The Economist Corporate Network

Asia’s digital disruption

How technology is driving consumer engagement in the world’s most exciting markets

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Preface

Asia's Digital Disruption: How technology is driving consumer engagement in the world's most exciting markets is an Economist Corporate Network (ECN) report, sponsored by Dentsu Aegis Network. The ECN performed the research, conducted interviews and wrote the report independently. The findings and views expressed in this report are those of the ECN alone and do not necessarily reflect the views of the sponsors.

Justin Wood was the author of the report. The cover image is by ThinkStock.

We would like to thank all interviewees for their time and insights.

August 2015

Interviewees, in alphabetical order:

Mohd Khairil Abdullah, CEO, digital services, **Axiata**

Allison Chew, head of brand and communications, **Hooq**

Michelle Guthrie, managing director, Asia, **Google**

Hajime Hirose, CEO, **BuzzElement**

Anthony Ho, marketing director – media, Greater China, **Mondelez**

Takeshi Idezawa, CEO, **LINE Corp**

Achyut Kasireddy, vice president, consumer brands, Greater China, **Fonterra**

Cooper McGuire, CFO and co-founder, **Zalora**

Dan Neary, vice president, Asia Pacific, **Facebook**

Martin Roll, brand strategist, and adviser, **McKinsey & Co**

Kevin Tan, managing director, **Eyeota**

Steve Worrall, director of social media and digital marketing, Asia Pacific & Africa, **GM**

Contents

1). Introduction: Asia's digital deluge

New technologies are transforming the marketing profession at an unprecedented rate

The digital revolution of the past 25 years has been like a storm far out at sea that strengthens and accelerates as it approaches land. The gathering winds and intensifying rain are plain to see, but when the storm arrives, most are still unprepared and the destruction is widespread. For many companies, the digital deluge has now fully hit shore.

Whole industries are being torn apart and economies are being re-shaped overnight. Both the scale and the speed of change are unprecedented. Competitors are emerging from entirely unexpected places. Banks are coming under pressure from telcos offering payment services. Hotel chains are being undermined by room-letting services such as Airbnb. Shopping malls are struggling against the rise of e-tailers. Staffing agencies are under threat from online portals that organise the world's freelance workers.

Just as deeply affected are the media and communications industries. Thanks to the proliferation of mobile networks, the adoption of smartphones, the spread of internet access, the rise of social media, and the ability of everyone everywhere to produce their own content and share it widely, these industries are experiencing unprecedented change.

These digital disruptions have huge implications for the marketing profession. On the one hand, marketers find themselves going up against new forms of competition. But just as significant, digital technology is changing consumer behaviour: the ways in which they buy goods and services; the types of media and advertising that they consume; the places where they go to find entertainment; the ways they develop trust and build relationships. The marketing profession has seen more change in the past five years than in all of the 50 years before that. And there is plenty more change to come.

For marketers, arguably these challenges are especially important in Asia. Not only is the region the fastest-growing part of the world, it is also the most populous, making it the world's most exciting consumer opportunity. What's more, rather than being fast followers of digital technology, Asia's consumers are leapfrogging their peers elsewhere and starting to lead the transformations that digitisation enables. In many ways, Asia is becoming the place where consumer companies are figuring out how to future-proof their businesses. And nowhere is this truer than in China.

This report looks at three important digital trends in Asia that are re-writing the rules of consumer engagement. It then examines the implications. The three trends are:

- the rise of mobile;
- the rise of social media;
- and the rise of online commerce.

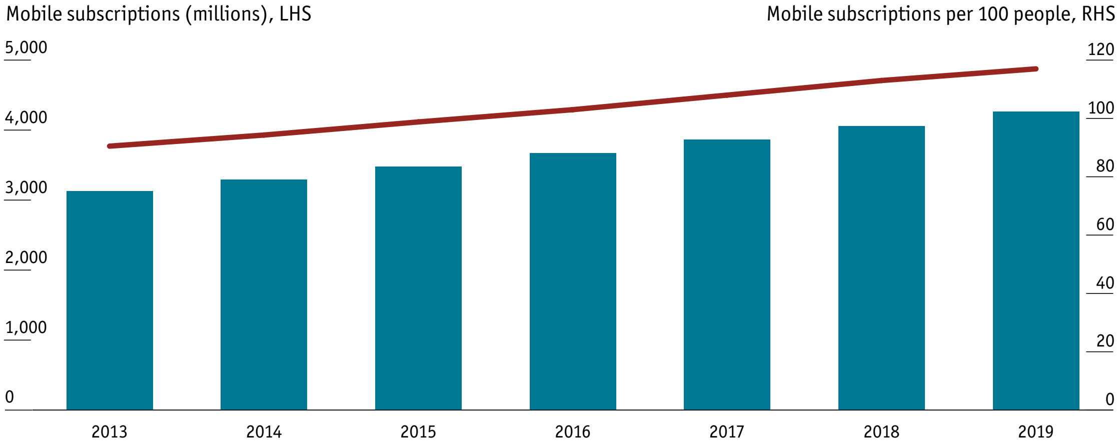
Importantly, these trends are converging with each other in powerful ways. For example, e-commerce is evolving into m-commerce (mobile), which is evolving into s-commerce (social). As these trends play out, and as they converge and re-shape the marketing landscape in Asia, the region is fast becoming a crucible of digital and marketing innovation.

2). The rise of mobile

The penetration of mobile phones in Asia continues to rise, driving widespread internet connectivity, and transforming consumer behaviour

The proliferation of mobile phones is well documented. In 2014, Asia had 3.3bn mobile phone subscriptions, or nearly one for every man, woman and child. By 2019, the region will have almost 4.3bn mobile subscriptions, or 117 for every 100 people. (See chart 1.)

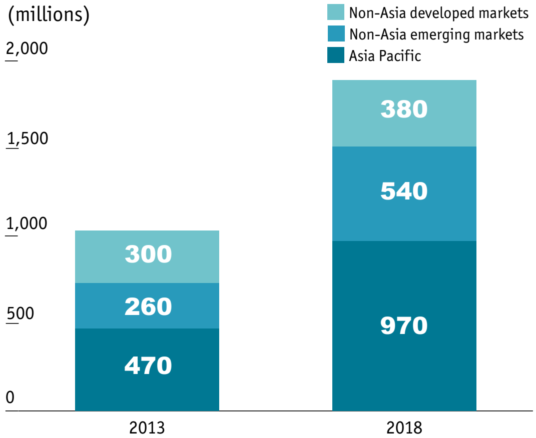
Chart 1: Mobile phone subscriptions in Asia (millions), and per 100 people



Source: Economist Intelligence Unit

Importantly, ever more of these subscriptions are connected not to simple handsets, but to sophisticated smartphones. The cost of smartphones has fallen markedly in recent years, bringing them into the reach of Asia's low- and middle-income consumers for the first time. The average selling price of a smartphone in Asia is now 30% below the price in 2008.[1] And prices continue to fall, with many companies such as Xiaomi in China and Intex in India, producing models that retail for less than US$100. Lenovo, a Chinese handset maker, calculates that Asia bought 470m new smartphones in 2013. By 2018, it reckons that number will rise to 970m. (See chart 2.)

Chart 2: Shipments of new smartphones (millions) in 2013 and forecast for 2018

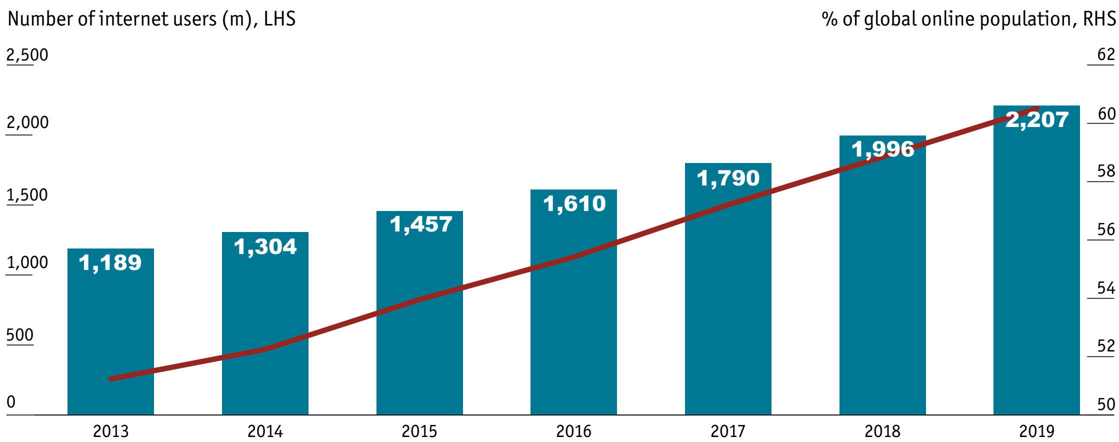


Source: Lenovo

[1] *The Mobile Economy: Asia Pacific 2015*, GSMA, 2015

As smartphones become more common, they are driving internet adoption. Large swathes of Asia do not have broadband access, nor own personal computers, but they can connect to the internet via their smartphones. Increasingly, mobile internet access is not only the first, but also the preferred way for consumers to get connected. As such, the mobile revolution in Asia is causing the region's online population to balloon. (See chart 3.) Importantly, as the online population grows, it is also changing. Only a year or two ago, most internet users in Asia were relatively young and based in urban areas. But as the mobile internet spreads, the online population is getting both older (with higher incomes) and more rural.

Chart 3: Number of internet users in Asia Pacific (millions), and Asia's share of the global online population (%)



Source: Economist Intelligence Unit

Continuously connected consumers

The consequences of the rise of mobile and the mobile internet are profound. Consumers now carry around powerful, internet-enabled computers with them everywhere they go. They are always connected, always reachable, and thanks to geolocation services, their precise position is always known. Access to information, communication, friends, and entertainment is continuous.

"Mobile is becoming the platform on which people manage their lives," argues Mohd Khairil Abdullah, CEO of digital services at Axiata, a Malaysia-based telco with operations across Asia. "People are migrating whole sets of behaviour from the non-digital world onto mobile environments, from booking taxis, to shopping, paying for services, watching videos or connecting with families."

In many instances, the mobile world is displacing the PC-based digital world. Taxi apps such as Uber, for example, are only available on mobile. Flipkart, one of India's biggest online marketplaces, says it plans to close down its desktop website and will be a mobile app-only service by the end of this year.[2] So far, more than 10m people in India have downloaded the Flipkart app onto their phones.

[2] "Bye Bye to Flipkart on Desktop? It's Likely to go Only-App from September", *Huffington Post*, July 7th, 2015

Smartphones and phone smarts

Of course, many of Asia's emerging consumers do not yet have high enough incomes to buy smartphones, and instead use earlier generation "feature phones". But even here, the opportunities to connect with consumers are blossoming.

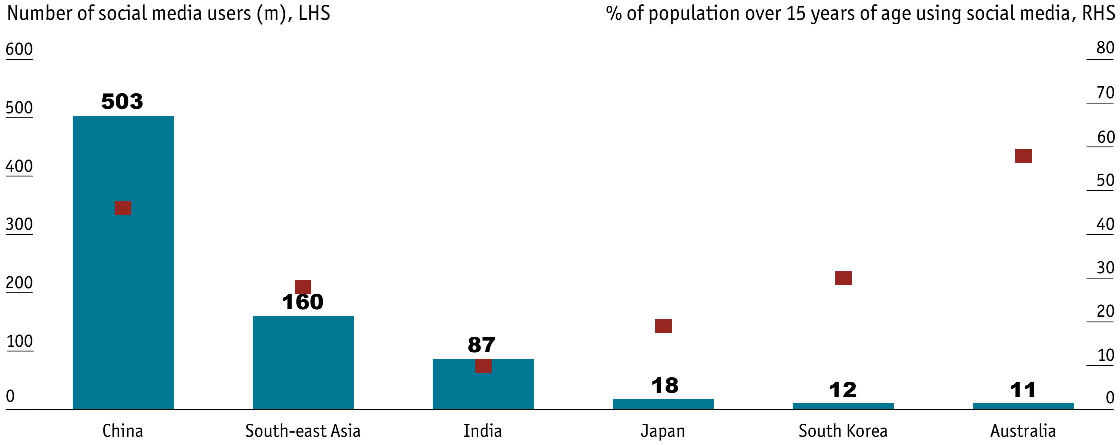
Consider ZipDial, a marketing services company based in India. Designed for consumers with basic handsets, ZipDial allows brands to give consumers a number to call in order to activate a coupon, or to receive a piece of content. Consumers dial the number, it rings once, and then the connection is dropped, thereby incurring no cost for the consumer. On receiving the dropped call, ZipDial rings the consumer with a message. For example, the message might be a "free" joke, but the joke is preceded by a short marketing message. Or the call back might enable a user to get a discount in a brand of fast food restaurants by dialling the service once they have arrived at the restaurant.

3). The rise of social media

As ever more consumers across Asia join online social networks, they are re-wiring the digital landscape

As consumers become increasingly connected to the internet via their mobile devices, they are joining social networks in ever greater numbers. Nearly one billion individuals across Asia are now active users of social media. (See chart 4.)

Chart 4: Number of people who used social networks in the past three months (millions), and as a % of population over 15 years of age (%)



Source: Dentsu Aegis Network Consumer Connection System (CCS)

And the penetration is deepening by the day. Dan Neary, vice president of Facebook in Asia, says that users of Facebook in his region are growing by 50% a year. "It's our fastest growing market," he says, with 471m active users in Asia in the first quarter of 2015 – a number that doesn't include China, where the service is not yet available.

In China, the number of monthly active users of Weibo, a microblogging social media site, reached 198m in March 2015, up 38% from a year earlier. Of those 198m users, some 86% used the service via mobile devices.[3]

But despite the large numbers, social media penetration in many markets remains low, such as in India where only 8% of the population were connected to a social network at the end of 2014. However, as smartphone penetration and mobile internet access deepen, these numbers will grow ever bigger.

As more and more consumers join social networks and messaging services, these platforms become important pieces of the online architecture and experience. For example, they help people to navigate the web and to find content. They become important amplification tools, enabling content and messages to be spread virally through being shared across online communities. They contribute to reviews of products and services and highlight consumer preferences, as well as publicising dissatisfaction.

[3] Weibo financial accounts for Q1 2015

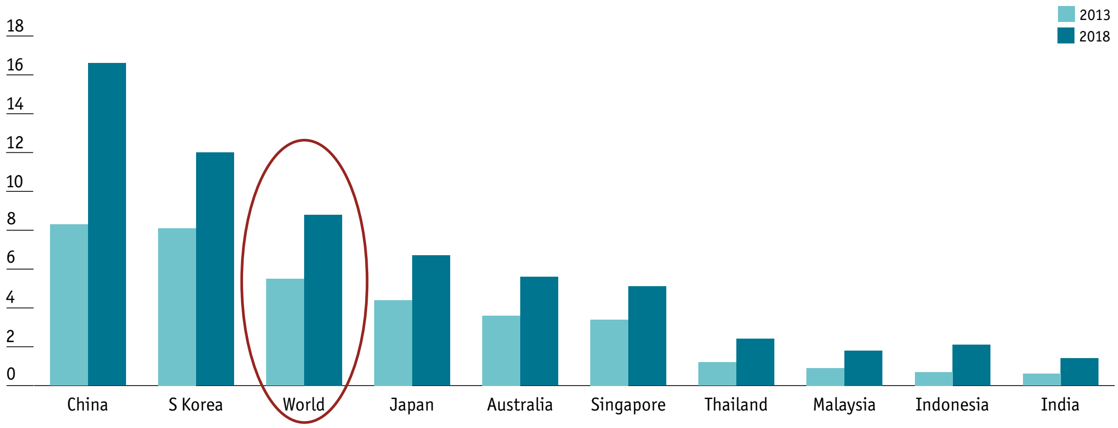
Equally, social networks encourage consumers to provide rich data about themselves that companies can use to target their marketing activities more accurately. And they become platforms for "s-commerce", where consumers sell directly to each other.

4). The rise of e-commerce

China is now the world's biggest e-commerce market, and the rest of Asia is following its lead. Together, the region is re-writing the rules of distribution and retail

As Asia's population moves online it is embracing digital commerce. In 2013, the value of e-commerce in China reached US$295bn, overtaking the US to become the world's biggest e-commerce market. More than 8% of all retail sales in China are now conducted online. And these figures will keep growing. By 2018, e-commerce in China will make up more than 16% of retail sales. Similar patterns are unfolding in the rest of Asia too. (See chart 5.)

Chart 5: E-commerce as % of total retail sales in 2013, and forecast for 2018



Sources: Euromonitor, eMarketer, Economist Intelligence Unit

But commerce isn't only moving online, it's also moving onto mobile. Increasingly, the mobile internet is where e-commerce happens. Look at the growth of m-commerce in China. According to KPMG, a consultancy, the value of m-commerce in China amounted to US$7.8bn in 2012, but will come to US$41.4bn this year.[4] Thus, while the overall value of online commerce in China is growing by 35% a year, the value of m-commerce is growing twice as fast, by 74% a year.

The rise of m-commerce is happening outside China too. Consider Zalora, a Singapore-based online fashion retailer with operations across South-east Asia. Back in 2013, 100% of the firm's revenue came via consumers using desktop computers. But, says Cooper McGuire, CFO and co-founder of Zalora, in 2015 around 50% will be via mobile, and next year he expects m-commerce to make up 75% of the business. "This is both new customers who are coming to the internet for the first time via mobile, as well as the transition of existing customers away from the desktop," he says.

M-commerce is being driven by the deepening penetration of smartphones. But the emergence of mobile payments is also key. In China, the success of Alipay has been especially instrumental. Set up and run by Alibaba, which owns and runs China's largest online marketplaces such as Taobao and Tmall, Alipay has 300m account holders and processed more than 80% of China's online transactions in 2014.[5]

[4] *E-commerce in China: Driving a New Consumer Culture*, KPMG, January 2014

[5] *The Mobile Revolution: How Mobile Technologies Drive a Trillion-Dollar Impact*, The Boston Consulting Group, 2015

The Alipay wallet, a smartphone app, allows users to set up interest-bearing accounts from which they can add or withdraw funds, transfer money and make payments.

Many other players across Asia are joining the mobile payments and m-commerce ecosystem. LINE, an instant messaging platform owned by Naver Corp in South Korea, has 250m active users spread across Japan, Thailand, Taiwan and Indonesia. The service began life as an instant messaging service, with a limited array of e-commerce options, such as allowing users to buy digital "stickers" to add to their messages. Today, however, its ambitions are far grander.

"Our strategy is to develop LINE as a 'life platform' that offers many useful services beyond messaging," explains Takeshi Idezawa, LINE's CEO. Among the other services now available are online shopping for clothes, online grocery shopping, and taxi ordering.

Importantly, the rise of e-commerce is converging with the rise of social networks to drive "s-commerce" or social commerce. This is where consumers harness the power of online platforms for themselves and sell directly to other consumers. For example, Thailand already has more than 10,000 Facebook pages selling goods directly to other consumers. Meanwhile, Singapore has a community of 10,000 "blogshops", where consumers use blogging platforms such as Blogger and WordPress to run their own micro-retail operations.[6]

Reaching further and deeper

For consumer companies, the rise of e-commerce is bringing new markets into reach that were previously excluded. Consider the case of Fonterra, a New Zealand-based producer of dairy and milk products. Fonterra is in the midst of a big push into China, but the company is a relative late-comer. "We're at the early stages of our China expansion. We only have a presence on the ground in Tier 1 and Tier 2 cities," says Achyut Kasireddy, vice president of consumer brands for Fonterra in Greater China.

But despite this limited presence, the firm is selling its products all over the country. At present, 30% of the firm's sales in China are happening via e-commerce sites such as Taobao and Tmall. And of these online sales, 30% are coming from areas where Fonterra has no physical presence.

"In the past, it used to be the case in big markets like China, India and Indonesia that if your brand owned the distributor relationships you were king," says Mr Kasireddy. "But that's not true anymore. E-commerce means you no longer have to control the distribution. New entrants can quickly undermine the position of strength of the established players."

At Mondelez, a US-based food and snack company, the rise of e-commerce in China has different implications. "For many companies in China, e-commerce is a way to sell to consumers that they haven't engaged with before, but we already have a very strong distribution. For us, it's more about connecting with consumers in the way that they prefer," says Anthony Ho, marketing director for Mondelez in Greater China. But he adds, "It's also about marketing. E-commerce isn't just a sales channel, it's a marketing channel too. It's another part of the whole ecosystem of connecting with consumers."

[6] *State of E-commerce in South-east Asia*, Hybris Software, May 2014

5). Asia as a crucible for digital marketing

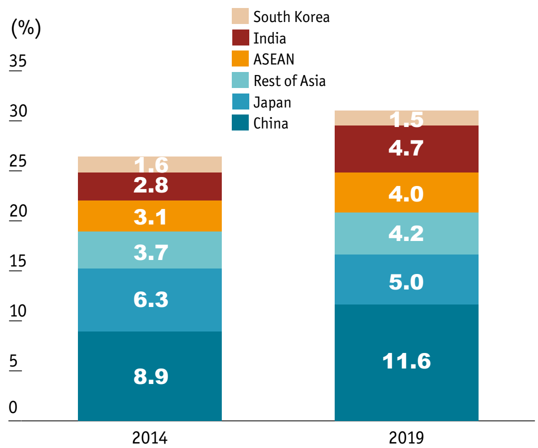
With the world’s fastest growing consumer markets, with accelerating technology adoption, and with flourishing digital innovation, Asia is starting to shape the future of marketing

These three trends – the rise of mobile, the rise of social, and the rise of online commerce – are playing out all over the world. But the economic picture in Asia makes the region of particular importance in understanding the future of connected consumers.

For a start, Asia’s scale is significant. In 2014, the region made up 57% of the global population, with 58% of its mobile phone subscriptions, and 53% of its internet users. What’s more, Asia has the fastest growing regional economy in the world. In 2014, Asia accounted for 26% of global private consumption, but will have 31% by 2019. (See chart 6.) The value of retail sales in the region will grow by 4.6% a year for the next five years, well above the global average of 3%. (See chart 7.)

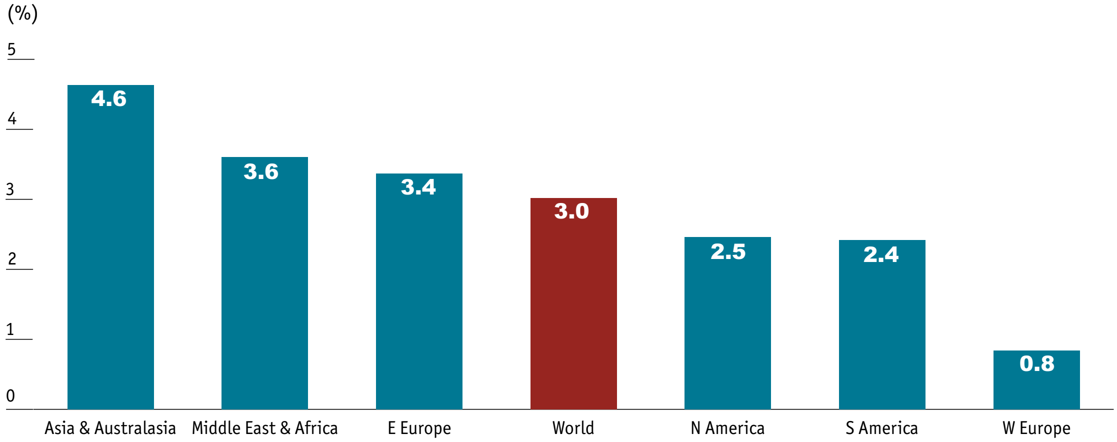
But Asia is important for more than just scale and growth rates. It is also home to an expanding number of technology giants. Consider smartphone manufacturers. In 2014, Asia’s top 10 smartphone brands – the likes of Samsung, LG, Xiaomi and Sony – accounted for 69% of global handset sales. Or look at the world’s 2.3m app developers, of which one third are based in

Chart 6: Asia’s share of global private consumption (%) in 2014 and 2019



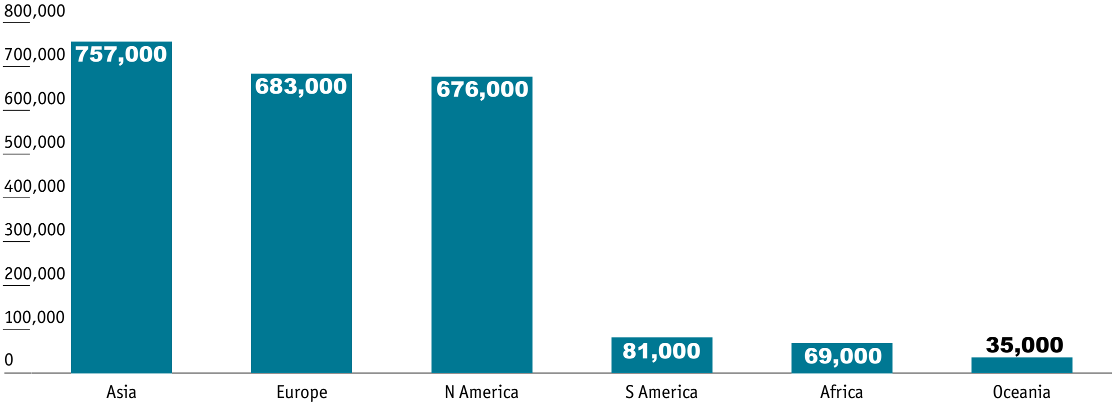
Source: Economist Intelligence Unit

Chart 7: Annual average growth rate of retail sales from 2014 to 2019



Source: Economist Intelligence Unit

Chart 8: Number of application developers by region, 2013
(Data)



Source: Vision Mobile

Asia. (See chart 8.) In e-commerce, China's Alibaba is more valuable than Amazon in the US. Putting these factors together, it's clear that Asia will play an ever more important role in shaping the way that companies use technology platforms to connect with their customers.

Necessity is driving innovation

Sure, many of Asia's consumers are not as wealthy as their counterparts in Europe or North America, but that isn't holding back the digital revolution. Indeed, it may even be spurring it on, by encouraging innovation. Necessity, after all, is the mother of invention. For example, many countries are leapfrogging earlier stages of digital technology, such as bypassing fixed line communications and moving straight to the mobile internet.

It might be presumed that low levels of financial inclusion in Asia are holding back e-commerce. In Indonesia, for example, only 20% of adults have a bank account (whereas nearly half have a Facebook account).[7] However, innovation is overcoming such hurdles. For example, mobile phone companies are using their billing capabilities to offer payment services – by adding e-commerce purchases to monthly bills in the case of post-paid customers, or using phone credit to pay for goods and services in the case of pre-paid customers.

Equally, where customers do not yet have confidence to pay in advance for online purchases, e-retailers have rolled out cash-on-delivery services in markets like India and Indonesia. At Zalora, Mr McGuire notes: "Cash on delivery gets over the trust hump. If people are unhappy about shopping online, then cash on delivery takes away their fear and their risk. In a market like Vietnam, about 80% of our sales are paid for with cash-on-delivery."

[7] World Bank, data for 2013

6). What does it mean?

The rise of mobile, social and e-commerce are having a profound impact on Asia's consumers. But how should companies think about these trends? What are the implications when it comes to connecting with consumers? How should companies and marketers use Asia's new technology platforms?

A). Technology changes everything and nothing

The digital revolution is bringing unprecedented change to the world of marketing. Companies that understand these changes, and how to harness the power of online networks and content platforms, can build awareness more quickly than ever before. But while the technology tools are becoming more sophisticated, the fundamental principles of good marketing haven't changed at all.

Martin Roll, a Singapore-based brand strategist and adviser at McKinsey & Co, a consultancy, notes: "To build a brand, you have to make an emotional connection with a customer. That's always been true and it remains true today. If you're selling cars, you can reach a lot of people using technology and tell them about your safety standards, and how good your airbags are. You can build awareness very quickly, but that doesn't necessary 'touch' a consumer. You need the emotional connection."

At Facebook Mr Neary agrees: "Creative used to be king, but when marketing first went digital and it was mostly about search, you'd hear people argue that creative wasn't so important, it was just about algorithms." But, he stresses, such views are mistaken. "Technology should enable better creative, not replace it. Storytelling is critical. Technology offers huge scale, but even at scale, great creative feels personal. We believe creativity is truly king again."

Just as important, adds Mr Roll, marketers mustn't lose sight of the offline aspects of branding. "Trust is a critical part of any brand, and it's not easy to build trust using a digital platform alone," he argues. "Brands have to remember all the other touch points. There's a decision journey before a consumer buys, but then there's an experience journey after they've made a purchase and both parts of the journey are equally important."

B). Go mobile or go home

Michelle Guthrie, a managing director in the Asia team at Google, the US tech giant, sums up the biggest trend in marketing in three words: "Mobile, mobile, mobile! Internet users in Asia are predominantly connecting via mobile. Most of them aren't migrating to mobile, that's where they're starting."

For evidence, she points to viewers of Google's YouTube online video service. "In Japan and Korea, the watershed came in 2012 when more videos were watched on mobile than on desktop devices. That's now true for the rest of the world too."

At Facebook, it's a similar story. As Mr Neary notes: "By definition, if you work with Facebook, you are a mobile marketer. If you're building content for Facebook news feed, you're building for mobile. It's at the centre of everything we do." Across Asia, he says that 90% of users access Facebook via mobile devices, and advertising revenues are responding. In the first quarter of 2015, 73% of Facebook's advertising revenue came from mobile, up from 59% in the first quarter of 2014.

But even though some brand owners are starting to switch their spending towards mobile platforms, many are dragging their feet, says Ms Guthrie. "If you look at where people are consuming media, it isn't on TV anymore, particularly if you look at anyone under the age of 25. Yet 40-50% of advertising spend is still going to traditional TV channels, so there's a big mismatch."

Mr Khairil at Axiata makes similar observations. "Marketing dollars are still heavily skewed towards old media even though media-viewing habits have changed," he says. "The problem is that the whole media-buying ecosystem is stuck in an old model, where marketing directors have long-term relationships with their agencies and the agencies have long-term relationships with traditional media. It's hard to break those old bonds."

Getting mobilised

But while resistance to change may be widespread, some companies have embraced the mobile landscape. At Mondelez, Mr Ho says that his marketing spend in Greater China is shifting rapidly towards digital. "For the China market in general, advertising spend on digital media is about 20% of the total, with the rest on traditional media. But for Mondelez it's now 40% on digital. It's really accelerated in the past few years."

And of the digital marketing dollars that Mondelez spends, ever more is going on mobile. As Mr Ho notes: "The biggest trend for marketing is the rise of mobile connectivity. The government in China is really pushing for high-quality connectivity right across the country."

The implications of the mobile transition are manifold. For a start, it means adjusting content and marketing messages so that they are appropriate for smaller screens and new types of devices. Equally, the types of consumer that are going mobile are changing. As mobile internet adoption spreads, young and hip consumers are being joined by older peers.

Just as important, the rise of mobile means understanding new forms of consumer behaviour. "As consumers embrace mobile, they change," says Mr Ho. "They become much less passive consumers of content and much more interactive. We have to understand that and change our content accordingly." (See "Promote interactivity, but be the leader of your tribe", on page 19.)

C). Join the dots in a fragmenting world

One of the challenges for marketers today is fragmentation. On the one hand, consumers now connect to the web through many more devices than before. For example, a customer might research a product on their desktop, then buy it through an app on their phone. Tracking consumers across multiple devices in order to provide a consistent service and pitch the right products and promotions at the right time is far from easy. Even when a consumer uses just one device, like a smartphone, it isn't easy to track them as they switch between a mobile browser and a mobile app.

More important, though, is the fragmentation of media. Traditional media have all moved online. But countless new media players and content platforms have joined them, from social networks to video sites, and from discussion forums to mobile messaging services. Consumers spread themselves ever more thinly across ever more media, making it harder for companies to know where to spend their advertising dollars. As an example of the speed at which media platforms are proliferating, consider Tencent, the Chinese internet services giant, which is turning its WeChat messaging app into an advertising platform. Three years ago, WeChat carried no advertising at all. But in the first three months of 2015, it took in RMB2.72bn (US$438m) of advertising revenue.[8]

Outside China, Mr Idezawa is pursuing a similar strategy with his LINE messaging app, by encouraging companies to use it as a marketing tool. For example, companies can set up official accounts to disseminate information. Equally, the service offers LINE Casts, whereby brands can stage live streams of fashion shows and music concerts. And it lets companies give away sponsored digital "stickers" of company mascots for consumers to attach to their messages. Advertising now makes up 15% of LINE's revenue.

Omni-channel flannel

For marketers, deciding where to prioritise their marketing spend across this fragmenting landscape is no easy task, although tools and techniques do exist to help companies. (See "Get personal with big data", on page 17.) But just as hard as choosing between different media is maintaining consistency across all the various channels and consumer touch points that companies have before them. To use the current buzzword, companies need to get their "omni-channel marketing" strategy right.

In the pre-digital era, life was simple for consumer-focused firms. In terms of distribution, they had physical retail outlets, and perhaps a mail order channel. Meanwhile, marketing campaigns tended to be large and focused on just a few key media. This is no longer the case, and the risk is that companies undermine their brands by providing an inconsistent experience across highly varied distribution channels and media platforms.

Steve Worrall, director of social media and digital marketing in Asia Pacific and Africa at GM, the US car company, is all too familiar with how disjointed digital marketing can get. "Several years ago, we recognised that our digital strategy had become very fragmented," he says. "Different countries were doing things in different ways, using different tools and different platforms. There was no consistency or coordination."

As such, GM set out to standardise its digital activities. For a start, it replaced countless different legacy websites with one standard web platform – optimised for both mobile and desktop. "Now, for example, for the Chevy brand, the websites look the same whether you're in India or Japan," says Mr Worrall. In the same way, GM standardised the social media tools that it uses to listen and contribute to conversations on social media networks.

[8] "Tencent Gets Boost From Mobile Ads", *Wall Street Journal Asia*, May 14th, 2015

As well as providing a consistent experience to consumers, another key goal was to generate consistent data and analytics about GM's digital activities. Without standardised metrics it was impossible to tell which types of marketing and media engagement were working and which weren't. As such, GM also standardised the way its marketing teams were structured and organised.

Importantly, it used the shopping journey of the customer as the basis for organising its team and their digital activities, from building brand awareness, to driving consumers to the website, to engaging them with content such as videos, to generating requests for test drives, to sales, and beyond to how consumers themselves share and promote their experiences with GM vehicles. Every step of the shopping journey has key metrics that are standardised across all countries. These metrics feed into a "traffic light" scoreboard that shows immediately where digital marketing is driving business down the sales funnel and where it isn't.

D). Get personal with big data

As the trends of mobile, social and e-commerce converge and spread more widely, consumers are generating vast troves of data about themselves. As well as basic demographic and income data, consumers now leave glistening trails of what they look at and listen to, what they like, what they buy, who their friends are, where they eat, where they travel and much else besides.

For companies, these oceans of data provide rich opportunities to target and personalise their engagement with consumers. At Zalora, Mr McGuire notes: "We have incredibly detailed views of our consumers. We know what they look at, what they buy, what they don't buy." Like other brands, Zalora tracks its customers beyond its own digital properties. In a desktop environment and when consumers use mobile browsers, that means using cookies to track and follow people across the web. But there are other tools too, such as device IDs and log-ins. The aim is to have as rich a profile of individual consumers as possible so that Zalora can put the most appropriate products and promotions in front of them.

The online experience is thus becoming much more personalised for consumers as companies adopt the techniques of extreme personalisation. Nowhere is this more evident than in the personalisation of advertising. Thanks to tracking technologies such as cookies, advertisers can serve up their adverts only to certain types of users, and they can follow those users from site to site: a customer who looks online for flights to Sydney will be inundated with Australian holiday offers across many of the websites that they subsequently visit. This "programmatic advertising" means that advertisers no longer have to rely on media as proxies for certain types of consumer. Instead, they have tools to target precisely the people they want to reach.

Get with the programme

Kevin Tan is managing director of Eyeota, a Singapore-based firm that builds the online consumer profiles that companies use to target their advertising. Eyeota gathers data from thousands of websites, e-commerce sites, and offline data providers and aggregates it to provide profiles of individual consumers. By combining demographic data with browsing histories and other data sources,

Eyeota now has a database of more than one billion consumer profiles that it sells to marketers looking to target their marketing efforts to the right people.

"The digital world changes how marketers work," he says. "In the past, you'd do a survey of say 5,000 people about their media habits and other characteristics, and then you'd use statistical modelling to give a best guess of what the wider population looked like. But now the paradigm has changed. Today, we're gathering data at scale and determining exactly who is in the market for buying a car or a holiday or whatever it is that companies are interested in knowing."

Does that mean that companies no longer buy specific media, and instead buy consumer profiles? "It's a combination of both," says Mr Tan. "In the past, companies bought certain media because they were a proxy for a certain type of audience. Programmatic advertising has changed that model. Context is still important, so advertisers still buy specific media, but they can target only the consumers visiting that site who fit their needs."

Social networks like Facebook offer their own version of highly personalised advertising. Given how much data users share on such sites, it's possible to be deeply specific in choosing which users to target for promotions or campaigns.

E). Don't be content with traditional content

The digital revolution is changing the places where marketers can engage with consumers. But equally, it is changing the types of content and the format of the messages that marketers use.

"The type of content that we all share and consume these days is becoming much more visual and much less text-based," says Mr Neary at Facebook. Globally, he calculates that the world watches four billion videos on line every day. "Video, along with mobile, is the most important trend re-shaping the world of marketing. It's a powerful format for storytelling and brand-building."

At Google, Ms Guthrie agrees. However, she notes: "The form of the video has to be appropriate. In the past it was all about the 30-second TV commercial. But that doesn't translate well to the online world. Marketing agencies need to change how they think. It's no longer about advertising, it's about creating content that people want to watch and share with each other. Companies need to develop specific content plans, with a content plan for YouTube, a content plan for Facebook, a content plan for Twitter and so on."

The format of these content plans needs to adjust to the realities of the online world. Often that means producing short, 10-second videos, with a heavy emphasis on the first three seconds in order to grab a viewer's attention before they scroll past it on their newsfeeds. Old style advertisements, with a slow-building narrative and a delayed product reveal no longer work. Equally, marketers often can't rely on sound, or music or dialogue to help them. Many videos are watched in silence.

The long and the short of it

But while many brands are producing shorter, quick-hitting videos, marketers shouldn't forget the power of going longer too. With a compelling idea or brand story, says Ms Guthrie, companies can

create significant impact by telling much longer stories. A good example is Dove, a brand of female beauty products. Unilever, the company that owns Dove, produced a series of five and six-minute videos posted onto YouTube that examine how women think about beauty. In one video, a series of women sit behind a screen and describe themselves to a forensic artist, who sketches how they describe their faces. The artist then does a second sketch of each woman, but this time taking his directions from a stranger who met the woman moments earlier. By comparing the two sketches it becomes apparent how women's self-perception differs to how others see them.

What's important is that content is appropriate for the platform on which it will be consumed. Thus good marketing campaigns have a strong central idea, but a whole series of different executions. "It's about horses for courses, about getting the right versions of your content into the right places," says Mr Tan at Eyeota.

F). Promote interactivity, but be the leader of your tribe

One of the important features of online media and marketing platforms is their interactive character. Everyone these days is a content-creator and a publisher, whether that's writing product reviews on e-commerce sites, commenting on microblogs such as Weibo in China, or sharing videos on social networks. How companies manage this interactivity is a critical piece of any digital marketing strategy.

In China, Mondelez is experimenting with interactivity by using online games to sell some of its brands. Earlier this year, it released a game centred on its range of Oreo cookies. The game involved asking consumers to create and share recipes that involved Oreos as one of the key ingredients. "The Oreo brand is about playfulness," explains Mr Ho. "We wanted to create an experience that lets mothers play with their children by creating recipes and then sharing those recipes with their friends."

Mondelez deployed "owned media" (such as its own website) and "paid-for media" to publicise the game. But, says Mr Ho, the campaign went on to generate large quantities of "earned media" as consumers played the game and shared the results across China's social networks. It also generated lots of data about consumers that Mondelez could use for further engagement.

Community outreach

Arguably the most important form of interactivity is social media. These days, most big companies have dedicated social media teams whose job is to interact with online communities. Their aims are not only to pick up on complaints and consumer dissatisfaction and respond to them, but also to influence conversations in favour of their brands, as well as to source ideas for new products and services. As well as participating directly in online fora and conversations, companies increasingly use specialised social media tools, provided by companies such as Sprinklr, Crimson Hexagon, and Synthesio.

Allison Chew manages the marketing for Hooq, a new online video streaming service that was launched in Thailand and the Philippines this year by SingTel, a Singapore-based telco. She uses three tools to manage Hooq's presence and profile on social media platforms, some of them designed to listen in to what people are talking about, and others designed to post content and engage consumers.

"In terms of posting, we're always trying to engage our communities with interesting content," she says. "For example, we might show behind-the-scenes documentaries about the movies being featured on Hooq. Or if there's something topical, like a boxing match with Manny Pacquiao in the Philippines, we might post something about 'Manny the Movie'."

Ms Chew also encourages users to create their own videos as another form of consumer engagement. "In the Philippines they love to create videos, so we encourage that," she says. "For example, we create movie scenes with facial mapping software that lets users insert themselves into the movie."

But an equally important part of her social media engagement is about listening and discovering what ideas are trending in different markets, which then feeds into Hooq's programming. "If we learn that *Game of Thrones* is tracking very high then we might consider buying that for our service," she says.

Milking social media

At Fonterra in China, Mr Kasireddy finds social platforms to be equally powerful tools for promoting his brands. For example, in the case of Anmum, which is a brand of milk products formulated for mothers and babies, he has a team that listens to online mums groups and contributes with advice on parenting. "It's not about a hard sell, it's soft messaging," he says. "If you get the messaging right, social media can be very powerful. If you produce a video and people find it engaging, it gets shared across the social networks very quickly."

But, while interactivity is important, it needs careful management, argues Mr Roll at McKinsey. "There is a big trend towards interactive content and two-way communications, and allowing users to be part of the brand, but companies can't let consumers take over," he says. "Brands have to stand for something, and if you're running online communities, it has to be the company that leads the conversation. Tribes always have leaders at their centre, and you have to make sure that you are the leader."

G). Breathe in the O2O

One important trend in the world of retail is the notion of online-to-offline, or O-2-O. This is the idea that, while shoppers appreciate the convenience of e-commerce, they also value the experience of face-to-face contact and interacting with a product in person before they buy. As such, more and more companies are trying to create a joined-up experience that blends the best of both the offline and the online worlds. The lines between the physical and virtual channels are blurring.

"Differentiating between online and offline is really a false distinction," says Mr Kasireddy at Fonterra. "It's much more important to get the offline and the online working together seamlessly. For example, consumers in a physical store often go online to do price checks or to watch product videos before they buy."

Making O-2-O work demands careful thinking about how the two fit together. For example, the look and feel of physical stores should match the online experience. And many companies now put

QR codes next to their products so that consumers can scan them with their phones to find out more information. "In China, consumers are big adopters of QR codes," notes Mr Ho at Mondelez.

O-2-O works in other ways too. Some consumers like to place their orders online, but then pick up from a physical shop to save on delivery charges. Equally, a customer in a physical shop may decide to buy a product that is out of stock, and so can then order the product online for delivery at home.

Location, location, location

Another important aspect of O-2-O centres on using geolocation services. If a consumer has signed up to a brand loyalty programme, or downloaded a brand's app, shops can tell when they pass by thanks to the GPS in their phones. As they do, the retailer can ping them with coupons or special deals.

BuzzElement, an app developer based in Kuala Lumpur, has developed a variation on this theme. The service is called Grabit and is designed to be used by malls rather than by individual retailers. Consumers visiting the mall are encouraged to download the app, which has information about the layout of the mall and where to find different shops. Importantly, the app also lets retailers send out coupons to anyone in the mall who has installed the app. Each coupon is time-limited – consumers must "grab it" before it expires – but is also profile-based. When a user signs up for the app, they enter their personal details, and other reference points such as their Facebook profile. This means that only relevant coupons get delivered. Men won't be targeted with wedding dress offers, for example.

"Malls are being really hit by e-commerce," says Hajime Hirose, CEO of BuzzElement. "This is a way to help them hit back and offer a better experience for shoppers."

About The Economist Corporate Network Asia

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