

VALUE ORIENTED SHOPPING BEHAVIOR AMONGSTST URBAN MIDDLE CLASS VIETNAMESE CONSUMERS

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ABSTRACT

Asia's economic crisis has caused many middle class consumers to watch their budgets more closely. However, this is not the same thing as consumers becoming highly price conscious, with price as the top criteria in making brand choice. Asia's modern middle class is strongly value oriented, balancing quality of product characteristics against price. The economic crisis has not changed this. Although Vietnam has not yet been hit as hard as many other Asian countries, it starts with much lower incomes than most other countries, and the economy has slowed down substantially. Yet even in Vietnam, recent surveys show that the strong value orientation continues. Price is not the most important attribute that most consumers consider, but neither do consumers disregard it completely. Most consumers think various product attributes are the most important things to consider, while price is usually near the middle of the attributes, list, not at the bottom. These patterns, though measured on several different types of scales in these surveys, are all consistent with strong value orientation.

INTRODUCTION

Outside observers have often regarded consumer markets in developing countries of Asia as constituting two broad segments: quality oriented buyers who usually buy foreign brands imported from the West or Japan, and price oriented consumers who buy local brands. Of course, sometimes such perceptions have been true, especially in very underdeveloped countries characterized by a well-off elite and a mass of low-income people. Modern Asia, however, is characterized by a rapidly growing middle class. According to standard thinking, these modern middle class consumers shift from strong price orientation to strong quality orientation when they have become more prosperous. More difficult economic conditions are now supposedly forcing many of them to switch back to strong price orientation.

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However, the majority of middle class consumers have been strongly value oriented all along. When faced only with cheap, low quality local brands, or expensive, high quality foreign ones, they may well choose the imported brands because value oriented consumers want better quality than low end products. This, however, does not necessarily make them "quality" oriented. Broader choice would give them the option of choosing mid-level brands, those that have good quality and reasonable (not lowest) prices. They look at the trade-off between quality and price. The economic slowdown has not changed this; it has only made them look at this trade-off more carefully.

Vietnam provides a good case study for looking at value oriented buying amongst a newly developing middle class. Overall, Vietnam is still a very low-income country, with estimated per capita incomes of about US\$310 (AsiaWeek, 2000). But the major cities are becoming strongly middle class. One estimate placed average annual per capita incomes in Ho Chi Minh City (HCMC) at up to US\$1200 before Asia's recession hit (Vietnam Economic Times (VET), April 1996). Even recently, nearly one quarter of households in HCMC may have incomes over VND2 million per month (about US\$1850 annually). Over half probably make at least US\$ 1000 annually (Asian Advertising & Marketing (AA&M), February, 1998).

Although Vietnam has not yet been hit as hard as many other Asian countries, it starts with much lower incomes than most countries, and the economy has slowed down substantially. Yet even in Vietnam, our recent surveys show that the strong value orientation continues. Price is not the most important attribute that most consumers consider. Most consumers think various product attributes are the most important things they should consider when making brand choice. However, price is usually near the middle of the list of attributes, not at the bottom. These patterns, though measured on several different types of scales in these surveys, are all consistent with strong value orientation.

Segmentation by Quality - Value - Price Orientation

Zeithaml (1988) reviews the concept of quality in discussing consumer perceptions of price, quality, and value. She believes perceived quality is the key issue in dealing with buying decisions. Quality to consumers depends on their perceptions of performance on various product attributes, not on actual, objective physical measures. (Of course, consumers may sometimes consider objective measures in forming their perceptions.) Product attributes are thus intrinsic to quality.

Price is extrinsic. Price may sometimes help consumers form quality perceptions if other information is lacking, as is sometimes the case when buying a new product/brand where they have little experience. However, price is not itself a product attribute and has less impact on quality perceptions if consumers have product attribute information at hand (Zeithaml 1988). Thus, consumers may

consider two separate issues in making buying decisions: quality (product attributes), and price. Therefore, one way to segment markets is by quality/price sensitivity; how consumers weight these two issues in their choices.

People can look at quality/price trade-offs in one of three basic ways, not two ways only. One segment is highly price sensitive, mainly interested in low prices. Such consumers search for the best prices, and don't worry about what kind of quality they are getting for those low prices. Because they care about price first, these customers are not very brand loyal, and branding is of little use in such markets. In identifying such consumers, we would look for those who say price is the only relevant issue in their product choice, or who at least rank price above any product attributes in making choices.

Quality conscious consumers are a second segment. They want the best possible quality, and they are willing to pay whatever it takes to get top quality (Several of the consumer decision-making styles discussed in Lysonski, *et al*, (1996), are versions of strong quality orientation.) Such people are likely to be highly brand loyal. Brand provides a guarantee to them of consistent quality at the level they want. In choosing products, these consumers would consider product attributes completely, without factoring price into their decision.

The value-oriented segment makes more explicit trade-offs, trying to balance quality against price. "Value is the quality I get for the price I pay" (Zeithaml, 1988, p. 13). "Value (unlike quality) involves a trade-off of give and get components" (*ibid.*, p. 14). Components of value include intrinsic product attributes, as well the extrinsic attribute price. In making product choices, a buyer may set an acceptable quality level, then look for the best price within that level. Or, buyers may decide a budget, based on their ideas of price points representing required quality, then look for the best quality at that price. Of course, consumers have some ideas of the general relationship that makes higher quality cost more. They set their quality or price standards not at the very top (quality) or very bottom (price), but between the extremes. These consumers should also be brand loyal. Branding guarantees the precise quality/price ratio that satisfies them when making a purchase.

On the surface, it may sometimes seem difficult to distinguish value orientation from either pure quality or pure price orientations. The value trade-off does include both quality and price. When middle class consumers have much money, as in Asia's booming economies until recently, the weight of price in the equation seems to decline, because they have bigger budgets. People buy more expensive and higher quality products. When their budgets are smaller, price assumes a larger role, but value people are still making the trade-off, not simply choosing lowest price.

In addition, when they perceive several brands to be very similar, price may be the only criteria on which consumers can distinguish. They do not buy the lower

priced brand because they are highly price conscious. In their product evaluations, they have found several to be of similar, acceptable quality. Value customers will always prefer to buy the same thing for less money. "Why pay more?" has even become the advertising slogan for the value-oriented segment. The recession has made value oriented Asians more careful in these evaluations (they are also looking more closely at the true quality of products). This, however, does not make them price oriented.

Pre-Crisis Value Orientation in Vietnam

Speece (1998) demonstrates that Asia's modern middle class is strongly value oriented, balancing quality of product characteristics against price. The data from Vietnam in that discussion comes from before the economic crisis, and demonstrates that the strong value orientation predates any worries about more difficult economic conditions during the Asian crisis. For example, in one HCMC sample, self reports on how respondents choose various low involvement products shows that 88 percent balance to get reasonable price and quality. Half of these consumers said that a 20 percent discount would have little or no influence on their brand choice, unless the brand was acceptable quality (Bui, 1997).

Another HCMC sample shows that only 7 percent of respondents choose the cheapest brand of instant coffee. On a scale of 1 to 5, price rated significantly ($p=.05$) lower than the attributes aroma, time saving, taste, natural coffee essence, and easy to prepare in importance for brand choice (Doan, 1997). In a HCMC survey about soft drink purchases, over half said that they buy the brand that tastes best, and one-third said that they just choose the one they usually buy. Only three percent of respondents said they buy the brand that costs least (Bui, 1996).

A HCMC survey on brand choice for film shows that price rated significantly below the attributes natural color and sensitivity in importance. Respondents rated prices of Kodak (which were highest at the time of the survey), as least favorable amongst the main brands. Nevertheless, three-fourths rated Kodak as their first choice to buy and 55 percent reported buying Kodak in their last purchase, a figure which closely matched actual market share of about 50 percent at the time (Hoang, 1996). The common characteristic across all these surveys is the middle class willingness to pay more for better quality. How much more is not unlimited; price is not at the bottom of the list of things people consider. It is factored in after quality has been assured.

Even Vietnamese newspapers have noted this value orientation (though they may not interpret what consumers say correctly). In a report on growing acceptance of domestic brands, one quoted a consumer as saying: "I often buy clothes made by Textile Company No. 10 because they look good. The important thing is that they are not expensive at the same time." Another reported that clothes from Dong Xuan Knitwear Company were suitably priced and could absorb sweat well so that

it was cool to wear them in the summer. These consumers have very explicitly stated that they are value oriented, trading off product characteristics against price (Vietnam News (VNN), 1997).

Although we are primarily interested in middle class consumers here, it is worth noting that even working class Vietnamese may show this value orientation. A survey amongst miners at four mines northeast of Hanoi showed that price was rated significantly ($p = .05$) below hygiene and freshness as a factor in purchase of canteen meals. Nutrition and taste were rated similarly to price. About 88 percent of these miners reported that they would be willing to spend VND500 more per meal to get better food and better service. Seventy-eight percent were willing to pay VND1000 more, while at VND1500 and more, the willingness to continue buying dropped to just over half (Nguyen, 1996). These miners are evaluating product characteristics first, then price. They will pay more, to get better quality. This is value orientation.

Post Crisis Value-Oriented Buying Behaviour

Vietnam has not been hit hard by Asian crisis as many countries, but the economy has slowed down, and consumers are becoming more cautious in their spending. Has this made middle class shoppers strongly price oriented? Apparently not, according to six small surveys done in October 1998 in Ho Chi Minh City. The surveys were all part of six consulting projects for Vietnamese companies, which were conducted by groups of MBA students under the guidance of the two authors. The companies needed information about consumer perceptions and decision-making to help them formulate strategy to compete against the many foreign companies moving into the market.

Field methodology varied depending on situation. Some samples were geographic random (locations chosen randomly from a grid of the city map), some were convenience intercept at locations where the target population would concentrate (e.g., for children's products, outside schools in the afternoon when parents came to collect their children). All sampling methods were cleared with clients to assure that they thought the respondents would represent their target markets.

Results indicate that HCMC consumers continue to be concerned mainly about product characteristics, without factor price into their considerations, which is strong value thinking. These consumers are not thinking strongly about price alone, despite the fact that the Vietnamese economy has slowed down. We get these results regardless of which of several different ways we ask people to describe the role of price in their product decisions.

For example, self reports about how middle class people shop for orange juice indicated that very few are strongly price oriented. The majority trade of quality against price in some way, either by setting quality standards, then looking for good

price at that standard, or by setting reasonable (not lowest) budget and then looking for best quality. About one quarter is strongly quality oriented, not considering price when they shop for orange juice (see Table 1).

Table 1: Self-Report of quality, value, and price orientation for orange juice

Orange juice (Percentage who said they shop each way, n=162)	%
Buy best quality (Quality)	26.7
Quality first, price second (Value)	34.2
Price first, quality second (Value)	36.0
Buy lowest price (Price)	3.1

In another question about reasons that would hinder purchase of the orange juice, too expensive was cited by less than 10 percent of respondents. Awareness dislikes of orange juice, and desire for greater variety (in smaller packages) were all more important issues (see Table 2).

Table 2: Reason not to buy or not to buy more orange juice (brand name)

Orange juice (Percentage who choose reason), n=162)	%
I don't know (Brand name)	40.1
I don't like orange juice	17.9
Too large for several taste preferences	14.8
Too expensive	9.3
Package too large to store easily	8.6
Package too large for individual use	7.4
Package leaks when pouring	6.2
Unsure of quality after opening	3.1
No nutritional value	1.2

Several of our surveys asked people to rank how important various attributes of the product were in their choice of brand. Price was included in the list. Product characteristics came out most important in surveys on soy sauce, instant noodles, and baby toilets. For the two lower involvement food products, price came out after two of these product attributes, third or tied for third (Table 3).

Table 3: Price importance from ranking scales: Soy sauce and instant noodles

Soy sauce (7 attributes)	Top	Top 3	Instant noodles (9 attributes)	Top	Top 3
	Taste	36.7		82.0	Taste
Smell	38.0	80.2	Hardness of noodle	16.8	47.8
Nutrition	11.3	41.3	Colour of noodle	3.7	9.7
Price	10.7	50.7	Number of soupbase	4.3	20.8
Brand	0.7	20.7	Nutrition	27.3	68.3
Colour	2.0	15.3	Weight	2.5	21.0
Package	0.7	10.7	Size	2.5	12.5
			Package appearance	3.7	13.6
			Price	11.2	43.6

Since most people consider only about three or four things when buying low involvement products (see below), this indicates that most consumers would be thinking of quality, and also factoring in price, typical value-oriented trade-off behavior. With baby toilets, price is even further down the list (see Table 4), but baby toilets are somewhat higher involvement. People are a little more careful buying something for their children, especially when it costs more than an average small food product.

Table 4: Price importance from ranking scales: Baby toilets

Baby toilets (7 attributes): Percentage who ranked top, top3 (n=169)	Top	Top 3
Safety	34.9	66.9
Design	9.5	48.6
Attractiveness	11.8	45.8
Colour	10.1	42.7
Convenience	14.2	40.7
Price	12.4	35.5
Origin	4.1	14.7

A survey on baby shampoo simply asked the respondents to indicate on a checklist whether or not they are likely to consider each of several attributes in their brand decision. About 60 percent do consider price, but price is not the only thing they

evaluate. Everyone is looking at least three things. Since this is also a low involvement product, very few people worry about more than three things (Table 5).

Table 5: Percent of the respondents who consider an attribute when buying baby shampoo

Baby shampoo (n=160)	%		%
Price	60.9	Percentage considering 3 attributes	98.7
Advice from doctor	59.6	Percentage considering 4 attributes	1.3
Scent	55.0		
Easy to buy	48.3		
Instructions on label	37.7		
Size of package	23.8		
Style of package	13.0		
Attractive advertising	2.6		

One of the surveys measured importance of various attributes on an interval scale (a four point scale from very important to not important). For ready-made clothes, women office workers rate price below several product attributes, but near the middle of the list of things that they consider. A separate question asked about several psychological concerns, and self confidence and looking younger were at similar levels to price (see Table 6).

Table 6: Price importance from a rating scale

Ready made clothes (1=not important, 4 very important, n=118)		
	Mean	Std. Dev.
Style	3.48	0.66
Size	3.42	0.80
Colour	3.21	0.69
Material	2.88	0.84
Price	2.97	0.79
Brand image	1.89	0.78
Country of origin	1.82	0.80

The overall conclusion from six different surveys, covering six different products, and using several different types of measurement scales, is that middle class consumers in Ho Chi Minh City are value oriented shoppers. They evaluate products on their characteristics, but they also factor price into their decision, neither disregarding it completely, nor considering it the most important thing in their choice.

CONCLUSION

These six small surveys in Ho Chi Minh City demonstrate that middle class consumers continue to be strongly value oriented. This is not something new ushered in by the recession. The middle class already made evaluations by trading off product characteristics against reasonable prices before the economy slowed down, and they have remained value oriented since. Thus, marketing campaigns targeted at middle class consumers must be based on good value. Some brands mistakenly believe that most consumers are price oriented, or at least have become strongly price oriented with the economic slowdown. But competing purely on price is not a good strategy with these consumers. Even now, they first evaluate key product characteristics, then followed by seeing if what they get is worth to them (price). When the economy picks up, they will worry about the quality side of this balance even more. Thus, brand building is the key issue, not price competition. Even amongst value oriented consumers, price can easily become the key factor in choice if people see no other differences amongst brands they would normally choose. This is not because these middle class consumers are actually price conscious, but simply because they are careful, value-oriented shoppers. No one wants to pay more if they are getting the same thing, although they are often willing to pay more if they get something more (better quality). For most of these products, the low involvement nature of the purchase decision means that brand building is the key. The something more often comes from people's perception of the brand.

Basically, the findings show that Vietnam's middle class consumers are not much different from middle class consumers elsewhere in the way they make their brand decisions. Of course, the details of product formulation, features, styling, and many other things must be adapted for specific needs of this market, just as anywhere else. However, the correct strategy is to offer these consumers good quality on the product attributes that they consider important. Marketers must charge reasonable prices, not lowest prices that would require sacrifices in product quality. As living standards rise in Vietnam, middle class consumers have become unwilling to accept low quality products, and they do not respond to lowest prices.

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