



LIVE THE
GROWTH
DREAM
IN ASIA



OPPORTUNITY OF A LIFETIME

\$4 TRILLION IN NEW SPENDING AND 400 MILLION FIRST-TIME AND UPGRADING CONSUMERS ARE UP FOR GRABS IN ASIA'S EMERGING ECONOMIES.¹ NEW DIGITAL CAPABILITIES ARE REQUIRED FOR MULTINATIONAL CONSUMER PACKAGED GOODS (CPG) COMPANIES SEEKING NEW GROWTH.

Growth across the consumer goods industry is increasingly elusive, falling from over 10 percent globally in 2011 to less than 1 percent in 2016.² Multinational CPG companies are desperate for new growth opportunities. Many are eyeing emerging markets in China, India, Indonesia, the Philippines, Vietnam and Thailand.

However, these markets are difficult to penetrate. Advertising reaches only half of CPG companies' target audiences, and their products are in about 10 to 20 percent of the 25 million stores that serve them.³ Traditional trade—mom-and-pop stores—dominates retail with 84 percent of sales in Indonesia, 72 percent in the Philippines, and 55 percent in Thailand.⁴ In many cases, the correct addresses of these stores are unknown. Distribution networks outside the cities are undeveloped.

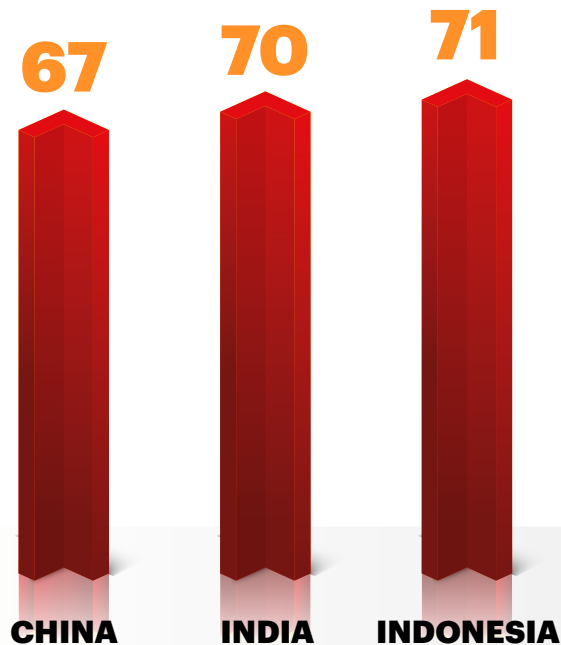
The company that reaches and engages these missed consumers—and gets their products on more shelves—will capture disproportionate growth. There is massive room for using digital to capture growth in Asia's emerging markets by connecting with consumers and shops that were previously unreachable. To succeed, CPG companies will need to rebuild their value chains based on Asian characteristics.



FROM MASS MARKETING TO **DIGITAL**

Companies can reach new consumers by rethinking marketing strategies to improve awareness and engagement. Asian consumers enthusiastically gather and evaluate information before making a purchase. Digital is already the main channel for comparing purchases (Figure 1).

FIGURE 1
Digital channels are dominant for product evaluation
Primary channel to learn about and evaluate brands and products: percent using digital channels



Source: Accenture Global Consumer Pulse Research 2016.

Even so, CPG companies spend 70 percent or more of their media budget in Asia on television advertising.⁵ The disconnect is striking. CPG companies have been chasing diminishing returns in TV advertising for years, wasting effort in pursuit of incremental reach. Our client experience suggests that even if companies spent 10 times more on television in Asia's emerging markets, most would reach only 1 percent more consumers.

Increasingly, our client experience suggests that digital marketing can help reach and engage 60 to 70 percent of new consumers for the same cost. Instead of broadcasting generic messages to millions, companies can develop one-to-one interactions with consumers in the moment. Mobile phone penetration in Asia is so strong that companies delivering direct marketing in countries like Indonesia can reach 90 percent of consumer spend.⁶ The connection is immediate, individual and intense.

Accenture Strategy analysis makes a compelling case for cutting television spend up to 50 percent.⁷ Television savings can be redirected to innovative digital marketing tactics—such as social media marketing, gamification and augmented reality—to better engage consumers.

NEW CUSTOMER TOUCHPOINTS

With yesterday's marketing declining in effectiveness, CPG companies can use digital to acquire customers through direct channels. E-commerce is skyrocketing in Asian economies. Accenture research suggests that APAC retail will exceed \$10 trillion by 2018 with e-commerce accounting for \$2.5 trillion.⁹ Leading e-commerce players including Alibaba (China), Flipkart (India), and Lazada (Southeast Asia), are expanding in each country.

In China, Procter & Gamble (P&G) turned to partners to expand e-commerce and drive sales growth. The partnership includes merchandising, digital marketing and brand building on their platform. Online sales are on pace to reach 20 percent of business, passing \$1 billion in 2017.¹⁰

Dole's innovative digital marketing campaign to increase awareness and sales of fruit cocktail in the Philippines in the run-up to Christmas is a vivid example. Dole developed messages and creative, and defined impression and engagement goals, geolocation and budget. Artificial intelligence did the rest, rapidly testing and optimizing marketing messages based on incoming campaign data. Dole saw temporary shortages in some stores early on, an 87 percent increase in sales, and 12 times the consumer engagement on social media.⁸

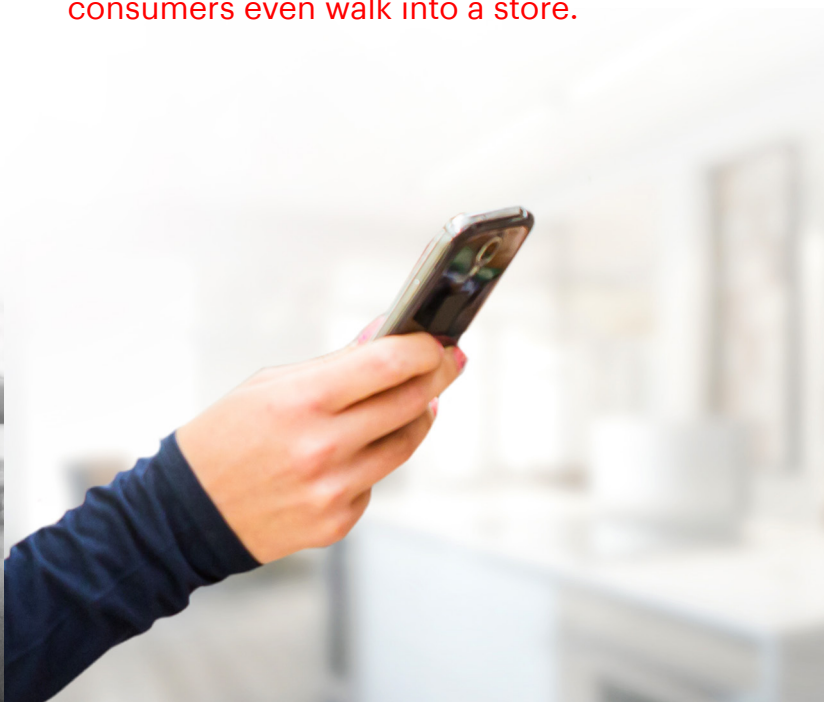
THE EVOLUTION OF CONSUMERS IN ASIA

YESTERDAY'S CONSUMERS

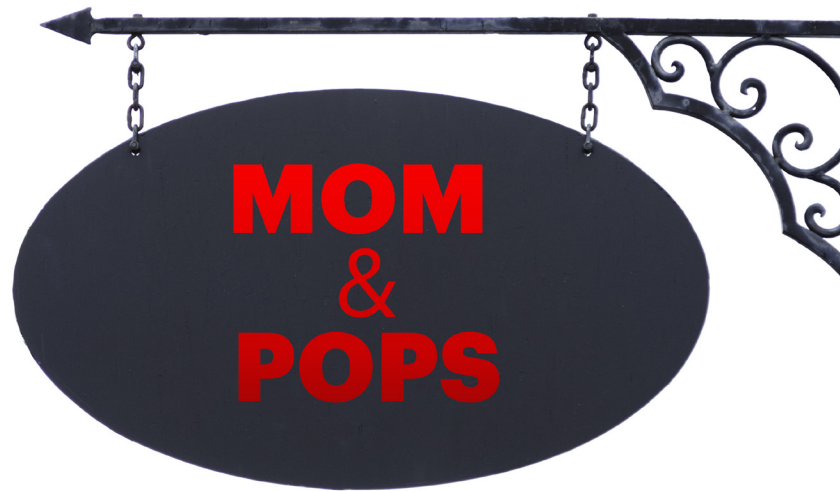
Consumers selected and purchased the item that was "closest" to what they wanted from among the products available in the store. Decisions happened in the moment, which made packaging, labeling, in-store promotion and positioning vital to sales.

TODAY'S CONSUMERS

Consumers rely on digital channels to research and compare many products in advance of going shopping. This way, they can purchase the product that matches exactly what they want. Decisions happen long before consumers even walk into a store.



GETTING INTO



While e-commerce is growing fast, most new consumer spending in Asia's emerging markets is still with mom-and-pop outlets. To capture enough scale for sustainable growth from new consumers, a two to fivefold increase in coverage of these small stores is needed.

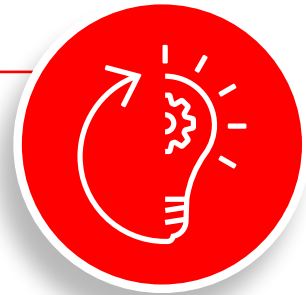
This is a big challenge. Industry players lack the reach and relationships with locals to increase shelf space, and in turn, grow brand awareness and consumer purchasing. Locals are served through multi-tiered distribution networks of third parties. Their interest is selling any product fast, not your product first. These many layers block trade promotions and incentives from reaching small retailers—or their shoppers.

Digital marketing and distribution tools can help CPG companies build relationships with outlets to grow consumer preference and compete against local brands that dominate shelves. For example, digital trade incentives establish a more efficient and direct way to motivate mom-and-pops to stock products by channeling trade spend directly to them. This creates an effective pull matching the push created by the distributor sales force.

Sales forces desperately need digital transformation. It is impossible for sales representatives to cover the more than 25 million shops spread across Asia using yesterday's tactics. Digital capabilities, from mobile phones to sophisticated software platforms, can extend companies' reach and productivity. CPG companies can connect regularly and more often with stores using mobiles, informing shopkeepers about new products and promotions to complement in-person visits.

Sales force automation services improve route optimization, in-field execution, trade spend performance, inventory visibility and more. Some of the world's largest CPG companies use distributor management and sales force automation solutions to improve route-to-market performance. These services help thousands of sales representatives maximize time spent calling on millions of outlets, driving billions in sales.¹¹

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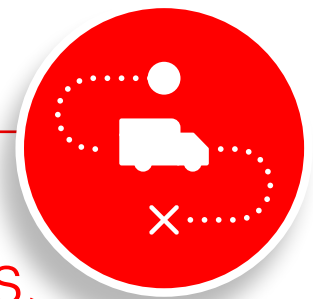
LAST MILE **DISTRIBUTION ECOSYSTEM**

CPG companies need to build ecosystems that reflect the unique qualities of the existing distribution systems in the country, and the area, that they are entering.

In China, leading Internet players, together with major Chinese distributors, built a distribution system network to automatically optimize truck and warehouse operations in real time. It processes about 70 percent of Chinese domestic distribution transactions, including \$17 billion during the November 11 Singles Day event.

Distribution networks in Thailand, Malaysia, and urban areas of other Asian countries struggle with traffic jams and a lack of delivery workers. Startups are introducing solutions—such as motorcycle taxi delivery, neighbor agents and smart lockers. Through partnerships, CPG companies can realize speedy, small cargo delivery in urban areas.

**THROUGH
PARTNERSHIPS,
CPG COMPANIES
CAN REALIZE
SPEEDY, SMALL
CARGO DELIVERY
IN URBAN AREAS.**



MAKE THE **DREAM A REALITY**

CPG companies have a unique opportunity to build lifelong relationships with new consumers and shops in Asia's emerging markets.



AMP UP SMART DIGITAL FOR BETTER REACH AND ENGAGEMENT

Good digital investments take serious thought. Get creative about using digital to put products in front of consumers by going beyond moving TV ads to Facebook. Engage in social listening, create social communities, and start consumer dialogues to discover which approaches resonate. Experiment with e-commerce lessons learned from China.



EXPERIMENT AND REFINE CONSTANTLY

Multiplying presence in mom-and-pop outlets is uncharted territory. CPG companies need flexibility to experiment for better outcomes. Analytics tools are invaluable here, giving decision makers the consumer, retailer and sales force insight to fuel test-learn-tweak approaches from marketing messaging to sales force evaluation and route planning.





ELEVATE IN-HOUSE DIGITAL

In too many CPG companies, digital customer and retail in markets is a nights-and-weekends job performed by a small group of junior staff with overstretched regional support. Delivering the digital transformation needed in emerging Asian markets requires much more.

JUST FIVE YEARS AGO

it would have been impossible to reach this massive new consumer spend. By using digital, and rebuilding the value chain based on Asian characteristics, multinational CPG companies can outperform the market and reignite profitable growth. The key is to make a move before the competition does.

JOIN THE CONVERSATION



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NOTES

- ¹ Accenture Strategy estimates based on insights from market analysis.
- ² Accenture Strategy analysis based on data from Euromonitor International 2016.
- ³ Accenture Strategy analysis based on client experience.
- ⁴ Euromonitor International 2014.
- ⁵ Accenture Strategy analysis based on data from eMarketer.
- ⁶ Accenture Strategy analysis based on client experience.
- ⁷ Accenture Strategy analysis of Accenture Media Audit database of \$40 billion in spend.
- ⁸ Matthew Miller, "How an AI caused a fruit-cocktail sellout for Dole," Campaign Asia, April 26, 2017.
- ⁹ Accenture Strategy analysis based on data from Accenture's Digital Commerce research 2016.
- ¹⁰ Demitrios Kalogeropoulos, "How Procter & Gamble Co. is tackling the e-commerce threat," January 25, 2017, retrieved on September 22, 2017.
- ¹¹ Accenture Strategy insights based on client experience.

ABOUT ACCENTURE

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