

The consumer industry's journey towards digital maturity

A focus on data analytics and digital commerce strategies in Southeast Asia

October 2023

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ABOUT THE STUDY & MACRO VIEW

KEY FINDINGS

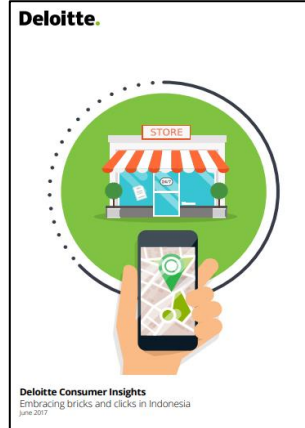
BROAD THEMES ON HOW RETAILERS ARE REACTING



We are the thought leaders in Consumer Business



Consumer Insights Myanmar 2017



Consumer Insights Indonesia 2017



Consumer Insights Indonesia 2018



Consumer Insights Thailand 2018



Consumer Insights Vietnam 2018



Consumer Insights Indonesia 2019



Consumer Insights Vietnam 2019



Consumer Insights Vietnam 2021



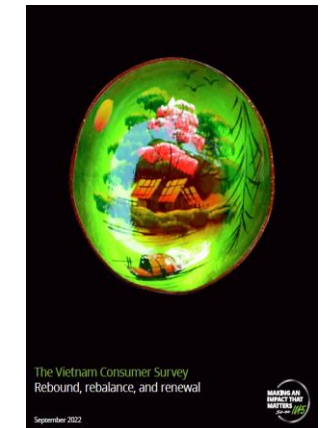
Consumer Insights Indonesia 2021



Consumer Insights Myanmar 2021



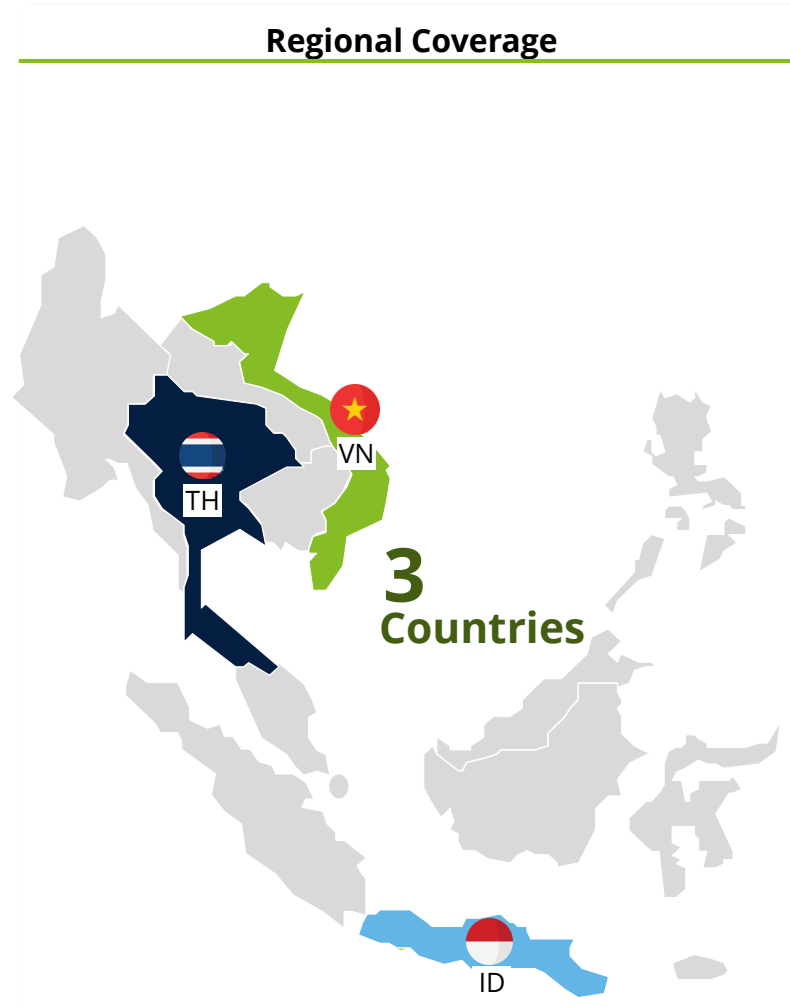
Consumer Insights Thailand 2022



Consumer Insights Vietnam 2022

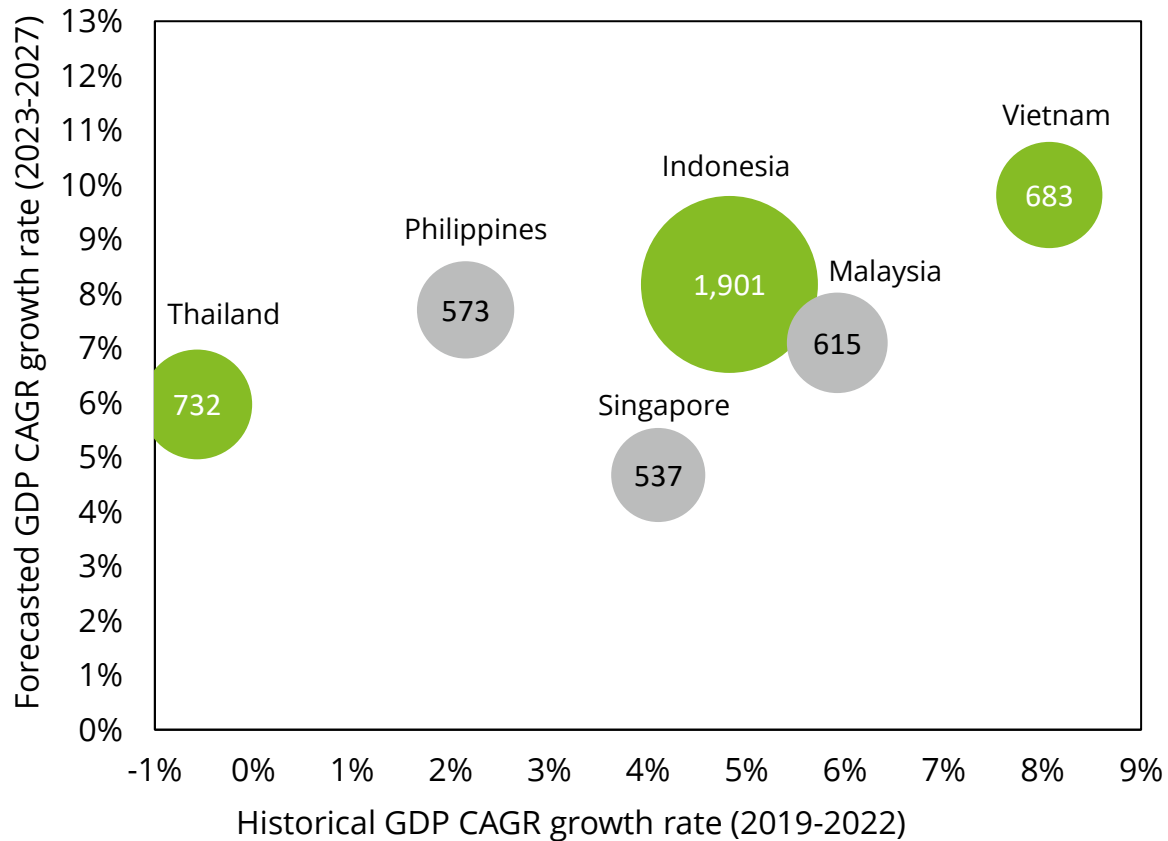
Exploring the consumer industry's journey towards digital maturity in Southeast Asia

Conducted in the first quarter of 2023, our latest research seeks to explore the evolution of data analytics and digital commerce strategies amongst consumer companies in three of Southeast Asia's biggest digital markets: Indonesia, Thailand, and Vietnam.



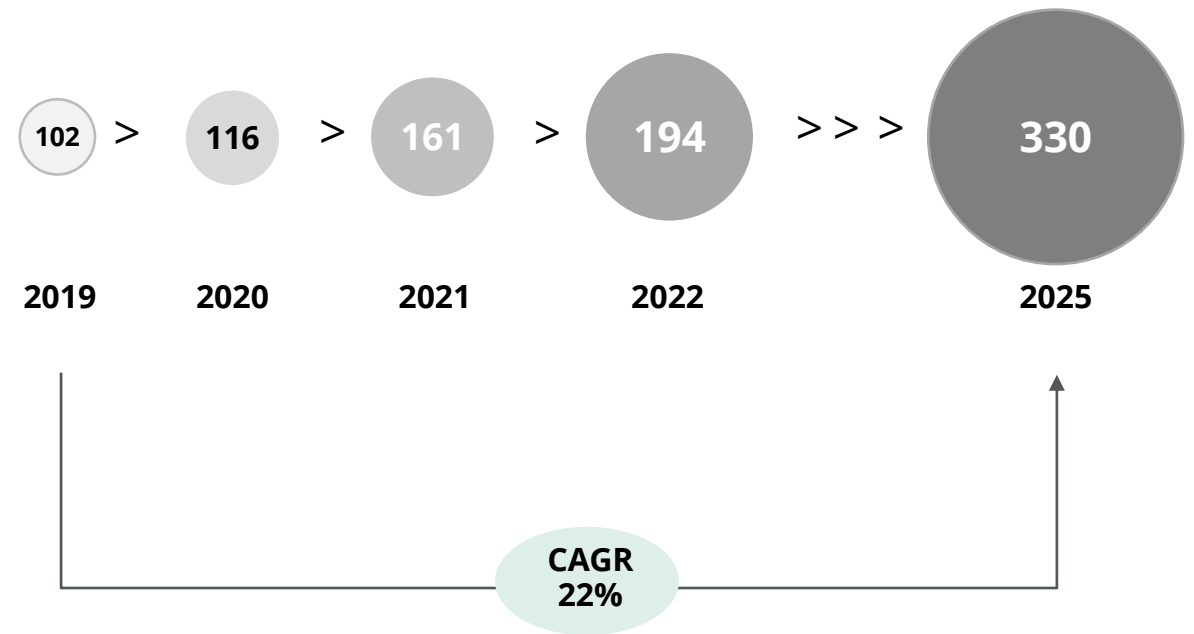
Rapid economic recovery is underway across Southeast Asia, with the region's digital economy continuing an accelerated path of growth

Nominal gross domestic product (GDP) growth rates and nominal GDP (USD billion, 2027F)



Note: CAGR = Compounded annual growth rate
Source: World Economic Outlook database.

Gross merchandise value (GMV) of Southeast Asia's digital economy (USD billion)

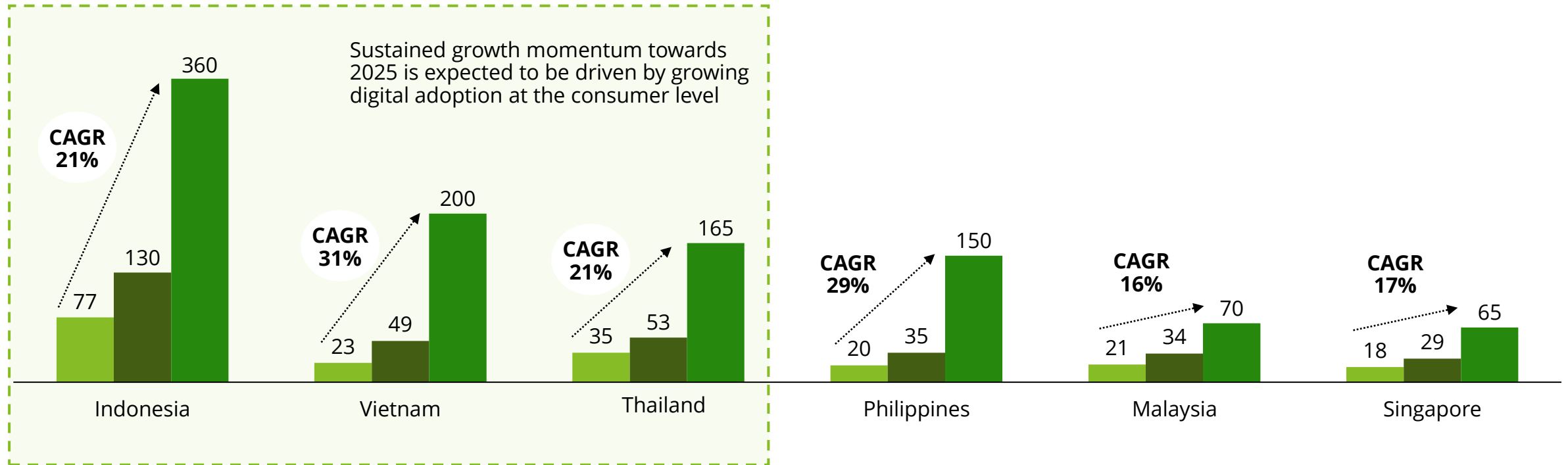


Source: e-Conomy SEA 2022 report

The three largest digital economies in Southeast Asia – namely Indonesia, Thailand, and Vietnam – are expected to also be amongst the fastest-growing between 2022 and 2030

GMV of digital economy (USD billion)

2022 2025 2030



Source: e-Conomy SEA 2022 report.

Key Takeaways from the Report



01 Building Digital

Enterprise: Optimizing Data Analytics and Digital Commerce

- **Embedding data analytics in digital commerce** channel strategy present organizations with opportunities to better meet customer expectation and improve biz performance
- Successful digital enterprise require a **focus on commercial analytics** tools such as dynamic pricing, digital marketing analytics, etc.



02 Organizational Transformation:

embracing a digital culture

- Achieving digital maturity requires companies undergo transformational journey with **changes in the organization culture**
- Having clear Leadership's direction to develop **organizational digital mindset** is most critical in the on-going journey



03 Shift to Omnichannel:

Adopting a seamless omnichannel approach

- Consumer **preference towards offline channel** has resurfaced with lessened concerns over COVID-19 implications
- As such, businesses start adopting omnichannel models to attract both online and offline shoppers seamlessly in **integrated channel approach**

01: Building Digital Enterprise: Optimizing Data Analytics and Digital Commerce

Embedding data analytics in digital commerce channel strategy presents organizations with opportunities to better meet customer expectation and improve biz performance

Converging Data Analytics in Digital Commerce Strategies



AI-ML Driven Cloud Analytics

Track and personalize experience for digital sales traffic enhancement



Dynamic Pricing Analytics

AI and ML-based pricing recommendation



AI-Powered Marketing Analytics







Streamlining customer communication by data-driven and targeted ads and content delivery



Product Analytics

Testing user engagement and behavioral data to optimize products value proposition

Benefits

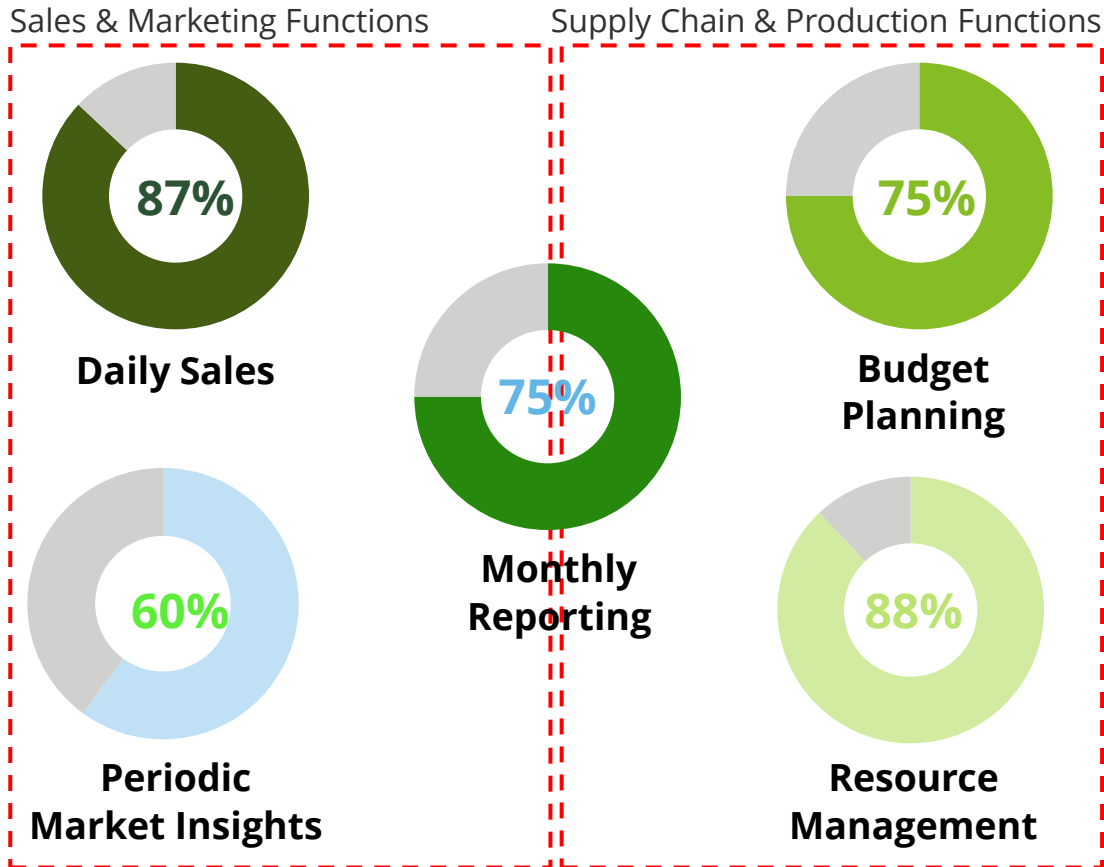
External Benefits	Effective Advertising 	Competitive Pricing 	Seamless Customer Experience 
	Topline improvement 	Data Driven Decisions 	Faster User Acquisition 

Data Analytics Capabilities

Most respondents are only familiar utilizing the standard analytics tools for the purpose of fundamental business planning and reporting

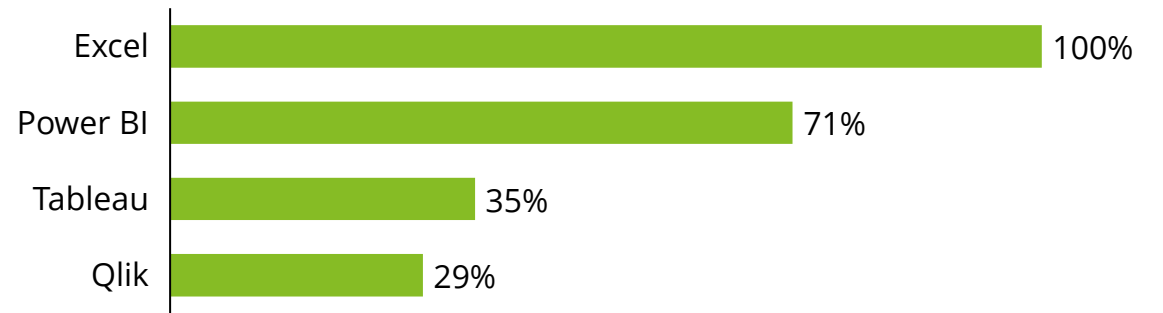
Popular use case for data analytics amongst the respondents in %¹

2023, in %

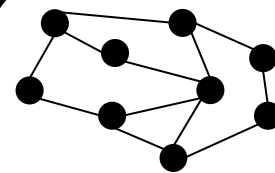


Most used data analytics tools in the respondent's workplace in %²

2023, in %



Graph Analytics is the new use case to connect multiple data objects to generate meaningful trends...



Determine relationships between different data objects



Use google traffic data to optimize the transport / delivery routes



Build a unified database to ensure that appropriate services are bundled with its rules / relationships

Note: 1) Q: Do you utilize data analytics for any of these purposes? (multiple answers)

2) Q: What data analytics tools do you use at the workplace? (multiple answers)

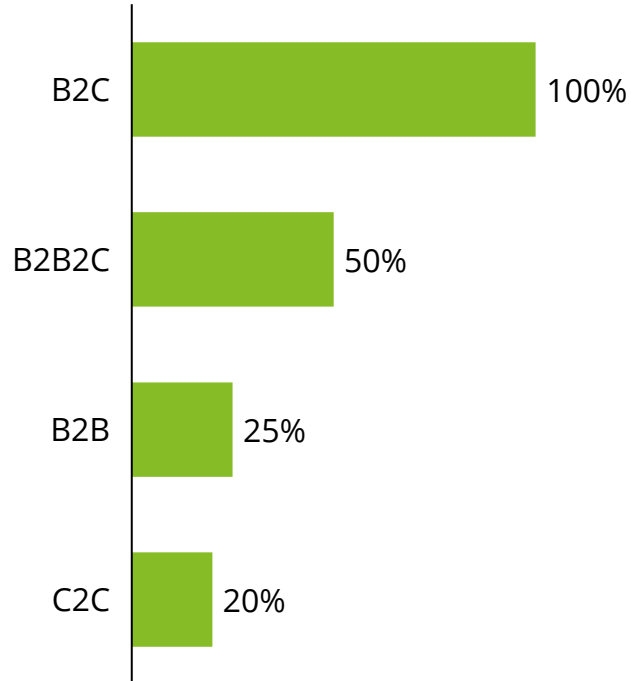
Digital Commerce Capabilities

B2C model is the most common digital commerce model present in SEA while eB2B and B2B2C model are being explored

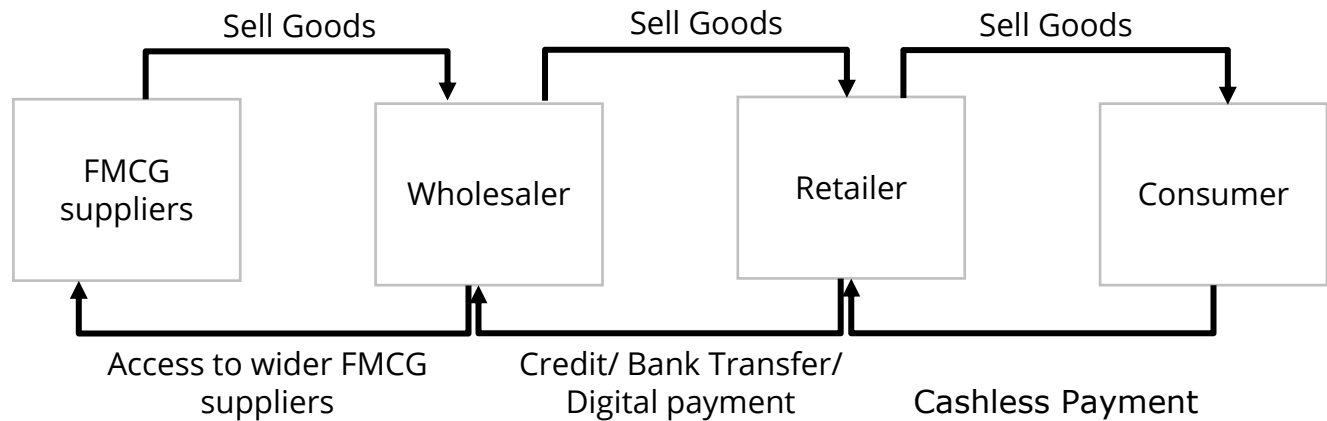
Companies have looked into B2C adoption

eB2B and B2B2C model have gained popularity especially in the FMCG retail sector

Digital Commerce Penetration ¹
2023, in %



Growing popularity of eB2B and B2B2C solutions in SEA retail market

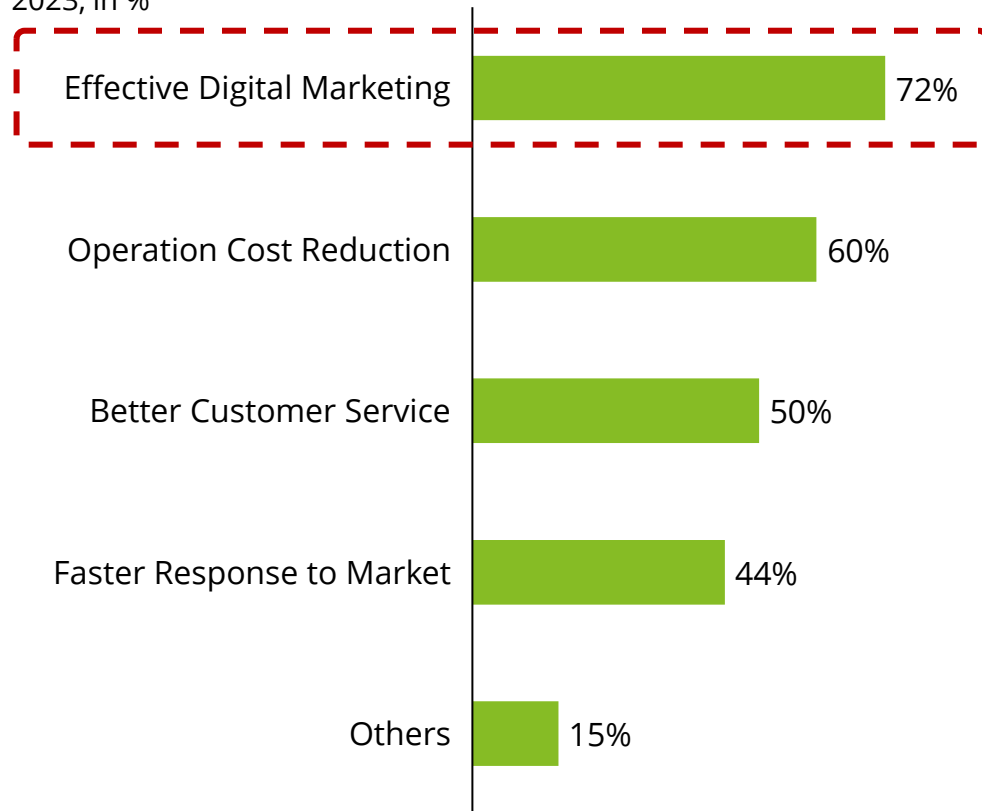


Driver of Digital Commerce Adoption

On the other hand, companies' investment in digital commerce channel are motivated by effective digital marketing benefits

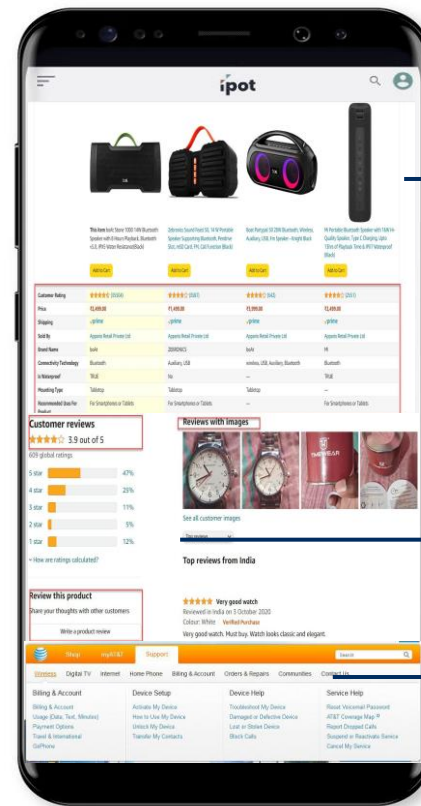
Reasons for digital commerce

Top Advantages of Digital Commerce in %¹
2023, in %



Sample interface of EC platform features

Sample Interface Features



1 Product and Price Comparison

- Comparison of different products side-by-side, including their features, characteristics and prices.

2 Customer Testimony Page on Past Purchase

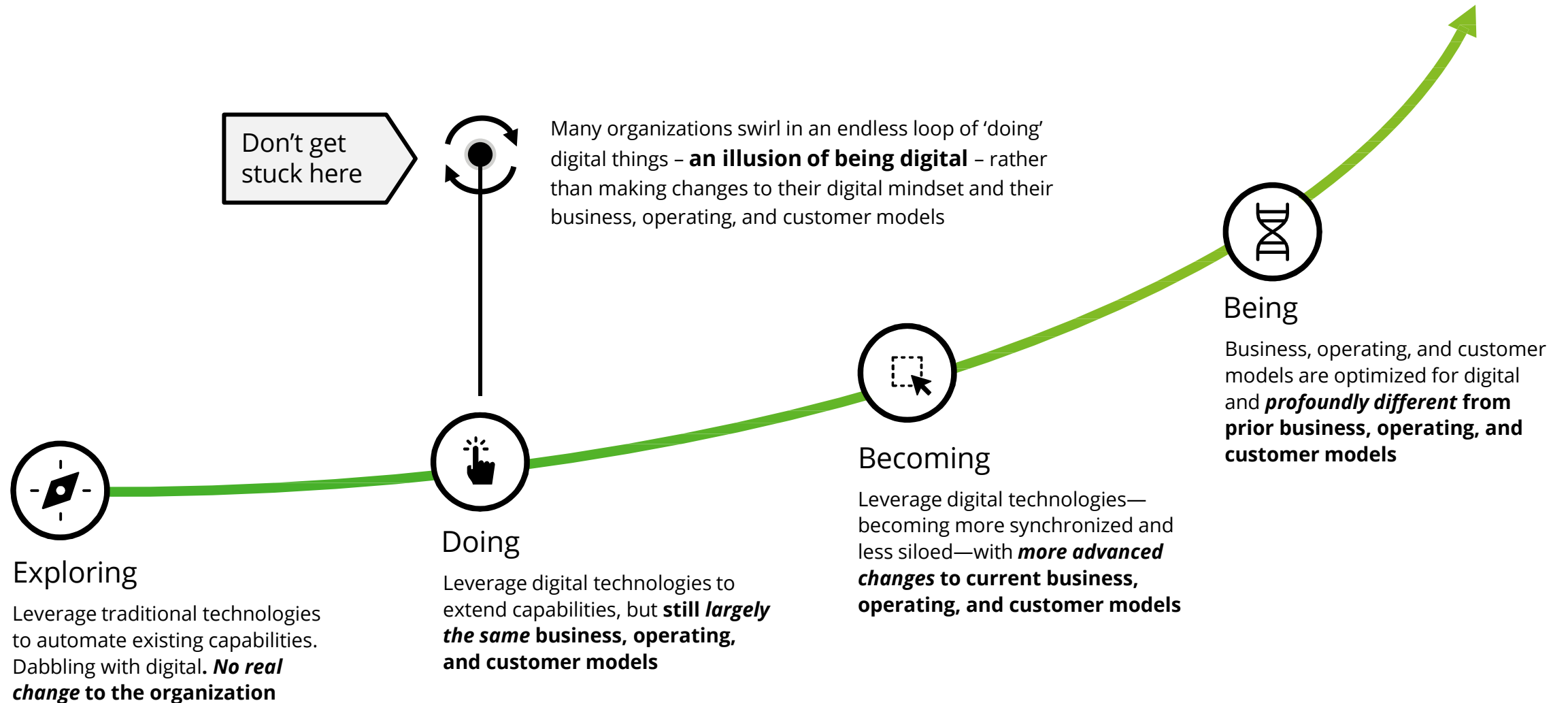
- Shared feedback on previous purchase experience as a reference for other customers before deciding a purchase.

3 24/7 Accessible Self-Service Portal

- Ability for users to initiate, manage, and resolve disputes or resolve queries with 24*7 Customer Contact Service

02: Organizational Transformation: Embracing Change Impact to the Org. Culture

Digital maturity is an on-going journey – organizational resiliency to change is the key success factor



Data Analytics Capabilities

To ensure effective utilization of data analytics tools, most companies are committing in data analytics training to their workforce

70% of respondents commit in data analytics training for their employees

Companies providing training on data analytics¹

2023, in %



DBS Bank is one of many companies who provide employee upskilling in data analytics capabilities

Use Case of Data Analytics Training Program by DBS bank

On-The-Job Training

- Usage of technologies by employees on the job:
 - Spark, Hadoop and Hive for big data management
 - AI for data analytics and visualization tools
 - ML for predictive analytics



External Training

- Online tutorials in partnership with Amazon Web Services and AWS to upskill employees in:
 - Artificial Intelligence
 - Machine Learning



In-house training Program

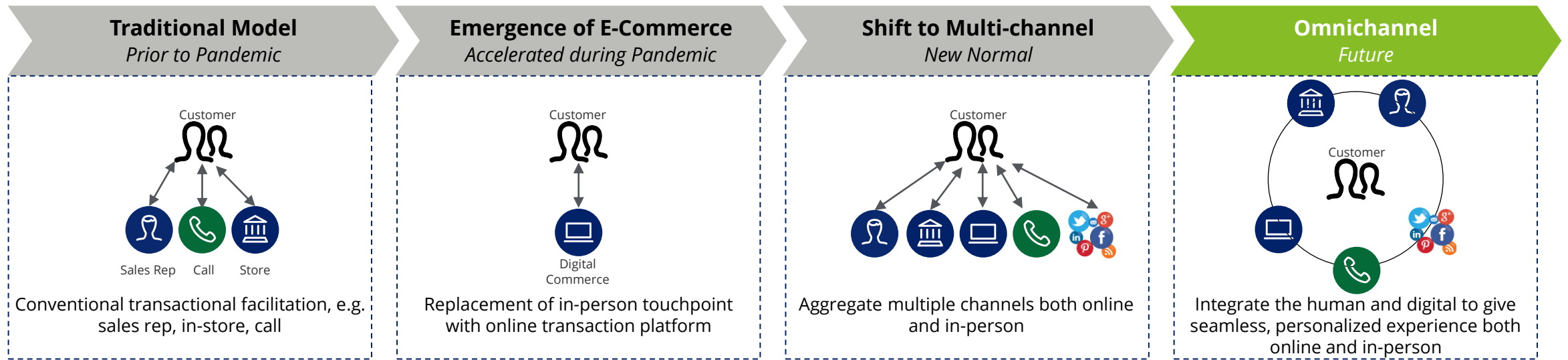
- In-class training by DBS academy with three focus areas:
 - Site reliability engineering
 - Data processing and analytics
 - Application security



03: Shift to Omnichannel: Importance of having both Online and Offline Channels

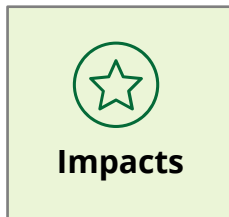
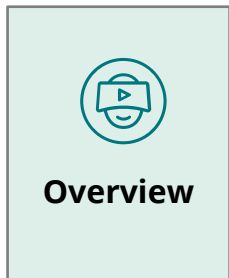
While Digital Commerce is rapidly growing, it is also important to refocus on offline channels in the omnichannel mix

Digital Commerce Evolution into Omnichannel




03: Shift to Omnichannel: Importance of having both Online and Offline Channels


As an implication, we are seeing leading companies maintaining their traditional sales model on top of digital commerce in their omnichannel mix to better-meet customer expectations



1 UOB



F2F service




Digital Banking


- UOB **integrates online and offline banking capabilities**
 - Apply ATM card online and pick-up physically at outlet
 - Customer complaint case at a branch can be followed-up via online chatbot

- **20% transactions volume increase**
- **33% new bank accounts**

2 Zalora



In-Store




Virtual Store


- **Originally an online retail marketplace**, Zalora now has also expanded their **footprints with physical outlets**
 - Purchase products online and opt to pick-up at the nearest store with zero delivery cost

- Generate **75% repeat customers** (repeat orders)

3 Samsung



In-store



AR Shopping

- Samsung provides **AR shopping experience** to consumers
 - Purchase as-if in physical store
 - Choose pick-up at nearest store or arrange home delivery

- Digital sales improve with **increased 21% conversion rate**

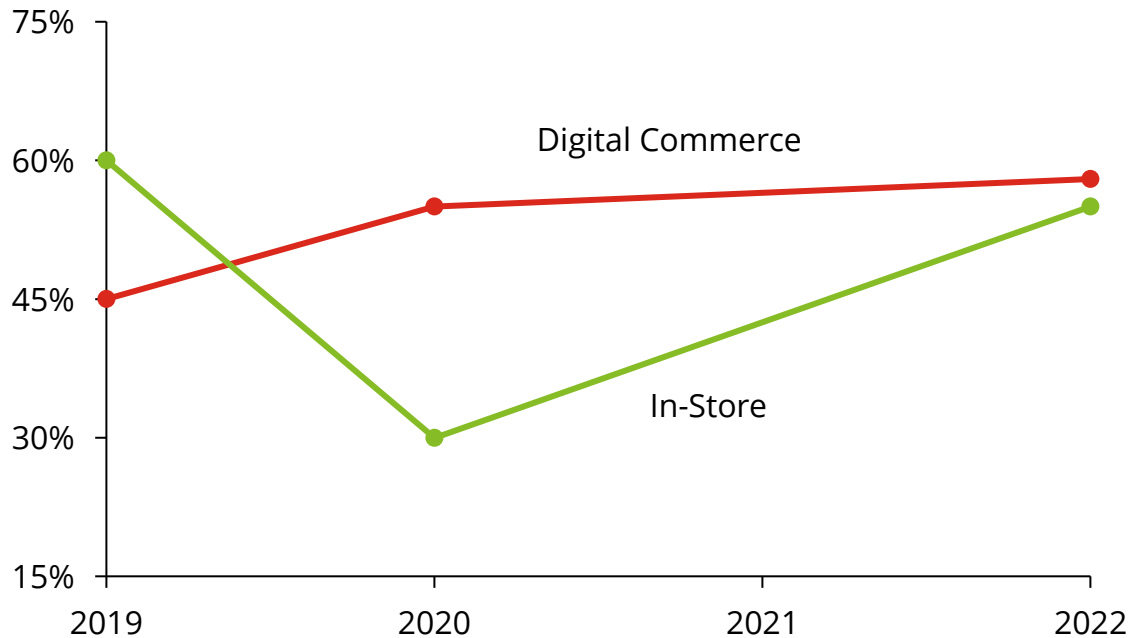
Omnichannel Landscape Evolution

In-person channel preference has resurfaced mainly driven by the consumers returning to their normal routine of pre COVID-19 time; in the future, companies will need to adopt omnichannel approach

Demand for in-store channel has regained popularity in post COVID-19....

Preferred Channel of Shopping by Consumers

2019-2022, in %



Businesses must now adopt operating models friendly for both online and offline channels

- **Digital commerce played critical role during the pandemic**
 - Lockdowns forced companies to turn to selling in digital commerce
 - Stay-home consumers flocked to online shopping
- **In 2022, in-person channels have regained popularity**
 - With the return of normal routine, consumers are going outdoor for offline shopping
 - Regardless, consumers also find EC channels convenient and likely to keep both online / offline shopping behaviors in the future

There are 5 broad themes we are seeing in how retailers are reacting to consumer trends



1 Universal adoption of e-commerce / omni-channel

2 Stores as a strategic asset

3 Format evolution tailored around customer need

4 ESG to reimagine branding and operations

5 Workforce reimaged by digital

1 Universal adoption of e-commerce / omni-channel driven by consumer acceptance to online and penetration of delivery services

E-commerce boomed greatly over the past few years

Consumers now expects convenience, speed and safety



With competitive offers via promotions from retailers



3 key enablers retailers need to think about to remain competitive in the new future



Online/offline inventory management and syncing



Systems and workflows to enable consumers picking their preferred products



Cold-chain infrastructure for delivery of fresh food

2 Stores as a strategic asset in omnichannel retail

Retail real estate network an overlooked asset

Consumers are switching **back to offline retail**



And landlords are **more willing to partner with retailers post-covid**



Retailers are rethinking their approach to their store portfolio and retail network



Stores to serve also as network of warehouses for deliveries



Stores to serve as Route-to-market for General Trade sales



Machine learning application in optimizing real estate / format / assortment

3 Formats are evolving – largely moving away from single format big-box to more neighbourhood centric stores – be it Indomaret, WinCommerce, IKEA, Freshhippo or an Aldi

Tailored formats, shift to smaller neighbor-stores and discount offerings

HEMA Fresh expands retail offering by variety of formats- malls/fresh/breakfast only



Indomaret, Alfamart, WinMart continue minimart revolution



Retailers need to design store networks with the right mix of grocery offerings and customer experiences



From selling products to providing holistic experience, capturing more “share of wallet”



Interconnected portfolio of varying store formats

(instead of same formats in different sizes)



Ecosystem of partners and assets to increase customer touchpoints (Telco, Banks, Payment Co etc)

4 ESG incorporated consistently into retail strategy to reimagine branding and operations

Increasing consumer and capital market expectations on ESG

Sustainability is increasingly important to target shopper groups, i.e., higher-income shoppers, women, and Gen Z



*Markets value sustainability scores with lower **cost of debt and higher valuation multiples***



Retailers need to make sustainability a strategic priority at the executive level



Sustainability baselines and clear ambitions – supported by Digital



Operating models geared to anchor sustainability agenda in the day-to-day business



Capital commitment to capture more opportunities and drive sustainable portfolio

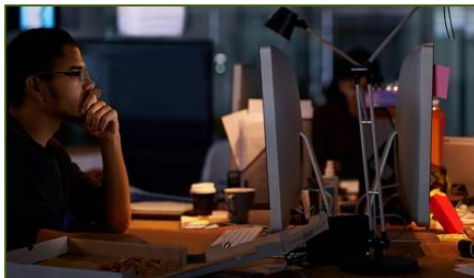
5 Workforce reimagined by reshaping talent priorities

Rise of gig economy and the Future of retail talents

*Difficult to **compete with the gig economy** for hourly wage employees*



Shortage in skilled workers for IT and analytics positions



Retailers need new approaches to talent that lowers complexity for in-store roles and infuse data from end-to-end



Improve the everyday workforce experience and motivation



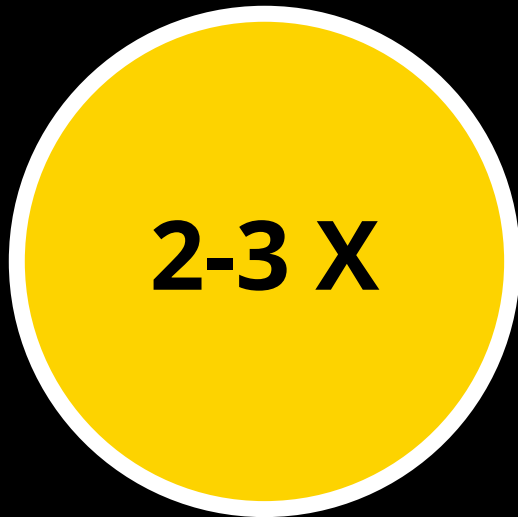
Support frontline activities through self-help automation tool

Deloitte.

NEW ERA OF DIGITAL LOYALTY.



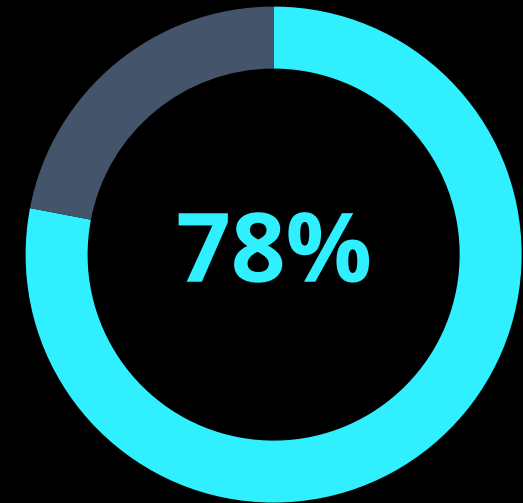
Customer loyalty has been proven as a catalyst for business growth.



Higher visit

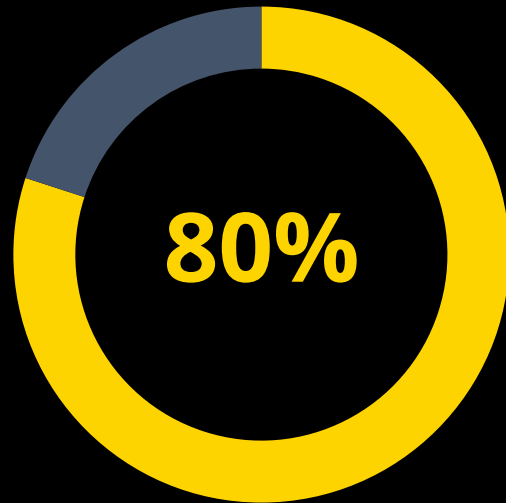


Higher spending

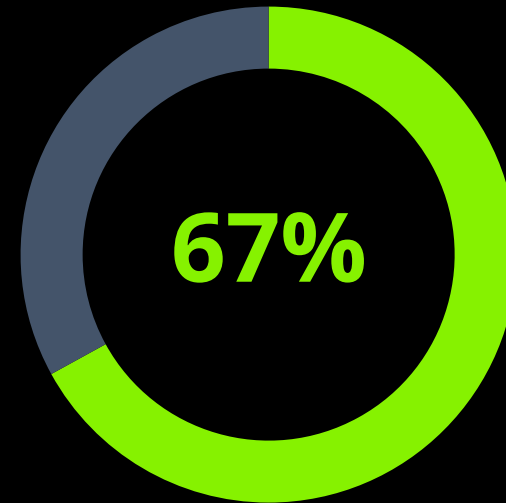


Will switch to brands with loyalty program

Therefore, brands are heavily investing in winning customer engagement & loyalty.



Of brands are investing in great omnichannel experience



Of brands intended to revamp their loyalty programs



**Loyalty landscape is
evolving in a faster
pace than ever before.**

5 emerging trends that are shaping the future state of customer loyalty.

1 Partnership ecosystem.

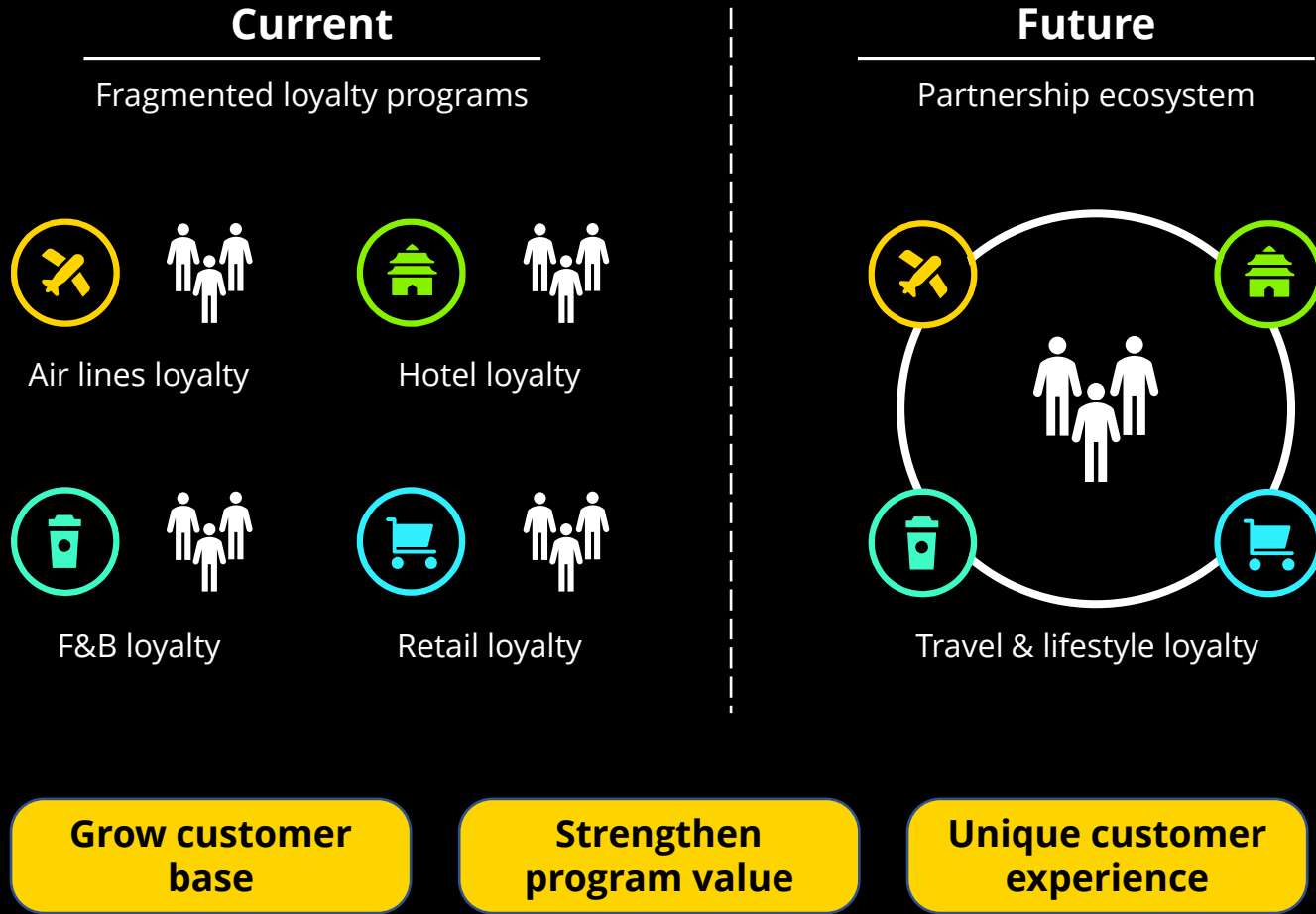
4 Next-gen personalization.

2 Experience-driven loyalty.

5 Web3 Technology.

3 Subscription loyalty.

1 Partnership ecosystem.

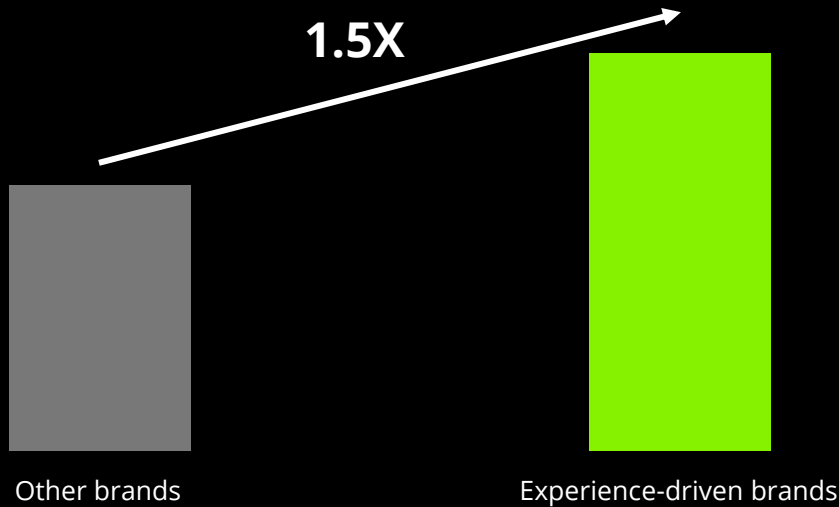


Starbucks x Delta Air Lines



Marriott Bonvoy x Uber

2 Experience-driven loyalty.



- Experience-driven brands see **1.5X+ higher YoY growth** vs other brands in **customer retention, repeated purchase, and customer lifetime value**
- As a result, 65% of brands with a loyalty program plan to add experiential rewards to their offering

Money can't buy

Drive emotional connection

Gamified experience



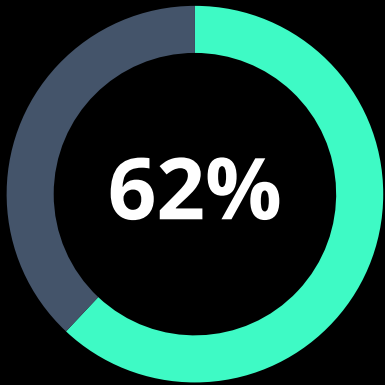
KFC Arcade



Mariott Bonvoy

3 Subscription loyalty.

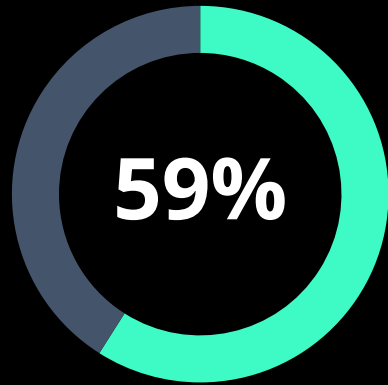
Basket size



More likely to spend more on the brand after joining the paid program

Committed loyalty

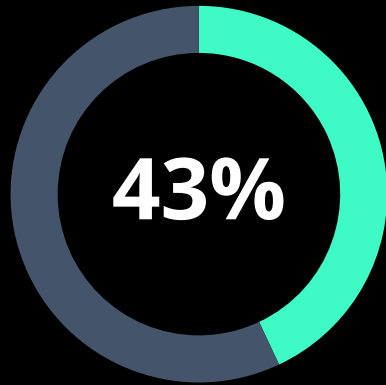
Brand affinity



More likely to choose the brand > competitors

Deeper value exchange

Purchase frequency



More likely to make purchase in a weekly basis

Key = Cost vs value



Amazon Prime



CVS Carepass



Harley Davidson H.O.G.

4 Next-gen personalization.

71%

Of customers shop more often through personalized communication

Relevant

33%

Of customers will abandon a brand that fail to create a sense of personalization

Add value & enhance experience

Realtime & Scalable



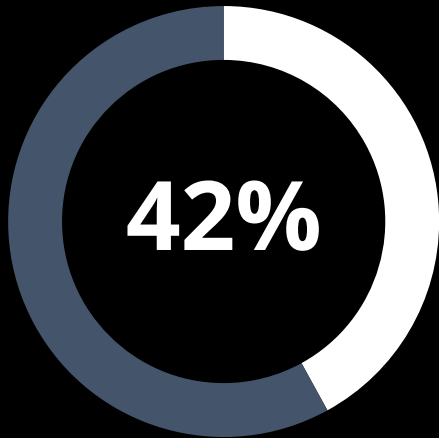
Sephora Smart Skin Scan



Delta Air Lines Parallel Reality

5 Web3 Technology.

The use of Web 3 technology in business world & loyalty is still in the **infancy stage**. Though, some brands already initiated some experiments



Gen Z is engaging with brands through Web 3

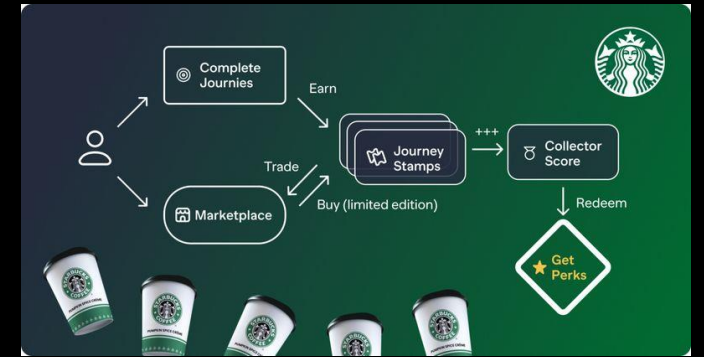


Of corporate revenue is expected to come through metaverse in the next 5 years

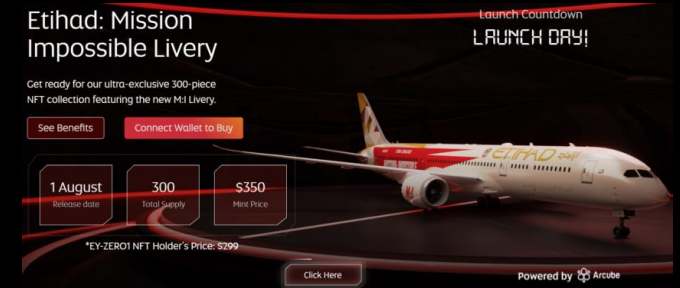
Value of ownership/
membership

Gamified loyalty

Immersive
experience



Starbucks Odyssey



Etihad Horizon Club NFT



Nike x Roblox

So what do these imply for you?



Experience

- Strive to win share of heart over share of wallet
- Data-driven personalization



Ecosystem

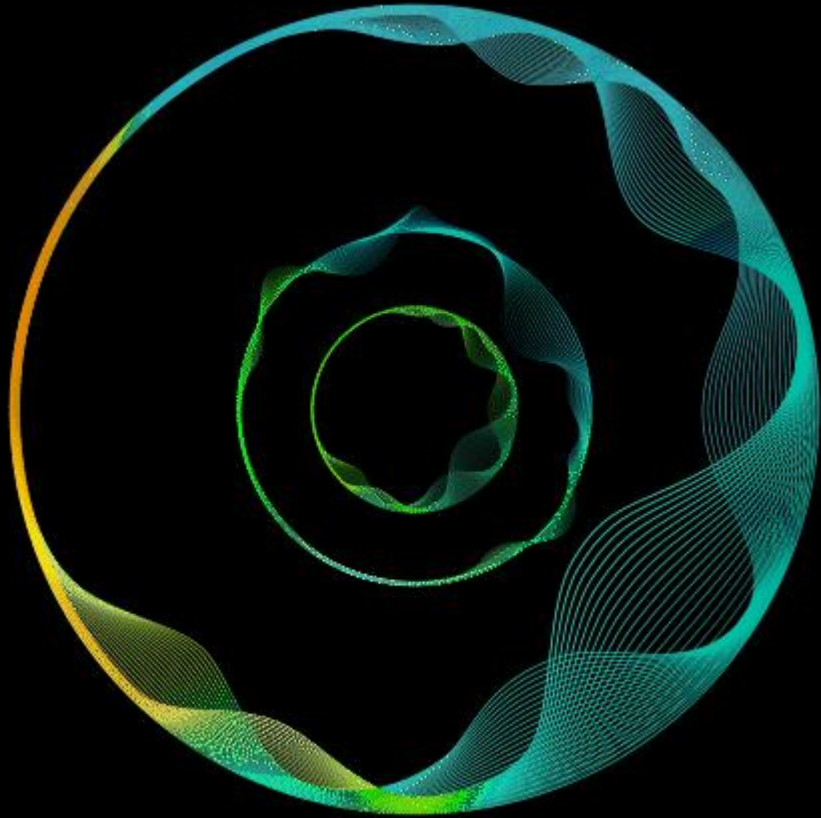
- **1+1 = 11**. Strategic partnership to introduce value-added experience to customers



Evolve

- Adopt agile response to a shift in customer behavior
- Invest in future-proof growth engine

Deloitte.



Retail AI

Driving profit through data

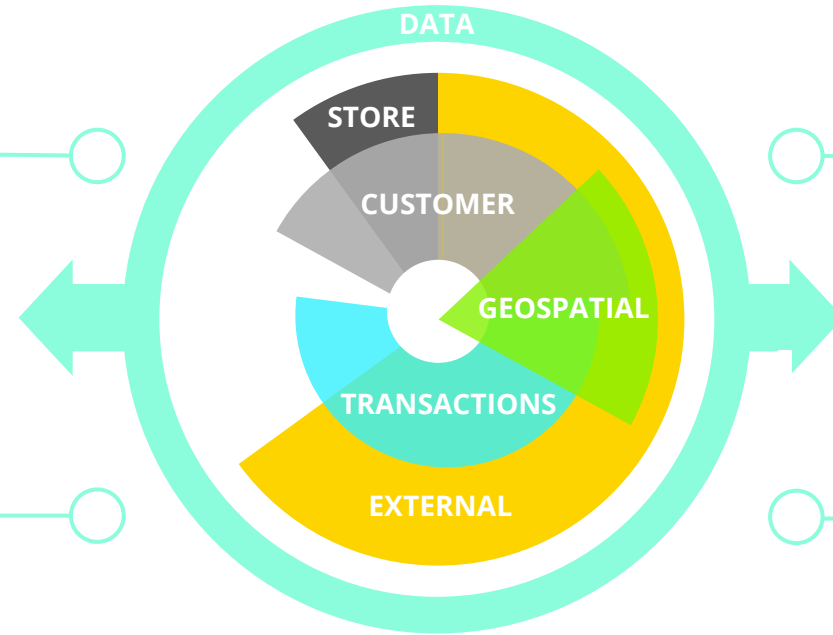
October 2023

We help retailers unlock the power of their data to drive profit

Our portfolio of proprietary AI solutions help retailers make smarter decisions; driving growth, improving efficiency and reducing cost

Drive Revenue & Volume Growth

- Personalized Customer Engagement
- Customer & Market Insights
- Assortment & Space Optimization



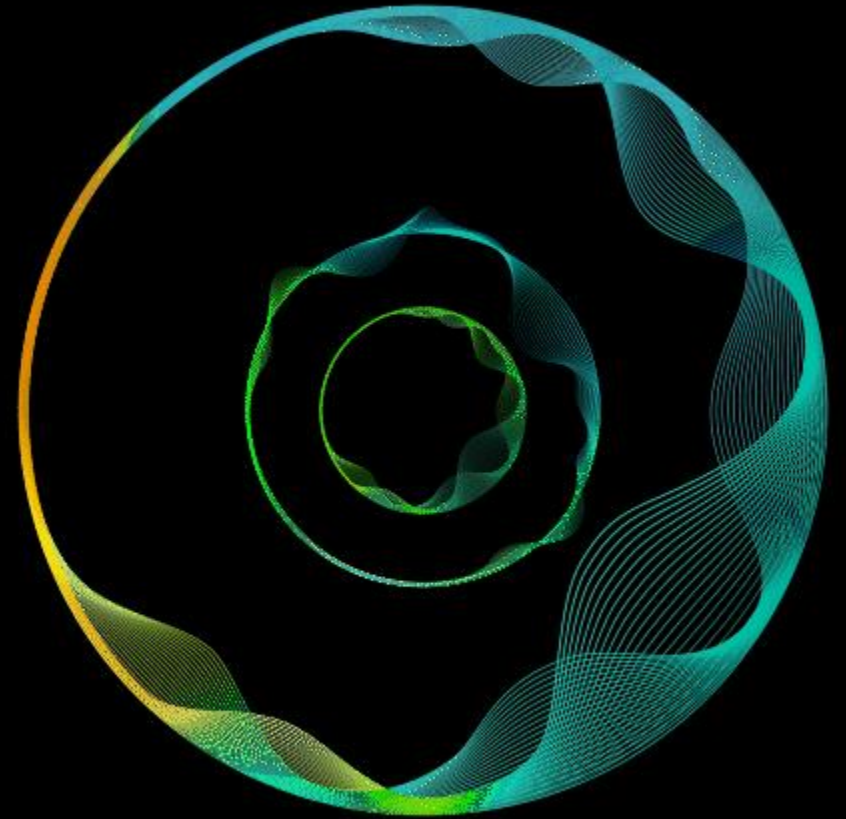
Drive Efficiency & Reduce Cost

- Store Associate & Employee Productivity
- Pricing & Promotional Optimization
- Demand Forecasting & Planning

We partner with our clients, using tried and tested solutions to generate real-world, bottom-line value from data and AI

LocationEdge

Customer and market insights



LocationEdge

Our proprietary LocationEdge solution provides comprehensive market and location intelligence to help you make the right strategic decisions for your business



Customised Approach

Targeted | Client driven solutions



Accelerated Solutions

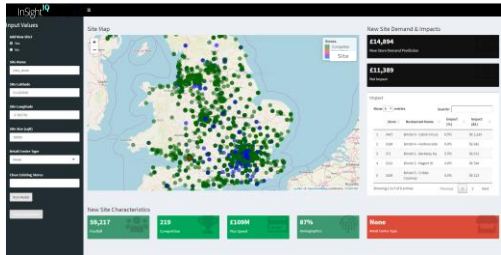
Fast answers | Maximum value



Data Services

Leverage the power of data

LocationEdge empowers our clients with advanced intelligence to make better, strategic commercial decisions



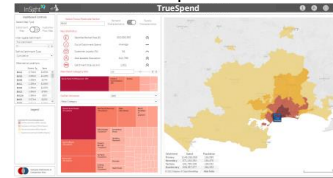
Simulation

What if scenarios & forecasting



TrueSpend

Real World Spend Metrics



OutletUniverse

Complete Market Understanding



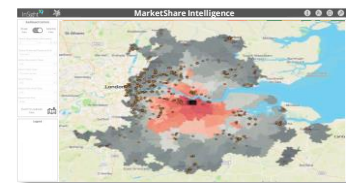
MobilityTracker

Consumer Movement Data



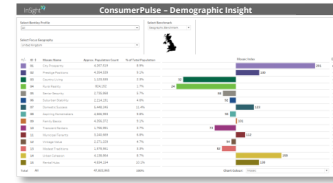
MarketShare Intelligence

Omni Channel Performance Tracking



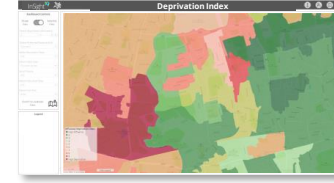
ConsumerPulse

Real World Demand Data



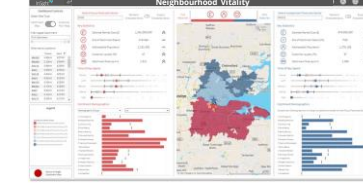
DeprivationIndex

Quantify Citizen Resilience



RetailVision

Quantify Location Resilience



Exclusive Data Sources



Exclusive high value data sources

Market Leading Assets



LocationEdge has invested extensively to transform data into insights & solutions

Advanced Methodologies



LocationEdge leverages advanced analytical techniques to build complex, highly accurate & robust models

Experience & Expertise



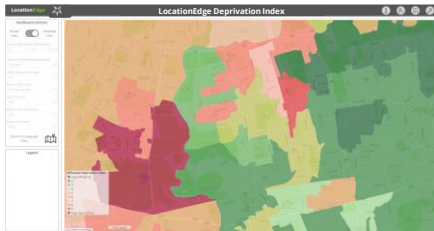
Experience & expertise is critical to extracting value from data, assets & methodologies

Marketing leading, exclusive data sets & assets

LocationEdge leverages enhanced & enriched assets & data combined with experience & expertise to provide deep insights that inform your strategy

Demographics

Socio-Economic Distribution



COVID & global instability have created **fast changing & challenging market conditions**. Consumer durability & price sensitivity is essential to understanding market resilience & informing strategy.

Understanding wealth & demographics is **critical in a highly volatile world**.

Exclusive



MobilityTracker

Consumer Movement Data



MobilityTracker provides **market leading tracking** of people's movement through a market. Mobility data is **segmented into footfall & vehicle traffic** critical for understanding varied demand types.

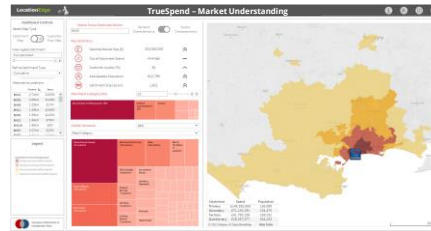
Transport hub data leverages **innovative decay methodologies** completing understanding.

Enhanced



TrueSpend

Real World Spend Metrics



TrueSpend real world spend catchments are the **only way to understand market level demand**.

Detailed spend across 200 merchant categories broken down by time of day – **critical to informing your strategy & decoding your success**.

Exclusive



Outlet Universe

Complete Market Understanding



The enhanced Outlet Universe enables LocationEdge to **quantify the attractiveness of markets & the supply characteristics that drive consumer behaviour**.

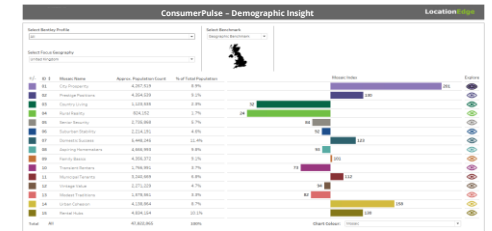
The Outlet Universe leverages a **market leading proprietary AI algorithm**, bringing together comprehensive data sources to provide best in market coverage.

Exclusive



ConsumerPulse

Real World Demand Data



Detailed demographic understanding of **tourists, workers & residential** populations is essential to understand **total market demand**.

Demand underpins all modelling capabilities & strategy considerations. Therefore, **ConsumerPulse and TrueSpend combine to generate an outstanding foundation for any client solution**.

Enhanced



LocationEdge | Use Cases

Insight into customers, competitors and local markets enables better decision making across the business

Customer Understanding



Customer insight

What is the demographic make-up of my customer base?
Where and how do they shop?



Customer journey, value and acquisition

How do I understand, acquire and maximise the value of my customers through their path to purchase?

Store Potential & Performance



Store potential

What is the potential of the local market for each store, given customer demographics, demand and local competition?



Store performance

How well does each store perform against its potential and which stores will maximise ROI from performance improvement?

Network Strategy & Optimisation



Market sizing and optimisation

What is the real market opportunity and how do I maximise my growth and performance?



New store locations

Which areas offer the right combination of customer demographics and competition to maximise profit?

Localized Offering & Assortment



Assortment & offering localization

Which parts of my product range will perform best in each store?
Which offerings are most attractive to the local customer?



New store formats

Which format of store will work best in a selected location?
How can we best align products and services to local demand?

Our track record

LocationEdge has a proven track record of success. It brings significant impact to our clients across their businesses and organisations



Expansive network of LocationEdge solutions supporting **multiple business areas** resulting in the approval and investment at executive board level of **c.27 restaurants with capital investment of over £40m**

”

*“We wanted new ideas and a fresh perspective, so it was extremely important that our new consultancy partner could make a **real impact**, both through **new technology and unique data** as well as being **adaptable to our changing needs**. Deloitte’s team have delivered this and more providing us with both a **partnership**, and an analytical framework, to grow and **achieve even greater success**.”*

Lizi Hills, Commercial Finance Director



Retail estate optimisation & innovative community impact assessment. Approach resulted in the estimated positive impact for at least **10,000 disabled people**

”

*“Deloitte’s team has proved a **game changer for Scope**. Their work has been brilliant going the **extra mile at every opportunity** to meet our needs, always with an eye on how we can make the **biggest impact to those we support in society**. We are hugely excited about how LocationEdge is **positively disrupting the charity sector** for Scope both now and in the future”*

Mark Hodgkinson, CEO



Comprehensive data services underpinning CCEP strategy for **territory building, resource allocation & new lead generation & prioritisation**

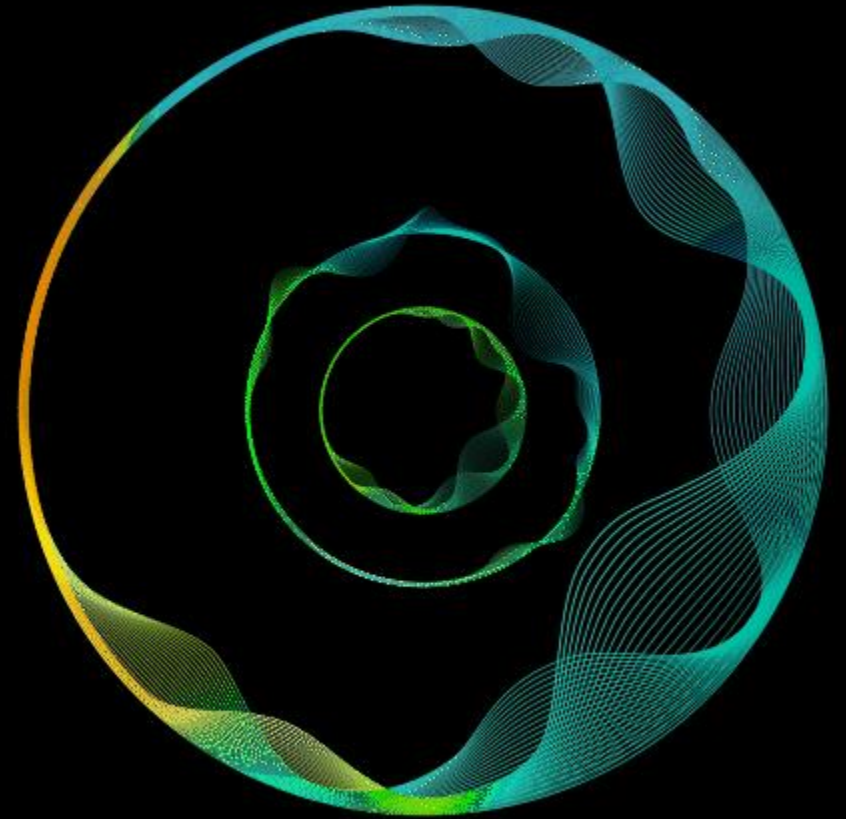
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*“The LocationEdge Ecosystem has enabled us to achieve two key milestone. Firstly we have **identified the size, scale and make up of the relevant outlet universe**. This is something that previously required manually manipulating multiple, expensive, data sets. Secondly the wide range of socio-demographic and consumer spend attributes have provided us with the **ability to create more granular outlet segmentation and initiate targeted execution campaigns**. Both elements ensuring that any investment is **executed with maximum ROI**.”*

Paul Shipton, Data & Analytics Lead and Business Partner

MarkdownEdge

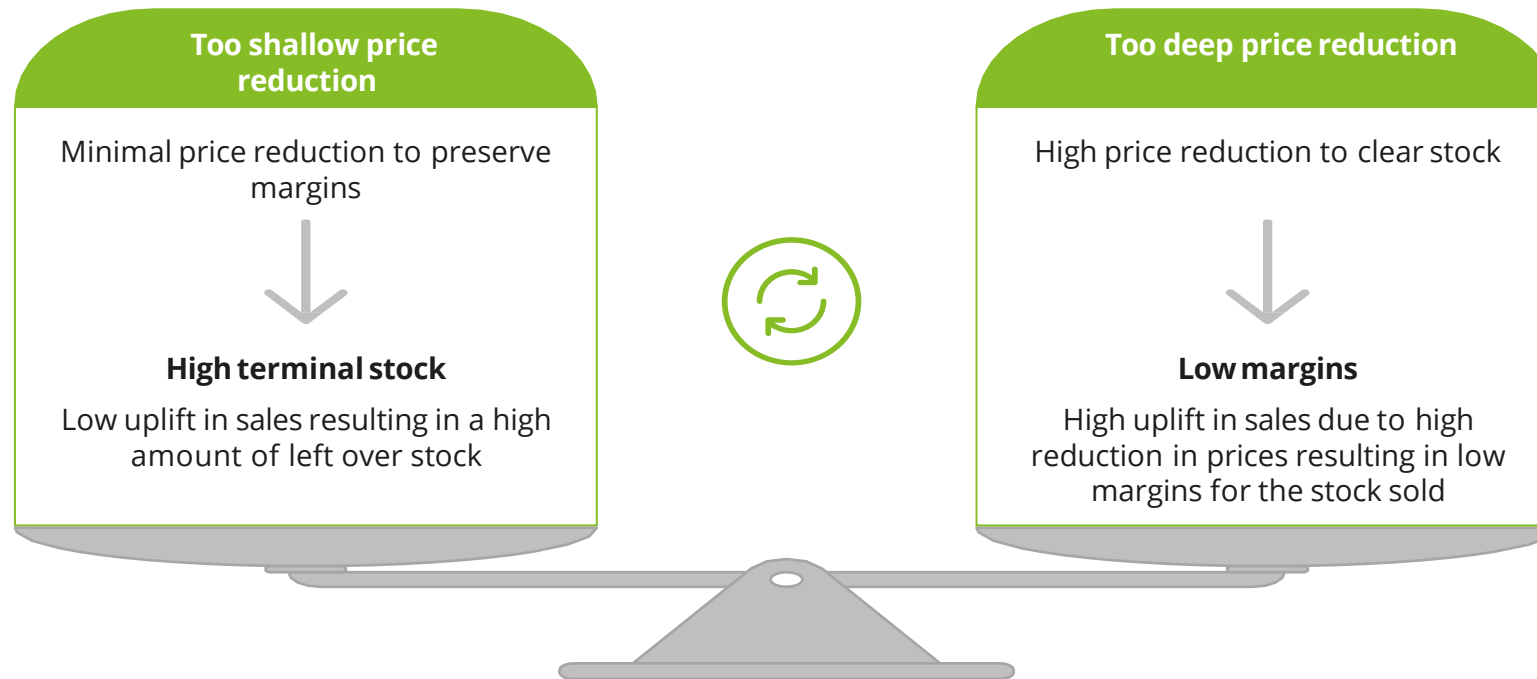
Pricing Optimisation



Markdown management

Our Markdown Service helps retailers strike the right balance between margin and inventory to maximise returns for the business

The markdown optimisation challenge



To optimise markdowns you need to strike the right balance between maximising sell through and reducing margin leakage

Markdown Optimisation: our track record

Our Markdown Optimisation Service has delivered long-term value across numerous clients. Our **MarkdownEdge** solution can be **up and running in 4 weeks** and can unlock **10-15% extra cash margin** from **clearance**.

Deloitte helps retail clients maximise their return on stock investment by providing the best discount price recommendations through a combination of advanced analytics and consultancy support

We have a track record in delivering significant bottom line benefits to retailers annually



7-10% margin improvement through markdown optimisation



\$500+ million in benefits delivered to our clients



c.15% time savings for merchandising teams



10-15% cash gross margin increase



In more than 15 countries

Including UK, Germany, Italy, Slovakia, Hungary, Poland, USA, Canada, Australia, Japan, Korea, UAE, China, Malaysia, Thailand



Working with multiple retailer types

- Luxury, High Street and Discount
- Omnichannel, Exclusively Online
- Global Plc, PE Backed



Across multiple product categories

- Clothing, Footwear and Accessories
- Health and Beauty
- General Merchandise
- Grocery

Key benefits delivered by our Markdown Solution

We have seen our approach drive improvement of 10-15% in cash margin from markdown as well as other significant business benefits



“*[Deloitte] have developed a truly innovative strategic solution, and more importantly, they really listened to our feedback to make it personalised and fit for purpose. This was a very complex project which turned into the best implementation we’ve seen here.*” (Group Operations Director)

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