Navigating the future of seamless commerce in Asia Pacific

How retailers are driving customer experiences, from technology to sustainability

kpmg.com/ASPACseamlesscommerce

Contents

Foreword

Following on from the post-pandemic recovery, consumers across the Asia-Pacific region have been adapting to many challenges: inflation, a cost-of-living crisis, and supply-chain related instability of product availability, to name a few.

After three years of COVID-related disruption to traditional in-store shopping patterns, a return to a more 'normal' shopping environment has put into focus how much consumers driven online over that time would return to stores. Our research of 7,000 consumers across 14 markets in the region reflects multiple patterns and expectations among consumer groups but one over-riding conclusion is clear: The era of seamless commerce has arrived and while both online and offline channels remain popular throughout the region, traditional retail business models are unlikely to meet the expectations of many of today's consumers. Retailers and brands will have to adapt or face potential consequences of not moving with the market.

In recent decades, the Asia-Pacific region has been at the forefront of retail transformation, notably in its early and extensive adoption of online platforms which have played a much larger role compared to the rest of the world. While online is now more important than ever as a retail shopping channel, others such as live streaming and social shopping are growing at differing rates in many locations. Marketplaces, once at the vanguard of retail transformation, are now coming under attack from new players, including department stores and other multi-brand retailers developing sophisticated, personalized platforms to recover market share they may have lost online. Many brands are developing direct-to-consumer divisions, cutting out the traditional retail resellers.

Today's consumers are paying greater attention to the sustainability credentials of both brands and retailers – not just of the impact of their purchases on the planet, but how fairly farmers and factory workers are rewarded for their productivity.

In payments, e-wallets, QR codes and app-based solutions are eating into the role of cash in many markets, although in markets with large populations of unbanked consumers, the transition is slower than in other markets where technology is coveted.

A significant part of this report focuses on consumers' online shopping preferences, including where they shop – market by market – what qualities they look for when choosing digital platforms and their attitudes towards rising technologies and services such as buy now, pay later and subscription programs.

Over previous years, KPMG Asia Pacific and GS1 have collaborated in a series of six studies focused on digital and other retail trends across Hong Kong SAR and the Greater Bay Area of China. For this edition, we have expanded the scope to 14 markets: China, Hong Kong SAR, Taiwan, Australia, New Zealand, India, Japan, South Korea, Singapore, Malaysia, Thailand, Indonesia, the Philippines and Vietnam. The expanded study includes a profile of each market, highlighting both the convergence and the profound local and cultural differences in attitudes towards seamless commerce across the region.

With the views of many senior retail executives from these markets and the contributions of partners and experts from the teams of KPMG and GS1, we believe our expanded scope will open the way for analysis and discussion among retailers of all sizes within each of these markets, and can be especially valuable to those considering launching cross-border businesses or already doing so.

We hope you find this report insightful and welcome the opportunity to further discuss our findings.

Anson Bailey

Head of Consumer
& Retail
KPMG Asia Pacific

Patrik Jonasson

Senior Director, Retail &
International
Public Policy
GS1

About the study

KPMG and GS1 commissioned Votee.ai to survey attitudes and preferences towards emerging retailing and retail technology trends across 14 markets in the Asia Pacific region.

About half of the respondents in each market were from the Gen Z age group (which we defined for the data collection purposes as 18 to 24) and the survey was conducted between 17 October and early December 2023.

To help ensure the sample was representative of the true population in the areas studied, weighting was applied to basic demographics, and we ensured respondents were included from varying marital status, employment status and income levels so it was representative of the overall populations in the respective markets included. The data percentages shown in our report are rounded to the nearest whole number.

In addition to the research, we interviewed senior C-suite-level executives from market-leading retailers, brands, and e-commerce marketplaces. Those interviews were conducted live in person or over video calls and the executives involved ranged from chairperson, founder and CEO level through to finance, marketing and IT roles aiming for a comprehensive analysis of key challenges and opportunities facing the industry.

We also spoke to other executives who provided background information and additional perspectives, some of whom are named and quoted in the report.

VOTEE

Executive Summary

Our research reveals several key trends that are not only gaining traction, but can be expected to accelerate in the mid-2020s:

Retailers are embracing AI at an unprecedented speed, resulting in improved customer experiences and increased sales

Nearly every company we interviewed for this report is either exploring or implementing AI in various areas of their operations, with several executives noting that the rate of uptake is surpassing any previous technology.

Our interviews with retailers reveal that the most prevalent application of AI is enhancing the relevance and accuracy of product recommendations. In fact, among the surveyed markets, including China, Vietnam, Indonesia, Singapore, India, and the Philippines, a majority of consumers expressed satisfaction with AI-based recommendations. However, consumers also voiced concerns around privacy and lack of human interaction.

Behind the scenes, the most common AI applications include demand forecasting, supply chain management, and the development of marketing content.

Loyalty programs are gaining traction by empowering retailers with data

Acknowledging that an effective direct-to-consumer (DTC) strategy is heavily reliant on data, the retail leaders we spoke with – including those from non-FMCG companies or those historically less reliant on loyalty programs – are increasingly recognizing the value of loyalty programs for data collection. This shift is underscored by the fact that in the majority of markets surveyed, at least a third of consumers said they had used Buy Now, Pay Later services in the past 12 months and would continue to do so, peaking at 55 percent in China.

Consumer preferences in the Asia Pacific region are highly varied – both online and offline

Although the COVID-19 pandemic accelerated online shopping across the Asia Pacific region, our survey reveals that consumer habits in terms of how, where, and when they shop remain highly varied. On average, 45 percent of respondents preferred the 'omnichannel' approach, while in a boost for physical-first retailers, relatively few respondents said they could live with only shopping online. This suggests that a one-size-fits-all retail strategy – if ever it made sense – is becoming less and less meaningful.

The e-commerce landscape in the region is marked by a lack of a dominant platform – although various solutions and marketplaces are prevalent in individual markets. There is intense competition among platforms to capture the consumer's dollar, and our survey identifies a wide variety of products and fast, reliable delivery as two of the top three priorities for consumers when choosing a platform. In terms of desired improvements, competitive pricing ranked as the foremost expectation in Asia Pacific, cited by 38 percent of respondents, while promotions and discounts ranked third (25 percent), highlighting the need for retailers to implement price strategies that ensure they remain competitive in the market.

Gen Z remains at the forefront of shaping the future growth and trajectory of the retail industry

This demographic is driving unprecedented change in the retail space, driven by their distinct attitudes towards lifestyle and their strong affinity for social commerce. While consumers overall across Asia Pacific identified mobile payment as the retail tech they have tried the most (55 percent), among Gen Z the most popular was social commerce – especially in China, Vietnam, Indonesia and the Philippines.

Executives we spoke with noted that the fast-paced nature of social commerce platforms such as TikTok, where not just regional, but international trends rapidly come and go, is having a downstream effect on Gen Z's purchasing behavior and forcing brands to reassess their supply chain strategy. This observation is supported by our consumer survey, which shows a majority of Gen Z rank social commerce (63 percent) and livestreaming (57 percent) as important to their shopping experience.

Digital payments continue to gain prominence

Our research confirms a growing trend of digital payments in the Asia Pacific region. However, their nature and prevalence vary across markets, as do the dominant platforms.

In Southeast Asia, both online and offline, digital e-wallets are gaining popularity as a preferred payment method. In contrast, more developed economies like Australia, New Zealand, Japan, Singapore, and South Korea still predominantly rely on debit or credit cards for transactions, while in China Alipay tops the list. Although digital payments are steadily increasing their share in overall sales, cash on delivery remains a strong preference among online shoppers in many markets. This is particularly prevalent in some underdeveloped Southeast Asian markets where a significant portion of the population remain unbanked.

Asia Pacific at a glance: What does the data say?

Where consumers prefer to shop

- 45% Omnichannel
- 31% Mainly or only online
- 24% Mainly physical

How consumers prefer to pay

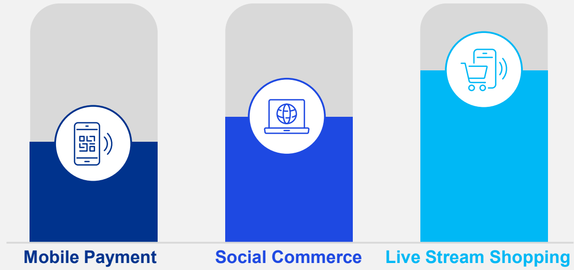
- E-wallet
- Mobile banking
- Cash on delivery (COD)
- Manual Debit/ Credit cards
- Contactless Debit/ Credit cards

Live streaming and social commerce are gaining ground among Gen Z

57% of Gen Z consumers say **live streaming** is important for enhancing their shopping experience.

63% of Gen Z consumers say **social commerce** is important for improving their shopping experience

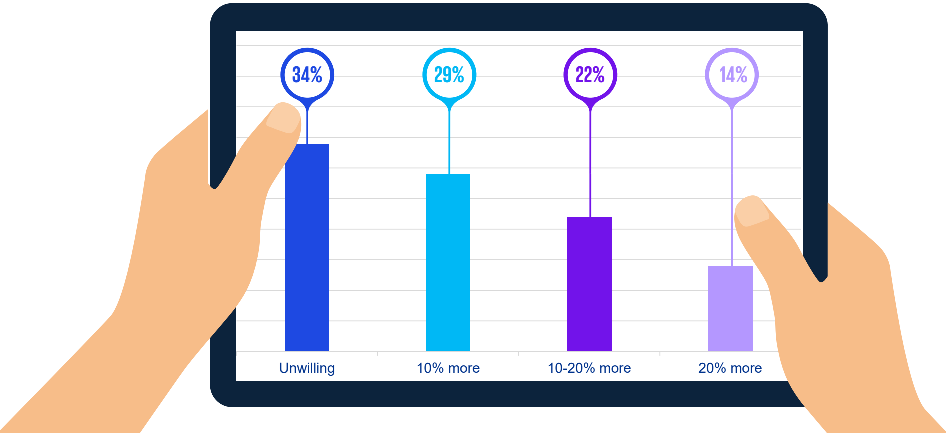
Which retail technologies are trending?



Top five e-commerce improvements consumers want to see

Competitive pricing	38%
Fast and reliable delivery	28%
Promotions and discounts	25%
A wide variety of products	24%
Good customer service	21%

Consumer willingness to pay a premium for sustainability



01

The arrival of seamless commerce: fueled by platforms

Navigating the shift from omnichannel to seamless commerce

Omnichannel may have been a popular buzzword, an aspirational journey, even, for retailers during the past decade, superseding 'multichannel' which tended to suggest a business sold online as well as offline.

Now, as we enter the mid-2020s, both of those phrases have become all but obsolete: the new buzz phrase is seamless commerce, which recognizes a brand's customer journey across multiple platforms and services, encompassing social media, delivery innovations, apps, websites, automated messaging and other digital interactions, all seamlessly integrated with traditional physical stores.

Today's smart, innovative retailers are making big strides in advancing seamless commerce strategies and capabilities as they seek to differentiate and become the future leaders of retail.

The concept of seamless retail has been fueled by the COVID pandemic era, where consumers across all generations were driven to shop online, unable to visit physical stores due to movement restrictions. Not only did they head online to purchase food, groceries and other essential goods, but the migration from working in offices to working from home saw demand in categories like apparel and home furnishings as they required more casual wear and home-office equipment. Gym equipment and home entertainment were other popular categories.

David Shafer, executive director at Australian pureplay online retailer Kogan.com, told us the company's business "basically doubled overnight" and would have trebled had the company had sufficient inventory to meet soaring demand.

This increased adoption of online shopping, combined with the booming use of social media as consumers spent more time indoors, forced businesses to invest in tools that facilitated the adoption of technology in commerce. Companies developed AI solutions to help engage better with customers and improve their product recommendations, (more on that in Chapter 3 of this report), they embraced live streaming, developed solutions to make social media channels more effective in driving sales and – behind the scenes – focused on streamlining supply chain processes to enable faster delivery of goods to customers and more efficient inventory levels.

Online vs offline: Asia-Pacific shoppers' preferred destination

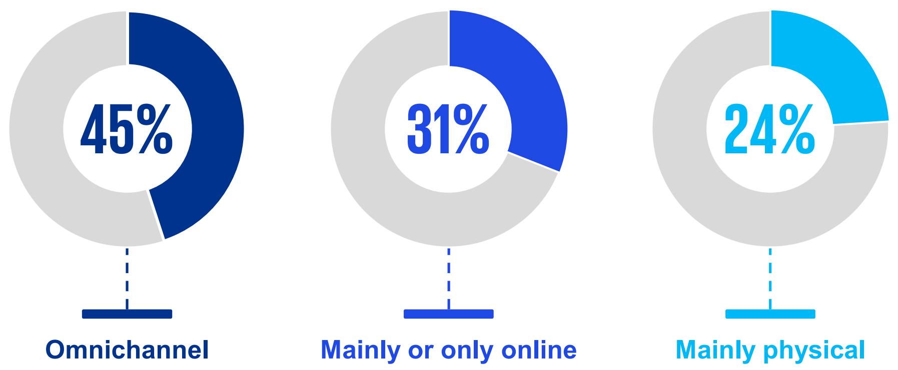
We asked respondents in our survey to nominate their four most preferred channels for buying goods. Across all markets, 45 percent of respondents chose omnichannel – peaking in the Philippines (61 percent) and India (54 percent).

Consumers were divided on the runner-up option: Online was selected by consumers in Hong Kong SAR, China, Vietnam, Indonesia, Singapore, Taiwan and India, while those in New Zealand, Australia, Malaysia, South Korea, the Philippines and Thailand nominated physical stores.

Outlier markets were Japan – where consumers picked physical stores ahead of omnichannel – and Indonesia where online beat omnichannel.

Source: KPMG/GS1 survey analysis

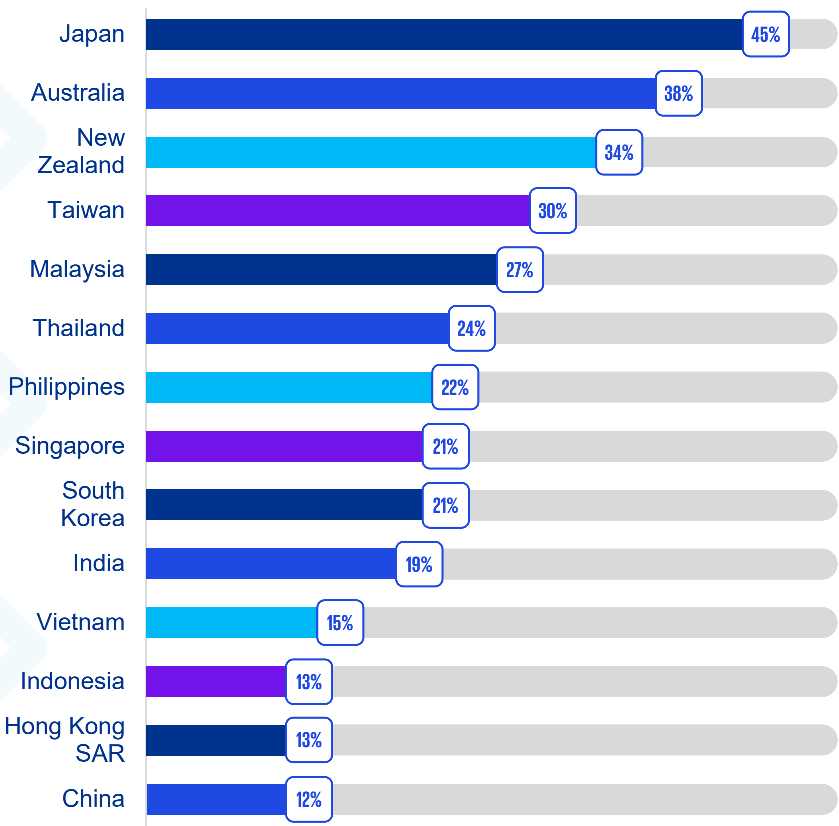
Digital vs. physical: Retail preferences in Asia Pacific



In a boost for physical-first retailers, relatively few respondents said they could live with only shopping online. That proportion peaked in Indonesia (8 percent) perhaps reflecting the vast spread of the population across the archipelago, combined with significant advances in delivery efficiencies over the past few years. Just 1 percent of Filipinos could live without physical stores and 2 percent of Singaporeans, the latter of which may come as a surprise, given the compact geographical nature of the market, the ease of shopping online and the fact Singaporeans enjoy one of the fastest delivery options in the world.

Source: KPMG/GS1 survey analysis

Preferences for in-store shopping across Asia Pacific



Preferred e-commerce platforms

Accepting that a myriad of marketplace platforms operate across the broader Asia-Pacific region, different taxation regimes and regulations apply to cross-border transactions and that most retailers do not offer 'brand.com' solutions in every market, there is no dominant regional e-commerce player. However, in individual markets, various solutions – especially marketplaces – dominate and in all markets there is fierce competition for the consumer's dollar.

Despite those regional differences, some platforms consistently rank highest, albeit not in every market. Amazon for example, is particularly strong in India (25 percent), Japan (24 percent) and Hong Kong SAR (21 percent).

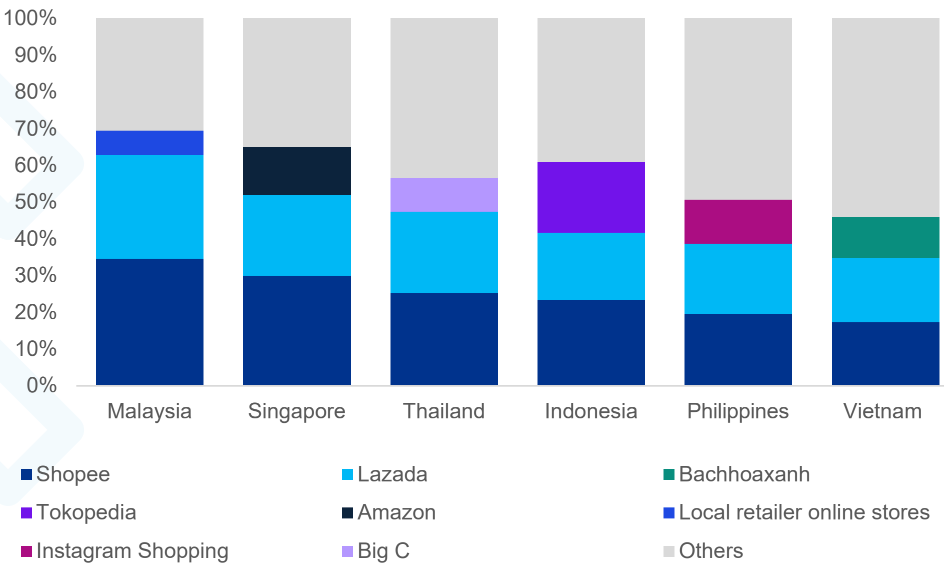
What was once merely a buzzword, omnichannel has now given way to a more comprehensive approach that integrates various platforms and services seamlessly. This shift, accelerated by the pandemic, has propeled retailers to invest heavily in technology, AI solutions, and streamlined supply chains to meet the demands of an increasingly digital-savvy consumer base.

Guillaume Sachet

Partner, Advisory
KPMG in Singapore

Southeast Asian powerhouse Shopee ranked in the top five in Malaysia (35 percent), Taiwan (31 percent), Singapore (30 percent), Thailand (25 percent), Indonesia (23 percent), the Philippines (20 percent), and Vietnam (17 percent). Alibaba-owned Lazada was strongly represented in Malaysia (28 percent), Thailand (22 percent), Singapore (22 percent), Indonesia (18 percent), the Philippines (19 percent) and Vietnam (18 percent).

Shopee and Lazada: the dominant platforms among consumers in Southeast Asia

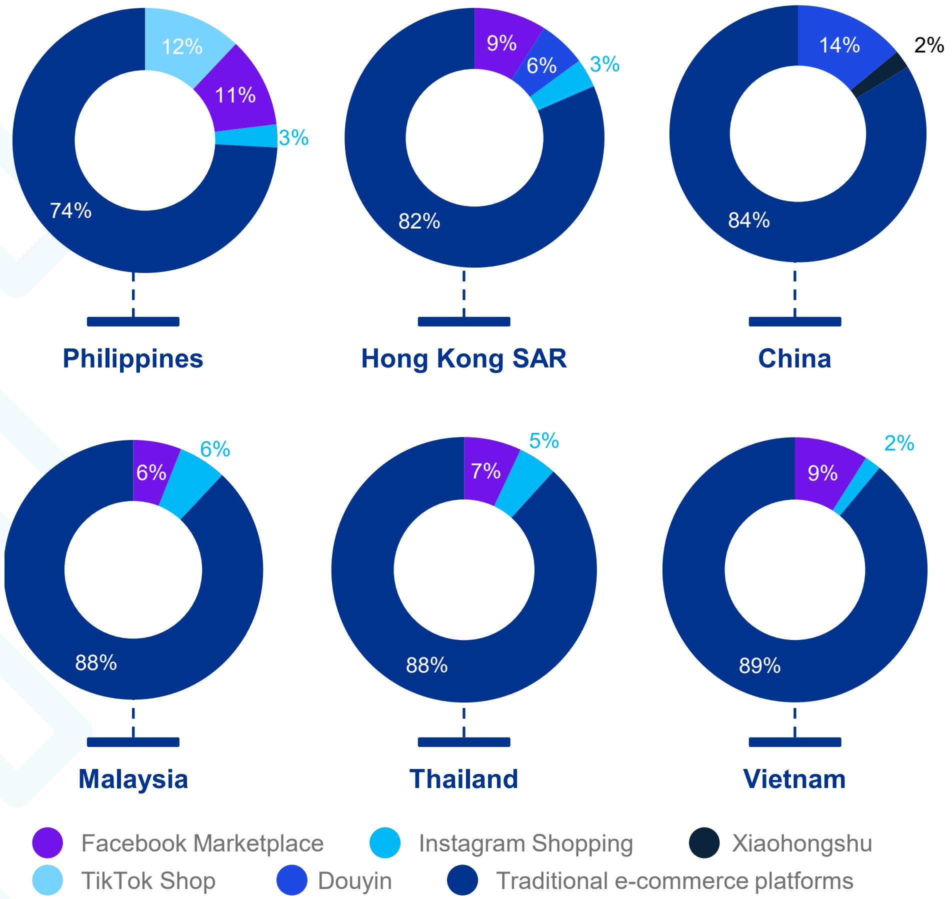


While the dominance of marketplaces is obvious across Southeast Asia especially, the fastest-growing destination is social commerce and live streaming, which reached the top five in Hong Kong SAR, Vietnam, Thailand, China, the Philippines, and Malaysia. Facebook Marketplace was nominated in Hong Kong SAR, Vietnam, Thailand, Malaysia and the Philippines, Douyin in China, Instagram Shopping in Malaysia and TikTok in the Philippines.

Fragmented e-commerce usage of consumers outside of Southeast Asia

In some markets, non-digital native, traditional retailers are having an impact, making the top five choices: Dienmayxanh in Vietnam for example, supermarket operator Coles and Chemist Warehouse in Australia, Ayala Malls in the Philippines, hypermarkets Big C and Lotus's in Thailand, and fast fashion brand Uniqlo and its value diffusion label GU in Japan.

Markets where social commerce ranks among the top five online retail channels



> **In a market that demands competitive pricing, top e-commerce companies are fiercely competing with each other and with physical stores. Attracting new customers is hard in a saturated market, but the specific interests of Millennials and Gen Z represent a noteworthy opportunity. Retailers should tailor their approach to these groups, and those who excel in analysing customer data from both online and offline sources will have an advantage.**

Shin Jang Hun
Partner and National Leader, Consumer & Retail,
KPMG in Korea

Key questions

01. Have you implemented price strategies that ensure you remain competitive in the market?

02. Have you prioritized delivery solutions to meet consumer expectations for speed and reliability?

03. Are you optimizing your analysis of customer data from both online and offline sources to build a competitive advantage?

What shoppers want

We also sought consumers' opinions on what they value the most when choosing a platform to shop on, offering 18 options from which they could select up to five. Perhaps predictably, price, choice and convenience dominated.

Across all 14 markets, competitive pricing topped the list (57 percent) ahead of providing a wide variety of products (54 percent) and ensuring fast and reliable delivery (46 percent). There was a gap to secure payment options (32 percent) and promotions or discounts (23 percent).

Notably, customer service ranked highly in Hong Kong SAR, China, New Zealand, Australia, Vietnam, India and the Philippines, while Hongkongers ranked "offers a user-friendly interface" in fourth and the Japanese cited the availability of a loyalty or rewards program.

Across the region, respondents said they want online retailers to offer more competitive pricing – including promotions and discounting – and improve on fast and reliable delivery, the variety of goods on offer and customer service.

From the responses in this section, it can be concluded that retailers need to focus on implementing price strategies that ensure they remain competitive in the market and prioritize delivery solutions to meet consumer expectations for speed and reliability.

While consumers in Australia, Taiwan, India and Thailand nominated providing secure payment options among their top five choices, the relatively low priority of this factor across the broader Asia-Pacific market indicates that retailers are generally meeting expectations in this area.

Source: KPMG/GS1 survey analysis

Consumer-valued features in e-commerce platforms: the top five

Hong Kong SAR	China	New Zealand	Australia	Vietnam	Indonesia	Singapore	Taiwan	Malaysia	Japan	South Korea	India	Philippines	Thailand
Offers competitive pricing	Offers competitive pricing	Offers competitive pricing	Offers competitive pricing	Provides a wide variety of products	Provides a wide variety of products	Offers competitive pricing	Offers competitive pricing	Offers competitive pricing	Offers competitive pricing	Offers competitive pricing	Provides a wide variety of products	Provides a wide variety of products	Provides a wide variety of products
Ensures fast and reliable delivery	Provides a wide variety of products	Provides a wide variety of products	Provides a wide variety of products	Offers competitive pricing	Offers competitive pricing	Provides a wide variety of products	Provides secure payment options	Provides a wide variety of products	Provides a wide variety of products	Provides a wide variety of products	Provides a wide variety of products	Offers competitive pricing	Offers competitive pricing
Provides a wide variety of products	Ensures fast and reliable delivery	Ensures fast and reliable delivery	Ensures fast and reliable delivery	Ensures fast and reliable delivery	Ensures fast and reliable delivery	Ensures fast and reliable delivery	Provides a wide variety of products	Provides promotions and discounts	Ensures fast and reliable delivery	Ensures fast and reliable delivery	Provides good customer service	Ensures fast and reliable delivery	Provides promotions and discounts
Offers a user-friendly interface	Provides secure payment options	Provides secure payment options	Provides secure payment options	Provides promotions and discounts	Provides promotions and discounts	Provides secure payment options	Ensures fast and reliable delivery	Ensures fast and reliable delivery	Provides secure payment options	Provides promotions and discounts	Offers competitive pricing	Provides good customer service	Ensures fast and reliable delivery
Provides good customer service	Provides good customer service	Provides good customer service	Provides good customer service	Provides secure payment options	Provides secure payment options	Provides promotions and discounts	Provides promotions and discounts	Provides secure payment options	Offers loyalty or rewards programs	Provides secure payment options	Provides secure payment options	Provides secure payment options	Provides secure payment options

Offers competitive pricing | Ensures fast and reliable delivery | Provides a wide variety of products | Offers a user-friendly interface | Provides good customer service | Provides secure payment options | Provides promotions and discounts | Offers loyalty or rewards programs

Case Study

Hyundai Department Store is emphasizing customer experience, value and sustainability

Jee-young Jung
CEO & Chairman of the Board, Hyundai Department Store, Republic of Korea

During the COVID-19 pandemic, Hyundai Department Store faced a crisis. With e-commerce companies experiencing significant growth and shifts in customer consumption patterns, the attractiveness of offline retail businesses was gradually diminishing.

However, Hyundai Department Store turned the crisis into an opportunity by redefining the direction and strategy for offline department stores. The key was to maximize the experiential value of spaces by presenting values and content that surpassed customers' expectations.

"The Hyundai Seoul has become a futuristic retail model, showcasing the direction for department stores and currently representing a leading department store in the country," said Jee-young Jung, the CEO and Chairman of the Board.

"The implementation of a new operational approach, diverging from the conventional success formula of traditional department stores, has proven highly effective among the MZ generation and international customers. This includes filling half of the retail space with indoor landscaping or relaxation areas, incorporating natural light in the design, and introducing never before seen 'retail therapy' spaces that feature trendy K-content and high-quality ART content across various genres."

This strategy resulted in achieving an annual revenue of 1 trillion won (US$761 million) within just 33 months of opening.

Hyundai Department Store also strives to provide more personalized services to high-purchasing customers. For example, the company launched the exclusive membership program Club YP for VIP customers aged in their 20s and 30s, along with the dedicated lounge YP HAUS in The Hyundai Seoul and Pangyo stores. In addition, it introduced a VIP-exclusive online mall RSVP for premium customers, offering specialized products and services online.

Sustainability is an essential competitive edge for retail

Hyundai Department Store interacts with numerous customers directly every day. The company's core sustainable management principle revolves around the customer.

According to Jung: "Sustainability starts with the customer. We concentrate our efforts on empowering customers to practice and participate in eco-friendly initiatives naturally."

He believes sustainability will become a crucial differentiator for the retail industry, directly impacting the company's reputation as customers' standards regarding sustainability are becoming increasingly stringent.

As part of its sustainability initiatives, Hyundai Department Store has pioneered the industry's first Independent Resource Circulation System, transforming internally generated paper resources into 100 percent recycled paper for shopping bags. This system annually recycles 10 million shopping bags.

The company also minimizes the use of non-recyclable paper receipts by adopting electronic receipts, replacing approximately 130 million paper receipts over the past two years. Additionally, the process to minimize plastic waste within stores and recycle it through collaboration with external companies is currently underway.

Jung concludes by expressing the commitment to accelerate digital transformation. Hyundai Department Store actively incorporates new digital technologies such as AI to enhance operational efficiency and customer convenience. Notably, it introduced the industry's first AI copywriting system called 'Lewis'.

This system automatically generates optimal marketing copy by inputting main keywords and event themes – learned from three years of Hyundai Department Store's event data. The outputs reflect the store's distinctive sentiment and style so it can be immediately applied to business operations.

"Hyundai Department Store is committed to prioritizing customer happiness and trust and we will continuously propose new elevated experiences and values while exerting even greater efforts in creating social and environmental value in the local community as well," concluded Jung.

> **Sustainability starts with the customer. We concentrate our efforts on empowering customers to practice and participate in eco-friendly initiatives naturally.**

Jee-young Jung

CEO & Chairman of the Board, Hyundai Department Store, Republic of Korea

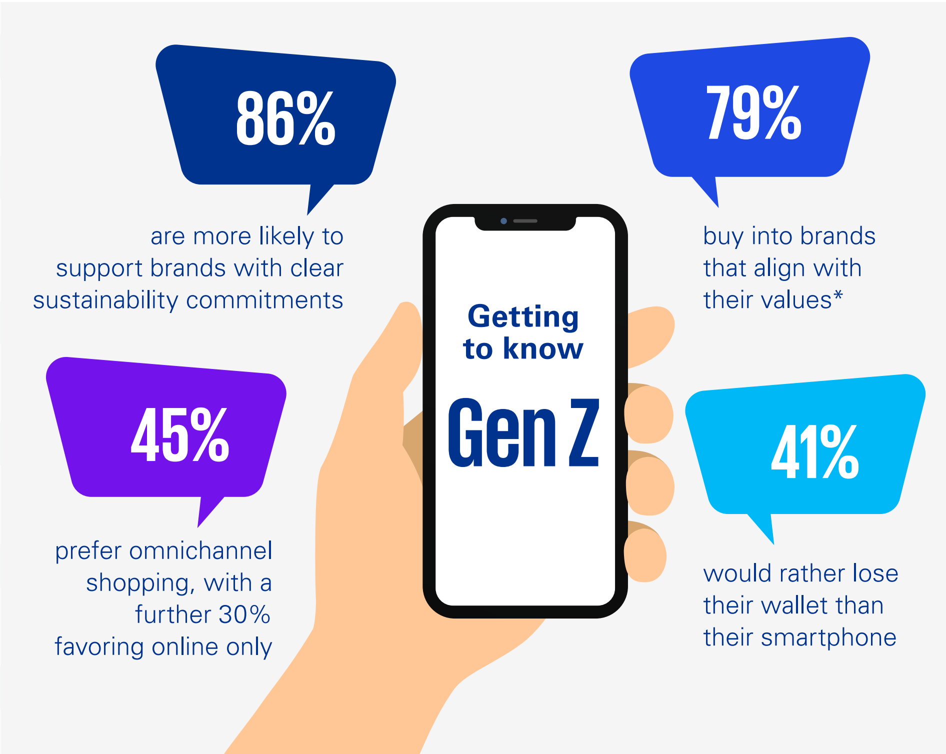
02

Gen Z consumers remain the key to retail's future growth and shape

The digital native generation

Generation Z – those born from 1995 to 2010 and the demographic that followed Millennials – are driving unprecedented change because of their markedly different attitudes towards lifestyle and priorities.

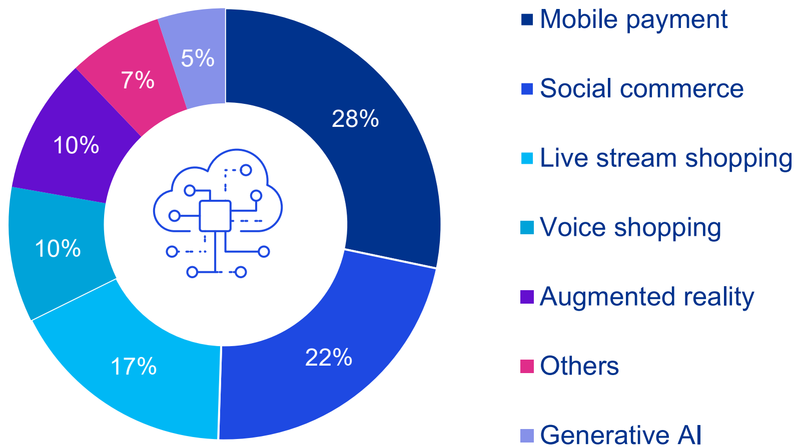
Our survey revealed that Gen Z consumers have different attitudes to other age groups, especially in the areas of online shopping behavior, sustainability concerns and their use of retail technology.



*Source: https://kpmg.com/si/en/home/insights/2021/11/kpmg-gen-z-article.html

This is the first generation of consumers who have grown up with digital devices and smartphones, and who know no other world than being constantly connected. They value experiences over hoarding 'stuff' – and would rather save their money for travel, an interactive dining experience or participating in an adventure sport than heading to a fast-fashion store to buy more t-shirts or denim jeans.

How Gen Z use technology in Asia Pacific

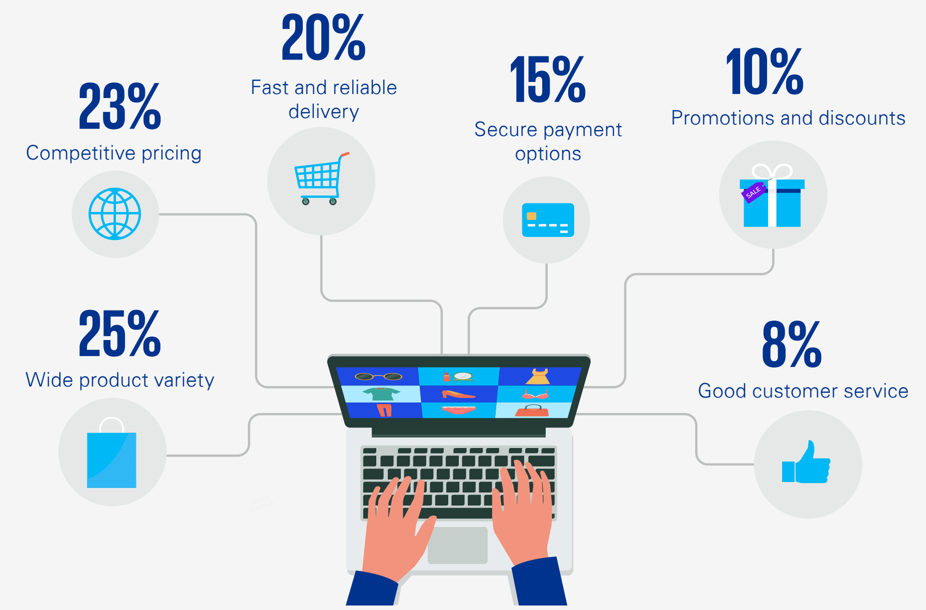


*Percentages based on aggregated data; respondents could select multiple options

Where past generations visited department stores or shopping malls to buy basics or check out new styles, Gen Z are looking for trends online, following idols and influencers and aspiring to wear the same clothing.

Why Gen Z shops online

Our survey found that across every market, Gen Z consumers' primary driver for choosing an e-commerce platform was split almost evenly between competitive pricing and a variety of products offered.



What Gen Z consumers in Asia Pacific value the most when shopping online

India's Gen Z was a standout. Variety was the core consideration for 28 percent, ahead of customer service (23 percent) and competitive pricing (20 percent). However in the next generation up – aged 25 to 34 – just 5 percent rated service as important, with the vast majority – 69 percent – motivated by fast, reliable delivery, something only 12 percent of Gen Z were drawn by.

In Malaysia, variety trumped price only for Gen Z, reflecting the differentiation of values in online shopping. In terms of improvements they'd like to see on e-commerce platforms, Malaysian Gen Z consumers are seeking faster, reliable delivery – interestingly in common only with Baby Boomers – ahead of promotions and discounts and competitive pricing.

Filipino Gen Z seek a wide variety of products online ahead of competitive pricing – an outlier in the market – and are looking for faster reliable delivery ahead of competitive pricing.

> **Gen Z consumers seek a trendy and modern lifestyle while also desiring to protect the good things in this world. Adapting to this generation requires more than just digital-first thinking. Brands must recognize the diverse platform usage and communication preferences of this generation. It's crucial to go beyond simply promoting your brand's excellence and instead demonstrate how you can empower Gen Z to achieve excellence. By creating a total experience and emphasizing value, we can engage and guide Gen Z, not just sell to them.**
>
> **Chortip Varutbangkul**
> Partner, Head of Consumer & Retail
> KPMG in Thailand

In Australia, the importance of competitive pricing remains consistent across all age groups. However, younger customers have more diverse preferences and prioritize having access to a wide range of products and fast delivery.

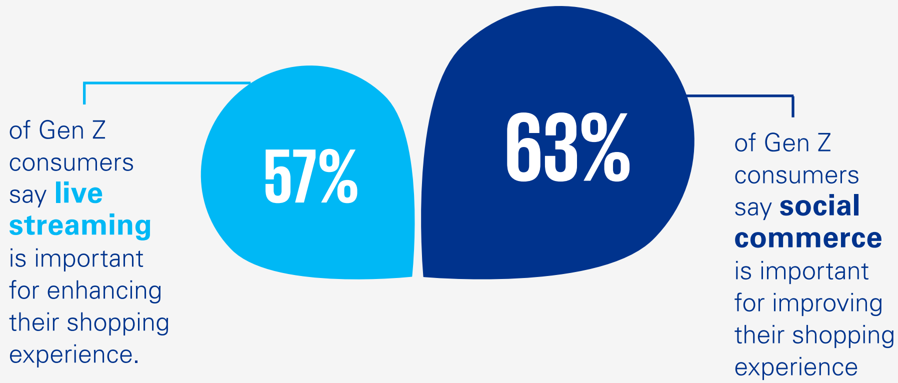
In Singapore and Japan, we found Gen Z showed identical motivation to every other age group, with little differentiation in preferences. Traditionally, Japanese prioritize competitive pricing and variety.

> **Gen Z isn't just a generation of consumers; they're seekers of experiences over products, navigating the world through digital exploration. Raised in a competitive educational landscape, authenticity is their currency. Understanding their desires is crucial, but innovating the shopping experience is paramount. The fusion of social media and e-commerce represents the frontier of engaging Gen Z in a way that resonates with their ethos.**
>
> Irwan Djaja
>
> Partner and Head of Advisory,
> KPMG in Indonesia

Social commerce, live streaming appeals to Gen Z

While consumers overall across Asia-Pacific identify mobile payment as the retail tech they have used in the last 12 months (55 percent), among Gen Z one of the most popular was social commerce – especially in China, Vietnam, Indonesia and the Philippines. In Hong Kong SAR, the highest adoption rate of live-stream shopping was among Gen Z.

Source: KPMG/GS1 survey analysis



*Asia Pacific markets excluding Taiwan and Vietnam

Executives we spoke with for this report generally noted that Gen Z are being influenced by global trends as much as regional, reflecting how much they embrace social media and follow key opinion leaders and live streamers from around the world.

As Adrian Suherman, Group CEO at Multipolar Corp, parent of Lippo Hypermart, explains in the case study in this section: "We need to know what Gen Z are looking for on TikTok or Instagram. Then we can use that information in our sourcing to bring those products to our stores."

V Subramaniam (Subu), CEO / MD of Reliance Retail, concurs. "Gen Z consumers are looking for fast fashion and they want it now. They want constant change."

This behavior is forcing brands to reassess their supply chain strategy, he adds. Those who do not will be left behind; instead, he advocates brands to study the trends that are influencing and impressing Gen Z consumers and create products to suit them.

KPMG US's report *Seizing the Seamless Opportunity*, released at the NRF in New York in January, identified Gen Z as the age group most likely to adopt online shopping during the COVID pandemic (44 percent) and found that they and Millennials are twice as likely as Baby Boomers to dedicate a greater share of their spend to online shopping over the next three years.

"With their increasing purchasing power and growing share of the overall population, younger generations will continue to drive the adoption of online shopping. Therefore, e-commerce is well positioned for more growth as the digital behaviors of younger generations are already a natural part of their life experience."

And finally, as discussed in our chapter on sustainability, Gen Z ranks right behind Millennials in their willingness to pay a premium for products certified and marketed as sustainable.

Key questions

01. Does your business have a strategy for targeting and engaging with Gen Z consumers in a way that respects their unique approach to brands and commerce?

02. Gen Z consumers expect brands to be authentic. Have you established your authenticity – and how are you communicating that?

03. Have you considered developing live streaming opportunities to appeal to Gen Z and adjacent generations?

Case Study

In Indonesia, hypermarkets are facing multiple competitive challenges

Adrian Suherman
Lippo Hypermart
Group CEO at Multipolar Corp

Lippo Group operates in multiple business categories in Indonesia, including financial services, media, technology, restaurants, cinemas, cafes and retail. The retail business is split into food retailing (hypermarkets and supermarkets), and department stores targeting Indonesia's middle class, largely in major cities, under the Matahari Prima brand.

Combined, the store network totals 156 spread across five islands of Indonesia, of which 100 are department stores with an annual turnover of almost 12.5 trillion IDR (US$810 million).

Adrian Suherman, Group CEO at parent Multipolar Corp, describes Lippo's main challenge now as managing the retailer's response to changing customer behavior.

"Ten years ago, hypermarkets were the prime destination for Indonesians to go to during the weekend for fun and recreation." Now, Indonesians – especially the middle class – can shop online and have more options for entertainment at weekends. Lippo's competition is not so much other hypermarkets, but outdoor activities or social media.

Serving a tech-savvy Gen Z

The growing ranks of Indonesian Gen Z, who are tech-savvy and spend up to six hours a day online, have a global mindset. Instead of heading to department stores to buy basic clothing, they are following idols and influencers and aspiring to wear the same clothing.

"The challenge for us is that not only do we have to watch out for trends in Indonesia, but we have to look for global trends as well to know what Gen Z are looking for on TikTok or Instagram. Then we can use that information in our sourcing to bring those products to our stores. The pace is very fast and the lifecycle of products is getting faster. We are always facing urgency."

This trend has also prompted Lippo to abandon television advertising and billboards in favor of digital marketing, including its visibility on Facebook, Twitter and TikTok.

COVID helped speed the adoption of online shopping

Meanwhile, customers across all demographic groups in Indonesia are adopting digital technology faster than ever. "The percentage of people shopping online is getting higher. For a traditional company like ours, that requires a change in mindset. Suddenly your products are online everywhere and you have to be able to deliver them very fast."

The closure of physical stores and markets due to the COVID pandemic accelerated the adoption of online shopping as people had nowhere else to shop. That helped force the development of supporting infrastructure, he says.

"Shipping logistics have become more predictable. Indonesia is very big and it used to take up to 10 days to ship something from Jakarta to Papua, but now, it is faster, so customer satisfaction is higher."

During COVID, Lippo took an initial hit from digital marketplaces offering large discounts to build market share. But those rivals are now under pressure to show profitability, so with discounting and free shipping less common, shopping offline is competitive again.

"Now we see the opportunity for us offline for our department stores. We are adopting the concept of omnichannel, where you can browse or purchase from anywhere.

"Our strength is how we can deliver products within a radius of 5km from our stores and people can receive them within a tenth of the time it takes from an online marketplace."

Suherman says inflation and the cost-of-living crisis are impacting the company, but not to as great a degree as in other markets, something Suherman attributes to good management by the Indonesian government.

"The prices are going up, but it is not as bad as in other markets. Yes, it's been a challenge for us, but we used the past few years during COVID to streamline our processes and cut down the unnecessary fat.

"We are adopting the concept of omnichannel, the idea that you can browse from anywhere and purchase from anywhere – and we are leveraging our stores as distribution points."

Adrian Suherman

Lippo Hypermart
Group CEO at Multipolar Corp

Case Study

A mission to create Asia's first global lifestyle brand

Frank Cancelloni
CEO
Jim Thompson

For decades, Thai apparel brand Jim Thompson has been a go-to destination for tourists seeking souvenirs or gifts, more often than not adorned with images of elephants.

But under the leadership of CEO Frank Cancelloni, the brand is embarking on one of its most ambitious transitions since it was founded by former US serviceman Jim Thompson at the end of the Second World War in 1951. With the unwavering support of his board, Cancelloni is overseeing the creation of what he believes will be Asia's first home-grown lifestyle brand.

"I like the word lifestyle because it's the opposite of luxury which is exclusive. Lifestyle is very inclusive and we want to talk to tourists but we also want to talk to local people. A lifestyle brand, I wear by definition. It's the way of life and I always give these two examples: Ralph Lauren in the US and European lifestyle brand Giorgio Armani.

"There is no lifestyle brand in Asia with such a heritage, with its roots in art and with a strong presence across fashion, home furnishings and hospitality. The closest would be Shanghai Tang which is more a luxury brand than purely lifestyle."

He describes the transformation into a lifestyle brand as an eight to 10-year plan, but already there are signs of success: Before COVID, 90 percent of the company's revenue came from tourists and 10 percent from locals. Now close to 30 percent is from locals. Locals are now not only buying Jim Thompson before travelling as a gift, but a lot are now wearing the clothes in Thailand as their designs have become more contemporary. "The domestic market is going in the right direction. It will take time, but we are looking at the data and we are on the right track."

During the past 18 months, Cancelloni has built an experienced team of executives – drawn from major brands – who are already overseeing advances in product design, marketing and hospitality.

Even with tourists only slowly beginning to return to Thailand after the COVID-related border closures, Jim Thompson reported an annual footfall of more than 2 million through its 25 retail stores in Thailand last year.

Apparel and accessories are the core of the Jim Thompson business, accounting for about 65 percent of turnover, with home furnishings accounting for a further third. The remaining few percent come from hospitality.

Home furnishings is predominantly a B2B business and less well-known to consumers. Jim Thompson supplies fabrics, wallpapers, and trimmings for prestigious hotels and residences across more than 60 markets and operates directly in the US and UK through fully owned subsidiaries.

"Anyone who works in the hospitality industry – whether it's an architect or a specifier, or interior designer – will know Jim Thompson fabrics very well," says Cancelloni.

On the hospitality side, the company has closed restaurants in Singapore and Japan and several at home in favor of focusing on a more contemporary proof of concept: all attention has turned to a restaurant, bar and coffee shop at the historic Jim Thompson House museum – one of Bangkok's most-visited tourist attractions. These were officially launched in November and once the concept is refined, more will likely be opened within Thailand and abroad.

Cancelloni says his biggest challenge right now is an internal one: changing the mindset of not only the management team but also the people who have been working in the company.

"We are fortunate that a lot of our associates have been with the company for five to 10 years, or even more. But when you are transforming from a local brand that mainly tourists liked into a global lifestyle brand, that means we need to act and think differently and sometimes we have to do the opposite of what we were doing five or six years ago."

Jim Thompson is not yet eyeing opening stores abroad in the short or mid term. Cancelloni uses a football analogy: "We all know that before winning abroad, you should be the best in class in your own market.

"We still have a lot of things to fix from a supply chain standpoint and some more renovations, relocations and new openings in different Thai locations. Once we are best in class in Thailand, we will look at opening elsewhere through travel retail." The company is talking with some travel retail operators in Southeast Asia – where the brand already has recognition – about how it might tiptoe internationally, perhaps through a shop at an international airport.

"We have plans for international expansion in our other business units, but I want Jim Thompson to keep this exclusive appeal, to be something that you can buy only in Thailand, and something that you cannot buy in stores in Singapore or in New York."

When the brand is ready for other markets, it expects to do so by creating a localised brand.com online store with local delivery first to test demand and assess what's popular and validate price points and positioning – "this will be our market survey".

Back home, loyalty is an increasingly important part of the business. Last year about 30 percent of sales were to loyalty program members – in 2023, that grew to more than 70 percent.

Part of the success of the program is the adoption of technology, which before Cancelloni's arrival was not yet a top priority for the business.

"Before we had limited data and did not exploit them but now we know exactly how many people enter our shops, what they bought and other reporting typical of modern retailers." Now the company is looking to deploy Product Lifecycle Management systems and RFID to improve efficiency.

"But before investing in technology, you have to make sure you have the right mindset. It's more about the people and the mindset than the financial resources."

> **We all know that before winning abroad, you should be the best in class in your own market.**

Frank Cancelloni
CEO
Jim Thompson

03

How AI is shaping customer experiences and driving sales

From personalization to prediction

Several of the retail leaders we spoke with for this report said that the uptake of AI by retail enterprises is faster than of any previous technology – both at customer-facing points and behind the scenes.

Analysis from Stocklytics predicts the generative AI market will hit US$1 trillion in value by 2031, representing a cumulative annual growth rate of 48.05 percent. In retail, AI is being explored or adopted by almost every company we interviewed for this report.

Front-of-house, AI is being used to refine customer experiences in automated chat platforms by developing a better understanding of consumer expectations and behavior to provide more accurate responses and information. One Vietnamese retailer, Nutifood, has used AI to create a virtual live streamer to spruik premium infant formulas to mothers tending to infants in the small hours of the morning.

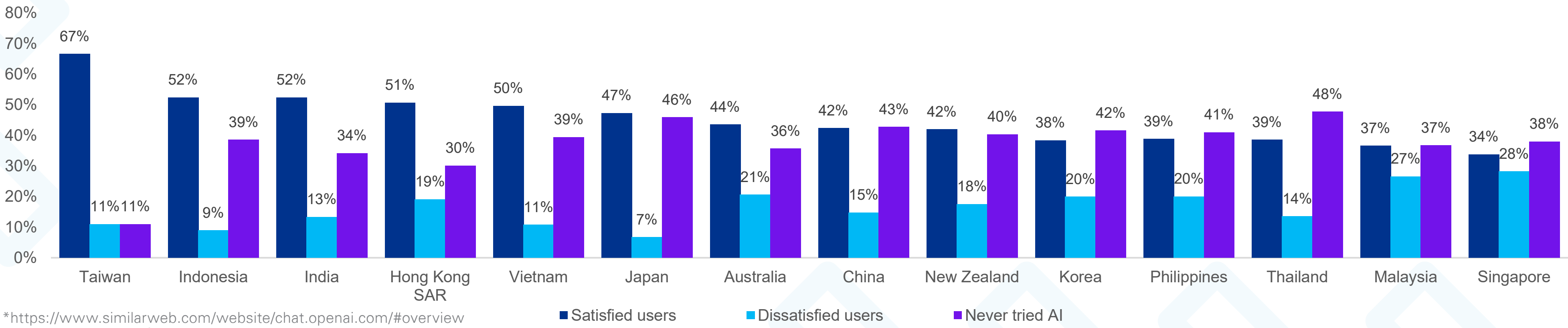
The company is working to further develop its virtual character by incorporating expertise from qualified nutritionists to be able to provide accurate advice to parents when professionals are not available to consult.

Back-of-house, AI has become an indispensable tool in functions such as demand forecasting, supply chain management, and developing marketing content. Globally, ChatGPT is currently the most successful AI tool, with a user base of more than 180 million people in November 2023, a month it recorded 1.7 billion visits* to its website tool.

"Right now, people talk about being an AI company," observes Sam Altman, co-founder and CEO at Microsoft-linked OpenAI.

"There was a time after the iPhone App Store launch [when] people talked about being a mobile company. But no software company says they're a mobile company now because it would be unthinkable to not have a mobile app. And it will be unthinkable not to have [AI] integrated into every product and service. It will just be an expected, obvious thing**."

Consumer satisfaction with Gen AI-driven product recommendations



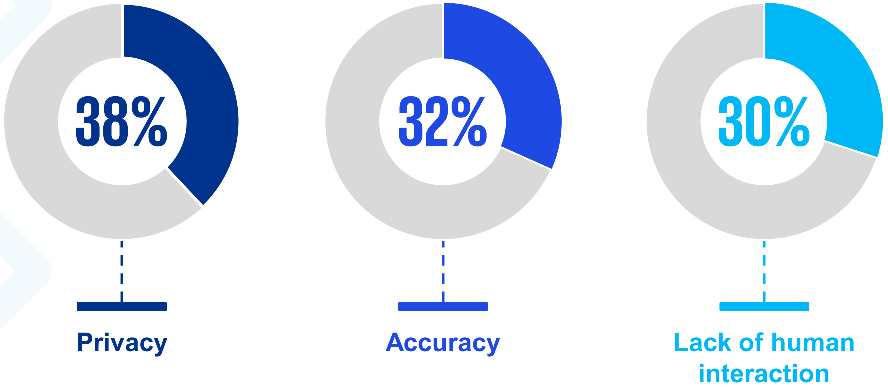
*https://www.similarweb.com/website/chat.openai.com/#overview
**https://www.salesforce.com/ap/blog/ai-quotes/

In our survey, a significant number of consumers in markets like Korea (42 percent) and Thailand (48 percent) reported that they have never tried AI-driven product recommendations. However, our analysis suggests that many consumers who use product recommendations may not be aware that these are now powered by the technology.

Across all surveyed markets, the majority of those who acknowledged using AI-based recommendations expressed satisfaction with their experiences. However, it's worth noting that consumers in Malaysia and Singapore exhibited the highest levels of dissatisfaction.

Source: KPMG/GS1 survey analysis

Top three consumer concerns on the use of Generative AI across Asia Pacific



Within individual markets, Japanese, New Zealand and Korean consumers appear more willing to adopt AI – nearly 10 percent of Japanese had no concern over AI, for example – while in Hong Kong SAR, unlike other markets, consumers are most worried about bias and discrimination, rather than the factors above which dominated responses elsewhere.

> **Consumers are spending more time deliberating over their purchase decisions. It's therefore becoming essential to enhance the consumer experience to help buyers recognize a product's value. AI is already playing a significant role in this by enriching the shopping experience across various sectors such as beauty, home furniture, and apparel. The market has reacted positively to this integration. AI can substantially improve the operational efficiency of retail stores and fine-tune the consumer experience at crucial points in the shopping journey.**
>
> **Willi Sun**
>
> Head of Advisory, Consumer & Retail,
> KPMG China

Personalization can create more accurate recommendations

Among retailers we spoke to, the most common use of AI is to improve the relevance and accuracy of product recommendations.

Dione Song, CEO at Love, Bonito, says using technology has helped predict what a customer would like – whether on the company's website or in an offline store. "Now we are trying to work on the next stage – how we can take those recommendations and equip our retail ambassadors in-store with an initial list of suggestions that they can proactively approach a customer with."

Eric Pong, co-founder of Hong Kong SAR-headquartered customer experience platform Aftership, says that sort of personalization is a great example of how AI can help retail.

One of Aftership's solutions is a widget plugged into an online store, that uses AI and machine learning to make personalized recommendations to visitors, while they browse, at checkout and even after the transaction is complete.

Pong says AI can make almost instantaneous recommendations based on a customer's previous transaction history, what they are browsing, how long they have been on the site, and what other products they have looked at. It also draws on the shopping history of the behavior of similar customers. "So two people can be on a website at the same time, buying similar things, but they are still recommended different products based on their purchase history or demographic."

Aftership customers using AfterShip's AI plug-in are reporting lifts in revenue as high as 4 percent. "So using AI technology can really impact your bottom line."

Some retailers are using ChatGPT to help script marketing content, including social media posts and direct email communications – and for content on online stores. Australian pureplay retailer Kogan, for example, is using AI to help write product descriptions so as to avoid duplication across different sites it runs.

Love, Bonito finds technology such as AI helps create a better workspace for staff. "You don't just want to work harder, you want to work smarter. That's where you leverage technology so that you can then find time to do your best work. It boils down to not using technology for technology's sake, but adopting and using technology thoughtfully for your business."

Predicting demand can optimize product performance

Behind the scenes, AI is driving significant efficiencies in sourcing, shipping and optimizing inventory. Kogan COO David Shafer says the technology can help predict demand for products in development and avoid out-of-stock or overordering. "We are exploring more and more all the time because you do get huge leverage and scalability of the output of eight individual humans when you leverage AI tools."

Dannis Raj David, Co-Founder & COO at Lapasar.com, sees a huge opportunity for AI to help the company understand purchasing trends.

While not yet investing in AI, the technology is on its radar and in preparation, the B2B fast-moving consumer goods wholesaler is building a massive library of data on day-to-day trading history. AI would help the company identify when an item is selling more than usual and why, he says, so it maintains optimum inventory levels.

"This kind of decision-making is still either delayed or quite manual. With AI most likely we could see all these triggers – sudden spikes or sudden drops in volume – see if a lot of people are starting to consume this particular brand, and know we should stock up on those things."

> **Today's technology enables companies to better serve consumers and to reach a wide range of customers. Proactively making moves to technologies and digital platforms by offering a more integrated experience, and increasing seamless shopping experiences and value to consumers can improve returns for businesses."**
>
> **Hanh Ho**
>
> Partner - Head of Consumer Markets,
> KPMG in Vietnam

Key questions

01. In which areas of your business are you deploying AI to create a better customer experience?

02. Are you adopting AI to assist with demand forecasting and other areas back of house to optimize inventory management?

03. Is your business adept at gathering data from transactions and customer interactions to help personalize your engagement with shoppers?

Case Study

As it pushes into the premium market, Nutifood deploys an AI influencer

Tran Bao Minh
Vice President of Nutifood

Like most Vietnamese consumer goods companies, beverage and baby nutrition food maker Nutifood is seeing sales shrink as consumers respond to rising inflation.

Tran Bao Minh, Vice President of Nutifood, said the trend became most noticeable in the third quarter of 2023 when sales started slowing down and a few calls to colleagues in similar companies showed it was pretty much the same for everyone.

But Nutifood had an advantage: Two years earlier, recognizing that 90 percent of the company's sales came from traditional channels – markets and traditional ma-and-pa neighborhood stores – Tran decided the company needed to change direction to grow into the future. "For the past two years we have aggressively expanded into the modern trade," he explains. "That means moving into e-commerce and – for our infant nutrition products – into mom and baby channels like [fast-growing local childrenswear chain] Con Cung."

The move could not have been better timed. As rivals struggled to grow sales in a challenging market, Nutifood has been achieving double-digit sales growth. Premium products now comprise 30 percent of its turnover.

Fearing an even tougher market in 2024, Tran is focused on expanding the company's premium portfolio further. To some business leaders, that may seem counterintuitive at a time when consumers are trading down to make their weekly household budget stretch further. Tran sees it differently: "I believe when the economy has a problem, the affluent are still very much okay."

He explains that wealthier consumers will continue to spend and during troubled economic times, there are always people who find a way to build affluence.

“Having premium brands is crucial,” he says. “If you're only playing to the mainstream, your sales will suffer.”

The company is equally focused on developing its online presence, having built an app in-house where consumers can buy directly, which is helping the brand’s evolution from a manufacturer and wholesaler into a direct-to-consumer business.

Tran believes that no matter how good a company is at selling through traditional channels where consumers have shopped for 25 to 30 years, the company has to embrace e-commerce channels because that is where consumers are moving to.

Through its app and with third-party mobile-based services like Grab – along with partnerships with digital wallet providers like Vietnam’s native ZaloPay – Nutifood has built an ecosystem allowing customers in the large Vietnamese cities of Ho Chi Minh City, Hanoi and Danang to receive orders in as little as 15 minutes. The ordering system’s software calculates the closest of the company’s 300 brick-and-mortar stores (two-thirds of them company-owned) to the customer’s delivery address and despatches the order.

“Whatever the cheapest, most effective, fastest way to deliver the product to the customer is the service we use. We have built a system where we do not rely on one delivery service provider, but one which can leverage all the partners’ capabilities.”

Mainstream Nutifood products – like a 7,000 VND (US 27 cents) beverage – are still predominantly sold through traditional retail channels, because no one wants to pay the equivalent of US$1 for delivery. But premium products like the company’s new ice cream range (at around 250,000 VND, or US$10) or infant formula are experiencing growing demand on digital channels.

Live streaming at any hour of the day or night

While technology is driving Nutifood's progression onto digital channels, the company is deploying AI to reach young mothers in the small hours of the morning.

The company had already been building its business and marketing using live streamers and influencers when last year, it discovered young mums were often sitting up late at night and into the morning nursing or comforting their babies – and ready to buy milk. Recognizing it was impractical to have humans live streaming for 12 hours a day, Tran's team looked to AI as a solution.

Now Nutifood has virtual influencers: software trained by nutritionists to communicate like a nutritional expert."We expect that maybe the next generation of AI will be trained smart enough so that they can even answer questions from the mothers."

Nutifood's live streams in the early hours of the morning are routinely drawing 20,000 viewers on Facebook or TikTok.

"Today's technology enables us to better serve consumers and to reach a wide range of customers. Proactively making moves to technologies and digital platforms by offering a more integrated experience, and increasing seamless shopping experience and value to consumers will return business," he concluded.

"I always make sure the whole organization is never relaxing, for even a minute."

Today's technology enables us to better serve consumers and to reach a wide range of customers. Proactively making moves to technologies and digital platforms by offering a more integrated experience, and increasing seamless shopping experience and value to consumers will return business.

Tran Bao Minh

Vice President of Nutifood

Case Study

AfterShip is reimagining the way returns are managed

Eric Pong
Co-founder of AfterShip

Hong Kong SAR-headquartered AfterShip offers a suite of software covering the entire customer journey – from email automation, SMS marketing, and product reviews to shipment tracking, returns management, predictive delivery estimates, and multi-carrier shipping.

"Our goal is to spark loyalty between customers and the brands that they're buying from," explains Eric Pong, co-founder of AfterShip.

AfterShip has been trading for about a decade, has seven offices worldwide, around 500 staff and 18,000 business customers.

"We are very much a behind-the-scenes company, except for one thing: we have a consumer-based mobile app called AfterShip." With over 2 million monthly active users, the app enables consumers to track the shipment status of their online orders and deliveries.

The company's e-commerce solutions use AI to help retailers personalize recommendations to consumers as they shop.

Ensuring the ease of the returns process – for both sides

"We also have the number one returns management software globally. Ease of returns is an opportunity to deliver on customer experience," says Pong.

"The first thing to consider is revenue retention, because the more returns you have, the bigger refund you're about to make.

For example, if an apparel retailer has 20 percent returns, they potentially have to refund 20 percent of their revenue. That's huge."

AfterShip software will research a brand's returns or warranty policy on behalf of the online retailer that sold it, ask customers how long they have had it, whether the item has been used and other key information. Then it structures a solution that may range from a refund or exchange based on warranty, through to an incentive to buy another product to the value of the item being returned – with an additional carrot credit.

"The software walks the customer through a process that leverages solution-oriented questions. Ultimately, the software generates a return shipping label for the customer and then it keeps the customer updated automatically on the process, the progress of a replacement being shipped, or the time frame for the refund to be issued.

"We have a lot of metrics that prove that customers are happier when you have a returns management process in place. And most retailers would rather give you an extra $20 to buy something else than refund $100 and get back a used item they can't do anything with."

TikTok is the juggernaut as digital natives move online

Pong says AfterShip's data shows that digitally native young people – largely Gen Z – are buying more and more online. "They are probably the most savvy and educated consumers when it comes to being able to research and discern which products they want. Social commerce is more common, and – depending on the country – most Gen Z prefer digital payments. But once you get into China, no one uses cash anymore."

Social commerce, live streaming commerce and many KOL influencers' recommendations play a very large role on platforms such as Facebook and Instagram. TikTok business – strong in Asia – gets businesses to advertise on TikTok, using influencers and KOLs and serving ads to direct viewers back to websites.

"TikTok is a juggernaut. It is still growing and has an unbelievable number of viewers and influence." The now global app has spawned an entire ecosystem of service providers looking to seize opportunities around these influencers, including AfterShip. Some companies help brands develop merchandise for influencers, others manage KOLs' businesses and finances.

TikTok is a juggernaut. It is still growing and has an unbelievable number of viewers and influence.

Eric Pong

Co founder of AfterShip

Case Study

Retail technology innovator DMALL reimagines in-store customer engagement

Marcus Spurrell
CEO of DMALL International

In late 2023, Marcus Spurrell left his role as Chief Digital Officer of Hong Kong SAR-headquartered DFI Retail Group, a multi-category retailer spanning supermarkets, convenience stores, health and beauty chains, and IKEA franchises. After five years he now has a new mission: to lead the international expansion of Chinese digital retail technology company DMALL.

Tasked by DFI to re-engineer the group's retail technology systems, Spurrell had a chance encounter with Daniel Zhang, a Stanford-educated systems engineer who had started building retail technology back in the 1990s. When he couldn't find anybody to buy his software solutions, Zhang started a supermarket chain called Wumart to put them to use – which has since grown to be the third-largest grocery chain in China.

Reimagining a supermarket experience by powering it off the back of his technology means he has brought business and technology together in a whole new way.

Now DMALL is spinning that technology off as a standalone software-as-a-service (SAAS) platform for use by retailers anywhere in the world.

Spurrell says DMALL's vision is to make digital interaction between customers and stores – wherever they are – completely seamless, a truly digital end-to-end experience. The company started with an e-commerce solution that evolved into an app allowing customers to order online, interconnected with in-store POS systems.

> **"In today's competitive market, retailers must leverage AI to improve customer engagement and streamline in-store operations. AI-powered solutions enhance personalized experiences, optimize inventory management, and drive operational efficiency, ultimately fostering customer satisfaction and sustainable growth."**

Alice Yip
Head of Consumer & Retail, Hong Kong
KPMG China

This meant inventory levels were in synch and reduced out-of-stocks. Then the team developed and integrated a store operations platform to oversee staff deployment and task force management, payroll, inventory monitoring and even ERP and warehouse management programs.

With about 150 retailers signed up in China, it is now the largest retail SAAS platform in the nation and it has now integrated Artificial Intelligence (AI) to boost efficiency in stores and – critically – reduce out-of-stocks.

AI helps address out-of-stock problems

Spurrell says the speed of adoption of AI by retail businesses has been faster than of any other technology he can recall – both at customer-facing points and behind the scenes.

AI-driven algorithms at DMALL identify 31 root causes of out-of-stock, spread across the supply chain, IT, commercial and store operations. “By using AI we can identify those root causes much faster and immediately send out alerts to whoever is responsible so we can fix things faster and adjust our algorithm.”

DMALL uses AI to monitor customer demand and purchasing patterns better and faster. Rather than just looking at historical data – what sold this week, last week or last year – AI offers demand forecasting at individual SKUs at store level.

Spurrell believes that the holy grail metric of retail technology is to deliver products to the shelf on time so that every product a customer wants is on the shelf when they shop. “If a customer walks into a store and the product they want is out of stock, they often have to go somewhere else. That's the moment of truth in retail,” he says.

“Wumart in China delivers some 100,000 e-commerce orders a day. Using the DMALL solution it has achieved on-shelf stock availability of 99 percent.”

Loyalty is hard to drive

Spurrell says it is extremely hard to drive loyalty in Asia, particularly in Hong Kong SAR and Singapore, which are both highly promotion-driven markets.

"Hong Kong SAR people especially have absolutely no loyalty, they're extremely price sensitive, and they switch brands based on any promotion that's put in front of them." And given the territory's grocery, convenience and pharmacy duopolies, there is intense competition over pricing, he says.

"Some of the tech that we provide helps us deal with that. Our system is completely real-time, so we can quickly and easily update promotions. Wellcome carries out full promotional updates across all stores several times a day."

Hong Kong SAR lags Mainland China in digital adoption

While the pandemic may have helped Hongkongers adopt online shopping and digitization, the territory still lags behind the mainland.

Spurrell worked in Mainland China earlier in his career and when he returned after an absence of about a decade, he was shocked at the change. "Websites had gone, cash had gone, credit cards had gone and payments were all via mobile apps. It was as if they had jumped into the future and left us all behind."

At Wumart, about 80 percent of transactions are completed via self-checkouts – largely with people using the app in stores. Older, more frugal customers have embraced them, attracted by rewards for checking out themselves.

"Self-checkouts have been a huge success. I have a long-term target of trying to get to 65 percent penetration."

> **Mainland China has jumped into the future and left us all behind.**

Marcus Spurrell
CEO of DMALL International

Case Study

A world of convenience: In South Korea, technology is driving growth despite higher price points

Won Shik Kwon
Chief Strategy Officer of Lotte Shopping

Like most South Korean retailers, Lotte Shopping is under pressure from high inflation, which is eroding customer spending power, and denting consumer sentiment towards the economy.

"Overall, we are facing the difficulty of dealing with reduced demand along with the higher costs of doing business – not only from the financial side with high interest rates but also overall with utility costs, labor costs and material costs and even sourcing," explains Won Shik Kwon, Chief Strategy Officer of Lotte Shopping who oversees 11 business units, including grocery stores, outlet malls, department stores, several fashion retail brands and e-commerce.

"We are experiencing more demand from our vendors to increase the price of the goods we are buying. Price pressure is everywhere.

"Every retailer in Korea is experiencing the same thing. If you are a pure-play online business in grocery delivery, or if you have very strong social network services, then you may experience a bit of growth momentum, but overall demand is down and costs are high."

The hardest-hit sector in South Korea is electronics where ticket prices are typically high and a weak real estate market means people are not buying new properties or moving, a traditional driver of appliance sales.

Even e-commerce is slowing down, largely due to the maturity of the market, says Kwon, with around 40 percent of consumers already shopping online and a post-COVID return to offline channels.

Banking on convenience

Lotte sees the biggest growth opportunity now in the convenience channel, despite the sector's saturation. Even though normal prices are typically higher than at hypermarkets or discount grocers, consumers are gravitating to convenience stores.

"Convenience stores have become a part of life, not only for buying goods but also a lot of lifestyle services. You can buy your deli and your food, your lunch, dinner, not only the fresh food or fresh produce or FMCG products, but deli products like sandwiches and stews and salads."

Kwon says with tighter budgets, consumers are spending on smaller quantities with a price premium. South Korea's convenience store sector is among the largest in the world and highly competitive.

Such turnover gives convenience store operators significant economies of scale: because of the volume of products they buy from vendors, prices are low, allowing for multiple promotions at the store level, explains Kwon.

“So while base prices are high, with so many promotional deals, customers can buy in small quantities at a low price, which tends to lower the overall price perception of convenience stores.”

The promotional culture of convenience stores is driving creative solutions for customers. Korean convenience store chains let customers who ‘buy one, get one free’ collect the second unit at another store at another time, redeemable via a QR code on the phone.

Such services build customer loyalty and generate a favorable perception of prices at the same time.

Another trend is for stores to work with logistics and courier companies that deliver merchandise from warehouses to stores. Consumers wanting to send a parcel to a friend can pay half the usual delivery fee by dropping the parcel at a convenience store and nominating another in the same chain where it can be collected.

Besides offering reduced shipping, this service creates two separate customer visit occasions for the retailer, each with the potential for a sale.

Such services all rely on sophisticated digital technologies, linking loyalty schemes, store network inventories, point-of-sale systems and digital wallets.

“In South Korea, if you are a retailer and you don't have digital capability, you're out of business,” says Kwon. “Using technology has become an essential tool to increase your customer loyalty to the store.”

Lotte Shopping has been using artificial intelligence, starting with ChatGPT services, and is now developing a language model so it can build chatbot services that can make personalized recommendations to shoppers across its e-commerce businesses.

"We are testing the personalized offering using AI for the grocery business as well as our e-commerce and trying to use GenAI for copywriting. Next year the company will look to deploy it on demand forecasting."

With Lotte Group recognizing the potential of AI across the business at a board level, allocating a budget for the technology is not difficult. The biggest challenge, says Kwon, is hiring talent. "There's a shortage of technical people in the market, especially in AI. It's difficult to attract them to our businesses because for an AI developer, a traditional retail business is not your first priority – even though we see a huge potential and a lot of fields of application."

Kwon says the company might opt to partner with a technology business instead of going it alone in technology development. "That's a more realistic approach for us than building a team in-house."

"Convenience stores have become a part of life, not only for buying goods but also a lot of lifestyle services."

Won Shik Kwon

Chief Strategy Officer of Lotte Shopping

Case Study

How Pet Lovers Centre harnessed AI to boost efficiency and customer experience

Ng Whye Hoe
Group Managing Director of Pet Lovers Centre

Headquartered in Singapore, Pet Lovers Centre is collectively the largest and only pet care retail chain in Southeast Asia, with more than 170 stores and an online shopping portal. The company offers pet owners services including food and pharmaceuticals, grooming, travel and lodging – and even cremation.

Ng Whye Hoe, Group MD of PLC, says embracing Artificial Intelligence (AI) and other technologies has proven a "force multiplier" for PLC's productivity.

"By leveraging these innovations, we are well-prepared to not only manage but also exceed our customers' expectations in the face of formidable challenges."

One example of AI in action is the company's high-tech 35,000sqft warehouse which is operated by just one employee. A multi-depth Automated Storage and Retrieval System (ASRS) manages the entire storage space, helping the company achieve 100 percent warehouse capacity and boosting productive capacity by 40 percent.

Online, PLC has deployed AI in its chatbot which Ng says has led to every customer enquiry being addressed more precisely. Responses to customer enquiries are based on relevant help centre content – directly provided within the conversation, rather than just sharing relevant FAQ responses as was previously the case.

"We also recently implemented a holistic talent acquisition and attraction strategy that leveraged recruiting technology and tools to streamline our recruitment processes," explains Ng. "This new recruitment management solution provides a customized digital solution that overhauls and automates our manual recruitment processes, from job application screenings to job offers."

Included in that process was the enhancement of the company's career application portal to automatically analyze candidate experience. Ng says that taken together, the company's efforts to enhance talent attraction and acquisition have cut hiring costs by up to 80 percent.

Customers are embracing technology

"Our customers, both internal and external, have readily embraced the seamless integration of AI across our operations, both in back-of-house functions and consumer-facing interactions, reflecting their appreciation of the elevated service delivery and enhanced offerings facilitated by AI."

Adopting AI – together with other technologies – has not been without its challenges. The greatest of those, explains Ng, was aligning digital transformation with practical outcomes that resonate with customers.

"While customers prioritize service benefits over the intricacies of digital transformation, the challenge is in ensuring that the means used are proportionate to the desired ends. Our experience underscores the significance of scaling digital solutions in tandem with the size and requirements of the business. Talent – specifically, a scarcity of skilled individuals, including top-tier management talent – is also a barrier."

PLC has seen "a notable transformation" in customers' approach towards technology during the past year. The shift has been characterized by less hesitancy and increased openness to use digital tools to save time and deliver convenience.

He warns that companies embracing digital transformation need to adopt a strategic and nuanced approach, balancing technological advancements with practical considerations to drive meaningful business outcomes. A lack of talent and budget can be a barrier to implementation, as can be achieving consensus within the organization on the importance of such changes.

"In PLC's context, the successful integration of high-tech solutions across back-end and customer-facing functions underscores the need for economies of scale to justify such investments."

Ng expects "a complex landscape of challenges" in the year ahead, driven by a legacy of geopolitical tensions that have disrupted global supply chains, and the "relentless" issue of global warming.

"Fortunately, our company's substantial scale offers a strategic advantage. It enables us to harness economies of scale, resulting in cost-effective bulk discounts and preferential rates, which in turn allows us to offer our customers the broadest and freshest selection of pet food and supplies at the best price."

Ng says such a proactive approach not only serves customers' needs but also helps reinforce the brand's position in the market during a challenging economic climate.

Our customers, both internal and external, have readily embraced the seamless integration of AI across our operations.

Ng Whye Hoe

Group Managing Director of Pet Lovers Centre

04

The continued rise of digital payments

From cash to digital wallets

Digital payments are on the rise throughout Asia-Pacific, but their form and influence differ across markets, as does the dominance of platforms.

But while digital payments are progressively increasing the share of sales they are used for, cash on delivery remains a strong preference by online shoppers in many markets – especially in some underdeveloped Southeast Asian markets where large sectors of the population remain unbanked.

Cash is the preferred payment for online purchases in India (68 percent) and second in Indonesia (74 percent), the Philippines (72 percent), Taiwan (70 percent), Thailand (67 percent) and Vietnam (67 percent). In contrast, in Hong Kong SAR, it was a distant fifth (24 percent). Across all 14 markets, cash was used by just 39 percent of online shoppers.

Offline, however, cash's share of transactional value is declining, especially in China where Xie Wenlong, Deputy GM of supermarket operator Jiajiayue Group, says cash now accounts for just 2 percent of his chain's transactions. Of the balance, 97 percent of transactions are completed with mobile payments. WeChat Pay accounts for up to 70 percent, Alipay for about 20 percent, and UnionPay QuickPass for less than 10 percent.

In place of cash – both online and offline – digital e-wallets are gaining ground in Southeast Asia, while debit or credit cards remain dominant in more developed economies such as Australia, New Zealand, Japan, Singapore and South Korea. This variation underscores that payment methods are often deeply rooted in local cultures.

Source: KPMG/GS1 survey analysis

Variation in preferred online payment methods across markets

Market	Preferred method	Digital / Cash
Hong Kong SAR	E-wallet	Digital
China	Alipay	Digital
New Zealand	Debit or credit cards - manual entry	Digital
Australia	Debit or credit cards - manual entry	Digital
Vietnam	Mobile Banking App	Digital
Indonesia	E-wallet	Digital
Singapore	PayNow	Digital
Taiwan	Debit or credit cards - manual entry	Digital
Malaysia	Mobile Banking App	Digital
Japan	Debit or credit cards	Digital
Korea	Debit or credit cards - contactless payment	Digital
Philippines	E-wallet	Digital
Thailand	Mobile Banking App	Digital
India	Cash on delivery (COD)	Cash

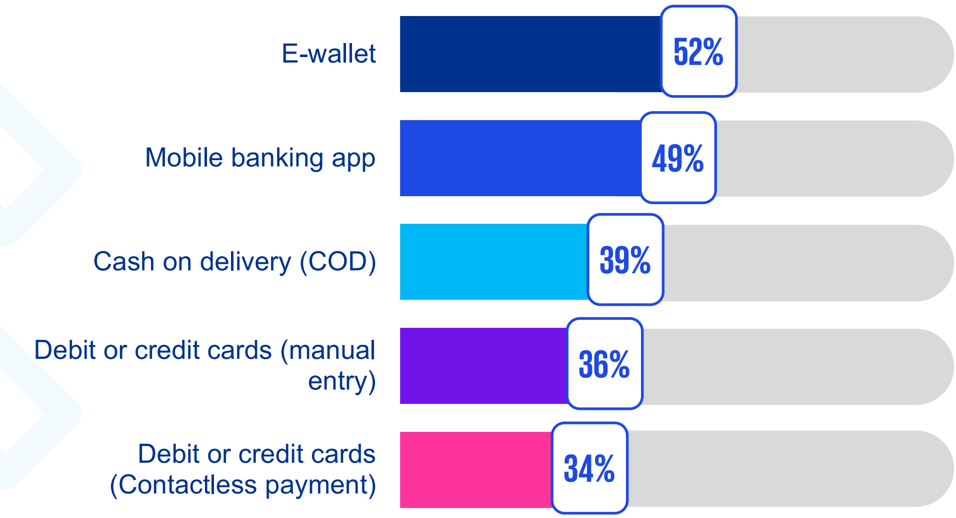
Digital ● Cash

In China, it is commonplace to see ma-and-pa stores and roadside vendors in the countryside display QR codes customers can use to pay for goods; in Singapore, it is common for retailers – especially cafes – to have no cash-handing facilities at all. In those stores, customers must tap and go with their credit/debit cards, or pay by a digital wallet on their phone.

One retailer bucking the digital trend is 7-Eleven in Thailand. Kriengchai Boonpoapichart, CFO at the convenience store's local parent CP All, says just 20 percent of sales in its stores are cashless, which he acknowledges is a small rate compared to other retailers. "A lot of people still want to use just cash." A major factor in this outlier could be that while 7-Eleven Thailand accepts Alipay and WeChat Pay for Chinese tourists, the company has yet to introduce QR payment services in its stores for local consumers. "That will be another big step to leapfrog to cashless payments in the future," said Boonpoapichart.

Source: KPMG/GS1 survey analysis

Top five online payment methods across Asia Pacific



Favored payment platforms

The payment platforms consumers use differ markedly across the region. Across all 14 markets surveyed – where consumers had nine choices – e-wallets such as Apple Pay, Samsung Pay, and Google Pay, and market-specific apps like Zalo Pay and Momo in Vietnam, are used by 52 percent of the population. Mobile banking apps were close behind, used by 49 percent. Debit or credit cards were used by just over one in three consumers.

However, within this data, there were notable unique regional differences. In China, Alipay tops, used by 92 percent of respondents, with contactless debit or credit cards used by just 33 percent.

Reflecting a diverse, competitive and sophisticated financial ecosystem, Singapore stood apart from all other markets surveyed. Local digital payment platform PayNow is the most used (72 percent), with credit card payment second, PayLah third (41 percent), ShopeePay fourth (40 percent) and GrabPay fifth (35 percent).

With the sudden spurt of retailers wanting to be present across all possible physical/digital channels, it is important for brands/retailers to offer diverse payment options and solidify online market presence. By making local payment options available to target regions, businesses can reach new market audiences and expand their reach, either locally or internationally.

Puneet Mansukhani

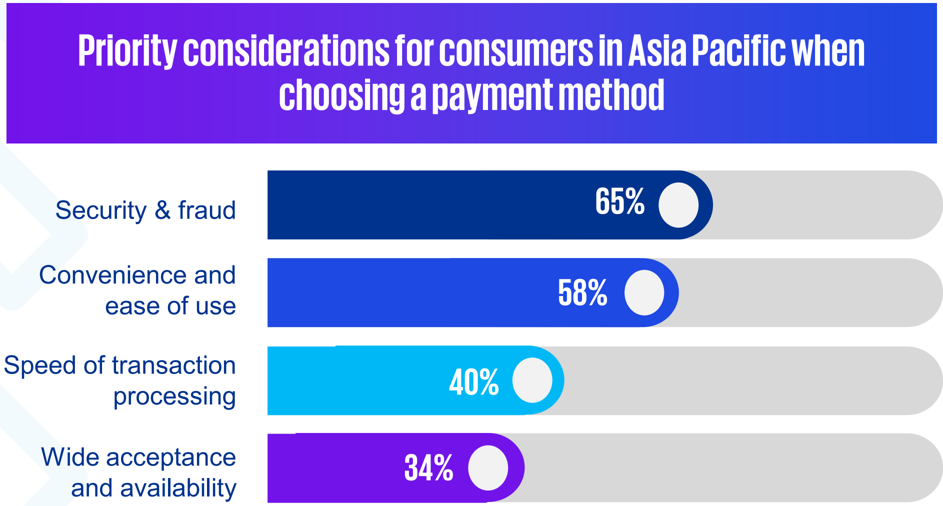
Partner and Head Global of Retail – Digital & Technology Transformation
KPMG in India

Factors influencing payment choice

The single most important factor in consumers choosing a payment method (across all markets) is for security and to reduce the risk of fraud, chosen by 65 percent of respondents. Convenience rated second (58 percent) while speed of transaction processing (40 percent) and widespread acceptance and availability (34 percent) rounded out the top four.

Within markets, there were some differences: convenience outranked security in Hong Kong SAR, China, South South Korea and the Philippines, with all other markets (except Japan) ranking security first. Six markets – Singapore (54 percent), Taiwan (56 percent), Malaysia (53 percent), Japan (32 percent), South South Korea (52 percent) and Thailand (57 percent) – opted for discounts, rewards or cashback offers in third, while 'widespread acceptance and availability' was important in Hong Kong SAR (37 percent) and New Zealand (39 percent). Japanese consumers ranked the ability to earn loyalty points first (50 percent).

Source: KPMG/GS1 survey analysis



Adrian Suherman, Group CEO at Multipolar Corp, parent of Indonesia's Lippo Hypermart, credits a government push during the past five years to get consumers to adopt cashless payments, including QR-code-based transaction platforms, for strong consumer adoption of e-wallets. He says more and more Indonesians are using the local payment platform QRIS payment, which has grown to account for more than 30 percent of retail transactions in the country.

Dione Song, CEO at Singapore-headquartered Love, Bonito – where the majority of payments are by credit or debit cards – believes payment choice is driven not just by technology, but by the incentives there to use them. "Even back to traditional credit card offers, you're getting decent points and I think customers gravitate towards them depending on what promotions are on."

A significant driver of digital payments across Southeast Asia is a growing move to allow cross-border QR payment facilities. Singapore, Malaysia and Thailand have already connected with Indonesia's network and other Southeast Asian markets are now preparing to join. That will mean consumers can use the same QR-based platform abroad as they use at home.

Song adds that when Love, Bonito moves into a new market it ensures it can accept any important local payment platform, like GCash in the Philippines, for example. "We know the local community would expect us to take it."

BNPL is gaining traction – but slowly

Buy Now, Pay Later – where consumers can spread payments in-store or online over several equal monthly payments without being charged interest – has a growing profile in more developed economies in the region – especially Singapore, Australia and New Zealand where it ranked as one of the preferred online payment methods, but at well under 10 percent in each case.

That aside, significantly, consumers in many markets reported they had used the facility and would continue to do so: 55 percent in China, 45 percent in Japan, 43 percent in Indonesia, 41 percent in Thailand, 37 percent in Vietnam, 36 percent in the Philippines, 35 percent in South Korea and 32 percent in Indonesia.

Among the adopters of the service, convenience of payment option, flexibility of payment terms and the ability to budget and plan payments were the primary drivers for using it.

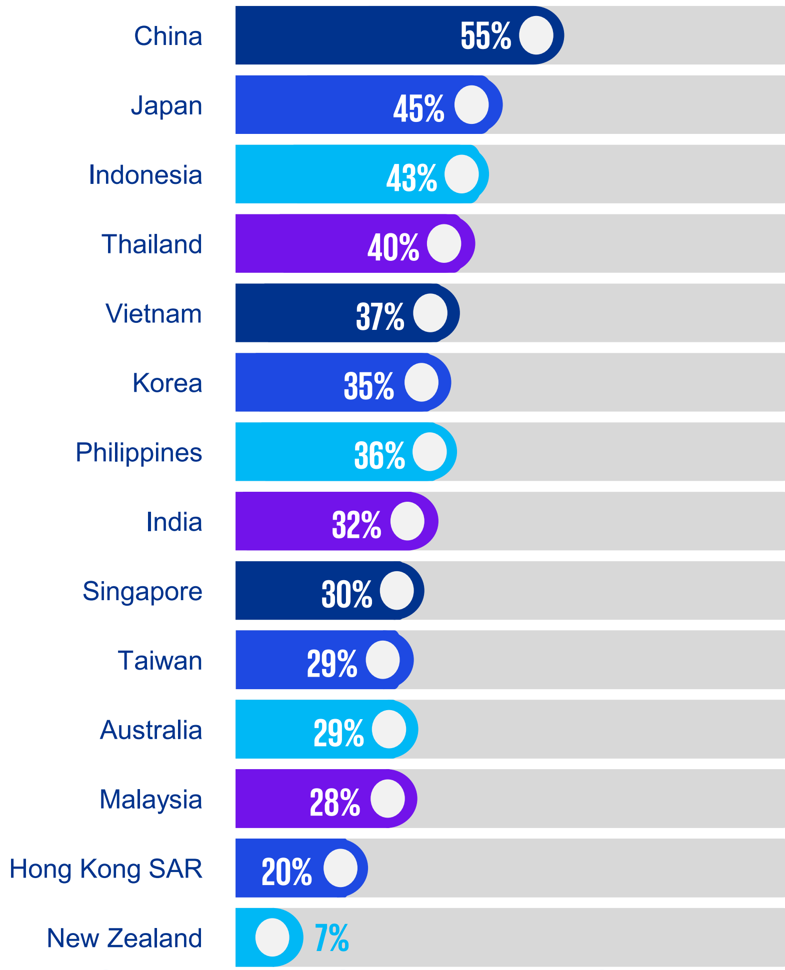
Australasian pureplay online retailer Kogan was at the forefront of rolling out Buy Now, Pay Later options in Australia, adding multiple brands to its checkout option. But COO David Shafer told us that during recent months, there has been significant decline in BNPL business and some brands have disappeared from the Australian market.

"The proportion of our carts that go through BNPL has declined and that has been taken up by credit and debit cards. Credit cards are back in fashion," he said, accounting for the biggest share of payments through Kogan, which also accepts Apple Pay, Samsung Pay, PayPal and even airline Qantas's Frequent Flyer points as payment.

Dione Song says a lot of the payments market in Singapore is shaped by how aggressive rival players have been in subsidizing the space. "For example, the BNPL sector has been highly subsidized, with everyone trying to get a foothold. I would say things are stabilizing now and also simplifying and a lot of these initial add-ons and technologies perhaps were not the most frictionless as well, in the full end-to-end purchase."

> **The recent emergence of BNPL is transforming the digital payment landscape by offering instalments for a wide range of transactions (including low-ticket items). This bodes well for the underbanked population.**
>
> **However, there may be disruptions to the growth trajectory of BNPL, given the recent push for higher regulatory oversight and intervention.**
>
> **Ngu Heng Sing**
>
> Partner – Transaction Services, Deal Advisory Head of Consumer & Retail
> KPMG in Malaysia

Consumers who have used BNPL in the past 12 months and will continue to do so



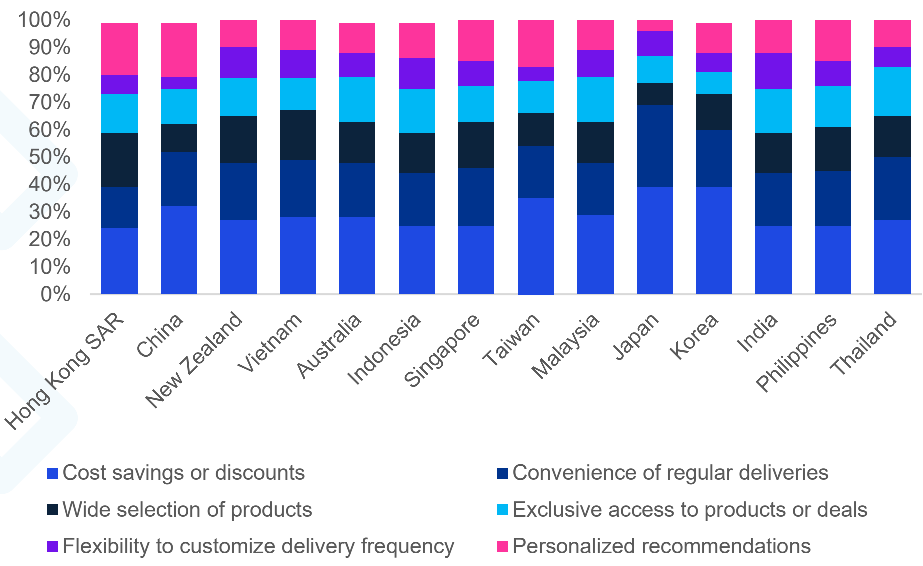
Subscription services are attracting demand

The prospect of saving money or securing discounts is driving consumers across the region to opt for subscription services, where people pay a set monthly fee and products are shipped regularly. That choice stood out, especially given that convenience of regular delivery (the second choice) and avoiding having to regularly re-order products are the main problems that retailers are looking to solve by offering subscriptions.

Having "exclusive access to products or deals" ranked third in Australia, Vietnam, Indonesia, Malaysia, Japan, India and Thailand.

The leading markets in subscription adoption – which we note can include digitally-delivered services such as media or entertainment as well as FMCG products and even apparel – are China (63 percent), Hong Kong SAR (57 percent), the Philippines (53 percent) and Vietnam (51 percent). The lowest adoption rates were in Japan (21 percent), Malaysia (26 percent) and Australia (29 percent).

Key motivators for subscriptions usage



Differences evident in-store versus online

There was anecdotal evidence from our executive interviews suggesting that in-store payment choices influence customer behavior differently than online.

An executive from supermarket operator China Vanguard reported that WeChat is outpacing Alipay in growth, with more than 90 percent of transactions settled by one or the other and WeChat "far ahead".

"Alipay is trying to slow down the decline of its share by providing payment subsidies in various scenarios," he said. "Due to the low unit price of fast-moving consumer goods, the Buy Now, Pay Later payment solutions have not yet become popular due to their high cost and because digital wallets based on RMB digital currency are still in their infancy."

Key questions

01. Are you providing all the methods of payment that your customers want to use? If not, are you missing potential sales?

02. How robust is your fraud protection surrounding online payments?

03. Are your customers interested in the convenience of a BNPL purchasing option?

Case Study

After COVID, Lapasar.com found a way to reinvent the grocery wholesale model

Dannis Raj David
Co-founder & COO at Lapasar.com

Founded in 2018 as an e-procurement platform to streamline how corporates sourced grocery supplies, Malaysia's Lapasar.com reimagined its business model after the COVID-19 pandemic.

"Throughout the lockdown, we survived by selling face masks, sanitisers, thermometers, whatever we could," explains co-founder and COO Dannis Raj David. "After the lockdown ended, we decided that we shouldn't park all of our business in one basket."

That's how Lapasar.com came to create a whole new business model in June 2020, adopting a unique selling point: providing stock to the ubiquitous independent, mom-and-pop grocery stores of Malaysia.

Lapasar.com focuses on single-door traders with a frequency of purchase ranging from every other day to at least twice a month. The company also serves the Horeca market – restaurants, hotels and cafes – the smaller of which buy low-value goods frequently, because they lack the space to store several weeks' worth of provisions.

Today, Lapasar.com serves some 10,000 stores along with wholesalers across four states and remains purely a B2B operation. Orders are primarily taken through its customer-facing mobile app and processed by an order management system built in-house.

Around 50 percent of customers still pay in cash, which might seem a high ratio, but when Lapasar.com started, it was 90 percent. Now, online transfers are increasingly prevalent, primarily using QR codes. Buy Now, Pay Later is another option that smaller retailers have been embracing since Lapasar.com first offered it a year ago, but it accounts for just a single-digit share of overall sales.

Rewriting a traditional business model

Dannis says Lapasar.com's initial challenge was gaining sufficient market share and awareness to be viable. The Malaysian retail FMCG industry has traditional wholesale players who have operated for more than 40 years "and they wouldn't simply invite you in and allow you to grow".

But Lapasar.com had identified a gap in the market: larger distributors aren't necessarily geared up to deliver small volumes frequently to mom-and-pop shops. Instead, they expect small traders to physically stop by a wholesaler to buy their supplies and take them away. Lapasar's goal is to build economies of scale for and on behalf of the smaller grocery stores and restaurants in Malaysia which are in most cases not prioritized in the supply chain. The small traders unsurprisingly embraced the convenience and timeliness of Lapasar.com's business model – especially the efficient delivery.

"To be honest, we began like any other startup would: by discounting heavily, the only way you can penetrate the market," recalls Dannis.

But word of mouth rapidly fueled Lapasar.com's growth as traders shared the convenience and the company was soon able to phase out its discounting and build a commercially viable margin.

One advantage Lapasar.com trades off is the incentive-driven business model of larger hypermarkets. Grocery giants often commit to purchasing high volumes to get a larger volume discount rebate – volumes they often cannot sell. That excess stock is fed back into the broader market – usually via wholesale runners, and now Lapasar.com too – who onsell to retailers. The company has started to partner up or work directly with brands to serve this segment effectively.

Dannis says Lapasar.com's greatest challenge now is predicting order volumes, unstable since the end of the pandemic.

"We cannot know if people will still opt for a specific brand anymore. For example, a famous soft drink is now a luxury item, it's not a necessity."

Wholesalers are adding to the fluctuating demand. With brands increasing prices several times a year, wholesalers often hold back stock they bought more cheaply so they can reap a higher resale margin.

Rising prices fuel private label opportunity

Rising prices are opening an opportunity for both cheaper alternative brands to the mainstream brands – and private label, says Dannis.

Lapasar.com is building its own private label range after successfully testing demand with its own water. The idea is to build its own line of national budget brands to distribute within its ecosystem which will allow consumers to get high quality products at reasonable prices and help its retailer customers increase their margins.

“We were shocked to realize that the drinking water we launched backed the thought behind ‘water is just water’. People wouldn't question the brand so much as long as there's proper certification. We launched our own drinking water and it is now among our top 10 products. We sell 450,000 units a month.”

Dannis says Lapasar.com believes the market is receptive to own-label products, so is planning more SKUs. Future products include categories like household cleaning products, where consumers are looking at price and functionality over brand.

Controlling the logistics chain ensures service

The company currently manages its own logistics internally from warehousing to last-mile delivery, primarily to ensure service levels.

“These customers are very sensitive with their cash, and if they don't stock up within a day and they are losing sales, they get agitated and they have a second or third supply option readily available. So making sure the efficiency is there and reliability of delivery is important.” The best way to do that is by controlling it directly, working with individually contracted owner-operators,” says Dannis.

Lapasar.com is closing a Series B funding round in 2024 which would allow it to expand further through West Malaysia, and probably into East Malaysia. Dannis is optimistic about the year ahead and into 2025. “We have an expansion plan in place. There are a lot more untouched areas for us, especially geographically.”

> **We cannot know if people will still opt for a specific brand anymore. For example, Coke is now a luxury item, it's not a necessity.**

Dannis Raj David
Co founder & COO at Lapasar.com

Case Study

In India, Reliance Retail taps a growing demand for organized retailing

V Subramaniam

CEO / MD of Reliance Retail

Having overtaken China to become the world's most populous nation last year, India is also becoming one of the largest retail markets in the world – but the industry remains fragmented, with 85 percent of trade still conducted through traditional mom-and-pop stores.

Reliance Retail operates a network of more than 18,500 retail stores across India, spanning convenience stores, supermarkets, specialty stores, fashion and e-commerce sites.

Indian consumers buy around US$1 trillion of retail goods annually – a figure growing by 10 percent each year and expected to double within the next seven years, says V Subramaniam, CEO and MD of Reliance Retail.

Reliance Retail achieved sales of more than US$32 billion in the financial year to March 2023 – accounting for 25 to 30 percent of India's organized retailing – and the company's sales have grown by a CAGR of more than 25 percent in the last five years.

Reliance's store network spans 7000 towns and cities, ranging from department stores with a footprint of more than 50,000 sqft to small-format outlets of less than 1000 sqft.

"We have retail experience everywhere," says Subramaniam. However consumer electronics, apparel and groceries are our three main areas of focus.

"We are also growing in lingerie after acquiring three brands and we are present in the retail pharmacy space."

Online growth matching offline

With e-commerce growing in line with physical retail, Reliance Retail has been quick to adapt to emerging trends. "But we don't see everything moving online," he says. "People still want to touch and feel products before buying them."

With 65 percent of India's working population aged under 35 and with an average age of about 29, Subramaniam says the "real consumption story is just getting started".

"For example, Gen Z consumers are looking for fast fashion and they want it now. They want constant change."

He says if a retail or fashion brand tries to follow traditional fashion supply chains today, "they will be left behind". Brands need to study what is influencing and impressing Gen Z consumers in terms of trends and create products to suit them. Reliance Retail has a large number of designers creating on-trend fashion for all the generations it sells to.

Challenges endure for retailers

Meanwhile, while income levels are growing in India challenges remain for retailers, he says. "Retail space is not cheap any more and energy costs remain a challenge for all retailers in India."

So, too, is the regulatory environment at times. For example, India is governed by maximum retail pricing, "so we can never sell above that price".

"The convenience-store concept is not as popular here as in other Asian markets, because you have to tweak your assortment and consumer tastes can change all over India. In Mumbai, for example, 70 percent of consumers are vegetarian so we do see some big differences across cities and regions."

In another example, the company stocks more than 50 different types of rice across its store network to satisfy regional preferences.

Reliance Retail operates more than 700 warehouses, making it one of the largest supply chain networks in the country. The maximum distance between any two is about 100km.

A trend away from cash

Despite the retail market being dominated by mom-and-pop stores, the use of cash is beginning to decline in favor of digital payments, a technology that Subramaniam says is developing at a rate far faster than many other regional markets.

"Digital Payments have grown to $170 billion a year, which is huge – 70 percent of our customers use digital payments, compared to just 23 percent a few years ago – and the main reason for this is that there are zero processing costs to retailers or consumers," he says. "Now, we are seeing reduced cash transactions in our stores."

Gen Z consumers are looking for fast fashion and they want it now. They want constant change.

V Subramaniam
CEO / MD of Reliance Retail

05

Know your customers: How data is shaping seamless commerce and powering loyalty programs

Turning insights into customer engagement

By adopting digital transformation, retailers are moving to integrate data – traditionally siloed throughout an organization and its partners – into a single source of truth. By using technology to unify data from different places on the customer's purchasing journey – from viewing stock online, researching, or trying on products in-store and transacting at any point of sale, retailers can build clear pictures on who their most loyal and profitable customers are, and which demographic groups they should be targeting for optimal results.

"Everyone talks about a lot of fancy technologies nowadays but a lot of it boils down to ensuring that you know, first and foremost, it's rubbish in, rubbish out," explains Dione Song, CEO at Love, Bonito.

"Ensuring that as a retailer and brand, you are maintaining the sanctity of data and that your different touch points are integrated so that you can maximize and use all that information is important."

However, many retailers have missed part of the equation: details of their offline customers and transactions.

"For a lot of retailers, offline is sort of a black box. If you don't find a way to capture a lot of that data, you're missing out on a lot of valuable information. For us, it boiled down to getting back to basics and ensuring there was an underlying engine that allowed us to collect data and mine that information, and that our whole data warehouse was accurate and clean."

The future of seamless commerce will likely require a common data model that supports a customer's journey across channels. It will be the foundation for using tools such as generative AI to explore new business models and selling opportunities and to improve efficiencies.

To serve consumers who are increasingly price-sensitive yet demand orchestrated experiences, businesses must first consider how to infuse technology at the right and critical moment, making technology the key driver of seamless omnichannel experiences. Doing so can a company create meaningful interaction with customers.

Wayne Lai

Chief Digital Officer
KPMG in Taiwan

Data is the key to meeting customers' expectations of being able to shop seamlessly with one brand across multiple touchpoints, regardless of which channel they are in. Yet, making it happen from an operational standpoint remains a big challenge for many retailers.

What does data proficiency look like?

To meet consumers where they are, retailers are focusing on key operational improvements. These include unifying data and integrating systems, aligning organizational structures with the customer journey, leveraging existing assets with automation, and prioritizing customer lifetime value over short-term economic gains.

For successful omnichannel transformation, investing in technology infrastructure is essential, whether through developing in-house solutions or partnering with third-party providers to create modern, flexible platforms. This infrastructure must provide access to clean, reliable, and timely data in a secure manner.

Here, global data standards are crucial, particularly interoperable product attribute and identification standards, which facilitate real-time data synchronization between retailers, suppliers, and customers. This synchronization can ensure that the digital representation of a product accurately reflects its physical counterpart.

Ultimately, it's vital that retailers maintain consistent data that supports a seamless customer journey across all touchpoints, from CRM systems and data management to supply chain, inventory, order management, point of sale (POS), and post-purchase customer support.

> **Global data standards are critical to accurately identifying products, assets, locations and more across the entire supply chain and can be the foundation of developing and implementing efficiencies and more sustainable practices across retail operations.**
>
> **Anna Lin**
> Chief Executive,
> GS1 Hong Kong

Loyalty programs and data feed each other

Across the Asia-Pacific region, most large-scale retailers (and many small ones) are embracing loyalty programs, either internally or through partnerships with multi-brand programs such as FlyBuys in Australia and New Zealand or even airline programs. Points-based airline programs allow customers to earn and burn points through travel, along with purchasing products from partner retailers, or paying with a certain credit or debit card.

While loyalty programs help retailers build long-term relationships with their customers, the attractive flip side is the data they can build on members' shopping, surfing and spending behavior.

Jay Chen, Chairman of Taiwanese multibrand distributor Hengstyle – which is currently expanding its direct-to-consumer online business – admits that not so long ago the company thought there was little need for a loyalty program. "But now we feel that engagement from the loyalty program is very important. We can collect data from the program which is the major motivation for us to run this engagement with customers."

Another of our executive case studies for this report was Hyundai Department Store from the Republic of Korea, which has launched an exclusive membership program Club YP for VIP customers aged in their 20s and 30s. Dedicated lounges – called YP Haus – have opened for these customers in the Hyundai Seoul and Pangyo stores.

"Hyundai Department Store also strives to provide more personalized services to high-purchasing customers," Jee-young Jung, CEO & Chairman of the Board, told us. In addition, the retailer has introduced a VIP-exclusive online mall called RSVP for premium customers, offering specialised products and services online.

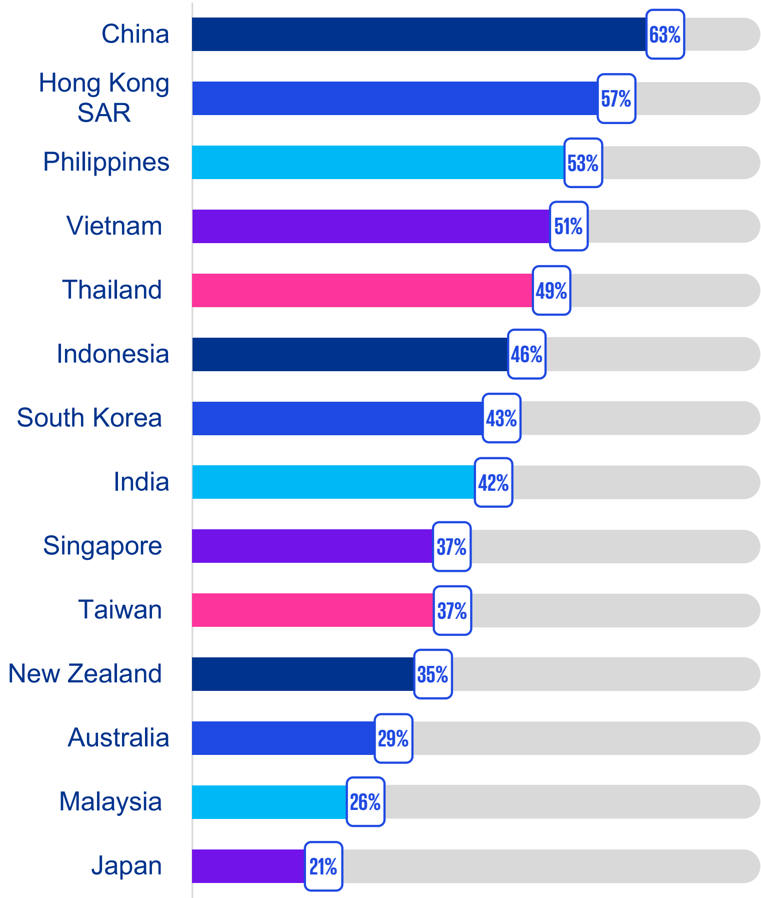
Key questions

01. Does your company have a robust data management system, offering a single source of truth for the business?

02. Are you using a loyalty program to maximize engagement and repeat business with your customer base?

03. Are you deploying interoperable global product attribute data standards and product identification standards?

Driving loyalty: Popularity of subscription services across markets



Case Study

Online retailer Kogan looks to non-inventory products to fuel future growth

David Shafer

Executive Director, Kogan.com

Seventeen years after Kogan's founder Ruslan Kogan started shipping electronic appliances from his garage, the online retailer is firmly focused on building its non-inventory-based business units – with a burgeoning loyalty program at its core.

The advent of COVID in 2020 triggered a tumultuous three years for the Australian company, its fortunes fluctuating along with consumer behavior. As of late 2023, Kogan was at the tail end of a major inventory wind-down, reversing expansion triggered by a rush of shoppers heading online when lockdowns and social distancing measures were introduced.

At the start of the pandemic, "all of our Christmases came at once from a retail perspective," explains David Shafer, Executive Director. Some of the company's brick-and-mortar-based competitors were closed and there was a sudden, huge demand to buy goods online.

"Our business basically doubled overnight. It would have tripled, had we had more inventory. And that continued for month after month, so we took the view about six to nine months in, that this seems to be a once-in-a-100-year event, it's going to cause a big acceleration of e-commerce adoption in Australia. Once people start purchasing online, it will be a permanent shift in people's purchasing behavior."

Kogan quadrupled its inventory and its warehousing footprint, doubled its headcount and prepared the business for unprecedented growth.

Fast forward a year, sales started to slow and Kogan realized it had a problem. "We had significant inventory levels, sales were not where we thought that they would be. It wasn't like we fell off a cliff and there was a sudden change, it was a gradual reduction, and we didn't know where the bottom would be or whether things would reverse."

In late 2022, Kogan realized it needed to significantly reduce its inventory exposure and return to the agile, nimble business it had been for 15 years pre-COVID.

As part of that refocusing, the company decided to focus a lot more on growing its non-inventory-based business units: its mobile phone and internet service provider, its power supply company, and Kogan Money – a branded credit card.

Key to this ramped-up focus was scaling up the Kogan First subscription-based loyalty program, adding more benefits to members "and making it a lot more appealing to become a member and stay a member".

"Our strategy is to have a core range of compelling inventory-based offers, which are the best in the market, to draw the attention of consumers and then really go out and reach consumers."

Kogan First currently boasts about 450,000 paid members. The concept is very much modeled on Costco, which charges members an annual fee for the right to shop there and largely standardizes margins on the products it sells.

“There are a few differences: Costco shoppers must be members, while anyone can shop with Kogan, but the concept is similar: every member can access a discount or added benefit to every inventory-based product. “Over time we hope that a growing proportion of our business will be driven by Kogan First members and we will gradually become less reliant on marketing, in the same way as Costco doesn't spend on marketing,” says Shafer.

Now emerging relatively unscathed from the COVID-era experience, Shafer says the biggest challenge the company faces is the uncertainty of consumers’ appetite to buy.

“If we look at only the last couple of years, we're seeing some of the highest highs in terms of consumer appetites and demand and readiness to spend – and then some of the quickest tightening that we've ever seen. We've never seen the sort of volatility in consumer behavior that we've seen over the last few years.”

“No one has a clue what's going to happen in an environment where interest rates and inflation have gone up this quickly. It's a very uncertain consumer environment, so we have taken action to prepare our business to be able to withstand any scenario.”

During the past 18 months, Kogan has massively reduced risk across the business. “We've reduced inventory, operating costs and fixed costs significantly. We've leveraged more of our business to variable sales and digital sales, which means that if sales bounce back, we will have a very strong reversion to incredible profitability. But equally, if sales continue to be relatively flat – or even if things get worse – we are comfortable because we are no longer as significantly exposed to the changing vicissitudes of the consumer environment. We've got a strong balance sheet, a high cash balance and a clean inventory level. And we have lots of opportunities to make non-inventory-based digital sales, which are recurring by nature and have higher margins.”

Supply chain correction

During the pandemic, Shafer recalls it was very difficult to get stock out of China – from where it sources most of its own-label electronics and appliance products – when lead times were growing longer and prices rapidly rising. "You'd take any orders you could get and you had to lock in high minimum order quantities just to have your orders prioritized. And at that time, international freight rates were skyrocketing more than 10-fold."

Fast forward to today and the Chinese suppliers are more eager than ever to win business. "They've lost a lot of business out of the US and they need to fill that capacity. There are no product shortages anymore in China, international freight rates have fallen back below pre-COVID levels and prices have come down from the factory door, so there is no inflation coming out of China."

In contrast, in Australia, domestic freight, last-mile delivery and utility costs have risen significantly.

So too has the cost of labor and Kogan is finding it hard to recruit tech talent with a shortage of skilled people and strong competition among Australian employers for locally-based talent.

"Pretty much the whole tech industry in Australia is demanding significant work-from-home entitlements. The single biggest factor impacting the productivity of any engineers and the tech industry in Australia is the working-from-home status quo that has not reversed since COVID," he explains.

"In our business, some teams are working from the office full time and other teams are rarely in the office. That's not ideal for team camaraderie, collaboration, productivity and office culture. It means that rather than having a five-minute in-person discussion to resolve an issue, you'll have a 43-long email chain over five days."

> **We've never seen the sort of volatility in consumer behavior that we've seen over the last few years.**

David Shafer

Executive Director, Kogan.com

Case Study

Harnessing customer data, Taiwanese distributor Hengstyle transitions into DTC

Jay Chen

Chairman of Hengstyle

Hengstyle was founded in 1960 as an importer and distributor of brands in Taiwan. It currently represents Dyson, Braun, Honeywell, SodaStream, Vermicular and Laurastar, among others.

For the past four years or so, Hengstyle has been lazer-focused on transitioning into the direct-to-consumer space, while still maintaining its wholesale partnership with other retailers both on and offline.

Besides 70 consumer-facing retail stores, including standalone outlets and concessions in partnering department stores, all of its 28 brands are sold on its online marketplace.

Chairman Jay Chen explains the progression to DTC was based on the recognition that shopping is now no longer one channel or another – "it is an omnichannel experience," one that now accounts for 40 to 45 percent of the business's revenue, with wholesale accounting for the balance.

Normally in Taiwan, a high-end home appliance distributor doesn't engage with customers, not to mention understand the customer journey and the whole purchase cycle. Hengstyle recognized the foundation of an effective DTC strategy relied on data. So the company built a Customer Data Platform (CDP) to aggregate data from the front, middle and back ends of the business, enabling detailed analyzes of their customers' behavior and understanding of their true needs.

"It is Hengstyle's goal to increase our understanding of customers. We want to know how they choose channels – website, physical stores or social media – what products or services they need, and their preferences so that we can provide them accordingly and then further gain their trust," Chen explains.

Hengstyle adopted many approaches to engage its customers in shopping and buying using the idea of curation – such as inviting KOLs to make videos, launching festival-themed campaigns, and revamping the physical concept stores to present products and demonstrate how they blend into all sorts of lifestyles.

> **A seamless customer experience necessitates a successful digital strategy. Through AI adoption, the effectiveness of operating systems and data can be significantly optimized, and customer behaviors accurately predicted, leading C&R companies toward smart retail transformation.**

Pearl Chen

Head of E-Commerce
KPMG in Taiwan

Chen says the company used to think there was little need for a loyalty program when customers buying premium products would routinely return to upgrade their products. "We used to think 'Why bother?' because we are not an FMCG company or a convenience store with a high frequency of sales. But now we feel that engagement from the loyalty program is very important. And we can collect data from the program which is the major motivation for us to run this engagement with customers."

As part of its customer service focus, Hengstyle has adopted Artificial Intelligence to drive machine learning to predict when products need replenishment. Customers who have bought a SodaStream from the company are now likely to receive a recipe or fresh canisters or flavors based on order history – instead of us just bombarding consumers all the time."

Chen says the engagement rate with customers clicking on an offer is five times higher now that the company uses AI to determine when to send out reminders or offers to SodaStream owners.

"The next stage is that we want to make the conversion more efficient. But by the engagement, we already see a very significant improvement."

Hengstyle conducted a target customer analysis project that found out the most loyal group of its customers make multiple purchases, buy across multiple brands and respond well to the marketing of new products.

Chen says Gen Z customers are responding well to its DTC initiative. About 90 percent prefer to visit a physical store to shop, regardless of where they might have sought information about a product – a far higher percentage than of Generation X and Y customers.

In response to those trends, Hengstyle's DTC strategy is to continue to improve its digital convenience, innovate in stores with larger formats and focus on experience as a key feature of future store development.

"Customers now need a seamless shopping experience without any friction. And nowadays, the younger generation especially love to experience products before they buy."

Customers now demand a seamless shopping experience, without any friction.

Jay Chen

Chairman of Hengstyle

Case Study

Thailand's 7-Eleven grows by focusing on food and customer needs

Kriengchai Boonpoapichart

CFO at CP All, Thailand

Bangkok-headquartered CP All is the operator of 7-Eleven in Thailand, Cambodia and Laos. In Thailand, it has almost 15,000 stores, with about 40 percent of those located in greater Bangkok, and the remainder around the country.

Responding to the evolving lifestyle of customers, 7-Eleven Thailand has developed from mostly compact-sized shophouses to more spacious stores in various formats including standalone stores, outlets with parking outside and almost 2000 located in service stations.

7-Eleven Thailand's key revenue growth drivers are store network expansion and increased same-store sales.

Already serving about 13 million people a day – or almost 1000 customers per store – the retailer is now focused on encouraging its customers to visit stores more often – and spend more when they do.

One of its successful strategies has been expanding its ready-to-eat and ready-to-drink ranges, which has helped food to account for more than 70 percent of its turnover. Ready-to-eat rice meals, sticky rice burgers, pastries, toasted sandwiches, Japanese rice balls and other foods appealing to locals and tourists alike have helped CP All to expand the overall market for convenience foods.

Convenience stores are inflation proof

With the cost of living in Thailand – as everywhere – increasing, it has yet to impact CP All.

"Typically inflation is good for us because we tend to make the same gross profit margin," explains Kriengchai Boonpoapichart, the company's CFO.

"Inflation offers tailwinds to the retail price. But, of course, we have to make sure that price increases are appropriate and necessary. Except for a few specific locations, we keep our prices standard across the country and ensure that we offer our quality products at affordable and fair prices."

The company's loyalty program called All Member, with a built-in payment facility, has 18 million members, 70 percent of them active users.

Using the program's 7 App, customers can order delivery online, with fulfillment typically within 45 minutes for fresh food or drinks. Subject to a minimum purchase value, delivery is free and usually fulfilled by local store staff on foot or motorbike, which has the positive spinoff of allowing staff to get to know their customers better, leading to product recommendations and up-selling opportunities.

Solving the workforce challenge – and helping communities

With almost all 7-Eleven stores trading 24-seven, three shifts are required each day, creating a workforce exceeding 130,000 nationwide.

More than 15 years ago, CP All began partnering with the Ministry of Education to introduce a Thai-first Work Based Learning System. Working with several vocational schools – including one of its own – CP All guarantees 8000 Modern Trade Business Management students at any one time to get paid work while they learn. After graduation, they can work for 7-Eleven or somewhere else should they; about half accept a convenience store opportunity.

Boonpoapichart says CP All's corporate culture puts a great emphasis on people because convenience retailing is a service industry "and we are a people business anyway".

"Everything has to be driven by people, in terms of service quality and human-oriented, so we never want to be the first mover in technology. But we don't want to be outdated either; we tend to keep ourselves modern, just not too fast."

For that reason, unmanned stores are not on CP All's horizon, but the company will embrace technology that allows fewer people to work more efficiently.

"You're not going to see CP All leading ahead of the technology curve, but we have a lot of modern technology behind us so that our people can work smarter and we can serve customers better."

Despite 7-Eleven's enormous network and domination of Thailand's convenience store sector, Boonpoapichart still sees growth opportunities domestically.

"Maturity or saturation should not happen so long as we dynamically adapt our service and our product to match the changing behavior and needs of our customers," says Boonpoapichart. "When we hit 10,000 stores, we started getting these questions all the time. And we are still growing."

You're not going to see CP All leading ahead of the technology curve, but we have a lot of modern technology behind us so that our people can work smarter and we can serve customers better.

Kriengchai Boonpoapichart

CFO at CP All, Thailand

Case Study

In a post-pandemic world, Rustan's looks to get personal

Ramon Bautista

CFO, Rustan's Department Store

Rustan's is a 70-year-old family-owned Filipino company, now focused on upscale department stores with five main stores in key cities and an online channel. About a third of Rustan's business is beauty and cosmetics, with a fast-growing home category close behind and the balance of turnover across apparel & accessories from women's, men's and children's and a fine jewelry category.

In the post-COVID era, Rustan's is embracing personalization as a key tool in building customer loyalty, engagement and sales.

"Personalization is one of the leading, unique features of our retail stores," explains Ramon Bautista, CFO at Rustan's. "We try to create a personalized, bespoke customer experiences because service is very relevant to how our customers perceive and react towards our brand."

The strategy – centered on the launch of a Personal Shoppers on Call service – was being developed ahead of COVID, but when the pandemic forced the closure of brick-and-mortar stores for much of 2020 and 2021, its modified re-introduction was sped up. Staff who once served customers on the floor were eligible to be retrained as personalized shopping consultants and the team progressively grew from 20 to more than 100 now.

"Previously, our version of a personal shopper was just really an experienced sales associate with their own network of customers," recalls Bautista. The new format uses a centralized inquiries concierge which assigns a personal shopper based on the customer's proximity to a store and their demographic. That partner can assist a customer with whatever they need, whether searching for a brand, a gift idea or a specific item – online or in person – processing payments and organizing delivery, kerbside collection or gift wrapping.

With purchasing history stored in a database, staff can easily follow up with customers to recommend newly released products or suggest complementary items.

After 50 years, a generational shift

Rustan's plans to focus on three demographic groups: Millennials, Gen X and Baby Boomers. "The older generations are our legacy customers, our VIPs, and we are committed to continuing to provide them with the best experience, tailored to their needs and preferences. But our primary focus will be on Millennials. It is not just about the products, it is about addressing the needs of this new type of customer and trying to build more experiential features in our stores."

Data from the company's Frequent Shopper Plus (FSP) program shows more than one third of its sales are to Millennials, who account for almost half of its customer traffic. Their average spend per visit is around 10,000 PHP (US$170), while older generation Boomers typically spend at least 30 to 50 percent more than Millennials, accounting for 28 percent of sales, 1 percent less than Gen X.

With technology aiding the transformation and transition, Rustan's is now developing mobile and omnichannel applications, bringing the online and offline experiences together and helping to address those generational expectations, integrating features such as the brand's bridal and all-occasion registry, real-time inventory information, and featuring geolocation so that when a customer walks into a Rustan's store, relevant marketing offers and specific store information will pop up on the customer's phone.

Bautista says Baby Boomers and Millennials have different expectations in stores. "Younger generations are looking for an overall in-store experience, not a place just to buy something, but also a place to enjoy a coffee or a snack. Millennials want to roam around and have a multi-sensorial experience in the stores, they want to touch products. Baby Boomers are looking more to be pampered, so they will sit down in the lounge area while our associates show them products, process their payments, and gift wrap items, and the like."

This year Rustan's will look to include more experiential activities in stores, including dining, brand-exclusive pop-ups and pop-ins, and Instagrammable spaces. Bautista cites examples from other international department stores like the Prada Cafe in London's Harrod's or a Christian Louboutin pop-up in Neiman Marcus promoting a new seasonal shoe range.

Looking forward, Bautista sees a combination of people, processes and data as the recipe for the retailer's growth and success.

"We need those three elements to have a successful transformation because the industry and the market are changing, the customer is changing and how fast we can adapt to that change is key."

> **Personalization is one of the leading, unique features of our retail stores. We try to create a personalized, bespoke customer experience. Service is very relevant to how our customers perceive and react towards our brand.**

Ramon Bautista

CFO, Rustan's Department Store

06

The unstoppable drive towards sustainability

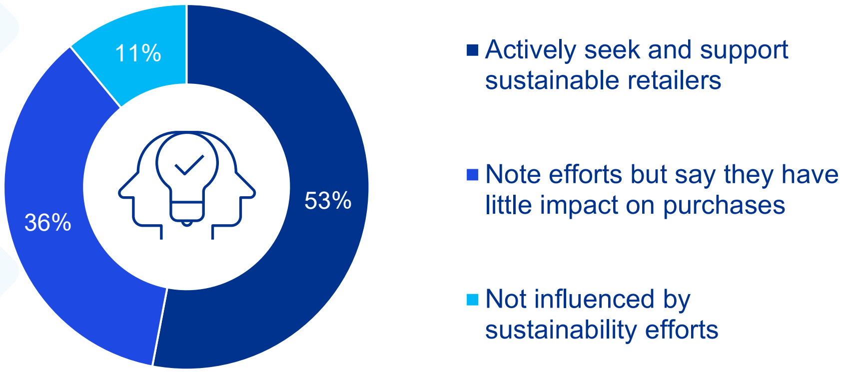
Retail's green imperative

For retailers, demonstrating a commitment to sustainability through the supply and manufacturing chain is no longer a 'nice-to-have' credential. Moreso, it is increasingly less a marketable point of difference. Today's consumers expect brands to behave ethically in the manufacturing and sourcing of products and to consider the impact on the environment of their overall business activity.

"This dynamic is happening and happening very fast," asserts Anne-Laure Descours, Chief Sourcing Officer at Puma, who also sits on the sports apparel manufacturer's management board.

"Business people need to understand why sustainability is a key component, a backbone of what we do as a business. There is no other choice if you want to be in business five or 10 years from now."

Influence of sustainability on consumer decisions in Asia Pacific



In our survey of 14 Asia-Pacific markets, just 11 percent of consumers said sustainability does not affect their buying decisions. The balance said they seek out brands that demonstrate clear sustainability commitments and practices and are more likely to purchase goods from them, with 53 percent more likely to choose a sustainable product, the remaining 36 percent saying sustainability credentials do not "significantly" impact their purchasing decision.

Within that data, there were regional differences. Consumers in China, Vietnam, Indonesia, Malaysia, India, the Philippines and Thailand said sustainability credentials were less likely to impact their decision, while in Australia, New Zealand, Taiwan and South Korea, they were relatively evenly split. However, 25 percent of Australians and 20 percent of New Zealanders said sustainability would not affect their buying decision and Japanese were the least likely to buy sustainable goods.

Our research house suggested those ratios reflected a degree of "ESG fatigue" in some mature markets, a feeling of "helplessness" in identifying genuinely sustainable brands – or that their purchasing decision would make a difference.

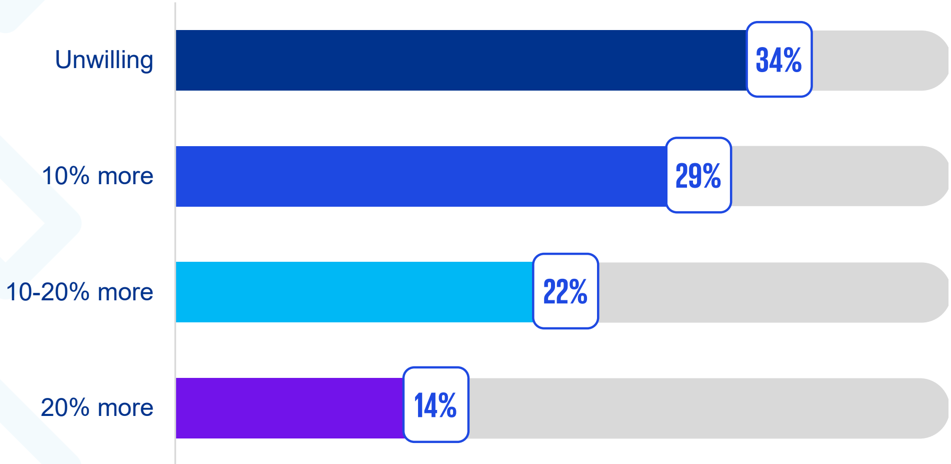
Consumers most commonly want to see brands reduce waste through recycling (49 percent) and the sustainable sourcing of raw materials (31 percent) along with the use of eco-friendly packaging (30 percent). Having a climate action plan, net-zero strategy or a carbon footprint-reduction strategy was important to 28 percent, while 23 percent want to see brands incorporate sustainability into their brand story. Another 22 percent are concerned about the ethical treatment of workers and fair labor practices.

Are price premiums acceptable?

For many brands, delivering sustainable products and services comes with a cost: recycled materials in products or packaging are typically more expensive than virgin alternatives, and climate action programs or net-zero strategies come with compliance and certification costs.

While a majority of consumers surveyed (64 percent) are currently prepared to pay a premium to help brands recover those costs, more than one-third (34 percent) are not. Of those willing to pay extra, 29 percent limited it to 10 percent, 22 percent to between 10 percent and 20 percent, with just 14 percent willing to pay a premium of 20 percent or more.

Consumer willingness to pay a premium for sustainability in Asia Pacific



By age group, Millennials and Gen Z are the most willing to pay a premium, with those over 55 the least willing. By market, consumers in Australia, Malaysia, Japan, South Korea, New Zealand and Singapore – all relatively developed economies – were the least willing to pay a premium.

> **Sustainability isn't a marketing add-on, it's the baseline. Upcycled hauls, community cleanups, and inclusive tech experiences flood social media, setting the tone. Greenwashing crackdowns, robust ESG demands, and supply chain transparency are the new normal. Brands must stitch diversity, ethics, and social responsibility into their core, offering sustainable experiences without eco-premiums. This isn't just preference – it's the future of commerce, sewn by a generation with hearts and wallets for the green revolution. Regulators and investors echo the call, but consumer pressure roars loudest.**
>
> **Derek Dong Seok Lee**
> Partner, Head of ESG, Asia Pacific
> KPMG in South Korea

Today, consumers and regulators are demanding ever-greater transparency from companies: posing questions about how and where materials were sourced, or a product's carbon footprint. In this context, there is an urgent need to achieve end-to-end supply-chain transparency and easily share data about products and processes. Global standards like GS1 Digital Link, together with 2D barcodes, help companies easily share trusted product information including provenance, certifications, nutrient values and more, to engage with consumers.

Patrik Jonasson
Senior Director, Retail & International
Public Policy, GS1

Many of the executives we interviewed for this report are acutely aware of the challenges in meeting consumer demands on ESG issues, however, overall there appears to be a degree of disconnect between the strength of consumer demands we learned from our poll and the volume of the message that companies are hearing.

One executive who is aware is Won Shik Kwon, Chief Strategy Officer of Lotte, who says there has been interest in environmental and Fairtrade issues for a long time. "The problem is that you have to start charging more and customers are reluctant to pay that premium, except for a very small percent who are serious about those things. So it is our responsibility to come up with a way to reduce the cost of supplying those environmentally friendly or fair trade [products], without adding to the price that customers need to pay," he explains.

"For example, we need to increase the accuracy of our demand forecasts so that we don't waste our inventory – especially in fresh produce – to help us reduce food waste. By lowering costs through such efficiencies, we can absorb some of the costs of providing better packaging materials or doing fair trade, without increasing the price for customers."

Hengstyle Chairman Jay Chen agrees that many consumers are talking about and expecting greater transparency in how products are sourced and manufactured with concerns over environmental impact and fair working conditions.

"We are not manufacturing, but we deal with globally well-known brands, and I believe they are meeting sustainability expectations that consumers expect, so when we select a brand to carry, we will evaluate whether it's environmentally friendly."

The main concern of retailers isn`t how you sell anymore, it`s how you produce. If you aren`t producing in a compliant way, you will be blocked out of markets.

Anne-Laure Descours
Chief Sourcing Officer, PUMA

Hengstyle participates in a Taiwanese circular economy campaign called Restyle 2050, where any products returned by customers or taken off the shelves are repaired and resold on a dedicated website.

"It is important for us through this platform to promote sustainable living practices, curation and cross-industry cooperation to promote sustainable lifestyles. Consumers expect the companies they deal with to have a conscience with sustainability."

Mindset is the key

Anne-Laure Descours of Puma believes mindset is key if brands are to make real progress on delivering more sustainably sourced, produced and packaged products. Without a background or education in engineering or fashion, Descours has spent many hours learning about processes and systems and new ways of doing things to meet sustainability goals.

"This is the only way you can do it. There is no shortcut. It requires energy, it requires opening up to people who are coming from very different industries and working alongside them."

Puma has brought in talented people with different perspectives and capabilities to accelerate the business's sustainability transformation. Collaborating with supplier partners, manufacturers and competitors is "absolutely key", she says. "Giving them space and listening to them and empowering them to help us get to where we should be is also absolutely critical.

Everything is interconnected but it starts with the mindset."

The global push towards ESG is something that Japanese consumer goods manufacturers and retailers cannot ignore. Sustainability has become critical for businesses and needs to be prioritized to remain competitive. Large businesses need to lead the way, by promoting a platform for sustainable initiatives shared with SMBs, and by raising consumer awareness.

Yuji Ito

Partner and Sector Leader, Consumer & Retail
KPMG in Japan

Key questions

01. Has your company embraced sustainability across its operations and if so, how are you communicating that to your potential customers?

02. If you are citing green credentials, can you provide independent verification of their accuracy if challenged?

03. Are you optimizing costs in your supply chain to offset the impact of incorporating sustainable sourcing practices into your end prices?

Case Study

Design with purpose: How Love, Bonito stands out from rival fashion brands

Dione Song

CEO, Love, Bonito

Love, Bonito has evolved over the past 14 years from a digital-first online brand into one of the largest direct-to-consumer omnichannel womenswear brands in Southeast Asia, with an even split between online and offline sales.

Over 20 stores across Southeast Asia and Hong Kong SAR, the company is turning to markets with significant Asian diaspora, such as the US. This year it will open its first store in Manila, after successful pop-ups and community engagements post-Covid.

CEO Dione Song says the brand's mission is to "celebrate and uplift the Asian woman, through thoughtful products and experiences."

Song credits Love, Bonito's early offline success with diligence in collecting customer data.

"When we started selling online and on social media, we started collecting data and established a loyalty program during the pandemic in 2020. This allowed us to understand our community better when we decided to open our brick and mortar stores around the region."

Being an online native retailer with a catch-all international site shipping globally gives the company great insights into markets when choosing where it next wants to expand. The team looks at which markets are showing Replace to showing organic traction, and where it can test products through pop-ups or social-media campaigns.

"Through our data insights, we can identify markets that have strong marketing efficiency, healthy technology, customer retention and an uptrend in online shopping behaviour. Beyond these metrics, we're also keen on looking at communities where there is power in word of mouth."

"Pop-up stores allow us to test and experiment in a more risk-free way after we build up an online presence in a market. It is quite different to operating a brick-and-mortar store in a new market or a new city, there's more of a hype element because the pop-ups are time-sensitive and we can use those spaces for events and meet the community to understand her a bit better."

The company started eyeing the Philippines in 2019, investing a little more in online marketing and selecting like-minded influencers and KOLs in the community to grow the brand together. After a couple of pop-ups and activations in key malls across Manila, "we started to see that instead of us having to pitch to landlords, they were coming to us, excited about the brand and asking when we were coming to Manila," recalls Song.

Designing with purpose and versatility

Love, Bonito believes its strongest point of difference from other fashion labels is the versatility built into its designs.

"From day one we have looked to ensure that we put in a lot of intentionality and purposeful design into our entire process, meaning that our clothing is made with thoughtfulness, care and versatility always in mind." Pants with elasticated waistbands, for example, are designed to be adjusted to cater for women gaining or losing a few pounds during their time of the month, or across seasons.

"We think about fashion from the perspective of everyday lives of our community, and truly design our pieces to be ready-to-live in. Our apparel is fitted on Asian women instead of mannequins, and are functionally tested (Asian squats included)!

We want customers to pair their clothing pieces across different occasions, different life stages, and even across day to night. That versatility is very important because customers can start thinking about it from a cost-per-wear perspective.

"The lines between occasions are blurring, not just because of the cost of living, but because of the way of working today. Many people still have hybrid working arrangements so they are looking for clothes which look great for the office, great for cocktails and are comfortable and easy to wear – and that are Zoom-meeting friendly.

"With our wide, versatile assortment, our customers are able to mix and match various pieces, which ultimately increases mileage of pieces and reduces cost per wear for a customer."

Samples and defect products that cannot be sold, and unsold stock are donated to charities supporting underprivileged women, or circular fashion organizations.

"As a brand, we want to uplift and empower women." During COVID, for example, Love, Bonito partnered with a beauty brand to give women who lost their jobs due to the pandemic "a new look" and regain their confidence for job interviews and for LinkedIn profile photos.

Customizing store designs

Love, Bonito carefully designs stores to suit their local catchments. In locations close to residential areas, the space between racks is wider so mothers can push prams around, while in larger stores, there are sofas for the partners of shoppers to relax while the women shop.

"We are thoughtful in our entire store experience and want to ensure that our stores are family-friendly and allow every woman walking in to feel confident and beautiful. As such, we ensured our retail spaces have spacious fitting rooms, and each room includes special words of empowerment, large mirrors and lower-hung wall hooks to cater to kids."

For most of our stores, the brand has created an electronic queuing system for fitting room bookings, to reduce queues.

"We were seeing people wait in line and thought instead of queueing, she could take a queue number and continue browsing the shop floor while waiting for her turn which is great because you want to maximize your time while in store. We were inspired by Korean barbecue restaurants in Singapore."

Such approaches to apparel design – and store design – are clearly paying dividends in the market – Song can tell from the positive stories shared on social media.

"Our community is pretty active generating content. We all talk about influencers and KOLs, but your strongest and most authentic voices are those of your customers and your community."

As a brand, we want to celebrate and uplift the Asian woman.

Dione Song
CEO, Love, Bonito

Case Study

AEON Japan is responding to the cost-of-living crisis on multiple fronts

Kazuto Mabuchi

Executive Officer, Head of Corporate Planning Division, AEON Retail

AEON is the largest retail group in Japan, with more than 2,000 stores trading under multiple formats and banners, including SM, DgS, and GMS. The company is also expanding various shopping mall formats across Japan and Southeast Asia, including in the markets of Vietnam, Malaysia, Hong Kong SAR, Taiwan and Cambodia.

The impact of inflation and consumer spending constraints has affected many markets where AEON operates. The company prioritizes cost improvements and enhancing customer loyalty within its organization before considering price increases.

“The cost-of-living crisis has certainly influenced consumer decision-making,” said Kazuto Mabuchi, Executive Officer, and Head of the Corporate Planning Division, at AEON Retail.

In response, AEON has implemented various initiatives to adapt to changes in consumer shopping habits, such as offering products at different price points and focusing on improving customer loyalty. One example is the expansion of its private-label product lineup, emphasizing not only affordable prices but also the importance of being "environmentally friendly, safe, and sustainable".

“With the increasing complexity of retail formats, such as the advancement of direct-to-consumer models by FMCG manufacturers and the expansion of food categories in drug stores, we are implementing various initiatives to enhance the customer experience,” he said.

Internally, AI technology is being leveraged within AEON to improve data utilization and operational efficiency in areas such as demand forecasting, supply chain optimization, and back-office operations. In terms of customer-facing roles, AI is being used for assortment optimization, flexible delivery services, and UI enhancements, said Mabuchi. Additionally, AI-powered chatbots are being used to provide efficient and satisfactory customer services.

However, AEON faces the challenge of overcoming data silos scattered across different departments within the business to fully maximize the benefits of its digital capabilities.

"We also face challenges related to costs and determining the best approach for data aggregation considering our diverse business formats," said Mabuchi.

To meet the diverse needs of consumers, AEON recognizes the importance of adapting to regional shifts in e-commerce, just like in physical stores.

"Despite inflation and constraints on consumer spending, consumers continue to demand fresh and high-quality products. Leveraging the strength of our physical stores, AEON aims to enhance collaboration with local farmers and businesses on its e-commerce platform," he said.

"I believe there is still significant room for growth in the e-commerce channel, particularly in the food sector in Japan. AEON will continue to enhance operational efficiency and customer experience in our physical stores through the use of technology and innovation, while also leveraging them to improve synergy in e-commerce," said Mabuchi.

"This includes providing products that cater to the purchasing needs of consumers in each region and creating mechanisms to directly connect consumers with producers."

Market profiles

AUSTRALIA

Australia's e-commerce market is one of the most fragmented in Asia-Pacific, with a three-way tie for the most popular platform. Amazon holds the lead with 13 percent, a single point ahead of local discount department store Big W and eBay with 11.9 percent and 11.6 percent respectively. The top five destinations account for just 56 percent of nominations with grocer Coles fourth (10 percent) and Chemist Warehouse next (9 percent). Amazon dominates among consumers aged 18 to 44, while eBay is top among those 45 to 54 and Big W with those 55 and over.

While 42 percent of Australians are comfortable shopping online or offline but prefer online, 38 percent said they prefer physical stores with occasional online purchases.

With payments, Australians are lagging on e-wallet use (just 13 percent use them) with debit or credit cards dominant (41 percent). E-wallets are favored more by consumers aged 25 to 34.

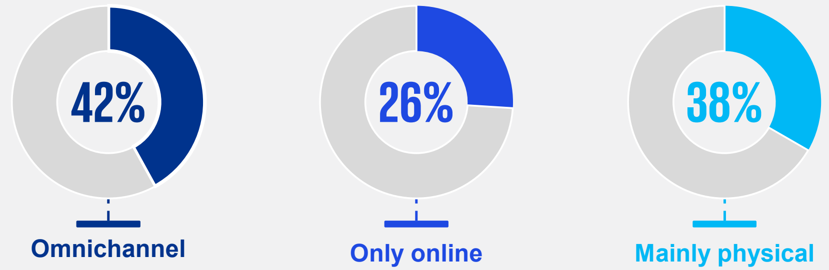
Surprisingly, 29 percent of Australian respondents are unaware of Buy Now, Pay Later as a payment option, despite Australia having a competitive BNPL market. A further 29 percent said they have used BNPL previously, but not for a year, while 13 percent know about it, but have no plans to use it.

Another outlier is the number of consumers who have never used a subscription service (51 percent), with 29 percent currently doing so and the balance having done so previously but not now.

Australia has a low adoption rate of live streaming and voice shopping commerce with just 11 percent of respondents using each, narrowly behind social commerce (13 percent). The most commonly used technology in online shopping is mobile payments (25 percent).

On sustainability, Australians appear the least supportive of retailers or brands that have clear sustainability commitments and practices, with just 37 percent saying it is a priority and another 38 percent saying it does not significantly impact their purchasing decisions. That combined figure – 75 percent – is considerably lower than in other Asia-Pacific markets, where the figure is as high as 93 percent. Furthermore, 51 percent are not willing to pay a premium to purchase a product with sustainable credentials.

Where consumers prefer to shop



Favored online payment method

Debit or credit cards - manual entry

Top three online platforms

01 Amazon

02 Big W

03 eBay

CHINA

In Mainland China, live-stream shopping ranks highly across different age groups, peaking at 29 percent in the 55-plus demographic. Voice shopping – where consumers use virtual helpers like Siri and Huawei's Celia to locate and buy goods via online shopping platforms – has a higher adoption rate than in most other markets (14 percent), a rate equal to that of Augmented Reality which allows consumers to 'virtually' try on garments. Again, this is most popular among consumers aged 55 and over (16 percent), and Gen Z and those aged 35 to 44 (both at 15 percent). Social commerce is popular among all age groups (22 percent) but especially among those aged 25 to 34 and Gen Z.

When shopping online, JD.com tops all age groups but accounts for just a 17 percent share, three points ahead of Douyin (known as TikTok outside China) with Alibaba's Taobao third (12 percent), then Pinduoduo, Alibaba and Tmall each on 9 percent. Gen Z prefers Douyin, which reflects their affinity with social media platforms and interactive shopping experiences. Other age groups prefer Taobao and Tmall, with wider product choices.

Mainlanders almost exclusively rank competitive pricing as the most important (41 percent overall) – except for Gen Z who seek variety. Improvements most desired in e-commerce platforms are competitive pricing and customer service, followed by fast, reliable delivery. Mainlanders have one of the highest proportions of shoppers who have used Buy Now, Pay Later services for online purchases, with 88 percent having used them within the past year. Of those, 75 percent are inclined to continue to use the service and two-thirds of those who have yet to try it are willing to.

A surprising Mainland China result is the high proportion of consumers (95 percent) who are likely to support brands and retailers with clear sustainability commitments, with 68 percent actively seeking them out.

Furthermore, 63 percent are willing to pay a premium of up to 20 percent for such products with only 19 percent expecting pricing to be similar to alternatives.

The majority of mainlanders from all age groups are comfortable with both online and physical store shopping, with 48 percent expressing this preference. Interestingly the older the respondent, the more comfortable they are with both modes of shopping. However, among all age groups, only 12 percent of respondents primarily prefer to shop in physical stores, the lowest percentage across all surveyed markets.

Where consumers prefer to shop

Favored online payment method

Alipay

Top three online platforms

01 JD.com
02 Douyin
03 Taobao

HONG KONG SAR

Amazon and Alibaba lead the Hong Kong SAR e-commerce market with 37 percent combined choosing them as their most preferred online shopping destination. Amazon (21 percent), Alibaba (16 percent) and eBay (12 percent) lead local rival HKTVmall (10 percent) the only four platforms to garner double digits. Facebook Marketplace is next with 9 percent. However, while Amazon dominates the market among those aged under 44, HKTVmall tops the rankings for those in older age groups.

Hong Kong SAR consumers prioritize competitive pricing ahead of fast, reliable delivery, with product variety next.

A majority (51 percent) across all age groups feel comfortable with both in-store and online shopping but tend to make more purchases online. A further 31 percent prefer to shop online but occasionally visit physical stores. The highest preference for primarily shopping online is among Gen Z (34 percent).

Buy Now, Pay Later services have strong awareness in Hong Kong SAR, with 74 percent having used them, however of those, just 26 percent plan to continue to.

Subscription services have a high adoption rate, with 57 percent currently signed up and 34 percent having done so previously. Just 10 percent of Hong Kong SAR consumers have never subscribed. The highest adoption rate is 67 percent of consumers aged over 55.

Hong Kong SAR has one of the highest rates of adoption of live-stream shopping in the region at 26 percent, although social commerce ranks a lowly fifth (9 percent), behind augmented reality (15 percent) and voice shopping – using voice-command systems such as Alexa or Siri – (10 percent).

Finally, 90 percent are more likely to support retailers or brands with clear sustainability commitments, with 53 percent of that number actively seeking out such brands.

While 63 percent of respondents will pay a premium of up to 20 percent to buy such products, 19 percent expect them to be priced competitively with normal options.

Where consumers prefer to shop

Favored online payment method

E-wallet

Top three online platforms

01 Amazon
02 Alibaba.com
03 eBay

INDIA

In India, cash still holds court as the most favored means of payment online. Cash on delivery is preferred by 23 percent of Indian consumers, marginally ahead of e-wallets (22 percent), an outlier among the 14 markets. Mobile banking apps rank third (17 percent) ahead of debit or credit cards (15 percent) which are the preferred payment choice in other markets. By age group, e-wallets are most preferred among consumers aged over 55, while cash is most preferred among Gen Z, those aged 45 to 54 and those 25-34.

With e-wallets such as Apple Pay, Samsung Pay and Google Pay gaining traction, the preference for cash may soon begin to decline, however, with vast sections of India's population unbanked, cash will likely remain popular for some years to come.

Another standout result for India is the response to Buy Now, Pay Later (BNPL) services. Perhaps unsurprisingly, given the high degree of cash payments and e-wallets, 32 percent of respondents across all age groups have not heard of it, and 17 percent are aware but have no plans to use it in future.

Another 17 percent have used BNPL, but not for more than a year. Ten percent have used it but will not do so again.

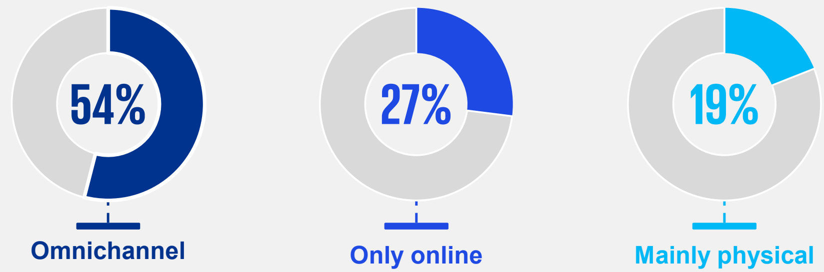
Despite a fierce market share battle between India's two largest online marketplaces – Amazon and Flipkart – India's e-commerce sector remains highly fragmented. Amazon ranks top with 25 percent and Flikart has 20 percent, almost double the share of Meeso (11 percent) and Myntra 10 percent.

The top five (rounded out by Ajio with 7 percent) account for 73 percent of responses, leaving 17 other destinations contesting the remaining quarter, most recording just 1 percent.

Meesho ranks third among those 18 to 44, likely drawn by its unique business model that allows individuals to become resellers and transact on social media platforms.

Myntra is third among those aged 45 to 54, thanks largely to its focus on fashion and lifestyle which resonates well with this demographic with its higher purchasing power and greater interest in fashion. Online grocer Big Basket is third among those 55 and over.

Where consumers prefer to shop



Favored online payment method

Cash on delivery (COD)

Top three online platforms

01 Amazon
02 Flipkart
03 Meesho

INDONESIA

Indonesia's e-commerce space is dominated by three major players with relatively similar shares: Shopee (23 percent), Tokopedia (19 percent) and Lazada (18 percent). However while Shopee leads most age brackets, Lazada is ahead among those aged over 55, and second among 45 to 54 year olds. Tokopedia is runner-up in the 18 to 44 segments and third among those aged 45 and over.

Indonesian consumers generally seek product variety when deciding where to shop online, although Gen Z consumers are more driven by competitive pricing. Consumers are split about where they want e-commerce or social media platforms to improve their appeal: Fast, reliable delivery, promotions and discounts and competitive pricing each draws 11 percent, while 10 percent are looking for greater product variety, 9 percent better customer service and 8 percent secure payment options.

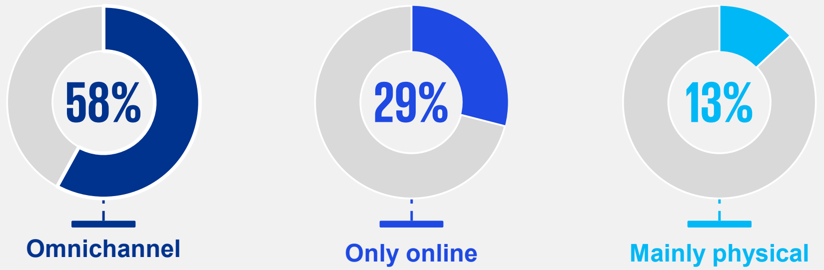
Buy Now, Pay Later has garnered broad awareness in Indonesia with just 4 percent of respondents unaware of the service. During the past year, 43 percent of respondents have used BNPL and 17 percent are willing to try it, while 14 percent know about it but have no plans to use it.

Subscription services are popular in Indonesia – 42 percent currently subscribe and 30 percent have in the past, but not currently. The 25 to 34 age group has the highest uptake (47 percent) followed by 45 to 54 (35 percent).

Social commerce outranks mobile payments by 29 percent to 27 percent among technologies used in e-commerce. However mobile payments shares a higher adoption among those aged 45 to 54 (41 percent) and over 55 (30 percent). Live stream shopping has a higher cut-through here than in most markets, at 22 percent, with the highest adoption rate among those 55 and above.

In terms of sustainability, 95 percent of Indonesian consumers will support brands that demonstrate sustainable practices – one of the highest rates of any market – with 64 percent actively seeking out such options. Furthermore, 76 percent are prepared to pay a premium for them (55 percent up to 20 percent more).

Where consumers prefer to shop



Favored online payment method

E-wallet

Top three online platforms

01 Shopee

02 Tokopedia

03 Lazada

JAPAN

While 45 percent of Japanese respondents have a primary preference for shopping at physical stores and occasionally making online purchases, a notable percentage in each age group primarily prefers to shop online, especially among younger age groups. Surprisingly, the older the respondent, the more likely they are to feel comfortable shopping across both channels, making more purchases online – 44 percent of those over 55 compared with 31 percent of Gen Z. Six percent prefer to shop exclusively online, including 11 percent of Millennials.

A significant proportion of all Japanese consumers (45 percent) are unaware of Buy Now, Pay Later services and a further 27 percent are aware, have not used them, and have no plan to do so.

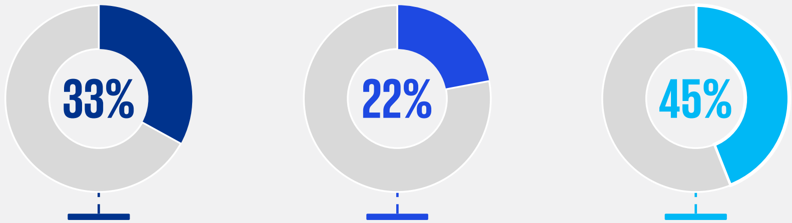
Subscription services are even less popular, with 63 percent having never subscribed to any products online, 21 percent currently subscribed and 13 percent previously. Among those aged 25 to 44, a higher proportion (28 percent) have current subscriptions, more than the 19 percent of both Gen Z and those aged 45 to 54.

The most-shopped e-commerce platforms in Japan are Rakuten (29 percent) and Amazon Japan (24 percent) with Yahoo! Shopping a distant third (10 percent). The most important feature and the top improvement desired relate to competitive pricing indicating Japanese consumers prioritize finding good deals and affordable prices online.

Japanese are embracing mobile payments – 42 percent across all age groups, with higher rates of adoption among Millennials, Gen Z and those over 55.

Half of the respondents across all age groups value sustainability commitments and practices (55 percent), a low proportion compared to other markets, with a slightly higher rate among Gen Z (56 percent) and Millennials (59 percent). A majority (62 percent) expect sustainable options to be priced competitively with alternatives.

Where consumers prefer to shop



Omnichannel | Only online | Mainly physical

Favored online payment method

Debit or credit cards

Top three online platforms

01 Rakuten

02 Amazon Japan

03 Yahoo! Shopping

SOUTH KOREA

While mobile payments tops the list of technologies used by Korean consumers when shopping online (36 percent), the market has a high rate of adoption of social commerce (22 percent), which ranks second across all age groups. The highest usage rates are among Gen Z (23 percent) and those aged 45 to 54 (22 percent). Live streaming is also popular, ranking third across all age groups, especially among Millennials and Gen Z.

When it comes to sustainability, 87 percent of Koreans are more likely to support retailers or brands showing a commitment to sustainable practices and the percentage of consumers willing to pay a premium for such goods is slightly higher than in most markets at 53 percent. That said, 29 percent set a limit of under 10 percent premium, 17 percent at 20 percent, and 11 percent are prepared to pay more.

South Korea has a highly competitive market for e-commerce platforms, with Naver Shopping (22 percent) leading Coupang (20 percent), Gmarket (15 percent), and 11St (13 percent) – all local players. E-mart languishes in fifth at 6 percent. While Naver Shopping has a strong lead overall, it is most popular among consumers aged under 44, while Coupang leads in the 45 to 54 age group and 11St among those aged over 55.

A relatively high share of Koreans (43 percent) currently use a subscription service, and a further 18 percent have in the past, with adoption rates lower in the 45-plus age groups.

Buy Now, Pay Later has a low adoption rate in this market, with 35 percent unaware of it; just 16 percent have used the service and plan to continue to. A further 15 percent have used it previously but not in the past year and 12 percent know about it and are willing to try.

Where consumers prefer to shop

Favored online payment method

Debit or credit cards - contactless payment

Top three online platforms

01 Naver Shopping

02 Coupang

03 Gmarket

MALAYSIA

While Shopee and Lazada are the most preferred online shopping destinations in Malaysia – as in most Southeast Asian markets – the degree of their overall market dominance is strong here at 63 percent. Shopee leads across all age groups (35 percent) and Lazada accounts for a further 28 percent. The next highest-ranking destination is department store websites or platforms at just 7 percent ahead of Facebook Marketplace at just 6 percent, which appeals most to those aged 35 to 54. As in most markets, competitive pricing and the variety of products are the biggest motivators of choice.

The majority of respondents across all age groups adopt a hybrid shopping behavior, where they are comfortable with both online and physical store shopping (49 percent), however, a further 27 percent prefer shopping at physical stores.

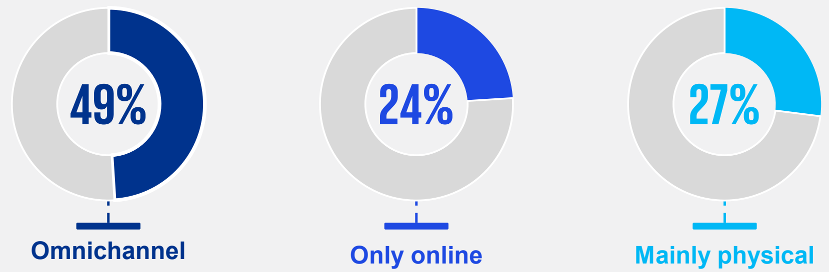
Malaysians have a high awareness of Buy Now, Pay Later services, with just 10 percent unaware of them. About 28 percent of respondents across all age groups have used BNPL services in the past year, with the highest usage in the 25 to 34 age group (38 percent).

Malaysia has one of the lowest rates of subscription service adoption in the region, with 50 percent having never subscribed and just 26 percent currently subscribing to a product supply.

In terms of technology used when shopping online, 34 percent use mobile payments, ahead of 27 percent using social commerce and a relatively low 16 percent live-stream shopping.

Consumers here embrace sustainable products, with 93 percent actively seeking them out, although 38 percent do not let it significantly impact their purchasing decisions. However, 44 percent of Malaysians expect sustainable options to be priced competitively with other options, with just 32 percent prepared to pay a premium of 10 percent, 14 percent up to 20 percent and 10 percent over 20 percent

Where consumers prefer to shop



Favored online payment method

Mobile Banking App

Top three online platforms

01 Shopee

02 Lazada

03 Facebook Marketplace

NEW ZEALAND

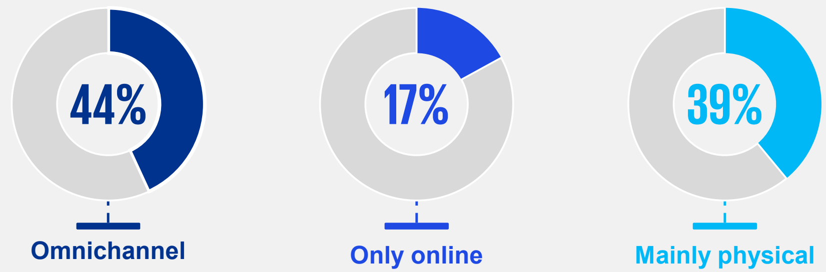
New Zealand is one of the Asia Pacific region's most mature markets for Buy Now, Pay Later services, so the results of our survey are intriguing as a benchmark. Just 7 percent of respondents have not heard of BNPL, while 34 percent have used it during the past year and will continue to. A further 14 percent are open to trying it, while 28 percent know about BNPL but have no plans to use it. The remaining 8 percent use it, but plan to stop.

The top three motivations for using BNPL services are the convenience of the payment options (20 percent), the ability to budget and plan payments (19 percent) and the flexibility of the payment terms (18 percent), while 13 percent admit they were unable to afford the full payment upfront.

Another key finding is the limited impact of live streaming compared to most Asian markets. Just 12 percent have bought goods via the channel with a further 17 percent having bought goods directly through social media channels. Mobile payments have been used by 24 percent of respondents, however, 22 percent of Kiwis have not used any technologies in online shopping during the past year.

One unexpected finding is the popularity of e-commerce platforms. The top two ranking destinations – Amazon (20 percent) and eBay (9 percent) have no local presence, which means customers are shopping on offshore sites and having purchases shipped across borders. Facebook Marketplace is third-ranked at 8 percent with no other venue – including local native sites TradeMe and Mighty Ape – ranking higher than 6 percent. Amazon tops the rankings in every age group, while TradeMe's best performance is second among those aged 55 and over (9 percent); it fails to exceed 4 percent in any other age group. Facebook Marketplace is strong among those aged 25 to 44, while those aged 45 to 54 are drawn to websites or platforms of department stores and Gen Z opted for eBay.

Where consumers prefer to shop



Favored online payment method

Debit or credit cards - manual entry

Top three online platforms

01 Amazon

02 eBay

03 Facebook Marketplace

THE PHILIPPINES

The Philippines has the most fragmented e-commerce market – and one of the strongest adoption rates of Facebook Marketplace.

Shopee leads Lazada by half a point (19.6 percent to 19.1 percent) with TikTok Shop in third (12 percent) and Facebook Marketplace at 11 percent. Local shopping sites Ayala Malls, Carousell and BeautyMNL are preferred by about 5 percent.

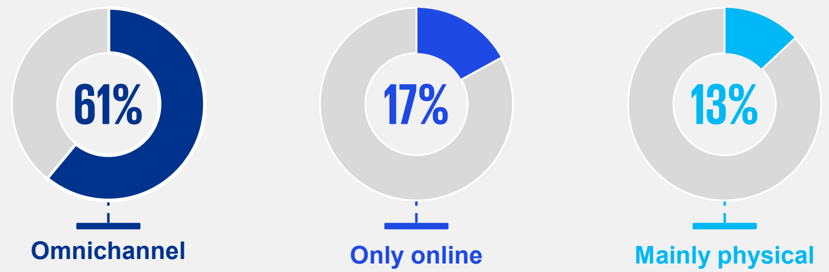
While Shopee and Lazada dominate across the board, there are some notable differences across different age groups. Gen Z shows a stronger preference for Shopee (20 percent), with TikTok Shop also gaining traction among this younger demographic. Lazada is popular among the 25 to 34 age group and the 35 to 44 age group, while Facebook Marketplace is more popular among older age groups, especially 25 to 34 and 45 to 54. BeautyMNL is favored by the 25 to 34 age group, while Carousell attracts the attention of those 45 to 54. Watsons is popular among those 55 and over. TikTok Shop shows promising adoption among Gen Z.

A majority (61 percent) are comfortable shopping both online and in physical stores, but tend to make more purchases online.

In terms of technology adoption shopping online, the Philippines is an outlier, with social commerce (24 percent) narrowly outranking mobile payments (23 percent), live-stream shopping recording 19 percent and voice shopping 14 percent. The level of engagement with live-stream shopping is highest among consumers aged 35 to 44, while voice shopping ranked prominently among consumers aged 25 to 34.

Filipinos are the most likely of any market to support retailers and brands with clear and transparent sustainability commitments, at 98 percent, with 74 percent “actively seeking them out”, and just 24 percent say it significantly impacts their purchasing decisions. They are also more likely to pay a premium for such goods or services – just 19 percent expect prices to match other products and 56 percent are willing to pay up to 20 percent more.

Where consumers prefer to shop



Favored online payment method

E-wallet

Top three online platforms

01 Shopee

02 Lazada

03 TikTok Shop

SINGAPORE

Singapore has a clear hierarchy in terms of preferred e-commerce platforms with Shopee leading across all age groups and selected by 30 percent of our survey respondents. Asked to select up to five, respondents ranked Lazada second with 22 percent and Amazon a distant third with 13 percent.

Price (17 percent) trumps product variety (15 percent) as the most important feature of a site, followed by fast and reliable delivery (13 percent) and secure payment options (10 percent).

Unsurprisingly, a majority of Singaporeans exhibit hybrid shopping behavior, with 50 percent saying they are comfortable both online and offline but tend to make more purchases online. A further 26 percent said they primarily prefer online, but visit physical stores for specific items or experiences, and 21 percent prefer physical stores.

Respondents have a high level of awareness of Buy Now, Pay Later products (93 percent) with 30 percent having used them during the past year and 19 percent yet to use, but willing to try. Millennials are the most likely to continue to use BNPL, followed by Gen Z.

Surprisingly, 51 percent of Singaporeans have never used a subscription service, although 36 percent currently subscribe to one.

A high rate (86 percent) of consumers are more likely to support retailers or brands that have clear and transparent sustainability commitments and practices. However, 48 percent expect sustainable options to be priced competitively with alternatives, with 30 percent willing to pay a premium of up to 10 percent, 13 percent up to 20 percent and just 9 percent a premium of more than 20 percent.

Where consumers prefer to shop

Favored online payment method

PayNow

Top three online platforms

01 Shopee

02 Lazada

03 Amazon

TAIWAN

Taiwanese consumers are among the most aware of and responsive to sustainability issues. Of those surveyed, 93 percent said they are willing to support retailers or brands with clear and transparent sustainability commitments and practices, including prioritizing recycling and waste reduction – although it does not impact the purchasing decisions of about half.

However, when it comes to paying a premium for sustainable products or services, 42 percent will not, and 40 percent would pay up to 10 percent more.

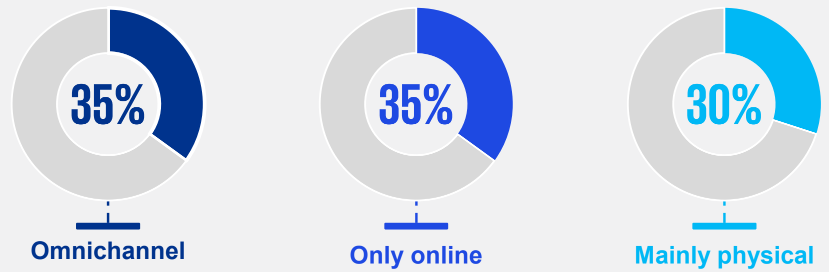
Taiwan's most popular e-commerce platform is Shopee, used by 31 percent of respondents, with local player Momoshop next at 16 percent and PCHome Online a distant third at 10 percent.

As in most developed economies among the 14 markets, Taiwanese are most likely to use debit or credit cards with manual entry (25 percent) for making online payments, although surprisingly cash on delivery came second (23 percent). E-wallets are favored by 19 percent of consumers overall, however, their adoption is highest among those aged 35 to 44 (23 percent), and lowest among Gen Z (18 percent).

Buy Now, Pay Later appears to be having little impact in Taiwan, with a majority of respondents unaware of the service (29 percent) or having used it previously, but not during the past year (28 percent).

Finally, 73 percent of Taiwanese respondents are somewhat or very concerned about the privacy and security of their data when shopping online, with a further 22 percent neutral.

Where consumers prefer to shop



Favored online payment method

Debit or credit cards - manual entry

Top three online platforms

01 **Shopee**

02 **Momoshop**

03 **PCHome Online**

THAILAND

Thais are among the most prepared to pay a premium for sustainable products or services, especially among Gen Z. An uncharacteristically high 16 percent are prepared to pay more than 20 percent extra for a sustainable product, and 56 percent up to 20 percent with 28 percent not prepared to pay more.

Two in three Thai consumers actively seek out and support such brands and a further 29 percent seek them out, but it does not significantly impact their purchasing decision – 94 percent in all.

As with most of Southeast Asia, Shopee and Lazada are the most popular e-commerce platforms (25 percent and 22 percent respectively). Third-placed local hypermarket chain Big C is a distant third at 9 percent, ahead of its retail rival Lotus's at 8 percent. Shopee is preferred over Lazada by everyone under 55, with the older preferring Lazda. Big C and Lotus's enjoys significant popularity in the 35 to 44 and 55-plus age groups. Drawing 7 percent, Facebook Marketplace is making limited inroads.

Consumers expect platforms to offer a wide variety of products (17 percent), competitive pricing or promotions (14 percent), and fast, reliable service (11 percent). Gen Z places the highest emphasis on variety.

Comparing online shopping with offline, 47 percent of Thais are comfortable with both but are more likely to purchase online. Younger age groups – especially those under 34 – show a higher preference for online shopping.

Forty-one percent of respondents have used Buy Now, Pay Later services during the past year and intend to continue to. A further 20 percent are aware of it, yet to use it, but are willing to try. Almost half currently subscribe to a retail service, which is most popular among those aged 25 to 34.

Like most of their Southeast Asian counterparts, Thai consumers are embracing mobile payments (30 percent), social commerce (27 percent) and livestream shopping (24 percent).

Where consumers prefer to shop

47%	29%	24%
Omnichannel	Only online	Mainly physical

Favored online payment method

Mobile Banking App

Top three online platforms

01 Shopee

02 Lazada

03 Big C

VIETNAM

A significant proportion of Vietnamese consumers (41 percent) prefer to use mobile banking apps or digital wallets to pay for goods bought online, although reflecting its status as a developing economy, 22 percent pay cash on delivery. That said, cash is preferred less by younger consumers than by older.

This market is one of the most fragmented when it comes to the diversity of online shopping platforms used by shoppers. Asked to select up to five options from a list of 16, ranging from global marketplaces with a Vietnamese presence to local alternatives and retail stores' sites, the most popular five range between 18 percent and just 9 percent. Lazada has a narrow edge over Shopee at the top of the list, separated by just 0.2 percent. Shopee is slightly more popular among Gen Z and those aged 45-54, with Lazada claiming honors among those aged 25 to 44.

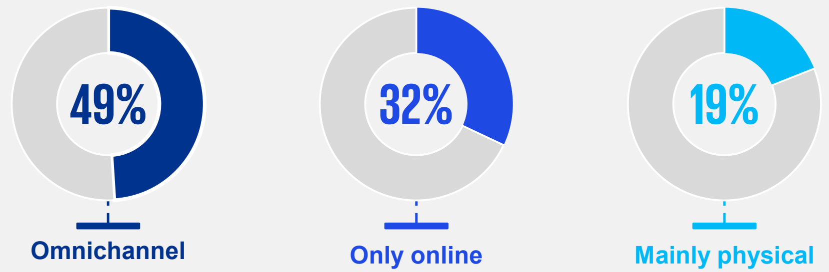
Some platforms, such as the local Tiki and Thegioididong (MobileWorld), have a significant, single-digit presence and Facebook Marketplace has also made significant inroads, ranked fourth by consumers aged 25 to 34 and over 55 and fifth by Gen Z.

Another contrast with many other markets is that Vietnamese preference a variety of products (27 percent) over competitive pricing and fast, reliable delivery (both 20 percent) when choosing where to shop online.

When it comes to sustainability, 92 percent of Vietnamese consumers are more likely to support retailers or brands that have clear and transparent sustainability commitments, although for 32 percent it does not impact their purchasing decisions. Furthermore, 83 percent are prepared to pay a premium: 33 percent up to 10 percent, 29 percent up to 20 percent and 21 percent more than 20 percent. Willingness is higher among younger age groups (18 to 34).

Vietnamese consumers show disquiet over the privacy and security of their personal information when they shop online, with 89 percent very or somewhat concerned and just 7 percent neutral. Concerns are highest among Gen Z and those over 55

Where consumers prefer to shop



Favored online payment method

Mobile Banking App

Top three online platforms

01 Lazada

02 Shopee

03 Bachho-axanh

Seamless commerce: the new benchmark for tomorrow's retailers

Across Asia Pacific, a seamless online-offline customer experience, once a differentiator, has now become a baseline expectation in the majority of markets we surveyed. Retailers are under pressure to meet consumers on their own terms – be it online across a range of devices, in physical stores, or through social media platforms – and to deliver a consistently high-quality experience at each juncture.

Retailers who limit themselves to one channel face significant risks. Online-only retailers may lack the personal touch and might encounter difficulties in establishing reliable delivery systems. Conversely, traditional brick-and-mortar stores are not only missing out on reaching a broader audience but also on leveraging their physical presence for innovative solutions like 'click and collect' services or using their locations as local distribution hubs.

Amplifying these challenges is the emergence of Gen Z – a cohort that is more digitally minded, socially aware and the most educated when it comes to being able to research and discern the products they want.

To meaningfully address these dynamics, focusing on a frictionless customer experience as the ultimate benchmark for measuring success is crucial. Insight-driven retailers need to utilize data and analytics to predict, strategize, and tailor their product offerings and service delivery, backed by a deeper understanding of their customers' needs. Here, technologies such as AI and Gen AI are increasingly helping retailers to yield actionable insights and interventions that improve customer experiences – from enhanced demand forecasting and customer service to optimizing product availability and fine-tuning pricing and promotions.

However, AI should not be viewed as a silver bullet. The success of these technologies hinges on the quality of the data used. An effective data collection strategy, paired, for example, with loyalty programs and subscription services, and rooted in a customer-centric approach that recognizes customer lifetime value, should be the primary consideration for maximizing the impact of any long-term retail investments.

To truly excel in the pursuit of seamless commerce, retailers should also weave sustainability into their business models. As we move through the mid-2020s, a clear demand for supply chain transparency is emerging, driven by environmental concerns that are increasingly important to Millennials and Gen Z consumers.

For these consumers, authenticity and action speak louder than words; they expect the brands they support to not only articulate a commitment to sustainability, but to truly follow through on the customer promise.

Putting consumers first by adopting seamless, connected capabilities across the entire organization is no longer just a competitive edge, but a necessity for those who want to lead the market.

Anson Bailey

Head of Consumer & Retail, Asia Pacific
KPMG in China

A connected enterprise can help retailers accelerate seamless commerce

The most successful organizations invest in eight capabilities which span all areas of the customer led transformation.

Organizations that invest in all eight capabilities are twice as likely to meet customer expectations, achieve objectives and deliver return on investment. To find out more about this proprietary approach go **here**.

- **Insight-driven strategies and actions**
  Fostering an insight-driven culture that leverages an integrated customer and product portfolio to deliver optimal experiences across touchpoints while addressing customer data concerns should be essential. Indian retailers are collecting huge amounts of customer data via multiple touch points, enabling targeted, personalized offerings — and informing new product development.
- **Innovative products and services**
  Retailers should expect to deliver relevant, valuable and differentiated products targeted at the most profitable customer segments, while meeting demand and balancing cost to serve. In Canada, retailers are exploring ways to drive loyalty, including booking appointments to give customers extra time and attention. AI can help facilitate the development of many other innovative products and services.
- **Experience-centricity by design**
  Designing and delivering seamless customer and employee experiences that adapt to evolving expectations across physical and digital touchpoints, driving engagement, satisfaction and loyalty is absolutely crucial. Chinese retailers' online platforms use recommendation algorithms, personalized marketing and social media to deliver unique, customized products and experiences.
- **Seamless interactions and commerce**
  Executing transactions seamlessly across distribution, engagement, and servicing touchpoints, while delivering the intended customer experience and performance ambitions. Brazilian bricks and mortar retailers are digitally transforming, investing in back-office systems, customer data platforms, front office transformation and AI
- **Responsive operations and supply chain**
  Giving customers the freedom to select products in the way that suits them, enabled through analytics driven demand planning, inventory management and distribution. Retailers in Australia (and other markets) are investing in technologies that enable real-time inventory management, order fulfillment, and data analytics.
- **Aligned and empowered workforce**
  Retailers need to align management processes, capabilities and knowledge (including top-down executive vision), agile organizational structures and integrated performance management. Leading US retailers are organizing teams and capabilities around customer experience and shifting metrics towards channel-agnostic customer lifetime value, customer acquisition cost, and costs to serve
- **Digitally enabled technology architecture**
  Designing and delivering seamless customer and employee experiences that adapt to evolving expectations across physical and digital touchpoints, driving engagement, satisfaction and loyalty is absolutely crucial. Chinese retailers' online platforms use recommendation algorithms, personalized marketing and social media to deliver unique, customized products and experiences.
- **Integrated partner and alliance ecosystem**
  Retailers should effectively leverage third parties to reach new markets and customers, increase speed to market, reduce costs and supplement capability gaps. For example, in many markets (notably Germany), smaller shops now serve as micro-fulfillment hubs, facilitating the fast delivery of meals and groceries.

About GS1

GS1 is a neutral, not-for-profit organization that provides global standards for efficient business communication. We are best known for the barcode, named in 2016 by the BBC as one of "the 50 things that made the world economy."

GS1 standards improve the efficiency, safety and visibility of supply chains across physical and digital channels in 25 sectors. We enable organizations of all types and sizes to identify, capture and share information seamlessly.

Our scale and reach – local Member Organizations in 116 countries, more than 2 million user companies and 10 billion transactions every day – help ensure that GS1 standards create a common language that supports systems and processes across the globe.

Find out more at **www.gs1.org**

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