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THE NEW ASEAN CONSUMER



This detailed document is an original study conducted as part of the French Trade Advisors APAC 2023 Forum in Ho Chi Minh City. This study includes around twenty interviews with Southeast Asia experts.

Foreword



Jean Charles Belliol

President of CCE Vietnam Committee
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The Asia-Pacific region is quickly becoming strategically important in the evolving global landscape. Lying between the two most populous nations, China and India, and underpinned by a deepening economic integration manifested in numerous trade agreements.

The population, concentrated largely along the coastlines, heightens the region's sensitivity to climate change challenges and necessitates controlled urban development.

A wave of transformation is sweeping across the Asia-Pacific region, with digitisation effecting dramatic changes in every aspect of life, including consumption habits, living spaces, financial management, and communication paradigms. These vital themes formed the core of our discussions at the APAC French Trade Advisors Forum.

Within the Asia-Pacific region, ASEAN stands out as one of the world's fastest-growing regions. Housing more than 670 million inhabitants, the majority progressively joining the middle class, ASEAN constitutes a sizeable market brimming with opportunities for our companies. Despite its diverse member nations, the region reveals several emerging trends pertaining to the future of consumer behaviour in ASEAN.

This study, undertaken within the framework of the APAC French Trade Advisors Forum and carried out by Eurogroup, comprehensively describes these trends and proffers recommendations for better engagement with these prospective markets. I wish you great success in your business within the region.

*The French Foreign Trade Advisors (CCE) les Conseillers du Commerce Extérieur de la France (The French Trade Advisors) is a network of business leaders and international experts who support and promote French companies operating internationally by providing advice, support, training, and promotion.

Foreword



The ASEAN region is open for business and this report provides an insight into how to position yourself to take advantage.

After nearly two years of stunted economic growth, lockdowns, and a gloomy global outlook, Southeast Asia is recovering strongly. Supported by a rebound in foreign investment, strong export demand, the phenomenon of revenge tourism, and benefitting from the gap left by China remaining closed for longer than the rest of the world, the ASEAN region is going from strength to strength. From the financial powerhouse of Singapore to the dynamic manufacturing and production hubs of Indonesia, Malaysia, the Philippines, and

Thailand, over to the fast-growing frontier markets of Cambodia, Laos, and Myanmar, the ASEAN market is diversified, dynamic, and open for business.

The region currently has a population of 670 million but strong domestic consumption, favourable demographics, rising income levels, geopolitical shifts, and digital advancements over the next 10 years are expected to propel ASEAN to become the world's fourth-largest economy - behind China, the USA, and India - with growth averaging 4% a year over the next decade. The region will see 140 million new consumers and nearly 575 million internet users by 2030, which will spur growth in

various sectors, including technology, and attract foreign investment. ASEAN will also be responsible for one in six households entering the world's consuming class over the next 10 years whilst five million people will move into cities each year.

Respective governments in the region are continuing to take advantage of the nascent economic potential in their countries and implementing industrial policy, promoting and facilitating investment, and opening up to trade, both regionally and internationally. This is creating an exciting environment for foreign businesses to invest and take advantage of the exciting potential in the region.



For businesses to meet this potential, this report aims to identify and analyse the consumer trends that are presenting themselves in the ten ASEAN countries and provide recommendations for foreign businesses to understand these trends. The ASEAN region is a diverse area of 670 million people, 1,000 languages and dialects, and national income levels ranging from \$1,210 per person per year to \$72,794. Therefore, it is important to understand that there is no single ASEAN consumer but profiles of consumers as diverse as the region itself. There is a new generation of young, digitally-connected, and globally aware consumers who are entering the market and are interested in personalised experiences, convenience, and sustainability. Growing income levels over the past decade has also seen the region home to a burgeoning middle class with disposable incomes that want

premium goods but want to feel as though they are getting value. Finally, some countries have an aging population which presents unique opportunities for businesses in the healthcare, wellness, lifestyle, technology, and real estate sectors.

This research has presented us with six trends that are relevant across all industries and sectors for businesses to integrate into their planning to ensure they are well-placed to take advantage of the next decade of booming consumerism is Southeast Asia. This includes the value of being perceived as a local brand; adapting to the digital age but maintaining a physical presence; promoting health and wellness; ensuring consumers still perceive they are getting value; creating an experience for the consumer; and investing in sustainability now to be prepared for the future. To prepare for these trends, the report makes three

recommendations, namely creating an integrated omni-channel approach to reach consumers both online and in-person; developing a localised approach to conducting business; and investing in sustainability now to be prepared for when this becomes a necessity.

In conclusion, Southeast Asia's burgeoning economic prowess, coupled with its unprecedented consumer growth, is laying a fertile ground for businesses seeking to tap into its rich market diversity. By harnessing the region's consumer trends elucidated in this report - ranging from digital engagement, experience creation, to a firm commitment towards sustainability - and deploying our three core recommendations, foreign businesses can carve a promising foothold in this dynamic region. As our research emphasises, adopting a localized approach, integrating omnichannel strategies, and investing proactively in sustainability are non-negotiable prerequisites for achieving lasting success in the ASEAN market. This report is an indispensable guide, offering invaluable insights to navigate the complexities of Southeast Asia's vibrant economic landscape, and enabling businesses to effectively leverage the opportunities that lie within its teeming populace and expansive digital frontier. As we step into a new era of Southeast Asian consumerism, the time for action is now – to understand, adapt, and thrive amidst this exciting and transformative period of regional growth and development.

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Executive Summary

The ASEAN market, an emerging economic powerhouse, boasts favourable demographics, rising incomes, and a growing consumer class. The region's ongoing economic growth presents expanding opportunities for businesses to invest and operate in this diverse and dynamic market.

ASEAN countries have experienced strong economic growth, a rapid rebound from COVID-19, sustained demand for exports, urbanisation, digitalisation, increasing focus on sustainability, and an influx of foreign direct investment. These factors, along with shifting global value chains, make the ASEAN region a highly favourable environment for businesses and investors looking to expand.

Trade and investment agreements, such as the EU-ASEAN Free Trade Agreement, the EU-Vietnam Free Trade Agreement, and the EU-Singapore Free Trade Agreement, provide preferential market access for foreign firms, including those from France. These agreements, along with collaborations in areas such as research, innovation, human capital development, and cultural exchange, create ample opportunities for businesses looking to enter or expand in the ASEAN market. To succeed in this diverse region, companies must adopt tailored strategies that cater to each country's unique qualities and preferences.

The ASEAN region is home to a diverse range of consumer profiles that differ from country to country and even city to city. The first thing that we can point out to explain the diversity between ASEAN consumers is first the cultural differences across countries, exemplified by the different languages, religions, and ethnic groups across countries. However, consumer classes in ASEAN can be broadly classified as follows:



Gen-Z: Digital natives, prefer personalisation and sustainability; fastest-growing segment; target through digital channels, mobile experiences, and social responsibility.



Millennials: Value authenticity, convenience, experiences, and social responsibility; still significant consumer class; target with authentic, convenient, and unique experiences through digital and mobile channels.



Aspirers: Seek upward social mobility, brand prestige, and convenience; growing consumer class; target with aspirational and prestigious products, value, quality, and convenience.



Middle Class: Prefer quality, value, health and wellness, and convenience; key driver of economic growth; target with quality, value, health and wellness focus, convenience, and eco-friendliness.



Affluent Class: Prefer luxury, fine dining, technology, and health and wellness; growing consumer class; target with luxury products, strong brand awareness, and digital platforms.



The six trends that have been identified in the ASEAN region as driving the future of consumption are as follows:

Trend 1



Think Local, Be Local: The Importance of Going Local in ASEAN

The significance of localisation was consistently emphasised as the most crucial approach for targeting the ASEAN market. This entails adapting products, marketing strategies, production, and supply chains, to brand yourself as a local firm. ASEAN comprises a diverse market with many different consumers, urbanised cities, and therefore, consumption habits but what unifies the business strategy in these markets is the importance of being branded as a local player. However, there are exceptions to this rule, especially in luxury branding, where capitalizing on foreign heritage may be advantageous.

Trend 2



From Bricks to Clicks: How ASEAN Retailers Are Adapting to the Digital Age

Technology and digital media are acknowledged as essential by business owners and leaders in the ASEAN region. However, developing an integrated omnichannel strategy to reach diverse consumer segments efficiently and conveniently, rather than solely focusing on the significance of technology and digital media is crucial to thriving in the diverse ASEAN market.

Trend 3**Health Is Wealth: The Rise of Health and Wellness in ASEAN**

Paying attention to health and wellness is a trend that has accelerated during COVID-19 and is expected to stay. Consumers are increasingly demanding healthier alternatives in the products they consume. Providing a choice of healthy, organic products is going to be very important going forward.

Trend 4**Unlocking Value: The Key to Understanding the Importance of Pricing**

With rising income levels, ASEAN consumers are expected to increase spending on indulgences and luxury goods, prioritising convenience, well-being, and personalized experiences. Despite this, price remains a top consideration for 62% of high-income consumers, indicating a continued focus on value.

Trend 5**The ASEAN Experience Economy: How Entertainment, Tourism, and Leisure Are Driving Consumer Trends**

Increasing leisure time, growing disposable incomes, and a growing market have seen more and more people in ASEAN spend time and money on entertainment, tourism, and leisure activities. This is a quick growing market that has both been affected by and benefitted from COVID-19 and is expected to continue an upwards trajectory going forwards.

Trend 6**The Green Revolution: Invest in Sustainability Now for a Better Future**

As sustainable practices gain momentum, it will increasingly become a requirement for ASEAN consumers when looking at brands and products. While currently below global standards, demand for sustainability is expected to surge in the coming decade with growing consumer and institutional awareness, coupled with a willingness to pay.





From these trends, the below three recommendations have been developed:



Recommendation 1

Build a Digital Space Battleplan

1. Develop a triple-growth engine across traditional trade, modern trade, and e-commerce, focusing on personalised marketing through data-driven approaches and AI technologies.
2. Utilise digital channels, including social media and ASEAN e-commerce platforms, to understand, segment, and engage with consumers, while incorporating local influencers and loyalty programmes.
3. Create seamless, integrated omnichannel experiences that mirror the consumer journey, combining localised content with frictionless transitions between viewing and purchasing.
4. Plan and strategise for the future of digital commerce, considering the synergy between store networks and digital marketplaces, and integrating emerging technologies like e-wallets and Buy Now Pay Later options.
5. Prioritise aftersales engagement, customer personalisation, and loyalty through targeted promotions, rewards, and exceptional customer experiences both online and offline.



Recommendation 2

Rethink Growth Strategies With a More Localised Approach

1. Understand each market's specificities and complexities by researching and investing resources in local partnerships, supply chains, and teams.
2. Leverage global expertise while adapting to local specificities, focusing on co-design, production, distribution, and financing partnerships with local companies.
3. Develop a strong brand identity with a local anchor, utilising localised content and marketing approaches tailored to each country or city.
4. Create value through a combination of your brand's strengths and local partnerships to maximise market penetration and consumer engagement.
5. In certain instances, leverage the power of your global brand while still localizing products and retail experiences to resonate with the target market.



Recommendation 3

Invest in Sustainability Today to Win the Consumer of Tomorrow

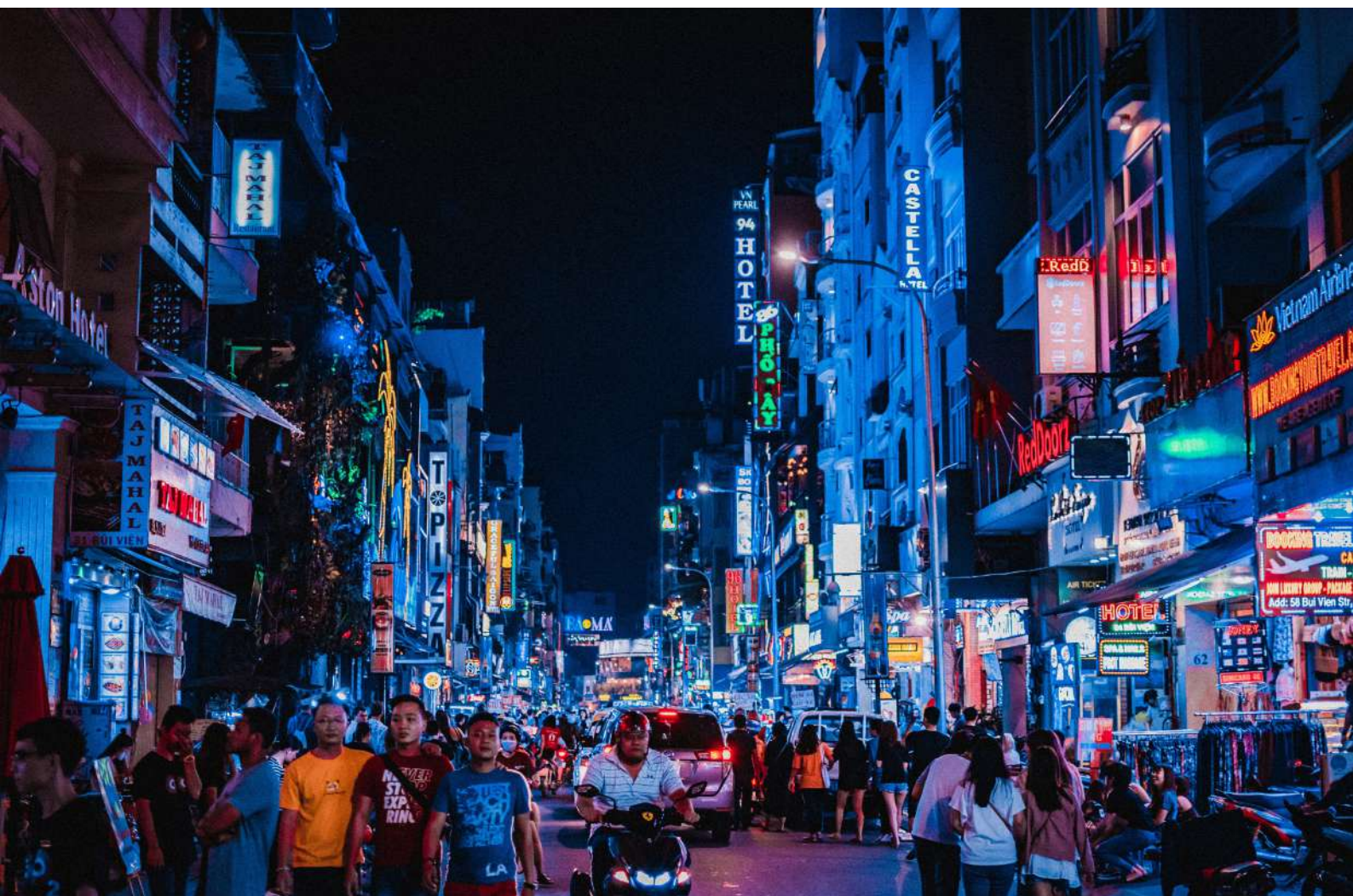
1. Invest in sustainable development practices now to be well positioned for future demand and standards in the region.
2. Educate consumers about the value and benefits of sustainable products, emphasizing long-term cost savings and environmental impact.
3. Make sustainable products accessible and affordable for a wider range of consumers through strategies such as bulk purchasing, discounts, and partnerships with retailers or e-commerce platforms.
4. Address price sensitivity by implementing cost-efficient and eco-friendly supply chain and production practices, from raw materials to final packaging.
5. Accelerate sustainability efforts in regional and local business operations, despite challenges such as low customer willingness to pay and short-term financial trade-offs.

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A vibrant night cityscape with fireworks exploding over a dense urban skyline. The fireworks are large and colorful, with streaks of red, orange, and white. The city lights are visible in the background, with various skyscrapers and buildings illuminated. The overall scene is festive and celebratory.

ASEAN: The Thriving Market Bloc With a Vibrant Growth Story

The ASEAN region is a powerhouse of business potential, boasting a strategic location, a population of 670 million, and a rapidly expanding economy.

The region's impressive economic growth and relative regional stability has seen its 10 members plan for further integration through the ASEAN Economic Community (AEC), which has made it even easier to do business in the region by promoting the free flow of goods, services, and investments.

ASEAN is a thriving market bloc with a vibrant growth story, powered by domestic consumption, favourable demographics, rising income levels, geopolitical shifts, and digital advancements. In the next 10 years, ASEAN is expected to become the world's fourth- largest economy - behind China, the USA, and India - with growth averaging 4% a year over the next decade. The region will see 140 million new consumers and nearly 575 million internet users by 2030, which will spur growth in various sectors, including technology, and attract foreign investment. ASEAN will also be responsible for one in six households entering the world's consuming class. Five million people

will move into cities each year, and urbanisation is projected to sustain through 2050, extending to Tier 2 and 3 cities.

In recent years, the shift in global value chains towards the Asia-Pacific region, driven by the growth of the middle class and increasing disposable income, has further increased the potential for businesses in the ASEAN region. The region's diverse and dynamic market presents opportunities for businesses to tap into new and growing consumer segments, and with its strategic location, ASEAN is well positioned to capture new business opportunities in the region. Despite the diversity of cultures, languages, and consumer preferences, the ASEAN consumer market presents both challenges and opportunities for businesses looking to tap into it. In conclusion, the ASEAN region presents a highly favourable environment for businesses and investors looking to expand.

“The Asian consumer has gone from a kart to a Ferrari in just 20 years, compared to 60 years in Europe”



Michel Beaugier, Managing Director at M2 Management, Head of CCE APAC

Figure 1. ASEAN Economic Indicators, 2021

| Country | Population | GDP (\$millions) | GDP per Capita(\$) |
|-------------|-------------|------------------|--------------------|
| BRUNEI | 445,373 | 14,006.57 | 31,449.10 |
| CAMBODIA | 16,589,023 | 26,961.06 | 1,652.20 |
| INDONESIA | 273,753,191 | 1,186,092.99 | 4,332.70 |
| LAOS | 7,425,057 | 18,827.15 | 2,535.60 |
| MALAYSIA | 33,573,874 | 372,980.96 | 11,109.30 |
| MYANMAR | 53,798,084 | 65,091.75 | 1,209.90 |
| PHILIPPINES | 113,880,328 | 394,086.40 | 3,460.50 |
| SINGAPORE | 5,543,556 | 396,986.90 | 72,794.00 |
| THAILAND | 71,601,103 | 505,947.04 | 7,066.20 |
| VIETNAM | 97,468,029 | 366,137.59 | 3,756.50 |

Source: The World Bank

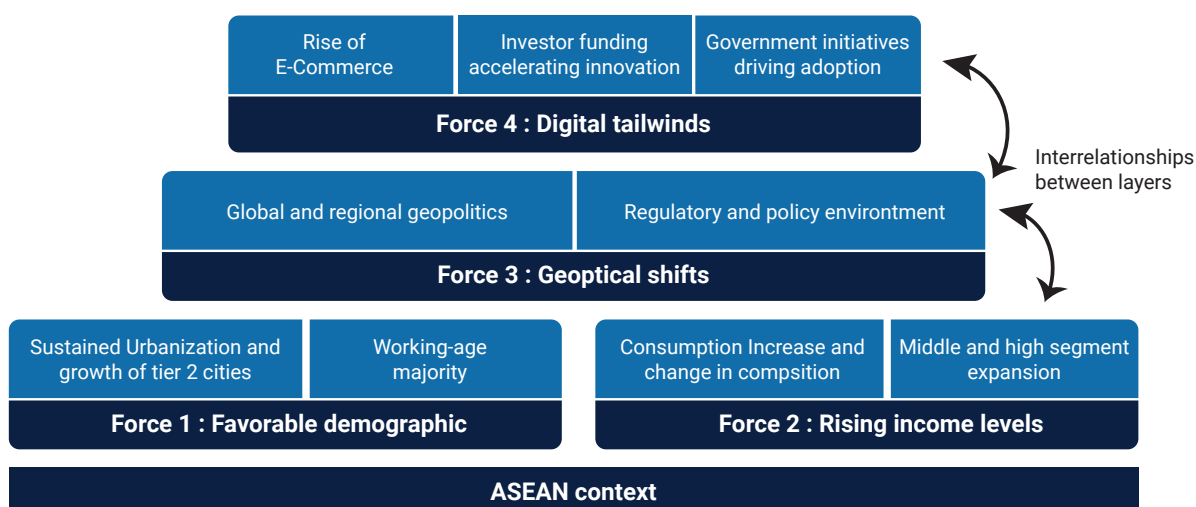
Factors driving growth in ASEAN



The ASEAN region continues to navigate the uncertainties brought about by the impact of COVID-19 and external headwinds. Estimates suggest that the pandemic has derailed GDP growth by at least two years. However, Southeast Asia's long-term outlook remains robust, and the region is projected to outpace other markets such as the US, the EU, and China in terms of GDP growth and annual inflation rate. There are several nascent and intrinsic factors that are likely to contribute these discussed below.

The ASEAN region was able to rebound quickly from COVID-19, experiencing faster growth and lower inflation than many other regions around the world, on average.

Figure 2. Drivers of future of consumption in ASEAN



Source: World Economic Forum (WEF)

Macro growth factors and trends working in the ASEAN regions favour are as follows:



Economic growth: ASEAN countries have been experiencing strong economic growth in recent years. According to the World Bank, ASEAN economies are projected to grow by 4.3% in 2022 and 4.9% in 2023. This economic growth is leading to rising incomes and an expanding middle class, which is driving consumption growth across a range of sectors¹.



Strong recovery from COVID-19: The ASEAN region was able to weather the storm of COVID-19 relatively well. Governments responded quickly with lockdowns, restrictions on movement, and vaccination programmes with good uptake. This was complemented by support packages for businesses and vulnerable communities.



Sustained demand for exports: There has been sustained global demand for ASEAN exports of manufacturing goods and commodities. There is also potential that this has been bolstered by sluggish economic activity in China that has allowed ASEAN countries to shift in the value chain and fill gaps in demand left by China.



Urbanisation: This is a major trend in ASEAN countries, with the urban population expected to reach around 60% by 2030². As urbanisation continues, consumers are becoming more accustomed to modern living standards and are increasingly spending on non-essential goods and services.



Digitalisation: ASEAN countries have experienced a rapid increase in internet and mobile phone penetration in recent years. According to a study by Google, Temasek and Bain & Company, the internet economy in Southeast Asia is expected to be worth \$360 billion by 2025³. This digitalisation is driving a shift in consumption patterns as more consumers use digital channels to purchase goods and services.



Sustainability: Climate change is an increasingly important issue in ASEAN countries, and consumers are becoming more conscious of the environmental impact of their consumption. Whilst the region lags behind global standards, demands will accelerate over the next decade as awareness of the issue increases, along with a willingness to pay.



Foreign direct investment: The inflow of FDI in ASEAN increased by 42% in 2021 compared to 2020 to \$174 billion, which is higher than the pre-pandemic record level⁴. This rebound highlights the resilience of the region whilst also spurring innovation, development, and growth.



¹<https://thedocs.worldbank.org/en/doc/18ad707266f7740bcd755498ae0307a-0350012022/related/Global-Economic-Prospects-June-2022-Regional-Highlights-EAP.pdf>

²https://asean.org/wp-content/uploads/2022/12/ASEAN-Sustainable-Urbanisation-Report_Final_Dec-2022-EPUB.pdf

³https://www.temasek.com.sg/content/dam/temasek-corporate/news-and-views/resources/reports/e_Conomy_SEA_2022_report.pdf

⁴<https://unctad.org/publication/asean-investment-report-2022>

The ASEAN region is made up of heterogeneous markets that are held together by geography and political relations, but there is diversity in terms of economic and political maturity, regulations, and cultural norms. Businesses operating in the region will need to tailor their offerings and approach to cater to these differences.

Overall consumer trends will influence the entire region, but their specific impact on different countries will depend on demographics and

other macro factors. For example, Singapore will see growth driven by rising wages and a shift to high-value-added services such as FinTech. Indonesia will benefit from a growing domestic consumer class and redistribution of economic activity away from Jakarta through government policy. The Philippines will see growth from overseas remittances and services industries, and Vietnam's growth will be driven by exports, e-commerce, and modern agribusiness. Brunei is implementing policy to support economic diversity

and facilitating investment into different sectors. Frontier markets such as Cambodia, and Laos will also see growth supported by foreign investment, infrastructure spending, and efforts to climb up the value chain.

To unlock growth and target these markets, a tailored strategy is needed that considers each country's unique qualities and preferences. While there may be commonalities between the ASEAN member states, each market will evolve differently.



Trade and Investment Agreements Relevant to Foreign Firms

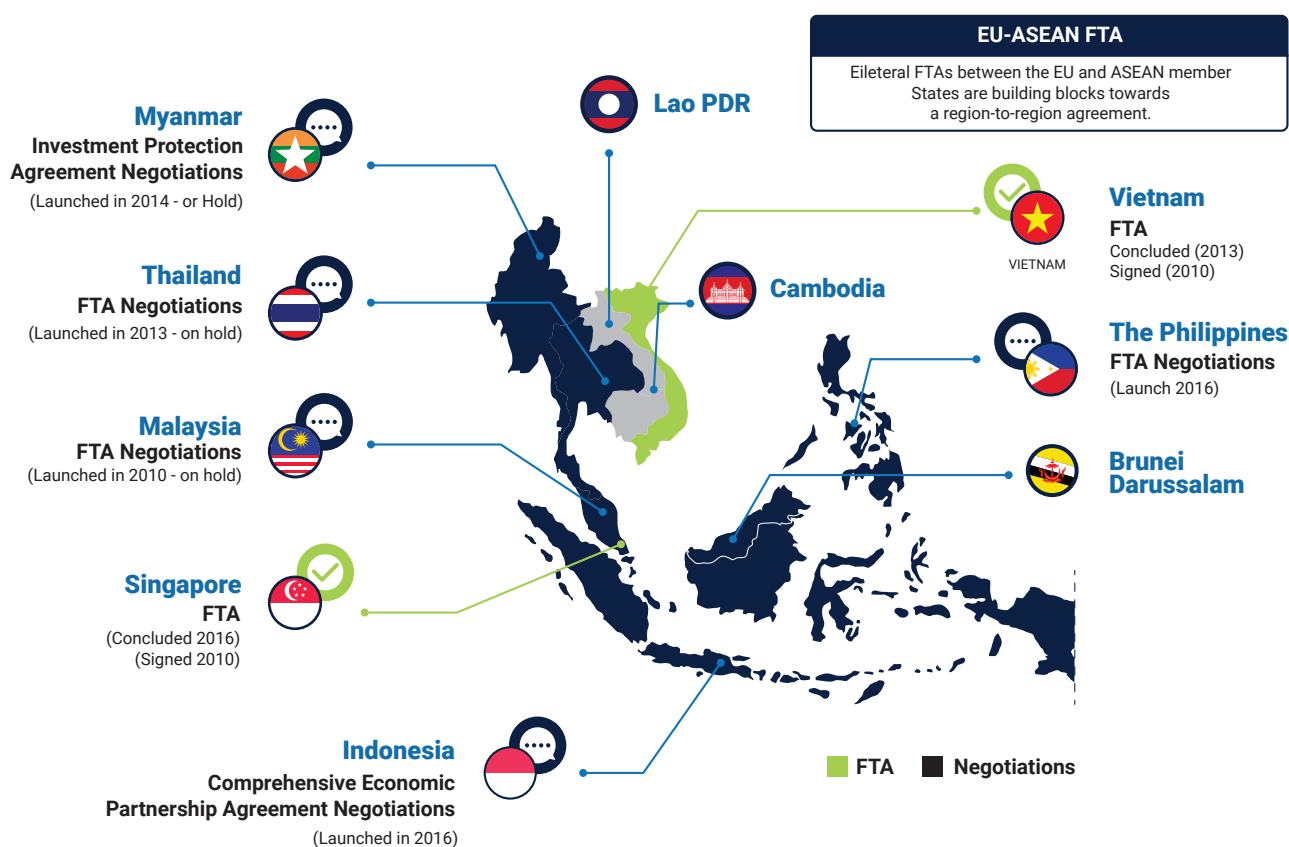
As ASEAN is committed to economic integration and openness, it offers ample opportunities for French firms to access a rapidly growing market. The EU-ASEAN Free Trade Agreement, which was signed in 2019 and is yet to be ratified, aims to enhance economic cooperation between the two regions, which should benefit EU firms looking to expand their business in ASEAN.

Moreover, ASEAN member states have established individual trade and investment agreements with France, which provide preferential access to the French market and other EU markets. Some notable examples of such agreements are the EU-Vietnam Free Trade Agreement and the EU-Singapore Free Trade Agreement, which offer preferential market access for French firms. Additionally,

France and ASEAN have been working to strengthen their cooperation in several areas, including research and innovation, human capital development, and cultural exchange. This presents new opportunities for French firms looking to establish partnerships and collaborations with ASEAN counterparts. Overall, there are several trade and investment agreements in ASEAN that are relevant to French firms, and the region offers a dynamic and growing market for French companies seeking to expand their business in the region.

The graphic below shows trade agreements signed by the EU. There are free-trade agreements in place with Vietnam and Singapore whilst negotiations are ongoing with five other countries.

Figure 3. EU FTA with ASEAN



Source: EU in ASEAN (<https://euinasean.eu/cooperation/economic-cooperation/>)

ASEAN's Diverse Consumer Landscape:

A Closer Look at Consumer Profiles

The ASEAN region is home to a diverse range of consumer profiles that differ from country to country and even city to city. While there are some overarching themes when examining consumer profiles, it is crucial to segment consumers as much as possible to gain a more in-depth understanding of their needs and behaviours.

ASEAN Diversity

ASEAN is a diverse region with a rich cultural heritage, home to a variety of languages, religions, and traditions. There are over 670 million people living in the ten member states of ASEAN, with more than 200 different ethnic groups and over 1,000 different languages and dialects spoken. The region is also home to a wide variety of religions, including Buddhism, Islam, Christianity, Hinduism, and traditional indigenous beliefs, which are often interwoven with local cultural traditions.

Despite the diversity in ASEAN, there are also many shared cultural practices and traditions that bind the region together. For example, many ASEAN countries share a

love for music, dance, and food, and traditional art forms such as batik, weaving, and carving are common across the region. The ASEAN way, which emphasises consensus-building and non-interference in each other's domestic affairs, is also an important cultural aspect that unites the region. Additionally, the diverse cultural heritage of the region offers unique opportunities for cultural exchange and learning, with ASEAN member states often working together to promote and preserve their shared cultural heritage. Overall, the diversity of ASEAN is a defining characteristic of the region and presents a rich tapestry of cultures and traditions that offers both challenges and opportunities for the region's people and businesses.



Over 1,000 languages and dialect spoken



3 main religions (Islam, Buddhism, Christianity)



Significant difference in GDP per capita across countries (\$1,210 to \$72,794)



Total population of **670 million**



10 nations

“It’s essential to understand that the consumers in the ASEAN region are quite diverse. The whole market cannot be regarded as a single entity. Each country has its unique cultural and economic characteristics that influence consumer behaviour. This encompasses all aspects of life. For example, in some countries, Christmas is quite widely celebrated, and brands can leverage this time of the year with promotional campaigns. However, in Vietnam for example, Christmas is just another day but new year is celebrated at the end of January, so this presents an opportunity for advertising and promotional campaigns.”



Fanny Ponsot, Managing Director, Chic APAC



“Decathlon segments customers in ASEAN by age, taking into account the diversity of young versus older populations in each country. For example, there is a large difference in demographics between Thailand and Cambodia, where almost half of the population is younger than 24 years old. The company avoids taking a general customer approach and instead works to tailor its products and strategies to each market, recognising that consumer habits and preferences differ significantly between countries within the ASEAN region.”

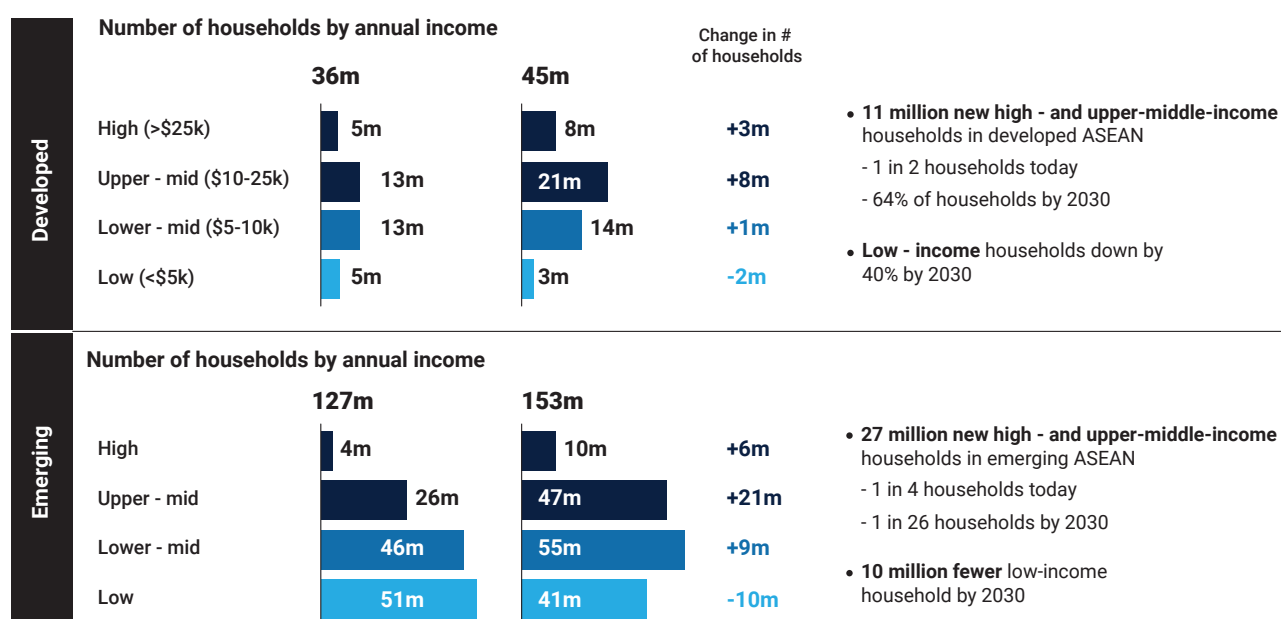


Frédéric Bichet, APAC Leader, Decathlon, CCE Thailand

Moreover, there are some overarching trends and similarities in the region that characterise these consumers, such as a high degree of price sensitivity and a desire for value for money; and changing consumer preferences due to growing affluence, the influence of globalisation, and a desire for sustainability for some consumer segments.

This section will summarise several different consumer archetypes before taking a more in-depth look of three major profiles and how these are expected to shape the consumption landscape going forward. These are young people, the successful middle class, the traditional consumer, and those in the elderly age bracket.

Figure 4. Changing household income profiles in developed versus emerging ASEAN



Source: World Economic Forum (WEF)



Gen-Z
(Born 1997-2012)

Description and Characteristics:

Born after 1997, this was the first generation to grow up in a predominantly digital world. This gives them access to limitless information and they tend to be more socially aware, politically engaged, and environmentally conscious than previous generations.

Preferences:

Gen-Z are digital natives with a preference for online and mobile first. They value personalisation and uniqueness as well as sustainable and social responsibility.

Trend in Consumption Growth:

This is the fastest-growing segment in several ASEAN countries due to the young population and high digital engagement. Their purchasing power is expected to increase significantly in the coming years.

Best Way to Target Them:

Focus on digital channels; offer a personalised experience; demonstrate social responsibility; use authentic and relatable marketing; and prioritise mobile experiences.



Millennials
(Born 1981-1996)

Description and Characteristics:

The lifestyle of millennials in ASEAN is marked by a focus on technology, globalisation, sustainability and social responsibility, career development, and changing social and cultural values

Preferences:

Millennials in ASEAN have consumer preferences that are shaped by their lifestyle, values, and experiences, including a preference for authenticity, convenience, experiences, social responsibility, value-for-money, and digital and mobile access.

Trend in Consumption Growth:

While millennials are now reaching their thirties and forties, they are still a significant consumer class in ASEAN, with a strong influence on the region's economy. Their spending power is expected to continue to grow, as they increasingly enter their peak earning years and become an even larger share of the consumer market. Additionally, as the youngest millennials still have a decade or more of their consumer lives ahead of them, they will continue to have a significant impact on the region's economy and consumption trends.

Best Way to Target Them:

To effectively target millennials as a consumer class in ASEAN, brands should prioritise authenticity, convenience, unique experiences, social responsibility, and digital and mobile channels.



Aspirers

Description and Characteristics:

The aspiring consumer class in ASEAN refers to a demographic of consumers who are rising out of poverty and into the middle class, with an increasing level of disposable income and purchasing power. This demographic is characterised by a desire for upward social mobility, access to new technologies and products, and a preference for aspirational and prestigious brands.

Preferences:

The key theme of the aspiring class is to have it better than their parents did. They value brand prestige, quality and durability, access to technology, and convenience. For example, this class is likely to be graduating from street food to fast food once a month and are proud of their new found affluence.

Trend in Consumption Growth:

The aspirers are a growing consumer class, as more individuals in the region move out of poverty and into the middle class with increasing purchasing power and disposable income. As this demographic continues to grow and influence, it presents a significant market opportunity for businesses in ASEAN.

Best Way to Target Them:

To successfully target the aspiring consumer class in ASEAN, brands should offer aspirational and prestigious products, prioritise value, quality and durability, provide access to technology, and focus on convenience.

**Middle Class****Description and Characteristics:**

The lifestyle of the middle class in ASEAN is influenced by their rising income levels, urbanisation, and increasing exposure to global trends. They typically have stable jobs in professional or technical fields, and their income allows for a comfortable standard of living that includes owning a home, car, and other assets.

Preferences:

The middle class in ASEAN is characterised by a preference for quality and value, a growing interest in health and wellness, a focus on convenience, and a desire for upward social mobility.

Trend in Consumption Growth:

With a growing interest in upward mobility, the middle class in ASEAN is a key driver of economic growth and represents a significant market opportunity for businesses in the region.

Best Way to Target Them:

To successfully target the growing middle class in ASEAN, brands should offer quality and value, focus on health and wellness, provide convenience, demonstrate eco-friendliness, and signal upward social mobility.

**The Affluent Class****Description and Characteristics:**

The affluent class in ASEAN consists of individuals with a high net worth or income, and can be found in urban centres and major cities where there are typically more opportunities for high-paying jobs and access to exclusive services and amenities. However, the specific characteristics and distribution of the affluent class can vary significantly from one country to another within the diverse region of ASEAN.

Preferences:

The consumption preferences of the affluent class in ASEAN can include a preference for luxury goods and experiences, fine dining, technology, health and wellness, as well as investing in education and their children's future.

Trend in Consumption Growth:

The affluent class in ASEAN is a growing consumer class, as the region's economies continue to develop and create new opportunities for wealth creation.

Best Way to Target Them:

Brands can target the affluent class in ASEAN by creating luxury products and experiences, building strong brand awareness through strategic marketing campaigns, leveraging digital platforms to reach and engage with affluent consumers, and establishing strong relationships with key influencers and tastemakers in the region.



Rural Traditionalists

Description and Characteristics:

Rural traditionalists in ASEAN are consumers who live in rural areas, often involved in traditional industries, prioritise practicality and affordability over luxury, and may have limited access to modern technology and global trends.

Preferences:

The consumer preferences of rural traditionalists in ASEAN are practical, affordable and influenced by their traditional lifestyles, with a focus on purchasing necessary goods and services, local products, and brands with a long history.

Trend in Consumption Growth:

The rural traditionalist consumer class in ASEAN is still significant, as a significant portion of the region's population still lives in rural areas, but their growth potential may be limited compared to the emerging affluent class in urban areas which is expanding more rapidly.

Best Way to Target Them:

To target rural traditionalists in ASEAN, brands can develop products and services that are tailored to their practical needs and traditional lifestyles, with a focus on affordability, reliability, and functionality. Brands can also engage with rural communities through local events, word-of-mouth marketing, and other traditional channels, and build trust and credibility by demonstrating a commitment to the local community and understanding their values and priorities. Finally, brands can also invest in local distribution and supply chains to reach rural consumers more effectively, and explore partnerships with local businesses and entrepreneurs to tap into the potential of rural markets.





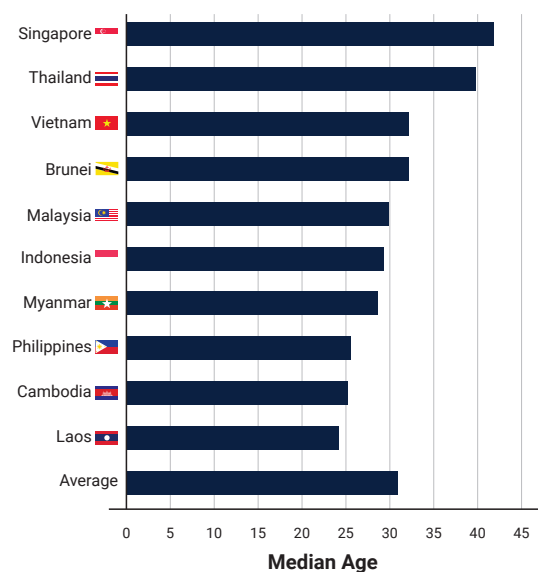
The New Generation of Consumers: Unpacking Young People

There is a growing young, tech-savvy, well-informed population entering the workforce. This group is well-educated and are working in professional positions in both big and small cities.

This group of consumers is increasingly urbanised whilst rising productivity in these countries is giving this group increasing disposable incomes. The median average age across all ASEAN countries is just 31.

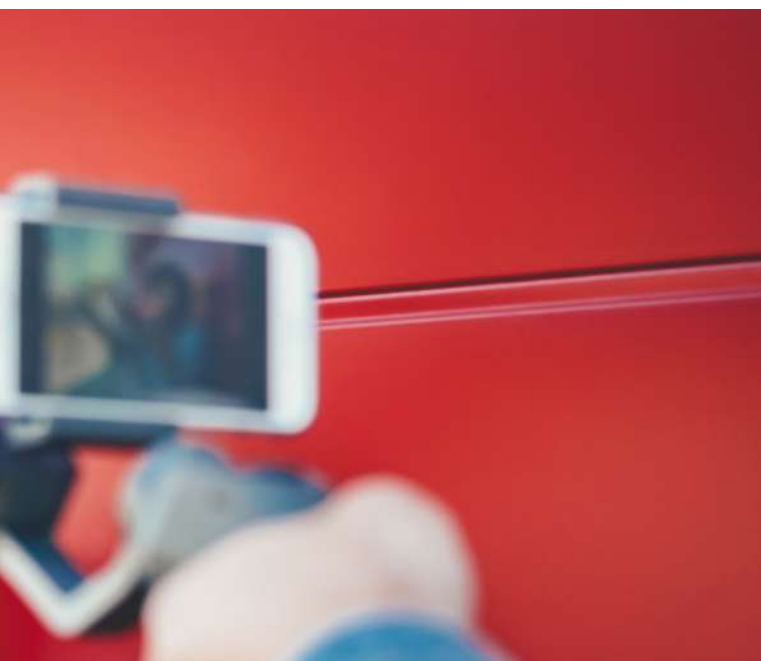
The pandemic hit this group during a coming-of-age period in their lives and the legacy of it on their consumption patterns will be huge. This has seen them become both more cautious and more digital. The World Economic Forum (WEF) revealed that 58% of ASEAN youth consumers say lockdowns made them think more about budgeting, 56% evaluated their emergency savings and 31% want to improve their income. The WEF also says 87% of youths increased usage of digital tools during the pandemic. Indonesia and Singapore saw a strong boost in digital adoption, with over 50% of youths increasing eCommerce buying⁵.

Figure 5. Median age in ASEAN



Source: UNESCAP

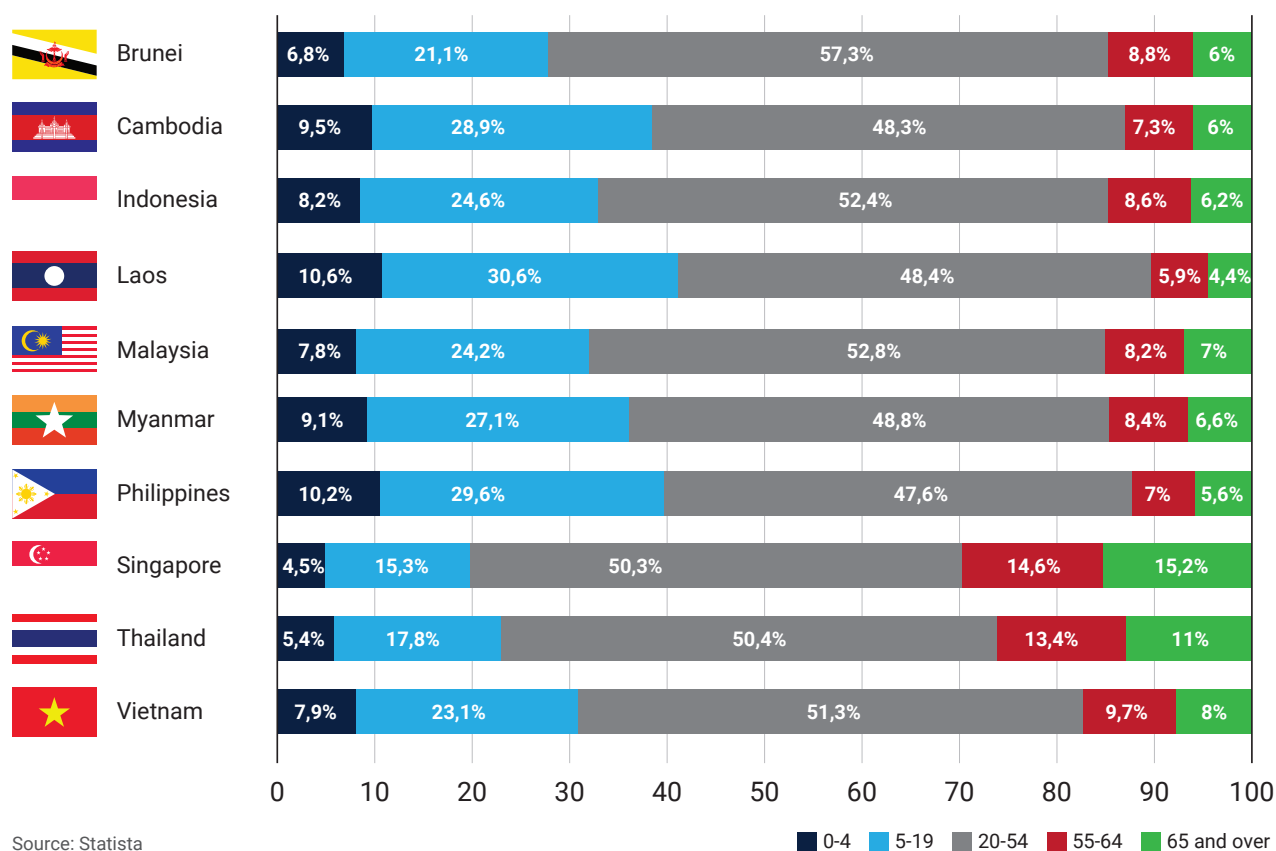
⁵<https://www.weforum.org/agenda/2020/10/young-people-asean-digital-adoption-covid-19/>



Interviews conducted as part of this research showed that young people prioritise experiences and convenience over ownership, and value sustainability and social responsibility. Social media influences their shopping habits, which are characterised by quick purchases, a preference for subscriptions, and seamless immediate delivery.

Brands targeting this group should focus on offering personalised and seamless experiences through technology and digital channels, while also addressing their values and preferences in terms of sustainability and social impact. This demographic is expected to continue driving growth in the region and shaping the future of consumer trends.

Figure 4. Population of ASEAN Country by Age



The New Middle: How Growing Affluence is Changing Consumerism

The ASEAN region is experiencing a boom in economic growth and income levels, creating a new affluent consumer class.

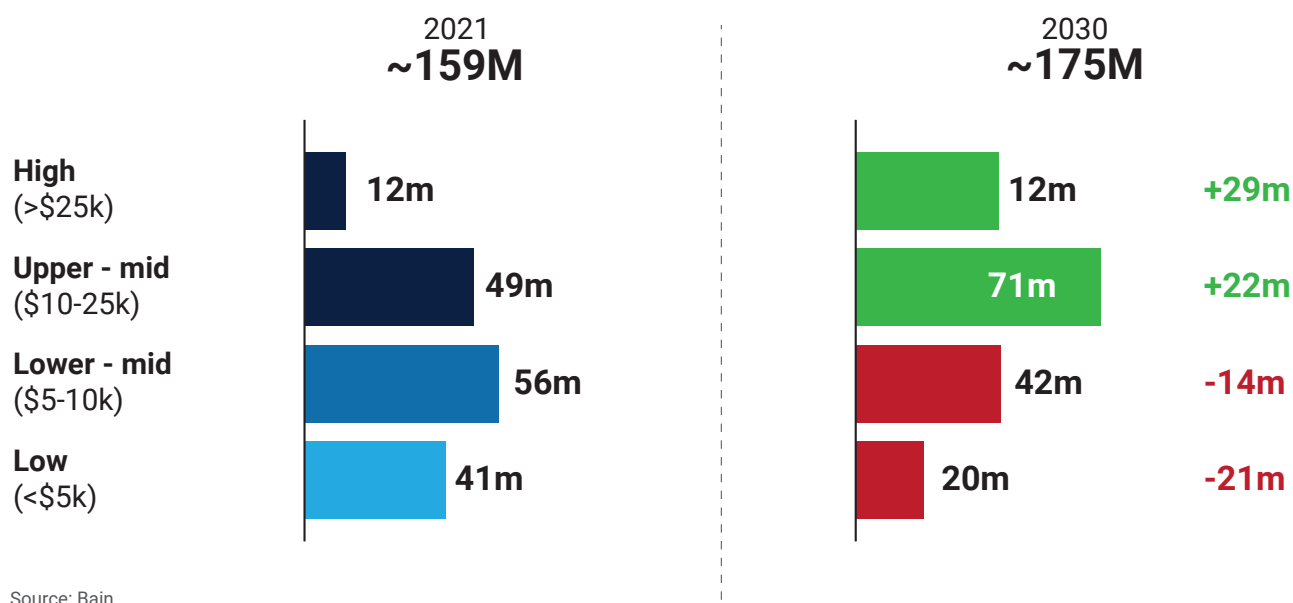
“In terms of consumption trends, people in the region tend to look for deals and prioritise spending on items they hold in high regard, like branded electronics or cars, while spending as little as possible on everyday items. This makes it challenging for premium products or sustainable options to gain widespread adoption in the market.”



Fabian Teja Boegershausen, Category Director – General Merchandise, Lazada



Figure 6. Growth in different income classes measured by households in each income class, 2021-2030



Research from the World Economic Forum (WEF) shows that, by 2030, ASEAN is expected to contribute 140 million new consumers, which represents 16% of the world's new consumer class. The number of high- and upper-middle income households in ASEAN is expected to nearly double from 30 million to 57 million from 2019 to 2030, fuelling a boom in consumption⁶.

Households with incomes greater than \$25,000 are expected to increase by 29 million in just nine years whilst households with incomes of less than \$5,000 are expected to shrink by 21 million (Figure 6)⁷. The share of consumption growth is expected to shift to the two highest consumer classes over the next 10 years (figure 7)⁸.

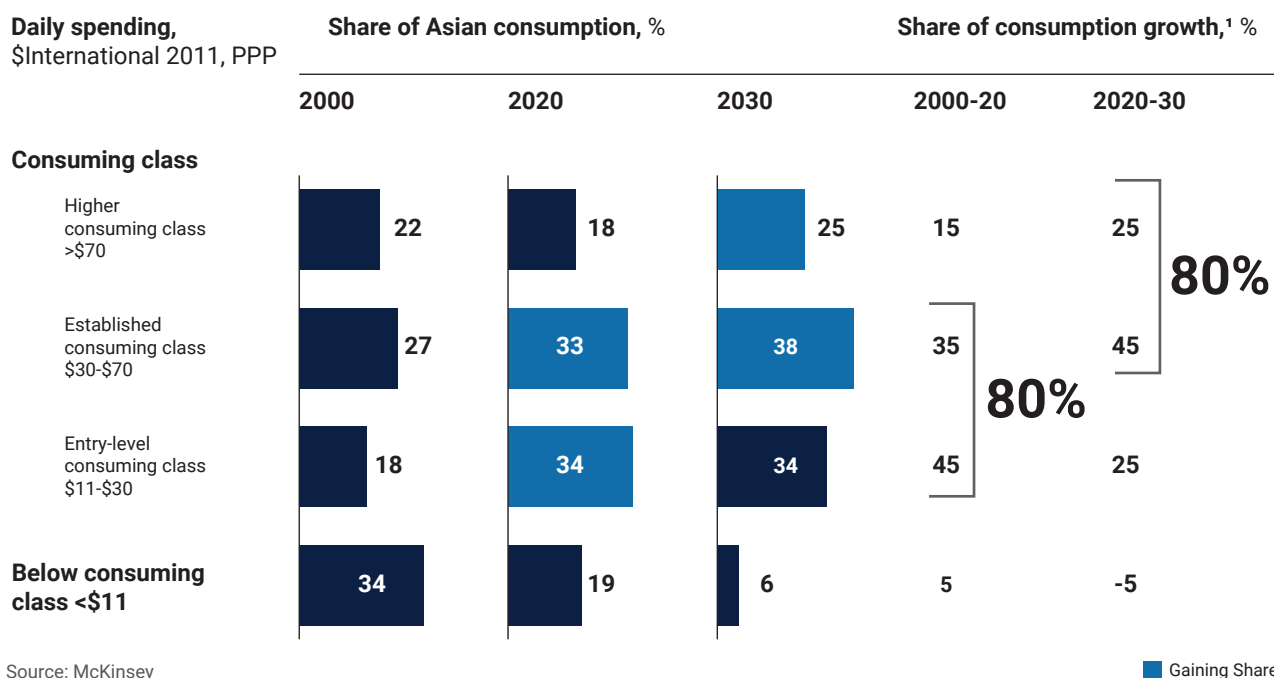
Whilst there is a growing class of "crazy rich Asians" that can be targeted by high-end luxury brands, these are very much in the minority. There is, however, a burgeoning middle class that have growing disposable incomes

and provide a massive growth opportunity for consumer product companies. These are represented by the upper-middle class. They are a young, new generation of professionals. They are willing to spend money when they perceive they are getting value but also want to convey status. Products which convey luxury but are priced affordably are key.

Whilst the Southeast Asian region is diverse, this group shares characteristics across each country that makes them accessible to brands:

- This group of consumers tend to travel frequently, but regionally and locally, rather than to Europe or the US.
- They are found predominantly in Tier 1 and Tier 2 cities.
- They consume digital media which influences their lifestyle choices and attitudes.

Figure 7. Changes in consumption shares in Southeast Asia, 2000-2030



⁶https://www3.weforum.org/docs/WEF_Future_of_Consumption_in_Fast_Growth_Consumer_Markets_ASEAN_2020.pdf

⁷https://www.bain.com/globalassets/noindex/2022/meta_bain_syncsea_2022.pdf

⁸<https://www.mckinsey.com/featured-insights/asia-pacific/beyond-income-redrawing-asias-consumer-map>

This group has long existed in Singapore but are emerging in the likes of Indonesia, Malaysia, Thailand, the Philippines, and Vietnam. They are also likely to have professional jobs in international companies and will be a key driver of the future of consumption in ASEAN.

During interviews, business executives revealed that consumers were price sensitive on essential products, such as toothpaste or food for daily consumption. However, they become less price sensitive and more interested in perceived value on luxuries, such as skincare, electronics, and clothes. It is important to note that they also want quality and durability when spending extra money on an item as they are unlikely to be continually upgrading products unless they must.

To ensure customer loyalty and growth in Southeast Asia, companies should tailor their product prices to the income-consumption curve of the region, offering a price

ladder for each product that targets different consumer segments and enables consumers to upgrade as they gain affluence. Brands that do not align their product prices to the upgrading pattern of consumers may lose customers to competitors as incomes rise.

To capture the opportunities presented by Southeast Asia's affluent consumers, companies should develop a regional strategy to target them and define a journey that targets different stages of growing wealth and affluence. Ensuring premium quality products at affordable prices is key whilst also ensuring a display of uniqueness and exclusivity. Companies should use digital channels to reach the affluent consumers by establishing a strong digital presence, infiltrating private circles of sophisticated consumers, engaging with fashion bloggers and influencers to promote their brands, and targeting travellers at airport duty-free shops.

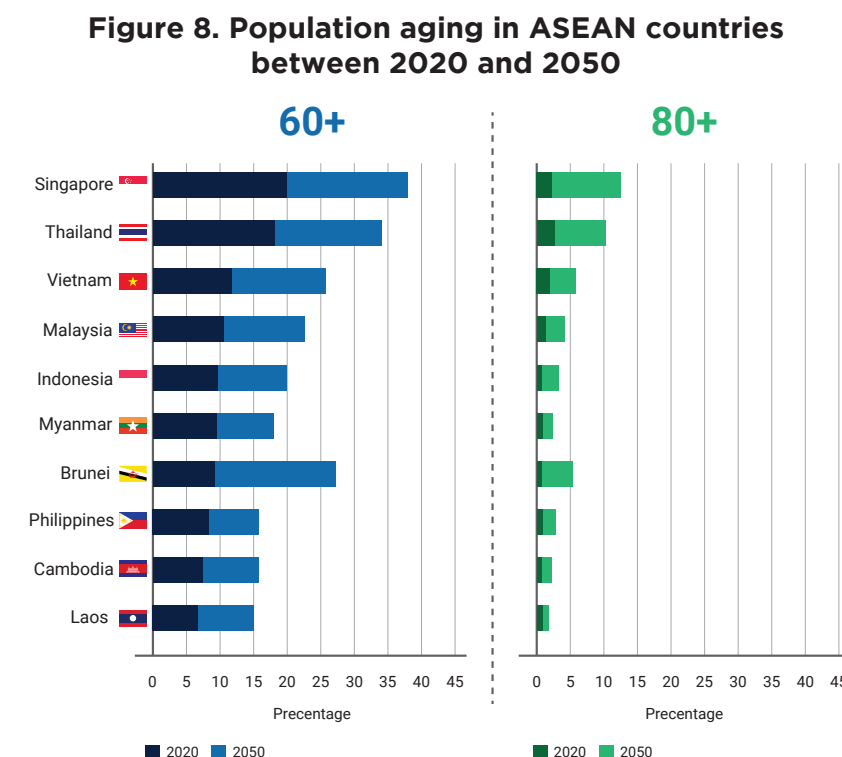


Ageless Opportunities: Marketing to the Older Generation in ASEAN

As the elderly population in ASEAN continues to grow, they are emerging as a new and significant consumer class with specific needs and preferences.

A lot is often made of favourable demographics in ASEAN countries, referring specifically to the young working age population. However, during our research, many interviewees revealed the importance of paying attention to the elderly population as well. Thailand is one of the fastest-ageing countries in the world, with a low fertility rate, long life expectancy, and large baby boomer population. The population over the age of 60 in Thailand is expected to increase from 13% in 2010 to 33% in 2040⁹. The elderly population in ASEAN is growing rapidly, with the number of people aged 65 and over expected to triple by 2050. This demographic shift presents both challenges and opportunities for businesses, as elderly consumers have different needs and preferences than younger consumers.

This group of consumers has become increasingly active online during the pandemic but in a different way to other groups. They are less technologically adept and prefer simplicity and convenience if they shop online. They are more likely to be on Facebook than TikTok or Instagram and, therefore, brands need to think of a social media strategy that can engage with them through this medium. However, traditional media should not be neglected either. Rather than new and unique brands



Source: McKinsey

or products, they tend to prefer tried and tested products where quality and value for money are synonymous. The pandemic also showed the importance of a healthy lifestyle. Walking and group classes are preferred forms of exercise whilst enriched foods are also likely to be consumed.

One key thing that has been highlighted was the importance of customer service and word

of mouth. Many older people appreciate personalised attention and support, so brands that take the time to understand their needs and preferences will be more successful in building lasting relationships with this demographic. Those who do not engage with media also relied on word of mouth for opinions and companies that provide superior customer service are likely to recommend to their friends. Finally, this group is also likely to have less

⁹https://www.eria.org/uploads/media/Research-Project-Report/2021-06/Vol-1_00-Lessons-from-One-of-the-Most-Aged-ASEAN-Member-States.pdf

disposable income than the previous two groups and, therefore, are more price sensitive. Incentives, promotions, and discounts are effective ways to target this group.

As the population of seniors increases in ASEAN, several industries are expected to benefit, particularly those that cater to the healthcare, wellness, and lifestyle needs of this demographic. One industry that is likely to see significant growth is healthcare, with an increased demand for medical services, specialised care, and home care services. Wellness and lifestyle services are also expected to see a surge in demand, as seniors seek to maintain their health, mobility, and independence. This could include everything from fitness classes and personal training to beauty services, nutrition counselling, and travel services that cater to the needs and preferences of seniors. In addition, there is a growing demand for senior-friendly housing, including retirement homes and assisted living facilities, as well as home modification services that can make existing homes more accessible and safer for seniors.

Overall, the increase of seniors in ASEAN is expected to create new opportunities for businesses in the healthcare, wellness, lifestyle, technology, and real estate sectors, among others. These industries will need to adapt their products and services to meet the unique needs and preferences of this demographic, to tap into the potential of this growing market.







What Is The Future of Consumption?

Southeast Asia is experiencing a period of rapid economic growth and development, and this is causing significant shifts in consumption patterns across the region. Despite the heterogeneity and varying development phases of the ten countries in the region, there are common underlying trends that are emerging that businesses need to keep on their radar. These trends will be discussed in more detail alongside viewpoints gathered from interviews with key informants from businesses in the region.

Think Local, be Local: The Importance of Going Local in ASEAN

The significance of localisation was consistently emphasised as the most crucial approach for targeting the ASEAN market. This entails adapting products, marketing strategies, production, and supply chains, to brand yourself as a local firm. ASEAN comprises a diverse market with many different consumers, urbanised cities, and therefore, consumption habits but what unifies the business strategy in these markets is the importance of being branded as a local player. However, there are exceptions to this rule, especially in luxury branding, where capitalizing on foreign heritage may be advantageous.

Localisation entails developing local products and brands, developing local partnerships, and recognising the strength of local brands. There is a growing desire among consumers for products and services that are manufactured domestically and that reflect local cultures and traditions. As awareness of sustainability and responsible consumption continues to grow, an increasing share of ASEAN consumers are looking for products that support local communities. This trend is particularly strong in countries like Indonesia, the Philippines, and Vietnam, where traditional crafts and cultural heritage play a major role in consumer preferences.

All the while, the rise of e-commerce and digital platforms is enabling local brands to reach new audiences and expand their customer base. By leveraging digital channels, local brands can showcase their unique offerings and differentiate themselves from global competitors, while also building closer relationships with consumers. In F&B categories, and consumer goods, especially at lower price points, consumers often prefer locally made goods. In personal care in Indonesia, the top brand Rinso is global (Unilever), but the next most popular brands are local: So Klin and Daia.

This preference will fuel growth for local companies, which have been steadily winning share from multinationals. In Indonesia again, the brand Wings Corp. is competing head-to-head with Unilever and P&G. Sales data in Indonesia shows that in the hot drinks sub-category, local companies have outperformed multinationals by 9% annually over the past five years.

The rise of local brands is a growing trend in ASEAN. Consumers are increasingly drawn to locally made products that reflect their culture and offer unique

value. The COVID-19 pandemic has also reinforced the importance of buying local to support local economies. Local brands have successfully leveraged their local knowledge, cultural insights, and production capabilities to differentiate themselves from international brands. This trend is expected to continue in the future with the growth of the ASEAN region and e-commerce.

“Decathlon places a strong emphasis on being as local as possible in its operations. The company does not communicate on its French roots, instead focusing on being local in each market it operates in.”



Frédéric Bichet, APAC Leader, Decathlon, CCE Thailand

There are several reasons for the strength of local brands and companies:

- **Localisation:** Local brands are more adept adapting to the changing needs of local shoppers as they are more likely to have local insights and on-the-ground decision making. This enables them to quickly adapt their product offerings and marketing techniques to changing consumer profiling without bureaucratic branding requirements that might come from international head offices.
- **Regulation and the need for scale:** When investing in a new country, foreign brands need to be able to do it at scale to ensure the profitability of their investment. From offering business services to setting up manufacturing bases, unless there is significant demand for scale then the costs can be prohibitive. Foreign brands also need to consider the regulatory environment and the additional cost this can bring. For example, to hire a foreign national in Thailand, four local staff are required. In Vietnam, a foreign company must pass economic needs test, or their investment will be blocked

Wings Corp, an Indonesian company, has outcompeted global giants P&G and Unilever by leveraging local brand status, understanding the domestic market, consumer preferences, and cultural nuances. Wings' localisation strategy includes tailored products, competitive pricing, and culturally relevant marketing, which has resonated with Indonesian consumers. In contrast, P&G and Unilever's reliance on global branding has limited their adaptability.

While local consumer goods brands like Indofood and Amul have achieved high market shares within their markets, they have often struggled to cross borders. However, regional Asian players such as ThaiBev, San Miguel, and Amorepacific have shifted the landscape, growing faster than the overall market by exporting products, partnering with e-commerce platforms, and developing market-

specific strategies. This suggests a path for regional champions to gain market share in Southeast Asia's consumer goods sector.

Coca-Cola's partnership with ThaiBev in Thailand demonstrates the benefits of collaborating with strong local players, as it allowed the company to access small retail stores, reach remote areas, and gain valuable local consumer insights. Consequently, Coca-Cola increased its sales, market share, and developed locally inspired marketing campaigns in Thailand.

This presents both opportunities and challenges for businesses in the ASEAN region, as they seek to balance the desire for localisation with the need to remain competitive and innovative. In the years ahead, the trend towards localisation and local brands is likely to continue to shape the ASEAN market,



“Brand building plays a significant role in achieving success with a favorable return on investment throughout Southeast Asia. In Singapore, brands have the opportunity to capitalize on the entrepreneurial atmosphere and benefit from early entrepreneurship campaigns. In Vietnam, it is vital to collaborate with trade partners and gain insight into diverse consumer profiles across different regions. For instance, the northern population tends to be more ostentatious, while the southern region exhibits distinct preferences. In Cambodia, it is crucial to acknowledge the country's multinational nature, heavily rely on wholesalers, and gain a deeper understanding of customers and their consumer preferences based on regional nationalities.”



Alexandre Sompheng, CEO, Havas Group Vietnam, CCE Vietnam

with companies that can tap into this trend and deliver products and services that reflect local values and cultures well-positioned to succeed. International brands should focus on adapting their strategies to meet the unique needs and preferences of local consumers. This may include tailoring their product offerings, employing culturally relevant marketing and advertising, and building strong local distribution networks. By embracing localisation and demonstrating a deep understanding of the target market, international brands can enhance their competitiveness and effectively connect with consumers in diverse regions.

There are caveats to this. Luxury brands can leverage their heritage and history and are often bought because of the status they convey. A lot of these brands' unique selling point is the global dimension, the location in which they are made and the high-quality design and production processes they use in their domestic country. Luxury brands can bolster their success, however, by localising some of their product offerings. Incorporating traditional and local designs into products sold in the Southeast Asian region can be hugely beneficial.





“One of the most important things to keep in mind is the need to understand the local culture. This is essential for building relationships with local partners and customers and developing a deeper understanding of the market and its unique challenges. For example, family is very important in Vietnam, that the respect for parents and grandparents is much higher than in western countries, and it influences consumer behaviour a lot.”



Alexandre Sompheng, CEO, Havas Group Vietnam, CCE Vietnam

Creating Local Partnerships and Forging a Local Identity

“Kuala Lumpur is different from Penang, and Hanoi is different from Ho Chi Minh City. Each city must be approached differently”.

Top Executive at regional retail store chain

It is incredibly important to understand that markets across ASEAN differ from country to country and even from city to city. Tackling ASEAN as a single homogenous market is likely to lead to failure. Understanding local tastes and preferences is incredibly important and adapting the brand and product offering to this is of paramount importance. Andros, for example, sets up manufacturing hubs in each of the country in which it operates and sources local ingredients for the products in each of these countries and this was highlighted as something that is imperative for the company to strive. Localisation or the perception of being local is critical to appeal to many consumers. Incorporating and tailoring tastes and preferences from products to marketing is vital. For example, in Indonesia, 60% of urban affluent consumers and 80% of rural, older consumers prefer local brands to global brands, according to the WEF¹⁰.

Forming local partnerships in ASEAN is important because it can help companies gain access to local expertise and networks, as well as navigate local regulations and cultural differences. Local partners can provide valuable insights into local consumer preferences and market trends, which can help companies tailor their products and services to better meet local demand. Additionally, partnering with local companies can help build trust and credibility with local consumers, who may be more likely to trust and support companies that are seen as having a local presence and investment in the community. Finally, forming local partnerships can help companies mitigate the risks associated with doing business in unfamiliar and potentially challenging environments, such as navigating corruption, bureaucratic red tape, and other barriers to entry.

¹⁰https://www3.weforum.org/docs/WEF_Future_of_Consumption_in_Fast_Growth_Consumer_Markets_ASEAN_2020.pdf

Trend 1: Think Local, be Local: The Importance of Going Local in ASEAN

Key Takeaways

- **Cater to local tastes and preferences:** Adapting products and marketing strategies to align with local cultures and preferences is crucial for success in ASEAN markets, as consumers often have strong affinities for homegrown brands.
- **Leverage local partnerships:** Forming strategic collaborations with local companies provides access to valuable market insights, distribution networks, and expertise, helping international brands navigate unique market challenges and build trust with local consumers.
- **Enhance competitiveness:** Localising product offerings, marketing campaigns, and distribution networks enables companies to effectively compete with regional players that have a strong understanding of local consumer needs and preferences.
- **Navigate fragmented markets:** Recognising the diverse nature of ASEAN markets and the importance of addressing differences between countries and cities allows companies to tailor their strategies for each unique market, increasing their chances of success.
- **Support local economies and communities:** By sourcing local ingredients and establishing local supply chains, companies can contribute to the economic development of the regions in which they operate, fostering goodwill and building stronger relationships with local stakeholders.



“Understanding the how businesses operate in Southeast Asia is key. The markets are much more fragmented with more steps and intermediaries in the value chain. This makes business more complex and requires local partnerships who understand the market and how to approach and interact with intermediaries at the different levels in the value chain. However, it is important to understand the added value that these intermediaries bring and a strong link between all steps in the value chain is required to ensure quality control throughout the process.”



Florian Delmas, President, Andros

From Bricks to Clicks: How ASEAN Retailers are Adapting to the Digital Age



Southeast Asia's digital economy is expected to reach \$200 billion in gross market value in 2022, three years ahead of previous expectations. Out of a population of approximately 600 million people, it is estimated that 460 million of them were internet users in 2022. Similarly, smartphone penetration is currently at 88% and is expected to reach 90% by 2026¹¹. COVID-19 has accelerated this trend and meant that everyone from Gen-Z to the elderly are accessing digital technologies for everything from consumption to entertainment.

This presents both opportunities and challenges for brands:

- **Brand loyalty:** Consumers are in a digital age where they are surrounded by information and products. This has important repercussions for brands. The availability of numerous options will intensify consumers' tendency to switch brands and try out new products. The prevalence of digital technology and easy access to information will make it challenging for brands to retain customers. Research done by Bain and Meta showed that in 2022, 53% of consumers switched their most-purchased brand in the last 3 months whilst 65% of consumers, on average, said they would change brands if their preferred option was not available¹².
- **Omnichannel:** Omnichannel refers to a multichannel approach to sales and marketing that provides customers with a seamless and integrated shopping experience across all available channels, including online, mobile, and in-store. This means that customers can engage with a retailer or brand through multiple channels and have a consistent and personalised experience regardless of which channel they use. For example, a customer might start shopping online, add items to their cart, and then choose to pick up the items in-store, or vice versa. The omnichannel approach seeks to create a unified brand experience for the customer, with a focus on convenience and accessibility across all channels.
- **Creating an experience:** Interviewees revealed the importance of creating a retail experience for consumers and this needs to be both in store and online. Creating games when people join websites to win prizes has proved popular for some companies like Lazada, Shopee, and Central. Offering a personalised shopping and experience through the digital medium where consumers can see unique recommendations is also something that consumers value.

¹¹<https://www.insiderintelligence.com/content/upside-internet-user-growth-remains-high-southeast-asia#:~:text=Smartphone%20use%20is%20synonymous%20with,of%2081.7%25%20in%20the%20Philippines.>

¹²https://www.bain.com/globalassets/noindex/2022/meta_bain_syncsea_2022.pdf

“One of the key trends I have observed in recent years is the digitalisation of life across these varied populations, with digital platforms like Lazada, Shopee, and Grab becoming integral to the everyday lives of consumers. This digitalisation trend transcends the different cultures and religions in the region, but it is essential to note that it does not equate to globalisation. People in Southeast Asia may be heavily reliant on digital platforms, but their interests and activities are not necessarily global in nature.”



Fabian Teja Boegershausen, Category Director – General Merchandise, Lazada

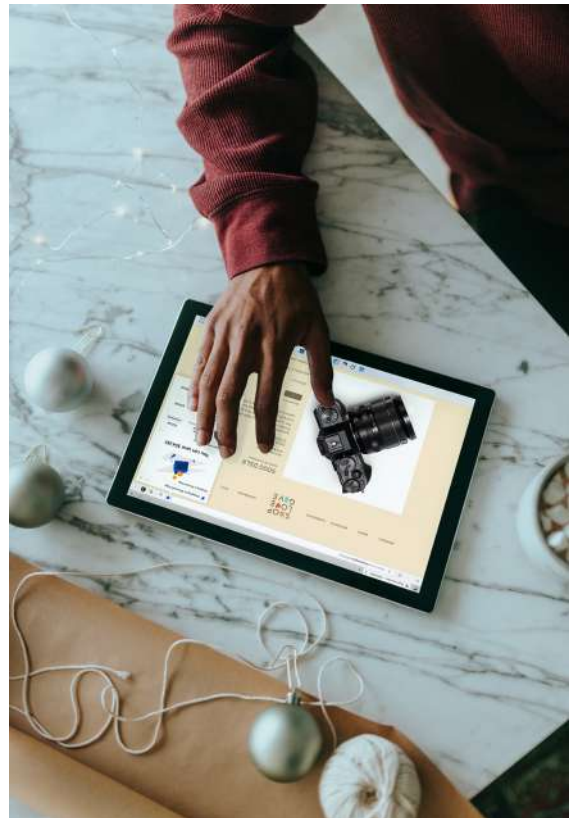
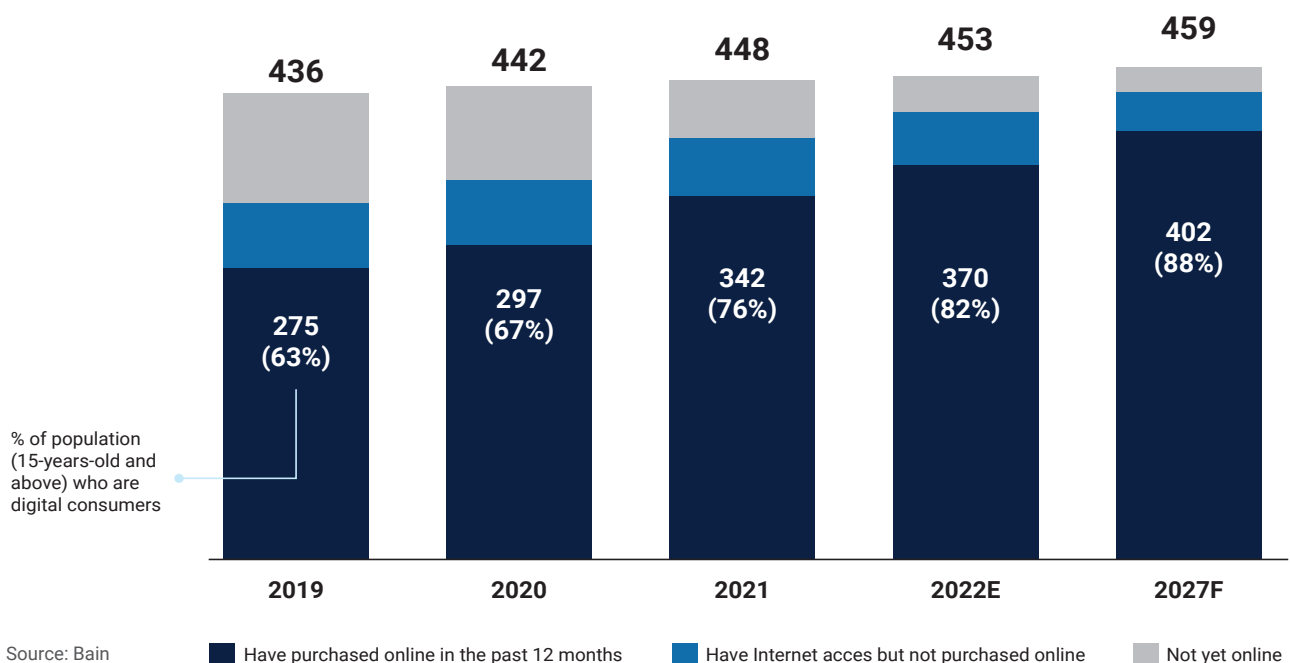


Figure 9. Increase in Digital Consumers in ASEAN, 2019-2027F



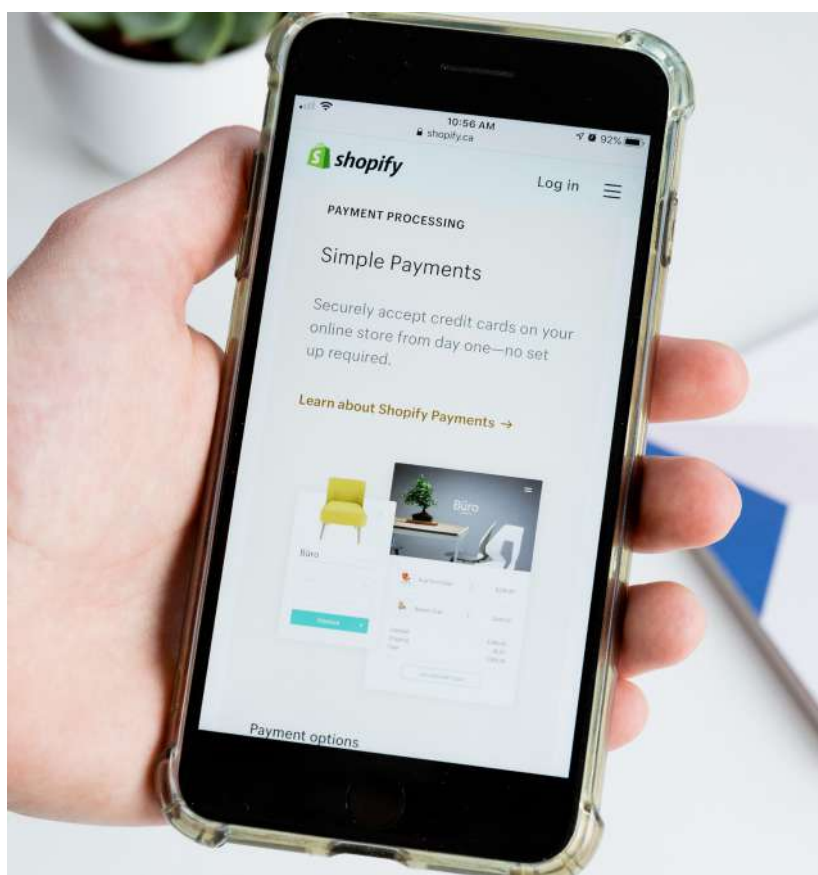
E-commerce: Blurring Shopping Channels

In the ASEAN region, e-commerce is still in a nascent stage compared to more mature markets elsewhere as this is a relatively new trend that has been accelerated by COVID-19 whilst logistical and distribution challenges persist. However, its potential for rapid growth is fuelled by the region's sizable, tech-savvy youth population, which is increasingly active on social media and more likely to make online purchases. Digital platforms and online marketplaces have simplified the shopping process, providing consumers with a diverse selection of products and services at their fingertips. These platforms enable seamless shopping experiences, allowing users to search, compare prices, and purchase items from the comfort of their homes.

The wealth of information available on digital platforms, including customer reviews and ratings, empowers consumers to make informed decisions. Furthermore, access to a broader range of sellers and vendors affords them greater choice and competitive pricing. The COVID-19 pandemic accelerated e-commerce adoption among consumers of all segments. However, challenges persist in areas such as logistics, product quality assurance, and payments.

As e-commerce and omnichannel retail strategies evolve post-COVID, the distinction between online and offline channels is becoming increasingly blurred. Currently, ASEAN consumers tend to research prices online but prefer making purchases in physical stores, valuing the tactile experience and in-person shopping atmosphere. Online shopping is favoured primarily for its convenience and price comparison capabilities.

By 2030, the boundaries between discovery and transaction channels in the region are expected to blur further as social media, e-commerce, and everyday apps integrate more entertainment and social features. This convergence will transform the shopping landscape, enhancing the seamless integration of online and offline channels in ASEAN's omnichannel retail environment.



“French companies looking to develop in ASEAN should consider the importance of e-commerce alongside brick-and-mortar stores. This approach may clash with traditional models of consumption and development, but it is crucial for companies to adapt to the changing market. Developing hybrid brands that allow for online orders in-store has not been very successful, so companies should consider alternative options, such as brick and mortar stores functioning primarily as showrooms with most orders placed online”



Michel Beaugier, Managing Director at M2 Management, Head of CCE APAC

The platform economy

The platform economy has emerged as a significant and rapidly growing sector in the ASEAN region. The platform economy refers to the digital platforms that enable the exchange of goods, services, and information between consumers and providers. This includes well-known platforms such as Grab, Gojek, and Lazada, which provide services ranging from ride-hailing and food delivery to e-commerce, and financial services. The rise of the platform economy in ASEAN is driven by several factors, including increasing smartphone penetration and internet connectivity, growing demand for convenience and efficiency, and a large and youthful population.

As the platform economy continues to grow, it is transforming the way business is conducted in the ASEAN region and providing new opportunities for entrepreneurship, innovation, and economic growth. However, it also presents challenges related to regulation, competition, and consumer protection that need to be addressed to ensure the benefits of the platform economy are shared widely and sustainably.

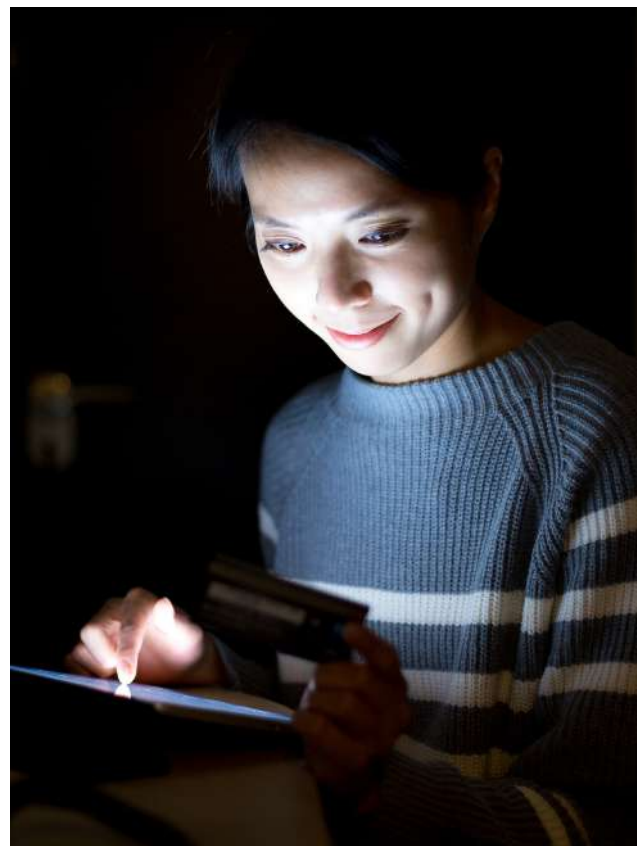
This technology will open several major opportunities, including:

- **Mobile banking:** Regulation, liquidity, infrastructure, and liquidity mean that financial services are still developing in some ASEAN countries. However, digital payment methods with lower entry requirements have the potential to provide quick access to previously underserved communities, especially given the large share of the population what still does not have a bank account. Mobile payments and “buy now pay later” opens the market to a whole new demographic that otherwise would not have access to financial facilities.
- **Emerging business models including subscriptions, renting, and sharing:** As Gen-Z and millennials take the lead as the prominent consumer class, businesses must adapt to new consumption patterns and offer a more extensive and adaptable range of options. Alongside catering to these customer segments, rental and sharing models will provide an avenue for businesses to pursue a more sustainable supply chain.

“Marketplace seamlessness is key in the region. As mentioned previously, customers expect a smooth payment journey when making any purchase. Payment is a key consideration in any B2C exchange. Foreign brands need to understand the importance of tailoring their platforms to the local payment needs, brands must also accept a trade off in terms of look and feel when engaging with local shopping platforms such as Shopee or Lazada. Payment being the last step of the conversion funnel it is key to take it into account when operating in ASEAN countries.”



Eric Barbier, CEO, Triple-A, CCE Singapore



Trend 2: From Bricks to Clicks: How ASEAN Retailers are Adapting to the Digital Age

Key Takeaways

- **Embracing digital transformation and leveraging online channels:** The pandemic has accelerated the adoption of digital technologies, such as social media and e-commerce. Brands must keep pace with these changes, capitalising on digital platforms to create awareness, engage consumers, and drive sales in the ASEAN market.
- **Adopting data-driven strategies and enhancing digital customer experience:** By leveraging data and analytics, brands can better understand customer preferences and tailor marketing campaigns. Additionally, they should ensure a seamless online customer experience by optimising websites, mobile apps, and offering secure and convenient payment options.
- **Engaging with local communities and nurturing digital partnerships:** Brands should actively engage with local communities on digital platforms and collaborate with local digital platforms, startups, and partners to expand their reach and adapt to the digital landscape in ASEAN countries.
- **Exploring new digital business models:** As the digital landscape evolves, brands should explore emerging business models, such as subscription services, online renting and sharing platforms, and virtual experiences, to stay relevant and competitive in the digital age.
- **Monitoring digital trends and staying agile:** In the fast-paced digital age, brands need to stay informed about the latest trends, technologies, and consumer preferences, adapting their strategies accordingly to maintain a competitive edge in the ASEAN market.





Health is Wealth: The Rise of Health and Wellness in ASEAN

The rise of sustainability and health as consumer trends in ASEAN is having a significant impact on retail and lifestyle habits. As awareness of environmental and health issues continues to grow, many ASEAN consumers are looking for products that are aligned with their values. This was frequently highlighted during interviews with one interviewee noticing that consumers were willing to pay 30% more for organic products. While the trend towards sustainability and health offers new avenues for growth and innovation, it also conflicts with some deeply rooted traditional modes of consumption, as well as the “status-symbol” of some consumption patterns.

In response to this trend, ASEAN consumers are increasingly aware of the environmental impact of their purchasing decisions and are seeking out products that are eco-friendly, sustainably made, and locally sourced, while also showing an interest in health and wellness products. However, price sensitivity remains a significant consideration for ASEAN consumers, and companies that can offer sustainable and healthy products at an affordable price are likely to succeed in this market.

This includes a growing interest in locally made products to reduce the carbon footprint of transportation, and alternatives to single-use plastics such as cloth bags or biodegradable packaging. At the same time, ASEAN consumers are also becoming more interested in health and wellness, including a rising demand for organic and natural products, as well as those that are fortified with vitamins and minerals and free from harmful chemicals and additives. With a growing number of consumers willing to pay a premium for sustainable and healthy products, companies that can demonstrate their commitment to these values stand to benefit in the long term.





Trend 3: Health is Wealth: The Rise of Health and Wellness in ASEAN

Key Takeaways

- **Health-conscious consumers:** The COVID-19 pandemic has accelerated the demand for healthier alternatives, with consumers in ASEAN looking for products that promote health and wellness.
- **Sustainable and eco-friendly products:** ASEAN consumers are increasingly aware of the environmental impact of their purchases and are seeking products that are sustainable, locally sourced, and have minimal negative impact on the environment.
- **Price sensitivity:** While consumers are willing to pay more for organic and eco-friendly products, affordability remains a key consideration. Companies offering sustainable and healthy products at competitive prices are more likely to succeed in the market.
- **Interest in local products:** Consumers in ASEAN are showing a preference for locally made products to reduce carbon footprints and support local businesses.
- **Diverse preferences in sports and wellness activities:** Trends in wellness and sports vary across the region, with running, outdoor activities, water sports, fitness, and niche sports gaining popularity. Companies should adapt their strategies and product offerings to cater to these emerging trends.



Unlocking Value: The Key to Understanding the Importance of Pricing

The ASEAN region is home to a large and diverse consumer market, with varying levels of income and purchasing power. As a result, the trend towards value and convenience in ASEAN retail is driven not only by price sensitivity but also by a willingness to indulge if consumers feel they are getting value for their money. The focus on value and convenience reflects changing consumer needs and preferences, as well as the growing influence of e-commerce and mobile technology.

ASEAN consumers are increasingly seeking out products and services that offer good value for their money, whether that means getting the most bang for their buck or being willing to pay a premium for products that are high-quality, convenient, and reliable. This includes a focus on price transparency, with consumers looking for clear and consistent pricing across different channels and platforms. At the same time, ASEAN consumers are

also demanding greater convenience in their shopping experiences, whether that means faster delivery times, seamless online purchasing, or easy-to-use mobile apps. With consumers increasingly expecting both value and convenience in their retail experiences, companies that can deliver on these expectations are likely to succeed in the ASEAN market.

Competing with local players also becomes more difficult in this sense. Those who have lower input costs as they are located in the market in which they are selling and understand the importance of price sensitivity, especially at lower price points are likely to succeed. The two ways for foreign brands to compete in this area are either working at scale or forging local partnerships. Using foreign expertise in things like technical expertise, or branding expertise combined with local expertise in marketing can help breed pricing success.

Trend 4: Unlocking Value: The Key to Understanding the Importance of Pricing

Key Takeaways

- Rising income levels in ASEAN lead to increased spending on indulgences and luxury goods, with consumers prioritising convenience, well-being, and personalised experiences while still focusing on value.
- The diverse consumer market in ASEAN drives the trend towards value and convenience, influenced by the growing impact of e-commerce and mobile technology.
- ASEAN consumers seek products and services offering good value for money, including price transparency and consistent pricing across channels and platforms.
- Convenience in shopping experiences is increasingly important for ASEAN consumers, with expectations for faster delivery times, seamless online purchasing, and user-friendly mobile apps.
- To compete with local players, foreign brands should leverage scale or form local partnerships, combining foreign expertise in technical or branding aspects with local knowledge in marketing and pricing.



The ASEAN Experience Economy: How Entertainment, Tourism, and Leisure are Driving Consumer Trends

The ASEAN experience economy, which encompasses entertainment, tourism, and leisure, is a growing trend in the region, as more consumers seek out memorable and enjoyable experiences as part of their daily lives. This trend is being driven by several factors, including rising incomes, changing consumer preferences, and a growing interest in experiential travel and tourism.

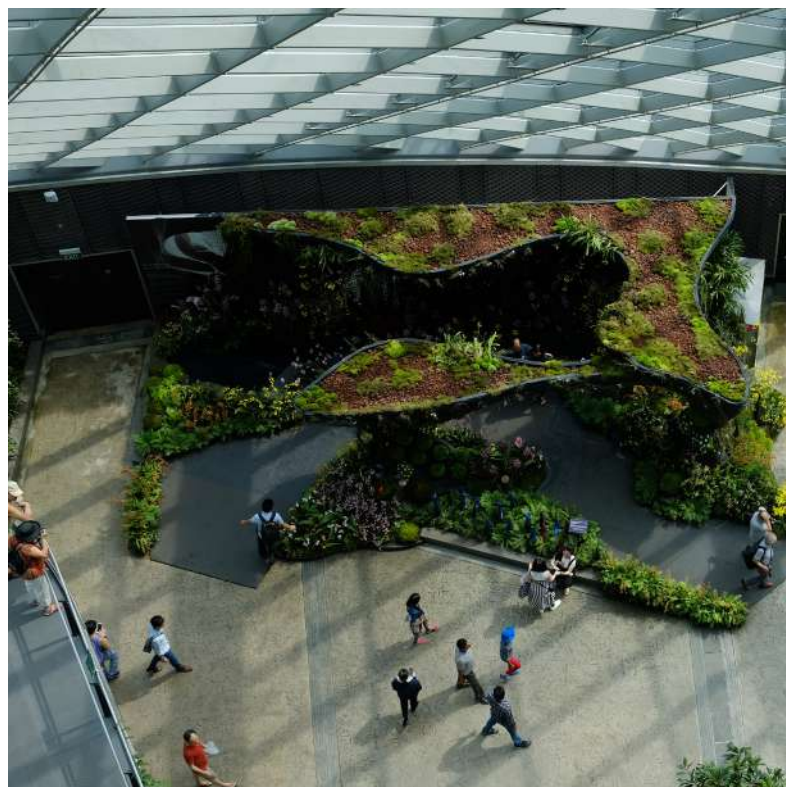
Tourism and Leisure

The ASEAN region has seen remarkable growth in its leisure and tourism industries, driven by the development of a more robust tourism infrastructure, an increasingly diverse array of entertainment options, and evolving consumer preferences. This trend is creating a multitude of opportunities for businesses in various sectors, including entertainment, tourism, food and beverage, and retail. A deeper understanding of the underlying factors and quantitative data helps elucidate the expansion of this consumer trend in the ASEAN region.

According to a report by the World Travel and Tourism Council (WTTTC), the ASEAN region witnessed a combined annual growth rate of 4.4% in travel and tourism's direct contribution to GDP between 2016 and 2021. This growth can be attributed to the increased availability of leisure and entertainment options such as theme parks, attractions, sporting events, and music festivals. This trend is expected to continue further, driven by the growth of "revenge tourism" whereby those who missed out on travel during the pandemic are making up for lost time. According to a report by McKinsey & Company, the Southeast Asia region is expected to see a growth rate of 5.5% in the travel and tourism industry from 2019 to 2029.

Luxury and premium experiences are also gaining traction in the region. A study by Bain & Company found that the luxury goods market in Southeast Asia experienced an annual growth rate of 6% between 2015 and 2021. This growth is supported by the expanding middle and upper classes who are seeking exclusive and sophisticated experiences, often fuelled by the desire for social recognition and personal indulgence.

Sustainability and eco-friendliness are becoming increasingly important factors for consumers in the ASEAN region. This has led to the emergence of sustainable tourism and eco-tourism as popular consumer choices. For example, the number of eco-tourism arrivals in the region has grown by 10% annually since 2018, indicating a strong preference for responsible travel experiences that benefit the environment and local communities.



Entertainment

The entertainment landscape in the ASEAN region is undergoing a significant transformation as digital platforms and virtual experiences gain prominence, particularly among younger consumers who are increasingly reliant on technology for accessing leisure activities. This shift is reshaping the entertainment, tourism, and leisure sectors, with businesses needing to strike a balance between physical experiences and the convenience of digital alternatives. Key factors driving this trend include innovation, personalization, sustainability, and responsible tourism.

The rapid growth of digital platforms has significantly impacted the entertainment sector. According to Statista, the number of internet users in Southeast Asia increased from 260

million in 2015 to an estimated 400 million in 2021. This growth has led to a surge in the consumption of digital entertainment content. For example, the average monthly streaming hours per user in the region increased by 60% between 2019 and 2021, reflecting the growing demand for online content.

In response to this trend, businesses in the entertainment, tourism, and leisure sectors are focusing on innovative and personalized experiences that leverage digital platforms. A PwC report highlights that virtual reality (VR) and augmented reality (AR) technologies are expected to play a significant role in enhancing consumer experiences. In the ASEAN region, the market size for VR and AR was estimated to be worth around \$1.7 billion in 2021,

with a projected compound annual growth rate (CAGR) of 43% from 2021 to 2026.

In summary, the ASEAN experience economy is a significant consumer trend that is driving growth and innovation across various industries, including entertainment, tourism, food and beverage, and retail. As digital platforms reshape the entertainment sector, businesses must adapt to the evolving landscape by offering a balanced mix of physical and digital experiences. By focusing on innovation, personalisation, and sustainability, companies can tap into the burgeoning market of consumers seeking memorable, enjoyable, and responsible experiences, ultimately positioning themselves for success in this dynamic and rapidly growing market.



“This growth in video games is directly related to the growth in the penetration of smartphones. Since 2000, smartphones have become a major gaming platform. Smartphone penetration in Asia has been very quick and so, in parallel to the penetration of smartphones, you have an increase in the consumption of video games.”



Gilles Langourieux, CEO, Virtuous Games, CCE Singapore

Trend 5: The ASEAN Experience Economy: How Entertainment, Tourism, and Leisure are Driving Consumer Trends

Key Takeaways

- Increasing leisure time, growing disposable incomes, and a booming market: As a result of these factors, more people in the ASEAN region are spending time and money on entertainment, tourism, and leisure activities. This has led to a rise in various experiences, including luxury and premium options, as well as sustainable and eco-friendly travel.
- The significance of domestic tourism and adaptability: In the aftermath of the COVID-19 pandemic, domestic tourism is expected to surge as people explore local destinations. Companies like Agoda have adapted to this trend by promoting local tourism and focusing on unique, sustainable, and diverse experiences.
- Importance of collaboration, personalisation, localisation, and eco-friendly initiatives: Collaborations between tourism boards and online travel agencies can boost tourism, while personalisation and localization are crucial for successful marketing in the culturally diverse ASEAN region. Additionally, companies can differentiate themselves by offering eco-friendly options and supporting conservation efforts.
- Smartphone penetration and mobile gaming: The rapid penetration of smartphones in the ASEAN region has fuelled the growth of the mobile gaming market. Countries like Indonesia, the Philippines, Thailand, and Vietnam are seeing significant growth in smartphone gaming, as it is more accessible than PC or console gaming.
- Localised content and support: To succeed in the diverse ASEAN market, businesses need to focus on localizing their content and providing support in local languages. Companies like Garena have succeeded in the region by adapting their content for different markets and providing localised support.
- Increasing purchasing power: The purchasing power of the ASEAN population is growing, leading to increased spending on non-essential needs, including entertainment. As the easiest form of entertainment is provided through mobile phones, online entertainment, and video games are expected to continue experiencing higher growth in the region compared to developed markets.



The Green Revolution: Invest in Sustainability now for a Better Future

The environmental sustainability movement is gaining momentum in ASEAN, with up to 80% of World Economic Forum (WEF) survey respondents valuing sustainability and making eco-friendlier lifestyle changes, particularly among the urban affluent¹³. As sustainability becomes more affordable and widespread, consumer interest is expected to rise. Additionally, ASEAN consumers are increasingly embracing the global health and wellness movement, with a growing number in countries like Vietnam and Indonesia placing a higher value on healthy food and exercise. Businesses that can demonstrate their commitment to sustainability and eco-friendliness can appeal to these conscious consumers and differentiate themselves from their competitors. In response to this trend, ASEAN consumers are increasingly seeking out products that are environmentally friendly, made using sustainable methods, and packaged in an eco-friendly way. This includes a growing interest in locally made products to reduce the carbon footprint of transportation, and alternatives to single-use plastics such as cloth bags or biodegradable packaging.

Driving Sustainability through Electric Vehicles

This has been demonstrated through a growing market for electric vehicles. Government policy and natural comparative advantages in EV production have seen a growing industry in the region, at least in some markets. ASEAN's electric vehicle (EV) market is poised for tremendous growth. Although sales are lagging – EVs made up just 1% of new vehicles purchased in ASEAN in 2021 – various governments in the region have recognised their importance in the fight against climate change and are implementing policies to increase their uptake. Indonesia, which is rich in the natural resources used to develop EV batteries, is developing policies to protect, facilitate investment, and grow the EV industry. Similarly, Thailand aims to have 30% of vehicles on the road electric by 2030 and is setting up special economic zones with incentives for manufacturers who wish to develop EVs. The figure below shows the EV value chain in the ASEAN region, showing how countries are able to use their comparative advantage in each step of the EV production process.

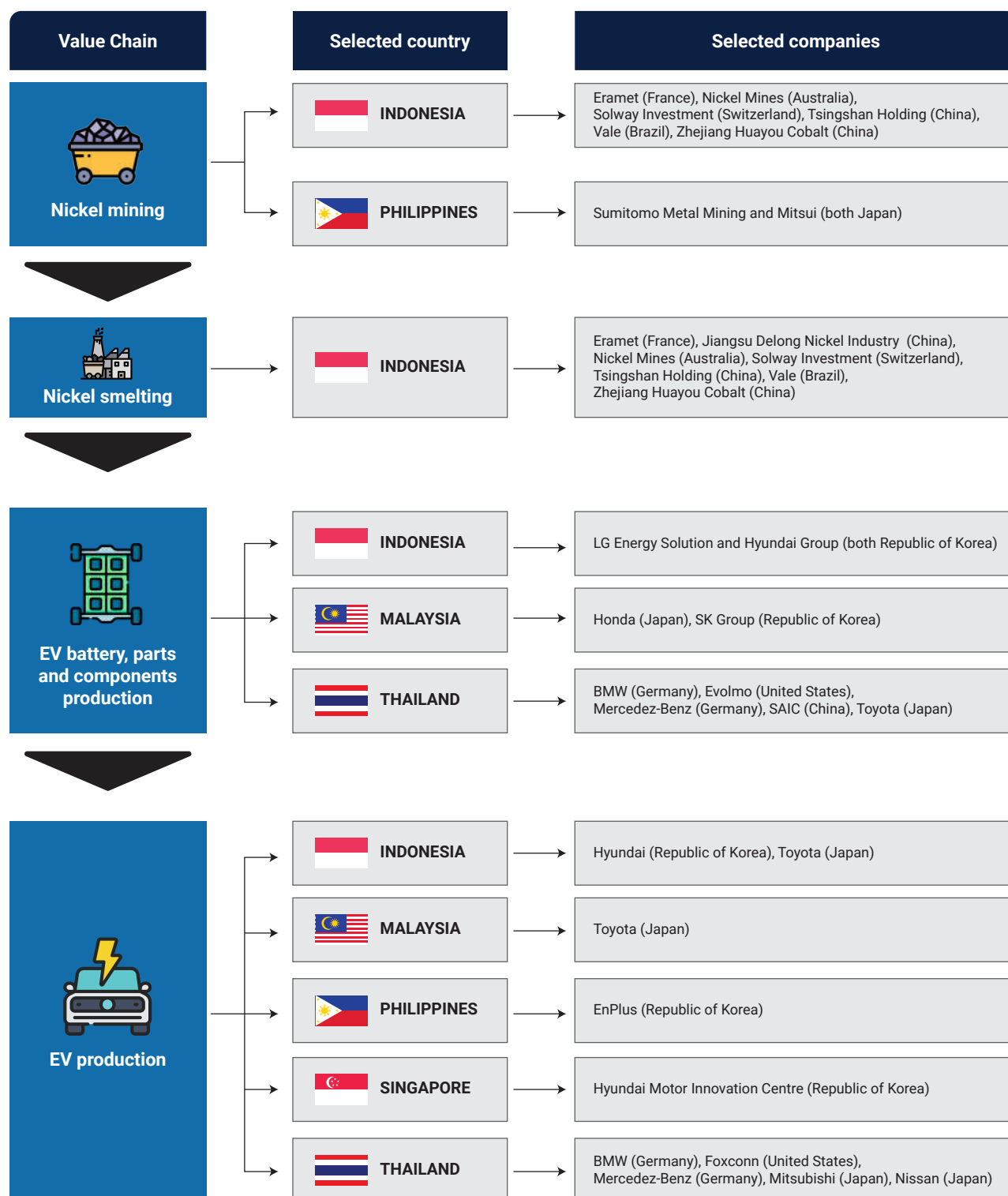


“Consumers and businesses are beginning to see that they have to pay more to promote a greener and safer environment. Whilst there is an increase in costs, it is important that businesses offer sustainable services in the most cost-effective manner possible to give customers the choice as this becomes high on the agenda in the future.”



Arnaud Bialecki, Managing Director, Sodexo Southeast Asia, President of the CCE Thailand Committee

¹³https://www3.weforum.org/docs/WEF_Future_of_Consumption_in_Fast_Growth_Consumer_Markets_ASEAN_2020.pdf

Figure 10. EV value chain across major automotive countries in ASEAN

Source: UNCTAD

Trend 6: The Green Revolution: Invest in Sustainability now for a Better Future

Key Takeaways

- **Growing Consumer Demand for Sustainability:** Consumers in the ASEAN region are increasingly seeking sustainable products and services. They are willing to pay a premium for eco-friendly products, including those made using sustainable methods and packaged in an environmentally friendly way.
- **Corporate Commitment to Sustainability:** Companies operating in the ASEAN region, such as Sodexo, are prioritising sustainability and social responsibility in their business practices. By promoting sustainable practices and supporting local communities through various initiatives, these companies set a strong example for others in the region to follow.
- **Electric Vehicle Adoption:** The ASEAN EV market is poised for significant growth. Governments in the region are implementing policies to increase EV uptake and countries are leveraging their comparative advantages in various aspects of the EV production process.
- **Localisation and Reduction of Carbon Footprint:** ASEAN consumers are showing a growing interest in locally made products to reduce the carbon footprint of transportation. This trend supports local industries and encourages sustainable practices throughout the supply chain, including the use of alternatives to single-use plastics such as cloth bags or biodegradable packaging.

“EV is having a big traction in Thailand, especially urban Thailand. There are several factors that explain this sustained and increasing interest for EV cars: 1) the EV charging station infrastructure has been developing well in the past two years, alleviating the worry of not being able to recharge EV. 2) Constructors, especially Chinese constructors, have entered the Thailand market with attractive models, and reasonably priced EV”



Damien Kerneis, Co-founder and CEO, Siam Car Deal



Recommendations for Attracting the ASEAN Consumer of the Future

These three recommendations have been developed based on the trends discussed above and the expert insights gathered from interviews. The firm of the future needs to be strong both online and offline; it needs to be local through localised product offerings, localised marketing, and local partnerships; and it needs to invest in sustainability now.

The Southeast Asian region presents a compelling business opportunity, with strong economic and structural fundamentals incomparable to other regions. Despite the potential for “belt tightening” across the industry, businesses are advised to maintain their course of investment and business development in Southeast Asia. By 2030, the region’s population is projected to exceed 700 million people, with a combined GDP of \$4.5 trillion and expanding at a compounded annual growth rate of 4.6%.

The region is also the third-most populous market, after China and India, and ranks as the sixth-largest economy, with strong foreign direct investment inflows. With the region’s overall consumption value set to reach \$4.5 trillion by 2030 and an estimated 5.5 million more people added to the urban population every year, businesses have a prime opportunity to establish their presence and tap into the region’s potential.

Build a Digital Space Battleplan

Businesses aiming to meet the expectations of consumers for seamless cross-channel experiences must develop a triple-growth engine that excels at sales execution in traditional trade, modern trade, and e-commerce. Achieving high penetration and winning at the point of sale, both online and offline, will be critical to success in this endeavour.

Summary of key points:

- Analyse and monitor online consumer behaviour, and segment consumers in detail
- Leverage ASEAN e-commerce/marketplace platforms
- Define a social media and local influencer strategy
- Develop customer relationship management and loyalty programme capabilities
- Work on personalised marketing (data-driven approach, artificial intelligence technologies, etc.)
- Execute local digital marketing activation campaigns and create personalised digital experiences
- Create “local to local” digital experiences
- Offer multichannel customer journeys and progressively transition to “Online to Offline”

Winning in battle for digital space in ASEAN in the future will require businesses to stay ahead of the curve and adapt to changing consumer behaviours and preferences. The COVID-19 pandemic has certainly accelerated the digital trend, but it has long been visible. What was interesting, however, is that interviewees highlighted those digital sales, whilst important, were still only accounting for around 20% of total activity on average. The importance of digital market was emphasised as something that is key to success as platforms like Instagram, TikTok, and Facebook are widely used.

However, whilst digital is important, integrating an omnichannel strategy is key. Setting up an integrated channel experience that allows customers to seamlessly move between online and offline channels can enhance their overall experience and improve their satisfaction with your brand. An omnichannel strategy can also help you to reach a wider audience, increase customer loyalty, and improve your bottom line. By leveraging multiple channels, such as social media, email, mobile apps, and physical stores, you can create a more personalised and engaging experience for your customers that meets their needs and expectations. In short, while digital is important, an omnichannel strategy can take your customer experience to the next level.

“Technological and digital advancements transformed consumption behaviours across ASEAN. Even in less developed markets, payments methods have evolved. In Cambodia for instance, digital payment through QR codes has become widespread. The rise of social medias has also led consumers to adopt a different stance to consumption: they no longer want to only consume; they want to share it with others. Brands should account for this, to provide more seamless online processes, both in terms of payment and social media access”



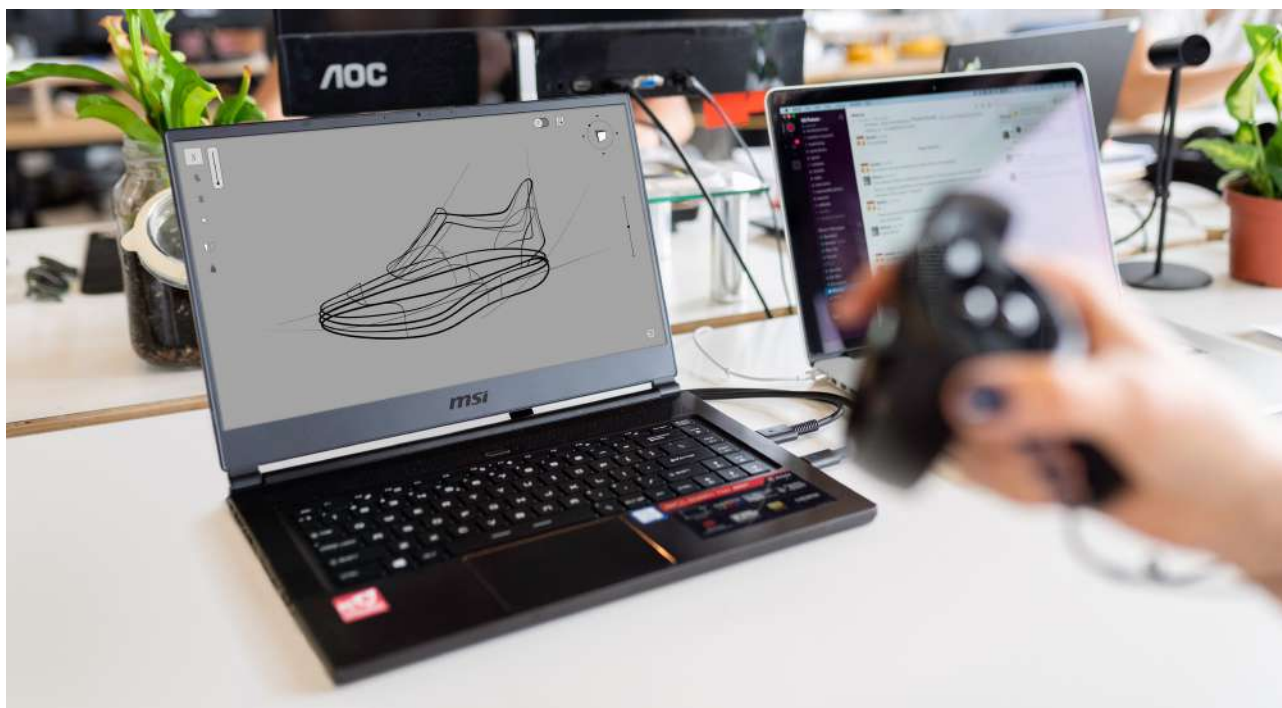
Daren Ong, Managing Director, Pernod Ricard in Cambodia

Using digital to attract customers

The importance of social media and digital technologies presents an incredible opportunity to attract consumers through new and accessible channels. As consumers in ASEAN spend more time online and demand greater personalisation, companies will need to increase their efforts in digital engagement, optimise marketing spending to match the omni-channel consumer journey, and focus on developing two-way communication. The route to doing this is as follows:

1. **Know your consumer:** know them by their age, the country and city they are in, the language they speak, their profession, their income group, their likes, and their dislikes.
2. **Segment them:** Segment several relevant groups to each product category and identify key value proposition for each segment based on their shopping behaviour and key purchasing criteria. Understand the differences and the ways to reach the 25-year-old in Ho Chi Minh City with a large Instagram following and how to reach the 65-year-old in Surabaya who has just set up Facebook to see what her grandchildren are doing.
3. **Incorporate data-driven decision-making:** Social media platforms allow firms to access analytics to analyse the best way to target different consumer groups. Ensuring this is used to develop data-driven insights on how to reach different consumers is key.
4. **Mirror the consumer journey:** Modern customers frequently alternate between digital and physical channels during their purchasing journey, covering the entire cycle from awareness and consideration to purchase and connection. Businesses should identify the most important touchpoints throughout the customer's journey to determine the appropriate messaging, marketing media mix and investment level.
5. **Localised and direct content:** Ensuring content that is received through digital media is in the correct language and is relevant to geographies and demographics to create a personalised marketing experience is the most important way to generate success.
6. **Remove barriers from views to buys:** Plot out the entirety of the consumer journey from viewing a digital advert to buying a product. Ensure there are no frictions and that this is a seamless, convenient, and intuitive transition. Ensure the consumer is entertained through the process through fun adverts, games where they can win discounts, or personalised messages. Make the interface as efficient as possible to ensure unmatched customer experience.
7. **Aftersales:** Double down on digital engagement following a sale. If a customer buys a product from you through a digital channel, stay in their periphery through marketing emails and special offers to try and forge brand loyalty.





Creating a Digital Experience

Time for action is now. Even though less than a quarter of sales are through digital, consumers will demand this more and more so setting up a comprehensive digital strategy needs to be a priority now.

Once you have identified and attracted customers, the next step is creating a seamless, integrated omnichannel experience. This means ensuring that consumers can shop online and collect in store. During interviews, business execs highlighted that there was still some mistrust about quality of products when purchasing online so creating a way for consumers to verify before they buy is important.

1. **Plan now:** the future of digital commerce is now. There are numerous challenges in ASEAN countries regarding infrastructure and regulation to digital channels as prominent as they are in the West. Likewise, digital channels only account for a small portion of sales. However, shifts will come quickly, and it is important to start building an effective digital channel right now.
2. **Strategise:** Think about how store networks and digital marketplaces can work together, particularly for retail brands. This could mean using stores for an immersive retail experience whilst online shopping could be for convenience. Stores could offer more insightful knowledge of a product through well-trained store assistants whilst online could be a way of purchasing goods. There are tonnes of possibilities of how the online and offline shopping can complement and enhance the experience and it is important to find the way most relevant to your brand. We see this trend is also emerging for EV sales in the region.
3. **Personalisation and loyalty:** Find a way to ensure customers keep coming back to your store. This could be through visible discounts and promotions, through games that reward discounts, loyalty programmes, or the best shopping experience possible. Offer transparency and value in pricing.
4. **Integrate:** Other digital technologies and trends, such as e-wallets, are growing so finding ways to integrate these into the purchasing process is highly beneficial. Buy Now Pay Later is one of the most popular terms among ASEAN consumers now and this was highlighted frequently through interviews. Ensure customers have access to this when buying goods and services online.

Rethink growth strategies with a more localised approach

Becoming local is key. From country to country and city to city, ensuring every aspect of your business operation is as local and as targeted as possible is the most important driver of success in ASEAN.

Summary of key points:

- Invest time in defining the most relevant local approaches
- Research, study, and understand each market, its specificities, and complexities
- Identify, maintain, and build local partnerships and alliances
- Identify digital channels and establish the most effective digital strategy
- Invest resources in markets, in contact with consumers, and with new local alliances
- Leverage global expertise (technical and technological expertise, product expertise, marketing expertise, etc.) while adapting to local specificities
- Beyond distribution agreements, forge more advanced alliances with local partners; co-design, production, distribution, financing partnerships, etc.
- Integrate into local supply chains and manufacturing bases
- Set up teams in markets to be in contact with consumers and manage online and in-person presence

This shift towards local and regional brands in certain segments is not a universal trend, as global mega players continue to dominate in many markets and product categories. Additionally, the factors driving consumer preferences for local products may vary by region, culture, and even individual consumer preferences.

Moreover, it is not always easy for foreign companies to successfully enter local markets and compete with established local brands. Cultural differences, regulatory challenges, and other factors can pose significant barriers to entry. Therefore, to succeed in a particular market, foreign companies may need to invest heavily in localising their products, marketing, and overall brand strategy.

There are several ways that foreign companies can adapt to this trend and remain competitive. One approach is to form partnerships or joint ventures with local companies to gain a better understanding of the local market and consumer preferences. Another approach is to source ingredients and materials locally, which can help to build trust with local consumers and demonstrate a commitment to the local economy.

Ultimately, the key to success for any company, whether local or foreign, is to understand the unique needs and preferences of their target customers and tailor their products and marketing strategies accordingly. By staying attuned to changing consumer trends and being flexible in their approach, companies can remain competitive in a rapidly evolving market.



Leverage Global Expertise but Remain Local

Even as a foreign brand, creating a local identity and forging local partnerships is key to successful expansion. Having a partner that knows the market, tastes, preferences, and how to deal with things like intermediaries, suppliers, regulators can often be the difference between success and failure as a brand in ASEAN. Even as a foreign brand, it is not always necessary to highlight that you are a foreign brand and sometimes being local can play in your favour. This is especially the case in FMCG and other consumer goods at a lower price point.

Bring your own expertise to the table, whether that be production techniques, supply chain management, R&D, sales, marketing, or the overall product. Realise where your weaknesses are in reaching the ASEAN consumer, for example, developing a product they will like, reaching them through marketing, or selling a product to them. Find a local partner who can complement your strengths and weaknesses.

Creating a successful local brand through partnerships and marketing in ASEAN requires a well-planned and strategic approach. Here are some key strategies that businesses can use:

1. **Build partnerships:** Partnerships can help businesses gain access to new markets, customers, and resources. By partnering with other businesses or organisations in the region, companies can leverage their strengths and create a stronger brand presence. For example, businesses can collaborate with local influencers, events, and organisations to build awareness and promote their products or services.
2. **Develop a strong brand identity but with a local anchor:** Creating a strong brand identity is essential for building trust and recognition among customers. However, ensuring that this is relevant to the area you are working in is key. Companies should focus on creating a brand that resonates with local customers and reflects the company's values and mission. This can include developing a unique brand voice, visual identity, and messaging that speaks to the local market, working with local celebrities as brand ambassadors.
3. **Create localised content:** Creating content that is tailored to the local market can help businesses build a deeper connection with customers. Companies should invest in creating content that is relevant, engaging and localised to the local language, culture, and customs. Ensure a country-by-country and even city-by-city marketing approach.
4. **Create value through your strengths:** Understand the strengths that your brand brings. Whether that be through marketing, manufacturing techniques, the brand name, or digital strategy, and leverage this with the support of a local partner who can leverage their strengths



Leverage the Power of your Brand

In some instances, it is important to recognise the global power of your brand and the history and heritage it portrays. France is incredibly strong in luxury goods and the strength these brands have mean that people often buy them for the international status aspect. However, past this, localising products and markets can be hugely beneficial. Creating retail experiences that resonate with the consumer in the market they are in or marketing campaigns that are specific to a consumer will amplify the success of the brand.



Invest in Sustainability Today to Win the Consumer of Tomorrow

Embracing sustainability as the next big thing in ASEAN and elevating it high on the corporate agenda now will pay dividends in the future. Ensuring that it is done at value and consumers are made aware of its importance will be key for success.

Summary of key points:

- Invest in sustainable development practices in ASEAN now to be better positioned in the future
- Define sustainable development roadmaps at the ASEAN level
- Invest in consumer education on products and sustainable development efforts
- Implement sustainable supply chains/manufacturing, adapting them through a more circular approach, from sourcing raw materials to last-mile logistics
- Anticipate recycling and decarbonisation dynamics that will be the norm in the future

Although the region currently falls short of global sustainability standards, there will be a surge in demand over the next decade as both consumers and institutions become more aware of the issue and show a greater willingness to pay for sustainable practices. It is important to invest now to ensure you are not left behind in the future.

consumers about the environmental and social impact of their purchasing decisions. By demonstrating the positive effects that sustainable products can have on the planet and local communities, companies can appeal to consumers' values and emotions, making them more willing to pay extra for sustainable alternatives.

In addition, it's important to make sustainable products accessible and affordable for a wider range of consumers. This can be achieved through strategies such as bulk purchasing, offering discounts or rewards for sustainable purchases, and partnering with retailers or e-commerce platforms to reach a broader audience.

Although sustainable products are becoming increasingly popular, there are still segments of consumers in various markets who may be price-sensitive and hesitant to spend extra on sustainable alternatives. However, by emphasising the value and benefits that sustainable products offer and being transparent about why they are worth the extra cost, companies may be able to convince consumers to make the switch.

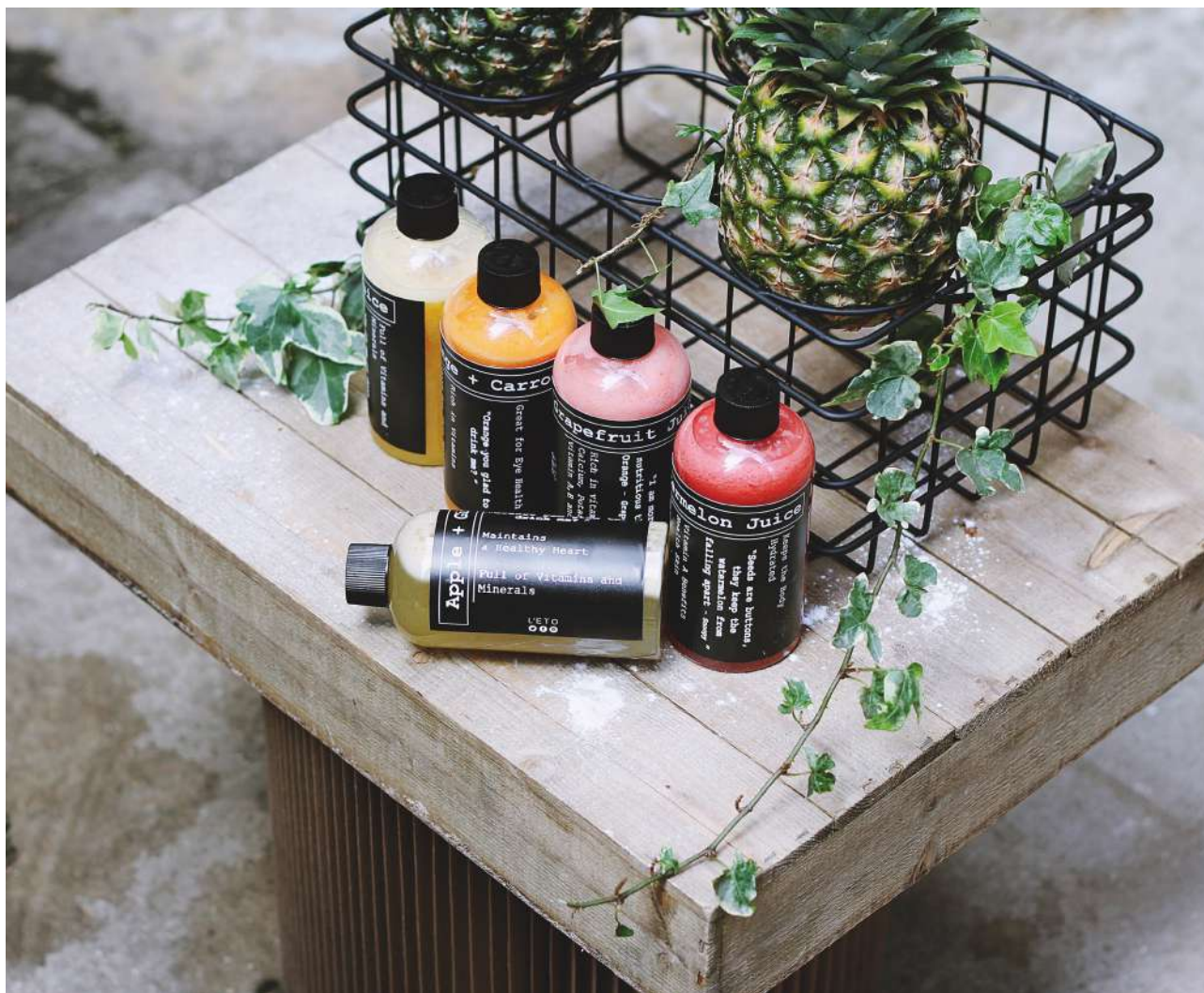
One way to do this is to highlight the long-term cost savings that sustainable products can provide. Another approach is to educate



To succeed in ASEAN, brands need to make sustainability a key consideration. As awareness and demand for sustainability increase across the region, brands that invest in sustainable practices now will be better positioned for success in the future. To achieve this, brands should focus on two main areas:

1. **Ensure widespread and consistent consumer awareness and motivation for healthy and sustainable living choices:**
The pursuit of healthy and sustainable living is inconsistent across ASEAN. There remains a high degree of price sensitivity across several consumer classes who are unable to absorb any sustainability-related price increases. Therefore, demonstrating the value of sustainable products is highly important.
2. **Accelerate the current slow but steady rise of sustainability efforts in regional and local business operations:**
Many ASEAN companies have been slow to implement sustainability programs, citing such issues as low customer willingness to pay, short-term financial trade-offs and additional costs to raise standards in operations.

However, there are still limits to Asia's green consumption. Income continues to be a significant barrier. Although many consumers report being willing to pay a small premium, only few can accommodate the effective price premiums, which often reach as high as 30% for many categories. Finding ways to deliver products in a sustainable but value for money manner is the key. Adapting all stages of the supply chain from raw materials to final packaging to ensure everything is done in the most cost-efficient and eco-friendly manner will accommodate price sensitivity whilst also maximising environmental benefit.



Concluding Remarks:

Investment Is Key to Success

Invest resources in markets, in contact with consumers and with new local alliances. ASEAN is a vast market with a multitude of different cultures, business practices, and attitudes. Understanding that ASEAN is not one single market is the first step to succeeding. Invest in the long run, with a long-term return on investment expectation is necessary. Approach everywhere differently.

The ASEAN market offers unrivalled business opportunities, and this is only expected to improve as the region continues on its development path. However, the ASEAN market should not be seen as a quick profit fix. It should be seen as a long-term investment with long term potential. There are risks to investing but the risks of not investing will mean that another Eastern or local player will take your spot.

Invest Time

Given the fast-paced growth and changing consumption patterns in ASEAN, businesses looking to enter or expand in the region should invest time to thoroughly research and understand the market, consumer behaviours and preferences, as well as the regulatory landscape. This investment in research and analysis will help companies identify opportunities and challenges and develop a targeted and localised strategy that aligns with the unique demands of the ASEAN market.

In addition to research, businesses should also invest time in building and nurturing strong partnerships with local companies and stakeholders, as well as actively engaging with consumers through both online and offline channels. Developing a digital presence and leveraging technology to improve customer engagement and brand recognition is also essential.

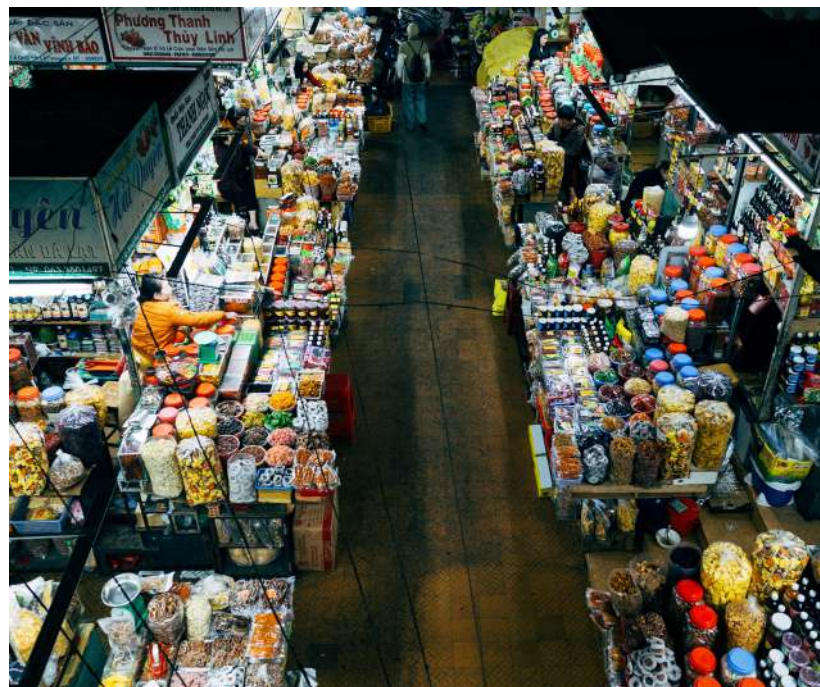
Overall, investing time and resources in a strategic and tailored approach, combined with a deep understanding of the market and the needs of the local consumer, will position businesses for success in ASEAN.

Invest in Markets

Investing in the markets in which you will operate through local partnerships, local supply chains, local manufacturing bases, and local business operations teams is essential. To be successful in ASEAN, you must have a team on the ground. A team that understands the consumer, the market, the pricing, and everything else surrounding the business will breed success. As a foreign brand, bringing expertise will help elevate this success. Leveraging local talents, moving them across countries to build their expertise is also a key success factors already highlighted by some companies that have been interviewed.

“There is a big ROI in ASEAN at the end of the day, but it is a long day”

Top executive in a consumer goods company

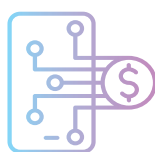


Where to Invest

Based on our research, we anticipate the following sectors as key areas for growth in the ASEAN market in the coming years:



Renewables: Renewable energy and EVs are expected to be huge vehicles for growth in the coming years across all ASEAN countries. In terms of renewable energy, countries like Laos have limitless potential for hydropower whilst growing populations are likely to lead to increased sustainable energy demand. EVs are also expected to take-off as countries continue to exploit their comparative advantages throughout the EV value chain to become industry leaders in production and exportation of EVs.



Digital economy: The investment prospects for digital development in ASEAN are promising. This stems from the strong commitment of all countries in the region to deliver 5G networks, rising demand for digital technologies from manufacturing and digital services industries, growing adoption of digital technologies by local and foreign firms, favourable government policies and measures supporting digital transformation, and the rapidly growing digital economy. This has been exacerbated by the pandemic which moved everything online and this trend is expected to stay. Developing an omnichannel sales and marketing strategy, offering digital entertainment, or even developing digital financial services will be sources of huge opportunity.



Tourism: Since the start of the pandemic, the tourism sector has faced challenges across ASEAN states. It plays an important role in several of the region's economies and is also one of the key areas of ASEAN cooperation since the establishment of the association. However, there are several reasons to expect 2023 to be a more positive year for the sector. First among these is China's 'reopening' to travel. A lack of Chinese tourists had been seen as the predominant challenge for the sector in most ASEAN states. Another reason is returning demand for tourism elsewhere in the world. US households are continuing to unleash two- or three years' worth of pent-up demand as Covid-19 fears wane according to data shared by CNBC. The Asia Pacific is among the most popular destinations. Further, ASEAN states have also developed programs to attract foreign arrivals, such as the digital nomad visa program in Malaysia, and Indonesia's second home visa scheme. Indonesia has set an ambitious target of attracting 7.4 million foreign tourists for 2023, almost double that recorded in 2022.



Manufacturing: ASEAN has traditionally been a hub for low-cost manufacturing, and this is unlikely to change in the near future. However, the region is also investing heavily in high-tech manufacturing, such as electronics, automotive, and aerospace. As countries in the region continue to develop, the demand for high-tech goods is expected to increase, which will drive growth in this sector.



Healthcare: As ASEAN countries continue to develop and their populations age, the demand for healthcare services is expected to grow. This is particularly true for preventative and wellness-related services, which are becoming increasingly popular. Additionally, the COVID-19 pandemic has highlighted the need for investment in healthcare infrastructure and systems, which is likely to drive growth in this sector.

Overall, ASEAN is a region with significant potential for growth in a wide range of industries. While there are challenges, such as political instability and the ongoing COVID-19 pandemic, the region's young and dynamic population, supportive government policies, and abundant natural resources make it an attractive destination for businesses and investors.

Annex 1

Interviews

Interview 1

Understanding the Vietnamese Consumer from a Marketer's Perspective with Alexandre Sompheng, CEO, Havas Group Vietnam, CCE Vietnam



Part of Vivendi, and with a presence in over 100 countries, Havas Group is a global advertising and communications company that provides a range of services to help brands and businesses connect with their customers. Vivendi is a French multinational media conglomerate that owns a variety of businesses in the media and entertainment industries, including Universal Music Group, Canal+ Group, and Gameloft.

Alexandre Sompheng is the CEO of the Havas Group Vietnam. In Vietnam, Havas offers a range of advertising and marketing services, including traditional advertising, digital marketing, strategic communications, and digital customer experience. The company works with a diverse range of clients from local to global, helping them to connect with their consumers on the Vietnamese market.

Q: What are the trends you are already noticing in Vietnam and what are potential future trends?

A: Vietnam is a young country with a growing population of children. This trend suggests that there will be a significant shift in the demographics of Vietnam, with a large portion of the population being young adults in the coming years. This demographic trend has important implications for businesses in Vietnam, as the preferences and behaviours of younger consumers are likely to differ from those of older generations.

The highly digitised generation in Vietnam is also an important trend for businesses to consider. Young people in Vietnam use online services for many things, such as booking food and transportation. This trend towards digitalisation suggests that businesses in Vietnam should focus on developing their online presence and e-commerce capabilities to reach younger consumers. However,

majority of the population is not always concerned yet about the impact of their consumption on the environment, which highlights the need for businesses to consider sustainability in their operations and marketing strategies.

Q: As an advertising and marketing company, what are the topics that you and your clients ask for?

A: We have noticed a distinct trend in the Vietnamese market - everything is about how to sell more. In my experience, there is a relentless focus on selling and pushing sales in Vietnam. This emphasis on sales and driving revenue is a core feature of the business landscape in the country.

In my interactions with clients and other businesses, there is a great deal of pressure to focus on major sales channels and push sales as hard as possible. This focus on sales can sometimes come at the expense of other important business

considerations, such as long-term growth, brand building, and customer retention.

Q: What are the key success factors if you want to sell more?

A: Reaching the audience in this market is relatively straightforward if you're willing to invest money, as many sales campaigns rely on promotions. In this market, people tend to prioritize promotions over quality, making it essential to then focus on customer experience and customer retention strategy as a challenge to succeed in a long-term development.

Q: What would you recommend to French companies if they want to succeed in Vietnam? What are the main pitfalls and what are the main key success factors?

A: Make sure you understand the local culture, as doing business in Asia is different from doing business in

western countries. This is essential for building relationships with local partners and customers and developing a deeper understanding of the market and its unique challenges. For example, family and religion is very important in Vietnam, that most young workers are living together with their parents and grandparents in contrary to western countries, and this influences consumer behaviour a lot.

One important aspect of doing business in Vietnam is compliance and quality. In a market that is still developing, ensuring compliance with local regulations, and maintaining high levels of quality can be a key differentiator for foreign companies.

This is especially true in industries such as food and healthcare, where customers are particularly concerned about quality and safety.

Partnering with locals is also highly important. Without a deep understanding of the market, it can take a long time for foreign businesses to understand and penetrate the market. This is especially true in a developing country, where there are different rules and norms around paying taxes and compensating people.

To succeed in Vietnam, foreign companies must also be prepared to compete against local businesses. In a country that is highly nationalistic,

low- and middle-class customers often prefer supporting local brands and businesses. To compete effectively, foreign companies must be prepared to bring significant differences in terms of value, such as offering superior quality, unique products or services, or exceptional customer service.

Q: How do the consumers here choose the brands? Will they differentiate the local brands from others or have a preference for Chinese brands?

A: Many customers may choose products based solely on their price. This is particularly evident in the fact that most of the products in Vietnam come from China. While there are a lot of Chinese-made products in Vietnam, customers here do not seem to be overly concerned about this. As long as the products are priced competitively, customers are willing to purchase them regardless of their country of origin.

However, there has been a recent rise of global brands that are partnering with local companies and competing with Chinese manufacturers. These brands are able to provide high-quality products and services at competitive prices, while also offering customers something different from what is available from local manufacturers. This has helped to create a growing demand for these products and services, as customers are becoming increasingly aware of the value that they can offer.

Overall, understanding the preferences and behaviour of customers in Vietnam is a critical part of doing business in the country. By partnering with local companies and offering unique products and services, global brands can succeed in Vietnam's highly competitive market.



Interview 2

Localising Luxury with Fanny Ponsot, Managing Director, Chic APAC



Fanny Ponsot is a seasoned expert in the field of luxury branding, boasting over fifteen years of experience in marketing and sales. Throughout her career, she has worked with prestigious brands such as Marc Jacobs, L'Occitane, and Le Bon Marché, developing a wealth of knowledge and skills related to retail challenges, innovative support, and customer engagement. She has recently taken on a new role as the managing director of Chic in the APAC region, a creative agency that specialises in luxury brands. Fanny's professional journey has helped her to cultivate a keen sense of product sensibility and savoir-faire across a range of luxury sectors, enabling her to enhance the client experience in diverse settings such as stores, department stores, and airports.

Q: What are key trends you are noticing in the ASEAN region from a luxury brand and marketing perspective?

A: I want to share with you the exciting complexity and localisation of Southeast Asia. Due to its rich history, the customs and traditions of this region are a unique blend of western and local influences. This has created a diverse and exciting market that requires a deep understanding of the cultural nuances and preferences of each country. As a result, luxury brands need to create marketing strategies that are tailored to the specific needs and desires of each country.

In the past, Southeast Asia was primarily seen as a travel destination, and luxury goods were mostly consumed by tourists from East Asia. As a result, many marketing campaigns were modelled after the Chinese market and were not localised. However, with the growth of the local economy and the impact of COVID-19, local consumption and local marketing are now rapidly

evolving. For example, luxury brands were marketing to Chinese tourists, then COVID-19 happened, and these travellers disappeared so suddenly a complete reapproach of marketing was required to reach local consumers. This presents a significant opportunity for luxury brands to create localised strategies that are tailored to the unique characteristics of each country in the region.

It's essential to understand that the consumers in the ASEAN region are quite diverse. The whole market cannot be regarded as a single entity. Each country has its unique cultural and economic characteristics that influence consumer behaviour. This encompasses all aspects of life. For example, in some countries, Christmas is quite widely celebrated, and brands can leverage this time of the year with promotional campaigns. However, in Vietnam for example, Christmas is just another day but new year is celebrated at the end of January, so this presents an opportunity for advertising and promotional campaigns.

Indonesia has a lot of creative people and is decentralised due to its geography, making it a fascinating market to explore. Thailand has a strong middle class and a growing luxury market, with consumers who enjoy spending on luxury items. However, it's essential to adapt to the local market and be physically present in Thailand for businesses to thrive.

Vietnam has a fast-growing and well-connected young generation, but their purchasing power is not as strong as in Thailand. The population in Vietnam is becoming more focused on well-being and health, which may lead to changes in consumption patterns. The Philippines has a large overseas and English-speaking population, but their purchasing power is limited.

Singapore is a significant hub and the key-player for brands, where they can set up a local HQ in a country with predictable stability. However, the country is quite limited in terms of market opportunities as it is a mature market so there are limited new opportunities. In Thailand and Vietnam, the focus is on local

adaptation and a more localized approach to retail, which makes it essential for luxury and global brands to adapt to these markets.

Therefore, it is critical to understand the local market and adapt to its unique nuances. At Chic, we work closely with our clients to develop marketing strategies that are specifically tailored to the individual needs of each country in the region. This approach ensures that our clients can effectively reach and engage with their target audience, driving business growth and creating a unique and authentic brand experience.

Q: Are there any challenges that you perceive in the ASEAN markets?

A: I've observed a lot of challenges and opportunities associated with ASEAN countries. Each country within ASEAN has its own unique dynamics and complexities, and as a business, it's crucial to understand that there is no one-size-fits-all approach to addressing the ASEAN market. In my opinion, Singapore remains the key player in the region, but there are opportunities for growth in other countries as well. Thailand, for instance, has long been seen as an up-and-coming market, and there's something happening there. However, it's essential to be cautious as there is also some political risk to be aware of and this is the case in most of the countries with the governments able to add or change laws at that will make the countries unfriendly to businesses

Q: Regarding these trends, how can western luxury brands adapt and strategise in ASEAN?

A: From my observation, many local consumers in ASEAN, have not been exposed to western brands as much. As a result, they may opt for more affordable alternatives instead of western brands. Therefore, introducing new products and brands to these traditional consumers might be more challenging.

Therefore, I believe that the key to success in this market is localisation and effective communication with the clients, rather than relying solely on customer relationship management (CRM) strategies. It's important to keep in mind that the ASEAN market is still growing and presents many opportunities for businesses willing to invest and adapt to the local context.

When I joined Chic in 2019, I wanted to implement a strategy whereby we approached every country individually from a marketing perspective. This is difficult when you are

a global brand but it is very important in Asia. In Europe, for example, there are more similarities across the countries and this means you can approach in a block in terms of consumer habits but even here, you need local marketing teams in markets that further localised promotions and marketing. In Asia, this would not work. Every country must be approached differently.

As for the brands and preferences in the local market, I noted that Chinese and Japanese brands currently hold a significant advantage and dominate the market. However, this doesn't mean that western brands can't succeed here. It's all about understanding the local culture and adapting your approach accordingly. With the right strategies and a strong focus on localisation, Western brands can certainly make a mark in this region.



Interview 3

Driving the Future of Agriculture in Southeast Asia with Florian Delmas, President, Andros



Andros is a French food company that specialises in a wide range of food products, including fruit and vegetable preserves, dairy products, and ready-to-eat meals. The company's business model focuses on delivering high-quality, convenient, and healthy food options to consumers.

After graduating from the Rhône-Alpes Higher Institute of Agriculture and Food Processing, I joined the Andros Group in 2008, becoming managing director and then Président in 2018. In Asia, we have positioned ourselves as a multilocal firm and are supporting the changing role of agriculture in the country. I have noticed four key trends in the Asia market discussed below.

Our position

Andros has become well-established in Southeast Asia. We have two factories and an office in Vietnam and distribute throughout the region. We are continually looking for new opportunities to grow in Southeast Asia, leveraging the region's growing middle class and increasing demand for high-quality, convenient food products. One of our key mission values in the region is sourcing local products and managing every step of the manufacturing process to guarantee quality.

ANDROS Asia's presence in Vietnam contributes to the positive changes in Vietnam's young fruit transformation industry and the economic growth of the provinces where ANDROS does business. Throughout the past five years in Vietnam, ANDROS Asia has transformed about 20,000 tons of fruits per year, exported more than 40,000 tons of transformed fruits to foreign markets, and cooperated with several provinces to establish material fruit regions. ANDROS Asia has set the objective to purchase

about 30,000 tonnes of local fruits per year by 2025. The company aims to establish many more material fruit regions that are sustainable, eco-friendly, and safe to ensure the input ingredients for ANDROS Asia.

The changing role of food in Southeast Asia

When making decisions about food, we see that consumers in Southeast Asia think more about convenience, functionality, and the value they are getting from their food. This contrasts with the situation in France where food is seen as an indulgence. This is something that is already present, however, we are now seeing the food indulgence factor growing. This is being driven by a growing middle class and the rise of digital media where people want to eat, drink, and share food experiences across online platforms. Travel, globalisation, adventure, and marketing are also all used to drive this trend.

Operating in a fragmented market

Understanding the how businesses

operate in Southeast Asia is key. The markets are much more fragmented with more steps and intermediaries in the value chain. This makes business more complex and requires local partnerships who understand the market and how to approach and interact with intermediaries at the different levels in the value chain. However, it is important to understand the added value that these intermediaries bring and a strong link between all steps in the value chain is required to ensure quality control throughout the process. Furthermore, different markets across Southeast Asia have different tastes and preferences. Food massification is still in its early stages and, therefore, creating local tastes are of utmost importance for success. Partnerships here are key which leads to the next trend.

Creating local value chains

At Andros, we describe ourselves as a multilocal firm. This means creating "a local supply chain for local consumers". Andros has a factory located in each of the

countries it operates and sources local ingredients through partnerships with local farmers. Andros then takes advantage of its French heritage and over 60 years of expertise to produce food products. This is an essential shape for several reasons. Firstly, it allows us to use what grows naturally in the countries we are selling the product in, which means that they are close to local preferences and tastes. Secondly, it means the ingredients are as fresh and as ripe as possible as no time is lost to transportation. This allows our product to be the highest quality possible. This involves working at all steps of the value chain from ensuring quality seeds, tending, harvesting, and post-harvest storage and transportation to the distribution centre.

The changing role of agriculture

Agriculture is vital for a country's economic development. Food is a necessity and, therefore, in a country's development process, food should not be thought of as a liberal market but one that should be supported. Urbanisation and people moving to jobs in cities is natural. Therefore, investment in research and development is essential to boost productivity when labour supplies in the agricultural industry drop. It is important to ensure that farmers are properly supported with sustainable incomes and capacity development to improve their yields.

We believe that at Andros, we should support the role that agriculture plays in the countries in which they

work. Agriculture still employs more than a third of the population in Vietnam compared to less than 5 per cent in France. Therefore, it is an incredibly important industry. However, this is a downward trend. Likewise, agriculture is still not as industrialised as it is in France with many smallholder farms still operating using traditional techniques. Therefore, it is important to create the next generation of agriculture without industrial legacy. This means finding new ways to improve agricultural productivity through research, digital technology, and investment without relying on industrialised systems that are already in place. Innovation is key here. Understanding the role that food and agriculture plays in a country's development process

Conclusion: our 3 pillar's strategy relies on Safety, Quality and Competitiveness

In conclusion, Andros' strategy in Asia of safety first, quality second, and competitiveness third. It is important to integrate all steps of the value chain as the key to creating value. This means being involved in all aspects of production that ensures all products are managed to high standards throughout the value-chain, using local produce with French expertise. Finally, the future of food is still at the beginning of the value chain. This means agriculture is still the most important part of fruit production and nurturing, developing, and evolving this industry in a sustainable, productive, and supportive manner is the key to ensuring livelihoods and development.



Interview 4

The Clash between Local and Global Consumption Trends in the F&B Industry with Daren Ong, Managing Director, Pernod Ricard in Cambodia



Pernod Ricard is a French multinational company that produces and distributes a wide range of premium wines and spirits, including popular brands like Absolut Vodka, Chivas Regal, and Jameson Irish Whiskey.

In the ASEAN region, Pernod Ricard operates in several countries, including Singapore, Malaysia, Thailand, Cambodia, Vietnam, and Philippines. The company has a strong presence in the premium spirits market in these countries and works with local partners to distribute its products.

Q: What changes did you notice between pre-covid and post-covid consumption and spending trends?

A: As much as it is important to compare ASEAN to the rest of Asia, it is important to make the distinction between pre-covid and post-covid. While ASEAN is and stays like the “little brother of the world” with great potential, it sees overall growth dynamics shifted by the COVID crisis. Pre-COVID, ASEAN was mostly known as a diverse region with varying levels of development. Singapore was and remains the most developed. Singapore’s success can easily be attributed to its tight regulation and lack of corruption, which promotes compliance and allows for quicker change. Pre-COVID, educational efforts and western influences promoted entrepreneurial efforts, further stimulating its economy and dynamism.

The development delay in other countries in ASEAN can be attributed to a variety of factors. Those factors include customers not believing in savings due to uncertainty about the future of their own countries and

the feeling that their salaries are not keeping up with the growing economy. China remains a significant investor in these countries. It’s also important to note that religion strongly influences consumption patterns in some of these countries.

The COVID crisis, transformed ASEAN’s mode of operations as well as dynamics between countries.

In Singapore, there is a desire among some people to leave the country due to its high cost of living and perceived suffocating environment. While some Singaporeans consider leaving, the country sees a wave of newcomers (notably high-skilled workers from Hong Kong, China, Macau, and India attracted by the low tax and business friendly environment in Singapore). For Singapore, the rest of ASEAN remains an opportunity for arbitrage, while other ASEAN countries often see Singapore as a role model.

In terms of spending patterns, the middle class in ASEAN is becoming

more affluent and is increasingly influenced by social media, with a growing interest in foreign brands as status symbols. The social media trend was catalysed by the COVID crisis. However, the prevalence of counterfeit products in the region presents a challenge for companies, particularly those associated with luxury. FDI is an important factor in the development of ASEAN countries, particularly those with a lower cost of living and larger populations, such as Vietnam, Cambodia, and Laos. However, income trends are not increasing at the same rate as development, creating discrepancies in consumption patterns.

Q: What would be the key future consumption trends you’ve defined?

A: The present and future of consumption has been greatly shaped by the pandemic recovery. The heightened purchasing intent of consumers led to a rebound of the importance of branding, the growing popularity of domestic luxury products, as well as “revenge travelling” and consumption. In general, consumption has been

boosted recently as consumers show a will to catch up on lost time and spend the money saved during the lockdowns. Key consumption trends would be the rise of e-commerce and the development of smaller supermarket chains in the region.

E-commerce grew significantly during the pandemic, a trend which was observed on a global scale but manifested itself distinctively in ASEAN. Differences in e-commerce penetration exist between ASEAN countries. In Singapore, consumers trust the authenticity of products more and tend to be more confident purchasing branded products online. In developing ASEAN countries, despite the growth of online consumers, luxury products tend to be disregarded, suffering from authenticity concerns. An increasing number of companies offer e-commerce services, leading to price wars between players of more developed countries.

Small supermarket chains have seen sustained growth in the Indochina markets. Consumers remain attached to the traditional in-store retail experience and whilst there is some inertia to switch to more modern channels of consumption, there is growing belief that these modern channels are distributing more authentic products. Therefore, the transition from traditional channels to more modern channels will be slow but is beginning to happen. However, word of mouth marketing remains dominant and price sensitivity of consumers is still high and this is something that will continue to persist.

Technological and digital advancements transformed consumption behaviours across ASEAN. Even in less developed markets, payments methods have



evolved. In Cambodia for instance, digital payment through QR codes has become widespread. The rise of social medias has also led consumers to adopt a different stance to consumption: they no longer want to only consume; they want to share it with others. Brands should account for this, to provide more seamless online processes, both in terms of payment and social media access.

Q: As Pernod Ricard, navigating those different regional markets, what are the differences you notice between developed and developing countries?

A: In developed countries like Singapore and Malaysia, the brand story and education or innovation are very important. Customers are interested in knowing why they should be associated with a particular brand, and brand history is an important factor in their purchasing decisions. Additionally, investment in IT and efficiency tools is easy because of the seamless technological integration with wholesalers.

In developing countries, however, the focus is on the lower end of the market, specifically on young beer consumers who can be

introduced to alcoholic spirits and potentially become future high-spending consumers. High net worth consumers in developing countries are also getting closer to their counterparts in developed countries, but their knowledge of products remains superficial, with the assumption that expensive equals good. This behaviour strongly influences the younger generation, who are increasingly curious about brands but lack in-depth knowledge. Consumption in these countries is often image and status-driven, making it important for brands to establish a strong image. Investment in IT and efficiency tools is difficult in developing countries, with no data or integration with wholesalers. Digital marketing is also still very new in these countries, with social media remaining very local.

Overall, brands must understand the cultural and economic differences between developed and developing countries to develop effective brand strategies and reach their target audiences.

Q: What is Pernod Ricard's best practice in terms of how to cater to such diverse range of consumers?

A: Across the Southeast Asian region, brand building is an important factor for success with a very good consumer engagement ROI. In Singapore, brands should seize the opportunity in the entrepreneurial state and leverage the first few entrepreneurship campaigns. In Vietnam, it's crucial to work with trade partners and understand the various consumer profiles in different regions - for example, the north population is more ostentatious, while the south is more beer-oriented and prefer RTD (Ready to drink) or cocktails. In Cambodia, it is important to recognise the multinational nature of the country, depend a lot on wholesalers, and better understand the customers and consumer profile divisions based on the nationality of the region.

Q: How are you recognizing the growing importance of local products and how have you adjusted your proposition to customers as a foreign brand?

A: In ASEAN countries, particularly in Indochinese countries, local products play an important role. Brands should tailor their products to specific countries, using local ingredients to honour the country and its local pride. Local products are highly valued by consumers, whereas international products are often seen as luxury items. However, it's important to note that ASEAN is

a closely knitted region with a lot of cross-border traffic, which makes it challenging to have purely local products. Nonetheless, leveraging local ingredients and flavours can help brands create a stronger connection with consumers and differentiate themselves from international brands.

Q: Would you have any recommendations for French brands trying to establish themselves in those markets?

A: Yes. Two pieces of advice would be to connect with local chamber of commerce and to truly understand the fast-paced nature of the ASEAN market. The French Chamber of Commerce plays an important role in helping businesses understand the reality of the country through market scoping. It's crucial to utilise the French network in the country before making any move decisions, as this can provide valuable insights and help businesses establish important connections. In ASEAN, it's important to keep an optimistic and open mind, as things move very quickly in this region. Planning for the long-term may not always be feasible, as trends change rapidly. However, businesses can forecast certain ASEAN trends by observing trends in other developing or developed countries. By staying adaptable and keeping a close eye on trends, businesses can succeed in this dynamic and fast-paced region.



Interview 5

Mastering the Art of Digital Success in the Age of E-commerce Giants with Fabian Teja Boegershausen, Category Director – General Merchandise, Lazada



Fabian, a German national, has been working in Southeast Asia since 2009. Fabian's journey began working for a start-up investment company called PDG Asia, followed by stints in consulting and insurance. Currently, Fabian is based in Malaysia and has been working in retail, with his latest role as the Category Director for General Merchandise at Lazada.

Lazada, an e-commerce giant in Southeast Asia, was founded in 2012 with the goal of becoming the region's leading online shopping and selling platform. The company has since expanded its operations to Malaysia, the Philippines, Indonesia, Thailand, Vietnam, and Singapore, providing a diverse range of products and services to millions of customers. As the Category Director for General Merchandise at Lazada, Fabian focuses primarily on the Malaysian market, leveraging his vast regional expertise and understanding of consumer behaviour to drive growth and optimise merchandising strategies.

Q: Please can you share your thoughts on the trends you are seeing related to the ASEAN consumer?

A: I have had the opportunity to work with a variety of consumers across the ASEAN region, particularly in Malaysia. It is important to recognise that there is no single ASEAN consumer, as the region is incredibly diverse, with a mix of ethnicities, races and religions. Malaysia, in particular, is a prime example of this diversity, with Malay, Chinese and Indian populations all living together but retaining their unique cultural identities.

One of the key trends I have observed in recent years is the digitalisation of life across these varied populations, with digital platforms like Lazada, Shopee, and Grab becoming integral to the everyday lives of consumers. This digitalisation trend transcends the different cultures and religions in the region, but it is essential

to note that it does not equate to globalisation. People in Southeast Asia may be heavily reliant on digital platforms, but their interests and activities are not necessarily global in nature.

Another important factor to consider when trying to understand consumption trends in Southeast Asia is the longstanding Chinese diaspora, which has shaped the region in various ways over hundreds of years. While this factor plays a crucial role in the region's economy, it is not necessarily a driving force behind a broad mainstream culture. In fact, the region's diversity, combined with the rapid digitalisation, means that the art of navigating Southeast Asia's consumer landscape is about creating agile platforms that cater to the unique tastes and preferences of different communities.

In addition to the digitalisation trend, another significant aspect to consider

in the context of ASEAN consumption trends is the rise of cultural and information warfare. The increased availability of information and exposure to global events and issues has led to a growing number of young people becoming critical and active about various concerns, such as corruption, environmental destruction, and ongoing conflicts.

Young consumers in Southeast Asia are very similar to millennials in Europe and the US; the digital mainstream is crossing regional, ethnic, and religious influences. Whether you're Hindu or Malay or Christian, you're going to order your food on grab or go-jek; you're going to shop on either Lazada or Shopee for the best and cheaper deals, and you are going to watch the videos on TikTok.

A concerning financial trend is the shift from the traditional banking sector to a grey and informal banking



sector, which includes digital financial products, cryptocurrencies, and international wire transfers that bypass the regular banking system. This trend can affect consumer credit, as people seek credit to purchase premium items they desire. However, this shift towards informal banking systems increases the opacity of financial transactions and poses risks for businesses operating in the region.

Q: Have you noticed more awareness related to sustainability?

A: The trend related to sustainability in Southeast Asia, particularly in Malaysia and possibly in other countries in the region, is quite complex. The shift towards sustainability is more likely to be driven by young individuals and the private sector rather than the current government, as politicians and rulers often pay lip service to sustainability while still benefiting from the exploitation of natural resources.

Young people in these countries, who are aware that they may not become billionaires and will have to live where

they are now, are demanding change. However, the shift to sustainable practices has not yet become mainstream, as it would typically require support from the government, which seems unlikely at this time. Changes in consumer preferences and behaviour can help drive some progress, but larger systemic changes like energy transitions and emission regulations will require government involvement.

In terms of consumption trends, people in the region tend to look for deals and prioritise spending on items they hold in high regard, like branded electronics or cars, while spending as little as possible on everyday items. This makes it challenging for premium products or sustainable options to gain widespread adoption in the market.

Q: In your opinions, what can a French brand do to win in the digital world?

A: Winning in the digital world as a French brand requires a comprehensive and well-thought-out strategy that considers various

aspects of the modern digital landscape.

One key aspect to consider is the convergence of sales channels. The boundaries between channels such as e-commerce, social selling, and video selling are blurring, and it is essential for your brand to be present and active on various platforms. This will require adapting your marketing and sales strategies to fit each channel and form of media, ensuring that your brand maintains a strong presence across the digital spectrum.

Building trust with your target audience is also crucial. To achieve this, you should focus on selecting the right digital channels that consumers trust and engage with, such as Google and TikTok. This will help you establish a connection with your audience and create a successful brand presence in the digital world.

Another important factor is the effective utilisation of influencers. Influencer marketing is increasingly important, particularly in Asia. Be cautious when selecting influencers, as their credibility could impact your brand's reputation. Collaborate with genuine influencers who align with your brand values and can genuinely promote your products to their audience.

When entering the market, be prepared to answer questions from partners about your marketing and sales strategies. They will expect more than just a product and commission. Be ready to provide comprehensive answers about your social media presence, influencer collaborations, e-commerce platform sponsorships, social budgets, and sales funnels. This will help you establish strong partnerships that can support your brand's growth in the region.

Understanding the importance of branding is vital for success in the digital world. If your brand is already well-known and desired by Asian consumers, they may be more willing to approach you with offers. However, if your brand is new or unknown, you need to work on building your brand presence and differentiating yourself from competitors. Invest time and resources in creating a strong brand identity that resonates with your target audience.

Lastly, focus on providing value for money. Asian consumers are typically looking for the best value for their money. If your product is more expensive than competitors from China, for example, you need to communicate the value proposition effectively. Avoid overemphasising technical features that may not resonate with consumers. Instead, focus on what makes your product desirable and worth the investment.

Q: Finally, what have you noticed with regards to the rise of local brands?

A: The rise of local brands can be attributed to various factors, including leveraging the vast supply chain and technological advantages of larger markets like China. One key trend is the adoption of the white-label business model, where local entrepreneurs source products from Chinese manufacturers, tailor them to the local market, and sell them at competitive prices.

A great example of this is the success story of Karodi, a brand that offers high-quality home cooking equipment at an affordable price. They use white-label manufacturing in China and adapt the products to the local market with a strong online marketing strategy. This e-commerce approach has allowed them to sell millions of products. Another B2B example is IGL Coatings, a Malaysian brand that offers DIY coatings for cars. They employ a similar business model, utilising Chinese technology and tailoring it to the local market with an online sales strategy. They have achieved success by exporting their products to the US and Europe.

These examples highlight the potential for local brands to succeed in the market by leveraging technology, competitive pricing, and effective online marketing strategies. It is important to note that this approach may be more effective for certain types of products, such as consumer goods and DIY solutions, rather than heavy machinery or engines.

In conclusion, the rise of local brands can be attributed to their ability to adapt to the local market, utilising the advantages of global supply chains and technology while implementing effective online marketing strategies. This approach allows them to offer quality products at competitive prices and succeed in the increasingly diverse and complex market landscape.



Interview 6

Revolutionising the Financial Landscape: A Look at Cryptocurrencies and Fintech in ASEAN with Eric Barbier, CEO, Triple-A, CCE Singapore



Eric Barbier is a serial entrepreneur who has built and scaled multiple Fintech companies globally. This includes TransferTo (now Thunes and DT One) and Mobile 365 (acquired by SAP).

Today, he is the CEO and founder of Triple-A, the first cryptocurrency payments gateway to be licensed by the Monetary Authority of Singapore (MAS).

Triple-A helps businesses increase their revenue by enabling crypto payments and payouts, giving them access to the spending power of the fast-growing 420m+ cryptocurrency users. Triple-A's white label crypto payments solutions allow businesses from all industries to leverage the benefits of the growing crypto market without being exposed to volatility risk.

With over 17 years of experience in mobile and payments, Eric Barbier is also a board member of global companies such as AMEEX, STC pay and Sleek.

Q: What is the digital payment market like in ASEAN?

A: The ASEAN market is defined by the need for instantaneity in terms of payments. Customers require the presence of an extremely responsive payment system, mostly through the use of digital wallets and banking solutions. Unlike European countries, credit/debit card usage is not as prevalent here. Additionally, the trend of "Buy Now Pay Later" (BNPL) is gaining more and more traction and consumers show an increased appetite for such payment solutions. Those BNPL solutions, financed by the provider, allow the ASEAN clientele to fund their consumption free of charge. Short loans are quite novel to the traditional consumer, which is known to be rather risk averse and not prone to taking high debt levels.

Q: What is the appetite like for crypto in ASEAN?

A: In ASEAN, the profile of the crypto investor varies, but there are some common trends. Many people are interested in cryptocurrencies as a means of investment or speculation, while others see them as a way to make payments or conduct transactions. In the Philippines, for example, there are games and contests that offer cryptocurrency as prizes, which has led to increased interest and adoption.

Education about cryptocurrencies is also becoming more prevalent in the region, as people seek to understand the risks and potential rewards of investing in this emerging asset class. This is especially important given the lack of regulation in many ASEAN countries, which can create a higher level of risk for investors.

The growing interest in cryptocurrencies also reflects a lack of confidence in the currency of some countries in the region. In some cases, people see cryptocurrencies as a more stable or reliable store of value than their local currency, which has been subject to inflation and other economic challenges.

Cryptocurrencies are also seen by some as a way to circumvent restrictions or barriers that governments may place on financial transactions. This could include capital controls or other measures designed to limit the movement of money in and out of a country. In some cases, cryptocurrencies may offer a way to conduct transactions that are outside the reach of government surveillance or control. For instance, at the dawn of the Russian crisis, cryptos became a way for countries to avoid potential sanctions and freeze of cash. Cryptos as a step to uniformise payments across the region would allow those countries to gain a certain level of independence with regards to outside countries (i.e., Russia)



Finally, it is important to remember that the ASEAN market is fundamentally fractured and high barriers exist between countries and development stages. The introduction of cryptos could induce a lowering of such barriers and facilitate exchange between the countries. This ambition is important to ASEAN members. Recently Thailand and Singapore reached an inter-bank agreement to facilitate cross-border payments. This real time payment system is a true innovation.

Regardless of which trend we're mentioning we are tending towards an opening of business across the region with lower barriers to e-commerce thanks to all payment solutions. This is a good sign in terms of the opening of the economy.

Q: How are cryptocurrencies used?

A: The ASEAN population can be qualified as very tech savvy. The average person is rather literate in all digital trends but also in the growing cryptocurrency market. One use case which can be made for the use of cryptos is the payment of foreign freelance work. With salaries paid out by companies in cryptos, freelancer can hedge the forex risk on local currencies. This advantage is particularly interesting given the volatile nature of some currencies in the region. The development of crypto payments overall allows more people to engage in the ASEAN freelance market (rather than other local structures). Through such payment systems, such as the white-label crypto payment solutions offered by Triple-A, workers are brought closer to international payment standards. This increases the level playing field and contributes to global financial inclusion.

Q: How are you adapting your services to the local consumer?

A: Marketplace seamlessness is key in the region. As mentioned previously, customers expect a smooth payment journey when making any purchase. Payment is a key consideration in any B2C exchange. Foreign brands need to understand the importance of tailoring their platforms to the local payment needs, brands must also accept a trade off in terms of look and feel when engaging with local shopping platforms such as Shopee or Lazada. As the last step of the conversion funnel, payment is a key consideration when operating in ASEAN countries.

Q: Social selling and the failure of the WeChat model

A: WeChat, the famous Chinese mega-platform was unsuccessfully introduced to the ASEAN market. At that point in time there was no equivalent to the Chinese success. Consumers in the market tend to prefer specialised services. Two apps however distinguish themselves on the ASEAN market, namely WhatsApp and TikTok. WhatsApp is most prominent in the region as a means to communicate both privately and professionally. However, the key difference being them is that to this day WhatsApp does not integrate a payment system. TikTok on the other hand has been very good at integrating payment methods at the local level, enabling digital sales for brands on the global level. Social media strategies are of the utmost importance for any brand looking at expanding in the region. Such platforms remain the major way in which foreign brands can distinguish themselves and reach the local population.

Interview 7

The Transformation of ASEAN Consumption: an Interplay between Traditions and Digital Trends with Michel Beaugier, Managing Director at M2 Management, Head of CCE APAC



Michel Beaugier holds a master's degree in Economy & Philosophy, an MBA in International Business, and a diploma in Finance from INSEAD. He has extensive experience in the luxury, fashion, and retail industries, having served as APAC President for P&G Prestige and working as a consultant for P&G and other large distributors in Asia and India. He now invests in and advises French SMEs in luxury and selective retail, while still maintaining a consultancy practice.

Michel Beaugier is President of the APAC Commission of Foreign French Trade Advisors, administrator of CCE and VP of CCE Committee of Singapore. He has been appointed every 3 years since 1990 by decree of the French prime minister.

Q: Does the ASEAN consumer exist? Compared to Asia?

A: The ASEAN consumer exists and is quite like the Asian consumer. Both groups are emerging consumers who have experienced rapid evolution in a relatively short time. The Asian consumer has gone from a kart to a Ferrari in just 20 years, compared to 60 years in Europe. They are also digital consumers who were born with a mobile phone. Similarly, the ASEAN consumers are from the GenZ generation, who were born with computers and phones, and are used to playing with digital devices. They prefer consuming products via digital tools, and with seven million Indonesians joining the middle class annually, the region will have more than 50% of its population move to middle class by 2030. COVID-19 has boosted consumption trends and given rise to different types of e-commerce, including first and second-generation online shopping,

with the latter being more interactive, showcasing products and requiring more interaction on social media. However, it is worth noting that there is a split between ASEAN Muslims and the rest. The aging population trend will vastly shape the consumption behaviour in ASEAN.

Q: Would you say there is a unit of consumption in ASEAN?

A: I would say that there is a clear unit of consumption in ASEAN. The region has a considerable access rate to media, with Indonesia being particularly exposed. The island phenomenon in countries like the Philippines and Indonesia has pushed consumption towards the internet and digital platforms. As a result, there is less reliance on brick-and-mortar stores. The region's consumers share similar characteristics, including being highly digitally engaged and having a strong GenZ population that is used to playing with digital devices.

These factors have contributed to the emergence of a distinct ASEAN consumer unit that is highly receptive to new trends and consumption patterns. Therefore, it is safe to say that there is a unit of consumption in ASEAN, which is shaped by a unique set of factors that differentiate it from other regions in Asia.

Q: What would you say are the key consumption trends?

A: Consumption trends are rapidly changing in Asia, with e-commerce accounting for 30-35% of total consumption and projected to reach 50% in the coming years. Brands are evolving to keep up with this shift and the logistics aspect of consumption is also changing rapidly. The traditional platforms like Lazada and Alibaba are being replaced by more dynamic concepts like TikTok, where the consumer becomes an actor, influencer, and consumer. Let's call it Shoptertainment! This is an evolution

that large companies must follow, as seen in the case of Clarins. Another trend is the rise of virtual influencers launching influence platforms. However, there is a slightly shady side to influencers, as seen with Kanye West in the US. In China, the trend is moving towards virtual influencers, and the metaverse is approaching at a fast pace. TikTok is leading the way in virtual staging, where everything is dematerialised. We are moving towards a staging of the virtual, and companies must adapt to stay relevant.

Q: With that in mind, what is your take on the evolution of physical retail?

A: The evolution of physical retail is still very relevant, especially for higher-end brands like Hermes and Louis Vuitton who place a great importance on the shopping experience. While COVID-19 has led to reduced sales areas in Singapore and Hong Kong, major brands are still allowing themselves larger and more luxurious points of sale. In the intermediate category, Decathlon still benefits from physical sales points which boost their online sales by allowing customers to surf online and then try out the product in-store. However, for the lower category of shoppers, online retail remains the preferred option. The evolution of physical retail will continue to be shaped by the needs and preferences of different categories of shoppers.

Q: Any insights on additional trends?

A: In addition to the previous trends discussed, there are two other emerging trends in the market. The first one is related to cosmetic and paramedical manufacturing, where there is a growing interest in home-made products. Companies are starting to manufacture and sell ingredients that the customer can use

to make their own products at home. This trend is driven by the desire for more natural and personalised products, as well as the need for sustainability. The second trend is the acceleration of the second-hand market. This trend is driven by the growing awareness of the environmental impact of fast fashion and the desire for more sustainable consumption habits. As a result, companies are starting to offer second-hand products, and platforms are emerging that facilitate the buying and selling of used items. These two trends demonstrate the growing importance of sustainability and personalization in the market.

Q: What is your take on sustainability and the expectations of ASEAN consumers?

A: It appears that except for Gen Z, consumers are not yet fully aware of sustainability. However,

some companies such as Picture Organic and Adidas have made great strides in incorporating sustainable practices into their manufacturing processes. While consumers may not be demanding sustainable products, there is significant pressure from regulators and environmental organizations for brands to become more eco-friendly. As a result, we are seeing a movement towards green practices at the company level, but this is not necessarily driven by consumer demand. It remains to be seen how consumers will react to sustainability as awareness increases and more brands begin to prioritize environmentally friendly practices.

Q: How can French companies develop in ASEAN?

A: French companies looking to develop in ASEAN should consider the importance of e-commerce alongside brick-and-mortar stores.





This approach may clash with traditional models of consumption and development, but it is crucial for companies to adapt to the changing market. Developing hybrid brands that allow for online orders in-store has not been very successful, so companies should consider alternative options, such as brick and mortar stores functioning primarily as showrooms with most orders placed online. Additionally, companies should prioritise sustainable operations, as the trend towards “green” is happening anyway. Finally, French companies need to get used to new payment methods, such as mobile payments, which are becoming increasingly popular in China and may soon replace traditional banking altogether with the introduction of the e-yuan. The payment landscape is evolving rapidly, and companies need to keep up to succeed in the ASEAN market.

Q: What is your take on the conflicting trends between emergence of ASEAN brands and dominance of Chinese influence on the region?

A: The emergence of ASEAN brands and the dominance of Chinese influence on the region present conflicting trends. While e-commerce is important as brick-and-mortar stores, price sensitivity is a factor in certain sectors where ASEAN brands are important. However, for high luxury brands like Hermes and Louis Vuitton, customers are not price sensitive, and counterfeit products are not much of a problem. Japan and Korea feature a different group of consumers because of aging and richer population. In ASEAN the influence of Chinese diaspora on consumption trends is predominant, thus influencing the creativity of local brands.

The integration of Chinese people in Thailand, for instance, has been successful, but this may not be the case in other countries. It is important to consider the Chinese diaspora as influencers. Overall, ASEAN brands need to find ways to compete with Chinese brands, but the price sensitivity of the market and the strong influence of Chinese culture cannot be ignored.

Interview 8

The Future of Finance and Investment Trends in ASEAN with Pascal Lambert, Finance and Investment Industry Expert, CCE Singapore



As an industry expert, Pascal Lambert provided us with insights into some of the current trends shaping the financial and investment landscape of the ASEAN market.

Pascal Lambert graduated in 1980 from ESSEC Business School in France and started a career in corporate and investment banking in various financial institutions across Europe and Asia. After joining Société Générale in 2009, Pascal Lambert evolved in the organization up, becoming Head of Southeast Asia and Group Country Head for Singapore from September 2012 to September 2021. After retiring from Société Générale, Pascal has joined a few boards and is also acting as Senior Advisor to a number of companies. He was also President of the French Chamber of Commerce in Singapore from 2017 to 2021.

Trend 1: The emergence of new banking platforms

New banking platforms and payments means are emerging across the region. Buy Now Pay Later (BNPL) platforms are gaining traction across ASEAN, boosting consumption amongst lower-income classes. BNPL platforms facilitate credit access to a greater part of the population. The rise of peer-to-peer (P2P) lending constitutes another example of how new payment and borrowing methods are reaching all ASEAN markets. In Indonesia for instance, with its large untapped population, new tech platforms are targeted by private capital injections from various private equity funds. However, the rise of such initiatives triggers questions mostly related to the low profitability margins of such platforms, and current period is putting to the test these business models.

Trend 2: E-commerce penetration vs traditional shopping

E-commerce has been an up-and-rising trend over the past years, the pandemic acting as a catalyzer for such development. Singapore has a 15% e-commerce penetration rate which is rather low compared to for instance China which showcases about 45% e-commerce penetration. This suggests that the purchasing habits of ASEAN consumers could evolve further. Physical shopping

malls continue to develop but with the differentiating trends depending on the market segment. Restauration, for instance, remains an integral part of the shopping mall customer experience in ASEAN, whereas fashion has benefited greatly from online habits. Looking at Singapore specifically, shopping malls have witnessed an elevation of consumption habits, with a natural divide in shopping experience between “international malls” and more local malls. The former catering to higher income segments of the population and the latter catering to local, lower income clientele. We may expect this divide to reduce with an effort of some of the global brands to reach out to a wider population.

Trend 3: The development of wealth management

Wealth management is a banking segment which has continued to gain importance in Singapore, and to a lower extent in other ASEAN countries, with its solid infrastructure and its strong political stability, Singapore has seen an acceleration in the arrival of family offices, which triggers a need for specific wealth management services. If Singapore remains the top destination for such family offices, we may also see a similar trend, though to a lesser degree, in some other ASEAN countries, and Thailand in particular. Beside the level of sophistication

that this clientele requires, through the strong presence of private banks as well as family office, one may also note the recent efforts to raise the philanthropy “offer” that Singapore can demonstrate across the region.

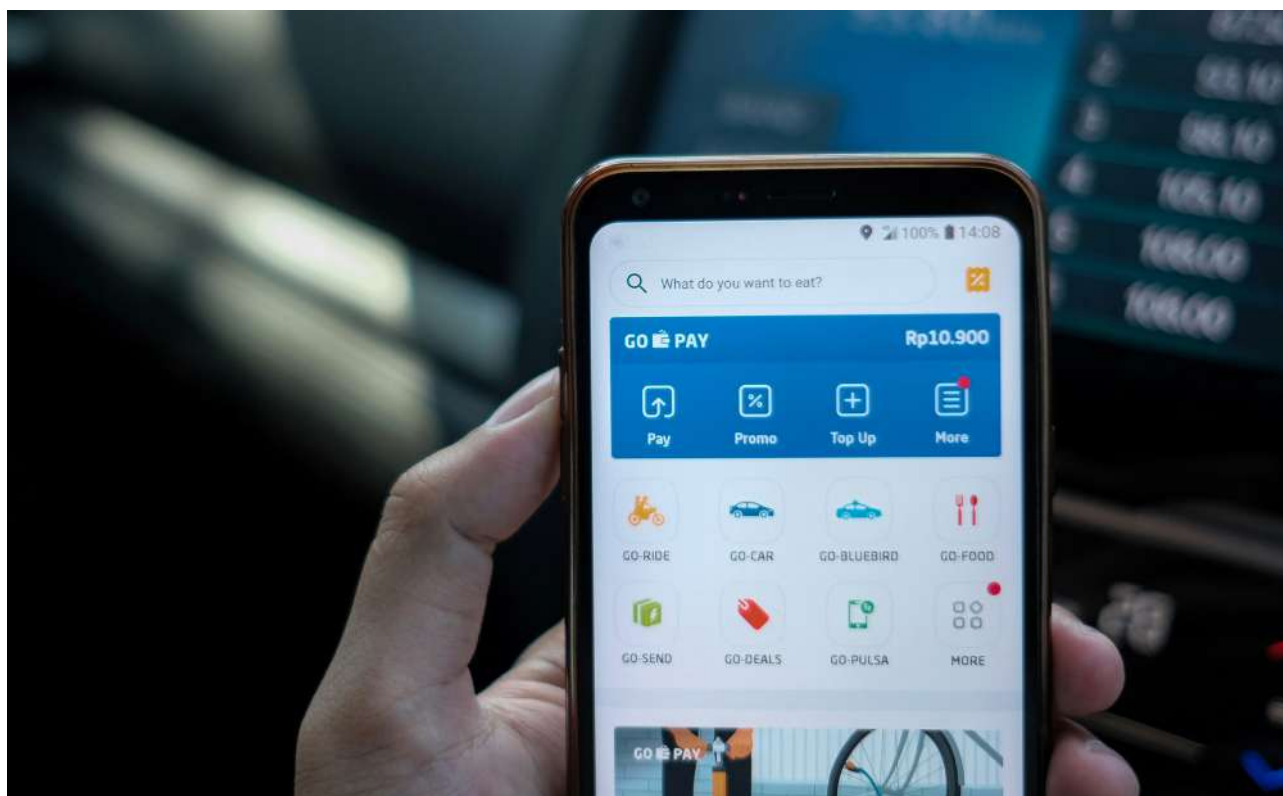
Trend 4: The attractiveness of entrepreneurship

More and more Asian groups invest via a dedicated venture arm in the start-up ecosystem. They do it directly but also often along with well-known international venture/private equity groups. There is for instance the example of Eurazeo’s smart-city funds which attracted various Asian investors, both institutional as well as corporates. Through such vehicles, such investors can access globally new technologies which may ultimately be relevant to their own market and strategy, triggering then closer partnerships. One can notice the intent to create synergies between the different investment targets. Regional projects are an interesting point of focus, with growing collaboration between public/private, local/international actors. Such movements of capital act as catalyzers for the entire innovation and entrepreneurial ecosystem in the region.

Trend 5: Well-being and education: two booming sectors

The final trend addressed in our discussion, is the growing

focus on well-being and education developing across the region. In terms of well-being, sport is becoming a more and more attractive opportunity. Decathlon’s success in ASEAN for instance is a great example of how consumers increasingly regard sport as an integrant part of their lives. Taking the health dimension into account, Malaysia and Singapore are positioning themselves as strong leaders, attracting health tourists in their infrastructures. An additional trend to consider with respect to well-being would be the development of a silver-economy. If health habits for the aging class of the population remain very different from European standards, the aging of the population will bring the sector to develop, with disparities between countries (mostly applicable to Singapore, Thailand and Malaysia). Finally, education is also a sector of great interest across the whole region, with Thailand and Indonesia being particularly attractive given their size. The sector is known to be very dynamic with an ever-so increasing number of private institutions dedicated to education. Foreign acquisitions and investments in this sector have been growing. Vietnam could also represent an interesting target in terms of foreign companies given its young population and its growing reputation among foreign companies.



Interview 9

Decathlon's Winning Playbook: Localising Strategies and Championing Sustainability in Asia's Diverse Markets with Frédéric Bichet, APAC Leader, Decathlon, CCE Thailand



Decathlon, founded in 1976, is a French sports retailer that specialises in affordable and high-quality sports goods. It has successfully entered the Asian market and currently operates in 14 countries. Decathlon's success in Asia is due to its product quality, localisation, efficient supply chain, and positive in-store experience. It is expected to continue expanding in the region.

After graduating a master's in Business, Management, Marketing and Related Sports Services, Frédéric started his career in Decathlon. First based in France, he then moved to India as a zone manager. After spending seven years in Thailand as country CEO, he became APAC leader in October 2022.

Q: How do you segment the population in ASEAN countries?

A: Decathlon segments customers in ASEAN by age, taking into account the diversity of young versus older populations in each country. For example, there is a large difference in demographics between Thailand and Cambodia, where almost half of the population is younger than 24 years old. The company avoids taking a general customer approach and instead works to tailor its products and strategies to each market, recognising that consumer habits and preferences differ significantly between countries within the ASEAN region.

Q: Is the sustainability aspect found in less developed countries?

A: Yes, the sustainability aspect is found in lower income countries, although it may not be targeted in the same way as in more developed countries. Decathlon is present in

all countries and has a two-step development process that considers the level of development of each country. However, even in lower income countries, the trend for sustainability is expected to grow rapidly, in part due to the young demographic present in these regions and who are thought about the challenges related to climate change. Therefore, Decathlon is focusing on developing strategies that address sustainability in a way that is appropriate for each market, recognising that sustainability is an important consideration for consumers regardless of their income level, and that this trend will amplify in the coming years.

Q: Do you see any other trends?

A: Physical consumption is of strong importance in Southeast Asia, and it is not expected to undergo a drastic digital shift as seen in China. The reason for this is that emerging countries in Asia have a mall culture

and shopping is often viewed as a social activity and a meeting point. Shopping in physical stores offers comfort and convenience, which further drives offline consumption. People in Asia often go out to eat and interact, which means that shopping in person is an integral part of the culture. Therefore, while online shopping is growing in popularity, physical retail is expected to remain an important part of the consumer experience in Asia for the foreseeable future. Since the end of the pandemic, and depending on markets, we see a stagnation of the share of online sales vs. traditional, in person sales. At the moment, the share of online sales is 10-25% depending on the market, and it does not seem to go higher than this. Hence the in-person experience in stores remain very important for us.

Q: Do you recognise changes in the payment's solutions used?

A: Yes, there are noticeable changes in the payment solutions used in many

markets, with the emergence of new payment options. Cash is expected to disappear quickly as more people adopt electronic payment methods. In some countries, credit card usage is skipped altogether, for QR code types of payment methods, and Singapore is almost cashless. The growth and adoption of these emerging payment solutions is very high, and they offer an enabler for smaller commissions for companies. Additionally, the shift towards dematerialisation allows employees to focus on value-added activities rather than handling cash transactions. Overall, there is a clear trend towards the use of electronic payment methods in many markets, which is expected to continue to accelerate in the coming years.

Q: Local vs global: do you recognise specific trends regarding the best strategy to use as a French brand?

A: Decathlon places a strong emphasis on being as local as possible in its operations. The company does not communicate on its French roots, instead focusing on being local in each market it

operates in. Competition in the markets where Decathlon operates is generally scarce, given the specific positioning of local brands. However, this presents an opportunity for collaboration with local companies. Decathlon's ambition is to have a positive impact on the economy of each country it operates in. Therefore, a local strategy is of utmost importance for Decathlon, as it enables the company to better connect with local consumers, adapt to local market dynamics, and contribute to the local economy.

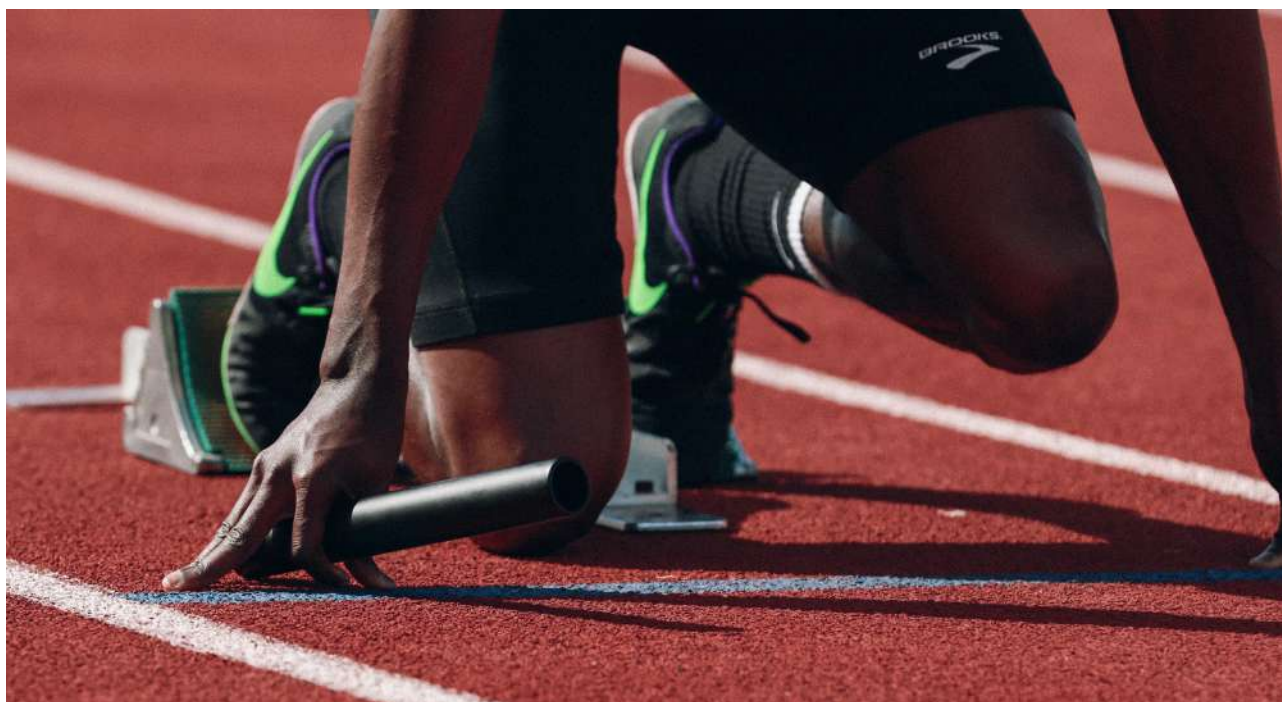
Q: How do you look at the expansion of Decathlon's footprint in a complex region like ASEAN, where the decision of investing and adding stores is not easy, especially once you start to look at tier 2 and tier 3 cities?

A: Decathlon has always started to enter a new market in ASEAN from its capital city and build from there, to develop and grow without dispersion. But our expansion strategy needs to be tailored country by country. In Thailand for instance, there are not really tier 2 cities, but the

landscape varies from a centralised capital, Bangkok to several tier 3 cities, without intermediate cities in between. While Decathlon can expand everywhere in ASEAN, it cannot be with the same offering, depending on local tastes and purchasing power. The most interesting example is Indonesia. Given the scale of the country and the geographical disparities, Decathlon has decided to work with a local partner specifically in this country. The company had never relied on local partners before for store expansion, but for this market, we had to adapt and try a different type of expansion model, a hybrid franchise model.

Q: What are the trends in terms of Wellness and Sport in ASEAN and how do you integrate them in your group strategy?

A: There are several trends in wellness and sports in ASEAN that are relevant to Decathlon's group strategy. First, there is a growing popularity of sports and wellness activities across the region. Health is gaining more and more importance in all countries, with



people becoming increasingly aware of the importance of staying active. In terms of specific sports, running is developing across all regions, and there is an evolution in the sport towards more outdoor activities such as hiking. Water sports are also dominating in the region, while fitness is booming in large cities. The middle class is more fractured, with niche sports such as horse-riding becoming more popular.

Golf is also an attractive sport in the region, particularly for tourism. Finally,

cycling is becoming a popular activity, with the sport being either used as a mode of transport or as an elite sport with very expensive equipment.

To integrate these trends into its group strategy, Decathlon must prioritise product development that caters to these emerging trends. The company must also ensure that its stores are well-stocked with products that meet the needs of local customers. Furthermore, Decathlon can also leverage its network of stores and online channels to

promote these sports and wellness activities to a wider audience. Overall, Decathlon must remain agile and adaptable to ensure that it stays ahead of these emerging trends and meets the evolving needs of its customers in ASEAN.

Q: Is decathlon positioned as middle range of the market in ASEAN?

A: Decathlon's positioning in ASEAN is not uniform across all countries. In Singapore, the brand is recognised for its good price-to-quality ratio. However, in other countries, Decathlon is perceived as a brand that brings innovative products to the market (some products that we launched were developed for a specific ASEAN market), and as a result, the brand is viewed in a better light. Overall, Decathlon's positioning in ASEAN varies depending on the country, and the company must tailor its approach accordingly to meet the specific needs of each market.

Q: Any other last comment regarding key success factors for a company expending in ASEAN, how do you look at talents, to win in this region?

A: Decathlon's goal when looking at human resources has always been to recruit local talents, upskill them internally, and encourage regional mobility within the region. Training and allowing our team members to work in different countries has created a strong bonding with the company. It has increased staff loyalty while giving a great image of the firm and the brand itself not only to our employees but for their families and friends who see very positively the empowerment and regional exposure given by Decathlon to their team members. This aspect is a key success factor for us in the region.



Interview 10

BioMérieux: The strategy for successful healthcare development in ASEAN with Arnaud Favry, Director of Public and Governmental affairs and Patient Value Strategy, BioMérieux, CCE Rhône-Alpes



BioMérieux is a French multinational biotechnology company that has been working in the medical field since 1963. The company creates in-vitro diagnostic solutions (equipment, reagents, softwares and services) that help doctors diagnose diseases more accurately, quickly, and efficiently. bioMérieux has expanded its operations around the world, with teams in 44 countries and customers in 160 countries, including in ASEAN. The medical devices and consumables are used to test for various illnesses, such as infectious diseases, cancer, and heart disease. In addition to creating these tools, bioMérieux also provides education and guidance to healthcare professionals & patients on how to use their products effectively as well as on various public health challenges such as antimicrobial resistance.

Arnaud Favry, the Director of Public and Governmental Affairs and Patient Value Strategy at BioMérieux, is a seasoned professional in the healthcare and international trade sectors. Arnaud's passion for geopolitics and Asian affairs stems from his extensive experience in the field. He holds degrees from Sciences Po Paris and Harvard Business School. Arnaud joined bioMérieux in 2017 as the Asia Pacific Initiatives Manager, and in 2019, he took on the role of overseeing the company's commercial development in Indonesia. After two years in Indonesia, Arnaud returned to France in 2021 to take up his current position at the company.

Q: What are some of the challenges bioMérieux faces in the ASEAN healthcare industry and how are you positioning bioMérieux as a key player in the diagnostic space?

A: One of the challenges in the ASEAN healthcare industry is defining the ASEAN consumer and identifying key consumption trends that may unfold in the future. However, two emerging trends are the ageing population and the diversity of markets, which highlight the importance of local brands and actors. bioMérieux has built a department dedicated to interacting with the public health ecosystem (ranging from public administrations to patient associations). Our company is focused on becoming a key player in the diagnostic space in the region, and our APAC division includes one subsidiary that regroups with ASEAN countries. The client base for bioMérieux is primarily labs, which are B2B customers.

Q: How does bioMérieux plan to adapt to emerging trends in the ASEAN healthcare industry?

A: bioMérieux plans to leverage emerging trends in the ASEAN healthcare industry by integrating our diagnostic

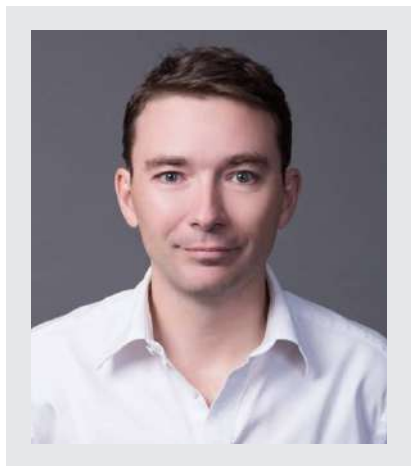
tools with digital health platforms such as telemedicine and mobile health apps, which enhance access to healthcare and improve patient outcomes. Additionally, we have plans to develop solutions that enable healthcare providers to better track patient outcomes and identify a patient's resistance profile to antibiotic treatments, which aligns with the shift we are seeing towards value-based care in the region.

Q: How can companies looking to enter the healthcare industry in ASEAN learn from bioMérieux's experience?

A: Companies interested to develop activities in ASEAN would benefit from building partnerships with academic and research institutions in the region to stay ahead of emerging trends and innovations and better understand each market's needs. Starting with one country and looking for commercial opportunities ASEAN from Singapore can also help companies establish a foothold in the region. The healthcare industry in ASEAN is evolving rapidly, and companies need to adapt to emerging trends and understand the unique challenges of each market in order to succeed.

Interview 11

Entertainment on the go in ASEAN with Gilles Langourieux, CEO, Virtuous Games, CCE Singapore



Q: Please introduce yourself and your company

A: I am CEO at Virtuous, one of the largest entertainment content production companies in the world, with offices in Singapore, Shanghai, Chengdu, Ho Chi Minh City, Xian, Paris, and Vancouver. Virtuos and Sparx studios produce the highest quality art, animation and games for leading entertainment companies worldwide.

Q: What are recent trends you have noticed in Asia?

A: The Asia region in general is the biggest region for video games. China, Korea, and Japan are three of the top five largest markets for video games. Furthermore, Indonesia, Thailand, Vietnam, and Singapore are among the fastest-growing markets in the world. Markets in Asia make up about half of video game sales.

This growth in video games is directly related to the growth in the penetration of smartphones. Since

2000, smartphones have become a major gaming platform. Smartphone penetration in Asia has been very quick and so, in parallel to the penetration of smartphones, you have an increase in the consumption of video games.

The mobile phone has put video games in the hands of people located in very far away regions, who had no access to video games before. They don't have a TVs or consoles but they have mobile phones, and then they play on their mobile phone.

Q: How does the ASEAN consumer differ to the Asian consumer?

A: They have accessed video games later than other markets. Historically, Japan was probably one of the first markets because they were early adapters of the video game console. Nintendo, a Japanese company was the top console on the market for a long time. In China and Korea in the early 2000s, PC gaming became popular.

However, in ASEAN countries, there hasn't been as much penetration of PC gaming and so countries like Indonesia, the Philippines, Thailand, and Vietnam, smartphone gaming has been much more popular.

Q: What does this mean for French companies?

A: French video game companies traditionally have been stronger in PC and console gaming, than mobile gaming. For the ones like UBI soft, they've been stronger in a PC and

console gaming. However, the Asian market is still a small and difficult market for these companies, as not many consumers in the region have a PC or console platform.

But unicorns target the Asian market, and it is a market where a good level of localisation of the content is required. This is something that a Singapore company, Garena, understands very well. They made a shooting game that they are able to adapt the content to different markets. They have added support teams who are talking to the local consumers, in their local language. So localising the content, and localising the team, is part of the recipe to be successful in these markets, which can be very profitable.

Q: Are there some other interesting trends you noticed in ASEAN?

A: E-Sports is a segment that has been growing very fast in the Asian region due to the highly competitive nature of Asian players. Essentially,





e-Sports involves revenue generated by teams who play video games in a competitive way, often in arenas, through tournaments where advertising and prize money are involved.

Q: What do you think about the future of the market?

A: I tend to believe there's still room for the purchasing power of the Asian population to increase.

I believe that there's still room for the purchasing power of the Asian population to increase, which can lead to growth in the video game market.

This growth can be connected to two factors. The first is an increase in the install base, which means an increase in the number of people owning mobile phones. If this number increases, then the number of players will increase as well. The second factor is the purchasing power of Asian consumers. If their purchasing power increases, then the amount spent on gaming will also increase.

I've noticed that the Asian population tends to touch games later than other regions such as Europe, the US, and Japan, and as a result, the population of players is generally younger. I also believe that the

potential for smartphone penetration to increase is high, which could lead to higher growth in the video game market in Asian countries. Additionally, the purchasing power of the ASEAN market is increasing, with more money available for non-essential needs. As the easiest form of entertainment is provided through mobile phones, I think that online entertainment in general, and video games in particular, will continue to see higher growth in Asian countries compared to developed markets. I also believe that the same potential for growth can be seen in other developing countries in Africa and Latin America.

Interview 12

Setting sustainability standards in services with Arnaud Bialecki, Managing Director, Sodexo Southeast Asia, President of the CCE Thailand Committee



Sodexo is a French multinational corporation that operates in 53 countries around the world, providing food services, facilities management, and other services to businesses and institutions. In Southeast Asia, Sodexo has a strong presence and operates in several countries such as Singapore, Malaysia, Thailand, Indonesia, the Philippines, and Vietnam. The company provides corporate dining and catering services, employee benefits and rewards programs, facilities management services to clients in the region. Sodexo is committed to sustainability and social responsibility, promoting sustainable practices, and supporting local communities through various corporate social responsibility initiatives.

Arnaud Bialecki is the managing director for Sodexo in Southeast Asia with a portfolio of activities including food services and facilities management services. Arnaud has 23 years of experience in the facilities management industry in Asia and currently manages Sodexo operations across six countries, employing over 10,000 people.

Q: What is Sodexo's position in Southeast Asia and what consumer trends you are noticing in the region?

A: Sodexo operates primarily in the B2B space so we operate with directors and managers of businesses who will then provide feedback from their consumers or their own feedback on our services. However, this means we interact with a lot of different businesses in different sectors who serve different types of consumers and employees in these businesses are also consumers, so we see consumer trends from many different angles and have to adapt our businesses towards these trends.

In terms of our businesses in Southeast Asia, facilities management for offices, schools, and hospitals is our strongest area. However, we also offer food services which sees a lot more interaction

with consumers. We have also begun to diversify into support services for offices.

Regarding trends, there are three key trends driving our business. These are sustainability, adapting to the post-pandemic era, and creating an experience for people.

Q: What are you noticing in terms of sustainability?

A: Sustainability has always been at the heart of everything that Sodexo does. We have spent 17 years ranked among the leaders of the Dow Jones Sustainability World Indices. Sodexo scores among the highest in the areas of environment, social and corporate governance, demonstrating once again its leadership in responsible practices. We do this by ensuring responsible procurement and sourcing, and sustainable production.

This involves us meeting over 300 KPIs each year and monitoring everything we do. For example, we would check to see how many of our suppliers are owned by women.

We are beginning to see sustainability as a growing priority among our clients as well. The level of maturity in this area certainly varies across country but it is high on the agenda for a lot of businesses now which is positive to see. To give you an example, we provided food services for an international school in Bangkok. The school wanted the menu to become completely organic. This is not something we usually push due to the cost, however, following our internal costing, we went back to the school offering a completely organic menu but with a 30 per cent price increase which was accepted. Consumers and businesses are beginning to see that they have to

pay more to promote a greener and safer environment. Whilst there is an increase in costs, it is important that businesses offer sustainable services in the most cost-effective manner possible to give customers the choice as this becomes high on the agenda in the future.

Q: What was the impact of COVID-19 on your business operations?

A: COVID-19 gave rise to two different trends that we are now seeing that affect our business. We have worked very hard to adapt the services we offer to the new normal alongside many other businesses. During the height of the pandemic, working from home made office spaces obsolete. However, with the relaxing of restrictions, many companies have begun to realise the benefits of working from home and are implementing a hybrid working arrangement where employees can split their time between the home and office. In order to make this successful though, offices have to be a place that employees want to come and this means creating an experience for employees.

Therefore, when we are managing

offices, we are increasingly seeing clients demand an open and spacious area in which to work. Private offices are reserved for high-level executives and even these are dwindling. Singapore is the forerunner in this area with many offices designed as open spaces and the trend is slowly moving to Thailand and Malaysia. The trend here is that the office is no longer just a place for employees to come for eight hours and do their work at a screen but is a place for employees to spend their entire day doing different things with different colleagues across the business. This was a trend in tech firms in Singapore before COVID-19 but is spreading to many different companies. Offices need to be a fun place to be where people actually want to come in to collaborate, share ideas, interact with colleagues, and work. Creating an office experience rather than just a place of work seems to be something that more and more businesses are trying to do.

The second area I want to talk about relates to hospitals and how these have changed throughout the pandemic. COVID-19 presented an incredibly steep learning curve for the healthcare industry, and

we had to adapt quickly to ensure hospitals were safe and that they could continue to operate despite the conditions. During the initial phase of COVID-19 back in 2020, people were scared to go to hospitals due to the risk of infection and this meant delayed visits, potentially worsening other health issues. Our response was a huge effort to reduce interactions with patients between other patients and staff. We implemented rigorous safety protocols to ensure the health and well-being of our employees and clients. We also adapted our hospital services to meet the evolving needs of our clients during the pandemic. For example, we increased the frequency of cleaning and disinfection in hospitals, and we implemented social distancing measures in dining areas to prevent the spread of the virus.

In conclusion, the most important things for the service industry to consider are ensuring clients have the option of sustainable services and although there may be some cost increases, ensuring these are affordable is key to ensuring uptake. The second trend to consider is creating experiences for consumers, whether that be at offices or hospitals, to ensure enjoyment and safety.



Interview 13

Adoption of Omni Channels as a key lever for Sustainable and Agile logistics with Camille Jozon, Head of the Beauty Industry, Bolloré logistics



Camille Jozon is the APAC Head of the Beauty Industry at Bolloré logistics, a global leader in international transport and logistics. In her role, Camille supports several Perfumes & Cosmetics Brands in their logistics, procurement, and supply chain operations. Camille is responsible for operations in Asia Pacific, including North-Asia, ASEAN, and Oceania.

striving towards operating in energy efficient warehouses, and are actively exploring ways to decrease plastic usage, like using reusable cotton covers for our pallets and reusing inbound packaging.

Consumer trends in Southeast Asia show a growing appetite for sustainability, evident in the demand for Halal cosmetics and anti-pollution products. These trends point to a rise in consumer awareness towards sustainability and wellness, and we are dedicated to serving and supporting these demands. At Bolloré, we're not just reacting to these trends; we are actively driving our operations towards sustainable practices to contribute positively to the future of our planet.

Q: Can you share your views on what trends you are noticing in ASEAN and how these relate to logistics?

A: As a logistics company, we mainly handle B2B transactions, but this also gives us some insight into the end consumer. With the COVID-19 pandemic, we've seen a shift in consumer habits. Brands had to quickly react to the situation and establish direct-to-consumer channels. In Southeast Asia, the two big marketplaces are Shopee and Lazada. One of the emerging trends is that brands are now looking for agility and flexibility to switch into a digital omnichannel experience for consumers that allows them to reach the end user through a variety of different ways. Having a physical store presence is no longer enough.

Q: Can you share insights into the current sustainability trends within ASEAN markets and elaborate on how your operations are responding to these trends?

A: Indeed, the move towards sustainability and agility is crucial

in today's market. Bolloré has adopted an omni-channel system to respond to this trend. This approach integrates e-commerce, retail, and business-to-distributor channels under one roof, facilitating swift reallocation of products based on real-time demand. This not only enhances our operational efficiency but also contributes to better inventory management, reducing overstock and wastage.

As part of our commitment to sustainability, we're also adjusting our supply chain operations. We're making conscious efforts to decrease air freight and increase sea freight usage, which substantially reduces our carbon footprint. In cases where air freight is unavoidable, we are exploring the use of alternative fuels derived from waste cooking oil, to curb CO2 emissions.

Our warehouse operations also reflect our sustainability commitment. We're reducing packaging waste, using cleaner, biodegradable materials, and harnessing green electricity sourced from solar panels. We are

Q: Is this push for sustainability coming from brands or from consumers and do you think that it is here to stay?

A: We are observing an increasing emphasis on sustainability from both brands and consumers in ASEAN markets. Currently, the major push comes from European brands, particularly French ones, with whom we work closely. They play a significant role in educating consumers in ASEAN markets about sustainability, and we're starting to see the impact of their efforts.

While the level of consumer engagement with sustainability can vary based on factors such as income level and education, there's a growing appetite for sustainable practices in more developed Southeast

Asian countries like Singapore and Malaysia. We're witnessing a clear shift in consumer expectations, driven in part by these brands' efforts.

We believe the shift towards sustainability is not just a passing trend but a significant pivot that's here to stay. We're preparing for a future where sustainability won't be optional but rather an expectation. For example, in France, brands are now facing penalties for unsustainable practices like improper destruction of goods. While such regulations are not yet commonplace in Southeast Asia, we anticipate such measures will be implemented in the future.

At Bolloré, we are already taking proactive steps to enhance our sustainability practices. For instance, we're working with brands to segregate items destined for waste based on material type, such as paper, glass, and plastic. These items are then sent to dedicated vendors for recycling or upcycling, a project that signifies our commitment to reducing waste and promoting a circular economy. We believe this is not only the right thing to do but also an investment in our future business viability.

Q: Are there any other trends you are noticing related to consumer demographics?

A: Indeed, the millennial demographic is highly connected and well-informed, which significantly influences their expectations and preferences. At Bolloré, we're actively working to meet these evolving needs. For example, we provide personalised services such as engraving names or messages on products like lipsticks or perfumes right in our warehouses. We also offer value-added services related to gift packaging and personalising orders with additions like gift cards

or personalised messages.

Additionally, recognising that each Southeast Asian country has unique regulatory constraints, especially for perfumes and cosmetics, we provide significant support to the brands we work with. We help them navigate these regulations by providing guidance on appropriate labelling and ensuring all information complies with relevant regulations. We see this as an essential part of our role in supporting the brands we partner with.

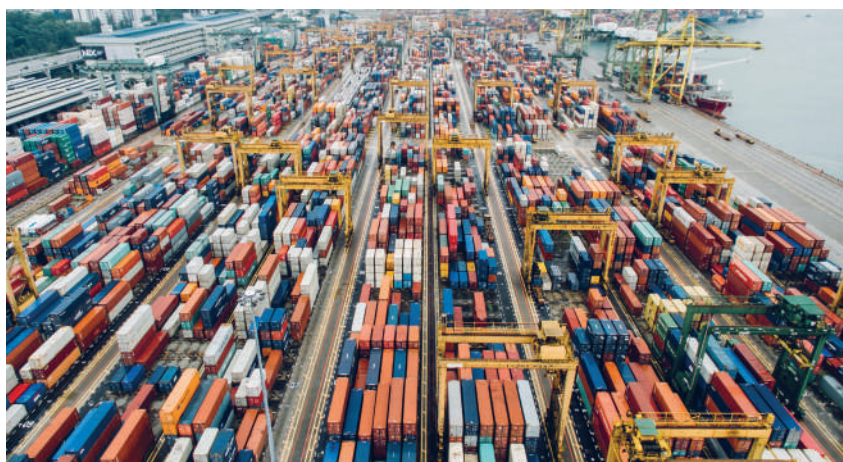
Q: Given the sensitivity to price in markets like Southeast Asia and the rise of local brands, how do you compete without using the same strategies as them, particularly in the context of sustainability initiatives?

A: At our company, we don't view sustainability as an extra cost or a hurdle to our competitiveness. In fact, it's the opposite. We have found through our projects that sustainability can lead to cost savings. For instance, using less packaging reduces material costs. Consolidating more items leads to lower shipping costs. Switching from airfreight to sea freight reduces costs by as much as tenfold. These initiatives also contribute to our brand's reputation for being environmentally conscious, which

is highly valued by our target demographic - the premium segment. We don't target the mass market like local brands. We focus on premium perfume and cosmetic brands, selling in exclusive stores rather than supermarkets, appealing to a different type of consumer.

Q: Considering the trend of local manufacturing and the allure of the 'Made in' tag for premium brands, particularly for the Asian consumer, how do you maintain the value and luxury of a brand while contemplating a more localised supply chain?

A: We have been exploring opportunities for local manufacturing, particularly late-stage manufacturing. However, to maintain the 'Made in' status that's integral to the luxury perception of our brands, the manufacturing process needs to be completed in the country indicated by the tag, such as France. The 'Made in' status has a powerful luxury appeal, especially for our Asian consumers. However, it's not just about the 'Made in' tag. Other factors like advertising, the models and influencers used also contribute to the brand's image and appeal. So, while there are discussions on how sourcing can be closer to consumption, the brand image, including the 'Made in' status, still carries significant weight.



Interview 14

Driving the Future of ASEAN: the Rise of Electric Vehicles and Sustainable Mobility with Damien Kerneis, Co-founder and CEO, Siam Car Deal



Damien Kerneis is Co-Founder and CEO of Siam Car Deal, a company based in Bangkok which he Co-Founded in 2016. Siam Car Deal helps Automotive Retailers increase their sales through various digital solutions, from Lead Generation to Lead Management Software. Damien has been based in Thailand for 17 years and has a deep understanding of the Thailand automotive market. Damien is also Co-President of La French Tech Bangkok.

car buyers, but how is it in Thailand exactly?

A: Tesla's approach to car sales is an increasing trend in APAC, not only in Thailand. Tesla entered the market without any sales network, it took a different approach to sales, with only online sales through the website, a few small format sales showrooms in shopping malls to showcase the cars, and for after sales, a network of partners, garages approved by Tesla for maintenance, which is simpler for EV than it is for combustion engines. We have started to see that in Australia, several makers have decided to no longer sell cars through their dealerships but only online, leaving to dealership the role of after sales and showroom. It allows the car makers to reduce complexity related to pricing with uniform prices, uniform discounts, and insurance packages. Car dealerships are becoming just a place that delivers the cars and undertake maintenance. The consequence for car dealers is an erosion of their margin since they no longer handle sales. As a result, there has been a strong pushback from dealers to adopt this model.

In Thailand, where established car makers have many dealerships and point of sales, it is very difficult for them to enforce this type of online, centralised sales model. However, for newcomers entering Thailand, who have no prior network, and especially for new comers selling EV to urban, digitally ready Thai consumers, it is easier to adopt such type of sales model, or at least to try an hybrid

Q: Hi Damien, we would like to start by asking about the trends in the automotive industry from the consumer standpoint. What do we see in the Thailand automotive landscape at the moment, what are the trends among Thai consumers?

A: EV is having a big traction in Thailand, especially urban Thailand. There are several factors that explain this sustained and increasing interest for EV cars: 1) the EV charging station infrastructure has been developing well in the past two years, alleviating the worry of not being able to recharge EV. 2) Constructors, especially Chinese constructors, have entered the Thailand market with attractive models, and reasonably priced EV. BYD made a spectacular entry, but Great Wall also has attractive models that are driving interest. On the higher end, Tesla has been recording encouraging sales since its recent launch in the Thai market. Siam Car

Deal did a survey in 2022 where we found out that 40% of Urban Thai car owners are considering replacing their combustion engine with EV. We believe this trend will continue to accelerate.

Specifically, for Chinese cars, there is a strong trend that shows that the concern around quality and reliability of Chinese cars is significantly decreasing. Chinese makers have the most attractive models and reasonable pricing since they are imported completely built with no additional tax thanks to the Thailand – China agreement. Chinese EVs are now becoming a new consumer choice.

Q: Are there any other strong trends that should be highlighted in the Thai car market? Any notable disruption related to car sales or channels in particular? We hear that carmakers are looking at new showroom format and other channels to bring cars to



model between online sales and traditional dealership sales. Chinese Maker Great Wall Motor for instance, has installed some of its compact showrooms in shopping malls, in addition to establishing a network of dealers. However, clients are still required to purchase the car online on the company's website. While it simplifies the sales process for Great Wall Motors, it makes it also harder to sign dealers who are less attracted by a sales model where vehicle sales is not permitted.

This new way of selling cars gives a cost advantage to newcomers, with less sales staff, less need for sales training, better margins. Established car makers cannot suddenly pivot for such model as the risk to alienate their existing dealership network is very high.

Q: Is the trend towards EV adoption true for all types of cars in the Thai market, or are there any differences depending on the car model, or segments of buyers?

A: While this trend is here to stay, it is important to note that this concerns mostly passenger cars, and not pick-ups. The specificity of the Thai market is that 50% of the cars under the category of passenger cars are pick-ups. Since there are no electric pick-ups in the market yet, pick up manufacturers are still relatively shielded from the traction of the market towards EV, for now. The market disruption towards EV is therefore a lot stronger for traditional passenger cars, in urban areas. Even the trend towards more hybrid is accelerating for this type of car models.

Interview 15

Vision for the Future: Navigating Trends and Opportunities in the ASEAN Optical Market with Jayanth Bhuvaraghan, Industry Expert



Jayanth, with a distinguished career spanning over two decades at EssilorLuxotica, is an industry expert on business development and sustainability in emerging markets. Jayanth worked with EssilorLuxotica, a global eyewear and eyecare company, from 1998 until he recently retired. He served as President in ASEAN, among other areas, before becoming their first Chief Mission Officer. Jayanth's commitment to sustainability and 'business as a force for good' is exemplified by his role in providing first-time eye care access to over 500 million people globally, particularly to those on lower incomes. Jayanth's blend of experience, strategic acumen, and a sincere commitment to purpose-driven transformation truly solidify his expertise in the ASEAN region and in emerging markets globally.

Q: How do you view the concept of ASEAN consumers? Are there similarities between the markets?

A: ASEAN has a population of over half a billion, with a large number of young people, making it a big market both in terms of number and value. French companies began arriving in ASEAN markets in the late 1980s and early 1990s when the markets were not well-defined. Since then, the markets have undergone rapid transition and French companies have benefited from being well-established and recognisable since their early entry, allowing them to benefit from the growth in Southeast Asia.

There are broad trends that are present in every single ASEAN country, such as digital advancement and sustainability. However, each market is also different and there are specific trends that are present in each country or city. This depends on a variety of factors, such as demographics, cultures, or incomes. Penetration and network connection groups are high in all these countries,

making it a huge avenue for growth for companies like EssilorLuxotica.

In terms of our industry, we have seen a growing trend of strong market presence and high product adoption rates in the ASEAN countries, outperforming those in other fast-growing markets. It is important that a company can capitalise on this trend by leveraging an extensive network of local partners and distribution channels, which are typically good in the region, to meet these opportunities. Having a solid foundation of products, and business and marketing acumen combined with finding local partners and distribution networks ensures for a smooth ASEAN journey.

Q: From your perspective, and more from a consumer perspective, what is the market like and how will they develop?

A: The ASEAN market, comprising 10 countries, represents a diverse and dynamic economic landscape with varying levels of development.

Singapore, a highly developed market, stands as a regional hub for finance, technology, and trade, showcasing a robust infrastructure and a sophisticated economy. In contrast, other ASEAN nations are still in the process of growth and development, experiencing rapid economic expansion and urbanisation.

One thing we have seen in ASEAN is that global companies set up some of the largest private factories, to take advantage of the lower cost of manufacturing whilst it is easy to transfer and protect technology. It is one big advantage for large companies when you look at it not just as a consumer, but also as a market for leading products in the world, with unique positioning and the ease of doing business.

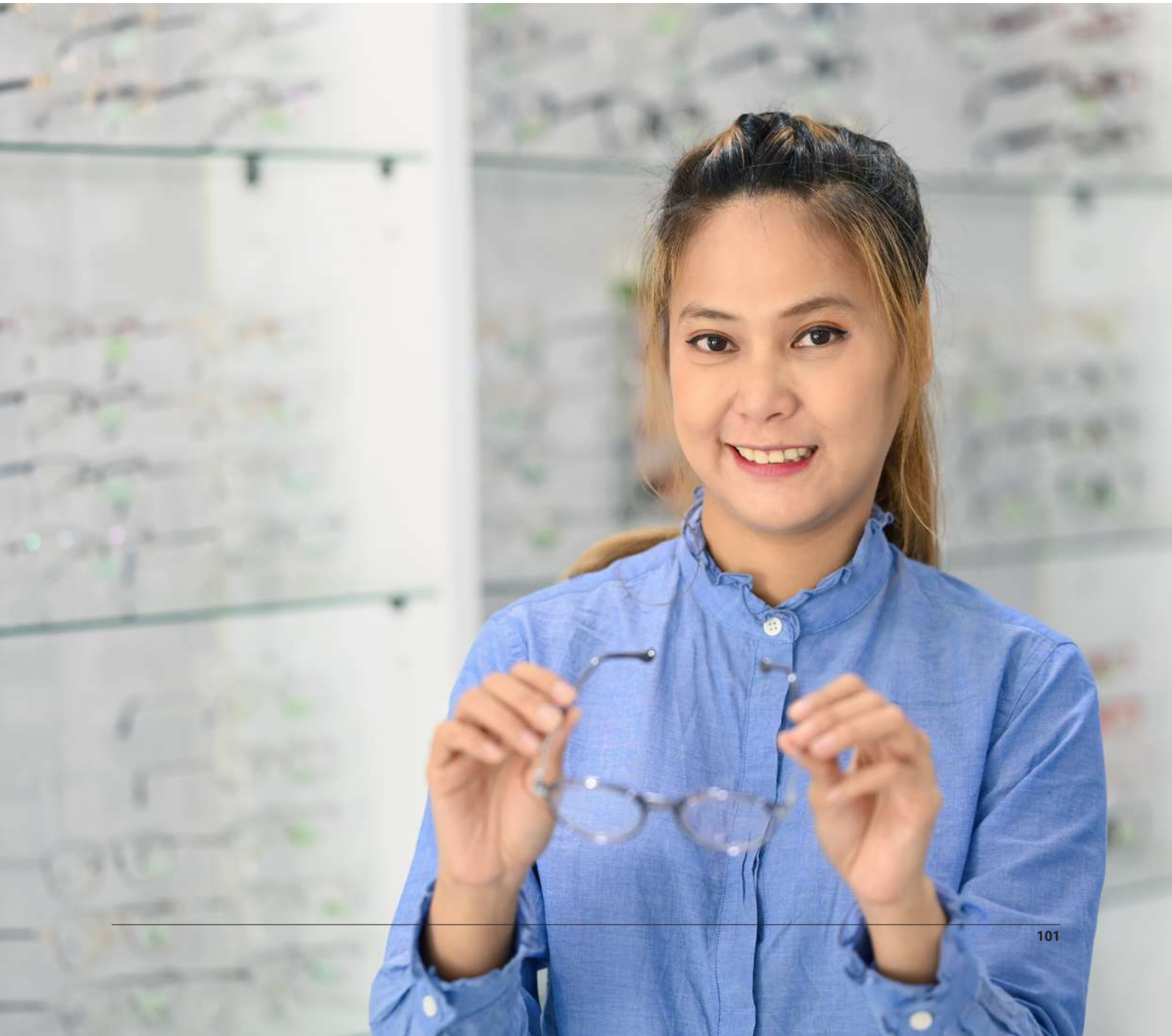
Another important thing here is large family businesses. They do very well with some good governance and business management. Thus, for large agencies to work in this kind of market, it's important to you to learn how to work with them.

Q: We notice a trend in ASEAN is the rise of local brands. Because local consumers are very sensitive to prices, local brands provide accessibly priced products for local citizens. Do you think it makes sense?

A: It is important here, like in any market. The disparity of income is widespread, the super-rich, the huge middle class, and the base of the pyramid. There are probably more levels of segregation to be there. For any company to be successful and appeal to the entire market, it must cater to all segments of the pyramid.

Q: How can companies like EssilorLuxotica interact with consumers and make connections with them?

A: The point of sale serves as a crucial connection with consumers, and education plays a vital role in forging this link. Retailers at the point of sale must be trained and equipped to explain products to consumers effectively. In some countries, informal networks are already in place, while in others, they need to be established. Companies must focus on fostering successful point-of-sale interactions in small shops and with individual customers to create a lasting impact.



Annex 2

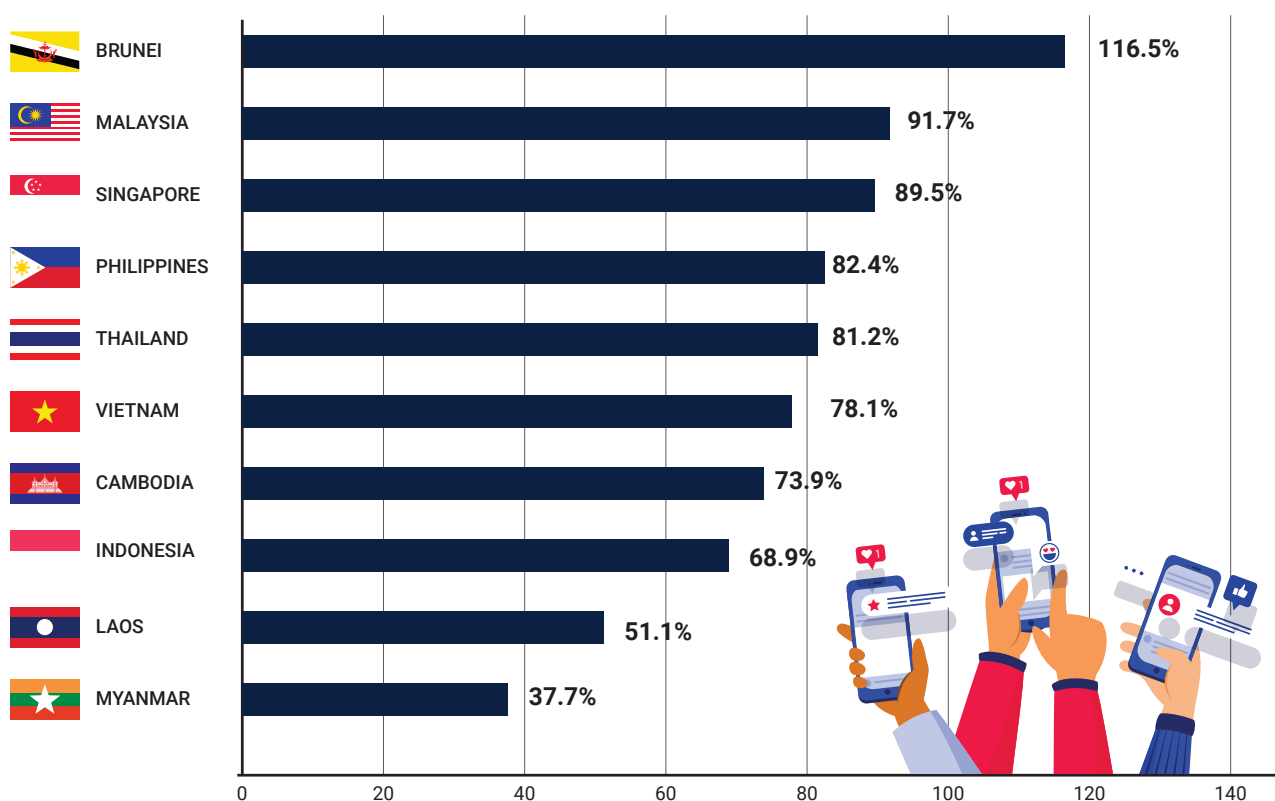
Business Cases

Business Case 1

The Changing Role of Digital Marketing

Digital media has taken off in the ASEAN region and this has given prominence to a new and exciting way to reach and interact with consumers. Digital marketing through social media, search engines, websites, and emails has expanded into a quick and interesting way to reach and target a range of different consumers. Out of a population of almost 700 million, an estimated 70% of those are internet users. The graphic below further highlights social media penetration with over two-thirds of the population engaging in social media in every country except Laos and Myanmar. Against the backdrop of COVID-19 and the increasing role of technology in today's world, the importance of digital marketing and how it can drive engagement and sales cannot be understated. Insights from digital marketing experts in the ASEAN region revealed how the role of marketing was changing and how businesses could leverage it to drive engagement.

Social Media Penetration in Southeast Asia as of February 2022, by Country



The COVID-19 pandemic saw a huge shift towards people using digital channels everything from shopping, to education, to health, to entertainment. It is expected that this trend will remain with people continuing to use digital media almost as frequently. This means that businesses are rethinking their marketing strategy to seek engagement in this new era of digital dominance. Our research suggests that the growth in digital is consistent across almost all age and consumer groups with varying degrees of uptake. There is still some appetite for traditional media, such as TV adverts, but this new era of digital media offers entirely new ways to engage with consumers.

The changing consumer behaviour in relation to digital and online platforms has made digital marketing more crucial than ever before. However, implementing digital marketing effectively requires a shift in organisations' mindset towards customer engagement and communication. This shift should rely more on data and analytics, prioritising personalisation over a one-size-fits-all approach, delivering content through social media in addition to traditional broadcast media,

being interactive and continuously available, and taking an iterative approach rather than producing a one-off campaign. For instance, one interviewee indicated that consumers often use their mobile device whilst in store to look at product reviews or find better deals elsewhere, exemplifying the broader shifts in digital marketing trends.

TikTok's popularity in Southeast Asia continues to grow, with its user base exceeding 240 million in June 2021, an 85% YoY increase from the year before. The platform now has more than one billion monthly active users globally, with almost one in four users from the Southeast Asian region. As users in the area create around 800 million videos, TikTok is introducing new creative, branding, and commerce solutions to help brands engage with their communities and drive business impact. According to a Nielsen report, users in Southeast Asia prefer TikTok for content, creators, and authenticity, making it an attractive platform for brands to establish a meaningful presence¹⁴.

How can companies bolster their digital marketing strategy:

During interviews and research, three key themes emerged as ways in which companies can improve their digital marketing strategy.

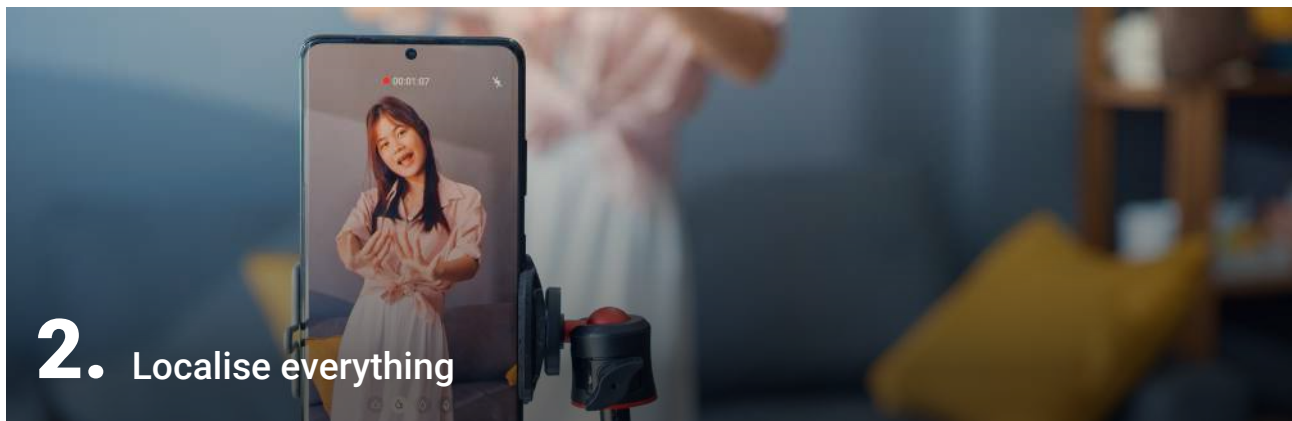


Rather than thinking of digital marketing as a means of advertising a product, brands should begin to think of entertainment first and commerce second. Consumers are becoming tired of different brands and business bombarding them with product and company advertisements. Therefore, brands need to rethink the way they engage with consumers through a digital medium. Shoptertainment is a digital marketing strategy that combines e-commerce and entertainment to create an engaging and interactive shopping experience for customers. The term refers to the use of entertainment elements, such as live streaming, gamification, virtual reality, and interactive content, to enhance the customer's shopping experience. By adding entertainment elements to their online stores, businesses can create a more immersive shopping experience, build brand awareness, and drive sales.

From a consumer perspective, it is important that they are not just thought of as just buyers of their products. Rather they want to be thought of as part of a brand community where the brand gives something back to the consumer through product and shopping inspiration and entertainment.

Shoppable livestreams are a popular form of shoptertainment that combines live video streaming with e-commerce, allowing customers to purchase products in real-time while watching the stream. By featuring a host or influencer presenting and discussing a selection of products, highlighting features and benefits, and providing styling tips or recommendations, shoppable livestreams offer customers an interactive and engaging shopping experience. Moreover, customers can purchase products directly from the stream, without having to navigate to a separate e-commerce platform, making the shopping process more seamless and convenient. Shoppable livestreams have become increasingly popular in the fashion and beauty industries and are an effective digital marketing strategy for driving sales, engaging with customers, and standing out in a crowded e-commerce market.

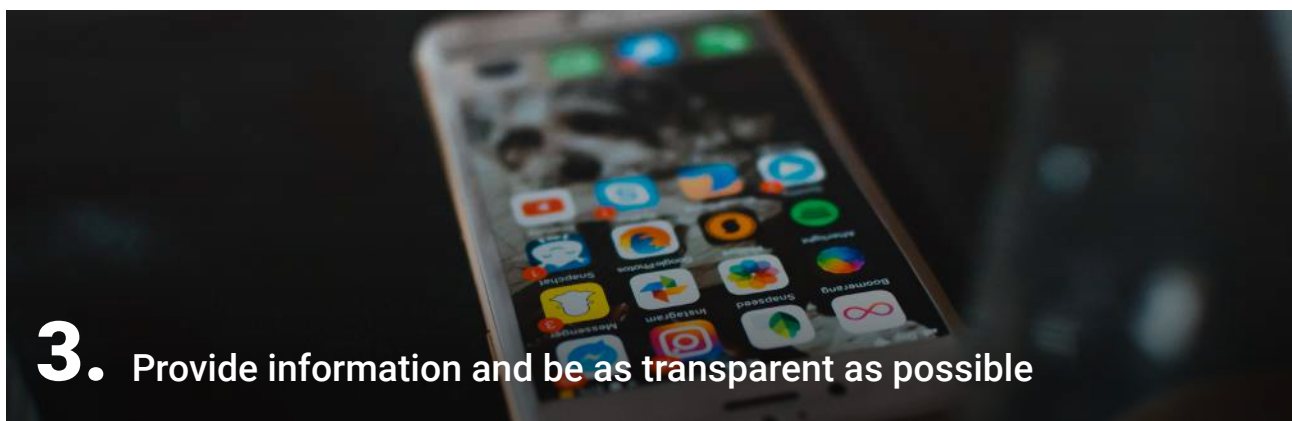
¹⁴<https://newsroom.tiktok.com/en-my/tiktok-rolls-out-new-solutions-and-showcases-the-power-of-joy-at-tiktok-the-stage-my>



2. Localise everything

Localisation has been a constant theme of every aspect of doing business in the ASEAN region and digital marketing is no exception. During interviews and research, the importance of hyperlocalisation in digital marketing strategies was emphasised as key to success. When viewing digital media, consumers want to be able to relate to the brand and the product. Therefore, ensuring the content is relevant to the viewer is especially important. This is applicable to every aspect of marketing for every brand in every industry. Localization in digital marketing refers to the practice of adapting marketing content, messages, and strategies to meet the cultural and linguistic preferences of a local audience. Localization helps businesses to connect with customers on a more personal and relevant level, resulting in improved engagement, loyalty, and sales.

For example, if working with influencers to promote a product, these should be local celebrities in the area in which you are trying to sell. The content should be delivered in local dialect, with familiar backgrounds. Even luxury brands where their cultural heritage might be a unique selling point can benefit from localising marketing strategy. For example, if Louis Vuitton or Hermès wanted to sell a handbag in Thailand, then they could create a digital marketing campaign with a well-known celebrity from Thailand who is using the product at a luxurious hotel or restaurant in Bangkok or Phuket, for example. This creates an air of luxury, enables the brand to promote its own product and heritage, whilst also localising the campaign and making it somewhat relevant to the end consumer.



3. Provide information and be as transparent as possible

Social and digital media has created a wave of information for consumers. Unlimited information is available at the click of a finger from a smartphone. Consumers are able to look at a product in-store and then compare prices online or look at product reviews instantaneously before making a purchasing decision. This presents challenges but also opportunities for brands developing a digital marketing strategy. Utilising digital media to provide as much information in a fun and engaging way can be a huge source of success. This is information and transparency regarding pricing, discounting, production information, inspiration on how to use the product, and good descriptions on the quality and the materials used.

Business Case 2

Grab: Driving the On-Demand Economy in Southeast Asia

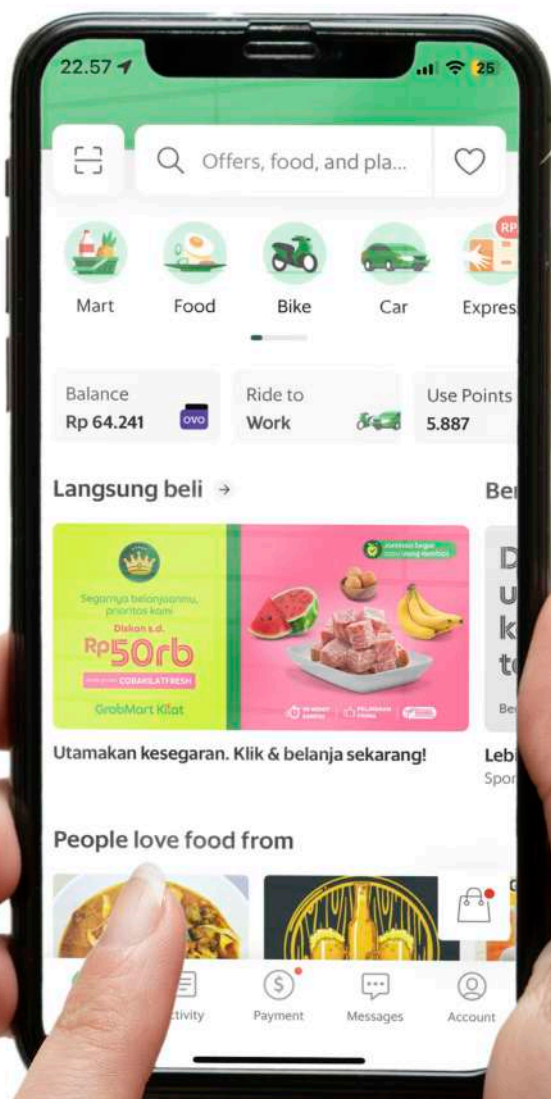
Grab is one of Southeast Asia's modern day tech success stories. Established in 2012 as a ride hailing app, it has quickly emerged to take the on-demand sector by storm by moving into business verticals to provide several services under one super app.

Grab's business model is that of an online aggregator, connecting people offering services to those in demand of those services through one simple and seamless application. The business has expanded its operations from ride-hailing to food delivery, grocery shopping, logistics delivery, on-demand video platform, hotel booking, ticket purchasing, and financial services.

Grab launched in Malaysia in 2012, a year before Uber in Singapore. Grab quickly differentiated itself by localising its services and expanding into new markets. By the time Uber left Southeast Asia in 2018, Grab had already established itself as the dominant player in the region.

Grab's success can be attributed to its quick adaptation and diversification of services. In 2014, the company launched its food delivery service, GrabFood, which has since become one of the largest food delivery services in Southeast Asia. The company also launched GrabExpress, a package delivery service, and GrabPay, a digital payments service. These new services have helped Grab grow its user base and revenue, and the company has become an indispensable part of the on-demand economy in Southeast Asia.

Grab has been able to expand its operations to various business verticals by retaining its customer base. They take responsibility for problems related to their drivers or delivery partners and focus on customer service. Grab uses word of mouth marketing by leveraging social media and email marketing tools and tracking feedback through surveys. They focus on hyper-local marketing campaigns and collaborate with local service providers for an enhanced user experience. Grab is exceptionally responsive to its customers and places a strong emphasis on user safety and service quality. They partner only with professionals to offer the services listed on their platform.



How to Grab consumers by Anthony and Hooi Ling, Grab co-founders¹⁵

Our understanding of the markets we are expanding show us that we have to be great at the following:

1. Provide delightful experiences that encourage consumers to do business with everyday entrepreneurs.

Without consumers, we cannot help our partners. And consumers have many choices. If we can't serve them well, we will lose the opportunity to inspire them to do more business with everyday entrepreneurs. So in order for our markets to attract, retain, and be loved by consumers, we need to stand head and shoulders above the crowd in meeting their needs in delightful, safe, seamless, and convenient ways.

How we do this will range from setting quality standards for everyday entrepreneurs to join and continue participating in our markets; to providing them with training, education and assistance so they can continuously improve their attractiveness and competitiveness; to working with partners to extend their world-class offerings to consumers in our markets; to continuously setting and raising the bar for the industry on experiences Grab is in direct control of.

2. Offer unbeatable value.

For everyday entrepreneurs to remain competitive, especially as large organisations apply new technologies, we have to help them provide equal or better value. In some cases we need to make sure prices are unbeatable, and in other cases, we have to make sure value-for-money is unbeatable. As we master the craft of digital marketplace-making, we should be having data- and science based discussions on which approach to use in each situation. We do this by:

- Making our costs competitive so partners can benefit from the cost advantages of scale and technology, no matter their size. We must remember that our cost is their cost. The cost structure of Grab is in effect passed through everyday entrepreneurs to their customers. The more wasteful we are, the less successful they will be. The more prudent and wiser we are with our investments, the faster we scale impact.
- Integrating services and experiences across our ecosystem, to create a holistic differentiated offering that no single player, partner, or entrepreneur could achieve on its own. In doing so, we create value for consumers that is greater than the sum of its parts. If consumers get a delightful experience and unbeatable value from engaging and transacting with the everyday entrepreneurs across our ecosystem, why wouldn't they? That's how we can create space in the economy for everyday entrepreneurs and solve for some of the near-term challenges they face.

Grab has become a key player in the on-demand economy in Southeast Asia. With its diversified services and strong market position, the company has helped drive the growth of the on-demand economy in the region and provided millions of people with convenient and efficient services. As the on-demand economy continues to grow in Southeast Asia, Grab will likely play a critical role in its development.



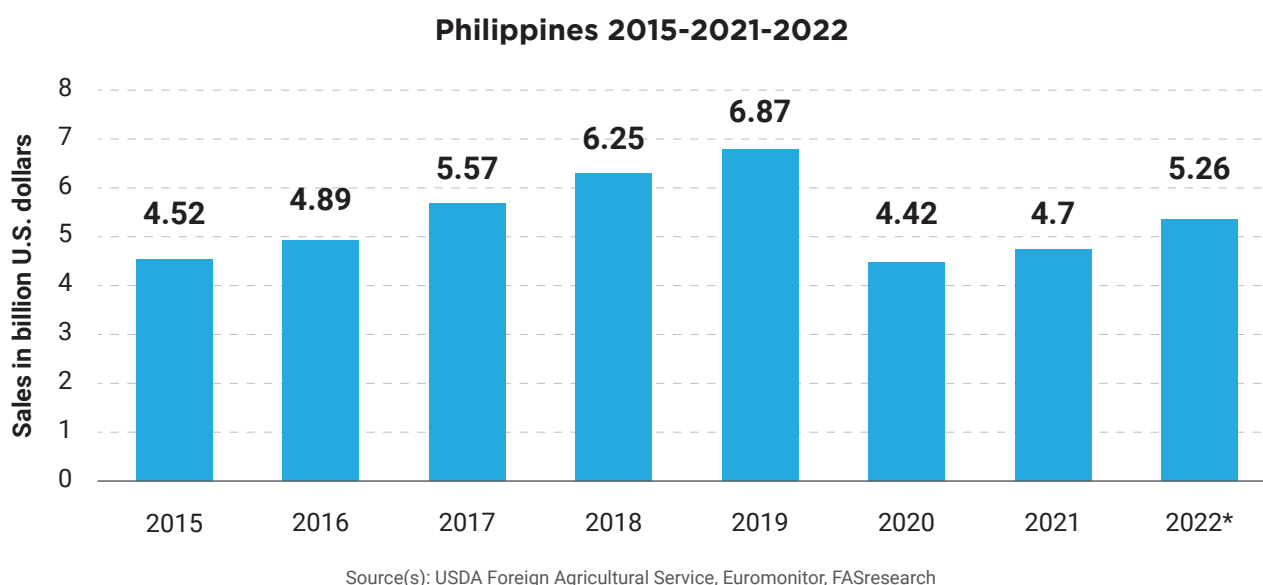
¹⁵<https://investors.grab.com/static-files/d1644e70-8fd6-4a03-8a77-0f8f186a6df4>

Business Case 3

QSR: how food aggregators have disrupted the quick service restaurant market

Global brands are still capturing most of the market. Food aggregators have disrupted how ASEAN consumers order food, digital interaction with consumers to keep increasing in the years to come.









The Quick-Service restaurant (also called fast food) has been hit hard by the covid-19 pandemic. While the sector is in a recovery mode, we have not yet seen the industry coming back to pre-pandemic numbers. The Asia food service market shrunk by 25-20% in some countries while others like Indonesia or the Philippines have even been more impacted with a decline of 35% to 40%, because of lock downs, strict government regulations, consumers preferring to eat at home. Chart below shows the example of the decline of quick service restaurant sales in the Philippines (2022 is an estimate).



In terms of consumer trends in ASEAN and specific to Quick Service Restaurant (QSR, AKA Fast-Food), there are a few significant trends to note:

1. **Global brands are strong and will remain strong as long as they provide tasty and quality food.** To deliver this level of quality and taste in a QSR context, global brands clearly have an advantage over street food and food court, as they are associated with higher quality compared to these other local alternatives. For the aspirational class of consumers which is a key segment for QSR, global brands have a more standardized level of quality and are perceived to be better than what their parents used to consume. The only exception to this is the Filipino QSR brand Jollibee which is sufficiently strong and well established in the Philippines to compete with global QSR brands and even to expand in other countries in ASEAN. But it is the only example of local QSR brand in the region in this strong position. The other important psychographic is the consumers who are very value conscious. This category of "Smart shoppers" are entering the middle class and will always try to get the best quality for low price. They will also value global brands over street food as long as the price gap is not significant.
2. **Customers request for more convenience: having food as soon as they need it, quickly in a way that adapts to their fast-paced lifestyles and busy schedules.** The effect of an increasing demand for convenience is the rise and

upcoming dominance of aggregators. While these companies have emerged years before the pandemic, the lock downs and obligation for people to stay/work and eat at home was a formidable business accelerator for these companies. A survey made in 2022 by Kearny to 900 consumers showed the following change in consumer habits that totally serves the purpose of aggregators and need for convenience:

| Consumers' preference for where they dine have change since the pandemic began | | |
|--|--|--|
| | Pre Covid | Post Covid |
| 50% Retain Preference |  Dining out |  Dining out |
| 6% Switch to dining out |  Ordering in |  Dining out |
| 34% Switch to Eating in |  Dining out |  Ordering in |
| 10% Retain Preference |  Ordering in |  Ordering in |

Source: Kerney analysis

3. **The need for healthier food not so strong in QSR restaurants:** While healthier food is a trend in food service restaurants, it does not seem to drive volumes in the segment of QSR. In SEA, food is perceived as sustaining. Once consumers go for fast food, because of attributes such as convenience, price, they don't see the "healthier" aspect of food as a key consideration. It seems that in most QSR chains in ASEAN, alternative protein meal is not really a topic. For smart shoppers in particular, which is a large category of QSR customers in the region, many people are just entering the middle class, and for them eating McDonald or KFC is a first step to feel they are finally entering a higher social class. Replacing these meals with alternative meat is not enticing for such category of consumers who want the original they have always been willing to afford.

Key Takeaways

- Global brands still have more appeal than local in the QSR category, with only one exception from the Philippines.
- A more digital customer journey to offer more convenience to consumers, benefiting aggregators (Food Panda, Grab Food, Go-Jek) and forcing large change to invest more on digital
- An increasing trends towards eating in, rather than dining out, that will change the way QSR companies will need to do business
- A trends towards healthier food that may be gaining traction is traditional food service business but that does not seem desired in the fast-food chain segment, where consumer class value original and quality food.

Business Case 4

Creating a Retail Experience for the ASEAN Consumer: A Business Case Study

Introduction

The ASEAN consumer market is a diverse and complex landscape, making it challenging to create a one-size-fits-all retail experience. In this case study, we explore the key trends shaping the ASEAN retail market and discuss strategies that retailers can implement to target the ASEAN consumer effectively. Central Retail, a leading retail company in the region, serves as an example of how these strategies can be applied in practice.



Trends in the ASEAN Consumer Market

1. **Range of Products:** ASEAN consumers are increasingly concerned about wellness and environmental sustainability. They seek a wide range of products that cater to their health and contribute to the local economy. Local sourcing and offering a variety of wellness products, including food and skincare, are essential.
2. **Value:** Value remains a critical concern for ASEAN consumers, who are price sensitive. Retailers must differentiate between essential and non-essential items, ensuring affordability, quality, and availability for essential products. For non-essential items, consumers are willing to indulge in exclusive, new, and unique products, provided they perceive value for money.
3. **Convenience:** Shopping convenience has become a significant factor for consumers, who want last-minute shopping options available within two hours. Smaller store formats, such as convenience and mini stores, are increasingly popular, as they offer essential items within walking distance from home.
4. **Creating an Experience:** Retailers need to engage customers through gamification, omnichannel strategies, and personalized shopping experiences. Social media and influencers play a crucial role in shaping purchasing decisions, and retailers must leverage these channels to reach and engage consumers effectively.

The Future of Retail in ASEAN

As the retail industry evolves, several challenges and opportunities will shape the future of consumption in the region:

1. **Improving Back-office Operations:** Retailers must enhance their logistics and supply chain capabilities to meet the growing demand for last-minute shopping options and ensure the availability of a wide range of products.
2. **Digital Revolution:** Retailers need to take advantage of the digital revolution to improve their digital capabilities and offer seamless online and offline shopping experiences.
3. **Brand Positioning:** FMCG brands must determine their positioning in the market, whether competing with local brands, offering non-essentials with fantastic value, or leveraging wellness to add value to customers. Understanding the target population, city, and the cost of competing for market share is crucial.

Conclusion

The future of consumption in the ASEAN market will involve a continued focus on value, convenience, wellness, and the overall shopping experience. Retailers like Central Retail must leverage social media, influencers, and gamified experiences to engage and delight customers effectively. Omnichannel retail strategies and a focus on locally sourced and wellness products will also play a significant role in meeting the evolving needs of the ASEAN consumer. By understanding and addressing these trends, retailers can position themselves for success in the years to come.



Business Case 5

Agoda's Adaptive Voyage: Navigating the Post-Pandemic Hospitality Landscape in Southeast Asia



The COVID-19 pandemic brought significant challenges to the hospitality sector as global travel came to a near halt. As the situation stabilises and restrictions ease, the industry is now focusing on recovery and adaptation. Southeast Asia, a region recognised for its cultural diversity, culinary offerings, and natural attractions, has consistently been a popular tourist destination. This case study investigates the future of hospitality in Southeast Asia, with a specific focus on Agoda, a leading online travel agency in the region.

Founded in 2005 and based in Singapore, Agoda has extended its reach to over 200 countries, maintaining a strong presence in Southeast Asia. The platform provides various accommodation options, including hotels, resorts, hostels, and serviced apartments, catering to the different preferences and budgets of its users.

In this part of our comprehensive report on consumption in the ASEAN region, we assess Agoda's growth strategies, its influence on the Southeast Asian hospitality industry, and the potential challenges and opportunities the company may face in a post-pandemic landscape.

Future of Hospitality in Southeast Asia

The future of hospitality in Southeast Asia, despite the pandemic's challenges, appears promising, with Agoda well-positioned to capitalise on emerging trends. A significant increase in domestic tourism is expected as travel restrictions and safety concerns prompt people to explore local destinations. McKinsey & Company's report projects a 5.5% growth rate in the region's travel and tourism industry from 2019 to 2029.

In the context of this Agoda case study, the company must adapt to and leverage these trends to maintain its competitive edge. By tailoring their platform to cater to the rise in domestic tourism, Agoda can seize the opportunities presented by the evolving market. Enhancing their offerings with a focus on sustainable and diverse experiences will also resonate with travellers' shifting priorities. In summary, Agoda's success in the recovering hospitality sector of Southeast Asia depends on its ability to innovate and align its services with the growing demand for local, sustainable, and unique travel experiences.



Agoda's and the Southeast Asian Market

Insight 1: Agoda's response to the pandemic

Agoda's response to the pandemic by promoting local tourism through its "GoLocal" campaign is particularly relevant for the ASEAN region. The campaign's emphasis on domestic travel and supporting local businesses aligns with the growing trend of "staycations" and the desire for unique experiences within one's own country. In addition, ASEAN's diverse cultures and tourist destinations provide an excellent opportunity for Agoda to promote lesser-known destinations and support local businesses that have been hit hard by the pandemic. By focusing on domestic travel within ASEAN, Agoda can generate revenue while supporting local economies and creating sustainable tourism.

Insight: In ASEAN, there is a growing importance of local tourism promotion and resiliency to changing consumer needs, two points which are key to a successful pandemic recovery for hospitality players.

Insight 2: Marketing tie-up between STB and Agoda

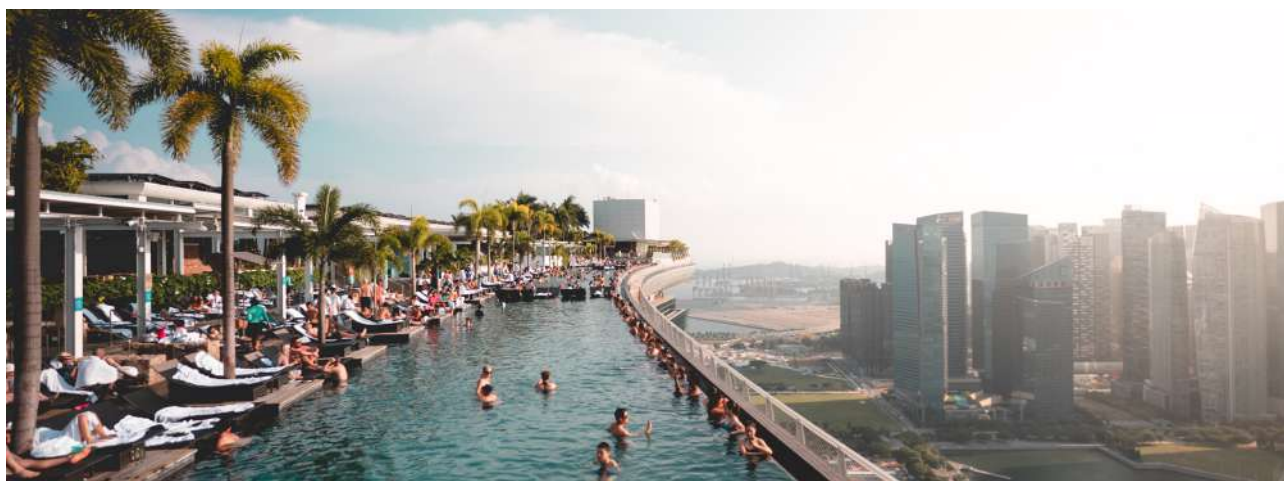
In 2019, Singapore Tourism Board (STB) and Agoda launched a joint marketing campaign to attract more Southeast Asian visitors to Singapore. The campaign aimed to showcase Singapore's diverse range of attractions and experiences to potential visitors in the region. By partnering with a leading online travel agency like Agoda, STB was able to reach a wider audience and promote Singapore as a top tourist destination.

Insight: Collaboration between tourism boards and online travel agencies can be an effective way to promote tourism and attract visitors to a destination.

Insight 3: Agoda's approach to marketing in Southeast Asia

In an interview with PhocusWire, Agoda's chief marketing officer, Ittai Chorev, shared insights into the company's marketing strategy in Southeast Asia. He emphasised the importance of personalisation and localisation in reaching customers in the region. Agoda uses data-driven insights to tailor its marketing messages to different customer segments and markets. The company also invests heavily in digital marketing channels like social media and search engines.

Insight: Personalization and localization are key to successful marketing in Southeast Asia, where cultural and linguistic diversity is high.



Insight 4: Agoda's eco-friendly initiatives

Agoda launched an “Eco-Deals” program in partnership with WWF Singapore in 2021. The program offers discounts on eco-friendly accommodations and encourages customers to make sustainable travel choices. Agoda also supports the WWF's conservation efforts by donating a portion of its revenue to the organization.

Insight: Environmental sustainability is becoming increasingly important to customers, and companies in the travel industry can differentiate themselves by offering eco-friendly options and supporting conservation efforts.

Insight 5: Agoda's expansion in China

In 2021, Agoda announced plans to expand its presence in China, where it has seen strong growth in recent years. The company is partnering with Chinese travel agencies to offer Chinese customers more accommodation options when traveling overseas. Agoda is also investing in local talent and technology to support its expansion in the Chinese market.

Insight: China is a key market for companies in the travel industry, and partnering with local players can be an effective way to tap into the market's potential. Investing in local talent and technology is also crucial to succeed in China's highly competitive business environment.

An example to follow

Other players in the hospitality industry can learn from Agoda's response to the pandemic. To survive and thrive in the post-pandemic era, companies need to be agile and adaptable. They need to invest in technology and digital marketing to reach customers who are increasingly relying on online platforms to book accommodations. Companies also need to prioritize safety and hygiene measures to reassure customers and gain their trust.

The hospitality industry in Southeast Asia has a bright future, and companies like Agoda are well positioned to benefit from it. By adapting to the new normal and embracing innovation, Agoda has demonstrated its ability to thrive in a challenging environment. Other players in the industry can learn from Agoda's example and take steps to stay competitive in the post-pandemic era.





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Since 1982 Eurogroup Consulting has helped hundreds of clients understand consumers, anticipate trends, and leverage pattern shifts.

We have operated in various regions across the globe, including Europe, the Americas, Africa, the Middle East, and Asia. Our expertise spans across diverse markets, including frontier markets, developing nations, and developed economies. Our extensive consumer knowledge encompasses a wide range of industries, such as packaged goods, fast-moving consumer goods (FMCGs), luxury goods, food and beverage, travel, hospitality, consumer finance, e-commerce, retail, and logistics. This is how we have helped clients capture value and transform positively their businesses in Southeast Asia:



ASEAN Market Understanding:

- Sector Market Research
- Competition Analysis
- Detailed Review of Key Customer Accounts
- Value Chain Analysis



ASEAN Growth Strategy Definition:

- Go-To-Market Study
- Partner Research and Qualification
- Acquisition Target Analysis
- Organic Growth Plan



ASEAN Digital Roadmap:

- Digital Transformation Plans
- Digital Marketing / Website and User Experience (UX)
- Customer Journey Mapping
- Digital Content & Online Advertising Strategy
- E-commerce / Performance Measurement and Optimization
- Technology and Tool Selection
- Artificial Intelligence and algorithm



ASEAN Transformation Support:

- HR / Organisational Transformation
- Decarbonization
- Sustainability / ESG Transformation



ASEAN Operations Improvement:

- Flow Optimization
- Maintenance Operations
- Process Redesign
- Line Redesign / Factory 4.0
- Diagnostic and Performance



ASEAN Operational Efficiency:

- Performance Benchmarking
- Internal Situation Audit
- Resource Redevelopment Plan
- Cost Reduction and Fast Profitability Improvement Plan

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About Eurogroup Consulting

Eurogroup Consulting is an independent strategy and management consulting firm with more than 40 years of clients' success stories. Since 1982, we have been supporting large groups and mid-size companies in their strategic and transformational changes. Operating within a global network of 3,000 consultants, we bring a unique approach to consulting: Positive Transformation. In Asia, Eurogroup Consulting assists clients in achieving their expansion and transformation objectives, specifically in the consumer goods sector. Clients chose Eurogroup Consulting to develop new Southeast Asia market growth strategies, to identify potential partners or acquisition targets, to implement new operating models, to manage change, to rethink distribution channels, to boost supply chain effectiveness and to enhance the bottom line. [Click here](#) for a first discussion.

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