

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

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 Europeanstyle 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

What Why Who How What next **Highlights** Why is the trend rising? Growth in the middle-income group in Asia will be the future target Shifting economic power for Premiumisation; China and India being the key countries Growing middle-class, especially in developing markets Spur in sales of premium products and services via online channels Increasingly sophisticated consumer tastes (+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 **Technology Company** offers high-end healthy **Key factors** Internet and smartphone chilled soup while targeting 25-35 penetration driving years old couples or households Emerging social media and e-**Premiumisation** without children commerce platforms Urbanization expands the target audience for Premiumisation. Fonterra taps into the growing **Population change** demand for premium dairy products Demographic shifts, including among urban Chinese consumers by urbanization, falling birth rate, ageing exporting a diverse portfolio of 47 society, smaller household size and delay high-quality dairy products in marriage

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

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





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

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How is Premiumisation Achieved?

Aligning on Common Understanding of Premiumisation

- Beyond pricing, encompass a spectrum from recognisable mass premium brands to luxury items
- Achieved through launching/acquiring new premium products, repositioning existing ones, or enhancing product characteristics



Ferrero revamped the packaging and enhanced ingredients for its U.S. candy bar Baby Ruth, resulting in a 25% sales surge



Sanpellegrino SpA, a Nestle-owned Italian mineral water producer, focused on the global hotel and food service sector in the early 2000s, establishing itself as a premium water for dining, thereby boosting retail sales as well

Adopting Customer-centric Approach

 Offers a holistic view of the customer's most valued product characteristics and factors that can enhance the perceived value of a product

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L'Oreal recognized a growing desire for safe, high-quality skincare products with a focus on natural ingredients. By acquiring Kiehl's, a brand built on this very foundation, the former directly addressed that customer need



Recognizing a gap in the market for convenient and effective laundry solutions, P&G understood the consumers' desire for both powerful cleaning and a hassle-free experience and introduced and strategically priced Tide Pods to reflect their innovation

Understanding Company Portfolio

 Development of new products or market them under existing brands, acquiring new brands to address unmet market needs



Ferrero introduced new Nutella variants, likely featuring higher quality ingredients or unique flavor combinations; targeting consumers willing to pay more for a premium experience



Classic candy bars like Butterfinger and Baby Ruth have been revitalized using higher-quality ingredients, revamping packaging for a more upscale look, or reformulating recipes with natural ingredients. This offered a more premium version of these nostalgic favorites; catering consumers seeking a familiar treat with an elevated experience

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

What next What Who Why How Consumers are becoming choosier, Social media becoming a platform for seeking brands that align with their brands to connect with their audience values -preference for sustainable on a deeper level The Rise of the **Evolving Digital** production, ethical sourcing, or a Transparency and authenticity will be **Selective** commitment to craftsmanship Influence key Consumer Brands that can tell a compelling story Influencers promoting sustainable beyond the product itself will practices or ethical sourcing will hold resonate more deeply greater sway The rising disposable incomes and aspirations in developing countries Premium brands curating unique (China and India) driving the demand offerings to cater to individual The Experience The Rise of for premium goods in Tier 2 and 3 interests and aspirations **Economy Takes Emerging** cities Consumers willing to pay a premium Brands to adapt strategies to these **Markets Center Stage** for experiences that enrich their lives new markets, potentially offering and create lasting memories more accessible price points or developing localized products

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