
Dr Jacqueline Pels

Consumer Behavior in a BRIC context



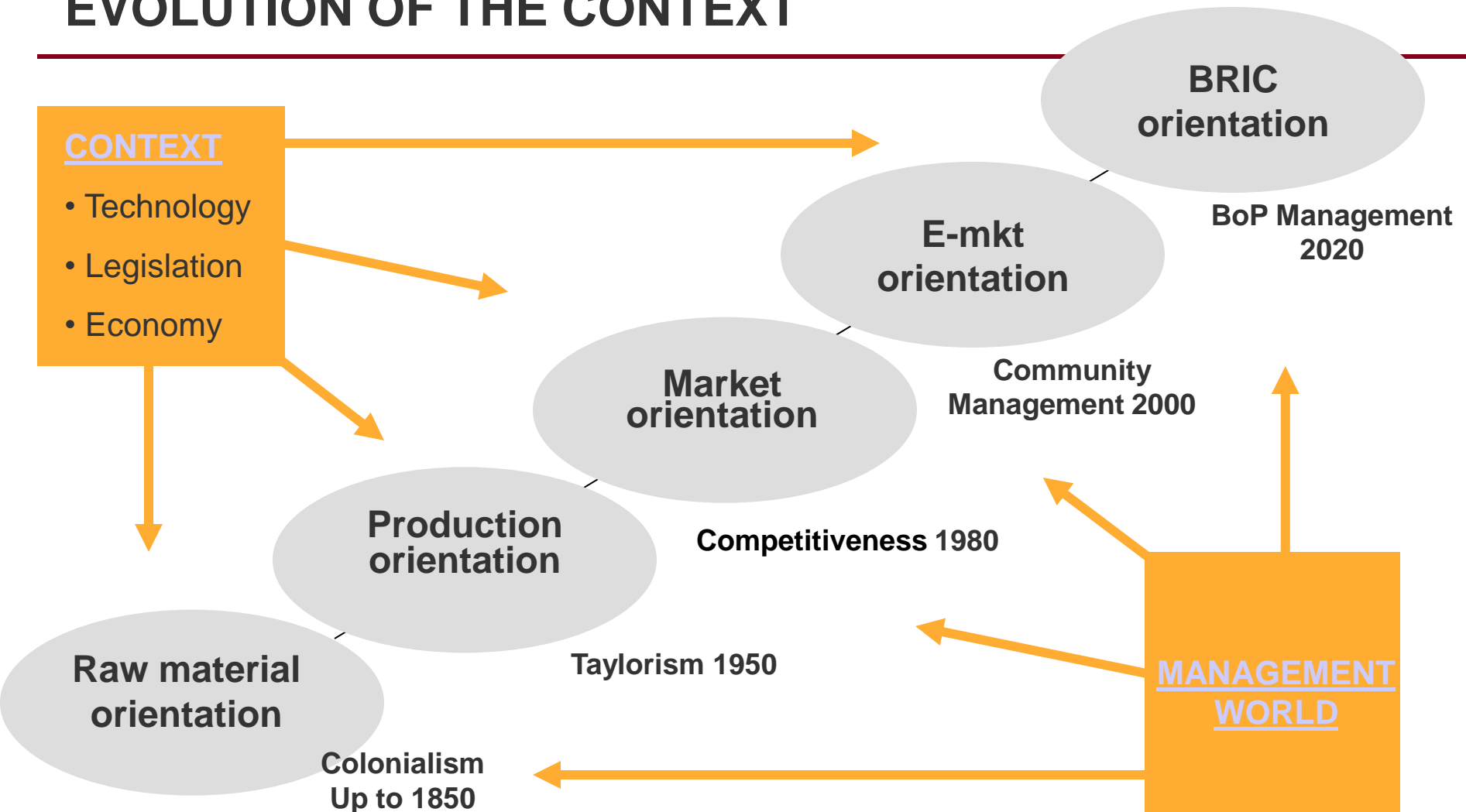
AGENDA

- ▶ 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

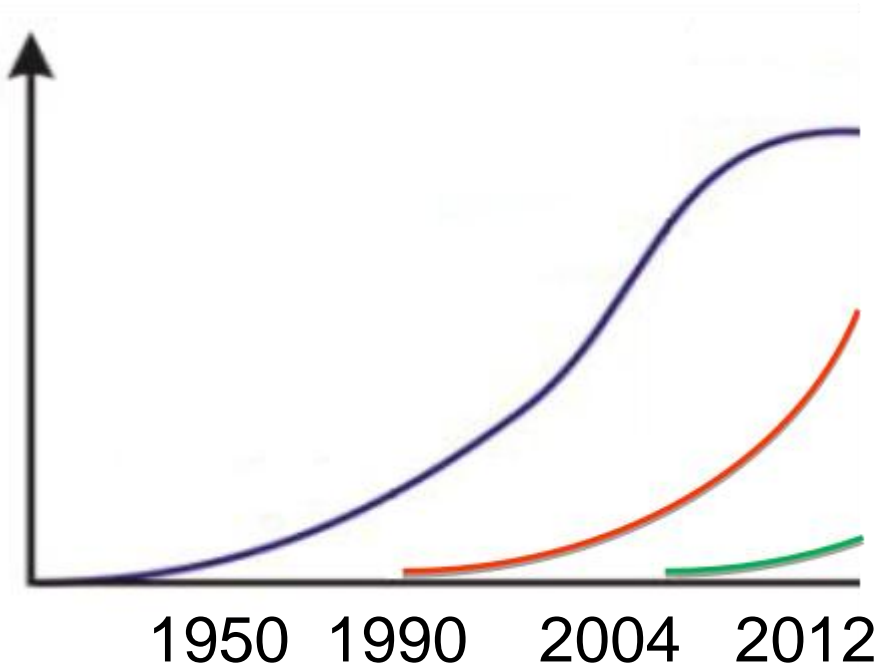
What to Discuss and Why



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



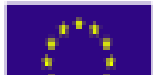
Number of Food Retail

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

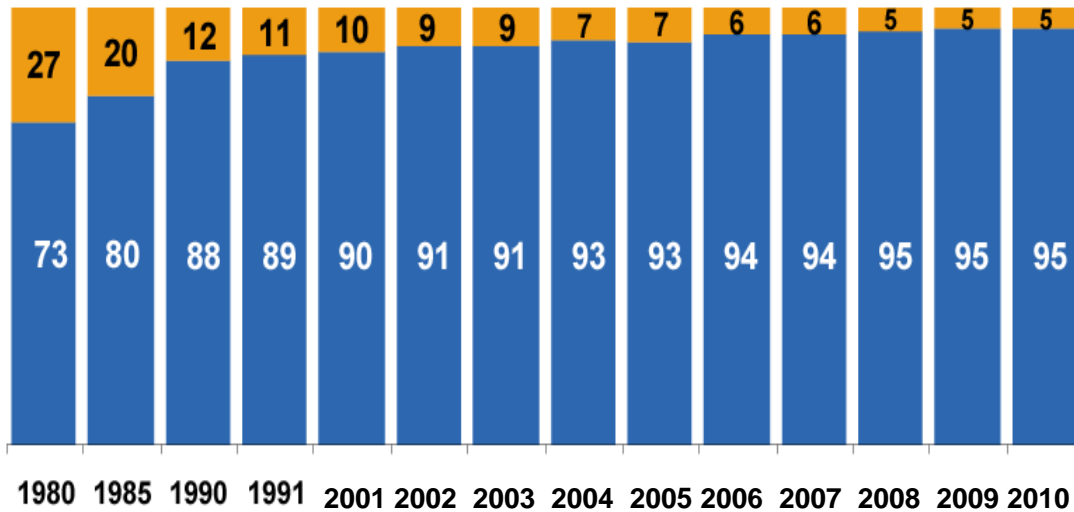


A.C Nielsen

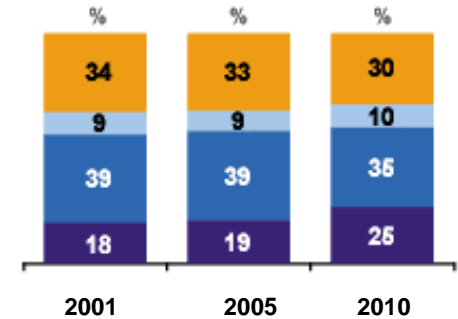
Channels Structure Evolution



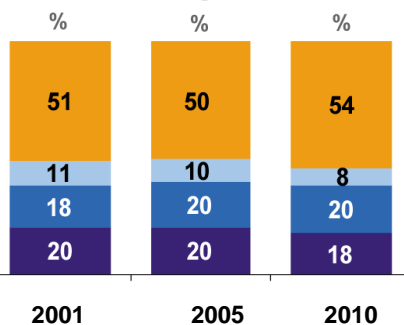
Europe



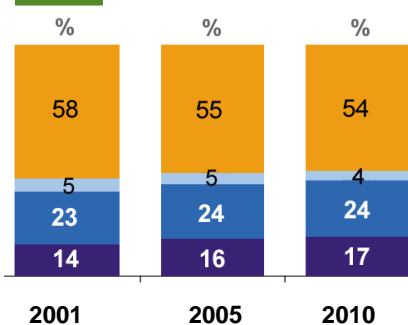
CHILE



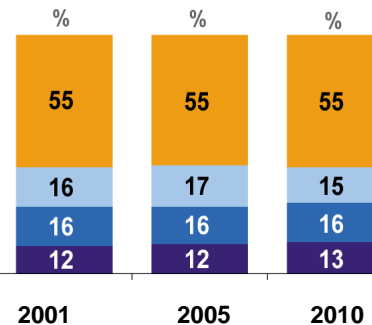
Argentina



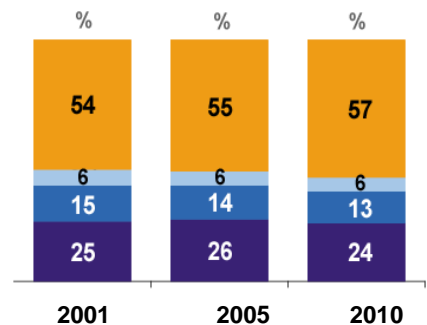
Brasil



Colombia



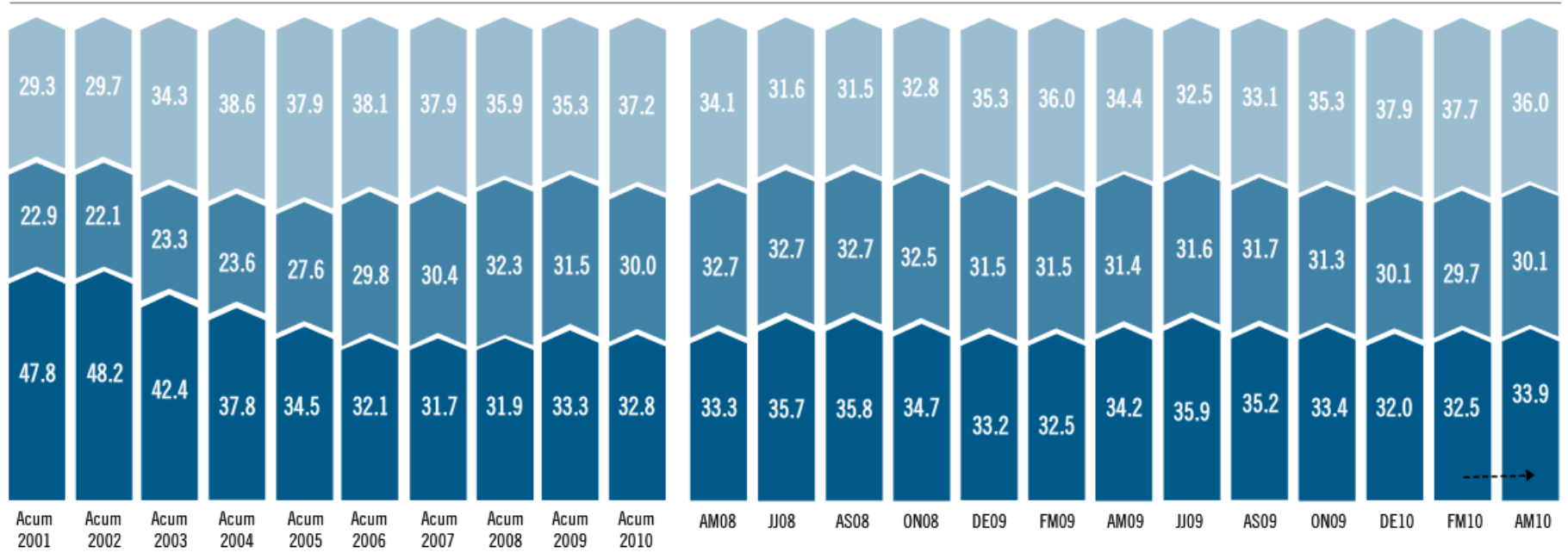
México



HYPER
 SUPER
 OTHER SELF
 TRADITIONALS

Channel Structure Evolution in Argentina

▶ SUPERMARKETS
 ▶ SELF-SERVICE
 ▶ TRADITIONALS
(MOM&POP STORES, SPECIALTY STORES)



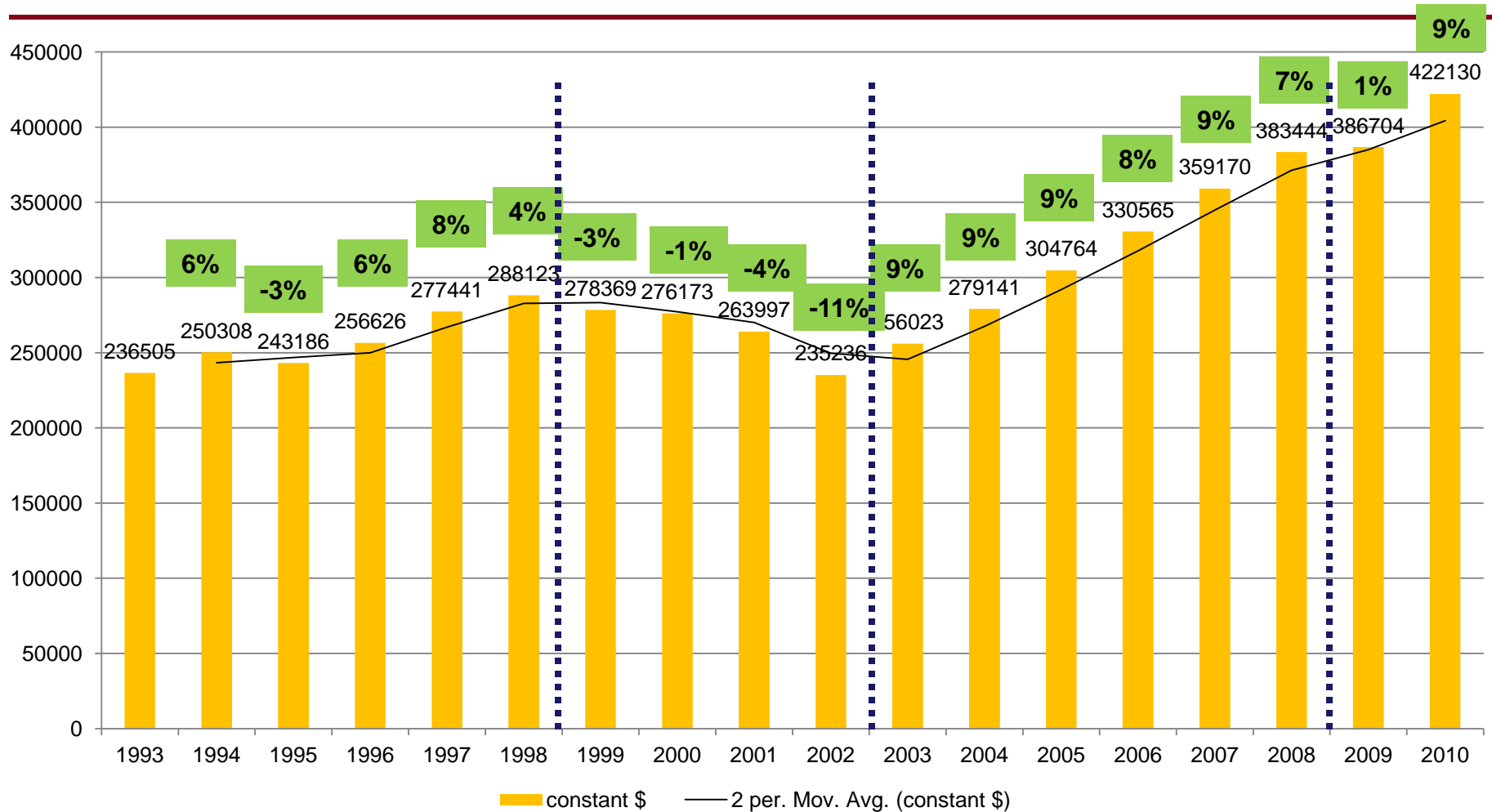
Source: Nielsen Retail Index – 81 categories

So what does a BRIC country look like?

CONSUMPTION EVOLUTION IN ARGENTINA

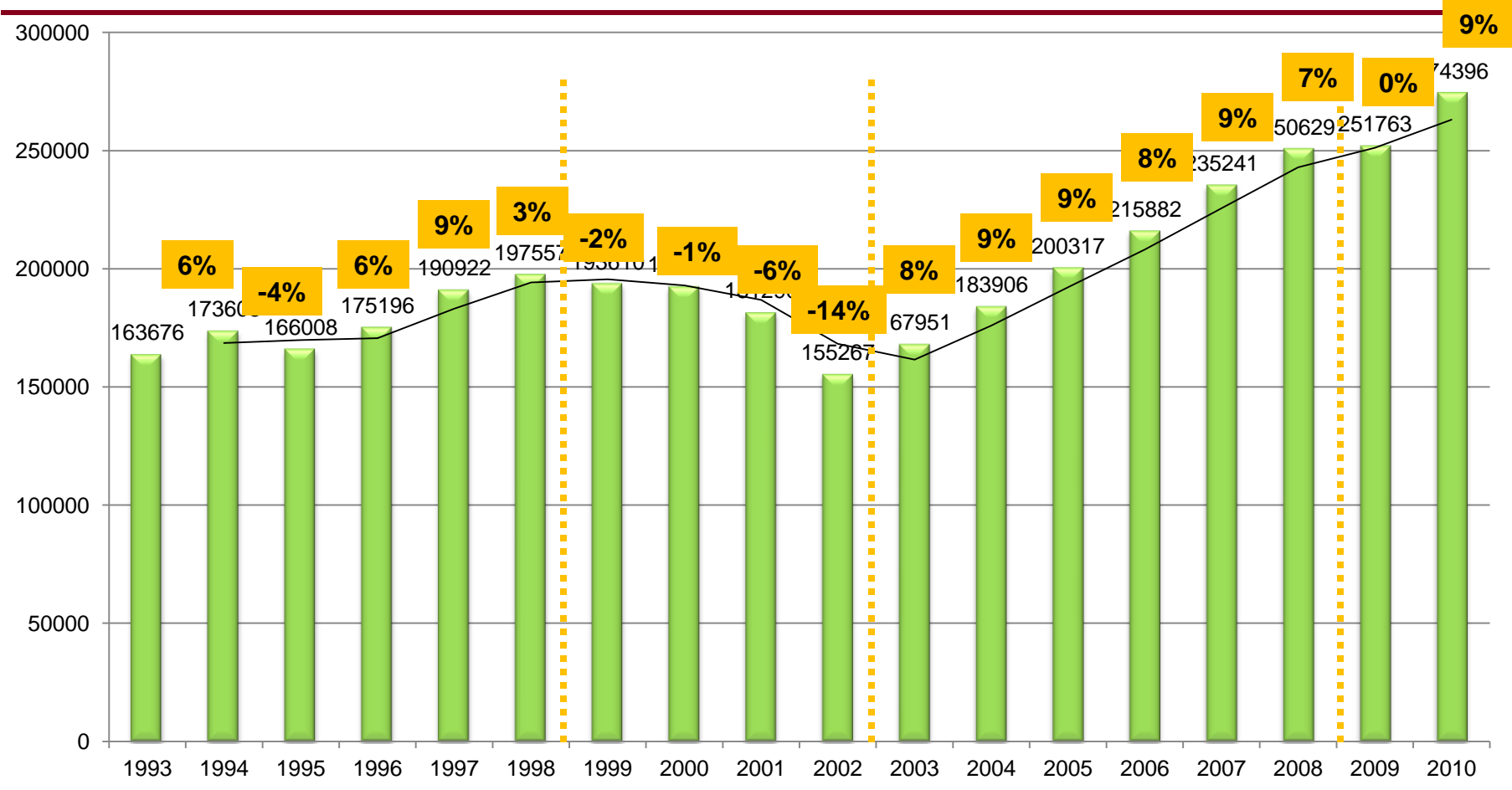


GDP Evolution (in million constant \$)



Source: World Bank

Consumption Evolution in End-consumers (Total Argentina)



This includes food / non food

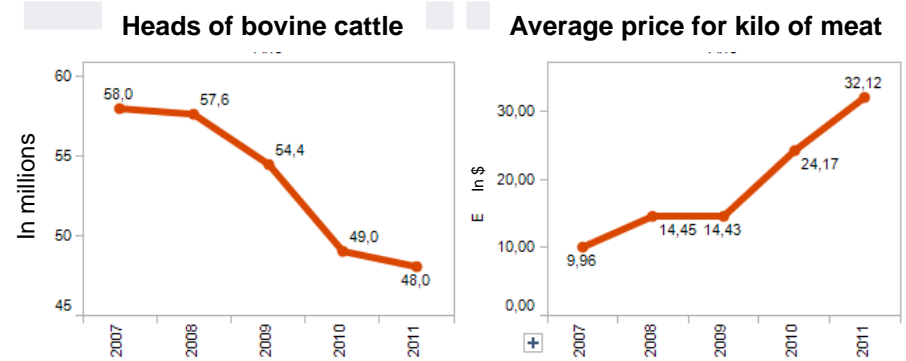
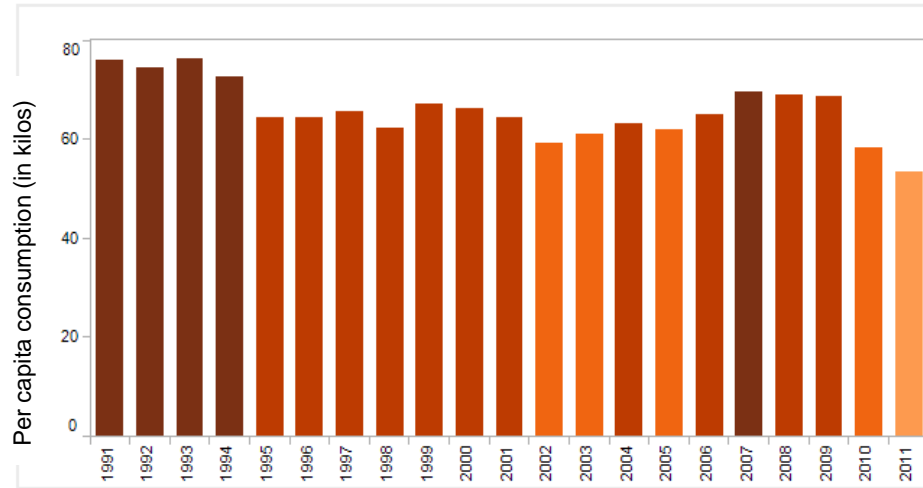
constant \$

Source: World Bank



Market Evolution (in volume)

Average consumption 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	- Possession of goods and services	Possession of goods and services
Automobile	- Automobile (included in the list of goods)	- Automobile (included in the list of goods)	-
-	-	-	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	<ul style="list-style-type: none"> • Entrepreneur • Senior positions 	<ul style="list-style-type: none"> • Independent worker • Middle/low staff 	<ul style="list-style-type: none"> • Independent craftsman • Shop floor worker
Automobile	96%	52%	19%
Nº of goods X	7.8	5	2.5

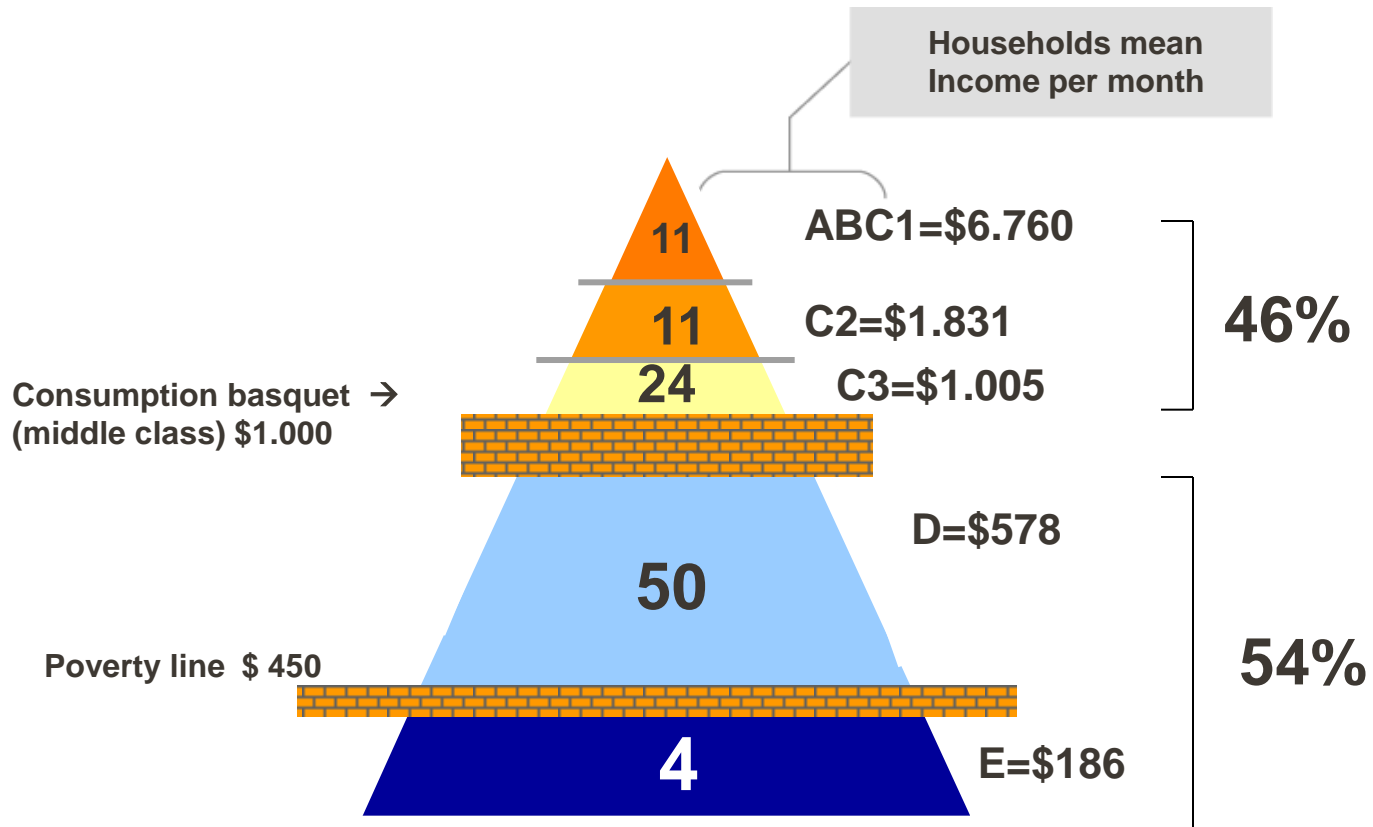
Source: AAM, 1996 (Sample size: 2150 cases)

Social Economic Levels - 1996

	“CLASE”	%	
AB	Upper	11%	11%
C1	Upper Middle		
C2	Middle	11%	35%
C3	Lower Middle	24%	
D	Lower	50%	54%
E	Marginal	4%	

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

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



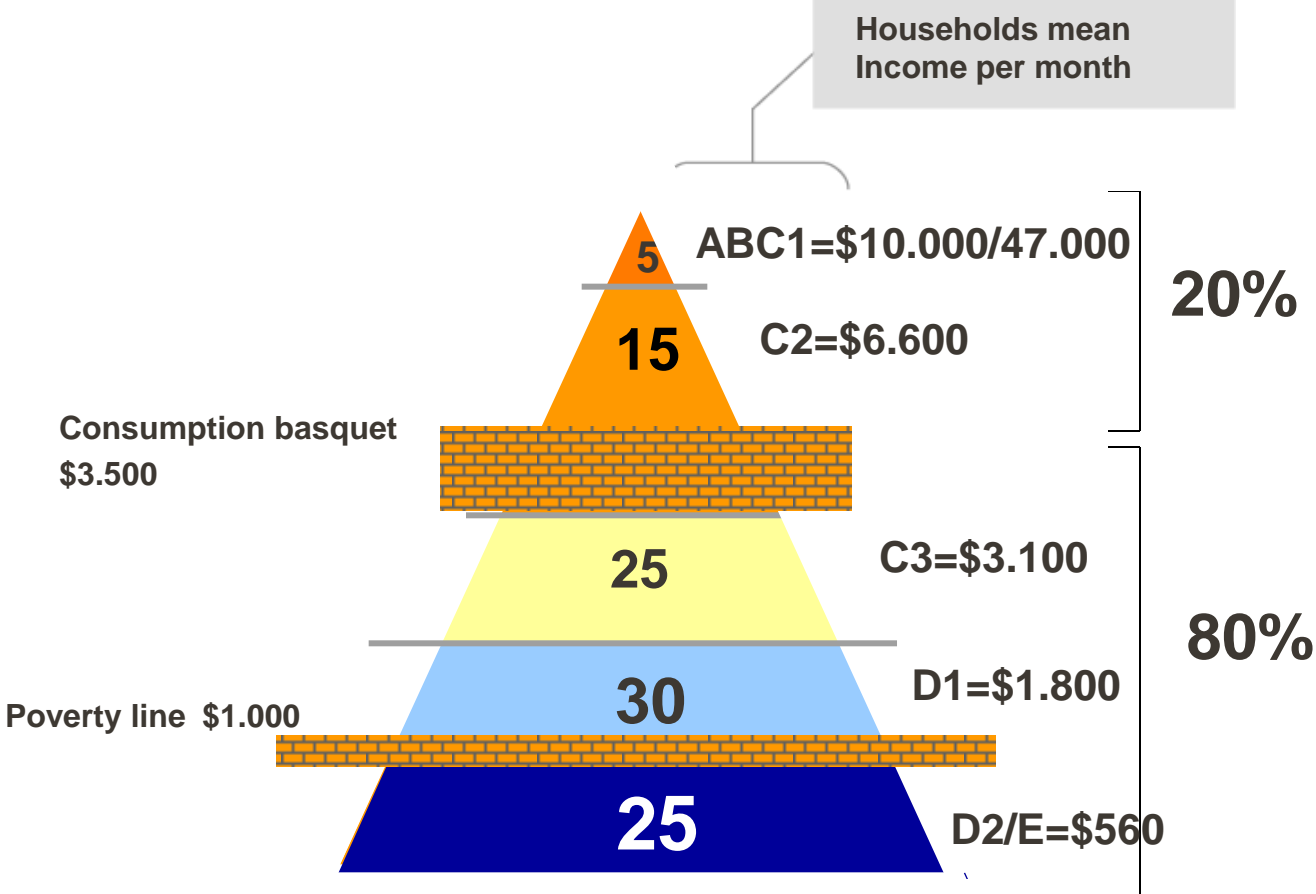
Source: CCR (Sample size: 5400 cases)

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)



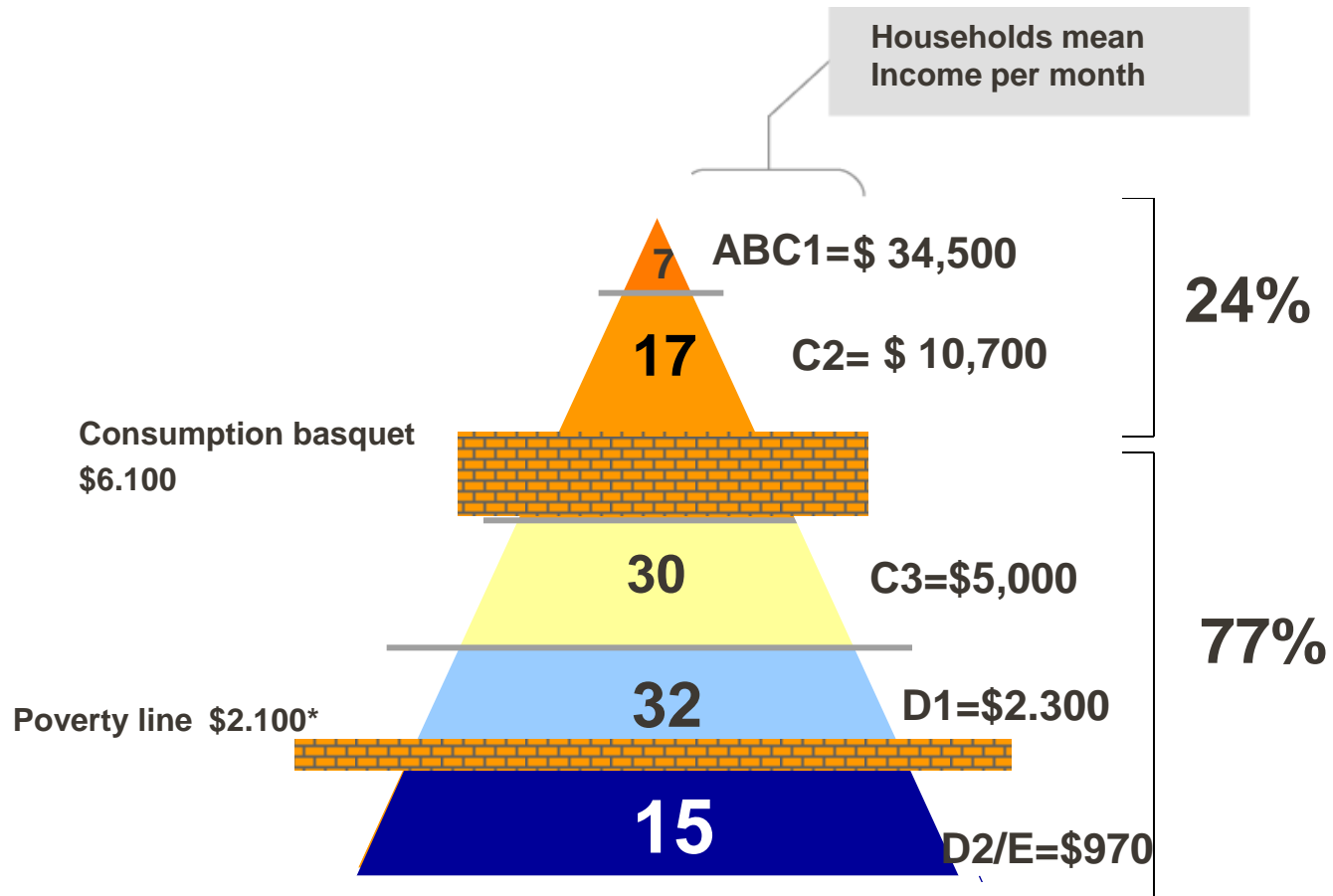
Source: CCR

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

So what does a BRIC country look like?

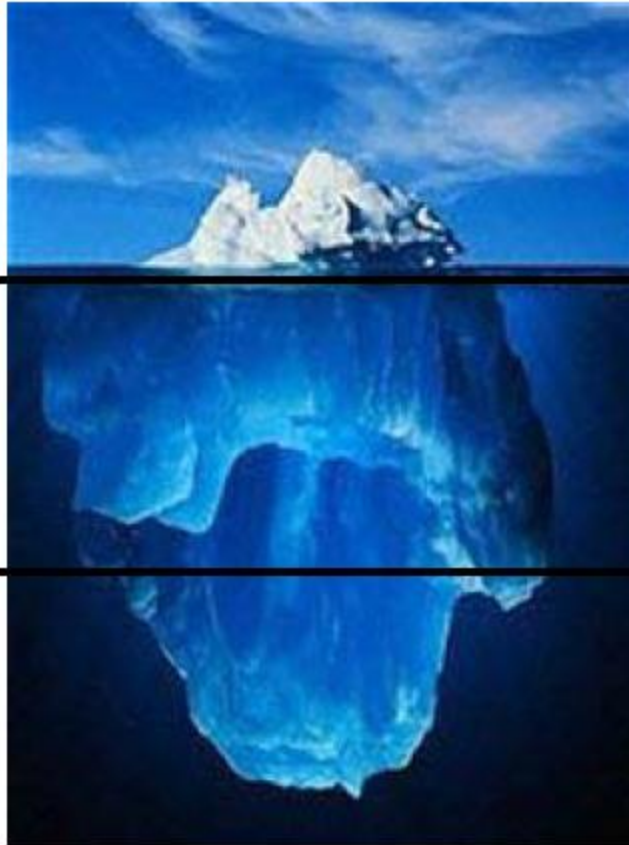
MYTH or MYTH-STAKES?



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%

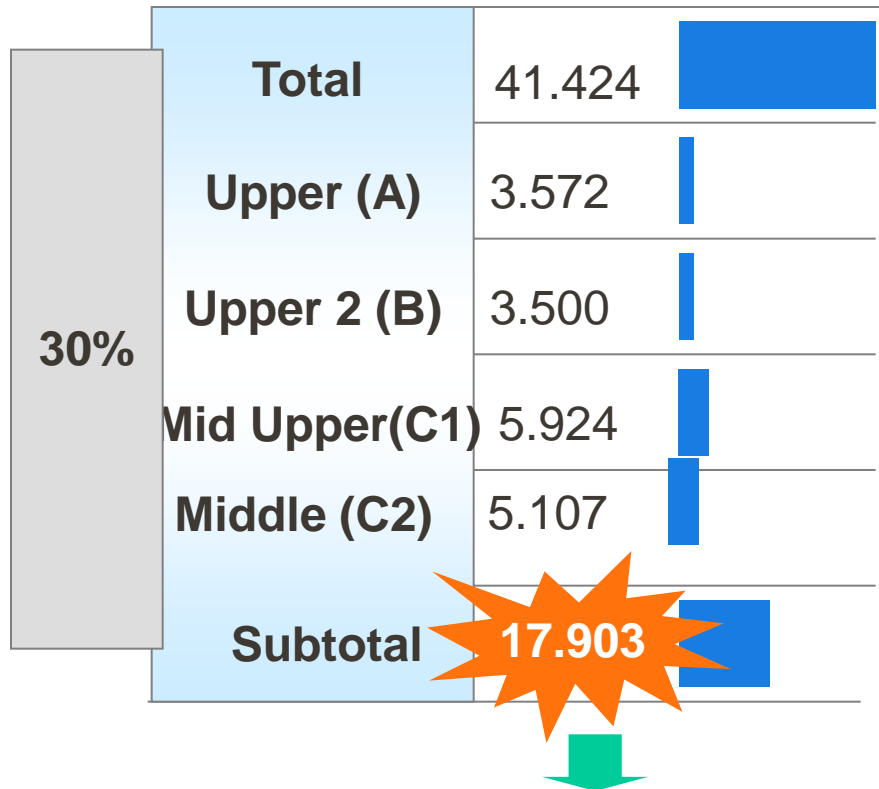
Germany: 20%

Japan: 10%

USA: 10%

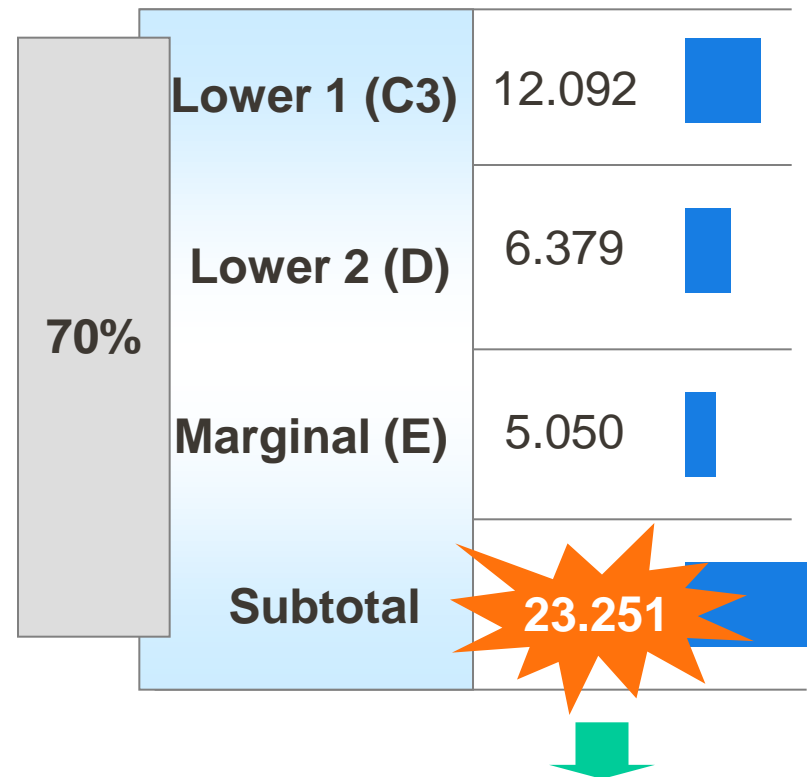
Source: de Soto, 2000

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



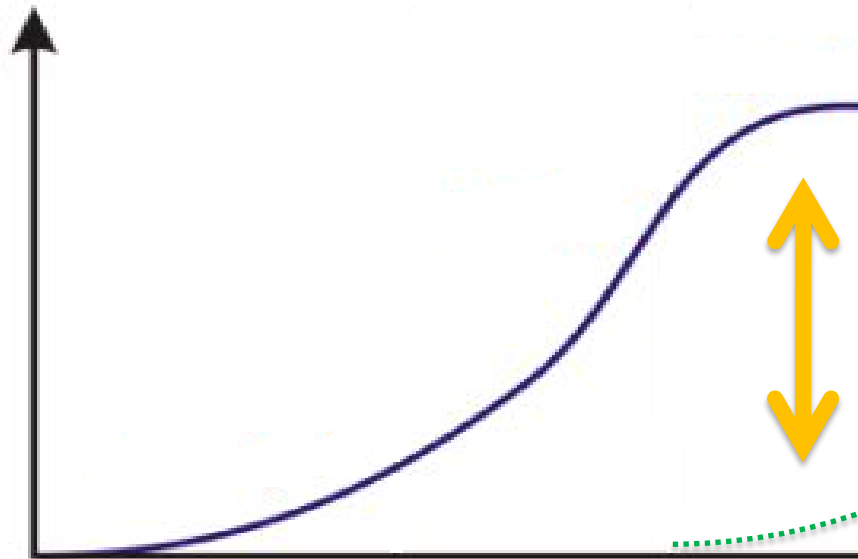
Source: AC Nielsen

43,2 %



56,8 %

Market potential

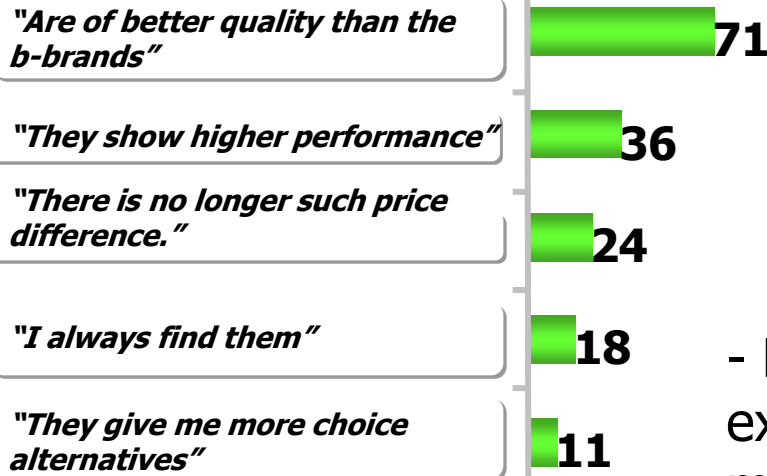


Myth-Stakes on the BoP

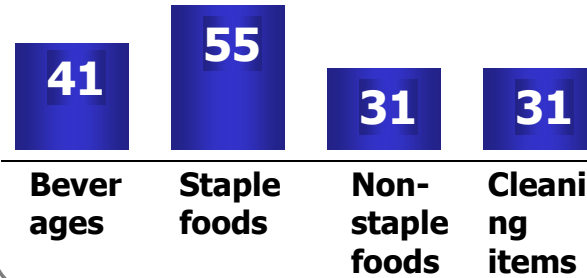
- The poor are poor → aggregated consumption value (60%) > upper-class (40%)
- The poor dislike brands
- The poor are low-tech
- The poor are scattered

Brands Situation

Reasons:



% of Brands



- 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



Myth-Stakes on the BoP

- The poor are poor → aggregated consumption value (60%) > upper-class (40%)
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- 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




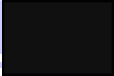
Beyond Myths on the BoP

- 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

Access

Social Economic Factors

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

Psychological Factors

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

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**

Cemex

Social Economic Factors

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

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 → **full project, credit, advice, can pay in the USA**
Buying Decision
Post Sales Experience → **delight**

Salt HLL

Superior Product

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

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**