

## **Consumers and crisis in Argentina<sup>1</sup>**

**February 2002**

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## **Consumers and the current crisis in Argentina**

- February 2002 -

### **I. Introduction**

Today, Argentina is undergoing the most serious crisis of its history. Despite this circumstance, the domestic market in Argentina is still one of the most interesting ones in the continent.

Given that any crisis entails opportunities and that companies and institutions need up-to-date information to take advantage of them, at S&T Research we began to research consumer perceptions as well as attitude and habit changes within this context.

### **II. Objectives**

We asked ourselves:

- How has this crisis impacted on consumers?
- What changes have taken place in their attitudes and habits as well and in purchases and consumption?
- What opportunities and threats can be perceived with regards to brands?
- What symbolic value is attached to nationally made and imported products?

### **III. Methodology**

To answer these questions we carried out, in a first stage, qualitative research along the following lines:

- Four focus groups
- Among women who live in the Buenos Aires Federal District and Metro Area.
- 25 to 35 years old (two groups) and 40 to 55 years old (two groups).
- C2<sup>2</sup> SES.
- Housewives that decide/ buy consumer goods for their homes.
- With at least one child less than 18 years old and a family structure with three to five people living in the house.
- Fieldwork dates: February 14 and 15, 2002.

This study may continue with a second stage to probe specific issues concerning a variety of products and services. Also, to understand the reality in the highest and lowest socioeconomic strata.

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<sup>2</sup> As the sample had to limit itself to one consumer segment, we decided to research a sector of the middle class that – conserving some consumption capacity – would be representative of a wider sector of the population.

## IV. Key Findings

### 1. The general situation in the country

#### Perception of the crisis

All respondents acknowledge the social-economic crisis. It is all-encompassing, covering all aspects of housewives' private and public lives: *"We're immersed / it's terrible for all."*

#### Attributed causes

Spontaneously, the responsibility for the current state of affairs lies in the inability and corruption of those who govern rather than in society / in themselves as citizens.

Having gone through other traumatic experiences in the country, a segment of respondents see this crisis as the final stage of a process of *"policies in favor of a (financial) sector"* that has been hurting the population on a social and economic scale. They identify the crisis as beginning in 1995, during Menem's second presidency. This crisis is a "logical" consequence, with no surprises: *"We were already suffering, my husband hasn't bought himself a pair of sneakers in three years."*

#### Globalization

When asked what they thought about globalization, we note:

- Many don't understand its implications. Others are not clear about what it means: *"I don't have Internet."*
- A significant segment reiterates that the responsibilities for the current state of affairs in the country are domestic: *"The problem doesn't have to do with globalization but rather with the kinds of politicians we have."*
- For some, it's a synonym of world politics that *"One can hardly escape / Argentina is not isolated in the world and there's a part (Latin America) that's increasingly poor."*

## Expectations towards the immediate future

Today, their expectations of stability and consolidation have been strongly hurt and their main concern is not seeing any signs of economic recovery, which would be synonymous with having a job.

- There's a segment for which the outlook is discouraging and they hope things won't get worse "*You're scared of losing what you've got.*" Personally, the sense of job instability affects them emotionally – being as some equate unemployment with helplessness and/or begging. Anxiety rises when a family member loses a job: "*We'll have to pawn things to make it through the day.*"
- Others have a more positive outlook, even though they recognize how grave the situation is. They trust in the country's resources and think that the crisis will be an opportunity for change and improvement: "*We won't stay in the same spot / history undergoes changes/ (politicians) have less room to maneuver.*"

The majority foresees that growing unemployment will lead to growing violence, which is a fact in society: "*Things will get worse on the streets and at home due to the lack of jobs*" / "*I'm afraid (of a student), the other day he told me: ma'am, the cops chased me over the rooftops, firing at me.*"

## Women as citizens

In today's context, respondents feel ignored and not taken care of by the government: "*a political class that forgets / doesn't care a hoot about the people.*"

Not believing in public institutions aggravates people's personal situation, heightens their sense of helplessness and reinforces the idea that the 'way out' is limited to the individual and to his/her own resources "*now the union health plan doesn't pay and it no longer covers my daughter's asthma condition.*"

One perceives different segments with regards to the social role they currently hold:

- Those who are impotent and have a more dependent profile assume a passive role as citizens and are not clear about what their function is in society. They are at a loss in a world that demands a different kind of participation, and feel inadequate in facing the current situation. By and large, their participation as citizens is limited to exercising their mandatory vote.

- The mobilized are sensitive to more critical stances towards institutions as they now stand, and feel that new forms of participation can be a solution to their problems: *"We have to be more united, it's our country, our people / we parents must cooperate with the kid's school."*
- Those who are proactive (a minority segment) seek and find legitimacy in new popular organizations in exercising a new role: *"I collaborate in solidarity actions / with friends we try to find out who needs help or is seeking a job / I invite people over to barter / I'm thinking about becoming an activist again."*

In these last segments the networks of solidarity operate today as social support and containment, filling in for a vacant State.

### **The Mass Media**

- A segment of respondents seeks information and wants to be more up-to-date than before: *"I'm concerned about knowing what happened with the dollar because it will have an impact on the bread I buy tomorrow."*
- Others, facing anxiety, prefer to escape from reality and not expose themselves to the news (more so among the young): *"I watch less TV because of the kids/ I don't want to get hooked / my husband switches channels, he doesn't want to get depressed."*

In part, they don't believe journalists: *"They were so happy with Cavallo, and now as well / they said that devaluation was the worse thing that could happen and now they think it's terrific / the same news changes entirely depending on where you hear it."* Due to the crisis, a change of view on the virtues of convertibility extends to the mass media: *"They didn't tell us the truth."*

### **Emigrating**

- For some, it's an interesting but unaffordable option. Especially if one can't apply for dual citizenship or lacks the resources to foot the bill while abroad for some time: *"If I got an offer, I'd consider it."*
- Others don't even contemplate the possibility of emigrating: *"It's the last thing that could happen to me / I'd pick cans but I'd stay / it's too much of a physical and emotional sacrifice."* Children of immigrants share this profile: *"It's ugly, my dad didn't belong here or there."*

## Pot bashing

- An important segment of respondents did not take part in pot bashing. Although most agree with the demands, some question the legitimacy and effectiveness of this kind of demonstration: *“I’m not sure if they would have hit the streets if they hadn’t picked their pockets.”* Others abstain out of fear.
- The segment that did participate did so under the umbrella of specific grievances: *corralito* [confiscation of savings], corruption, resignation of the Supreme Court, etc.

## Pickers

- In a segment there’s distrust and rejection, because picketers are associated with unacceptable political practices: *“They’re manipulated by political strongmen and they’re just after the work plans / they’re the ones that use electricity without paying for it / supermarket looters.”*
- The segment that justifies picketers sees them as carrying out *“desperate actions to draw attention”* towards a reality of misery, that is dangerous and of concern to all: *“If they don’t do this, who would listen to them? / They are undernourished, they don’t bathe, they don’t have hot water in their homes.”* However, they have a hard time discriminating ‘genuine’ from ‘manipulated’ picketers.

Among all respondents in this social-economic level, these ‘poor people’ (the picketers) are the feared referent of what they can expect for themselves should they prove unable to sustain what they have managed to earn and suffer further deterioration in their economic standing.

## Employment

As noted, the fear of likely unemployment is their main concern.

- The most vulnerable segment holds informal or odd jobs as a result of the reduction in society resources (*“You never know when or if you’ll get paid”*) and tax rules (*“My husband, who does photo-chrome work, began to lose jobs when they asked him to issue bills”*). They are more pessimistic.
- Some of those with families in the provinces are reconsidering the value of living away from Buenos Aires and consider it a likely option, as a new opportunity for reestablishing themselves and growing.

## Money

Price increases in an uncertain context, along with wage cuts, implies a drop in people's purchasing power and heightens the feeling of uncertainty: *"I have the same amount of money as before but with price increases / now what I've got for the day isn't enough to buy what's on sale at Coto."*

Anyhow, right now inflation is less of a concern than recession (unemployment). Some even disregard it as a threat in the short term because, *"If there's no money, regardless of how much they raise things you won't be able to buy / at home we say that if they raise the prices then we'll buy something else."*

Restrictions in handling cash (corralito – which limits the amount of money one can withdraw from the banks) basically make it harder to organize 'big' payments (school tuition/ *"the big supermarket buy"*).

- Most spending is done in cash and to a lesser extent with credit cards *"once or twice because my husband has to sign."*
- Those who get Patacones or Lecop try to get rid of them fast and are even willing to cross over to the province to pay public services because *"they're not accepted in the Federal District."*
- Among credit card holders, some take full advantage of financing purchases: *"I pay the minimum amount and then... I don't even want to look at the interest rates."* Others put it away in a drawer and are afraid of using it.
- A minority segment, with some savings capacity, buys dollars and keeps them outside the banking system. The uncertainty of the crisis reinforces the (traditional) reassuring value of the dollar bill. However, this decision is publicly experienced with a bit of shame insofar as it's associated with speculating against the peso or with a lack of solidarity towards the country. Instead, when savings are associated with investing (in a home/ a business/ tools) they are valued, even when by and large they are not short-term operations.

For some, the lack of economic means not only impoverishes their lives but also frustrates family projects: *"My son says that if he can't get a job he'll quit studying, he can't afford to buy a book / my husband's mood changed, he lost his job in December / if my son wants to leave, what can I tell him?"*

Others, the most optimist, try to overcome the crisis with creativity, assuming it as a challenge and are willing to adapt to current circumstances: *"I don't give up, I manage / I spent my vacations at the house of a relative / at home, with friends, you share food / money isn't everything, there's a lot to be done."*

## Bartering

Bartering is spreading and emerges as a response to the lack of cash and the high costs in the 'official' market: *"My parents lost their jobs with three teenagers going to school, he gets odd jobs and my mom goes to barter."* For many it's the alternative to a market that has left them out.

Those who engage in bartering are enthusiastic about it and feel gratified in what they personally make (their very own and genuine means) and by the fact that it's so easy to enter this trade circuit that's tax free.

What is being offered is so widespread that one can increasingly solve every day practical needs: *"You can find everything, even dishwashing detergent."*

The 'bartering' segment is very active and reinvests its 'credits' with surprising results that improve the quality of their lives and their mood.

It would be worth probing this phenomenon further, researching to what extent and how this is changing consumer habits and consumer relationships with brands.

## Devaluation

There is no single and shared opinion.

- Most respondents admit that it was necessary: *"We were living in a subway (convertibility) and that wasn't real / it will do away with junk imports."* But they note that in itself it won't suffice to solve the country's problems: *"It brought about more unemployment/ I need a job, not Work Plans nor give-away sneakers."*
- Others regret losing the benefits of the 1 to 1 exchange rate or fear remaining trapped by financial speculation: *"Without set rules, save yourself holds / I used to buy dollars with left-over cash, but now I think twice with the dollar at 2 pesos."*

## Pesification

This represents a major change vis-à-vis the established habit of thinking in dollar terms and buying in dollars, and thus triggers different reactions.

- For some, it's positive insofar as it is associated with defending the country (one's identity) and with a healthy economy: *"We deal in pesos / if this will put the country back on the road, then I welcome it / it promotes tourism / forget about the dollar!"*

- Although another segment rationally accepts pesification, it refuses to think of the peso as a solid currency: *“I want to save in dollars.”* It feels more highly exposed to arbitrary government measures (there are precedents): *“The dollar is a neutral referent / years ago my mother in law had savings, she was building a house and from one day to the next she lost it all and cried...”*

## 2. Personal Circumstances

### Purchase and Consumption Patterns

Facing the current situation, this segment under study feels it has been losing ground for quite some time and that it doesn't have much more to loose (as long as the fear of unemployment does not materialize): *“I can't make it on what I've got / I've learned to survive / we even cut back on going out with the car / if it's for free, but you have to travel, so we don't go.”*

Controlling spending is one way to survive. Many have bought durable goods on credit and the monthly payments make things worse.

- Most housewives become better house managers to cover their family needs and seek other kinds of gratification for their children. Some – though they admit they were forced to change – celebrate organizing consumption, using things more rationally, introducing ethical and rational criteria when making decisions: *“We're more conscious, they force you to but that's OK, it's healthier.”*
- A segment that tends towards denial has not changed its habits because it did not experience a significant impact on its earnings. Instead, it has postponed the emotionally negative consequences to a day in which reality will exert a stronger effect.

There's an order of priorities for cutting back on spending:

- She sacrifices herself first as a housewife and as a woman, giving up on products and brand: *“I no longer buy as many bathroom products / it's been a while since I last bought clothes at a boutique / creams and perfumes are a luxury now / I walk rather than take a limo.”*
- Then, they postpone their husbands' consumption. Although the man goes free when he's the breadwinner: *“My husband doesn't suffer the same cutback.”*
- The last ones to suffer cutbacks are the kids, especially if they're very small: *“I can't buy cheap shoes for my child.”* Women who obey a more maternal role suffer a lot when denying their children what they need.

However, some respondents noticeably persist and justify some 'expensive' consumption when the bond with the product and brand is strongly rooted in a

functional benefit: *“No other rice cooks as well / when using tablets I use the right amount in the clothes washer other diapers just last an hour / I bought cheap and got stuck.”*

Now, adults decide what products and brands are bought, depending on their budgets, and children lose their power of influence: *“Before, my daughter would say take this one, because it’s on TV.”*

Everyday life and habits change in many realms: *“Now we decide against what we used to do without giving it a thought / we save, we don’t spend on things that are not necessary / this year nobody’s going to pay the school coop fee.”*

People make up with time and personal effort those things that used to be solved with money:

- Price shopping versus everything in one place.  
*“Inexpensive brand offers, second brands/ I found a cereal that’s also tasty / I buy wholesale / by the box.”* Price shopping makes them have to go and compare among many stores (supermarkets, neighborhood markets and retailers) *“before everything was bought at the supermarket / I’ve started to walk around / I keep the receipts to compare.”* For some, the Central Market is an interesting alternative when buying a lot (large families).
- Everyday shopping – stocking less at home versus weekly / monthly supermarket shopping.  
*“Just what I need, if someone comes over to eat, I go out to buy / before I was always stocked on things, but now I can’t afford it.”* Sometimes, retailers are an affordable option, not just price-wise but basically when buying a single item: *“At the neighborhood store cheese is less expensive / I check what I need and then I go shopping.”*
- Recycling leftovers versus a daily menu or a more balanced diet.  
*“Make chicken yield a lot more / eating leftovers”.*
- Homemade food versus ready-made products / home delivery.  
*“Before, on Saturdays we’d order pizza and now I make the dough / I make yogurt / turnovers / the shades.”* Growing interest and usefulness in having practical information, secrets, tips, advice, ideas that will make things easier for doing things at home.
- Basic versus specific products.  
*“Bleach and detergent, not just one for the bathroom and another for the wall tiles” / “more chocolate milk and less yogurt.”*

- A more rational purchase versus impulse buying:  
*"I buy fewer candies, toys, clothes / now he uses his brother's or others' hand-me-downs."*
- Traditional frequency and doses versus greater control.  
*"I try to use a bit less of everything / before I'd change the pool water every day and now I add bleach / at home I don't use diapers, he's nearly two years old."*
- Free versus paid entertainment.  
*"Mate at the park, before we'd go once a month to McDonalds and they'd get the happy meal / I'm about to get rid of cable TV / this year we're not going on vacation, we're going to the union club."*

### **Emotional impact**

Beyond the material costs, the crisis also has an emotional cost that relates to the mourning implicit in losing stability and security: *"It really touched me and a lot / self-control, resignation, giving up on your cherished dreams..."*

- Uncertainty in raising one's kids *"in the middle of this mess we don't even pay attention to them / we resign ourselves, but what kind of future's in stock for them?"*
- Frustration at not being able to do carry on with life as usual / gratifying one's kids *"going out more, pampering them"*, because family projects can't be carried out *"when you get married you plan doing things as a family, and now you just can't."*
- Depression / hopelessness / exclusion (unemployment) *"having to say no / my husband wants to sleep and can't."*
- Impotence in the face of government dishonesty, incapacity and not caring for the people.

Some respondents experience stronger feelings of guilt or shame and feel that it's all a reflection of personal failings: *"They miss things, they remember and ask / you can't tell them that there's no money because otherwise... you have to kind of keep them in the dark."*

Those who are more positive try to make up for losses with other things and seek new avenues of satisfaction. *"There was something I had been putting off, I started bartering, I teach her English and she teaches me to paint / I have fun looking for recipes I never made / things to entertain the kids / I spend more time on my true feelings which I used to ignore."*

## Relationship with brands

The crisis extends to everything and brand image does not escape this.

The relationship with leading brands is suffering from price changes and lack of stock, triggering bewilderment. Although at first these problems are mostly blamed on distributors rather than on manufacturers: *“You never know if they’re out of stock or if they don’t want to sell to wait and see what happens.”*

In some categories, second brands that were not even taken into account before are now present and sought. Experiences with them lead to comparisons and opens the door to reconsidering what represents value to consumers.

- As said previously, some respondents remain loyal to leading brands in some categories. This is easier when the relationship is mainly rooted in a clearly evident functional benefit. Likewise, many of those that quit their regular brands fantasize with coming back to them when stability reigns again.
- Others admit that the second brand performs as well as their previous one and establish a positive relationship that can even consolidate in the future: *“I don’t fret about when I might use it again / why should I go back if this one works just fine?”*

Thus, there’s a need to probe in each category how consumer’s traditional relationship with products and brands will suffer. In any event, one must pay attention to the symbolic aspect of the relationship, bearing in mind that many values that were held during the stage of convertibility are now being questioned.

## Large chains

Consumers do not perceive different policies among the sales channels, beyond their traditionally set image: *“Coto has more things on sale / Disco’s 2x1 is often highly convenient / Jumbo is more expensive.”* Coto also stands apart for its promotions at the eateries *“with two pesos you can eat outside, with a view.”*

However, Disco’s 2x1 is not particularly appealing, except for basic goods: *“I’m not interested when it’s for wine or special [floor] waxes.”* The most appealing promotions are those representing an aid to housewives: either because they offer a price advantage or more product.

## Made in Argentina

When respondents were asked about their feelings on where products sold were made, one first of all observes ignorance or doubts as to what products are made locally and what products are not.

Besides, the many mergers and acquisitions of traditional Argentine firms by foreign capital have weakened the 'national' or 'foreign' nature of brands. Thus, 'Made in Argentina' can apply to both, as long as they're made in the country *"If it's made here then it's national / it doesn't matter if they take the money abroad because they're giving people jobs here."*

Theoretically – and as a government economic measure – restricting imports is backed, except for some categories such as drugs and machinery *"It was really bothering me to see the shelves full of imported goods."*

In practice, there's a segment in which knowing where a product is made matters and 'Made in Argentina' becomes a good reason for buying it. There's a rational reason associated with the expectation of seeing results: *"If the economy recovers, then you want to buy a product that will make my husband have an extra day of work / people are beginning to understand, they want to buy what we make / if we buy Made in Argentina, then prices will drop."*

The uncertainty of not knowing whether products will be available in the market is also affecting consumer relations with imports. Anticipatory signs are *"empty shelves"* and the growing disappearance of 'All for 2 pesos' shops. This makes some purchase decisions await for further information.

There are some prerequisites for buying 'Made in Argentina':

- Respondents don't clearly know what's made in Argentina or how to find out *"One must read the boxes/ Nesquik is made here or abroad/ Brazilian shoes say so."*
- Standards consumers got used to during convertibility trigger expectations of nationally competitive products, *"variety, quality, good designs and at the right price."*
- People remember that imports were cheaper and they don't understand why products made in Argentina should be more expensive. *"If it's the same or cheaper, I'll buy made in Argentina."*
- Domestic businessmen have a poor image: *"Argentine want to earn more and not what businessmen earn elsewhere in the world / they manufacture 10 and want to earn as if they had sold 100 / they didn't bother to make what was needed if it wasn't to their advantage, books are printed abroad..."*

## V. Annex

### **Brief review of the context of the crisis in Argentina**

- In the last decade, Argentina experienced a period of economic stability. In the world context of globalization, the new economic and consumer model elicited strong support and seemed 'everlasting'. With convertibility (1 peso=1 dollar) and access to credit, broad sectors of the population had access to wider consumption. The opening of the domestic market to imports and inputs began to generate, for many categories and brands, a variety of offers comparable to those in developed countries. The 1 to 1 exchange rate made many imports cheaper than local competitors. And also facilitated traveling abroad and buying directly abroad.
- In parallel, there was growing recession and unemployment, evidencing a process that culminated in one of the most serious crisis in the nation's history.
- In December 2001, when the country entered into default and devalued its currency, a large sector of the population simultaneously suffered the effects of a crisis that not only modifies and reduces its consumption possibilities but also threatens its very life style: financial 'corralito', salary cutbacks, firings, government changes. There are demonstrations of growing dissatisfaction: pot bashings, *escraches* [exposure demonstrations], picket lines, and neighborhood assemblies.
- In February one begins to note partial and early price hikes and shortages in some categories, especially in imports.