

VISA



RISE OF THE DIGITALLY ENGAGED CONSUMER

A Visa Report



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FOREWORD

A NEW WORLD ORDER WHERE CONSUMER EXPERIENCE WILL TAKE CENTRE-STAGE

The number of digital consumers in Southeast Asia has reached a staggering 200 million, representing a US\$50 billion digital economy¹. This colossal growth presents an opportunity for a new form of consumerism, one where the consumer experience is of utmost importance.

The way we shop and pay for our purchases is evolving at great pace. The influx of technology and innovation has rewritten the rules of engagement in commerce. To understand more about these changes and how consumers are thinking about payments, we're pleased to present findings from this, our fourth annual Visa Consumer Payment Attitudes Survey².

In Southeast Asia, approximately eight in 10 respondents say they shop online at least once a month and more than six in 10 express interest to shop via social media platforms. Similarly, visiting a physical bank to make a transaction is now regarded as time-consuming and less preferable to going online or using a mobile banking app. Eighty-three per cent of respondents access banking services online and seventy per cent say they use mobile banking at least once a week².

These changes across the banking and retail landscape are contributing to Visa's evolution. In the same way that consumers have embraced digital technologies, so has the payments industry.

At Visa, we are continually innovating our products, systems and services to deliver enhanced capabilities that will satisfy the demands of the digitally-engaged consumer. The future of retail and banking will be intimately tied to how we can support our partners to deliver seamless consumer experiences.

We need to be able to make payments anytime, anywhere, on any device or form factor, both seamlessly and securely. The consumer experience is central to this vision and at Visa we're focused on extending the reach and value of electronic payments in ways that can transform and improve the consumer experience in the digitally connected world.

We hope this report will serve as a guide to the evolving payment needs of consumers in the new digital economy in Southeast Asia.



Stephen Karpin
Group Country Manager
Regional Southeast Asia

¹ Bain & Company released its digital report "Digital Acceleration in Southeast Asia: Navigating Tectonic Shifts" on 19 May 2017. The report is based on a survey of 2,400 consumers in six major Southeast Asian countries (Singapore, Malaysia, Thailand, Indonesia, Philippines, and Vietnam).

² The 4th Consumer Payment Attitudes Survey was commissioned by Visa and carried out from July-August 2017, refer to Appendix on slide 30 for details.



BUILDING CASHLESS SOCIETIES

2024: CASHLESS SOCIETIES BECOMING A REALITY

More than four in 10 (43 per cent) of consumers in Southeast Asia expect their country to be completely cashless within the next seven years.

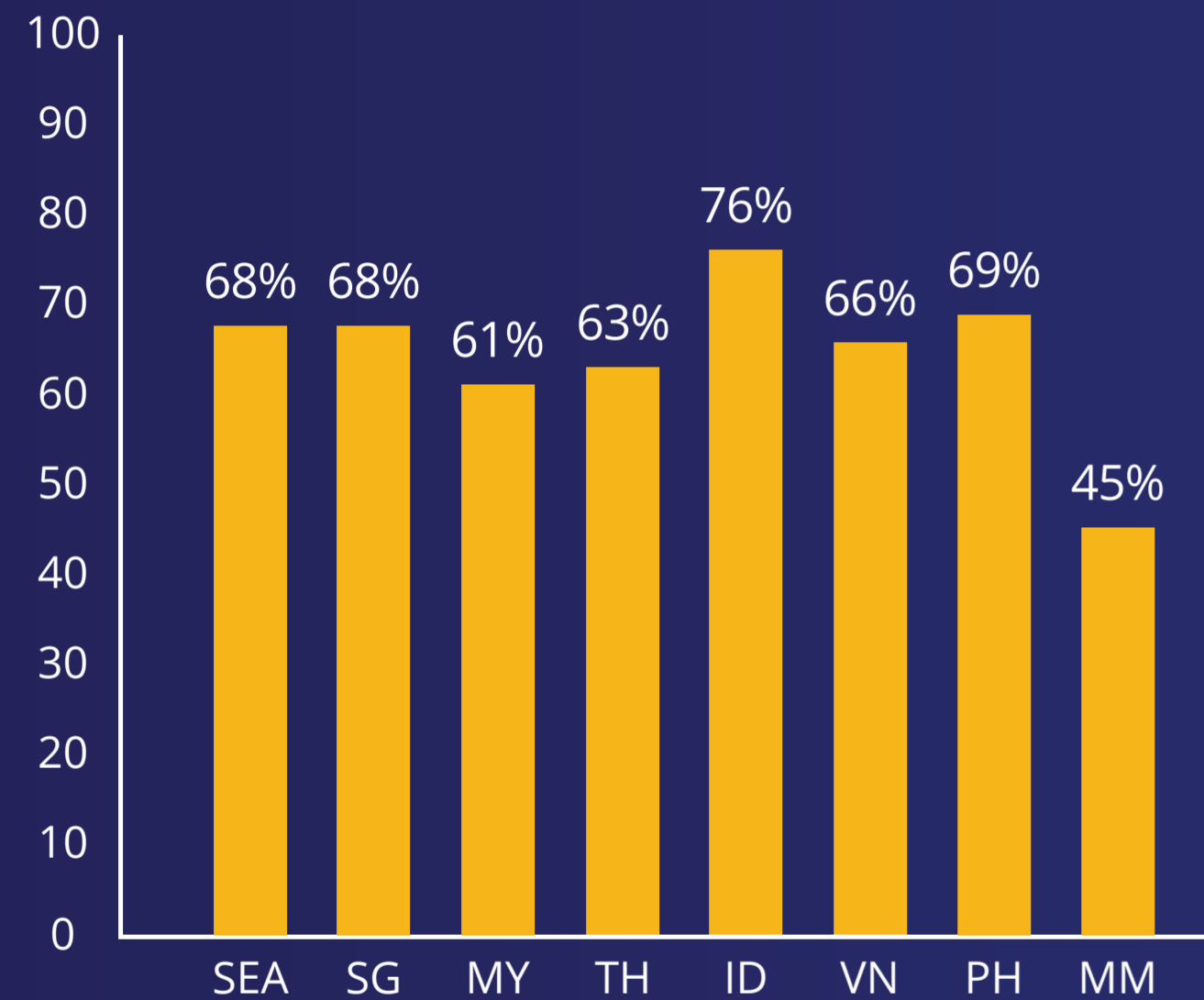
Innovation in commerce has always been about reducing friction and providing a better consumer experience. From this report, it is clear that businesses everywhere are rapidly evolving to keep up with the needs of today's digitally engaged consumers. The convergence of technologies, coupled with the proliferation of payment solutions, have presented consumers and merchants alike with new opportunities to displace cash.

Close to seven in 10 (68 per cent) of consumers in Southeast Asia are confident of going completely cashless for a full day, and close to half (45 per cent) said they can go cashless for three days. This is a testament to the effectiveness of a robust payment infrastructure that supports each country's vision to become a digital nation.

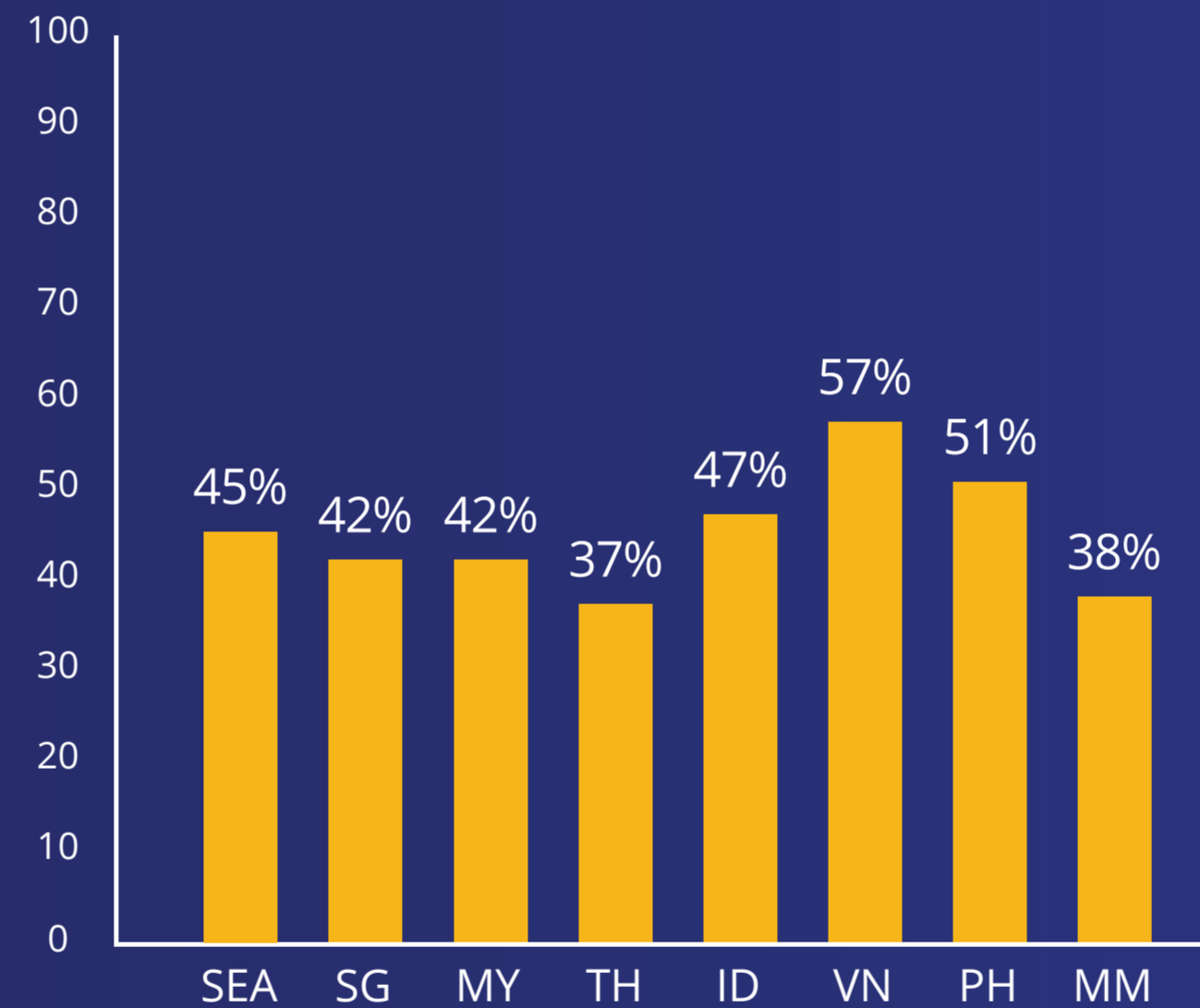


Are you confident to...

Go cashless for 24 hours



Go cashless for 3 days



SEA = Southeast Asia
 MY = Malaysia
 ID = Indonesia
 PH = Philippines

SG = Singapore
 TH = Thailand
 VN = Vietnam
 MM = Myanmar

As Southeast Asia inches toward a cashless future, we expect consumers to have a greater appetite for more innovative payment solutions to meet their needs. Together with our partners, we hope to continue creating endless possibilities and opportunities for consumers to go completely cashless, and enjoy the seamless, reliable and secure purchase experience everywhere they go.



RETAIL IN SOUTHEAST ASIA

Instead of walking down boulevards lined with brick-and-mortar stores, today's consumers are more compelled to shop via their smart devices, in the comfort of their homes.

The shift from bricks to clicks is fundamentally driven by two key factors: innovation and changing consumer experience. Technology advances have hastened the innovation process and as a result, consumers have higher expectations when it comes to experience.



Shift from Bricks to Clicks



The Online Experience



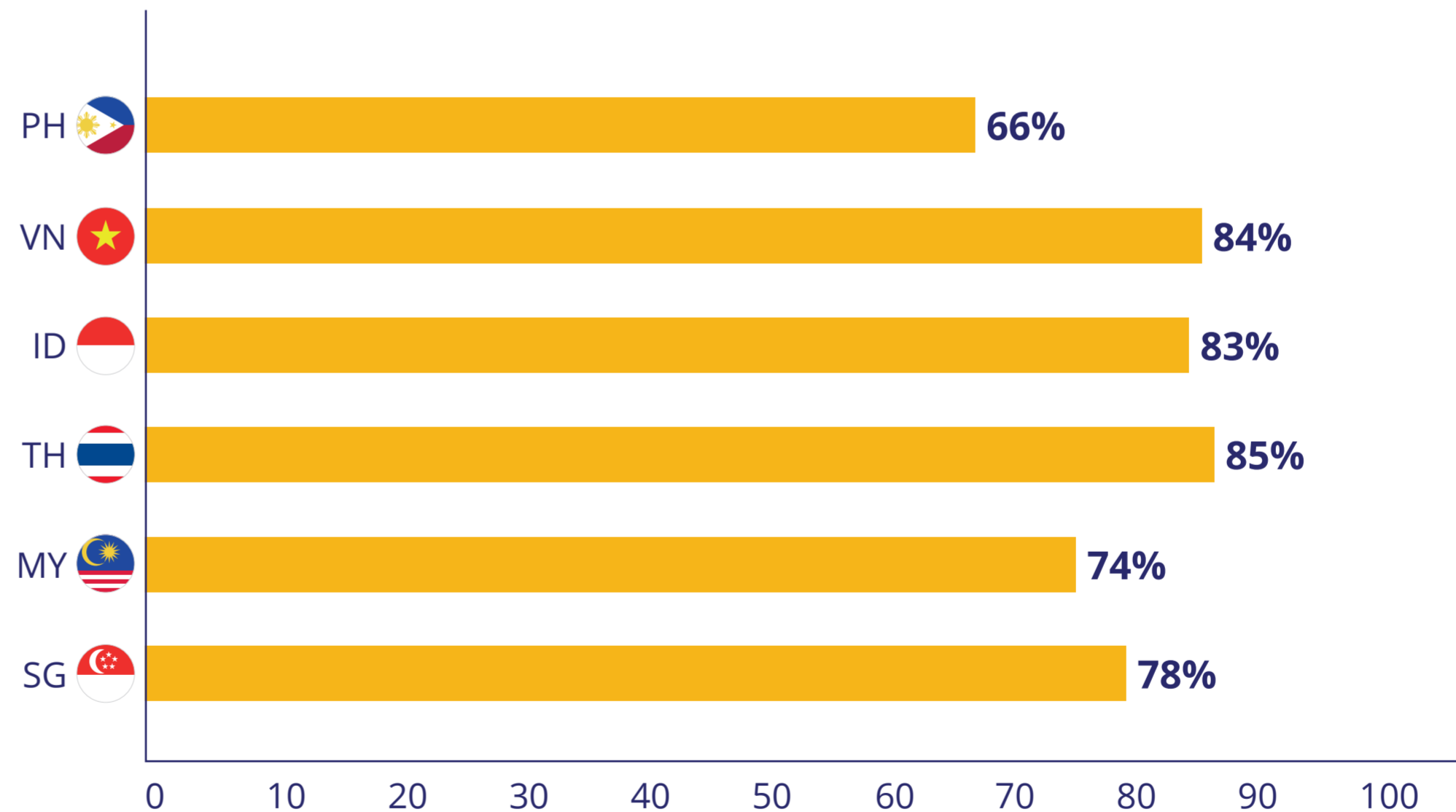
Shifts from Bricks to Clicks

OVERVIEW OF RETAIL LANDSCAPE IN SOUTHEAST ASIA

The internet economy in Southeast Asia, driven mostly by the booming eCommerce market, is expected to grow to US\$200 billion by 2025.² This trend has broadened the choices for consumers in Southeast Asia, for they can now enjoy the convenience of online shopping and have goods delivered right to their doorsteps.

Visa is investing a significant amount of resources to accelerate this growth. According to VisaNet data, the number of eCommerce transactions in Southeast Asia grew by more than 80 per cent year-on-year in 2017.

% of respondents who shopped online at least once a month



³Google and Temasek conducted and released the report "e-Economy SEA Unlocking the \$200 billion digital opportunity in Southeast Asia" on 23 September 2016.

According to the 2017 Visa Consumer Payment Attitudes Survey, 78 per cent of respondents in the region shopped online at least once a month. This signifies tremendous opportunities for retailers to engage with consumers to drive greater adoption of online shopping.



For that reason, consumers in Southeast Asia are increasingly becoming vocal about what they expect from online retailers. Firstly, more than half of respondents (58 per cent) cited the option to compare prices as a key factor that would make online shopping better. Secondly, the demand for a more secure payment system is the highest in the Philippines (61 per cent), as compared to the regional average of 53 per cent. Thirdly, approximately half of respondents believe ease of checkout is a key factor in influencing the online shopping experience.



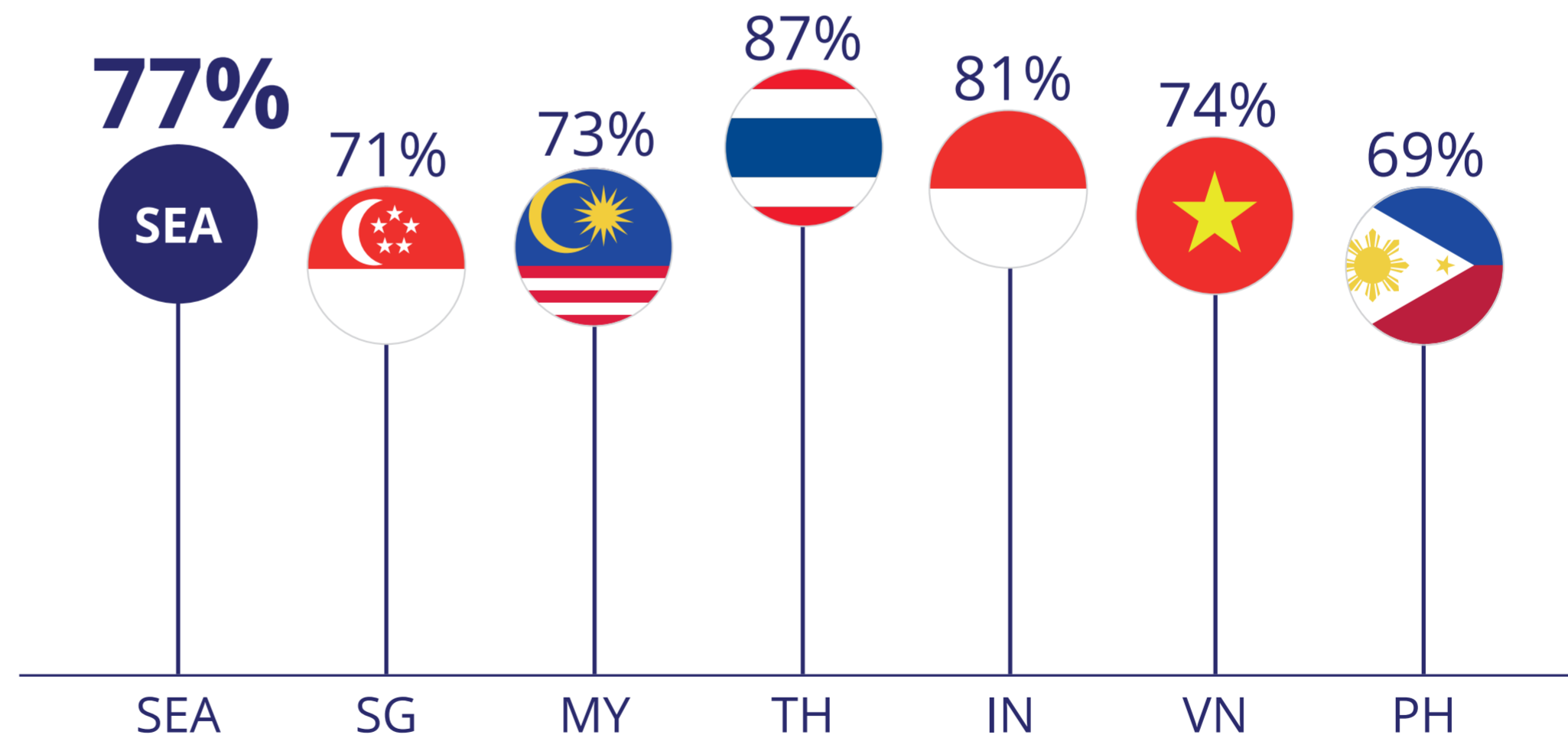
INNOVATION AND CHANGING CONSUMER EXPECTATIONS DRIVE BRICKS TO CLICKS

As consumers become more digitally savvy, they want to be able to shop, browse and purchase goods and services at any time of the day. Hence, for many consumers across the region, such “on-the-go” attitudes are already ingrained in their minds as they go through their daily lives. Seventy-seven per cent of respondents said that they shopped on their mobile at least once a month, helping in turn to shape the retail landscape to meet their evolving needs. We believe that this number is going to increase as consumers continue to embrace and normalize their mobile-first, omni-channel lifestyles.

Social Media and its impact on shopping behaviour

On average, consumers in Southeast Asia spend approximately six hours on their smartphones and almost three hours on social media in a single day. Sixty-three per cent of respondents in Southeast Asia are interested in purchasing items on social networks. More than half of survey respondents have bought items via social networks, with the exception of Singapore and Myanmar.

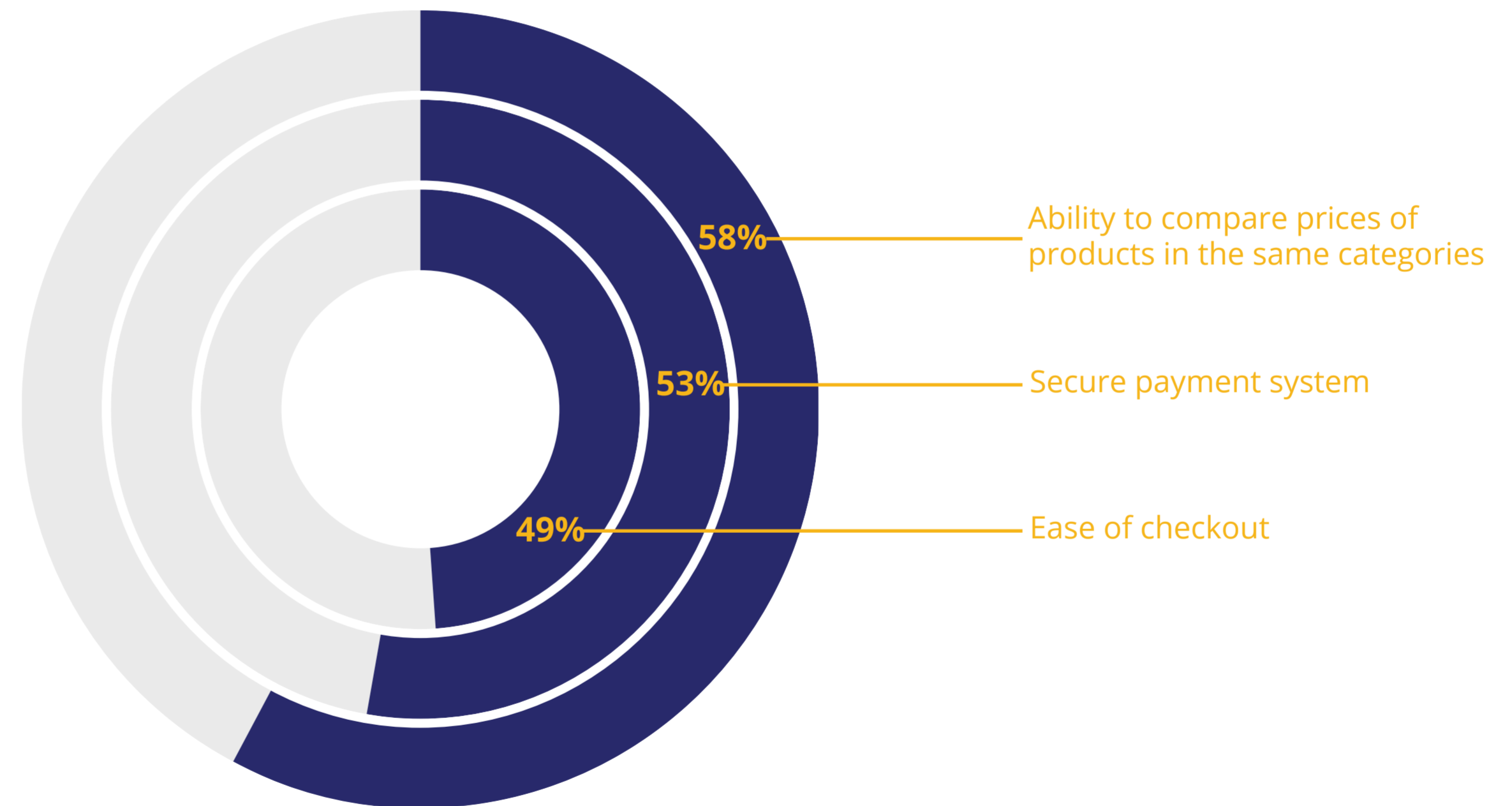
% of respondents who shopped on mobile at least once a month



The Online Experience

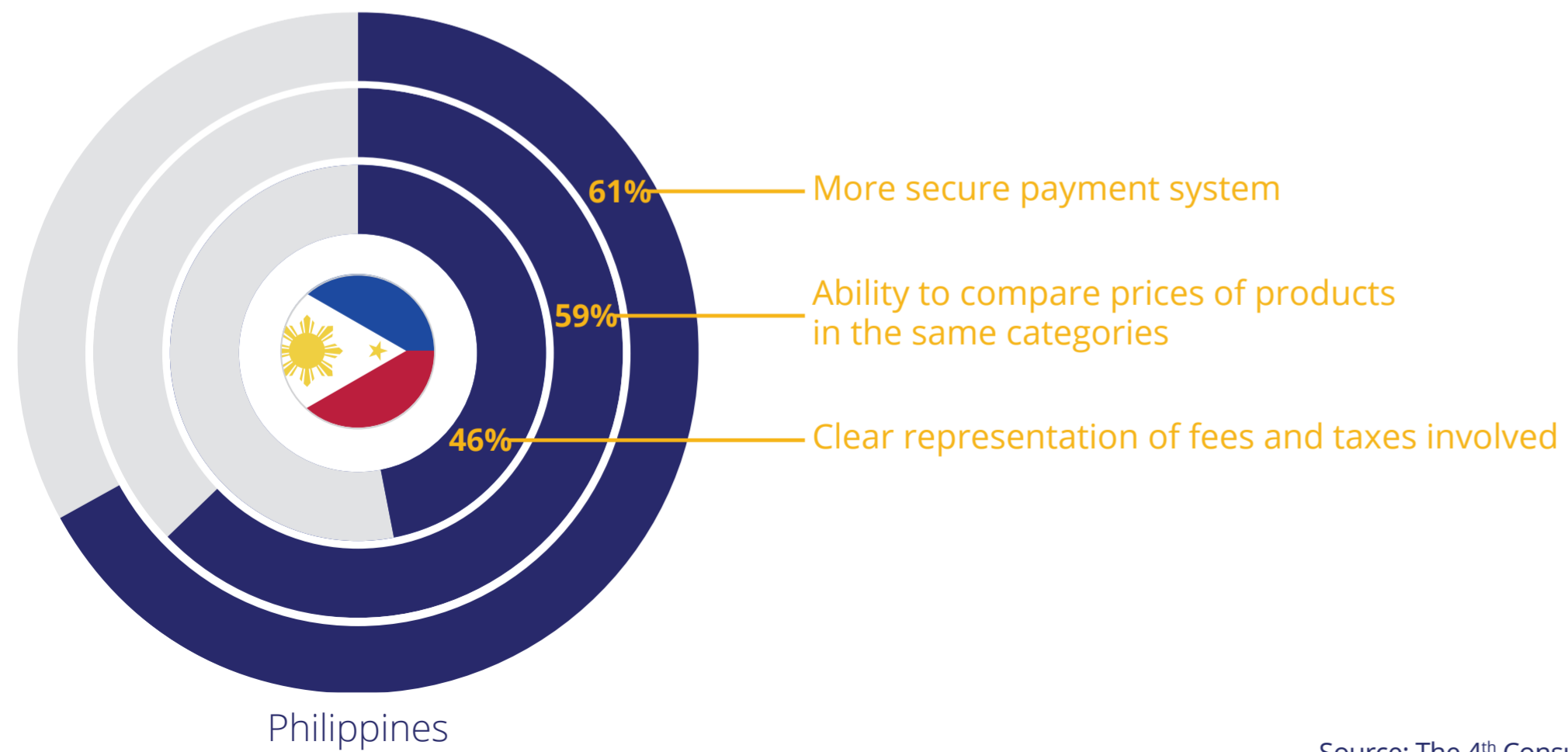
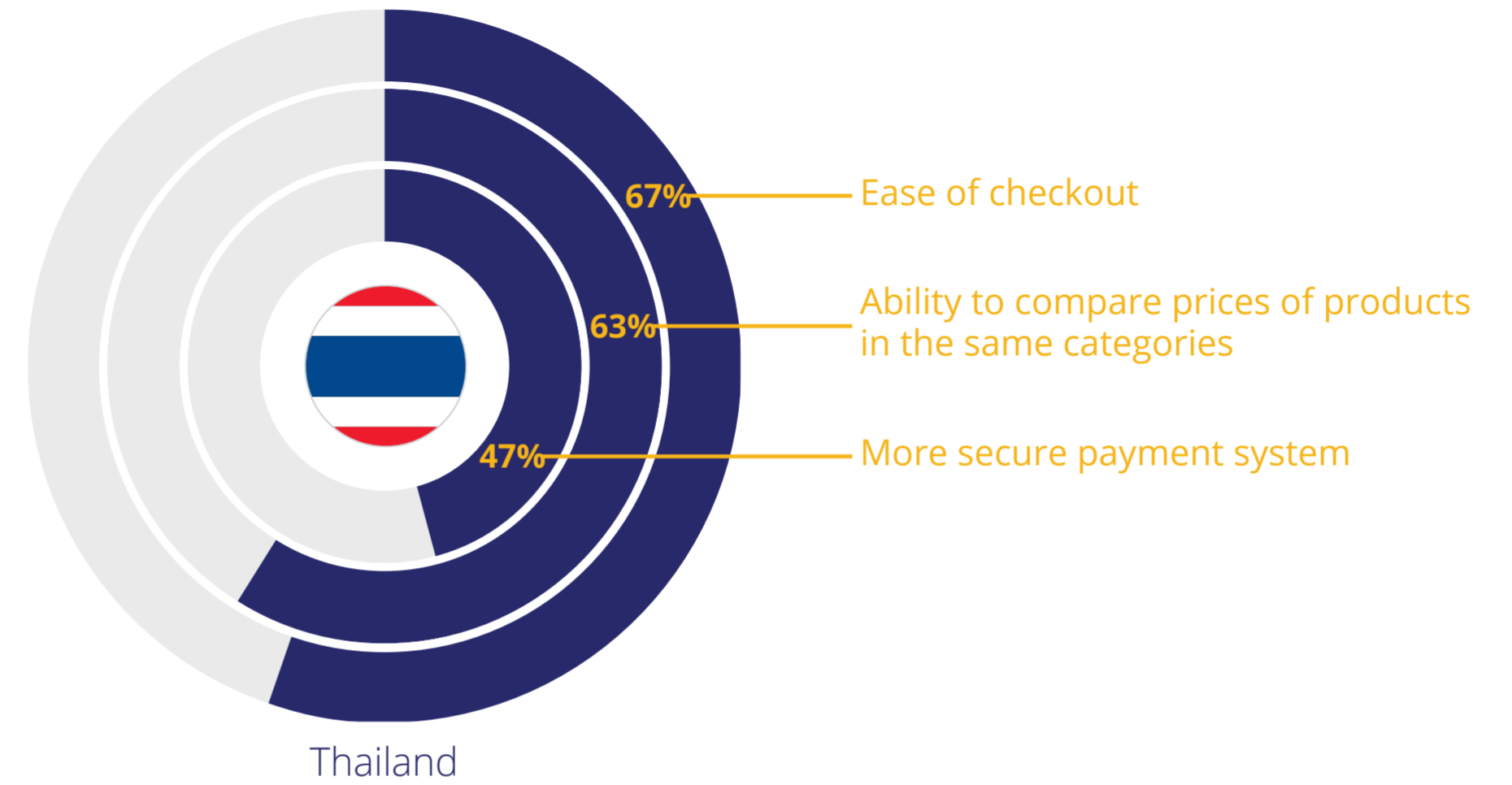
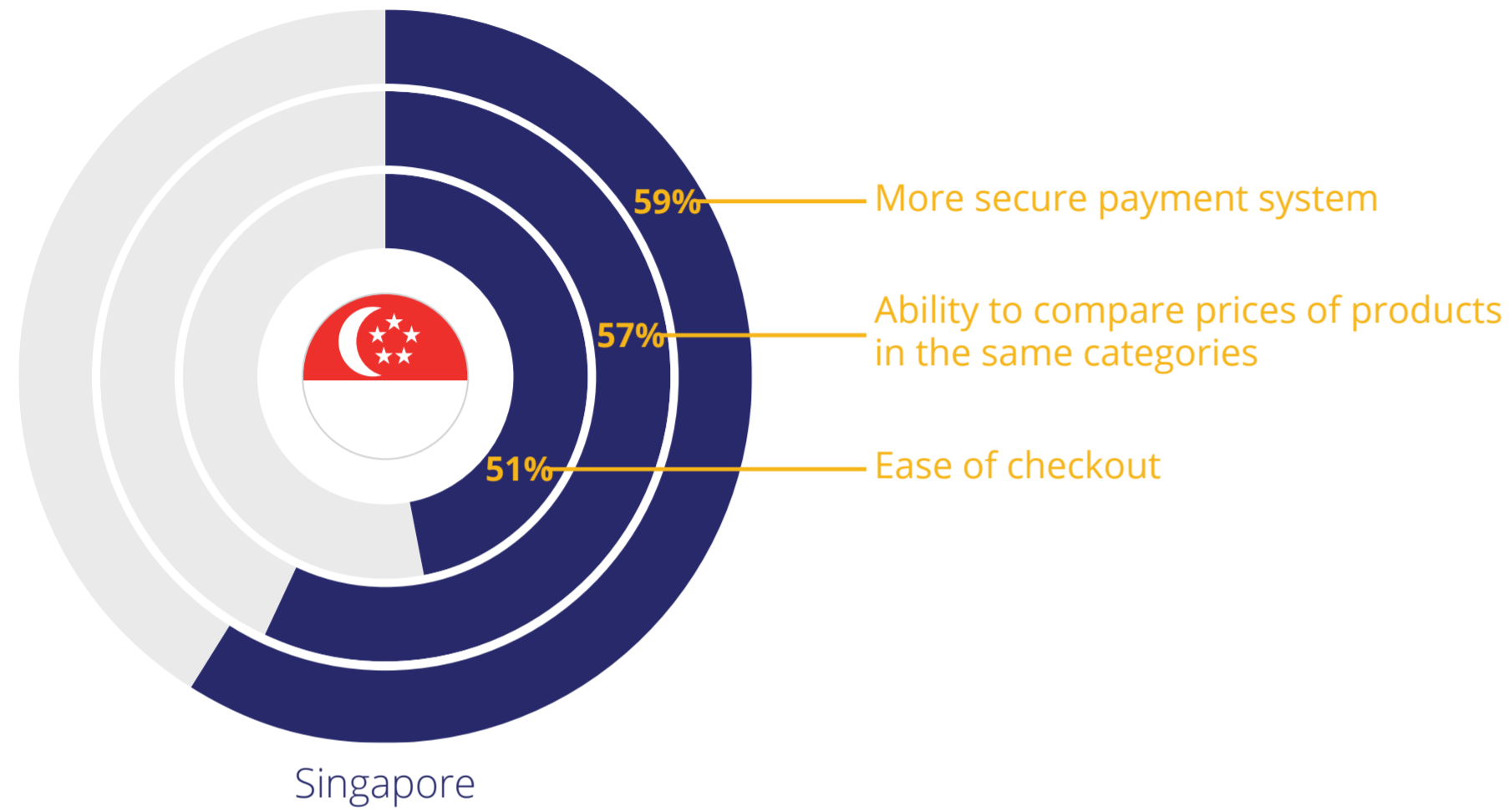
WHAT MAKES A GOOD ONLINE EXPERIENCE?

Businesses that offer the best consumer experience will outperform and outlast their competition. Technology has opened enormous opportunities for businesses to take away pain points for their customers and add value in a new way. In fact, Visa has worked with some forward-looking companies to help enhance their touch points, with the end goal of improving the consumer experience of the hyper-connected, time-starved individuals.

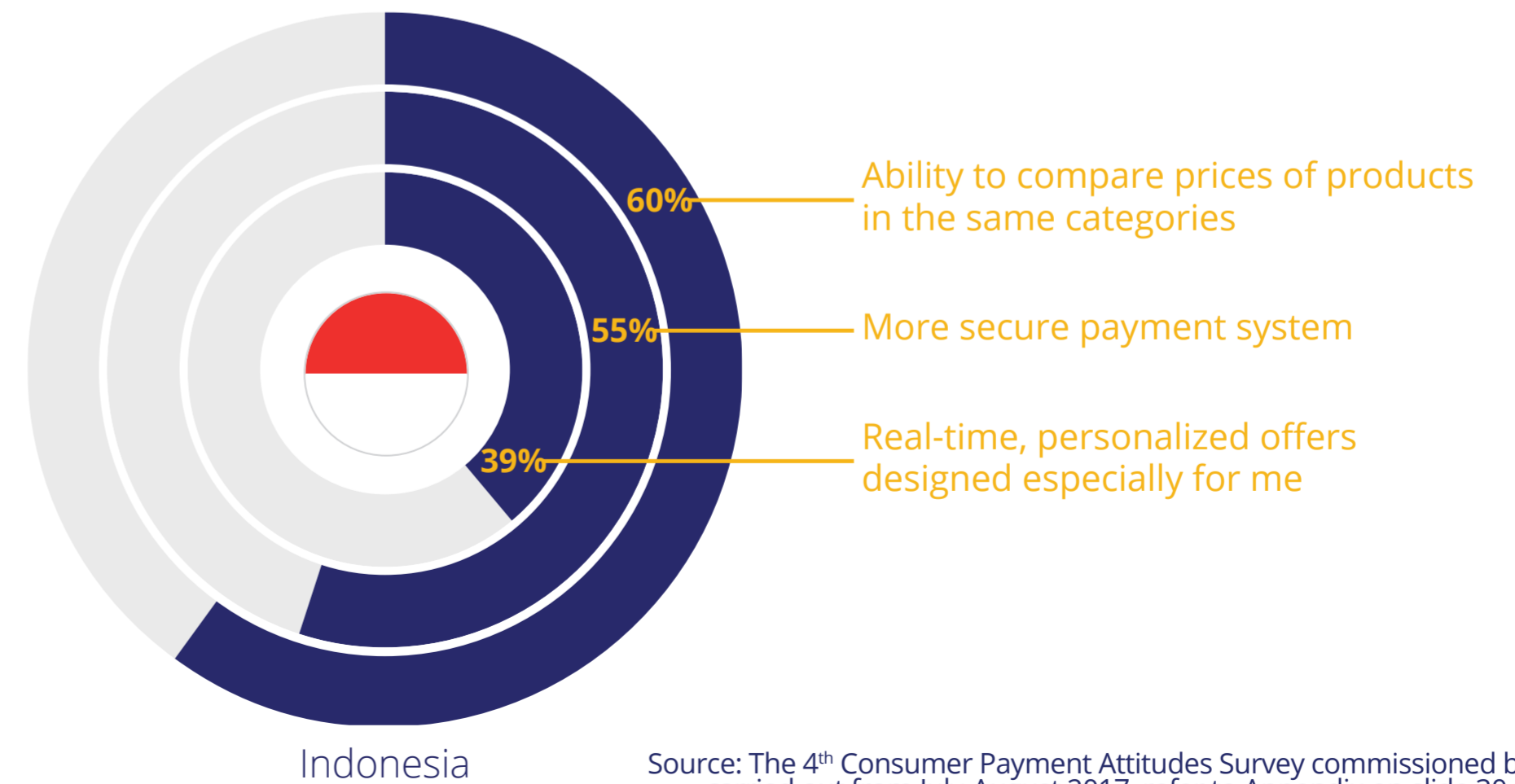
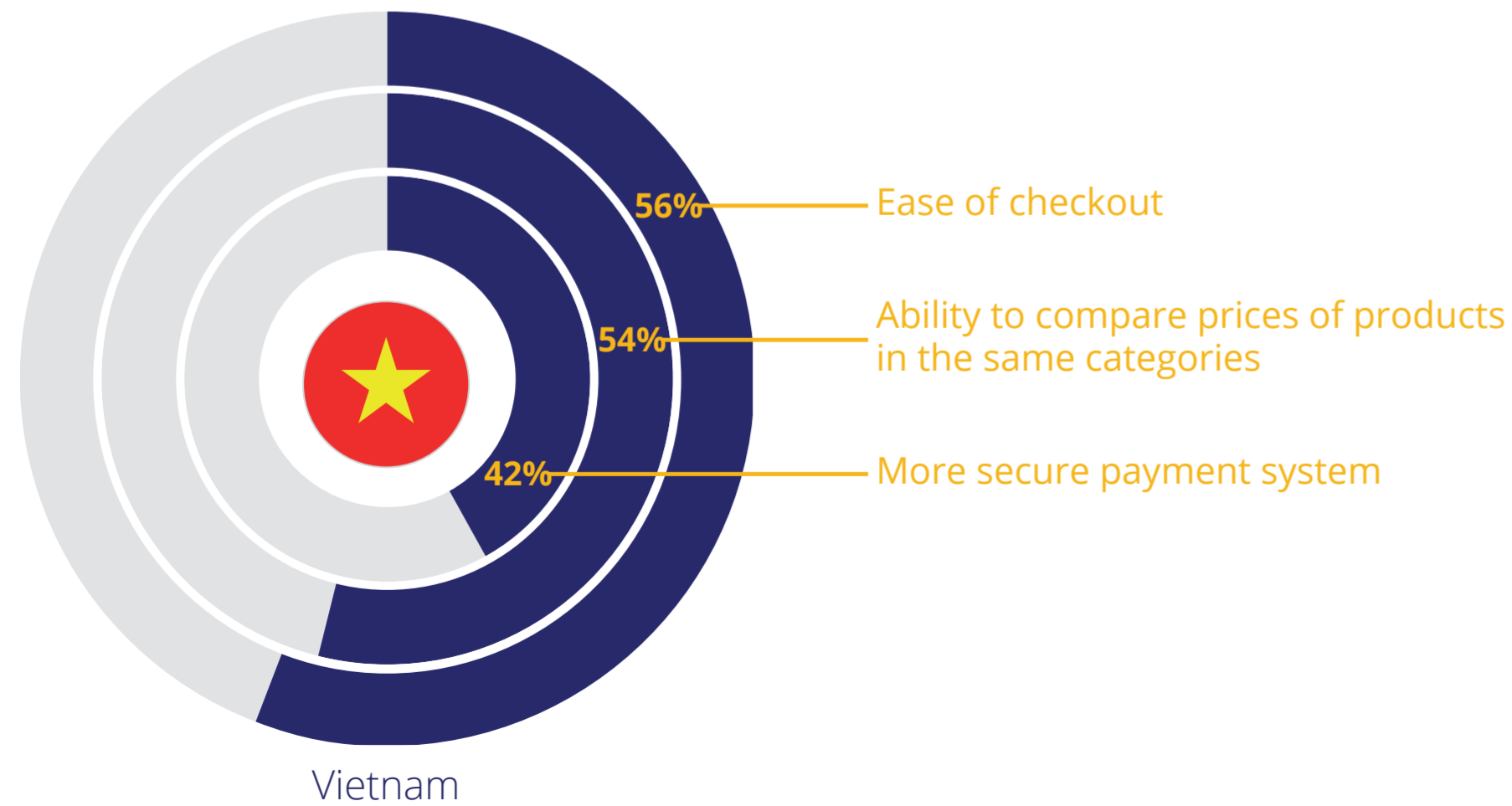
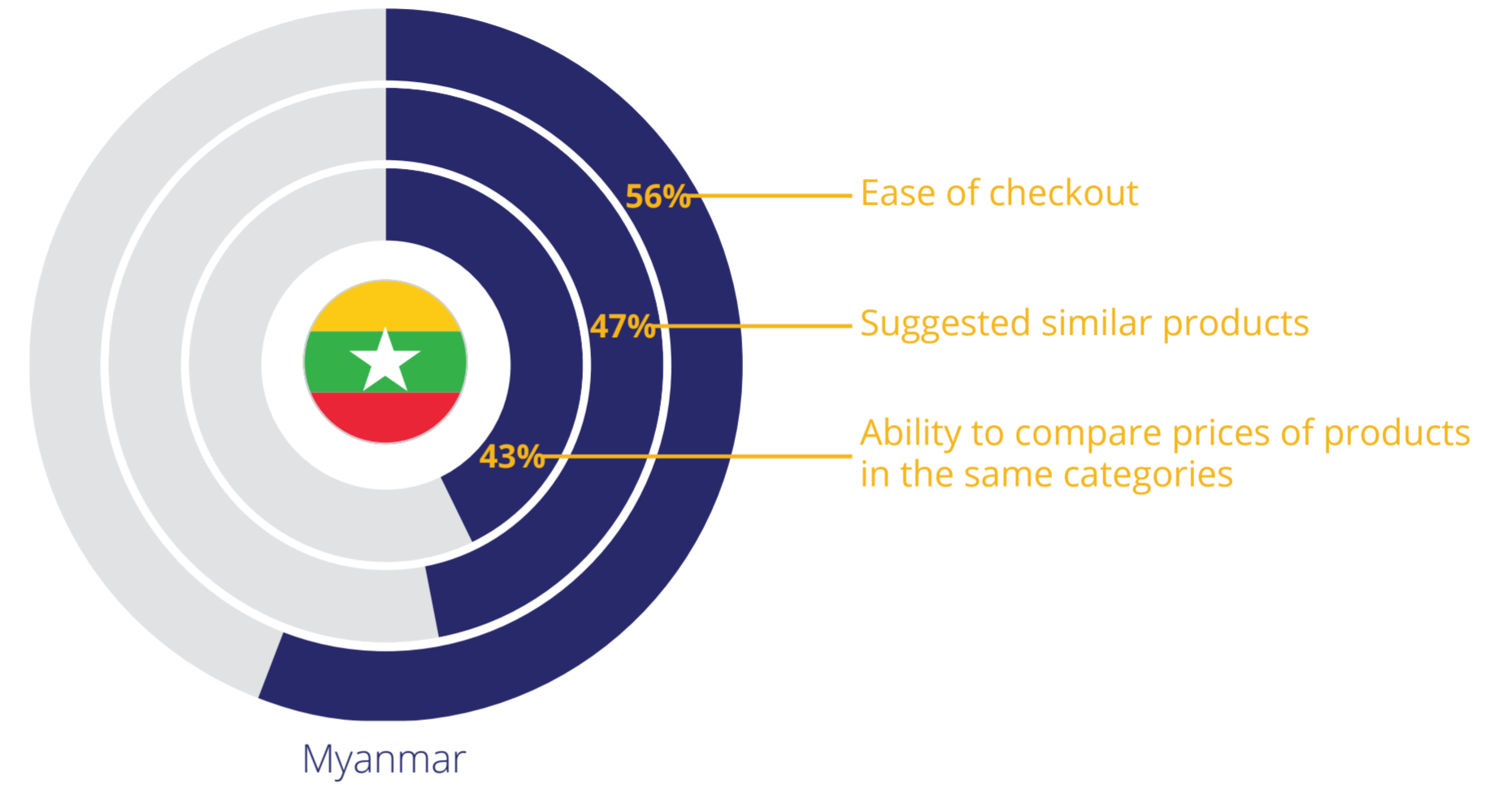
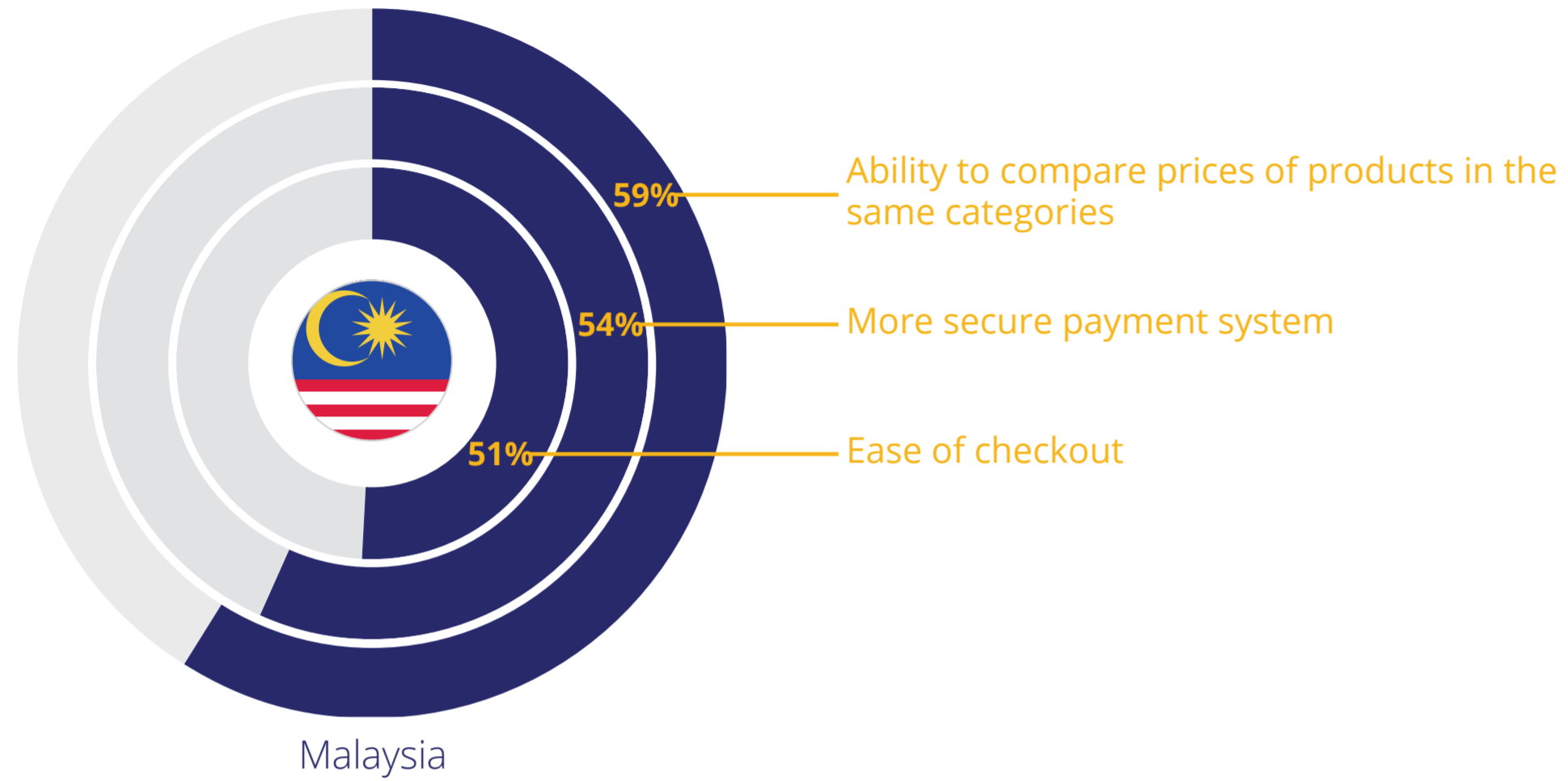


Southeast Asia

WHAT MAKES A GOOD ONLINE EXPERIENCE?



WHAT MAKES A GOOD ONLINE EXPERIENCE?





THE ON-DEMAND ECONOMY

Convenience, speed, simplicity and security, when put together, will define the ultimate consumer experience. Driven by access to the internet and smartphones, consumers in Southeast Asia look to the on-demand economy to fulfil their needs, as it provides real-time access to a myriad of goods and services.

Physical stores lack seamlessness and fail to deliver a consistently personalized consumer experience for shoppers. From fashion, food delivery, entertainment and day-to-day transportation, businesses in the on-demand ecosystem have found a way to connect providers and buyers on their smartphones, laptops, and desktops.



On-Demand categories



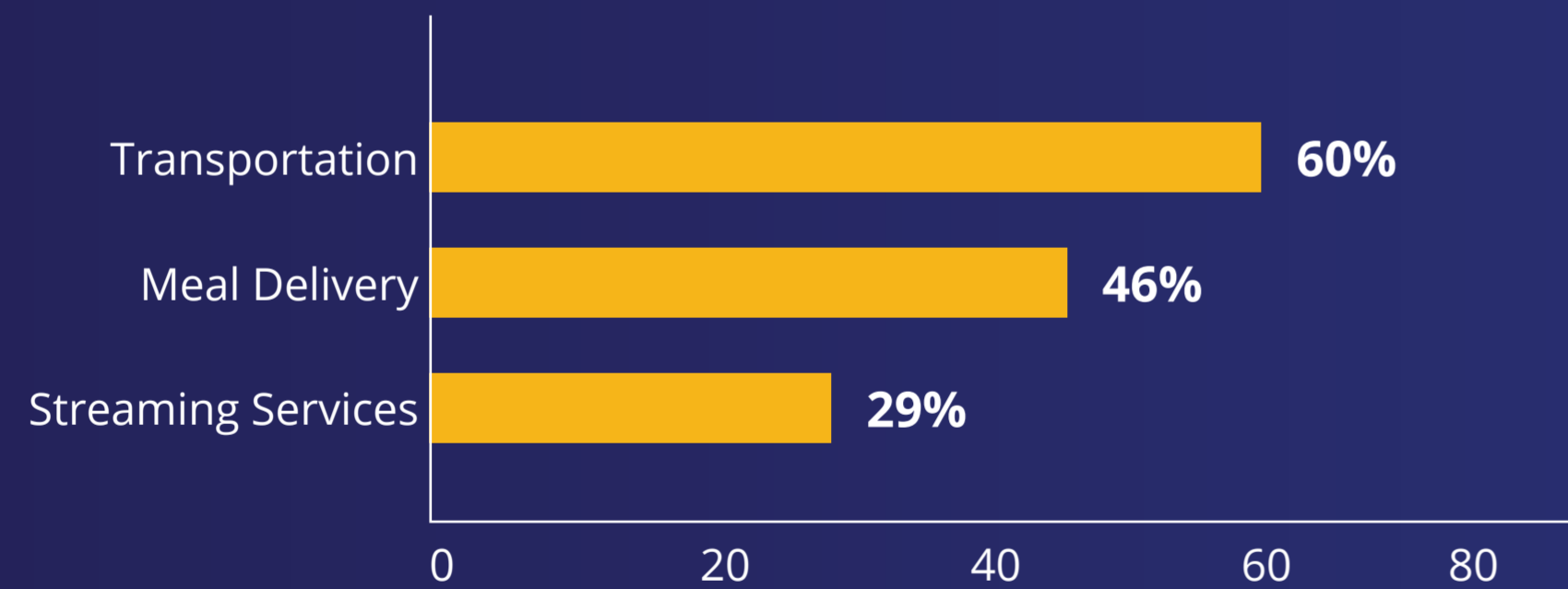
Impact on adoption of mobile payment

On-Demand categories

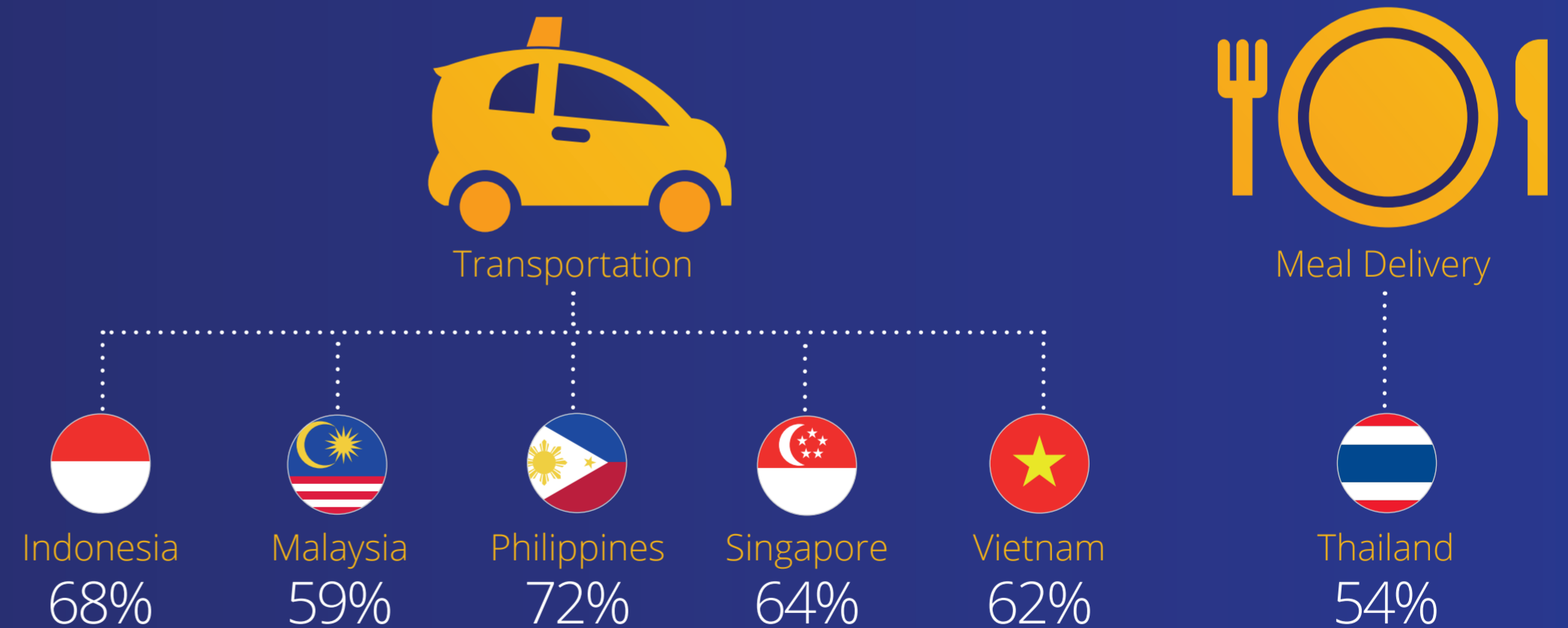
WHERE IS THE DEMAND?

Four in 10 consumers in Southeast Asia use on-demand transportation services at least once a week; respondents in Indonesia, Philippines and Singapore have the highest frequency of use

Top on-demand categories in Southeast Asia



Top category in each country



Impact on adoption of mobile payment

ON-DEMAND SERVICES ACCELERATING GROWTH OF MOBILE PAYMENTS

Technology is changing how people pay and we need to ensure good mobile connectivity, ubiquitous and seamless consumer experiences and inter-operability for more consumers to use electronic payments in their daily lives.

The availability of smart devices has empowered consumers to demand for things “right here and right now”. Anything less of that, is increasingly perceived as a pain point. In fact, more than six in 10 respondents in Southeast Asia cited efficiency and convenience as benefits of on-demand services. They expect businesses to be 24/7 and adapt their services to meet individual needs.

Perceived benefits of on-demand services by consumers in Southeast Asia



I feel it is more convenient and efficient – **61 per cent**

I get to shop in the comfort of my own home – **52 per cent**

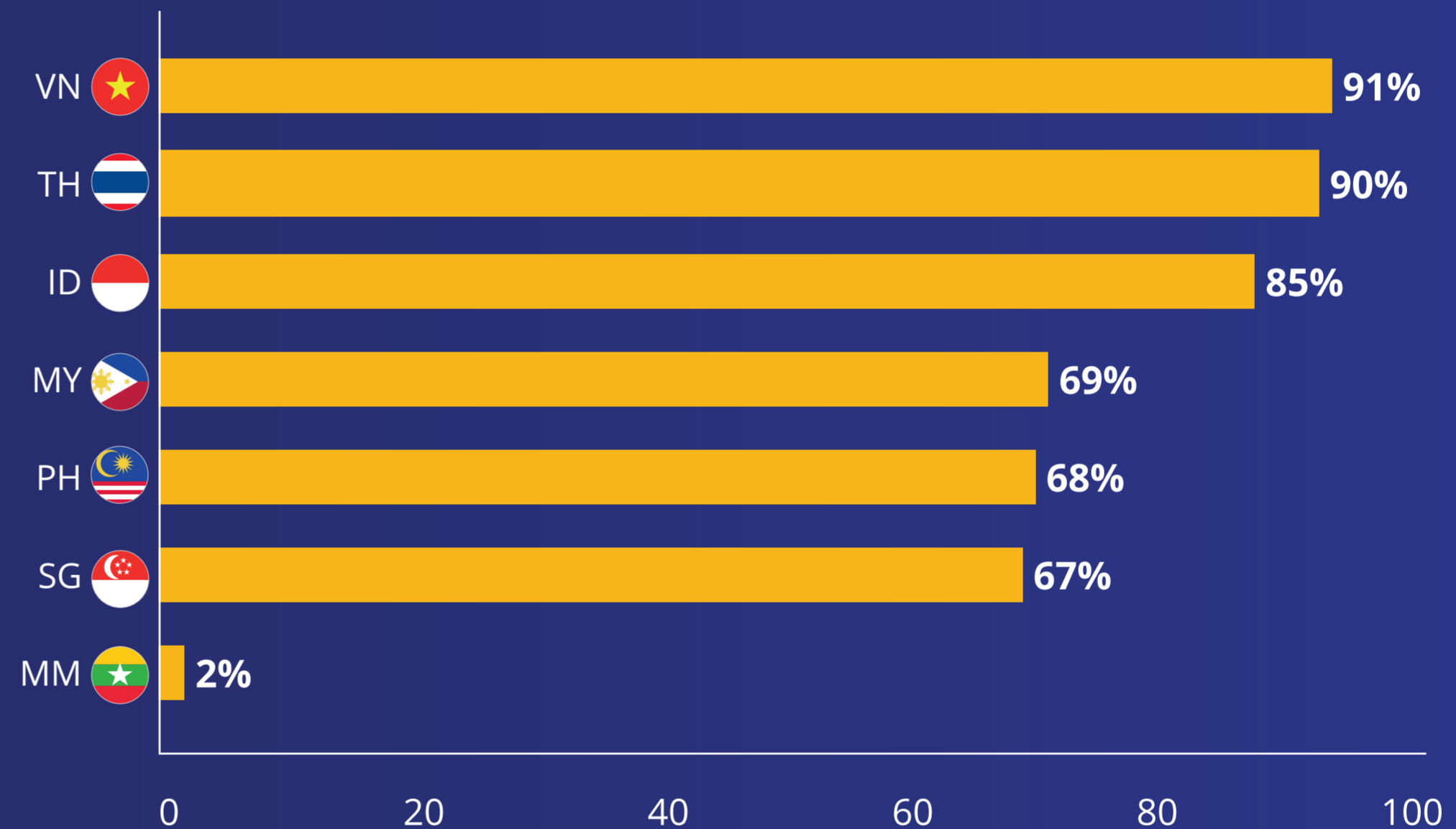
I feel that there are more choices – **47 per cent**

Almost eight in 10 consumers in Southeast Asia have made device-initiated payments

Increased connectivity, coupled with the wider payment methods and form factors have transformed consumers' experience in commerce. The introduction of various payment solutions such as Visa contactless payments, Visa Checkout and Visa Token Service have transformed the way consumers conduct their daily lives – from shopping to booking a taxi to ordering and paying for food in a variety of restaurants.

These technologies have enabled consumers to perform device-initiated payments anywhere at any time with their smartphones, and are fast becoming the norm as consumers forego cash for a more seamless, reliable and secure mode of payment.

Country usage rate of device-initiated payment





THE MOBILE INTERNET

EVERYONE IS TALKING ABOUT MOBILE

Technology is converging with payments and there has never been a more exciting time in the industry. On average, consumers in Southeast Asia spend over five hours on their mobile phones per day. The Philippines comes up top in the region at almost six and a half hours of usage while consumers in Myanmar only spend approximately three hours.

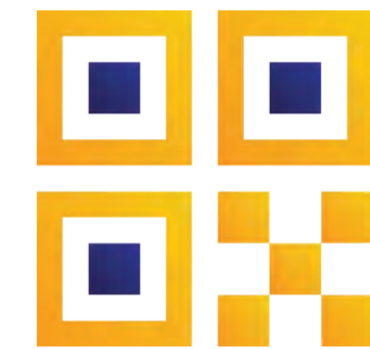
Armed with their on-the-go lifestyles, this digitally savvy and mobile-first generation views time as a rare commodity and looks to companies and brands that can deliver value to meet their needs.



Digital commerce



Mobile Banking in Southeast Asia



Alternative payment methods

Digital Commerce

DIGITAL COMMERCE IS GROWING FIVE TIMES AS FAST AS PHYSICAL COMMERCE

Digital payments enabled by the Internet and mobile devices is growing the payments pie. In face-to-face retail, Visa captures 15 per cent of all spending. That is to say, \$0.15 of every dollar spent in the world. However, in digital commerce, we estimate that 43 per cent of all spending globally is on a Visa product. That is \$0.43 out of every dollar.³

Smartphones are by far the most popular communication devices in Southeast Asia, with the number of active mobile connections across the region exceeding total population by a third. Almost two thirds (64 per cent) of Southeast Asia consumers shop on their mobile at least once a month. These consumers commonly use their phones to make bill payments (35 per cent), shop (35 per cent) and even plan their travel (27 per cent).



⁴Note: Both figures exclude China; digital share figure is for desktop expenditure only and also excludes CEMEA
Sources: Visa analysis of data from Oxford Economics, Nilson Report, Euromonitor, Haver Analytics, Uk Card Association, Central Bank of the Russian Federation, Norges Bank, Swiss National Bank, Bank of Thailand, Reserve Bank of Australia, Federal Reserve, Statistics New Zealand, Saudi Arabian Monetary Agency, Central Bank of Ireland, comScore study (2016)

Mobile banking in Southeast Asia

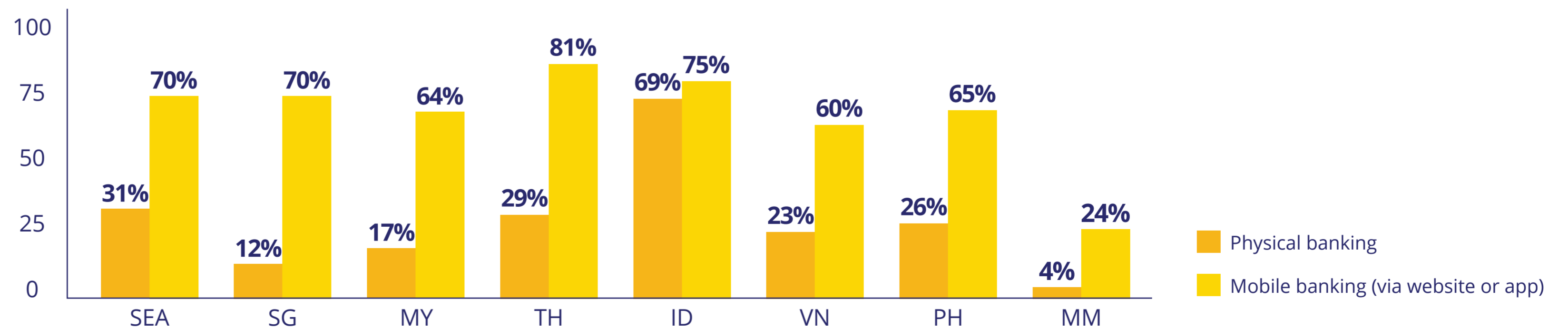
SURGE IN MOBILE BANKING DRIVEN BY A MORE MOBILE LIFESTYLE

Bank customers make dozens of payments each week, and increasingly these payments are digital and potentially mobile. It is commonplace for consumers to access banking services within a single app – the single and most impactful consumer touch-point. As more pure-play digital banks and fintech companies enter the banking ecosystem, traditional brick-and-mortar banks are challenged to reinvent themselves. These banks now need to focus on what features consumers look for when it comes to mobile banking.

Seventy per cent of respondents across seven Southeast Asia markets use mobile phones to carry out banking activities at least once a week, with 75 per cent owning a dedicated banking app on their mobile phones. This is in stark contrast to brick-and-mortar banking where only 31 per cent of respondents said they visit a physical branch once a week, particularly in Singapore, where a mere 12 per cent of respondents use brick-and-mortar banking.

Given the sheer size of Indonesia and the diversity of its consumer banking market, it is no surprise that consumers report preferences for both physical banking (69 per cent) and mobile banking (75 per cent). However, as the country ramps up its investment in digital channels to keep up with an increasingly digitally-savvy and mobile first customer base, we can expect a shift from traditional brick-and-mortar banking to digital banking.⁴

% of respondents who use various modes of banking services, at least once a week



⁴“The State of Digital Banking in Indonesia” is a white paper developed by Akamai.

Compared to other markets, consumers in Thailand rely more on mobile banking to carry out banking activities such as checking account balances (51 per cent), money transfers (51 per cent) and bill payments (41 per cent).

TYPES OF MOBILE BANKING SERVICES

Mobile banking has become an incredibly important channel for banks as there has been a surge in preference for using digital services or mobile apps to conduct banking activities due to greater convenience, security and reliability.

TRACKING BUDGET AND EXPENDITURE DIGITALLY

Reviewing credit card statements is the top method for consumers in Southeast Asia to track their spending. However, 75 per cent of all consumers have also expressed interest to use mobile apps to set budgets and track expenditure. Compared to their counterparts in Southeast Asia, consumers in the Philippines expressed the greatest interest (78 per cent) to do so.

What are the top services used via mobile banking?



Check account balances and transaction history – **38 per cent**

Transfer money between bank accounts – **33 per cent**

Make bill payments – **30 per cent**

Alternative payment methods

PAY ANYONE, PAY ANYWHERE

Southeast Asia is making remarkable strides toward a cashless society. As consumers become more digitally-savvy, they are also more open to using alternative methods of transacting with their peers. More than two thirds (73 per cent) of respondents in Southeast Asia are aware of peer-to-peer (P2P) payment methods, a spike compared to 67 per cent in 2016. Across the region, respondents in Thailand (86 per cent), Philippines (81 per cent) and Singapore (75 per cent) have relatively higher levels of awareness of P2P services.

Six in 10 respondents are interested to use P2P payment services. However, most would still prefer to be paid back for a shared expense by bank transfer or cash. More can be done to drive greater adoption of P2P payment services in the region.

Reimbursing money to friends and family members is cited as the top reason respondents choose to use P2P payments



SCAN TO PAY

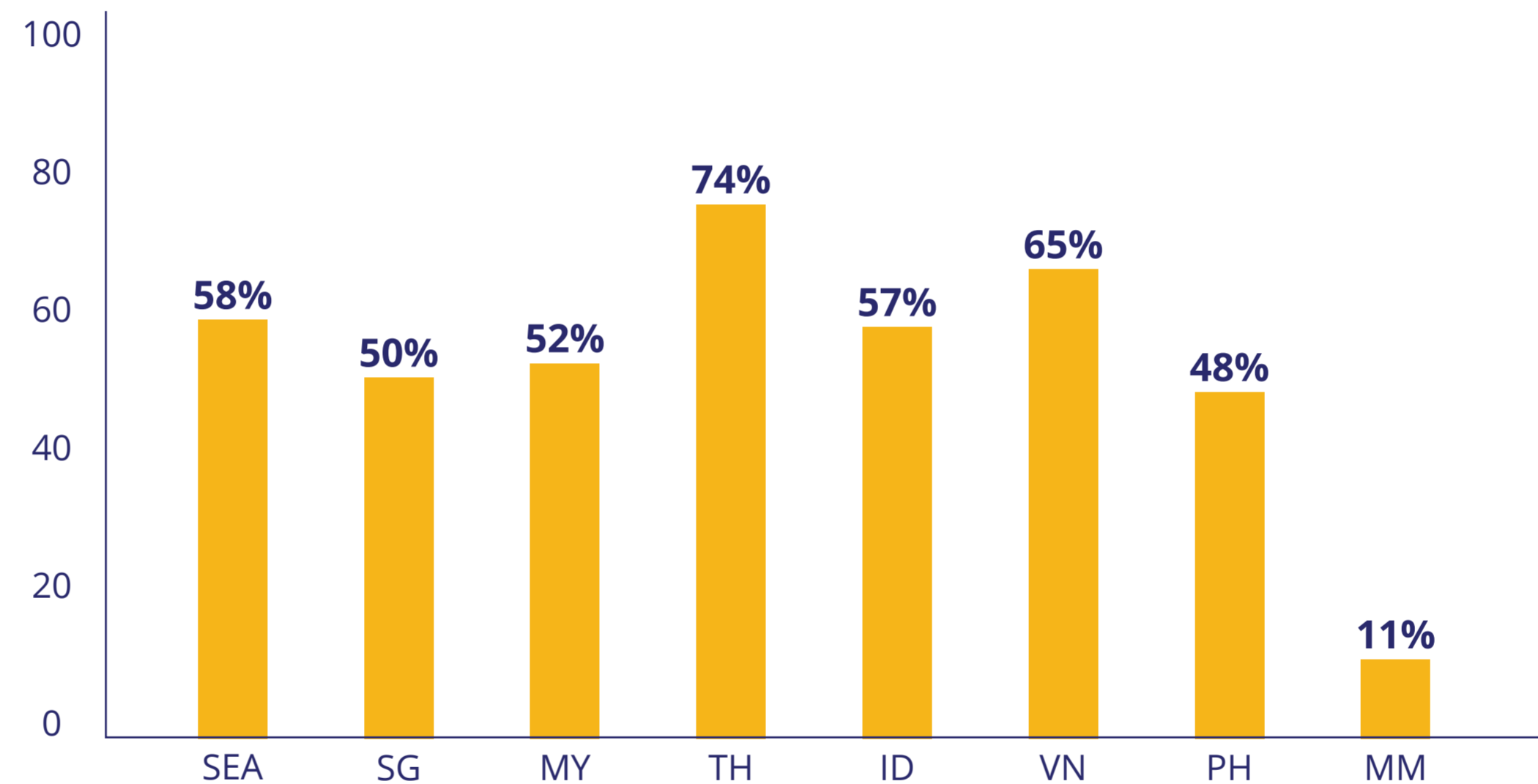
Quick Response (QR) codes are machine-readable black-and-white images that can hold about 300 times more data than a standard barcode. These codes have many different uses, but one of the more popular uses is to make payments using a mobile device.

The new world of commerce has involved QR codes being used for a broad range of payment activities such as payment at a merchant in a coffee shop, receiving a disbursement or even paying on public transportation. Visa's QR-based payment service allows consumers to transfer funds from their designated account to the retailer or merchant's account reliably and securely, by scanning a QR code. This essentially allows the consumer and merchant to transact digitally, removing the pain points often associated with the use of cash.

Together with our partners, we believe that these consumer-presented and merchant-presented QR codes will enable more use cases and help drive a cashless future for consumers in Southeast Asia.



Awareness of QR-based payment services in Southeast Asia



More than half (58 per cent) of Southeast Asia respondents are aware of QR payment services and a third (28 per cent) of these respondents are using such form of payments. However, respondents in Thailand (42 per cent), Vietnam (35 per cent) and Indonesia (31 per cent) reported higher usage rates than their counterparts in Southeast Asia.

The flexible and low cost nature of QR-based payments have helped drive adoption for this solution in the region. For consumers in Southeast Asia, the top three benefits in using QR-based payments are:

- Faster transactions – 53 per cent
- Ease of use that leads to more convenience and time saved – 53 per cent
- Less hassle as consumers do not need to fill in personal details – 44 per cent



APPENDIX

We conducted the annual Visa Consumer Payment Attitudes Survey to understand the behaviours of digital consumers and to identify areas where we can drive greater adoption of electronic payments. The latest survey was conducted amongst 4,000 consumers in Indonesia, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam in July 2017.