Surfing Southeast Asia's Powerful Digital Wave

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Introduction

Few regions are adopting “digital everything” as quickly, enthusiastically, and deliberately as Southeast Asia. In particular, social media is seeing enormous uptake, reflecting the long-standing importance of community ties within the region. Brand-new research by Accenture tracks the strength and momentum of Southeast Asia’s digital acceleration, details the specifics of its consumers’ online behavior and purchasing modes, and touches on what these trends imply for businesses—local and multinational—that are planning for significant growth in the region.

It’s 5 p.m. in Ipoh, Malaysia, and shop assistant Mathuram a/p Anbuselvan is hurrying home from work. AirAsia’s Twitter feed has just alerted her that the airline has new discounts for flights to Hong Kong, where her sister works.

Like nine-tenths of the low-income citizens of the so-called ASEAN* 6—Singapore, Malaysia, Thailand, Indonesia, the Philippines, and Vietnam—who have Internet access, Mathuram is an enthusiastic user of microblogs and social networks. Through them, she stays in contact with her sister and with school friends who work abroad. And through them, she tracks down the best airfares, regularly scanning the Twitter feeds and Facebook pages of Tiger Airways and Cebu Pacific Air as well as AirAsia.

At the same time, managing director Nicholas Shao is starting a late meeting in his forty-eighth-floor office in One Raffles Place in Singapore. His architectural firm has recently begun using tablets (more than a third of online Singaporeans now own one), and Shao’s team members are using them to review a lustrous new metal-cladding material that may help them win business in China’s tier 3 cities. One member of the team who can’t be there in person is using Apple’s FaceTime video-calling application to join the meeting and contribute to the conversation at no additional cost to Shao’s firm.

Meanwhile, at Pondok Indah Mall in one of Jakarta’s suburbs, Liani Sudjarwadi is using BlackBerry Messenger (BBM) to exchange messages with her daughter, a college student in Jakarta. It’s the fourth time today she’s done so. Like many of her fellow shoppers, Sudjarwadi is an avid BBM user. (In fact, Indonesia is now the world’s second-largest market for BlackBerry.) One of Sudjarwadi’s stops is a mobile-phone kiosk in the mall, where she checks out the new smartphone handset that her daughter had said would let her use software applications to compare prices of different items while she shops.

The Southeast Asian people we’ve described are fictional, but their stories certainly are not. This is a region that is very much on the rise, in terms of both its economic growth (combined, the ten countries that make up the ASEAN trading bloc are equivalent to the world’s ninth-largest economy) and its peoples’ insatiable appetite for all things digital.1 (See “The coiled spring of Southeast Asia’s digital demand” on Page 16) Many more people are connecting with mobile phones, more and more services are becoming available online, more apps are being developed locally, and more bandwidth is opening up.

What this means for businesses—for multinationals as well as local Southeast Asian companies—is no big secret. To properly take advantage of the region’s abundant opportunities and its strong free-market bias, it’s necessary to understand its digital momentum at every level—as viewed by policymakers as well as its 600 million citizens.2, 3

Many think tanks and research organizations continue to examine the growth trajectories of the ASEAN bloc and its component nations. But there has been scant study of the region’s surging digitization. Despite eye-opening rates of uptake, digitization is unlikely to figure prominently in the business plans of global businesses. Therefore, leveraging data from a TNS Digital Life study completed in late 2011, Accenture launched an in-depth study to determine the extent to which the digital wave is impacting the ASEAN 6 and to identify the characteristics and pace of consumers’ adoption of digital activities. (See the appendix “Research methodology”) Our findings illustrate plainly that those who want to excel in Southeast Asia have much to think about—and plenty of digital opportunities to pursue.

*The Association of Southeast Asian Nations (ASEAN) is a political, economic and cultural organization of ten member countries located in Southeast Asia.
Digital defined from the consumer’s perspective

Digital is no longer defined by the hardware, the software, or the platforms we use. It is a medium that enables us to connect, interact, and engage virtually with individuals, groups, communities, and now brands. It’s almost 20 years since the mobile phone began to transform the ways in which people connect and communicate on a large scale. More than 15 years ago, the Web added another dimension. And in the past six years, social networks have exploded yet another means of facilitating and reshaping interpersonal and interorganizational connections.

The growth of digital in Southeast Asia

194m

New Internet users will come online between 2010 and 2020 in the ASEAN-6 nations, 91 million of them from Indonesia alone.
Surprised by Southeast Asia’s digital wave?

The Southeast Asian region is a hotbed of digital adoption, however you measure it. (See the sidebar “Digital defined from the consumer’s perspective”) Let’s review the basic statistics first. On average, 95 percent of the online population in Singapore and Malaysia—the region’s most developed markets—own a laptop or PC, compared with a global average of 85 percent, according to the study. Mobile-phone use is off the charts: 87 percent of Internet users in those two nations own one—five percentage points higher than the global average. Yet, mobile-phone ownership among online populations in the region’s four less developed nations in our study—Thailand, Indonesia, the Philippines, and Vietnam—is even higher than in the developed markets, coming in at 90 percent. Given fixed-line infrastructure limitations, many Internet users in these markets have gone straight to mobile as their digital device of choice.

The numbers for adoption of more advanced digital tools look just as impressive. Smartphones? Almost 70 percent of the online population of Singapore and Malaysia already have one, compared with the global average of 52 percent. Smartphone sales are expected to grow4 in Vietnam, Indonesia, and Thailand at compound annual growth rates of 37 percent, 31 percent, and 27 percent, respectively, from 2011 through 2016. Wireless home routers? Penetration is 77 percent of the online population for the two developed ASEAN nations, compared with 54 percent worldwide. Tablets? It’s 27 percent compared with 18 percent globally.

Perhaps the most eye-opening statistic is the rate of digital adoption by the less developed markets. Just one more statistic: daily social-media use among Internet users in Indonesia rocketed from 14 percent in 2010 to 65 percent in 2011. All the well-known global Internet and social-media services are already well established in Southeast Asia: Gmail and Hotmail; Facebook, LinkedIn, and Blogger; Skype and Google+; YouTube and Flicker; eBay; and, of course, the iTunes store and Google Play store. But home-grown services are in evidence too, from Malaysia’s Mudah e-marketplace and Sanook!, Thailand’s most popular multimedia and entertainment portal, to Vietnam’s VnExpress news portal. That combination of global and local players is creating a vibrant, fast-changing, competitive digital ecosystem, which companies and their brands must carefully assess and exploit as part of their overarching digital strategies.

Such assessments will almost certainly have to grow in frequency and importance as digital consumption trends continue to increase in significance and complexity. Online Southeast Asian consumers show even stronger interest in almost all new online services than their global counterparts—especially in playing games online over social networks and watching video content online. (See Figure 1.)

It is interesting to note that there’s a kind of “addiction” effect in play: the longer Southeast Asians are online, the more time they spend on more online activities. Across the region, those who have been online for more than five years spend ten hours a week longer online than those who have been online for less than five years. (See Figure 2.)

It is surprising that all this time spent online is not occurring at the expense of more traditional forms of media. Overall, daily TV viewing of the online population stays fairly consistent regardless of how long people are online. Similarly, daily reading of a physical newspaper remains fairly consistent over time. Large numbers of people are using digital devices while they watch TV—more than 40 percent of mobile-phone users in the region do this. So the opportunity for businesses is to forge stronger relationships with consumers by encouraging them to Tweet or post content on Facebook about what they’re seeing on TV in real time.

The growth in daily social-media usage among Internet users in Indonesia in 2011.

2010  14%

Social-media growth

65%

37%

31%

27%
The Southeast Asia region also shows a stronger interest in new online services than the global audience.

**Figure 1.**

**Interest in Future Service Usage**

<table>
<thead>
<tr>
<th>Service</th>
<th>Percentage of non users</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet Banking</td>
<td>20%</td>
</tr>
<tr>
<td>Online games via SN</td>
<td>10%</td>
</tr>
<tr>
<td>Location-based Services</td>
<td>15%</td>
</tr>
<tr>
<td>Timeshifted TV</td>
<td>12%</td>
</tr>
<tr>
<td>Watch live video online</td>
<td>8%</td>
</tr>
<tr>
<td>Watch on-demand video online</td>
<td>5%</td>
</tr>
<tr>
<td>Watch video created by other Internet users</td>
<td>3%</td>
</tr>
<tr>
<td>Watch video created professionally</td>
<td>2%</td>
</tr>
</tbody>
</table>


**Figure 2.**

**Percentage of respondents accessing medium daily**

<table>
<thead>
<tr>
<th>Medium</th>
<th>Singapore</th>
<th>Malaysia</th>
<th>Thailand</th>
<th>Indonesia</th>
<th>Philippines</th>
<th>Vietnam</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online leisure</td>
<td>55%</td>
<td>46%</td>
<td>48%</td>
<td>22%</td>
<td>14%</td>
<td>48%</td>
</tr>
<tr>
<td>TV</td>
<td>46%</td>
<td>45%</td>
<td>45%</td>
<td>86%</td>
<td>89%</td>
<td>82%</td>
</tr>
<tr>
<td>Newspaper</td>
<td>48%</td>
<td>50%</td>
<td>50%</td>
<td>15%</td>
<td>14%</td>
<td>33%</td>
</tr>
</tbody>
</table>

- **Experienced users (Online for more than 5 years)**
- **Inexperienced users (Online for less than 5 years)**

Although digital Southeast Asia is still very much a work in progress, some important business implications are immediately apparent. Clearly, digital consumers in each of the six major Southeast Asia markets are very keen on leveraging the social aspect of the Internet, reflecting their societies’ social and collective cultures in years gone by. Indeed, social networking is the primary fascination of all Southeast Asian consumers when they’re online—and thus a very influential channel for businesses. (See Figure 3 and “It’s not about the Internet—it’s about “Fesbuk.”)

This has enormous meaning for businesses. For one thing, being online increasingly means shopping online; e-commerce activity continues to grow as a proportion of time spent online. At the same time, social networks are turning e-commerce into a social—and sociable—activity, with friends comparing notes on product pricing and quality, sharing tips on bargains, and showing off their new purchases to each other, while group-buying sites are pooling the desires and purchasing power of strangers to propel commercial transactions.

What does this imply for companies expecting to be in contention for big market share in Southeast Asia? They will have to sharpen their own presence on social networks. As part of that effort, they also need to understand the subtleties of Southeast Asian consumers’ increasing reliance on a wider range of online information when those shoppers are making their buying decisions in both the online and offline worlds. And businesses will need to recognize the need for sensitive ways of connecting with consumers, whetting their appetites for more information with just enough information while taking care not to turn them away by bombarding them with messages. We’ll explore all of these issues in more detail below, but first, we will take a look at the unique drivers of digital adoption in the region.

Figure 3.

Southeast Asian consumers spend most of their online leisure time on social networking – driven by the Gen. Y population

Share of hours spent in an average week online

Consumers in developed Southeast Asia rank social networking as second priority (email is first), yet the social networking takes up the bulk of their online time.

Developed Southeast Asia: Singapore, Malaysia
Developed Southeast Asia: Indonesia, Philippines, Thailand, Vietnam

- Social networking & connecting
- Email
- Multi-media & entertainment
- Online gaming
- Personal interest
- Shopping
- Pre-purchase & browsing
- Knowledge & education
- News, sport & weather
- Personal admin
- Planning and organising

Quick quiz: Which cities are Facebook’s biggest fans? The answer? Bangkok and Jakarta with 8.7 million and 7.4 million users, respectively. 5

In Southeast Asian nations such as Thailand and Indonesia, the Internet translates as “social networking.” In fact, Facebook is often viewed as separate from the Internet, and social networking is what Southeast Asian consumers everywhere do during their online leisure time.

The entire Southeast Asian region is rapidly becoming connected through social media. Many of the cheap feature phones sold in Indonesia come with Facebook—“Fesbuk” as it is called in Bahasa Indonesia—preinstalled. For many users, it’s their first online experience, and they are unaware of the online world beyond Fesbuk. Uptake has been remarkable in Indonesia, where daily social-media use soared from 14 percent of Internet users in 2010 to 65 percent in 2011.

In contrast to China, Southeast Asian nations have been very outward looking in their adoption of social media, making abundant use of Facebook, LinkedIn, Twitter, Zynga, and others familiar in the West, alongside “imports” such as South Korea’s Cyworld.

The implications for business could not be clearer: if you want to reach Southeast Asian shoppers, you’ve got to get “social-savvy” ASAP.
Factors propelling the region toward digital maturity

From a business perspective, Southeast Asia’s digital transformation is being propelled by several uniquely local characteristics. Economic growth in the region is surging, making Internet access more affordable. Steady improvements in the price-to-performance ratio of mobile devices, coupled with improvements to battery life, have helped consumers bypass infrastructure roadblocks, especially in the less developed markets. Evolving demographics have created a critical and fast-growing mass of youthful, urban, middle-class consumers who are hungry for the best digital experiences technology can offer. And all the while, Southeast Asia’s governments are pushing aggressive agendas for information and communication technology (ICT), recognizing its potential to drive more inclusive economic growth and innovation by connecting more of their populations to the Internet. Let’s take a quick look at each factor.

China, India, and Brazil have been grabbing so many economic headlines that Southeast Asia hasn’t really had a look-in. Yet by 2020, ASEAN as a region is projected to be the world’s ninth-largest economy and Asia’s fourth largest. In U.S. dollar terms, that’s US$1.9 trillion just eight years from now.6 (See Figure 4.)

The growth rates of individual ASEAN nations are something to write home about, especially when global business leaders are tracking every decimal point of decline in the growth rate of China’s annual gross domestic product. From 2010 through 2020, ASEAN GDP growth is projected to reach 5 percent—comfortably north of Russia’s 3.4 percent and on a par with Brazil’s. The regional averages hide the performance of the standouts: Vietnam is set to grow by 6.8 percent on average over the decade, with Indonesia clocking in at 5.5 percent.7 This region’s burgeoning economic health is also apparent in the steady rise in disposable income levels—a factor that will almost certainly produce a correlated rise in digital usage. (See Figure 5.)

In the region’s less developed markets, mobile devices will provide the gateway to most Internet access. Fully 60 percent of the online population in those markets stated that they would be happy to do all their Internet surfing over their mobile phones. Certainly, mobile is revolutionizing consumer retail behavior; it allows shoppers to research goods while they are in the stores. Tools such as QR codes, online coupons, and even augmented-reality product overlays can help retailers tap into this trend.

As the price of handsets continues to fall and mobile-data plans become both cheaper and more flexible, adoption of all things digital will gain speed—in some places, exponentially so. Smartphone prices are already in steep decline: sophisticated handsets whose average cost today is more than US$200 are

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Figure 4.

Top Global Economies

![Figure 4](image-url)

Note: Real GDP is based on constant 2005 US$. Source: Accenture Analysis of data from IHS Global Insights, 2011; World Economic Outlook Database; International Monetary Fund, 2010.
expected to sell at an average of US$130 in four years, according to Accenture analysis of figures from Pyramid Research. On-the-ground research suggests that some Android smartphones are already available today for less than US$100. At the other end of the spectrum, manufacturers are packing more and more features and capabilities into ultralow-cost phones that sell for around US$25 and are the go-to models for first-time users in rural areas.

Mobile operators will reap associated growth in revenues from data plans, which are expected to grow 12 percent year on year from now through 2016 to reach US$23 billion. Other companies should quickly assess their readiness to serve their customers over the mobile channel because competition is likely to accelerate quickly. New and diverse offerings are likely to create a virtuous circle, driving further uptake of mobile-data services.

The spread of free WiFi is another game changer. It is increasingly offered gratis in coffee shops, restaurants, and bars throughout Southeast Asia. This means that the challenges that many people have faced trying to get connected—particularly those in rural areas or dependent on fixed-line access—will cease to be problems.

There’s an enormously important point here for retailers: many digital newcomers will not be surfing at home for entertainment purposes. They will likely be found close to or in a retail setting where the time they spend researching a product online and purchasing it offline can be dramatically shorter than if they were online at home.

The region’s young population is set to benefit from the rise in accessibility and affordability of Internet access. In 2010, those under 30 made up 54 percent of Southeast Asia’s population, according to Accenture’s analyses of Euromonitor statistics. By 2020, the figure will be 48 percent—far above the 36 percent for the same age cohort in China. The number to watch behind those numbers is the expansion of the middle class—the traditional engine of consumption. In 2010, 39 percent of Southeast Asian households were in that category; by 2020, 56 percent will be comfortably middle class and will undoubtedly be driving the continuing digital adoption and development of new services to serve their evolving needs.

Another powerful demographic trend is worth watching: urbanization. From today to 2020, the number of Southeast Asians living in cities will have grown by more than 70 million. This will have a big effect on the ease and frequency with which people access the Internet, so businesses will be forced to plan for more highly concentrated urban-customer segments—and for the competition that such expansion will attract. Urbanization, which also boosts awareness of and demand for international brands, will become a characteristic shared across Southeast Asia’s countries. Yet nations such as Indonesia and the Philippines—both archipelagos—will remain home to sprawling rural populations who also demand good access.

**Figure 5.**

Disposable income levels are expected to increase across the region, improving the affordability level of digital devices

**Figure 5.**

Disposable income levels are expected to increase across the region, improving the affordability level of digital devices

**Source:** Accenture Analysis of data from Euromonitor International, 2011.
A region-wide infrastructure plan is helping spur digitization

A World Bank study has indicated that a 10 percent investment in broadband networks can raise economic growth by 1.38 percent. Other surveys have shown that investment in ICT can boost economic growth by at least 3 percent. ASEAN leaders have evidently taken such numbers to heart, because in 2011, they launched a region-wide ICT agenda.

With the slogan “we’re stronger when we’re connected,” the bloc’s leaders created the ASEAN ICT Masterplan 2015, which calls for extensive initiatives such as a broadband corridor linking cities throughout the region and the establishment of a regional Internet exchange to boost connectivity. The declared goals include enhancing the quality of life for Southeast Asian citizens, gaining recognition for the bloc as a global ICT hub, and contributing to ASEAN integration.

Individual nations are working in tandem with the regional master plan. A few snapshots: Singapore and Malaysia have begun gradually to reduce mobile roaming charges between the two countries. Mobile-phone users in Singapore will pay up to 30 percent less for voice calls than they did in early 2011, and the cost of texting within Malaysia will be reduced by as much as 50 percent. A new law in Malaysia is making it mandatory that all restaurants in Kuala Lumpur with premises exceeding 120 square meters offer WiFi to their patrons. In Thailand, 860,000 tablets will be distributed to all first-grade pupils under the One Tablet per Child scheme. And Vietnam’s government is educating farmers—who comprise more than 70 percent of the population—on the benefits of the Internet, highlighting its applications to health and agriculture. Vietnam also has help from the nonprofit sector: The Bill and Melinda Gates Foundation has dedicated US$30 million to set up 12,070 Internet-ready computers at 1,900 public libraries in 40 of the country’s least advantaged provinces.

Meanwhile, Indonesia’s government has set up 5,748 Internet centers nationwide. The standard set-up of one of these centers comprises five Internet-ready desktop PCs. A mobile version has also been introduced. These initiatives are interim solutions until the government can establish a solid Internet network across the country. The plans are big—especially considering the physical sprawl of the country, which spans several time zones and some 900 inhabited islands. Under the US$700 million Palapa Ring project, all major islands will be connected by more than 50,000 kilometers of fiber-optic cable by 2014.

“`We’re stronger when we’re connected.”'

2011

The launch year and vision for the ASEAN ICT Masterplan.
Increasingly connected but never the same

There is a continued push toward ASEAN regional integration, but nobody should ever make the mistake of lumping all of Southeast Asia into one “market.” There are enormous differences from every perspective—religion, for a start. Fully 95 percent of Thais are Buddhists; more than 90 percent of Filipinos are Christians; Indonesia is home to the world’s largest Muslim population; and four out of five Vietnamese have no formal religion. By language too: Malaysians alone may speak English, Tamil, Chinese, or Bahasa Malaysian.20

Internet use is—quite literally—all over the map. Whereas Singaporeans are among the world’s most experienced users—only 11 percent of Singapore’s Internet users started using the Internet in the last five years compared with 27 percent globally—Vietnam’s and Indonesia’s users are newbies, with 55 percent and 79 percent, respectively, who had never logged on before 2006. (See Figure 6.)

The way in which digital consumers engage in online activities varies as well. Whereas 68 percent of Malaysian Internet users write comments about brands online, only 13 percent of Vietnamese users feel comfortable doing so. In Singapore and Malaysia, e-mail is still seen as the most important digital activity, but in Thailand, Indonesia, and the Philippines, e-mail has been overtaken by social networking and connecting. Meanwhile, in Vietnam, where some social-networking sites remain blocked, access to news, sports, and weather updates remains the top priority.

The upshot for companies planning to tap into the region’s digital opportunities: it is crucial that businesses understand how their targeted consumers view the Internet—and know who the most likely influencers are in each case. In Singapore and Malaysia, the Internet is firmly established as a pivotal and even central part of peoples’ lives. In developing markets, digital remains much more aspirational and is seen as an enabler that helps people achieve their goals. (See Figure 7.)

Figure 6.
In Singapore and Malaysia, most Internet users are already experienced, whereas in the developing markets, the opposite is true.

Percentage of online users who started using the internet less than 5 years ago

<table>
<thead>
<tr>
<th>Country</th>
<th>Global</th>
<th>Singapore</th>
<th>Malaysia</th>
<th>Thailand</th>
<th>Indonesia</th>
<th>Philippines</th>
<th>Vietnam</th>
</tr>
</thead>
<tbody>
<tr>
<td>Source</td>
<td>TNS Digital Life 2011</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 7.
Views on the Internet differ across the ASEAN 6

Accenture research suggests that whenever consumers in Southeast Asia’s developing markets get close to the level of digital access enjoyed by their counterparts in more developed regions, a coiled spring of pent-up digital demand will release. This will happen soon—probably sooner than anticipated—and when it does, it will happen at high speed and with astonishing force.

Leveraging inputs from the TNS Digital Life study, Accenture has developed the Southeast Asia Digital Potential Framework to examine the evolution of these trends in more detail. Through an assessment of each market’s relative digital readiness and digital engagement, the framework indicates that current levels of digital maturity vary widely from market to market in Southeast Asia. Digital readiness—comprising measures of a country’s overall ICT availability and accessibility—takes into account development of digital infrastructure, government support, and market conditions as reflected in mobile and Internet usage, affordability, and skill level. Digital Engagement—comprising measures of online consumers’ demand for digital—takes into account their current digital adoption, attitudes, and usage behaviors.

The framework can also be used to understand each market’s digital potential on the basis of an evaluation of a country’s digital aspiration. Digital aspiration measures the strength of current online-consumers’ aspirations toward digital life, despite current limitations in access.

When we look at the aspiration levels of Southeast Asians, the digital desires of consumers are plain to see. (See Figure 8.) Worldwide, just 38 percent of respondents said that they would use the Internet more if access were not so expensive. But in the Philippines, the response rate to the same question was 56 percent, and in Indonesia, an astonishing 79 percent of consumers concurred. On another measure—mobile phone use—Southeast Asians again demonstrated their eagerness to engage with the digital world. Fully 60 percent of Thais agreed that they would be happy to do all their Internet surfing on their mobile devices; 55 percent of Vietnamese said so. The worldwide figure: just 31 percent.

These gauges of digital aspiration act as leading indicators of digital growth opportunities, measuring the strength of online consumers’ aspirations toward digital life, independent of ease of access or limitations to it. These digital-aspiration measures are part of Accenture’s research approach, which, rather than looking solely at historical trends, assesses consumer desire for and levels of future engagement with digital technology.

The framework helps demonstrate that a nation’s technological maturity will be determined just as much by the demands, expectations, and aspirations of its consumers as its digital readiness—the extent to which it has broadband infrastructure in place. (See Figure 9.)
Many Southeast Asian consumers are all-too ready for digital adoption as soon as access costs fall and infrastructure improves.

Source: Accenture Analysis of data from TNS Digital Life, 2011.

**Figure 9.**

Consumer demand and increasing expectations will place pressure on industry and government to act to improve digital readiness in Southeast Asia’s developing markets

**Southeast Asia digital potential (illustrative)**

Digital Readiness is an indicator that reflects each country ICT maturity based on their respective ICT Availability and Accessibility indices. It ranks countries on the scale of 1 to 10, using a composite computed score.

Digital Engagement* is an indicator that reflects consumers’ demand for digital in each country based on their adoption, attitudes and online behavior. It provides a simple one-number guide to the strength of the online relationship within each country online population.

*Based on TNS Digital Life Engagement Index

Source: Accenture Analysis
A solid sense of community—changing but no less profound

Accenture’s research has revealed that there are as many common as divergent strands in Southeast Asia’s digital landscape. One of the most fundamental links is the tight-knit community culture found throughout Southeast Asia: community is central online and offline. Whether the village is called a kampong, บ้าน or கிராமம், life throughout Southeast Asia has for centuries revolved around values of family, mutual respect, collaboration, and courtesy. Within the traditional village structure, the penghulu, or “chief,” ruled over the tight-knit community.

The outward manifestations of the kampong have all but vanished, eclipsed by the forces of globalization, urbanization, personal mobility, and now digitization. However, Southeast Asians now seem to be experiencing something of a renaissance of the kampong. Social networking in particular is proving a critical enabler, helping consumers experience some of the best aspects of kampong life even for people separated by long distances. (See “Welcome to the i-kampong?” on Page 20)
Welcome to the “i-kampong”?

It seems that Southeast Asia’s kampong culture is being rekindled in the digital world. Accenture’s analysis reveals that the region’s citizens put significantly more emphasis on digital connection and sharing than is the global norm. Generally, Southeast Asians are more likely than their counterparts elsewhere to regard the Internet as a way to improve relationships. (See Figure 10.) In Indonesia, for instance, 77 percent of Internet users agreed that the Internet helps them connect closely with people who are important to them, in contrast to the 51 percent of the global sample who said so.

But the online version of the kampong has some interesting differences. In days gone by, everyone may have known everyone else in the village, but now Southeast Asians like to develop huge networks of online friends, many of whom belong to distinct digital communities of individuals and most of whom have not met each other in real life. (See Figure 11.)

As far as businesses are concerned, the big change is that in the traditional kampong, the lines of communication were linear and not much information traveled beyond the confines of a single community. Brands had overwhelming control over creation and distribution of content; they could take advantage of the hierarchy within the kampong, working through the penghulu, or village headman.

However, this doesn’t mean that the kampong is literally being reconstituted online. Building on traditional social aspects, the kampong is being reshaped as an “i-kampong,” with a much flatter hierarchical structure and with multiple, much wider spheres of influence. It could be argued that the i-kampong’s multiple “digital mavens”—the popular Singapore blogger “mrbrown” comes to mind—may be taking over the longtime role of the penghulu. It’s also conceivable that as e-commerce evolves, Southeast Asians will continue to gather in person at the malls to socialize, but they might just stop buying there—effectively turning the malls into giant showrooms whose displays whet consumers’ appetites for purchasing online.

The question for businesses, then, is how to influence the digital mavens? A first step is to acknowledge that they are more likely to be aggregators than individual bloggers. Southeast Asia is alive with one-stop Internet portals that cover every conceivable topic, from multimedia and personal interests to news. Content is curated by users and offers a snapshot of what is relevant at any moment.

Just two examples: Vietnam’s VnExpress, an online news portal, is the second-most-popular website in the country, trailing only Google. VnExpress offers content on a wide range of topics—from domestic news to prices for motorcycles. The site has 31 million page views and 3.9 million visitors daily. And Sanook!, a multimedia and entertainment aggregator, is Thailand’s most popular domestic website, measured by traffic. Users can watch videos of local celebrities, television shows, and user-uploaded content; can play games; and can even create their own avatars for online chat. Southeast Asians also indulge in group buying by using Sanook! coupons.

E-marketplaces are also very popular in Asia, with Malaysia’s Mudah and the Philippine’s Sulit being the top domestic sites. These sites offer more functions than merely the ability to make prepurchase price comparisons. Consumers can apply for jobs, look for business opportunities, and rent vehicles and apartments. Mudah has garnered almost half a million “likes” on its Facebook page. Not to be outdone, Sulit has evolved into more than a shopping aggregator, becoming an online community for Filipino Internet users.

In addition, people are becoming members of multiple kampongs, creating the rapid, often viral, exchange of information among communities—exchanges that in earlier times would have taken days if not weeks, if at all. Some observers believe that the more inclusive and adaptable i-kampong may prove to be more durable than the traditional form.

The questions raised by the i-kampong idea are interesting indeed. Which services from the old days that keep Southeast Asians informed and connected are being replaced by digital equivalents today? How much control do brands now have over the i-kampong’s lines of communication? How can brands make the best use of the i-kampong? Specifically, how do the new spheres of influence affect content creation, the delivery and filtering of information, and the viral exchange of information within and among the kampongs? Efforts to answer such questions should start now.

A closer connection digitally

77%

Percentage of Indonesian Internet users agree that the Internet helps them connect closely with people who are important to them.

Globally 51%
In today’s digital world, Southeast Asians place more emphasis on digital connection and sharing than the global norm.

**Figure 10.**

<table>
<thead>
<tr>
<th>Country</th>
<th>“enables me to pass on news/information to other people”</th>
<th>“helps me expand my network/connect with people I wouldn’t normally meet”</th>
<th>“helps me connect closely to people who are important to me”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global</td>
<td>49</td>
<td>52</td>
<td>51</td>
</tr>
<tr>
<td>Singapore</td>
<td>59</td>
<td>60</td>
<td>54</td>
</tr>
<tr>
<td>Malaysia</td>
<td>62</td>
<td>65</td>
<td>63</td>
</tr>
<tr>
<td>Vietnam</td>
<td>60</td>
<td>63</td>
<td>60</td>
</tr>
<tr>
<td>Thailand</td>
<td>69</td>
<td>70</td>
<td>63</td>
</tr>
<tr>
<td>Philippines</td>
<td>64</td>
<td>70</td>
<td>78</td>
</tr>
<tr>
<td>Indonesia</td>
<td>71</td>
<td>84</td>
<td>77</td>
</tr>
</tbody>
</table>


**Figure 11.**

The region is intrinsically social, cultivating large networks of online friends, many of whom are part of a distinctly digital community who they have not met in real life.

**Note:** Vietnam is an exception due to certain limitations on use of social media in that market.

Businesses that are getting digital
Southeast Asia right

If there were a single watchword—one guiding principle with which to tackle Southeast Asian markets—it would be agility. Given the pace of change as the forces described above buffet the region, many multinationals and most local businesses will have to adapt if they are to keep up.

AirAsia shows what’s possible. The Malaysian airline—the region’s largest budget airline by fleet size—stands out for its use of digital to actively engage consumers using a wide variety of channels and media. It gets high scores for targeted engagement, understanding that promotions and competitions are key reasons for Southeast Asians’ signing up for brand communities. The carrier has integrated these activities, as well as customer service functionalities, into its core social-media strategy on Facebook and Twitter.

Concurrently, AirAsia has mastered the mobile platform. Its mobile app, which has been downloaded more than 2 million times from the iTunes store, is the best-selling app in Malaysia, Thailand, and Indonesia. Consumers can use it to browse for flights and special offers, book tickets, and even check in via the app. AirAsia has also released Android and BlackBerry versions of the app, taking into account the diversity of mobile hardware being used in the region.

The benefits of AirAsia’s digital moves are clear. The airline enjoys strong engagement with its targeted demographic: it has more than 1.4 million fans on Facebook and more than 324,000 followers on Twitter. It has cut 40 percent from its contact-center costs by integrating customer service into its social-media platforms. And the airline’s brand image has been burnished: from 2007 through 2011, AirAsia won the best low-cost-airline award from Skytrax, an advisor to the air transport industry, four times, in addition to numerous other awards.

In the region’s banking sector, competition is intense, making it hard for banks to differentiate themselves. Already, mobile-banking apps have become integral to most Southeast Asian banks’ digital offerings. Banks compete online primarily by bringing more services to their apps—for instance, customers of Singapore’s OCBC Bank can trade stocks on their mobile devices with the iOCBC TradeMobile app—or by increasing the functionality of each service, which is especially challenging. Capabilities such as peer-to-peer transfers, top-up services, GPS-enabled location-based-service offers and even augmented-reality overlays are so easily replicable that there is minimal lag time between the first bank’s offer of a function and the majority of banks integrating it into their app.

So leading banks in the regions are using partnerships to elevate themselves. A prime example: Bank of the Philippine Islands has partnered with Globe, a telecommunications company, to offer Globe BanKO—the first mobile microfinance-focused savings bank in the Philippines. This initiative allows banks to dispense with costly brick-and-mortar branches and to reach out to new market segments, fully realizing the digital opportunity.

Businesses and government agencies need to get ready for other parties’ moves that could quickly unleash pent-up demand. What if a large restaurant chain in the Philippines teams up with a telecom provider to promote high-speed WiFi in all its locations? What if, by 2015, every shopping mall in Malaysia is equipped with WiFi?

The more businesses understand the degree of latent demand in the region and the factors that can release that demand, the more confidently they will initiate additional services and build out broader markets. And the more Southeast Asia’s governments understand the benefits of a digitally enabled society—not to mention their citizens’ wishes—the more likely they are to support infrastructure build-outs and digital enablement. These are the factors that may soon push the region past a digital tipping point.
TNS Digital Life 2011 is the second annual study of the world’s online population carried out by TNS. Conducted in 60 markets worldwide, it represents 93 percent of global Internet users.

TNS Digital Life includes interviews with active Internet users aged 16 to 65. An “active Internet user” is one who uses any device to access the Internet at least once a month. Quotas are applied to demographics and frequency of Internet access. In addition, quotas related to attributes such as race, region, and income specific to each country are included. Data are then weighted to ensure accurate representation of the online population.

The study may not be representative of the population as a whole depending on levels of Internet penetration.

Fieldwork is carried out in urban cities only, not the entire country (except in Singapore, a country that is entirely urban). Sample size and data collection methodology are shown below for each market:

<table>
<thead>
<tr>
<th>Country</th>
<th>Methodology</th>
<th>Sample size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>Face-to-face Paper</td>
<td>1,500</td>
</tr>
<tr>
<td>Malaysia</td>
<td>Online</td>
<td>1,000</td>
</tr>
<tr>
<td>Philippines</td>
<td>Face-to-face Paper</td>
<td>1,000</td>
</tr>
<tr>
<td>Singapore</td>
<td>Online</td>
<td>1,000</td>
</tr>
<tr>
<td>Thailand</td>
<td>Face-to-face Paper</td>
<td>1,000</td>
</tr>
<tr>
<td>Vietnam</td>
<td>Face-to-face Paper</td>
<td>1,000</td>
</tr>
</tbody>
</table>

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About this study
This paper is the first in a new series that will examine the evolving digital landscape of the Southeast Asia region.

Future papers in this series will explore other specific topics as they relate to Southeast Asia’s digital landscape and in terms of their implications for business. Papers in preparation will cover the role of digital media in providing value for employees in Southeast Asia, and an assessment of the extent to which companies operating in Southeast Asia are properly leveraging digital’s potential to drive far-reaching change across their businesses.

We would like to thank the following individuals for their contributions to the study:
Joon Seong Lee, Kai Wee Soh, Manik Bhandari, Patricio De Matteis and Sarah Conrick.

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