

Consumer trends in SEA

TFWA

April 2022

DRAFT

 Meta

BAIN & COMPANY 

SEA will remain forefront of APAC growth

Eight forces consumer facing industries will need to navigate

1 Long-term macro tailwinds, but need to navigate 'COVID & Conflict-speed bumps'

2 Polarization of consumer demand. Flight to value while select premium categories grow

3 Accelerated digitisation of the 'Route to Consumer'

4 Discerning consumers: ultra-convenience, personalization, new experiences

5 'Flight to safety' versus 'desire for new and bold' - battle between the incumbents and insurgents

6 Democratisation of the unserved and under-served through digital services

7 Stakeholders begin to walk the talk on ESG

8 Stay at home tendencies continue

As a 'market bloc', ASEAN is becoming significantly important

1. GROWTH & SPEEDBUMPS

In 2030

ASEAN

Pop. (2030) **723M**

GDP (2030) **4.5T**

GDP CAGR (2018-2030) **4%**



ASEAN

No common currency, no open borders, separate legislations

10 Southeast Asian countries

3rd Fastest economic growth after India and China

3rd Most populous after China and India

6th Largest economy after US, China, Japan, India, and Germany

KEY STATS

~\$4T ASEAN overall consumption value in 2030 (2.2x vs. 2019)

40% of ASEAN population and GDP is driven by Indonesia

1 in 6 consuming class additions to come from ASEAN in 2030

5M urban population will be added to ASEAN every year through 2030

4x foreign direct investment (FDI) into ASEAN vs India, 1.2x China

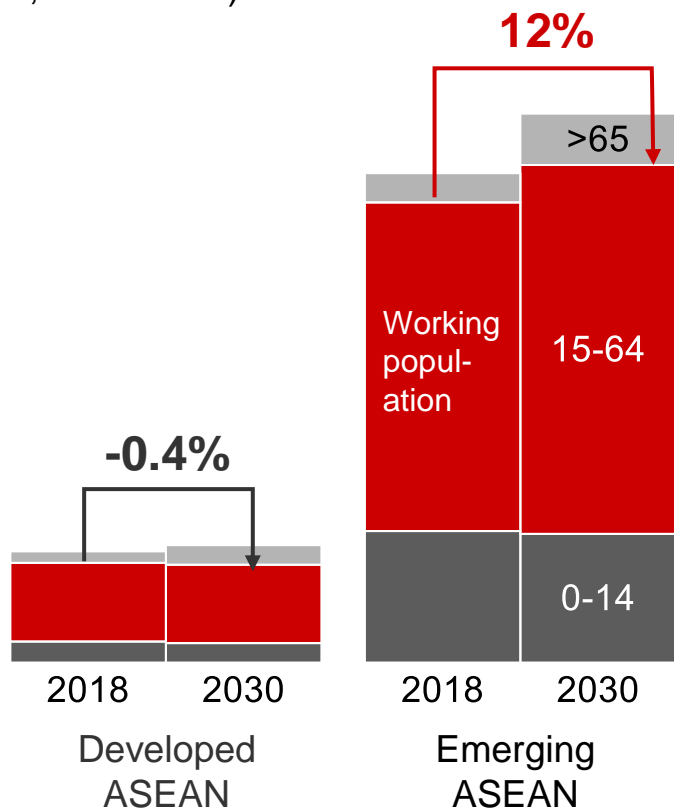
Note: 2030 Real GDP in USD; Source: The Economist Intelligence Unit; Euromonitor; World Bank

Emerging ASEAN is young and getting more urbanized; rise in working population

1. GROWTH & SPEEDBUMPS

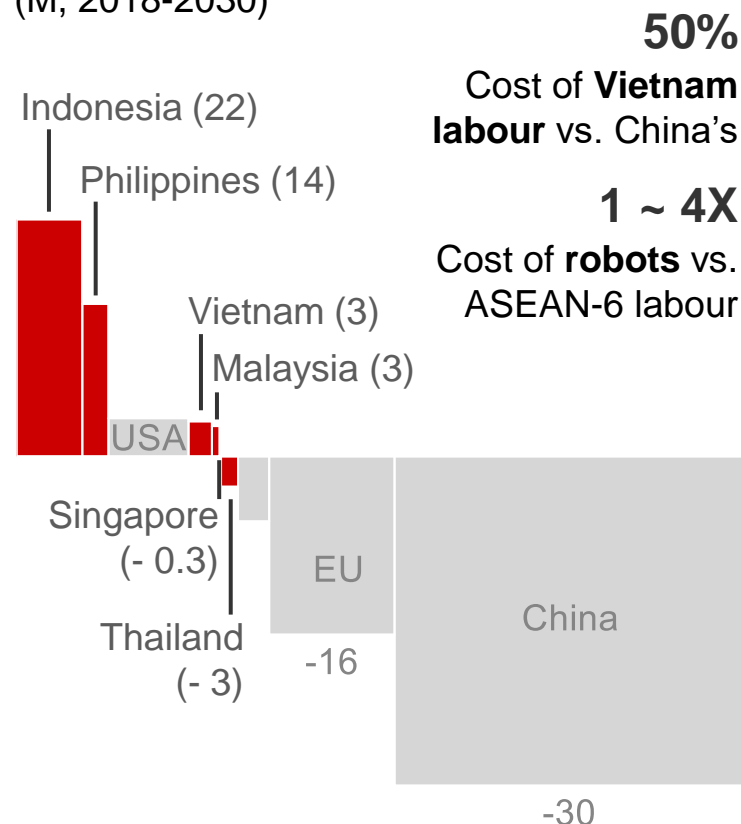
Emerging ASEAN is getting younger

ASEAN population by age group (M, 2018-2030)



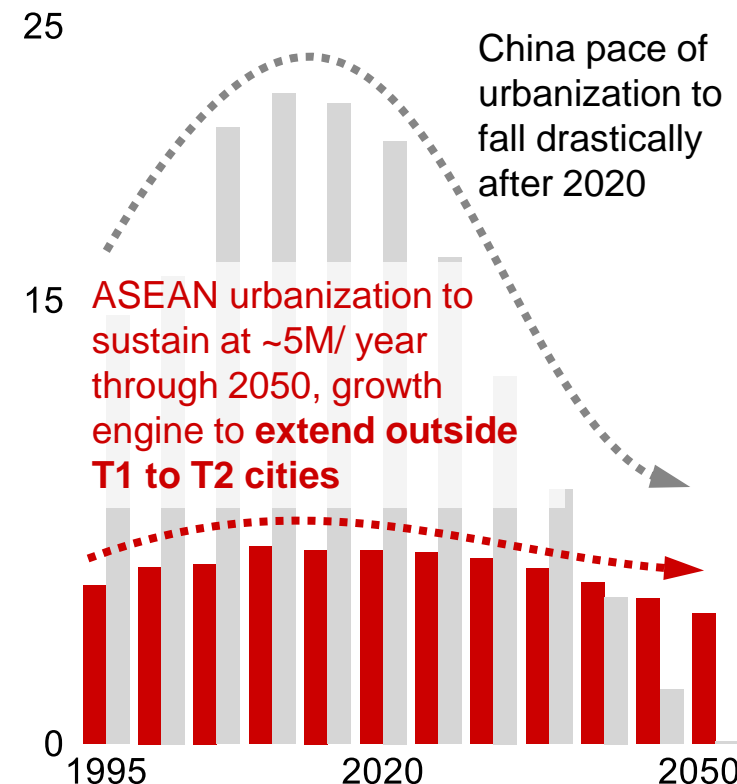
ASEAN working population to increase by 40M by 2030

Addition to working population (M, 2018-2030)



Urbanization in ASEAN will be more sustained

Increase in urban population per year (M)



Note: Working population 15-64 years old; Hourly cost of robots calculated using 6,300-hour warranty life that comes with the Baxter collaborative robot; Singapore has no minimum wage mandated; basic recommended wage was used; Source: Fitch Connect (working population, minimum wage); Euromonitor (productivity, manufacturing worker hourly cost); Bain Macro Trends Group analysis, 2017

No 'single ASEAN': varying economic prosperity, heterogeneous cultures and beliefs require consideration of local preferences by Brands

1. GROWTH & SPEEDBUMPS

ASEAN: Language, culture and beliefs differ widely

			
National language	Bahasa Indonesia	Tagalog	Vietnamese
English proficiency			
Dominant religion	Islam 	Catholicism 	Vietnamese folk religion 
Food			
Festivals/holidays	Eid / Lebaran (end of Ramadan) 	Sinulog festival (Cebu's patron saint) 	Tet (New Year) 

Product localization is a powerful differentiator

LOCAL CUSTOMS

Specific SKUs without Super Absorbent Material in MY and ID to better enable local custom of washing sanitary pads post use



LOCAL TASTES

Local flavors such as curry and tom yam flavors to stay relevant despite established consumer preferences

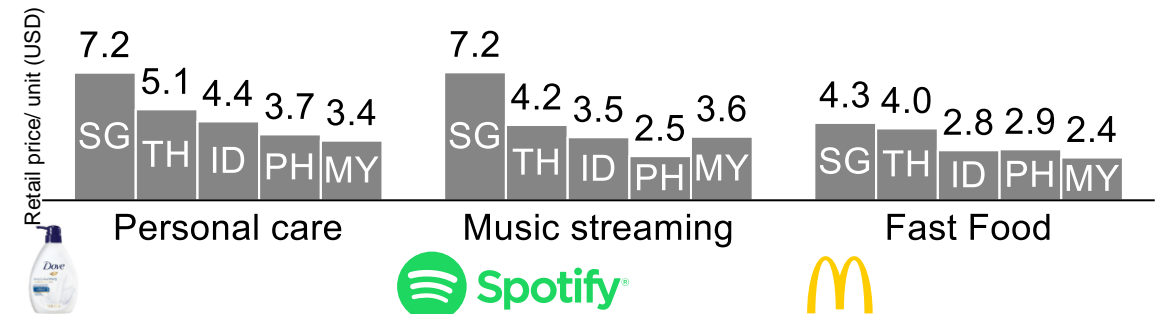


LOCAL BRANDS

Branding with local household names such as Ipoh White Coffee to increase product relatability towards local consumers



LOCAL PRICING AND FORMATS

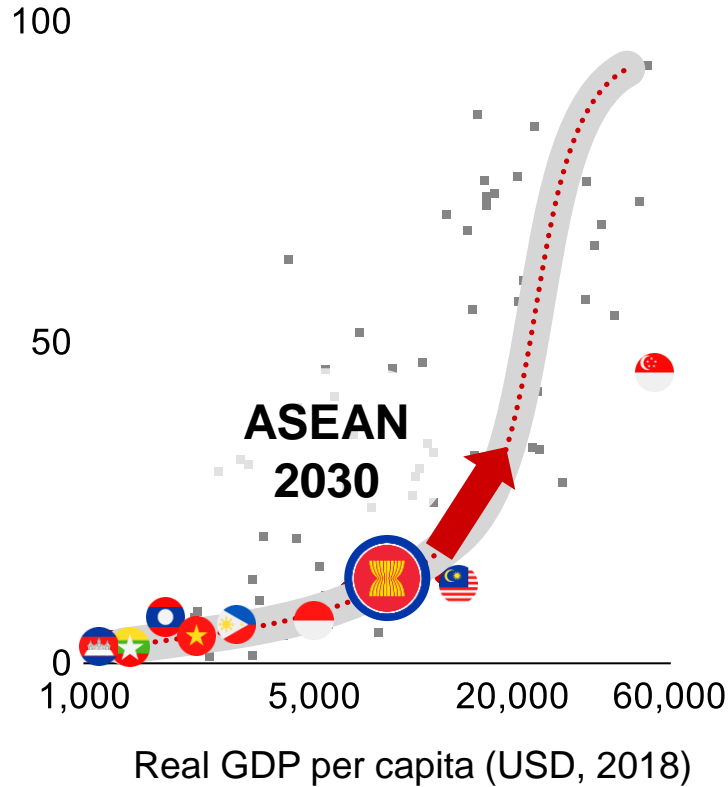


Consumption set to explode as markets reach growth inflection point in the long term

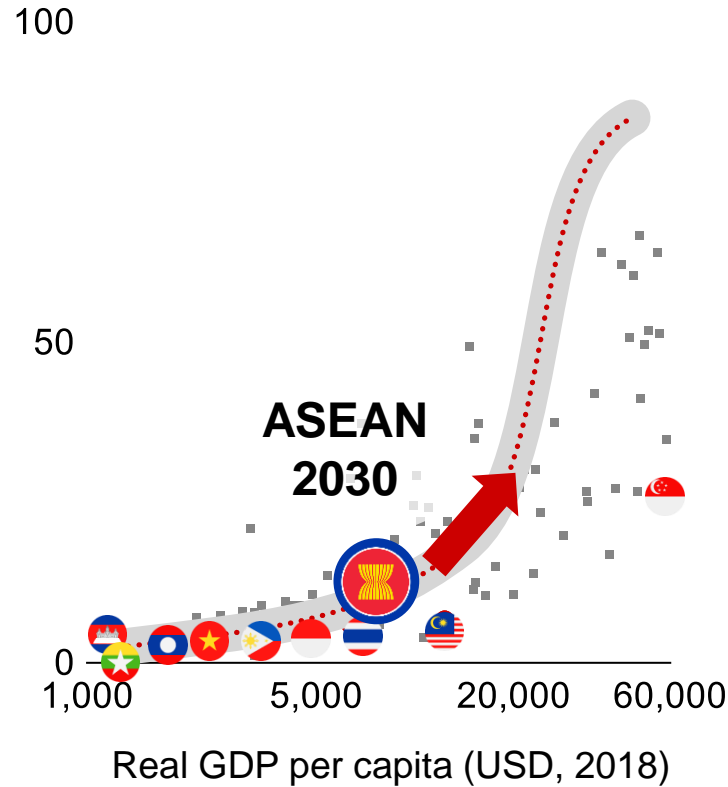
1. GROWTH & SPEEDBUMPS

/ SELECT EXAMPLES

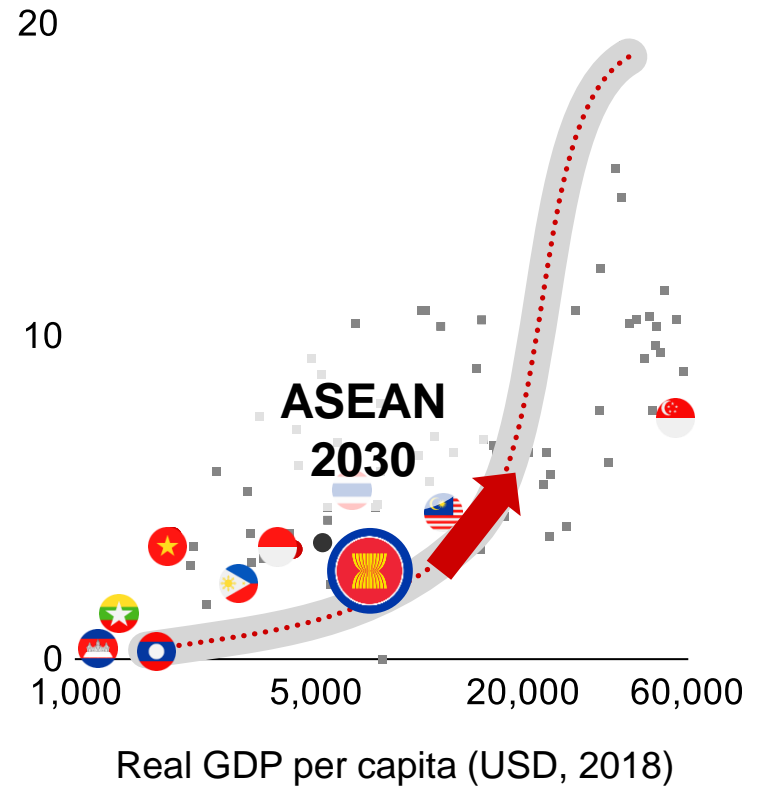
Sugar and confectionary
consumption per capita (USD, 2018)



Sweet biscuits, snack bars, fruit snacks
consumption per capita (USD, 2018)



Diapers and nappies
consumption per capita (USD, 2018)

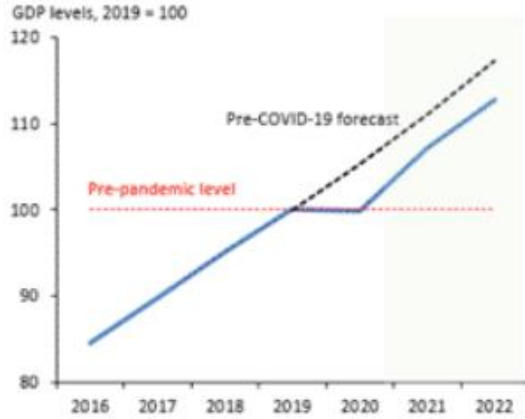


Note: Sugar and confectionary and sweet biscuits, snack bars, and fruit snacks consumption measured in retail value RSP per capita; Diapers and nappies consumption measured in total value MSP per capita; Source: EIU (GDP); Fitch (Population; Euromonitor (Consumption)

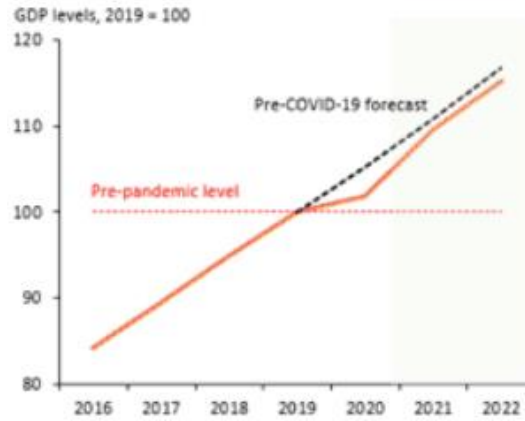
'COVID speed-bump' however derails GDP growth by at least 2 years

1. GROWTH & SPEEDBUMPS

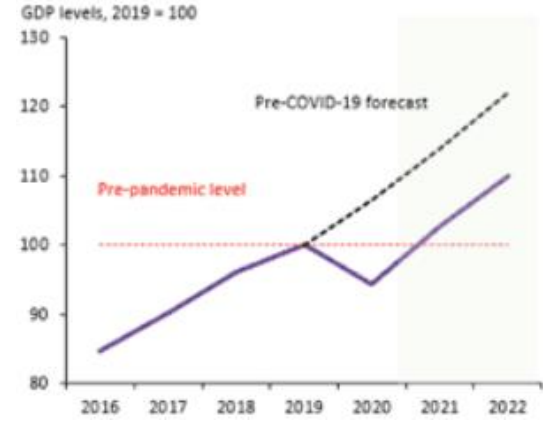
Developing Asia



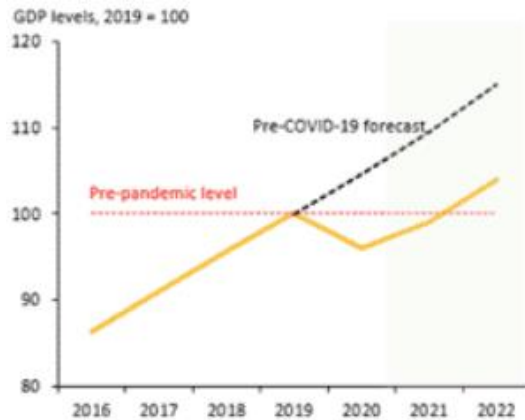
East Asia



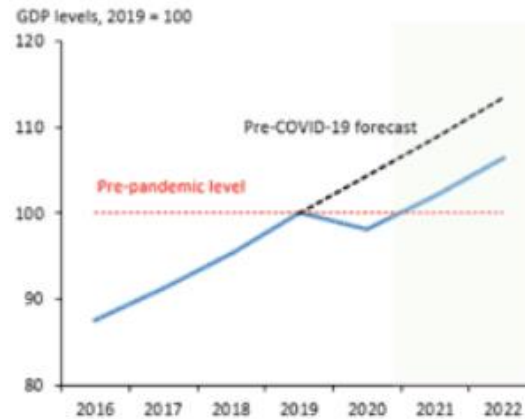
South Asia



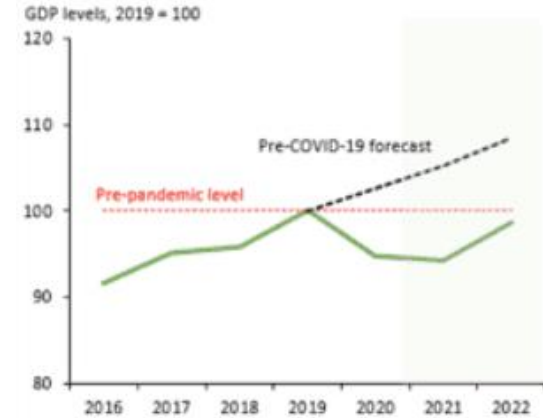
Southeast Asia



Central Asia



The Pacific



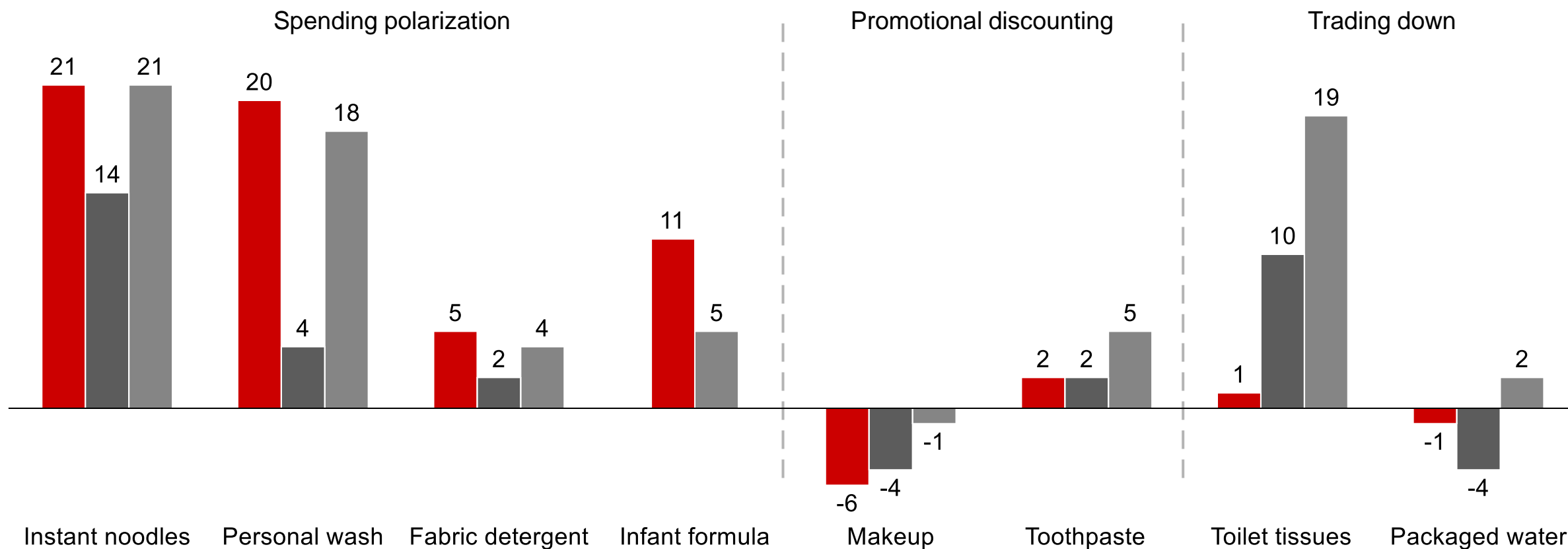
Note: Pre-COVID-19 forecast is from October 2019 WEO (2019 = 100)
Source: Asian Development Outlook database, WEO October 2019 database

COVID drives increasing spend polarization behaviour

2. SPEND POLARISATION

/ CHINA EXAMPLE

Value growth by product category and price tier, 2019-20 (%)

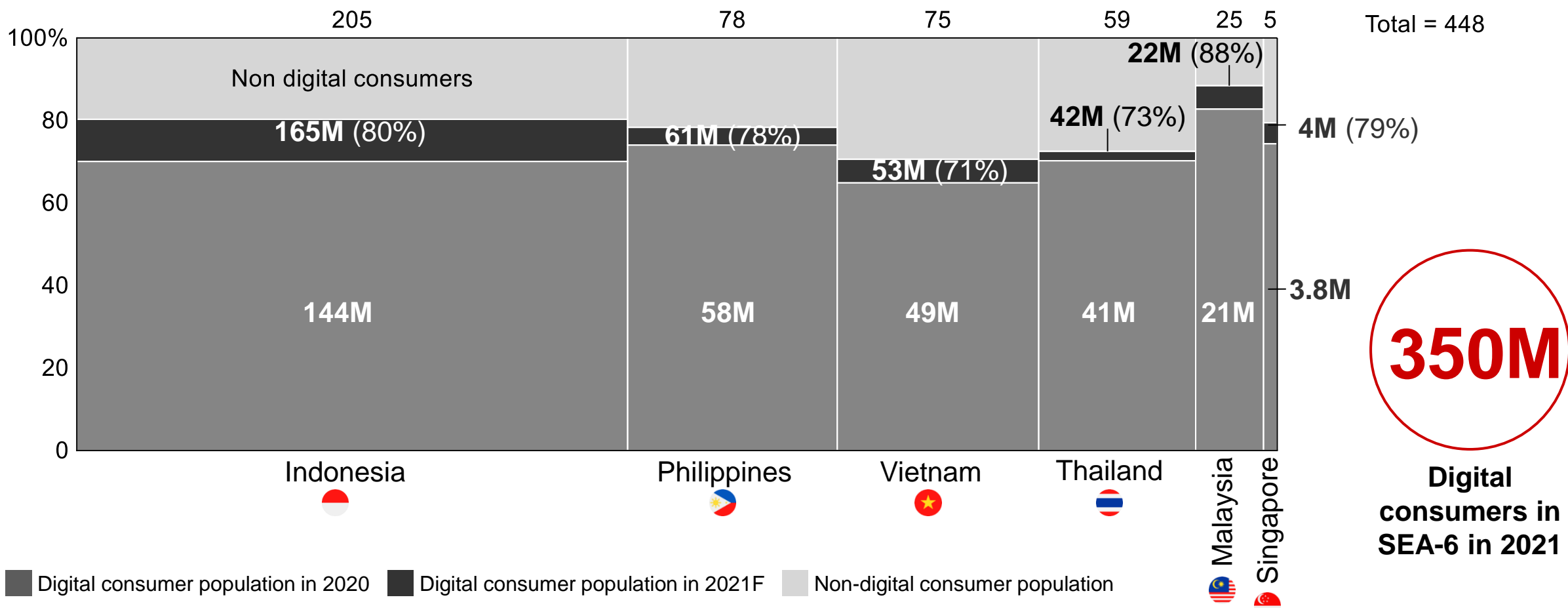


Note: 2019–20 comparisons are based on the first three quarters of each year; premium SKUs are defined as having more than 1.2 times the category average price each year; midrange SKUs have 0.8 to 1.2 times the category average price each year; mass SKUs have less than 0.8 times the category average price each year; Kantar Worldpanel excluded cigarettes from total FMCG data, updated all category data in 2017, and adjusted online channel weighting for paper products to better reflect market realities in 2019; the changes may lead to some inconsistencies with previous years' data; average selling prices based on RMB per kg/l, except for makeup per pack and toilet tissues per 100 rolls
Source: Kantar Worldpanel; Bain analysis

8 in 10 consumers across ASEAN-6 are now digital

3. DIGITAL ACCELERATION

SEA Population 15 y.o. and above in 2021F (M)






Note: Digital consumers = have purchased a product via online means in the past 12 months, excluding travel; Internet users = access the internet via PC or mobile (at least once a month) – digital consumers derived from triangulation of multiple data sources, assuming penetration to grow at half the rate of digital consumer/ internet user as China from year 2020 onwards; splits of digital consumers between the SEA-6 countries assume to follow those of Forrester forecast | Source: Euromonitor; Forrester; Hootsuite; "Riding the digital wave" by Bain & Company (Bain & Company analysis and insights data on the markets of ID, MY, PH, TH, VN, SG), published in 2020

SEA leads APAC digital acceleration

3. DIGITAL ACCELERATION

\$ Digital consumer statistics (2021F)

	SEA	India	China
Contribution of online retail to total retail for key categories* (2021F vs 2020)	9% (5% in 2020) ↑ ~85%	4% (3% in 2020) ↑ ~10%	35% (33% in 2020) ↑ ~5%
E-Commerce GMV CAGR (21F-26F)*	14%	20%	10%
Online consumers as % of internet users (% of adult population)	~85% (78%)	~20% (14%)	~90% (79%)
RMS of leading E-Commerce player	1.7x (Shopee)	1.6x (Amazon)	3.1x (Alibaba)
			

Note: delivery (*) Penetration figures include retail GMV / E-Commerce GMV for select categories: electronics, clothing, food and drinks, household goods, and personal care; *GMV estimation methodology— total E-Commerce GMV was estimated from multiple sources to account for COVID-19 impact, total retail figures from Forrester were adjusted accordingly to account for the increase in GMV from revised estimation; International benchmarks are rough estimates due to COVID uncertainty; RMS estimation: triangulation of survey results and different secondary sources for SEA, eMarketer data for 2021F is used for India and China, eMarketer data for 2020 is used for Brazil; E-Commerce includes B2B2C/B2C selling of physical products through online channels, not including digital products (e.g. sim-top-ups), nor social commerce | Source: Lit. search; Euromonitor; eMarketer; Forrester; expert interviews; Bain analysis

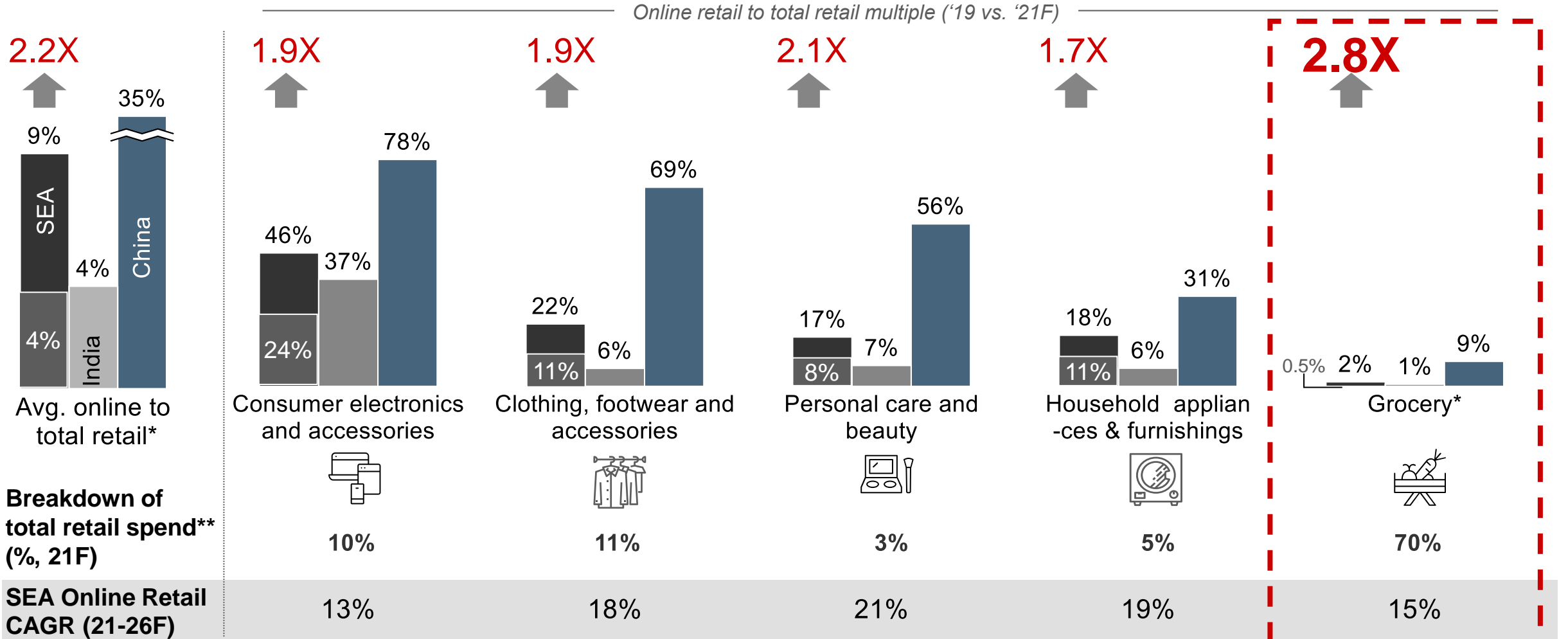
Share of online retail has risen ~2X since COVID with biggest spike in grocery

3. DIGITAL ACCELERATION

/ SELECT CATEGORIES

Contribution of online retail to total retail in 2021F

■ SEA 2021F ■ SEA 2019 ■ India 2021F ■ China 2021F



Note: Not representing breakup of other categories (~\$128B retail); *Not including food delivery (*) Penetration figures include retail GMV / E-Commerce GMV for select categories: electronics, clothing, food and drinks, household goods, and personal care; *GMV estimation methodology – total online GMV was estimated from multiple sources to account for COVID-19 impact, total retail figures from Forrester were adjusted accordingly to account for the increase in GMV from revised estimation; **share of total retail size of the 5 selected categories; E-Commerce includes B2B2C/B2C selling of physical products through online channels, not including digital products (e.g. sim-top-ups), nor social commerce | Source: Forrester; Stakeholder interviews, Bain analysis

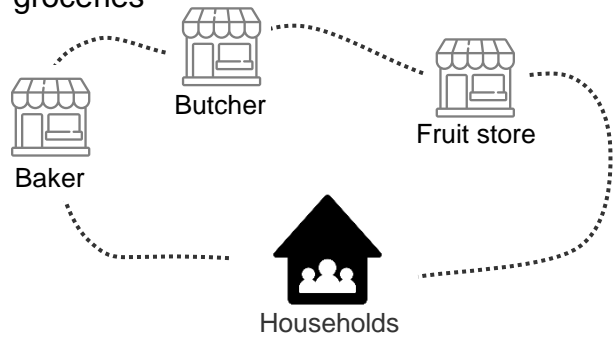
The route to consumer is rapidly digitising

3. DIGITAL ACCELERATION

Modern Trade

Specialty store era

Shoppers visit multiple stores for groceries



Up till 1950s¹

Supermarket era

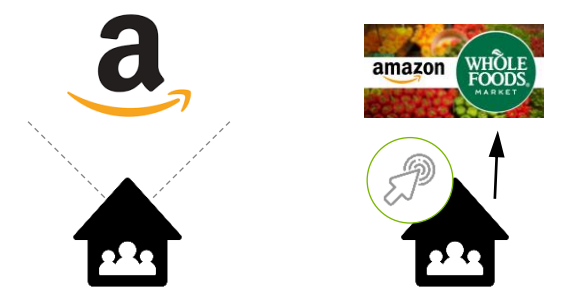
Shoppers can do consolidated buying



1950 – 2000s

e-Commerce era

Global offering to shoppers' home Omni channel grocery: online + physical stores

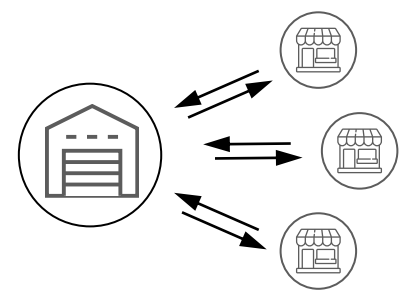


2000 -

Fragmented Trade

Reseller era

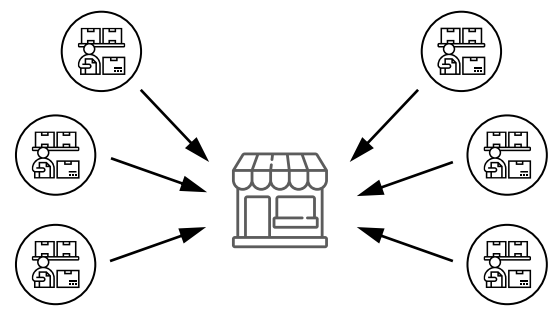
Customers take over reseller portfolio



Up till 1980

Distributor era

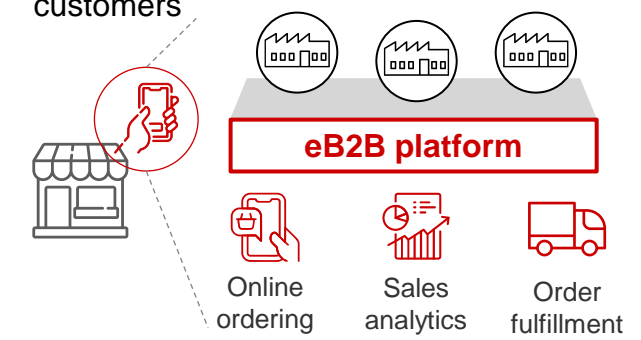
Customers have multiple vendor relations



1980 - Today

eB2B era

eB2B unlocks many solutions for customers



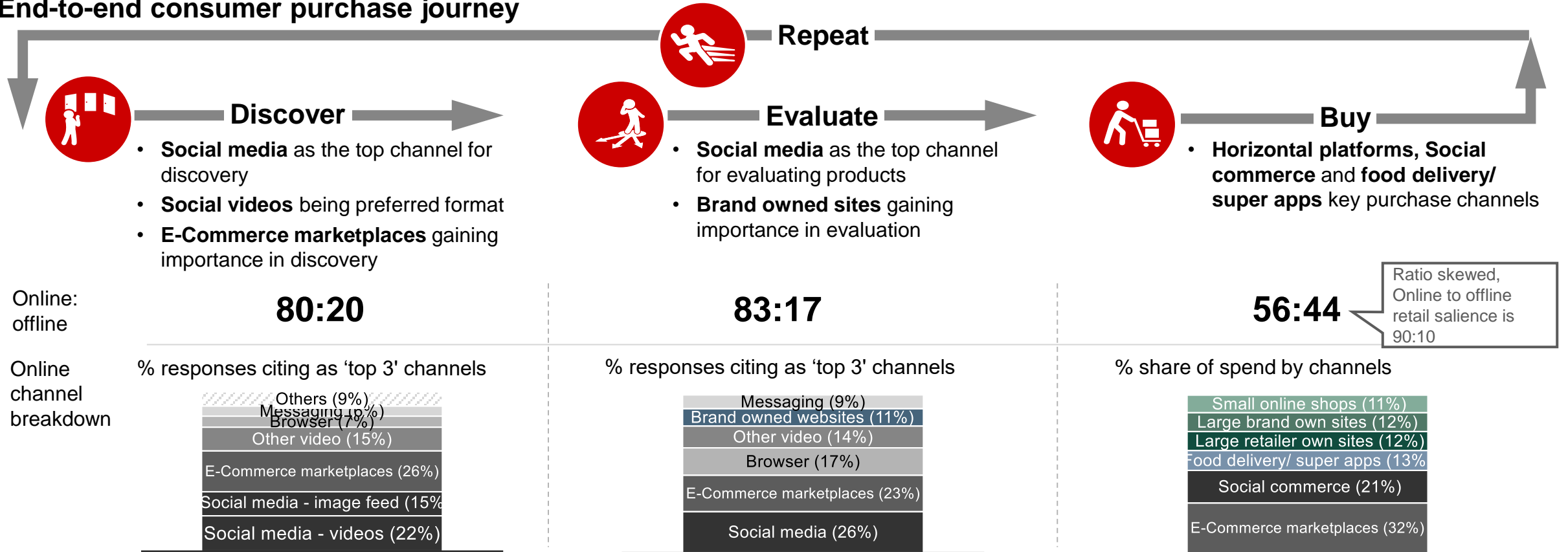
2021-

Note: ¹Timeline based on NA / EU; Source: Web search; Bain RTM IP

Pandemic has changed consumer's purchase journey

3. DIGITAL ACCELERATION

End-to-end consumer purchase journey



Focus marketing investment on online channels in the upper funnel, online sales contribution will catch up in time

Note: 'Social media – videos' includes videos on social media platforms (e.g. Instagram stories) and short video applications (e.g. TikTok), 'Other Video' videos on video platforms (e.g. YouTube) and streaming platforms (e.g. Netflix), 'Others' includes super apps, emails from brands and gaming; Survey Q41. For the following categories, where did you browse/ discover the products you ended up buying?; Survey Q45. for the following categories, where did you find information and compare products, before you ended up buying your selected product?; Survey Q25. what is the % allocation of your spend across different channels this year? | Source: Facebook Bain Consumer survey (N=16,706); "The emerging post-COVID consumer" by Bain & Company (Bain & Company analysis and insights data on the markets of ID, MY, PH, SG, TH, VN), Published in 2021



Barriers to E-Commerce are starting to lift in SEA

3. DIGITAL ACCELERATION

Payment



Key statistics

1.7x E-wallet adoption rate this year vs. last year for online shopping

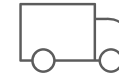
Root causes of barriers

- **Large unbanked population** in SEA with little or no connection with the formal financial industry
- **Cash-on-delivery** being a preferred payment methods poses higher cost and risk to merchants

What has been done to date?

- **Intensive promotion and marketing campaign** by e-wallet players to promote adoption
 - e.g., GrabRewards, TruePoint
- **Governments' incentives to users and payments providers** across SEA to encourage digital payment adoption

Logistics



>\$2.5B Invested in E-Commerce logistic start-up in SEA in 2020

- **Inconvenience of delivering goods** due to difficulty to access rural areas
 - e.g. in archipelagic countries like ID&PH
- **Poor public infrastructure** for transport
 - e.g. roads, bridges

- **Increase in number and expansion of logistic start-up** funded by growing interest from VC
- **Expansion of logistic centers** by E-Commerce players to reduce delivery time
 - e.g., Shopee MY reduced nationwide delivery time to 1-4 days in 2021 from >10days

Consumer trust



4th Product quality assurance as 4th most important reason that drives consumer satisfaction

- **Prevalence of counterfeit goods** discouraged users from purchasing on E-Commerce
- **Lack of free-of-charge return** in the past
 - e.g., 97% of E-Commerce stores in SEA did not offer free returns in 2014

- **100% authenticity ensured by E-Commerce players** for official stores
 - e.g., Shopee Mall and LazMall promise authenticity and money back guarantee
- **Simplified return policies by E-Comm. players** to ensure customer satisfaction
 - e.g., Lazada's clear return policies with in-house and 3rd party logistics to support domestic and cross-border return

Note: Survey question: Q21. Which payment option do you prefer the most when shopping online? Q29. What do you enjoy about your shopping experience on selected shop?

Source: Lit search, Bain analysis, Facebook Bain Consumer survey (N=16,706); "The emerging post-COVID consumer" by Bain & Company (Bain & Company analysis and insights data on the markets of ID, MY, PH, SG, TH, VN), Published in 2021

Social commerce has been gaining traction in SEA, with solid demand and outlook

Buy



3. DIGITAL ACCELERATION

Strong social commerce growth is fueled by COVID impact and underlying demand

>2X Social commerce orders in the first half of 2020 vs that in the previous year

Key growth drivers



Consumer's demand for discovery and purchase on the same platform



Two-way communication help build trust and better customer services



Wide adoption of social media in SEA and increasing of usage due to COVID



Social commerce is the first gateway to digital buying in many rural areas of SEA. What sets group buying apart is the **power of community**, which helps build trust and loyalty to the platform and offerings.

Alex Feng (Co-founder & CEO, Chilibeli)



3 main prevalent types of social commerce in SEA

Peer-to-peer sales platforms

Community-based marketplaces, where individuals interact & sell directly to one another



Resellee is the most trusted reseller platform in the Philippines that allows anyone to be a reseller



Carousell's app is a peer-to-peer commerce marketplace, for both new and secondhand goods

Conversational commerce

direct conversation between sellers and buyers on online platforms i.e. via chat/ livestream



Facebook live feature has allowed sellers to sell product live to consumers; some sellers have included even auction/ bargaining elements on live



Line OA lets enable sellers on the platform, with special functions i.e. message broadcast, rich message, e-coupon, reward card, in-app payment

Group buying

Products & services offered at a lower price if enough buyers make the purchase



Super sources products from regional FMCG brands, allowing agents to deliver goods to the buyers of group orders within 24 hours



Chilibeli connects farmers, suppliers and consumers via the company's network of agents



Webuy allows users to join groups in their proximity to purchase products, saving money through bulk purchase and low delivery costs.

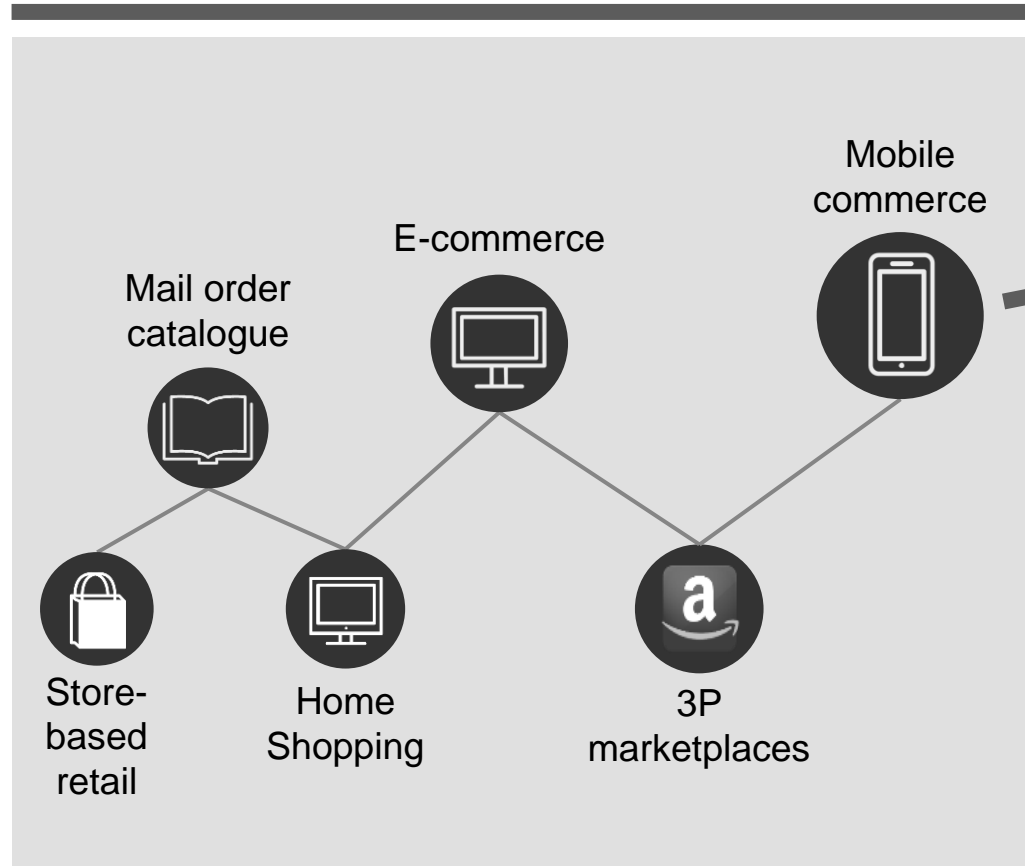


New points of purchase will provide convenience to consumers

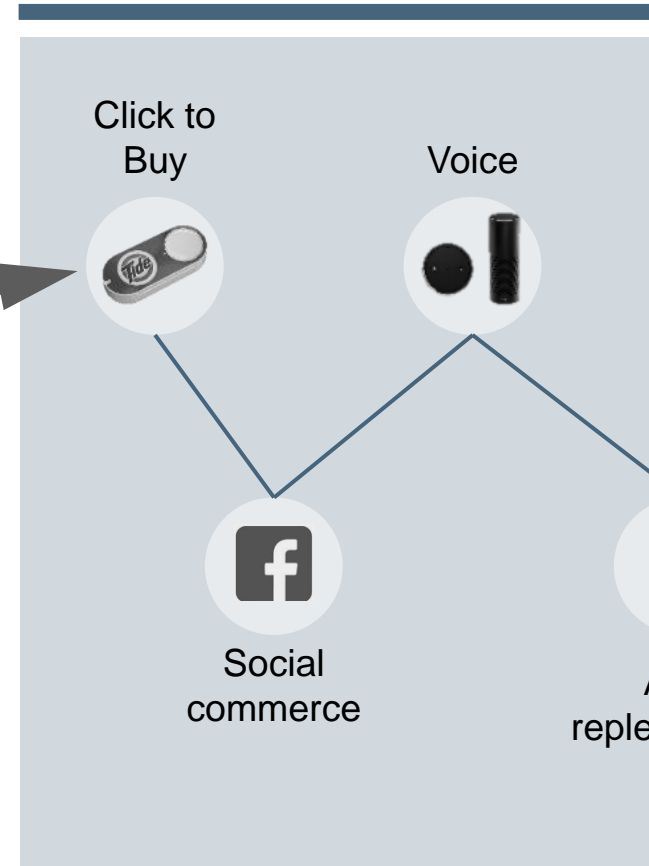
3. DIGITAL ACCELERATION

Voice and experience-based (AR and VR) influence, search and buying will grow

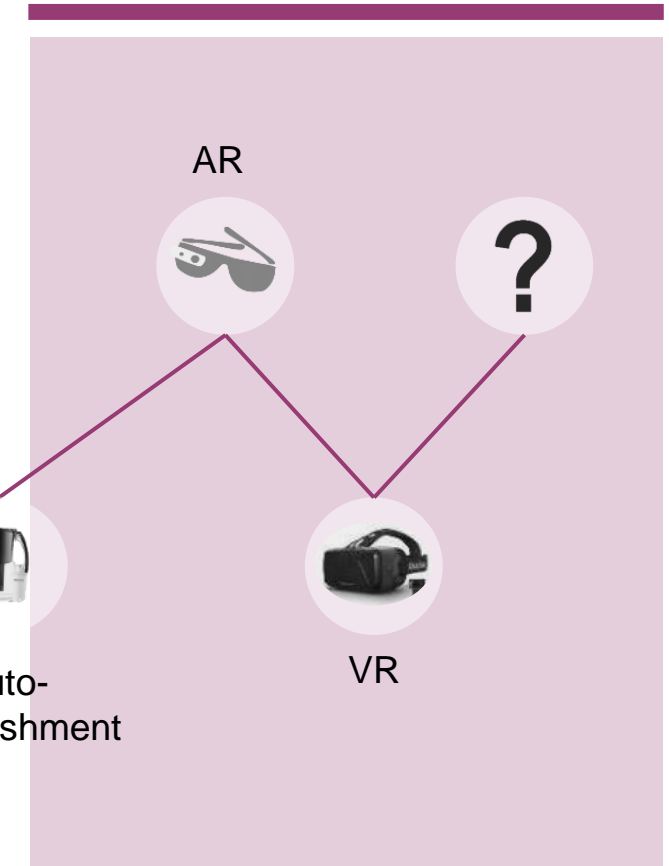
Established Points of Purchase



New Points of Purchase



Future Points of Purchase



Battle for loyalty moves beyond price






4. DISCERNING CONSUMER BEHAVIOUR

/ SEA EXAMPLE

Most cited reasons for switching brands

51%

of SEA consumers switched their most purchased brand in the last 3 months

	1st	2nd	3rd	4th
SEA	Found more value-for-money brand	Discovered better product	Sustainability & social responsibility	Wanted to try something new
	Discovered better product	Found more value-for-money brand	Sustainability & social responsibility	Traded for a more premium brand
	Found more value-for-money brand	Discovered better product	Wanted to try something new	Availability
	Found more value-for-money brand	Discovered better product	Wanted to try something new	Sustainability & social responsibility
	Found more value-for-money brand	Discovered better product	Wanted to try something new	Sustainability & social responsibility
	Found more value-for-money brand	Discovered better product	Availability	Sustainability & social responsibility

"Southeast Asia, home for digital transformation" by Facebook and Bain & Company. (A Facebook-commissioned survey of 16,706 respondents from ID, MY, PH, SG, TH, VN.) Survey conducted May 2021. Note: Survey question Q15. Why have you switched the brand you buy the most?; Found 'better product' could imply variety factors depending on category, but may not necessarily mean poor/declining quality of 'most purchased' brand

Consumers demanding the right offering for the new me

4. DISCERNING CONSUMER BEHAVIOUR

/ F & B EXAMPLE

Product Attributes

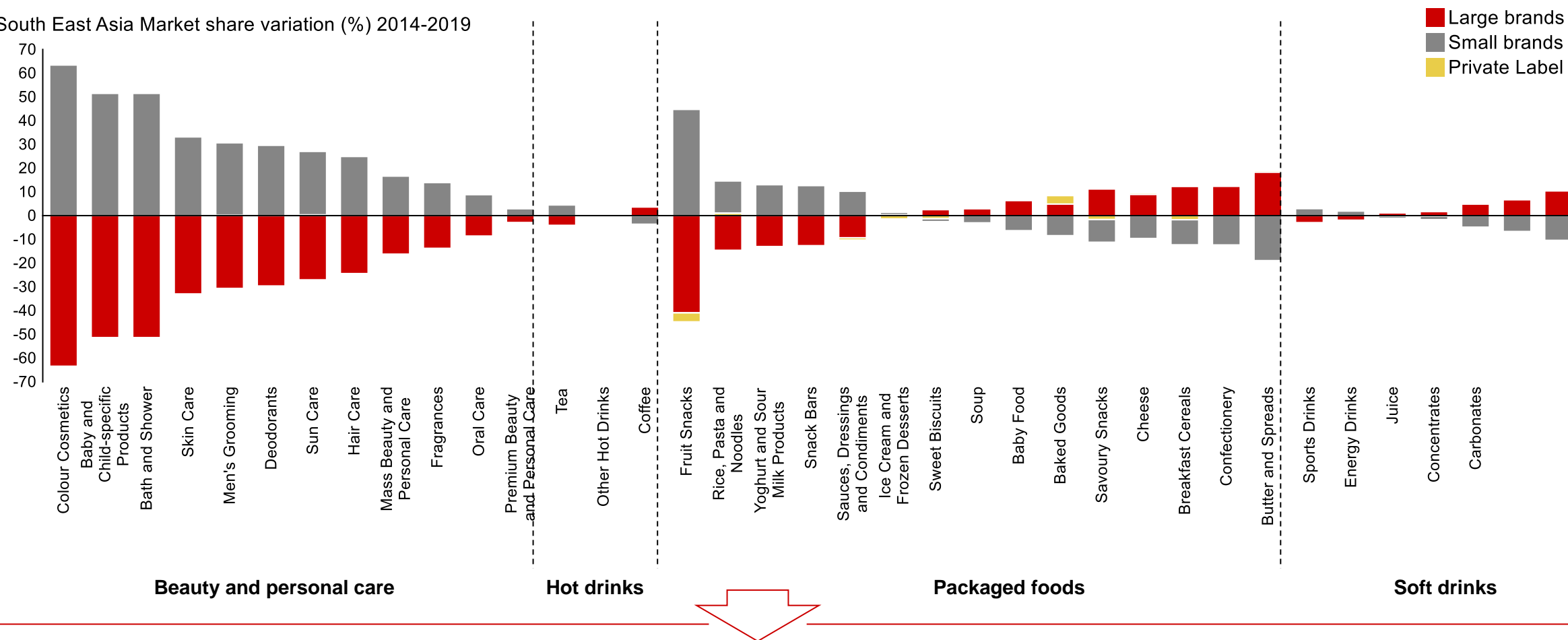


Company Attributes

Small brands are gaining market share from the large brands in SEA

5. INCUMBENTS VS. INSURGENTS

CP South East Asia Market share variation (%) 2014-2019



Over 57% categories show 'Large brands' losing market share majorly in Beauty & Personal care, Snacks, Yoghurt and Sauces

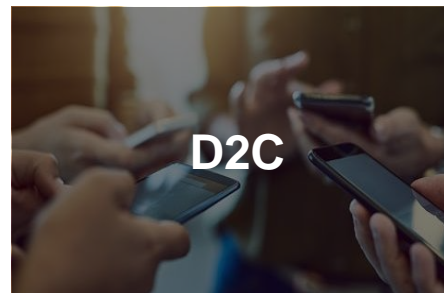
Note: Analysis by Large vs. Small Brands and Private Labels (Defined large brands as >5% market share for consolidated categories and >3% for fragmented categories while defined small brands as <5% market share for consolidated categories and <3% for fragmented categories - Consolidated categories are defined as Top 5 brands owning >=60% category market share otherwise fragmented; Brands ranked in terms of 2014 market share as provided by Euromonitor, ; includes 37 sub-categories split across Beauty & personal care, Hot drinks, Packaged foods, and Soft drinks segments
Source: Euromonitor

Massive digital investments fuel disruptions to legacy sectors

6. UNSERVED AND THE UNDERSERVED



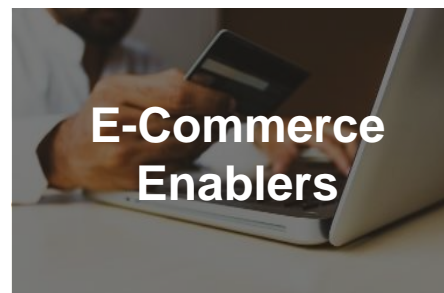
67%
Survey respondents **used Fintech for the first time** since COVID*



11%
of top cited channels for **product evaluation** are 'brand owned websites'



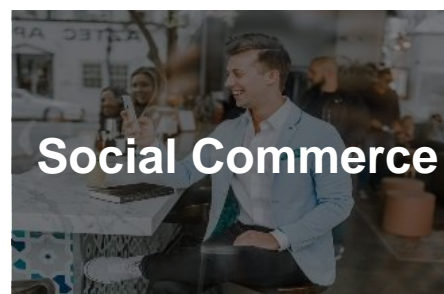
45%
16-25 year olds **used online learning for the first time** or more than before since COVID



32%
switch brands for faster delivery time



79%
Survey respondents used **digital health** for the first time since COVID*



21%
contribution by the channel to total online spend

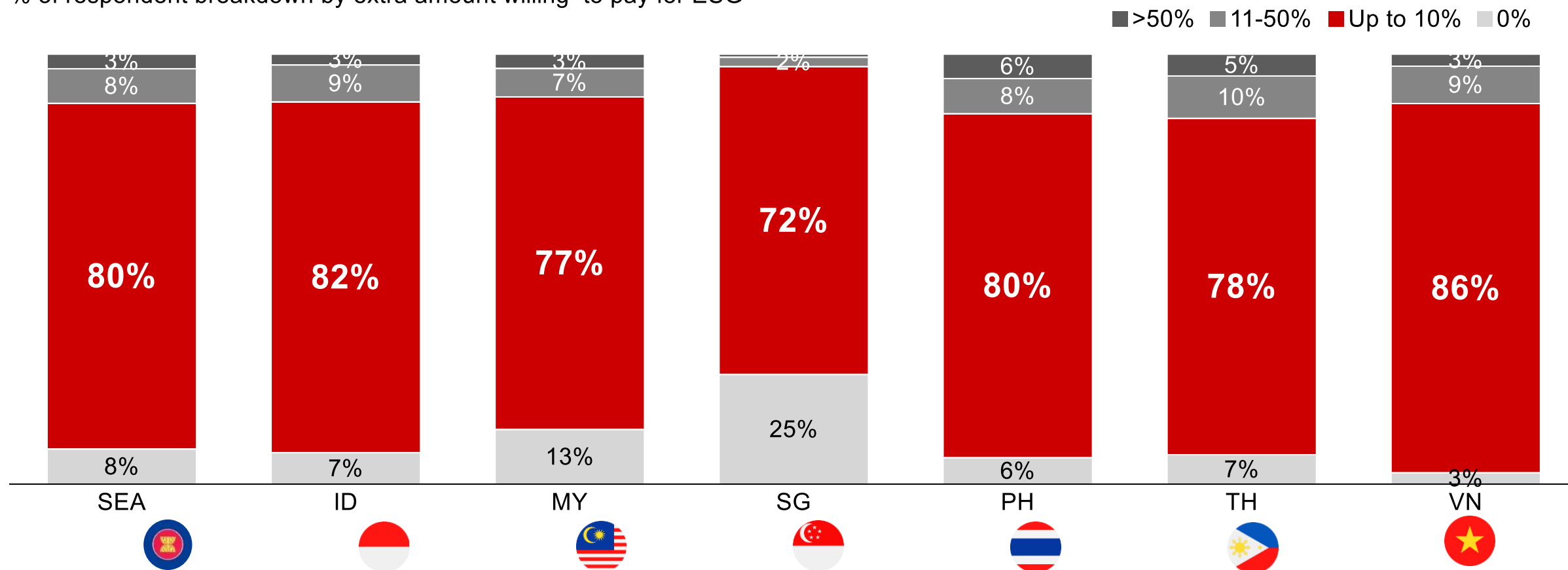
Notes: * "Since COVID" refers to within one year ago from the date that the survey was taken; survey question: Q18 When was the first time you purchased the following categories online? | Source: Lit. Search; Forrester, Bain analysis; "The emerging post-COVID consumer" by Bain & Company (Bain & Company analysis and insights data on the markets of ID, MY, PH, SG, TH, VN), Published in 2021

Consumers are (finally?) willing to walk the talk on Sustainability...

7. WALKING THE TALK ON ESG

~95% of consumers are willing to pay more for ESG; ~80% willing to up to 10% premium

% of respondent breakdown by extra amount willing to pay for ESG



Note: Survey question: Qnew9. How much more are you willing to pay more to incorporate sustainability/social responsibility in the products you consume?

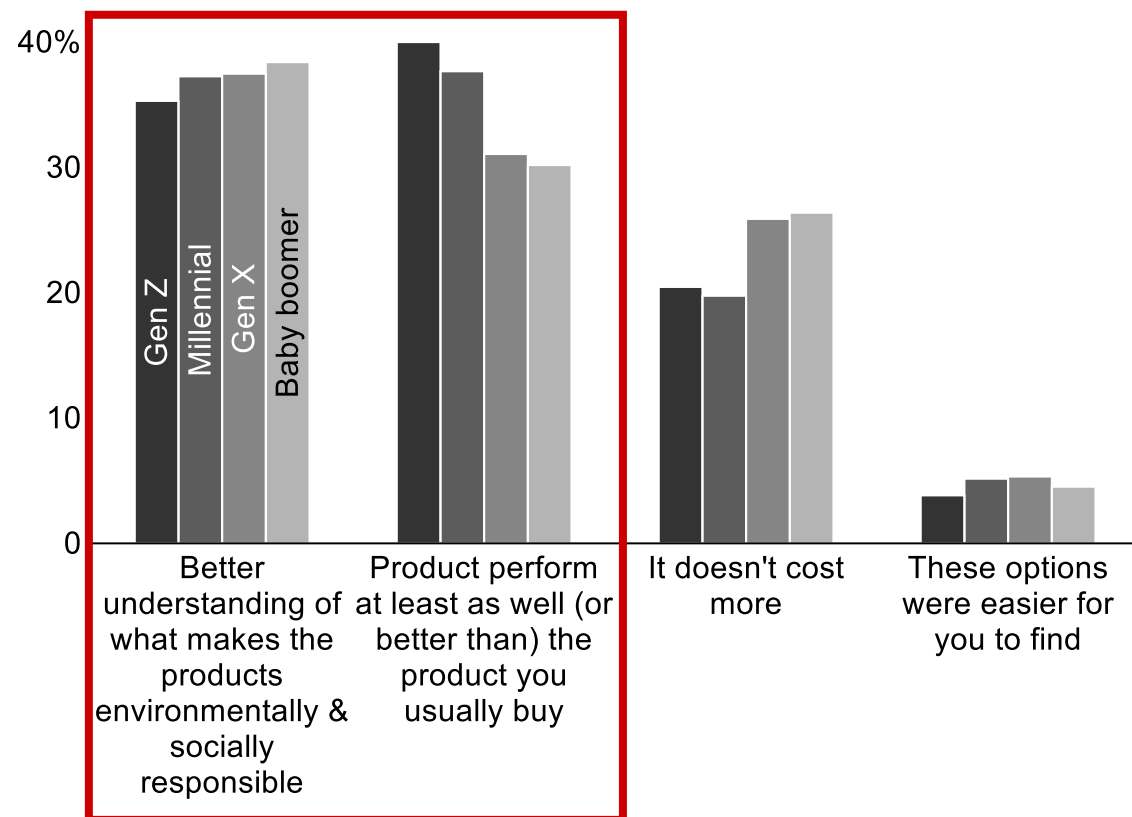
Source: Facebook Bain Consumer survey (N=16,706); "The emerging post-COVID consumer" by Bain & Company (Bain & Company analysis and insights data on the markets of ID, MY, PH, SG, TH, VN), Published in 2021

..But need a compelling argument why they should do so

7. WALKING THE TALK ON ESG

Better understanding of ESG benefits key to increase adoption across age groups

% respondents citing driver that will make them purchase more ESG products



Note: Survey question: Qnew8. Which of the following factors will drive you to purchase more sustainable/social responsible brands/products?

Source: Facebook Bain Consumer survey (N=16,706); "The emerging post-COVID consumer" by Bain & Company (Bain & Company analysis and insights data on the markets of ID, MY, PH, SG, TH, VN), Published in 2021

Brands embedding ESG need to over-communicate and devote a higher share of voice

Channel

"where"



New channels like social media

Message

"what"



Authentically, appeal to the heart, speak directly to the consumers

Quantity

"how much"



Higher share of voice

Explicitness

"how"



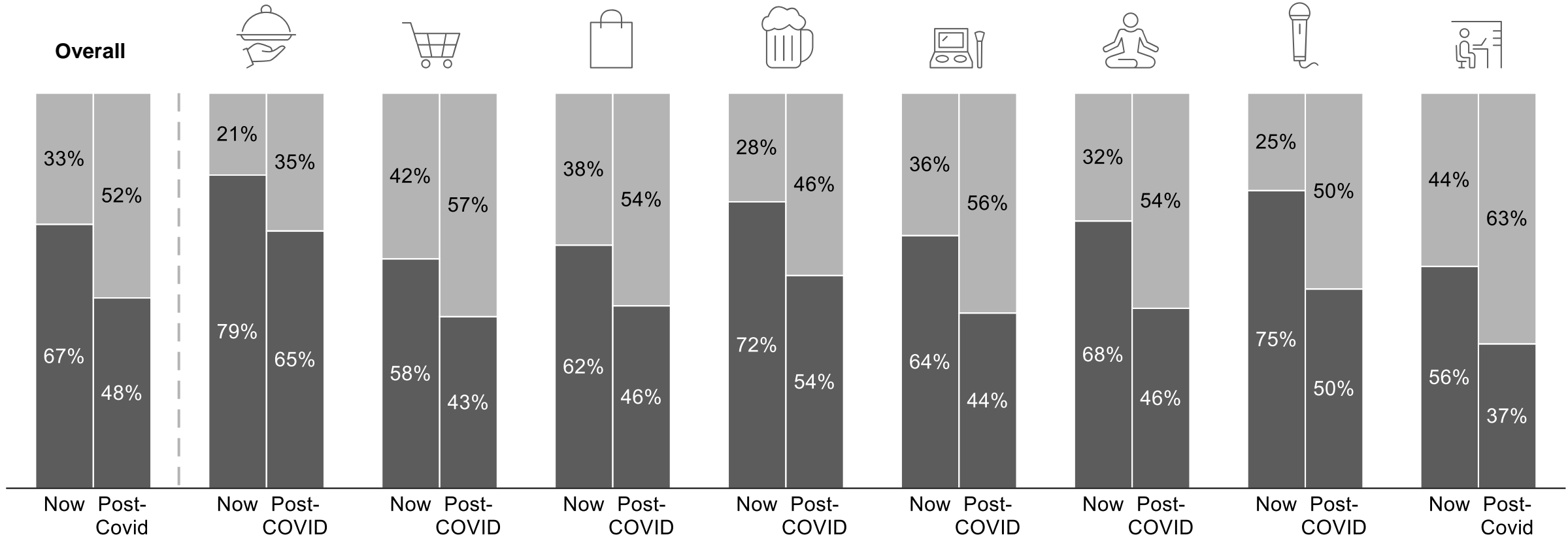
Align explicitness with their sustainability ambition

“At-home” lifestyle unlikely to completely revert to pre-pandemic

8. AT HOME LIFESTYLE

% of respondents on time spent now vs. post-COVID by activity

■ Out of home ■ In home



Increasing likelihood to revert to out of home

Note: Survey question: QNEW6. for the following activities, please indicate how much you are spending money in-home (vs. out of home) currently and once COVID-19 is no longer a big risk and restrictions have been lifted? *share Spent on food delivery as % of total spent on food (subset of “in home” spending)

Source: Facebook Bain Consumer survey (N=16,706); “The emerging post-COVID consumer” by Bain & Company (Bain & Company analysis and insights data on the markets of ID, MY, PH, SG, TH, VN), Published in 2021

'8R' Implications for brands to revamp strategies to win in the market

SEA consumer themes



Long-term macro tailwinds, but need to navigate 'COVID & Conflict -speed bump'



Polarization of consumer demand. Flight to value while select premium categories grow



Accelerated digitisation of the 'Route to Consumer'



Discerning consumers: ultra-convenience, personalization, new experiences



'Flight to safety' versus 'desire for new and bold' - battle between the incumbents and insurgents



Democratisation of the unserved and under-served through digital services



Stakeholders begin to walk the talk on ESG



Stay at home tendencies continue

8 Actions

Reset vision, mission and goals balancing 'Act Now and Plan Now'

*Marry SEA growth **ambition** with the **opportunity**; address near-term **inflationary and sentiment headwinds** e.g., through initiatives like Revenue Growth Management*

Realign offerings to the new consumer

*Offer value proposition in sync with real, **unmet consumer needs** while addressing '**affordability**' through **design to value***

Refresh commercial spend allocation

*Double down on consumer **digital engagement** while **zero basing commercial spend** to be in line with actual consumer journey*

Restructure Route to Consumer and win at Point of Sale

*Drive a **triple-growth engine** (MT, GT, online channels) through perfect sales execution*

Rethink supply chain

*Develop a **distributed and flexible supply chain***

Reimagine operating model and talent strategy

*Install an **operating model of the future** that can win through **scale and speed**; and addresses blurring lines between offline and online*

Reenvision role of sustainability

*Embrace **sustainability as the next "digital"**, Move from 'legally compliant; to ESG as a differentiator for the brand*

Realign to the new normal

*Continue focus on '**at-home offerings**'; while preparing for a hybrid work environment*

