



# Digitalisation in Asia

## How One Region is Shaping Worldwide Trends

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No region better illustrates the emergence of the digital consumer more than Asia Pacific. The region leads the world in the number of internet users, due to the rise of mobile. The expansion of connectivity has also transformed life for Asia Pacific consumers, with these users embracing the ubiquity of the mobile device more than those in any other region.

# Why Asia Pacific Is Worth Watching

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Asia Pacific accounts for over half of the global population and roughly one-third of consumer expenditure today. A continued shift in global power will increase Asia Pacific's leadership as a regional powerhouse in the future.

There are two major factors propelling the region forward — an expanding population and growing economy. Asia Pacific is the most populous region and will add an additional 400 million people to the global total by 2030. Key contributors to that growth will be India, China and Pakistan. In 2018, 31% of the world's disposable income came from Asia Pacific. By 2030, this region is expected to add an additional USD12 trillion in disposable income, which will account for 39% of the global increment.

Given the potential of the population and economic growth, Asia is set to become a fundamental part of the world's economy. In fact, by 2050, Asia is expected to account for over half of global consumer spend. Sustained growth in income will increase demand for consumer goods and services.

## Asian Century: Key Milestones



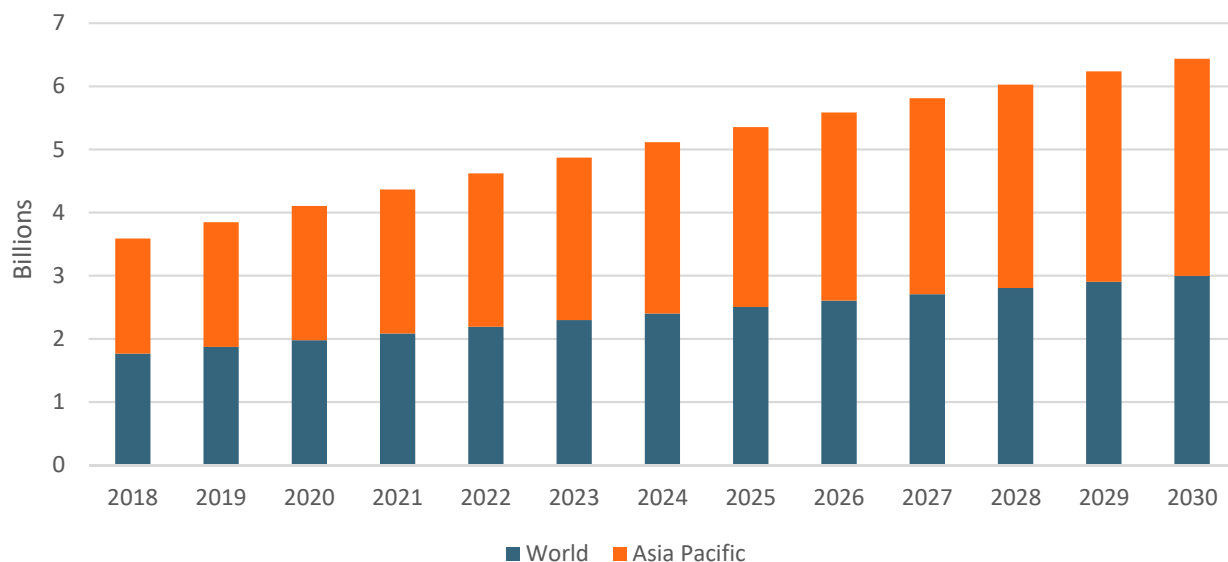
Source: Euromonitor International

The Asian Century will usher in more digital consumers. Asia Pacific is the global leader of internet users today. As of 2018, 51% of the internet users globally reside in Asia Pacific, which is expected to rise to 53% by 2030. This is due to an investment in digital infrastructure, competition-enabling regulations and the rapid spread of mobile technology. The region will contribute the most internet users globally over the 2018–2030 time period, adding 1.6 billion.

# 51%

of the internet users globally reside in Asia Pacific

### Internet Users in Asia Pacific vs Rest of the World 2018–2030



Source: Euromonitor International

This rise in connectivity is leading to an increase in digitally influenced commerce. Asia Pacific is the leading region for digital commerce, accounting for 41% spend globally in 2018. The region posted the fastest-growth rate over the 2013–2018 time period, with it nearly doubling any other nation.

# The Defining Characteristic of Asia

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In Asia Pacific, there is a strong emphasis on traditional and cultural practices that unite the region. Even so, one of the most overriding characteristics of Asia Pacific is its diversity. Asia Pacific is one of the most culturally diverse regions in the world, which converges in melting pots, like Singapore, where groups such as the Chinese, Malays, Indians and Eurasians live in harmony. The region's diversity also extends to its general development, including how and when different countries came online.

With a mixture of developed and emerging markets, Asia Pacific is home to some of the countries with the highest and lowest levels of disposable income on a per capita basis. On the high end, there is Hong Kong, Singapore and Japan. On the other end, there is Myanmar, Pakistan and Bangladesh. Asia Pacific also contains countries with the highest median age such as Japan. Some of the youngest populations in the world, including Pakistan, Philippines and Bangladesh, reside in Asia.

Even in terms of its digital uptake, there is a dichotomy. While developed markets like South Korea and Japan came online through fixed broadband connections decades ago, the high cost of network plans and devices hindered others. In the last decade, cheap cellular voice services extended connectivity to now mobile-first markets, including China, Indonesia and Thailand.

## How Asian Markets Can Be Clustered Based on Digital Development

**East Asia:** The region's digital leaders are the well-established tech companies of East Asia. Japan and South Korea are the most advanced markets in terms of mobile and fixed broadband coverage.

**South:** India and Vietnam are vibrant mobile markets, with growing coverage of cellular data services in cities, but internet connectivity is patchy and network speeds remain slow. In fact, a large proportion of rural consumers still do not have access to broadband.

**Southeast Asia:** The number of internet users within Southeast Asia is expected to more than double from 2014 to 2024. More critically, the percentage of the population accessing the internet daily will rise from 18% to 61% over the same period.

**China:** With 1 billion consumers coming online and reinventing digital life, this powerhouse can influence the course of development for any trend.

### **Case study: South Korea is a digital frontrunner out of East Asia**

Local insight by Jade Lee, Analyst

South Korea is one of the fastest-growing digital consumer countries in the Asia Pacific region. It has always ranked high in digital connectivity, both in terms of home and mobile. The strong digital foundation in South Korea enabled online commerce to spread quickly.

South Korea's portion of goods bought online is the second highest globally. With an advanced e-commerce landscape, various mobile payment platforms are developing. This includes initiatives from online retailers, such as SSG Pay by Shinsegae Group, L.Pay by Lotte Group, smartphone manufacturers, such as Samsung Pay by Samsung and LG Pay by LG, and social communications players, such as N Pay by Naver and KakaoPay by Kakao Group. As digital commerce matures, these players are increasingly moving online and helping boost proximity payments, which is growing very fast in South Korea.

Because South Korean millennials and Generation Z are already tech-savvy, there are not any critical barriers hindering adoption. Furthermore, the rise of senior digital consumers would propel the country's market forward faster. Hence many online retailers and content developers are actively trying to create new ways to target older generations.

Digital connectivity is already well-developed in both urban and rural areas in South Korea. The digital transformation is enabling consumers to simplify their lives through greater convenience. As a result, digital wallets gained momentum since it made the online payment process short and simple. Proximity digital payments also increased in popularity, which allows consumers to make purchases without carrying financial cards. In 2018, voice commerce was introduced and is expected to grow fast. KT Giga Genie and SK NUGU already started their voice commerce business, though it is in an early stage.

### **Case Study: India remains a market of high digital promise**

Local insight by Swarnava Adhikary, Senior Analyst

India's low internet connectivity restricts the country's overall digital development and as a result its digital commerce uptake. Just over one-third of the population has internet access. Even if internet is available, services are patchy and network speeds are low. This is particularly true in semi-urban and rural areas. Moving forward, internet usage is expected to improve with the completion of the government's BharatNet national broadband project. Mobile will remain the key medium to address the rural-urban digital divide. Over the past couple of years, 4G LTE network coverage improved rapidly and cheap data plans

are available. However, smartphone usage and speed must increase before the general population begins adoption.

India's absolute digital commerce spend is one of the highest in Asia, trailing only the East Asian markets such as China and South Korea. This is due to India's population size. Per capita digital commerce spend is low, given the country's huge population and concentration of rich digital consumers in the largest cities. India could be a promising market if the digital infrastructure improves and more consumers join the digital mainstream and become familiar with digital transactions. Over the forecast period, the per capita digital commerce spend will increase, though it will remain lower than wealthier East Asian nations.

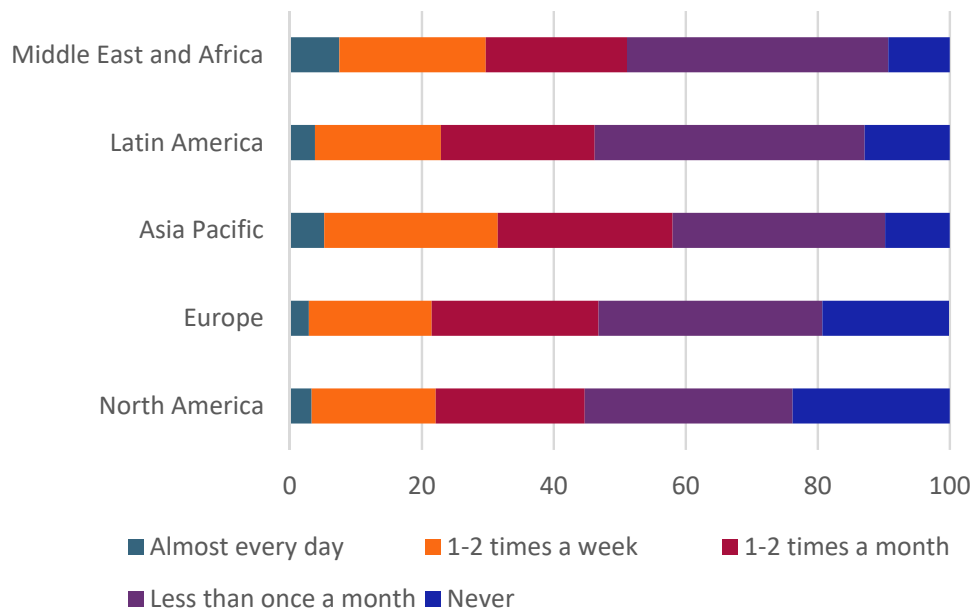
Overall, the Indian digital consumer is younger and wealthier than its regional counterpart. With a higher income compared to the general population, these consumers can access the latest digital devices and high-speed broadband, both fixed and mobile. This implies that Indian digital consumers form a small proportion of the population currently. However, the number of consumers is expected to grow over the next few years as mobile broadband and smartphone usage improves.

# What Digital Has Meant for Asian Life

Connected consumers in Asia Pacific are embracing connectivity and the ubiquity of the mobile device. In fact, many Asian consumers turn to this handheld device first to perform an array of activities. The transformative mobile landscape enabled Asia Pacific to advance other regions in many facets of life.

Within the last decade, smartphones emerged as a must-have device for consumers globally, with Asia Pacific leading the way. Asian consumers are fully embracing mobile platforms and turning to phones for commerce activities, such as buying products and services. Nearly 60% of Asian connected consumers have used a mobile phone to buy a good or service at least monthly according to Euromonitor's 2019 Lifestyles Survey.

## Mobile Phone Activities by Region 2019

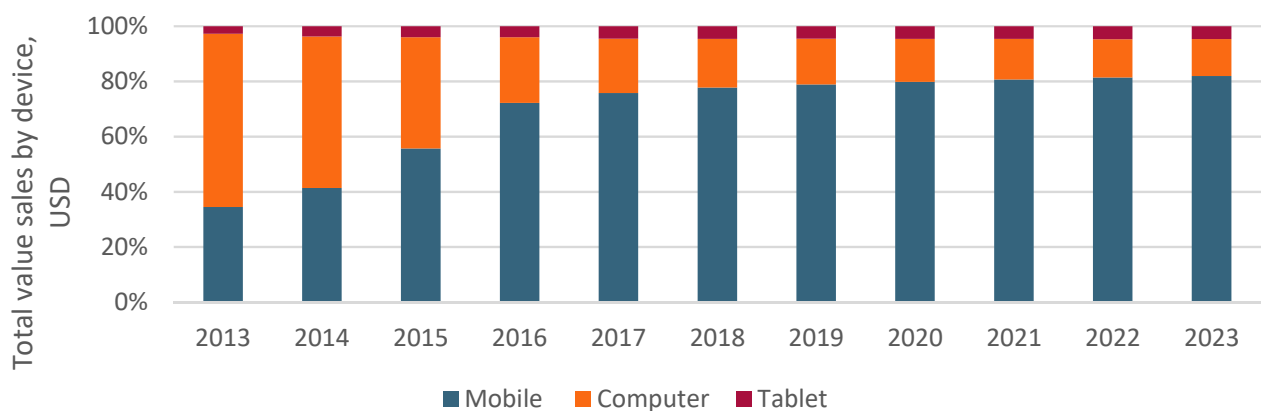


Source: Euromonitor International

China was the first true mobile-centric nation. Chinese consumers account for 1.4 billion mobile internet subscriptions as of 2018 — more than three times those in the U.S., the next largest market. For the first time in 2015, Chinese consumers made more purchases through mobile phones than computers. Many factors led to Chinese consumers truly embracing mobile commerce.

Like other emerging markets, China turned to mobile devices to establish digital connectivity, due to the cheaper network investment and falling product prices. The existing retail landscape was weak and inefficient, thus opening the door to online competitors. Third-party payment apps, such as Alipay from Alibaba's affiliate Ant Financial, emerged to provide a safe way to transact online and propelled this shift. Chinese consumers embraced smartphones, using these new gadgets to interact with brands as well as to conduct commerce.

### Digital Commerce by Device in China 2013–2023



Source: Euromonitor International

#### Case study: QR codes spur China's rise to digital stardom

Local insight by Dorrit Chen, Analyst

Undoubtedly, QR code plays an essential role in China's digital consumer environment. QR codes were a major turning point during the cashless society development. Since 2012, WeChat, which most of the nation adopted as a social message app, introduced its embedded QR code reader as part of Tencent's online-to-offline (O2O) strategy.

Chinese consumers can purchase everything through this code, from restaurants to retailers to bike sharing to vending machines. A QR code payment system provides convenience. For smaller vendors without a POS device, consumers scan the printed QR codes to transfer money to vendors' E-wallet. For larger vendors, consumers press the "pay" button to get their code scanned by a merchant's QR code. The special QR code scanner is usually a small white box or a handheld scanner, which is suitable for large-scale adoptions because it is inexpensive and easy to use.

The Chinese obsession over QR codes is about more than payment. The QR code is redefining digital life with an all-pervasive interactive surface. It is widely adopted in restaurants, where

consumers scan the unique QR code on their table to place the order. At the same time, restaurant staff receive the virtual order and deliver the food to the table. Furthermore, the QR code can be used to explore stories behind objects. Exhibitions usually place a QR code near the object, allowing visitors to activate voice introductions and background stories. In retailing, the QR code is also leveraged for checking the source and authenticity. Moreover, QR code is imperative in customer relationship management tools as merchants use them to develop point-to-point connections with their consumers. Merchants encourage consumers to scan the QR code of their official WeChat accounts to gather consumer data and send more direct and personalised information.

The “mobile-first” mindset is being replicated by China’s Asian neighbours. As of 2018, two-thirds of digital spend in Asia Pacific occurred through mobile, with more than half in markets like Hong Kong, South Korea, Indonesia and the Philippines. In contrast, the ratio is about half that in other regions. Younger consumers are driving mobile adoption in Asia Pacific as more affordable handsets become available. Some Asian markets like Japan and Singapore are slower to make this transition.

#### **Case Study: Number of impediments hold back tech-savvy Japan**

Local insight by Yuri Gorai, Analyst

Japan is often viewed as a technology leader in various industries, but digital commerce uptake is slow. Euromonitor International’s 2018 Digital Consumer Index unveiled this gap, particularly with mobile-based purchases that are increasing rapidly in other Asian countries. There are several factors holding back the development of digital commerce in Japan.

Smartphones are the catalyst for digital disruption. The leading digital marketplaces have developed platforms optimised for mobile apps. However, in Japan, smartphones are not as ubiquitous as one would expect. In Japan, the population aged over 60 accounts for 34% of the total population and is characterised by low smartphone usage. Only 57% of respondents aged over 60 owned personal smartphones, according to Euromonitor International’s 2019 Lifestyles Survey.

Japanese consumers are highly concerned about the potential risk in online activities. In fact, only 8% of Japanese online respondents answered that they were willing to share personal information online, which was the lowest in 40 responding countries, according to Euromonitor International’s 2019 Lifestyles Survey. This hesitation toward sharing information

online is especially true with mobile users. Many Japanese consumers conduct mobile activities on trains but are uncomfortable entering their credit card information in fear other riders may see their personal information. Additionally, many are reluctant to store payment information on mobile devices.

Businesses in Japan need to address the gap between the advancement of mobile-centric products and the adoption of mobile commerce. Communication with the customer or data collection can be valuable but is currently ineffective. Over the forecast period, mobile digital purchases in Japan will continue to face these obstacles.

# How Asia is Shaping the Digital Commerce Landscape Globally

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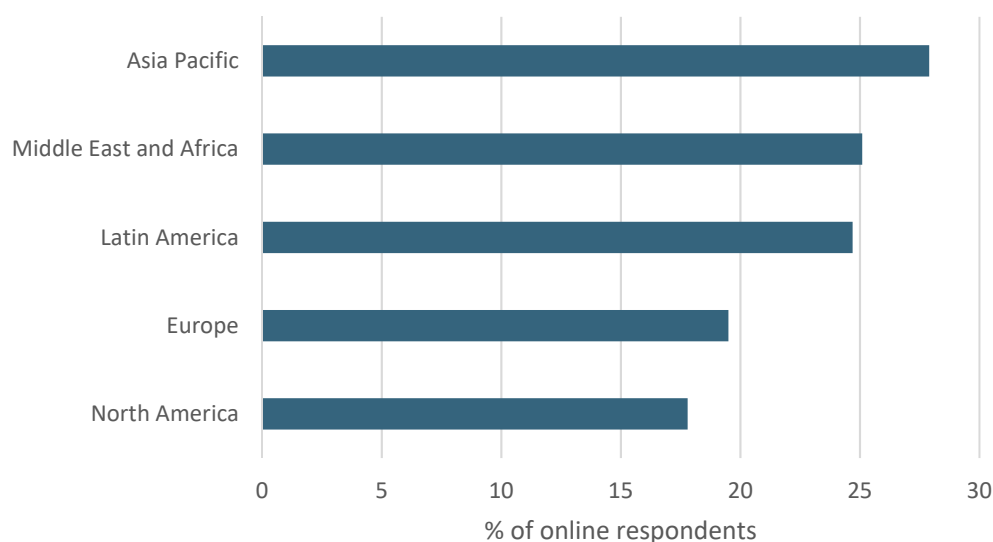
Asia Pacific is a favourable market for the expansion and evolution of the digital consumer. Mobile-enabled consumers in Asia Pacific will lead other regions in many facets of life. Commerce is one example. A surge in smartphone usage over the last decade spurred an infatuation with the mobile device, which led to more commerce activities. Even activities that were predominantly performed on other devices are now shifting to phones. Consumers use handheld devices to interact on social networks, access a wide array of services on super apps as well as check out more easily with digital wallets. These are the three ways that Asia Pacific is shaping the digital consumer story globally.

## Three ways Asia is leading commerce development

### Social commerce

Consumers are slowly transitioning to social channels to interact with brands and execute purchases. Using social networks as a commerce channel is highest among emerging market consumers and those under the age of 30. S-commerce is highest in Asia Pacific, Latin America and the Middle East and Africa. Asia Pacific accounts for six out of the 15 markets for buying something via a social media platform, according to Euromonitor International's 2019 Lifestyles Survey. The Asian Gen Z cohort tops their global counterparts when it comes to buying via a social media platform and sharing a product.

### Buy Something via Social Media Platform Gen Z, 2019



Source: Euromonitor International

## Super Apps

Asia Pacific also gave rise to the super app revolution. A super app is a multifunctional mobile app combining several features such as communication, lifestyle, social, financial and retail, into a single platform. These apps enable companies to leverage their existing infrastructure to generate new revenue streams and increase consumer engagement. Consumers are embracing these all-in-one apps because they offer a seamless and integrated experience.

### Case Study: Indonesia's Go-Jek solves major consumer pain point

Local insight from Felicia Halim, Contributing Analyst

While many super apps are rooted in messaging, others, such as Go-Jek, started in transportation. Established in 2011 as a motorbike-hailing mobile app, Go-Jek capitalised on its network of 200,000 drivers across 25 cities and began offering services across other sectors. Since then Go-Jek transformed into a super app, offering 18 different services, including online foodservice (Go-Food), cargo deliveries (Go-Send), home cleaning (Go-Clean), massages (Go-Massage) and beauty treatments (Go-Glam).

What makes Go-Jek successful is that it provides convenience to both transportation drivers and users. Additionally, Go-Jek found investors and raised capital to further digitise and develop rapidly. This development became an attraction for investors. Go-Jek also strongly collaborates with partners who support their operations such as drivers, food merchants and banking partners to add value and optimise their business.

Businesses can learn from Go-Jek's success. To start, businesses need to be able to answer fundamental consumer problems and target something that consumers heavily rely on. For example, Indonesians are known as a population who love food. One reason Go-Pay successfully infiltrated the market is that it partnered with 85% to 90% food merchants when it started its promotion campaign. Second, it uses a convenient payment system as well as the population's love for discounts. Players must identify consumers needs and habits and then use that information to further promote products and reshape their habits.

### **Case Study: Singapore-based Grab evolves into a super app**

Local insight from Grace Chia, Analyst

After acquiring Uber's operations in Southeast Asia in 2018, Grab is a market leader in the local ride-hailing space. With ambitions to become an "everyday super-app", Grab expanded into digital payments and food delivery. GrabPay encouraged consumers to go cashless and drive usage of its mobile wallet. The brand partners with traditionally cash-based merchants such as hawker centres.

GrabFood offers an online food delivery service with no minimum order. Customers can plan and order their meals up to five days in advance. GrabFood is also the sole delivery partner of McDonald's, Singapore's largest fast-food restaurant by market share. Grab offered McDonald's promotions and discounts and engaged in aggressive marketing campaigns to raise awareness and acquire users. Its key differentiator against bigger food delivery players like Deliveroo and Foodpanda is its rewards system. GrabRewards, a loyalty program, rewards users when they take Grab rides, place orders through GrabFood and make in-store payments through GrabPay. Rewards can be redeemed through food and beverages as well as fashion, beauty and wellness services. The loyalty program encourages users to go cashless and consolidate their everyday spending within the platform.

The company understands that in order to gain and retain a critical mass of customers, establishing strategic partnerships is key. Grab and Mastercard plan to issue prepaid cards in Southeast Asia. This partnership leverages Grab's growing user base and Mastercard's wide merchant network. Prepaid cards will be issued in both physical and virtual form. Users can load their cards using cash through agents, drivers and merchants on GrabPay. While a large proportion of Southeast Asia remains unbanked or under-banked, the Grab-Mastercard prepaid cards will help to widen financial inclusion. These cards will enable users to make online purchases and enjoy exclusive discounts.

## Digital wallets

Digital wallets are another area Asia Pacific is writing the commerce story globally. Overrun with these alternative payment platforms, digital wallets are evolving differently depending upon market dynamics. In China alone, more than half a billion people use mobile payment services such as Alipay and WeChat Pay to transact online or in brick-and-mortar stores. In Singapore, the industry is extremely fragmented with 27 different digital wallets. Even in cash-dominated societies such as India, mobile wallets like Paytm are driving the growth of digital payments.

**USD1.6 trillion**  
transactions by Asian consumers on a  
mobile device in 2018

Asia Pacific is the global leader in mobile payments. As of 2018, Asian consumers transacted USD1.6 trillion on a mobile device. That is 61% of the total mobile payment value being transacted globally. Asian connected consumers use their mobile phone more often on both a weekly and monthly basis to buy a good or service, according to Euromonitor's 2019 Lifestyles Survey.

# Prospects for Asia in the Years Ahead

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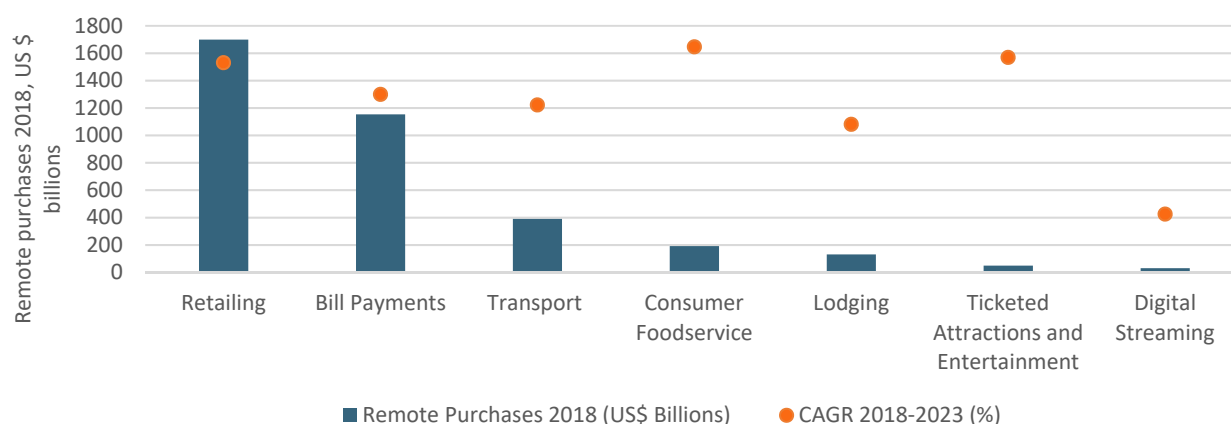
The global economic balance is gradually shifting to Asia and this shift will gain momentum over the next few years. Rising incomes in emerging Asia and growth in discretionary consumer expenditure will boost online purchases.

China will remain the largest digital commerce market in Asia. However, the region is expected to witness new growth centres such as India and Indonesia. With a youthful population, both countries are quick to adopt new technologies. In fact, Indonesia is one of the most mobile-savvy countries in the region. India is pushing digital initiatives in terms of broadband investments and the launch of new payment platforms. Large regional companies, notably Alibaba, invested heavily in digital commerce businesses in both countries: Tokopedia in Indonesia and Paytm in India.

Retailing will remain the largest industry, with goods purchased online accounting for 44% of digital commerce in Asia Pacific. A key growth area is the apparel and footwear industry. While online sales in this category represent only a small percentage of total sales in many Asian nations, this is not the case in markets like China and South. In particular, online apparel and footwear sales in China are growing rapidly and are now higher than in the US.

Online foodservice order and delivery will be the key growth driver. This is particularly popular in South Korea due to a rise in single person households. For instance, the company Yogiyo created a niche for itself by allowing consumers to pay by credit card and cash. This convenient option is attractive for consumers who are concerned about online data security. In India, young, tech-savvy consumers are driving growth in online food ordering. Companies, like Swiggy, are attracting large investors betting heavily on the growth potential over the next several years.

### Remote Purchases in Asia by Industry, 2018–2023



Source: Euromonitor International

#### Case Study: Foodservice shapes digital consumer story in Taiwan

Local insight by Jocelyn Cheung, Contributing Analyst

Moving forward, consumer foodservice digital commerce will register the fastest growth rate – more than doubling the growth rate of any other industry. Food delivery businesses rapidly increased, with several companies covering Taiwan's major cities. The strong growth is attributed to the busy and digital-savvy lifestyles of Taiwanese consumers who are shifting their dining habits from eating out to online ordering.

Online food delivery offers restaurant quality food to consumers at their door-steps. The first to enter Taiwan was Foodpanda in 2012, followed by Tao Ke Song (formerly Foodie's Express) in 2013. Other more recent national players included Uber Eats and Honestbee. Entrants such as Yo-Woo LalaMove, and GoGoVan are Taipei based. This led to intense competition among delivery players; most established their own niche to differentiate themselves among consumers. Delivery services helped expand reach and reduce the costs of maintaining a delivery system for operators.

## Regulators seek to balance innovation vs protection in digital era

New competitive realities and consumer behaviours are not the only forces influencing development. Governments use regulations to hold corporations accountable for the power they possess and the potential negative impact their behaviours could have on society or the environment.

Governments across Asia Pacific are deploying various regulations that will shape the future of commerce. Some governments, including Japan, focused on policies and regulations to reduce cash transactions. In September 2018, the Singapore government introduced a standardised QR code for digital payments. Singapore had 27 digital payments schemes all using different QR codes, resulting in confusion among merchants and end-consumers. In December 2018, India introduced a new regulation that will ban e-commerce companies such as Amazon.com and Walmart-owned Flipkart Group from selling products from companies in which they have an equity interest. The new regulations follow complaints from Indian retailers and traders who say the giant e-commerce companies are using their control over inventory from their affiliates, and through exclusive sales agreements, to create an unfair marketplace that allows them to sell some products at very low prices.

### **Case Study: China and Hong Kong illustrate role of regulation**

Local insight by Dorrit Chen, Analyst

The Chinese government's support propelled digital commerce forward. The philosophy of regulation in China begins less strict in order to give room for the players to innovate, then gradually tightens based on market feedback. The rise of WeChat Pay illustrates this importance of lax regulations to spur market adoption. WeChat Pay launched its Red Packet campaign on the night of the Chinese New Year Gala in 2016, reaching 9.1 billion red packet transactions, up by 810% compared to 2015. It became the night that digital wallet made an impact. One primary reason behind this success is the convenience of applying a digital wallet back then. Consumers were only required to have a phone number and a WeChat account. Now stricter policies require a Chinese ID card, phone card and facial recognition to make financial related services, such as WeChat Pay. It is safe to say that a similar uptake of WeChat Pay may have never happened against today's backdrop.

**Case Study: Lack of regulation hurts Hong Kong's digital uptake**

Local insight by Ting Huang, Analyst

While digital commerce has increased in popularity, Hong Kong lags behind its neighbouring countries. Some industry observers say that Hong Kong is at least ten years behind Mainland China. The main reason is attributed to the lack of regulatory framework catering to online and digital payment systems. A majority of the regulatory framework only provides guidelines for offline payments and is not updated to cater to the rapid change in commerce. For example, there is not an API that connects a merchant's digital wallet proximity payment to the tax department in the city. Furthermore, updating the current framework is hindered by the disconnection between departments, making it more difficult to change. However, internal efforts to establish an e-commerce presence and an external push from its neighbouring region indicate positive change. Hong Kong's digital development is expected to speed up with the amendment and government support.

# What Companies Need to Do to Win in Asia Pacific

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To be successful in Asia Pacific, companies must embrace the digital channel to reach and engage consumers. It is important to consider how consumers use their mobile phones within larger lifestyle choices. Companies must be mindful of the role that social plays in the life of connected consumers in Asia Pacific compared to consumers elsewhere. Brands must have a strong social presence.

Connected consumers in Asia Pacific take a more pragmatic approach to time spent on these platforms. As a result, these consumers are embracing all-in-one super apps to execute a variety of different activities. Companies competing in this region need to consider how connectivity has reshaped lifestyles and how these devices are rewriting commerce. Asia Pacific consumers turn to smartphones for browsing and buying more than any other region. As a result, Asia Pacific emerged as the first mobile-centric region.

# About the Author

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## **MICHELLE EVANS**

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As Global Head of Digital Consumer at Euromonitor International, Michelle Evans oversees the firm's research on the digital consumer, providing actionable insights and in-depth analyses into how technology is reshaping commerce globally. She regularly distills the topic's complexity and strategizes about its future in a clear and engaging manner whether in a client conversation, a presentation to thousands or an industry-shaping report. Recognized as a thought leader in digital commerce, she was named a Power Woman in Fintech by conference organizer Innotrabe in 2015, a Woman on Top in Tech by business magazine Asian Entrepreneur in 2016, a Top 200 Fintech Influencer in Asia by fintech publications Fintech Asia and Lattice80 in 2018 and a Woman to Watch by social think tank Remodista in 2018 and 2019. She has shared her expertise across industry events, including Money20/20, Finovate, Trustech, Forum E-Commerce Brasil and Seamless in the capacity as a speaker, chairperson or juror. Leveraging her master's degree in journalism from Northwestern University, she has a recurring column in Forbes and is regularly quoted in publications globally.



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