NIELSEN BREAKTHROUGH INNOVATION REPORT
SOUTHEAST ASIA – 1ST EDITION
SPOTLIGHT ON 3 INNOVATION SUCCESSES IN SOUTHEAST ASIA

HADA LABO THAILAND

EMPERADOR LIGHT PHILIPPINES

NESTLÉ LACTOGEN MALAYSIA

THIS IS THEIR REPORT AND THEIR STORY.
TOBIAS PUEHSE  
INNOVATION PRACTICE LEADER, SOUTHEAST ASIA, NORTH ASIA AND PACIFIC

We are delighted to introduce the inaugural edition of Nielsen’s Breakthrough Innovation Report for Southeast Asia.

With Southeast Asia’s steady economic rise on the world stage today, we are responding to the increasing demand for literature on consumer product innovation. For the first time, Nielsen has embarked on identifying breakthrough innovations across key Southeast Asia markets (Malaysia, Indonesia, Philippines, and Thailand) that launched in 2011/2012. After reviewing more than 2,500 consumer product launches in the top 20 categories in each market, 35 met the requirements for Distinctiveness, Relevance, and Endurance to earn the title. We will zoom in on three specific breakthrough innovations and tell the story of how every company can achieve bigger and better innovation success.

We started this journey three years ago, with Nielsen’s first Breakthrough Innovation Report. We were seeking to recognise significant new product successes and share best practices. Globally, we have now logged thousands of hours of analysis, winner interviews, marketer work sessions, and industry leader conversations.

Our hope is to open the door to an innovation future in Southeast Asia that is much more manageable and rewarding than predominating practices allow.

We believe that innovation is a choice. We hope you find the insights contained in this report to offer great value, and look forward to hearing from you.

TOBIAS PUEHSE
OUR PURPOSE

TO CELEBRATE HIGH ACHIEVEMENT

The primary objective of this report is to recognize the key ingredients for high achievement. It is highly revealing to get first hand insights into how companies are diligent in driving high performance innovation within their organizations, especially with their heritage deeply rooted in their local home markets – from the earliest, exploratory days through the demanding trials of development into the marketplace and into the fabric of consumers’ lives.

Our work on the Southeast Asia Breakthrough Report has created a much deeper comprehension for how companies focusing on serving consumers locally are achieving greater success in-market. Among the innovation successes identified, the share driven by local giants is 54%, a great indicator of human and capital investments being made by firms in expanding their portfolios and their impact on consumers.

THE MAKING OF WINNERS: NIELSEN BREAKTHROUGH INNOVATION CRITERIA

DISTINCTIVENESS
Deliver a new value proposition to the market. Ingredient reformulations, repackaging, size changes, repositioning, and other minor refinements to existing brands are excluded.

RELEVANCE
Generate significant year-one sales.

ENDURANCE
Achieve at least 90% of year-one sales in year two. This measure confirms a sustained level of consumer demand while allowing for some decline in revenue during the transition from trial to adoption.
IMPROVE INNOVATION OUTCOMES

Our secondary objective is to give out the winning principles of success – to share with ambitious innovation practitioners the lessons learnt – in the interest of improving innovation outcomes. While the number of lessons learnt is extensive, the Breakthrough Innovation Project reveals a few myth-busting headlines:

1. Breakthrough innovation is possible in any company, country, and category.

2. Organizations can perform much better than current levels when they are focused more on consumer needs versus an exclusive focus on driving production scale.

3. Managers offer many definitions of “innovation;” consumers use just one: innovations perform important jobs in their lives that currently have only incomplete or no solutions.

4. Breakthrough achievers overwhelmingly take advantage of the Asian trend of consumers not simply buying more products, but better products.

5. Demand Driven Innovation is lean innovation that comes with a unique sense of entrepreneurial spirit and quick decision making processes.

6. Innovation success has very little to do with luck or genius – and even less to do with magic. It’s a purposeful and meaningful set of activities that creates value.
The overwhelming majority of innovation work is sustaining in nature. Incremental innovations improve existing offerings in familiar ways. Consequently, when those rare transformational opportunities emerge, it’s all too easy to overlook the very different capabilities required to fully, faithfully fulfill.

The forces of conformity are unbelievably strong. Asset utilisation, established expertise, familiar channel strategies, proven brand equities, financial hurdle rates, managers’ incentives and other forces work visibly and invisibly to maintain the status quo, making it difficult for truly breakthrough innovations to emerge.

The margin for error in breakthroughs is maddeningly small. Consumers tend to have a surplus of mediocre ways to deal with nuisances or tradeoffs in their lives, so only perfect solutions break through. A few small compromises often doom potential success stories.
In short, Demand Driven Innovation offers to innovation what the Total Quality Movement promised for manufacturing: transformation. Success is never certain, but marketers can predictably and consistently flip historical performance from 85% failure to 85% success.

To add to the innovation challenge, global companies have rapidly moved forward with globalization of their brands and portfolios into Southeast Asia, a region of high growth now and in the future. This immense value creation is generating sustainable sales and volume growth for companies like P&G, Unilever, L’Oreal, and other global giants. Much of the initial success was driven by fundamentals like the opening up of new distribution channels that reach more consumers more frequently with products of high quality that consumers can trust. This is now changing. Consumers are becoming increasingly discerning and the landscape is filled with ambitious local contenders.

While broad opportunities in expanding fundamentals (e.g. distribution and awareness) across Southeast Asia continue to exist to fuel growth of multi-nationals, local entrepreneurs are rapidly joining the ranks of being viable and successful global companies. F&N, IndoFood, Masan and other local competitors are constantly expanding their product portfolios to delight consumers, consistently outpacing the growth of global multi-nationals.

The result: An industry in transition where players are learning to navigate the seemingly more complex consumer and competitive landscape. Individual companies are increasingly reviewing how to adjust to win as growth is harder to achieve through fundamentals alone:

Innovation is creating new avenues to address consumers’ needs and interact with them in ever-growing ways. Equally, consumers are hungry for innovation and trying better products. Across Southeast Asia, 70% of consumers like when new product options are made available to them versus the global average of 63% based on Nielsen Consumer Confidence survey. This is creating an environment for extraordinary value creation in a fiercely competitive volume game.

OUR BIGGEST CLIENTS SEE SHARP GROWTH CONTRACTION BUT LOCAL GIANTS STILL OUTPACING

Retail $ Sales of Top 10 Clients in Southeast Asia

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<td>LOCAL GIANTS</td>
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*MAT March Percentage Change 13’ vs. 12’ and 14’ vs. 13’
DEFINING INNOVATION

WHAT IS INNOVATION?
ARE YOU CONFIDENT THAT YOU KNOW IT WHEN YOU SEE IT?

Getting this right is a precursor to sustained innovation success.

Try this experiment: write down your definition of innovation. Then, review the breakthrough innovation spotlights, and see how many fit your definition of innovation. Can you explain their success? Is your definition predictive?

If you are like most, you will find yourself struggling for a workable definition – or simply denying the “innovativeness” of some of the spotlights. And yet based on sales levels alone, these new offerings had outstanding performance, one even outselling its long established parent brand.

Challenging the innovativeness of breakthrough innovation is arguing with the millions of consumers who have spoken with millions of dollars in their wallets.

With years of experience, we have found a consumer-centered behavioral definition of innovation turns out to be the only really reliable one when establishing our own criteria, beliefs, and mental models about what is and what is not “innovation.” The right question and the trustworthy guide is “does the innovation offer consumers something that brilliantly performs an important job in their lives for which previously available solutions were unsatisfactory or nonexistent?” When consumers discover brands with this type of innovation, they pull these brands into their lives again and again.

The mere uniqueness of an innovation is in fact a very poor predictor of success and differentiation in pursuit of winning consumers’ hearts and spending.

What our research into breakthrough innovation reveals is that the differences that matter – the ones that drive trial, adoption, category expansion, and sustained profitability – are not revealed in surface-level attributes. Consumer behavior, in other words, offers a more useful definition of innovation: their struggles and aspirations reveal true innovation opportunities and their behaviors of repeated purchase affirm innovation success.
Put another way, marketers don’t define innovation, consumers do. Marketers who impose their own definitions, because of past results or practices of peers, deny themselves the opportunity to learn the truly transferable lessons from past commercial outcomes. Consequently:

1. THEY INTRODUCE SOLUTIONS WHERE NO UNMET CONSUMER JOB EXISTS
2. AND MISS THE REAL OPPORTUNITIES TO INNOVATE AND GROW

Interestingly, in Southeast Asia, we have found global giants and emerging local contenders are interpreting this pursuit in meaningfully different ways. While the opportunity lies in deeply understanding the underlying consumer jobs to serve, the fierce competition and varied approaches to innovation between local contenders and global giants will elevate the FMCG industries to the next wave of growth with the consumers being the key beneficiaries.

**STRATEGY: GLOBAL VS. LOCAL**

**GLOBAL MULTI-NATIONALS IN SOUTHEAST ASIA**
In many of these companies, scale is the name of the game and it is apparent in their go-to-market strategy. To win with consumers, these companies are primarily relying on three core strategies:

1. increased focus on ideation,
2. simplifying decision nodes within their organizations to move through the conception to launch phases more rapidly, and
3. driving a more targeted activation of new launches.

**LOCAL CONTENDER STRATEGY**
The rapid speed-to-market of local contenders is often a thorn, yet aspiration, for global giants. Local contenders are appreciated for their speed, depth of local consumer understanding, and agility as their core point of differentiation versus global multi-nationals. They strive to retain this advantage by exploring consumer insights through unique and targeted solutions as they are close to the day-to-day jobs consumers are struggling to solve for themselves. The bias is for action versus decision making to retain their edge, often accepting a higher level of short-term in-market failures.

**WHAT IS A JOB?**
A circumstance of consumer struggle, tradeoff, or aspiration. Context is CRITICAL – understand context to identify opportunities.

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<td>SOCIAL DIMENSION</td>
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<td>“HOW WILL I BE REGARDED?”</td>
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A specification for innovation (the characteristics of an ideal solution)
WHAT BREAKTHROUGH INNOVATORS DO

First, let us share some of the most encouraging news: Breakthrough Success is possible in any category, in any company, at any time.
Consider the breakthrough case of Emperador Light in the Philippines, which launched into a category generally deemed to have been mature or stagnant. Almost all breakthrough innovations were launched into crowded, developed sectors. Consumers’ dynamic lives create a flow of recurring struggles and unfulfilled aspirations – touchstones of innovation opportunity.

Believing that innovation is a management discipline similar to manufacturing, finance, or HR is the first step. It is a discipline with a robust body of theory that managers can leverage to reduce risk and waste relentlessly, while improving success rates, boosting innovation return on investment, and increasing the absolute dollar value contribution of innovation. This is the promise of Demand Driven Innovation.

Second, winners loosen their grip on certainty when it comes to what innovation is, isn’t, or looks like. That is a job for consumers. As noted at the outset, managers offer many definitions of innovation while consumers use just one: a solution for an important unmet aspiration, nuisance, or tradeoff in their lives. This is clearly demonstrated by the launch of Nestlé Lactogen in Malaysia that helped moms with keeping their children healthy while they are out of their direct reach and studying at school. Innovations do work. They perform jobs. They offer improvements that matter.

Third, when innovation opportunities are defined as jobs, all products are actually services. Framing products as services is not only a more accurate characterization of the way consumers weave products into the fabric of their lives but it also highlights the diversity of jobs to be done across a diverse Southeast Asia region with high variance in consumer affluence, life stage, and access to technology. Innovation and context are inseparable. Indeed, circumstance is the essential unit for innovation. Understand the circumstance of need in all of its dimensions, and the innovation spec is clear.

Fourth, breakthrough innovators make category expansion a strategic input to their innovation process. They do so by seeking opportunities that bring new users into the category and/or addressing new circumstances of use. Leaders like Hada Labo, implicitly or explicitly, anchor innovation in poorly performed jobs in consumers’ lives that brings a new level of performance and quality. In other words, innovations that valuably perform jobs expand categories.
CONCLUSION

BREAKTHROUGHS SUCCEED BY CHANGING CATEGORY DYNAMICS RATHER THAN CONFORMING TO THEM

This is the result of the Demand Driven Innovation approach, where the focus is on consumer circumstances as the basic measure rather than product or consumer characteristics that usually attract so much attention. Breakthrough leaders are looking at the same consumers and the same markets, but the way they look enables them to see things that others miss. This explains their ability to unleash huge successes in “mature markets.” We celebrate their “impossible” achievements.

Congratulations to this year’s case studies. We admire your success and thank you for your leadership – both in the marketplace and in your willingness to share lessons learnt in the interest of improving the practice of innovation. This is what leaders do. In the Spotlight section that follows, we will share three inspiring stories of innovation. As students of innovation, we owe them a debt of gratitude.

Going into 2015, we look forward to working with each of you to unleash your next Breakthrough success and featuring your stories as part of our next Breakthrough Innovation report.
SPOTLIGHTS

HADA LABO THAILAND
EMPERADOR LIGHT PHILIPPINES
NESTLÉ LACTOGEN MALAYSIA
ABOUT THE COMPANY

HADA LABO—which is translated as “Skin Lab”—is a technologically advanced Japanese skin care line researched and developed at the Rohto research facility in Japan. It is the result of more than 100 years of product development and the continued research efforts of Rohto Pharmaceutical Company, Ltd., a leading manufacturer of pharmaceutical products and cosmetics.

Hada Labo in Thailand today:
Hada Labo is the No.1 face lotion in Japan. Since its launch in Thailand in 2011, Hada Labo has been very well received by the Thai market and its consumers. As of end of 2013, it ranked among the Top 10 facial skin care products for women in Thailand. Today, it is recognised by beauty editors from leading magazines, as well as renowned beauty bloggers in Thailand.

6%
GROWTH IN Y2
AFTER A STRONG Y1
**Nielsen:** How did Hada Labo enter the Thailand market?

**Hada Labo:** Back in 2011, Japanese facial skin care products did not exist in the mass-tige\(^*\) segment in Thailand. Many small brands existed, with similar quality products. Hada Labo saw an opportunity to penetrate into the market with a product differentiated by superior quality.

**Elaborate on your journey to identify the opportunity and shape the concept?**

From its home market Japan, Hada Labo was successfully launched across Asia – from China to Southeast Asia including Malaysia and Singapore.

**Who is your target consumer?**

Hada Labo’s audience is the female consumer between 20 and 44 years old. She is based in Bangkok and urban areas within Thailand.

**What was the ‘category story’? What gaps did your product address in the Thai skin care market?**

Many mass market skin care brands were available. Before our launch, Japanese skin care was clearly a niche market. Consumers associated price with quality. Hada Labo saw an opportunity to create a niche for its differentiated product concept “Perfect x Simple”, where they promise consumers the purest quality - without unnecessary additives such as alcohol, mineral oil, fragrance and colorant. In addition, consumers also noticed the difference in quality immediately once they applied the product.

\(^*\)Segment between mass and prestige.
What were the difficulties and challenges in developing the offering specifically for Thailand?
Thai consumers were used to moisturizing their skin with lotions in emulsion or serum format. Hada Labo’s flagship product, being a liquid-based facial lotion, was a totally new product format to the consumers in Thailand. We had to educate consumers about liquid lotions, what it is and how to use it. As a result, we became the pioneer of this category.

Were there significant discoveries and/or pivots?
The online buzz created by consumers familiar with Hada Labo’s popularity and success in Japan was powerful to generate positive word-of-mouth about the product in Thailand.

Was the launch customised to the Thai market or did you work with a globally/regionally developed product?
It was a regional product. Every country used the same communication design.

What were the dimensions of innovation beyond product attribute innovation?
We took into consideration Thai consumers’ need for “small-size-with-low-price” products. Therefore, we developed a special 30ml product, which was smaller than our flagship product for this market.

LEARNINGS

To what extent did the initial insight into unmet consumer demand carry through into the launch strategy (advertising, in-store, event, on premise, social, etc.)?
We opted for a targeted approach where we launched the product across selective media platforms that had the best reach to our target audience. These included advertising in transit, in-store, print, and online. We also generated awareness via our public relations channel.

What was your channel distribution strategy?
In the first year, we sold the product exclusively at Watsons. Then we expanded distribution nationwide in the second year.

Talk about the tactical elements of the launch.
Firstly, we selected a target group of consumers who had the right budget. Then we introduced Hada Labo’s flagship product to this group. We picked the flagship product from Hada Labo’s entire range of facial skin care products as it had the highest success rate in other countries.

Any notable targeting or segmentation approaches?
We talked to a selective group of target consumers in Bangkok and the urban areas.
Any post-launch optimising?
Once we learnt that our core consumers were active in the online world, we quickly created a community for them and launched our Facebook page. This brought fans and consumers together, provided a platform for them to share experiences, and understand the product better.

How did you measure and monitor what happened in-market?
We focused mainly on online conversations. We monitored the buzz created by our product on websites, Facebook pages of our competitors as well as our own.

What were the surprises?
We were very well received by the Thai market. The Thai consumers were open to trying new products and product formats, including Hada Labo’s liquid lotion. When they started using one of our products, they wanted more!

BRAND STORY

How has the launch contributed to your overall brand performance?
Consumers created their own hype via online channels. When they used our products and found them effective, they did not hesitate to recommend to their friends. Our news rapidly spread out.

Describe how your brand has grown and where you stand against your competitors.
We rank among the Top 10 women’s facial skin care products in Thailand (as at December 2013). In addition, beauty editors from leading magazines and renowned beauty bloggers are familiar with our products. Most importantly, more and more Thai consumers are getting to know our brand every day. We’re racing ahead to chase after the new opportunities that have surfaced.

Is innovation broadening your newly established base business?
Yes, our laboratory in Japan is analyzing the product closely, particularly the lotion format. To fully compete in broader areas like the mass and mass-tige facial skin care market, this continuous innovation focus is critical.

Are you tapping global and regional resources?
Our team on the ground worked closely with the regional team. We also found it extremely helpful to have the support of other countries who shared their own experience with the team in Thailand.

FINAL WORD ON YOUR SUCCESS IN THAILAND:
Product quality is very important. This is particularly so in the facial skin care market where consumers readily try a new product but will move on to the next better product if it’s not meeting their expectations on quality. Brands need to hit the mark on quality and lock in their consumers when they do.
Emperador Inc., through its subsidiaries, manufactures, distributes, and bottles brandy and other alcoholic beverages in the Philippines. The company offers brandy under the Emperador Brandy, Generoso Brandy, and Emperador Light brand names. It also provides flavoured vodka, gin, and tequila beverages under The BaR brand name; and distributes Ernest & Julio Gallo wines and Pik-Nik shoestring-shaped potato snacks.

Emperador Light in the Philippines today:
Today, Emperador Light is the biggest selling brandy offering in the Philippines. Its repositioning towards an evolving consumer need has been a huge success and refreshed the way consumers view brandy.

600% GROWTH IN Y2
Nielsen: How did you get started?

Emperador: As we wanted to get the right blend for this market, we invested significant time in the research and development stage. It took two years for us to develop the final product from the inception of the idea.

Can you elaborate on your journey to identify the right blend?

We conducted numerous focus groups in the Philippines and led discussions to understand the local taste buds. During that time, we repeatedly probed the target market about their consumption of alcoholic beverages – what they liked and what they did not. For example, we discovered that consumers here do not like alcoholic beverages that gave them a burning sensation. They wanted a product that would “go down more easily”.

In the past, the older generation would pass on their traditional drinks like brandy to their sons and daughters. However, we recognised quickly that the younger generation had a difficult time accepting the traditionally strong taste and profile. That’s when we knew we needed to develop a new product.

Who is your target consumer?

Our primary audience was the younger segment. We wanted to develop a product that this generation considered their own.

What challenges did you face?

Our company believes strongly in innovation. In the late 1980s, the brand was the first in the market. Brandy was never considered mainstream, as it was inaccessible due to pricing. However, from a flavour perspective, brandy was preferred over rum by consumers.

When Light was launched, we increased the reach of brandy as we focused on a product that everyone can enjoy and afford. It was not elitist, but a popular mainstream strategy. Today, other companies are following with the Light branding idea given our success.

Overall, our company feels confident to fend off the competition as we see ourselves as more passionate about what we do. There is a gigantic effort to try a lot of different blending and an unfaltering determination to keep moving the needle to make our products more enjoyable for all.
What’s your brand personality?
As there is a sizable market for brandy in the Philippines, when planning the product, we had Filipino consumers in mind. Our marketing would focus on the brand’s local heritage.

The brand message was about success, the aspirational lifestyle and how “everything is lighter and more fun”. We want to create the imagery of a group of friends sitting together and enjoying the drink, reflecting consistent perceptions and values of the local consumers.

How was the product distributed?
Our distribution strategy had one goal – to make the product as widely available as possible across both traditional and modern retailers.

This supports the product’s all-inclusive positioning. The product is meant for “anyone and everyone”, appealing to both genders and all income groups. No one is excluded.

Can you tell us about the product size?
To cater to the wide-ranging audience and need states, we introduced different bottle sizes. Whether the product was being consumed by an individual or in a group, we were able to meet the different scenarios. For example, we introduced a bottle size that serves about 1.5 individuals that allowed the purchaser to share a few sips with his/her friends and introduce them to the brandy.
Describe how the market received the new product.
We performed some in-market monitoring, including off-take sales and distribution.

We were optimistic about the launch and the growth in the first year was rapid and encouraging. We ramped up production to meet the unexpected demand. It was a perfect storm as everything was going well: great market appeal supported by effective distribution. Our advertising campaign was also very successful and when consumers wanted to buy the product, it was always available on the shelves.

Our lean organisational structure made it possible to make quick decisions about scaling up production to avoid any loss in momentum.

How did the new product enhance your brand?
Sales from the new product boosted our overall performance and put our brand back on the right track.

It was clear for us that the way forward was in the “light” category. This is what consumers want and our products needed to evolve with their tastes. While our core product or traditional blend brought us to where we are today, to succeed tomorrow, we need to be relevant with a new and emerging generation of Filipino consumers.

FINAL WORD ON YOUR SUCCESS IN THE PHILIPPINES:
From day one, everyone in the organisation was on the same page about what we needed to do. We were aligned with key stakeholders and had the support of top management who were able to remove critical roadblocks that were in the way. We collaborated seamlessly between sales, marketing and operations. When issues cropped up, we were able to make quick decisions to resolve them as we have an established process in place.
NESTLÉ LACTOGEN MALAYSIA

ABOUT THE COMPANY
Nestlé’s commitment to providing quality products to Malaysians dates back almost 100 years ago. Nestlé Malaysia manufactures its products in 7 factories and operates from its head office in Mutiara Damansara. The Company employs more than 5,000 people and manufactures as well as markets more than 300 Halal products in Malaysia. Its brand name such has MILO®, NESCAFÉ®, MAGGI®, NESPRAY® and KIT KAT® have become trusted household names and enjoyed for generations.

Nestlé in Malaysia today:
The company remains committed to bringing joy into children’s growth and development years with good nutrition. Lactogen 4 continues to support this important development phase by providing energy, protein, vitamins, and mineral for optimal growth.

74% GROWTH IN Y2
**THE OPPORTUNITY**

*Nielsen:* What observations did you make about the Malaysian market?

*Nestlé:* Lactogen is the only brand in the market to offer the unique benefit of a “happy tummy” (tummy digestive system).

As the current offering (Lactogen 1/2/3) stops at children aged 3 years old, moms tend to move to other brands or adult milk when their children go beyond 3 years old. We needed to prevent this from happening. We needed to keep them by offering something for older children. This saw the birth of Lactogen 4 – an extension of 1/2/3.

**How did you develop the new product?**

We leveraged our Global Nestlé research centre. The new product is supported by our patented ingredient (L.Comfortis) and proven by science and clinical studies. Our local team then simplified the scientific analysis into an easy-to-understand language that moms in Malaysia could relate to.

**How did you enter this market?**

The idea came to us from helping moms prepare their children for school. As they start going to school, children are exposed to more germs and bacteria in the new and crowded environment.

We developed our product from a simple, powerful universal insight.

We understood that moms in Malaysia had one wish – to ensure their children grow, happily and healthily. They wanted to see children with “happy tummies”, who could absorb nutrients adequately and grow quickly. We knew that moms suffered alongside their children when they experienced digestive pain or constipation.

In addition to understanding the psyche of moms, we needed to offer a product at an affordable price.

**Describe your pricing strategy.**

Our objective was to let moms in Malaysia know that giving their children a strong foundation need not be a costly affair. We ensured that our product was perceived as affordable by the target consumer.

**Who is your target consumer?**

Our core target consumer is the mainstream Malay mom.
How would you reach them?

The Malay community makes up about 75% of the population in Malaysia, with many of them residing in rural Malaysia and lacking in knowledge about food nutrition. The key to connecting with our target audience was through healthcare professionals and nurses working in government clinics. These professionals visit regularly and could teach moms about the importance of food nutrition and benefits of our patented ingredient.

LEARNINGS

How did you customise the product for the local market?

Due to cultural and religious differences between Europe and Malaysia, there was a need to customise the product bundle for the Malaysian consumer.

To connect with moms in Malaysia better, we also simplified the scientific messages so that they could better understand the benefits of our product. When it came to packaging design, we selected colours and shapes (heart shape, Nestlé bird nest icon) that would relate to this target audience. As Nestlé wanted to convey a more scientific/specialist imagery, we did not use images of kids/toys on the packaging.

Due to Halal certification requirements (e.g. no alcohol allowed in the extraction of ingredients, manufacturing workers have to be Halal certified), we had to adapt our recipe and manufacturing process as well.

LAUNCH PLANS

Tell us about your launch.

We were focused on bringing the Lactogen promise to life. We consistently communicated about the product’s benefit to the digestive system.

All Point of Sales (POS) and launch communication featured a happy boy exposing his tummy and a smiley face on the tummy.

Describe your marketing activities.

There was minimal above-the-line (ATL) activity. Instead, Nestlé leveraged road shows to roll out an education program – directly to educate moms on the importance of the ingredient, as well as indirectly through healthcare professionals and hospital nurses to educate moms.
Did you encounter any challenges?
We experienced an out-of-stock situation post-launch as a result of bad weather conditions in the Philippines. The typhoon affected our manufacturing plant in the Philippines.

How was Lactogen 4 received in Malaysia?
Lactogen 4 enjoyed the positive halo effect of its parent brand, Nestlé.

Post-launch, we witnessed its brand health awareness tracking increase significantly, even overtaking the market leader. We scored well on the product’s benefit to the digestive system. Overall sales of the portfolio has also increased as the new product could allow moms to continue the Latogen journey beyond 3 years and keep them with the franchise.

While spend for Lactogen 4 was incremental, Nestlé made sure the communication and support also helped to build the overall Lactogen brand.

FINAL WORD ON YOUR SUCCESS IN MALAYSIA:
Knowing that Malaysia is the most cluttered and crowded in the Growing Up Milk (GUM) segment, we selected this market as the innovation test bed for new products. Our plan was to run a pilot program in Malaysia, before rolling the product out to other parts of the world. This placed the Malaysia Team on the Nestlé world map where we were not only on the radar of our global leadership team, but also had their support.
WHAT BREAKTHROUGH INNOVATORS DO

1. Breakthrough innovation is possible in any company, country, and category.

2. Organisations can perform much better than current levels when they are focused more on consumer needs.

3. Consumers’ definition of “innovation”: innovations perform important jobs in their lives that currently have only incomplete or no solutions.

4. Take advantage of the Asian trend where consumers are not buying more products, but better products.

5. Demand Driven Innovation is lean innovation that comes with a unique sense of entrepreneurial spirit.

6. Innovation success is a purposeful and meaningful set of activities that creates value.
SPECIAL THANKS TO THE 2014 BREAKTHROUGH INNOVATION PROJECT TEAM

Gary Y.W. Wong, Song Hyemin, Nicole Corbett, Kajal Gunavanthe

FOOTNOTES

1. Nielsen ScanTrack (Food, Drug, Convenience, Dollar, Club, and Mass Merchandise)
2. The “jobs to be done” concept was articulated in Prof. Clayton M. Christensen’s 2003 book, The Innovator’s Solution on which Breakthrough Innovation Report author, Taddy Hall, collaborated. Bob Moesta is a Nielsen Innovation Practice collaborator and another “founder” of the “jobs” architecture

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