

ZALORA

SOUTHEAST ASIA TRENDER REPORT
4TH EDITION
2024

POWERED BY DATA BY GFG

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ZALORA

SOUTHEAST
ASIA

TRENDER
REPORT

4th EDITION

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FOREWORD

Hello everyone!

Like many of you, I'm sure you're keenly aware of the lingering shadows cast by the global economic slowdown. Yet, amidst these challenges, Southeast Asia's retail sector pulsates with a vibrant energy that fills me with cautious optimism. This report is my invitation to explore this dynamic market together, a market brimming with potential waiting to be unlocked.

Over 2023 and 2024, we've witnessed fascinating shifts in Southeast Asian fashion retail. Consumers, empowered by ubiquitous smartphones and affordable data, are demanding a seamless blend of online and offline experiences. This "omnichannel" landscape presents a unique challenge — catering to a mobile-first generation with diverse preferences.

The meteoric rise of e-commerce is undeniable, but a nuanced omnichannel dilemma persists. Unlike their Western counterparts, Southeast Asian shoppers crave a journey that seamlessly integrates the convenience of online discovery with the thrill of in-store experiences. Platforms like TikTok further blur the lines, leveraging social media trends and influencer marketing to redefine retail.

However, the allure of physical stores remains strong. Despite e-commerce's dominance, nearly half of retailers anticipate a resurgence in brick-and-mortar spending. This highlights the enduring appeal of in-person interaction and the curated shopping experience it offers. The long-awaited return of travel in 2023 injected a dose of dynamism into the region, with consumers rekindling their passion for fashion.



The resurgence of social gatherings fueled a demand for womenswear apparel, while the growing acceptance of remote work fueled the need for versatile and comfortable attire.

A particularly fascinating trend is the significant traction gained by the modest wear movement, presenting a lucrative opportunity.

As Muslim consumer spending on apparel and footwear rises, brands must navigate cultural sensitivities while catering to diverse needs.

The luxury sector also displays resilience, buoyed by a growing middle class and flexible payment options. However, sustainability is emerging as a key concern, with over half of consumers willing to pay a premium for eco-friendly products. This trend extends to the wellness and beauty sector, which is poised for growth thanks to rising consumer interest and a burgeoning middle class.

In this increasingly competitive landscape, personalization and community engagement are critical differentiators. By embracing AI and Buy Now, Pay Later (BNPL) services, retailers can optimize the online shopping experience and drive efficiencies. Here at ZALORA, our proactive adoption of AI-powered solutions is a testament to the transformative potential of technology in shaping Southeast Asia's retail future. ■

With sincere regards,

Gunjan Soni

**Chief Executive Officer - ZALORA Group
Chief Operations Officer - Global Fashion Group**

ACKNOWLEDGEMENTS



ABOUT THE EDITOR

Understanding the power of compelling imagery, the former Harper's BAZAAR Malaysia editor often pairs enthralling narratives alongside creative whimsy, having styled Hollywood, fashion, and music's glitterati from actress Vanessa Hudgens to DJ Peggy Gou. Today, her varied skillset has led her to the creation of her multi-disciplinary creative agency, CTRL + GO, as well as hosting ZALORA's first-ever podcast channel, ZALORA Talks.

ABOUT ZALORA GROUP

ZALORA, a leading online fashion, beauty, and lifestyle destination in Asia, is the undisputed authority in Southeast Asian fashion. As a pioneer in large-scale e-commerce, we've established a dominant presence across key markets, attracting over 59 million monthly visits. Backed by Global Fashion Group, we offer an unparalleled shopping experience for millions of style-conscious consumers.

Discover a world of endless possibilities at ZALORA, your one-stop shop for everything fashion-forward. Our curated platform boasts an extensive collection of authentic products from over 3,000 international and local brands. Explore diverse categories – from apparel and accessories to beauty essentials and homeware – all designed to elevate your style and living space.

At ZALORA, we're passionate about making your shopping experience seamless and enjoyable. Our team of innovators delivers a user-friendly platform accessible on any device. We ensure fast and reliable deliveries through our extensive logistics network, coupled with a multitude of convenient payment methods, including cash-on-delivery options across all markets.

Customer satisfaction is paramount at ZALORA. Enjoy up to 30-day free returns and free delivery above a certain purchase threshold. For the ultimate convenience, subscribe to ZVIP, our exclusive service offering unlimited next-day deliveries and cashbacks for every order. With over 100,000 subscribers within its first year, ZVIP is a testament to our commitment to exceeding expectations. We've also revolutionized payment options with Buy Now Pay Later across markets and launched the first co-branded credit card in the Philippines. Today, we offer a staggering 21 payment methods, all for our shopper's ultimate convenience.

Beyond fashion, ZALORA is a leader in promoting sustainability within the e-commerce system. We offer an assortment of products made with lower-impact and sustainable materials, while incorporating eco-friendly practices across our operations, from packaging to delivery.

ZALORA has transcended being just a retailer; we're now a leading e-commerce enabler. Our platform services, including Operations as a Service, Marketing as a Service, and Data Services, empower brands to expand their online footprint and thrive in Southeast Asia. By leveraging our robust infrastructure, extensive partner network, and innovative technology, we significantly contribute to the growth of the regional e-commerce landscape.



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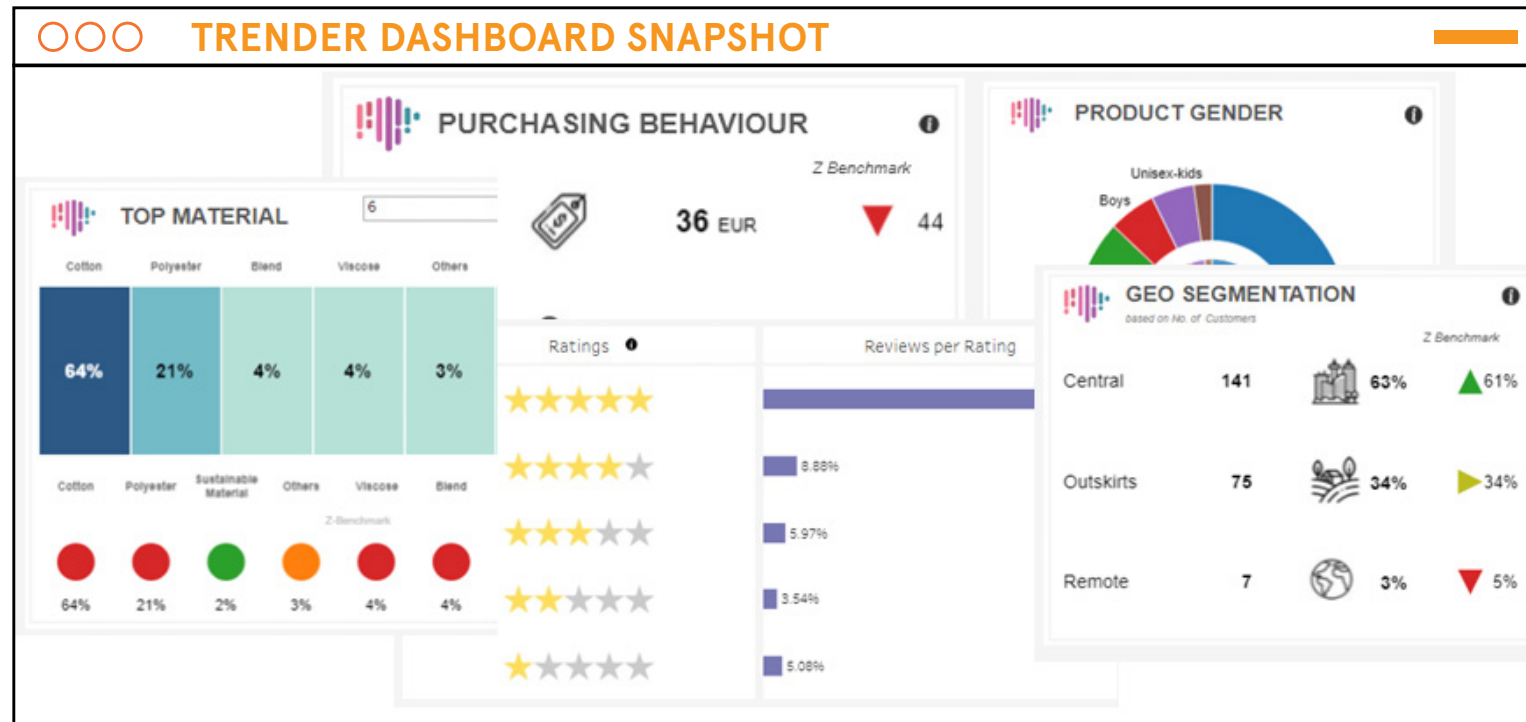


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ABOUT TRENDER



TRENDER offers two distinct product types:

TRENDER BASIC

Provides brand partners with high-level insights into their brand performance through traffic, product, and sales data, as well as category trends. Equipped with TRENDER Basic, brand partners can better understand their customers and prepare for future seasons by analysing traffic patterns and consumer demands.

TRENDER PRO

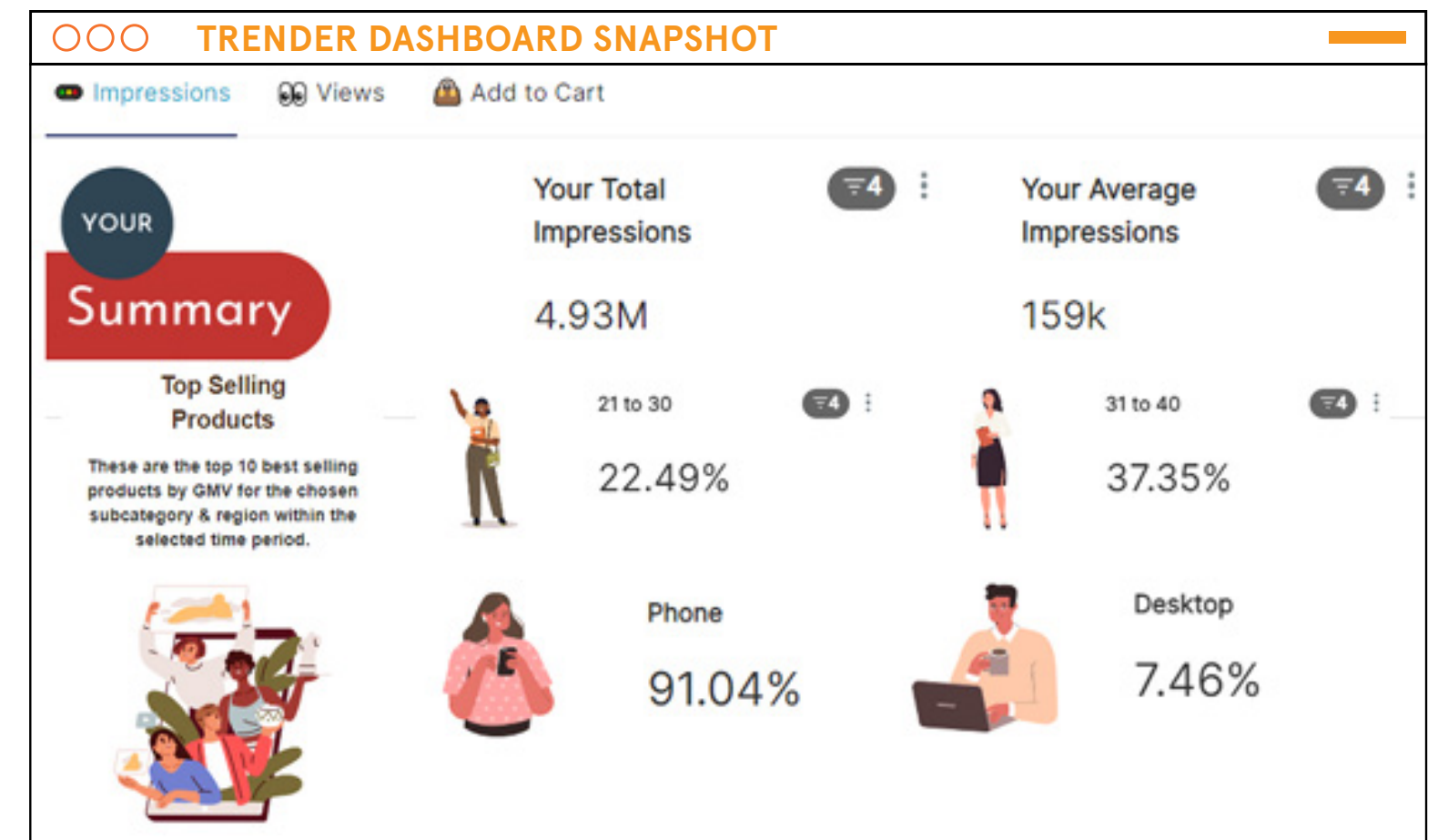
A self-service business intelligence platform featuring interactive dashboards with customizable modules on brand performance. This platform allows brands to fully tap into ZALORA's extensive data ecosystem, providing comprehensive insights across transactional, browsing, and customer data. By leveraging TRENDER Pro, brands can gain a holistic understanding of their performance, including selective benchmarking against ZALORA's average estimate.

Since the launch of TRENDER in April 2020, we have garnered over 1,200 satisfied brand subscriptions. Offering increased visibility and insights into products and audiences, TRENDER empowers brands to drive their business strategy seamlessly across all sales channels, from design to delivery, not just on ZALORA but throughout all sales channels.



As pioneers in large-scale e-commerce within the region, ZALORA's extensive trade history offers brands a holistic perspective on the evolving retail landscape in Southeast Asia. Conceived with retail intelligence in mind, TRENDER, a product of Data by GFG, stands as ZALORA's cutting-edge analytics solution where fashion, beauty and lifestyle meet data.

Powered by our team of in-house experts, ZALORA's brand partners can fully harness the trade intelligence gathered from **over 60 million monthly visits** through TRENDER which serves as the guiding star for every brand seeking to optimize their approach in Southeast Asia. With an unparalleled comprehensive database, we take pride in having the largest number of highly qualified, fashion-focused, and purchase-intent audiences in the region, perfectly positioning us to predict fashion and lifestyle trends compared to anywhere else within the region.



CHAPTER ONE: THE YEAR THAT WAS

THE YEAR THAT WAS



CHAPTER ONE: THE YEAR THAT WAS

Southeast Asia's retail sector faced a challenging year in 2024 as it navigated a complex economic landscape. The global economic slowdown, coupled with rising inflation and supply chain disruptions, impacted consumer confidence and discretionary spending. [Luxury goods and non-essential purchases were particularly affected as shoppers tightened their belts.](#) Tourist-dependent economies like Thailand suffered from reduced tourist spending, while Singapore and Malaysia experienced similar challenges due to inflation and a decline in tourist arrivals.

The macroeconomic landscape further compounded retail woes, with [Southeast Asia witnessing the steepest global interest-rate hiking cycle in four decades.](#) This tightening of monetary policy reverberated across the region, leading to a decrease in private funding as the cost of capital rose. [Investments, once flowing freely, reverted to 2017 levels,](#) reflecting a cautious approach among investors in uncertain times. Yet, amidst these challenges, Southeast Asia showcased a resilience that set it apart from other regions. A diversified economic structure, robust domestic consumption, and regional trade integration acted as pillars of strength, providing a solid foundation for weathering the storm.

Throughout 2023 and 2024, ongoing and escalating geopolitical conflicts cast a shadow over the region's retail landscape. Though geographically distant, the conflicts in Eastern Europe and the Middle East had far reaching implications for Southeast Asia. [Rising energy prices and higher logistics costs added to inflationary pressures,](#) squeezing consumer budgets and impacting import-reliant economies. [Supply chain disruptions for commodities further compounded the challenges,](#) affecting production and retail availability in key sectors.

Yet, amidst the turmoil, Southeast Asia demonstrated a remarkable ability to adapt, leveraging government stimulus measures, financial regulatory frameworks, and structural reforms to mitigate the impact of external shocks. More importantly we saw retailers sharpen their tools

and found themselves pushing the boundaries of what can be done through innovation.

The spectre of inflation loomed large over Southeast Asia in 2023, eroding consumer purchasing power and dampening retail growth. [Countries like Indonesia experienced inflation at multi-year highs, impacting essential goods and forcing consumers to prioritize necessities over discretionary items.](#) Middle-income households, in particular, felt the pinch as [rising prices stretched budgets and curtailed spending on non-essential items.](#) The retail landscape underwent a seismic shift as consumer preferences evolved in response to economic uncertainties, with value and necessity taking precedence over luxury and indulgence.

Amidst these challenges, the e-commerce juggernaut experienced a slowdown, as the rapid growth witnessed during the pandemic years tapered off. Muted consumer spending and a [shift back to physical stores](#) contributed to the deceleration in online retail growth. However, amidst the e-commerce ebb, [certain sectors continued to thrive, reflecting the ongoing adaptation to hybrid shopping habits.](#) Online grocery and essential goods emerged as bright spots in an otherwise challenging retail environment, showcasing the resilience and adaptability of Southeast Asia's retail sector. We've also been seeing interesting developments in mobile and social commerce shopping particularly [in Indonesia where social media giant Tiktok merged with local large scale](#)

[e-retailer Tokopedia.](#) Quite recently in Q3 2024, [Youtube and Shopee are launching a video shopping partnership](#) with plans to scale.

As we reflect on the past year and look ahead to the future, Southeast Asia's retail landscape is poised for significant transformation. The region's retailers must adapt to changing consumer behaviours and embrace digital innovation to thrive. By leveraging data-driven insights, ZALORA's TRENDER 2024 report aims to shed light on key trends and challenges shaping the future of Southeast Asian fashion retail. Through analysis and interpretation, this report will empower businesses to navigate the complex retail landscape and achieve sustainable growth.





BEYOND RECOVERY: RETAIL IN 2024 EMBRACES TRANSFORMATION

The global retail sector is navigating a challenging landscape in 2024. While the pandemic's aftershocks are fading, volatile consumer behavior and high operational costs continue to pose significant challenges. While essential items like groceries remain resilient, discretionary spending on big-ticket items remains subdued. The holiday season, typically a peak period for retail, was impacted by rising prices and economic uncertainty.

As we move into 2025, the retail industry faces further hurdles. Consumer sentiment remains fragile due to persistent inflation, and retail leadership is undergoing significant turnover. Businesses are prioritizing profitability through cost-cutting measures like layoffs, reflecting the tough economic climate.

Despite the global slowdown, Asia Pacific stands out as a beacon of growth. With a projected real GDP growth of 4.0% YoY in 2024, the region surpasses both the United States and the Eurozone. This economic resilience is coupled with stabilising inflation rates, leading to the expectation of interest rate reductions in several markets by mid-2024. Reduced pricing and financing costs are expected to boost purchasing power and drive retail sales growth, albeit at a more moderate pace than the initial "revenge spending" surge witnessed post-pandemic.



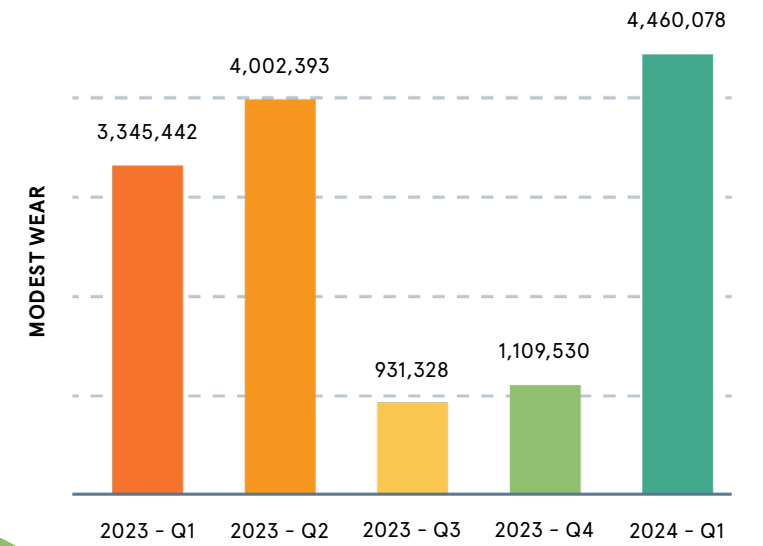
THE POWER OF TRADITION AND INNOVATION

While some pandemic-related issues have subsided, consumer demand remains a key area of focus. Here at ZALORA, we've observed a heartening return to seasonal buying patterns. Our Modest Wear category, for example, witnessed a remarkable 33% growth in Q1 2024 compared to Q1 2023, fueled by the festive season of Raya and a renewed desire for occasion wear as social gatherings returned. This trend is further amplified by the impressive 51.7% growth in our ZALORAYA campaign sales during the same period, highlighting a strong consumer appetite for dressing up for special occasions.

Innovation remains another key driver of growth. Newer categories like Kids and Luxury continue to perform well, with Luxury reaching a new high of 9.8% contribution to overall Net Merchandise Value (NMV) in Q1 2024. Interestingly, Millennials (aged 30-49) emerged as the biggest spenders in this segment, accounting for over a third of all sales.

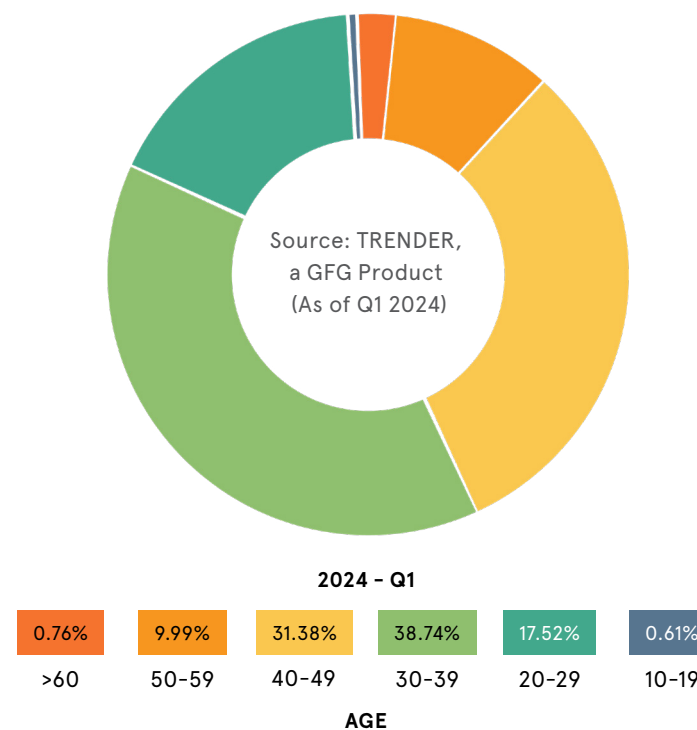
GROWTH % BETWEEN Q1 2023 & Q1 2024
33%

SALES ORDER QUARTER



Source: TRENDER, a GFG Product (As of Q1 2024)

Net Merchandise Value (NMV) 2024 - Q1



CHAPTER ONE: THE YEAR THAT WAS

ENGAGEMENT REVOLUTION: THE RISE OF AI, SOCIAL COMMERCE, AND OMNICHANNEL EXPERIENCES

The future of retail lies at the intersection of technology and experience. We're witnessing a surge in the use of artificial intelligence, social media, and shoppable content to engage customers. Brands are integrating virtual experiences into their marketing strategies, allowing consumers to interact with products in a digital space. Shoppable content is another growing trend, with platforms like TikTok offering seamless product discovery and purchase within the app. The [merger of TikTok and Indonesia's GoTo](#) further underscores the potential of social commerce, allowing consumers to seamlessly transition between discovery and purchase within a single ecosystem. Joining the trend, Youtube and Shopee are launching an ecommerce tie up. Under the YouTube Shopping tie-up, people will be able to purchase goods viewed on YouTube through links to Shopee, which is owned by Southeast Asian technology conglomerate Sea Ltd. Company executives confirmed that they plan to expand the service to Thailand and Vietnam in a few weeks. YouTube Shopping is already active in [South Korea](#) and the United States.

Retailers are also embracing omni-channel approaches in the form of pop-up shops and experiential events to continue to attract customers. Pop-up events staged by ZALORA, including Zaloraya and the Terminal, take it a step further, engaging and building communities with consumers while articulating fashion and exemplifying the core elements of experiential retail.

A LOOK AHEAD: EMBRACING CHANGE

The retail landscape, while undeniably challenged, is also brimming with opportunity. Brands that embrace innovation, cater to evolving consumer preferences, and leverage the power of technology are well-positioned to thrive. [AI is changing retail](#), with international brands from H&M to L'Oreal embracing it across their entire value chains. Retailers like ZALORA have also integrated generative AI to supplement their award-winning customer experience capabilities. As we move forward in 2024, we can expect to see even more creative and customer-centric approaches emerge, shaping the future of retail in the region. ■



THE YEAR IN SEARCH

By analyzing search data from ZALORA, we can gain valuable insights into Southeast Asia's consumer trends. This data can help businesses understand what resonates with their target audience, identify emerging trends, and make informed decisions to stay ahead of the competition. By leveraging these insights, businesses can tailor their product offerings, marketing strategies, and overall business approach to meet the evolving needs and preferences of consumers in the region.



CHAPTER TWO: THE YEAR IN SEARCH

They say that information is power. And if this 'Year in Search' is anything to go by, data derived from ZALORA's searches offer valuable insights that can not only inform crucial business decisions but also help shape future strategies. By analysing the trends revealed through ZALORA's searches, industry players can gain a nuanced understanding of what resonates with their target audience, allowing them to tailor their product offerings accordingly. Whether it's identifying emerging trends or predicting shifts in demand, this insight enables businesses to gain the upper hand and maintain a competitive edge in an ever-changing market. ■

YEAR IN SEARCH



Top Searched Brands Per Country

Malaysia

H&M, Zalia, Lubna, Nike, Zalia, Adidas, Vans, Nurita Harith

Singapore

Adidas, Cos, Nike, Birkenstock, Mango, H&M, Zalia, Lubna, Longchamp

Philippines

Nike, Adidas, Converse, H&M, Birkenstock, Vans, New Balance

Taiwan

Mango, Adidas, Guess, Under Armour, Old Navy, New Balance, Gucci, Calvin Klein, Balenciaga

Indonesia

Nike, Converse, Vans, Adidas, Hush Puppies, Skechers, H&M, New Balance

Hong Kong

Nike, Adidas, Longchamp, New Balance, Coach, Under Armour, Hollister, Celine, Mango, Abercrombie & Fitch

Top 10 Most Searched Luxury Brands

Coach, Guess, Longchamp, Michael Kors, Kate Spade, Tory Burch, Gucci, Marc Jacobs, Prada, Armani

Top 10 Search Words Associated With Women's Apparel

Top, Crop Top, Gentlewoman, Crocs Women, Gentle Woman, Mango Womens, Nike Women, Mango Women, Dresses, Mango For Women

Top 10 Search Words Associated With Menswear

Jeans, Trousers, Logo Jeans, Lois Jeans, H&M Jeans, Levis Jeans, Polo Shirts, Celana Jeans, Hoodies & Sweatshirts, Skinny Jeans

Top 10 Most Popular Sneakers

Sneakers, White Sneakers, Nike Sneakers, Esplar Leather Sneakers, Adidas Sneakers, Recife Logo Chromefree Sneakers, Sneakers Wanita, Puma Sneakers, Hush Puppies New Arrival Sneakers, Veja Sneakers

Top 10 Most Popular Searched Beauty Brands

The Ordinary, Rare Beauty, Charlotte Tilbury, Skintific, Fenty Beauty By Rihanna, Huda Beauty, Avoskin, Happy Skin, Beauty Of Joseon, Skincare

Top 10 Colors Mentioned In Search

White, Black, Pink, Red, Green, Blue, Gold, Purple, Brown, Silver

Top 10 Most Searched Brand On Zalora For 2023

Nike, Adidas, H&M, New Balance, Converse, Vans, Hush Puppies, Skechers, Longchamp, Puma

Top 10 Most Searched Items Associated With Sport

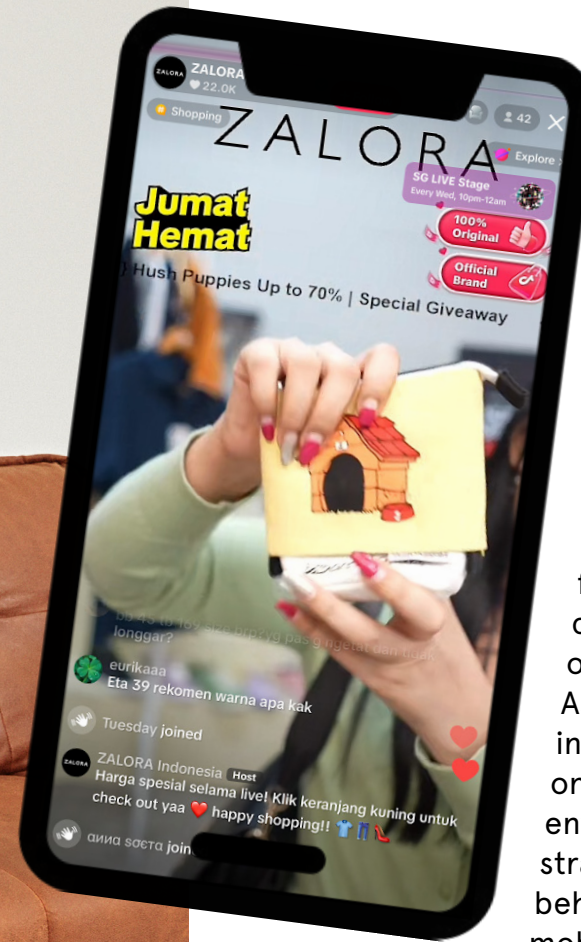
Nike, Adidas, New Balance, Puma, Nike Shoes, Adidas Samba, Nike Dunk, Adidas Shoes, New Balance 327, Nike Air Force 1

OMNICHANNEL RETAIL

The retail landscape in 2024 is undergoing a profound transformation, driven by the omnichannel revolution. Experiential stores and the integration of technology are reshaping the shopping experience. AR and VR technologies, as demonstrated by [PUMA Group's collaboration with Meta](#), are blurring the lines between the physical and digital worlds, creating immersive and engaging experiences for consumers.



CHAPTER THREE: OMNICHANNEL RETAIL



by the [region's predominantly mobile-first population](#). Driven by [factors](#) such as widespread smartphone adoption, affordable data plans, and the convenience of on-the-go browsing and purchasing, shoppers within this region are more complex, exacerbated by Covid purchasing habits and desire for in-person shopping, they crave a blend of online and offline shopping experiences. As a result, businesses operating in Southeast Asia must not only navigate the omnichannel environment but also tailor their strategies to cater to the unique behaviours and preferences of mobile-centric consumers.

social media, platforms like [TikTok have become powerful tools for brands to engage and sell](#). By integrating entertainment and commerce, social media platforms are driving a significant shift in consumer behavior and reshaping the future of retail in the region.

GoTo's strategic partnership with TikTok is reshaping Indonesia's e-commerce landscape. This collaboration leverages GoTo's strong logistics infrastructure and TikTok's vast user base to create a powerful omnichannel shopping experience. As reported by [TechCrunch](#), this integration is expected to drive significant growth in the Indonesian e-commerce market and inspire similar initiatives across the region.

To see if this collaborative success could also be emulated in other markets, ZALORA debuted its TikTok Shop in Malaysia in March 2023, initially featuring its ZALIA modest wear label. Expanding on this success, a multi-brand ZALORA TikTok Shop was later launched in December 2023, incorporating international fashion brands like Betsy, Keddo, and Milliot & Co. With 240k followers and over 1 million likes within the first month, the shop gained immense popularity. A single livestream during the launch attracted over 1,000 viewers, with a Click-Through Rate (CTR) of 6.67% and a Click-Order Conversion Rate (CO) of 2.56%.

To achieve this fine balance, industry players need to familiarise themselves with the diverse consumer behaviours and preferences scattered across Southeast Asia. As they say, one mould does not fit all and never has a saying rung truer here in this region. For instance, while Singapore boasts one of the [highest smartphone penetration rates globally at over 80%](#), it contrasts sharply with the more fragmented mobile landscape of Indonesia, where feature phones still hold sway in rural areas. To put it simply, shoppers in this region crave diverse retail experiences and are often seen blending online and offline touchpoints.

Social commerce has revolutionized the retail landscape in Southeast Asia. With 82% of consumers discovering new products through

Experiential stores are no longer mere places to buy things; they are destinations that offer customers a unique journey into a brand's world. Interactive displays, live demonstrations, and personalised experiences create a memorable and engaging shopping experience. Technology plays a vital role in enhancing these immersive experiences. Augmented Reality (AR) and Virtual Reality (VR) are blurring the lines between the physical and digital worlds, offering shoppers new ways to interact with products. [PUMA Group's collaboration with Meta](#), featuring a virtual workout class experience, demonstrates the power of these technologies in attracting customers and generating buzz. Beyond the immersive experiences, modern service features are also essential. Retailers like H&M are leading the way with innovative features such as [mobile checkout](#), [smart fitting rooms](#), and [in-store pickup options](#). These features create a seamless and personalized shopping experience, ensuring customer satisfaction.

In the bustling landscape of Southeast Asian e-commerce, the challenge of catering to a diverse consumer base is underscored



CHAPTER THREE: OMNICHANNEL RETAIL

This success underscores ZALORA's effective entry into TikTok and proves the growing significance of social commerce in the digital era.

Social commerce offers a convenient and personalised shopping experience, but an immersive offline presence remains vital. Experiential retail stores provide a tangible connection to the brand, while digital innovations like AI, social media, and shoppable content enhance the online shopping experience. By blending the best of both worlds, retailers can create a seamless omnichannel journey that caters to the evolving needs of modern consumers.

Retailers are also embracing omnichannel approaches in the form of pop-up shops and experiential events to continue to attract customers. Pop-up events staged by ZALORA, including [Zaloraya](#) and [the Terminal](#) during 11.11, take it a step further by engaging and building communities with consumers while articulating fashion and exemplifying the core elements of experiential retail. ■



ZALORA E-STORE MANAGEMENT SERVICE

As part of its end-to-end multichannel solution for brand partners, ZALORA offers the E-Store Management service which aims to enhance online reach for its brand partners. This program seamlessly oversees the management of online stores and products for brand partners, offering a polished, all-in-one solution that facilitates business growth effortlessly. Through the program, brand partners can now harness the power of "shoppertainment" and sell their products to TikTok's community with ZALORA, be it through a single-brand or multi-brand shop.

However, this isn't to say that e-commerce companies should underestimate the potent allure of well-crafted offline experiences. While digital platforms dominate the modern retail landscape, physical channels in Southeast Asia offers a wealth of opportunities that complement and enhance online strategies. According to a 2023 survey by CBRE, despite the meteoric rise of e-commerce in the region, [nearly half of the retailers in the region expect a portion of online spending to be shifted to physical retail and 42% see that footfall in physical stores will return to its pre-pandemic levels.](#) In an interview with RetailAsia.com, Ada Choi, CBRE's head for occupier research and intelligence and management in APAC, said, "There is a huge range of hybrid shoppers, who have different shopping behaviour... This is also a challenge for the brands that have to cater to different shoppers' behaviour switching between online and offline and be able to address those issues."

One answer to this lies in hybrid pop-up experiences, which can offer [tangible benefits](#). They provide touch-and-feel experiences, strengthen brand identity, foster community engagement and, in some cases, drive online traffic and brand awareness. For example, ZALORA and Adidas joined forces for a groundbreaking campaign during the 11.11 sales event, setting up a temporary pop-up store in Manila's bustling Bonifacio Global City. This collaboration wasn't just about selling products; it was about creating an immersive experience for shoppers. As a result, the brand saw an uplift of 36% in orders and 50% in sales on the ZALORA platform, as well as a whopping combined social media reach of over 12.23 million.

Omnichannel strategies are crucial for success in today's retail landscape. Brands must effectively utilize platforms like TikTok and leverage physical experiences through pop-up stores to create engaging customer experiences. By seamlessly integrating online and offline channels, businesses can build lasting relationships and drive growth in the region.



CONTINUED TRENDS

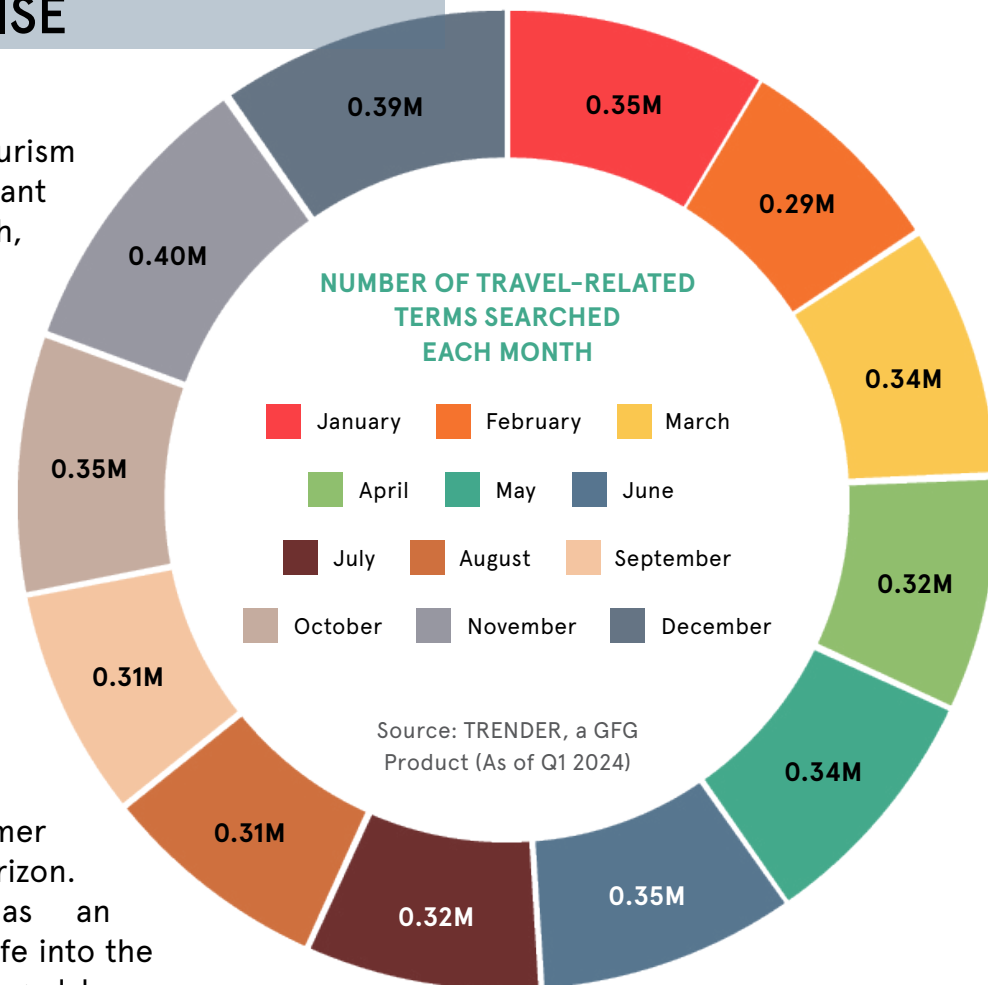
Despite global economic challenges, Southeast Asia's fashion landscape continues to thrive, showcasing remarkable resilience and growth. Post-pandemic, the region has witnessed a surge in demand for travel essentials, luxury goods, beauty products, and sustainable options. Driven by a renewed appreciation for self-care and a conscious consumer mindset, these categories have emerged as key pillars of Southeast Asia's fashion renaissance. While the pace of growth has slowed in recent months due to economic headwinds, the region's unwavering appetite for style and innovation presents a compelling opportunity for brands seeking to tap into this dynamic market.

CHAPTER FOUR: CONTINUED TRENDS – TRAVEL ON THE RISE

Southeast Asia's tourism industry, once a vibrant engine of economic growth, was severely disrupted by the pandemic. While the region has witnessed a modest recovery in recent years, challenges persist. Strict travel restrictions, fluctuating infection rates, and economic uncertainties continue to hinder the return of pre-pandemic tourism levels. [As a result, key destinations in the region are grappling with significant declines in tourist arrivals.](#)

Yet, amidst the gloom, a glimmer of hope emerged on the horizon. Domestic tourism emerged as an unexpected hero, breathing new life into the region's travel landscape. Encouraged by government initiatives and a newfound appreciation for local treasures, residents flocked to explore the hidden gems of their own countries. According to data from the Tourism Authority of Thailand, [domestic tourism in the country generated 478 billion baht in the first seven months of 2023](#), with similar trends observed across other Southeast Asian nations. To back this up further, [approximately 46.5 million visitors travelled to Southeast Asia, with around 43% originating from the region.](#) This surge in domestic travel not only bolstered local economies but also underscored the resilience of Southeast Asia's tourism markets in the face of adversity.

Similarly, data sourced from ZALORA showed signs of a growing albeit fluctuating rate of intent to travel. According to the graph, shoppers on the e-tailer's website searched for the keyword "travel" on average 340,000 times throughout 2023, with the highest in the months leading up towards the end of the year.



Highest travel-related terms searched in Nov & Dec

Lowest travel-related search terms searched in Feb

This surge, particularly evident in the latter months, signals a nascent optimism for a tourism resurgence in Southeast Asia. Such desire is most evident in Malaysia, whose consumers, even despite a declining ringgit, are travelling now more than ever. In fact, airlines are ["scrambling to meet the increase in demand from post-pandemic travellers desperate to make up for two years of coronavirus lockdown."](#)

It's no wonder that even consumers on ZALORA were seen preparing themselves for their upcoming travels. According to internal data, the top 10 most-searched items associated with travel are mostly accessories-related, with "luggages" coming up on top amongst shoppers. Keywords such as luxury luggage brand Tumi,

"travel bags", contemporary luggage label American Tourister and "luggage" could all be considered indicators of a travel revival, and the return of holidaymaking.

Nonetheless, businesses must grasp that despite the uptick in travel, Southeast Asian holidaymakers remain influenced by seasonal trends, and retailers must remain sensitive towards country-specific cultural and religious events. According to a study conducted by Malaysia's Transport Ministry, the Muslim-majority country witnessed a [43% increase in flights approved for this Hari Raya Aidilfitri in 2023, compared to 2022.](#) Likewise in Indonesia, travel booking giant [Traveloka noted an increase in Eid travel plans](#), as reflected in the surge in domestic flight bookings, as well as purchases of trains and bus tickets and car rental reservations. This surge in travel plans during this season later contributed to

Top 10 Most Searched Words Associated With Travel

- Boots
- Luggage
- Swimwear/Beachwear
- Tumi
- Travel Bags/Duffel Bags
- Jansport
- Shorts
- American Tourister
- Thule
- Backpacks



the nation's uptick in private consumption, [noted by McKinsey in a 2023 report.](#)

Retailers keen on maximising this burgeoning holiday trend should keep a close eye on consumer behaviour during these periods, exploring what specific items shoppers are seeking for their travels. Adapting marketing strategies and product offerings to align with these seasonal preferences can prove instrumental in capturing the attention and spending of holidaymakers during Eid and other festive holiday seasons.

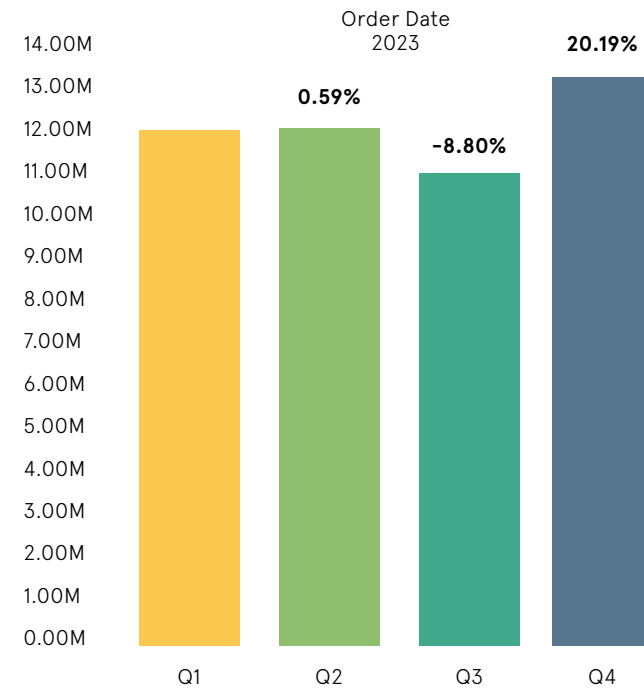
CHAPTER FOUR: CONTINUED TRENDS – OCCASION WEAR, A REVIVAL

As the world emerges from the shadow of the pandemic, Southeast Asia's fashion landscape is undergoing a renaissance. The athleisure era, a by-product of lockdowns and remote work, is gradually giving way to a renewed interest in traditional womenswear. While comfort remains a key priority, consumers are increasingly seeking out stylish and sophisticated pieces that cater to their evolving lifestyles. The post-pandemic fashion narrative is complex, with a delicate balance between comfort and style.

However, as pandemic restrictions gradually eased, a new sartorial narrative began to unfold across Southeast Asia. Women's apparel, long overshadowed by the athleisure craze, reclaimed the spotlight. With offices and shopping malls now abuzz with activity, the return of high heels and summer dresses was just a matter of time—or is it?



WOMEN'S APPAREL (NMV)



Source: TRENDER, a GFG Product (As of Q1 2024)

As countries grapple with the financial fallout of the pandemic, retailers face the daunting task of navigating shifting consumer sentiments while maintaining profitability. The region's shoppers, once known for their penchant for luxury and indulgence, now exhibit a more cautious approach to spending, as evidenced by changes in shopping behaviours observed across Southeast Asian markets. One such example can be seen by deep-diving into internal ZALORA data, where we can observe a rather stagnant demand for women's apparel from Q1 to Q3 2023. Nevertheless, demand surged towards the last quarter of the year, suggesting that consumers are more persuaded to spend in light of year-end festivities.

It's worth noting that even despite women's apparel's rising popularity, sportswear and activewear are still on top of consumers' minds. In fact, sportswear maintained its position as ZALORA's leading category amongst shoppers, with no other category surpassing it. This revelation is indeed in line with a study by GlobalData Thematic Intelligence, which



reported the category to still outperform within the apparel market, albeit at a much softer rate, with a 2022 to 2027 forecast CAGR of 6.0%. Meanwhile, athleisure was forecasted to account for 57.9% of the region's total sportswear market size, according to Retail Asia, and is also expected to remain very dynamic and see a 9.5% retail value CAGR over the forecast period (2023-2027).

The pandemic-induced shift towards remote and hybrid work has reshaped professional attire in Southeast Asia. Consumers are increasingly opting for comfortable, versatile clothing that can seamlessly transition from home to office. This has led to a surge in demand for athleisure and loungewear, as well as modest fashion that caters to diverse cultural and religious needs. As consumers prioritize both comfort and style, retailers and brands are well-positioned to capitalize on this trend by offering assortments that cater to this evolving consumer preference.

According to the State of the Global Islamic Economy (SGIE) 2023/2024 report, Muslim spend on apparel and footwear in 2022 was valued at \$318 billion, hiking by 8.4% over the previous year. By 2027, that number is expected to reach \$428 billion, at a CAGR of 6.1%.

This is great news for retailers seeking to capitalise on Southeast Asia's Muslim consumers, especially for those in countries like Indonesia



and Malaysia, whose Muslim-majority community makes up 61.3% of its population. In a report by Janio Asia, these consumers do not shy away from paying a premium for luxury modest fashion. Case in point: in 2019, Malaysian modestwear label Bawal Exclusive sold an RM50,000 hijab made from imported Japanese textiles and Swarovski crystals. The custom-made hijab was ordered and bought for the Hari Raya season.

CHAPTER FOUR: CONTINUED TRENDS – OCCASION WEAR, A REVIVAL

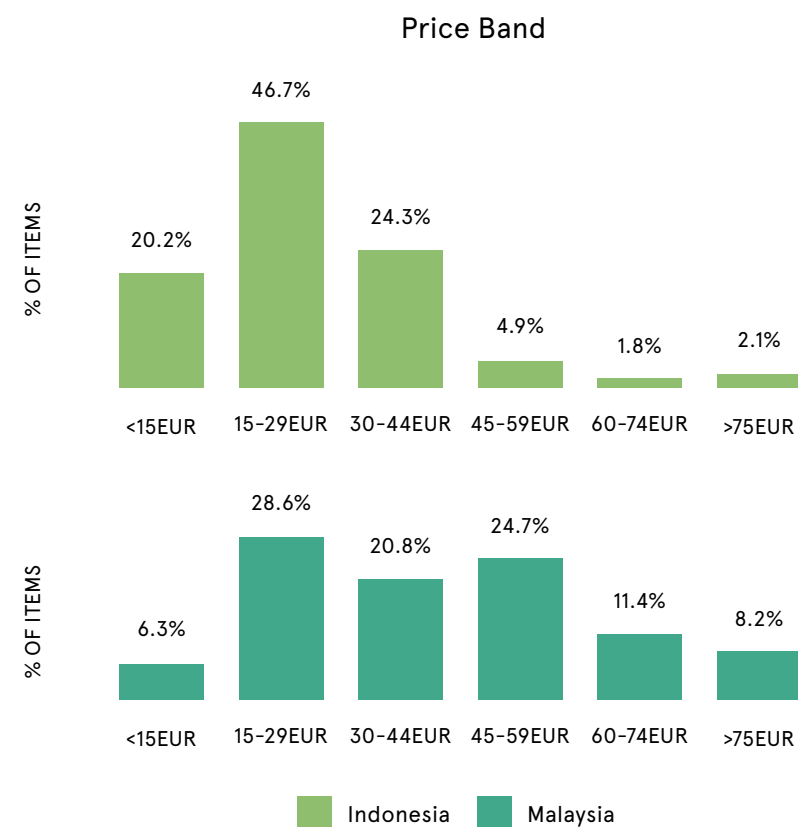
We can see a similar behaviour exhibited amongst Malaysian shoppers on ZALORA. Compared to Indonesian consumers, Malaysians tend to spend more on premium assortments, with some items ranging from EUR45 to more than EUR75. In comparison, most Indonesians are value-driven, with a whopping 46.7% of shoppers spending on average-priced items of EUR15-29. However, this isn't to say Indonesians are spendthrift, but rather, are afforded wider assortments elsewhere. This certainly stays true especially when, a survey by YouGov states that [over eight in ten respondents plan to buy clothing \(82%\), while three-quarters plan to spend on food and beverages \(75%\) and over half on Eid cookies and hampers \(53%\)](#).

While some pandemic-related issues persist, consumer demand is no longer a question mark – it's an exclamation point! At ZALORA, we've witnessed a phenomenal 33% year-over-year growth in our Modest Wear category during Q1 2024. This surge is undeniably linked to the return of seasonal buying patterns, fueled by the festive Raya celebrations and a renewed desire for occasion wear as social gatherings make their grand comeback.

But that's not all. Our award-winning ZALORAYA campaign, capitalizing on this very trend, saw an even more impressive 51.7% growth in sales during the same period. These numbers paint a clear picture: consumers are eager to dress up and celebrate, and ZALORA is perfectly positioned to meet their needs.

2025 presents a promising year for retailers in Southeast Asia. As women's apparel demand surges, brands must adapt to evolving consumer preferences and economic conditions. This includes catering to diverse styles, ensuring affordability, and capitalizing on the growing modest wear movement. By leveraging data-driven insights and cultural sensitivity, retailers can navigate this dynamic landscape and secure long-term success.

MODEST WEAR



Source: TRENDER, a GFG Product (As of Q1 2024)



CHAPTER FOUR: CONTINUED TRENDS – LUXURY'S FRAGILE RESILIENCE

Southeast Asia's luxury retail sector remains resilient, defying economic challenges. Despite global economic headwinds and shifts in consumer preferences towards experiences over material possessions, the region's growing affluent class continues to fuel some demand for luxury goods. Factors such as rising incomes, increasing brand awareness, and a desire for aspirational products contribute to the enduring appeal of luxury brands in Southeast Asia, though a bit tempered given the macro-economic environment.

According to a report by [McKinsey & Company](#), the prevailing narrative underscored a palpable shift in consumer sentiment, with discerning individuals recalibrating their purchasing behaviours in response to broader economic uncertainties. This sentiment was echoed in industry commentary, with industry stalwarts lamenting the challenges posed by a landscape increasingly defined by economic volatility and changing lifestyle preferences. In October 2023, [French luxury conglomerate LVMH reported slower third-quarter sales growth, providing evidence that inflation and economic turmoil are curbing a post-pandemic spending spree.](#) Likewise, shares of rivals such as Kering, Hermes, Swatch, Richemont and Burberry were also hit. In fact, some \$175 billion has been knocked off the value of ten of Europe's leading luxury good stocks since the end of March, as China's recovery has been rocky and growth is slowing, while high inflation and rising interest rates are forcing U.S. shoppers to tighten their purse strings. ["There's been a lot of inflation, and I think most of the players have taken their price to a level that is not sustainable,"](#) said Pauline Brown, former LVMH

Chairman of North America and author of "Aesthetic Intelligence," in an interview with Yahoo Finance. As a result, for the first time in more than two years, [high-income consumers' spending growth was negative, and have reduced their spending more aggressively than lower-income groups have.](#)

Despite economic fluctuations and the ever-evolving global market, Southeast Asia's appetite for luxury goods remains steadfast, presenting an enticing prospect for retailers keen on tapping into this dynamic region.



In March 2023, the island-nation of Singapore was selected to host trunk shows from LVMH powerhouses, Louis Vuitton and Bulgari. Elsewhere in the region, Bangkok, capital of Thailand, played host to Louis Vuitton's Autumn/Winter '22 spin-off show while Gucci emulated its Spring/Summer '22 runway in Vietnam.

According to a recent report by Mili Insights, [consumers in Southeast Asia exhibit a remarkable inclination to maintain spending on luxury items, even amidst inflationary pressures.](#) The [luxury market in Southeast Asia has indeed thrived, with a value soaring to USD 14.38 billion,](#) as reported by Daxue Consulting. This exponential growth is not merely a statistical anomaly but a testament to the evolving tastes and purchasing power of Asian consumers. Delving deeper into the nuances of this phenomenon, Statista outlines a [trajectory of sustained growth for the luxury goods sector in Southeast Asia,](#) citing factors such as rising disposable incomes and a burgeoning middle class.

The rise of a [strong middle class in countries like Indonesia](#) is reshaping Southeast Asia's consumer landscape. This demographic shift, fueled by urbanization, education, and economic empowerment, is driving increased demand for luxury goods and services. With greater access to digital platforms, Southeast Asian consumers are increasingly embracing luxury brands, fueling the region's growing luxury market.

It is worth remembering that Southeast Asians are perhaps the most connected consumers on the planet. Here, the region is home to more than [400 million internet users, spending an average of eight hours online per day](#) which paved the way for a thriving digital economy. As noted by CNBC, [Southeast Asia finds itself at the precipice of a cashless payments revolution, propelled by an increasingly digital-savvy populace eager to embrace the convenience and security afforded by digital transactions.](#)



CHAPTER FOUR: CONTINUED TRENDS – LUXURY’S FRAGILE RESILIENCE

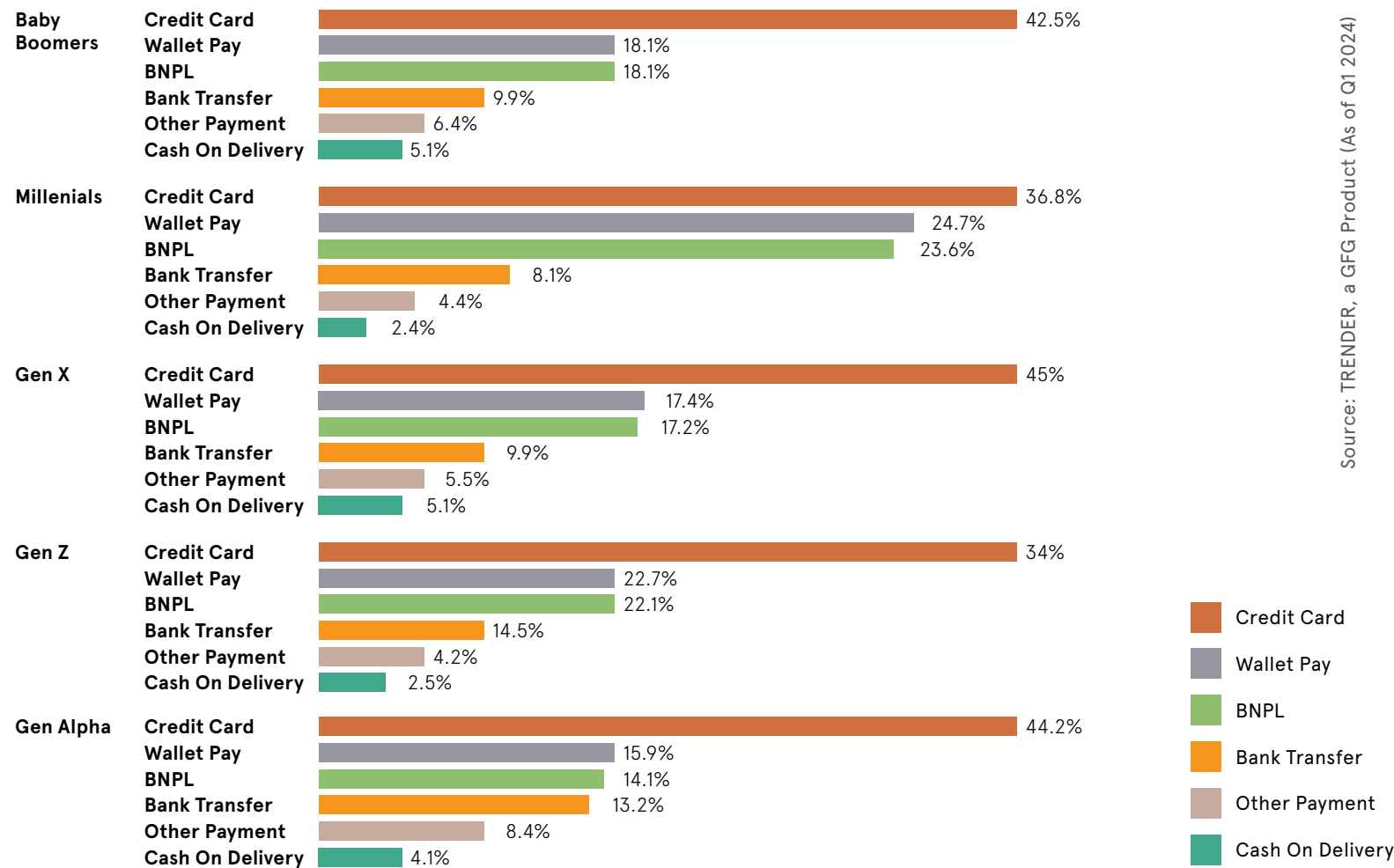
Instant cross-border payment systems like PayNow and PromptPay, highlighted by the [World Economic Forum](#), are facilitating seamless cross-border luxury shopping. This, coupled with the rise of e-wallets and BNPL options, is making luxury more accessible to consumers across generations. While online card payments remain popular, younger generations like Millennials and Gen Xers are increasingly opting for flexible payment methods like BNPL to finance their luxury purchases.

Baby Boomers are defying age-old stereotypes and emerging as a significant force in Southeast Asia's luxury market. ZALORA's data reveals that this generation, often perceived as technologically

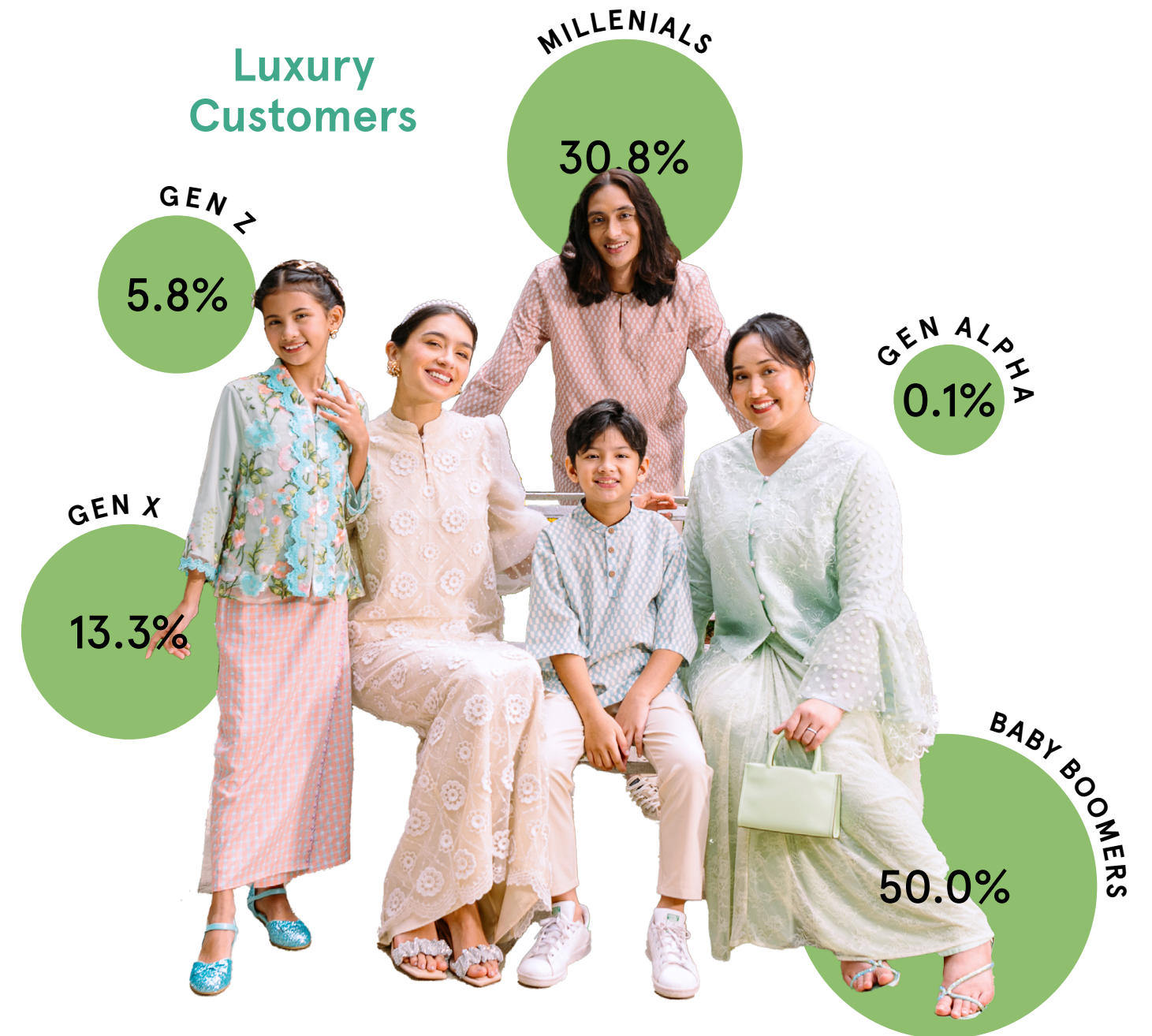
averse, is actively embracing online shopping, particularly for luxury goods. Their financial stability and growing digital curiosity have positioned them as key players in the region's luxury e-commerce landscape.

While Baby Boomers have made their mark, millennials remain a dominant force in Southeast Asia's luxury market. In Q1 2024, they accounted for over a third of all luxury sales on ZALORA. This trend highlights the increasing willingness of millennials to invest in luxury products throughout the year, contributing to the [region's burgeoning luxury market, projected to reach US\\$16.01 billion in 2024.](#)

Luxury Customer Payments (NMV)



Source: TRENDER, a GFG Product (As of Q1 2024)



Source: TRENDER, a GFG Product (As of Q1 2024)

Overall, luxury is on a continued rise at ZALORA, with the category reaching a **remarkable 9.8% contribution** to our overall Net Merchandise Value (NMV) in Q1 2024. This surge defies global trends impacted by economic headwinds.

This growth is fueled by a rising middle class and a growing appetite for high-end fashion. With online sales expected to contribute **over 9% of the total luxury market revenue by 2024**, ZALORA is perfectly positioned to cater to this tech-savvy, discerning demographic. As a leader in Southeast Asia's e-commerce landscape,

ZALORA is not only capturing the current luxury boom, but also shaping the future of this dynamic market.

As the curtain rises on Southeast Asia's luxury resilience, retailers must seize the moment with boldness and innovation. By embracing the digital frontier, crafting personalised experiences, and embracing the power of experiential retail, they can unlock the full potential of this burgeoning market, charting a course towards unrivalled success and enduring prosperity in the realm of luxury commerce.

CHAPTER FOUR: CONTINUED TRENDS – IS SUSTAINABILITY STILL FASHIONABLE

Southeast Asia is experiencing a sustainability revolution, transforming its retail landscape. As awareness of environmental and social issues grows, consumers are increasingly seeking out ethical and sustainable fashion. This shift is driven by a desire to make conscious choices and contribute to a more sustainable future.

The region's diverse cultural tapestry and growing middle class have fueled a demand for affordable yet stylish clothing. However, this demand has also raised concerns about the environmental and social impacts of the fashion industry. As a result, consumers are seeking out brands that prioritize sustainability, transparency, and ethical production practices.

Southeast Asian consumers are increasingly prioritizing sustainability, according to [Deloitte](#). This shift in consumer values, coupled with increased transparency and accountability, is driving brands to adopt more sustainable practices. By prioritizing sustainability, brands can not only attract environmentally conscious consumers but also build long-term brand loyalty.

In response to growing consumer demand, the fashion industry in Southeast Asia is undergoing a paradigm shift towards sustainability. Key players across the supply chain, from manufacturers to retailers, are investing in sustainable practices and initiatives to reduce their environmental footprint and promote ethical production.

As an example, Swedish fast-fashion retailer H&M launched its first online warehouse in Malaysia, to serve their customers sustainably. In an interview with Retail Asia, Oldouz Mirzaie, H&M South Asia managing director said, *"Sustainability has always been at the core of our company. For us, it is not just about democratising fashion. But it is about democratising affordable and sustainable fashion. It is integrated into our business idea."* According to Mirzaie, 84% of the materials H&M uses are derived from more sustainable sources.

Given this increase in demand, many other brands—internationally and regionally—have followed suit. In 2021, local Malaysian brand Zalia made headlines when it first launched its 23-piece capsule crafted from Lenzing Ecovero viscose, which is derived from certified renewable resources.



Source: TRENDER, a GFG Product (As of Q1 2024)



Meanwhile, in Thailand, Sorore Fashion paves the way for upcycled apparel using deadstock material. Each piece is made to order, ensuring no unsold stock ends up in a landfill.

While Southeast Asia's growing interest in sustainable fashion is encouraging, challenges such as affordability, scalability, and supply chain transparency persist. The [diverse consumer landscape, with varying income levels and access to information, adds complexity](#) to the equation. To overcome these hurdles, retailers must collaborate with suppliers to ensure transparency and accountability throughout the production process. By investing in sustainable materials and

innovative technologies, brands can create more ethical and environmentally friendly products while remaining affordable and accessible to a wider audience.

Savvy retailers are leveraging technology and data analytics to optimize their supply chain and reduce their environmental impact. By identifying inefficiencies and implementing sustainable solutions, such as reducing water consumption and optimizing transportation routes, retailers can meet the growing demand for ethical and eco-friendly products. As the fashion industry in Southeast Asia continues to evolve, sustainability will be a key differentiator for successful brands.

CHAPTER FOUR: CONTINUED TRENDS – BEAUTY RESET

Southeast Asia has emerged as a global beauty and wellness hub, captivating brands worldwide. Its robust economic growth, evolving consumer preferences, and increasing demand for beauty products have made it an attractive market. The pandemic further accelerated this trend, with consumers prioritizing self-care and holistic well-being. This shift has driven a surge in demand for organic, natural, and ethically sourced products, particularly in urban areas.

As the beauty industry continues to evolve, Southeast Asia offers immense potential for brands that understand the unique needs and preferences of its diverse consumer base. By embracing digital innovation, sustainable practices, and cultural sensitivity, brands can successfully navigate this dynamic market and achieve long-term growth.

Following the epidemic, it is clear that these changes to consumer behaviour are here to stay. The prolonged period of staying at home has led to consumers choosing to [continue prioritising wellness and beauty products](#). Combined with the popularity of online shopping and the rise of technologies such as virtual makeup has led to consumers craving an omnichannel experience that combines the best of offline and online shopping.

It also certainly helps that, in the wake of economic upheaval, Southeast Asia's burgeoning middle class emerged as a potent force shaping the landscape of wellness and beauty retail. The region's economic ascent ushered in a new era of prosperity, characterised by rising disposable incomes and heightened consumer spending. In a report by Kearney, it was revealed that the market [potential of luxury beauty in Southeast Asia and India is estimated to be \\$7.6 billion by 2026, an 11% CAGR from \\$4.5 billion in 2021, which is an average of about \\$1 billion additional luxury beauty spend coming into this space every two years.](#)



CHAPTER FOUR: CONTINUED TRENDS – BEAUTY RESET

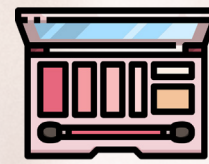
TOP 10 SEARCHES FOR BEAUTY PRODUCTS



37%
SKIN CARE



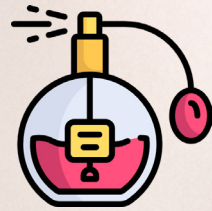
11.7%
LIPSTICKS



8.6%
MAKEUP



8.3%
FOUNDATION



7.9%
FRAGRANCES



3.3%
CONCEALERS



2.8%
TONERS



1.5%
EYELINERS



1%
MOISTURISERS



0.3%
LIPGLOSS

Source: TRENDER, a GFG Product (As of Q1 2024)

The report also cites rising interest amongst consumers and a less competitive market compared to those in China and South Korea, making these regions fertile grounds for new beauty entrants.

While [skincare reigns supreme in Southeast Asia](#), retailers must tailor their offerings to diverse consumer needs and preferences. Factors like climate, culture, and religion influence product choices. For instance, consumers in hot and humid climates prefer lightweight formulas, while those in Muslim-majority countries seek halal-certified products. To stand out, retailers need to understand these nuances and offer a curated selection of products that cater to specific needs and preferences. ■

A DEMOCRATISATION OF THE LANDSCAPE

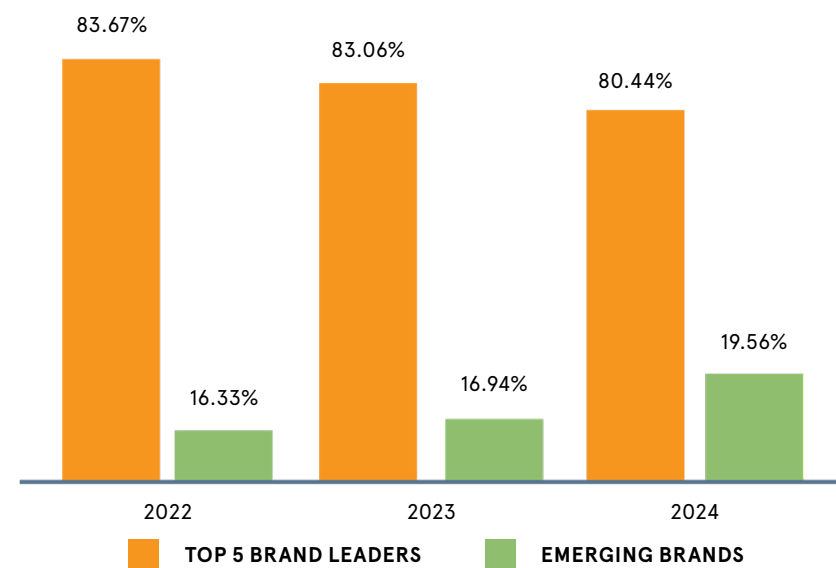
Over the past decade, the rise of emerging brands in sportswear and footwear showcase a fragmentation of the market, challenging category leaders with their continued increase in share of sales. With the evolution of consumer preferences, product innovations, and technology amongst other factors, this shift in the competitive landscape heralds the reshaping of the future of sportswear and footwear.



CHAPTER FIVE: A DEMOCRATISATION OF THE LANDSCAPE

The sportswear and footwear industry, once dominated by a few giants, is undergoing a significant transformation. A notable trend over the past decade has been the increasing fragmentation of the market, with smaller brands gaining traction and challenging the historical dominance of established players like Nike and Adidas. This fragmentation signifies a shift in the competitive landscape, driven by evolving consumer preferences, technological advancements, and changing distribution channels.

SHARE OF WALLET (SPORTSWEAR)



Source: TRENDER, a GFG Product (As of Q1 2024)

A recent Morgan Stanley Research report highlights the declining market share of leading players, which has seen its global market share within the top 20 brands shrink from 23% to 16% since 2013. This suggests a shift in consumer preference towards brands beyond the established giants. While Nike has expanded its market share during the same period, the overall trend points towards greater diversity in the market. Our ZALORA TRENDER data also shows the growing share of emerging sports brands compared to the traditional leaders of the category.

These newer brands have often captured a disproportionately large share of industry profits, indicating their ability to carve out niches and compete effectively. Examples of such brands include On Running, Hoka, and Brooks, which have gained significant market share in recent years.

Several factors contribute to this fragmentation. One key driver is the evolution of consumer preferences. Consumers are increasingly seeking out brands that align with their specific needs, values, and identities. This shift has created space for smaller brands that can offer more specialised products, cater to niche markets, or connect with consumers on a more personal level. For example, Over 4 in 10 Singaporeans run at least once a week. With more and more people lacing up their shoes, it's clear that running has become an integral part of the Singaporean lifestyle, and we're seeing this across our markets.



2022

- Running shoes
- Nike running shoes
- Adidas running shoes
- Running shoes for women
- Puma running shoes
- Running shoes for men
- New Balance running shoes
- Under Armour running shoes
- White running shoes
- Asics running shoes



2024

- Running shoes
- Nike running shoes
- Adidas running shoes
- New Balance running shoes
- Running shoes for women
- Asics running shoes
- On Cloud running shoes
- Puma running shoes
- Nike running shoes for women
- Hoka running shoes



SEARCH DATA FOR RUNNING SHOES

2023

- Running shoes
- Nike running shoes
- Adidas running shoes
- Running shoes for women
- Asics running shoes
- New Balance running shoes
- Nike running shoes for women
- Puma running shoes
- Running shoes for men
- Nike running shoes for men



Additionally, the rise of e-commerce has lowered barriers to entry for new brands. It's now easier for smaller players to reach a wider audience without relying heavily on traditional retail networks. This accessibility has fueled competition and allowed more brands to gain visibility.

Innovation and differentiation are also crucial factors driving fragmentation. Smaller brands often excel at bringing fresh ideas and innovative products to the market. They can be more agile and experimental, responding quickly to emerging trends and consumer demands. This ability to differentiate themselves through product innovation can attract consumers seeking something new or unique. Furthermore, social media and influencer marketing have played a significant role in the rise of smaller brands. These platforms allow brands to engage directly with consumers, build communities, and leverage influencer marketing to gain exposure and credibility.

The sportswear and footwear market is becoming increasingly competitive, with established brands facing challenges from emerging players. Ecommerce and social media have empowered smaller brands to gain traction and disrupt the market. As the industry continues to evolve, consumers will benefit from a wider range of choices and innovative products. ■

RE-ENGAGING SHOPPERS

In an era defined by an abundance of choices, this chapter delves into the nuanced strategies retailers employ to not only retain their clientele but also decipher the ever-evolving preferences of their discerning consumer base.



CHAPTER SIX: RE-ENGAGING SHOPPERS

What makes a customer keep coming back for more? Value? Product assortment? Customer service? As it turns out, it's all of the above and more, as shoppers have become increasingly discerning. Inflation and economic uncertainty have put a squeeze on wallets, prompting caution and price sensitivity among shoppers. According to Payments, [in March 2023, 56% of shoppers had switched at least some of their spending to lower-cost brands and retailers.](#) This necessitates a shift in loyalty strategies, moving beyond traditional point-based programs and towards offering tangible value that resonates with budget-conscious consumers.

In 2023, retailers in Southeast Asia recognized the importance of customer retention. Insights from [Saasquatch](#) highlight the effectiveness of rewards programs in driving repeat purchases and fostering loyalty. By offering exclusive benefits and personalized experiences, retailers can cultivate deeper connections with their customers and encourage continued patronage in a competitive market.

However, the quest for customer loyalty extends far beyond the realm of transactional exchanges. Today, it's the customer who owns their relationships with brands, not the other way around. In fact, [63% of consumers say they would leave a brand they were loyal to after a negative experience and 86% would leave after two to three negative experiences.](#) As cited in Emarsys' definitive guide to customer engagement, [successful retailers understand the importance of fostering meaningful relationships with their customers, built on a foundation of trust, empathy, and authenticity.](#) In an era characterized by unprecedented connectivity and digital empowerment, consumers crave experiences that resonate on a deeper level, transcending the transactional to evoke genuine emotional resonance.

As such, retailers have to be compelled to innovate and one significant advancement in 2024 is the widespread adoption of Artificial Intelligence (AI). AI is transforming the way businesses connect with customers, fostering a more personalised, efficient, and interactive shopping experience. At the heart of this transformation



lies AI's ability to understand and cater to individual needs. Imagine: product recommendations tailored to your browsing history, dynamic website content that adapts to your preferences, and 24/7 customer support available at your fingertips.

This is the reality of AI-powered e-commerce. AI algorithms analyse customer data, from browsing habits to purchase patterns, to predict your interests and suggest relevant products. Chatbots powered by natural language processing respond to your inquiries instantly, offering guidance and personalised recommendations in a conversational manner.

For instance, ZALORA has launched its AI-powered customer service chatbot in early 2024, and has added to an excellent customer experience proposition, enabling customer service teams to achieve upwards of 20% YoY improvements in Customer Satisfaction Scores (CSAT).

The benefits extend beyond immediate interactions. AI predicts customer needs and preferences based on historical data, allowing businesses to proactively offer relevant deals, content, and support. Imagine receiving an email with product suggestions you've been eyeing, or personalised marketing campaigns that resonate with your interests. This proactive approach keeps customers engaged and fosters brand loyalty.

AI isn't just about convenience; it's about building strong customer relationships. By personalising the shopping experience, improving customer service, and automating marketing efforts, AI empowers businesses to position themselves as trusted advisors, not just product sellers. This customer-centric approach fosters long-lasting connections that extend beyond fleeting sales and promotions. In a world saturated with choices, AI-powered engagement gives e-commerce businesses the edge they need to thrive in the digital age.

Leveraging data-driven insights to tailor offers and recommendations to individual preferences can also foster a sense of understanding and value. Additionally, [investing in community engagement, loyalty programs with immediate benefits like free shipping or early access to sales, and prioritizing excellent customer service can help establish trust and encourage repeat purchases.](#)

For instance, ZALORA's rebranded loyalty membership program, ZALORA VIP, offers tailor-made benefits that are the result of careful analysis of customer derived data, and offers three-pronged benefits of exclusivity, convenience and value for money which are priorities to our shoppers. It provides early access to exclusive collections and big sale events, the convenience of next day deliveries, in addition to the immense value of unlimited free shipping plus assured cashback on every order. This offering of real tangible value has led to the strong adoption of the ZALORA VIP program with a YoY growth of 150%, with VIP customers buying 2-3x more than an average shopper. It is clear that shoppers crave value-based convenience and curated experiences.

While loyalty programs are valuable, maintaining customer loyalty in a competitive market is challenging. Retailers must continuously innovate and adapt to meet evolving consumer needs and preferences. By offering personalized experiences, seamless omnichannel journeys, and engaging marketing campaigns, retailers can strengthen customer relationships and reduce churn ■



MORE PAY, MORE PLAY

Buy Now, Pay Later (BNPL) continues to transform the Southeast Asian retail landscape. This region's burgeoning middle class, coupled with the increasing popularity of online shopping, has created a fertile ground for BNPL services. According to a 2021 [IDC InfoBrief](#), the number of new mobile wallet users in Southeast Asia is projected to grow 1.6x and BNPL spend is expected to increase 8.8x between 2020 and 2025. Indonesia, with its large population and growing e-commerce market, is poised to be a major driver of BNPL adoption, contributing 207.4 million new mobile wallet users and US\$5.15 billion in BNPL spend by 2025.



CHAPTER SEVEN: MORE PAY, MORE PLAY



Southeast Asia, with its burgeoning digital economy and a youthful population eager for convenience, has proven to be fertile ground for Buy Now Pay Later (BNPL) services. The region is ripe for the BNPL boom, with a burgeoning middle class increasingly turning to online shopping and seeking flexible payment options to accommodate their lifestyles. [A 2021 IDC InfoBrief](#) expects that, within Southeast Asia, new mobile wallet users will grow 1.6x and Buy Now Pay Later (BNPL) spend by 8.8x between 2020 to 2025, with Indonesians taking the lead. Here, the country is estimated to contribute 207.4 million new mobile wallet users and US\$ 5.15 billion BNPL spend on e-commerce by 2025.

BNPL platforms like Afterpay and Klarna exploded in popularity, offering consumers a flexible alternative to traditional credit cards. The ability to spread payments over time without incurring high interest rates resonated with budget-conscious shoppers, [boosting conversion rates and average order values](#). This, in turn, attracted new demographics to e-commerce, particularly younger generations and those with limited access to traditional credit.

Retailers stand to benefit significantly from embracing BNPL as part of their payment strategy. As outlined in a report by Retail Asia, [merchants can tap into the growing consumer demand for flexible payment options, enhancing their competitiveness and driving conversion rates](#). By offering BNPL services, retailers can also cater to a broader customer base, particularly those who may have previously been deterred by upfront costs or lacked access to traditional credit facilities. Indeed, in a TRENDR report in 2022, we outlined how BNPL use at ZALORA had increased particularly within the e-commerce

platform's home and luxury category, with the latter jumping from 13% in 2021 to 21% in 2022. The surge experienced by these two product categories suggest new consumers shopping on ZALORA, who now have more disposable income to spend on high-value items. Undoubtedly, luxury purchases are have emerged as a key driver of BNPL adoption, as affluent consumers seek flexibility and convenience in their shopping experiences. In a news article by Business Wire, research indicates that [BNPL is gaining traction in the luxury segment, challenging conventional perceptions of payment methods and democratizing access to high-end goods and services](#).

While BNPL offers convenience and flexibility, it's essential to use it responsibly. [The risk of overindebtedness, especially among younger consumers, is a significant concern](#). To mitigate this risk, financial institutions and fintech companies must prioritize consumer education and implement robust risk management frameworks. By doing so, they can ensure that BNPL remains a valuable tool for consumers without compromising their financial well-being.

The convergence of traditional finance and fintech is driving the growth of BNPL in Southeast Asia. Partnerships between established financial institutions and innovative fintech companies are unlocking new possibilities for consumers and businesses alike. By leveraging the strengths of both worlds, these collaborations are accelerating the adoption of BNPL and shaping the future of payments in the region. ■



CHAPTER EIGHT: REFLECTION

REFLECTION



CHAPTER EIGHT: REFLECTION

In the wake of global economic turbulence, Southeast Asia's retail sector has weathered the storm with remarkable resilience. Despite challenges posed by rising interest rates, supply chain disruptions, and softening consumer spending, the region has emerged as a beacon of stability. Fueled by a diversified economy, robust domestic consumption, and government support, Southeast Asia's retail landscape continues to thrive.

Digital technology has been a driving force behind the region's retail evolution. With smartphones ubiquitous and internet access affordable, Southeast Asian consumers demand a seamless blend of online and offline shopping experiences. This omnichannel landscape presents both opportunities and challenges for retailers, as they navigate the complexities of diverse consumer preferences and leverage emerging platforms like TikTok and YouTube.

The return of travel in 2023 and 2024 injected new life into Southeast Asia's retail sector. As consumers embraced their newfound freedom, fashion made a resounding comeback, with womenswear leading the charge. The growing acceptance of remote and hybrid work arrangements also influenced wardrobe choices, driving demand for versatile and comfortable attire. Amidst these trends, the modest wear movement gained momentum, presenting significant opportunities for brands catering to diverse demographic needs.



Luxury goods remained a coveted category in Southeast Asia, despite economic headwinds. The region's affluent consumers, buoyed by a growing middle class and flexible payment options, continued to indulge in premium brands. However, sustainability emerged as a pressing concern, with consumers increasingly willing to pay a premium for eco-friendly products.

The wellness and beauty retail sector also flourished, driven by Southeast Asia's burgeoning middle class and rising consumer interest in self-care. As brands compete for market share, personalization and community engagement have become essential strategies.

The sportswear and footwear market has witnessed a surge in competition, with both established and emerging brands vying for consumer attention. While established brands face increased pressure to adapt to changing market trends, emerging brands have more opportunities to gain market share and influence industry direction.

Embracing AI and offering Buy Now Pay Later services, retailers are poised to reshape the e-commerce landscape. ZALORA's proactive adoption of AI-driven solutions underscores the transformative potential of technology in shaping Southeast Asia's retail future. ■