

Bringing You The **ASEAN** Way



The 10 countries of Southeast Asia, which together make up the geopolitical and economic organization called ASEAN, are Singapore, Indonesia, Vietnam, Malaysia, Thailand, Cambodia, Laos, Brunei, Burma (Myanmar) and the Philippines.

If you're looking for some good cheer in a pretty gloomy world at the moment, consider the opportunities that exist in SE Asia, home to fast-growing economies that are now written into the landscape and an increasing focus as the region moves towards integrating their economies by 2015.

Economic growth has transformed cities in South East Asia, its raised income levels, spurred urbanization and infrastructure and ultimately changed the SE Asia region and the way in which we live.

As we begin the 2013 year, businesses are often wondering what the market forces and consumer trends that will be important for the following year and of course prefer having a glimpse of these factors so they can strategically begin ensuring that they add to their marketing priorities.

This first edition of ASEAN Pulse tracks some of the mega forces that will shape the landscape of SE Asia and in the next edition we will focus more on some of the consumer trends that will influence 2013. Some of these forces examine different aspects of very wide-ranging developments, and while many of these trends can be seen in the world at large; the purpose here is to provide a snapshot of how these are shaping SE Asia.



Grant Bertoli

Ipsos Asia Pacific

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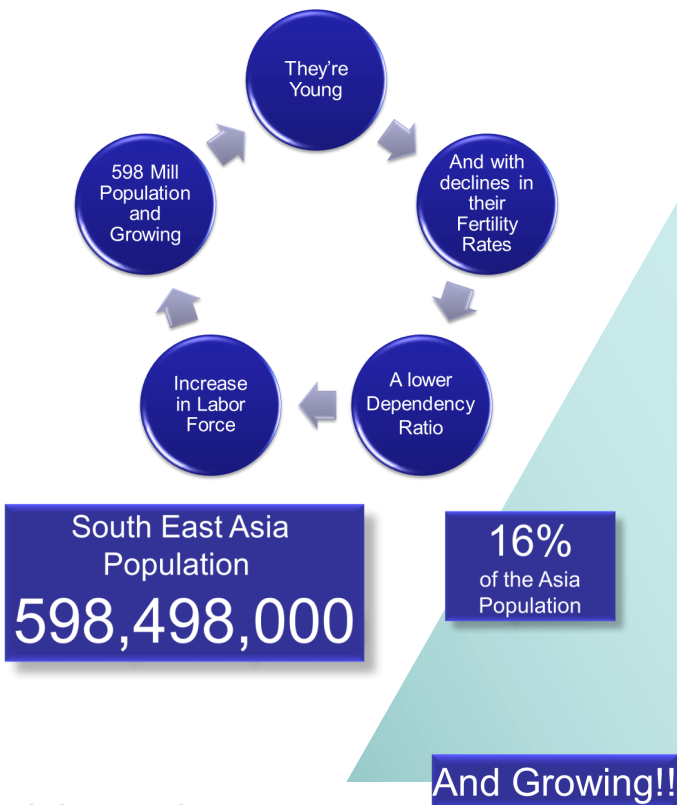
Tammy.Ho@ipsos.com, Colin.Kinghorn@ipsos.com

Market Forces Impacting ASEAN

At Ipsos in South East Asia, we have explored 5 key market forces in this edition which have and will continue to shape the region in the future:

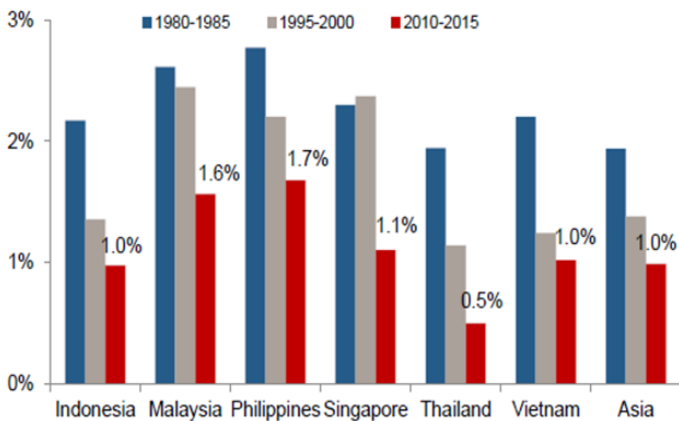
1. People Power - Population Changes
2. Rising Wealth & Emerging Middle Class
3. Urbanization
4. Health & Well-Being
5. Technology Advancement

1. People Power – Population Changes



Population growth

Rate per annum (%)

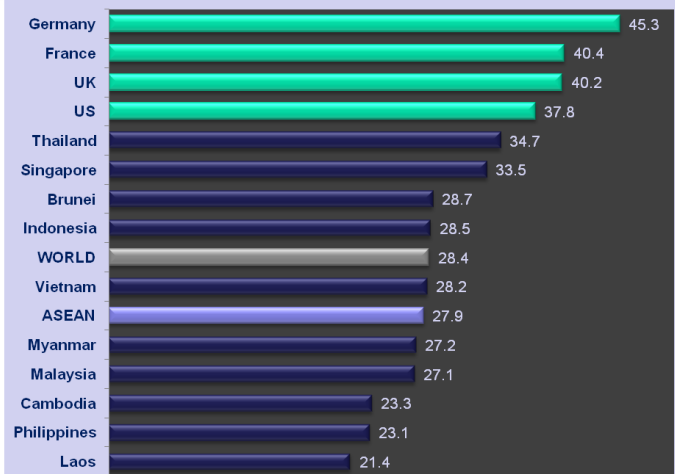


Source: UN,

Median Age

They're Young!

Median Age of Population in SE Asia



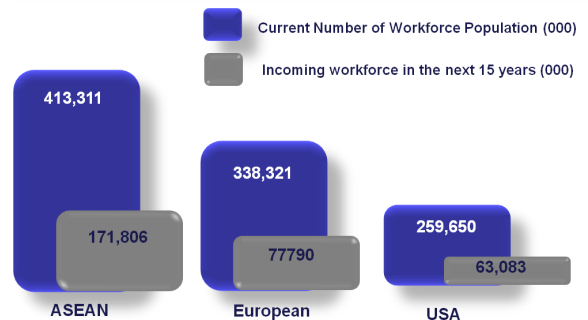
Source: ASEAN Secretariat CIA World Fact Book 2012

And with declines in their Fertility Rates

More people in the workforce:

A lower dependency ratio - essentially means that there are fewer young children and aged relying on each working adult.

ASEAN Work Force



Source: ASEAN Secretariat CIA World Fact Book 2012

The ASEAN 6's (Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam) projected **average population growth rate of 1.14%** and **projected labor force growth rate of 1.58% (2010-15)** are also higher than the corresponding overall Asian averages.

2. Rising Wealth & Emerging Middle Class

With more and more people in ASEAN being able to earn and keep their income (as a result of having fewer dependants) the emergence of ASEAN's middle class and its subsequent impact on consumption levels has obvious implications for both the future of the region's growth and the trajectory of its development.



3. Urbanization—BIG CITIES Driving Change

Rapid urbanization has long been condemned, but it is now increasingly seen as a source of development.

Rapid population increase and economic growth place a stress on urban infrastructure and services will exert growing pressure on governments to improve service delivery.

Today, 42% of the total population (245 million people) live in urban areas.

The urban population of the region will increase to 50% by 2025.

Source: UNPD, 2010.

Urbanization — Retail Change Impact

Diverse Sales channels

Modern grocery stores in the form of hypermarkets and convenience stores have led the expansion.

Convenience stores have stronger growth potential due to hypermarket saturation, limited availability of commercial space, and a consumer preference for shopping at the most convenient location.

At a seminar in Dec 2012 on "Thailand's Retail Outlook in 2013" earlier this week, retail gurus agreed that convenience stores are the rising star in the retail sector for expansion next year.

Piyawat Titasattaworakul, president of CP All, said as the market has many positive factors, the company will open 540 new 7-Eleven stores next year, up from 450-500 new outlets this year.

4. Health & Well-Being

The world over has seen growth in the importance of health and well-being, and it's no different in ASEAN. The health and wellness industry is however picking up pace and there are some differences observed in ASEAN.

People are starting to focus more on health and prevention rather than waiting until they get sick to treat the symptoms later. It is encouraging to see so many more people have become educated on the importance of maintaining good health through proper nutrition, exercise and quality supplementation. And of course the Health and Wellness Industry and governments has played a huge part in this movement.

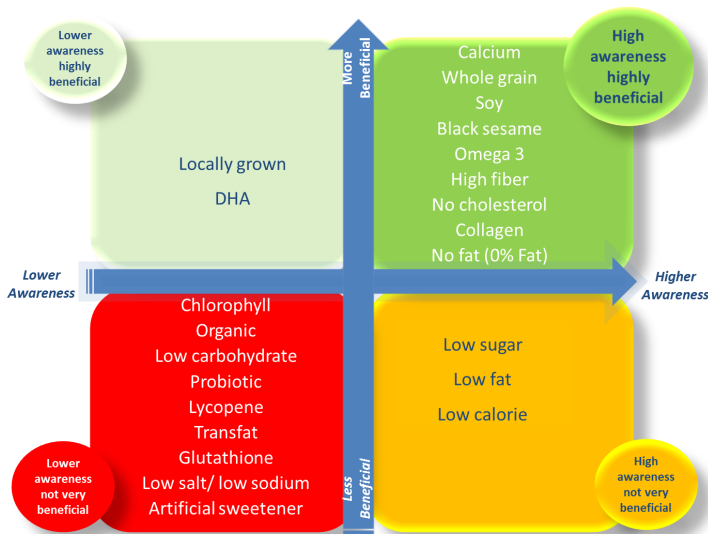


Some of the impact we've seen

- Demand for more natural and organic foods
- Demand for functional foods, especially popular are those fortified with nutrients and sport a health claim.
- Packaged foods are increasingly positioned as "smarter" or "better-for-you" products, as consumers demand healthy foods
- More novel foods

THAILAND AWARENESS AND BENEFITS

WHICH INGREDIENTS CAN MAKE FOOD AND BEVERAGES BETTER FOR OUR HEALTH?



Beauty - Indulgence

Health and well-being covers a very broad spectrum from what you eat, and how you look and feel.

Consumer attitudes are blurring the boundaries between health and beauty, driving growth across both areas and creating new challenges for marketers and retailers.

Here are some examples of what's hot and what's not!

What's Hot in ASEAN



This is also having negative social effects

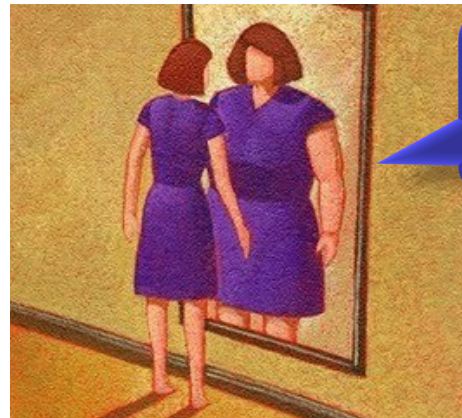
In Thailand 18% believe they are obese

- And overall 44% believe they are overweight

When in fact the measured incidence of obesity is 7%

- And in reality 28% of Thais are overweight

MISPERCEPTIONS AND GENDER



33%, mainly women see themselves as heavier than they are

8%, mainly men see themselves as slimmer than what they are



5. Technology Advancements....Its all about Access

According to an Accenture report in 2012, few regions are adopting “digital everything” as quickly, enthusiastically, and deliberately as Southeast Asia. In particular, social media is seeing enormous uptake, reflecting the long-standing importance of community ties within the region

Digital is no longer defined by the hardware, the software, or the platforms we use. It is a medium that enables us to connect, interact, and engage virtually with individuals, groups, communities, and now brands.

It's almost 20 years since the mobile phone began to transform the ways in which people connect and communicate on a large scale. More than 15 years ago, the Web added another dimension. And in the past six years, social networks have exploded yet another means of facilitating and reshaping interpersonal and interorganizational connections.

The growth of digital in Southeast Asia

194m

New Internet users will come online between 2010 and 2020 in the ASEAN-6 nations, 91 million of them from Indonesia alone.

According to the Accenture report Surfing Southeast Asia's Powerful Digital Wave in 2012

And it's all about being mobile

Penetration of Mobile is Saturated

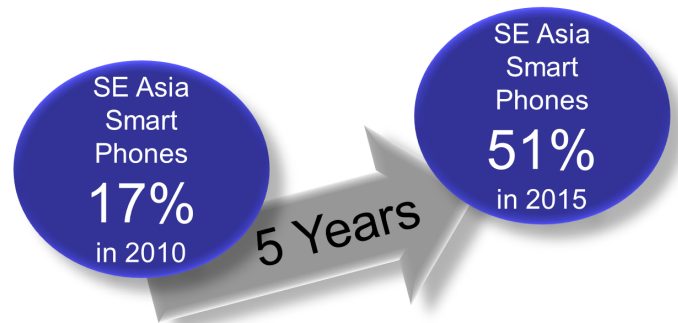


2011 Operator reported subscriptions by country

69%
OF ASIA'S INTERNET ACCESS VIA MOBILE DEVICES

Smart phones on the increase

According to research firm Canals, mobile phone shipment in Southeast Asia is still growing and expected to reach 163 million by 2015. “This is indicative of a continued strong demand for mobile phones and services in Southeast Asia. This can also be seen from the mobile penetration rates of various countries in the region.

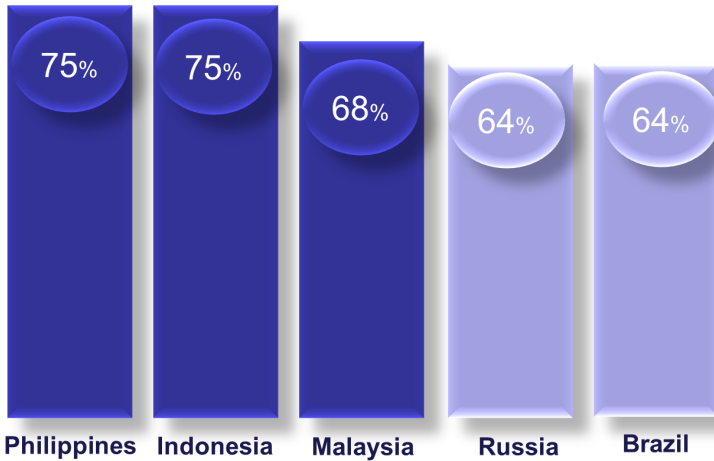


Canals estimates 2011 – Smart phone shipments as a proportion of total mobile phone shipments

They are extremely social online

The SE Asia region is intrinsically social, through the digital environment cultivating in large networks of online friends many of which they have never met in person.

Some of the most 'social' in the world are in SE Asia



Global Web Index June 2011

Filipinos are one of the heaviest users of social media globally avg 9 hours per week

Comscore 2011

A Country View : Indonesia



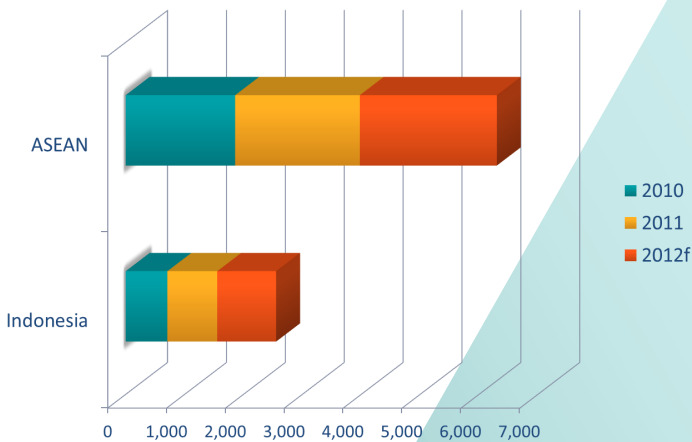
Remarkable Indonesia?

Having been out of the spotlight for far too long the last two years has seen investors clamouring for opportunities to invest in Indonesia. The question to be asked is “does Indonesia live up to its new found status as the destination of choice in Asia?” Well, in short, the answer is yes.

Still the one to watch in ASEAN

The largest economy in South East Asia, With a GDP heading towards USD 1 trillion (Approx. USD **846.8** bn in 2011) Indonesia accounts for around 40% of ASEAN GDP, as well as 40% of the population of ASEAN.

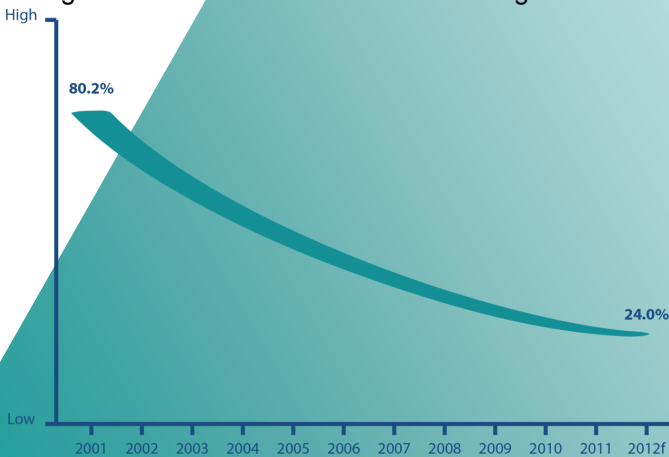
Comparing Indonesia's GDP to ASEAN's, USD bn



Source: World Bank, The ASEAN Secretariat, Indonesia's Investment Coordinating Board (BKPM), Ipsos Analysis

Steady as she goes

Whilst many economies in ASEAN have had to tackle economic and political unrest, Indonesia has shown the world that it has sound fiscal policies that were focused on balancing the country's budget. The government has been able to reconstruct public debt in a way that will bring about a reduction in reliance on foreign loans.



Source: Embassy of Indonesia, Indonesia's Investment Coordinating Board (BKPM)

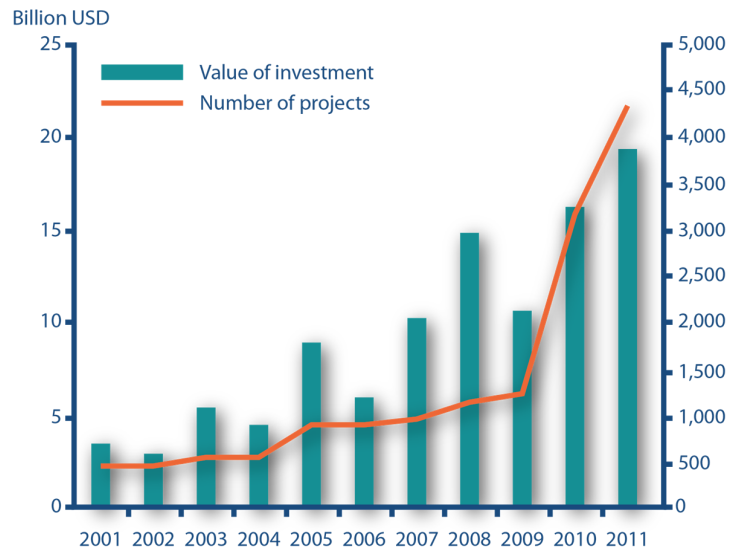
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The fresh frontier

The government efforts to create a friendly climate for foreign investors has resulted in more than USD20 billion FDI coming into the economy in 2011 (Q3 up by approx. 22 percent year-on-year).

An economy driven by consumer demand

With a workforce in excess of 144 million people, mostly aged less than 40 years old, we have still to witness the anticipated explosion from the emerging middle class.



Source: Indonesia's Investment Coordinating Board (BKPM)

Reaching the Indonesian Consumer

So you've planted roots in Indonesia but reaching the emerging middle class or the elite which make up less than 1% of the population is far from simple. The 245 million residents across 6,000 occupied islands certainly make it an interesting market to say the least. Here are a few insights on the Indonesian consumer that would impact the way companies operate here.

Faith in Numbers

Indonesian consumer behaviour is as varied as the population, reflecting the widely different income levels and lifestyles found across the country. The white-collar professional in Jakarta has access to the latest cell phone models and may enjoy Western films and TV. But he has little in common with the people of Banda Aceh who live in traditional fishing villages, or Irian Jayans who are only one generation removed from the Stone Age. Islam is the nearest thing to a unifying power, but even faith is fragmented. The country has 20 million Christians concentrated in five main areas across the archipelago, and most of Bali's 3.1 million residents are Hindu.

Indonesia is the world's largest archipelago, connected by a largely Third World infrastructure. Getting products to consumers can be almost comically complicated. There are an estimated two million distribution outlets for consumer goods nationwide. Traditional *pasars* (large markets) and *warungs* (convenience stores) are still the dominant retail channels rather than modern stores.



Figure 1 Modern Affluent Home

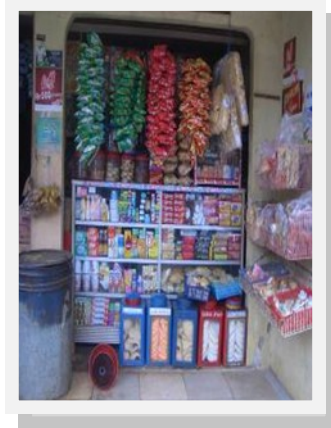


Figure 3 A typical Warung or convenience store



Figure 4 Traditional Pasar or market



Figure 5 Modern urban hypermart

Respecting Religion

Eighty eight per cent of Indonesia's 245 million people are Muslim, making it the world's most populous Muslim country. But the Shia form of Islam practiced in Indonesia is moderate, and there is clear separation of mosque and state. And despite the occasional inter-communal tensions that sometimes flare into violence, Indonesians pride themselves on living in a multicultural state. 'Unity in diversity' is the national motto.

Although Indonesia has a secular government, living and working harmoniously together implicitly requires everyone, businesses included to be mindful and respectful of the Islam religious beliefs that run deep. In one instance, a bank received bomb threats after it ran a printed advertisement showing a bulldog guarding a safe deposit box (in Islamic countries, keeping a dog indoors is taboo).



Figure 6 Easy access to bars and alcohol



Figure 7 Men and women mix freely



Figure 8 Syariah Bank



Figure 9 Using dog as security (Courtesy to : washingtonpost.com)

Love Me, Love My T-shirt

Western culture celebrates the spirit of individualism. Westerners often see consumer choices as a way to assert their unique identity and stand out from the crowd, and many marketers actively encourage them in this.

This approach will not work with Indonesians, though. Belonging to a group is one of the strongest bonds in Indonesian society. Indonesians are unconcerned about distinguishing themselves – rather, they seek acceptance. Though many Asian cultures avoid confrontation and value the group over self, the Indonesian desire to fit in is especially pronounced.

Understanding this thinking is critical when marketing to Indonesian consumers. An international company may promise American consumers that its product will help them express their 'inner you.' Indonesian consumers, in direct contrast, are always looking for things that help them fit in!

In Indonesia, it is extremely difficult to dislodge a brand that has become the market leader. The mere fact that it is the one everyone likes makes its success self-perpetuating.



Figure 10 Group of Blackberry Users

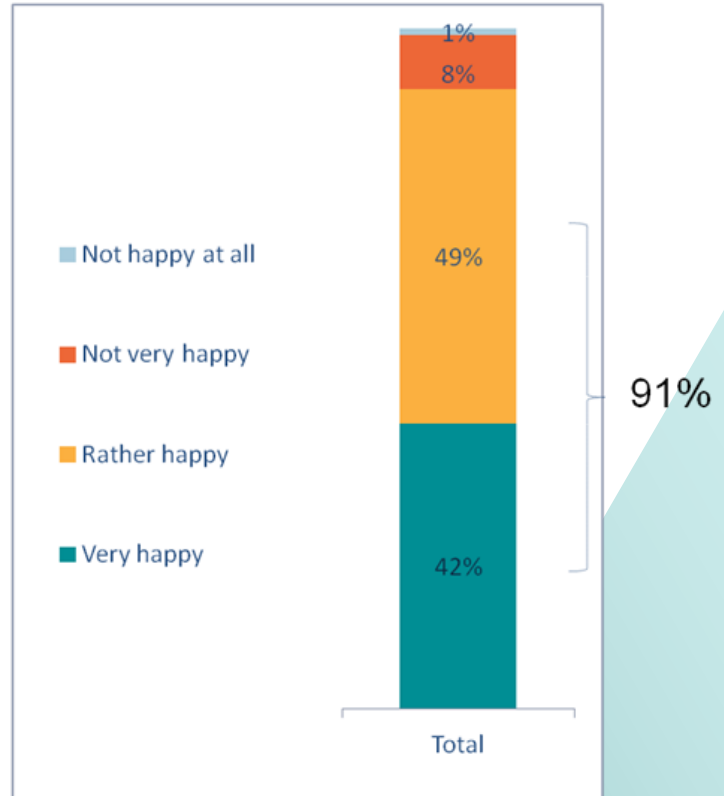


Figure 11 Fitting in among friends, similar style across

A measure of success – Happiness

In a poll conducted via Ipsos AsiaBUS in December 2012, citizens of Indonesia are found to be quite a happy lot with 91% of those interviewed described themselves as “rather happy” or “very happy”.

Indonesia Happiness Index – Dec 2012



Seeing as how Indonesians are deeply religious and family oriented, it is no surprise that the top mentions on what would make Indonesians happiest in their lives are associated with their spiritual well-being (66%) and their relationships with children (57%) and spouses (54%). Along that same thread, the lowest mentioned factor is “moving to another country” (6%). Probably reflecting either the lack of means to migrate out of the country or the importance of being close to family.

Does or could give me greatest happiness...



Poll conducted on Ipsos AsiaBUS in December 2012 among a total of n=1,046 Indonesians in 4 urban cities – Jakarta, Bandung, Surabaya and Medan. Random door-to-door sampling among citizens aged 15 – 64 years old, across SECs A through E.

A Country View : Philippines

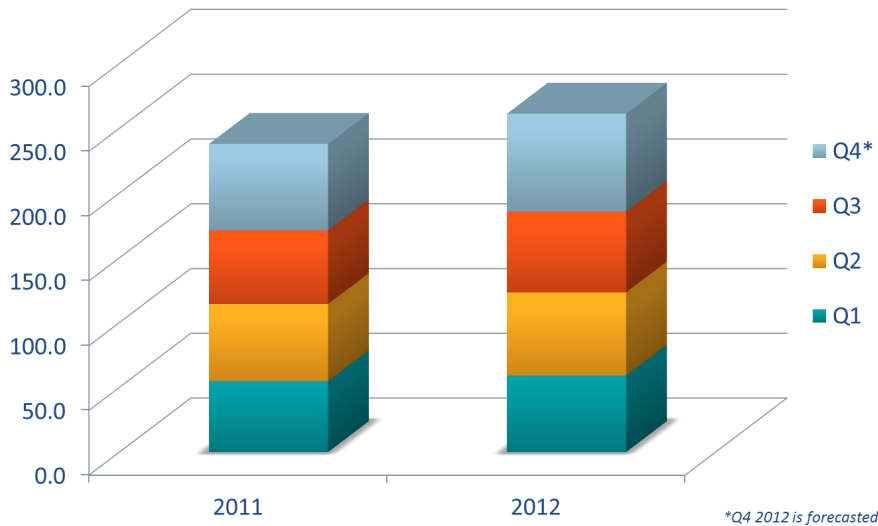


A New Wave of Growth?

A Path to Growth

The Philippine economy has accelerated in 2012 and as at the end of Q3 2012 the Philippines was reporting a real GDP of 7.1 percent, as compared to 3.2 percent in 2011.

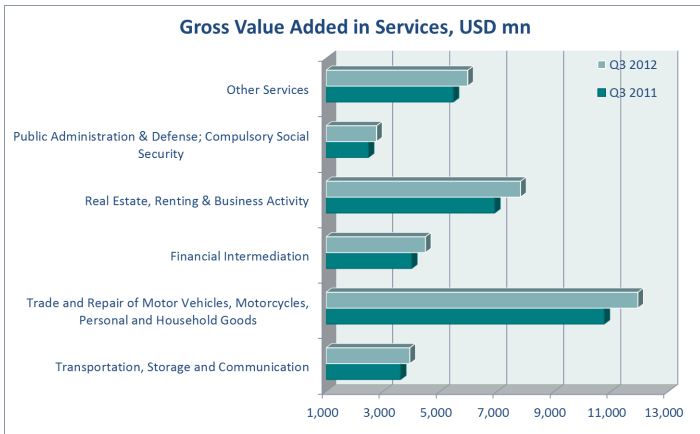
GDP at current prices between 2011 and 2012, USD bn



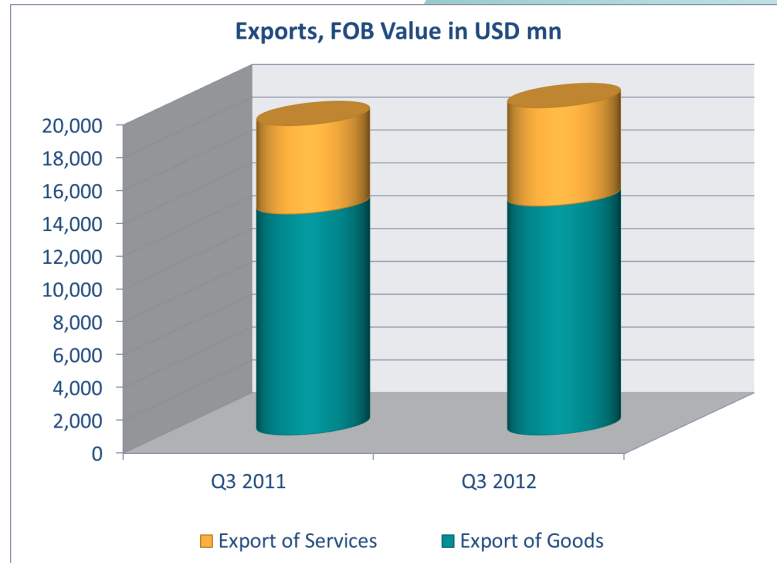
Source: EIU, National Statistical Coordination Board, November 2012 National Accounts of the Philippines

Roll over, India?

The Philippines is also proud to have a very strong Business Processing Outsourcing (BPO) industry. This growth has been facilitated by the country's excellent standard of English, perhaps the best in ASEAN and one of the best in the Asia Pacific



Source: National Statistical Coordination Board



Source: National Statistical Coordination Board

Insights into Filipino Culture and Consumers

"Filipinos, it has been said, are Malay in family, Spanish in love, Chinese in business, and American in ambition."

The geographical location of the Philippines has made it vulnerable to invasion from many colonizers. For over 400 years, until July 1946, this archipelago had been under foreign control, from Spain to USA, to Japan. The influence of colonists as well as Filipinos' warm and open culture has helped the country combine European, Asian and American influences.

Family and Faith

Filipinos put family first and the joys and obligations of family form the bedrock of Filipino society. A Filipino's first loyalty is to family; identity is deeply embedded in the web of kinship. It is expected that one owes support, loyalty, and trust to one's family. In the Philippines, kinship is achieved in two (2) ways - by affinity as well as consanguinity. Hence a Filipino's "kin" can include quite a large number of people related by blood or friendship.

80% of the Philippine population is Roman Catholic and another 10% Christian. It is noteworthy that despite exposure to the Western focus on individual and material gain, Filipinos have maintained their distinct upbeat attitude and a strong religious faith. Strong personal faith enables Filipinos to face great difficulties and unpredictable risks in the assurance that "God will take care of things."

Religious festivals such as Easter, All Saints' Day and Christmas are key events for the Filipinos. Family and prayer take supreme priority over everything else during these periods.



Figure 2 Religious Fervour

Aspirational and Enterprising

One of the unique characteristics of the retail market in the Philippines is the presence of small packages (bottles, sachets) of various consumer goods. Small, often single-use, packages allow Filipino consumers to stretch limited budgets to address daily needs and a desire for branded products.

Everything from basic kitchen condiments like cooking oil, soy sauce, vinegar, catsup, and food items like coffee, powdered beverages to personal care items like deodorant, soap and shampoo are made available in very small containers and / or sachets.

If there is no ready small package, enterprising traders will re-pack the item in smaller plastic bags or bottles and sell it "tingi" (in pieces or small amounts).

While the Philippines has huge hypermarkets, supermarkets, department stores and malls, the "sari-sari" store remains a common and important retail outlet. The word 'sari-sari' is Tagalog for "various kinds" which is what this little neighborhood store sells. Most sari-sari stores are operated inside the shopkeeper's house and often act as a locus of social activity in a community.



Figure 1 Family and community living

Similarly, it is also not uncommon to find enterprising homeowners who set up a temporary table or counter in front of their house to sell cooked food to their neighbors.



Figure 3 "Sari-sari" local convenience store

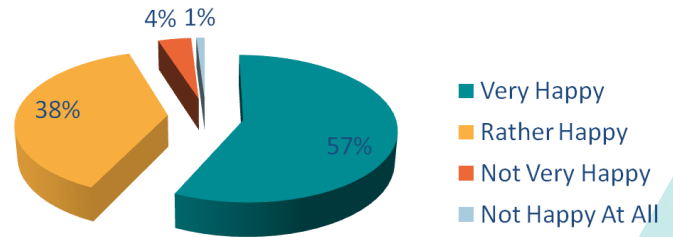


Figure 4 Eating holds special importance in the Filipino culture. Snacking between meals and communal sharing of snacks is common place

A measure of success – Happiness

Alongside the poll in Indonesia, a poll was conducted via Ipsos AsiaBUS among n=1000 Filipinos. A similarly high percentage (95%) of Filipinos were found to describe themselves to be "rather happy" or "very happy".

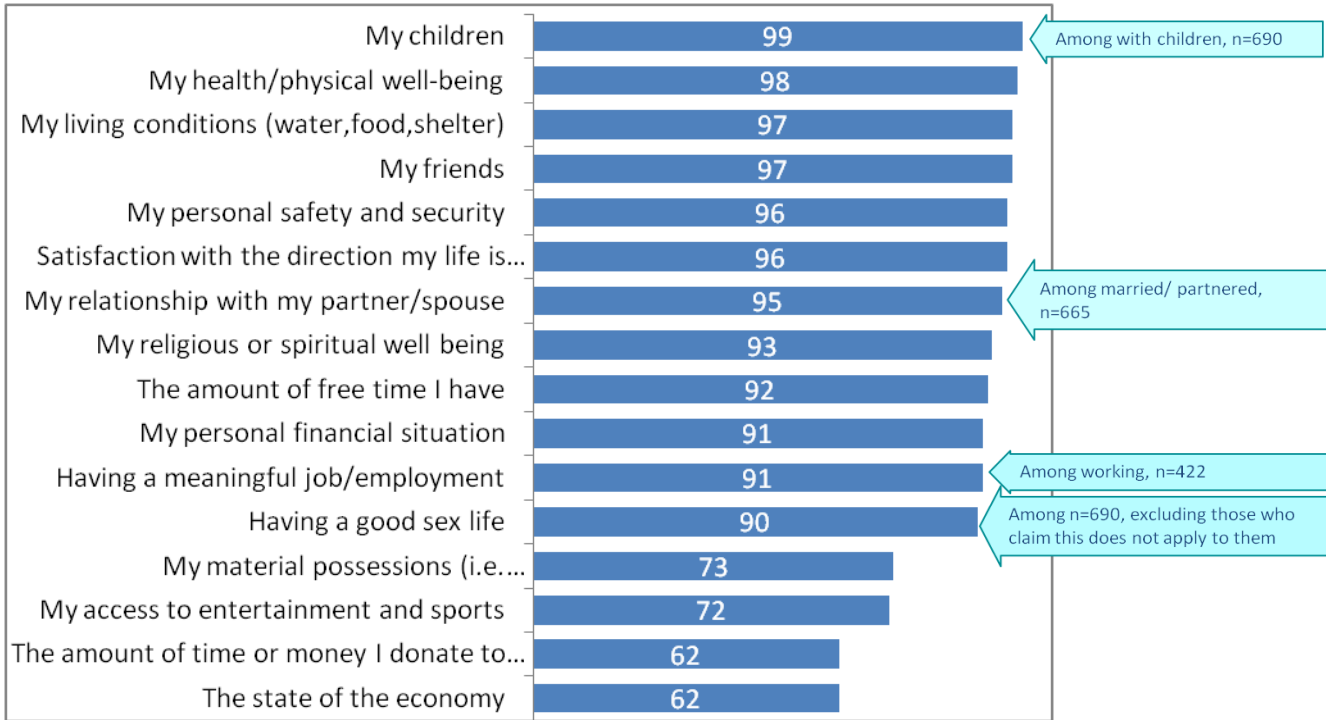
Happiness Index – Total December 2012



The fieldwork for this survey was conducted in December – a generally festive month in the Philippines and hence could have contributed to the high rating. Notwithstanding, Philippines consistently ranks high in different happiness/ well-being surveys (e.g., Happy Planet Index, World Happiness Report).

The Philippines is still a developing country and have in fact not been spared from calamities. However, the Filipinos continue to survive and look for ways of coping in times of social, economic, political issues and disasters.

Does or could give me greatest happiness...



Filipinos generally tend to have a cheerful disposition and an optimistic outlook in life. Among others, this could be on account of the following Filipino characteristics and values:

- Faith/ religiosity from which they draw strength and hope from particularly during the most trying times
- Close/ strong family and social ties from which they draw moral support
- Resilience – their ability to cope with/ adapt in different situations; and a “this too shall pass” attitude and a good sense of humour!
- The freedom that Filipinos enjoy in general, and greater freedom among women/ gender equality as well

Poll conducted on Ipsos AsiaBUS in December 2012 among a total of n=1,000 Filipinos in Metro Manila. Random door-to-door sampling among citizens aged 15 – 64 years old, across SECs A through E.

A NEW FRONTIER?



Cambodia

Laos

Myanmar

Vietnam



The time to act is upon us

Cambodia, Laos, Myanmar, Vietnam (CLMV) are not large economies in their own right, they are important destinations within ASEAN and, led by Vietnam, they are all economies that will be delivering consistent growth as well as a new wave of emerging middle class.

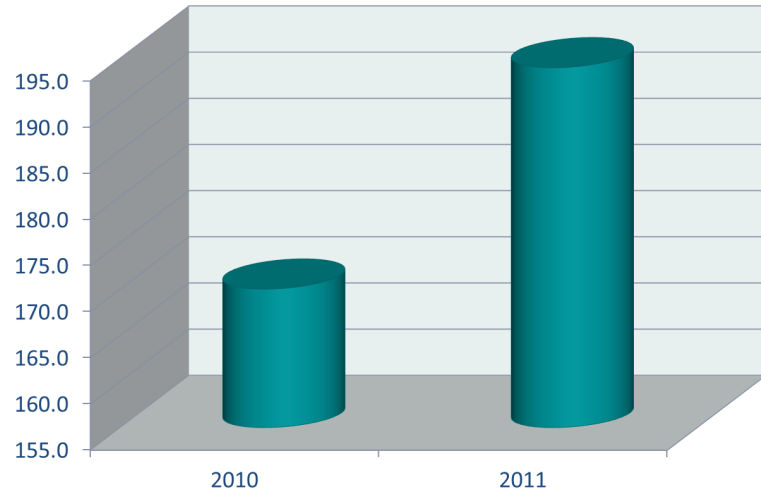
The whole story

Vietnam continues to attract a significant amount of interest from investors, with the Japanese actively looking to develop Vietnam as an alternative base to China. But the remaining three countries – Myanmar, Cambodia and Laos have largely gone unnoticed by many investors.

For investors serious about being leading players in ASEAN, now is the time to commit resource towards a market entry strategy for Cambodia and Laos at the same time as Myanmar.

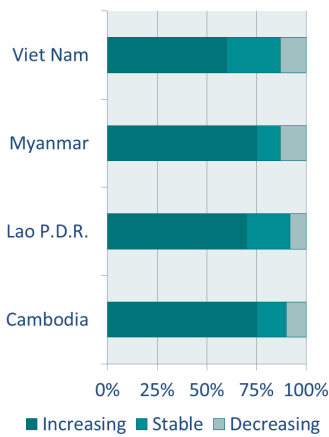
CLMV are not large economies in their own right, they are important destinations within ASEAN and, led by Vietnam, they are all economies that will be delivering consistent growth as well as a new wave of emerging middle class.

CLMV's Nominal GDP, USD bn



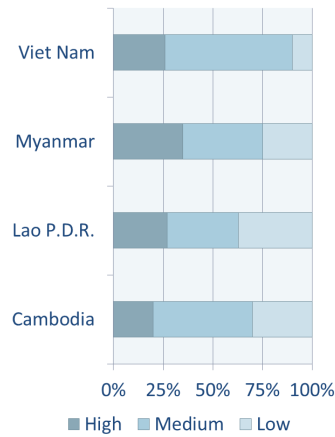
Source: The ASEAN Secretariat

Investment Trend 2012-2016

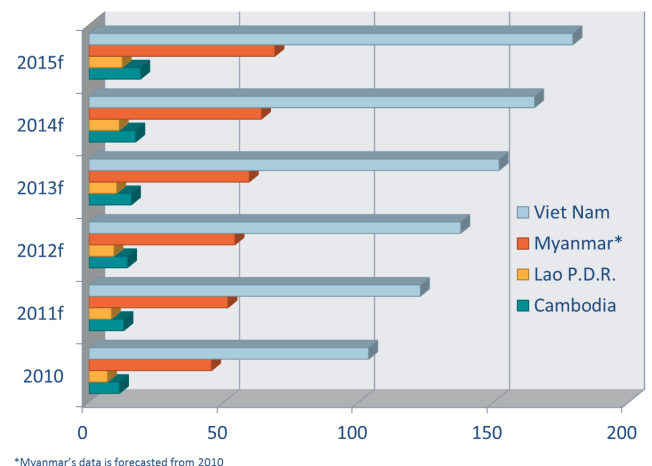


Source: Bank of Thailand

Competition Trend 2012-2016



GDP 2010-2015, USD bn



*Myanmar's data is forecasted from 2010

*Myanmar's data is forecasted from 2010

Countries	Population, 2012f	Growth Rate	Age between 0 and 29 years old	Over 29 years old, %	Minimum Wage/Month
Cambodia	14,953,000	1.7%	9,561,584	36%	US\$62
Lao P.D.R.	6,586,000	1.7%	4,336,724	34%	US\$86
Myanmar	54,585,000	1.1%	30,037,888	45%	US\$58
Viet Nam	91,519,000	1.1%	49,018,976	46%	US\$80

Source: Cambodia Commercial Bank