WHAT’S NEXT
IN SOUTH EAST ASIA

EXPLORE YOUR PERSONAL CARE OPPORTUNITY IN SOUTH EAST ASIA
SOUTHEAST ASIA THE NEXT GROWTH OPPORTUNITIES

WHILE SOUTHEAST ASIA ACCOUNTS FOR JUST 2.6% OF GLOBAL LAND AREA, IT IS HOME FOR 8.3% OF THE WORLD’S POPULATION
STABLE GDP GROWTH CREATES A POSITIVE BACKDROP FOR INVESTMENT

Source: Nielsen ‘What’s Next Starts Now’, World Bank Data
SOUTHEAST ASIA IS GETTING WEALTHIER

Average Household Income Distribution

Source: The Economist Intelligence Unit
WITH POSITIVE MINDSET ON IMPROVING FINANCIAL STATUS…

SEA consumers feel **better off** financially than five years ago.

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global</td>
<td>58%</td>
</tr>
<tr>
<td>Southeast Asia</td>
<td>72%</td>
</tr>
<tr>
<td>Vietnam</td>
<td>86%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>75%</td>
</tr>
<tr>
<td>Philippines</td>
<td>71%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>59%</td>
</tr>
<tr>
<td>Thailand</td>
<td>57%</td>
</tr>
<tr>
<td>Singapore</td>
<td>48%</td>
</tr>
</tbody>
</table>

SOUTHEAST ASIA IS GROWING FASTER VS MOST OTHER REGIONS, WITH HIGHLY CONNECTED CONSUMERS

Source: Internet World Stats March 2019 & Nielsen ‘What’s Next Starts Now’
SOME COUNTRIES HAVE MORE YOUNG PEOPLE

<table>
<thead>
<tr>
<th>Region</th>
<th>Philippines</th>
<th>Malaysia</th>
<th>Myanmar</th>
<th>Indonesia</th>
<th>Vietnam</th>
</tr>
</thead>
<tbody>
<tr>
<td>Southeast Asia</td>
<td>60%</td>
<td>67%</td>
<td>63%</td>
<td>62%</td>
<td>58%</td>
</tr>
</tbody>
</table>

SINGAPORE | THAILAND

% <35 YEARS

42%       46%


WHILE OTHERS ARE GETTING OLDER
FMCG GROWTH CAN BE FOUND IN THIS REGION

FMCG value growth MAT Q4 2018 vs Q4 18

ASIA PACIFIC *
+ 5.4% MAT
+ 5.1% QTR

SOUTHEAST ASIA *
+ 2.3% MAT
+ 2.8% QTR

PHILIPPINES
+8.9% MAT
+8.7 QTR

THAILAND
0.5% MAT
3.9% QTR

MYANMAR
+ 0.1% MAT
+ 4.7% QTR

MALAYSIA
+4.9% MAT
+1.3% QTR

VIETNAM
+ 4.3% MAT
+ 5.2% QTR

SINGAPORE
-0.5% MAT
+0.5% QTR

INDONESIA
+1% MAT
+1.3% QTR

Source: Nielsen Growth Reporter * Excludes Myanmar
BUT IT CAN BE A TOUGH COMPETITION…

Out of 95,000+ brands in APAC

3,153

Are winning brands contributing up to 83% of 2018 APAC incremental sales based on 3 factors

GROWING

\( \geq 10\% \) value sales growth in 2018 vs 2017

WINNING

Gaining share in its category in 2018 vs 2017

SIGNIFICANT

Have at least 1% share in its category in 2018

Source: APAC Winning Brands Thought Leadership, Dec 2018
5 LOCAL DRIVERS TO WIN OVER THE MARKET
1. PREMIUMIZATION

INDONESIA
“CONSUMERS ARE LOOKING FOR AFFORDABLE INDULGENCE”

MALAYSIA
“PRICE SENSITIVE MALAYSANS ARE WILLING TO PAY MORE FOR PERSONAL CARE”

THAILAND
“PREMIUMIZATION” IS KEYS TO THE GROWTH OF HOUSEHOLD, PERSONAL CARE AND IMPULSE
CONSUMER SAVING IS STILL INCREASING BUT WITH PREPARATION TO SPEND MORE ON ‘INDULGENCE’

Funds from Saving Account + Time Deposit (in Billion RP, Q3 2018)

- 2016: 3.535.222
- 2017: 3.943.517
- 2018: 4.168.082

Growth in ‘Indulgent’ Categories

- Biscuit: +2%
- Snacks: +5%
- Chocolate: +8%
- Mineral Water: +8%
- Liquid Milk: +9%
- Skincare: +5%

44% of Personal Care Category is contributed by the Premium segment

The premium segment growing at a double digit growth, along with most Personal Care categories on average

OFFERING THE RIGHT VALUE PROPOSITION IS KEY
Key Premium Fundamentals

☀️ ☀️ ☀️ QUALITY
⭐️ UNIQUENESS
✔️ INGREDIENTS

THAILAND

PERCEIVED WALLET SIZE MAKES THAI TRADE UP

Willing to pay more FOR “LOOK AT ME” ELEMENTS

<table>
<thead>
<tr>
<th>Category</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>PERSONAL ELECTRONICS</td>
<td>45%</td>
</tr>
<tr>
<td>CLOTHING/ SHOES</td>
<td>41%</td>
</tr>
<tr>
<td>COSMETICS</td>
<td>39%</td>
</tr>
<tr>
<td>BODY CARE, VITAMINS AND CAR</td>
<td>27%</td>
</tr>
</tbody>
</table>

2. CONVENIENCE

CONVENIENCE IS MORE THAN A STORE FRONT

Growth of convenience/minimarkets vs Total Market

MALAYSIA + 17% vs +5%

THAILAND + 7% vs +0.5%

INDONESIA + 8% vs +1%

PHILIPPINES +10% vs +9%

SINGAPORE + 0.1% vs -0.5%

VIETNAM + 13%* vs +4%

Source: Nielsen RMS – MAT Q4 2018  *Vietnam = Modern Trade)
“CONSUMERS’ DEFINITION OF CONVENIENCE VARIES”
SATISFIED CONSUMER’S CRAVE FOR CONVENIENCE
Research and design based on their needs

<table>
<thead>
<tr>
<th>SPEED</th>
<th>EASE</th>
</tr>
</thead>
<tbody>
<tr>
<td>![Rabbit]</td>
<td>![Finger Click]</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PROXIMITY</th>
<th>EFFICIENCY</th>
</tr>
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<tbody>
<tr>
<td>![Distance]</td>
<td>![Clock]</td>
</tr>
</tbody>
</table>

▲ Hair Conditioner: Dove 1 Minute Serum
▲ Hair Dye: Bigen Speedy Line Promise of 10 minute dye
▲ Sachet and Smaller SKUs
3. STRATEGIC LOCATIONS

INDONESIA
“OPPORTUNITIES ARE SEEN IN OUTER JAVA ISLANDS”

MYANMAR
“VARIOUS CATEGORIES CONTINUE TO GROW IN RURAL MARKETS”

THAILAND
“THE RISE OF SECOND TIER CITIES IN THAILAND”
OUTER JAVA POTENTIALS ARE INCREASING AS THE GOVERNMENT EXECUTES A LOT OF SPECIAL PROJECTS IN THOSE REGIONS

INDONESIA FMCG TOTAL: IDR360 Trillion

2017 Strategic Projects (#)

#14 PAPUA #15

JAKARTA GR

KALIMANTAN

SULAWESI

SUMATRA

16 -1%

5.2 3%

5.4 3%

OUTER JAVA POTENTIALS ARE INCREASING AS THE GOVERNMENT EXECUTES A LOT OF SPECIAL PROJECTS IN THOSE REGIONS

Value Area Contribution & Value Growth | FY 2018

OTHER JAVA

48.7 3%

BALINUSRA

4.5 1%

#12 (Java)

#14

#9

#15

Note: Strategic projects include infrastructure development: Airports, Seaports, Toll roads, etc.
Source: Nielsen What’s Next in SEA Thought Leadership Paper
MYANMAR

THE GROWTH OF PERSONAL CARE & HOUSEHOLD CARE IN RURAL MARKETS

% of penetration

Source: Nielsen MMRD Consumer and Media View 2018 vs 2017
THAILAND

SECOND TIER CITIES
WHAT THEY ARE, HOW ARE THEY DEFINED

POPULATION: 1M-5M

NORTH
CHIANG MAI
CHIANG RAI

NORTH EAST
NAKHONRATCHASIMA
UBONRATCHATHANI
KHONKAEN
BURIRAM
UDONTHANI
ROI ET
SAKOLNAKHON
CHAIYAPHUM

CENTRAL
CHONBURI
NAKHONSAWAN

SOUTH
NAKHONSITHAMMARAT
SONGKHLA
SURATTHANI

ECONOMIC INDICATOR: TOP 35% GPP

Contributors Apart from GBKK

CHACHOENGSAO
RAYONG
AYUDHAYA
4. CONNECTED CONSUMER

CONNECTIVITY IS ENABLING LIFESTYLE EVOLUTION

INDONESIA MALAYSIA MYANMAR PHILIPPINES SINGAPORE THAILAND VIETNAM

DIGITAL IS NO LONGER JUST FOR THE YOUNG

THE ROLE OF TV AND INTERNET AS KEY CHANNELS

A MOBILE-FIRST MARKET
98% OF THE CONNECTED APAC CONSUMERS HAVE MADE AN ONLINE PURCHASE

Source: Nielsen Connected Commerce 2018 Report
NEED OF OMNI-CHANNEL SOURCES

BEAUTY & PERSONAL CARE

Source: Nielsen Global Commerce Study 2018
Q29a1. Which of these online and offline information sources help you make a decision on which products to buy – APACI Average
PAVING THE WAY FORWARD

build 360° campaigns and efforts in order to improve the shopper experience.
5. PRODUCT INNOVATION / NEW PRODUCT

CONSUMERS ARE OPEN TO TRYING AND SWITCHING BRANDS

Q39. Which of the following best describes how you feel about switching brands and buying different grocery and household products?

- LOVE TRYING NEW THINGS
- SOMETIMES BUY NEW BRANDS OR PRODUCTS
- SELDOM TRY NEW THINGS

Source: Nielsen Global Consumer Loyalty Survey (Q1, 2019)
WITH PREFERENCES AND NEEDS IN NEW PRODUCT INNOVATIONS

Consumers from the Philippines, Vietnam and Indonesia like it when manufacturers offer new product options.

70% of Vietnamese consumers see themselves as early purchasers of new product innovations vs. 42% of Malaysians and 34% of Singaporeans.

Indonesians and Filipinos are more likely to tell others about new products that they have purchased.

Source: Nielsen & Demand Institute Connected Spenders Report, 2017
BRANDS HAVE PUSHED NEW PRODUCT TO THE MARKET, YET ONLY LESS THAN 10% CAN SURVIVE

FMCG Innovation Dynamics* - Vietnam, Thailand, Philippines

<table>
<thead>
<tr>
<th></th>
<th>Vietnam</th>
<th>Thailand</th>
<th>Philippines</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of NPDs in MAT 2YA</td>
<td>59%</td>
<td>29%</td>
<td>27%</td>
</tr>
<tr>
<td>% of NPDs maintaining sales in Year 2</td>
<td>14%</td>
<td>6%</td>
<td>8%</td>
</tr>
<tr>
<td>% of NPDs achieving 0.1% Share in Y1</td>
<td>8%</td>
<td>9%</td>
<td>5%</td>
</tr>
</tbody>
</table>

*Based on 37 observed categories in VN, 22 observed categories in TH, 27 observed categories in PH – Data ending Q2’19
Source: Nielsen Successful Innovations South East Asia Report 2019
STRATEGIES FOR DISCOVERING AND DEVELOPING SUCCESSFUL INNOVATIONS
3 GROWTH STRATEGIES, 6 INNOVATION PROFILES

GROWTH STRATEGIES
DEFENSIVE STRATEGIES
EXPLORATORY STRATEGIES

Source: Nielsen Successful Innovation South East Asia Report, 2019
NEWS ALONE DOES NOT DELIVER CONSUMER ADOPTION

1. Substantiate ‘news’ into distinct solutions fulfilling relevant needs/desire of the consumers
2. Strong product to deliver what is promised to consumers
3. Differentiation from your current offerings to maximize brand/ portfolio growth
4. Price it right to deliver penetration and margin goals

Source: Nielsen Successful Innovation South East Asia Report, 2019
INNOVATIONS REQUIRE HIGH MAINTENANCE WITH STRONG MEDIA SPENDING BEYOND YEAR 1

YEAR 2 TO YEAR 1 MEDIA SPEND RATIO: GROWING INNOVATIONS VS. CPG AVERAGE:

On average, growing brands spend nearly as much on advertising in year two as in year one.

Declining brands dedicate only about one fifth of their year one media budget to year two.

Source: Nielsen Successful Innovation South East Asia Report, 2019
BEST PRACTICE OF DEVELOPING AND DEPLOYING SUCCESSFUL INNOVATION

Ensure Big Innovations Disrupt Consumers Habits

Execute Flawlessly to Maximize Trial Potential

Develop a Strong Product

---

Invest and Evolve Beyond Year 1

Put your Money on the Right Bets for your Portfolio

Source: Nielsen Successful Innovation South East Asia Report, 2019
## COMMONALITY AMIDST DIVERSITY

### LOCAL MARKET DRIVERS

<table>
<thead>
<tr>
<th>INDONESIA</th>
<th>MALAYSIA</th>
<th>MYANMAR</th>
<th>PHILIPPINES</th>
<th>VIETNAM</th>
<th>THAILAND</th>
<th>SINGAPORE</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFFORDABLE INDULGENCE</td>
<td>PREMIUMISATION</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CONVENIENCE LIFESTYLE</td>
<td>GROWTH OF PROXIMITY STORES</td>
<td>CONVENIENCE LIFESTYLES</td>
<td>EVOLVING MODERN RETAIL LANDSCAPE</td>
<td>IMPORTANCE OF SMALLER FORMAT</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OUTER JAVA OPPORTUNITY</td>
<td>CATEGORY GROWTH ESP. RURAL</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CONNECTED CONSUMERS</td>
<td>CONNECTED CONSUMERS</td>
<td>CONNECTED CONSUMERS</td>
<td>CONNECTED CONSUMERS</td>
<td>CONNECTED CONSUMERS</td>
<td>CONNECTED LIFESTYLES – E-COMMERCE &amp; DIGITAL</td>
<td>CONNECTED CONSUMER</td>
</tr>
</tbody>
</table>

### LOCAL MARKET DRIVERS

- **Affordable Indulgence**: Prices of products and services that are affordable for the majority of the population, catering to a wide range of income levels.
- **Convenience Lifestyle**: Shoppers increasingly seek convenience and quick access to products and services;
- **Growth of Proximity Stores**: Retailers are expanding their presence in local communities to capture the importance of proximity;
- **Category Growth Esp. Rural**: Retailers are expanding their presence in local communities to capture the importance of proximity;
- **Connected Consumers**: Consumers are increasingly connected, making e-commerce a significant channel for retail;
- **Connected Consumers – A Mobile First Market**: The rise of second-tier cities;
- **Innovation / New Product**: Innovation and new product development are critical for competitive advantage.
WHAT’S NEXT…

ASPECTS TO CONSIDER WHEN TAPPING INTO CURRENT AND FUTURE OPPORTUNITIES
Increasing ability and attitude to spend freely

UNDERSTAND WHAT CONSUMERS ARE PREPARED TO PAY MORE FOR

Opportunity is in DIVERSITY – one strategy won’t fit ALL

UNDERSTAND NUANCES ACROSS & WITHIN COUNTRIES. SIMILARITIES MAY BE AT A MORE GRANULAR LEVEL

Who are TOMORROW’S consumers?

UNDERSTAND CONSUMERS’ EMERGING NEEDS & PAINPOINTS TO ENSURE YOUR BUSINESS IS SET TO WIN IN THE FUTURE

Convenience is KING – not just a store front but a WAY OF LIFE

INNOVATION, OMNI-CHANNEL, DIGITAL AND MEDIA TOUCHPOINTS SHOULD ALL HELP MAKE CONSUMERS’ LIVES EASIER

Connect to Win

DIGITAL IS NOT JUST FOR THE YOUNG – ENSURE INCLUSIVE TACTICS FOR ALL AGE GROUPS IN DIGITAL

PERSONALISATION will be critical to the future.

REALLY KNOW YOUR CONSUMER ACROSS ALL TOUCHPOINTS – IN STORE, ONLINE AND CONNECT WITH CONSUMERS TO MAKE IT MATTER