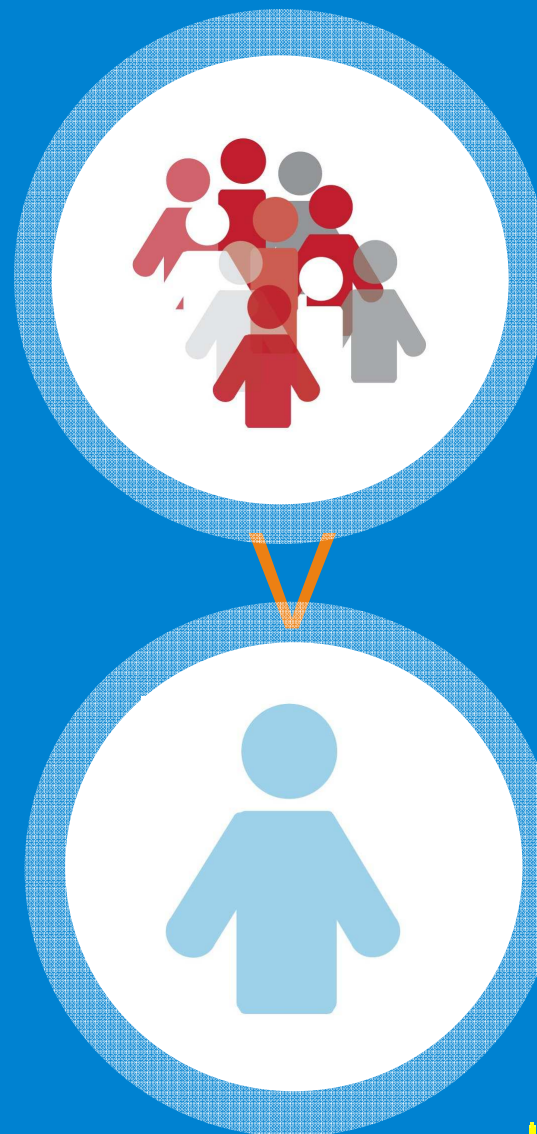


HCMC v HANOI

Understanding consumer differences

June 2009



Just ask
nielsen
.....



Welcome & Introductions

Aaron Cross

Managing Director
Nielsen Vietnam

Vaughan Ryan

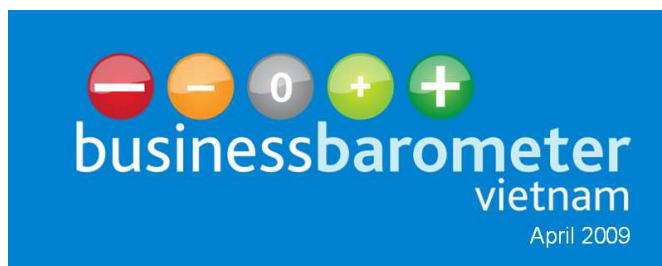
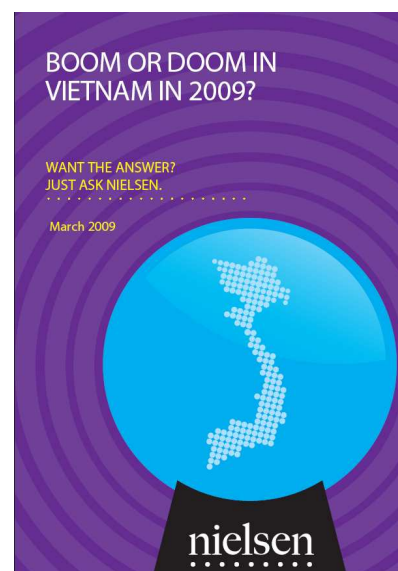
Director, Client Solutions
Nielsen Vietnam

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Associate Director, Client Solutions
Nielsen Vietnam



Nielsen's commitment to deliver you the Bigger Picture in Vietnam



Sibling rivalry across the globe



New York vs Los Angeles



Beijing vs Shanghai



Madrid vs Barcelona

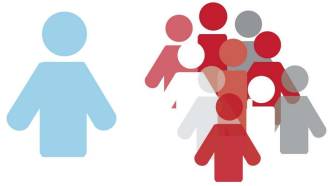


Sydney vs Melbourne



HCMC vs Hanoi

Executive Summary



- Attitudes of both markets can be defined as individualistic for the Saigonese while Hanoians have a collective mindset



- Saigonese live for the moment while Hanoians are more calculated and planned



- The role of advertising is more critical in Hanoi. Price promotions alone won't appeal to Saigonese



- Is the Hanoi market *really* more premium?
 - Yes but you will need substantial marketing investment in Hanoi to achieve success



- How has the tougher economy impacted behavior?
 - It differs by market and more importantly by category
 - Saigonese in general have been more affected but have not made drastic changes in their consumption habits



Agenda

- **Setting the Scene**
- **Research Design**
- **How do consumers in HCMC and Hanoi make decisions?**
 - Individualism vs Collectivism
- **How can we impact purchasing behaviour?**
 - Influence factors...and consumers' willingness to adopt new products
- **Is the Hanoi market really more premium?**
- **How has the tougher economy impacted behaviour?**
- **Key Findings and Implications**



Setting the scene



HCMC

Population: 6.3 mil
48% Male
52% Female
20-24 age group = 13% of population

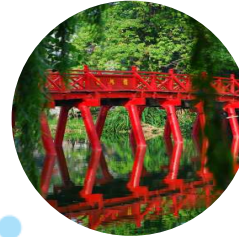
13% of people have AirCon &/or heaters in their home

19% use internet every day

51% Mobile Ownership

20% total Vietnam GDP from HCMC

\$368 – Average Monthly Household income



Hanoi

Population: 3.3 mil
50/50 Male/Female
20-24 age group = 20% of population

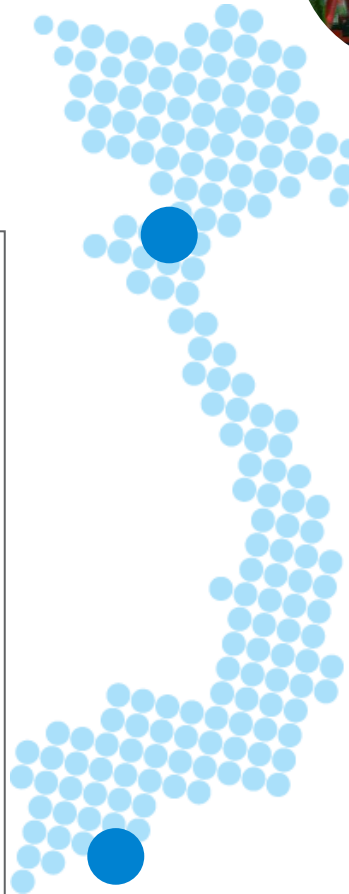
43% of people have AirCon &/or heaters in their home

26% use internet every day

74% Mobile Ownership

9% total Vietnam GDP from Hanoi

\$344 – Average Monthly Household income





Research Design

- **Nielsen Qualitative Study**
 - 14 FGD (HCMC=HN= 7)
 - HCMC and Hanoi (Mid April 09)
 - ABC HIB, males & females
 - 16 to 40 yo
- **Nielsen Quantitative Study**
 - N = 600
 - HCMC and Hanoi (May 2nd to 15th 09)
 - ABC HIB, males & females, 20 to 45 yo
 - 40 categories FMCG & non FMCG
- **Nielsen Retail Audit**
 - Data up to April 2009
 - Based on 2 cities (*HCMC, Hanoi*)
 - Covering 43 FMCG categories
- **Nielsen Omnibus**
 - N=300 (each wave)
 - HCMC and Hanoi (Jan to May 2009)
 - Males & Females, 15 to 55 yo
- **Nielsen Consumer Confidence Study**
 - Conducted March 2009
 - Global online study > 50 countries
- **Nielsen Personal Finance Monitor**
 - N=1,000
 - HCMC and Hanoi (Aug – Sept 2008)
 - Males & females, 18 to 50 yo
 - SEC ABC
- **Macro Economic data**
 - Vietnam Govt. General Statistics Office

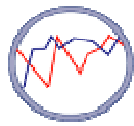


How do consumers in HCMC and Hanoi make decisions?

Individualism vs Collectivism

Top 5 Consumer Concerns

HCMC



1) Health



2) Increasing Bills



3) Job Security



4) Work Life Balance



5) Debt

Hanoi



1) Increasing Food Prices



2) Job Security



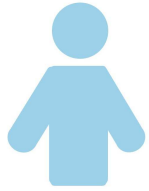
3) Increasing Bills



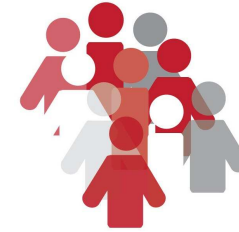
4) Price Increases in Petrol



5) Children's Welfare



Individualism V Collectivism



Saigonese

It's my decision that counts. I use other opinions for reference only

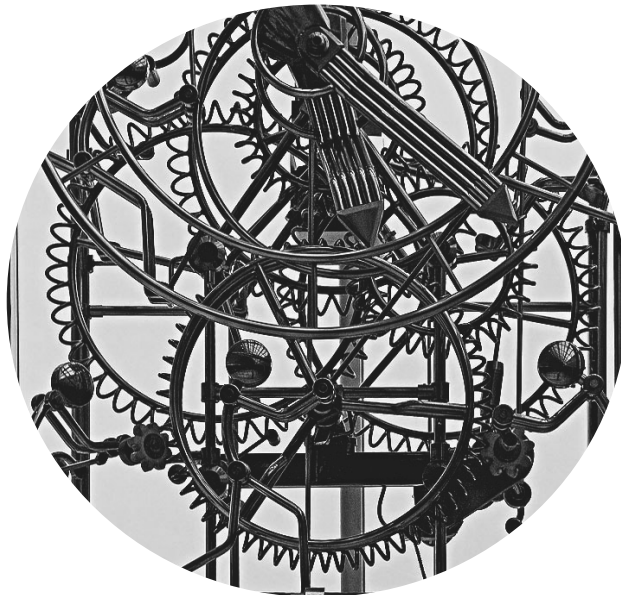
“When I came to the store to buy an LCD, I had already decided to buy Samsung brand before going there. I just asked others' opinions for reassurance”

Hanoians

Other opinions do affect my actions and behaviours

“For example, I want to buy a new TV and if some of my neighbors tell me that the TV is not high quality, then I would be turned off that TV right away”

The Hanoi consumer is a complex beast for marketers



“It’s not ok when your friend is using a premium mobile phone while you use a cheap one. People will look down on you and judge you”

- Want it all but are willing to wait
- Want the best and will tell you the price
- Seek others reaffirmation of their purchases
- Ask others opinions prior to purchase
- Love promotions and are aware of prices
- But are conservative in their purchasing behavior displaying more loyalty

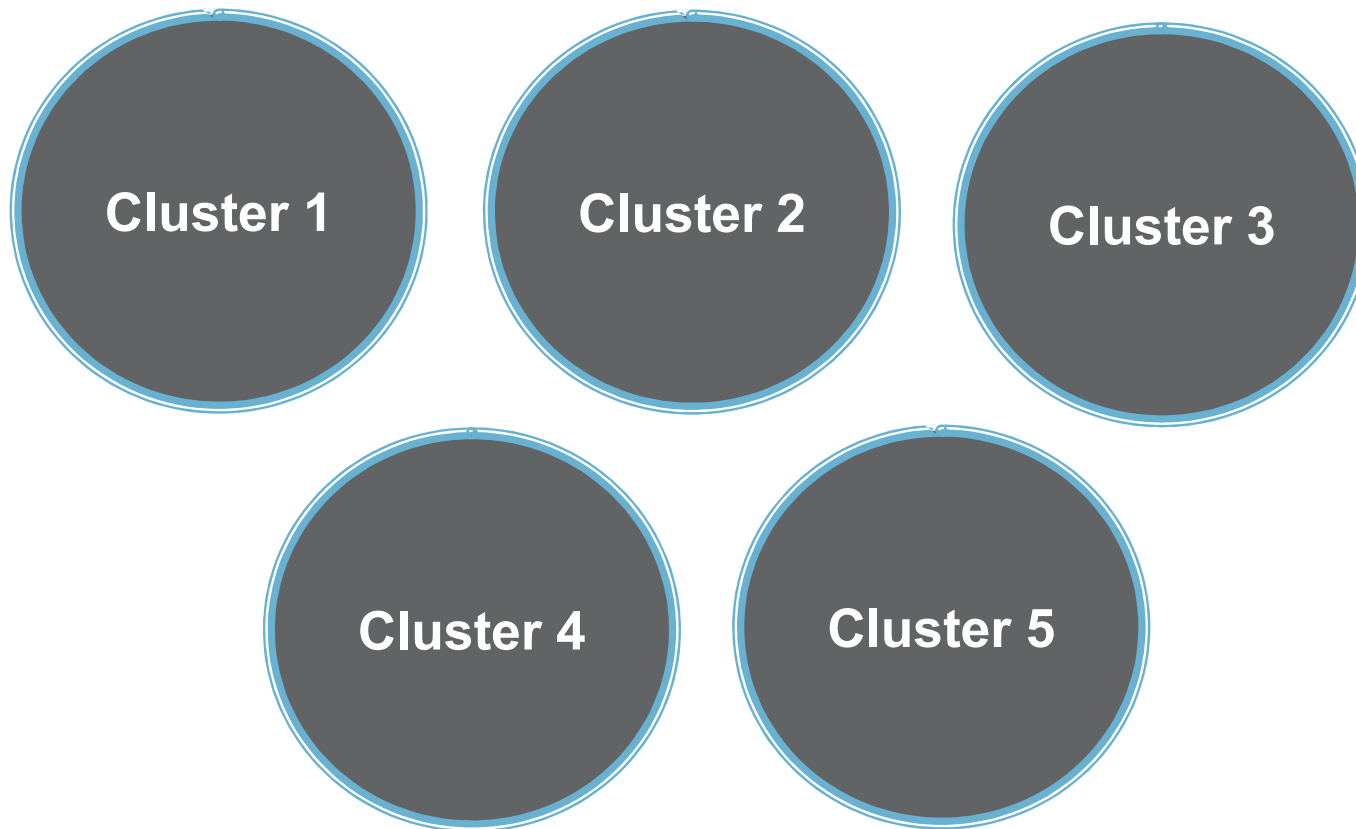
Saigonese and the push for individualism



“Everyone comments that my phone looks ugly but I don’t really care. It’s not that important...if people like something, I don’t necessarily follow them”

- “I don’t care so much what others think”
- If they need it they will buy it
- Live for today and worry about tomorrow later
- Do listen to others but in the end will make their own decision
- Less impacted by marketing
- Lower loyalty to brands

Segmentation allows us to look outside geographical boundaries



Base: All respondents

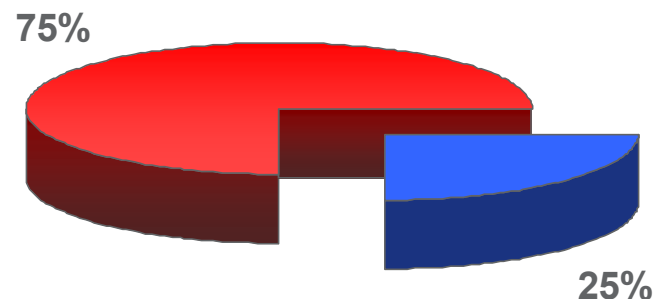
Source: Nielsen Regional Differences Quantitative Study

Q11, Q12, Q14, Q25, Q26, Q33, Q41, Q42

Segmentation allows us to look outside geographical boundaries



City currently live in



■ HCMC ■ Hanoi

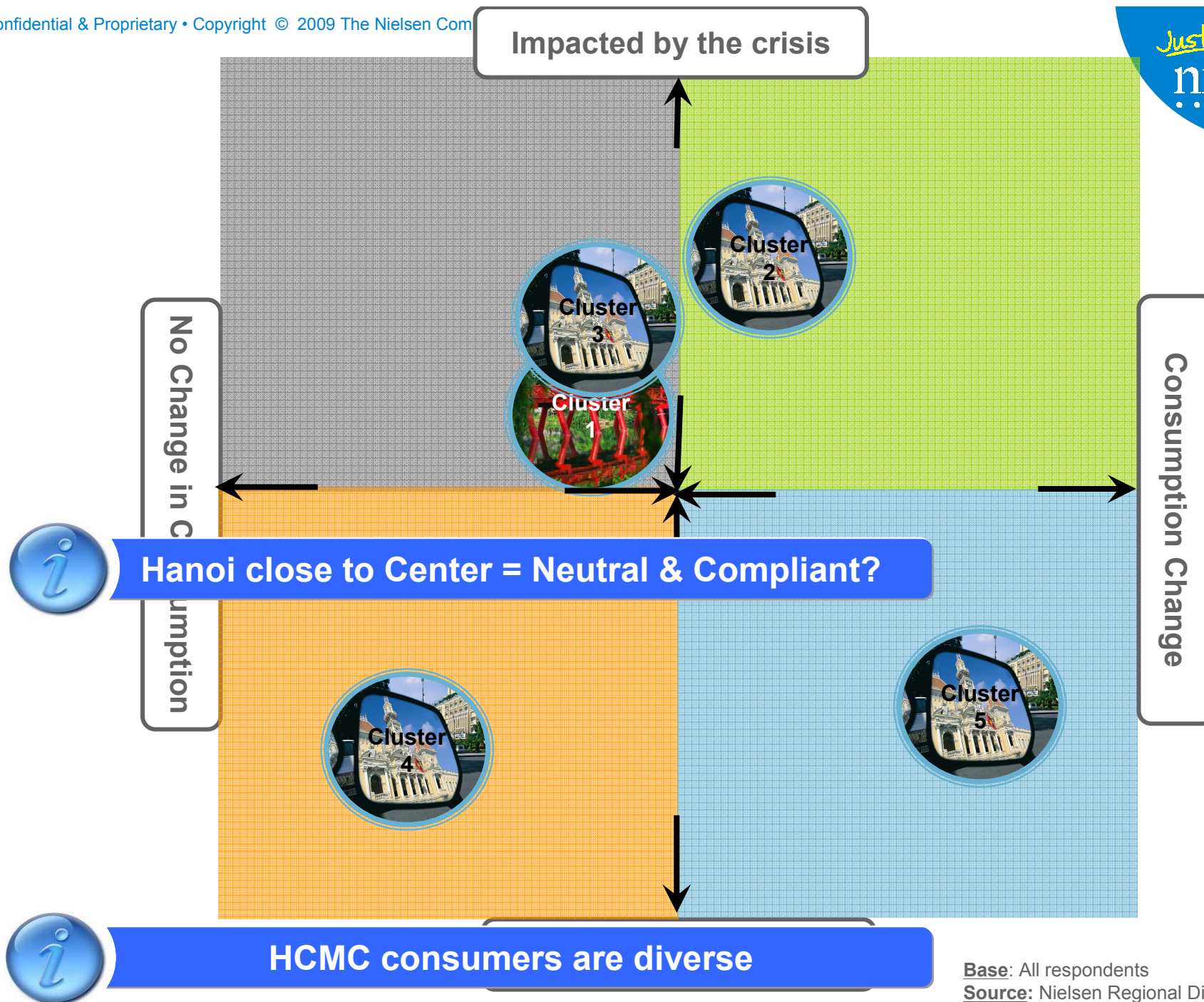


Hanoi is one DISTINCT Group

Base: All respondents

Source: Nielsen Regional Differences Quantitative Study

Q2, Q42



Base: All respondents
Source: Nielsen Regional Differences
Quantitative Study



The influence from others is significantly higher in Hanoi

How important are each of these groups in making your purchase decisions?



Recommendations from my family members

94%

99%

Recommendations from my friends

71%

91%*

Recommendations from colleagues/ partners

52%

83%*

Recommendations from my neighbors

42%

94%*

Base: All respondents

Source: Nielsen Regional Differences Quantitative Study

* Significantly higher

Q 23b: Please rate those statements based on importance (1 to 5). Top 2 Boxes



Me vs We

Is it as simple as Saigonese embracing individualism vs Hanoians being collective in their attitudes?

Saigonese

They do care about what others say as long as they are saying what they want to hear

They will ask for others opinions but in the end buy what's best for them

"It's still good to listen to other opinions on the quality of the products: High ticket items (Mobile phone, Fashion, LCD TV, Washing machine, Air-conditioner)"

Hanoians

Listen to others advice and act upon this when it comes to purchase decisions. Others opinions count.

They are afraid of making mistakes when they make their own decisions and want be reassured.

"I have trust in people who have experience using a specific product. Sometimes we can make mistakes without asking for others' opinions..."



To win the Hanoians over is not as simple as winning one person...but rather an entire city

Saigonese

They don't feel a need to copy.

"You must have your own ideas and it should be within your budget/affordability"

Hanoians

They have their own style, but are affected by others. They don't want to be seen as old or dated and certainly don't want to be looked down upon by others. They don't want to feel isolated so they dress or choose goods that others would

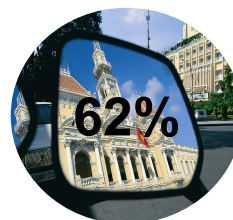
"If you don't look like others in the society, it makes you feel inferior to them"

HCMC vs Hanoi differences create both challenges and opportunities for marketers

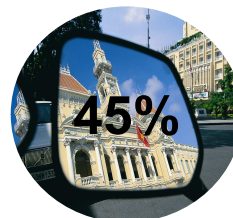
HCMC

HN

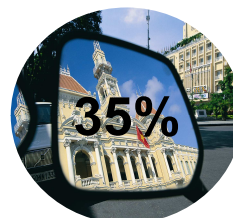
I will get others ideas for reference but also filter down which ones are suitable for me and not totally follow them



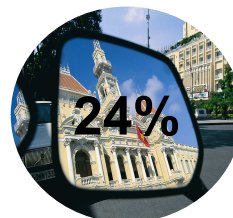
I am afraid of making mistakes if I decide things by myself. Getting others ideas for reference will help me feel more secure



I will never buy the same clothes that are picked by others



I want to stand out in the crowd / among my peers



Base: All respondents

Source: Nielsen Regional Differences Quantitative Study

* Significantly higher

Q 25: How much would you agree on the following statements? Top 2 Boxes



...but from category to category this will differ especially for Hanoians

- Amongst 15 categories studied, 7 categories recorded “*higher influence from others*” in Hanoi
 1. Home appliances
 2. Vehicles
 3. Food
 4. Beverage
 5. Medicine
 6. Financial services
 7. Household care products



Across the board Hanoians mindset is clearly collective compared to Saigonese

Base: All respondents

Source: Nielsen Regional Differences Quantitative Study

Q 24a: Which categories do you decide to purchase based on your own decision / based on others advices or you don't buy but others buy for you or you don't use?

But why?

The role of public opinion and social conformity does differ between the two cities and seems to influence Hanoians more

Saigonese

They just live for themselves and don't care "much" about what others think.

"When I go out with my friends, I don't need to wear premium luxurious brands"



Hanoians

They don't just live for themselves and they do care what others think of them. Appearance is key.

They feel a responsibility to obey certain standards and disciplines

"There's a saying in the North which is: Tell me what motobike you are riding, then I would tell you who you are"



Does this loyalty translate to *Made in Vietnam* products?



I care about the product's origin

85%

95%*

I care about the product's quality

84%

98%*

I buy quality products to save money in the long term

79%

94%*

Base: All respondents

Source: Nielsen Regional Differences Quantitative Study

*** Significantly higher**

Q 41: How much would you agree on the following statements? Top 2 Boxes

Does this loyalty translate to *Made in Vietnam* products?



Volume Share MAT to Apr 09
HCMC = 23%
Hanoi = 56%



Volume Share MAT to Apr 09
HCMC = 26%
Hanoi = 10%
Hanoi Beer Share = 85%

Individualism V Collectivism

In summary

- Hanoians are influenced by many factors...a single marketing communication strategy will not always work
- Saigonese live for the moment and purchase accordingly with one core intent...“If I need I’ll buy it”
- The need to obey others and be social conformists means there is a higher tendency for Hanoians to be more loyal to “Made in Vietnam” products.



How can we impact purchasing behavior?

Influence factors...and consumers' willingness to adopt new products



To impact consumer behavior we first need to understand the different triggers by each market



Like to watch ads and are affected by them

6%

23%*

Base: All respondents

Source: Nielsen Regional Differences Quantitative Study

* **Significantly higher**

Q 32: Which statement best describe you? SA

How important are each of these factors in influencing purchase decisions?



Advertising

41%

91%*

Newspapers/Magazines

42%

83%*

Recommendations from sellers/store owners

36%

67%*

Internet/other websites to compare information

22%

95%*

Mfr/Distributor/Seller websites and forums

22%

100%*

Base: All respondents

Source: Nielsen Regional Differences Quantitative Study

*** Significantly higher**

Q 23b: Please rate those statements based on importance (1 to 5). Top 2 Boxes

The role of advertising is more critical in Hanoi

I watch advertisement and also refer to others ideas to feel assured

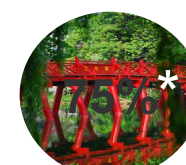
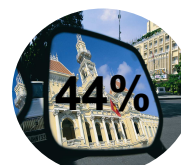
HCMC



HN



I like strange, unique and funny advertisements. It makes me laugh, feel happy and attracts my attention



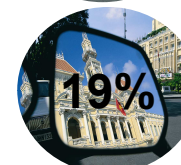
Advertisements are really helpful when I need to buy something



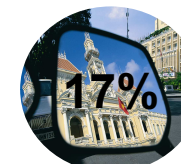
I have a tendency to love meaningful implied advertisements



I feel more comfortable with products which have many advertisements



Preference for products will depend on the popularity of its advertisement



Base: All respondents

Source: Nielsen Regional Differences Quantitative Study

* Significantly higher

Q 33: How much would you agree on the following statements? Top 2 Boxes

...and Hanoians are likely to respond better to in store promotions and after sales service



Want to buy products that are on promotion

52%

69%*

Are willing to pay more to get better after sales service

34%

57%*

Base: All respondents

Source: Nielsen Regional Differences Quantitative Study

* **Significantly higher**

Q 41: How much would you agree on the following statements? Top 2 Boxes



Promotion strategies need to cater to different consumer preferences

HCMC

Saigonese consumers favor multiple promotion types



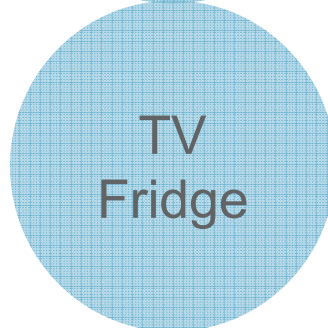
**Increase volume/
quantity**



Attached gift



Reduce price

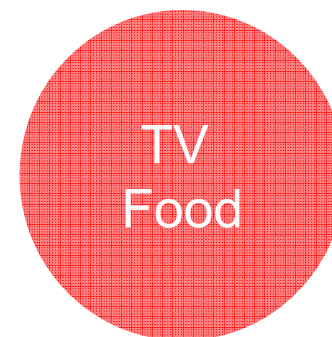


HN

Hanoians strongly prefer one type of promotion: **PRICE**



Reduce price



Base: All respondents
Source: Nielsen Quantitative Study

Q 19b: Which promotion program do you prefer the most?
Q19c: Which categories would you like this promotion program to be applied?



But does this translate into Adoptiveness?

More Saigonese are early adopters

Saigonese

People from the South consider themselves part of a new world with strong penetration of foreign culture/investment.

They consider themselves more open minded and more willing to experiment with new things

Hanoians

Hanoians are 'proud' of themselves, conservative and are more of a challenge to convince.

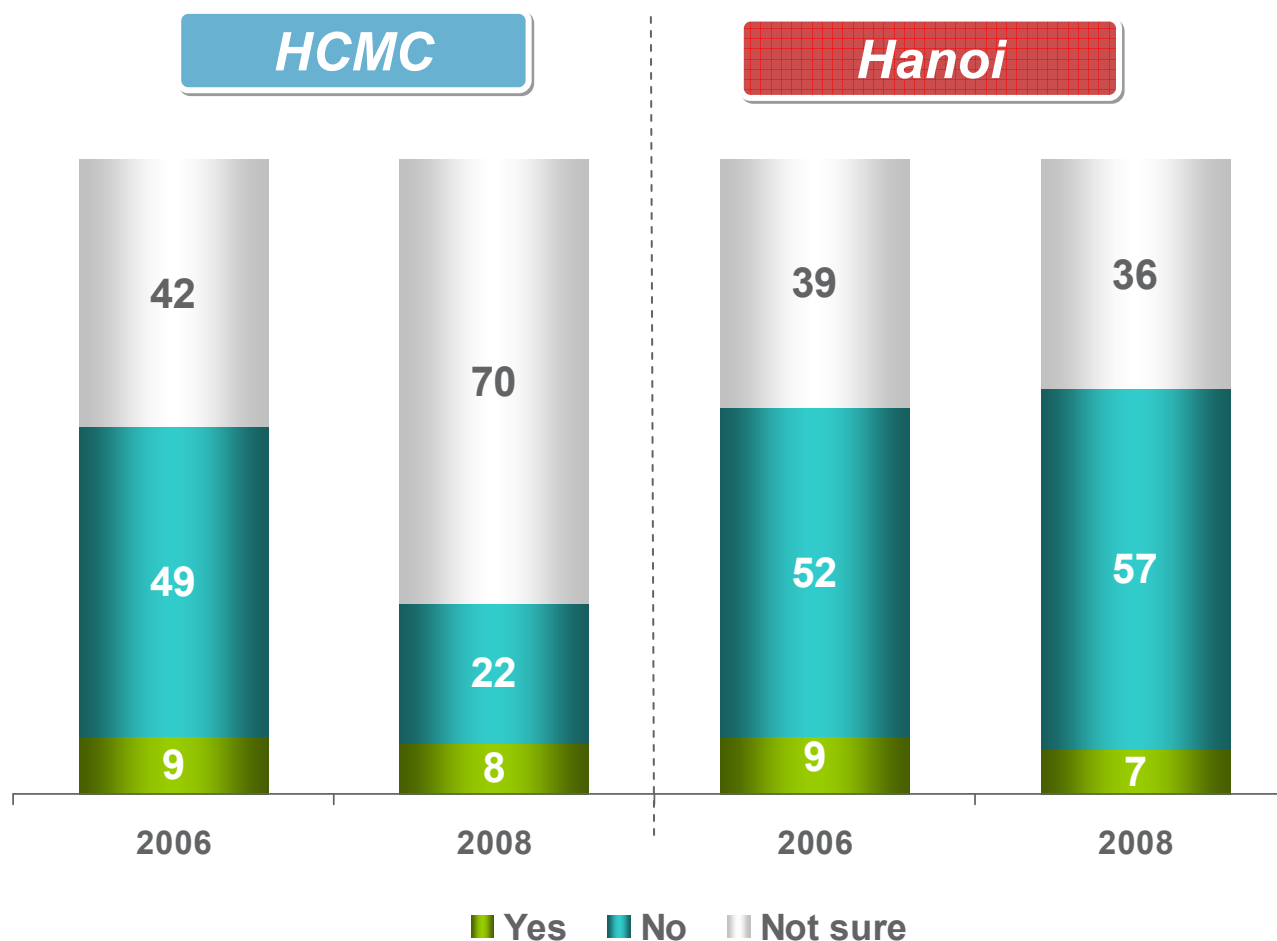
Hanoi is also more heavily influenced by Chinese system of feudal values meaning more skepticism to change

1 in 5 people from HCMC are early adopters compared to **1 in 10** in Hanoi

Bank Loans: Hanoians are more conservative whereas Saigonese “live for the moment”



Intention to borrow from banks in the future



Base: Borrowers from sources other than banks & Non borrowers
Source: Nielsen Personal Finance Monitor

Q67: Do you intend to borrow money from bank/not borrow from bank in the future ?

Influence factors...and consumers' willingness to adopt change

In summary

- The role of advertising is more critical in Hanoi. Hanoians also claim to respond better to in store promotions and after sales service
- Price promotions alone won't appeal to Saigonese
- Saigonese are early adopters...therefore you need to invest more to build initial trial in Hanoi



**Is the Hanoi market *really*
more premium?**

Is the old adage true?

**Saigonese earn 10 Dong
and spend 11**



**Hanoians earn 10 Dong
and spend 1**



Hanoians do have a stronger desire to buy premium products



"I am crazy about a Louis Vuitton bag which costs around US\$1,000. I really want to look for a job that earns 20million VND a month so that I can save enough money for this LV bag"

- Passionate about premium products
- Want to look good and impress others
- Willing to pay a higher price for premium products
- Tend to be savers and think more long term...hence have a better ability to afford premium products when needed



I love luxury products

59%

71%*

* Significantly higher

Saigonese are less desperate about premium products



"I just want to feel comfortable with myself...I don't need to rush and buy a premium product just because others have them"

- I love luxury products, yet not too desperate to have them
- Prefer to buy what they like rather than buy something that helps them show off
- During a tougher economy they are prepared to trade down to cheaper brands
- Tend to be impulse shoppers, hence less capable of buying premium products

Purchasing premium branded products is only for people who want to attract people's attention. I am not that kind of person



48%*



29%

* Significantly higher



Higher willingness of Hanoians to pay higher prices for products they like



Willing to pay a higher price for products they like

52%

64%*

Will buy quality products that will save costs

79%

94%*

Base: All respondents

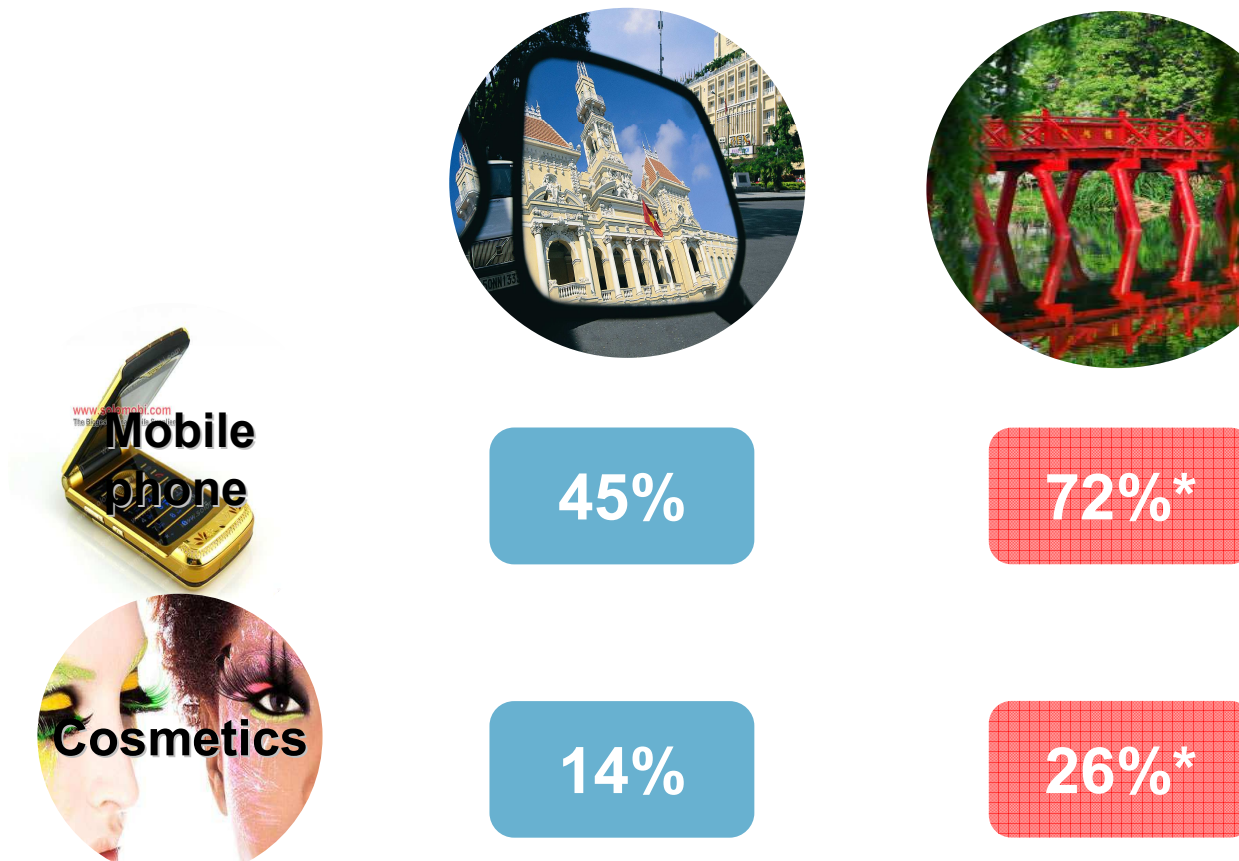
Source: Nielsen Regional Differences Quantitative Study

*** Significantly higher**

Q 41: How much would you agree on the following statements? Top 2 Boxes

Especially when it comes to categories with high 'badge value'

For which categories are you willing to buy premium brands? (Ttl spontaneous)

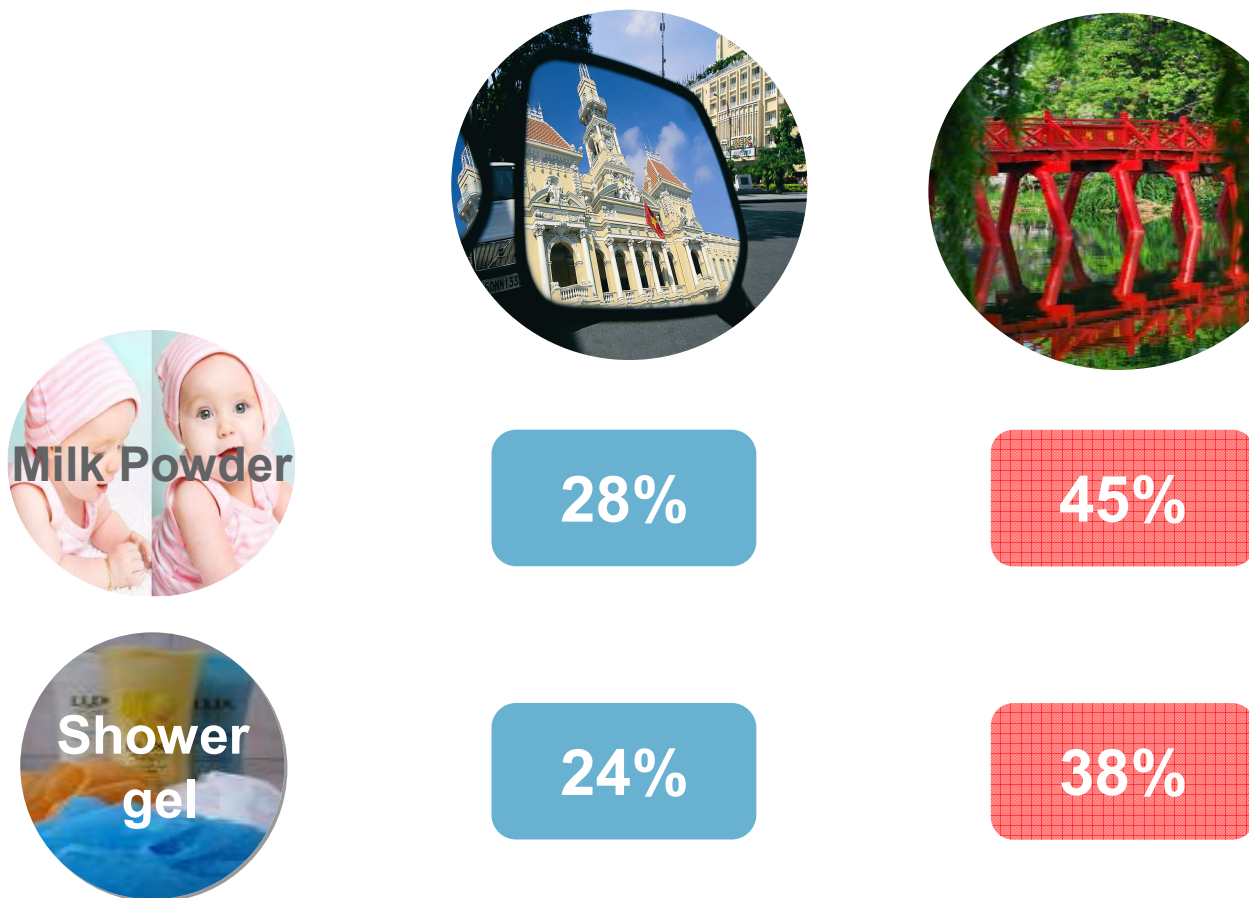


Base: All respondents
Source: Nielsen Regional Differences Quantitative Study

* **Significantly higher**
Q30b: Which are the categories you think of buying premium brands if your financial situation allows? Top 2 Boxes

In Hanoi, this is also true for categories that help consumers look good or impress others

Premium Segment Volume Share of total category (MAT April 09)



Is the Hanoi market *really* more premium?

In summary

- Currently premium products and brands have more appeal to Hanoi consumers
- Higher potential for premium segment of those categories that help them to look good and impress others
- Manufacturers will still need substantial marketing investment in Hanoi to maximize the success of premium product launches

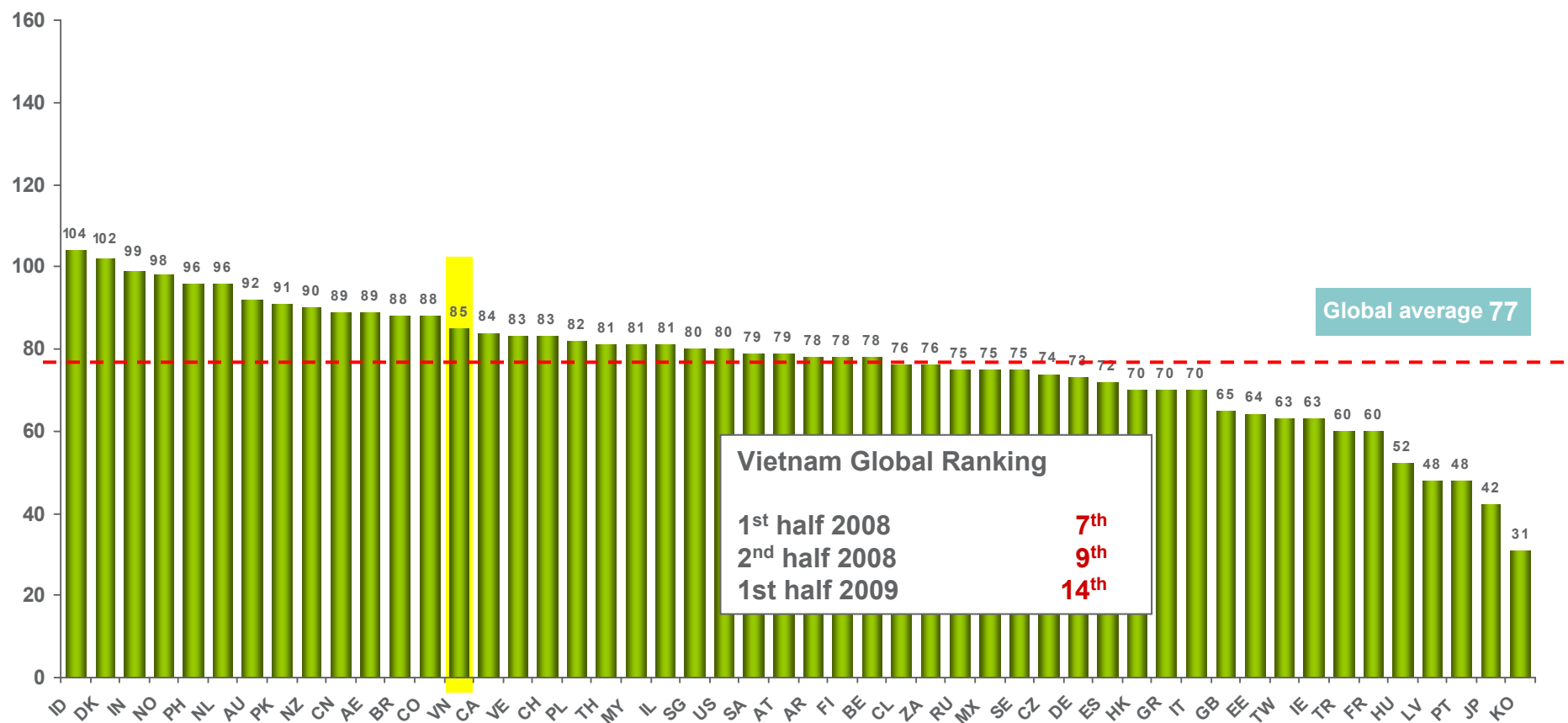


**How has the tougher
economy impacted
behavior?**



The GEC has impacted global consumer confidence...and Vietnam has not escaped

1H 2009 Nielsen Consumer Confidence Index



However, Vietnamese are still relatively positive and have faith in a brighter future

I think the crisis is more terrible in the U.S. or other developed countries. Here in Vietnam it is still safe. Even the Vietkieu come back here to find jobs!

Big economic stimulus package from the government

US President *Barack Obama's* plan

State Bank Governor *Le Duc Thuy* and his positive statements towards the economy



It depends on how you control your money, how wise and clever you are. Besides, I personally think Vietnam is not strongly impacted by the crisis.

More Hanoians claim to be influenced by the tougher economy than Saigonese

How much are you influenced by the economic crisis?



Saving habits

52%

72%*

Shopping habits

52%

93%*

Entertainment habits

38%

71%*

Base: All respondents

Source: Nielsen Regional Differences Quantitative Study

Q11a: How much are you influenced by the economic crisis on the following items?

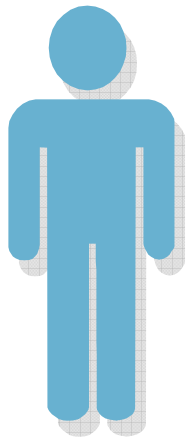
Top 2 Boxes

* Significantly higher

However the net impact of the tougher economy is higher in HCMC than in Hanoi



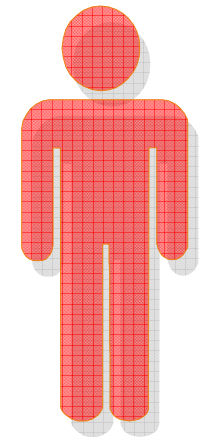
22% of Saigonese life is affected, vs 14% of Hanoians life



HCMC

I don't cut down on food expenses but I just don't spend as freely as I used to...I have to save more

Since I'm financially well planned the crisis does not affect me as much. However, I think it does strike people with low incomes



Hanoi

Yet Saigonese have not made drastic changes in their consumption habits

- Amongst 40 categories surveyed...

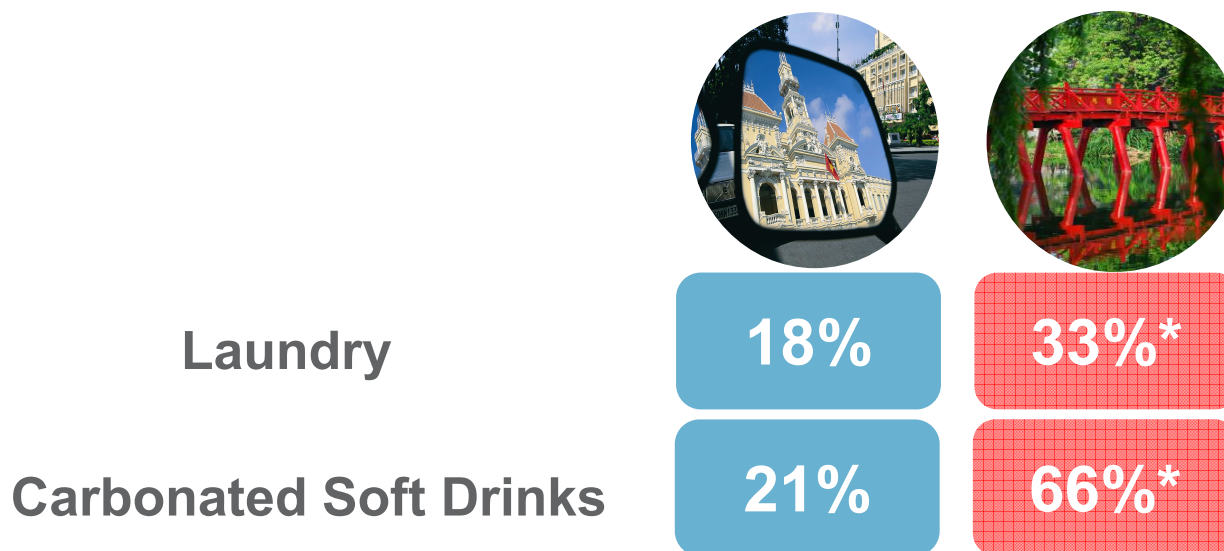


Only 1 category recorded a behavior of change above 20% (Clothes)



16 categories with the claimed change of behavior beyond 20%

Have you changed the way you spend, purchase or consume for Laundry and CSDs?



Base: All respondents

Source: Nielsen Regional Differences Quantitative Study

Q14a: Have you changed the way you spend, purchase, or consume for the following categories?

* Significantly higher
Changed / Unchanged



In a tougher economy Saigonese adopt different shopping strategies from Hanoians

Saigonese

Saigonese claim to maintain consumption but are trading down to cheaper brands or smaller pack sizes

Hanoians

Hanoians claim to be consuming less but are buying the same brand.

Base: All respondents

Source: Nielsen Regional Differences Qualitative and Quantitative Studies

In a tougher economy Saigonese adopt different shopping strategies from Hanoians

Instant Coffee: How have you changed your spending and purchasing?



Consume the same amount but
buy cheaper brands or go for
smaller packs



42%*



1%

Ready to sacrifice amount but stick
to their brand

36%

79%*

Base: All respondents

Source: Nielsen Regional Differences Quantitative Study

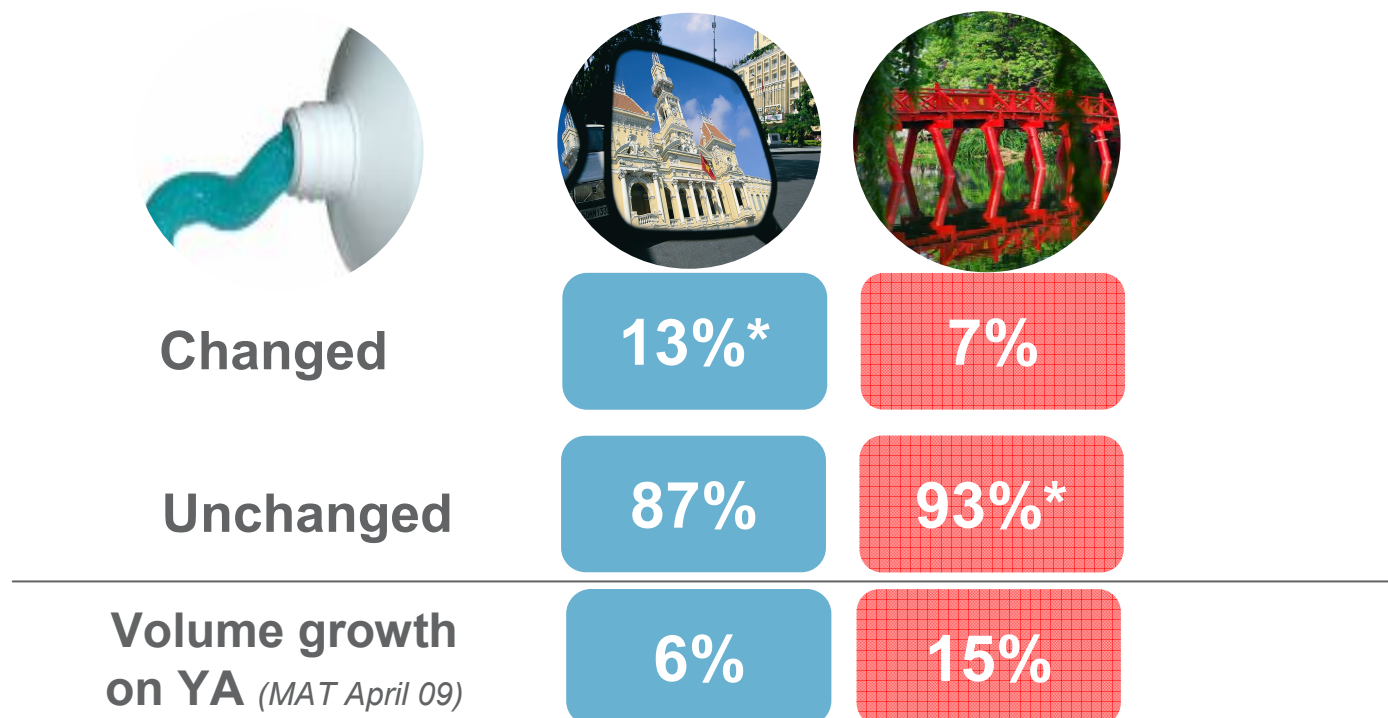
* Significantly higher

Q14b: In which way have you changed your consumption for the mentioned categories?

For some categories, Hanoians will not sacrifice their consumption levels

- Not willing to change consumption habits of Health & Beauty products!

Have you CHANGED the way you have spent, purchased or consumed Toothpaste (compared to before the crisis)?



Base: All respondents

Source: Nielsen Regional Differences Quantitative Study
Nielsen Retail Audit Data up to April 09

Q14a: Have you changed the way you spend, purchase, or consume for the following categories?

* **Significantly higher**
Changed / Unchanged

How has the tougher economy impacted behavior?

In summary

- Saigonese life in general is more affected than Hanoians life, yet almost no radical changes in their consumption habits
- Hanoians claim to be consuming less but are buying the same brands
- Saigonese claim to maintain consumption but are trading down to cheaper brands or smaller pack sizes
- Marketers should examine changes in consumption habits on a category basis. Key focus in Hanoi is to drive volume, whilst key challenge in HCMC is to retain brand loyalty



Key Findings and Implications

Key findings and Implications



Saigonese

Diversity of consumers

High adoptiveness allows for easy trial.

Ongoing investment required to maintain brand loyalty especially in tougher economy

Live for the moment...less likely to save to buy premium products

How?

Make their life easier to suit impulse behavior

Distribution, promotions & display

Diversify marketing strategy...one size won't fit all

Hanoians

Homogeneity of consumers

Long term/complex thinkers

Initially it will take time and a large investment

Easier to retain once you win their heart

How?

Promotions should focus on price, without compromising quality

After sales service

Overplay and leverage *WOM*

Respect social and cultural boundaries especially in advertising

Final Thought



One size won't fit all across Vietnam...



One size won't fit all within HCMC...



One size tends to fit all in Hanoi



Thank you

Q&A