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Five areas of growth for digital marketing in ASEAN

With growth increasingly hard to achieve, Southeast Asian companies must make decisive moves in five areas of modern digital marketing to capture potential opportunities.

by Gareth Davies, Nimal Manuel, Dilip Mistry, and Andrew Roth

Over the past year, the COVID-19 pandemic has upended lives and livelihoods throughout Southeast Asia, with most countries experiencing some form of lockdown.

While vaccination drives are in rollout across the region, uncertainty looms, which has pushed consumers to shift their behavior drastically. Online purchases have increased substantially. Customers' loyalty patterns have changed as consumer interaction with brands has become a multipronged journey.

Against this backdrop, the importance of digital marketing and how it can drive engagement and sales cannot be understated. In Malaysia specifically, companies' digital-marketing strategies are lagging behind their ASEAN peers, while consumers are spending even more time online engaging and transacting with products, services, and brands. In a world where growth is increasingly hard to come by, digital marketing provides an opportunity to capture the next wave of growth. Capturing that value is critical for companies to achieve growth as the pandemic accelerates consumer behavior; companies will need to undertake bold and decisive moves in five areas of modern digital marketing to capture this upside.

The pandemic backdrop and shifting consumer behavior in ASEAN countries

As of June 2021, many ASEAN countries are still grappling with varying forms of lockdowns, with travel hindered and large-scale social restrictions still in place in some countries. The lockdowns in 2020 contributed to an expected contraction of 5.6 percent for the full year for Malaysia's economy.[1]

With movement restricted, it's no surprise that consumers were forced to change their behavior. McKinsey's Global COVID-19 Digital Sentiment Insights Survey in 2020 shows that 71 percent of users (first-time and regular) plan to continue using digital channels to the same extent or more after the pandemic, with 25 percent of consumers saying they will increase long-term use of digital channels. As they adapt to remote working and studying, consumers' consumption patterns will also change. In a similar manner, ASEAN surveys we conducted throughout the year found significantly more customers made a portion of their purchases online during—and after—the COVID-19 pandemic than before. In Indonesia, up to 60 percent of consumers reported an increase in intent to spend money online even after the pandemic.[2]

At the same time, our surveys showed that the pandemic has affected customer loyalty, with, for instance, 68 percent of Thai consumers and 80 percent of Filipino consumers trying out new brands.[3] Such brand-switching makes company efforts to retain existing customers and acquire new ones increasingly critical (Exhibit 1).

Why 2021 and beyond will remain distinctly digital for consumers and businesses

In response to accelerated digital trends caused by the pandemic, there is also a subsequent shift in advertising-budget spend as companies diversify their spend across paid and owned media. Customers are now spending more time and resources on owned-media channels such as websites, mobile apps, and customer-service channels. From a content perspective, there is also a noticeable increase in customer-conversion rates, with social and digital video channels driving the highest ROIs.

[1] Rozanna Latiff, "BNM to release five-year plan for financial sector in 2022," The Edge Markets, March 31, 2021, theedgemarkets.com.
[2] The Indonesia COVID-19 Consumer Pulse Survey, conducted September 21–30, 2020, sampled 1,034 individuals aged 18 and older and was balanced to match the general population.
[3] The Thailand COVID-19 Mobile Survey, conducted March 21–25, 2020, sampled 633 individuals aged 20 and older and was balanced to match the general population. The Philippines Consumer Pulse Survey, conducted April 17–20, 2020, sampled 639 individuals aged 20 and older and was balanced to match the general population.
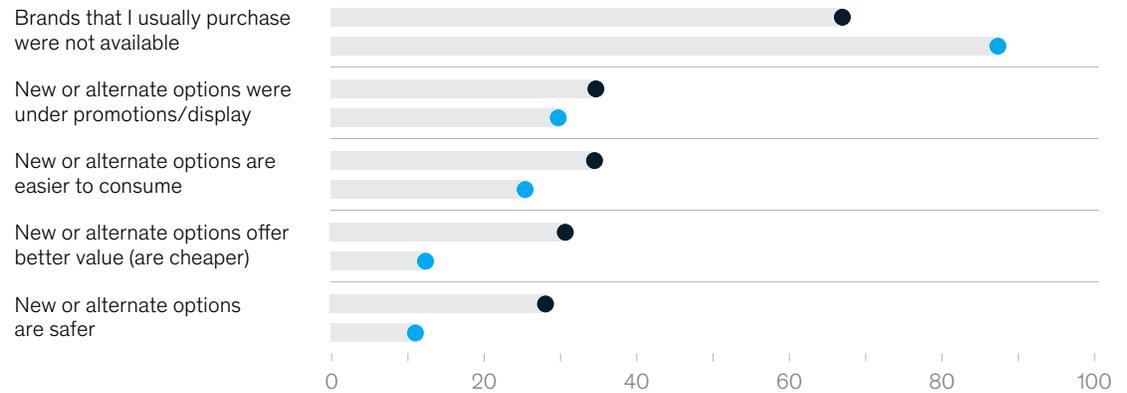
Exhibit 1

A majority of surveyed Thai and Filipino consumers report switching to new brands during the pandemic; brand unavailability was a main driver.

Consumers who have tried new or alternate product brands during the COVID-19 pandemic, % respondents

● Thailand   ● Philippines

68

80

Thailand[1]

Philippines[2]
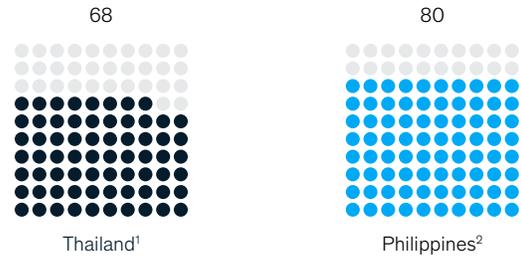
Primary driver for switching to a new or alternate product brand during the COVID-19 pandemic,[3] % respondents

Brands that I usually purchase were not available

New or alternate options were under promotions/display

New or alternate options are easier to consume

New or alternate options offer better value (are cheaper)

New or alternate options are safer

0   20   40   60   80   100

These structural shifts in consumer behavior vis-à-vis digital and online make digital marketing more important than ever. Effectively adopting digital marketing, however, requires a mindset shift in how organizations engage and communicate with customers, which is more science than art: it is driven by data and analytics; focused on personalization rather than a one-size-fits-all approach; delivered via social media, as well as broadcast media; interactive and "always on" rather than static and periodic; and iterative rather than pumped out as a single campaign. On this last point, for example, our research suggests

that up to 40 percent of consumers use their mobile phones to consult product reviews and prices while in a physical store. Such behavior is emblematic of the broader shifts going on within digital marketing today.

In this context, digital marketing is now a growth engine for many companies across a variety of sectors, with the ability to drive an increase of 5 to 8 percent in revenues over 12 to 18 months by capturing more online traffic and engaging with consumers more effectively. Furthermore, some financial institutions have seen up to a fivefold

A closer look at Malaysia: Playing digital-marketing catch-up

Given these trends, it's important for businesses to double down on their digital-marketing strategies so that their customers don't leave them behind.

A large gap appears to be on the supply side, where Malaysian organizations are playing catch-up. As an example, our analysis suggests that Malaysian banks spend one-third of the Asian average on digital marketing per customer and generate one-seventh of the digital acquisitions per customer.[1] On the demand side, consumer behavior shows there are plenty of people ready to consume digital marketing. In a survey conducted in March 2020, more than half of respondents said they were spending more time online, consuming news (56 percent) and participating in online learning (54 percent) and on social media (50 percent).[2] It is imperative for companies to engage with consumers not only to make the potential revenue payouts of digital marketing a reality but also to ensure continued relevance to consumers.

[1] Digital acquisition includes sales through any browser-based platform that can be accessed without the entry of consumer credentials. This includes both responsive and nonresponsive platforms and any mobile site. Products considered included current account and savings account (CASA), term deposits, credit cards, personal loans, mortgages, and non-life (or general) insurance.
[2] The Malaysian Consumer Pulse Survey, conducted April 17–20, 2020, sampled 640 individuals aged 18 and older to match the general population.

increase in digital sales, while telco companies can reduce absolute churn by 15 to 40 percent (Exhibit 2) and retailers can significantly increase sales. For example, Levi Strauss launched a Europe-wide digital-marketing campaign that used information gleaned from AI models.

How companies can bolster their digital-marketing strategy

Formulating and executing a successful strategy requires concerted action across the five elements of modern digital marketing outlined below.

Exhibit 2

Digital marketing can unlock significant impact across industries, including financial institutions and telcos.

Impact on financial institutions			Impact on telcos	
5× increase in digital sales	**25–150%** increase in conversion rates	**8–10** point increase in customer-satisfaction score for large banks through optimization of digital campaigns	**50–165%** increase in conversion rates	**15–40%** reduction in absolute churn
30–100% increase in digital revenue	**20%** reduction in costs through optimization tactics driven by hypothesis trees	**25–50%** increase in digital sales through personalization	**50%** increase in year-over-year organic visits in search traffic	

Double down on performance marketing with a goal to enhance customer experience
At its core, performance marketing focuses on continually optimizing performance metrics, such as activation, churn, and upsell, along the customer-journey funnel, leveraging actionable and quick-impact levers (Exhibit 3). Performance marketing plays a vital role in driving customer experience, especially at the lower-funnel interventions, such as digitizing interactions and offering a customer-service response team that responds within an hour.

Exhibit 3

Performance marketing optimizes metrics along the customer-journey funnel, helping to enhance the customer experience.

Sample performance levers along customer-journey funnel

Awareness

Customer
- Conduct time-based offers on existing promotion plan (eg, show hours and minutes ticking down on a landing page)
- Geotargeted owned- and paid-media campaigns
- Conduct A/B test on time-based offers

Operations
- Rapid experimentation of new paid campaigns (eg, look-alike audiences)
- Data-driven marketing spend based on social-media tracker
- Effective use of search-engine marketing and search-engine optimization

Technology
- Accelerate cross-channel campaign manager for automated retargeting across paid and owned media
- Improved traffic forecasting
- Omnichannel entry points

Acquisition

Customer
- Drive purchase conversion on app, messenger, with guaranteed best price
- Push for new-user acquisition utilizing online and offline owned channels (eg, customer service email, etc)

Operations
- Analyze and tag every relevant interaction and event
- Optimization of landing page to drive conversion rate

Technology
- Leverage existing payment aggregators

Onboarding

Customer
- Customer has "zero touch" product delivery, setup, and ID check
- Shorten onboarding funnel clicks and continuously test user experience

Operations
- Implement "build, measure, learn" tests to reduce the time customer takes to reach "active"

Technology
- Set up end-to-end (E2E) digital onboarding on the app and web by leveraging existing APIs
- Measuring and improving E2E digital experience

Referral

Technology
- Referral system with bilateral rewards

Fulfillment and customer service

Customer
- Customer service available in WhatsApp, guided self-service, no waiting in lines

Operations
- Order management and fulfillment (eg, product delivery, with 24-hour delivery timeline)

Technology
- Set up a network of new and existing delivery partners

Retention and repurchase

Technology
- Analytics-driven upsell/cross-sell with propensity-to-purchase modeling. Gamification of loyalty program to reduce cost and increase engagement. DMP[1]-enabled marketing activities

[1]Data-management platform.

This can be immensely powerful when implemented correctly and at scale. An ASEAN telco recently launched a digital-attacker offering, which involved a campaign for social media that persuaded target customers to sign up for a beta program that was then used to validate go-to-market preferences and product features. The campaign yielded substantial results: 28,000 customers signed up in advance of the beta program, and the year-one customer-acquisition target was hit within six months.

Here, focusing on the most valuable customer metrics in performance marketing is also key. Too often, however, companies get excited about vanity metrics, such as share of voice or traffic, or they pour substantial money into marketing to, in effect, "buy" customers. High performers often identify a "star metric" that is most indicative of success for their businesses.

A telco in Indonesia launching a new business discovered that the daily number of new customers from referrals was the key metric.[4] Focusing on that metric, it prioritized its customer-referral program, and within one month, customer referrals comprised more than 20 percent of all new daily customers. Success against this metric drastically reduced the average cost of acquisition per customer and has helped the business reach its 12-month customer goal in just seven months.

Move *pragmatically* to a modern martech stack
The marketing-tech (martech) landscape can be confusing to navigate, in part because the number of solutions has grown so rapidly—we calculate that there are more than 7,040 solutions in the market as of late 2019. As such, many organizations have fallen into the trap of investing in martech solutions before carefully thinking through how to use them, resulting in disappointingly low ROI.

A modern martech stack and data setup needs to cover three essential capabilities (Exhibit 4):

— *Campaign execution.* Automate and personalize campaigns and communications across owned- and paid-media channels.

— *Audience management.* Segment customers based on both their offline data (such as customer relationship management) and online data (such as digital-asset behavior), and share this segmentation with different marketing channels.

— *Data analytics and performance.* Collect and register customer behavior for audience-creation and campaign-performance tracking and provide a platform for analytics.

Within the martech stack, the role of the customer data platform (CDP) is increasingly critical. A CDP unifies data from disparate sources to create a single, holistic view of each customer. But it's much more than just a data aggregator; it also allocates customers into segments (which, in turn, determines which offers and content the customers see) and presents results in an easily digestible, visual manner.

Deploying a martech stack is often less intimidating than it may seem. Many components already exist and often can be repurposed. And many components can be sourced through an on-demand, scalable, cloud model. An ASEAN telco, for example, used existing components to launch its martech stack in less than four weeks. The key is to take a *pragmatic* and outcome-focused approach to standing up a first version of a workable martech stack. The "bells and whistles" can come later.

Enable an agile operating model for marketing and technology teams
For a digital-marketing strategy to succeed, the marketing and technology teams need to work in lockstep to continuously optimize the customer journey. Leaders need to elevate digital marketing

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Exhibit 4

To deliver value, businesses must develop the right marketing-tech stack based on business needs.

Stack element	Capability	Description
Audience management	Customer-data platform	Enable real-time access/interconnectivity among data systems to create an accessible 360° customer view
	Data-management platform	Leverage anonymous data to create discreet, targetable customer segments
	Campaign management/ content personalization	Use decision engines to dynamically personalize and modularize marketing content across channels
Campaign execution	Email platform and marketing-automation platforms	Manage triggered and multichannel campaigns to customers and prospects
		Deliver, track, and optimize digital-media campaigns (eg, search, bid manager, ad server, affiliate platform)
	Ad-tech platforms	Manage and optimize programmatic-media buying
	Demand-side platform (DSP)	
Data and analytics performance	Tag management	Tag container to manage all other tags and reduce IT dependency
	Advanced analytics	Two-speed IT-data environment to centralize disparate data and develop predictive models
	A/B or MVT[1] platform	Test and iterate website elements to drive improved conversion rates
	Web analytics	Analyze web and mobile traffic, content-engagement patterns, and conversion effectiveness
	Attribution-modeling platform	Multitouch attribution and DROI[2] analytics and forecasting

[1] Multivariate testing.
[2] Digital return of investment.

to the CEO agenda to get the necessary executive buy-in and generate momentum. They also need to establish transparency of existing marketing-activity ROI and cease efforts that fall below a certain ROI threshold (the lowest hanging fruit within performance marketing).

In our experience, one of the best ways to do this is to use high-performing existing talent (or initiate hiring processes, where necessary) to form two to three agile-marketing and tech squads to target key performance levers. These talents should include expertise in growth marketing, search-

engine optimization, user-experience design, HTML development, attribution analytics, broader campaign management, and copy writing. They also work together to define, prioritize, and execute against research, product, marketing, data, and technology backlogs.

In one successful example of this model, a Hong Kong–based retail bank that was struggling with flattened growth for credit card sales mobilized an agile squad to develop a digital-sales-acceleration playbook to support the scaling of the credit card program. It also worked closely with advertising

partners including Google and Facebook, resulting in a 23 percent increase in card applications and a 22 percent reduction in cost per acquisition over a 20-week period.

Balance spend allocation between channels

Organizations continue to struggle with how much to spend online versus offline. Spend allocation should occur at the individual micromarket level and be guided by characteristics of the micromarket. Geospatial analysis can help inform these decisions, as it combines granular geographical data with other forms of demographic, connectivity, behavioral, and income data to create micromarket archetypes.

Companies may also grapple with how much to spend in each subchannel. Organizations often display a "last click wins" bias in digital-ROI assessment, which can lead to an excessive focus on some channels. It's important to remember that multitouch attribution, which looks at the full customer journey to understand the impact and ROI for each channel, is a useful—and underutilized—approach that explicitly aims to counteract this bias.

Ensure responsible first-party data management

While personalization in digital marketing is here to stay, the increased scrutiny against third-party cookies and new privacy regulations (such as those announced by Mozilla and Chrome in 2019[5] and Apple in 2020) is an impetus for organizations to be responsible holders of first-party data.

Privacy issues lie at the heart of the trust between the customer and the brand. A key question, therefore, is how first-party data can be scaled while maintaining customer confidence and protecting privacy. As regulations evolve, organizations will need to be proactive and clear that they take data privacy seriously. Transparency on how data will be used is critical, as is staff training, implementing measures to prevent data theft, and continually increasing the opt-in base with accountability as a guiding principle.

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Digital marketing is more powerful in 2021 than it has ever been before. Organizations looking to capture the 5 to 8 percent of potential incremental revenue will need to be bold and decisive. And the time to act is now.

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[5] Dieter Bohn, "Google to 'phase out' third-party cookies in Chrome, but not for two years," *Verge,* January 14, 2020, theverge.com.

Gareth Davies is a consultant in McKinsey's Kuala Lumpur office, where **Nimal Manuel** is a senior partner. **Dilip Mistry** is a partner in the Singapore office, where **Andrew Roth** is an associate partner.