

Introducing our New Visual Identity



HAKUHODO

On May 1, 2008, Hakuhodo unveiled a radically new visual identity, reaffirming our mission and heralding the beginning of a new era for our 110-year-old agency. The unveiling coincided with the relocation of our headquarters to Akasaka Biz Tower, one of the premier creative business complexes in Tokyo.

The main element of our new VI, which also includes a new logotype and color scheme, is a new group logo, which the agency calls The Big Colon. Just as the punctuation mark colon establishes a relationship between two things, the Big Colon symbolizes our role as a vital link between brands, *sei-katsu-sha**, media and ideas. And just as a colon serves to focus attention on a subject, the Big Colon represents our ability to create buzz around the brands and companies we serve.

Brand : Idea : *Sei-katsu-sha* : Media : At the center of any configuration, Hakuhodo gives more meaning to the relationship, expanding the discourse and creating new avenues of dialogue.

Note : The Japanese term *sei-katsu-sha*, which literally means "living person," is the heart of Hakuhodo's advertising approach. In contrast to the term Japanese marketers typically use for consumer, *sei-katsu-sha* expresses a holistic person with a lifestyle, aspirations and dreams: in other words, an individual.



Post-Millennium Asia's First Decade

Durable Goods Penetration



HAKUHODO

Global HABIT Survey

Global HABIT Celebrates 10 Years in Asia

Global HABIT is a comprehensive Hakuhodo survey and database that has grown to cover 33 major cities worldwide since the year 2000. Focusing on the middle and upper class consumers whose purchases drive market growth, it is a vital data source for global marketers.

The data provided by Global HABIT are gathered using the same items and methods as those used for Hakuhodo HABIT surveys in Japan. Topics include lifestyles, values, environment-consciousness, media contact and information attitudes, together with durable goods ownership, consumption and purchase attitudes, all broken down by category and brand. Corporate image and “made-in” perceptions are also included. Consistent use of HABIT items and methods for all samples supports both cross-sectional and longitudinal analysis tailored to client needs. In addition, corporate image and brand reputation are scored using proprietary Hakuhodo bonding and voice scales that measure depth of consumer attachment and key dimensions of brand and corporate image respectively.

Like other Hakuhodo research, Global HABIT embodies the Hakuhodo *Sei-katsu-sha* concept. The *Sei-katsu-sha* is more than a consumer. This Japanese term literally means “someone with a life.” It requires marketers to look beyond consumption alone, to explore the full range of consumer behavior and to understand each individual’s way of life as a whole. Introduced by Hakuhodo in 1980, the *Sei-katsu-sha* concept has spread beyond marketing to inform conversations throughout Japan.

HABIT, the model on which Global HABIT is based, is a database of results from annual comprehensive, large-sample surveys conducted by Hakuhodo in Japan since 1995. Since the same items and methods are used in both HABIT and Global HABIT, data can be compared directly. Because the data is accumulated year by year, it is possible to compare data from the same cities over time.

In This Report

Summary

Many global businesses are looking for a sharper edge to ensure their survival in the battle for Asian markets, whose importance continues to grow. In this analysis we focus on the diffusion of durable goods, looking for patterns and hints as to why penetration has been more rapid in some markets than others.

We then offer several points for marketers to consider, based on levels of penetration in particular Asian markets.

Analysis

This research report employs data collected by Global HABIT surveys in 14 cities in Asia, from 2000 to 2009. The samples are male and female, aged 15 to 54.

- In 2000, the cities in Asia covered by Global HABIT surveys were Hong Kong, Singapore, Taipei, Seoul, Kuala Lumpur, Bangkok, Metro Manila, Jakarta, Ho Chi Minh City, Shanghai, Beijing, and Guangzhou.
- Delhi and Mumbai were added in 2001.

HABIT data from Tokyo are used for comparative purposes.

Hakuhodo Global HABIT



Cities:

Shanghai, Beijing, Guangzhou, Dalian, Shenyang, Wuhan, Chengdu, Fuzhou, Hangzhou, Ningbo, Xian, Hong Kong, Taipei, Bangkok, Seoul, Singapore, Kuala Lumpur, Metro Manila, Jakarta, Ho Chi Minh City, Delhi, Mumbai, Sydney, New York, Los Angeles, Chicago, London, Paris, Berlin, Frankfurt, Milan, Madrid, Moscow, Tokyo, Osaka

Respondents:

Either 500 or 800 males and females aged 15–54 per city, except in Japan, where 5,000 persons in total were interviewed in Tokyo and Osaka. The total number of persons interviewed was approx. 150,000 worldwide (2000–2009, excluding Japan). Based on screenings by household income, survey responses were obtained from persons in the middle/high income bracket of each city (50–85% of the urban population).

Power *Sei-katsu-sha* account for approx. the top 10% of income earners in each city. Due to their strong spending habits, active lifestyles, and high information awareness, Power *Sei-katsu-sha* are consumption leaders with significant power in the market. By paying attention to such Power *Sei-katsu-sha*, it is now possible to analyze the relationships between brands and consumers with strong purchasing power.

Main Items Surveyed (some apply only to China and other Asian countries):

Sei-katsu-sha characteristics

Demographics, lifestyle, media contact, information gathering skills, consumer habits, hobbies, sports, travel, ownership of durable goods, brand recognition, travel, housing, and more.

Products and brands

Passenger cars, motorcycles, AV products, home electrical appliances, personal computers, printers, mobile phones, digital cameras, cameras, copiers, wristwatches, game consoles, alcoholic drinks, non-alcoholic drinks, cigarettes, toiletries, cosmetics, and more.

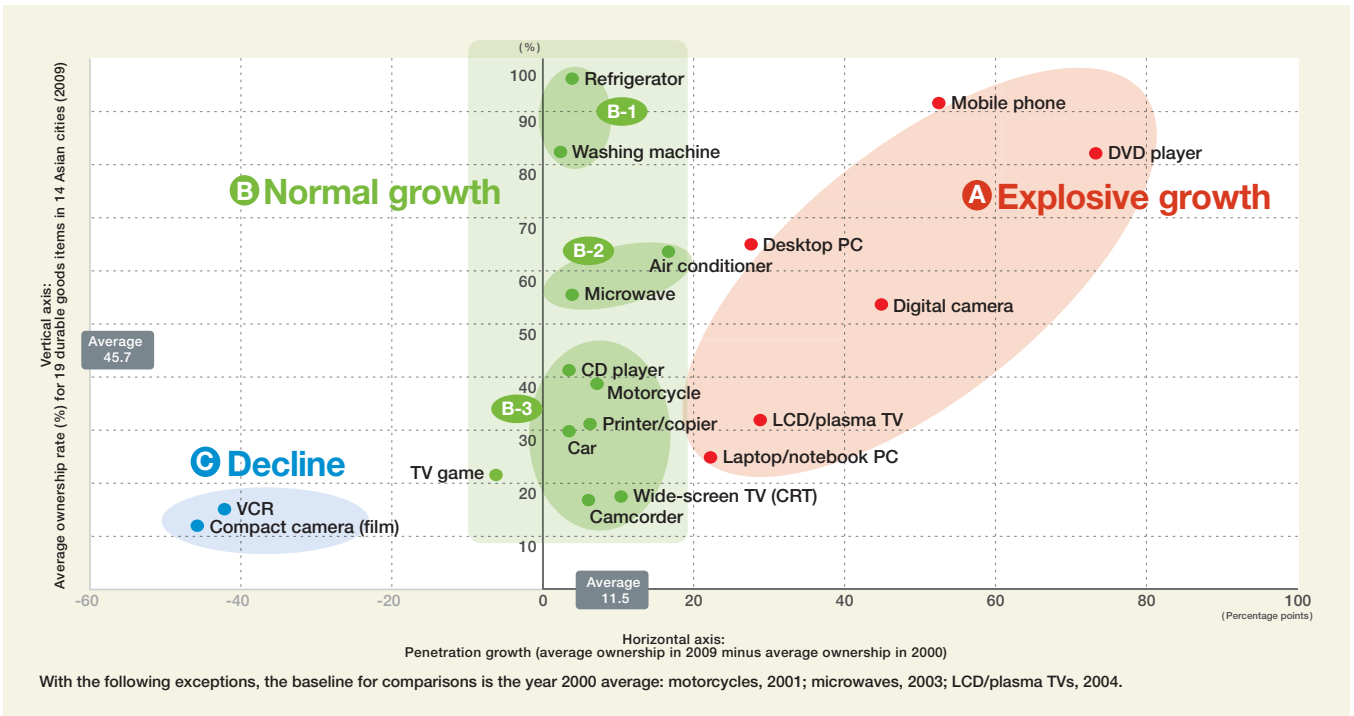
Survey period:

May–July

To learn more about Hakuhodo visit <http://www.hakuhodo.jp/>

Patterns of Durable Goods Penetration in 14 Asian Cities

Penetration patterns of 19 items (14-city averages)



Three Major Patterns

A Explosive growth: Increased 20 points or more in the last decade

Digital products whose ownership has increased dramatically in all 14 cities. Growth transcends regional boundaries. Most are personal items, easy to purchase when incomes rise. New and growing sales can be expected as economic growth in Asia continues.

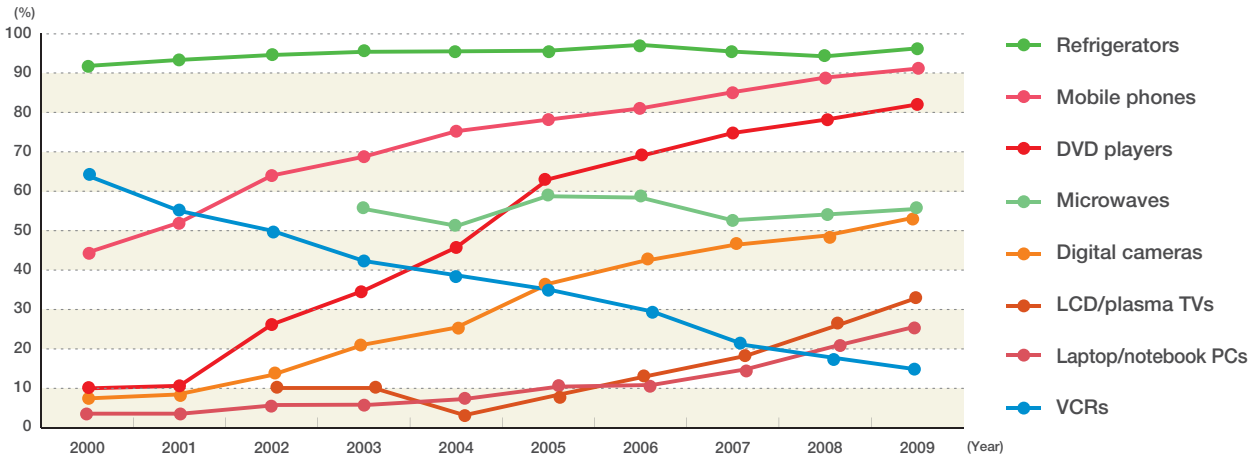
B Normal growth: Increased more slowly, with no dramatic changes

Products in this area have experienced slow but steady increasing penetration over the last decade. B-1: Penetration here is high but stable. Once rapid growth has slowed, but replacement demand remains a possibility. B-2: Growth is slower, but both new and replacement purchases are possible for products tailored to local needs, culture, and desire for greater luxury. B-3: The speed of penetration is slow and below the average for the 14 cities covered. Penetration rates of cars and motorcycles are affected by differences in local laws, regulations and infrastructure in each city.

C Decline: Products disappearing from the market

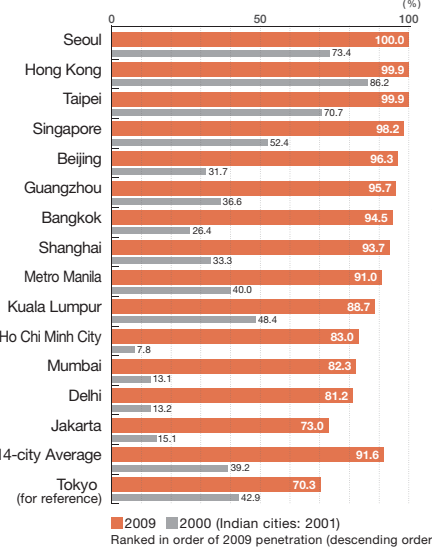
These products in decline have been being replaced by newer technologies over the past decade.

Speed of Penetration (14-city Average)



Patterns of Durable Goods Penetration in 14 Asian Cities

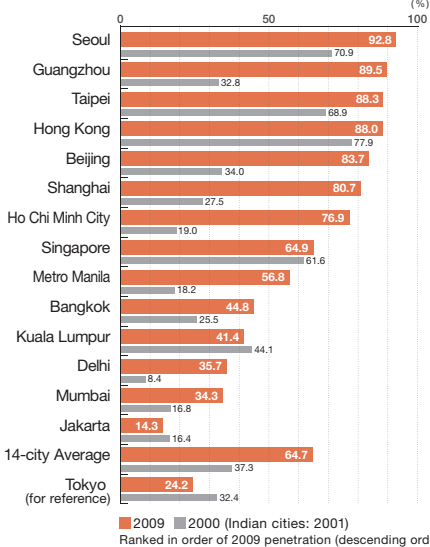
A Mobile phones



In the majority of cities surveyed, ownership of mobile phones is approaching 90%. While ownership in Jakarta is relatively low, the 57.9 point increase from 2000 to 2009 is spectacular.

Analysis of related data indicates that while mobile phone penetration is already extremely high throughout Asia, purchase intention is also high. This is a category in which both purchases of additional units and replacement sales will continue to increase.

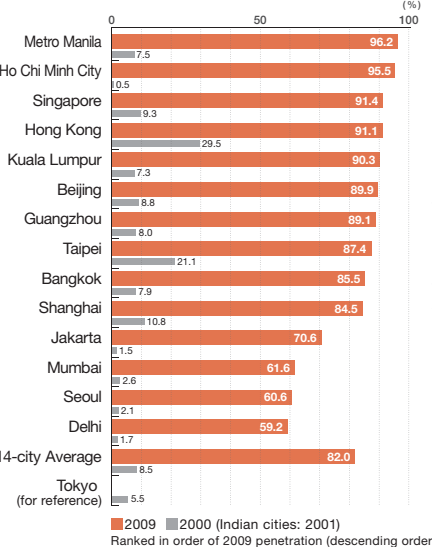
A Desktop PCs



Since 2000, desktop PCs have experienced spectacular growth everywhere but Hong Kong, Seoul, Taipei and Singapore, where ownership was already high. In three Chinese cities (Shanghai, Beijing, and Guangzhou), ownership exceeds 80%.

Like mobile phones, PCs have become an indispensable part of everyday life.

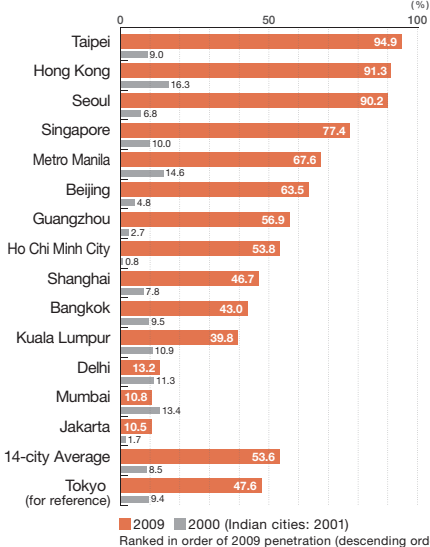
A DVD players



DVD players are another category in which ownership in all 14 cities has risen by 60 points or more. In Ho Chi Minh City, penetration has been truly explosive, from 0.5% in 2000 to 95.5% in 2009.

The rapid growth in DVD player ownership is, no doubt, related to the availability of movies and TV series on DVD in all of these markets.

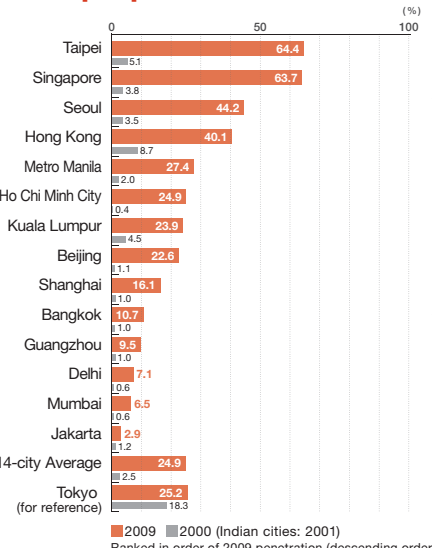
A Digital cameras



Digital cameras are a category in which penetration has been uneven, with wide variation in ownership from city to city. In Delhi, Mumbai and Jakarta, ownership remains around the 10% level.

Analysis of related data indicates that in Taipei, Hong Kong, Seoul and Singapore, where ownership is high, these cameras are more often used for snapshots than in other cities. Digital cameras have made taking pictures an everyday habit instead of something reserved for special occasions.

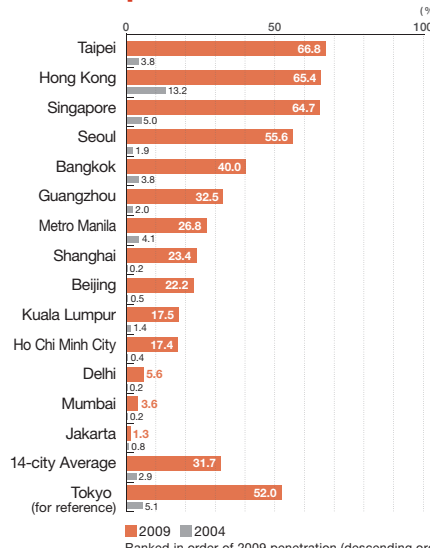
A Laptop/notebook PCs



In 2000, ownership of notebook and laptop PCs was less than 10% even in the four cities where durable goods penetration is consistently high (Hong Kong, Taipei, Seoul and Singapore). By 2009, however, penetration had reached 40% in these cities.

We foresee growing purchases of notebook and laptop PCs in addition to or as replacements for desktop PCs in all markets in the near future.

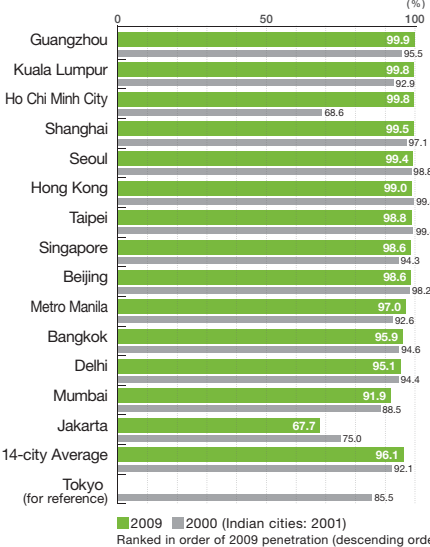
A LCD/plasma TVs



In 2000, color TV penetration exceeded 90% in all 14 cities. In 2004, the penetration of LCD and plasma screen TVs was, except for Hong Kong (13.2%), less than 5%. By 2009, their penetration was greater than 50% in Taipei, Hong Kong, Singapore, and Seoul.

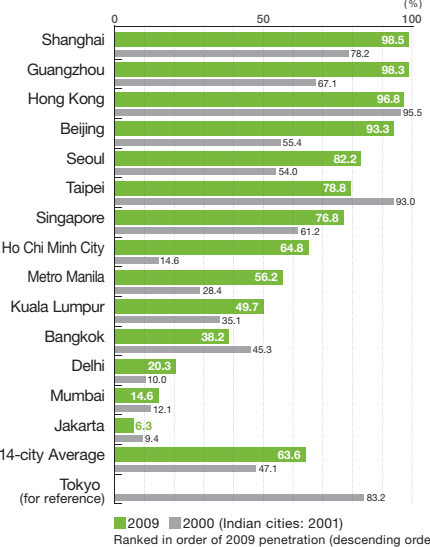
Related data indicate that TV viewing continues to top the list of popular entertainments in Asia. Replacement and additional set purchases should see further growth.

B-1 Refrigerators



For refrigerators, penetration levels were already high in most of our cities in 2000. By 2009 the average for all 14 cities was extremely high, around 96%.

B-2 Air conditioners

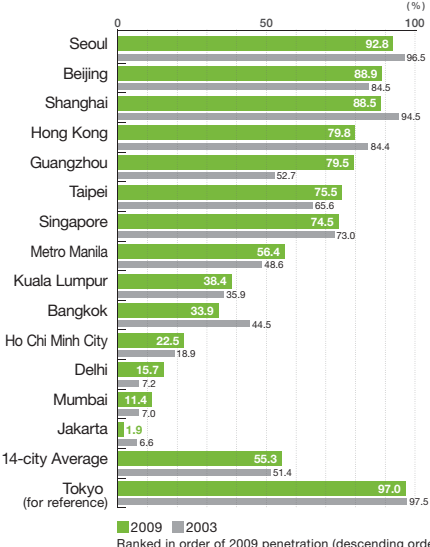


In most of the 14 cities, the last decade has seen a steady increase in air conditioner penetration.

In Shanghai, Guangzhou, and Beijing, 2009 penetration exceeded 90%.

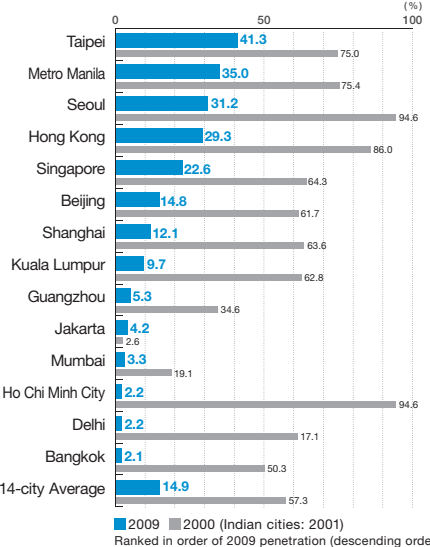
In contrast, penetration in Delhi, Mumbai, and Jakarta has barely begun.

B-2 Microwaves



Microwave penetration is highest in the four cities where durable goods penetration is consistently high (Seoul, Hong Kong, Taipei, and Singapore) and three cities in China (Beijing, Shanghai, Guangzhou). Factors affecting penetration may include culinary culture (availability of restaurants and outdoor stalls) and eating habits, and the entry of women into the labor force and other public roles.

C VCRs



Video decks have experienced sharp declines in penetration, due to replacement by DVD players. Ho Chi Minh City, where video deck ownership has fallen from 94.6% to 2.2%, while DVD player penetration has surged from 0.5% to 95.5%, is an especially vivid example.

Column TV the leader in entertainment

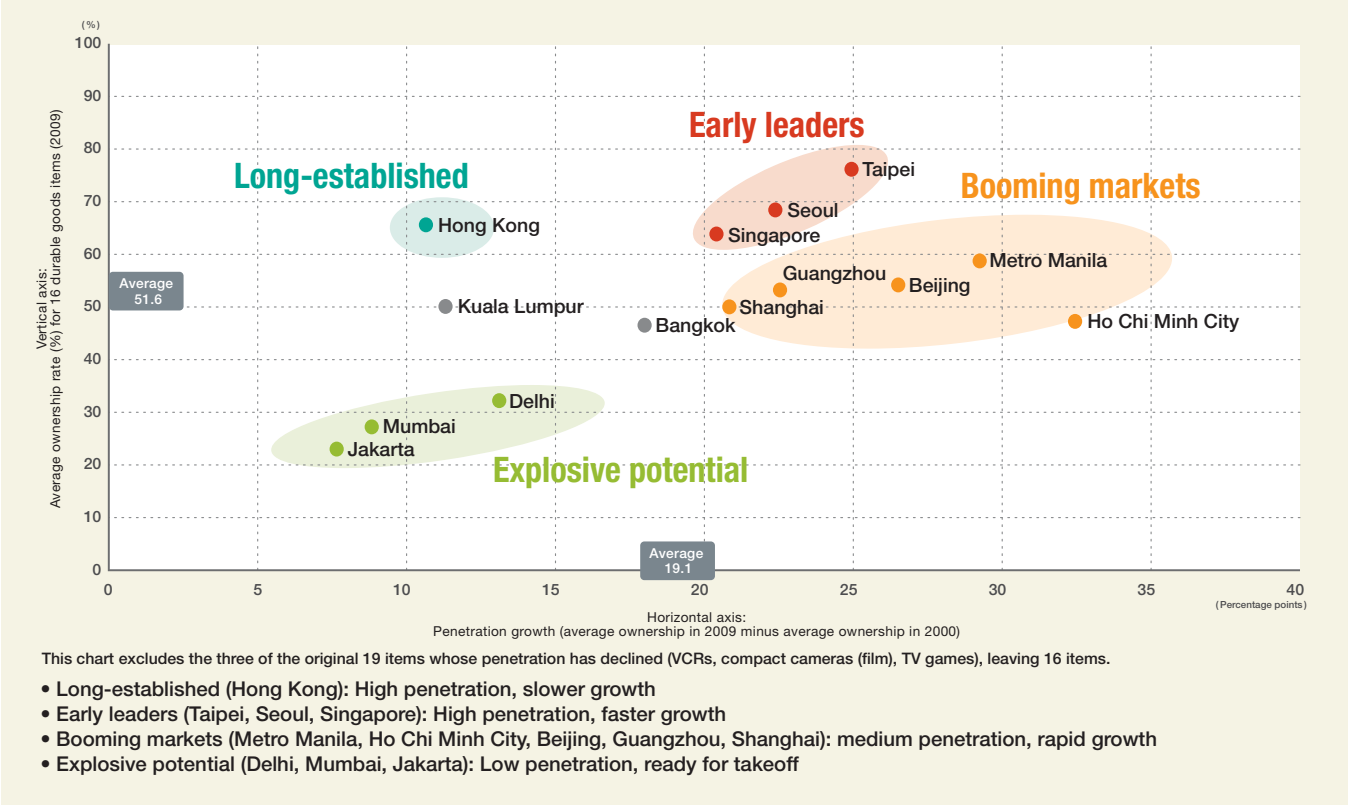
Hobbies/Leisure In the last decade, the number of Internet users has grown dramatically. TV, however, remains king, No. 1 among popular entertainments.

*These are the data for TV viewing and Internet access extracted from a 60-item list of hobbies and leisure activities. The small numerals in the foreground are TV viewing and Internet access data. The large numerals in the background are the rankings of TV viewing and Internet access among popular entertainments in each city.

	TV		Internet			TV		Internet			TV		Internet	
	2000	2009	2000	2009		2000	2009	2000	2009		2000	2009	2000	2009
Hong Kong	37.9	44.6	17.3	46.3	Kuala Lumpur	65.4	78.6	12.7	18.1	Ho Chi Minh City	86.6	95.9	1.3	53.6
Singapore	54.6	74.1	11.4	40.7	Bangkok	73.9	87.5	4.1	16.2	Shanghai	57.7	87.5	8.7	58.2
Taipei	46.4	34.8	10.1	30.3	Metro Manila	74.8	70.6	2.2	22.2	Beijing	70.9	90.9	5.3	63.9
Seoul	57.9	22.6	16.4	22.4	Jakarta	76.4	87.2	2.4	6.9	Guangzhou	63.9	82.8	4.5	60

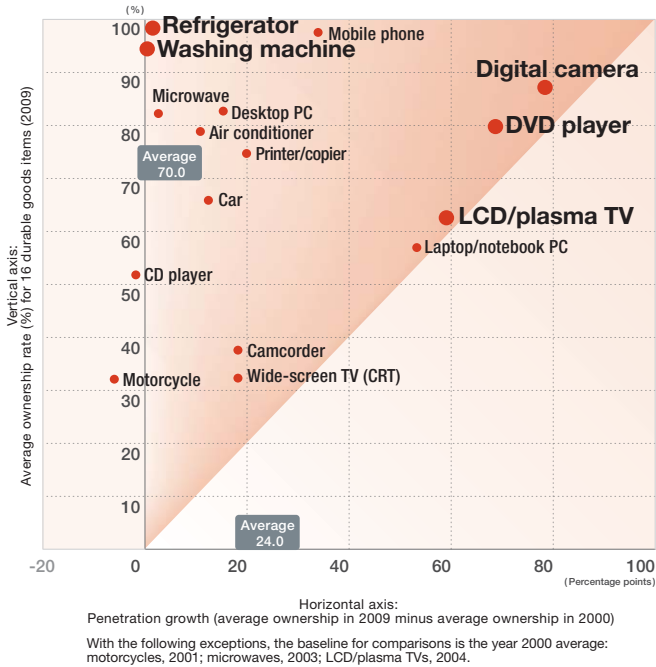
Durable goods penetration in Asian cities (avg. ownership of 16 items)

Asian Cities and Durable Goods Penetration Growth (14 cities, 16 items)



Early leaders (Taipei, Seoul, Singapore)

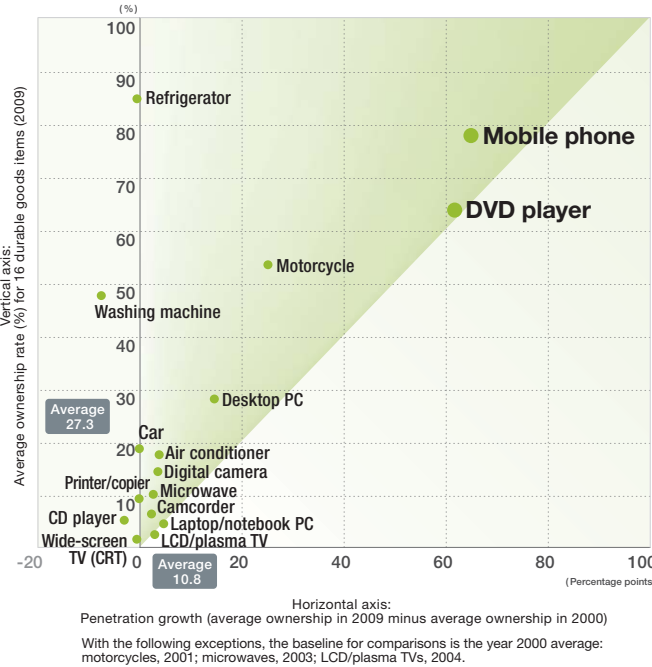
Three cities where durable goods ownership was already high



Comparing our charts for Early leaders (Taipei, Seoul, Singapore) and Explosive potential (Delhi, Mumbai, Jakarta) reveals a number of interesting results. Among the Early leaders, digital cameras, DVD players, LCD and plasma TVs (see items in bold) have experienced dramatic growth within the last 10 years. In contrast, refrigerators and washing machines (see items in bold), whose penetration was already high before

Explosive potential (Delhi, Mumbai, Jakarta)

Ownership levels were low, penetration has been slow

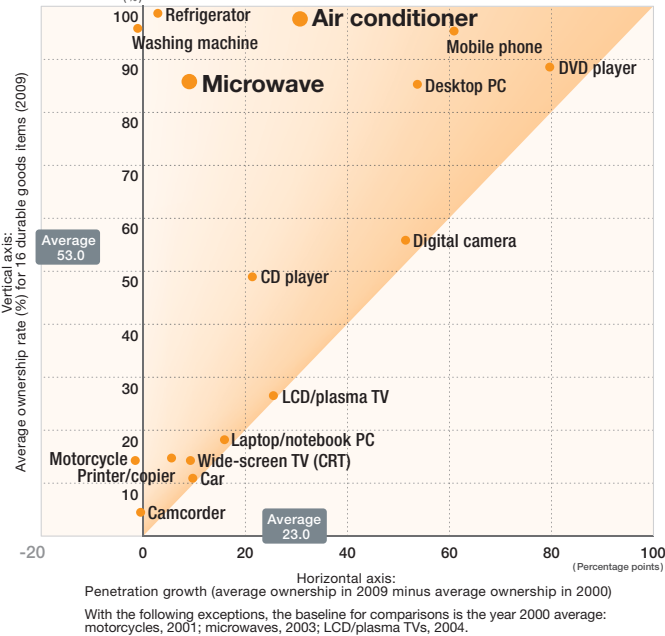


the decade began experienced almost no growth. Among cities with Explosive potential, only mobile phones and DVD players (see items in bold) have achieved substantial penetration. Other brown goods have remained stuck in the same lower left slow-growth quadrant as white goods. For most durable goods, penetration has only just begun.

Asian Cities Grouped by Level of Durable Goods Penetration

Booming-1 markets (Shanghai, Beijing, Guangzhou)

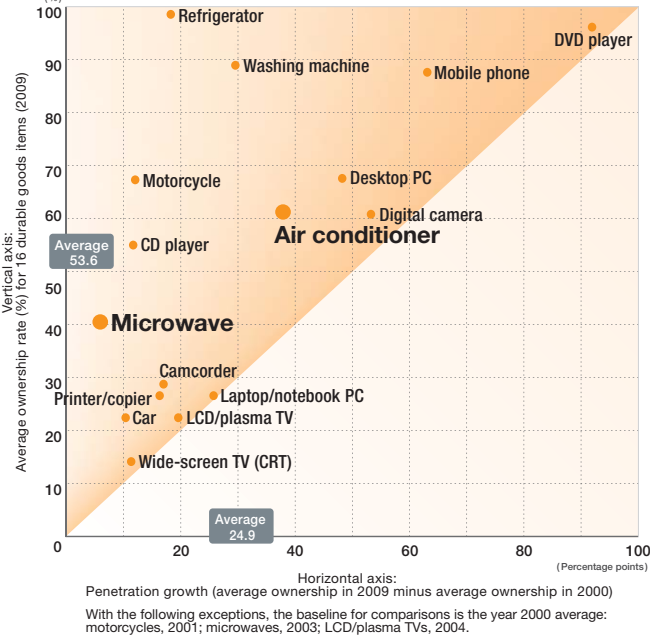
Ownership levels were medium, but penetration has been rapid



When we turn to Booming markets, our data reveal an internal split. Mobile phones and DVD players have achieved rapid penetration in both Booming-1 (Shanghai, Beijing, Guangzhou) and Booming-2 (Ho Chi Minh City, Metro Manila) cities. In the three Chinese cities in the Booming-1 subgroup, air conditioners and microwaves (see items in bold) have also achieved high penetration. In these cities, however, an air conditioner is more a status symbol, in contrast to in Ho Chi Minh City and Metro Manila, where year-round hot, humid weather increases latent demand. In the case of microwaves, the Chinese cities combine a buy-and-reheat eating culture with

Booming-2 markets (Ho Chi Minh City, Metro Manila)

Ownership levels were medium, but penetration has been rapid



large numbers of women in the workforce. Both husbands and wives are likely to be working during the week, and the spread of automobiles has made possible bulk shopping trips on weekends to supermarkets and shopping malls. The availability of semi-prepared food is yet another factor. We see a difference between these cities and those in the Booming-2 subgroup, where, in addition to lifestyle differences, the lifestyle infrastructure to support microwave penetration is less highly developed. Differences in basic social infrastructure may also be an important factor affecting the speed and scope of penetration for other products as well.

Social and economic conditions: Per capita GDP, 2000 vs 2009

It has usually been the case that when per capita GDP exceeds US\$3,000, we see increased urbanization and industrialization, both of which drive purchase intention and behavior. There have been, however, dramatic increases in penetration by mobile phones and DVD players in both the Philippines and Vietnam, where per capita income is still below US\$3,000. These facts tell us that per capita GDP alone is insufficient to explain durable goods penetration. Closer analysis is required.

	2000	2009		2000	2009		2000	2009
Japan	36,800	39,731	Taiwan Province of China	14,641	16,392	Indonesia	807	2,329
Singapore	23,019	37,293	Malaysia	4,030	6,897	Philippines	987	1,746
Hong Kong SAR	25,199	29,826	Thailand	1,967	3,940	Vietnam	402	1,060
Korea	11,347	17,074	China	946	3,678	India	443	1,031

Source: International Monetary Fund, World Economic Outlook Database, April 2010

Summary

Durable goods penetration in Asia displays several distinct patterns: (A) explosive growth, e.g., of mobile phones and digital cameras; (B-1) normal growth of products that already had high penetration, e.g., refrigerators and washing machines; (B-2) normal growth of products whose growth depends on regional factors, e.g., air conditioners, microwaves; (C) declining growth of products that are being replaced by other technologies.

We see a number of apparently unrelated products, e.g., notebook PCs and LCD/plasma TVs, whose penetration pattern is similar. The targets for products like these, whose penetration has reached around 30%, are shifting from early adopters to the late majority.

Thus, all across Asia, when developing marketing strategies for products like these, we need to consider more than the products themselves. We need to ask how they fit into spaces in which consumers live, the scenes in which their lives unfold and the other products and durable goods found in them. We need to look for similarities in penetration process and speed among products and whether to target early or later adopters. Doing so permits building more deeply conceived marketing strategies.

We may discover, especially in Asia's rapidly growing cities, that products fall into clusters grouped by how and how fast they spread. We may find equivalents of the "three sacred treasures" (car, air conditioner, color TV) on which Japanese

consumer aspirations were once focused, items seen as indispensable by those seeking a better life. We must also note, however, that while *Sei-katsu-sha* may want multiple items at once, they may only be able to afford one at a time, resulting in competition between products in different categories.

Marketers can gain hints into targeting and product formation strategies by grasping the relationships products they handle have with those in other categories, within the context of the lifestyles to which *Sei-katsu-sha* in each city aspire.

At the same time, marketers responsible for particular cities may benefit from a bird's eye view of the stage and speed of penetration in other Asian cities. A broader, deeper perspective may offer hints of value for developing local strategies, based on understanding of cities where penetration is at a more advanced stage.

Besides product penetration, marketers also need to consider *Sei-katsu-sha* lifestyles, perceptions values, media contact and numerous other factors. By combining penetration data with other data from Global HABIT, Hakuhodo is able to develop multifaceted regional and local strategies that do more than meet our clients' product development and marketing communication needs. Make a habit of consulting Global HABIT, and hope to support your business growth.