



ASEAN SEI-KATSU-SHA FORUM 2015

THE SEAMLESS MIDDLE

New Perspectives on the ASEAN Middle Class

**HAKUHODO Institute of
Life and Living ASEAN**



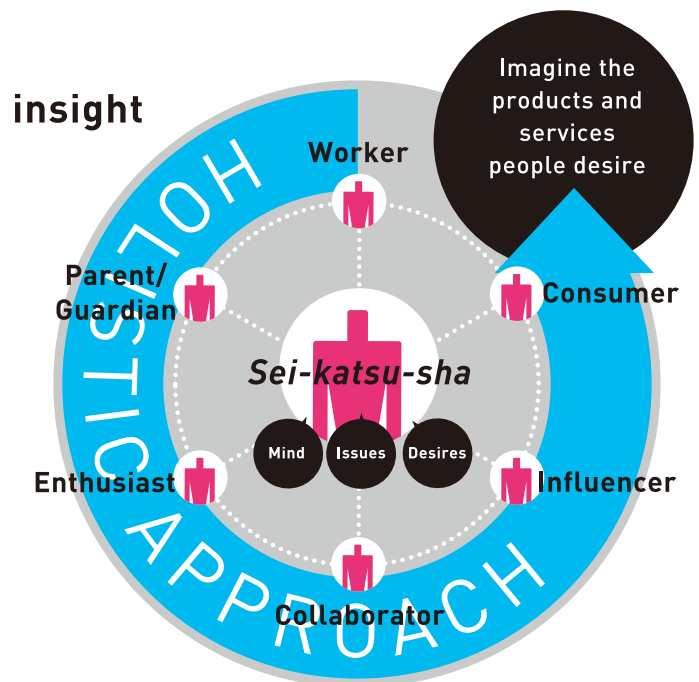
What is Hakuhodo Institute of Life and Living ASEAN?

A think tank dedicated to studying *sei-katsu-sha*

Established in 2014, Hakuhodo Institute of Life and Living ASEAN (HILL ASEAN) is the Hakuhodo Group's new think tank in the ASEAN region. It is dedicated to helping companies with their marketing efforts in ASEAN countries, as well as observing the new lifestyles emerging in this dynamic region and sharing ideas about them. In going about that mission, it will tap the impressive body of expertise that Hakuhodo has built up on *sei-katsu-sha*—our term for the holistic person—in the thirty-odd years since launching the Hakuhodo Institute of Life and Living in Japan in 1981.

Our philosophy

Sei-katsu-sha insight



The centerpiece of Hakuhodo's philosophy is *sei-katsu-sha* insight. Here at Hakuhodo we describe people not simply as consumers but as *sei-katsu-sha*—fully rounded individuals with their own lifestyles, aspirations, and dreams. In economics the term *consumer* is used in contradistinction to *producer*. Though handy, it has only a narrow meaning. Human beings don't exist solely to consume. There's much more to them than that. They are residents, citizens, voters, and maybe workers. Each falls into a certain age group—child, young person, middle-aged, elderly—and is an individual male or female in their own right. Each is somebody's son or daughter, and perhaps a parent. At Hakuhodo we use the term *sei-katsu-sha* to encompass all these facets of the human condition. Going beyond the consumer to understand the whole person and imagine the products and services they desire: that's the Hakuhodo approach.

Why study ASEAN *sei-katsu-sha*?


This year the ASEAN Economic Community (AEC) is to come into being. The formation of the AEC will give further impetus to the flow of people and goods within the region and heighten interest in ASEAN as a single market.

ASEAN is of course a patchwork of countries that differ in language, religion, and cultural background. But identifying commonalities among ASEAN *sei-katsu-sha* that transcend these differences should make it possible to gain a bird's-eye view of the entire ASEAN market.

Determining what ASEAN *sei-katsu-sha* have in common should also be a useful yardstick for understanding how those of each country differ.


1

Gain a bird's-eye view of the overall ASEAN market as it becomes more integrated through the AEC



2

Understand what makes each country's *sei-katsu-sha* distinctive



Surveys conducted

ASEAN quantitative survey

Survey of attitudes towards “class”



Survey method	Home interviews
Survey subjects	Male and female <i>sei-katsu-sha</i> aged 20–59 (SECs A–D)
Areas surveyed	Singapore, Kuala Lumpur (Malaysia), Bangkok (Thailand), Jakarta (Indonesia), Ho Chi Minh City (Vietnam)
Sample size	500 per country
Distribution	By population makeup in each country
Conducted by	Tokyo Survey Research
When conducted	June 2015

ASEAN home-visit survey

Survey of income, expenditure and lifestyle



Survey subjects	Ordinary <i>sei-katsu-sha</i> (SECs A–D)
Areas surveyed	Singapore: 5 households, Kuala Lumpur (Malaysia): 5 households, Bangkok (Thailand): 6 households, Jakarta (Indonesia): 5 households, Ho Chi Minh City (Vietnam): 6 households
Households visited	Total 27
Conducted by	Tokyo Survey Research
When conducted	August 2015

Interviewed people of various income levels and ages



Asked about their home lives, work places and online activities

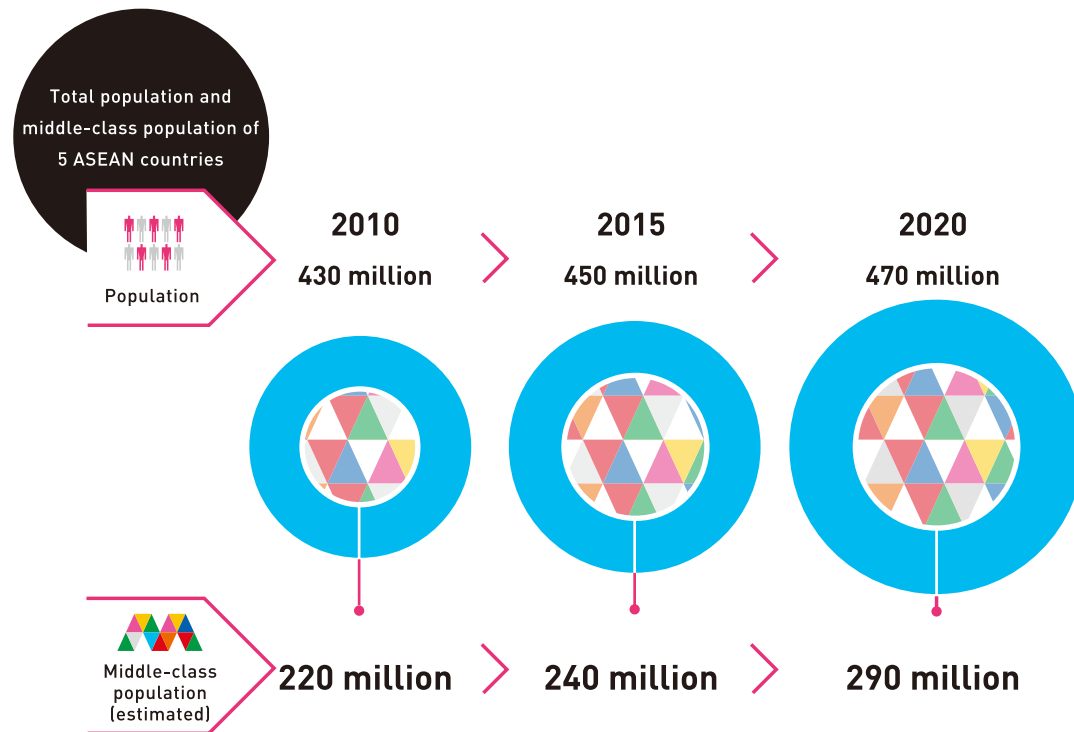


Checked household income and spending



The rise of the ASEAN middle class

As household incomes in ASEAN countries rise thanks to economic growth, the middle class has become proportionately larger, and is expected to become the majority in the consumer market.



5 ASEAN countries: Singapore, Malaysia, Thailand, Indonesia, Vietnam
 Source: Euromonitor (figures for 2015 and 2020 are forecasts)
 Definition of "middle class": Households with annual disposable household incomes of 5,000–35,000 USD
 Source: Japanese Ministry of Economy, Trade and Industry, "Strategy for Winning Over the New Middle Class"

A typical take on the ASEAN middle class

The lower middle class comprises people who have escaped poverty and begun to take their place in the economic system. Generally, their first purchases would be new clothes and necessary household appliances, followed by televisions, washing machines and refrigerators. Recently, mobile phone ownership has spread into the lower middle class too.

The upper middle class is comprised of people who enjoy a presence in the economy. They purchase a wide range of home electronics, spend more on services like healthcare and education, and can afford to enjoy leisure time on the weekends and during extended summer and winter holidays. Buying a car is one indicator of entry into the upper middle class.

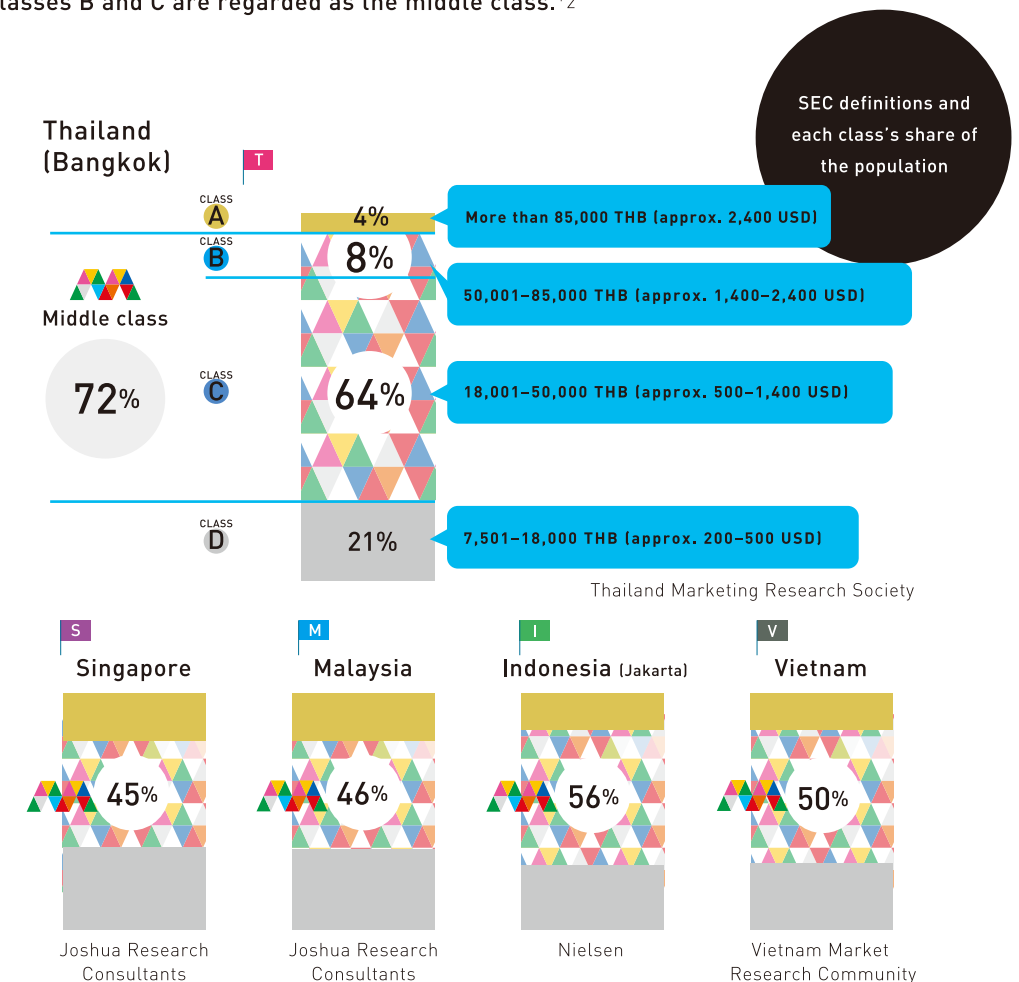
Source: Japanese Ministry of Economy, Trade and Industry, "Strategy for Winning Over the New Middle Class"

General criteria for defining "middle class"

Define middle class by income

The middle class as a socio-economic class (SEC)*1

Most ASEAN countries define SEC (Class A, B, C, D, etc.) by monthly household income. Classes B and C are regarded as the middle class.*2



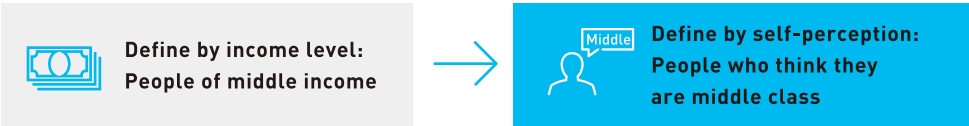
The middle class is, as exemplified by the SEC classification, generally defined by income. However, when we look around us we can see people that have higher incomes but choose to lead a middle-class lifestyle. Can we really define and accurately understand the middle class on the basis of income alone?

Notes

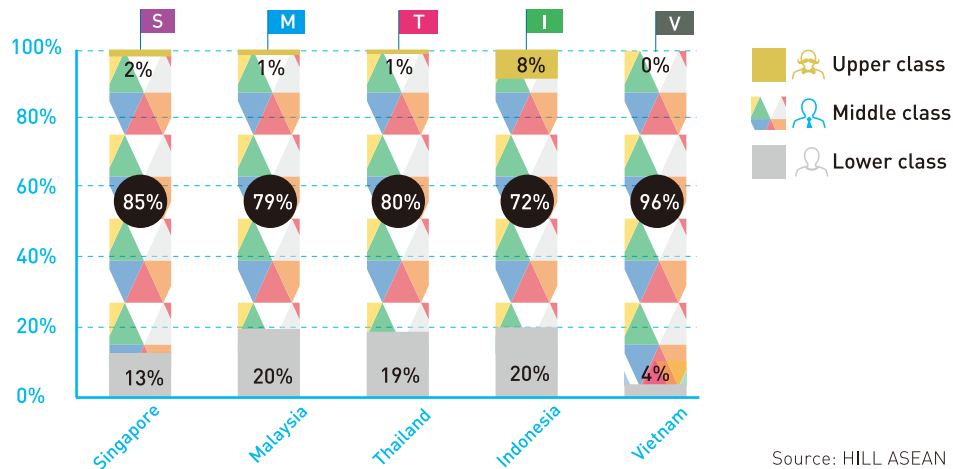
*1 SEC (socio-economic class), also known as SES (socio-economic status), is defined differently by different research associations and firms. It is widely used by researchers in the ASEAN countries.

*2 In Indonesia, Nielsen defines SEC using a point system based on a combination of benchmarks including expenditures, cooking fuel, drinking water, and power wattage. The figure for Indonesia is for Jakarta and the figures for Thailand are for Bangkok; elsewhere, figures are for the whole country. The middle class is in some cases equated with Class C alone.

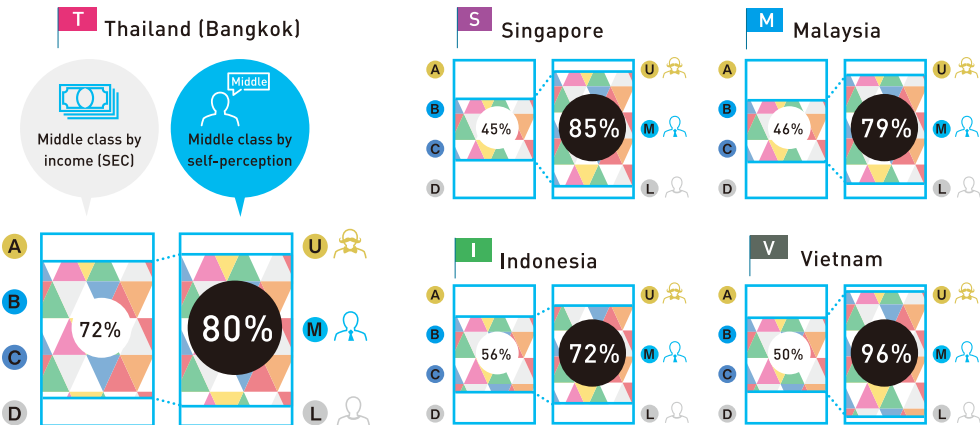
Redefining middle class with *sei-katsu-sha* insight: The Self-Perceived Middle Class



Q. Based on your lifestyle, what social class do you think you belong to?



Country comparison of middle class by SEC and by self-perception



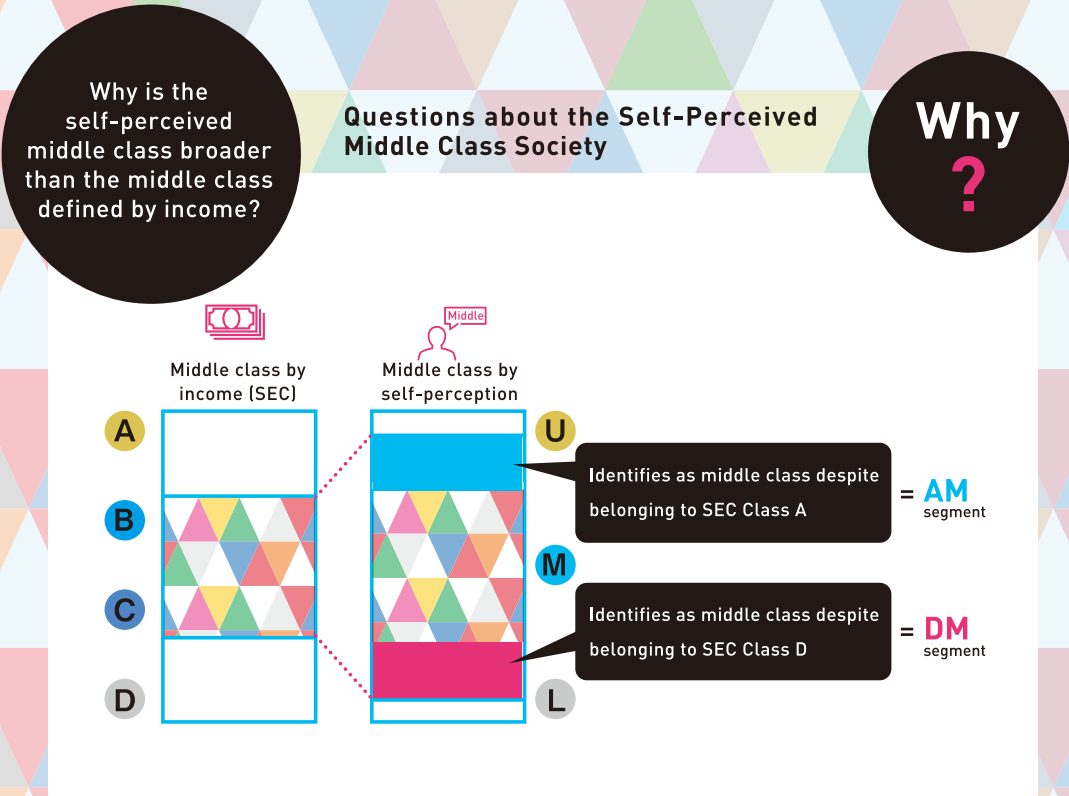
There is a discrepancy between middle class by income and middle class by self-perception.

The self-perceived middle class is substantially broader than the SEC middle class.

Emergence of the Self-Perceived Middle Class Society



ASEAN countries are becoming societies where large groups of citizens identify themselves as middle class regardless of their actual income.





Why is the self-perceived middle class broader than the income-based middle class?

Self-perceived middle class is not only about how much someone earns, but also the degree to which they can attain their desired lifestyle.

Those with low incomes but living their desired lifestyle are middle class, as are those on high incomes that cannot live their desired lifestyle if they do not work.

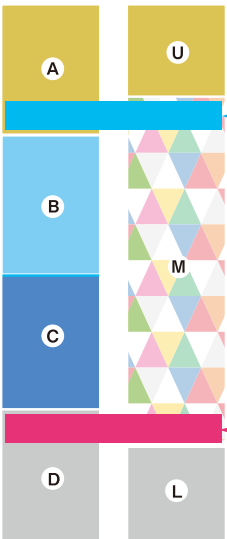
What is your definition of "middle class"?

Middle class defined by *sei-katsu-sha*

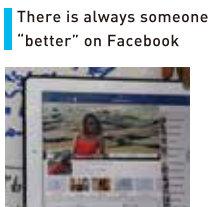
- U** Can live desired lifestyle with passive income
- M** Work to attain desired lifestyle
- L** Cannot attain desired lifestyle

Why do you think you are "middle class"?
(Hints in survey responses)

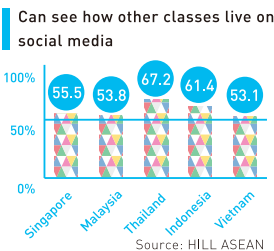
Middle class by income (SEC) Middle class by self-perception



Social network influence: "On social media there is always someone closer to their desired lifestyle"

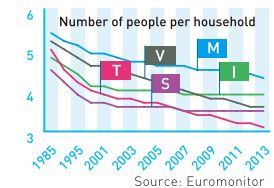


There is always someone "better" on Facebook

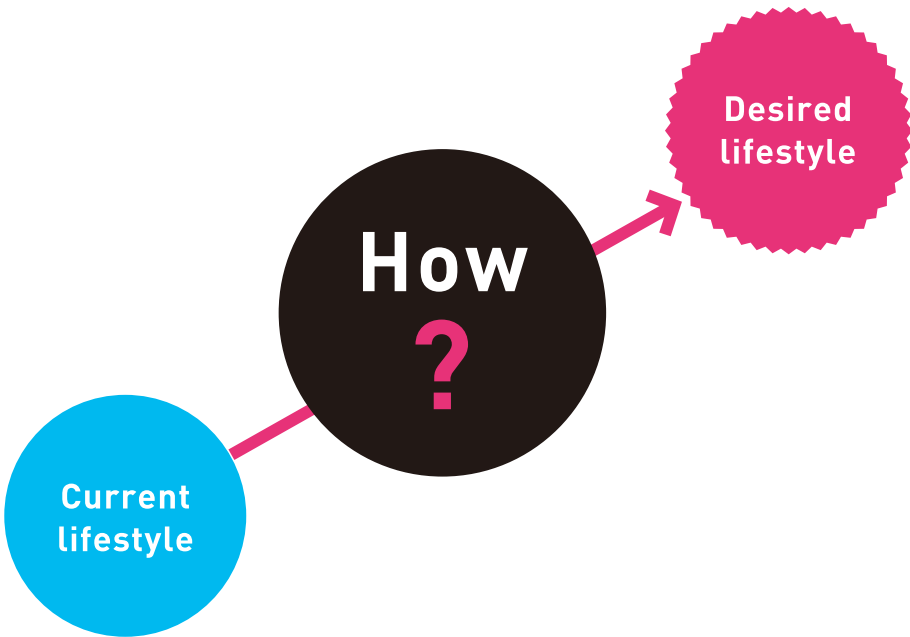


Growth of the nuclear family: "I can live the life that I want without worrying about other family members"

Left home to live her desired lifestyle (Vietnam, DM)



The question is:
How can they attain their desired lifestyle?



Three ways of achieving their desired lifestyle

While each person has their own desired lifestyle, there are three main ways they can achieve it.

How
?

Three ways of achieving their desired lifestyle

1 Increase income

Working a full time job, but increasing sources of income with side jobs doing what they love. Of the 27 households visited, 21 had a secondary source of income. Those secondary occupations can be broadly divided into four categories. However, since these secondary incomes can be unstable, we only count respondents' actual salaries in our database.



How
?

Three ways of achieving their desired lifestyle

2 Reduce expenses



Smart consumption

Saving money by shopping wisely

Controlling expenses and paying less by buying items on sale and shopping online

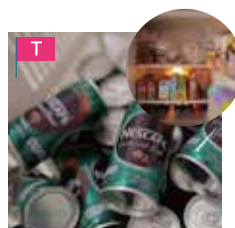
Earns over 8,000 USD/month, still compares prices online to get the best deal (Singapore, AM)



Finds plus-sized clothing online (Thailand, DM)



Stocks up on coffee when it's on sale (Thailand, DM)



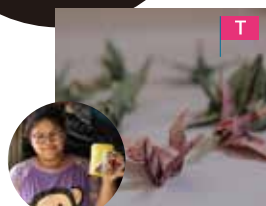
A trend across all segments (DM to AM)



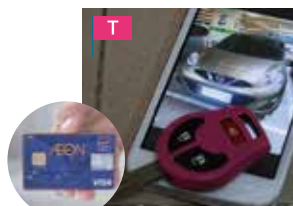
Buying on credit

Controlling monthly costs (monthly amount is more important than the total amount)

For the CM and DM segments, in particular, it is always a struggle to save. Buying on credit allows them to purchase wants and needs in smaller installments



Folds paper money into origami cranes to try to spend less, but spends it before it's even folded (Thailand, DM)



Didn't want their newborn to get wet on the motorbike so used a loan service to buy car (Thailand, DM)

Trend particular to the DM segment

3 Turn spending into future income



Investing in the next generation

Spending on self → Investing in children

Wants kids to work abroad in the future → Sends kids to international school (Vietnam, AM)



Spends half of salary on child's education. Wants him to go to good university (Thailand, DM)



Provides funding and buys house and car for child and child's business (Thailand, AM)



A trend across all segments (DM to AM)



Side business investment

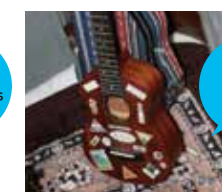
Spending on interests → Investment in business

Nail tools = Trading stock



Loves doing nails

Ukulele = Event equipment

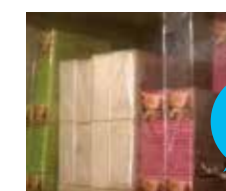


Loves music

Waffle maker = Trading stock



Loves waffles



Travel = Business trips

Loves travel



Clothes = Inventory

Loves fashion

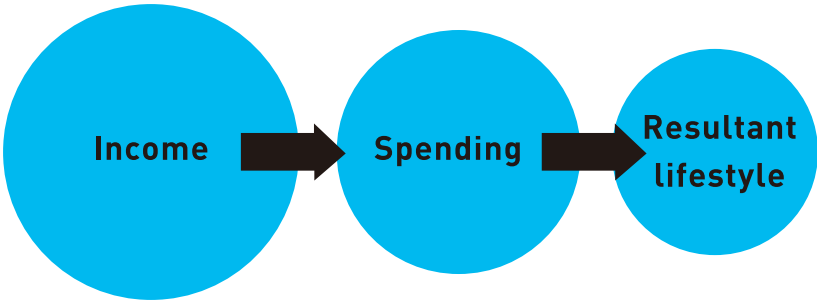
The trend: DM segment invests in smaller goods, AM segment in real estate

New perspective on the ASEAN middle class

Shift from living the life that they can afford to finding ways to afford the life they want.

Income-based model

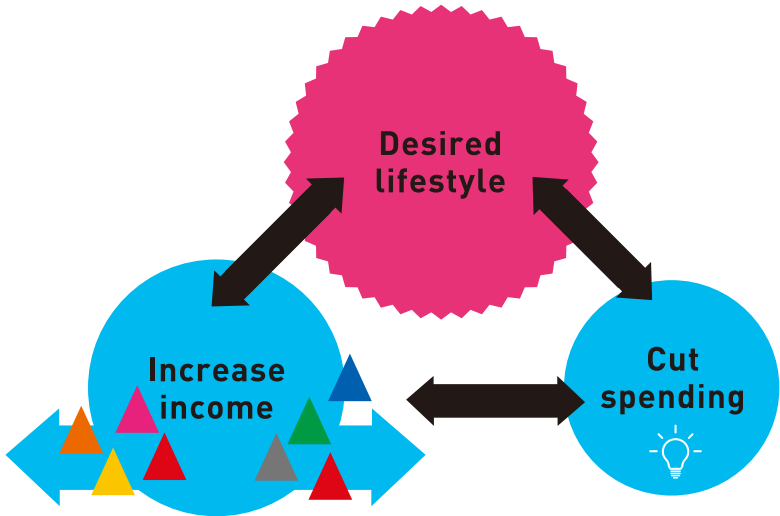
People of middle income. People who consume, and achieve their desired lifestyle within that range.



Achieve desired lifestyle within their income range

Desired lifestyle-based model

People who have their mind set on a desired lifestyle. People who juggle spending and income in order to enhance their desired lifestyle, with spending generating future income in a seamless cycle.



Turn spending into future income



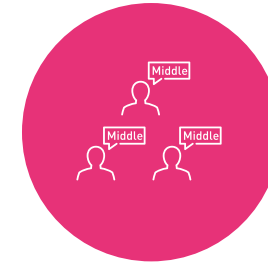
Conceptualizing a new perspective on the
ASEAN middle class

THE SEAMLESS MIDDLE

The Seamless Middle mind: Cleverly finding
ways to live their desired lifestyle by
seamlessly juggling income and spending,
unbound by their current income level



Emergence of the Self-Perceived Middle Class Society



A society where most people share a seamless
perception of themselves as middle class,
regardless of income bracket



Why
the self-perceived
middle class
is so broad

Self-perceived middle class is defined
not only by income level but also by the
lifestyle they can achieve.



New perspective on the
ASEAN middle class

People who have their mind set on a
desired lifestyle. People who juggle
spending and income in order to enhance
their desired lifestyle, with spending
generating future income in a seamless
cycle.

Focus of marketing and communications targeting The Seamless Middle

Maximize return on investment for *sei-katsu-sha*

$$\text{Sei-katsu-sha ROI} = \frac{\text{Desired lifestyle}}{\text{Spending = Investment}}$$

For The Seamless Middle, spending can be considered an upfront investment. When spending is thought of as investment, the *benefit* (value) from it is not as important as the *return* it will bring about in achieving the desired lifestyle.

From our research, the *return* includes the desired lifestyle itself and literal monetary returns in the form of new income sources.

Our suggestion is that next-generation marketing and communication targeting The Seamless Middle will need to focus on **designing and maximizing *sei-katsu-sha* ROI**.

The 3 keys to maximizing *sei-katsu-sha* ROI

1 Define target by income class + self-perceived class

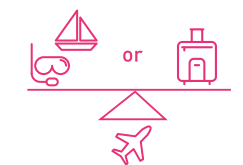
To define the target, it is important to consider not only SEC category based on income but also what class the target identifies themselves as. People of SEC Class A who consider themselves upper class and are already content with their lifestyle will almost certainly have different desired lifestyles to those who, while in SEC Class A, think of themselves as middle class and are still raring to get ahead.



2 Reposition spending as an investment not a cost

Come up with new marketing ideas by redefining product purchases not as costs but as investments promising future returns.

Example: One Malaysian who loves to travel overseas cycles between buying stuff abroad and selling it at home. She thus turns her travels into business trips for procuring inventory. Now she travels constantly.



3 Use *sei-katsu-sha* as corporate ambassadors for attaining desired lifestyles

Getting *sei-katsu-sha* involved in planning products and services, and consequently enjoying some of the returns, could potentially boost consumption.

Example: In one success story in Japan, people were given a free coffee maker and in return bought the coffee itself as an upfront investment, then sold it to colleagues.



Survey work, research and presentation

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