



B A V

**BRANDZ** Thought Leadership Series

CELEBRATING 10 YEARS OF GLOBAL BRAND VALUATIONS

SPOTLIGHT ON

  
**MONGOLIA**

THE LITTLE GEM



WPP









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Little Gem

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## WELCOME

## LITTLE GEM

## The opportunity hidden in plain sight

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**Mongolia is a country better known for its vast wilderness and harsh climate than its business potential, but a growing number of international brands are warming to this fast-growth market – and with good reason.**

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This is not another China, another India, Indonesia or Vietnam. Mongolia is a market of only 3 million people, thousands of whom are nomads or are living in very simple, traditional tented communities, or gers.

Yet there is a long and growing list of businesses – selling everything from shampoo to sports cars – making a beeline for the Mongolian capital, Ulaanbaatar. UB is the supercenter where the entire country does business, and for the uninitiated, it is like finding a lost city.

Sharp-suited, affluent and discerning Mongolian consumers shop here for luxury labels, drive high-end cars, enjoy fine dining and have the same aspirations as do the upper middle-classes in other major world cities.

A mining boom has brought wealth to a small but significant number of people here. Mongolia's GDP has grown at rates as high as 17% in recent years, and while depressed global commodity prices have put the brakes on that growth in the past two years, the long-term forecast is for it to pick up the pace again. When Porsche opened its first Ulaanbaatar showroom in 2015, its managing director said the economy was stable and on track for long-term growth.

The Mongolian opportunity is a world apart from that envisaged by brands entering neighboring China and other fast-growth markets in the region. This is not about waiting for vast numbers of people in a huge country to slowly get rich.

There is a ready pool of people in Ulaanbaatar right now who are already

wealthy, and now is the time to serve them. Almost 39% of adults in the country are sitting on wealth of between US\$10,000 and \$100,000, and there are about 32,000 dollar-millionaires. While their numbers are small, they are all in one place, in a cosmopolitan city with good infrastructure and reliable and affordable communications, and they are open to new ideas.

UB has a broad-minded, highly literate business community flush with overseas-educated returnees. It has a democratic government, low retail rents by international standards, and ranks fifth in the world on AT Kearney's latest Global Retail Development Index for the promise it offers.

Mongolian consumers and the businesses that cater to them are hurdling stages of development that took years to pass in other markets; they are bypassing bank branches in favor of smart phone apps, and many emerging local brands are putting their advertising spend straight into social media.

Mass premium brands such as Tiger Beer, Heineken, Benetton and Guess



are here, providing accessible luxury to the middle class. Procter & Gamble has a warehouse and Coca-Cola has a bottling plant in Mongolia. Porsche, BMW, Louis Vuitton, Burberry and Armani target the top tier.

Consumers in UB know quality and are willing to pay for it. Affluent shoppers are worldly - and at the same time somewhat wary. These people are proud of their rich heritage; they seek out quality and welcome progress, but

have no interest in becoming the 'next China' or the next anything else. They are modern Mongolians.

Whether you're a Mongolia-based or international company, in this report ▶

## WELCOME

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Mongolia is clearly a land of significant opportunity, both for its people and the brands that seek to build relationships with them. Its market is small, but it is ready; a little gem.

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you'll find knowledge and insight to help you create and grow brands in Mongolia more effectively.

On page 14, Take Aways provide succinct, action-oriented recommendations for brands based on our expert analysis of the market. A deeper analysis of the brands – local and global – that are already making their presence felt, with guidance for other brands, can be found on page 64. And we present all this with stunning photography that reflects the distinct flavor of the country itself.

At WPP, the global communications services leader, our companies have

been engaged in Mongolia for over two years providing marketing, insight, shopper marketing and PR expertise. It's part of our global presence in 110 countries. By linking all this talent, creativity, wisdom, and horizontality, we amplify global trends and insights that help our clients in useful and unique ways.

We're passionate about using our creativity to create and build strong, differentiated brands that deliver lasting shareholder value. To learn more about how to apply our experience and expertise to benefit your brand, please contact any of the WPP companies that contributed expertise to this report. Turn to page 77 for summaries of each

company and the contact details of key executives. Or feel free to contact me directly.

Sincerely

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“ ULAANBAATAR IS THE CENTER OF THE ACTION,



NEARLY HALF OF MONGOLIA'S POPULATION RESIDES HERE.





# ENTERING MONGOLIA

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**10 Key Take Aways**

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## ENTERING MONGOLIA – 10 KEY TAKE AWAYS



1

### THIS IS A TALE OF ONE CITY

Mongolia has two distinct parts – the peaceful, rural landscape of nomadic herders, who tend not to be materialistic and who are generally content with their simple lives. The other part is Ulaanbaatar, known as UB, where there's wealth, sophistication, a desire for progress and affluence, and a certain edginess that tends to go with fast-expanding frontier mining towns. A thread of cultural pride runs through the country and unites its people, from the capital to remote pastures, but for many international brands seeking to explore the Mongolian market, their business will start – and stop – in the capital.

## THERE IS PRIDE IN THE MONGOLIAN IDENTITY

Mongolia has a population of 3 million people, but it is also the 'motherland', the cultural capital of the Mongol ethnic group. Mongol people live across the Central Asian plains and number at least double the number of people living in Mongolia. What's dubbed 'pan-Mongolism' has taken Mongolian culture and products as far north as Russia and south to Inner Mongolia in recent years, driving demand for everything from milk to pop music.

# 2



## ENTERING MONGOLIA – 10 KEY TAKE AWAYS

### NEW IS EXCITING

3

There is a curiosity about Mongolian consumers that is a huge boon for businesses looking to launch in this market. People are open to giving new brands and new products a try. In fact, this willingness to consider something new can make it difficult for brands to build loyalty, and businesses here must keep products feeling fresh and exciting through innovation and change, with regular updates, variants and new packaging. A long nomadic tradition is possibly behind this readiness to move on and could help explain why local service businesses often start off strong and then drift after a few months. Local brands often emphasize making a big entrance, without having a long-term strategy in place.





## EXPECT TO FIND CONTRADICTIONS

Mongolian consumers have traditionally looked to Europe for the latest trends and for lifestyles to aspire to. There is a sense of individualism here that is more recognizable in the West than in the rest of Asia, where the collective usually dominates. But while older people feel a degree of nostalgia for the order that Soviet rule brought, there is immense pride in Mongolian independence and culture, and growing interest in quality, and locally made goods such as organic soaps and toiletries. There is Eastern influence, too; Lunar New Year is a huge family celebration, and Korean dramas are among the most popular shows on TV.



“

THE FUTURE OF THE COUNTRY IS IN THE HANDS  
OF ITS YOUNG PEOPLE,



BUT SPENDING POWER RESIDES WITH  
MORE MATURE CONSUMERS.



## ENTERING MONGOLIA – 10 KEY TAKE AWAYS

### THE COUNTRY IS YOUNG, BUT CONSUMERS ARE NOT AVERAGE

Almost a third of the Mongolian population is aged under 15, but the disparity in wealth and living conditions among the population here mean averages must be treated with caution. The future of the country is in the hands of its young people, but much of the spending power in the country right now resides with more mature consumers. For now, the majority of affluent consumers are aged 30-plus, even for what might be considered quite youthful brands in other markets.

5





# 6

## CHEAP ISN'T NECESSARILY APPEALING

Mongolian people have a keen eye for value, but they are more concerned with the quality of what they're buying than the price. In fact, after a decade of being on the receiving end of cheap imports that quickly fall apart, consumers are suspicious of cheap prices, which now connote poor quality and will be overlooked by shoppers who want to buy things that last and who can afford to insist on better.

## ENTERING MONGOLIA – 10 KEY TAKE AWAYS

# 7

### AFFLUENT CONSUMERS ARE ONLINE AND SOCIAL

Television remains, as in much of the region, a hugely effective tool for achieving mass reach in a short time, and news, current affairs, dramas and comedy are highly popular. Free time is increasingly being spent online, however, often on several devices at once, and among consumers who have access to the internet, most are connecting using a smart phone, and almost all are using social media. Social media remains a largely untapped opportunity for brand marketers, with most brands simply transferring their offline activity to a new screen rather than creating fun, interactive experiences that match the medium.





## THE PACE OF PROGRESS IS DIFFERENT

In some ways, Mongolia is skipping entire stages of what in other markets have been small periods of development taking place over many years. Think a step ahead. Many people's first phone is a mobile, and first internet access is via a smart phone rather than a laptop or desktop. Internet banking is being rolled out fast, and online or phone-based bill paying is commonplace. At the same time, however, it's important not to make assumptions about consumers' knowledge of brands and categories. What might be considered obvious in other markets might not be so here. The fact Burger King only sold burgers, for instance, came as a surprise to many of its first Mongolian customers.

## ENTERING MONGOLIA – 10 KEY TAKE AWAYS



# 9

## INFORM AND INSPIRE

This may be a new market for many global brands, but people here have been exposed to brands for decades now and are open to quite sophisticated messaging in advertising. While information is important, consumers are looking for an emotional connection with brands, and creating aspiration is vital if brands are to stand out. The 'family around the table' motif is frequently deployed in television advertising, but is so widely used that brands tend to blur into one another. Similarly, the legacy of Chinggis Khaan is to be overlooked at your peril; his name adorns everything from the airport and the capital's central square to bars, bottles of vodka and the country's main airport. His name has become a shorthand expression of quality - but is ubiquitous to the point of saturation.

# 10

## DEMAND CAN BE VOLATILE

People in Mongolia tend to spend more money when they have it, and pull back sharply when times are leaner. Given the dependency of much of the economy on natural resources, retailing enjoys boom times when commodity prices are high and the converse is true as well. Brands and retailers here need to plan for fluctuating demand. They should also be aware that end-of-season sales are a fairly new phenomenon, and customers aren't always delighted to discover items they paid full price for a month or two earlier being sold off at a deep discount.





“ MONGOLIA HAS A YOUNG POPULATION,



WITH 65.1% OF THE POPULATION UNDER 35.



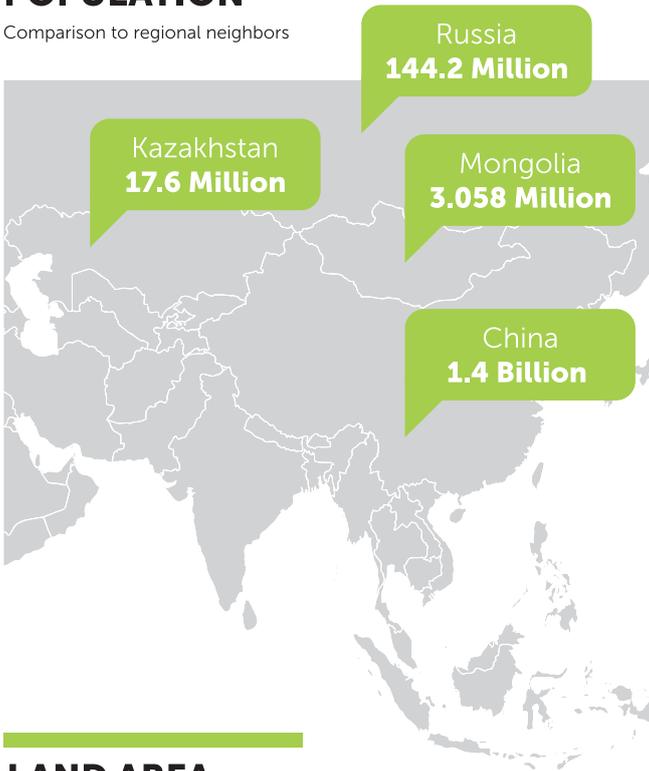


# MONGOLIA BRIEFING

# MONGOLIA IN FIGURES

## POPULATION

Comparison to regional neighbors



National flag



The symbol on the left of the flag is known as 'soyombo', an abstract representation of fire, the sun, moon, earth and water, and the yinyang symbol. The blue of the flag represents the sky, and the red stands for progress and prosperity.

## LAND AREA

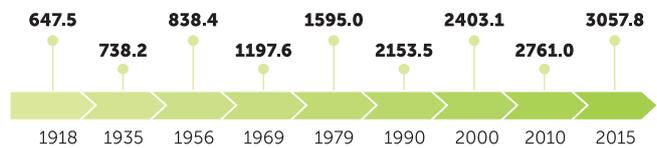
**1'564'116 SQ KM**

(About the same size as Alaska, and double the size of Turkey)



Population

(000' people, 1918-2015)



Population Growth Rate **2.1%**

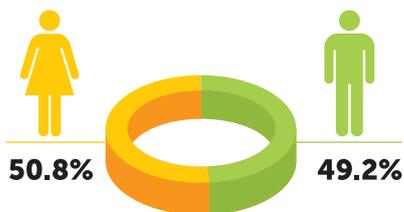
Centers of population

Ulaanbaatar **1.4 MILLION**  
Darkhan **100'939**  
Erdenet **100'731**

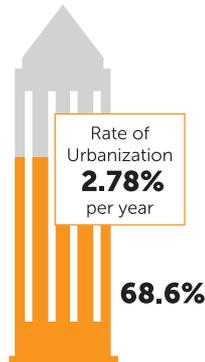
Population density

Ulaanbaatar **290** people per kilometer  
Darkhan **30** people per kilometer  
Erdenet **118** people per kilometer

Female: Male



Urban Population



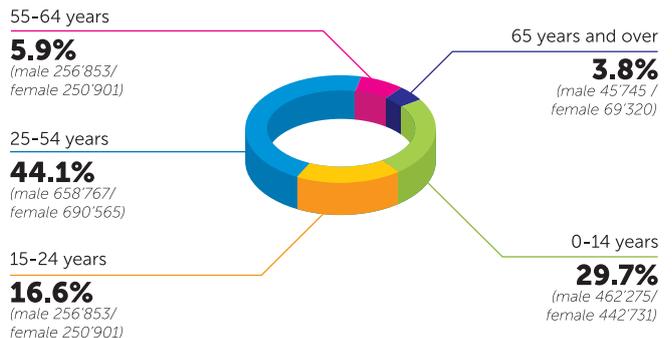
Number of households (000, people)



Family size



Age distribution



Sources: National Statistical Office of Mongolia, CIA World Factbook, World bank

Median Age  
(Age in years)



Literacy rate  
(% over age 15 who can read and write)

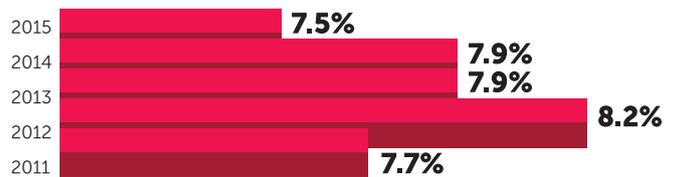


## ECONOMY

GDP (2015)  
**\$11.76 Billion**

GDP growth rate (2015)  
**2.3%**

## Unemployment rate (2011-2015)



## GPD per capita (2015) (Current international \$)



## EASE OF DOING BUSINESS

**56th** out of 189 countries and territories  
(with 1 being the most business-friendly)

## Foreign direct investment (US\$, 2014)



## COMMUNICATIONS

Penetration of fixed-line telephones



Cable tv penetration



Internet penetration



Mobile penetration



## HISTORY

The population of present-day Mongolia is descended from a people who once ruled the entire region. At its height, the Mongol Empire stretched from the Korean Peninsula to Poland. Pride in their history and in the conquests of Chinggis Khaan have endured through the centuries, despite the loss of empire and pressure from Mongolia's two mighty neighbors, China and Russia. Modern Mongolia, centered around its 17th-century capital, Ulaanbaatar, is proudly independent, and has been a lively, multi-party democracy for a quarter-century.

### THE HUNNU EMPIRE PERIOD

(BCE 209)

### BIRTH AND EXPANSION OF AN EMPIRE

(1206 - 1635)

The man regarded in Mongolia as the founder of their country and a national hero - Chinggis Khaan - unites the Mongol tribes in 1206 and pursues a ferocious and highly successful campaign to control vast areas of land across Asia and into Europe. This brings relative stability to the expanding Mongol empire, and allows the Silk Road between East and West to be re-established. When Chinggis dies in 1227, his armies continue their push to control the region, led firstly by his sons and then his grandsons. At its height, the Mongol Empire is the world's biggest land empire. This domination is relatively short-lived, however. In-fighting between descendants of Chinggis Khaan - and the spread of Black Death in the early 14th century - leads to the collapse of the empire, with Chinese and Russian forces ousting Mongols from key areas of influence.

### MANCHU RULE

(1636 - 1910)

In 1636, China's Manchu or Qing Empire conquers the southern Mongols, creating Inner Mongolia, which remains a region of modern China today. The city of Ulaanbaatar is founded three years later as a nomadic Buddhist monastic center, changing location more than 20 times in the following 150 years before being settled permanently in its current location, at the junction of the Tuul and Selbe rivers, in 1778. In the meantime, all of Mongolia comes under the rule of China's Qing empire, and the Treaty of Kyakhta in the early 18th century fixes the western border between Russia and the area China called Outer Mongolia.



## INDEPENDENCE, OCCUPATION AND RUSSIAN INFLUENCE

(1911 – 1927)

When the Qing dynasty falls in China, Outer Mongolia declares its independence, a move that is recognized by both Russia and the newly established Republic of China, though China's army occupies the region again in 1919. Revolutionaries seeking to restore autonomy launch the Mongolian People's Party and begin talks with Russia's Bolshevik leaders about ending China's rule of the region. In 1921, backed by the Russian Red Army, Mongolian activists drive out the Chinese army and install their own government, winning independence but under Soviet control. In 1924 the government opts to follow Lenin's road to socialism, renames itself the Mongolian People's Revolutionary Party, and proclaims the Mongolian People's Republic.

## LONG ROAD TO REAL INDEPENDENCE

(1928 – 1989)

During a tumultuous 60 years, Mongolia sees a series of political uprisings as various factions clash over the right form of communism for Mongolia. Prime Minister Genden is arrested in the Soviet Union and shot for spying for Japan, as is former Prime Minister Amar. In 1939, Mongolian and Soviet troops push back an invasion by Japanese and Manchukuo forces from northern China. Stability returns in the 1940s, when Mongolians vote for independence, but in reality the country remains a Soviet satellite. In the early 50s, relations are established with the People's Republic of China and a railway built across Mongolia linking China and Russia. Mongolia becomes a member of the United Nations in 1961. In the 70s and 80s, concerns over possible Chinese plans to annex Mongolia resurface as China seeks the exit of Soviet troops from the country. Soviet president Gorbachev's 1986 speech in Vladivostok opens the door to an eventual Soviet withdrawal.

## THE BIRTH OF DEMOCRACY

(1990 – 2000)

Mongolia holds its first free, multi-party elections in 1990, after street demonstrations force the resignation of the Mongolian People's Revolutionary Party Politburo. Nearly half of available seats are won by non-communists, though former communists continue to feature in the country's government for years; Mongolia's President Bagabandi, who serves from 1997 to 2005, is a member of the socialist Mongolian People's Party. A national constitution enacted in 1992 promises freedom and human rights for the people of Mongolia.

## GROWTH AND INTERNATIONAL INVESTMENT

(2001 – PRESENT)

A ferocious winter in 2001, in which temperatures drop as low as 50 below zero, kills dozens of nomadic people and millions of herders' animals. A United Nations relief appeal raises money to help people recover from what is widely seen as the country's worst disaster in half a century. The IMF advances nearly \$40 million in low-interest loans to help tackle poverty in Mongolia and improve the economy. In 2005, George W. Bush becomes the first serving US president to visit Mongolia. Riots erupt in 2008 following opposition claims that the government has rigged the result of elections. New elections held a year later bring defeat for the government. In early 2010, freezing conditions again wipe out huge numbers of livestock, sparking another UN aid program, this time paying herders to collect and dispose of carcasses. International investment gathers momentum as US, Chinese and Russian partners mine for coal in the Gobi Desert and Rio Tinto takes a stake in the Oyu Tolgoi copper mine.





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THERE IS A SENSE NOW THAT

MONGOLIA HAS TURNED A CORNER



AND IS ON TRACK FOR STRONG GROWTH ONCE MORE.



## ECONOMY

## CITY OF GOLD

## The 'wolf economy' roars

Mongolia's economic strength has come from its rich deposits of natural resources – and the fact that it is bordered by two of the world's biggest economies. With the world's largest commodity importer – China – on its doorstep and gold, copper and coal in vast quantities, the country has enjoyed a wealth boom and created a ready market for fast cars, luxury hotels, sushi bars and designer handbags.

Its reliance on natural resources has earned the country the nickname Minegolia, and has made it vulnerable to fluctuations in global demand, particularly from China, for what it digs out of the ground. As China's economy has slowed in recent years, and given that China accounts for more than 60% of Mongolia's trade, GDP growth has slowed considerably from the heady days of 17% growth back in 2011.

There is a sense now, however, that Mongolia has turned a corner and is on track for strong growth once more, rebounding this year and potentially reaching double digits again by 2019.

Several years of wrangling over a vast copper and gold mining project, Oyu Tolgoi, in the Gobi Desert, finally ended late in 2015. The project, which promises to generate jobs as well as bring investment and fuel spending, can now go ahead and is expected to begin in mid-2016. When in full swing, it could account for as much as a third of GDP.

Mongolia is widely predicted to be one of the fastest-growing economies of the next decade, and while agriculture employs about a third of the workforce, the service, manufacturing and construction sectors are growing. Government plans to provide up to 40,000 new homes will play a role, as will the building of a 1,500-kilometer rail connection to Russia's Trans-Siberian network, which will open up export markets to the west.

Poverty has been declining, though significant numbers of people still live hand to mouth, burning whatever fuel they can find during times of extreme cold and hardship. Those who are

better off, however, enjoy cheap access to electricity by global standards, and mobile and internet services in the capital that are world class, with 4G services having launched this year.

Mongolia sees its path to prosperity as different to that of the so-called 'tiger' economies that have flourished around it. They were fuelled by the availability of low-cost labor and huge factories. For Mongolia, however, the drivers of growth are very different, and it is positioning itself as a 'wolf' economy, after the native predator that is at the same time revered and hunted. The country wants to learn from the experiences of the Asian tigers as it develops its own model of progress that can weather the volatility of conditions on the steppes.

Ulaanbaatar is the center of the action, a city that has tripled in population in the past seven years, and which is home to a young, well-educated and entrepreneurial population. It is here that consumer and luxury brands can strike gold.

### GDP (billion \$)



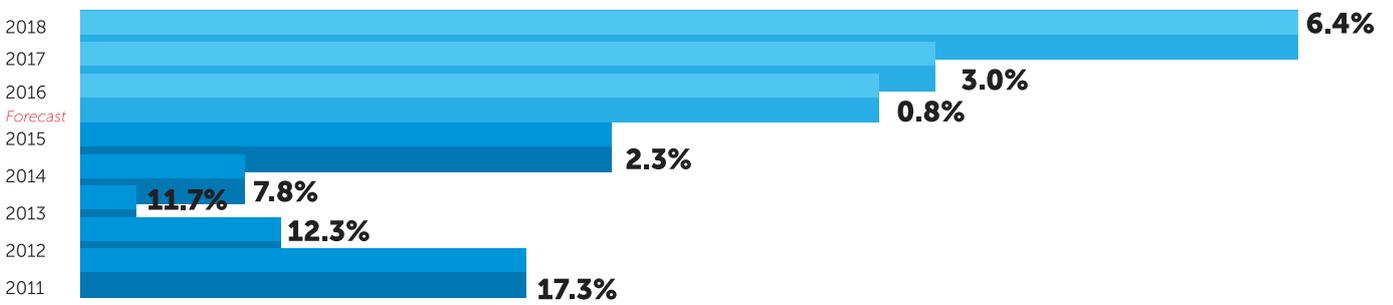
Source: World bank

### GDP Per Capita (PPP, \$)



Source: World bank

### GDP Annual Growth (%)



Source: World bank

### GDP composition, by sector (2015)



Source: World bank

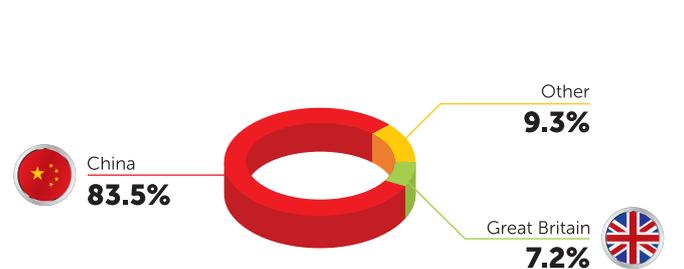
### Biggest import partners



Source: Government statistics

### Biggest export partners

(mainly copper, livestock, cashmere, wool, hides, metals, coal and crude oil)



Source: Government statistics

## CONSUMERS

# HORSES TO HORSE POWER





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## Mongolia's changing consumer landscape

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The transformation seen in Mongolia over the past 25 years has been tremendous, and has created a thriving capital that would be almost unrecognizable to those who called it home a generation or two ago.

There are five-star hotels and gleaming shopping malls that would look

perfectly at home in Hong Kong, London or New York. The people these places cater to are the minority. Poverty is still keenly felt in much of the country beyond the capital; indeed, on the city's fringes, there are people buying rice just a cup at a time.

There is no Mr Average in Mongolia. The majority of people live, according to nomadic tradition, in canvas gers, while others sport designer fashion, drive expensive cars and live the cosmopolitan lives that have attracted upmarket brands from around the world.

Credit Suisse in 2015 calculated that 39 per cent of Mongolian adults have

wealth of between US\$10,000 and \$100,000, while a further 1.7 per cent are dollar millionaires – about 32,000 people.

Car ownership is becoming commonplace in a country with few roads, though this is changing and the network has expanded significantly in the past two years. Mercedes-Benz entered Mongolia in 1998 through a joint venture and now employs 300 people in the country; BMW and Volkswagen have also arrived. Burberry and Louis Vuitton have become landmarks in Ulaanbaatar, and more affordable luxury takes the form of KFC, Pizza Hut and Burger King, all of which have launched in the past three years. ▶

## CONSUMERS

### DRIVERS OF CONSUMPTION

Despite the wealth gap, in many ways Mongolia has a heterogeneous population. The official language, Mongolian, is spoken by 90 per cent of the people, and, while Russian is widely spoken as a result of the country's Soviet history, English is becoming the more common second language, particularly among the young.

Ethnic Mongols account for 95 per cent of the population with Kazakhs making up most of the rest of the population, along with Turkic, Chinese and Russian Mongolians.

Buddhism is the predominant religion, with small numbers of Muslims and Christians, though religious values are often wrapped up with superstition, and shamanism has been enjoying a recent resurgence. It is not considered unusual for someone to go to Buddhist temple one day and visit a shaman the next, and, among the professional classes in UB, religious duties are often about being seen to do what's traditional.

There are tensions and apparent contradictions in the way Mongolian people live, as they balance progress with tradition. A sense of individualism is stronger here than in many Asian countries – Mongolia excels at individual sports like wrestling and sumo rather than team sports – but the word 'family' here means extended family, and family festivals are an important part of people's lives. At Lunar New Year, hundreds of thousands of people arm themselves with gifts and visit their elders – not just their own relatives but respected people in their community or perhaps their old teachers. Young people often live with their parents until well into their 20s, leaving home only when they marry.

People old enough to remember the collapse of communism and who



have queued for hours to get rationed bread have quite different attitudes to the generations born after that. What's common across many income groups is a desire to give their children a good education, and huge numbers of young Mongolians are being sent overseas for school and university.

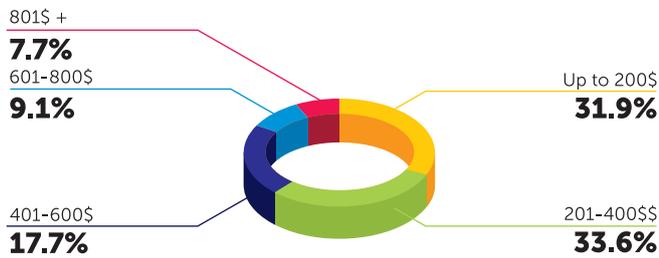
Mongolians see themselves as being quite risk-averse, yet personal savings rates are low, people tend to spend money when they have it, and while they have traditionally been reluctant to broadcast their opinions, social media is ubiquitous among those with internet access.

Women have a strong voice in the home and the workplace. Consumer research by Y&R Mongolia shows that 95 per cent of people believe women are as competent as men to be business executives, and people of both sexes almost universally say that it's important to give their daughter a university education.

However, almost half of people think it is best for the man to earn the family's money and the woman to look after the children, and more than a third of both men and women believe that women should do most of the housework even when both partners are working.

## HOW PEOPLE LIVE

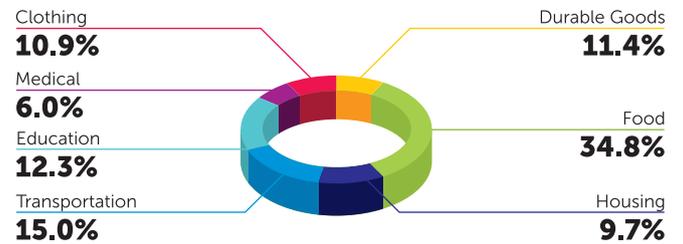
### Monthly household income



Source: Nationwide Research, Y&R Mongolia – a TNS affiliate

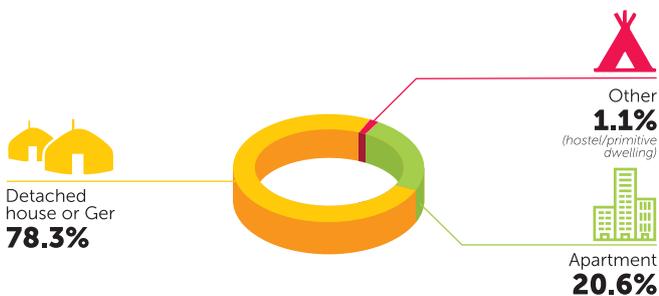
### Monthly household expenditure

(% Total)



Source: Nationwide Research, Y&R Mongolia – a TNS affiliate

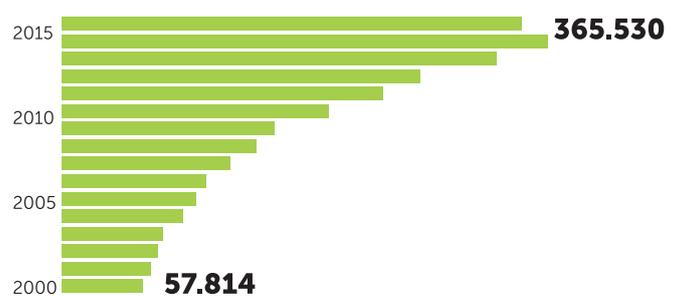
### Apartment type



Source: Nationwide Research, Y&R Mongolia – a TNS affiliate

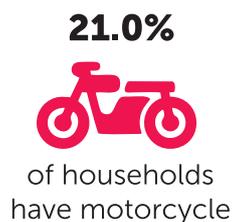
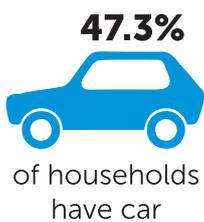
### Number of private cars

(2000-2015)



Source: National Statistical Office of Mongolia

### Transportation



Source: Nationwide Research, Y&R Mongolia – a TNS affiliate

### Main decision maker in a household



Source: Nationwide Research, Y&R Mongolia – a TNS affiliate



“

STRONG, CLEVER AND ABLE TO SURVIVE HARSH  
CLIMATES AND ENVIRONMENTS,



THE WOLF SYMBOLIZES THE DYNAMISM OF MONGOLIA'S ECONOMY.





# THE OPPORTUNITY

## RETAIL



# THRIVING MODERN TRADE

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## The vast Narantuul market in the east of Ulaanbaatar is a legendary shopping destination.

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This hub of commerce is where an estimated 100,000 people make their living, in all weathers, and they say in Mongolia that if you can't find something at Narantuul, it probably doesn't exist. But it's retailing in the heart of UB that currently has analysts and brands excited. The modern trade is thriving – and growing apace. The city center is home to designer brands' flagship stores that are not only as beautiful as those of any world city, they're often far more profitable. Retail rents in central UB are reported to be about half of those in similar locations in Hanoi, for instance. And in grocery, the proportion of sales being made in modern-trade supermarkets and mini-marts has doubled in just two years, while that going to 'impulse stores' – wooden roadside kiosks – has halved.

Analysts A.T. Kearney's annual Global Retail Development Index ranks Mongolia fifth out of its top 30 markets for the promise it currently offers. Based on macro-economic and retail-specific variables, they identify these markets as those that are successful right now but also offer strong potential. The index describes Mongolia's retail sales growth rate as among the highest of any developing market in Asia.

Central Tower is home to luxury names such as Louis Vuitton, Armani and Versace, while the Ulaanbaatar Department Store, opened in 2010, features the likes of Chanel, Gucci and Dolce & Gabbana perfumes. Nomin Holdings' prestigious State Department Store is also a center of international designer labels, with affordable luxury labels such as Tommy Hilfiger featuring

alongside jewellery and electronics.

Shopping has become a leisure activity in UB, and while wealthy people are increasingly employing domestic help, they still tend to do the shopping for themselves. Malls in districts that are popular with middle-class couples and families include features such as indoor playgrounds, ice-skating and dining options.

While low-income consumers tend to shop daily for food, often just buying ingredients for one meal at a time as they can afford it, for UB's affluent residents, the norm has become a big weekly shop to fill up the fridge, topped up with more frequent outings for perishables like bread and milk. The Korean supermarket and hypermarket chain E-Mart is launching in UB in 2016. Mongolian retail group Nomin has a network of six supermarkets and six hypermarkets, and the Good Price supermarket chain, which stocks many international products and has an in-house bakery and deli, has recently expanded from a single store to five.

Provision stores, or mom-and-pop stores, still have a large role to play in consumers' lives here, and their role as distribution centers and points of influence is not to be overlooked. Roadside impulse stores, which have recently been smartened up under a government licensing scheme, sell a huge range of packaged goods, from noodles to Coca-Cola – everything except tobacco and alcohol – but as the modern trade grows, these small traders are becoming less popular.

## CARDS GAINING GROUND

Credit is not a new concept in Mongolia, though plastic cards perhaps are, along with online transfers of money. Outside the capital, ger-dwellers usually keep a tab running with their nearest grocery supplier and make payments when they themselves get paid.

In bigger stores and in the cities, cash has been king, though debit cards are becoming more popular, and 16 per cent of retail outlets now accept card payment. Banks have been encouraging only the super-rich to take a credit card rather than a debit card, though, and often require users to lodge a deposit while they build up a good credit record. Gold cards are therefore a rarity and to be able to flash one in a restaurant is a clear signal of status.

Small, owner-operated shops sometimes accept electronic payment not via bank cards but through smart phone or SMS transfers that enable the recipient to see immediately that they have been paid.

Personal loans are commonplace and pay-by-installment arrangements are often used for buying expensive items such as household appliances and cars, both new and second-hand.

Several banks have been promoting their savings products in recent times, encouraging consumers to put money aside when they have it. There is little tradition of saving in Mongolia; people tend to spend when they have money and have lean times when cash is scarce. ►

## RETAIL



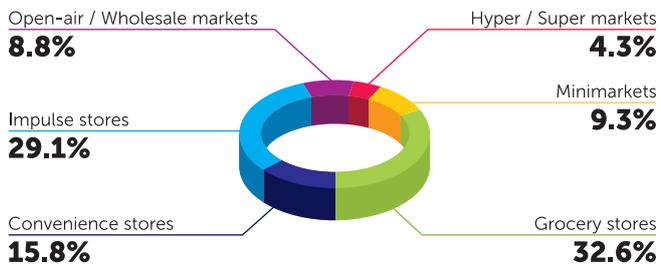
### DOOR-TO-DOOR SERVICE

E-tailing has been slow to take off due to one main reason, and it's not about internet connections or digital payment. It's addresses. Too few people have an official street address, meaning delivery becomes a time-consuming and expensive headache. Addresses are often given as a series of directions or landmarks, though new housing developments are, naturally, easier to find. Many people have their correspondence sent to them at their office address for that reason.

Mini-marts within housing estates, especially those bought by the newly affluent, often offer delivery services; some developments even have a phone hotline in each apartment to an on-site store. The affluent buyers in new developments are also fuelling the growth of delivery services that specifically target their needs, such as weekly deliveries of fruit and vegetable boxes.

## RETAIL STRUCTURE

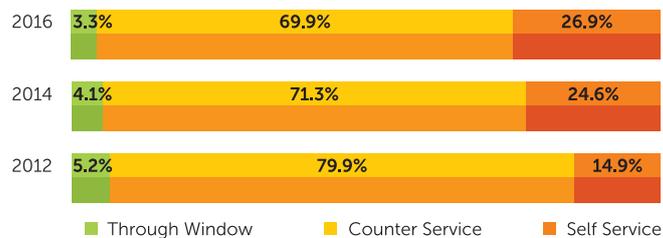
Retail Structure in Ulaanbaatar  
(2016)



Source: Retail Census, Y&R Mongolia – a TNS affiliate

## MODERN TRADE

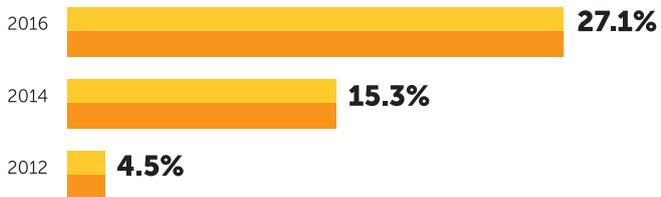
Service type in retail outlets  
(2012, 2014, 2016)



Source: Retail Census, Y&R Mongolia – a TNS affiliate

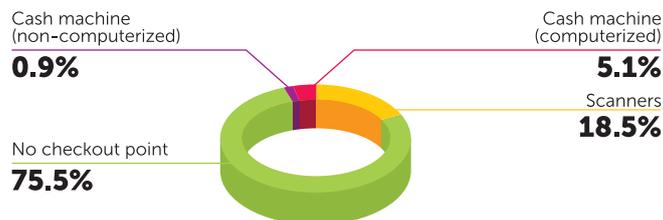
## TECHNOLOGY USAGES

Retail channels with electronic payment (POS)



Source: Retail Census, Y&R Mongolia – a TNS affiliate

Register type in retail outlets  
(2016)



Source: Retail Census, Y&R Mongolia – a TNS affiliate



## MEDIA

# TUNING IN

## TV and the new, online prime time

Television has for decades been a magnet for consumers looking for information and entertainment. It remains the most popular medium in Mongolia, with evening prime time still the time when most viewers are tuning in.

There is a long history of video production in Mongolia, and TV ads look as professional as any produced around the world – and can be made for about one-tenth of the cost of making them in Singapore, for instance.

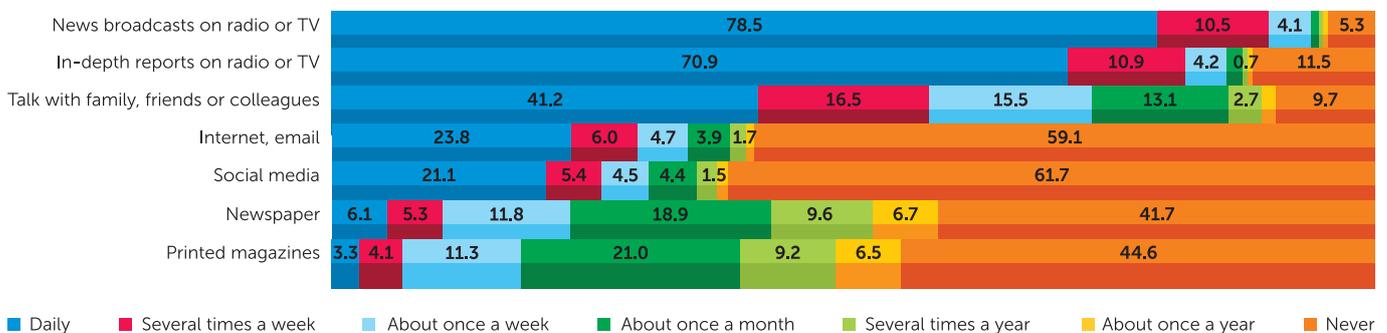
The growing availability of internet access and smart phones, however, is transforming the way Mongolian people – particularly the young and those with higher-than-average incomes – are connecting with the wider world.

Increasingly, consumers are turning to their friends rather than established news media for updates on things that matter to them. TV news is still the first place they turn for news, but email, word of mouth and social media combined are just as influential.

There are four mobile networks in Mongolia. The market leader is MobiCom, followed by Unitel, and SkyTel, which has about a quarter of the market. G-Mobile is the newest network and focuses on consumers in rural areas.

Almost all consumers use a pre-paid SIM card, and it is a mark of distinction among the more well-heeled to have a number that is instantly recognizable as being a post-paid subscription.

### Household media consumption - How often used as a source for information about the country



Source: Nationwide Research, Y&R Mongolia – a TNS affiliate



## GOING SOCIAL

We Are Social calculates that 17 per cent of the total Mongolian population is using social media via mobile, and for affluent residents of Ulaanbaatar, that figure will be far higher.

Facebook utterly dominates the social media landscape in Mongolia, accounting for about 94 per cent of all social network usage. When people connect to the internet for the first time, they are as likely to set up a Facebook account as they are to get an email address. Many people run small businesses through Facebook, and Facebook groups have become a popular way for companies to communicate with their consumers but

also with their business partners and their staff, via members-only group.

Twitter is the next most popular social network, and accounts for about 2.5 per cent of social media activity. It is used in a very different way to Facebook, and is used almost exclusively by the political and academic classes and by the media. President Elbegdorj has a personal Twitter account and another for his office. Curiously, the president's Facebook page is one of the most 'liked' in the country. Mobile phone networks and fashion labels are the brands with the biggest Facebook following.

Pinterest and Tumblr also have small foothold in Mongolia. YouTube has so far made only a slight impression on consumers here, and usage is less than

one per cent of total social media.

In the past 18 months, advertisers have begun to rethink marketing budgets and are shifting some of their TV budgets online.

Much of brands' online work, however, is simply putting their offline work on a new, smaller screen. It tends not to be created with a small screen in mind, and doesn't usually make the most of the interactive nature of mobile phones. A notable exception to this was Tiger Beer's Facebook competition to support its broadcast sponsorship of the English Premier League football series. The brand built excitement and encouraged sharing among friends by offering cash prizes and the chance to win tickets to the finals.

## MEDIA



## IMPLICATIONS FOR MARKETERS

**It's horses for courses** – Media plans very much depend on the age and income level of the target audience. Even for the youngest and hippest, television is still likely to have a role to play, but a far smaller one than for an older target audience or those yet to get online.

**TV can be done well and inexpensively** – High production values can be achieved for much less cost than in other Asian markets. And, if your brand is targeting over-30s, it is still a powerful medium for reach. For the over-30s, TV is essential, even among consumers who are wedded to their smart phone.

**Be a social pioneer** – You won't be the first brand on Facebook in Mongolia; far from it. But you might be among the first with a truly memorable campaign that feels right for the platform and makes the most of the social element of the network.

## THINKING INSIDE THE BOX

The most popular programme on Mongolian television in 2015 was Mongolia's Got Talent, a local version of the format that has been a hit around the world. It was not just the most expensive TV production in the country to date, but also the most expensive advertising destination reported to cost the equivalent of US\$150 per second. This is in sharp contrast to regular ad rates of about US\$10 per second on Mongol TV, the channel screening the show.

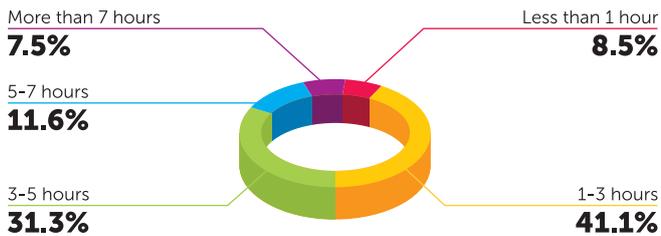
Many other channels, and there are about 70 channels available in Mongolia, charge even less – as little as \$2 to \$4 per second.

Mongolian National Public Radio and Television (MNB) is the oldest broadcasting organization in Mongolia as well as the only public service broadcaster in the country. It says news and current affairs, led by the evening news digest Wheel of Time, is one of the most popular genres, especially among men and over-35s. Comedy and dramas – locally made series and those from

South Korea, Russia and the US – also have a strong following.

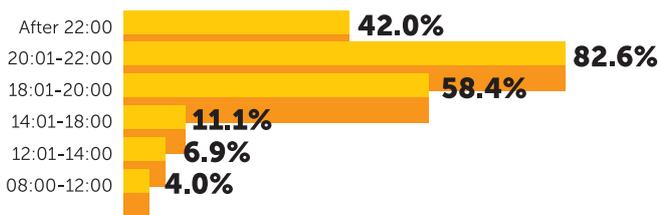
Peak viewing is between 9pm and 11pm – almost a third of the population of Ulaanbaatar is watching the box at this time of night – and viewing goes up at weekends. There is strong demand for one-off, special live events such as the Academy Awards. When ETV showed the 2014 FIFA World Cup final, 10 per cent of Mongolians tuned in, even though kick-off was at 4am.

### Average duration of TV usage



Source: Nationwide Research, Y&R Mongolia – a TNS affiliate

### Daily prime time

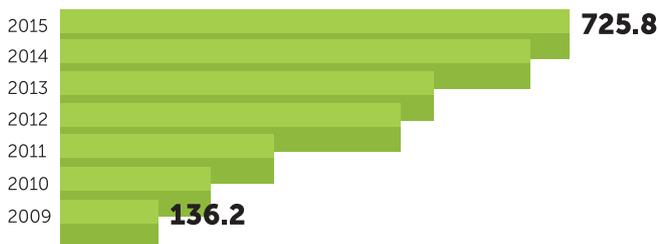


Source: Nationwide Research, Y&R Mongolia – a TNS affiliate

## TECHNOLOGY USAGES

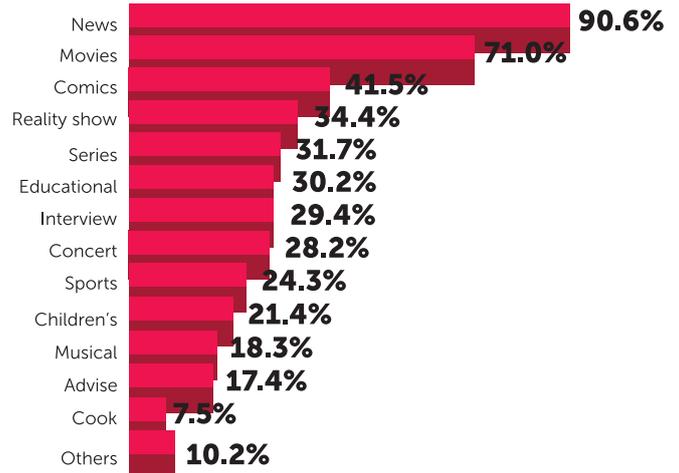
### Consumers of multi-channel TV services

(000' people, 2009-2015)



Source: Nationwide Research, Y&R Mongolia – a TNS affiliate

### Most watched TV programming



Source: Nationwide Research, Y&R Mongolia – a TNS affiliate

### TV service subscribers



Source: Communications Regulatory Commission of Mongolia

### IPTV users



Source: Communications Regulatory Commission of Mongolia



“

MONGOLIANS HAVE A STRONG SENSE OF SELF-IDENTITY



THEY TAKE PRIDE IN THEIR UNIQUE CULTURE. ”

TECHNOLOGY

# GETTING CONNECTED

Making the technological leap



Lively competition in the mobile and fixed line telecoms sectors is bringing phone connections and web access to huge numbers of Mongolians, many for the first time. There are four mobile network providers competing for a fairly small pool of subscribers, so competition is intense on the price of services and also the speed of connections, call quality and coverage of the network.

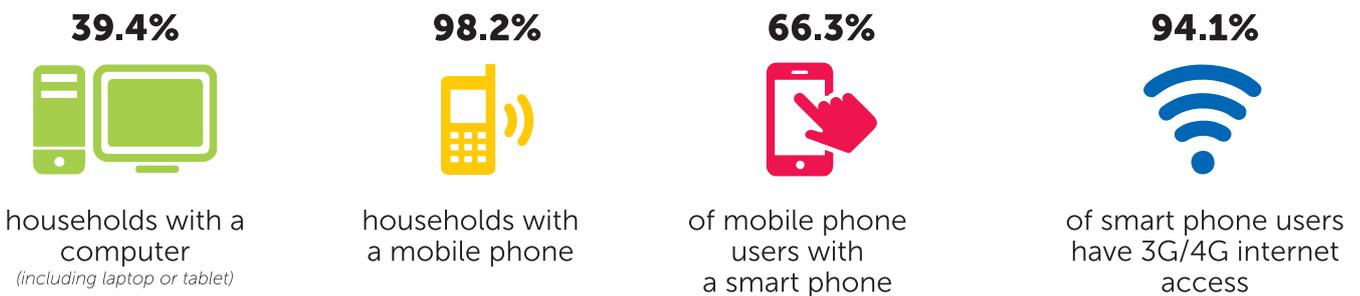
As well as opening up the telecoms market to competition, the government has launched several tech-led initiatives to improve the connectedness of

its people as it seeks to diversify the economy and foster a 'knowledge economy'. The National Broadband Programme aims to give more than half of all households access to low-cost, high-speed broadband and television, and to get wireless broadband to 40 per cent of homes in remote areas.

In the annual Networked Readiness Index released by the World Economic Forum, Mongolia has been making a rapid climb up the ranks, from 85th place out of 138 countries in 2010 to 61st place in 2015, putting it one position ahead of China.

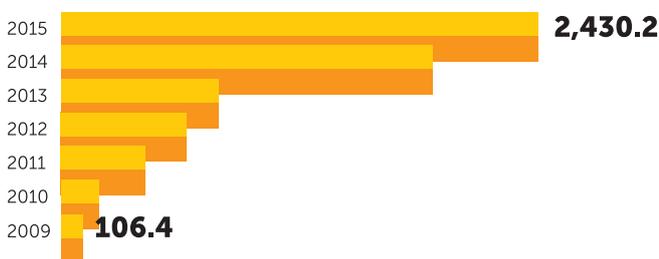
The majority of the consumers online in Mongolia today are connecting from a mobile phone, but affluent city-dwellers are not jumping straight from having no phone to a smart phone. There has long been a tradition here of having a land line in the home, and many of the most wealthy will have gone through the same stages of development, from desktop to laptop to smart phone, that their contemporaries in more developed markets have.

### Technology usage by household



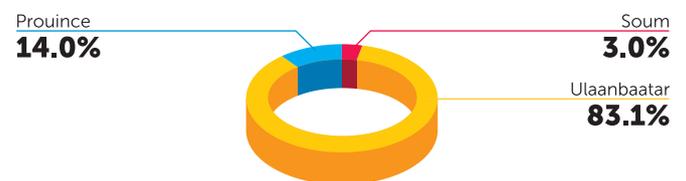
Source: Nationwide Research, Y&R Mongolia – a TNS affiliate

### Internet users (000' people, 2009-2015)



Source: Communications Regulatory Commission of Mongolia

### Internet users by place



Source: Communications Regulatory Commission of Mongolia

**FIXED-LINE TELEPHONE USERS** **255.6 THOUSAND**

Source: Communications Regulatory Commission of Mongolia



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4G MOBILE TECHNOLOGY WAS LAUNCHED IN 2016.

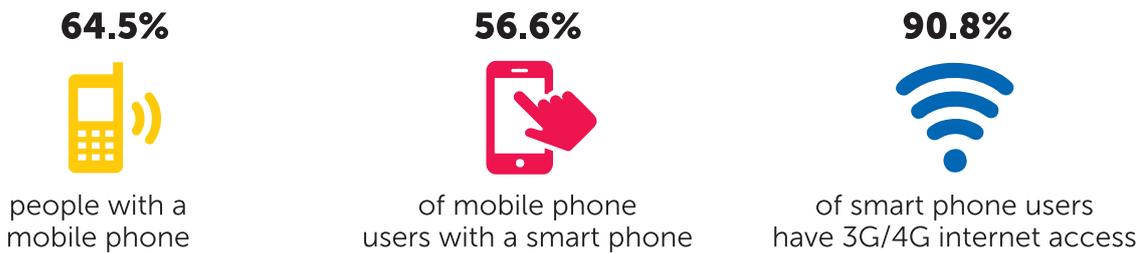


THIS WILL DRIVE NEW DIGITAL OPPORTUNITIES. ”

## TECHNOLOGY

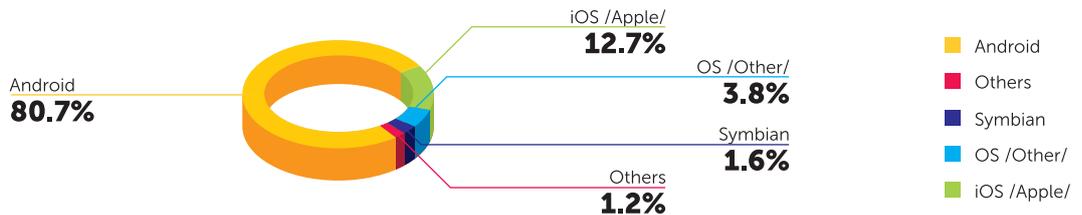
Connectedness in outlying areas is improving; in 2013 a World Bank-funded project created a network of more than 150 satellite public phones for herders working in remote areas that mobile networks couldn't reach. And the government's ICT Vision 2021 has so far led to the rollout of fibre optic and digital microwave networks to extend connectedness to remote villages. The growing take-up of mobile broadband is happening at the same time as a decline in demand for fibre broadband.

### Technology usages by person



Source: Nationwide Research, Y&R Mongolia – a TNS affiliate

### Smart phone users (2015)



Source: Communications Regulatory Commission of Mongolia

### Technology usages - in averages

<b>Household</b>	For every <b>2 households,</b> there are <b>5 mobile phones</b>	For every <b>5 households,</b> there are <b>7 smart phones</b>	For every <b>2 households,</b> there are <b>5 mobile numbers</b>
<b>Individual</b>	For every <b>10 people,</b> there are <b>7 phones</b>	For every <b>10 people,</b> there are <b>4 smart phones</b>	For every <b>100 people,</b> there are <b>107 phone numbers</b>

Source: Nationwide Research, Y&R Mongolia – a TNS affiliate

## HI-TECH VISION

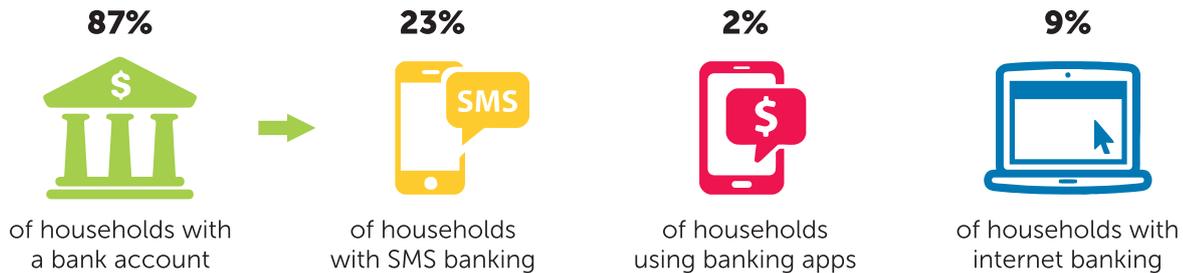
4G technology was launched in 2016, which will create new opportunities to develop digital services – and enable mobile operators to drive new sources of revenue from data, given the decreasing use of mobiles for making phone calls. The number of 'talk' minutes used on mobile in Mongolia declined for the first time in 2015, and the number of 3G subscriptions is due to overtake 2G connections by 2017.

Many consumers already pay their utility bills and taxes

online, and since 2012, a new national ID card has been rolled out called the eID, which links personal data and biometric facial and fingerprint data to a secure database of government agencies, such as the electoral authority, customs, passport office and the military.

Online and mobile banking enjoy strong take-up among smart phone users but there remains plenty of opportunity for growth in this sector.

### Banking goes digital



Source: Nationwide Research, YBR Mongolia – a TNS affiliate

The boom in connectivity is helping create the right conditions for a small but thriving group of entrepreneurs running businesses that in many cases are themselves making leaps in market development.

There are now regular Startup Weekend hackathons in Ulaanbaatar, Startup Grind keynotes, and there is an incubator for startups, Startup Mongolia, an NGO that helps guide fledgling businesses and entrepreneurs through the early stages of growth.

Digital startups to have gained prominence so far include Kaizen Mongolia, which runs a cloud-based system called Egulen that allows businesses to

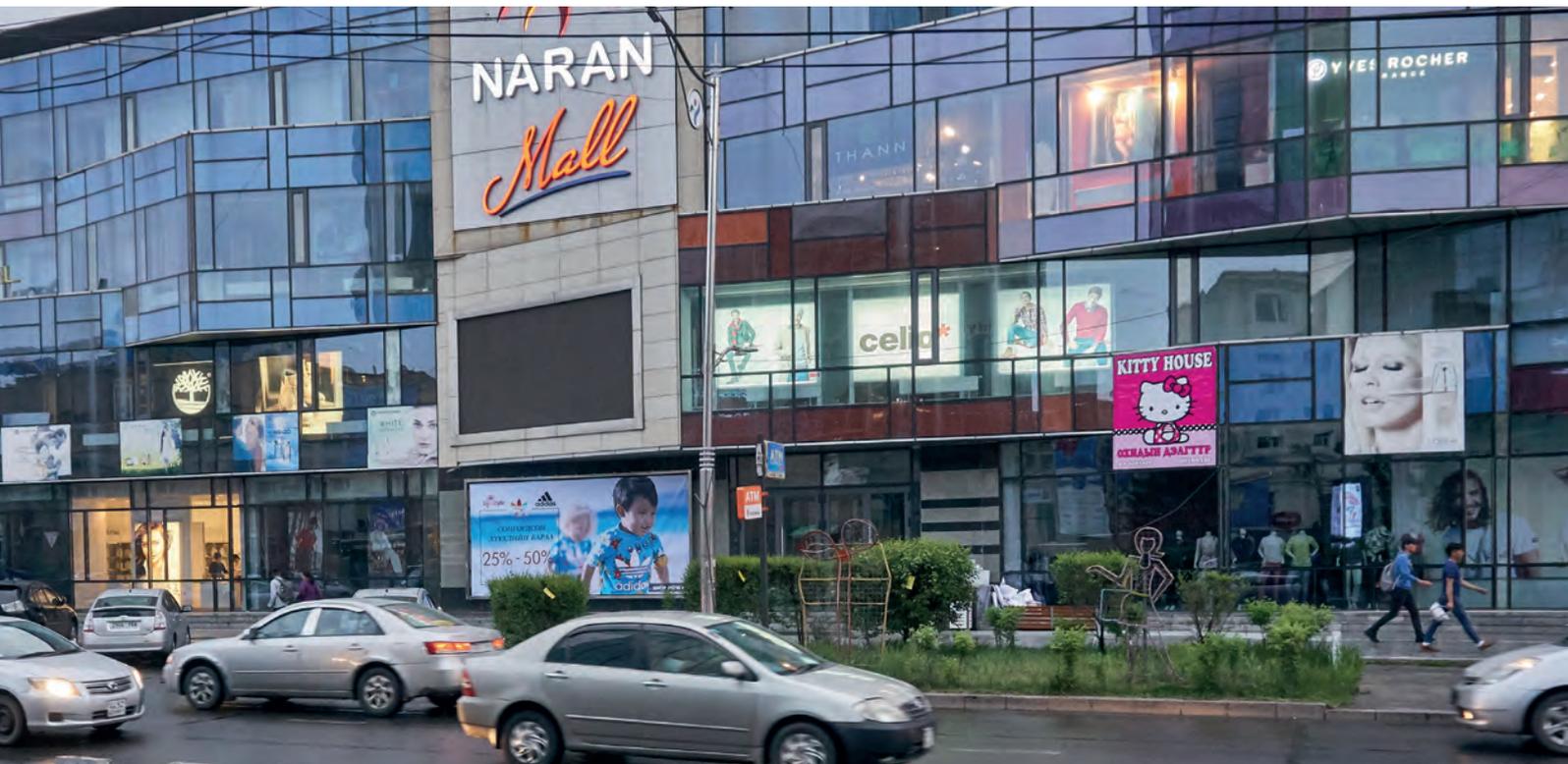
manage their money easily and has tailored its tools to different sectors, offering iRestaurant, iStore, and iSalon. Infinite Solutions is a B2B developer of software and hardware aimed at the financial services sector, building banking and payment apps, and security tools such as fingerprint scanners.

Mongolia has its own version of Groupon, ShopON, which has daily deals with restaurants and spas, and has 26,000 fans on Facebook. There are also Mongolian-built music streaming services and chat apps.

RETAIL

# BRAND ENVIRONMENT

Savvy shoppers take their pick in increasingly competitive market



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**International brands opening their first store in Ulaanbaatar often get something of a shock: they're already there.**

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Wealthy Mongolians tend to be frequent travellers and have for decades been bringing back with them global names in electronics, accessories, fashion, personal care and even food – and not only the most expensive brands. Just listen in to the people buying at H&M and Zara in Beijing and you'll hear many Mongolian voices.

Consumers keen to buy brands that aren't officially sold in Mongolia yet have found ways of getting those goods from other markets. When Porsche opened up in UB in early 2015, there were already about 50 Porsches on the city's streets.

Similarly, Amazon.com doesn't offer delivery to Mongolia, but there are logistics services operating out of the US that work as a transfer point for Mongolian customers, who have their orders delivered to the US for redirection to UB.

Mongolians abroad, especially those in the US and South Korea, often send back large quantities of products they know aren't available at home for their relatives to sell on. Even when global packaged-goods brands are sold in UB supermarkets, these are often the products made primarily for the Russian or Kazakh markets; there are individuals bringing in the same brands from Japan, the US or UK who run small shops or sell direct to consumers through word of mouth.

It's important to note that these goods are not fakes, and consumers are often

paying a sizeable premium to have them imported. The market in 'unavailable' brands is driven by affluent consumers' demand for quality and their desire something new – and their ability to pay for that.

This is all a long way from the brand landscape of the early 90s, when the collapse of communism was followed by the opening of China's border with Mongolia. With Mongolian unemployment high, many people began importing Chinese goods in the hope of selling them for a profit.

The tradition of "carrying the pig" – so called because traders' bulky wares were carried under an arm in a huge bag – led to an influx of what looked like foreign brands. The Sony Walkman – or rather a copy, called a 'Snoy' or some other approximation, arrived unofficially in Mongolia, along with other look-alike electronics brands, such as Sharpe. "They were really cheap, badly made copies, but most people didn't know how Sharp was really spelt," recalls Y&R Mongolia creative director Bilguun Munkhjargal.

These fakes are rarely seen in the modern trade now, but there are some reminders still of the way life was in the 90s. Older consumers still ask their bakery for a 1.20 Tugrik bread (worth then around 28 US cents), one of only two kinds available for many years – even though the loaf now costs 1200 Tugriks (worth around 60 US cents).

## NOT JUST FOR SHOW

Over the past decade, wealthy consumers have toned down their desire to flaunt their luxury purchases; it's not so cool to be seen as a show-off, and tastes are becoming more sophisticated.

There are now more subtle symbols of wealth and luxury than having a designer handbag on show. Having a mobile phone number that begins with 9911

signals that you were either among the first ever subscribers to Mobicom, or that you've since accumulated enough money to buy the number from someone who was. At times, these numbers have changed hands for more than the price of a family car. Other mobile numbers are instantly recognizable as pre-paid or post-paid; some consumers won't even answer a call if they can see it's from a pre-paid number.

Where someone lives in the city is another important marker of status, and the southern districts, with a mountain for protection and away from the smoke-generating ger communities on the fringes of the city, signal membership of the middle and affluent classes.

Owning luxury goods, and the most up-to-date products, satisfies not just a need to signal affluence but also provides personal satisfaction – to the extent that many of the country's iPhone users have spent a month's salary to buy it, but feel great about being an early adopter. What the middle classes are also buying is lasting quality – hugely important to Mongolian consumers.

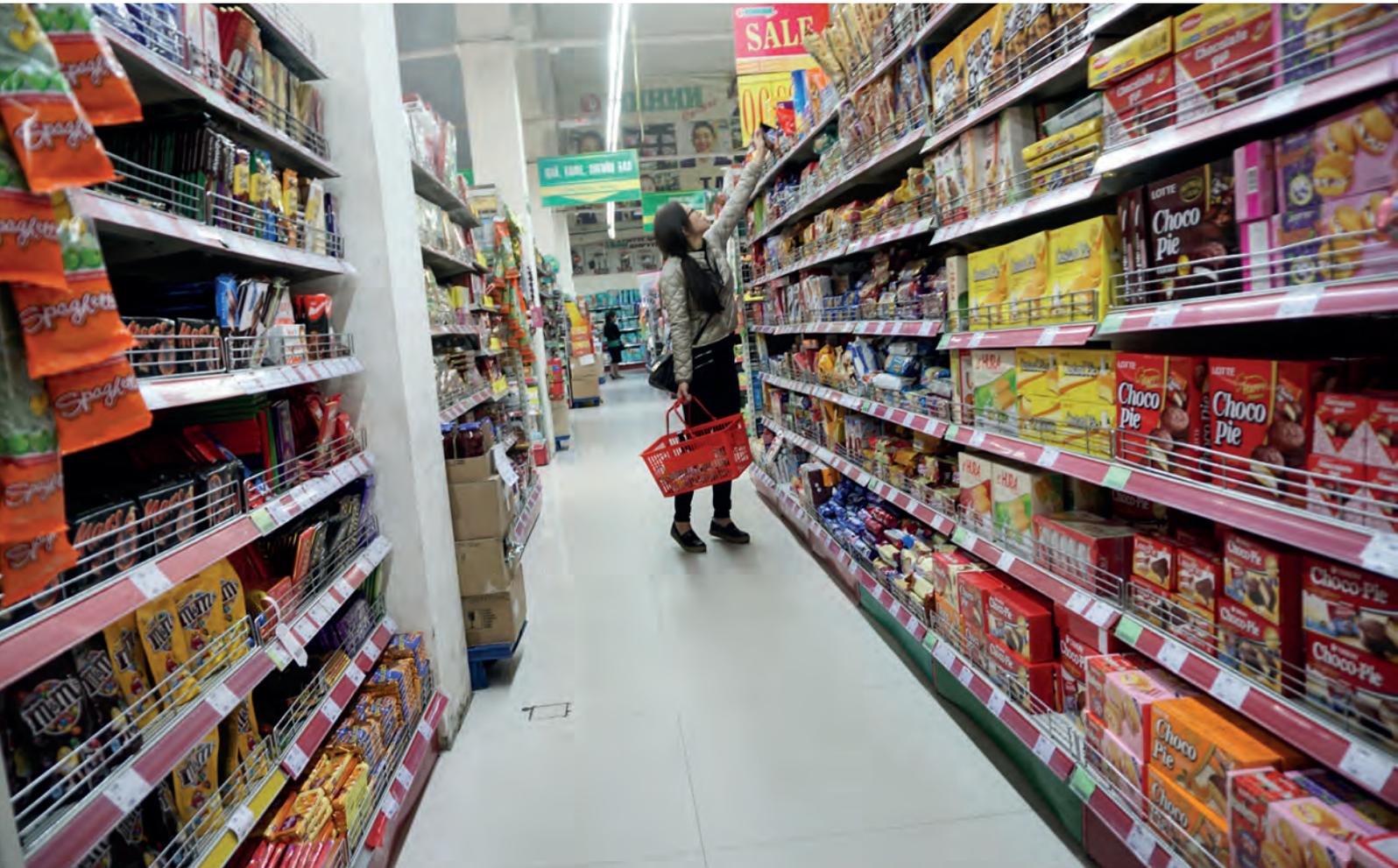
## GETTING THE MESSAGE ACROSS

The Mongolian advertising industry is known for delivering high-quality execution, but has been cautious in its creativity by world standards.

This is a lively advertising market, fuelled by the steady arrival of more and more brands, but also by Mongolians' curiosity and desire to keep trying something new, which means even long-standing brands have to update their image, if not their product offering, on a near-constant basis to counter consumer fatigue.

Many ads deploy the ever-reliable, family-around-the-dinner-table imagery,

## BRAND ENVIRONMENT



but this means it's hard to cut through, and these happy family ads often include a celebrity to make them more memorable. Celebrity endorsement is big business in Mongolia, with business leaders and political figures as likely to feature as entertainers. Often these are one and the same person; the lines between sport and entertainment and business leadership can be blurred here.

Mongolians' sense of humor can be quite dark, and getting this right in advertising is difficult to achieve – so is rarely attempted.

### OVERSEAS ALLURE

Consumers here don't aspire to western values; they are proudly Mongolian. But they do aspire to the standards of quality they tend to associate with global brands - and they know the difference.

There are aspects of Mongolian brand heritage that attract a premium, though, and local brands are increasingly using this to their advantage. Mongolian dairy products are seen as clean and superior in quality to imported goods, hand-crafted goods are seen as desirable, and

brands that display pride in Mongolian roots have instant cache.

Successful international brands are doing well, less for reasons of provenance and more for reasons of quality. Samsung, for instance, is viewed as a quality global brand, and China's Xiaomi smart phones are seen as cool.

Dubbing or translating international ads does not go down well, however. Consumers expect to see local faces and locally relevant messages in brand communications.

## THE FACEBOOK FACTOR

Facebook is THE social media network in Mongolia, and brands are increasingly investing in it to create noise and reach out to consumers.

Rankings of the most popular brands on Facebook from Socialbakers.com show that telecommunications brands Mobicom and Unitel are top of the table, having been engaged in a battle for subscribers for over two years. Their aggressive promotions – including a

free 32-inch television for people pre-ordering the latest Samsung handset from Unitel, and the chance for tickets to Japan from Mobicom – always require people to ‘like’ the brand’s Facebook page as a condition of entry. Rival SkyTel is also in the top 10.

Other big names on Facebook include Jordan Shop, a bricks-and-mortar retailer specializing in American sporting goods, and 1000zahia.com, which offers international brands of electronics.

Local brands winning fans on Facebook include Urban Jeans, which has enjoyed a surge in popularity in the past two years with their affordable, made-to-order jeans, and Goyo Cashmere, which is smaller than market-leader Gobi, but has designs aimed at younger consumers and a stronger and more lively online presence.



## LEARNINGS FOR MARKETERS

- 1 There's scope to stand out from the clutter by moving away from simple celebrity endorsements and happy family imagery. Be cautious about using humor, though, as hitting the right tone can be tricky.
- 2 Keep it fresh – brands need to maintain a presence and work on keeping their brand image and product/service offering up to date, or risk being blown away by interest in newly arrived competitors.
- 3 Be desirable and foreign - don't expect to be considered desirable simply because you're foreign. Use international credentials to signal quality, and find other ways to make your brand cool. For local brands, use heritage and traditional craftsmanship to your advantage.

# OUR MAN IN MONGOLIA

## Around the world and back to a very different Ulaanbaatar



When the creative director of Y&R Mongolia was growing up, there was no advertising industry in the country. There was next to no consumer choice, and international brands were almost unheard of, except in a couple of shops that were off limits to all but high-ranking government officials and expatriates.

### THE ULAANBAATAR OF BILGUUN

Bilguun's childhood was a town of only about 500,000 people – a quarter of the current population – and it is a point of pride among those Mongolians who

have lived for generations in the city to say they are UB born and bred.

The city then was a series of uniform four- and five-storey apartment blocks of the sort built right across the Soviet Union. "It was all very organized, very centrally planned and very different," he recalls. Children were assigned to their nearest school; some, like Bilguun, were taught in Mongolian and learnt Russian as a second language. Other schools taught exclusively in Russian.

Apartment blocks were mini-communities in which everyone knew everyone else and, while life was simple and mundane, it had a rhythm and sense of security about it that the elderly sometimes now look back on with nostalgia.

### HEADS OR TAILS

"People had a sense that while they didn't know where they were headed, the government did. They felt somehow that the leadership was super-human and they felt secure. They look at the parliament now and see ordinary people. In the last few years, the atmosphere has been quite chaotic and there's a lot of cynicism. People feel a

tension between moving forward and hanging on to what's not working."

Television in the 70s and 80s was ubiquitous in UB, but there was only one channel, and it was only on air for four hours a day, from 7pm. Bilguun still remembers the daily schedule of news and propaganda, and that the cartoons came on at 8.30pm.

"My first experience of a global brand was in about 1985. As kids we'd play a game using flattened bottle tops, flipping them, a bit like 'heads or tails', and you could win tops from the other kids if you called it right. I remember seeing a Pepsi cap; we didn't know what it was. We didn't even know whether it was a soft drink or beer."

Bilguun's parents were highly educated; his father worked for the Academy of Science and was a sociologist, while his mother was a microbiologist. Under communism, that didn't provide the family with access to wealth, but it did mean the academic classes often travelled throughout the Soviet Union. His mother was sent to Hungary to study for a PhD when he was a toddler, and cousins and other relatives studied in then-Czechoslovakia, Bulgaria and Romania.

## A DAY IN THE LIFE

An aunt who was studying in East Germany came back to Mongolia with incredible tales from the most progressive of the eastern bloc countries. "She told me about soda that came in cans. I couldn't believe it."

When his mother was away studying, Bilguun often stayed with his grandparents in their ger, a traditional round tent of the kind that now fringe the north and eastern parts of the capital, as people are drawn to the city to seek work. Back then, he recalls it being quite lonely, after the community spirit of the apartment block, but not at all strange to have been living in a tent.

"It was just part of my childhood. I liked having more open space to run around, but the best part was that everyone had a fence around their ger and a watchdog, and I was excited about the dogs."

Cassette tapes of bootlegged Beatles music brought in from Poland helped Bilguun through teenage years that coincided with the collapse of communism, which led to high unemployment and food shortages.

"We weren't starving, but it was a lot of effort to eat." Hours-long queues for bread and other staples became the norm. Cheap Chinese imports started to flood in from 1992, when the border was opened and as enterprising and at times desperate Mongolians sought to earn money.

Bilguun finished his schooling at Eton College after a winning a scholarship through the British Embassy for two Mongolian students to study in Britain. Having learnt English from American and Canadian teachers, the British accent came as a shock, along with the British streetscape and a very different culture.

"The attitude to life really struck me. We'd had economic transition in Mongolia but not an intellectual transition. And the choice of products



*Bilguun with his mother, Tasganii Ovoo, Ulaanbaatar in 1982.*



*Bilguun (right) with friends at 3rd district, Ulaanbaatar, 1995.*



*Bilguun and his cousin, Ulaanbaatar, 1982*

was just so big. Brands were really engaging with people, and people were really attached to the brands they liked. Everything was branded – books weren't just books, they were Penguin books. Everyone had their favorite cereal brands or thought their peanut butter brand was better."

## ON THE MOVE

From there, Bilguun studied international business in Australia and worked in Singapore for several years, where he moved into advertising copywriting via web design. He returned to UB in 2008 to take up a marketing role with the agency MCS, in which WPP subsidiary Y&R took a majority stake in 2014.

During his 14 years away, UB had been transformed. Cheap fakes of Western brands had made way for genuine imports, which started to come in from about 1997. An advertising industry had grown from nothing into a thriving sector with high production values, an industry association and annual awards.

The apartment that Bilguun grew up in cost his parents 30,000 Tugrik, which was worth about US\$7,150 when they bought it in 1985. That sum, now worth about US\$15, now only covers lunch in one of UB's smart cafes.

Now 38, Bilguun is married and has a three-year-old son. UB is their home, for now at least, though he and his wife have a wanderlust they attribute to their nomadic past. "It's very important for my son to have a connection with his grandparents; our family is here. But travel is so interesting ..."



ULAANBAATAR HAS ENJOYED A FAIRLY SUDDEN SURGE OF AFFLUENCE AND DEVELOPMENT.



SOME OF THE PHYSICAL INFRASTRUCTURE HAS  
STRUGGLED TO KEEP PACE. ”

## NEIGHBORS



# KEEPING UP WITH THE NEIGHBORS

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**In many ways, Mongolia has more in common with Indonesia than it does with some of its more immediate neighbors. Or rather, Ulaanbaatar has much in common with Jakarta.**

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Both cities have enjoyed a fairly sudden surge of affluence and development that some of the physical infrastructure has struggled to keep pace with – explaining the traffic jams and impossibility of parking in both cities. Both have extremes of wealth, with each country's super-rich and middle classes almost exclusively living in the capital, and both are being led by young, open-minded and digitally enabled consumers who are both curious about the outside world and, at the same time,

deeply proud of their cultural heritage.

There are more differences than similarities between consumers in Mongolia and neighboring China, although both countries enjoy huge national celebrations for Lunar New Year. This is an opportunity – and for some, a sense of obligation – to share luck among friends, family and people who have given support throughout the year. It's a huge shopping opportunity though gifts can be simple – shoes and socks are seen as especially auspicious, as the opening points up, so the luck can't run out – and involves a massive movement of people as young people visit their elders.

The booming market for luxury goods in Mongolia has followed that of China; as in China, conspicuous consumption has quickly given way to more subtle and sophisticated consumerism. Flashy displays of wealth are not cool, and can lead to resentment from poor Mongolians who feel the country's resource boom

has passed them by. Discreet luxury, recognized by those in the know and inoffensive to those who aren't, is the rule in UB.

Mongolia's Soviet past means there are connections with many other ex-USSR markets; people now in their 30s and 40s will have grown up listening to the same music and watching the same TV shows as people in Uzbekistan, Kazakhstan and Romania. The Russian tradition of toasting business deals and celebrating with plentiful vodka is still strong in Mongolia.

And while many Asian cultures gravitate towards the importance of the collective rather than the individual, in Mongolia, there is a greater sense of individualism. There's also a strong propensity to travel; a nomadic past and decades of expectation of travel around the Soviet Union for education means it is a rare member of the Mongolian middle class who doesn't have a passport.

## **ALONG FOR THE RIDE – WITH SOME OF THE WORLD'S TOUGHEST CUSTOMERS**

Amar Baatartsogt is Managing Director of the Ulaanbaatar-based taxi app EasyRide, which was launched less than a year ago and recently passed 40,000 downloads.

Baatartsogt has previously worked in the US, and saw an opportunity for ride-sharing technology in UB in part because many people pick up passengers anyway, smart phone usage is growing – and because it might help reduce traffic congestion.

"UB is a pretty interesting city," he says. "Practically every driver is a 'taxi driver'. For instance, someone with a full-time day job would often pick up a passenger or two when they are heading home. Roughly 70-80 per cent of all 'taxi' transportation is

fulfilled by individual drivers."

Those drivers have now been connected to a centralized dispatching system or ride-sharing platform. A unique challenge in this market is that a typical address in UB might be "The yellow building in front of School No.1", so EasyRide has been designed so that such a detailed input is only needed once for each address.

Baatartsogt's time in the US taught him about demanding consumers who expect high levels of service. In Mongolia, he says, consumers are at least as picky as their American counterparts, vocal when things go wrong and have little time for 'teething difficulties' when start-ups launch. But, they

are keen to see local businesses do well, and are willing to give new services a go.

"Mongolian customers are tough to please and don't like to give you another chance if they get disappointed in any way," he says. "So, keeping the customers happy and managing their expectations becomes a challenge. And, unlike US customers, Mongolian customers do not become loyal to one brand easily, even if the brand excels at delivering what it promises.

"I think Mongolians are as tough as a customer gets. If you can please a Mongolian customer, you are good to go anywhere else."



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HERDING IS STILL VERY MUCH ALIVE.



MONGOLIA HAS 56 MILLION HEAD OF LIVESTOCK.





# WPP IN MONGOLIA

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# WPP

## in Mongolia

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To learn more about how to apply this expertise to benefit your brand, please contact any of the WPP companies that contributed to this report, or contact:

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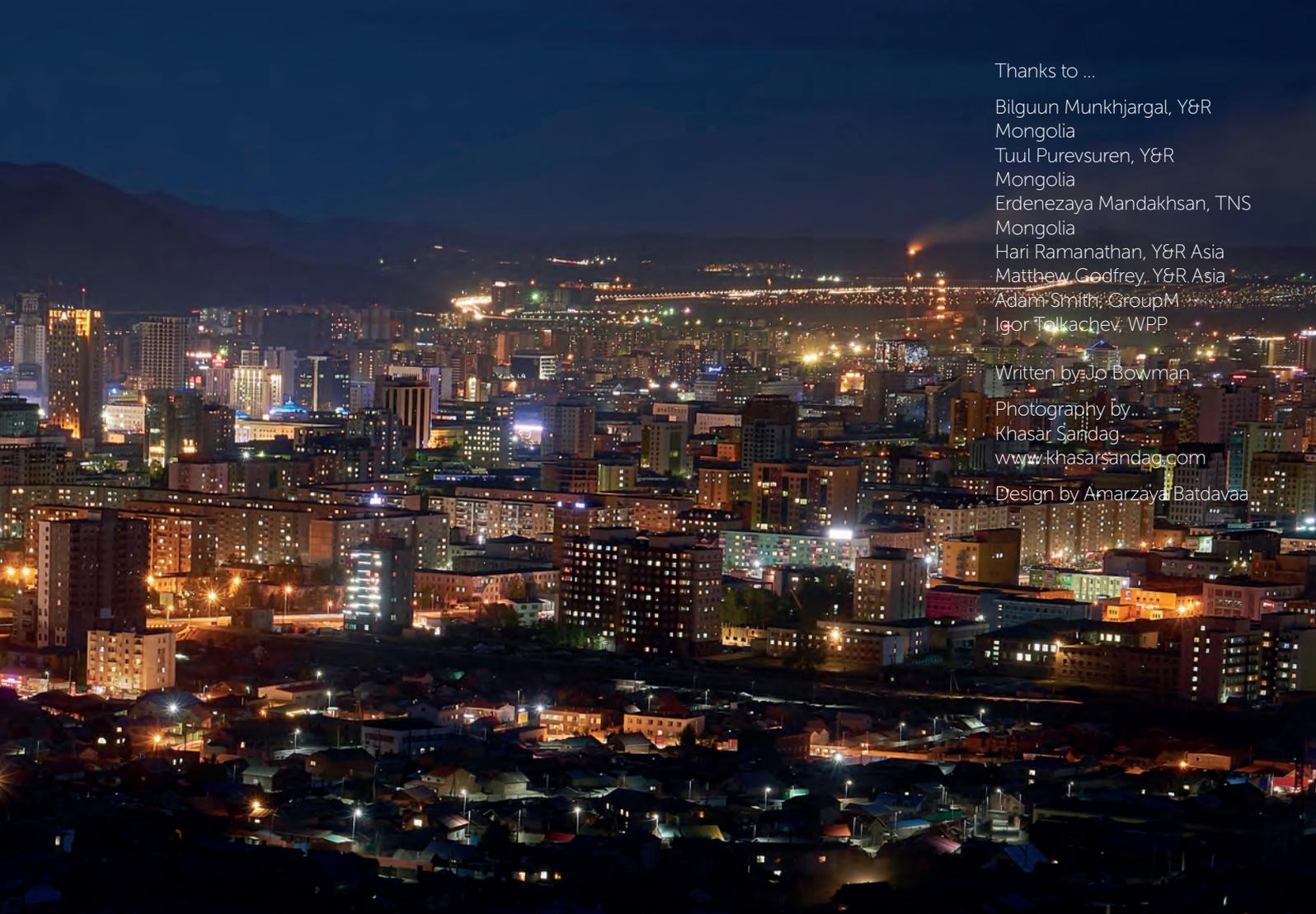
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Y&R Mongolia's research and creative team members are celebrating their 10th year anniversary in their fields in 2016, having started out as an in-house creative and research agency 10 years ago in Mongolia.



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Breakthrough Communications is Mongolia's first integrated communications and public relations firm, serving local and international brands in the country since 2008. It provides corporate communications, public relations, marketing communications, social media and events management services.

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“

URBANIZATION IS CHANGING LIVES.



FORMER NOMADS ARE SETTLING IN CITIES AND TOWNS. ”

