

RIDING THE DIGITAL WAVE

Capturing Southeast Asia's digital consumer in the Discovery Generation

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CONTENTS

Introduction	3
Who we spoke with	6
SECTION 1	
Discover the opportunity	8
SECTION 2	
Demystify the consumer	18
SECTION 3	
Define your brand's future	37

Winning in the digital economy: A Southeast Asian series



As Southeast Asia's emerging middle class embrace the digital world, digital spending has become the new battleground for companies looking to expand their business.

But how did we get here? What's driving this spending? And how can brands respond?

Learn more about this new frontier and how brands can cope in this emerging landscape.



2018:

The Rising Wave:
How Southeast Asia's New
Emerging Middle Class is
Embracing the Digital World

Read the report [here](#)

2019:

Riding the Digital Wave:
Capturing Southeast Asia's
Digital Consumer in the
Discovery Generation

Top 10 insights

1 Increase in affluence and internet access have led to the rise of digital consumers

Digital consumers in Southeast Asia have grown exponentially, from 90 million in 2015 to 250 million in 2018. This number is expected to more than double by 2025.

2 Online spending will outpace the growth of digital consumers

Digital spending is estimated to grow 3.2 times from 2019 to 2025, far bigger than the 1.2 times growth in the number of digital consumers.

3 Clothing and personal care will drive the growth in online spend

Southeast Asia's online retail penetration is still low compared with other markets. It presents an opportunity for brands to step up and offer a dominant business model that can expand the market for themselves and their peers.

4 The future of digital spending is discovery driven

Seventy percent of shoppers don't exactly know what they want when they shop online. This leads digital consumers to keep browsing till they find what they like.

5 Omni-channel comparison shopping is part of the purchase journey

The purchase journey is rarely purely online or offline. Eighty-six percent of consumers surveyed compare products online, offline or both before making a purchase. About a third still check physical stores before buying.

6 Discounts help acquire customers but don't necessarily promote loyalty

Discounting helps introduce customers to your brand, but it's not an effective differentiator over the long term. More than 50 percent of respondents don't necessarily wait for sales or deals.

Top 10 insights

7 The primary driver of discovery is social media

More than 50 percent of consumers surveyed in Southeast Asia say they often discover new products via social media. In comparison, 22 percent often discover them via other online channels and 24 percent via offline channels and other means.

9 Fragmented market means companies have opportunity to win customer loyalty

A dominant ecommerce player has yet to establish itself in Southeast Asia. The market share between the largest and second-largest player is still largely head to head, unlike in the United States and China where the leading player's market share is several times larger than its closest competitor. The region's Net Promoter Score, a measure of customer loyalty, is also still relatively low. This lack of loyalty in the market offers huge potential for brands in Southeast Asia to grow.

8 Loyalty programmes can create stickiness

Respondents with a loyalty programme spend more and buy more often across categories. They are also more likely to be Promoters, who spend three times more across categories. Asked why they take part in loyalty programmes, members said they do so because of long-term savings.

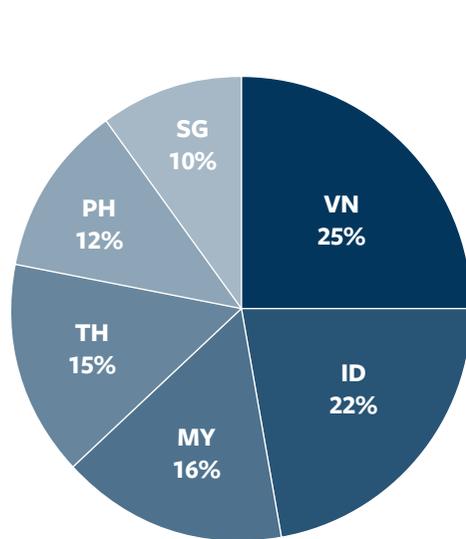
10 Large brands need to build new muscles and examine potential for direct-to-consumer model

Brand owners need a clear, multi-channel strategy while simultaneously learning from the successful, digital-first "insurgent" companies. Some of these insurgent brands have found success by pursuing direct-to-consumer business models.

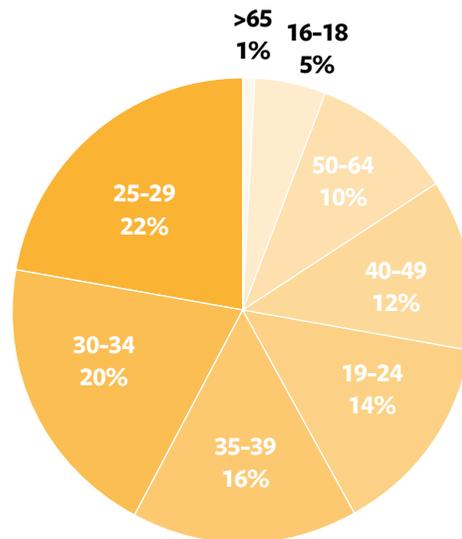
Who we spoke with

In collaboration with Facebook, global management consulting firm Bain & Company conducted a survey that dove deep into the spending behaviour of Southeast Asian digital consumers.

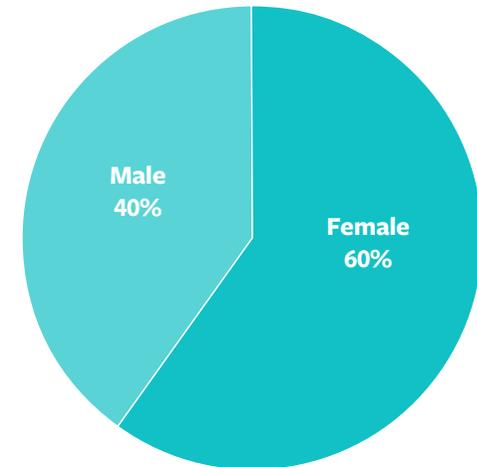
The survey involved a total of 12,965 respondents from the six Southeast Asian countries of Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam. Through this survey, we obtained consumers' views on where they spend their money online, how much they spend, factors that influence them, as well as their consumer journey. The survey was conducted in June 2019.



Countries



Ages



Gender

Note: Survey data only includes respondents who selected two or more online retail categories (consumer electronics and accessories, household appliances and furnishings, clothing, footwear and accessories, personal care and beauty, toys and baby care, groceries and food delivery)

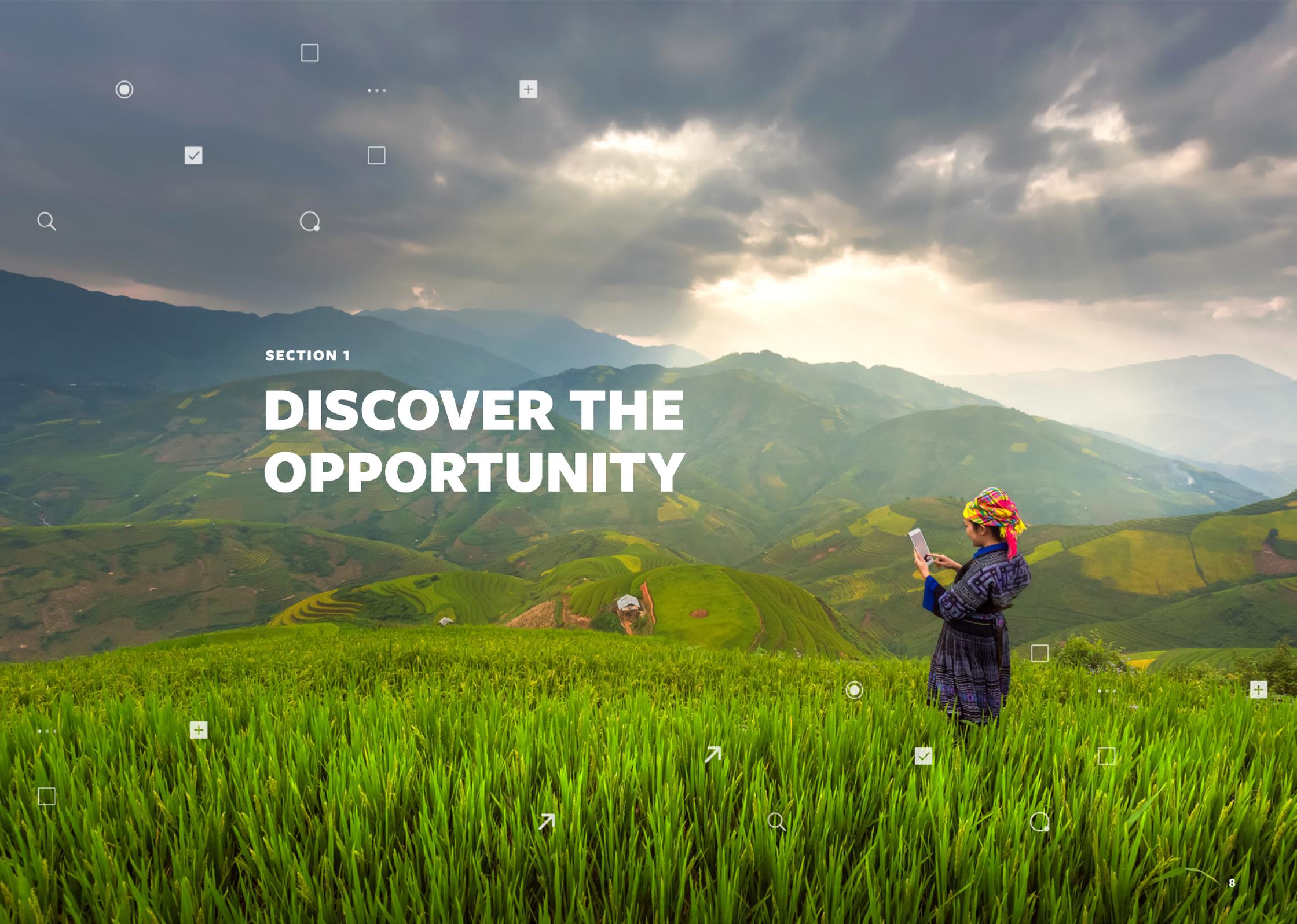
Who we spoke with

We also spoke with senior executives from more than 30 companies to learn more about the opportunities they see, the challenges they confront, as well as their approach they took. These firms are involved in the digital

commerce ecosystem in Southeast Asia and are from industries as diverse as venture capital, ecommerce, fast-moving consumer goods, technology and start-ups. We present their perspectives here.

Senior executives we spoke with:





SECTION 1

DISCOVER THE OPPORTUNITY

Strong economic growth is fuelling higher incomes and an emerging middle class in Southeast Asia. This new middle-class community across Indonesia, Malaysia, the Philippines, Thailand and Vietnam will touch 350 million people and have a combined disposable income of US\$300 billion by 2022.¹

In addition to its growing middle-class community, other factors make Southeast Asia a vital market. If Southeast Asia were a country, its population of 642 million would be the world's third largest after China and India.² Many are young, with at least half aged 20 to 54 and a third of the population aged 19 and younger.³

The region's US\$2.8 trillion-strong economy⁴ would also be the world's fifth largest and is projected to continue to grow at least 5 percent in the next few years.

Southeast Asia has a lot of potential, and it has yet to be tapped.

642.1 million

Total population, the world's third largest after China and India⁵

US\$2.8 trillion

Combined gross domestic product, making it the world's fifth largest economy⁶

US\$300 billion

The combined disposable income of the middle-class community in Indonesia, Malaysia, the Philippines, Thailand and Vietnam⁷

5.2%

Southeast Asia's projected GDP growth from 2019 to 2023⁸

^{1,7} "The Rising Middle Class", by Bain & Company (Facebook-commissioned study of 4,745 people ages 18+ in ID, MY, PH, TH, VN), Feb 2018. Disposable income measured in Purchasing Power Parity; Middle Class defined as people earning \$16–100 (USD) daily, Jun 2018.

^{2,3,4,5,6} "ASEAN Statistical Highlights 2018" by the Association of Southeast Asian Nations Secretariat, Oct 2018

⁸ "Economic Outlook for Southeast Asia, China and India 2019: Towards Smart Urban Transportation" by the Organisation for Economic Co-operation and Development (OECD), Nov 2018

The first wave of growth: Increasing affluence has led to abundant internet access

The growth in spending power led to greater connectivity. As people's basic needs are met, they use their disposable income to fuel an improved lifestyle, such as by getting better education, travelling more, or purchasing more goods.

Often, these purchases involve electronic goods such as smartphones and laptop computers as well as an internet subscription. From 2015 to 2018 alone, the population of Southeast Asians with an internet connection grew at an average of 16 percent annually.⁹ At the same time, internet penetration grew exponentially, from 48% of the population in 2015 to 74% of the population in 2018.¹⁰ Southeast Asians are more connected than ever before.

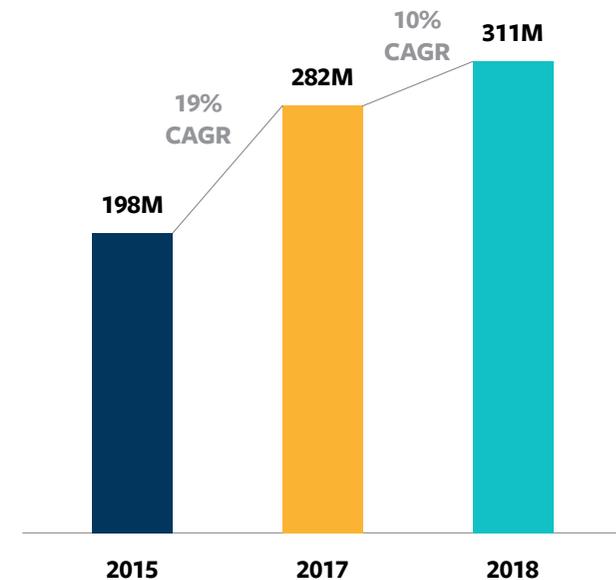
279 million

People in Southeast Asia who access Facebook every day¹¹

74%

of Southeast Asians 15 years old and above who can access the internet as of 2018¹²

Number of internet users¹³



Digital devices¹⁴

33% in 2014

82% in 2018

>105% by 2025

CAGR = Compounded Annual Growth Rate

⁹ ¹⁰ ¹² ¹³ "Passport: Economies and Consumers Annual Data" by Euromonitor International, 2018; "Forrester Analytics: Online Retail Forecast, 2018 to 2023 (Southeast Asia)", by Forrester, Dec 2018; "Digital 2019" by Hootsuite, Jan 2019; "Southeast Asia Digital Consumer Survey" by Bain & Company, Jan 2017; "Southeast Asia Digital Consumer Survey" by Bain & Company, Jun 2015.

¹¹ Facebook internal data, Q2 2019

¹⁴ "The Rising Middle Class" by Bain & Company (Facebook-commissioned study of 4,745 people ages 18+ in ID, MY, PH, TH, VN), Feb 2018. Disposable income measured in Purchasing Power Parity; Middle Class defined as people earning \$16–100 (USD) daily, Jun 2018.

The second wave: Internet access and increasing affluence turn people into digital consumers, driving digital spending and growth

Southeast Asia is digital ready and growing

As people go online, they move from being simply internet users to being digital consumers.

Thanks to greater internet penetration, the number of digital consumers is growing across Southeast Asia. In 2015, there were 90 million digital consumers, making up just 22 percent of the population 15 years old and above.

In 2018, this number grew 2.8 times to 250 million — 58 percent of the population. An additional 60 million people are expected to join the ranks of online shoppers by 2025, bringing the total number to 310 million.¹⁵

¹⁵ “Passport: Economies and Consumers Annual Data” by Euromonitor International, 2018; “Forrester Analytics: Online Retail Forecast, 2018 to 2023 (Southeast Asia)”, by Forrester, Dec 2018; “Digital 2019” by Hootsuite, Jan 2019; “Southeast Asia Digital Consumer Survey” by Bain & Company, Jan 2017; “Southeast Asia Digital Consumer Survey” by Bain & Company, Jun 2015.

Digital consumers are internet users who purchase online at least once in any of the following categories:



Consumer electronics
and accessories



Toys and
baby care



Household appliances
and furnishings



Groceries and
food delivery



Clothing, footwear
and accessories



Airline tickets
and accommodation

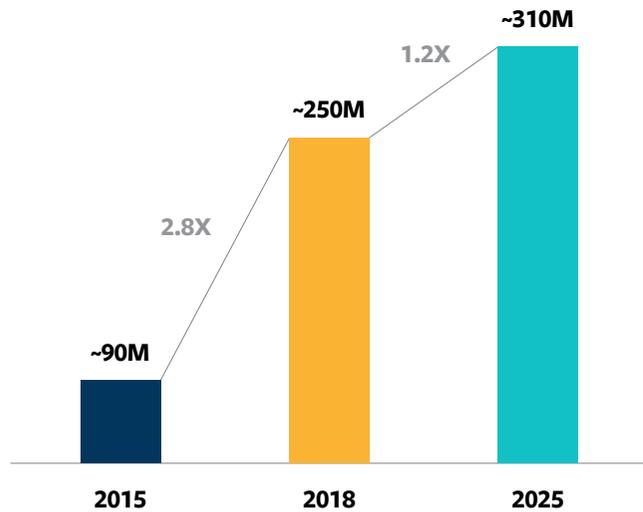


Personal care
and beauty



Gaming apps
and music

The number of digital consumers nearly tripled between 2015 and 2018, with further growth expected to 2025¹⁶



Number of digital consumers

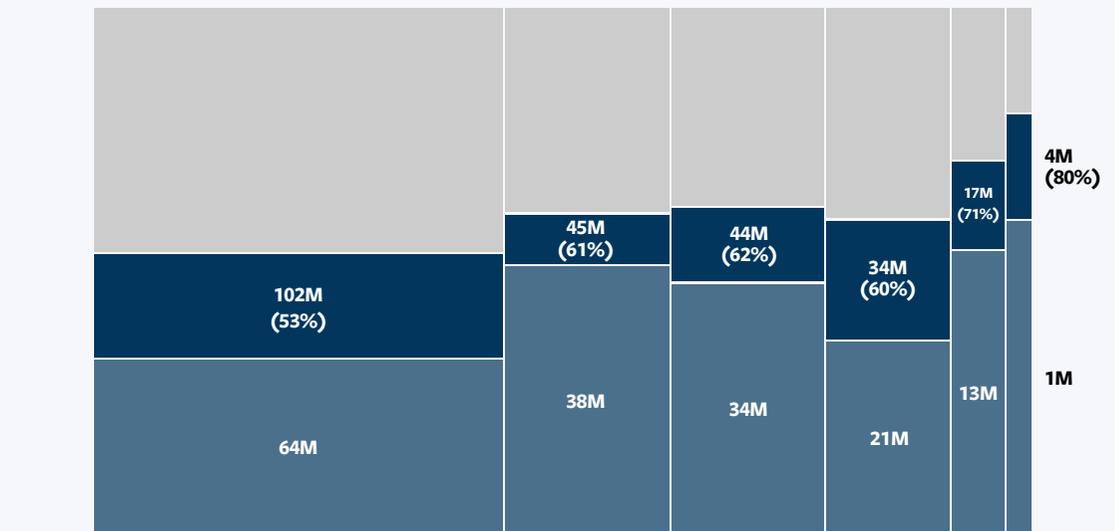
58%

Percent of Southeast Asians 15 years old and above who are now digital consumers (as of 2018)¹⁷

¹⁶ Estimates from: “Economies and Consumers Annual Data” by Euromonitor International, July 2018; “Forrester Analytics: Online Retail Forecast, 2018 to 2023 (Southeast Asia)”, by Forrester, Dec 2018; “Digital 2019” by Hootsuite, Jan 2019; “Consumer survey 2015 and 2017” by Bain & Company; “Riding the Digital Wave: Capturing Southeast Asia’s Digital Consumer in the Discovery Generation” by Bain & Company (Facebook-commissioned survey of 12,965 respondents from ID, MY, PH, SG, TH, VN), Jun 2019.

¹⁷ “Passport: Economies and Consumers Annual Data” by Euromonitor International, 2018; “Forrester Analytics: Online Retail Forecast, 2018 to 2023 (Southeast Asia)”, by Forrester, Dec 2018; “Digital 2019” by Hootsuite, Jan 2019; “Southeast Asia Digital Consumer Survey” by Bain & Company, Jan 2017; “Southeast Asia Digital Consumer Survey” by Bain & Company, Jun 2015.

The number of digital consumers is growing in every Southeast Asian country



ASEAN-6 Population aged 15 years old and above in 2018 (M)

ID 192M VN 74M PH 71M TH 57M MY 24M SG 5M

Total population - 423M

Digital consumer population in 2017
 Digital consumer population in 2018
 Non-digital consumer population

Source: Estimates from: “Economies and Consumers Annual Data” by Euromonitor International, July 2018; “Forrester Analytics: Online Retail Forecast, 2018 to 2023 (Southeast Asia)”, by Forrester, Dec 2018; “Digital 2019” by Hootsuite, Jan 2019; “Consumer survey 2015 and 2017” by Bain & Company; “Riding the Digital Wave: Capturing Southeast Asia’s Digital Consumer in the Discovery Generation” by Bain & Company (Facebook-commissioned survey of 12,965 respondents from ID, MY, PH, SG, TH, VN), Jun 2019.

Online spending growth to outpace those of digital consumers

Rising income levels have resulted in greater connectivity, which has in turn translated to an increase in digital consumers. With more digital consumers came a rise in online spending. This is the next wave of growth, powered by Southeast Asia's emerging middle class.

The growth in digital spending is expected to expand by 3.2 times from 2018 to 2025, far outpacing the growth from the number of digital consumers during the same period. This spending growth is reflected in the rise of average spend per digital consumer. In 2015, the average spend per consumer was at US\$60 per person. This has more than doubled in 2018, to US\$125 per person. This figure is expected to grow US\$390 per person by 2025 — 3.2 times bigger than it was in 2018.¹⁸

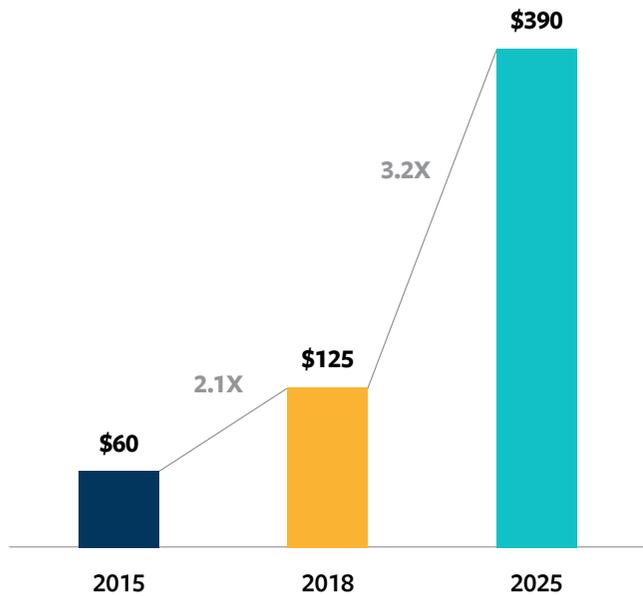
When broken down by country, digital spending is strongest in Indonesia and Thailand. This is forecast to see robust growth by 2025, with Vietnam and Thailand projected to experience the strongest expansion. But despite the growth from these countries, Indonesia is expected to retain the lead for having the largest digital spending.

Digital spending is the new battleground. We are now in a world of digital consumers.

¹⁸ “Passport: Economics and Consumers Annual Data” by Euromonitor International, 2018; “Forrester Analytics: Online Retail Forecast, 2018 to 2023 (Southeast Asia)”, by Forrester, Dec 2018; “Digital 2019” by Hootsuite, Jan 2019; “Southeast Asia Digital Consumer Survey” by Bain & Company, Jan 2017; “Southeast Asia Digital Consumer Survey” by Bain & Company, Jun 2015.

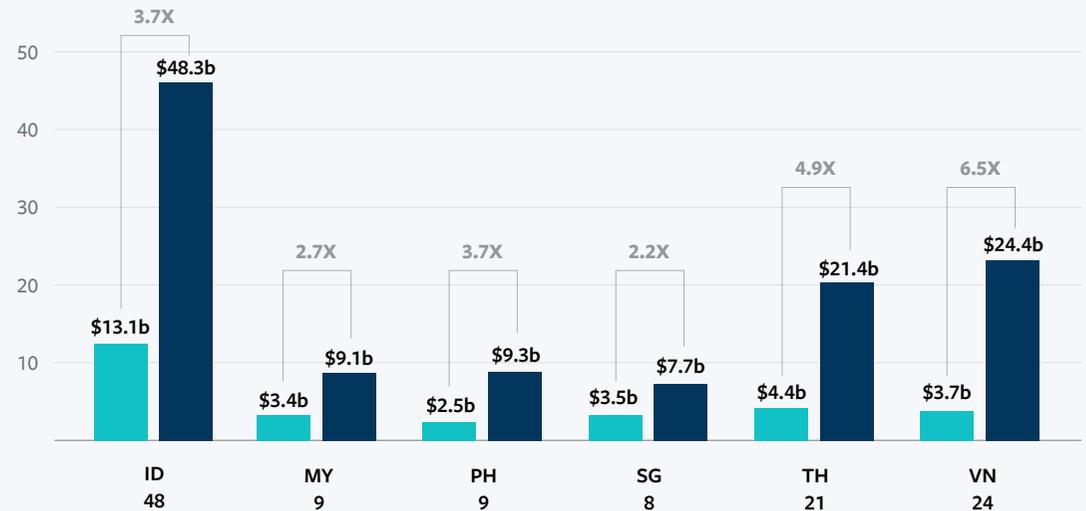


Average spend per digital consumer estimated to triple by 2025¹⁹



Average spend per digital consumer (US\$)

Digital spending forecasted to experience strong growth by 2025, led by Vietnam and Thailand²⁰



Estimated revenue from online sales by 2025 (US\$)

2018 2025 estimate

¹⁹Estimates from: “Economies and Consumers Annual Data” by Euromonitor International, July 2018; “Forrester Analytics: Online Retail Forecast, 2018 to 2023 (Southeast Asia)”, by Forrester, Dec 2018; “Digital 2019” by Hootsuite, Jan 2019; “Consumer survey 2015 and 2017” by Bain & Company; “Riding the Digital Wave: Capturing Southeast Asia’s Digital Consumer in the Discovery Generation” by Bain & Company (Facebook-commissioned survey of 12,965 respondents from ID, MY, PH, SG, TH, VN), Jun 2019.

²⁰“Passport: Economies and Consumers Annual Data” by Euromonitor International, 2018; “Forrester Analytics: Online Retail Forecast, 2018 to 2023 (Southeast Asia)”, by Forrester, Dec 2018; “Digital 2019” by Hootsuite, Jan 2019 “Southeast Asia Digital Consumer Survey” by Bain & Company, Jan 2017; “Southeast Asia Digital Consumer Survey” by Bain & Company, Jun 2015.

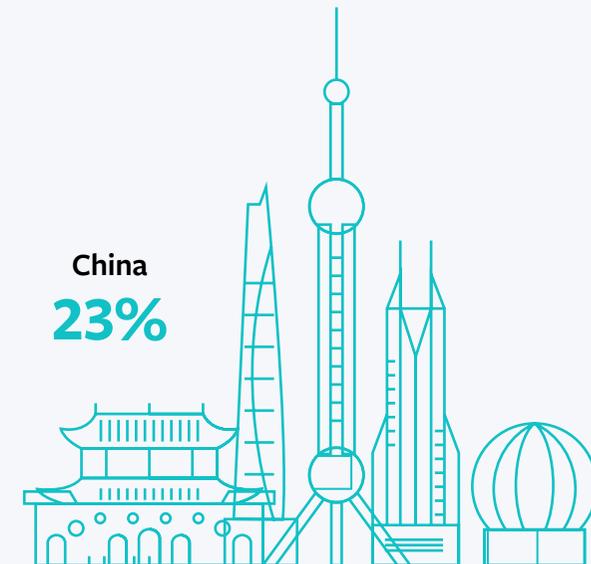
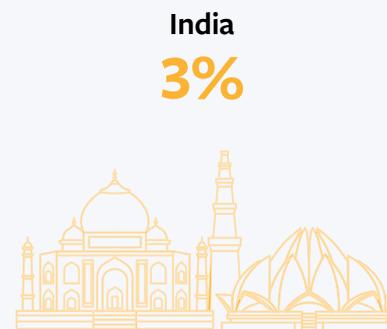
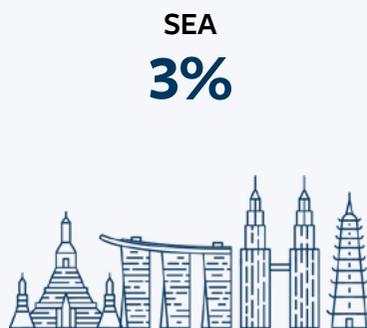
China's experience shows a huge opportunity for Southeast Asian firms to fill the online retail gap

In Southeast Asia, online spending has yet to reach the same levels as total offline spend. Today, online retail in the region makes up just 3 percent of its US\$587.5 billion total retail market.²¹ This gap in the online retail market presents a huge opportunity for companies to fill, especially as 58 percent of the population are already digital consumers.

A similar scenario is playing out in neighbouring India, with online retail penetration hovering at 3 percent.²²

China, with its overall online retail penetration rate of 23 percent²³ — seven times larger than that of Southeast Asia — offers a glimpse into what's possible. While the unparalleled growth in digital consumers and digital spending has yet to translate into online retail, China's experience shows Southeast Asia has headroom for growth. It presents an opportunity for brands to step up and offer a dominant business model that can expand the market for themselves and their peers.

Online retail market has room to grow in Southeast Asia²⁴



Contribution of online commerce to total retail

²¹ ²² ²³ ²⁴ "Forrester Analytics: Online Retail Forecast, 2018 to 2023 (Southeast Asia)", by Forrester, Dec 2018.
Analysis of growth rates and online penetration by Bain & Company

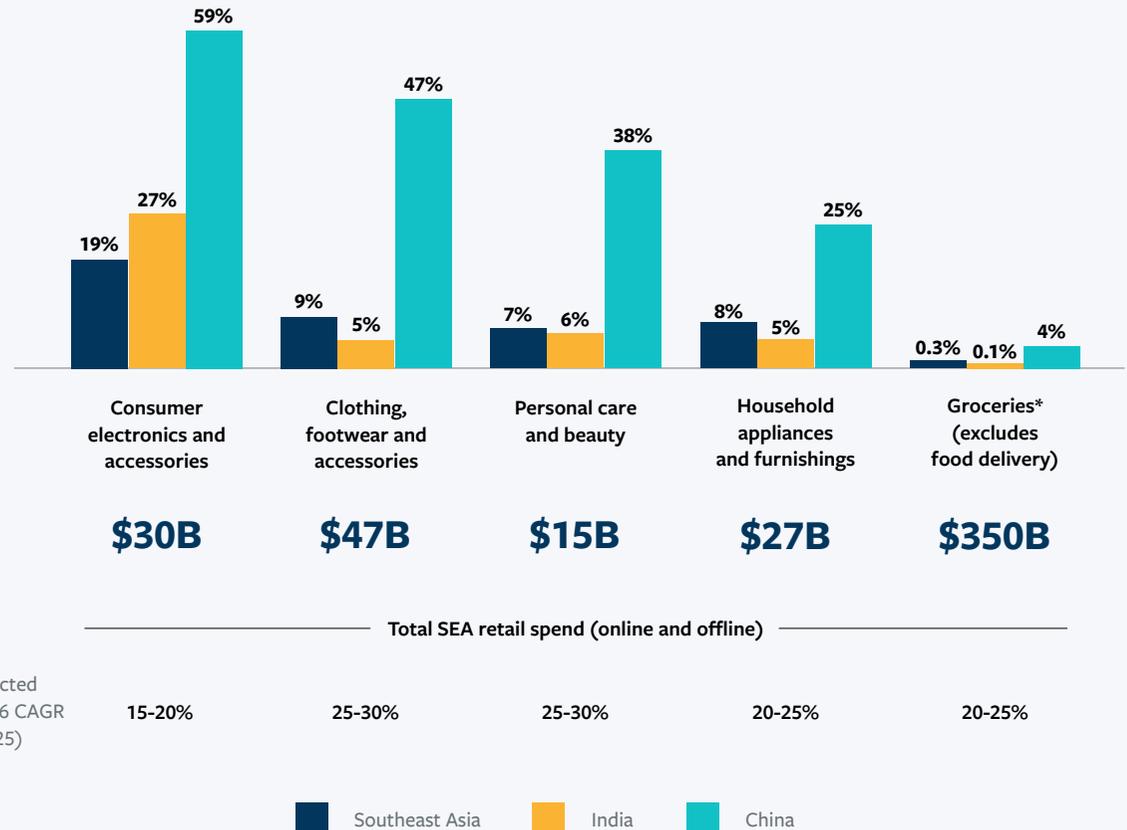
Untapped opportunity to multiply market size in clothing and personal care

For Southeast Asia, online retail penetration is strongest in consumer electronics and accessories, which has 19 percent penetration. But the biggest opportunities lie somewhere else.

Sizeable opportunities are present in clothing, footwear and accessories. As a group, this segment has 9 percent penetration in the region (out of a US\$47 billion market). Another area where there are sizeable opportunities is personal care and beauty, which has 7 percent penetration in the region (out of a US\$15 billion market).²⁵

The two groups' estimated compounded annual growth rate, or CAGR, shows the size of this opportunity. Clothing, footwear and accessories as well as personal care and beauty are estimated to experience the most robust growth, with both expected to grow 25 to 30 percent in a year.

New horizons in growth, especially for clothing and personal care²⁶



^{25,26} Bain & Company analysis of “Forrester Analytics: Online Retail Forecast, 2018 to 2023 (Southeast Asia)”, by Forrester, Dec 2018.

The opportunity has never been greater to drive digital discovery.

Who are these consumers fuelling the power shift in Southeast Asia's digital economy?



SECTION 2

DEMYSTIFY THE DIGITAL CONSUMER



The future of digital spending is discovery-driven.

Meet the Discovery Generation.

Digital consumers whose purchasing habits are largely driven by inspiration and openness to digital discovery.



Why are they called the Discovery Generation?

Because they discover new products largely through online inspiration and influence

Members of the Discovery Generation don't usually have a clear idea of what they want to buy or where to get it when they purchase. About 70 percent reported not knowing what they want, or where to get what they want, when they browse for items. Instead, their decision-making is largely influenced by what they encounter upon browsing online and offline. These include online channels such as general internet browsing or social media, or offline means such as television or billboards.

Southeast Asia's digital consumers are fuelling this power shift thanks to the rise of digital payments and greater access to the internet. About 76 percent of consumers surveyed, or 3 in 4, report discovering products online. At the same time, 54 percent of all consumers surveyed discover new products online via social media such as Facebook and Instagram. Clearly, social media's influence is paramount over offline channels and even other forms of online discovery.

70%

Shoppers who don't know what they want or where to get it when they browse for items online²⁷

76%

Southeast Asian consumers who report discovering products online, as opposed to offline channels such as TV, billboards or magazines²⁸

54%

Consumers who learnt about new products and brands online via social media²⁹

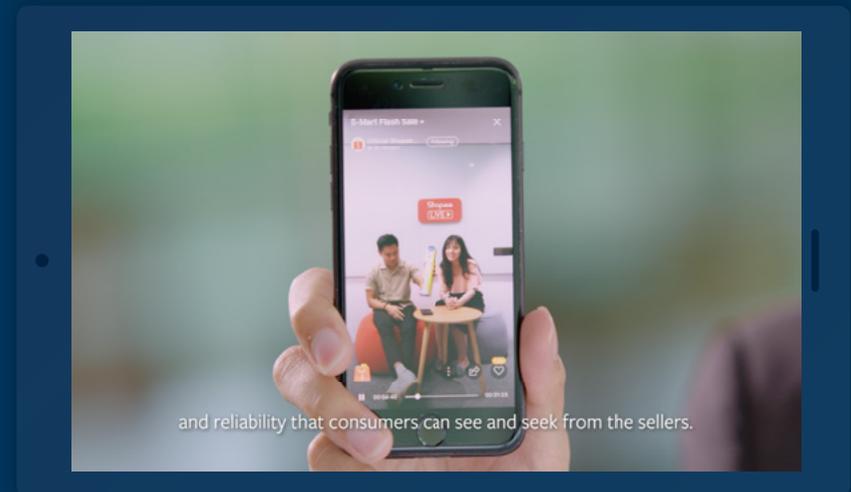
^{27, 28, 29} "Riding the Digital Wave: Capturing Southeast Asia's Digital Consumer in the Discovery Generation" by Bain & Company (Facebook-commissioned survey of 12,965 respondents from ID, MY, PH, SG, TH, VN), Jun 2019

“

A very important theme would be ‘experiential ecommerce’. What that means is the shopping behaviour has changed from just browsing and knowing exactly what [consumers] want ... to one where it’s similar to the way people go to malls. Which is why it’s very important for Shopee to do these various features with a strong social element ... Through that process, you can create a lot of trust and reliability.

”

Santitarn Sathirathai
Group Chief Economist
Sea (parent company of Shopee)



Watch the interview
with [Sea here](#)

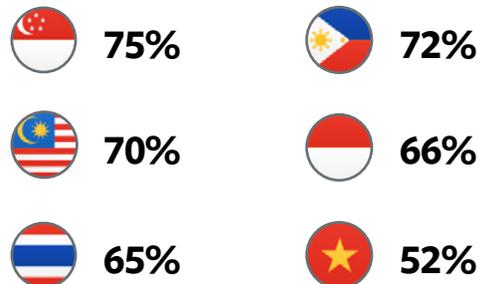
Because they are open to new brands

Instead of sticking to just one brand, the Discovery Generation often buy from multiple brands or express interest in trying new ones. More than 50 percent of the respondents across Southeast Asia said they would buy from multiple brands or are open to trying other brands. When broken down by city types, respondents from Tier 1 and Tier 2 cities are almost equally as likely to try other brands.

Southeast Asians are mostly open to other brands or multiple brands³⁰

I will buy from multiple brands / I am open to other brands

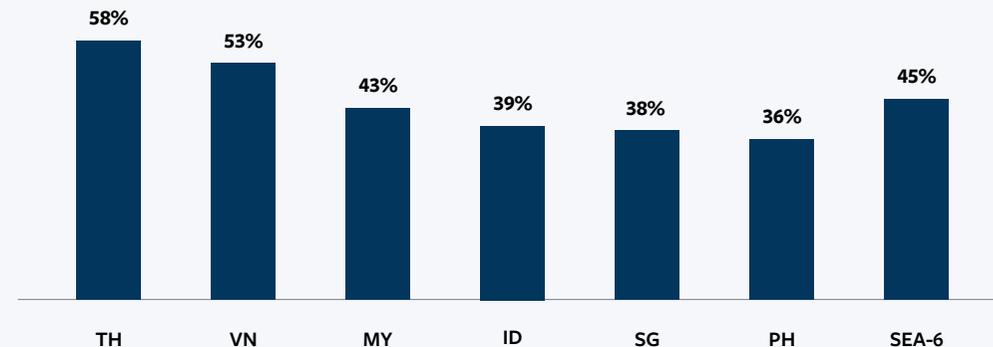
Percentage of surveyed respondents who said



About 45 percent surveyed have tried an online store they've never heard of in the past year. Thailand and Vietnam stand out in this regard. In these countries, 58 percent and 53 percent, respectively, said they've tried an online store they've

never heard of. Consumers in the Philippines, Singapore and Indonesia are more conservative. In these countries, only 36 to 39 percent are willing to try new online stores.

At least a third of Southeast Asians are willing to try online stores they've never heard of before³¹



Respondents who've tried online stores they've never heard of

^{30 31} "Riding the Digital Wave: Capturing Southeast Asia's Digital Consumer in the Discovery Generation" by Bain & Company (Facebook-commissioned survey of 12,965 respondents from ID, MY, PH, SG, TH, VN), Jun 2019

Why people try new online stores

The top three reasons for trying a new online store are consistent across Southeast Asia, regardless of country.

These are:



Interesting products



Good deals and promotions



Saw other user reviews



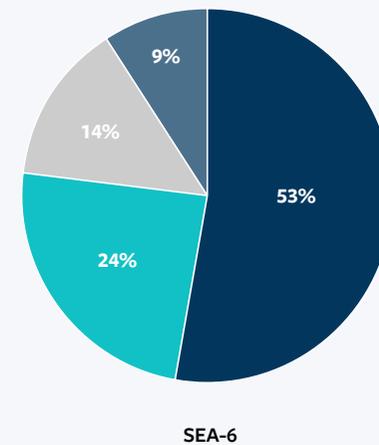
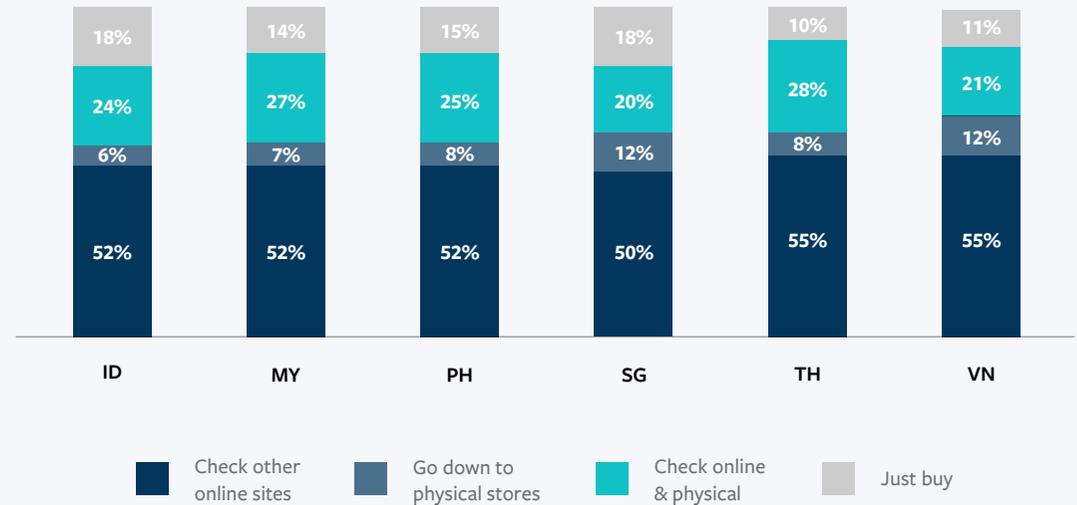
Because they engage in comparison shopping

The purchase journey is not purely online or purely offline, or in any order. A person planning to buy something online might compare prices with other websites. They can also visit a brick-and-mortar store to examine the product before making an online purchase.

Similarly, a person buying from a physical store might pull out their smartphone to read reviews and check prices online. Only after this will they purchase on the spot.

Other times, people might simply compare products from different online vendors before ordering online, completely foregoing physical stores. What's unusual is a consumer who "just buys" without considering the options. Today, it's all about comparison shopping.

Comparison shopping: People compare products online and offline before making a purchase



86%

of Southeast Asian respondents who compare products online, offline or both before making a purchase³²

33%

of Southeast Asian respondents who check physical stores before making a purchase³³

^{32 33} "Riding the Digital Wave: Capturing Southeast Asia's Digital Consumer in the Discovery Generation" by Bain & Company (Facebook-commissioned survey of 12,965 respondents from ID, MY, PH, SG, TH, VN), Jun 2019

“

We want Love, Bonito’s physical stores to be something different, unique and a bit more fun, where customers come in and it’s just a slightly different experience from your usual store visits ... For us, this is about being channel-less ... Today we know that consumers aren’t just going, say, to an online platform to do an online checkout. You might just go to an online platform to just browse ... It is not just ecommerce versus an offline store.

Dione Song
Chief Commercial Officer
Love, Bonito

”



Watch the interview
with Love, Bonito [here](#)

Rethink what you know: The Discovery Generation's 6 types of digital consumers

High spenders

Evolved Shoppers

- Medium to high income
- Early adopters with frequent purchases across all categories

Lifestyle Shoppers

- Medium to high income
- Shops only 1 or 2 categories for online convenience

Mid spenders

Purposeful Shoppers

- Medium income
- Category shoppers
- Knows exactly what they want

Value Hunters

- Low to medium income
- Compares prices across sites and looks for deals
- High purchase frequency

Low spenders

Recent Adopters

- Middle income
- Online purchases only started in last 2 years

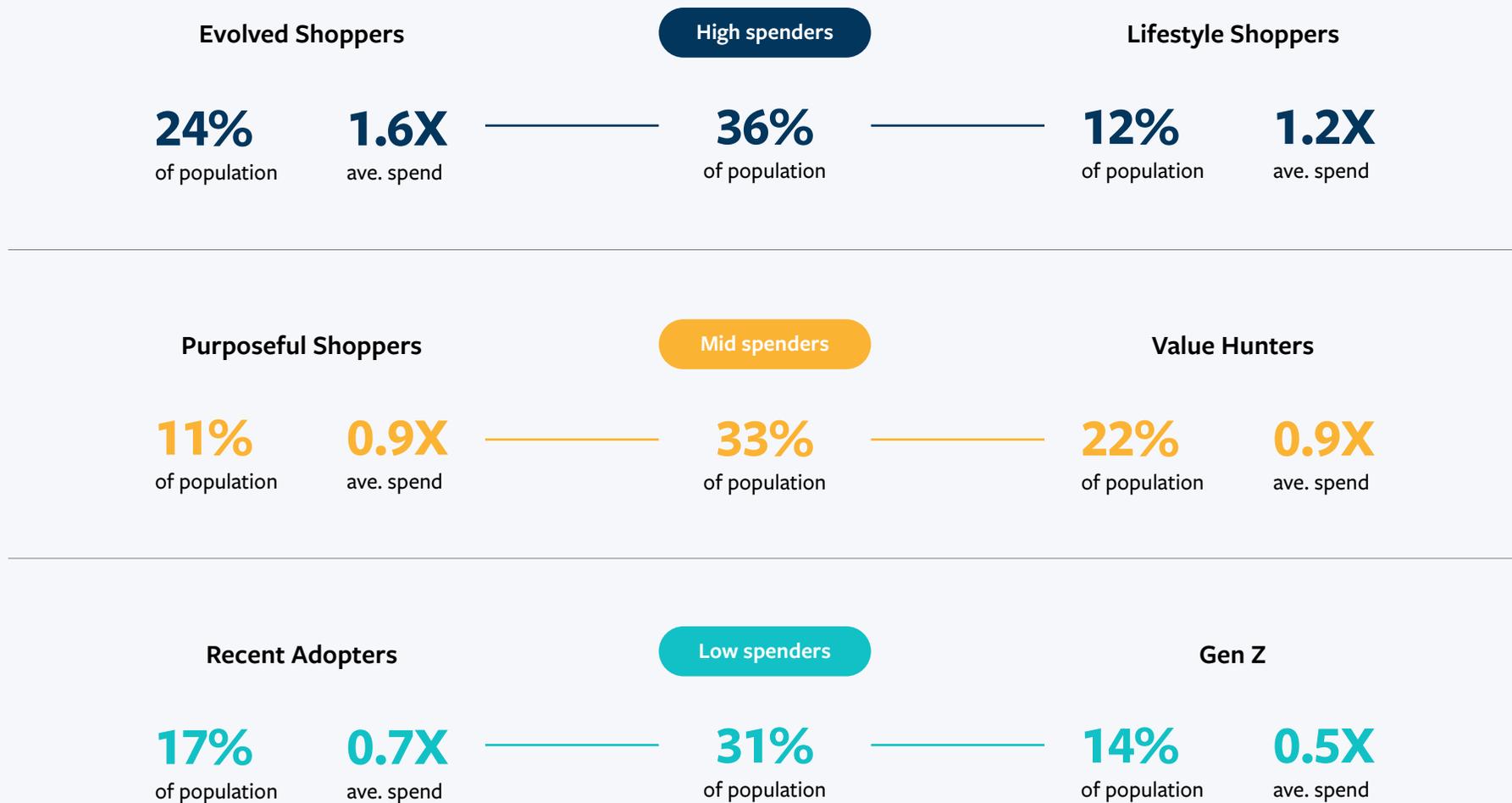
Gen Z

- Low income
- Mainly students
- Shops a limited number of categories

Who are the high spenders?

High spenders are people who spend more than the average. This includes Evolved Shoppers, who spend 1.6 times the average, and Lifestyle Shoppers, who spend 1.2 times more. In the same vein, mid spenders (Value Hunters and Purposeful Shoppers) are people who spend at or just below the average, while low spenders (Early Adopters and Gen Z) are people who spend at a fraction of the average.

High spenders, mainly Evolved Shoppers, make up 36% of the population³⁴



Note: Population refers to survey population; average spend is the multiplier of average reported spend by survey respondents.

³⁴ "Riding the Digital Wave: Capturing Southeast Asia's Digital Consumer in the Discovery Generation" by Bain & Company (Facebook-commissioned survey of 12,965 respondents from ID, MY, PH, SG, TH, VN), Jun 2019

Evolved Shoppers vs Value Hunters, demystified

Among the six, Evolved Shoppers and Value Hunters are the two most populous emerging segments, so it's worth examining them more closely.

Evolved Shoppers are high spenders who prefer convenience over price. They are also interested in innovative products found in other countries.

On the other hand, Value Hunters are mid spenders who prioritise promotions over deals. This group of shoppers frequently compare prices across different sites.

Despite their differences, the two are also similar in a number of ways. Both groups are frequent shoppers found in Tier 1 cities, with Value Hunters also present in secondary small cities and towns. Both groups also include people in their 30s and those with medium income level.

High spenders

Evolved Shoppers³⁵

What they're like:

Prefers convenience over price

64% said the ability to shop anytime, anywhere is motivation

Shops frequently

65% purchase more than 10 times a year, across more than five categories

Preference for innovative and cross-border products

Willing to try new online shops and shop online for products or brands available in other countries

Mid spenders

Value Hunters³⁶

What they're like:

Prefers promotions and deals

60% rated better deals and promotions as motivation to shop online

Shops frequently

47% purchase more than 10 times a year

Compares prices across different sites

93% will check other online sites before making a purchase

³⁵ ³⁶ "Riding the Digital Wave: Capturing Southeast Asia's Digital Consumer in the Discovery Generation" by Bain & Company (Facebook-commissioned survey of 12,965 respondents from ID, MY, PH, SG, TH, VN), Jun 2019

Who makes up majority of online spending?

Myth: Value Hunters are low spenders and make up majority of online shoppers

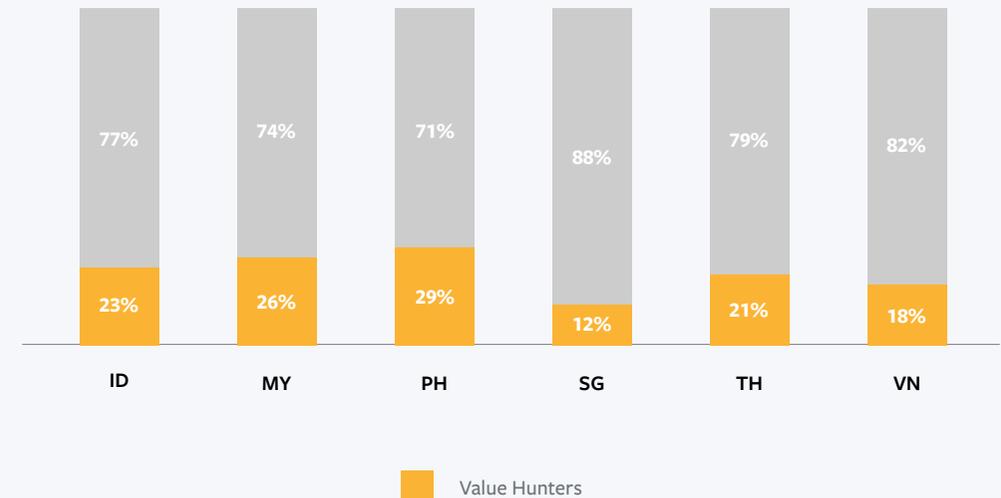
It's convenient to assume that majority of shoppers are Value Hunters who spend little and just want promotions and the cheapest price.

The study found no evidence of this. Across markets, Value Hunters make up less than 22 percent of digital consumers in Southeast Asia.³⁷

And despite the name, Value Hunters are a mid-spender segment, spending more money online compared with Gen Zs (mainly students) and Recent Adopters (mainly from Tier 2 cities). Value Hunters' average spending amounts to 0.9 times that of the average.³⁸

Value Hunters are the second most populous segment among the six, but they still just form a minority of all shoppers. The prevalence of Value Hunters varies per country. Singapore has the fewest Value Hunters, at just 12 percent of digital consumers surveyed. In contrast, Value Hunters are most common in the Philippines, where they make up 29 percent of digital consumers.³⁹

Value Hunters are a minority of shoppers⁴⁰



³⁷ ³⁸ ³⁹ ⁴⁰ "Riding the Digital Wave: Capturing Southeast Asia's Digital Consumer in the Discovery Generation" by Bain & Company (Facebook-commissioned survey of 12,965 respondents from ID, MY, PH, SG, TH, VN), Jun 2019

High and mid spenders are the majority in Southeast Asia; high spenders most prevalent in Singapore and Vietnam

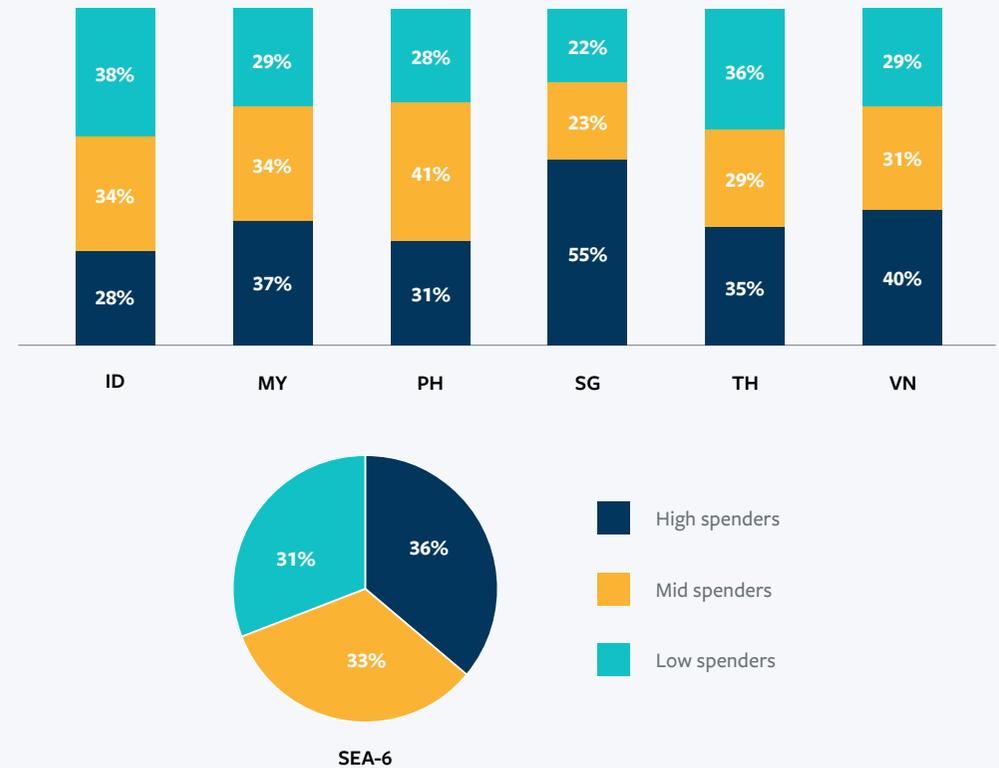
Across Southeast Asia, high and mid spenders make up the majority. At least 62 percent of digital consumers belong to these spending groups, with Singapore having the most at 78 percent.

If we focus on just the high spenders, Singapore stands out for being the only country in Southeast Asia where high spenders (Evolved Shoppers and Lifestyle Shoppers) are the majority, at 55 percent.

Apart from Singapore, other countries with a large number (but not majority) of high spenders are Malaysia and Vietnam, where they account for around 40 percent of digital consumers.

Mid spenders are most prevalent in the Philippines, where they make up 41 percent of digital consumers. Indonesia and Malaysia also have a large number of mid spenders, at 34 percent each.⁴¹

High and mid spenders make up majority of online spend⁴²



⁴¹ ⁴² “Riding the Digital Wave: Capturing Southeast Asia’s Digital Consumer in the Discovery Generation” by Bain & Company (Facebook-commissioned survey of 12,965 respondents from ID, MY, PH, SG, TH, VN), Jun 2019

Tier 1 vs Tier 2 shoppers, demystified

Digital consumers can be classified not only according to their spending habits or shopping behaviour, but also by location.

Thus, we also compared the spending habits and shopping behaviour between shoppers from Tier 1 cities and those from Tier 2 areas. What have we found?

What are Tier 1 and Tier 2 cities?

Shoppers from Tier 1 cities live in sprawling urban centres. These include national capitals such as Bangkok, Jakarta and Manila.

They also include large, non-capital cities such as Ho Chi Minh City, Penang and Surabaya. In contrast, Tier 2 shoppers live in small cities, towns and rural areas.

Tier 1 cities have more high spenders than Tier 2

High spenders exist in both cities. In Vietnam, for example, Evolved Shoppers make up the most populous segment in Tier 2 cities, consisting of 25 percent of all shoppers in such locations. But across Southeast Asia, Tier 1 cities on average contain more high spenders than Tier 2 ones. These findings hold true even when broken down by country. For example, Vietnam and Malaysia each have about 14 percent more high spenders in Tier 1 cities than in Tier 2 cities.⁴³

Among the six countries, this effect is most pronounced in Indonesia. There, Tier 1 cities have nearly twice as many high spenders as compared with Tier 2 cities.

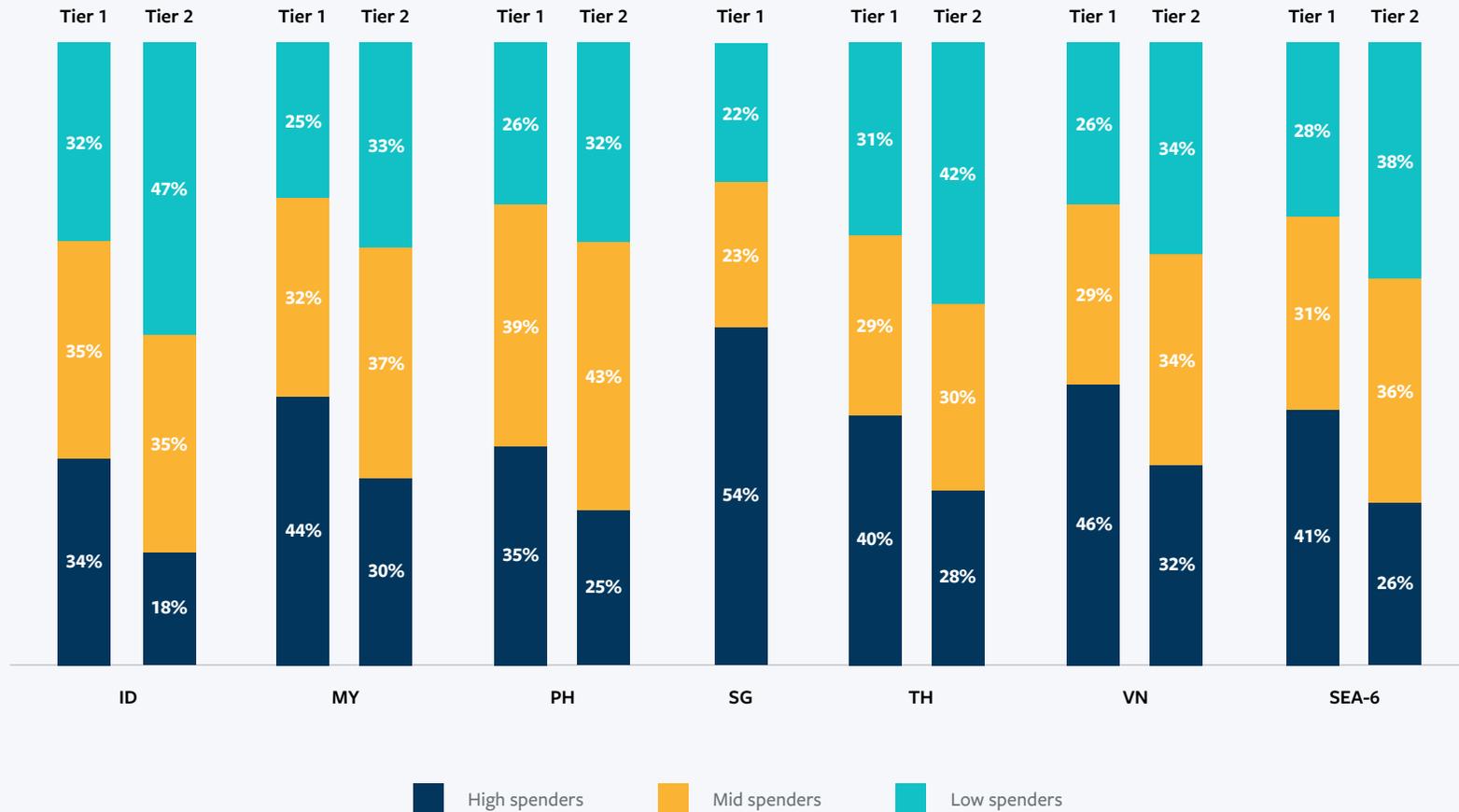
Vietnam also stands out for having a high number of Evolved Shoppers (a high spender segment) compared with the other countries, at 33 percent of respondents. By comparison, Evolved Shoppers make up 20 to 28 percent of all respondents in other Southeast Asian countries.

While high spenders exist in both types of cities, low spenders are more prevalent in some Tier 2 cities than in others. In Indonesia and Thailand, low-spending segments (Recent Adopters and Gen Z) make up at least 42 percent of all Tier 2 city shoppers.

⁴³ "Riding the Digital Wave: Capturing Southeast Asia's Digital Consumer in the Discovery Generation" by Bain & Company (Facebook-commissioned survey of 12,965 respondents from ID, MY, PH, SG, TH, VN), Jun 2019



High spenders exist in both Tier 1 and Tier 2 cities



1.8X

Proportion of high spenders in Indonesian Tier 1 cities versus those in Tier 2 cities

25%

of Evolved Shoppers in Tier 2 cities in Vietnam

Note: Numbers may not add up to exactly 100% due to rounding

Source: "Riding the Digital Wave: Capturing Southeast Asia's Digital Consumer in the Discovery Generation" by Bain & Company (Facebook-commissioned survey of 12,965 respondents from ID, MY, PH, SG, TH, VN), Jun 2019

Tier 1 and 2 shoppers possess similar habits and behaviours once they become digital consumers

While Tier 1 cities contain more high spenders than Tier 2 ones, shoppers from the latter behave similarly to those from Tier 1 cities once they start shopping online and become digital consumers. In other words, becoming a digital consumer is a great leveller across Tier 1 and Tier 2 cities.

These include how they discover new products, their openness to new brands and tendency to “comparison shop” by checking other sites or stores.

The findings for these four points on the right are consistent, even when broken down by country.⁴⁴

Across Southeast Asia on average, both Tier 1 and Tier 2 shoppers:

	Tier 1	Tier 2
Don't exactly know what product they want or where to get products they want	69%	70%
Discover products via social media	53%	55%
Check other online sites or physical stores, or both	86%	86%
Are open to buying from multiple brands or open to other brands	64%	66%

⁴⁴ “Riding the Digital Wave: Capturing Southeast Asia’s Digital Consumer in the Discovery Generation” by Bain & Company (Facebook-commissioned survey of 12,965 respondents from ID, MY, PH, SG, TH, VN), Jun 2019

“

We don't focus on the big cities alone. Sendo is very big there, but we are also very, very big in the Tier 2, Tier 3 cities where a lot of people would be buying their first online purchase. The bulk of our growth are coming from new buyers and the first-time buyers coming online.

Linh Trần Hải
Chief Executive Officer
Sendo

”



**Watch the interview
with Sendo [here](#)**

What can we learn?



There is an emergence of an attractive, high-value shopper segment. They account for 25 percent of the market, shop frequently across categories and spend up to 60 percent more than average, seeking convenience and choice over price.



The purchase journey is rarely purely online, and mostly driven by comparison. Up to 86 percent of consumers compare products online, offline or both before making a purchase.



Brands can't simply ignore Tier 2 shoppers, as high spenders exist in both Tier 1 and Tier 2 cities alike.



Online shopping in Southeast Asia is largely inspiration based. Up to 70 percent of consumers don't know what they want or where to get the products they want, while at least 50 percent discover new products via social media.



Habits, preferences, and omni-channel behaviours are similar for digital consumers in Tier 1 and Tier 2 cities.

SECTION 3

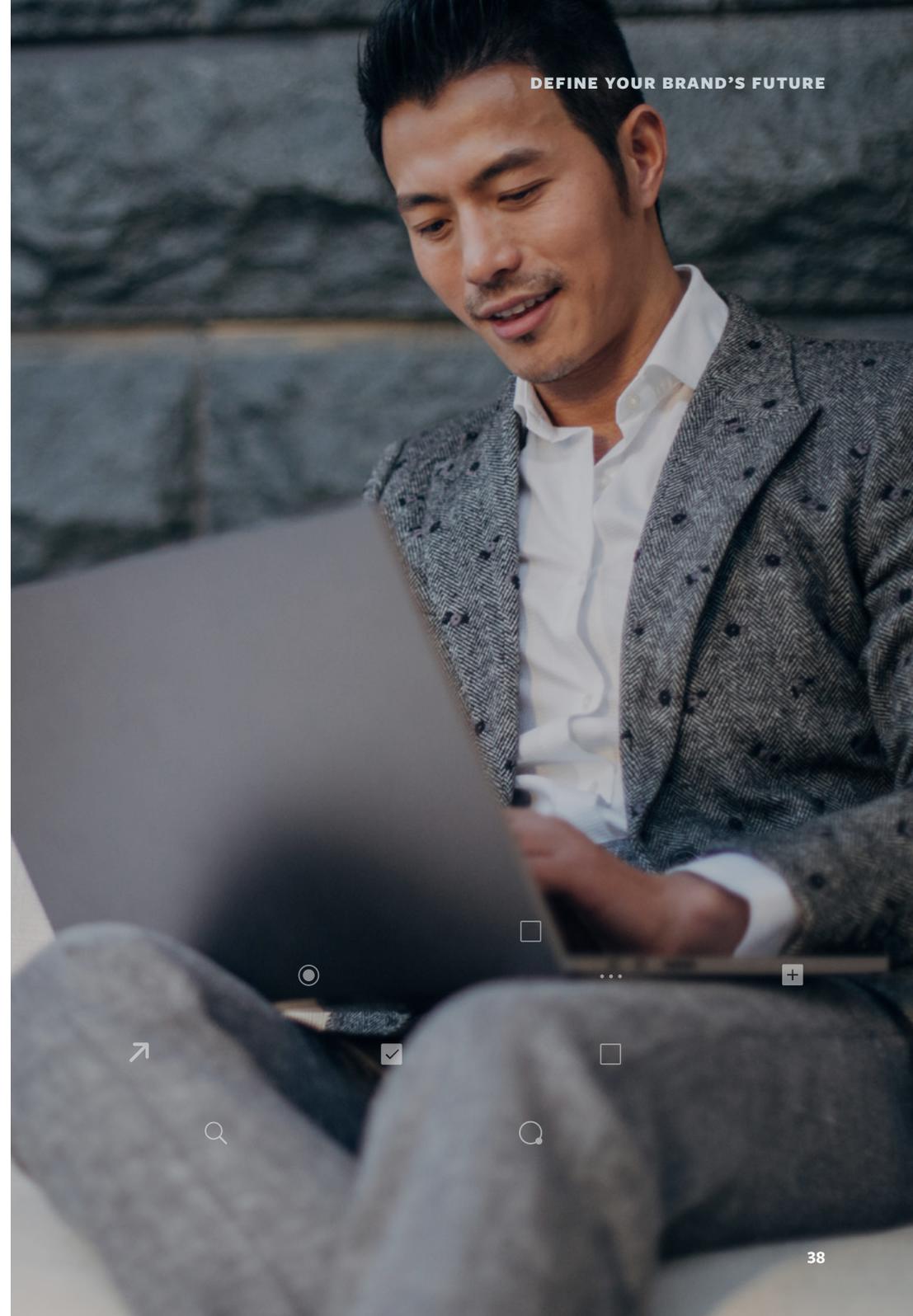
DEFINE YOUR BRAND'S FUTURE



New rules to win: Insights to help succeed with a multi-channel strategy

The rules of the game have changed. Companies used to compete heavily on offline factors such as the number of physical locations or size of stores, or engage consumers through billboards, TV or print exposure. Now, as Southeast Asia pivots towards digital consumption and online engagement through social media, companies need a multi-channel strategy that combines the best of offline and online.

In particular, large brands can learn from successful digital-first insurgent companies, many of whom have been snatching market share from more established players. The different rules mean navigating the digital economy landscape remains a challenge for most firms. The market is still evolving, and companies are still trying to experiment with a model that works.



Social media is the primary engine of discovery, but offline channels still play a role

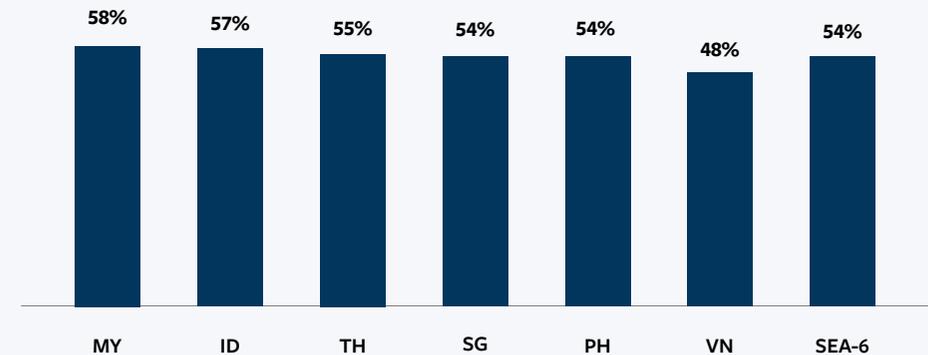
The way the Discovery Generation interacts with the world has changed: People used to learn about new products by watching TV, reading the newspapers or seeing ads on billboards, but they now primarily do so by browsing social media platforms. Out of all the Southeast Asian consumers surveyed, 54 percent report discovering products via social media (such as Facebook and Instagram) as opposed to other online or offline means.⁴⁵

Majority of discovery takes place in social media even when broken down by country. The only exception is Vietnam, where 48 percent respondents said they discover products via social media. Social media's influence is strongest in Malaysia and Indonesia, where 58 percent and 57 percent of consumers, respectively, use it to discover new products.⁴⁶

But while discovery has primarily moved online, offline channels still add value during the purchase journey. This is evidenced by the fact that online insurgent brands are rounding out the customer experience by setting up physical stores. Indeed, a third of all respondents still check physical stores before making a purchase.

The Discovery Generation experiments with new brands, conducts comparison shopping and is driven by inspiration. With much of this activity taking place on social media, companies who don't meet digital consumers where they are risk losing relevance. Discovery via social media is key as engagement has moved from offline media to online.

Majority of Southeast Asian respondents discover new products via social media as opposed to other online or offline means⁴⁷



Percentage of respondents who discover new products via social media of websites used by online buyers

33%

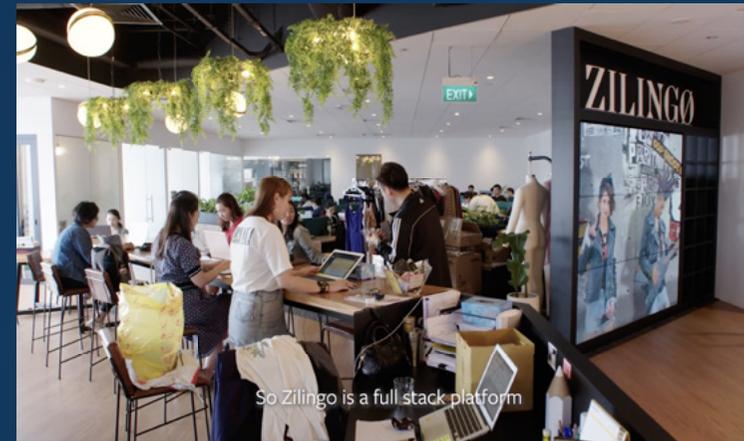
of respondents who said they check physical stores before making a purchase⁴⁸

⁴⁵ ⁴⁶ ⁴⁷ ⁴⁸ "Riding the Digital Wave: Capturing Southeast Asia's Digital Consumer in the Discovery Generation" by Bain & Company (Facebook-commissioned survey of 12,965 respondents from ID, MY, PH, SG, TH, VN), Jun 2019



The advent of social media and influencer marketing has created an industry and environment where the consumer has unprecedented access when it comes to discovery of products. There used to be a time when fashion had four seasons: Spring, summer, autumn, winter. Today, it looks to us a lot more like it's 52 seasons and every week it seems fashion is changing, and it's all happening on Instagram.

Marita Abraham
Chief Marketing Officer
ZILINGO



Watch the interview
with ZILINGO [here](#)

Fragmented market means companies have opportunity to win customer loyalty

Southeast Asia's digital consumers shop hop across platforms, and this lack of loyalty in the market offers huge potential for brands in Southeast Asia to grow their market share.

Instead of purchasing regularly from one or two websites, digital consumers shop on 3.8 websites on average. The least loyal are digital consumers from Singapore and Malaysia, where digital consumers shop at 5.1 and 4.2 websites, respectively.

The most loyal are consumers from the Philippines and Thailand, where digital consumers shop at 3.2 websites on average. This frequent “shop hopping”, coupled with an eagerness to try new brands as discussed in part 2, suggests companies in the region have a long way to go in winning their customers' allegiance.⁴⁹

Digital consumers shop on 3.8 websites on average⁵⁰

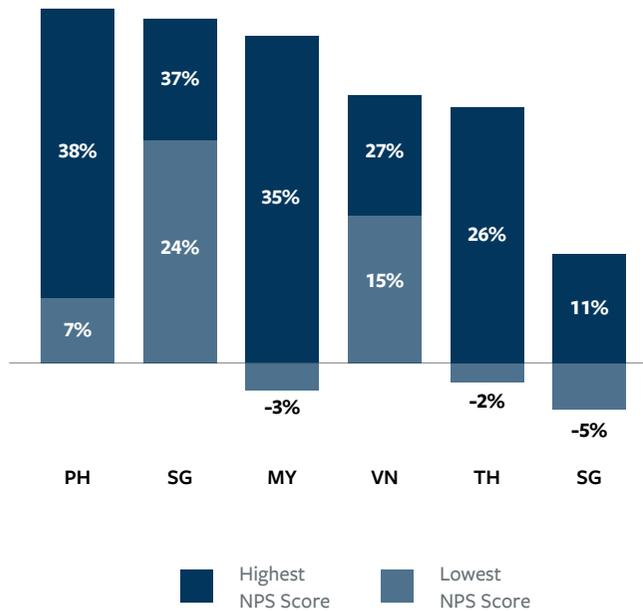


Average number of websites used by online buyers

⁴⁹ ⁵⁰ “Riding the Digital Wave: Capturing Southeast Asia's Digital Consumer in the Discovery Generation” by Bain & Company (Facebook-commissioned survey of 12,965 respondents from ID, MY, PH, SG, TH, VN), Jun 2019

This lack of loyalty is also reflected in the region's Net Promoter Score (NPS), a measure of customer loyalty. The NPS scores of ecommerce firms in the region are relatively low compared with other markets, with the highest in Southeast Asia being 38 percent. In contrast, the NPS score of the top ecommerce platforms in the United States are between 50 to 65 percent.⁵¹

Your opportunity: To create real customer loyalty



⁵¹ Bain & Company analysis based on proprietary e-commerce market model
Source: "Riding the Digital Wave: Capturing Southeast Asia's Digital Consumer in the Discovery Generation" by Bain & Company (Facebook-commissioned survey of 12,965 respondents from ID, MY, PH, SG, TH, VN), Jun 2019

This lack of loyalty means dominant online players have yet to establish themselves in the region. Unlike their counterparts in Southeast Asia, the top player in other regions has a much bigger market share than its fiercest competitor.

The largest player in the United States has a relative market share that's 6.5 times bigger than its competitor, while China's is 4 times bigger. In contrast, Singapore's most dominant player, which has the largest relative market share in Southeast Asia, is 1.7 times bigger than its competitor⁵² — no minor feat, but still dwarfed by its counterparts in the US and China.

Relative market share⁵³

RMS refers to the leader's market share vs. the second largest player



Ecommerce platform models are still in flux as players move away from offering discounts and into emphasising engagement and loyalty. While the ecosystem continues to change and remains fragmented, this situation presents companies with an opportunity to win more brand love from their customers.

⁵² ⁵³ "Riding the Digital Wave: Capturing Southeast Asia's Digital Consumer in the Discovery Generation" by Bain & Company (Facebook-commissioned survey of 12,965 respondents from ID, MY, PH, SG, TH, VN), Jun 2019

Discounts help acquire customers but don't promote loyalty

Southeast Asia is awash with online sales promotions that draw millions of shoppers looking for online deals. Often taking place towards the end of the year, these promotions include Singles' Day, which falls on 11 November (11/11), and "Double 12" on 12 December. With US\$30.8 billion⁵⁴ in sales in China alone in 2019, the Singles' Day sales event has prompted online players to roll out their own version in Southeast Asia. In addition, there are also year-end shopping holidays transplanted from the United States, such as Black Friday and Cyber Monday.

But while such sales events result in more customers, our study shows they don't help companies gain more loyalty in the long term. Discounts aren't the be all end all of shopping, as people don't necessarily wait for sales or deals before making a purchase.

Majority of those surveyed, 54 percent, proceed to buy what they want while the rest, 46 percent, wait for the sales season, promotions or deals.⁵⁵

The effectiveness of discounts and sales seasons vary by country, however. They are less effective in Indonesia, Thailand and Vietnam, where at least 60 percent buy what they want without regard to promotions or sales seasons. In contrast, respondents in Malaysia and the Philippines are more likely to wait for sales seasons as well as promotions and deals, with at least 52 percent likely to do so in these markets.

By far, Singapore stands out in the region for being the only country where respondents who are most likely to wait for deals and sales seasons outnumber those who just buy. In the city-state, 58 percent of respondents are likely to wait for deals and sales seasons — slightly more than the 43 percent who don't wait and just buy whenever they want.⁵⁶

Discounting helps introduce customers to your brand, but it's not an effective differentiator over the long term. With 64 percent of Southeast Asians saying they will either buy from multiple brands or are open to other brands, consumers are likely to just flock to the next firm that offers deals or promos.

54%

Southeast Asian respondents who proceed to buy what they want without waiting for the sales season, promotions or deals⁵⁷

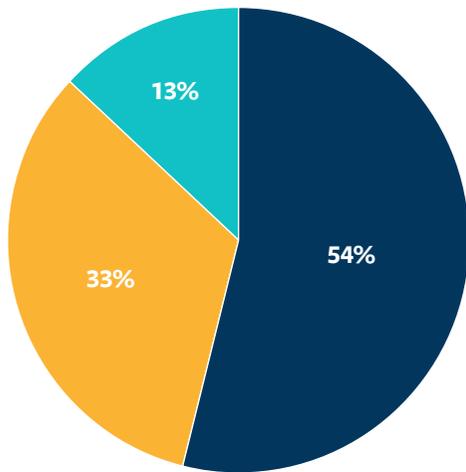
64%

Southeast Asians who said "I am open to other brands" or "I will buy from multiple brands"⁵⁸

⁵⁴ "Alibaba's Singles' Day sales hit record US\$38 billion; growth slows". Channel NewsAsia, 12 Nov 2019

^{55 56 57 58} "Riding the Digital Wave: Capturing Southeast Asia's Digital Consumer in the Discovery Generation" by Bain & Company (Facebook-commissioned survey of 12,965 respondents from ID, MY, PH, SG, TH, VN), Jun 2019

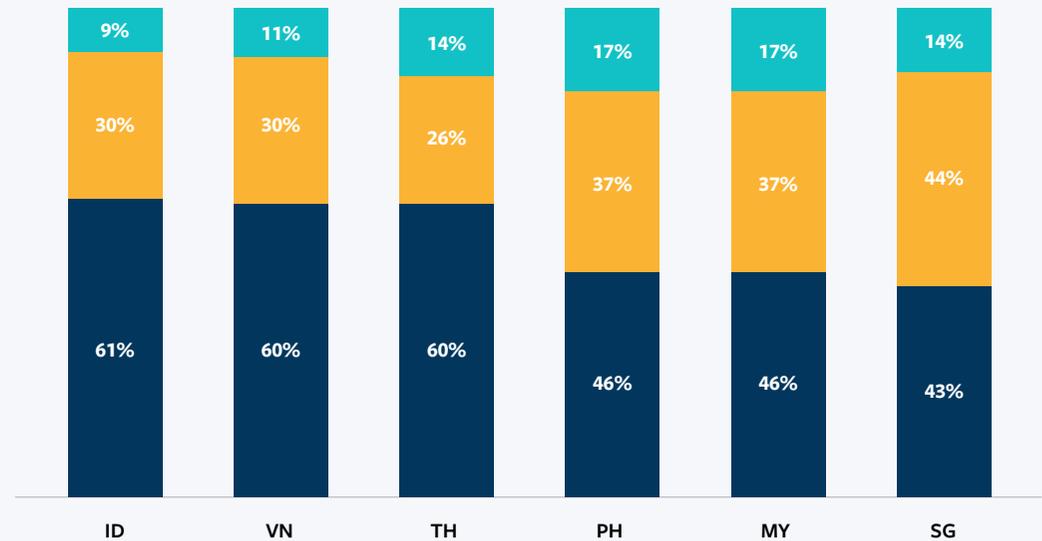
>50% of surveyed respondents across SEA don't necessarily wait for sales or promotional deals⁵⁹



Percentage of surveyed respondents

I buy when I want
 I wait for promotions or deals
 I wait for sales season

Most Southeast Asians prefer to buy when they want rather than wait for sales or promotional deals⁶⁰



I buy when I want
 I wait for promotions or deals
 I wait for sales season

^{59 60} "Riding the Digital Wave: Capturing Southeast Asia's Digital Consumer in the Discovery Generation" by Bain & Company (Facebook-commissioned survey of 12,965 respondents from ID, MY, PH, SG, TH, VN), Jun 2019

Get basics right to build Promoters and avoid Detractors

Customer advocacy matters. Positive word-of-mouth builds a brand, while negative word-of-mouth hurts it. But how much value do Promoters really add, and how can companies avoid Detractors?

Who are the Promoters and Detractors?

Promoters are customers who are likely to recommend a brand, while Detractors are customers unlikely to recommend a brand.

In the survey, respondents were classified based on their response to the following question: "On a 0-to-10 scale, how likely is it that you would recommend us (or this product or service) to a friend or colleague?"

Promoters are respondents who selected 9 or 10, and Detractors are those who selected 6 and below.

In this survey, we've found that Promoters in Southeast Asia spend much more than Detractors in their lifetime — specifically three times more. This is reflected across the various categories we've examined which include consumer electronics, household appliances, clothing and accessories, personal care and beauty as well as toys and baby care.

Loyalty matters: Promoters spend ~3x more⁶¹

The difference in spending between Promoters and Detractors:



Consumer electronics and accessories

3.1X



Personal care and beauty

3.2X



Household appliances and furnishings

3.1X



Toys and baby care

3.2X



Clothing, footwear and accessories

2.8X

Looking at the top reasons cited by Detractors might give companies clues on how to attract Promoters. The survey shows that Detractors — be it in Southeast Asia as a whole or by country — consistently flag doubts about product quality. Doubts about product quality is the single most important factor businesses should be mindful of, as it is top of the list in almost every country surveyed.

Therefore, brands should avoid giving the impression that the quality of products or services offered is subpar.

Other issues cited include lack of information, a cumbersome returns process, long delivery times as well as the inability to find products that a consumer wants. Paying greater attention to these factors might help companies who want to attract loyalty from digital consumers.

⁶¹ "Riding the Digital Wave: Capturing Southeast Asia's Digital Consumer in the Discovery Generation" by Bain & Company (Facebook-commissioned survey of 12,965 respondents from ID, MY, PH, SG, TH, VN), Jun 2019

Top 3 reasons cited by Detractors, ranked by each country's respondents

	ID	MY	PH	SG	TH	VN
Doubts about product quality	1	1	1	1	2	1
Lack of information	2	2	-	3*	3*	-
Long delivery time	-	3	2	-	-	-
Cumbersome returns process	-	-	3	-	3*	3
Mismatched expectations	3*	-	-	-	1	2
Unable to find the products I want	3*	-	-	2	-	-
Platform doesn't offer the best price	-	-	-	3*	-	-

*Tied

Source: "Riding the Digital Wave: Capturing Southeast Asia's Digital Consumer in the Discovery Generation" by Bain & Company (Facebook-commissioned survey of 12,965 respondents from ID, MY, PH, SG, TH, VN), Jun 2019

Unique offerings across niche categories help insurgent brands take market share from big players

Southeast Asia has seen an explosion of insurgent brands. Insurgent brands are digital-first, emerging companies who often have unique offerings or business models that pose a challenge to more traditional, established brands. Be it in toys, pre-loved products, furniture, accessories or beauty and skincare, successful insurgent brands apply a different approach to growth, capturing the hearts and minds of today's online shoppers.

There is no single recipe for success, and businesses are still trying to crack the dominant model by experimenting with partnerships, brand stories and business models. To this end, insurgent brands often use one or more of the following messages to communicate their story:



Founder's story

Features a local entrepreneur who has a vision and helps his or her community fill a need



Influencer driven

Leverages social networks and creates awareness by engaging social media influencers and celebrities as ambassadors



Purpose or conscious driven

Promotes ethically and sustainably sourced products with less waste and chemicals. Appeals to environmentally conscious consumers



Affordable luxury

Offers buyers stylish, quality products at reasonable prices. Appeals to millennials and Gen Z who make up a large portion of digital consumers



Unique and personalised

Provides a unique product offering



People are shopping in direct-to-consumer because they care about the brand and the story, so you need to create a narrative that appeals to them emotionally...how an item is presented, how it's unboxed... You are appealing not through a retailer or platform, but directly to the consumer through Facebook and Instagram.



Justin Hall
Partner
Golden Gate Ventures



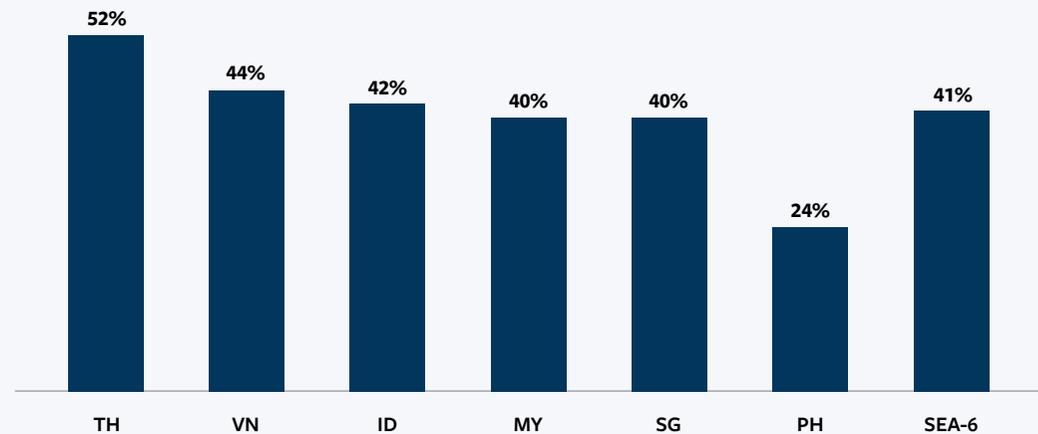
Loyalty programmes can create stickiness, with Evolved Shoppers and Recent Adopters most likely to hold membership

Miles, rewards, points — airlines and hotels are no stranger to loyalty programmes, but firms outside of the travel and hospitality industry can benefit from them, too. Our survey shows such programmes can help build loyalty by giving rewards to repeat customers.

Loyalty programmes appear underutilised for now, with only 41 percent of Southeast Asians surveyed saying they are part of one. Thailand has the highest participation rate for loyalty programmes, and is the only Southeast Asian country where programme holders make up majority of those surveyed (52 percent). The Philippines has the lowest participation rate, with only 24 percent of those surveyed saying they're a member.⁶²

⁶²⁻⁶³ "Riding the Digital Wave: Capturing Southeast Asia's Digital Consumer in the Discovery Generation" by Bain & Company (Facebook-commissioned survey of 12,965 respondents from ID, MY, PH, SG, TH, VN), Jun 2019

Thailand has the highest loyalty programme participation, while the Philippines has the lowest⁶³



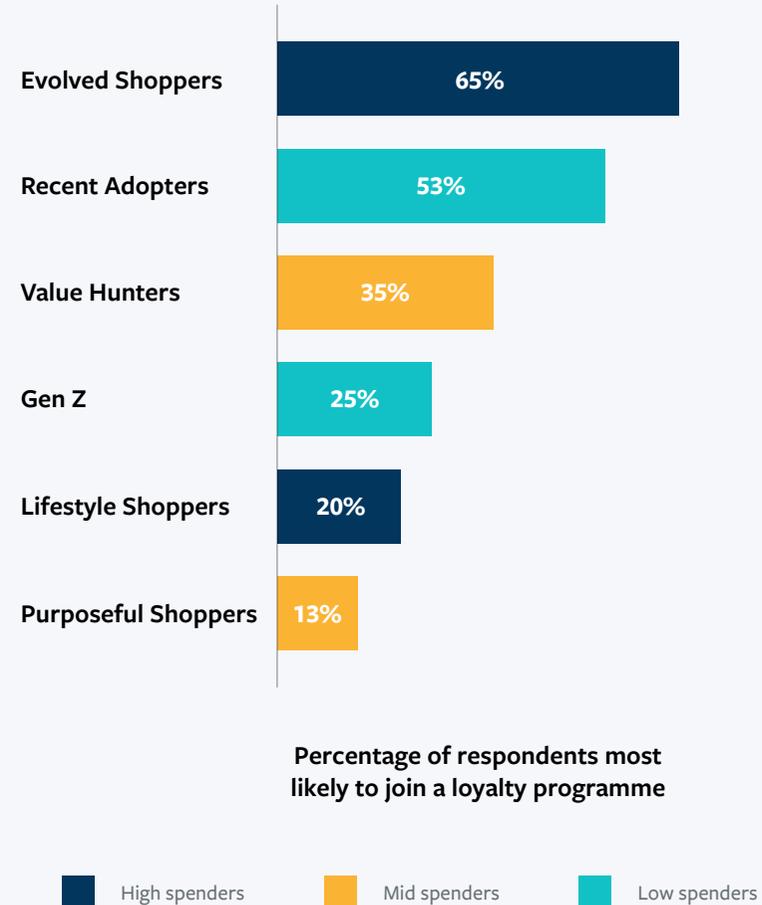
Percentage of respondents who subscribe to loyalty programmes

When broken down by types of shoppers, Evolved Shoppers (high spenders) are most likely to be a member, with 65 percent saying they take part.

They're followed closely behind by Recent Adopters (low spenders), majority of whom are loyalty members (53 percent) despite being low spenders. Lifestyle Shoppers (high spenders) are among the least likely to be a loyalty member, with only 20 percent doing so.

Overall, there appears to be little correlation between average spending and loyalty membership participation.⁶⁴

Evolved Shoppers and Recent Adopters are most likely to join loyalty programmes⁶⁵



⁶⁴ ⁶⁵ "Riding the Digital Wave: Capturing Southeast Asia's Digital Consumer in the Discovery Generation" by Bain & Company (Facebook-commissioned survey of 12,965 respondents from ID, MY, PH, SG, TH, VN), Jun 2019

Those who participate in loyalty programmes said they do so because of lower costs in the long run due to high usage, free priority delivery and earlier access to promotions.

Respondents with a loyalty programme are:

1.5X

more likely to be a Promoter

25%

higher purchasing frequency across categories

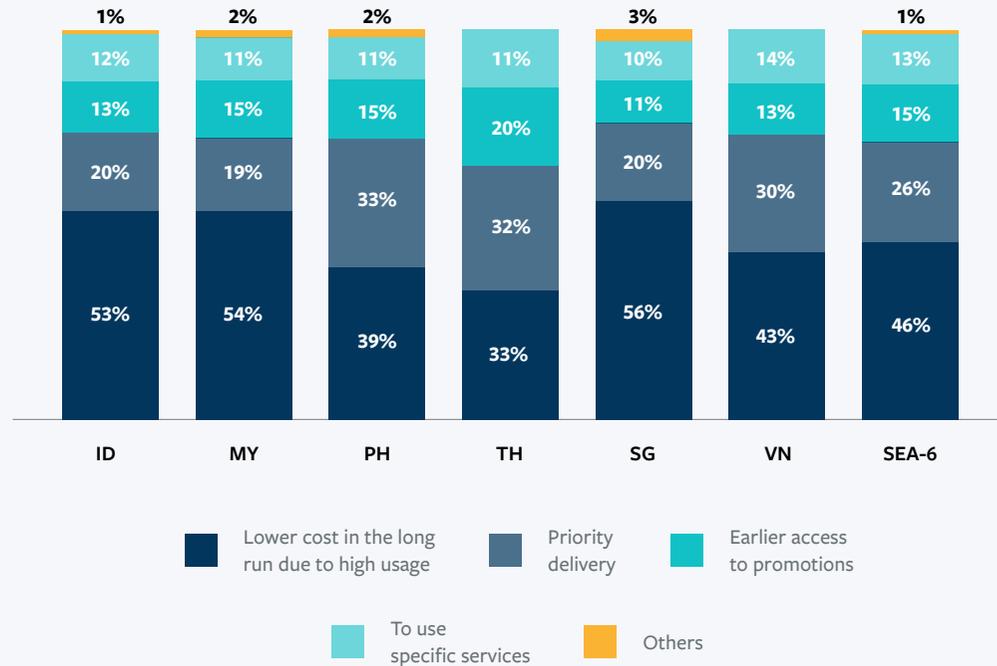
20%

higher spending across categories

45%

more likely to make recommendations across categories

People subscribe to loyalty programmes for access to lower costs and priority delivery



Note: Numbers may not add up to exactly 100% due to rounding

Consumers aren't the only ones who benefit; businesses stand something to gain, too. Respondents with a loyalty programme are more likely to buy more frequently and spend more across categories.

They are also 1.5 times more likely to be a Promoter, and more likely to make recommendations across categories.

Source: "Riding the Digital Wave: Capturing Southeast Asia's Digital Consumer in the Discovery Generation" by Bain & Company (Facebook-commissioned survey of 12,965 respondents from ID, MY, PH, SG, TH, VN), Jun 2019

Conclusion: Large brands can learn from successful digital-first insurgents

The rise of the Discovery Generation presents a huge opportunity. But navigating this landscape remains a challenge, especially for large brands. Brand owners need a clear, multi-channel strategy while simultaneously learning from the successful digital-first insurgents. These insurgents have been highly successful and are leading the way on innovative online brand building and becoming large regional brands in their own right. What can large brands do to overcome uncertainty?

To address the challenges, large brands looking to engage the discovery generation can consider pursuing a ground-up approach instead of a patchwork of solutions. Some areas to think about include:

- 1 Reimagine your brand discovery**
What is your zero-based budgeting approach for marketing spend?
- 2 Rethink your route-to-market strategy**
What is your online strategy and how does it vary across categories?
- 3 Redefine partnerships**
How do you partner effectively with ecommerce platforms and leverage their customer insights?
- 4 Redesign your organisational model**
What capabilities should your organisational model have in order to win online?



How can large brands make their next move their best move?

- 1** Leverage ecommerce channels as it's estimated that majority of growth for consumer-packaged goods will come from that platform.
- 2** Ensure your brand is visible and available across all channels. If your brands aren't visible and available, people can't buy them.
- 3** Brick-and-mortar tactics will not work; ecommerce requires different capabilities and approach.
- 4** Pick your battles, place your bets. Consider business models outside of ecommerce. Some of these insurgent brands have found success by pursuing direct-to-consumer business models, so their potential for disruption can't be ignored.

The opportunity has never been greater.

About Facebook

Founded in 2004, Facebook's mission is to give people the power to build community and bring the world closer together. People use Facebook to stay connected with friends and family, to discover what's going on in the world, and to share and express what matters to them.

About Bain & Company

Bain & Company is a global consultancy that helps the world's most ambitious change-makers define the future. Across 58 offices in 37 countries, we work alongside our clients as one team with a shared ambition: to achieve extraordinary results that outperform their competition and redefine their industries. We complement our tailored, integrated expertise with a curated ecosystem of digital innovators to deliver better, faster and more enduring outcomes to our clients. Since our founding in 1973, we have measured our success by the success of our clients. We proudly maintain the highest client advocacy in the industry, and our clients have outperformed the stock market 4:1. Learn more at www.bain.com and follow us on Twitter @BainAlerts.

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