

The consumer industry's journey towards digital maturity

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

AUGUST 2023



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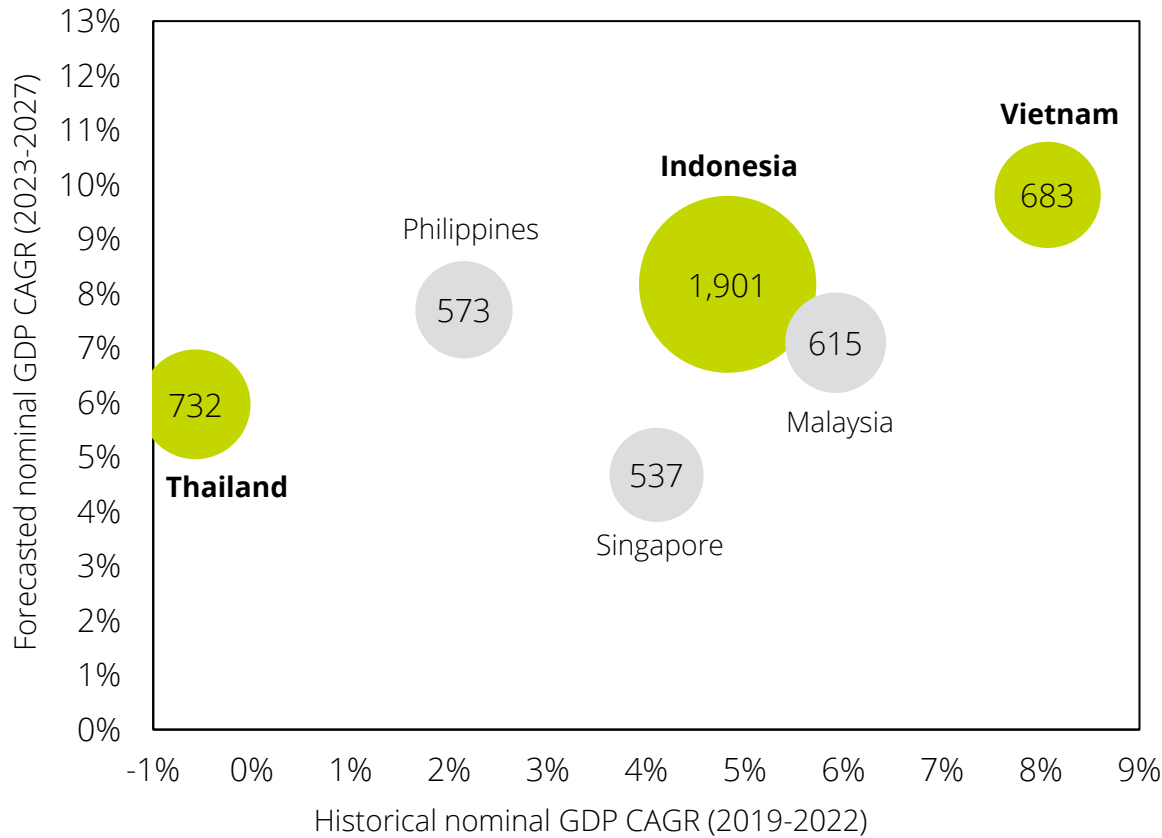
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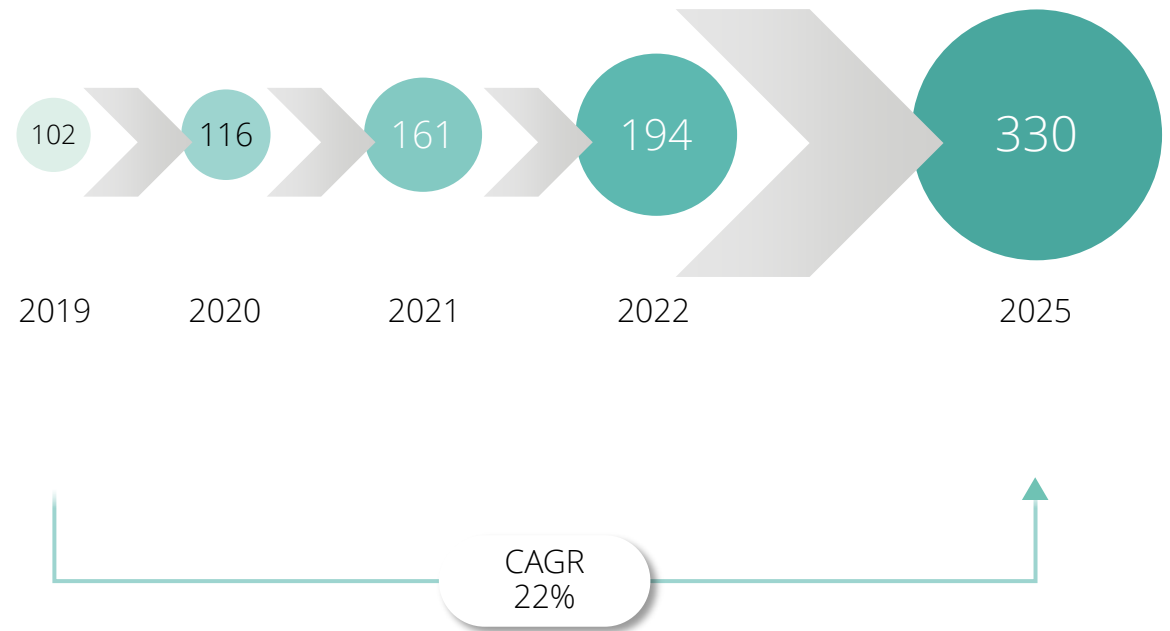
Rapid economic recovery is underway across Southeast Asia, with the region's digital economy continuing an accelerated path of growth

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



Source: World Economic Outlook database.

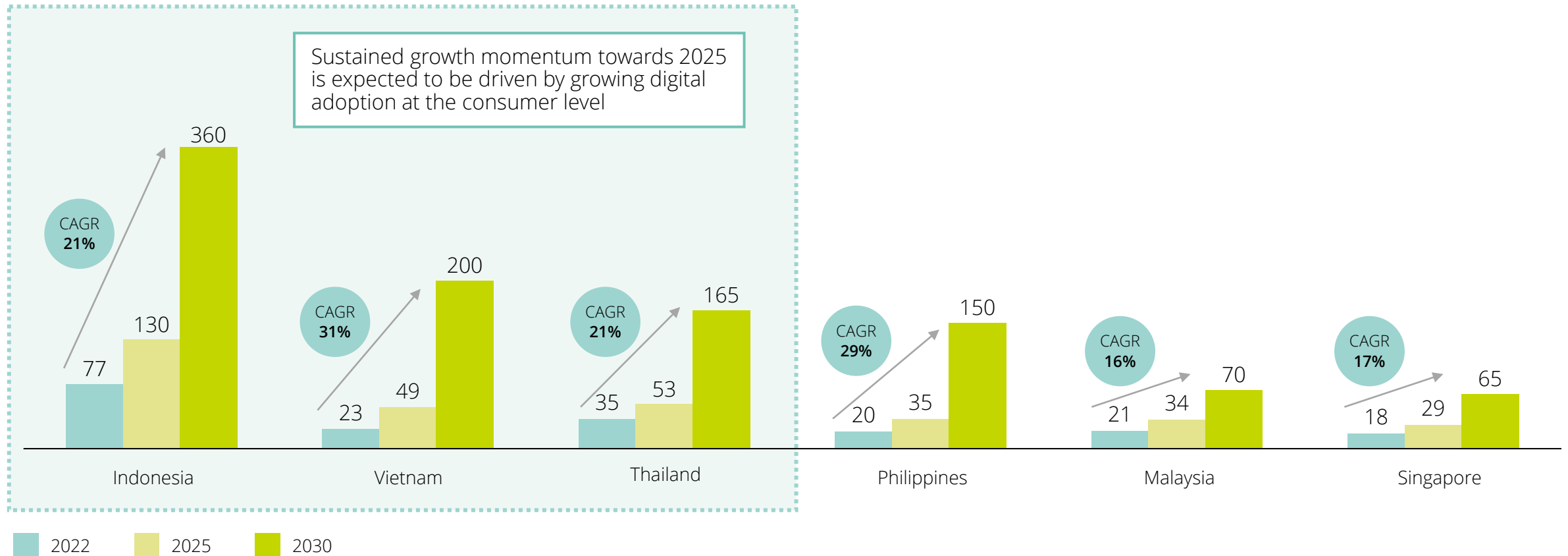
Gross merchandise value (GMV) of Southeast Asia's digital economy (USD billion)



Source: e-Economy 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)



Source: e-Conomy SEA 2022 report.

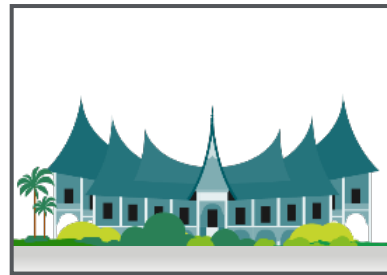
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Exploring the consumer industry's journey towards digital maturity in Southeast Asia

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 largest digital economies: Indonesia, Thailand, and Vietnam.



Geographical coverage



Indonesia



Thailand



Vietnam



Sectors



Food & beverage



Personal care



Agri-business



Methodology



Online surveys

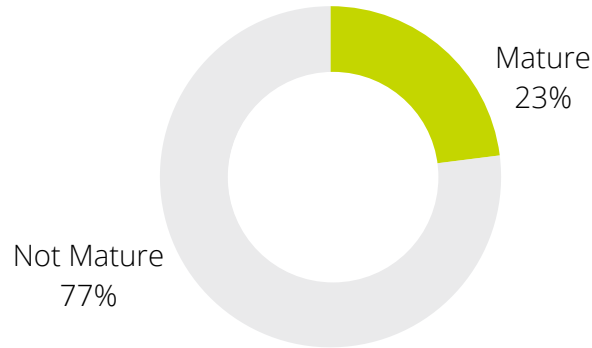


Face-to-face interviews

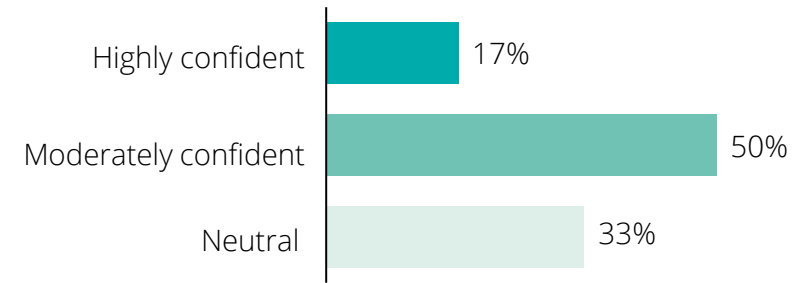
The majority of survey respondents rated their organisation's data analytics utilisation as low in maturity; nevertheless, confidence in data accuracy and reliability is moderately high

- Less than a quarter (23%) of survey respondents rated their organisation's data analytics utilisation as high in maturity, with the majority (77%) finding them to be of low maturity.
- Nevertheless, more than two-thirds (67%) of survey respondents are at least moderately confident in their organisation's data reliability and accuracy.

Q: How would you rate the maturity of your organisation's data analytics utilisation?



Q: How confident are you in the reliability and accuracy of your data sources?



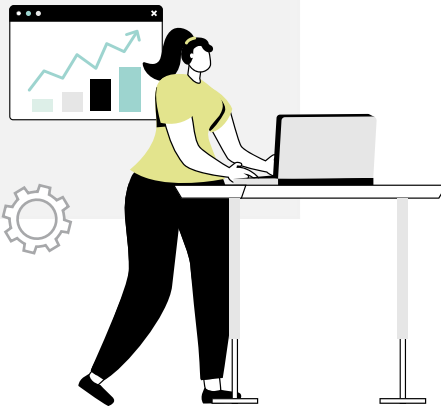
Key success factors for a successful data analytics ecosystem

Based on Deloitte's experience, achieving a high level of maturity in the data analytics ecosystem requires a focus on three enablers:

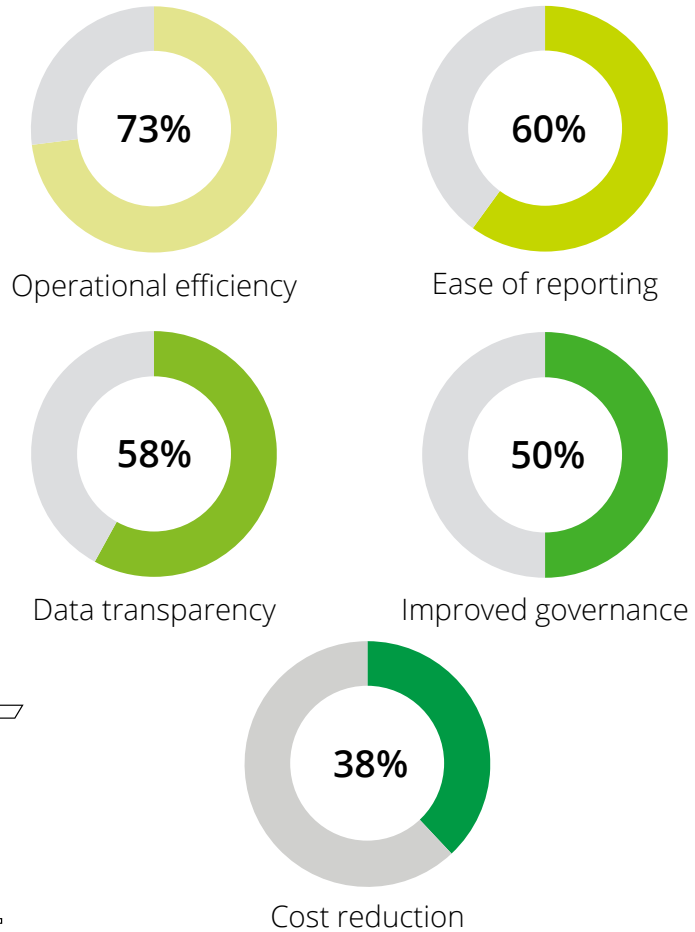
1. **Predictive and prescriptive analytics:** Predictive analytics refers to the practice of extracting information from existing data sets in order to determine patterns and trends that could predict future outcomes, while prescriptive analytics refers to the practice of leveraging analytics to find a potential best course of action for a given situation – in other words, the “so what” that drives decision-making.
2. **Business-driven decision-making:** Business-driven decision-making refers to the process of using data analytics to achieve business goals by identifying patterns and insights to inform strategic decisions and drive growth.
3. **Process intelligence platforms:** Organisations with process intelligence capabilities can drill down into functional performance to set sights on targeted operational improvements. Such platforms ingest event-based system data based on a standard data model and generate visualisations of process flows and interactive analysis to investigate process performance.

Operational efficiency is regarded as the top advantage of data analytics, but the lack of data integration remains the key roadblock to adoption

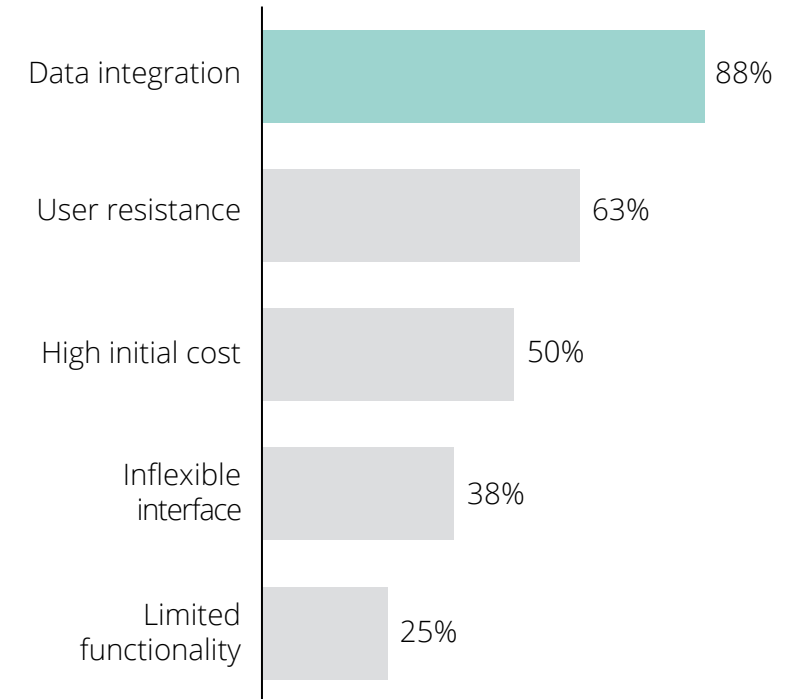
- Nearly three-quarters (73%) of survey respondents considered operational efficiency as the top advantage of using data analytics tools.
- However, data integration remains the key roadblock to the adoption of data analytics for an overwhelming majority of them (88%).
- Indeed, all survey respondents also indicated that they continue to rely on human intervention for manual data extraction in order to generate meaningful data reports.
- This high reliance on manual methods, in turn, results in a host of issues, including increased error rates; data misinterpretation; time-consuming data capture processes; strained quality control; and a divided focus on core business tasks.



Q: What are the key advantages of using data analytics tools? (Multiple answers)

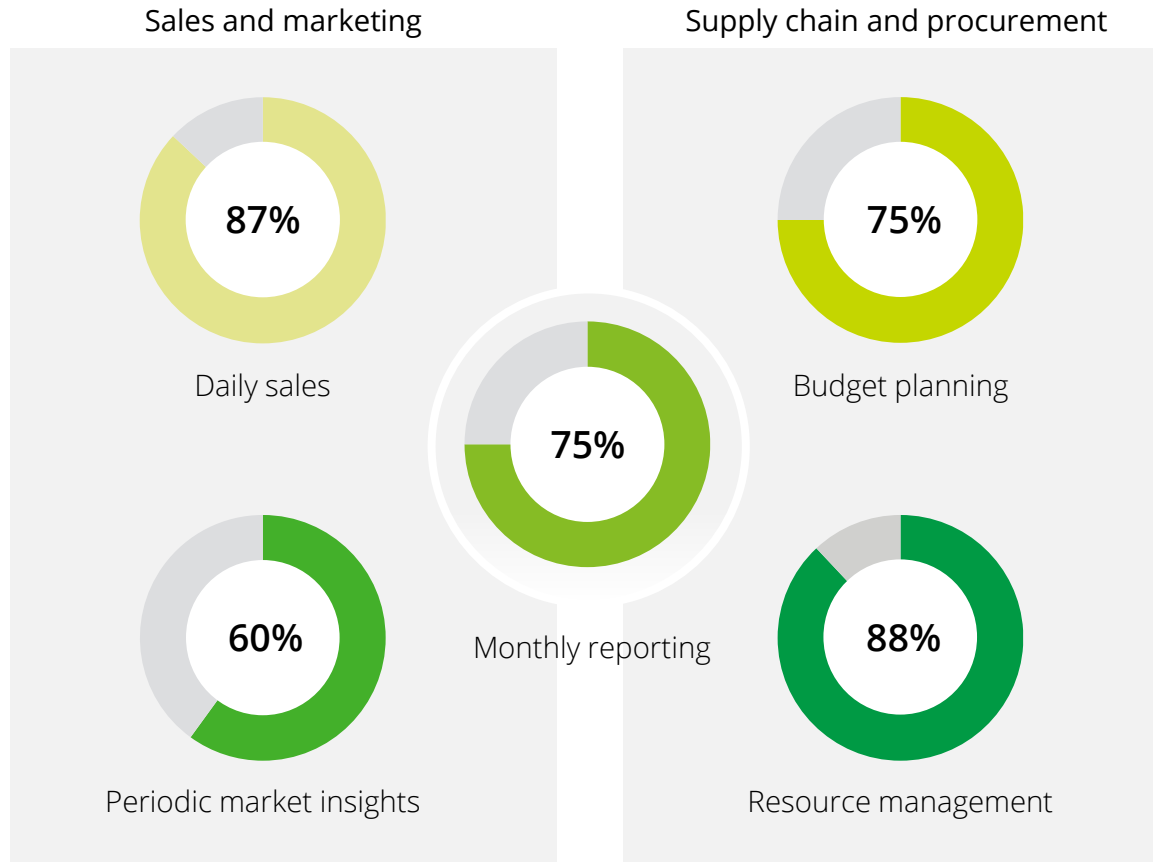


Q: What are the top challenges of using data analytics tools? (Multiple answers)



Although data analytics tools are used primarily for routine processes, new use cases can also be observed to be emerging in the areas of graph analytics and edge analytics

Q: Do you utilise data analytics tools for any of these purposes? (Multiple answers)



Emerging use cases in graph analytics and edge analytics

Based on Deloitte's marketplace observations, we have identified several emerging use cases in graph analytics and edge analytics that leading players in various industry sectors are in the process of implementing across their organisations:

- **Graph analytics** connect multiple data objects to determine their relationships and generate meaningful trends. One application, for example, is the use of traffic data to optimise transportation, delivery, and logistics routes.
- **Edge analytics** enable autopilot operations system control through real-time data collection and analysis from Internet of Things (IoT) devices. As an illustration, an enterprise use case could entail the deployment of IoT sensors to monitor energy consumption. Data analytics is then applied to analyse energy consumption trends, identify anomalies, and provide insights for potential energy-saving measures. With the addition of an energy-saving systems controller, all aspects of energy consumption from airflow to lighting and administrative operations can be viewed and controlled via a cloud-based platform.

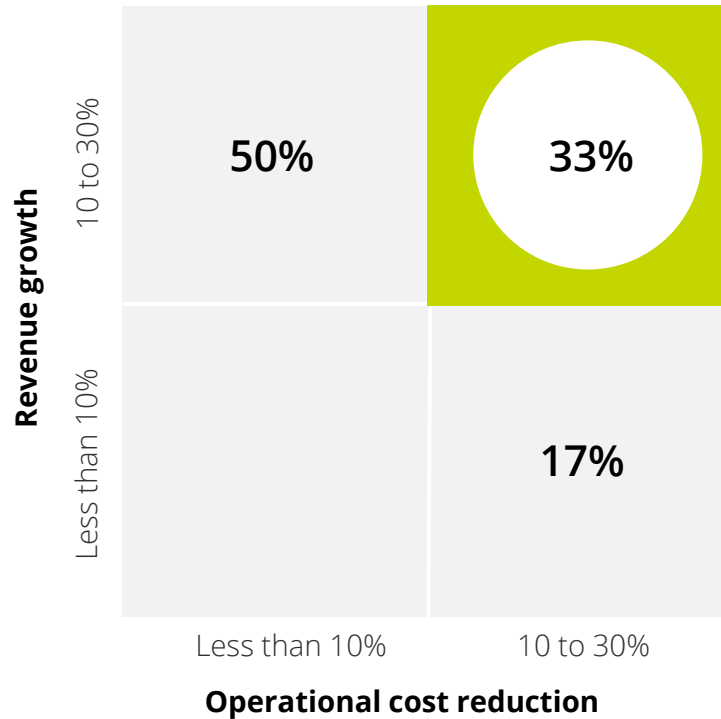


Investments in data analytics have resulted in cost savings and revenue growth, with majority of survey respondents expecting their organisation's spending to increase

- All survey respondents reported significant cost savings and revenue growth from their organisation's investments in data analytics over the past three years.
- Most notably, one-third (33%) of them reported having experienced benefits of a 10 to 30% savings in operational costs, and a 10 to 30% increase in revenue growth.
- This proven value creation potential of data analytics could be one contributory reason for the optimistic outlook on future spending. Nearly two-thirds (64%) of survey respondents expect their organisation's spending on data analytics tools to increase over the next three years, of which more than half (60%) expect to see an increase of 10 to 20%, and another one fifth (20%) expect to see an increase of 20 to 50%.

Q: In the past three years, how much operational cost savings have resulted from your organisation's use of data analytics?

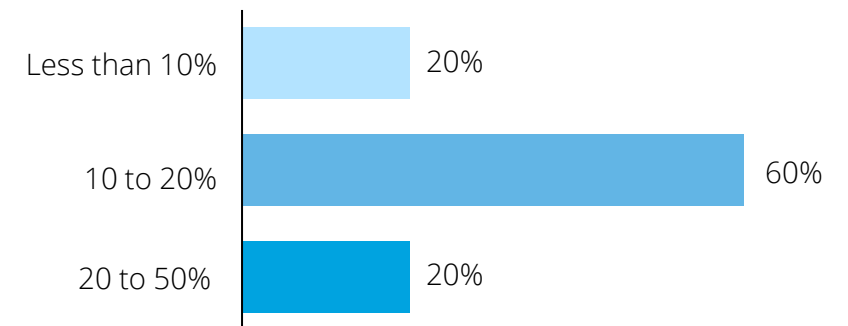
Q: In the past three years, how much revenue growth has resulted from your organisation's use of data analytics?



Q: Do you expect your organisation's spending on data analytics technologies to increase in the next three years?



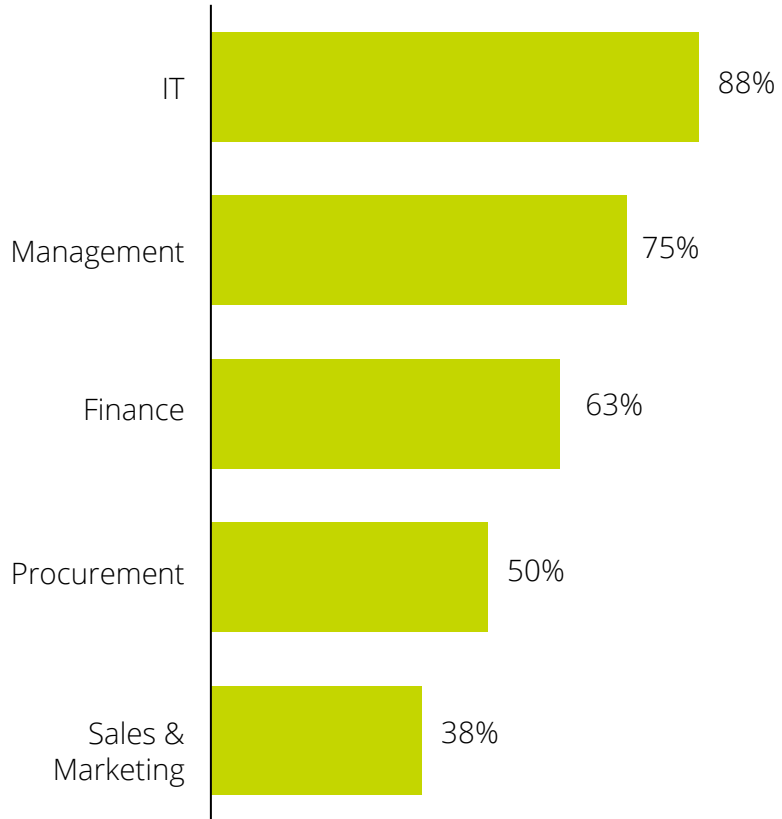
Q: If yes, how much of an increase in spending do you expect?



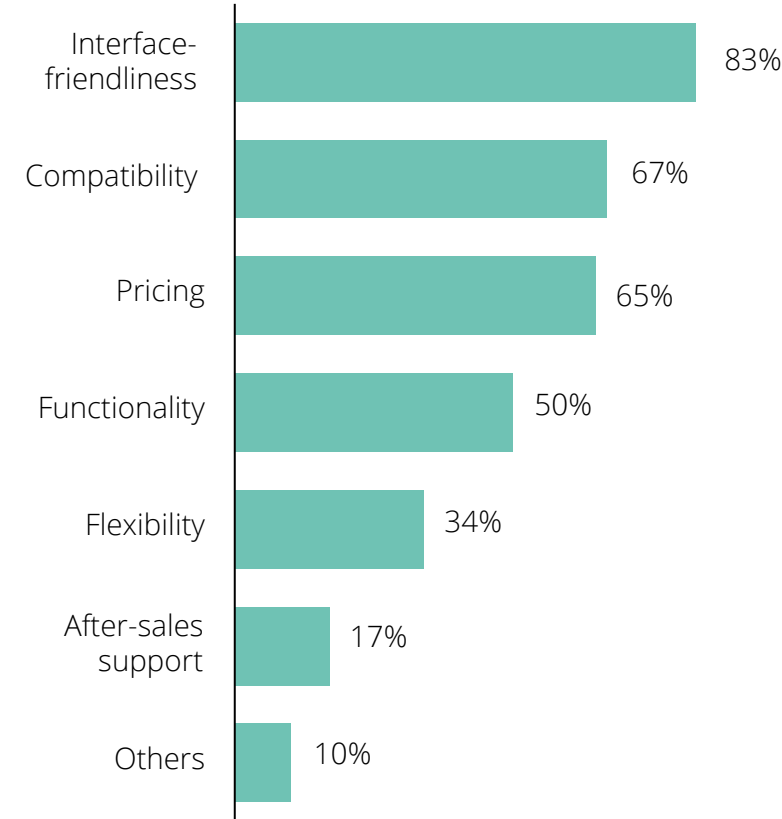
IT, Management, and Finance are the key decision-makers for the procurement of data analytics tools, with interface-friendliness regarded as the top purchase consideration

- IT, Management, and Finance are the top decision-makers in the procurement of data analytics tools.
- Anecdotally, based on the series of face-to-face interviews conducted by Deloitte Southeast Asia with consumer companies, these functions also appear to be relatively heavier users of data analytics:
 - “Almost everyone in our department has access to the tool... it is essential for our daily operations.”*
- IT Manager
 - “Our department is responsible for the purchase and requisition of all IT tools... this can delay certain decision-making.”*
- Finance Senior Executive
 - “Dashboard reporting is critical for us, but only managers and above have access to analytics tools.”*
- Sales Head
- In terms of the purchase decision, interface-friendliness was rated as the top consideration for the majority (83%) of survey respondents.

Q: Which department plans and decides your organisation's spending on data analytics technologies? (Multiple answers)

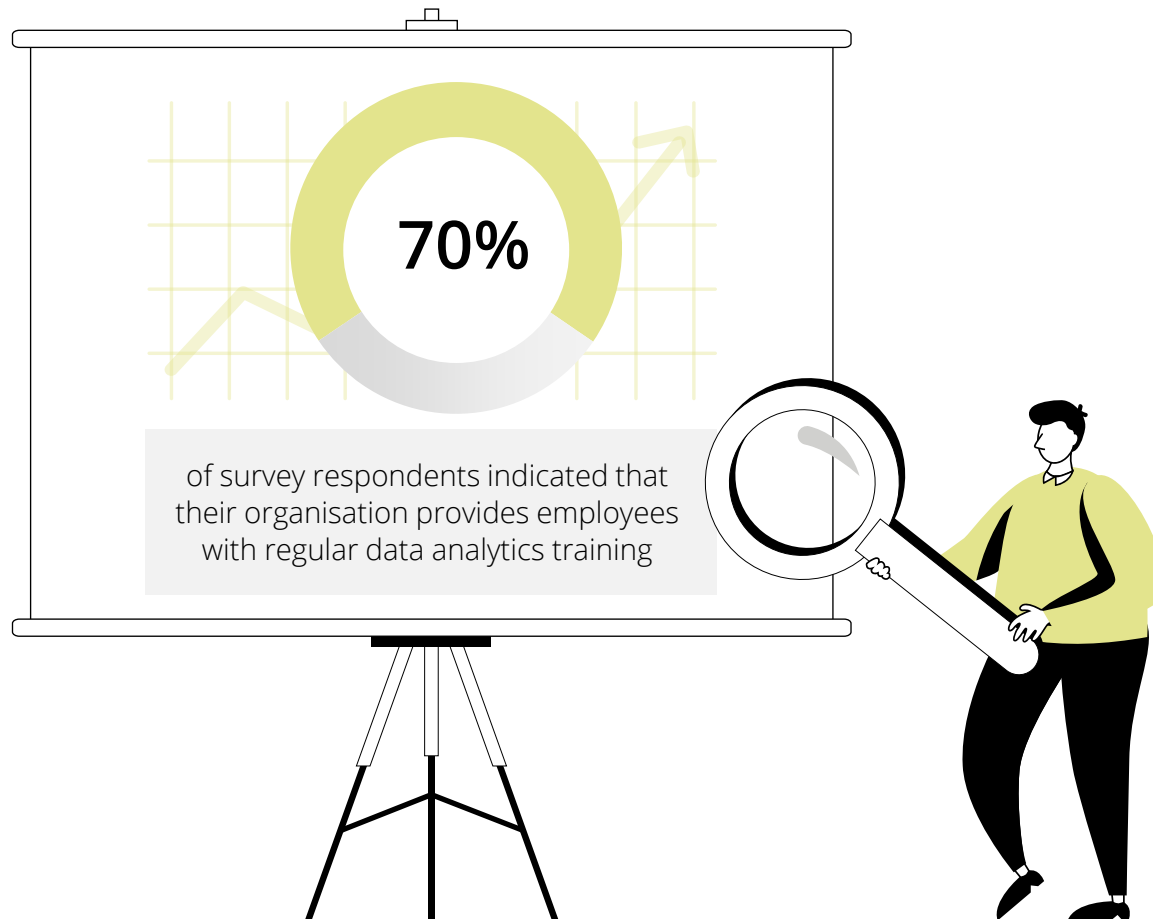


Q: Which are the key attributes considered in your organisation's purchase decision for data analytics tools? (Multiple answers)



To make the most of their investment in data analytics tools, organisations are also investing in training initiatives for their talent and workforce

Q: Does your organisation provide employees with regular training on data analytics?



Taking inspiration from the banking sector: How a leading regional bank is upskilling its employees to equip them with data analytics capabilities

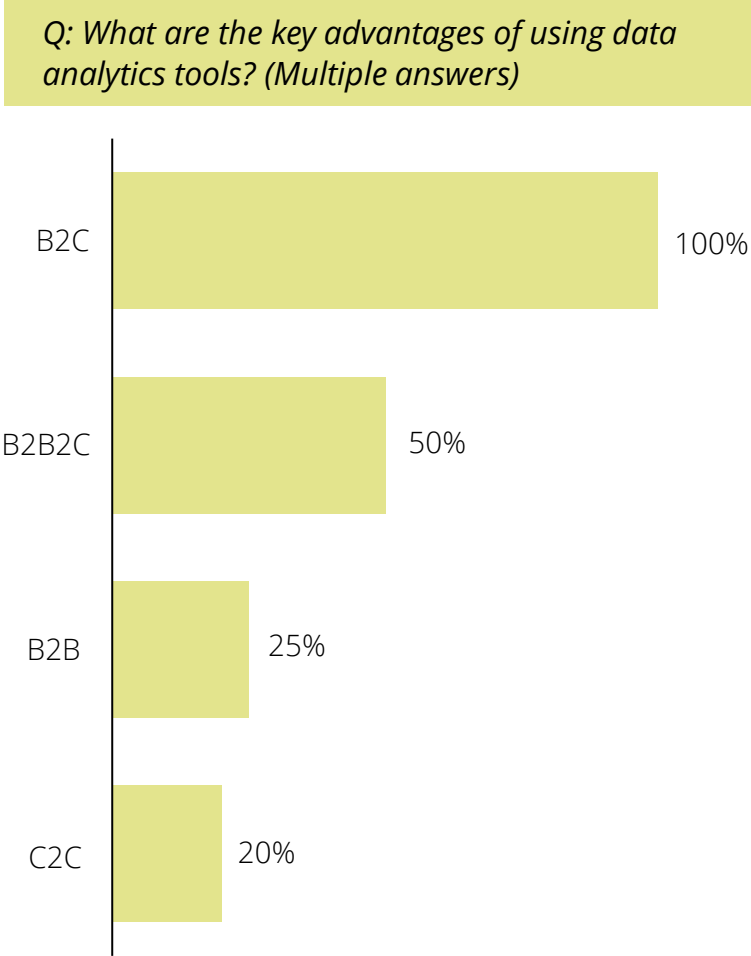
Across industries and sectors, leading companies in Southeast Asia can be observed to be investing in numerous initiatives to equip their talent and workforce with data analytics capabilities.

As an illustrative example, one leading regional bank has introduced the following initiatives:

- **On-the-job training:** Rollout of new technologies for daily work activities, such as big data platforms, artificial intelligence (AI)-powered data analytics and visualisation tools, and machine learning (ML)-powered predictive analytics
- **External training:** Online tutorials for employees delivered by leading cloud solution providers on the topics of AI and ML
- **In-house training programs:** In-person training conducted by the bank's in-house academy on technology topics such as site reliability engineering, data processing and analytics, and application security

Amidst a rethink of omnichannel approaches, B2C digital commerce models remain the most commonly utilised; while B2B2C digital commerce models are gaining traction, profitability remains elusive

- The need for consumer companies to adopt integrated, omnichannel approaches has never been greater: as consumers revert to some of their pre-pandemic offline behaviours, they are likely to still retain some of their newfound online behaviours adopted during the pandemic, adopting a blended, hybrid approach – not unlike the way we live and work today.
- This, in turn, means that while digital commerce channels will likely continue to play an important and integral role in business models going forward, the way in which consumer companies think about them may need to evolve.
- Indeed, there are some signs that this shift is already beginning to take shape. Based on our marketplace observations, we have found a growing adoption of B2B2C digital commerce models across Southeast Asia, as companies seek to refocus their digital strategies for the new normal.



Growing adoption of B2B2C digital commerce models in Southeast Asia

While B2C models remain the most common digital commerce models in Southeast Asia, we are witnessing a growing uptake of B2B2C digital commerce models across the region, particularly amongst players in the fast-moving consumer goods (FMCG) sector.

A simplified view of the mechanism of these B2B2C solutions is as follows:

```

    graph LR
      subgraph Goods_Flow [Sale of goods]
        S1[FMCG suppliers] --> W[Wholesaler]
        W --> R[Retailer]
        R --> C[Consumer]
      end
      subgraph Payment_Flow [Access to wide range of FMCG suppliers, Bank transfer or digital payment, Cashless payment]
        C --> R
        R --> W
        W --> S1
      end
  
```

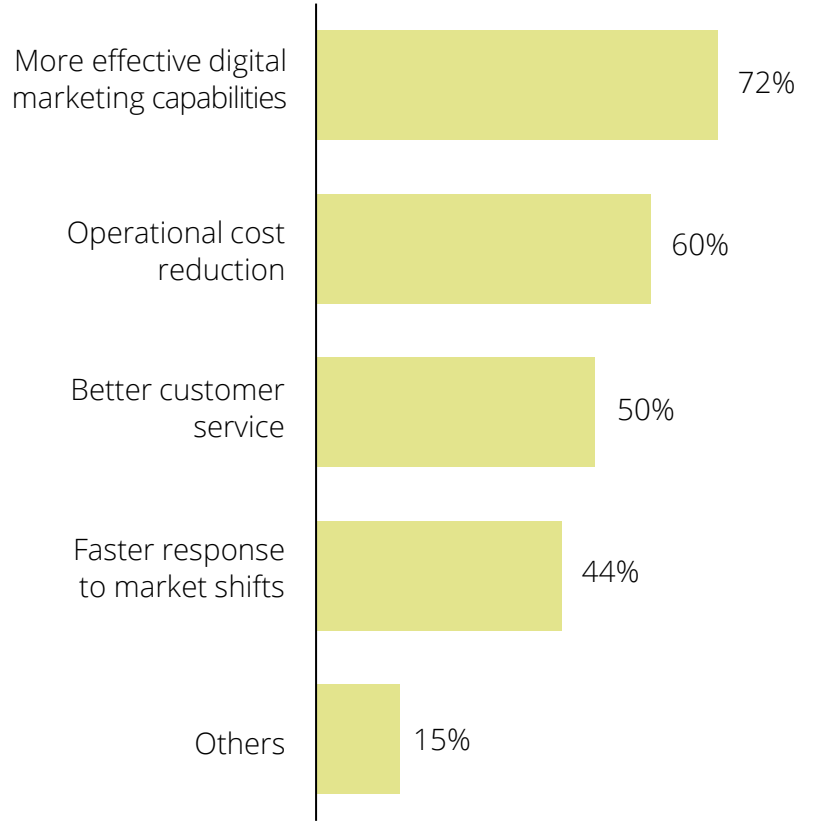
However, profitability continues to remain a challenge for these new B2B2C models amidst intense competition and high promotional costs.

Digital marketing capabilities are perceived to be the top advantage of utilising digital commerce channels; however, several pain points hinder efforts

- Nearly three-quarters (72%) of survey respondents considered the ability to obtain more effective digital marketing capabilities as the top advantage of utilising digital commerce channels, followed by operational cost reduction (60%) and better customer service (50%).
- However, their efforts to utilise digital commerce channels are hindered by several pain points – in particular, those relating to channel conflict, fears of cannibalisation, and gaps in IT support capabilities.



Q: What are the key advantages of utilising digital commerce channels? (Multiple answers)



Q: What are the key challenges of utilising digital commerce channels? (Multiple answers)



Three key trends encapsulate the forces shaping the consumer industry's journey towards digital maturity

01 Building a digital enterprise

By embedding data analytics in their digital commerce strategies, consumer companies across Southeast Asia are looking to capitalise on opportunities to better meet customer expectations and improve business performance. Achieving this, however, will require a doubling down on commercial analytics tools, such as dynamic pricing and digital marketing analytics.

02 Embracing a digital culture

To truly achieve digital maturity, consumer companies in Southeast Asia will need to focus on making intentional changes to their organisational culture. This, in turn, necessitates the development of an organisational digital mindset, as well as clear leadership direction and 'tone from the top'.

03 Adopting a seamless omnichannel approach

With the subsiding of COVID-19 concerns across Southeast Asia, there has been a noticeable resurfacing of the consumer preference for offline channels. For consumer companies, this underscores the importance of developing and adopting an omnichannel approach – one that seamlessly integrates customer experiences across both online and offline channels.

01

Building a digital enterprise

Across Southeast Asia, consumer companies are exploring a variety of ways to embed data analytics in their digital commerce strategies to deliver more seamless and personalised customer experiences, and benefit from greater top-line improvement and higher quality, data-driven decision-making.

Examples of common use cases where data analytics tools are being embedded in digital commerce strategies include:



AI/ML-driven cloud analytics for the tracking and personalisation of experiences to enhance digital sales traffic



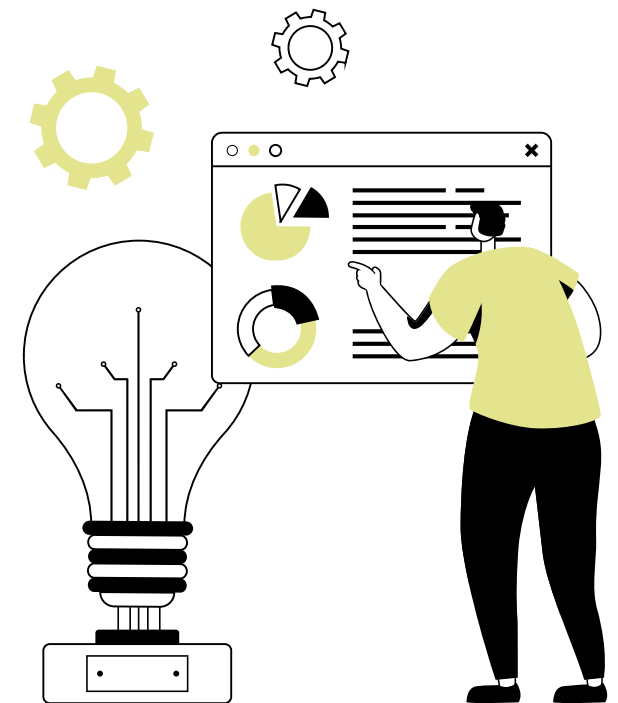
Dynamic pricing analytics for AI/ML-based pricing recommendations



AI-powered marketing analytics for the streamlining of customer communication, and targeted data-driven ads and content delivery



Product analytics for the testing of user engagement and behavioural data to optimise a product's value proposition



Illustrative case studies



A regional agri-business leveraging data analytics to increase productivity and conduct customer profiling

Key challenges

- High logistics costs owing to the need to execute express deliveries for fresh produce
- Need to accelerate consumer uptake for B2C digital commerce model

Solutions

- **Predictive analytics** to increase productivity yield from better identification of viable seedlings
- **Real-time inventory reporting** for faster decision-making and speed-to-market
- **Digital marketing channels** for end-to-end customer profiling and communications
- **Dashboard KPIs** for talent performance evaluation
- Upcoming plans to deploy **AI** for the detection of diseases and defects in farms



A retail chain leveraging store data to improve product positioning for target customers

- High logistics costs owing to the need to execute express deliveries with temperature-controlled functions
- Start-up position with low market share in digital commerce space

- **Data analytics of point of sale (POS) and membership systems** for integrated profiling of end-customer and purchase behaviours
- Upcoming plans to utilise **in-store cameras** to collect data on customer behaviour discrepancies
- Results from data analysis will be shared across all group companies to improve product positioning and inform the design of a group-level digital commerce platform

Supercharging growth through data analytics: Lessons from SuperApps

By leveraging the use of data analytics applications in their digital commerce channels, leading SuperApps in Southeast Asia have been able to deliver user-centric, personalised experiences – and in turn, benefit from exponential revenue growth.

The bottom line

Key benefits of embedding data analytics in digital commerce strategies include:

1. Ability to deliver a more seamless customer experience, with highly personalised and user-centric advertising
2. More rapid trend identification, innovation, and user acquisition
3. More data-driven, fact-based decisions, and more competitive pricing
4. Greater top-line improvement



SuperApp X

- **Single view of the customer** provides an aggregated and holistic view of customer data
- **AI/ML-driven cloud analytics** enables the personalisation of customer impact reports by geographical location, unique preferences, and transaction behaviours
- **Dynamic pricing analytics** supports the analysis of demand and supply for pricing decisions
- **AI-powered marketing analytics** delivers insights on customer pain points to enable the identification of more effective marketing strategies
- **Product analytics platform** supports data modelling and the generation of insights, which are used as inputs for new product generation

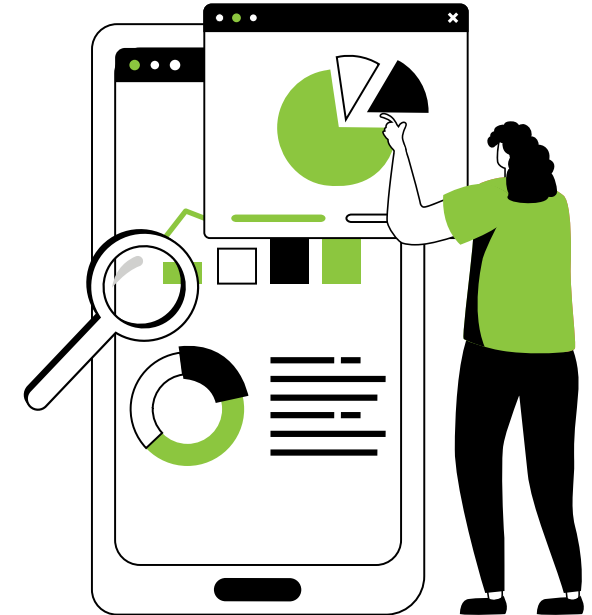
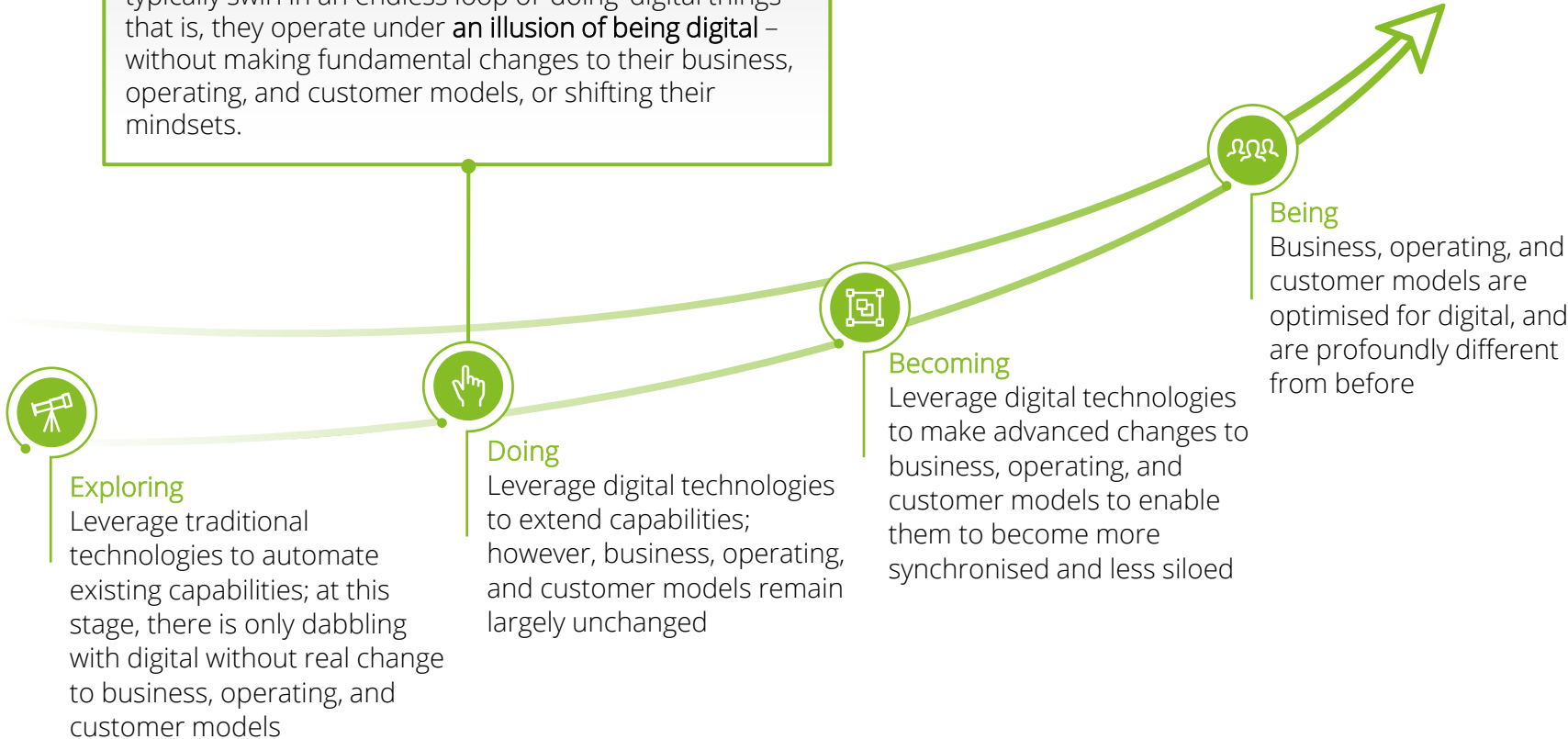
SuperApp Y

- **Single view of the customer** provides an aggregated and holistic view of customer data
- **AI/ML-driven cloud analytics** enables the personalisation of customers' home screens with customised product recommendations
- **Dynamic pricing analytics** supports the real-time adjustment of prices in response to demand fluctuations
- **AI-powered marketing analytics** delivers personalised product recommendations based on customers' historical data
- **Product analytics platform** supports the analysis of product-market fit strategies, which are used as inputs for new product generation

02 Embracing a digital culture

Digital maturity is an ongoing journey. Fundamentally, embracing a digital culture will require consumer companies to shift their operations and mindsets from 'doing' digital to 'being' digital.

Based on Deloitte's experience, many organisations typically swirl in an endless loop of 'doing' digital things – that is, they operate under **an illusion of being digital** – without making fundamental changes to their business, operating, and customer models, or shifting their mindsets.



Six shifts for digital leadership

Clear strategic direction is critical in moving the needle towards a truly digital culture. Broadly, an organisation will need to make six shifts to catalyse the development of a truly digital mindset:



Illustrative case studies



An Indonesia-based household products manufacturer adopting a fast follower approach

Key challenges

- Limited access to data science talent within local market
- Limited uptake of B2B2C digital commerce models amongst business partners in value chain

Solutions

- Adopted a **fast follower strategy** by investing only in proven data analytics models
- Hired **data analysts** locally and abroad to strengthen data analytics capabilities
- Standardised **dashboard reporting** for integrated decision-making across business units
- Upcoming plans to implement **automated customisation tools** to support the launch of highly customisable products
- **Outsourced logistics and delivery** processes to established e-commerce players
- Ongoing efforts to onboard **business partners** onto digital commerce value chain



A multinational retail chain conducting pilot trials for a make-or-buy decision on POS systems

- Facing a strategic choice between building own POS system and working with an external vendor
- Need to boost sales on digital commerce channels

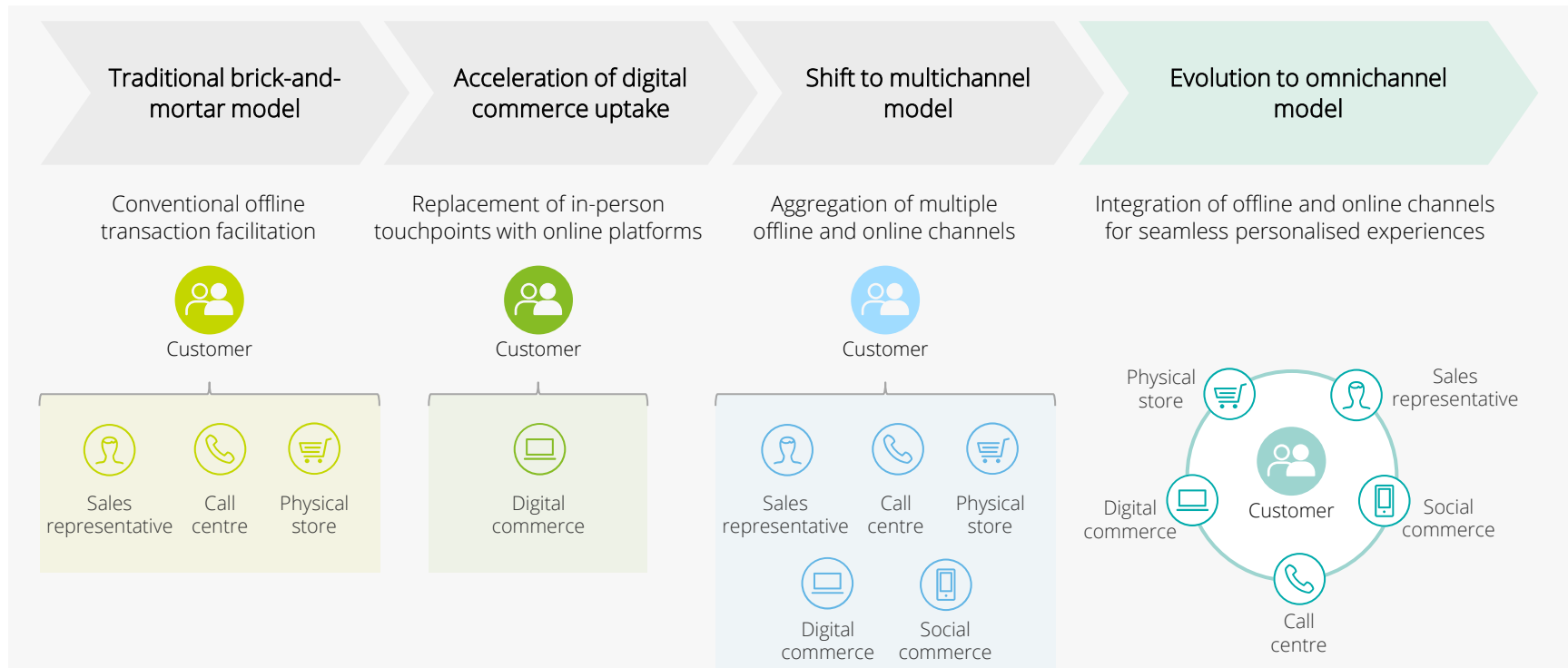
- **Conducting trials** of an external vendor POS system to determine if it should invest in building its own POS system
- **Analysing market trends** from different Southeast Asia markets to identify potential insights to complement the analysis of its POS data
- **Analysing keyword search** on digital commerce channels to drive sales in response to dynamic consumer demand

03

Adopting a seamless omnichannel approach

As COVID-19 concerns subside, consumer companies are witnessing a resurgence of interest in physical channels. It must be noted, however, that this trend does not diminish the importance of digital commerce, which continues to grow at a rapid rate across Southeast Asia.

Rather, this observation only serves to underscore the importance of developing and adopting more seamless omnichannel approaches – that is, operating models designed for the delivery of superior customer experiences across various combinations of face-to-face, remote, self-service, and other channels – in the long run.



A range of different omnichannel models across sectors

In order to meet customer expectations for a seamless omnichannel experience, leading players across sectors are adopting a range of different omnichannel models, with a particular focus on augmenting existing physical channels – or in the case of those with digital-first models, introducing new physical channels.



A leading regional bank

Key features

- Integration of offline and online transaction capabilities through a combination of internet banking and high-touch customer services, such as face-to-face interactions
- Customers are able to apply for a card online and pick it up at a physical branch, and customer service representatives are able to follow up with customers on complaints made at a branch through the online chat function

Impact

- Approximately 20% increase in transaction volumes
- More than 30% increase in new customer account openings



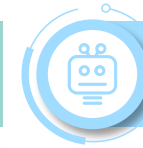
A leading regional digital fashion retailer

Key features

- Expansion of previously pure-play digital footprint with the introduction of physical stores
- Customers are now able to purchase their products online, and pick them up at the nearest store with zero delivery fees

Impact

- More than 75% of customers have made repeat orders



A leading global consumer electronics player

Key features

- Implementation and delivery of an augmented reality (AR)-enabled purchasing experience
- Customers are able to purchase products online in a simulated store setting, before picking up their products at the nearest store or arranging for a delivery

Impact

- More than 20% increase in conversion rate for digital sales

Illustrative case studies



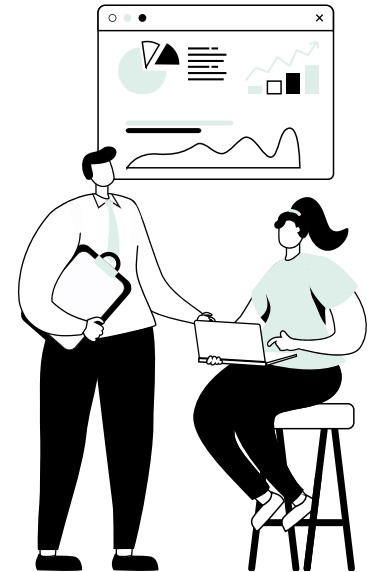
A Thailand-based personal care retailer embracing the shift to an omnichannel and data-driven business model

Key challenges

- Difficulty acquiring and developing specialised data analytics talent
- Need to overcome organisational inertia and resistance to a data-driven culture
- New cost drivers as a result of growing demand for last-mile delivery services

Solutions

- **Centralised data division** created to support the data analytics needs of all business units
- **Integrated marketing efforts** to more effectively target customers
- **Standardised dashboard reporting** to enable more effective leadership decision-making
- **Introduced data governance safeguards** to ensure effective master data management
- **Merged digital commerce sales teams with offline sales teams** to provide a more holistic omnichannel experience for customers
- **Minimised variations in price and promotion** through coordinated channel management
- **Prioritised digital commerce channels for first transactions** and offline channels for repeat purchases



To advance in their journey towards digital maturity, consumer companies will need to focus on four critical priorities in the near to medium term



Adopt accelerated fast-followers strategies

Given that Southeast Asia is currently still at a relatively nascent phase in the adoption of data analytics technologies, consumer companies across the region display a marked preference for fast-follower strategies over leader strategies. Such follower strategies offer a number of advantages – in particular, the ability to identify proven use cases and common pitfalls for the implementation of a given digital application. The key to success, however, lies in being fast: to quickly close the gaps with leaders, they will need to adopt accelerated strategies to advancing and operationalising their technologies. Achieving this, in turn, will require them to overcome several identified challenges in data integration and channel conflicts.



Optimise logistics for digital commerce

To support the expansion of their digital commerce models, consumer companies should focus on optimising their delivery networks and investing in logistics capabilities. Players in the fresh products segment, for example, may need temperature-controlled shipment capabilities, or a rethink of inventory management strategies to execute next-day deliveries. At the same time, with reverse logistics becoming a major challenge for many players, companies should also consider how they can leverage data analytics to not only determine where items should be returned and plan efficient shipping between distribution centres, but also reduce the number of split shipments and optimise store-to-store transfers..



Implement both prescriptive and predictive analytics

The ability to implement and optimise both prescriptive analytics and predictive analytics functions is central to the success of any organisation-wide data analytics initiative. Depending on their job function, different teams within an organisation are likely to have differing levels of reliance and use cases for the two types of tools. For example, Sales & Marketing may leverage prescriptive analytics to gain a better understanding of consumer behaviour trends in their development of commercial counter-strategies, while Manufacturing and Supply Chain may rely on predictive analytics to develop their future-focused demand and supply forecasts.



Invest in in-house talent development

Attracting and hiring specialised talent in the areas of data analytics and digital commerce is challenging in and of itself, but this challenge has been exacerbated in recent years with skyrocketing demand for talent and the relative scarcity of such expertise in the market. For many consumer companies, this means that investments in in-house talent development has now become a necessity – and not merely a 'good to have' – to support their ongoing adoption of digital technologies.

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