



ASIA AT A GLANCE – QUARTER 1 2017



Laura McCullough
FMCG Leader,
Growth and
Emerging Markets

The dynamic economic environment across Asia continues to create both prosperity and stagnation among FMCG markets. Change creates uncertainty, but also brings opportunity. “Innovative disruption” in particular can create new value networks and companies that embrace these early will prosper immensely.

E-commerce – one such disrupter – is the beacon of hope for many markets to stimulate new and growing demand. Korea and China have leveraged e-commerce opportunities throughout the grocery sector, but online sales in the majority of other markets are still nascent for most categories.

The rapid increase in Asia’s “connected consumers” is set to be a game-changer that will lead to an explosion of e-commerce in the coming years. In Vietnam, number of connected spenders will jump from 29.3 million people to 40.8 million people from 2017 to 2025. Their spending, thus, increases from around 50 billion USD up to 90 billion USD during the same period.

The proliferation of smart phones and e-commerce options in many markets is creating a new retail environment in Asia, one where consumers have unparalleled access to new products, services, and experiences. Venture capitalists and technology companies like aCommerce are key industry enablers, while players such as RedMart in Singapore and Flipkart in India are driving the trial and usage of e-commerce. Alibaba’s majority acquisition of Lazada and Amazon’s growing footprint across the region signals a race for e-commerce domination.

South Korea and China are often cited as standout examples of e-commerce success. There are similarities between the two in how e-commerce has evolved for FMCG categories. In both markets, consumers have started the e-commerce journey with a destination category such as baby diapers or baby food. While online sales for food products are typically smaller than for other categories, both countries show the growth potential. In Korea, online sales of Beverages and Frozen Foods account for 12% and 9% of category sales respectively, but growth is strong at 13% and 17% across 2016. In China, Crispy Snack food and Carbonated Soft drink online sales account for only 5% and 2% of sales respectively but are showing strong growth at 57% and 54% in the last quarter versus year ago.

Fresh food is often seen as the last bastion of online conversion. A recent Nielsen survey “What’s in Store for Online Grocery Shopping” revealed that 4 in 10 respondents in China and Korea have purchased fresh groceries online compared to 21% of consumers globally and 11% in Southeast Asia.

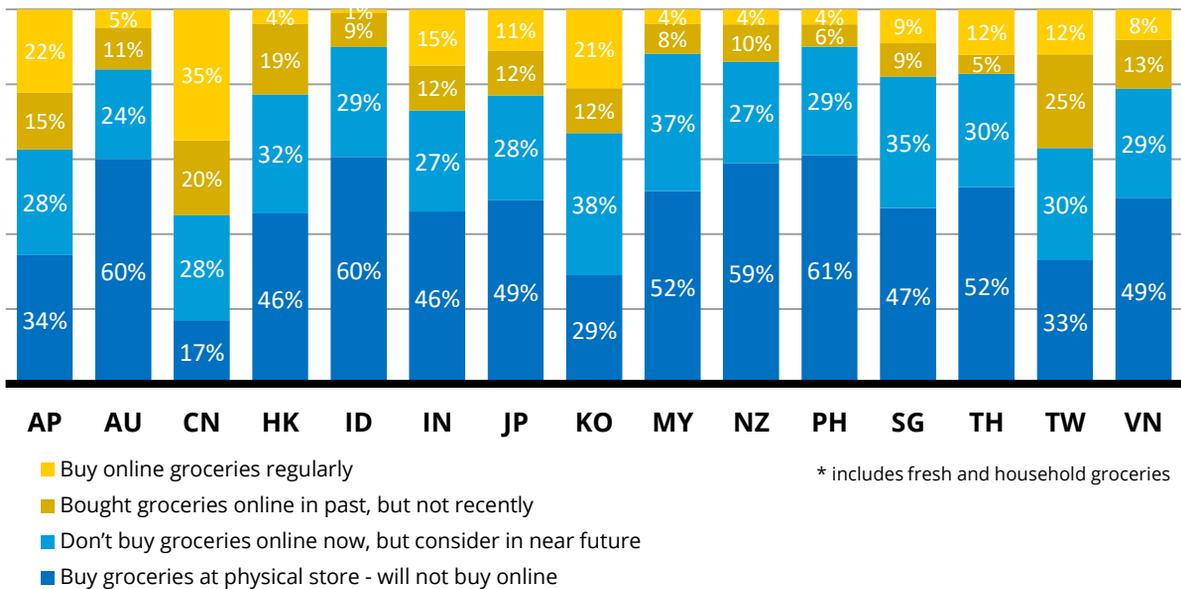


ASIA AT A GLANCE – QUARTER 1 2017

Retailers across the board are now innovating and altering their fresh offerings to overcome consumer reluctance to purchase fresh produce online with schemes such as money-back guarantees, free delivery, and promotional offers. Concerns over freshness and inability to physically touch produce are often barriers. However, 50% of consumers surveyed by Nielsen in the Asia Pacific stated if full refunds or vouchers were given for produce not meet expectations, then they would be willing to purchase fresh food online.

Asia is a diverse region and what works in one market will not necessarily work in all. While online grocery shopping has been adopted by many markets, in others the uptake is much slower. Consumers in the Philippines, the Pacific, Indonesia, Thailand and Vietnam still greatly prefer shopping in physical stores and traditional channels will be preferred in those countries for the short to medium term.

WHICH OF THESE STATEMENTS GIVEN BELOW BEST DESCRIBES YOU?



Online channels are seeing formal market routes being replaced by informal channels such as consumer-to-consumer (C2C). For example, the selling of diapers and infant milk through online marketplaces and social platforms like WeChat and Facebook. This means manufacturers and traditional retailers are unable to control the brand positioning and this can impact on quality, pricing and the point-of-purchase experience. Corporates are also looking for direct-to-consumer opportunities by creating their own online stores or using marketplaces. The retail environment is evolving rapidly away from traditional approaches to micro-marketing and logistics.

Companies must understand the evolution of their brand sales across all retail formats and markets and bring best practices from offline to online and vice versa to enhance the channel experience. While the digital shelf may appear on face value to offer unlimited assortment opportunities, the reality is people will only scroll or click through to a limited selection. Successful offline brands are not guaranteed to be successful online. Companies must ensure they have strong activation tactics to drive trial of new products overcoming automatic shopping baskets based on prior purchases. Companies need to be receptive to the diverse needs of consumers in Asia be it online or offline. They must be agile to respond quickly and effectively to consumer's changing demand to benefit from the region's dynamic retail landscape.

We are welcome the feedbacks and conversation in relation to the Vietnam market retail landscape. Should you have any information and requires, please email us at vietnaminfo@nielsen.com

Source: Nielsen Global Survey: What's in-store for online grocery shopping January 2017