

They say they want a revolution

Total Retail 2016 - Southeast Asia &
Singapore Highlights

*Consumers around the
world are fundamentally
disrupting the retail
value chain.*

*Will your organisation
be left behind?*





pwc

Introduction

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 opportunity and risk. 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 from.

Global megatrends such as demographic and social changes, shifts in economic power, and technological breakthroughs, are impacting the retail and consumer sector globally. In addition, 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. Southeast Asian companies that want to compete on a global front would have to adapt accordingly.

PwC's Total Retail 2016 survey helps organisations understand this value. It explores how consumers in key Southeast Asian markets think about and act upon the purchases they make, providing 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 deepening relationships with consumers.

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

About the survey

PwC's Global Retail and Consumer practice, in conjunction with PwC's Research to Insight (r2i), administered a global survey to nearly 23,000 online shoppers to understand and compare consumer shopping behaviours and the use of different retail channels across 25 territories: Australia, Belgium, Brazil, Canada, Chile, China/Hong Kong, Denmark, France, Germany, India, Italy, Japan, Malaysia, Mexico, Middle East, Poland, Russia, Singapore, South Africa, Spain, Switzerland, Thailand, Turkey, the United Kingdom and the United States.

In Singapore, Malaysia and Thailand, we surveyed 500 consumers each on issues ranging from mobile shopping, social media influence, to innovation at retailers. Their answers reveal the changing behaviours that will drive the next retail revolution.



Snapshot of our findings in Southeast Asia



1

Nearly everyone in Southeast Asia is shopping online

- 93% of all consumers in Southeast Asia surveyed have made online purchases, many of them at regular frequencies
- About 60% of Singapore respondents make purchases online at least monthly, which matches the global average, but is far below China at 91%



2

Shoppers in Southeast Asia are among the world's fastest adopters of mobile and social media in retail

- Two-thirds of consumers surveyed in Malaysia and Singapore, and nearly three-quarters of consumers surveyed in Thailand report using their phones to make purchases
- Close to 60% of Singapore respondents use social media to read reviews and access promotional offerings while shopping



3

There is a strong unserved demand for broader product assortments

- 55% of Singapore respondents are motivated to buy from overseas online retailers because of the lack of products available locally
- Close to 35% of respondents in Singapore would like stores to provide the ability to check stock in other stores or online, as well as to view/order an extended range of products on-screen



4

Consumers increasingly want more and faster delivery options

- Increased popularity (40%) in Southeast Asia for pick-up of orders at a convenient third-party location
- An even greater willingness (60%) to pay extra for same day delivery

Frequency of online purchases increases with experience in online shopping

Nearly everyone is buying online. 93% of all consumers in Southeast Asia we surveyed have made online purchases – many of them at regular frequencies (Fig. 1). This percentage is similar to consumers surveyed globally.

It is 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 to address consumers who wish to engage online.

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

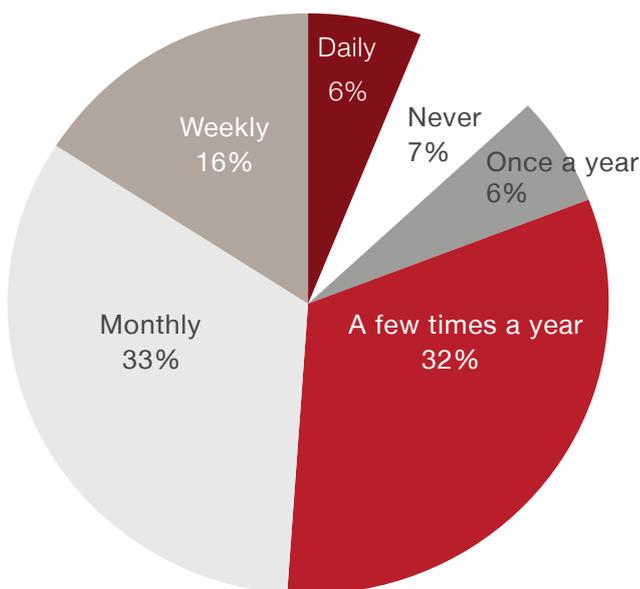
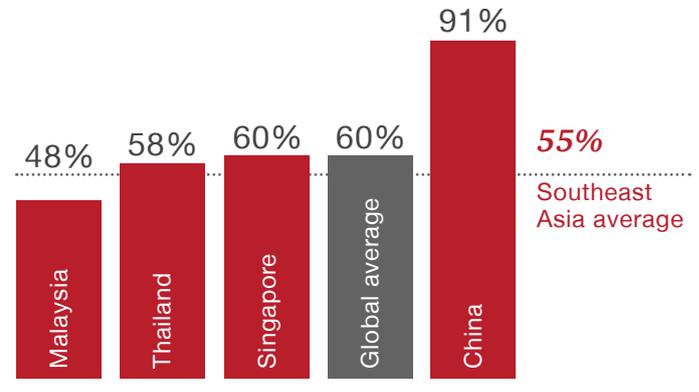


Fig. 2: Percentage of respondents who report shopping online monthly or more frequently

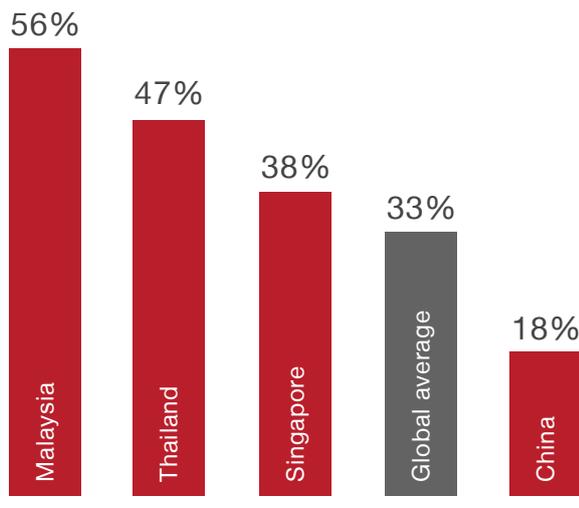


In terms of online buying frequency, although a sizeable percentage of consumers in Southeast Asia report buying on a daily, weekly, or monthly basis, the average (55%) is smaller compared to our overall global sample (60%). Consumers in Singapore, however, matches this proportion, followed closely by Thailand (58%) and Malaysia (48%).

The next frontier for brands seeking to grow their online commerce business is to convert 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.

The survey found that **consumers in Southeast Asia are relatively new to the online marketplace**. Close to two-fifths of respondents in Singapore reported buying online only within the last three years (Fig. 3). Likewise, higher proportions of Thailand (47%) and Malaysia (56%) respondents only started online shopping within the last three years, as compared to the global average (33%). In contrast, more than 80% of China respondents have been buying online for more than three years.

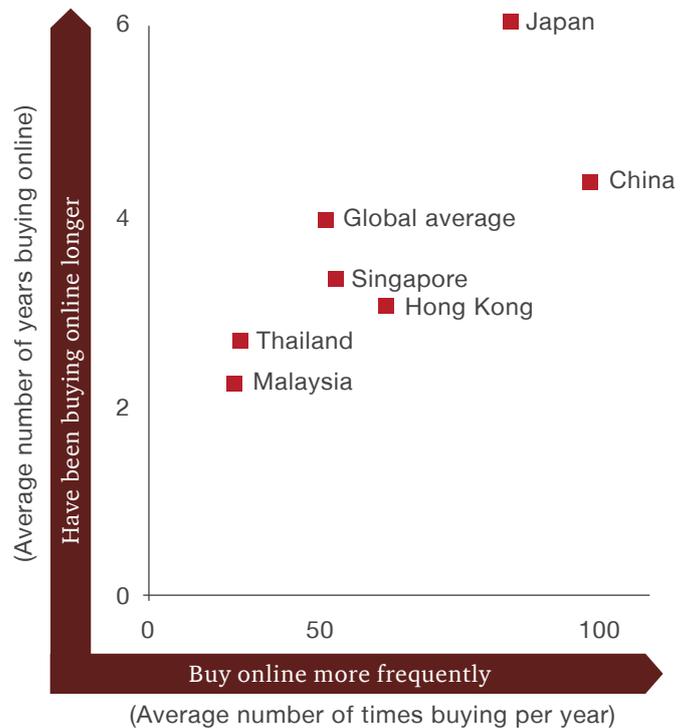
Fig.3: Percentage of respondents who began buying online only within the last three years

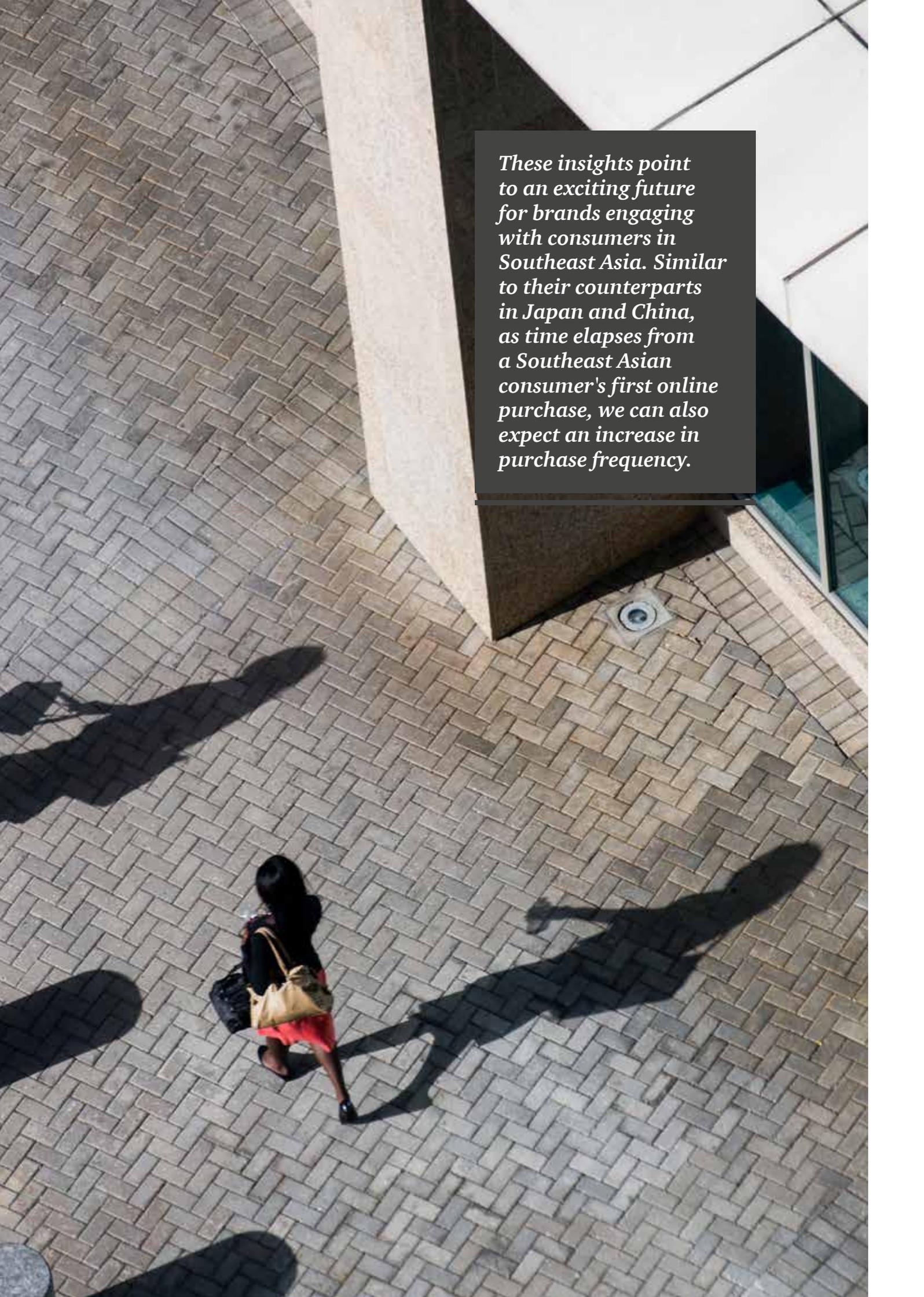


These statistics provide useful context for understanding consumers' online buying frequency – particularly when the two metrics are combined into a single view, as illustrated in Fig. 4.

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 in retail

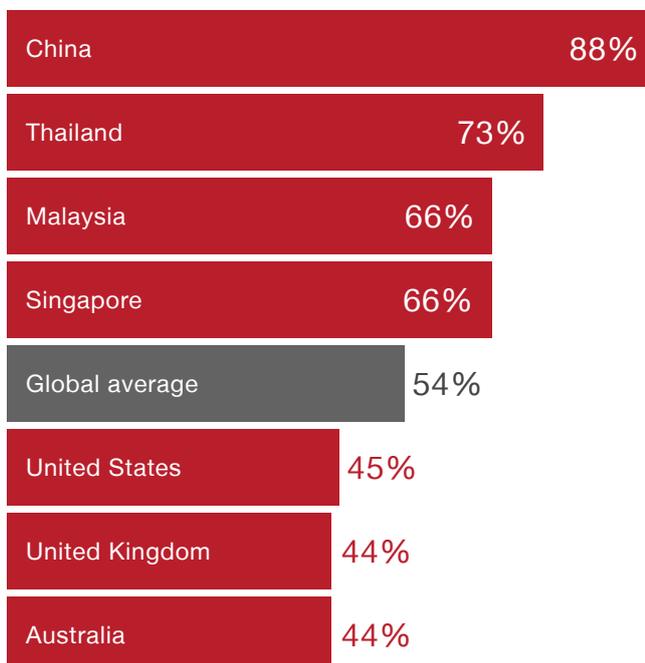
Southeast Asia consumers are among the world's fastest and strongest adopters of mobile and social media in online and in-store purchasing activities.

Whether it is using mobile phones to check product reviews or prices, access coupons, or make purchases outright, it is 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 (Fig. 5).

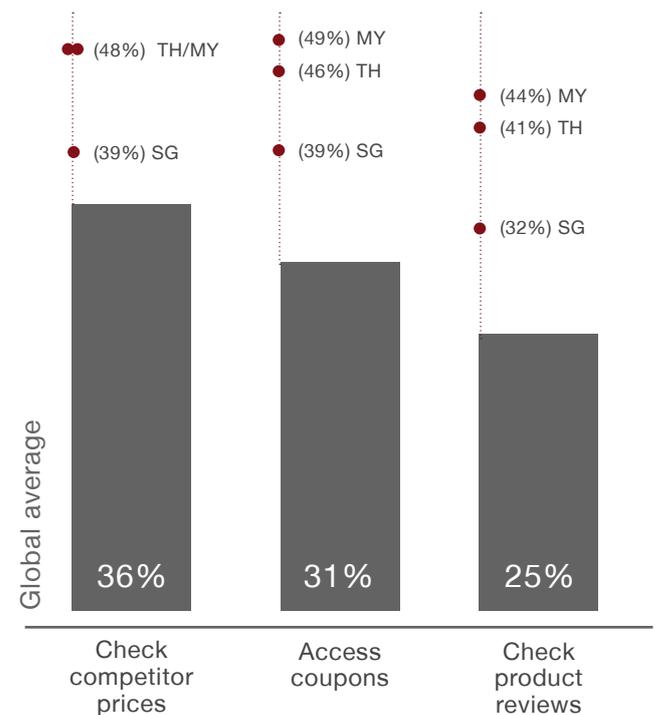
Rates of mobile phone purchasing usage in all three Southeast Asia countries surveyed exceeded the global average of 54%.

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 is a good chance that they are using it to obtain knowledge about a purchase that they are about to make, such as to check competitor prices, access coupons, or read reviews (Fig. 6). 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

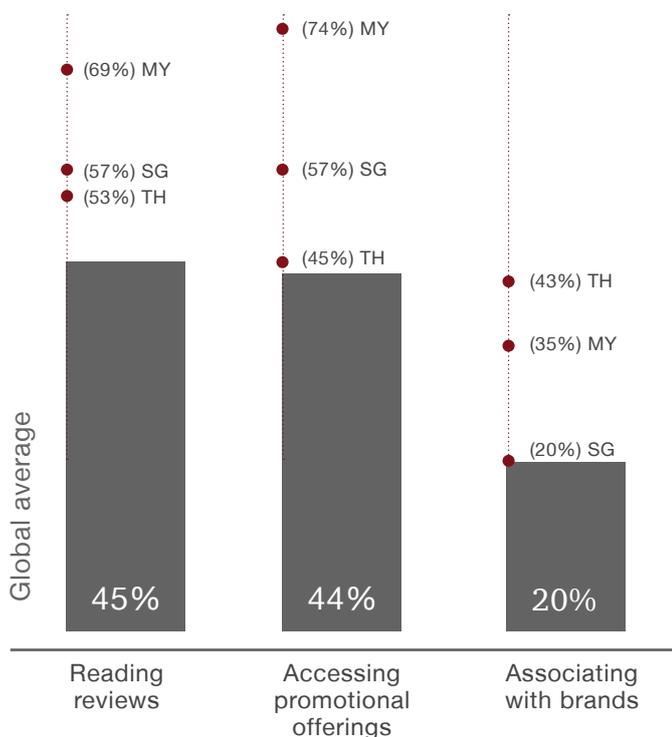


Southeast Asia consumers' adoption of social media applications to complement their shopping is even more advanced than their adoption of mobile technologies.

Globally, we found that just under half of consumers surveyed use social media to read reviews and access promotional offerings (Fig. 7). Meanwhile, **in Singapore, nearly 60% of consumers are reading reviews and accessing promotional offerings on social media.** Consumers in Southeast Asia also demonstrate a stronger desire to use social media to form associations with their preferred brands compared to 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, although it is impossible to control the mix of positive and negative product reviews posted on a social media site, companies can consider investing in a capability to respond to critical reviews online. By doing so, companies can potentially improve customer relationships, and at the same time, promote a positive brand image, thus impressing potential customers.

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 is 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 is easy to lose sight of the role of brick & mortar retail stores.

The results from the 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 (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, e.g. close to 35% of respondents in Singapore would like to be able to check product availability in other stores or online, as well as to view/order an extended range of products on-screen. Consumers in Thailand demonstrated a uniquely strong preference for personalised offers and special in-store events.

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

	Singapore	Malaysia	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

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 is what we meant by consumers’ desire for knowledge and access to a wider range of products and stock.

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

Consumers in Southeast Asia also view the retail store as having a role to play in providing satisfactory after-sale service (Fig. 10). Close to 40% of Singapore respondents report being more likely to buy at a local retail store if provided with better after-sale service, which is higher than the global average of 31%.

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

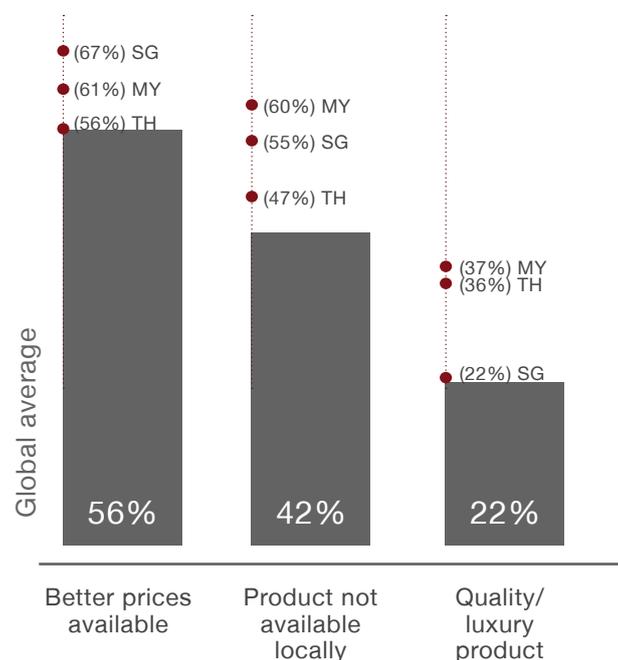
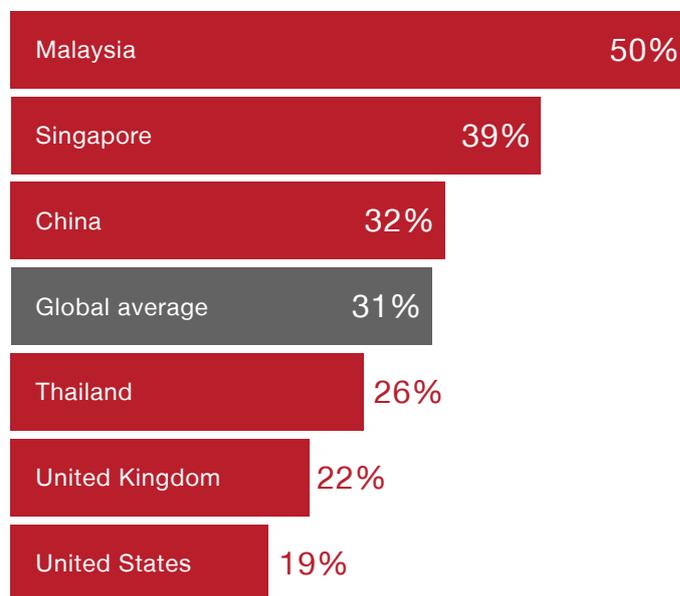


Fig. 10: Proportion of consumers more likely to buy locally if provided with better after-sale service





Unfortunately, many retailers are set up in ways that actively work against these desires expressed by consumers. 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 of inventory in other locations – to say nothing of the question on 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 promote increased knowledge and familiarity between a brand and its customers and address the desire for greater personalisation.

The survey results suggest a number of ways in which brands need to think differently about how to structure and position their loyalty programmes in Southeast Asia (Fig. 11). Firstly, consumers in Southeast Asia place an amplified desire on exclusive offers made as part of 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





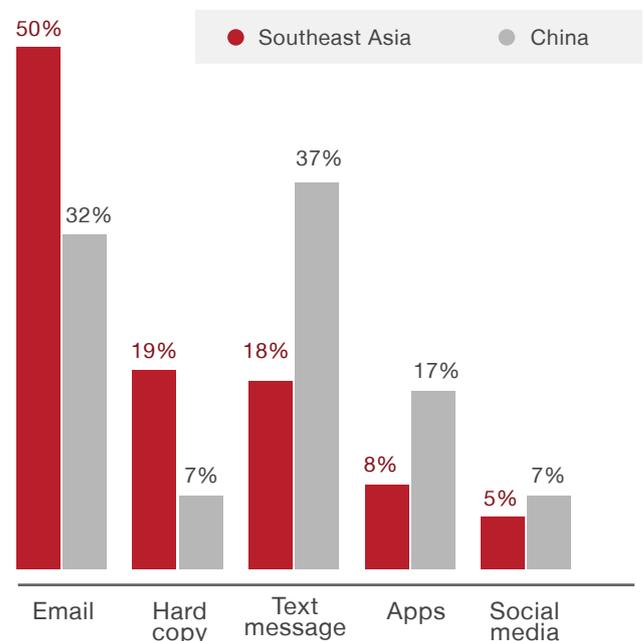
Secondly, while free shipping for online orders is a common benefit of many loyalty programmes in other parts of the world, consumers in Southeast Asia perceive less value from free shipping than consumers elsewhere. This may however, change as the volume of online purchasing increases with the number of years consumers have been buying online - a growth trajectory established by China, Japan and Hong Kong which countries in Southeast Asia appear to be following.

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 consumers in Southeast Asia on receiving exclusive offers, survey results also provide insights on how consumers want to receive these offers (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 prefers offers received via email, followed by hard copy offers. In contrast, Chinese consumers’ preferences have shifted in favour of text messages and offers delivered using mobile applications.

Fig.12: How consumers prefer to receive promotional offers



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

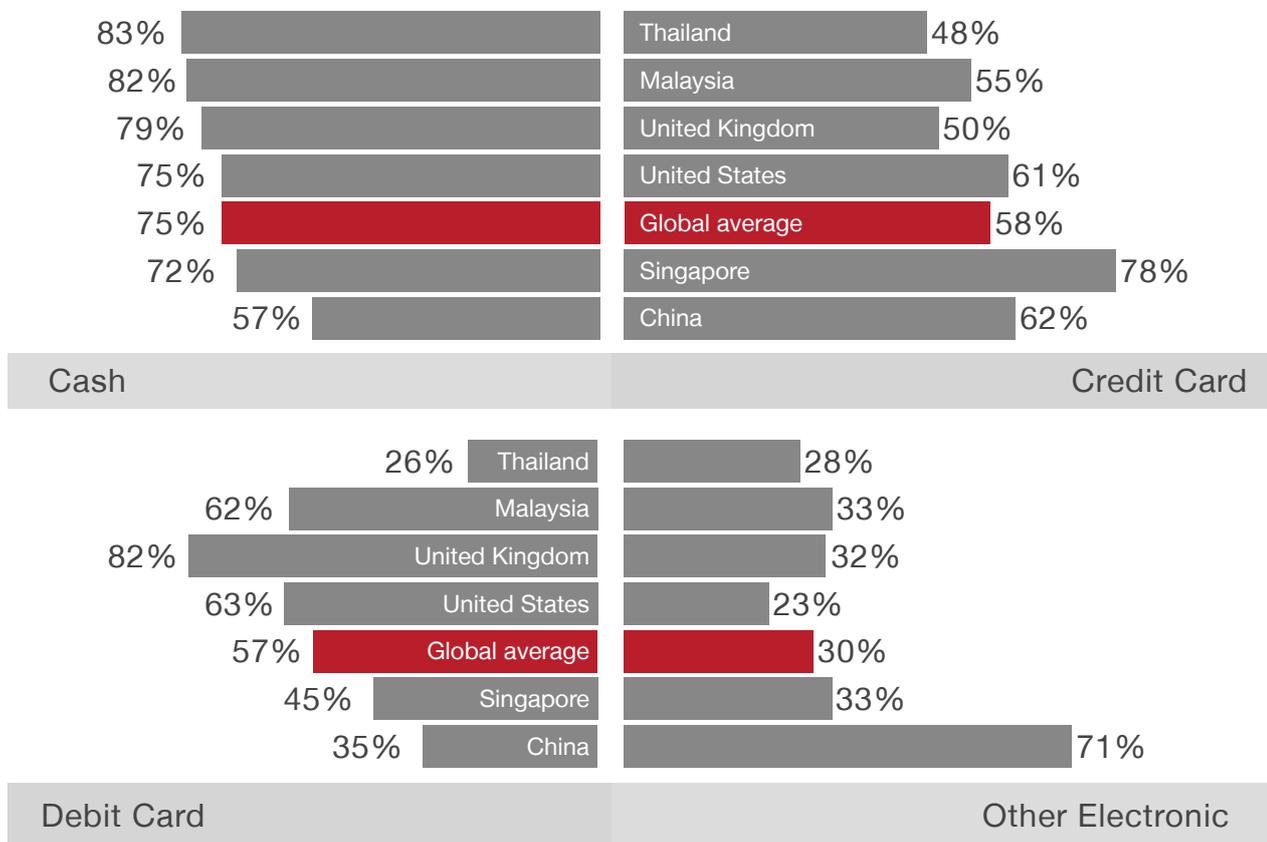
The next frontier in retail transactions and logistics

Consumer expectations for payment methods, and delivery and returns options, are other areas where trends appear to be shifting.

In fact, consumer preferences in these areas vary across the countries surveyed.

For instance, while cash remains the preferred payment method for consumers around the world (75%), Singapore respondents prefer to pay by credit card (78%).

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





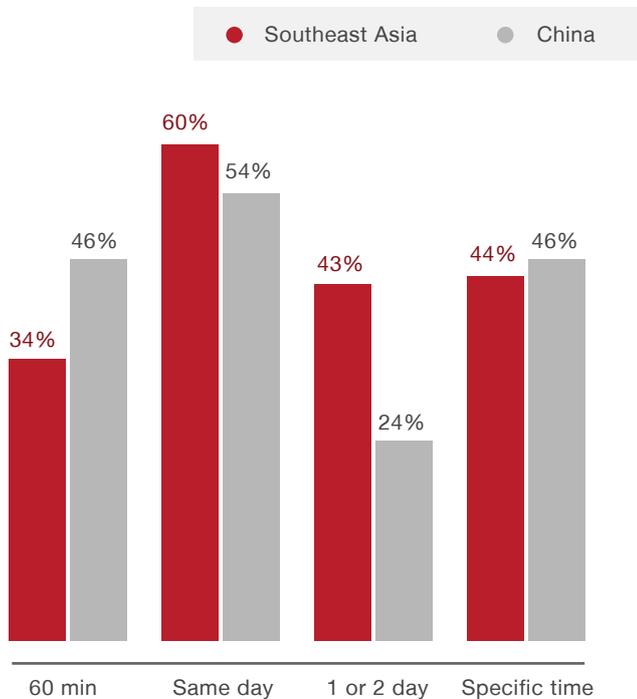
Emerging trend in payment method

Chinese consumers 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.

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.

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 is reasonable to expect a similar pattern for payments.

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

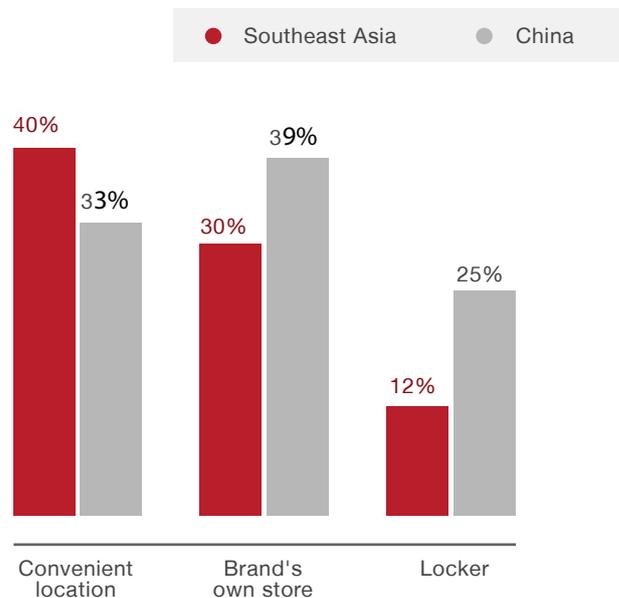


We also asked consumers about their expectations for online order delivery and returns. One area we investigated was consumers' willingness to pay extra for faster delivery (Fig. 14). **A sizeable percentage (60%) of respondents in Southeast Asia are willing to pay extra for same day deliveries.**

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 are not willing to pay extra for it anymore, and have instead, increased their expectations for same day delivery, delivery at a specific time or delivery within 60 minutes.

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 (Fig. 15) – although **Southeast Asia consumers who are willing to pay extra to collect orders at a convenient 3rd party location still represents a meaningful proportion (40%).**

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

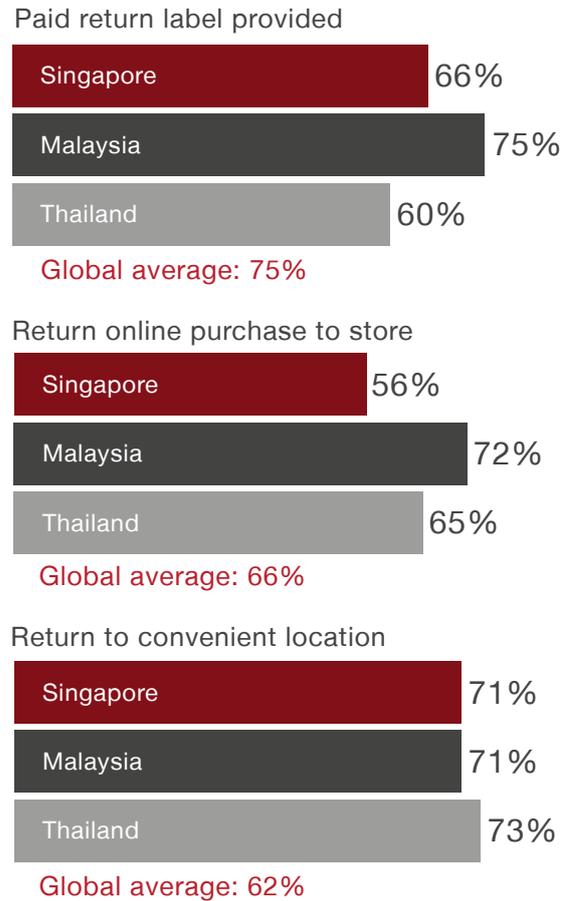


Finally, we assessed consumer preferences regarding the return of products they have purchased online.

Retail returns policies in Asia have typically been less favourable to consumers than in most other regions of the globe. Still, that has not 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 (Fig. 16).

Brands in Asia are likely to continue experimenting with a range of returns options and policies. Retailers in Southeast Asia that choose to include 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 programmes, just as retailers in other regions of the world have done so.

Fig. 16: Consumer preferences for product return options

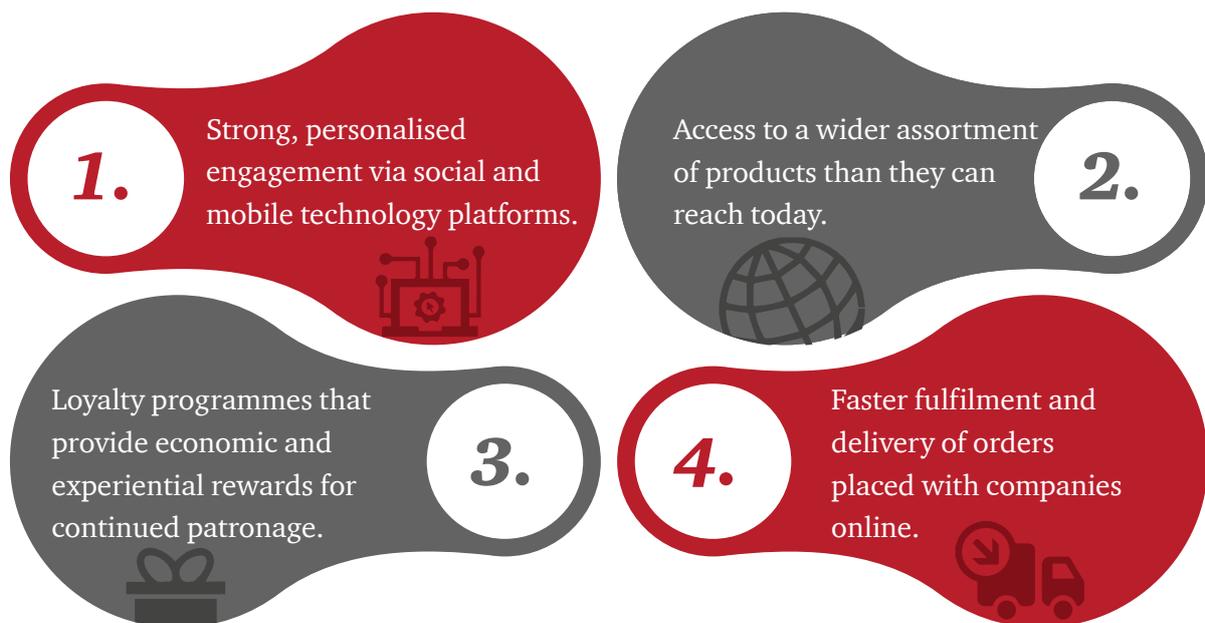


Winning with the revolution

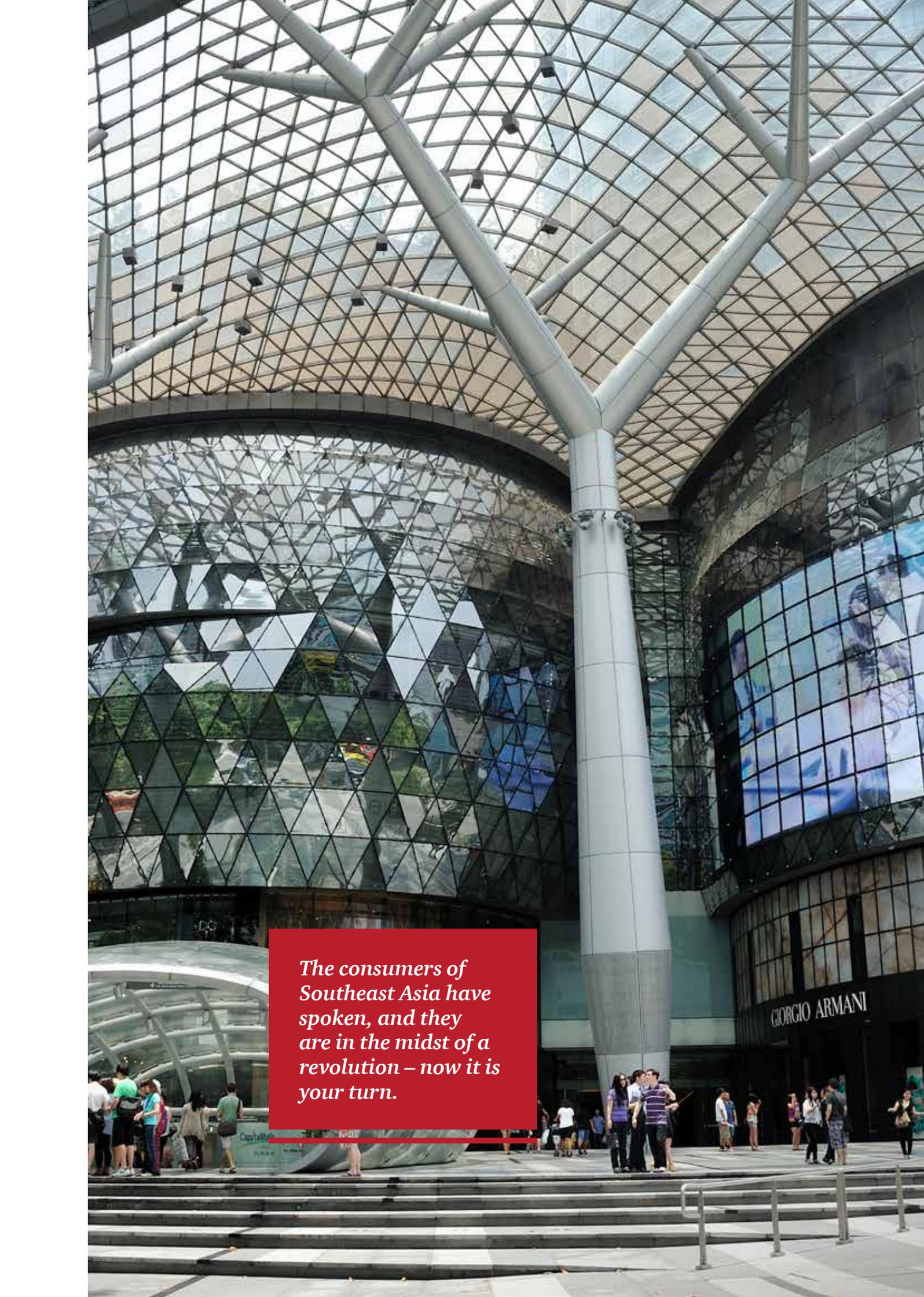
Companies who have been operating in markets where online buying has been prevalent for a longer period of time than in Southeast Asia have become accustomed to the blurring of lines between product manufacturers, retailers, and service providers. With the rapid rise of online buying in Southeast Asia, companies 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 expressed in our survey what companies in Southeast Asia can focus on to gain competitive advantage.

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



The good news is that there are few barriers to any company, be it a small manufacturer or major retailer in pursuing these themes. The barriers that exist are getting lower, thanks to a broadening network of partners and technologies that bring these capabilities within the reach of almost any organisation. 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 is your turn.

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