News Release

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E-commerce reshaping Malaysia and China

In the 1950s and 1960s the world economy was transformed by the emergence of the American consumer. Today, China's rising 'i-can' generation are in the economic driving seat.

China's rapid social and economic transformation over the past three decades has given rise to a new age of consumer that we are calling the 'i-can' generation. Emboldened by years of economic growth, the 'i-can' generation are now empowered by the rising digital economy in China, represented by a new Taobao-WeChat digital purchasing and communication axis.

Essentially, China's 'i-cans' leapt from the pre-web era straight to the mobile internet, skipping the personal computer altogether. On the way, the 'i-can' generation's e-commerce activity has created one of the world's largest digital economies and is spawning a new generation of Chinese IT companies, who are now making their presence felt on the global stage.

The 'i-can' generation demographics characteristics are very unique. They combine the features of the west's baby boomers and Millennials in one generation. What this means is, they have all the opportunity, optimism and wealth the baby boomers had with all the modern technology at their fingertips.

They are more globally minded than their parents. As products of the one-child policy, they have acquired an "I can do anything" attitude which is now transforming the country's society and economy. This new generation is also worldlier, entrepreneurial, individualistic, open-minded and are willing to spend.

The 'i-can' cohort represents more than 400 million people, accounting for almost a third of China's population and amounting to more than the working population of the US and Western Europe combined.[1] This new generation is expected to drive 65 per cent of consumption growth of China until 2020, when they will make up around 53 per cent of total consumption spending, up from 45 per cent in 2016.[2]

Their combined economic power is represented by a few statistics. The number of internet users in China is more than 730 million, as big as the total population of the EU, or twice the population of the United States.[3] More than 95 per cent of these digital 'i-cans' are connected via their smartphones.[4] Roughly half a billion use their smartphones to make payments. More than 200 million use them to order food takeaways.[5] This year, in just one day, Alibaba, the Chinese e-commerce giant's 'Singles'

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[1] https://www.emarketer.com/Article/Millennials-China-Have-Outsized-Impact-on-Ecommerce-Spending/1014863
[2] according to Boston Consulting Group and AliResearch
[3] http://www.chinadaily.com.cn/china/2017-05/30/content_29544994.htm
[4] https://www.emarketer.com/Article/More-than-95-of-Internet-Users-China-Use-Mobile-Devices-Go-Online/1015155
[5] http://www.chinadaily.com.cn/business/tech/2017-05/02/content_29166275.htm

Day sales extravaganza hit $25.4 billion, smashing its own record from last year and nearly doubling the $12.8 billion that US retailers saw between Thanksgiving and Cyber Monday last year.[6]

There is no doubt that this generation is poised to become the dominant force in China's consumer market which will power the country's economy growth. The 'i-can' generation spending power is resetting the country's growth model based on domestic consumption over the traditional foreign-investment, export-led growth. This means, China's 'i-cans' will soon become a force driving global economic growth.

The 'i-can' generation tend to be sophisticated and internationally-minded consumers. They are more selective about where they spend their money, shifting from products to services and from mass to premium segments. They are seeking a more balanced life where health and tailored experiences take priority. This means that they are likely to spend a greater proportion of their incomes on healthcare, lifestyle, entertainment, household goods and services rather than daily necessities.

This change in consumption patterns has encouraged innovation and growth in the private sector to meet the rising consumer demand. This is particularly evident within the information technology industry, which has seen Chinese companies such as Alibaba in e-commerce, Tencent in social media, and search giant Baidu, all become leading global businesses.

And those players are not just providing a single mobile platform, they are integrating everything into a mobile-centric finance solution. Alibaba and Tencent are integrating different parts of life including payments for utilities, transport and hotels all together into their mobile platform. You can do almost anything, anywhere just by simply swiping your smartphone.

Put simply, customers can run a tally of their daily expenses through an accounting function on Alipay or Tenpay which automatically records every transaction and analyses the flow of money. Consumers also have access to lending, bartering and wealth management solutions such as trading of funds and stocks.

In the long term, this new, modern Chinese consumer 'i-can' generation will transform China into a more digital and consumer driven economy. And their massive spending power would be the primary engine, not just the backbone of China's sustainable growth, but of global economic stability.

Malaysia continues to embrace the e-commerce culture

To foster closer partnership with China to sustain our economic growth, Malaysia's Digital Economy Corporation (MDEC) and Alibaba Group recently signed a memorandum of understanding to connect e-hubs under the Electronic World Trade Platform (eWTP).

This partnership aims to build infrastructure for seamless cross-border e-commerce trade between Malaysia and China, as well as act as a hub for SMEs looking to run commercial activities, where they can obtain services encompassing e-commerce, cloud computing, logistics, mobile payments and talent training.

"The increasingly widespread digital technology is critical to amplifying productivity, innovation and living standards across the wider economy. Malaysia has realised this early and is well on its way to creating an innovative and vibrant digital ecosystem. With the eWTP, Malaysia is progressing its economic transformation vision and taking a step towards becoming the leading sourcing and fulfilment hub in Asia" said Mukhtar Hussain, Chief Executive Officer of HSBC Bank Malaysia Berhad.

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[6] http://www.businessinsider.com/alibabas-singles-day-bigger-than-black-friday-cyber-monday-combined-2017-11

Malaysia's long awaited #MYCYBERSALE – a collaboration with the Malaysia Digital Economy Corporation (MDEC) – looks to achieve more than RM300 million in Gross Merchandise Value (GMV) this year – a 42 per cent increase from 2016's RM211 million – during its five-day run from 9 to 13 October 2017. This initiative aims to encourage more than 1,000 online small and medium-sized enterprises to embrace e-commerce and boost innovation while stimulating the domestic e-commerce market.[7]

"The success of the initiative shows that Malaysians are continuing to embrace the e-commerce culture. We can definitely see a shift in the way Malaysians are shopping. It is good to see the e-commerce industry and digital economy growing so steadily," Mukhtar commented.

In fact, the entry of global electronic wallet (e-wallet) providers is also expected to transform the payment system landscape in Malaysia. The emergence of e-wallets will contribute to the further development of e-commerce and will enhance the retail payment systems by offering fast, easy and secure payment processes. It supports the global move towards cashless societies.

According to a recent report by Zion Market Research, the use of e-wallets is also fast gaining popularity. Global mobile wallet transactions were valued at US$594 billion in 2016 and are expected to reach US$3.1 trillion by 2022, growing at an annual compounded rate of 32 per cent between 2017 and 2022.[8]

The ASEAN region is also moving towards a cashless society as there is a major push for demonetisation and an increased need for digital payments. We have seen early-adopters in Malaysia (JomPay), Singapore (FAST) and Thailand (PromptPay) upgrading their payments infrastructure to enable 24/7 immediate settlement.

"Technologies are inevitably disrupting our ASEAN payments landscape and rather than fear it, corporates that can adapt and embrace financial innovation and utilise technologies can reap new opportunities and increase their share of the market," he concluded.

HSBC, as the leading international bank of choice, has more than 200 branches across the six largest markets in ASEAN, and has played an active role in the development of economies and infrastructure of ASEAN countries for the past 150 years. HSBC is well-placed to improve the overall customer experience with its global digital platform and international connectivity.

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About HSBC in Malaysia

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[7] https://www.mdec.my/news/mycybersale-2017-provides-boost-to-malaysias-ecommerce-sector

owned by HSBC Bank Malaysia, commenced operations in August 2008. HSBC in Malaysia has a network of 68 branches nationwide, of which 26 are HSBC Amanah Malaysia Berhad branches. HSBC Amanah Malaysia Berhad also has offsite ATMs established in 25 locations nationwide. In 2006, HSBC was the first foreign bank to be awarded a Takaful (Islamic insurance) license in Malaysia. HSBC Amanah Takaful (Malaysia) Sdn Bhd, a joint venture between HSBC Insurance (Asia Pacific) Holdings Limited (49% shareholding), Jerneh Asia Berhad (31% shareholding) and Employees Provident Fund Board of Malaysia (20% shareholding) commenced operations in August 2006.

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