How Southeast Asia’s New Emerging Middle Class is Embracing the Digital World
Learn about the new consumer habits and digital journeys of the fastest growing population across Indonesia, Malaysia, the Philippines, Thailand and Vietnam—and the opportunity this presents to marketers and brands.
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The market
Some call it “the rising wave”—a large middle-class now emerging throughout Southeast Asia. Fueled by rising incomes, this new middle-class community across Indonesia, Malaysia, the Philippines, Thailand and Vietnam will approach 350 million people and have a combined disposable income of $300 billion (USD) by 2022.\[1\] The importance of this audience can no longer be ignored. In the past, some advertisers may have overlooked these important consumers, thinking them slow to adopt digital platforms and tools simply because they were located far from big cities.

[1] “The Rising Middle Class” by Bain & Company (Facebook-commissioned study of 4,745 people ages 18+ in ID, MY, PH, TH, VN), Feb 2018. Disposable income measured in Purchasing Power Parity; Middle Class defined as people earning $16–100 (USD) daily.”
“People outside of the major cities are online mainly for passive entertainment or chats.”

HEAD OF MARKETING, LEADING CPG COMPANY

Today, we know this is a myth, as digital adoption and expansion in the top 5 Southeast Asian countries shows otherwise. Now is the time to understand them better.

One proof point in dispelling such a myth: Digital adoption is faster than ever in Malaysia, Thailand, Indonesia, the Philippines and Vietnam.
A Leapfrogging Economy

Electronic payments are spreading fast

Smartphones are everywhere

Smartphone connections to total market population (ID, PH, VN, MY, TH)[2]

Logistics investments are reflecting the ecommerce fast growth in the region

SEA ecommerce logistics spend by market[4]

>$30 Billion
Amount forecasted for SEA mobile payments by 2022[2]

To help marketers gain a better understanding of this untapped market and rising consumer segment—who they are and the issues they face as they move forward balancing modernization with respect for tradition—Facebook and Bain & Company worked with Quantum to conduct an extensive study in 16 non-capital cities across Indonesia, Malaysia, the Philippines, Thailand and Vietnam.

The research conducted in June 2018 covered a range of consumer behavior and attitudes and was based on the following:

- 80 consumers ethnographic immersions
- 160 face-to-face group interviews
- Across 5 markets

“We are aware that we need to pivot fast to engage. But for all sorts of business reasons, we are not able to innovate fast enough.”

SENIOR VP, MARKETING
LEADING CPG COMPANY
“The challenge is to reach these consumers and deliver the right content. TV generates awareness but doesn’t have the flexibility to target consumers.”

MARKETING DIRECTOR
LEADING CPG COMPANY

Separately, Bain & Company conducted an online survey of 4,745 digital consumers across Indonesia, Malaysia, the Philippines, Thailand and Vietnam, which helped to provide more in-depth views of the emerging middle-class landscape of the top 5 Southeast Asian countries.

As part of the research, we also spoke with 40 industry and business leaders across Southeast Asia and found that despite 77% recognizing the emerging middle-class as a driver of growth, only 15% of the leaders think that their companies are ready to market to the emerging middle-class, with 60% stating that they lacked a clear marketing strategy.[5]

“Our company doesn’t have a lot of understanding and knowledge on this emerging group of people... We don’t have the right sales channel to reach this target group.”

EVP MARKETING,
LEADING FINANCIAL SERVICES COMPANY
The findings
By increasing their digital footprint, members of this growing middle-class widen their worldview beyond the limits of work, neighborhoods or traditional expectations. They now enjoy a huge privilege that previous generations did not: greater power to choose. They can choose the person they want to be, the people they want to be with, the places they want to go and the passions they want to follow. Business leaders looking to reach this hugely influential group can begin by understanding these four shifts.
The power to define identities

The power to pursue dreams and passions

The power to reach broader communities

The power to gain joyful experiences
The power to define identities

Today’s emerging middle-class consumers are able to define their own modern identities through the power of digital connectivity, while still maintaining strong ties to their traditional cultural backgrounds. These blended identities allow them to express and shape their points of view.
“The benefit of having this business is that I can go on vacation without affecting my family’s finances. It’s important to have priorities in life, for me it’s my family and my child.”

The mom who chooses to be an omnichannel fashion entrepreneur

Being a mom to a three-year-old girl doesn’t stop Ninda from pursuing her ambition of running her own Islamic modest fashion business. Ninda opened an online shop as well as a physical store, all while juggling her duties at home, explaining that owning the shop gives her an identity beyond that of a wife, mother and daughter. She’s savvy in using dual online and offline strategies to bring in new foot traffic to her brick-and-mortar clothing store while cross-promoting her clothes on social media and online marketplaces. For her the key to success is persistence, to keep a lookout for what will interest her customers the most.
The driver who chooses to put his family first

It wasn’t a tough decision when Randy made the switch from teaching to becoming a driver for a ride-hailing app. Spending time with his daughter and wife is his main priority, and compared with his previous job he now enjoys flexible working hours, more income and more time with his family.

“With ride-hailing apps I can work whenever I want and it has made it easier to provide my daughter with the things she needs. Social media is important to me as it has allowed me to fulfill my dreams and taste success. I wouldn’t have the choices I have now if it wasn’t for the Internet.”
Meek’s rural roots have not held her back from embracing the world. While her college peers are into Korean pop and culture, Meek is a fan of Chinese pop and culture. Social media allows her to connect with her idols allowing her to embrace all things C-pop.
The business grad who chooses to be sociable

Adrian uses social media to express himself. He’s into travel, food and celebrities and has even created his own social following. The platform is a source of inspiration to him and Adrian gets a real buzz from positive reactions from his followers.
Thanh Nga may still be a student but she has already started several online ventures mainly using Facebook as a platform to sell products that she finds are trending. Being the driver of these businesses gives her confidence and independence. Her hope is that one day she will be looked at as an experienced and successful businesswoman.
The power to reach broader communities

Distance doesn’t pose a challenge for members of Southeast Asia’s emerging middle-class, the way it did for previous generations. Online communities help bring people together, uniting those with shared passions, aspirations and challenges. These online communities also function as support systems that can broaden members’ behaviors, attitudes and world perspectives.
“I use social media much more now. I chat or call my customers on messaging apps. In order to sell things, for example, I promote them on social media.”

Chai aspires to become a renowned hairstylist, and social media helps him advance toward his goal. The local salon owner shares photos of his hairstyles online, and building a community of followers motivates Chai to improve his expertise.
The mom who chooses to be a role model for other moms

Friends help friends. That’s the type of role model Frenelyn hopes to set for her fellow moms. Being a mom of two with another on the way, and having benefited from advice from online communities and parenting apps, she believes that these platforms are akin to a trusted friend for all parents. It was through Facebook that she connected a friend to another mom to buy a special breast pump to help feed her baby with a cleft palate.

“With my friends, I usually share posts on topics like how to take better care of our children, and how to be a role model to them.”

Watch the video interview
Prayog has belonged to an online gaming community for many years and feels it encourages, teaches and inspires him. He says that he’s now giving back to the community by offering his expertise of the game to help other players win higher levels.

“\textbf{I know how difficult it is to play certain levels in a game. Being part of an online community gives me a reputation and I’m thankful for its source of knowledge and inspiration all these years.}”

\textbf{The gamer who chooses to help level up fellow players}

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The cashier who chooses to embrace Korean culture

Hien works as a cashier at her local Korean restaurant and considers herself an ultimate fan of Korean culture. Thanks to a proliferation of online communities, she’s able to teach herself the language via social media groups and online videos. Her goal is to one day work for a popular Korean technology brand.
Shahan is a truck driver in the city, working long hours to support his parents and 7 siblings back home in his village. But the 25-year-old is not all work and no play; he is a keen biker and an active member of many online biking communities. Often, he joins up with a group of 15 bikers on epic weekend tours across Malaysia.
The power to pursue dreams and passions

The pursuit of personal passions, long considered frivolous by many in developing Southeast Asia, is now not only possible but is also celebrated. The emerging middle-class now sees more of the world online, and dreams beyond their socioeconomic constraints to define new futures for themselves.
Growing up, Fadli always wanted to attend culinary school, but the idea was discouraged by his parents—it was viewed as an unconventional dream for an Indonesian man. However, his passion for the culinary arts never faltered. Despite the time constraints of his marketing day job, he started learning baking techniques from his wife. Together, they launched a thriving cookie baking business, which the couple promotes on social media to a rapidly growing community of followers.

“Without the internet, I wouldn’t be able to showcase my cookies and expand my business.”

FADLI
SURABAYA, INDONESIA

The food lover who chooses to open a cookie business

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The home salon owner who sees her future abroad

YenVy is young and ambitious. Although she has only recently completed high school, the home salon owner is self-taught and wants to study in the United States where she can expand her beauty skills. She turns to social media for nail design inspiration, along with a steady stream of beauty trend videos. She knows she’s capable of much more and can’t wait to start her own journey of making her own content someday.

“My goal is to travel to the US where I can learn other hair and beauty treatments. I’m practicing my English and one of the ways I’m doing it is by reading language tips online and following online videos.”
As a working mom with 2 young boys, Elyn is not satisfied with her day job at a real estate company. Instead, she is passionate about being a reseller agent for her friends who bring in clothes from Thailand and listing these products online. Her motivation stems from wanting to be independent through her own income and not to rely on her husband. She’s also a huge advocate of using online groups to inform her purchasing decisions. From comparing prices and reviews of premium refrigerators to baby food, Elyn feels assured that the online community is as trustworthy as her own friends.

“I use more than 30 social media groups on parenting and retail to get the word out for my products. I hope to quit my day job and become a full-time drop-ship agent.”

The secretary who chooses to get ahead

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The homemaker who chooses to be her own boss

After retiring from her job, Ong was feeling restless. Yearning for the financial independence she previously enjoyed, she decided to pursue online entrepreneurship. Her first venture was as a reseller of coffee that she actively promoted online. She hasn’t stopped opening and running new businesses since. Her other ventures include dog breeding and offering transportation services.

“We are all selling things online. If people ask us questions, it’s just easier to communicate. By being on social media, it becomes official. If you were just scrolling on your phone, you don’t get any income, but with this opportunity to sell using your phone you can earn income.”

Watch the video interview
Ernest dreams of turning his hobby into a business. He uses online groups to reach out to photography experts to learn about lenses, techniques and filters. He regularly posts his work online for critiques and is gradually improving his craft.

The budding photographer who chooses to go professional

ERNEST DIGOS, PHILIPPINES
The power to gain joyful experiences

Our findings reveal that members of Southeast Asia’s emerging middle-class have become more discerning in what they buy, and how they buy it. They now use digital marketplaces and social media sites to seek out and purchase things that bring them joy—whether that means travel, cosmetics, experiences and branded goods. They use social media to elevate their sense of confidence, their sense of status and to display their achievements.
Jay’s greatest joy comes from skateboarding. When he’s not at work at the call center, he creates videos of himself and his friends skateboarding to be published on his own channel. He’s recently bought himself a pair of sneakers that have been endorsed by Riley Hawke, a famous skateboarder, that he follows on social media.

“I feel proud that I have this type of sneakers and that no one has it in Davao or even in the Philippines! If you don’t have the internet, searching for shoes is really hard.”

Watch the video interview
The rice trader who chooses wanderlust

As a rice trader, Cuong works seven days a week in the business he runs with his brothers. Life is hectic and while business is developing, he feels that he deserves some “down time” to de-stress. This perception of taking time off is far from that of his parents’ traditional point of view. He has been savvy enough to save money to take short trips with his wife-to-be. Thanks to social media and travel websites, he’s always finding new places to explore such as where he may be going for his honeymoon.

“I travel to the nearby islands. I also go for some long trips. Get together with friends and plan. It helps to change the air and atmosphere. It is a new environment and you feel refreshed.”

Watch the video interview

CUONG
CAN THO, VIETNAM
“I’m up to try everything from cowboy-themed cafes to traveling long distances to try out the latest food trend. I’ve even driven to Johor Bahru just to buy snacks that were trending on social media. That’s how much I enjoy food culture.”

The multitasker who chooses to follow food trends

By day, Sarinah wears many hats. She’s a translator, tutor, insurance agent, research assistant, online honey seller and ride-hailing app driver. Despite her hectic schedule, she’s always hungry to embark on her next food adventure by following the recommendations of her favorite food influencers.
The amateur player who chooses to look like an athlete

Tom is an ardent football fan with a passion for looking the part. He buys branded sportswear to complete his image as a sportsman. He loves showing off his gear at football tournaments and posting about it online.
Dita finds joy in high-end brands and aspires to own them one day. She’s drawn to these types of brands as desirable status symbols because they create an influential image. She follows influencers and online communities to keep track of the latest designs.
What it means for marketers
Choose Products:

*Design for experiences* – Find ways to reach out to middle-class consumers who are open to new experiences and custom products. Indonesia’s Garudafood built its reputation by selling small packets of food at inexpensive prices. Now, it is growing by introducing more premium products, developing new biscuit flavors, for example. It recently launched a successful green tea latte product exclusively on Tokopedia.[6]

*Anchor in local roots* – Most members of Southeast Asia’s emerging middle-class strive to retain their heritage while quickly embracing modern perspectives and conveniences. Tap into this mindset by offering a value proposition that balances traditional culture with modern needs. Wardah is an Indonesian cosmetics company that inspires women to be ambitious and pursue their dreams while also staying true to their religious convictions. The company has achieved growth by focusing on Halal beauty products. It initially targeted ambitious, modern hijabers, but has expanded to gain popularity among non-hijabers. For its efforts, Wardah has captured 30% share of the makeup market in Indonesia.[7]

New choices for consumers means new choices for companies

Here are a few fundamental choices companies can make to grow along with Southeast Asia’s emerging middle-class:

Choose Paths:

*Ride on the mobile moment* – Earning mindshare with Southeast Asia’s middle-class consumers means reaching them across touchpoints and knowing what they want to experience. Ponds accessed more than 12 million women through its location-based campaign that spoke to young women commuters on the dangers of pollution to their skin. The campaign helped contribute to 5% revenue growth for Ponds.

*Embed in digital communities* – Create avenues for your audience to have engaging, two-way conversations with you by building online communities across platforms. Explore tactics such as promotions or contests that attract followers and provide an incentive to influencers who could acknowledge your brand. In Malaysia, Fashion Valet boosted conversion rates when it used exit intent technology and behavior targeting to appeal to a segment of visitors to the Valet Malaysia site.

Choose Channels:

*Win with ecommerce* – Some consumer goods companies are thoughtfully growing their presence through strategic use of ecommerce and social commerce, the latter of which is bigger in Southeast Asia than in many developed markets. Thai fashion purveyor Hamburger Studio is achieving 100% annual growth by promoting its products on mobile commerce platforms and offering engaging and visually immersive mobile experiences.

*Push experience-first channels* – Encourage revisits to your channels by creating in-person experiences. Experience-first marketing builds memorable relationships between you and your audience and enhances the purchasing experience. In Thailand, Pomelo came to life as an online fashion site but in 2018 has identified 800 locations for potential micro-retail stores in which customers can experience the products before buying.

*Build a radar for disruptor brands* – The digital world is constantly changing, with new ideas turning into product or service offerings faster than before. Incumbent companies are striving to understand and ride new market trends, while new niche brands explore opportunities to grow into the mainstream.

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In conclusion

As Southeast Asia’s middle-class grows along with digital capabilities, companies have a unique opportunity to reach a vast new community of consumers just as they are gaining exposure to different brands and developing preferences. The steps that companies take today will shape consumers’ choices tomorrow.