

New Retail 2021

Riding the Pandemic Wave & Beyond

Southeast Asia Social Commerce Report

iKala



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Methodology

This report is based on a survey of 1,600 social shoppers and more than 23,600 iKala business customers (social sellers) across Thailand, Malaysia, Philippines and Singapore, conducted in Q1 and Q2 2021. We've supplemented these results with insights from primary interviews with social sellers, as well as published reports and data from Hootsuite, We Are Social, McKinsey, and Facebook. To ensure all trends are both specific and actionable, we've included corresponding brand examples and guidelines for implementation.

Introduction

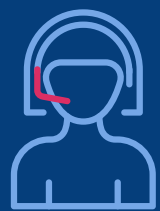
Pain points for
Southeast Asian consumers
in social commerce:



Expensive shipping costs



Lack of or unclear return/
exchange policies



Poor customer service

Last year's report 'The Rise of Social Commerce in Southeast Asia' attributed the region's exhilarating rise in social shopping to pandemic-induced lockdowns and stay-at-home orders.

Despite Covid-19 restrictions easing somewhat in parts of Southeast Asia, the pace of growth for social commerce shows few signs of slowing. If anything, more people are spending more of their time discovering, considering and purchasing products within the social media ecosystem.

In the first half of 2021, orders and gross merchandise value (GMV) leapt 102% and 91% respectively over the same period last year. Importantly, revenue per order—which is the average revenue generated per order—rose 88%, meaning consumers weren't just buying more on social media, they were spending more on every order.

Much of this fast-paced growth has to do with consumers finding some of the experiences forced by Covid to be more convenient (75%) and price-friendly (69%). To meet this demand, we're now seeing platforms rapidly add new functionalities and features that make content more shoppable. After introducing Instagram

Shops last year, Facebook has now brought its Shops feature to Marketplace and WhatsApp—and in 2021, Instagram began trialling in-app checkout capabilities in some markets.

In the race to acquire social shoppers, it's clear that no one wants to be left behind. Pinterest has recently expanded its shopping list feature to more countries, allowing users to shop directly from pins and boards, while Twitter began experimenting with Tweets that include a "shop" button and directly integrate products. For its part, TikTok, which has already announced a partnership with ecommerce platform Shopify, is now readying capabilities for brands to showcase catalogues on its platform.

Although social media's influence on consumers is clearly growing, the opportunity isn't without its constraints. Despite the overall uptick in Southeast Asian consumers making social commerce purchases, the proportion of users who do so less than once a month stood at 23%.

Shoppers today have high expectations and can get frustrated by friction and inconveniences in the customer experience, which can cause them to abandon their shopping journey entirely. In the case of social commerce, expensive shipping costs, lack of or unclear return/exchange policies, and poor customer service are the biggest pain points for consumers in the region. Equally, with its share of scams and risks, consumers are less trusting of social commerce.

To succeed at social commerce, brands and social sellers need strategies, tools and technologies that reduce friction and put customers at the centre of everything they do. In this report, based on a survey of 1,600 shoppers and 23,600 business customers, we've identified the key trends, case studies and best practices to help social sellers create friction-free shopping experiences.

Key Insights



Ecommerce (91%) is the preferred channel for shoppers in Southeast Asia—but social commerce (78%) is emerging hot on its heels.

Some 42% of consumers use social media to shop at least 1-2 times a month, while for as many as 21%, social shopping happens at least 3-5 times a month. Revenue per order (the average revenue generated per order) rose 88%, meaning consumers weren't just buying more on social media—they were spending more on every order.



Despite the overall rise in social commerce, consumers in the region are conservative value seekers, with 69% citing price-friendly options as a factor for purchase.

Given this, it's unsurprising that sales and discounts (67%) are proving to be huge draws for shoppers.



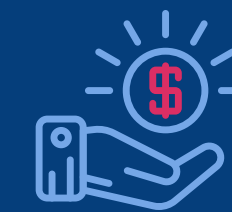
On social, shoppers are spending on a variety of products, including clothes (71%), health and beauty (59%), and electronics and appliances (53%).

Seeking convenience and value, people are also turning to social for their food and beverage (46%) and grocery shopping (32%).



Across Southeast Asia, consumers report expensive shipping (51%), no return and exchange policies (41%) and a lack of customer service (34%) as key points of friction.

More positively, discounted shipping (70%), speed of delivery (62%) and variety of payment options (57%) are big drawcards.



Payment preferences vary wildly across the region.

Consumers in the Philippines (66%) and Thailand (46%) prefer cash on delivery (COD), while those in Singapore (29%) and Malaysia (30%) rely on credit cards and digital wallets, respectively.

Time spent on social media and shopping frequency is directly related

1

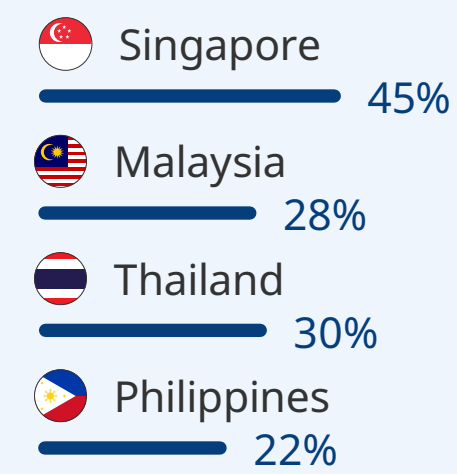
Social media shopping races past traditional retail

Which of the following channels do you shop from?

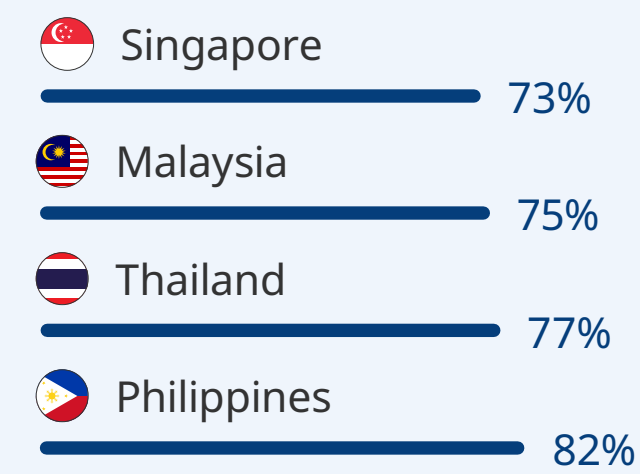
Ecommerce platforms



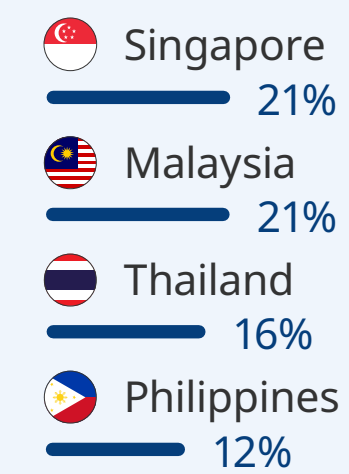
Retail website



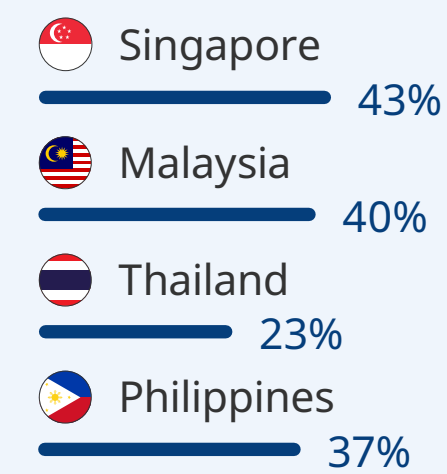
Social media



Deals & coupon websites



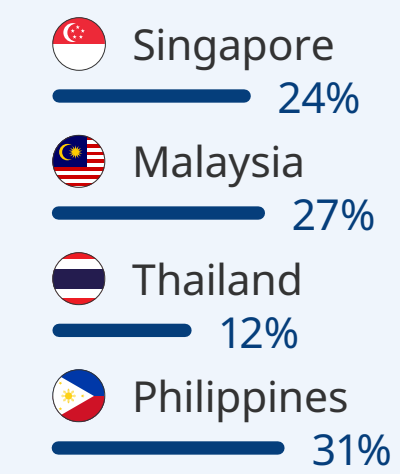
Offline/Traditional stores



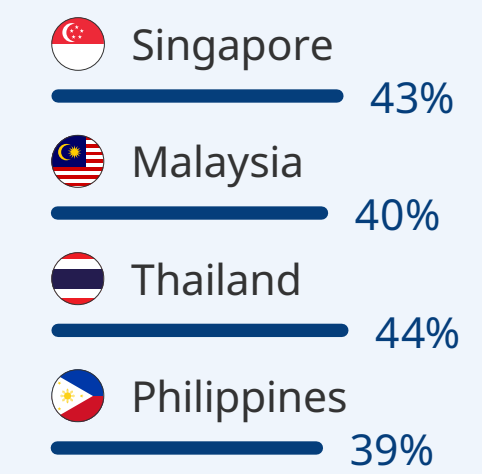
People flock to shop on social media

How often do you shop using social networks?

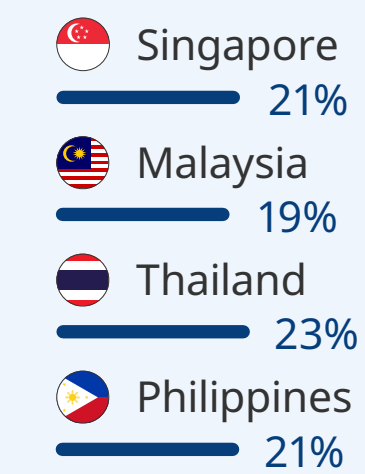
Less than once a month



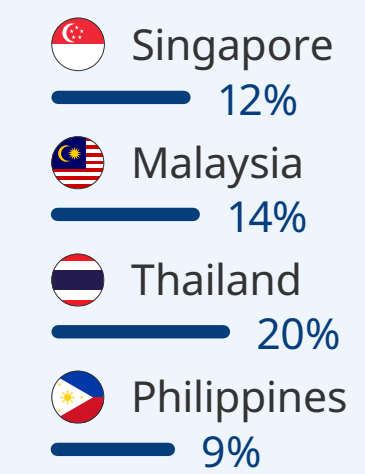
1-2 times a month



3-5 times a month

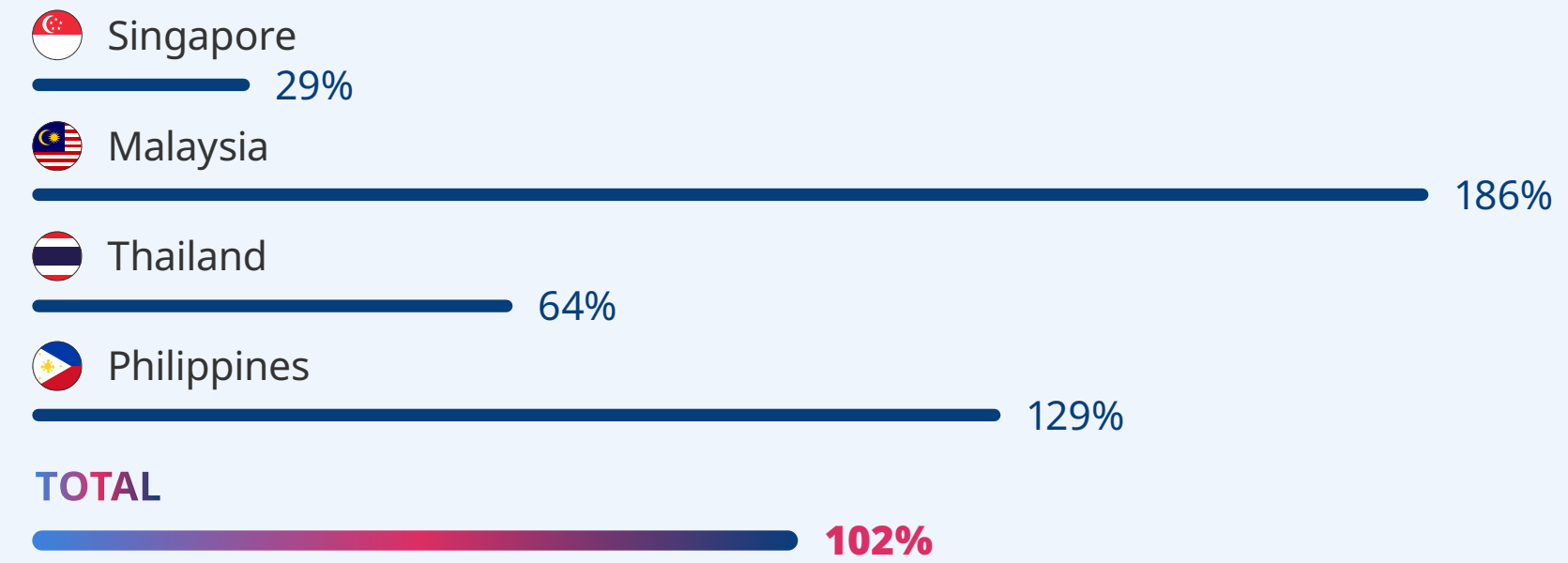


More than 5 times a month

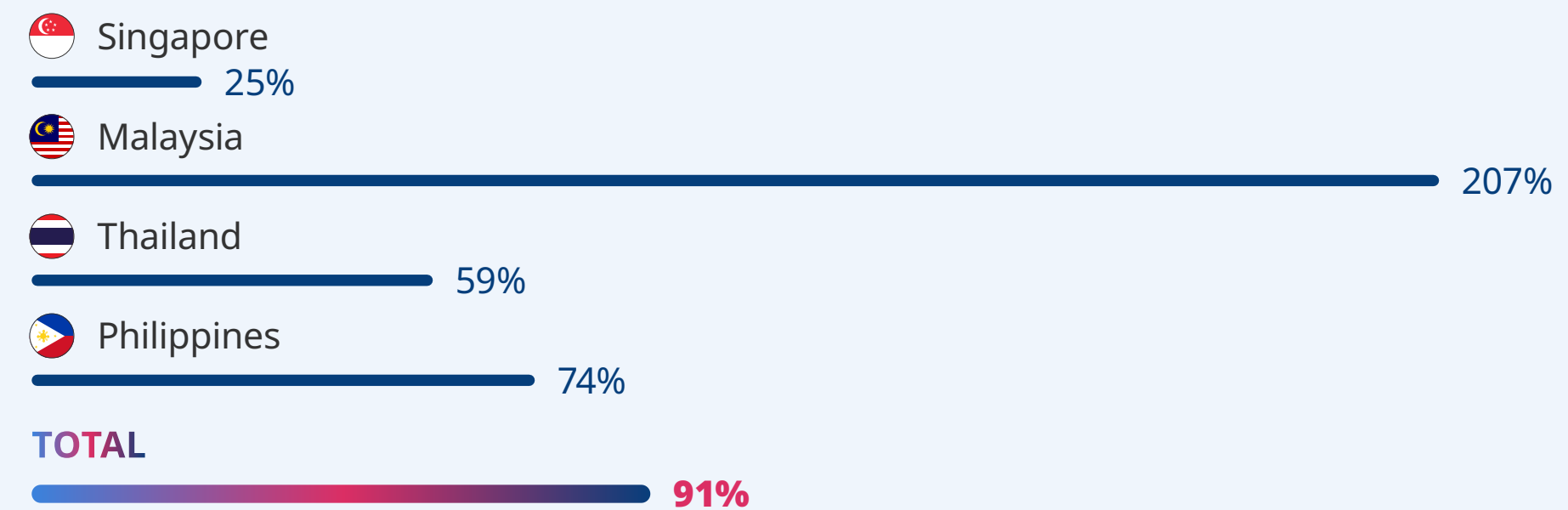


Orders, GMV and revenue per order rise

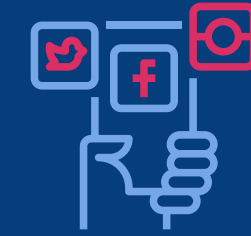
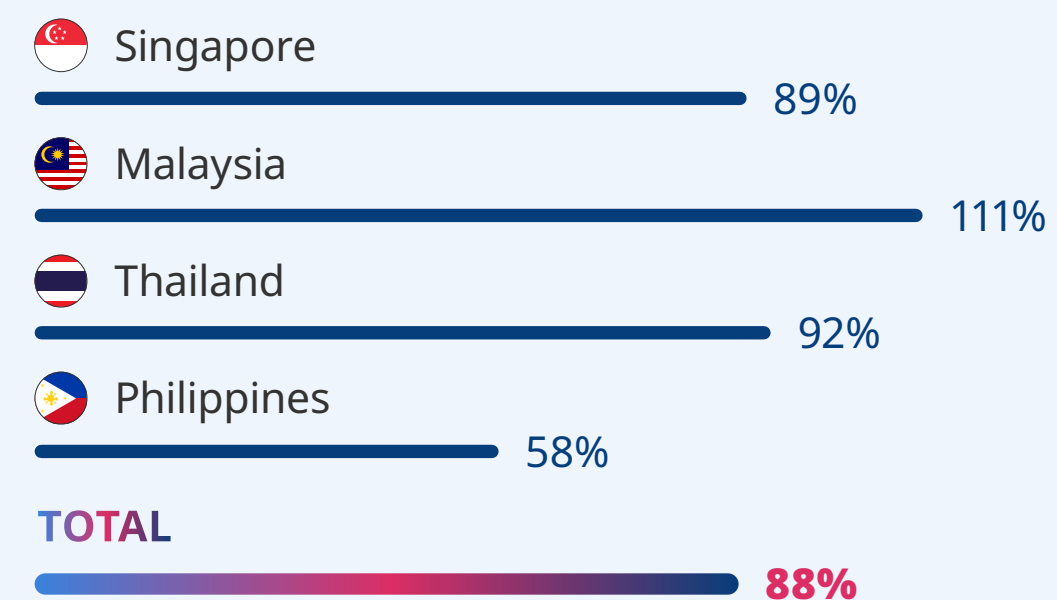
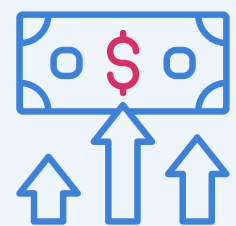
Growth of Social Commerce by Orders



Growth of Social Commerce by GMV



Revenue Per Order Growth



The four Southeast Asian countries studied are amongst the most avid social media users in the world.

Both the Philippines and Malaysia rank in the top 15 for usage and time spent, with Filipinos continuing to lead the world—spending an average of 4 hours and 15 minutes per day on social platforms¹.

It makes sense then that users are directing some of this time towards social shopping. Across the region, 42% of consumers use social media at least 1-2 times a month—with the frequency rising to as much as 3-5 times for 21% of shoppers.

The study also showed that the countries where users spent more time on social media also tended to be ones that shopped more on it. In Southeast Asia, both Malaysia and the Philippines reported record highs for orders and GMV, with Malaysia registering a 186% increase in orders, and a 207% jump in GMV. The Philippines saw orders and GMV up 129% and 74%, respectively.

Despite this overall uptick in social commerce purchases, the proportion of users who don't do this as regularly (less than once a month) stood at 23%. For 91% of shoppers, ecommerce is still the preferred choice—but as leading social platforms offer increasingly innovative solutions, the opportunities for retailers will become more apparent.

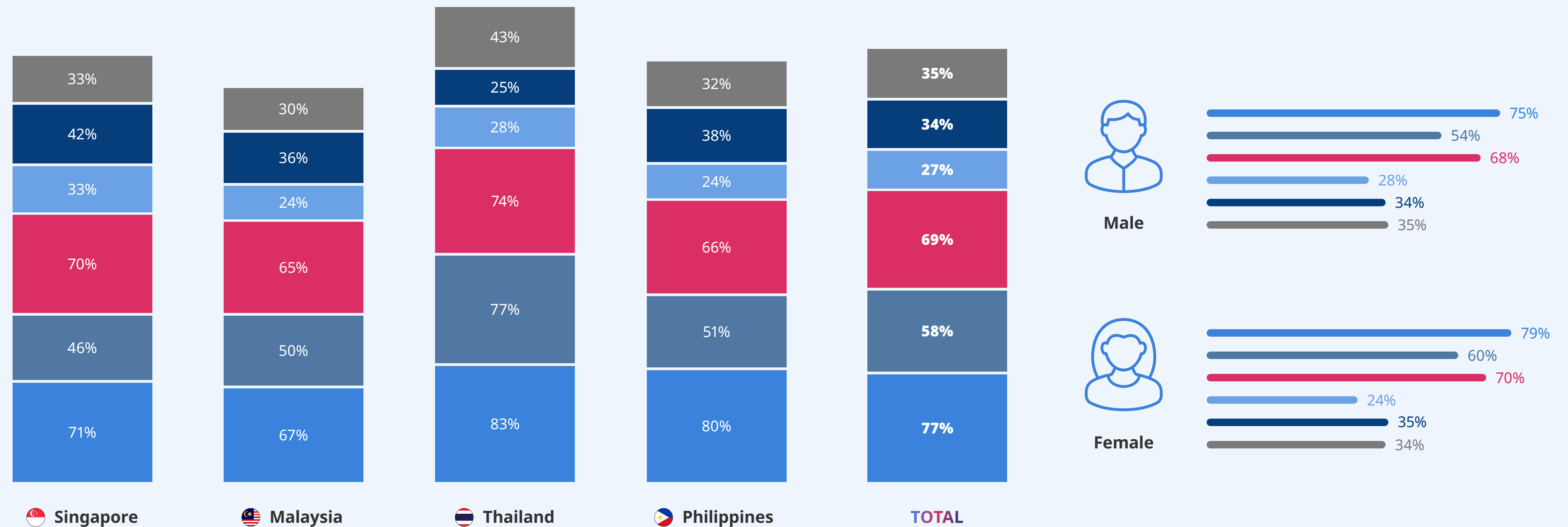
¹ <https://wearesocial.com/blog/2021/01/digital-2021-the-latest-insights-into-the-state-of-digital>

Social shopping is convenient and cheap

Shoppers in Southeast Asia seek convenience

What are your reasons for shopping on social media?

- Ease and convenience
- Price (i.e. cheaper than commerce and in-store)
- Familiarity with the brand or seller
- More variety and choice
- Engaging experience (i.e. entertaining live-sellings, mutual interaction)
- Familiarity with buying on social media

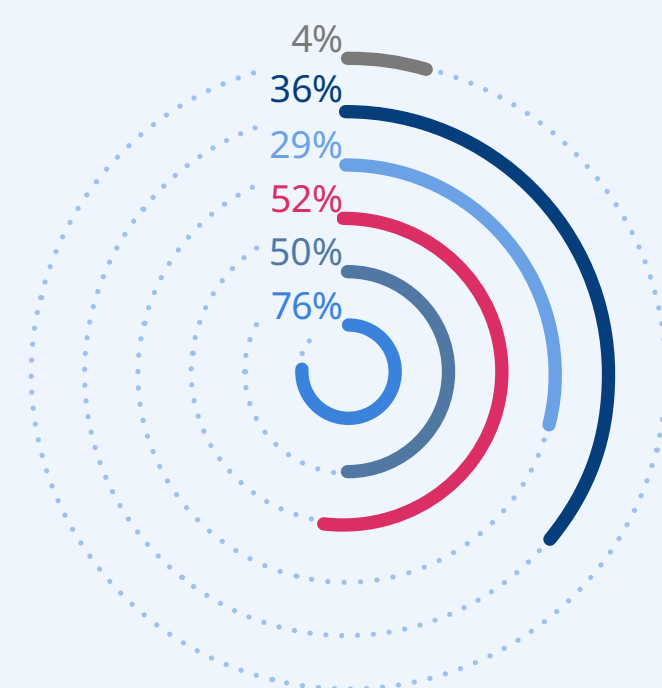


Shoppers rarely make impulsive purchases

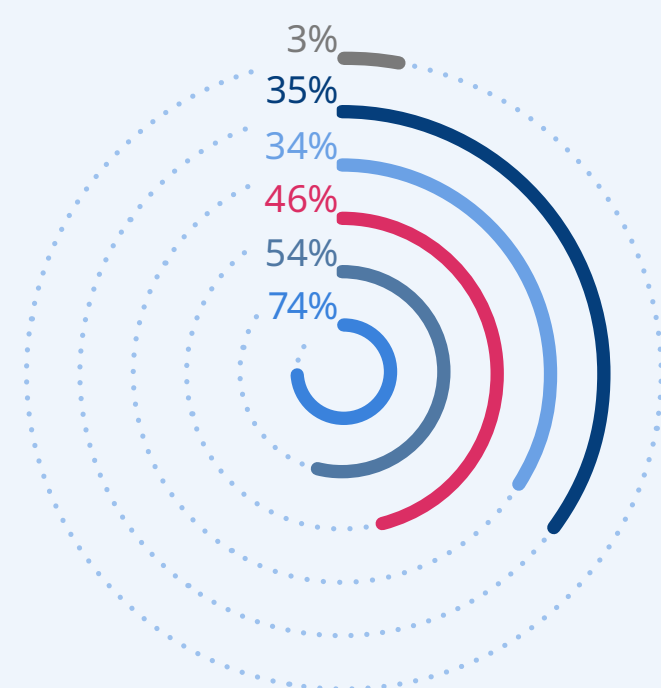
What types of information do you gather prior to making purchases on social media, if at all?

- Reviews and ratings online
- Opinions from friends or family
- Conversation with a company representative/customer support
- Official information on the company website
- Recommendations from influencers
- I do not usually gather information prior to purchasing on social media

Singapore



Malaysia



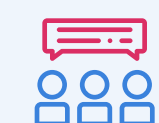
TOTAL



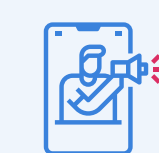
81%
Reviews and ratings online



52%
Official information on the company website



49%
Opinions from friends or family



39%
Recommendations from influencers

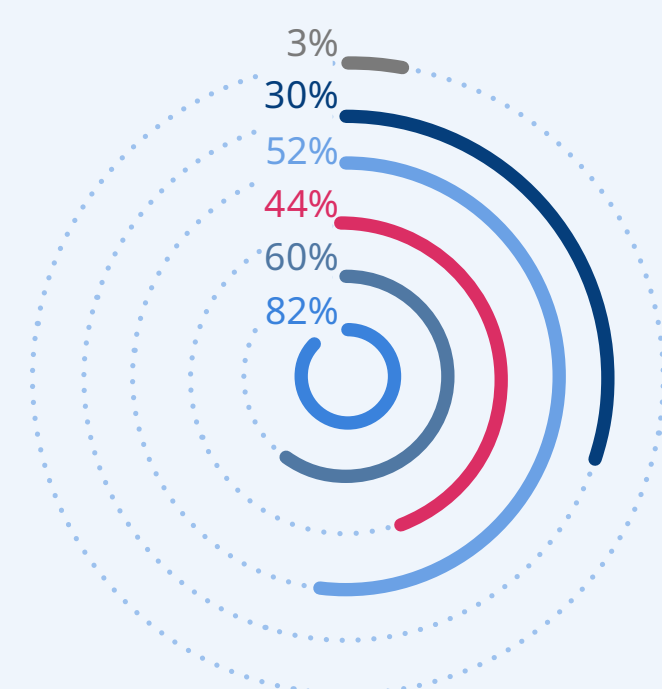


33%
Conversation with a company representative/customer support

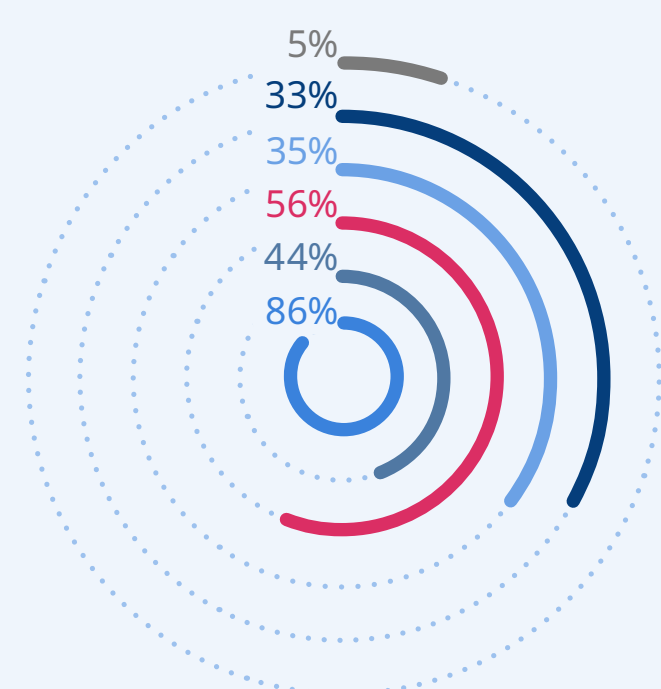


4%
I do not usually gather information prior to purchasing on social media

Thailand



Philippines



As with ecommerce, convenience (77%) and price (69%) are key drivers of social shopping in the region. In fact, convenience was cited across all markets and subgroups as the primary factor for social shopping. Thailand was the only market where more variety and choice (77%) edged past price (74%) for second spot.

Expectedly, sales and discounts (67%) are the biggest social shopping draws for consumers, followed by social media posts (59%) and referrals from someone known (39%). What this tells us is that value-for-money is a top priority for consumers in Southeast Asia, which is why they're much more intentional about their purchases and tend to seek the best deals for a planned purchase.

This conservative attitude also comes through in the steps shoppers take ahead of making a purchase. Eighty one percent of shoppers said they look at reviews and ratings online before making a purchase, while 52% rely on a company's website, and 49% do so on the recommendation of family and friends. Only 4% of shoppers in the region said that they do not gather information ahead of buying something on social media.

Turning a Live Selling Session into a sales event



Ponds, a Unilever skincare brand, turned a Facebook Live session into a selling event by tapping into conversational commerce, with the help of Facebook Marketing Partner, Shoplus.

Interested customers simply commented #HeartYourSkin and were automatically led to a conversation in Messenger where a bot collected their orders. The 1.5 hour campaign led to more than 71,000 comments, a 2.88% increase in conversions and a 10% growth in orders.







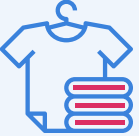






For their part, social sellers are able to take advantage of these behaviours and trends because unlike the marketplace model, they don't need to pay commissions to social media platforms.

But, to further maximise revenue, retailers and brands could extend holiday season sales and prominently emphasise discounts and sales in their marketing campaigns. Shipping adds costs for shoppers and could potentially deter them from buying—so retailers would likely benefit from offering free shipping.

Food and grocery shoppers are increasingly turning to social media

F&B and groceries are catching up to other categories

What do you buy on social media?

| |  Singapore |  Malaysia |  Thailand |  Philippines | TOTAL |
|--|---|---|--|---|-------|
|  Clothes, apparel and accessories | 70% | 60% | 70% | 79% | 71% |
|  Electronic and appliances | 49% | 47% | 62% | 51% | 53% |
|  Household goods and homeware | 48% | 47% | 52% | 56% | 52% |
|  Groceries | 38% | 38% | 32% | 26% | 32% |
|  Food and beverage | 43% | 53% | 50% | 41% | 46% |
|  Furniture | 18% | 10% | 25% | 16% | 18% |
|  Health and beauty | 55% | 56% | 67% | 56% | 59% |

Seeking convenience and value, people are slowly turning to social media to cut corners in the kitchen.

In the first half of 2021, 46% and 32% of respondents respectively said they shopped for food and beverage (F&B) and groceries on social media. Consumers' appetite for F&B and grocery shopping is especially high in Malaysia (53%, 38%), and Thailand (50%, 32%).

A big reason for this is on-again-off-again lockdowns in the region, which prompted people to go online for their essentials —but it's a trend that's here to stay. One regional retailer, HappyFresh, reported a 10-20x growth in online traffic in Indonesia, Malaysia and Thailand². At 0.3% penetration, the US\$350 billion market in Southeast Asia offers tremendous opportunities for retailers that leverage a strong online presence, including on social media.

As with last year, clothes, apparel and accessories continue to lead social shopping (71%), followed by health and beauty (59%), and electronics and appliances (53%). Across all four markets, furniture (18%) was ranked the least popular category to shop for, reinforcing consumers' preference for value-based purchases.

² <https://techwireasia.com/2021/08/rise-in-sea-online-shoppers-fuelling-growth-of-e-grocery-platform-happyfresh/>

Zesty results for a Malaysian fruit business



Hatsuka-Ya was founded in November 2019, with the goal of introducing high-quality, seasonal, imported fruit from Japan to Malaysia. What started as a physical store, shifted to an online one after Covid restrictions hit the country in March 2020.

Because the conversions from social posts were not enough, the founders decided to give live-selling a shot. Back then, they processed all the orders and live-selling procedures manually, spending around 12 hours processing 80-100 orders per live-selling event.

However, with the introduction of sophisticated automated solutions, the company has achieved great results:



Increased accuracy

100% accuracy in matching orders



5x Order growth

250-400 orders per live event compared to 80 orders prior to using Shoplus



High conversion

Almost 100% conversion rate in one live-selling event



2.5x Order Value growth

Average order value at RM160-200 per live-selling event with Shoplus versus RM80-100 per manually handled live-selling event, and RM30-70 at physical stores.



Shopping on social isn't friction-free

Expensive shipping turns off shoppers

What areas of your shopping experience on social media are you dissatisfied with?

Singapore



Malaysia



Thailand



Philippines



TOTAL



- Expensive shipping options
- No return/exchange policy
- No customer service
- No online tracking
- Limited shipping options
- Lack of payment options
- Difficult checkout process
- None of the above

Any friction or delay in a customers' shopping journey is a big turn off—and it's costing businesses in Asia Pacific up to US\$325 billion a year, a study by Facebook IQ and Boston Consulting Group (BCG) found.³

On social, friction for shoppers includes expensive shipping (51%), no return or exchange policies (41%), and a lack of customer service (34%). Consumers also report feeling frustrated about the lack of payment options (24%) and difficult checkout processes (21%).

To resolve this, retailers are starting to adopt new and emerging technologies. iKala's own data showed that AI chatbots, order management systems and auto detection were popular new technologies amongst retailers.

³ <https://zerofrictionfuture.economist.com/articles/friction-costs/>

The tools and technologies retailers are adopting

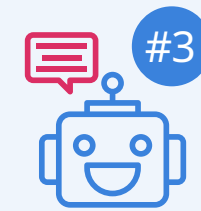
Singapore



Auto-detection



Order Management System



AI Chatbot

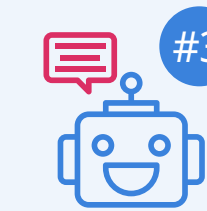
Malaysia



Auto-detection



Order Management System

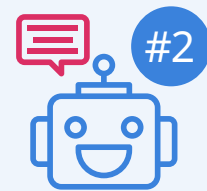


AI Chatbot

Thailand



Auto-detection



AI Chatbot

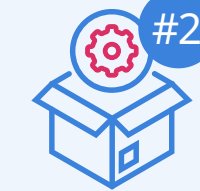


Order Management System

Philippines



Buy link



Order Management System



Payment Reminder

How this handbag brand streamlined its order management process



Iconic Thai handbag brand **NaRaYa** already has a strong offline and online presence, but decided to experiment with social commerce in 2020.

By leveraging influencers in tandem with iKala's **Shoplus** Order Management System, NaRaYa saw a 50% increase in purchases from Facebook Live sessions and a 90% increase in efficiency in managing orders. The increase in customer interaction also bolstered NaRaYa's social media presence, carving out a new social customer segment and reinforcing customer loyalty toward the brand.



But there's more work to be done. There isn't an easy answer to the main challenge around shipping costs—especially since delivery costs have been rising around the world due to Covid-19. To ensure costs aren't passed on to consumers, McKinsey rightly recommends widening delivery windows from immediate or same-day to two or three days, allowing sellers to rationalise the scheduling and routing of deliveries to group them together⁴.

Our survey shows that consumers are willing to pay and wait for shipping within reason.





















Fifty-six percent of consumers are willing to pay less than US\$4 per kilogram, and 25% say they'd pay between US\$4-10 per kilogram for their orders. Many are also patient about receiving their deliveries, with 28% willing to wait a week for their purchases. Only 9% expect to receive their purchases in less than 3 days. Of all the countries surveyed, Thai consumers are the most eager to receive their packages, with 47% expecting to receive purchases within 3-5 days, and 17% willing to wait less than 3 days.

⁴ <https://www.mckinsey.com/industries/retail/our-insights/five-actions-retail-supply-chains-can-take-to-navigate-the-coronavirus-pandemic>






















Some consumers are willing to pay for international shipping

What is the most you would be willing to pay for international shipping (USD/KG)?

| <4 USD/KG | | 4-10 USD/KG | | 11-17 USD/KG | | >17 USD/KG | | It does not matter | |
|---|------------|---|------------|---|-----------|---|-----------|---|------------|
|  Singapore | 53% |  Singapore | 29% |  Singapore | 9% |  Singapore | 3% |  Singapore | 6% |
|  Malaysia | 68% |  Malaysia | 21% |  Malaysia | 3% |  Malaysia | 1% |  Malaysia | 6% |
|  Thailand | 54% |  Thailand | 25% |  Thailand | 5% |  Thailand | 2% |  Thailand | 14% |
|  Philippines | 54% |  Philippines | 24% |  Philippines | 5% |  Philippines | 2% |  Philippines | 15% |
| TOTAL | 56% | TOTAL | 25% | TOTAL | 5% | TOTAL | 2% | TOTAL | 11% |

And they're patient about delivery time

What is the longest you would be willing to wait for an international parcel to arrive?

| <3 days | | 3-5 days | | 6-7 days | | 8-14 days | | It does not matter | |
|---|-----------|---|------------|---|------------|---|------------|---|-----------|
|  Singapore | 6% |  Singapore | 23% |  Singapore | 28% |  Singapore | 36% |  Singapore | 6% |
|  Malaysia | 6% |  Malaysia | 13% |  Malaysia | 30% |  Malaysia | 37% |  Malaysia | 15% |
|  Thailand | 17% |  Thailand | 47% |  Thailand | 19% |  Thailand | 10% |  Thailand | 6% |
|  Philippines | 5% |  Philippines | 21% |  Philippines | 37% |  Philippines | 27% |  Philippines | 11% |
| TOTAL | 9% | TOTAL | 28% | TOTAL | 28% | TOTAL | 25% | TOTAL | 9% |

Issues around returns and exchanges are equally challenging to resolve—but retailers are able to navigate them better when they have clearly communicated policies and systems in place.

Today, there are tools and technologies on the merchant side that allow businesses to manage their returns and exchanges in a way that makes the otherwise challenging process more seamless.

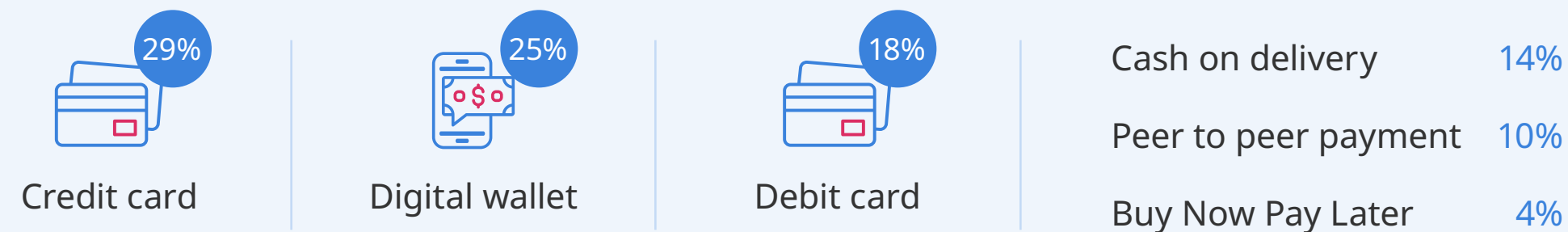
Payment preferences shape commerce trends

5

Payment preferences vary wildly across the region

What is your preferred payment method when shopping on social media?

Singapore



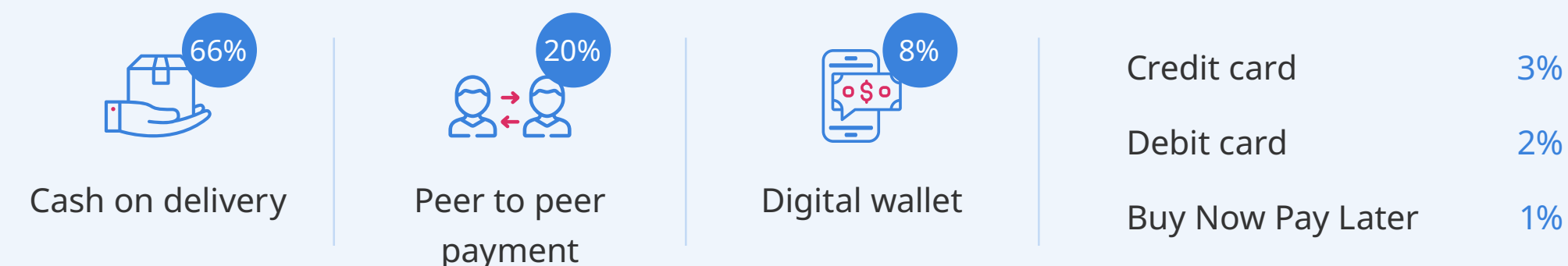
Malaysia



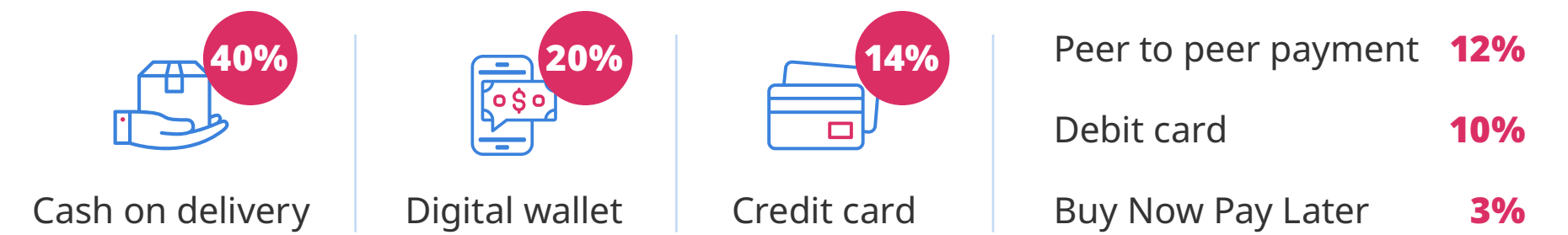
Thailand



Philippines



TOTAL



Whether they're swiping their card or tapping their device, Southeast Asian consumers are paying for purchases in many different ways. In the Philippines (66%) and Thailand (46%) consumers prefer cash on delivery (COD), while their neighbours Singapore (29%) and Malaysia (30%) rely on credit cards and digital wallets, respectively.


One reason for these different payment preferences is likely to be because the Philippines and Thailand have been slower to embrace digital payments—but are now playing catch up. In fact, GCash, the Philippines' largest national provider of mobile money services, recently said the number of registered users jumped 150% earlier this year.

Still, cash on delivery remains important to consumers because of the uneven evolution of payment methods in the region. Equally, online retail has had its fair share of scams and risks, and so consumers are generally less trusting of it. In the first nine months of 2020, about 30,000 ecommerce stores in Vietnam were taken down due to trade fraud and counterfeit goods⁵. In Malaysia, consumers reported 13,458 complaints for online purchases between 2019 and 2020 alone.


⁵ <https://the-ken.com/sea/story/cash-isnt-king-anymore-in-se-asia-e-commerce-but-its-far-from-exile/>

Why consumers prefer cash on delivery for social purchases

Why do you prefer using cash on delivery for social media purchases?

 I want to inspect the product in person before paying, in case the product never gets delivered



 I want to check the product and see whether everything is perfect before paying for it



 I do not trust entering payment details online



 I do not have a credit card or debit card




 Other



Product fraud is commonplace


What type of fraud have you experienced while shopping on social media?

 Product fraud (product received was different than what was shown)



 Product/service was never delivered



 Payment card fraud (credit card, debit card)



 Privacy breach



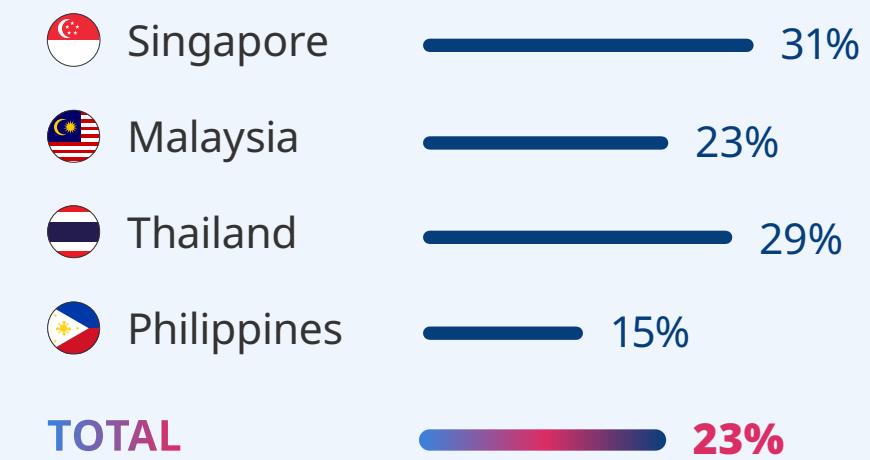
 Other



Fraud turns some shoppers off permanently

Has/will the fraud you experienced stop you from shopping on social media?

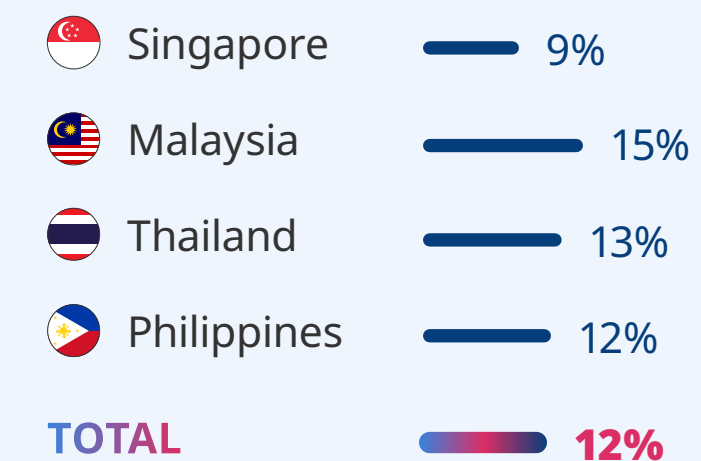
Yes

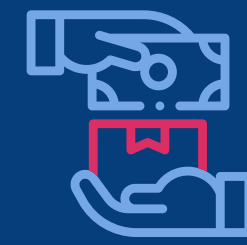


No



Not sure





The shoppers we surveyed said they preferred COD because it allows them to inspect the product before paying (67%) – not a surprising finding, given that 70% said they had experienced product fraud. Beyond that, fraud has a far-reaching impact, with 23% of those surveyed saying it has stopped them from shopping on social media.

So, while digital wallets and other emerging solutions grow, cash continues to be king in the region.

And in order to move to more seamless payment methods, sellers and retailers need to work towards earning shoppers' loyalty by ensuring the integrity of their products, and making improvements to the refund process.

Conclusion

Because of social commerce's rapid growth, it's easy to forget that it's a relatively new shopping experience for retailers and consumers.

With that in mind, here are some insights to help businesses starting or scaling up their social selling plans:



Leverage and extend your sales

Although consumers in the region are somewhat conservative, the shopping holidays generate a lot of attention. It pays off to build a strategy around these special occasions while continuing to be always-on. Leveraging the right influencers is another great way to connect and convert audiences.



Invest in the right tools and technologies

For today's consumers, any friction or delay in their shopping journey is a big turn off. Start by investing in some of the unique social commerce capabilities, including real-time predictive analytics, AI powered order management solutions and social CRM, amongst others.



Experiment with formats and solutions

Early movers tend to enjoy most success when it comes to trialling and leveraging new and unique shopping experiences. Whether that is new solutions like live commerce and shoppertainment, or emerging formats such as VR and AR, retailers must be ready to move quickly to get the most out of social commerce.

How social commerce evolves remains to be seen, but what is clear is that it offers significant long-term potential for businesses willing to leverage it. For more information about building a successful social commerce strategy, please reach contact@ikala.tv.

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