



## future society

### New consumers

### Asian consumers



One of the most dramatic developments of the past 30 years has been emerging **Asia's soaring consumption** and its integration into global flows of trade, capital, talent, and innovation. In the decades ahead, Asia's economies will go from participating in these flows to determining their shape and direction. Indeed, in many areas—from the internet to trade and luxury goods—they already are. **The question is no longer how quickly Asia will rise; it is how Asia will lead.**

**Asia is online and booming.** Today it already **accounts for half (2.2 billion) of the world's internet users**; China and India alone account for one-third<sup>1</sup>. The region's enormous pools of digital consumers support a flourishing and innovative technology sector. Asia has **ample venture capital to support technology innovation and entrepreneurship.**

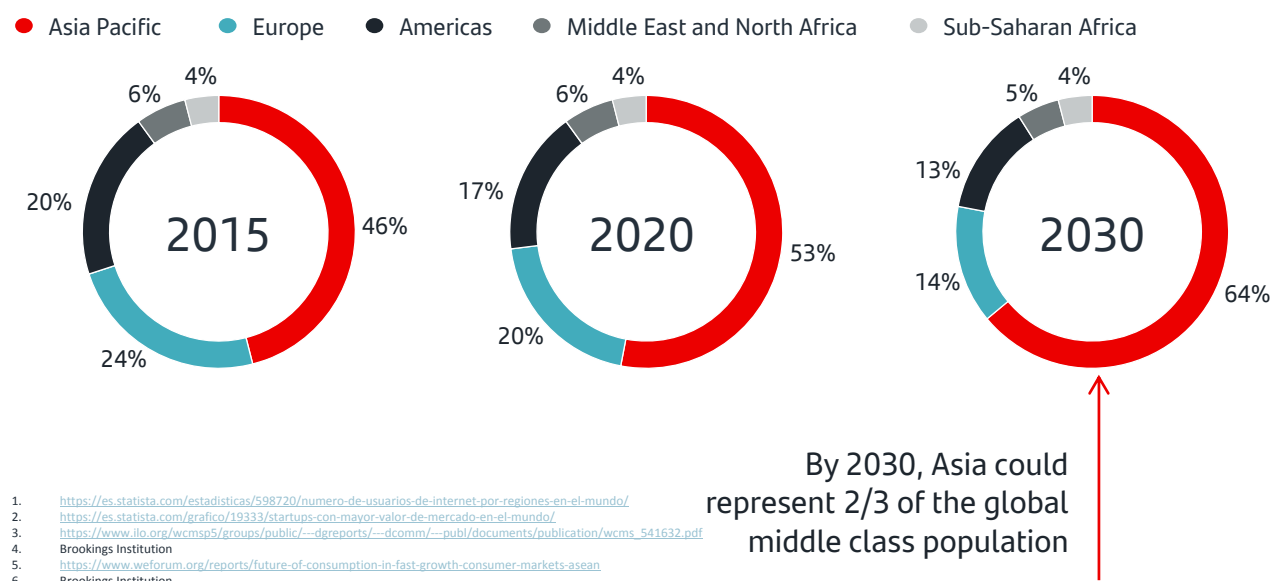
**New companies emerge to meet the needs of today's consumers.** China now ranks second only to the United States in terms of start-ups<sup>2</sup> investment. From 2014 through 2016, China provided just under 20 percent of the world's venture capital. India is also catching up quickly, tripling Germany's venture funding in 2018. Labor-intensive manufacturing for export was a major engine of China's rise, and it has historically been the clear path to economic development for poor countries. However, opportunities to compete on-the-basis of low-cost labor are narrowing as wages rise across the region and as automation technologies are adopted more widely. In 1996, wages in Japan were 46 times higher than in China; in 2016, they were only four times higher<sup>3</sup>.

For some in the region, the window is not closed yet. As **wages rise in China and the country moves into higher-value activities**, its share of global exports of labor-intensive goods has declined by three percentage points. This has created an **opening for other countries to step in**. In the past decade, **Vietnam, India, and Bangladesh** have managed to grow their exports of labor-intensive manufactured goods (particularly textiles) by annual rates of 15 percent, 8 percent, and 7 percent, respectively. This trend can turn unknown cities into new manufacturing hot spots.

**The growing Asian middle class will soon be three billion strong.** Southeast Asia alone had some 80 million households in the consuming class just a few years ago. Now that number is on track to double to 163 million households by 2030<sup>4</sup>. As we look further into the future, ASEAN growth will be propelled by four mega-forces: favorable demographics; rising income levels; geopolitical shifts; and digital tailwinds. Over the next decade, Asian countries will see 140 million new consumers, representing 16% of the world's consumers – many of whom will make their first online purchase and buy their first luxury product<sup>5</sup>. Income levels are rising, with regional GDP per capita expected to grow by an annual 4% to \$6,600 in 2030<sup>6</sup>, causing many product categories to reach inflection points where consumption takes off. **The future of global consumption growth is in Asia.**

## The growth of the global middle class is centered in Asia

Source: Brookings Institution





## Key trends driving growth in companies focused on Asian consumers



### Luxury

**Chinese consumers are now the engine of worldwide growth in luxury spending.** The fast-expanding bulge of affluent citizens combined with a small but very wealthy coterie means there's much more income to spend on luxury goods and services—from fashion, jewelry, and prestige cosmetics to artwork and high-end travel.

**China's luxury spending will nearly double between now and 2025<sup>7</sup>.** Propelling this growth (nearly three quarters of all new spending globally) is an explosion in upper-middle-class households. China's affluent post-1980s generation is fueling luxury buying right now. They grew up as China emerged as an economic power and are now at the peak of their career and earnings, travel frequently, and spend to demonstrate their individualism and success. The "Asian consumer" resists easy characterization. Asia's Generation Z has different buying behaviors and values. They have grown up with unprecedented wealth, greater exposure to Western culture, and digital savvy. **The luxury purchases of young Chinese consumers are heavily influenced by their media consumption and their desire to be seen and snapped in the latest styles.**



### E-learning

**Today's educational landscape is going through a revolution unlike any we've ever seen before.** The e-learning industry growth statistics aren't showing any signs of slowing down, and the corporate e-learning sector is expected to grow by as much as \$38 billion from 2020 to 2024<sup>8</sup>. **Coronavirus has been a bonanza for Asian online education companies.** With hundreds of millions of students prevented from attending school, a voracious **appetite for online lessons is swelling digital enrolments**, boosting share prices, and increasing the capital available to "EdTech" start-ups, according to this article from the Financial Times. Bju's — an Indian start-up worth \$11bn — has experienced a 60 percent increase in students since it offered children free access to its app in early March. At the end of last year, Bju's had 40m students using its platforms. India's exploding EdTech market is second only to China's, where homework-help company Yuanfudao, valued at more than \$15 billion, has become the highest-funded ed-tech start-up in the world.



### Social Commerce

**Social commerce is a system where non-professional individuals ("Agents") are rewarded (but not employed) by a platform for generating sales by sharing the platform's product information** through offline and online means, typically in personalized, non-mass approaches, and sometimes with elements of price/margin-control by the agent.

The specific inspirations for these models come from now household companies like **Pingduoduo, Meesho, and Yunji**, with an estimated market size of 15–25b for social commerce in Indonesia<sup>9</sup> alone. There are more than an estimated **906 million social network users within APAC<sup>10</sup>** who mostly access these platforms through their mobile devices.

According to a recent survey by Econsultancy, 85% of the region's social media shoppers now find it **'quick and easy' to buy products via social media**. Most (84%) respondents also said they would buy more on social media over the next few years.

7. <https://www.bain.com/insights/chinas-unstoppable-2020-luxury-market/>

8. <https://www.businesswire.com/news/home/20201119005930/en/Corporate-E-Learning-Market-to-grow-by-38.09-bn-during-2020-2024Industry-Analysis-Market-Trends-Market-Growth-Opportunities-and-Forecast-2024-Technavio>

9. <https://www.mckinsey.com/featured-insights/asia-pacific/the-digital-archipelago-how-online-commerce-is-driving-indonesias-economic-development>

10. <https://www.statista.com/statistics/295606/social-media-mau-asia-pacific-countries/>



## Examples of companies that are succeeding in capturing Asian consumption growth



TOGETHER, MORE savings, MORE fun

Pinduoduo Inc. operates as an e-commerce platform.

The Company offers a wide range of merchandise online, including groceries, fashion, beauty, and electronics.

It is the **second-largest online marketplace in China** by number of users and number of orders<sup>11</sup>. It is also one of the world's largest internet companies. It has pioneered several new trends, including **social e-commerce, team purchase, and consumer-to-manufacturer (C2M)**, that have revolutionized online shopping in China.



JD.com, Inc. is an online direct sales company in China.

The company operates through the following business segments: JD Mall, and New Businesses. The **JD Mall** segment represents its core **e-commerce business**.

The New Businesses segment includes logistic services provided to third parties, technology services, overseas business, insurance, and O2O (online-to-online). It also provides an **online marketplace**, whereby third-party sellers sell products to customers primarily through its websites and mobile apps.



New Oriental Education & Technology Group, Inc. offers educational services.

The Company offers foreign language training, test preparation courses for admissions and assessment tests in the United States, the PRC and Commonwealth countries, primary and secondary school education, development and distribution of educational content, software and other technology, and online classes.

Since its founding in 1993, New Oriental has had approximately 64.9 million student enrollments, including approximately 10.6 million enrollments in fiscal year 2020.



Tencent Holdings Limited operates as a holding company.

It is the biggest rival of Alibaba Group, the country's largest e-commerce company. Baidu, Alibaba and Tencent are commonly known collectively as BAT in China. Tencent was established in 1998.

Tencent dominates China's social media with **WeChat and QQ** and, it's the world's **largest online gaming company** too<sup>12</sup>. Analysts estimate that Tencent's digital services are used by more than **two-thirds of the Chinese population**.



ANTA Sports Products Limited designs, develops, manufactures, and markets sportswear, including **sports footwear and apparel** for professionals and the general public.

The Company focuses on the sportswear market in China with a brand portfolio, including **ANTA, ANTA KIDS, FILA, FILA KIDS, and NBA**.

It has recently acquired Amer Sports Corporation with a portfolio of brands that include **Atomic, Suunto, Wilson, Salomon, and Peak Performance**.



Baidu, Inc. operates as an **Internet search engine**. The Company offers algorithmic search, enterprise search, news, MP3 and image searches, voice assistance, online storage, and navigation services.

Baidu was incorporated in January 2000 by Robin Li and Eric Xu. The Baidu search engine is currently the **third largest website in the Alexa Internet rankings**<sup>13</sup>.

Baidu has origins in RankDex, an earlier search engine developed by Robin Li in 1996 before he founded Baidu in 2000.

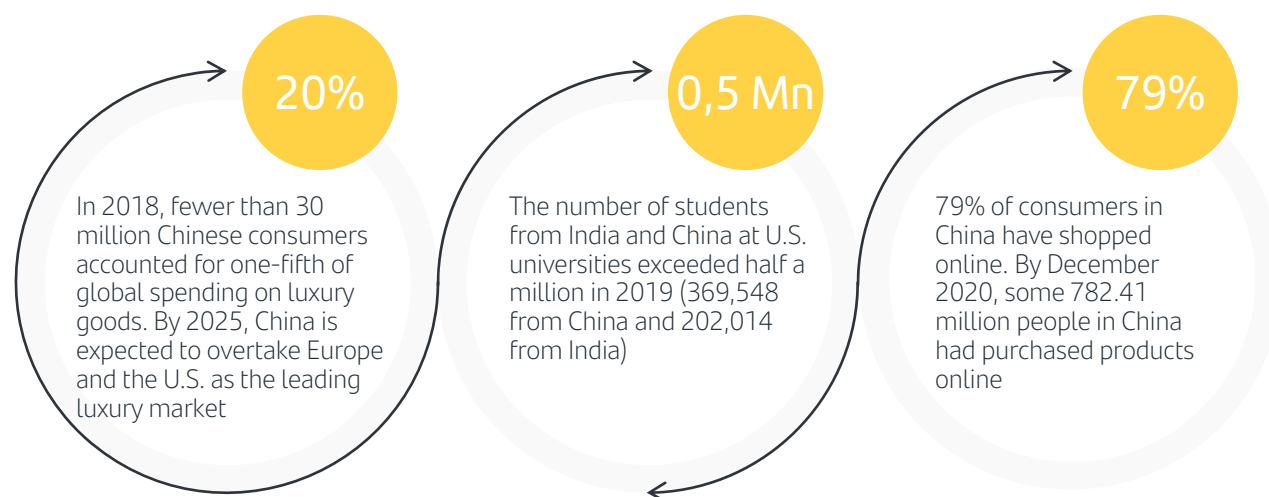
11. <https://www.webretailer.com/b/online-marketplaces-china/>

12. [www.statista.com](http://www.statista.com)

13. The top 500 sites on the web The sites in the top sites lists are ordered by their 1 month Alexa traffic rank



## Did you know that?



Source: Bain Luxury Report 2020.

Source: IIE 2019 Report on International Education Exchange.

Source: Statista.



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