



Singapore Business News_

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**Driving Emerging-market
Growth through Innovation**

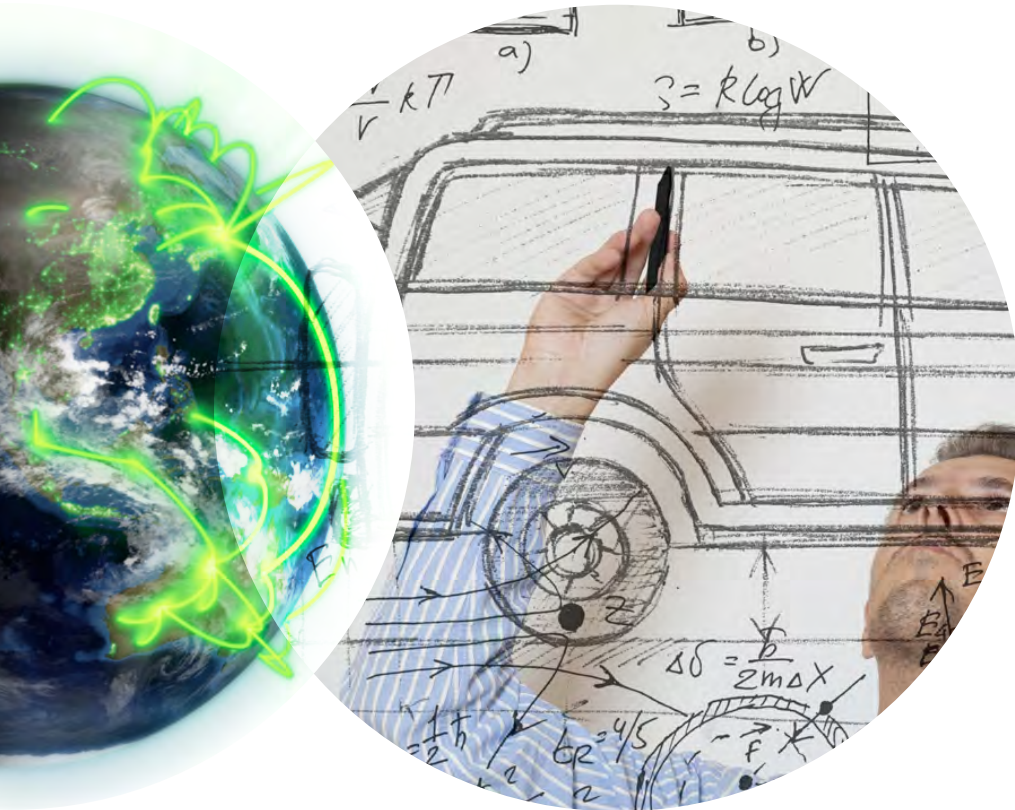
Industry focus

**Singapore chosen as location for
DORMA's expansion plans**

**Understanding the psychology of
new Asian consumers**

Driving Emerging-market Growth through Innovation

The world's emerging markets have both challenged the idea that centres of innovation belong exclusively in the West, while offering global companies the opportunity to develop new products and services, redefine manufacturing techniques, and reinvent business processes.



CHRISTOPHER MYRICK



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WITH a slumping US economy and a weakening European market, Asian exporters may face a challenging 2012. This economic uncertainty will likely accelerate the growing trend of Asian companies seeking brighter prospects in emerging markets by offering innovative products that meet specific regional needs.

According to Bloomberg, shipments to the European Union, China's biggest market, rose five percent year-on-year in November 2010; in contrast, exports to Malaysia rose 34.9 percent and those to Brazil increased by 26.4 percent for the same time period.

This reflects a broader trend in which Asian companies are finding growth opportunities in hitherto untapped markets. Case in point, China has emerged as Africa's largest trading partner over the past decade, with bilateral trade growing at an average annual rate of 28 percent.

Innovation does not necessarily involve the invention of a new product; it also encompasses the creation of a sophisticated marketing plan, product customisation for a local market, as well as product delivery at the most competitive price point.

Asian enterprises are moving entry-level products that have been tested within their own domestic markets into the world's newest emerging ones. For example, Africa has about 600 million mobile phones, more than the US or Europe, and these phones are almost wholly sourced from Asia.

In addition, the Middle East and Africa are becoming key markets for a wide range of goods produced in Asia. RBS economist Ben Simpenderfer has called emerging China-Middle East ties "the new Silk Road," and World Bank economist Harry Broadman has referred to Africa as "China and India's new economic frontier" - other emerging countries such as Brazil, Turkey, Malaysia, and Indonesia are following China and India's lead into the continent.

One company that has displayed a commitment to quality and innovation to achieve global success is Haier. Since its founding in Qingdao, northern China, some 18 years ago, Haier has worked on improving the quality of its goods, services, and brand to conquer its own market before spreading its footprint across the emerging world by building plants in Indonesia, the Philippines, Malaysia, Pakistan, Jordan, India, and South Africa. Haier has also expanded into the US, where it has identified its niche in the market for compact refrigerators and upscale electric wine cellars — a once rare but now common item among members of the middle class and the newly affluent. Through a combination of innovation, competitive pricing, customisation to local needs, and strategic marketing at both the high and low ends of the market, Haier has established itself as the world's largest producer of "white goods" (large electrical appliances) over the past year.

We are also seeing increased cross-investing by Asian companies in each other's territories and in other developing markets. Telecommunication firms in mature markets, such as SoftBank in Japan and SingTel in Singapore, are looking to China and India's Internet and mobile communication firms not only because of the high-growth prospects in these countries, but also because companies in these countries are developing applications that can be easily adapted for other high-growth emerging markets. Some of the most advanced and ambitious multinational companies now have their headquarters in the emerging markets, including India's Bharat Forge, China's BYD, and Brazil's Embraer.

Forward-thinking Western firms are fully aware that Asia's emerging economies can neither be viewed as a source of low-cost labour, nor can they be seen as desiring goods that were designed with a Western market in mind. The

world's leading firms are instead using the region as an incubator for innovation.

In its *World in 2050* report published last year, HSBC concluded that China and India are on the path to becoming the largest and third-largest economies in the world respectively. HSBC also predicted that other emerging economies, including Mexico, Turkey, Egypt, Venezuela, Poland, and South Africa, will eventually be ranked alongside developed countries, as these emerging markets are focusing on enforcing intellectual property rights to facilitate the commercialisation of technologies, as well as implementing information and communications technology (ICT) to enable productivity and innovation. In addition, these countries are also taking steps to ensure that there is sufficient investment in R&D (especially by the private sector), the presence of high-quality scientific research institutions and extensive collaboration in research between universities and industries.

Asia's most formidable and buoyant emerging markets — such as Malaysia, Indonesia, Vietnam, and Thailand — are unleashing tremendous creative and entrepreneurial energies. Stimulating and supporting enterprise innovation in these countries requires substantial investment by their governments before these countries can succeed as innovative powerhouses.

To gain a competitive edge and maximise their innovative capacity, economic policies in Asia's emerging markets must continue to embrace a free flow of talent, capital, information, products, services, and technologies. The policies of emerging Asian states need to respect innovators' intellectual property rights (IPR) while creating incentives for them to continue their work with designs, policies, and initiatives. IPR-based and ICT-centred policies also drive



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Talent, capital, information, products and technologies

change by promoting economic growth and enhancing the quality of life.

As the balance of the global economy continues to move towards the emerging economies of the East and the South, Western companies need to better understand the behaviour, preferences, and desires of emerging-market consumers.

Many leading global companies are well aware of the shift in economic balance and are establishing knowledge-intensive, innovation-driven R&D centres in cities such as Beijing, Brasilia, Bangalore, Moscow, Helsinki, and Singapore. With a combination of intimate cultural knowledge, minimal institutional restrictions, and breakthrough processes, these cities strengthen their innovative capabilities, which in turn shape the prowess and potential of their nations and regions.

CHRISTOPHER MYRICK



Industry Focus

We spotlight the business initiatives and regulatory policies that support inter-firm linkages and develop the nation's leading and most promising industries.



Singapore chosen as location for DORMA's expansion plans



DORMA, the world leader in door controls, moveable walls, glass fittings and accessories, announced last November the opening of its new Centre for R&D in Singapore. The centre, located at its Jurong facility, is the group's first in the Asia-Pacific and Australia Area (APA), responsible for the research and development of DORMA's products and solutions.

The new Centre for R&D in Singapore will be part of the group's network of five R&D centres worldwide, together with two centres in Germany, one in India and one in the US. The Singapore facility will focus primarily on

developing products and solutions for emerging markets in the APA region with a strong emphasis on hydraulic door closers, locksets, access control systems, glass fittings and automatic doors, among others.

Thomas Wagner, DORMA CEO, said: "DORMA is evolving from a pure product supplier into a value-adding integrated premium access solutions and services provider. To exploit growth opportunities worldwide, the DORMA Group undertook a comprehensive strategic overview of our global business activities and realigned them into five sales regions. The

setting up of the R&D Centre in Singapore is an integral part of our new business strategy. With it, we can react more flexibly to market conditions and enhance our global competitiveness."

DORMA has long been a dominant player and a major contributor towards the group's growth in this region. Mr Dieter Sichelschmidt, Area President APA, said: "The new Centre for R&D will enable us to better meet our clients' discerning demands and keep abreast of the dynamic technological landscape."

Over the next four years, DORMA will invest a further S\$10 million in its Singapore plant and logistics facilities. This is part of its strategic realignment initiative to support projected exponential growth of DORMA in conjunction with the Group's "DORMA 2020" growth programme, which seeks to increase sales to € 2 billion (S\$3.4 billion) and boost its workforce to 10,000 employees worldwide by 2020. The APA region is expected to contribute significantly to this expansion and growth.

New Asian Photovoltaics Centre promises growth and capabilities

HERAEUS (left) celebrated the grand opening of its Asian Photovoltaics Centre in Singapore last November, the precious metals and technology group announced.

The centre will be Heraeus's latest full-service facility, complete with research and development, manufacturing, and sales and technical service capabilities.

The increased manufacturing capacity out of Singapore will also boost future market growth globally, alongside the company's three other

regional facilities in China, Germany and the USA.

The establishment of Heraeus's new Asia Centre in Singapore will bring its services to more customers in the region, ensuring a quick response to their needs, while bringing customers' products to the market more quickly and cost-effectively.

"This new site continues Heraeus Precious Metals's strategy to place full-service sites in the most important geographic regions. Asia is the largest market for our photovoltaic silver paste product line, and Singapore gives us access

to top research and development talent and a very good environment to grow," said Dr Roland Gerner, CEO of Heraeus Precious Metals.

"Heraeus is committed to increasing its capacity with several expansions, including the new facility in Singapore," said Andy London, global manager for the photovoltaic business unit. "Although the industry is going through a short-term consolidation, we expect a full recovery and growth in the future."

Heraeus develops front- and back-side silver pastes for crystalline solar cells.



Web giant launches Singapore data centre

WEB titan Google (**below**) has officially started construction of its Singapore data centre, which will cost US\$120 million (S\$146 million). Expected to be completed by early 2013, the 2.45-hectare facility is located in Jurong West.



Locating a data centre in the region will help Google better cater to its users and provide faster speeds for its services such as search and email.

Services are currently delivered to Asia via data centres in the USA. There are six of those in the USA, and two in Europe currently.

Julian Persaud, head of Google Southeast Asia, describes the Singapore data centre as “an exciting step and an important investment in better serving users across the region.”

Persaud adds, “More new users are coming online everyday in Asia than anywhere else in the world, looking for information and

entertainment, new business opportunities and better ways to connect with friends and family, near and far. We’re building to provide our users here the fastest and most reliable possible access to all our services, so they can do just that.”

With reliable and advanced new technologies, Google’s data centre will be one of the most efficient and environmentally friendly built in and for Asia.

It will include features such as operation at relatively higher temperatures, and Google is also considering other alternatives, which it did not want to reveal due to competitive reasons.

The opening of Google’s new facilities in Asia also reflects a booming industry for data management and business analytics. The new data centre is also seen as a milestone for Singapore, which is aiming to nurture its infocommunication technology sector as a growth cornerstone in the local economy.

Jayson Goh, executive director for Infocomms and Media at EDB, said that it is important for Singapore to become a leading data centre hub, which will translate into much economic value that will help with diversifying and expanding Singapore’s economy “because of [the country’s] robust IT infrastructure, the necessary pool of global talent residing here, and most importantly our transparent and business friendly regulations.”

EDB Monthly Manufacturing Performance - November 2011

Year-on-Year and Monthly Highlights

- ON A year-on-year basis, Singapore’s manufacturing output decreased 9.6 percent in November 2011. Excluding biomedical manufacturing, output declined 13.5 percent.
- On a seasonally adjusted month-on-month basis, manufacturing output declined 25.2 percent in November 2011. Excluding biomedical manufacturing, output fell 0.6 percent.

(I) Total Manufacturing Performance

1. On a year-on-year basis, manufacturing output decreased 9.6 percent in November 2011. Excluding biomedical manufacturing, output declined 13.5 percent. However, on a three-month moving average basis, manufacturing output in November 2011 increased 7.7 percent compared to the same period in 2010.

(II) Performance by cluster

2. The transport engineering cluster’s output expanded 17.4 percent year-on-year in November 2011. Within the cluster, the aerospace segment increased 21.9 percent as demand for engine repairs from commercial airlines remained robust. The marine and offshore engineering segment registered a gain of 18.6 percent, as a result of higher output in oil-field related equipment and increased activities in oil rig projects.
3. The general manufacturing cluster’s output grew by three percent year-on-year in November 2011 as output gains in the miscellaneous industries and food,

beverages & tobacco segments more than offset the decline in the printing segment. The food, beverages & tobacco segment expanded 7.8 percent in November, boosted by orders for instant beverages,

4. Output of the biomedical manufacturing cluster declined 0.6 percent in November 2011 on a year-on-year basis, mainly due to a decline in pharmaceuticals production. Output of the medical technology segment, on the other hand, rose 5.8 percent in November with higher export demand for medical devices and ophthalmic goods.

5. The output of the precision engineering cluster shrank 5.2 percent year-on-year in November 2011, led by the precision modules and components segment which fell 11.4 percent. The latter was affected by weaknesses in the electronics industry as demand for metal precision components, connectors and bonding wires fell.

6. The chemicals cluster’s output declined 5.4 percent year-on-year in November 2011 with all segments within the cluster recording lower output. The lower output was attributed mainly to plant shutdowns for maintenance.

7. Output of the electronics cluster was 30.1 percent lower in November 2011 compared to a year ago. All except the infocomms & consumer electronics segment recorded vlower output in November. Production of semiconductors remained weak, falling 31.1 percent in November.

Editors’ Note: Updates on Monthly Manufacturing Output are available on <http://www.news.gov.sg> and <http://www.sedb.com>

Understanding the psychology of **new Asian consumers**_



Innovating for Asian Consumers

ASIA'S rapidly expanding urban population and ballooning middle class are producing a growing number of well-educated and increasingly demanding consumers. Affluence in Asia has given rise to a more sophisticated consumer — one who not only seeks value for money, but also appreciates service quality, brand image, and product design. But how should the needs of a sophisticated consumer be interpreted in the Asian context?

There is growing recognition that the path to becoming a successful and strategic innovator in Asia does not involve imposing Western values and perspectives on the region's markets. Thus, as the region's consumer culture evolves, how can companies innovate for Asian consumers with reinvented products and services tailored to their needs and demands?

Service
quality, brand
image and
product
design



Overview

The economic rebalancing of the world from West to East has become the biggest story of our time. Economists are looking to a new emerging-market middle class for the next age of prosperity, and there are enough in this group to go around: Goldman Sachs estimates that by 2030, two billion more people will belong to this bracket.

Middle class consumers live almost entirely in large urban centres, and the world's fastest-growing cities in the 2000s have been predominantly located in the Asia-Pacific and Africa. This momentum is expected to sustain itself, with the urban Asia-Pacific population set to grow by 21.4 percent over the next decade.

According to the Economist Intelligence Unit, Asia already accounts for around a third of the world's retail sales. By 2030, more than eight of every ten mobile phones will be owned by people in the developing world. In addition, the Organisation for Economic Cooperation and Development (OECD) estimates that Asia will drive 80 percent of global middle-class spending growth, which is projected to rise from US\$21 trillion in 2009 to US\$56 trillion in 2030.

Asia's consumers today may be unleashing new energy at the checkout counter, but do marketers understand them? The problem, as stated best by Martin Roll, author of *Asian Brand Strategy*, is that: "Most of the consumer behaviour models that are used in Asian boardrooms today were developed in a handful of Western countries. Marketers still do not know very well how marketing techniques and theories can be applied to non-Western contexts."

Consumers' priorities are different in Asia as interpersonal relationships, social interactions,



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and status are generally valued more highly than in the West. In addition, in light of a common emphasis on 'face', Asian consumers are said to share a continent-wide obsession with luxury goods, electronic gadgets, beauty products, jewellery, and fine dining.

Moving beyond such regional generalisations, the challenge lies in understanding ways to translate these customer concerns into effective marketing strategies. Given the unique Asian consumer profile, how can and should companies innovate in terms of their products, services, branding, and marketing efforts to meet differing needs on both the local and regional level? The first step is to gain a better understanding of Asian consumers.

To do so, organisations could look to Singapore as a testing ground. With its cultural affinity and close connectivity with the region, Singapore can be seen as a miniature of Asia. The country's small size and diverse population allow companies to develop an outward pan-Asian perspective that aids consumers in identifying similarities and understanding differences in the region. This enables

companies to maintain broad consistencies in innovations for products, services, and brands in the region, while at the same time facilitating slight customisations for individual end markets.

As a country that has gone from Third World to First in a generation, Singapore might serve as a useful reference of how other rapidly developing hubs across the region may evolve in the coming years. Insights gleaned on anything from Singapore's coffeehouse culture and fast-food trends to shopping-mall usage and luxury-brand affinity could potentially be extrapolated when companies consider the transformation and progress of Asian consumers. At the same time, Singapore also offers easy access to the region's developing economies, where organisations can study and learn about base-of-pyramid consumers.

The companies that are able to differentiate between regional and global trends and that can customise inventive solutions to address needs and behaviours, stand to do well in Asia. However, to do this they need to have a finger on the continent's pulse.

Facts on the Ground

Many multinational companies are recognising the importance of understanding the needs and motivations of Asian consumers, and to do so, they need to be on the ground, observing and interacting with consumers in the region.

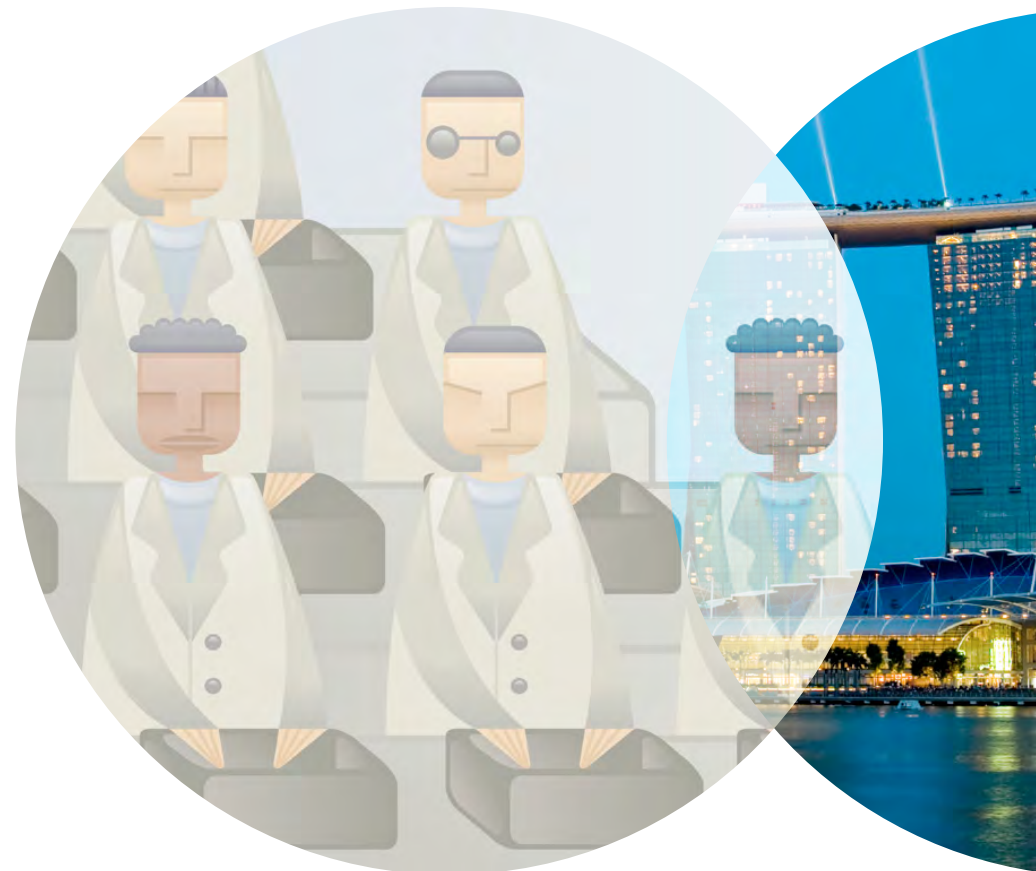
Given the increasing spending power of Asia's consumers, the recent opening of the Institute on Asian Consumer Insight (ACI) in Singapore is timely and provides organisations with a new source of information on this crucial consumer segment.

Set up in 2011, ACI is a research centre in Singapore's Nanyang Technological University (NTU) that provides vital insight into Asian consumers and establishes Singapore as a pan-Asian consumer research hub. In addition to carrying out its own research, ACI also collaborates with the private sector to better understand what makes Asian consumers tick. The way in which consumers use, value, and relate to products can vary widely across countries and regions — this is true for everything from shampoo and toothpaste to cars and instant coffee. Professor Bernd Schmitt, ACI Executive Director, notes that companies, particularly those in sectors such as food and fast-moving consumer goods (FMCG), need to gather more insight to help them differentiate and understand Asian consumers. According to Schmitt, companies need to familiarise themselves with the unique characteristics and quirks of the Asian consumer in order to adapt products to meet their needs. He adds, "These companies need to segment the Asian market and require a lot of details of the lifestyles of particular consumers, how they define beauty, what they consider and taking a break to be."

Noting the advantages of having ACI based in Singapore, NTU President Bertil Andersson says, "Singapore's multicultural environment and strategic location in the heart of Asia will allow us to gain a better understanding of what drives Asian consumers, and how their unique tastes and cultures impact buying decisions."

Nestlé, the world's largest food company, is an example of a major multinational organisation that is actively trying to get inside the minds of Asian consumers. Having realised that consumers worldwide are becoming more health-conscious and discerning about their food, Nestlé is committed to revolutionising its

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entire product range to produce more nutritious fare, while at the same time catering to local tastes — a process that involves innovation and brand development.

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To meet this challenge, Nestlé collaborates with companies in the region to create customised Asia-focused products. For example, Nestlé has worked together with Eu Yan Sang — a Singapore-based traditional Chinese medicine health company — to create a new line of instant herbal soups named Yang Sheng Le, the range of soups blends urban Asians' desire for convenience with the cultural belief that traditional Chinese herbal soups maintain health and well-being in a natural way.

While understanding regional consumers is definitely important, the success of a company will ultimately depend upon its ability to translate such insights into sales through effective branding. Companies that are able

to create a unique and attractive brand that resonates with consumers in Asia will have a competitive advantage in terms of tapping into the region's massive market potential.

According to ACI's Professor Schmitt, Asian companies are generally lagging behind their Western counterparts when it comes to effective branding. He argues that the West, and in particular the US, continues to be the undisputed leader in terms of developing strong brands; while many Asian companies invest heavily in the development of a technically strong product that they expect will sell itself, these companies view branding as a secondary consideration.

Asian companies keen on carving out a sizeable share of the region's consumer markets thus need to regard their branding efforts as a critical component of their overall product innovation strategy; those that fail to do so may risk losing out to stronger Western brands. "What matters now are the designs, the marketing communications around it. That is all branding, a major thing most Singaporean companies neglect," says Professor Schmitt.

The Singapore Difference

As companies recognise the opportunity to gain market share by taking the time to understand the unique needs of Asian consumers, they are increasingly investing in capabilities for gathering insights and translating this information into made-for-Asia products and services. With its diverse multicultural population, well-developed business environment and geostrategic location, Singapore is a natural choice for organisations to develop these capabilities.

Unique and attractive brand resonating with Asian consumers

In 2013, Procter & Gamble (P&G) — the world's largest household products maker, whose line-up includes Gillette razors and Olay skin cream — will open its S\$250 million Singapore Innovation Centre. The centre will make 'designed in Singapore' products a reality for Asian consumers via a spectrum of product development activities including consumer research, new material research, product formulation, and package design. Carried out by multicultural teams, these activities should yield innovative Asia-focused solutions.

Commenting on the critical role that the Singapore Innovation Centre will play, Deb Henretta, Asia Group President for P&G, says, "Asia is an extremely diverse landscape with different consumer needs, and expanding our R&D capabilities in this region will ensure that P&G is more effective and focused in creating the right innovations for Asia and globally."

Danone is one of the many global players that is turning to Singapore to drive innovations. A global leader in baby and medical nutrition, the company opened its new Danone Research Centre for Specialised Nutrition in Singapore in April 2011.

With a team of more than 20 scientists, the centre carries out nutrition research and coordinates research partnerships related to children's and maternal health. The aim is to better understand regional nutrition profiles, and in collaboration with Danone's team of more than 50 development experts in the Asia-Pacific, translate this knowledge into health and nutrition products that are well-suited to local needs.

Explaining why Danone chose to locate the new centre in Singapore, Eline Van Der Beek, Research Director at Danone Research,

says, "Asia-Pacific is very important to us, and Singapore is a very important starting point to meet the [needs of the] whole Asia-Pacific region. The second reason is the scientific environment here in Singapore being very open and very mature."

More than simply a shift in demand and the potential to boost revenue, the rise of Asian consumers presents an opportunity for developing innovative products that consumers around the world can enjoy. By partnering Singapore in revamping and test-bedding future products, leading companies are addressing the needs of increasingly sophisticated Asian consumers.

Today, Singapore boasts a well-established ecosystem that supports consumer-focused businesses and provides market insights that can be applied throughout Asia. The strong presence of both upstream partners, such as research institutions and ingredient suppliers, and downstream partners, such as market research firms, brand consultancies, and advertising firms, provides companies with access to essential services to support their efforts in innovating for Asian markets.

For example, major market intelligence firms such as Nielsen, TNS, and Ipsos, as well as niche players such as Flamingo, Millward Brown, and Quantum, have offices in Singapore — an established market research hub within the region — from which they carry out Asian consumer research and coordinate multi-country studies.

Drawn by the region's massive potential for sustained innovation and strong growth outlook, global companies are leveraging this ecosystem to translate novel Asian consumer insights into advanced and globally recognised

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products, multi-level services, persuasive brands, and compelling strategies that can tap into Asia's burgeoning consumer markets. With the potential of Asian consumers set for continued growth in the future, Singapore provides a suitable platform for understanding the Asian consumer and innovating to meet their aspirations and needs.

The opportunity is in Asia; perhaps the solution lies in Singapore.



Singapore Business News

Singapore Business News is a monthly publication that updates readers on the latest industry trends in Asia, with a unique Singapore perspective. Highlights include Singapore business stories and special opinion pieces on opportunities in Asia, how global companies are leveraging Singapore to tap into pan-Asian growth opportunities, and how Asian enterprises are globalising via Singapore. **Singapore Business News** also provides case studies on how Singapore partners businesses to deliver future-ready solutions.

Singapore Business News is a publication of the Singapore Economic Development Board.

Singapore: Future Ready articulates the nation's aspirations to be a partner for global businesses as they develop their ideas for tomorrow's solutions. Singapore does so by recognizing the value of long term partnerships, adopting a forward-looking approach, demonstrating ingenuity, and taking on challenges with a can-do spirit.

About EDB

The Singapore Economic Development Board (EDB) is the lead government agency for planning and executing strategies to enhance Singapore's position as a global business centre. EDB dreams, designs and delivers solutions that create value for investors and companies in Singapore. Our mission is to create for Singapore, sustainable economic growth with vibrant business and good job opportunities.

EDB's 'Host to Home' strategy articulates how we are positioning Singapore for the future. It is about extending Singapore's value proposition to businesses not just to help them improve their bottom line, but also to help them grow their top line through establishing and deepening strategic activities in Singapore to drive their business, innovation and talent objectives in Asia and globally.



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