Learning to be local: the global FMCG brands delivering growth in and from Asia

Virginia Garavaglia

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Author(s): **Virginia Garavaglia**
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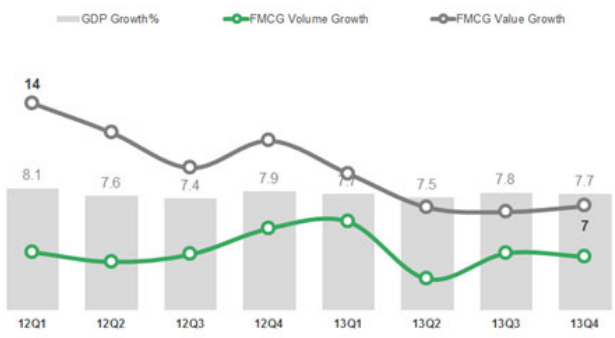
Virginia Garavaglia
Kantar Worldpanel

The opportunities are there for the taking for multinational FMCG brands looking to establish a larger footprint in Asia as a springboard for global growth. And there is plenty of headroom for increasing reach: the average global penetration of the world's Top 50 most-chosen brands is just 20%, and only three out of the Top 10 gained penetration over the last year (Source: Kantar Worldpanel's 2014 Brand Footprint).

Asia is the best strategic focal point for converting more households around the world into loyal customers. Of the 3.5 billion additional FMCG purchases made by households around the world in the last year, 83% came from Asia – a 3% year-on-year increase. In China FMCG purchases have grown by 7%, even as the pace of economic growth slows.

Local brands are currently gaining more ground in Asia than global brands, capturing over two thirds (69%) of all the decisions shoppers make. They grew their reach by 3.1% in the last year, while global brands grew by 2.6% – mostly in China, India and Indonesia. Such is the strength of local FMCG brands that six – all food brands – are bought more than one billion times per year in their home markets alone: Master Kong, Yili and Mengniu in China, and Indonesia's Mi Sedaap, Indomie and Masako.



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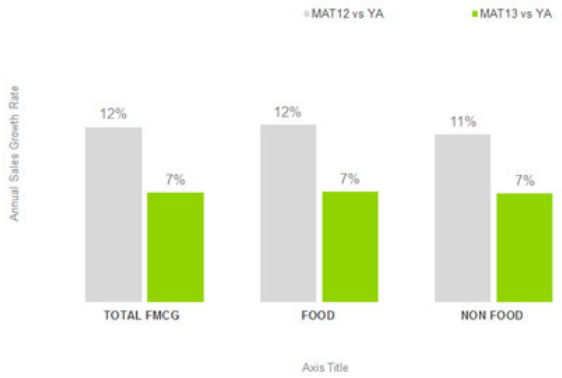

China – FMCG sales growth

Those global brands who are thriving in the region are tackling the established local players in these markets head on – but they are also learning from them.

Deep roots and fast reactions

Far from copying the strategies of their global rivals, local brands use their proximity to the market to engage consumers and build loyalty. They are able to develop the market by quickly identifying and accurately responding to requirements, whether with new flavours, scents or benefits, or marketing campaigns with a local slant.

Asian brands are deeply rooted in the culture of their home market. Asian consumers are proud of their traditions, love products to have a 'premium touch', and care about both inner health and outer beauty. Local brands are extremely responsive to fast-changing consumer trends, meeting functional needs while bringing significance – and a little luxury – to people's lives.

They also understand the retail landscape and infrastructure within the countries they serve, and develop highly effective distribution strategies that overcome hurdles to making their products accessible.

In China, for example, the Top 10 most-chosen FMCG brands are all Asian. The growth of local brands is the fastest in the region at 7.3% – compared to 5.9% for the global brands operating in the market – and they capture more than 75% of all FMCG purchases.

Master Kong is the country's most-chosen brand. With the largest shopper base in China, it is bought by more than 91% of households. Its new instant noodle variants have successfully tapped into Asian consumers' growing need for products that add convenience to their lives.

The state owned dairy company Bright has increased the number of times it is bought by 40% year-on-year, capitalising on Chinese consumers' willingness to pay premium prices for healthy, high quality products – particularly in the wake of recent food scares – with the launch of its Momchilovtsi UHT yoghurt. The product has also enabled Bright to increase its reach by overcoming the barrier of limited availability of refrigeration units in remote regions and lower tier cities.

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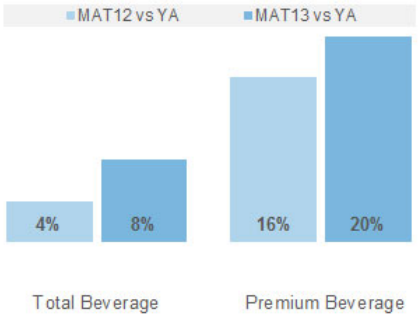

China – YoY growth rate, household average spend on premium/super premium products per year

South Korean Orion is one of the most popular snack brands in China, with 62% of households purchasing its products. It markets its famous Orion Choco-Pie as 'A good friend' to Chinese consumers. A detailed understanding of the market has also helped it win in Vietnam by giving its products a premium positioning for urban households.

The changing priorities of cash-rich, time-poor shoppers

Colgate is the most-chosen toothpaste brand in Asia, with market penetration of 62%, and has grown its footprint in the region by 5%. Its closest competitor, Pepsodent, is growing nearly twice as fast, gaining 3.7 million new households during the last year. Both are responding to the trend for consumers to spend more on premium products – for example by introducing more sophisticated formats such as Pepsodent Expert.

Premium variants in Asia can command double or triple the average price. Other global brands making their mark in the premium tier include Lifebuoy, which uses gold packaging to give its Gold variant a luxury quality, and Dove, which added a completely new step to the existing haircare regime with its Elixir Hair Oil.

As more and more Asians join the middle classes they become more aware of the importance of a healthy lifestyle and have more money to spend on achieving it. They are demanding products with natural ingredients, and added health benefits and functions.

Probiotic drinks brand Yakult has earned a spot in the fridges of 59 million households in the region through offering products that contribute to good health at a price everyone can afford. Food brands Knorr and Maggi have also found success in Asia through an emphasis on the natural ingredients in their stocks and sauces.

With more women entering the workforce and populations becoming urbanised, Asian consumers are seeking ways to prepare meals more quickly, without sacrificing taste. Maggi – Asia's eighth most-chosen brand, and the world's most-chosen food brand overall – is successfully competing with local giants such as Mi Sedaap (Asia's number two) by offering convenient meal solutions such as instant noodles.

The 10 most chosen brands in Asia revealed by Kantar Worldpanel's 2014 Brand Footprint study

Rank	Brand	Consumer Reach Points (million)	Penetration %	Frequency of purchase	Consumer Reach Points growth % 2013 v 2012
1	Colgate	2,111	62.3%	6	+5%
2	Mi Sedaap	1,902	9.4%	38	-11%
3	Indomie	1,820	9%	38	-4%

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4	Lifebuoy	1,652	43.1%	7	-1%
5	Nescafé	1,328	20.9%	12	-5%
6	Pantene	1,022	33.3%	6	-6%
7	Kapal Api	944	7.7%	23	+1%
8	Maggi	940	25.1%	7	+11%
9	Surf	922	19	9	+6%
10	Lux	913	47.7	4	No change

Providing an authentic response to local tastes is vital. Biscuit brand Oreo, which increased its reach 12% over the last year, excels at localising its products – introducing a blueberry ice-cream flavour in Indonesia, for instance. It is growing in every Asian market except Vietnam and Taiwan, and is now China's number one biscuit brand and seventeenth most-chosen FMCG brand overall. Research with Chinese consumers led the Mondelez-owned brand to change its formula to make the product less sweet and introduce Mini Oreo packs to make it a more affordable snack.

The 10 Most Chosen Brands in China revealed by Kantar Worldpanel's Brand Footprint study

Rank	Brand	Consumer Reach Points (million)	Penetration %	Frequency of purchase	Consumer Reach Points growth % 2013 v 2012
1	Master Kong	1,332	91.4	9.6	5.6%
2	Yili	1,063	88.5	7.9	13.6%
3	Mengniu	1,036	88.3	7.7	12.6%
4	Want Want	659	75.4	5.8	2.7%
5	Wahaha	550	69.9	5.2	-9.1%
6	Uni President	540	72.5	4.9	5.8%
7	Shuanghui	506	66.4	5.0	9.0%
8	Orion	489	62.8	5.1	10.6%
9	Bright	487	45.5	7.0	39.7%
10	Liby	394	69.4	3.7	1.3%

Making products that matter – and are available – to every shopper

Being ready to collaborate with local brands, or indeed local consumers, to co-create products is one way global brands can address Asian consumers' requirements more precisely.

They must also ensure availability, with strong local distribution networks and market access strategies that use every available channel to overcome the challenges of complex geography and poor infrastructure. This requires an understanding of the unique retail environment in each market – for example, convenience stores are growing strongly in the Philippines and Indonesia.

If their products are beyond the budget of most consumers brands need to put them within reach by developing smaller formats or lower tier ranges.

As Asian businesses become more market-oriented they are leveraging their extensive knowledge of consumers' lives and acting boldly in response to local trends to establish a strong brand affinity. They make themselves matter to consumers in the region – and global brands need to do the same.

About the author

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Virginia Garavaglia is a Brand Footprint Project Director at Kantar Worldpanel

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Warc Ltd.
85 Newman Street, London, United Kingdom, W1T 3EU
Tel: +44 (0)20 7467 8100, Fax: +(0)20 7467 8101

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