ISSUE 2 | 2017

ASIA BRAND POWER

HOW ASIA'S RISING RETAILERS ARE RESHAPING FMCG

KANTAR WORLDPANEL

CONTENTS

03 | **Introduction**
The power partnerships driving FMCG growth in Asia

04 | **Responding to demographic change**
Ageing populations, shrinking households
Adapting to the change in mealtimes
Smaller package sizes – and an appetite for experimentation
Differentiating amongst older shoppers

08 | **Bringing convenience and community together**
Bridging the gap between modern and traditional trade
Shrinking stores to grow FMCG share
Convenience stores as community hubs
Driving down prices through competition for shelf space

13 | **Fusing offline and online**
Ordering online
Targeting promotions through technology
Optimising the supply chain

17 | **Reassuring on Safety and Quality**

19 | **Demonstrating values and social purpose**

21 | **Product innovation and speed to market**

23 | **Providing a shopping experience**

25 | **Conclusion**
The secrets of successful retailer partnerships in Asia

THE POWER PARTNERSHIPS DRIVING FMCG GROWTH IN ASIA

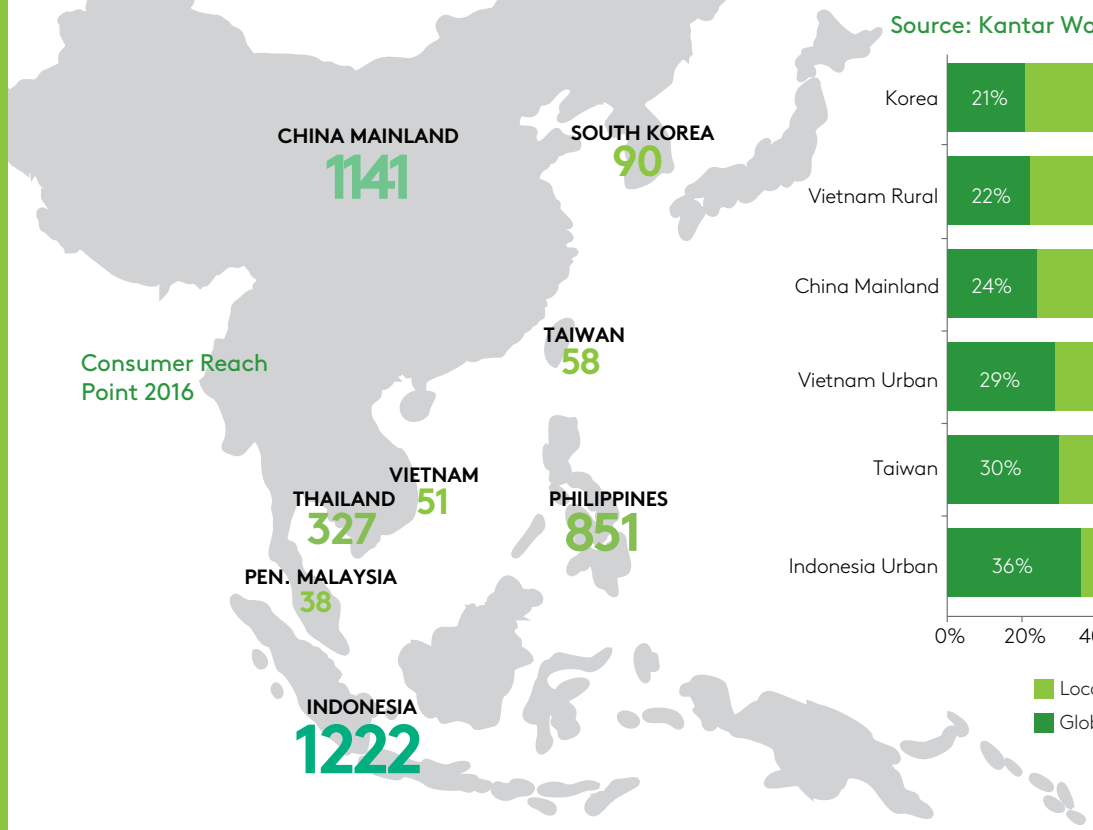
Marcy Kou, CEO of Kantar Worldpanel Asia

Some of the fastest-growing FMCG brands on the planet are to be found in the markets, convenience stores, supermarket aisles and kitchen shelves of Asia. However, the growth on offer in Asian markets remains far from evenly distributed. Multinational brands continue to lag behind the dramatic advances made by their local competitors – and few show signs of closing the gap.

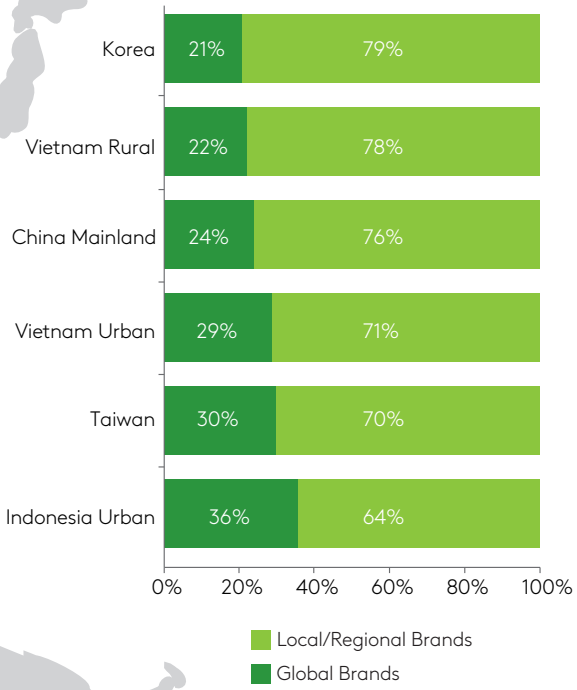
Glance at the ranking of the world's most chosen consumer brands compiled by Kantar Worldpanel, and you quickly notice that, across Asia, no two markets choose the same FMCG brand most frequently. Most are dominated by those that have emerged within their own borders. It's a trend that sees multinational brands often struggling to compete effectively in some of the fastest-growing markets on earth. And it leaves marketers urgently asking themselves what local brands have that their rivals struggle to match.

A large part of the answer lies in the brand and value propositions that local brands represent: expertly attuned to the emotional and functional needs of their customers, and with business models that support more accessible pricing. Most analysis of their success focuses on these elements. However, there is a third driver of their dominance that is equally significant. The rise of local Asian FMCG brands has taken place alongside an equally dramatic rise for local retailers. The partnerships formed by these two types of Asian champion are fundamental to their success: they help to make local brands more mentally available than multinational rivals; and they support innovative retailer strategies that are both anticipating and responding to Asia's changing shopping habits.

In this report, we will explore this hidden dimension of the rise of Asia's FMCG brands. We will reveal the local retailers that increasingly act as gatekeepers to rapid-growth markets, the types of partnerships they seek, and the ways in which local businesses are responding. Through interviews with local retailers themselves, we will explore the particular shopping habits and drivers of success of consumers in different Asian markets. We will reveal that no strategy for replicating the success of Asian FMCG Brands can be complete unless it also replicates their approach to retail.



Source: Kantar Worldpanel-FMCG-2016



RESPONDING TO DEMOGRAPHIC CHANGE

Rapid demographic change is a defining feature of the retail landscape in Asia. Ageing populations and urbanisation are combining to reshape the rhythms of shopping. They affect how frequently people shop, how far they are prepared to travel when they do, the products they buy and the brands they choose to buy them from.

Asia's rising retailers know that their continued success depends on anticipating their customers' changing needs – and this can have significant implications for their supplier relationships.

AGEING POPULATIONS, SHRINKING HOUSEHOLDS

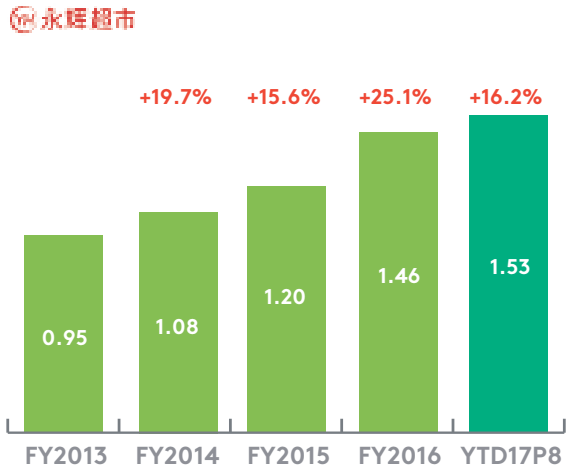
As the average age of populations increases, the average size of households tends to decrease. In Korea, for example, the proportion of single-person households is growing at between 4% and 5% per year and currently stands at 27.9% of all households. And it's not just a changing age profile that is shrinking the size of Asian households. Across the region, rapid urbanisation is drawing young people to cities, and from extended family homes to smaller living spaces either occupied alone or shared with a partner and young family.

Smaller households shop differently and for different reasons. Where wives and mothers once planned around a weekly or monthly shopping event, smaller households prefer to buy what they need, when they need it. When all members of the household are working, cooking and eating habits quickly start to change. Eating out is an affordable luxury that's increasingly important to young, urban populations and represents a growing share of food consumption. Meals are less likely to be planned and shopped for in advance; more likely to take the form of ready meals picked up on the way to and from work. Fresh food, picked up to be cooked and eaten on the same day, is increasingly important to retailers looking to increase footfall at their stores.

ADAPTING TO THE CHANGE IN MEALTIMES

In China mainland, the fresh food supermarket Yonghui has innovated in response to these trends by diversifying its stores to fit different types of eating habits. Its new formats include stores that combine restaurants with supermarkets, neighbour-hood convenience stores that offer fresh ingredients for the evening meal within walking distance, and an app-based delivery service that promises to deliver fruit, vegetables and chilled products to customers' doorsteps within 30 minutes. This focus on freshness and quality has helped the brand to expand from an initial launch in Fujian province in 2001 to reach 580 stores across 19 provinces today.

Fresh food has always been a key element in Yonghui's positioning. However, it also has a growing role for traditional retail brands that have previously focused on dried goods that can be bought cost-effectively in bulk. In Taiwan, PX Mart has used a growing fresh food offer to increase the frequency of visits from its traditional customer base of housewives.



Value%, Value GR, Total FMCG, Total China Mainland

In Korea, meanwhile, ready meals are playing a key role in the rapid growth of neighbourhood convenience stores such as CU, GS25 and 7-Eleven, which supply quick and convenient food options for workers stepping out of the office at lunchtime – or popping into a store on their way home. Average sales growth for lunch box type ready meals increased 166% at CU, GS25 and 7-Eleven during 2016.

SMALLER PACKAGE SIZES – AND AN APPETITE FOR EXPERIMENTATION

Food isn't the only area where shifting household sizes and work-life balance are driving change. One of the most important trends reshaping the retail landscape in Asia is the move towards buying and selling products in smaller, single-use packages. Sachet-sized options are taking a growing share of display space in minimarts, neighbourhood convenience stores and the traditional trade operations that they both compete with and (in many cases) supply.

In Malaysia, 99 Speedmart, dubbed "King of the Minimart" by Forbes magazine, increasingly requests that suppliers provide products in smaller packages that fit both changing shopping habits and the amount of shelf space that it has available. In Taiwan, PX Mart has developed smaller package sizes into a key point of difference in the market. In The Philippines, single -use formats are a key part of the proposition in everything from traditional Sari-Sari stores to convenience chains and large-format, more aspirational department stores such as Robinsons.

When shoppers make short, daily trips to pick up single-use packages for their immediate needs, it has big implications for pricing – and for the range of brands that they are prepared to consider. Smaller package sizes encourage experimentation. Shoppers are more willing to try a different brand when their purchase only commits them to using that brand on one or two occasions.

In Korea, this aligns with consumers' current appetite for seeking out quality and value outside of the confines of established brands. Shoppers increasingly expect to be able to discover new, affordable options. Trialling these smaller formats first is a strategy that many are adopting during a period of economic slowdown.

However, smaller package sizes can also lead to a greater willingness to try premium, branded products, including those from established multinationals that have been squeezed out of the growth of the FMCG sector in many Asian markets. PX Mart uses the trend towards single-use package formats in Taiwan to introduce shoppers to premium brands at an affordable price point, and this has a key role to play in expanding the retailer's appeal to younger, urban shoppers. China's largest retailer, RT-Mart, has a two-tier pricing strategy focused on holding down the prices of essentials like rice, eggs and meat, while encouraging higher-end shoppers to experiment with new, premium brands. Meanwhile, in The Philippines, major multinational corporations have driven the trend towards smaller package sizes especially within haircare, and this is reflected in their increased share of the FMCG market in the country.

DIFFERENTIATING AMONGST OLDER SHOPPERS

Success amongst ageing shoppers isn't just driven by smaller and more convenient package sizes. It also springs from a recognition that this demographic incorporates a diverse range of shopper types – and shopper needs. Korea's rapidly growth health and beauty retailer, Olive Young, is committed to providing an ageing population with suitable shopping choices that are aligned with current trends. Meanwhile, in Taiwan, PX Mart has not taken its traditional base of older shoppers for granted. The brand is aiming to develop a differentiated product range to meet the different needs of consumers at different ages, including greater choice when it comes to healthy food options.

The Retailer View:

James Hsieh
CEO, PX Mart
Taiwan

"Senior shoppers have very different needs. They may not be able to make frequent shopping trips, so delivery options are important. And you need to provide products that cater to their needs: healthier foods with less salt, less oil and less sugar, for example.

We have a lot of older shoppers among our regular customers, and they are very comfortable shopping at PX Mart compared to some of our younger customers as they've been shopping here for the past decades. So we need to help the younger shoppers to become more accustomed to shop here. At the same time, we also know that it's important to understand senior shoppers' needs are very varied. Manufacturers should think about how to respond to that in order to meet those needs"

Lee Thiam Wah
Founder
99 Speedmart
Malaysia

"It's important for suppliers to package products in reasonably sized units. Our shoppers still buy in bulk, but they also buy single-use packages. These smaller sized packages may have a slightly higher production cost, but it makes sense for manufacturers to give shoppers this option."

Minwoo Choi
Brand Manager, Olive Young
Korea

"It's a common misconception that seniors follow trends less than young people do. In fact, they're very open to influence from their social networks. They pay particular attention to product quality, but that doesn't mean they go against trends.

Personalised content and services (both online and offline), an easy, intuitive, IT-powered shopping environment, continuous updates and information, loyalty programmes: these will all be important to the senior demographic going forward."

Nguyen Thanh Nhan
Chief Executive Officer,
Saigon Co.op
Vietnam

"An important reason for our success is that our store portfolio is more diverse than the other players in our market. Innovating our offer and adding services for different shopper segments and missions is how we keep our momentum.

A lot of our early success came from showing middle-income shoppers that supermarkets and hypermarkets could work for them. In the context of fiercer retail competition, we have to keep innovating to maintain our market leadership position. We leverage our understanding of local consumers' changing needs and concerns through origin-traceable foods, organic foods, attractive loyalty programs, value-for-money Private Label, and a wider range."

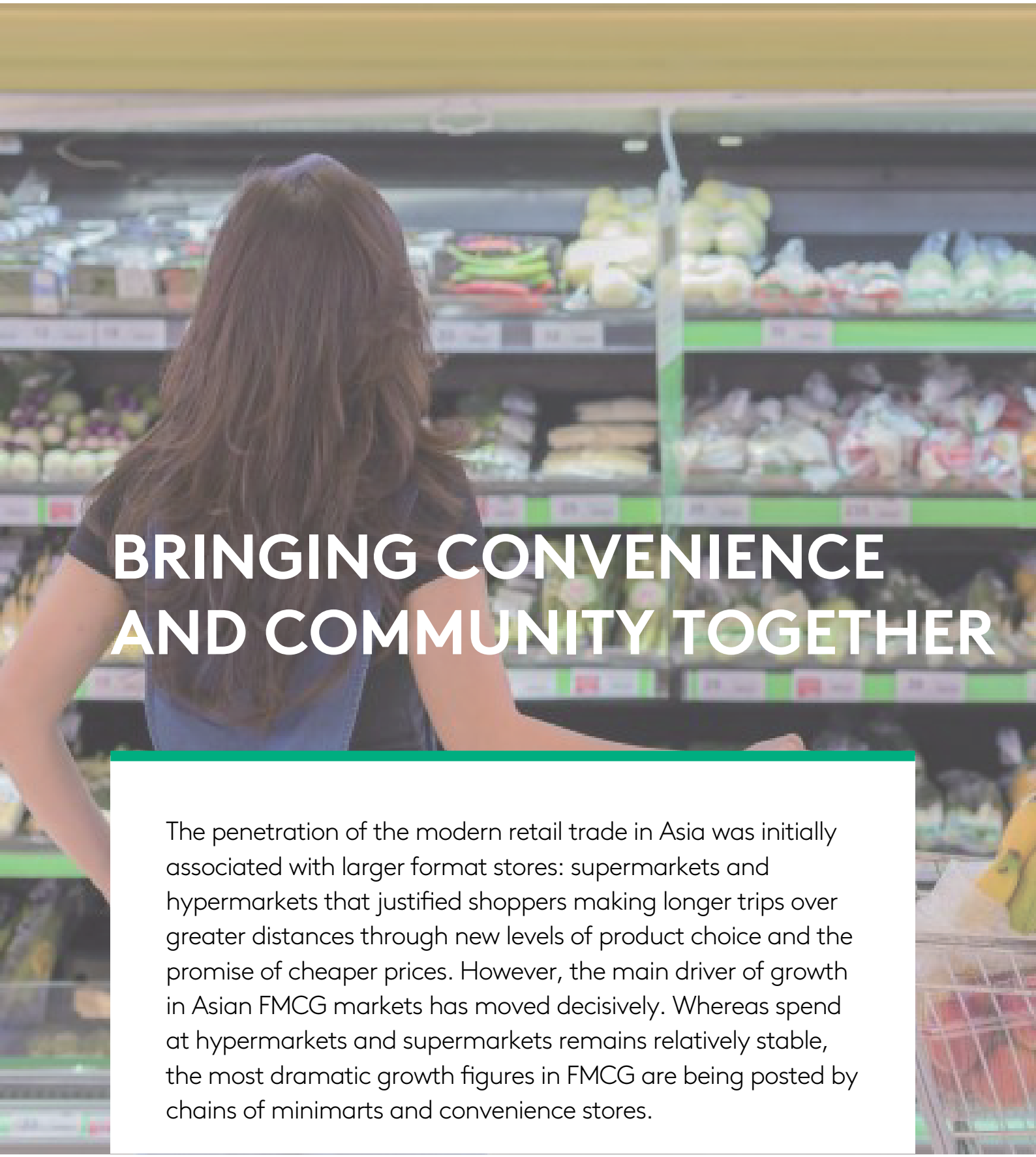
WINNING STRATEGIES FOR FMCG BRANDS

Supplying products in smaller package sizes is increasingly essential for driving penetration of Asian FMCG markets. For global brands with premium price points, this should be seen as an opportunity rather than a constraint. Innovative pricing strategies and clearly communicated product benefits can leverage more affordable size formats to drive experimentation

As eating habits shift towards fresh food and ready meals, food brands need to adapt. Convenient cooking sauces and condiments represent a key growth opportunity in many markets

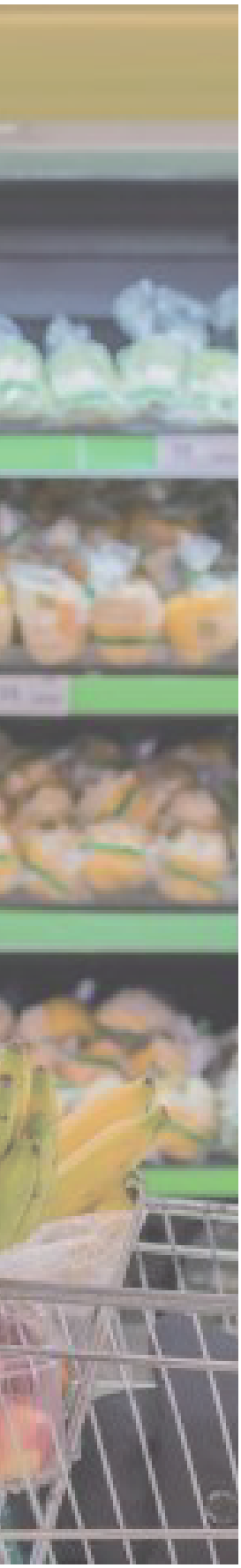
An ageing population shouldn't necessarily mean a less imaginative product range. Many of Asia's most successful retailers are seeking a more differentiated portfolio of products for older customers

Don't forget the potential value to be found in rural populations! In markets like Taiwan, disposable income is on the rise in rural communities as well as urban ones – but brands need to adapt their approach to cater to a frugal mindset



BRINGING CONVENIENCE AND COMMUNITY TOGETHER

The penetration of the modern retail trade in Asia was initially associated with larger format stores: supermarkets and hypermarkets that justified shoppers making longer trips over greater distances through new levels of product choice and the promise of cheaper prices. However, the main driver of growth in Asian FMCG markets has moved decisively. Whereas spend at hypermarkets and supermarkets remains relatively stable, the most dramatic growth figures in FMCG are being posted by chains of minimarts and convenience stores.



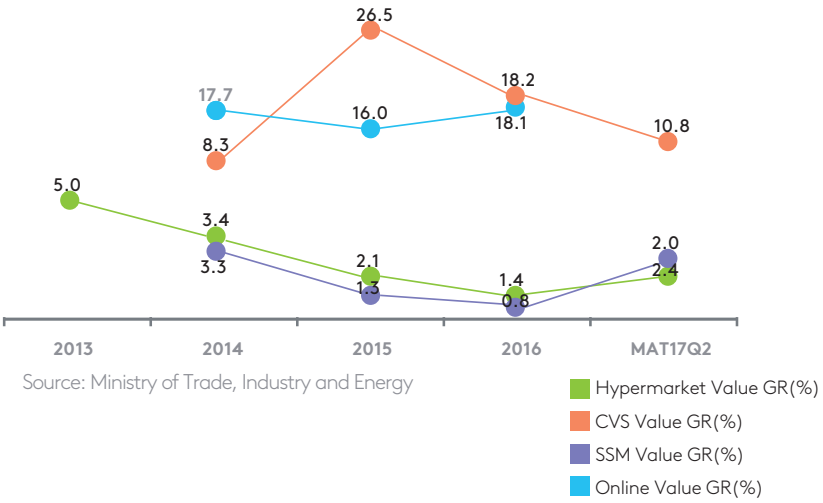
BRIDGING THE GAP BETWEEN MODERN AND TRADITIONAL TRADE

These are neighbourhood shops, within walking distance of their customers, that bridge the gap between modern and traditional trade. Their increased importance has been increased by the demographic trends described in Chapter One: smaller households, and those where everybody works, tend to make shorter, focused shopping trips to meet immediate needs. However, it also reflects a more fundamental difference from western European and North American markets. In Asia, driving to an out-of-town store to shop has never been a habitual behaviour for many shoppers – and it may well never be. In Vietnam, for example, the fact that so many shoppers rely on motorbikes for getting around means that long shopping trips to fill numerous bags with products simply aren't practical. For many years, the high rental prices that forced hypermarkets to the outskirts of town constrained their growth and ensured that shopping in the country retained a strongly traditional flavour. The resilience of traditional shopping habits in many markets means that the continued growth of modern trade increasingly takes place on a smaller, and more local scale. Failing to develop a business model that fits this new breed of retailer is one reason why some multinational brands have struggled to protect their market share in Asia.

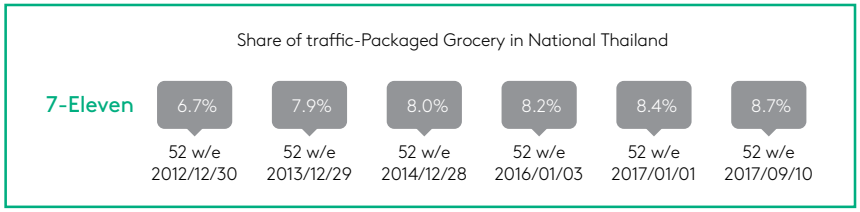
SHRINKING STORES TO GROW FMCG SHARE

In Korea, during a period of economic slowdown, the growth of convenience brands has far outstripped that of larger format stores, with brands such as E-mart diversifying to meet this demand through its E-mart 24 format. A similar story is playing out in China mainland, through Yonghui's launch of 24-hour convenience stores, and through Wumart's conscious focus on smaller store formats. In Thailand, 7-Eleven's convenience stores dominate the retail landscape and Tesco is seeking to adopt a similar strategy. The minimarts of 99 Speedmart has been delivering strong growth in the Peninsular Malaysia, growing at a faster pace compared to large-format stores.

Korea retail growth rate from 2013~2017, Specifying hyper, super, CVS, GT, other



Source: Ministry of Trade, Industry and Energy



This same theme recurs across every market in the region. In Indonesia, through Alfamart and Indomaret; in Vietnam through the Co.op Smiles street store format launched by Saigon Co.op and extended rapidly across the country through a franchising model; in Taiwan through the smaller, urban stores launched by PX Mart. In The Philippines, Mercury Drug has evolved from pharmacy to significant FMCG player through virtue of its strong neighborhood footprint.

CONVENIENCE STORES AS COMMUNITY HUBS

The growing role of convenience stores and minimarts doesn't just reflect the increased importance of convenience amongst shoppers. It also reflects the enduring power of community. The most successful minimart and convenience brands understand the importance of the softer roles that wet markets, mom & pop and Sari-Sari stores have traditionally performed. These brands act as points of connection, a gateway to wider services, and as digital shopping grows in importance, hubs for delivery.

Since 2015, Indonesia's Alfamart brand has consciously adopted a "True Community Stores" positioning that includes supporting existing traditional trade operations and small businesses as a distribution partner. Alfamart isn't just a one-stop neighborhood shop. It's also where people come to buy travel tickets and make loan and bill payments. Several Alfamart stores also provide Albi Home community spaces above the main store: free social gathering venues that are equipped with connected, digital devices, can be booked for events, and are used by brands for activations and education programmes.

In China mainland, Wumart's strategy of placing smaller stores at the heart of communities includes adding haircut and laundry services to provide people with new reasons to visit. In Thailand, 7-Eleven stores act as connection points and social spaces for neighborhoods: a source of snacks and refreshment through ready-to-eat meals, a provider of over-the-counter services from paying bills to buying local cinema tickets, and a pick-up point for eCommerce orders.

DRIVING DOWN PRICES THROUGH COMPETITION FOR SHELF SPACE

For FMCG brands the increasing importance of convenience chains and minimarts brings one obvious constraint: a significant reduction in available shelf space. Retailers often carry only a handful of brands in each category. They can then use the resultant competition to keep prices low.

The success of 99 Speedmart has been achieved while listing only half the FMCG categories of most retailers, and offering a limited brand selection within each category. It leverages the competition for these listings to keep prices low through centralised purchasing, enabling it to offer customers a straightforward, low-price strategy rather than relying on promotions to deliver savings. This consistency and simplicity in turn strengthens the convenience positioning of the brand.

Indonesia's Alfamart is taking a subtly different approach, with a conscious strategic decision to carry a full range of FMCG categories on its shelves, in order to increase basket size and drive greater shopper frequency. Insightful use of CRM big data is key to ensuring the right brands and categories are available in the right locations and at the right moment. In contrast to 99 Speedmart, Alfamart's strategy has a central role for promotions, which are linked to events and occasions from Valentine's Day to Disney movies and other thematic promotions, and used to build loyalty towards the brands that it carries.

The Retailer View

Ryan Alfons Kaloh, Marketing Director, Alfamart, Indonesia

"We are positioned as 'True Community Stores', family stores that are part of the community and provide a one-stop shop for your daily needs. Our distribution partnerships with local SMEs are an important part of this. It's all part of our role contributing to healthier communities. We always want a closer relationship with our brands and our suppliers. We're looking for them to help us create bundled promotions across different categories, and we're happy to share our data-driven understanding of the customer journey and purchasing affinity in order to help create those promotions. It's very important for us to be able to synchronise the marketing that a brand does with supply of their products in our stores."

Shaochuan Xu, Executive Director and Chief Operating Officer, Wumart, China

"We have found that 90% of the smaller stores that we open are profitable in Year One. We try to focus on fresh food and dining, and community services like haircuts and laundry, to build our appeal to local communities."

Lee Thiam Wah, Founder, 99 Speedmart, Malaysia

"When I started our minimart chain, our model of a 3,000-square foot store was very rare in Malaysia, where retailers are either very large or very small. Customers discovered we were offering more choice than their local grocery with similar prices to the hypermarkets. That's why they turned to us whenever they need something that isn't available in a grocery and don't want to travel far to get it. It's the consistency of our principles and strategy that's driven our success. As we expand our number of branches, our procurement volume goes up and helps us reduce prices further. We have low margins and pass these savings on to our customers, so that we increase sales volumes, gain more customers and maintain our profit percentage."

Tanin Buranamanit , MD & CEO CP ALL,, The operator of 7-Eleven , Thailand

"Convenience changes over time as economic and social conditions change: income, age, family and lifestyles. When customers needed a more convenient way to buy other foods, we added those. When customers needed convenience when buying other food products, we added those and increased the ratio of food in our business. When they became more concerned with health and wellness, we added supplements and medicines. When they wanted a convenient way to pay bills, we added those to our counter services. We then extended the counter services to include cinema, travel and hotel bookings, paying taxes, getting a vehicle license and lots of special deals."

Nguyen Thanh Nhan, Chief Executive Officer, Saigon Co.op, Vietnam

"We've just introduced Co.op Smile – a hybrid store format between medium-sized street shops and convenience stores. We are rolling this out through a franchise model, working with current street shop owners to develop our network. Our aim is to have numerous stores, one at every corner of residential areas."

WINNING STRATEGIES
FOR FMCG BRANDS

Consider the strategic advantage of taking limited shelf space within minimart chains, when setting pricing strategy. Collaborating with chains that have a strong neighbourhood presence can significantly increase the mental availability of brands for large numbers of Asian shoppers. It's also key to taking an increased share of FMCG growth

FMCG brands can bring more to a partnership than quality products and competitive prices. Sharing valuable data and insight, and committing marketing spend, also have a role to play

Supporting minimart and convenience chains' community positioning through local initiatives and activations could also add value as part of a retail partnership

FUSING OFFLINE AND ONLINE

As smartphone penetration increases across most Asian markets, an increasingly complex picture is emerging when it comes to how consumers integrate their online and offline shopping experiences.

The choice between visiting stores and buying through the internet is not a mutually exclusive one. Asian retailers are finding new ways to smooth the shopper experience through technology – and this is one of the most exciting features of the FMCG market in the region.

In China, the world's largest eCommerce market, the fusion of offline and online (OAO) is a priority for every major retailer – and that includes those who have built their businesses online. The founder of Alibaba, Jack Ma, has spoken about the inevitable merging of these offline and online shopping experiences. And China's leading regional retailers are already demonstrating the positive impact that technology can have on the shopper journey.

Digital innovation in shopping is in no way restricted to China, though. The roles that different Asian retailers are finding for technology reflects the different business models that they have adopted, and the particular priorities of their shoppers.

In some cases, low smartphone and internet penetration means that different forms of digital shopping are less of a priority. PX Mart in Taiwan (where eCommerce represents 6% of FMCG growth) and 99 Speedmart in Malaysia (where eCommerce's FMCG share is below 5%) are yet to launch digital shopping services for their customers. Ecommerce is far less of a consideration for retail brands in The Philippines, where its share of FMCG spend is below 1%. However, in many other markets retail brands are moving quickly to incorporate digital technology into the shopping experiences they provide – and address customer needs at different points in the journey:

ORDERING ONLINE

In China mainland, Wumart and Yonghui are both leveraging their existing networks of brick and mortar stores to deliver fresh food to customers ordering via the retailers' branded apps. Using stores as bases for delivering allows them to guarantee delivery within hours – and often within 30 minutes.

Alfamart in Indonesia uses app-based ordering to extend the natural role of its stores as connection points within the community. Its click-and-collect model invites shoppers to order online before dropping by to pick up their goods in-store when they are next passing. Thailand's 7-Eleven stores are also developing app-based ordering for select items within store, which are then delivered through a partnership with the Grab courier service.

SMOOTHING THE IN-STORE EXPERIENCE

Ordering online isn't the only role played by Wumart's Dmall app. The technology is also used to speed shoppers' journeys through the in-store environment, where it can be used to scan barcodes and pay instantly through integration with mobile payments services. Mobile payments have also been a key focus of 7-Eleven, which supports the Thai government policy by developing electronic payments systems and spearheading the move towards a cashless society.

TARGETING PROMOTIONS THROUGH TECHNOLOGY

When digital technology is combined with advanced customer loyalty schemes, it supports targeted promotions that can leverage geo-location targeting and IM platforms to drive footfall and increase the frequency of visits. In Indonesia, Alfamart has made particularly effective use of such promotions, delivered massively and regularly through mobile channels.

OPTIMISING THE SUPPLY CHAIN

The fusion of offline and online isn't restricted to delivering smoother customer experiences or providing new ways to buy. Digital innovation in the supply chain also has a critical role to play in optimising supply chains and ensuring the right product and merchandising mix is in place at each store. China's Wumart chain has developed a digital management system to tailor product mix to the customer profile of different stores.

In Thailand, 7-Eleven uses its online shopping service to extend the potential of its limited shelf space, making unproven new products available through its eCommerce channels initially, and making space for them in-store once their appeal to shoppers has been demonstrated.

The Retailer View:

Shaochuan Xu
Executive Director and Chief Operating Officer
Wumart, China

"We want to build seamless integration between " offline and online. We introduced Dmall APP two years ago, and between 40% and 50% of our customers are now using it.

Dmall links a customer's loyalty card to their personal ID and to payment tools like Alipay and Wechat. We've developed a 'Freedom Buy' functionality that allows customrs to scan the barcodes of the products they buy. When they pass an exit they can scan a QR code to bring up all the products they've bought and pay instantly. VIP customers can then leave the store immediately without anyone checking their basket. We've worked to develop frictionless payment services and, for transactions under 500RMB, there's no need even to type in a passcode.

With Dmall, a customer can locate the nearest store, visit, pay for everything within seconds, and then leave. It's all a part of trying to make life easier for them. They can use Dmall for ordering goods from outside the store too. We commit to delivering goods within two hours but our wide store coverage means that most deliveries are actually within 30 minutes. Our bricks and mortar stores provide bases for delivery, and mean we can deliver faster and more reliably than others. We keep our offline and online prices the same. It's like equipping our stores with wings so they can fly. We can serve more customers without incurring more costs."

Ryan Alfons Kaloh
Marketing Director, Alfamart
Indonesia

"Most of our shoppers are below the age of 30, and this makes integrating digital into our customer journeys very important. Our Alfacart app for ordering goods online and then picking them up in store is a very important innovation, and we also have an app for local mom and pop stores to order from Alfamart. Digital is an important area of innovation for our promotions as well. We use Bluetooth to deliver localised promotions to mobile phones, and our digital voucher programme on LINE Instant Messaging and other digital platforms generated 20 million transactions last year."

Nguyen Thanh Nhan
Chief Executive Officer, Saigon Co.op
Vietnam

"Omni-channel shoppers will become more and more important, and to lead this trend, we have to innovate new store formats that fit this type of shopping behaviour. Investing in eCommerce is an important part of this. It's an important platform for winning a greater share of purchases."

Tanin Buranamanit
MD & CEO CP ALL,
The operator of 7-Eleven
Thailand

"We try to make the connection between online and offline as seamless as possible. Customers can buy products online and pick them up at the shop, through click and collect. This system offers more choice when it comes to convenience, with 7-Eleven as a point of connection.

With our limited shelf space, we sometimes make products available online first, and then bring them in-store if they prove popular. It's one area that we can help support SMEs by providing them with more opportunity to list their products."

WINNING STRATEGIES
FOR FMCG BRANDS

Aim to partner with local retailers across the full range of online and offline channels, which might include initial distribution of new product via eCommerce channels, on a trial basis

Align digital marketing with retailers' promotion strategies, leveraging social media and IM platforms, and adding value to a distribution partnership at the same time as driving trial for products

Share data and insight to help retailers bring greater efficiency to supply chains – and to help smaller-format chains optimise the product mix in different locations

REASSURING ON SAFETY AND QUALITY

A series of safety scandals, engulfing products from drinks to cooking oils to noodles, even toothpaste, have realigned the priorities of shoppers in both China mainland and Taiwan. Consumers are demanding reassurance from retail brands about the safety and quality of their FMCG purchases, and retailers are responding by taking greater control of their supply chains.

A greater emphasis on health and quality doesn't just apply in markets hit by scandal, though. In Korea, the influence of eCommerce can be felt in consumers' greater appetite for discovery in their shopping, seeking out new products and brands that they can trust. In Malaysia, 99 Speedmart's promise of quality is based on traditional values – a reassurance that comes from the brand's roots as a grocer, and the promise that its founder personally approves every product listed in its stores.

Origin-traceable meat and organic food are growing trends in Vietnam, where Saigon Co.op has made them a staple of its Co.opmart Finest premium retail brand, evolving its supply chain to meet consumer demand in this area. In The Philippines, meanwhile, the aspirational department store supermarket brand Robinsons supports its upmarket positioning through a tagging system to denote products judged healthy and nutritious by the Food Nutrition Research Institute (FNRI).

The Retailer View

James Hsieh,
CEO, PX Mart,
Taiwan

"High-intensity farming has done farmers no good: they are not earning more money and there is growing distrust from consumers on food safety. It's a lose-lose situation, with farmers and consumers both victims of this unhealthy cycle. As the middle man, PX Mart needs to figure out a way to connect the dots and build a system where everyone can benefit. We need to become the bridge and provide the centralised management.

Each step in the supply chain needs to be designed around what end-customers care about. Details like where ingredients are grown and sourced will influence the buyer's purchase decision. We learn about what the end customers want. We share this information and influence the suppliers: what they need to grow, when to harvest, the importance of quality control and even the package size that consumers want."

Nguyen Thanh Nhan,
Chief Executive Officer, Saigon Co.op
Vietnam

"Consistent improvement is essential for maintaining our market leadership position within Vietnam. Our development of origin-traceable and organic foods has been very much driven by our detailed understanding of consumer needs."

WINNING STRATEGIES FOR FMCG BRANDS

Certify supply chains to provide demonstrable reassurance on food origin and quality

Emphasise food origin and any certification in packaging, merchandising and marketing campaigns

DEMONSTRATING VALUES AND SOCIAL PURPOSE

As environmental concerns grow across the region, Asian shoppers are demanding evidence of sustainability and responsibility from their retail brands.

In Taiwan and China mainland, this aligns naturally with heightened awareness around the health and - quality of food. However, in all markets, shoppers are increasingly attuned to the values of those they buy - from and not just when it comes to environmental matters.

Many Asian retailers wear their loyalty to local brands in general, and to small businesses in particular, as a point of pride and a key element in their social positioning. For Saigon Co.op in Vietnam, it is a fundamental. Prioritising Vietnamese goods, in conscious contrast to other more international-oriented retailers, has been a founding principle of the organisation since its launch in 1989. The organisation's leadership board recognised an opportunity to differentiate themselves strongly from established supermarkets that sold mainly international brands, as part of Vietnam's transition to a socialist-oriented market economy, the Doi Moi.

However, support for local brands and businesses isn't just a mainstay of long-established or government-aligned retail brands. Olive Young's appeal to millennials in Korea owes much to the fact that so many of its health and beauty products are sourced from small, craftsman-like local businesses.

Environmental concerns and support for local suppliers come together in PX Mart's environmental initiatives in Taiwan. PX Mart incentivised farmers to stop using environmentally damaging pesticides by promising to pay double for crops produced without them. An awareness campaign built support amongst shoppers whilst also establishing the benefits of the initiative for human health and for local farming communities.

Recruitment and training is another area where business imperatives around managing the talent pipeline align with a social agenda. CP ALL, the operator of 7-Eleven in Thailand, PX Mart and Alfamart all fund educational institutions for promising students to earn degrees in management and gain access to careers in retail. CP ALL's vocational school, learning centres and corporate university follow a work-based approach to learning that combines classroom and real-life work experiences – and guarantees employment at the end of the course. CP ALL also awards scholarships to less privileged students.

The Retailer View

James Hsieh, CEO, PX Mart
Taiwan

“It all began when our President came across an article on 'Eagle's red bean', which discussed how excessive pesticide use was affecting the wildlife food chain. Sparrows died from eating red beans overloaded with pesticides, and eagles died from eating the poisoned sparrows. We decided to step in and start communicating with farmers about building a safer farming environment.

At the beginning, farmers expressed concerns that without the pesticide, their harvest would decrease by half. This problem was easily solved when we offered to pay double the price for their harvest. This earned us positive media coverage and led to more people shopping at our stores. Yes, red beans have doubled in price, but consumers are still supportive because they know what they are buying is safe and good for the local environment. We offset the higher cost and add value by turning red beans into other products such as red bean cake, toast and desserts, which we sell at a more affordable price. Consumers are still getting their red bean products cheaper, but made from safe, high quality red beans.”

Nguyen Thanh Nhan,
Chief Executive Officer, Saigon Co.op
Vietnam

“We have consciously decided not to focus on imported products with a high price tag. Instead we have supported high-quality Vietnamese products from local manufacturers. We developed a win-win relationship and partnership with local suppliers. At the same time, we've encouraged a spirit of national pride: that Vietnamese people prefer Vietnamese goods. As a result, we have an affordable pricing strategy and very strong shopper preference.”

WINNING STRATEGIES FOR FMCG BRANDS

- Portfolio approach for MNCs, stressing local manufacturing and community investment where relevant
- Aim to stress sustainability credentials and how brands align with cultural values, even when brands are international in origin
- Look to partner with retailers on community and sustainability initiatives

PRODUCT INNOVATION AND SPEED TO MARKET

Asia's FMCG markets are increasingly dynamic, with a high turnover of products, and challenger brands emerging quickly to take share from more established rivals.

In markets such as China and Korea, this dynamism has been driven by the rapid growth of eCommerce. The experience of online shopping has encouraged consumers to look beyond instantly familiar brands when seeking out value and quality. Smart offline retailers are aligning their own product selection with this trend, offering new products and new brands for their customers to discover.

In other markets, the rapidly growing share of the FMCG market taken by convenience stores and minimarts has its own disruptive influence. Limited shelf space means limited patience from retailers when products do not launch strongly and sell quickly. Data-driven retail leaders are motivated to swap out products at the first sign of a dip in performance.

Adding to this dynamic environment is the increased competition that comes from private label FMCG brands, as retailers look to shorten the supply chain and balance product quality and low prices by sourcing directly from farmers, and other suppliers.

In this highly competitive environment, FMCG brands need to evolve their approach in order to succeed, either through closer partnerships or through an accelerated development process that can bring new products to market fast, and align with the trial-based approach to innovation that retailers prefer.

The Retailer View

Tanin Buranamanit , MD & CEO CP ALL,
The operator of 7-Eleven, Thailand

"We look to our suppliers as partners. We have to plan to grow together. That's why we ask them to prioritise our business and help to differentiate us from the competition. This is how we work with our partners, to grow together.

We test new products across a small number of 7-Eleven stores, which provides the opportunity to improve the product before full distribution. We work with our suppliers to plan communications and merchandising strategies. The process allows us to improve procedures from beginning to end, and reduces failure"

Ryan Alfons Kaloh , Marketing Director,
Alfamart, Indonesia

"Consumer habits can change quickly in Indonesia. To grow sustainably, we need to understand customer dynamics. This informs our product portfolio, our category management, merchandising and product placement, stock management, store location and lay outs. It also informs the value added services and promotions that we develop."

Shaochuan Xu,
Executive Director and Chief Operating Officer,
Wumart, China

"Global brands used to dominate in China through one hero SKU. However, it's questionable whether this will work in the future. They will have to adapt to the fast-changing pace of Chinese consumers. We always advise brands to come to stores, speak to the real shoppers and simplify their organisations in order to respond to their needs. If brands don't change, they can easily be disrupted."

WINNING STRATEGIES FOR FMCG BRANDS

- Exclusive partnerships that support differentiation for retailers and incentivise listing brands over private labels
- Data-led strategic partnerships that can help to optimise product launch strategies and maximise performance
- Strong marketing support for new product launches
- Accelerated innovation process that can bring a regular stream of new variants to market

PROVIDING A SHOPPING EXPERIENCE

> Hypermarket brands facing competition from smaller-format competitors are adopting similar strategies for providing shoppers with reasons to visit.

Smaller format stores may be taking a growing share of FMCG spend in Asia – but that doesn't mean that convenience is the only route to success in the region. Hypermarkets, department stores and mall-based supermarkets are evolving their strategies to provide consumers with more reasons for indulging in extended shopping trips. Those that succeed in delivering memorable shopping experiences, and in bringing aspiration to life, are being rewarded with strong growth of their own.

At the same time as launching its E-mart 24 line of neighbourhood convenience stores, Korean retailer E-mart has also established and experiential, shopping mall brand: E-mart Town. E-mart Town is a collection of experience spaces, where visitors can learn from professional chefs, fly drones and try radio-controlled cars. E-mart's Peacock cookery brand, a key element in the E-mart Town experience, has seen sales grow from 34billion KRW in 2013 to 190 billion in 2016.

Korea's leading health and beauty retailer, Olive Young, has succeeded by providing an accessible, affordable discovery experience designed for millennial shoppers. Its stores offer immersive experiences aimed at enhancing the enjoyment of exploring new products.

In Indonesia, hypermarket chains such as Carrefour and Hypermart are transforming themselves to deliver a shopping experience similar to that of a department store, and build excitement around hypermarket shopping that goes beyond buying just groceries.

The Retailer View

Minwoo Choi,
Brand Manager, Olive Young,
Korea

OLIVE YOUNG

"We consistently change the image of our brand and stores, to fit current trends. We're seeing an increase in men who are interested in spending on fashion and beauty – and so Olive Young created an in-store grooming zone for men. We've also created a 'lifestyle zone' at our Myeongdong branch, which includes a 'baby care zone' for young mums, exercise equipment, interior accessories, fashion accessories, and pet products.

Differentiating our product range and in-store environment in this way offers consumers 'satisfaction' and 'freshness' at the same time as something new. That's the real secret to Olive Young's success, in my opinion."

WINNING STRATEGIES FOR FMCG BRANDS

Support aspirational brands with merchandising and event marketing that supports larger format stores in delivering a shopping experience

Develop a clear and compelling narrative for high-end bands that can support their premium positioning, and which can be brought to life in-store

Expand product portfolios to address the different price points and different shopping experiences that consumers seek

THE SECRETS OF SUCCESSFUL RETAILER PARTNERSHIPS IN ASIA

Jason Yu, Managing Director of Kantar Worldpanel Greater China

The local retail champions of Asian markets are far more than delivery channels for FMCG brands and their products. Their growth has been driven by an instinct for their shoppers' rapidly changing needs, and a commitment to re-engineering their business models, supply chains and customer experiences in order to meet them.

The way they work with suppliers and manufacturers is often hands-on, sharing insight on shopper demand and driving the development of new products that fit their customers' values and priorities. Private brand products enable these retailers to leverage their understanding of and relationship with shoppers directly. However, for many, curating the right brands and the right experiences of discovering them is equally important.

The spectacular success of local FMCG brands, which have first overtaken and then extended their lead over multinational rivals, is powered by their ability to work within this retail model. In markets across the region, brands are developing strategies alongside retailers. These strategies don't just cover the promotion of products in-store; they involve the development of a product pipeline that aligns with the retailer's vision of its customers and their values. They will require brands to excel at the things that fast-growing local manufacturers already do well: innovating quickly and bringing responsive new products to market fast. However, they will also reward those that can bring unique data and insight to the discussion, and those able and willing to align their digital marketing strategy with a retailer's own. These are the qualities that fast-rising retailers increasingly value – and they are where some of the most exciting opportunities in Asia's FMCG market can be found.

Our thanks to all who contributed to this report

The insights in this report were generated from Kantar Worldpanel's continuous observation of shopper behaviour across Asia, and also from interviews with several leading local retailers in the region.

We would like to extend our special thanks to all of the business leaders and senior managers who took the time to share their perspective. Their expertise has helped to illuminate emerging retail trends in markets such as China mainland, Korea, Taiwan, Malaysia, Thailand, Indonesia and Vietnam, and has helped to explore the opportunities that exist for innovative partnerships between retailers and FMCG brands.

James Hsieh
CEO, PX Mart
Taiwan

Minwoo Choi
Brand Manager
Olive Young
Korea

Lee Thiam Wah
Founder
99 Speedmart
Malaysia

Shaochuan Xu
Executive Director and
Chief Operating Officer
Wumart, China

Ryan Alfons Kaloh
Marketing Director
Alfamart
Indonesia

Tanin Buranamanit
MD & CEO CP ALL,
The operator of 7-Eleven
Thailand

Nguyen Thanh Nhan
Chief Executive Officer
Saigon Co.op
Vietnam

ABOUT US

Kantar Worldpanel is the global expert in shoppers' behaviour. Through continuous monitoring, advanced analytics and tailored solutions, Kantar Worldpanel inspires successful decisions by brand owners, retailers, market analysts and government organisations globally.

With over 60 years' experience, a team of 3,500, and services covering 60 countries directly or through partners, Kantar Worldpanel turns purchase behaviour into competitive advantage in markets as diverse as FMCG, impulse products, fashion, baby, telecommunications and entertainment, among many

www.kantarworldpanel.com

For more information, please contact

Marcy Kou
CEO, Kantar Worldpanel, Asia
Marcy.Kou@Kantarworldpanel.com

Jason Yu
Managing Director, Greater China
Jason.Yu@ctrchina.cn

Venu Madhav
General Manager, Indonesia
Venu.Madhav@kantarworldpanel.com

Alexandre Duterrage
General Manager, Philippines
Alexandre.Duterrage@kantarworldpanel.com

Howard Chang
Managing Director, Thailand & Malaysia
Howard.Chang@kantarworldpanel.com

Francis Oh
General Manager, Korea
Francis.Oh@kantarworldpanel.com

David Anjoubault
General Manager, Vietnam
David.Anjoubault@kanatrworldpanel.com

KANTAR WORLDPANEL