

# SOUTHEAST ASIA TRENDER REPORT 2020

TRENDER



WITH CONTRIBUTIONS FROM

Google

abercrombie  
kids

adyen

AyalaMalls

SHISEIDO

STYLE  
TRIBUTE

# FOREWORD

**W**hat a year 2020 has been! From the Covid-19 pandemic to poignant societal movements, the global socio-economic landscape has shifted in ways like never before. As it stands, fashion retail was hit hard, having been deeply affected by mass lockdowns, social distancing, and disrupted supply chains. The inevitable closure of stores, emptied shopping malls, and an insurmountable loss of jobs are all but a few harrowing realities of the pandemic. A daunting aftermath that has impacted us all – not only from a retail standpoint but also across the entire fashion community, prompting a total recalibration of perspectives and strategies.

This forced introspection has led to an awakening of several megatrends that had been brewing beneath the surface. In Southeast Asia alone, we have discovered how advancements in the telecommunications sector have greatly improved online penetration, making the region one of the most connected in the world. We have also discovered how this vast and diverse panorama of consumers respond to key market triggers, giving insight to unexpected changes in behaviour and lifestyles. Southeast Asia – though often perceived as a homogenised society, its varied races, religions and wholly contrasting cities are what makes it a truly spectacularly unique environment, setting itself apart from its international neighbours.

Here at ZALORA Group, we understand the struggles of various players in the fashion, beauty and lifestyle ecosystems to access reliable data on this rarely discussed, yet highly documented demographic. While socio-economic data is easily available, how it applies to retail and consumer preferences alongside actionable insights are unavailable. It is with this in mind that the ZALORA TRENDER Southeast Asia 2020 Report aims to answer the region's most questioned conundrums, fuelled even further by this year's unprecedented pandemic. TRENDER, ZALORA's proprietary analytics platform, is where data meets fashion, and today serves as a north star for over 1000 brands to navigate a constantly evolving consumer market.



During such unprecedented times, we hope that this serves as not only an introduction to less traversed territories but also as a guide for companies and entrepreneurs who wish to steer their businesses through choppy waters and are planning for 2021 and years ahead. To bring practical application alive, we have collaborated with various leaders and insiders in the ecosystem, offering compelling research and groundbreaking statistics that make sense of this colourful region we call home.

I am thankful to our valued partners Google, Ayala Malls, Adyen, Abercrombie & Fitch, Style Tribute and Shiseido, for providing valuable inputs and case studies; the ZALORA TRENDER and Corporate Communication teams for putting this report together; and to everyone who contributed in making this inaugural industry report a comprehensive overview of how the region is changing. ■

**CEO, ZALORA GROUP**

# ACKNOWLEDGEMENTS

## ABOUT THE EDITOR

Based in Kuala Lumpur, Malaysia, Amy Yasmine is a freelance editor, stylist, and fashion consultant with six years of editorial experience at Harper's BAZAAR Malaysia as Assistant Editor.

With an in-depth knowledge of fashion and luxury, Amy's passion for storytelling is often conveyed through thought-provoking features, running the gamut from celebrity cover stories to analytical op-eds. Meanwhile, her inquisitive nature and eclectic interests have led to a series of riveting anecdotes across the landscapes of horology, beauty, travel, and lifestyle.

As a multifaceted writer, Amy's craft goes beyond the scope of journalism. Understanding the power of compelling imagery, she often pairs evocative narratives alongside creative whimsy, having styled Hollywood, fashion, and music's glitterati, from actress Lucy Boynton to DJ Peggy Gou. Her keen eye for detail is what expanded her styling repertoire, culminating in various multimedia projects including television commercials and digital campaigns.

Today, her bubbly and tongue-in-cheek personality lends to a varied skill set which has allowed her to pursue a mélange of artistic endeavours. By harnessing her unique voice, Amy Yasmine blurs the lines between communication and imagination.



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# ABOUT ZALORA

ZALORA is Asia's leading online fashion, beauty and lifestyle destination, part of Global Fashion Group. As one of the region's pioneer large scale e-commerce platforms, ZALORA has established a strong presence throughout the region, particularly in Singapore, Indonesia, Malaysia, Brunei, the Philippines, Hong Kong, and in Taiwan, enjoying over **50 million visits per month**.

With an extensive collection of top international and local brands, ZALORA is a curated platform, where shoppers can find all the things they love in one place. Customers can discover authentic products from **over 3000 brands** across a variety of categories, from apparel, shoes, accessories, beauty, pre-loved, and lifestyle, which include essentials and home & living products.

As a customer-first brand, ZALORA is powered by a team of innovators, committed to providing a seamless shopping experience across mobile, tablet, and desktop. With a broad network of logistical service, ZALORA is known for speedy and reliable deliveries, as well as offering multiple payment methods, including cash-on-delivery across its markets. ZALORA also provides up to 30-day free returns and free delivery after a certain spend. ZALORA continues to delight shoppers with their unlimited next-day delivery subscription, **ZNow**, and give customers more value with ZALORA's signature **Cashback** programme. ZALORA also made it easier for shoppers to buy products based on their style inspiration with **ZALORA' visual search function**, **Complete the Look** and **Get the Look** feature!

ZALORA prides itself to be an industry enabler through innovations such its data analytics platform, **TRENDER**, that provides brand partners valuable insights and **1SS** (One-Stock Solution) a modular multi-channel e-commerce fulfilment service, that allows brand partners to consolidate their stocks in ZALORA's e-fulfilment centres.

Putting the customers and brand partners at the centre of our innovation, ZALORA is the online destination that connects everyone to the limitless world of shopping possibilities.

**50M+**  
Visits per month

**3000+**  
Brands

**8M+**  
Organic social following

**20M+**  
App downloads



# ABOUT TRENDER

Envisioned with retail intelligence in mind, TRENDER is ZALORA's latest analytics solution **where fashion meets data**. Powered by our team of in-house experts, brands can now fully benefit from ZALORA's trade intel derived from **more than 50M+ monthly visits**. As one of the innovators of large-scale e-commerce in the region, ZALORA's years' worth of trade provides brands with a holistic view of the evolving retail landscape in Southeast Asia.

With a comprehensive database, we pride ourselves on having the largest number of highly qualified, fashion-focused, and purchase-intent audiences in Southeast Asia, making us perfectly positioned to predict fashion and lifestyle trends than anywhere else within the region. And given the intricacies of today's retail climate, we believe that it is through such transactional data, businesses can best meet a consumer's ever-changing needs.



## HARNESS ZALORA'S EXTENSIVE DATA ECOSYSTEM & GAIN INSIGHTS INTO TRANSACTIONAL, BROWSING AND CUSTOMER DATA FOR YOUR BUSINESS.

DAILY LIVE SALES AND WEEKLY INVENTORY



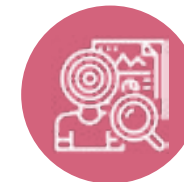
TRAFFIC COMPARISONS



RETURN RATE MONITOR



CUSTOMER AND PRODUCT INSIGHTS



COMPETITION DASHBOARD



COVID-19 DASHBOARD



Combining the power of AI and forecasting, ZALORA's TRENDER is the north star for every brand trying to optimise their approach in Southeast Asia. In today's heavily-digitised landscape, information is undoubtedly crucial. From geo-segmentation to buying behaviour, our partners will now have more access to valuable data like never before.

TRENDER consists of two products: (1) **TRENDER Basic** - as a monthly circular, which provides ZALORA's brand partners with the quickest access to leading industry data. Specifically designed for ZALORA's medium & long-tail sellers, BASIC is aligned to the needs of our brand partners throughout the season and who are interested in gaining access to key market, product & customer insights. It is perfect for brands who do not require a high level of customisation but want to stay on top of trends in their particular market and category. Brands will also have the option to expand their standard subscription by adding additional reports in the various categories and markets that they are interested in. (2) **TRENDER Professional** - is a self-service business intelligence tool, where brands can analyse filterable views and drill-down capabilities. One can also take advantage of ZALORA's benchmark data and compare their performance with over 3,000 local and global brands. Brands can upgrade their subscription plan to gain access to more features such as data extraction, API integration, and the ability to fully edit their own dashboard.

Since the launch of TRENDER in April 2020, we now have **over 1000 satisfied brands subscribed** to TRENDER.

Tailormade and customised to suit any retailer, TRENDER also offers performance evaluation alongside an in-depth COVID-19 consumer analysis. In fact, TRENDER released a **COVID-19 Sales Dashboard** to help subscribed brands understand the shift in the retail trends during these uncertain times. Insights include analysing the shift from mobile to desktop and help track the change in customer's demand and shopping behaviour pre and post COVID-19, such as increase in sales in nightwear and activewear categories.

By providing more visibility and insight into their products and audience, TRENDER enables brands to drive their businesses strategy, not just on ZALORA, but throughout all sales channels from design to delivery.

**TO FIND OUT MORE ABOUT TRENDER**  
Please contact our support team at [trender-support@zalora.com](mailto:trender-support@zalora.com)

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# THE ROAD AHEAD: ARE WE OUT OF THE WOODS?

*A compass through uncharted territories.*

**T**his 2020, winds of change are on the horizon. As a result of the ongoing COVID-19 pandemic, fashion retail in Southeast Asia has changed drastically, identified as one of the hardest-hit industries. What once was a thriving and dynamic ecosystem is now marred by disrupted business operations, forcing radical transformations in consumer behaviour and values.

In the past, brick and mortar stores have been at the cornerstone of fashion's retail industry. But as health and safety concerns became increasingly paramount – as with the practice of social distancing – there has been a marked shift in favour of online shopping. In a recent analysis by Bain and Facebook, 47 per cent of consumers throughout Southeast Asia reduced their offline purchases, against an astounding 30 per cent who have increased their online spending in the first half of 2020. Meanwhile, businesses are revealed to have embraced omnichannel, diversifying their respective e-commerce infrastructures to meet an ever-evolving consumer need. With the impact of COVID-19 firmly in the consumer's mind, the rise in discretionary spending has become more apparent as consumers gravitate towards value-for-money or essential purchases instead. This was evident in a [Capillary Tech statistic](#), which showed Southeast Asia's apparel and fashion retail sales plunge to 66 per cent during the peak of the region's lockdown.

It's important to note that even as restrictions began to ease, Southeast Asia's badly-hit economy suggests that the industry isn't entirely out of the woods. Any initial signs of recovery will be short-lived, with projections from the [Singapore Retailer's Association](#) showing that sales in the country are expected to drop by about 50 per cent in the long run due to a weakened economy. Additionally, the region's vast multicultural background poses myriad of complexities for players across the e-commerce chain: from an assortment of sizes and economic growth to various faiths and ethnicities.

*“ Given the uncertainties that lie ahead, businesses must recognize that the retail industry will continue to change and evolve beyond a stable climate. ”*

Given the uncertainties that lie ahead, businesses must recognise that the retail industry will continue to change and evolve beyond a stable climate. Adaptability in this regard is what will steer most businesses out of the storm. With an agile approach, a focus on staying customer-centric, and a nurturing of mindsets towards growth, green shoots of recovery can be expected within the entire ecosystem.

During such unprecedented times, this report aims to provide business decision-makers with a clear roadmap to understand and effectively navigate the new normal within the retail industry. As Southeast Asia's fashion retail authority, ZALORA seeks to translate the value of data of current realities while capturing future opportunities, solidifying its legacy as one of the pioneers of large-scale online shopping in the region. By harnessing a decade's worth of fashion transaction data consolidated through its platform as well as valuable information from partners like Google, ZALORA will shed light on potential consumer megatrends, as well as what the future of fashion retail in Southeast Asia in the age of a COVID-19 pandemic would entail. ■



# EXPLORING A DIVERSE LANDSCAPE

## UNDERSTANDING THE REGION'S FRAGMENTED COMPLEXITIES.

*Covering a landmass of almost two million<sup>2</sup> miles, Southeast Asia is home to more than 655 million people – about 8.5 per cent of the entire global population. Here it is a world of contrasts, where Muslim mosques and Buddhist temples coexist in harmony alongside towering skylines and tropical rainforests. But what exactly makes it so unique? In this chapter, we observe how its multidimensional attributes make it a fascinating landscape for businesses to thrive while outlining future challenges that altogether make it one of the most diverse regions on Earth.*



**C**ompared to its Eastern counterparts, Southeast Asia's developing tech-centric communities and low labour costs is fast attracting star-studded industry players, with the likes of Google and Apple shifting their product lines to countries such as Malaysia and Vietnam. Meanwhile Taiwanese iPhone assembler [Pegatron had spent \\$300 million to open a new factory in Indonesia in May 2019](#). Indeed, its rich culture and societal landscape is exactly what makes it an appealing target to businesses, but with that comes its own set of complexities.

Understanding this unique nature is key to unlocking Southeast Asia's enormous potential and opportunities for the e-commerce industry. However, businesses must prepare to face multiple challenges. This includes:

### Geographical and physical infrastructure:

For countries such as Vietnam and Thailand, strategising the delivery of goods across terraneous archipelagos and dense jungles can pose as a challenge for e-commerce companies and logistics partners. This could be further exacerbated by poor transport networks that provide inadequate coverage across these countries.

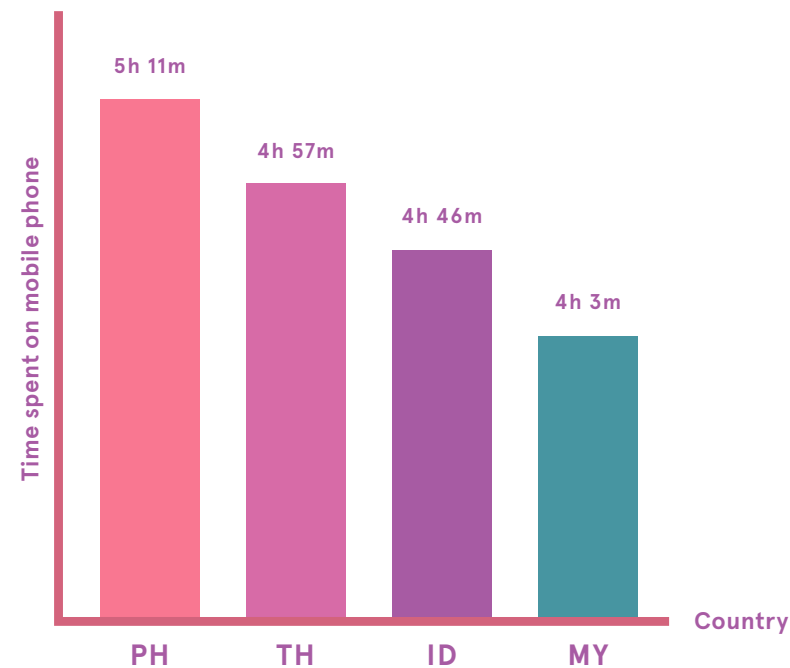
### Population distribution:

Businesses may find difficulty reaching audiences across vast landscapes, especially when more than half of the region's population reside across thousands of islands. As a relatively young region primarily comprised of millennials and Gen Z-ers, businesses will also need to take note of the generation's new values and attitudes. With reports highlighting the obstacles faced in targeting these young individuals – for instance, how Gen Z-ers in Southeast Asia are the ["hardest age group to reach with advertising"](#) – a recalibration of approaches is most likely needed.

### Cultural differences:

With its cultural and religious diversity in mind, tastes and fashion preferences can vary quite widely from country to country. [Studies](#) also show that linguistic differences have been a hurdle to overcome, making it a challenge for companies to scale their businesses in the region.

AVERAGE TIME SPENT ON MOBILE PHONES BY USERS BETWEEN THE AGE OF 16 AND 64



Source: [We Are Social](#)

Despite these challenges, Southeast Asia remains one of the [most connected regions in the world](#). According to research conducted by [We Are Social](#), online penetration within the sector currently stands at 66 per cent, with the number of users growing at 8.2 per cent year-on-year. This is most evident in the Philippines and Thailand, where users between the age of 16 and 64 clocks in an average of five hours 11 minutes and four hours 57 minutes on their mobile phones respectively. Indonesia follows close behind, raking in four hours and 46 active minutes online via mobile phones and Malaysia with four hours and three minutes.

With 63 per cent of the region’s population invested in social media, it’s no wonder why Southeast Asians are considered “the most engaged mobile internet users in the world”. This thriving melting pot of digital activity also creates myriad opportunities for retailers to entice online and offline shoppers at the same time. Meanwhile, social networking services (SNS) like Instagram and YouTube have become crucial tools in enhancing brand presence online, driving visibility and recognition among customers.

Interestingly enough, COVID-19 had somewhat accelerated e-commerce adoption throughout Southeast Asia. In countries such as Indonesia and Malaysia, a large percentage of internet users ([88 per cent and 82 per cent respectively](#)) aged between 16 and 64 claimed to have made a purchase online at the height of the pandemic. Similarly in Singapore, research from [Nielsen](#) showed that 37 per cent of Singaporeans claimed to have frequently shopped online as a result of the pandemic, with three out of four consumers planning to maintain their current online shopping levels well after the crisis subsides.

At the end of this dark tunnel, the value of e-commerce spend in Southeast Asia serves as a bright, promising light for businesses aiming to capitalise on the region. The numbers say it all – based on [Google and Temasek’s projections](#), the digital economy will account for eight per cent of the region’s gross domestic product by 2025. However, key players must recognise the need to adapt their approaches, and ultimately align themselves with current realities.

To aid this shifting landscape, governments across the region have placed necessary measures to encourage digital adoption and transformation. This includes launching programmes to help local businesses transition from conventional brick-and-mortar to e-commerce. In the case of Malaysia, the Malaysia Digital Economy Corporation (MDEC) kickstarted a [Micro and SMEs E-commerce Campaign](#) under the PENJANA economic recovery plan to revive local businesses affected by the COVID-19 pandemic. Simultaneously, the initiative also championed local sellers to sustain operations, enhance productivity, all the while transitioning to an e-commerce platform. Similarly, in Singapore, [Enterprise Singapore \(ESG\)](#) – a transformation project made necessary as a result of the pandemic – acts as a catalyst to drive more than 3,500 local businesses towards digitalisation. Small and Medium Enterprises (SME) retailers in the metropolitan country have also signed up to join online platforms such as Zalora, Amazon, Lazada, Shopee, and Q0010, bolstered by an [e-commerce booster package](#) that was launched in early April.

At the same time, retailers would also have to focus their efforts on young and mobile-centric consumers, presenting significant opportunities for brands. According to a study by BCG, millennials (who have become the largest segment of the population) will increase their per capita spending by more than 10 per cent over the next five years, while Gen Z consumers will increase their per capita spending by more than 70 per cent in the same period.

Ultimately, Southeast Asia is strengthening its reputation as a hotbed for opportunities for the e-commerce industry. But businesses will need to remain nimble to respond to such dynamic market changes – especially during tumultuous times caused by the pandemic. The ensuing chapters will thus explore the permanent effects of COVID-19 on the region’s e-commerce space, and discuss the ways businesses can best prepare themselves as they wade through the future state of fashion retail in Southeast Asia. ■

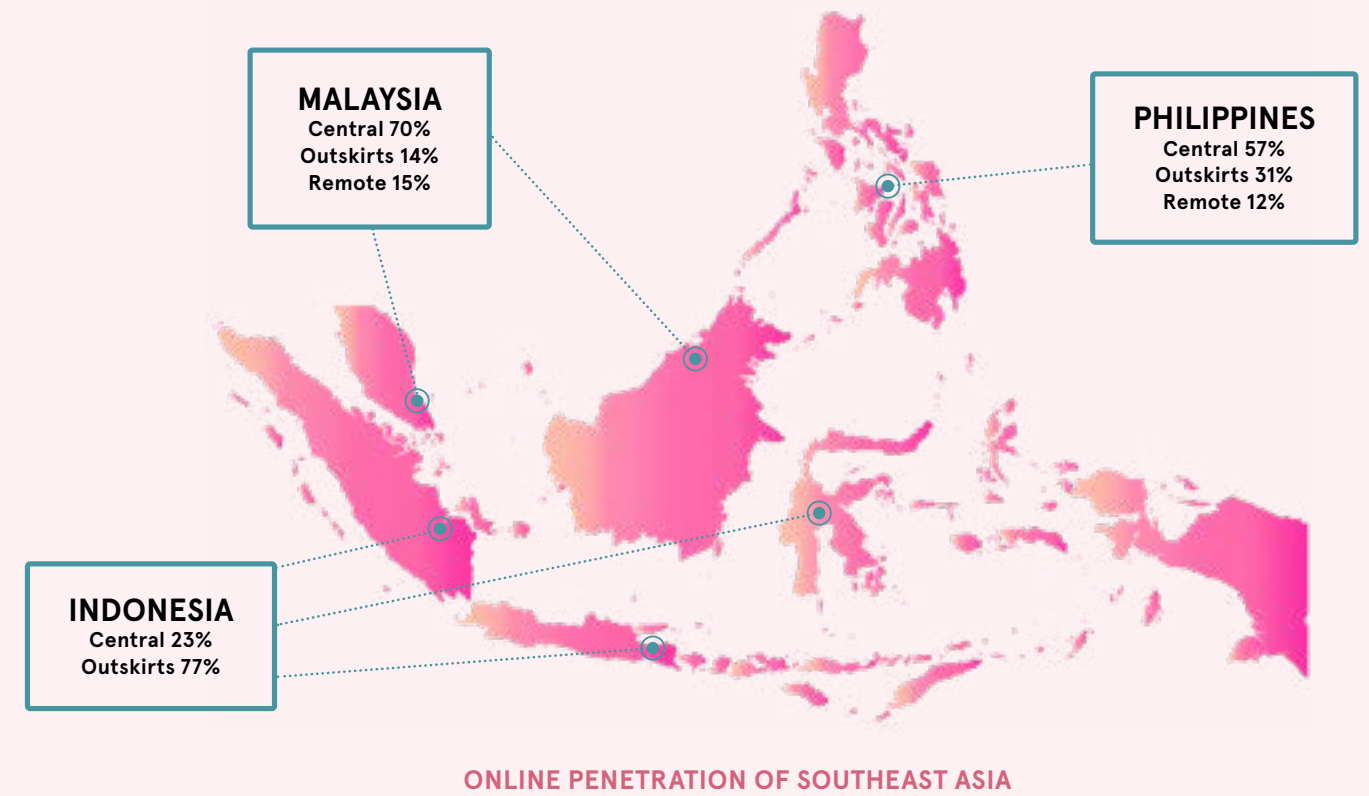
# SHOPPERS IN SOUTHEAST ASIA

**GETTING TO KNOW THE REGION’S MULTIRACIAL, YET DIGITALLY-SAVVY COMMUNITY.**

*Southeast Asians have evolved in ways beyond imagination. As education becomes increasingly accessible, the region’s consumers are driven not just by technology, but by information as well. At the same time, this surge in education has led to an evolved middle-class landscape, resulting in growing mass-affluent clientele. Meanwhile, its mélange of heritage, religion, and culture give way to niche consumer demands. In this chapter, we shed light on the varied consumer personas that exist within Southeast Asia, and how this audience has set itself apart from the rest of the world.*



In a region comprising a plethora of ethnicities and religions – Islam, Christianity, Hinduism, and Buddhism to name a few – diversity is a unique facet of Southeast Asia’s retail boom, influencing the vast disparities between one consumer group from another. It’s indeed what makes Southeast Asians a little more perplexing to understand, considering how many of these factors play a crucial role in shaping consumer demand. Take Malaysia’s multicultural community, for example, whose Malay majority paves the way for a growing modest wear market. At the same time, the country’s 20.6 per cent (correct as of 2019) Chinese population are swayed by Northeastern trends (think South Korea and China). The same could be said for Singapore’s dominant Chinese residents, whose preferences extend to include South Korean beauty brands. In a [2019 survey conducted by Daily Vanity](#), 31 per cent of Singaporean respondents said Korean products made up half to three-fourths of all beauty products owned. That said, the typical Southeast Asian consumer is ...



Source: TRENDER

# #1

## OCCASION-DRIVEN

Festivities such as Eid, Chinese New Year, and Thaipusam have contributed to a growing demand for traditional wear within the region. In countries like Malaysia, *baju kurungs*, *cheongsams*, and *sarees* are all worn during such special occasions, as well as other events like weddings and formal gatherings. It’s a niche yet popular product category, with many homegrown designers running the gamut from Alia Bastamam in Malaysia to Ong Shunmugam in Singapore, catering specifically for such overwhelming demands. It’s worth noting how in Southeast Asia, the apparel market does not revolve around seasons typically set in the West. Given the region’s perennial tropical climate, there is no need for autumn or winter wear. Instead, consumer apparel demand is mostly driven by the region’s numerous festivities.

# #2

## MASS-AFFLUENT

Blame it on Kevin Kwan’s 2013 ‘Crazy Rich Asians’. As a result of the Singaporean-American novelist’s book (which later turned into a film in 2018), the high-net-worth Southeast Asian became a stereotype when it comes to discussing the purchasing power within the region. Although this might not necessarily mirror our current reality, a majority of an increasingly affluent middle class represents one of the world’s most significant growth opportunities for consumer product companies. According to American-based management consulting firm Boston Consulting Group, [57 million people have gained affluence, and the numbers are expected to climb to 136 million by 2030, representing 21 percent of the region’s population](#). The report had also identified an astounding two-thirds of mass-affluent consumers to be under 40 years of age, as more than “three-quarters had graduated out of the middle class within the past ten years, earning their wealth as salaried professionals or business owners.” This certainly makes it a compelling demographic for not only luxury brands, but also mass consumer brands as many are still in the process of trading up to premium goods.

# #3

## TECH-SAVVY

Southeast Asia’s contrasting terrains should also be considered when it comes to identifying the region’s vast consumer base. From urban cities to remote coastal towns, consumers remain logistically dispersed (think: the archipelagic lands of the Philippines, and Indonesia with its 17,508 islands). And yet, Southeast Asians are the most connected consumers in the world. To put things into perspective, less than a decade ago, four in five Southeast Asians had no internet connectivity and limited access to the internet. But fast forward to today, there are now more than 360 million Internet users across the region, with an approximate 90 per cent connected to the Internet using a mobile phone.

## PURCHASING POWER OF MILLENNIALS AND GEN Z

As observed, individuals with the highest disposable income who spend most of their time shopping online fall into the age group of 26 to 30 years old, amounting to 24 per cent of the total ZALORA market share. These individuals are mostly Millennial and Gen Z shoppers, who have the most disposable income to spare today.

To put into perspective, Gen Z consumers have never known a world without the Internet, nor without the use of mobile phones. According to McKinsey & Company, [Indonesian Gen Z-ers typically spend two hours longer a day than Gen X-ers, and an hour more than Millennials on their phones, leading to increased time spent on social media](#).

Unlike many other Millennial or Gen Z-ers elsewhere in the world, a large amount of Southeast Asian youths still reside with their parents, allowing these individuals to be free of financial burdens like mortgages, rent, or even electricity bills. This strong familial bond is what enables such young consumers to be fiscally liberated, often leading to an accelerated shopping habit exacerbated even further by social media. At ZALORA, we have discovered that our market share was dominated by Millennials and Gen Z-ers – a considerable step away from Baby Boomers and Gen X.

However, there are immense complexities given the multicultural landscape of this region. In countries like Malaysia and Indonesia, modest wear has become exceedingly popular as Muslim shoppers begin to experiment with fashion. This has given way to a rise of homegrown designers catering to niche market. At the same time, other external factors like pop culture, occupation, and hobbies play significant roles in shaping Southeast Asia’s complex fashion consumer pool.

“ At ZALORA, we have discovered that our market share was dominated by Millennials and Gen Z-ers. ”

So, here’s something to mull over: although Millennials and Gen Z-ers are predominantly comfortable with the digital world, Gen Z-ers stand out on their own.

To understand this eclectic demographic better, ZALORA’s study of consumer profiles based on its vast database has identified several distinct personas: The Savvy Professional, The Modest Modernist, The Cool Kids, The Thrifty Fashionista, and The Style Icon.



## CONSUMER PROFILES MEET SOUTHEAST ASIA'S LARGEST ONLINE AUDIENCE

**5%**  
of population distribution

**THE SAVVY PROFESSIONAL**

- Uses fashion to elevate status.
- Brand conscious, but not necessarily driven by trends.
- Craves exclusivity.
- Comprised of Millennials and Gen X.

**10%** distribution within ZALORA base



**16%**  
of population distribution

**THE THRIFTY FASHIONISTA**

- Fun and experimental.
- High fashion and shopping interests.
- Financially constrained and bargain-driven.
- Willing to take fashion risks.
- Made up of Gen Z and Millennials.

**22%** distribution within ZALORA base




**15%**  
of population distribution

**THE MODEST MODERNIST**

- Fashion chameleon who balances trends with cultural and religious values.
- Has strong ethical and moral compass.
- Willing to invest in personal grooming.
- Skewed towards Gen X and Millennials.

**14%** distribution within ZALORA base




**8%**  
of population distribution

**THE STYLE ICON**

- Trend-conscious but not trend-driven.
- Has a discerning taste profile.
- Strong sense of personal style.
- High disposable income.
- Features Gen X and Millennials alike.

**5%** distribution within ZALORA base




**5%**  
of population distribution

**THE COOL KID**

- Young and tech-savvy.
- Stays ahead of trends with an expensive taste.
- Includes Gen Z and Millennials.

**2%** distribution within ZALORA base



**MILLENNIALS** Born between 1982 and 1995  
**GEN-Z** Born between 1996 and 2019  
**GEN-X** Born between 1965 and 1980  
**BABY BOOMER** Born between 1946 and 1964

## PURCHASE FREQUENCY: THE FUTURE IS FEMALE

There's no denying that women are indeed top spenders in the history of retail. And although it sounds like there might be a slight gender-biased skew to this, in Southeast Asia, it comes with sound reasoning. Here's why.

The roles of women in Southeast Asia have changed tremendously over the past few decades. From multi-corporation CEOs to key political figures, the women of today are increasingly empowered, turning the tables against their male counterparts before ultimately becoming key decision-makers. To put things into perspectives, findings from the [2016 MasterCard Index of Women's Advancement](#) revealed that more women than men enrol in tertiary education across Southeast Asia. Additionally, many of these modern and empowered women are Millennials – individuals who have fully harnessed and embraced the wonders of the Internet. Inherently, this means that the average Millennial woman is seemingly delaying childbirth and marriage; shifting their gaze from conventional familial goals to pursue careers.



Shoppers In Southeast Asia

In the context of retail therapy, this newfound liberation has given way to a more spendthrift shopper, with an even more discerning taste. According to Melissa Senduk, Group Creative Director of Thailand-based e-commerce platform Orami, Southeast Asian ["women contribute to 80 per cent of all household purchases, outshopping men by 20 per cent, and spend 40 per cent more time \[browsing\] online retailers."](#) At ZALORA, the liberated Millennial woman's (as well as Gen Z-ers, for that matter) purchasing habit is validated by an 80 per cent sale representation, in comparison against a low 20 per cent by men. A polarised disparity, to say the least, representing an even larger untapped market value of \$2.4 trillion.

## SOUTHEAST ASIA: A DIGITAL JACKPOT?

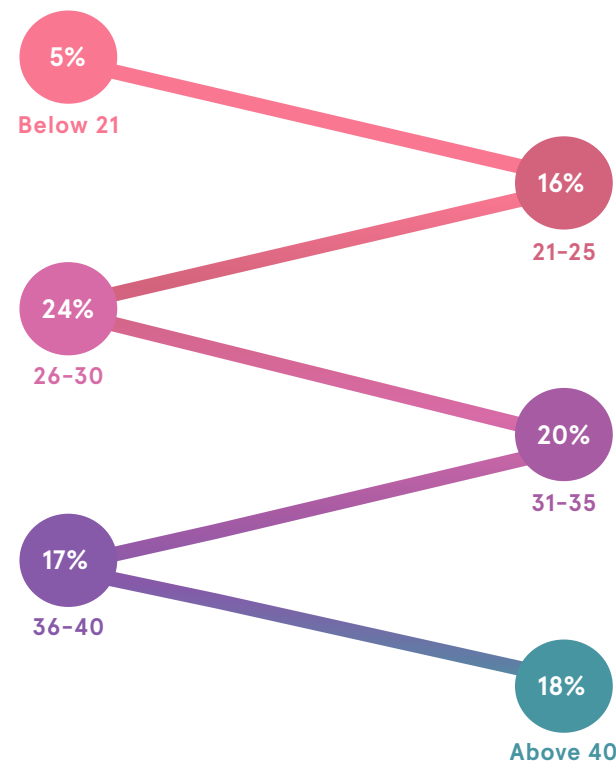
Unlike anywhere else in the world, Southeast Asians are not a homogenised community. Instead, they are often influenced by its myriad of races and religions, forming unique attributes that are specific to each country.

While that may sound daunting, there are factors businesses and investors alike should be mindful of when it comes to decoding the Southeast Asian consumer. For one, with increased access to education comes rising urban affluence, allowing for a more discerning yet spendthrift shopper than ever before. Consequently, this led to a mobile-first mindset, as consumers become more digitally savvy with the widespread availability of the Internet. It's no wonder that through this advancement Southeast Asians are becoming early adopters in their own right. By filtering trends from not only in the East but also the West, Southeast Asian consumers have shaped their own unique voice, meeting at the cross-section where local tastes and preferences meet.

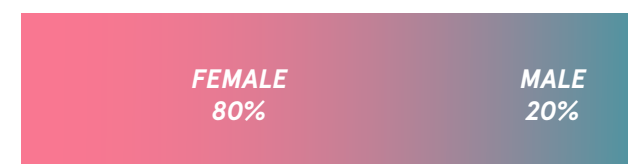
But how much have those tastes and preferences changed today? What does this mean for the retail landscape in Southeast Asia? In the next chapter, we discuss the evolution of consumerism within the region as we enter the next stage of the "New Normal". ■

### CUSTOMER DEMOGRAPHIC

Customer Age



Customer Gender

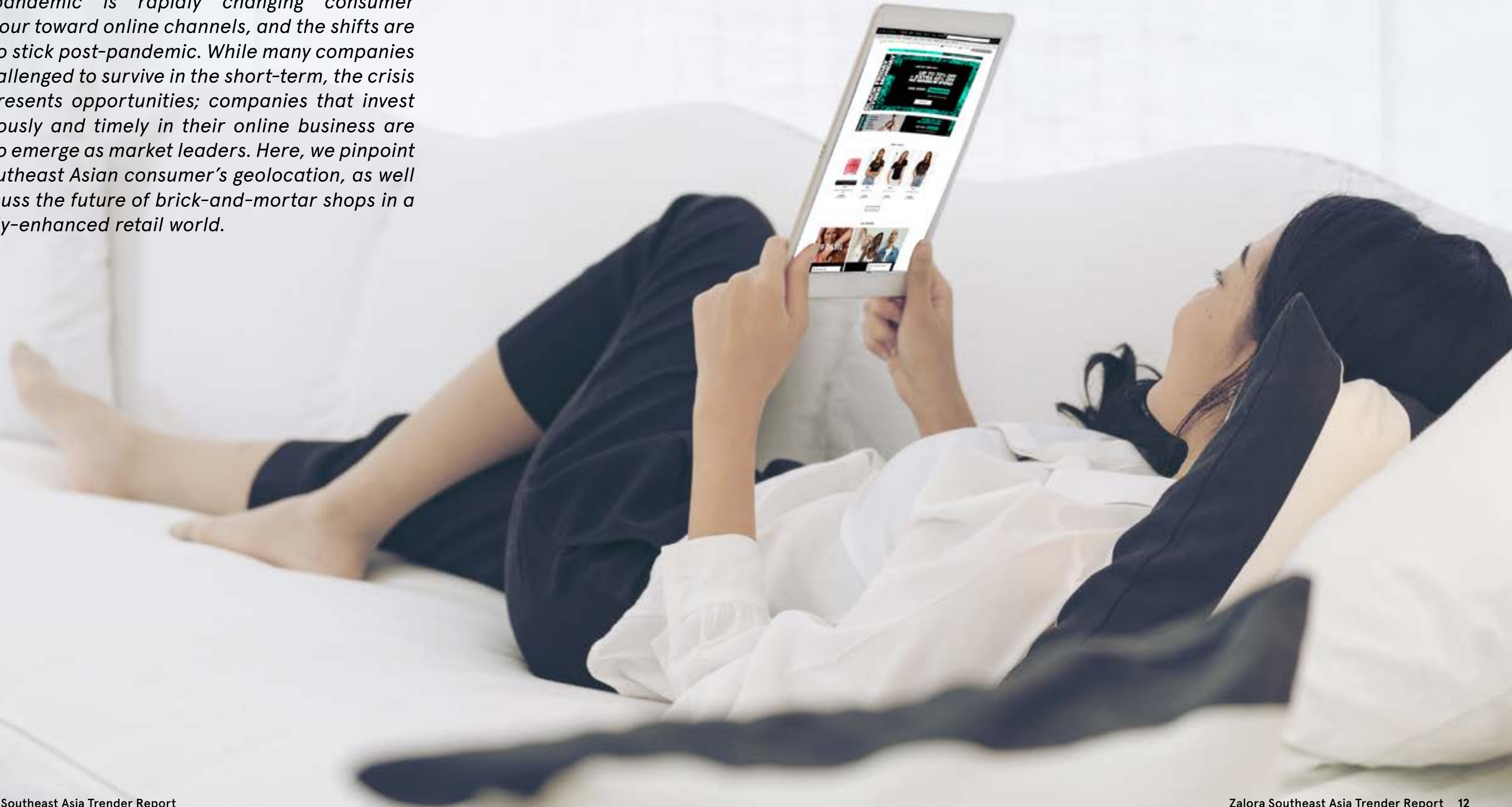


Source: ZALORA GROUP

# WHERE PEOPLE SHOP

## THE ONLINE/OFFLINE SCENARIO.

*The pandemic is rapidly changing consumer behaviour toward online channels, and the shifts are likely to stick post-pandemic. While many companies are challenged to survive in the short-term, the crisis also presents opportunities; companies that invest ambitiously and timely in their online business are likely to emerge as market leaders. Here, we pinpoint the Southeast Asian consumer's geolocation, as well as discuss the future of brick-and-mortar shops in a digitally-enhanced retail world.*



In the past, conventional brick-and-mortar boutiques laid at the heart of fashion's vast retail industry. But as the digital revolution drew closer, foot traffic became immensely scarce, leaving behind emptied parking bays and hallowed hallways in its wake. In Malaysia, [15 per cent of the total retail supply](#) (or at least 51,000 stores) was expected to cease operations. At the same time in the Philippines, [a total of 2,068 establishments had shut down](#) due to dwindling visitors.

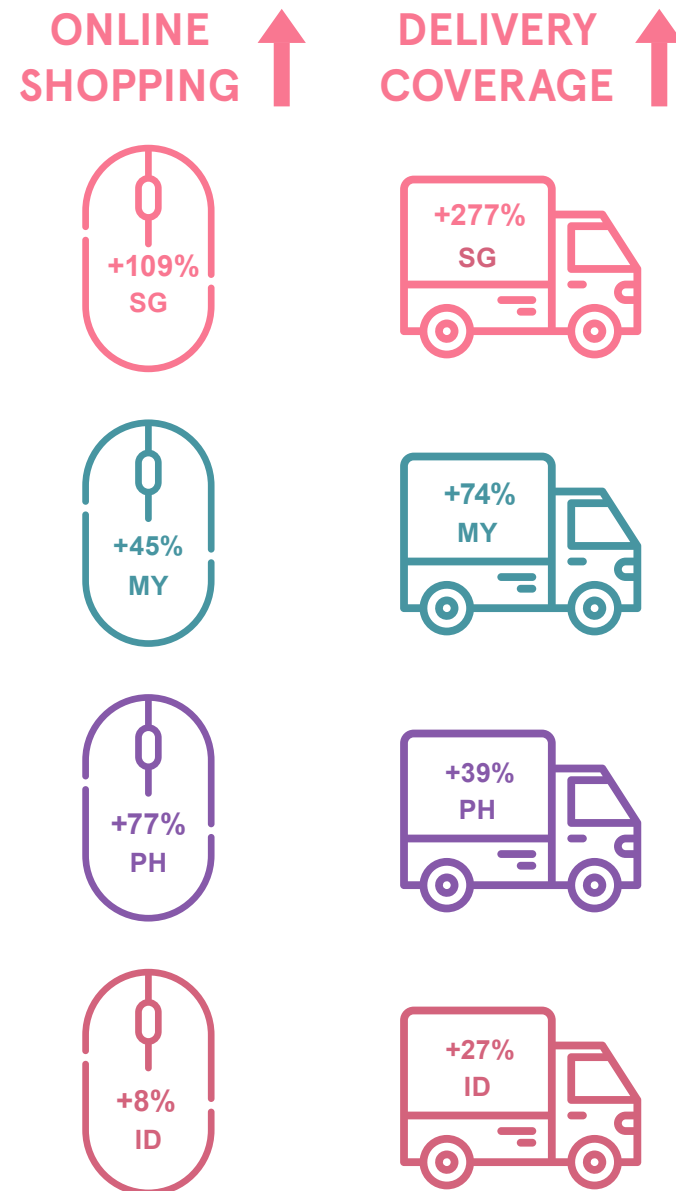
Today, that void is now replaced by new opportunities for online retailers to seize a growing online population. In comparison against the year 2018, online [GMV \(Gross Merchandise Value\) was expected to expand three-fold to \\$53 billion by end-2020](#) – growing 23 per cent annually over the last three years. Meanwhile, Internet service providers had increased significantly, contributing to 360 million Internet users in the region; a stark contrast when compared to a decade ago, when four in five Southeast Asians had zero to limited access to the Internet. Case in point, the [secluded village of Temulawak Hill in Yogyakarta, Indonesia, has now gained access to 4G](#), allowing its townspeople to surf the Internet, attend online classes, and even shop online. Never has the world been so easily connected today, than it did in the past.

As a result of Covid-19, entire communities have now found respite in the complete accessibility of the Internet during quarantine. With more time spent indoors than outdoors, online consumption has increased as compared to 2019, prompting a surge in web activities.

Spurred on by the effects of lockdown, businesses had to recalibrate their approaches towards enticing a consumer in quarantine. With strict social distancing protocols in place, many had to switch their approaches to provide a more seamless, yet contactless way of operation. Think, for example, restaurant owners who had shifted their businesses online; homegrown designers who have resorted to selling their products through IG shop; or gym centres who have redesigned their daily training sessions to virtual classes.

## GET PLUGGED-IN

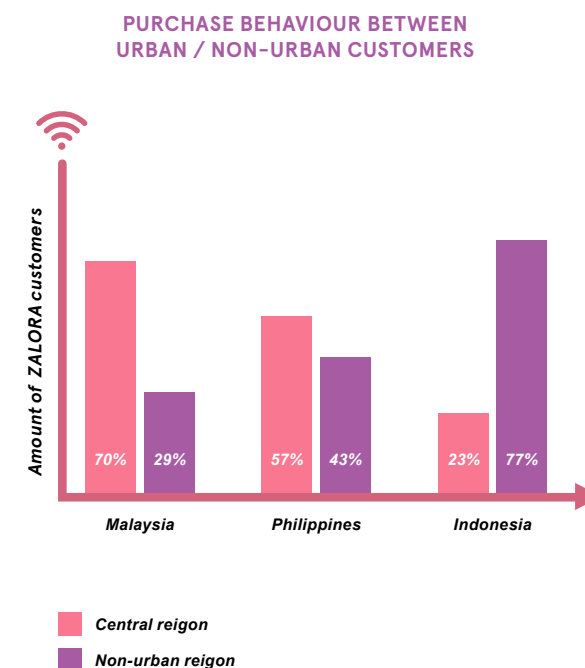
At the same time, this pivoting of lifestyles and preferences had also caused a set of trends to emerge: online shopping had increased, and social activities decreased. In the second quarter of 2020, we have seen an immense acceleration of web activity, affecting the propensity to shop online simultaneously. Within a year, online shopping growth in Singapore had skyrocketed by 109 per cent, while in the Philippines, online shopping increased by 77 per cent. In Malaysia, online shopping frequency went up to 45 per cent, with Indonesia coming in last at 8 per cent overall.



Source: Google Trends Data, April 2019 - June 2019 vs April 2020 - June 2020

## REMOTE CONNECTIVITY

In today's digital age, even the most remote, non-urban customers have increased their activities online. For countries like Indonesia and the Philippines, technological advancements paired with improved affordability has enabled hard-to-reach communities to be digitally connected. According to a 2019 report by London-based Opensignal, [Indonesia offers the "best in ASEAN in terms of providing 4G availability"](#) after Singapore and Thailand, providing online connectivity to an estimated population of 260 million. Meanwhile, 5G is set to be implemented in the archipelagic nation of the Philippines by the end of 2020. With such positive outlooks, it's easy to see why customers from the outskirts in both countries enjoy shopping online, especially in Indonesia where 77 per cent of consumers from less urban areas visit Zalora as opposed to only 23 per cent from central communities. However, this doesn't discount the fact that shoppers from metropolitan cities still eclipse shoppers from non-urban and remote areas. In Malaysia, 70 per cent of Zalora customers are located in the central region, while in the Philippines, almost 40 per cent of non-centrally located customers reside in central neighbourhoods.



Source: TRENDER



### THE END OF SHOPPING MALLS? NOT QUITE YET.

Such an evolution in consumer behaviour has resulted in a dramatic change in the retail landscape. And as more people spend more time indoors and online, what then of the state of shopping malls in the age of Covid-19?

To answer this, one must first understand the role of a shopping complex as more than just a retail haven. In Southeast Asia, malls have become a point of congregation for urban communities as a respite from the region's often hot and humid temperatures. It is, in essence, a leisure hub, hosting a wealth of entertainment outlets from multi-storied cinemas to public parks. In some countries, mega-complexes like the likes of Kuala Lumpur's Suria KLCC and Berjaya Times Square in Malaysia have even gone above and beyond to include ice skating rinks, as well as theme parks and state-of-the-art oceanariums. But today, such establishments hold little value with social distancing in place, and retail outlets must reconsider their strategies in this new dawn moving forward.

Given the multiple applications of shopping malls in Southeast Asia, it is high time for businesses to adapt to stay afloat through these uncertain times.



Retailers must first recognise that the post-pandemic customer is more discerning, more informed, and more cautious than ever. Their shopping journeys are far more varied too, considering the variety of platforms widely available online, from Instagram Shop to Google Shopping. Indeed, sellers cannot rely solely on brick-and-mortar to grow, but instead, embrace an omnichannel solution to bridge the gap between physical and digital shopping experiences that can further amplify their appeal.

In the Philippines, industry heavyweights like Ayala Malls are at the forefront of this new retail movement. Having developed its loyalty membership-turned-mobile app Zing, shoppers of Ayala Malls are able to not only find the quickest route through a mall via a built-in navigation system but also purchase a product for drive-through pick-up. "This ability to seamlessly blur the lines between offline and online channels isn't just a growing trend, but is looking to become a necessity in the future," said Rio Mayuga, Head of Digital and Data of Ayala Malls in an exclusive interview with ZALORA. "For retail outlets like us – who are very brick-and-mortar – we are investing a lot in the online experience, especially now that consumers are becoming increasingly digitally-savvy." In fact, customers have become so digitally-savvy that they can determine what they intend to purchase before arriving in-store. High street labels like Spanish giant Zara have rolled out mobile features showcasing seasonal catalogues, taking it even further with a built-in stock availability checker. Likewise, for Malaysian modest wear e-tailer Fashion Valet, shoppers can also search for a specific item's availability or size online before making their way to a physical outlet.

For Covid-cautious consumers, it certainly helps if time spent purchasing in malls or brick-and-mortar avenues are being cut down.

### OMNICHANNEL: THE BE-ALL, END-ALL?

Southeast Asia's fourth industrial revolution is no longer a myth – it's a reality. But this certainly doesn't mean the end for brick-and-mortar outlets in the retail landscape. Quite inversely, it bridges the gap between both physical and digital realms. By embracing innovations to shopper experiences via omnichannel solutions, businesses will be able to expand their reach across two vital retail avenues, now more than ever as consumers begin to lose touch of reality due to continued social distancing.

It's also crucial for businesses to realise that by going omnichannel is not just a be-all-end-all solution, but to future-proof their livelihoods. It is a symbiotic relationship where one cannot exist without the other. In what might seem like an episode straight out of Charlie Brooker's *Black Mirror*, the truth is that once the pandemic has subsided, developers and retailers are confident that consumers will return to visiting malls. According to Mayuga, "while people are able to do the purchasing part at home, a lot of people are still missing the entire "mall" experience, that is to relax and unwind with their friends and family. I still think this is a critical part of a shopping mall not just for purchasing reasons, but for leisure as well." ■

However, this also means fewer foot traffic in-stores and in malls. The critical point here is to remain visible and relevant to the market. "At Ayala Malls, we introduced activities that would otherwise be conducted within our premises, virtually," Eunice Velasco, Director of Marketing at the Philippine-based company, elaborated. "To add to that, we have also introduced a personal shopping concierge service A.N.A. (Ayala Malls Neighbourhood Assistant), as well as repurposing certain areas for non-traditional uses like e-commerce backend facilities and medical clinics."

In some cases, it isn't just about being a part of the zeitgeist. For retailers intending to penetrate a new market, being able to remain visible is to also collaborate with local pioneers. Just this year, ZALORA had partnered with Swedish brand H&M in the Philippines, where customers can shop the retailer's collection on Zalora's website. By being able to piggyback on to Zalora's extensive customer database, H&M can reach a wider audience, as well as navigate the country's complex archipelago efficiently.

For a country home to some of Asia's biggest malls (its capital boasts a total retail space of 7.3 million square meters, more than twice the size of New York's Central Park), Covid-19 casts a grim prospect over the archipelago, with [retail vacancy rates in Manila set to climb 12 per cent this year](#). But only by exploring different routes can physical retailers remain buoyant. A silver lining: according to Neilsen, as of May 2020, [66 per cent of global consumers were omnichannel shoppers, with the rates higher in Asia-Pacific \(78 per cent\) and Africa-Middle East \(75 per cent\)](#). These high numbers resonate with the growing importance of seamless experiences across on- and offline channels, "experiences that will either keep consumers coming back for more, or headed elsewhere to find something better."



# SHOPPING BEHAVIOUR

**AS TODAY'S CONSUMER EVOLVES, WHAT ARE THE NEW MEGATRENDS DICTATING THE ONLINE MARKET?**

Consumers are fast re-evaluating their priorities in light of a new normal, and it is becoming increasingly clear that businesses in the post-pandemic age must adapt to survive. In this subchapter, we explore the effects of the outbreak from a behavioural point of view. This segment also discusses the impact these changes preside over buying trends, and how key players can further leverage it in terms of opportunity. Here, the game-changers shaping the future of online retail.



**M**uch has changed since the world went into lockdown several months ago. Almost overnight, consumers were forced to transform and recalibrate their entire lifestyles. And just like how society has learned to adapt, businesses too must learn to do the same.

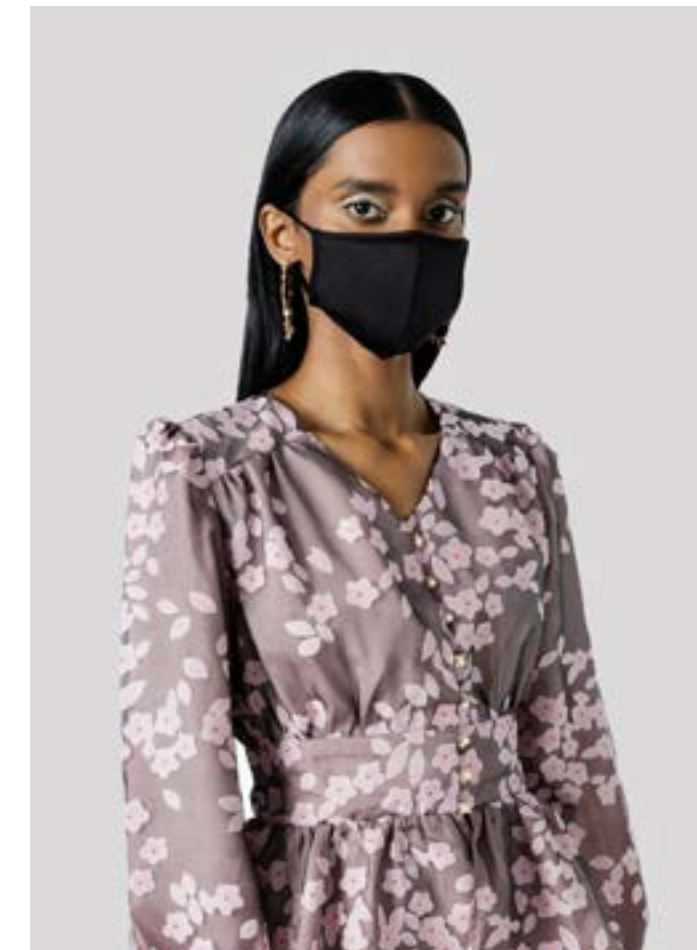
Indeed, the impact of social distancing on the entire global economy had been disastrous, albeit necessary in curbing the outbreak. But with such grim consequences, comes pockets of growth. In an exclusive interview with Google, we have determined several key emerging trends that will prospectively shape a new world economy.

Unsurprisingly, health and hygiene industries remain successful, with hand sanitisers and face masks both becoming highly coveted commodities. However, activewear is a critical point for discussion with home gyms fast replacing fitness centres as governments enforce strict preventative measures. In fact, homes have now evolved into a multipurpose hub, serving not only as a humble abode but as also as work and recreational centre. This newfound appreciation for one's property has given consumers the incentive to upgrade their living spaces.

At the same time, Southeast Asians have begun to invest more in their wellbeing, and it all boils down to a heightened sense of awareness. In the West, self-care has already been gaining traction over the past few years. But it had only taken a pandemic of this magnitude for consumers in the East to shift their perceptions. Self-care was often thought of as a luxury in the past, but today it has evolved to become more than just a leisurely activity: it's a necessity.

Nevertheless, as far as necessities go, panic buying is sure to follow, and perhaps no trend is more unexpected than the rise of children's wear. Unlike virtual grocery shopping, online sales of children's wear had risen exponentially throughout the initial stages of the lockdown. We see this boom evident throughout the region, signalling new opportunities, especially for apparel retailers.

Amid all this, the question remains as to why the luxury market still prevails despite a growing value-centric mindset. From what we have learned, Covid-19 has changed not only consumer demands but also the way they approach their expenses. Consequently, this also means that businesses should reflect on their approaches, particularly within a "quality vs quantity" context. Given the trends presented, a new retail order is on the horizon ... and it will arrive sooner than one might think.



## EXCLUSIVE INTERVIEW: GOOGLE

Well Smittinet, Strategy and Insights Manager at Google Southeast Asia breaks down the new mega trends in the post-pandemic age.



[Click here to watch the full interview](#)

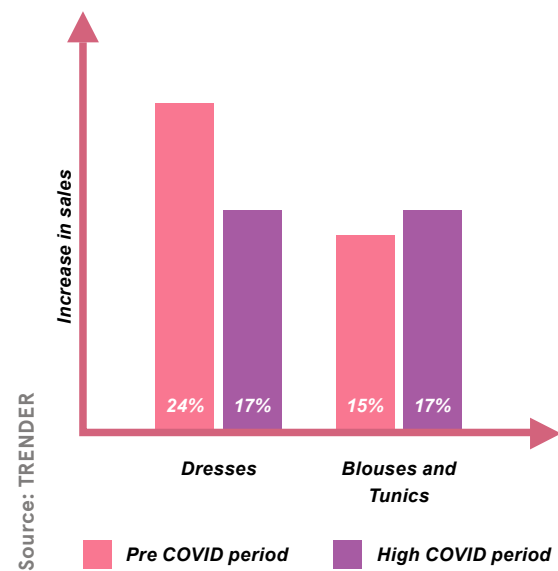


## A NEW AGE OF APPAREL: FROM ZOOMCHIC TO KEEPING FIT

Call it the #WorkFromHome effect, where millions have resorted to online meetings as a result of staying in lockdown. Since the outbreak, cloud conferences like Google Meet have become the go-to solution for both businesses and employees alike. In March 2020, total download for e-conferencing tool [Zoom spiked to 200 million in March, up from 10 million in December 2019](#). Inadvertently, this also affected the way individuals dress at home.

Filed via webcam, attendees dress from the waist up specifically for online meetings, allowing for a more relaxed approach to workwear (think sweatpants and pyjama trousers paired together with blouses and blazers). In Indonesia, this trend was reflected in a sale uptick by 2 per cent for "Blouses & Tunics", while the popularity of dresses spiralled downwards by 7 per cent. It's worth noting the high percentage of Gen Z shoppers contributing to this growth, who increased their spending activity during the pandemic's "High Alert Period" (lockdown) by 6 per cent.

### WOMEN'S APPAREL SPENDING IN INDONESIA ACCORDING TO CATEGORY



■ With consumers working from home, there has been an increase in sales of "Blouses & Tunics", while dresses have taken a hit in Indonesia.

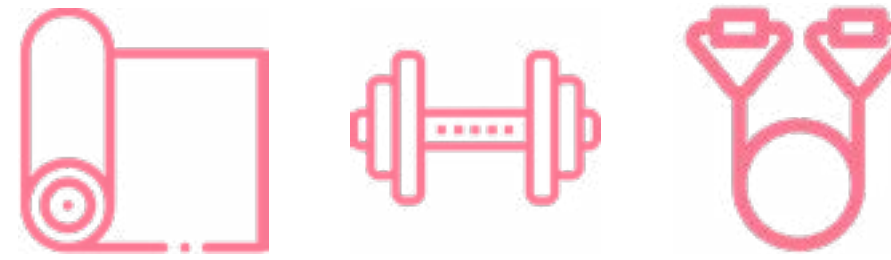
■ Gen Z shoppers (ages 21-25) are seen to have increased spending during the pandemic's "High Alert Period" as compared to the start of the year for Women's Apparel.



But perhaps the most significant uptick of all could be seen in the sportswear category. Indeed, 2020 is the year where only the fittest will survive. While that sentiment certainly holds when faced against a pandemic, a majority of urban communities have also turned to keep healthy indoors, as the concern for personal care has led to an increase of sportswear across multiple regions. At the same time, the prospect of social distancing had also given way to a more active consumer at home, aided further by mass closures of gyms and fitness centres.

Given the versatility of sportswear itself, it is not surprising to see consumers favouring activewear over their regular attires. Eric Cheang, Category Director of ZALORA Group, agrees. "Sportswear is designed to be comfortable, apart from being crafted from technical materials that have better heat-resistance and cooling properties," he said. He also alluded the category's success to its versatility, which often takes its wearer from household chores to treadmill in a flash. "Across the years, sportswear has upped their game in terms of wearability ... and now that consumers don't have to travel for hours to get to work, customers have more time at home to be active. In fact, during a lockdown, it is perhaps the only activity you can do during a pandemic."

### GOOGLE SEARCH RESULTS FOR FITNESS EQUIPMENTS IN Q2/'20



#### Yoga Mat

+384% in SG  
+164% in MY  
+491% in PH  
+123% in ID

#### Dumbbell

+151% in SG  
+52% in MY  
+180% in PH  
+48% in ID

#### Resistance Bands

+378% in SG  
+135% in MY  
+4328% in PH  
+93% in ID

Source: Google Trends Data, April 2019 - June 2019 vs April 2020 - June 2020

Interestingly enough, although studies show decreased demand for "Sports Lifestyle Shoes" and higher-priced sportswear, shoppers tend to spend more on "Sports Performance Tops" and "Sports Lifestyle Tops" – two categories which suggest a sudden influx of active consumers. This demand for upper-body pieces could perhaps be explained by user engagement on social media during the lockdown. With selfies being the most popular visual tool on Instagram, it's no wonder that sportswear tops had risen above the ranks of typical activewear. Today, consumers want to not only feel healthy but look the same way on social media too.



### EXCLUSIVE INTERVIEW: ZALORA GROUP

ZALORA Group's Category Director, Eric Cheang shares his thoughts on the rise of activewear in the post-pandemic age, and its trickle-down effect.



[Click here to watch the full interview](#)



## BEAUTY: IT'S ALL PERSONAL

They say beauty is skin deep, but such words have never rung truer than now. It's indeed a strange and unexpected phenomenon, especially at a time when physical interactions have become increasingly scarce. However, as consumers begin to cocoon within their own homes, the attention to self-care and personal grooming has grown to become an essential aspect of at-home wellbeing.

The concept of time has become one of the most crucial contributors to this. Speaking exclusively with ZALORA, April Hu, APAC Regional E-Commerce Manager of Shiseido, discovered how consumers of the "New Normal" have learned to indulge while at home. "As people spend more time at home, people are spending more time pampering themselves," said Hu, who noted hair care as the most surprising trend to have emerged out of the pandemic. Although previously thought as a cumbersome activity, hair masking has now become a therapeutic pastime, as part of a self-care routine. At-home hair dying had also grown to become a lucrative trend, with many hair salons being shut during the pandemic's lockdown. In Malaysia, Google searches had increased 230 per cent year-on-year, likewise for hair clippers which increased 1460 per cent year-on-year.

This behaviour change had greatly affected make-up categories. "I think this is where we will see the biggest shift in the coming years. [Depending on how long] we will have to wear masks in the future, products such as lipsticks and lip-glosses will not be as popular as before," Hu continued. This transition will also prompt beauty brands to innovate their offerings by blurring the lines between skincare and beauty. Health is most certainly wealth, and for that very reason alone, Southeast Asians have placed high importance on premium skincare. Perhaps, in this case, consumers have begun investing in quality over quantity.

This doesn't mean complete abandonment for make-up routines - in fact, it celebrates it. "I think as the pandemic prolongs, people will want to [stick to their everyday beauty routine] to have a sense of normality in their lives, and we see this in our sales trend," said Hu. "After the initial peak of lockdown, our sales were bouncing back, and we see this continue even as some countries went back into lockdown."



Source: Google Trends Data April 2019 - June 2019 vs April 2020 - June 2020



## URBAN NESTING: CAPITALISING ON COMFORT

They say that home is where the heart is, but in the age of the pandemic, it is also a work and entertainment hub. With more time spent indoors due to prolonged social distancing, it makes sense for consumers to want to elevate their living quarters – another emerging trend otherwise known as “nesting”. For many, investing in their own homes makes for a comforting alternative to travel and high-end designer wares. Think of the Danish word *hygge*, which loosely translates to a sense of comfort and contentment, like cosying up next to a fireplace or snuggling into a fleece throw on a rainy day. This same sentiment is applied to the home decor category, as consumers today redefine their homes as a multifaceted space.

Understandably, the prospect of a prolonged lockdown had left detrimental effects on today’s consumers, especially when it comes to being out of touch with reality and nature. According to a study by Google, home decor searches have increased by 7 per cent in Singapore, 10 per cent in Malaysia, and 6 per cent in the Philippines. Meanwhile, plant searches online spiralled upwards by 43 per cent in Singapore, 97 per cent in Malaysia, and 80 per cent in Indonesia. These numbers indeed say a lot about the shift in the market, especially as consumers divert their attention towards personal wellbeing. Quite surprisingly so, this uptick had even led to a [series of plant theft in the Philippines](#), as business owners struggle to meet increasing demand from locked-down Filipinos who are craving for some greenery in their homes. Having anticipated this trend, ZALORA has launched its own home and living offering on its Filipino website, and the results have been promising. From the recent 10.10 ZALORA shopping event, the category achieved triple-digit growth, with sales spiralling up to 400 per cent in some markets.

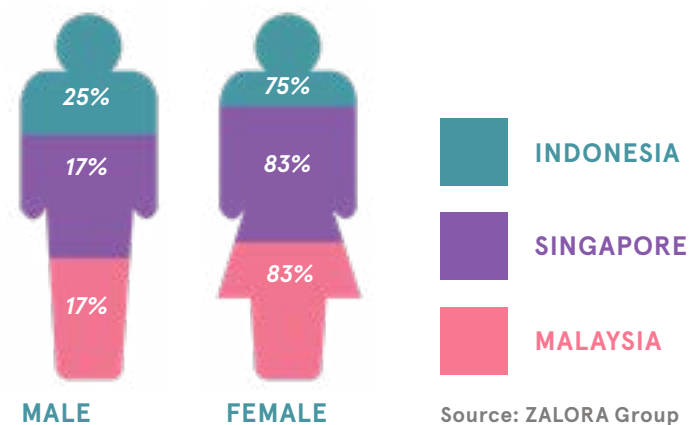
## LUXURY GOODS: QUALITY VS. QUANTITY

Given the current times, it’s easy to think that consumers today are becoming increasingly prudent. But that might not always be the case, as a recent study by ZALORA suggest that shoppers are looking to invest more on high-value items. According to the company’s internal data, the number of unique customers shopping for luxury goods was 172 per cent higher in July 2020 compared to March 2020, with shoppers from Malaysia and Indonesia being the category’s lead contributors. In fact, luxury’s unique customers outperformed others by ten times more, making it one of the fastest-growing segments on ZALORA. Unsurprisingly, the biggest spenders here were women, who are often swayed by fashion trends as well as product assortment.

For these consumers, quality reigns over quantity. More often than not, products of high value are also associated with superior quality than that of those with a cheaper price tag. In the long run, this means having more bang for your buck, and consumers also have the option of tapping into the resale market (later explored in Chapter Three), or as heirloom pieces for future generations. This is particularly true for designer goods: according to a 2020 report by [iPrice Group](#), Southeast Asians have increased Google search interests for French luxury retailers, with Louis Vuitton leading the way with a 555 per cent uptick in July 2020, followed by Saint Laurent at 306 per cent, and Chanel at 274 per cent. The same trend could be seen in the luxury watch sector, as Swiss manufacturers like Rolex and Tudor experience positive search impressions by 160 per cent and 51 per cent respectively.

From a behavioural standpoint, this goes to show that Southeast Asians are equally spendthrift as they are value-conscious. The only difference here lies in quality perception, and when given the opportunity, consumers will gravitate towards those that offer the best after-sale satisfaction. However, this does not only apply to fashion and beauty but also living spaces as we soon come to discover.

LUXURY SHOPPERS FROM ZALORA CUSTOMER BASE



GOOGLE SEARCH INCREASE FOR HOME DECOR



**+7%**  
in Singapore  
**+10%**  
in Malaysia  
**+6%**  
in Philippines

GOOGLE SEARCH INCREASE FOR PLANTS



**+43%**  
in Singapore  
**+97%**  
in Malaysia  
**+227%**  
in Philippines  
**+80%**  
in Indonesia

Source: Google Trends Data, April 2019 – June 2019 vs April 2020 – June 2020



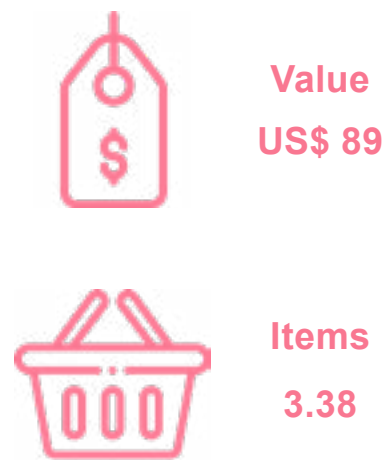




## CHILDREN'S WEAR: A RETAIL GOLDMINE

Astoundingly, more than half of the population of Southeast Asia is under the age of 30. In 2017, there were [213 million recorded youths \(aged 15-34 years\) across all ASEAN countries, but in 2038 that number is expected to increase to just over 220 million](#). It comes as no surprise then that the region's young families are fast on the rise. To put things into perspective, at ZALORA, the average basket size value for childrenswear this year was valued at USD 89, with each basket average about 3.38 number of items.

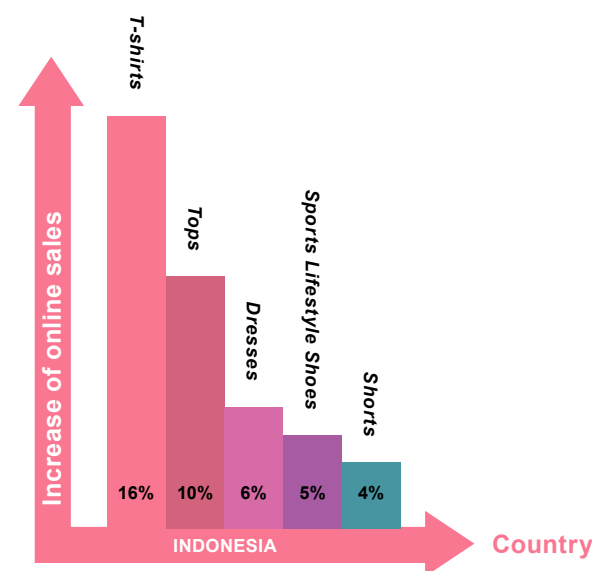
### AVERAGE BASKET SIZE



Source: TRENDER

This serves as a compelling reminder for an untapped opportunity that had only recently shown its hand - the childrenswear market. Throughout the pandemic's lockdown, research has demonstrated that childrenswear had experienced a significant boom in sales, most likely as a result of virtual home-schooling as well as the rapid growth spurt of an infant. "During the pandemic, the last thing parents want to do is take their children out to buy new clothes, and during these times they turn to trusted brands they know online," said Alex Lin of Abercrombie & Fitch. "But the reality is that some parents are looking for fashionable yet comfortable options for when their kids are at home doing virtual home-schooling, or oftentimes, virtual Zoom parties."

### TOP PRODUCT CATEGORY FOR CHILDRENSWEAR



Source: TRENDER

In many ways, the fact that Southeast Asian families are so digitally connected has much to do with the growth of online sales for childrenswear. "Today, the way people shop is so different, and it's even evolved over the past couple of months with the pandemic," Lin explained. "Social commerce is a rising trend, and speaking from personal experience, I have not only purchased products for my child through social media by way of influencers but also for myself."

By staying digitally ahead of the curve is to stay ahead of the zeitgeist, and the young families of Southeast Asia are no exception to this. Today, these infant and adolescent consumers aren't just looking for comfort when it comes to dressing up, albeit even within the confines of their own homes. In fact, children of today want to exude a certain "coolness". Lin continued, "We see some great results out of Southeast Asia on some of the products at Abercrombie Kids because we can offer that balance between [coolness and comfort]." Parents, perhaps by way of experience as well, understand this intersection. "We have all in our past been gifted a very horrible outfit from someone. I remember being ten years old, and way beyond the "princess" phase, only to receive a "princess" dress for example. At Abercrombie Kids, we're able to provide a solution, and we see this working in Southeast Asia."



### EXCLUSIVE INTERVIEW: ABERCROMBIE & FITCH

Great things come in small packages, especially for Southeast Asia's future consumers. Here, Alex Lin of Abercrombie & Fitch discusses the emerging market of childrenswear, and how this generation's "baby boom" will lead to tomorrow's retail boom.



[click here to watch the full interview](#)

## HOW IS VALUE REDEFINED IN THE AGE OF COVID-19?

Over the past several months, it has become increasingly apparent how forced isolation has evolved consumer behaviour. Fearing infection of Covid-19, consumers today want to be fitter and healthier, now more than ever. With the continued practice of social distancing and prolonged closure of workplaces and public gatherings, communities have instead found respite in the simple pleasures in life: from fitness and health to home-scaping and cocooning.

As a result, what has emerged is a distinct contrast between value-centric and quality-centric mindsets. Value-centric is often regarded as bargain-focused shopping, which resonates well with consumers who spend less but spend more. On the other hand, quality-centric shoppers shop less and spend more, to invest in their lifestyles. We see the latter becoming a lot more evident in categories such as luxury, homeware, apparel, and beauty, especially where premium skincare brands (such as Shiseido) had fared better than other mass-commercialised products. The same goes for apparel too, with consumers looking to spend more on well-crafted pieces that would eventually last longer in years to come as well.

Indeed, what all this points to is a single intention from the consumer to improve their wellbeing. And by recalibrating the way businesses approach this demand, a new dawn is indeed on the horizons. ■

# THE NEW RETAIL LANDSCAPE

*With the digitisation of fashion retail going into full swing, what is the new retail order?*

*As the world becomes increasingly virtual, tomorrow's dreams have become today's reality. In a race against time and changing consumer demand, it isn't enough for businesses to stay ahead of the curve – authenticity is essential too. From a growing concern for sustainability and conscious consumption to bridging the gap between the offline and online realms, here, the new movements shaping the future of commerce in Southeast Asia.*

In more ways than one, the pandemic has left an indelible mark on consumers and businesses alike. But with every challenge comes new opportunity, bringing along innovations that can set the course for an invigorated landscape. Such is that of the post-Covid consumer, whose evolved lifestyle suggest novel retail approaches. In the previous chapter, we identified several trends that have emerged as a result of this changed consumer behaviour, and now the question remains: what else can we make of it?

For one, today's digitally integrated community in both urban and non-urban areas mean an increased online consumption. Spending their lives almost entirely indoors, consumers now have increased demand for content throughout a diverse range of platforms, be it through social media or e-commerce as a form of respite. From virtual fitness centres to cloud conferencing, never has the digital realm been this fulfilling.

Yet, with such accessibility, this lifestyle had, in turn, created a disenfranchisement towards the outside world. It is through technological advancements like Augmented Reality (AR), can the gap between offline and online channels be drawn closer together.

Meanwhile, this "cocooned" way of living has also brought along a sense of introspection. Throughout the pandemic's lockdown, communities throughout Southeast Asia (and beyond, for that matter) have emerged as more conscious, or as Millennials and Gen Z-ers would say it, "woke". With newfound perspectives, today's consumers are more well-informed, curious, discerning, and often crave authenticity when it comes to their lifestyles. As a result, businesses must engage with their clientele on a deeper, more personal level. No longer are these consumers enticed by superfluous marketing ploys. Instead, those who take a more meaningful and purposeful approach will rise to the top.



At the same time, being "woke" is also to be sustainably-driven. Over the past few years, the current threat of global warming had paved the way for green living as a movement, but it wasn't until Covid-19 that consumers started reconfiguring their lifestyles with sustainability in mind. With a changed mindset geared towards wellness and self-improvement, it was only a matter of time for businesses to follow suit.

Being conscious isn't the only thing on consumers' minds. With purse strings tightened throughout the majority of 2020, it's no surprise that shoppers today often seek out the best bargains on the market. This value-driven mindset is indeed what makes Southeast Asia's shopping events like ZALORA's 10.10 successful, spurred on to even greater heights as shoppers continue to explore the best deals for themselves. Given the vast accessibility of the Internet in the region, shoppers here have learned how to research and compare prices through the myriad of online tools and platforms – an advantage especially for businesses who have transitioned to an omnichannel model.

Indeed, having an online presence is what defines retail in the 21st-century. It is after all the catalyst that brought us e-wallets, a necessary form of payment that had changed the way consumers shop worldwide. In Southeast Asia, omnichannel companies like Indonesia's GoPay and Malaysia's GrabPay are at the forefront of this mobile economy, booming in tandem alongside the region's growing online database. However, not all is what it seems. Consumer confidence is still a challenge, and just like the community itself, disparities vary from country to country. Nevertheless, initiatives by the likes of Dutch payment company Adyen and ZALORA's ISS have brought forward compelling solutions that may serve as a panacea to Southeast Asia's e-payment boom.

These progressive propositions are what makes Southeast Asia an economic powerhouse, considering its digitally-enthused demographic. By 2025 itself, the region's online economy is expected to be worth \$300 billion, a dramatic contrast from 2018's \$72 billion value, escalating to more than thrice fold. But to capture such opportunities, businesses must learn to be adaptive, as well as proactive, especially now as we march into a new world order.

# CONTENT IS KING

## MONETISING NARRATIVES ON A DIGITAL SCALE

While social media has become a marketing norm beyond the borders of Southeast Asia, the rise of mobile users within the region itself has become a catalyst for Key Opinion Leader (KOL)-focused campaigns. It has indeed been on the rise since 2019, running the gamut from influencer engagement to brands working in partnership with ZALORA to create original content. Case in point: for the year 2019, we saw an overall increase of almost 70 per cent in brand investment on campaigns focused on content. At the same time, moving images have proven itself to be a powerful marketing tool. Take YouTube's remarkable reach, for example, which in 2020 had captured four million viewers above the age of 18 in Singapore. But with the pandemic on everyone's mind, how will COVID-19 affect online content in years to come?

## CONTENT-CAMPAIGN IN ZALORA

This year, perhaps the most intriguing trend that has emerged since the outbreak of Coronavirus is that brands actively want to engage with their customers to build brand affinity. One of the areas of particular interest is in generating localised assets to run digital campaigns with, which has seen a growth of more than 120 per cent in terms of value invested. By pairing ZALORA's in-house creative team with our understanding of the local market and consumers, we are able to help brands generate content that appeals to our target audience. This has also proven to be highly effective in delivering sales results, made possible by our ability to highlight items that are more relevant to the ZALORA clientele. Here, some key content-focused campaigns executed by ZALORA on behalf of brand partners:



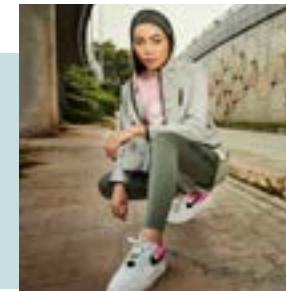
### Exhibit One: NIKE NIKE X MODEST WEAR CAMPAIGN

COUNTRY: MALAYSIA AND INDONESIA  
YEAR: 2019 AND 2020

In celebration of Eid 2020, Nike partnered up with ZALORA on a campaign to highlight the sportswear label's modest wear collection in two predominantly Muslim markets. Taking into consideration the growing segment of modern conservatives on ZALORA, there is an opportunity to bridge the gap by means of curated modest wear to complement an active lifestyle.

Launched in two phases, the first campaign documented the fitness journey of Abby Asmaa, a Malaysian lifestyle influencer. With more than 11 per cent month-on-month (MoM) social media impressions and 106k organic influencer reach, the campaign proved to be a success, creating a ripple effect in other markets such as Singapore and Indonesia. From those results, a second campaign was launched in Indonesia. Enlisting two influencers (Soraya Lasarati and Intan Khasanah), the campaign once again revolved around an inspiration fitness journey, albeit this time with a focus on community. Compared against the first campaign, this second attempt generated more impressions and product views month-on-month, demonstrating how the label's modest wear apparel resonated with customers.

Malaysian influencer  
@abbyasmaa



SM Impressions  
**+11%**  
MoM uplift

SM Engagement  
**+5%**  
MoM uplift

Influencer Reach  
**106k**  
Organic Growth

2019

#### \*KEY TERMS

**IMPRESSIONS;**  
Number of times content is displayed.

**ENGAGEMENT;**  
Number of interaction on a single content.

**REACH;**  
Total number of people who have seen content.

**GROSS MERCHANDISE VALUE;**  
Total value of goods sold on a C2C site.

2020

SM Impressions  
**+33%**  
MoM uplift

SM Engagement  
**+42%**  
MoM uplift

Influencer Reach  
**1.7M**  
Organic Growth

Indonesian influencer  
@sorayalarasat1



NMV GROWTH  
**+132%**  
during week of campaigns vs average growth 4 weeks before campaign

SM Engagement  
**+42%**  
MoM uplift

SM Impressions  
**+33%**  
MoM uplift

Influencer Reach  
**1.7M**  
Organic Growth

### Exhibit Two: HOLLISTER BRAND WEEK CAMPAIGN

COUNTRY: ACROSS SOUTHEAST ASIA  
YEAR: 2020

In the beginning stages of COVID, the American label's weekly growth was impacted. To drive sales, Hollister ran a brand week campaign in collaboration with ZALORA. Prime placements were given onsite - most prominently on the ZALORA homepage - while influencers from the region were enlisted to help increase awareness and traffic to the campaign. Additionally, sponsored ads and paid marketing campaigns were employed to boost online viewership further.





## CONTENT AND INFLUENCER MARKETING ON SOCIAL MEDIA

With the foresight of digital trends, ZALORA has pioneered social media marketing as part of its PR strategy since 2015. By aligning itself with established Key Opinion Leaders (KOLs), ZALORA aims to continuously grow and adapt in reaching various audiences through multiple online platforms and mediums. Think aspirational yet relatable content, in the likes of daily journals and blog sites. However, as influencer marketing grew alongside online mobile penetration, various creative strategies were implemented to diversify consumer engagement.

## LIVE SESSIONS WITH INFLUENCERS

Video is king of content. As the world shifted its focus towards virtual and online platforms during the lockdown, it was essential for ZALORA to tap into trending conversations in a bid to strengthen our online presence and relevancy. This was executed by hosting live sessions weekly via Instagram. Thus far, we have collaborated with influencers, gym partners, and brands to encourage more reach and customer engagement for each session.

Several influencers were enlisted, such as @munahbaghrib, @lukeypeirera, and @christimcgarry together with select fitness partners (namely F45, Haus Athletics, and boOm Singapore) to run a 30 minute workout session as part of our #SaturdaySweat campaign. Overall, audience feedback received was positive, with many participants given the circumstances extended by the lockdown. This also gave us the chance to further promote our sports category by sponsoring activewear to our hosts, as well as providing audiences with a unique voucher code as a participation reward which subsequently resulted in an uplift of NMV (more than 55.5 per cent for May 2020).

### Exhibit One: SPECIAL EXECUTIONS: ZALORAMadhan in Turkey

In celebration of Ramadhan, ZALORA Indonesia invited five of the country's most sought-after influencers on a whirlwind trip Turkey as part of a content creation campaign. Set against the picturesque landscapes of Istanbul and Cappadocia, a curated edit of fashion pieces from ZALORA was photographed and shared across multiple platforms online. Within nine days, Instagram "likes" increased by 400 per cent week-on-week (WoW), while user engagement went up by 380 per cent WoW.

LIKES INCREASE

**400%**

WoW

ENGAGEMENT

**380%**

uplift Wow

WEBSITE VISIT INCREASED BY:

**300%**

FOLLOWER INCREMENT IN NINE DAYS

**8k**

**3x**

increase on @zaloraid post impressions

**4.5x**

and increase on post-engagement

## The New Retail Landscape



/COVERS FOR MAINE MENDOZA: FOR JUNE BIG FASHION SALE, ZALORA LAUNCHED PHILIPPINE'S TV DARLING, MAINE MENDOZA TO FRONT THE CAMPAIGN

## EXCLUSIVE EDITORIALS: /COVERS

In 2019, ZALORA Philippines launched its digital magazine, /covers.

By working with leading creatives and industry insiders, the online project aims to build brand equity through compelling narratives and imagery, blurring the lines between fashion and substance. To date, key talents include Miss Universe 2015 and activist Pia Wurtzbach, and actress-turned-entrepreneur Anne Curtis.

Throughout ZALORA's June Big Fashion Sale, actress and television personality Maine Mendoza fronted a countrywide campaign, resulting in a 70 per cent increase in active users, and 240 per cent hero product order uplift. Meanwhile, organic influencer reach skyrocketed to 3.7 million, leading to a "trending" frenzy on Twitter with the hashtag #zalorabigfashionsale and #maineforzalora.

Product order for other featured items

**420%**

Influencer reach

**3.7m**

Organic Growth

Increase in

**70%**

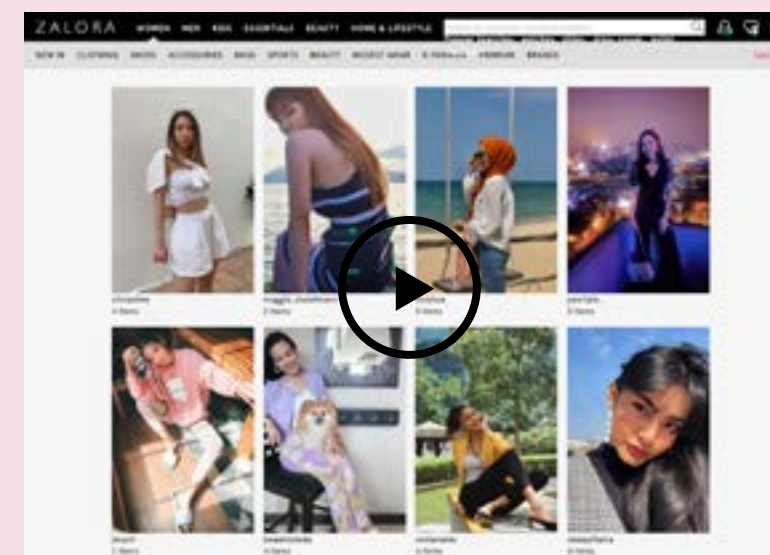
Active Users

Order uplift by

**240%**

For Hero Products

[Link to view full campaign: https://youtu.be/7aFO3TzB\\_7k](https://youtu.be/7aFO3TzB_7k)



## INSPIRING FASHION THROUGH CONTENT: "GET THE LOOK"

With the rise in consumption for social content, we aimed to bring that engagement and traffic back to ZALORA with the launch of 'Get The Look' shoppable page in Q3 '20. Featuring "OOTD" (Outfit of the Day) looks from our community, prospective customers can peruse a mélange of wardrobe inspirations through the use of the hashtag #ZALORAGetTheLook. Through this, GTL aims to not only celebrate unique personal styles but also give our shoppers to literally "get the look" from fashion personalities they admire on social media.



“ 90 percent of [ZALORA survey] participants presented some level of interest in shopping sustainable products, while the remaining 10 percent remained unsure or won't. ”

survey done within ZALORA's customer base (which is widely composed of Millennials), more than 60 per cent affirm to be willing to spend at least five per cent more of the usual price when it comes to more sustainable and ethical products for fashion and beauty items.

To meet this escalating interest from consumers, a number of players on the market are in the works of developing new offers, as new pure sustainability businesses emerge. Global industry heavyweights have proposed for several years products that are designed with lower environmental impacts in mind, such as Swedish giant H&M's Conscious collection, or Spanish fast-fashion retailer Mango and its Committed capsule. Elsewhere in the ecosystem, e-commerce pioneers such as ZALANDO or ASOS have also developed sustainability filters on their platforms to enable customers to edit their search results in line with their ethical preferences. Southeast Asia-based retailers are also beginning to follow suit, with the example of Thailand's Pomelo launching their eco collection Purpose by Pomelo in 2018. ZALORA was no exception as well, having launched the Earth Edit in May 2020. With a dedicated shopping filter featuring more than 15,000 styles on ZALORA's platform, the ZALORA Earth Edit aims to make sustainable shopping more accessible, convenient, and transparent. As a result, product searches on the ZALORA app on its website increase two to three-fold versus prior.

## CALL FOR SUSTAINABILITY

### WHERE COMMERCE AND ECOLOGICAL CONSCIOUSNESS COLLIDE.

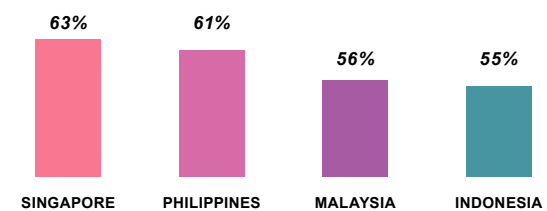
With customers becoming more environmentally conscious than ever, it's no surprise that sustainability has become a popular topic in the fashion industry. And with good reason: in a [2018 report published by the UNECE](#), nearly 20 per cent of global wastewater is produced by the fashion industry, subsequently emitting about ten per cent of global carbon emissions. To make matters worse, clothing production doubled between the year 2000 and 2014, with the average consumer buying 60 per cent more pieces of garment compared against 15 years before. Indeed, with high-profile activists such as Greta Thunberg and social media watchdogs like @dietprada gaining more and more traction among mass consumers, the notion of sustainability has become more than just an "ethical concern" – it's a way of life. That said, although the subject generates some contradictions raised by a few global youth-centric fast-fashion retailers (who claim that there is a shy demand for more sustainable products within their customer base), ZALORA has seen a growing demand for sustainable products in Southeast Asia.

According to a recent survey done with ZALORA's customers, about 90 per cent of participants presented some level of interest in shopping sustainable products. In comparison, the remaining 10 per cent remained unsure or won't. The majority came from Singapore and the Philippines, in which 63 per cent and 61 per cent of respective customers of respective customers claim they will "definitely purchase sustainable products at ZALORA."

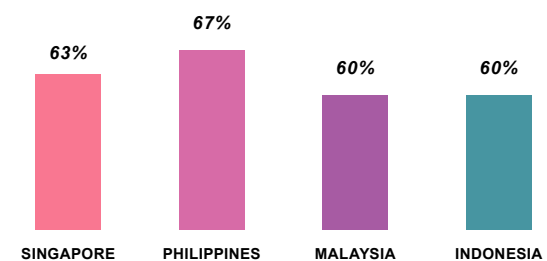
More crucially, shoppers want to spend their money with retailers whose brand values resonate with their personal views. On ZALORA's first fashionably-sustainable campaign, products were observed to have increased twice fold in terms of conversion rate compared against another campaign happening at a similar period.

Stepping in line with fashion's "eco-awakening", a study by McKinsey noted younger generations increasingly state they will pay more for products that have the least negative impact on the environment, being true on 31 per cent of Gen Z (born between 1996–2019) respondents, and 26 per cent of Millennial (born between 1982–1995) respondents. Likewise in another sustainability

Percentage of customers willing to pay at least 5% more for sustainable products APPAREL



Percentage of customers willing to pay at least 5% more for sustainable products BEAUTY & SKIN CARE



Source: ZALORA Sustainability Customer Survey, August 2020

It was only a matter of time for designers to take their slice of the pie of this conscious movement. Much like a trickle-down effect, the rise of sustainability has paved the way for eco-forward homegrown designers and e-commerce platforms like Zerrin in Singapore, Earth Heir in Malaysia, and Kana Goods in Indonesia. The Green Collective, a Singaporean group of Brand Owners whose approach revolves around a more sustainable lifestyle, has also launched its first e-commerce website in August 2020. All this wouldn't be a reality without the advancements of production innovations, from vegetable leathers and dyes to biodegradable fabrics like Lyocell. In July 2020, ZALORA collaborated with Lyocell fibre manufacturer TENCEL™ for ZALORA Basic's first sustainable capsule collection.

First results of ZALORA Basic's TENCEL™ showed very high interest from customers who wish to purchase more sustainable fashion products. After 30 days from the launch date, approximately 25 per cent of the collection was sold – twice faster on average than any non-sustainable collection. Higher traction of sales was also found in the Philippines, Singapore, and Malaysia, each contributing to about 20 per cent of total sales. These are particularly good results considering that the average price of the collection is 70 per cent higher than a regular non-sustainable ZALORA-labelled piece. Even more promising was the collection's selling rate in the first three weeks of its pre-order model (longer delivery promised to the customer). A second drop of this newly launched collection was released in October 2020, offering about 100 styles under the brand name "Origin by Zalora".

But it isn't just hemp fibres and organic linens in the realm of this ever-changing landscape. The second-hand fashion market had also exploded, spurred by the changed perception of customers towards pre-owned items. The [2019 Fashion Resale Report by ThredUp](#) predicted that the resale market could very well eclipse the fast fashion scene within ten years. Other market commentators report that online resale marketplaces are enabling the resale market to grow more than 20 times faster than retail. This growth is primarily driven by consumers seeking greater variety, sustainability, and affordability. "Consumers are looking at ways to optimise their wallets," said Stephanie Crespin, CEO of Reflaunt and founder of Singapore-based luxury reseller boutique Style Tribute. "Because once you resell, you capture residual value ... it combines sustainability with fashion at an affordable price."

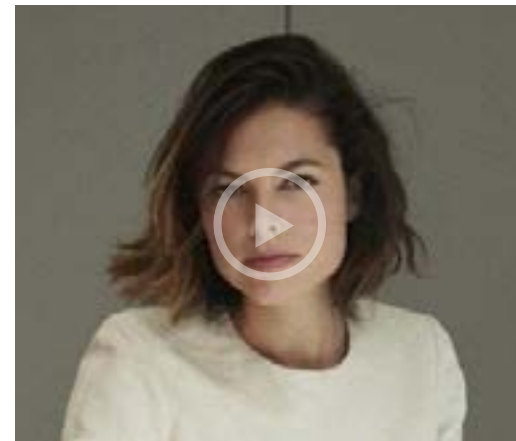
Like Style Tribute, several key regional resale sellers on the luxury spectrum have emerged over the past years who offer a mixture of outright, consignment and C2C models for their users. Smaller-scaled local sellers have also appeared in these markets, including LuxLexicon, Style Theory, and Madam Milan in Singapore; Luxury Vintage, Reebonz, and The Modernist in Malaysia; Luxe In in the Philippines; as well as Banananina, Irresistible Bazaar, and Second Chance in Indonesia. In 2018, the internationally-renowned pre-loved e-commerce platform Vestiaire Collective established its Asia Pacific headquarters and a logistics hub in Hong Kong (before setting up its Southeast Asian base in Singapore) to better approach the vast market opportunity in Asia. Meanwhile, in Hong Kong, Retykle has entered the resale designer kids market, citing an astounding 400 per cent growth in 2018.

It's worth noting that this momentum is quite unlike how it was before, considering the nature of Southeast Asian beliefs. In the past, secondhand items were often regarded as passé or cheap, alluding to a lower social status within a community. There were also cultural stigmas attached to preloved items, ingrained from generation to generation. However, all that changed when the awareness for sustainability prompted resale businesses to up their game, transforming dusty boutiques into luxurious retail havens.

"Back then, second-hand boutiques were usually located in MRT stations and the basement of shopping malls," Crespin recalled. "Today, the standards have been elevated, close to that of a luxury player." It certainly helps that the awareness for sustainability has improved over the years, thanks to the contributing efforts of social media influencers and celebrities who have rebranded preloved pieces as "cult collectables".

In the case of ZALORA, a luxury Pre-Loved category was launched in December 2019 on both its website and mobile app. Focusing on its women's assortment first, the category was launched in partnership with none other than Style Tribute, via a marketplace model in Malaysia and Singapore. This year, ZALORA has expanded the category with new sellers onboard, through new markets (Hong Kong and Taiwan, specifically), and new segments (Pre-Loved for Men). The first sales results of the Pre-Loved categories have been met with positive responses, indicating an increased propensity to shop second-hand and pledge towards a more circular fashion economy.

**EXCLUSIVE INTERVIEW: Style Tribute**  
 Founder of StyleTribute and CEO of Reflaunt, Stephanie Crespin, explains the fundamentals of a circular economy, and how the resale market is set to be fashion's next sustainable unicorn.



[Click here to watch the full interview](#)

This certainly bodes well for a legion of businesses who wish to tap into the circular fashion market. Apart from being value-driven, Southeast Asians are also trend-conscious, often seeking the latest fashion pieces to add to their wardrobes. But it isn't enough to just be "trendy". Today's consumers demand rarity to stand out from the crowd. This is circular fashion's greatest strength: having the ability not only to meet consumers' value-driven mindsets but also offer pieces that are unique as well as being sustainable all at the same time.

With such positive feedback growing in tandem with demand, perhaps the only challenge left is to approach operations and supply chains from a conscious point of view. Many initiatives – like the G7 Fashion Pact unveiled by French President Emmanuel Macron in 2019 – are already underway, encouraging suppliers and manufacturers to adopt more sustainable options. At ZALORA, a new strategy had been set in motion, driving a circular fashion movement in the region supported by two objectives: acquiring 15 per cent of active customers participating in Circular Fashion initiatives, and 20 per cent of product assortment meeting its sustainability criteria by 2022. An ambitious goal to say the least, but it is through actions such as these that would stimulate collaborative efforts towards a greener future.

## DIGITAL WALLETS

### WILL CASH SOONER OR LATER BECOME OBSOLETE?

Unbeknownst to many, a financial revolution is fast emerging in Southeast Asia. With 250 million smartphone users, e-wallets are fast replacing conventional banking methods. Case in point: 49 per cent of urban commercial bank customers within the region already using e-wallets. According to a [2020 report by Boston Consulting Group's Center for Customer Insight \(t\)](#), it is projected that by 2025 the number of users will reach 84 per cent, spurred even further by the recent COVID-19 crisis which has prompted a sharp rise in digital payments and home delivery.

Over the course of the pandemic's quarantine, a study conducted by App Annie revealed that there was a 27 per cent increase in Indonesia's average daily hours spent per device on mobile, clocking in at six hours per day. At the same time, mobile shopping during COVID-19 boomed, surpassing holiday shopping levels. Based on ZALORA's Trender data, around 86 per cent of sales were derived from mobile phones at the height of the pandemic, with sales from desktop computers also increasing during the lockdown period. It's worth noting that here, e-commerce had achieved growth that would typically take between four to six years, but thanks to mobile and internet acceleration, all that was achieved in a matter of months.

With increased mobile usage and mobile spending, comes growing opportunity (online retail sales are expected to increase by 25 per cent within the region in the coming years). However, for businesses to thrive, they must first consider the low level of technology adoption as well as vast differentiation in culture and heritage. In countries like the Philippines and Indonesia, cash payment is still very much preferred over e-payments due to low user confidence. Meanwhile, in Malaysia, consumers typically make their purchases online through alternative online payment methods like e-wallet service GrabPay and mobile banking apps such as Maybank2U. Singapore perhaps holds the highest e-payment users of all, 30 per cent of online shoppers using their mobiles to make purchases at least once a week.

"One of the biggest trends to have emerged due to the acceleration of digitisation here in Southeast Asia is e-payment," said Warren Hayashi, APAC President of Dutch-based payment company Adyen. "Here in Singapore, you see so many cashless payment



“ With 250 million smartphone users, e-wallets are fast replacing conventional banking methods. ”

methods. [In restaurants], you see QR payment codes at seated tables offered not just by innovative tech companies, but also by NETS, a local debit scheme." So popular is this payment method that it had also pushed traditional hawker centres – often managed by less tech-centric individuals – to adopt cashless transactions. This digital revolution indeed says a lot about the power of contactless payment, especially now at a time where home food delivery and social distancing has become a daily norm.

#### DEVICES USED FOR PURCHASE



Source: TRENDER

**EXCLUSIVE INTERVIEW: ADYEN**  
 APAC President of Netherlands-based company Adyen, Warren Hayashi, makes sense of today's growing e-payment landscape.



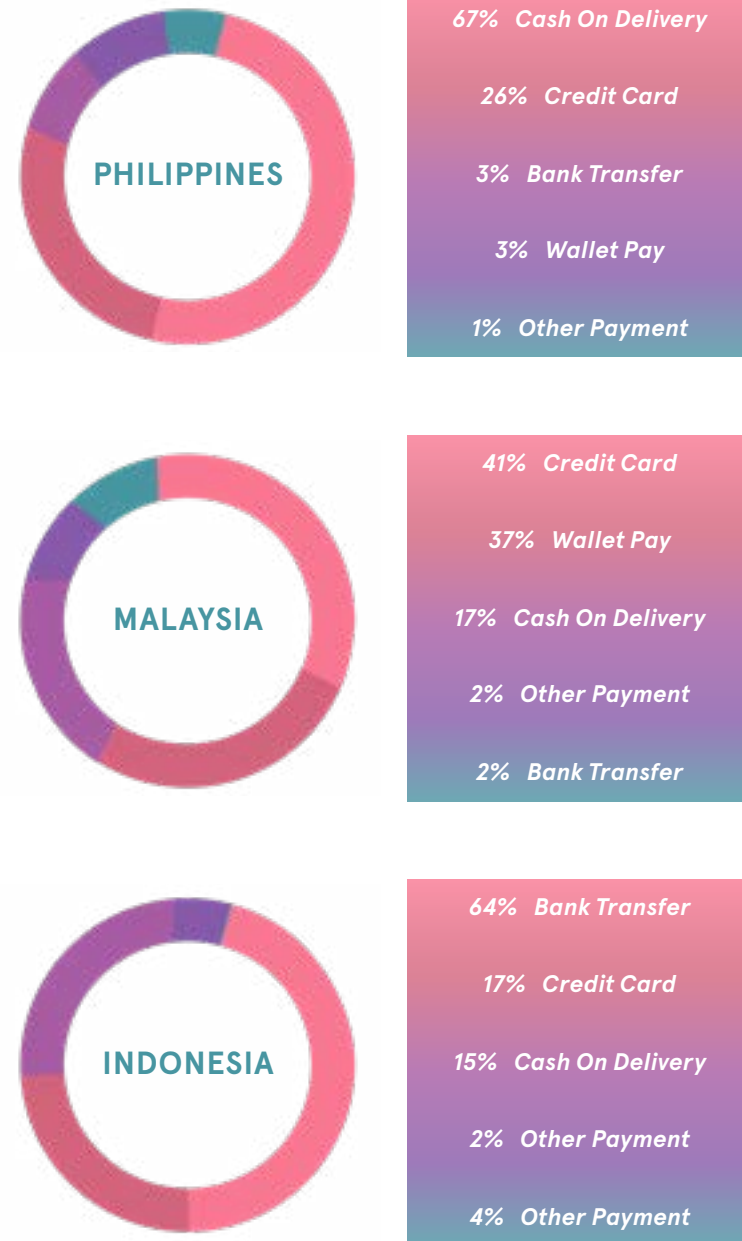
[Click here to watch the full interview](#)

But it isn't just takeaway dinners and online shopping that pushed its momentum. According to a report by London-based fintech firm STICPAY, [trading and online gaming sectors chart the highest for users of e-wallet services, clocking in at 54 per cent and 30.6 per cent respectively](#). Meanwhile, only 9.6 per cent of its respondents claim to use e-payments for online shopping, followed by funds transfers at 3.6 per cent and receiving salaries at 1.6 per cent.

It's worth noting that the majority of e-payment users live in cosmopolitan areas, with food delivery, taxi transportation, and ride-sharing as its dominant use cases. In addition to this, e-wallets are also used by 13 per cent of Southeast Asia's "unbanked" urban population – which includes nearly half of Indonesians and two-thirds of Vietnamese adults. However, this number is expected to grow, surging to 58 per cent of unbanked users by 2025.

Nonetheless, perhaps one of the critical challenges the industry is yet to overcome is the low acceptance by merchants. As outlined by Boston Consulting Group, 74 per cent of merchants surveyed within the region claimed: "they would accept e-wallets if barriers to wider adoption, such as poor understanding of processes, complex merchant processing,

MODES OF PAYMENT



Source: TRENDER

and high fees, are addressed." In addition, most e-payment service providers must explore different ways to "monetise their customer base by moving beyond business models that depend on financial incentives such as discounts and cash-back programs, to improve market share." Inherently, this also means expanding their reach beyond the confines of urban cities to engage with rural populations and also broaden their offerings such as microloans and microinsurance to compete with incumbent banks.

Still, the future seems bright. Despite these obstacles, Southeast Asians continue to embrace digital payments (much like the case of hawker food stalls in Malaysia and Singapore). And with at least 10 per cent of adult populations of Malaysia, Vietnam, Thailand, Indonesia and Singapore already using e-wallets, the region is fast becoming the world's megamarket for digital finance.

THE CHANGING DEMAND IN FULFILMENT

**COVID-19 CHANGED THE STAKES FOR E-COMMERCE. DO FULFILMENT NETWORKS NEED TO CHANGE TOO?**

By now, the devastating effects of COVID-19 has already reshaped the strategies of fashion players, evident not only in Southeast Asia but across the globe. Online presence is no longer an option – it is a must. Brands are responding to changing consumer demands by investing in their online strategy, looking for avenues to boost sales and stock performance in the "new normal". But what exactly would this entail?

Although physical retail will always play an essential role in the fashion industry to create and nurture customer loyalty and brand awareness, more and more brands are exploring solutions in a bid to tap into a truly omnichannel presence. The first half of 2020 has further accelerated this trend, paving the way for a new category of e-distributors that enable brands to tap into a variety of online channels.

Having observed this growth early on, ZALORA invested time and resources to allow brands to jump on this movement without the need to engage in a multitude of e-commerce enablers-intermediaries. As such, in the second quarter of 2020, ZALORA introduced the One-Stock Solution (1SS).

The ZALORA 1SS is a Modular Multi-Channel E-Commerce Fulfilment Service available to a restricted number of ZALORA Brand Partners only. Aside from being an online platform and retailer, we see our core strength manifest in fashion's supply chain management and believe we operate the most efficient fashion-focused warehouses, customs clearance processes, and delivery fleets across Southeast Asia. With 1SS, Brand Partners can consolidate their stock in dedicated ZALORA E-Fulfilment Centres and take full advantage of the best Fashion E-Commerce Supply Chain infrastructure available in Southeast Asia for all their digital channels.

Not only does ZALORA offer this service for orders placed on ZALORA.com, but is also able to activate it for:

- Orders on Brand.com websites in Southeast Asia.
- Orders on other e-commerce platforms (i.e. your Lazada MY/SG operations).
- Orders on your own multi-brand platform.



Considering the “at scale” nature of ZALORA’s business, the company does not charge CAPEX or any other set up fees; brands can simply send ZALORA their stock, while orders are being facilitated. In addition, tech integration is free for major platforms (this includes Shopee, Lazada, Shopify, Facebook and Instagram Shop); however, some work may be needed for tailored brand websites. It is worth noting that despite these minor implications, ZALORA’s large in-house specialists are able to overcome any technological setbacks than most pure-play warehouse operators within the region.

1SS is characterised by its flexibility, but given the service offering is a modular one, businesses may decide to use ZALORA’s warehouse in lieu of a logistics offering, with a choice of tailoring it according to market. The cost structure is entirely success-based as ZALORA charges only for items and/or orders fulfilled, instead of rent and other fixed components as other 3PLs.

ZALORA believes that this solution would enable any distributor in Southeast Asia to offer e-commerce services around the world at the best customer experience levels in the market – all with one seamless integration system. As of today, ZALORA is in the works of integrating large distributors in the region, as well as negotiating a flow with key brand principals.

“ With 1SS, your customers can enjoy a consistent shopping experience across online channels, whether you are selling on ZALORA.com, on your own e-Shop, or other Marketplaces. ”



### CASE STUDIES

#### LOCAL DISTRIBUTOR LOCATION: Malaysia

Already live in external marketplaces across two markets, ZALORA’s One-Stock Solution is currently working on expanding their brands to reach new markets and platforms. Meanwhile, operational performance is further boosted on top of increasing the sell-through rate of consolidated stock in ZALORA’s warehouse. With our streamlined Order Management System connected to Southeast Asia’s main online marketplaces, clients can enjoy 1SS as a simple “plug-and-play” solution for their respective businesses. As part of this strengthened alliance, our partner is consistently adding brands under the 1SS service since its initial launch, thereby reinforcing the benefits of 1SS and trust in ZALORA as the key fulfilment partner in Southeast Asia.

#### LARGE DISTRIBUTOR LOCATION: The Philippines

Here, 1SS is seen to be managing operations for the brand’s own website. By offering warehousing, logistics, and customer service for all orders stemming from the brand’s e-Shop, both the distributor’s and ZALORA’s tech teams work in tandem to connect the brand’s website to ZALORA’s Order Management System to enable order flow and the go-live of 1SS.

#### PRINCIPAL LOCATION: Indonesia

An end-to-end e-commerce solution where ZALORA manages both ZALORA and all external channel-related activities, ranging from product listing to fulfilment as well as unparalleled customer service.

### SHOPPING FESTIVALS

#### ARE SHOPPING EVENTS MORE THAN JUST A BARGAIN HUNTER’S DREAM?

If there’s one thing consumers can never pass off, it’s a good bargain. In the West, shopping holidays like Black Friday and Cyber Monday attract millions into stores, with retailers slashing down prices to reap the benefits of deal-hunting shoppers. And there’s a good reason for this too. To kick-off end-of-year festivities, these shopping bonanzas begin a day after Thanksgiving Day, leading to a weekend-long spree that ends with Cyber Monday, where exclusive online-only promotions are made available. With bargains of up to 70 to 80 per cent off a single item, it’s no wonder consumers flock in large quantities.

But given its tremendous offers, how exactly do businesses profit from such remarkable steals? To understand, here are the fundamentals behind shopping festivals’ economics:

#### ■ Price Discrimination

In-store/in-app sales like coupons or promotions allow for a broader target audience to be captured by a retailer.

#### ■ Loss Leaders

By slashing down prices, retailers increase the probability of purchasers spending more in the hopes of getting more than what they bargained for or increasing brand affinity with warranties or replacement plans.

In addition, the very nature of shopping festivals depends on not only the psychological implications of the scarcity of discounts – fear of missing out, to some – but also on the cultural significance of public holidays and religious events. This is so that retailers have a better chance at attracting customers when a population has a day off from work or school, especially when gearing up towards Christmas Day.

Here is where Southeast Asian (or Asian) shopping festivals differ. Given the diversity of the region, shopping festivals exist not because of cultural hype. Instead, they were borne out of retailers’ need to bolster an otherwise slow spell in between China’s ‘Golden Week’ and Chinese New Year. Indeed, although initially conceptualised as ‘Singles’ Day’ in Nanjing University as an attempt to resist marital social pressures, it had since trickled down to other parts of Asia, rebranded by Alibaba as the “11.11 Global Shopping Festival”. In fact, the event became so successful that in 2019, goods sold on the Chinese e-commerce giant amounted to \$38.4 billion, exceeding the previous year’s record of \$30.7 billion haul.

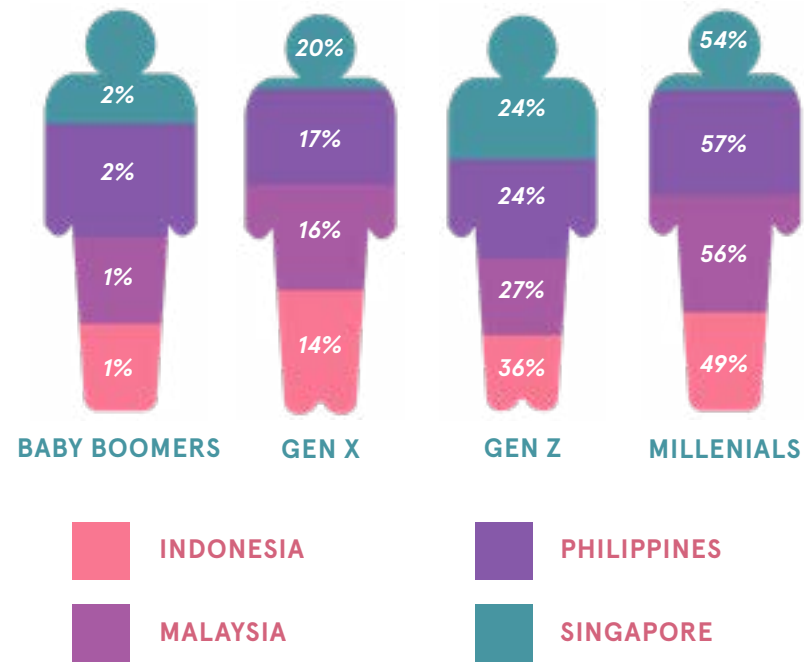
Today, the shopping phenomenon has become a force within the retail landscape of Southeast Asia, with many businesses adopting the same concept, from Alibaba-backed marketplace Lazada, to ZALORA. “It is one of the key growth drivers in the current [retail] ecosystem,” said Alessio Romeni, Chief Revenue Officer at ZALORA. “They act as a benchmark on how well the economy is doing, especially considering how Q4 is widely regarded as a “make it-or-break it” period.” Romeni also mentioned how the event had become immensely profitable and that it had also been replicated beyond the popularised date, which has now grown to include double-digit days like 9.9, 7.7, 6.6, and 5.5. “It’s something the customer likes so much, and the players have executed so well that it makes sense for both the customer and us to participate in these events throughout the entire year.”

Perhaps one of the main contributors to this is the fact that such events enable Southeast Asians in rural or remote areas access to products that may not be widely available to them before. In archipelagic countries like Indonesia and the Philippines, shopping festivals incentivise businesses to reach every possible customer, while offering scarce products at the best possible rate. But as technological and online advancements continue to grow, so does the demand for such products. Interestingly enough, unlike other regions, consumers in Southeast Asia have entirely skipped the “desktop” phase. “In markets like Indonesia and the Philippines, they were [thrust] to the forefront of technology and innovation, where everyone has at least one mobile phone but no desktop at home,” Romeni explained. Paradoxically, this meant that in a region where it is assumed that e-commerce is being less penetrated, it is much higher than those in the West. Effectively, this allows merchandisers to serve consumers in a more scalable way.





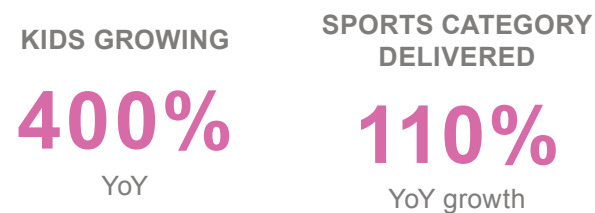
DEMOGRAPHIC OF ZALORA SHOPPERS BY AGE GROUP DURING 10.10



Source: ZALORA Group

Needless to say, the consumer base for these merchandisers have grossly expanded in light of the current pandemic. As communities become increasingly active online, sales from these shopping events have skyrocketed like never before. At ZALORA, this was evident in the latest 10.10 shopping event, where Net Merchandise Value (NMV) was increased by 60 per cent year-on-year. There was also a substantial uplift across ZALORA's traffic and conversion rate at 20 per cent and 15 per cent respectively, while new customers were gained at 49 per cent increase year-on-year. As covered in this report's earlier chapters, sportswear and childrenswear is set to become one of the biggest trends to have emerged out of the pandemic, and have played out rightly so in the recent 10.10 shopping festival. This year at ZALORA, sales for both segments came out on top, with childrenswear growing 400 per cent year-on-year, and sportswear rising to 110 per cent year-on-year.

10.10 IS OUR BIGGEST NMV DAY FOR ZALORA IN 2020



Source: ZALORA Group

With such high numbers greatly populating the digital realm, it's only a matter of time businesses start to explore innovations to set themselves apart from the rest. After all, one of the main challenges retailers need to consider is brand affinity. In today's tech-centric world, a single gimmick can undoubtedly make the difference between winning or losing this never-ending rat race.

For companies like Lazada and Shopee, the amalgamation of shopping and entertainment had spawned a new wave of retail therapy: Shoppertainment. As a new form of shopping experience, Shoppertainment aims to bridge the gap between brick-and-mortar and online channels by offering the consumer myriad of engaging content through a digital shopping platform. Alibaba-owned Lazada does this to great effect. Leveraging its mobile app, the Southeast Asian online marketplace introduced games as well as a "See Now, Buy Now" model to drive sales. An in-app live streaming was also used as a marketing tool; just last year, the retail giant hosted a grand music concert exclusively on its app simultaneously across six markets in Asia Pacific as part of its seventh anniversary. "People have more time, so anything that produces content is more relevant than before," Romeni commented, noting how the pandemic had created a need for comfort and entertainment as a form of respite. In this regard, video content will become increasingly influential and more prevalent as a form of marketing tool. As Romeni aptly surmised, "It's human nature. People want to learn new skills, new information, and be interactive, [especially now] at this time of social distancing."

**EXCLUSIVE INTERVIEW: ZALORA GROUP**  
ZALORA Group Chief Revenue Officer Alessio Romeni explains the increasingly diverse yet innovative landscape of shopping festivals in Southeast Asia.



[Click here to watch the full interview](#)



AUGMENTED REALITY

BRIDGING THE GAP BETWEEN OFFLINE AND ONLINE WORLDS.

Perhaps one of the most remarkable technological breakthroughs in the retail sector is the implementation of augmented reality. Not to be confused with virtual reality (which is usually enabled by a bulky headgear and obscures the user's vision with an alternate image), augmented reality overlays an immediate surrounding with an additional element, often via a camera lens. We've seen this pan out over the last few years in industries such as fashion and interior design, but as we move forward into the new norm, how will augmented reality chart a new path for retail at large?

For one, as consumers become more technologically dependent in a contactless world, augmented reality can help bridge the gap and offer a sense of humanity within a virtual landscape. IKEA is at the forefront of this innovation; as one of the first furniture brands to implement its own in-app augmented reality feature in 2017. Here, the Swedish retailer can present its customers a range of products that can be visualised as if it were placed at home, in real-time. A few years later, in Singapore, online furniture boutique Castlery had also followed suit, having launched its AR app within the first quarter of 2020. What's important to note is that these apps had sought to address an underlying issue that had plagued online retail – the human touch.

The human touch is indeed one of the most unique and irreplaceable selling points for a brick-and-mortar retailer; however, as the pandemic broke out, more and more businesses are seeking novel ways to bridge this gap. "I think businesses now will have to think how these two (brick-and-mortar and digital channels) can co-exist so that they can design and frame the shopper experience in a way that it brings out the best of what the customer wants," said Silvia Thom, ZALORA Group's Chief Technological Officer. In the context of today's

The New Retail Landscape

new normal, this means maintaining a social distance as well as being able to purchase goods in a seamless order. "With AR, trying on things in the comfort of your own home saves you a lot of time and eliminates the issue of returns, and that's we are also focused on with the Zalora experience." It's also the reason why the technology is fast being implemented on a plethora of shopping channels, leveraging on specific shopping events such as Alibaba's 618 Shopping Festival in China that was recently launched in the second quarter of 2020. For the occasion, the Chinese heavyweight featured 3D elements that replicated an in-store experience as consumers browse through items from more than 100 brands.

However, as revolutionary as it seems, one of the most significant issues facing AR is the level of adoption across all retail sectors. Understandably, the development of such technology relies on not only an extensive amount of resources but also a specific skill set. "Although we build the technology ourselves at ZALORA, we also look for strong partners to work with," Thom explained, mentioning how when trying out something new, it's always worth scoping out resources currently available for collaboration. In addition, there is also the issue of lower bandwidths, especially when it comes to Southeast Asia's archipelagic remote areas. Thom adds, "Anyone who is designing or developing an online experience has to take that into account certainly, and weigh out the implication of areas limited to lower internet speed." Despite these challenges, the outlook remains positive. Considering the rate of digital acceleration and continued social distancing, it is only a matter of time for remote and rural areas to meet technological demands.

EXCLUSIVE INTERVIEW: ZALORA GROUP

Silvia Thom, Chief Technological Officer at ZALORA Group, discusses the technological advancements that have risen as a result of Covid-19, and how augmented reality can better improve shopping experiences across both online and offline channels.



[Click here to watch the full interview](#)

# MOVING AHEAD

As we move into a new dawn, it is becoming more apparent that the calm after the storm may just be within our reach. But as comforting as it is, this isn't to say that the path leading towards it would be as straight cut as one might think; instead, charting through these turbulent waters will require calculated risks, especially now at times of such uncertainty.

In Southeast Asia, these uncertainties have accelerated the digital revolution at immense speed, shaping a new consumer behaviour like never before. As a mobile-first community, Southeast Asians have astoundingly skipped technology's desktop phase, spurring on the growths of social media and e-commerce. In fact, it is because of this reason alone that the adoption of e-payment and e-wallets have become increasingly popular within the region.

However, there is a flipside to this: as certain areas are not as technologically advanced as others (think: rural and remote locales), Cash on Delivery is still very much preferred. Customer confidence within these territories is yet to improve, likewise for challenges in logistics. In this regard, the presence of shopping malls as well as brick-and-mortar incumbents remains an imperative force, subsequently bridging the gap between offline and online avenues.

One of the best solutions to reap the benefits of both approaches is to consider an omnichannel solution. To become readily available digitally and physically is to capture a broader audience, either by investing in new technologies or partnering with a domestic leader who readily has insight and capabilities. ZALORA and its One-Stock Solution does this to great effect, aiding internationally-renowned brands such as Abercrombie & Fitch penetrate a new and foreign market, leading to the brand's exponential growth in not just apparel, but children's wear as well.

Indeed, one of the more surprising trends to have risen as a result of the pandemic is the children's wear market, and rightly so because of the rising number of young families – mostly comprised of Millennials – within the region. Together with Gen Z-ers, these two consumer groups are set to drive the post-pandemic retail boom, paving the way for product assortments such as beauty and activewear to thrive. These developments certainly debunks the myth of fashion's downwards spiral, especially when promising data from the luxury sector proves otherwise. Unlike other segments, luxury fashion and accessories have far more mileage in terms of wear and value, often considered as heirloom pieces in the long run, or given a new lease on life through resellers like Singapore-based Style Tribute. With sustainability evolving into more than just a lifestyle, consumers today are no longer demanding for variety, but also longevity.

On the other side of the spectrum, value also comes in the form of promotional discounts, making shopping festivals the likes of 9.9 and 11.11 an attraction for bargain hunters. Paired with novel innovations in the form of "shoppertainment" and augmented reality, these mega dates have evolved into a monthly spectacle, often employing celebrities and social media influencers to boost its appeal. Time and time again, such marketing tactics had proven to be successful, especially now where more than 90 per cent of the region's population is connected to the internet from a mobile phone.

Now, the pressure is on for businesses to re-evaluate and recalibrate their approach during these troubled times. The fourth industrial revolution isn't just a mere idea – it is a reality all must embrace now. Indeed, certain segments of the industry may falter, however it certainly doesn't discount other pockets of opportunity that have risen as a result of such circumstances. Only by addressing these new trends and strategies, can we finally be out of the woods. ■



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