

2022

The Malaysia Retail Report

Trends and insights shaping the industry



adyen

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Methodology

The Adyen Retail Report is a comprehensive guide to the global and local trends impacting businesses around the world, fueled by evolving consumer behaviors and the endless possibilities of financial technology.

We spoke to businesses primarily in the retail sector, but also polled segments in the hospitality and food and beverage (F&B) sectors. These industries are facing both similar and contrasting challenges and opportunities; including their perspectives to ensure we capture the growing exchange of inspiration, strategy, and innovation between industries, from the rise of self-serve kiosks to data-driven loyalty programs.

This study includes business and consumer data from a wide scope of markets, examined and compared on both a global and local level to ensure a holistic view complemented by regional nuances.

Consumer insights

Opinium Research LLP polled 40,020 adults in Singapore, Hong Kong, Japan, Australia, UAE, UK, France, Italy, Spain, Portugal, Germany, Poland, Belgium, the Netherlands, Brazil, Norway, Denmark, Sweden, USA, Canada, Malaysia, Mexico, Ireland, Austria, Switzerland and India.

Business insights

Censuswide polled 11,530 businesses in Singapore, Hong Kong, Japan, Australia, UAE, UK, France, Italy, Spain, Portugal, Germany, Poland, Belgium, the Netherlands, Brazil, Norway, Denmark, Sweden, USA, Canada, Malaysia, Mexico and Ireland.

The sample includes minimum quotas of 100 in retail, 50 in travel and hospitality, and 50 in food & beverage per market.

Opinium and Censuswide campaigns are conducted in accordance with all ESOMAR principles and best practice.

Economic insights

We commissioned the Center for Economics and Business Research (Cebr) to provide analysis on the current state of retail, hospitality, and F&B businesses around the world.



We asked over

10,000 businesses from 23 markets

including 500 from Malaysia, to detail their concerns, aspirations, strategies, and investments for 2022 and beyond.



We then asked 40,000 consumers from 26 markets, including 1,000 from Malaysia, if they're getting it right.

Welcome to the Malaysia Retail Report 2022: The shape of ambition

When faced with sudden and significant change, ever-pragmatic Malaysians are well-known for responding with resilience and resourcefulness. These qualities have certainly been put to the test during the pandemic.

No matter what pandemic-related restrictions were thrown at them, businesses and consumers found a way to get things done.

People turned to ecommerce platforms to create businesses and sell products from home, while food and beverage businesses turned to delivery platforms at a higher rate than anywhere else in APAC. Similarly, consumers embraced new ways to shop online, pay with digital wallets, and use ecommerce apps more than most markets included in our global study.

As a result, 71% of Malaysian businesses across the retail, food and beverage, and hospitality sectors grew their revenue by 20% or more in 2021. Digital transformation has played a pivotal role. In the face of enormous pressure and uncertainty, many looked to innovation.

Malaysians are more optimistic about the future of the sector than other markets in APAC. Having adjusted through this turbulent period, they are now ready for the next phase while setting ambitions for what lies ahead.

For businesses, these ambitions might be in the form of improving customer experience, championing sustainable practices, or expanding into new markets.

One thing is very clear in this research. Businesses that embrace technology to enhance the shopping experience, reward customer loyalty and improve operations have the edge on competitors.

These insights and recommendations are provided to help you shape, grow, and realize your ambitions for 2022 and beyond.



Foreword

2022 is shaping up to be another significant and surprising year for the retail, hospitality, and food and beverage (F&B) sectors. But if there's anything we've learned from the past few years, it's to expect the unexpected. Businesses must be prepared to let go of outdated assumptions and wholeheartedly embrace the insights and technologies driving success in our post-pandemic reality.

At KPMG, we believe unifying business is the next frontier for long-term success. By connecting backend systems and data insights, retailers can create more compelling customer experiences while supporting greater efficiencies and lower costs. Similarly, Adyen has long championed unified commerce – the process of connecting payments across every channel where customers shop – for its ability to break down silos to deliver richer services and more agile operations.

With 94% of businesses surveyed planning to invest further in their digital transformation in 2022, we believe this year's Retail Report will be a valuable tool for those deciding exactly where to focus their resources. This year's report highlights the increasingly inextricable link between strategic digitization, customer experience, and growth – and the pivotal role payments technology plays for any business serious about all three. Findings show that 72% of businesses globally expect to grow by 20% or more in 2022. This jumps to 80% for businesses who have connected their payments systems across the business.

Increased investment in payments has been fueled by the global acceleration of digital trends—from the increasing popularity of digital and contactless payments to the growing demand for alternative shopping options like buy-now-pay-later (BNPL), social commerce, and buy online, return in store. This is evident in both mature markets like the US and UK, and in emerging markets like Africa, Latin America, and Southeast Asia.

Linda Ellett

Head of Consumer Markets,
Leisure & Retail, KPMG in the UK

Antony Ruddenklau

Global Head of Innovation,
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Courtney Trimble

Global Head of Payments and
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Those retailers who can leverage digital technologies to make their service ubiquitous and engage with customers across channels are more likely to build long-term loyalty. Adyen's research shows that globally, 61% of consumers feel that if retailers can sell across multiple channels during the pandemic, they should adopt the same, flexible approach as a baseline going forward. And businesses agree: 49% feel they are in a better position due to investments to improve operations during the pandemic.

But this is all work in progress. 47% of businesses understand the direct connection between customer experience and payments—and those that make this connection are financially better off. Yet only 28% use payments data to improve customer experience or create new services as a result.

KPMG believes this highlights significant growth and retention opportunities for businesses, particularly across loyalty, credit, marketing, supply chain, and personalization. Businesses must understand who their customers truly are and design for them. This is where real-time payments data shines. Loyalty, after all, means different things to different people.

Whether you're adding digital capabilities to existing services and products, or stepping out to build completely new digital processes, your technology must be capable of taking you anywhere you want to go, now and in the future. Working with industry leaders who can provide a high level of knowledge, flexibility, and security will ensure a strong return on investment and continued resilience.

For businesses reshaping their digital transformation strategy in 2022 and beyond, it'll be those who can let go of old assumptions and base their decisions on real moments of truth who will grasp long-term, sustainable growth. Together with Adyen, KPMG wishes all consumer and retail businesses the very best in 2022, and hopes the following insights serve to inspire and motivate.

Linda Ellett is Partner and UK Head of Consumer Markets, Leisure and Retail, and believes in creating change through people.

Antony Ruddenklau is Global Fintech Leader for KPMG International, Partner, and Head of Financial Services Advisory for KPMG in Singapore.

Courtney Trimble is a Principal with the Financial Services Advisory of KPMG, focusing on payments and large scale digital transformation.

Chapter 1

Businesses leading the way in digital transformation are outperforming their competitors





Digital transformation is a **MYR 334 billion** opportunity.

In spite of – or perhaps because of – the multitude of pandemic-fueled challenges hitting the retail, food and beverage (F&B), and hospitality sectors over the last year, businesses around the world managed to invest in digital technologies. The goal? Improving operations and breaking down silos in backend processes and systems such as payments. **More than 1 in 4 businesses connected payment systems to other parts of the organization**, such as inventory management and supply chain.

This proved to be the right move. **60% of respondents say their business is now in**

a better position due to investments to improve operations, showing just how resilient and adaptable Malaysian businesses are. And customers agree. **60% of consumers believe retailers used technology well to make their products available during the pandemic.** It is therefore no wonder that 97% of businesses plan to invest further in this area in 2022.

With so much investment planned, it's time for businesses to take a holistic view of digital transformation. Connecting operations and customer experience is key to success – not just in terms of sales, but also operational efficiency.

Our study shows that **there is an 18% increase in growth amongst businesses that connect payment systems across their business compared to those that don't**. This is reflected in their ambitions – the **growth projections for 2022 are 11% higher for those who connect their systems compared to those who do not**.

Digital transformation is expected to continue opening up a wealth of opportunities. Our research found that **84% of businesses in Malaysia who connected their backend systems grew by 20% or more. And 89% expect to grow 20% or more in 2022, more than most markets globally**. Overall, hitting these growth ambitions

equates to a **MYR 334 billion opportunity** – and with so many planning to invest further and grow bigger, that number could be even higher. In fact, **if technological adoption is accelerated, the retail sector could add 5.6 percentage points to its growth rate over the next five years**.





80%

of consumers believe retailers used technology well to make their products available during the pandemic.



+18%

Companies that connect payments systems with other sections of their business grow **18% more** than those that don't.



+11%

Growth ambitions for 2022 are **11% higher** for those businesses who connect their payments systems across the business.

1 in 4

businesses have connected their payments systems to other parts of their business.

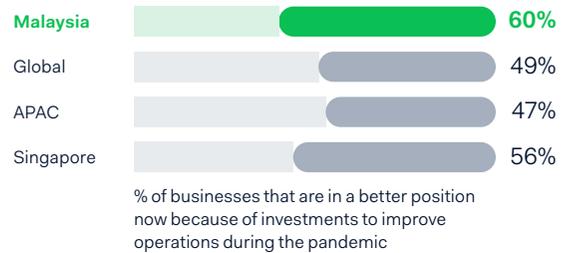




How does **Malaysia** compare?

Malaysia's incredible story of resilience and adaptability during the pandemic plays out in the data. It is at the top of the charts when it comes to using technology for investing and innovating.

Consumers clearly appreciated businesses' efforts to adapt. The proportion who believe retailers used technology well during the pandemic is 19 points above the global average. Similarly, businesses feel they are in a better position due to investments made during the pandemic. At 11 percentage points above the global average, they lead the way in APAC.



The forecast for the year ahead looks positive, with Malaysian businesses leading those who plan to continue to invest to improve the business. On top of that, connecting payments systems and processes across the business fuels a higher level of growth in Malaysia than many other regions.





CROWN DIGITAL

"The food and beverage industry suffered during the pandemic but it also provided room to rethink strategies. Should we continue the old ways or would there be opportunities? For Crown Digital, the answer was really clear, we're going to go digital; we're going to offer contactless retail."

Keith Tan — CEO & Founder, Crown Digital

From insight to action

Connecting opportunities with unified commerce



52% of businesses say that unified commerce improves customer loyalty

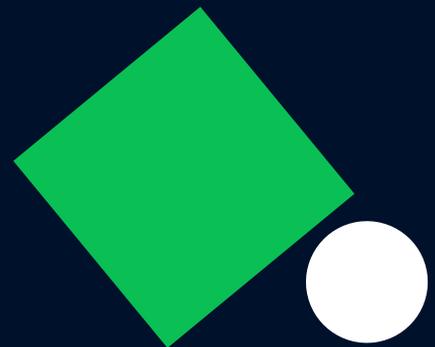
Businesses that consistently perform best are those that can combine their physical and digital worlds to create a fluid, channel-agnostic experience which prioritizes the customer. This is unified commerce, the next level up from omnichannel sales.

Omnichannel businesses are great at delivering cohesive cross-channel experiences to their customers. But behind the scenes, backend systems are often unconnected, complicating cross-channel reconciliation, limiting the experiences businesses can offer customers, and hindering their operational agility across multiple channels and regions.

With **unified commerce**, payments from all channels – online, in app, and in store – feed into the same system. This enables more targeted, data-driven decision making, and a more seamless, flexible experience for customers. It also keeps businesses agile since they can add new channels and support new customer journeys quickly because everything's connected.

Chapter 2

**You'll win hearts,
minds, and wallets
with unified
commerce**





77% of consumers believe that retailers should deliver the same cross-channel flexibility they provided during the pandemic.

The flexible, tech-driven experiences made available mid-pandemic have blurred the line between sales channels and encouraged the rise of nonlinear customer journeys. Businesses are providing new or simply different ways to shop, from the convenience of click-and-collect or curbside pick-up to the perks of brand-owned apps – and customers love it. **81% of shoppers reported using shopping apps more frequently during the pandemic.**

Both businesses and consumers have a taste for what's possible with technology – and there's

no going back. **77% of consumers believe that retailers should deliver the same cross-channel flexibility they provided during the pandemic.** Keeping up with these expectations greatly improves the likelihood of repeat purchases and higher spending. Falling short could result in the opposite: **81% of consumers will not shop with businesses that have a bad shopping experience, either online or in store.**

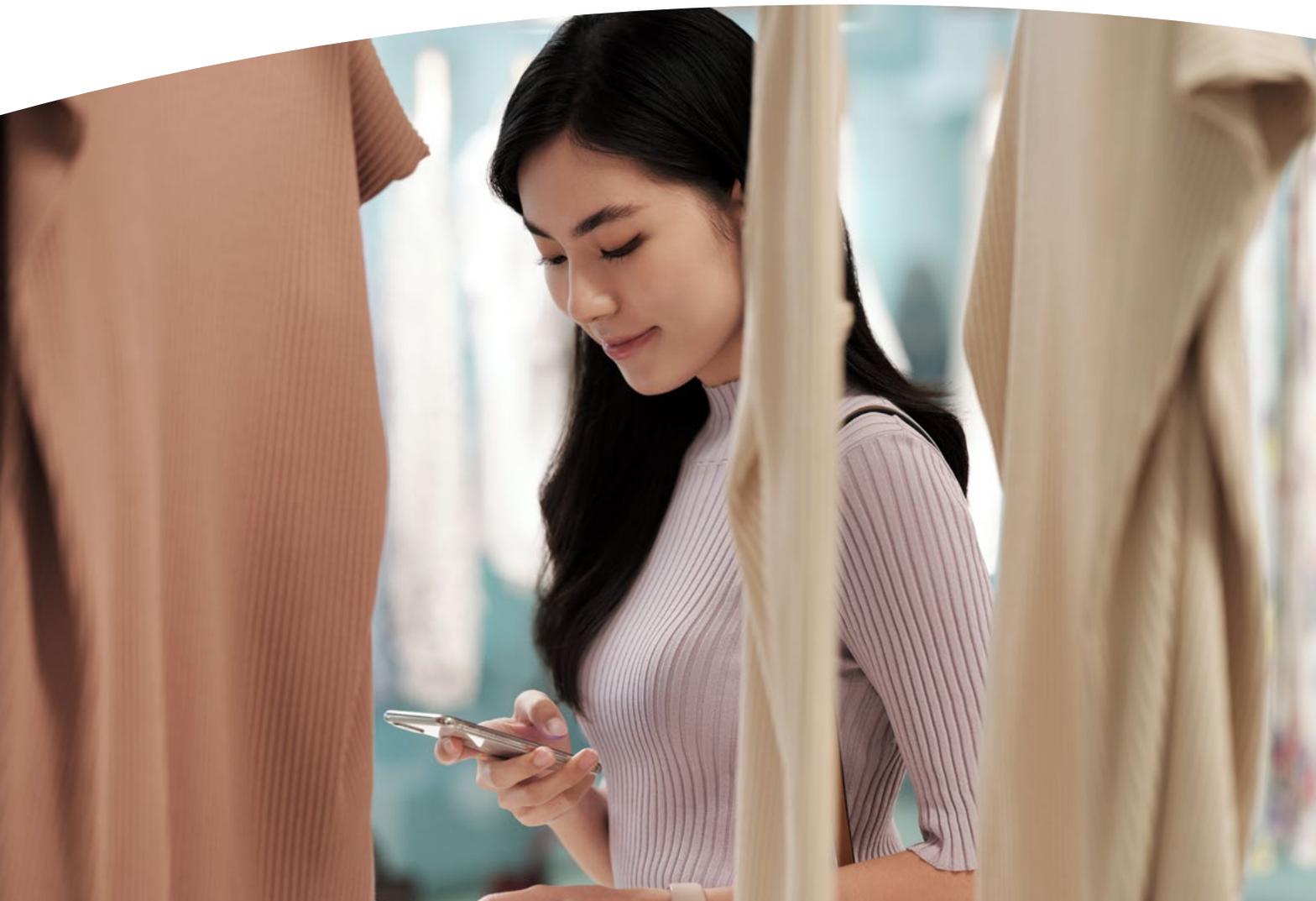
Businesses must take note of this. Malaysians are amongst the most discerning of customers

surveyed, and their willingness to move on from a retailer after just one bad experience is **16% above the global average**.

It makes sense that linking online, in-app, and in-store payments with a single system – i.e. unified commerce – has proved to enhance both brand resilience and customer satisfaction. **65% of businesses say online stores were able to offset the losses at physical stores during the pandemic.**

And the more channels shoppers use, the higher their value: **62% of businesses say a benefit of unified commerce is improved customer experience. 57% say it helps increase sales and 52% say unified commerce increases customer loyalty.**

This brings us to some interesting findings around loyalty programs. Only a handful of brands are making the most of them, although it is an area of the customer experience ripe for innovation. **90% of consumers say retailers should use technology to make their loyalty or rewards schemes easier and more effective – amongst the highest of all markets surveyed.** Payment-linked loyalty apps are a good place to start, since **76% of consumers would download a retailer's app to receive better loyalty rewards.**





90%

of consumers think retailers need to use technology to make their loyalty/rewards schemes easier and more effective.



81%

of consumers will not shop with organizations that have a bad experience - either online or in-store.

76%

of consumers say they would download a retailer's app to receive better loyalty bonuses or rewards.

% of businesses that say the advantages of unified commerce are:



Improved customer experience.



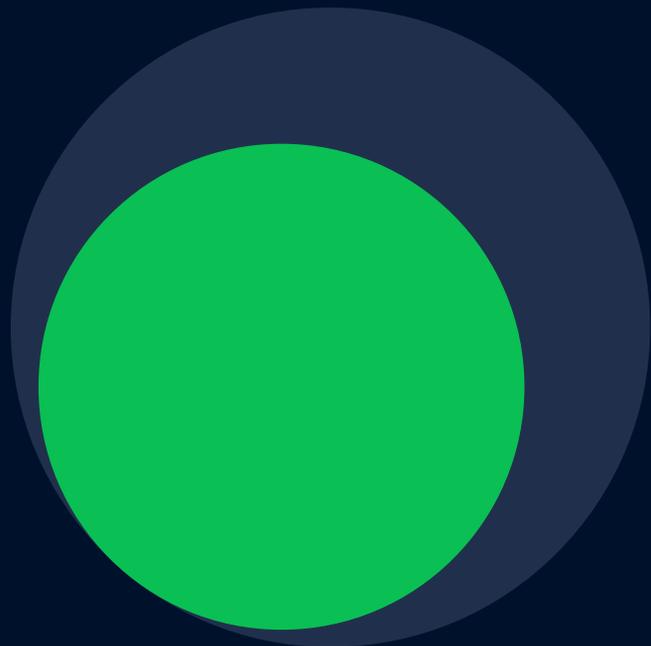
Increased sales.



Increased customer loyalty.



Higher average spend.

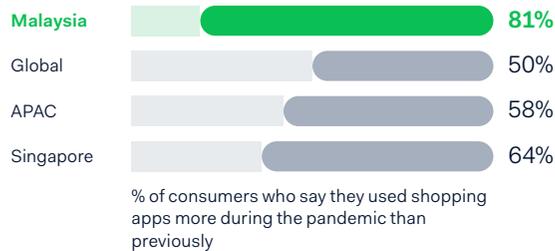




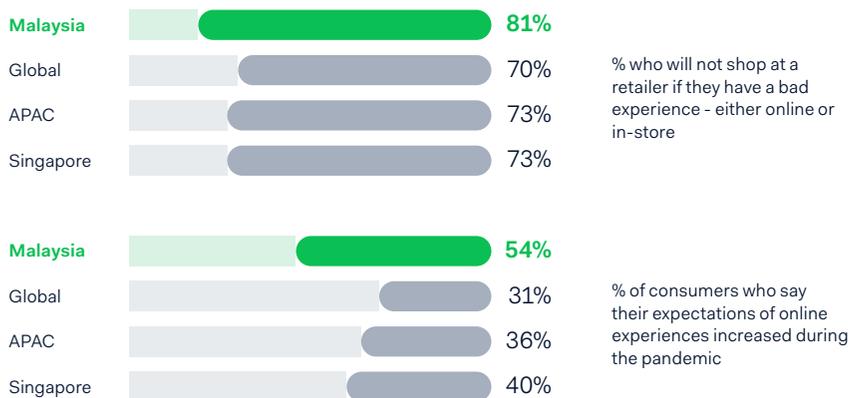
How does **Malaysia** compare?

The pandemic has given businesses and consumers a real taste for technology and there's certainly no going back. Malaysians' embraced technology more than any market surveyed and as a result, expectations are sky high.

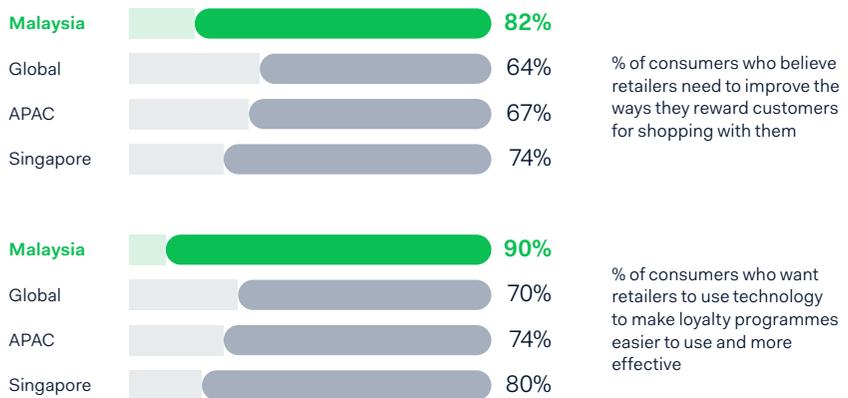
Malaysians' use of shopping apps during the pandemic is one of the greatest behavioral shifts throughout our global study – 31 percentage points above the global average and 23 points above other markets in APAC. This agility and resourcefulness certainly paid off for businesses. More Malaysian businesses said that online sales offset losses from physical store closures than any other market in APAC. This is significantly above the global average.



Malaysians are highly discerning customers. In fact, they have the highest standards of all markets surveyed. They are more likely to abandon a retailer if they have a bad customer experience than any other market. And following the mass adoption of digital channels, expectations towards online experiences have increased at a rate higher than almost any other market surveyed.



It's not just customer experience where expectations are high – it applies to loyalty as well. Malaysia is the highest of all markets surveyed when it comes to wanting retailers to improve how they reward customers for shopping with them – 18 points above the global average. Technology is the answer in the eyes of Malaysian consumers. The overwhelming majority want retailers to use tech to improve loyalty programmes.





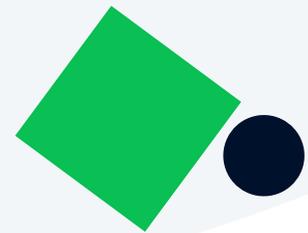
Grab

"Consumers expect the same experience, whether that's online or offline. For example, you might be at the mall shopping, but when it comes to ordering coffee, you might pull out your Grab app and order self pick up from a store that allows you to avoid the line, pay for it digitally and it's a more superior experience."

Saad Ahmed — Managing Director - Regional Head of Commercial, Grab

From insight to action

Cross-channel recognition and payment-linked loyalty



Address customer needs in real time

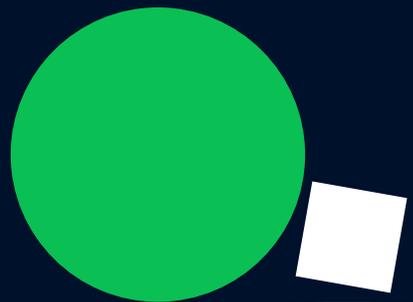
Payments data enables businesses to build a picture of their customers, their purchases, and their preferences in real-time, across every channel and region. With these insights, businesses can investigate their customer segments, understand their behavior, and shape their strategy with confidence.

Recognize and reward loyal customers

Use customer recognition to make loyalty programs more frictionless by removing the need for a traditional loyalty card or app. When customers make a payment online or in a physical store, businesses can automatically recognize them and award them with points, discounts, or a reward.

Chapter 3

Customers appreciate physical stores more than ever (but there's a catch)





76% of Malaysians shop at physical stores for pleasure.

Despite the rapid adoption of shopping apps, ecommerce and new ways to engage with retailers, shopping and mall culture remain strong in Malaysia. 76% of Malaysians say that online shopping is only for convenience, and they will shop in-store for pleasure, more than any market globally, with 45% of consumers saying they have a new appreciation for being able to touch, feel or physically try products before they buy. Importantly, 62% of consumers say they prefer to shop in-store. This confirms that physical stores are vital avenues for businesses to build genuine relationships with customers.

Businesses acknowledged the importance of physical stores in the immediate future: **64% expect the proportion of revenue to increase from physical stores in the next year**, while **58% plan to open more physical stores in the same period**.

This doesn't mean we can stock some shelves, throw open the doors, and expect the crowds to coalesce. It's about creating a destination that entices: **77% of consumers say physical stores should be exciting places to visit**. Stores must offer something more than the products and services available online.

Technology proves pivotal in creating an in-store experience worth visiting. From endless aisle shopping – providing kiosks or terminals to check additional stock for home delivery – to offering new ways to pay through QR codes or mobile payment terminals, **87% of consumers say they are more likely to shop with retailers that use technology to improve the shopping experience.**

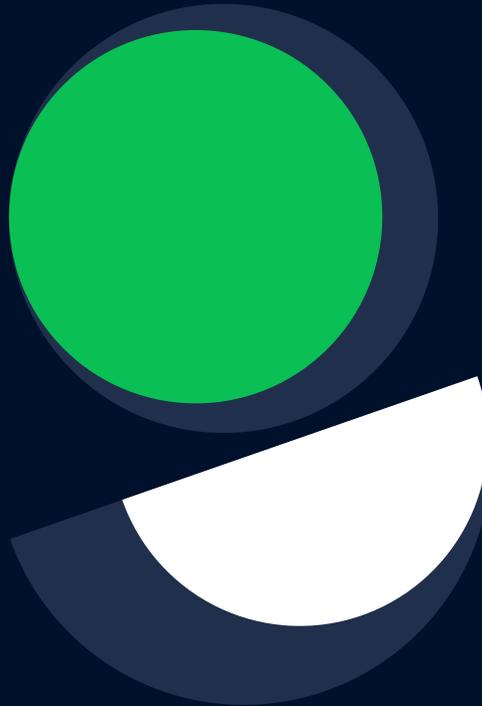
Even more crucial is the ability to connect online and physical channels to ensure a truly seamless experience: **74% of consumers would be more loyal to a retailer that lets them buy products online and return them in store.** Surprisingly, **only 30% of businesses say they currently provide this option.**

Customer and service staff experiences are inextricably intertwined; any technology leveraged for in-store experiences should help, not hinder, operation teams. **75% of consumers say they would love it if in-store sales assistants used technology** to assemble items from their online wishlist in the changing room ready to try on.



87%

of consumers are more likely to shop with retailers that use technology to enhance the customer experience



76%

of consumers say online shopping is just for convenience, they will shop in physical stores for pleasure.

Customers are more loyal to businesses that:

75%



Allow customers to buy out of stock items in store, and have them delivered to their home.

74%



Offer buy online, return in store options.

71%



Have physical stores and online options.



How does **Malaysia** compare?

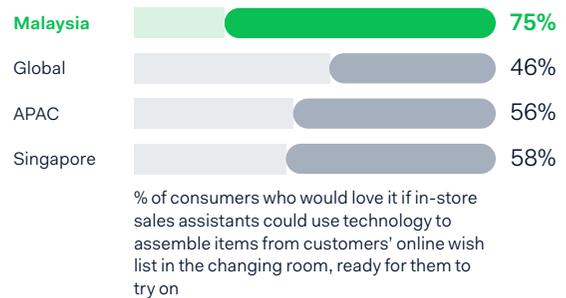
It is clear that Malaysians want physical stores to stay – but businesses need to up their game and make them more exciting if they are to win shoppers over the long term.

More than any other market surveyed, Malaysian consumers believe online shopping is about convenience, but physical stores are for shopping for pleasure. Malaysian businesses clearly see the value of the physical store, with the majority planning to open more stores in the next year.

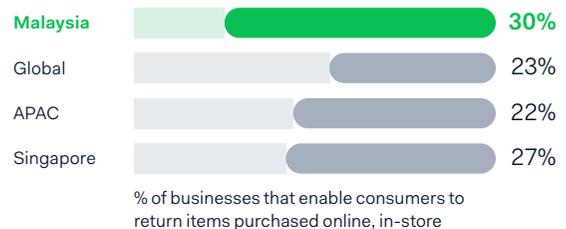


Malaysians, more than any other market, are more likely to shop with retailers that use technology to enhance the customer experience and are 33 points above the global average.

Clearly, technology is the avenue to delight Malaysian consumers. One important way to do this is by linking online and physical stores seamlessly to create new customer experiences such as using technology to enable in-store staff to prepare items from a consumer's wishlist to have them ready before they arrive at the physical store.



But there is work to be done to enhance the experience and link online and offline channels. The majority of Malaysian consumers would be more loyal to a retailer that enabled them to buy things online and return them in store. While Malaysia is ahead of the global and APAC averages in offering this functionality, there is only a small proportion of businesses doing this.



R. M. WILLIAMS

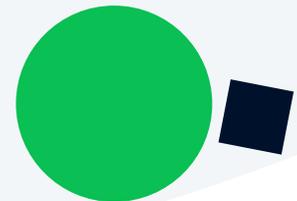
EST. 1932. AUSTRALIA

“We can deliver a unified experience and provide a smoother checkout process with mobile checkout and endless aisle capabilities. It also means we can extend digital into physical retail by connecting our in store to our online ecosystem. This will allow us to get a full understanding of our customers’ shopping behaviours and actionable insights.”

Nathan Alexander — CTO, R.M. Williams

What's next

Driving in-store convenience through technology



How to improve in-store experiences with payments innovation

Enhance in-person payments

Offer flexibility with options like endless aisle shopping. Use the point-of-sale terminal to get feedback and better interact with customers.

Recognize customers

Personalize experiences and grow loyalty through data insights, brand apps, or payments.

Make donations easier

Make donating at the checkout easier for businesses and their customers.

Localize the checkout

Present customers with relevant languages and payment options.

Chapter 4

**There's untapped
potential in real time
payments data**





36% of businesses use payments data to understand user behavior and improve customer experience.

Our research shows that consumers want businesses to recognize, predict, and meet their needs in a relevant and timely way: **67% of consumers prefer retailers who remember their preferences and previous shopping behaviors to create a more tailored shopping experience.** Businesses that can leverage real time data insights instead of relying on historic data will be best placed to deliver these personalized, sophisticated experiences.

The insights unlocked via payments data, and particularly unified payments, allow businesses to act more immediately on what consumers are

telling them. A growing number of businesses are leveraging this opportunity – but many are still missing out. **36% of businesses use payments data to understand user behavior and improve customer experience, and 39% to build a better picture of their customers.**

Those businesses that are using payments data can identify popular product lines, inform inventory management, create personalized marketing campaigns, and inform decision making – a testament to the wealth of insights made possible through payments data.

Businesses diving into the payments data pool need to keep a few crucial things in mind. Unlike other jurisdictions, Malaysia has no specific law such as a Privacy Act to protect personal privacy. However, they do have a very stringent Personal Data Protection Act 2010 (PDPA), which deals with personal data and focuses on regulating the processing of 'personal data' in commercial transactions. In law for some time, this could contribute to why Malaysians are increasingly demanding responsible use of their personal data.

45% of consumers believe retailers shouldn't be able to use their data or purchase behavior information unless they give express permission. And 50% of consumers will only allow data to be stored and used by retailers if there are assurances around security and privacy. Businesses need to stay informed and compliant to protect shoppers and themselves from data breaches and fraud.





67%

of customers prefer retailers who remember their preferences and previous shopping behaviors to create a more tailored shopping experience.



66%

of customers like it when retailers serve personalized adverts or suggestions.

Businesses are using payments data to:



Build a better picture of customers.



Help with inventory/guide what stock needs to go where.



Understand user behavior and improve customer experience.



Drive personalized marketing campaigns.



Identify popular product lines and guide product development.



Inform decision making in other areas of the business.



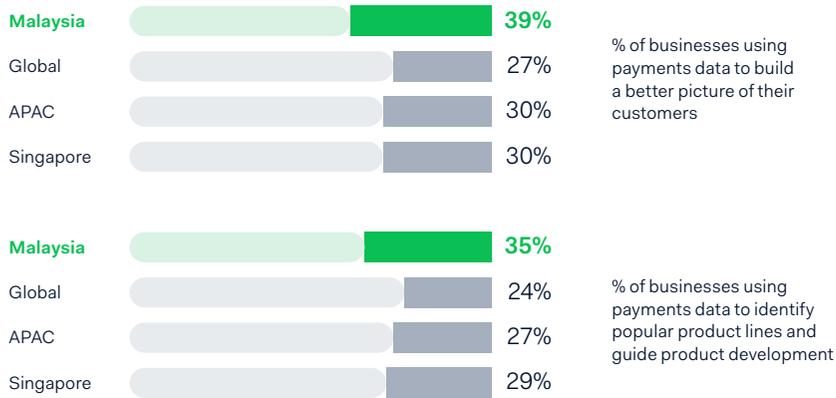
How does **Malaysia** compare?

In line with Malaysians' love for technology and modern customer experiences, they are above the average in wanting more tailored and personalized interactions. These interactions rely on intelligent use of data, and Malaysians are above the global average when it comes to concerns around privacy and data security.

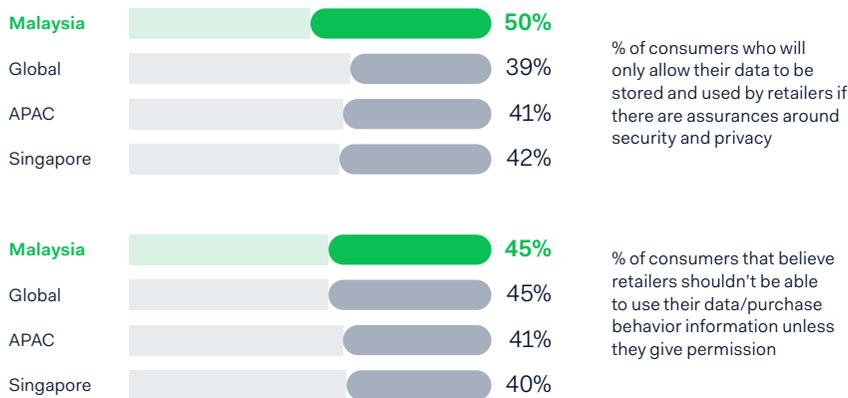
Malaysians are above the global average in wanting retailers to remember their previous purchases and shopping behavior and create a more unique shopping experience. It is a similar case when it comes to wanting personalized adverts or suggestions from retailers.



Businesses in Malaysia are amongst the best at using data to inform decision making and engaging customers. They are above the global average in using payments data to build a better picture of their customers, trailing only Brazil. Similarly when it comes to product development and innovation, Malaysian businesses are more likely to use payments data to inform these decisions, leading all markets surveyed.



Malaysians are also above the global average when it comes to concerns about privacy and data security. More than any market surveyed, Malaysians will only allow their data to be collected or stored if there are assurances around privacy and security. They are also above the global average when it comes to allowing data to be collected without their permission - behind Hong Kong in the APAC region.





“The rise of digital channels, business intelligence capabilities, and transaction data helps us to better understand our customer base, and to run better targeting, better proposals, and better promotions to these customers.”

Casper Mooyman — Head of Marketing, Domino's

From insight to action

Securing trust with smooth payment authentication



Make the most of customer data while staying compliant

No ecommerce strategy is complete without a clear plan for Strong Customer Authentication (SCA), especially since consumers expect the process to be fast, with no action required from them. There's no one-size-fits-all approach to applying SCA, but the right technology partner will take care of this.

Implementing authentication protocols, even when required by regulations, helps to reduce fraud – but there are additional steps businesses should take to ensure secure payments.

The Adyen Authentication Engine, won't trigger 3D Secure for out of scope transactions or exemptions. 3D Secure is also skipped if the issuing bank does not enforce it.

A resilient industry with new ambition

The evidence is there. Businesses in 2022 are optimistic about the future, and so they should be.

Whilst Malaysia's impressive resilience and ability to adapt have been key themes during the pandemic and beyond, there is also huge opportunity.

Malaysian consumers' preference for tech to permeate the physical in-store experience is considerably above the global average. Businesses are looking to embrace tech more than ever to answer this demand. Investing in technology across the entire business will help organizations adapt to whatever comes next and outperform the competitors.

At Adyen, our focus is, and always has been, on supporting long-term, sustainable growth. We're committed to ensuring our customers remain at the forefront of this ever-evolving industry and look forward to speaking with you about how payments can be the strategic growth driver you're looking for.

About KPMG International

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Adyen is the financial technology platform of choice for leading companies. By providing end-to-end payments capabilities, data-driven insights, and financial products in a single global solution, Adyen helps businesses achieve their ambitions faster. With offices around the world, Adyen works with the likes of Facebook, Uber, Spotify, SHEIN, Grab, Klook and Singapore Airlines.

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