ARE YOU READY FOR THE FUTURE?
THE EVOLVING CONSUMER

Presented by Vaughan Ryan
Managing Director – Nielsen
Vietnam
11th of November 2015
2005
Pope Benedict XVI

2013
Pope Francis
4 BIG CONSUMER TRENDS – PAY ATTENTION

- I HAVE THE POWER TO BUY
- IT’S ALL ABOUT ME
- I’M ON THE MOVE
- CONNECT ME TO THE WORLD
ASIA IS GETTING RICHER AND VIETNAM IS PART OF THIS STORY

The projected middle class in Latin America is 313 MILLION

Asia will be the home of 3 BILLION middle class

The middle class in Africa and the Middle East is projected to DOUBLE

Vietnam’s middle class set to almost TRIPLE BY 2020

12M to 33M (2014 to 2020)

Sources: Nielsen Analysis, Boston Consulting Group
BUT THE MARKET HAS SLOWED AND IT’S TOUGH

<table>
<thead>
<tr>
<th></th>
<th>FMCG Volume Growth Rate (in%)</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INDO</strong></td>
<td>3.4%</td>
<td>0.8%</td>
<td>2.1%</td>
<td>0.3%</td>
<td>2.5%</td>
</tr>
<tr>
<td><strong>VN</strong></td>
<td>-5.2%</td>
<td>-1.8%</td>
<td>-3.5%</td>
<td>3.4%</td>
<td>0%</td>
</tr>
<tr>
<td><strong>HK</strong></td>
<td>6.1%</td>
<td>7%</td>
<td>6.6%</td>
<td>2.2%</td>
<td>1%</td>
</tr>
<tr>
<td><strong>TH</strong></td>
<td>-0.3%</td>
<td>-0.6%</td>
<td>-0.5%</td>
<td>4.3%</td>
<td>4.5%</td>
</tr>
<tr>
<td><strong>INDIA</strong></td>
<td>4%</td>
<td>0.9%</td>
<td>2.5%</td>
<td>5.2%</td>
<td>7.4%</td>
</tr>
<tr>
<td><strong>CN</strong></td>
<td>4.0%</td>
<td>1%</td>
<td>2.5%</td>
<td>0.9%</td>
<td>-0.5%</td>
</tr>
<tr>
<td><strong>AUS</strong></td>
<td>1.1%</td>
<td>1%</td>
<td>1.1%</td>
<td>0.3%</td>
<td>1%</td>
</tr>
<tr>
<td><strong>TW</strong></td>
<td>1.5%</td>
<td>1.3%</td>
<td>1.4%</td>
<td>-1.2%</td>
<td>0.1%</td>
</tr>
<tr>
<td><strong>SG</strong></td>
<td>-1.7%</td>
<td>-0.8%</td>
<td>-1.3%</td>
<td>1.4%</td>
<td>3.6%</td>
</tr>
<tr>
<td><strong>KO</strong></td>
<td>-2.2%</td>
<td>-1%</td>
<td>-1.6%</td>
<td>-1.6%</td>
<td>-0.3%</td>
</tr>
<tr>
<td><strong>PH</strong></td>
<td>4.8%</td>
<td>7.5%</td>
<td>6.2%</td>
<td>3.6%</td>
<td>2.2%</td>
</tr>
<tr>
<td><strong>NZ</strong></td>
<td>0.7%</td>
<td>0.6%</td>
<td>0.7%</td>
<td>2.8%</td>
<td>1.9%</td>
</tr>
<tr>
<td><strong>MY</strong></td>
<td>-0.5%</td>
<td>-2.1%</td>
<td>-1.3%</td>
<td>3.9%</td>
<td>-0.4%</td>
</tr>
<tr>
<td><strong>JAPAN</strong></td>
<td>6.6%</td>
<td>-2.9%</td>
<td>1.9%</td>
<td>-3.4%</td>
<td>5.5%</td>
</tr>
</tbody>
</table>

**FMCG GROWTH RATE**

- **Volume > Value Growth**
- **Volume = Value Growth**
- **Volume < Value Growth**
AND THE DROP HAS BEEN DRAMATIC

Regional Summary APAC - FMCG market dynamics

(Weighted average)

Note: Regional Summary for APAC is based on Australia, China, Hong Kong SAR, India, Indonesia, Korea, Malaysia, New Zealand, Philippines, Singapore, Taiwan, Thailand, and Vietnam. Indonesia has changed the retail census in 2010. Hong Kong SAR has changed the retail census in 2011. Vietnam has recalculated its growth rates based on new universe.
CONSUMER CONFIDENCE FALLS BACK IN Q2’15, WHilst RETAILERS ARE LESS OPTIMISTIC

CONSUMER CONFIDENCE INDEX (CCI) VIETNAM

Q4 2013: 98  
Q1 2014: 99  
Q2 2014: 98  
Q3 2014: 102  
Q4 2014: 106  
Q1 2015: 112  
Q2 2015: 104

RETAILER CONFIDENCE INDEX (RCI) VIETNAM – Q2’15

72

CONSUMERS BIGGEST CONCERNS

#1 - Economy
#2 - Job security
#3 - Health

RETAILERS BIGGEST CONCERNS

#1 – Consumer support
#2 – Competition
#3 – Revenue/ Margin

Source: Nielsen Consumer Confident Global Survey - Q2’15
Source: Consumer Confidence Survey Q2’15 & Retailer Interview: "What are your major concerns over the next 6 months?"
SAVINGS REMAINS KEY; AND INVESTMENT INTENT SHOWS LONG-TERM UPWARDS

% of consumers utilizing spare cash after covering essential living expenses – Q2’15

- Savings: 73% (Q2’15) vs. 77% (Q4’14)
- Holidays/Vacation: 45% (Q2’15)
- Out of home entertainment: 30% (Q2’15) vs. 34% (Q4’14)
- Investment in shares, stock: 20% (Q2’15) vs. 18% (Q4’14)

Source: Nielsen Consumer Confidence Survey (Q4’14)
BUT CONSUMERS ARE WILLING TO SPEND ON BIG TICKET “NEW” NEEDS YET SAVINGS INTENT GROWS

Savings has been elevated over L2Y but now spending more on big ticket items such as travel, smart phones, appliances, and travel

Utilization of Spare Cash

- Putting into savings
- New technology products
- New clothes
- Holidays / vacations
- Home improvements / decorating
- Out of home entertainment

Fast Growth in Non-FMCG

- Mobile Phones +13%
- Smartphones +57%
- Automobiles +62%
- Major Appliances +18%
- Domestic Tourism +8%

BUT OPPORTUNITIES STILL EXIST WITH AREAS SUCH AS RURAL SEEING SOME PROSPERITY

Whether Salary/Harvest or Other varies greatly by region; Purchase on Quality and Peers

**HH’s with Salary Income**

<table>
<thead>
<tr>
<th>Region</th>
<th>Income Source</th>
<th>Main Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>North</td>
<td>60</td>
<td>52</td>
</tr>
<tr>
<td>Central</td>
<td>81</td>
<td>61</td>
</tr>
<tr>
<td>South</td>
<td>49</td>
<td>39</td>
</tr>
</tbody>
</table>

**HH’s with Harvest Income**

<table>
<thead>
<tr>
<th>Region</th>
<th>Income Source</th>
<th>Main Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>North</td>
<td>81</td>
<td>24</td>
</tr>
<tr>
<td>Central</td>
<td>66</td>
<td>26</td>
</tr>
<tr>
<td>South</td>
<td>58</td>
<td>42</td>
</tr>
</tbody>
</table>

**Other Income Sources**

<table>
<thead>
<tr>
<th>Source</th>
<th>North</th>
<th>Central</th>
<th>South</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cattle</td>
<td>55</td>
<td>41</td>
<td>22</td>
</tr>
<tr>
<td>Retail</td>
<td>9</td>
<td>3</td>
<td>18</td>
</tr>
<tr>
<td>Non-FMCG Trade</td>
<td>6</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Other Freelance</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

**Expense Allocation**

- Daily expenses: 52%
- School: 16%
- Saving: 11%
- Clothing: 9%
- Medical: 4%
- Party/OOH: 6%

**Purchase Factors – Top 2 Box**

- Quality: 60%
- Product Origin: 51%
- Trusted by Many: 49%
- Brand: 43%
- Family/Friend Recommend: 42%
- Price: 36%
- Retailer Recommend: 24%
- Package: 18%
- In-store Ad: 17%
- Promotion: 14%

Source: Nielsen 2014 Rural Study: Q15 Top 3 Concerns (N=700) Sum of Top 3; Q.16 Top 3 Future Plans (N=700) sum of Top 3; Q.26 Household Income Source and Main Income Source (N=700); Q.27 Income Allocation (N=700); Q.14a Spending (N=700) Top 2 Box Agree + Strongly Agree; “Product Origin” understood to mean imported is OK except China
WHY THE CHANGE?
PEOPLE ARE BUYING OTHER THINGS.

Connected devices are outpacing the global population

7 BN IN 2013

IF THIS TREND CONTINUES...

50 BN BY 2020

SOURCE: GSMA, FEBRUARY 2012
BUT HAS IT REALLY CHANGED US?
TOUCHPOINTs MULTIPLY...

Traditional

Digital
AND ONLINE IS THRIVING

THE MOMENTUM IS FORECASTED TO BE LED BY ASIA

Worldwide

TOTAL RETAIL SALES

23.9 trillion USD, +6.4%

By regions

NORTH AMERICA (+12)

EUROPE (+10)

ASIA (+30)

LATIN AMERICA (+12)

AFRICA (+17)

E-COMMERCE

1.8 trillion USD ~ 6.7% to Total Retail sales +18%

Source: eMarketer

2015 vs 2014

10% & below >10-20% >20%

(+5) Value growth rate over year ago (%)
MILLENNIALS (AGE 21-34) ARE THE CORE SHOPPERS

<table>
<thead>
<tr>
<th>Category</th>
<th>WILL BROWSE ONLINE</th>
<th>WILL BUY ONLINE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generation Z (Under 20)</td>
<td>6-9%</td>
<td>5-9%</td>
</tr>
<tr>
<td>Millennials (21-34)</td>
<td>49-59%</td>
<td>52-63%</td>
</tr>
<tr>
<td>Generation X (35-49)</td>
<td>25-28%</td>
<td>25-30%</td>
</tr>
<tr>
<td>Baby Boomers (50-64)</td>
<td>7-13%</td>
<td>6-13%</td>
</tr>
<tr>
<td>Silent Generation (65+)</td>
<td>1-3%</td>
<td>1-3%</td>
</tr>
</tbody>
</table>

THE ABOVE CHART: GLOBAL AVERAGE PERCENT OF THE POPULATION RANGES THAT MAKE UP ONLINE PURCHASE INTENDERS FOR 22 CATEGORIES

Source: Nielsen Global E-commerce Study in 2014
CONSUMABLE CATEGORIES HAVE STRONG ONLINE BROWSE-TO-BUY CORRELATION RATES

THE ABOVE CHART: GLOBAL AVERAGE - ONLINE BROWSING AND BUYING INTENTIONS IN THE NEXT 6 MONTHS

Source: Nielsen Global E-commerce study in 2014
NEXT UP: E-CONVENIENCE?
Consumers in Asia Pacific are among the most connected in the world

Hours per week

PHILIPPINES 26.7
SINGAPORE 25.2
SOUTH KOREA 24.4
AUSTRALIA 24
INDONESIA 23.2
THAILAND 22.5
JAPAN 22.5
MALAYSIA 20
VIETNAM 15.5
NEW ZEALAND 13.5

Source: Survey of Internet users Nielsen Cross Platform report
KEEP CONSUMERS ENGAGED WITH E-ENVIRONMENT, STRENGTHEN TRUST AND ENHANCING SHOPPING EXPERIENCE

OPPORTUNITIES: HIGH ENGAGEMENT

- Read online review prior to purchasing a product
- Shopping online is convenient & fun
- Use social media sites to help make purchase decisions

ROOM FOR IMPROVEMENT: CREDIBILITY AND EASY-TO-USE

- Do not trust giving credit card information online
- Do not like to buy products online because of shipping cost
- Shopping websites are often very confusing
### KEY SUMMARY

<table>
<thead>
<tr>
<th>4 big consumers trends include “On the go” and “Connect to the world”</th>
<th>Middle class is rising in Asia and Vietnam</th>
<th>The momentum of e-commerce is forecasted to be led by Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Keeping it simple Distribution Visibility Display</td>
<td>The core shoppers are Millennials</td>
<td>Consumable goods maintain consistent browse/buy rates</td>
</tr>
<tr>
<td>Don’t miss the opportunity of capitalizing on mobile to empower c-shoppers</td>
<td>“Real” innovation is lacking in Vietnam</td>
<td>Trust is the biggest barrier to making this work</td>
</tr>
</tbody>
</table>
NO LONGER BIG FISH EATING LITTLE FISH, BUT RATHER FAST FISH EATING SLOW FISH”