

They say they want a revolution

Total Retail 2016



..... Consumers around the world are fundamentally
disrupting the retail value chain.
..... Will your organisation be left behind?

Foreword



A retail revolution is underway in Southeast Asia

Retail and consumer-focused brands in Southeast Asia are facing a marketplace that is changing rapidly—bringing both risk and opportunity. Macroeconomic conditions in many Southeast Asian countries are creating uncertainty. Consumers are making different choices regarding where, how, and from which retailers and brands to buy.

Some of the changes in retail have an impact on a global scale—companies that want to sell globally have to address the changes globally. But, leading consumer brands have recognised that significant value can be created by tailoring their offerings to fit regional or even local preferences, and are making investments to deliver and capture this value.

PwC's Total Retail 2016 survey helps you understand this value. It provides a unique look at how consumers in key Southeast Asian markets think about and act upon the purchases they make—and it provides sharp insight into what drives Southeast Asian consumers differently than consumers around the world.

Retail and consumer-focused brands seeking to grow in Southeast Asia stand to gain by factoring these insights into their plans for growing sales, profits, and their relationships with consumers.

This report focuses on the Southeast Asia results of our survey - giving you detailed insight on how Southeast Asian consumers are changing the retail landscape locally. We trust it will be a useful reference tool for you in creating the value your consumers are looking for.

What is top of mind?

In PwC's most comprehensive Total Retail survey to date, we asked nearly 23,000 online shoppers around the world about issues ranging from mobile shopping to social media influence to innovation at retailers. Their answers reveal the changing behaviours that will drive the next retail revolution.

In Malaysia, Singapore and Thailand, we surveyed 500 consumers each. Here is a snapshot of our findings in Southeast Asia.





1

Nearly everyone, everywhere is shopping online

- About half of Malaysian respondents buy online at least monthly and only 7% have never shopped online.
- But Southeast Asia online shopping adoption lags China and Japan



2

Southeast Asia shoppers lead the world in mobile and social adoption

- Nearly three quarters of Malaysian respondents use social media to access promotional offerings while shopping
- Consumers in Southeast Asia demonstrate a strong desire to use social media in forming associations with their preferred brands



3

There is strong unserved demand for broader product assortments

- It's a significant motivator for overseas online buying
- Southeast Asia consumers want the retail store to act as a portal for the total brand



4

Consumers increasingly want more delivery options...the day they order

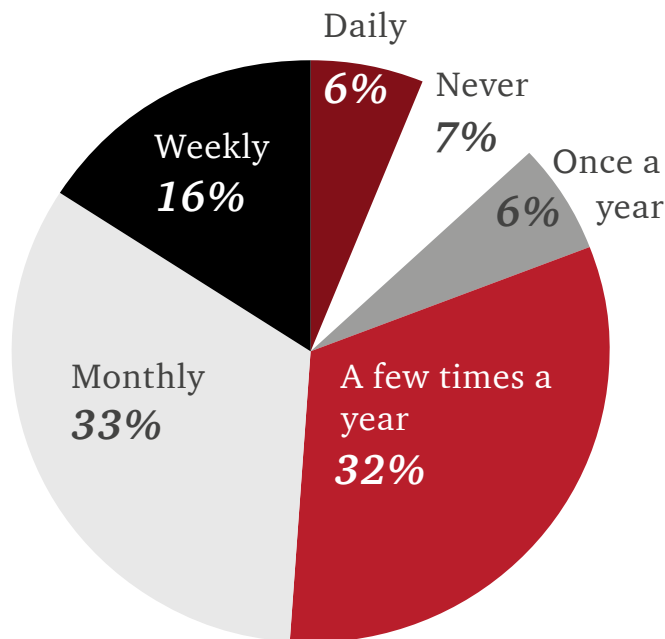
- Popularity in Southeast Asia for pick-up in store or at a third-party location
- Willingness to pay extra for same-day or next-day delivery

Rapid adoption of online buying

Nearly everyone, everywhere is buying online. 93% of all Southeast Asian consumers we surveyed have made online purchases—many of them at regular frequencies (see Fig. 1). This percentage is similar to consumers surveyed globally.

It's clear that consumers are willing to buy online, and it means that every brand—whether a manufactured product, service provider, or retailer—needs to have a strategy in place for addressing consumers who wish to engage online.

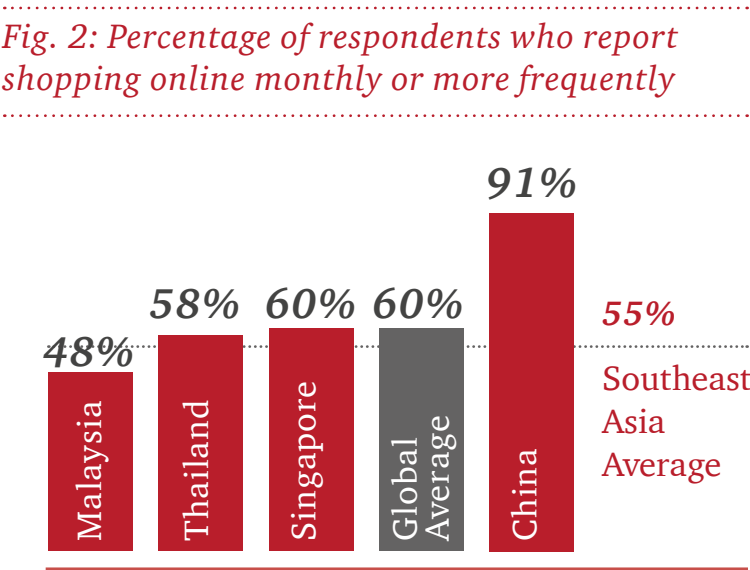
Fig. 1: Online shopping frequency of Southeast Asian survey respondents



In terms of online buying frequency, although a sizable percentage of consumers in Southeast Asia report buying on a daily, weekly, or monthly basis, the percentage is smaller compared to our overall global sample.

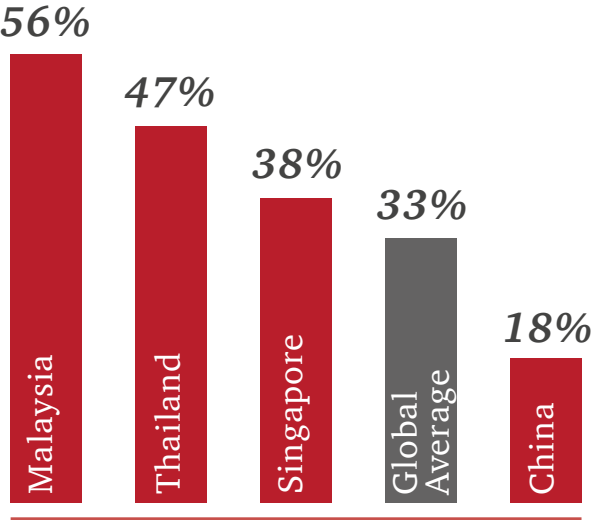
This is illustrated by our survey results showing the proportion of consumers who report buying on a monthly basis (see Fig. 2). 60% of all consumers in our global survey report buying online on a monthly basis or more frequently. Consumers in Singapore match this proportion, followed closely by Thailand at 58%, and Malaysia at 48%.

The next frontier for brands seeking to grow their online commerce business is converting consumers into habitual, more frequent buyers. In China, brands and consumers have become accustomed to this dynamic—over 90% of survey respondents in China report buying online monthly or more frequently.



Our survey found that **Southeast Asian consumers are relatively new to the online marketplace**. Nearly three-fifths of respondents in Malaysia reported buying online only within the last three years (see Fig. 3). Likewise, higher proportions of Thailand and Singapore consumers are new to online buying as compared to the average of our global survey. More than 80% of China respondents have been buying online for more than three years.

Fig.3: Percentage of respondents who began buying online only within the last three years

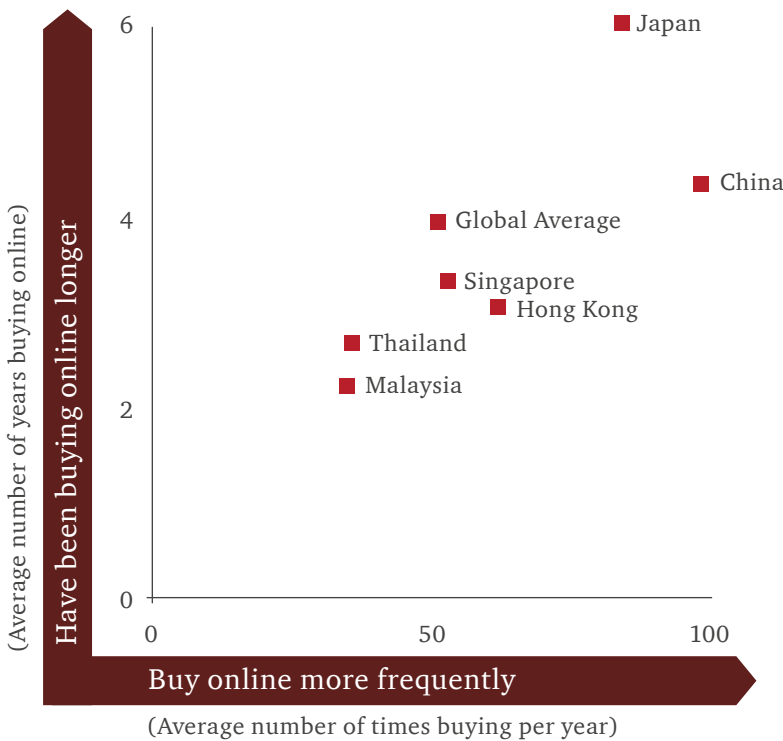


These statistics provide useful context for understanding consumers' online buying frequency—particularly when the two metrics are combined into a single view, as we have done in Fig. 4.

It becomes clear that, within Asian countries, there is a correlation between the number of years the average consumer has been buying online and the frequency with which consumers make online purchases. In other words—the longer people have been buying online, the more frequently they buy. The Southeast Asian markets we surveyed are following a path laid out by consumers in Japan, China, and Hong Kong of increasingly frequent online buying activity.



Fig. 4: Average consumer years buying online vs. average consumer online buying frequency for Asian countries



These insights point to an *exciting future for brands engaging with consumers in Southeast Asia*. Similar to their counterparts in Japan and China, as time elapses from a Southeast Asian consumer's first online purchase, we can also expect an increase in purchase frequency.

Global leadership in mobile adoption

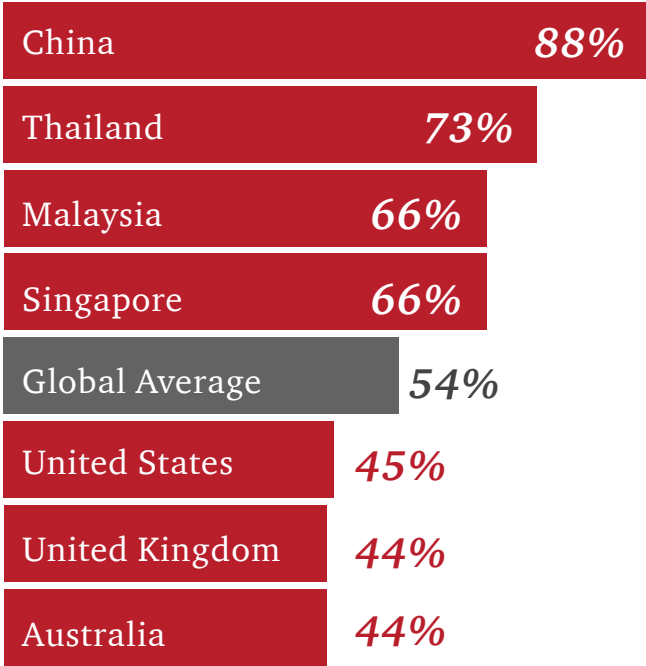
Southeast Asia consumers are among the world’s fastest and strongest adopters of mobile and social media

usage in support of their online and in-store purchasing activities.

Whatever the mobile or social media purchase usage, whether it is using a mobile phone to check product reviews or prices, or accessing coupons, or making purchases outright, it’s likely that consumers in Southeast Asia are doing it more frequently than just about anyone else in the world.

Two-thirds of consumers surveyed in Malaysia and Singapore, and nearly three-quarters of consumers surveyed in Thailand report using their phones directly to make purchases (see Fig. 5). Rates of mobile phone purchasing usage in all three Southeast Asia countries surveyed exceed the global average of 54%.

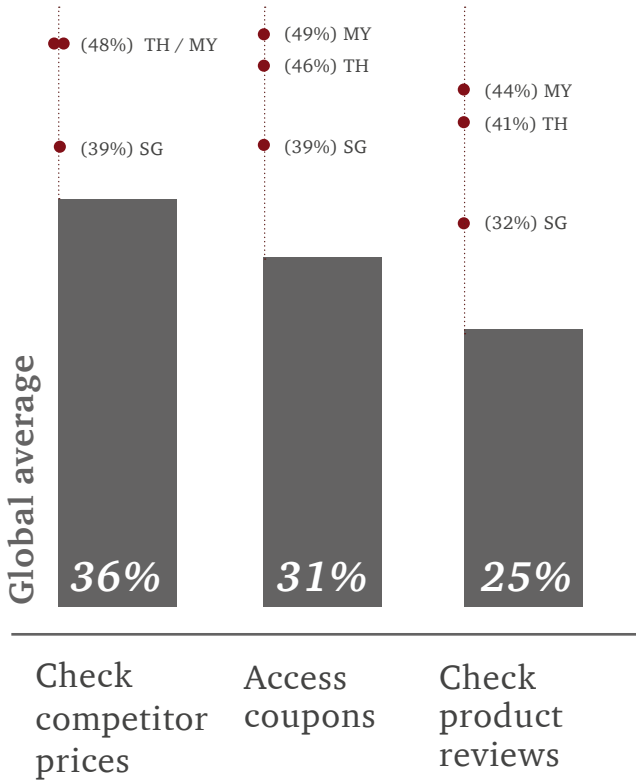
Fig.5: Proportion of respondents using mobile phones to make purchases



We also found that if a consumer is using their phone while in a store, there's a good chance that they're using it to become more informed about a purchase that they're about to make.

It's clear from our survey results that consumers across Southeast Asia are not shy about using their phone to check competitor prices, access coupons, or check reviews on the products they're interested in buying. In some cases, Southeast Asia consumers are almost twice as likely as global consumers to exhibit these behaviours.

Fig.6: Respondents using mobile phones to complement the in-store experience

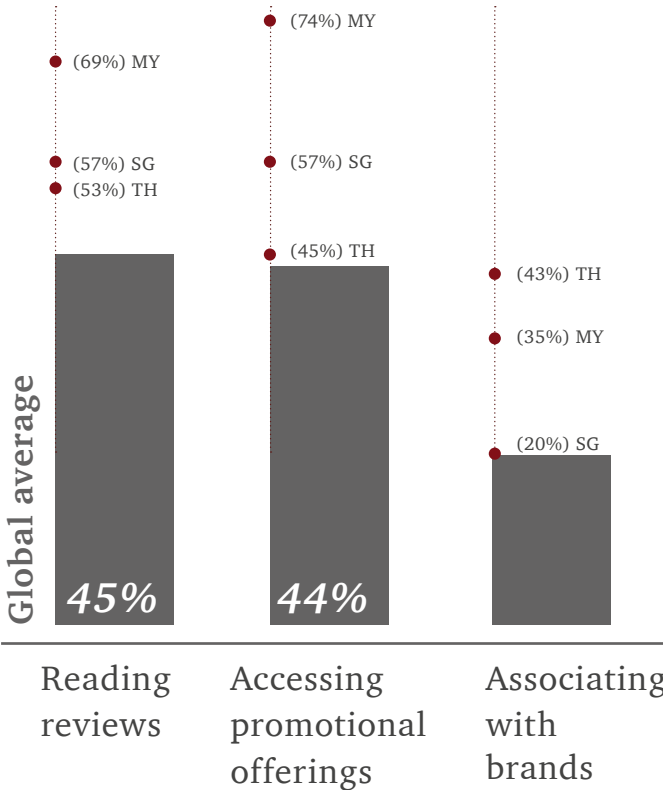


Southeast Asia consumers’ adoption of social media applications to complement their shopping is even more relatively advanced than their adoption of mobile technologies.

Globally, we found that just below half of consumers surveyed use social media to read reviews and access promotional offerings (see Fig. 7). Meanwhile, in Malaysia nearly 70% of consumers are reading reviews on social media, and nearly 75% of consumers are accessing promotional offerings! Consumers in Singapore and Thailand are not far behind. Consumers in Southeast Asia also demonstrate a stronger desire to use social media in forming an association with their preferred brands than do consumers in our overall global sample.

The fundamental question that these insights pose for companies in Southeast Asia is to what extent a brand should go to influence what consumers take away from their social media and mobile interactions.

Fig 7: Respondents using social media to complement their shopping



For example, it's impossible to control the mix of positive and negative product reviews posted on a social media site, but what about investing in a capability to respond constructively in public to critical reviews? By doing so there is a possibility of turning dissatisfied customers into satisfied customers, and likely impressing potential customers with your responsiveness.

One thing is clear: With the rise of social media and mobile, the impressions that consumers have of retail and consumer brands are subject to a much more diverse range of influences and sources than just a few years ago. Consumers in Southeast Asia are leading the way, and it's up to retail and consumer brands to engage them successfully.



So what is the store useful for?

Given the rapid adoption of online buying, and increasing usage of mobile and social media technology, it's easy to lose sight of the role for a bricks & mortar retail store.

The results from our survey illustrate the changing role of a retail store today. We asked consumers what three things would most improve their in-store experience. In Southeast Asia, as is the case globally, what consumers want most is more knowledgeable sales associates (see Fig. 8).

Consumers also indicate a desire to use the store as a platform for extending their reach across a retailer's store network or across the brand, by

ordering an extended range of stock, or by gaining access to information about product availability at other retail locations. Consumers in Thailand demonstrated a uniquely strong preference for personalized offers and special in-store events.

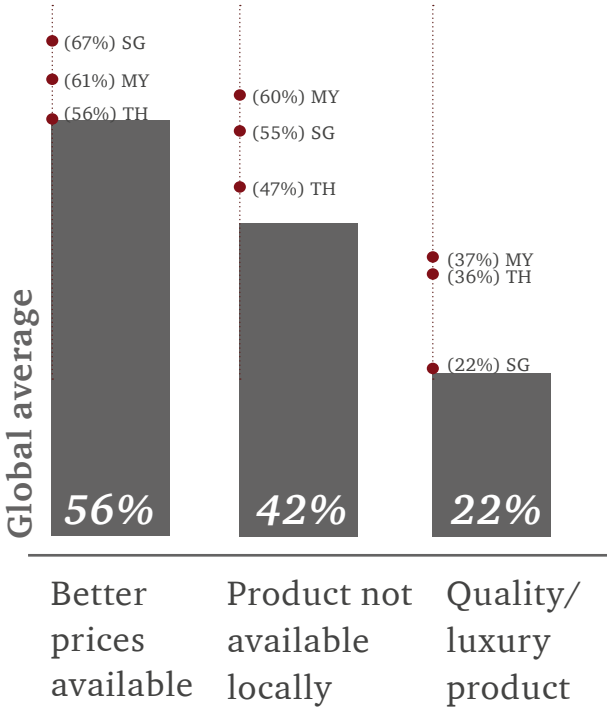
The common denominator exhibited by these responses is the desire of consumers to treat retail stores as a personal window into the broader brand instead of as a venue for consummating a transaction—that's what is meant by consumers' desire for knowledge and access to a wider range of product and stock.

Fig. 8: Top-three desires for improving the in-store experience

	Malaysia	Singapore	Thailand	Global
1.	More knowledgeable sales associates	More knowledgeable sales associates	Real-time personalised offers	More knowledgeable sales associates
2.	Ability to order extended range in store	Ability to order extended range in store	Specialised events	Check stock in other stores or online
3.	Check stock in other stores or online	Check stock in other stores or online	More knowledgeable sales associates	Real-time personalised offers

Skeptics who doubt the evolving role of a retail store and wish to maintain the status quo, take note: The demand by consumers in Southeast Asia for access to a wider assortment is a serious matter and leads to lost sales. We asked consumers why they chose to buy from retailers outside of their own country (see Fig.9). The lack of local product availability was selected as a motivating factor by more than half of consumers surveyed in Malaysia and Singapore, and almost half in Thailand. Local brands that manage to solve the puzzle of how to treat individual outlets as windows to a wider product assortment can likely capture a large share of these sales that today are leaking away.

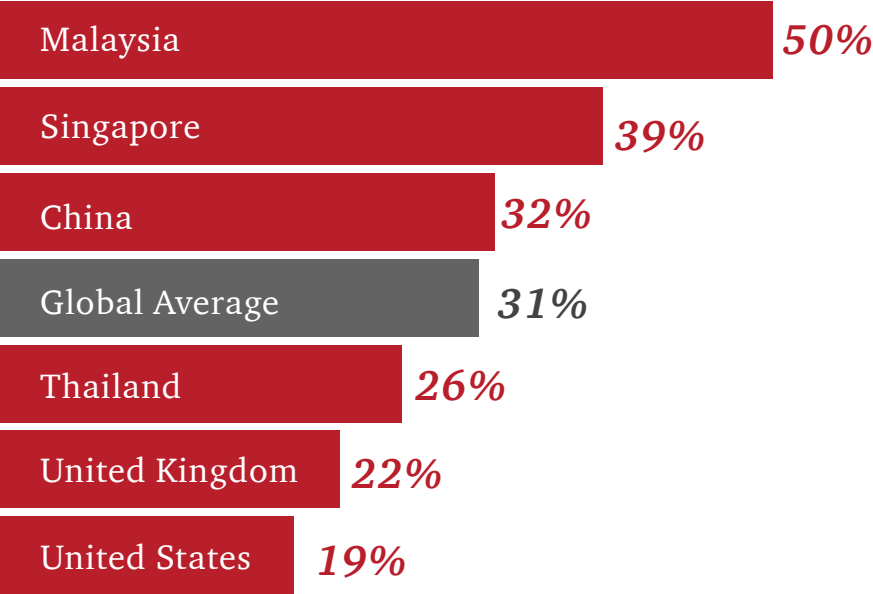
Fig. 9: Why consumers buy from retailers outside of their own country



Consumers in Southeast Asia also view the retail store as having a role to play in providing satisfactory after-sale service (see Fig. 10). Particularly in Malaysia, consumers report being more likely to buy at a local retail store if they felt more confident in the level of after-sale service provided.

There is certainly a role for the retail store in a world of myriad online commerce options and social media interactions. Retail and consumer brands in Southeast Asia should recognise, however, that consumers have significantly different expectations for the in-store environment than they are experiencing today.

Fig. 10: Proportion of consumers more likely to buy locally if provided with better after-sale service





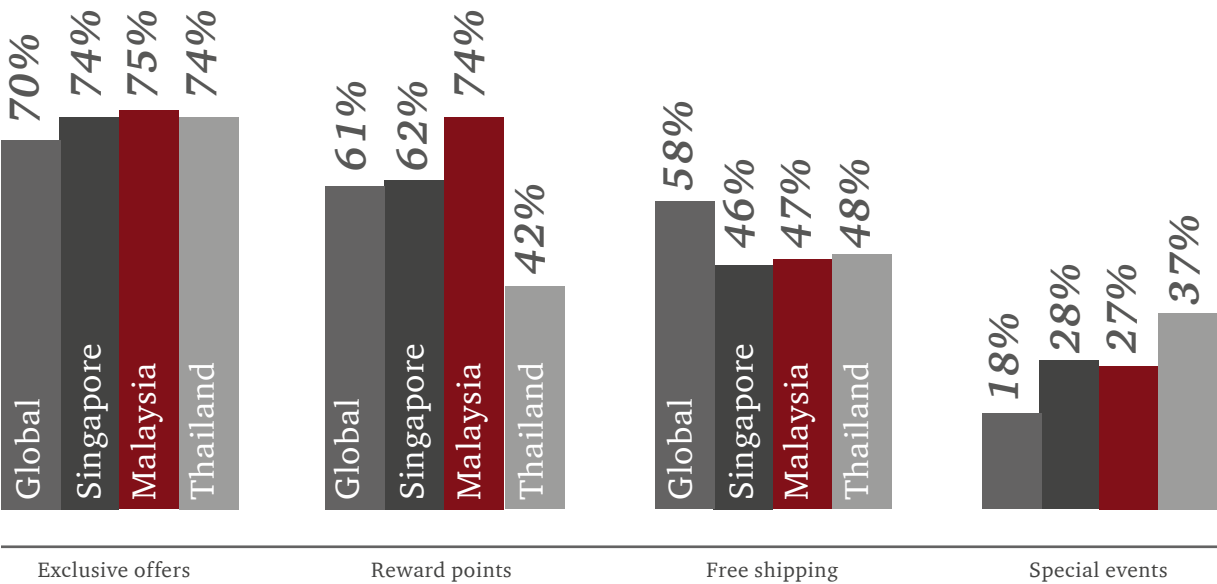
Unfortunately, many retailers are set up in ways that actively work against these desires expressed by consumers. Popular metrics like sales per square foot effectively crowd out space for providing service, consultation, and support. Rapid turnover of associates makes it difficult to maintain a high level of knowledge amongst in-store staff. Information systems often fail to provide transparency to inventory in other locations—to say nothing of the question of whether the incentives presented to store associates encourage them to withhold or to share this information.

Keeping consumers loyal and active

Most brands today recognise the importance of loyalty programmes in retaining customers and in gaining insight to the factors that motivate customer behaviour. Loyalty programmes offer increased knowledge and familiarity between a brand and its customers and echoes the desire for greater personalisation.

Our survey identifies a number of ways in which brands need to think differently about how to structure and position their loyalty programmes in Southeast Asia (see Fig. 11). First, consumers in Southeast Asia place an amplified desire on exclusive offers made as part a loyalty programme. Exclusive offers are the most valued loyalty programme benefit of consumers around the world, but consumers in Southeast Asia value them particularly highly.

Fig. 11: Leading benefits of loyalty programmes identified by consumers



Second, while free shipping on online orders is a common benefit of many loyalty programmes in other parts of the world, consumers in Southeast Asia perceive less value from free shipping than consumers elsewhere. This may be partly explained by the lower penetration of online shopping in Southeast Asia, which is likely a temporary condition.

Perhaps the most interesting way in which Southeast Asian consumers have unique views on loyalty programmes is reflected in the value they place on special events. Consumers in Singapore, Malaysia, and particularly in Thailand place a significantly higher level of value on member-only events than consumers in our overall global survey. While there is certainly a cost associated with event programming, companies would be wise to take advantage of this consumer desire to interact in person—it provides a high-leverage opportunity to strengthen a customer's connection to a brand.

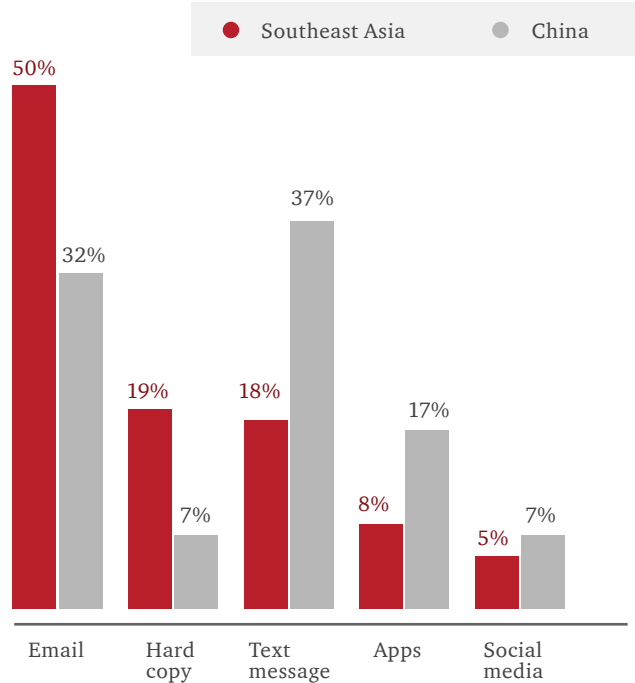


Building on the high value placed by Southeast Asia consumers on receiving exclusive offers, our survey also provides insight regarding how consumers want to receive these offers (see Fig. 12).

The results point to differences within the greater Asian region which are likely to be resolved in the coming years. Consumers in Southeast Asia express an overwhelming preference for offers received via email, and a second preference for hard copy offers. In contrast, Chinese consumers' preferences have shifted in favour of text messages and offers delivered using mobile applications.

We saw before the correlation between the number of years consumers have been buying online and the volume of online buying activity—China, Japan, and HK have established a growth trajectory which countries in Southeast Asia appear to be following.

Fig. 12: How consumers prefer to receive promotional offers



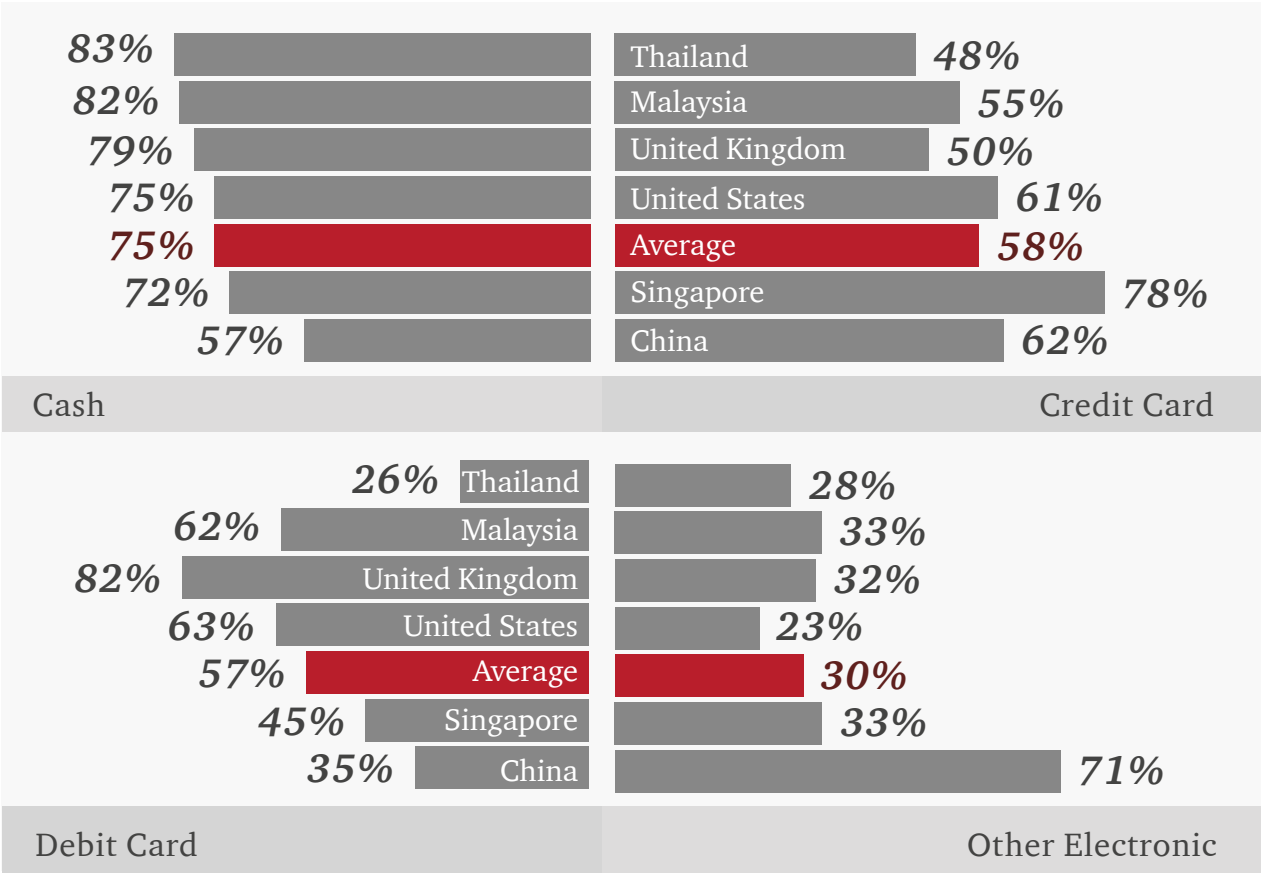
It's reasonable to expect that consumers here in Southeast Asia will be equally responsive to promotional offers delivered via mobile mediums in the future.

The next frontier in retail transactions and logistics

Consumer expectations for payment methods, and delivery and returns options, are other areas where the ground is shifting beneath companies' feet. In fact, the ground is shifting in different ways in different Asian countries.

Cash remains the most-preferred payment method of consumers around the world—a preference echoed by consumers in Malaysia and Thailand (see Fig. 13).

Fig. 13: Rates of expressed consumer preference for payment methods





In Singapore, however, a higher percentage of consumers indicated a preference for credit cards than for cash. The same is true for consumers in China. Consumer preferences for credit cards in Malaysia and Thailand are lagging behind, likely due to awareness and availability.

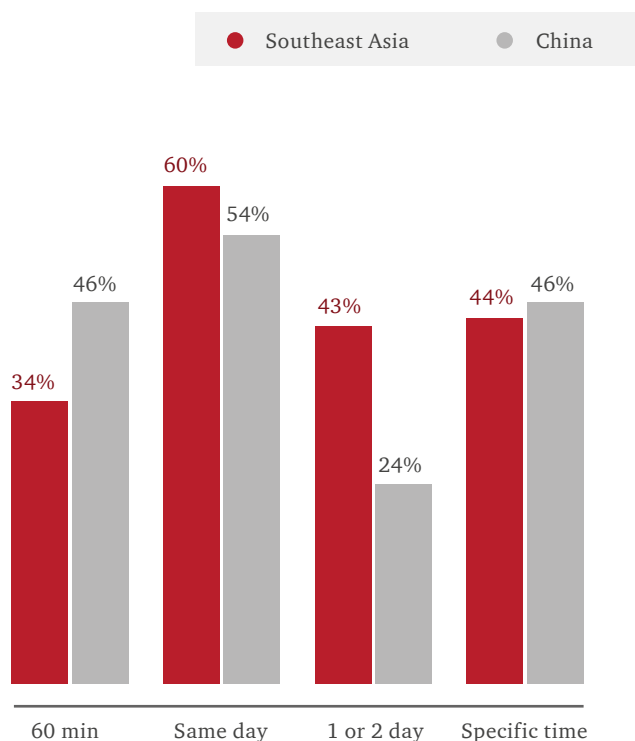
The Chinese consumers we surveyed indicated a preference for other electronic payment alternatives to a degree that is unique globally. These methods include proprietary payment systems associated with large e-commerce networks, such as Alipay and Tenpay. Nearly three-quarters of consumers surveyed in China indicated a preference for these payment alternatives.



So what is the implication for brands? Recall the growth trajectory noted earlier in other dimensions of electronic commerce (e.g. years buying, frequency of buying) seen across Asian countries—it's reasonable to expect a similar pattern for payments.

Our perspective is that brands would be wise to factor increased adoption of electronic payment methods, and potentially the rise of proprietary payment networks at a country level, into their near- and medium-term plans.

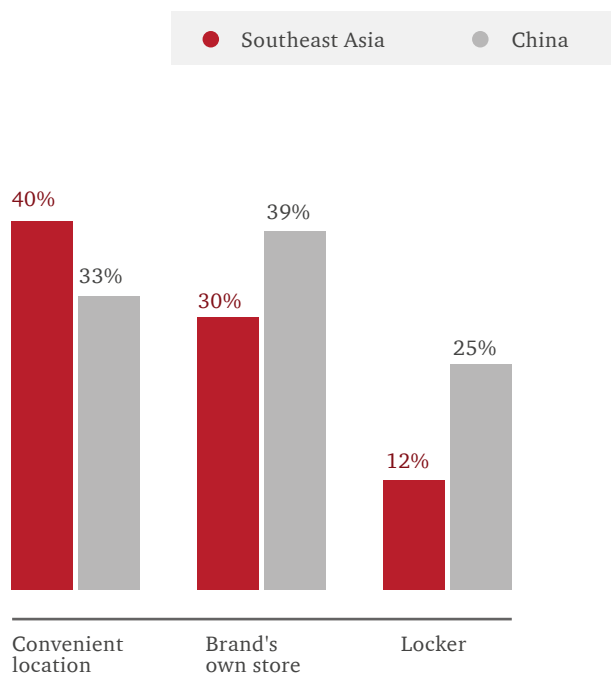
Fig. 14: Delivery speed that consumers are willing to pay extra for



We also asked consumers about their expectations for online order delivery and returns. One area we investigated was consumers' willingness to pay extra for faster delivery (see Fig. 14). A sizable percentage of consumers are willing to pay extra to have delivery confirmed within a specific timeframe during the day—a higher percentage in Southeast Asia, in fact, than are willing to pay for delivery within 60 minutes or within 1 or 2 days.

Differences are evident across the region in this area as well. The effects of prevalent e-commerce delivery in China at a low cost within 1 or 2 days are clear: consumers there aren't willing to pay extra for it anymore, and have instead ratcheted up their expectations to focus on same day delivery, or delivery within 60 minutes.

Fig. 15: Delivery location enhancements that consumers are willing to pay extra for



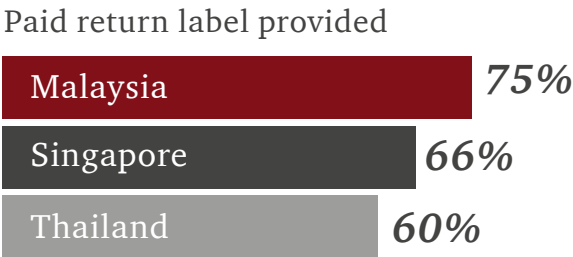
A number of brands and logistics companies are also experimenting with location enhancements for delivery of online orders, such as delivery to a 3rd party location (e.g., a convenience store or bank), delivery to the retailer's own store, or to a secure locker. In general, consumers express slightly less willingness to pay extra for these options than for accelerated delivery (see Fig. 15)—although two-fifths of Southeast Asia consumers being willing to pay extra to collect orders at a convenient 3rd party location still represents a meaningful proportion of the overall population.

Finally, we assessed consumer preferences regarding the return of products they've purchased online.

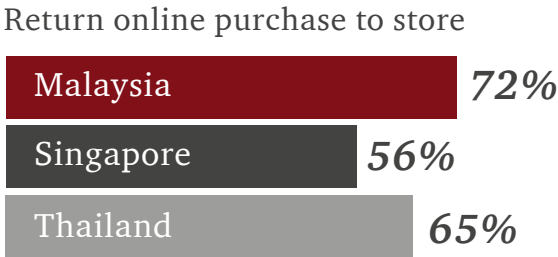
Retail returns policies in Asia have typically been less favourable to consumers than in most other regions of the globe. Still, that hasn't stopped consumers surveyed in Southeast Asia from rapidly adopting viewpoints regarding returns that are consistent with consumers around the world. They want pre-paid return labels and the ability to return purchases to stores or a convenient 3rd party location in roughly the same proportion as the global average of consumers in our survey (see Fig. 16).

Brands in Asia are likely to continue experimenting with a range of returns options and policies. Retailers in Southeast Asia that take the step of including prepaid shipping labels will need to factor the estimated costs of doing so into their pricing and merchandising decisions, or explore making it a benefit associated with their loyalty or premium customer programs, just as retailers in other regions of the world have learned to do.

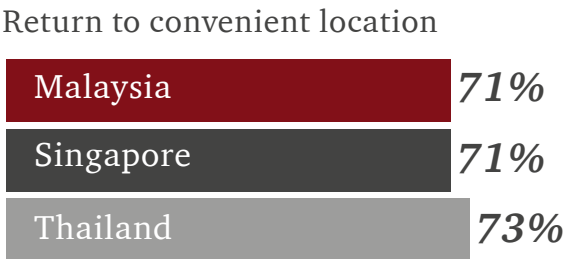
Fig. 16: Consumer preferences for product return options



Global Average: 75%



Global Average: 66%



Global Average: 62%

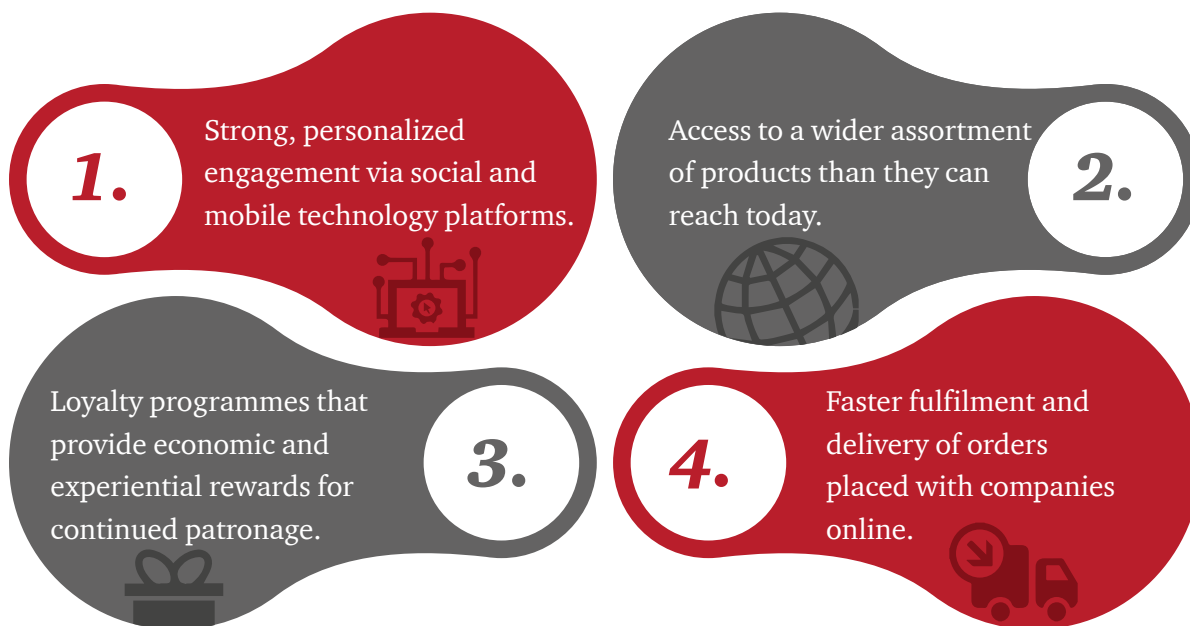
Winning with the revolution

Companies who have been operating in markets where online buying has been prevalent for a longer period of time than in Southeast Asia have become accustomed to a blurring of the lines between product manufacturers, retailers, and service providers. With the rapid rise of online buying in Southeast Asia, companies here need to quickly determine how they can take advantage of that dynamic—because it is happening in Southeast Asia just as it has in other geographies.

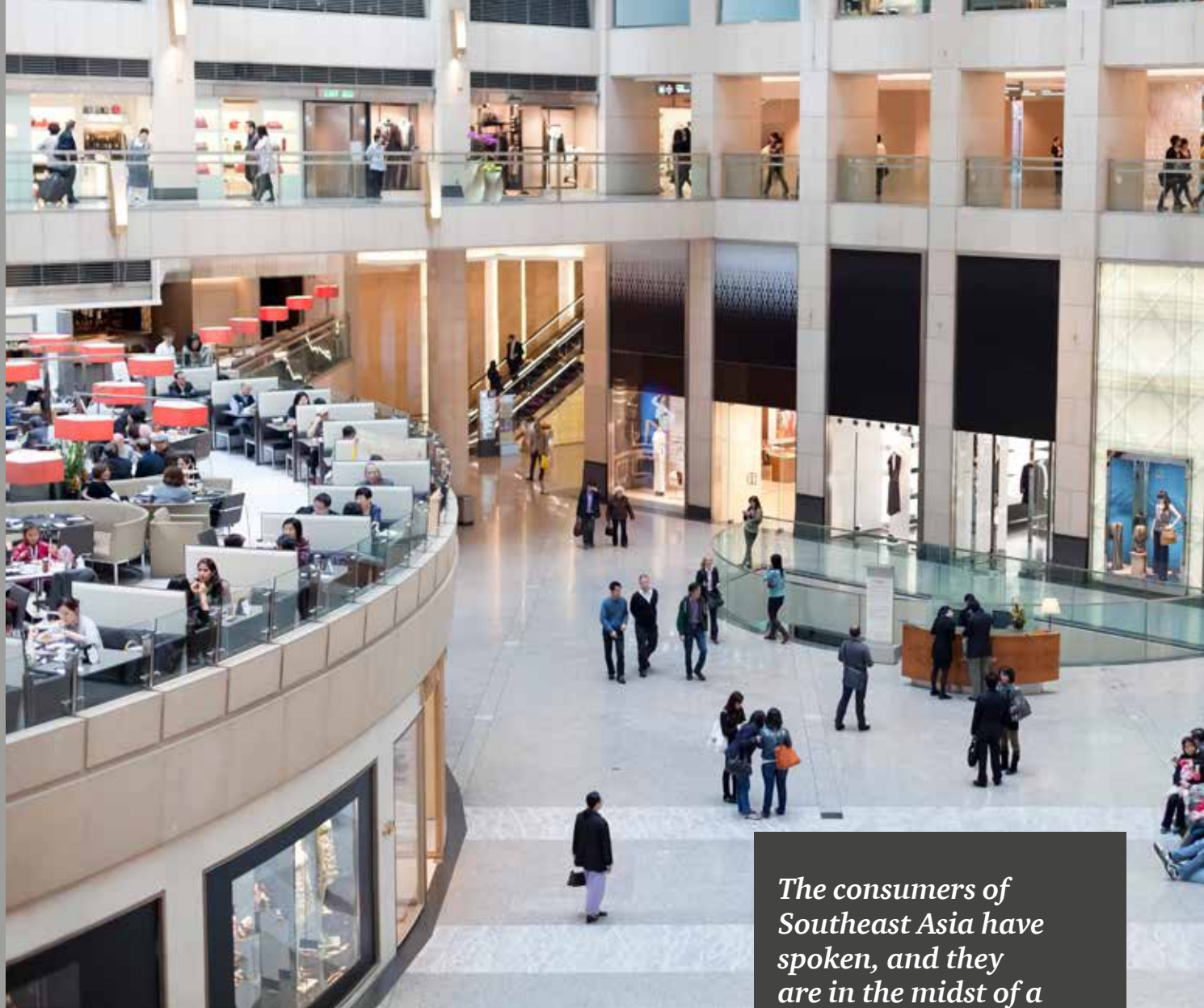


Consumers have made clear with their voices expressed in our survey what the source of advantage can be for companies in Southeast Asia.

Four key themes of consumer demands reflected in the survey results are:



The good news is that there are few barriers to any company—a small manufacturer or major retailer—in pursuing these themes, and the barriers that exist are getting lower, thanks to a broadening network of partners and technologies that bring these capabilities within the reach of most any organisation seeking to engage more closely with its customers. It will take effort, and will require organisational and operational change—but it is possible to win.



The consumers of Southeast Asia have spoken, and they are in the midst of a revolution—now it's your turn.

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