RECOVERING CONSUMER LOYALTY

If in 2009 Romanians mainly kept their purchase and consumption habits they had had before the onset of the economic crisis, in 2012 they resorted to a "bolder" attitude change, prioritizing their budgets based on the structure of their basic needs.

Maria Vaschi

A study conducted by ISRA Center, at Piata magazine request, aimed at identifying the transformations that consumers have gone through in 2009-2012.

One of the research conclusions is that, despite a continuous state of dissatisfaction and confusion manifested throughout the past 4 years, Romanians managed to permanently find ways to adapt to and manage the economic downturn in everyday life: from a hesitating and cautious purchase behavior in 2009, they currently switched to rational and pragmatic purchases.

If the main criterion in the purchase decision was quality, at the end of 2012 the price dictates. Previous experience with the product no longer plays an important part, brand loyalty thus risking to be strongly affected. Even if it seems temporary and with no immediate impact on the market, this reaction of the consumer risks becoming permanent, becoming a behavior that retailers and manufacturers need to take into account in the future when they shape their offer, in the tight struggle that will follow for the recovery of loyalty.

METHODOLOGY OF ISRA CENTER STUDIES

Objectives
- consumers perception on their own purchasing power
- evolution of budget allotted to consumer goods
- identification of the categories of vulnerable products (which are going to be purchased less or no more)
- changes in the purchase behavior
- most important criteria in the purchase process

Sampling
- 1,106 respondents aged 20 to 60 for the data collected in November 2009
- 1,114 respondents aged 20 to 60 for the data collected in November 2012

Maximum error +/-3%

Data collection
- face-to-face interviews on the basis of a questionnaire designed by ISRA Center

CHOICES OF THE "CRISIS" CONSUMERS

"We are poorer than last year" – used to say the city residents interviewed by ISRA Center in February 2009, 50% of them stating that their purchasing power is "lower" or "much lower" than in 2008, the most affected being Dobrogea and Moldavia respondents.

At that time, 4 in 10 respondents had already decreased or were about to soon decrease the budget allotted to the purchase of consumer goods. Other 18% were saying that they had not modified their budget yet but that, due to the increased prices, they were buying less and cheaper than before.

We need to remind you the context the data were collected in at that time: economic and financial uncertainty; price increases for some product categories; more or less catastrophic events announced by the media.

Under these circumstances, Alice Mihai, psychologist, Business Development Director, ISRA Center, was making the following observations: "The reaction of the population to the decrease of the expense budget is an expression of the way current reality is perceived, but it is only partially generated by what is actually happening. It is more of a «psychological preparation» for the intensely publicized crisis, anticipation by imagining a pessimistic scenario. The statements regarding the negative modifications of the expense budgets and the orientation towards small prices are, to a considerable extent, future projections and an indicator of population's anxiety."

CONSUMERS ARE MUCH MORE PRAGMATIC THAN THEY WERE AT THE START OF THE ECONOMIC DOWNTURN, NOW MANAGING TO EASILY GIVE UP CERTAIN PRODUCT CATEGORIES.

IN AUGUST 2010, 62% OF THE CITY RESIDENTS WERE MENTIONING A DECREASE IN THEIR PURCHASING POWER BY COMPARISON TO THE LAST FEW MONTHS OF 2009.

ASPECTS TAKEN INTO ACCOUNT WHEN CHOOSING A PRODUCT

Although less interested in retailers' private labels, consumers tend to take price more into account in 2012.

WHAT HAPPENED FROM THE SPRING UNTIL THE FALL OF 2009

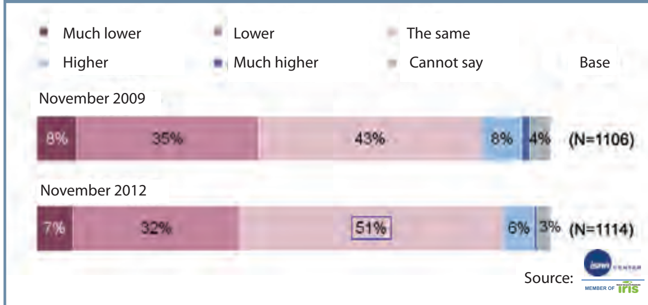
The value of the indicators measured in November 2009 confirmed a substantial change in the purchase and consumption behavior, even if Romanians economic status did not seem to have worsened compared to the first part of the year.

Among the novelties is the number of purchases at one single purchase occasion. It seems that Romanians discovered that frequent visits are not the most economical, thus the tendency to purchase more rarely and in larger quantities. This behavior was probably also a consequence of promotions. Quality remains the main purchase criterion, but the importance of price significantly grew form February until November.

2010-2011: CAUSE-EFFECT TYPE OF ATTITUDES

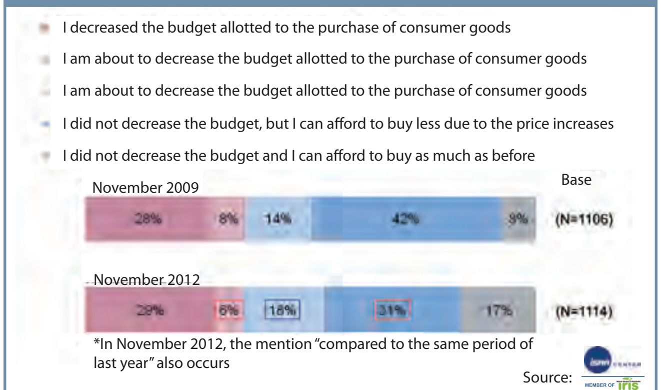
The economic status in the summer of 2010 triggered a few substantial changes in the consumption behavior: the purchasing power and the expense budget drastically decreased compared to the results of the surveys conducted in February, May and November 2009. In addition, given the higher prices of goods and services as a consequence of VAT increase, and scared by the austerity measures announced by the Government – pay cuts, new duties and taxes, potential cut-off of subsidies for utilities-, 50% of the respondents were stating in August 2010 that they were going to decrease the budget allotted to food products, beverages, household cleaners and personal hygiene products.

EVOLUTION OF CONSUMER GOODS PURCHASING POWER



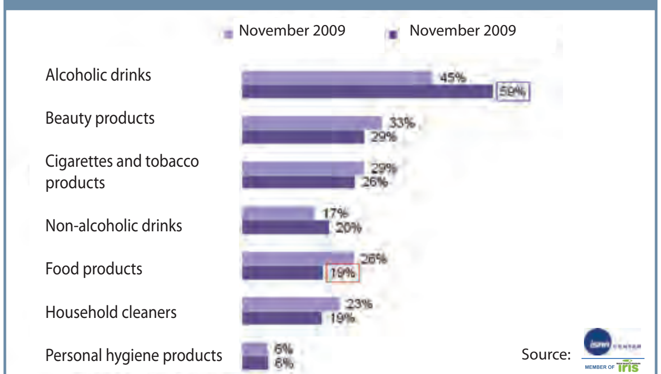
The self-assessment of the purchasing power shows that the level of pessimism is approximately the same in 2012 as it was in 2009. However, in 2012 there are more persons who estimate that this indicator has remained at the same level as in the previous year, showing a slight tendency of stabilization of the economic status.

EVOLUTION OF BUDGET ALLOTTED TO CONSUMER GOODS



There is a state of confusion regarding the budget allotment for the purchase of consumer goods, a higher percentage of respondents not being able to estimate the changes they made to this respect in 2012. There is rather a tendency to maintain the amounts spent constant, but consumers state that they can no longer buy just as many products with the same money.

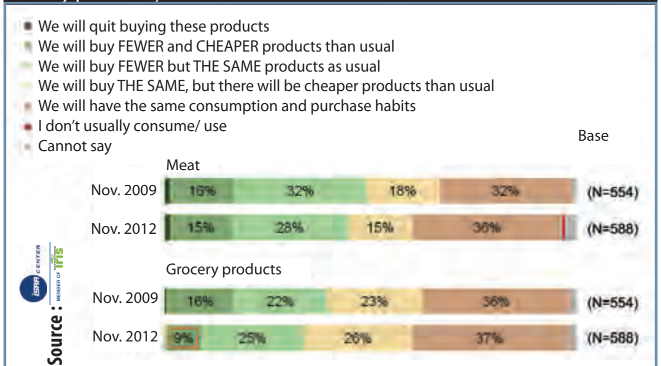
MOST VULNERABLE PRODUCT CATEGORIES

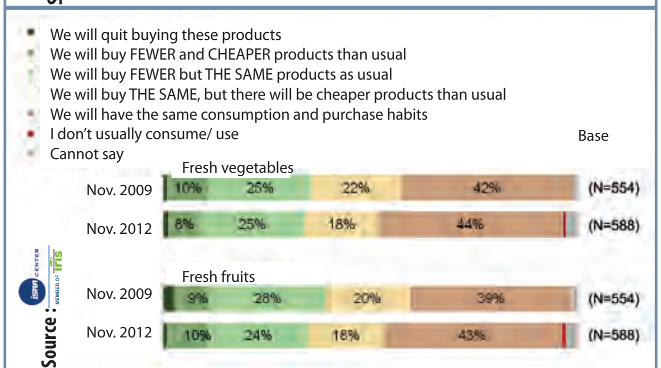


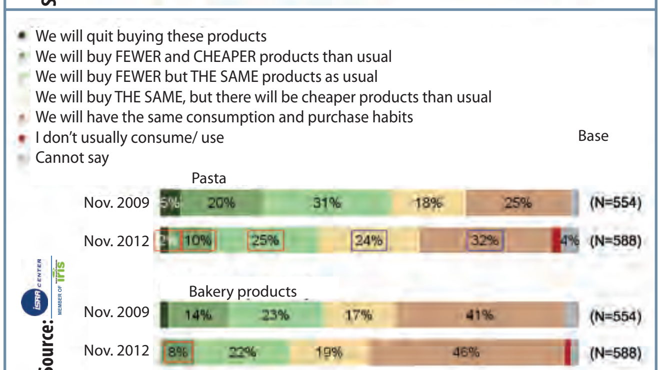
Alcoholic drinks are the most affected by the decrease in purchasing power, almost 60% of the consumers who stated to have decrease or to have the intention to decrease the expense budget mentioning that they will purchase fewer such products. On the other hand, by comparison to 2009, in 2012 there are fewer persons who say that they will purchase food products to a smaller extent.

MODIFICATION OF PURCHASE BEHAVIOR

Food products (meat, groceries, vegetables/ fruits, pasta, bakery products)



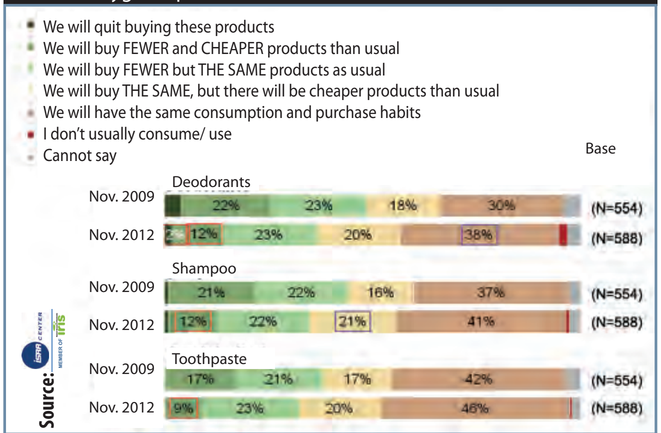


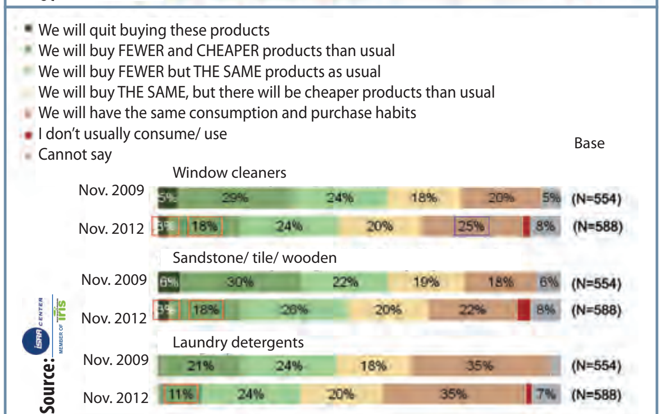


In the case of meat products, the number of those who will have the same purchase and consumption habits increases. The percentage of consumers who will decrease the quantity of grocery products but will opt for lower quality decreases significantly. There aren't any important differences regarding the consumption behavior for fresh vegetables and the number of respondents who will put fewer fruits in the shopping basket decreases. There is a tendency to buy the same quantities of bakery products, but cheaper.

MODIFICATION OF PURCHASE BEHAVIOR

Personal hygiene products and household cleaners





For the personal hygiene products and the household cleaners, the tendency is to maintain the already-existing purchase habits. In all cases, but particularly in the case of shampoo, respondents intend to purchase the same quantities but cheaper brands.

"The consumer acts only stimulated by the concrete economic events, following a cause-effect dynamics, the adjustment of the purchase and consumption being slowly made only as response to the context changes. The decrease of the budget allotted to consumer goods is a phenomenon that already enters people's homes, it no longer is something just «talked about»", says Alice Mihai.

IN 2012, THE CRISIS IS FELT AT INDIVIDUAL LEVEL, CONCRETELY AND IMMEDIATELY

AT PRESENT, MAKING DIFFERENTIATED DECISIONS REGARDING GIVING UP CERTAIN PRODUCT CATEGORIES IS EASIER FOR CONSUMERS THAN IT USED TO BE IN 2009.

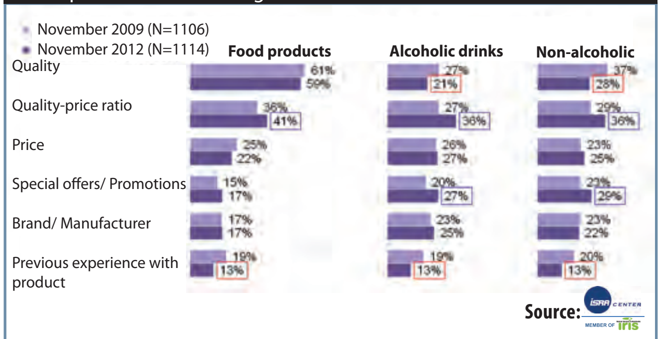
One tendency revealed in November 2012 was the slight state of confusion: compared to 2009, people are more unable to evaluate their own purchase behavior or are more unsure of the direction they are going into.

On the other hand, the recession made consumers a bit more rational in their choices, therefore they are able to make differentiated decisions more easily in 2012 than they did in 2009.

To this respect, there are product categories of immediate necessity in whose case the purchase behavior remains somewhat stable, while products with less frequent use are rather prone to being crossed off the shopping list.

MOST IMPORTANT PURCHASE CRITERIA

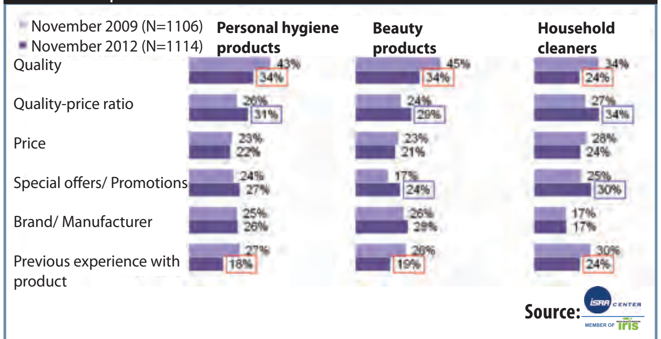
Food products and beverages



When choosing the products from food products and beverages category, the quality-price ratio becomes more important in 2012 than in 2009. On the other hand, consumers focus less on quality when purchasing beverages, but give more importance to promotions for beverages.

MOST IMPORTANT PURCHASE CRITERIA

Non-food products



For the products in the non-food category, quality has become a less important criterion in 2012, while the quality-price ratio is gaining ground. The special offers and promotions have also become more important, while previous experience with the product is less relevant.

AS A FIRST STEP TOWARDS SAVING, THERE HAS BEEN A DECREASE IN THE SHOPPING VOLUME IN FAVOR OF KEEPING THE QUALITY AND THE EXPERIENCE WITH THE PRODUCT. IN 2012, PRICE BECOMES A PRIORITY.

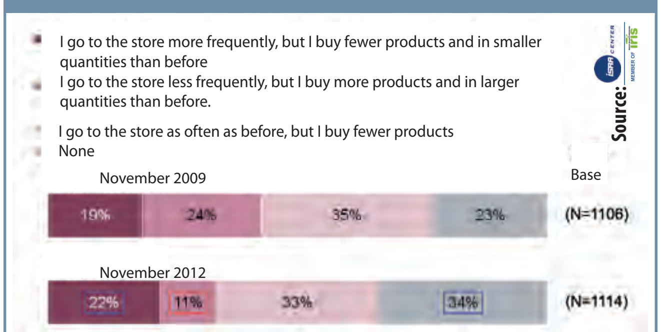
For example, in the case of food products (meat, grocery products, fresh vegetables and fruits, bakery products), the percentage of those who will keep their purchase and consumption habits is higher than in 2009.
Alcoholic drinks are the most vulnerable category, respondents stating to be willing to buy less and/ or cheaper. In the case of spirits such as vodka or whisky, 15% of those - who have already decreased their expense budget or are about to decrease it are willing to let these products go. -
As for non-alcoholic drinks, the tendency is to rather consume less than to give those products up, but when it comes to still water, we can notice the desire to keep the same consumption habits.
One of the most stable categories on the market is coffee.

Personal care products which are not strictly necessary (face/ body cream, hair conditioner) register an inconsistent purchase behavior. Also, consumers quit the fabric softener more easily then the detergent.
Out of the smokers, most of them tend to have the same consumption behavior, but there is also a tendency to give up smoking, which can be generally attributed to the category at aspirational level.
Quality and previous experience with the product are aspects that matter less in making choices for almost all FMCG categories; on the other hand, the quality-price ratio is becoming more important. In addition, promotional offers are more sought after in 2012 than in 2009, probably also due to their recent high presence in stores, which makes consumers consider promotions a integrating part of the retail landscape.

FAVORITE STORE

În 2012, consumatorii tind să fie mai puţin orientaţi către magazinele ma
timp ce o mare pondere a respondenţilor nu au o opţiune clar definită.

FREQUENCY OF SHOPPING VISITS



În 2012, se constată o tendinţă de creştere a frecvenţei de vizitare a magazinelor, coroborată cu cea de scădere a numărului de produse sau a cantităţii cumpărate. Pe de altă parte, sunt mai puţini cei care declară că mai rar în magazine, dar cumpără mai mult.

FROM STEP-BY-STEP POLICY TO CAUTION AS A REFLEX

If in 2009 – 2010 consumers were still in a buffer-stage when they started to discover and realize, step by step, what recession meant and entailed, now, in 2012, the financial downturn has begun to be felt at individual level to a greater extent, concretely and immediately.

"IN ADDITION TO A MORE CAUTIOUS ATTITUDE, CONSUMER MANIFESTS A GENERAL STATE OF APATHY AND DISSATISFACTION, WHICH TRANSLATES INTO A HESITATING BEHAVIOR, THE DIFFICULTY TO CHOOSE OR A STATE OF CONFUSION."

ALICE MIHAI, PSYCHOLOGIST, BUSINESS DEVELOPMENT DIRECTOR, ISRA CENTER

The consumer who used to take small steps in 2009, following a cause-effect process, has left this exploratory area and has entered the stage of actions already reflex which seem to be caught up by new ways of adaptation to and management of the crisis in everyday life.

This state of fact is the results of the passage of time but also of other factors, such as the recent political crisis, salary cuts in the case of public employees and social tensions. Social tensions have overlapped consumers' stronger immediate and direct contact with the effects of the crisis, deepening the sensation of a worsening phenomenon.

Therefore, if in 2009-2010 consumers have reduced volume but have kept their attachment to the products they were used to, being less willing to adopt a structural change of their personal habits, in 2012 a "bolder" change in attitude take place.

Although in 2012 Romanians consider that their budget is not decreased and self-assess their purchasing power as being in line with the purchasing power they had in 2009, in reality they can buy less with the same money.

This way, in addition to the general tendency of obtaining the best quality-price ratio for each purchase, consumers practically "diagnose" the relevance of the product categories that they buy and try to prioritize and customize the budget based on the extent to which it reflects the structure of the basic needs. The list of more vulnerable categories in 2012, by comparison to 2009-2010, includes alcoholic drinks - especially spirits -, care products which are not an absolute necessity – hair conditioner, face and body cream -, unessential household cleaners – fabric softener, air freshener.

The consumers leaving and familiarity and comfort zone also reflects in the fact that the experience with the product no longer plays an important part in the decision-making process, affecting brand loyalty. In addition, consumers visit retail locations more often and purchase less, becoming a sort of "shelf tracker" of the products that offer, at a given time, the best quality-price ratio. In this context, promotions, which are a constant presence on the shelf, are considered a key trigger for the purchase of products which are not necessarily basic (alcoholic and non-alcoholic drinks, beauty products, household cleaners).

By comparison to 2009, in addition to the more cautious attitude towards the purchase of consumer goods, consumers also manifest a general state of apathy and dissatisfaction, which translates into a hesitating behavior and the difficulty to choose or a state of confusion in certain situations.

Behavior is in a continuous state of change and permanent update to the challenges offered by the consumer goods market. Although the impact is not always immediate, the constant occurrence of reactions leads to permanent reactions, then turning into stationary behaviors and attitudes. Far from being fully realized, these behaviors have become automatic mechanisms of response that retailers and manufacturers have to take into account when shaping their product offers.