

Southeast Asia, the home for digital transformation

A SYNC SOUTHEAST ASIA REPORT



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SYNC Southeast Asia

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



2018

[READ THE REPORT](#)

How Southeast Asia's emerging middle class is embracing the digital world

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

2020

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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.

2019

[READ THE REPORT](#)

Riding the digital wave: Southeast Asia's digital consumer in the discovery generation

The spending behaviour of Southeast Asia's online shoppers, the challenges brands face in reaching them and the opportunities that lie ahead.

2020

[READ THE REPORT](#)

Digital consumers of tomorrow, here today

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

Digital habits here to stay in a post-pandemic future

In 2020, Southeast Asia's migration from the offline to the online economy surpassed our initial estimates and took off at an accelerated pace. Changes that were expected to take place over half a decade took place in just a year, partly because of the consumption habits brought about by the pandemic.

This “new normal” resulted in new purchasing habits, new ways to discover, new preferences and new expectations. A new consumer way of life has emerged from these transformations. But which changes are transient and which ones will last? How will consumption patterns change when restaurants, cinemas and borders reopen?

In this year's report, we hope to give a sense of what this post-pandemic consumption could look like. We can't tell you what the future holds, but we can tell you that the many business executives we spoke with and the thousands of consumers we surveyed agree that the digital economy, from ecommerce to online groceries to social media to epayments, will continue to play an outsized role in daily life, even after COVID-19. The digital transformation is here to stay, and it is happening right now in Southeast Asia.

Beyond the pandemic, the challenge of an environmental catastrophe is also starting to figure in consumers' consciousness. Consumers now say environmental, social and governance (ESG) factors can in their eyes make or break a brand.

All these are part of the paradigm shift brands are witnessing in consumer behaviour. It's manifesting in how people approach life, in how they work, in how they play. Consumers are not just adjusting to a new way of life at home—they are defining it on their own terms. Discover the rise of digital trends starting from home and uncover the new digital expectations set to transform Southeast Asia.



Top 10 insights

1

Growing from strength to strength, Southeast Asia leads Asia-Pacific's digital transformation.

Since the start of the pandemic, 70 million people—equivalent to the entire population of the United Kingdom—have become digital consumers. Almost 8 in 10 people (78%) among Southeast Asia's population of 15-year-olds and above will be digital consumers by end-2021, with the strongest growth seen in Indonesia. The region's online retail penetration is also projected to grow 85% year-on-year by end-2021, and is now larger than India's or Brazil's.

3

Southeast Asians show more openness to the range of products that can be bought online.

Consumers in the region now buy online for an average of 8.1 categories—60% higher than the 5.1 average seen in 2020. Indonesian consumers buy across the widest range of categories at 8.8, followed by Thailand at 8.3 and the Philippines at 8.2.

2

Sales from ecommerce to double in 5 years.

In 5 years, Southeast Asia's ecommerce gross merchandise value, which refers to the monetary value of goods or services sold through online marketplaces over a specific period of time, is expected to reach US\$254 billion. That's nearly double its US\$132 billion size by the end of 2021 and represents a compounded annual growth rate of 14%.

4

E-wallets dethrone “king cash” as the preferred way to pay.

E-wallets are now the preferred payment option for 37% of consumers compared with 28% who say they still prefer cash. When asked why people don't use online payment options, the top 3 cited reasons were security concerns, privacy concerns, as well as high charges and fees.

5 The pandemic leads to a paradigm shift in the consumers' purchase journey.

From discovery to purchase, online channels have become ever more prevalent in the purchase journey of consumers today. Around 80% of channels that consumers use to browse and discover new products are online. The number of respondents who say they shop “mostly online” have gone up by 35%. And when asked whether online or offline is their top channel for considering brands, at least 7 in 10 respondents said “online”.

7 In the battle for loyalty, product quality and experience, not just price, win over consumers.

Digital consumers shop across 7.9 online websites or platforms on average—a 52% increase from 2020. Fifty-one percent of consumers say they switched from their most purchased brands in the past 3 months. Price wasn't the only reason they switched: Better product quality, better availability and faster delivery times all contributed to their decisions.

9 Home-centric lifestyles to persist beyond the pandemic.

Nine in 10 of the executives we interviewed believe a hybrid work-from-home model will be the norm after COVID-19. Some buying activities are also likely to move “out of home” as restrictions ease, but 75% of the time spent shopping online from home will remain. Majority of consumers also plan to either increase or maintain their at-home online spending on groceries, self-care and other categories.

6 Social media videos tripled in popularity as a discovery channel.

Twenty-two percent of respondents cite social media videos as the top channel for discovery—3x more than did so the previous year.

8 Environmental and sustainability factors now compel consumers to switch brands—and pay more for them.

Environmental, social and governance (ESG) factors were among the top 3 most cited reasons for switching brands in Southeast Asia as a whole as well as Vietnam. Nine in 10 are also willing to pay more for ESG, with 8 in 10 of all consumers saying they can accept a 10% premium if it means buying a more sustainable product.

10 Investments fuel fintech, e-learning, ecommerce and other digital disruptors in the region.

More than 80% of venture capital funds have flowed into the internet and technology so far, with the vast majority of it going into the fintech sector.

Digital growth
finds a new home



Southeast Asia's digital consumer population grows from strength to strength

Southeast Asia's digital economy continues to expand by almost every metric. Even after the accelerated growth seen in 2020, the region has more digital consumers, and they are purchasing more and more categories online.

Since the start of the pandemic, 70 million people—equivalent to the entire population of the United Kingdom—have become digital consumers. Nearly half of them, or around 30 million people, became digital consumers from 2020 to 2021 alone. By 2026, Southeast Asia's digital consumer population is expected to reach around 380 million, which is 1.4x bigger than it was in 2019.¹

With more people structuring their spending around online platforms, digital-centric consumption looks increasingly likely to stay.

¹ Note: Digital consumers = have purchased a product via online means in the past 12 months, excluding travel; Internet users = access the internet via PC or mobile (at least once a month) – digital consumers derived from triangulation of multiple data sources, assuming penetration to grow at half the rate of digital consumer/ internet user as China from year 2020 onwards; splits of digital consumers between the SEA-6 countries assume to follow those of Forrester forecast | Data compiled from Passport - Economics and Consumers Annual Data 2018 to 2026F by Euromonitor; Forrester ForecastView, Forrester Analytics: Online Retail Forecast, 2019 to 2026F (Asia-Pacific, China, India, Southeast Asia, USA) by Forrester Research; Digital 2021 (Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam) by Hootsuite, Jan 2021; Riding the Digital Wave: Capturing Southeast Asia's Digital Consumer in the Discovery Generation by Bain & Company (Facebook-commissioned survey of 12,965 respondents from ID, MY, PH, SG, TH, VN), Jun 2019. 346 million figure source: Facebook internal data, Q3 2021

~70 million

have become digital consumers since the pandemic began, equivalent to the entire population of the United Kingdom¹

~30 million

increase in digital consumers from 2020 to 2021¹

>95%

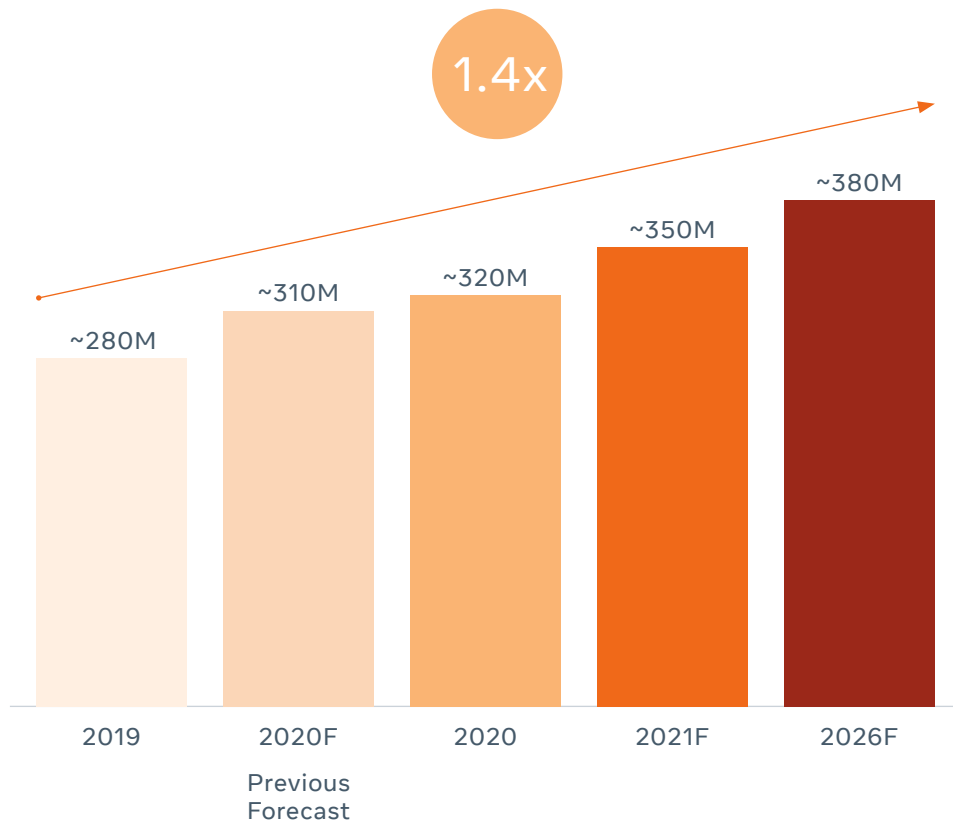
accessed the internet on their smartphones¹

346 million

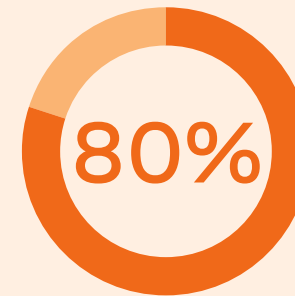
People in Southeast Asia accessed Facebook every day as of Q2 2021¹

~30 million more digital consumers vs 2020—and counting

Number of digital consumers in Southeast Asia who are 15 years old and above



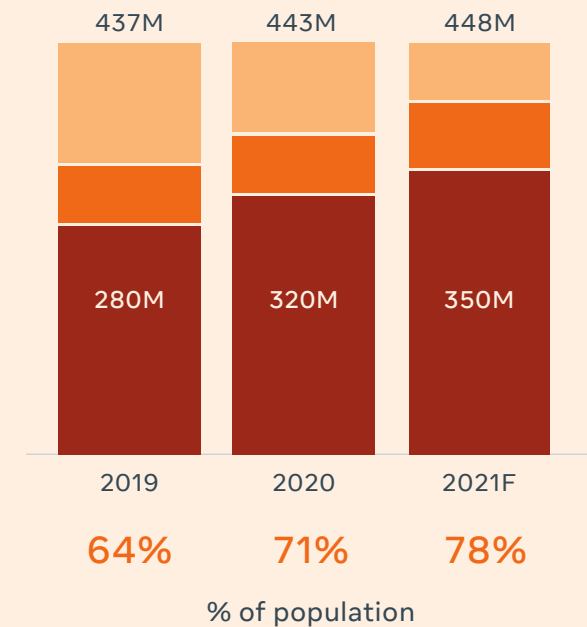
"Southeast Asia, home for digital transformation" by Facebook and Bain & Company. (A Facebook-commissioned survey of 16,706 respondents from ID, MY, PH, SG, TH, VN.) Survey conducted May 2021. Digital consumers = have purchased a product via online means in the past 12 months, excluding travel; Internet users = access the internet via PC or mobile (at least once a month) – digital consumers derived from triangulation of multiple data sources, assuming penetration to grow at half the rate of digital consumer/ internet user as China from year 2020 onwards; splits of digital consumers between the SEA-6 countries assume to follow those of Forrester forecast; *GMV estimation methodology – total online GMV was estimated from multiple sources to account for COVID-19 impact, total retail figures from Forrester were adjusted accordingly to account for the increase in GMV from revised estimation.



Almost 80% of Southeast Asian population (15 years old and above) will become digital consumers by end 2021

~70 million new digital consumers since the pandemic began

Southeast Asian population 15 years old and above



● Have purchased online ● Have Internet access but not purchased online ● Not online users

Offline to online gains steam as Indonesia leads for 2nd year in a row

Each country is projected to end 2021 with an even larger majority of digital consumers than they had in 2020, with Indonesia topping the growth rate for a second year in a row. Almost 8 in 10 people (78%) among Southeast Asia's population of 15-year-olds and above will be digital consumers by end-2021.

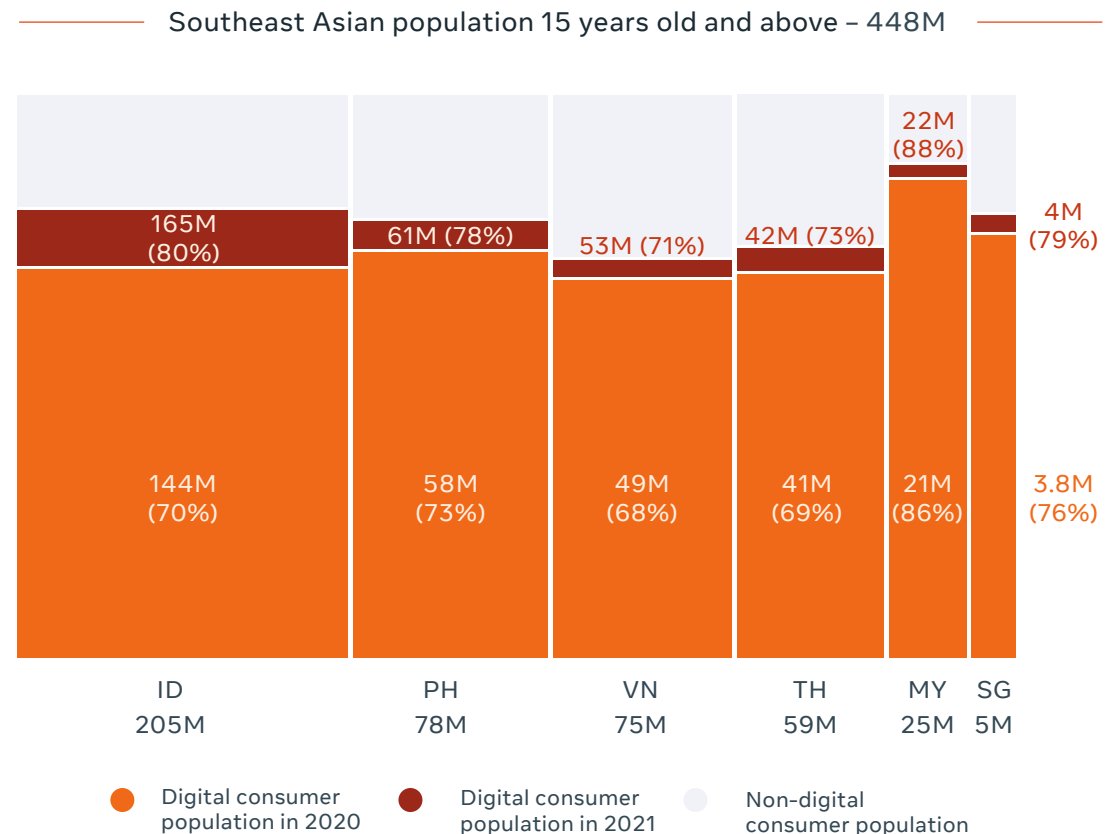
Indonesia continues to enjoy the highest growth rate in Southeast Asia, with its digital consumer population expected to grow from 144 million in 2020 to 165 million in 2021. That's an additional 21 million people aged 15 years and older—a growth of around 15%.²

In fact, all countries covered in this report continue to enjoy strong growth. Ranked in order, these are Vietnam (8% growth), Malaysia (5%), Philippines (5%), Singapore (5%) and Thailand (2%).²

In every country, digital consumers will also now make up at least 70% of 15-year-olds and above, compared with 65% in 2020.

Indonesia also now ranks 2nd in the region when measured by the proportion of the population 15 years old and above who are digital consumers. Overall, the top 3 countries with the highest percentage of digital consumers are now Malaysia (88% or 22 million people), Indonesia (80% or 165 million people) and Singapore (79% or 4 million people).²

In every country, at least 70% of 15 years old and above will count as digital consumers by year-end



"Southeast Asia, home for digital transformation" by Facebook and Bain & Company. (A Facebook-commissioned survey of 16,706 respondents from ID, MY, PH, SG, TH, VN.) Survey conducted May 2021. Note: Digital consumers = have purchased a product via online means in the past 12 months, excluding travel; Internet users = access the internet via PC or mobile (at least once a month) – digital consumers derived from triangulation of multiple data sources, assuming penetration to grow at half the rate of digital consumer/ internet user as China from year 2020 onwards; splits of digital consumers between the SEA-6 countries assume to follow those of Forrester forecast | Source: Euromonitor; Forrester; Hootsuite; "Riding the digital wave" by Bain & Company (Bain & Company analysis and insights data on the markets of ID, MY, PH, TH, VN, SG), published in 2020

² Data compiled and modelled from Passport - Economics and Consumers Annual Data 2018 to 2026F by Euromonitor; Forrester ForecastView, Forrester Analytics: Online Retail Forecast, 2019 to 2026F (Asia-Pacific, China, India, Southeast Asia, USA) by Forrester Research; Digital 2021 (Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam) by Hootsuite, Jan 2021; Riding the Digital Wave: Capturing Southeast Asia's Digital Consumer in the Discovery Generation by Bain & Company (Facebook-commissioned survey of 12,965 respondents from ID, MY, PH, SG, TH, VN), Jun 2019.

Digital spending per person up 60% in a year; overall ecommerce sales to double by 2026

Digital spending continues its expansion amid the pandemic, with spending per person and overall ecommerce sales both seeing explosive growth year-on-year.

The average spending per digital consumer is expected to grow 60% by the end of the year, from US\$238 per person at the end of 2020 to US\$381 per person at the end of 2021. This figure is projected to reach US\$671 by 2026. That's 1.7x larger—nearly double—than this year's figures and 4.9x larger than what it was in 2019.³

Southeast Asia's online consumer spending also continues to gain momentum when measured by ecommerce gross merchandise value (GMV), which refers to the monetary value of goods or

services sold through online marketplaces over a specific period of time. By the end of 2021, the region's ecommerce GMV is projected to reach US\$132 billion, which is 1.8x higher than the US\$75 billion recorded in 2020. But it doesn't stop there. In 5 years, ecommerce GMV is expected to reach US\$254 billion. That's nearly double what it is by the end of 2021 and represents a compounded annual growth rate of 14%.³

The growth over 5 years is even more dramatic for Vietnam, the Philippines and Indonesia. By end 2026, Vietnam's ecommerce GMV is expected to grow 4.5x from 2021 levels, the Philippines' is projected to grow 3.8x and Indonesia's is expected to grow by 1.6x.³

³ Data compiled and modelled from Passport - Economies and Consumers Annual Data 2018 to 2026F by Euromonitor; Forrester ForecastView, Forrester Analytics: Online Retail Forecast, 2019 to 2026F (Asia-Pacific, China, India, Southeast Asia, USA) by Forrester Research; Digital 2021 (Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam) by Hootsuite, Jan 2021; Riding the Digital Wave: Capturing Southeast Asia's Digital Consumer in the Discovery Generation by Bain & Company (Facebook-commissioned survey of 12,965 respondents from ID, MY, PH, SG, TH, VN), Jun 2019.



US\$381 per person

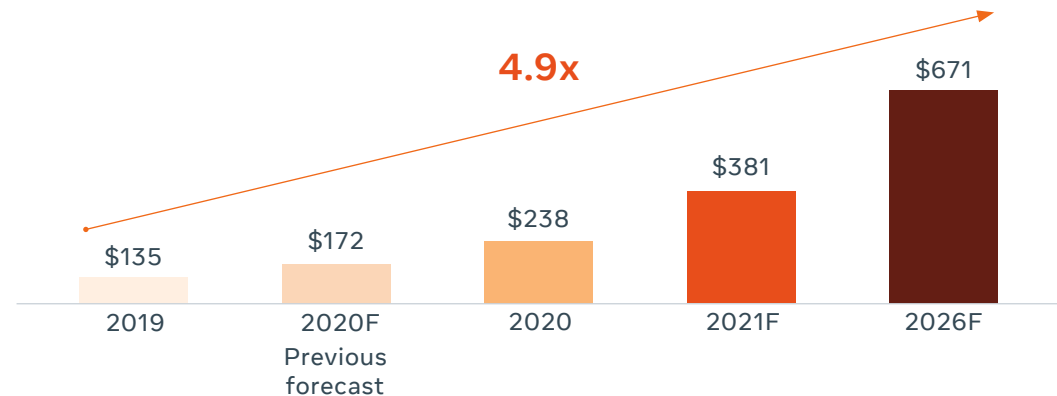
Estimated average
digital spending
by end 2021⁴

US\$132 billion

Estimated ecommerce
gross merchandise
value by end 2021⁴

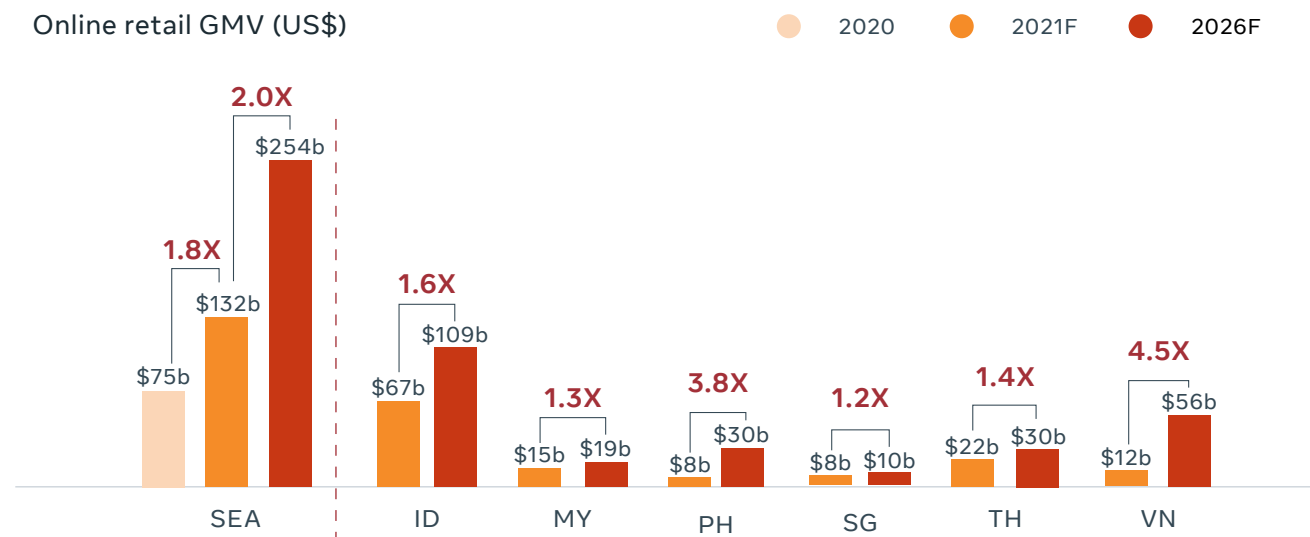
60% increase in average spending per digital consumer
vs 2020, with more to come

Average GMV per digital consumer (US\$)



Ecommerce sales to grow 80% year-on-year and double in 5 years

Online retail GMV (US\$)



Note: Ecommerce GMV includes B2B2C/B2C selling of physical products through online channels, not including digital products (e.g. sim-top-ups) nor social commerce;
 *GMV estimation methodology: Ecommerce GMV was estimated from multiple sources to account for Covid impact. Total retail figures from Forrester were adjusted accordingly to account for the increase in GMV from revised estimation. Data compiled and modelled from expert interviews, Forrester ForecastView, Forrester Analytics: Online Retail Forecast, 2019 to 2026F (Asia-Pacific, China, India, Southeast Asia, USA) by Forrester Research; Riding the Digital Wave: Capturing Southeast Asia's Digital Consumer in the Discovery Generation by Bain & Company (Facebook-commissioned survey of 12,965 respondents from ID, MY, PH, SG, TH, VN), Jun 2019.

⁴Data compiled and modelled from Passport - Economics and Consumers Annual Data 2018 to 2026F by Euromonitor; Forrester ForecastView, Forrester Analytics: Online Retail Forecast, 2019 to 2026F (Asia-Pacific, China, India, Southeast Asia, USA) by Forrester Research; Digital 2021 (Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam) by Hootsuite, Jan 2021; Riding the Digital Wave: Capturing Southeast Asia's Digital Consumer in the Discovery Generation by Bain & Company (Facebook-commissioned survey of 12,965 respondents from ID, MY, PH, SG, TH, VN), Jun 2019.

Online retail penetration growth outpaces Brazil, China and India

The contribution of online retail to total retail for key categories rose faster in Southeast Asia than in Brazil, China or India, going from 5% in 2020 to 9% in 2021.⁵

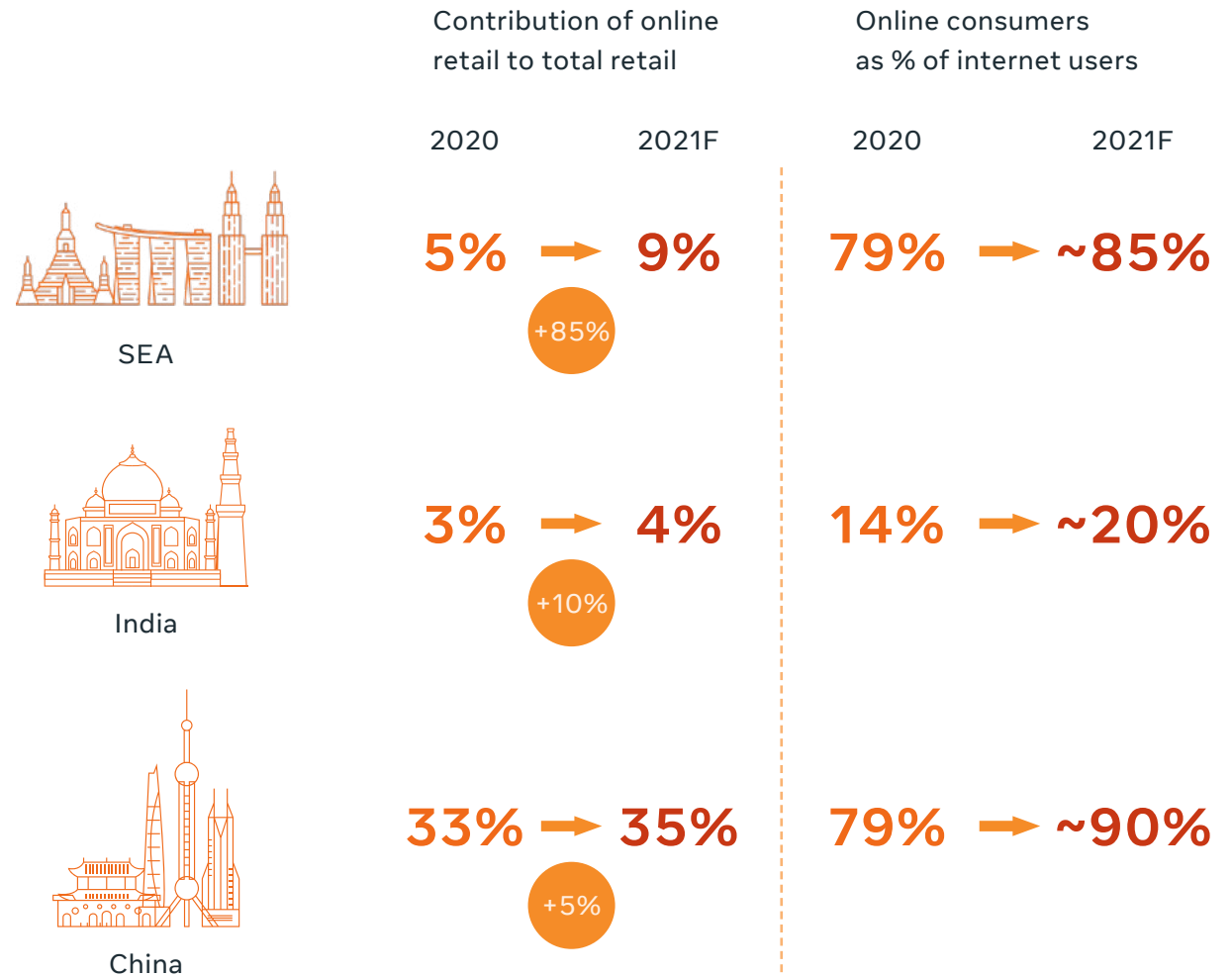
This represents an 85% growth from last year and a 4 percentage-point annual increase. By comparison, India's went from 3% in 2020 to 4% in 2021 (1 percentage point or 30% growth), while China's went from 33% in 2020 to 35% in 2021 (2 percentage points or 5% growth). Further ashore, even Brazil saw only a 14% growth, going from 7% in 2020 to 8% in 2021.⁵

Over the next five years, Southeast Asia's ecommerce sales is also projected to keep pace with these countries, growing at 14% per year.⁵

14%

estimated compounded annual growth rate of Southeast Asia's gross merchandise value from 2021 to 2026⁵

Southeast Asia's online retail penetration grows 85% year-on-year



⁵ Data compiled and modelled from Passport - Economies and Consumers Annual Data 2018 to 2026F by Euromonitor; Forrester ForecastView, Forrester Analytics: Online Retail Forecast, 2019 to 2026F (Asia-Pacific, China, India, Southeast Asia, USA) by Forrester Research; Digital 2021 (Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam) by Hootsuite, Jan 2021; Riding the Digital Wave: Capturing Southeast Asia's Digital Consumer in the Discovery Generation by Bain & Company (Facebook-commissioned survey of 12,965 respondents from ID, MY, PH, SG, TH, VN), Jun 2019.

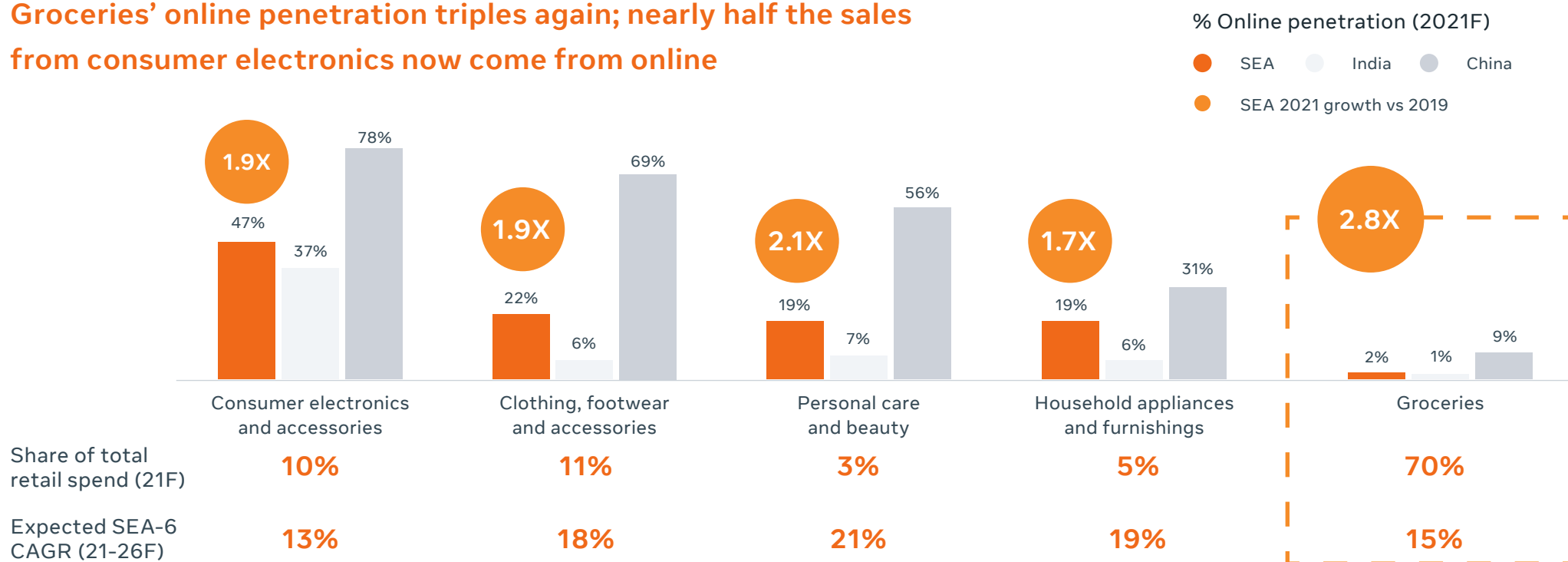
Every category's online penetration to nearly double; groceries to nearly triple

By the end of 2021, the online penetration from every category is projected to grow at least 1.7x (nearly double), even faster than what was observed last year. Online groceries continue to

show the most dramatic growth and are expected to nearly triple again (2.8x) for the second year in a row.⁶

Southeast Asia will also reach another milestone: Nearly half the sales from consumer electronics and accessories will by the end of the year come from online, surpassing that of India.⁶

Groceries' online penetration triples again; nearly half the sales from consumer electronics now come from online



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

⁶ Data compiled and modelled from Passport - Economics and Consumers Annual Data 2018 to 2026F by Euromonitor; Forrester ForecastView, Forrester Analytics: Online Retail Forecast, 2019 to 2026F (Asia-Pacific, China, India, Southeast Asia, USA) by Forrester Research; Digital 2021 (Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam) by Hootsuite, Jan 2021; Riding the Digital Wave: Capturing Southeast Asia's Digital Consumer in the Discovery Generation by Bain & Company (Facebook-commissioned survey of 12,965 respondents from ID, MY, PH, SG, TH, VN), Jun 2019.

“What we see in China and the US is more of a channel shift from offline to online, whereas in Southeast Asia the growth in consumer spending and retail is driven by online channels. In the future, we will be talking about digitalised commerce instead of gross merchandise value and penetration, so businesses will need to focus on driving the most value out of the omnichannel purchase journey.”

Magnus Ekbom

Chief Strategy Officer, Lazada Group



Digital lifestyle of the new consumer



Methodology

Quantitative: What 16,000+ digital consumers had to say

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

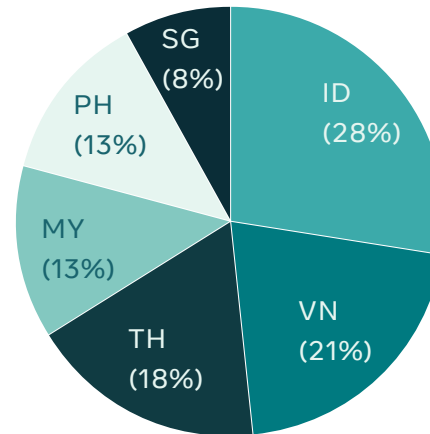
Our 2021 survey covered 16,706 digital consumers from various age groups, income levels, and genders across the six Southeast Asian countries of Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam. Digital consumers surveyed are those who have made an online purchase in at least 2 product categories in the past 3 months.

The survey, conducted online in June 2021, was commissioned by Facebook with data analysis and modelling provided by Bain & Company.

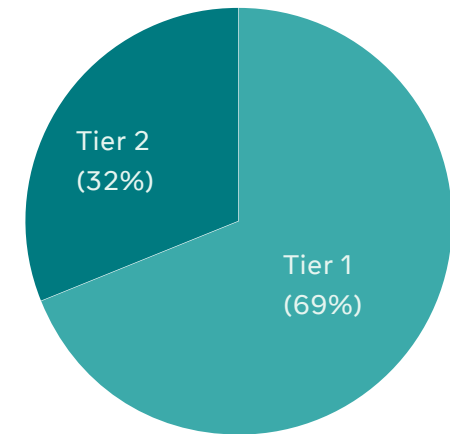
"Southeast Asia, home for digital transformation" by Facebook and Bain & Company. (A Facebook-commissioned survey of 16,706 respondents from ID, MY, PH, SG, TH, VN.) Survey conducted May 2021. Note: (*) Survey data only includes digital consumers, who are defined as: respondents who selected 2 or more online retail categories; (Consumer electronics and accessories, Household appliances and furnishings, Clothing, footwear and accessories, Personal care and beauty, Toys and baby care, Groceries and food delivery); Survey questions: Q2 What is your age bracket?, Q3 What is your gender?; Trademarks and copyrights displayed herein are the property of their respective owners

Who we spoke to

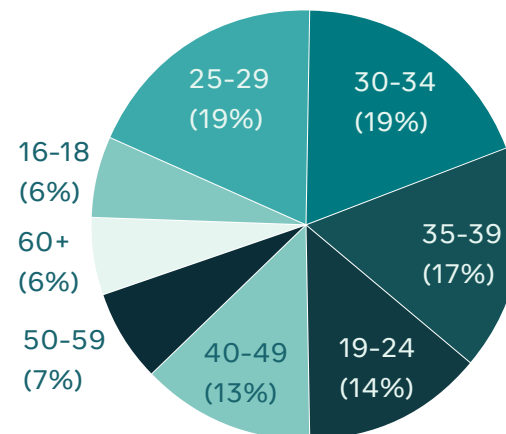
Country



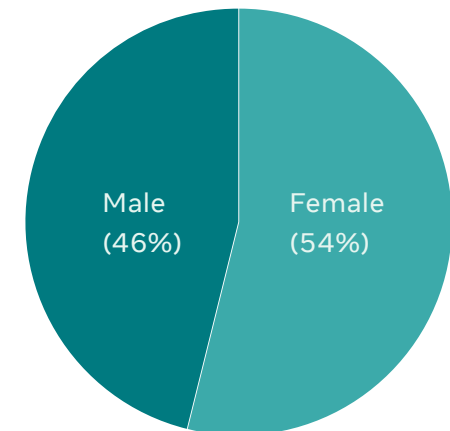
Tier



Age



Gender



Methodology

Qualitative: Perspectives from 20+ business leaders

In addition to the detailed survey, Facebook and Bain & Company also interviewed more than 20 senior executives from various industries. The business leaders we spoke to shared their outlook for the digital economy in areas such as technology, fast-moving consumer goods, finance, ecommerce, venture capital, groceries, and many more. The insights shared here reflect their perspectives.

Interviewed executives across the eco-system



During the pandemic,
new digital habits
arose as consumers
coped with the change

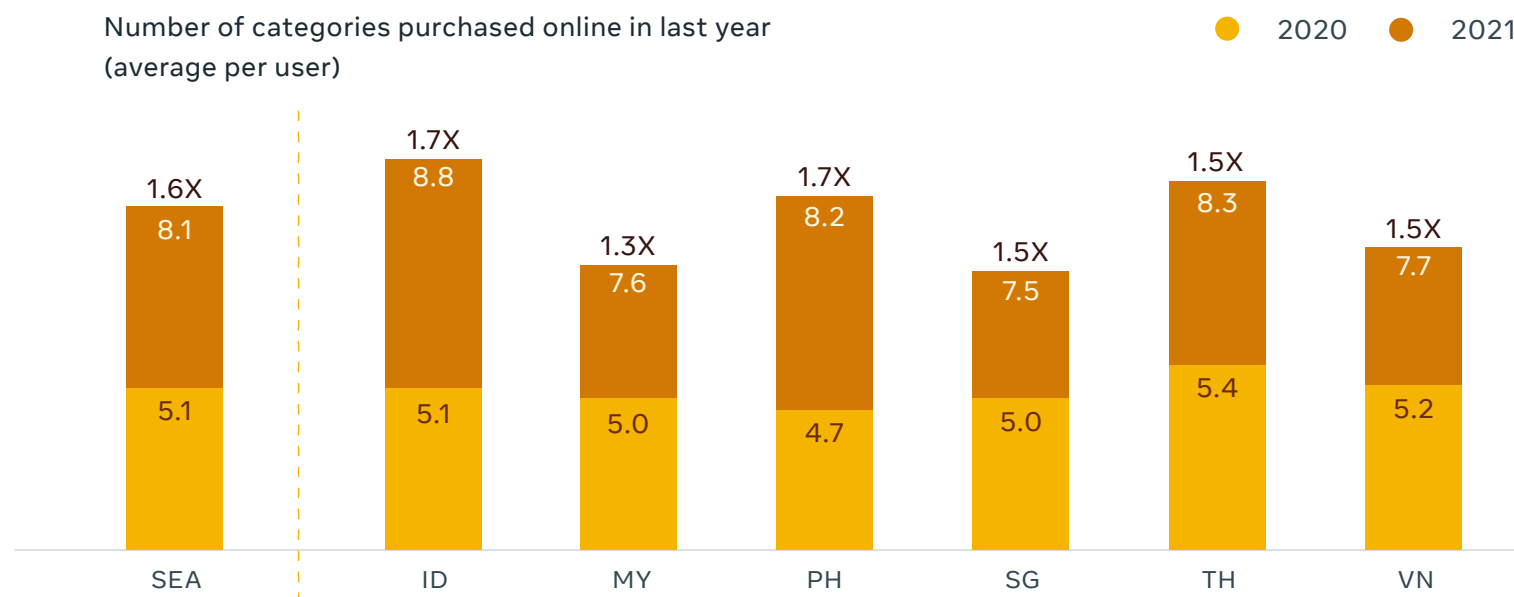


Southeast Asian consumers go online for an even wider range of categories

Southeast Asia's digital consumers aren't just growing in population or spending more money in online purchases, they're buying in a wider range of categories, too. Consumers in the region now buy online for an average of 8.1 categories—60% higher than the 5.1 average seen in 2020.⁷

In every country, consumers are showing a greater acceptance to the range of products that can be bought online. Indonesian consumers buy across the widest range of categories at 8.8, followed by Thailand at 8.3 and the Philippines at 8.2.⁷

Southeast Asian consumers now buy across 8.1 categories vs 5.1 in 2020



Source: "Southeast Asia, home for digital transformation" by Facebook and Bain & Company. (A Facebook-commissioned survey of 16,706 respondents from ID, MY, PH, SG, TH, VN.) Survey conducted May 2021. Survey question: Q13. For each of the categories you have selected, please indicate how much you are spending online (vs. offline)?

⁷ "Southeast Asia, The Home For Digital Transformation" by Facebook and Bain & Company. (A Facebook-commissioned survey of 16,706 respondents from ID, MY, PH, SG, TH, VN.) Survey conducted May 2021

Groceries, food delivery, healthcare among drivers of first-time online buys

Online purchases aren't limited to streaming, ride hailing or beauty products anymore. Consumers are becoming more open to the wide range of goods and services they can order digitally, among them healthcare, food delivery and fresh groceries.

These categories have emerged as the “new” most purchased categories bought online for the first time in the past 3 to 6 months. Fresh groceries, food delivery and healthcare products were purchased online by 59%, 56% and 52% of respondents, respectively, for the first time in the past 3 months.⁸

Other popular categories during that period include groceries of non-alcoholic beverages (52%); groceries of packaged food and others (52%); baby care (52%); clothing, footwear and accessories (49%); and online gaming (48%).⁸

Before last 12 months



Streaming services



Ride hailing



Food delivery



Groceries (packaged)



Beauty and cosmetics

Last 3-6 months



Home office



Household furnishing



Household appliances



Fitness



Consumer electronics

Last 3 months



Groceries (fresh)



Personal care



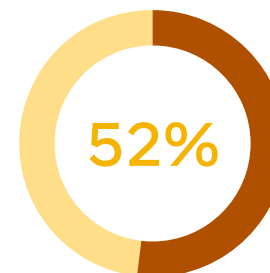
Healthcare



Food delivery



Clothing

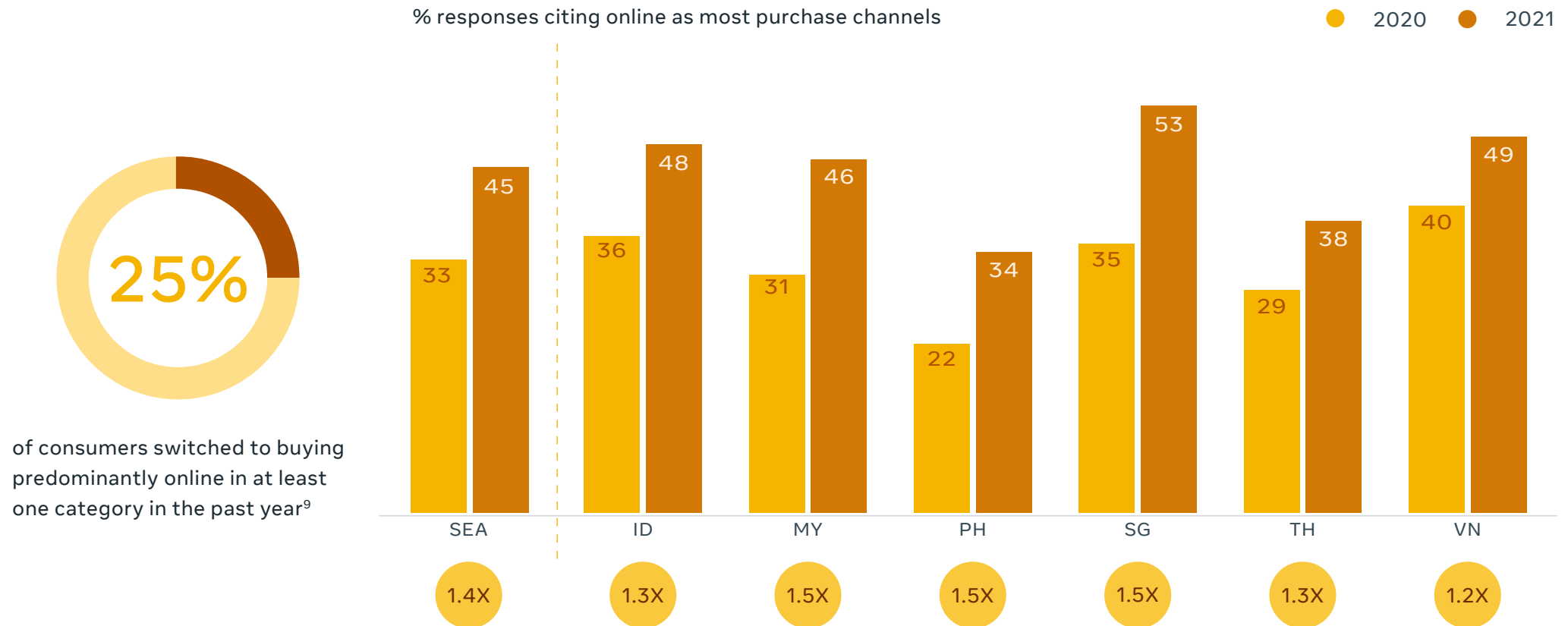


of respondents purchased healthcare online for the first time in the past 3 months⁸

⁸ “Southeast Asia, home for digital transformation” by Facebook and Bain & Company. (A Facebook-commissioned survey of 16,706 respondents from ID, MY, PH, SG, TH, VN.) Survey conducted May 2021. Note: Survey question: Q18. When was the first time you purchased the following categories online?

Shoppers who buy predominantly online up by 35%

The number of respondents who say they shop “mostly online” have gone up from 33% of respondents last year to 45% this year—a 35% growth. The largest increase was seen in Singapore, Malaysia and the Philippines.⁹



⁹“Southeast Asia, home for digital transformation” by Facebook and Bain & Company. (A Facebook-commissioned survey of 16,706 respondents from ID, MY, PH, SG, TH, VN.) Survey conducted May 2021. Note: Survey question: Q13. For each of the categories you have selected, please indicate how much you are spending online (vs. offline)? – mostly purchase online refers to respondents who purchase >50% online compared to offline; Responses in countries are shown based on the 2 responses collected per responded (2 categories asked to each); Consumer switch to online is by considering a change in 2020-21 response for a unique user for either of the 2 categories they respond to.

Online groceries see widespread adoption

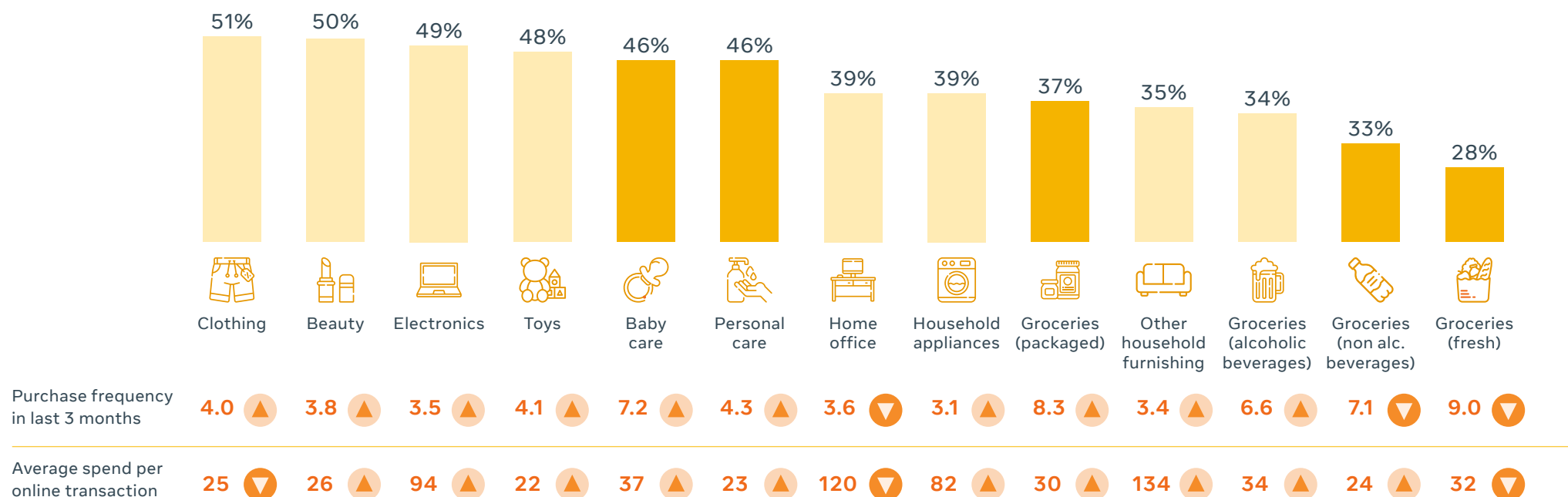
The largest increase in “mostly online” shoppers was seen in groceries, personal care and household furnishings.

Categories where at least half the respondents say they shop mostly online include beauty and cosmetics; and clothing, footwear and accessories.

Categories like household furnishings, consumer electronics and household appliances enjoy the highest average spend per online transaction but are bought less frequently. A possible reason is because they are likely to involve big-ticket items such as sofas, mobile phones or refrigerators. In contrast, categories like groceries, toys or cosmetics have the lowest average spend per online transaction but are bought more often, probably because they are likely to cost much less.

% respondents that shop online

● 'Essentials' category



¹⁰ “Southeast Asia, home for digital transformation” by Facebook and Bain & Company. (A Facebook-commissioned survey of 16,706 respondents from ID, MY, PH, SG, TH, VN.) Survey conducted May 2021. Note: *Shop mostly online refers to consumers who spend more than 50% of their total spending for a particular category online; Survey question: Q13. For each of the categories you have selected, please indicate how much you are spending online (vs. offline)?, Q19 How many times did you purchase each category online in the last 3 months? Consumer electronics and accessories, Q20. On average, how much did you typically spend on each category, each time you purchased ONLINE?


Why switch to online? Coronavirus (COVID-19) restrictions, value, convenience

“Value is only a hygiene factor but the key to retaining customers is their overall seamless experience. This comprises the end-to-end encounter, from frictionless payment to flexible delivery methods to after-sales services. If you become the consumer’s first choice, you'll see they're willing to spend a bit more for a better and more premium customer experience.”

Pornchanok Tanskul
Chief of Staff, Central Group

Top reasons for switching spending to online

- | | | | |
|---|-----------------------|---|--------------------------|
| 1 | COVID-19 restrictions | 2 | Saves time |
| 3 | Deals and promotions | 4 | Ease of price comparison |
| 5 | Shop 24/7 | | |

A man with dark hair and a light beard, wearing a blue button-down shirt with white polka dots, is smiling and looking down at a white smartphone he is holding in his hands. The background is a blurred indoor setting with warm lighting and a wall featuring a pattern of brown and tan geometric shapes.

The pandemic
has changed the
purchase journey,
redefining how
consumers discover,
shop and pay

Purchase journey takes detour towards social media and ecommerce

Ecommerce now outranks gaming as one of the top activities consumers do online, in part possibly because ecommerce is evolving to blend entertainment with shopping. It now ranks 4th overall compared with 5th for gaming.

Video streaming has also surpassed messaging in the same list even as social media continues to hold the top spot, highlighting the role that videos play in consumers' daily activities.

“Consumers have a more engaged purchase journey, and online shopping has evolved to become an enjoyment rather than a necessity.”

Magnus Ekbom

Co-Founder and Chief Strategy Officer, Lazada Group

Top 5 activities Southeast Asians do online

1



Social Media

2



Video streaming

3



Messaging

4



Ecommerce

5



Gaming

“Southeast Asia, home for digital transformation” by Facebook and Bain & Company. (A Facebook-commissioned survey of 16,706 respondents from ID, MY, PH, SG, TH, VN.) Survey conducted May 2021. Note: Survey question: Q7. What is your average daily screen time on your primary digital device, per day?; Q8. How is your daily internet screen time divided into the following activities?; (*) Avg. for all surveyed participants; (**) Social media also includes short videos, Video streaming includes medium and long videos

80% of channels used to browse and research products are online

Browsing and researching about products are now done mostly online instead of offline. At the same time, the share of spending that goes to offline channels is shrinking, our study found.

In the first two stages of the consumer journey—the Discovery stage and Evaluate stage—at least 80% of channels used by consumers are online. Browsing products, comparing items, checking reviews and conducting research are now mostly done in channels like social media, ecommerce marketplaces and brand-owned websites and videos.¹¹

¹¹“Southeast Asia, The Home For Digital Transformation” by Facebook and Bain & Company. (A Facebook-commissioned survey of 16,706 respondents from ID, MY, PH, SG, TH, VN.) Survey conducted May 2021



But in the final stage of the consumer journey, the Purchase stage, online is only starting to capture an increasing share of sales. Online channels such as ecommerce marketplaces, brand-owned sites or social commerce are cited by consumers as the “top 3” destinations for 56% of their spending, higher than the previous year’s 46%. The remaining 44% go to offline channels such as retail stores, supermarkets and mom and pop stores.¹²



¹² “Southeast Asia, The Home For Digital Transformation” by Facebook and Bain & Company. (A Facebook-commissioned survey of 16,706 respondents from ID, MY, PH, SG, TH, VN.) Survey conducted May 2021

“Southeast Asia, home for digital transformation” by Facebook and Bain & Company. (A Facebook-commissioned survey of 16,706 respondents from ID, MY, PH, SG, TH, VN.) Survey conducted May 2021. Note: ‘Social media – videos’ includes videos on social media platforms (e.g. Instagram stories) and short video applications (e.g. TikTok), ‘Other Video’ videos on video platforms (e.g. YouTube) and streaming platforms (e.g. Netflix), ‘Others’ includes super apps, emails from brands and gaming; Survey Q41. For the following categories, where did you browse/ discover the products you ended up buying?; Survey Q45. for the following categories, where did you find information and compare products, before you ended up buying your selected product?; Survey Q25. what is the % allocation of your spend across different channels this year?

Discovery stage

Discovery Commerce matters: Most consumers still don't know what they want or where to buy

Sixty-five percent of respondents said they don't know what they want and where to buy when they shop online. Called the Discovery Generation, many of them discover new products largely through online inspiration and influence, and their decision-making is largely influenced by what they encounter upon browsing online and offline.

Some categories tend to be more discovery-led than others. Consumer electronics, household appliances, clothing and footwear, household furnishings and toys all tend to be discovery-led, with 70% or more respondents saying they don't know what they want when browsing these categories.¹³

In contrast, categories such as baby care, groceries, beauty and cosmetics as well as personal care tend to be more planned purchases, as roughly half of purchasers already have a clear idea of what they want and where to get it.

¹³ "Southeast Asia, The Home For Digital Transformation" by Facebook and Bain & Company. (A Facebook-commissioned survey of 16,706 respondents from ID, MY, PH, SG, TH, VN.) Survey conducted May 2021

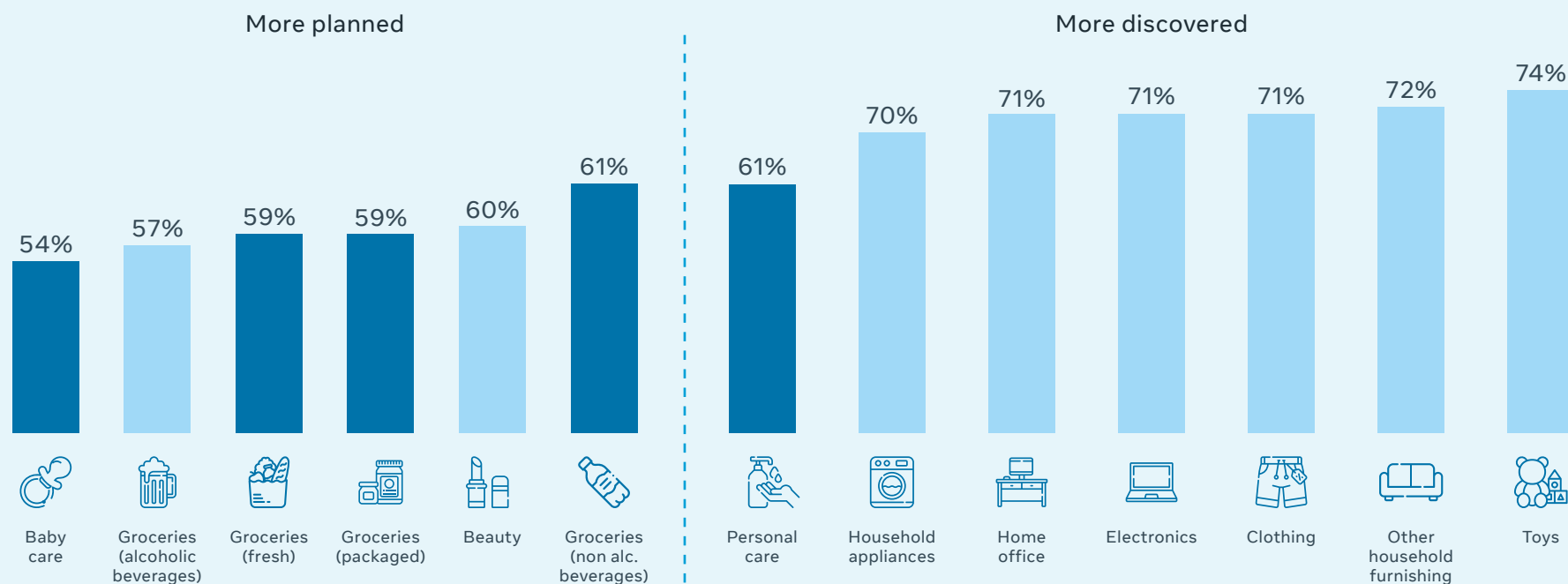




of respondents don't know what they want and where to buy when they shop online ⁴¹

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

● 'Essentials' category



"Southeast Asia, home for digital transformation" by Facebook and Bain & Company. (A Facebook-commissioned survey of 16,706 respondents from ID, MY, PH, SG, TH, VN.) Survey conducted May 2021. Notes: (*) Respondents stated they did not know which channel to purchase from, which exact product to purchase, or both. Survey question: Q24. Which statement would best describe your purchasing journey for the following categories online? Options possible: "I do not know what I want and I am just browsing on the internet", "I roughly know what I want, but I do not know what are the different options available in the market (specifications etc.)", "I know the exact product that I need, the brand, but I do not have a specific channel to get it, "I know exactly the product that I

Discovery stage

Consumers show more willingness to discover new stores

Consumers in nearly every Southeast Asian country showed greater willingness to try stores they've never heard of before. The Philippines showed a 9 percentage point increase in the number of consumers willing to try new stores, with modest increases seen in Singapore (5pp), Indonesia (4pp), Malaysia (4pp) and Thailand (3pp).¹⁴

Similar to last year, Thailand and Vietnamese consumers appear to be most open to trying new stores, with 64% and 61%, respectively, expressing willingness to do so.¹⁴

Most Southeast Asian countries show greater interest in trying new stores

% of respondents who tried new stores they never heard of before

	2020		2021	
SEA	47%	→	51%	▲
ID	40%	→	44%	▲
PH	36%	→	45%	▲
TH	61%	→	64%	▲
VN	64%	→	61%	▼
MY	40%	→	44%	▲
SG	27%	→	32%	▲

Top reasons people purchase from new stores

"I often buy from new stores if I find the products interesting"



"I buy from new stores only when there are good deals and promotions"



¹⁴"Southeast Asia, home for digital transformation" by Facebook and Bain & Company. (A Facebook-commissioned survey of 16,706 respondents from ID, MY, PH, SG, TH, VN.) Survey conducted May 2021. Note: Survey question: Q34. Have you purchased any items from a new online store that you have never heard of before in the last 1 year?; Q35. Which of the following describes your behavior in purchasing items from new online stores that you have not heard of before?

Discovery stage

Social media videos triple popularity as discovery channel

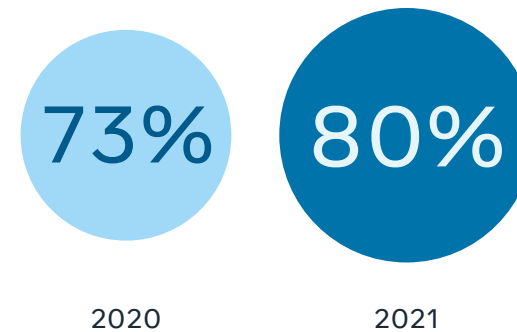
Social media as a whole has remained the key channel for discovery. But social media videos specifically have seen its popularity surge as one of the most likely places where people say they might discover a new product. Twenty-two percent of respondents cite social media videos as the top channel for discovery—3x more than did so the previous year.¹⁵

Ecommerce marketplaces also saw its popularity grow by 1.3x. In 2021, 26% of respondents cited it as a top discovery channel, compared with 20% the year before.¹⁵

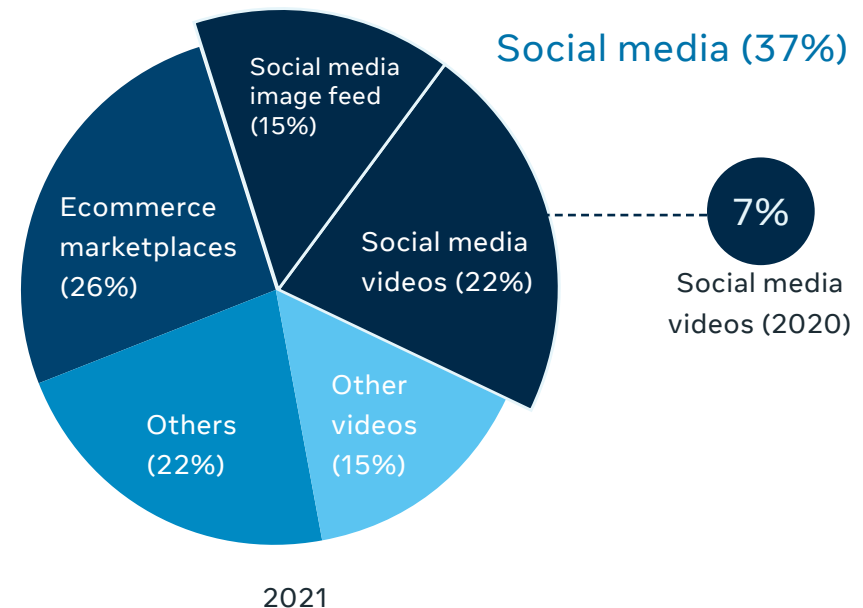
¹⁵ "Southeast Asia, home for digital transformation" by Facebook and Bain & Company. (A Facebook-commissioned survey of 16,706 respondents from ID, MY, PH, SG, TH, VN.) Survey conducted May 2021. Note: Survey question: Q41. For the following categories, where did you browse / discover the products you ended up buying? Please select and rank up to 5 channels for each category; *Others includes super apps, gaming platforms, emails and news; **Alibaba" includes SG Shop, Taobao, Alibaba and AliExpress.

Social media remains the #1 channel for discovery, with videos gaining popularity

% online as primary channel

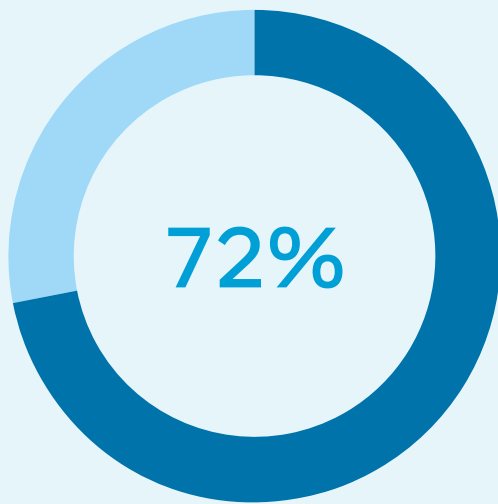


% responses citing as top channel for discovery



Evaluate stage

Social media, video platforms are top brand consideration channels

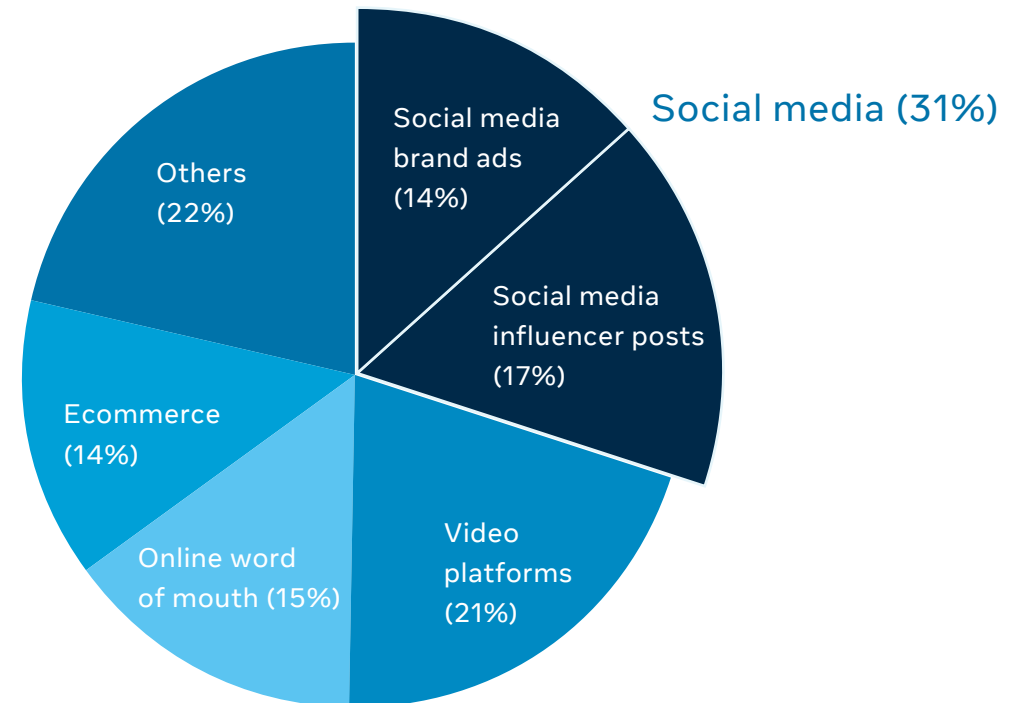


Cite “online” as top channel for brand consideration, with social media, video platforms most influential

“Southeast Asia, home for digital transformation” by Facebook and Bain & Company. (A Facebook-commissioned survey of 16,706 respondents from ID, MY, PH, SG, TH, VN.) Survey conducted May 2021. Note: *Others includes ads on super apps, gaming websites and emails from brands. Survey question: Q43. What influences you to consider a brand after seeing advertisements/posts across the following channels?

Across categories, social media dominates in influence, with video platforms close behind

% responses citing top channel that influences brand consideration



Evaluate stage

Beyond brand consideration, social media and ecommerce also reign as top channels for research

The tendency to turn towards social media and ecommerce platforms goes beyond brand consideration. These two channels are also preferred by consumers who are researching and evaluating products.

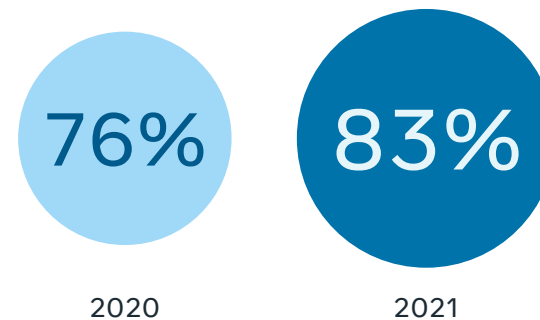
Among people who evaluate using online channels, 26% cite social media as a top research channel while 23% cite ecommerce marketplaces. Brand sites have also emerged as a key evaluation channel, with 11% saying they refer to it.¹⁶

In total, 83% of consumers cited online channels as the primary way they research and evaluate products versus offline, an increase from last year's 76%.¹⁶

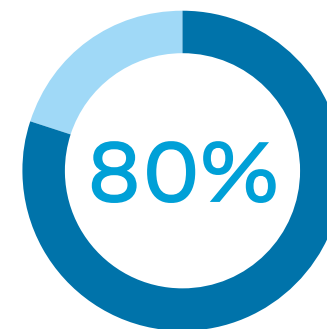
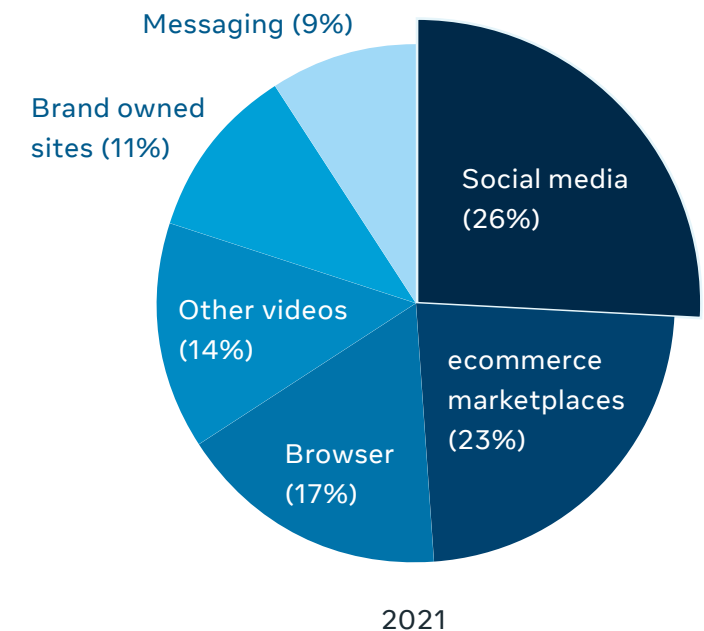
Ecommerce marketplaces draw consumers looking for a one-stop shop to view products alongside reviews from previous buyers. Four in 5 (80%) want to see positive user and influencer reviews to help them assess whether a product is worth buying.

Social media and ecommerce marketplaces as primary channel for evaluation

% online as primary channel



% responses citing at 'top' channel for 'evaluate'



of online consumers want to see positive user and influencer reviews to gauge products¹⁶

¹⁶ "Southeast Asia, The Home For Digital Transformation" by Facebook and Bain & Company. (A Facebook-commissioned survey of 16,706 respondents from ID, MY, PH, SG, TH, VN.) Survey conducted May 2021

Purchase stage

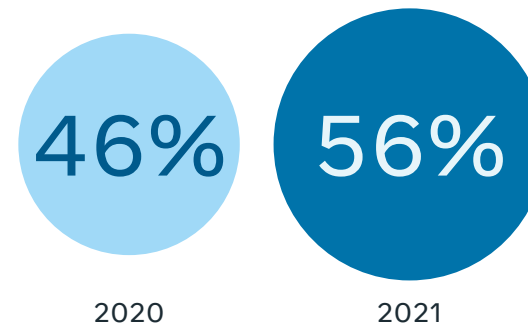
Ecommerce marketplaces, social commerce serve as key purchase channels

Unlike the Discover stage and the Evaluate stage, a sizable minority of Purchase-stage activities still take place offline through supermarkets, department stores, mom and pop stores and other retailers.

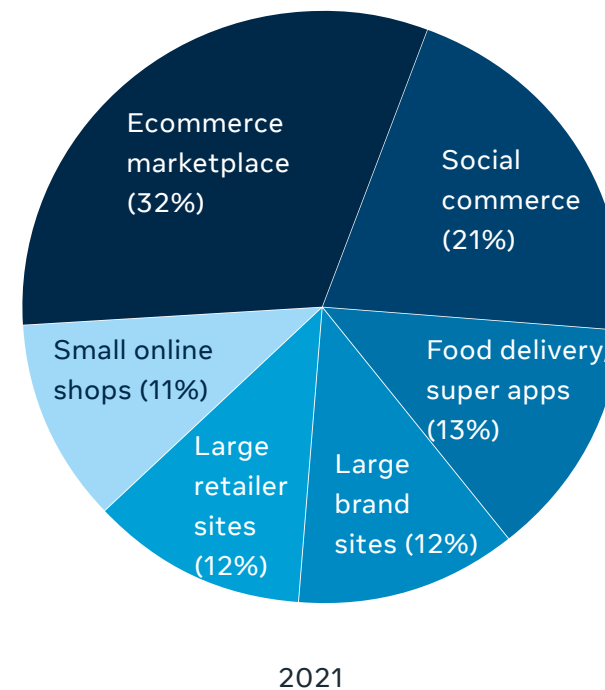
That said, the majority of purchases now take place online, with ecommerce marketplaces (32%) and social commerce sites (21%) making up at least half of online purchases.¹⁷

Ecommerce, social commerce account for half of online purchases

% online as primary channel



% of share spend by channels



¹⁷ "Southeast Asia, home for digital transformation" by Facebook and Bain & Company. (A Facebook-commissioned survey of 16,706 respondents from ID, MY, PH, SG, TH, VN.) Survey conducted May 2021. Note: Survey question: Q25. For a given category, what is the % allocation of your spend across different channels this year? And how does this compare to last year? Q26 For a given category, which online shops did you shop at in the last 1 year for?

Purchase stage

As investments fuel digital disruptions, e-wallets dethrone “king cash” as preferred way to pay

Southeast Asian consumers now prefer e-wallets over cash for online transactions, a change that coincides with a year in which investors have poured more money than ever into fintech ventures.

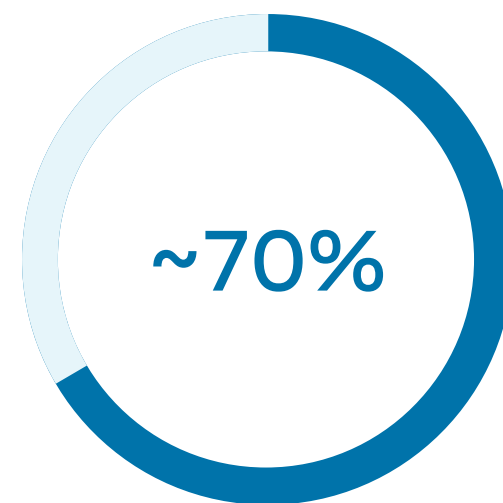
E-wallets are now the preferred payment option for 37% of consumers. By comparison, 28% said they still prefer cash, 19% prefer credit or debit cards and 15% prefer bank transfers.¹⁸

It's the first time in our study that e-wallets ranked higher than cash. Last year, cash was the preferred payment by 34% of consumers followed by e-wallets at 22%.¹⁸

The difference translates to a 70% year-on-year growth in Southeast Asian respondents

who say e-wallet is their preferred way to pay, with some countries demonstrating stronger growth than others. The Philippines saw a whopping 133% growth in consumers who prefer e-wallets, followed by Malaysia at 87%, Vietnam at 82% and Indonesia at 64%.¹⁸

While e-wallets have experienced strong growth in every country, its overall market share remains varied. Despite growth in the Philippines and Vietnam, for example, cash remains the preferred way to pay, while debit cards and credit cards continue to reign in Malaysia and Singapore. But e-wallets are poised to overtake these coming years following its explosive growth in the past 12 months.¹⁸



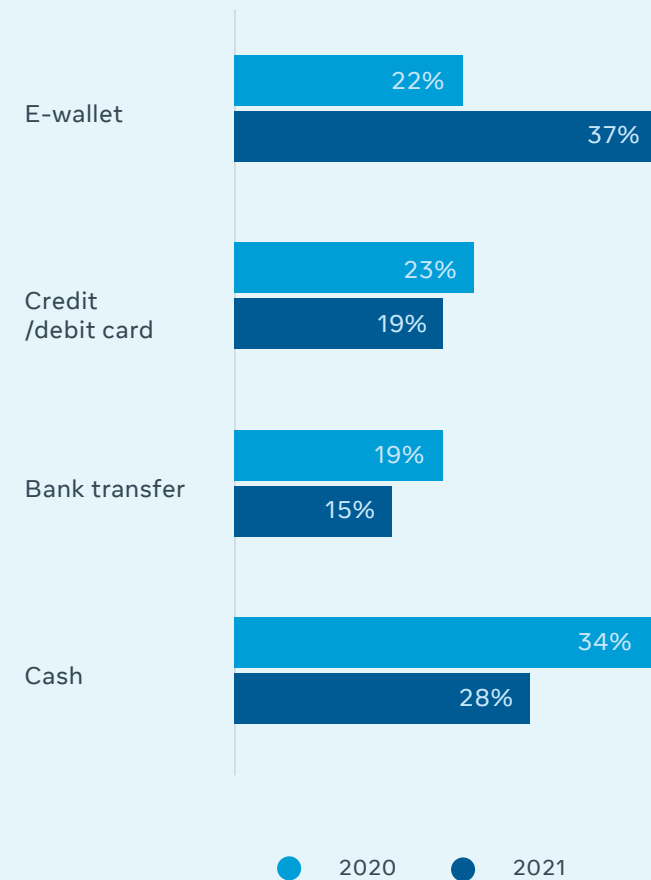
Growth in the number of consumers who say they prefer e-wallets for online transactions

¹⁸ "Southeast Asia, home for digital transformation" by Facebook and Bain & Company. (A Facebook-commissioned survey of 16,706 respondents from ID, MY, PH, SG, TH, VN.) Survey conducted May 2021. Note: Survey Qn 21: Which payment option do you prefer the most when shopping online? Survey Qnew3: What is the main reason that you are not using online payment options?



E-wallets now more popular at the expense of cash

% respondents on preferred payment methods



"Southeast Asia, home for digital transformation" by Facebook and Bain & Company. (A Facebook-commissioned survey of 16,706 respondents from ID, MY, PH, SG, TH, VN.) Survey conducted May 2021. Note: Survey Qn 21: Which payment option do you prefer the most when shopping online? Survey Qnew3: What is the main reason that you are not using online payment options?

Purchase stage

Security, privacy concerns weigh on online payments

In every country, security concerns topped the list of reasons respondents did not use online payment options. This was followed by worries about privacy as well as high charges and fees. The findings suggest that broader adoption of digital payments rests on addressing concerns surrounding these 3 issues.

Main reasons for not using online payment methods

Most cited 1



Worried about security

Most cited 2



Worried about privacy

Most cited 3



High charges and fees

“Over the past year, we have not only seen rapid growth in the digital consumer population but also broadened expectations from buyers. Users are increasingly coming to our platforms to discover, be entertained, and shop on the go across a wider selection of products and categories.

In tandem with this shift online, we are also seeing a rapid increase in adoption of our e-wallet services which makes it more seamless for consumers to move more of their activity online. This pace of change will continue in Southeast Asia and brands and sellers will need to innovate to sustain engagement with these mobile-first consumers.”

Santitarn Sathirathai

Group Chief Economist, Sea

“The digital investments we made some seven years ago have rewarded us handsomely and put us in a strong position today. Being ‘phygital’ (physical-digital) sets us apart as we ensure banking remains accessible to everyone.

From June 2020 to August 2020, new customer signups for our digibank app saw over 200% year-on-year growth. From Jan 2021 to April 2021, an additional 600,000 customers activated their online spending for the first time, 27% of whom are aged 51 and above. Our numbers are a testament to the strong demand from consumers for our digital and payment services.”

Shee Tse Koon

Group Executive and Country Head, DBS Singapore

A photograph of two young women with dark hair, looking down at a smartphone held by the woman on the right. They are in a modern, brightly lit interior space, possibly a cafe or office, with large windows in the background showing a blurred view of the outside world. The woman on the left is wearing a dark, textured sweater. The woman on the right is also wearing a dark sweater. The text is overlaid on the right side of the image in a white, sans-serif font.

New ways
of purchasing
emerges, with
social commerce
gaining popularity
in Southeast Asia

What is social commerce?

Social commerce refers to buying and selling that take place entirely on social media and other networking sites. There are 3 main types of social commerce that have emerged in Southeast Asia:



Peer-to-peer sales platforms

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



Conversational commerce

Direct conversation between sellers and buyers on online platforms, such as via chat or livestream.



Group buying

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



What drives social commerce growth

The growth of social commerce has been fueled by coronavirus restrictions and underlying demand.

Key factors driving the growth of social commerce include:

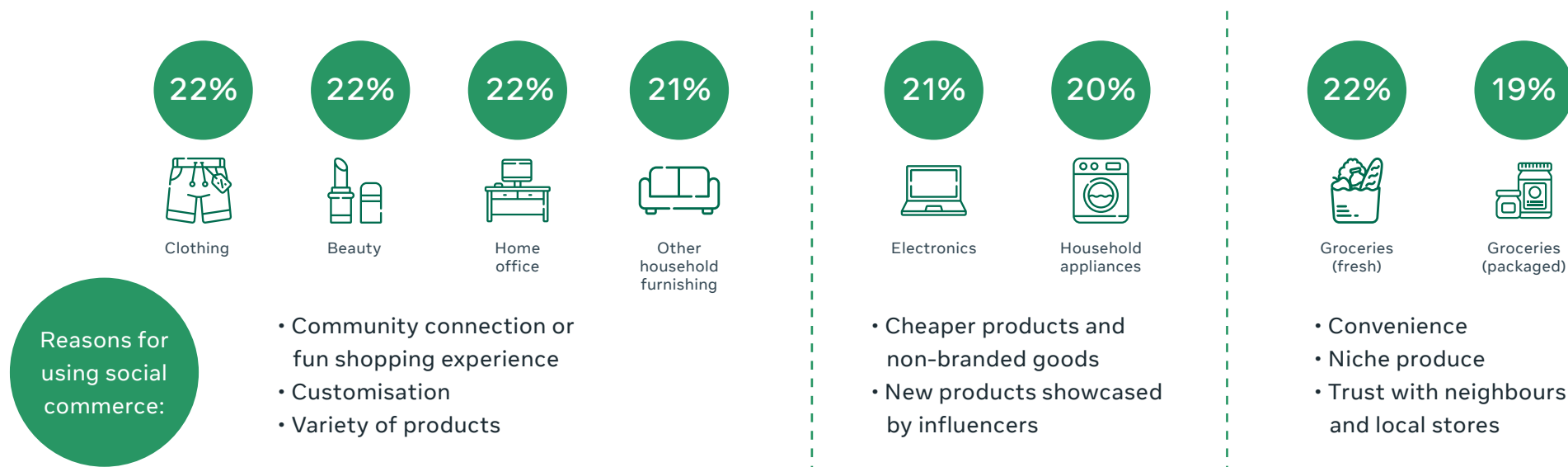
- The demand from consumers to have discovery and purchase on the same platform.
- Direct two-way communication (think chatting via Messenger, for example) that help build trust and better customer services.
- The wide adoption of social media in Southeast Asia due to COVID-19.

Respondents also cited other reasons for using social commerce. These include:

- Cheaper products and non-branded goods
- Community connection or fun shopping experience
- Convenience
- Customisation
- New products showcased by influencers
- Niche produce
- Trust with neighbours and local stores
- Variety of products

Spending on social platforms is evenly spread

% of total online spend on social commerce platforms





“Social commerce has an important role especially in underpenetrated rural areas. The social element and word of mouth allow consumers to quickly build trust and gain access to unique products from other regions.”

Pawin Sriusvagool

Group Chief Executive Officer, TEKO

Group Business Director, VNLIFE

“Social commerce is the first gateway to online purchases in many rural areas of Southeast Asia. What sets group buying apart is the power of community, which helps build trust in and loyalty to the platform and offerings.”

Alex Feng

Co-founder and Chief Executive Officer, Chilibeli

“High-end beauty products will work better on social commerce because of the customised services that their beauty advisors can provide. The high average ticket size and access to a proper CRM database allows them to engage consumers more closely and makes the economics work.”

Ines Caldeira

Chief Executive Officer, L’Oréal Thailand, Laos, Cambodia and Myanmar

Digital shophopping
accelerates as a new
way of life



Platform shoppopping turbocharged by 50%

Online shoppers visited 50% more platforms but became slightly more loyal to their most-purchased brands in the past 3 months.¹⁹

Digital consumers in Southeast Asia went from shopping across an average of 5.2 websites last year to an average of 7.9 websites in 2021, with the greatest increases seen in the Philippines (4.3 in 2020 to 7.8 in 2021), Indonesia (5.1 in 2020 to 8.2 in 2021) and Thailand (from 5.5 in 2020 to 8.6 in 2021).¹⁹

At the same time, while brand switchers still make up the majority of consumers, there was a slight downturn in their numbers. Fifty-one percent of respondents overall reported switching away from their most purchased brands in the last 3 months, compared with 54% the year before.¹⁹

The result was consistent in almost every market. Except Singapore and the Phillipines, all countries reported a slight downturn in the number of consumers who switched brands compared with the year before.

¹⁹ "Southeast Asia, The Home For Digital Transformation" by Facebook and Bain & Company. (A Facebook-commissioned survey of 16,706 respondents from ID, MY, PH, SG, TH, VN.) Survey conducted May 2021



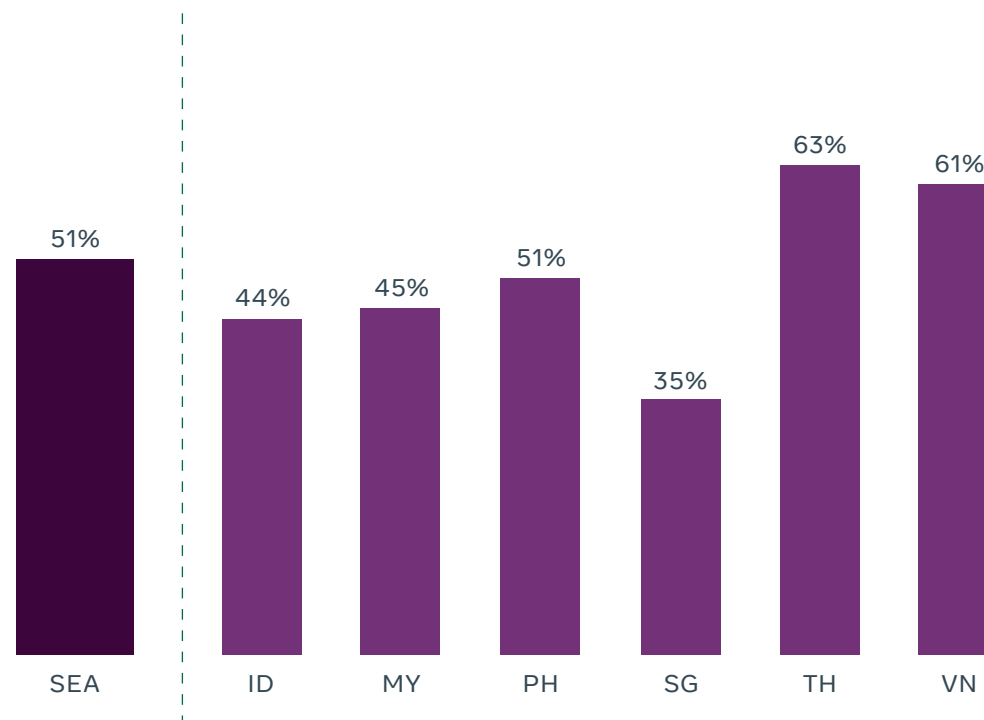
Digital consumers shop at 7.9 online platforms on average

Average number of websites used per respondent

	2020		2021	
SEA	5.2	→	7.9	1.5X
ID	5.1	→	8.2	1.6X
MY	4.8	→	7.0	1.5X
PH	4.3	→	7.8	1.8X
SG	5.1	→	6.2	1.2X
TH	5.5	→	8.6	1.6X
VN	5.7	→	8.2	1.4X

But a smaller majority switched brands in the past 3 months

% of responses who switched most-purchased brand in the past 3 months across categories vs the same period the year prior



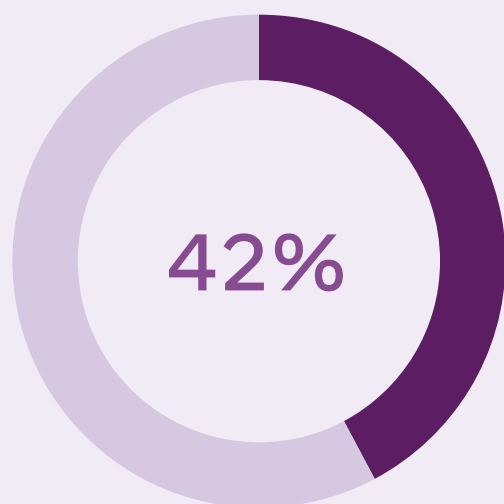
“Consumers are more willing to try new brands and platforms, and loyalty changes accordingly as a result. The key to maintaining loyalty comes down to the overall experience consumers get. In the past, consumers’ decision-making process was about physical reach and access to products, but now it relies more on elements of convenience.”

Tirayu Songvetkasem

Chief Digital Officer, Siam Makro



Reliability and customer experience still among top reasons for switching websites



of consumers have switched between online commerce websites in the past 3 months²⁰

²⁰ "Southeast Asia, home for digital transformation" by Facebook and Bain & Company. (A Facebook-commissioned survey of 16,706 respondents from ID, MY, PH, SG, TH, VN.) Survey conducted May 2021. Note: Survey question Q15. Why have you switched the brand you buy the most?; Found 'better product' could imply variety factors depending on category, but may not necessarily mean poor/declining quality of 'most purchased' brand

Consumers switch for better pricing, quality and availability

% of responses on reasons for switching most frequently used online websites

	Value-for-money	44%
	Better product quality	34%
	Better availability	32%
	Faster delivery time	32%
	Better product selection	30%

The battle for loyalty has moved beyond price into sustainability

While value for money remains the top reason for switching brands, it's no longer the only thing that matters. Consumers are also now paying attention to product quality and, in particular, sustainability and social responsibility.

Environmental, social and governance (ESG) factors were among the top 3 most cited reasons for switching brands in Southeast Asia as a whole as well as Vietnam. Other reasons that figured in the top 3 include finding more value for money brands (all countries), finding a better product (all countries), availability (Philippines) or trying something new (Indonesia, Malaysia, Singapore, Thailand).²¹

Product, ESG factors drive brand switching beyond value

Most cited reasons for switching brands

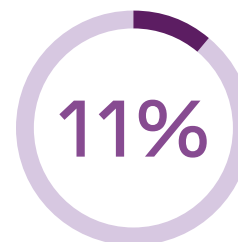
	1st	2nd	3rd	4th
SEA	Found more value-for-money brand	Discovered better product	Sustainability & social responsibility	Wanted to try something new
VN	Discovered better product	Found more value-for-money brand	Sustainability & social responsibility	Traded for a premium brand
ID			Wanted to try something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

● Trust/reliability
● 'Value' centric reasons
● ESG reasons
● Other reasons

²¹“Southeast Asia, home for digital transformation” by Facebook and Bain & Company. (A Facebook-commissioned survey of 16,706 respondents from ID, MY, PH, SG, TH, VN.) Survey conducted May 2021. Note: Survey question: Q32. Have you changed your most frequently used online shop in the last 3 months?, Q33. Why have you switched your most frequently used online shop?

Environmental, Social and Governance (ESG) factors among top 5 reasons to switch brands

SEA	#3				
ID	#5	TH	#4	SG	#4
MY	#4	PH	#4	VN	#3

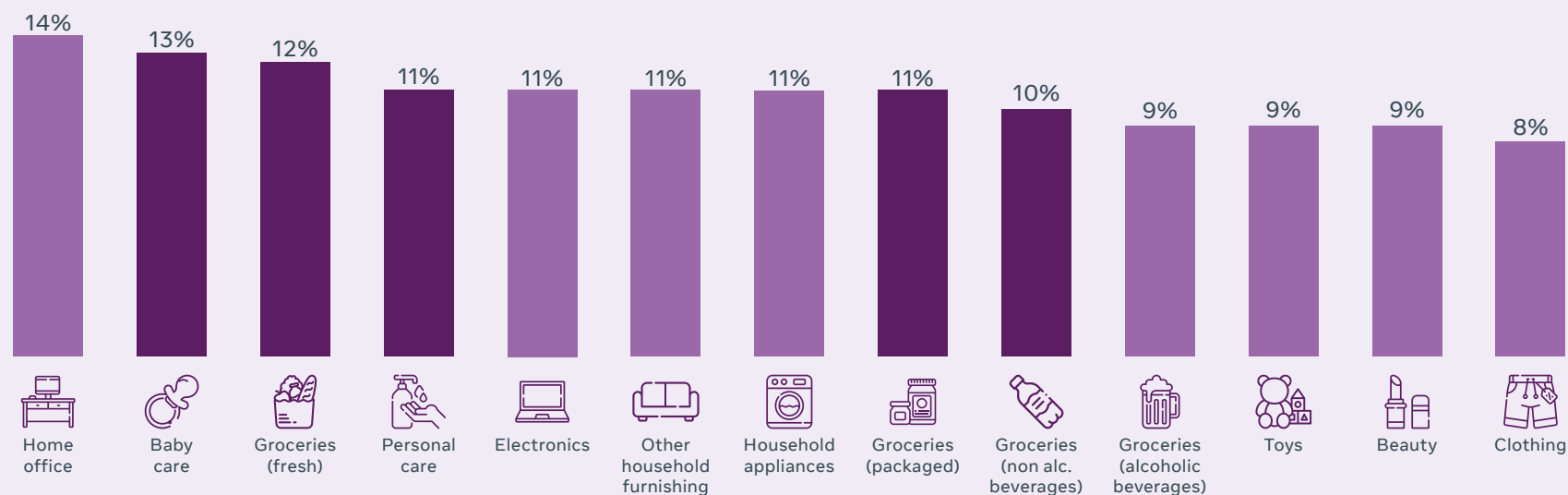


of respondents rank ESG as main reason for brand switching in Southeast Asia

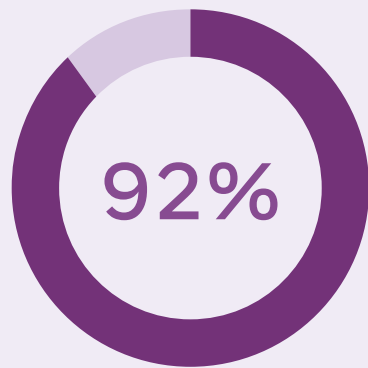
Household furnishings, baby care, fresh grocery buyers more sensitive to ESG factors

% of consumers who switched brands due to ESG reasons

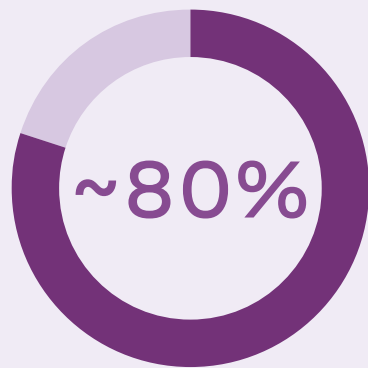
● 'Essentials' category



Sustainability factors compel consumers to pay premium

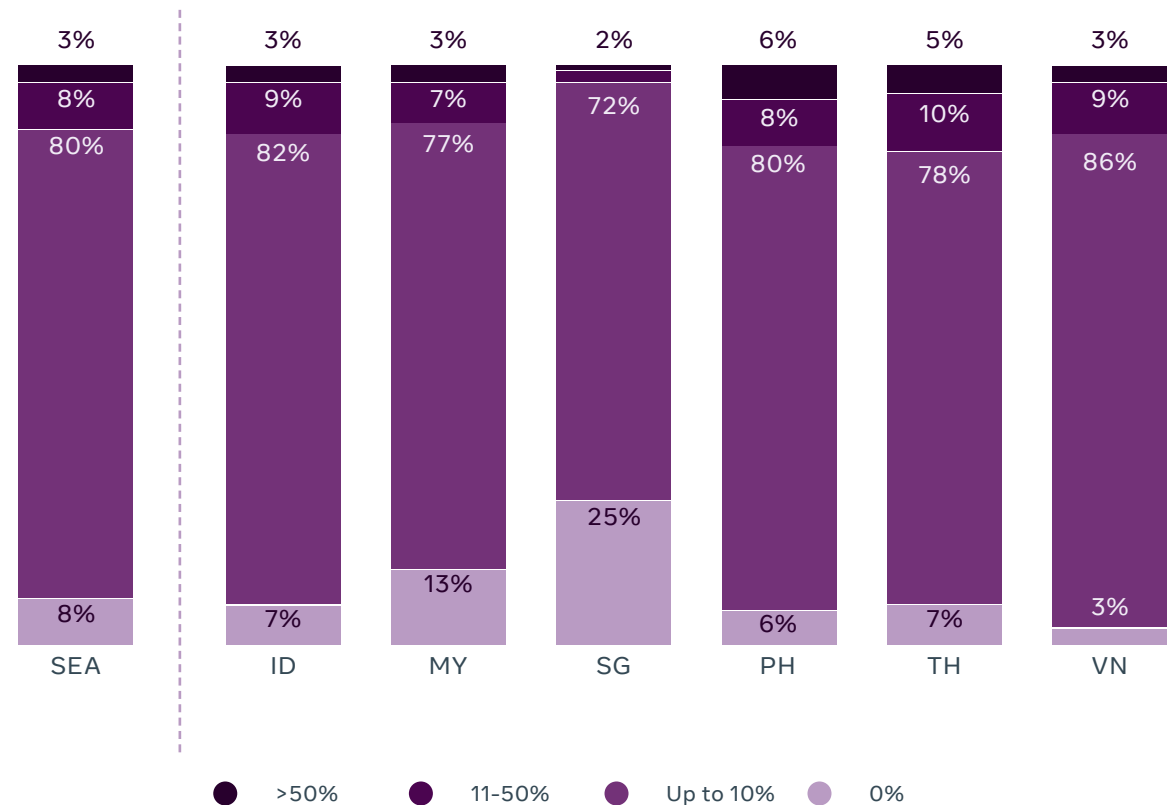


of Southeast Asian consumers are willing to pay more for ESG²²



of Southeast Asian consumers are willing to pay a **10% premium** for ESG²²

% of respondent breakdown by the extra amount they're willing to pay for ESG



²² "Southeast Asia, home for digital transformation" by Facebook and Bain & Company. (A Facebook-commissioned survey of 16,706 respondents from ID, MY, PH, SG, TH, VN.) Survey conducted May 2021. Note: Survey Qn Qnew9: How much more are you willing to pay more to incorporate sustainability/ social responsibility in the products you consume?



“The push for ESG considerations comes from different pillars—consumers demanding sustainable product offerings, for example, or the regulatory requirements on packaging, sourcing and manufacturing. There is also a clear push from investors who ask what companies are doing for ESG.”

APAC President of a consumer packaged goods firm

“Pricing and promotion remain a hygiene factor. At the end of the day, consumers are loyal to their wallets, but it will come down to who can give consumers both the best value and experiences.”

Magnus Ekbom

Chief Strategy Officer, Lazada Group

Tier 1, Tier 2 cities narrow spending divide

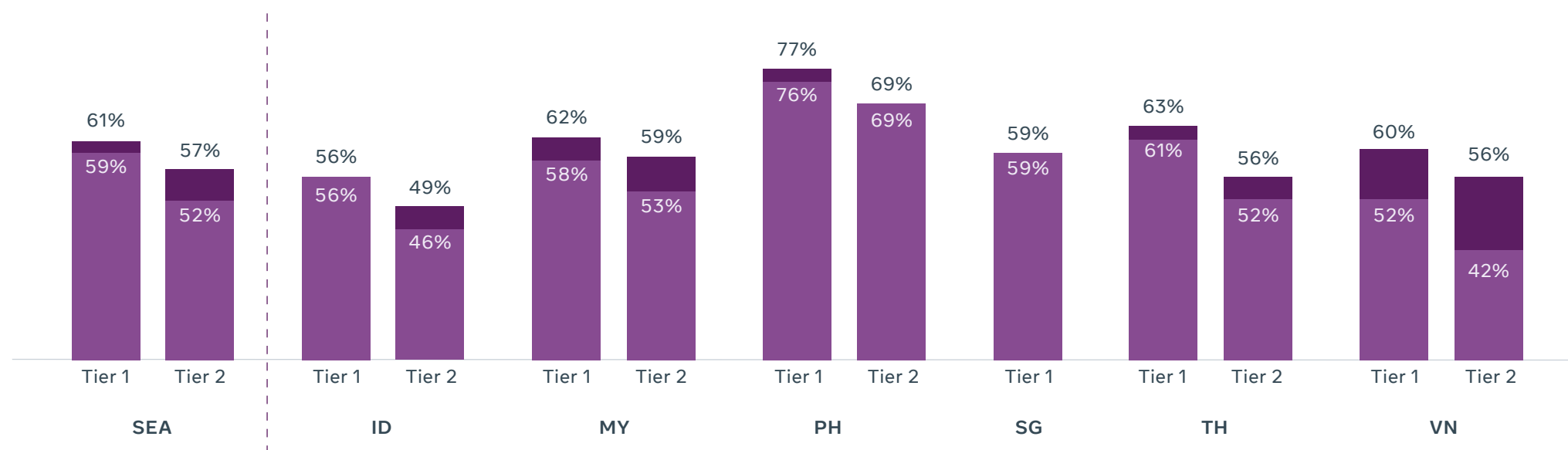
The number of high spenders in Tier 2 cities continues to catch up with that of Tier 1. In Southeast Asia as a whole, 61% of high spenders are in Tier 1 cities, compared with 57% in Tier 2. The Philippines, Indonesia, and Thailand continue to have a sizable but narrowing Tier 1-Tier 2 gap of 8 percentage points, 7 percentage points and 7 percentage points, respectively.⁷⁶

High spenders are defined as consumers with greater than 1x the average spend.

~60% of digital consumers in Tier 1 and Tier 2 cities are now high spenders⁷⁷

% of high spenders in Tier 1 and Tier 2 shoppers across countries

● 2020 ● 2021









²³ "Southeast Asia, The Home For Digital Transformation" by Facebook and Bain & Company. (A Facebook-commissioned survey of 16,706 respondents from ID, MY, PH, SG, TH, VN.) Survey conducted May 2021

Tier 1, Tier 2 cities' average spend, purchase frequency diverge despite similarities in behaviour

Consumers from Tier 1 and Tier 2 cities are becoming more alike: Both don't exactly know what products they want or where to get them, at least half of them switch brands and at least 4 in 10 discover products via social media, short videos and messaging.²³

But they still differ in a few ways. Consumers from Tier 2 cities have a lower average spend per online purchase than their Tier 1 counterparts, and they also buy online less often. Despite the similarities between the 2 groups, more can be done to address issues that hinder Tier 2 groups from making the most of the digital economy.

		Tier 1	Tier 2
	Don't know what products they want	65%	64%
	Discover via social media, short videos, messaging (% of those who are discover-led)	42%	47%
	Search via ecommerce (% of those who are search-led)	24%	22%
	Average spend per online purchase	\$50	\$39
	Frequency of online purchase in the last 3 months	6.0	5.3
	Switched brands in the 'last 3 months'	51%	52%

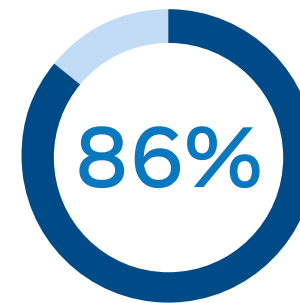
²³ "Southeast Asia, home for digital transformation" by Facebook and Bain & Company. (A Facebook-commissioned survey of 16,706 respondents from ID, MY, PH, SG, TH, VN.) Survey conducted May 2021. Note: Tier 1 and 2 cities defined in tandem with Facebook respective country marketing teams in 2019 report; Survey question: Q24. Which statement would best describe your purchasing journey for the following categories online?, Q41. When browsing and discovering products, which applications were you using across the following channels?, Q45. For the following categories, where did you find information and compare products, before you ended up buying your selected product?, Q14. For <category X> ?, have you recently (in the last 3 months) switched the brand that you buy the most?, Q20. On average, how much did you typically spend on each category, each time you purchased ONLINE?, Q19. How many times did you purchase each category online in the last 3 months? (*) Includes only consumer product categories

Life after coronavirus (COVID-19): The home-centric lifestyle is here to stay

Southeast Asians spend most of their time doing activities from home, and they expect the majority of it to continue to remain in-home as COVID-19 restrictions ease, our study found.

According to respondents, 67% of their time is spent at home, with the highest “in-home” activity taking place for food (79%), entertainment (75%) and alcoholic beverages (72%).²⁴

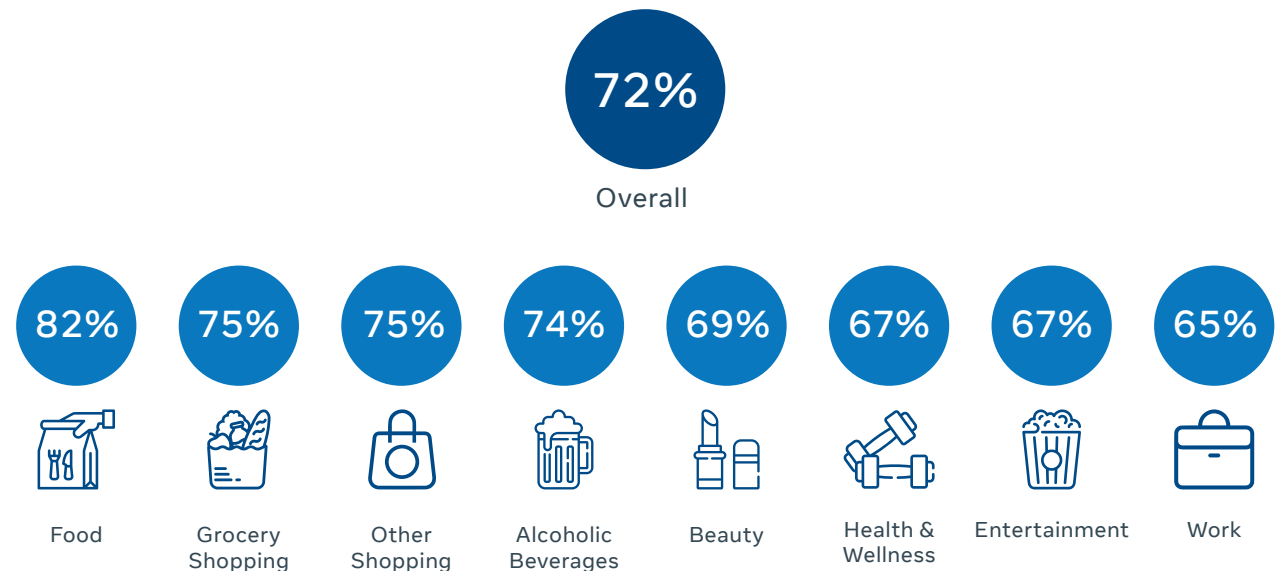
Some of this in-home time is expected to migrate outside as restrictions ease. Categories that are likely to see the largest migration out of home include entertainment (from 75% currently to 50% post COVID-19), health and wellness (from 68% to 46%) and work (from 56% to 37%). Time spent at home is expected to be most stable for food (from 75% to 65%), grocery shopping (58% to 43%) and alcoholic beverages (from 72% to 54%).²⁴ But regardless of category, consumers expect the majority of their home-based activities to stay put post COVID-19.^{24 25}



of in-home food delivery is expected to remain post COVID-19^{24 25}

Some buying activities are likely to move “out of home” as restrictions ease, but majority will remain post COVID-19

% of time spent on activities to remain after COVID-19



²⁴ “Southeast Asia, home for digital transformation” by Facebook and Bain & Company. (A Facebook-commissioned survey of 16,706 respondents from ID, MY, PH, SG, TH, VN.) Survey conducted May 2021. Note: Survey question: QNEW6. for the following activities, please indicate how much time you are spending in-home (vs. out of home) currently and once COVID-19 is no longer a big risk and restrictions have been lifted? *share Spent on food delivery as % of total spent on food (subset of “in home” spending)

²⁵ Life after Covid or post-Covid refers to when the virus is no longer a risk to the majority of the population and most restrictions have been lifted.

At-home spending on groceries, self-care expected to last

Consumers plan to either increase or maintain their at-home spending across categories post COVID-19, be it online or offline. Groceries, baby care, personal care and cosmetics are just some of the categories that will see at least 80% of the demand sustained or increased post-pandemic, be it online or offline.²⁶

On the other hand, categories most likely to see a downturn in at-home spending include toys, household furnishings, as well as groceries for alcoholic beverages. But even for these categories, the majority of respondents still say they will increase or maintain their spending post COVID-19.

²⁶ "Southeast Asia, The Home For Digital Transformation" by Facebook and Bain & Company. (A Facebook-commissioned survey of 16,706 respondents from ID, MY, PH, SG, TH, VN.) Survey conducted May 2021



“Dining at home will stay as this is becoming a fun experience rather than a necessity, supported by more social gatherings and entertainment at home. While Southeast Asia has a culture of home cooking, food delivery will continue to have a place as it is centred around occasions and convenience.”

Chris Conway

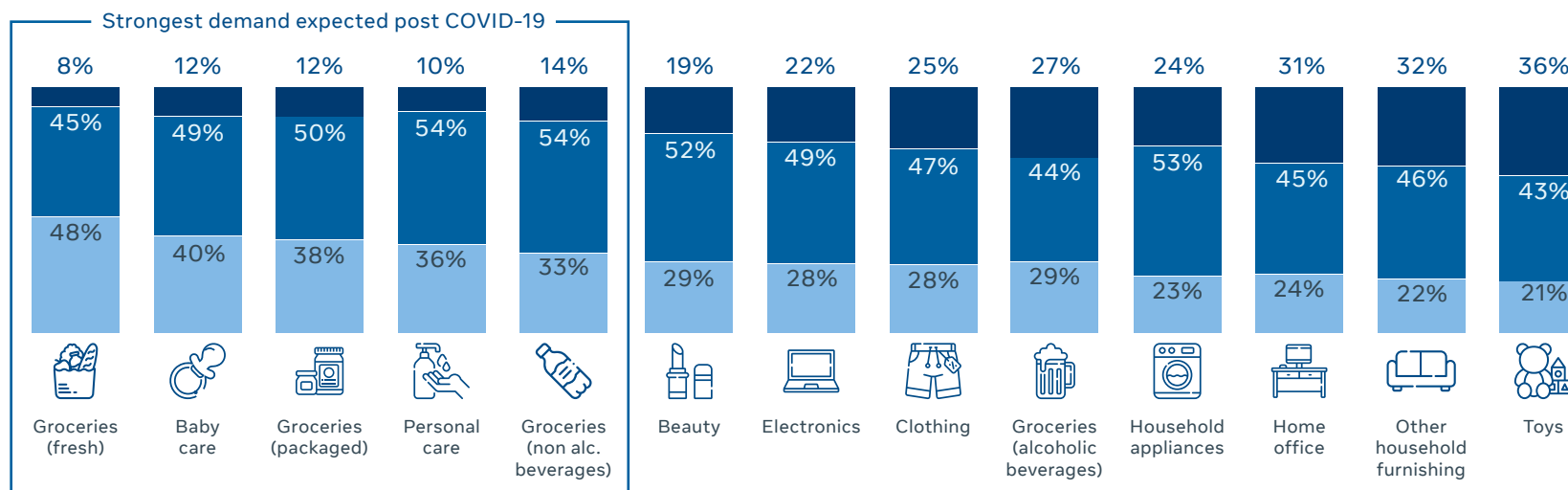
Vice President and Chief Growth Officer, Pizza Hut Asia-Pacific



Majority to increase or maintain spending post-coronavirus (COVID-19) across categories (online and offline)

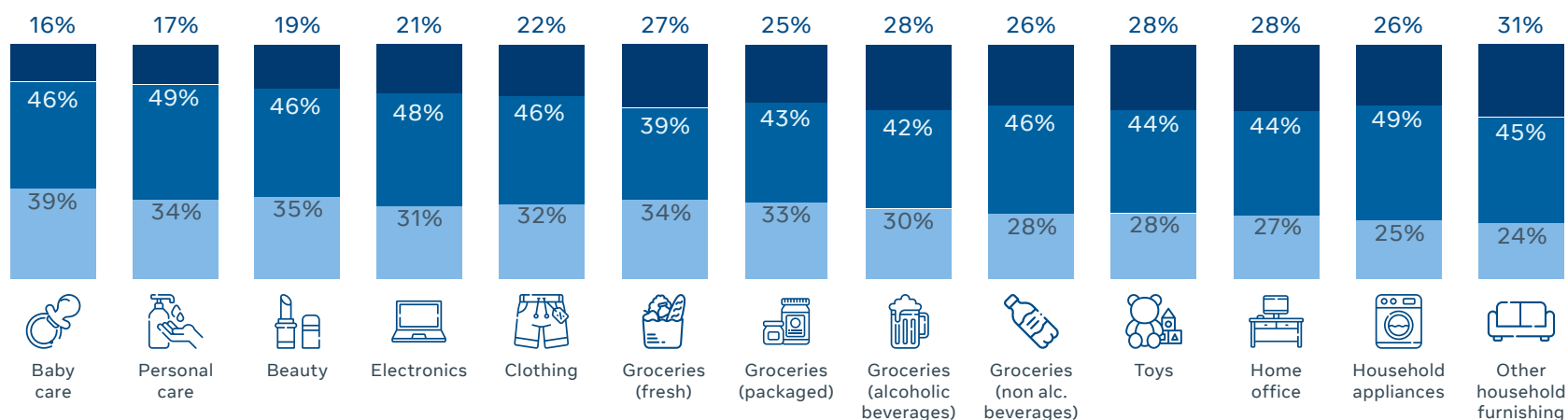
% of respondents by overall spending trend post COVID-19

● Spending less ● Spending the same ● Spending more

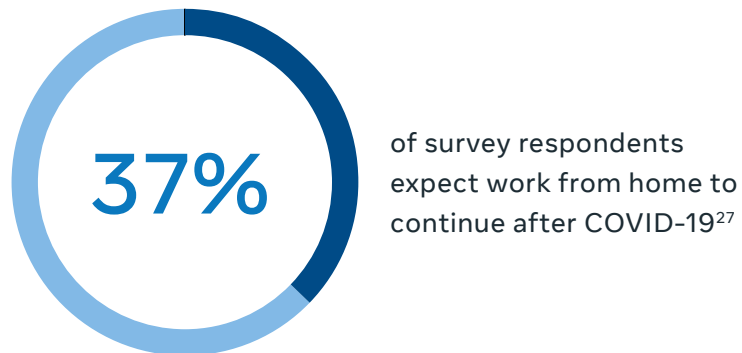
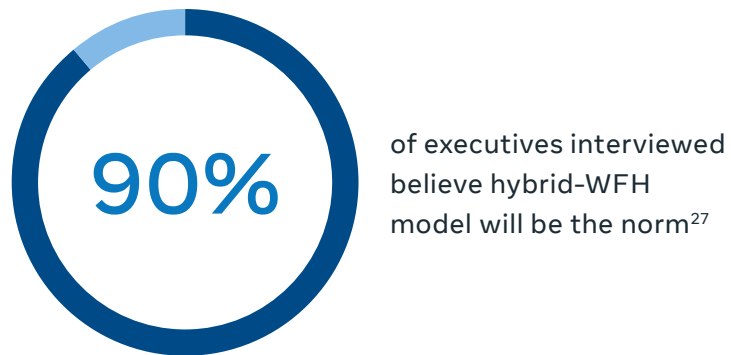


Majority to increase or maintain spending post-coronavirus (COVID-19) across categories (online only)

% of respondents by online spending on categories post COVID-19



Work will change permanently: Hybrid work from home likely to become the new norm



²⁷ "Southeast Asia, The Home For Digital Transformation" by Facebook and Bain & Company. (A Facebook-commissioned survey of 16,706 respondents from ID, MY, PH, SG, TH, VN.) Survey conducted May 2021

Telecommuting increased reliance on virtual technology

Virtual tools

- Meeting facilitation
- Content creation and collaboration
- Team chat
- Technology access and security
- Project management

Emerging technologies

- Emerging adoption of advanced tech like augmented reality and virtual reality

Business Travel unlikely to bounce back

Top reasons

- Health and safety concerns
- Lower travel budget
- Time saved from traffic (especially in Southeast Asia)
- Strong effectiveness of remote work during pandemic

Leisure travel poised for comeback

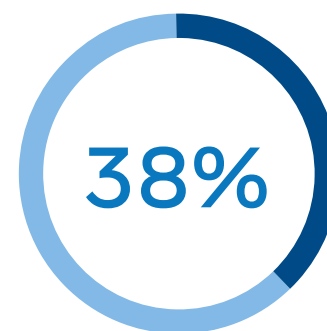
Despite the collapse the travel industry has faced, there is reason to be optimistic: Around 4 in 10 respondents say they expect to spend more on leisure travel post COVID-19, suggesting healthy demand once cases stabilise and borders reopen.²⁸

As international borders closed, demand for travel has collapsed but not completely disappeared. Travel shifted to domestic, with arrivals hovering at 37% of its 2019 levels. By comparison, international air arrivals in Southeast Asia declined to 6% of what it was in 2019.²⁸

And among all domestic travel markets, Vietnam is an outlier. It was the only country that saw its domestic air arrivals exceed its 2019 levels.

Note: Singapore's # of arrivals in 2021 (as % of 2019 pre-pandemic levels) is 6% for Domestic; Lit search, Bain analysis

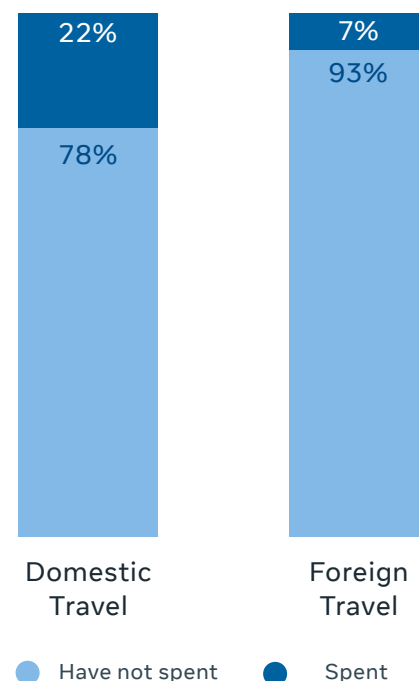
²⁸ "Southeast Asia, The Home For Digital Transformation" by Facebook and Bain & Company. (A Facebook-commissioned survey of 16,706 respondents from ID, MY, PH, SG, TH, VN.) Survey conducted May 2021



respondents expect to spend more on leisure travel post COVID-19 versus today²⁸

Travel moved domestic as international arrivals collapsed

% of respondents on whether they have spent on travel in the last year



No. of air arrivals in 2021 (as % of 2019 pre-pandemic levels from Jan to April)

	International	Domestic
SEA Average	6%	37%
ID	9%	20%
MY	4%	17%
PH	14%	24%
TH	2%	3%
VN	2%	120%



How they will grow

350M

digital consumers in Southeast Asia
by end of 2021

8 in 10

Southeast Asian consumers
have gone digital

What they buy

60%

more categories purchased online

1.8X

growth in online retail spend

How they engage

3X

growth in social video
popularity for product discovery

50%

more online shops purchased
at versus 2020

How they spend their time at home

~70%

of time spent for activities
in-home to remain




75%

of time spent shopping online
at home to continue

Digital trends to set pace



Payment, logistics and trust barriers erode, accelerating digitisation

	Key facts	Old barriers	Factors to overcome barriers
 Payment	1.7X E-wallet adoption rate this year vs. last year for online shopping	<ul style="list-style-type: none"> • Large unbanked population • Cash-on-delivery preferred 	<ul style="list-style-type: none"> • Promotion of e-wallet campaigns • Government incentives
 Logistics	>\$2.5B Invested in ecommerce logistic start-up in Southeast Asia in 2020	<ul style="list-style-type: none"> • Inconvenient delivery in rural areas • Poor transport infrastructure 	<ul style="list-style-type: none"> • Increase and expansion of funded logistics start-up • Expansion of logistic centres
 Consumer trust	4th Product quality assurance 4 th most important reason that drives consumer satisfaction	<ul style="list-style-type: none"> • Prevalence of counterfeit goods • No free returns 	<ul style="list-style-type: none"> • 100% authenticity ensured • Simplified return policies

Digital shoppers more satisfied as ecommerce marketplaces find footing

Customer satisfaction jumped significantly in just a year, suggesting that ecommerce firms are starting to gain traction as they refine their approach to customer experience.

The Net Promoter Scores (NPS) of ecommerce marketplaces have doubled and in some cases quintupled from 2020. For Southeast Asia as a whole, for example, the average NPS of ecommerce marketplaces stood at 53%, up from the previous year's 23%.²⁹

On a country-by-country breakdown, the largest increases were seen in Singapore (5.2x jump from 5% to 26%), Vietnam (3.3x jump from 20% to 65%) and the Philippines (2.5x jump from 26% to 64%). Regardless, every country has seen an increase in its NPS compared with the previous year.²⁹

²⁹ "Southeast Asia, home for digital transformation" by Facebook and Bain & Company. (A Facebook-commissioned survey of 16,706 respondents from ID, MY, PH, SG, TH, VN.) Survey conducted May 2021. Note: Survey question: Q28/ 29. 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

³⁰ 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.

What is a Net Promoter Score?

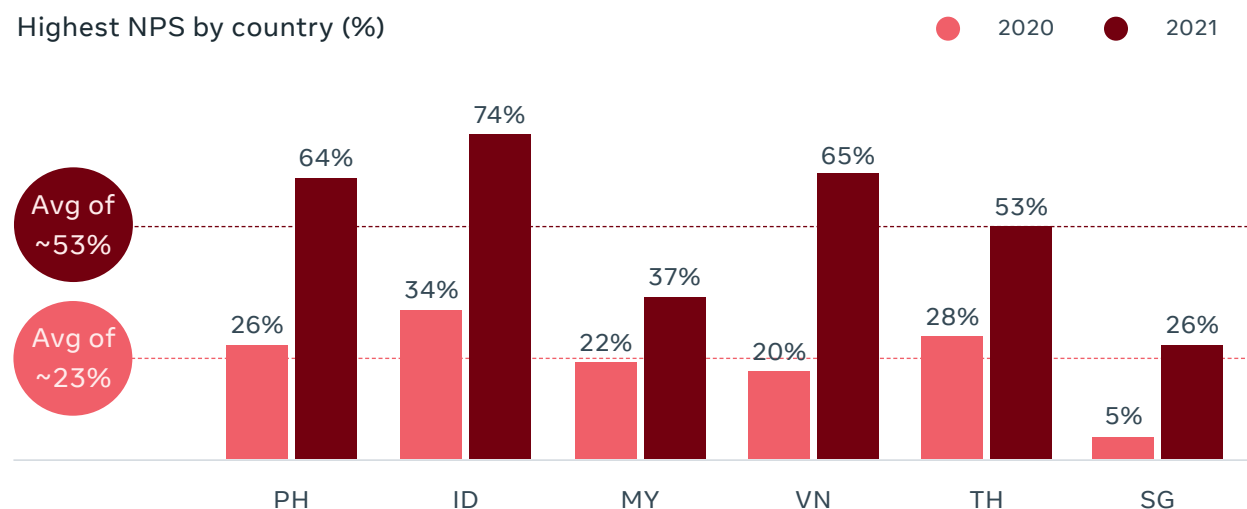
The Net Promoter Score³⁰ is a measure of customer loyalty developed by Bain & Company in 2003. It gauges answers to a simple question: "On a scale of 1 (lowest) to 10 (highest), how likely are you to recommend our product or service to a friend or colleague?"

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 demoralise 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.

Average satisfaction, as measured by NPS, doubled in the past year¹⁰²

Highest NPS by country (%)



Customer experience key to boosting satisfaction

Customer experience issues such as poor delivery experience, difficult return processes and lack of information are among the top complaints of Detractors. Addressing these issues, along with product-related complaints, can reduce the number of detractors and lead to a higher Net Promoter Score.

On the other hand, value reasons such as price are not among the top reasons for Detractors, but remains the baseline requirement to maintain Promoters. Other factors that help maintain Promoters include availability, good product range, as well as excellent product quality.

Top 5 reasons for positive NPS:

- 1 Price
- 2 Availability
- 3 Product range
- 4 Product quality
- 5 Information

Top 5 reasons for negative NPS:

- 1 Product meets expectations
- 2 Product quality
- 3 Delivery experience
- 4 Returns process
- 5 Information

"Southeast Asia, home for digital transformation" by Facebook and Bain & Company. (A Facebook-commissioned survey of 16,706 respondents from ID, MY, PH, SG, TH, VN.) Survey conducted May 2021. Note: Survey question: Q29/30. What do you enjoy/ dislike about your shopping experience on selected shop?, Price: "I am able to find the best prices for the product"/"The platform does not offer the best pricing", Availability: "I am able to find the product of my choice"/"I am not able to find the product I am looking for", Product range: "Wide range of product selection within the category", Information: "Availability of information (images, description, reviews, etc.) to help me select the right product", Product quality: "Product quality assurance"/ "I do not feel assured about product quality", Product meets expectation: "Products sometimes match my expectations (in terms of quality, colour, etc.)", Delivery time: "Delivery experience is great / Long delivery time", Return/ replacement process: "process is convenient"/"process is cumbersome", Payment process: "Frictionless payment options and the process is convenient"/ "Payment options are limited and the process is not convenient".

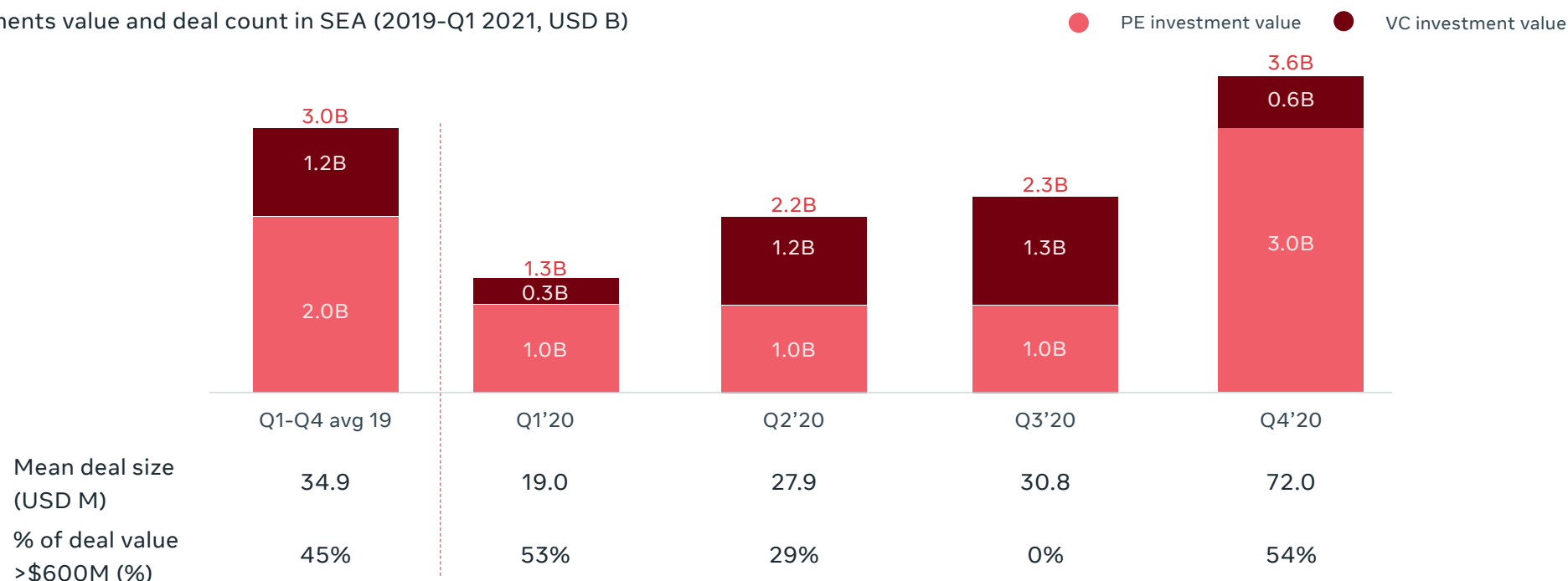
Investments rebound to surpass pre-pandemic levels, offering boost to emerging companies

The value of all private equity and venture capital investments reached around US\$3.6 billion in Q4 2020 alone, exceeding quarterly levels last seen in 2019. Southeast Asia's deal value for the whole year totalled US\$9.5 billion, higher than Brazil's (US\$5.6 billion) but lower than China's (US\$73 billion) or India's (US\$30 billion).

Investments continue to flow regardless of the pandemic, providing a much-needed boost to emerging companies.

US\$9.5 billion in deals from venture capitalists, private equity last year

PE/VC investments value and deal count in SEA (2019-Q1 2021, USD B)

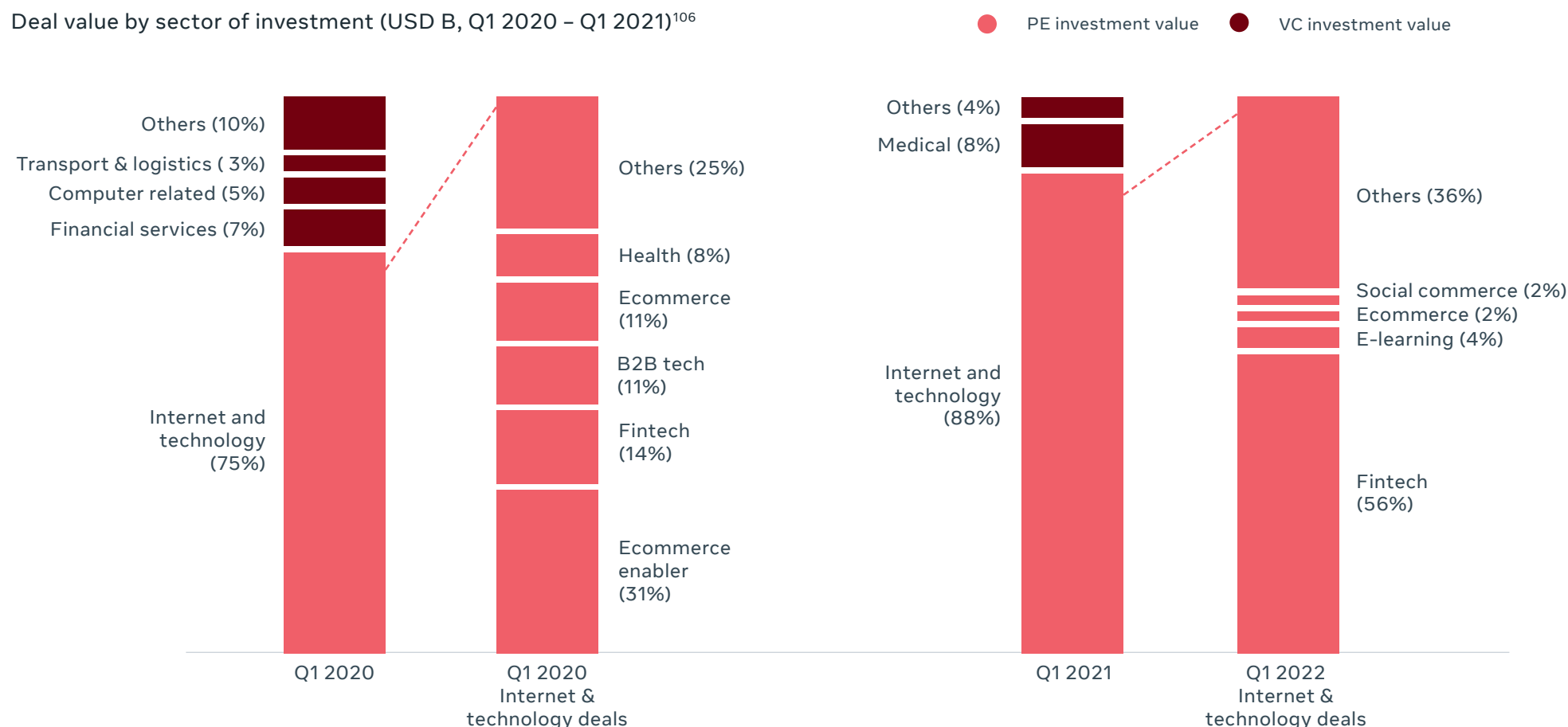


"Southeast Asia, home for digital transformation" by Facebook and Bain & Company. (A Facebook-commissioned survey of 16,706 respondents from ID, MY, PH, SG, TH, VN.) Survey conducted May 2021. Note: Deal size and counts shown only include deals that are closed and reported with transaction figures; Only for PE/VC investments and PE buyouts, excl. Acquisition, Division Purchase, JV Buyout, M&A Investment; Trademarks and copyrights displayed herein are the property of their respective owners | Source: AVCJ; Bain analysis

‘Triple explosion’: Fintech corners most internet and tech investments

E-learning, ecommerce and social commerce also benefited from venture capital and private equity

Deal value by sector of investment (USD B, Q1 2020 – Q1 2021)¹⁰⁶

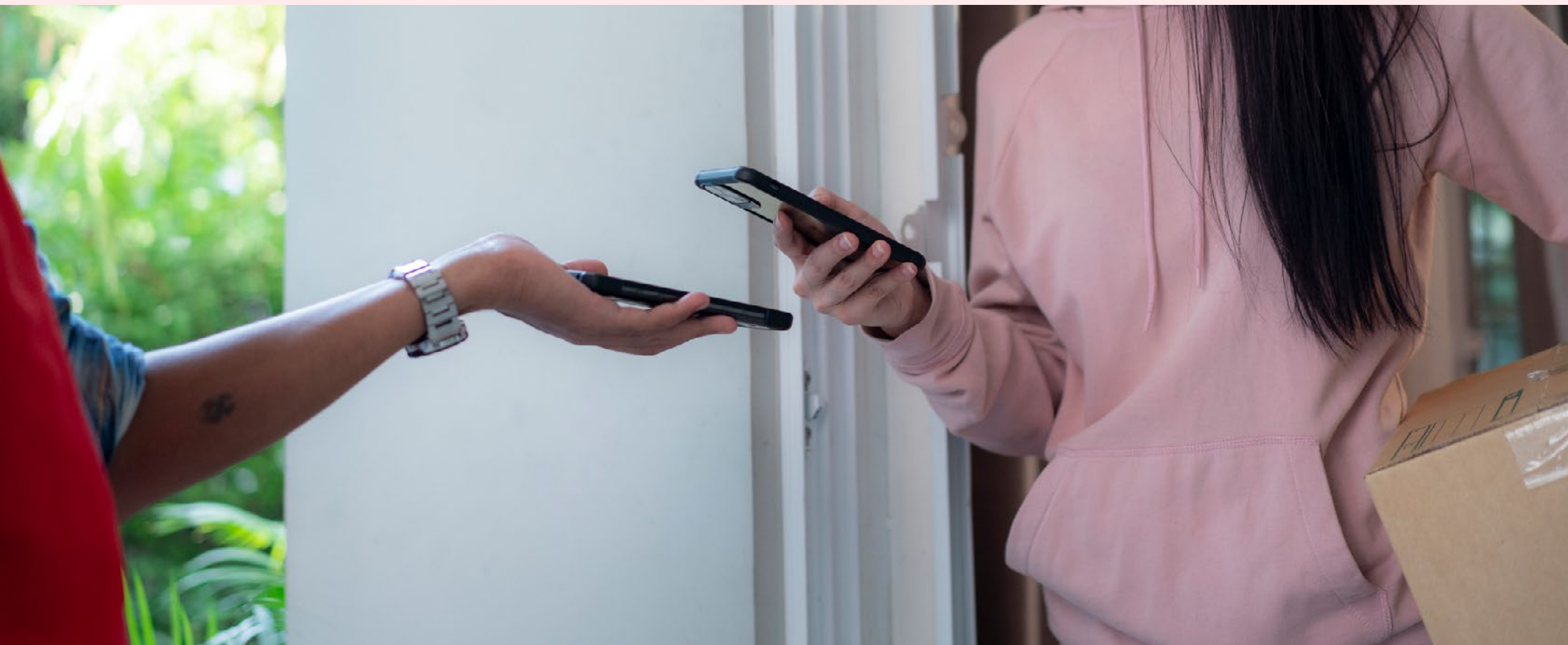


“Southeast Asia, home for digital transformation” by Facebook and Bain & Company. (A Facebook-commissioned survey of 16,706 respondents from ID, MY, PH, SG, TH, VN.) Survey conducted May 2021. Note: * Excl. ~\$700M Grab deal in Q1’20, ** Excl. \$300M Grab deal in Q1’21. Deal size and counts shown only include those reported with transaction figures; Only for PE/ VC investments and PE buyouts, excl. Acquisition, Division Purchase, JV Buyout, M&A Investment; Trademarks and copyrights displayed herein are the property of their respective owners | Source: AVCJ; Lit. Search; Bain analysis

“To overcome the impact of COVID-19, central banks will keep the costs of capital low—which means until this changes, the most esoteric fintech models will make sense. Therefore, we are looking at a massive triple explosion of fintech. Not only are regulators removing the regulation barriers, we’ll also see a roaring river of capital with no friction.”

Dmitry Levit

General Partner, Cento Ventures



Surge in online transactions paves way for new forms of finance

Emerging fintech trends



Buy now, pay later

Allows consumers to make purchase and pay-off over installment



Peer-to-peer lending

Allows individuals or businesses to lend money to one another



Digital wallets

Allows consumers to store money and make payment digitally



Embedded finance

Extended financial services offering by non-financial services app (e.g. retailer, ride-hailing)



Cryptocurrency

Decentralized virtual currency secured by cryptography

Key success drivers in Southeast Asia

The rise of ecommerce

influences consumers to spend more and faster than usual

Large number of SMEs

with unmet financial needs

Strong support/
incentives from government
for cashless transformation

Large and fast-growing
use base of super-app

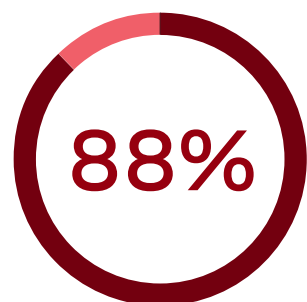
Supportive policies to
regulate cryptocurrency



More dry powder to fuel deals as tech appetite grows

Despite the robust deal flow seen in the past year, there is appetite for more technology and internet deals as consumers across Southeast Asia spend more on digital services.

Significant fund and dry powder for growing sectors



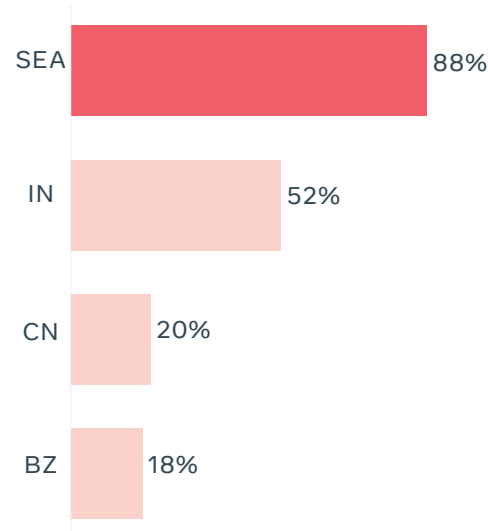
Fund flows to internet and technology space in Q1 2021 in Southeast Asia



Total unspent capital with Southeast Asia private equity funds

Southeast Asia has the highest proportion of investment in tech space

% of PE / VC investment in internet / Technology (% , Q1 2021)






Consumer shows appetite to spend on digital services

% respondents expected to spend more on digital services (financial, healthcare) post-COVID-19

SEA	38%
ID	38%
MY	33%
PH	34%
SG	30%
TH	45%
VN	39%

Education, finance, health to see strong digital demand

	Disruptor driver	Habit changes (since COVID-19)	Winning capabilities
 Fintech Finance	Improved variety of financial services	67% used fintech for the first time	<ul style="list-style-type: none"> • Competitive cost • Efficient onboarding • Good user experience • Seamless offline/online experience • Effective scaling and monetising • Low consumer acquisition cost
 E-learning Education	Student/parent acceptance	45% 16 to 25-year-olds used online learning for the first time or more than before since COVID-19	
 Telemedicine Healthcare	Increasingly digital savvy consumers	79% Survey respondents used digital health for the first time since COVID-19	

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

“The opportunities for Southeast Asia is immense. The region will be a growth market for at least the next 10 years as new verticals, industries and products emerge. The pandemic drove tremendous interest for certain verticals like financial services and tele-health. These sectors are giving access to the underserved and are creating employment opportunities that were not possible before.”

Justin Hall

Partner, Golden Gate Ventures

“‘Buy now, pay later’ is about giving consumers access to products without relying on credit while creating an ecosystem to connect merchants with consumers. As a result, we have seen around 700% growth in merchants on our platform over the past 18 months.”

Stuart Thornton

Chief Executive and Co-Founder, hoolah



A woman with long dark hair and glasses, wearing a dark blue turtleneck sweater with a red diagonal stripe and grey leggings, is sitting on a white workbench in a sewing studio. She is holding a grey tablet computer with both hands and looking down at it. On the workbench, there is a yellow apple in her left hand, a silver water bottle, an orange, and some plastic bags. In the background, there is a mannequin, a sewing machine, and various sewing supplies. The text "What now for businesses?" is overlaid on the right side of the image in a dark blue, serif font.

What now for
businesses?

What now for businesses?

6 ways to get ahead in the race for digital consumers

As Southeast Asia becomes the new ecommerce powerhouse, businesses need to adopt “The Six Rs”— 6 crucial strategies for companies and chief marketing officers to implement to take advantage of the region’s digital boom.



1. Rewrite a digital-first agenda

Consumers have spent close to 2 years developing online buying and browsing habits. Those habits are firmly embedded and not about to change, influencing everything from how consumers hear about products to how they evaluate them against competitors and ultimately, how they make purchases and develop brand loyalties.

The promise of digital leadership is clear: Improved customer experience, loyalty and market share. Engaging consumers online, online sales and strategy can no longer be an afterthought. In fact, most insurgent brands tear down barriers set up by legacy brands in Route to Market and expensive TV reach by adopting a digital-first strategy: Over-indexing on ecommerce channels and deploying targeted digital media, thereby reducing upfront investments and enabling speedy growth.

Brands need to develop a holistic digital commerce strategy containing all the necessary building blocks and ensure a seamless consumer engagement.





Ensure seamless engagement by optimising execution levers across the consumer journey



See

Drive maximum traffic through understanding of online shopper, consistent off-platform digital marketing



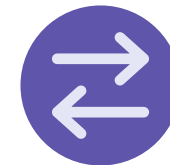
Find

Optimise finding the right details of product (vs. alternative or competitor SKUs) through search & shopper marketing



Buy

Boost purchase through right online assortment, a tailored price and promotion strategy and finding the right details of product (vs alternative or competitor SKUs)



Repeat

Data-driven decision making and test-and-learn adaptation; Scale and leverage CRM marketing to re-target shoppers and grow overall penetration

— Traffic generation —

Conversion

Conversion/
Traffic generation —

2. Rewire your business model

Disruptions to business models are happening 360 degrees in every arena, and we don't expect that to change. Instead of waiting for a moment of stability to make plans, brands should look at how they can adapt now—and how they can plan for future disruptions. The best way to tackle this is to start with a “Future Back” approach.



Ask yourself these questions:

1. How is my ecosystem likely to evolve?
2. What are the emerging consumer cohorts that will shape the industry?
3. Who are the competitors of tomorrow, especially those that don't exist today or are my partners now but may turn into “frenemies” as they eat into my profits?
4. Is my route to market geared to a world where online B2C and B2B will exponentially grow?
5. Are my systems and processes agile enough to handle unprecedented change, including the need to provide local or personalised offerings?
6. Does my organisation have the necessary skill sets for the future?
7. What role are the regulators likely to play in my industry?
8. What partnerships do I need to forge for asset-lite scaling?
9. How will data, automation and machine learning likely influence my value chain?
10. How do sustainability and better corporate responsibility influence my future performance?

3. Reimagine consumer engagement

Ecommerce platforms are increasingly used for search. Social channels are increasingly used as a point of sale. For digital consumers, while the proportion of end sales is still split between offline and online, the role of digital media and channels far outweighs offline channels for brand discovery and consideration.

Common pitfalls we see here include “flying blind”—low visibility on how much is spent or a “last-year+” mindset to allocating commercial spends or not being ROI driven. Brands must independently reevaluate their commercial activities and re-orient their marketing and route-to-market spends to mirror this multi-channel, multi-platform path to purchase.

Today’s buyers are increasingly quick to switch brands and platforms. They expect a seamless experience, from discovery to sale to delivery. Create a unique, consistent and engaging experience across your offline presence, social channels, website and app. In doing so, you can establish brand loyalty and differentiate yourselves from your consumers.

Finally, recognise that commercial operation levers are different for offline channels versus ecommerce. Hence, tweak your internal processes like sales and operations planning, decision rights, dashboards/key performance indicators and organisation structure. The talent in your commercial organisation needs to be well versed across all elements of the funnel versus taking a legacy siloed approach.

4. Refresh product offerings

With consumers switching brands and platforms regularly, they will increasingly demand “Right for me, right now” products, services and experiences. On the other hand, COVID-19 will drive a higher need for affordability. Brands will need to manage this polarisation while keeping their range simple, with easy-to-understand propositions and price points.

5. Re-envision the role of sustainability

Ensure that your brand has adequate environmental, social and governance (ESG)-focused options on your product range and proposition. Transforming the supply chain to improve sustainability is possible without compromising on cost efficiencies.

Remember, your consumers are willing to bankroll your environmentally and socially friendly practices. Make your sustainable practices explicit to capture a brand switch from Southeast Asian consumers.

Pricing up for sustainability: 4 ways to make it work



Price below elasticity barriers

Modest increase with continuous improvements in value proposition



Price straight to sustainability

Price increase passed on to farmers, ecosystems



Price up for greater value proposition

Major product change, strong sustainability improvement in value proposition



Price premium for new partition/ value proposition

New product line with new and more sustainable value proposition

What now for businesses?

6. Realign to the post-pandemic hybrid lifestyle

Although the “new normal” is still taking shape, flexible working arrangements are here to stay, paving the way for fewer daily commutes, less in-person time at the office and a more home-centric lifestyle. Consumers want shopping options that keep them closer to home, especially in Southeast Asian countries with challenging transportation issues.

Product offerings, marketing, and delivery options should cater to this new wave of homebodies. Redesign and customise a subset of your offerings especially for at-home consumption.



Digital consumers are ready for you to accelerate

Digital growth found a new home in Southeast Asia. The home-centric lifestyle is here to stay, digital lifestyles have accelerated, daily routines have been transformed. We saw that today's digital consumers aim to discover, explore their choices and embrace the online path to purchase. They seek value and quality, but now also sustainable and conscious choices.

Southeast Asia has jumped to the top of the Asia-Pacific priority list for brands marketing and selling in the ecommerce space—and for those that are ready to jump into the market. The durable digital consumer trends that have emerged from the pandemic pave the way for action.

With 70 million new digital consumers in Southeast Asia since the beginning of the pandemic, brands can't afford to underestimate this market. The durable digital-centric habits that consumers established in 2020 create a new consumer profile that you can use to anchor your business plans moving forward.

These “Six Rs”—rewrite, rewire, reimagine, refresh, re-envision, and realign—along with the insights we've presented in this report, define the path that brands owners and chief marketing officers need to take at this pivotal moment to capitalise on the growth of Southeast Asia.

The moment has arrived for brands to take advantage of Southeast Asia's paradigm shift in consumer behaviour.

Get ready to engage with the consumers of the digital age.

Top takeaways

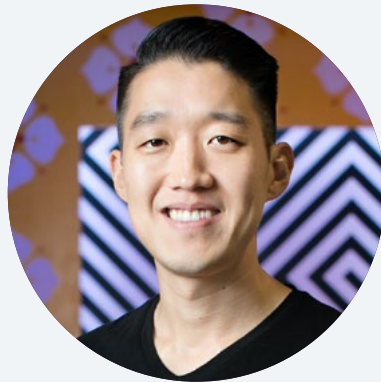
- 1** Growing from strength to strength, Southeast Asia leads Asia-Pacific's digital transformation
- 2** The pandemic leads to a paradigm shift in the consumers' purchase journey
- 3** In the battle for loyalty, product quality and experience, not just price, win over consumers
- 4** Environmental and sustainability factors now compel consumers to switch brands—and pay more for them
- 5** Home-centric lifestyles to persist beyond the pandemic
- 6** Investments fuel fintech, e-learning, ecommerce and other digital disruptors in the region



Meet the experts from the report



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About Facebook and About Bain & Company

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