

Southeast Asia's digital consumers: A new stage of evolution

A SYNC SOUTHEAST ASIA REPORT



Little Lemon
Sponsored

Shop now



Post-pandemic era sees further transformation of digital habits	02
The Southeast Asia opportunity outweighs growing uncertainty	07
Post-pandemic consumers demand an integrated channel experience	26
Consumers are experimental and seek more value and engagement	39
Southeast Asia forges ahead with the adoption of future technologies	60
Disrupt or be disrupted—consumers of the future will not wait for you	70

SYNC Southeast Asia

SYNC Southeast Asia is a thought-leadership series about keeping in tune with the consumers of tomorrow. Through this series, Meta and Bain & Company take business leaders deeper into the emerging trends and rising opportunities shaping the vibrant region.

2018



How Southeast Asia's Emerging Middle Class Is Embracing The Digital World

What the new consumer habits and digital journeys are for the fastest growing population in five Southeast Asian countries, and what this means for brands.

[READ THE REPORT](#)

2019



Riding The Digital Wave: Southeast Asia's Digital Consumer In The Discovery Generation

What the spending behavior of Southeast Asia's online shoppers are, the challenges brands face in reaching them and the opportunities that lay ahead.

[READ THE REPORT](#)

2020



Southeast Asia Digital Consumer Trends That Shape The Next Normal

How recent events have spurred changes for digital consumers and which trends have accelerated or reversed vs last year.

[READ THE REPORT](#)

2020



Digital Consumers of Tomorrow, Here Today

How Southeast Asian consumers accelerated their move from offline to online at an exhilarating pace.

[READ THE REPORT](#)

2021



Southeast Asia, The Home For Digital Transformation

How Southeast Asia's digital growth outpaces the rest of Asia Pacific, and a look into the consumers' new normal—new purchasing habits, new ways to discover, new preferences and new expectations.

[READ THE REPORT](#)

Post-pandemic era sees further transformation of digital habits

The digital consumer landscape of today exists within different circumstances compared to just a year or two ago, when COVID-19 spurred more home-centric lifestyles and accelerated the shift from offline to online. As we move beyond the pandemic phase and continue to reopen, the region is faced with many uncertainties and challenges—inflationary pressures, geopolitics, and other global macroeconomic headwinds.

How have these developments affected the digital consumer landscape in Southeast Asia? What are the consumer behaviors and trends that have taken shape now, and how will they continue to change in the years to come?

In this year's report, we take a deep dive into these questions to understand what the digital consumer landscape in the region looks like, and how we expect it to evolve over the next several years.

Among the many insights gleaned, we've found that consumer behaviors have reached a new stage of evolution. While digital commerce is still as important as ever, consumers want an integrated shopping experience that lets them tread fluidly between online and offline. Digital shoppers are also creating new moments across their journey from discovery to post-purchase. They are experimenting with different brands and alternative eCommerce platforms while seeking more engagement in their digital shopping experience. Consumers are also becoming more value-conscious, likely because of rising prices.

Compared with its global peers, Southeast Asia is ahead of the pack in the adoption of future technologies. Foreign investments in the region have also helped fuel the growth of new technologies such as fintech.

As the region forges ahead, the digital consumers of Southeast Asia will chart their own course, adjusting their habits and seeking new experiences. With this report, we hope to put these trends and behaviors into perspective and provide guidance for businesses to adapt and unlock growth.



Top 10 insights

1 The long-term opportunities in Southeast Asia outweigh global headwinds, driven by structural factors

As the world grapples with rising inflation and other growing headwinds, Southeast Asia is expected to be relatively less impacted compared to its peers. The region's projected real GDP growth and annual inflation rate from 2022 to 2023 are forecast to perform better than other markets such as the US and the EU.

In addition, the region's working population is set to grow—by 23 million people by 2030. Household incomes are also expected to rise, with 51 million new high and upper-middle class households forecast to emerge. Alongside this, the region is becoming more competitive in terms of export growth and as an investment destination compared with other destinations such as China.



2 Senior executives are facing pressure amid economic uncertainties and launching mitigating actions

Leadership teams across the region are under pressure to ride through the economic uncertainty. Ninety-two percent of the senior executives we surveyed said they were concerned by the short-term and three-year economic outlook. All of them reported thinner business margins, dwindling stock piles, and employee attrition. Sixty-seven percent are already seeing consumers trading down to value products. Mitigation measures have been taken to help stem the impact of these disruptions. All of the executives surveyed are launching revenue growth management programs, 91% are initiating programs to optimize costs, 82% are raising consumer-facing prices, and 27% are localizing their supply chains.



Introduction

3 The region's eCommerce outlook is still positive despite slower GMV year-on-year growth

Southeast Asia's eCommerce gross market value (GMV) has slowed this year compared with the past two years, declining at a compounded annual growth rate (CAGR) of 48% to 15%. This is likely driven by a decline in the frequency of online purchases, as consumers now have the option to go offline to buy products following the lifting of COVID-19 restrictions. That said, the overall outlook for digital shopping remains positive, with GMV still expected to grow by a CAGR of 17% from US\$129 billion in 2022 to US\$280 billion in 2027. The digital consumer population in the region is still growing steadily. The number is forecast to reach 370 million by end-2022, accounting for 82% of the total population of 15-year-olds and above. This figure is projected to rise further to 402 million by 2027, accounting for 88% by the end of the forecast period. The average basket sizes are increasing, and the number of categories purchased online remains consistent.



4 Post-pandemic consumers seek an integrated experience

Online is still as important as ever, with around 80% of respondents citing a preference for it in the Discovery and Evaluation stages. We are seeing some rebalancing to offline in the Purchase stage, accounting for 41% of the share of wallet among our respondents. This shows the need for a shopping experience that enables seamless switching between online and offline. Consumers are still discovery-led (accounting for 60% of survey respondents), though there is more planned buying for essential items.



Introduction

5 Social media videos are the fastest-growing source for online discovery

Social media accounts for almost half of online discovery, consisting of image feed (15%), videos (21%) and related tools such as messaging (10%). The relevance of video as a social media platform for discovery has grown from 2020 to 2022, at a compounded annual growth rate of 70%.

7 There is room to improve consumer satisfaction despite the growing use of digital platforms

Consumers' level of satisfaction with online shopping platforms has declined compared to the previous year, with the Net Promoter Score (NPS) of top eCommerce platforms dropping from 2021 levels. For Southeast Asia as a whole, the average NPS score this year stood at 35%, down from 53% last year. This decline could be due to disruptions in product availability and variety, as well as perceived price increases, negatively affecting consumer satisfaction. Disruptions in the global supply chain could be another aggravating factor.

6 Experimentation, value-consciousness and engagement are top consumer behaviors

Online shoppers in the region are experimenting with different brands—53% of respondents have switched their most purchased brand—and are using more online platforms than before (from 8 to 15) in search of better value and products. This value-consciousness is a possible implication of rising prices fuelled by macroeconomic headwinds. The need for more engagement has prompted the rise of video and business messaging, and non-traditional online platforms such as alternative eCommerce.

8 Business messaging, video and creator economy growing in importance in the region

The desire for more experimentation and engagement has in turn prompted the rise of business messaging in the digital shopping space, with 63% of respondents having used it in the past year. There is also greater consumption of video content, with almost one in three respondents ranking video as the most used channel for discovery and evaluation. As consumers seek more engagement, we're also seeing the rise of the creator economy in the region, in turn driving the shift to video.

Introduction

9

Southeast Asia leads the adoption of most future tech, with fintech investments growing

Globally, Southeast Asia sees a higher penetration of e-Wallets, cryptocurrency and non-fungible tokens compared to most other markets such as China, the US, the EU and Japan. Seven in 10 respondents in Southeast Asia have tried a metaverse-related tech in the past year. Within the region, the adoption of future tech varies by market, with Indonesia, the Philippines and Vietnam being the faster-adopting markets among their peers. Fintech in the region is receiving more investments, while healthtech and edtech are still nascent. Singapore and Indonesia account for the majority of private equity and venture capital investment deal value in Southeast Asia, making up almost 80% of the share as of H1 2022.



10

Businesses must adapt to changes and disruptions or risk getting left behind

It's important that businesses adjust to global and regional headwinds and evolving trends, or risk falling behind. There are multiple factors that companies have to weigh, including: global macroeconomic uncertainty and supply chain disruptions; changing consumer trends and behaviors in the region; and broader disruptions in the business landscape, such as business boundaries blurring, a changing talent landscape and higher regard for sustainability issues.



The Southeast Asia
opportunity
outweighs growing
uncertainty



Southeast Asia still resilient even amid global headwinds

Southeast Asia continues to navigate the uncertainties brought about by the impact of COVID-19 and macroeconomic headwinds.

The pandemic has derailed GDP growth in Asia Pacific by at least two years¹, and geopolitical issues have left a deep impact on the world's economy. Significant hikes in commodity prices, such as crude oil (up 65% between May 2021 and May 2022), palm oil (up 51%), wheat (up 76%), and coffee (up 40%), have contributed to inflationary pressures that have been felt by consumers globally.² In addition, backlogged global supply chains remain an issue, with longer delivery times observed in many parts of the world.² This combination has dragged consumer confidence to an all-time low across many regions.²

Amid these challenging times, leadership teams across the region have been feeling the pinch and are under pressure to ride through this period of uncertainty. Ninety-two percent of the senior executives we surveyed in the consumer packaged goods industry said they were concerned by both the short-term and three-year economic outlook.³ All of them reported thinner business margins, dwindling stock piles, and employee attrition.³ Sixty-seven percent are already seeing consumers trading down to value products.³ Mitigation measures have been taken to help stem the impact of these disruptions. All of the executives surveyed are launching revenue growth management programs; 91% of them are initiating programs to optimize costs; 82% are raising consumer-facing prices; and 27% are localizing their supply chains.³

But as the world grapples with rising inflation and growing headwinds, Southeast Asia is expected to be relatively less impacted, with its long-term outlook remaining robust. The region's projected real GDP growth from 2022 to 2023 is forecast to outpace most other markets such as the US, the EU, and China.⁴ By the end of next year, the region is expected to maintain its projected growth at 5.1% compared with other markets such as the US (at 1.3%), the EU (2.1%), and China (4.7%)⁴. Southeast Asia's projected annual inflation rate from 2022 to 2023 is also expected to fare better than most of its peers.⁴ The region's annual inflation rate is projected to decline from 4.2% to 3.3% by end 2023, outperforming the US (at 4.2% by 2023), the EU (at 4.3%), and India (at 6.0%).⁴

1. World Economic Outlook GDP forecast indexed to 100 in 2019. Source: Asian Development Outlook database

2. Commodity prices May 2021–May 2022 increase as per World Bank Commodities Price Data. Source: OECD (Consumer Confidence Index), World Bank, Lit. search

3. Source: Survey of Southeast Asian CEOs performed by Bain, June 2022

4. Note: Projections as of July 2022. Source: Euromonitor, International Monetary Fund



92%

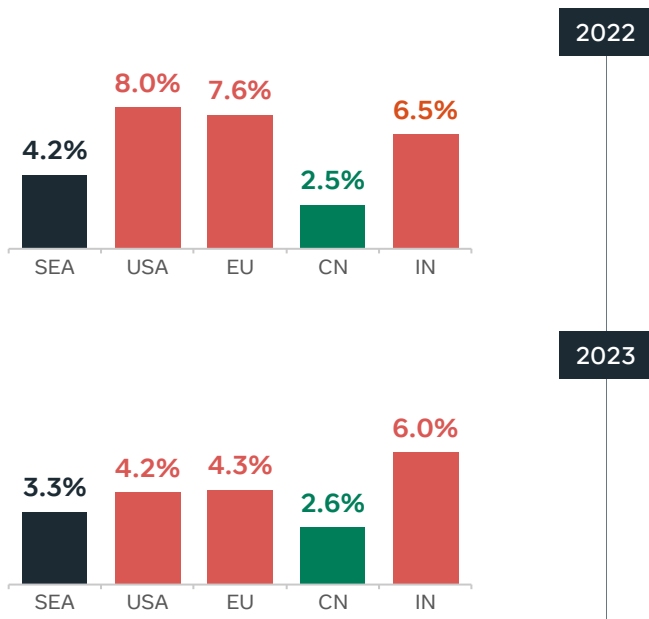
of the senior executives we surveyed in the consumer packaged goods industry said they were concerned by both the short-term and three-year economic outlook³

67%

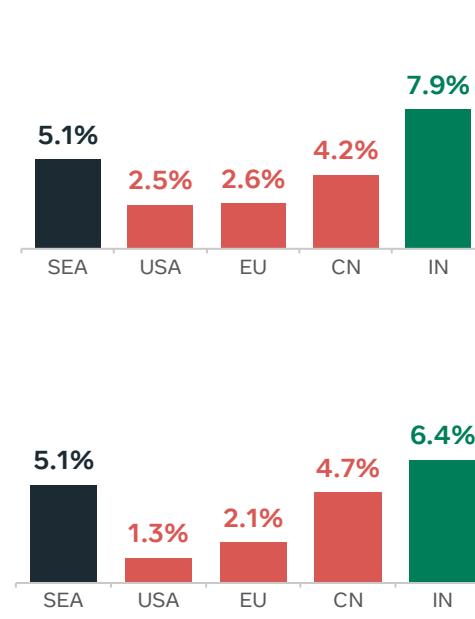
are already seeing consumers trading down to value products. Mitigation measures have been taken to help stem the impact of these disruptions³

Southeast Asia's GDP outpacing most other markets and holding steady against inflation

Annual projected inflation rate



Projected real GDP growth



■ Overperforms relative to SEA
■ Underperforms relative to SEA

4. Note: Projections as of July 2022. Source: Euromonitor, International Monetary Fund

“The current economic slowdown is not a reversed-demand shock, but a supply shock that is hitting the economy. In general, businesses are still optimistic about the future. Southeast Asia will see 10 fantastic years going forward. The region’s foundations are more robust than even optimists believed would play out.”

Magnus Ekbohm
 Co-founder and Chief Strategy Officer
 Lazada Group

“Inflation is here to stay. And we have already started to see the impact for this year.”

Inês Caldeira
 Chief Executive Officer
 L’Oréal Thailand

The region's long-term prospects are promising, driven by structural factors

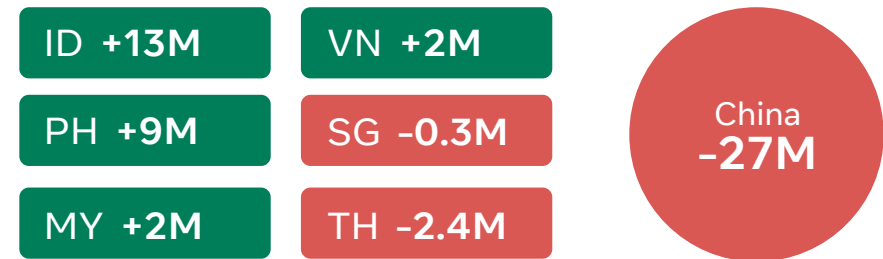
Looking ahead, the opportunities for further growth in Southeast Asia are promising. The region's working population, which is defined as people within the age range of 15 to 64 years old, is set to grow by 23 million people by 2030.⁵ Indonesia is set to lead this trend, with its working population forecast to increase by 13 million.⁵ This is followed by the Philippines (9 million), and Malaysia and Vietnam (2 million each).⁵ The region's growing labor pool presents an opportunity for businesses and companies to tap into, and is in contrast to other markets outside the region like China, whose working population is expected to decline by 27 million by 2030.⁵

Alongside this growth in population, Southeast Asia's upper-middle class is also expected to grow, with 51 million new high and upper-middle class households forecast to emerge in the region.⁵ Specifically, high-income households are projected to more than triple from 12 million in 2021 to 41 million in 2030, and upper-middle income households are expected to rise from 49 million to 71 million within the same period.⁵ This positive trend will bode well for consumer purchasing power in the region.

5. Note: (*) Working age population 15-64 years old. Source: FT, Fitch, Euromonitor, UN, Government Statistics Bureau, The Economist, Lit. search

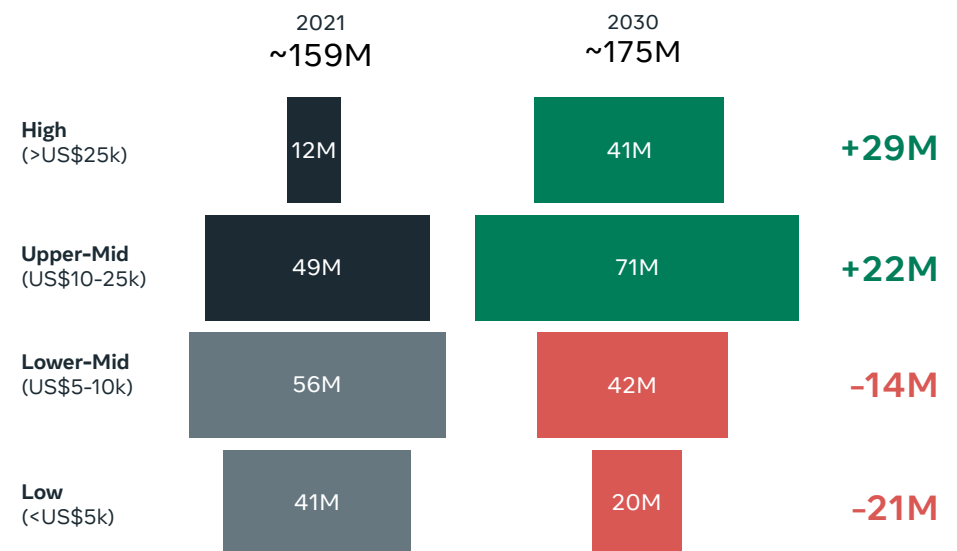
Southeast Asia's working age population set to rise

Addition to working age population (aged 15-64 years old), 2022-2030



Upper-middle class expected to soar

Number of households by income class



With this combination of a growing working population and more households with higher incomes, consumption per capita in Southeast Asia is set to rise far quicker than GDP per capita throughout the forecast period to 2030.⁶

Southeast Asia is also becoming more competitive both in terms of export growth and as an investment destination. The growth of exports in the region exceeded that of China from 2015 to 2019, at a compounded annual growth rate of 5.0% versus China's 2.3%.⁵ In addition, with China weighed down by structural factors encompassing labor (for example, an aging population and increasing labor costs), policy (stringent regulations on COVID-19 and foreign companies), and ongoing geopolitical tensions with other countries,⁵ foreign investors are likely to divert their attention elsewhere. As China's appeal as an attractive destination for foreign investment wanes, Southeast Asia is likely to benefit.

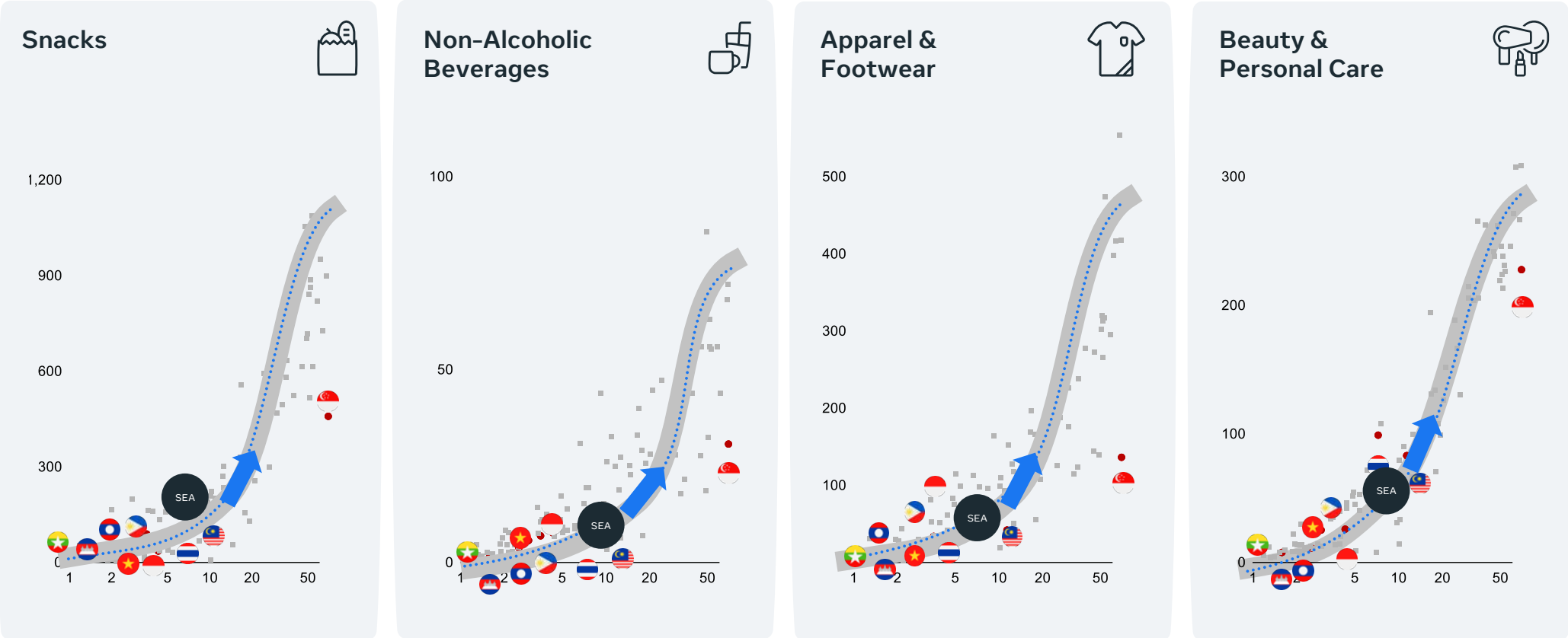


5. Note: (*) Working age population 15-64 years old; Source: FT, Fitch, Euromonitor, UN, Government Statistics Bureau, The Economist, Lit. search

6. Note: All category consumption is measured in retail value RSP per capita; Snacks includes confectionery (sugar, chocolate & gum), ice cream, savory snacks, sweet biscuits, snack bars and fruit snacks. Non-Alc. Beverages include soft drinks such as juices, bottled water, energy drinks, RTD tea/coffee etc. as well as hot drinks (mainly coffee and tea); Apparel & footwear is an aggregation of clothing, footwear and sportswear. Beauty and Personal Care includes but is not limited to, bath and shower, color cosmetics, deodorants, fragrances, oral care, skin care etc. Source: Euromonitor, S&P CapIQ

Consumption to soar in Southeast Asia as markets reach growth inflection point

ASEAN 2030 real GDP per capita (US\$ K, 2021)



Consumption per capita (US\$ K, 2021)

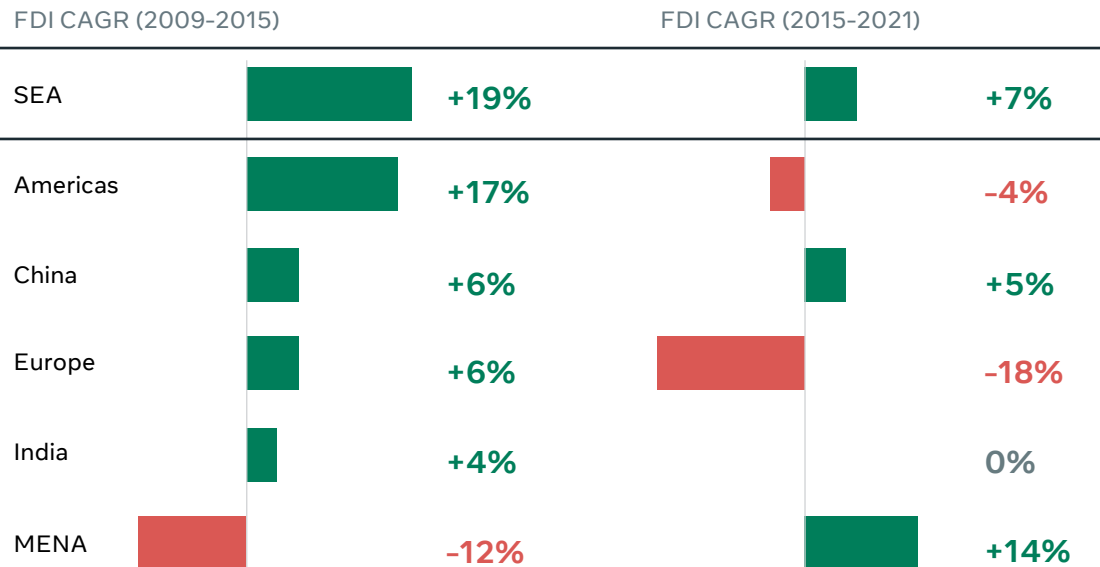
Note: All category consumption is measured in retail value RSP per capita. Snacks include confectionery (sugar, chocolate and gum), ice cream, savory snacks, sweet biscuits, snack bars and fruit snacks. Non-Alc. Beverages include soft drinks such as juices, bottled water, energy drinks, RTD tea/coffee etc. as well as hot drinks (mainly coffee and tea). Apparel & footwear is an aggregation of clothing, footwear and sportswear. Beauty and Personal Care includes but is not limited to, bath and shower, color cosmetics, deodorants, fragrances, oral care, skin care etc. Source: Euromonitor, S&P CapIQ

Continued foreign investment in Southeast Asia signals confidence in the region

Southeast Asia is seeing more foreign direct investment (FDI) being channeled into the region. FDI accounted for a greater proportion of total investment in 2021, at 17% versus 15% in 2015 and just 9% in 2009.⁷ This steady rise in foreign investment is a testament to investors' confidence in Southeast Asia.

Historically, Southeast Asia's FDI growth has outperformed most of its peers. From 2015 to 2021, the region's compounded annual growth rate (CAGR) of FDI stood at 7%, which was higher than most other markets that saw zero, lower or even negative growth, such as Europe (which saw a CAGR of -18%), the Americas (-4%), China (5%) and India (0%).⁷ This underscores the long-term commitment to the future prospects of the region and its attractiveness relative to other markets.

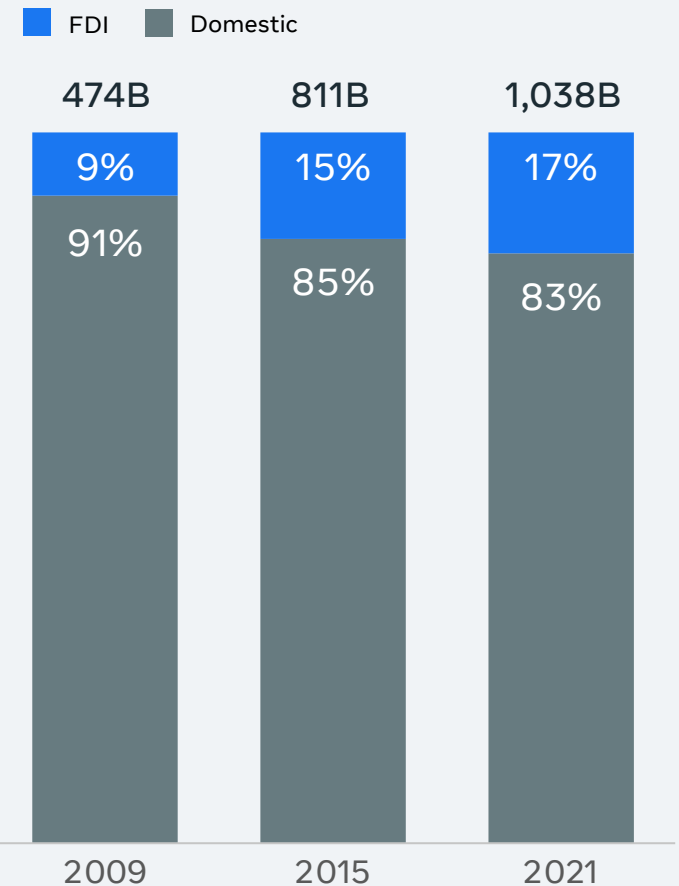
FDI flow into region consistently higher than most other markets



7. Note: Domestic investments proxied using gross fixed capital formation according to World Bank definition. Source: Euromonitor

Southeast Asia seeing a greater proportion of investments comprising FDI

Investments in SEA (US\$ B)



More than
1 trillion USD

was invested in SEA in 2021 to fuel the engine of growth

Southeast Asia's digital consumer population growing steadily

Over the past two years, we saw Southeast Asia's digital consumer growth exceeding expectations, as COVID-19 brought about more home-centric lifestyles and accelerated the shift from offline to online. As we move beyond the pandemic phase and movement restrictions are lifted, we expect less dramatic growth in the digital consumer population compared to previous years—though we still forecast steady growth ahead.⁸

The number of digital consumers in the region is projected to reach 370 million in 2022—an addition of 28 million people.⁸ This figure is projected to rise further to 402 million by 2027⁸, accounting for 88% of the total population of 15-year-olds and above by the end of the forecast period, from 82% in 2022.⁸

On a country-by-country basis, each market is also expected to grow its share of the digital consumer population in Southeast Asia this year from 2021.⁹ Indonesia will account for the majority of digital consumers in the region at 168 million people.⁹ This is slightly higher than last year's figure of 154 million⁹, which means an additional 14 million digital consumers (contributing an extra 7% of digital consumers to the local population of 15-year-olds and above).⁹

The Philippines is forecast to end 2022 with an additional 6 million digital consumers, taking the total projected number from 63 million in 2021 to 69 million in 2022.⁹ This represents an additional 8% contribution of digital consumers⁹—the highest forecast among the six Southeast Asian markets featured in our report. This is followed by Vietnam, which will see an additional 4 million new digital consumers (6%); Thailand at 2 million (4%); and Malaysia, with 1 million more digital consumers expected (also 4%).⁹

8. Note: (*) Digital consumers derived from triangulation of multiple data sources, assuming growth benchmarked to digital consumer/internet user growth in China. (**) Smartphone penetration estimated from Hootsuite. (***) Tier 3+ are estimates of non Tier 1 and 2 usage and penetration. Derived from internet penetration estimates of Tier 1 and 2 cities driving implied internet penetration of Tier 3 cities. Source: Euromonitor; Forrester; Hootsuite; Lit search, Statista, Bain & Company research & analysis

9. Note: (*) Digital consumers are consumers who have purchased a product online in the past 12 months, excluding travel. Digital consumer figures are derived from triangulation of multiple data sources, assuming internet penetration to grow at a rate benchmarked against China's digital consumer growth rate; the split of digital consumers between the SEA-6 countries are assumed to follow those of Forrester's forecast. Source: Euromonitor; Forrester; Statista; Hootsuite; Bain & Company analysis.

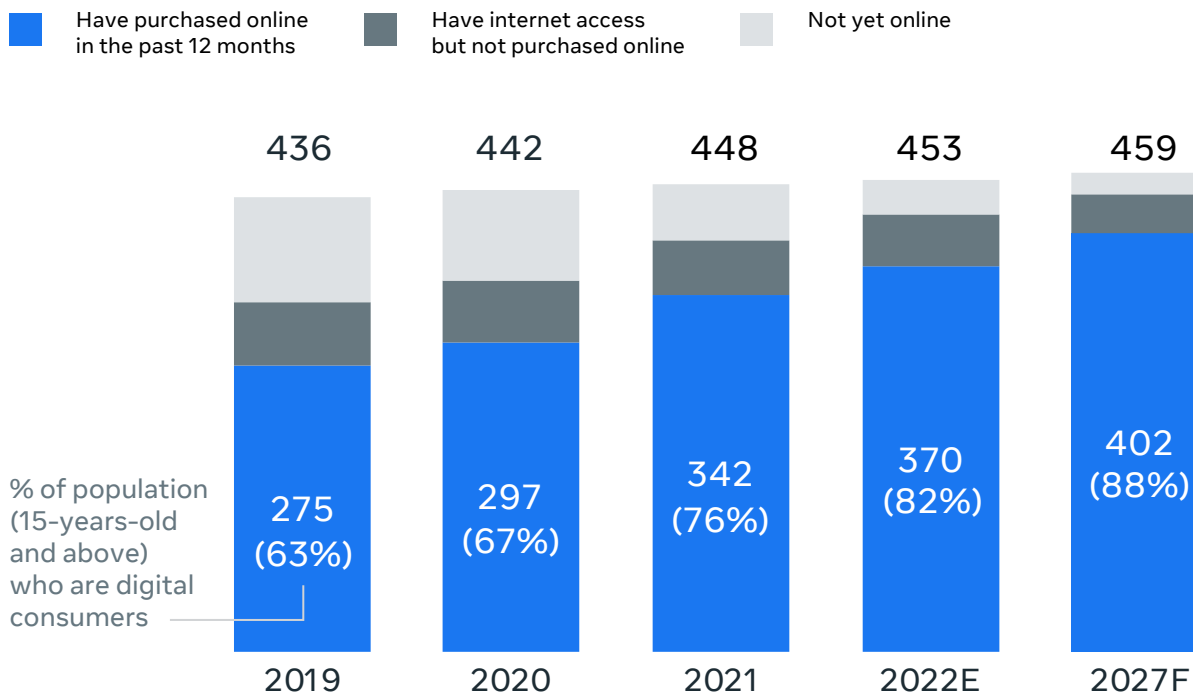


In every country, digital consumers are expected to make up at least 72% of the local population comprising 15-year-olds and above by end 2022.⁹ Malaysia is forecast to have the highest proportion, at 99% (versus 95% last year).⁹

In terms of the overall digital consumer outlook, online spending through to 2027 is forecast to stay on a healthy trend despite a bump in the road in terms of year-on-year GMV growth. Some markets in the region are already seeing the number of categories purchased online expanding in 2022 compared to last year, and consumers this year are actually buying more per transaction on average than in 2021. This is also in line with our expectation for consumption in Southeast Asia to soar by 2030.

Digital consumer population expected to hit 402 million by 2027

Digital adoption of Southeast Asia population (M) (15-years-old and above)



8. Note: (*) Digital consumers derived from triangulation of multiple data sources, assuming growth benchmarked to digital consumer/internet user growth in China. (**) Smartphone penetration estimated from Hootsuite. (***) Tier 3+ are estimates of non Tier 1 and 2 usage and penetration. Derived from internet penetration estimates of Tier 1 and 2 cities driving implied internet penetration of Tier 3 cities. Source: Euromonitor; Forrester; Hootsuite; Lit search, Statista, Bain & Company research & analysis

28M

more digital consumers from 2021 to 2022, representing 8% growth⁸

>97%

Smartphone penetration** in 2022⁸

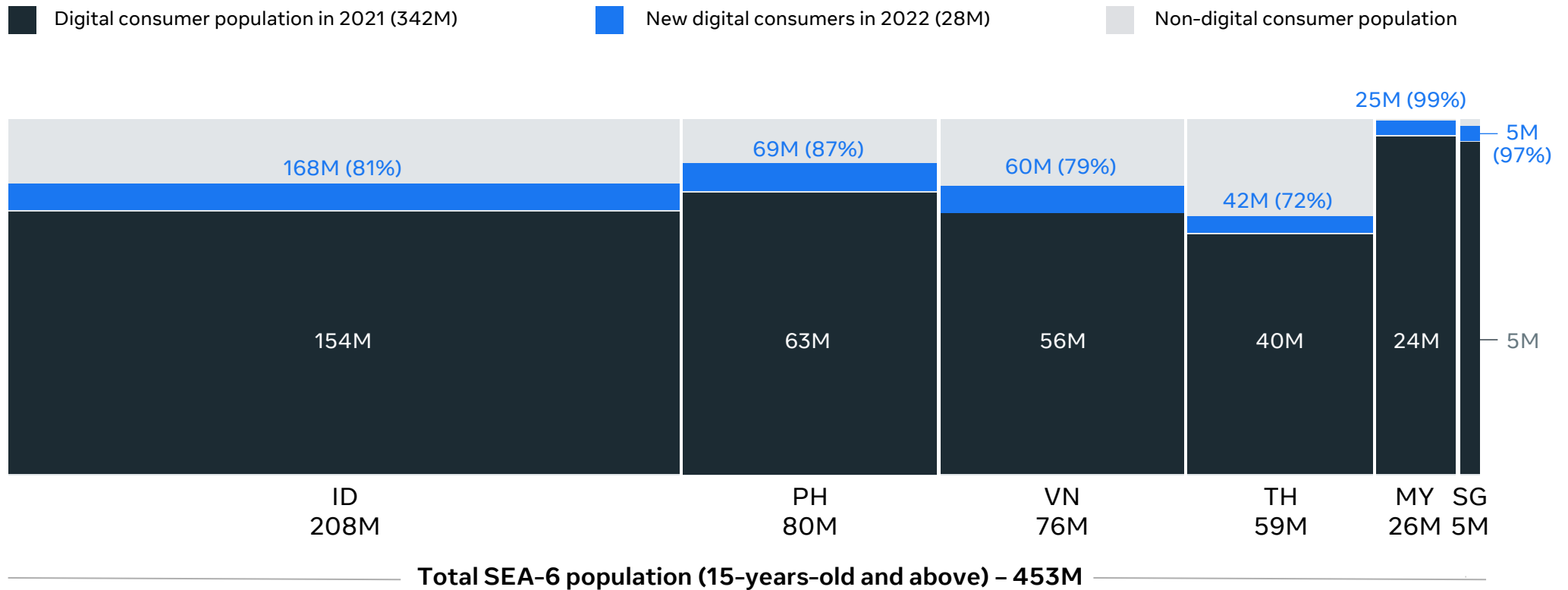
49%

Tier-3 population are digital consumers***⁸

Indonesia has largest number of digital consumers in Southeast Asia

370M

Digital consumers in SEA-6 in 2022⁹



9. Note: (*) Digital consumers are consumers who have purchased a product online in the past 12 months, excluding travel. Digital consumer figures are derived from triangulation of multiple data sources, assuming internet penetration to grow at a rate benchmarked against China's digital consumer growth rate; the split of digital consumers between the SEA-6 countries are assumed to follow those of Forrester's forecast. Source: Euromonitor; Forrester; Statista; Hootsuite; Bain & Company analysis.



“Digital adoption in Tier 3/Tier 4 cities continues to grow as digital literacy improves. This, along with the increase in access to various payment options and the development of logistics infrastructure, has helped to better facilitate the conduct of commerce.”

Dr. Santitarn Sathirathai
Group Chief Economist
Sea Limited

Ecommerce outlook still positive despite slower GMV growth year-on-year

In line with the region's growing digital consumer base, Southeast Asia's online consumer spending remains on a healthy trajectory when measured by eCommerce gross merchandise value (GMV). This refers to the monetary value of goods or services sold through online marketplaces over a specific period of time. GMV is expected to grow from US\$112 billion in 2021 to US\$129 billion in 2022, and is forecast to rise further to US\$280 billion in 2027.¹⁰

That said, year-on-year growth has slowed, at 48% from 2020 to 2021 versus 15% from 2021 to 2022.¹⁰ This slowdown is likely due to a decline in online purchase frequency. The average number of digital purchases made in Southeast Asia in the last three months prior to our survey dropped by 5% compared to that of 2021 (from an average of 5.2 purchases to 4.9).¹¹ The easing of COVID-related restrictions could be a contributing factor to this decline, as greater freedom of movement opens up more options for consumers to buy offline. Consumers possibly prefer the "look and feel" aspect that offline channels offer, thus prompting this channel shift. Other possible factors include inflationary and supply chain pressures.

It's worth noting, though, that the online purchase frequency of some categories have actually risen. These include beauty and cosmetics, which grew by 15% from an average of 3.8 purchases to 4.4; household furnishings (specifically home office set-ups), which went up by 6% from 3.6 to 3.8; and household appliances, which rose by 5% (3.1 to 3.2).¹¹

10. Note: eCommerce GMV includes B2B2C/B2C selling of physical products through online channels, not including digital products (e.g. sim-top-ups), nor alternative commerce; *GMV estimation methodology – eCommerce GMV was estimated by players by country from multiple sources for 2021,2022, growth of GMV by country by 2027 was estimated through expected digital penetration growth and eCommerce order success rate growth estimates on a grocery/non-grocery category split using Forrester data for total retail market growth rates which were extended to 2027. Source: Lit search, Expert interview, Forrester, Bain analysis

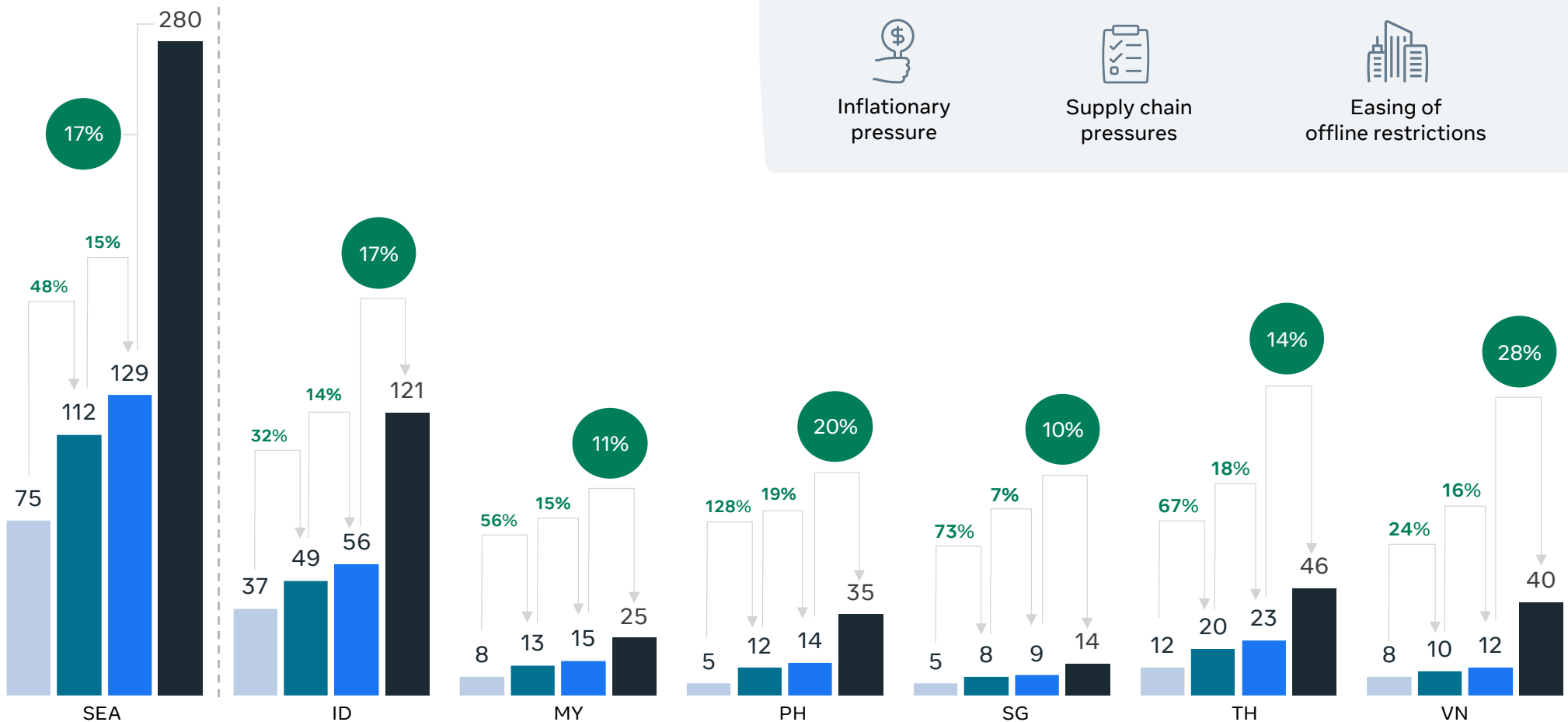
11. Source: "Southeast Asia's Digital Consumers: A New Stage of Evolution" by Meta and Bain & Company (A Meta-commissioned survey of 15,767 respondents from ID, MY, PH, SG, TH, VN). Survey conducted in June 2022.



Ecommerce sales still rising despite slower growth year-on-year

eCommerce GMV (US\$ B)

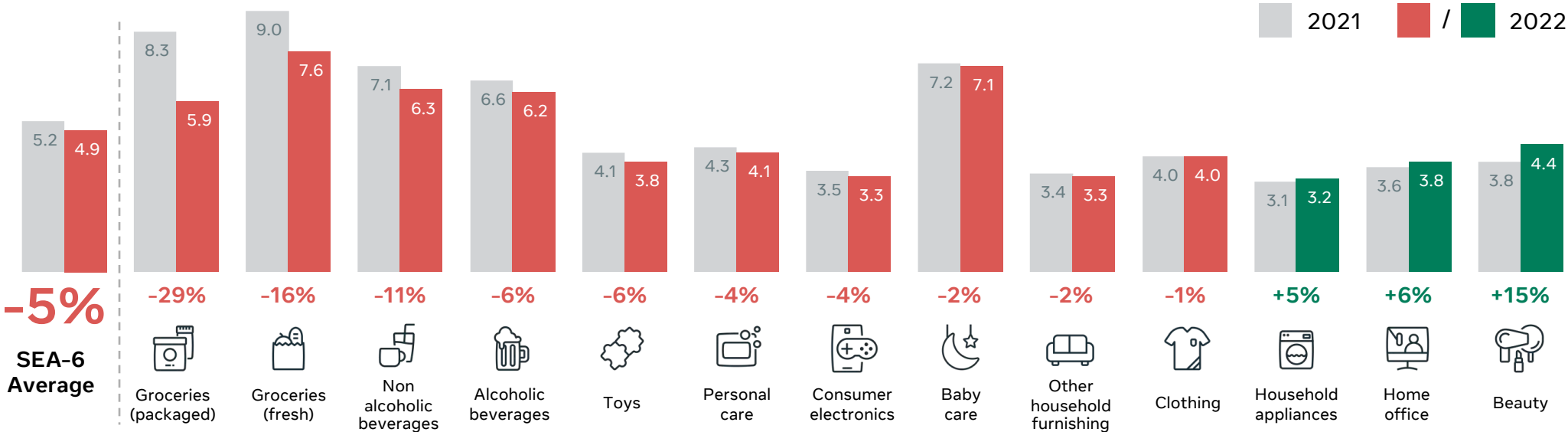
2020 2021 2022 2027F



10. Note: eCommerce GMV includes B2B2C/B2C selling of physical products through online channels, not including digital products (e.g. sim-top-ups), nor alternative commerce; *GMV estimation methodology – eCommerce GMV was estimated by players by country from multiple sources for 2021,2022, growth of GMV by country by 2027 was estimated through expected digital penetration growth and eCommerce order success rate growth estimates on a grocery/non-grocery category split using Forrester data for total retail market growth rates which were extended to 2027. Source: Lit search, Expert interview, Forrester, Bain analysis

Digital slowdown partly driven by drop in online purchase frequency

Average number of online purchases made in the last three months



Note: Survey question: Q19. How many times did you purchase each category online in the last 3 months? Source: "Southeast Asia's Digital Consumers: A New Stage of Evolution" by Meta and Bain & Company (A Meta-commissioned survey of 15,767 respondents from ID, MY, PH, SG, TH, VN). Survey conducted in June 2022.

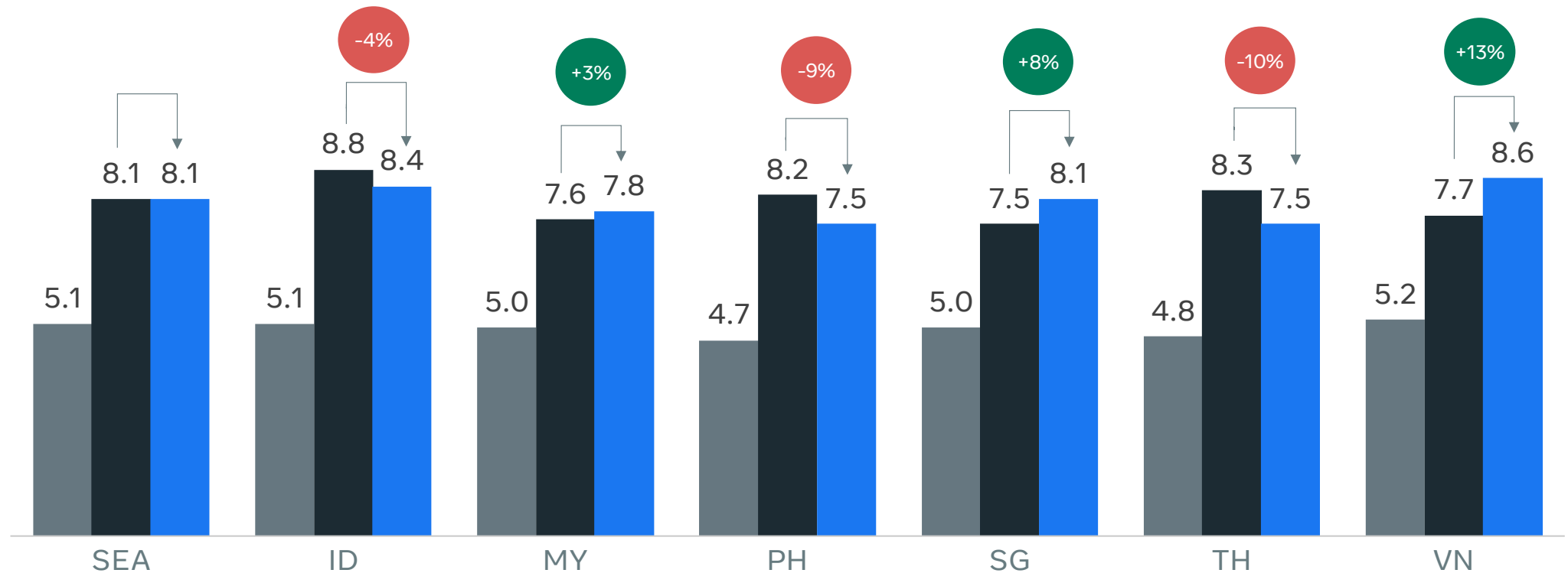


Average number of categories purchased still consistent at 8.1

Though there's a dip in the frequency of online purchases, Southeast Asia as a whole has actually maintained its average number of categories purchased online from last year (at 8.1), with some markets in the region even seeing growth in this area.¹² This is an indicator of digital consumers' online purchasing behavior taking root instead of reversing. Vietnam leads this trend, with the average number of categories purchased rising by 13% from 2021 to 2022. This is followed by Singapore at 8% growth from 2021 and Malaysia at 3%.

Average number of categories bought online in the last year

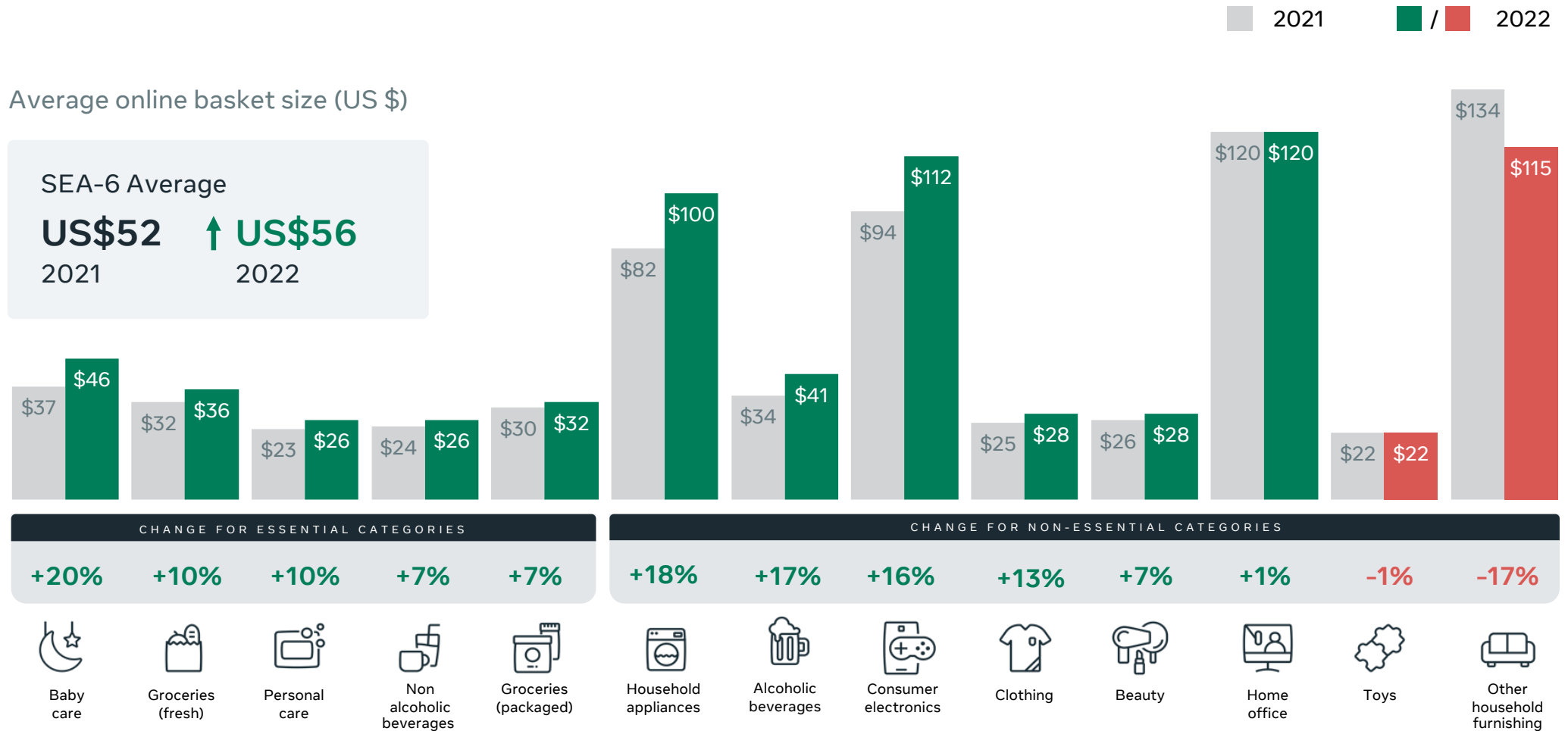
■ 2020 ■ 2021 ■ 2022



12. Note: Survey questions: Q12. Which of the following categories have you purchased in the last 1 year?; Q20. On average, how much did you typically spend on each category, each time you purchased online in the past 3 months? Source: "Southeast Asia's Digital Consumers: A New Stage of Evolution" by Meta and Bain & Company (A Meta-commissioned survey of 15,767 respondents from ID, MY, PH, SG, TH, VN). Survey conducted in June 2022.

Average basket sizes grew from US\$52 to US\$56

Additionally, the average online basket size in the region grew larger across the majority of categories, including non-essentials, by 6% from 2021 to 2022.¹² This means consumers are spending more on these items per transaction than the previous year, from US\$52 to US\$56.¹² The top 3 categories with the highest growth are baby care, rising from US\$37 to US\$46 (20% growth); and household appliances, from US\$82 to US\$100 (18% growth); and alcoholic beverages, from US\$34 to US\$41 (17% growth).¹²



12. Note: Survey questions: Q12. Which of the following categories have you purchased in the last 1 year?; Q20. On average, how much did you typically spend on each category, each time you purchased online in the past 3 months? Source: "Southeast Asia's Digital Consumers: A New Stage of Evolution" by Meta and Bain & Company (A Meta-commissioned survey of 15,767 respondents from ID, MY, PH, SG, TH, VN). Survey conducted in June 2022.



“Before the pandemic, people who used eCommerce were buying items in categories like fashion, beauty, and electronics. While some would have occasionally ordered F&B (food and beverage), a majority would not even consider buying groceries or FMCG (fast-moving consumer goods). Now this has changed. And once people have learnt how to do it and experienced the convenience and flexibility it offers, it’s hard to unlearn it.”

Dr. Santitarn Sathirathai
Group Chief Economist
Sea Limited

Online retail penetration in Southeast Asia continues to grow

The average contribution of eCommerce to total retail has continued to grow over the past year, rising from 9% in 2021 to 11% in 2022 (representing 16% growth).¹³

The growth of online retail penetration for each category is also projected to rise from last year, with groceries showing the strongest growth in Southeast Asia at 29%.¹³

Over the next five years, the growth of online retail contribution for each category in Southeast Asia is expected to continue rising by a compounded annual growth rate of at least 16%.¹³

SEA
+16%

IN: +10% CN: +4%

% GROWTH OF ONLINE RETAIL CONTRIBUTION TO TOTAL RETAIL

+13%

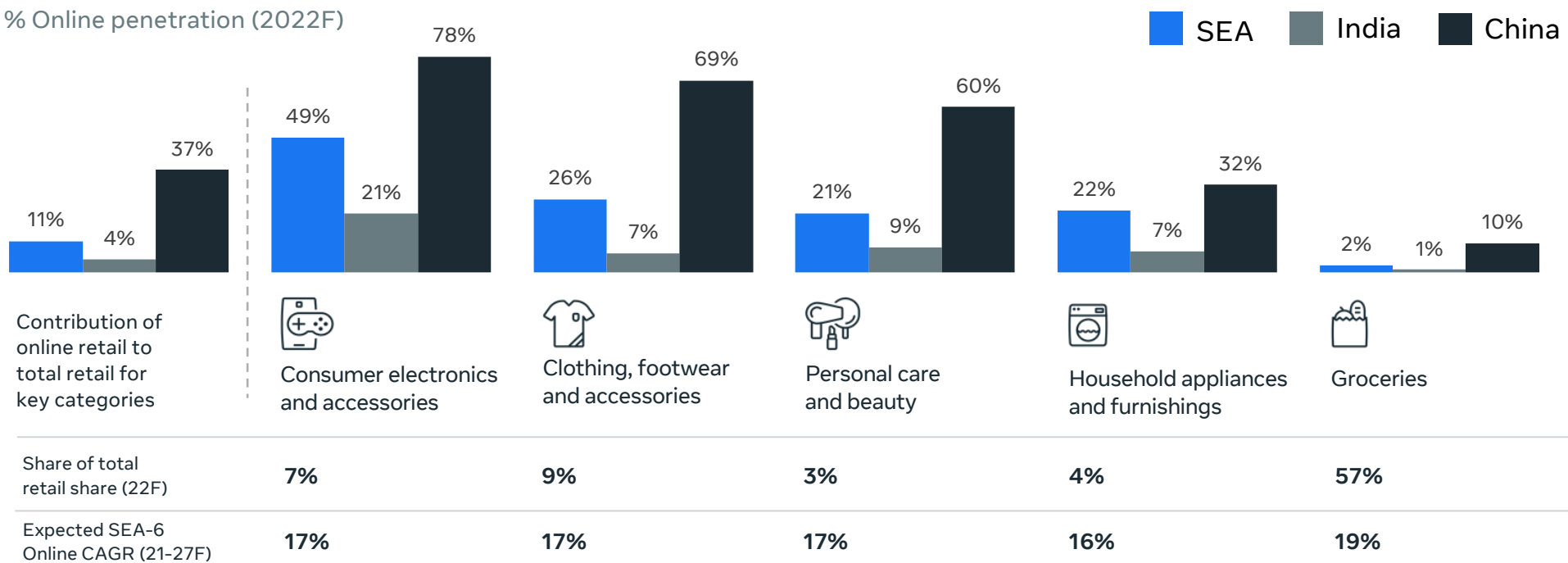
+14%

+17%

+12%

+29%

% Online penetration (2022F)



13. Note: (*) Penetration figures include eCommerce GMV / retail GMV for all retail at aggregate level, and selected categories as displayed, excludes travel, digital products (e.g. sim top-ups), alternative commerce and services (such as food delivery). 2022F penetration compared to penetration in 2021; (**) Share of estimated total retail size (including all online and offline retail sales) of the 5 selected categories. Total retail spend includes categories (including 'other') that are not shown; (***) GMV estimation methodology - total online GMV growth was estimated from multiple sources and broken back by category level Forrester eCommerce forecast. Source: Forrester, stakeholder interviews, Bain analysis

Methodology

QUANTITATIVE:

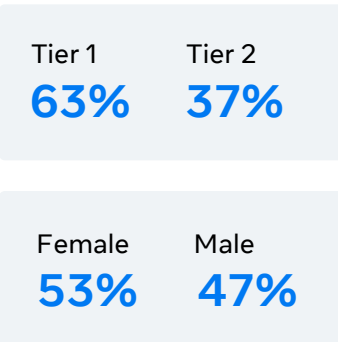
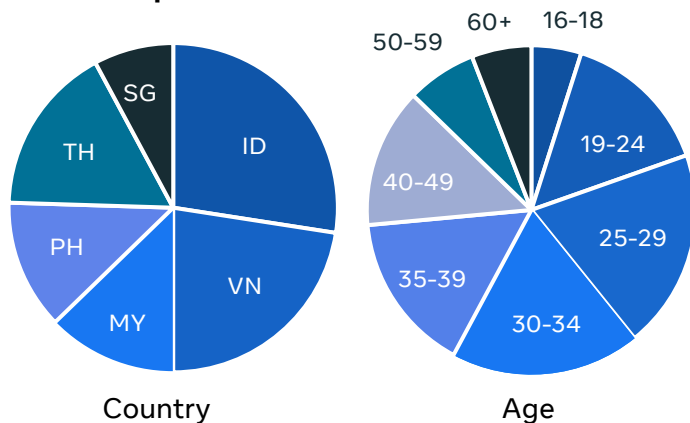
What 15,000+ digital consumers had to say

Meta and Bain & Company conducted a survey that seeks to better understand Southeast Asia's digital consumers: their spending habits, purchase journey, motivations, viewing behavior, and digital presence. In doing so, we obtained a clear picture of the forces shaping the business landscape and influencing consumer behavior in the next few years.

Our 2022 survey covered 15,767 digital consumers from various age groups, income levels, and genders across the six Southeast Asian countries of Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam. Digital consumers surveyed are those who have made an online purchase in at least two product categories in the past one year prior to the survey.

The survey, conducted online in June 2022, was commissioned by Meta with data analysis and modeling provided by Bain & Company.

Who we spoke to



QUALITATIVE:

Perspectives from Southeast Asian business leaders

In addition to the detailed survey, Meta and Bain & Company interviewed executives across the ecosystem and surveyed senior executives of consumer product companies.

The business leaders we spoke to shared their outlook for the digital economy in areas such as global macro uncertainties, technology, fast-moving consumer goods, finance, ecommerce, venture capital, groceries, and many more.

The insights shared here reflect their perspectives.

Executives from



Post-pandemic
consumers demand
an integrated
channel experience



Post-pandemic consumers seek the best of both channels

When the COVID-19 pandemic struck a few years ago, it necessitated digital-centric consumption habits as people spent a vast majority of their time at home. Fast forward to 2022, and the world is opening up again. With this reopening, we're seeing a shift—though only moderate—in the way people shop in Southeast Asia, trading increasingly between online and offline channels at certain stages of the consumer journey.

For some categories, a small percentage of consumers has opted to purchase offline instead.¹⁴ Twelve percent of those we surveyed have switched to buying offline for at least one of their purchased categories.¹⁴ Fresh groceries lead this trend, with 9.0% of our survey respondents having purchased offline instead of online.¹⁴ This is followed by general household furnishings at 8.2%, groceries comprising cleaning supplies and packaged food at 7.8%, household appliances at 7.6%, and home office furnishings at 7.0%.¹⁴

Increasingly, consumers are demanding an integrated shopping experience—one that enables a seamless switch between both channels. The end-to-end consumer journey shows that digital channels such as social media and eCommerce platforms are as important as ever for product discovery, while offline channels are still vital at the Purchase stage.

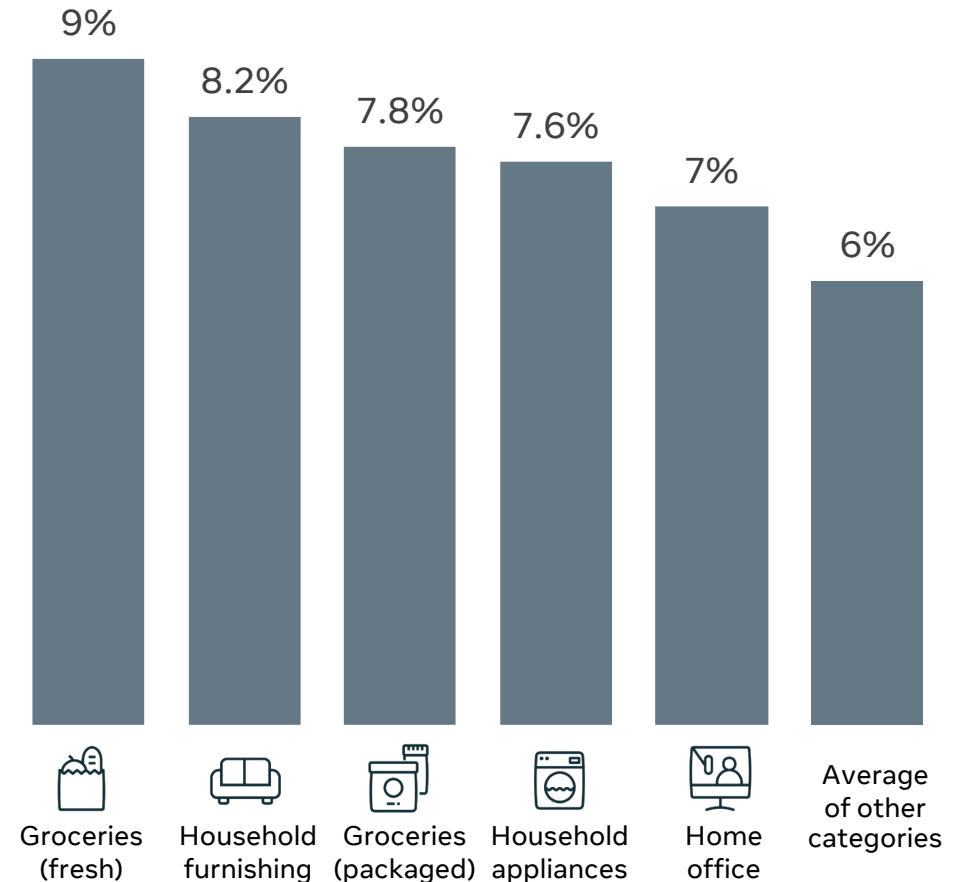
14. Note: Data from consumer products categories only. Survey question: Q25. What is the % allocation of your spend across different channels this year? Source: "Southeast Asia's Digital Consumers: A New Stage of Evolution" by Meta and Bain & Company (A Meta-commissioned survey of 15,767 respondents from ID, MY, PH, SG, TH, VN). Survey conducted in June 2022.

12%

of respondents have switched at least one of their purchased categories from online to offline channels¹⁴

Groceries, household furniture top categories in switch to offline

Respondents in each category who have switched to offline





"Customers shift from online to offline for 2 key reasons: They want to experience or examine the products themselves; for example, they want to smell a perfume before purchasing the bottle. They also want convenience, and do not want to pay shipping fees.

Customers shift back online because they want promotions and specials offered."

Hanh Vu
Marketing Manager
Cỏ Mềm Homelab

Digital shoppers are moving fluidly between online and offline

Non-essential category

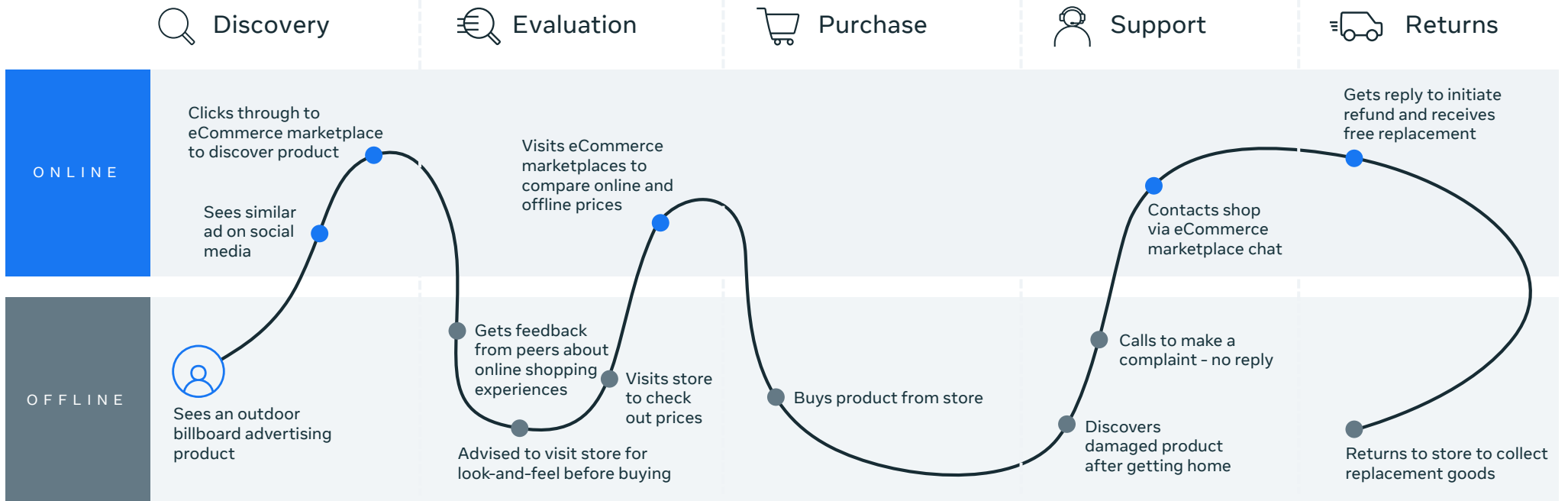
Illustrative example



Note: Survey question: 22Qnew_23. For <category X>, what channels did you use for the products or brands you ended up buying?; Q25. For <category X>, what is the % allocation of your spend across different channels this year? And how does this compare to last year? Source: "Southeast Asia's Digital Consumers: A New Stage of Evolution" by Meta and Bain & Company (A Meta-commissioned survey of 15,767 respondents from ID, MY, PH, SG, TH, VN). Survey conducted in June 2022.



Essential category



Note: Survey question: 22Qnew_23. For <category X>, what channels did you use for the products or brands you ended up buying?; Q25. For <category X>, what is the % allocation of your spend across different channels this year? And how does this compare to last year? Source: "Southeast Asia's Digital Consumers: A New Stage of Evolution" by Meta and Bain & Company (A Meta-commissioned survey of 15,767 respondents from ID, MY, PH, SG, TH, VN). Survey conducted in June 2022.

Online is here to stay in consumer journey, but offline still vital at Purchase stage

Throughout the entire consumer journey, online continues to serve as an important channel compared to offline, though the latter channel shouldn't be discounted.

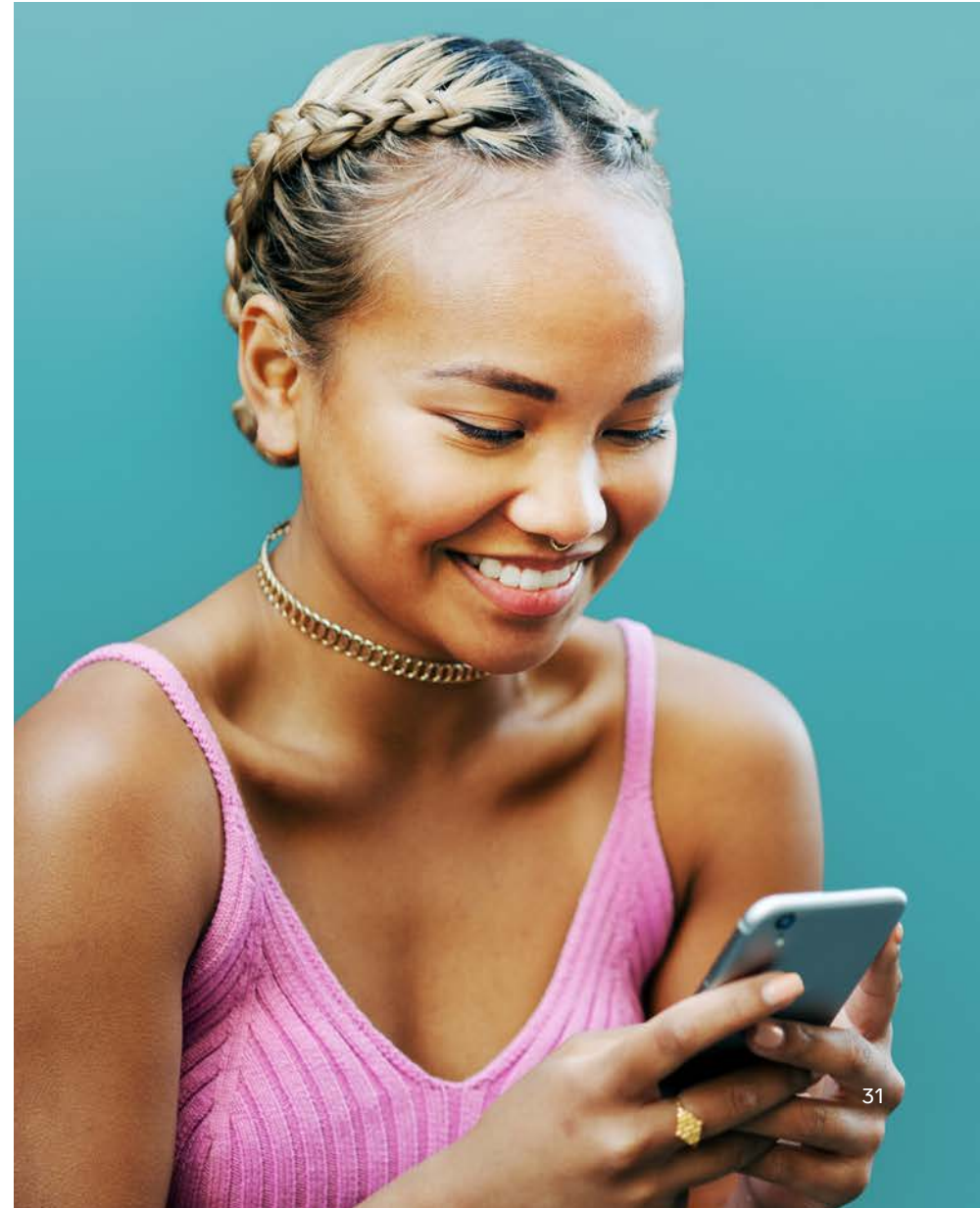
In the Discovery stage, a high percentage of shoppers cite online as their go-to channel to browse and find items, accounting for 82% of our survey respondents.¹⁵ When looking at the breakdown of online channels, social media—which includes video and messaging—and eCommerce platforms are equally crucial at this point of the consumer journey.¹⁵

At the Evaluation stage, online still holds strong with 81% of consumers citing it as their main channel to compare items, check reviews and conduct research.¹⁵ Social media and eCommerce platforms are tied in importance for evaluation.¹⁵

However, at the Purchase stage, the split between online and offline nearly levels out as offline plays a more relevant role even for digital shoppers, accounting for 41% of the share of wallet among our respondents.¹⁵

In the post-purchase journey—that is, Support followed by Returns—online remains the foremost channel for digital shoppers. Eighty-eight percent of consumers opt to go online for product support and 82% choose to go digital to initiate product returns.¹⁵

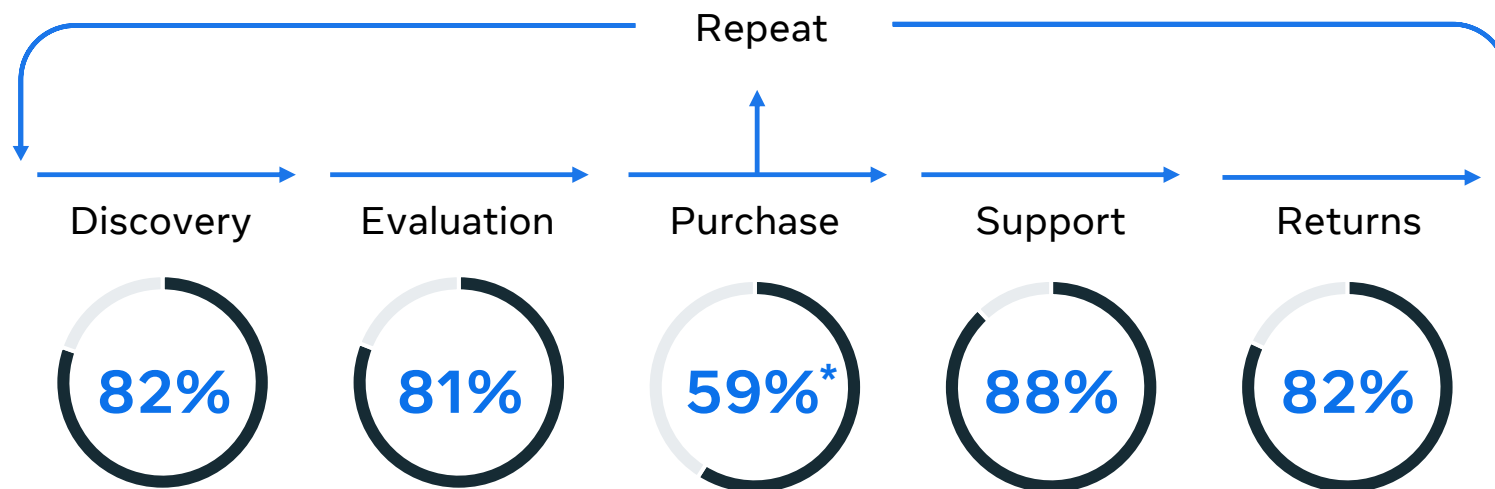
15. Note: Survey question: 22Qnew_23. For <category X>, what channels did you use for the products or brands you ended up buying? Please select and rank the top 3 channels for each stage of the purchasing journey; Q25. For <category X>, what is the % allocation of your spend across different channels this year? And how does this compare to last year? | eCommerce as % of overall retail is 11% (Forrester), lower than 59% online share of wallet because i) Survey respondents need to be involved in purchasing decisions in their household, ii) Survey respondents need to purchase at least 2 CP products online in the past year, iii) Survey analysis capture the fair share of spend across ALL categories, where categories that made up eCommerce GMV likely do not have equal spend. Source: "Southeast Asia's Digital Consumers: A New Stage of Evolution" by Meta and Bain & Company (A Meta-commissioned survey of 15,767 respondents from ID, MY, PH, SG, TH, VN). Survey conducted in June 2022.





Consumers mostly go online throughout journey, but some go offline to buy

End-to-end digital consumer purchase journey



Online as % of all channels

*eCommerce as % of overall retail is 11% (Forrester), lower than 59% online share of wallet because i) Survey respondents need to be involved in purchasing decisions in their household, ii) Survey respondents need to purchase at least 2 CP products online in the past year, iii) Survey analysis capture the fair share of spend across ALL categories, where categories that made up eCommerce GMV likely do not have equal spend. Source: "Southeast Asia's Digital Consumers: A New Stage of Evolution" by Meta and Bain & Company (A Meta-commissioned survey of 15,767 respondents from ID, MY, PH, SG, TH, VN). Survey conducted in June 2022.

Discovery stage

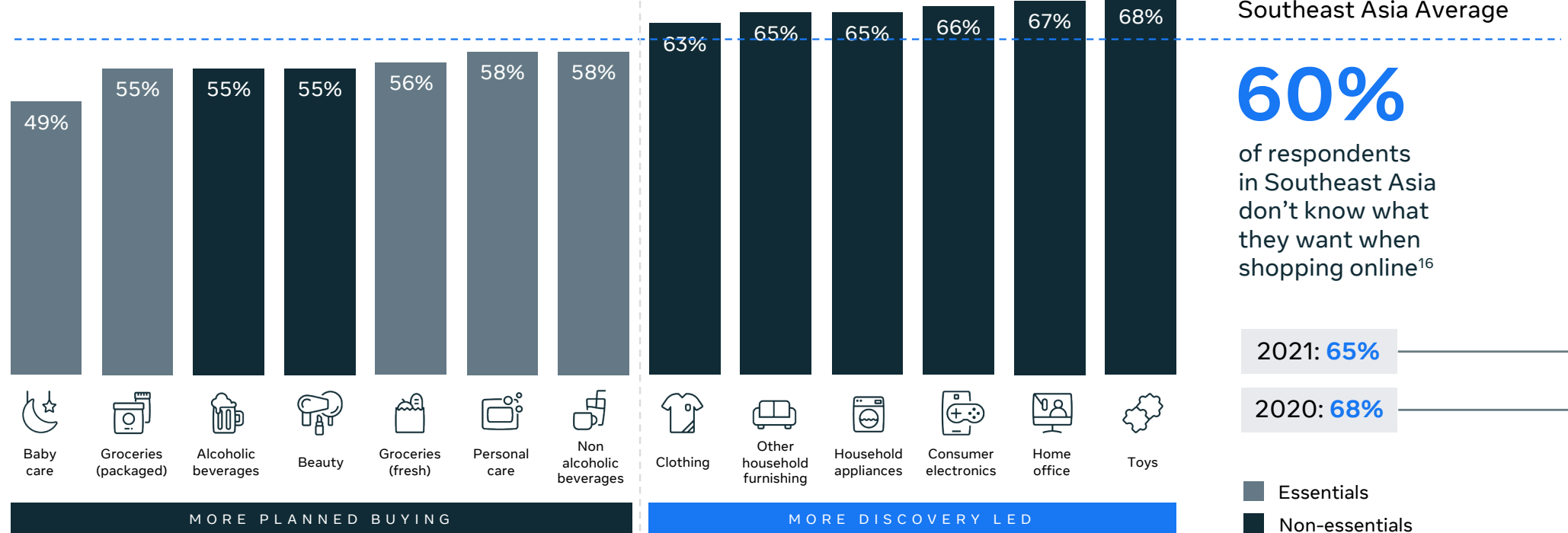
Consumers still discovery-led, but some category nuances

Southeast Asian consumers are still discovery-led when it comes to their shopping, though there are variations in behavior for certain product categories. Many of them find new products largely through online inspiration and are mainly influenced by what they encounter while browsing. Sixty percent of consumers surveyed do not know what they want to purchase when shopping online¹⁶ — a trend that is slightly lower than what was seen in previous years (65% in 2021 and 68% in 2020).¹⁶ This is especially so for non-essential items that are more inspiration-driven, such as clothing, household furnishings, household appliances, consumer electronics, and toys.¹⁶

Consumers tend to make more planned purchases for certain items such as baby care, groceries, beauty and cosmetics, and personal care, as around half of respondents have a clear idea of what they want to buy.¹⁶

Non-essential categories are most discovery-led in Southeast Asia

% of respondents who don't know what they want when shopping online



16. Note: Survey question: Q24. Which statement would best describe your purchasing journey for the following categories online? Source: "Southeast Asia's Digital Consumers: A New Stage of Evolution" by Meta and Bain & Company (A Meta-commissioned survey of 15,767 respondents from ID, MY, PH, SG, TH, VN). Survey conducted in June 2022.

Discovery stage

Video on social media is the fastest-growing source for online discovery

It's clear that online is here to stay post pandemic, as it continues to dominate the share of consumers' discovery journey, with 82% of respondents citing online as their top source to browse and find new products.¹⁷ This was a slight increase from the 80% share seen in 2021 and a sizable jump from 73% in 2020.¹⁷

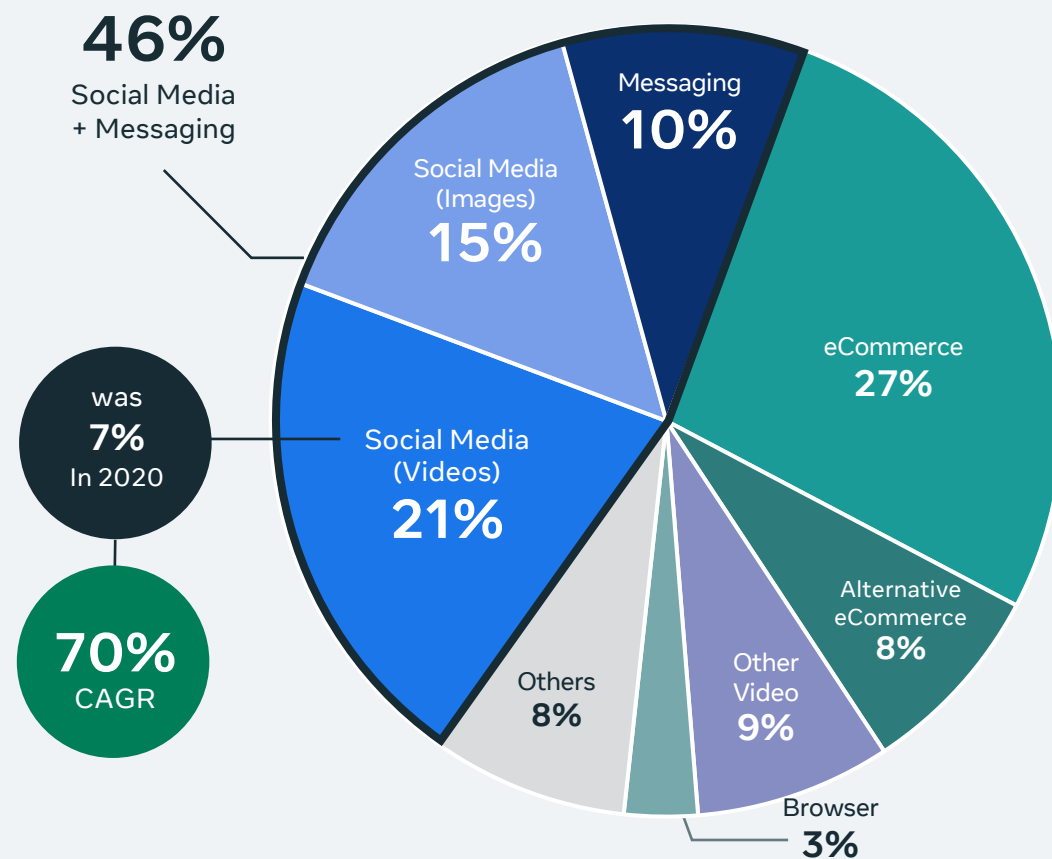
Social media accounts for almost half of online discovery, consisting of image feed (15%), videos (21%) and messaging (10%).¹⁷ Importantly, the relevance of video as a social media platform for discovery has grown from 2020 to 2022, at a compounded annual growth rate of 70%.¹⁷

Ecommerce has gained in its share as a top channel for online discovery, growing from 26% in 2021 to 35% in 2022.¹⁷

17. Note: Survey question: 22Qnew_23. For <category X>, what channels did you use for the products or brands you ended up buying? Please select and rank the top 3 channels for each stage of the purchasing journey. Source: "Southeast Asia's Digital Consumers: A New Stage of Evolution" by Meta and Bain & Company (A Meta-commissioned survey of 15,767 respondents from ID, MY, PH, SG, TH, VN). Survey conducted in June 2022.

% citing online as top channel for discovery

2020: **73%** — 2022: **82%**



Evaluation stage

Social media and messaging key online channels in Evaluation stage

Much like in the Discovery stage, online channels are as important for Southeast Asian digital consumers at the Evaluation stage, with 81% of respondents citing online as the top channel.¹⁸ In terms of online channel breakdown, social media and related tools such as messaging are key mediums for digital shoppers, accounting for 43% of the share.¹⁸ Thirty-four percent rank eCommerce platforms as their top channel while shopping online.¹⁸

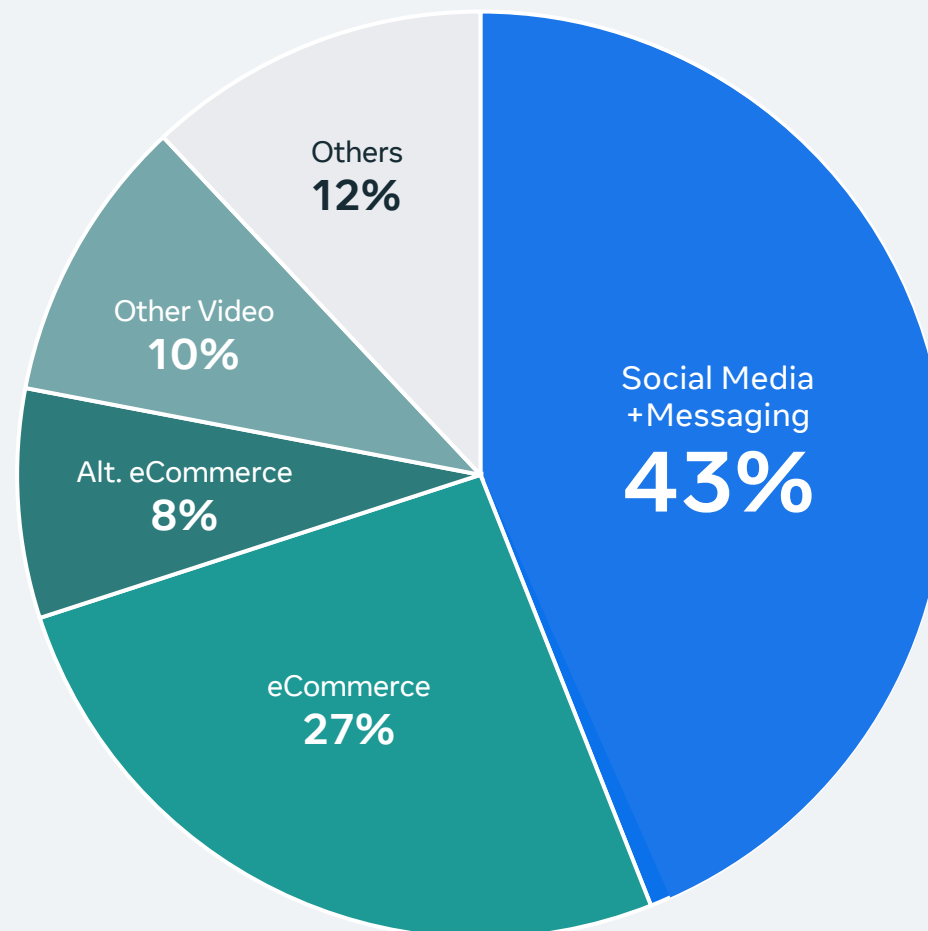
When it comes to factors that influence consumers while comparing and learning more about a brand or product, online word of mouth—by way of reviews or messaging—is the top-ranked means of helping to drive consideration among digital shoppers across the Southeast Asian markets.¹⁸ Social media ads and posts by influencers rank closely behind in most countries in the region.¹⁸

18. Note: Survey question: 22Qnew_23. For <category X>, what channels did you use for the products or brands you ended up buying? Please select and rank the top 3 channels for each stage of the purchasing journey; Q43. For <category X>, when discovering a product or brand, what sources influenced you the most to consider the product / brand after seeing advertisements/posts across the following channels? Please select and rank the top 3. Source: "Southeast Asia's Digital Consumers: A New Stage of Evolution" by Meta and Bain & Company (A Meta-commissioned survey of 15,767 respondents from ID, MY, PH, SG, TH, VN). Survey conducted in June 2022.

Social media, messaging are popular tools for online evaluation

% citing online as top channel for evaluation

2020: 76% — 2022: 81%





‘Word of mouth’, social media most influential means of consideration for consumers

Top sources of influence to consider product/brand by region



18. Note: Survey question: 22Qnew_23. For <category X>, what channels did you use for the products or brands you ended up buying? Please select and rank the top 3 channels for each stage of the purchasing journey; Q43. For <category X>, when discovering a product or brand, what sources influenced you the most to consider the product / brand after seeing advertisements/posts across the following channels? Please select and rank the top 3. Source: “Southeast Asia’s Digital Consumers: A New Stage of Evolution” by Meta and Bain & Company (A Meta-commissioned survey of 15,767 respondents from ID, MY, PH, SG, TH, VN). Survey conducted in June 2022.

Purchase stage

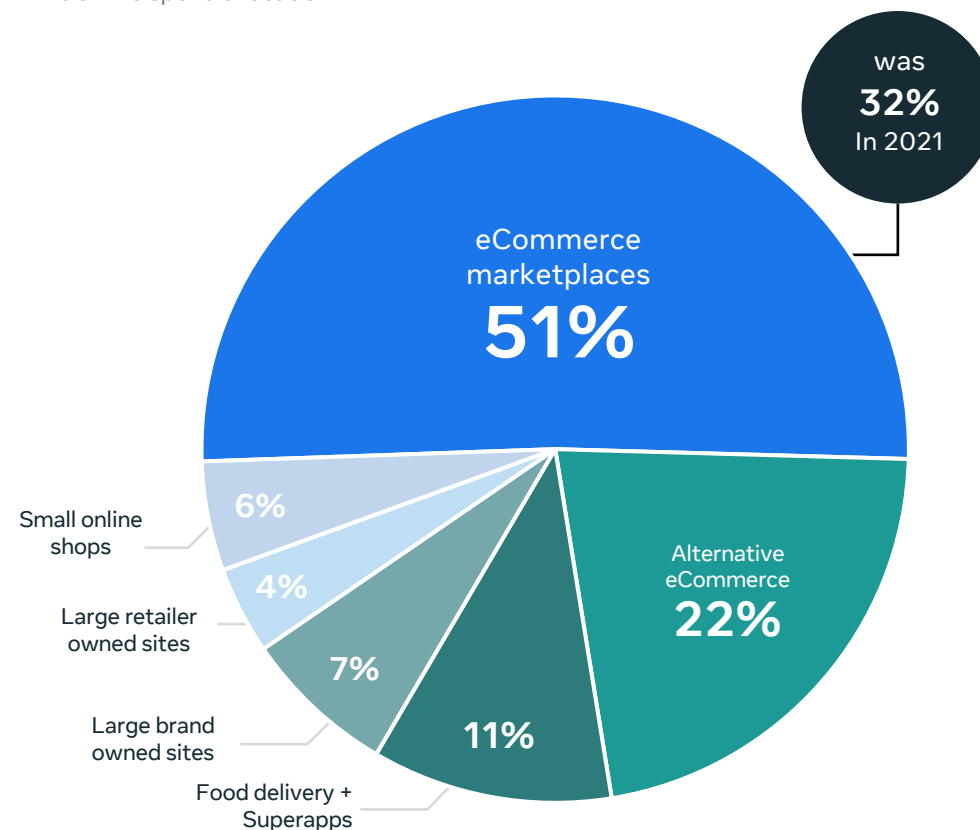
Online marketplaces and alternative eCommerce dominate in Purchase stage

In contrast to the Discovery and Evaluate stages, we're seeing a slight rebalance to offline channels at the Purchase stage. The most cited reason for this is the "look and feel" factor that offline channels offer.¹⁹ Other reasons include being able to acquire the item immediately after purchase, the absence of delivery charges and the ability to check for product quality.¹⁹ Among our respondents, offline accounts for 41% of the share of wallet.¹⁹ This minor shift to offline is in contrast to previous years, and can be partly attributed to the easing of pandemic-related restrictions, as more freedom of movement would allow for consumers to head down to physical stores.

That said, online is still an important channel for consumers, accounting for 59% of the share of wallet among those surveyed. Looking at the channel breakdown, eCommerce marketplaces represent a significant share of online spending by channels, at more than 50%.¹⁹ Alternative eCommerce accounts for 22% of the share.¹⁹ Both eCommerce marketplaces and alternative eCommerce have gained their share of online spending by channels, collectively growing by 20 percentage points from 2021.¹⁹

19. Note: eCommerce as % of overall retail is 11% (Forrester), lower than 59% online share of wallet because i) Survey respondents need to be involved in purchasing decisions in their household, ii) Survey respondents need to purchase at least 2 CP products online in the past year, iii) Survey analysis capture the fair share of spend across ALL categories, where categories that made up eCommerce GMV likely do not have equal spend.

% online spend allocation



'Look and feel' factor, easing restrictions top reasons for shift to offline

Top 3 reasons for shifting offline

	Experience	Product	Other	Value
SEA-6	Look & feel		Easing of restrictions	Immediacy
ID	Look & feel		Easing of restrictions	Immediacy
MY			Look & feel	Immediacy
PH			Look & feel	No delivery charges
SG	Look & feel		Easing of restrictions	No delivery charges
TH	Look & feel		Easing of restrictions	No delivery charges
VN			Look & feel	Product quality

19. Note: eCommerce as % of overall retail is 11% (Forrester), lower than 59% online share of wallet because i) Survey respondents need to be involved in purchasing decisions in their household, ii) Survey respondents need to purchase at least 2 CP products online in the past year, iii) Survey analysis capture the fair share of spend across ALL categories, where categories that made up eCommerce GMV likely do not have equal spend. * 'COVID and 'look and feel' tied for most-cited factor in Malaysia. Source: "Southeast Asia's Digital Consumers: A New Stage of Evolution" by Meta and Bain & Company (A Meta-commissioned survey of 15,767 respondents from ID, MY, PH, SG, TH, VN). Survey conducted in June 2022.



Consumers are
experimental and
seek more value and
engagement



Brand-switching

More consumers trying different brands, and small players set to benefit most

Digital consumers in the region are showing a willingness to experiment with different or new brands. More respondents this year have switched their most-purchased brand in the last three months prior to our survey (at 53% in 2022 versus 51% in 2021).²⁰ “Better value” was one of the most-cited reasons for switching. This value-consciousness can be attributed to consumers possibly becoming more judicious about their lifestyle choices, amid rising prices fuelled by global macroeconomic headwinds. That said, value isn’t the only factor, as consumers also cited “better product” as another reason that they switched to a different brand.²⁰

This brand-switching behavior was more apparent in non-essential categories such as clothing and footwear, consumer electronics, and beauty.²⁰ And as more digital consumers switch brands, a small segment has also chosen to trade down²⁰, and this has impacted mainstream and premium brands to an extent.

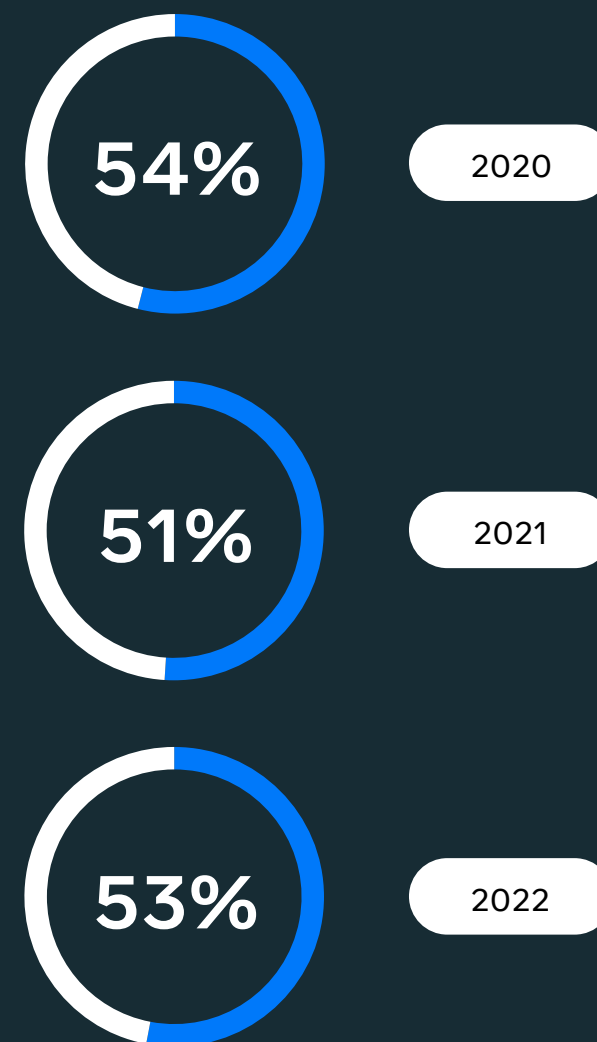
Conversely, smaller insurgent brands are benefitting the most from this brand-switching behavior, especially in the beauty and personal care category.²¹ Other categories such as packaged foods and soft drinks see differing trends by sub-category.²¹

20. Note: Data from consumer product categories only; survey question: Q14. Have you recently (in the last 3 months) switched the brand that you buy the most?; survey question Q15. Why have you switched the brand you buy the most? Source: “Southeast Asia’s Digital Consumers: A New Stage of Evolution” by Meta and Bain & Company (A Meta-commissioned survey of 15,767 respondents from ID, MY, PH, SG, TH, VN). Survey conducted in June 2022.

21. Note: Analysis by large vs. small brands and private labels (large brands defined 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 the Top 5 brands in each country owning >=60% category market share across SEA, otherwise fragmented; includes 37 sub-categories split across beauty & personal care, hot drinks, packaged foods, and soft drinks segments. Source: Euromonitor, Bain Analysis

More consumers switching brands in 2022 versus 2021

% of respondents who switched most-purchased brands in last 3 months²⁰





Brand-switching edging up especially for non-essentials

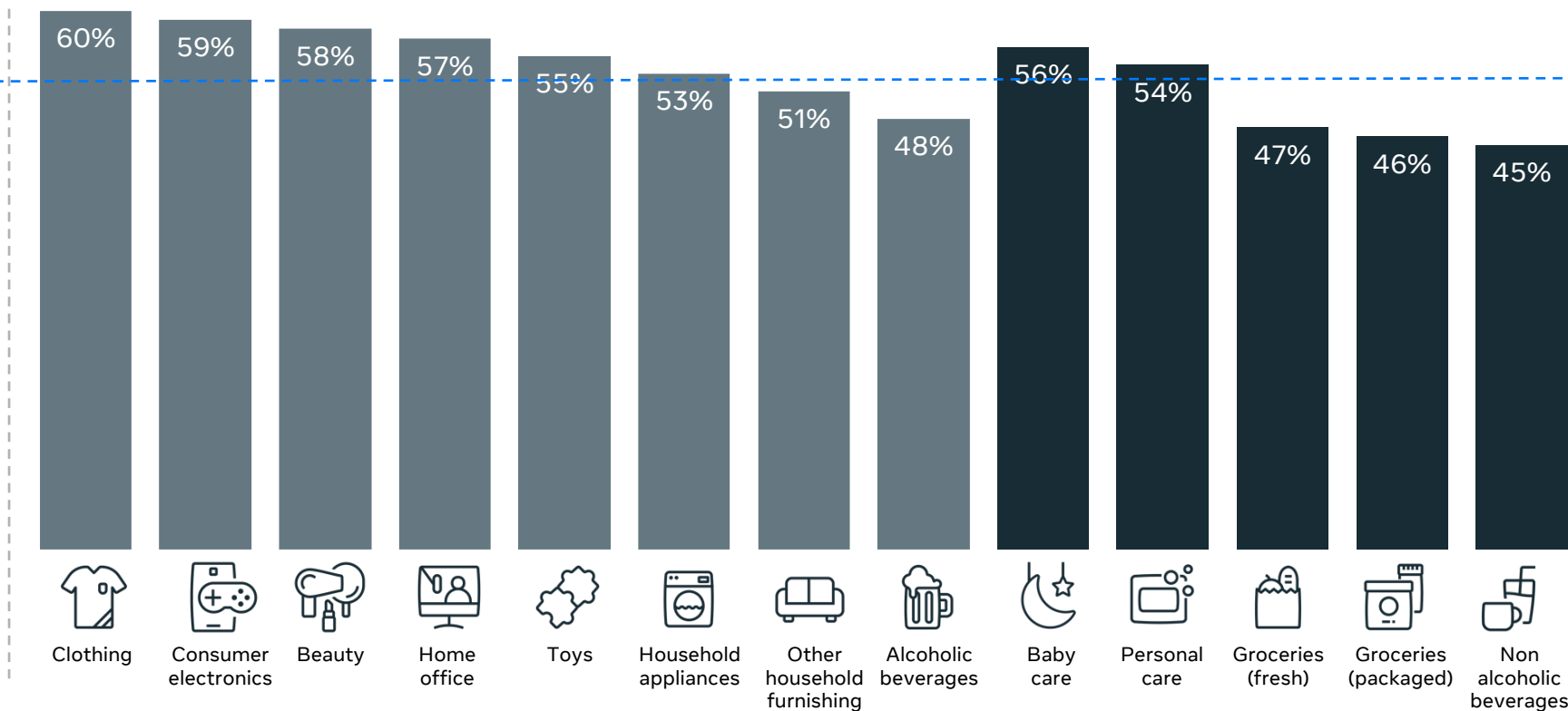
% of respondents who switched most-purchased brand in last 3 months (select categories)

■ Non-essentials ■ Essentials

2022 SEA-6 Average

53%

of respondents in Southeast Asia switched their most-purchased brand in the last 3 months²⁰



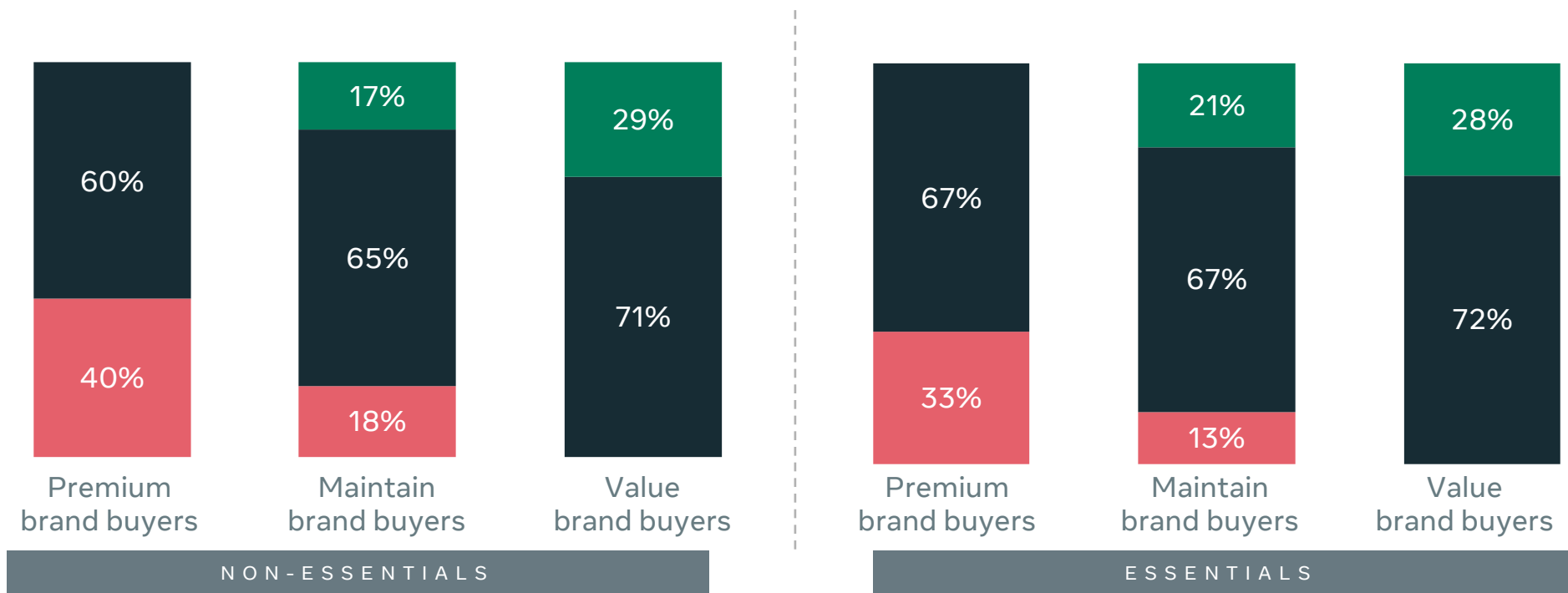
Note: Survey question: Q14. Have you recently (in the last 3 months) switched the brand that you buy the most? Source: "Southeast Asia's Digital Consumers: A New Stage of Evolution" by Meta and Bain & Company (A Meta-commissioned survey of 15,767 respondents from ID, MY, PH, SG, TH, VN). Survey conducted in June 2022."



Non-essential categories see more trading down

% of respondents by brand switching behavior

■ Trading down
 ■ Trading up
 ■ Maintaining same brand



Note: Essentials include groceries, baby care, pharmaceuticals etc; Non-essentials include electronics, jewelry and fashion clothing. Survey question: 22Qnew_2. Which of the following best describes how you are responding to the rising prices of goods & services (i.e. our current global inflation crisis) with your shopping? Source: "Southeast Asia's Digital Consumers: A New Stage of Evolution" by Meta and Bain & Company (A Meta-commissioned survey of 15,767 respondents from ID, MY, PH, SG, TH, VN). Survey conducted in June 2022.



Southeast Asian consumers switched brands mainly for value and product quality

Top reasons for switching brands by region



Note: Data from consumer product categories only; survey question: Q14. Have you recently (in the last 3 months) switched the brand that you buy the most?; survey question Q15. Why have you switched the brand you buy the most? Source: "Southeast Asia's Digital Consumers: A New Stage of Evolution" by Meta and Bain & Company (A Meta-commissioned survey of 15,767 respondents from ID, MY, PH, SG, TH, VN). Survey conducted in June 2022.

Insurgent brands benefiting from brand-switching behavior

Sum of % share change between 2016 and 2021

There were particularly notable gains in:



Color cosmetics **+53%**

Skincare **+42%**



Packaged foods

Fruit snacks **+41%**

Yoghurt & sour milk **+21%**



Soft drinks

RTD coffee **+17%**

Juice **+12%**

“With the reduced barriers to entry across consumer products, we are seeing more and more players coming in, especially at the lower end. This is putting pressure on manufacturers. On the lower end, it is much more challenging to improve the value proposition or increase prices as consumers are more sensitive to changes.”

Gaurav Gupta
Chief Marketing Office and Integration Leader
Kimberly Clark Softex

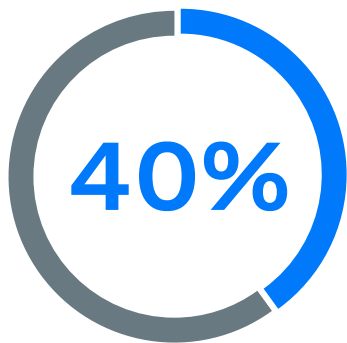
Note: Analysis by large vs. small brands and private labels (large brands defined as >5% market share for consolidated categories and >3% for fragmented categories while defined small brands as <5% market share for consolidated categories and <3% for fragmented categories - Consolidated categories are defined as the Top 5 brands in each country owning >=60% category market share across SEA, otherwise fragmented; includes 37 sub-categories split across beauty & personal care, hot drinks, packaged foods, and soft drinks segments. Source: Euromonitor, Bain Analysis

Platform-switching

Shoppers switching platforms in search of better value and quality

Much like how more Southeast Asian digital consumers are seeking other brands, they are also open to switching to different platforms. Again, value is one of the main factors spurring this behavior, with respondents citing “better prices” as a top reason for platform switching. That said, price is not the only determining factor, as product quality ranks as another reason for consumers to seek other platforms to shop.²² For Malaysia, Singapore, the Philippines and Thailand, faster delivery time is another key factor that encourages switching.²²

Forty percent of those surveyed have changed their most-used online platform in the last 3 months prior to the survey.²² Baby care, household furnishings (i.e. home office), and clothing, footwear and accessories are the top 3 categories with the most platform switching.²²

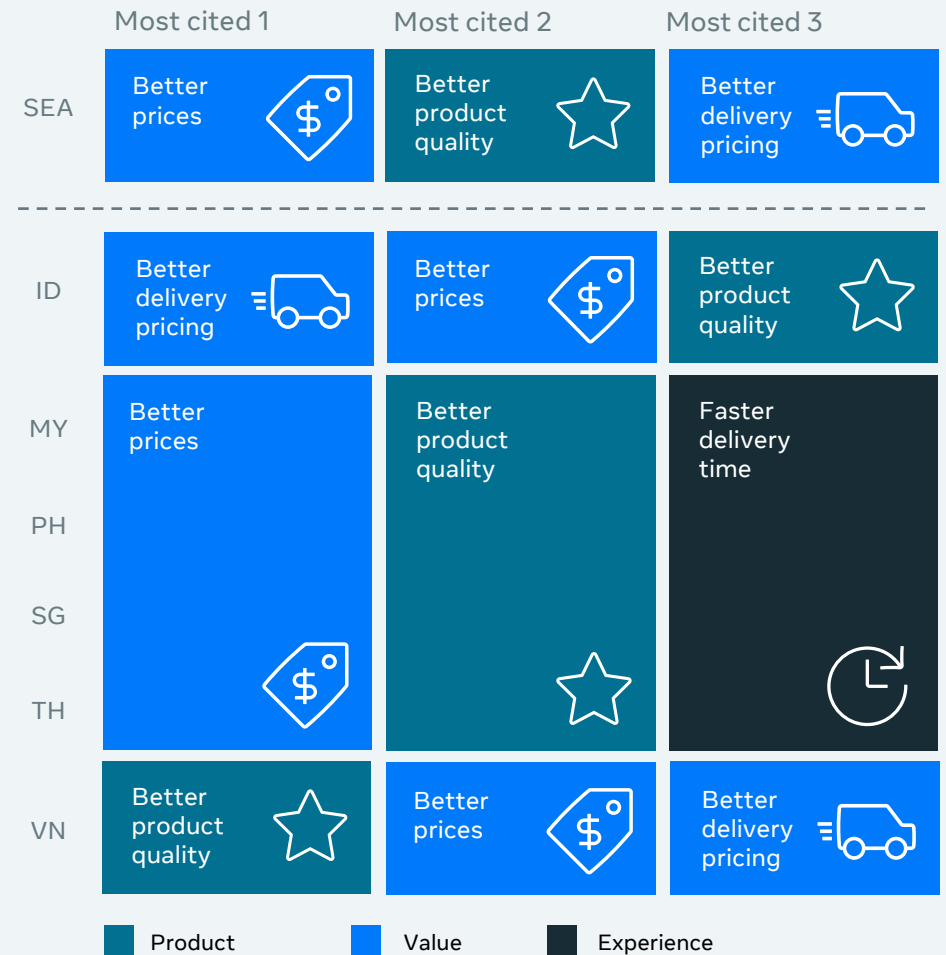


of respondents say they have switched their most-used online platform in the last 3 months²²

22. Note: Q33.For <category X>, why have you switched your most frequently used online shop? (*) Online platforms include eCommerce marketplaces, alternative eCommerce, food delivery, large retailer websites and small online shops; (**) Consumer products categories only. “Southeast Asia’s Digital Consumers: A New Stage of Evolution” by Meta and Bain & Company (A Meta-commissioned survey of 15,767 respondents from ID, MY, PH, SG, TH, VN). Survey conducted in June 2022.

Consumers switch platforms for better prices and quality

Most cited reasons for switching platforms



Consumers are expanding their platform options further when shopping online

Consumers across Southeast Asia are doing their shopping at more online platforms than before. This trend further aligns with our findings that more consumers in the region are experimenting with new or different shopping experiences. Based on our survey, the average number of online platforms used per person grew significantly from 8 in 2021 to 15 in 2022, which represents 92% growth from the previous year.²³

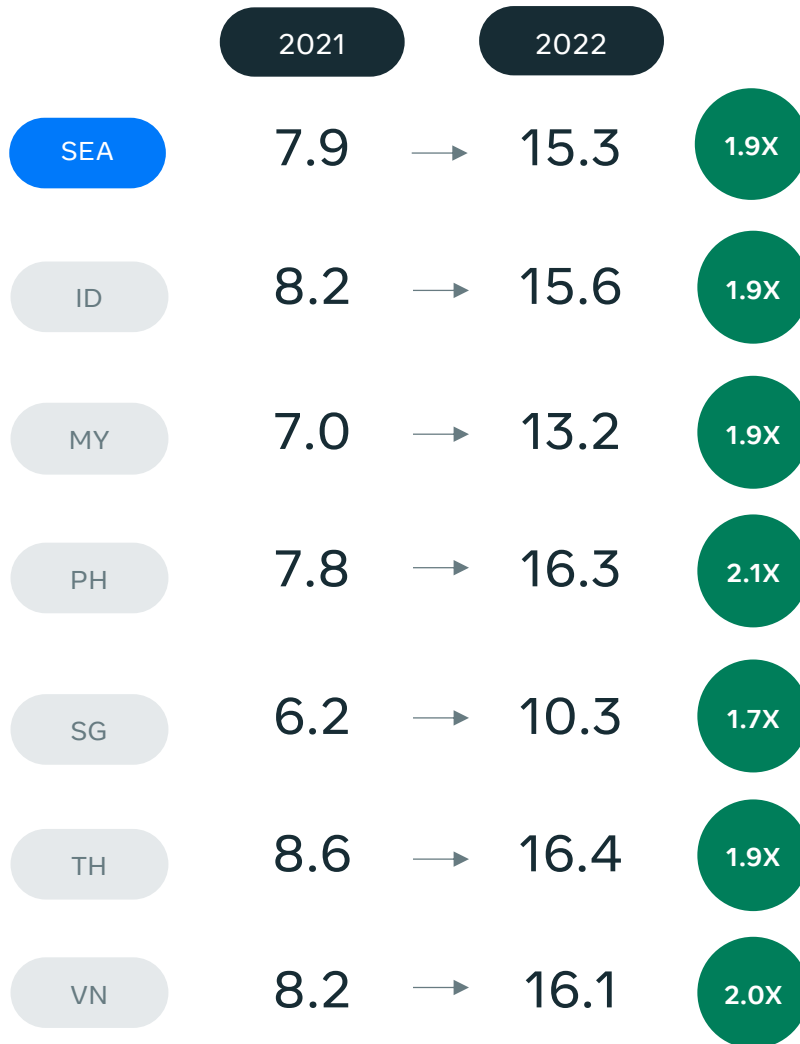
On a per market basis, the Philippines leads the way, with 108% growth from the previous year. This is followed by Vietnam (at 96% growth), and Indonesia and Thailand (at 90% each).²³

23. Note: Survey question: Q26. For <category X>, which online shops did you shop at in the last 1 year?; online platforms include eCommerce marketplaces, alternative eCommerce, food delivery, large retailer websites and small online shops; consumer products categories only. Source: "Southeast Asia's Digital Consumers: A New Stage of Evolution" by Meta and Bain & Company (A Meta-commissioned survey of 15,767 respondents from ID, MY, PH, SG, TH, VN). Survey conducted in June 2022.



Consumers shopping at double the number of online platforms compared to 2021

Number of online platforms used per user by country



Note: Survey question: Q26. For <category X>, which online shops did you shop at in the last 1 year?; online platforms include eCommerce marketplaces, alternative eCommerce, food delivery, large retailer websites and small online shops; consumer products categories only. Source: "Southeast Asia's Digital Consumers: A New Stage of Evolution" by Meta and Bain & Company (A Meta-commissioned survey of 15,767 respondents from ID, MY, PH, SG, TH, VN). Survey conducted in June 2022.



“Shopping online allows for easier comparison, allowing people to find more diverse options and good value deals to suit their needs.”

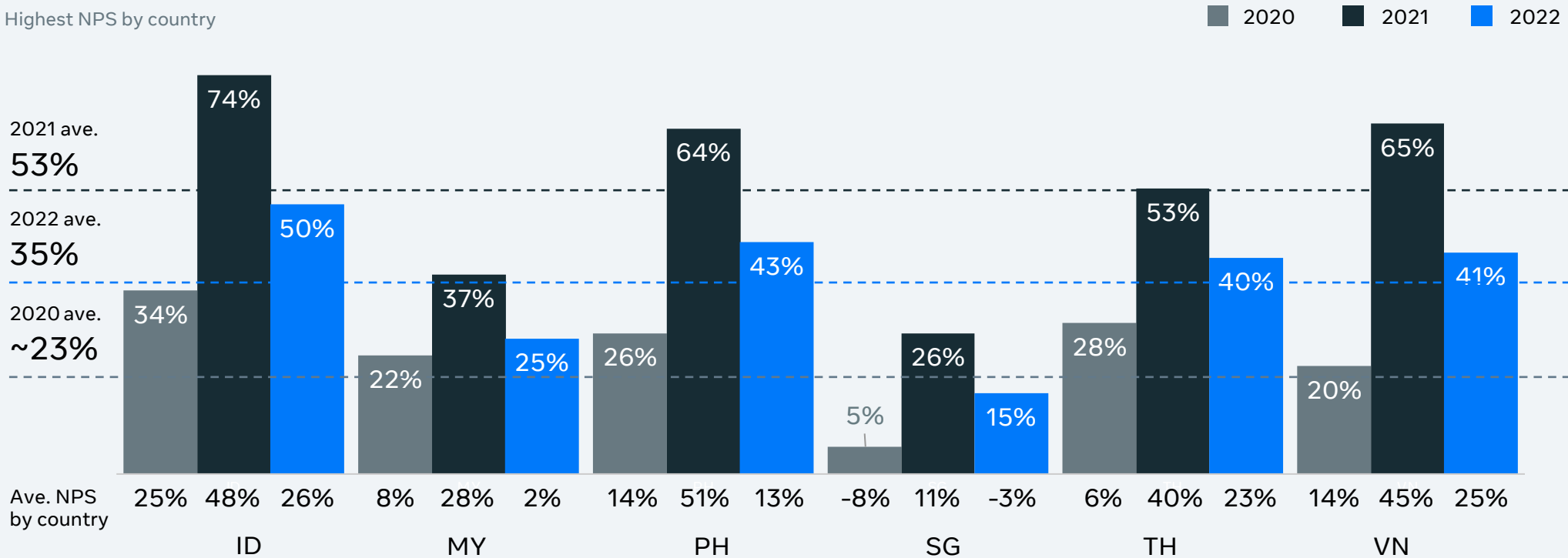
Dr. Santitarn Sathirathai
Group Chief Economist
Sea Limited

Consumer satisfaction with online experience dips despite growing use of eCommerce

Consumers' level of satisfaction with the online shopping experience has declined compared to the previous year, with the Net Promoter Score (NPS) of top eCommerce platforms dropping from 2021 levels. For Southeast Asia as a whole, the average NPS score this year stood at 35%, down from 53% last year—though we note that the score is still higher than 2020's score of 23%.²⁴ On a country-by-country breakdown, every market has seen a decline in its highest NPS—notably in Indonesia (from 74% in 2021 to 50% in 2022), Vietnam (from 65% to 41%), and the Philippines (from 64% to 43%).²⁴

NPS dropped from last year, signaling lower consumer satisfaction

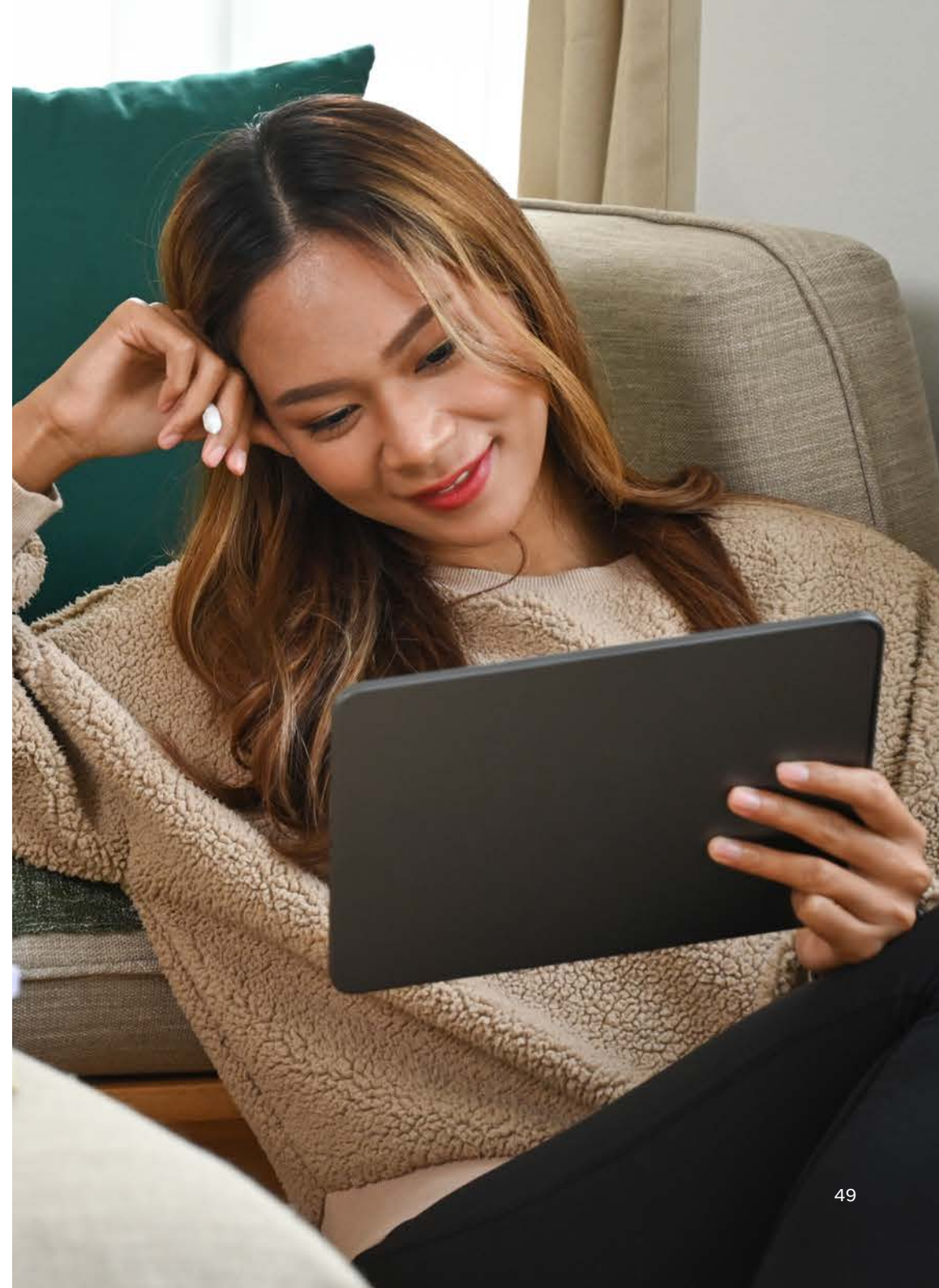
Highest NPS by country



24. Note: Data from consumer products categories only; Survey question: Q28/Q29. Based on your experience of purchasing on <shop>, how likely are you to recommend to a friend or a colleague, on a scale of 0 to 10 (with 0 being not at all likely and 10 being extremely likely); Players with N less than 10 (not sufficiently significant N) are excluded from this analysis; "Others" have not been included as they pertain to multiple players without significant N. "Southeast Asia's Digital Consumers: A New Stage of Evolution" by Meta and Bain & Company (A Meta-commissioned survey of 15,767 respondents from ID, MY, PH, SG, TH, VN). Survey conducted in June 2022.

A possible contributing factor for this decline could be that as pandemic-related movement restrictions are lifted and consumers have more options to do their shopping, online platforms are facing more competition from offline.

Another possibility is that consumers have shifted their criteria for what satisfies them while shopping online. Looking at our survey, variety, price and availability are the top 3 factors that can both improve and diminish customer satisfaction this year, and these have moved up in importance from 2021.²⁵ Online platforms may face challenges to fulfill these 3 factors possibly because of supply chain disruptions and inflationary pressures. Resolving supply chain challenges and building operational resiliency, including redefining the overall value proposition of products, can help to boost or improve customer satisfaction, leading to a higher NPS.



25. Note: Data from consumer products categories only; Survey question: Q29/Q30. What do you enjoy/ dislike about your shopping experience on selected shop? "Southeast Asia's Digital Consumers: A New Stage of Evolution" by Meta and Bain & Company (A Meta-commissioned survey of 15,767 respondents from ID, MY, PH, SG, TH, VN). Survey conducted in June 2022.

Variety, price and availability are key factors for customer satisfaction this year



Top drivers for promoters



Top barriers for detractors

1

Variety

2

Price

3

Availability

4

Promotions

Delivery

5

Quality

Unengaging website

What is a Net Promoter Score®?

The Net Promoter Score* is a measure of customer loyalty developed by Bain & Company in 2003. It gauges answers to a simple question: “On a scale of 1 (lowest) to 10 (highest), how likely are you to recommend our product or service to a friend or colleague?”

People who respond with a 9 or 10 are Promoters, while those who give a 6 or below tend to be Detractors whose complaints can demoralize your employees or drive away customers. People who answer 7 or 8 are “passives” who are satisfied with a business but may leave for a better offer. The Net Promoter Score is determined by subtracting the percentage of Detractors from the percentage of Promoters.

A high Net Promoter Score means a company has more Promoters and fewer Detractors, and is likely to be worth more than its competitors over the long run.

*Net Promoter®, NPS®, NPS Prism® and the NPS-related emoticons are registered trademarks of Bain & Company, Inc., Satmetrix Systems, Inc. and Fred Reichheld. Net Promoter ScoreSM and Net Promoter SystemSM are service marks of Bain & Company, Inc., Satmetrix Systems, Inc., and Fred Reichheld.

Online marketplaces and alternative eCommerce rule digital shopping space

As more digital consumers in Southeast Asia explore different platforms and brands, and seek out more engagement with their shopping experiences, we're seeing marketplaces and non-traditional platforms online rising in prominence. Ecommerce marketplaces and alternative eCommerce have grown popular in the digital shopping space in Southeast Asia, edging out direct-to-consumer channels over the past year to become the dominant platforms for consumers to do their online shopping.

Based on the percentage of online spending by platform type, eCommerce platforms account for a combined 73% share versus 53% in 2021.²⁶ Ecommerce marketplaces make up a sizable portion compared to other platforms and have made significant gains from the previous year, accounting for 51% of the share versus 32% in 2021.²⁶

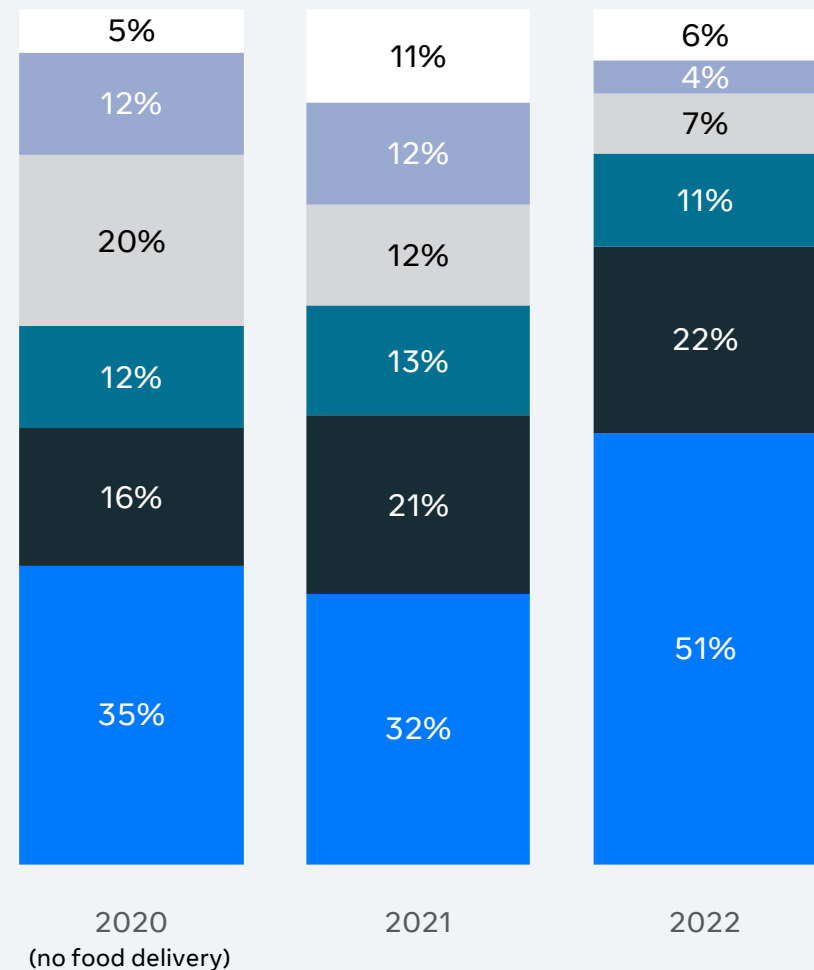
Social media dominates within the realm of alternative eCommerce, representing 60% of the share of online spending through live buying, 46% of the share through classifieds, and 44% through conversational commerce.²⁶ Group buying is a relatively fragmented market.²⁶

26. Note: Data from consumer products categories only; (*) D2C (direct to consumer) includes large brand own sites, large retailer own sites and small online shops (**) Others include categories with <5% by spend allocation; Survey question: Q25. For <category X>, what is the % allocation of your spend across different channels this year? And how does this compare to last year?; Qnew5. For <category x> what is your % spend across different eCommerce websites/apps? "Southeast Asia's Digital Consumers: A New Stage of Evolution" by Meta and Bain & Company (A Meta-commissioned survey of 15,767 respondents from ID, MY, PH, SG, TH, VN). Survey conducted in June 2022.

Three-quarters of online purchases on eCommerce marketplaces and alternative commerce

% of online spend allocation by platform

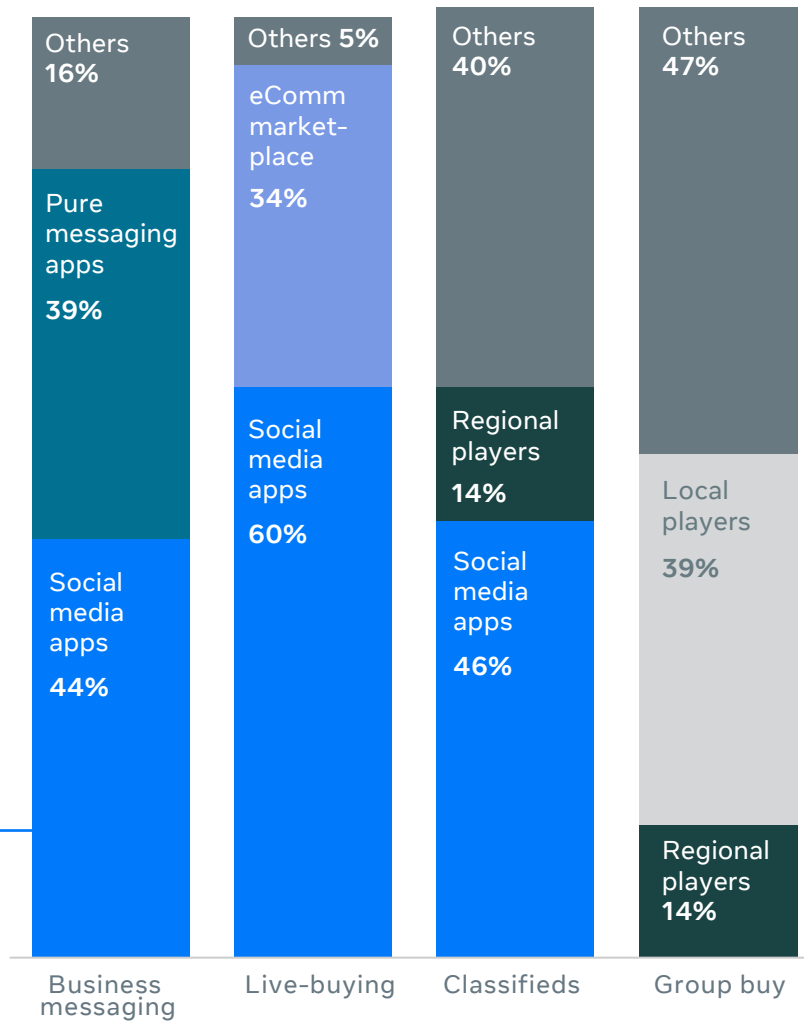
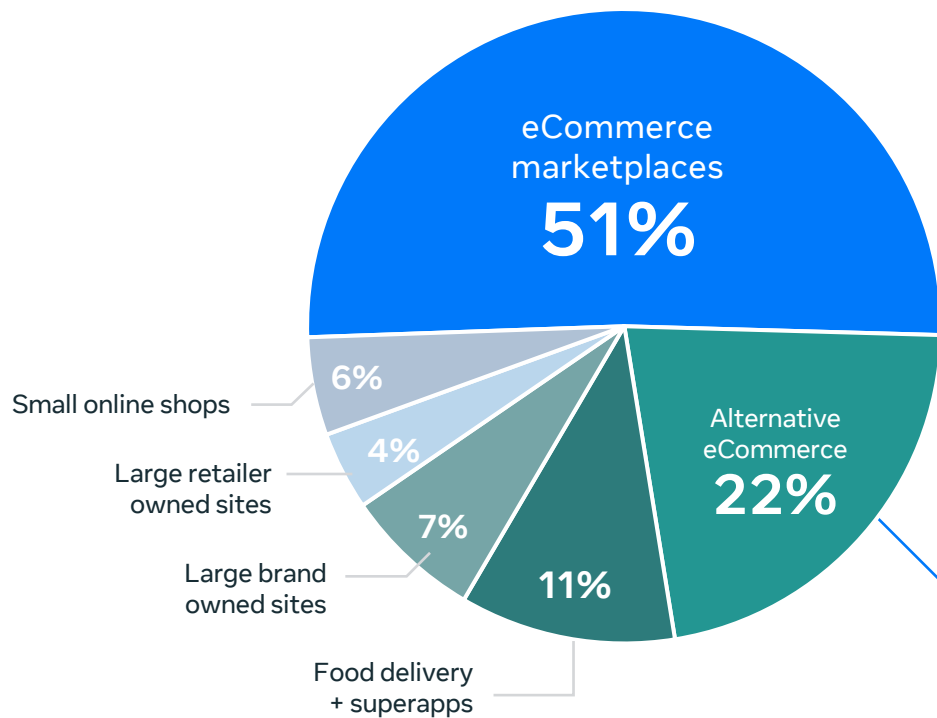
- eCommerce marketplace
- Alternative eCommerce
- Food delivery/super apps
- Large brand-owned sites
- Larger retailer-owned sites
- Small online shops





Social media players dominate alternative eCommerce

% online spend allocation by platform (LHS) and player type (RHS)



Note: Survey question: Qnew5. For <category x> what is your % spend across different eCommerce websites/apps? Source: "Southeast Asia's Digital Consumers: A New Stage of Evolution" by Meta and Bain & Company (A Meta-commissioned survey of 15,767 respondents from ID, MY, PH, SG, TH, VN). Survey conducted in June 2022.



“In the medium to long term, Direct to Consumer will be super critical as it enables brands to build a direct relationship with their consumers. At the moment though, it’s constrained by lack of scale and logistical challenges. Focusing on creating an omni-channel system is a better bet vs. a D2C only approach.”

Gaurav Gupta
Chief Marketing Officer & Integration Leader
Kimberly Clark Softex

Business messaging gaining pace in digital shopping

Alternative eCommerce—comprising non-traditional avenues for digital shopping such as business messaging, live-buying, group-buying and classifieds—is making strides in the Southeast Asian region. Thailand and the Philippines are showing the highest level of penetration, with alternative eCommerce accounting for 25% of online spending in both markets. This is followed by Indonesia and Vietnam, at 23% and 22% respectively. There is still room to grow for Malaysia and Singapore in this space, with alternative eCommerce representing 18% and 17% of allocated spending respectively.²⁷

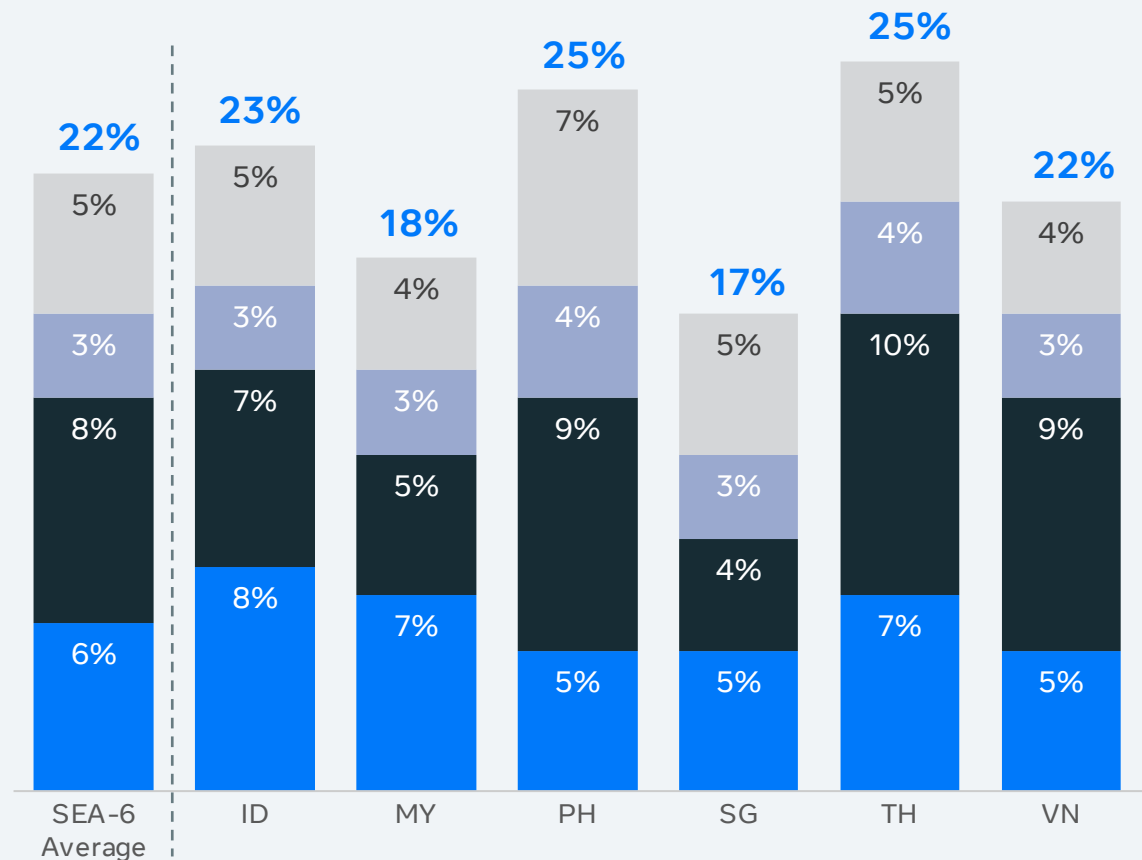
Business messaging is becoming an increasingly popular channel in the region—accounting for 63% of respondents.²⁷ Looking at the market-by-market breakdown, Indonesia shows the highest penetration, with as many as 77% of respondents having used business messaging tools.²⁷ Other Southeast Asian markets are not too far behind, with Vietnam at 64%, Malaysia at 61%, the Philippines at 59%, and Thailand at 51%.²⁷ Business messaging penetration in Singapore is slightly lower, at 46%.²⁷ According to our respondents, convenience and ease of communication are the main reasons driving this preference.²⁷

27. Note: Data from consumer products categories only; Survey question: Q25 What is the % allocation of your spend across different channels this year? 22Qnew_11. In the past year, have you interacted with a Business messaging account (e.g. WhatsApp for Business, Messenger account of a business)?; 22Qnew_12. What do you enjoy about interacting with businesses who use Business Messaging tools? Source: "Southeast Asia's Digital Consumers: A New Stage of Evolution" by Meta and Bain & Company (A Meta-commissioned survey of 15,767 respondents from ID, MY, PH, SG, TH, VN). Survey conducted in June 2022.

Thailand and Philippines lead in alternative eCommerce penetration in Southeast Asia

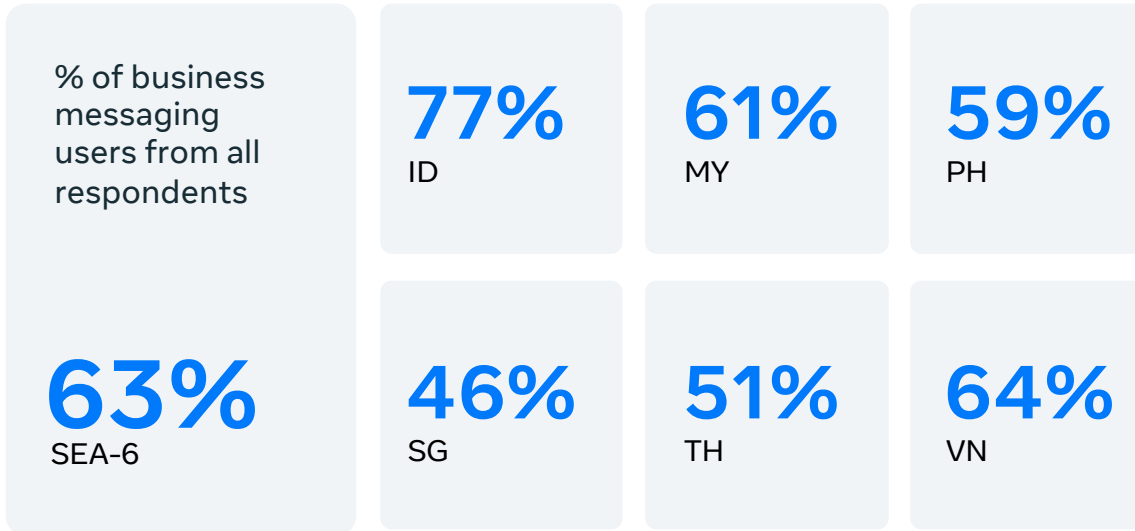
% spend allocation on alternative eCommerce

Classifieds Group buy
Live buying Business messaging



Three out of 4 Indonesian respondents have used business messaging in the past year

% of business messaging users from all respondents



Note: Data from consumer products categories only. Survey question: 22Qnew_11. In the past year, have you interacted with a Business messaging account (e.g. WhatsApp for Business, Messenger account of a business)?; 22Qnew_12. What do you enjoy about interacting with businesses who use Business Messaging tools? Source: "Southeast Asia's Digital Consumers: A New Stage of Evolution" by Meta and Bain & Company (A Meta-commissioned survey of 15,767 respondents from ID, MY, PH, SG, TH, VN). Survey conducted in June 2022.



Top reasons for using business messaging

Convenience

Ease of communication

“A key barrier for large organizations using business messaging at scale is integration and automation across current systems.”

Hanh Vu
Marketing Manager
Cỏ Mềm Homelab

Video plays vital role in engagement amid rapidly growing usage

Consumers' need for engagement is helping to fuel the rise of video as a relevant online medium for product discovery and evaluation in Southeast Asia.

We're seeing greater video consumption on average this year compared to last year, with the average daily screen time having increased from 46.5 minutes to 64.5 minutes.²⁸ This represents a compounded annual growth rate of 39% from 2021 to 2022²⁸, outpacing other content types except for messaging. The average daily screen time spent between short and long videos is equally split at 34 minutes for the former and 30 minutes for the latter.²⁸

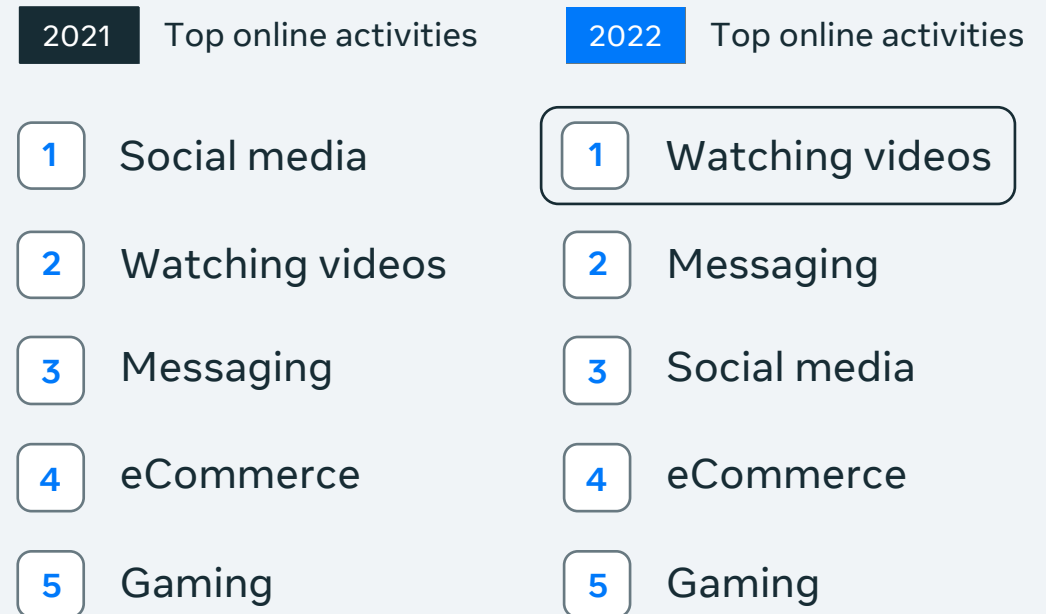
Almost one in three of our respondents ranked video as one of their top channels to discover and evaluate products.²⁸ Notably, within the daily screen time spent watching videos, 53% of that time is spent watching short videos on social media.²⁸

Respondents also say their top sources of short video discovery are video ads on social media platforms such as Facebook and Instagram, ads on eCommerce sites and video streaming applications or sites.²⁸

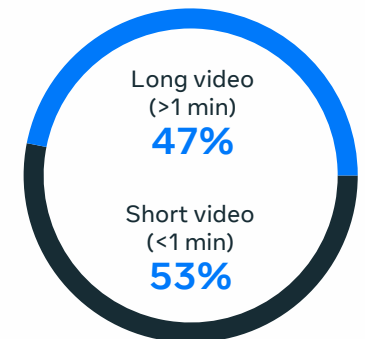
28. Note: Survey question: Q8. How is your daily internet screen time for personal use (non-work/non-study) divided into the following activities?; 22Qnew_23. What channels did you use for the products or brands you ended up buying? Please select and rank the top 3 channels for each stage of the purchasing journey. "Southeast Asia's Digital Consumers: A New Stage of Evolution" by Meta and Bain & Company (A Meta-commissioned survey of 15,767 respondents from ID, MY, PH, SG, TH, VN). Survey conducted in June 2022.

Video gained ground in content consumption in 2022 versus 2021

Average daily screentime by activity (min)



% time spent watching long and short video



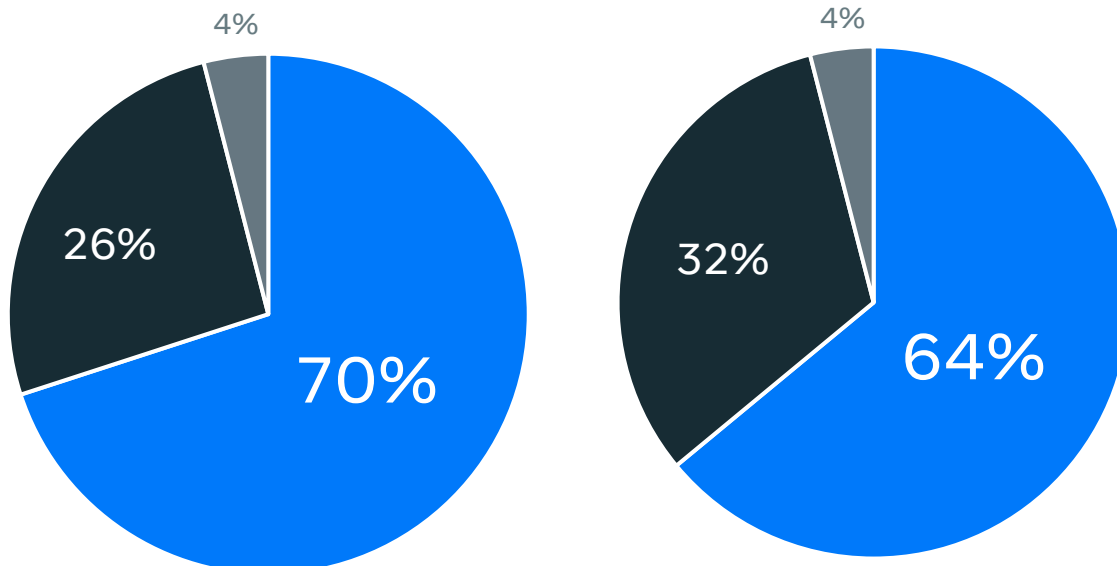
Engaging consumers through videos a priority for brands

% of respondents ranking video as the most used channel in consumer journey



1 in 3

respondents say video is one of their top 3 channels to discover and evaluate products. Of this group:



Discovery

Evaluation

■ Videos on social media ■ Other videos ■ OTT streaming

“I think that content is much more important than the format. People will spend more time watching videos if they find it entertaining.”

But the content has to fit the platform itself. We shouldn't have a TV commercial and force it into social media.”

Eugene Lee
Regional CMO (Asia)
McDonald's

Growth of Southeast Asian creator economy is supporting shift to video

As consumers seek more engagement in their purchase journey, we're seeing the creator economy gaining ground in the Southeast Asian region, which in turn is driving the shift to video. This burgeoning industry provides several revenue streams for creators; for example, through paid advertising, periodic subscriptions, discretionary tipping and sponsorships or endorsements.²⁹

Content creators are becoming increasingly influential in motivating people to consider or purchase products. More than 1 in 4 of our respondents across Southeast Asia have purchased entertainment, streaming services or streaming-related products from content creators.²⁹ In Southeast Asia, the average number of purchases for streaming and content creator-related products grew 11x in the past three months prior to our survey—the highest of all categories polled. And 1 in 3 respondents across the region say they purchased more streaming and content creator-related products this year compared to last year.²⁹

29. Note: Survey question: Q12. Which of the following categories have you purchased in the last 1 year?; Q19. How many times did you purchase each category online in the last 3 months?; Q20. On average, how much did you typically spend on each category, each time you purchased online in the past 3 months? (*) Entertainment & Streaming services includes video/music streaming, e-sports, content creator memberships (e.g. Patreon, YouTube tiered memberships etc.), superchats for livestreams. Source: Lit search; "Southeast Asia's Digital Consumers: A New Stage of Evolution" by Meta and Bain & Company (A Meta-commissioned survey of 15,767 respondents from ID, MY, PH, SG, TH, VN). Survey conducted in June 2022.

The growth of Southeast Asia's creator economy has influenced the acceleration of video content

x11

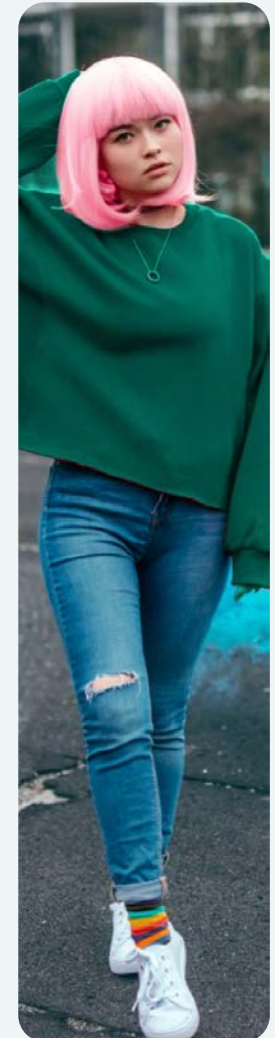
The average number of purchases in SEA for entertainment, streaming and content creator-related products in past 3 months

More than
1 in 4

Across SEA have purchased entertainment, streaming services or streaming-related products from content creators

1 in 3

Across SEA have purchased more streaming and content creator-related products today compared to last year





“The creator economy is growing phenomenally, below the radar—it’s amazing. Small (and traditionally offline) businesses are leading the charge in this channel. Many of these small businesses had lost their historical relationships with consumers due to e-commerce and modern trade. Through social media channels, these small businesses become a part of the creator economy, are able to strengthen their relations with customers, and become credible influencers once again.”

Gaurav Gupta
Chief Marketing Officer & Integration Leader
Kimberly Clark Softex

Southeast Asia
forges ahead with
the adoption of
future technologies



Southeast Asia ranks above most other markets in fintech and web3 adoption

As technology continues to advance in leaps and bounds, we are seeing the emergence of new, digital technologies such as the metaverse. While much of the hardware needed to fully realize the metaverse’s potential is still 10-15 years away, we’re already seeing shifts and trends that are laying the foundations for its further development. Today, the metaverse is primarily centered around experiences in 2D apps. In the near term, it will help build bridges to transform our apps into more immersive, virtual 3D experiences. In the future, we’ll begin to see how it can help propel businesses forward through truly immersive virtual realities.

NOW

Experience the metaverse primarily through 2D apps.

- Commerce
- Communication
- Communities/Creators
- NFT/Digital goods
- Experiences in WebXR
- Experiences in augmented reality (organic and ads)

NEAR (2-3 YEARS)

New hardware enables more immersive virtual 3D experiences.

- Building of creator capabilities in-house or through third-party partnerships
- Experiences in VR
- Virtual identity via avatars

NEXT (10-15 YEARS)

Reimagination and co-creation of new frontiers.

- Social events in virtual worlds
- VR for business:
 - Training and development
 - Virtual working

Though still at a nascent stage, the metaverse is among a number of future technologies that are gaining a foothold in many parts of the world —Southeast Asia among them. These technologies include financial tech (fintech), web3 or metaverse-related tech, healthtech and edtech.

Southeast Asia is largely ahead of the pack in the adoption of fintech and web3, including metaverse-related tools.³⁰ In categories such as e-Wallets, cryptocurrency and non-fungible tokens (NFTs), Southeast Asia sees a higher level of penetration compared to most other markets such as China, the US, the EU and Japan.³⁰ Though India leads in e-Wallet penetration, Southeast Asia is not that far behind. Malaysia and Singapore are at the forefront of adoption in the Internet banking space, with the rest of Southeast Asia still catching up.³⁰

The high penetration of fintech and web3 in the region is driven by a large unbanked population and the lower degree of legacy infrastructure that needs to be updated.³⁰ Cryptocurrencies and NFTs also present strong income-generation opportunities.³⁰

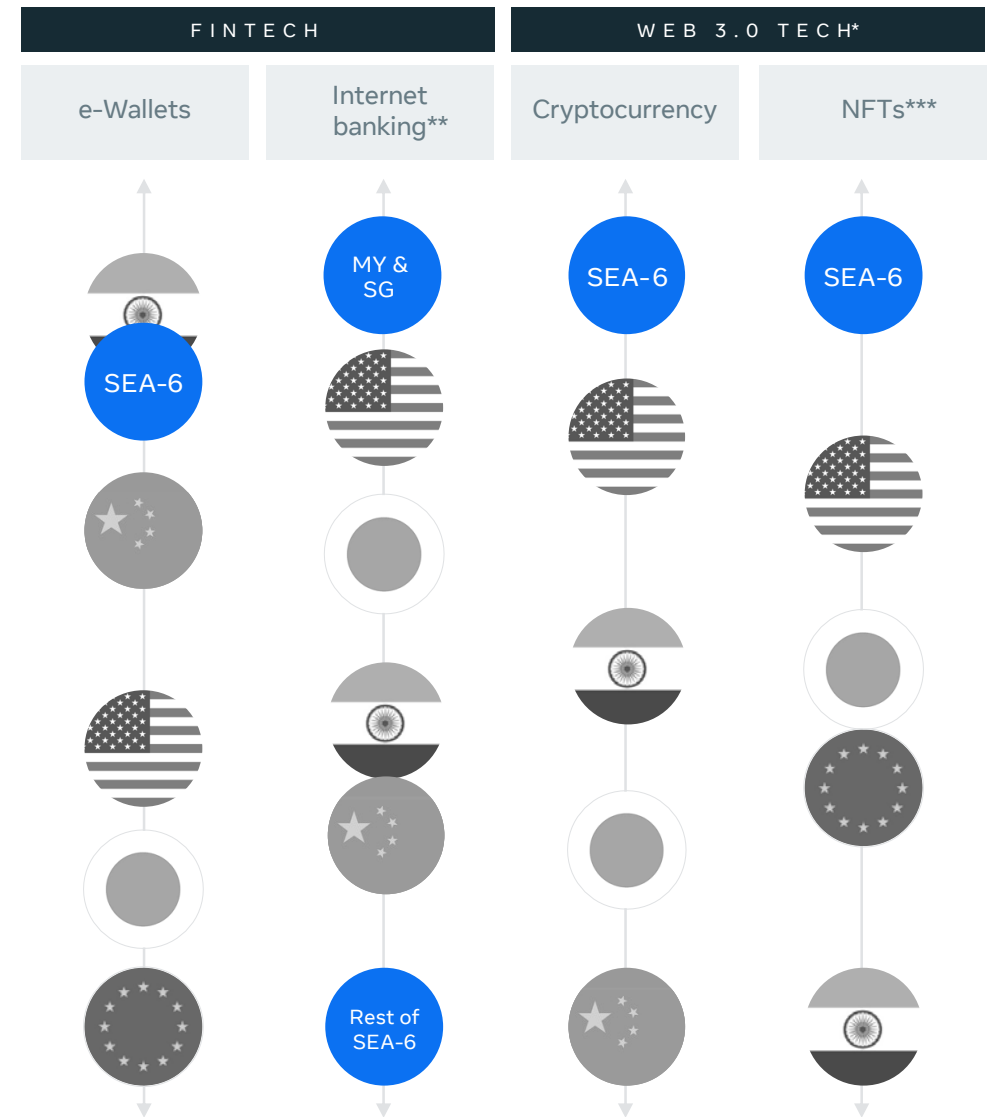
That said, Southeast Asia has room to grow in healthtech and edtech. The penetration of healthtech in the region is outpaced by other more developed markets such as the US and the EU.³⁰ This could be due to the strength of life sciences research in these two markets and the greater appetite for venture capital funding of healthtech startups.³⁰

“Traditional businesses must re-learn the new market thesis and adopt new technologies in order to survive.”

Jirayut Srupsrisopa
 Founder and Group CEO
 Bitkub Capital Group Holdings Co., Ltd

Southeast Asia leads adoption of most fintech and web3

Indicative penetration of technology by region

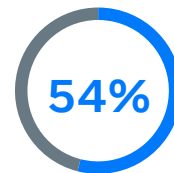


30. Note: (*) web3 is a group of technologies that encompasses blockchain, cryptographic protocols, digital assets, decentralized finance and social platforms, NFTs, etc; (**) Weighted average of Southeast Asia countries' penetration rates. (***) Weighted average of Indonesia, Thailand and Vietnam penetration rates. Source: Andreessen Horowitz, GlobalData, Hootsuite, Statista, IDC, Startups Magazine, market participant interviews.



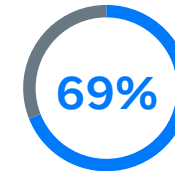
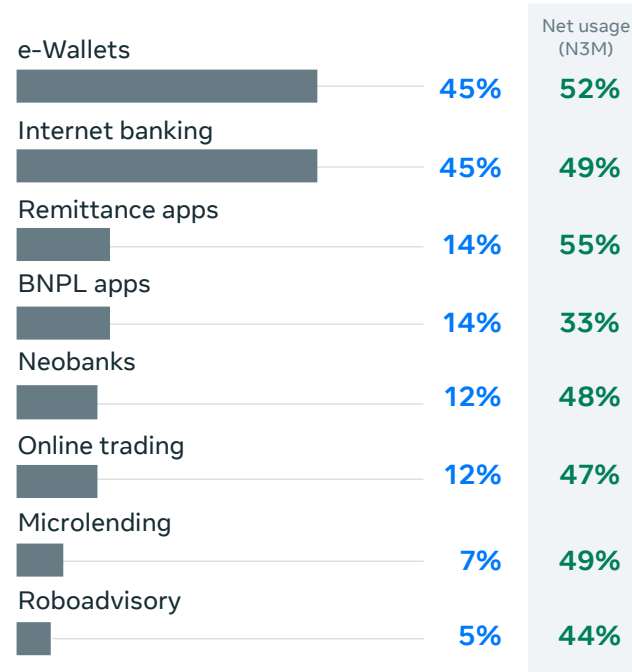
Fintech and metaverse-related tech on strong footing, but healthtech and edtech have room to grow

Future tech at varying degrees of maturity within Southeast Asia



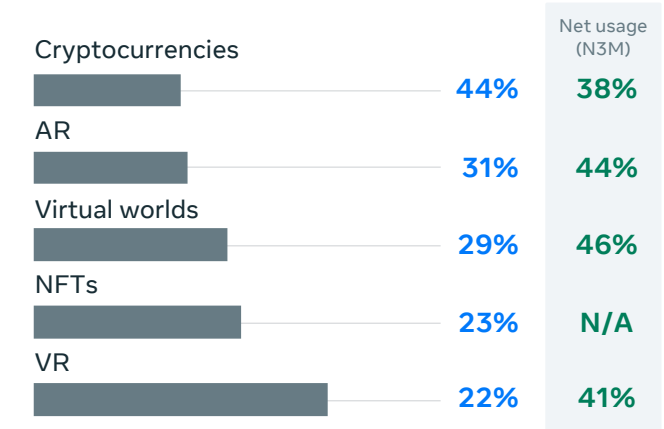
FINTECH

% of respondents who have used fintech solutions in the past year



METaverse

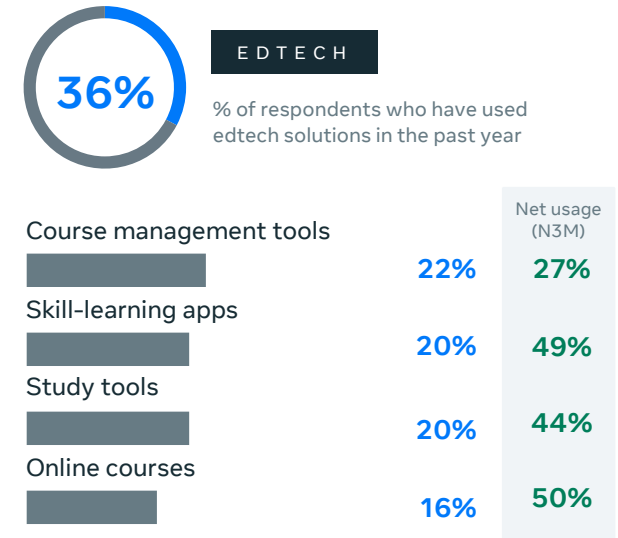
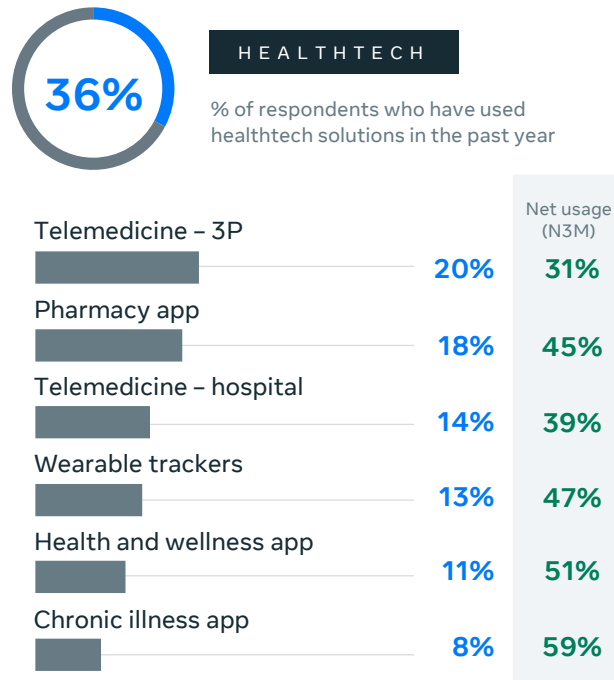
% of respondents who have used metaverse solutions in the past year





While Southeast Asia is leading in the overall adoption of future technologies compared to other markets on a global level, the picture is more varied within the region itself.

Metaverse-related tech has gained ground in penetration among digital consumers, with 69% of our respondents having used such tech in the past year.³¹ Cryptocurrency leads within this space, followed by augmented reality (AR).³¹ Fintech accounts for slightly more than 50% of the digital consumer market in the region, with the share of e-Wallets and Internet banking almost neck and neck.³¹ The penetration of healthtech and edtech in the region still has room to grow, standing at 36% each.³¹



31. Note: Net usage refers to difference in % of adopters who will use the solution more and less in next 3 months; Survey question: 22Qnew_14, 22Qnew_16, 22Qnew_18, 22Qnew_21 - Which of the following Fintech / Healthtech / Edtech technologies / solutions / products have you used in the past 1 year?; 22Qnew_15, 22Qnew_17, 22Qnew_19, 22Qnew_22 - Compared to your current usage, how often do you expect to use these solutions in the next 3 months, and why? Source: "Southeast Asia's Digital Consumers: A New Stage of Evolution" by Meta and Bain & Company (A Meta-commissioned survey of 15,767 respondents from ID, MY, PH, SG, TH, VN). Survey conducted in June 2022.

Practical benefits and convenience drive adoption and usage of new tech

		Top driver	Top barrier
Fintech	E-wallets	Features and functionality	Offline solution saves time
	Mobile/Internet banking		Not needed for lifestyle
	Transfer/Remittance apps		
	Buy now, pay later apps		
	Neobanks		
	Online trading/brokerage		
	Microlending		
	Roboadvisory	Can use anytime	
Metaverse	Cryptocurrencies	Future use cases	Safety/security concerns
	AR		
	Virtual worlds	Features and functionality	Not needed for lifestyle
	VR		
Healthtech	Telemedicine - third party		
	Pharmacy mobile app		Offline solution saves time
	Wearable trackers		
	Health and wellness app	Easy to understand	Not needed for lifestyle
	Telemedicine - hospital		Safety/security concerns
	Chronic illness app		
Edtech	Course management tools	Features and functionality	Not needed for lifestyle
	Skill-learning apps		
	Study tools		
	Online courses		

■ Features
 ■ Convenience
 ■ Others



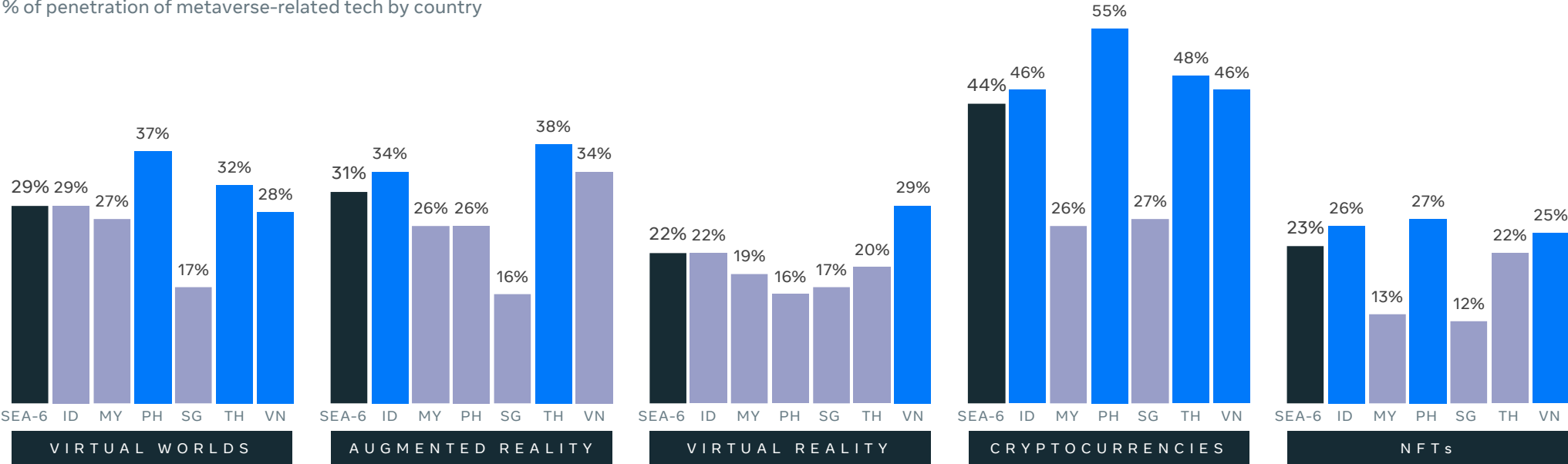
Note: 22Qnew_15, 22Qnew_17, 22Qnew_19, 22Qnew_22 - Compared to your current usage, how often do you expect to use these solutions in the next 3 months, and why? Source: "Southeast Asia's Digital Consumers: A New Stage of Evolution" by Meta and Bain & Company (A Meta-commissioned survey of 15,767 respondents from ID, MY, PH, SG, TH, VN). Survey conducted in June 2022.

Crypto and AR are top-used metaverse-related tech in Southeast Asia

On a regional level, cryptocurrencies, virtual worlds and VR technologies are making headway in terms of adoption, showing the highest level of penetration across markets in Southeast Asia. On a country-by-country basis, the rate of adoption of these new technologies varies. The Philippines and Thailand are seeing the highest level of penetration of cryptocurrencies.³² Thailand has the highest penetration of AR solutions, while VR is the top most used in Vietnam.³² The Philippines is seeing the highest penetration in terms of virtual worlds used in gaming and community platforms, and Indonesia has the second-highest penetration of VR solutions, AR and NFTs.³² For Singapore and Malaysia, we expect room for further growth in the adoption of these new technologies.³²

High penetration in Southeast Asia for some metaverse-related tech

% of penetration of metaverse-related tech by country



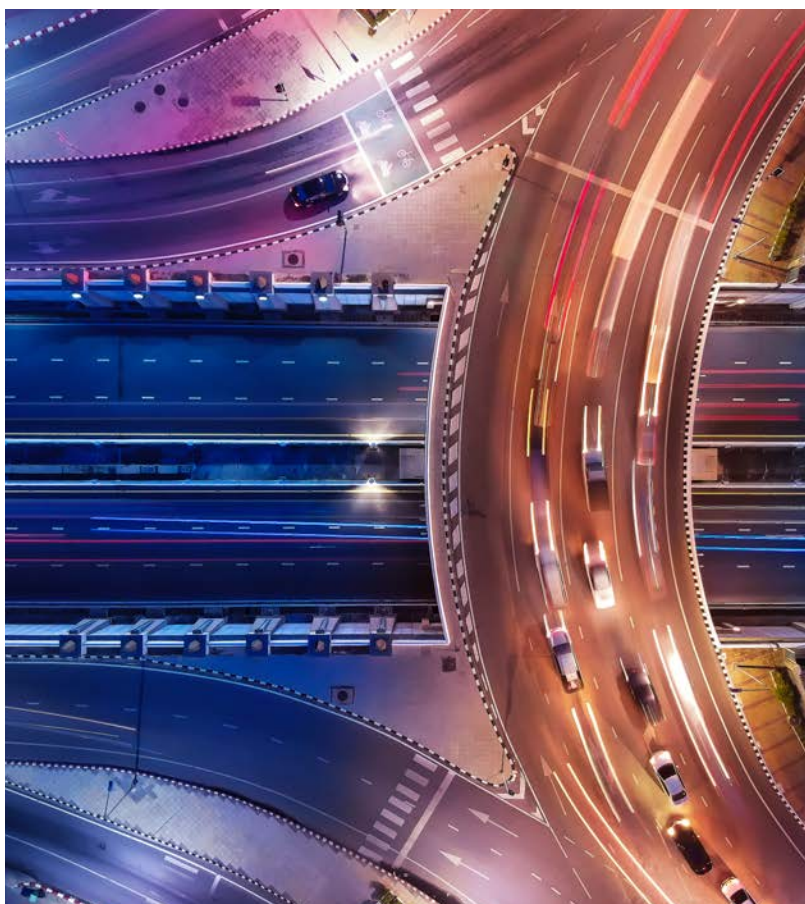
32. Note: VR refers to hardware that explicitly brings the user into a simulated world / experience; Virtual Worlds refer to virtual environments and simulations that do not necessarily require VR-specific equipment to access, and are commonly used for gaming and community activities on desktops, laptops and mobile phones. AR refers to technology that superimposes simulated objects into a user's world, and can be used for activities such as gaming, makeup and beauty, education, training, etc. Survey question: 22Qnew_21 - Which of the following technologies / products have you used in the past 1 year?; 22Qnew_22 - Compared to your current usage, how often do you expect to use these new technologies or products in the next 3 months, and why? Source: "Southeast Asia's Digital Consumers: A New Stage of Evolution" by Meta and Bain & Company (A Meta-commissioned survey of 15,767 respondents from ID, MY, PH, SG, TH, VN). Survey conducted in June 2022.



“Southeast Asia is ripe for the adoption of digital assets. The combination of digital nativeness, openness to change, and web3's opportunities for income generation creates a compelling Venn overlap in the region.”

Jason Suen
SVP Commercial
Immutable X

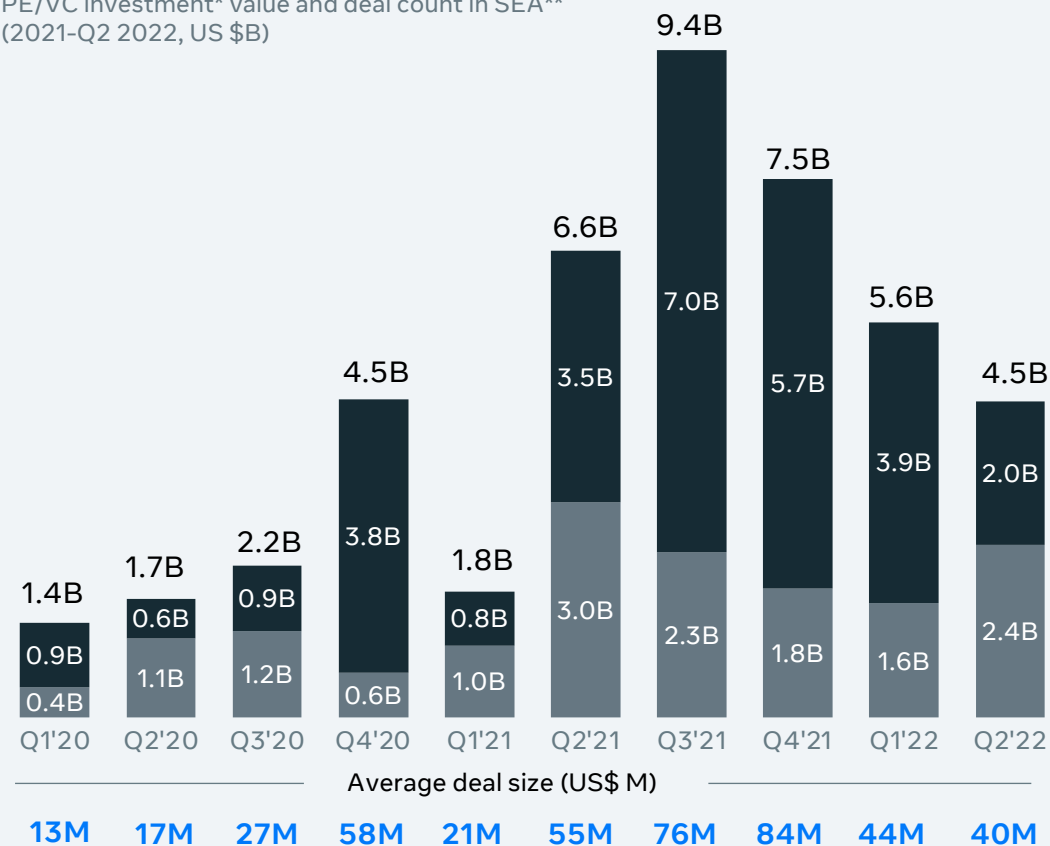
2021 a standout year for Southeast Asia as deal flow picked up



The past year saw deal flow in Southeast Asia ramping up as many economies began to reopen. The value of all private equity and venture capital investments in the region grew from US\$1.8 billion in Q1 2021 to US\$7.5 billion in Q4 2021.³³ Southeast Asia's deal value for the whole year totalled US\$25.3 billion, a dramatic jump from 2020's value of US\$9.9 billion.³³ This trend further echoes our view that investors are confident of Southeast Asia's potential and are continuing to pour money into the region.

US\$25.3 billion in deals from venture capitalists and private equity in 2021

PE/VC investment* value and deal count in SEA** (2021-Q2 2022, US \$B)



33. Note: (*) Includes Buyouts, Expansion/Growth Capital and Mezzanine/Pre IPO financing, VC Seed/R&D and Start-up/ Early-Stage Funding for both PE and VC deal types. Both exclude Bridge loans, PIPE Financing and Turnaround. Excludes investment in Hotels, Real Estate & Infrastructure. Size and counts only include deals that are closed and reported with transaction figures; (**) Analysis includes ID, MY, PH, SG, TH, VN. Source: AVCJ (as of 15th July 2022), Bain analysis

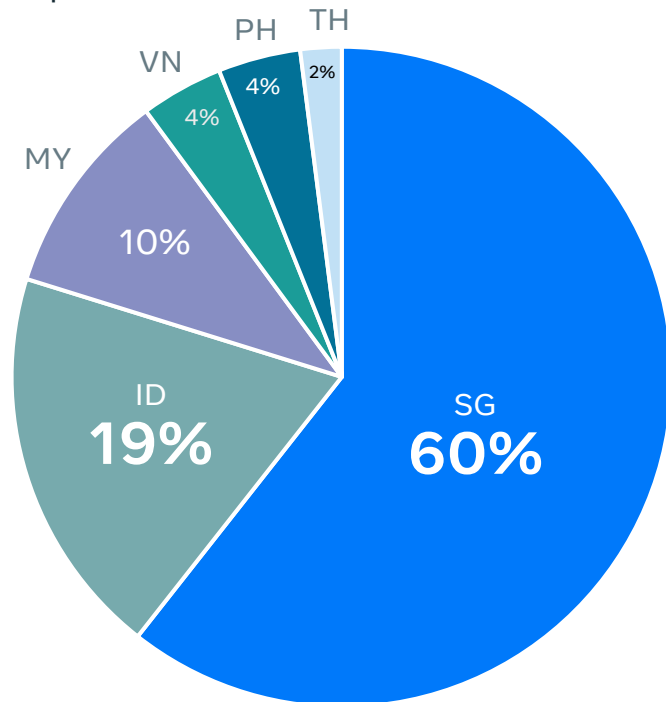
Singapore and Indonesia dominate deals in region, with investments in fintech growing

Singapore and Indonesia account for the majority of investment deal value in Southeast Asia, making up almost 80% of the share as of H1 2022.³⁴ Singapore represents a sizable proportion, at 60% of the total deal value as of the first half of this year.³⁴

We are also seeing rising interest beyond eCommerce, as more investments are being channeled to new technologies such as fintech. Looking at the transaction breakdown within the information technology space from 2019 to H1 2022, fintech has gained in its share of the investment pie, accounting for 58% of total deal value in H1 2022 from only 15% in 2019.³⁴ Healthtech and edtech are still nascent, though we are seeing some level of growth.³⁴

SEA investment deal value (US\$ B, H1 2022)

US\$ 10.1B

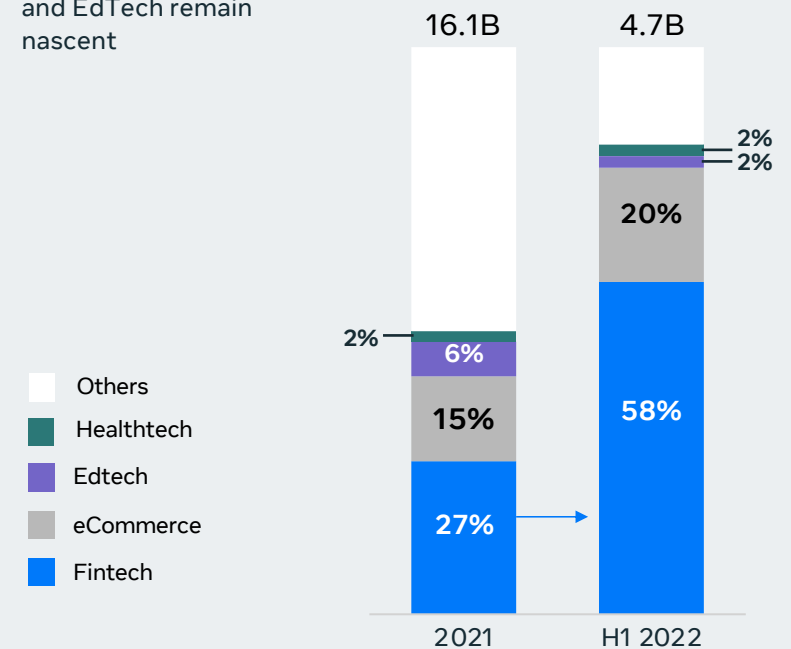


Of this investment, SG and ID accounted for up to

80%
of deal value

FinTech gains share in 2022 while HealthTech and EdTech remain nascent

SEA investment deal value (IT only, US \$B 2020-H1 2022)



³⁴. Note: Equity investment made up of Buyouts, Growth (Expansion/Growth Capital and Mezzanine/Pre IPO financing) and Early Stage (Seed/R&D and Start-up/ Early-Stage Funding). Excludes Bridge loan, PIPE Financing and Turnaround. Excludes investment in Hotels, Real Estate & Infrastructure. Size and counts only include deals that are closed and reported with transaction figures; Analysis includes ID, MY, PH, SG, TH, VN. Source: AVCJ (as of 15th July 2022), Bain analysis

Disrupt or be disrupted
– consumers of the
future will not wait
for you



Adapt to changing macro conditions and consumer behaviors

In the earlier sections of this report, we shared how global macroeconomic conditions are posing strong headwinds that are impacting growth rates globally including online GMV, and the structural tailwinds that are protecting Southeast Asia. Alongside these developments, the region's digital consumers are evolving—they have higher expectations of an integrated shopper journey, seek more engagement, are more open to experimentation, and are more value-conscious. They have also shown high adoption of many new technologies, and we expect this trend to continue growing in the years to come.

We are also seeing broader disruptions occurring within the consumer product and retail industries. For example, business boundaries are blurring, with companies shifting their involvement in the channel and value chain of providing products and services, which is in turn shifting industry profit pools. The competitive landscape is also evolving with the growth of disruptive insurgents, and partnerships are becoming increasingly important. In addition, the talent landscape is changing, with workforces becoming more fluid and capabilities expiring faster. Environmental, social and governance factors are also top of mind, with rising expectations from consumers regarding sustainability, and businesses adhering to new regulations and making commitments.

Given all the above, there is a growing imperative for businesses to address these disruptions head on or risk getting left behind.



Seventy-five percent of the executives we surveyed from the consumer packaged goods (CPG) industry are already seeing changes around consumer behaviors and business models.³⁵ The same percentage of CPG executives believe that the trend of increasing online engagement and sales will grow.³⁵ Despite this, 58% of them feel that they lack a clear digital strategy, while 67% believe that their organization does not have an effective operating model, with a lack of digital capabilities and enablers to address the impending disruptions.³⁵

Of CPG executives surveyed

75%
see **accelerating pace of consumer behaviors and new business models and brands as #1 disruption over the next 3 years**³⁵

75%
believe the trend of **increasing online engagement and sales will grow**³⁵

Despite this,
58%
feel they lack a **clear digital strategy**³⁵

67%
believe they have an **ineffective operating model** with a lack of digital capabilities and enablers³⁵

35. Source: Survey of Southeast Asian CEOs performed by Bain, June 2022





WHAT NOW FOR BUSINESSES?

6 action items

businesses need to address



01. Stay the course on Southeast Asia

In spite of the macro outlook and potential industry-wide “belt tightening”, businesses should maintain the course of investment and business development in Southeast Asia. The Southeast Asian opportunity abounds, with strong economic and structural fundamentals incomparable to other regions. By 2030, the region’s population is expected to reach more than 700 million people, with a combined GDP of US\$4.5 trillion and expanding by a compounded annual growth rate of 4.6% through 2030.³⁶ The region is the third-most populous market after China and India, and also comes in behind the two Asia Pacific powerhouses in terms of economic growth.³⁶ Southeast Asia ranks as the sixth largest economy after the US, China, Japan, India and Germany.³⁶ As an indication of its potential and investor confidence, the region sees strong foreign investment—in 2021, foreign direct investment (FDI) in the market came in 4x more than India’s and 1.2x more than China’s.³⁶

In terms of opportunity, the region’s overall consumption value is expected to reach US\$4.5 trillion by 2030 (1.4x than 2022). It is also expected to see 5.5 million more people in the urban population every year through 2030, and 1 in 6 consumer class additions are forecast to emerge throughout this same period.³⁶

Southeast Asia is a highly attractive market with untapped headroom and potential. Businesses should not miss the opportunity to set base and develop their market presence across the region.

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

02. Tackle inflation head on

Inflation is back at record high levels across the world and is here to stay. This gives businesses (especially consumer packaged goods companies and retailers) a unique window of opportunity to transform their price-to-cost equation by holistically setting key strategies across: (i) revenue growth management; (ii) assortment, innovation and design to value; and (iii) cost-based assessment.

Within these strategies, the following are the most urgent and practical initiatives to consider as a response to the current emergency and build resiliency for the future:



1. Revenue growth management:

Offset cost-of-goods inflation through pricing, price pack architecture, and promotional strategy.

- Optimize trade spend, which typically takes up a significant proportion of gross sales.
- Zero-base promo spending by maximizing the return on investment while driving long-term customer lifetime value. If possible, seek co-funding from suppliers.
- Increase net prices of goods above the inflationary rates incurred in production.



2. Assortment, innovation and design to value:

Redefine your overall value proposition to enlarge your value margin.

- Mitigate consumer trading down behavior and maintain stake in share of wallet by introducing a “value” brand in your portfolio offering (if you do not have a “value” brand yet), or expanding the reach of your “value” brands in new, under-penetrated markets.
- Trim down unpopular SKUs (“tail trimming”) to reduce overall manufacturing costs and combat rising costs of goods.
- Reduce product complexity by decreasing the sum of parts required to create a product. This can be achieved by opting for less manufacturing, packaging, or assembly related options.



3. Cost-based assessment:

Reduce costs through procurement, labor force, and supply chain reinvention, and build resilience.

- Manage commodities that have a high cost base with broad-based strategies, such as hedging raw material prices, building-up inventory, and signing longer-term contracts with suppliers.
- Review end-to-end supply chain network, including supplier base, and manage resiliency through strategic partnerships and outsourcing.
- Re-evaluate key selling, general and administrative cost buckets and find opportunities to streamline expenses, including adopting automation where applicable.

03. Balance security and efficiency in the supply chain

Years of increasing supply chain complexity have amplified the risk and impact of today's disruptions, making businesses more vulnerable. To succeed in today's environment, the traditional view of supply chains must change from global and lean supply chains to resilient, sustainable and responsive operations. This transformational change requires bold, unconstrained thinking across the end-to-end operations value chain.



We recommend 6 steps to address the security and improve the efficiency of your supply chain today:

- **Diversify the supply base:** For mission-critical input, ensure supply availability while balancing scale through dual- or tri-sourcing. Have a pre-qualified list of other suppliers as back-up.
- **Create an end-to-end visibility mechanism:** Establish supply chain control towers that enable close monitoring of product flows and information, among others.
- **Make the most of your logistics network flow path:** Design paths that optimize cost and service, allowing shipment from multiple sources.
- **Diversify the manufacturing ecosystem:** Set up your own, and a third party, manufacturing ecosystem to manage product supply.
- **Build data monitoring and system backups:** Set up an IoT/AI base application that leverages data to monitor and improve supply chain predictability; create multiple cloud-based systems to ensure reliability.
- **Have a strong environmental, social and governance (ESG) agenda:** Set clear and transparent ESG monitoring and performance assessment throughout the end-to-end supply chain.

Ultimately, there is no one-size-fits-all solution. Businesses must balance their individual risk and resiliency exposure.

04. Build an integrated channel strategy

Few organizations in Southeast Asia have implemented great integrated omnichannel strategies. Businesses must understand what a “great” integrated channel experience looks like, and recognise that successfully setting up a channel strategy that allows for seamless switching between online and offline is a multi-year journey. You may need to draw inspiration from other geographies and industries to get this right.



There are some “no-regret” moves businesses can take on as starting points:



1. Obsess over your consumers and really know them

- Segment customers... and then segment them again, identifying the value proposition for each based on their shopping behavior and key purchasing criteria.
- Ensure critical shoppers’ data are accessible to the entire organization to allow data-driven decision-making.



2. Drive towards lifetime loyalty with your consumers

- Roll out loyalty programs and rally promoters through innovative ways (e.g. offering hyper-individual and unique experiences) .
- Create best-in-class customer feedback practices with high-intensity rhythms to listen, learn and act.

The time for action is now.
Consumers will demand for more,
and setting this up takes time.
Start today and iterate along the way.



3. Ruthlessly remove barriers to conversion

- Plot out the end-to-end consumer journey and identify frictions.
- Based on this, improve the user experience through multiple interfaces.
- Upgrade back-end systems to support the delivery of an unmatched customer experience.



4. Revisit future offline retail space and format requirements

- Resize and respace the store network based on the changing needs of shoppers.
- Rethink the role of channels, i.e. online for convenience and offline to create immersive, full-sensory experiences and delight customers in every visit.
- Build up the knowledge and service capability of retail store assistants to enhance in-store experiences.



“On channel shift, one key thing to remember about online versus offline retail is that these terms are disappearing. All customers are hybrid. All businesses are hybrid. That means all commerce platforms need to be hybrid in their core.”

Magnus Ekbohm
Co-founder and Chief Strategy Officer
Lazada Group





05. Take a future-back approach on your industry

The retail and consumer journey as we know them will likely be different a decade from now: Networked ecosystems are expected to be universal, and boundaries will likely blur as retailers all network into an open or proprietary ecosystem. The mobile screen is likely to become the new storefront—social platforms are expected to dominate consumers’ attention, and physical cash is likely to be a thing of the past. Stores are likely to become show-rooms for high-involvement purchases or pick-up points for immediate consumption; everyday items and staples will likely only be sold online. We can expect the new industry standard for last-mile delivery to be “same hour, same day”. AI will likely be setting prices, allocating inventory, and optimizing product flows. Technologists will likely outnumber merchants in an organization.

Bearing these scenarios in mind, ask yourself these questions to prepare for future disruptions:

FUTURE CUSTOMERS

- How will customer behaviors and expectations shift in the future?
- What are the emerging customer segments that will increasingly shape the industry? How will their preferences be different?

ADVANCES IN TECHNOLOGY & DATA

- How will technology advances fundamentally change business models?
- How will data drive value across the entire value chain?

SOCIAL & SUSTAINABILITY RETHINK

- Will employees and customers demand a “nobler mission”?
- Will consumer activism and sustainability shifts accelerate?
- How should companies embrace diversity, equity and inclusion?

RECONFIGURED OPERATIONS & CAPABILITIES

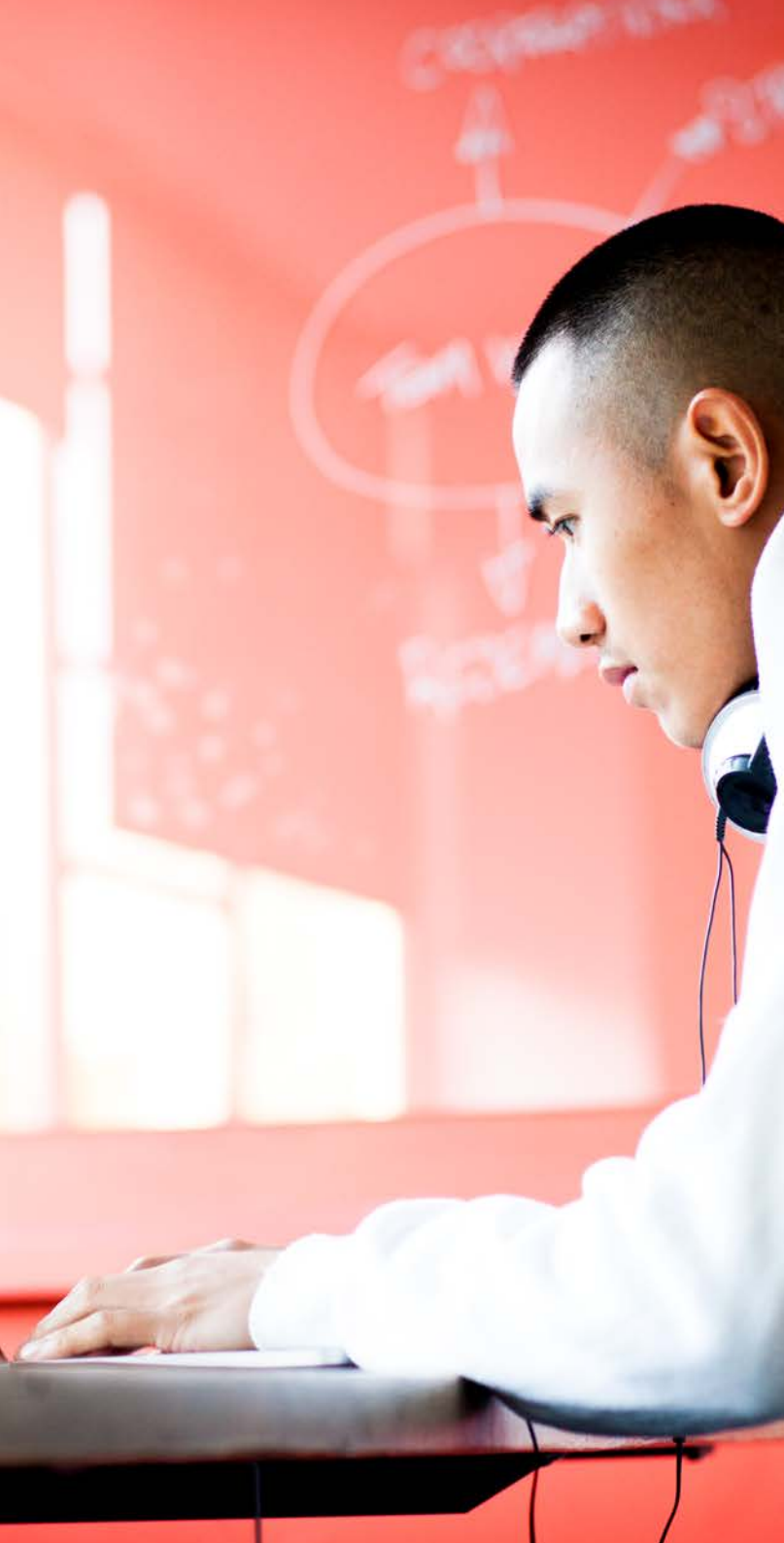
- How might operations be redesigned for resilience: flexibility, visibility, traceability and sustainability?
- What talent, capabilities and ways of working will make us stronger?

MACRO TRANSFORMATIONS

- How might governments and the public sector reshape the rules of the game in our industry?
- Will higher interest rates reset capital allocation across the industry?

EVOLVING BUSINESS BOUNDARIES & COMPETITORS

- Will capital markets continue to support startups and where will they place bets?
- How might lower multiples drive a new wave of mergers and acquisitions, and consolidation?
- Could new platforms and ecosystems change industry choke-points?



Despite the looming unknown, steps can be taken in the face of these changes:

FOCUS ON THE FEW CRITICAL UNCERTAINTIES THAT MATTER

- Identify the knowable industry forces and shifts, and how they will impact the future profit pool.
- Determine which trends are the “known unknowns” and which uncertainties have the swing factor on the organization’s full potential.

DEVELOP A FRESH AND CREATIVE VIEW OF ALTERNATIVE FUTURES

- Hypothesize most likely scenarios (based on the 6 lenses above) and develop indicators and signposts to monitor how each eventuality will play out.

BUILD A PORTFOLIO OF BETS TO BALANCE COMMITMENT AND FLEXIBILITY

- Frame the financial requirements of big bets, then define major strategic choices and options, assessing each against the critical levers of the business.

CONTINUOUSLY PLAN AND ALLOCATE RESOURCES TO ENABLE ADAPTATION

- Use dashboards and governance to keep track of indicators and signposts.
- Continuously check results to determine the degree of adaptation required, and the new skills and processes needed to achieve that adaptation.

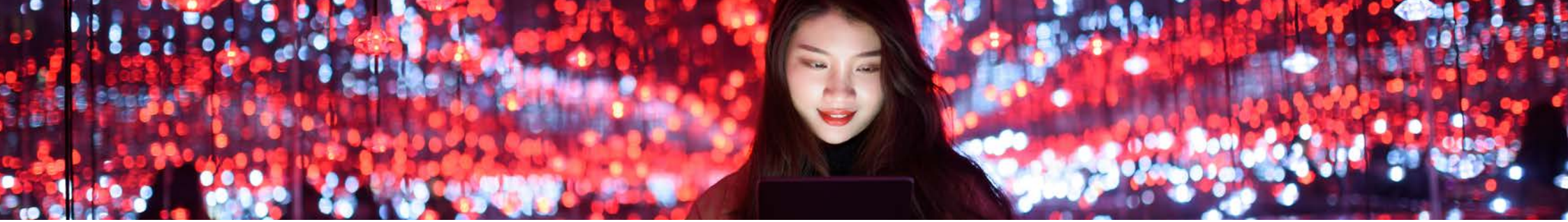
06. Upgrade your operating model

The current market conditions in Southeast Asia have made talent management more challenging than ever before. Technology is disrupting the workplace through new adoption and automation, with significant increases in remote job postings³⁷, accelerated by the pandemic. At the same time, the region is undergoing a labor shortage across several industries, with 67% of finance professionals surveyed in Southeast Asia saying they face challenges hiring qualified tech talent.³⁸ While consumer expectations shift, employee expectations also evolve around the what, when, and how of work. In line with this, we believe businesses must streamline their operating model and ensure they are constantly assessing better ways to source, organize, manage and retain talent. Not only to ride through these disruptions, but to achieve digital success.



37. Source: "Despite layoffs, there's still a talent crunch in Southeast Asia" by TechCrunch, July 2022

38. Source: "Talent war in Southeast Asia due to fintech boom" by Tech Wire Asia, Sept 2021



To address the above organizational challenge and ensure delivery of digital transformation successes, businesses need to consider the following actions:



Design a talent strategy with a future-back view on capabilities critical to win in the next 5 years

- Conduct workforce planning with a today-forward and future-back approach
- Refresh the employee value proposition and invest both in upskilling current talent and hiring new talent



Build learning systems fueled by data to stay close to customers and on top of disruption

- Ensure data is at the heart of decision-making throughout the organization
- Remove data or information silos across teams



Stand up agile teams and ensure teams are unencumbered by layers and bureaucracy

- Set up teams to deliver rapid solutions to ongoing disruptions and address gaps in integrated channel experience
- Match top talents to the appropriate business-critical roles, and ensure teams are unencumbered by layers and bureaucracy

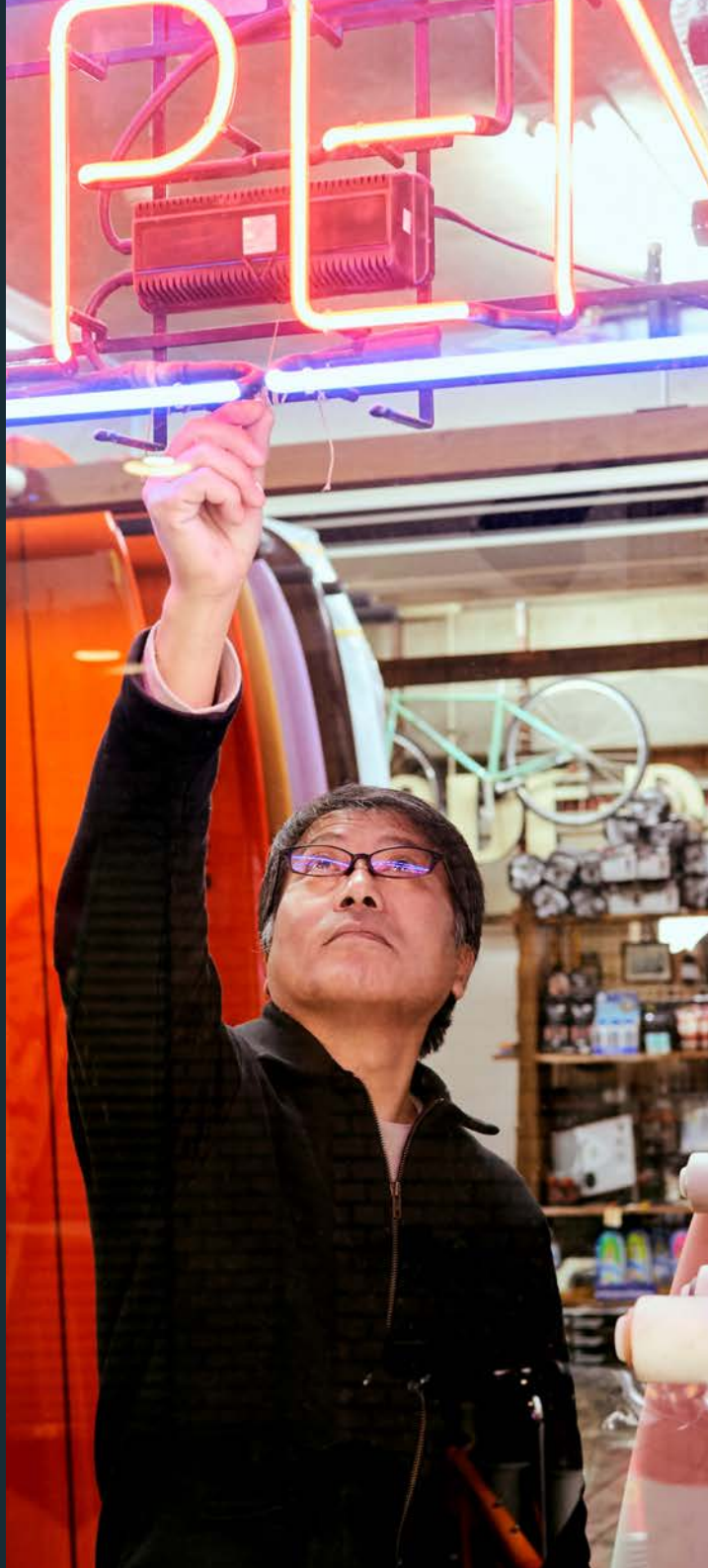


Align the broader operating model levers and give line leaders ownership

- Align employee incentives to their work objectives
- Empower local line leaders to react to shifting local market situations, including owning their local talent strategy

“Our approach is to continually support our customers. We never want them to go to a shelf and not find our products. So that is the main reason that we study new resources; for example, we make deep transformations to our supply chain, study new locations for our factories, and investigate more efficient ways to distribute our products.”

Inês Caldeira
Chief Executive Officer
L'Oréal Thailand



“We do believe in the agility of the company, and the agility of the entire salesforce. Agility with a test and learn mindset has an extremely high value. One without the other doesn't work.”

Yada Sarttarasathit
Chief Digital & Marketing Officer
L'Oréal Thailand

About Meta and About Bain & Company

About Meta

Meta builds technologies that help people connect, find communities, and grow businesses. When Facebook launched in 2004, it changed the way people connect. Apps like Messenger, Instagram and WhatsApp further empowered billions around the world.

Now, Meta is moving beyond 2D screens toward immersive experiences like augmented and virtual reality to help build the next evolution in social technology.

About Bain & Company

Bain & Company is a global consultancy that helps the world's most ambitious change makers define the future. Across 65 cities in 40 countries, we work alongside our clients as one team with a shared ambition to achieve extraordinary results, outperform the competition, and redefine industries. We complement our tailored, integrated expertise with a vibrant ecosystem of digital innovators to deliver better, faster, and more enduring outcomes. Our 10-year commitment to invest more than \$1 billion in pro bono services brings our talent, expertise, and insight to organizations tackling today's urgent challenges in education, racial equity, social justice, economic development, and the environment. We earned a gold rating from EcoVadis, the leading platform for environmental, social, and ethical performance ratings for global supply chains, putting us in the top 2% of all companies. Since our founding in 1973, we have measured our success by the success of our clients, and we proudly maintain the highest level of client advocacy in the industry.

Learn more at www.bain.com and follow us on Twitter @BainAlerts.

Published September 2022

© Meta Platforms, Inc, and Bain & Company, Inc

