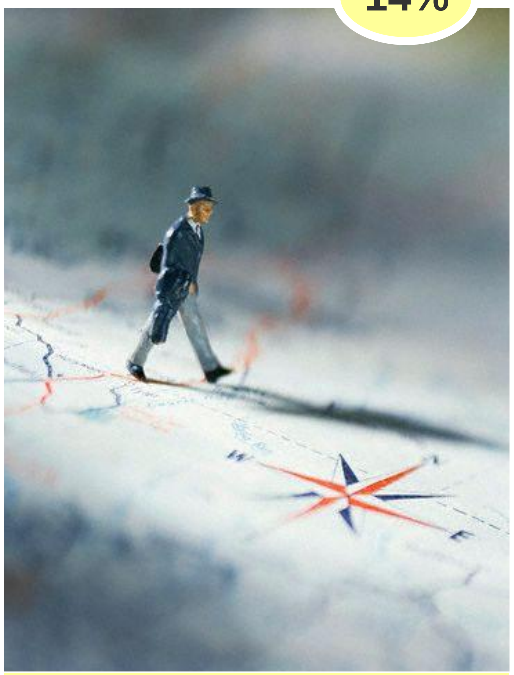
- They are in an emotional transition: they are neither sad / mad nor optimistic.

- They feel neither utterly lost nor have they completely adapted their consumer strategies.

“I’m in the adaptation process”



14%



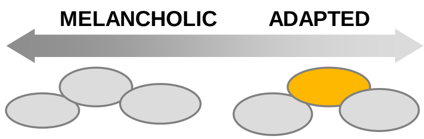
2.093.075 millon people
in Capital Federal
and Gran Buenos Aires

• They know they are not fine but they overcame this situation with optimism, desire to live and a lot of “energy”.

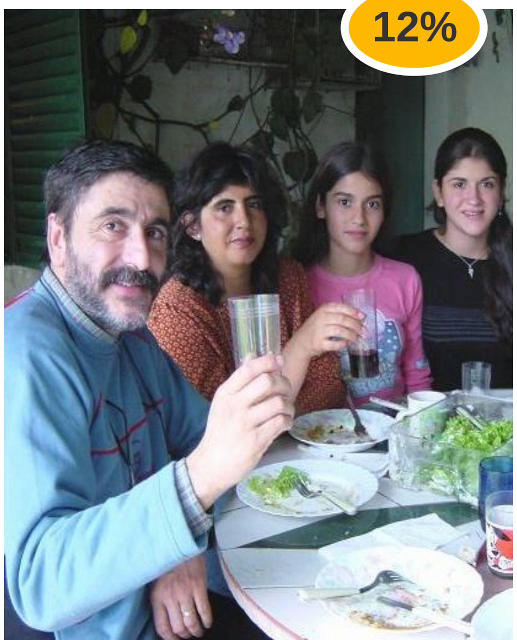
• They are conscious that their situation won’t change yet they grant themselves small pleasures.

• They are starting to consider new projects but remain with their feet on the ground.

"I'm adapted"



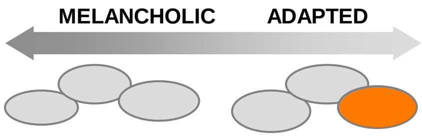
12%



1.794.064 millon people
in Capital Federal
and Gran Buenos Aires

- This segment is emotionally very stable.
- They know they have lost their chance but they are optimistic for their children.
- They are in a very tight situation, however, they enjoy the small pleasures of life.
- They are optimist, make plans for the future yet are always realistic in their analysis.

“I’m fine”



18%

2.691.097 millon people
in Capital Federal
and Gran Buenos Aires

- This is the segment that is happy.
- They know that they need to be careful but they don’t feel they are badly off.
- They enjoy life.
- They look into the future, have dreams and projects (both for themselves and their children).

Choose a product/service category and one segment.

Using the data provided define a marketing strategy for it.