Nippon Paint Group IR DAY 2024
December 2, 2024
Q&A Summary: Brand Strategy by NIPSEA Group

◆ A question from Participant A

Q1	Thank you for introducing all the brand promotion initiatives and programs. Your presentation has deepened my understanding. My question is about the brand power and customer engagement. How are you measuring the cost effectiveness of brand promotion initiatives? Additionally, if the cost effectiveness does not meet your expectations, what is your discipline to control the spending?
A1	**Gladys Goh** I think it's very challenging to provide an exact answer due to the diversity of the market. However, we must evaluate the potential return on investment (ROI) for any markets we enter. Before making any investment, we need to be very clear about the ROI we aim to achieve. When we evaluate the cost effectiveness of the program, it largely depends on whether it involves on-ground activation. For on-ground activation, we measure ROI by the number of people who visit the booth, as well as brand conversion rates from these interactions. It’s challenging to pinpoint cost effectiveness from a single metric, as different touchpoints - whether digital advertising or on-ground promotions, each requires its own evaluation criteria. From an advertising perspective, we assess cost effectiveness based on our ability to achieve the highest awareness, reach, or frequency within the budget allocated. We will measure the effectiveness of a digital program by tracking metrics such as the number of clicks, how many people search for our brand, and the conversion rates if there is an e-commerce link included. We evaluate whether these interactions lead to conversions and if they complete the customer journey. The evaluation depends greatly on the specific type of marketing vehicle we are investing in at a particular point in time.

◆ A question from Participant B

Q1	My question relates to the page with the market share chart. In which market do you see the strongest growth, and where do you expect to gain more market share? Specifically, in Malaysia and Singapore, where you already have very strong market share, it seems difficult to gain more share. My impression is that Indonesia presents a growing market with significant market share potential. Could you provide more details about market share gains and market growth in the most promising markets?

A1	**Gladys Goh** We have very diverse markets, so some markets still have a lot of room for us to build market share where we are not yet dominant. The key focus is how we grow market share in those markets. However, as you pointed out, in markets where we already have a strong position, we are now looking at how we can leverage our market share to deepen our engagement and sell more products to our existing customers. For example, beyond just paint, we are looking at selling construction materials and painting tools. It's not just about gaining market share alone but about increasing the size of the wallet of our customers. We aim to sell more within the same customer base where we already have strong brand engagement and are already selling paint. This requires different strategies in different markets. In markets where we have a dominant share, like Singapore, Malaysia, and Türkiye, we focus on selling higher-value products, such as high-functional paint, and expanding our offerings beyond paint. In developing markets where we have not yet attained a dominant market share, we focus on gaining market share. In markets where we are already dominant, our growth strategy will focus on increasing the amount that customers spend on our paint, as well as other related product categories. The growth strategy involves deepening customer spend in dominant markets by offering more products, while in developing markets, we concentrate on increasing our market share. **Yuichiro Wakatsuki** It is very important to note, as mentioned in the presentation on DuluxGroup Brand Strategy by Patric Houlihan, that even in non-growing markets, we can increase revenue through pricing and market share gains. Therefore, it's not just about gaining more market share, especially when we already have a high market share, such as 75%. As Gladys Goh mentioned, we can also focus on selling products beyond paint. There is significant potential to leverage our current portfolio. I want to emphasize that having a high market share in a particular region does not limit our growth potential.

◆ A question from Participant C

Q1	You mentioned that computerized color matching (CCM) machines have been installed at over 48,000 stores, and how much room is there to grow this number? I expect competitors are also introducing such automatic color matching machines. What is your differentiator from your competitors?
A1	**Gladys Goh** There's certainly more room for us to grow by expanding our dealer network. When we enter new markets or bring on new dealers, we are aware that we are not dominant in every single market. We are also active in developing markets

	where we have good opportunities to open new stores and install our machines. The real differentiator for our CCM machines is that Nippon Paint offers the widest range of products compatible with our CCM machines. This sets us apart from competitors who typically focus only on specific types of paint, such as exterior, interior, or wood materials. Nippon Paint is the first to focus on both water-based and solvent-based products with our industrial CCM machines. Beyond just walls, wood trimmings, and doors, our CCM machines can even provide the same colors for roofs, flooring, and protective or industrial coatings. Another key advantage is the consistency of our color collaterals and color codes across multiple countries. For example, whether you are in Singapore or Malaysia, you can use the same color code. Therefore, our CCM machines have been a very important tool for accelerating the adoption of our paint and colors across multiple countries in Asia.

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