

## Future Ready Today\_

# Understanding the psychology of new-Asia consumers\_

As the region's consumer culture evolves, how can companies innovate for Asian consumers with reinvented products and services tailored to their needs and demands?



## Overview

The economic rebalancing of the world from West to East has become the biggest story of our time. Economists are looking to a new emerging-market middle class for the next age of prosperity, and there are enough in this group to go around: Goldman Sachs estimates that by 2030, two billion more people will belong to this bracket.

Middle class consumers live almost entirely in large urban centres, and the world's fastest-growing cities in the 2000s have been predominantly located in the Asia-Pacific and Africa. This momentum is expected to sustain itself, with the urban Asia-Pacific population set to grow by 21.4 percent over the next decade.

According to the Economist Intelligence Unit, Asia already accounts for around a third of the world's retail sales. By 2030, more than eight of every ten mobile phones will be owned by people in the developing world. In addition, the Organisation for Economic Cooperation and Development (OECD) estimates that Asia will drive 80 percent of global middle-class spending growth, which is projected to rise from US\$21 trillion in 2009 to US\$56 trillion in 2030.

Asia's consumers today may be unleashing new energy at the checkout counter, but do marketers understand them? The problem, as stated best by Martin Roll, author

of Asian Brand Strategy, is that: "Most of the consumer behaviour models that are used in Asian boardrooms today were developed in a handful of Western countries. Marketers still do not know very well how marketing techniques and theories can be applied to non-Western contexts."

Consumers' priorities are different in Asia as interpersonal relationships, social interactions, and status are generally valued more highly than in the West. In addition, in light of a common emphasis on 'face', Asian consumers are said to share a continent-wide obsession with luxury goods, electronic gadgets, beauty products, jewellery, and fine dining.

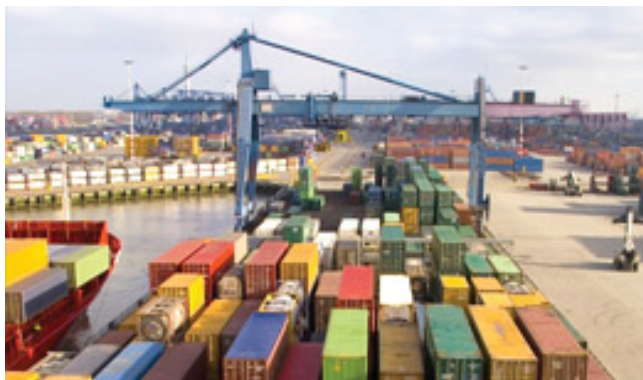
Moving beyond such regional generalisations, the challenge lies in understanding ways to translate these customer concerns into effective marketing strategies. Given the unique Asian consumer profile, how can and should companies innovate in terms of their products, services, branding, and marketing efforts to meet differing needs on both the local and regional level? The first step is to gain a better understanding of Asian consumers.

To do so, organisations could look to Singapore as a testing ground. With its cultural affinity and close connectivity with the region, Singapore can be seen as a

miniature of Asia. The country's small size and diverse population allow companies to develop an outward pan-Asian perspective that aids consumers in identifying similarities and understanding differences in the region. This enables companies to maintain broad consistencies in innovations for products, services, and brands in the region, while at the same time facilitating slight customisations for individual end markets.

As a country that has gone from third world to first in a generation, Singapore might serve as a useful reference of how other rapidly developing hubs across the region may evolve in the coming years. Insights gleaned on anything from Singapore's coffeehouse culture and fast-food trends to shopping-mall usage and luxury-brand affinity could potentially be extrapolated when companies consider the transformation and progress of Asian consumers. At the same time, Singapore also offers easy access to the region's developing economies, where organisations can study and learn about base-of-pyramid consumers.

The companies that are able to differentiate between regional and global trends, and can customise inventive solutions to address needs and behaviours, stand to do well in Asia. However, to do this they need to have a finger on the continent's pulse.



## Facts on the ground

Many multinational companies are recognising the importance of understanding the needs and motivations of Asian consumers, and to do so, they need to be on the ground, observing and interacting with consumers in the region.

Given the increasing spending power of Asia's consumers, the recent opening of the Institute on Asian Consumer Insight (ACI) in Singapore is timely and provides organisations with a new source of information on this crucial consumer segment.

Set up in 2011, ACI is a research centre in Singapore's Nanyang Technological University (NTU) that provides vital insight into Asian consumers and establishes Singapore as a pan-Asian consumer research hub. In addition to carrying out its own research, ACI also collaborates with the private sector to better understand what makes Asian consumers tick.

How consumers use, value, and relate to products can vary widely across countries and regions — this is true for everything from shampoo and toothpaste to cars and instant coffee. Professor Bernd Schmitt, ACI Executive Director, notes that companies, particularly those in sectors such as food and fast-moving consumer goods (FMCG), need to gather more insight to help them differentiate and understand Asian consumers. According to Schmitt, companies need to familiarise themselves with the unique characteristics and quirks of the Asian consumer in order to adapt products to meet their needs. He adds, "These companies need to segment the Asian market and require a lot of details of the lifestyles of particular consumers, how they define beauty, what they consider taking a break to be."

Noting the advantages of having ACI based in Singapore, NTU President Bertil Andersson says, "Singapore's multicultural environment and strategic location in the heart of Asia will allow us to gain a better understanding of what drives Asian consumers, and how their unique tastes and cultures impact buying decisions."

Nestlé, the world's largest food company, is an example of a major multinational organisation that is actively trying to get inside the minds of Asian consumers. Having realised that consumers worldwide are becoming more health-conscious and discerning about their food, Nestlé is committed to revolutionising its entire product range to produce more nutritious fare, while at the same time catering to local tastes — a process that involves innovation and brand development.

Most health products on the market are developed in Western countries based on those populations' health needs. With the rise of Asia, the food industry is increasingly being challenged to develop innovative products catering to regional requirements.

To meet this challenge, Nestlé collaborates with companies in the region to create customised Asia-focused products. For example, Nestlé has worked together with Eu Yan Sang — a Singapore-based traditional Chinese medicine health company — to create a new line of instant herbal soups Named Yang Sheng Le, the range of soups blends urban Asians' desire for convenience with the cultural belief that traditional Chinese herbal soups maintain health and well-being in a natural way.

While understanding regional consumers is definitely important, the success of a company will ultimately depend upon its ability to translate such insights into

sales through effective branding. Companies that are able to create a unique and attractive brand that resonates with consumers in Asia will have a competitive advantage in terms of tapping into the region's massive market potential.

According to ACI's Professor Schmitt, Asian companies are generally lagging behind their Western counterparts when it comes to effective branding. He argues that the West, and in particular the US, continues to be the undisputed leader in terms of developing strong brands; while many Asian companies invest heavily in the development of a technically strong product that they expect will sell itself, these companies view branding as a secondary consideration.

Asian companies keen on carving out a sizeable share of the region's consumer markets thus need to regard their branding efforts as a critical component of their overall product innovation strategy; those that fail to do so may risk losing out to stronger Western brands. "What matters now are the designs, the marketing communications around it. That is all branding, a major thing most Singaporean companies neglect," says Professor Schmitt.



## The Singapore difference

As companies recognise the opportunity to gain market share by taking the time to understand the unique needs of Asian consumers, they are increasingly investing in capabilities for gathering insights and translating this information into made-for-Asia products and services. With its diverse multicultural population, well-developed business environment and geostrategic location, Singapore is a natural choice for organisations to develop these capabilities.

In 2013, Procter & Gamble (P&G) — the world's largest household products maker, whose line-up includes Gillette razors and Olay skin cream — will open its S\$250 million Singapore Innovation Centre. The centre will make 'designed in Singapore' products a reality for Asian consumers via a spectrum of product development activities, including consumer research, new material research, product formulation, and package design. Carried out by multicultural teams, these activities should yield innovative Asia-focused solutions.

Commenting on the critical role that the Singapore Innovation Centre will play, Deb Henretta, Asia Group President for P&G, says, "Asia is an extremely diverse landscape with different consumer needs, and expanding our R&D capabilities in this region will ensure that P&G is more effective and focused in creating the right innovations for Asia, and globally."

Danone is one of the many global players that is turning to Singapore to drive innovations. A global leader in baby and medical nutrition, the company opened its new Danone Research Centre for Specialised Nutrition in Singapore in April 2011.

With a team of more than 20 scientists, the centre carries out nutrition research and coordinates research

partnerships related to children's and maternal health. The aim is to better understand regional nutrition profiles, and in collaboration with Danone's team of more than 50 development experts in the Asia-Pacific translate this knowledge into health and nutrition products that are well-suited to local needs.

Explaining why Danone chose to locate the new centre in Singapore, Eline Van Der Beek, Research Director at Danone Research, says, "Asia-Pacific is very important to us, and Singapore is a very important starting point to meet the [needs of the] whole Asia-Pacific region. The second reason is of course the scientific environment here in Singapore being very open and very mature."

More than simply a shift in demand and the potential to boost revenue, the rise of Asian consumers presents an opportunity for developing innovative products that consumers around the world can enjoy. By partnering Singapore in revamping and test-bedding future products, leading companies are addressing the needs of increasingly sophisticated Asian consumers.

Today, Singapore boasts a well-established ecosystem that supports consumer-focused businesses and provides market insights that can be applied throughout Asia. The strong presence of both upstream partners, such as research institutions and ingredient suppliers, and downstream partners, such as market research firms, brand consultancies, and advertising firms, provides companies with access to essential services to support their efforts in innovating for Asian markets.

For example, major market intelligence firms such as Nielsen, TNS, and Ipsos, as well as niche players such as Flamingo, Millward Brown, and Quantum, have offices in Singapore — an established market research hub within

the region — from which they carry out Asian consumer research and coordinate multi-country studies.

Drawn by the region's massive potential for sustained innovation and strong growth outlook, global companies are leveraging this ecosystem to translate novel Asian consumer insights into advanced and globally recognised products, multi-level services, persuasive brands, and compelling strategies that can tap into Asia's burgeoning consumer markets. With the potential of Asian consumers set for continued growth in the future, Singapore provides a suitable platform for understanding the Asian consumer and innovating to meet their aspirations and needs.

The opportunity is in Asia; perhaps the solution lies in Singapore.