THE DYNAMIC WORLD OF E-COMMERCE IN ASIA

A WINDOW OF OPPORTUNITY

STATE OF E-COMMERCE IN ASIA

THREE FACTORS DRIVING E-COMMERCE IN ASIA

WHAT THE FUTURE LOOKS LIKE

KANTAR WORLDPANEL

CONTENTS

STATE OF E-COMMERCE IN ASIA

The rate of e-commerce adoption is progressing rapidly with Asia outpacing her regional peers, including the United States (US) and Europe.

Based just on the fast-moving consumer goods (FMCG) value share by channel in 2017, Asia weighs in at 7.3%, compared to the US at 1.9% and Western Europe at 5.6%.

Retail e-commerce sales in Asia-Pacific has maintained a steady growth trajectory from 0.6 trillion U.S. dollars in 2014 to 1.8 trillion U.S. dollars to date in 2018. Of the entire region, China Mainland continues to lead this spectacular growth, and in 2019, this growth is anticipated to reach more than 2.3 trillion U.S. dollars!

Source: eMarketer

Note: includes products or services ordered using the internet via any device, regardless of the method of payment or fulfilment; excludes travel and event tickets; *excludes Hong Kong

Just what are some of the key growth drivers behind this push towards e-commerce, which has become a channel to be reckoned with for brands and retailers looking to venture or expand their footprints into some of the emerging markets here?

What is the real future of retail and does it mean physical shops will soon be a thing of the past?

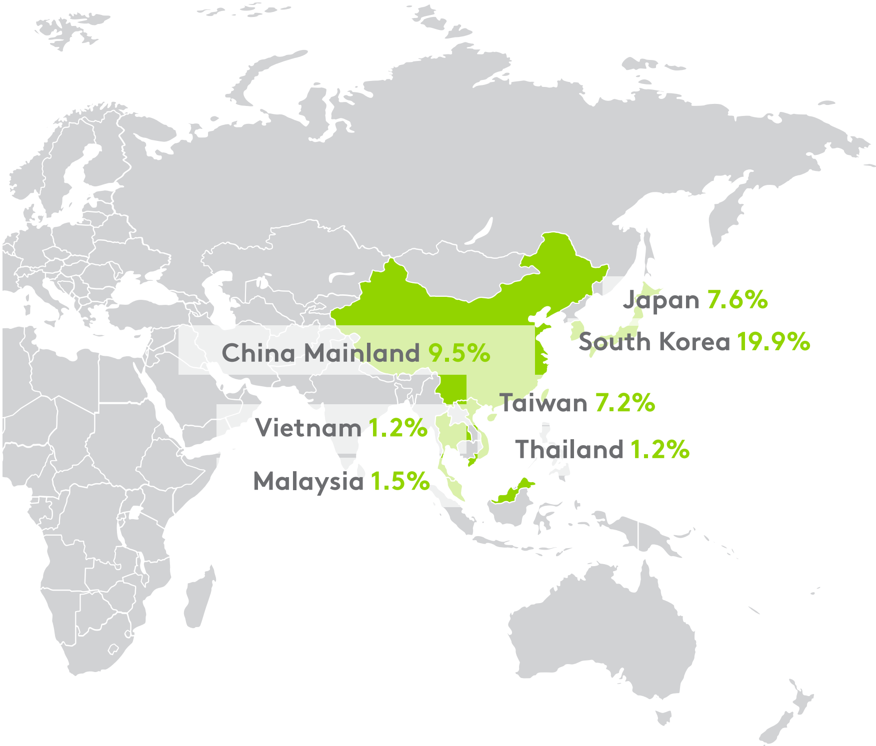
This paper seeks to examine these hot topics and more.

KEY TRENDS

FMCG and fresh foods continue to dominate the consumers' wallet for spending, accounting for more than one fourth of total expenditure across almost all Asian markets. FMCG online purchases have also increased steadily over last year's numbers, driven by the increased convenience and accessibility offered by some of the top ranked e-commerce sites like Coupang in Korea, Taobao and TMall in China Mainland, Lazada and Zalora in South East Asia as a whole.

Among these, personal care and beauty products are some of the most frequently purchased products on e-commerce platforms in markets like Vietnam and China Mainland while in Korea, consumers tend to shop for home care and home meal replacement products online.

E-Commerce Value Share (%)



12 months to June 2018

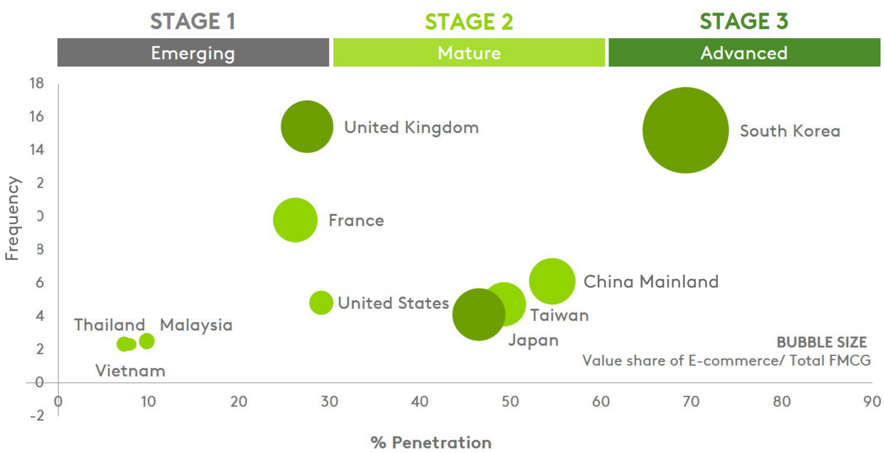
Top reasons quoted for online shopping:

Convenience in terms of time-saving as shopping can be done anytime, anywhere.

Online technology allows for quick comparison of various products.

Shoppers rely on product information and post-purchase feedback and reviews by other shoppers to help them in their purchase decisions.

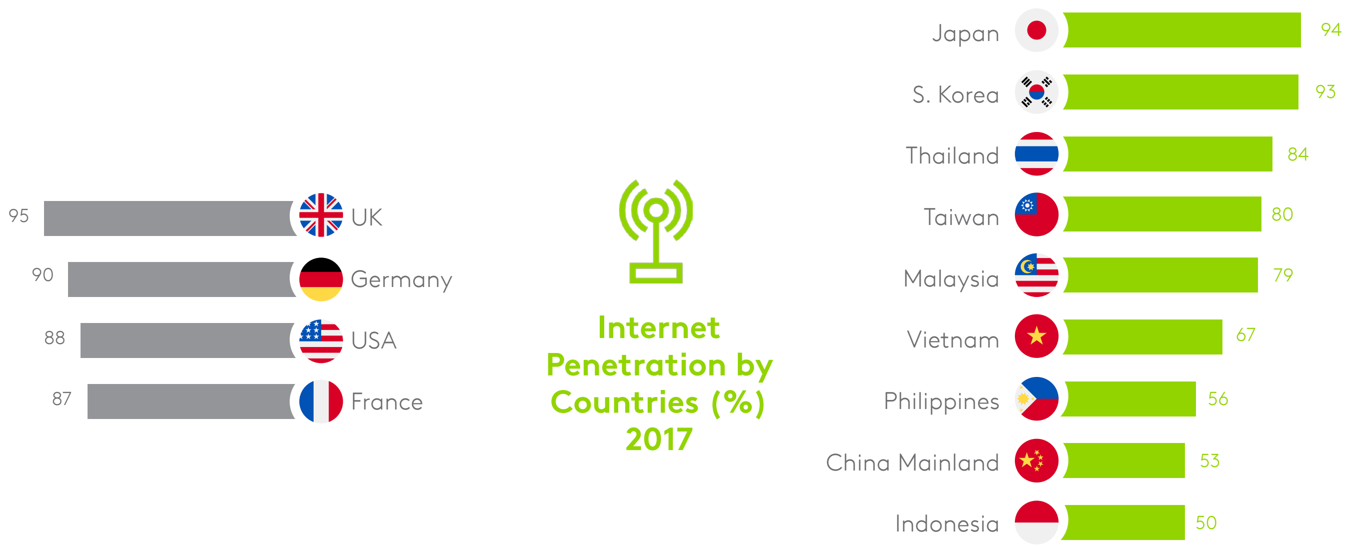
The Asian market exists at varying stages of maturity regarding e-commerce adoption when compared with other regions. However, the sheer value of e-commerce in FMCG is something that cannot be ignored, especially in markets like South Korea, China Mainland and Taiwan, which are at the forefront of e-commerce adoption.



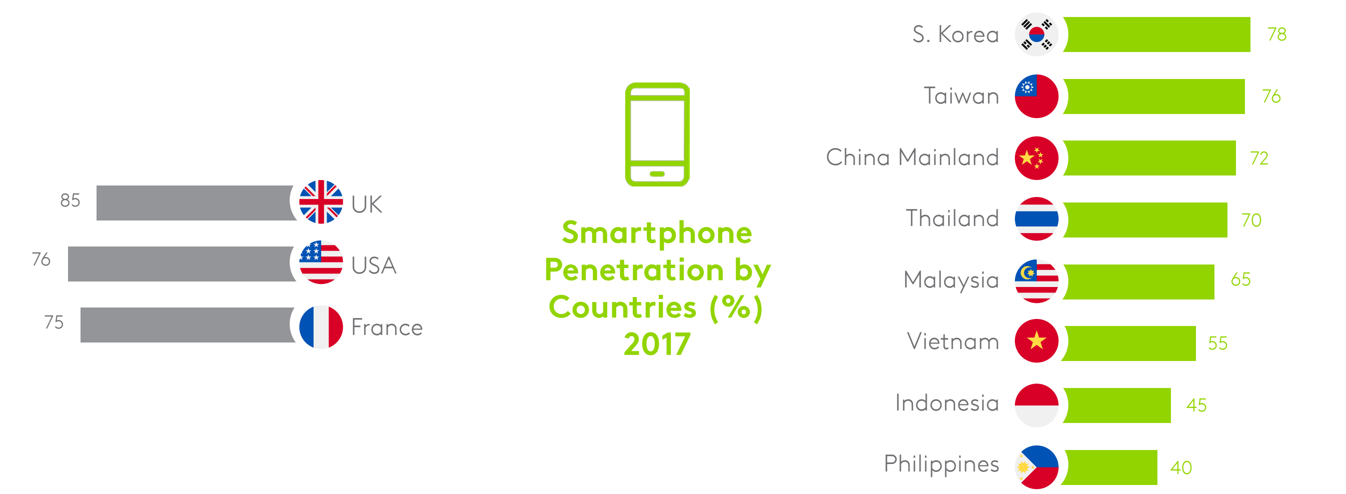
2017 figures

THREE FACTORS DRIVING E-COMMERCE IN ASIA

Asian consumers are very much an online and mobile generation that values 24/7 access to the internet, often via their mobile devices. In addition, convenience is key for them in getting access to products and services in a seamless and frills-free manner.



Source: Internet World Stats



The following are identified as the three key growth drivers for brands and retailers who want to make a competitive play for consumers in this space.

GOING MOBILE

Asian consumers are changing in the way they watch TV, research, and communicate, and this presents huge opportunities for brands and retailers to target them. Consumers are beginning to prioritise mobile connectivity over other things. Thus, mobile technology has quickly established itself as a key enabler, helping brands and retailers to reach out to prospective buyers on a daily basis.

How They **Watch Tv**

On demand via NetFlix, Amazon, HBO GO, etc

How They **Research**

Anywhere and anytime using smartphones and tablets

How They **Communicate**

Using social media: Facebook, Instagram, Twitter, LinkedIn

- Consumers access media the way they want, where they want and when they want (content, vehicle, place, time).
- Content has to be interesting and relevant enough to capture and sustain the interest of consumers.

- Messaging apps like WeChat, LINE and WhatsApp partner with brands and retailers to offer or promote OnDemand delivery services for their products.
- Sellers develop mobile applications for their retail stores to enable consumers to make direct purchases via their phones.
- They enable mobile eWallets like WeChat Pay, Go Pay or GrabPay for both online and offline purchases.

CONVENIENCE IS KEY

Asian consumers are known for valuing experience and an almost personalised service. They are also migrating from cash to e-money, and this move is supported by a well-integrated mobile digital payment system driven by online players who have developed their own financial ecosystems.

For example, Gojek and Grab are also offering services for groceries purchase. They are also continuously innovating to enhance their cashless payment system, and expanding to offline merchants (e.g restaurants, cafes etc.). Cashless payment will be one of the key trends that provide convenience, especially for urbanites in big cities.

It is therefore imperative that retailers consider the needs of their target consumers based on such factors as lifestyle needs, motivators and barriers in making purchase decisions.

TOP 3 MOTIVATIONS

85%
INFORMATION
- Other buyers' reviews are helpful
- Detailed product information in online

84%
CONVENIENCE
- I can do it anywhere, anytime
- I like online as it saves my time and energy

79%
PRICE
- Online prices are cheaper
- There are more promotions online

TOP 3 BARRIERS

64%
ACCESSIBILITY
- I can't get my items immediately
- I can't pay by cash

53%
REASSURANCE
- I can't check expiry date myself
- I can't be sure of the product condition

52%
AFFORDABILITY
- More impulse "unplanned" ' purchase
- More "tempted" to buy new brand

EXPERIENTIAL SHOPPING

In Asia, shopping is never only about buying products; it is also about the experience, and e-commerce blurs the boundaries of experience and shopping even more. The upsweep of technological advancement has provided more opportunities for brands and retailers to merge digital with physical by leveraging innovations around artificial intelligence, intelligent automation and virtual reality.

- In China Mainland and Indonesia, Tencent introduced an unmanned store using facial recognition, artificial intelligence and radio-frequency identification technology in an aim to showcase the future of shopping experience. Alibaba also launched staff-less and cashless stores, such as Tao Café.
- In Taiwan, 7-11 also introduced its first unmanned store called X-Store in the country, which is the retailer's second unmanned store globally (the first being in Korea) using state-of-the-art technology to serve customers.

Coupang, the largest online retailer in South Korea, won over fans with personalised services for e-commerce.

Some stores have also introduced a virtual fitting room where shoppers can visualise how a certain outfit will look on them without having to try it on.

As our Expert Solutions Director Peter Christou explains:

"E-commerce is developing fast in Asian countries, driven largely by the growing internet connection, which is now much more easily available and at a lower cost. While mobile is starting to get usage parity with desktop computers in developed western markets, many countries in Asia have leapfrogged straight into a mobile-first world, which is changing how Asian consumers get information and how they communicate with one another and with brands.

Not only that, mobile provides consumers with a vehicle for shopping online quickly and easily. This is seen both through messaging apps and also mobile applications from retailers, which enable consumers to make direct purchases from their phone.

Mobile will also be key to removing the friction when it comes to payments, as we have seen in some countries like China Mainland, mobile payments is now an everyday thing and we expect to see the development of e-wallets in other countries, for both online and offline purchases."

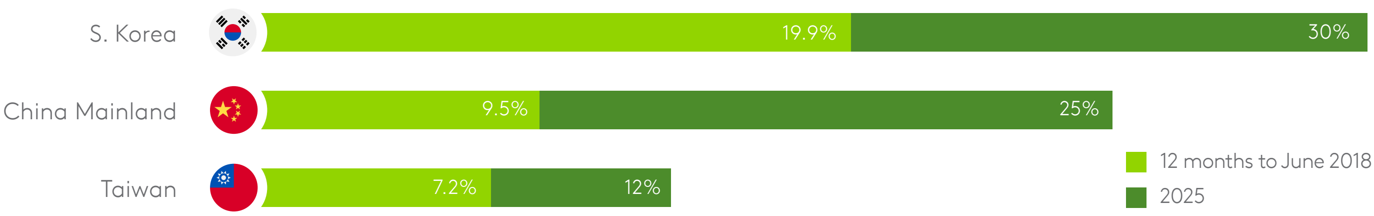
WHAT THE FUTURE LOOKS LIKE

Kantar Worldpanel projections show that by 2025, Asia online FMCG will hold a 15% total market share — up from 4.6% in 2016 and up from 8% in 2018. South Korea and China Mainland will continue to lead the way, and Asia in general remains at the cutting edge of online adoption.

Brands and retailers must think more about how to embed multiple digital touchpoints in their retail or shopping channels, making the online and offline path to purchase a seamless one.

Typical path to purchase

E-commerce online value share forecast by 2025 in top 3 Asian e-commerce markets



"To fully unlock e-commerce, development is needed in the area of payments and we can expect digital payment methods to grow in the coming years as people gain more trust in them.

Growth in e-commerce doesn't spell the end for bricks and mortar retail, and as we have seen, even small Ma and Pa stores can very quickly digitalise themselves and take advantage of this new era, while bigger stores can focus more on experiential shopping and leveraging new technologies to improve the shoppers' experience.

What else can we expect in the near future? Voice commerce, artificial intelligence and virtual reality to help the shopping experience. Brands will need use data available in a smart way in order push out the right message at the right time, so you can expect to see more and more curated and personalised messages coming from brands."

Peter Christou
Expert Solutions Director
Kantar Worldpanel

KEY TAKEAWAYS

Digital serves to create more touchpoints to target consumers and to provide a deeper level of engagement, but it is not meant to completely replace physical retail presence. Instead, brands and retailers should think about how to take advantage of technological innovations and embed them into their current omnichannel strategies and customer journeys.

Brands and retailers can look at ways to reinvent their in-store experience by creating refreshing and innovative environments that delight consumers through lifestyle features like spas, cafes, exhibitions, and more. These can be offered alongside personalised services, in-store kiosks, virtual reality services, pop-up shops, mobile e-commerce, etc.

Future trends to shape the consumer's journey

New technology embedding tech with life

- Promote technology as a way of life
- Use technology to remove friction along the path to purchase

Online and offline partnerships bringing about more collaborations and convergence

- Think about nurturing superior shopping experiences through the formation of strategic partnerships
- Build a more integrated and holistic omnichannel strategy
- Shopee for instance has "super brand day", which is a partnership with FMCG manufacturers. It was a proven success in uplifting purchases up to 120 times than normal days

New hybrid models for a more curated shopping experience

- Use personas-based or brand-personality selling as a business booster
- Adapt to consumers' mobile purchase journeys to drive conversions
- Use personalised experiences to drive brand engagement

ABOUT US

Kantar Worldpanel is the global expert in shoppers' behaviour. Through continuous monitoring, advanced analytics and tailored solutions, Kantar Worldpanel inspires successful decisions by brand owners, retailers, market analysts and government organisations globally.

With over 60 years' experience, a team of 3,500, and services covering 60 countries directly or through partners, Kantar Worldpanel turns purchase behaviour into competitive advantage in markets as diverse as FMCG, impulse products, fashion, baby, telecommunications and entertainment, and much more.

www.kantarworldpanel.com

CONTACT US

Regional expert contacts:
Nadya Ardianti
Nadya.ardianti@
KantarWorldpanel.com

Peter Christou
Peter.Christou@
KantarWorldpanel.com

Local contacts:
CHINA MAINLAND
Han Lu
Han.lu@ctrchina.cn

INDONESIA
Fanny Murhayati
Fanny.murhayati@kantar.com

KOREA
Ji Won
Jiwon.Chun@
KantarWorldpanel.com

MALAYSIA
Terry Kok
Terry.kokkc@
KantarWorldpanel.com

PHILIPPINES
Des Deocareza
Lourdes.deocareza@
KantarWorldpanel.com

TAIWAN
Will Liao
Will.liao@
KantarWorldpanel.com

THAILAND
Aitsanart Wuthithanakul
Aitsanart.wuthithanakul@
KantarWorldpanel.com

VIETNAM
Nguyen Phuong Nga
Phuongnga.nguyen@
KantarWorldpanel.com

For media or general brand marketing and communications enquiries, please contact:

Jaslyin Qiyu
Jaslyin.qiyu@
KantarWorldpanel.com

Nhu Ngoc Nguyen Thi
Nhungoc.nguyenthi@
KantarWorldpanel.com

KANTAR WORLDPANEL