

ZALORA

SOUTHEAST ASIA TRENDER REPORT 2022

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SOUTHEAST ASIA

2022



TRENDER REPORT

WITH CONTRIBUTIONS FROM



URBAN REVIVO

FOREWORD



Time heals all wounds, they say. And rightly so, as the memory of prolonged isolation and gradual (if uneven) reopening over the last few years have been a blur to many of us. With the snap of a finger—aided by worldwide vaccination programmes—life seems to return to normal, and for the first time since 2020, we can finally recognise the smiles that have for so long been hidden.

Towards the end of 2022, we have indeed caught glimpses of light towards the end of the tunnel. From travel restrictions being lifted to global economies building up steam, small steps of recovery were fast transitioning into giant leaps of faith. Meanwhile, society as a whole has already adjusted to life in the new normal, as communities far and wide began to receive increased protection against the virus.

Similarly, the world of retail was once again brought back to life. Bouncing back after an accelerated trial by fire, we have seen how the Great Retail Reckoning of 2020 had become the catalyst for some of the industry’s greatest innovations. Think livestreaming, Shoppertainment and even artificial intelligence in this instance, which are all but a few gamechangers that have immensely supported the e-commerce boom in Southeast Asia. It’s a wonder to think that it was only in 2020 that more than 70 million shoppers made their first purchases online, and as a result, consumers have become increasingly sophisticated. It’s the reason why cashless payment options are rapidly gaining momentum—in fact, Malaysia became the second country in the region after Singapore to have garnered the attention of Apple, having only just introduced its cashless payment system ApplePay earlier in 2022. This, along with a string of other new developments, are signs of a thriving ecosystem, and one that will continue to inspire in years to come.

Gunjan Soni

CEO, ZALORA GROUP

Nevertheless, we are now faced with new challenges. We need to brace for an unprecedented economical impact. Political instability, social conflict and countless more natural disasters from the rise of monkeypox to devastating hurricanes, have all contributed to an impending recession. Businesses are once again being put to the test.

As Asia’s leading online fashion, luxury, beauty and lifestyle destination, we recognise that we have the scale, capacity and knowledge to guide industry peers through this unpredictable path. By harnessing data from over a decade TRENDR, a Data by GFG Product, is able to help us serve as a north star to over 900 brand partners, aiding their retail strategies as they navigate through the region’s diversity. This third TRENDR report builds on that momentum, and we believe it continues to be a veritable reference point in this industry.

We are very delighted to bring together industry leaders like Google, Boston Consulting Group, Paypal, Urban Revivo and Leapro, whose contributions have been invaluable; the ZALORA Data by GFG and Corporate Communications teams for piecing it all together, and to everyone else who has contributed to the development of our flagship industry report. ■

ACKNOWLEDGEMENTS



ABOUT THE EDITOR

Understanding the power of compelling imagery, the former Harper’s BAZAAR Malaysia editor often pairs enthralling narratives alongside creative whimsy, having styled Hollywood, fashion, and music’s glitterati from actress Vanessa Hudgens to DJ Peggy Gou. Today, her varied skillset has led her to the creation of her multi-disciplinary creative agency, CTRL + GO, as well as hosting ZALORA’s first-ever podcast channel, ZALORA Talks.

CONTRIBUTORS



Pooja Sanan
Head of Sales,
Southeast Asia for PayPal



Simone Cortini
The Chief Platform
Officer of ZALORA



Tan Shi Ling
SEA Brand Manager
of Urban Revivo



Leapro

DeFacto

DeFacto



PUMA

PAULA’S CHOICE
SKINCARE

Paula’s Choice



Adidas



Nike

ADDITIONAL CONTRIBUTORS



Anupam Patap Singh
Lead Data Scientist,
ZALORA



M Gyan Kumar
Data Scientist II,
ZALORA



Kit Yee Foo
Senior Analyst,
ZALORA



Joy Yuen
Associate Manager,
ZALORA



Christopher Daguiamol
Director of Corporate
Communications, ZALORA



Hugo Wong
Corporate Communications
Executive, ZALORA



Cleonice Kho
Corporate Communications
Coordinator, ZALORA



Marie Lim
Creative Lead

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ABOUT ZALORA

ZALORA is Asia's leading online Fashion, Beauty, and Lifestyle destination, part of Global Fashion Group. As one of the region's pioneer large scale e-commerce platforms, ZALORA has established a strong presence throughout the region, particularly in Singapore, Indonesia, Malaysia, Brunei, the Philippines, Hong Kong, and Taiwan, enjoying over 59 million visits per month. As a customer-first brand, ZALORA is powered by a team of innovators, committed to providing a seamless digital shopping experience!

HOME OF THE BEST BRANDS

With an extensive collection of top international and local brands, ZALORA is a curated platform, where shoppers can find all the things they love in one place. Customers can discover authentic products from over 3000 brands across a variety of categories, from Apparel, Shoes, Accessories, Beauty, Pre-loved, Luxury, and Lifestyle, which include essentials and home & living products.

PARTNER OF CHOICE FOR BRANDS

With a broad network of logistical services, ZALORA is known for speedy and reliable deliveries, powered by our own comprehensive logistics network to ensure that our products are accessible, even in remote areas, and we can efficiently resolve customer pain points like returns and exchanges. Digitisation and technology have been key to that process, as seen in our Regional Fulfillment Centre in Malaysia and our Fulfillment Centers in Indonesia and the Philippines.

ZALORA offers 16 payment methods across the region (and counting), including cash-on-delivery and buy-now-pay-later options across our markets, making it easier for shoppers to buy their favorite brands. ZALORA is proud to be working with more BNPL players in our markets, providing our customers with an incredible customer shopping experience.

ZALORA launched its first co-branded Credit Card in partnership with RCBC and Mastercard in the Philippines, the first-ever fashion and lifestyle credit card in the region that rewards customers every time they shop. It is also the Philippines' first sustainably made credit card.

BRIDGING O2O WITH TECHNOLOGY

With the growth of social commerce, ZALORA also introduced its live streaming feature housed within the platform, Z-Live. Z-Live is part of the ZALORA customer's journey, opening a two-way communication between shoppers and brands. By providing a platform for real time interaction between fans and ZALORA, brands have an opportunity to capture shoppers anywhere, anytime, wherever they are.

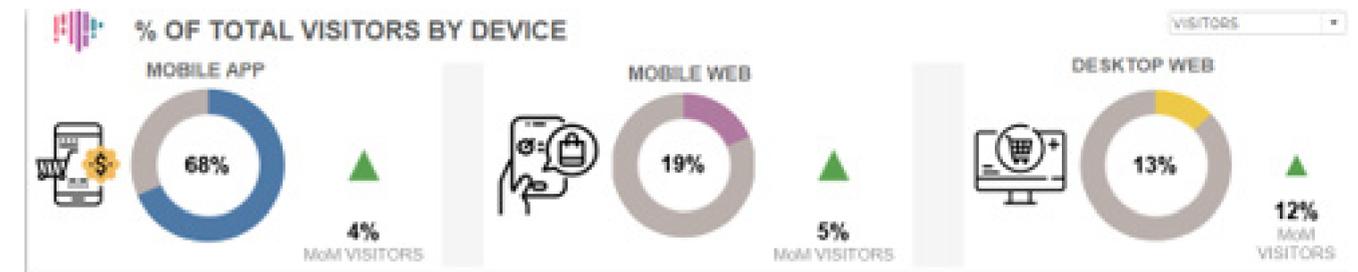
This latest foray in social commerce complements ZALORA's earlier innovative offerings in reaching and inspiring customers through ZALORA's customer-centered features including Get the Look, Follow the Brand, and ZALORA's Cashback Programme on top of hyper-personalisation.

CREATING WOW MOMENTS

Leveraging on our industry leading delivery service and extensive experience in fashion and brand partnerships, ZALORA has introduced our loyalty program, ZNOW. Currently live in Malaysia, Singapore, Philippines, and Indonesia, it provides members with unlimited seamless hassle free deliveries across the region, prioritised after sales services, and other attractive perks and services.

With value-added benefits over and above traditional delivery programs, ZNOW is another initiative by ZALORA to delight and excite our customers, and continue building their brand loyalty.

ABOUT DATA BY GFG



Envisioned with retail intelligence in mind, Data by GFG is the latest analytics solution where fashion meets data. Powered by our team of in-house experts, brands can now fully benefit from ZALORA's trade intel derived from more than 59M+ monthly visits. As one of the innovators of large-scale e-commerce in the region, ZALORA's years' worth of trade provides brands with a holistic view of the evolving retail landscape in Southeast Asia.

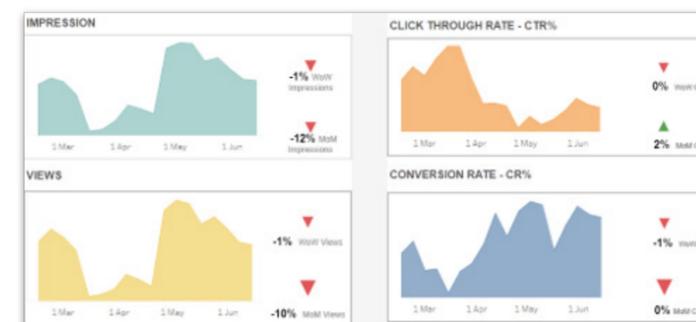
With a comprehensive database, we pride ourselves on having the largest number of highly qualified, fashion-focused, and purchase-intent audiences in Southeast Asia, making us perfectly positioned to predict fashion and lifestyle trends than anywhere else within the region. And given the intricacies of today's retail climate, we believe that it is through such transactional data, businesses can best meet a consumer's ever-changing needs.

Combining the power of AI and forecasting, Data by GFG is the north star for every brand trying to optimise their approach in Southeast Asia. In today's heavily-digitised landscape, information is undoubtedly crucial. From geo-segmentation

to buying behaviour, our partners will now have more access to valuable data like never before.

Data by GFG consists of two products: (1) Data by GFG (Basic), is a monthly circular that provides brand partners with access to key product, competitor and customer insights. Here, suppliers will better understand who is buying products in their category, and be better equipped for future season' demands by knowing what types of products customers are looking for. (2) Data by GFG Pro, it provides a full set of data insights, which draw upon ZALORA's entire database, complete with interactive dashboards that allow brands to analyse every aspect of their business on ZALORA, based on their selection of customisable modules. A self-service business intelligence tool, TRENDER Professional allows brands to analyse filterable views and drill-down capabilities. One can also take advantage of ZALORA's benchmark data and compare their performance with over 3,000 local and global brands. Brands can upgrade their subscription plan to gain access to more features such as data extraction, API integration, and the ability to fully edit their own dashboard.

Since the launch of Data by GFG in April 2020, we now have over 900 satisfied brands subscribed to Data by GFG, enabling brands to draw on ZALORA's extensive data ecosystem and gain insights into transactional, browsing, and customer data, offering a bird's eye view on market and category trends, with tailored reports on best performing and fastest growing categories & subcategories.



STORMING AHEAD: FINDING OUR FEET IN A NEWLY-EVOLVED LANDSCAPE

Just when we thought the worst was over, another challenge sprouted at our feet. And yet, amid these gloomy clouds, bright spots provide optimism in areas familiar and unknown. As Southeast Asians once again embrace the warmth of sunlight, we discover how today's consumers can coexist in two worlds simultaneously. Indeed, the world isn't quite what it seemed to be as before. But given how we've grown to become more digitally connected than ever before, is now time to finally turn reflection into intention.

Most of us would not have imagined life returning to normal three years ago. And yet, here we are; malls have begun to once again buzz with activity; travel restrictions have been lifted; and most important of all, masks have finally come undone, revealing smiles that have long endured the calamity COVID-19 had inflicted. It's a sign of brighter days ahead, and one that has long been anticipated since billions were forced into isolation.

Indeed, it is also a sign—and testament—of human ingenuity, whose sheer grit and resilience have paved the way for the world's fourth Industrial Revolution. In our previous editions of ZALORA's TRENDER Report, we discovered how Southeast Asia became the champions of Internet adoption, with more than 70 million new shoppers added since the start of the pandemic. As a ripple effect, businesses recalibrated and pivoted, in a bid to not only become more digitally connected with the lockdown consumer but also to be constantly engaged. It was here that innovations like "Shoppertainment"—a portmanteau of "shop" and "entertainment"—and virtual retailing emerged, further diversifying retail's omnichannel online/offline ecosystem.



In fact, diversity is also what made the Southeast Asian consumer unique. Not only driven by a diversity of culture and religion, the region's post-pandemic shopper is shaped by information. Given the vast amount of data made available through social media, demands have been remoulded to suit an already changed lifestyle. We have seen this played out in a wide variety of trends: loungewear in lieu of trousers and dresses; the rise of the home gym (think: Peloton) movement; self-care as a daily ritual, and even an increased awareness towards sustainability. As they say however, trends come and go, and we will soon realise that even on the cusp of this new dawn, the path out of the woods isn't nearly as clear-cut as it seems.

So if the past few years of lockdown was a state of reflection, then perhaps 2023 will be the year for intention. In light of recent political and social instabilities, businesses must brace for economic impact. According to the International Monetary Fund (IMF), growth in Asia and the Pacific is projected to decelerate by 4.2 per cent in 2022, a stark difference to the 6.5 per cent growth in 2021. Additionally, a global surge in food and fuel costs as a result of conflict and related sanctions is expected to further delay recovery, pressuring inflation within ASEAN. Behaviours will no doubt shift in tandem, affecting consumer tendencies as pursestrings begin to tighten. In this regard, retailers must realise it is no longer a race for total digitisation or reach the last-mile purchaser, but rather a race for complete agility in this volatile climate.

Nevertheless, even despite these uncertainties, there is still room for opportunity. With the return of travel and tourism in certain markets, glimmers of hope exist. As the revenge shopper now turned into the revenge tourist, businesses will do well to bank on a revived consumer, alongside revived interests. The ensuing chapters in this 2022 TRENDER Report will explore these grounds, all while keeping a close eye on developments that have long been brewing beneath the surface. Among them, the cashless payment sector, which had since risen given the region's growing (70 million in 2020) mobile-first community, as well as a glimpse into the hybrid era which walks the fine line between virtual and reality.

Taking a hard look at data and painting a picture based on insights, we will not only be future gazing but also attempt to answer: What lies ahead in the Third Age of this post-pandemic world? Who are the MVPs of this newly-connected Southeast Asian retail landscape? And how do we find our footing amid a period of storming? As the region's fashion retail authority, ZALORA seeks to translate the value of data of current realities while capturing possibilities from the near horizon, solidifying its legacy as one of the pioneers of large-scale online shopping in Southeast Asia. By harnessing a decade's worth of fashion transaction data consolidated through its platform, ZALORA will shed light on potential consumer megatrends, as well as what the future of fashion retail holds just beyond the horizon. ■

A PERIOD OF STORMING: FINDING OUR FOOTING IN A POST-COVID WORLD

The fight against Covid-19 may just be over, but other forces at work are signalling a looming financial crisis. This chapter looks at the state of impending headwinds, the growing pains of the pandemic, and the future of the retail industry and beyond.



They say that trouble comes in threes. And if last year’s political and social unrest was anything to go by, our journey through the woods is far from over. Just as governments slowly lifted the pandemic’s restrictions internationally, global instabilities—from conflict to uprisings—caused consumers and retailers alike to grow cautious amid an ever-evolving landscape.

As a result of these upheavals, pursestrings began to tighten. The Federal Reserve’s decision to increase its benchmark interest rate in the United States caused a domino effect. According to the World Bank, the inflation rate in advanced economies rose from 1.9 per cent to 6.95 per cent in April, while the [inflation rate in emerging and developing economies increased from 4.23 per cent to 9.37 per cent over the same period.](#)

Closer to home, we are already seeing how this has taken effect. As businesses are faced with a higher cost of borrowing, domestic private investments and consumption are unequivocally reduced. In addition, foreign domestic investments are also discouraged, further weakening an ASEAN recovery from the pitfalls of COVID-19 and causing supply chain disruptions and mass unemployment. An example of this could be seen in Shopee, one of Southeast Asia’s largest tech-tanks, which in 2021 sought to expand its influence in India and France. However, within five short months, the company shut down both of its operations in said countries before cutting its workforce once again—this time, with its ShopeePay and food delivery arm ShopeeFood—in June 2022, signalling a wave of corporate downsizing by the thousands in months to come.

Citing cost-cutting measures amid a [“challenging global environment and widespread decline in technology stocks”](#), the events unfurled were only a few of many others who have submitted to a vastly volatile climate. But there is still hope—according to a recent report published by Ascential Digital Commerce, e-commerce sales in Southeast Asia was projected to grow by 18 per cent last year, reaching up to

US\$ 38.2 billion. Alluding this significant growth to a mass exodus to digital platforms (with much thanks to the pandemic), a new shopper-brand and shopper-retailer relationship has been formed. As we’ve previously established in our earlier editions, Southeast Asia is complex and comprised of various religions, races and cultures. And it is with this very notion that even when addressing vulnerabilities in the market, we must also consider the varying factors that truly make the region one of the most unique in the world.

DID YOU KNOW?

According to BCG SEA Consumer Sentiment Study (Jul’22), consumers were more inclined to spend on healthcare and fresh foods amid looming inflation.

IS IT COMING?

As early as March 2022, [Malaysia’s Maybank warned in a report](#) that a spillover [from global conflict] leading to a Europe-wide recession would have collateral damage on ASEAN. Moreover, given the sanctions imposed on parties involved, businesses now have to take into account not only disruptions to the supply chain and an undercut to global growth and inflation.

Indeed, inflation is one of the most significant indicators of this trickle-down effect, and none has been more evident than the global increase in food and oil prices. According to an estimate by The Guardian, food prices have increased by 20 per cent in 2022, and elsewhere, [prices of crude oil and natural gas have risen to their highest in more than a decade.](#) It’s why food inflation in Malaysia and Indonesia reached record highs by mid-2022, turning some essential commodities into luxury goods. With less consumer spending, retailers are right to question the future of Southeast Asia amid a financially volatile climate. Still, as the International Monetary Fund had pointed out, the region remains a [“bright spot in an increasingly dimming global economy.”](#)

Interestingly enough, the varying nuances of Southeast Asia are what sets it apart from the rest of the world. Case in point: [countries that are highly dependent on energy imports, like Singapore, Thailand and the Philippines, saw inflation rise by 7.5 per cent, 6.9 per cent and 6.4 per cent, respectively, while net-energy exporting countries in Indonesia and Malaysia](#)

[saw a hike of up to 5.95 per cent and 4.5 per cent respectively in September 2022.](#) In this regard, open and trade-relying ASEAN economies will be most vulnerable to a Western recession, while those oriented domestically will likely remain insulated from potential headwinds.

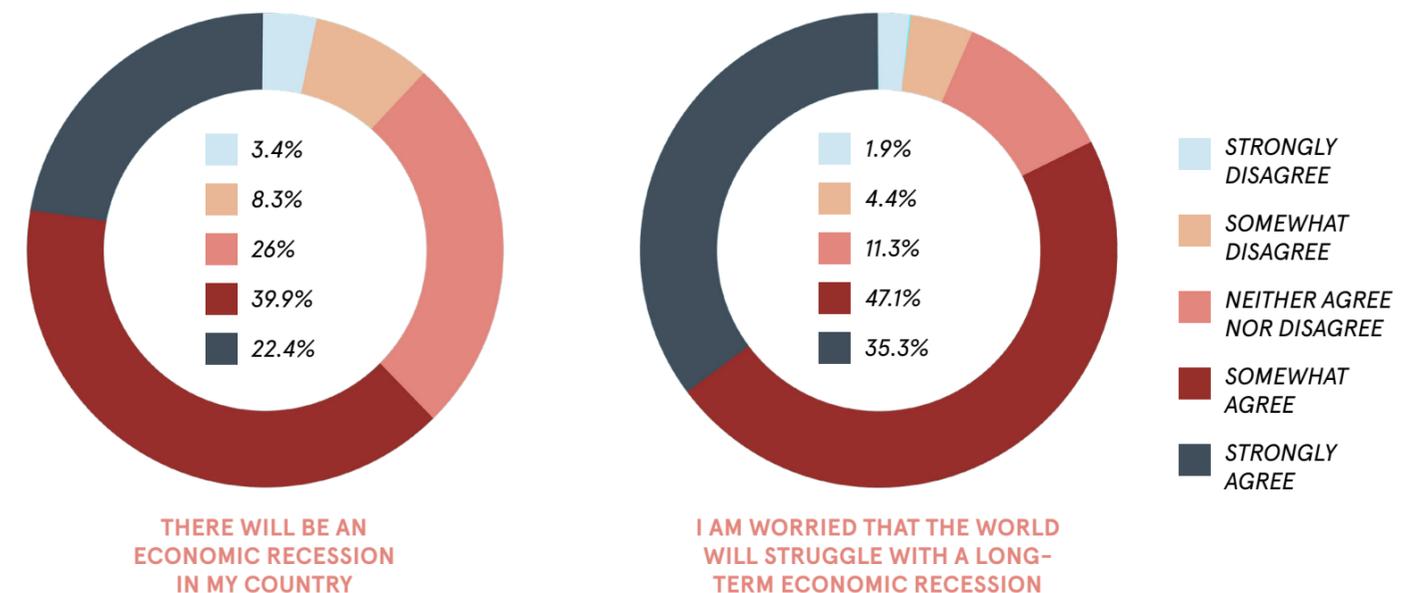
A recent study by Morgan Stanley agrees. As noted by economists from the investment bank, [“rising commodity prices would lend tailwind to commodity exporters like Indonesia and Malaysia at the expense of major importers like South Korea, Taiwan and Singapore.”](#) To date, [Malaysian exports have surged by 56.7 per cent compared to August 2021;](#) the agriculture heavyweight has since attributed its milestone to increased demand for electric and electronic (E&E) and agriculture products in the European Union, the United States, Japan, and neighbouring Singapore. Likewise, exports in Indonesia saw a record level of USD 27.91 billion [in August 2022, thanks to a value rebound of refined palm oil shipments.](#) For reasons such as this, experts are confident that even a prospect as dire as stagflation can be weathered—if not avoided entirely—by the region.

On the flip side of this consensus is consumer sentiment. Naturally feeling the urge to reduce spending, shoppers have re-evaluated their

demands and lifestyles. In a regional survey conducted by Boston Consulting Group, 39.9 per cent of participants across six key markets “somewhat agree” with speculations of an impending recession. Meanwhile, 22.4 per cent of respondents “strongly agree” with said projections. This means that more than half of participants throughout Indonesia, Malaysia, Singapore, Vietnam, Thailand and the Philippines have grown pessimistic towards the current economic outlook and have, more likely than not, resorted to frugal measures in the event of a rainy day. Now, the race is on for investors and retailers to turn the tide.

As Charles T. Munger once said, “There is no better teacher than history to determine the future.” And if the past few years were anything to go by, there is much to be learned from how companies adapted during uncertain times. For starters, technological advancements have given way to omnichannel, where retailers exist not only on the shop floor but also online. The same could be said for more sophisticated digital infrastructures, from live streaming to payment channels like Buy Now Pay Later, which changed how shoppers perceived retail (more on that later). And to top it off, the pandemic proved that a hybrid or a cross-border remote work model has become successful, especially when combating operational costs.

HOW MUCH DO YOU AGREE WITH EACH OF THE FOLLOWING STATEMENTS?



Source: BCG SEA Consumer Sentiment Study (Jul’22)



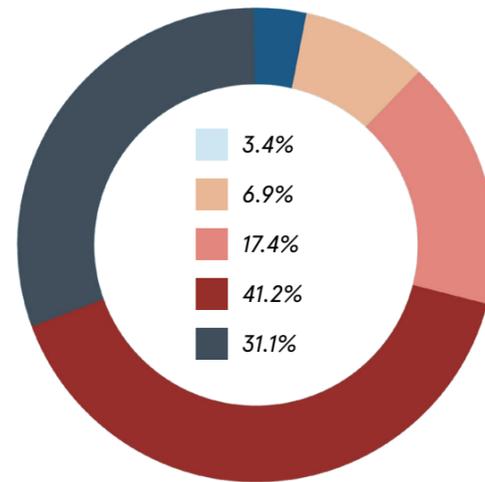
THE NEW WORK ORDER

They say that home is where the heart is, but in recent times, its evolved to become much more than that. As employees have found it more agreeable to work on flexible terms (let's face it, who doesn't enjoy working in sweatpants?), a remote working environment is just as worthwhile for employers.

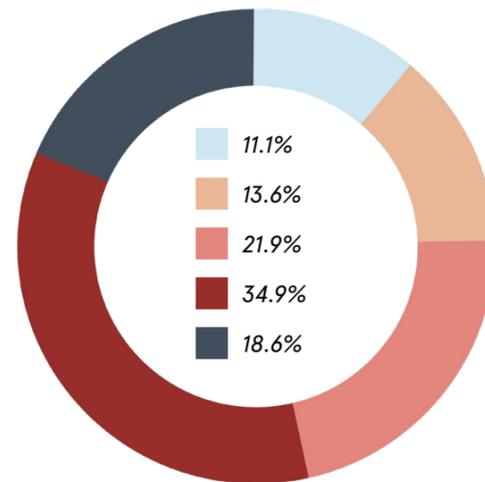
In a 2021 survey by Capgemini, the research institute discovered how remote working could slash operational costs by one-third. The study, which observed more than 500 organisations worldwide and featured 5,000 employee responses, found that businesses began to "question the very purpose of an office, or at least an office in its current expansive form." And if there's one thing companies enjoy more than a return on investments, it's savings. Jerome Buvat, Global Head of Research and Head of Capgemini Research Institute, said, "88 per cent of organisations agree that they have realised real-estate cost savings with remote working in the last three to four months, and 92 per cent expect savings in the next two to three years."

In other words, remote working alleviates the need for air-conditioning, office supplies, Internet, maintenance fees, and to a certain extent, cafeterias. It also helps that employees have quickly gravitated towards this new model, benefiting from not only peace of mind but a more conducive environment. For some, this could mean spending more time with loved ones or even practising self-care at home, which has become a top priority for a healthy mind, body and soul.

HOW MUCH DO YOU AGREE WITH EACH OF THE FOLLOWING STATEMENTS?



I WOULD PREFER WORKING IN A HYBRID MODEL (PARTIALLY WORKING FROM HOME) IN FUTURE



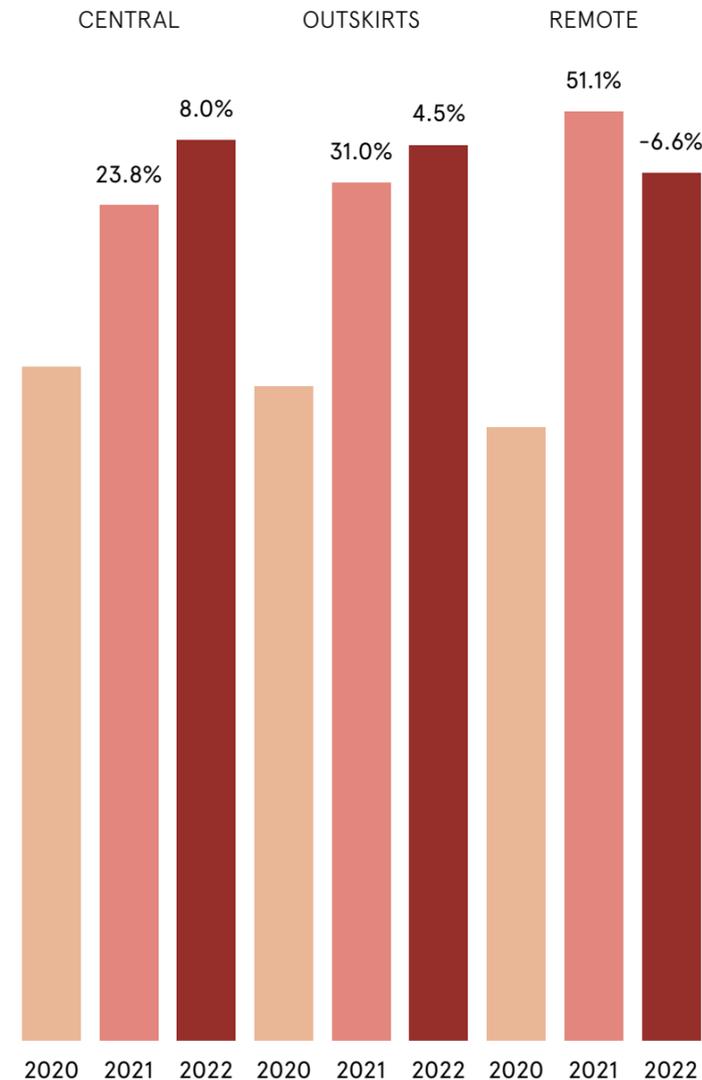
I AM WORKING ON A HYBRID MODEL NOW (PARTIALLY FROM HOME)

- STRONGLY DISAGREE
- SOMEWHAT DISAGREE
- NEITHER AGREE NOR DISAGREE
- SOMEWHAT AGREE
- STRONGLY AGREE

Source: BCG SEA Consumer Sentiment Study (Jul'22)

Statistics from BCG SEA Consumer Sentiment Study July '22 support this sentiment: while 72.3 per cent of respondents prefer to work in a hybrid model, only 53.5 per cent are on hybrid model now, suggesting conventional offices are still in full force.

THE NEW WORK ORDER



Source: TRENDER, a GFG Product (As of Q3 2022)

Similarly, TRENDER, a GFG product, revealed the number of ZALORA customers in remote areas had declined and outskirts areas (think villages and suburban towns) had sluggish growth, resulting in a return of occupancies in cities.

So, why are hybrid models not widely implemented despite a growing interest in working remotely? Southeast Asia may be home to the most digitally connected consumers in the world, but it is also one

of the least-secured regions to work remotely in. In a study by Reboot Digital PR Services, Indonesia was found to be the least digitally-secured place in the world, with a cyber danger score of 82.8 out of 100. Meanwhile, Malaysia, Vietnam and Singapore ranked third, fourth and sixth in its global rankings, with Thailand and the Philippines placing ninth and tenth, respectively.

Consider it an eye-opener for many ASEAN companies. With such circumstances serving as catalysts, businesses have now made giant strides against cyberattacks, with some organisations dedicating an in-house IT team to manage potential threats. Palo Alto Networks has recognised this urgent need and revealed how corporations had grown more invested in mitigating digital risks. With leadership now focused on cyber protection, additional budgets have been put into place to adopt next-generation technologies, especially when most of the region's businesses saw a rise in disruptive attacks. Ian Lim, field chief security officer of Palo Alto Networks, said, "To manage today's remote workforce in a digital-first environment, cybersecurity must be integrated horizontally across all facets of the business and considered part of every corporate action."

Given this call to arms, it's no wonder why countries like Indonesia have offered remote working visas to popular destinations like the island of Bali. And with new opportunities abound, a long-awaited desire had emerged, ready to take flight.

WHEN BORDERS OPEN: THE RETURN OF TRAVEL AND TOURISM

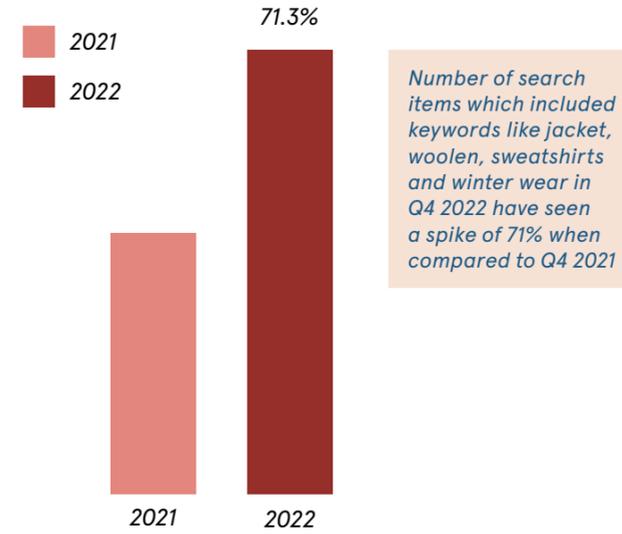
For two years (and more, for some), the idea of holidaymaking almost seemed like an impossible feat. And so when the time finally came when borders reopened, consumers pounced on the first chance to go abroad.

Indeed, the Southeast Asian #RevengeTravel has been two years in the making, with travel-related searches exceeding pre-pandemic levels, according to the e-Economy SEA 2022 report, an annual publication by Google, Temasek, and Bain. And with good reason: fueled by newfound freedom as a result of remote and hybrid working models, holidaymakers, alongside digital nomads, have been on the edge of their seats in anticipation of relaxed restrictions.

Amid the excitement, wishlists and bucket lists had formed, which saw an uptick in consumer demand for swimwear and sunscreen at Zalora. This is proof that travellers are making more detailed plans than ever before, with a +440 per cent YoY growth in Google searches for travel requirements.



YOY Travel Item searches



Source: TRENDER, a GFG Product (As of Q4 2022)

Nevertheless, a full recovery to pre-pandemic levels can only be expected in 2023/2024. Despite a surge in Google search trends, most airlines have struggled to cope with demands after years of downsizing. An excellent example of this could be seen in the Netherlands, where thousands of frustrated passengers stood in kilometres-long queues outside Schiphol Airport, waiting to be checked in over the summer months. Chaos also ensued at London's Heathrow Airport as the lack of baggage handlers led to hundreds of luggage piled across its terminal floors.

Such scenes are yet to be seen in Southeast Asia, primarily as the staged opening of markets and skyrocketing flight prices have deterred many potential international travellers. Moreover, the rise in inflation has further dampened holiday spirits, as the BCG SEA Consumer Sentiment Study from July '22 suggested:

- ALOT LESS AS COMPARED TO BEFORE MARCH '20 (PRE COVID TIMES)
- SOMEWHAT LESS AS COMPARED TO BEFORE MARCH '20 (PRE COVID TIMES)
- ABOUT THE SAME AS COMPARED TO BEFORE MARCH '20 (PRE COVID TIMES)
- SOMEWHAT MORE AS COMPARED TO BEFORE MARCH '20 (PRE COVID TIMES)
- ALOT MORE AS COMPARED TO BEFORE MARCH '20 (PRE COVID TIMES)
- I DON'T SPEND IN THIS AREA

Source: BCG SEA Consumer Sentiment Study (Jul'22)

CUSTOMER DEMAND GROWTH AT ZALORA FOR:

SUNSCREEN



2022 8%
2021 3,096%

SWIMWEAR

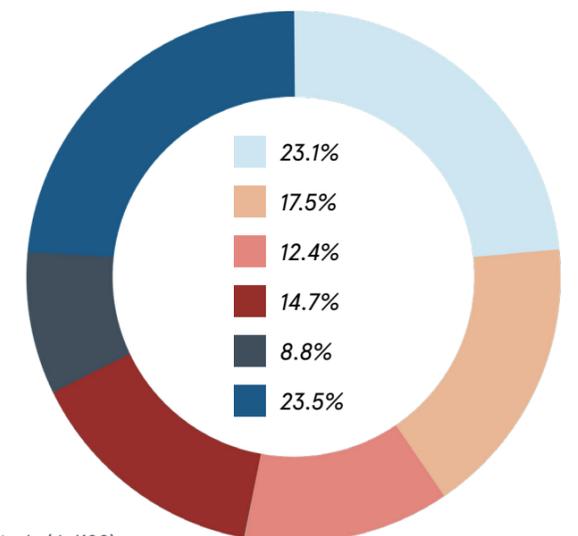


2022 4%
2021 1,862%

Source: TRENDER, a GFG Product (As of Q3 2022)

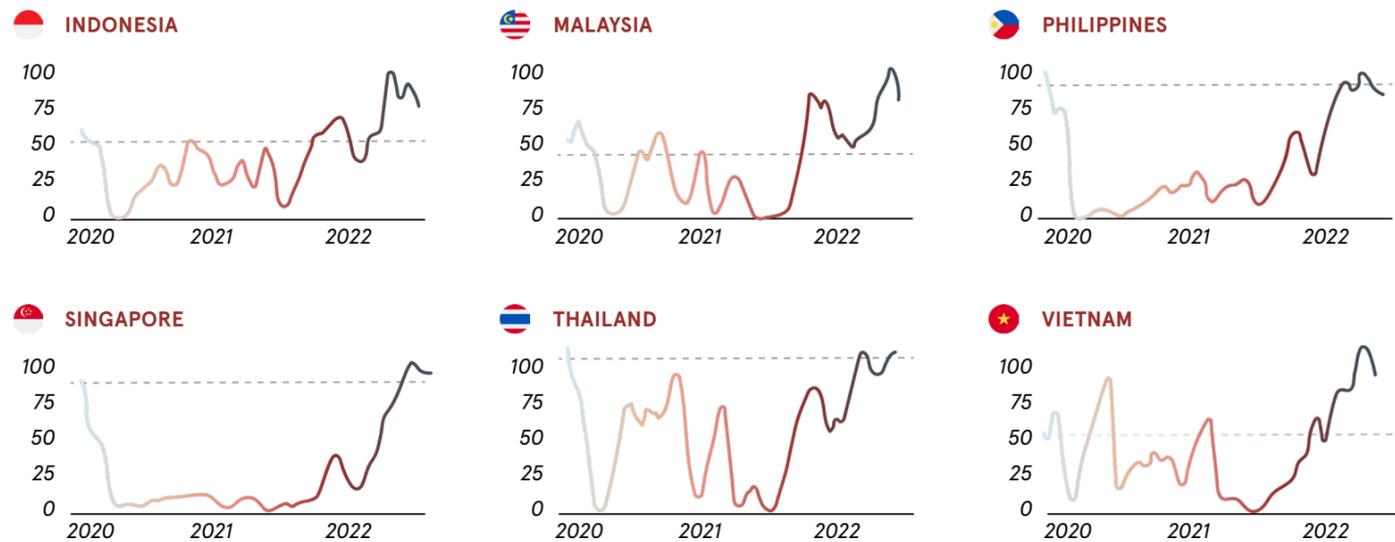
COMPARED TO PRE-COVID I.E. BEFORE THE CORONAVIRUS OUTBREAK IN MARCH '20, HOW MUCH DO YOU SPEND TODAY ON EACH OF THESE CATEGORIES?

TODAY, I SPEND... FLIGHTS/ AIR TRAVEL



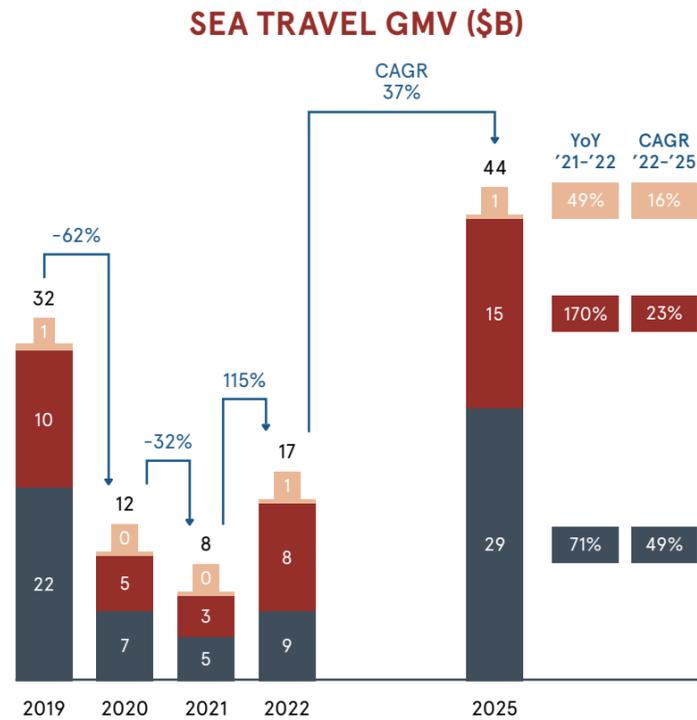
TRAVEL-RELATED SEARCH TRENDS BY COUNTRY

----- Average pre-pandemic search interest — Indexed searches



Source: Google, Temasek and Bain, e-Economy SEA 2022 report

The only exceptions to this are Malaysians and Singaporeans, whose stronger currency and greater mobility have paved the way for overseas travel. However, this may soon change: while passenger traffic in Asia stood at 22 per cent of pre-Covid 19 levels in June 2022, it is expected to increase rapidly to over 70 per cent by year-end.



*VS SINGAPORE AT ~80% OF PRE-COVID CAPACITY
SOURCE: BAIN ANALYSIS

Thailand is banking on this growth. Known for its white and sandy beaches, the nation’s jewels, like Koh Samui and the Phi Phi islands, have been a preferred holiday destination among European and American visitors. On any given day, tourists spent an average of 55,000 baht per trip in the second quarter of 2022, which went up by 17 per cent from 47,000 baht before the pandemic. Given the limitations of high-value corridors like China and Japan, Thailand—and other neighbouring countries—will most likely benefit from Western tourists looking to trade a harsh winter at home for a tropical getaway. To put things into perspective, Southeast Asia’s tourism industry leapt

from 63 million in 2009 to 139 million in 2019 and accounted for around 10 per cent of GDP in Vietnam, 20 per cent in Singapore and Malaysia, and between 20 to 25 per cent of GDP in Thailand and the Philippines.

That said, for the industry to regain its former glory, local players must take heed of not just the emerging preferences of Southeast Asian travellers but also international ones. This includes a seamless digital experience from booking to boarding, as well as offering niche experiences that go beyond a brochure. In Nagasaki, Japan, the Henn-na Hotel is recognised as the world’s first robot-staffed accommodation, with automatons operating its front desk. By harnessing AI technology, the mechanoid executes everyday tasks and effectively solves any shortages in the workforce (think: payroll). New York’s LaGuardia Airport also implemented the same idea at New York’s LaGuardia Airport, where Knightscope robots are deployed to perform security checks. Meanwhile, recently-launched multi-currency debit cards in Malaysia have enabled travelling Malaysians to easily spend and withdraw cash globally.

FULL SPEED AHEAD: INNOVATIONS FROM THE PANDEMIC

It’s remarkable how far we’ve come since the pandemic’s start. What started as a troubling time for billions worldwide turned out to be a period of enlightenment as innovations brought us further into the Fourth Industrial Revolution. As mass isolations accelerated technological advancements in myriad industries, consumers became even more sophisticated. In Southeast Asia, communities—even those in remote and rural areas—have become digitally connected, with some turning down desktops in favour of mobile phones. To put into perspective, 100 million new Internet users have come online in the last three years, and the numbers keep climbing.



According to e-Conomy SEA 2022 report, Southeast Asia’s digital economy remains on course to reach ~USD 1 billion in gross merchandise value (GMV) and had reached this threshold three years earlier than expected. It’s the reason why the region has become a tech start-up hub, with some reaching unicorn status in just a few years.

As a result of this diversification, retailers have been able to implement innovations from the likes of live streaming to augmented reality. We have seen this become an extremely useful tool as brands bridge the gap between online and offline channels, especially in the realm of fashion. Meanwhile, cashless payments and the variegation of QR codes aided in the quest for social distancing, as well as providing auxiliary financial means for millions who are bankless across the region.

Take Indonesia, for example. Home to more than 60 million ultra-micro and micro businesses, consumers were finally able to make cashless transactions while simultaneously improving their financial literacy. It’s also one of the reasons why the country has rapidly adapted to digitisation at a faster rate than its peers.

INCREASE IN USAGE COMPARED TO BEFORE THE PANDEMIC

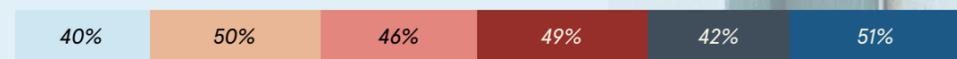
NEW SHOPPING HABITS



SHOP FROM ONLINE RETAILERS



BUY FROM CHAT GROUPS



ADOPTION OF DIGITAL TOOLS



USE DIGITAL WALLETS



SUBSCRIBE TO STREAMING APPS



Source: BCG CCI Consumer Sentiment Research, late May through early June 2021

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Ultimately, these technological advancements propel Southeast Asia’s industries to the next level. From ZALORA’s standpoint—and with much thanks to developments like in-app gaming and data intelligence—growth had increased Year-on-Year, even amid global uncertainties.

It is important to note that though we live in a changing world, many of these changes are still unfolding. As the world returns to business as usual, the inherent nature of businesses evolves along with the zeitgeist, paving the way for continued innovation. As we head into the year ahead, experiences gained from previous years will be more valuable now than ever. By staying nimble and taking advantage of volatility (remember, a downturn can create opportunities), brands can ultimately take charge of these new financial territories and come ahead of the rest. ■

THE NEWLY CONNECTED SOUTHEAST ASIAN RETAIL LANDSCAPE

The fight against Covid-19 may just be over, but other forces at work are signalling a looming financial crisis. This chapter looks at the state of impending headwinds, the growing pains of the pandemic, and the future of the retail industry and beyond.



Welcome to the Fourth Industrial Revolution. As we come into a new age of technological advancements, it is strange to think how it took a pandemic to catalyse it. And although we haven't quite achieved cutting-edge levels of Back to the Future (you would think today, we would already have flying cars), the time of innovation is now.

Given the repercussions of Covid-19, technology has helped bridge the gap between offline and online channels, especially as consumers worldwide went into lockdown. As a result, Internet users skyrocketed, equalling [up to 5.03 billion, or 63.1 per cent of the global population since July 2022](#). In Southeast Asia, this figure is translated to 8.07 per cent of the worldwide population, making it one of the most virtually-connected regions in the world.

It is the reason why [investments have maintained strong momentum in the first half of 2022](#), giving way to tech unicorns such as Singapore-based super-app Grab and conglomerate Sea Limited. In fact, according to Jungle Ventures, Southeast Asia's technology startups had a combined value of USD 430 million in 2020 and are expected to triple the amount by 2025. It has been a long way coming; where the Internet was once inaccessible in only four in five countries, the number has now increased to 90% in terms of connectivity within the last decade. Today, Southeast Asia has grown to become a mobile-first market, skipping over myriad technological waves as its communities race towards development and urbanisation.

A LOOK AT SOUTHEAST ASIAN HYPER-CONSUMERISM: DOUBLE-DIGIT SALE DAYS

Chief among the effects of an increasingly digitised community is the amount spent online. According to a report published by Hootsuite, [the global average time spent on the Internet in 2022 increased to six hours and 49 minutes daily, above pre-pandemic levels of six hours and 42 minutes](#). And what's more interesting is that three of the world's top ten heavy Internet users reside in Southeast Asia: the Philippines (nine hours and 58 minutes), Thailand (eight hours and 37 minutes) and Malaysia (eight hours and 36 minutes). Nevertheless, it's worth noting that after years of digital acceleration, adoption has begun to normalise, and retailers must shift from customer acquisition to deeper engagement with an existing (and maturing) clientele.

Having emerged from prolonged isolation with new behaviours, consumers have become more well-informed and sophisticated. They have also incorporated technology into their daily lives, even as they revert to their pre-pandemic lifestyles. An example of this could be seen in the retail industry: despite a return to in-store shopping, e-commerce is still increasing momentum. This could be a result of omnichannel solutions, which have allowed consumers to walk the fine line between offline and online channels. In fact, e-commerce has gained dominance over food deliveries, transport, groceries, and music-on-demand across all demographics, from urban to suburban areas. As revealed by e-Conomy SEA 2022 report, affluent users scored the highest when shopping online, with 98 per cent of respondents claiming they have purchased an item through e-commerce in the last three months. Similarly, suburban users, despite being on the lower end of the spectrum, also recorded high ratings on the scale at 74 per cent.

ADOPTION ACROSS DIGITAL SERVICES (%)

	E-COMMERCE	GROCERIES	FOOD DELIVERY	TRANSPORT	TRAVEL	MUSIC-ON-DEMAND	VIDEO-ON-DEMAND	GAMING
AFFLUENT USERS	98%	72%	86%	81%	84%	57%	71%	58%
YOUNG DIGITAL NATIVES	92%	61%	79%	74%	71%	62%	66%	62%
METRO MAINSTREAM	92%	64%	74%	64%	64%	44%	57%	45%
'ON A BUDGET USERS'	94%	55%	63%	47%	56%	45%	50%	46%
SUBURBAN USERS	74%	9%	34%	23%	9%	9%	19%	15%

E-COMMERCE ADOPTION IS HIGH ACROSS URBAN AND SUBURBAN CONSUMERS

Source: Google, Temasek and Bain, e-Conomy SEA 2022 Report

These are certainly exciting figures to behold, especially given the low consumer confidence, as covered in Chapter One. However, one critical contributing factor could explain this phenomenon: shopping festivals.

What was once a celebration that began in China (see: Single's Day, also known as 11.11) has now become a retail sensation as countries throughout Southeast Asia have started to emulate the success of shopping festivals—and to significant effect. In 2022, ZALORA saw its end of year mega campaign days have six times the amount of sales as compared to a typical non-campaign day.

Such promising results are what compels retailers to push these events even further by hosting them at a much-increased frequency, with some platforms opting to transform it into a monthly occurrence.

Such is the case for ZALORA, whose shopping events saw the highest number of sales versus any other day during 2022. But what's also interesting here is that sales towards the end of April far exceeded any other time of the year. This uptick could be explained by the ease in Covid-19 restrictions across the region—since late March, most Southeast Asian countries have already relaxed their travel restrictions, including Malaysia, Singapore and Indonesia.

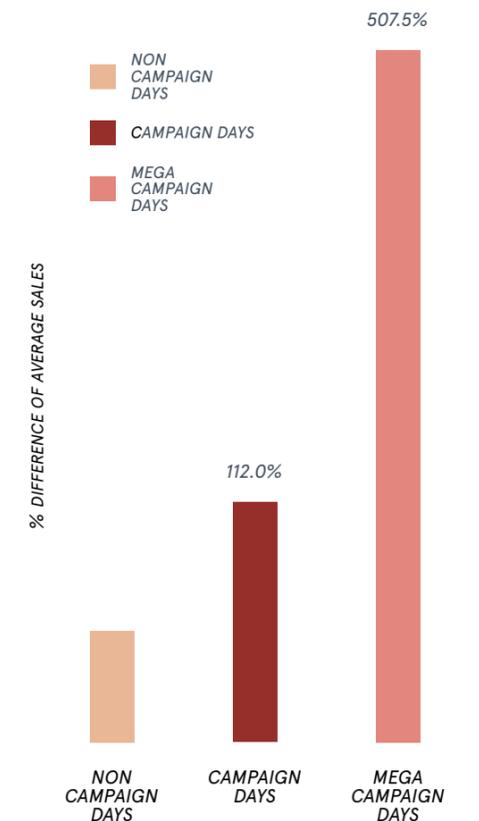
As a result, consumers may be more inclined to purchase more in preparation for their upcoming holidays, which had long been overdue for more than two years.

Nevertheless, there is more to double-digit sale days than meets the eye. With special appearances by celebrities and endorsements by popular content creators, these events combine the best of entertainment and retail under one platform. As a bonus, consumers tend to spend more time online and are more inclined to discover new brands. These shoppers would also be more likely to explore new product segments, given the promotional discounts. Now all that's left is for them to make a purchase.

Thankfully for retailers, there are external factors here at work that has been driving Southeast Asia towards hyperconsumerism. And as it turns out, it is no longer about the bargain—it is about convenience.



MEGA CAMPAIGNS



Source: TRENDER, a GFG Product (As of Q3 2022)

CASE STUDY: NIKE X TRENDER PRO

How Nike leveraged ZALORA's trade data to elevate consumer experience in their seasonal campaigns during an extraordinary time.

When consumer shopping behaviours swapped checkout lines for online shopping, Nike's digital transformation strategy proved prudent in times of COVID-19. TRENDER Professional helped Nike fuel its goals during a challenging time over the holiday season in 2020, as regional retail sales increased by 105 per cent YoY with a 95 per cent uplift in total units sold despite the COVID-19 pandemic.

Through the capability of interactive dashboards on TRENDER Pro, Nike was able to analyse every aspect of their business on ZALORA, from sales performance to traffic and product insights as well as customer data, thus enabling them to make data-driven decisions such as which products to sell or promote across mega sales moments on the ZALORA platform. Based on these insights harnessed from the data solution, Nike successfully launched premium Nike Holiday Boutique campaigns with the following strategies that sought to elevate the consumer experience through brand story-telling and a differentiated partner gifting journey.

As a result, Nike reached a sales uplift by +73 per cent in their Holiday Boutique launch week and achieved four times weekly sales for both their 11.11 and 12.12 campaigns on ZALORA. Moreover, Nike's Inspire & Ignite Her To Move In Style campaign garnered three million homepage impressions and over 300,000 product views on ZALORA Philippines.

For more information on how your brand can benefit from TRENDER Pro, [please visit our website.](#)



KEY HIGHLIGHTS

CAMPAIGN PERIOD

Oct - Dec 2020

REGIONAL RETAIL SALES
+105% YoY

SALES UPLIFT IN LAUNCH WEEK
+73%

TOTAL UNITS SOLD
+95 YoY

11.11 & 12.12 CAMPAIGNS
4x Weekly Sales

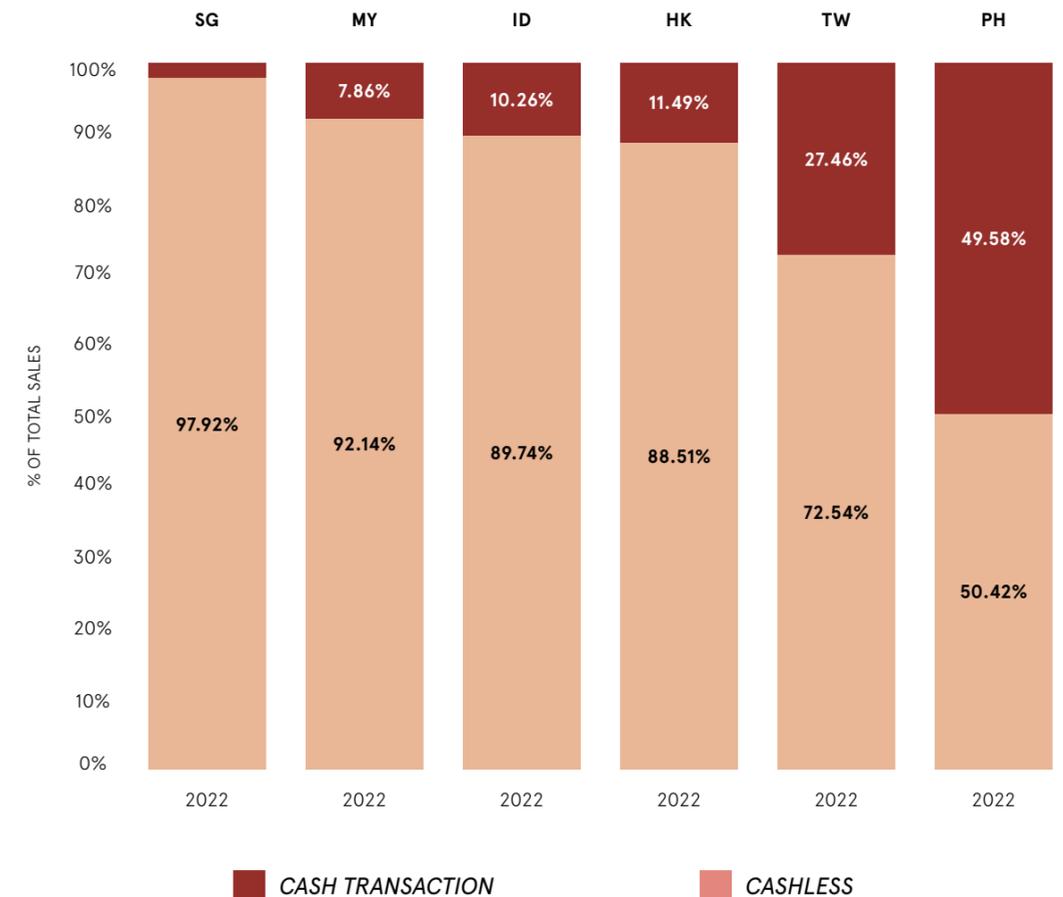
GOING CASHLESS: AN OPPORTUNITY IN RETAIL?

Gone are the days when cash is king. In its place, new financial services reign supreme, which revolutionised the way Southeast Asians approach retail. As the region's communities professed their ongoing love affair with all things digital, it was only a matter of time before payment options followed suit. Now, with a single wave or tap, consumers can not only shop but also dine and travel at any time and place, with the world firmly placed at their fingertips.

Indeed digital adoption has now normalised in Southeast Asia, and it is one of the reasons consumers here consider technology an essential part of their lives—especially having evolved from a sparsely connected to a fully immersive society. Just think, before the pandemic, there were an estimated 290 million unbanked or underbanked people in the region. That number has diminished with virtual banks and e-wallets, further contributing to the 460 million Internet users we now have.

Online presence isn't the only thing Digital Finance Services (DFS) have contributed to. According to market intelligence firm IDC report, inclusive payment options are set to power e-commerce spending to USD179.8 billion by 2025, with digital payments accounting for 91 per cent of total e-commerce activity.

CASHLESS TRANSACTIONS ON ZALORA



Source: TRENDER, a GFG Product (As of Q3 2022)

CASE STUDY: PAYPAL

Pooja Sanan, Head of Sales, Southeast Asia for PayPal shares her insight on the future of e-payment, novel shopping experiences and democratising finance.



Throughout the pandemic, we have seen a surge in new e-payment users, especially as businesses become more present online. How do you think this trend will continue now that retailers have resumed brick-and-mortar operations?

From virtual business meetings to cross-border online shopping, consumers are getting more comfortable with e-commerce today, and the growing trend is likely to continue even after brick-and-mortar operations are back. Retailers should tap into the longer-term potential by deepening customer engagement and nurturing customer loyalty. Ensuring an omnichannel shopping experience is part of building that engagement.

How has the current economic climate affected consumer behaviour towards e-payment?

The current economic climate has made consumers more cautious about discretionary spending. In addition, inflation and supply chain issues have kept prices high and availability a challenge. However, despite economic challenges, the e-commerce and e-payments industries regained momentum. As a result, the five-year revenue outlook for the payments industry looks promising, expected to top [\\$3 trillion by 2026](#).

What are the key factors contributing to higher e-payment adoption?

Convenience, flexibility, and higher control of customer experience. First, higher e-payment adoption is directly correlated to increased comfort, and convenience shoppers worldwide have with online shopping – particularly with the higher levels of security and seamlessness now offered by cross-border retail merchants. For example, our [Borderless Commerce Report 2022 reported an enormous 42% of online shoppers surveyed saying they were more comfortable shopping cross-border than in 2020](#).

Second, flexibility is also a critical factor in higher e-payment adoption. Shopper’s lives have become more flexible than ever following the pandemic, with [23% of global online shoppers working entirely or partially from home](#). Using e-payment options offer this same flexibility that they have gotten used to, which has likely contributed to the spike in its adoption.

Finally, higher control of customer experience remains a crucial contributing factor to the switch to e-payment options. For example, [46% of our surveyed online shoppers admitted that they are likelier to buy from retailers that offer virtual or digital experiences](#). This is why retailers are introducing novel shopping experiences like live streaming or social commerce, or even shopping through augmented reality (AR) or virtual reality (VR)—all of which will further boost e-payment adoption.

How can retailers reach out to more consumers using e-payment options, especially in remote areas?

They can do this by leveraging PayPal’s two-sided network of more than 400 million customers and 35 million merchants across 200 markets. Millions of people, due to their locations, are excluded from participating in the global economy due to high barriers to entry. Democratising financial services is central to our mission as a company, and we aim to reach underserved communities and enable them to participate in the global economy with our comprehensive suite of solutions.

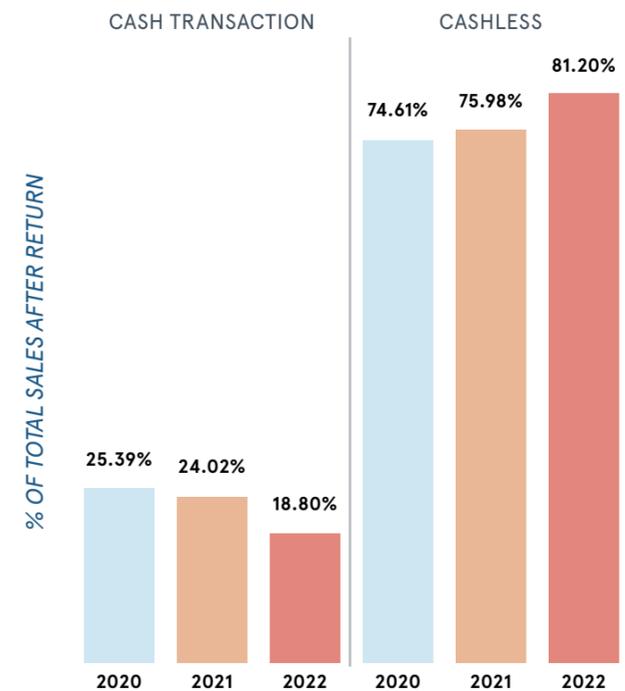
What are your key takeaways from the pandemic, and how will PayPal leverage this in the coming years?

Prioritising customer experience is a critical foundation for unlocking growth with e-commerce since authentic, empathetic engagement will cement a foundation of trust and long-term relationships with remote customers. Customer experience starts even before a shopper hits the checkout button. They expect an intuitive design with fewer clicks when it comes to online transactions. Therefore, it is crucial to streamline the path to purchase and make payment as convenient as possible.

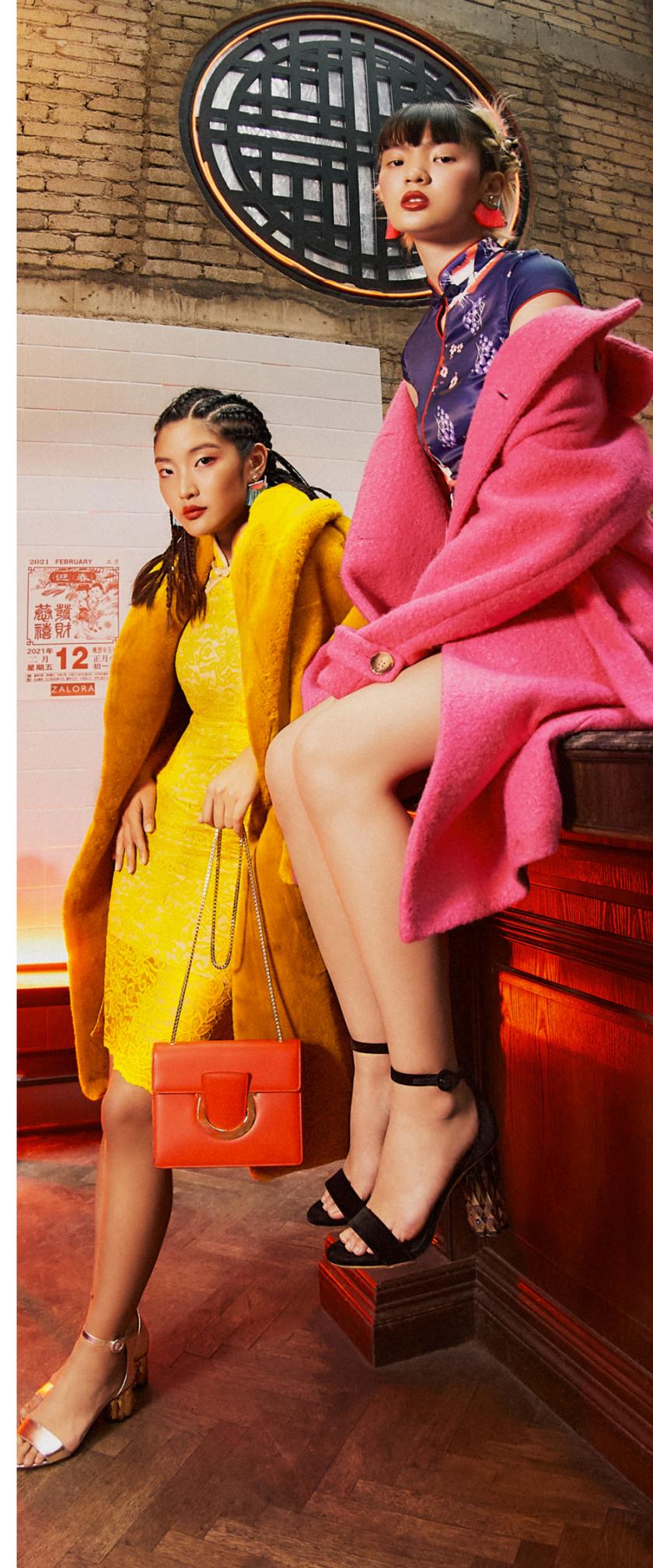
Over at ZALORA, the trajectory is evident. Within a year, we can see how digital payment options have sustainably grown from 74.61 per cent in 2020 to 81.20 per cent in 2022. Inversely, conventional cash transactions simmered down from 25.39 per cent in 2020 to 18.80 per cent in 2022. Zooming in, we see this decline a little clearer: from the months beginning September 2021, cash transactions had steadily declined from 21.22 per cent to 14.98 per cent in September 2022.

Nevertheless, despite these positive outlooks, the payment landscape in Southeast Asia has remained incredibly fragmented, and given the region’s diversity, integration can vary from market to market. A [report by Visa published earlier in 2022](#) revealed that four of six regional countries have actively participated in virtual payments. As a first-world city-state, Singapore led the way with 97 per cent of its consumers fully adept in cashless payment methods, followed by Malaysia at 96 per cent. Meanwhile, Vietnam and Indonesia both

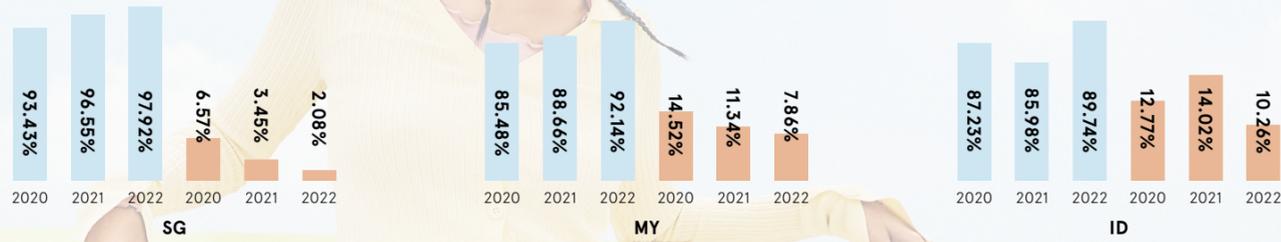
CASHLESS GROWTH



Source: TRENDER, a GFG Product (As of Q3 2022)

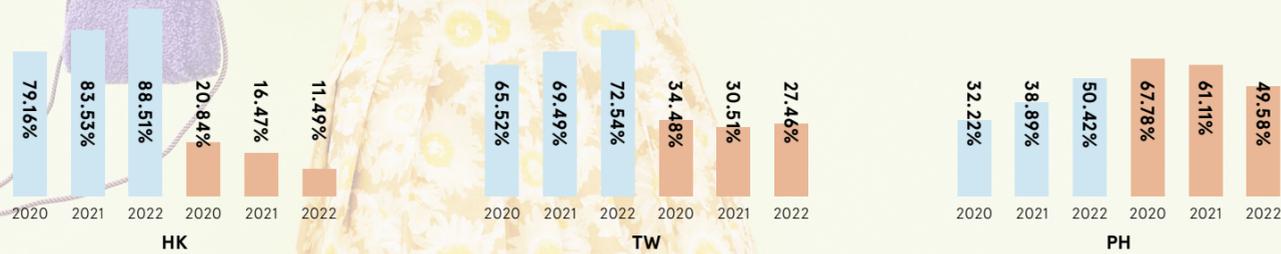


CASHLESS GROWTH IN HIGH DIGITAL VENTURES

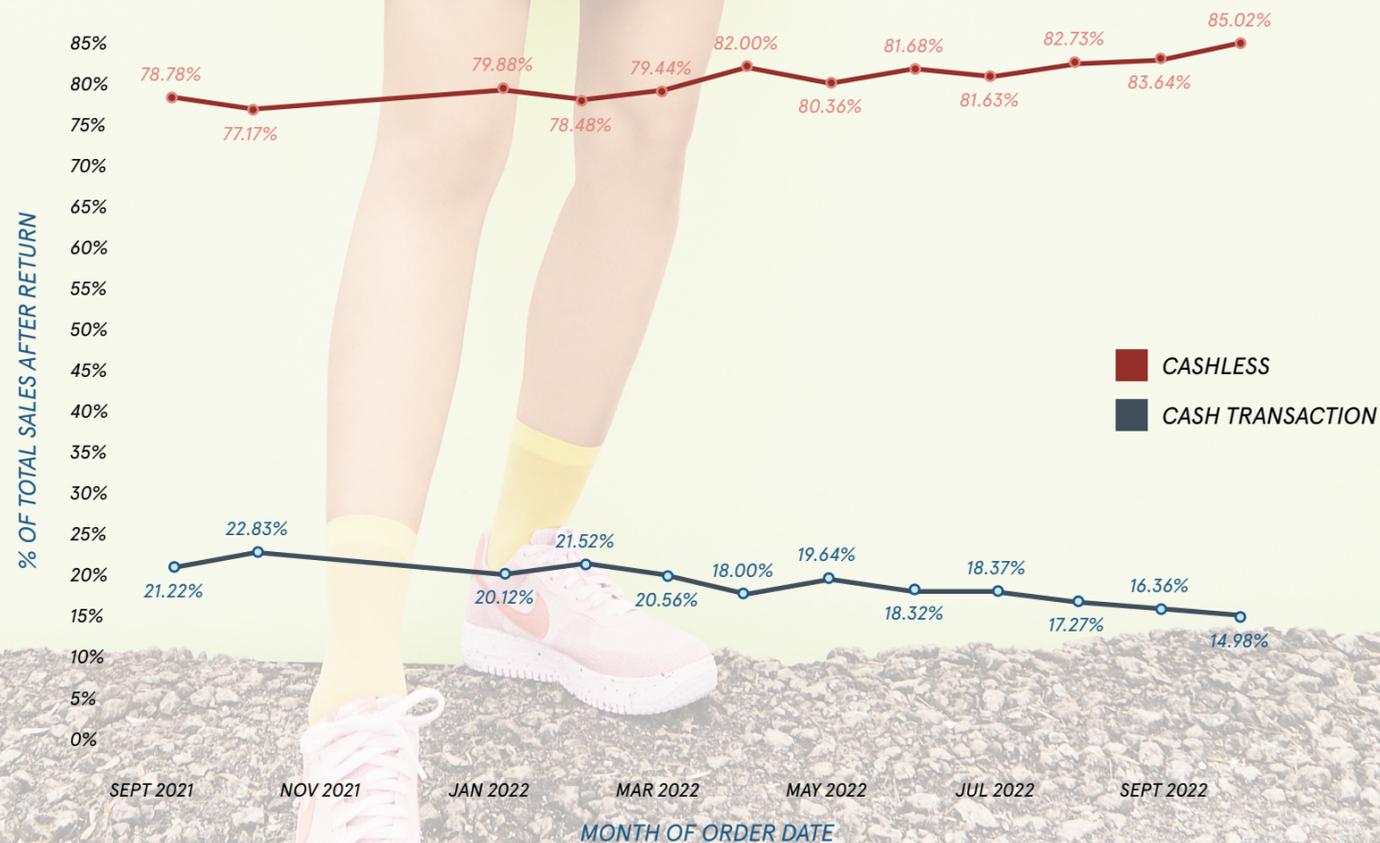


Source: TRENDER, a GFG Product (As of Q3 2022)

CASHLESS GROWTH IN LOW DIGITAL VENTURES



CASHLESS GROWTH



Source: TRENDER, a GFG Product (As of Q3 2022)

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A regional study by CPA Australia illustrated this well. [According to the accounting firm](#), consumers in the Philippines recorded the highest cash user, with over 80 per cent of respondent businesses indicating that most of their 2021 sales were transacted traditionally. In fact,

Filipino cash transactions in 2021 reverted to pre-pandemic levels, going against the grain of most of its neighbouring countries. The same sentiment was also felt in Indonesia, where retailers received an increase in cash payments from 58 per cent in 2020 to 60 per cent in 2021. Here, it’s worth remembering that, unlike Singapore and Malaysia, the archipelagic topography of Indonesia and the Philippines serve a complex set of challenges to potential disruptors and incumbents alike. Its thousands of islands—some accessible only via dirt roads or by boat—as well as remote and rural areas have in the past been proved challenging to develop technologically. This complex predicament could perhaps serve as a plausible explanation for the discrepancies in cashless spending.

WHICH METHOD OF PAYMENT DO YOU USE FOR ONLINE PURCHASES?

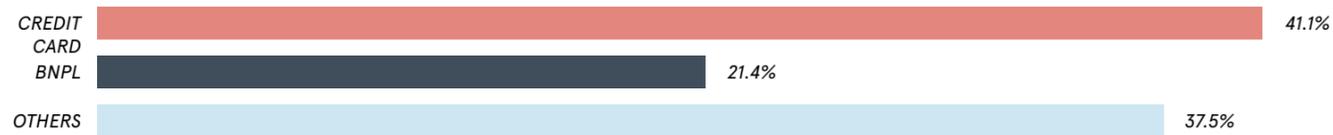
CASH ON DELIVERY	75.0%
CREDIT CARD	1.3%
DEBIT CARD	6.3%
REWARD COUPONS/ CREDIT POINTS	0.7%
ONLINE MOBILE WALLET	10.1%
INTERNET BANKING	9.0%
INTERBANK TRANSFER	29.1%

Source: Indonesia Country Report (conducted in June 2022), Boston Consulting Group

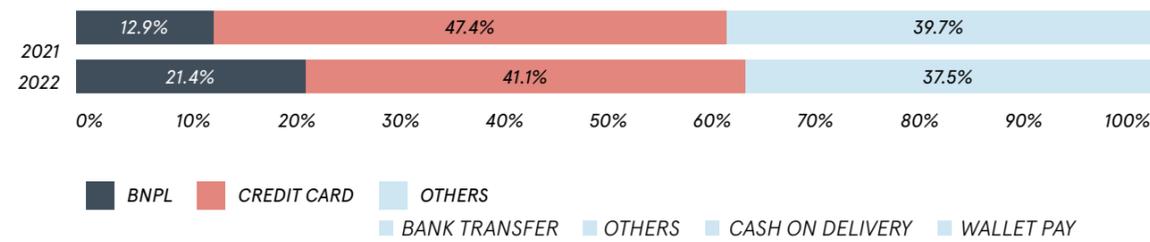
Looking at Indonesia alone, its vast size and estimated 17,508 islands have contributed significantly to its “digital divide”. Here, consumers lead very different lifestyles, frequenting roadside stalls and vendors in place of city megamalls. Additionally, many lower-middle to lower-class communities in Indonesia still make less than the nation’s bare minimum income standard, making the chances of opening a bank account—much less owning a mobile phone—a little trickier than others. It is perhaps the reason why, in a recent country report conducted by the Boston Consulting Group, 57 per cent of Indonesians preferred to pay cash on delivery, as opposed to online interbank transfers (22 per cent), mobile wallets (8 per cent) and internet banking (7 per cent).



LUXURY CATEGORY PAYMENT METHODS



LUXURY CATEGORY PAYMENT METHODS



Source: TRENDER, a GFG Product (As of Q3 2022)

The good news is, given these circumstances, many local banks and fintech players have recognised the opportunity to progress Southeast Asia’s payment landscape further. New entrants like the Philippines’ first neobank, [Tonik](#), have enabled 190,000 customers across the country’s 2,000 inhabited islands to receive loans without needing credit histories or collateral. Meanwhile, in Indonesia, disruptors like [OVO](#), [DANA](#) and [LinkAja](#) have allowed many underbanked and bankless to send money, pay bills, and even make e-commerce purchases without ever having to leave the comfort of their own homes.



Interestingly, the only feature left out of this equation is credit spending, although newcomers like Atome and Hoolah have reacted quickly to this demand. Much like conventional credit cards, Buy Now Pay Later (BNPL) payment models offer

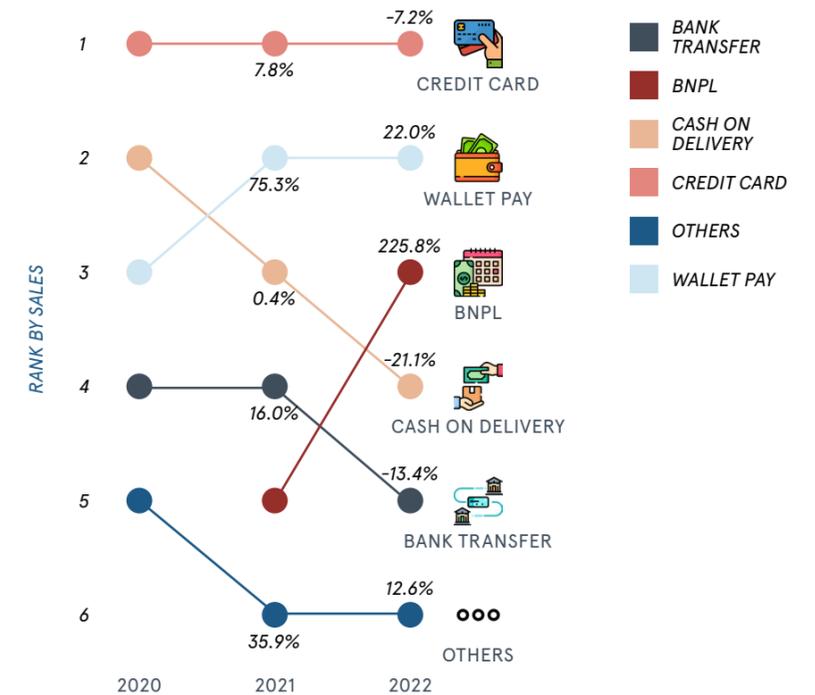
interest-free monthly payments, without the stress of tedious paperwork. This means that consumers can finally purchase their dream items, from designer handbags to high-end electronics, regardless of financial background.

At ZALORA, we can see how BNPL has influenced customer spending. Since 2020, the number of basket sizes in net merchandise value (NMV) skyrocketed by 73.62 per cent growth in 2021 and again by 25.92 per cent growth in 2022. ZALORA’s sales after return had also appreciated, having leapt to 1,973 per cent growth in 2021 and an additional 67 per cent growth in 2022. As it turns out, customers from all corners of Southeast Asia—central, outskirts and remote areas—have utilised BNPL as a form of payment at least once,

although data have suggested there are those who rely upon it more so than others.

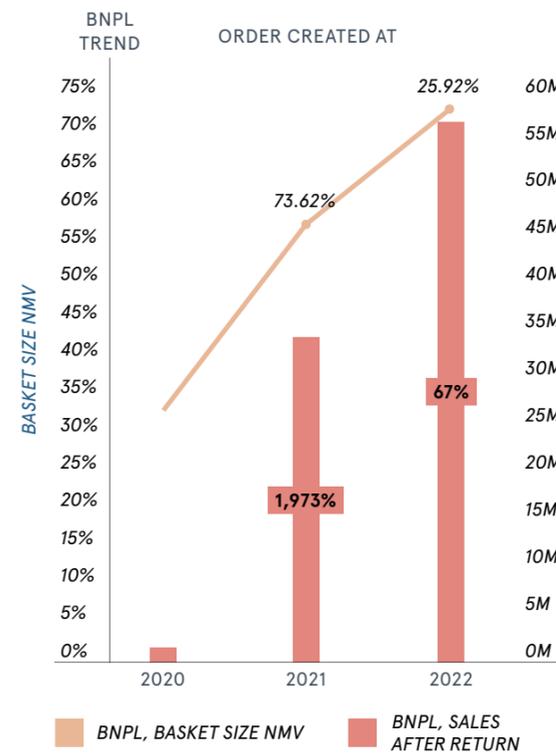


PAYMENTS (RANK BY SALES) - CENTRAL



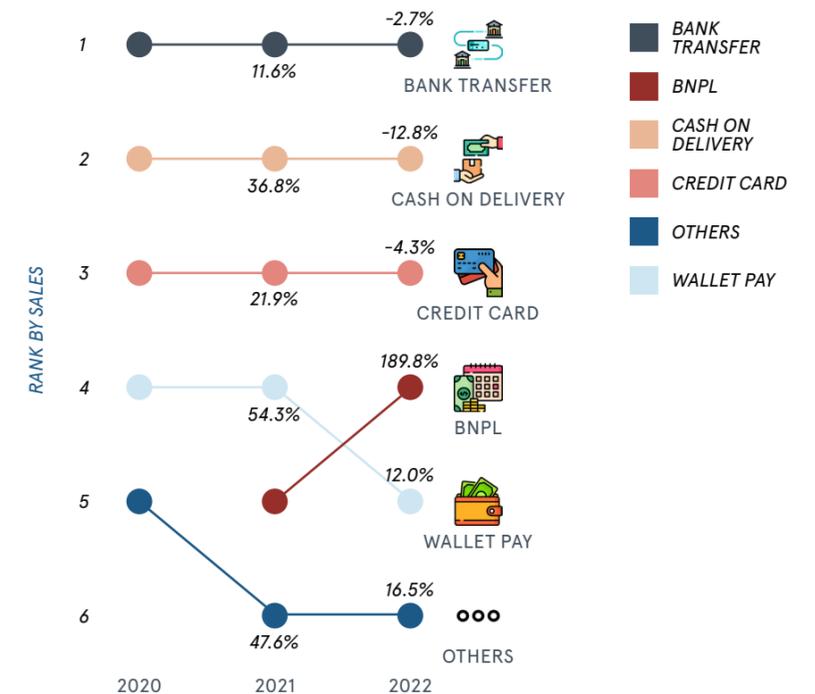
Source: TRENDER, a GFG Product (As of Q3 2022)

BNPL BASKET SIZE (NMV) VS BNPL SALES AFTER RETURN AT ZALORA



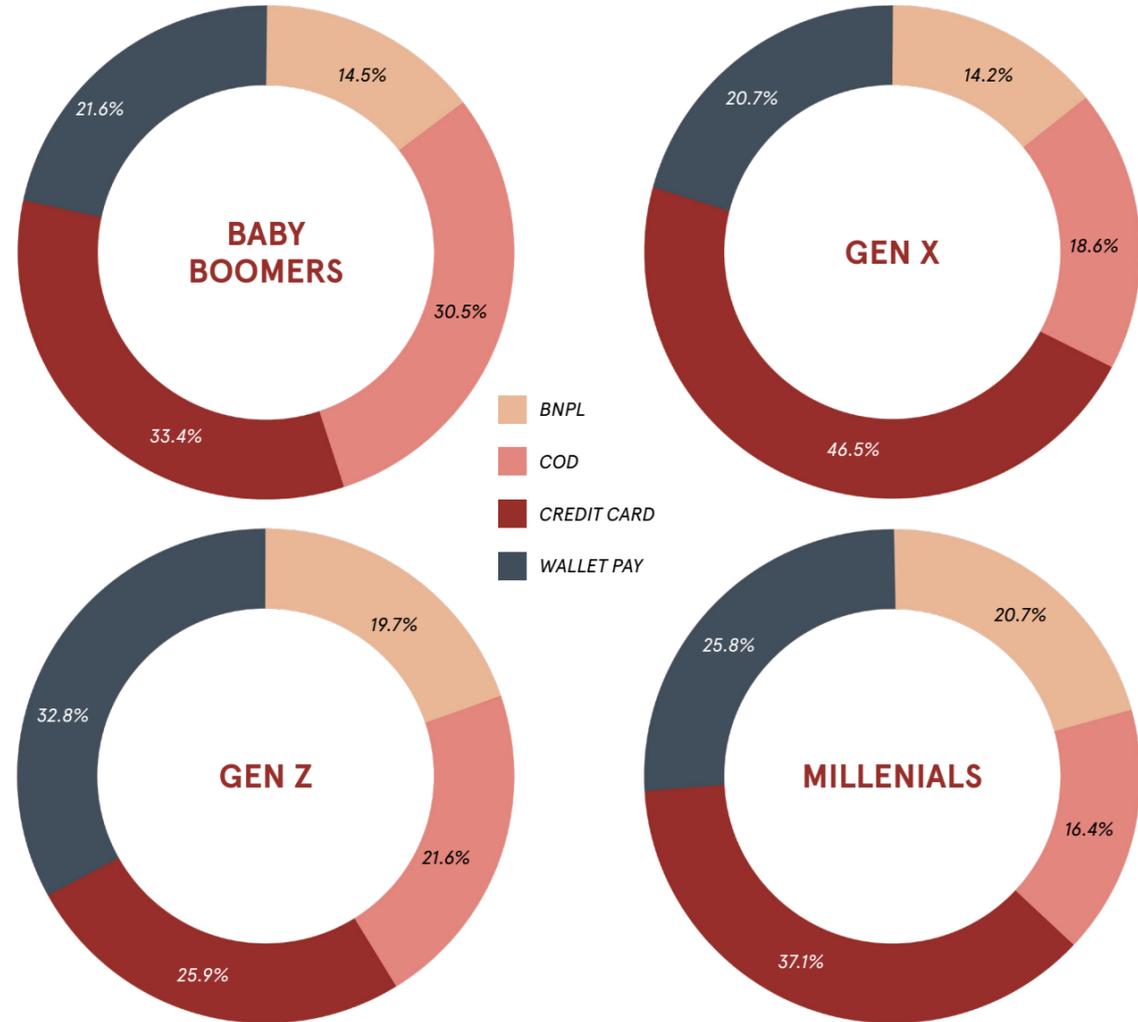
Source: TRENDER, a GFG Product (As of Q3 2022)

PAYMENTS (RANK BY SALES) - OUTSKIRTS



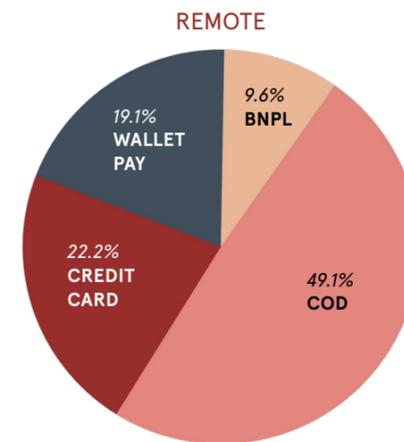
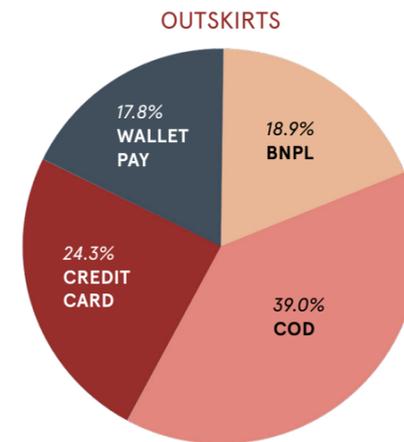
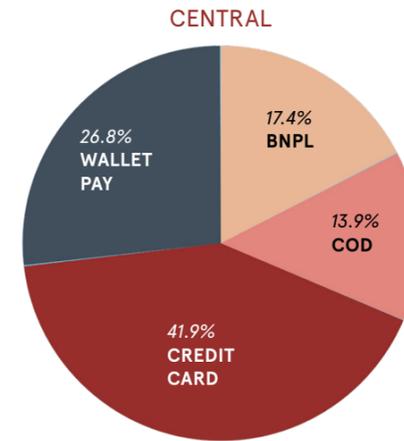
Source: TRENDER, a GFG Product (As of Q3 2022)

PAYMENTS BY AGE GROUP



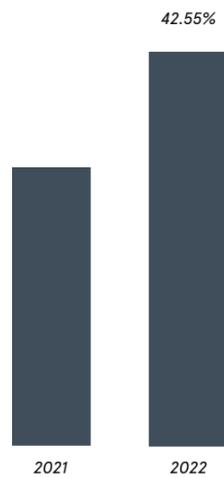
Source: TRENDER, a GFG Product (As of Q3 2022)

PAYMENTS BY AREAS



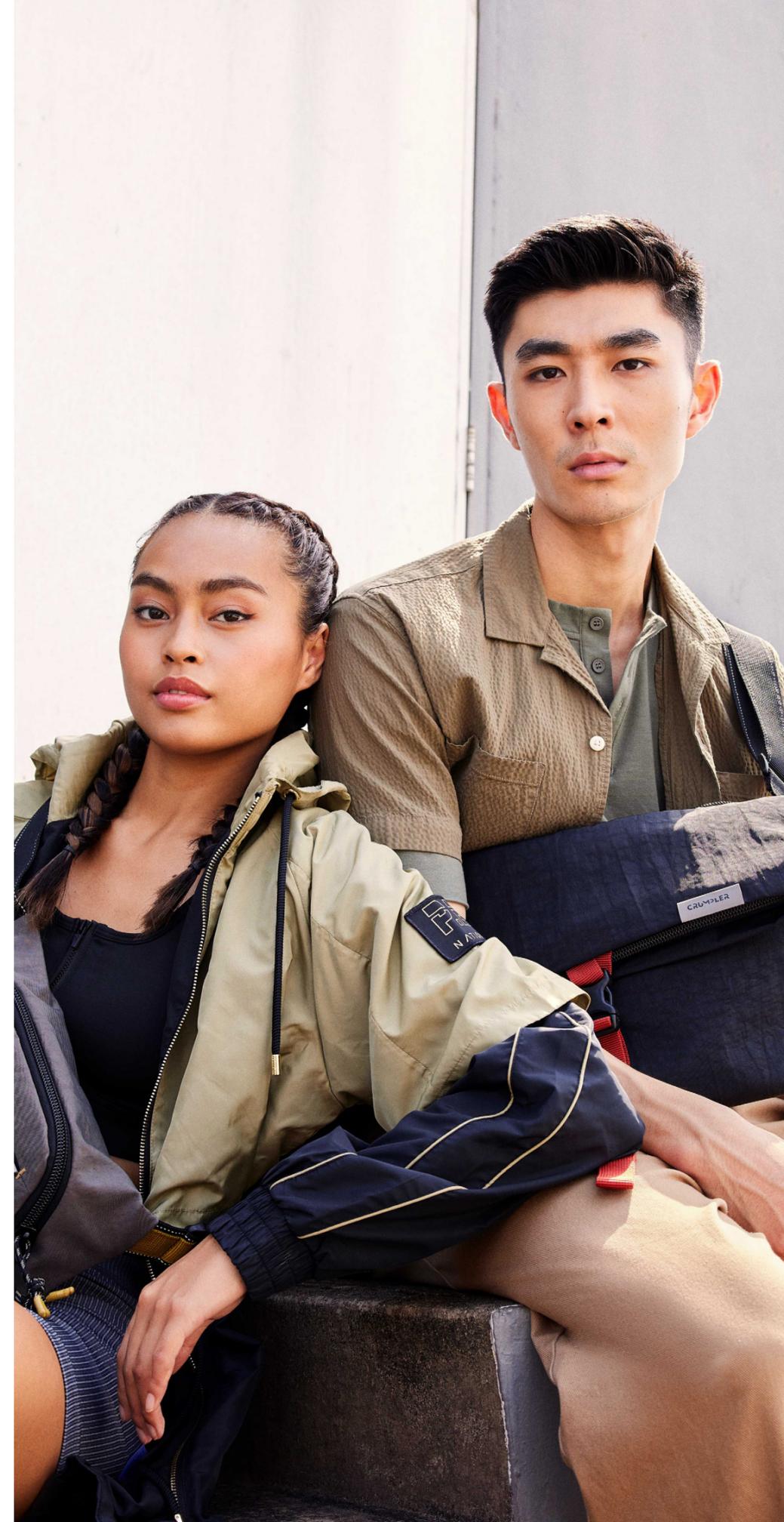
Source: TRENDER, a GFG Product (As of Q3 2022)

BNPL AVERAGE BASKET SIZES YOY GROWTH



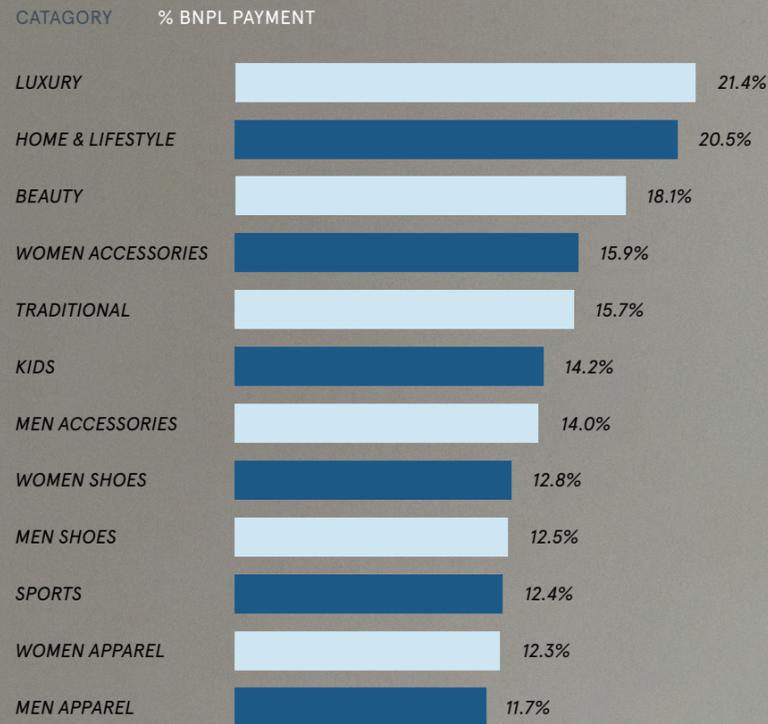
Source: TRENDER, a GFG Product (As of Q3 2022)

NON-BNPL AVERAGE BASKET SIZES YOY GROWTH



Perhaps motivated by lifestyle, city-dwellers are seen to have placed greater importance on BNPL, coming in third against credit cards and wallet pay. This could be because credit cards are readily accessible to working urbanites and have for a long time been used for the likes of shopping sprees and travel purposes. Meanwhile, busy city lives often call upon e-hailing rides and food delivery services linked to Wallet Pay. But when it comes to shopping online, metropolitan consumers rely heavily on BNPL.

TOP PRODUCT CATEGORIES ON ZALORA USING BNPL



Source: TRENDER, a GFG Product (As of Q3 2022)

With BNPL giving greater accessibility to high-value items, it's no wonder luxury as well as home and lifestyle categories became top performers at ZALORA. As mentioned earlier, lifestyle plays a central role in this disposition, especially given how the pandemic shifted consumer priority. Now, shoppers are finally able to curate their dream "forever wardrobes" and elevate their homes, which in the past may have seemed a far-fetched reality. Assuming that most of these individuals have access to social media, it is quite plausible that their choices have been influenced by trend-related content. However, it's also worth noting that the advent of "WFH" may

have also caused a surge in home and electronics purchases.

Indeed, the data gathered shows how digital finance has trailed a path for a new wave of online consumers. While sentiments may be somewhat pessimistic, digital financial services have carved inroads for growth, particularly within the retail sector. And so, as businesses attempt to fulfil these insatiable demands, the challenge is now on to complete a race towards the last mile.



SHIPPING FASHION: FIRST AND LAST MILE OPPORTUNITIES IN SOUTHEAST ASIA

They say diversity is a beautiful thing. But for supply chains in Southeast Asia, it could raise several complications.

Home to 11 countries, seven languages and 8.58 per cent (and counting!) of the world's population, the region has evolved into a force to be reckoned with. To put it into perspective, it only took six years for Southeast Asia's e-commerce market value to grow from USD 5.5 billion in 2015 to USD 100 billion in 2021. Its combination of curious adopters and rising middle class made it a hotbed for tech investors, and at the heart of this swirling vortex is its ever-progressing e-commerce landscape.

In order to compete, businesses must have all the bells and whistles that come along with the makings of a well-oiled machine; good product proposition, thought-provoking marketing plans and perhaps most important of all, seamless transportation. However, with supply chain volatility—especially in manufacturing China—many logistics players have returned to the drawing board to recalibrate their strategies amid ravenous demand.



THE CURRENT STATE OF SOUTHEAST ASIA'S LOGISTICS LANDSCAPE

34 per cent of Southeast Asians are unhappy with their e-commerce delivery experience.

90 per cent of customer complaints are associated with late deliveries and poor status communications.

Singapore and Malaysia are responsible for 50 per cent of the region's cross-border e-commerce market.

Policies and trade agreements vary country to country. Over a third of Southeast Asian sellers struggle with fragmented digital regulations.

Thailand 4.0 policy was designed to encourage internet connectivity in rural and remote areas.

The cross-border e-commerce sector accounts for over 40 per cent of overall e-commerce market in Southeast Asia.

Singapore generated the highest volume of imported parcels in the region, with a 27.3% YoY in H2 2021.



It's worth noting that since the start of the pandemic, almost a quarter (23 per cent) of consumers now make cross-border purchases, with 22 per cent increasingly shopping on sites outside of the region. This might sound like an attractive number for new and emerging retailers entering the market. However, there are various factors that need to be considered:

MULTI-POLICIES

With diverse markets come various policies. Unlike other blocs in the West (like the EU), taxes and duties vary from country to country. Certain products may fetch higher import rates, and many statutory payments add to the product cost before it reaches the intended customer. However, a proposed ASEAN Low-Value Shipment Program is set to benefit regional sellers, simplifying customs procedures, especially for low-value shipments, regardless of weight or transport mode.

CURRENCY VARIATION

Retailers planning to enter the vibrant Southeast Asian market must examine conversion into local figures, for example, on a marketplace or brand.com. Another challenge here is ensuring these translations' backend processes adhere to taxes and trading laws of incoming and outgoing destinations.

PAYMENT METHODS

As cited earlier in this chapter, the forced acceleration of technology in the region has given way to numerous payment methods, from cash-on-demand to Buy Now Pay Later. Needless to say, there is no "one size fits all" solution to cater to every consumer. This means businesses will need to assess their ideal target demographic (for example, Millennials in suburban to urban cities) before employing a payment option.

GEOLOGICAL ROADBLOCKS

For countries like Indonesia and the Philippines, accessing its last-mile consumer in rural to remote areas across thousands of islands may pose an obstacle. In this regard, retailers must explore logistical partners that are aware of these implications and experts at navigating these grounds too.

RETURN MANAGEMENT

It is every customer's biggest peeve and every retailer's worst nightmare. Along with added cost to companies in cross-border trading, returns can also take a toll on inventories, customer experience, and trust.



KEY HIGHLIGHTS

2012 - 2018
Estimated 62% CAGR

2019 - 2021
Transition to Hybrid Business Model
236% CAGR for Marketplace business
186% Regular Business
130% Product Assortment Increase

On the other hand, in the Philippines and Indonesia market, Puma operated conventionally via joint ventures with experienced local distributors, due to the complex business environments. Here, Puma centralised its online operations with ZALORA's E-Distribution service in the Philippines and Indonesia by the start of 2021. This saw Puma tapping on ZALORA's end-to-end, multi-platform e-store management solutions, which include warehousing and fulfilment capabilities to consolidate stock and order management, as well as creative services and an all-round customer support, for all the online channels in the two markets. Within the span of nine months from January to September 2021, ZALORA saw at least a 7x growth across Puma's NMV across these two markets; in Indonesia alone, 21 per cent of the total revenue is contributed by the E-Distribution channel.

Additionally, Puma had further plans to be directly involved in the Philippines market due to its unique strategic position in the Southeast Asia sports market. To do that, Puma made the seamless transition, with minimal backend disruption, in the Philippines to ZALORA's One Stock Solution (ISS) at the end of 2021, a multi-channel, fully flexible and modular "Fulfillment as a Service" solution by ZALORA.

CASE STUDY:
PUMA X ZALORA
PARTNER SERVICES

ZALORA, Asia's leading fashion and lifestyle e-commerce platform, supports Puma in its supply chain operations across Southeast Asia with solutions tailored according to each market's needs.

To tap more extensively into ZALORA's unique positioning towards female customers who pay close attention to both fashion and lifestyle, Puma began the move into the hybrid business model with ZALORA in the Singapore and Malaysia markets in 2019. Under this model, brands are able to sell their own retail stocks as a Marketplace vendor alongside ZALORA's wholesale stock, thus driving better customer experiences with wider product range availability. As a result, Puma saw a 236% compound annual growth rate (CAGR) over the past three years from 2019 to 2021.

KEY HIGHLIGHTS

Jan - Sep'21
7x NMV Growth in PH & ID

In ID
21% of total revenue
contributed by
E-Distribution channel

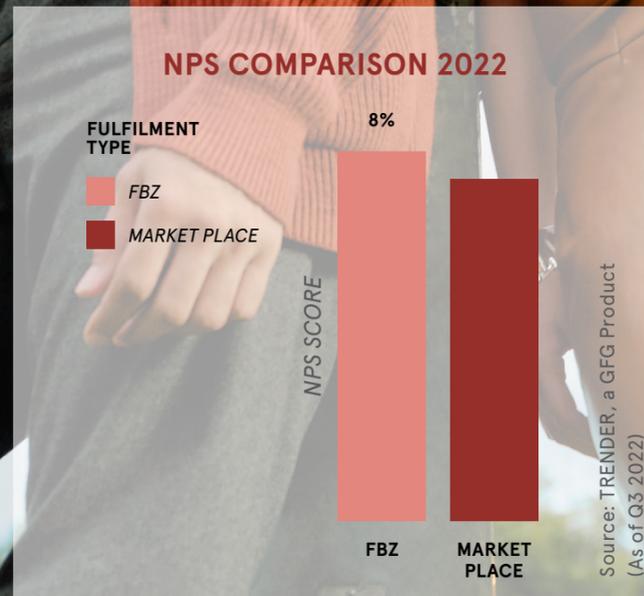
Powered by ZALORA's e-commerce supply chain infrastructure to go direct to market in the Philippines, Puma is enabled to further scale its e-commerce business in the Philippines with full discretion, yet with less complexity and logistical risks. It also serves to align and optimise the consistency of Puma's customer experiences across the various e-marketplaces. With this renewed partnership, Puma can potentially expect to see a further 2-3x growth in revenue from the Philippines market.

For more information on how you can grow your brand beyond borders with ZALORA, [please visit our website.](#)



In the wise words of Malaysian comedian Ronny Chieng, from his Netflix standup 'Asian Comedian Destroys America!', "I want it NOW!". And such lines have never rung more accurately than in today's hyperconsumerist environment. With this in mind, metrics such as on-time delivery (OTD) have been employed as a measurement tool to ensure happy customers and organisational efficiency for long-term success. In today's e-commerce boom, shoppers have become increasingly discerning and eager, and if their demands are not met, they will most likely seek an alternative. At ZALORA, we have seen these benchmarks being played out in a recent customer survey; as Southeast Asia's leading name in online fashion, beauty and lifestyle, shopper sentiments have progressed continuously from 2020 to 2022. For example, in Indonesia, we have achieved a NPS industry score of up to 80 per cent, which shows that customers were satisfied with ZALORA's services.

Having partnered with reliable transportation specialists across all key markets and access to a host of strategically-located warehouses, ZALORA has progressively improved its shopper satisfaction from 66.6 per cent in 2020 to 72.2 in 2022. In order to better supplement and leverage ZALORA's impressive supply chain, the platform's customer loyalty program, ZNOW, also aids in improving customer experience, by providing faster delivery times and additional shopping perks. As a result, members typically order two to three times more than non-ZNOW customers. Nevertheless, in the face of economic uncertainties, having a strong supply chain is no longer sufficient to protect businesses from unforeseen roadblocks—the time has come for data-driven management solutions. ■



CASE STUDY: ZALORA

Simone Cortini, The Chief Platform Officer of Southeast Asia's leading online fashion, beauty and lifestyle destination, talks about brand resilience, lessons from the pandemic and data-driven innovation.



How has the pandemic taught us to adapt, and what lessons can we take from it into a period of recovery from a supply chain perspective?

It's been a very good learning curve. The pandemic brought disruption on the logistics side, supply chain, and all the complexities of supply operations. Additionally, it forces leaders to ensure that they have a resilient business model in a very agile and adaptable business, not just from a supply chain perspective. It's vital to get your products in your warehouse and to the customers from a demand forecasting perspective.

Which areas of the supply chain will be most affected as global headwinds come into the picture?

Sourcing, manufacturing, and production are likely the highest impacted areas, but I also believe that we are going to see demand slowing down. And this creates a situation where there is a bottleneck in production. Nevertheless, we are seeing that slowly the supply chain is adapting. The cost of transportation and logistics has been coming down. All these inflationary pressures have been going down. In this environment, brands and stakeholders alike need to make sure that (they) can deal with an uncertain environment from both sides, along with an agile model that allows you to be resilient no matter what happens.

How can brands prepare to be more resilient in the future?

The starting point is data. Because data allows you to understand your business and your customers very well. That's what TRENDER does. It also has a customisable view, which can be built on what brands are looking for and find the answers they want. With millions of customers and hundreds of retailers at ZALORA, businesses can tap into our data and harness it to understand the behaviours of consumers.

The secondary point is your distribution channel. It should be a multichannel approach. Consumers have seen two years of extreme online shopping, and now that we are seeing the economy reopening, there is a shift of consumers deciding more to go offline. The key here is to put only some of your eggs in one basket and not to follow trends. The third point is branding and marketing. At ZALORA, we have started to offer more interesting marketing solutions for brands, like advertising on our platform.

If you think from a consumer standpoint, you don't have that purchasing intent when you are on Facebook and Instagram. But if you advertise on the ZALORA platform, you are promoting to an audience already thinking about buying fashion products. So the conversion potential is much higher, and the relevance of that advertisement is much higher compared to this multi-topic social media platform.



KEY FIGURES

ASSORTMENT INCREASE
+653%

AVR. WEEKLY SALES GROWTH
+388%

AVR. IMPRESSIONS
+164%

AVR. CR% GROWTH
+78%

CASE STUDY: DEFACTO X FULFILLED BY ZALORA (FBZ)

One of the largest clothing retailers in Turkey with presence in over 30 countries mainly in Europe, DeFacto selected ZALORA as their exclusive e-commerce partner in Asia to expand their business in the region. With a vision of becoming a global fashion brand since their foundation, DeFacto has significantly expanded their reach with huge sales growth in the past year from a shift in fulfillment strategies with ZALORA.

Under FBZ, warehousing and fulfillment processes are centralised, and ZALORA takes over the responsibility of DeFacto's inventory management as well as full B2C fulfillment processes for orders made on the platform. This eliminated operational API and system issues previously faced by DeFacto that led to difficulties in syncing product information on the ZALORA platform as well as inability to fulfill orders due to misaligned stock levels. At the same time, by housing stocks in ZALORA's warehouse, logistical processes are also made more efficient and DeFacto could increase the assortments significantly while also unlocking full access to ZALORA's wide customer base in Asia just by managing one channel.

In its migration to the FBZ model, DeFacto listed over 2,500 assortments on ZALORA with 60,000 stock units stored in ZALORA's regional warehouse, leading to an immediate sales uplift of 1,200 per cent. Within four months of migrating to the FBZ model, DeFacto had achieved an incremental NMV of more than 5,800 per cent. With that, they are confident in furthering their potential in the Kids category with ZALORA as more initiatives are being rolled out for this segment.

Since then, DeFacto has also extended its reach into the Philippines with ZALORA, a high growth but operationally challenging market for businesses to enter. In addition, they are further exploring the opportunity offered through ZALORA's One-Stock Solution, to expand their digital marketplace presence in Asia.

[Visit our website](#) to learn how you can help your brand reach its fullest potential with our Fulfilled by ZALORA service.

WHO'S BUYING?

It's a new world out there. After two years of restrictions and global uncertainties, consumers have finally stepped into the light, ready to embrace life as they once perceived it to be. However, not all is as it seems. As they say, old habits die hard, and behaviours that had been forged over the course of the pandemic are here to stay.





It is also the reason why consumers today have become unlike no other. For one, with forced isolation comes forced recalibration, and many Southeast Asians now have different attitudes. Critical among them is a conscious-centric mindset, especially when it comes to purchasing products. As with most shoppers today, sustainability became a demand that was no longer “nice to have” but rather a necessity (more on that in Chapter Four). They have also become more politically aware and will not hesitate to abandon their loyalty to a brand that has gone against their principles. Their current position towards value could explain the reason for this erratic manner. With inflation abounding, many would want to have more “bang for their buck” and often turn to products that best align with themselves from a monetary, quality or personality perspective.

Since mobility restrictions ceased, malls and social hubs were once again populated. Online shoppers are adept at shifting between reality and virtual landscapes. Though they may look to the Internet to shape their opinions, it is the real world where they expand their experiences. As such, the post-Covid clientele has demanded more personalised and humanised experiences as they discover their footing in this “next normal” world.

Aside from being the cornerstone of all things retail, malls have also remained an essential establishment for many Southeast Asians. Unlike shopping havens in the West (like London’s Oxford Circus or New York’s Madison Avenue), shopping malls in the region double up as convention centres, exhibition spaces, and in some countries, theme parks. For most communities, it is why malls have become a go-to for family outings and events. According to Google Trends, search interest for malls in Malaysia before the pandemic hovered around ~60 per cent before peaking at ~87 per cent in December 2019. As expected, search trends plummeted to lows of ~20 per cent from 2020 to 2021 before spiking up in 2022 to a moderate ~36 per cent.

It’s a new world out there. After two years of restrictions and global uncertainties, consumers have finally stepped into the light, ready to embrace life as they once perceived it to be. However, not all is as it seems. As they say, old habits die hard, and behaviours that had been forged over the course of the pandemic are here to stay.

With a booming technological footprint, communities have emerged far more sophisticated than ever, especially in Southeast Asia. As outlined in Chapter Two, the region’s digital economy fast approached USD200 billion GMV in 2022—three years earlier than expected, according to e-Conomy SEA 2022 report. Even amid economic uncertainties, advancements gave way to innovations from cashless payment systems to virtual reality.



TOP 5 SEARCH WORDS PER COUNTRY

TAIWAN



DRESSES
SNEAKERS
HOODIE &
SWEATSHIRTS
T-SHIRTS
JACKETS &
COATS

HONG KONG



TOPS
T-SHIRTS
SNEAKERS
JACKETS &
COATS
DRESSES

INDONESIA



T-SHIRTS
SANDALS & FLIP
FLOPS
WATCHES
SPORTS
LIFESTYLE SHOES
SPORTS
PERFORMANCE
SHOES

MALAYSIA



DRESSES
SLING BAGS
TRADITIONAL
DRESSES
TOP
T-SHIRTS

PHILIPPINES



SPORTS
LIFESTYLE SHOES
SPORTS
PERFORMANCE
SHOES
SANDAL & FLIP
FLOPS
DRESSES
SNEAKERS

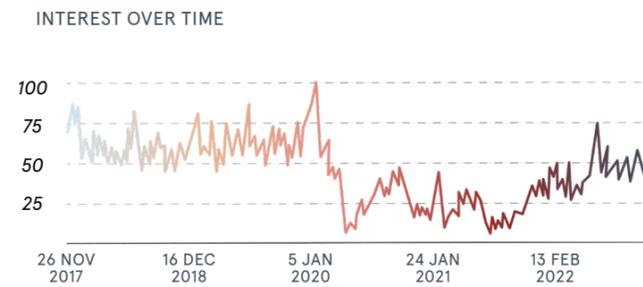
SINGAPORE



SLING BAGS
T-SHIRTS
SANDALS & FLIP
FLOPS
TOPS
DRESSES

Source: TRENDER, a GFG Product (As of Q3 2022)

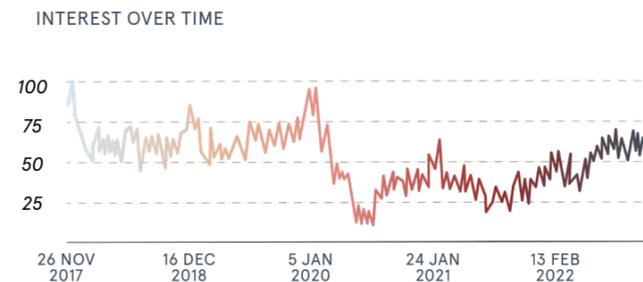
GOOGLE SEARCH TREND FOR SHOPPING MALLS IN MALAYSIA



Source: Google Search Trends

This return to growth could also be seen in Singapore, whose highest Google search for malls peaked at 100 per cent in mid-December 2017 before plummeting in 2020 to 2021 at lows of ~27 per cent. Nevertheless, Google search trends for mall began to pick up again by early 2022 onwards and has remained at a moderate ~60 per cent ever since.

GOOGLE SEARCH TREND FOR SHOPPING MALLS IN SINGAPORE



Source: Google Search Trends

This pseudo-homecoming is certainly indicative of consumers' intent to shop offline. However, it is worth noting that its recovery may take some time. That said, the prospect is looking positive: according to a study by Statista, 29 per cent of respondents have admitted to visiting a shopping mall in "the last few days", with others "last week" (15.9 per cent), "last month" (13.4 per cent) and "in the last three months" (11.8 per cent). These compelling figures are perhaps why countries like Malaysia have welcomed a series of new malls—like the highly anticipated Exchange TRX, the tallest building in Southeast Asia.

CASE STUDY: LEAPRO

Leapro, a fashion retailer based in Malaysia, shares its thoughts on retail beyond borders, penetrating the greater Southeast Asian market, and leveraging on ZALORA's proprietary One-Stock Solution service.



Since the pandemic, retailers have shifted their presence from brick-and-mortar to online channels. How has selling at Zalora helped your brands reach a wider audience?

By expanding the business to online platforms like Zalora, no geographical borders apply, which significantly widens the audience reach.

What would you say has been a challenge for you to penetrate the greater Southeast Asian market? How do you overcome them?

To us, the greatest challenge would be capturing consumers' purchasing patterns. To understand them further, we've invested in Zalora GFG ads, followed by analysing the sales in GSC.

How has Leapro leveraged ZALORA's 1SS expertise to push ahead during the pandemic?

By managing our inventory and fulfilling orders by customers from different platforms in one go.

At the same time, there has been a rising market for boutique retail which takes the conventional brick-and-mortar experience to a new level. For example, concept stores like Townhouse Space offer a refreshing segue from overcrowded malls in Bangkok since the pandemic. Likewise, Kuala Lumpur's Zhongshan building has become a niche shopping hub featuring cafés, a vintage bookstore, designerwear and a jazz bar.

"Experience" is the key word here. Businesses must remember that as shoppers today now spend most of their time online, offline channels must present a unique retail encounter. Additionally, a rebalancing to retail spaces suggests that retailers must fortify their omnichannel solutions, especially now as customers seek an integrated environment. ■

CASE STUDY: ZALORA X ADIDAS SUPERMART POP-UP

Tapping on the re-emerging popularity of physical retail as the world recovers from the COVID-19 pandemic, ZALORA, alongside Adidas presented The Supermart to Singaporean shoppers from 1-12 August 2022. The pop-up store blended online and offline shopping experiences by playfully making a tongue-in-cheek reference to ZALORA as an e-commerce marketplace in its supermarket concept. Stocked with 90 Zalora exclusive Adidas brand products, The Supermart featured Adidas Sportswear and Adidas Originals, apparel and accessories for men and women, attracting 2.6x in footfall.

In a seamless click-and-mortar experience, customers could browse the store, scan the unique QR codes tagged on each item, cart out on the ZALORA app and have the items shipped directly to their doorstep. This resulted in a 50 per cent uplift in average weekly sales; with sports lifestyle shoes making up 25 per cent of total sales and sports performance tops, and an increase of 17 per cent in total sales.

The concept created a unique experience for both existing and prospective customers to join in and engage in store by creating shareable social media content. Walk-in customers were enticed with an immersive retail experience combining benefits of brick-and-mortar stores with tech features of online shopping, increasing total orders by 2.5x and average basket size by 57 per cent. Meanwhile, pop-up store customers were redirected to ZALORA's e-commerce app, as they scanned the unique QR codes tagged on items found in the store. Purchases were made exclusively through the ZALORA app. This led to a 56% increase in Adidas brand searches on app, >1.5x brand page visits, and a 31% increase in daily PDV.



KEY HIGHLIGHTS

2.5x

INCREASE IN TOTAL ORDERS

56%

INCREASE IN ADIDAS BRAND SEARCHES ON APP

57%

ABV INCREASE

>1.5x

BRAND PAGE VISITS

31%

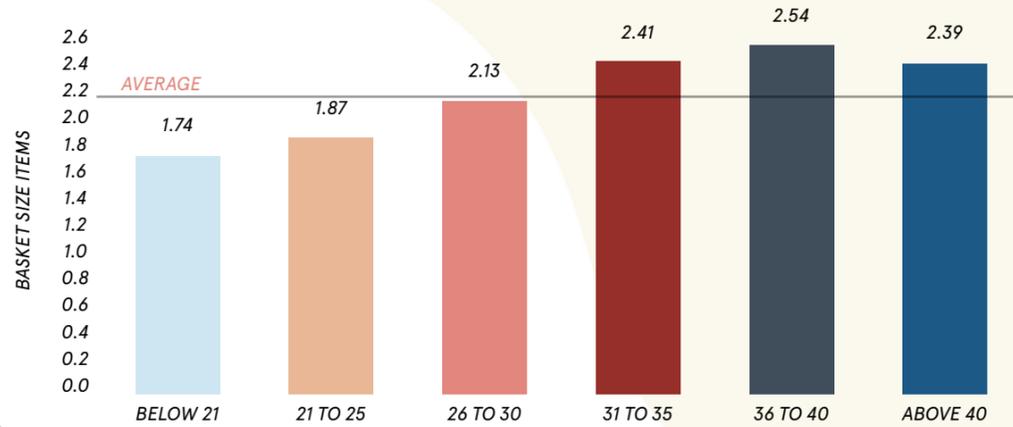
INCREASE IN DAILY PDV

THE POTENTIAL OF FUTURE HYBRID SHOPPING EXPERIENCES

While the project was originally driven by ZALORA in collaboration with Adidas to strengthen adidas' online presence, it also showed the potential synergy of the offline shopping experience in driving greater online purchases. With this successful showing, ZALORA and other partner retailers can expect more joint activations in the upcoming seasons.

For more information on how your brand can benefit from this retail revolution, please visit [ZALORA Brand Collaborations](#)

BASKET SIZE ITEMS BY AGE GROUP



Source: TRENDER, a GFG Product (As of Q3 2022)

“ 36 to 40-year olds have the biggest basket size at ZALORA ”

THE FASHION & BEAUTY

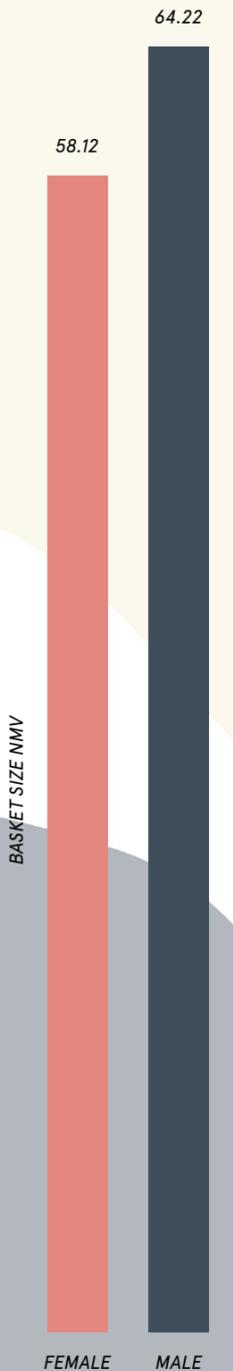
CONSUMERS OF SOUTHEAST ASIA

Meet the shoppers and trends from today and tomorrow.

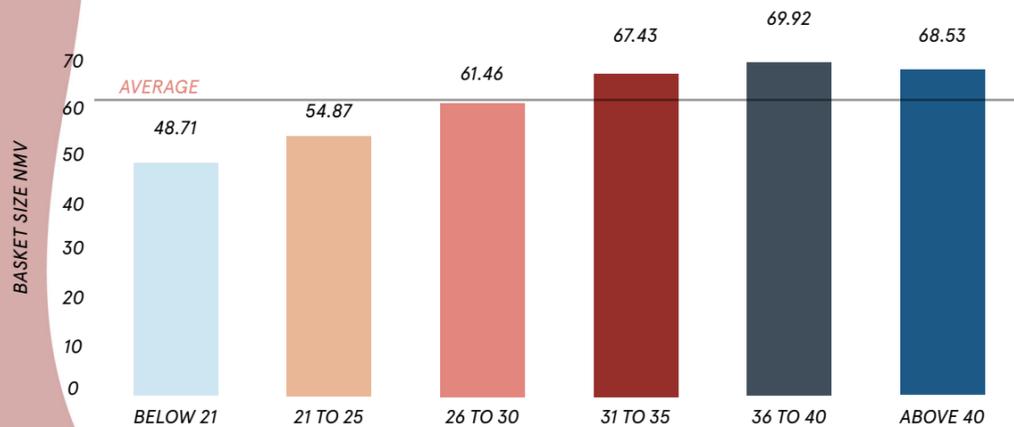
BASKET SIZE BY GENDER



BASKET SIZE NMV BY GENDER



BASKET SIZE NMV BY AGE GROUP (EUR)



Source: TRENDER, a GFG Product (As of Q3 2022)

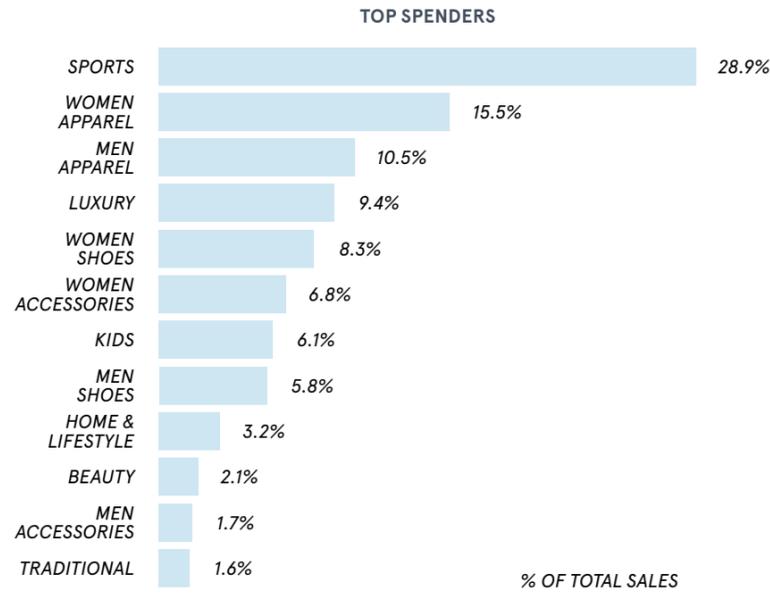
“ At 69.92, 36 to 40-year olds have the biggest basket size NMV at ZALORA ”

“ Millennials are the biggest spenders online at ZALORA ”

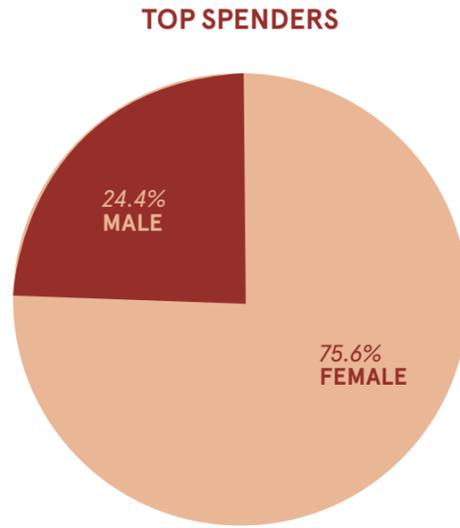


FEMALE
MALE

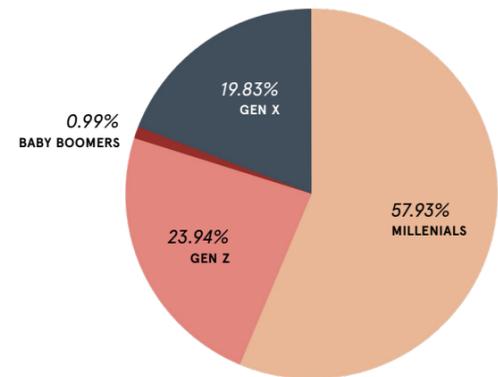
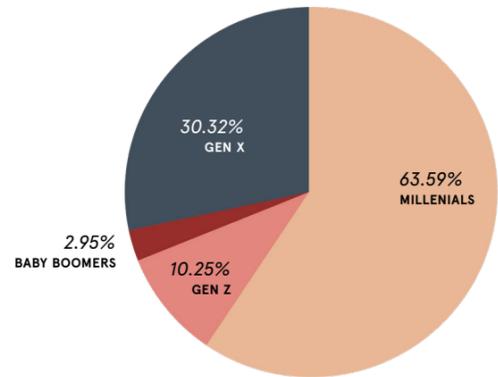
ZALORA TOP SPENDERS CATAGORIES



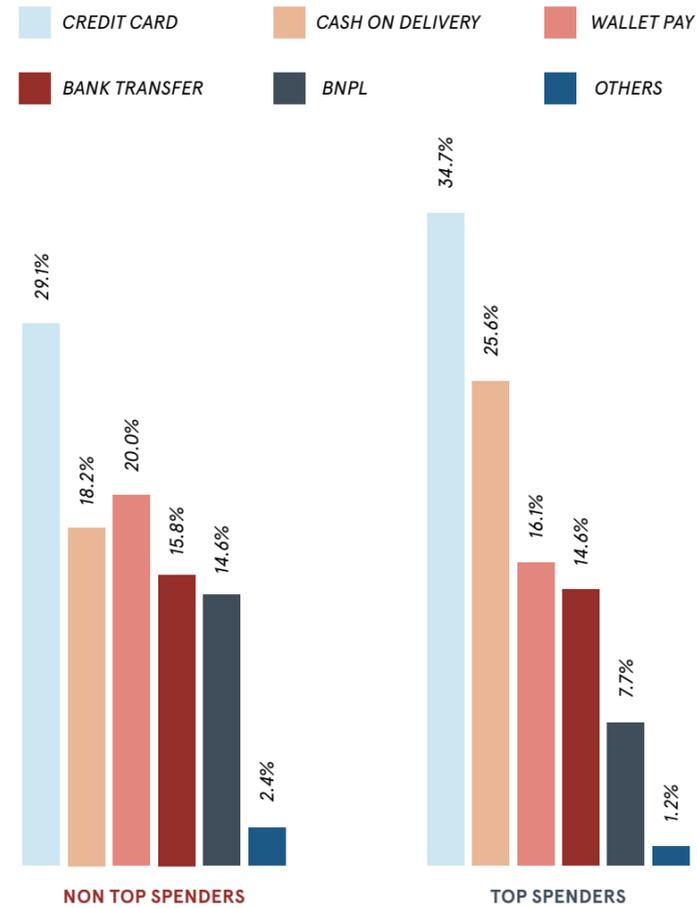
GENDER COMPARISON



AGE GROUP COMPARISON



ZALORA TOP SPENDERS PAYMENTS



Source: TRENDER, a GFG Product (As of Q3 2022)



FASHION'S MOST WANTED

Charting retail's top trending product categories.

TOP PURCHASED CATEGORY IN FASHION BY GENDER FOR AGE GROUP BELOW 21



TOP PURCHASED CATEGORY IN FASHION BY GENDER FOR AGE GROUP BETWEEN 21-25



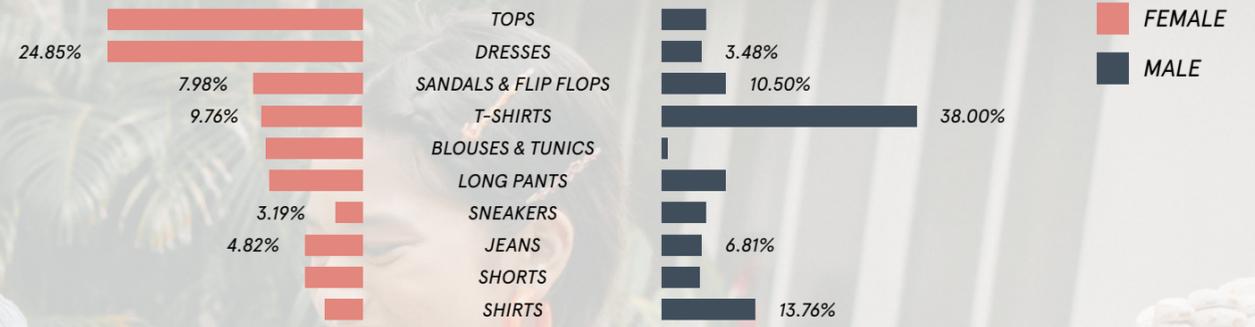
TOP PURCHASED CATEGORY IN FASHION BY GENDER FOR AGE GROUP BETWEEN 26-30



TOP PURCHASED CATEGORY IN FASHION BY GENDER FOR AGE GROUP BETWEEN 31-35



TOP PURCHASED CATEGORY IN FASHION BY GENDER FOR AGE GROUP BETWEEN 36-40



TOP PURCHASED CATEGORY IN FASHION BY GENDER FOR AGE GROUP ABOVE 40



BEAUTY'S TOP HITS

Zalora's best-performing categories with glowing reviews

TOP PURCHASED CATEGORIES IN BEAUTY BY GENDER FOR AGE GROUP BELOW 21



TOP PURCHASED CATEGORIES IN BEAUTY BY GENDER FOR AGE GROUP BETWEEN 21-25



Source: TRENDER, a GFG Product (As of Q3 2022)

WHAT LIES AHEAD

As discussed in earlier chapters, the world has taken on a new landscape that has blurred the lines between online and offline channels. In this chapter, we discover three central themes that will further steer our decisions ahead while we find our footing amid various headwinds.



In Southeast Asia, technological advancements have proliferated to 460 million total Internet users—a giant leap from 400 million since the pandemic’s start. But here’s another intriguing figure. As of 2021, consumers born between 1997-2012 make up an estimated 24 per cent of the region’s population, making Gen Zs a rising powerhouse audience.

According to research conducted by the Hakuodo Institute of Life and Living ASEAN, Southeast Asian Gen Zs encounter “information and news from around the world via their smartphones and dispassionately take a bird’s eye view of the words and deeds of previous generations.” Indeed, given that these consumers are considered digital natives, it is only natural for their values to be influenced by social challenges.

Interestingly, Gen Zs have never known a world without the Internet. And it is certainly food for thought when it comes to deciphering their behaviours. Driven by an increasingly “woke” culture, these individuals often seek products and activities purposefully, as if to provoke the status quo. Even right down to their choice of clothing, Gen Zs have been found to wear their hearts on their sleeves. Like street style trends inspired by ‘80s and 90s hip-hop to 2000s new-rave styles, which can be credited to many alternative and marginalised communities. In an interview with Vogue Business, Senior Vice President of Product at Adidas, Torben Schumacher, said, “Young people appreciate these styles based on their ability to trigger a cultural reference or [relatable], giving meaningful association to their lives today.” Seeing as authenticity was born out of hip-hop and new-rave fashion’s DIY aesthetic, Gen Zs began to carve a new identity for themselves, all while marching to the beat of their drum.



As a result, many brands—and especially luxury fashion houses—sought to align themselves with celebrities and industry peers who evoke the same level of authenticity. Think singer Billie Eilish’s endorsement of Gucci or storied French maison Balenciaga’s recent collaboration with Adidas. For the latter, the house’s iconic design codes have been reimagined in relaxed and urban silhouettes, ranging from baggy track pants to oversized hoodies. Meanwhile, long-time Gucci ambassador Billie Eilish has not only partnered with the famed Italian label on campaigns but has also worn its street-forward pieces on the red carpet, most notably to the 2020 Grammy Awards in an oversized monogrammed pyjama suit and combat boots.

It is a far cry from the glamorous personas fashion had always endeavoured for, which is why Gen Zs have gone against the grain. From sportswear to mindfulness, these individuals pave the way for new consumerism powered by communication, inclusivity, and, most importantly, thoughtfulness.

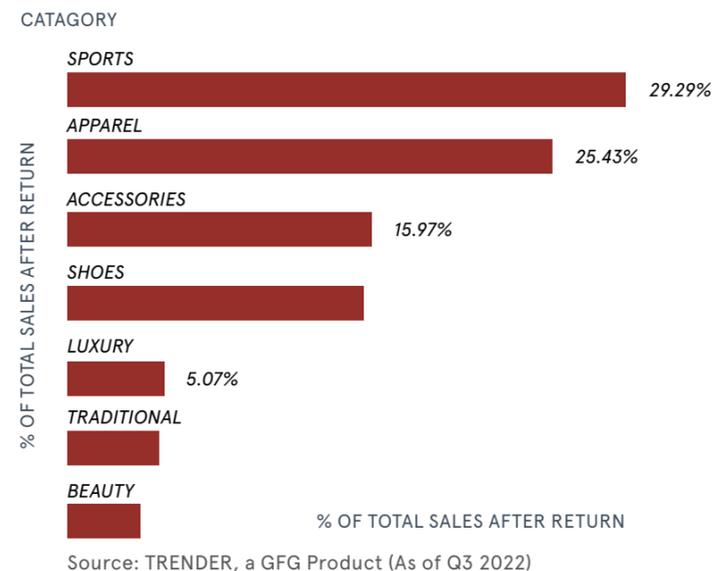
STREET SMART: GROWING UP GEN-Z

If there is one thing Gen Z excels at, it is starting a revolution. Their nonconformist attitude towards fashion has often been considered a conversation starter. So instead of observing social norms, Gen Z has created their stylistic vocabulary—one that defies conventions and offers a refreshing perspective to self-expression.

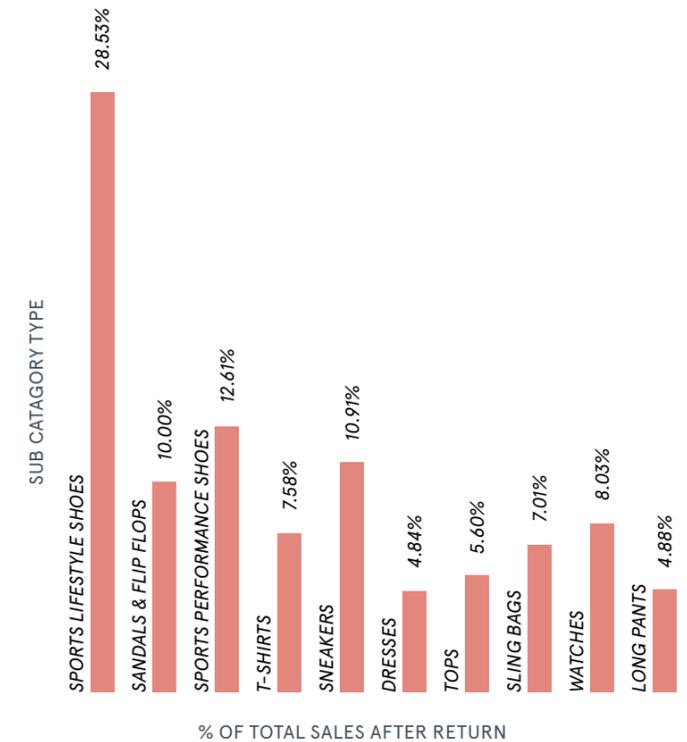
In this case, athleisure has become the trend du jour for many Gen Zs. To further separate themselves from their older counterparts, these consumers would choose sporty track pants over miniskirts or fuss-free hoodies instead of blazers and shirts to make a statement. According to The Insight Partners, the athleisure market is expected to grow from USD 411.02 billion in 2021 to USD 793.46 billion by 2028 globally. Meanwhile, China’s broader sportswear market is expected to grow at an annual rate of 11 per cent and reach an estimated USD 82.8 billion by 2024.

It is a projection that is equally reflected here in Southeast Asia. At ZALORA, Gen Zs have spent the most on sports-related products, with apparel coming in at a close second. Further these consumers favour sport shoes as compared to Millennials, with a greater share of sales of 28.53 per cent versus 15.94 per cent of Millennials. In fact, out of all of ZALORA’s sports-related offerings, shoes were the most popular, outperforming apparel and accessories.

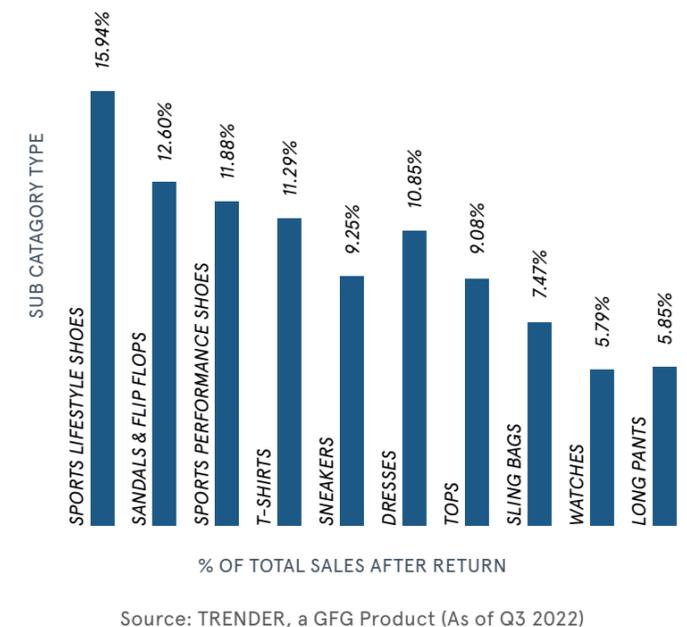
WHAT IS GEN Z BUYING? (CAT)



WHAT IS GEN Z BUYING? (SUB CAT) GEN Z



WHAT ARE MILLENNIALS BUYING?



There's a good reason for this, and it's a clever one too. Given that Gen Z has been exposed to endless information at their fingertips, there is also no reason to exclude them from having entrepreneurial aspirations. Unlike luxury handbags, sneakers have lower entry-level points and accessibility. And considering its wide fanbase (there's a reason why they're called "sneakerheads"), Gen Zs have also been fast to capitalise on the secondary sneaker market. In a study conducted by Cowen Equity Research, [the sneaker resale market could reach USD 30 billion by 2030](#), and online marketplaces such as GOAT, eBay, StockX, Grailed and Depop serve as an intermediary between the buy and seller. Here, hard-to-find editions such as the Off-White x Air Jordan 1 and Air Force 1 High Supreme 'World Famous' compete for the highest bidder, with some purchases culminating in thousands of dollars. "It is a very young and fashion-forward user base ... they are typically quite young, with 70 per cent of our users under the age of 35, and the majority are Gen Z and Millennial," [said Jesse Einhorn, Senior Economist for StockX in an interview](#). "For them, it's really about unlocking economic opportunity." However, this isn't to say that Gen Zs are only interested in flipping sneakers for profit. They are also keen fitness enthusiasts.

Surprisingly, the generation that grew up alongside technological advancements is also most inclined to participate in fitness activities. Call it the power of "jio", if you will, or rather the fear of missing out (FOMO), which became the impetus for many Gen Zs to work out. In a 2021 study by Adidas, it was found that [51 per cent of Singaporeans found "exercising with friends" to be a powerful motivator to stay active, with Gen Zs considering it a greater incentive than Millennials](#). Additionally, [reach by Les Mills showed that Gen Z accounted for 38 per cent of gym sign-ups globally in 2018, with 87 per cent of Gen Z reporting to have exercised three or more times a week](#).

In this regard, athleisure serves not only as a fashion trend to Gen Zs. It also provides function, which shows how this generation is more than just statement makers—they are equally concerned for the well-being of minds, bodies and souls too.

CASE STUDY: URBAN REVIVO

Tan Shi Ling, SEA Brand Manager of Urban Revivo, discusses #WFH trends, the future of Gen Zs and blurring the lines between offline and online channels.



How important are Gen Zs and Millennials to your brand's success? Would you say one outweighs another?

Millennials do outweigh the Gen Zs for our business, as our most significant customers are in their 20s to 40s. This group is the current highest spending power generation who are into fashion, less price sensitive and tech-savvy. However, Gen Zs are still very young and equally important as the next in line. Born digital natives, they are one of the key influences to their parents (who are millennials or boomers) and act as stepping stones for business growth digitally.

How much of this affect your brand's strategy?

We adopted an O2O commerce business and omnichannel marketing strategy to create a seamless digital experience and touch points at all stages of our customers' purchase journey. We employed these to cover the needs of Gen Zs for social shopping and traditional shopping for Millennials, keeping it entirely 360°.

Do you see a growth in purchases for athleisure-related items?

The demand for athleisure-related items will continue to grow as it is practical and completely fashionable. It is a timeless style for casual weekend fits, worn for exercising and running errands without looking too sloppy.

What about workplace-related pieces?

Covid-19 has changed the workplace, and employees now tend to dress more casually. But casual dressing mustn't go too far. Employees still need to present a somewhat stylish and groomed appearance in whatever job or industry they are in.

What are your key takeaways from the pandemic, and how will Urban Revivo leverage this in the coming years?

To keep up with changing demand, brands need to partner with third-party platforms to leverage their user base and adopt an O2O strategy for a seamless purchase journey. At the same time, retailers need to analyse current trends. Buying and merchandising teams should get closer to the market to pump in relatable pieces in style. This is crucial to avoid overstocking and misalignment in consumer demand.

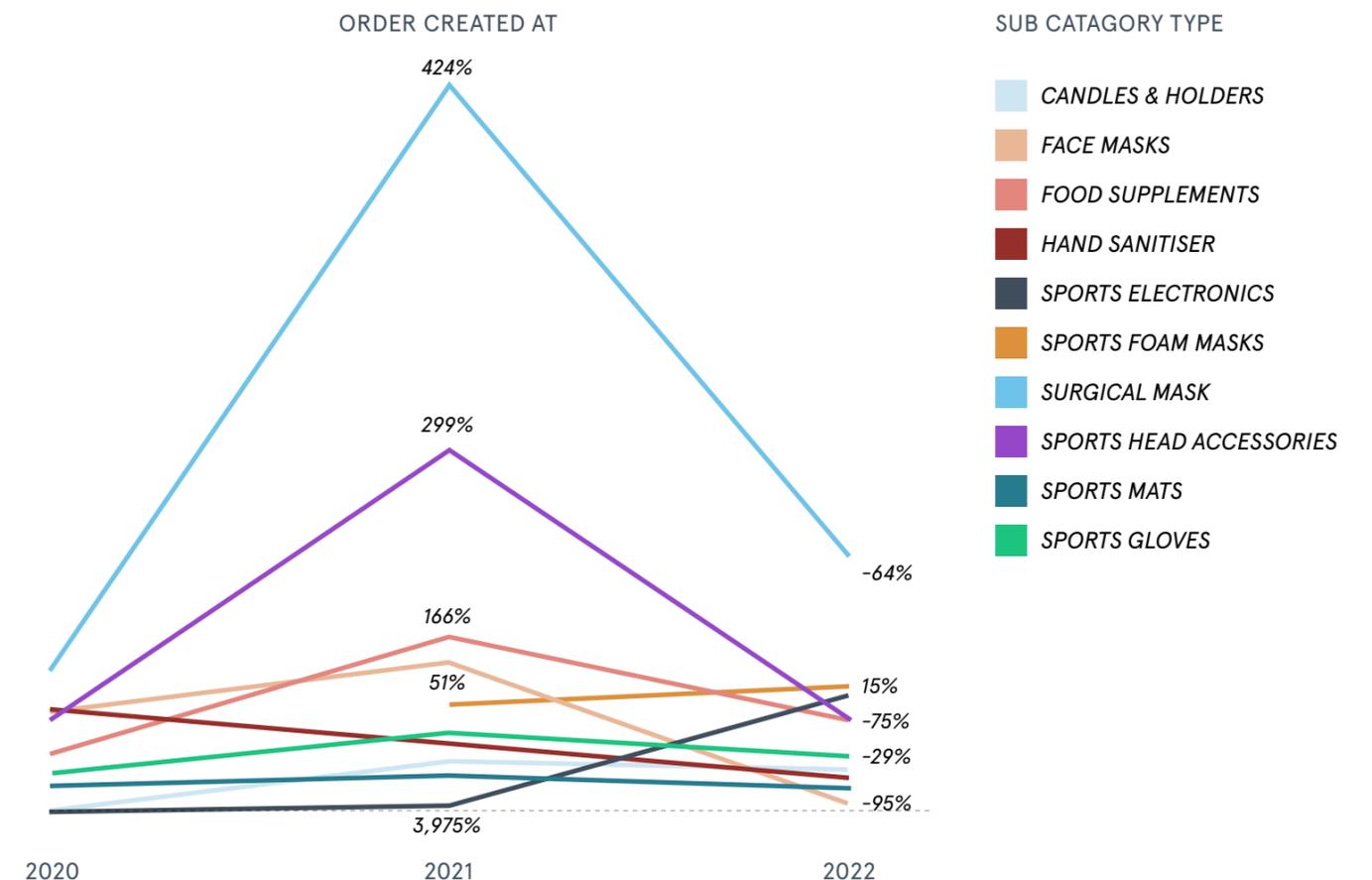
WELLNESS GENERATION: A STATE OF MIND

No words summed up the past few years better than "self-care". And ever since consumers emerged from the pandemic, wellness is no longer just a luxury—it is a necessity.

Understandably, at the height of Covid-19, wellness became the top priority among consumers. According to intel gathered from ZALORA, products ranging from candles to surgical masks peaked substantially in 2021 before tapering out to average levels in 2022. And while most of these products saw a decline in items sold, it's worth noting that sports electronics enjoyed a positive growth of 15 per cent from 2021 to 2022. This meant that as mobility restrictions eased, many across all ages began to take advantage of the outdoors and were investing in fit-tech-like wearable devices ahead of their activities.

Diving deeper into ZALORA's database, we can see how customers here, especially those from Indonesia and the Philippines, have become the biggest spenders of the e-tailer's wellness category. Quite surprisingly, adults above 40 spent the most, with Millennials aged 25 to 30 trailing close behind. This could suggest that though it was often considered that younger consumers had dominated not only online but also the well-being market, Gen X has grossly taken over that position, perhaps due to their increased digital literacy and current health priorities.

WELLNESS PRODUCTS GROWTH

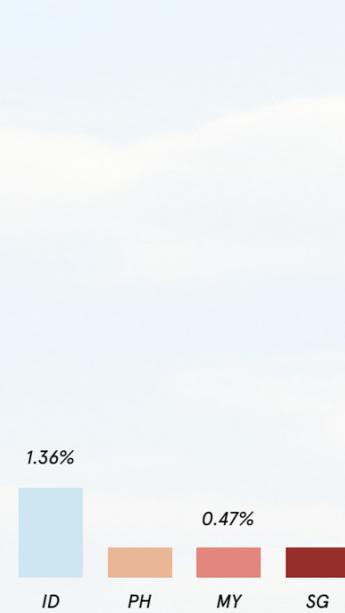


Source: TRENDER, a FGF Product (As of Q3 2022)

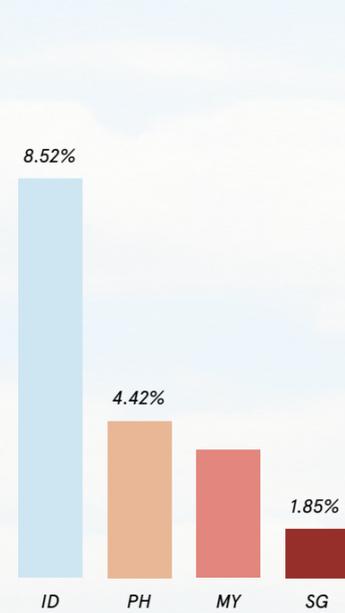
WELLNESS PRODUCTS BY GENDER, AGE GROUP AND VENTURE

FEMALE PURCHASE

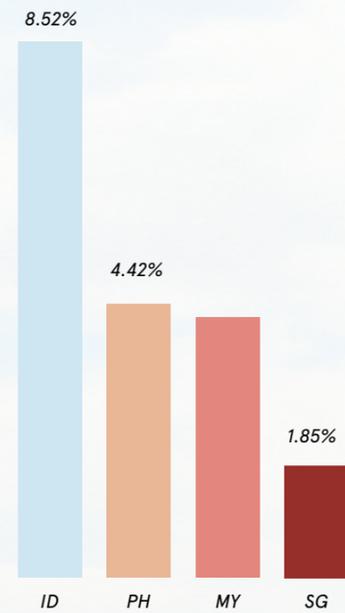
BELOW 21



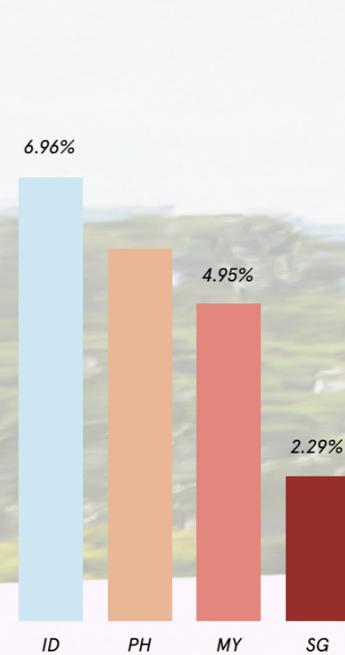
21 TO 25



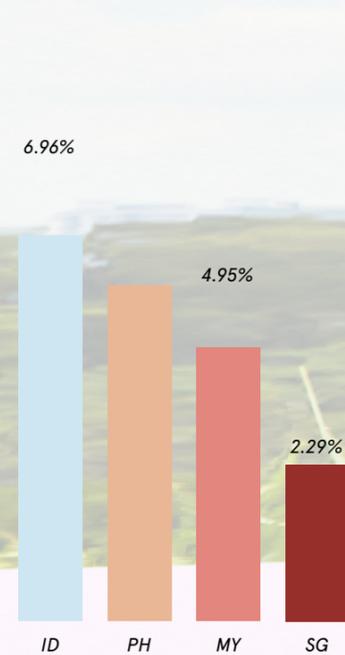
26 TO 30



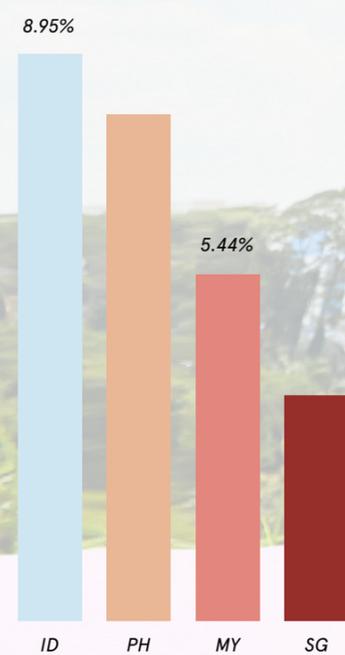
31 TO 35



36 TO 40



ABOVE 40

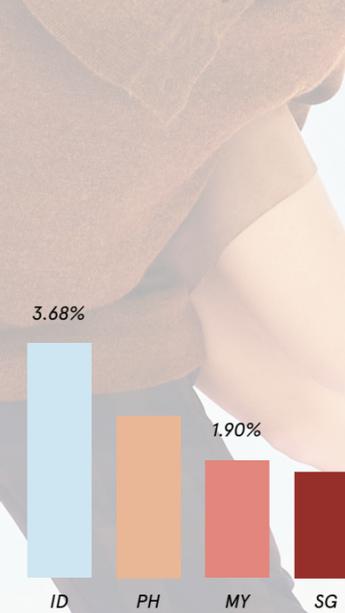


MALE PURCHASE

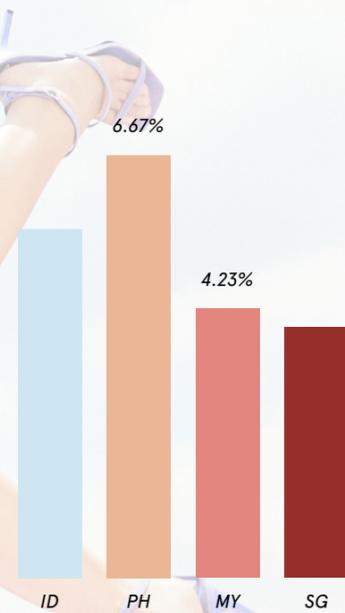
BELOW 21



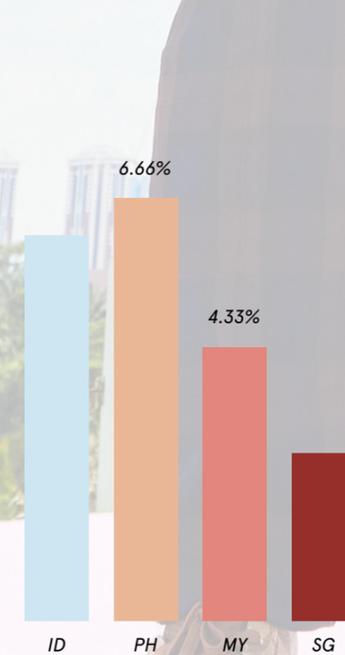
21 TO 25



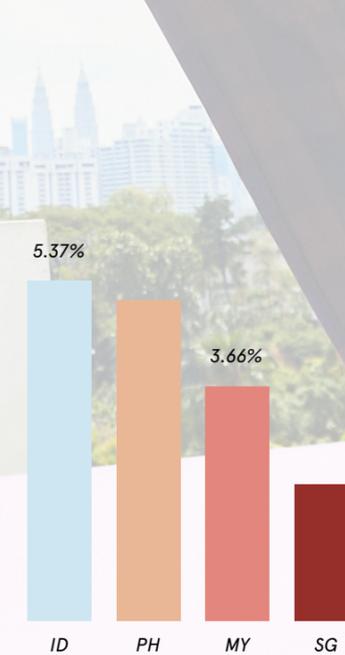
26 TO 30



31 TO 35



36 TO 40



ABOVE 40



Source: TRENDER, a GFG Product (As of Q3 2022)

KEY FIGURES

+71%

PEAK MONTHLY SALES UPLIFT

15x

IMPRESSONS UPLIFT

2.7x

CONVERSION RATE GROWTH



CASE STUDY: PAULA'S CHOICE X SELL WITH ZALORA

With its dedication to bringing quality and effective products to the world, Paula's Choice chose ZALORA for its first foray into eCommerce marketplaces due to its reputation as a platform with carefully curated and authenticated brands and products. The American skincare brand went live on ZALORA in Singapore and Malaysia at the start of 2021 and has seen tremendous growth since then.

As transparency and honesty have always been in the DNA of Paula's Choice, a limitation initially faced from the e-commerce setting was the lack of ability to connect with consumers directly to explain the research behind each product and to offer personalised consultations. However, with the efficient ZALORA Customer Service team acting as a communication bridge between Paula's Choice and their customers, Paula's Choice found that they could rely on ZALORA to resolve order-related inquiries smoothly.

Within five months from its launch on ZALORA, Paula's Choice has tracked an amazing 15x impression uplift and a 2.7x conversion rate growth. Most importantly for the brand, it feels supremely rewarding knowing more people will harvest glowing, healthy skin from using Paula's Choice products.

[Visit our website](#) to learn how you can achieve maximum results for your brand by selling at ZALORA.

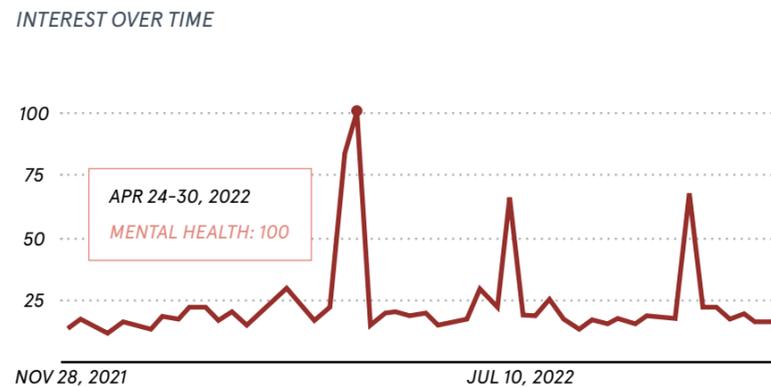


Nevertheless, there is no discussing well-being without mental health. Unfortunately, in Southeast Asia, it is an area that urgently requires further attention—especially when [one in seven Southeast Asians \(or roughly 14 per cent\) live with a mental health condition](#). According to a recent Singapore Mental Health study by the Institute of Mental Health, the number of people with mental disorders who were not seeking help remained high due to barriers and treatment gaps. To make matters worse, heightened personal and economic distress caused by the pandemic has widened the treatment gap, making it more challenging to address the scarcity of resources, low investment, and stigma.

But this doesn't mean there hasn't been any demand. According to Google Search Trends, online searches for mental health in Indonesia had increased substantially throughout the year, peaking three times since the beginning of 2022. Likewise, Malaysia's interest in the subject saw a sharp increase at the beginning of the year before normalising with subsequent peaks in 2022. This comes in just as [suicide rates in the country had increased, averaging three daily in 202—a dramatic increase compared to 0.93 cases per day between 2014 and 2018](#).

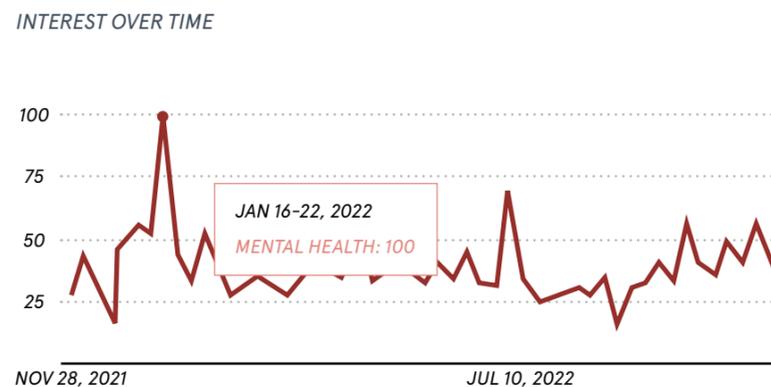
These results indicate Southeast Asia is ready to embark on its next chapter in wellness. At current, several startups, The Mind Faculty in Kuala Lumpur and Intellect in Singapore, the [latter recently secured its Series A funding of USD 20 million to support its expansion](#). For potential players, it is also good to know that [member countries within the region have recently adopted the Paris Declaration to address mental health](#). Dr Poonam Khetrpal Singh, Regional Director of World Health Organisation Southeast Asia, said, "There is no health without mental health. [By] increasing investments in mental health ... [can we increase] productivity, employment and quality of life."

GOOGLE SEARCH TRENDS FOR MENTAL HEALTH IN INDONESIA



Source: Google Search Trends

GOOGLE SEARCH TRENDS FOR MENTAL HEALTH IN MALAYSIA



Source: Google Search Trends

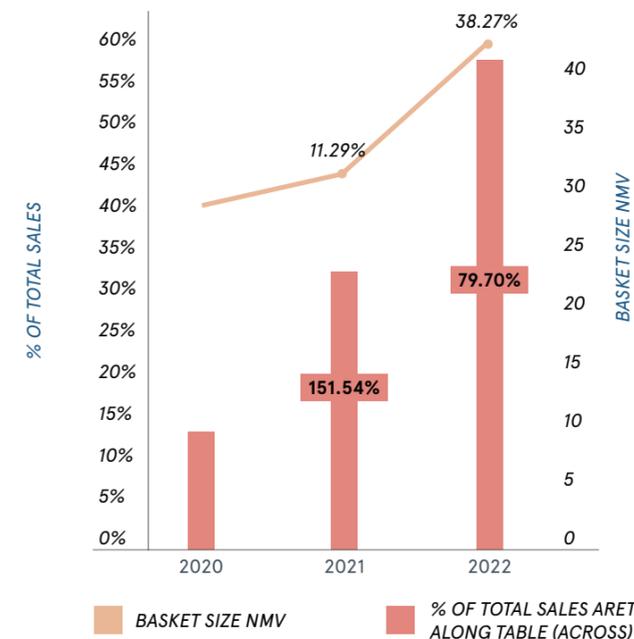
THE RACE TO ZERO WASTE: IS A SUSTAINABLE FASHION ECOSYSTEM POSSIBLE?

In addition to improving their well-being, today's consumers have begun to realise that a harmonious mind, body and soul cannot be achieved without addressing pressing environmental issues. What's more, the first-hand experiences of Southeast Asians have significantly contributed to this growing concern, as recently discovered by Bain & Company. According to the management consulting firm, [fast-growth markets of Southeast Asia \(Thailand, Malaysia, Indonesia, the Philippines and Vietnam\) were more conscious of environmental and social factors than those in more mature markets like Singapore](#). Indeed, seeing is believing, and it is worth noting that [seven out of 15 countries with the highest mismanaged plastic pollution were fast-growing Asian markets](#).

Even amid this developing landscape, the effects have been dire, primarily through the lens of fashion retail. Responsible for between [20 to 35 per cent](#)

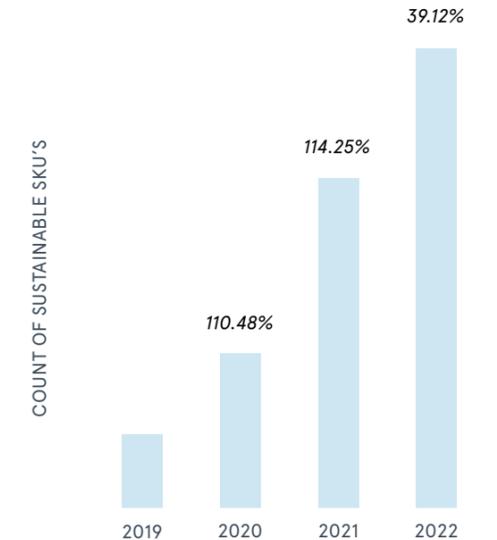
[of microplastics in the ocean, the industry has been estimated to account for ten per cent of all carbon emissions emitted globally](#). Additionally, given its heavy reliance on fast fashion, over 92 million tons of waste have been created annually, and 79 trillion litres of water are consumed annually to sustain the production of cotton and other textiles. Meanwhile, harmful chemicals used in dyeing fabrics often find their way into waterways and wastewater, harming biodiversity and human health. For example, [in 2020, three production facilities in Indonesia's West Java were found guilty of polluting the Citarum River, which was once listed as one of the world's most polluted places in 2013](#). In fact, nature was not the only one that was harmed. For many years, the issue of ethical treatment of garment workers has been raised, like in [Cambodia, where a wave of mass fainting occurred due to poor factory regulations and safety conditions](#).

YOY - SALES (SUSTAINABLE MATERIAL)



Source: TRENDER, a GFG Product (As of Q3 2022)

YOY GROWTH SUSTAINABLE ITEMS



Source: TRENDER, a GFG Product (As of Q3 2022)

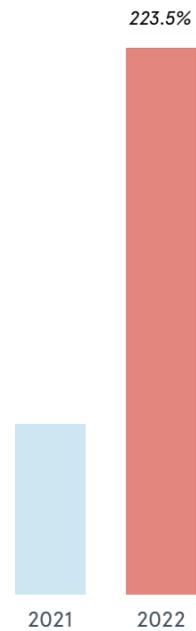
CHAPTER 4

As a result of these malpractices and widespread attention, consumers have begun to demand products that best reflect sustainable and conscious values. At ZALORA, we have seen substantial growth in the e-tailer's Earth Edit segment, with total sales increasing by 151.54 per cent since 2020 and 79.70 per cent a year later. The growth of average basket size had also moved in tandem, going from 11.29 per cent in 2021 to 38.27 per cent in 2022. What's good to note here is that brands have reacted positively to this push and have started to expand their product offerings, as illustrated in the growth of SKUs at ZALORA.

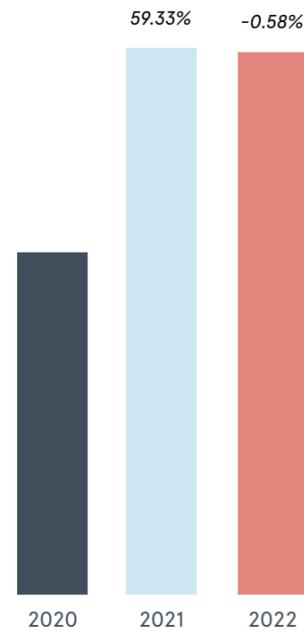


YOY SALES TREND

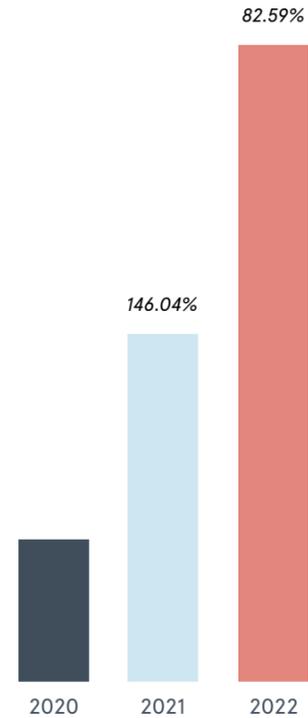
LUXURY



BEAUTY



EARTH EDIT

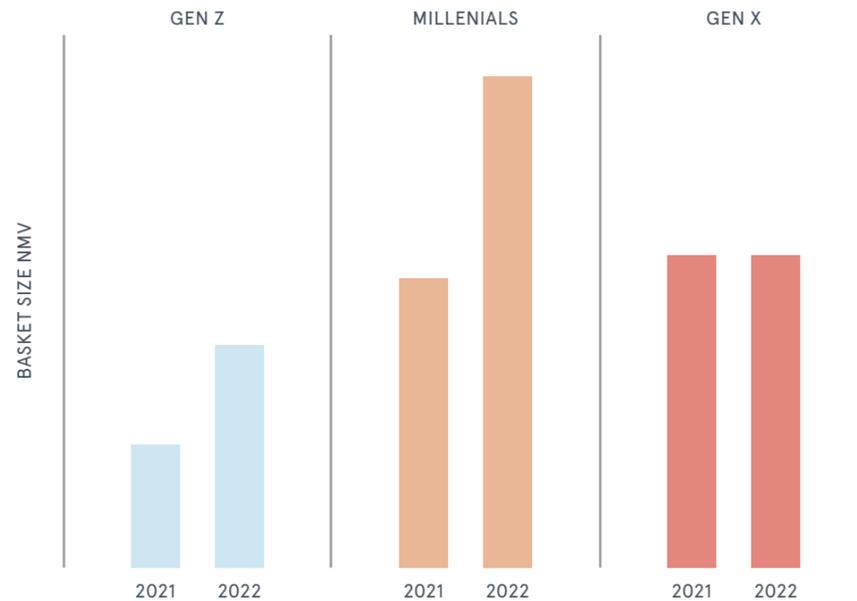


Source: TRENDER, a GFG Product (As of Q3 2022)

That said, with more offerings comes confusion, and many consumers have grown cautious over attempts of greenwashing by brands. As revealed by Milieu Insight, an astounding 63 per cent of Southeast Asians are highly sceptical of retailers marketing their fashion products as sustainable, with the majority of respondents indicating they would do more research before purchasing. Interestingly, this confusion also cleared a path for the rise of circular fashion, which involves buying and selling used clothes.

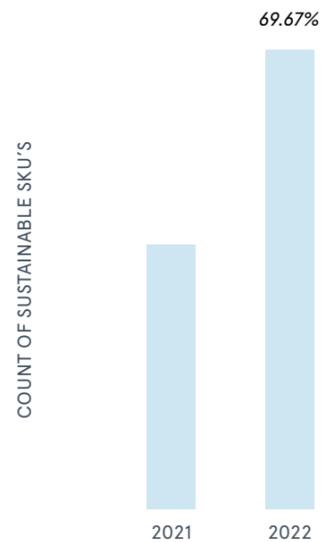
With a value estimated between USD100 to 120 billion worldwide, the resale industry has experienced a massive boom over the years, as evident even in ZALORA's pre-loved item segment. In a single year, YoY growth for secondhand clothing and accessories went up by 69.67 per cent, led by Millennials and Gen Zs. Driven by accessible price points, the secondary market here has undoubtedly benefited from younger consumers instead of mature clients,

YOY GROWTH PRE-LOVED ITEMS BY AGE GROUP



Source: TRENDER, a GFG Product (As of Q3 2022)

YOY GROWTH PRE-LOVED ITEMS



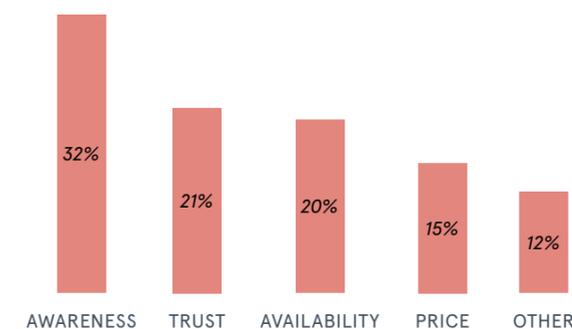
Source: TRENDER, a GFG Product (As of Q3 2022)



who already have the disposable income to spend on new items more often than not. In an interview with Bloomberg, Fanny Moizant, co-founder of French re-commerce heavyweight Vestiaire Collective, said, "The Covid-19 crisis has accelerated trends that were long overdue in the fashion industry and refocused attitudes around what we really value and why. Consumers, particularly millennials and Gen Z, want to develop their own sense of style and their consumption habits in new ways, breaking with traditions like fast fashion and establishing new ways of thinking about buying and selling their clothes." It also certainly helps that Millennials and Gen Zs are equally clued to environmental issues due to content consumed from digital media. These positive stats were precisely the catalyst Vestiaire Collective had been looking for to shift its gaze to Southeast Asia and other regional incumbent players like Carousell, which had since expanded its reach.

This begs the question—to what extent are regular retail models still relevant in this hyperaware age of consumerism? The answer lies in the willingness of brands and investors to take necessary action and revise their current operations strategies. According to eEconomy SEA 2022 report, awareness and sustainability claims were the most pivotal barriers to closing the "say-do" (intention versus action) gap amongst Southeast Asians. And as environmental and social concerns continue to rise across the region, industry players "must provide transparency and trustworthy information so that consumers can make purchases that best align with their values."

TOP BARRIERS FOR SUSTAINABILITY ADOPTION IN SEA (%)

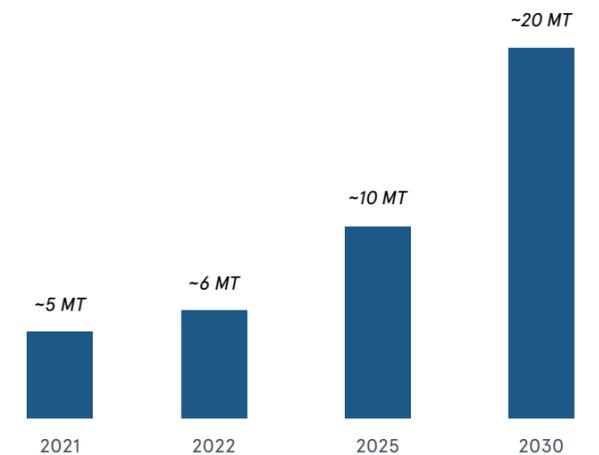


Source: Google, Temasek and Bain, e-Economy SEA 2022 Report

As a start, new brands can stand to gain market share by introducing more sustainable products, while incumbents should review their supply chains. At ZALORA, data-driven intelligence has reduced carbon emissions by lowering return rates. Additionally, its Fulfilled by ZALORA and One-Stock Solution offers a fully integrated and streamlined fulfilment service to its onboarded brands and others. "I believe it is relevant for the sales of a brand because by allocating stock at a certain point, you also benefit from size availability as the stock is also connected to multiple stores," said Simone Cortini, Chief Platform Officer at ZALORA. "By default, it works out better for the environment simply because the orders are coming from one place only, and you, as a customer, can combine orders from different brands in one package. In this case, carbon emissions with effectively be much, much lower," he added.

Services such as those offered by ZALORA have become increasingly important, especially as emissions are projected to reach ~20 MT CO2e by 2030. As a solution, logistics providers can deploy electric vehicles (EVs) for their last-mile deliveries and further reduce and recycle packaging materials.

CARBON FOOTPRINT (CO2E)



Source: Google, Temasek and Bain, e-Economy SEA 2022 Report

Ultimately, as 63 per cent of Asians believe that organisations should take accountability for environmental improvements and 53 per cent have stopped buying products that have a negative impact, the time is now for change. ■

It's a brave new world today, and as one chapter closes, another tale begins. In the past year, we've seen how global vaccination rollouts and mobility restrictions have eased—if not completely abolished—across the region, and communities have quickly resumed life as they once perceived it. However, new headwinds in the form of geopolitical and economic uncertainties have made themselves known, and the path towards recovery is again disrupted.

By harnessing data-driven intelligence, we have seen great strides in innovation due to 100 million Southeast Asian consumers becoming first-time shoppers online since the pandemic. From live streaming to augmented reality, retailers have been fast to capitalise on this growing audience and have since proven themselves to be agile and think fast on their feet. Additionally, changes in fintech sectors have disrupted the market with e-payment and Buy Now Pay Later services, allowing millions of the region's underbanked and underserved to enjoy previously limited shopping privileges.

Now more connected than ever before, retailers have recognised this new potential among consumers, culminating in meaningful exchanges of information that benefit and elevate both shoppers and businesses. Gen Zs, who have now come of age with the power of the Internet at the tip of their fingers, are in the midst of spearheading a social awakening, keen to influence generations before them. Having deepened their online experiences, these purposefully-led audiences look to social media for news and guidance, effectively becoming voices of change in a period of uncertainty.



In this instance, sustainability has taken centre stage, spurring businesses to recalibrate their strategies and evolve with the times. Here, logistical partners rethink their approaches while Southeast Asia's booming and accessible pre-loved market pushes towards a circular landscape. Indeed, in today's competitive market, accessibility is key, especially as prospects of a looming recession draw nearer. Despite a pessimistic consumer sentiment, shoppers find joy in other areas, especially as international travel and shopping mall resumes business. This return of freedom has become an important catalyst for hyperconsumerism, fuelled even further by shopping festivals, niche offline experiences and hybrid working models. As a result, shoppers have begun to seize their moment and fill their baskets again with sundresses and tee shirts to prepare themselves for working and relaxing in the sunlight.

Now, with more consumers online and offline, the race is on for retailers to blur the lines between virtual and brick-and-mortar channels. In order to set themselves apart, incumbents must think outside of the box with their omnichannel solutions and create seamlessly integrated spaces that can bring web browsing to their shop floors. This is already happening across the region, where customers can search online and try on products in real life. At the same time, malls and boutiques curate unique and personalised retail journeys, like Thailand's by-appointment-only Townhouse Space. In order to brace for unsuspecting challenges, businesses will need to review their operations and prepare to collaborate or innovate. By investing in AI-powered platforms or diverting resources to new developments in last-mile offerings (such as those by ZALORA) can retailers find ease of passage through uncharted territories.

In this post-pandemic world, it is crucial to be virtually and physically nimble, and we see this omnichannel approach being implemented throughout the region. Nevertheless, action must be taken to further bridge the gap between the two, and retailers today have deftly demonstrated their spirit of ingenuity in these trying times. Indeed, we aren't entirely out of the woods yet, but with glimmers of light peeking through the corners in 2023, our chances of recovery may soon come to reality. ■