



Elevating Product Experiences With Premiumisation

May 2024



Premiumisation bridges gap between brands and consumers; Offers products with a clear value proposition and adapts to evolving consumer preferences

What	Why	Who	How	What next
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What is Premiumisation?

Premiumisation is a strategy where companies enhance the perceived value of products, beyond just a higher price tag

- Leverages specific product characteristics, features, and traits to influence consumer perception and justify a premium price
- These characteristics can include superior quality, increased convenience, authenticity, unique features, or a more positive consumer experience

1990-2008 (1st Wave)

- Focus was to offer unavailable product/service quality
- Products reflected personal success and status symbols
- Required specialist physical retailers' expansion



Starbucks increased prices and transactions by integrating European-style coffee, quality, and experience

2008- Present (2nd wave)

- Focus shifted towards establishing stronger personal connections with consumers
- Serving as a trusted guide to purchase quality products or services
- Requires vertical integration for seamless experience between multiple stores



KitKat Chocolatory set premium status by providing unique emotional engagement through personalized experiences

Consumers tend to consider a product or service as premium if it improves the following aspects of life:



Time Saving



Health



Organization & Efficiency



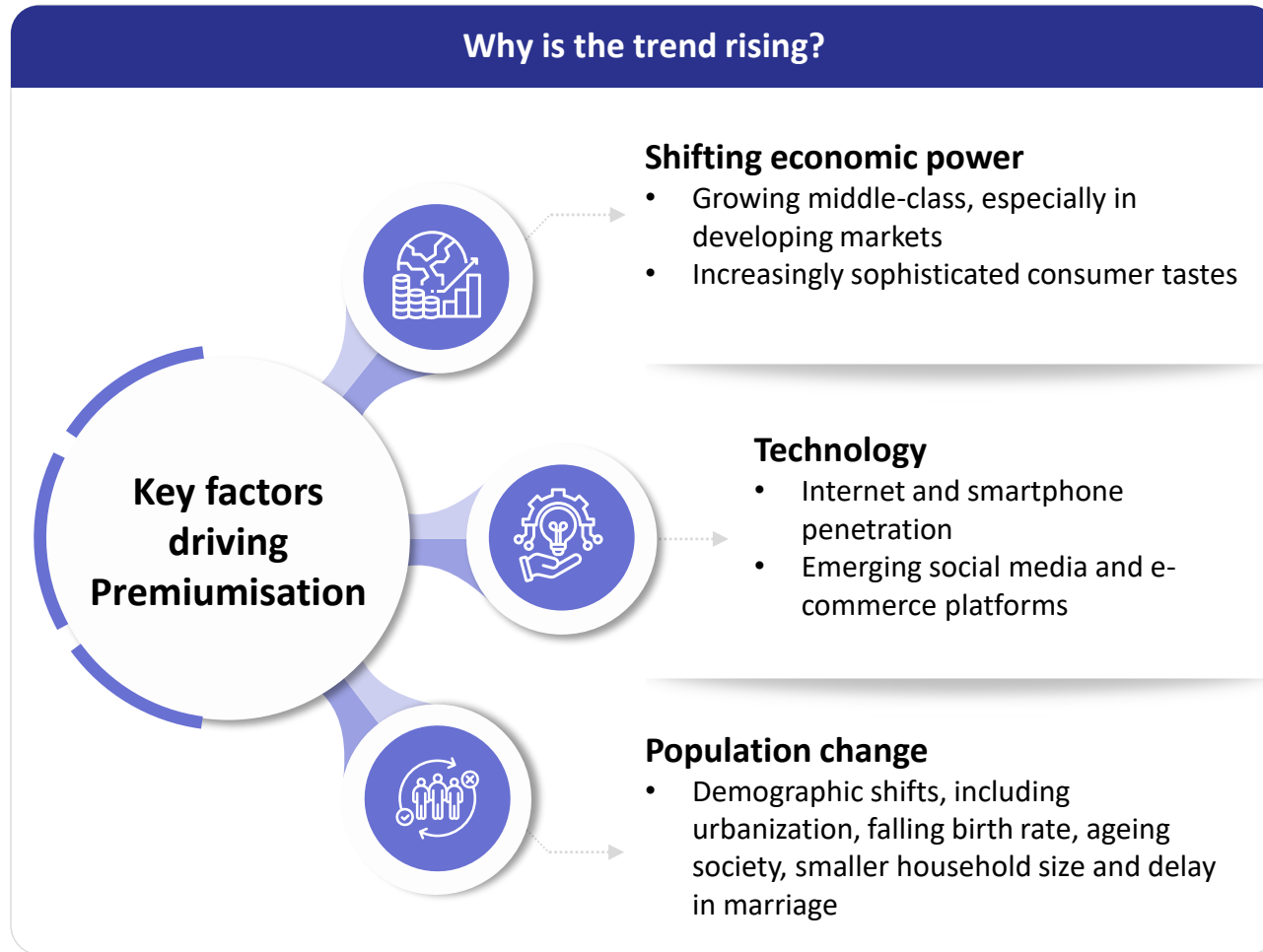
Safety & Security



Uniqueness


Rising disposable income, technology and population shifts, fuel the desire for quality, convenience, and experience; driving FMCG sector towards Premiumisation

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Highlights

- Growth in the middle-income group in Asia will be the future target for Premiumisation; China and India being the key countries
- Spur in sales of premium products and services via online channels (+43% for mobile e-com and +18% for cross bordered e-com) *



- Increase in households without children leads to more disposable income. **New Covent Garden Soup Company** offers high-end healthy chilled soup while targeting 25-35 years old couples or households without children



- Urbanization expands the target audience for Premiumisation. **Fonterra** taps into the growing demand for premium dairy products among urban **Chinese consumers by exporting a diverse portfolio of 47 high-quality dairy products**

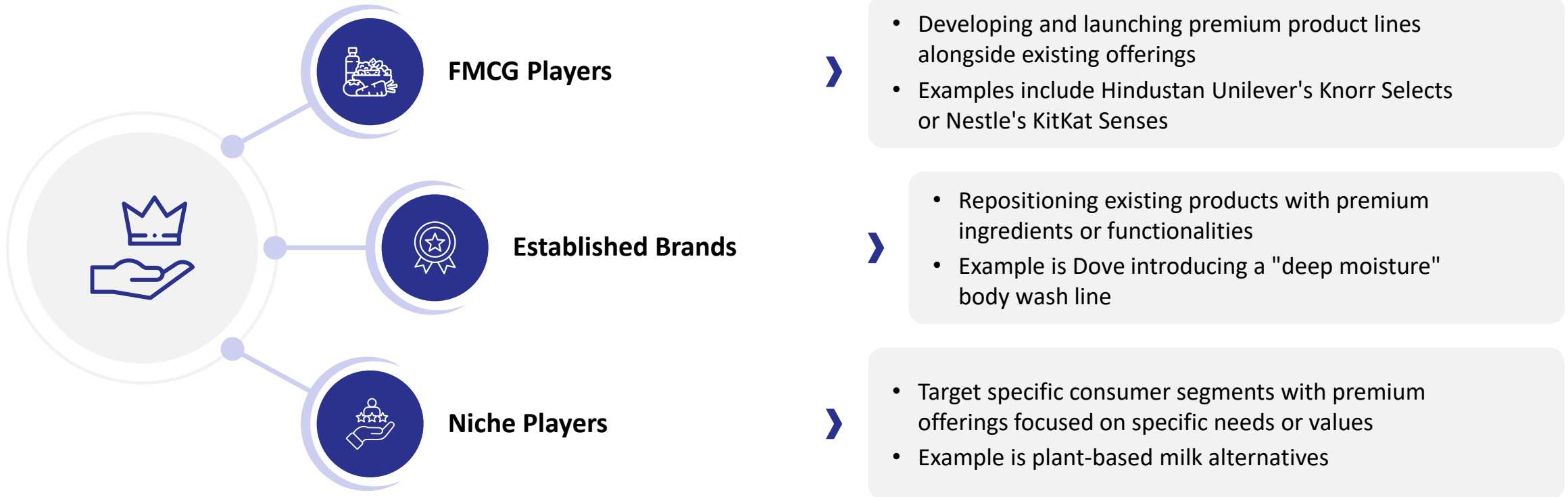
* Based on Growth in Retail Formats, %CAGR 2014-2019 (excluding sales tax)

Source: [Assets.ctfassets](#); [TheDrum](#); [GfK](#); [Forbes](#); [The HindustanBusiness](#); [ETInsights](#)

Premiumisation is driven by brands innovating and adapting strategies to meet the evolving consumer demand and creating a new kind of luxury experience

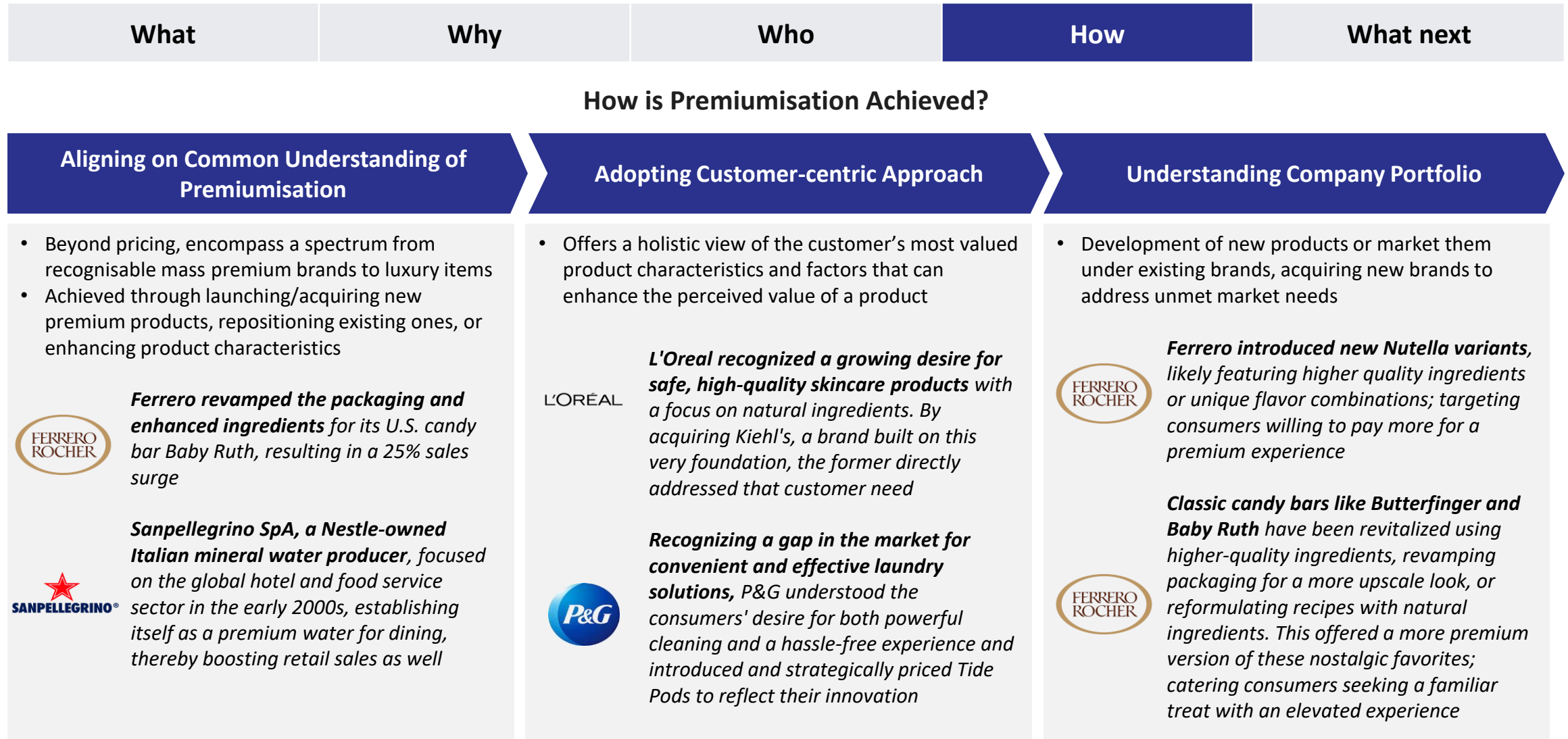
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Who is driving Premiumisation?







Premium brands are experiencing significant outperformance in the global market; with a 24% value share and a 32% year-on-year sales growth (2021) exceeded both standard and value brands

Focusing on the consumer and leveraging existing strengths could create a compelling value proposition that justifies a premium price point



Premiumisation is evolving; while high quality remains a core element, future trends suggest a focus on experiences, values, and a discerning consumer

What	Why	Who	How	What next
 The Rise of the Selective Consumer	<ul style="list-style-type: none">• Consumers are becoming choosier, seeking brands that align with their values -preference for sustainable production, ethical sourcing, or a commitment to craftsmanship• Brands that can tell a compelling story beyond the product itself will resonate more deeply		 Evolving Digital Influence	<ul style="list-style-type: none">• Social media becoming a platform for brands to connect with their audience on a deeper level• Transparency and authenticity will be key• Influencers promoting sustainable practices or ethical sourcing will hold greater sway
 The Experience Economy Takes Center Stage	<ul style="list-style-type: none">• Premium brands curating unique offerings to cater to individual interests and aspirations• Consumers willing to pay a premium for experiences that enrich their lives and create lasting memories		 The Rise of Emerging Markets	<ul style="list-style-type: none">• The rising disposable incomes and aspirations in developing countries (China and India) driving the demand for premium goods in Tier 2 and 3 cities• Brands to adapt strategies to these new markets, potentially offering more accessible price points or developing localized products

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