

The Malaysia Retail Report 2023

Connecting ambitions



adyen

engineered
for ambition

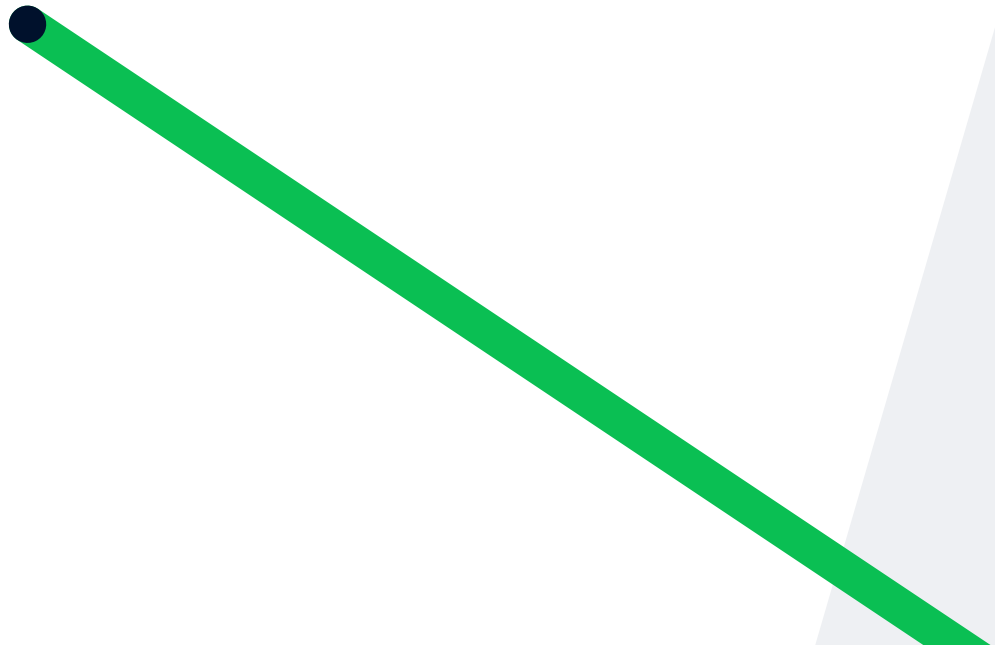
We asked over

12,000 businesses from 24 markets

to detail their fears, hopes, strategies, and investments for 2023 and beyond.



Then we asked 36,000 consumers
from 26 markets if they're getting it right.



Welcome to the Retail Report 2023

Connecting ambitions

Over the last few years, disruption has taken on a double meaning, especially in retail. Yes there were challenges, but there was also innovative and creative disruption through digital transformation. Technology such as unified commerce, AI, and automation are transforming how businesses approach retail.

Malaysian retailers once again find themselves in a state of change. Consumer trends are shifting and the differences between regional and metro areas are more profound. Combined with labor shortages and an uncertain global economic outlook, the path to growth seems less clear.

To help you reach your goals, we polled 505 businesses and 1,000 consumers in Malaysia (nationally representative) as part of a global study of over 12,000 businesses and 36,000 consumers worldwide and complemented this with economic research into the retail industry's latest trends.

The results are clear, retailers are ambitious. 95% of them are investing in improving their business this year. Their goals? Boost revenue (34%), reduce costs and increase efficiency (21%), identify innovative products (27%), and improve customer experiences (22%).

The key to achieving these goals is building connections. Using data to better connect with consumers. Connecting physical stores with online offerings to provide the best experience. And connecting backend systems with customer experience technology to streamline operations.

It may sound daunting, but the right tools to elevate the customer experience and improve operations is not out of reach, and has significant ROI. We've done the analysis and built the blueprint for retail success. Now it's your turn to get inspired.

Are you ready to connect and disrupt? Let's talk shop.

Soon Yean Lee
Country Manager, Malaysia
Adyen

Retail in 2023

Chapter 1	Shoppers want more choices in return for their loyalty
Chapter 2	Physical stores get connected
Chapter 3	Unified commerce is a RM168 billion retail opportunity
Chapter 4	29% of shoppers experience payments fraud
Conclusion	A connected industry is a disruptive one

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 possibilities of financial technology.

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

Consumer insights

Opinium Research LLP polled 36,000 adults in Hong Kong, Japan, Malaysia, Singapore, India, Australia, UAE, UK, Ireland, Austria, Belgium, Denmark, France, Germany, Italy, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland, Canada, USA, Brazil, and Mexico. Respondents were incentivized to participate.

Business insights

Censuswide polled 12,328 businesses in Hong Kong, Japan, Malaysia, Singapore, Australia, UAE, UK, India, Ireland, Belgium, Denmark, France, Germany, Italy, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, Canada, USA, Brazil, and Mexico. Respondents were incentivized to participate.

Fieldwork was conducted between February 6 and March 1, 2023. Opinium and Censuswide campaigns are conducted in accordance with all ESOMAR principles and best practice.

Economic insights

We commissioned the Centre for Economics and Business Research (Cebr) to provide analysis on the impact that the use of technologies has on the global retail industry. Calculations made use of the Censuswide poll, as well as data from the Organisation for Economic Co-operation and Development (OECD) on retail businesses from 23 countries.

Chapter 1

Shoppers want more choices in return for their loyalty





83% of shoppers want more rewarding experiences

Post-pandemic consumers are more deliberate in their buying. The majority (55%) will abandon their purchase if they can't pay how they want.

Shoppers are now spending more time bargain hunting, with 54% searching for the best deals online and 44% searching for deals in stores. 37% are also looking for seasonal moments like Ramadan sales and Singles' Day for added discounts.

Retailers are feeling this trend. 55% of them reported an increase in customer expectations in the past year. And 48% saw a decrease in customer loyalty. That's why 47% of retailers started offering discounts year-round.

But consumers aren't just motivated by price. They want shopping to be made more convenient through tailored rewards and experiences. Up to 79% of shoppers want more personalized discounting from retailers they regularly shop with. 68% want retailers to remember their preferences and purchase history for more customized browsing – more than almost all other markets we surveyed.

When it comes to rewarding shopper loyalty, retailers need to up their game. 83% of consumers want retailers to improve the ways they reward people for shopping with them.

It's not that customers are not willing to go the extra mile to be rewarded for their shopping – up to 79% of them would download a retailer's app to receive better loyalty bonuses. It's more that rewards lack relevance or feel generic – 68% say loyalty programs rarely offer things they actually want or use.

As consumers rethink their spending, retailers are looking at innovative ways to stay in tune with their consumers' dynamic sentiments and behavior. Investing in personalization proves essential and data is the way forward.

Up to 53% of businesses find it hard to categorize shoppers by their needs. Only 35% of them use a customer relationship management (CRM) system to curate stronger personalized journeys. And only 32% have centralized databases showing sales from all channels. This leaves only 32% of retailers who can connect online and in-store transaction data.

Yet, 37% of retailers are already planning to invest in collecting and analyzing payments data this year, a 12% increase from last year.





79%

of shoppers want more personalized discounts and rewards from retailers



83%

of consumers believe retailers need to do a better job rewarding shoppers for their loyalty



43%

of retailers have the data to plan for shopper loyalty



49%

of retailers say it's too hard to maintain customer loyalty in the current environment



35%

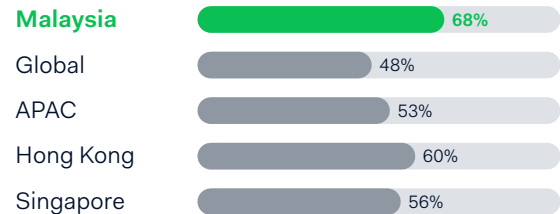
don't have a system for rewarding customer loyalty

Looking further afield

Customer expectations in Malaysia are amongst the highest in the world (we surveyed consumers in 26 markets). This is particularly so when it comes to personalized experiences and loyalty. But businesses believe customer loyalty is too hard to maintain in the current economic environment – again higher than most markets surveyed.

Data is the key to providing the tailored experiences customers demand to build loyalty. While more Malaysian businesses use a CRM, there is a lot more work to do so that systems are connected and data is understood, to build stronger relationships with customers.

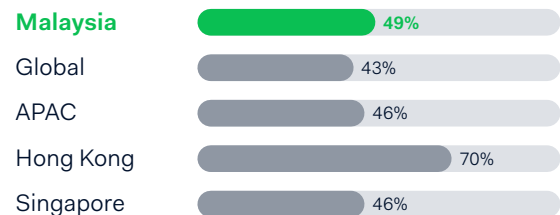
% of consumers that prefer retailers who remember their preferences and provide a tailored shopping experience



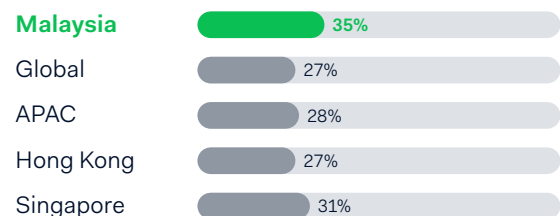
% of consumers that believe retailers need to do a better job rewarding shoppers for their loyalty



% of retailers that believe it's too hard to maintain customer loyalty in the current environment



% of retailers that use a CRM tool to help build better relationships with customers





“We use insights from payment behavior to gain a better understanding of our customers. It’s a real advantage to know which channels our customers use – Adyen’s reports are a key indicator from a business point of view.”

Chloée Daullé — Group Treasurer, Christian Louboutin

From insight to action

Power your personalization strategy with data

Turn transactions into relationships with unified commerce

Retailers can elevate their personalization strategies using data. Unified commerce allows them to manage online and in-person payments data better and draw more accurate insights from it. It connects real-time data from across your different channels, payment methods, brands, and regions into one centralized view. It shows you exactly what your shoppers are looking for, when and where they want to get it, and how they want to pay for it.

This keeps you ahead of the curve and lets you respond to your customer preferences quicker, more accurately, and at scale.

Unified commerce also helps you design more effective strategies to give shoppers the best value for money. You can use actionable insights to offer tailored loyalty programs, promotions, sales bundles, perks, dynamic pricing, and subscriptions that go beyond mere discounts. And you can meet your shoppers wherever they are in their nonlinear journeys.

It can sound difficult and hard to reach, but the right payment partners are available in Malaysia to work by your side. The right partner will help you to remove the complexity so you can curate these customer relationships and optimize your business performance.



Chapter 2

Physical stores get connected





66% of shoppers are more loyal to retailers that let them seamlessly shop across online and offline channels

Covid dramatically accelerated the rise of ecommerce. Now, consumers are almost split down the middle when it comes to online or offline as their first preference for shopping. And, the majority (56%) say that if they are going to shop in store, retailers need to make the experience more exciting.

Technology has a huge role to play to curate a more exciting in-store experience, especially when it's harder than ever to find staff. And many of these technologies can be implemented easily and incrementally.

Linking online channels to your physical stores is one way to enhance the customer experience while overcoming labor challenges. With a unified commerce payments platform, retailers can easily create an endless aisle, so shoppers in store can see and feel products, or use their mobile device to learn more about products, or make a purchase. This gives shoppers choice and control over the customer experience and alleviates pressures on sales teams during busy periods.

Customers crave these flexible cross-channel experiences. Two-thirds (66%) are more loyal to retailers that enable shoppers to seamlessly complete transactions across online and offline channels – this is the highest of all markets we surveyed. 70% are more loyal to retailers offering in-store web returns. 69% are also more loyal if they can purchase an item that was out of stock in stores and have it shipped directly to their homes.

Mobile POS, apps, and self-checkout kiosks are other in-store technologies that build stronger connections with customers and overcome staff shortages. 38% of shoppers said they have used a retailer's app to checkout in store, or secure loyalty points in the past year. A quarter (26%) have used self-checkout kiosks, while 20% were served by a roving staff member using mobile point-of-sale.

These technologies had an overwhelmingly positive impact. Less than 0.5% of consumers said they had a bad experience, while 52% were happier with the experience because it made shopping faster. 44% said it made shopping more fun and 39% would return to stores that used these technologies over stores that do not.

Retailers understand that physical stores need to evolve and become more connected. 83% believe physical stores are important for brand consideration, even if consumers make a purchase on another channel. It's all about finding a partner that can help you meet your goals at a scale and pace that meets your needs.



How do consumers prefer to shop?



68%

of retailers say offering experiences for customers when shopping helps turn browsing into spending

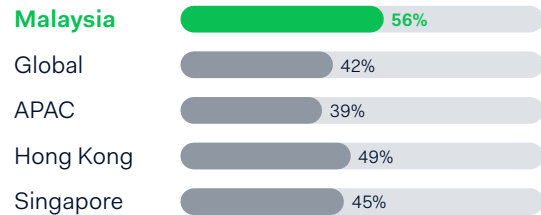
81%

of retailers believe stores will evolve to become more experience based

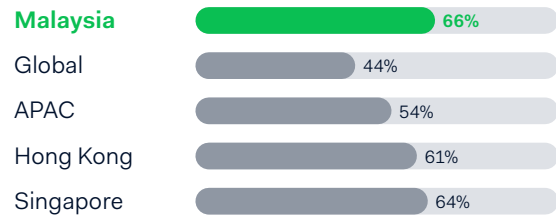
Looking further afield

The desire for stores to become more experiential, using technology to bring this to life, is higher in Malaysia than all markets surveyed. This is certainly true for stores being more connected, where shoppers can be in store and seamlessly switch to online tools to enhance and complete their journey. While many businesses may only be at the start of their journey in making this a reality, they understand that this is the direction in which stores must go – more than any other market surveyed.

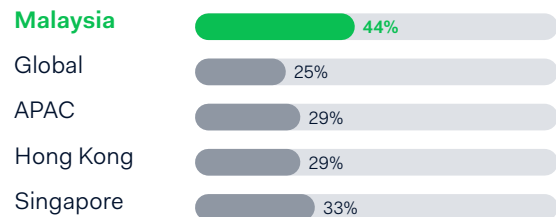
% of consumers that say if they are going to shop in store, then retailers need to make the experience more interesting



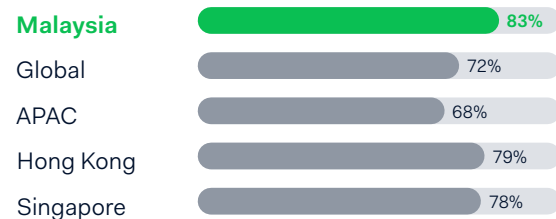
% of consumers that are more loyal to retailers that provide seamless cross-channel shopping



% of consumers that say in-store technologies make the shopping experience more fun



% of retailers that believe physical stores boost brand consideration, even if shoppers make a purchase on another channel





G-STAR RAW

“The checkout experience is very important. A smooth checkout is immediately reflected in your conversion because the more pleasant the experience, the greater the chance that a customer will continue the purchase and come back.”

Arn Knol — Commercial Director (Ecommerce & Digital), G-Star

From insight to action: Transform your store operations with the right payment solutions

Unify payments to unlock new customer experiences

Customers don't see a difference between online and offline transactions, and neither should your payments systems behind the scenes. Adopting a single platform for payments makes deploying queue-busting technology a breeze. Whether it's a traditional POS, self-checkout kiosk, self-checkout through a mobile app, or the full endless-aisle experience, a single payments platform gives you higher authorizations, greater customer insights, and complete security

Empower staff with the right hardware

From cash registers and POS software on ancient computers, to separate solutions for card payments and printing receipts, each legacy piece of technology in store can represent a compatibility error or piece of the customer experience waiting to go wrong.

Modern POS solutions can combine all of your hardware requirements into one device to completely transform your store's operations, from orders and payments, to staff and inventory management. They enhance the customer experience, freeing your staff from a fixed till to better serve customers, and improve authorization rates at the same time.

Find a digital transformation partner that brings simplicity to scale

Digital transformation, unifying payments, and new in-store technology can sound daunting. Our single payments platform was built with growth and modern experiences in mind. This means adding new customer journeys can be created with the click of a mouse. And our tech team is on hand to ensure everything goes smoothly, so you can grow and scale at a pace that suits your organization.



Chapter 3

Unified commerce is a RM168 billion retail opportunity

A decorative graphic consisting of a large white circle in the lower-left quadrant, a large white triangle in the upper-right quadrant, and several thick green lines of varying lengths and orientations. One green line starts from the bottom-left edge and extends towards the center of the white circle. Another green line starts from the bottom-right edge and extends towards the center of the white circle. A third green line starts from the bottom-right edge and extends towards the center of the white triangle. A fourth green line starts from the bottom-right edge and extends towards the center of the white triangle.



20 percentage points revenue growth last year as retailers broke down silos

While consumer behavior is changing, labor shortages and global economic uncertainty mean retailers are looking to streamline operations and reduce costs to shore up their business.

Unified commerce helps retailers improve the customer experience and solve challenges right across the organization.

By connecting detached frontend and backend systems into a single platform, retailers can shift how they use technology to support their businesses. Technology becomes an integral part of their offering, from customer experience, to inventory, to supply chains, and everything in between – all feeding valuable insights and data to one central location. And it can be implemented at varying scales to meet an organization's priorities.

In fact, retailers who used unified commerce in 2022 saw a 20 percentage points revenue boost over those who did not. Our research finds an estimated potential of a RM168 billion increase to the Malaysian retail sector if more retailers adopted unified commerce.

And the understanding of the benefits that unified commerce brings to a business is growing in Malaysia.

More than two-thirds (67%) of businesses believe unified commerce helps increase sales, up from 57% last year. 58% say it improves efficiency in fulfillment, a 16% increase from last year. 55% say unified commerce brings more data to inform business decision making, up 38% from 2022. 50% say that unified commerce helps with inventory management, a 22% increase from our previous study.

Just over one in 10 (12%) Malaysian retailers have already invested in unified commerce, which is below the global average of 17%. But the intent is there. 35% are beginning to invest in it and 46% are considering doing so. This is just over the span of a year.

On top of that, almost half of businesses (49%) plan to invest in connecting backend systems to customer-facing channels, an 88% increase from last year. 55% plan to invest in technology to improve the overall shopping experience.

What's clear is there is plenty to gain for those retailers that do look to unify their sales channels and connect backend systems to customer experience infrastructure. And those that do not will be left behind.

With the right partner, the transition to unified commerce becomes more manageable and can scale as your demands require.



Technology that positively influences customer purchasing decisions

Slick and user-friendly mobile apps



Home delivery for purchases made in store



Seamless omnichannel shopping



Mobile self-checkout



35%

of retailers are beginning to invest in unified commerce

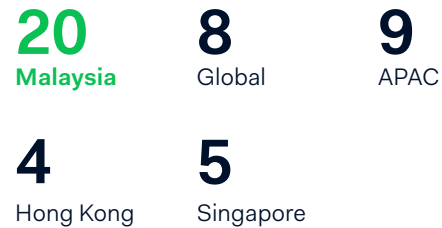
88%

Retailers connecting backend systems to customer-facing channels increased 88% this year

Looking further afield

As previous chapters show, Malaysians love the seamless cross-channel experiences created by unified commerce. The boost to Malaysian revenues is significantly higher than any other market in our study. There are likely to be many factors influencing this. As adoption of unified commerce in Malaysia is currently below the global average, those who have connected systems are already likely to be well ahead of the competition. And the differences between businesses in cities versus the regional areas is also likely to be an influencing factor in the gap in revenues. One thing is clear – Malaysian businesses are in the consideration phase of unified commerce, and the percentage is much higher than the global average.

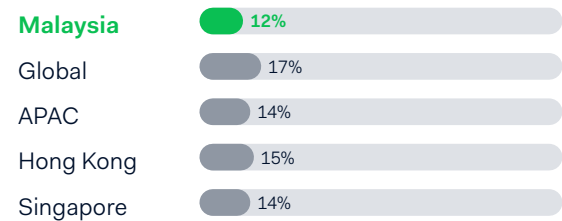
Percentage point boost to retailers' revenue by using unified commerce



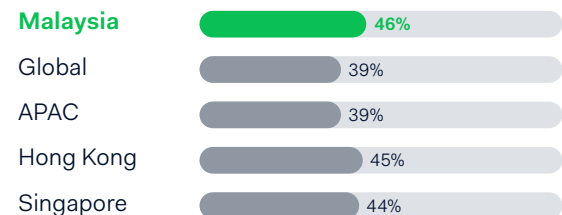
% of consumers that are more loyal to retailers that let them buy things online and return in store



% of retailers that are already investing heavily in unified commerce



% of retailers that are considering investing in unified commerce



Love, Bonito

“It’s really important for us to think about creating a more unified commerce experience between our online and offline sales channels. We want to be able to identify our loyal customers so that we can provide them with a much better shopping experience and more accurate product recommendations.”

Dione Song — CEO, Love, Bonito



From insight to action: Shift your focus from touchpoints to journeys

Connect the dots through unified commerce

Shoppers focus on end-to-end experiences and not individual channels. Yet businesses have been interpreting customer experiences through the lens of siloed touchpoints. Unified commerce makes both see eye to eye and helps retailers keep up with their customers' complex and dynamic habits.

Available in Malaysia now, Adyen's Unified Commerce solution connects multiple touchpoints into a seamless journey and curates personalized, frictionless experiences for your customers.

Take back control of your operations

Operational agility is key in today's global economy. Break down silos through unified commerce to connect your frontend channels and backend systems and streamline your operations.

Embrace a holistic, long-term strategy as you do so. Think of key business, organizational, and technological factors. Consider the channels you'll connect and the supply chains, legacy systems, and operating models involved. Are you conducting cross-border and local transactions? And do you need to revise your team structures for more agility?

Strengthen your supply chain management

Unified commerce can help retailers better manage their supply chains. It connects components like warehousing, inventory, and procurement, showing you the weak links.

It powers your operations with data. This optimizes your stock allocation, deliveries, and returns, wherever you conduct your business. And it makes you reliable for your shoppers.

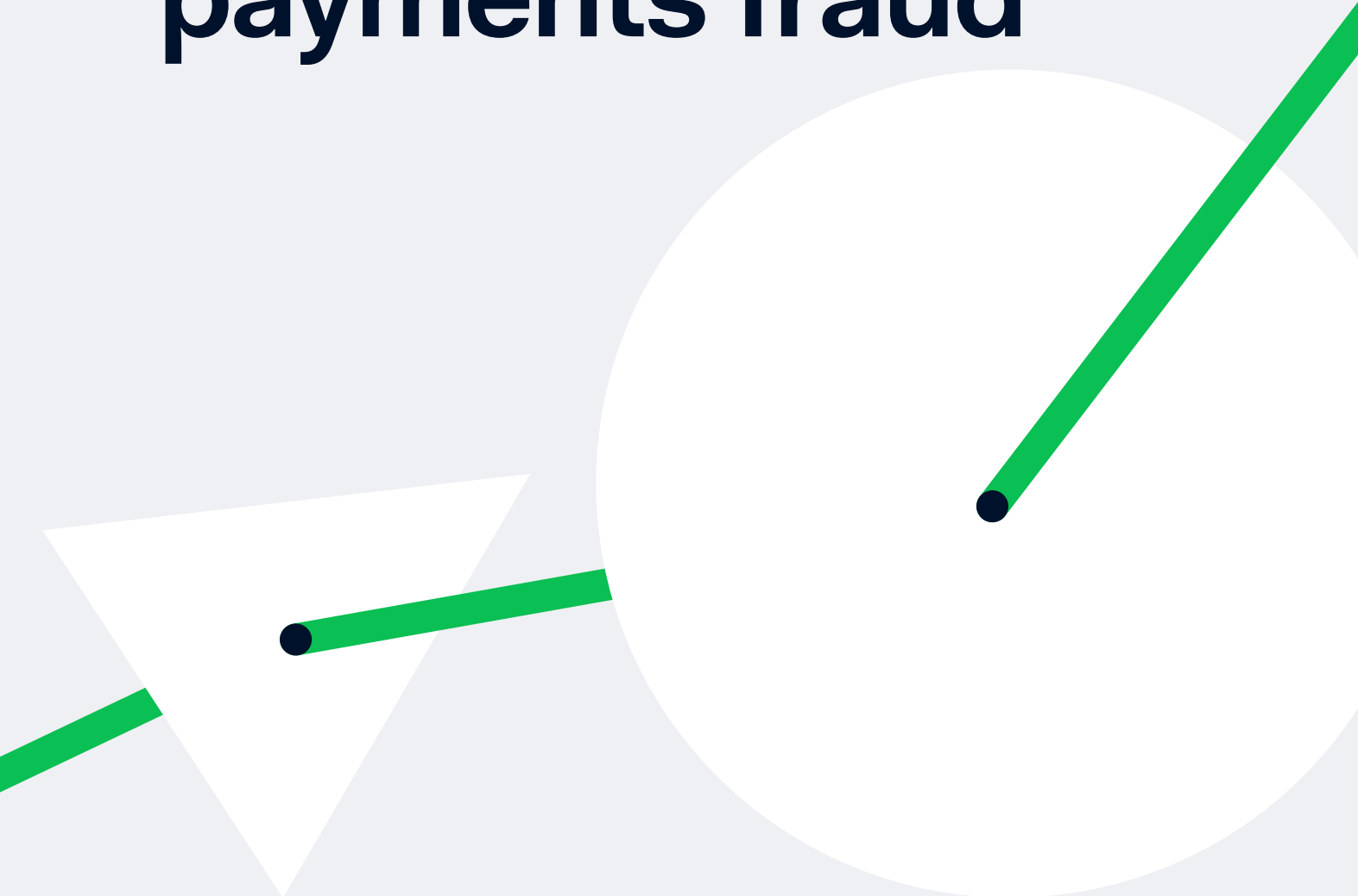
Manage your payments better

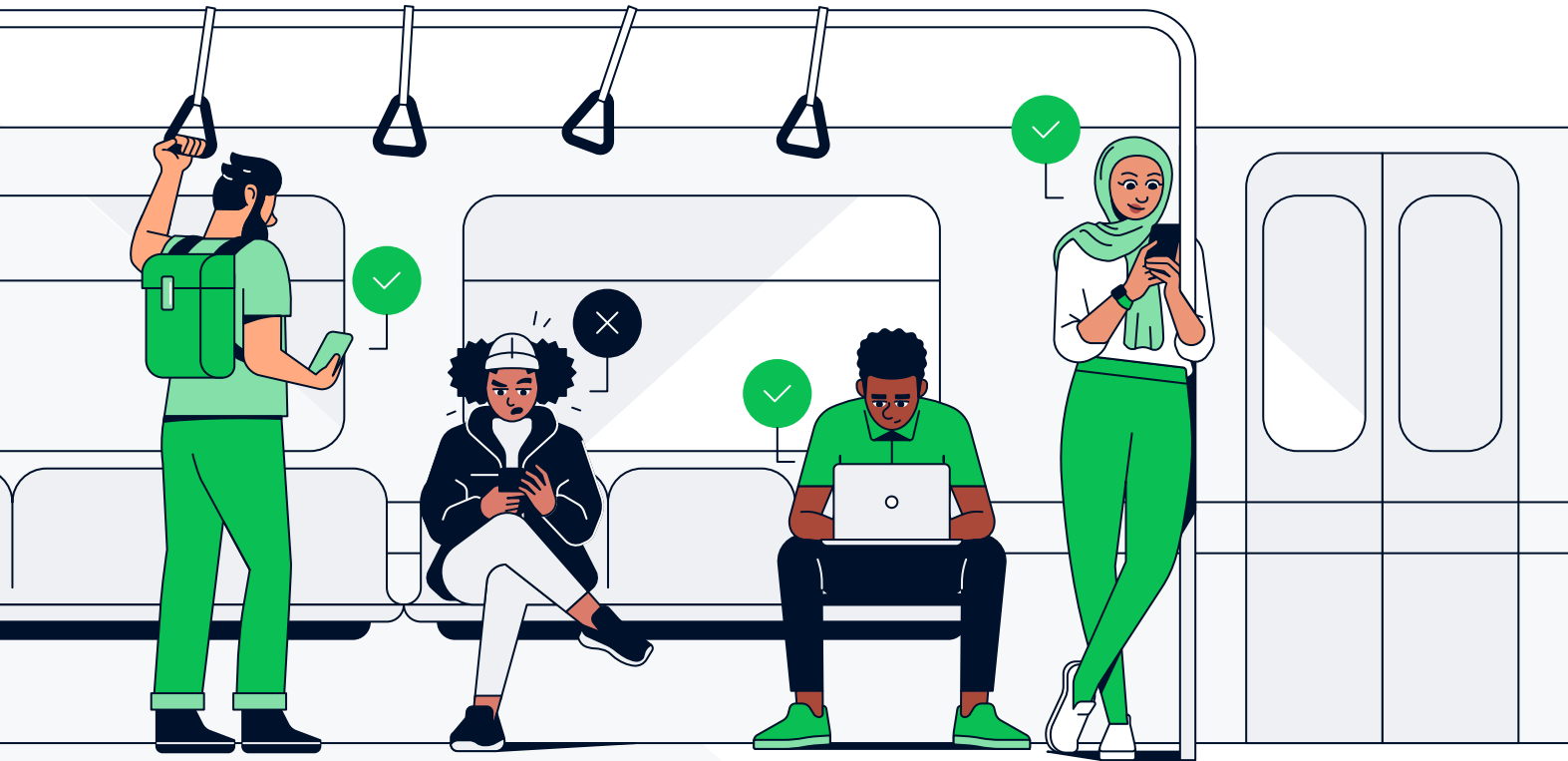
Move away from a fragmented payments ecosystem to a unified one. Instead of aligning different payment solutions across multiple channels, unified commerce means you can have a single payments stack. This improves authorization rates, optimizes costs, and eliminates downtime. It gives you a consolidated view of your payments across channels, payment methods, banks, and currencies.



Chapter 4

29% of shoppers experience payments fraud





One in three retailers face considerable costs from fraud and chargebacks

Cybercrime and fraud have certainly made headlines in the past year. Businesses from all sectors are being targeted as hackers' tactics become more sophisticated.

During the last year, just over a third of retailers (36%) experienced increased payment fraud attempts. And 30% experienced cyberattacks or data leaks.

This is proving costly for both retailers and shoppers. More than a third (36%) of retailers suffered significant losses from fraudulent transactions and chargebacks last year. Meanwhile, 29% of shoppers experienced payments fraud over the past year, losing an average of RM673.

Shoppers' confidence is taking an extra hit from cybercrime. 84% of consumers find online shopping less attractive because of fraudsters. 76% want to know who is processing their payments on behalf of retailers. And 80% want retailers to communicate their online fraud protection measures better.

Consumers also undertake various actions to minimize fraud risks themselves. 52% of consumers check whether a website is secure before purchasing, and 73% won't shop on an outdated website. Up to 26% avoid saving their payment details due to security concerns. And 37% rely on biometric authentication online and in stores.

With many high-profile cyberattacks in Malaysia in the past year, businesses are also looking to bolster their cybersecurity and efforts to reduce payments fraud. 34% of retailers plan to invest in fraud and risk management systems over the coming year. 55% will expand their fraud and risk teams in 2023. And technological solutions are on the rise — 58% of businesses already leverage artificial intelligence in fraud prevention.

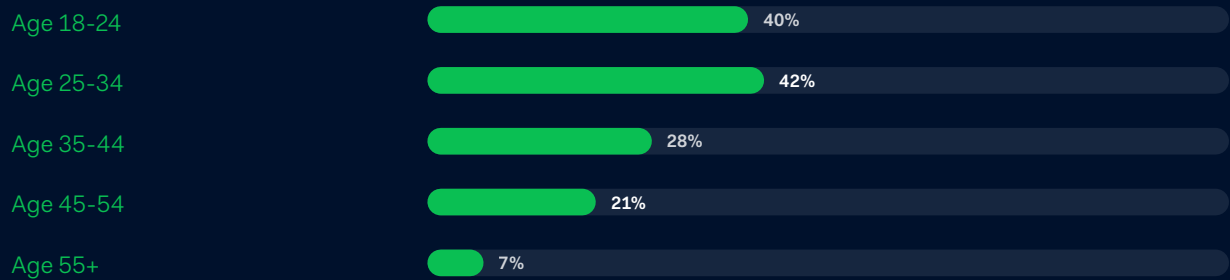


35% of retailers consider increased fraud a major threat to their business

Top fraud tactics in 2022



Younger customers are more likely to be victims of payments fraud

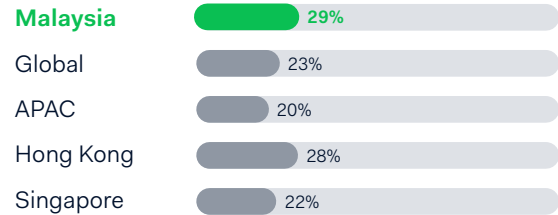


Looking further afield

More Malaysians fell victim to payments fraud than almost any other market studied. This, combined with the numerous data breaches and hacks in the country, means more consumers believe online shopping is becoming less attractive than in any other market.

Additionally, in 2022, more than one-third (36%) of retailers suffered significant losses from fraudulent transactions and chargebacks. While Malaysian businesses may be above the global average for using AI as a fraud prevention tool, it's critical for organizations that have not done so to catch up for more comprehensive protection against fraudsters.

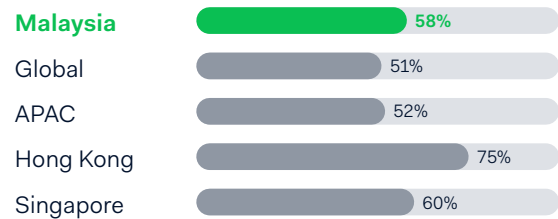
% of consumers who have experienced payments fraud



% of consumers that believe online shopping is becoming less attractive due to the fraud risk



% of retailers that use AI to help prevent fraudulent transactions



% of retailers that believe their fraud prevention systems are effective





“The challenge for every organization is deciding where to set the threshold between the number of checks and controls to manage your fraud risk, versus the happiness of your customer as they go through a smooth payments journey. We spend a lot of time assessing how strict we want our risk tools to be.”

Aurélie Saada — Director (Global Fraud Risk Lead), Microsoft



From insight to action

Optimize your detection and create secure connections

Stay one step ahead of fraudsters with technology

Choose the fraud prevention model that suits your business needs. The most effective solutions today combine machine learning with customization. They let you identify unusual behavior and differentiate genuine shoppers from fraudsters. And you can set up additional measures tailored to your business.

Stay up to speed on industry regulations and trends

Know the latest updates on your different markets and shopper behavior. And keep track of the changing regulations, cybercrime trends, and risk management solutions. The right global financial technology partner will help you customize your approach to managing fraud, regardless of where you are across the globe. And it will ease your compliance on top of that.

Streamline operations

Managing risk can be a costly game. Retailers have entire teams dedicated to it. In an environment where finding staff is difficult and there is more pressure on costs, the right technology can help streamline this process, ensuring you stay protected, while reducing administrative burdens.

Conclusion

A connected industry is a disruptive one



Retailers can become trendsetters. By connecting with their consumers and integrating their technologies and systems, they can sync with ongoing trends and set the course for new ones. Instead of reacting to disruptive forces, they can become creative disruptors.

At Adyen, we support our customers' journeys toward long-term sustainable growth. We're passionate about engineering new solutions for their ambitions and ensuring they're ahead of the curve in this rapidly changing and complex industry. We look forward to helping you explore how financial technology can power your way forward.

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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 Meta, SHEIN, Grab, Klook, ZALORA, and H&M.

