

*CUCKOO International (MAL) Sdn Bhd
Recognized as the*

2021

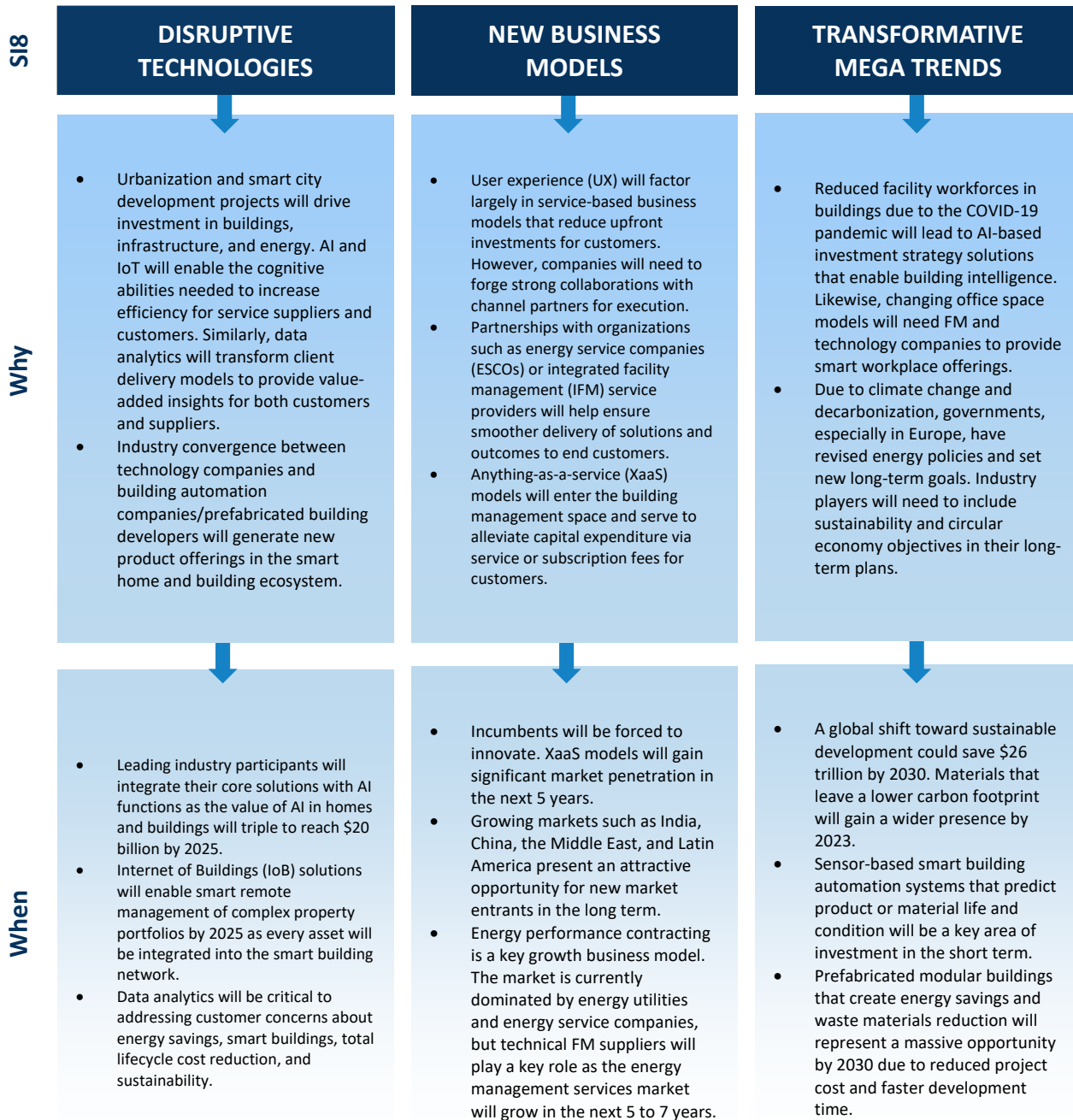
Company of the Year

Malaysian Home Water Filter Industry
Excellence in Best Practices

CUCKOO

Strategic Imperatives

Frost & Sullivan identifies three key strategic imperatives that impact the building services and technologies industry: disruptive technologies, new business models, and transformative mega trends. Every company that is competing in the building services and technologies space is obligated to address these imperatives proactively; failing to do so will almost certainly lead to stagnation or decline. Successful companies overcome the challenges posed by these imperatives and leverage them to drive innovation and growth. Frost & Sullivan’s recognition of CUCKOO International (MAL) Sdn Bhd is a reflection of how well it is performing against the backdrop of these imperatives.



Best Practices Criteria for World-Class Performance

Frost & Sullivan applies a rigorous analytical process to evaluate multiple nominees for each award category before determining the final award recipient. The process involves a detailed evaluation of best practices criteria across two dimensions for each nominated company. CUCKOO International (MAL) Sdn Bhd excels in many of the criteria in the Malaysian Water Filter space.

AWARD CRITERIA	
<i>Visionary Innovation & Performance</i>	<i>Customer Impact</i>
Addressing Unmet Needs	Price/Performance Value
Visionary Scenarios Through Mega Trends	Customer Purchase Experience
Implementation of Best Practices	Customer Ownership Experience
Leadership Focus	Customer Service Experience
Financial Performance	Brand Equity

Addressing Unmet Needs

Over the years, Malaysians have been seeking new ways to adopt a healthy lifestyle, which has increasingly become a leading trend. Making quality drinking water readily available, therefore, is a rising concern, inevitably boosted by the impact of COVID-19. With the increased worry about the quality of drinking water that could pose a high risk of infection from waterborne diseases, the Malaysian water purifier market has been projected to expand at a compound annual growth rate (CAGR) that exceeds 10% from 2015 to 2025.¹

CUCKOO International (MAL) Sdn Bhd recognizes that Malaysian consumers want a guaranteed way to filter out harmful bacteria, viruses, and heavy materials from their everyday drinking water while still preserving vital minerals. CUCKOO’s water purifiers are equipped with technology to achieve mild alkaline drinking water that meets World Health Organization (WHO) standards. Moreover, CUCKOO acknowledges that aesthetics plays a role in customers’ decision making when buying products; therefore, demand has increased for a more developed and sophisticated product design.

CUCKOO’s water filters have a wide variety of designs to cater to different needs and requirements. These filters come with or without tanks; are mechanical, digital, or semi-digital; and come in both

¹ Research and Markets; May 2021; [“Malaysia Water Purifiers Market, By Mode \(POU, POE\), By Type \(Counter Top, Under Sink, Faucet Mount, Others\), By Technology \(RO, UF, UV, Media, Others\), By Region, Competition, Forecast & Opportunities, 2016-2017”](#)

standing and table-top variants. In 2020, CUCKOO launched the VIVID water purifier that comes with a 5.3-liter hot water tank, which is considered the largest in the industry. The company performed this calculated move based on research highlighting that Malaysians and Southeast Asians consume more hot water than cold water.

“CUCKOO has successfully addressed customers’ and the market’s unmet needs and caters to a more contactless shopping experience with its online store and contactless installation initiative.”

- Azza Fazar, Research Associate

In term of the effects of the COVID-19 pandemic, CUCKOO makes its services digitally available to ensure business growth and sustainability. The company launched its E-Brandstore in April 2019, which was improved in 2020 to ensure seamless cashless transactions equipped with protective measures to avoid scams. Since the beginning of the pandemic, the E-Brandstore app has been CUCKOO’s

main business channel because physical stores have not been permitted to operate at capacity. To ensure the efficiency of the online sales platform, CUCKOO introduced its own e-wallet app as one of its payment methods.

Furthermore, contactless installations of CUCKOO’s water filters have been implemented to combat the spread of COVID-19. The CUCKOO Marvel water purifier is user friendly, and customers only need to follow a step-by-step installation video to facilitate their contactless installation services. During a viral outbreak, cleanliness, above all, is of the utmost importance; therefore, CUCKOO introduced its WonderKlean disinfection service for customers prior to each scheduled service to disinfect the equipment and the water filter and to protect the well-being of both the customer and the service personnel. This solution allows customers to invite service providers into their homes with peace of mind during the movement control order (MCO) period, which has maintained positive market growth against challenging market fluctuations. CUCKOO, therefore, successfully addresses customers’ unmet needs and caters to a more contactless shopping experience through its online store and contactless installation initiative.

Leadership Focus

CUCKOO’s presence in the Malaysian water filter market is becoming more prominent as it introduces unique technology and solutions with the customer’s best interest in mind. These advancements in services have expanded CUCKOO’s quality of service and have created a stiff market barrier for competitors. CUCKOO is the first water filter company in the Malaysian market to introduce an in-and-out electrolysis auto sterilization system that enables the purifier to clean itself at the customer’s convenience. This auto sterilization system cleans the two most vital points in the water purifier system: the drain tube where water enters the purifier and the faucet where water is dispensed for drinking. Customers, therefore, can enjoy their drinking water without having to worry about hygienically maintaining the equipment. Furthermore, CUCKOO’s water filters operate through a six-stage nano positive filtration system. This patented system effectively filters out 99.9% of harmful bacteria, viruses, and heavy metals, without compromising beneficial minerals, thus creating mild alkaline water that meets WHO standards.

CUCKOO leverages its market presence by creating partnerships and expansions with key companies across Malaysia. With the launch in late May 2021, the company will have its own Experience Center in KidZania Kuala Lumpur as an educational center to raise awareness on water filters and their health benefits. Moreover, Astro has accepted CUCKOO as its sponsor for giveaways to build brand awareness and engagement with Astro's customers. CUCKOO's commendable efforts ensure new customer acquisition and retention.

Best Practices Implementation

Despite the uncertainties in the market during 2020, CUCKOO has maintained its record-setting revenue of over RM1 billion, at a year-over-year (YoY) growth rate of 15.9%, which, according to the company, is projected to increase by 34.7% over the next year. This remarkable milestone highlights the company's growth strategies and practices. For example, CUCKOO deploys the push-and-pull tactic, which essentially pulls in customers. With this method, CUCKOO can reach a wide audience through the extensive marketing campaigns it holds throughout the year. These campaigns are categorized as above line, which includes publicity through television, radio, social media, and newspapers, and below line, such as roadshows that CUCKOO frequently organizes. The pushing aspect of this method refers to CUCKOO's strong sales team and strategies to share its products and services to both existing and potential customers.

"CUCKOO's every move is in the customer's best interest, and the company leverages its research and technology abilities to cater to customers' needs while offering the best quality water filters in the market."

- Azza Fazar, Research Associate

Frost & Sullivan commends CUCKOO's operational efficiency, in terms of practicing the 3C policy of no complain, no condemn, and no compare. This policy is essentially CUCKOO's main driver, where every complaint is heard, every condemnation is addressed, and comparisons are not condoned. In addition, every employee is treated equally and guaranteed the best working environment to ensure optimum productivity and quality.

Customer Ownership Experience

CUCKOO has always placed the utmost importance on customer satisfaction by ensuring user friendliness. Malaysia is a multicultural country; therefore, CUCKOO introduced local languages in its water filters, including voice prompts in Bahasa Malaysia, English, and Mandarin, thus offering the best product ownership experience. In Q4 2020, the company introduced the Cuckoo+ Service Team to reiterate its commitment to deliver services and products that are "Beyond Standards," per its tagline. This service team's purpose, on top of CUCKOO's existing services, is to deliver a service that is comprehensive, executed professionally, and comes with added care services, such as sterilizing kitchen sinks and chopping boards. Moreover, the new nationwide service strives to be more than only a channel for customers to receive maintenance perks; it acts as a companion in the customers' ownership journey with CUCKOO.

Customer Purchase Experience

As a part of the customer purchase experience, CUCKOO ensures that customers are buying the best possible solution available in the market. To facilitate the buying process of its water filters, CUCKOO offers a payment plan that helps customers organize their monthly financial situation and remove the strain of having to pay a lump sum to obtain quality drinking water in the comfort of their own home. For example, customers can own their own CUCKOO VIVID water purifier, which has the biggest hot water tank in the market, for only RM85 per month, indicating more value for the money compared to other water filters with smaller capacity tanks.

In addition, to remove the financial burden from customers, CUCKOO introduced the GOOD Plan that provides customers with the flexibility to choose the amount and period of installation payments they can afford. For example, to own a CUCKOO King Top water purifier, customers can pay in installments as low as RM69 over a period of 72 months. Additionally, CUCKOO's Xcel plan offers a rebate of RM21 to the monthly installment payments of the Xcel water purifiers. As such, CUCKOO guarantees that customers are purchasing based on their needs while addressing their specific requirements and potential constraints.

Customer Service Experience

CUCKOO's growth is based on its undivided attention to customer relationship management. Maintaining relationships with existing customers is as vital as acquiring the customers in the first place, and CUCKOO strives to keep in touch with customers through their sales teams and the Cuckoo+ service team. For example, the Cuckoo+ service team sends tokens of appreciation, such as cards or gifts, to customers on their birthday, and CUCKOO often calls customers to ask about product performance or even set a date for the next service appointment.

To ensure the customer service experience does not fall short on quality and to maintain its 90% customer satisfaction rate, CUCKOO offers specific customer feedback mechanisms. For example, CUCKOO conducts a service quality check (SQC) after each service announcement, whereby the company's natural doctresses ask customers to provide feedback or rate the service. In 2020, CUCKOO implemented this SQC digitally through a QR code on new CUCKOO water purifiers. The QR code includes comprehensive product details and capabilities for customers, such as checking and making payments, viewing product information and service history, and reporting any issues.

CUCKOO strives to ensure two-way communication through representatives who are readily available to assist both existing and potential customers on any queries or feedback. In 2020, the company launched a customer service AI chatbot to provide a much shorter response time and to offer more accurate findings or solutions for any questions throughout the day. In addition, the CUCKOO+ mobile application provides the convenience of electronically reaching out to CUCKOO to obtain any necessary information and the convenience of setting appointments with the Natural Care Service team, making payments, keeping track of bills, collecting points for reward redemption, and providing feedback.

Conclusion

CUCKOO's performance in 2020 is a testament to its ability to address any hurdles in the market. For the sixth consecutive year, CUCKOO has not fallen short on its record-setting revenue of over RM1 billion, at a YoY growth rate of 15.9%. In addition, the company has addressed the challenges stemming from the COVID-19 pandemic and turned them into new business strategies to boost sales and enhance customer service. Frost & Sullivan commends CUCKOO for continuing to develop unique solutions and providing affordability without compromising quality.

With its strong overall performance, CUCKOO International (MAL) Sdn Bhd earns Frost & Sullivan's 2021 Company of the Year Award in the Malaysian home water filter industry.

What You Need to Know about the Company of the Year Recognition

Frost & Sullivan's Company of the Year Award is its top honor and recognizes the market participant that exemplifies visionary innovation, market-leading performance, and unmatched customer care.

Best Practices Award Analysis

For the Company of the Year Award, Frost & Sullivan analysts independently evaluated the criteria listed below.

Visionary Innovation & Performance

Addressing Unmet Needs: Customers' unmet or under-served needs are unearthed and addressed by a robust solution development process

Visionary Scenarios through Mega Trends:

Long-range, macro-level scenarios are incorporated into the innovation strategy through the use of Mega Trends, thereby enabling first to market solutions and new growth opportunities

Leadership Focus: Company focuses on building a leadership position in core markets and on creating stiff barriers to entry for new competitors

Best Practices Implementation: Best-in-class implementation is characterized by processes, tools, or activities that generate a consistent and repeatable level of success

Financial Performance: Strong overall business performance is achieved in terms of revenue, revenue growth, operating margin, and other key financial metrics

Customer Impact

Price/Performance Value: Products or services provide the best value for the price compared to similar market offerings

Customer Purchase Experience: Quality of the purchase experience assures customers that they are buying the optimal solution for addressing their unique needs and constraints

Customer Ownership Experience: Customers proudly own the company's product or service and have a positive experience throughout the life of the product or service

Customer Service Experience: Customer service is accessible, fast, stress-free, and high quality

Brand Equity: Customers perceive the brand positively and exhibit high brand loyalty

