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## Asia-Pacific's Emerging Middle Class



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## Introduction to The Emerging Middle Class Initiative

The Emerging Middle Class (EMC) is a rapidly growing global market of consumers newly entering the middle-income group, representing individuals earning or spending USD 2 to 20 per day.

Currently with a population of 565mn, the EMC population is expecting to touch 3.5bn in 2030 with 85 percent of the growth within Asia's developing markets of China, India, Indonesia, Malaysia, Myanmar, Philippines, Thailand, and Vietnam.

This represents a major new driver of future global demand, and is increasingly attracting the attention of multinational corporations (MNCs).

Despite the hype and rising interest to innovate for EMC, only few multinational corporations have managed to successfully tap on this immense opportunity as the EMC population has – till recently – been regarded as having needs similar to traditional middle-class customers.

This Emerging Middle Class Report is the first of several initiatives by Eden Strategy Institute to offer a deeper understanding of the unique needs and behavior of the region's EMC consumers.

## Summary of Insights

Respondents were asked questions relating to their household income and expenditure on essential and non-essential goods. In addition, respondents were asked to reveal their greatest hopes and fears in life, their current possessions, and what items they could do without.

Data gathered through the survey shows:

- The biggest hopes of the EMC consumers are having a healthy life, becoming rich, and becoming closer to God.
- Respondents from all countries surveyed chose health as the number one thing that they are most afraid of losing, over their jobs, friends, social statuses, savings, and their houses. At the same time, more than 70 percent of respondents in these countries currently do not have an insurance plan.
- Emerging Middle Class Consumers from all countries would save the extra money if their income was doubled.
- Emerging Middle Class Consumers from all countries also value their friendships more than their houses.
- Indonesian Emerging Middle Class Consumers would rather lose their savings than lose their houses.
- There is a high Internet and mobile penetration among EMC consumers. In particular, more than 57.9 percent of respondents surveyed in the Philippines owned a smartphone or computer, or tablet.
- Despite a high Internet & mobile penetration in Vietnam and the very recent and successful market entry of MacDonald's, more respondents in the country revealed that they could not live without fast food (20.4 percent) than mobile phones (18 percent).

## Methodology

The survey was conducted in partnership with Jana, a global mobile rewards, social marketing, and research company. It leverages Jana's connections with 237 mobile operators, which reach 3.48 billion emerging market consumers in 70 countries. In March 2014, Eden designed and launched the following mobile survey via Jana's platform, to better understand the region's emerging middle class consumers. This survey was conducted in Indonesia, India, Philippines, and Vietnam. In each country, 1,000 qualified mobile users were randomly selected to answer an SMS questionnaire in reward for mobile air time.

### Sample Characteristics

- **Age.** The average age of the sample was around 24.1 years old.
- **Gender.** On average, 69 percent of respondents were male.

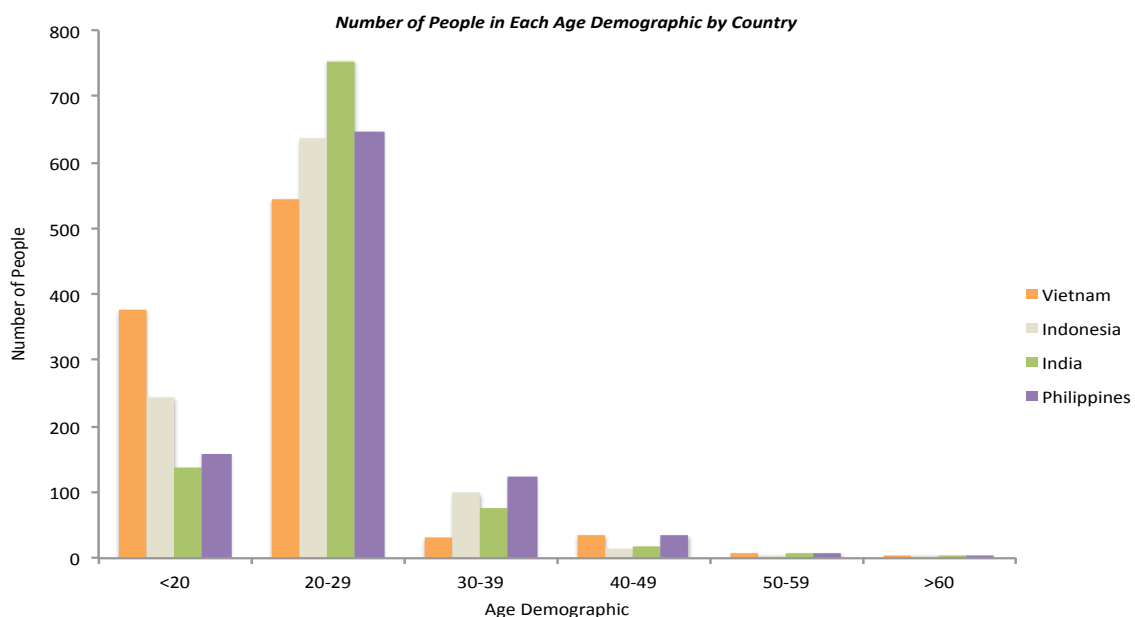


Figure 1. Number of people in each age demographic by country

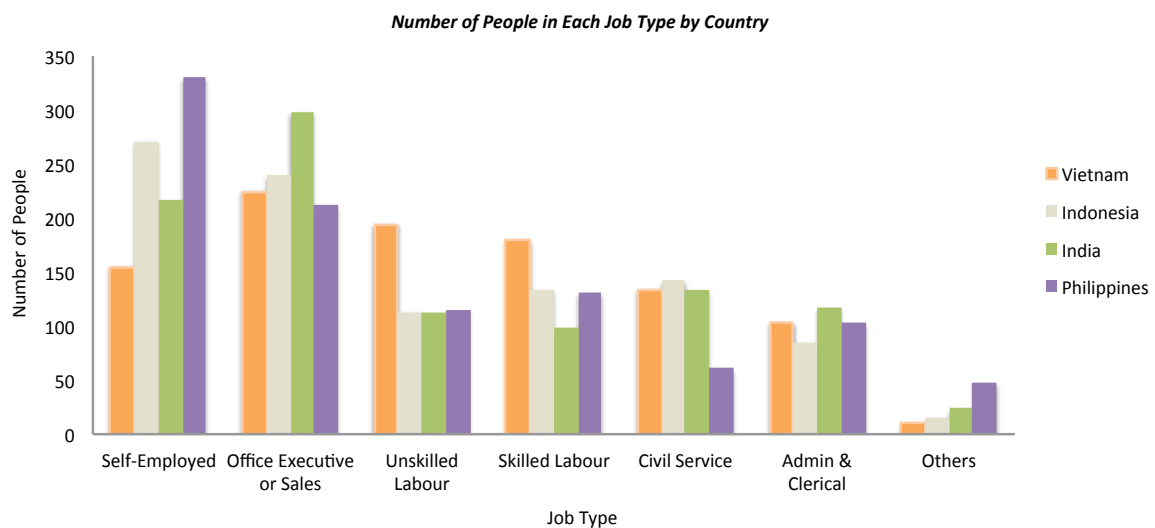


Figure 2. Number of people in each job type by country

- **Profession.** The largest proportion of respondents was employed as office executives and sales. Interestingly, the second-largest proportion was self-employed. Of the four countries, the Philippines had the highest percentage of EMC respondents who were self-employed.

## Survey Findings

### (a) Current expenditure and income

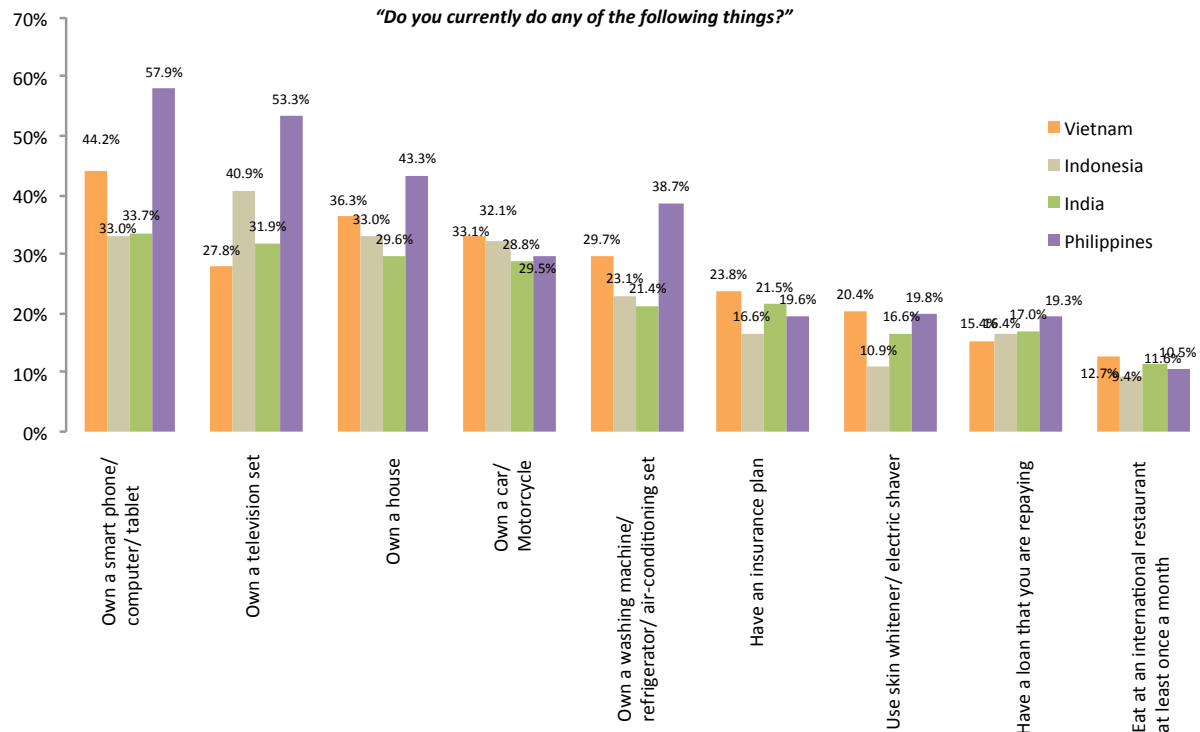
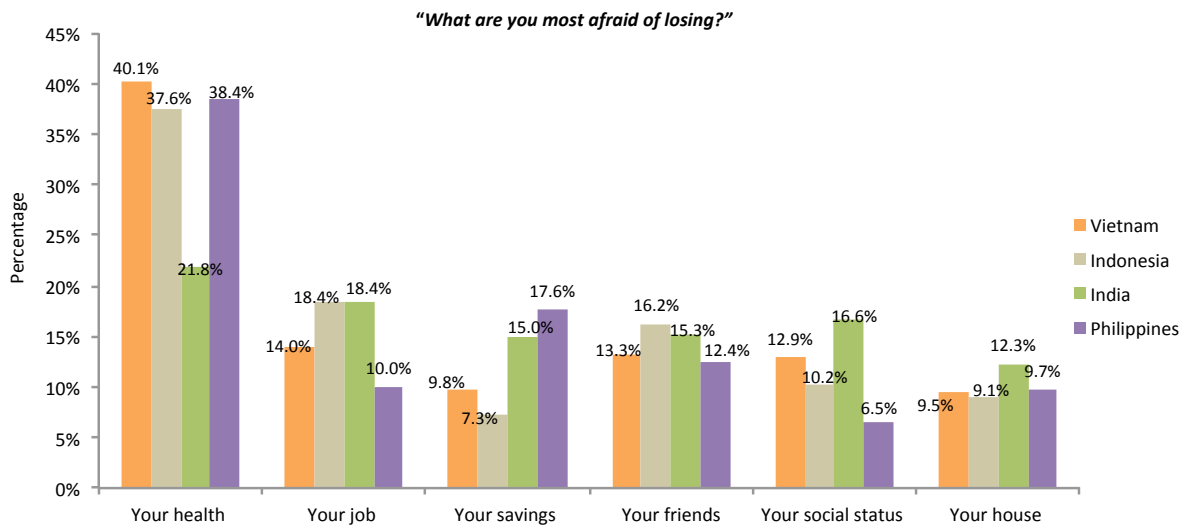


Figure 3. Current possessions of EMC consumers

- **Mobile phones.** Access to mobile internet was the most common EMC consumer possession, with an average of 42.2 percent ownership of a mobile phone, computer, or tablet across the four countries. Internet and mobile device ownership is highest among EMC consumers in the Philippines.
- **Household electronics.** An average of 38.5 percent of respondents own a television set, while only 28.2 percent of them own a washing machine, refrigerator, or air conditioner.
- **Property.** More respondents own a television set or electronic gadgets than a house. A possible reason for this low home ownership could be due to the lack of suitable mortgage options for the average EMC consumer.
- **Dining.** The lowest amongst all types of consumption, a tenth of EMC respondents still dine at an international restaurant at least once a month.

**(b) Fears**

*Figure 4. Fears of EMC consumers*

- Health.** Across four countries, EMC consumers are most afraid to lose their health. An average of 34.5 percent reflected that they would be most afraid to lose health, amongst their jobs, friends, social statuses, savings and their houses. Healthcare providers, pharmaceutical and medtech companies, insurers, as well as logistics cold chain partners and even governments and non-profit organizations, may jointly explore opportunities to provide healthcare to EMC consumers.
- Job security.** The second-greatest concern of our EMC respondents is job security. This fear of losing employment security might be derived from the nature of their jobs, where their health might heavily affect their job productivity and hence their income. EMC consumers are practical and have survivability high on their minds; on average, respondents are more afraid to lose their jobs (15.2 percent) than their friends (14.3 percent).

## (c) Attachments

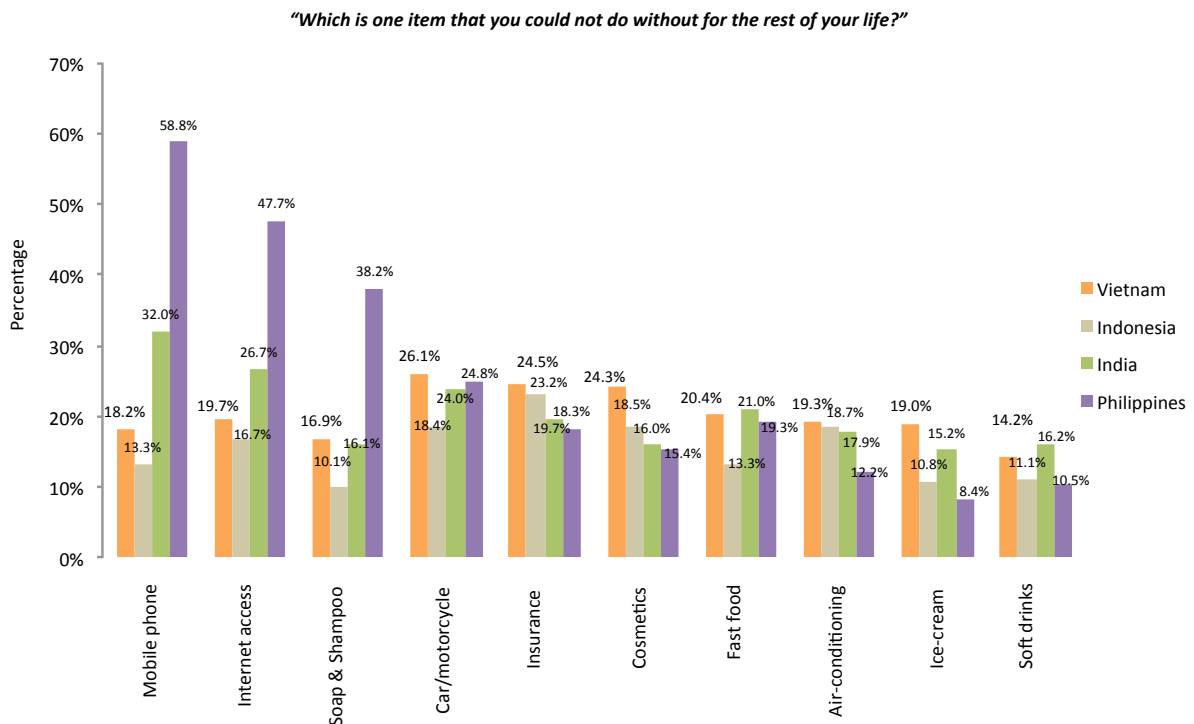
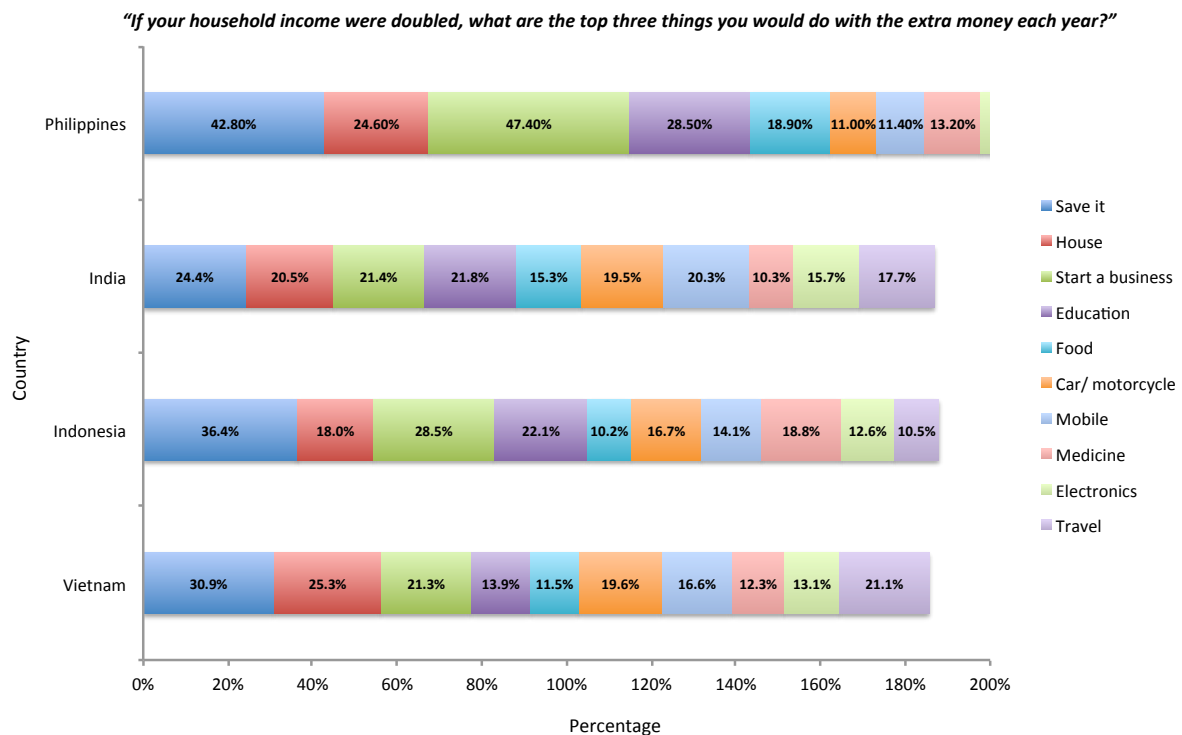


Figure 5. Things EMC consumers cannot live without

- Internet access & Mobile phone.** Our study shows that out of the four countries, the country where most EMC respondents cannot live without Internet access is the Philippines. Indonesia, on the other hand, has the lowest percentage of respondents who cannot live without Internet access among the four countries. Transportation was more important than the mobile phone, for both Indonesia (18.4 percent) and Vietnam (26.1 percent). Interestingly in Vietnam, Soap & Shampoo (16.9 percent) ranked among the lowest of all material needs, needed only more than soft drinks (14.2 percent).
- Insurance.** Apart from Filipino respondents, most respondents in the other countries are most weary of living without insurance. This is reflected previously in their fear of losing health, job security, and tendencies to save. At the same time, more than 70 percent of EMC respondents currently do not own an insurance plan.



**(d) Aspirations**

*Figure 6. Aspirations of EMC consumers with extra income*

- **Household savings.** All countries in the survey responded with the highest percentage of respondents (33.6 percent) who wish to save their income if their money doubled.
- **Entrepreneurship.** In Philippines, most respondents expressed their aspirations in starting their own business (47.4%). Interestingly, across all countries, more respondents would want to spend their extra income to start up their own businesses (29.6%) than to invest in education (21.6%).

## (e) Hopes

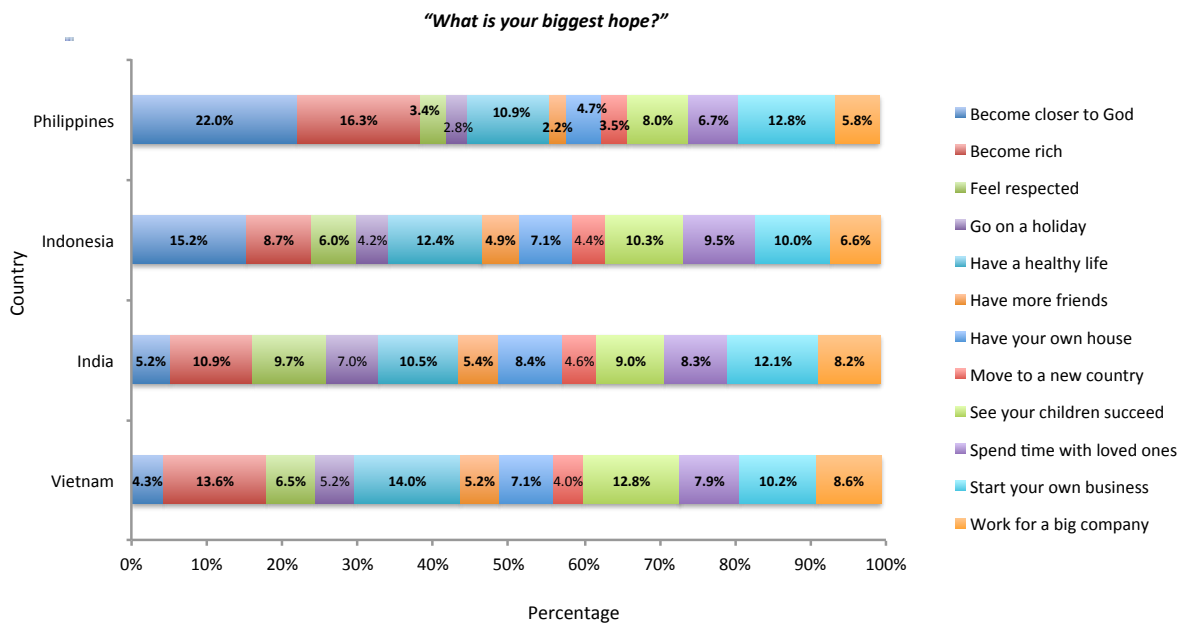


Figure 7. Biggest hopes of EMC consumers

- **Financial success.** Following the hopes of leading a healthy life, the second and third biggest hopes amongst EMC consumers are to become rich and be closer to God respectively.
- **Children's Success:** More respondents hope to see their children succeed (10.0%) before having their own houses (6.8%) amongst the four countries surveyed.

## Next Steps for The EMC Initiative

Eden Strategy Institute launched this survey to contribute to the current conversation on the spending habits, attachments, fears, aspirations, and hopes of the Emerging Middle Class consumer.

This survey is part of a larger effort to help multinational organizations realize the potential of the EMC.

Eden is conducting a series of in-depth EMC market immersions in 2014-2015, where we will conduct detailed, in-country face-to-face interviews with successful local companies, government agencies, as well as ethnographic observations of EMC consumers in their homes, work environments, and points of consumption.

Eden will subsequently convene a series of joint innovation labs in 2014-2015, for multinational companies to learn the trends, social norms, and business opportunities presented by the region's Emerging Middle Class consumers. These sessions are intended to facilitate best-of-breed partnerships among multinational companies, to jointly develop and fulfill the promise of Asia's Emerging Middle Class.

Learn more about Eden Strategy Institute's Emerging Middle Class Initiative at [www.emergingmiddleclass.com](http://www.emergingmiddleclass.com)

To register your company's interest to participate in the complimentary joint innovation labs, please contact us at [query@edenstrategyinstitute.com](mailto:query@edenstrategyinstitute.com)

## About Eden Strategy Institute

Eden Strategy Institute is Asia's leader in Social Innovation. Its distinctive approach to sustainable advantage helps leading global corporations, governments, and non-profit organizations design new growth platforms, operations, products, and services, and align them with market forces and developmental opportunities. Eden has helped bring disruptive innovations that generate financial value from creating social impact, such as in the areas of public service transformation, healthcare, education, shared value business models, and opportunities for the emerging middle class.

## About JANA Mobile

Jana is the world's largest rewards platform. With integrations into the billing systems of 237 mobile operators, Jana can instantly reward 3.48 billion emerging market consumers in 70 local currencies with prepaid airtime. Clients such as CNN, Microsoft, Johnson & Johnson, Nestlé, Unilever, P&G, Danone, Google, and General Mills are using Jana to drive action. Jana's research platform constitutes millions of panelists, across emerging markets.

## Appendix – Survey Questionnaire

1. On average, about how much money does your household earn per month in total?
  - ☐ <US\$ 300
  - ☐ US\$ 300 – 450
  - ☐ US\$ 450 – 600
  - ☐ US\$ 600 – 750
  - ☐ US\$ 750 – 900
  - ☐ >US\$ 900
2. Which province / state are you living in? \_\_\_\_\_
3. What is your job function?
  - ☐ Admin & Clerical
  - ☐ Agriculture / General Labour / Domestic Helper
  - ☐ Civil Servant
  - ☐ Office Executive / Manager
  - ☐ Sales
  - ☐ Self-Employed
  - ☐ Skilled Labour (e.g. Carpenter, Plumber, Seamstress, Nurse)
  - ☐ Others, please specify: \_\_\_\_\_
4. On average, about how much does your household spend on essential household goods each month in total? (Essential goods include items such as Groceries, Toiletries, Medicine, Education, Transport, etc.)
  - ☐ US\$ 1 – 50
  - ☐ US\$ 50 – 100
  - ☐ US\$ 100 – 200
  - ☐ US\$ 200 – 500
  - ☐ >US\$ 500
5. On average, about how much does your household spend on non-essential products and services each month in total? (Non-essential items include Restaurants, Cosmetics, Cinema, Fashion, Mobile, Electronics, Savings, etc.)
  - ☐ US\$ 1 – 50
  - ☐ US\$ 50 – 100
  - ☐ US\$ 100 – 200
  - ☐ US\$ 200 – 500
  - ☐ >US\$ 500
6. Do you currently (choose as many as applicable):
  - ☐ Eat at an international restaurant at least once a month
  - ☐ Use Skin whitener / Electric shaver
  - ☐ Have an insurance plan (e.g. life insurance, health insurance, fire insurance)
  - ☐ Have a loan that you are repaying
  - ☐ Own a Smartphone / Computer / Tablet
  - ☐ Own a car / motorcycle
  - ☐ Own a television set
  - ☐ Own a washing machine / refrigerator / air-conditioning set
  - ☐ Own a credit card
  - ☐ Own a house
  - ☐ None of the above

7. Which top three items item that you could not do without for the rest of your life? (Choose three options only)

- ☐ Soft drinks
- ☐ Fast food
- ☐ Ice-cream
- ☐ Soap & Shampoo
- ☐ Cosmetics
- ☐ Air-conditioning
- ☐ Mobile phone
- ☐ Car / motorcycle
- ☐ Internet access
- ☐ Insurance
- ☐ Others, please specify: \_\_\_\_\_

8. What are you most afraid of losing? (Choose one option only)

- ☐ Your job
- ☐ Your house
- ☐ Your savings
- ☐ Your health
- ☐ Your friends
- ☐ Your social status
- ☐ Others, please specify: \_\_\_\_\_

9. What is your biggest hope? (Choose one option only)

- ☐ Start your own business
- ☐ Work for a big company
- ☐ Move to a new country
- ☐ Have your own house
- ☐ Have more friends
- ☐ Have a healthy life
- ☐ Become rich
- ☐ Feel respected
- ☐ Spend time with loved ones
- ☐ Go on a holiday
- ☐ See your children succeed
- ☐ Become closer to God
- ☐ Others, please specify: \_\_\_\_\_

10. If your household income were doubled, what are three items you would do with the extra money each year?

(Choose three options only)

- ☐ Save it
- ☐ House
- ☐ Start a business
- ☐ Education
- ☐ Food
- ☐ Car / motorcycle
- ☐ Mobile
- ☐ Medicine
- ☐ Electronics
- ☐ Travel
- ☐ Others, please specify: \_\_\_\_\_



## We help organizations create value in addressing the world's pressing issues

Eden helps leading global corporations, governments, and non-profit organizations profitably achieve social impact by aligning their growth platforms, operations, products, and services with market forces and developmental opportunities

- Capitalism, trade, and technological advances have driven unprecedented growth in the world's population, knowledge, and economy. These have however been accompanied by a widening income divide, ecological devastation, and a stretched socio-political fabric... the greatest challenges of our generation.
- The mega-trend of Social Innovation is only starting to surface in our collective awareness. However, forward-thinking organizations that embrace problem-solving mindsets, disruptive innovations, and new business paradigms, are truly engaging the hearts and minds of their customers, shareholders, employees, partners, and constituents – to achieve superior, long-term financial performance by creating positive social impact.
- As Asia's leader in Social Innovation, Eden Strategy Institute approaches global poverty, disease, illiteracy, and exploitation head-on, and is relentless in formulating strategies, models, processes, products, and designs that create quantum value in solving these issues. We help organizations generate and grow additional profit in addressing such challenges, not *in spite* of them.
- We believe in the power of ideas to positively shape our world, one case at a time. Our focus is unparalleled in bringing to bear the world's foremost experts on our clients' most pressing sustainability and business issues. In turn, we only collaborate with clients who are seriously committed to strategic action that produces true sustainable advantage.



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