Global Consumer Insights Survey 2018

Do you know what your consumers want?

The Malaysian perspective

pwc

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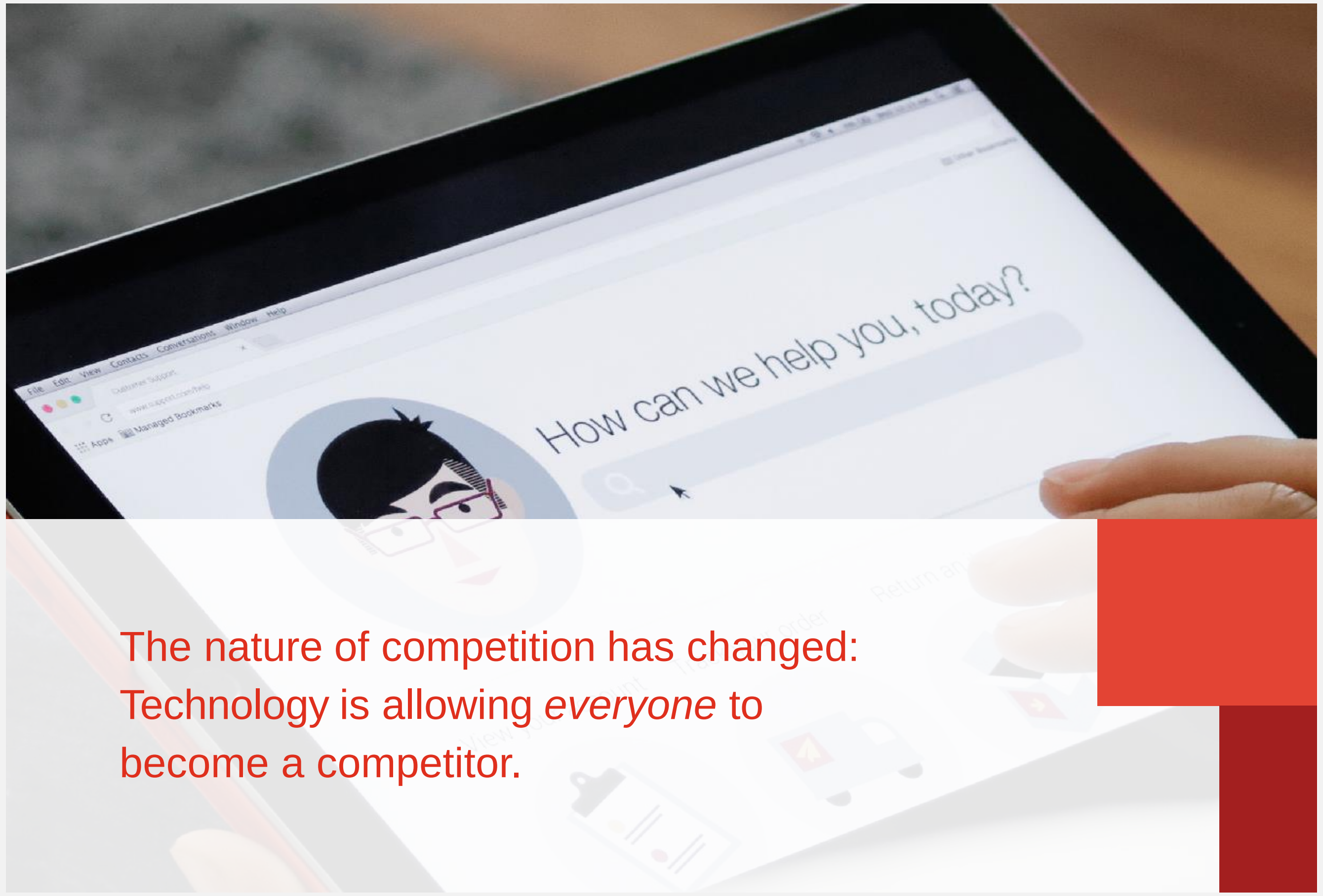
About PwC’s Global Consumer Insights Survey

Since 2010, PwC has annually surveyed thousands of consumers around the globe to track online shopping behaviour. These findings were chronicled in various global reports on the future of retail under the “Total Retail” banner.

This year, we decided that a new umbrella term for our findings was warranted: PwC's Global Consumer Insights Survey. We wanted to acknowledge that the once bright lines demarking retailers, manufacturers, technology companies, logistics service providers, and healthcare organisations are becoming more and more obscured.

500 Malaysians were interviewed in September 2017. This Malaysian cut of the Global Consumer Insights Survey illustrates how Malaysian respondents perceive the expansion of digitised customer experiences, the move of Artificial Intelligence (AI) into retail and consumer packaged goods (CPG), and the emergence of new innovations and business models.

Before you dive into the report, it’s worth noting that confidence in Malaysia's economy could potentially look different, given the recent developments in the tax landscape and on the fiscal front following the country’s 14th General Elections in May 2018.



Key insights

Malaysians are pessimistic about the country's economy

- Only **24%** think that the economy will perform better in 2018
- **42%** think it will perform worse
- **41%** are cautious about their personal spend for the next 12 months

Malaysians are showing interest in AI

- Only **11%** of Malaysian respondents currently own AI devices
- But **50%** plan to purchase one

Brick-and-mortar stores remain relevant in a digital world

- **47%** of Malaysian respondents still prefer shopping in brick-and-mortar stores weekly
- Only **21%** are likely to purchase groceries online over the next 12 months
- **44%** would pay extra for their online purchases to be delivered on the same day

Trust pulls customers in

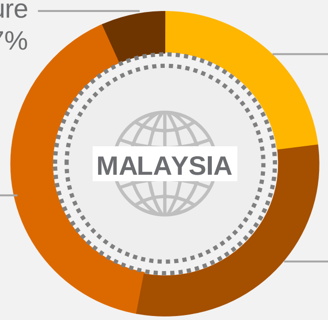
- **62%** of Malaysian respondents only use credible/legitimate websites
- **55%** choose providers they trust to make payments
- A **trusted brand** is one of the top 3 factors (other than price) that influences Malaysian consumers to shop at a particular retailer

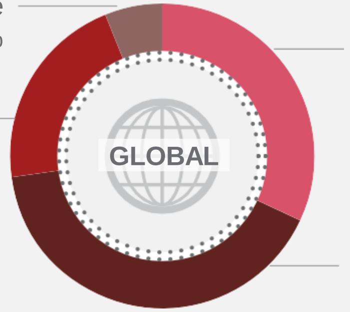
Note: Survey performed prior to Malaysia's 14th General Elections

The economics of consumer confidence

Malaysian consumers are cautious about the economy and their personal spend

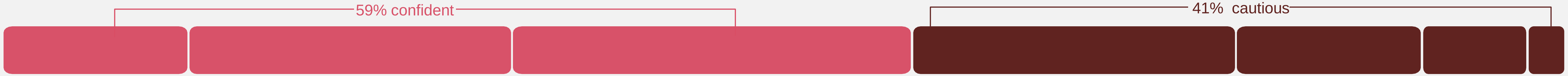
Impression of overall economy:





Q Not taking into account your personal circumstances, what is your impression of how the overall economy in your country will perform in 2018?

The Malaysian public's confidence of their personal financial situation:



Q Do you feel confident about your personal financial situation in terms of your shopping spend plans for the next 12 months?

Malaysia is rather pessimistic in its outlook when asked how the overall economy will perform this year. Other Asian countries, in comparison, stand out among their global counterparts in their positive outlook on the economy.

Better than this year		Worse than this year	
Philippines	*68%*	South Africa	*47%*
Indonesia	*65%*	Malaysia	*42%*
China	*61%*	UK	*37%*
Vietnam	*59%*	Hungary	*33%*

Q Not taking into account your personal circumstances, what is your impression of how the overall economy in your country will perform in 2018?

Regionally, consumers expect similar external factors to impact the economy

	Malaysia	Asia Pacific
Fuel and gas prices	80%	47%
Economic recession	67%	55%
Inflation	65%	53%
Trade protectionism	13%	12%
Global terror threat	16%	17%
Global warming	12%	12%
Brexit	6%	4%
	Base: 500	Base: 1,075

There are several areas of concern for local consumers. Looking specifically at Malaysian respondents, worries around fuel prices, recession, and inflation dwarfed other concerns; similar to the trend seen across Asia Pacific. Interestingly, each of these three concerns clearly has a direct impact on the consumer purchasing power for our survey respondents.

At the same time, some of the other factors that don't register as big concerns with our survey respondents — global terrorism, global warming, trade protectionism — are, typically, perceived as having a far more indirect effect in a consumer's ability to purchase a latte or fill the cupboard with organic, high-end groceries.

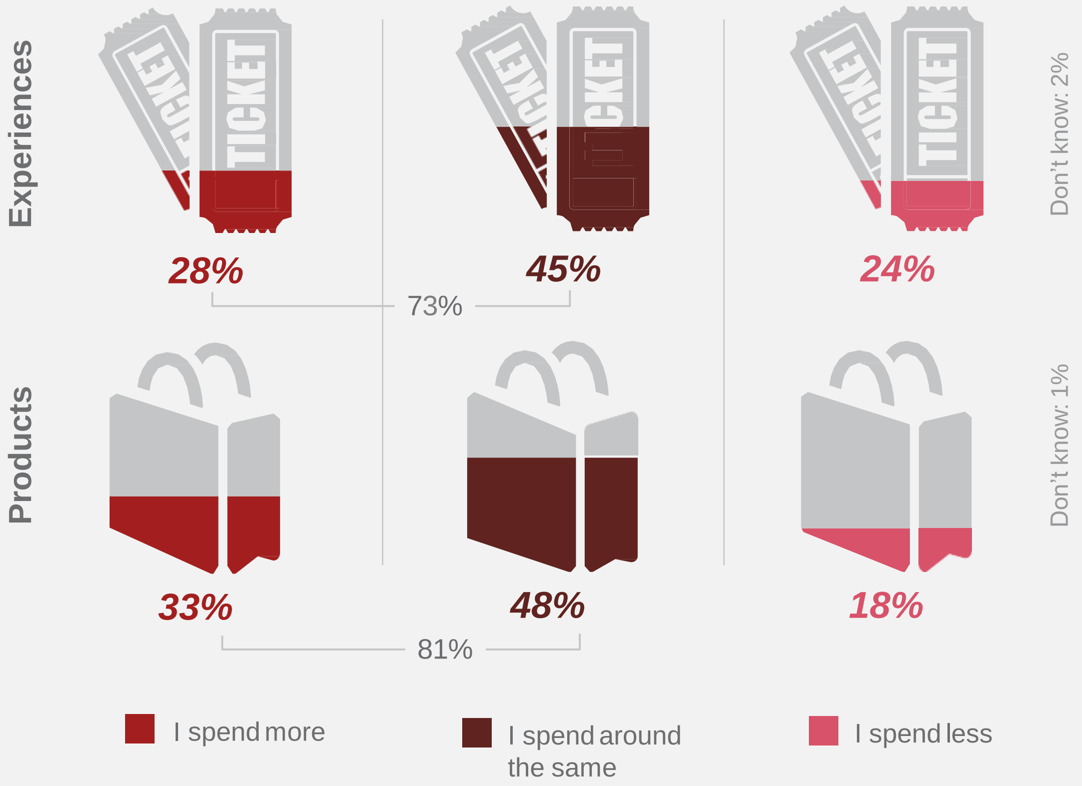
Q Which of the following external factors do you think will most impact your spend on shopping over the next 12 months?

Consumer confidence looked at another way

This year, we also asked consumers about how they view purchasing products versus unique experiences. While we specifically wanted to learn how consumers in different age groups behave when it comes to buying 'stuff' versus purchasing a valued experience that can be remembered (or shared on social media, etc.), these questions have shed some more light on overall consumer confidence as well.

Among the questions we asked was how respondents' disposable income spending habits had changed in these two categories over the previous 12 months. At the same time, 28% spent more on experiences, and 33% spent more on products. Forty-five percent spent around the same on experiences and 48% spent around the same on products. This is another indication that, overwhelmingly, people are confident about their continued ability to spend on additional products and experiences.

More than three quarters of Malaysian consumers are spending more or around the same on products and experiences



Q Not taking into consideration price inflation, how has your disposable income spend changed, if at all, in the last 12 months in the following categories?

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From mall to mobile: Adjusting to new consumer habits

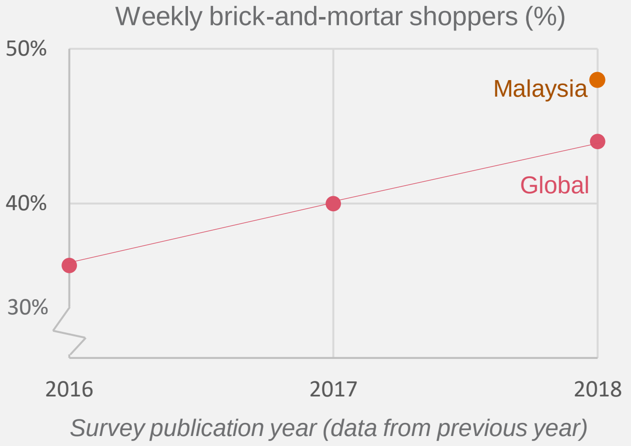
How channel habits are shifting

E-commerce has grown steadily, to the point where it accounts for an estimated one-tenth of worldwide retail sales. Emerging markets are especially keen on more online buying, as reflected by consumers' greater likelihood to buy groceries online in 2018.

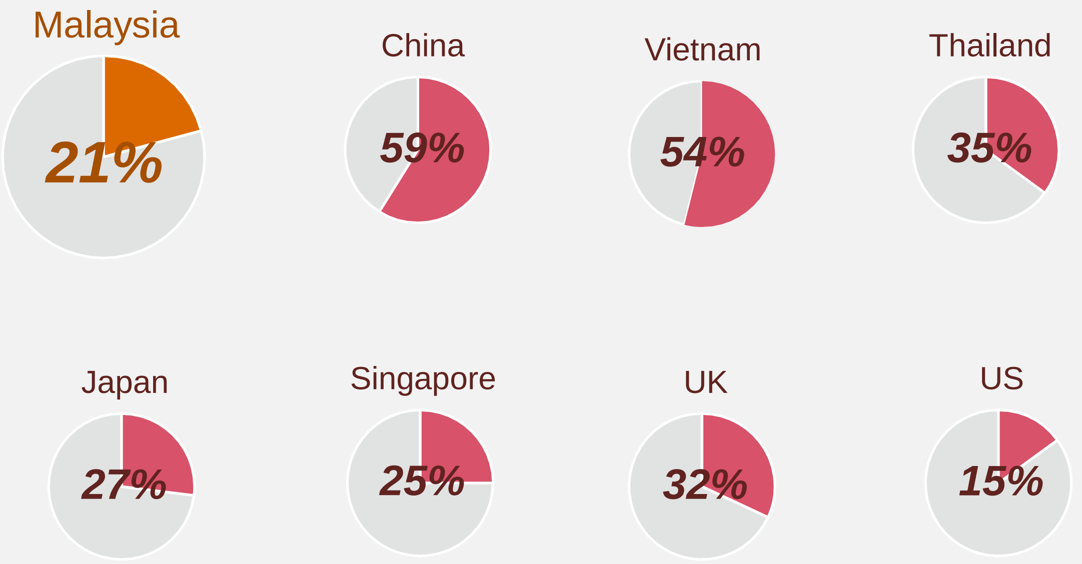
But the more interesting statistic lies in how brick-and-mortar stores have remained a key channel. PwC has been surveying consumers worldwide annually since 2010. By 2015, only 36% of respondents globally said they shopped at brick-and-mortar stores at least weekly.

But the past three versions of PwC's Global Consumer Insights Survey* (GCIS) have seen increases in weekly brick-and-mortar shoppers, from 40% in 2016 to 44% in this year's global survey.

Malaysia exceeds the global average, with 47% of consumers saying they still prefer shopping in brick-and-mortar stores weekly. Investing in innovative in-store experiences like touchscreen catalogues, panel TVs and mobile checkout can help brick-and-mortar stores maintain customer attention and increase their chances of closing a sale.



The likelihood of purchasing groceries online: it's still niche with room to expand



Q Over the next 12 months, how likely are you to purchase groceries online?

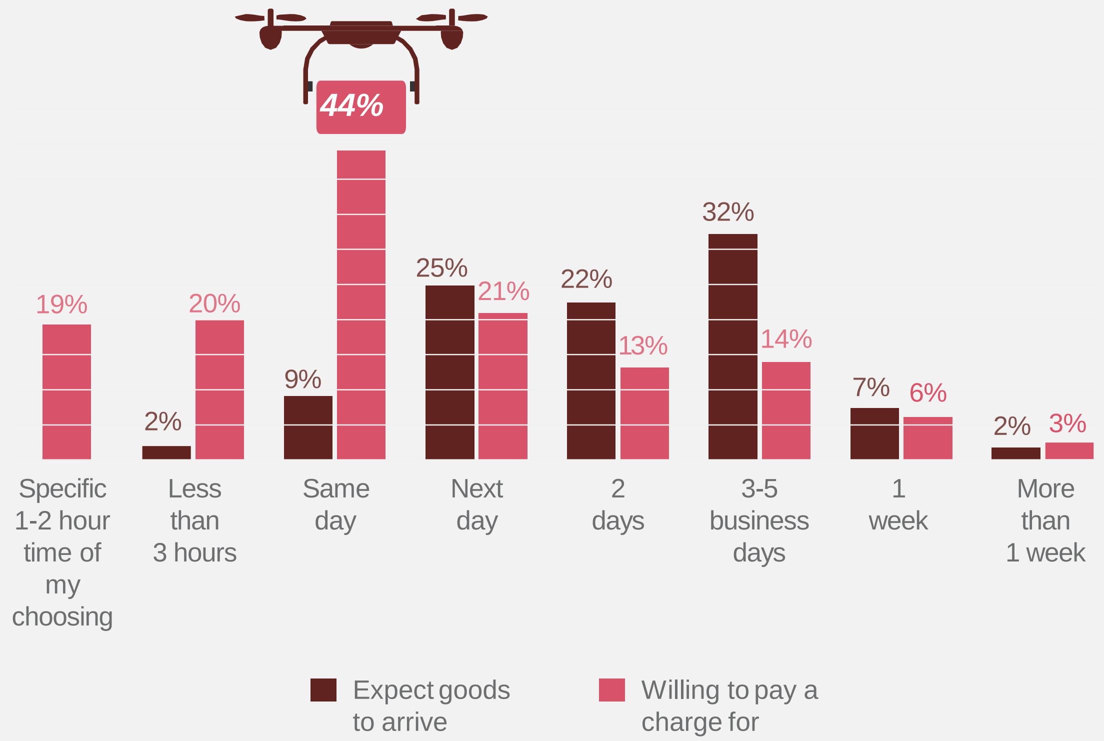
*Previously called PwC's Total Retail Survey

Shopping as an experience, with delivery speed playing a key role

The increasing need for instant gratification is fast changing consumers' shopping habits globally. Digital assistants like Amazon Echo or Google Home are opening up a world of possibilities for consumers in markets like the US and the UK, and recently in Singapore. Amazon Singapore, which came into the market late 2017, offers consumers free shipping and a two-hour delivery timeframe. Despite its lack of variety as compared to its US and UK counterparts, quick and free delivery was enough for many Singaporean consumers to jump on the Amazon bandwagon.

It will be interesting to see how Malaysian consumers will respond to these new innovations as they make their way to our shores. Consumer attitudes towards revolutionary innovations like drone delivery services, are telling. More than 40% of our respondents say they would pay an extra charge for same-day delivery, to enable instant fulfilment.

Malaysian consumers expect their purchases to arrive promptly and are willing to pay extra for same-day delivery



Q For the majority of your online purchases how soon do you expect your goods to arrive? Which of the following delivery lead time frames are you willing to pay a charge for?

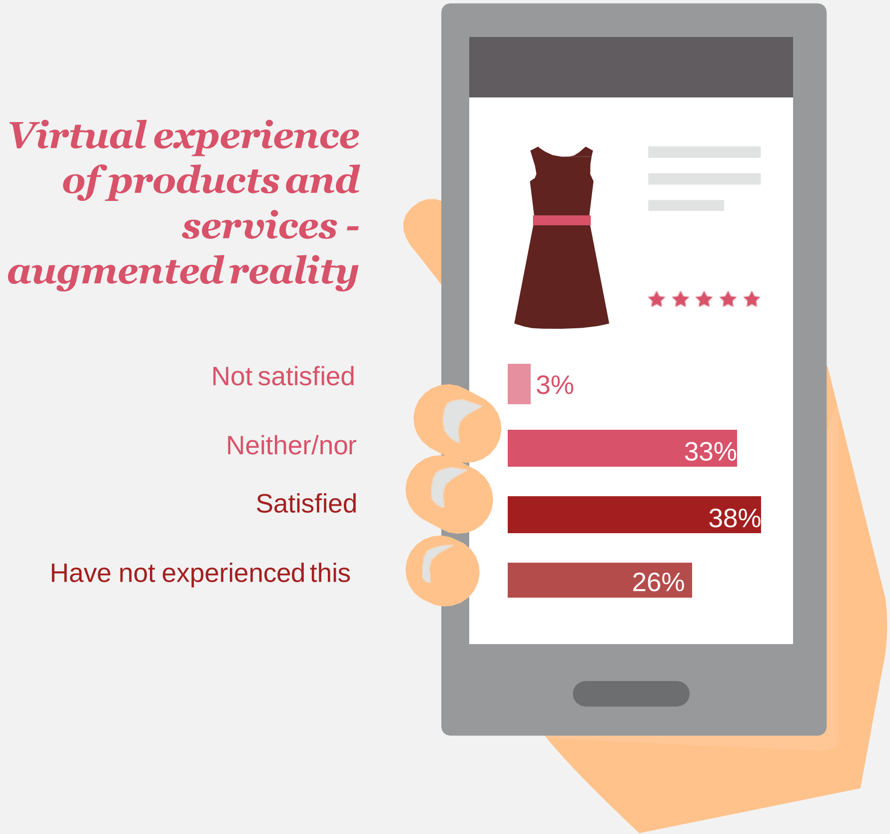
(Chart represents percentage of daily and weekly usage combined)

If physical shopping is no longer so necessary from a utilitarian perspective, why have weekly store visits been on the rise? It's likely that shoppers are seeking something else. Instead of a practical errand, they're seeing shopping increasingly as a sensory and social experience. Just think of the immersive experience of an IKEA or Sephora store visit.

Physical stores are still very much "in the game", although not necessarily playing the same roles as they used to in the past. Showrooming has brought about the opportunity to experiment with in-store online activities such as Virtual Reality (VR). Using smart analytics, insights provided by Augmented Reality (AR) and VR can increase customers' buying interest and likelihood of purchase. For instance, Sephora launched a Virtual Artist app which allows users to experiment with more than 1,000 cheek colours. Since launching the app, 200 million shades have been tried on, and over 8.5 million visits to the feature have been tracked[1].

In Malaysia, however, VR is still a new phenomenon. Almost 30% of consumers have not yet experienced VR – clearly an opportunity for retailers to shift their mindsets about embracing technology as a competitive differentiator.

Almost 30% of consumers have not yet experienced virtual reality in store



Q Please rate how satisfied you are in relation to your in-store shopping experience for the following attributes, i.e. in-store wi-fi; real-time, personalised offers; specialised customer events; sales associate with deep knowledge of product range, etc.

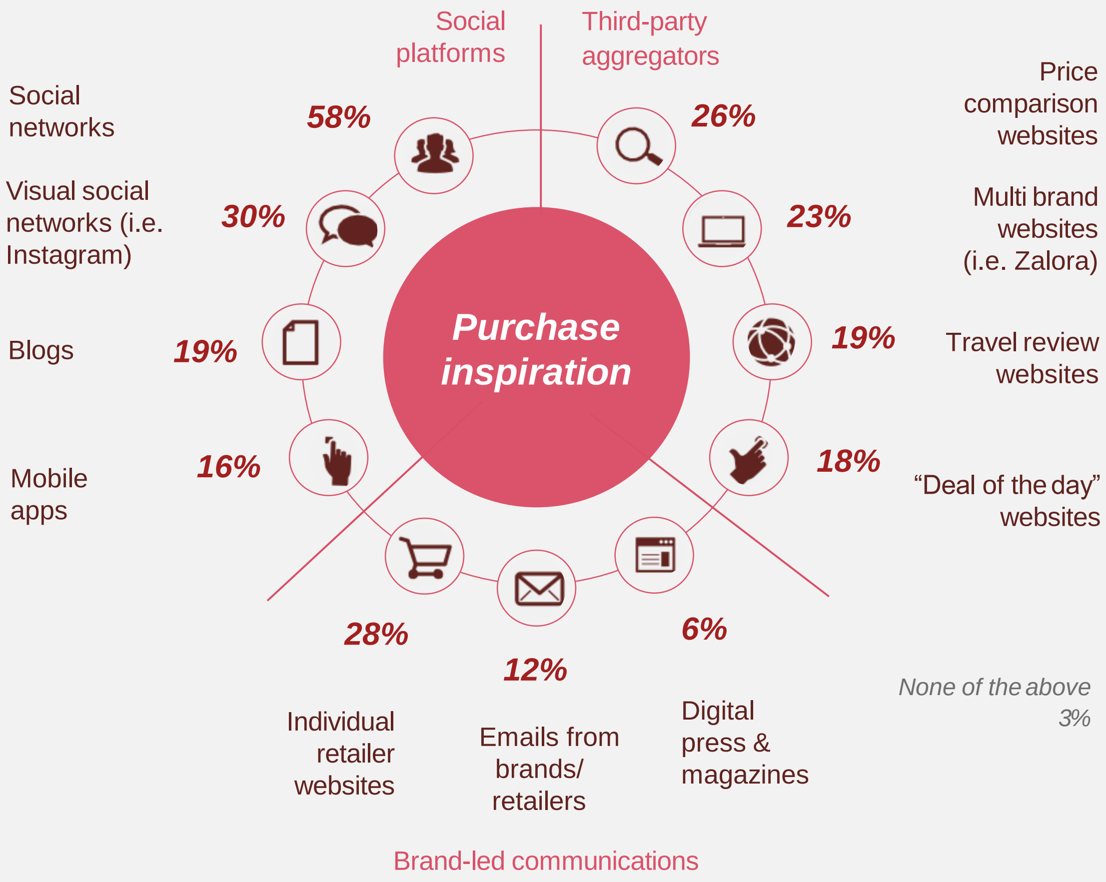
[1] How Sephora is leveraging AR and AI to transform retail and help customers buy cosmetics, Feb 2018. https://www.techrepublic.com/article/how-sephora-is-leveraging-ar-and-ai-to-transform-retail-and-help-customers-buy-cosmetics/

Sources of inspiration: the new influencers

Another new habit has major ramifications for how companies communicate sales messages: consumers want to know what their peers think. When asked where they went online to get inspiration for purchases, a majority (58%) chose social media, with visual social media at 30% and individual retailer websites at 28%.

Perhaps most interesting was that emails from brands or retailers were named by just 12% of Malaysians (and 14% of global respondents). This means that emails may not necessarily capture consumers' attention, as people are getting increasingly wary of intrusive sales pitches in their search for authenticity. Many companies are, in fact, reallocating a sizeable portion of their advertising budget from print and television to digital advertising targeting social media users. But the trick is to present their brands and products naturally on social media, avoiding marketing claims and hard selling.

Social networks are most influential when finding inspiration for purchases



Q What online media do you regularly use to find inspiration for your purchases? (Asked to select 3 options)

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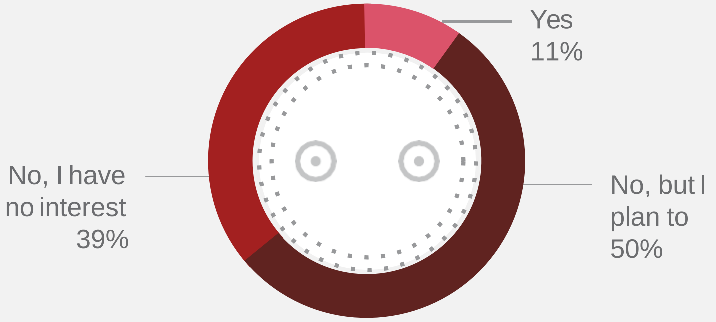
Artificial intelligence: Touchpoints with consumers

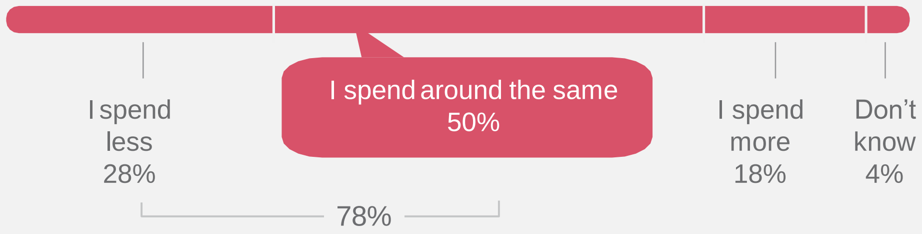
Artificial intelligence (AI) devices are gaining traction in the homes of Malaysians, but it's still early days

Respondents who currently own AI devices:



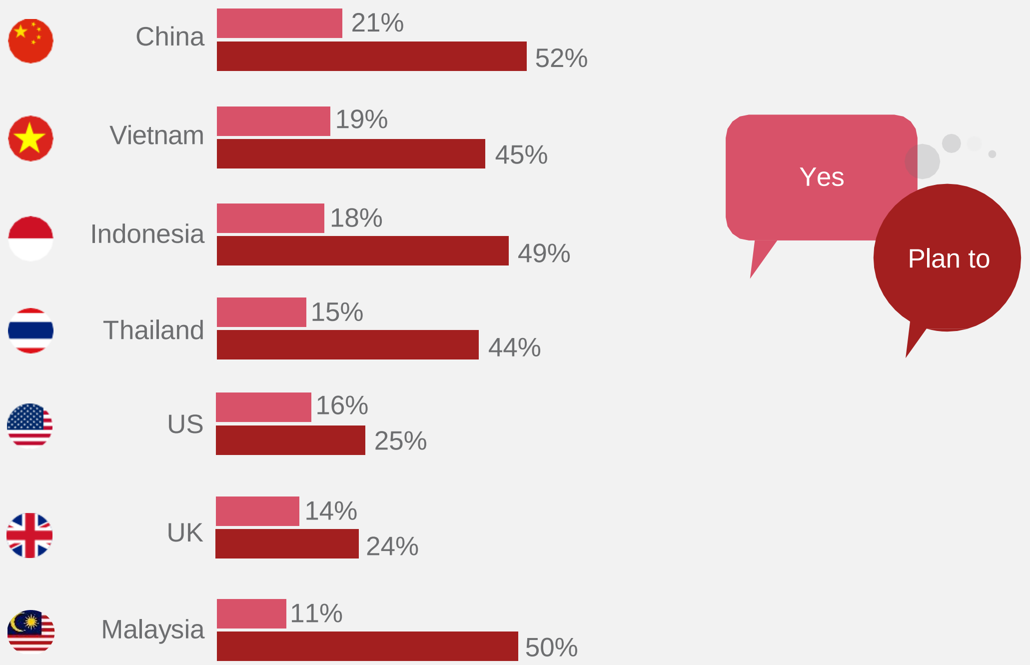
Q Do you currently own any artificial intelligence (AI) devices (robots, automated 'personal assistants') such as Amazon Echo or Google Home?

How AI devices affect Malaysians' shopping spend:



Q How has the use of an AI device affected your shopping spend?

Ownership of AI



Asian consumers appear to be the most receptive to adopting AI devices for shopping. In China's massive consumer market, more than one in five respondents (21%) already own an AI device and more than half (52%) plan to buy one. The story is similar in Vietnam, Indonesia, Thailand and Malaysia. Malaysian consumers who plan to purchase an AI device double that of the UK and US. In practice, however, Malaysians remain conscious of ways to reduce online security risks. This may influence their buying behaviour for new technology (see page 18).

Characteristics of the early adopter of AI in Malaysia

Early adopter*

High expectations
24% expect same-day delivery

Comfortable shopping online
Less likely to be concerned with online security issues

Bulk buyer
80% purchase everyday items in bulk

Open to collaborative consumption
Much more open to the renting and sharing of products and services, including personal items/ possessions e.g. their home or car

Upbeat
Positive about the economy (59%) and their personal spend plans

Experiences matter
More likely to spend on culinary classes, subscriptions and fitness classes

Tech savvy
More likely to shop via mobile and pay via mobile payment

Less price conscious
Less likely to use price comparison sites, instead seeking inspiration for purchases from blogs

*More likely to be male, aged 25-34

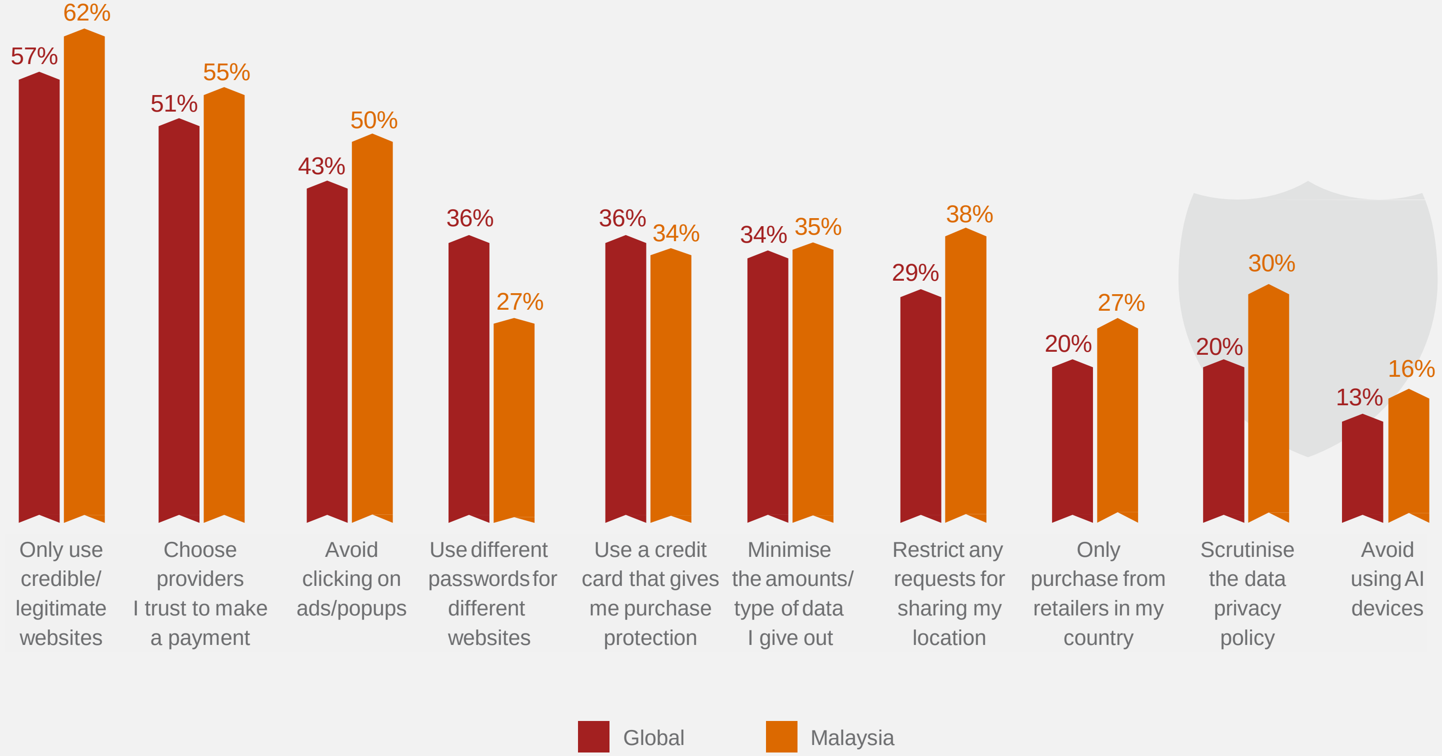
Who do consumers really trust?

Consumers value their online privacy

Trust is essential for retailers seeking to harness data about consumers in order to provide a better experience. Trust also plays an important role in how consumers evaluate online security risks. Our survey asked respondents how they reduce the risk of online security issues and fraud (allowing them to select all the options that apply). Malaysia's score, in almost every aspect of online security, exuded an air of caution that exceeded that of average global perception.

Almost two thirds of Malaysians said they only use credible and legitimate websites (62%) or choose providers they trust when making payments (55%). Other factors, such as minimising the amount of data given out and avoiding the use of artificial intelligence (AI) devices (like Amazon Echo), trailed far behind.

Malaysians remain conscious of ways to reduce online security risks

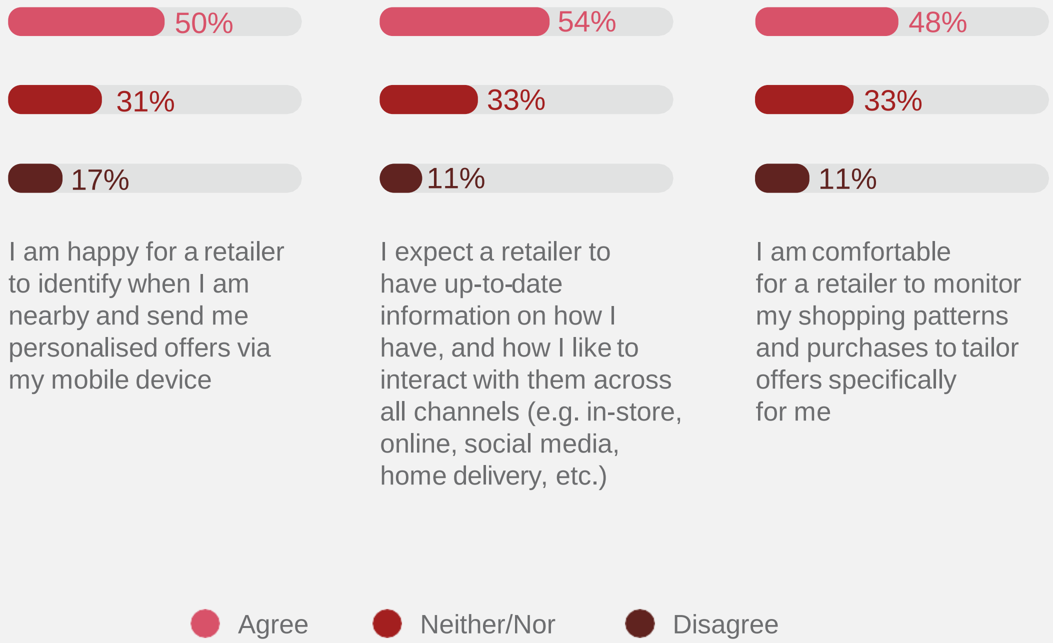


Q How do you personally reduce the risk of online security issues/fraud? (Respondents were asked to select all that apply)

Trust and reliability are what influence Malaysian consumers to a particular retailer

Q Other than price, what influences you to shop at a particular retailer? (Asked to rank top 3)

In the age of increasing surveillance, the biggest concerns for Malaysians are around being tracked



Q Please indicate how strongly you agree or disagree with the following statements.

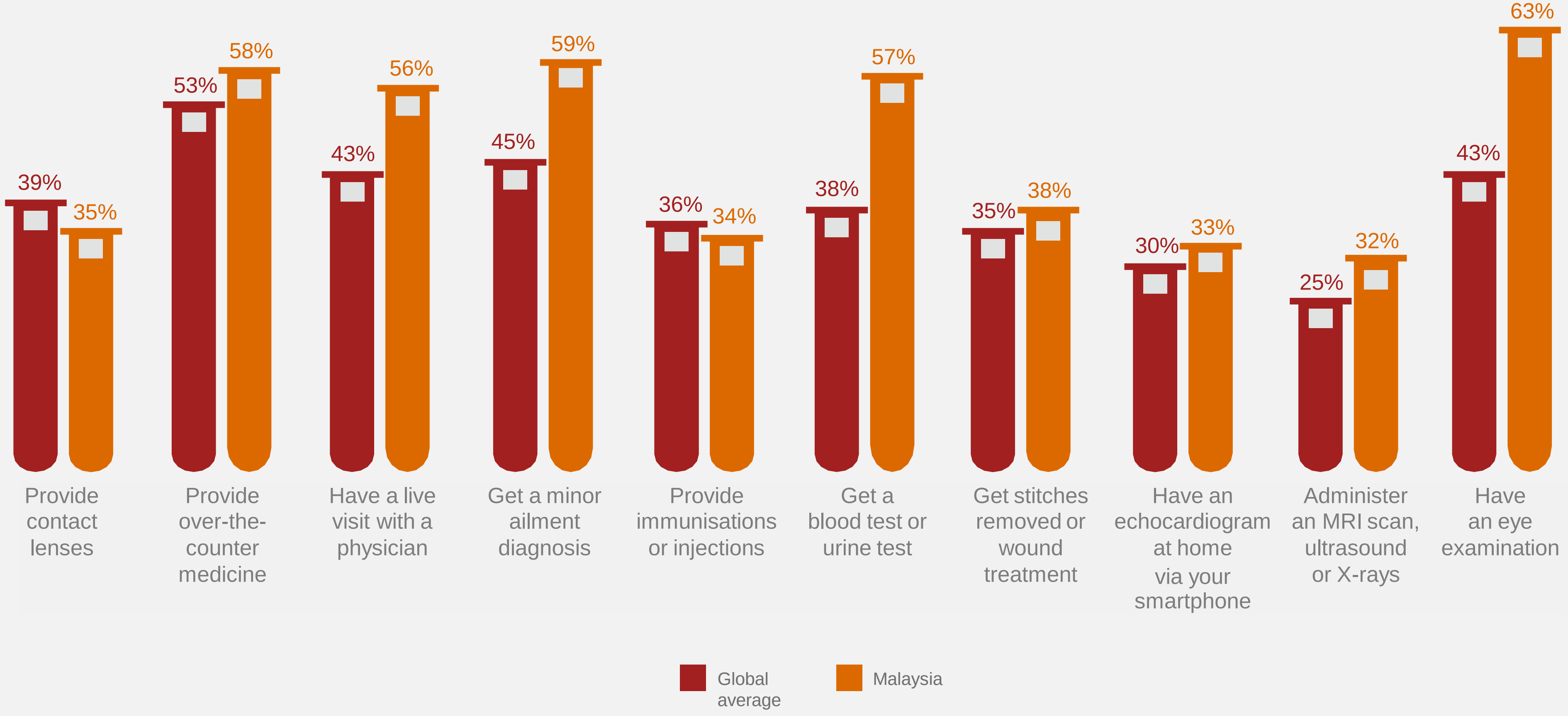
Gauging trust in healthcare at retail locations

As retailers join the ranks of non-traditional healthcare providers, it is important to understand which types of services consumers trust them to provide. Retail health clinics refer to walk-in clinics located in retail stores, supermarkets and pharmacies.

In separate surveys conducted by PwC's Health Research Institute, 35% of US consumers have visited a retail clinic in 2014 compared to 9.7% in 2007[2]; while in 2016, 88% of US consumers said that they are likely to seek treatment in retail clinics in the future[3]. Retail clinics aim to be the consumer-friendly alternative to the traditional doctor's office and a much more affordable site of care than a hospital emergency room.

Among our global sample and similarly in Malaysia, more than half (58%) would trust a non-traditional provider to offer over-the-counter medicine. Malaysians also trust non-traditional providers enough to obtain minor ailment diagnosis (59%), get a blood or urine test (57%) and have eye examinations done (63%).

Healthcare in retail trend; Malaysia's positive sentiment exceeds global averages



Q Would you trust a non-traditional healthcare provider, such as a retail store or pharmacy, to provide the following?

[2] PwC Health Research Institute "Healthcare's new entrants: Who will be the industry's Amazon.com?" 2014
[3] PwC Health Research Institute "Medical Cost Trend: Behind the Numbers" 2017

Conclusion

It’s clear that the rapid pace of technological developments has a significant impact on how and where Malaysians shop. To satisfy the needs and wants of today’s consumers, companies should shift their focus and business strategies accordingly. This means paying more attention to smartphone trends, enhancing in-store experiences (especially in emerging markets), making strategic investments in technology like AI, and fortifying their cybersecurity in order to earn and keep consumer trust.

In our current retail landscape, where consumers are inundated with choices, companies that understand and can adapt to these changing consumer demands will be empowered to gain an edge over their competitors.

Are you building trust with your consumers?

Do your consumers believe you are authentic?

Do you understand your consumers’ aspirations?

Do you sound overly promotional?

Is your brand a trust champion?

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