

# [Consumer behaviour of brazilians to detergents](https://assignbuster.com/consumer-behaviour-of-brazilians-to-detergents/)

Consumer behaviour is a process where individuals or groups go through to select, purchase, use and dispose of goods, services, ideas or experiences to satisfy their needs and desires (Solomon, Marshall, Stuart, Barnes and Mitchell, 2009). The major question for any company: How do consumers respond to various marketing efforts the company might use? The following diagram shows that the marketing and stimuli enter the consumers ‘ Black Box’ (consumer’s mind) and produce certain responses.

Fig 1: Stimulus response model of buyer behaviour

Consumer behaviours are influenced strongly by cultural, social, personal and psychological characteristics as shown below:

Fig 2: Factors influencing consumer behaviour

(Source: Philip Kotler, Gary Armstrong, Veronica Wong & John Saunders, Principles of Marketing, 1999)

Culture:

Culture is the most basic value of a person’s wants and behaviour. In Unilever case at Brazil, the clothes are washed more frequently in NE than SE approx. 5 times a week against 3. 9 times. Most of the women at NE are housewives and they took this activity of washing clothes as pleasurable activities. There is one more reason that the women at NE mostly do their washing in a public laundry, river or pond because it gives them an opportunity to become social, meet their friends where at SE mostly women do their washing at home alone. The people at NE also attach the cleanliness as a symbolic value to their status.

Due to the cultural differences and washing methods, the laundry soap consumption at NE per buyer is 20. 4 kg against only 6. 8 kg of SE. On the contrast, there was very less difference between the consumption of detergent powders between NE and SE, only 1. 5 kg per buyer. (refer to exhibit 3)

## Social Class:

Social classes are society’s relatively permanent and ordered divisions whose member share similar values, interests and behaviours. In Brazil there are 5 social classes based on the income as: A, B, C, D and E (E+ & E-). As per exhibit 2, only 21% population of SE is E class compared to 53% of NE. So the most of the population at NE are low income consumers.

Generally the lower social class people are more culture-bound which shows their behaviour of buying detergents.

## Family:

Family members can strongly influence buyer behaviour. The buyer’s spouse and children has a direct influence on everyday buying behaviour.

In case of Brazil, majority of NE women see the cleanliness of clothes as an indication of the dedication of the mother to her family in spite of washing through laundry soap requires an intensive labour. This fact influences the consumer to buy the different detergents mostly laundry soaps at Brazil. Most of the families with washing machine prefer to buy detergent powder (there only 28% household own the washing machine at NE) instead of laundry soap.

## Economic Situation:

A person’s economic situation will affect product choice which is clearly visible at Brazil. The low income consumers of NE would like to buy Omo, the best brand of the market but their tight budget leads them to buy cheaper local brands from the nearby small shops.

## Perception and Beliefs:

In Brazil, the consumers (primarily low income) evaluate the detergent against the six key attributes as shown in exhibit 6 along with price. Since Campeiro scored very low on all the attributes and resulted with only 6% of market share. The consumers of NE are very particular about the various attributes of detergents like power of the detergent (its ability to clean and whiten clothes with a small quantity of product) judged by the quantity of foam it produced. The low income consumers are also very much attached with boxes and regarded anything else as good for only second-rate products.

The major factors which influence the consumer behaviour are discussed above. Most large companies also research consumer buying decisions which are closely related with the factors of consumer behaviour. A typical buyer decision process can be shown as below:

Fig: 3 Buyer Decision Process Model

(Source: Philip Kotler, Gary Armstrong, Veronica Wong & John Saunders, Principles of Marketing, 1999)

In the given case, the purchase of detergent is a regular purchase for any family. Since the most of the families owned a washing machine at SE, so they are much focussed to buy the detergent powder. At NE only 28% households own the washing machine. The important fact here is that both the consumers of NE and SE are well aware about the brand and recognises Omo as the best detergent powder in the market. But at NE, approx 53% consumers can’t afford to buy the Omo due to their low-income. The Northeasterns are also not fond of shopping at big retails like Wal-Mart, instead of they prefer to buy the detergent from the near buy shops. As per the details provided in the case, it seems that the Unilever brand is not available in 75000 small store of NE where the products of their competitors are available. In this situation, the consumers have limited option to buy.

## Answer 1 (ii)

## The market in terms of the main brands/players and their strategies

At present in the NE detergent market, there are only two major players- Unilever and Procter & Gamble. There are a few local players are also available in the market but mostly they are in the laundry soap market.

Unilever is a US$56 billion company, headquartered in London (UK) with 300, 000 employees in more than 150 countries. Unilever started its operation in 1929 and now become a pioneer of the consumer goods industry in Brazil. Unilever launched the first detergent powder as Omo in the Brazilian market. As mentioned in the case, Unilever is a market leader in the detergent powder category, having 81% of market share with three brands:

Omo (one of the Brazil’s favourite brand)

Minerva (Only brand sold as both detergent powder and laundry soap)

Campeiro (Unilever’s cheapest brand)

Omo is a premium product with 52% of market share at a price of $3/kg. The main USP of Omo is the high ability to remove stains. Minerva is relatively cheaper brand as compare to Omo with 17% share in the detergent powder at a price of $2. 4/kg. Minerva is the only Unilever brand which is competing with local brands in laundry soap market and is the market leader. In the laundry soap market Minerva have 19% share at a price of $1. 7/kg.

On the other hand, Procter & Gamble is a US$40 billion company, headquartered in Cincinnati (US) with 98, 000 employees in 80 countries. P&G entered in the Brazilian market in 1988 and acquired the detergent business of a Brazilian company named as Bombril and its three brands:

Quonto (migrated as Ace)

Odd Fases (migrated as Bold)

Pop (low-price brand)

P&G is the second player with 15% share of the Brazilian detergent market.

Ace is the main brand of P&G and competitor to Unilever products (Omo and Minerva) with 11% share in the detergent powder market at a price of $2. 4/kg. The other products of P&G have only 6% share of the market at a price of $2. 3/kg. P&G did not manufacture laundry soap.

At present the NE detergent powder market worth of US$106 million is growing with a remarkable annual rate of 17%. Since the manufacturing process is very capital intensive, so the entry barrier is very high in this market. On the contrary, the laundry soap market worth of US$102 millions is growing at a slower annual rate of 6%. Since the production of soap is very cheap, thus there are low barriers to entry.

Currently P&G are targeting towards the low-income consumers of the NE market. P&G drawing on worldwide R&D and marketing expertise is closing up and will attack to this segment. There were also threats of small local brands targeted at low-income consumers. Unilever is also looking to explore the growth opportunities in the detergent market to low-income consumers of NE. But Unilever is facing some internal resistance from Mr. Fernanda Machado (Category Manager for detergents).

## Answer 1(iii)

## Present situation of Unilever and its Strengths, weaknesses, opportunities and threats

With the data available in the case study, the Unilever SWOT analysis is as below:

Table : 1 SWOT Analysis

## Answer 2

## Strategy for Unilever in Brazil

Unilever would follow the Target Marketing Strategy (Segmentation, Targeting and Positioning) strategy for the low-income consumers in Brazil. The following diagram explains the various steps involved Target- marketing process:

Source: Solomon, Marshall, Stuart, Barnes and Mitchell Marketing: Real People, Real Decisions 1st European Editions

Fig: 4 Steps in the Targeting Marketing Strategy

## Segmentation:

The detergent market at Brazil is already segmented into two parts:

High Income consumers living at Southeast

Low income consumers living at Northeast

The Northeast market could be classified under “ Geodemography” segment due to most of the consumers have low income and share similar characteristics.

## Targeting:

Detergent Market segment is registering a 17% annual growth in Brazil and there is a big potential market in NE with 48 M of Low Income consumers. The Purchasing power of the low income consumers has increased by 27%.

## Positioning:

Here Unilever had to develop a strategy for the target segment with a product that meets the consumers’ requirement and expectations.

Based on the current situation as mentioned in the case, I feel that the Unilever has the following options to penetrate the low income consumers at Brazil:

Option 1- Unilever could reposition the Minerva further down market in relation to Omo Brand

Option 2- Unilever could re-launch of the Campeiro as a low-cost brand

Option 3- Unilever could develop a cheaper version of the Omo brand

Option 4- Unilever can create a new Brand or launch a new brand from its portfolio in Brazil.

Option 1 will be less costly option to implement by Unilever since Minerva brand is already present in the mind of Brazilian consumers. But I feel that it was not well positioned in the market. Minerva is a product target to the middle income consumers and there was no details mentioned in the case about them. Thus repositioning Minerva to further down for low income consumers will reduce its market share from 17% (refer Exhibit 7) to even lower therefore it will create a new opportunity for other competitors in the market.

Option 2 will become costly and ineffective for Unilever because already Campeiro is recognized as a low cost and low quality product (with ref. to exhibit 8). Hence changing the image of Campeiro in consumers (low income) mind will take a very long time to achieve.

Option 3 could not be implemented by Unilever because Omo is a high quality and high price product (ref. to exhibit 5, 7, 8 & 9). It would also create confusion between the two version of Omo (High quality and the cheaper version) in the detergent powder market. There is also a possibility that the consumers of Southeast also start consuming the cheaper version on Omo and it will lead towards the reduced sale of High quality Omo. So Unilever should not attempt to develop a cheaper version of Omo.

Option 4 based on the SWOT analysis (refer table 1, Page no. 7); Unilever could plan to develop a new product for the low income consumers. Since Unilever is having a very vast range of detergent brands. So instead of investing to develop a new product, Unilever might also choose a product from its Latin America portfolio, a brand which satisfies the needs of low income consumers with in Brazil.

Unilever can use either of PULL or PUSH strategy in order to penetrate the Low income consumer market of Northeast Brazil.

## The Push strategy:

There was no doubt that the best detergent available on the Brazilian market is Omo. With ref to the exhibit 7, Unilever don’t have any competitor for their Omo brand being the costliest product in the detergent powder market.

As per option4, Unilever should introduce the extension of Minerva Brand instead of developing a new brand. The extension of Minerva brand as Minerva Blue 10/10; with more cleaning power while retaining the fragrance and less emphasis on softness; packaged in the cardboard boxes.

Now the following Marketing Mix should be implemented to penetrate the Northeast market:

Minerva Blue’s target groups are the low income consumers who buy local brands and detergents from the small stores located in Northeast.

The Marketing Mix for PUSH strategy is as below:

## Product:

The Minerva Blue would be packaged in two sizes 1 Kg and 500 g. The Minerva Blue would be designed attractively so that the even illiterate consumers can recognize it very easily. The packaging should be designed in such a way that it would be easy to open and also protect the powder from humidity.

## Price:

The price of Minerva Blue should be cheaper than Campeiro. Unilever have to identify a cheaper packaging formula so that it can reduce the whole sale price of Minerva Blue below than Campeiro. Unilever could use the following approach to price the Minerva Blue:

Formulation cost: $ 1. 00

Packaging cost: $ 0. 30

Promotional cost: $ 0. 30

Distribution cost: $ 0. 05

Total cost: $ 1. 65

## Place:

As per the details mentioned in the given case, Northeasterns are not in favor to shop from big outlets, they prefer to shop from small stores. The big issue is that Unilever detergents are absent from 75, 000 stores in Northeast where the products of other competitors like P&G and as well as local brands are available. Distribution of the products in Northeast is the major weakness of Unilever.

In order to cover all the 75, 000 small stores of Northeast, Unilever should have to introduce its own units of vans, visiting every single store trying to list all Unilever detergent brands.

Unilever could also distribute its Minerva Blue brand in SE, as per exhibit 2, approx 21% of the population of Southeast is in class “ E”.

## Promotion:

Since the consumers of Northeast are buying from the nearby small stores. Thus Unilever should focus to have promotions and visibility of their products in those stores. The promotion should be in such a way that when a consumer entered into a small store must realize that the Unilever had created a brand Minerva Blue only for him, his own version of Omo. Unilever could follow the conventional methods of advertising ATL (Above the Line) campaign to deliver the right message to the low income consumers through media such as television, radio, print and banners to promote its brand. As per the given details, the Brazilians are avid television watchers irrespective of their income. Unilever could also promote their product in popular parties of Northeast like Carnival, “ Forro Festivals” and “ Maracatu”.

The low income consumers might be reluctant to buy a product advertised as “ FOR LOW INCOME PEOPLE”, because it gives a message of inferior quality product. So Unilever should never use in an ATL communication the term of “ FOR LOW INCOME PEOPLE “.

## Pull strategy:

With ref. to the case, there are total 7 products in the detergent powder market where 75% of market share captured by Unilever through its 3 products all combined: Omo, Minerva and Campeiro (ref. to exhibit 7). Thus introduction of a new product from its portfolio will create cannibalization for Unilever. The same concern is also raised by Mr. Fernanda.

So instead of introducing a new brand in the market, Unilever should focus to expand its detergent powder market share by adding new consumers. This can be achieved only by pushing the low income consumers to buy Unilever products. In other words, upgrade the laundry soap consumers to detergent powder consumers.

The marketing MIX for PULL strategy is as below:

## Product:

Unilever had to promote their all 3 brands: Omo, Minerva and Campeiro in the small stores of Northeast.

## Promotion:

The promotion strategy would remain same as PUSH strategy. On top of that in store promotions are very important. Unilever could offer a very attractive offer to the low income consumer which insist the NE population to buy the Unilever products like Buy 1 Campeiro and get one free or can earn some points which could lead them to get a free Omo etc.

The above strategy will attract new consumers for detergent powders. Simultaneously Unilever could also signup business contracts to promote the Unilever products with the Washing machine dealers. So whenever any consumer buys a new washing machine the dealer would suggest them to use only the Unilever Brand detergent powders.

## Place:

The distribution strategy could be the same as mentioned in the PULL Strategy.

In addition to that, Unilever should ensure that in any small store their all 3 brands must be available at any moment with different SKU which gives an opportunity to the capable consumers to upgrade themselves for high price detergents. Unilever should also ensure that if the small store owners/managers can offer an exclusive section of Unilever products where only Unilever products are available. So in such case consumer don’t have any options to buy any other detergent.

## Price:

Currently Campeiro is the only brand focused to low income consumers which is available for $ 1. 70 to retailers compare to its actual cost $ 1. 45. Thus at wholesale price Unilever is able to have the margin of approximately 17%. Hence Unilever could reduce its margin by redefining the formula of Campeiro which could add some more attribute as per the need of NE consumers like clean and whiten clothes with a small quantity with good quantity of foam, add some perfume etc.

## Conclusion:

Being the low income consumers doesn’t affect their brand conscious. These consumers are always looking for good and reliable quality product at a fair price. These consumers might not be able to afford the best brand of the market, but they do see the high price of such products as an indication of value. More than three-quarters of the global population is low income, and many of them have been historically beyond the reach of organized retailers.

In the given case study of Brazilian Fabric Wash Market, the population of Northeast is well aware about the Unilever Brand: Omo but due to high price they can’t afford it.

To serve low-income consumers successfully, Unilever must first account for their lower purchasing power. To penetrate the Low income market, Unilever might use the concept of 4 A’s as below:

Promote offering through mix of outlets

Reduce Cost to serve

Shorten Supply Chain

Select and support retailers

Localize sourcing

Reduce packaging size for low price per unit

Focus development on customers

Employ innovative thinking to meet

Fig: 4A’s Diagram Sources: Jame Andereson, Net Blog “ Serving the world’s Poor, Innovation at the base of Economic Pyramid”

Based on the above discussion of PUSH and PULL strategies, PULL strategy would give the result in a longer term but the PUSH strategy would give the result immediately. So I would recommend PUSH strategy as the Best Strategy for Unilever in Brazil.

In the short term, Money need to be invested and therefore diverted from premium brands to low price brand. It gives Unilever a momentum and advantage in a fast growing market. With the right strategy, low income consumers will be ready to pay for a new brand and Omo buyers will not move which will make Unilever a leader in low-income consumer marketing.