

iKala

NEW RETAIL 2020

# The Rise of Social Commerce in Southeast Asia



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# Methodology

This report is based on a survey of 12,000 consumers and more than 1,000 iKala business customers (social sellers) across Thailand, Vietnam, Philippines and Singapore, conducted in Q1 and Q2 2020. We've supplemented these results with insights from primary interviews with dozens of retailers, as well as published reports and data from Hootsuite, We Are Social, GlobalWebIndex, Econsultancy, and Euromonitor. To ensure all trends are both specific and actionable, we've included corresponding brand examples and guidelines for implementation.

# Introduction

The potential of social commerce isn't new, but an emerging middle class, increasing digital connectivity and a host of new technologies is starting to bridge the gap between social media and commerce across Southeast Asia.

A 2019 report from Econsultancy found 85% of the region's social media shoppers now find it 'quick and easy' to buy products via social media. What's more, 84% of respondents said they would buy more on social media over the next few years.

There's a few reasons for this shift. Overall, digital usage in Asia Pacific is up nearly 1%<sup>1</sup>, with more than 2 billion mobile internet users<sup>2</sup>. Within Southeast Asia specifically, more people are seeking convenience and value and the 'anywhere, anytime' access offered by

mobile is prompting them to do this on social media. The region is also home to some of the most avid social media users, with people in the Philippines, Indonesia and Thailand spending a significant amount of their time on social media platforms.<sup>3</sup>

But no one could have predicted the exhilarating change of pace that occurred in 2020—and the year's not over yet. According to a new report from Facebook and Bain & Company, by the end of 2020, the number of digital consumers in Southeast Asia will touch 310 million, a number both companies previously predicted would be reached in 2025.

To understand the many changes in the landscape, iKala conducted a study over the first two quarters of 2020 and the in-depth analysis corroborated the trend.

On the two key parameters of orders and gross merchandise value (GMV), we found a sharp increase of 115% and 306%, respectively, compared to the same period last year. Accelerated by the pandemic, we saw another emerging trend: the remarkable rise of live-selling.

The opportunities are apparent for retailers. To succeed at social commerce, retailers must experiment with the growing array of social shopping technologies, lay the foundations of a robust strategy and overcome friction points. In this report, based on a survey of 1000 business customers and 12,000 shoppers, we've identified the key trends, case studies and best practices to help retailers navigate an entirely new shopping experience.

# Key Findings

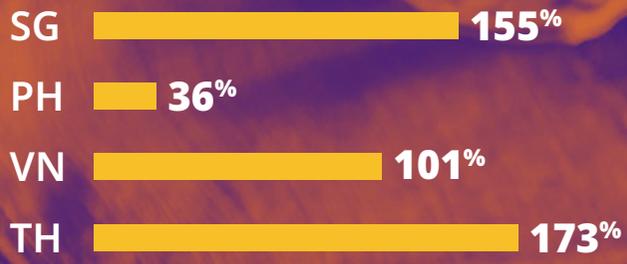
## Social Commerce Spending Exceeds Expectations

Two things are happening at once: people are shopping more, and they're shopping for more. Gross merchandise value (GMV) – which refers to the monetary value of goods or services sold through online marketplaces over a specific period – grew three-fold in the first half of the year compared to the same period last year, while total orders more than doubled.

While much of this growth is attributed to the COVID-19 outbreak and lockdown orders, there was already an appetite for more and better social shopping opportunities before the pandemic, which is why social media companies have steadily been adding shopping features to their apps to make purchases effortless and seamless.

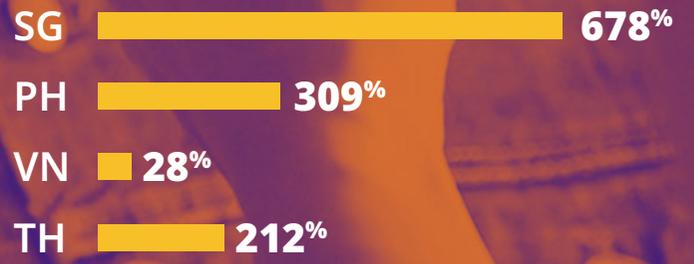
AVERAGE GROWTH OF SOCIAL COMMERCE BY **ORDERS** OF ALL 4 MARKETS (SG, PH, VN, TH):

# 116%



AVERAGE GROWTH OF SOCIAL COMMERCE BY **GMV** OF ALL 4 MARKETS (SG, PH, VN, TH):

# 307%



*On orders alone, the Philippines proved to be something of an outlier with somewhat muted growth compared to the other three countries because Filipinos tend to shop less frequently. However, the finding had no bearing on GMV.*

# Key Findings

## Adoption of social technologies is up, but it varies

In 2020, many retailers experimented with a growing array of social shopping technologies to lay the foundation of a robust strategy, but each country appears to be doing it somewhat differently.

In Singapore, more retailers are using AI chatbots to automate order creations, while Thai retailers prefer AI-powered order management systems. In Vietnam and the Philippines, there's a greater dependency on leveraging tools for payment reminders. Across countries, auto-detection or the function of identifying buying intent in live-selling ranked quite highly for social sellers.

## THE REGION'S MOST POPULAR SOCIAL TOOLS AND TECHNOLOGY *Ranked by sellers who use Shoplus*

**SG**  **#1 AI Chatbots**

- #2 Payment Reminder
- #3 Order Management System
- #4 Auto-detection
- #5 Messenger Broadcasts
- #6 Buy link

**VN**  **#1 Payment Reminders**

- #2 AI Chatbots
- #3 Messenger Broadcasts
- #4 Auto-detection
- #5 Order Management System
- #6 Buy link

**PH**  **#1 Payment Reminders**

- #2 AI Chatbots
- #3 Messenger Broadcasts
- #4 Order Management System
- #5 Buy link
- #6 Auto-detection

**TH**  **#1 Order Management System**

- #2 Buy link
- #3 Auto-detection
- #4 AI Chatbots
- #5 Messenger Broadcasts
- #6 Payment Reminder

## The rise of live-selling

Live selling or broadcasting live videos featuring products is growing in popularity, too. In all four countries, tools that enable live-sales saw the highest growth in 2020, but especially with retailers in Singapore and Vietnam. These findings are in line with the broader ecommerce landscape. According to a recent report from Facebook & Bain, 39% of total engagements via ecommerce happen through live commerce. The remaining 61% take place via traditional ecommerce, such as on-site search on ecommerce sites or apps.

Even between the first quarter and second quarter of 2020, there's a remarkable difference in livestreaming engagement. Overall, the number of live-sales in the region increased nearly 13% to 67%. Digging deeper, our study found that Singapore and Thailand either consumed more through live-selling or spent more time engaged with merchants.

Further, shopping via live-selling isn't a one-time thing, and consumers in Vietnam and Philippines are much more frequent with it. An analysis of repeat purchases found that consumers in Vietnam and Philippines typically make purchases via live sale twice a week, compared to their peers in Singapore who shop once a week on social media.

The rise of live selling has accelerated following the pandemic, with the closure of malls and physical stores across Southeast Asia, but it's a trend that's here to stay. For their part, retailers can ensure greater success of the efforts by recreating real-life shopping experiences and investing in the right tools and technologies to engage and convert audiences.

LIVE-SALE		
	Q1	Q2
SG	91.21%	<b>93.15%</b>
PH	<b>95.36%</b>	71.84%
VN	98.08%	<b>99.63%</b>
TH	53.93%	<b>66.78%</b>

LIVE-SALE TO COMMENT RATIOS		
	Q1	Q2
SG	<b>13.5%</b>	<b>86.5%</b>
PH	<b>33.7%</b>	<b>66.3%</b>
VN	<b>33.3%</b>	<b>66.7%</b>
TH	<b>28.9%</b>	<b>71.1%</b>

REPEAT PURCHASES MEDIAN COMPLETION TIME (DAYS)				
	<b>5.6</b>	<b>3.1</b>	<b>3</b>	<b>3.9</b>
	SG	PH	VN	TH



**Social commerce was growing steadily, but combined with the pandemic and the closure of malls and physical stores, it has accelerated live-selling across Southeast Asia—a trend that’s here to stay. For their part, retailers must ensure they’re offering consumers a great and seamless brand experience.**

Sega Cheng, Co-founder and CEO at iKala

# Tekka Market uses live streaming to drive sales

During the circuit breaker period in Singapore, Tekka Market stall owners who saw sales drop significantly, partnered with the Infocomm Media Development Authority (IMDA) to use technology to increase sales, safely.

As part of the event, each vendor was given one-hour to live stream and demonstrate their products from the Tekka Online Market Facebook page. Customers could place an order by commenting on the livestream, and as part of the event, free islandwide delivery was offered to those who spend more than S\$20.

**The collaboration between IMDA and Tekka Market stall owners saw the following results:**

- **The live-streaming sessions resulted in 28,000 total views**
- **The event was so successful—it prompted a second run**

# Driving results with social commerce

Loonnystore is a Thai fashion label that designs its own clothes and distributes them to both physical retail locations and online channels, including live-selling sessions via Facebook and Instagram<sup>5</sup>.

Loonnystore worked with Facebook Marketing Partner Shoplus for help in managing live orders, as well as engaging with customers during its selling sessions on Facebook Live.

To purchase during a livestream, people leave a comment with the specific code of the item they want. Previously, someone from Loonnystore would scroll through the comments manually to get the orders, send bills, collect payment and arrange shipping. Now, with Shoplus's technology that identifies keywords, Loonnystore can automatically launch a Messenger conversation with customers in real time. The automated experience confirms orders and sends them to Shoplus, which submits the order and bills the customer within the Messenger chat.

**After launching the integration in December 2019, the fashion retailer saw the following results:**

- **20% increase in orders from Facebook Live sessions with Messenger integration, compared to previous Instagram Live sessions**
- **15% increase in average order value from Facebook Live sessions with Messenger integration, compared to previous Facebook Live sessions**

## Women are busy social shoppers

On social media, women aged 25-34 represent the top shoppers in Thailand, Vietnam and the Philippines, while in Singapore, women between 35-44 are much more likely to shop on social media. Indeed, women are emerging as the key decision-makers of brands that enter their homes. One Nielsen study found that by 2028, women will own 75% of the discretionary spend—meaning, retailers must seriously consider what women seek in the social shopping journey.

	13-17		18-24		25-34		35-44		45-54		55-64		65+	
	F	M	F	M	F	M	F	M	F	M	F	M	F	M
<b>TH</b>	1.0%	0.0%	15.0%	4.0%	<b>31.0%</b>	8.0%	21.0%	4.0%	9.0%	2.0%	3.0%	1.0%	1.0%	0.0%
<b>VN</b>	2.0%	2.0%	20.0%	12.0%	<b>32.0%</b>	10.0%	14.0%	4.0%	4.0%	1.0%	1.0%	0.0%	0.0%	0.0%
<b>PH</b>	0.5%	0.5%	23.0%	4.0%	<b>34.0%</b>	7.0%	19.0%	3.0%	5.0%	1.0%	1.0%	0.5%	1.0%	0.5%
<b>SG</b>	0.0%	0.0%	3.0%	0.0%	23.0%	6.0%	<b>28.0%</b>	8.0%	18.0%	4.0%	7.0%	0.0%	3.0%	0.0%

TH 

## Social advertising is the most effective way to boosting traffic

Despite bigger brands halting their ad spend on Facebook, the retailers polled by iKala continue to invest in social ads and find it the most effective way to drive traffic and achieve their goals.

To attract buyers, retailers in Thailand and Vietnam tend to provide special offers and giveaways, which they regard as goodwill. Things are slightly different in the Philippines where live-selling and messenger broadcasts are growing at a fast pace, while Singapore retailers prefer Google Ads more than other countries.

*\*i.e. encouraging them to share by providing gifts or coupons*

*\*\* i.e. buyer ranking system or customer feedbacks*



**56%**  
Social Ads  
boost



**38%**  
Google Ads  
boost



**28%**  
Messenger  
broadcasts



**19%**  
Email campaigns  
(EDM)



**44%**  
Live-selling



**47%**  
Interact with  
audience\*



**25%**  
Hire KOLs



**59%**  
Build social  
credit\*\*

VN 

**84%**  
Social Ads  
boost



**41%**  
Google Ads  
boost



**39%**  
Messenger  
broadcasts



**29%**  
Email campaigns  
(EDM)



**45%**  
Live-selling



**67%**  
Interact with  
audience\*



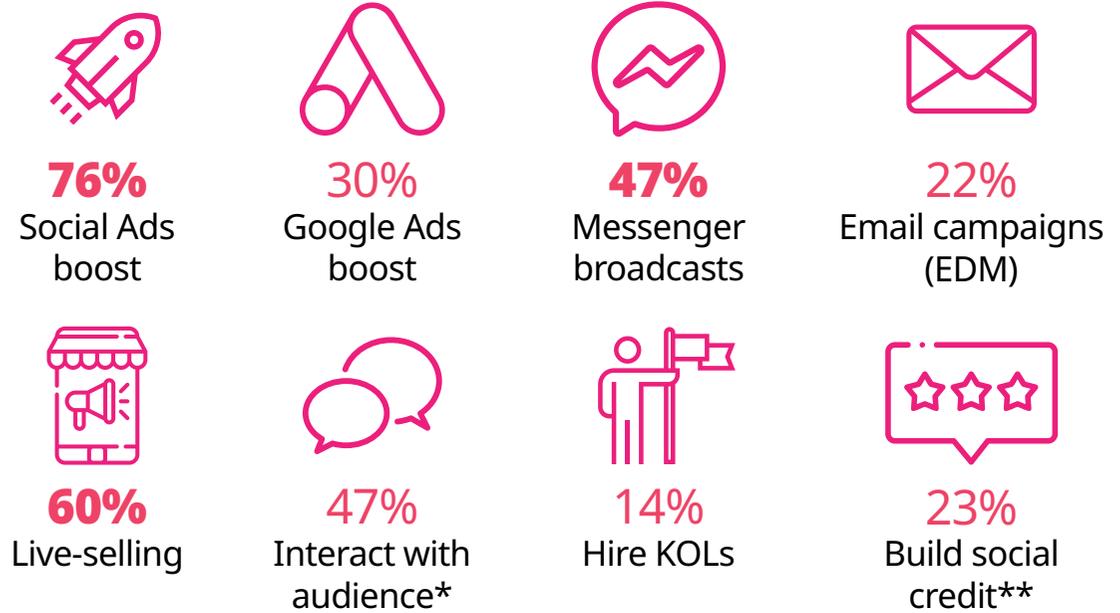
**18%**  
Hire KOLs



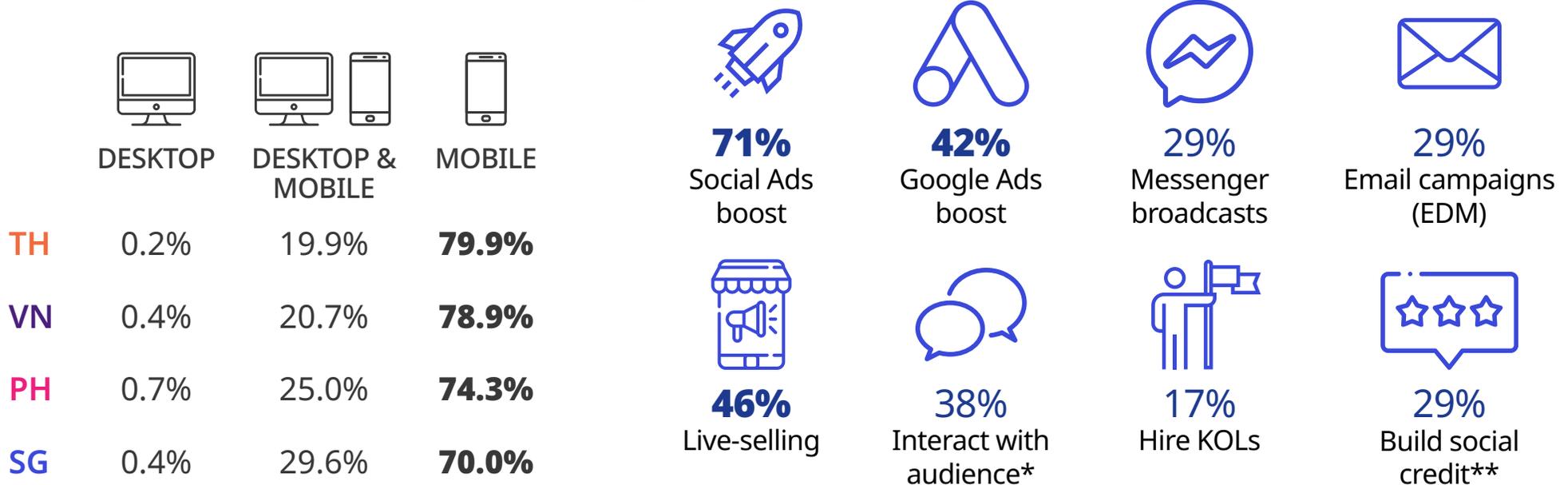
**61%**  
Build social  
credit\*\*

PH 

With many brands vying for people's attention on social media, regular content is no longer enough to capture their attention. A majority of the consumers surveyed said they shopped on mobile, which means high-quality video is key to resonating with your audience.



SG 

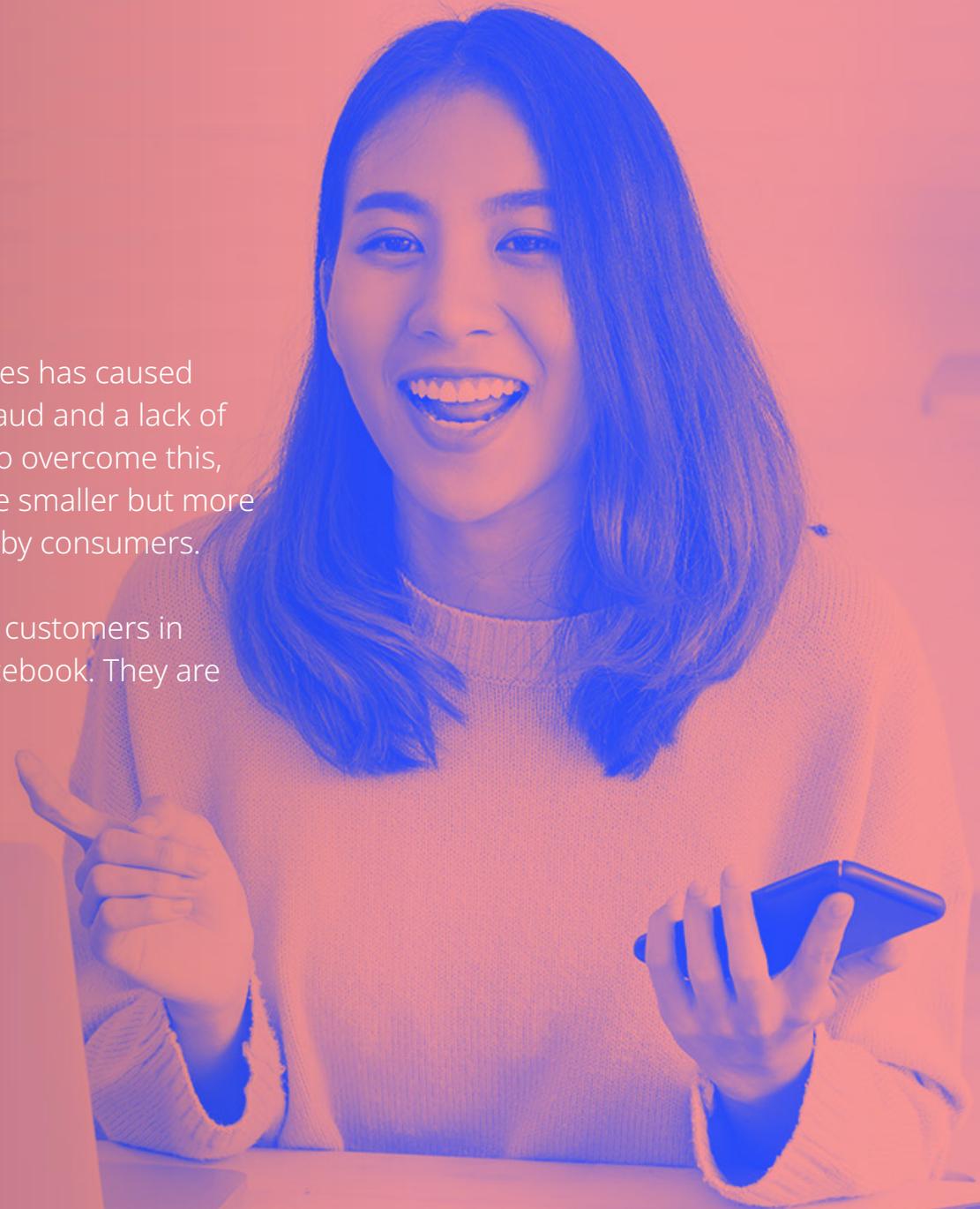




## Trust remains an issue

Users' search for convenient ways to navigate their everyday lives has caused social media platforms to become one-stop shops, but trust, fraud and a lack of familiarity are proving to be big barriers for social commerce. To overcome this, retailers may consider working with micro-influencers who have smaller but more engaged followers and are often considered more trustworthy by consumers.

In interviews with retailers in the four markets, iKala found that customers in Singapore are least familiar with discovering and buying on Facebook. They are also least likely to trust the products they see on the platform.



It is for this reason that despite an increasing influx of e-wallets in Southeast Asia, cash-on-delivery (COD) remains the most popular payment method in the region, and consumers in the Philippines and Vietnam are particularly reliant on it. Unsurprisingly, Singapore is taking the lead in terms of embracing multiple payment methods including bank transfers, ewallets and credit card payments. Moving forward, we expect the growth in e-wallets to continue, a trend that will in turn further enable social commerce. However, for that to happen, retailers must ensure their payment strategy reflects the differing needs and expectations of consumers.

					
	BANK TRANSFER	CREDIT CARD	DIGITAL WALLET*	PEER TO PEER PAYMENT**	COD**
TH	<b>47%</b>	13%	0%	0%	40%
VN	14%	8%	10%	6%	<b>62%</b>
PH	3%	2%	5%	21%	<b>69%</b>
SG	<b>25%</b>	<b>25%</b>	<b>25%</b>	8%	17%

\*i.e. Apple Pay, Paypal etc

\*\* i.e. LINE Pay, Grab Pay, GCash, NetsPay etc

\*\*\* cash on delivery

# Conclusion

Covid-19 has intensified the move to social commerce and the dizzying pace of change has put tremendous pressure on retailers.

- 1 As social media companies add new capabilities to support social commerce, retailers must find ways to make shopping live, interactive and seamless.**
- 2 Early adoption is key for brands wanting to keep up, but doing everything at once may not be possible, especially for smaller retailers.**
- 3 Instead, start by investing in some of the unique social commerce capabilities—including real-time predictive analytics, AI-powered order management solutions, social CRM, and high-quality lighting and audio-video equipment.**

This is only the beginning. Social commerce will evolve further, and progressive retailers will find the future exciting.

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