

PRIVATE EQUITY

ASEAN NEWSLETTER

PRECISION ENGINEERING

A lucrative
investment opportunity

CHINA BIOPHARMA SECTOR

A goldmine of innovation for global
pharmaceutical companies

DAIRY BOOM

Expanding market
and opportunities

Roland
Berger



Dear Partners,



Damien
Dujacquier



Jiri
Krivacek



Oliver
Holtkemper

In the first half of 2023, we saw a continuation of the challenging situation in the overall Southeast Asian M&A market. The focus of attention and deal activity was on the mid-cap segment and selected sectors, especially healthcare, showing reasonable deal flow. As in the previous months, the large-cap segment showed lower deal numbers and values. For the second half of 2023, we expect the market to preserve the current level of deal flow with significant activities in Singapore, Vietnam, and Malaysia. Several transactions in healthcare, industrial, and consumer goods sectors are expected to keep investors busy in the upcoming months.

In this issue, we have brought to you three exciting articles analyzing investment opportunities (in precision engineering and dairy) and providing a view on In-licensing innovative drugs from China.

Precision Engineering in Southeast Asia: A Lucrative Investment Opportunity

Manuela Loeblein, Project Manager in Industrials team, analyzes trends and growth drivers in the segment. We foresee continuous growth and attractive opportunities for investors based on key drivers such as decoupling from China and favorable government initiatives. Our article points out growth levers to grow assets in precision engineering (e.g. levers in emerging technologies, material advancements and market diversification)

In-licensing Innovative Drugs From China

Yoshihiro Suwa and Aditya Agarwal, Partners in Life Science and Healthcare Team, provide a view on in-licensing innovative drugs from China. The number of deals from Chinese biopharma to global players has been increasing significantly – China is now seen as one of the key sources of innovation in the pharmaceutical industry.

Dairy Boom: Expanding Market and Opportunities

Mani Garg, Principal in Consumer Goods and Retail team, analyses market trends and opportunities in the dairy sector. We expect the dairy segment to maintain a positive outlook. The sector will continue to provide substantial growth opportunities for SEA investors, especially in Indonesia and Vietnam.

Furthermore, we would like to bring to your attention a selection of our latest studies, covering bancassurance in Asia Pacific, sustainability in consumer goods, and recycling of batteries. Our Automotive team has also published the latest Automotive Disruption Radar and EV Charging Index, providing our latest view on developments in automotive and EV.

The Roland Berger Investor Support Practice in SEA wishes you a good flow of leads, successful investments and exits, with which we are looking forward to supporting you wherever we can.

Yours sincerely

Damien Dujacquier

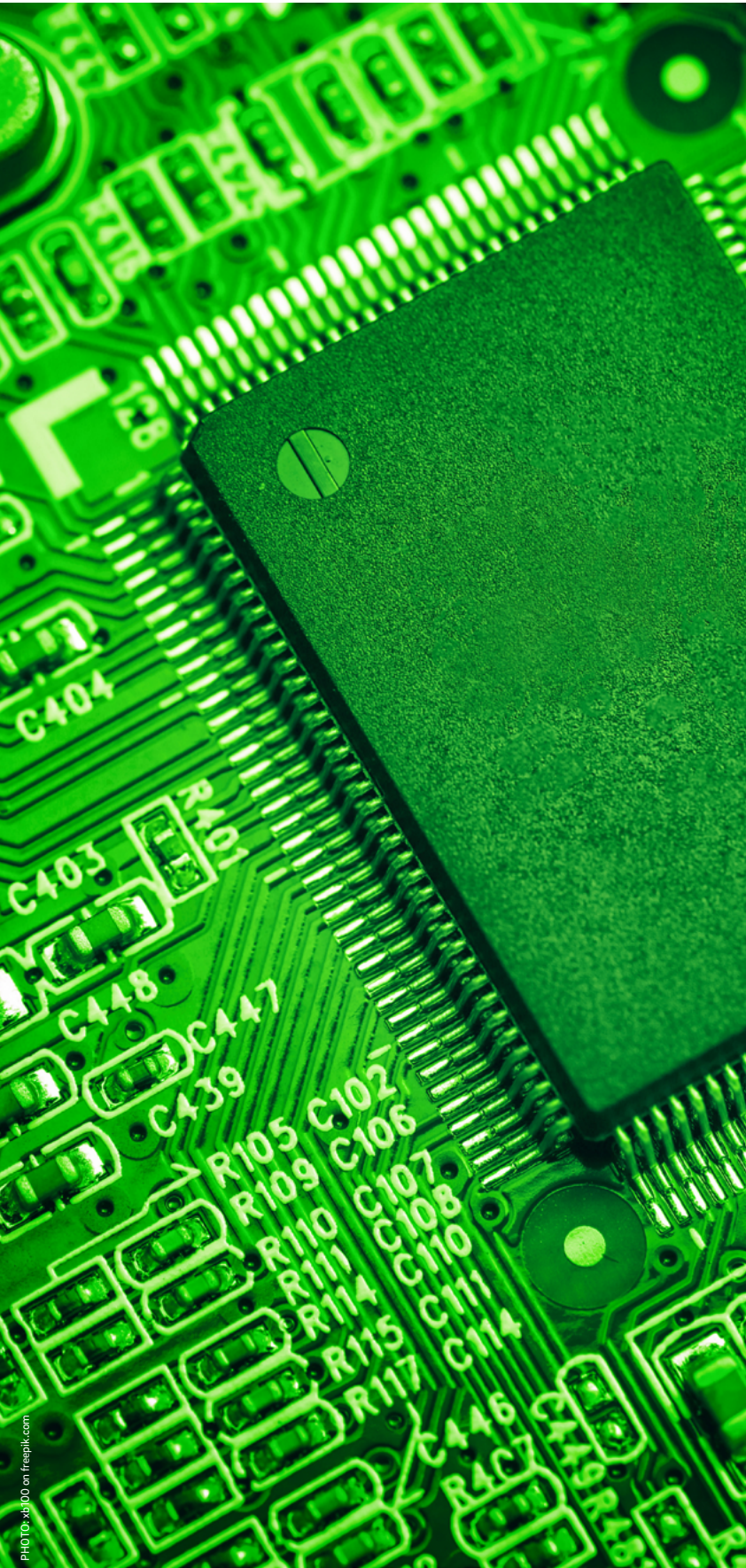
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Precision Engineering in Southeast Asia: a lucrative investment opportunity

by Manuela Loeblein
Project Manager Industrials

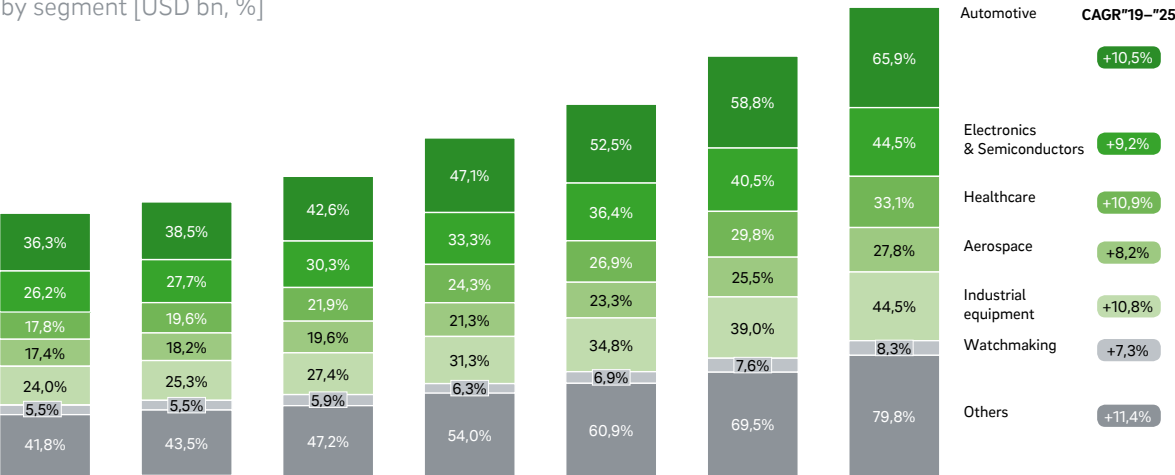
«Precision engineering investments in Southeast Asia are capitalizing on the region's expertise, innovation, and advanced technologies to drive remarkable growth»

Manuela Loeblein,
Project Manager
Industrials

In addition to the strong market demand, favorable government initiatives and policies have played a pivotal role in attracting investments to the precision engineering sector, specifically in SEA. Governments across the region are actively promoting precision engineering through incentives, tax breaks, and supportive policies. For instance, Singapore's Precision Engineering Industry Transformation Map (ITM) provides a comprehensive roadmap for industry growth and development. These initiatives encourage investment and foster an enabling environment for precision engineering companies.

Furthermore, risk mitigation regarding China and regional supply chain shifts have presented unique opportunities for precision engineering in SEA. Companies seeking to diversify their supply chains and reduce risks associated with over-reliance on a single market have turned to SEA as an alternative manufacturing hub. The region's strategic geographic location, well-established infrastructure, and skilled workforce have made it an attractive destination for precision engineering investments. Vietnam, Malaysia and Thailand have especially benefitted from this move. Establishing regional trade agreements, such as the Regional Comprehensive Economic Partnership (RCEP), creates further opportunities for increased market access and facilitates cross-border trade and investment. Investors can leverage these trade agreements to expand their reach and tap into larger markets.

Figure 1: Global precision parts manufacturing market by segment [USD bn, %]



Source Statista, Roland Berger

Maximizing
precision
engineering
investments in SEA
through country
and industry
evaluation

When considering investing in precision engineering in SEA, evaluating it from a country and industry perspective is essential. From a country lens, Singapore stands out with its advanced manufacturing capabilities. At the same time, Malaysia, Thailand, Indonesia, and Vietnam offer their strengths in manufacturing capabilities, business environments, and consumer markets. From an industry lens, precision engineering is vital in various sectors, such as aerospace, automotive, electronics, and medical devices, where demand for high-precision components steadily increases. By analyzing opportunities and growth potential through both lenses, investors can make informed decisions and capitalize on Southeast Asia’s thriving precision engineering landscape.

Figure 2: Country evaluation for precision engineering investments in SEA

		
	- Established as the leading precision engineering hub in SEA - Strong infrastructure, skilled workforce, and advanced manufacturing capabilities, robust research and development (R&D) ecosystem, excellent intellectual property protection - Regional financial and logistics hub	- High costs of operating in Singapore (incl. land, labor, and overhead) - Some players choose to establish their headquarters / R&D centers in Singapore while setting up their manufacturing facilities in neighboring countries with lower operational costs
	- Well-developed manufacturing ecosystem (esp. electronics and auto) - Competitive costs, skilled workforce, and government incentives - Strategic location, extensive supply chain networks, and well-established industrial parks (i.e. Penang for electronics manufacturing hub, and Melaka, emerging as a key aerospace hub)	- While Malaysia has a skilled labor force, there may be shortages of specialized precision engineering talent, leading to competition for skilled professionals - Intellectual property protection and enforcement may not be as robust as in developed economies
	- Key player in precision engineering within SEA - Favorable investment climate, strong government support, skilled labor force - Expertise in automotive and electronics manufacturing - Regional hub for trade and investment	- While Thailand has strong infrastructure in urban centers, some areas may lack efficient transportation links and logistical support, impacting supply chains - Ensuring strong intellectual property protection may require vigilance and strategic measures due to variations in IP enforcement practices
	- Large population and growing consumer market - Government initiatives to attract foreign investment and develop the manufacturing sector - Skilled labor force and strategic geographic location to establish manufacturing facilities and tap into the domestic and regional markets	Indonesia's regulatory landscape can be challenging, with potential inconsistencies and ambiguity that could create uncertainties for investors
	- Manufacturing powerhouse, attracting investments from multinational companies - Competitive labor costs, favorable business environment, and young and dynamic workforce - Strong supply chain capabilities and regional trade agreements	- While Vietnam has made improvements, some regions could face limitations in terms of infrastructure and logistical support - There could be shortages of specialized precision engineering skills, necessitating investment in training and development programs

Source: Roland Berger

Figure 3: Industry evaluation for precision engineering investments in SEA

				
AUTOMOTIVE PARTS	ELECTRONICS MANUFACTURING	SEMICONDUCTOR FABRICATION	MEDICAL DEVICES	AEROSPACE COMPONENTS
- Expanding in SEA - Growing middle-class populations and increasing consumer demand - Investments in precision engineering for automotive parts, such as engines, transmissions, and electronic systems	- SEA is major global hub for electronics manufacturing - Strong presence of multinational electronics companies - Investments in precision engineering for electronic components, circuit boards, and semiconductor packaging	- Demand for semiconductors continues to rise globally - Emerging technologies such as 5G, artificial intelligence (AI), and the Internet of Things (IoT) - Precision engineering investments in semiconductor fabrication	- Significant growth in SEA, specifically MY & SG are key countries for production - Aging population, increased healthcare spending, and medical tourism - Precision engineering investments in medical devices, including surgical instruments, implants, and diagnostic equipment	- Growing rapidly in SEA - Increasing air travel demand and expansion of regional airlines - Investments in precision engineering for aerospace components, such as engine parts, landing gear, and avionics

Source: Roland Berger

Leveraging emerging technologies, advancements in materials, market diversification, and operational excellence to maximize precision engineering investments



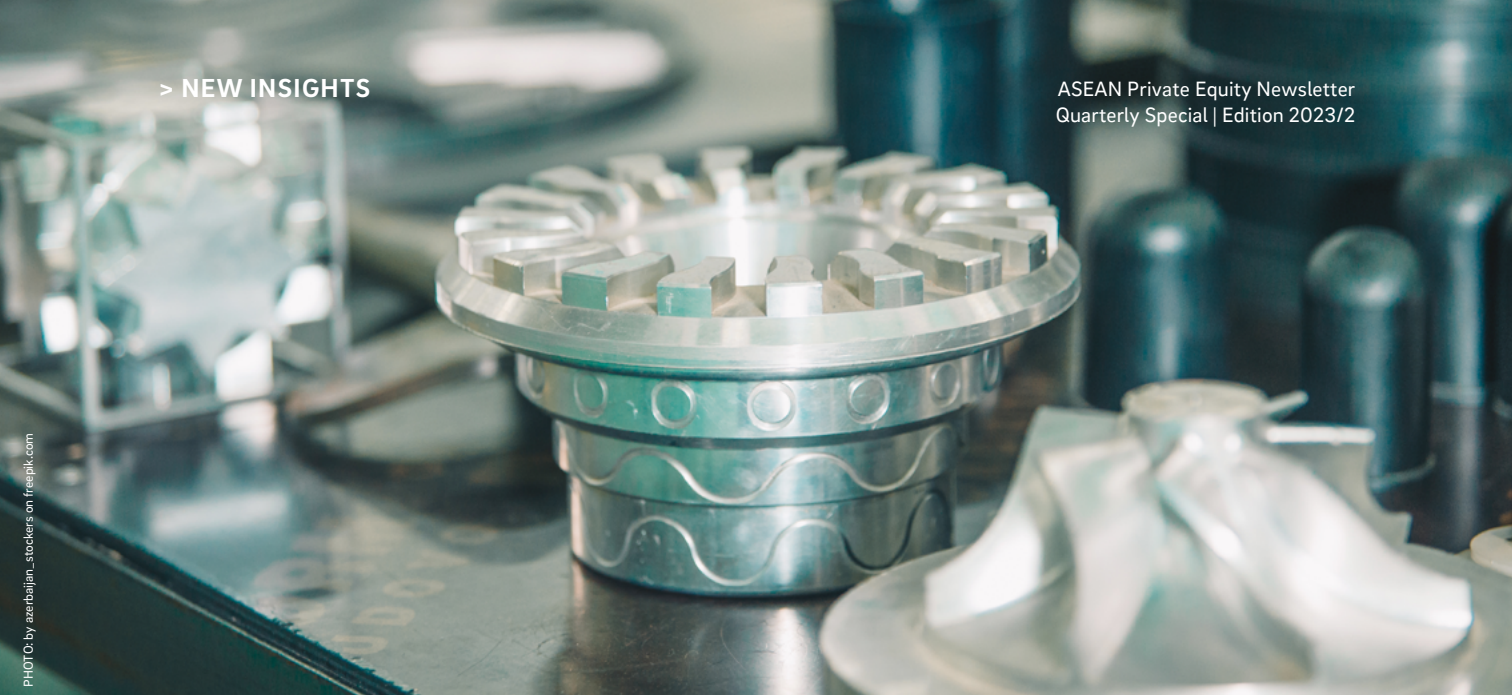
PHOTO: DiolStudio on freepik.com

Once in the precision engineering market, investors can capitalize on growth opportunities in emerging technologies like robotics, automation, AI, and IoT. Staying updated on advancements in materials science, exploring adjacent markets such as EVs, renewable energy, medical robotics, and defense technology, optimizing operations, and considering consolidation strategies can also maximize returns. Companies can consider integrating further steps in the value chain, diversifying capabilities, and offering additional services to enhance their value proposition. Establishing effective sales organizations focused on diversifying the client base can also contribute to growth.

Figure 4 Growth levers to grow investments in precision engineering

						
EMERGING TECHNOLOGIES	MATERIALS ADVANCEMENTS	MARKET DIVERSIFICATION	OPERATIONAL OPTIMIZATION	ROLL-UP STRATEGY	MOVE ALONG VALUE CHAIN	OPTIMIZE AND GROW SALES
Robotics & automation	Composites & lightweight alloys	Electric vehicles (EV)	Lean manufacturing	Acquire & consolidate smaller players	Expand into assembly process	Proactive sales approach
Artificial intelligence (AI)		Renewable energy	Automation & robotics	Integrate complimentary businesses	Diversify capabilities (e.g. from plastic to metal)	Diversify client base
Internet of Things (IoT)		Medical robotics	Strategic sourcing & effective inventory management		Offer additional services (e.g. prototyping)	
		Defense technology	Workforce development & upskilling			

Source: Roland Berger



1 Gaining a competitive edge with emerging technologies

Investors should focus on emerging technologies transforming the manufacturing landscape, such as robotics and automation, artificial intelligence (AI), and the Internet of Things (IoT). These technologies improve operational efficiency, reduce costs, and enhance product quality. Investing in precision engineering solutions that leverage these technologies can provide a competitive edge.

2 Staying up to date in materials advancements

Staying updated on advancements in materials science is crucial. For example, developing advanced materials, such as composites and lightweight alloys, can revolutionize precision engineering. These materials offer improved strength, durability, and weight reduction, providing investment opportunities in new manufacturing processes and applications. Investors should stay at the forefront of advanced materials and technologies within the precision engineering sector. This can be achieved through partnerships with research institutions, technology providers, and industry experts.

3 Diversifying portfolio in adjacent markets

Exploring adjacent markets can diversify investment portfolios and tap into new growth opportunities. Adjacent markets include the electric vehicle (EV) industry, renewable energy sector, medical robotics, and defense technology. These markets are experiencing rapid growth and require precision-engineered components and solutions.

4 Operational optimization to improve margins

To maximize returns, investors should focus on optimizing operations within their precision engineering investments. This multifaceted approach will involve leveraging various levers to enhance efficiency and productivity. E.g., implementing lean manufacturing principles helps eliminate waste and streamline processes, leading to improved margins. Automation and robotics technologies enable companies to increase throughput, reduce labor costs, and enhance overall operational efficiency. Optimizing the supply chain through strategic sourcing and effective inventory management ensures timely materials delivery at optimal costs. Investing in workforce development and upskilling enhances productivity and innovation, contributing to higher margins. By implementing these strategies, precision engineering companies can achieve substantial margin improvements, typically ranging from 5% to 20% or more, depending on industry dynamics and the optimization level.

5 Gain a competitive advantage with the roll-up strategy.

Investors can consider consolidation strategies to maximize returns. The roll-up game involves acquiring and consolidating smaller precision engineering companies to create economies of scale, expand market share, and increase competitiveness. By integrating complementary businesses and leveraging synergies, investors can enhance operational efficiencies, broaden their customer base, and achieve greater profitability.

6 Move along the value chain to stand out.

Companies can consider integrating further steps in the value chain, such as expanding into assembly processes. By incorporating assembly capabilities, they can offer comprehensive solutions to their clients and capture a larger share of the value generated by the final product. Additionally, diversifying capabilities within the precision engineering sector can be beneficial. For instance, if a company specializes in plastic components, expanding into metal fabrication can open up new opportunities and cater to a broader range of customer needs. In addition to expanding capabilities, offering additional services can enhance a company's value proposition. For example, bolstering prototyping and engineering services, which are often overlooked in favor of manufacturing-focused activities. By providing comprehensive prototyping and engineering support, precision engineering companies can differentiate themselves, strengthen client relationships, and become trusted partners in the product development process. This expansion into additional services allows companies to offer end-to-end solutions and capture more value throughout the entire product lifecycle.

7 Optimization to grow sales

Investors can play a crucial role in setting up effective sales organizations that are focused on winning new clients and expanding into new customer regions. By adopting a proactive sales approach, companies can reduce their dependency on a few large clients, a common risk in the industry. Diversifying the client base through targeted sales opens new revenue streams and reduces vulnerability to market fluctuations. By strategically identifying and pursuing new business opportunities, precision engineering companies can not only enhance their sales figures but also strengthen their overall market position and improve margins.

In conclusion, precision engineering in SEA represents an exciting investment proposition with promising growth prospects. The region's expanding middle class, supportive government initiatives, risk mitigation regarding China, regional supply chain shifts, and the integration of advanced materials and technologies all contribute to the sector's growth and investment appeal. To maximize returns, investors should identify growth opportunities in specific sub-sectors, leverage advanced materials and technologies, expand into promising countries, optimize operations, and consider consolidation strategies. With careful analysis, strategic decision-making, and a focus on innovation, investors can reap the rewards of investing in Southeast Asia's thriving precision engineering sector.



In-licensing Innovative Drugs From China

by Yoshihiro Suwa,
Partner
Life Sciences and Healthcare

Aditya Agarwal,
Partner
Life Sciences and Healthcare

PHOTO: freepik.com

Mid to small
pharma’s next
destination for
in-licensing
opportunity



ILLUSTRATION: freepik.com

In March 2015, Eli Lilly and Company and Innovent Biologics announced a drug development and commercialization collaboration for at least three cancer treatments. After 6 months in October 2015, both parties announced an extension of collaboration for Eli Lilly to have rights to develop, manufacture, and commercialize these drugs outside China. In September 2015, Incyte Corporation announced a global license and collaboration agreement with Jiangsu Hengrui Medicine Co., Ltd. to develop and commercialize SHR-1210, an anti-PD-1 monoclonal antibody. Those were the very first deals for Chinese biopharma to out-license their drugs to global players.

Since then, the number of deals from Chinese biopharma to international players has increased significantly. In 2021, more than 50 deals were signed, valued at over USD 14 bn. Those were mostly signed by global mega pharma such as Novartis, Sano, and Roche. China is now seen as one of the key sources of innovation in the pharmaceutical industry.

Table 1: Major out-licensing deals by Chinese biotech 2020-2022

ORIGINATOR	Licensee	License year	Deal amount [USD m]	Upfront amount [USD m]	Target geography	Development stage at deal	Drug target	Indication
I-MAB	AbbVie	2020	2,940	180	Worldwide excl. China	China Ph. I	CD47	Oncology
BEIGENE	Novartis	2021	2,795	300	Americas, EU, UK, Japan, etc.	Ph. III	TIGIT	Oncology
REMEGEN	Seagen	2021	2,600	200	Worldwide excl. China	Launched	HER2 ADC	Oncology
ADAGENE	Sanofi	2022	2,500	17.5	n.a.	–	SAFEbody	–
BEIGENE	Novartis	2021	2,200	650	Americas, EU, UK, Japan, etc.	Launched	PD-1	Oncology
INNOVENT	Roche	2020	2,100	–	Worldwide excl. China	–	BiTE antibody	–
REGOR THERAPEUTICS	Eli Lilly	2021	1,600	50	n.a.	–	–	–
JUN KELUN PHARMA SHI	MSD	2022	1,410	17	Worldwide excl. China	Ph. I	RET	Oncology
JUNSHI	Coherus	2021	1,110	150	North America	Launched	PD-1	Oncology

Source: Roland Berger

There are a few factors which bring China to this position

- 1 First**, there is intense competition among pharmaceutical companies to acquire licenses for innovative drugs. Although the US biotech industry is highly innovative and has been responsible for developing many groundbreaking drugs, the prices for these licenses have been increasing rapidly, making it difficult for companies with limited budgets to acquire them. As a result, many pharmaceutical companies are looking for alternative sources of innovation outside US.
- 2 Second**, the Chinese government has implemented several policy changes to prioritize innovative drug development over generics. These changes include:

Implementation of a priority review and approval process for innovative drugs

In 2017, China's National Medical Products Administration (NMPA) launched a priority review and approval process for innovative drugs. This process aims to accelerate the approval of innovative drugs that meet urgent clinical needs.

Expansion of market exclusivity for innovative drugs

In 2018, the Chinese government extended the market exclusivity period for innovative drugs from six to eight years. This extension aims to incentivize pharmaceutical companies to invest in innovative drug development.

Introduction of a patent linkage system

In 2020, China introduced a patent linkage system that allows innovator drug companies to enforce their patents against generic drug manufacturers. This system aims to protect the intellectual property rights of innovator drug companies and promote investment in innovative drug development.

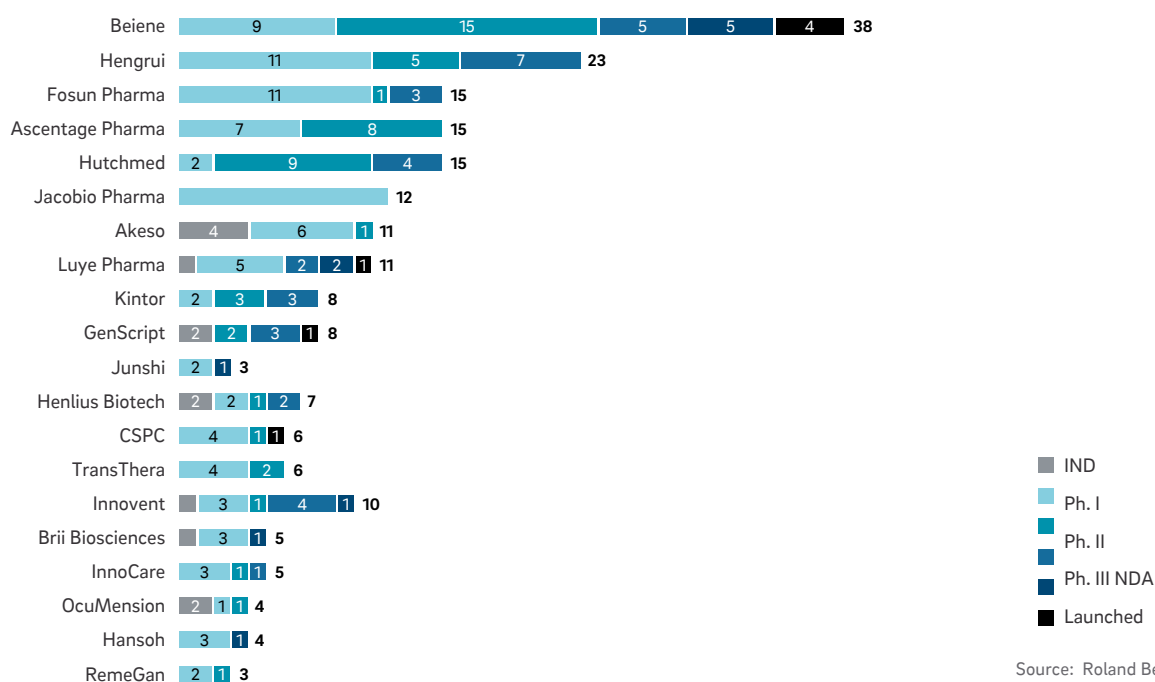
Establishment of a national reimbursement drug list

In 2017, China established a national reimbursement drug list that includes innovative drugs. This list aims to promote the usage of innovative drugs by making them more accessible and affordable to patients.

Overall, these policy changes demonstrate the Chinese government's commitment to promoting innovative drug development and encouraging investment in the pharmaceutical industry. Thanks to these changes, Chinese biopharma was able to shift its focus from generics to innovative drugs, and these innovative drugs are targeted not only domestic China market but also global market. As of September 2022, more than 150 pipelines from around 40 Chinese biopharma are in clinical trials outside China. China hopes to become a global leader in pharmaceutical innovation.



Table 2: Outside China clinical trials conducted by Chinese top 20 biopharma



Source: Roland Berger

3 **Third**, the growing talent pool in China's pharmaceutical industry also helps realize global deals. There are quite a few «Haigui», a Chinese slang for calling Chinese nationals who have returned to China after having studied and worked abroad, who have founded biopharma in China. These include:

Samantha Du – Founder of Zai Lab. Dr. Du started her research career with P zer in the United States from 1994 till 2001 after receiving her Ph.D. in biochemistry from the University of Cincinnati

Michael Yu – Co-Founder of Innovent Biologics. Yu was the vice president of Research and Development at Applied Genetic Technologies Corporation, a Florida based biotech company

Xiaodong Wang – Co-Founder of BeiGene. Dr. Wang was a Howard Hughes Medical Institute Investigator, George L. MacGregor Distinguished Chair in Biomedical Sciences and Professor in Biomedical Sciences at University of Texas Southwestern Medical Center

Jingwu Zang – Founder of I-MAB. Dr. Zang was the global senior vice president and head of Research and Development in China at GSK



PHOTO: DCStudioon freepik.com

These individuals bring valuable experience and knowledge from their time working at global pharma companies, which can be instrumental in driving the growth and success of their respective Chinese pharmaceutical companies. Their global pharma experience has helped the Chinese biopharma industry understand «what global pharma want to see when considering in-licensing,» from manufacturing quality to compliance requirements.

These partnerships are expected to be continued, with the successful approvals and launches of the Chinese-origin drugs in the US/EU market (Table 2). So far, most deals are between local Chinese players and global big pharma. However, sourcing from China would benefit the mid to small pharma even more in the challenging situations to compete in acquiring licenses from US biotechs.

Table 3: Chinese origin drugs marketed in US/EU (as of September 2022)

COMPANY	Drug name	Drug target	Indication	Launched market	Launch year
BEIGENE	Zanubrutinib	BTK	Mantle cell lymphoma (MCL)	US	2019
			Waldenström’s macroglobulinemia (WM)	US/ EU	2021
			Marginal zone lymphoma (MZL)	US	2021
GUANHAO BIOTECH	Levoamlodipine Meleate Tablets	–	Hypertension	US	2019
INNOVENT	Rivastigmine	–	Alzheimer’s disease	EU	2021
REGOR THERAPEUTICS	Cilta-cel (CAR-T)	BCMA	Multiple myeloma	US	2022
JUN KELUN PHARMA SHI	Tapinarof	AhR	Plaque psoriasis	US	2022

Source: Roland Berger



Dairy Boom: Expanding Market and Opportunities

Mani Garg,
Principal
Consumer Goods and Retail

PHOTO: freepik.com

«The market potential for the dairy industry in Southeast Asia is promising, as key players focus on expanding their product portfolios, embracing new distribution channels, and catering to evolving consumer needs»

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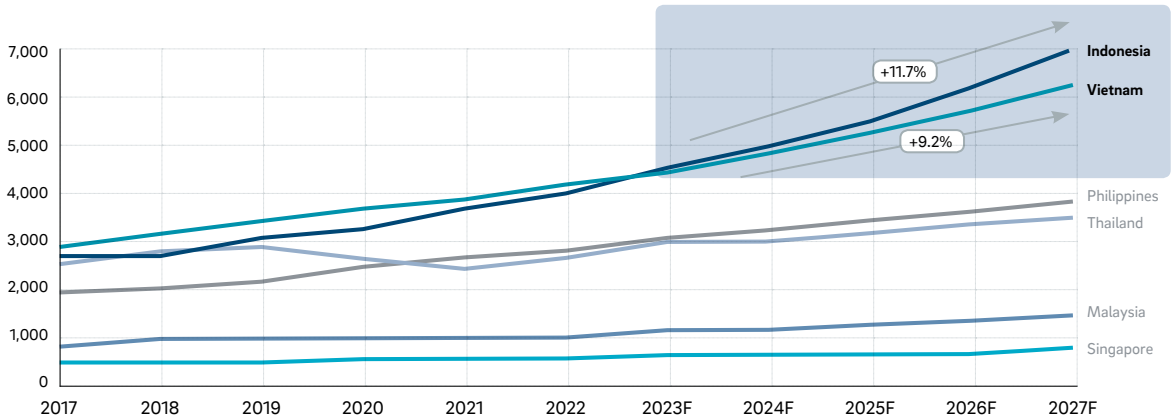
As the recovery from the pandemic continues, Southeast Asian markets are experiencing promising growth with consumers increasing their spending and are returning to pre-pandemic lifestyle & consumption patterns.

The dairy industry in Southeast Asia has witnessed significant recent developments, paving the way for an exciting market potential. With a growing population, increasing disposable income, and changing consumer preferences, the demand for dairy products in the region has soared. This surge in demand has led to advancements in production techniques, distribution strategies, and product innovation. The market potential for the dairy industry in Southeast Asia is promising, as key players focus on expanding their product portfolios, embracing new distribution channels, and catering to evolving consumer needs. This article explores the recent developments and highlights the immense market potential for the dairy industry in South-East Asia.

The dairy market in Southeast Asia (SEA) will continue to grow – Vietnam and Indonesia are key markets

With demographic expansion, increased affluence, and the influence of modern consumerism in SEA countries, we expect the dairy market to display a positive outlook over the next few years, with markets such as Indonesia and Vietnam showing the most promising and aggressive growth trajectories in the region.

Figure 1: Dairy market expected growth, ASEAN countries
Retail value of all dairy products and alternatives 2017–2027F [USD m]



Source Euromonitor



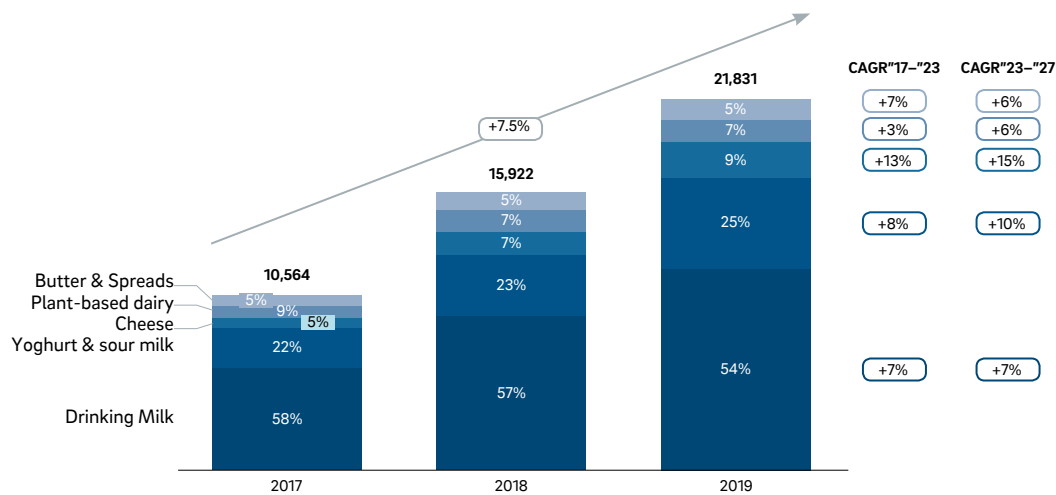
Yogurt drinks

Across the different product categories in SEA, drinking milk products (plain milk, flavoured milk, juice milk) still dominate and lead all dairy products. Yoghurt and sour milk products show the strongest forecasted growth rates. From a much smaller baseline, cheese and plant-based dairy are also expected to grow.

PHOTO: rawpixel on freepik.com

Figure 2: Leading dairy products in ASEAN

Yoghurt and sour milk showing the strongest forecasted growth rates and potential
Retail value of all major dairy product categories 2017–2027F [USD m, CAGR %]



Source Roland Berger



“Plant-based» dairy is forecasted to have the smallest growth rate (5% CAGR) over the next few years. In the short and medium term, «plant-based» is expected to have limited market impact and will continue to occupy only a small share of the market due to challenges related to taste, affordability, and perceptions about its nutritional value. The sustainability narrative is also relatively weak in Asia compared to the West. Nevertheless, «plant-based» will continue to be the ‘new kid on the block’ in the next few years, offering a healthy and sustainable substitute for Southeast Asian consumers.

Strong headwinds in SEA will drive demand for dairy and will also shape consumer preferences

Spurred by the COVID-19 pandemic, dairy companies have become savvier in communicating the health benefits of their products. Consumers are constantly evolving, and distinct consumer behaviours and characteristics are developing. Thus, the dairy market in SEA is expected to grow, supported by the following tailwinds:

Figure 3: Dairy industry development trends middle class takes care of their health

TREND	TREND DESCRIPTION	IMPACT ON DAIRY PRODUCTS	IMPACT ON:	
			Volume	Price
1 Rising income and growing middle class	 Rising middle class purchasing power and a large-young and fast-growing population drive demand on high quality dairy products	• Spur demand on healthier and more premium milk product ranges such as imported milk brands, plant-based dairy and higher quality drinks		
2 Consumers becoming more health-conscious	 Heightened health awareness as a result of the pandemic drives trend towards healthier alternatives & innovative products with greater health benefits	• Drive demand for fresh milk and other products with more vitamins and nutrients • Drive demand for low sugar and fat content products or other purpose specific products		
3 Increase in refrigeration capacity	 Urbanization provides greater access to modern grocery retailers with and more homes are obtaining refrigeration appliances across the developing markets in ASEAN	• Enable greater access to fresh milk and yoghurt which have higher refrigeration requirements		

Source Roland Berger

Over the past few years, there have been notable customer shifts in product innovations, prompting competitors to focus on two key areas: localizing flavours and improving their selection of healthier SKUs.

Dairy companies in Vietnam, Thailand, and Indonesia have introduced new and innovative flavours by combining popular choices such as 'aloe vera,' 'matcha,' and 'lychee' into their beverages. They have also incorporated local desserts like 'black glutinous rice,' 'Taro' (sweet potato), and coconut drinks into their popular SKUs.

In addition, consumers are increasingly health-conscious and selective in their choices. As a result, dairy players are innovating with brands and products that promote healthier lifestyles. Products with reduced or zero sugar content are playing a significant role in the expanding market, particularly in urban areas. Plant-based alternatives, including oats, almonds, cashews, and soy, are gaining momentum as popular ingredients to cater to vegan and health-conscious consumers.

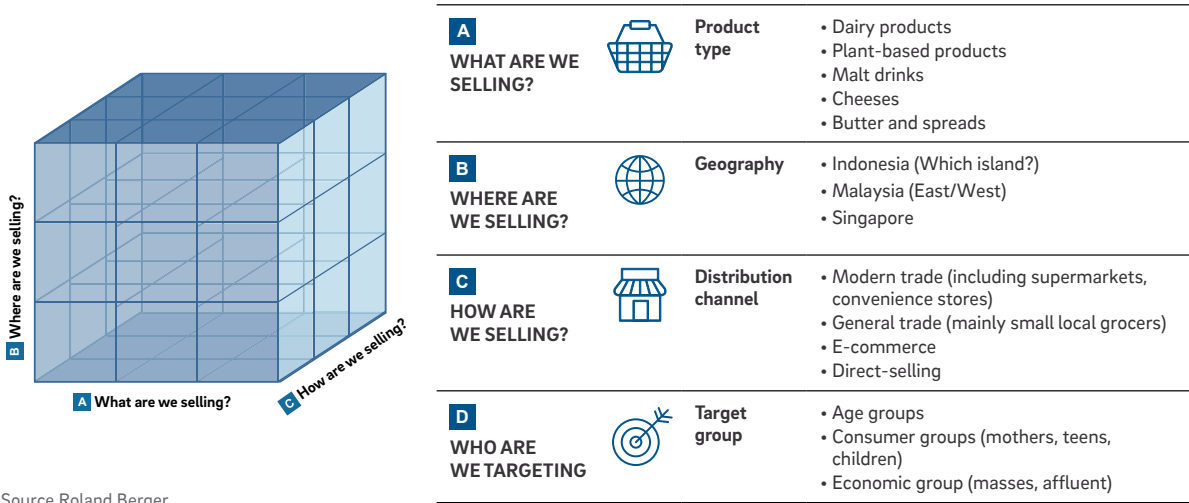
Furthermore, dairy brands are offering nutrient profiles and supplementary vitamins to meet the demand for specific nutritional requirements, such as those for children, seniors, and sports and fitness enthusiasts. As an example, in the Philippines, a recently launched brand called Mr. Milk (a collaboration between Del Monte and Vinamilk) introduced two successful drinking milk products: Fresh Milk, which is free from antibiotics and preservatives, and IQ Smart, a fortified drinking milk enriched with Omega 3 and Omega 6, vitamin A, and vitamin B. These products were developed to cater to the nutritional needs of children.

Targeted and innovative digital marketing and investment
in sales strategies can give companies an edge

Dairy players' best practices in sales and marketing can be observed through their investments in sales staff performance management and highly targeted digital marketing and sales strategies.

In markets heavily reliant on GT (General Trade), competitors are establishing robust systems of structured training, monitoring, and performance management. Common practices include setting sales targets, closely monitoring sales staff performance, and providing training to continuously upskill the salesforce. Assessing store visit frequency and in-store activities is essential for identifying areas of improvement. Moreover, establishing effective channels for feedback ensures that valuable insights from customers and staff are incorporated into the sales and marketing strategies moving forward.

Figure 4: Dairy Key dimensions of a dairy market



To further drive product performance, a highly targeted and digital marketing approach is crucial. This involves tailoring strategies to specific locations and customer segments, leveraging local or international celebrities and influencers, and developing compelling stories that resonate with the target audience. Dairy companies are increasingly utilizing celebrity chefs, «mommy influencers,» and YouTube stars to promote their products to each target customer segment. Furthermore, adapting the marketing strategy to each distribution channel optimizes reach and impact. For example, certain dairy companies in Vietnam have bundled their product offerings in MT (Modern Trade) channels, highlighting «hero» products in their marketing campaigns while promoting slower-moving products to boost sales. Additionally, sales and marketing teams are structured to facilitate seamless collaboration across various stages, from research and development to sales, ensuring the prioritization of the right channels and products in alignment with market demands and opportunities.

Case study: Cimory's launch of 'Cimory squeeze' included a healthy marketing budget and strong strategy

In 2020, Cimory, a diversified dairy player in Indonesia, introduced «Squeeze,» a pouch yogurt SKU that achieved remarkable success in its marketing efforts within the first year. The product's marketing strategy primarily leveraged popular digital channels, including TikTok, Instagram, and YouTube, and collaborated with influential influencers to target diverse customer segments such as teens, young adults, and mothers. Through the introduction of Squeeze, Cimory successfully established a new product category in the country.

When formulating a go-to-market (GTM) strategy, companies need to have a clear focus on four essential dimensions: product type, geographical nuances, distribution strategy, and target customers. Without a comprehensive understanding of these dimensions, successfully entering the market can become challenging. Common pitfalls often arise from availability bias, an overly simplistic interpretation of historical growth data, and the failure to anticipate market disruptions.

Distribution and channel strategies are the focus of key players in SEA looking to grow in their markets

Prominent players are placing a greater emphasis on distribution innovation, which is increasingly vital for driving growth. Especially within distribution innovation, optimizing channels begins with getting the channel mix right. This involves understanding the effectiveness of the current mix and monitoring changes in channel performance. In the SEA region, while traditional grocery channels dominate in terms of outlet volume, modern trade channels are gaining prominence in generating higher sales. Aligned with global trends, smaller format stores, including minimarkets and convenience stores, are becoming the go-to shopping formats, especially with the rising middle-income population. Additionally, improving distribution strategies also involve comprehending the unique dynamics of each geography, including infrastructure and transportation challenges, managing travel time effectively and mitigating supply chain disruptions.

Using an Indonesian dairy player as a case study, the company established a hybrid distribution strategy that combined its own cold chain transportation company, customer distribution networks, and 3PL (third-party logistics) to distribute their products across the many islands in Indonesia. With this strategy, the company successfully ensured a lower cost of transportation, optimized distribution routes, and maintained a very low percentage of returned/damaged goods throughout Indonesia.

Regarding channel strategies, key players in SEA are now focusing on establishing a cost-efficient import/export structure, implementing competitive trade programs by leveraging cost-to-serve, and ensuring they have competitive distributor margins, trade terms, and trade promotions. Some are even

embracing new channels and distribution methods, such as e-commerce and direct selling agents (e.g., Miss Cimory agents in Indonesia and Yakult Lady in Thailand), which allow for expanded customer reach and engagement.

In a fast-moving market like the dairy industry, being aware of shifting channel dynamics and being agile will likely provide a much-needed competitive advantage.

Innovation is redefining the dairy industry and bringing opportunities for investors

In the dairy industry, innovation plays a crucial role in adding value that consumers are willing to pay extra for. This involves creating new products that align with evolving consumer preferences, including healthier options, functional choices, and plant-based alternatives. Investors can capitalize on these opportunities to generate value from the dairy market.

1. Product innovation for functional gut-health products

Increasingly health-conscious consumers actively seek nutritious components in their food and are willing to invest more in their well-being. The functional dairy sector has witnessed significant innovation in ingredients that promote a healthy microbiome, such as pro- and prebiotics. The global demand for these ingredients exceeds current availability, indicating vast opportunities for expansion beyond yogurt products.

2. Catering to distinct nutritional needs across different life-stages

Dairy manufacturers have the potential to develop specialized products that address the specific nutritional requirements of diverse life stages, including children and seniors. Parents prioritize dairy products for children with labels indicating natural ingredients and limited or no added sugar. The incorporation of vitamins and fibre into children's food is increasingly important due to their association with immunity and gut health.

3. Expanding horizon of plant-based dairy products

The plant-based dairy industry thrives due to the growing emphasis on health, sustainability, and ethical food choices. Advancements in food technology, particularly in plant-based cheese, yogurt, and non-soy milk, drive this positive outlook. However, the potential growth of the sector in South-East Asia is hindered by higher pricing primarily caused by limited local production.

In conclusion, the dairy market in South-East Asia is expected to maintain a positive outlook in the coming years, with Indonesia and Vietnam emerging as the most promising growth markets in the region. Notably, there has been a shift in customer preferences, prompting competitors to concentrate on localized flavours and expand their healthier product portfolios. In response to the impact of COVID-19, key players are increasing their investments in sales and marketing strategies, as evidenced by initiatives such as enhancing sales staff training and performance, as well as implementing highly targeted digital marketing approaches. Furthermore, companies are prioritizing the optimization of their distribution channels and strengthening their overall channel strategies. When considering go-to-market (GTM) strategies, it is essential to factor in elements such as product type, competition differentiation, market dynamics, distribution channels, and customer segments. By effectively addressing these factors, companies can position themselves for success and take advantage of the exciting growth opportunities present in South-East Asia.



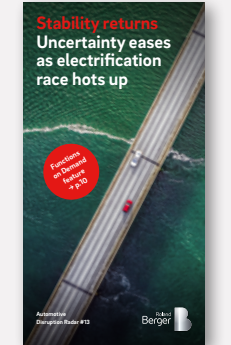
Crossroads of bancassurance in Asia Pacific

Existing and upcoming regulations demand a more sustainable handling of used and waste batteries. Second-life applications and recycling are the two main options for dealing with a battery at the end of its first life cycle. In this publication we assess the status quo and look at possible future developments for each option.



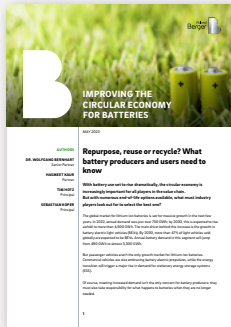
Act and win: The Sustainability Game

Whether you attribute it to Gen Z, Covid-19, economic disruption or a number of other factors, there is no denying the fact that we are living in a purpose-driven era. The rules of the game are changing rapidly at the moment. Roland Berger's latest study 'The Sustainability Game: How new rules are re-shuffling consumer goods markets' makes it amply clear that if companies are to secure future sales and growth – and thereby remain in the game - they will have to place sustainability and its implications firmly at the heart of their strategy.



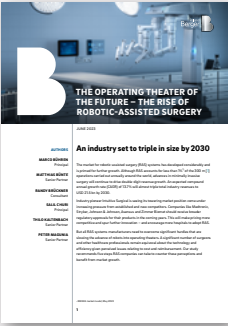
Automotive Disruption Radar:
Industry powers through recent uncertainty

After three years of upheaval and uncertainty, a return to stability is the key takeaway from the latest edition of the Automotive Disruption Radar. The top three performers, namely Singapore, China and the Netherlands, remain unchanged, but there has still been a lot of industry activity. The battle for EV supremacy is hotting up among OEMs, and exciting new digital revenue-generating services, such as Function on Demand, are coming on line.



Second life and recycling: Enabling a circular battery economy

Existing and upcoming regulations demand a more sustainable handling of used and waste batteries. Second-life applications and recycling are the two main options for dealing with a battery at the end of its first life cycle. In this publication we assess the status quo and look at possible future developments for each option.



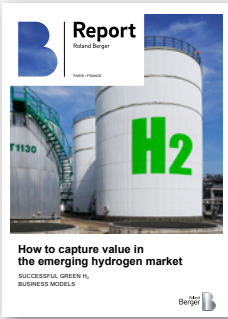
Robotics in Surgery

Robotic-assisted surgery (RAS) is revolutionizing the operating theatre. An increasing number of surgeons regularly use partially automated systems when performing high-precision procedures. With RAS accounting for less than 1% of the 300 m operations carried out worldwide each year, Roland Berger's new RAS study forecasts that industry revenues will triple by 2030.



EV Charging Index #4

After the energy price shock resulted in a subdued start to the year, the EV and EV charging markets sparked back into life in the last months. Almost all countries featured in the fourth edition of Roland Berger's EV Charging Index hit record-high scores, with several leaping up the rankings. Also covered in the edition: customer behavior is changing and OEM's strategy for EV charging infrastructure is showing regional differences.



Value capture in green hydrogen

The path to climate neutrality and the energy transition away from relying on fossil fuels is at the top of the agenda for more and more companies around the world. Green hydrogen is the key to decarbonizing sectors that cannot be electrified. As with any emerging market, the value chain for green hydrogen projects is not fully structured at the moment. However, companies currently have the opportunity to help shape the industry and secure a leading role for themselves by the end of the decade.



Future of Hyperloop

With its ingenious technology and clean environmental bill of health, Hyperloop could fundamentally change the way we view high-speed travel. First proposed the late eighteenth century, it has dangled before us the promise of ecologically sound, convenient travel at superfast speeds ever since – a dream catapulted into the mainstream by Elon Musk some two centuries later. But despite its widely accepted technical feasibility, there is still no Hyperloop up-and-running today. What is preventing a technology taking off that seems to have everything to offer? And what can we do to turn the pipe dream into reality?

About RB

Roland Berger is the only strategy consultancy of European origin with a strong international presence. As an independent firm owned exclusively by our partners, we have 51 offices with a presence in all major markets. Our 3,000 employees are characterized by a unique combination of analytical thinking and an empathetic mindset. Driven by our values of entrepreneurial spirit, excellence, and empathy, we are convinced that business and society need a new, sustainable paradigm that focuses on the whole value-creation cycle. By working in interdisciplinary teams across all relevant sectors and business functions, Roland Berger offers the best expertise worldwide for successfully overcoming the profound challenges of our age now and in the future.



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