

the *silk* initiative

JANUARY 2021

The TSI Navigator™ Compass

New Year's Resolutions

Some of the Biggest Predictions
for Consumer Change in F&B Across Asia





FOREWORD

It's that time of year again.

The time when we sit down and make those all-important, and easily forgotten, new year's resolutions. For some of us, that might mean hitting the gym. Others may want to read more or watch less television. Busy executives, like myself, put balance right at the top of the list. It's clear resolutions can take many forms.

For brand managers, R&D folks, and other leaders in the CPG space, understanding the resolutions your consumers are making can help you predict their next moves. What do moves towards healthier living signify in a broader sense? How are economics influencing consumer purchase decisions? What impact has the global pandemic had on consumer behaviour, especially in places which have come out the other side? While resolutions might seem a trite annual tradition, they are anything but.

In this month's TSI Navigator™ Compass, we explore some of the meatiest F&B predictions from around the Asia-Pacific region. Although there are definitely some overarching movements happening across markets, the consumers in each individual country are also looking for unique things from brands this year. Keeping an eye on these might just make 2021 a great year.

Happy new year, and happy reading!

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.

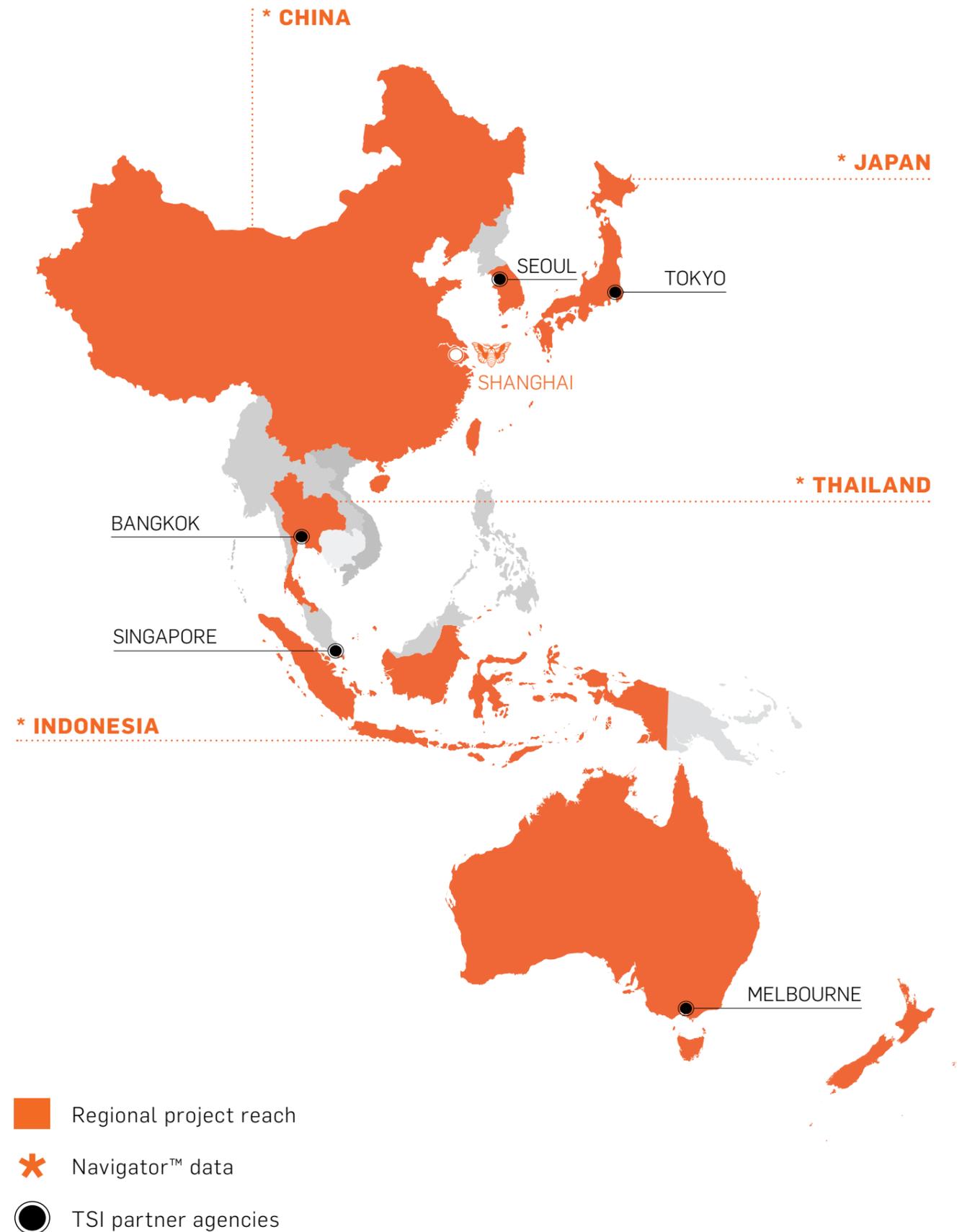
The industry's first and only dynamic data-intelligence platform, the TSI Navigator™, has been delivering real-time quantitative insights on Chinese consumers for well over a year. We're very excited to announce expansion of the Navigator™ into three additional markets: Indonesia, Japan, and Thailand. 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.



TSI CONTRIBUTORS



WILLIAM BRENNER

A true global citizen, William brings a unique combination of strategy and design to the table, working alongside TSI's global client portfolio to realise their brand visions. This is supported by a focus on human-centred thinking, meaning the insights he provides are always backed by what consumers actually want. Prior to TSI, he founded design agency DesignWB.



ARON SOLOMONS

As an Associate Director at TSI, Aron helps ensure all research work leads to actionable strategies that can be clearly adopted and implemented to achieve our client's business objectives. Before joining TSI, Aron worked at Mindshare in a range of strategy and insight positions both in London and Shanghai. In his spare time you will find him writing about cultural happenings connected to China.



EVELYN HUSSAIN

Evelyn heads TSI's innovation practice – focusing on transforming data and human-led insights into tangible executions that are methodological, meaningful, and measurable. Her academic background in Sustainability Design, and an MBA, means she easily straddles the creative and commercial divides. Her hearty love for food, and ears on the ground, put her in prime position to help future-proof F&B brands in Asia.



SCARLETT WEN

The business world tends to divide people into two camps. On one side are the strategic, linear thinkers while on the other you have the creatives. But, organisations need both to truly succeed. Scarlett prides herself on being the perfect combination of both, able to easily navigate between the two. This has enabled her to become a master in information synthesis, consumer understanding, and trend analysis.



JOHN PABON

Over the past decade, John has examined the societal impacts of China's economic rise and has been honoured as one of the world's top 100 voices on modern China. He also leads TSI's marketing and communications. His previous work includes posts with the United Nations, McKinsey, A.C. Nielsen, and as a consultant with BSR, the world's largest sustainability-focused business network.

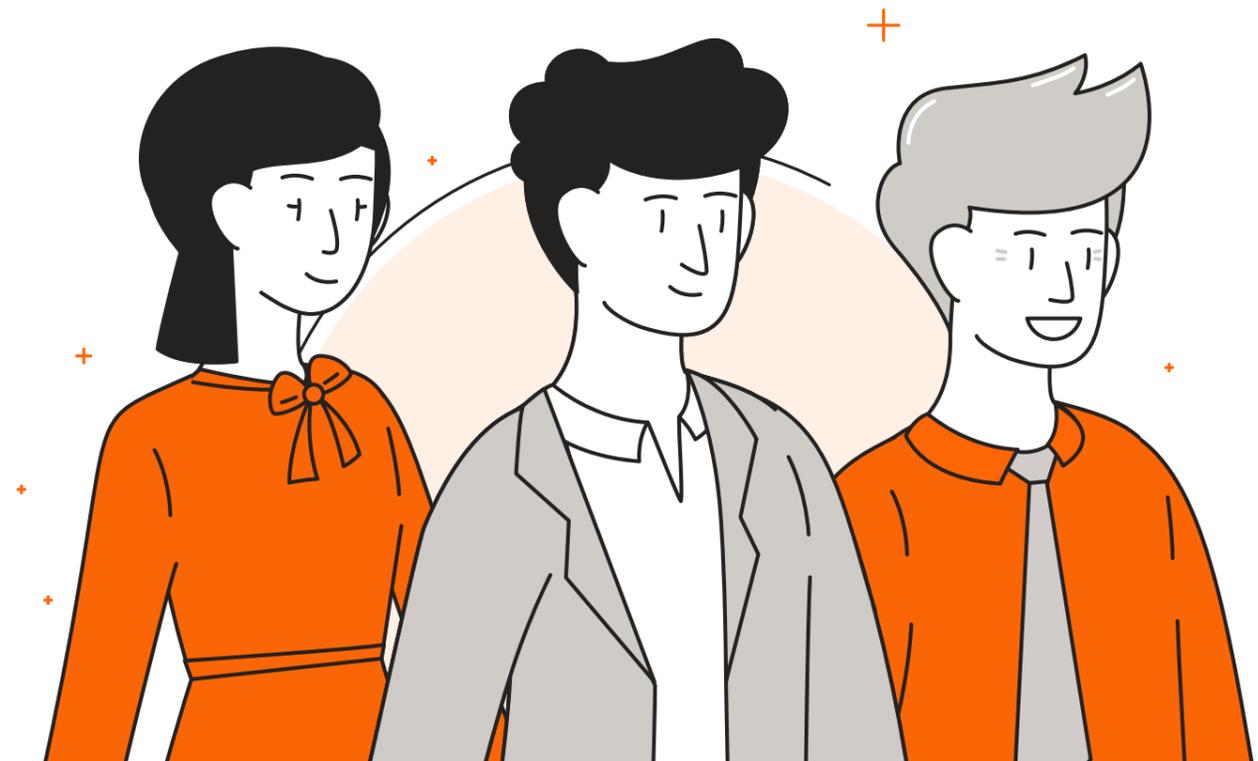
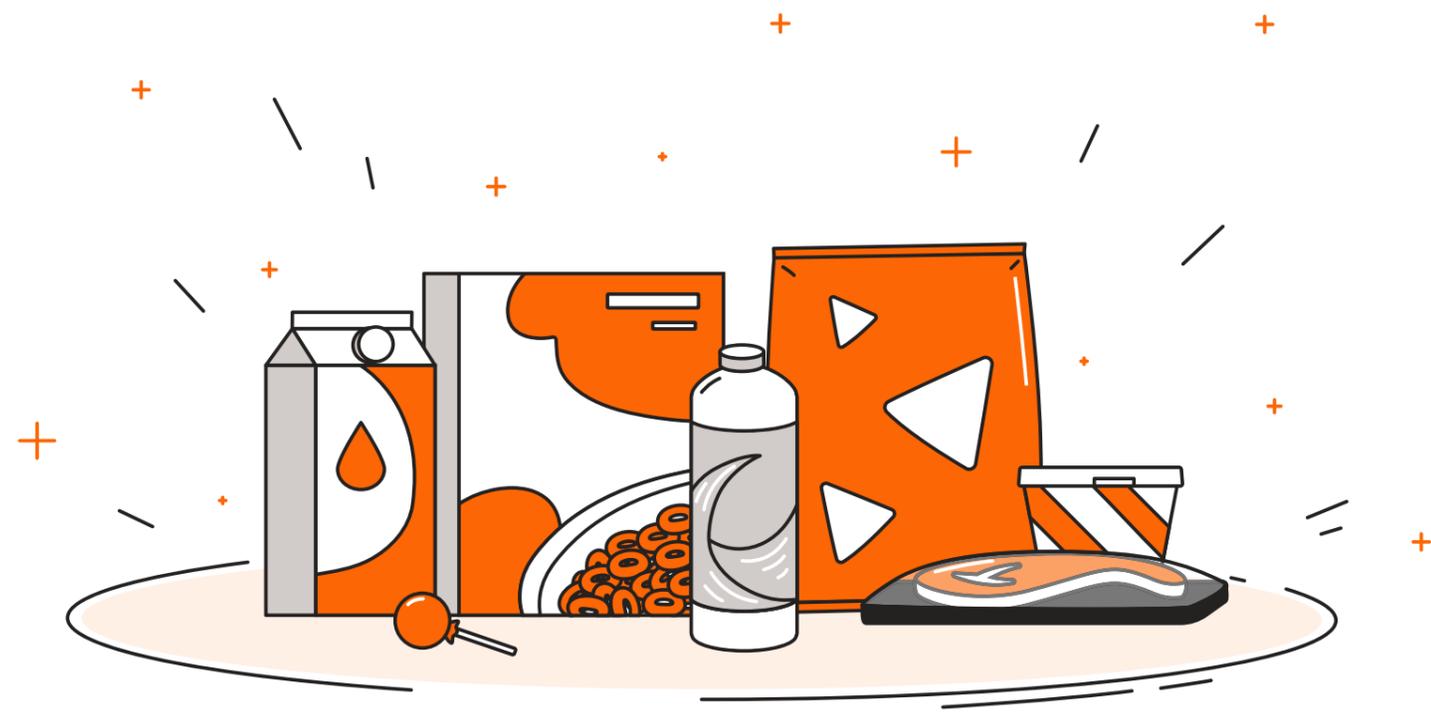




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THE BIG PICTURE

With over 60% of the world's population, lumping Asia-Pacific into one market is an impossible task. It's also incredibly naïve. From the northernmost reaches of Siberia, down to the choppy waters off the Tasmanian coast, east to the noisy fish markets of Japan and over to the colourful, spice-laden kitchens of India, the myriad places that make up this region are entirely unique. This shows up in some of the biggest predictions from across individual APAC markets, where consumers in even neighbouring countries may have very distinct behaviours.

Yet, even with all this non-conformity, there are a few areas of coalescence across much of Asia-Pacific. Why? Well, it all comes down to the impact of the coronavirus on consumer behaviour. Nowhere is this more prevalent than in the food and beverage space.

How has the coronavirus pandemic changed consumer behaviour across Asia-Pacific?



Spending habits. One cannot underestimate the economic impact of the pandemic, especially for those in developing regions. Consumers have become savvier with how they are spending their money. Extravagance has been replaced with frugality. When it comes to decisions around food, finding economical ways to spend stretched budgets is now par for the course.



Coming home. In order to stretch these already thin budgets, people are returning to time-honoured traditions around cooking at home. While there may be the occasional celebratory dinner out at a restaurant, budgetary and regulatory restrictions are making these trips less frequent. Asian consumers are re-learning how to enjoy a nice home-cooked meal.



Health and wellness. Lastly, the pandemic has put a focus back on overall health and wellness. Nowhere is this more true than in the explosion of plant-based meat alternatives across Asia. Companies are competing to grab a spot in a space once dominated solely by tofu. In doing so, they are finding innovative means towards new product development, flavour profiling, and collaboration.

But, this regional big picture only tells part of the story. Instead of looking at trends, which has already been done to death by other consultancies and doesn't really provide much helpful insight for R&D, NPD, or positioning, we opted instead to look at big predictions set to shape the future. That way we can hopefully help you get proactively a few steps ahead instead of running along a reactive hamster wheel. To dig down into what we predict to be the biggest movements in individual markets, we tapped into proprietary data from TSI Navigator™ for markets like China, Indonesia, Japan, and Thailand. Our researchers also spoke to trusted experts on-the-ground across APAC to get a better understanding of what might be influencing consumer purchase habits in 2021 and beyond.



NORTHEAST ASIA

CHINA

JAPAN

SOUTH KOREA

CHINA

Understanding a more nuanced consumer

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. Keep the following in mind this year.

- **Understand, don't assume, what drives consumer purchase decisions.** Although there is concern over food safety, emotional and functional drivers are much more nuanced the further you drill down. There's no indication you'll have to hyper-target consumers in China yet. But, it's important to go deeper than just having a surface-level understanding of behaviour.

- **Chinese consumers are more conservative than previously thought.** Beware the product that strays too far out of line! Although differentiation is an important consideration to remain competitive, there are limits to this. Data shows uniqueness for uniqueness' sake may harm product performance. That's why it's better to keep your NPD closer to home instead of extending your product to places consumers might not follow.
- **Consumers care more about what a product does than how it looks.** Having your product fly off the shelves is going to take more than just a pretty pack design. You'll need clear positioning front-and-centre, as well as the right attributes and reasons to believe. Striking the right balance between the visual and the functional is the key to winning over Chinese consumers.

NORTHEAST ASIA

SOUTH KOREA

From picture-perfect to perfectly practical

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. Members of the TSI team spent several months in Korea this past year, exploring shifts in the market and talking with our partners on the ground. Here's what we found.

- **The grittier side of life.** Sure, Seoul is still home to countless white-washed and tiled cafes where all the beautiful people spend their sun-soaked afternoons. Increasingly, we're seeing a counter to this in urban, gritty street cafes, shops, and food stalls. It's no longer simply about perfection in what sells. Koreans are searching for something more unique.

- **Affordable luxury.** Korea is notorious for bargain-basement prices on mass-manufactured beauty products, creating a race to the bottom on price and quality. Now, these products are finding a new home mid-way between dirt cheap and out-of-reach. Boutique stores like Jaju are offering interesting wellness products, lifestyle wear, and of course cosmetics at a price point that's a little higher, but offering consumers a higher level of quality.
- **Looking for inspiration.** For many years, Korea was the standard bearer of cool across the region. Music, clothing, and even food trends came heavily from K-Pop culture. Today, though, we're seeing Korea just as apt to soak up international influences in what sets trends as it is in engaging in soft diplomacy through Twice or BTS overseas.

“Koreans are letting their hair down. Not everything has to be perfect.”

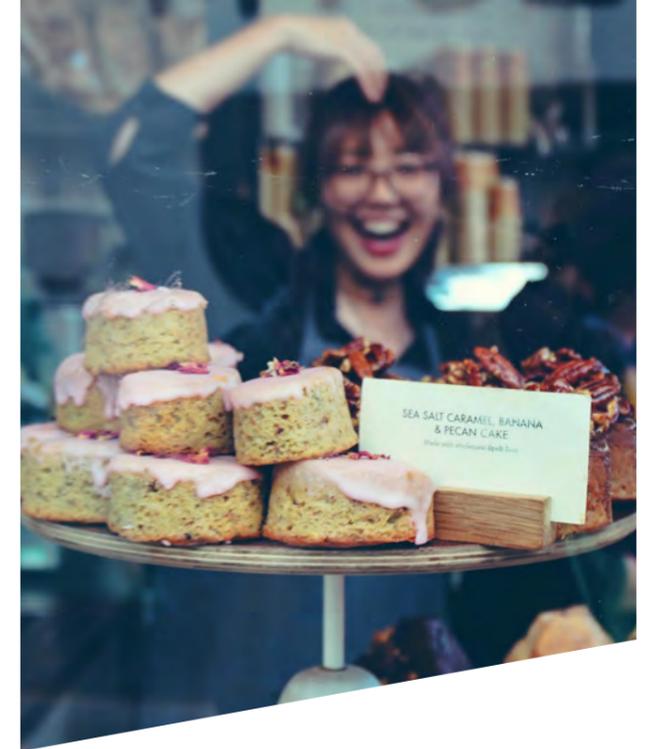
David Richardson
CEO and Founder, DRA Korea

JAPAN

Turning to indulgence and safety

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.

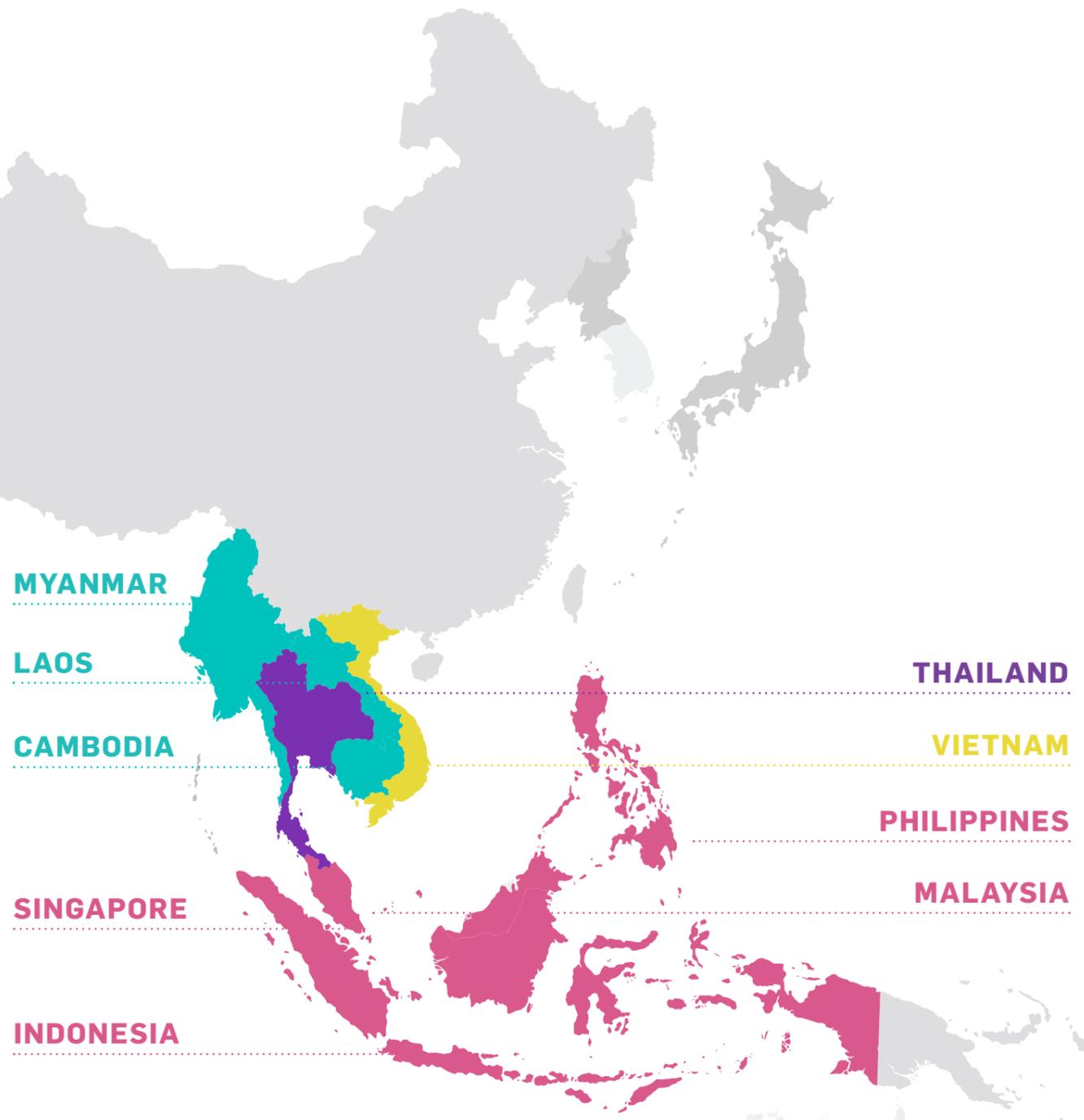
- **Satisfying that sweet tooth.** Based on TSI Navigator™ data, the Japanese definitely love their sweets. While only about 50% of respondents in other Asian markets said they consume a sweet snack at least once a week, 74% of Japanese did so. What's more, 22% of Japanese respondents said they consume sweet snacks every day. These little moments of indulgence are certainly a way to escape from the pressures of work, health, and family.
- **Healthcare for all.** According to TSI's Japan partner, Kensuke Nakamura, the coronavirus is changing the way Japanese consumers view healthcare. It is now, "...beginning to attract younger people and is no longer centred on seniors." He adds that Japanese consumers are also looking for literal ways to create a barrier between them and any potential health issues. From facemasks to barrier mists, UV protectants and "clean beauty," consumers are now more sensitive to, and aware of, health-related issues.



“Japanese are undergoing major changes in life that we have never experienced before.”

Kensuke Nakamura
Founder, GLocal Insight Japan

SOUTHEAST ASIA



CAMBODIA, LAOS, AND MYANMAR

A return to essentials

Tourism and construction **represent** about 70% of the Cambodian economy, which was one of the fastest-growing global economies until recently. The downturn in global trade, tourism, and infrastructure investment, though, has pummeled Cambodia's economy, leaving around 1.7 million Cambodians out of work. Coupled with gaps in the public health system, highlighted during the pandemic, many in the country are struggling to cope.

Likewise, we've seen similar economic issues hitting Laos and Myanmar. In Laos, an **additional** 220,000 citizens are expected to fall into poverty this year as a result of the pandemic. Myanmar, which is undergoing a second wave of the coronavirus at the time of writing, is **forecasting** a 5% jump in poverty rates and a nearly 6% decrease in economic growth.

All of this has resulted in a return to essentials. With budgets stretched thin, there is no room for extravagant spending as may have been possible in 2019. Overall, we're seeing a marked decrease in average

consumption (with the exception of alcohol, which is itself very revealing). While some **analysts** predict consumer spending to increase towards the middle of 2021, TSI is not confident things will return to pre-Covid levels so soon. All three countries have put tight restrictions on everyday life as a preventative health measure. It will take some time for things to normalize, but when that will begin is anyone's guess.



SOUTHEAST ASIA

INDONESIA, MALAYSIA, THE PHILIPPINES, AND SINGAPORE

Plant-based everything

Alternative protein use has really taken off in places like Indonesia, Malaysia, The Philippines, and Singapore.

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. Government investments have topped US\$100 million, private injections have hit US\$5 billion, and Singapore is the world's first government taking steps towards the **regulation** of alternative proteins. Eugene Wang, co-founder and CEO of Sophie's Kitchen, has **said**, "Singapore will be the most important location for this kind of research for the world, not just here in Southeast Asia or Asia."

Indonesia and Malaysia are also looking towards alternative meats as a way to feed growing populations. In Indonesia, for example, the plant-based food market is expected to grow at around 6% annually through 2025. In these markets, where there is already a sizeable acceptance of vegetarianism, adoption is less of an issue. Rather, 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, still have a number of innovative start-ups in this space. For them, there are challenges around changing consumer eating habits, getting products to market at an affordable price point, and expanding into neighbouring countries which may already be saturated with competition.

THAILAND

Kingdom of Resilience

Throughout the coronavirus pandemic, the Thai Government has looked for innovative ways to bolster its economy. That includes adding new holidays on the calendar in an effort to encourage domestic tourism, tax breaks and business loans, as well as a major PR push to bring in foreign tourists. While these efforts have been hit and miss, what has happened is an increase in domestic consumption overall.

Before Covid, analysts **predicted** the Thai economy would shrink dramatically. Given governmental measures during the pandemic, though, this has not materialised. While the economy is not growing at the same clip as some of its neighbours, domestic consumption is twice as high as previously predicted. Additionally, and based on TSI Navigator™ data, Thai consumers are expected to purchase more over the next two months than they had during the previous period. This follows the trend over the last year whereby the Thai economy has beat out pre-Covid predictions for contraction.

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.

While some are concerned the recent national lockdown may disrupt these moves, Andy Gower, Managing Partner at TSI's Thai partner agency BMRS Asia is more optimistic. Although "Thailand has been rocked by another round of Covid cases, with pubs and events now mostly closed (and no booze being sold), if [the past year] is anything to go by, this should be eased quickly."

"New holidays given out by the Thai Government [are causing] a spike in spending."

Andy Gower

Managing Partner, BMRS Asia

SOUTHEAST ASIA

VIETNAM

Weathering the storm

Like pretty much everywhere else in the world, Vietnamese are having to deal with economic hardships resulting from the coronavirus. The export market has been particularly hard hit, leaving millions out of work. A [semi-annual poll](#) on consumer confidence in the economy saw a 65% drop in optimism, particularly striking for a country which is widely considered one of the most economically optimistic in the world. All of this is impacting general consumption habits across the country.

One of the biggest consumption habits impacted is in where Vietnamese spend their money on food. Prior to the pandemic, Vietnam was one of the fastest growing economies in the world. With more disposable income than ever before, citizens were taking their money and eating out. According to a [recent study](#), however, 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.

Additionally, political and economic movements started pre-Covid are helping the country weather the storm better than its neighbours. Expectations point to increased consumption mid-2021, especially in the snacking category and among younger segments. Combined with increases in home cooking, there are numerous reasons brands should keep an eye on Vietnam this year.



OCEANIA



AUSTRALIA AND NEW ZEALAND

Exploring the “why” behind health and wellness

Generally considered markets focussed on health and wellness, until recently consumers in Australia and New Zealand were primarily following the status quo. While this is a good status quo to have, expect consumers to start digging a little deeper into the “why” of their healthy regimens. In speaking with Kim Palmer Berry, editor for Australia-based Food & Drink Business, consumers are more discerning than ever before. In her words, “Covid-19 put jet packs on the way things were already headed.”

- Firstly, people are still looking for wellness and better-for-you products. In particular, there is a dynamic rise in the use of functional ingredients and foods that help ensure strong mental health.

- There is a willingness to try new things within the space of health and wellness. She cautions, however, consumers still want what they try to be somewhat familiar. Adding onto this is a dive into the social responsibility behind what consumers purchase. Is a brand a good corporate citizen or are they a bit dubious in their presentation?
- Lastly, like we’ve seen across the world, plant-based proteins are blooming everywhere. Unlike places like China, Indonesia, and Malaysia, though, Aussie and Kiwi consumers are on a journey of “...continuous consumer learning and greater expectations about what they’re eating, where it’s coming from, and how ethical a product it actually is.”

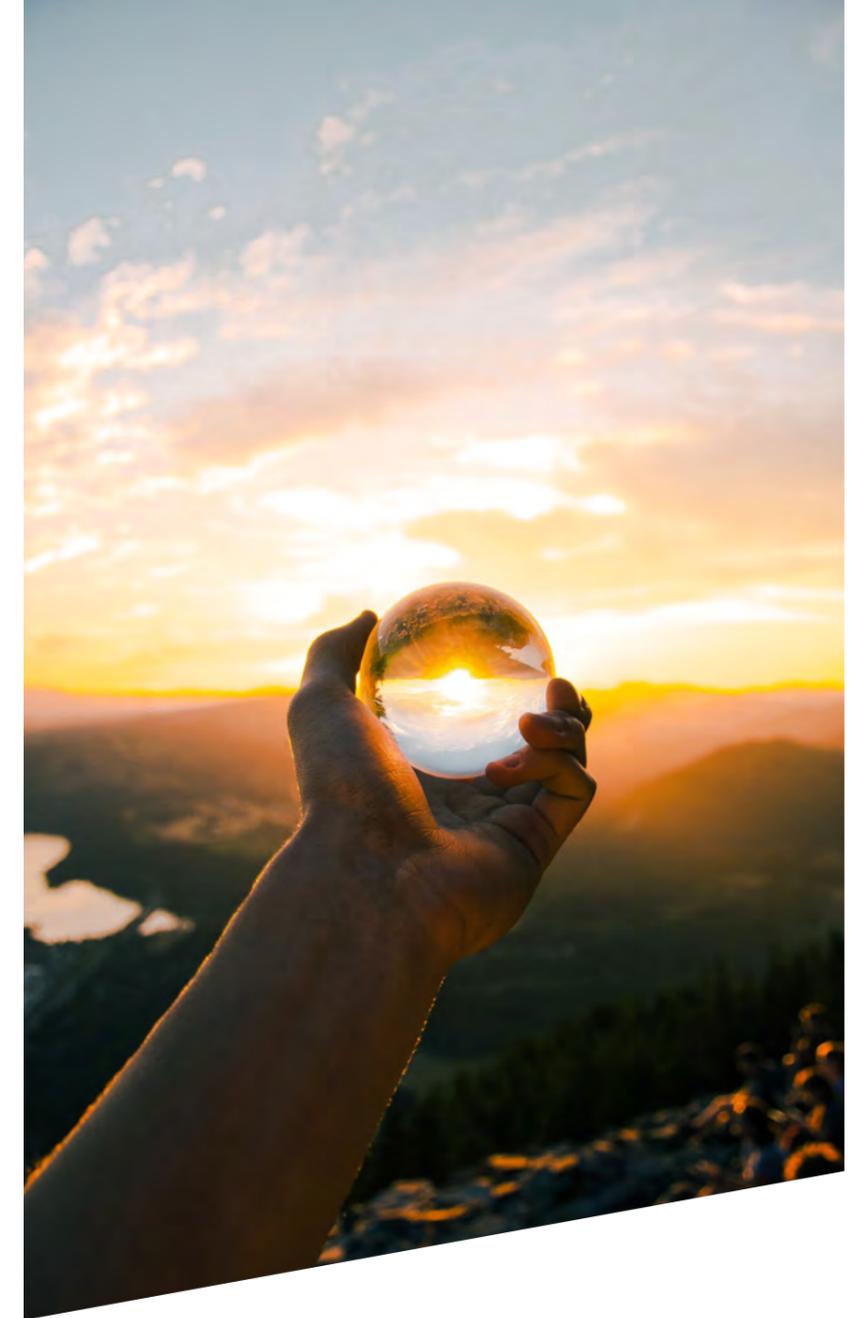
“Consumers want to know what companies are doing to become more ethical.”

Kim Palmer Berry
Editor, Food & Drink Business

BANKING ON PREDICTIONS

If 2020 taught us anything, it's that nothing is set in stone. Trends, which rely on stable data over time, are difficult to discern in the age of Covid-19 as there are far too many uncertainties and moving pieces. Identifying long-term futures, whether that's one year or a decade, has pretty much gone out the window too. Banking on predictions, which we view as a shorter-term, more holistic practice, is the golden ticket as we enter a new normal.

TSI's unique combination of real-time data from across the region, as well as our vast network of partners on the ground throughout Asia-Pacific, gives us more than a bit of confidence in our predictions for this year. We hope you're able to use the information on these pages to benefit your brand strategy throughout 2021 and beyond.



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.

DISCLAIMER

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FORWARD-LOOKING STATEMENTS

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

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.





**For more information,
please contact:**

Aron Solomons

Associate Director
aron@thesilkinitiative.com

John Pabon

Marketing and Communications
john@thesilkinitiative.com

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No.406 Jian Guo Xi Road, 2F, Unit 215, Xu Hui Shanghai District, Shanghai 200031, P.R.C

