

# Market and Consumer Research

**Exploring the buying behaviour and brand preferences of the Myanmar consumer**

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# Myanmar Economy

- A series of political and economic reforms.
- In 2016, the world's fastest growing economy by the World Economic Forum (GDP) growth rate of 8.6%.
- Its economy – with a GDP per capita of USD 1,200 – was worth USD 65 billion in 2015, following its recent rapid expansion.

# Strategic Location for Connectivity

Bordering the economies is within reach of 40% of the world's population.

a strategic trade hub for the region.

- Dawei Special Economic Zone (SEZ)
- Goods from India can be shipped from ports located in the Indian Ocean to Dawei, transported by road to Thailand, and rail to southern China.
- Alternative route to the Straits of Malacca, and boost trade growth between Myanmar and its neighboring economies.

# Key economic sectors

- The manufacturing sector accounted for 2014-2015 at 19.9% of GDP. agriculture (19.7%) and trade (18.7%).
- Myanmar remains a predominantly agrarian economy, it also possesses rich forest and energy resources
  - such as teak, petroleum, large offshore deposits of natural gas, arable land, metallic minerals, jade, ruby, and other precious stones –A major exporter of agricultural and food products to its rapidly growing neighbours.

# The nouveau riche

- The number of middle-income consumers expected to double by 2020.
- the sales of non-essential products, such as beauty and personal care as well as tissue and home-care products, have been growing.
- In 2013, the sales of beauty and personal care items reached a market value of USD 318 million, after expanding at a compound annual growth rate of 14% since 2009.

## The nouveau riche (Contd.)

- **GDP per capita** .....USD 1,000, income levels in urban areas .....increasing.
- Yangon residents is approximately USD 3,000 – the level at which passenger car sales typically pick up.
- **Consumer expenditure** ..... triple over the next decade,
- many retailers .....plans to expand in Myanmar's **second-tier cities** and develop their logistics and distribution networks.

# Myanmar Consumer Survey

- The Myanmar Consumer Survey (Deloitte)..... a number of consumer behaviour patterns conducted in **Yangon and Mandalay** earlier 2016.
- the Myanmar consumer's **communication and buying channels**, as well as the **issue of payment** will be presented.

## Methodology

- The survey was conducted (2016)
- 350 households
- face-to-face interviews
- Two major cities: Yangon and Mandalay.

## Reasons

- The most populated cities and
- significant proportion of Myanmar's GDP.

# Surveyed Product categories

Sr	Product Category	Example of Sub-categories
1	Beverages (Alcohol)	Beer Whisky Wine
2	Beverages (Non-Alcohol)	Fruit or Vegetable Juices Ready to Drink Coffee Ready to Drink Tea Soft Drinks
3	Confectionary	Biscuits Bread Chocolates Pastries
4	Household Appliances (Major)	Air-conditioners Refrigerators , TV Sets Washing Machines
5	Household Appliances (Small)	Clothes Irons Fans , Hair Dryers Microwave Ovens Toasters
6	Packaged Foods	Breakfast Cereals Instant Noodles Sardines
7	Personal Hygiene Products	Bath and Shower Products , Haircare Products ,Laundry Products Mouthwash Toothbrushes Toothpaste
8	Tobacco	Cigarettes Cigars Tobacco

## Buying behaviour and brand preferences

- **Taste, Quality and Price** (such as Beverages, Confectionery, Packaged Foods, Personal Hygiene Products and Tobacco).
- As product options and more well-informed, **Price** is no longer the single most important determinant.
- emphasis on **individual preferences** for Taste attributes

# Buying behaviour and brand preferences

- Quality (terms of **product freshness and consumers' expectations** ).
- for Household Appliances,  
(Durability and Technology),  
to avoid the hassle of needing to re-purchase the product and  
more technologically advanced product features.

- Price (an important consideration)
- other product benefits such as **After-sales Service and Design.**
- Generally, less price-sensitive when purchasing **higher-end household products.**

# Customer Royalty

- A relatively loyal one, (the **limited availability** of viable alternatives)
- Generally, consumers prefer Local products as they desire the **familiarity** and **lower price points**, (geographic differences).
- Consumers in Yangon, (**imported brands** with the mushrooming of **Modern Trade outlets**)
- Preferences shift in favour of **Foreign brands**.
- Mandalay consumers (**Local products**)

## Customer Royalty (Contd.)

- Household Appliances, (imported brands which are perceived to be reliable and of higher quality)
- Imported products also often cost a premium, stricter import regulations, increased taxation and exchange rate issues.

- High-income consumers (more diverse set of **brands and product options**)
- Household Appliances, Packaged Foods, and Personal Hygiene Products – a preference that is reflected in the assortment of products in Modern Trade channels.
- Foreign liquor and cigarettes, available in hotels, bars, and other Modern Trade outlets.

# Brand Image

- **Thai products** (Beverages, Confectionery, Packaged Foods, and Personal Hygiene Products)  
(relatively cheaper prices, high quality and accessible border trade)
- The second largest consumer goods (**Japan**)  
high quality products and many Japanese brands
- **Korean brand** names,  
(cosmetics and household products categories).
- Popularity amongst many young consumers and homemakers  
(fans of the “Korean Wave” and Korean TV dramas and pop music).

- Alcoholic Beverages and Tobacco categories, (**Western brands** dominate as premium products).
- **Chinese brands**, (negative perceptions of safety and quality).
- Chinese goods are present in all product categories, with *relatively higher success* in the categories of Household Appliances, Personal Hygiene Products and Tobacco,
- price-sensitive or limited options.

# Communication channels

- Word of mouth (most trusted source of information).
- Friends, Colleagues, and Relatives  
(significant role in *influencing the purchasing decision*).
- Traditional media such as TV and Billboards remain important channels for mass marketing  
  
(spend a *substantial amount of time* in front of TVs and in traffic, especially in urban cities).

# Communication channels (Contd.)

- Print Media and Radio,  
(decreased in popularity in urban cities but they effective in the rural population).
- Social Media rise in popularity  
(increasing Internet and mobile penetration rates)

- Many online start-ups (Facebook as a primary channel of communication).
- Direct marketing channels (Events and In-store Promotions such as discounts, lucky draws and gifts), are popular.
- Direct marketing channels are effective way (to influence the word of mouth effect).

- Alcohol and tobacco-related marketing is prohibited, (**word of mouth** to make the purchasing decision).
- Alcohol and tobacco companies, (focus on investing in In-store Promotions, including the **use of sales promoters**, as well as sponsoring Events **to build brand awareness**).
- **In-Store Promotions** are also effective (big-ticket Household Appliances, as consumers seek out discounts and lucky draw promotions).

# Buying channels

- Traditional Trade channels play a **major role in retail**.
- **Local mom-and-pop stores** like Grocery Stores and Roadside Vendors/Stalls are amongst the most frequented shopping outlets  
(situated in locations within close proximity to the consumers).
- Perceive the products sold in Traditional Trade outlets to be fresher,  
(smaller outlets have **higher inventory turnover rates** and thus are **restocked more frequently** than larger outlets such as Supermarkets).

- Consumers in rural areas (Traditional Trade outlets).
- In general, Myanmar consumers who prefer Traditional Trade channels  
Location and  
lower Price
- Prefer Modern Trade channels  
stock Availability,  
Variety and  
the Level of Service .

# Modern Trade

- Modern Trade channels (**Convenience Stores and Supermarkets**)
- sell **mostly imported goods** are becoming increasingly popular in Yangon and Mandalay.
- These city-dwelling consumers (Modern Trade outlets) as the level of **customer service is superior**, while **prices are comparable** to that of Traditional Trade outlets. (Modern Trade outlets are also associated with **better quality products**).
- Preference for **Modern Trade** is more pronounced **in Yangon than in Mandalay** (on Traditional Trade).

- the type of product categories that consumers purchase also **vary between the different channels:**
- Household Appliances (**Modern Trade channels** in Yangon),
- Tobacco (**Traditional Trade channels**).
- As Yangon's nightlife scene (with a greater number of bars and clubs), the sale of **alcohol through Modern Trade outlets** have begun to accelerate.
- Modern Trade channels are poised to *take off* in Myanmar, particularly in **urban cities where household incomes** have risen significantly.
- (grow at an annual rate of about 10%).

# Trust

- Modern Trade channels (Branded Showrooms and Supermarkets), have reputations for offering **high quality products**.
- With growing consumer **distrust in Traditional Trade channels** for their **counterfeit or illegally** imported goods, Modern Trade is becoming increasingly preferred in general, (preferred across **all income segments** for the purchase of big-ticket Household Appliances).

# Terms of Payment

- Myanmar remains a predominantly **cash economy**.
- (A large population is also **unbanked**: more than **95%** of the country do not hold bank accounts).
- Even large payments (the purchase of an apartment or a car, are made in cash). This is the case even in urban cities. In survey focusing on consumers in Yangon and Mandalay, 99% of them conduct their **transactions in cash**, despite the fact that **a fair proportion of them have access to bank accounts and bank cards**.
- Change.  
(the goal of boosting the economy and **supporting modern business transactions** locally and internationally, the government issued a series of **regulations on mobile financial services**).

- With rapid growth in Internet and mobile penetration rates (online and mobile payments).
- Barriers to card usage remain, such as **the ease of use and lack of knowledge**, the majority of consumers (78%) have expressed a **willingness to use card payments in the future**.

# Key Takeaways

- Firstly, **the rise of the optimistic, middle-income Myanmar consumer is likely to continue to fuel growth across the full range of consumer products and retail categories.**
- Survey revealed that for many of them, price is increasingly taking a backseat in the purchasing decision as they **prioritise product attributes** beyond basic functionality.
- Companies must also not only ensure **sufficient product quality and range**, but also tailor their **offerings to the local tastes.**

- In Myanmar's **ethnically diverse market**, consumer preferences are highly influenced and shaped by their identification with particular **cultural and ethnic groups**.
- Secondly, we witnessed the inevitable **shift from Traditional Trade to Modern Trade channels**.

- Traditional Trade channels maintained their **dominance in the market** for their edge in terms of **Location and Price**, the survey showed that consumers in urban areas – especially Yangon – increasingly prefer **Modern Trade channels for their reputation of quality and better customer service**, especially when purchasing big-ticket items.
- Thirdly, we found that the elusive **word of mouth channel** appears to be the **most influential source of information** for Myanmar consumers.

- Companies should consider the **use of In-store Promotions, Events and other incentives** to target the influencers in **the consumer's circle of trust**.
- Traditional media (Billboards, Radio and Print Media remain important channels for **targeting rural and outskirts areas**).
- The Social Media channel (start-ups have already begun capitalising on its potential and companies who **do not wish to be left behind** on the digital curve will need to do so as well).

- Finally, it must be acknowledged that despite the promise of Myanmar's consumer market, **a number of impediments remain.**
- Retailers continue to face difficulties **in achieving cost-efficiency along the distribution chain** given the country's **chronic infrastructure shortage.**

- Myanmar's predominantly cash economy and **inadequate banking facilities** also means that *electronic payments can be a challenge* for many business transactions.
- But these are **not insurmountable challenges**. With Myanmar's political and economic reforms – and the subsequent **influx of foreign investments** – the situation looks set to improve.

Thank you for your attention

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