

the ***silk*** initiative

THE TSI NAVIGATOR™ | MARCH 2021

Compass

Market Ready

A Visual Guide to Adapting
Your Products for Asia





FOREWORD

Adapt, adapt, adapt.

This has to be the number one thing we tell clients at TSI. When you're looking to bring your product from the US, Australia, or Europe to Asia, you've got to adapt your offering. So often we see companies try to plug-and-play, simply plopping their product onto shelves and expecting overnight success. Sorry, but it doesn't work that way!

To really convert Asian consumers, you have to speak their language (both literally and figuratively). That means giving your product the appropriate name, developing it with flavours that will wow buyers, and designing packaging that resonates with local sensibilities. None of this is easy, but it's necessary for success across Asia-Pacific.

This month's edition of the TSI Navigator™ Compass dives a little deeper into what we mean when we tell clients to adapt for Asia. From cultural cues to flavours, there's a lot that goes into bringing your product to the world's most dynamic market.

Andrew Kuiler
Founder & CEO

TSI: YOUR BRIDGE TO 3 BILLION APAC CONSUMERS

Asia-Pacific, home to 60% of the world's consumers, is rapidly changing. Keeping up with these changes, and then making sense of them, is what the TSI team does each day. What's our secret?

TSI's dynamic data-intelligence platform, Navigator™, collects, analyses, and visualises the F&B landscape in multiple Asian markets.

The industry's first and only dynamic data-intelligence platform, the TSI Navigator™, has been delivering real-time quantitative insights on Chinese consumers for well over a year. We're very excited to announce expansion of the Navigator™ into three additional markets: Indonesia, Japan, and Thailand. With this expansion, we're able to go even deeper into what's shaping consumer behaviour in Asia's fastest-growing markets.

We're based in Shanghai, APAC's new R&D centre, with touchpoints throughout the region.

TSI started with a simple premise: to understand Asian consumers, you have to be in Asia. That's why we set up our headquarter offices in APAC's new regional hub: Shanghai. Over the past several years, we've also developed an extensive network of partners across the region to truly understand consumer trends and market dynamics.

We've answered key questions for brands in our work across Asia-Pacific.

TSI's completed work in most major Asian markets, including Australia, China, Hong Kong, Japan, Korea, Malaysia, New Zealand, Singapore, Taiwan, and Thailand. From bringing an Australian live lobster brand to China, through to identifying what the ideal sun care brand looks like for Japan, our regional experience is second to none.

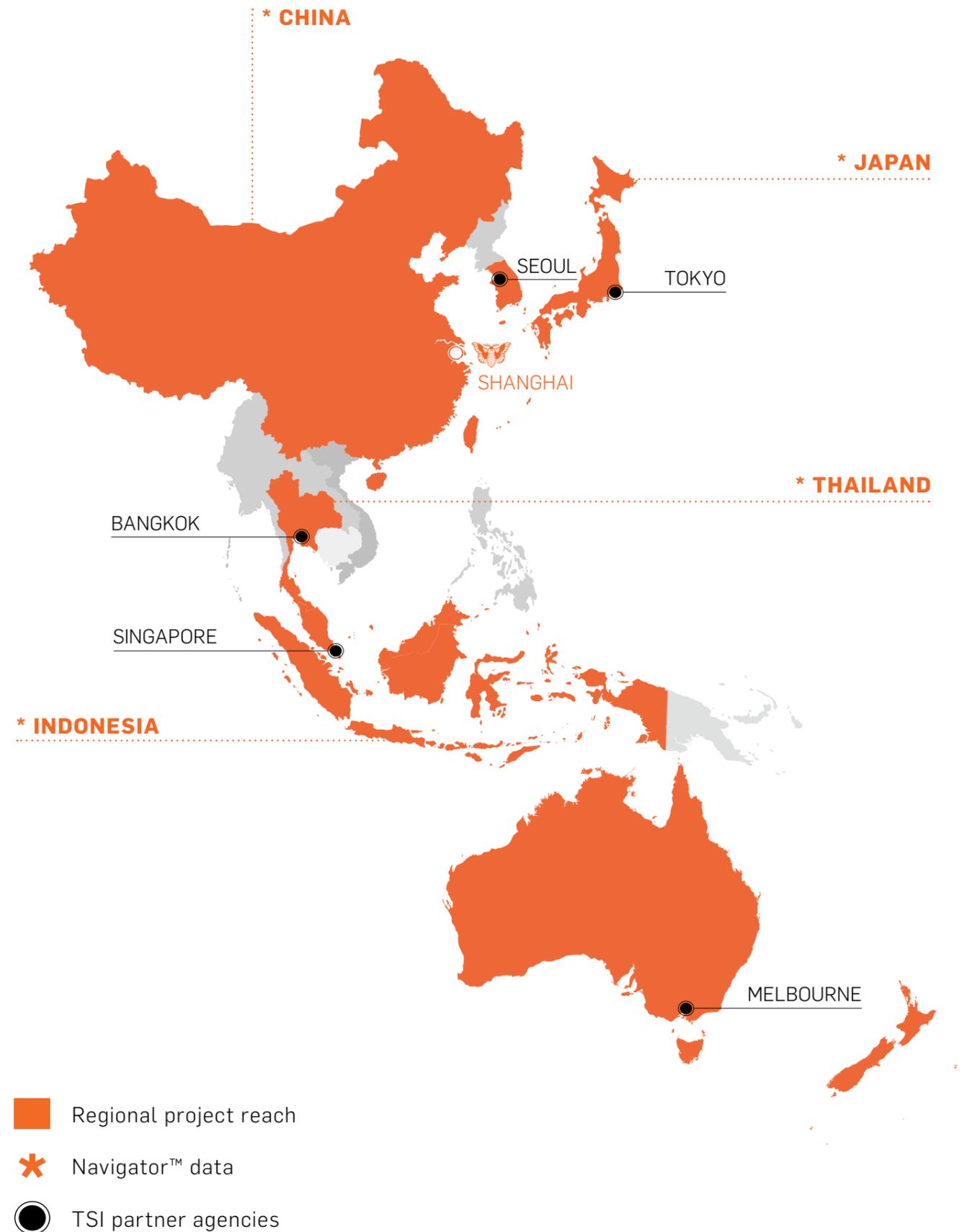




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WHY MARKET ADAPTATION IS SO IMPORTANT

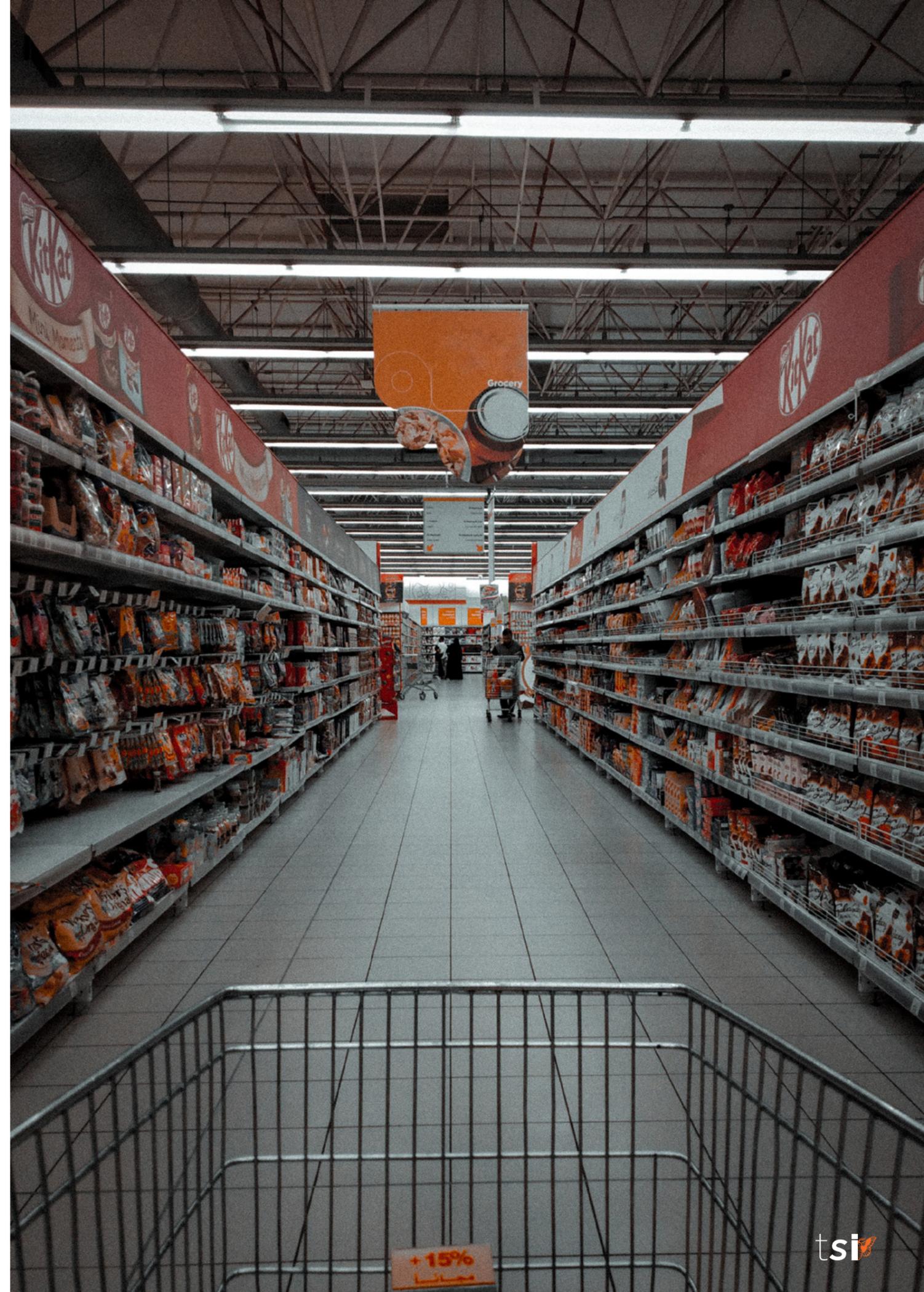
Imagine, if you will, a supermarket shelf in your local hometown. It's lined with all the products you've grown up with and love. There are the snacks your mom used to give you after school. The freezer is full of all your favourite ice cream flavours. You even see those little gummy vitamins you took as a kid. If only your metabolism could keep up, you'd probably go on a shopping spree!

Then you notice something different. It's a big red box with funny lettering on it. As you inch closer, you get the faint smell of dirt coming from inside. You pick up the box and start reading the label, but it's all in Korean. From the see-through window on the pack you can see some root inside, but have no idea what it is. Then there's the ridiculous price tag, twice as much as anything near it. You put the box back on the shelf and keep winding your way through the aisles.

While this scenario might sound silly, it's happening in supermarkets across Asia on a daily basis. That's because products from the U.S., Europe, and other western countries hit shelves in far-off places like Indonesia, China, and Japan without a bit

of market adaptation. The thinking is that if it's popular back home, people in Asia are definitely going to buy it. Little thought is put into making things resonant, palatable, or attractive to the particular needs of consumers in these markets.

That's why market adaptation is so important. While your product might get a few wins with the plug-and-play model, it's no strategy for long-term, sustainable success. There are cultural nuances that must be considered if you want your product to fly off the shelves in markets across Asia-Pacific. To dig down into what we mean by market adaptation, we explored proprietary data from TSI Navigator™ for markets like China, Indonesia, Japan, and Thailand. We also spoke to trusted experts on-the-ground across APAC and tapped into our deep knowledge of semiotics, flavour profiling, and consumer behaviour.



SEMIOTIC CUES

Successful brands have messaging, advertising, logos, and shapes that consistently communicate and signify a meaning to consumers. The practice of analysing this is called semiotics. This marketing and branding methodology helps decode the visual elements of branding, and shows the non-verbal communication influences on consumer perception and

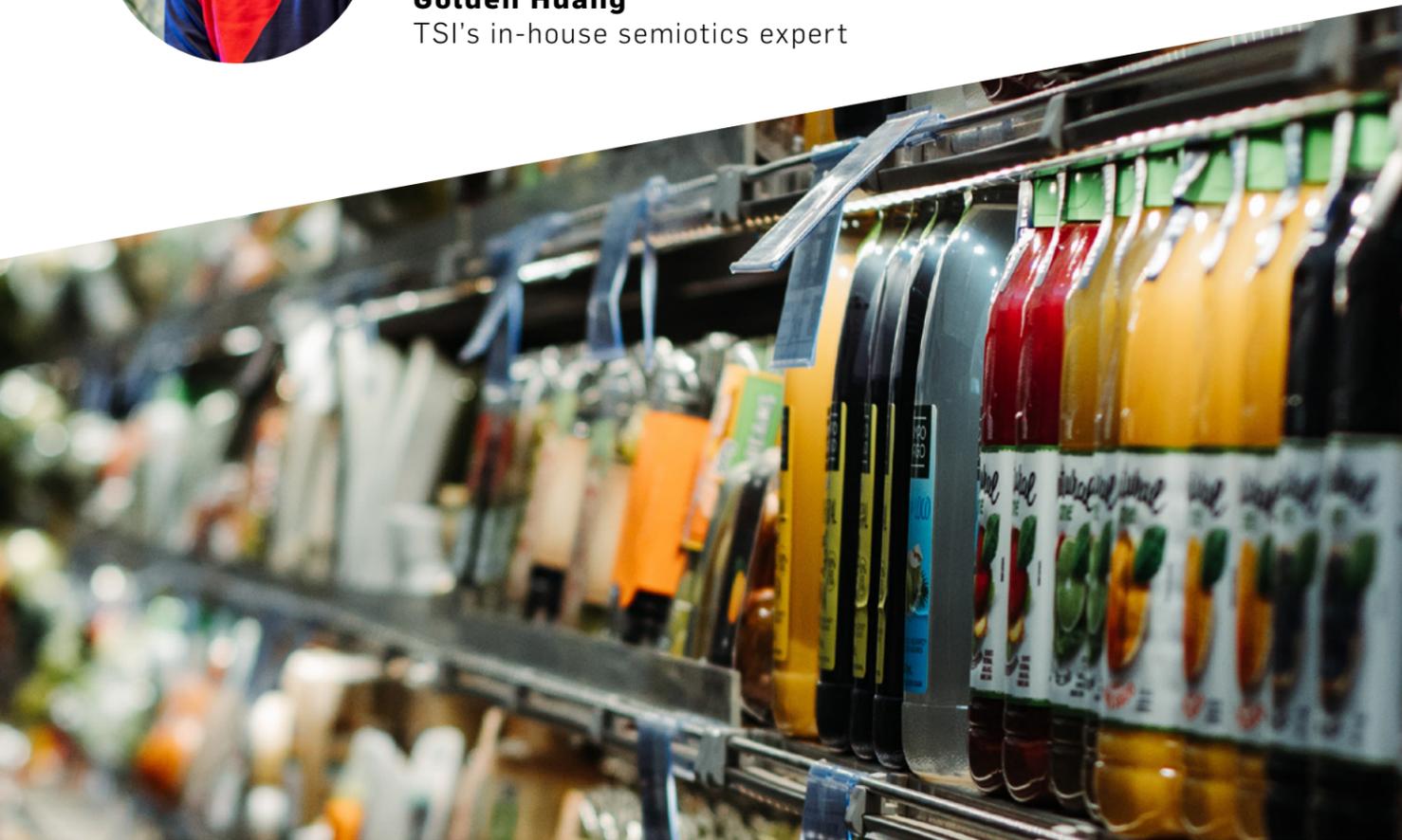
conversion. TSI is one of the world's only brand consultancies with in-house semiotic experts. We use this expertise to help our clients differentiate their brands in an increasingly complex, crowded market.

Across Asia, there are definite semiotic cues brands should incorporate into their market strategies.



“In our semiotic work across Asia, we’ve noticed some pretty unique differences between markets. What speaks to consumers in Japan may not be the same as Singapore or China.”

Golden Huang
TSI's in-house semiotics expert



GREATER CHINA



Some of the biggest semiotic cues across Greater China involve family, female empowerment, fun, and a look at the future.



Koreans appreciate light heartedness in their marketing and branding. It's also important to strike a balance when it comes to gender, especially with female empowerment and soft masculinity.

KOREA



JAPAN



In Japan, major cues stem from the family unit, especially related to future generations of children, traditional views of masculinity, and a big dose of quirkiness.

THAILAND



Thai advertising, branding, and marketing is known for its humour and focus on the sensorial. There is also a big push for youth and female empowerment.



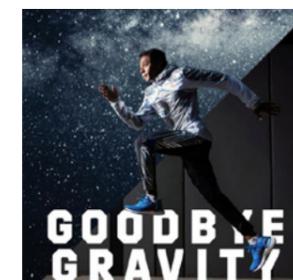
SINGAPORE



Singaporean semiotic cues try to appeal to all generations, from a focus on healthy childhoods through to some of the coolest elderly segments in the world.



SOUTHEAST ASIA, INCLUDING INDONESIA, MALAYSIA, THE PHILIPPINES, AND VIETNAM



Across much of southeast Asia, cues focus on warm-heartedness and love, humour, female empowerment and wellbeing, as well as a sense of energy and future-focus.

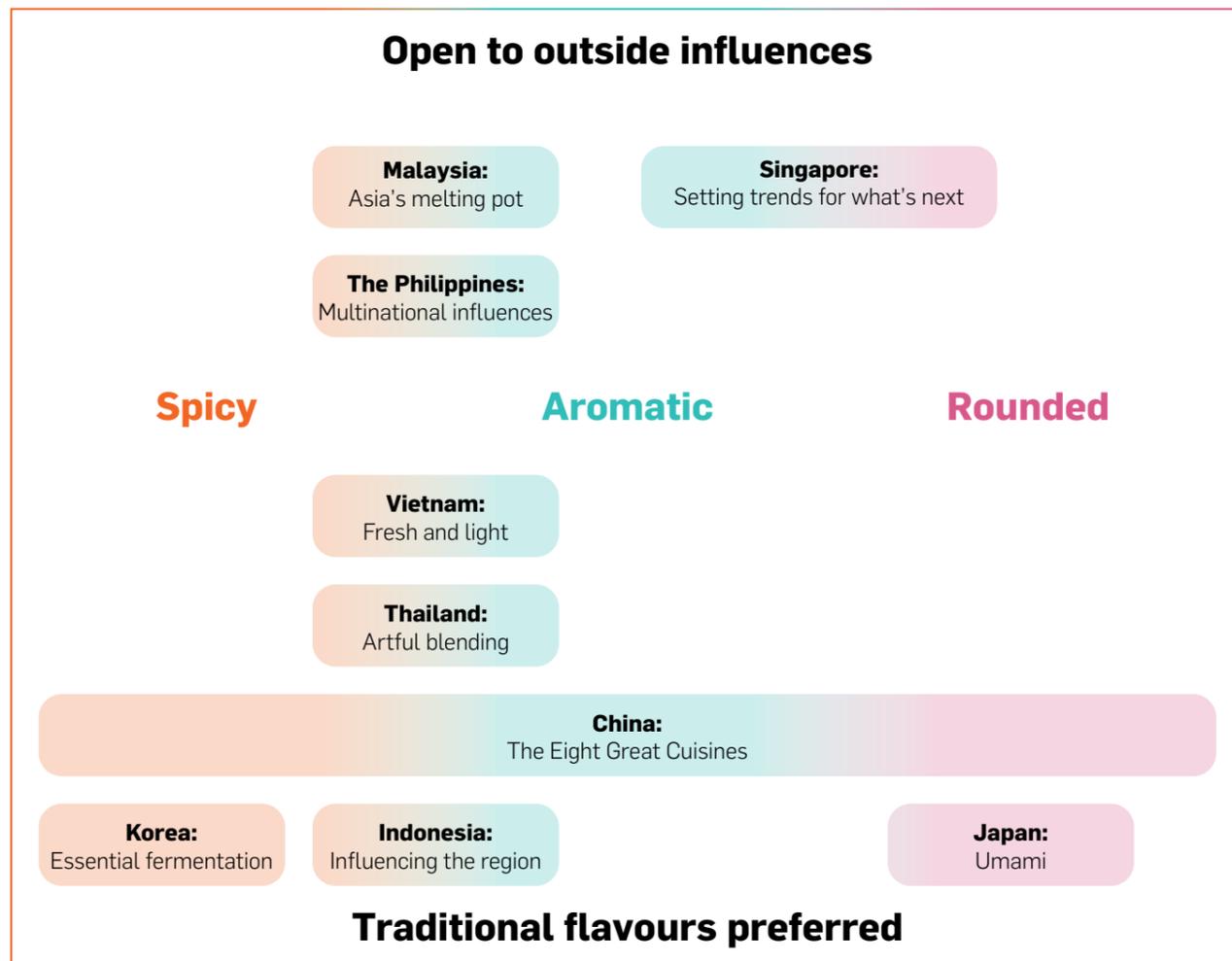
FLAVOUR PROFILES

While you might love the heady smell of rosemary wafting from that charcuterie board, most consumers in China would consider it closer to mouldy socks. That's because flavour profiles, and interpretations, differ from culture to culture.

In places like Vietnam and Thailand, there is an expert blending of spiciness with aromatics. Koreans can't go a

meal without something fermented, while China historically has eight different national flavour profiles. Some countries are tied strongly to tradition, yet others have become a melting pot of various cultures and cuisines.

Check out where different Asian countries land when it comes to both preferred profiles and acceptance of non-traditional flavours in the chart below.



GREATER CHINA

Influenced by the "Eight Great Cuisines," Chinese flavours run the gamut of profiles, from aromatic spice in the south, to carb-heavy noodles in the north, sugary-sweet delicacies in the east and the infamous ma-la flavours of Sichuan. They are heavily influenced by tradition.



INDONESIA

Indonesian cuisine has been very influential across the region. Dishes like rendang have been reinterpreted across Southeast Asia. The mildly spicy flavour profiles of Indonesian cuisine, coupled with creams like coconut milk, have been the same for generations.

KOREA

A meal without spice really isn't a meal in Korea. Here, fermented goodies are always available. That includes kimchi, soybean pastes, and chili pastes. Koreans take this time-honoured tradition of fermentation quite seriously.



JAPAN

Sweet, sour, bitter, and... umami. Umami comes from the Japanese word umai, meaning delicious, and is difficult to describe for those who haven't tasted it. This profile, along with a well-rounded set of other flavours, distinguish Japan's very traditional cuisine.



MALAYSIA

Old seafaring routes have made Malaysia the melting pot of the region when it comes to food. The combination of Chinese, Malay, Indian, and Thai flavours show a highly diverse cuisine that's open to new ideas and styles.



THE PHILIPPINES

Given its history, Filipino cuisine is internationally diverse with key flavours leaning towards the sour, salty, and sweet. The base of most classic dishes is sautéed garlic, onion, and tomato, a tradition inherited from the Spanish. The cuisine is versatile and open to influence.



SINGAPORE

Like Malaysia, Singapore has long been a melting pot of cuisines from around the world. Its cuisine is also influential on the world stage. From famous Michelin-starred hawker stalls to aromatic chilli crab, Singaporean flavour profiles are diverse and ever-changing.



THAILAND

Thais appreciate the artful blending of the five major tastes: sweet, sour, salty, bitter, and spicy. Most cuisines of the world do not employ the bitter taste, but in Thailand it is a well-loved flavour. Shrimp paste, fish sauce, and tamarind are often used to round out many dishes.

VIETNAM

The flavours of Vietnam are fresh and light, featuring herbs such as basil, Vietnamese mint, lemongrass, and coriander/cilantro. The versatile fish sauce known as nuoc mam makes an appearance at most meals.



POST-COVID SENSIBILITIES



It's an understatement to say the global pandemic has changed consumer behaviour right around the world. This is just as prevalent in Asia, especially in more developing markets of the region. As we enter the new normal, how should you be approaching these sensibilities?

GREATER CHINA

Subtle shifts in **consumer behaviour** are revealing more nuances than ever before in the Middle Kingdom. Previously assumed drivers, like safety, originality, and pack design, are no longer guarantees to win hearts and minds. Post-Covid it's also important to note a shift towards the more conservative when it comes to product USPs and packaging.

KOREA

A bastion of Instagram perfection in food, skincare, and clothing, South Koreans are now starting to let a bit more grit shine through. While nobody is turning down a shot of that beautifully presented dessert just yet, brands definitely have more space to play with. Koreans are also seeking more **affordable luxury** and looking for inspiration from outside cultures more than before.

JAPAN

As with all other markets, the coronavirus pandemic has had a profound impact on what consumers buy, use, and eat. In Japan, this is showing itself in two unique ways. The first is a propensity towards sweet snacking versus other Asian markets. There is also an increasing awareness of healthcare needs for all segments of the population.

INDONESIA, MALAYSIA, THE PHILIPPINES, AND SINGAPORE

Alternative protein use has really taken off in this region. As a **regional R&D centre** for many multinational companies, it makes sense that a lot of the plant-based push is coming from Singapore, with Government investments topping US\$100 million and private injections at US\$5 billion.

Indonesia and Malaysia are also looking towards alternative meats as a way to feed growing populations. The goal for companies is to get consumers incorporating particular products into their consideration set.

Markets like The Philippines, which entered the plant-based game a little later, are challenged with changing consumer eating habits and getting products to market at an affordable price point.

THAILAND

Throughout the coronavirus pandemic, the Thai Government has looked for innovative ways to bolster its economy. While some efforts have been hit and miss, what has happened is an increase in domestic consumption overall. What are they buying? As with many other places, there has been an increase in health-related purchases. Navigator™ data shows a jump in safety, quality, naturalness, and nutritional benefits as being key functional purchase drivers for Thai consumers over the past quarter.

VIETNAM

Like pretty much everywhere else in the world, Vietnamese are having to deal with economic hardships resulting from the coronavirus. One of the biggest consumption habits impacted is in where Vietnamese spend their money on food. According to a recent study, 62% of Vietnamese said they would eat at home more post-pandemic. Brands can take advantage of this re-prioritisation towards eating at home, whether through new joint ventures with Vietnamese companies, inventive packaging design, or simplifying the hassle of cooking.

FOLLOWING WHAT'S HOT

Successfully incorporating thousands of years of history and culture into your product range may seem a bit daunting. But, that doesn't mean you can't stand on the shoulders of giants. Across the region, there are places you can turn to for inspiration. These are cultures which set the trends when it comes to what's hot.



KOREA

Korean culture has long-been the standard for what's cool across Asia.



Known for: K-Pop music and dramas, cosmetics, Instagram-ready restaurants and cafes



JAPAN



Almost seen as a counter to in-your face K-Pop culture, Japan offers a more demure approach.



Known for: Simplicity, natural colours and textures, kawaii culture



An innovation hub, Singapore sets many of the trends for neighbouring countries in Southeast Asia.

Known for: Mixing together the contemporary with the classic, plant-based everything, digital technology

SINGAPORE



SO, WHAT NOW?

The question you're probably asking yourself now is what to do with all this new information. First and foremost, don't get overwhelmed! It's better to begin incorporating some of these learnings bit by bit into your market strategies and ramp up over time.

- **Quick wins.** Take a look at some of the small tweaks you can start making today. Changing an entire flavour profile might require some hefty R&D investment, but fixing the colours on your marketing collateral based on semiotic cues probably will not.
- **Stakeholder engagement.** Our list of semiotics and flavour profiles is by no means exhaustive. While it may be a good starting point, engaging with your particular stakeholders to understand their drivers is key.

- **Long-term strategy.** If you're able to adapt some of the products you have in the market already, great! Most companies, though, will not have the capacity or funding to do so. In that case, begin incorporating these learnings into your next new product development cycle. That way the next product to hit Asian shelves has a greater chance of success.

TSI is uniquely positioned as one of the world's few Asia-based consumer goods brand consultancies sitting at the intersection of foresight, strategy, innovation, and creative development. Our work with partners across research and development, marketing, and consumer insights has led to significant, and valuable, product adaptations for clients around the world. From semiotic to consumer behaviour analysis, product naming, brand extension, new product development, and packaging design, TSI is able to help brands position themselves for success in Asia-Pacific.



ABOUT THE TSI NAVIGATOR™ COMPASS

TSI strongly believes in the importance of quantitative data when analysing and determining consumer trends. Qualitative insights are good, but only go so far. Numbers, however, speak volumes. That's why we created TSI Navigator™, the industry's first and only dynamic data intelligence platform that collects, analyses, and visualises the food and beverage landscape across various Asia-Pacific markets. Navigator™ explores 10 F&B categories across 8 of the most important cities in China, as well as in Indonesia, Japan, and Thailand. These are all markets where companies are looking to for growth.

The monthly TSI Navigator™ Compass is based on TSI Navigator™ trend analysis, quantitative analysis, literature reviews, and qualitative interviews with industry leaders. It also draws on TSI's industry expertise in flavour profiling, snacking, consumer products, food and beverage, and wellness.

This research is part of The Silk Initiative's continued examination of consumer trends throughout the region. With this report, The Silk Initiative (TSI) aims to educate foreign and domestic brands on the latest topics prevalent to business success in the food and beverage, consumer packaged goods, fast moving consumer goods, and wellness sectors.

This edition was written by John Pabon, with contributions from members of the TSI China team. The authors wish to thank external interviewees and other TSI colleagues who provided feedback. Any errors that remain are those of the authors. Please direct comments or questions to John Pabon at john@thesilkinitiative.com.

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Certain information set forth in this presentation contains "forward-looking information." Although forward-looking statements contained in this presentation are based upon what management of the company believes are reasonable assumptions, there can be no assurance forward-looking statements will prove to be accurate. The company undertakes no obligation to update forward-looking statements except as required by applicable securities laws. The reader is cautioned not to place undue reliance on forward-looking statements.



ABOUT TSI

DATA IN. ASSETS OUT. MEASURABLE RESULTS.

At The Silk Initiative, we use data-led foresight to future-proof ambitious consumer brands. Our business is to create and validate data-driven brand strategy solutions for our clients' future ambitions.

TSI is one of the world's few consumer goods brand consultancies sitting at the intersection of foresight, strategy, innovation, and creative development. We work with partners across research and development, marketing, consumer insights, and futures. From our base in Shanghai, we help clients around the world make smarter brand and product decisions by combining our tools and services, excellent advisory, future-focused thinking and tangible, actionable assets.

We do this through three distinct practice areas to help companies discover, innovate, and scale their market opportunities.



Discover. Whether it's short-term brand diagnostic work or comprehensive brand positioning, we take a comprehensive look at your category, consumers, and competitors to provide a complete assessment of opportunities and future risks, helping you feel informed and competent as a brand owner.

Innovate. Our proprietary innovation development and visual design approaches bring brand, product, pack, and communication platform ideas to life. This gives your business culturally inspired, relevant solutions that will get noticed in the market today and in the future.

Scale. Our rigorous brand validation techniques help our clients understand the measurable future return on investment of their brand strategies. This ensures you have the confidence, excitement, and motivation to maximise your market potential.



In addition, our proprietary tool, **Navigator™**, is the industry's first dynamic data intelligence platform that collects, analyses, and visualises the food and beverage landscape across markets in Asia-Pacific. Navigator™ looks at 12 major F&B categories from consumers across 8 key cities in China, as well as in Indonesia, Japan, and Thailand, to understand drivers and trends in real time. The tool is designed to help companies make smarter decisions in food and beverage across the region, particularly when it comes to innovation.



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