

ZALORA

SOUTHEAST ASIA TRENDER REPORT 2021

POWERED BY DATA BY GFG

ZALORA IS PART OF

GFG GLOBAL
FASHION
GROUP



ZALORA

2021

SOUTHEAST ASIA TRENDER REPORT

WITH CONTRIBUTIONS FROM



FOREWORD

Where has 2021 gone? After prolonged isolation in 2020, followed by gradual, if uneven, reopening, the last 12 months have been a blur for many of us, as the world takes small steps to rebuild and recover. While the pandemic remains an ever-present reality, we have caught glimpses of the light at the end of the tunnel—global vaccination programmes are reaching more communities and offering increased levels of protection against the virus; economies and international travel are building up steam; and society as a whole has already begun to adjust to life in the new normal.

Similarly, fashion retail has undergone what some may call an accelerated trial by fire in recent months. The Great Retail Reckoning of 2020 has seen e-commerce grow by leaps and bounds amid rapid digitisation of businesses worldwide. In Southeast Asia alone, 70 million people found themselves making their first purchases online since the start of the pandemic, and brands are rightfully investing more than ever to thrive in this new ecosystem. This marks the new era in retail as both consumers and brands are looking at the near future with a more optimistic lens.

In the time of the pandemic, we have seen more than ever how people, communities, and the planet are inextricably linked, and sustainability is becoming even more pertinent against the growing awareness of fashion's impact on communities and the environment. In 2021, we saw COP26 coming together to discuss how to accelerate actions towards achieving the goals of the Paris Agreement and the UN Framework Convention on Climate Change. As an e-commerce platform working with over 3,000 brands and serving millions of customers

across the region, we recognise that we have the scale, capacity, and responsibility to inspire more conscious and ethical consumerism.

Following the establishment of our five-year Sustainability Strategy in 2020, ZALORA has been progressively introducing concrete measures to take accountability for its own environmental impact and help drive People and Planet positive change. This includes involving all stakeholders in the fashion ecosystem, from customers, brands, and vendors to ZALORA's own employees, and working across four key sustainability pillars—namely, Environmental Footprint, Sustainable Consumption, Ethical Sourcing, and Responsible Workplace and Community Engagement. One amazing result of this synergy is the successful introduction of our Earth Edit, to help consumers support brands and products made from sustainable materials and produced from sustainable practices, becoming one of our fastest growing category!

I am also proud to share that Global Fashion Group, our parent company, in June 2021 announced carbon neutrality across its operations and outbound deliveries, the use of 100% green energy across its 9 fulfillment centres including our Fulfillment Centres in ZALORA! While we have made some strides towards our sustainability targets, we still have a long way to go before achieving a fully sustainable fashion ecosystem in the region. However, I believe that with the continued support of our brand partners and customers, our collective action can and will create incredible change.

We've also seen a year full of promises. As we emerged from Q3 2021 and entered Q4 2021, we saw that the spirit of innovation and creative thinking had pushed the industry to reimagine the future of retail in a post pandemic world. In the past 12 months alone, we have been helping the world's biggest fashion brands, including H&M, COS, and Superdry, accelerate their expansion throughout Southeast Asia.

Our TRENDER platform, a Data by GFG product, continues to serve as a north star for over 900 brand partners by informing and shaping their retail strategies as they navigate the region's diversity.

More importantly, we saw that resilient brands can pivot and take advantage of the opportunity as they expand their presence in the digital world and re-think what it means to be omni-channel in this day and age. In the past 12 months alone, we have been helping the world's biggest fashion brands, including H&M, COS, and Superdry, accelerate their expansion throughout Southeast Asia. The second edition of our pioneering TRENDER Report builds on that strong momentum and continues to be a veritable reference point for the industry. It aims to take stock of the regional transformation we have witnessed over the past year, breaking down overarching megatrends into bite-sized takeaways about audience intent, categories that are on the rise, and more to help brands map out their strategies.

This year, we're very delighted to bring together industry leaders like Google, Mastercard, BeLive Technology, and H&M, whose contributions have been invaluable. In addition, I would like to also thank CrescentRating, Atome, Paula's Choice, TaFF, The Ordinary, Revery.AI, JOANNALSM, ViSenze, Lily & Lou, Finix Wear, HABIB, and Lush, for their insights and case studies; the ZALORA Data by GFG and Corporate Communications teams for piecing it all together, and to everyone else who has contributed to the development of our flagship state-of-the-industry report. ■



Gunjan Goni

CEO, ZALORA 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.



Yan Ng
Founder & CEO
of Lily & Lou



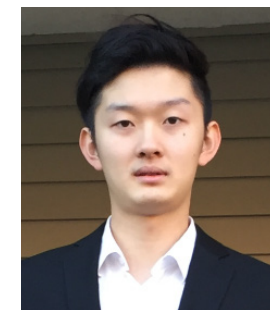
Nafees Khundker
Director of
Lush Singapore



Aileen Chew
Country Manager, Thailand
and Myanmar, Mastercard



Sophie Soh
Marketing Director
at Paula's Choice



Kedan Li
Co-founder & CEO
at Revery AI



Julynn Tay
General Manager
(Design Orchard), TaFF



Brendan O'Shaughnessy
Chief Commercial
Officer, ViSense

CONTRIBUTORS



Vangie Hu
Vice President of
Marketing, Atome



Kenneth Tan
Co-founder & CEO at
BeLive Technology



Fazal Bahardeen
Founder & CEO
of CrescentRating



Leonard Cheong
Founder & CEO
of Finix Wear



Matej Urban
Senior Commercial
Manager, ZALORA



Simone Cortini
Marketplace and Platform
Services Director, ZALORA



Stephan Wu
Strategy & Insights
Manager at Google



Oldouz Mirzaie
Regional Manager,
H&M South Asia



**Datin Sri Zarida
Binti Noordin**
Executive Director,
HABIB Group



Joanna Lim
Founder & Creative Director
at JOANNALSM

ADDITIONAL CONTRIBUTORS



Anupam Patap Singh
Lead Data Scientist,
ZALORA



Christopher Daguimol
Director of Corporate
Communications,
ZALORA



Bianca Lee Ann
Corporate
Communications
Executive, ZALORA



Hannah Tay
Corporate
Communications
Executive, ZALORA



Hidayat Ali
Corporate
Communications
Coordinator, ZALORA



Marie Lim
Creative lead

Quiron Aguiar, Ray Seet, Dalila Noor Haizan, Vanshula Rupani, Jackie Tan, Rachel Wong, Maritska San, Tan Ning Zhen

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 Taiwan, enjoying over 59 million visits per month. As a customer-first brand, ZALORA is powered by a team of innovators, committed to providing a seamless digital shopping experience!

HOME OF THE BEST BRANDS

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 8,000 brands across a variety of categories, from Apparel, Shoes, Accessories, Beauty, Pre-loved, Luxury, and Lifestyle, which include essentials and home & living products.

PARTNER OF CHOICE FOR BRANDS

With a broad network of logistical services, ZALORA is known for speedy and reliable deliveries, powered by our own comprehensive logistics network to ensure that our products are accessible, even in remote areas, and we can efficiently resolve customer pain points like returns and exchanges. Digitisation and technology have been key to that process, as seen in our Regional Fulfillment Centre in Malaysia and our Fulfillment Centers in Indonesia and the Philippines.

ZALORA offers 21 payment methods across the region (and counting), including cash-on-delivery and buy-now-pay-later options across our markets, making it easier for shoppers to buy their favorite brands.

In October 2021, ZALORA launched their first co-branded Credit Card in partnership with RCBC and Mastercard in the Philippines, the first-ever fashion and lifestyle credit card in the region that rewards customers every time they shop. It is also the Philippines' first sustainably made credit card as the ZALORA Credit Cards will be made with 84% bio-sourced polylactic acid (PLA) derived from non-edible corn.

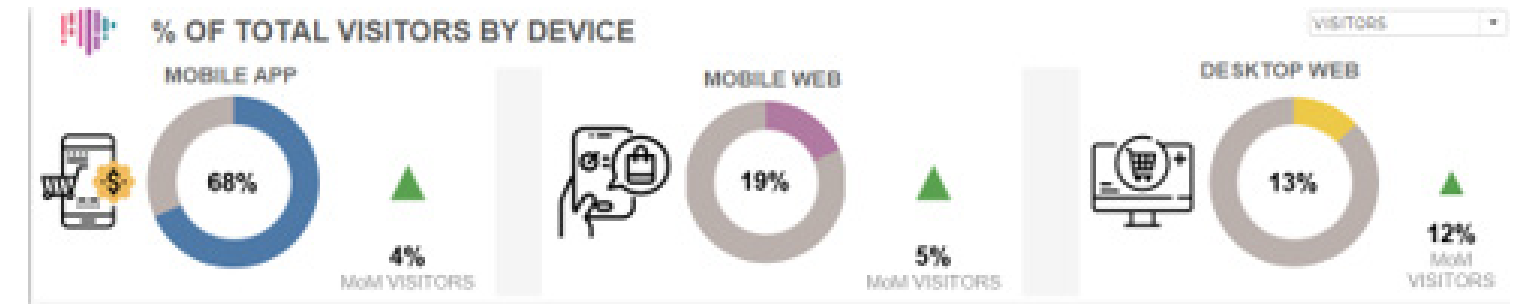


BRIDGING O2O WITH TECHNOLOGY

With the growth of social commerce, ZALORA also introduced its live streaming feature housed within the platform, Z-Live, in 2021. Z-Live is part of the ZALORA customer's journey, opening a two-way communication between shoppers and brands. By providing a platform for real time interaction between fans and ZALORA, brands have an opportunity to capture shoppers anywhere, anytime, wherever they are.

This latest foray in social commerce complements ZALORA's earlier innovative offerings in reaching and inspiring customers through ZALORA's customer-centered features including Get the Look, Follow the Brand, and ZALORA's Cashback Programme on top of hyper-personalisation.

ABOUT TRENDER



Envisioned with retail intelligence in mind TRENDER, a Data by GFG product, is the 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 59M+ 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.

Combining the power of AI and forecasting, 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

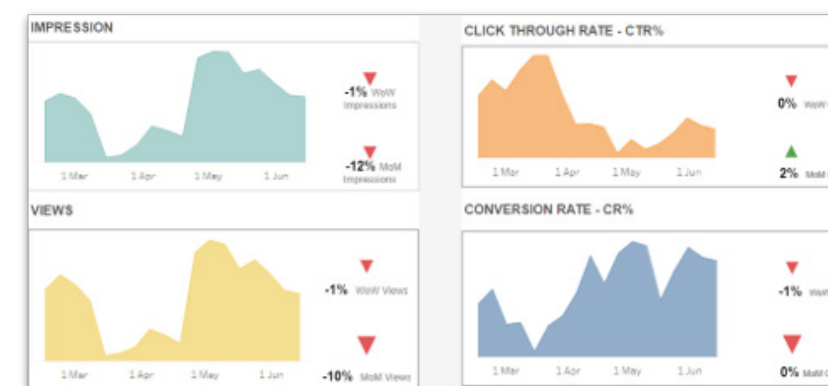
to buying behaviour, our partners will now have more access to valuable data like never before.

TRENDER consists of two products:

(1) TRENDER Basic is a monthly circular that provides brand partners with access to key product, competitor and customer insights. Here, suppliers will better understand who is buying products in their category, and be better equipped for future season' demands by knowing what types of products customers are looking for.

(2) TRENDER Professional provides a full set of data insights, which draw upon ZALORA's entire database, complete with interactive dashboards that allow brands to analyse every aspect of their business on ZALORA, based on their selection of customisable modules. A self-service business intelligence tool, TRENDER Professional allows brands to 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 900 satisfied brands subscribed to the platform, enabling retailers to draw on ZALORA's extensive data ecosystem and gain insights into transactional, browsing, and customer data, offering a bird's eye view on market and category trends, with tailored reports on best performing and fastest growing categories & subcategories.



CONTENTS

01

INTRODUCTION

RESILIENCE IN RETAIL: SOUTHEAST ASIA'S EVOLVING ONLINE SHOPPING LANDSCAPE 1

LANDING ON OUR FEET

Poisitive Outlook? It'll "Tech Some Time" 5
Dat(a)'s The Way Forward 6

02

THE NEXT NORMAL CONSUMER OF SOUTHEAST ASIA 7

A Day In The Life Of Southeast Asia's Consumer 11
A Change In Attitudes 13
Spotlight: The Muslim Consumer 15
Spotlight: The Dot.com Journey Of The Thai Consumer 17
Come Together: How Staying Nearer To Home Is Shaping Consumer Trends 19
Spotlight: All Eyes On Last Mile 20

03

AUDIENCE INSIGHTS

In Demand: The Pandemic's Most Wanted 23
A Tale Of Two Categories 29
Love Yourself: Beauty And Personal Care Boom In Southeast Asia 33
Call For Sustainability 33
The Science Of Beauty 36
You've Got Male: Grooming Masculine Beauty For The Future 37
Hey Big Spender: The Luxury Opportunity In Southeast Asia 39
Baby Boom: Giving Birth To A Surge In Demand For Kidswear 42
Sustainability: Green Thumbs Up In Retail Revamp 43
The Shift In Consumer Mindset: From Material To Manifestation 48

04

REIMAGINING THE RETAIL EXPERIENCE

A Helping Hand 49
Let's Make It Personal 55
Innovation Driven By The Pandemic 57
When Shopping Becomes Entertainment: The Future Of Live Stream 57
The Reality Is Virtual 61
Pay Up! The Rise Of Digital Payments And Buy Now Pay Later Options 63

05

EXECUTIVE SUMMARY

THE PATH AHEAD 65

RESILIENCE IN RETAIL: SOUTHEAST ASIA'S EVOLVING ONLINE SHOPPING LANDSCAPE

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.

What a difference an entire year makes. Since the pandemic took centre stage in 2020, life as we know it has changed, impacting not only communities but the retail landscape as well. In a matter of 12 months, businesses recalibrated and pivoted, in a bid to not only become more digitally connected with the lockdown consumer, but to also be constantly engaged. As a result, convenience and safety became key priorities in an ever volatile climate. But it isn't enough to offer a one-time/blanket solution. After all, Southeast Asia is a place like no other.

In our first ZALORA Trender Report, we noted how one of the greatest challenges of this region is its diverse community and geography, imposing myriad complications for players across the e-commerce chain. No longer is it only a race for total digitization, but also a race to reach the last-mile consumer. Take Indonesia for example, with its 17,508 islands spread throughout the country. With shoppers coming in from remote locations,



businesses now seek new ways to get their products and messages across, expanding horizons to include “Shoppertainment” and virtual experiences. The former—a portmanteau of “shopper” and “entertainment”—has become increasingly influential, especially for consumers in countries with movement restrictions and deferred plans caused by Covid-19.

Such technological advancements within the realm of retail, as well as foreign investments in developing markets (Taiwanese iPhone assembler [Pegatron had already spent \\$300 million to open a new factory in Indonesia](#)) are major indicators of an increasingly positive outlook within the region. Last year, the International Monetary Fund (IMF) had projected five of Southeast Asia's largest developing economies to collectively grow by 5.2 percent in 2021, a forecast reflected by strong recoveries within the last quarter of 2020 as countries begin to re-emerge.

However, recent outbreaks of the Coronavirus, driven in parts by new variants, have made any attempt at bouncing back an even tougher hurdle to overcome. Large disparities with vaccination programmes have also affected the region, which is still far from achieving herd immunity. In contrast, The People's Republic of China and several other small economies have managed to administer 50 or more doses per 100 people, while half of the Southeast Asia's economies have administered fewer than 15.

Given the uncertainties that lie ahead, businesses must have one eye on reality, and another virtually. With an agile omnichannel approach, customer-centric focus, and nurturing of mindsets towards a new digital revolution, green shoots of recovery throughout the entire ecosystem may very well still be within our reach.

As we take a hard look at data and paint a picture based on the insights, we are future gazing, and will attempt to answer: To what extent are things going to snap back to the pre-pandemic days? What will change permanently? And what does a hybrid retail world look like? 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, 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. ■

LANDING ON OUR FEET

With vaccination rollouts being enforced globally, the road to recovery has begun. Indeed, when paired with the rise of this fourth industrial revolution, a positive economic rebound seems well within our grasps ... or is it?

In this chapter, we will discuss key indicators of behaviour during the Covid-19 pandemic while highlighting factors that drive the current speed of market recovery within Southeast Asia.



From forced introspection to a heightened sense of digitisation, the world as we know it has well and truly evolved since the pandemic first entered our lives. And much like the Renaissance itself, sociological and economic advancements are often results of a world grappling with devastation.

Thankfully, we are far more equipped to manage pandemics now than we did before. It's one of the main reasons why businesses worldwide are kindling hope at the end of this dark and winding tunnel, with prospects looking up well beyond 2021. According to the [International Monetary Fund \(IMF\)](#), a return to growth is expected in most of Southeast Asia, bolstered by robust external demand for the region's exports, accommodative monetary policy, and government spending. This, coupled with a mobile-first consumer, suggests a somewhat optimistic scenario within Emerging Asian markets.

In the early spring of 2021, however, new variants of Covid-19 emerged, causing a ripple effect throughout various countries. With [cases in Asia peaking at 434,000 in mid-May](#), the latest waves highlighted yet another issue within the region: vaccine disparity. As of the end of June, Southeast Asia had administered 41.6 doses per 100 individuals—slightly above the global average of 39.2. In addition, Delta outbreaks have also caused “supply chain headaches” for many of the world's largest manufacturers, mostly who rely heavily on auto parts and semiconductors made in bases such as Thailand, Vietnam, and Malaysia.

Nevertheless, what remains true is the impact of data-driven revolution on retail. Now more than ever, do we have the tools to navigate unforeseen changes that can help make sense during these unprecedented times. As outlined earlier in this introduction, carefully-considered analytics will guide us through key indicators of behaviour while also mapping the region's current speed of economic recovery as we, consumers and businesses alike, take the leap forward to land back on our feet.



CHAPTER 1: LANDING ON OUR FEET

POSITIVE OUTLOOK? IT'LL "TECH" SOME TIME.

So if 2020 was the year of digital acceleration, 2021 is set to be the year of retail improvisation. As consumers within the region grow increasingly adept to digital trends, it is now a rush against time for businesses to re-invent themselves inside-out, from financial services to even last-mile deliveries.

In our first ZALORA Trender Report last year, we previously noted how Southeast Asians remain one of the world's most connected regions. According to [the e-Economy SEA 2021](#)—an annual publication by Google, Temasek and Bain—40 million new internet users came online in H1 2021 alone, bringing the internet penetration in the region to 75 per cent. Not only has the region continued to add new internet users, the number of digital consumers, or users who have paid for an online service, has also increased. 60 million people started using a digital service for the first time following the pandemic, with the Philippines observing the highest proportion of new digital consumers (20 per cent vs SEA average of 16 per cent). The report also indicated a deepening usage of digital services, with existing digital consumers making purchases in up to four more digital services now, as compared to before the pandemic.

While the outlook seems relatively positive, the International Monetary Fund (IMF) gave warnings of a weaker economic recovery in this developing region. This all comes in at a time when new variants enforce renewed lockdowns, [dampening previously projected growth from 5.2 percent to 4.9 percent](#). In countries such as Indonesia, Malaysia, and the Philippines, restrictions had once again curtailed businesses, affecting industries within the retail sector and tourism. Meanwhile, vaccination rollouts are also progressing at a much slower pace compared to other nations, despite vaccine manufacturing being located at the heart of these locations. To give you a sense of perspective, statistics compiled by Our World in Data showed that 3.76 percent of Indonesians had received at least one dose of a Covid vaccine—much lower than the global level of 5.75 percent. And in April 2021, the share stood at 1.8 percent and 0.96 percent for Malaysia and the Philippines, respectively, according to data.



DAT(A)'S THE WAY FORWARD

History has a way of repeating itself, and today's current scenario is no exception. Drawing parallels to previous pandemics, much has to be said of society's uncanny knack for changing with the times. Call it the Renaissance effect, where global catastrophes become catalysts for tech advancements and social change. While in the past, the fall of feudalism brought upon some of the art and science world's greats (think Leonardo da Vinci and Michaelangelo), today's progression comes in the form of data intelligence.

By harnessing the power of analytics, we can now navigate our way through such unprecedented times with better knowledge, tracking changes along the way in order to make informed decisions. With this in mind, a recent internal study discovered three key indicators of behaviour that had emerged as a result of the Covid-19 pandemic:



Of course, before we get to grips with these three key indicators, it is also imperative to chart the current state of consumer behaviour within the region itself. Since the pandemic had changed communities, this next chapter will explore how Southeast Asia's heart and soul had evolved, adapting to the times of this new normal. ■

THE NEXT NORMAL CONSUMER OF SOUTHEAST ASIA

It's no surprise the Covid-19 pandemic has become a significant catalyst for evolution in this retail landscape. Having emerged from lockdowns with renewed hope, Southeast Asians are savvier, spurring further the fourth industrial revolution. But given the vast differences from country to country, how else have fluctuating restrictions impacted consumer behaviour?

This chapter identifies the key factors reshaping the region's shoppers of tomorrow while familiarising ourselves with the new attitudes dictating this multifaceted market.



CHAPTER 2: THE NEXT NORMAL CONSUMERS OF SOUTHEAST ASIA

While Southeast Asia may be home to a melting pot of cultures, religions, and ethnicities, it is also home to one of the world's most digitally connected consumers. According to the [e-Conomy SEA 2021 Report](#), the region added 60 million digital consumers to the internet economy—equivalent to the entire population of Italy—since the start of the pandemic, making it a thriving digital landscape for businesses and investors alike. Nearly 20 million people became digital consumers in H1 of 2021 alone, and by 2025, e-commerce could continue to be the biggest growth driver in the region.

Leading this digital growth is none other than the Philippines, which had seen a dramatic uptick in its consumption in the past year. But while the archipelagic nation saw the highest internet economy growth rate in 2021 (+93 per cent YoY), other countries are also hot on their heels, with Vietnam, Malaysia, Indonesia, Singapore and Thailand closely following suit.

To understand this upward trend, one must consider the various socioeconomic factors bubbling due to the rising economy before the pandemic. The most notable example comes from Indonesia, whose sustained average annual growth over the past 50 years has led to a decrease in extreme poverty and an

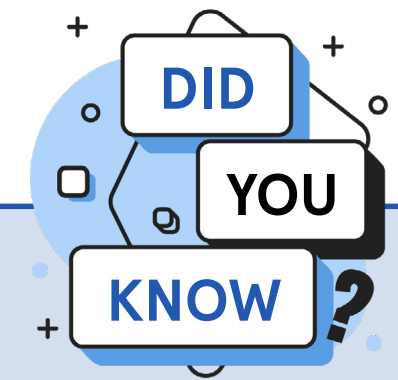


expanding middle class. In addition, a study by Oxford Business Group found that [household consumption rose by 5.5 per cent in 2018, up from 4.9 per cent in 2017](#). This continued growth is seen in their spending on e-commerce, with [Digital Market Outlook](#) reporting that the number of users in Indonesia is expected to grow to 221 million in 2025. Because of this, online retail penetration in Indonesia is expected to grow to 77 per cent of population by 2025.

The same growth could also be said for Malaysia. Earlier this year, The World Bank Group projected the country ["to transition to a high-income economy by 2024 and 2028"](#), having transformed living standards in less than a generation and slashing the extreme poverty rate to less than one per cent of the population. Rising education levels have also become a major contributing factor, paving the way for a more cosmopolitan consumer. As a result, the Malaysian middle-class are considered the most avid shoppers, with the highest percentage of digital natives (88 per cent or 22 million) in the region. Case in point: [within just a year, digital spender per person went up by 47 per cent compared to last year, while overall](#)

[e-commerce sales are expected to further increase by 1.3 times by 2026.](#)

That said, it's easy to see how Southeast Asians are becoming increasingly discerning, as their palates incline towards more sophisticated and complex purchases. Exposed to more information at the tip of their fingers, the average shopper here virtually browses across 7.9 websites before making a purchase decision (a notable increase from an average of 5.2 sites in 2020) and are generally more inclined to discover new products and services online.



DIGITAL CHANNELS WERE STILL INFLUENTIAL EVEN WHEN THE FINAL PURCHASE WAS MADE OFFLINE

90%
SOUTHEAST ASIANS

referred to at least one digital channel during their overall research journey

58%
SOUTHEAST ASIANS

selected a digital channel as the most helpful touchpoint for their decision making

SEARCH IS PREVALENT IN THE SHOPPER RESEARCH JOURNEY...

1 in 2 User search during their research stage (46%)

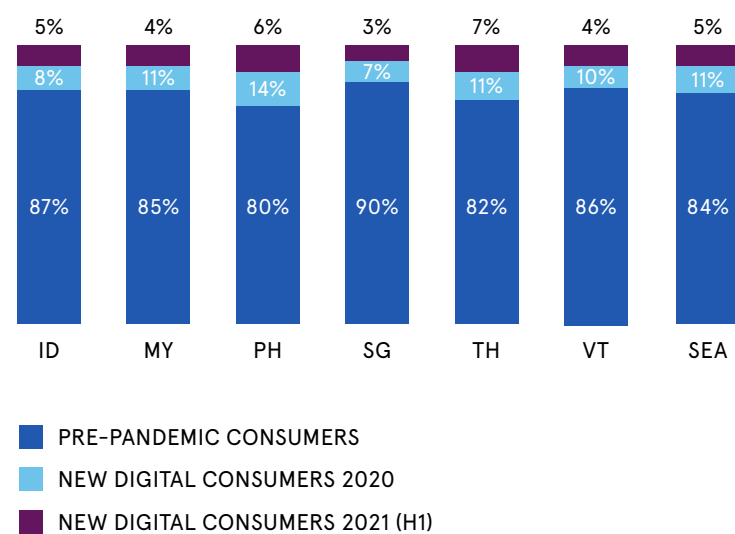
- Skewing higher in Indonesia (50%) and Vietnam (54%)
- Skewing lower in Malaysia (43%), and Philippines (42%)

96% of those, almost all used Google Search Trends

Skewing higher in Indonesia (99%), Malaysia (98%), Thailand (98%), Philippines (98%), and Singapore (95%)

Skewing lower in Vietnam (90%)

% SPLIT OF ALL DIGITAL CONSUMERS



Source: Google, Temasek and Bain, e-Conomy SEA 2021

CHAPTER 2: THE NEXT NORMAL CONSUMERS OF SOUTHEAST ASIA

However, not all consumers were made equal. While the region is home to some of the most connected communities in the world, its cultural nuances pave the way for varying shopper profiles that needs to be taken into account. To paint a better picture of this ever-evolving demographic, meet the shoppers of tomorrow:



A DAY IN THE LIFE OF SOUTHEAST ASIA'S CONSUMER

MALAYSIA Nadiyah, 30

6:30 AM: "Rise and shine! I've missed the outdoors, so glad I got to catch the sunrise on this hike now outdoor activities are allowed."
11:30 AM: "Finally able to see the girls for brunch. Can't wait to check out this new café in town!" **1 PM:** "Got to post our group picture up on Instagram. #Feltcutemightdeletelater."
4 PM: "Need to take a break from Netflix. Wonder what's on my 'Explore' feed?"
8:30 PM: "Finally, dinner. Might order in and take full advantage of that 50% promotion on GrabFood."
10:15 PM: "Oh wow, there's a promotion on this bag I've had my eye on for years. I'm getting it online now." **Shopping Habits:** Price sensitive, brand-conscious with a preference for global brands. **Average hours spent online:** ~9 hours.



SINGAPORE Bianca, 26

7 AM: "Time to get up! Ready to workout in my living room."
11:30 AM: "I'm feeling avocado and toast for brunch."
4 PM: "Been scrolling mindlessly for a few hours on TikTok. It'd be so funny if I did this one video with my friends!"
7:30 PM: "I miss dining out with friends. I think I'll text them to see if they're available for Korean barbecue the moment this Circuit Breaker is over. But until then, it's mom's cooking for me tonight."
9 PM: "Just saw Xin Lin wear these amazing straight-leg pants. I wonder if I can get it online."
11:30 PM: "Should I buy those pants? If we won't be able to dine out anytime soon, there's no point in buying it ... right?"
Shopping Habits: Prefers to shop for apparel and footwear and invest in luxury items. **Average hours spent online:** ~8 hours.



INDONESIA Allia, 28

8:30 AM: "Zumba in the morning always gets me in the mood."
12 PM: "I miss going out for lunch with the girls. I think I'll read a book to pass the time instead."
3:30 PM: "Found a good deal online for skincare. I think it's a worthy investment!"
6:15 PM: "Thank god for takeaways by Gojek. I don't know how I'd survive this pandemic without it. I can even buy groceries there now!"
7 PM: "I'll take this time to go on TikTok and check out the latest beauty trends. I can wear impress my friends once this lockdown ends!"
9:30 PM: "Lights out, but not before my 13-step skincare routine."
Shopping Habits: Value-driven and purchases for self-improvement and leisure. **Average hours spent online:** ~8 hours.



THE PHILIPPINES Patricia, 33

6:30 AM: "The sun isn't even out yet, and I've to start cooking for the kids."
9 AM: "Morning pilates! Need to shed this pandemic weight."
11:30 AM: "A good day to take the kids out to the mall. It'll be a great family activity before stopping for lunch."
3 PM: "Back home, and maybe a good time to start tending to my little vegetable garden."
5:30 PM: "Browsing through my Instagram 'Explore' feed. I'm tempted to purchase this make-up set I saw an influencer promoting."
7 PM: "Found a new recipe online. I might try that out tonight for the family. I wonder if they'd like a vegan dish?"
10:30 PM: "Couldn't resist the temptation to get me a pair of vegetable-dyed joggers. If it's good for the planet, it's good for me too."
Shopping Habits: Family-oriented purchases, value-driven but with a growing interest in material goods. **Average hours spent online:** Almost 11 hours.

CHAPTER 2: THE NEW NORMAL CONSUMERS OF SOUTHEAST ASIA

A CHANGE IN ATTITUDES

Based on recent findings, we can observe how an accelerated rate of digitisation has affected four different Southeast Asian consumer profiles. Bianca, a 26-year-old shopper from Singapore can be seen spending an average of eight hours on social media daily, most likely due to prolonged periods of lockdown. As a result of increased online activity, Bianca is more likely to spend on a wide variety of products depending on the content exposed. This likelihood is spurred even further given the country's strong currency, which allows her to indulge more in luxury goods such as timepieces and designer wear. According to Google Search Trends, Singapore saw the fastest recovery when it came to searching luxury bags Year-on-Year (Nov19-Oct20 and Nov20-Oct21), with an increase of 21 per cent. A large contrast to Malaysians whose luxury searches came in at six per cent, and the Philippines at seven per cent. However, it's worth mentioning that despite this growth, spending rose and fell in cadence with points of lockdown. A study by [Trading Economics](#) revealed the highest retail sales growth for apparel and footwear (60 per cent in May 2021 vs 446.8 per cent in June 2021) and watches and jewellery (78.4 per cent vs 2090.8 per cent) following three months of eased restriction in the city-state. This sharp growth plateaued slightly (0.2 per cent YoY in July 2021) moving towards July, just as Phase Three restrictions were reinstated in the country.

Naturally, as mobility begins to ease, consumers too start to prepare themselves for a return to normalcy by investing in products that will benefit them once they have emerged from lockdown. Think new workwear for a life back at the office, alongside evening dresses and heels for dining out with friends. At the same time, the propensity to splurge is also further encouraged by an excess of disposable income. [Recent studies have showed](#) that spending on international travel and out-of-home entertainment decreased by 67 and 63 per cent, respectively, leading to Singaporean consumers generally have more cash flow. Needless to say, Singaporeans intend to emerge from lockdown not only with a "dress to impress" attitude but also with additional means to spend on it too.

Shoppers like 33-year-old Patricia from the Philippines can also relate, albeit with a few differences. As the heaviest digital consumers in Southeast Asia—clocking in an average of 10 hours 56 minutes online daily—Filipinos, like Singaporeans, are considered highly receptive towards trends. Here, the country's rising middle class has paved the way for an urban demographic, often equating retail therapy with an aspirational lifestyle.



According to a [Santander Trade analysis](#), this paradigm shift is due to advertising, which instilled physical attractiveness and material goods as a gateway to happiness and success. But with online connectivity comes increased awareness, resulting in a more informed consumer than ever before. In this regard, Filipinos are among the most socially conscious shoppers globally, with 85 per cent of them willing to pay extra for products and services that come from retailers committed to positive social and environmental impact. Surprisingly enough, this same moral compass is also what makes them shy away from flashier purchases, often prioritising family life above all else. As outlined by McKinsey & Co., ["approximately 50 per cent believe their finances will be impacted \[by the pandemic\] for at least six more months"](#), causing a tightening of purse strings and further emphasis on value for money.

Similarly, Malaysians also share the same sentiment for value. On any given day, shoppers here tend to keep their eyes (and ears) out for a good bargain regardless of product category. But unlike Filipinos, Malaysians gravitate towards branded goods that deliver on quality. Call it a case of the nouveau riche, as more middle-class shoppers like Nadiah, 30-year-old from Malaysia—now armed with this newfound wealth—are keen on exploring luxuries previously unavailable to them. Pair this with an average of eight hours spent online, and they are poised to become one of the most influential shoppers within Southeast Asia. Nevertheless, it's worth noting that while [this demographic spends the most, they are also starting to control their expenses as a result of the government's decision to relax subsidies, alongside rising inflation rates, high property prices, and slow wage growth.](#)

There is a strong correlation between consumer confidence and government-imposed Covid-19

measures, and no country was more affected by this than Indonesia. Having surpassed India as the new epicentre of Covid-19 in Asia in June 2021, pessimism was rife as consumers became more concerned over job availability and salary. This sentiment was later reflected in a [Bank of Indonesia survey](#), citing a plummeted consumer confidence of 77.3 per cent in August, down from 80.2 per cent in July and well into the -100 territory. With growing concerns over the virus, shoppers and merchants alike scrambled and pivoted fast online, causing a sharp 71 per cent increase in monthly virtual expenditure. For shoppers like Allia, a 28-year-old from Indonesia, this meant going from buying groceries at a nearby market to procuring daily necessities digitally, using platforms such as Tokopedia and Lazada as her go-to. As a way of seeking respite from the pandemic, Indonesians found themselves purchasing sports equipment as well as other hobby-related goods, even despite a harrowing economic outlook.

Even amid pessimistic consumer sentiment, Indonesian shoppers were still spending on items used for leisure. Businesses have performed so well that [seven out of 10 merchants reported a median increase of sales volume by 133 per cent.](#) While it certainly helps that Indonesia

is the fourth most populated country globally, the question remains: what is driving this need to spend? Many Indonesians have mass migrated online in a classic case of sink or swim, especially those who primarily sold their wares brick-and-mortar outlets. According to the Indonesian e-commerce heavyweight Tokopedia, [more than 86.5 per cent of its vendors were first-time entrepreneurs.](#) What's more, formerly underbanked communities have joined in, along with a revived community spirit as apparent by new tech startups like Evermos, who sought to champion homegrown brands through a Muslim lens in the wake of the pandemic.

SHOPPER SUPERLATIVE

Most likely to be sustainable
[The Philippines](#)

Most likely to be value-driven
[Malaysia](#)

Most likely to invest in
high-value items
[Singapore](#)

Most likely to spend on beauty
and sports equipment
[Indonesia](#)

Source: Santander Trade; Trading Economics;
The Jakarta Post

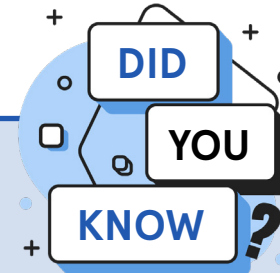
CHAPTER 2: THE NEW NORMAL CONSUMERS OF SOUTHEAST ASIA

SPOTLIGHT: THE MUSLIM CONSUMER

FACT: Islam is the most widely practised religion in Southeast Asia, amounting to approximately 275 million adherents across Indonesia, Malaysia, Brunei, Singapore, Southern Thailand and parts of Mindanao in the Philippines. Zoom in to Indonesia and Malaysia alone, and you'll realise that it is home to one-fifth of the world's overall Muslim population. But while consumers of this faith share many similarities, businesses need to note that one solution does not fit all when it comes to tapping into the modest shopper of tomorrow—especially here in Southeast Asia, with its complex emerging markets.

Muslim shoppers are incredibly unique, given their specific preferences for halal and modest goods, alongside specific cultural nuances. From a retail perspective, traditional wear, like the *baju kurung*, is favoured by Muslim women in Malaysia, Indonesia, Brunei, and Singapore as part of a modest everyday wardrobe. Comprising a long-sleeved shift dress worn over a sarong, the outfit is deeply rooted in Malay and Indonesian heritage and is most likely locally made by a designer or brand. Interestingly, one might assume that the *baju kurung* would usually be worn to formal events. However, many would agree that its versatility also extends to the workplace and even educational institutions. For example, in Malaysia, where it is considered a national costume, students of various ethnicities can be seen dressed in simple *baju kurungs* as uniforms.

Nevertheless, times have changed, and the region's rising middle class have caused local Muslims to become increasingly discerning. According to Google Search Trends,



DID YOU KNOW?

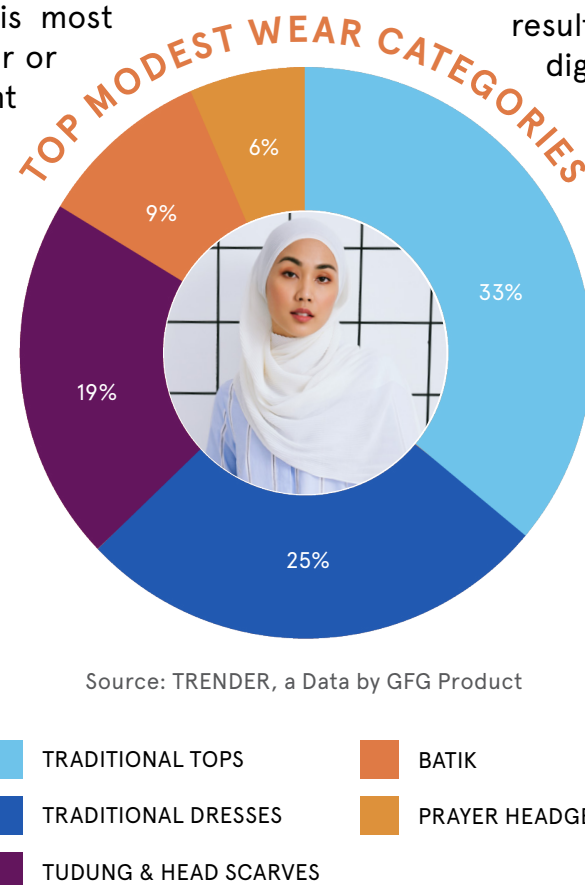
According to Google Search Trends, Muslim consumers are increasingly searching for halal goods online.

MY: +15%
SG: +35%
PH: +38%

YoY Nov19-Oct20 and Nov20-Oct21

Source: Google Search Trends

there has been an increase in searches for halal goods online, as a result of more businesses pivoting digitally. Meanwhile, the rise of social media has also evolved taste profiles, prompting local brands to reinvent traditional wear beyond the confines of festivities such as Eid. Millennials and Gen Zs have particularly become very receptive towards trends, encouraging them to be more fashionably creative. This shift certainly comes into play during extended periods of work-from-home (WFH), which have caused shoppers to recalibrate their personal styles. At ZALORA, this was reflected in an increase of demand for traditional tops since early 2021, replacing traditional dresses as a top category performer.



TRADITIONAL WEAR



Central
45%



Outskirts
51%



Remote
5%

Source: TRENDER, a Data by GFG Product

As casualwear becomes de rigueur at home, Muslim consumers find new ways to practise modesty indoors—especially during Zoom calls. Think denim jeans paired with crisp shirts and a hijab in this regard, where everyday comfort meets business chic. Due to this growing trend, it's no wonder international brands like H&M, Mango, and Nike are following suit. At the same time, homegrown designers quickly diversify their product assortment to expand beyond just traditional wear.

A label that does this to great effect is Mimpikita in Malaysia, whose feminine yet modern creations appeal to today's Muslimah on the go. Although specialising in traditional dresses, they also offer contemporary separates, such as trousers and long-sleeved blouses, to cater to trendier hijabis with a penchant to mix and match. Meanwhile, dUCK, founded by influencer-turned-entrepreneur Vivy Yusuf, has shown that even headscarves can be considered a hot commodity. Case in point, when pieces from the label's collaboration with Disney's Frozen in 2019 sold out within minutes of launching.

From a bird's eye view, the Muslim consumer here is split into two: Millennials and Gen Zs are more likely to purchase modest modern pieces, while Baby Boomers will look to traditional wear as their primary choice of apparel. According to ZALORA insights, 45 per cent of total shoppers on the e-commerce platform purchase formal wear from central locations (think cosmopolitan cities like Kuala Lumpur and Jakarta), while 51 per cent hail from the outskirts (like Sarawak and Jawa Barat). With a climbing number of Gen Zs and Millennials currently residing in urban areas—many moving to bigger cities for work and education opportunities—it's easy to see how this demographic may frequently purchase traditional wear for work and formal events. However, this pales in comparison against those living in suburban and remote areas, where a more significant conventional number of Boomers reside, along with their families.

CASE STUDY: CRESCENTRATING

Clue in to Southeast Asia's Muslim consumer with Fazal Bahardeen, Founder and CEO of CrescentRating and HalalTrip.com



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

On a more interesting note, the Southeast Asian Muslim consumer of tomorrow has become increasingly conscious of the environment since the pandemic. According to a 2020 report by CrescentRating, this spirit has been trending among younger generations as a result of global awareness, further empowered by their faith. "Overall, we have seen more empathy [in the form of] taking care of your community and the environment," said Fazal Bahardeen, Founder and CEO of CrescentRating and HalalTrip.com, in an exclusive interview with ZALORA. "I think this is going to play a much more important role as we get back our economies. [Although] we have seen [this played out] before as well, but the pandemic has accelerated that." Designers like Singapore's Hafizah Ghazali reflect this sentiment, and in the past year, had planted more than 100 trees through the IUVA Forest Regeneration program. Elsewhere in the region, Style Theory, a luxury clothing rental platform that includes modest fashion in Indonesia and Singapore, had raised \$15 million in series B funding, while Malaysian labels Hanya and Zalia have launched collections crafted from deadstock fabric and eco-friendly materials.

CHAPTER 2: THE NEW NORMAL CONSUMERS OF SOUTHEAST ASIA

SPOTLIGHT: THE DOT.COM JOURNEY OF THE THAI CONSUMER

Social responsibility and a rise in individualism aren't the only trends that need to thank today's rate of digitisation. Together with Muslim consumers, Southeast Asia has fully embraced digital payment options, suggesting a virtually-optimised retail ecosystem. In archipelagic countries—where physical stores and cash previously reigned supreme—adoption rates of e-payment systems were most prominent, surpassing expectations with transactions surging from 70 million to 143.5 million in 2020 in Indonesia and by 5000 per cent in the Philippines. Meanwhile, in other nations already familiar with cryptocurrencies, innovative payment methods level the playing field. Such is the case for countries like Malaysia and Singapore, whose use of mobile phones to scan QR codes (albeit most likely for contact tracing purposes) trump the global average twice fold. This development is even more apparent in Thailand, where it is considered a “cleaner” and more convenient alternative to cash.

Having spoken exclusively to ZALORA, Aileen Chew, Country Manager for Thailand and Myanmar at Mastercard said, “Thai consumers lead the world in the adoption of new payment technologies, with 96% of people in Thailand saying they will consider using at least one emerging payment method, such as QR codes, digital or mobile wallets, instalment plans, cryptocurrencies, biometrics, and others in the coming year, ahead of APAC which came in at 94% and global at 93%.” However, this strong confidence in cashless methods for the Thai consumer has been bubbling long before the pandemic. Nevertheless, Thais are setting a gold standard when it comes to a digital-first mindset.



“[The country] is currently in the middle of an evolution that is leading to the creation of a cashless society here,” Chew added. “There is now rising expectations among consumers in Thailand and the world to have greater choice and flexibility in how they can make payments.”

But with rising expectations comes its own set of complexities. With choice and flexibility being the keywords here, retailers must race to provide myriad payment options amid this ever-evolving landscape. According to the Mastercard New Payments Index Study, 89 per cent of Thais “expect to make purchases when they want, and how they want vs 85 per cent in APAC.” The study also revealed



“80 per cent of consumers in Thailand (vs 73 per cent of global consumers) would be more loyal to retailers that offer various payment options”

80 per cent of consumers in Thailand (vs 73 per cent of global consumers) would be more loyal to retailers that offer various payment options. Said Chew, “Businesses today, irrespective of their size, need to understand that customer expectations for businesses to adapt to new habits and digital norms is here to stay even after the pandemic ends. [Those] that provide multiple ways to shop and pay will be best positioned to meet the needs that are shaping the future of commerce for years to come.” While this may seem like an easy feat for incumbent heavyweights, the same cannot be said for SME and MSMEs. The solution to this? QR Codes.

Prevalent throughout Southeast Asia, roadside stalls and peddlers are cornerstones of the region's entrepreneurial spirit, and Thailand is no different. “Small merchants are everywhere in Thailand and they need simple, low-cost solutions as an alternative to cash,” Chew explained. “That's why we introduced a standardised QR code for mobile payments in Thailand, to help merchants grow their business volume while reducing the cost

of cash handling.” By allowing business owners to easily accept e-payments without requiring them to invest in physical point of sale (POS) machines, transactions can be done anywhere with only a smartphone. Of course, it certainly helps that the country's Bank of Thailand is behind such initiatives by Mastercard. However the reality cannot be any clearer: we are now living in a world of connected commerce, and cashless is here to stay.



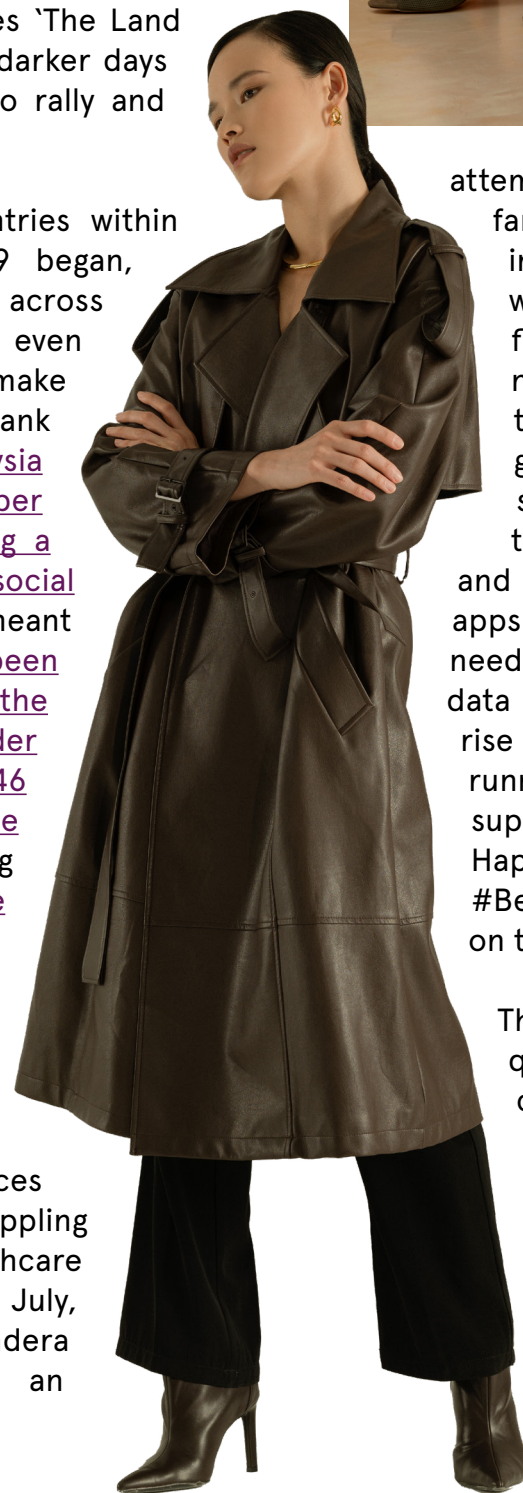
CHAPTER 2: THE NEW NORMAL CONSUMERS OF SOUTHEAST ASIA

COME TOGETHER: HOW STAYING NEARER TO HOME IS SHAPING CONSUMER TRENDS

Home is where the heart is, and such words have never rung truer in these times of uncertainty. After all, community spirit is what makes Southeast Asians uniquely warm and friendly—they don't call Thailand 'The Land of Smiles' and the Philippines 'The Land of Promise' for nothing. So when darker days hearken, leave it to the people to rally and band together.

Such is the case for many countries within the region, who, since Covid-19 began, has experienced heavy losses across all economic sectors, impacted even further by new variants. To make matters worse, according to the Bank of America, [Indonesia and Malaysia recorded the highest death rates per million population in July, causing a reintroduction of lockdowns and social restrictions](#). For the latter, this meant some [10,000 individuals had been declared bankrupt throughout the country's Movement Control Order \(MCO\), with an additional 1,246 businesses closing down during the same period](#). And in a very long while, [the absolute poverty figure in Malaysia rose to 8.4 per cent in 2020 as over half a million middle-income group \(M40\) households have slipped into the bottom 40 per cent category](#).

Here is where the public's voices were heard the loudest. Amid a crippling (though now improved) healthcare system and political crises, in July, Malaysians rallied to form the 'Bendera Putih' grassroots campaign in an

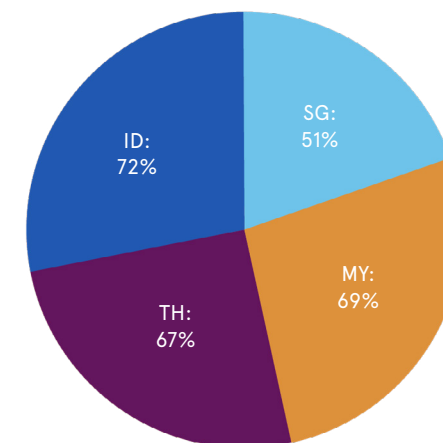


attempt to support struggling B40 families. A simple yet effective initiative, communities affected were encouraged to raise a white flag outside their living spaces, as neighbouring individuals swoop in to donate daily necessities from groceries to baby diapers. Through social media, the movement soon turned viral, inspiring businesses and tech startups to create various apps and programmes to help those in need. Sambal SOS, a crowd-sourcing data platform was one of the first to rise to the occasion, while retailers running the gamut from fashion to super apps (grocery service provider HappyFresh had their own dedicated #BenderaPutih dashboard) joined in on the action.

The campaign exemplified a quintessential Southeast Asian community spirit, which was similarly echoed in other parts of the region around the same time. In Indonesia, President Joko Widodo and various heavyweight enterprises launched a week-long program to promote locally-made

goods. Said Gojek's Co-CEO Kevin Aluwi earlier this year, ["our participation in the #BanngaBuatanIndonesia \(#ProudlyMadeInIndonesia\) movement reaffirms our commitment to supporting local businesses, including MSMEs, especially in the middle of a pandemic. Hari Bangsa Buatan Indonesia \(Proudly Made in Indonesia Day\) which, is celebrated every May 5, also serves as an opportunity for us industry players to support each other to advance the national economy."](#) Elsewhere according to Google Search Trends, seller-related search terms have increased by 69 per cent in Malaysia, 47 per cent in the Philippines, and 84 per cent in Indonesia.

CONSUMER PREFERENCE FOR LOCAL GOODS



Source: ASEAN Consumer Sentiment Study 2021, United Overseas Bank

As if to take matters into their own hands, such strong sentiments have since shaped a more patriotic and mindful consumer, putting homegrown and from-home businesses at the top of shoppers' minds. It also suggests the prevalence of a more informed customer, whose heightened digital connectivity had sparked both moral and social obligations, to not just the local community, but the economy as well. ["After eight months of struggling to stay financially viable as Covid-19](#)

[restrictions hit bottom lines, every dollar directed to a local business can and does make a difference,"](#) advised Lawrence Loh, Head of Group Business Banking at UOB. ["Beyond the financial filip, this spending choice creates a morale boost to the owners and employees of our local companies as they know people are standing by them."](#)

SPOTLIGHT: ALL EYES ON LAST MILE

In the 2019 Netflix special 'Asian Comedian destroys America' by Ronny Chieng, the standup performer-turned-actor famously said, "Prime Now! Two-hour delivery. Prime Now. Give it to me now. When I press 'buy', put the item in my hand ... now." Little did he know, fast forward two years later, he predicted what would soon happen on our shores right here in Southeast Asia.

Often considered the unsung heroes of retail's supply chain, last-mile operators ensure that products purchased are delivered quickly and smoothly to customers' doorsteps. However, with consumers spending more time and money online, the pressure is now on these service providers to meet growing demands, especially for newer online categories such as groceries and healthcare during prolonged periods of lockdown. Now, retailers are expected to think fast on their feet (and wheels!) as they come face-to-face with new challenges on the road in this post-pandemic Amazonification.

From a business perspective, the greatest task at hand is coming to terms with speed. Like many around the world, consumers want it now. This surge in demand is increasingly prevalent among Millennials; in a report by Econsultancy, [30 per cent of millennials consider the ability of an e-commerce company to deliver on the same day before placing their orders.](#)" However, today's reality poses a series of unforgiving complications in the form of movement restrictions, unexpected warehouse closures, labour shortages and threats from new Covid-19 variants. In the early days of the pandemic, Parcel Monitor, a global e-commerce logistics community, discovered the ["impacts of social distancing on ecommerce deliveries were \[hardest\] felt in Malaysia, where delivery time rapidly increased from 2.1 days \(pre-social-distancing\), peaking at 4.6 days \(during social distancing\)."](#) The same could also be said for Indonesia, where ["parcels took three days](#)

CHAPTER 2 – THE NEW NORMAL CONSUMERS OF SOUTHEAST ASIA

to reach destinations during the implemented social distancing measures, significantly slower than the previous average of 2.3 days.”

For many retailers, this served as a wake up call as mass customer dissatisfaction often comes with disastrous implications.

In order to keep up with demand, service providers race to offer innovative solutions with consumers’ convenience in mind. But given the complexities of the region’s landscape, most businesses are finding it increasingly difficult and expensive to fulfil their last-mile deliveries. Over the span of 18 months, many startups have since sprouted under the guise of new-age middlemen, helping brands reduce overheads and most importantly, improve efficiency. Such is the case of a Direct-to-Consumer (DTC) model, which removes the need for conventional distribution layers and allows for a more personal approach with the customer. In Singapore, parcel lockers facilitated by Pick Network, have already started gaining momentum and are said to have a “knock-on” effect across the logistics industry. Minister for Communications and Information S. Iswaran said in a virtual dialogue last year, “The more you can enhance the productivity—because you don’t have to do door-to-door delivery for every parcel—the more you’re able to enhance the job scope, whether in terms of the volume or the value in functions.”

It is worth noting that while DTC provides a sustainable alternative to traditional last-mile solutions, vendors have to tediously manage inventories themselves. In this regard, in-market capabilities are better suited to SMEs and MSMEs, especially as an amuse bouche prior to scaling up their businesses.

On the other end of this spectrum, a diverse range of facilitators have emerged to cater to enterprises seeking more robust services. With a 360° multi-channel distribution arm, gamechangers such as MyCloudFulfillment in Thailand, as well as ZALORA, pave the way for a one-stop-shop distribution hub. In light of recent developments, ZALORA had in fact invested heavily in its fulfilment portfolio,



Operations by GFG, in the heat of 2020, especially as brands began to embrace omnichannel. “We realise a lot of brands might not have the capacity or the resources to manage their online sales,” said Matej Urban, Senior Manager, Partner Services and Solutions at ZALORA Group. “So [what FBZ does is] we basically [handle] the end-to-end fulfilment, do the picking, the packing, and last-mile delivery.” Unsurprisingly, alongside fulfilment, retailers within the region are also looking to explore cross-border fulfilment seamlessly, which has been proven to be a challenging task given the archipelagic terrain of Southeast Asia. Here, ZALORA takes the bulk of the work by tapping into its extensive delivery fleet and experience, allowing brands to mature beyond their current market. Interestingly, another trend occurring within the realm of fulfilment is an increased attention towards sustainability, with ZALORA aiming to achieve a 20 per cent reduction in CO2 emissions from its transport by 2022, compared to 2020, and 100% offset of carbon emission from their Operations and transport by 2025. “

CASE STUDY: ZALORA

Keep track of all things fulfilment with Matej Urban, Senior Manager, Partner and Services at ZALORA Group.



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

On our side, we’re not just exploring [eco-friendly approaches] from a [distribution perspective], but [also taking] packaging and carbon footprint [into account].

While such advancements and services are indeed crucial to the ongoing development of fulfilment in Southeast Asia, industry players must also realise that continuity plans are key to future proofing against unforeseen disruptions. “Let’s say one of your stores closes,” Urban theorised. “Perhaps elsewhere, another outlet is open and what we at ZALORA would be able to do, is consider drop-shipping solutions. [In that case] we can rapidly shift and switch to another market and fulfill those demands.”

Ultimately, as we head into the future, collaborations and partnerships will be the cornerstones of the industry’s supply-chain management. As the industry navigates its way through uncharted waters, relying on and learning from each other’s experiences will certainly create new opportunities while mitigating unanticipated losses. Pair that with data-backed insights, blockchain systems, and Internet of Things enablers, the industry may soon realise that great things don’t only come in small packages—they’ll come at lightning speed. ■

AUDIENCE INSIGHTS

Shoppers are creatures of habit, and Southeast Asians are no different. In the previous chapter, we outlined the evolution of the region's consumers, who, since the pandemic, has grown to be digitally savvier than ever before.

Now, we chart the effects of these behavioural shifts in this current retail climate and draw comparisons with eyes on the past, present, and future.



CHAPTER 3: AUDIENCE INSIGHTS

IN DEMAND: THE PANDEMIC'S MOST WANTED

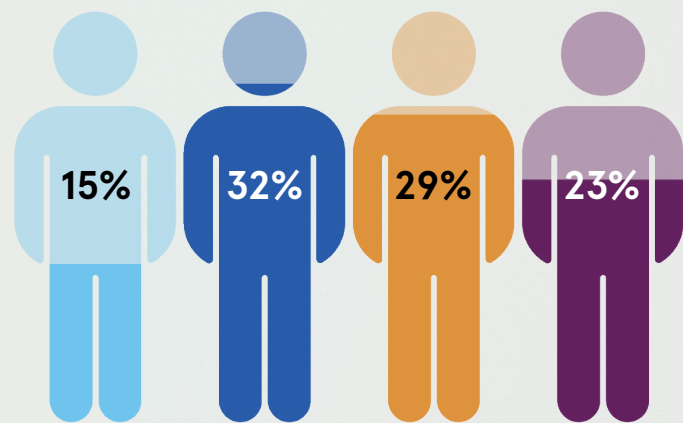
They say trends come and go, but in the case of casualwear, there seem to be no signs of slowing down. Call it a case of fashion Stockholm Syndrome, where prolonged periods of lockdown (public enemy number one) have forcibly acclimated consumers with their hoodies and tee shirts. After all, it's also the reason why over the past year, brands like Pangaia and Sporty & Rich have both amassed cult followings; just one look at your Insta-feed, and you'll soon find a slew of celebrities and influencers dressed in head-to-toe sweats taking up prime mobile screen real estate.

There is a compelling reason for this, and it isn't just because people are getting used to extended mobility restrictions. According to the [2021 EY Work Reimagined Employee Survey](#), 32 per cent of respondents prefer to work anywhere, and 29 per cent want to work remotely full time. Unsurprisingly, only 15 per cent of participants wish to return to the office when restrictions are eased. Here, the study laid bare consumer sentiments towards the workplace and how individuals now intend to work and live on more flexible terms.



Meanwhile, this behaviour change is further supported by purchases made on ZALORA. On the e-commerce platform, shoppers (both men and women) across the region are seen to have spent more on sportswear in comparison to other product categories. Before the pandemic, purchases for sportswear had only clocked in at 20 per cent, but as lockdowns came into full swing, its frequency went up by four per cent. When compared against women's apparel, the differences are even more apparent. In fact, since early 2020, demand for dressier pieces (think ruffled blouses and statement shirts) went down by 12 per cent within a year.

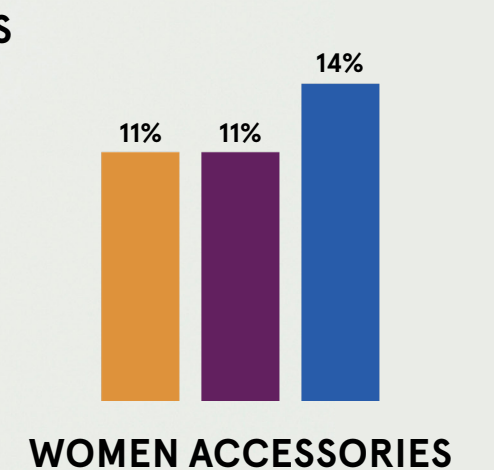
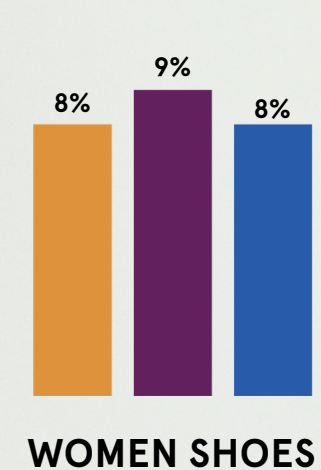
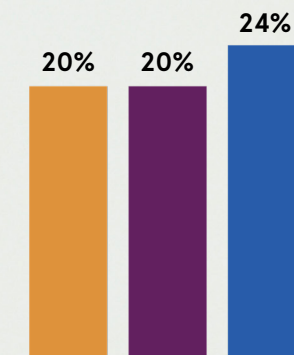
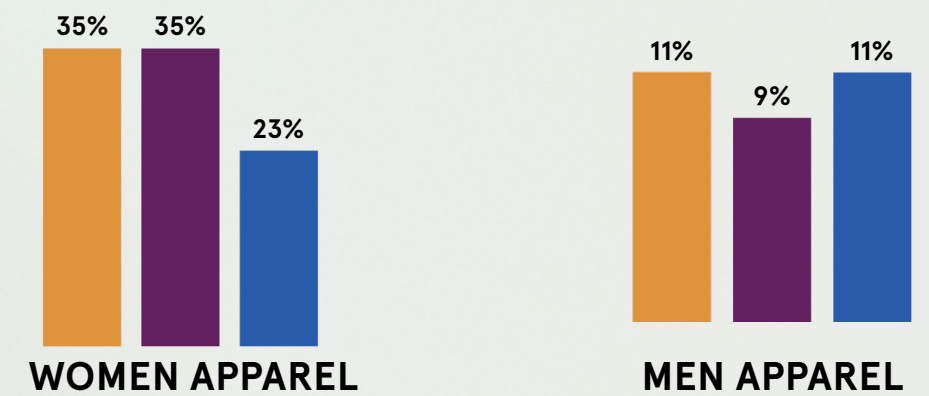
CONSUMER SENTIMENT TOWARDS THE WORKPLACE



- Want to work in the office full time when restrictions are eased
- Respondents prefer to work anywhere
- Want to work remotely full time
- Would like a hybrid work arrangement or a combination of on-site and remote work

Source: 2021 EY Work Reimagined Employee Survey

REGIONAL DEMAND FOR APPAREL AND ACCESSORIES ON ZALORA



■ PRE-COVID ■ LOW ALERT PERIOD ■ HIGH ALERT PERIOD

Source: TRENDER, a Data by GFG Product

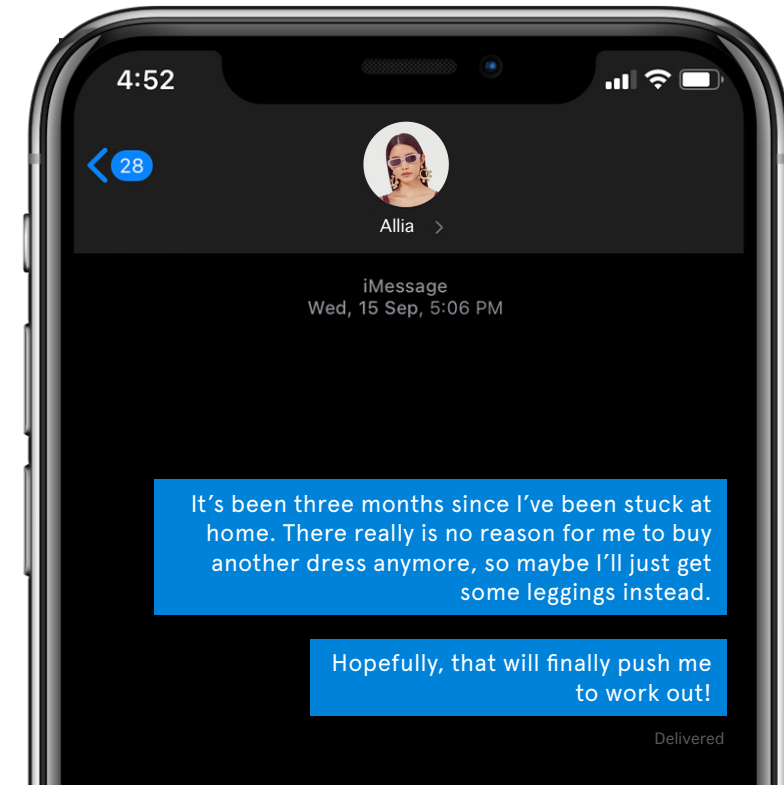
CHAPTER 3: AUDIENCE INSIGHTS

Like much of last year, shoppers of 2021 have adopted a more relaxed and, perhaps to a certain extent, healthier lifestyle. Driven by lack of social activities, mundaneness, and increasing pressure to stay fit (perhaps to combat the sedentary pandemic lifestyles and warding off infections), consumers who have to remain indoors see little to zero point in updating their wardrobes. This even extends out to shoes, where comfortable shoes like sneakers have become vastly more popular than heels in recent days. Indeed, consumers are investing more in comfort and banking on their fitness to keep themselves occupied (and safe) throughout higher periods of alert and beyond.



said to the Bangkok Post, "Thailand is one of the strongest markets in Southeast Asia, so the company believes that spending power is still at a potential level where we could see opportunities for store expansion."

Immense digital growth has much to do with foreign investments coming into the region. Simone Cortini, Marketplace Director at ZALORA Group, agrees. "During this pandemic, [we saw an increase] of consumers going online—many of them, for the first time. And the biggest opportunity here is not to get left behind," he said in an interview for TRENDER. However, he added how complex landscapes and cultural nuances could challenge many businesses unprepared. To solve this, many e-marketplaces now offer localised services to brands unfamiliar with these territories, from Indonesia's Tokopedia to even ZALORA. "We also have our Fulfilled by ZALORA service, which [enables other retailers to reach remote customers with ease]."



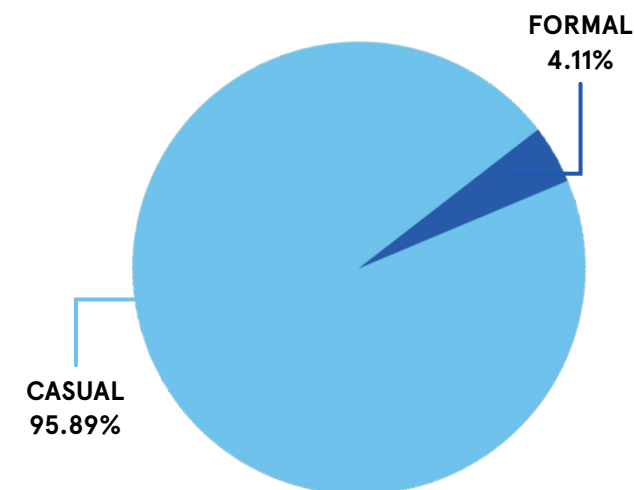
With such compelling demand for casual wear and sportswear, it comes as no surprise other international brands and retailers have been quick to leverage this opportunity. This year, popular labels such as COS, H&M, and Michael Kors have recently joined ZALORA's growing online community. At the same time, in Thailand, Japanese casual wear retailer Uniqlo expanded its business within the Kingdom to include two more branches in CentralPlaza Sri Racha and Central Ayutthaya. Convinced by the country's performance amid the pandemic, CEO Oguri Tomoyoshi

Considering the growth in digital literacy throughout the region, it's easy to see how e-marketplaces have become a go-to for many consumers and retailers alike. However, it's also crucial for businesses to note that as consumers emerge from their cocoons, their wants, needs, and even behaviour may change according to the times. In this regard, retailers must be willing and ready to adapt at lightning speed. Cortini added, "During the first few months of the pandemic, our traditional business—fashion, so dresses and occasionwear—was losing a little bit in the sales mix. And then we saw the rise of essentials, beauty and skincare, cookware and sportswear [which are all] doing very well." With the foresight to diversify and appeal to the sudden shift of consumer demand, ZALORA was able to future-proof its business and thrive amid times of uncertainty. "[We need to look at] the bigger picture. Though we see changing trends, some may be temporary, and some may stay a little longer. [However] I do believe that [as more people prefer to work from home], casualwear is here to stay."

KEEP IT CASUAL

According to ViSense State of Retail AI report, demand for graphic tee shirts increased by 30 per cent, while halter neck blouses and midi dresses inclined to 58 per cent and 34 per cent respectively.

DEMAND FOR HEELS VS SNEAKERS



Source: TRENDER, a Data by GFG Product

Number of Brands on ZALORA



CASE STUDY: ZALORA

Listen in to Simone Cortini, Marketplace Director at ZALORA Group, and gain valuable insights into current trends, shifting perspectives, and how to adapt on the go.



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



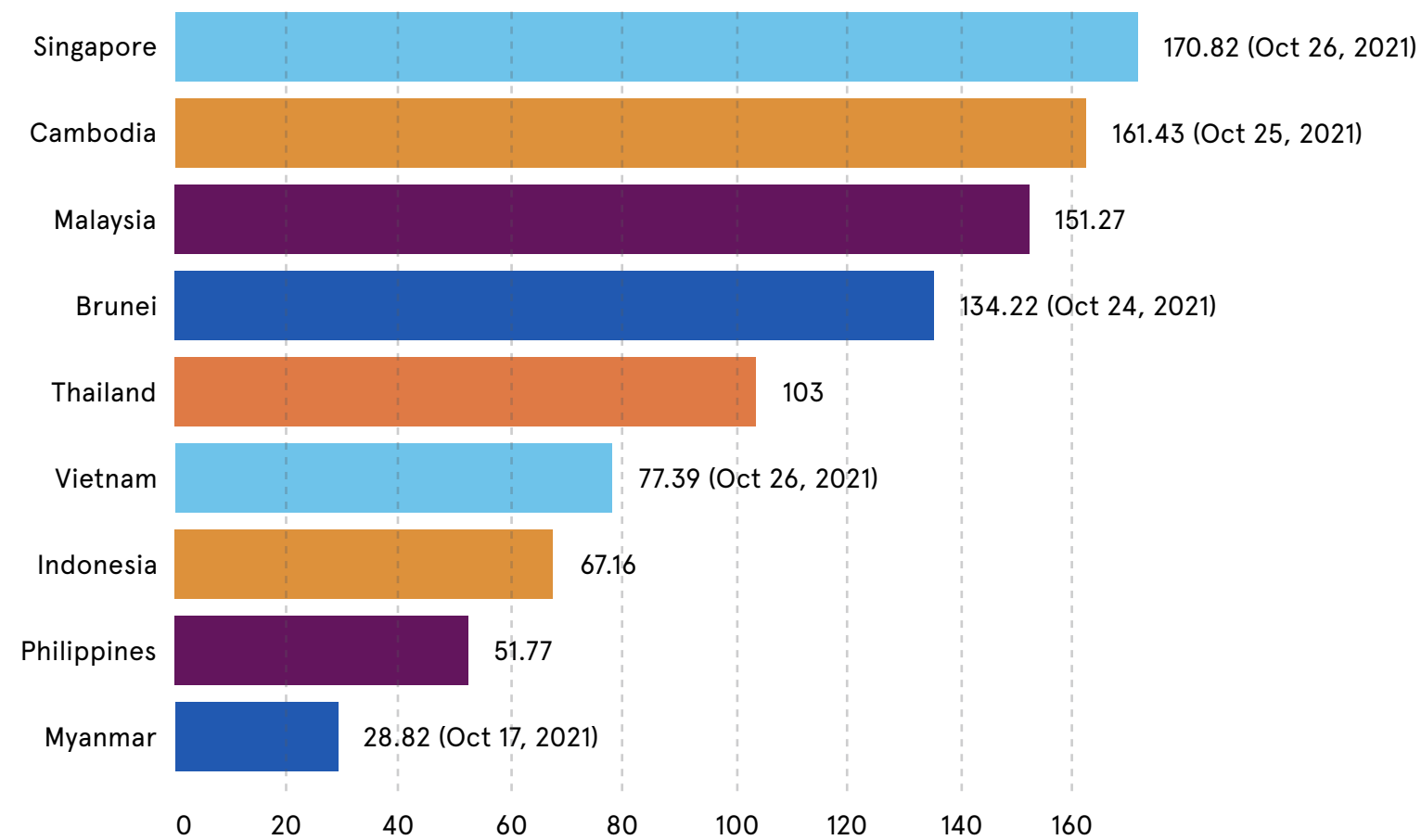
CHAPTER 3: AUDIENCE INSIGHTS

A TALE OF TWO CATEGORIES

With formal events and parties put to a side since the pandemic began more than a year ago, the need (and will!) to dress up seem a little implausible ... or is it?

According to TRENDER by ZALORA insights, the chance to dress to impress is a lot closer than you think. However, to understand these current trends, we must first draw comparisons against the region's mobility restrictions and vaccination rollouts.

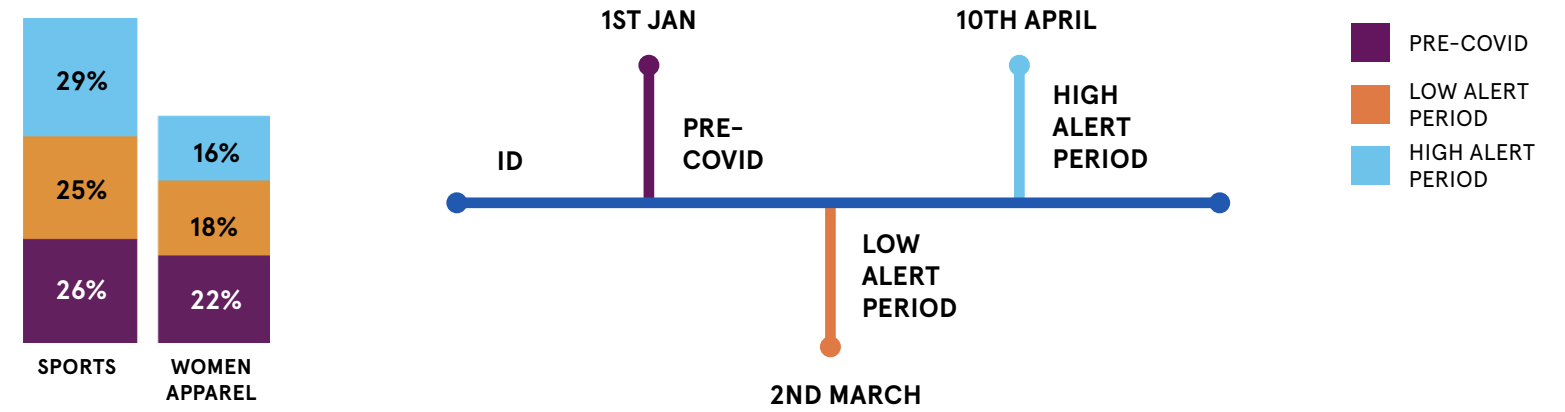
COVID-19 VACCINATION ADMINISTERED PER 100 PEOPLE



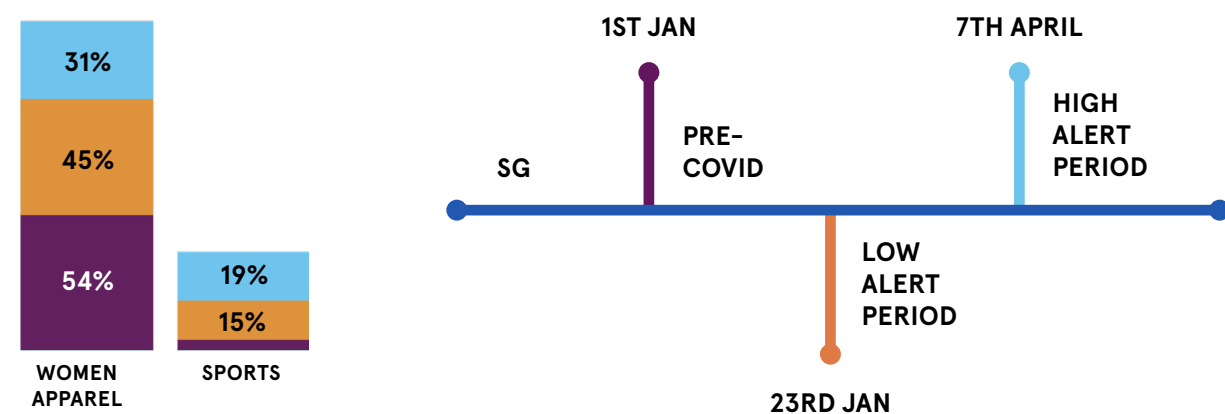
Source: Our World in Data, 27 October 2021

Leading the vaccination race is Singapore, one of the first Southeast Asian countries to commence vaccination rollouts. It also certainly helps that the city-state has one of the smallest populations in the region, with 5.5 million to date. In a surprise second, Cambodia outpaces Malaysia and a majority of its wealthier neighbours. According to [The Diplomat](#), this fast rate is by and large thanks to the country's ring-fenced distribution plan, unlike others who have opted for a more complicated age-tiering. Moreover, Cambodia received approximately 27 million vaccines from China for its 16.5 million inhabitants. Unfortunately, countries like Indonesia, the Philippines and Myanmar could only hope for such luck. With high populations, complex topography (Indonesia and the Philippines have thousands of islands each), and erratic vaccine supplies, the quest to reach herd immunity will be challenging.

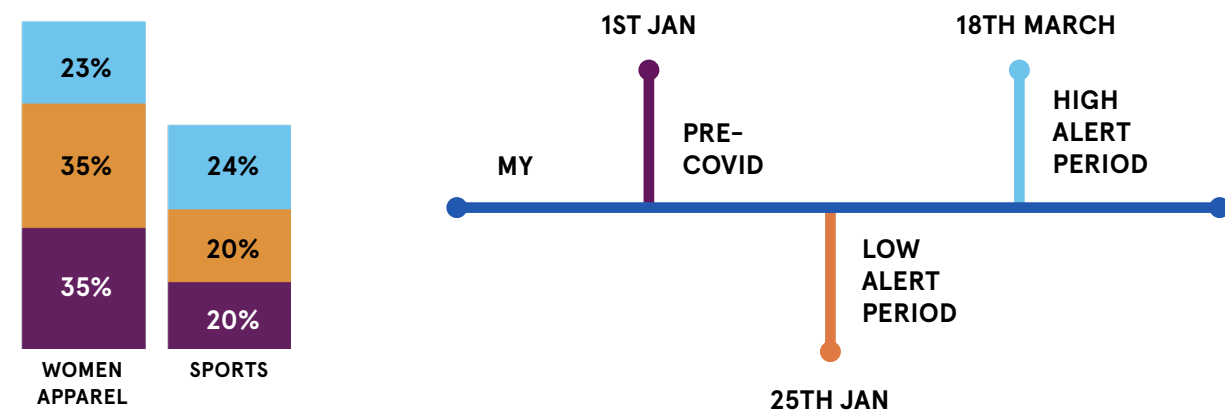
DEMAND FOR CASUALWEAR VS RESTRICTION PERIOD IN INDONESIA



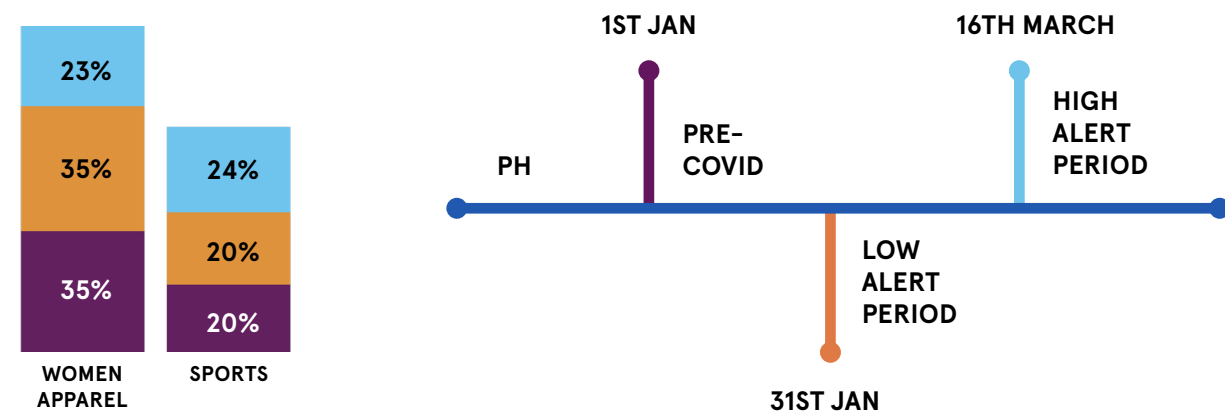
DEMAND FOR CASUALWEAR VS RESTRICTION PERIOD IN SINGAPORE



DEMAND FOR CASUALWEAR VS RESTRICTION PERIOD IN MALAYSIA



DEMAND FOR CASUALWEAR VS RESTRICTION PERIOD IN PHILIPPINES



Source: TRENDER, a Data by GFG Product

CHAPTER 3: AUDIENCE INSIGHTS

In this regard, demand for casual wear vs occasion wear will vary from country to country as movement restrictions depend highly on vaccination rates. Indeed, where optimism is rife, an increase in purchases is sure to follow.

By looking at these graphs, we can assume that as restrictions ease, consumers—especially females—have looked to purchasing new pieces to wear out as they plan their social calendars. Here, shoppers will dress to impress as they emerge anew; think brunch with friends, dinner with families, and on a more ambitious note, upcoming international travels.

Case in point, when Singapore announced its Vaccinated Travel Lane (VTL) pilot with Germany on the 8th of October, Google Search Trends for the European country skyrocketed by 300%. Diving deeper, the search terms for “winter wear” increased by 275 per cent on ZALORA, compared to the same period before (8 - 26 Oct vs 19 Sep - 7 Oct), and 325 per cent increase in searches for thermal clothing, versus the period before, perhaps considering the upcoming colder seasons that the country would be in around this time of year. We also see this trend duplicated in Malaysia. Following the government’s announcement of interstate and overseas travel on the 11th of October, search for winter clothing on the retailer’s platform increased as well (32 per cent), although not as significant as in Singapore, which could be due to the general reduced income from rising levels of unemployment. Elsewhere in the region, Google searches for “shorts”, “jeans”, “dress”, and “shirt” all saw 10 to 30 per cent recovery in October 2021 as compared to the onset of the pandemic (April 2021).



Unfortunately, for countries still grappling with vaccination rates and movement restrictions, shopper spirits were dulled as news of the Delta variant further complicated the ongoing health crisis.



90 per cent of new Internet users since the onset of the pandemic and are currently deepening their online experiences.

DID YOU KNOW?

At ZALORA, 81 per cent of consumers are female.

From this vast number, studies have shown that a substantial amount of consumers shopping online are women. For example, in a survey conducted by 'The Economist', 49% of the women from Asia said that they preferred shopping online rather than in-stores. This shift occurs as e-commerce offers more variety, greater access to foreign branded products, and convenience than offline shopping. Moreover, these shoppers consistently use online tools such as v search to discover the best product at the best value for them and their families. We see this happen to great effect in Malaysia; 72 per cent of women prefer accessing the internet first when looking for any kind of information, whether to solve a problem or make a purchase.

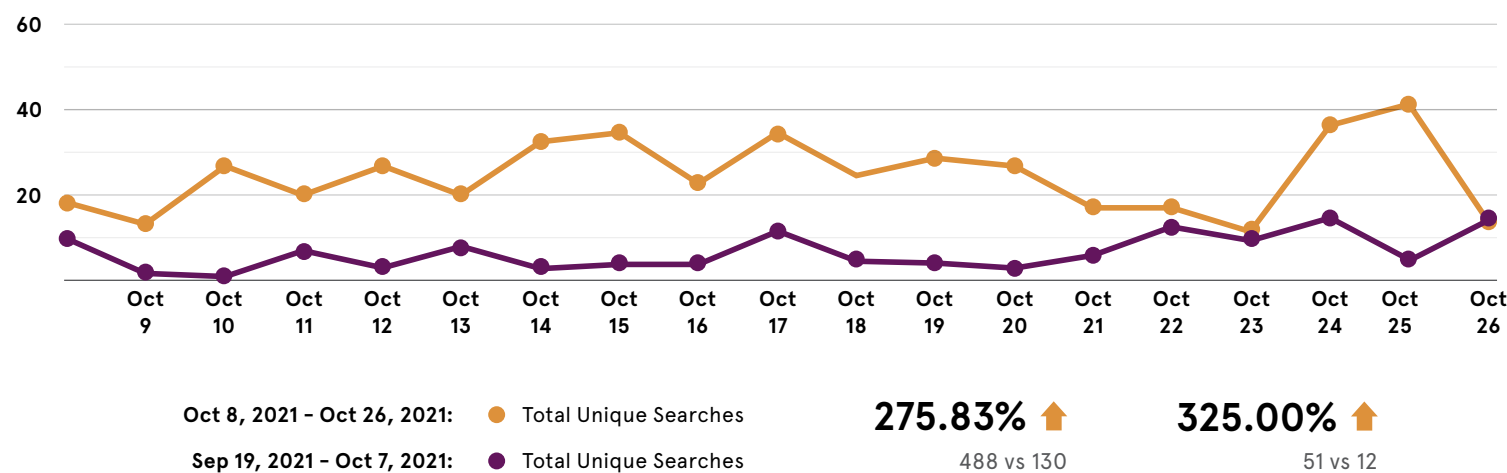
Not all is gloom and doom in these regions, however (for retailers, at least). As we have outlined in Chapter Two, consumers were found to have spent significant time online during heightened alert periods, either indulging in content or rewarding themselves with new purchases.

If you thought dampened spirits were going to affect consumer confidence, you thought wrong. Consider this Southeast Asia’s answer to China’s ‘Revenge Shopping’, but in reverse. Here, pent up frustration from lack of social activities and travel is a curse and a blessing. Consumers have more disposable income than before, saved up from being indoors, resulting in a trend of higher basket value and larger basket sizes. This propensity to spend is spurred even further when factoring in the region’s accelerated rate of digitisation; for perspective, there are more than

On the flip side, amid this surge of female-led consumers, there have been reports of substantive gender gaps, even despite considerable amounts of progress. This is

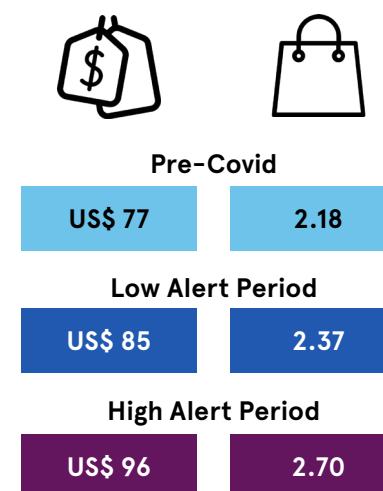
mainly because the pandemic had disproportionately affected many women across the region through unemployment (women work in sectors most affected by Covid-19) or other social crises. While gender equality within Southeast Asia is still very much within its early stages, there is a massive opportunity for economic growth if leveraged well. Back in 2018, MGI research found that advancing women’s equality in Asia Pacific could add \$4.5 trillion a year to collective GDP. This could potentially equate to as much as \$2.2 trillion in additional consumption over the next decade.

SEARCH FOR WINTER CLOTHING ON ZALORA IN SINGAPORE



Source: ZALORA

AVERAGE ZALORA BASKET SIZE ACROSS SOUTHEAST ASIA



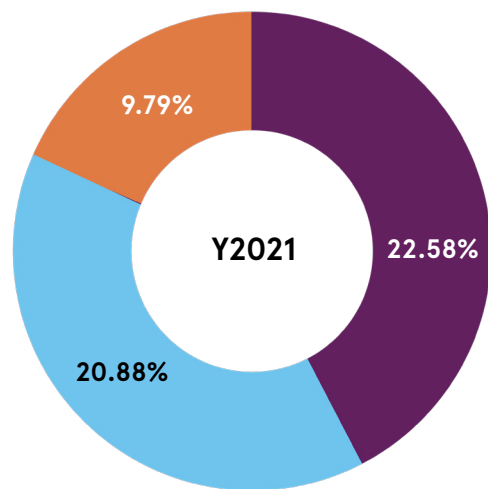
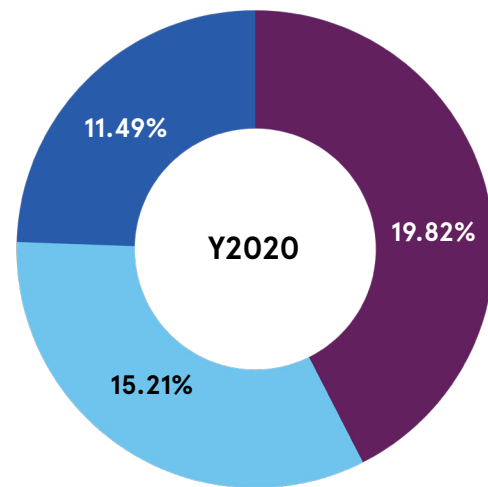
Source: TRENDER, a Data by GFG Product

CHAPTER 3: AUDIENCE INSIGHTS

LOVE YOURSELF: BEAUTY AND PERSONAL CARE BOOM IN SOUTHEAST ASIA

Beauty is in the eye of the beholder, now more so than before in this polarised self-care market. In 2020, we saw a rise in Google Search Trends for at-home treatments. Think hair clippers (1460 per cent YoY in MY and 1010 per cent YoY in PH), hair dyes (230 per cent YoY in MY), clay masks (130 per cent in ID) and night creams (120 per cent in ID) in this regard. However, as consumers now begin to emerge from their cocoons anew, categories forgotten or set aside during the pandemic is slowly rebounding. According to Google Search Trends for lipsticks (6.5 per cent) and primers (5.4 per cent) improved YoY, although in small margins.

TOP 3 BEAUTY CATEGORIES ON ZALORA IN 2021 VS 2020



■ FACE MAKE-UP ■ BATH & BODY ■ FACE SERUMS & TREATMENTS ■ FRAGRANCES

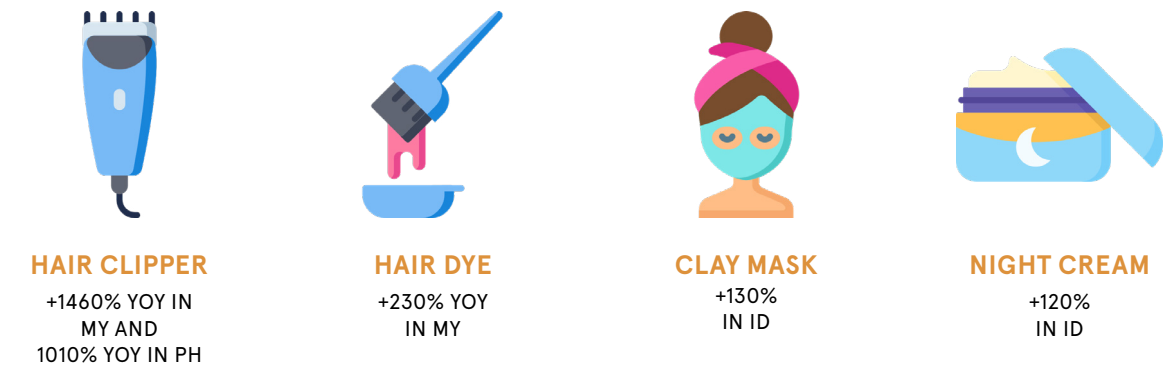
Source: TRENDER, a Data by GFG Product



Interestingly, ZALORA reported varying trends. While skincare remained a top performer, it's worth noting that fragrances dominated the e-tailer's personal care category. Even since the earlier days of the pandemic, fragrances exceeded expectations and breezed through into 2021, overtaking face serums and haircare in percentage sales. It goes without saying that this strange uptick has baffled many economists; however, some suggest it a replacement to what many would know as "the lipstick effect". In the past, lipsticks were typically considered as "quick luxury fixes" given their affordability.



2020 PERSONAL CARE GOOGLE SEARCH TRENDS



Source: all Google Search Trends data Q2/20 vs Q2/19

2021 PERSONAL CARE GOOGLE SEARCH TRENDS



Source: all Google Search Trends Q2/20 vs Q2/19

*SEA-4 = ID, MY, PH, SG

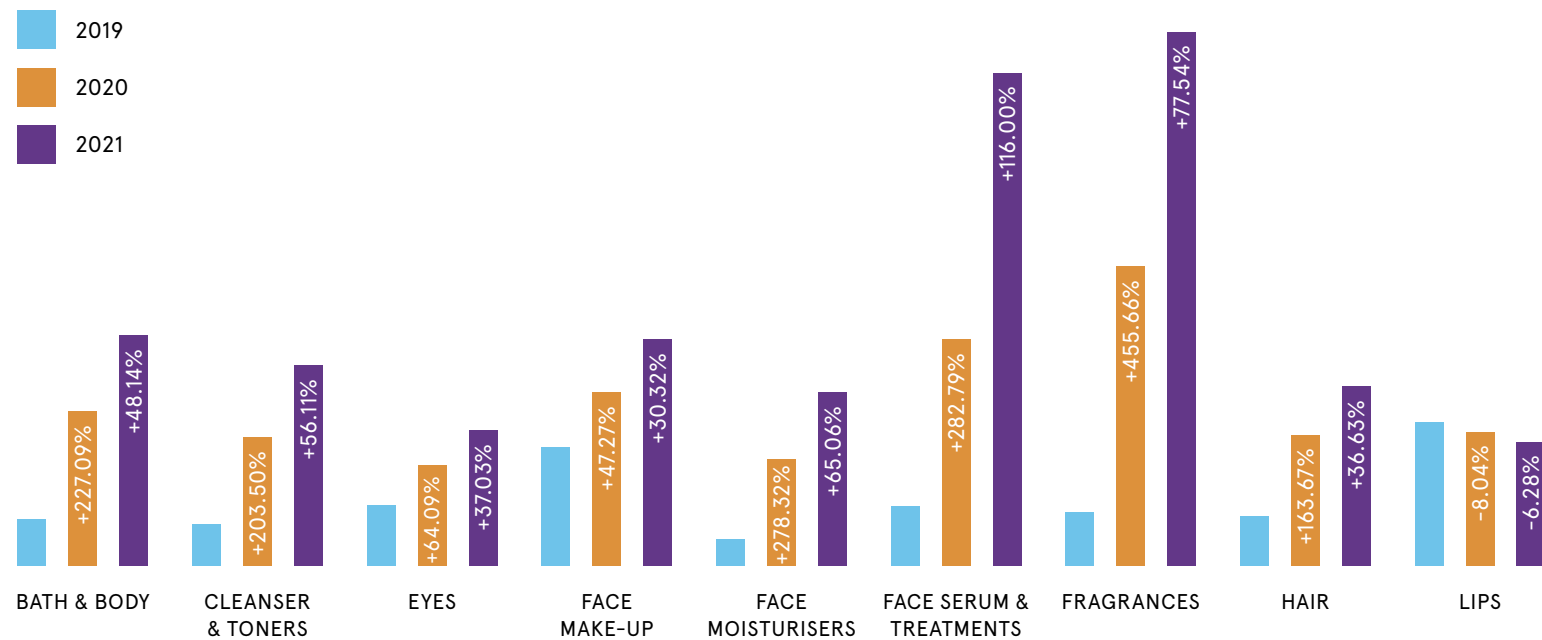
But as the use of face masks during the pandemic rendered lipsticks obsolete, consumers have shifted to fragrances as their go-to signature instead. In a study by NPD Group, it was revealed that half of its respondents purchased fragrances as a treat for themselves, while another 20 per cent said it was a gift for someone else.

Moreover, there seems to be a sensory link; fragrances are often used as instant mood-lifters (think aromatherapy) and can transport wearers to a specific place or time, even if just by memory. Said Larissa Jensen, Vice President and Beauty Industry Advisor at [NPD Group, to Insider](#), "There's a science behind your sense of smell and how it's directly related to memory—you smell something, and it brings you back to a moment in time. And if you think about what we all went through, it could be, to a degree, consumers wanting to escape."



CHAPTER 3: AUDIENCE INSIGHTS

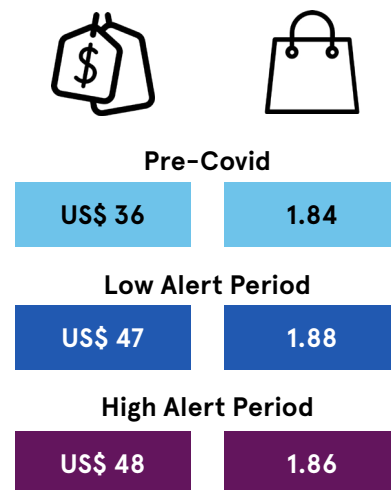
SHIFTS IN BEAUTY PRODUCTS ON ZALORA



Source: TRENDER, a Data by GFG Product

Fragrances aren't the only products shoppers are splurging on—face serums and treatments are equally as important. According to data by ZALORA, face serums and treatments amounted to 20.8 per cent of demand in 2021, a stunning 114 per cent spike from 2020. This growth is by far one of the most significant across the retailer's platform and can be said to have vastly contributed to an increase in basket value. Here, customers are seen to have spent more on fewer items throughout the pandemic, only to dip ever so slightly by US\$1 during low alert periods, perhaps due to consumer pessimism. However, a dollar's difference is not that much, especially given the US\$12 leap from pre-pandemic levels.

AVERAGE BASKET SIZE FOR BEAUTY IN 2021 ON ZALORA



Source: TRENDER, a Data by GFG Product

Evidently, as consumers become more adjusted indoors, they have become more in tune with their self-care. Perhaps, in this case, standards have shifted due to people embracing their natural beauty. From Lady Gaga posting a make-up free selfie on Instagram to fashion magazines publishing unedited covers, there's no denying a more down to earth beauty revolution is underway.



THE SCIENCE OF BEAUTY

Leading this revolution is beauty backed by science. Stripping unnecessary frills typifying the industry, skincare brands putting data above all else are changing the way consumers approach their self-care routines. Often dubbed "minimalist" or "resilient" beauty, this new age proposition might sound a little complex, but in reality, its fundamentals are relatively simple. Think gimmick-free solutions like hyaluronic acid or trusted ingredients like vitamins to nurture and enhance immunity and overall well-being. According to Yusuke Saito, director of Personal Care and Aroma Ingredients (APAC) at ingredient manufacturing company DSM, "consumers are looking for more products which are proven to be safe. With new habits like frequent hand washing and wearing of face mask, we also saw problems like [maskne] (acne caused by wearing of face masks) and dry hands caused by increased handwashing." In this regard, skincare and beauty brands must deliver results and be as transparent and safe as possible.

With defined ingredients and clinically-proven results, it's easy to see how skincare disruptors have benefited from this consumer evolution. Sophie Soh, Marketing Director at Paula's Choice, explained to ZALORA, "Whilst consumer goals might vary, they all value transparency, efficacious products that work and that are backed by science and research." She also credited

the region's growing digital literacy that has enabled shoppers to "make more informed decisions" and "helped bridge the gap with consumers here." As a cult American skincare brand that had just penetrated the Southeast Asian market, it would have been difficult for shoppers from far corners of the region to develop an affinity without the internet. But luckily for brands like Paula's Choice, the pandemic digital acceleration served as a springboard for retailers and communities to interact with one another.

Additionally, this newfound communication had instilled a sense of social activism among individuals. Amid a sea of chatter online, an exchange of information resulted in new values, including sustainability and ethically-forward moral codes. "Over the years, we've seen increased consumer interest in our manufacturing and production processes, even within Southeast Asia," Soh added. "From ingredient sourcing to eco-friendly packaging, we're really happy to see consumers getting more involved and considering these factors before making a purchase decision."



CHAPTER 3: AUDIENCE INSIGHTS

YOU'VE GOT MALE: GROOMING MASCULINE BEAUTY FOR THE FUTURE

With social activism taking off, masculine and genderless beauty is—slowly but surely—on the verge of a retail boom in Southeast Asia.

Here, the region's Gen Zs and Millennials are paving the way, taking notes from South Korea where masculine beauty is normalised. Though grooming and personal care for men isn't a groundbreaking concept, makeup specifically targeted towards males is still relatively new. However, as K-pop and K-Drama celebrities demonstrated, men can feel and look beautiful too. Having gained immense popularity beyond the Land of Morning Calm, South Korean "idols" have caught the attention of fashion and beauty powerhouses from Gucci to Tom Ford. In a bid to ride this pop culture tsunami, actors and singers like Kim Dong-Wook and Gong Yoo have been tapped to front a series of campaigns, including cosmetics. To female fans, the idea of male celebs selling makeup, skincare and other beauty products to



women is refreshing and boundary-blurring. In an [interview with Channel News Asia](#), psychologist Dr Perpetua Neo said, "Gen Z is gender- and sexually-fluid, blurring the lines often." Naturally, brands have responded according to the spirit and progression of the times. Neo added, "The trend of (East) Asian males fronting these international labels may be rooted in how male grooming is considered acceptable here. It can also make grooming within a heterosexual couple unit even more acceptable, or a shared activity. Having men fronting beauty brands is very different from yet another female celebrity telling you this product is great for you."

It's no wonder then that the global male grooming market is expected to be worth [\\$166 billion by 2022](#). According to a report published by Allied Market Research, the [Asia Pacific region is one of the fastest-growing regions for the men's make-up and grooming category, owing to](#)

DID YOU KNOW?

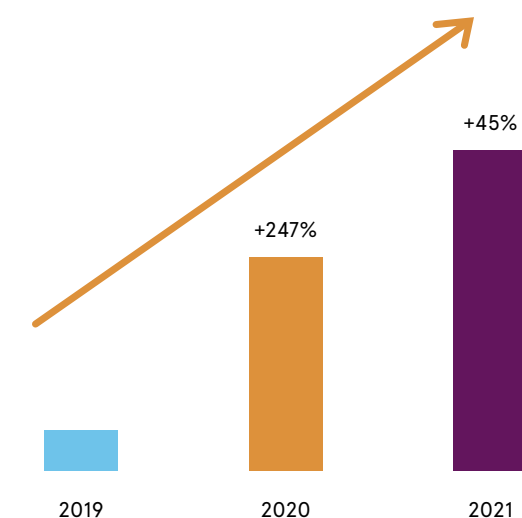
Recent research shows that roughly a third of men aged 25-34 in Thailand have bought foundation or lipstick in the past 12 months.

Source: [The Bangkok Post](#)

[increased demand from countries such as China and India.](#) Here in Southeast Asia, Thais are considered as early adopters, and even in conservative markets such as [Indonesia, male and transgender models are used to promote genderless facial care and makeup lines.](#) As this trend grows, so will its demand and we can already see how this is taking into effect; the [men's cosmetics industry in the region is forecasted to grow by an average of 8.4% a year from 2020-26.](#)

Similarly at ZALORA, demand for men's grooming and personal care have performed better than average since the beginning of the pandemic, jumping to a whopping 247 per cent increase from 2019 to the first year of the pandemic in 2020. This trend continued in 2021, where we saw growth in spending from male consumers in the Beauty category, up by 45 per cent from the previous year.

GROWTH IN BEAUTY (MALE) IN 2021 ON ZALORA



Source: ZALORA

Much like women, the men of Southeast Asia are seen to be increasingly invested in self-care, based on top product categories on the retailer's platform: fragrances, serums, and bath and body, suggesting greater interest in self-care. However, what's interesting here is the propensity to indulge in self-care during high alert periods of lockdown—a complete opposite to women. Differing lifestyles could perhaps explain this; with (most) men returning to work as restrictions ease, they may not have the time to practise personal care as they did during the lockdown. Meanwhile, women who are now heading out and about, in addition to those who may not be part of the workforce (homemakers, for example, with temporarily child-free households as schools re-open), continue to prioritise their beauty regimes, as they continue to interact with more people and have more pockets in their day to do so, adding to the high numbers of shoppers spending on women's beauty categories.

FIVE MINUTES WITH SOPHIE SOH, MARKETING DIRECTOR AT PAULA'S CHOICE



2020 was a terrific year for skincare brands. Do you think this interest is still growing, almost two years since the start of the pandemic?

Before COVID hit, beauty and personal care had seen tremendous growth, and consumers have included these products in their daily routines. With newfound habits and trends that stuck, skincare and self-care will even more so continue to be seen as an essential part of our lives.

What are some of the consumer trends Paula's Choice has noticed?

It's no longer enough for a brand to create great products; how it chooses to make those products and whether that results in a positive social impact is also becoming increasingly important.

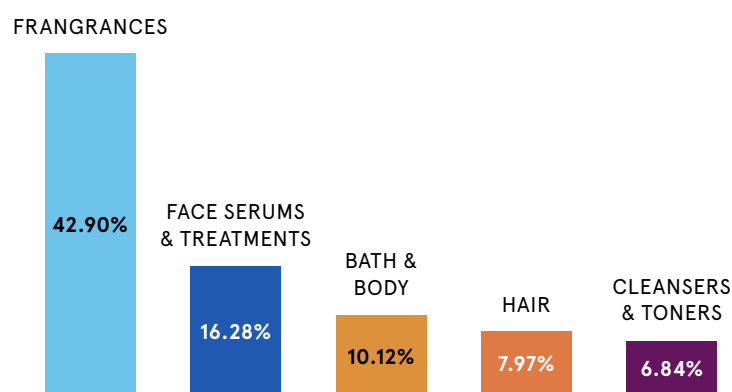
What can retailers do to be more socially responsible?

By incorporating diversity and representation within the brand and its messaging, and ensuring the sustainability of its business and manufacturing practices.

CHAPTER 3: AUDIENCE INSIGHTS

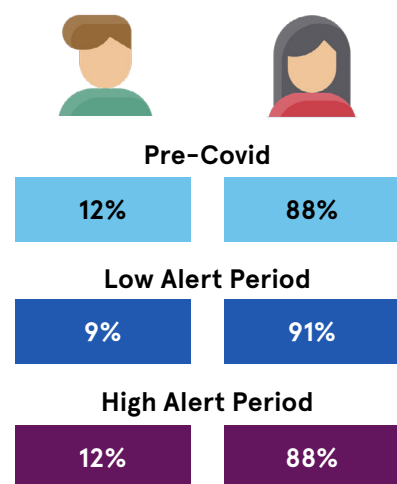
Although Southeast Asia’s men’s beauty market is still relatively more minor than women’s, the future is bright for retailers seeking to tap into this growing opportunity. As society becomes more “woke” due to increased awareness of social issues, the market share of men’s beauty will also increase, and it is because of this, retailers need to stay ahead of the times. Indeed, the pandemic has nurtured a more conscious community, reshaping values to include pronounced importance on personal self-care. Whether mental, emotional, or physical well-being, there is no better time than now for retailers to make a difference and contribute to this growing conversation.

TOP FIVE BEAUTY CATEGORIES FOR MEN ON ZALORA



Source: TRENDER, a Data by GFG Product

MALE VS FEMALE SHOPPER COMPARISON FOR BEAUTY PRODUCTS ON ZALORA



Source: TRENDER, a Data by GFG Product

HEY BIG SPENDER: THE LUXURY OPPORTUNITY IN SOUTHEAST ASIA

Despite dwindling economic prospects, the surprise MVP in retail for 2020 was the luxury category. In fact, in Southeast Asia, shoppers spent an average of USD 127.50 per person on luxury items across e-commerce platforms, from February to July this year, according to iPrice. So the question is: what’s causing this surprise stellar performance?

As mentioned earlier in this chapter, netizens found respite in online shopping during the pandemic. “Actually, it’s kind of therapeutic, browsing branded items on Instagram. Moreover, nowadays they do a lot of live sales there,” said Mia Rafdianti, the head of product development at a Jakarta-based startup. From her personal account, Rafdianti spent around IDR 20 million (USD 1,360) on bags and shoes from Balenciaga, Gucci, and Louis Vuitton, which she bought from Instagram sellers during the partial-lockdown imposed in Jakarta, which lasted for four months. “When it comes to bags, I love to use different ones each time. But I think my purchases now are sort of impulsive buying to release stress over this pandemic,” she said.

According to Stephan Wu, Strategy and Insights Manager at Google, search trends for top designer brands in some markets have exceeded pre-Covid levels in this year’s first half. This uptick was especially pronounced in Singapore, where the search interest was as high as 1.5x vs pre-Covid level for top brands such as Louis Vuitton, Chanel and Dior. “These findings



are consistent with an APAC research we have done commissioned with Kantar, where we found out that consumers are buying these feel-good indulgence items to make themselves happier during this time of uncertainty,” Stephan added.

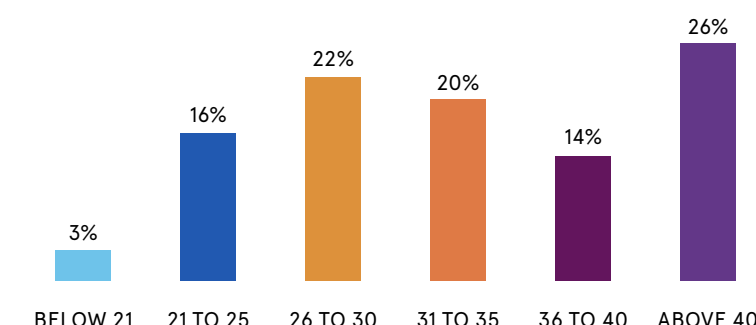
Once again, we look to Data by GFG for signs of further proof. On the retailer’s platform, shoppers spent the most on wallets and purses at 8.79 per cent. Meanwhile, fragrances came in at a close second (see: new “lipstick effect”) and tee shirts at 7.45 per cent. At the same time, we can also observe ZALORA’s unique luxury buyers are mostly aged 36 and up, despite the platform’s main customer belonging to the 25-to-35 age group.

TOP LUXURY CATEGORIES ON ZALORA



Source: TRENDER, a Data by GFG Product

LUXURY CATEGORY CUSTOMER AGE ON ZALORA



Source: TRENDER, a Data by GFG Product

What’s important to note here is although Gen Z and Millennials are known to be avid shoppers, Baby Boomers have taken over the e-tailer’s luxury segment, with those over 40 amounting to 26 per cent of the market’s share. Considering the minimal margin in-between these three age groups, we can assume that the gap in purchasing power is getting smaller, thanks to new innovations and service offerings that have risen since the pandemic began.

One of them is Buy Now Pay Later (BNPL), which has disrupted the world of retail and finance (more of that later in Chapter Four). That said, the correlation between BNPL options and an increase in luxury spending is an interesting one. By allowing customers to make flexible payments over a specific period of time, consumers who previously did not have access (think Indonesia’s underbanked community) nor means to splurge (fresh grads, for some) are finally able to do so today. On the other end of the spectrum, Boomers have become increasingly tech-savvy, spending more time online than they ever did before. With this newfound ability, they can discover new products and brands online. Datin Sri Zarida Binti Noordin, Executive Director of HABIB Group, a jewellery house in Malaysia, agrees: “Because of the pandemic, my generation—the Baby Boomers—were forced into [going digital],” she said in an interview with ZALORA. “Because of that, everyone has started browsing and [discovering new things] on platforms like ZALORA.”

CASE STUDY: GOOGLE

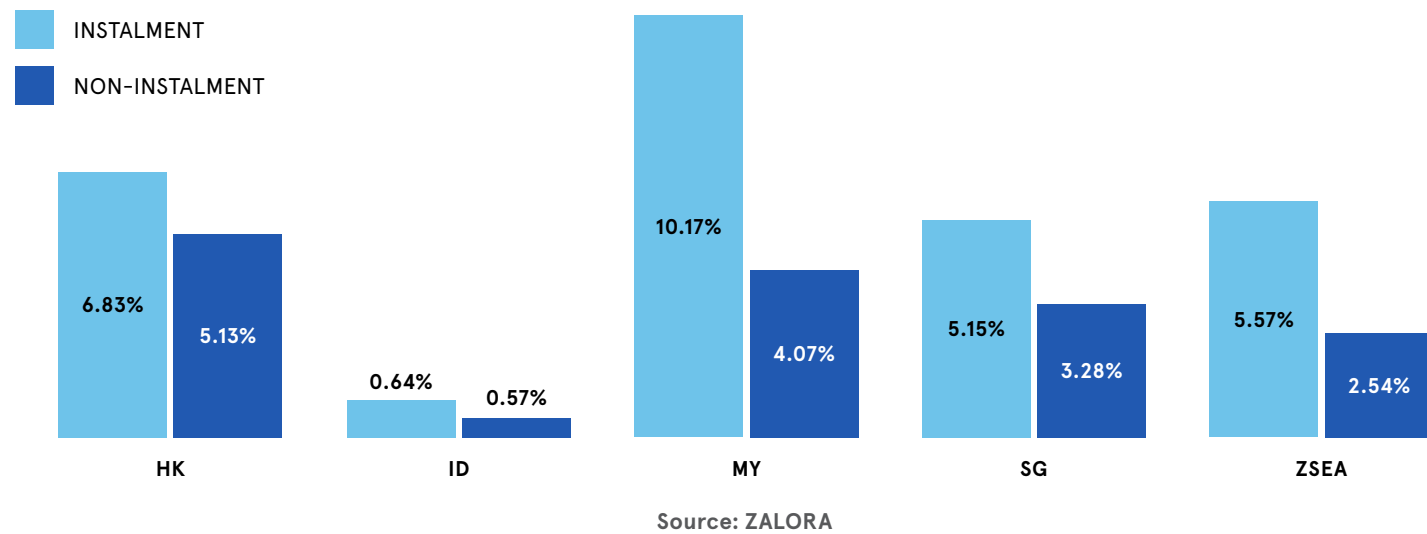
Get the down-low on latest insights exclusively shared with ZALORA by Google. Here, Stephan Wu, Strategy and Insights Manager, tells all.



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

CHAPTER 3: AUDIENCE INSIGHTS

USE OF BNPL ON ZALORA FOR LUXURY ITEMS

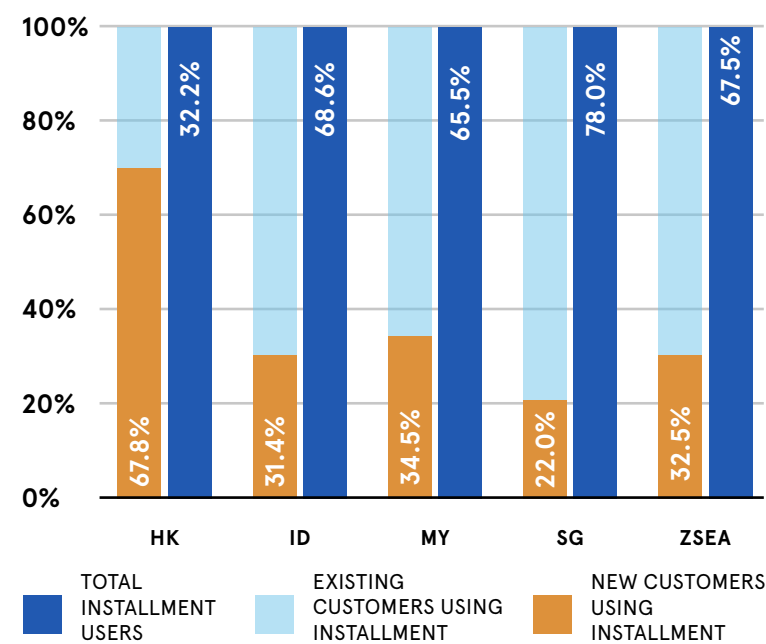


Case in point, BNPL was used across all countries throughout the region for luxury purchases on ZALORA, with Malaysians leading the way. Here, cultural nuances mixed with digital penetration and purchasing power has resulted in varying degrees of adoption, and this is best seen in rising markets such as Malaysia. As mentioned in Chapter Two, Malaysians are very brand- and value-driven, and given the flexibility and convenience BNPL has offered to them, it's no surprise they have come up on top in this luxury shopper environment. Meanwhile, on a diametrically opposing end, Indonesia reported the lowest usage of BNPL with 0.64 per cent compared to Malaysia's 10.17 per cent in the first half of the year. This dramatic difference could also be closely related to Indonesians preferring sportswear and hobby-related products instead of luxury items, as well as their varying digital penetration across its thousands of islands.

Nevertheless, value is what is most crucial here. For most consumers today, staying prudent is what will keep them afloat during these troubling times, and shoppers will seek products that will give them the highest level of satisfaction—regardless of whether it is a luxury bag or sports equipment—at the best price. For brands like HABIB, this means offering “world-class for less”. Said Datin Sri Zarida Binti Noordin, “With the

pandemic, a lot of people also start looking at savings, and how to spend their money more prudently. [And in the case of jewellery], people started looking at it as not only adornment but also pieces of investment.” Such sentiments could certainly account for the rise in demand for luxury jewellery and timepieces: according to data, Google Search Trends for luxury watches increased by 15 per cent in Singapore.

COMPOSITION OF INSTALMENT USERS (H1'21)



CASE STUDY: HABIB GROUP

At a time where consumers are becoming increasingly prudent, Datin Sri Zarida Binti Noordin makes a case for the luxury category, which has surprisingly rebounded amid a pandemic.



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

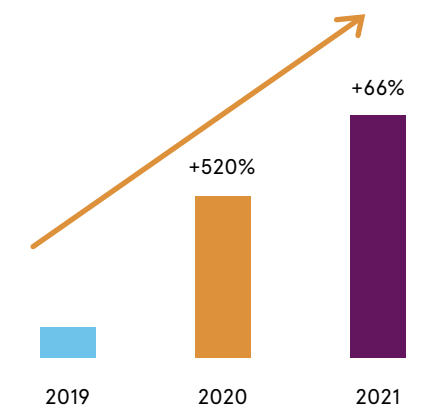
Ultimately, in order to win the luxury race, brands must consider casting a wide net with a mixed merchandise approach and bank on educating younger consumers. By leveraging new mediums such as live streaming and social media, luxury retailers will be able to nurture a new demographic and build upon brand loyalty and affinity. Though Baby Boomers are still considered as the industry's key drivers (after all, they do have more financial stability), it's worth noting that Gen Z and Millennials are more likely to keep up with trends and fit in with society, than the latter. This is already happening in China, who is set to dominate the luxury market by 2025, consisting of a deeply mature consumer base in this segment; when Chinese millennial consumers buy luxury brands, they will be influenced by the surrounding consumers (social and community-oriented consumers). Furthermore, this implies that Chinese millennial consumers are more likely to invest in premium goods to integrate themselves into their peer groups. With the power of the internet, brands can provide more affective identification to its user and subsequently, help them positively influence others through the symbolic meaning of luxury brands, and thereby enhancing their social influence.

BABY BOOM: GIVING BIRTH TO A SURGE IN DEMAND FOR KIDSWEAR

When the pandemic hit last year, no one could have prepared retailers for the sea of shoppers demanding children's wear. At ZALORA, sales jumped by 486 per cent as parents scrambled to stock up on clothing for their children in anticipation of nationwide lockdowns.

This year is no different. Though the jump was not as pronounced as last year's performance, demand for children's wear still followed the upward trajectory of growth, perhaps due to restrictions fluctuating across the entire region which kept children at home. That said, even as mobility begins to ease, certain countries have refused to open schools and nurseries, seeing as children are still some of the last—if not the last—age group to be vaccinated.

Y-O-Y DEMAND FOR CHILDREN WEAR AT ZALORA



Source: ZALORA

Given these circumstances, we can see how parents are still resorting to online channels to purchase their children's wardrobes, resulting in an uptick of 49 per cent on ZALORA this year. According to Euromonitor India, the children wear market for ages 0 to 14 years old was forecasted to grow at a compounded annual growth rate (CAGR) 17.9 per cent from 2019 to 2023. However, in light of a pandemic baby boom, we can expect those numbers to rise, particularly for infant and maternity wear.

CHAPTER 3: AUDIENCE INSIGHTS



In Indonesia, [authorities believe there could be 400,000 more births than usual this year as lockdowns keep couples at home and cut access to contraception](#). The same concern was also felt in the Philippines, where [unintended pregnancies are forecast to spike by almost half to 2.6 million](#) if Covid 19-induced movement restrictions remain until year-end, according to the United Nations Population Fund.

Given the brisk turnover nature of children's wear, we can safely assume for the demand to surge once again in the coming months. Said J Suresh, the chief executive at Arvind Fashions to Economic Times, ["Children outgrow clothes quickly. There was a pent-up demand noted in parents who were looking to shop for their children before the lockdown began."](#)

DID YOU KNOW?

Products for children ranging from "baby clothing" to "baby milk powder" have registered two-year highs in 2021 on Google Search Trends.

Source: Google

SUSTAINABILITY: GREEN THUMBS UP IN RETAIL REVAMP

It's official, Southeast Asians are "woke". And not only from a social activism perspective (remember how Thais have become early adopters of non-binary makeup?), but from an environmental perspective too. Mainly due to prolonged introspection and social media engagement during the lockdown, consumers in the region have now begun to think twice about their lifestyles and habits.

But this isn't to say sustainability is a new concept or trend per se. Over the past several years, zero waste brick-and-mortars like Saruga in Indonesia and Unpakt in Singapore have garnered themselves a mass following, while second-hand thrift stores (also known as "bundle" stores) in Malaysia have been a community go-to for countless B40 individuals. If anything, the pandemic had only heightened consumer awareness of the impacts of their purchasing behaviours, leading to a rise in demand for more sustainable products. Just recently, in Malaysia, tech startups like Recircle have created an app for—you guessed it—recycling everyday goods like newspapers, plastic bottles, and even used cooking oil. Meanwhile, Tesco Lotus has started rolling out recycling bins in supermarkets, encouraging shoppers to recycle waste in exchange for in-store credits. Elsewhere in



the region, local NGOs in the Philippines have [upcycled residual plastic into "eco-bricks" for schools across the city of Paranaque](#). Retail-wise, Southeast Asian consumers are willing to pay more for something sourced sustainably, with [80% preferring to buy from companies that have invested in lessening their negative social and environmental impacts](#), according to the Global Survey of Corporate Social Responsibility and Sustainability.

Fashion players like H&M have also taken note of this growing concern, especially given its reputation as being one of the world's largest polluters. Since launching its Conscious Collection capsule, the Swedish heavyweight has invested heavily in new technologies to bring innovation to sustainability. Think leather made from mushrooms and dyed in organic materials like coffee and vegetables (see more in Chapter Four).

Meanwhile, homegrown brands, no less inspired by H&M, have followed suit by thinking outside of the box to meet the growing demands from consumers and push the envelope locally. One such brand is Joannalsm, whose upcycled fashion-forward pieces have caught the eyes of consumers in Singapore. "In fashion retail, sometimes discarded items and unwanted poor-quality clothing are one of the main culprits when it comes to pollution," said Joanna Lim, the label's founder. "[We resolve] this issue by taking in recycled and donated scraps from H&M, unpick and stitch fabrics together, and create a whole new look for consumers and share the idea of circular fashion." However, she also noted that presenting a new way to be sustainable isn't enough—it's essential to be as authentic as possible too. "Transparency is key to how to sustain your business label. Everyone loves authenticity," Lim added. "They are more inclined to support a label that is true to itself than a label that is all fluff and nothing."



THREE MINUTES WITH JOANNA LIM, FOUNDER AND DESIGNER JOANNAISM AND BINARY

Share with us your journey into sustainability began.

How sustainable fashion officially kickstarted both the labels' movement was because of two scenarios. One, I picked up various donated garments from friends and thought of safekeeping them while I figured what I could do with them. Two, an artist agency that provides creative services, reached out for an H&M sustainable project to celebrate H&M's 10th anniversary of being in Singapore.

What are your current challenges?

There isn't enough sustainable supply chain and a lack of information within the industry. For example, to what scale is a dress sustainable? Is using a cotton base fabric more sustainable than a polyester fabric? And when it comes to working with suppliers, in-depth research and study would be required.

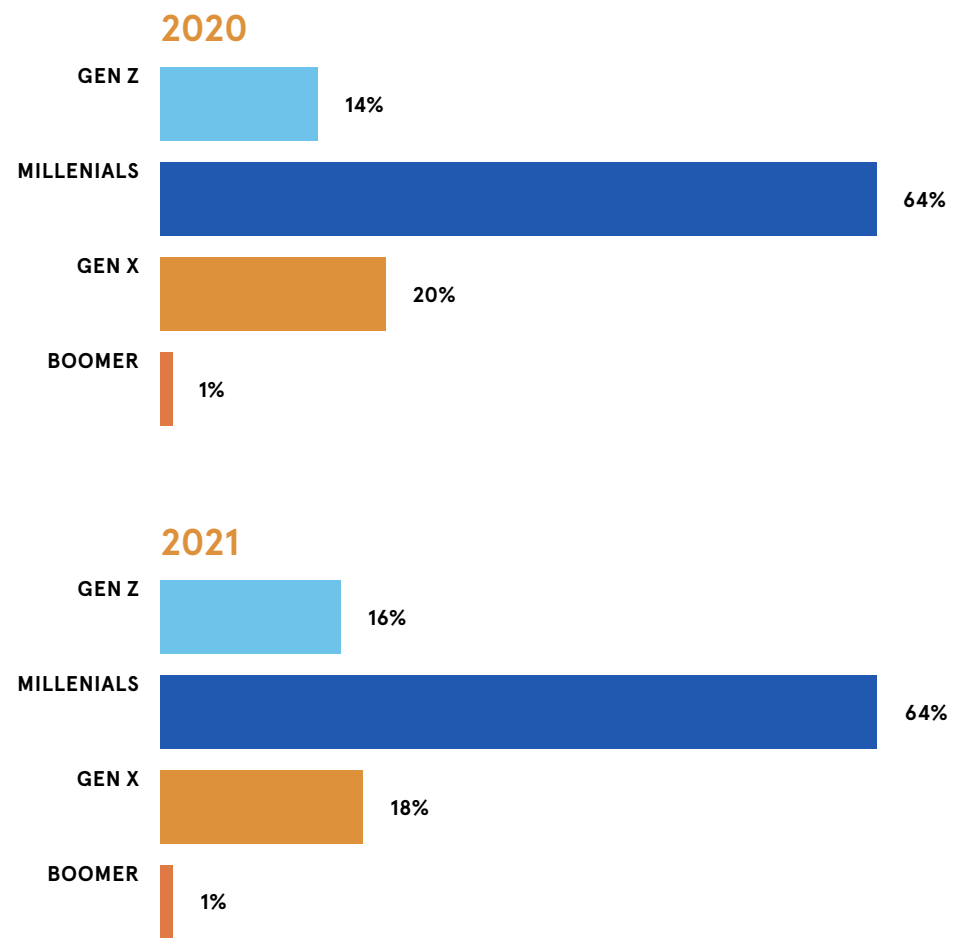
How can technology aid other aspiring conscious-forward designers?

In my opinion, technology such as Browzwear's VStitcher, Gerber software, and Virtual fit technology will greatly reduce product development costs while increasing databases which can help both retail and e-commerce shoppers to make more informed decisions.

CHAPTER 3: AUDIENCE INSIGHTS

Considering this prerequisite, ZALORA, alongside its ongoing efforts to reshape the retail landscape, has introduced its Earth Edit to great success. With a dedicated filter enabling shoppers to search for products based on their preferences from material type (Tencel shirts, anyone?) to ethical practices, conscious customers can shop without compromising their values. Currently, 15 per cent of the retailer's active customers have purchased items via 'Earth Edit', representing 6 per cent of ZALORA's sales share to date.

ZALORA EARTH EDIT SHOPPERS FROM 2020 TO 2021



Source: ZALORA

As expected, Millennials have the most demand for sustainable items at 64 per cent. However, this number has not changed from 2020 to 2021. Meanwhile, demand from Gen X and Gen Z fluctuated at an average of 2 per cent—not much if you think about it, but looking beyond those figures, the implications are vast. With a dip in demand from Gen X, one can easily assume that individuals of 41 to 56 years old are starting to feel the pinch from the pandemic, tightening their purse strings and



THREE MINUTES WITH NAFEEES KHUNDKER, DIRECTOR OF LUSH SINGAPORE

What are the current and upcoming beauty and skincare trends from a Lush perspective? De-stressing or relaxing products. As we see more people getting used to the work from home routine and countless lockdowns, we see the demand for consumers to de-stress and create a relaxing at-home beauty routine for themselves.

How has Lush leveraged this post-pandemic digital acceleration?

Today, more people are spending their time online and consuming digital content than before. Especially during the lockdown period, the customer journey has changed as there is less interaction between customers and our staff. We strive to bridge the gap between customers and staff by providing online consultations, where [our sales team] will browse through the website together with the customer and offer the same consultation details as you would in-store.

Where do you think the future of green beauty and skincare will continue from here on out?

The future of green beauty and skincare is, most likely, naked, reusable and vegan. Especially during this pandemic, consumers are being more mindful of their consumption, and we believe that more consumers will move towards green beauty products.

perhaps shifting their priorities to other pressing necessities. Inversely, Gen Z, who are (mostly) free from being chained by responsibilities like rent, utilities and mortgages, have more disposable income to spend on sustainable products, which usually comes at a premium. We can expect this demand to further increase as their awareness of sustainability improves.

Cult eco-beauty brand Lush are already seeing the effect unravelling. "Globally, consumers are more informed about the products, preservatives, and options, which means that they are looking for brands that are more sustainable and bring a lot more than just saying what the products are expected to do," said Nafees Khundker, Director of Lush Singapore. "We see more customers coming into our stores asking about the sustainability of our ingredients used in our products and see more customers coming in with their reusable bags and containers, instead of requesting a paper bag."

CHAPTER 3: AUDIENCE INSIGHTS



On the flip side of this demand, the interest to lead a zero-waste lifestyle has been taken to new heights, creating a circular economy instead of a linear one. Driven by affordability, especially now, during the Covid-19 economic crisis, consumers have not only reduced their consumption of nonessential items like clothing but are buying more quality garments over cheap, disposable attire. This behavioural shift has paved the way for secondhand clothing, where shoppers can find quality pieces (sometimes, designer) at a reduced price. It's worth noting that in the past, thrifting was often considered drab and "worn-out"; however, today, it is perceived as "trendy" (you can perhaps thank celebrities such as Kate Moss advocating vintage wares for that). Like a domino effect—fuelled by an increased awareness to be sustainable—the resale industry is expected to be bigger than fast fashion by 2029, projected to be valued at \$44 billion while fast fashion at \$43 billion. With this staggering number in mind, it's easy to see why tech startups like Carousell and Vestiaire Collective are fast dominating the market, with the former securing investments from Telenor Group, Rakuten Ventures, Sequoia India, and Naspers.

Meanwhile, in other pockets of the region, "swap parties" have taken fans of the movement by storm as city-wide events, often organised by grassroots organisations, encourage thrifting in a fun and interactive atmosphere. One good example can be seen in Malaysia, where a local branch of FashRev hosted a "clothes swap" event in JayaOne Mall. In this regard, thrifting has evolved into a social activity, where like-minded individuals from different parts of the city (or even country!) convene to exchange ideas, opinions, and of course, wardrobes. We see these events being hosted online through virtual auctions across various platforms, from Instagram to Reddit, even during the lockdown.

Needless to say, the region's accelerated digitisation has left a profound impact on consumers' purchasing habits and their values. If anything, the pandemic has forcibly grounded

DID YOU KNOW?

Google searches for sustainable products went up by +109% in the last year.

Source: Google Search Trends

consumers, resulting in a change of priorities that is more meaningful and authentic. In a report by the [Global Survey of Corporate Social Responsibility and Sustainability](#), 80 per cent of participating Southeast Asians prefer to buy from companies that have invested in lessening their negative social and environmental impacts. As we move on to 2022 and beyond, we can only expect these numbers to grow even further.

THE SHIFT IN CONSUMER MINDSET: FROM MATERIAL TO MANIFESTATION

[There's a new way of "C-ing" things. An evolution from the Five Cs to Three Cs that is. In the past, a consumer's dream once went as follows: cash, car, credit card, condominium and country club membership. However, in today's time of crises, this desire has now been readjusted to the following:](#)

"CREATE" more value for society through innovation and enterprise

"CARE" about our people and our environment by taking action, and

"CHART" the way forward for our society

Although heavily rooted in Singaporean culture, this shift in priorities can also be seen throughout the region; according to a Google commissioned report on Gen Z in INSEA, achieving significance, influence and excellence are also culturally ingrained in Indian and Thai societies. However, along with sociological and economic changes, Gen Z in these markets feel a greater sense of individual agency and are empowered by digital access and knowledge to chase personal success as part of who they are and what they stand for. In other words, Southeast Asians, especially Millennials and Gen Z, are marching to the beat of their own drum.

In view of consumer purchasing behaviour revealed in this chapter, we can see how these two demographics have risen to be catalysts of change within the retail landscape. As part of a rising middle class with higher education and information at the

tip of their fingertips, Gen Z and Millennials have become acutely sensitive to social issues and are not afraid to voice their opinions on such matters (think activist Greta Thunberg and Nobel laureate Malala Yousefzai in this instance). It's the reason why sustainability has evolved into not just a movement but a lifestyle. The same could be said for the rise in demand for male and genderless cosmetics, which has grown due to younger communities pushing for inclusivity and diversity. As mentioned earlier in this chapter, even conservative countries like Indonesia have begun to tap into this emerging market, while Thais are already considered early adopters. At the same time, luxury powerhouses Chanel and Gucci have introduced their men's cosmetics range in department stores across the region.

According to a report by Spotify, Southeast Asia's Gen Z and Millennials are in the midst of a cultural and sociological awakening. ["What became clear through our research is that the excitement of the last decade's rapid technological growth has been replaced with a healthy dose of intellectual curiosity, scepticism and cultural hyperawareness,"](#) it said, alluding to their critical thinking skills on digital platforms that have resulted in "micro-communities [forming] across geographical barriers". Their bold voices have been heard across various industries as a ripple effect, affecting and reshaping multiple sectors. Moreover, it's also the reason why Baby Boomers forcibly have to adapt to the current zeitgeist, as Gen Z and Millennials pave the way ahead into the future with their strong moral codes. After all, progress is impossible without change, and those who cannot change their minds cannot change anything.

In the long run, as society continues to look internally and learn from one another through virtual channels, communities throughout the region will collectively move towards a holistic future. Now more than ever, businesses must realise that it is no longer enough to offer "face-level" value but rather from an empathetic perspective. Considering these uncertain times, these voices of change are what will shape a new retail paradigm ... and it will begin to unfold much sooner than you think. ■

REIMAGINING THE RETAIL EXPERIENCE

As we take this fourth industrial revolution to the next level, we see how resilience—in the shape of innovation—will be at the forefront of retail’s digital frontier. In this chapter, we take note of success stories near and far and deep dive into the industry’s ‘Next Big Thing’.



CHAPTER 4: REIMAGINING THE RETAIL EXPERIENCE

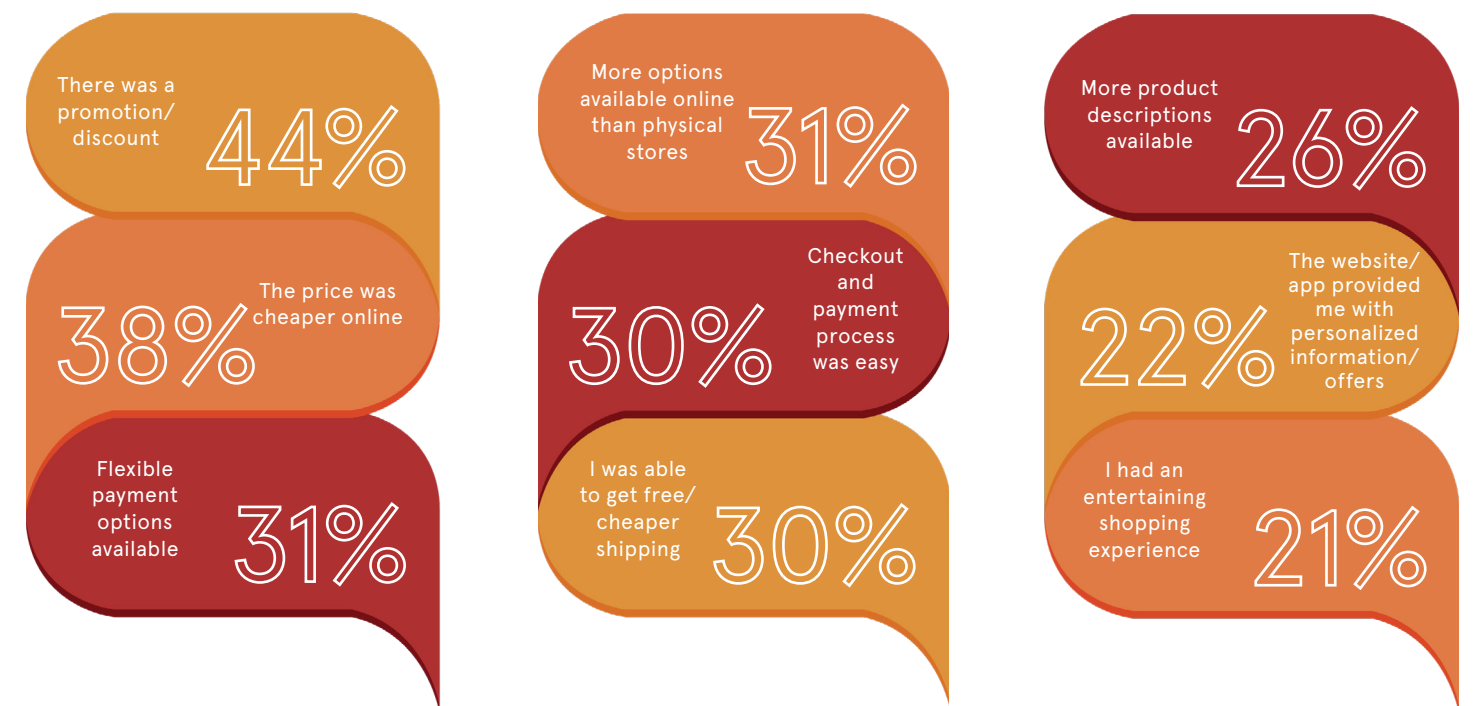
Brick-and-mortar is no longer the beating heart of retail. Instead, future retailers will be expected to operate everywhere, even beyond the ongoing battle against Covid-19. With new variants further complicating situations across the region, experts predict full mobility recovery will most likely improve in H1 2022 at the very earliest. Amid this confidence, several new eateries opened along Singapore's iconic Orchard Road belt; [Lady M patisserie welcomed its sixth outlet and first bar at ION Orchard](#), while [San Francisco's cruffin bakery Mr Holmes Bakehouse, made its debut in Singapore in July at Pacific Plaza](#). According to [Asia Pacific Investor Intentions Survey 2021](#), Desmond Sim, head of research for Southeast Asia in CBRE, said: "Singapore remains an important hub for foreign corporations looking to access South-east Asia." He added that although the city-state's central business district (CBD) rents fell last year, they are forecast to grow over the next three years, supported by low vacancy and strong demand.



Unfortunately, not all countries share the same prospects. In nations struggling to contain the virus and vaccinate residents at lightning speed, the offline retail collapse has become even more apparent. Malaysia, which has long grappled with rising cases and prolonged MCO periods, has suffered a loss of more than 37,000 businesses since May 2021. With these large numbers in mind, the independent retail research firm [Retail Group Malaysia \(RGM\) has revised its retail industry growth rate forecast for Malaysia downwards to 0.8 per cent from 4.0 per cent, which was earlier projected in June](#). Department store cum supermarkets are also expecting their sales to worsen with a negative growth of 25.5 per cent for the third quarter of this year. After a temporary rebound, [operators anticipate their businesses to decline with a negative growth rate of 11.2 per cent for the third three-month period of this year](#).

Nevertheless, desperate times call for desperate measures. A prime example of resilience can be found in businesses that pivoted quickly in response to country-wide lockdowns. For many Indonesian retailers—who mainly relied on physical channels such as stalls and micro shops in the past—the retail apocalypse meant tapping into their resources, causing mass migrations of vendors online. Local e-marketplace heavyweight [Tokopedia reported a surge of activity online, with 86.5 new registrations from first-time entrepreneurs](#). It also helps that these digital platforms offer compelling promotions to customers, ranging from free shipping to attractive discounts. Data from Google x Kantar Shopper Pulse Survey 2021 supports this, with findings revealing 44 per cent of respondents prefer to shop online as there were more "promotion/discounts" and 38 per cent citing cheaper prices available.

TRIGGERS FOR SHOPPING ONLINE

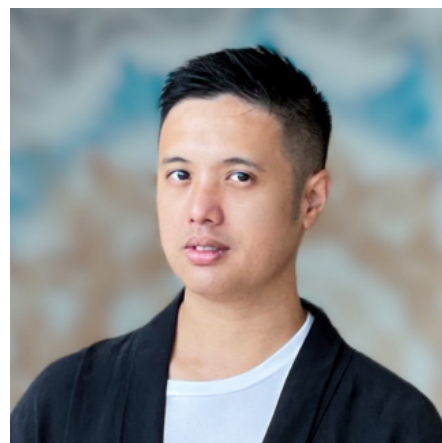


Source: Google Shopper Pulse Survey 2021 (n=5,214)

CHAPTER 4: REIMAGINING THE RETAIL EXPERIENCE



But this isn't to say that in-person stores are dead. Instead, they're being reimagined. Given the eventual revival of physical outlets in the wake of vaccination rollouts and ease of restrictions, innovation and leveraged experiences will become essential to better serve informed and connected shoppers. Although this omnichannel approach had already been bubbling before the pandemic, it has recently become more pronounced with technological advancements and digital literacy. We have already seen brick-and-mortar stores with "click-and-collect" features over the past few years, which have allowed shoppers to browse items online before purchasing in-store. For example, in the United Kingdom, catalogue retailer Argos enables customers to discover various products online—from home appliances to beauty—before collecting their purchases from strategically located warehouse outlets. Meanwhile, closer to home, L'oréal-owned skincare label Lancome debuted its first-ever virtual pop-up store for Singapore in 2020, while British fragrance brand Jo Malone London collaborated with Lazada to offer scent pairing services and personalised gifting on the e-commerce platform.



CASE STUDY: H&M

In this exclusive interview with Oldouz Mirzaie, Regional Manager at H&M South Asia, discover how the Swedish retailer blur the lines between their online and offline channels.



With the pandemic in mind, how does H&M recalibrate its strategy in an omnichannel approach?

The pandemic has sped up our Omni transformation allowing us to be nimbler to better cater to our customers' changing needs. Our extensive physical store portfolio and e-commerce platform remain strong, but we want to continue driving seamless integration of shopping online and offline so that our customers can choose when they shop, how they shop and where they shop. The future is really omnichannel, where the channels and platforms serve different purposes, which is why collaborations with third-party marketplaces such as ZALORA are essential in allowing us to be more locally relevant and further extend our footprint in the region.

We also aim to improve the brand, customer and product experience and ultimately be the leading destination for style, creativity and culture—staying relevant as a global fashion brand. The continued omnichannel strategy will see that we provide customers with extraordinary guidance and inspiration with competitive convenience by increasing the availability and findability of our products. The key here is to remain agile in our approach to accommodate our customers' evolving needs and demands.

CASE STUDY: FINIX WEAR

Starting a business during a pandemic isn't easy, and yet genderless athleisure brand, Finix Wear has proven otherwise. Here, three takeaways from our TRENDER exclusive with the homegrown Singaporean label.

What made you decide to start a business during a pandemic, and what were the key determining factors that made you consider an online-first approach?

It was always in our plan to start as a fully e-commerce business. When news of Singapore going into its first circuit breaker and the closing of our travel borders broke, we started rethinking our entire business strategy. We tried to bring as much of our business online, from our product development and supply chain to our hiring and marketing efforts. It was challenging, but with no sign of the pandemic letting up, it was either adapting or getting left behind.

As a startup, what would you say are the pros and cons of an omnichannel approach?

The pros are that it allows startups to be more agile and flexible when harnessing the strengths of each channel. It will also enable startups to diversify and optimise their streams of revenue across a variety of channels. As for cons, many startups tend to want to be on as many channels as possible—sometimes too many at once. On a business level, it can potentially lead to a dilution of content messaging across channels, leading to audiences feeling fatigued.

What would you say is the biggest challenge for a new brand that's just starting up during a pandemic?

Competing with an even larger pool of brands online and across a broader range of channels. The onset of the pandemic has not only driven more brands—both new and established—to ramp up their online content strategy but to also adopt a more diverse mix of communication channels. As a result, the online marketing landscape has become much noisier, more diversified and highly competitive, which can be nerve-racking for a brand that's just starting and trying to establish its presence in the market.

What has been the biggest challenge recalibrating in this age of Covid-19 for H&M?

The pandemic has created an environment of unprecedented strain on the retail landscape where we experienced never before market forces resulting in shifts in consumer behaviours and store closures. But with every challenge encountered comes an opportunity for growth—we accelerated our Omni transformation, adopted an agile approach in operations and expanded our sales channels.

H&M has been on a transformation journey since 2018 with the aim to integrate our brand, product and customer experience in a better way. Our assortment and services are built on our business idea of offering fashion and quality at the best price in a sustainable way, in an experience that is guiding, inspiring and convenient while resonating with customers on a global, local and individual level. Frameworks have been set to help us move to our desired state.

How has partnering with ZALORA benefited H&M, especially here in Southeast Asia?

ZALORA's strong presence across Southeast Asia has complemented our portfolio of physical stores and e-commerce platforms, allowing us to better cater to our customer's evolving needs and demands. It has also allowed us to reach new customer groups and further expanded our footprint across the region.

The continued success of our partnership allows H&M to deliver the best shopping experience to our customers across all channels, and we look forward to driving substantial growth with ZALORA.



CHAPTER 4: REIMAGINING THE RETAIL EXPERIENCE



A HELPING HAND

Since the early days of the pandemic, fashion retail has undoubtedly been one of the hardest-hit industries, affecting entire supply chains from design to production. According to a study by Capillary Tech, “apparel sales within the region tanked during the peak of lockdown, with the highest dip of 66% observed at the end of March”. Moreover, local designers who relied heavily on occasion wear and weddings for most of their revenues suffered tremendous losses. Malaysian designer Syomir Izwa said to Channel News Asia last year, “Our physical sales dropped 40 per cent; however, we managed to gain back with our online sales, which we recently developed through our website that was launched in August last year. We have been maintaining that ever since.” Thankfully for him, there was a flipside. “Another beautiful thing that happened from this was the willingness of different brands to work together embracing collaborative projects,” he said. “With this challenging time, brands, especially designer labels, became more aware of what society needs. There is more consciousness with every campaign and product or collection produced during this period.”

With consciousness being the keyword here, trade organisations realised their position to aid industry members pivoting and diversifying their businesses. Such is the case of Singapore’s Textile and Fashion Federation (TaFF), whose current initiatives include design competitions and a 16-week Bridge Incubator programme. Speaking exclusively to ZALORA, Julynn Tay, General Manager of Design Orchard, said, “During these difficult times, it’s important for retailers to recognise the importance of revamping their business model and growing their digital presence,” adding that capability development is a crucial initiative TaFF focuses on to help small businesses navigate through these roadblocks. Furthermore, to better counter dwindling physical footfalls and the nation’s on/off restrictions, the non-profit organisation looked to new avenues such as live streaming and partnerships with

CASE STUDY: TEXTILE AND FASHION FEDERATION, SINGAPORE

Listen to Julynn Tay, General Manager of Design Orchard Retail Showcase, operated by Textile and Fashion Federation Singapore, as she outlines the impact of trade organisations on the local fashion industry.



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

other like-minded institutions. “[To address these challenges], we’ve devised strategies to enhance in-store shopping experiences by hosting events with our brands and partners, thereby engaging with our customers to allow for a more personal touchpoint,” said Tay. Case in point, TaFF’s latest partnership with local communities and Asian Civilisations Museum, which had attracted many locals and expats looking to purchase gifts for their loved ones abroad.

Nevertheless, it isn’t enough to focus solely on a business’s outcome—evolving all aspects of the supply chain is essential too. As Tay had so aptly surmised, “If we do not change with [the] times, our business will stagnate. We [have] to be agile to survive in these unpredictable times.”

LET’S MAKE IT PERSONAL

Ask yourself this question: how many times have you checked into social media today? If you’re a Gen Z or Millennial, chances are you’d have tapped “Like” at least twice in the past 12 hours or engaged with another person online. Or perhaps you’ve used your mobile to browse through the latest news and shared them amongst your friends through cross-platform instant messaging services. Either way, the point to be made here is that communities have become more reliant on digital technology than ever before, especially in Southeast Asia, where many of its population are mobile-first.

So consider this the effects of “The Great Retail Migration”. Over a third of 2020’s online commerce was generated by new shoppers, of which 8 in 10 intend to continue buying online going forward. This year, usage of e-commerce services has inevitably deepened. According to the latest eEconomy report by [Google, Temasek and Bain & Company](#), one in two digital consumers reported higher usage frequency and spending than pre-Covid levels. To further back up this claim, a study by iKala found that [78 per cent of customers prefer social commerce to brick-and-mortars, citing convenience and value as main drivers](#). From this, it’s easy to see how shopping as a social activity has now shifted to a personal experience as a result of the pandemic.

Once again, we call upon the Amazonification of commerce. By offering intuition—what they want, before they even know what they want—retailers can not only leverage on this sophisticated customer but also thrive alongside them. Take beauty giant Sephora, for example: by harnessing data from its mobile app, customers are fed new products skewed according to their personalised algorithm. From an entertainment perspective, Netflix does this to great effect, with its tailored recommendations based on viewer history. And from a retailer’s point of view, ZALORA offers related-product suggestions, as well as a cheeky “Looks Like You’ve Forgotten Something”

A PERSONAL CHOICE

Consumers are 40% more likely to spend more than planned when they identify the shopping experience to be highly personalised

Source: ViSenze

CHAPTER 4: REIMAGINING THE RETAIL EXPERIENCE



email prompt whenever a customer leaves its shopping basket idle. When done right, this approach has proved to be of excellent service to fostering brand loyalty and encouraging conversion. According to research by McKinsey, [“successful personalised programs yields 20 per cent higher customer satisfaction rates, a 10 to 15 per cent boost in sales-conversion rates, and an increase in employee engagement of 20 to 30 per cent.”](#)

However, the challenge now is that despite the benefits, many retailers assume large investments are required to tap into this growing digital trend. What’s important to note is that in this digital acceleration age, many channels can be explored to provide a seamless yet highly personalised journey for the customer. With the future of retail being powered by data, startups specialising in Artificial Intelligence (AI) have had the foresight of rising to the occasion.

INNOVATION DRIVEN BY THE PANDEMIC

If we take a look back over the past 18 months B.C. (that’s “before Covid”), it’s astounding to consider the vast leaps technology has taken to get to where we are today. One of the most obvious is contact tracing using QR codes, and perhaps nobody would have guessed they would be utilising platforms such as Gather Town (think ‘Sims’ but for real-world purposes) to attend

seminars, classes, and walks in the park. As they say, humanity thrives under pressure. In this instance, the pandemic brought waves of innovations resulting from new tech startups sprouting, particularly in this emerging market.

According to Economic Times, [fintech and e-commerce incumbents have actively raised capital within the region as global investors bet on post-pandemic plays. In fact, public equity capital raising had skyrocketed to a four-year high of US\\$8.4 billion, a study by Revfiniti showed.](#) This means good news for startups such as Asumsi, an Indonesian multi-platform digital media company, which had recently raised [\\$700,000 in funding from venture capital firm East Ventures.](#) Meanwhile, [Jeff Bezos participated in a US\\$87 million Series B funding for Indonesian e-marketplace Ula,](#) marking the Amazon founder’s first investment in Southeast Asia.

Indeed, with e-commerce and digital media startups fast on the rise, it was only a matter of time for the two to merge. Today, shopping is a mix of theatre and personal consumption.

WHEN SHOPPING BECOMES ENTERTAINMENT: THE FUTURE OF LIVE STREAM

There’s no denying that when the pandemic happened, our perceptions of luxury shifted from material wants to necessities. Social interactions were at an all-time low; we resorted to social

media apps, and Google Meet calls to remain connected with the outside world. Until this time, live-streaming had been bubbling in the background of the content landscape, finally catching on as consumers scrambled to find some semblance of life before the pandemic, and who would’ve guessed it—live-streaming did just the job. To give you an idea of how big this trend has become, it is [said the Southeast Asian live-streaming industry was estimated to be valued at US\\$ 6 billion in 2020 and is expected to grow to US\\$ 19 billion by 2023.](#)

As retailers tapped into this burgeoning trend, customers found that communicating with merchants directly brought convenience and transparency throughout their shopper

CASE STUDY: BELIVE TECHNOLOGY

Plug into our interview with Kenneth Tan, Co-Founder and CEO of BeLive Technology, as he talks about the growing influence of live-streaming and how retailers—big and small—can get in on the act.

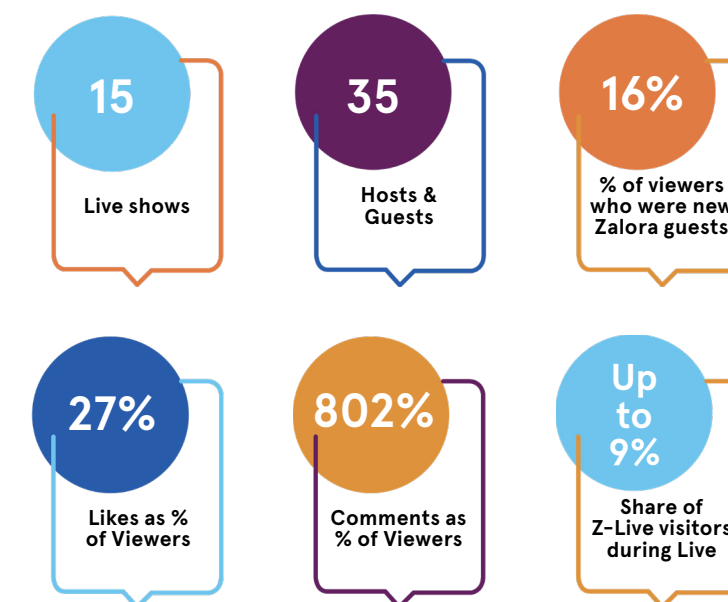


[Click here to watch the full video](#)

journey. In place of in-store sales attendants, consumers can now discover new products and receive advice straight from merchants in real-time without putting one foot out of the door. To prove the success of this newfound relationship, [iKala found that shoppers in Vietnam and the Philippines made more frequent purchases through live-selling, with a median of three to 3.1 median days between transactions.](#) “Online trust is one of the major

reasons why consumers buy from [live-streaming] platforms, and authenticity is a huge driver,” said Kenneth Tan, Co-Founder and CEO of BeLive Technology, in an interview with ZALORA. As one of the first few startups in Singapore to ride this wave, Tan is undoubtedly no stranger to the ins and outs of digital media and cites content authenticity as the key driver of sales conversion. “[With] higher engagement rates [comes] better conversion ... and this layer of realness creates an emotional bridge between retailers, content creators, and customers.”

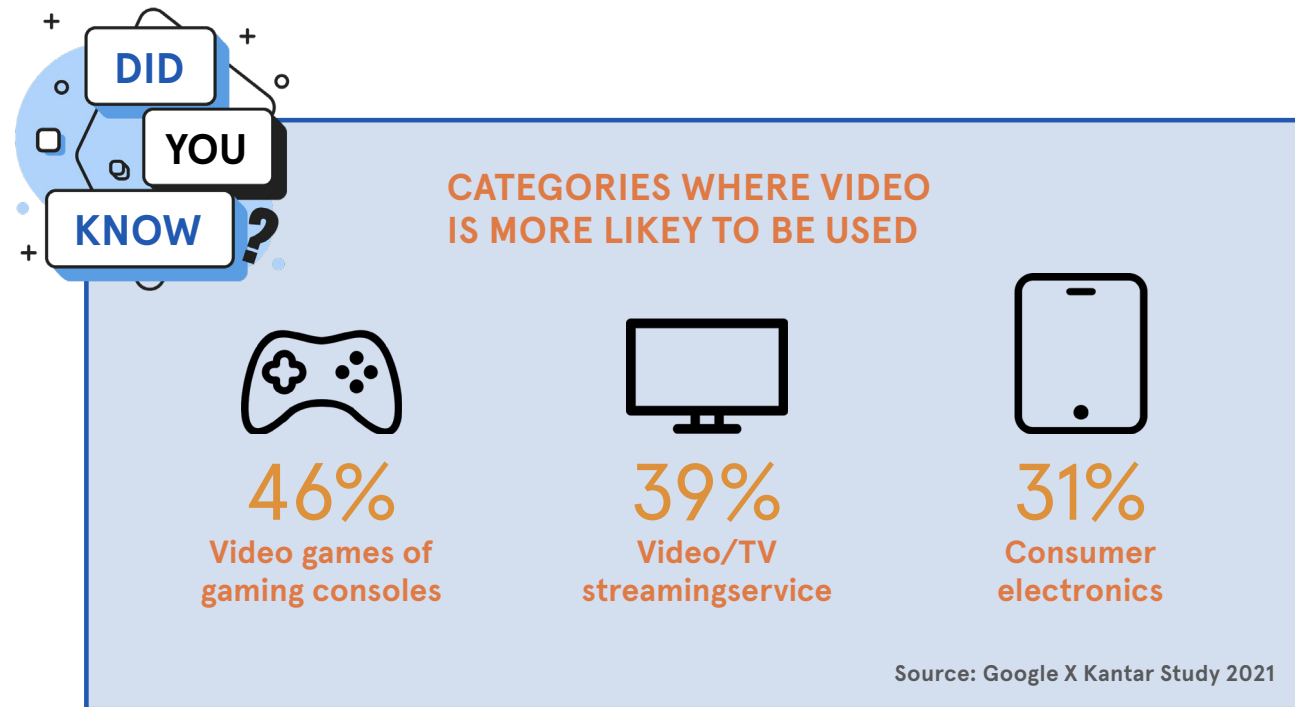
Z-LIVE LAUNCH WEEK OVERVIEW (June 2021)



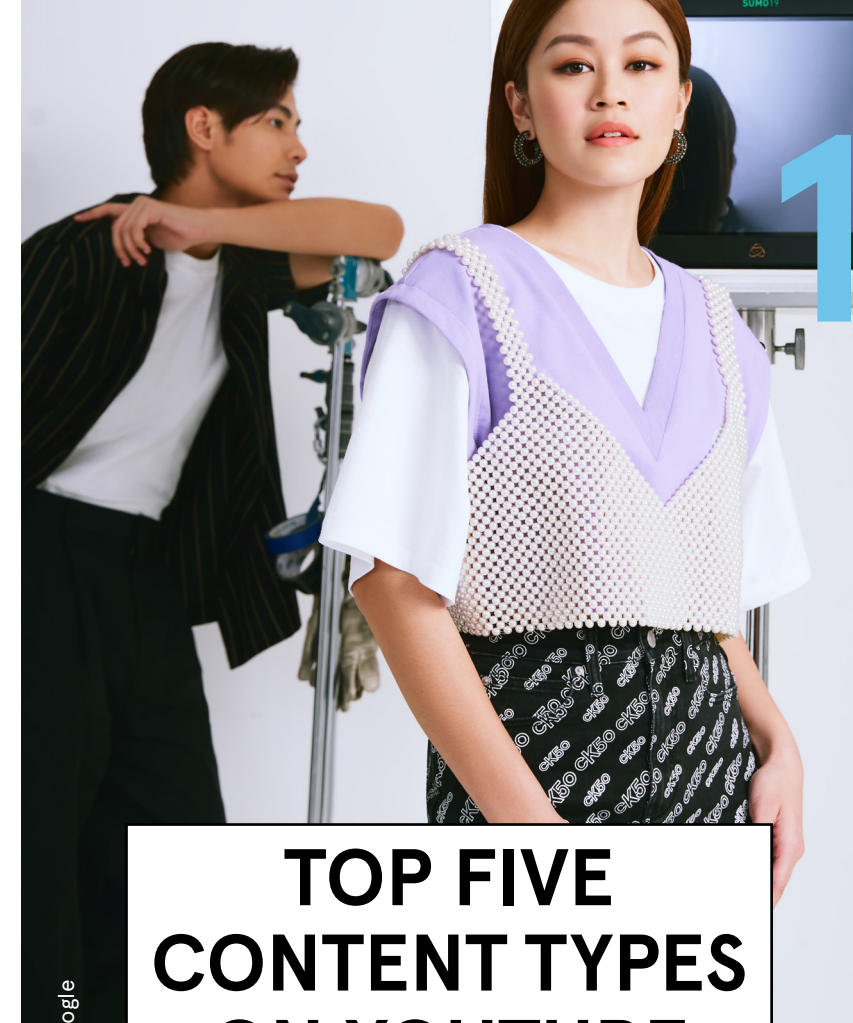
The results are compelling. Having launched its live-streaming platform alongside BeLive in June 2021, ZALORA recorded initial results of 67 to 310 per cent uplift in sales, 802 per cent in comments from viewers, and attracted 16 per cent views on its live shows from new customers in a single week. Elsewhere, Lush had also found live-streaming extremely beneficial, especially for its live demonstration of products. By leveraging on content, the brand has gained new followers and made an impact with its core values. Said Nafees Khundker, Director of Lush Singapore, to ZALORA, “Why we think this is exciting is not only because we have more customers interested in Lush, but also because customers are aware of their purchases and make a more conscious effort on their choice of products that benefits our environment.”

CHAPTER 4: REIMAGINING THE RETAIL EXPERIENCE

It is worth noting that while live-streaming had ballooned as a result of the pandemic, its influence wouldn't have kicked off if it wasn't for early adopters such as YouTube. Ever since the online video streaming platform began helping its creators monetise their content, consumers worldwide have relied on its never-ending library of product reviews, tutorials, and even entertainment. So it shouldn't come as a surprise that as a catalyst of this live-streaming phenomenon that [YouTube accounts for 68 per cent of viewer share online in Southeast Asia](#). According to Stephan Wu, Strategy and Insights Manager at Google Singapore, "YouTube has changed the way users shop online. Shoppers are increasingly turning to YouTube for inspiration and advice from creators." As if to act like a double-edged sword, rising levels of unemployment due to the pandemic had contributed to a surge in new content creators as a way to get back on their feet. However, this does create more competition, as more streamers online make for a saturated landscape. But [given that a single creator averages US\\$5000 per million views online](#), individuals have been using such platforms to generate secondary sources of income.



"We're already seeing YouTube creators becoming next-generation media companies; they are building platforms to connect with their audience and redefining the entertainment landscape," Wu added. Perhaps one of the most popular examples of this can be seen in American-Filipino YouTube influencer Bretman Rock, who, coming from humble beginnings, is now worth an estimated US\$2 million thanks to his social antics broadcasted on the platform. Meanwhile, in Southeast Asia, [Rico Tian, a famous Indonesian streamer, is earning between US\\$34,000 to US\\$68,000 a month](#). As impressive as this sounds, it also means that creators are charging a hefty sum to brands who wish to tap into their following. However, Wu is quick to mention that Google is currently in its beta stages of testing a new shopping experience for customers to discover and purchase products on its YouTube platform quickly. "In one pilot, creators can now add certain products to their videos, and viewers can then see a list of featured products by clicking the shopping bag icon, so we're trying to meet this demand in real-time."



Source: YouTube Data, Global, 31 Aug 2019 - 30 Aug 2021; YouTube Data, Global, Sep 2020 - AUG 2021; Google Data; YouTube Data, Global, 1 Jan 2021 - 15 Aug 2021; YouTube Data, Global, 31 Aug 2019 - 30 Aug 2021

TOP FIVE CONTENT TYPES ON YOUTUBE TO TRY NOW

3 UNBOXING
What: Typically geared toward individual products, these videos constitute a type of review, not of the product itself but of the experience of obtaining the product.
Why: Over the past 12 months, videos with "unboxing" in the title were viewed over 20 billion times.



1 SHOP WITH ME
What: Creators bring their followers with them as they shop for items in stores, creating a vicarious experience for their viewers.
Why: Average daily uploads of videos with "Shop With Me" in the title increased by over 60%, year over year.



2 HAULS
What: Creators typically group their hauls by store or brand, but they may also create thematic groupings.
Why: Over the past 12 months, videos with "thrift" and "haul" in the title were viewed over 100 million times.

LOOKBOOK
What: Lookbooks videos are aspirational and suggest how viewers might wear products they've purchased to look their best.
Why: Average daily uploads of videos with "How To Style" in the title increased by over 45%, year over year.

5 ROUTINES
What: From morning routines to night routines and all the routines in-between, creators use routine videos to share the products they integrate into their daily lives.
Why: Daily average views of videos with "skincare routine" in the title increased by over 95 per cent from June through August compared to January through May.

CHAPTER 4: REIMAGINING THE RETAIL EXPERIENCE

THE REALITY IS VIRTUAL

Taking real-time to the next level is the arrival of virtual and augmented reality (VR and AR). Although not quite 'Back To The Future' standards yet, innovations propelled by the pandemic suggest we are most certainly at least halfway there.

Along with the growing significance of omnichannel, AR, more so than VR, has by and large become sought after by various retailers of all shapes and sizes, particularly for its creative ability to bridge the gap between both physical and digital worlds. This is especially helpful at a time where social distancing is still a common practice, and when life gives you lemons ... well, you make lemonades out of it.

For a majority of brick-and-mortar retailers, the absence of foot traffic means having to resort to new and novel ways to bring in-store experiences into homes. And while this technology isn't new, it was widely assumed that such technology was typically only accessible for heavyweights like IKEA and Sephora before. Today, augmented reality features are no longer only a bonus but an expected prerequisite.

Homegrown brands such as Lily & Lou are quick to jump on the bandwagon and serve as a compelling reminder that even aspiring businesses can take their share of the pie. "When we had first founded the brand, the availability of fashion-centric



QUICK FACTS

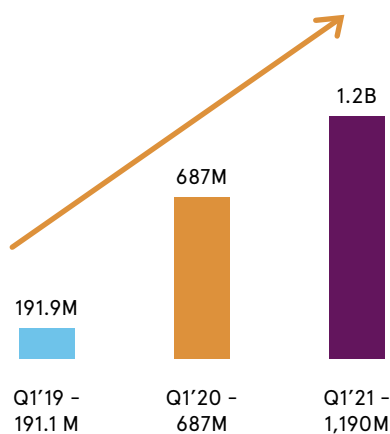
VIRTUAL REALITY...

is a fully-immersive digital environment that usually requires a headset.

AUGMENTED REALITY...

superimposes digital content—text or images—as a filter over real-world surroundings.

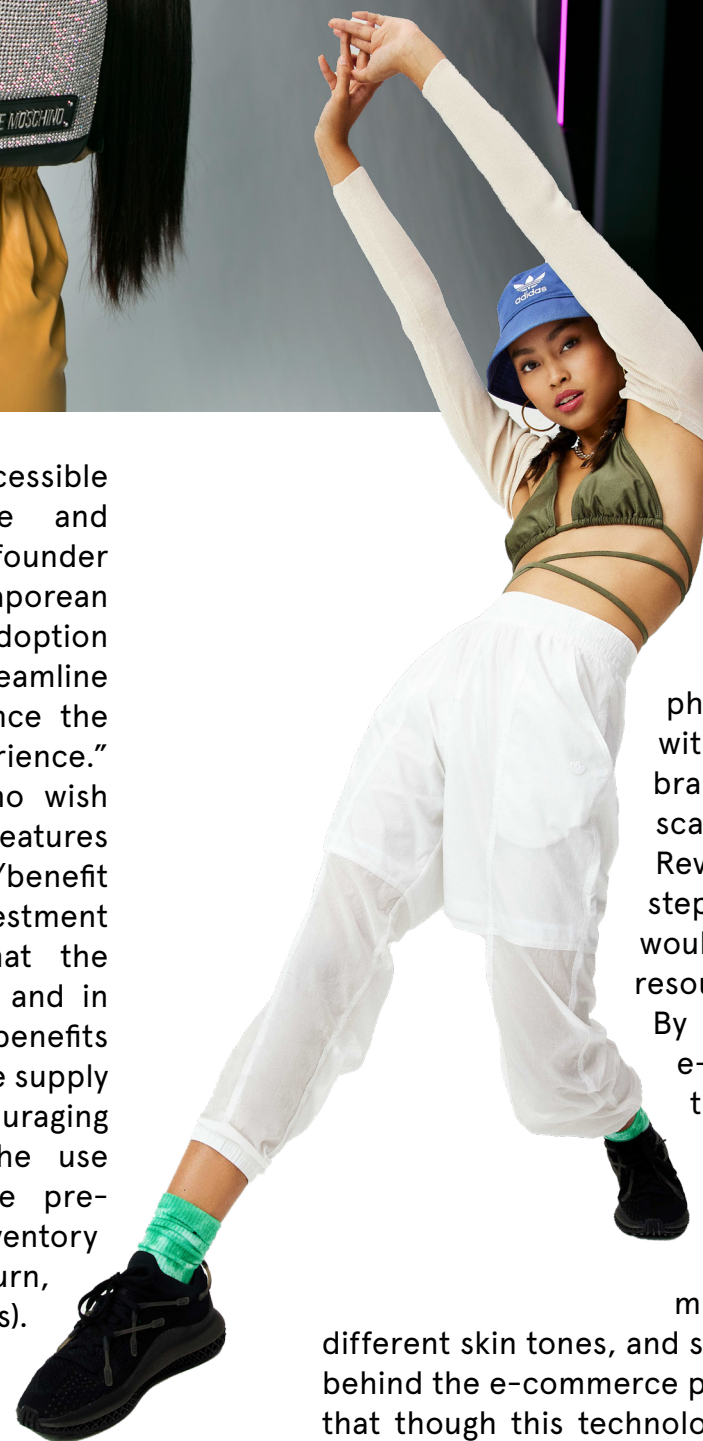
AI VISUAL SEARCHES FROM Q1'19 TO Q1'21



Source: ViSense

technologies and accessible hardware were sparse and costly," said Yan Ng, founder and CEO of the Singaporean label. "We see the adoption of tech as a way to streamline our workflow and enhance the customer shopping experience."

This means that brands who wish to integrate sophisticated features must approach it from a cost/benefit analysis standpoint. Considering the investment required, retailers need to ensure that the pros outweigh the cons, and in the case of Lily & Lou, the benefits extend beyond their entire supply chain. "Aside from encouraging longevity of clothing, the use of AR can help reduce pre-production waste and inventory forecast (which in turn, mitigates financial risks). With the use of AR, we can create, edit, and analyse designs before sampling and production," Ng added. "Lily & Lou has practised production on demand and gained success in managing our



CASE STUDY: REVERY.AI

Step into the future with Kedan Li, Founder and CEO of Revery.AI, as he talks about all things virtual reality.



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

inventory investments with the adoption of AR. We believe that we can also move towards greener profit margins while forging a greener fashion ecosystem."

Amid this digital "glow-up", startups like Revery.AI are working to bridge virtual and physical spaces for retailers. By working closely with e-commerce players like ZALORA, smaller brands can tap into high-cost technology at a scalable rate. Kedan Li, Founder and CEO at Revery.AI, explained, "We're taking a step-by-step approach where our first target of [clients] would be large retailers who have necessary resources and catalogue for us to work with." By catalogue, Li meant the vast products an e-marketplace would usually have, which in turn would be processed into digital vectors utilised in AR. A prime example of this can be seen in ZALORA's Virtual Dressing Room feature, where various apparel and accessories from numerous brands can be mixed and matched on virtual models of different skin tones, and soon, various body types. Li—the mastermind behind the e-commerce platform's Virtual Dressing Room—also added that though this technology is currently best suited for mid-to-large enterprises, accessible variations may just yet be on the horizon. "This would be pre-built rather than [starting from the ground up]. So it's just a matter of time until we get there." And with a 20-25 per cent conversion rate found at ZALORA, the future certainly seems bright.



FIVE MINUTES WITH YAN NG, FOUNDER AND CEO, LILY & LOU

How did Augmented Reality (AR) give your brand an upper hand during this pandemic?

Virtual models has allowed us to launch new collections despite operations halt and enhanced our brand image and reduced costs. These avatars also serve as a beta-test for our future tech enhancements.

What can shoppers expect when using AR on your website?

Customers are given the option to design and edit available styles to their preferences via our customisation app. All personalised garments are presented in 3D renders generated on-the-fly so that customers can visualise the final product prior to purchasing.

How has adopting AR benefited your entire supply chain?

We can achieve high sell-through rates at original retail prices throughout the product life cycle. In addition, AR had considerably cut down sampling waste and encouraged a robust collaborative effort among the stakeholders in the fashion and merchandising teams in any fashion company.

CHAPTER 4: REIMAGINING THE RETAIL EXPERIENCE



PAY UP! THE RISE OF DIGITAL PAYMENTS AND BUY NOW PAY LATER OPTIONS

Imagine discovering the bag, dress, television, or (for the domestically-inclined) kitchen appliance of your dreams, only for it to be taken away by a hefty price tag and the fear of raking up your credit card. For most consumers in Southeast Asia, the Buy Now Pay Later (BNPL) payment option is an attractive solution, especially for the region's [290 million who are financially underserved](#).

QUICK FACT

Indonesia saw a ~10x increase in searches for e-wallet services and ~15x rise in BNPL services in the last five years.

Source: Google Search Trends

Given this vastly overlooked population, it's easy to see how BNPL offers retailers a chance to unlock a broader range of customers who, for the first time, are finally able to spend on products they never thought was possible. Moreover, appealing payment options—from monthly instalments to 0 per cent interest fees—provide access to quality products and services, further broadening financial inclusion.

In countries like Indonesia, where many are still yet to own credit cards, this option has been proven to be popular among [55 per cent of new e-commerce users](#), according to Kredivo and Katadata Insight Centre. This newfound convenience has undoubtedly benefited more than a third of individuals strewn across the nation's thousands of islands through mobile phones, of which most BNPL services are accessed. "These so-called 'neo banks' are well-positioned to target underserved but higher-margin segments like the younger and lower-income population," said Tamma Febrian, associate director of Fitch Ratings, [in an interview with Al Jazeera](#). "They can use data from e-commerce and payment arms to assess borrowers usually shunned by banks due to lack of collateral and credit history."

With a large market untapped, incumbents have joined the playing field to seize opportunities. Over the past few years, heavyweights have implemented e-wallet features to crack into the region's growing digital audience. According to the [2021 Global Payments Report by FIS-Worldpay](#), BNPL's share in the Asia Pacific will more than double from 2020 to 2024. "These share gains will come at the expense of credit cards, bank transfers, cash on delivery, and prepaid cards, all of which will lose share through 2024," the report said.

CASE STUDY: ATOME

Get the inside scoop on a new financial revolution with Atome's Vice President of Marketing, Vangie Hu.

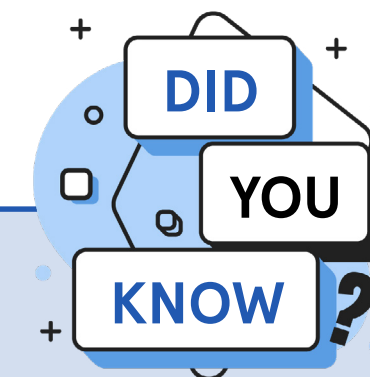


[Click here to watch the full video](#)

Nevertheless, regardless of service offerings, merchants who offer the best flexibility and convenience will stand to gain the most. "Consumers today value a seamless and personalised service," said Vangie Hu, Vice President of Marketing at Atome, in an exclusive interview with ZALORA. "They want to be able to choose where they spend their money (whether offline or online) and their payment terms (immediately or monthly)." By putting the ball in consumers' court, merchants can expect a higher conversion rate, and in turn, ensure sales and brand loyalty. At the same time, it's worth noting that as restrictions begin to ease and physical footfall returns, customers will also be expecting the same level of flexibility in-stores. Hu explained, "The offline retail experience is still important in Asia. Even here in Singapore, 60 per cent of transactions still come from physical shops."

For merchants, this means having to future-proof their businesses by means of omnichannel and integrating BNPL seamlessly into brick-and-mortars will be just as crucial. "While the pandemic has taken away shopping mall experiences, eventually, as shoppers emerge, they will want to see and feel a product. It's also a social activity!" Hu added.

Ultimately, the strength of BNPL lies in its ability to empower communities. Alongside the region's rising middle class and digital acceleration, e-wallet payments are a breath of fresh air in a previously polarised and fragmented landscape. As Hu said, "Atome's mission is to create a better life for consumers through greater financial access and technology ... although there is still much to do, we [need to work] ... together to provide a better future for our consumers across all countries." ■



Across Southeast Asia, consumer e-wallets usage has surged from 45% compared to pre-Covid times, and transaction value is expected to more than double by 2025. Prepare to see this habit last; digital payment transactions are set to almost double to \$1.2 trillion by 2025.

Source: Google Search Trends

CHAPTER 5: THE PATH AHEAD

We are no longer moving towards a new dawn. It is already here, and signs of recovery have already made themselves apparent. With global vaccination rollouts and restrictions easing across the region, communities are fast adapting to life in this new normal. Although not without its challenges, the path moving forwards is much more precise than it was before.

Harnessing data-driven intelligence, we have already seen great strides in innovation due to 70 million Southeast Asian consumers becoming first-time shoppers online. From live streaming to augmented reality, retailers are fast to capitalise on this growing audience and have since proven themselves to be agile and think fast on their feet. Moreover, amid this virtual revolution, e-payment providers disrupt the market with Buy Now Pay Later services, allowing millions of the region's underbanked and underserved to enjoy shopping privileges previously limited to them.

Now more connected than ever before, retailers have unlocked new potential among consumers, culminating in exchanging information that benefits and elevates both businesses and shoppers. Paving the way here are none other than Gen Z and Millennials, who, with the power of the internet and information at the tip of their fingers, are no longer on the verge of social awakening. In fact, they have risen. Having deepened their online experiences, these curious audiences look to social media for news and guidance, using tools like YouTube and shoppertainment to make more informed decisions on their purchases. At the same time, they've also gained insight into current events and have grown to become voices of change in a period of uncertainty.

In this instance, sustainability and inclusivity have taken centre stage, spurring businesses to think outside the box and evolve with the times, simultaneously creating new product assortments like men's cosmetics and naked skincare. Here, brands like Lush and H&M take the lead by setting an example with novel approaches in the name of green living. However, as communities become more concerned about social causes, they have also embraced zero-waste and circular lifestyles. A prime example of this behavioural shift comes in the form of the resale industry, which has inspired communities to thrift and upcycle instead of purchasing brand-new.



Indeed, in today's saturated market, quality is essential. Regardless of whether consumers continue to shift their behaviours according to the zeitgeist, shoppers will respond to products that yield better value in the future. Like last year's findings, the luxury segment has once again exceeded expectations, primarily due to communities prioritising longevity while rewarding themselves as a coping mechanism. Most economists will consider this a "lipstick effect". However, given the redundancy of make-up in a masked community, fragrances have become one of the most sought-after luxury "quick treats". Meanwhile, casual wear remained as a top category amongst consumers as they remained indoors. However, findings have revealed a correlation between other product categories and ease of restrictions.

Now, with more consumers online, the race is on for retailers to reach and deliver to their customers on time. In order to respond efficiently to unsuspecting challenges, businesses need to recalibrate their logistical solutions and prepare to collaborate or innovate. This is already happening in Singapore, where parcel locker services offer a refreshing alternative to conventional door-to-door distribution, reducing carbon emissions and allowing contactless collections.

Meanwhile, new developments in last-mile offerings, such as those by ZALORA, offer brands ease of passage through uncharted geographies.

Ultimately, even as shoppers become more active online, it's important to note that brick-and-mortar is not dead—they are being reimagined. In this post-pandemic world, it is crucial to be virtually and physically present, and we are seeing this omnichannel approach being implemented throughout the region. Nevertheless, action must be taken to bridge the gap between the two, and retailers today have deftly demonstrated their spirit of ingenuity in these trying times.

Indeed, we aren't entirely out of the woods yet, but with glimmers of light peeking through the corners in 2021, our chances of recovery may soon come to reality. ■