

Serbia

2010: Revival or Survival? The Consumer in Crisis, Part 2

Different prognoses on the future course of the economic crisis come from various sources, creating a dilemma: is 2010 a year of revival or survival? What difficulties faced companies and what hardships troubled consumers in 2009? What strategies to survive will be employed by companies in 2010 and be successful? Are consumer habits changing and is the "new reality" in attitudes and shopping behaviour becoming a new trend?

How did Serbian households survive 2009?

Although earnings were reduced and purchasing powers declined, the household budget structure did not suffer any significant changes, with almost half of the budget still set aside for buying food, drinks and tobacco. Having said this, the quantities purchased were about 5% less than in the previous year. Major purchases are being made less frequently with only the essential items being bought and even then only when really necessary.

The crisis mostly hits the most vulnerable classes of people but members of middle class families are also suffering badly from the consequences of reduced income, directly downsizing their spending.

The resulting changes in shopping behaviour, in turn, lead to a paradox in the development of retail sales, where the traditional store once more regains in importance. Promotions, too, gain in significance as an important means of attracting consumers. Alongside this, the retail chains' private brand names are recording rapid growth, more than doubling their share in the overall sales of consumer goods in a period of only one year (total of 2.3%).

Consumer testimonies: Looking back to 2009 and how to survive in the "Year of Revival"?

The middle class consumer is used to at least a solid quality of products and is quite reluctant to forgo the habit; therefore, even when forced to pick cheaper products, they will still assess the price/quality ratio arising out of their desire to have satisfactory quality. Shopping becomes more rational, with many shoppers now abiding by the proverb "measure thrice, buy once"!

In-store promotions are being relied on much more, particularly those offering the same quantity of product at a lower price.

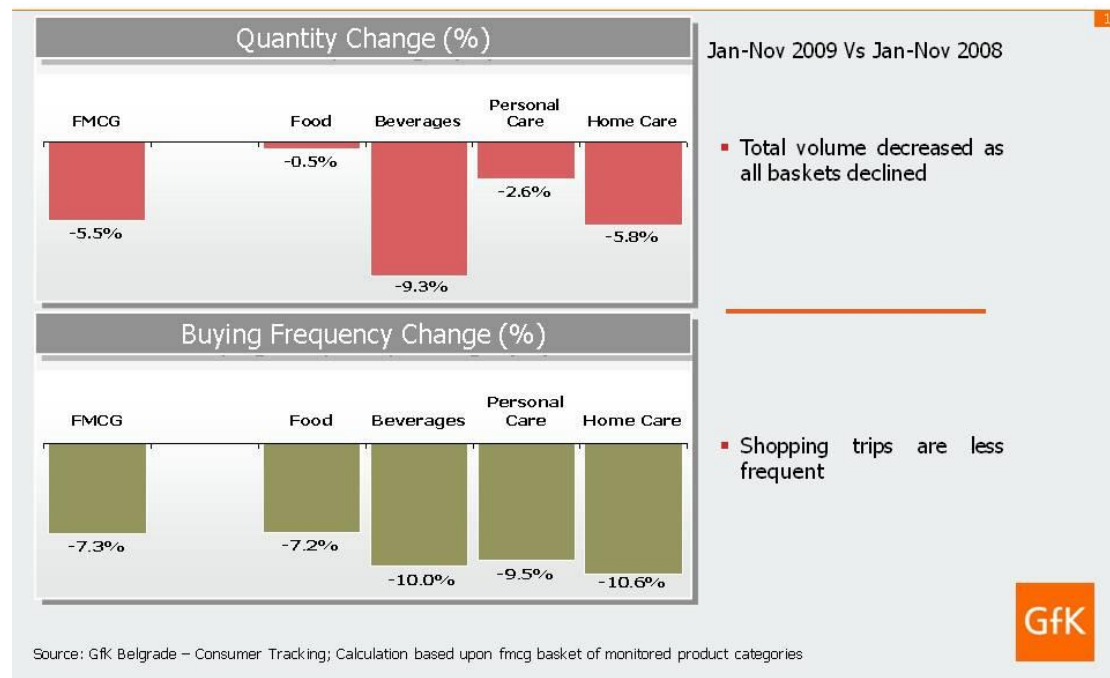
Consumer experience and expectations - in numbers

It is noticeable that there is great concern on the part of the consumers with regard to their ability to purchase basic foodstuffs. Not unexpectedly, the year 2009 brought about substantial cut backs in family investments – such as in cars and household appliances - but of particular concern is the inability to purchase certain products from the food & drinks category. Cigarettes, fruit and vegetables seem to be the most resistant categories, while the most vulnerable categories in 2010 may well be meat, snacks & sweets, soft drinks and household & personal care. The consumers' purchasing power is getting weaker, leading to far fewer major shopping sprees (92% of consumers in 2008 compared to 83% in 2009.).

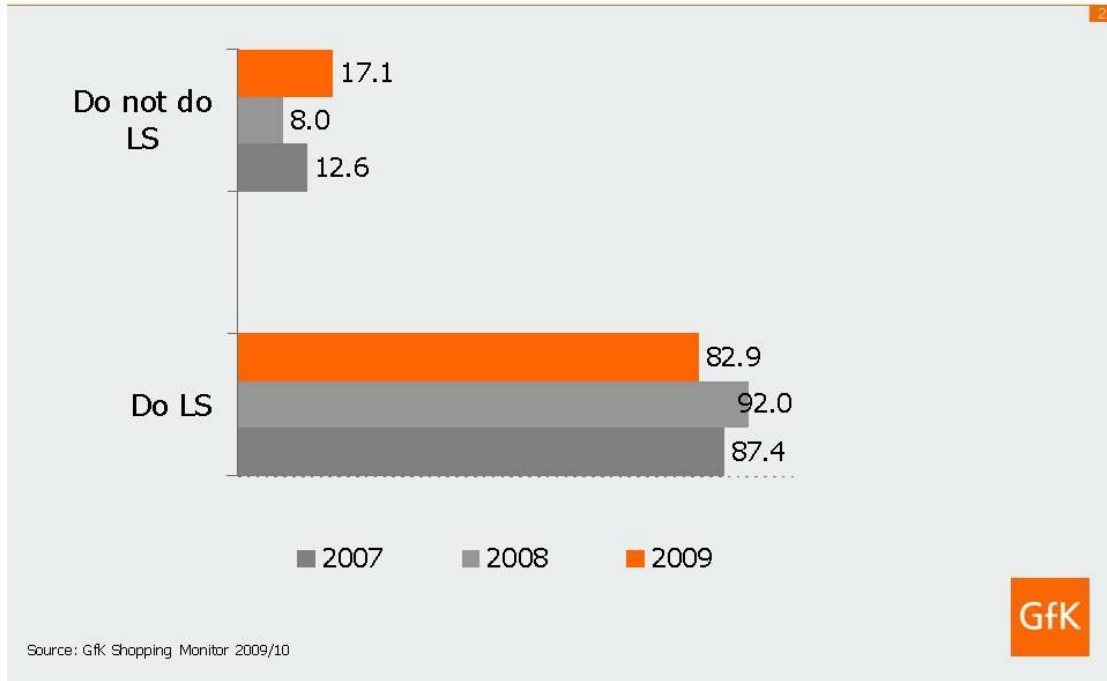
Due to the ever increasing cost of transport, the car is being used less often used for shopping but, on the other hand, "virtual" money – personal cheques – are being resorted to more and more often as an instrument of spending what has not yet been earned.

Last year's promotional sales were particularly interesting – particularly from the point of view of the consumers who, more often than ever before, collected various points and searched for discounts and promotional sales. Shoppers are getting better organized and more deliberate in their considerations and brochures advertising special promotions and prices distributed by the retailers become an almost unavoidable instrument of generating more business.

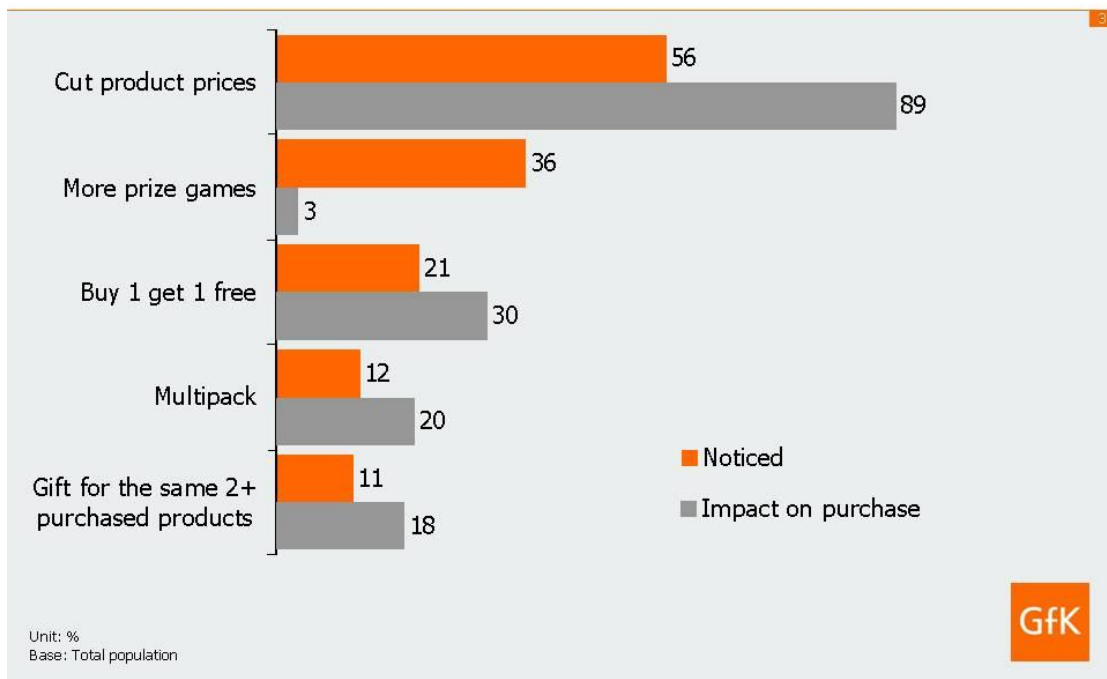
What has changed in shopping behaviour?



Large shopping (LS) is not done as before



What we see, WHAT WE WOULD LIKE TO SEE?





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