Bold moves: Leading Southeast Asia's next wave of consumer growth

A SYNC SOUTHEAST ASIA REPORT

Meta

BAIN & COMPANY

DSG CONSUMER PARTNERS

SYNC Southeast Asia series

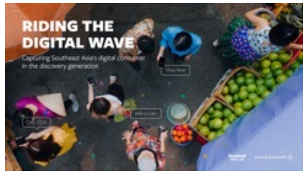
A thought leadership series designed to keep business leaders in tune with the consumers of tomorrow.

Meta and Bain & Company, along with DSG Consumer Partners joining in 2023, offer deep insights into the emerging trends in Southeast Asia and the opportunities businesses can tap into to evolve together with their consumers.

2018

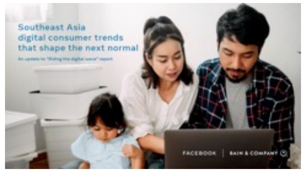
How Southeast Asia's emerging middle class is embracing the digital world

2019



Riding the digital wave: Southeast Asia's digital consumer in the discovery generation

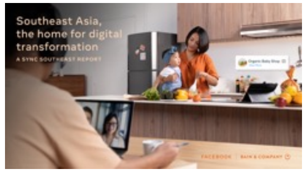
2020



Southeast Asia digital consumer trends that shape the next normal

Digital consumers of tomorrow, here today

2021

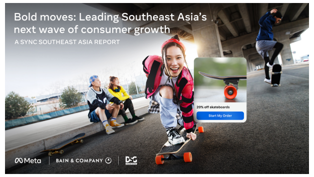


Southeast Asia, the home for digital transformation

2022

Southeast Asia's digital consumers: A new stage of evolution

2023



Bold moves: Leading Southeast Asia's next wave of consumer growth

The world is looking towards the Southeast Asia opportunity amidst global turbulence.

THE SOUTHEAST ASIA OPPORTUNITY

As a 'market bloc', Southeast Asia is already important

Southeast Asia

700M
Population

~$4T
GDP
5th largest economy

1.6x
Growth in 10 years
3rd fastest growing large economy

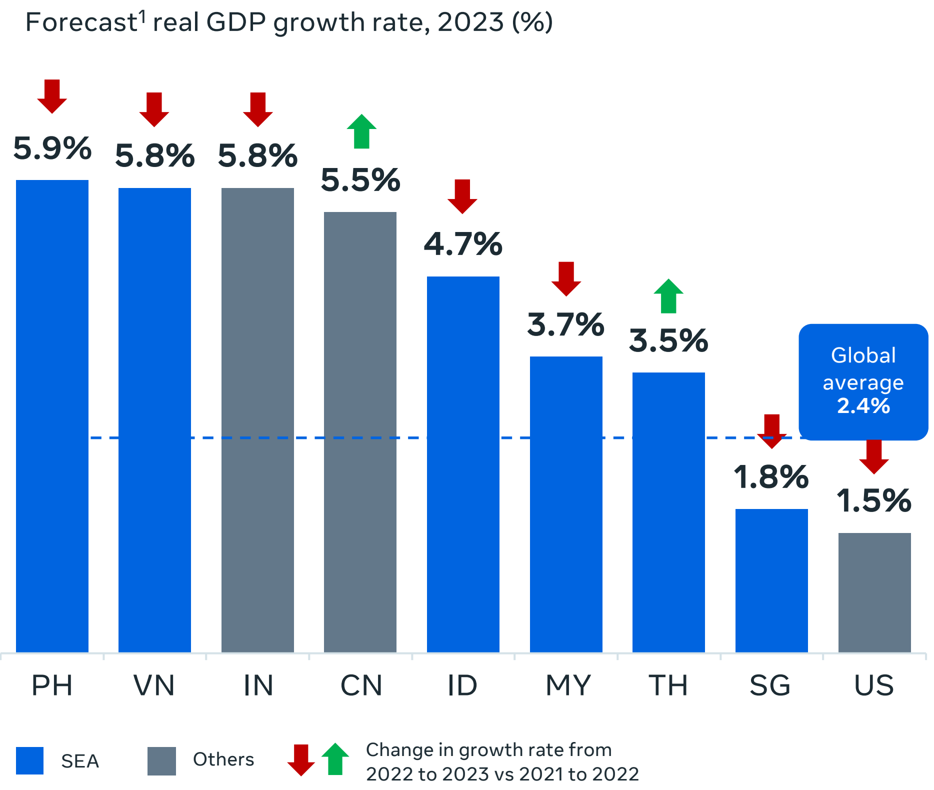
$220B
Foreign Direct Investment
2x larger than 2010

Note: (1) 10 countries in Southeast Asia including Malaysia, Thailand, Indonesia, Myanmar, Cambodia, Singapore, Philippines, Laos, Brunei and Vietnam (2) 2030 Real GDP in USD; (2) Considers large economies above USD500B; (3) Increase in number of households with income >$10k from 2023-30;

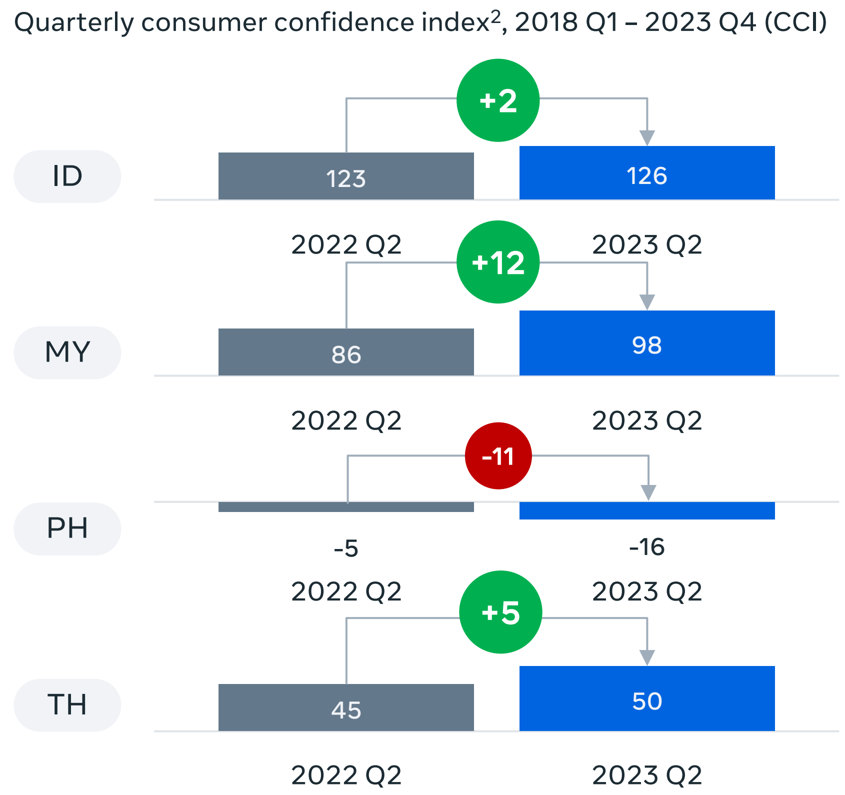
Source: The Economist Intelligence Unit; Euromonitor; World Bank; IHS Markit

Southeast Asia has been facing economic headwinds, but consumer confidence is rising again

Growth rates in SEA are affected, like the rest of the world



But consumer confidence in the region is rebounding across most markets



Note: (1) Forecast as of July 2023

Source: IHS Markit

Note: (2) Methodology for CCI index varies by country and therefore not comparable across countries; Philippines broadly in line with long-term average despite negative

Source: Euromonitor, Nielsen

THE SOUTHEAST ASIA OPPORTUNITY

Looking ahead, demographic factors will play a major role in the growth

Southeast Asia's population is sizeable, young, and with growing productivity

3rd

most populous region in the world[1]

~47%

of population is under 30 years

60%

of population will live in urban areas by 2030

Working population to increase by

24M

by 2030

Note: (1) 3rd most populous after East Asia and South Asia; other regions considered: North America, Latin America, Western Europe, Eastern Europe, Australasia, Central Asia, MENA, West Africa, Southern Africa, East Africa and Central Africa

Source: Euromonitor, World Bank

THE SOUTHEAST ASIA OPPORTUNITY

Southeast Asia is experimental to its core with growing innovation hubs and funding

Southeast Asia has created

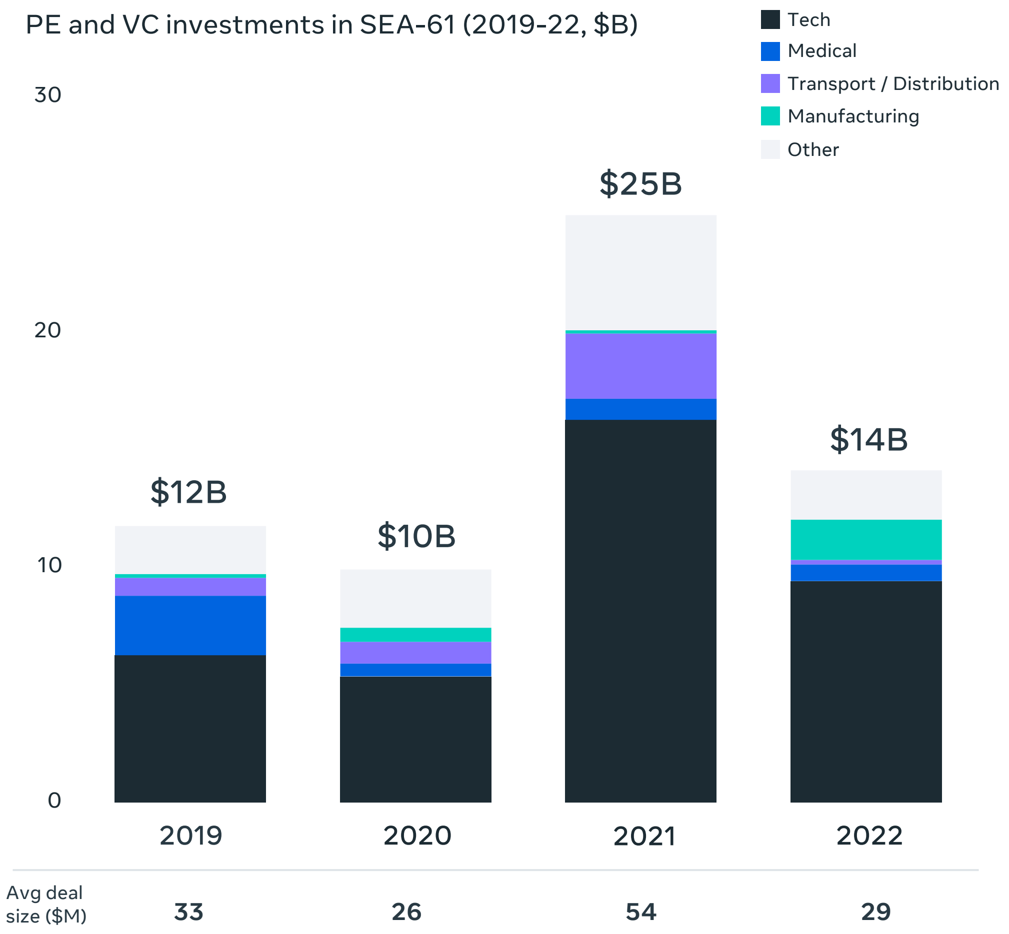
28 unicorns

(25 since the start of 2020)

$676B

Dry powder in Asia-Pacific focused funds at end of 2022

This region also saw substantial Tech PE/VC funding, primarily in Singapore and Indonesia



Source: World Bank, Lit. search, CB Insights, AVCJ, Bain Asia-Pacific Private Equity Report 2023

Rising incomes and growing 'high' and 'upper middle' class will fuel consumption

Real disposable income per capita growth (2018-30 CAGR, %)

Number of households by disposable income class

Source: Euromonitor

To capture the evolving Southeast Asian consumer, businesses must make bold moves and seize opportunities.

Who we spoke to

QUALITATIVE

Senior executives

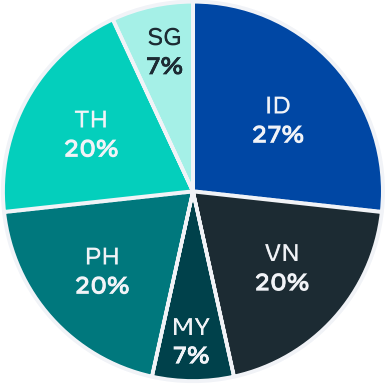
from leading consumer product companies

QUANTITATIVE

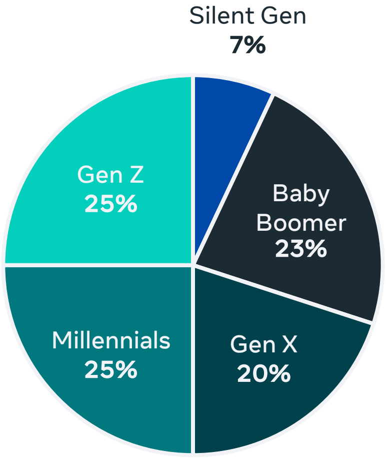
Consumer online survey with

9,000 respondents

Across Southeast Asia



Country



Age Group[2]

Cities[1]

Tier 1	Tier 2
65%	35%

Gender

Female	Male
50%	50%

---

(1) List of cities surveyed tiered as below:
Tier 1 Cities: Jakarta, Bekasi, Surabaya, Medan, Tangerang, Kuala Lumpur, Johor Bahru, Penang, Petaling Jaya, Petaling Shah Alam, Metro Manila, Singapore, Bangkok, Chiang Mai, Nonthaburi, Songkhla, Nakhon Ratchasima, Hanoi, Ho Chi Minh, Da Nang, Hai Phong
Tier 2 Cities: Palembang, Bandung, Semarang, Depok, Makassar, Cebu City, Davao City, Cagayan De Oro City, Baguio City, Bacolod, Batangas City, Zamboanga City, Cative City, Ilo-Ilo City, Nakhon Pathom, Surat Thani, Phuket, Nakhon Sawan, Prachuap Khiri Khan, Can Toh, Binh Duong, Thai Binh, Bien Hoa, Khan Hoa

(2) Definition of age group: Silent Generation (Above 77), Baby Boomers (Age 59-77), Generation X (Age 47-58), Millennials (Age 28-46), Gen Z (Age 17-27).

Southeast Asia’s consumer trends to shape growth

01.

Value-seeking in the near term, new needs emerging

02.

Gen Z is increasingly influential, same-same but different

03.

The solo economy is on the rise

04.

Insurgent disruptors are stealing market share from incumbents

05.

Wellness concerns grow, but say-do gap persists

06.

Personalization is valued, companies to define model

07.

AI is shaping the consumer journey

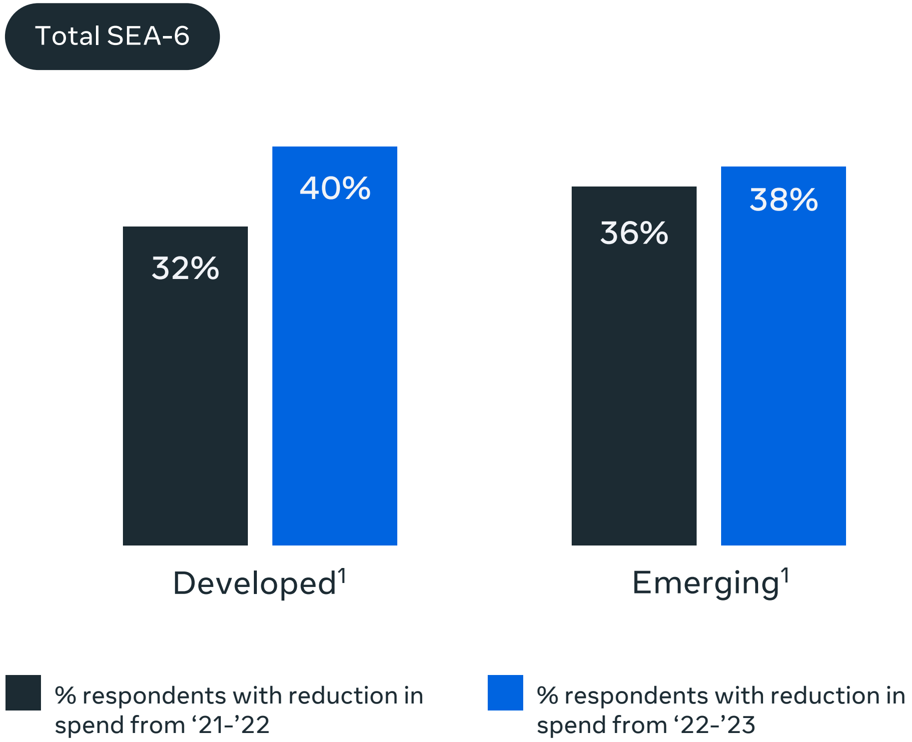
01

Value-seeking in the near term, new needs emerging

01 VALUE-SEEKING IN THE NEAR TERM, NEW NEEDS EMERGING

Southeast Asian consumers are spending cautiously, looking for greater value in their purchases

Consumers are spending less across the region

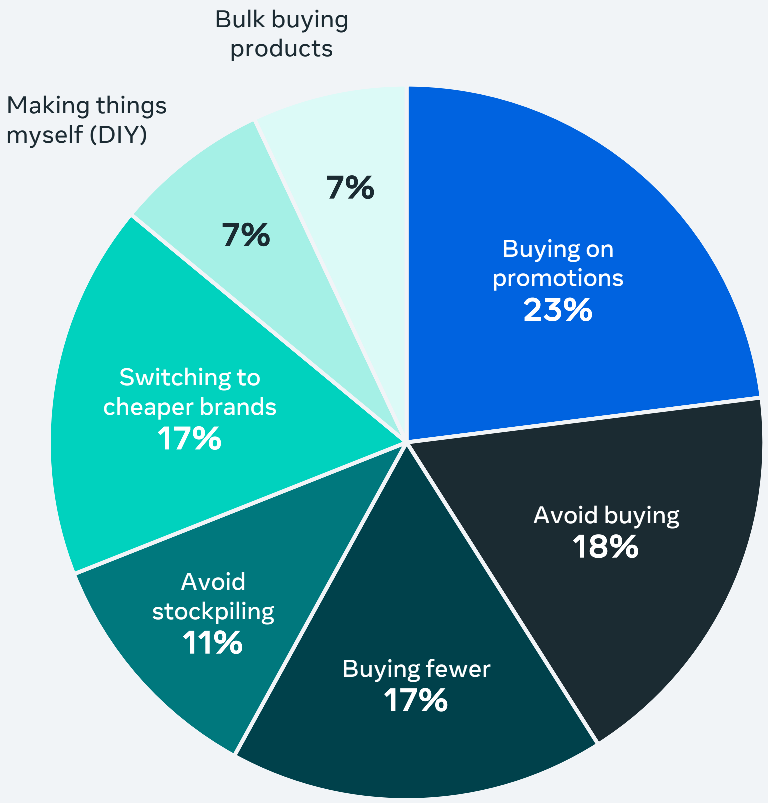


Note: (1) Developed = Singapore, Malaysia, Thailand, Emerging = Indonesia, Philippines, Vietnam

Source: Euromonitor, Meta / DSG / Bain Consumer Survey 2023 (N=9000) on the markets of Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam Q10: "Which of the following categories have you purchased in the past 1Y? For the categories you purchased in the past 1Y, how has your spending in the last 6 months changed in comparison to the 6 months before that?“

For those spending less, they are looking for value beyond just discounts

Actions taken by consumers who report reducing spending

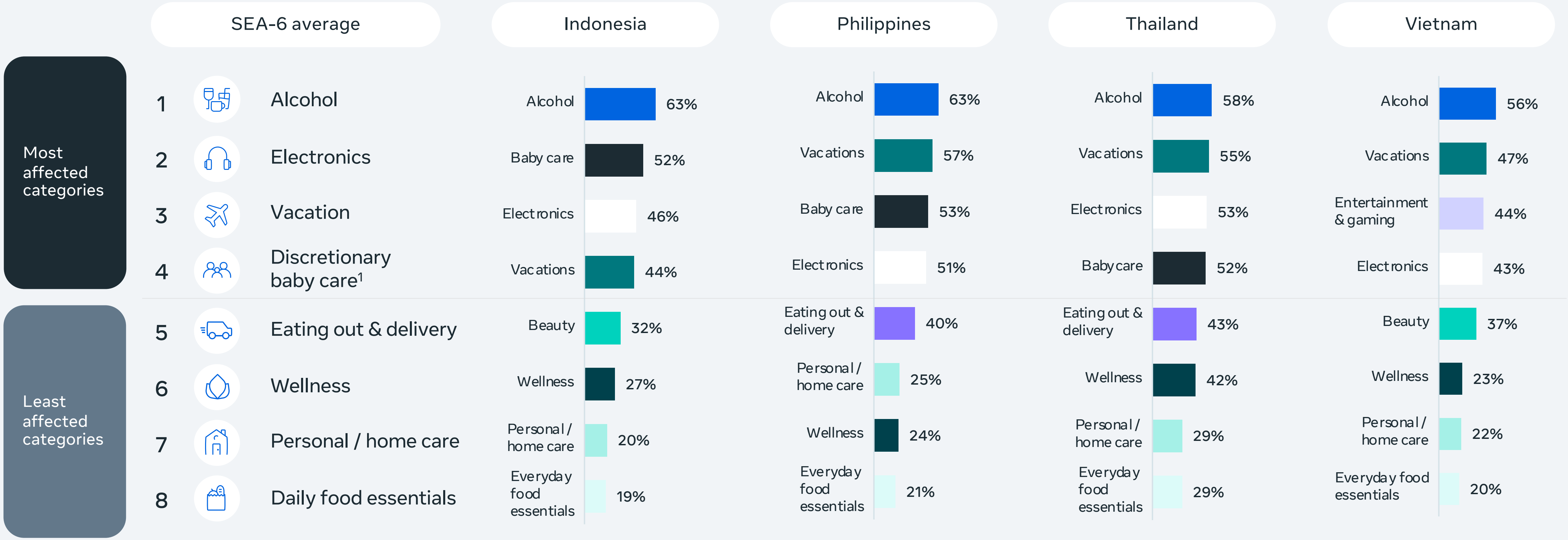


Note: Responses have been averaged across different categories; Question is asked to only those respondents who selected reduced their spending; Respondents who selected the option “other” have not been included

Source: Meta / DSG / Bain Consumer Survey 2023 (N=9000) on the markets of Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam Q11: “You mentioned that you have reduced spending on <category>. Please think about this category while answering this question. How have you reduced your spending in the past 1 year in <category>? Please select exactly 3 choice(s).”

The largest spend drop is seen in alcohol and electronics, while food, personal care and wellness categories remain resilient

% of respondents with reduced spending by lifestyle element



Note: (1) Baby care comprises of diapers and powdered baby formula (a discretionary spend due to push by governments for breastfeeding); % Respondent = % Decreased slightly + % Decreased; Reviewed 11 categories in total

Source: Meta / DSG / Bain Consumer Survey 2023 (N=9000) on the markets of Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam, Survey Q10: "Which of the following categories have you purchased in the past 1 year? For the categories you purchased in the past 1 year, how has your spending in the last 6 months changed in comparison to the 6 months before that?"

In Southeast Asia, wants are emerging into needs, with consumers at different income levels desiring similar ‘essentials’

% of respondents who consider element as essential to lifestyle in SEA-6

RANK	LOW INCOME	MID INCOME	HIGH INCOME
1	Social media	Social media	Social media
2	Eating out	Eating out	Streaming
3	Beauty	Streaming	Eating out
4	Streaming	Beauty	Beauty
5	Domestic Holiday	Domestic Holiday	Domestic Holiday
6	Latest gadgets	Branded apparel	Branded apparel
7	Branded apparel	Café drinks	Café drinks
8	Café drinks	Latest gadgets	International holiday
		International holiday	Latest gadgets
			Ride hailing

Social media is universally the top essential category

Streaming is emerging to be essential across all income groups

Note: (1) >20% considered as essential (2) Position differs by market; in some countries alcohol is a new “need” while it remains a want in others

Source: Meta / DSG / Bain Consumer Survey 2023 (N=9000) on the markets of Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam ; Q12: Which of the following categories do you consider essential? Select all that apply.

As markets reach an inflection point of growth, consumer segments in Southeast Asia are also evolving.

Businesses should pay attention to several key segments, especially the coming of age of Gen Z.

02

Gen Z is increasingly influential, same-same but different

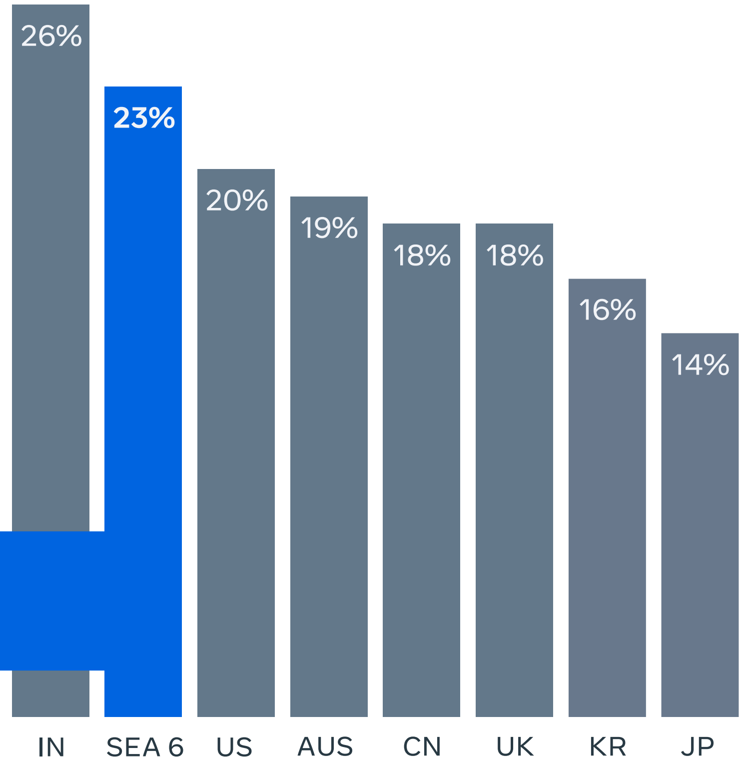
Gen Z is an influential group due to size and growing spending power

500M+

Gen Zs between 18 and 24 in APAC

Source: UN Population Dynamics

Gen Zs as % of total population, 2023



Source: Euromonitor, Lit search, Ministry of Manpower Singapore

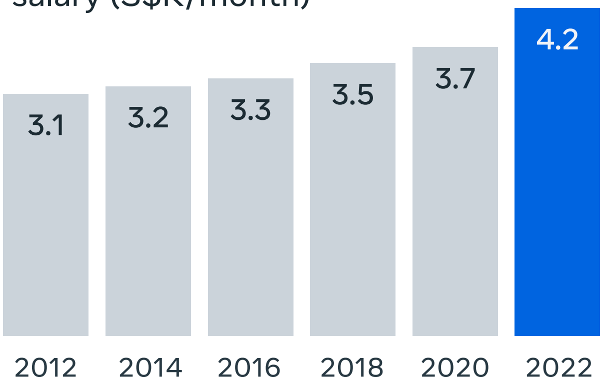
35%

of Gen Z shoppers in Thailand are responsible for purchasing for their entire household

Source: Ipsos, "CPG Re-Emerge" study, 2020

Spending power of Gen Zs continues to grow

Singapore median graduate salary (S$K/month)



Source: Singapore Yearbook Of Manpower Statistics 2022: Training and Higher Education Table(s), Manpower Research & Statistics Department

02 GEN Z IS INCREASINGLY INFLUENTIAL, SAME-SAME BUT DIFFERENT

Gen Zs value individuality, authenticity, and identity more than other generations

	RANK 1	RANK 2	RANK 3
Gen Z	Individuality / live on own terms	Work hard today to enjoy tomorrow	Daily companionship
Millennials	Work hard today to enjoy tomorrow	Daily companionship	Individuality / live on own terms
Gen X			
Baby boomers	Daily companionship	Work hard today to enjoy tomorrow	
Silent generation	Work hard today to enjoy tomorrow	Daily companionship	

Note: Ranking based on highest score on agreement from a scale of 1-5;

Source: Meta / DSG / Bain Consumer Survey 2023 (N=9000) on the markets of Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam Q15: (Asked across different statements that represent different values) To what extent do you agree with the following statements?; (*) From TikTok SEA Creators & Content Marketing Conference'; Company website, Lit search

Gen Zs are at the forefront of digital-first behavior

72%	prefer **shopping** online	🇮🇩
71%	**watched a video online** on a mobile in the past week	🇲🇾
50%	**trust what online reviews** say about products	🇵🇭
67%	are interested in **AR-enabled navigation** to find new brands[1]	🇹🇭
65%	want to use **AR devices in-store** to try-on products	🇹🇭

82%

are part of an **online community**[2]

8X per month

average frequency of Gen Z respondents **messaging businesses**[3]

1.7X

more likely to **follow creators/KOLs for inspiration** vs. other generations[3]

Note: (1) By showing the optimal in-store route for products in an online shopping cart and highlighting other relevant products along the way using an in-app camera/map or digital interfaces in-store with hybrid interface (2) For wider SEA; (3) For APAC;

Source: Meta / DSG / Bain Consumer Survey 2023 (N=9000) on the markets of ID, MY, PH, SG, TH, VN Q8: What is your average daily screen time on your primary digital device per day?; 2022 Bain / Meta Digital Consumer Survey; 2022 Meta/Ipsos 'Retail Future of Shopping' survey for TH; 2021 Facebook/HarrisX survey for TH; 2022 Meta GWI survey of ID, MY, PH, SG, TH, VN

Whilst Gen Z lead, other generations are quickly catching up on digital-first behavior

Older generations in the region also spend a significant time online

Hourly online usage on primary digital device

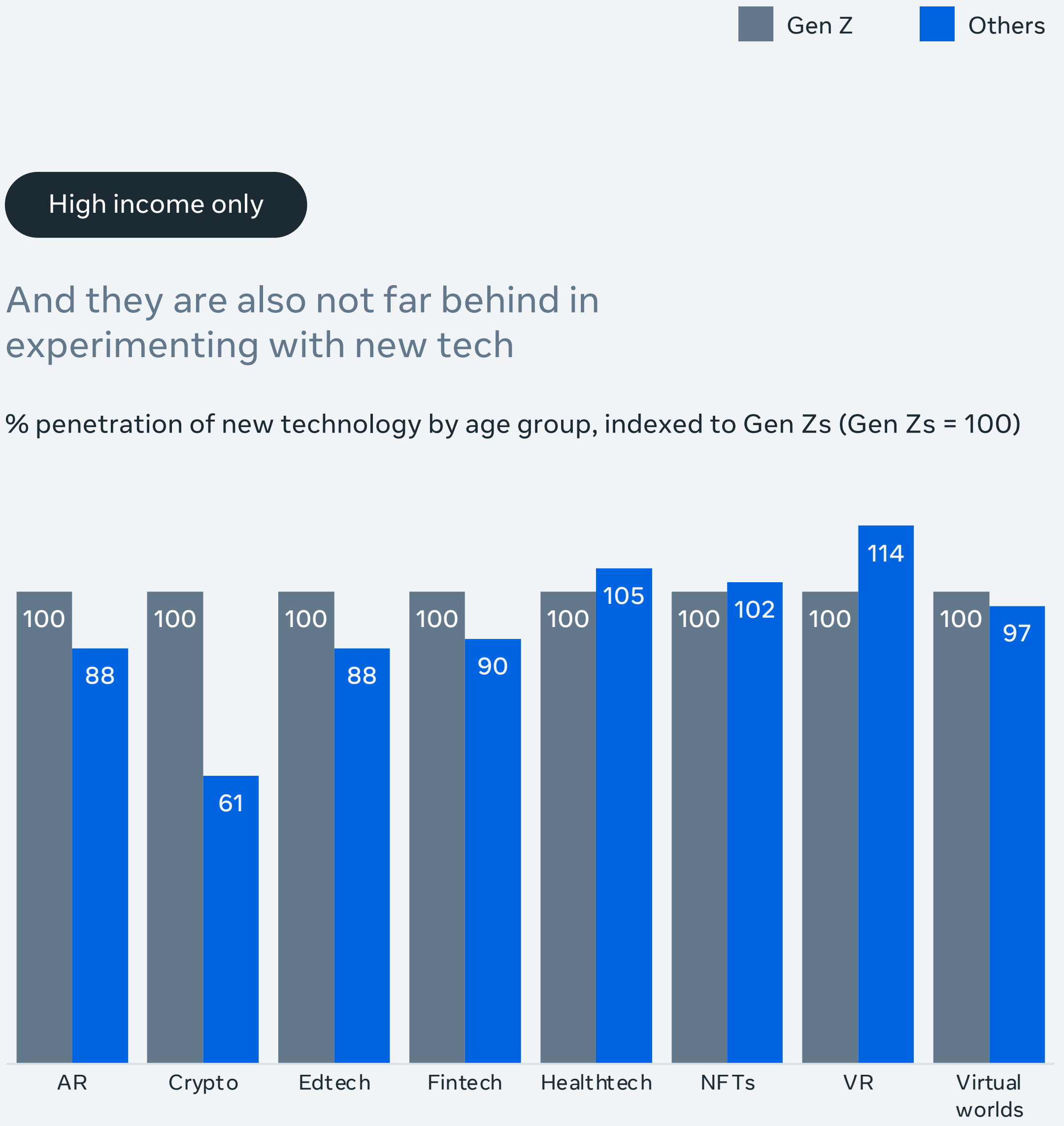
	Gen Z	Others
PH	6.5	5.1
ID	6.4	5.4
TH	6.3	4.6
MY	6.1	4.3
SG	5.7	3.9
VN	5.2	3.9

Source: Meta / DSG / Bain Consumer Survey 2023 (N=9000) on the markets of Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam Q8: What is your average daily screen time on your primary digital device per day? ; 2022 Bain / Meta Digital Consumer Survey; 2022 Meta/Ipsos 'Retail Future of Shopping' survey for Thailand; 2021 Facebook/HarrisX survey for Thailand; 2022 Meta GWI survey of Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam

High income only

And they are also not far behind in experimenting with new tech

% penetration of new technology by age group, indexed to Gen Zs (Gen Zs = 100)

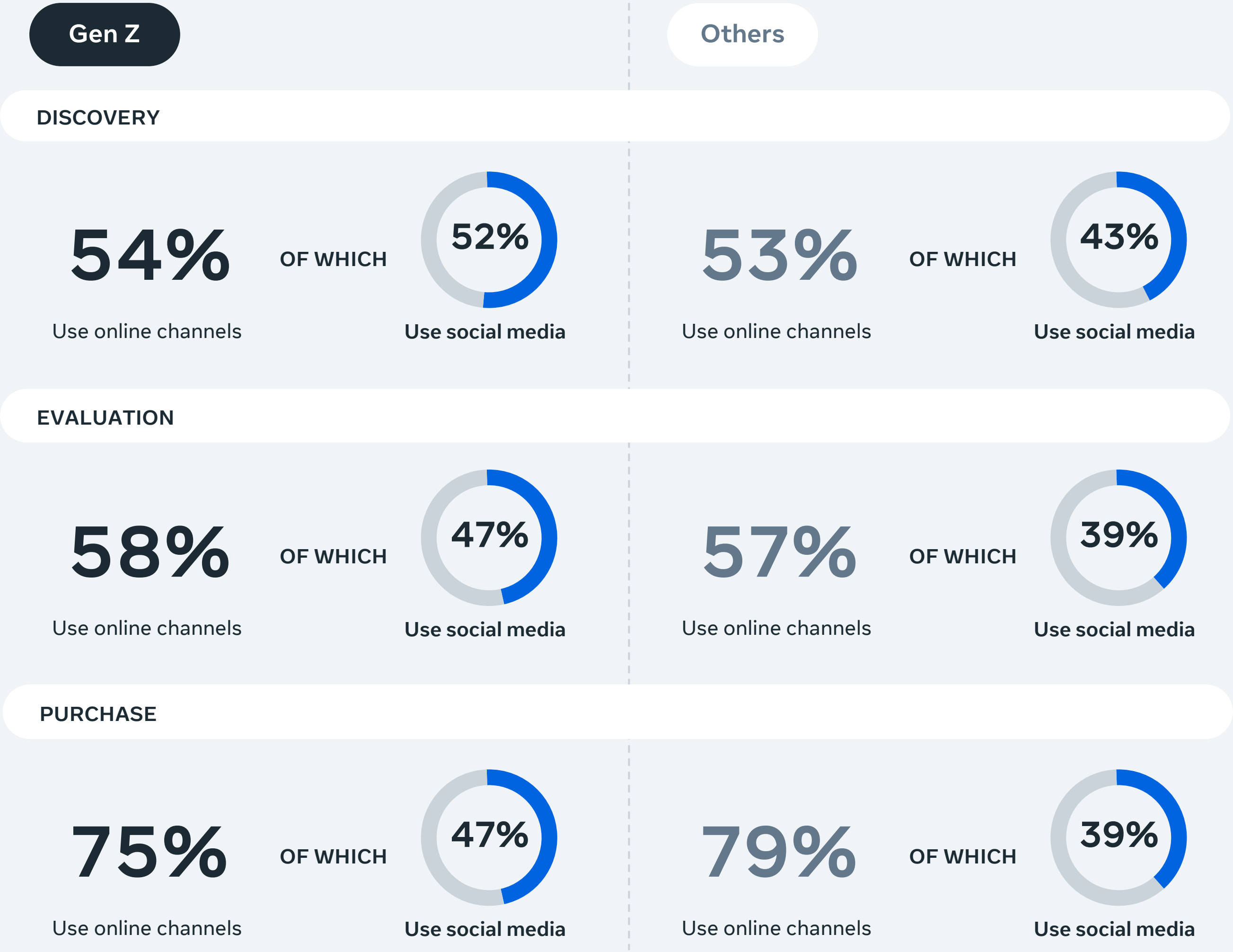


Source: Meta / DSG / Bain Consumer Survey 2023 (N=9000) on the markets of Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam Q25: Which of the following solutions / products have you used in the past 1Y? Select all that apply ;"Meta Seasonal Holidays Study" by YouGov (Meta-commissioned online study of 18,189 people aged 18+ in 12 markets within APAC (Australia, Hong Kong, Indonesia, Japan, Malaysia, Philippines, Singapore, South Korea, Taiwan, Thailand, Vietnam, Pakistan), from 1 Dec - 24 Dec 2021

Consumers across generations are adopting online channels for their shopping journeys

Social **media is a highly used online channel** across different stages in the purchasing journey

Usage of online channels in purchasing journey by generation[1]
% split of channels preferred



Note: (1) Indicates channel preference of respondents, not actual purchase volume/value across channels; Responses averaged across different categories;

Source: Meta / DSG / Bain Consumer Survey 2023 (N=9000) on the markets of Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam Q23: "Below mentioned are different steps that we go through while purchasing a product: Specifically for stage: <stage>, What channels did you use when purchasing products / services from your chosen brands / platforms / establishments for <category>? Please rank the top channels for each stage of the purchasing journey (1 = most applicable; 3 = 3rd most applicable)"; 'Retail Future of Shopping' Study by Ipsos (Meta-commissioned online survey of 359 Retail shoppers aged 18-24, Thailand, March 2022); GWI Q2 2020, Q2 2021 and Q2 2022. Sample Size: 1,202 (Q2 2020), 1,162 (Q2 2021) and 1,348 (Q2 2022) Gen Z and 1,377 (Q2 2020), 1,246 (Q2 2021) and 1,744 (Q2 2022) Millennials.

While Gen Zs are an influential consumer segment in the region, there’s another emerging demographic to look out for.

03

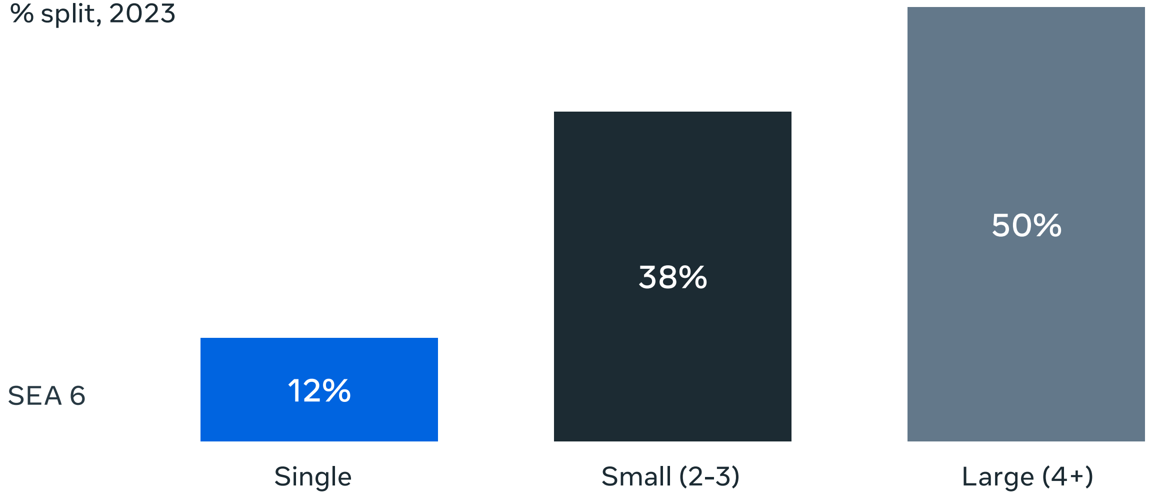
The solo economy is on the rise

03 THE SOLO ECONOMY IS ON THE RISE

Smaller and single households are rapidly increasing in Southeast Asia

Small and single households make up half of the region, with singles growing at 2.4% every year

Split of household size globally
% split, 2023



CAGR 2023-2030	2.4%	1.2%	0.6%

SINGLE HOUSEHOLDS GROWING THE FASTEST

Note: Household sizes categorized as: single (1 person), small (2-3 persons), large (>4 persons); CAGR was calculated based on # of households

Source: Euromonitor, Lit search

3 out of top 10

APAC countries driving the shift to single households are in Southeast Asia

20%

Increase in single households expected in these markets (TH, SG, PH) by 2030

3 key demographics drive the growth of single households in Southeast Asia

WHO THEY ARE

01
Older singles

Older individuals, mainly women, often divorced or widowed, who are increasingly investing in products and experiences to enhance their quality of life due to rising life expectancies.

02
Young professionals

Ambitious young professionals, regardless of gender, who often delay marriage and parenthood, display a higher willingness to spend, and are driven by their careers and anticipated long-term income growth.

03
Young urban migrants

Young urban migrant workers, mostly male, in manual or service jobs, who send money home and have spending power during off-hours.

WHAT THEY VALUE

(TOP 3 RANKED VALUES)

	01 Older singles	02 Young professionals	03 Young urban migrants
1	Living for today	Work hard today to enjoy tomorrow	Individuality / live on own terms
2	Daily companionship	Individuality / live on own terms	Work hard today to enjoy tomorrow
3	Convenient products	Daily companionship	Convenient products

Note: Ranking based on highest score on agreement from a scale of 1-5; For survey data, Cohort 1=Gen Z / Millennial, low income, single household, Cohort 2= Gen Z / Millennial, high income, single household, Cohort 3= Silent Gen / Baby Boomer, high income, single household.

Source: Meta / DSG / Bain Consumer Survey 2023 (N=9000) on the markets of Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam Q15: (Asked across different statements that represent different values) To what extent do you agree with the following statements? ; Company website, Lit search

The rise of the solo economy is driving change across multiple sectors in developed countries, and Southeast Asia is likely to undergo similar shifts

What it could look like in the future…

■ Categories Impacted

Shifting categories

Higher levels of pet ownership for companionship

- Pet-related categories are growing (e.g., Pets grew 2.6x faster in the US vs. other categories from ’10-’23)
- Impacting lifestyle choices (e.g., ~20-25% of singles in the US factored pets when choosing areas to live)

Pets & pet food

Other pet products (e.g., healthcare, accessories)

Shifting leisure models

Increase in single-person entertainment

- One-person karaoke booths (Japan)
- Solo-only bars, known as "ohitorisama" (Japan)

Vacations

Eating out in bars & restaurants

Shifting media consumption

More time spent on devices and social media

- Increased online entertainment consumption (short-form video)
- Following of influencers and creators

Content creation

Media / entertainment

Gaming

Retail

Shifting formats & innovation

Emergence of single-serving products and mini home appliances

- Single-serving packaged meals
- Mini home electronics (e.g., coffee makers, rice cooker, dishwasher)
- Single-size products (e.g., detergent pods, mini beverage packs)

Personal / home care

Everyday food essentials

Consumer electronics

Shifting financial transactions

Rising demand for smaller, frequent purchases, and transaction splitting

- Purchasing smaller products more frequently
- Increasing micro-purchase transactions
- Splitting transactions through fintech apps

Financial services (esp. small fintech players)

Shifting living models

Evolving lifestyle of single households

- Growing demand for single-person accommodations
- Emergence of furniture rentals for temporary single households

Furniture

Real estate

Source: US National Association of Realtors, Euromonitor, Lit search

Evolving consumer needs and expectations require businesses to think and act differently.

One group is already doing so.

04

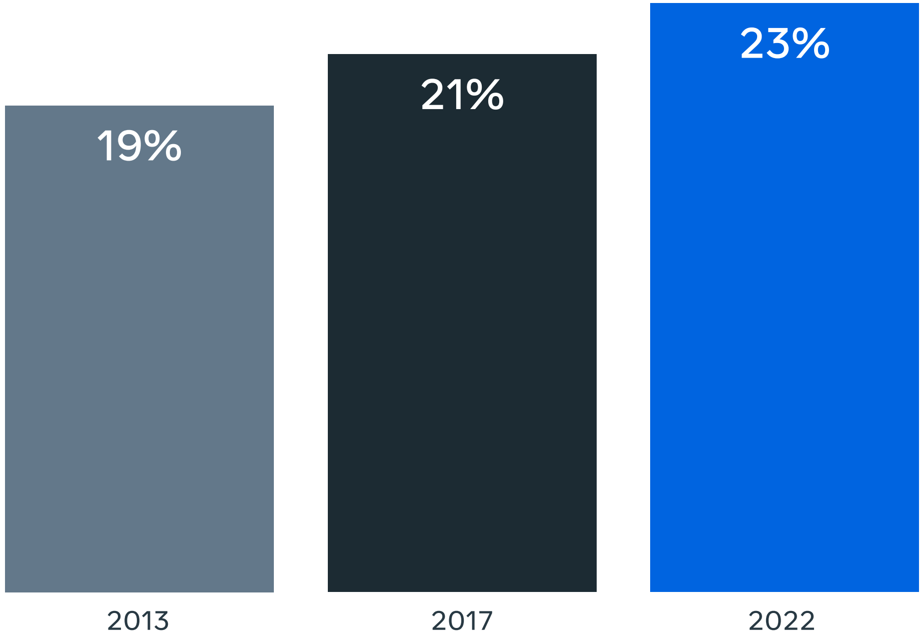
Insurgent disruptors are stealing market shares from incumbents

04 INSURGENT DISRUPTORS ARE STEALING MARKET SHARES FROM INCUMBENTS

Over the past decade, insurgent disruptors have been increasingly gaining market share in Southeast Asia

SEA

% market share of insurgent disruptors (2013, 2017, 2022)



~$52B

2022 total revenue

~5X

growth of insurgent disruptors' revenue vs. category growth* from 2013 to 2022

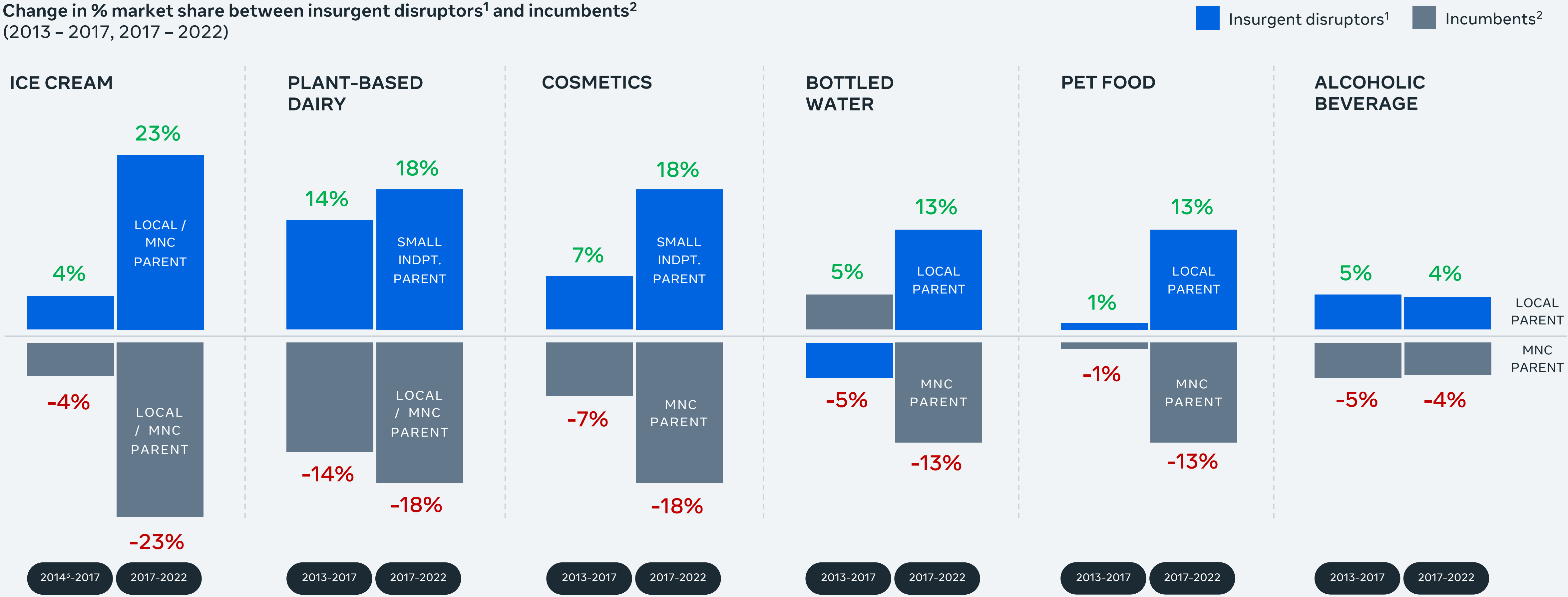
Note: *Magnitude of growth differs across categories, e.g., cosmetics, deodorants, baby food (at ~4-5x), and energy drinks (at 22x)

Source: Euromonitor, Bain analysis

Insurgent disruptors are also speeding up their conquest for market share across multiple key categories

INDONESIA EXAMPLE

Change in % market share between insurgent disruptors[1] and incumbents[2]
(2013 – 2017, 2017 – 2022)



Note: (1) Considered the company that owns the brand / business in 2022; (2) Incumbents include MNC and local brands - MNC brands are brands not originated from SEA, local brands are brands established and operated by companies based in SEA, including private label brands Includes all packaged native Asian (3) Average across all selected categories

Source: Euromonitor, Bain analysis

Southeast Asian consumers are choosing insurgent disruptors because they can satisfy their unmet needs and evolving expectations

Archetypes of insurgent disruptors

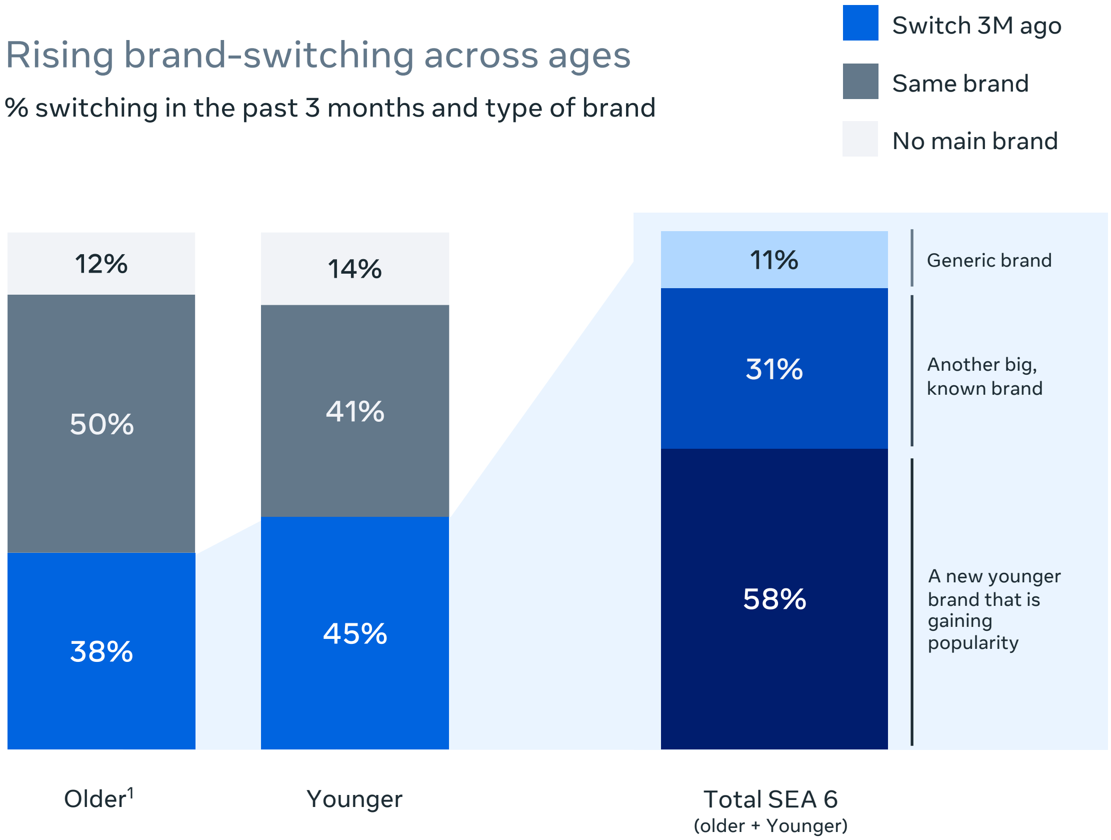
	THE LOCALIZED TRADITIONAL	THE HIGH END, DIGITAL FIRST	THE LOW-COST CHAMPIONS
	Products catering to gaps vs. **local preferences or customs,** often born ‘offline’ and catering to mass price points	Often **digital- and ESG- led** brands offering premium products and services; in many cases D2C	**Low-cost** brands with ‘me too’ product for masses, leveraging parent distribution and financing
UNIQUE SELLING PROPOSITIONS	• Specialized / traditional / localized products • Strong functional benefits for underserved consumers	• Purpose-driven • Digitally-enabled operations • Potential for loyalty and subscription	• Lower price point vs competitors - drives democratization of category • Wide range of SKUs / options
PRICING	**PRICING FOR THE MASSES** Targeting consumers across all incomes	**PREMIUM PRICING** Targeting digital natives with mid-high income	**ECONOMY PRICING** Targeting consumers from lower to mid income
TARGET CONSUMERS	**ALL INCOMES**	**DIGITAL-NATIVE, MID TO HIGH INCOME**	**LOWER TO MID INCOME**
DISTRIBUTION CHANNEL	Focus on general trade, minimum shift to online	Digital-led, brick-and-mortar presence only when at scale	High focus on general trade, shifting to online and modern trade over time
FINANCIAL PROFILE	Moderate	Potential for high margins at scale, aim to break even in ~3-5 years	Lower than the industry margin. Negative profitability for first ~3 years to gain market traction

Insurgent disruptors benefit from decreasing brand loyalty among Southeast Asian consumers

Brand loyalty

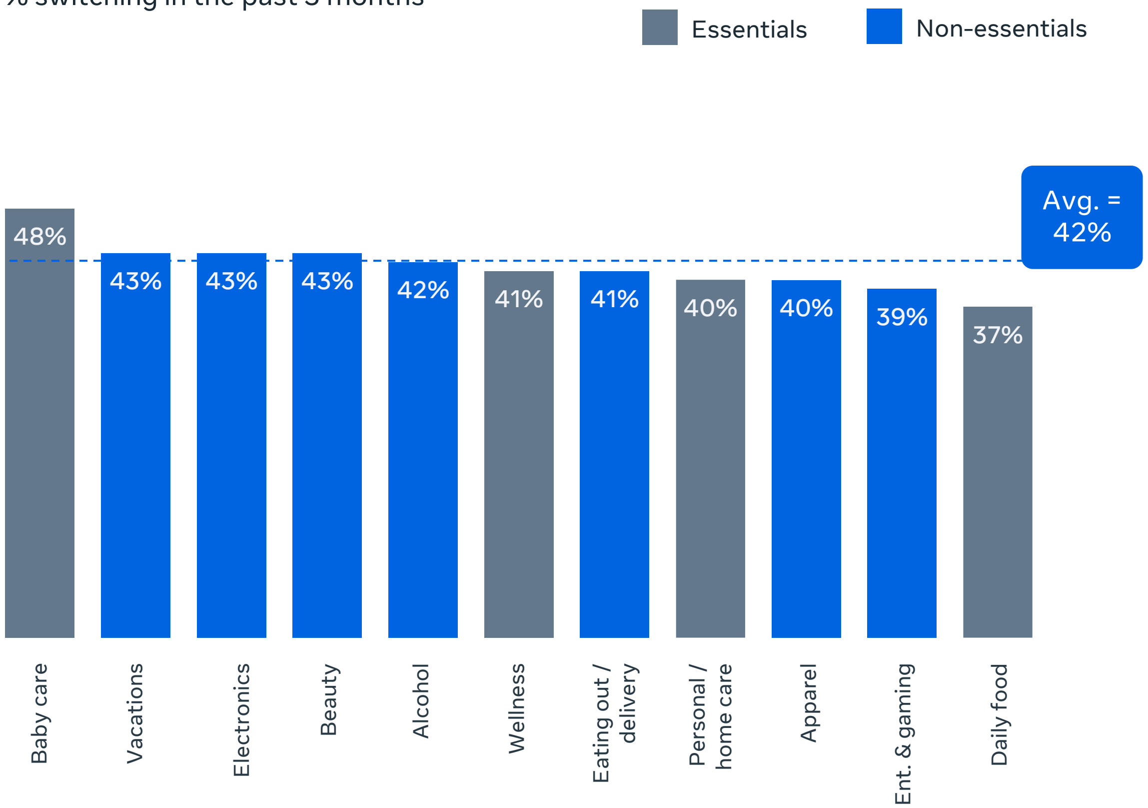
Rising brand-switching across ages

% switching in the past 3 months and type of brand



Switching is higher in non-essential categories

% switching in the past 3 months



Note: (1) Older = Silent Gen, Baby Boomer, Gen X | Younger = Millennials, Gen Z; Responses averaged across different categories;

Source: Meta / DSG / Bain Consumer Survey 2023 (N=9000) on the markets of Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam; Q28: Think about the main brand / platform / establishment that you purchase from most often for <category>. Have you recently switched (in the last 3 months) your main brand / platform / establishment?; Q21: What type of brand / platform / establishment are you buying most often from now for <category>?; Q21 only asked to those who switched in the past 3 months; Q20: Why have you switched the brand that you buy the most for <category>? Select up to 3 options.

Insurgent disruptors are using online channels to meet consumers where they are

USE OF ONLINE CHANNELS

DISCOVERY

~55%

of consumers prefer online channels to discover products

#1

Online discovery platform is social media (stills and videos)

PURCHASE

~80%

of consumers prefer online channels to purchase products

20-30%

of online channels that are preferred for purchase are eCommerce marketplaces

Note: Responses averaged across different categories

Source: Meta / DSG / Bain Consumer Survey 2023 (N=9000) on the markets of Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam; Q23: "Below mentioned are different steps that we go through while purchasing a product: Specifically for stage: <stage>, What channels did you use when purchasing products / services from your chosen brands / platforms / establishments for <category>? Please rank the top channels for each stage of the purchasing journey (1 = most applicable; 3 = 3rd most applicable)"

Insurgent disruptors are already addressing newer needs of Southeast Asian consumers.

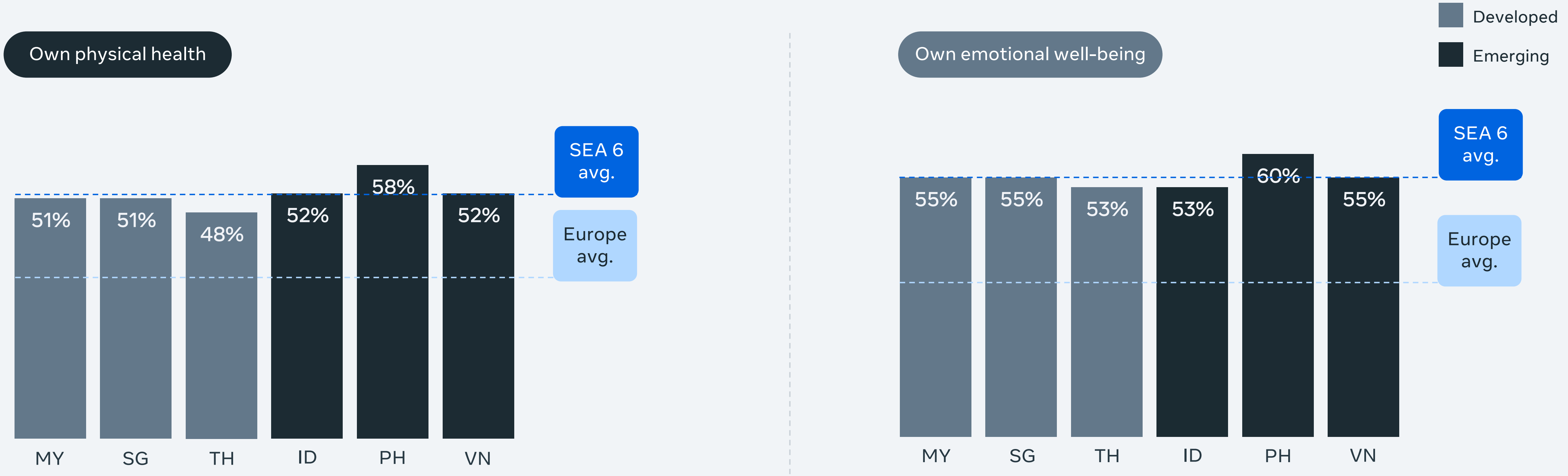
As the region emerges from the pandemic, health & wellness concerns remain top of mind for consumers.

05

Wellness concerns grow, but say-do gap persists

Southeast Asian consumers are concerned about their physical and emotional wellness, even more so than in Europe

Level of worry
% of respondents by country who are worried about each element

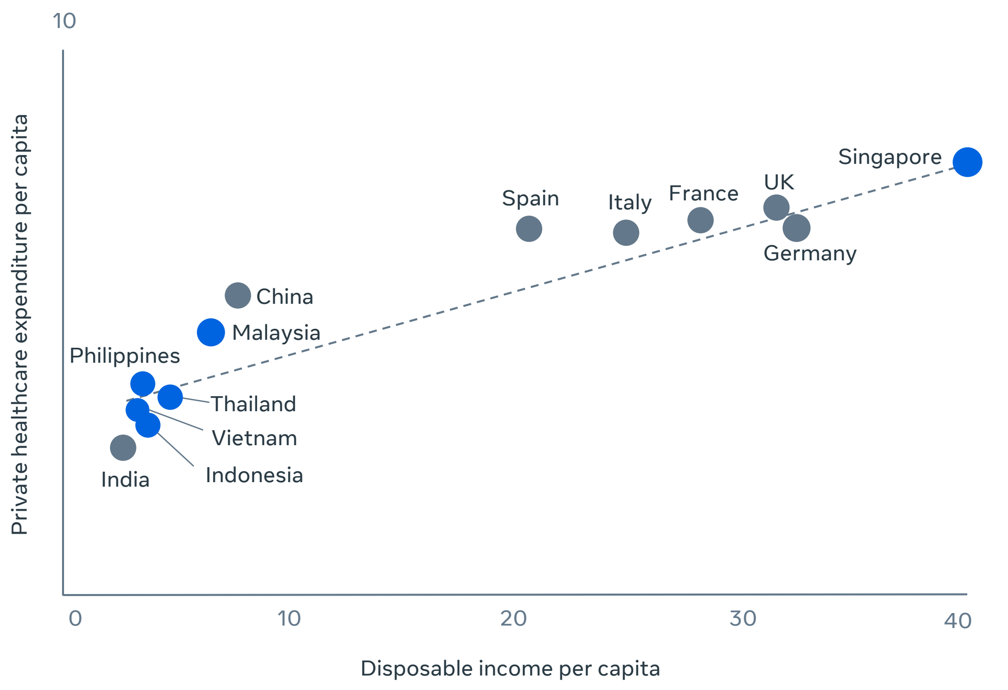


Note: Level of worry = (Sum of % for extremely worried and % for worried)
Source: Meta / DSG / Bain Consumer Survey 2023 (N=9000) on the markets of Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam Q9: "How worried are you about each of the following?"

However, healthcare spend and wellness penetration in Southeast Asia is lower than other regions

Overall healthcare spend in Southeast Asia is lower than other regions

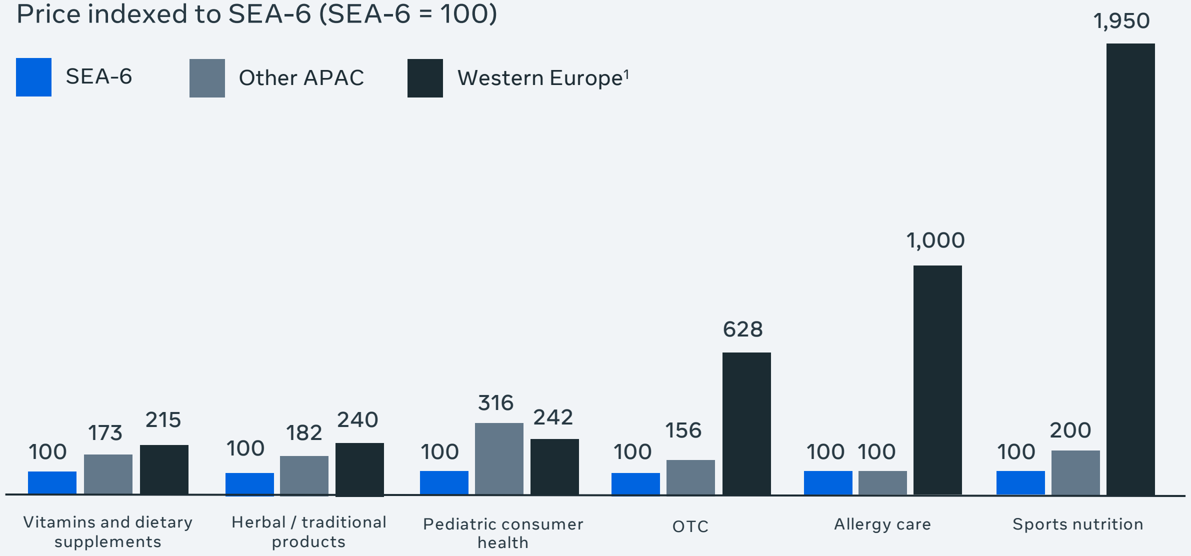
Private healthcare spend vs disposable income ($k per capita)



Across wellness categories, OTC, allergy care, and sports nutrition are the most underpenetrated categories

Spend per capita by country

Price indexed to SEA-6 (SEA-6 = 100)



Annual spend per capita (USD)

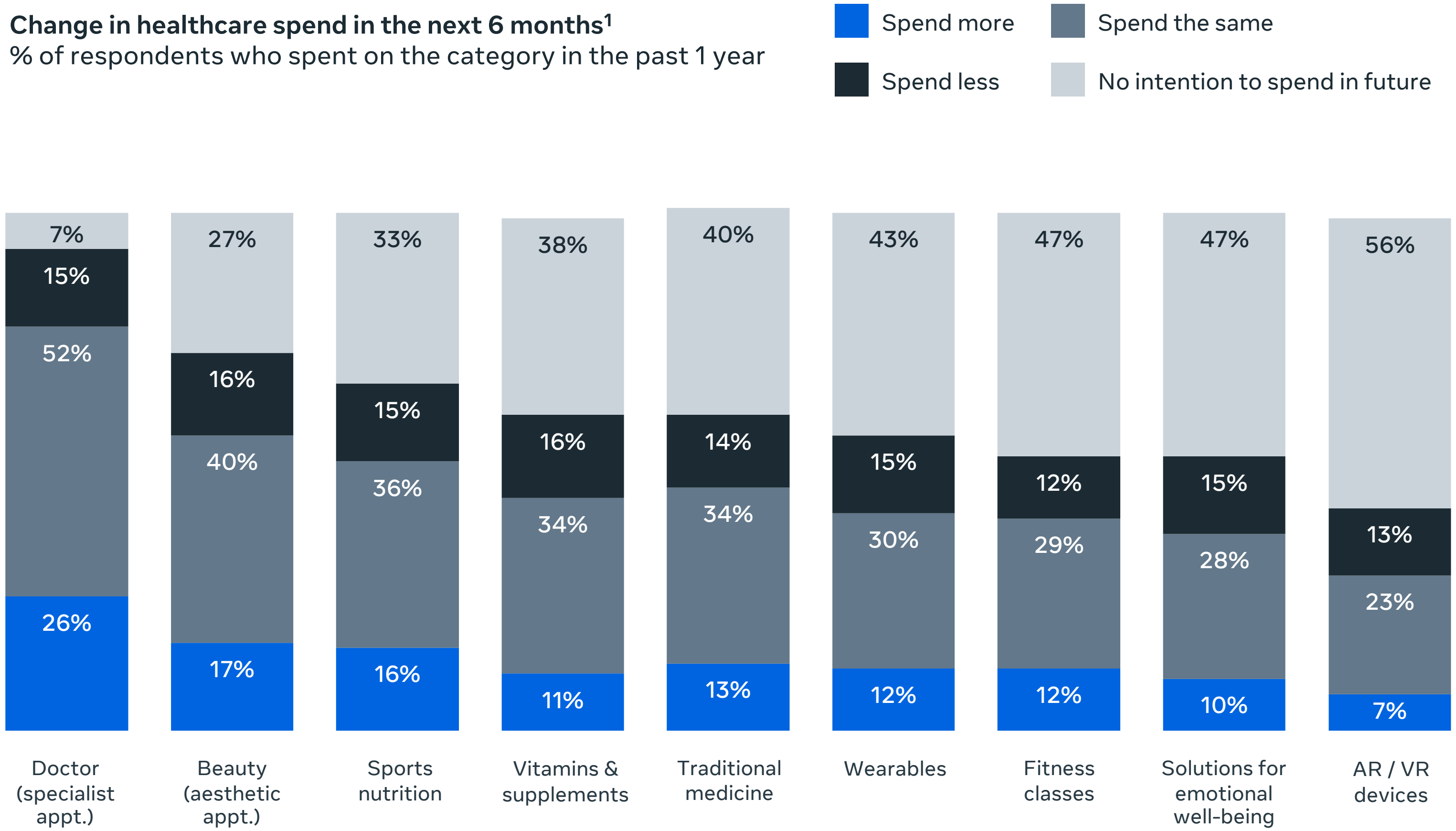
Western Europe¹	30.9	18.7	23.0	54.0	2.0	7.8
China	24.9	14.2	30.0	13.4	0.2	0.8
SEA-6	14.4	7.8	9.5	8.6	0.2	0.4

Notes: Vitamins and dietary supplements includes all multivitamins and dietary supplements; Herbal / traditional products includes topical pain-relief products made of camphor, capsaicin, and menthol; Pediatric consumer health products only designed, marketed, and labeled for children (0-12); OTC is a drug / medicine purchased over-the-counter; Allergy care includes antihistamines / allergy remedies; Sports nutrition includes protein and non-protein products to improve physical endurance / increase muscle development; Private healthcare expenditure per capita includes spend from private health insurance, households, and corporations (non-government institutions); (1) Western Europe excludes Andorra, Gibraltar, Liechtenstein, Monaco given data unavailable; US figures excluded

Sources: Euromonitor; BMI

Consumers intend to spend more on wellness, however affordability is a barrier

Change in healthcare spend in the next 6 months[1]
% of respondents who spent on the category in the past 1 year

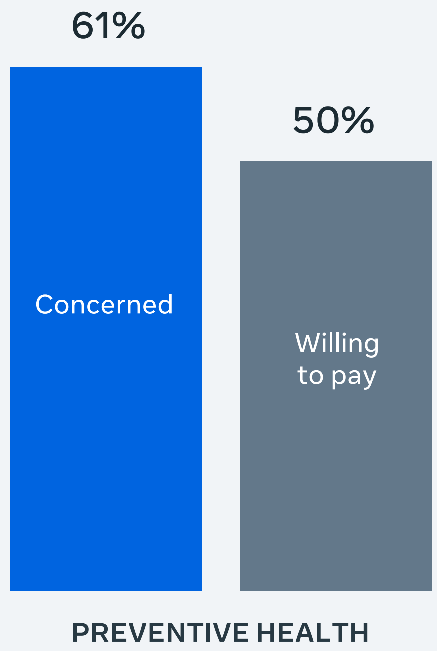


Note: (1) Responses have been averaged across different health subcategories

Source: Meta / DSG / Bain Consumer Survey 2023 (N=9000) on the markets of Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam Q14: "Think about your overall spending on wellness category, please mention the approximate amount spend on each of the below subcategories in the past 1 year in and please indicate how you view your spending to change in the next 6 months. If you have not purchased a category, then please enter 0"; WHO, Lit. search, World Bank

Action gap driven by affordability

Willingness to pay
% of respondents in SEA that agree that they are willing to pay for preventive health[2]



Note: (2) % who care about preventive = (Sum of % for strongly agree and % agree)

Source: Meta / DSG / Bain Consumer Survey 2023 (N=9000) on the markets of Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam Q13: How strongly do you agree or disagree with the following statements? Preventive – willingness to pay: I am happy to pay to ensure I look after my health and avoid getting sick; Lit search; Company websites

05 WELLNESS CONCERNS GROW, BUT SAY-DO GAP PERSISTS

Tech companies are using technology to close the gap by making wellness more affordable and accessible for consumers

Some examples of what tech players in the region are providing:

- Cheaper GP and mental health tele-consultations
- Bundles and packages to lower prices
- Free remote healthcare and wellness assessments
- Online order and quick delivery of medication
- Link healthcare accounts with insurance accounts
- New channels to communicate with consumers
- Reward systems to increase value for consumers

Source: Lit search; Company websites

With the diversity of Southeast Asia and increasing consumer expectations, the role of personalization and AI is significantly growing.

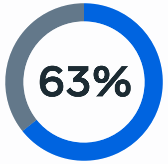
06

Personalization is valued, companies to define model

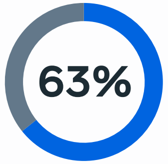
06 PERSONALIZATION IS VALUED, COMPANIES TO DEFINE MODEL

Southeast Asian consumers value customization and personalization throughout their purchasing journey

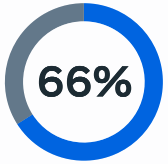
If a product / service is personalized:



Of consumers are **willing to spend more**



Of consumers are **more likely to repurchase**



Of consumers are **more likely to make a recommendation**

Top 3 factors for personalized products across major categories

Wellness

Baby care

Eating out & delivery

Beauty

Daily food essentials

Electronics

RANK 1

PRODUCT
Customized products and recommendations to save time

RANK 2

1:1 ENGAGEMENT
Hyper personalized conversations

RANK 3

ABILITY TO REPURCHASE
Can easily repurchase and apply for subscriptions

PROMOS
Send personalized promos based on purchase history

Note: Only top 6 categories (with highest % of willingness to spend / repurchase / recommend included on the LHS);

Source: Meta / DSG / Bain Consumer Survey 2023 (N=9000) on the markets of Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam; Q17: To what extent do you agree with these statements when spending on <Category>?; Q18: When thinking about personalization, which of the following are most important to you when spending on <Category x>? (Select and rank the top 3 factors)

Personalization has proven to deliver results for businesses across the region

DRIVES CUSTOMER LIFETIME VALUE

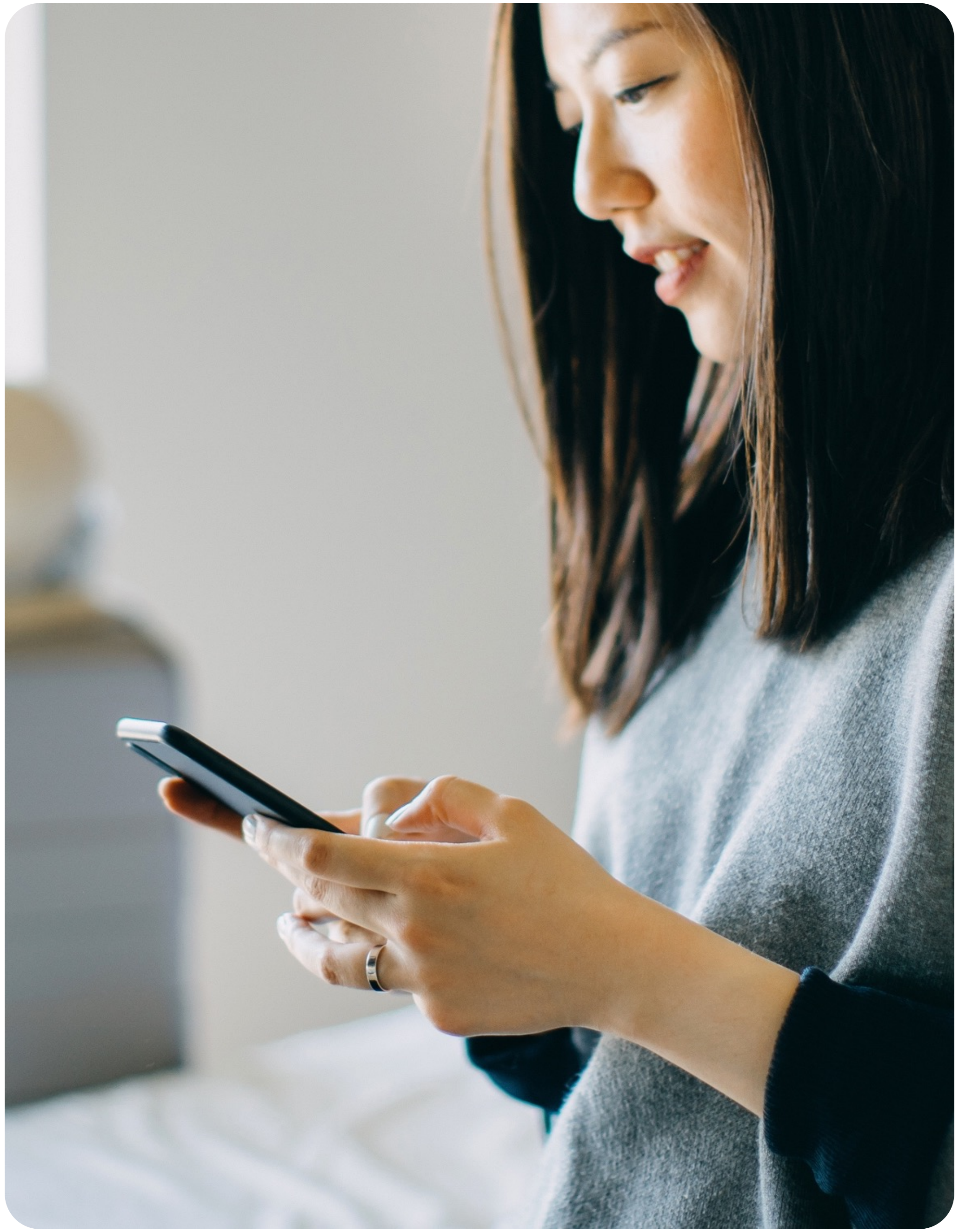
Delivers
10x lift in ROI

DRIVES LOYALTY

Drives
higher loyalty

DRIVES BRAND ADVOCACY

Leads to
+20 points
in company Net Promoter Score



Source: Meta / DSG / Bain Consumer Survey 2023 (N=9000) on the markets of ID, MY, PH, SG, TH, VN, Bain analysis (from Bain case studies); Q17: To what extent do you agree with these statements when spending on <Category>?; % obtained by summing those who rated min. 4 out of 5 when asked how strongly they agree

06 PERSONALIZATION IS VALUED, COMPANIES TO DEFINE MODEL

Brands are already personalizing every stage of the consumer journey

DISCOVERY

Use **AI-powered apps** that personalize users' feeds to show what they might be interested in

EVALUATION

Engage through trusted creators who share real pros and cons of products for users to evaluate

(RE) PURCHASE

Provide personalized recommendations via AI to cross and upsell

Sell customized products tailored to consumers' wants

FEEDBACK

RETURN / REFUND

Use **1-1 messaging** to receive feedback, including visuals of real consumers using their products

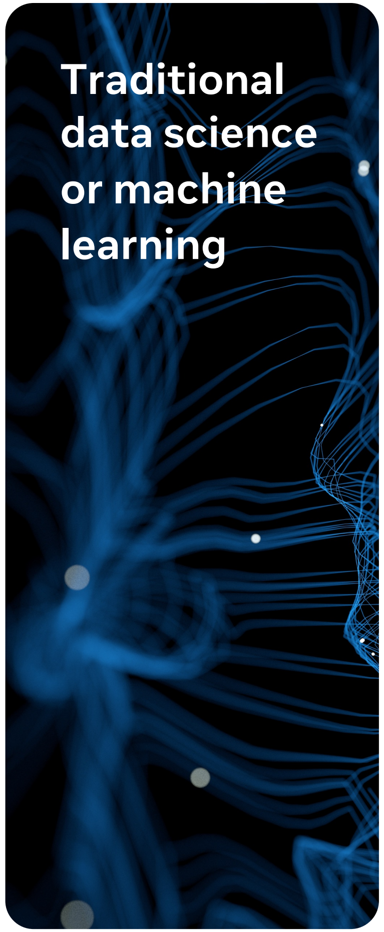
There is no single personalization model - it is crucial for companies to fine tune their models to drive success

Source: Lit search

07

AI is shaping the consumer journey

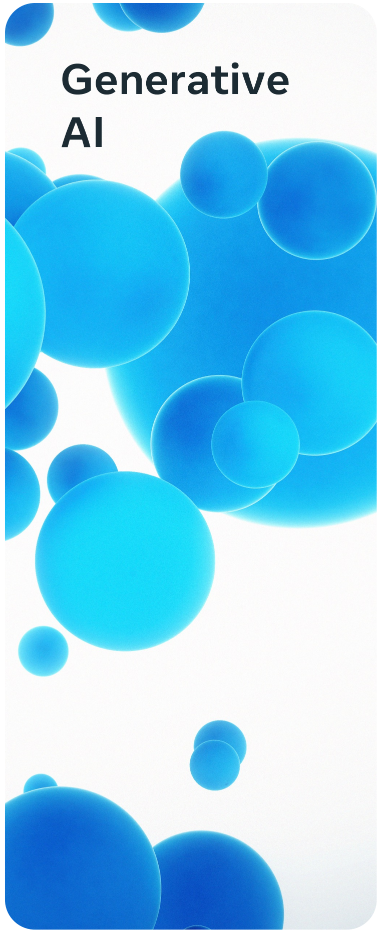
The shift to Generative AI has made AI more accessible



Traditional data science or machine learning

Mostly applies to **structured, numerical data**

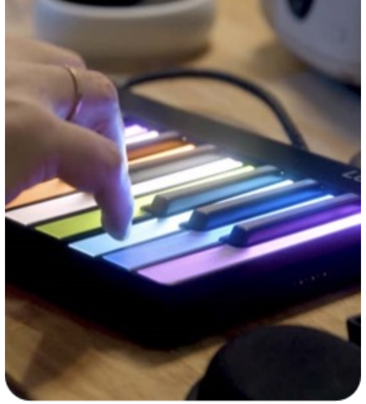
Carries out **analysis and prediction** in response to software code instructions



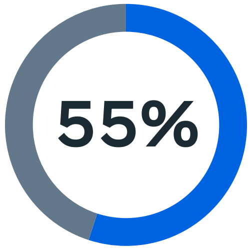
Generative AI

Effective with **unstructured data** (speech, language, image etc.)

Generates **content, reasons and uses digital tools**, in response to natural language communication with user

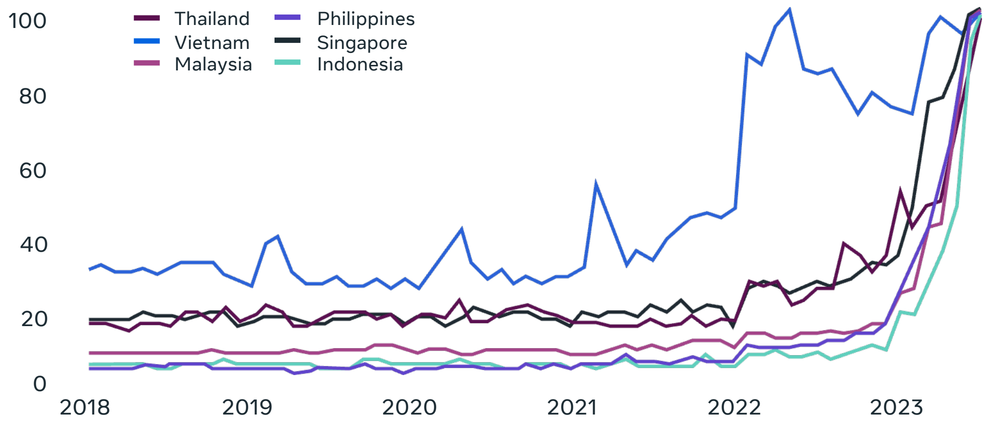


Southeast Asian users are increasingly embracing AI



are **active smartphone[1] users,**
and likely **use apps driven by AI daily**

Relative search popularity[2] of AI-related topics with each country (2018-2023)



Note: (1) Individuals of any age who own at least one smartphone and use the phone(s) at least once per month (2) Relative popularity of AI-related topic (including searches in local languages) on Google based on total number of searches, indexed the highest popularity within each country to 100; score of 50 indicates topic was half was popular vs. peak

Source: eMarketer, Euromonitor, Google Trends, Bain analysis, Lit search

With use cases growing, Southeast Asia is well-suited for AI to take off at pace

AI use cases developing across maturity stages

CRAWL Low relative maturity	**WALK**	**RUN** High relative maturity
🔵 Plant network, manufacturing & supply chain optimization	🔵 Warehousing & inventory optimization 🔵 Procurement optimization 🔵 Logistics optimization	
	⚫ Product development optimization ⚫ Supply & demand forecasting	
🟢 Front-end sales productivity enhancement	🟢 Salesforce & incentive optimization	🟢 In-store presentation & shelf space
🟣 Consumer profiling segmentation (risk assessments)	🟣 Personalized content 🟣 Marketing and media mix optimization	🟣 Enhanced consumer experience (personalized journey, loyalty)
🩷 HR optimization (knowledge, talent management)	🩷 Strategy & corp. finance optimization (M&A support, capital allocation)	

Source: Bain analysis, 2023 CXO interviews

🔵 Supply chain ⚫ Product & ops 🟢 Retail & sales 🟣 Consumer journey 🩷 Corp. functions

SEA can particularly be disrupted by AI

SEA CHALLENGES FACED		**AI USE CASES**
Multi-cultural SEA with diverse languages, cultures, preferences	→	**Personalized content cost effectively / at pace**

Enables businesses to curate localized products and communications affordably, at pace and to ensure this resonates with the local culture

SEA CHALLENGES FACED		**AI USE CASES**
Financial exclusion of lowest income	→	**Adapted risk assessments to include more people**

Enables financial services firms to extend credit to more people by enhancing credit risk algorithms beyond traditional scoring methods

SEA CHALLENGES FACED		**AI USE CASES**
Underserved rural due to high cost / complexity to reach	→	**Supply/distribution optimization and cost reduction**

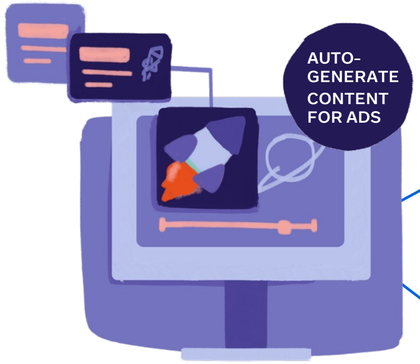
Enables businesses to tap into new consumers via product optimization, route optimization, fleet maintenance, algorithm batching

07 AI IS SHAPING THE CONSUMER JOURNEY

Advances in AI have made it an important tool for marketing and consumer engagement

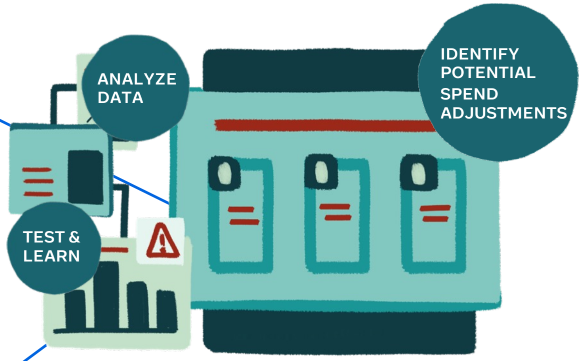
ENHANCE CONSUMER EXPERIENCE

- Personalize consumer journeys and build brand loyalty, using data on behavior and engagement patterns
- Optimize ad and content relevance based on profiled needs
- Automate personalized messaging and communications
- Localize marketing, personalize at scale, and enable dynamic digital experiences



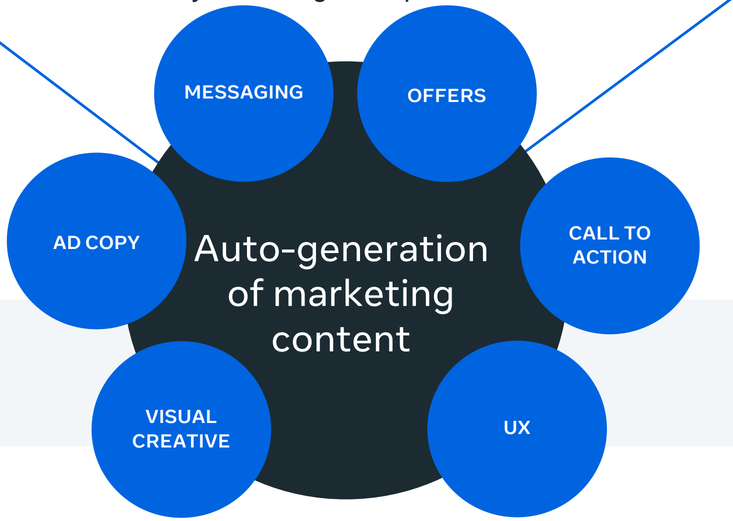
PROFILE & SEGMENT CONSUMERS

- Categorize consumers based on interactions and consumption—to address their needs
- Automatically generate ad content for specific audiences
- Identify new needs and integrate new data into consumer insights



OPTIMIZE MARKETING & MEDIA MIX

- Evaluate and identify effective marketing channels
- Automate decision-making by leveraging real-time data analysis and algorithms



Auto-generation of marketing content

MESSAGING
OFFERS
CALL TO ACTION
UX
VISUAL CREATIVE
AD COPY

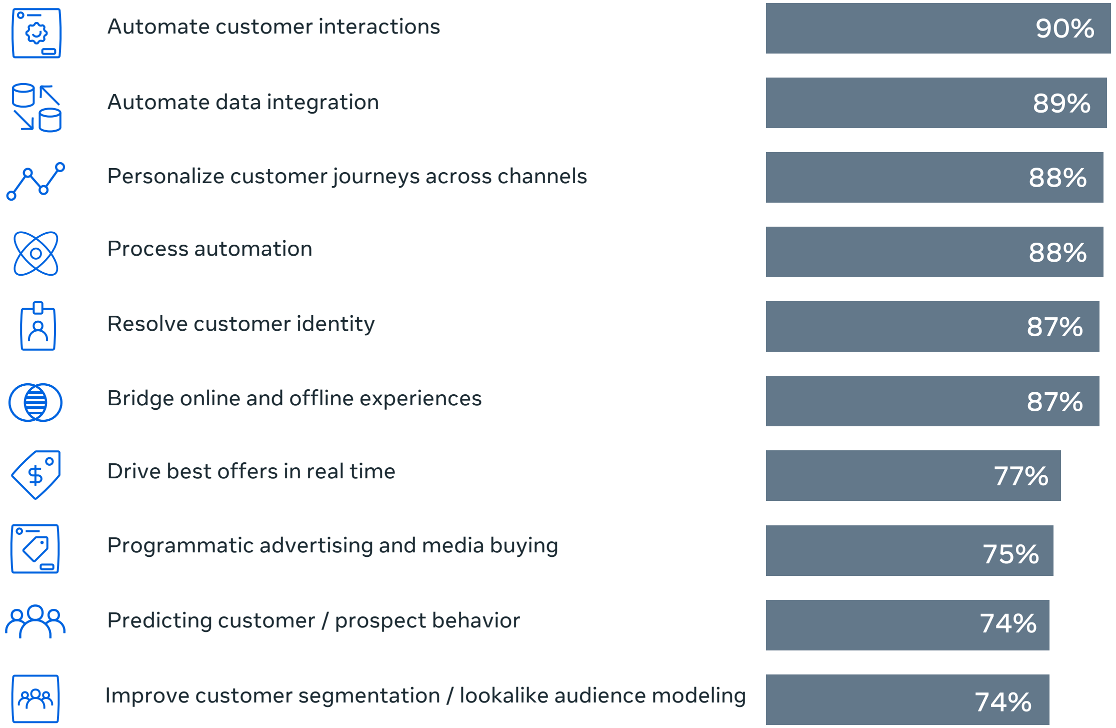
ONGOING MEASUREMENT & PREDICTION

PREDICTIVE NPS
TREND ANALYSIS
LIVE SENTIMENT ANALYSIS
RECOMMENDED RESPONSES

Source: Bain analysis

With the opportunities that AI provide, marketers are starting to lean into it for their work

How marketers are using AI in their work



Automate customer interactions	90%
Automate data integration	89%
Personalize customer journeys across channels	88%
Process automation	88%
Resolve customer identity	87%
Bridge online and offline experiences	87%
Drive best offers in real time	77%
Programmatic advertising and media buying	75%
Predicting customer / prospect behavior	74%
Improve customer segmentation / lookalike audience modeling	74%

Source: Salesforce, "The 8th Edition of Marketing Report," Nov 2022

Marketers are leveraging AI to solve region-specific challenges

Challenge

Difficulty catering to consumers with diverse languages, cultures, and preferences in SEA

Solution

Use AI to deliver personalized content cost-effectively and efficiently

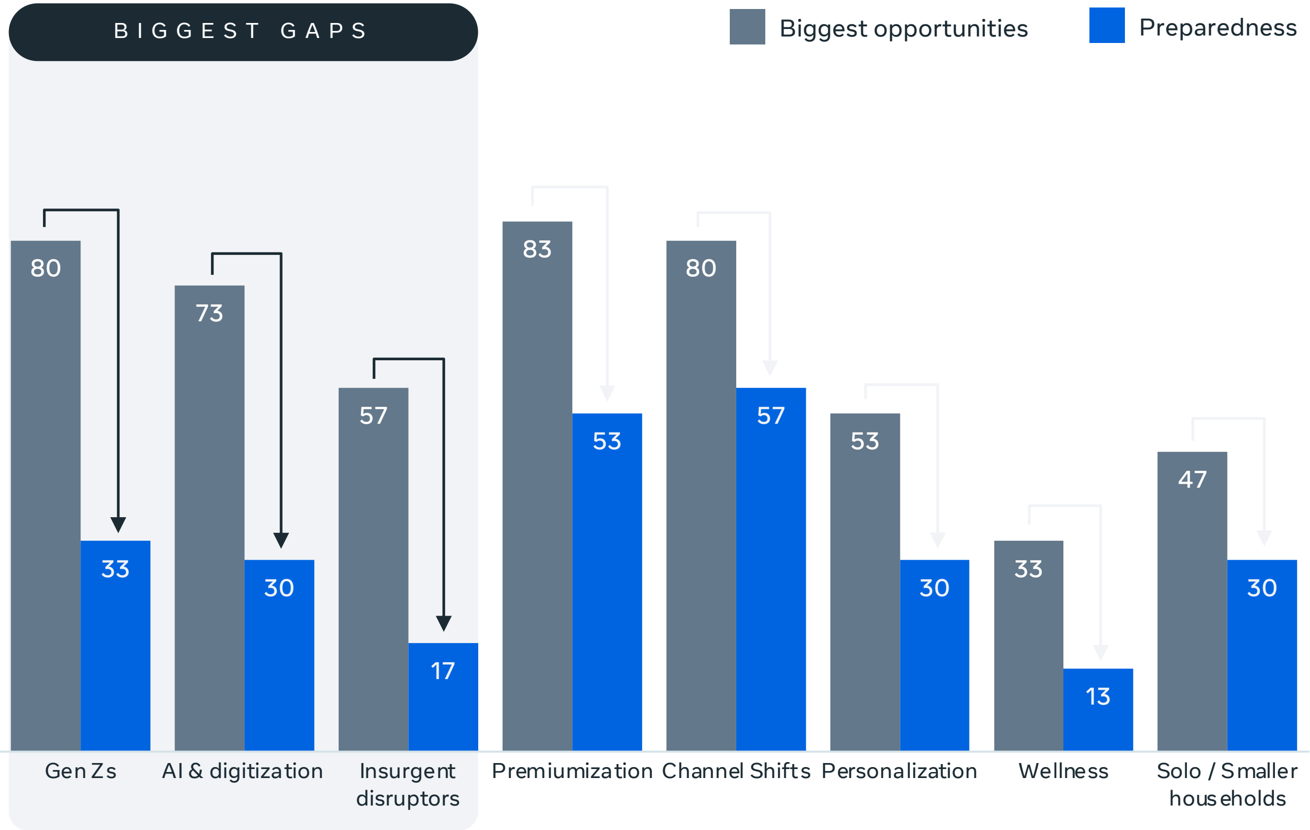
AI allows businesses to quickly and cost-effectively create localized products and communications that align with local culture

Opportunities and solutions exist for a new wave of growth in the region.

Businesses need to make bold moves to leverage these opportunities.

Business leaders recognize the opportunities in Southeast Asia, but they are not prepared to seize them

Gen Zs, AI and Insurgent disruptors are areas with the biggest gaps



Source: Bain & Meta CXO survey (N=30) conducted in Jul-Aug 2023; Question: 'Which consumer trends drive the biggest opportunity for your organization? How prepared are you to respond?'. Analysis considers CXOs who ranked consumer trends as 4 or 5 (out of 5) for opportunity and impact. Analysis for solo/smaller households based on responses about 'changing demographics' (including single households, more urbanization and shifts in age profile)

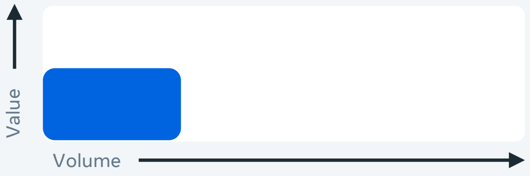
NEXT STEPS FOR BUSINESSES TO DRIVE GROWTH IN SOUTHEAST ASIA

Businesses need an evolved model to drive the next wave of growth in Southeast Asia

Category establishment

80s & 90s

MODEL



- Introduced products into SEA from global portfolio
- Targeted middle-class with aspirational products

SUPPORTED BY

- “Big bang” above-the-line spending
- Limited localization of campaigns

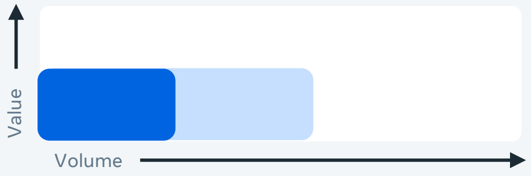
WINNERS

Global giants
Mainly MNC CPGs

Driving accessibility

00s - TODAY

MODEL



- Introduced lower-cost copycat products adapted for SEA
- Conducted broader distribution

SUPPORTED BY

- Conglomerate positions / funding
- Localized GTM
- Varied above- and below-the-line

WINNERS

Fast followers
Mainly local champions

Next wave of growth

NEXT DECADE

MODEL

- Deliver more value for consumers
- Cater to individual needs across consumer journey

SUPPORTED BY

- Advanced analytics and AI
- Next gen GTM approach
- Agile supply chain
- Tap on ecosystem partners

WINNERS

Next generation’s insurgent disruptors
To be determined in the future

Source: Bain analysis

Next steps for businesses to drive growth in Southeast Asia

1. Prioritize, sequence and fund your Southeast Asia ambition

2. Build an obsession with the Southeast Asian consumers

3. Evolve your business models and consumer engagement

4. Become a ‘scale insurgent disruptor’

Prioritize, sequence and fund your Southeast Asia ambition

1.
TAKE A FUTURE-BACK APPROACH

Develop perspective on future disruptions and opportunities in SEA

Doers
What are the top priorities for the current business?

TODAY FORWARD →

← FUTURE-BACK

Dreamers
What is the vision for the future?

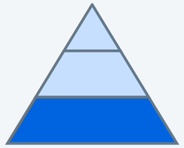
2.
CLARIFY THE ROLE, POTENTIAL AND FUNDING NEEDS OF SEA

Define SEA's potential for sustainable value creation
Analyze SEA's ability to deliver growth and bottom line

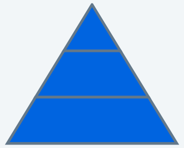
→

Translate these into **funding requirements**

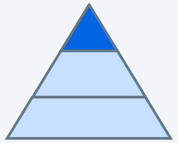
3.
CHOOSE YOUR WINNING MODEL



Bottom of pyramid
Target low-end consumers at scale; value portfolio



Portfolio level play
Target consumers across all income bands; full portfolio



Regional premium play
Target small group of high-end consumers in T1 cities; premium / luxury portfolio

4.
SELECT WHERE TO PLAY VS. WIN

Avoid a one-size-fits-all model

Make trade-offs on where to go deep vs. broad

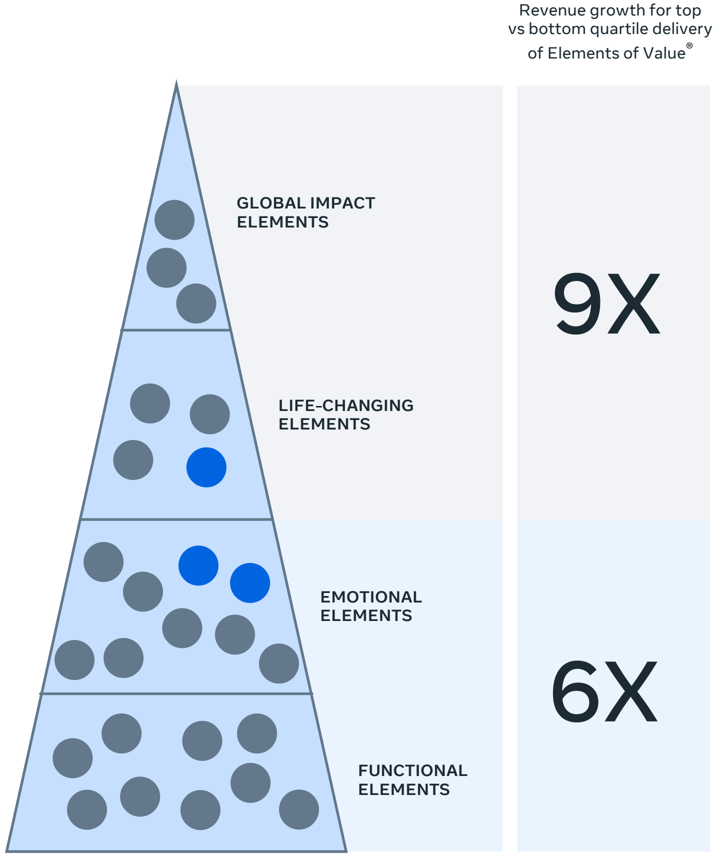
Use trade-offs as launchpads for the rest of SEA

Build an obsession with the Southeast Asian consumers

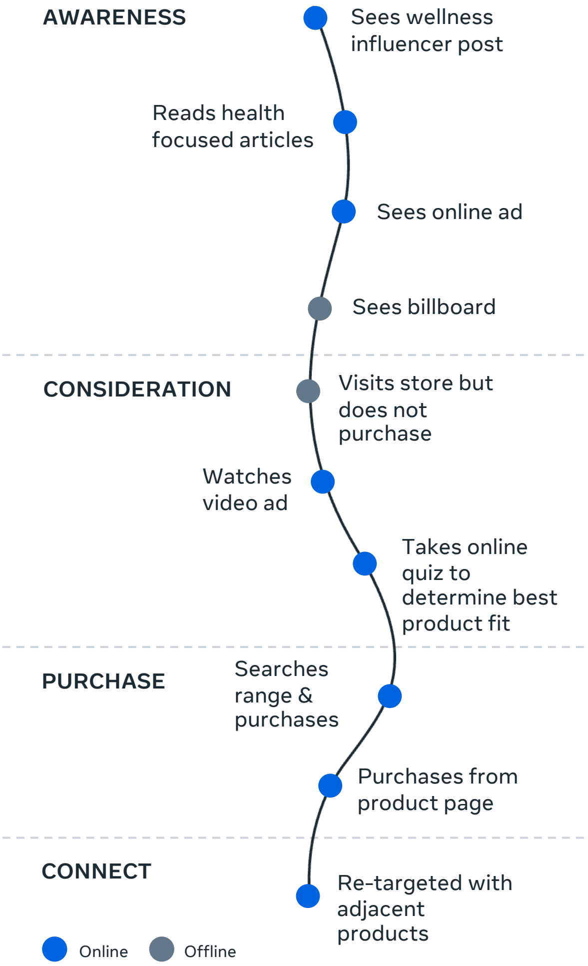
SEA consumers typically…

- Are **younger** and more **experimental** (23% Gen Z)
- **Are diverse** with multiple cultures, religions, increasingly urban
- **Are receptive to new** tech/channels
- Demand both **value-seeking and premiumization**

Ensure your brand position is aligned



Ensure marketing spend across channel mix is well allocated



AWARENESS

- Sees wellness influencer post
- Reads health focused articles
- Sees online ad
- Sees billboard

CONSIDERATION

- Visits store but does not purchase
- Watches video ad
- Takes online quiz to determine best product fit

PURCHASE

- Searches range & purchases
- Purchases from product page

CONNECT

- Re-targeted with adjacent products

● Online ● Offline

Ensure your Go-To-Market model meets consumer needs

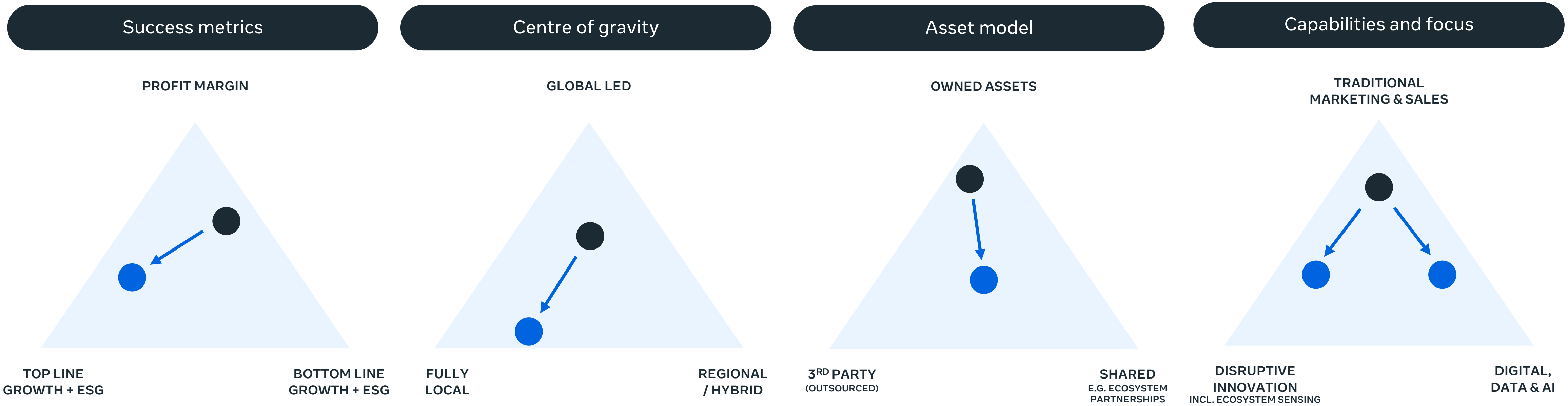
ROUTE TO MARKET	Segment and prioritize key customers
SALES TEAM MGMT.	Develop bottom-up targets across dimensions
CHANNEL MGMT.	Set, forecast, and deliver commitments
PRICING	Make volume / margin tradeoffs based on full-potential
MARKETING	Invest in new channels and technology including AI and 1:1 messaging

Source: Bain analysis

Evolve your business models and consumer engagement

■ Historical winning model

🟦 Future winning model in SEA



Success metrics

PROFIT MARGIN

TOP LINE GROWTH + ESG

BOTTOM LINE GROWTH + ESG

Centre of gravity

GLOBAL LED

FULLY LOCAL

REGIONAL / HYBRID

Asset model

OWNED ASSETS

3RD PARTY (OUTSOURCED)

SHARED E.G. ECOSYSTEM PARTNERSHIPS

Capabilities and focus

TRADITIONAL MARKETING & SALES

DISRUPTIVE INNOVATION INCL. ECOSYSTEM SENSING

DIGITAL, DATA & AI

Requirements

- **Greater focus on top line growth**
- Businesses need to be **good corporate citizens**

- More localization and **agility to compete with local champions**
- Shift roles toward specialized and scarce skills
- Establish CoEs
- Assistance for setting priorities

- Increasingly flexible approach to asset ownership to increase **agility / speed to market**
- Opportunity to **meet cost requirements** of local market and drive **production closer to last mile**

- **More capabilities and investments** (e.g., AI, data analytics, personalization, digital)
- **New models of innovation** by leveraging the external ecosystem

Source: Bain analysis

NEXT STEPS FOR BUSINESSES TO DRIVE GROWTH IN SOUTHEAST ASIA

Become a ‘scale insurgent disruptor’

Incumbent mindset: solid & steady performance at scale

STABLE RETURNS	Diversified portfolio and risk management **stabilize returns** and increase “staying power”
FOCUSED & DISCIPLINED	Maximize efficiency by **allocating resources to largest opportunities**
GLOBAL SUPPORT SYSTEM	**Leverage tools, brands and best practices** from a global portfolio
STRUCTURED & SPECIALISED	Leverage experts' **in-depth knowledge** and established processes to prevent errors
QUARTERLY BOTTOM-LINE FOCUS	**Discipline to set and meet budgets** with clear accountability and incentives
DEEP CAPABILITY INVESTMENTS	Funds are available for **multi-year investments** in transformative tech (e.g., AI)

VS.

Insurgent mindset: create change & disrupt

RETURN SEEKING	High willingness to **accept volatility to maximize returns**
NO OPPORTUNITY TOO SMALL	Highly **commercial and entrepreneurial culture**, responding to market needs
INNOVATIVE	Open to trying new things to discover or rediscover a winning combination
LOCAL CONSUMER OBSESSED	**Pivot rapidly, based on market feedback**
INTEGRATED, CROSS-FUNCTIONAL	**Limited siloes**, allowing for fast communication and decision
LONG-TERM TOP-LINE GROWTH	Focus on **building market position** with flexibility to take multi-year paths to profitability
FAST CAPABILITY BUILDING	Cross-functional squads **respond to capability gaps** and add resources as needed

Scale insurgents deliver on the best of the insurgent and incumbent mindset

Source: Industry participant interviews

About Meta,
About Bain & Company and
About DSG Consumer Partners

About Meta

Meta builds technologies that help people connect, find communities, and grow businesses. When Facebook launched in 2004, it changed the way people connect. Apps like Messenger, Instagram and WhatsApp further empowered billions around the world. Now, Meta is moving beyond 2D screens toward immersive experiences like augmented and virtual reality to help build the next evolution in social technology.

About Bain & Company

Bain & Company is a global consultancy that helps the world's most ambitious change makers define the future.

Across 65 cities in 40 countries, we work alongside our clients as one team with a shared ambition to achieve extraordinary results, outperform the competition, and redefine industries. We complement our tailored, integrated expertise with a vibrant ecosystem of digital innovators to deliver better, faster, and more enduring outcomes. Our 10-year commitment to invest more than $1 billion in pro bono services brings our talent, expertise, and insight to organisations tackling today's urgent challenges in education, racial equity, social justice, economic development, and the environment. We earned a platinum rating from EcoVadis, the leading platform for environmental, social, and ethical performance ratings for global supply chains, putting us in the top 1% of all companies. Since our founding in 1973, we have measured our success by the success of our clients, and we proudly maintain the highest level of client advocacy in the industry.

About DSG Consumer Partners

Since its inception in 2012, DSG Consumer Partners has been one of a select few venture capital firms to focus exclusively on the Asian consumer segment, investing along emerging consumer themes and behaviours. Consumer investing requires a differentiated approach to business building, one that is sharply focused on business and brand fundamentals to drive sustainable growth. DSGCP's approach is rooted in first principles, capital efficient scaling, and prioritising long-term profitability over short-term growth. In the last decade, DSG Consumer Partners has partnered over 100 exceptional founders across India and Southeast Asia, building the next generation of insurgent consumer brands like Oyo, Veeba, Epigamia, Sula, Chope, Saladstop! and many more.

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