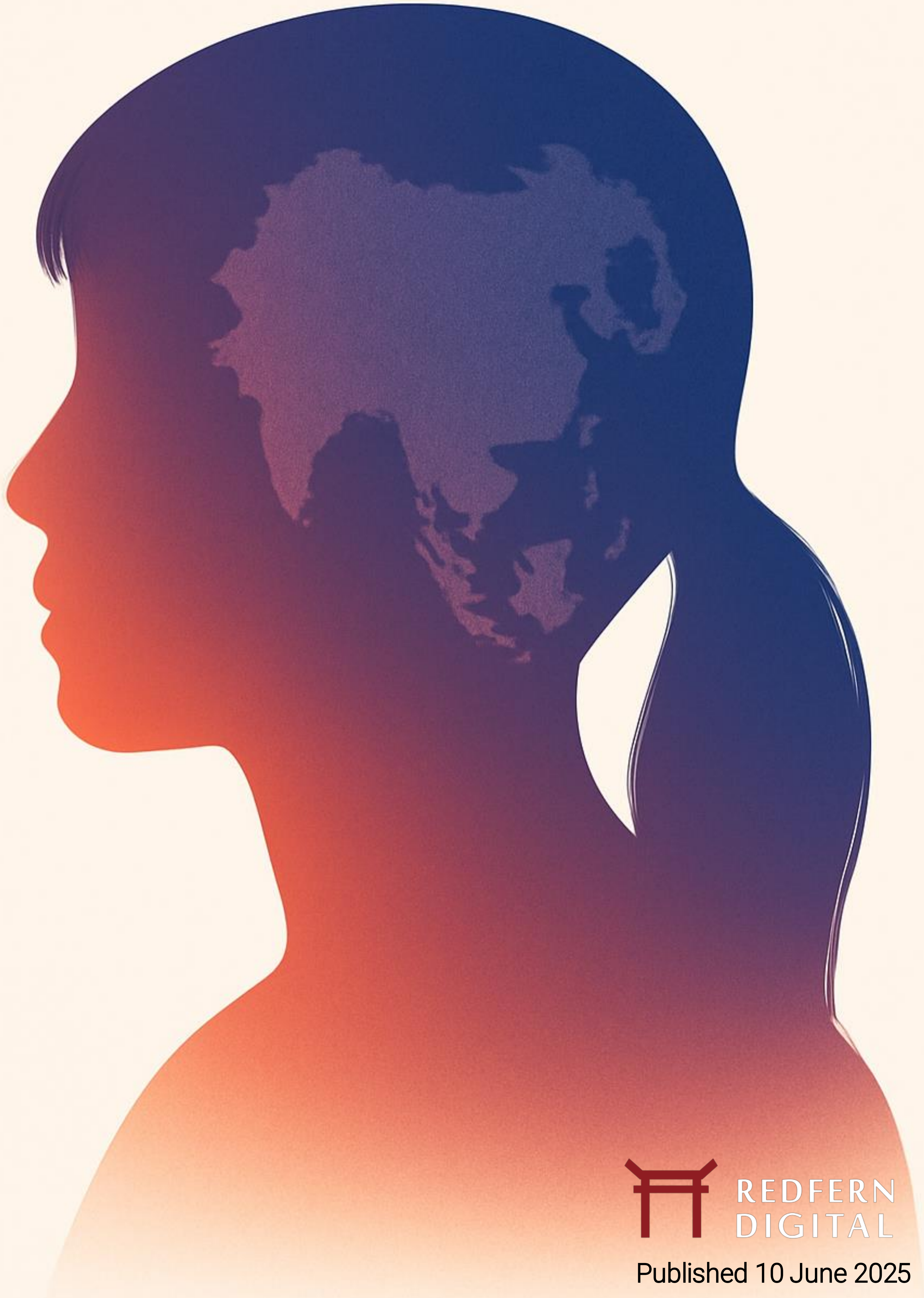
The RED Edition



REDFERN DIGITAL

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Message From The CEO

Dear Readers,

Over recent months, Asia, along with the rest of the world, has experienced a period of significant turbulence. Despite these upheavals, most of Southeast Asia has emerged relatively unscathed, even as trade between China and the U.S. teeters on the brink of stagnation. Encouragingly, exports from China to the U.S. now represent only 4% of its total exports because of the longstanding trade dispute between the two countries. What has gone largely unnoticed amidst Trump's aggressive trade wars, however, is the steady progression of favourable trade agreements. The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), for instance, is set to unlock massive opportunities in some of the world's fastest-growing markets. For countries to overlook these openings would be a significant missed opportunity.

Southeast Asian markets today have strong parallels to China 15 years ago – a time many recall for its steep profit margins, premium pricing, and relatively low competition. While mature markets in Asia such as China, Japan, and South Korea boast high purchasing power, economic uncertainty has shifted consumer preferences toward more affordable alternatives. Local brands are thriving, and competition is fiercer than ever.

One clear takeaway stands out: during economic downturns, Asian consumers remain willing to spend, but only when the value is evident. The era when premium branding alone justified high prices is firmly over.

But what does "value" mean to today's Asian consumer? In China, it translates into willingness to pay for a premium product – not just for the product itself, but for the authenticity, quality, and emotional resonance these brands convey. In Vietnam, consumers are prepared to invest in a can of high-end infant formula or a tube of premium fresh apples, driven by the strength of ingredients and the enduring prestige of country-of-origin branding.

While consumer spending continues across Asia, the challenge for brands wanting to enter lies in keeping pace with rapidly evolving expectations. In more developed markets, domestic players are increasingly able to deliver comparable value at a lower cost, putting pressure on international brands to differentiate.

Understanding the consumer life cycle is also key. In less developed nations, essentials such as food, beverages, mother and baby products, and personal care dominate demand. As markets evolve, interest shifts towards less essential categories such as beauty and nutritional health. In the most developed regions, attention turns to lifestyle categories such as leisure, outdoor activities, and pet care.

Some trends, however, are consistent across markets regardless of their stage of growth. Chief among them is the escalating influence of e-commerce and the meteoric rise of social commerce. In China, e-commerce now accounts for 47.3% of total retail sales. It has evolved beyond a sales channel into a multifaceted platform that includes entertainment, community, and convenience.

Content marketing as we once knew it is obsolete. Long-form copy and elaborate narratives have given way to fast, visually engaging communication. Brands must now learn to articulate their identity in 20 seconds or less, across multiple formats. The brands poised for success are those that can master this new digital dialect, and develop assets rapidly. In Asia, the surge in social commerce has already made video content indispensable. In China, platforms like Douyin/TikTok and RedNote are redefining how consumers discover, engage with, and purchase products, with video engagement and livestreams influencing sales performance.

For brands unprepared for this shift in online shopping behaviour, the urgency to adapt cannot be overstated. Many still hesitate to embrace Douyin or TikTok due to its demanding content production pace, but platforms such as Alibaba, YouTube, and Shopee are already implementing their own livestreaming/video sharing features toward similar video-first models. In a decade, brands that fail to adopt this form of storytelling risk fading into obscurity. What was once dismissed as a passing trend is rapidly becoming the industry standard.

Looking ahead to 2026, China and Vietnam remain markets too significant to overlook and at RedFern Digital, we're doubling down on investing in both countries. Vietnam's e-commerce sector is experiencing explosive growth, bolstered by the highest projected GDP growth globally over the next five years, positioning it as a key strategic market. Meanwhile, China, despite recent economic headwinds, has initiated a 4% deficit spending policy aimed at boosting domestic consumption. E-commerce revenues are once again on the rise. As the world's largest and soon-to-be dominant retail market, China's resurgence is impossible for serious brands to ignore.

- Ryan Molloy, CEO

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From Click to Boom: China's E-Commerce Overhaul

China is home to the world's largest e-commerce market. In 2024, online retail sales of physical goods reached 13.08 trillion RMB—a 6.5% year-on-year increase—accounting for 26.8% of total consumer retail sales. Top-performing categories included food and beverage products (up 16.0%), consumer goods (up 6.3%), and clothing (up 1.5%), reflecting evolving consumer preferences toward daily essentials and lifestyle products.

Over 974 million Chinese consumers having engaged in online shopping in 2024, which was a growth of 59.5% compared to 2023. The average spent per person annually on online shopping is above 15,000 RMB. Mobile commerce continues to be a dominant force, with more than 64% of e-commerce purchases made via mobile devices. This mobile-first approach integrates seamlessly into consumers' daily lives, supported by super apps like WeChat and Alipay that combine social media, payments, and shopping.

Traditional e-commerce giants such as Alibaba (operating Tmall and Taobao) and JD.com continue to dominate, but face intensifying competition from fast-growing platforms like Pinduoduo and Douyin (China's TikTok equivalent). The competitive landscape is increasingly shaped by social commerce and livestreaming, which have matured from buzzwords into core pillars of China's digital retail ecosystem, blending entertainment, community, and convenience.

Unlike traditional online shopping, livestreaming enables real-time interaction between hosts and viewers, creating a participative shopping experience. The live commerce market expanded to nearly 5 trillion RMB in 2023 and is projected to reach 8.16 trillion RMB by 2026, with Douyin and Kuaishou leading the sector. Key Opinion Leaders (KOLs) remain central to livestream shopping's success, although brand-run livestreams have been seeing major growth over the past couple years.

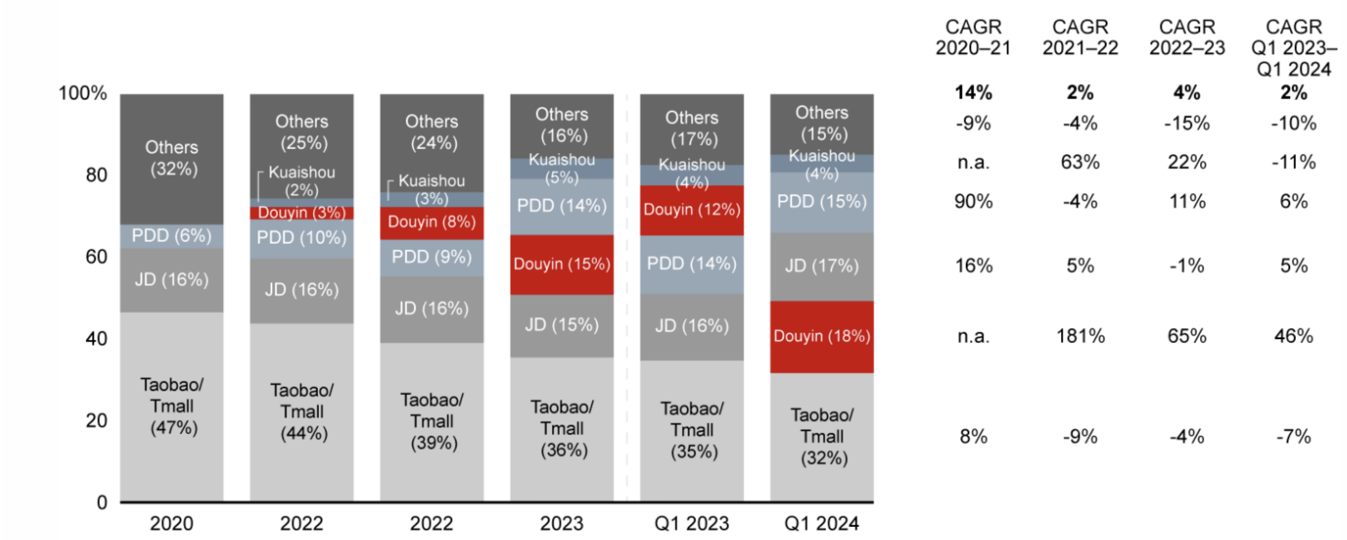
Artificial Intelligence (AI) underpins much of China's e-commerce innovation. Platforms such as Alibaba, JD.com, and Douyin have invested heavily in AI technologies, including in-house language models, predictive analytics, and chatbots. These tools allow for hyper-personalized shopping experiences, smarter product recommendations, and automated logistics, enhancing both consumer satisfaction and operational efficiency. Chinese e-commerce sites are evolving into intelligent platforms that anticipate consumer needs, boosting conversion rates and loyalty.

Despite uncertainties over the past several years, cross-border e-commerce (CBEC) continues to remain a dynamic pathway to market entry in China. Channels like Tmall Global, JD Worldwide, and Douyin Cross-Border provide direct access to overseas products, supported by robust logistics and customs infrastructure.

Tmall Global remains the largest cross-border platform, while JD Worldwide's logistics capabilities make it a favourite among high-end shoppers. Douyin's entry into CBEC signals its ambition to diversify offerings and attract new consumer segments.

China's e-commerce ecosystem is a vibrant, borderless network where commerce, entertainment, and social networking are becoming increasingly integrated intertwined. Growth is fuelled by mobile-first shopping, AI-driven personalization, livestreaming, and ease of digital payments. The competition among both brands and platforms is intensifying, pushing for constant innovation or the risk of losing relevance. This overhaul of commerce in China has set the global standards for a seamless digital lifestyle that other markets, especially Southeast Asia, increasingly look to emulate.

China's Urban FMCG E-commerce Market Share by Platform Sales Value



Notes: FMCG = fast-moving consumer goods; JD = Jingdong; PDD = Pinduoduo; Kantar updated the consumer universe in 2022 and 2023, leading to some inconsistencies with previous years' data; Platform sales value data of Douyin and Kuaishou is tracked since 2021; Others include WeChat, Red, VIP.com, Suning, Yunji, Kaola, and other long-tail platforms; Kuaishou and Douyin include sales value of transactions redirected and completed on third-party platforms
Sources: Kantar Worldpanel; Bain analysis

Beauty Trends in South Korea: Luxury for Less

"Glass Skin" is a popular term referring to skin that is dewy, clear, bright, and perfect!

This terminology is connected with South Koreans' long philosophy seeking to prioritize long term solutions rather than quick fixes. "Glass skin" is more than just a beauty trend; it's a cultural and aesthetic ideal deeply rooted in skincare traditions, and social values. It is not uncommon for people in South Korea to have a 10-step skincare routines, and use products with less well-known ingredients, such as snail mucin.

You might think that's gross, but South Korea's beauty industry is known for their innovative and affordable products. Although the beauty industry is constantly evolving with new products and solutions, there is one transformation that is becoming mainstream.

The Rise of Micro-Consumption in K-Beauty

Younger consumers, or Gen Z, and those who would rather have "on-the-go" makeup are looking for cheaper, more convenient, and high-quality skin care. As a reflection of this trend, GS25 (one of the largest convenience store chains in South Korea) has undergone a recent shift. Priced at KRW 3,000 or USD 2.04 per sachet, GS25's boasts an extensive range of products, from moisturizers and sunscreens to cleansers and serums. With a formulation that offers premium skincare benefits at a lower cost, high-quality K-beauty solutions are now made readily available to the masses. This affordability is especially appealing in a time of inflation, when consumers seek cheaper alternatives without sacrificing quality.

One of the key success drivers of this ultra-low-cost beauty retail model is the "micro-consumption" approach, where products are sold in small, single-serve packaging compared to full-size products. These sample sized packages allow customers to try out various products, without committing to a full-size purchase.

In a beauty market where product innovation and variety are king, this strategy is particularly attractive to Gen Alpha and Gen Z consumers who love product diversity and product testing.

Data from GS25 shows a 65% year-on-year increase in beauty product sales, largely driven by younger consumers who prioritize on-the-go beauty solutions. This trend aligns with South Korea's fast-paced lifestyle, where convenience and portability are essential. Single-use packaging is also travel-friendly, making these products ideal for students, office workers, and frequent travellers who prefer skincare that fits into their daily routines seamlessly. Rather than fitting full size products in their bags, which can be a hassle, these smaller size sachets are much more convenient.

Image: Single-serve packaging of skincare products sold in GS25

The "New" K-Beauty Hotspot

The expansion of beauty items in convenience stores is a major industry trend, and chains like GS25 and others have become major forces in the K-beauty retail landscape. In the past, the forte of sales in skincare and cosmetics has been through department stores, beauty shops, and e-commerce. But beauty sections in convenience stores reflect changing shopping habits, with shoppers increasingly demanding easy access to low-cost beauty items.

GS25 has also strategically partnered with popular K-beauty brands like Dewytree and Mediheal, two of the most respected and well-established brands with a track record of launching innovative products. Such partnerships ensure that even inexpensive beauty products have superior formulation and quality, not only driving exposure to the brand, but also creating new distribution channels to the mass market. This trend aligns with South Korea's "snackable shopping culture," where impulse purchases play a significant role. The ability to grab a face mask, serum, or cleanser along with daily essentials appeals to busy consumers who value efficiency.

As convenience stores become mini beauty hubs, they offer a low-risk, high-reward shopping experience, reinforcing their position as essential retailers in the cosmetics industry.

The Future of Affordable Beauty in South Korea

As economic uncertainty impacts discretionary expenditure, the demand for accessible and efficient beauty products will keep growing. The success of GS25 suggests a larger movement towards affordability and accessibility in K-beauty, upending traditional brands and fuelling competition.

With increasingly mobile shopping, on-the-go cosmetics, and green consumption, the micro-consumption trend is expected to spread beyond convenience stores to larger retail chains and internet beauty websites. As GS25 continues to diversify its product lines, other convenience store competitors such as CU are soon to follow. With that said, additional players are likely to enter and existing cosmetic giants are likely to reassess their price strategies, creating a more competitive and diversified budget beauty market in South Korea.

How Douyin is Shaping China's Sports Culture

As sports continue to gain momentum in China, platforms such as Douyin are playing a pivotal role in driving these trends. In 2024, sports are an integral part of everyday life, largely fuelled by public awareness and the increasing availability of sports infrastructure. The connection between sports, lifestyle, and digital content has created a massive opportunity for brands to tap into the evolving demands of Chinese consumers.

Sports content on Douyin has experienced explosive growth. In 2023, the platform recorded over 300 billion monthly views of sports-related videos, showing a remarkable 37% year-on-year increase. This reflects not only the increasing interest in sports but also the power of Douyin as a platform to engage with fans and enthusiasts alike. With over 80 million new sports videos uploaded monthly, the platform has become a dynamic hub for engagement with sports content.

Douyin's influence extends beyond just viewership—sports events are driving real consumer spending. The platform has seen a steady rise in sports-related product sales, particularly during peak sports seasons. In 2023, the number of sports-related livestreams and the clicks on sports products surged by over 38% and 25% respectively compared to the previous year.

The integration of sports content and sales is evident, with Douyin users frequently purchasing sports apparel, equipment, and accessories directly from livestreams. Major sports events, such as the Hangzhou Asian Games, sparked a 400% increase in the sale of related merchandise.

Demographics and Interests: Who's Watching?

Douyin's sports audience is as diverse as the content. Data shows that 18-23 year-olds are the most engaged demographic, however, the platform also sees strong interest from users across all city tiers, with notable growth in Tier-3 cities and below.

Female users, in particular, are increasingly engaging with sports content on Douyin, making up 50% of top followed athletes during key events. This reflects a growing trend where women are becoming more active participants of sports content, both as creators and consumers.

Key Trends for 2024 – Sports & Beyond

Several sports are gaining traction on Douyin, including mainstream and niche activities. Basketball, volleyball, and badminton are expected to remain among the top-viewed sports throughout 2024, driven by the performance of Chinese athletes in global tournaments like the Paris Summer Games.

Niche sports such as rock climbing, breakdancing, and street dance are also on the rise, with content on these activities experiencing viewership increases of up to 297% year-on-year. Increases in search on Douyin for hiking, sailing, and diving related content have increased in 2024 by 453%, 186%, and 569%, respectively.

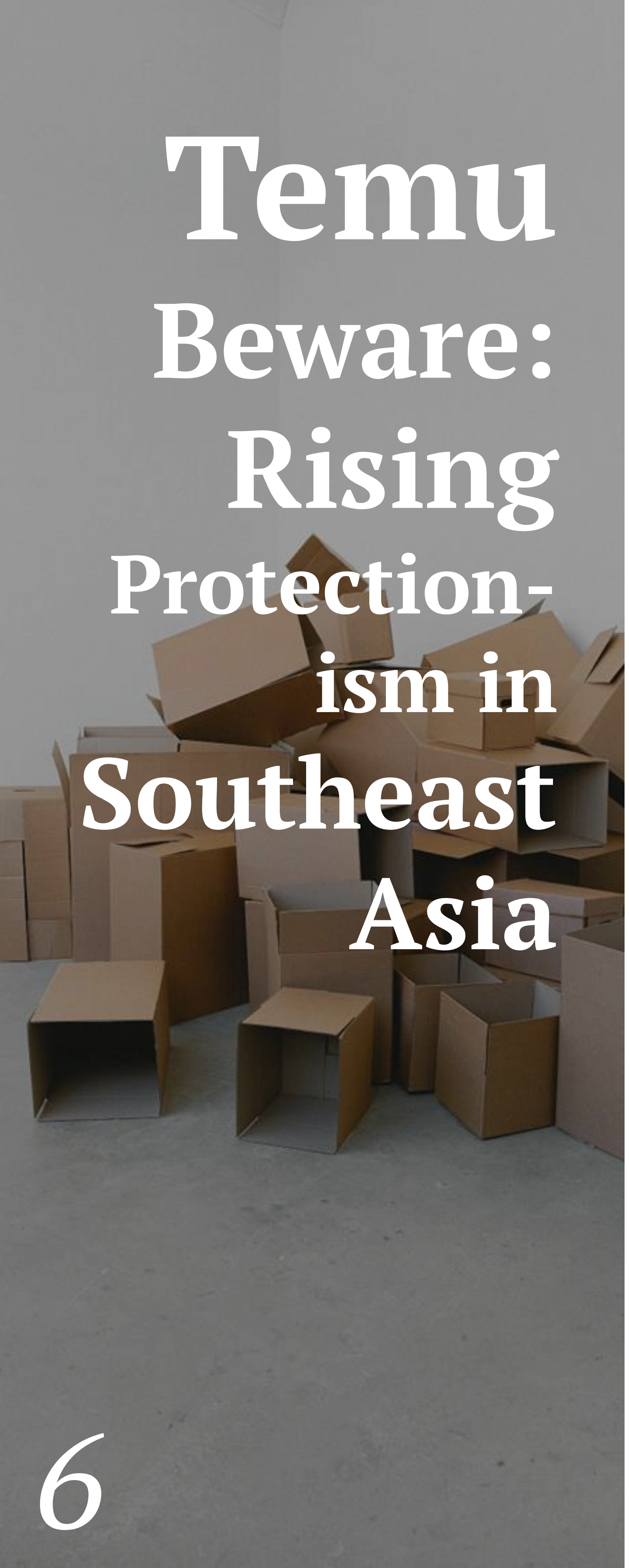
Beyond physical participation, sports on social media have also become a reflection of lifestyle and personal aesthetics. Many users are not only engaged in playing sports but are equally focused on looking good while doing it.

This "sports-as-a-lifestyle" trend is evident in the rise of content that emphasizes fitness fashion and athletic wear, particularly among younger audiences.

As a result, there exists an entire ecosystem of fitness influencers and brands promoting athleisure fashion and sportswear on Douyin. Stylish workout outfits, accessories, skincare routines for post-exercise glow, and pre and post-exercise meal prep or snack suggestions are becoming major content trends.

The integration of sports content and commerce on Douyin offers brands a powerful platform to connect with an engaged audience. With sports becoming more embedded in the daily lives and lifestyles of Chinese consumers, there is huge potential for brands that offer related products or services. As sports content is increasingly shared and viewed online, the connection between sports and digital consumption will only strengthen, making Douyin a critical marketing avenue for brands.

Image: Popular sports related content on Douyin



Temu Beware: Rising Protection-ism in Southeast Asia

Temu was forced to suspend its operations in Vietnam at the end of last year due to failing to meet the registration deadline. This follows a similar ban in Indonesia, highlighting a broader trend of increasing protectionism across Southeast Asia

According to Statista, the region's e-commerce market is projected to reach $137.30 billion by 2025, with a compound annual growth rate (CAGR) of 8.63%. Clearly, this makes Southeast Asia an enticing market for both e-commerce platforms and vendors.

A significant proportion of the region's market revenue is generated in China and as e-commerce booms, the introduction of steeply discounted Chinese imports has raised the alarm of government officials. Apart from banning platforms, Southeast Asian countries have taken varying measures, including stricter import restrictions and removal of available tax breaks to protect domestic businesses unable to compete with the low pricing offered on these platforms.

So, what happened to Temu in Vietnam?

Despite its debut in Vietnam just last October, Temu rapidly gained traction thanks to its steep discounts, establishing itself alongside major foreign-owned e-commerce platforms like Shopee, Lazada, and TikTok Shop, which collectively dominate nearly 99% of the market share. According to BackLinko, the Temu app boasts over 167 million monthly active users globally, with annual sales estimated to have reached 54 billion dollars in 2024.

However, following the suspension, Vietnamese ceased to be an available language option on the platform. The Ministry of Industry and Trade stated that Temu's operations will remain suspended until the registration process is completed.

Unfortunately, no specifics have been provided regarding the duration of the suspension or the steps Temu must take to resume operations.

Vietnam's legal framework allows for penalties against unregistered e-commerce platforms, and fines have previously been issued to businesses failing to comply.

Whether Temu's suspension will be lifted remains uncertain. Beyond registration issues there has been significant pushback from both the Vietnamese government and local businesses regarding the platform's deep discounting practices.

Additionally, the Vietnamese Parliament recently approved regulatory changes requiring the payment of Value-Added Tax (VAT) by local operators of foreign e-commerce platforms. There is also growing indication that the tax exemption for low-cost imported goods—previously benefiting platforms like Temu for imports valued under 1 million dong—may soon be abolished.

What else is happening in the region?

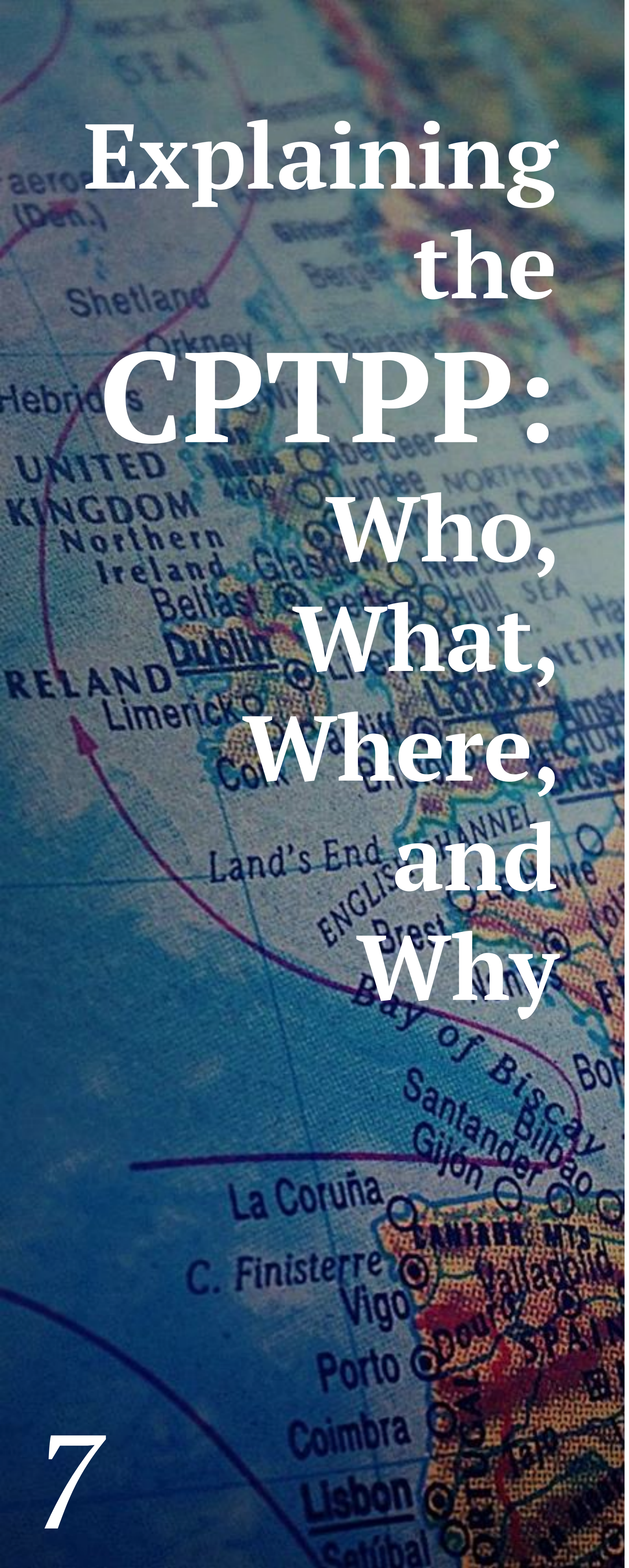
This suspension is not the only regulatory crackdown Temu is facing. The platform is already banned in Indonesia to protect retailers and manufacturers. Yet, this may not signal the end of Temu in Indonesia as concessions aligned with local economic interests could pave the way for Temu's eventual re-entry.

In 2023, Indonesia's regulatory crackdown also targeted TikTok Shop, a move that significantly impacted TikTok's revenue stream by banning its in-app sales feature. The ban stemmed from new regulations mandating a clear separation between social media and e-commerce functions. To adapt, TikTok's parent company ByteDance later acquired a controlling stake in the local e-commerce platform Tokopedia.

In Thailand regulatory costs of operating on e-commerce platforms have risen as vendors were required to maintain dedicated accounts for income reporting purposes to tax authorities starting in 2024. Later in the year, the Thai government imposed a 7% VAT on low-cost import under the threshold of 1,500 Baht.

Vietnam remains the fastest growing economy in the SEA region according to Vietnam Economic Times, but e-commerce only has an 8% share in the country's total retail sales. This highlights significant potential for growth in e-commerce as the Vietnamese digital penetration rates and digital infrastructure continue to improve.

However, governments across Southeast Asia are prepared to intervene to protect domestic industries. As regulations governing e-commerce grow stricter, low pricing strategies alone will not be sustainable or sufficient for brands to establish a foothold in the market. Brands must be strategic in selecting the platforms they choose to operate on and focus on brand differentiation to build strong authentic customer bases.



Explaining the CPTPP: Who, What, Where, and Why

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) has recently welcomed its newest member, the United Kingdom, at the end of the last year.

As CPTPP membership and interest in joining the trade agreement continues to increase, here is a timely review of one of the most influential trade agreements in the region, discussing its implications for brands looking to enter these markets.

What is the CPTPP?

The CPTPP is a free trade agreement between 12 countries: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the UK, and Vietnam. Collectively, these countries represent approximately 15% of global GDP, making the CPTPP a powerful economic bloc.

With its appeal as a gateway to Asia-Pacific markets, CPTPP membership is highly sought after. Costa Rica, Ecuador, Indonesia, and Uruguay have formally applied for membership, while South Korea, Thailand, and the Philippines have expressed interest. Despite applications from China and Taiwan in September 2021, both were put on hold due to geopolitical tensions.

While some members may not immediately drive significant GDP growth, countries like Vietnam are poised for rapid economic expansion, making the CPTPP an increasingly important platform for global trade.

Aims of the agreement

The primary objective of the CPTPP is to foster greater economic integration among its members by improving market access, reducing trade barriers, and enhancing cooperation. One of the agreement's most crucial aspects is the elimination or reduction of 95% of import charges and tariffs, facilitating smoother trade across the members. This provides a clear advantage for businesses operating within the CPTPP region.

Another central feature of the agreement is the cumulative rules of origin. These rules allow goods produced using inputs from member countries to be treated as originating from the final production country, creating more favourable trade terms as the finished products may qualify for preferential tariffs when exported to other CPTPP nations. For example, goods originating in Country A that are further processed or incorporated into products in Country B can be considered as originating from Country B, provided 70% of the components come from member nations. This enables more favourable trade terms as the finished product could be exported at preferential tariff rates. These rules help reduce import costs and supports the expansion of supply chains across member economies.

The CPTPP also promotes regulatory cooperation across the membership. Although this does not mean identical regulations across the membership, in general, the regulatory landscape will be more predictable and familiar, streamlining the process for brands entering new CPTPP markets.

Additionally, the CPTPP also offers comprehensive protection for IP rights as it sets a transparent and predictable regional standard for the protection and enforcement of IP across members.

For brands, this means they will have the confidence of a set standard of rules when entering member markets.

Implications for brands

For brands operating in CPTPP member states, most imports will qualify for zero or reduced tariffs, broadening consumer choices. Under the agreement, foreign brands will be able to enter the market on equal trade terms with local brands, intensifying market competition. Price remains a crucial factor in consumer decisions, but as competition intensifies, brand reputation, consumer loyalty, and differentiation will become increasingly important.

Businesses looking to enter Southeast Asian markets, for example, will not only face the challenge of competing with local brands but also with other international brands taking advantage of the same preferential trade terms.

Additionally, while lower tariffs benefit market entry for brands by reducing import costs, they also allow local competitors to tap into global supply chains, again increasing competition. Overall, as competition increases in markets, brand distinction, building consumer loyalty and brand reputation will become ever more important.

Key Benefits for Members of the CPTPP

Australia	Canada
Expanded market access; nearly all tariffs eliminated on exports to CPTPP members; enhanced investment protections; support for agricultural and resource sectors; deeper integration with regional supply chains	Preferential access to Asia-Pacific markets; increased opportunities for agriculture, seafood; new trade agreements with Japan, Malaysia, and Vietnam; strengthened investment protections; support for SMEs and innovation
New Zealand	**United Kingdom**
Elimination of tariffs on dairy, meat, and horticultural exports; strengthened rules for digital trade and investment; support for sustainable and inclusive growth	Over 99% of UK goods exports to CPTPP countries qualify for zero tariffs; new trade deal with Malaysia; improved access for automotive, dairy, beverages; flexible rules of origin
Japan	**Malaysia**
Deeper access to markets in the Americas and Asia-Pacific; strengthened supply chains; protections for IP and digital trade; strategic influence in regional trade	Improved access to markets (including first-time FTA with Canada and Mexico); tariff elimination on key exports like electronics and palm oil; attraction of foreign investment
Vietnam	**Singapore**
Increased exports and FDI; first FTAs with Canada, Mexico, and Peru; improved market access for seafood, textiles, and electronics	First FTA with Canada and Mexico; elimination of tariffs on nearly all exports; strengthened position as a regional trade hub
Peru	**Mexico**
Diversification of export markets; improved access for agricultural and fishery products; increased foreign investment	Improved access to Asia-Pacific markets; tariff-free entry for manufactured goods and agricultural products; diversification of export destinations
Chile	**Brunei**
Enhanced access to Asia-Pacific markets; reduced tariffs for agricultural and industrial exports; increased foreign investment	Diversification of export markets; opportunities for foreign investment;

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RedFern Digital is an award-winning independent brand management agency that develops, manages, and distributes brands across Asia. RedFern Digital is responsible for the strategic direction, growth, and performance of some of the largest and most successful brands across a dynamic range of categories in the market.

We don't help brands; we make them have **IMPACT**. Having impact means beating the market and your competitors at everything you do. Our insights, experience and kick-ass team mean that your brand is not only in safe hands but is about to thrive.

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- Content Marketing & Paid Media
- Consumer Research & Data
- Creative Design, Branding & Production
- Ecommerce
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