

INSIGHTS TO DIGITAL COMMERCE

**AN APAC
PERSPECTIVE**



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FOREWORD

THRIVING IN THE NEW AGE OF DIGITAL COMMERCE

The Consumer Packaged Goods (CPG) industry is on the cusp of a dramatic shift. Advances in digital technology have removed the traditional entry barriers to the CPG ecosystem. This has made access to final consumers easier and more efficient compared with yesterday's marketing and trade channels.

The nature of competition is changing: even in a growth market, incumbent CPG companies in the Asia-Pacific (APAC) region have lost an estimated 2 percent market share over the last five years.¹ Smaller, nimbler and more digitized players have been taking much of this share.

In this changing world order, our clients are looking to reposition themselves and journey into the New. Digital Commerce – Marketing and Sales – offers an exciting new growth opportunity.

The Digital Commerce market in APAC is set to increase two-fold to reach more than USD 1.1 trillion by 2022, meaning the region will account for almost two-thirds of global digital commerce market.² During the same period, at least 40 percent of marketing spend will be on digital channels.³

CPG companies face a choice: they can embrace the digital commerce trend and grow with it, or ignore it and risk business decline. CPG companies need to take numerous steps to ensure that they have adequate digital commerce capabilities. They need to build partnerships with digital commerce platforms, or even build their own. To ensure an optimal customer experience, they need to enhance what they offer across multiple channels. In addition, they need to develop online-to-offline capabilities, consolidate their supply chain and leverage data to improve consumer experience across the purchase journey.

Our Accenture Digital Commerce Control Tower offers CPG companies all of this and more. In the New consumer world, growth is just one click away. CPG companies can now take control of their supply chain, generate demand, manage customer experience, carry out digital marketing and manage overall digital commerce operations.

The time has come to herald the new age of growth with digital commerce.



FABIO VACIRCA
Senior Managing Director,
Asia-Pacific, Africa, Middle East &
Turkey
Accenture

INTRODUCTION

THEN, NOW AND THE FUTURE OF DIGITAL COMMERCE

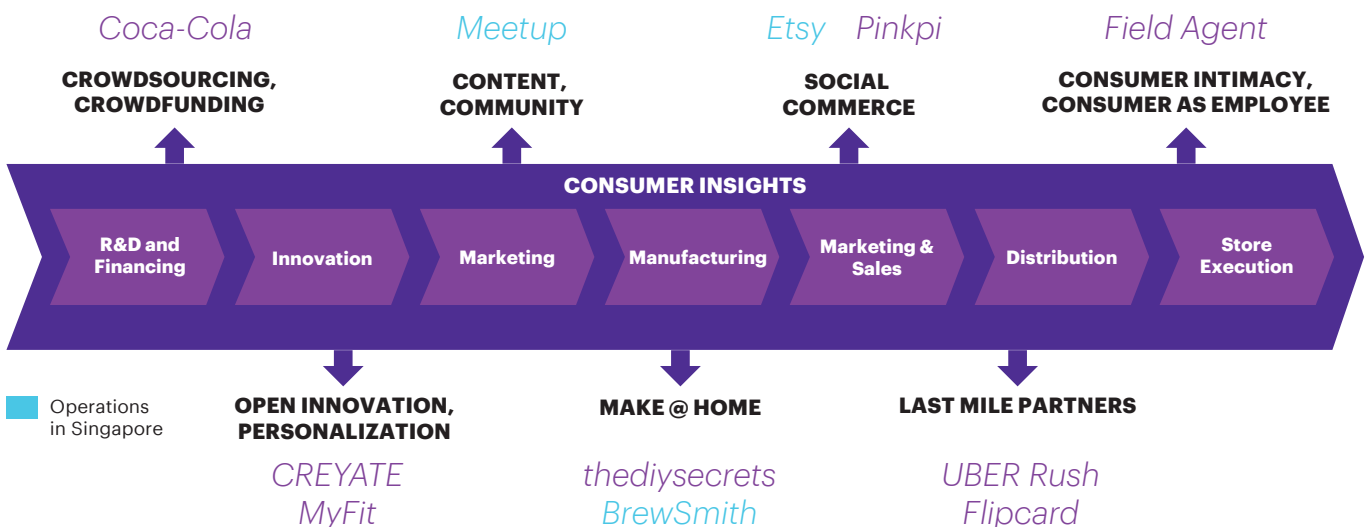
The CPG industry is experiencing unprecedented shifts, as consumers take control of the industry’s driver’s seat. In one sense, consumers remain the same, keeping their traditional roles as end users. But now, thanks to advances in digital technology, they are also integrated across all parts of the traditional CPG value chain.

Consumers are now co-creators, co-marketers, co-manufacturers and partners across all core CPG functions (see Figure 1). What has led to this shift? A key factor is changing expectations as consumers live their life differently. Consumers are increasingly looking to spend less time on retail chores and more time on what they value most. Soon, they’ll expect to get what they want, before they even know they want it.⁴

Competition is another major factor reshaping consumer expectations. This includes direct competitors in CPG categories (i.e. products and services that directly compete with CPG companies in home care, packaged food etc.), experiential competitors (i.e. products and services that provide experiences that compete with CPG companies e.g. food delivery apps) and perceptual influencers,

all of which are driving new consumer expectations. Amazon, Alibaba, JD.com and other organizations like them have been better than CPG companies at shaping and catering to these new expectations. These organizations recognized the shifts in consumer demand early on and have successfully built and scaled business models that place consumers at the heart of everything. Consumers increasingly buy and repeat buy from these companies because they deliver products and solutions as they want it, when they want it and how they want it. These digital disruptors are realigning the equilibrium back between businesses and consumers, a gap left by CPG (see Figure 2).

FIGURE 1. CONSUMERS ARE NOW INTEGRATED INTO ALL PARTS OF THE VALUE CHAIN
Consumer intervention across the CPG value chain is unprecedented. The consumer is in command.



On the other hand, CPG companies are still focused on supply led, traditional ways of doing business. They have been slow to recognize the shift from a supply-led model, to a consumer-led one in the present. This is evidenced by CPG's own admission: over 80% of C-level executives feel they now need to scale consumer relevant initiatives and be more proactive in disrupting their industry.⁵

The time is ripe for CPG companies to make a change, by re-inventing how they reach the core of their business: the consumers.

CPG companies need to choose their engagement field and provide the right set of products and experiences that will cater to these new needs of their consumers.

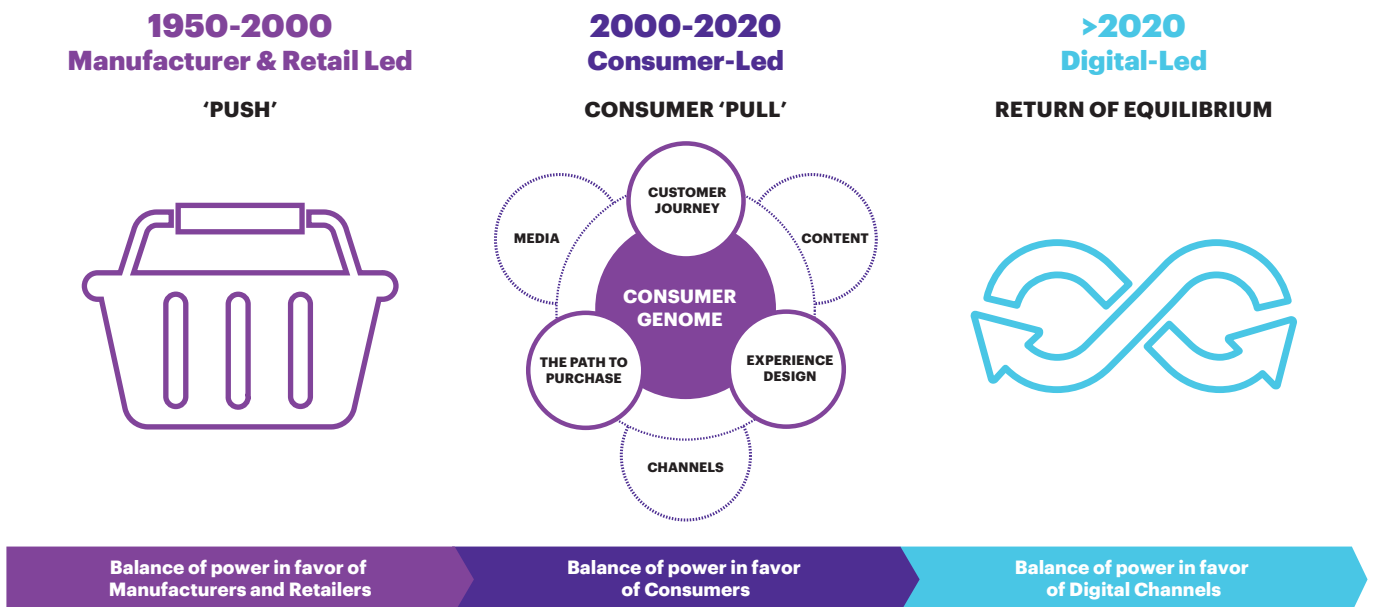
The dollar value at stake is very high: At least one third (or USD 700 billion) of global CPG growth by 2022 will be from one region alone: Asia-Pacific.⁶ More importantly, the region is at a tipping point for digital commerce. At more than USD 390 billion,⁷ APAC will be the number one market for CPG digital commerce, almost greater than twice the size of the next biggest region, North America.

CPG companies urgently need to rethink and choose their new engagement field with consumers. If they don't, they risk ceding control to other players who are already making themselves indispensable, by integrating into consumers' lives with the right experiences.



NILS MICHAELIS
 Managing Director, Innovation and Growth & Strategy Lead, Products Asia-Pacific, Africa, Middle East & Turkey
 Accenture

FIGURE 2. ACCORDING TO ACCENTURE ANALYSIS, DIGITAL WILL EMERGE AS THE BALANCING FORCE TO SHIFTS IN BALANCE OF POWER TO CONSUMERS



ECOMMERCE IS DEAD, LONG LIVE DIGITAL COMMERCE

The APAC region’s share of digital commerce is set to exceed USD 1 trillion by 2022.⁸ Consumer expectations are evolving ever faster, as they seek to shed time-consuming retail chores and spend more time on what they value most. Soon, they’ll expect to get what they want, before they even know they want it. eCommerce, as we know it, is dying. It’s time to build new assets and tools that meet the growing demands of the Asian consumer. It’s time to get ready for digital commerce.

APAC DIGITAL COMMERCE IS BOOMING

Technology has changed the face of retail. Power has shifted from brands to consumers, who are increasingly clued up about what they buy – and have the purchasing options to match.

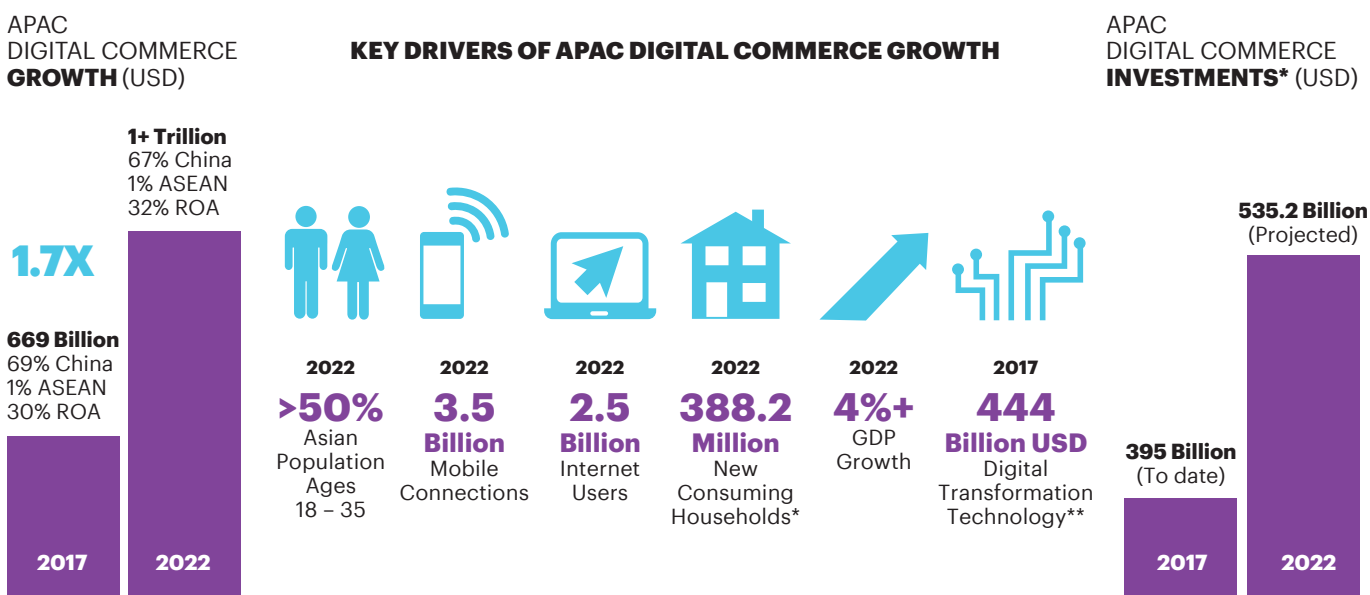
Markets are being shaken from top to bottom, allowing a new cohort of determined competitors to emerge as leaders. Digital commerce in the APAC region is booming, and this enormous online market will grow exponentially to reach USD 1.2 trillion by 2022.⁹

What’s behind this expansion? Demographics are a key factor. Half the region’s people are between the ages of 18 to 35¹⁰ – and coming into their prime spending years.

That’s fueling huge growth in mobile and internet use: 3.5 billion mobile connections¹¹ and 2.5 billion internet users are expected by 2022.¹² And the region’s increasing affluence, supported by rapid GDP growth in excess of 4 percent,¹³ will create 388.2 million new consumer households over the same period.

Digital investments are equally important. Organizations across APAC are projected to spend USD 444 billion on digital transformation technology this year.¹⁴ And in the region, organizations are projected to invest USD 535.2 billion by 2022¹⁵ (see Figure 3).

FIGURE 3. THE CHANGING LANDSCAPE



* based on Accenture Research estimates & Euromonitor International 2017 ** excluding Japan

GIVE THEM WHAT THEY WANT – BEFORE THEY KNOW THEY WANT IT

But the true driving force for digital commerce growth is the constantly evolving Asian consumer. As life in the APAC region becomes ever more hectic, time becomes increasingly precious.

Today’s empowered consumers are using their smartphones to shed time-consuming activities in favor of the things they value most – like spending quality time with the family.

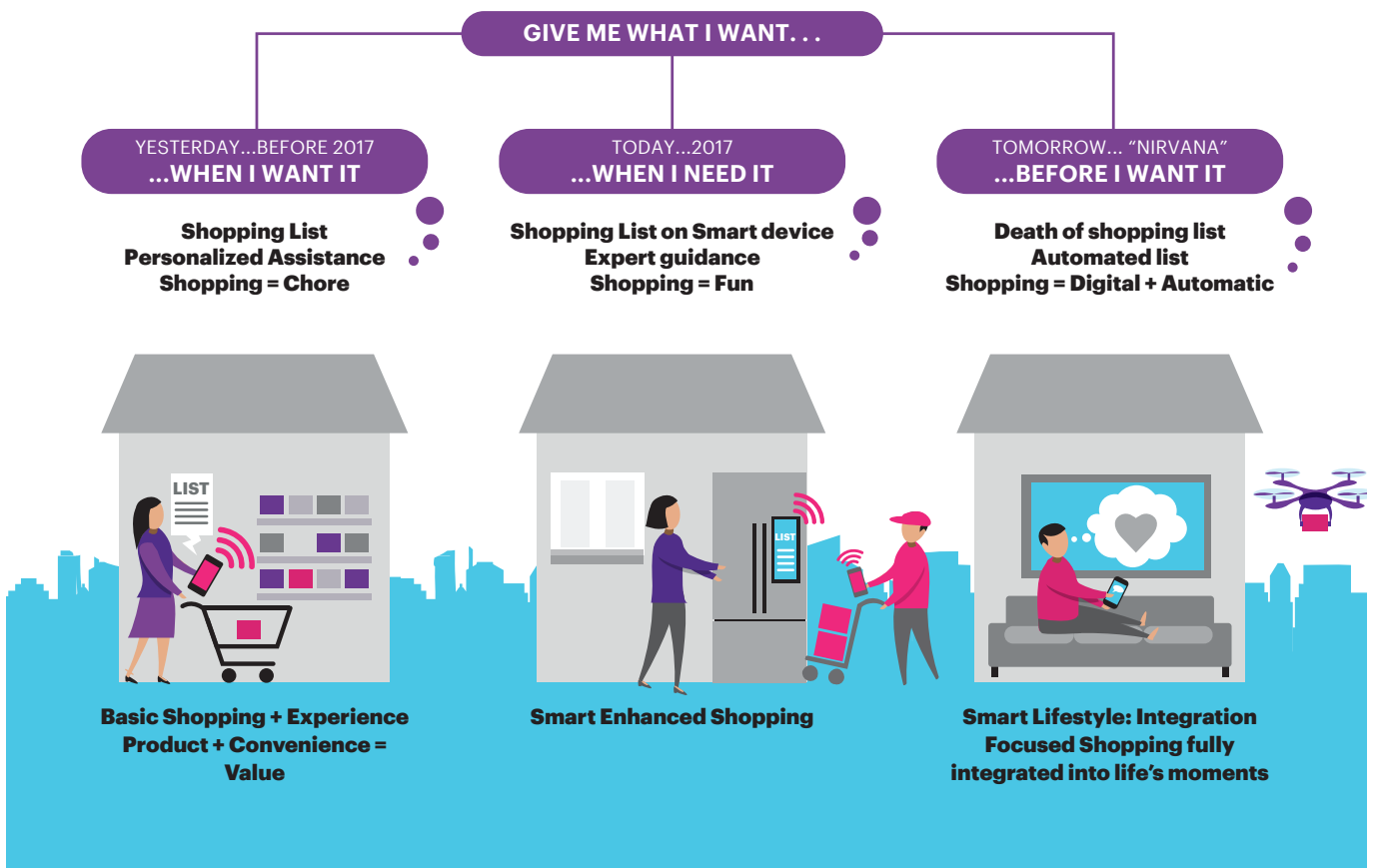
Almost one in four online purchases are already made on smartphones.¹⁶ And by 2022, almost 75% of the internet users would have made at least one purchase online, equivalent to nearly 40% of the Asian population.¹⁷ Savvy consumers want convenience and value, and seek the right level of choice and information by using their smart devices to get it. They’re reading crowd-sourced reviews and comparing prices across multiple apps and websites when making a purchase decision. The Asian consumer is coming to expect seamless consumer experiences

online and offline. As technologies evolve, smart homes will become a reality. Refrigerators will anticipate purchases and provide alerts when stocks run low. Voice-assisted devices will serve information predictively and help complete purchases via seamless payment methods. Shopping will become fully integrated into day-to-day life, freeing consumers from tedious chores. It’s shopper’s nirvana – where consumers get what they want before they even know they want it (see Figure 4).



MOHAMMED SIRAJUDEEN
 Managing Director,
 Digital Commerce Lead,
 Asia-Pacific, Africa, Middle East &
 Turkey
 Accenture

FIGURE 4. THE CONSUMER REVOLUTION



INDUSTRY TRENDS



CPG INDUSTRY TRENDS

THE LAND OF OPPORTUNITY: DIGITAL COMMERCE IN APAC

APAC WILL SOON BE THE LARGEST REGION CONTRIBUTING TO GROWTH IN CPG AND WILL BE THE LARGEST SINGLE MARKET.

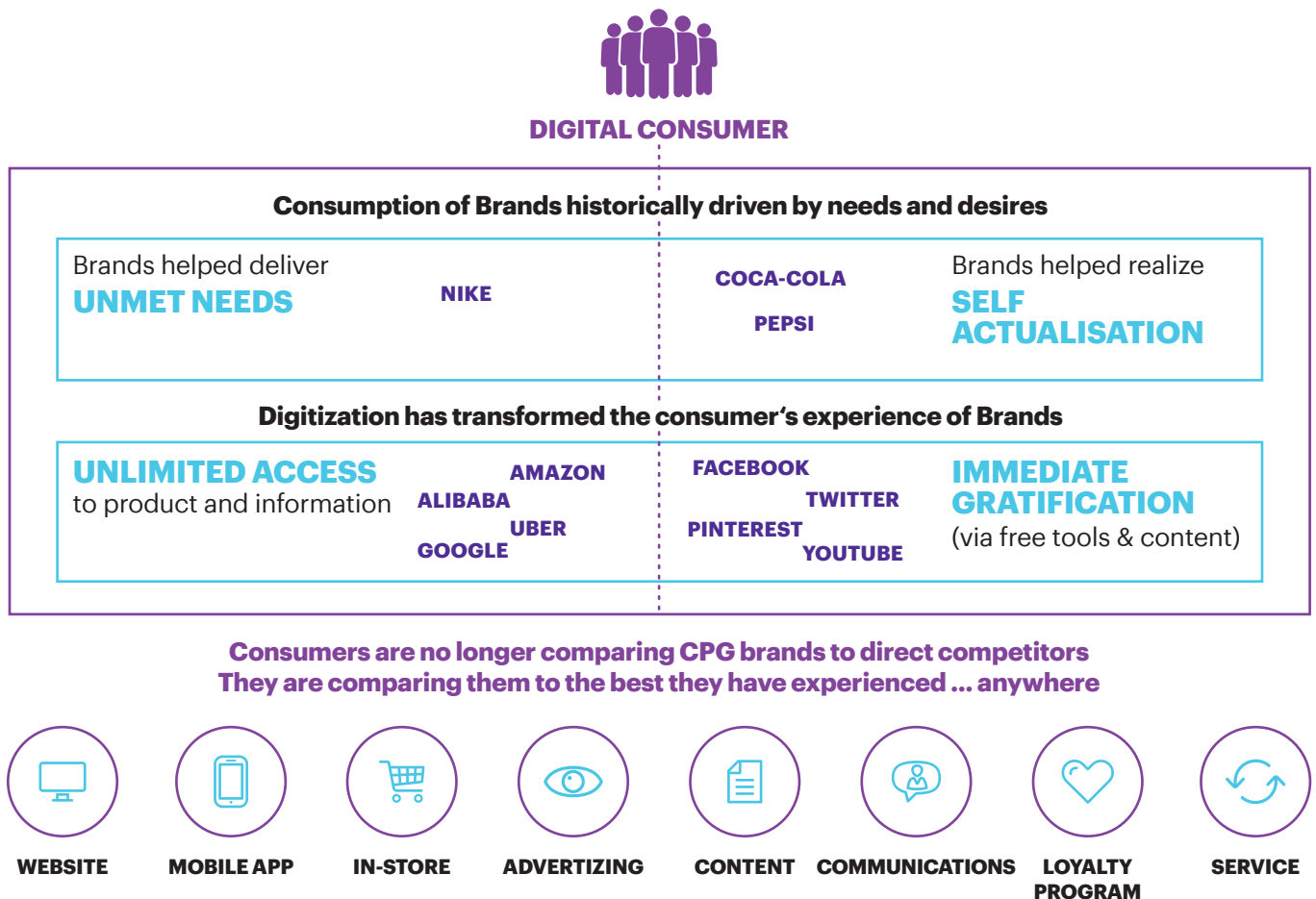
With 60% of the world’s population living in the region, the market is expected to grow rapidly from USD 669 billion to USD 1.2 trillion within the next five years.¹⁸ But for consumer goods companies to take advantage of market developments, they will need to understand the dramatic changes in consumer behavior that have been ushered in by the digital age.

A survey of APAC consumers shows that in these parts of the world, shoppers place greater value on their time and convenience than ever before.

This is made clear, for example, in their enthusiasm for the automation of certain retail chores, such as regular grocery shopping (see Figure 5).

These changes in the behavior of APAC consumers have shaped and been shaped by new technological developments. Whereas in the past, large companies with high numbers of physical stores have had the greatest consumer reach, digital channels have allowed smaller companies to access consumers the world over. Indeed, smaller, more flexible, niche businesses have been much better at taking advantage of these new channels and disproportionately driving the growth of the Consumer Goods Industry. Larger brands, by contrast, have struggled to adapt.

FIGURE 5. THE ROLE OF CPG FIRMS HAS CHANGED WITH THE DIGITAL REVOLUTION
CPG firms need to sell experience and added value to consumers



BETTER TECH, BETTER LIFE

Digitization is transforming all aspects of people's lives in the Asia-Pacific region. With increasing smartphone and internet penetration in APAC countries, more and more users are adopting digital platforms for purchasing goods and services (see Figure 6).¹⁹

This, combined with the increasing reliability and security of digital shopping platforms, means per capita digital purchase is expected to grow by 13% in the next five years (see Figure 7).²⁰

APAC consumers are also adopting tech for a 'better life'. Apart from convenience and flexibility, digital platforms provide better assortment, information, reviews and prompt support.²¹ Digital commerce thus represents a significant opportunity to CPG companies, particularly when we consider the marked preference for tech among APAC consumers.

People the world over increasingly look to digital channels to improve and streamline their retail experience. Yet different regions and countries have their own unique patterns of consumer behavior, which are shaped by cultural factors, but also by the digital capabilities of the area.

CPG companies need to be sensitive to these differences, so that they can most effectively provide for the specialized needs and desires of consumers in different regions.

Yet, while countries are at various stages of their technological development and consumers have widely diverging levels of digital literacy, the similarities of consumer expectations across the world remains more striking than the differences. Consumers, irrespective of their background, increasingly expect a seamless retail experience, which minimizes the time they spend on retail chores and which ensures near instant gratification of their desires. What is also striking is that they're increasingly more willing to pay for features they want and for customized solutions with regards to structure, pricing and promotions²² (see Figure 8).

FIGURE 6. SMARTPHONE USER PENETRATION IN APAC BY COUNTRY (% OF POPULATION)

CPG firms need to sell experience and added value to consumers

	2016	2017	2018	2019	2020	2021
TAIWAN	86.8%	89.3%	91.3%	92.5%	93.4%	94.3%
SINGAPORE	86.3%	87.2%	88.0%	88.9%	89.6%	90.1%
SOUTH KOREA	84.3%	86.0%	87.6%	88.4%	89.1%	89.7%
HONG KONG	84.0%	85.9%	87.2%	88.3%	89.0%	89.8%
MALAYSIA	77.9%	81.8%	84.9%	87.6%	89.5%	91.0%
AUSTRALIA	79.5%	81.5%	82.5%	83.2%	83.5%	83.6%
NEW ZEALAND	79.0%	81.5%	83.0%	83.9%	84.7%	85.3%
VIETNAM	61.7%	71.6%	78.7%	84.4%	88.6%	92.0%
THAILAND	62.5%	67.4%	70.9%	73.5%	75.1%	76.4%
CHINA*	60.1%	64.2%	68.7%	73.0%	77.0%	80.6%
JAPAN	52.4%	55.1%	56.9%	58.4%	60.0%	61.3%
PHILIPPINES	41.7%	44.9%	48.0%	50.4%	52.9%	55.2%
INDONESIA	35.8%	38.7%	41.0%	43.3%	45.9%	48.1%
INDIA	32.7%	36.6%	39.4%	42.7%	45.3%	47.4%
OTHER	29.0%	31.8%	34.6%	36.8%	39.4%	42.3%
ASIA-PACIFIC	47.5%	51.0%	54.2%	57.2%	59.9%	62.4%

Note: individuals of any age who own at least one smartphone and use the smartphone(s) at least once a month
Source: eMarketer, November 2017

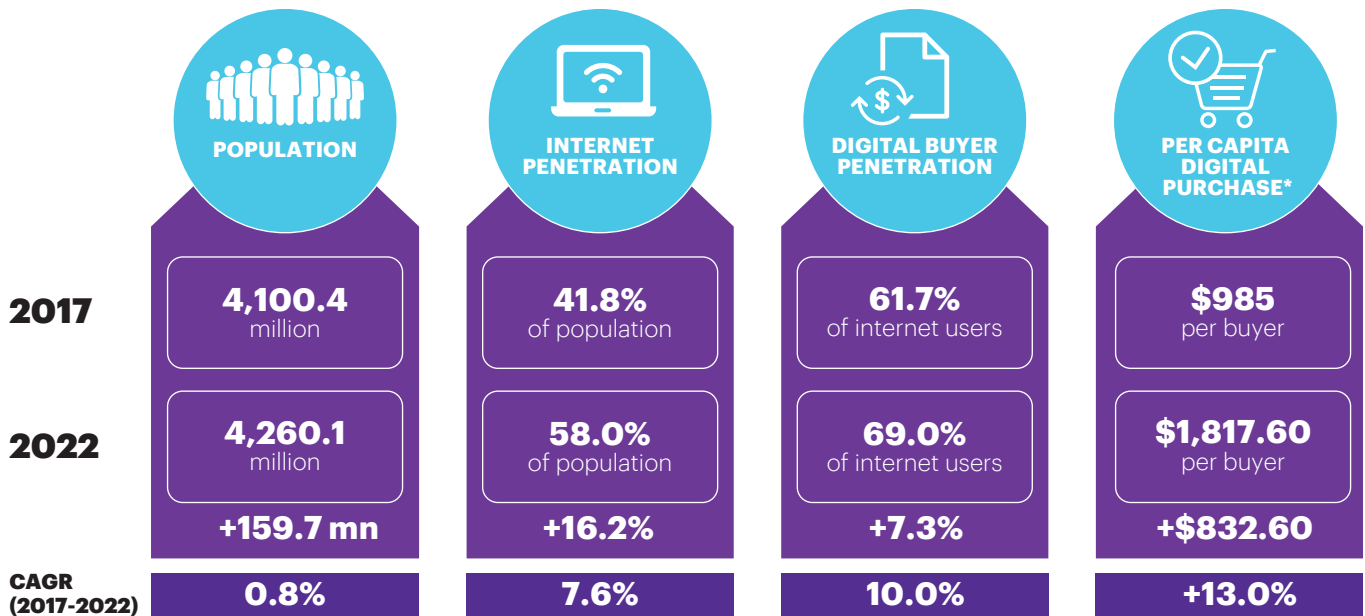
* excludes Hong Kong

DIGITAL, PHYSICAL OR BOTH?

Older, larger CPG companies, have struggled to meet these new consumer expectations. These companies continue to rely on supply led, traditional ways of doing business. New competitors, such as Amazon and Alibaba, recognized the shift in purchaser demands early on and have successfully oriented their business model to place the customer at the heart of everything. With new archetypes and channels in play, some leading companies like Amazon and Alibaba are building an entire ecosystem that closely follows the omni-modal purchase journey of consumers when they undertake a path to purchase.²³

For these organizations, consumers are no longer just end-users: they have been integrated across all stages of the value chain.²⁴ In APAC, these developments have considerably altered the market picture. Large CPG companies have seen a two percent reduction in their market share in the past five years, with Amazon, Alibaba and similar organizations expanding their share and reaching new consumers.²⁵

FIGURE 7. DRIVERS FOR ASIA'S DIGITAL COMMERCE GROWTH



* based on Accenture Research estimates

FIGURE 8. ARCHETYPE-CENTRIC CHANNEL STRATEGY

ARCHETYPES

DEVELOPED
US, UK, Japan, Germany

DEVELOPING
Brazil & Turkey

DEVELOPED
US, UK, Japan, Germany

MEGACITIES
SE Asia, Latin America

DEVELOPING
Brazil & Turkey

DIGITALLY ADVANCED
Tokyo, Beijing, New York

CHANNELS



Yet while CPG companies may currently be behind in digital commerce, there is potential for them to adapt their existing models to new channels. As customers become more digitally aware, there is the growing possibility of integrating pre-existing physical infrastructure with new digital technology. This will be essential if CPG companies want to meet changing consumer expectations. The nature of this integration will, naturally, need to be tailored to the market conditions of a given region, but might involve forging a partnership with eCommerce websites or greater online to offline integration.

The Internet of Things offers an exciting possibility for redefining the boundary between physical and digital consumption. As it becomes cheaper and more accessible, it will allow CPG companies to add digital capabilities to physical shopping. Ultimately, digital adoption will enable CPG companies to create tailored offerings and experiences unique to every customer.

WHAT'S NEXT? THE FUTURE OF DIGITAL COMMERCE IN APAC

CPG companies cannot afford to delay in adapting their current business models. Most pressing, they must rethink how they interact with the most important part of their business: the consumer.

The time is now for consumer goods companies to reclaim control of their consumer touch-points. Failure to act will see disruptors such as Amazon and Alibaba extend their control over the consumer and ensure that CPG companies' market share continues to decline (see Figure 9).

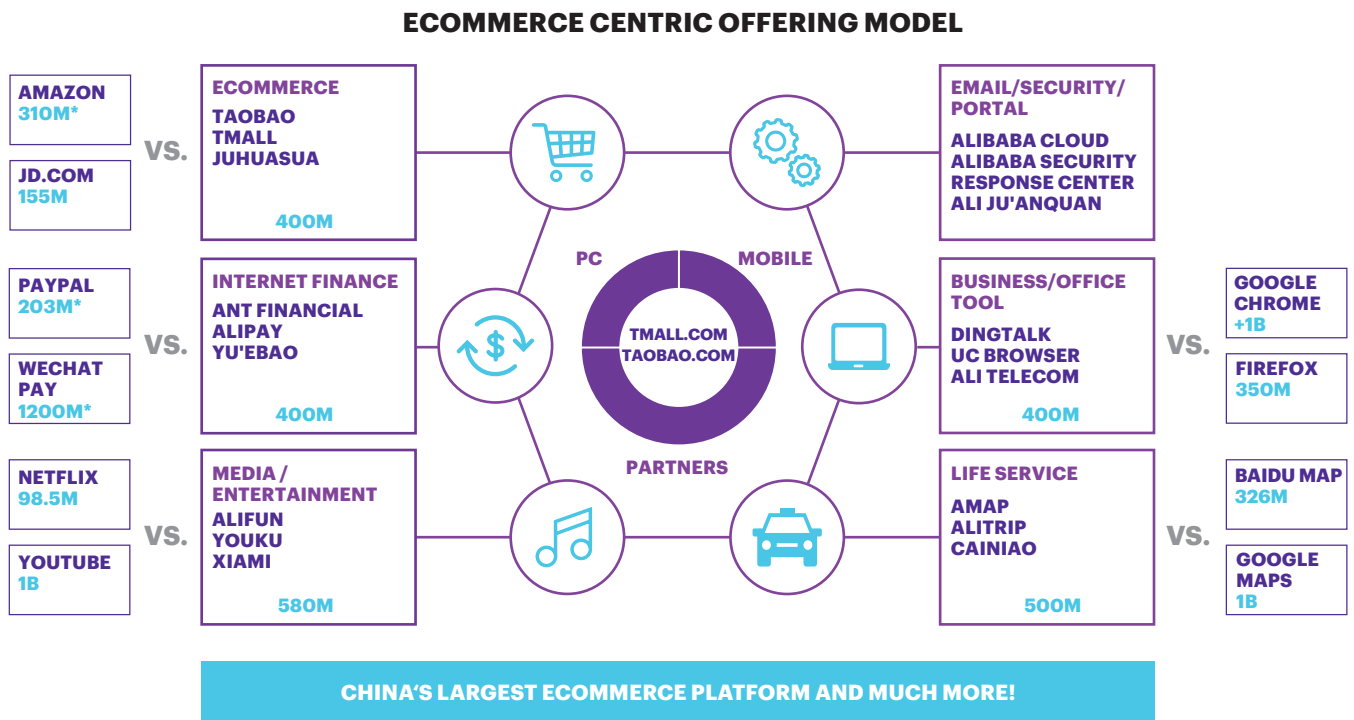
AUTHOR

EDWARD STARK

Managing Director,
Consumer Goods & Services Practice Lead,
Asia-Pacific, Africa, Middle East & Turkey
Accenture

FIGURE 9. DISRUPTORS HAVE EXTENSIVE CONTROL ON CONSUMER TOUCHPOINTS

In APAC context, Alibaba is much more than just eCommerce, it follows the consumers in their omnimodal journeys



Source: Accenture Research and Press Searches

* refers to active registered accounts/users

RETAIL INDUSTRY TRENDS

SIMILAR BUT DIFFERENT: UNDERSTANDING TODAY'S APAC MARKETS

To successfully analyze the nature of APAC's retail growth (see Figure 10), we need to breakdown the different sub-markets within APAC (see Figure 11). Broadly speaking, it is possible to divide APAC into three markets, each reflecting different stages of development and with their own distinctive patterns of retail growth. Online business channels occupy different positions in each market type and the importance and potential of digital commerce differs significantly across the three groups.

The first group contains mature markets such as Japan, South Korea, Hong Kong, Taiwan and Australia. In these markets, modern trade dominates and digital commerce is already essential to retail activity. In these regions, the major retail companies are at an advanced stage in integrating their digital channels with their pre-existing physical infrastructure. Developing markets in China and Thailand are

representative of the second group. In these markets, online infrastructure is maturing and digital commerce has been key to the expansion of the market. Indeed, digital channels and online supply chain infrastructure are growing at a far faster rate than their physical equivalents. In China, for example, access to consumers in lower tier cities has been greatly improved by online businesses.

In the third group, "mom and pop" shops are still the key retail distribution channels. Yet this may not remain the case for much longer. In larger markets such as Indonesia and India, we might well see the repeat of the market evolution that China has undergone in the past decade. For this to be the case, the internet infrastructure will need to be improved.

FIGURE 10. RETAIL GROWTH IN APAC (IN USD BILLION)

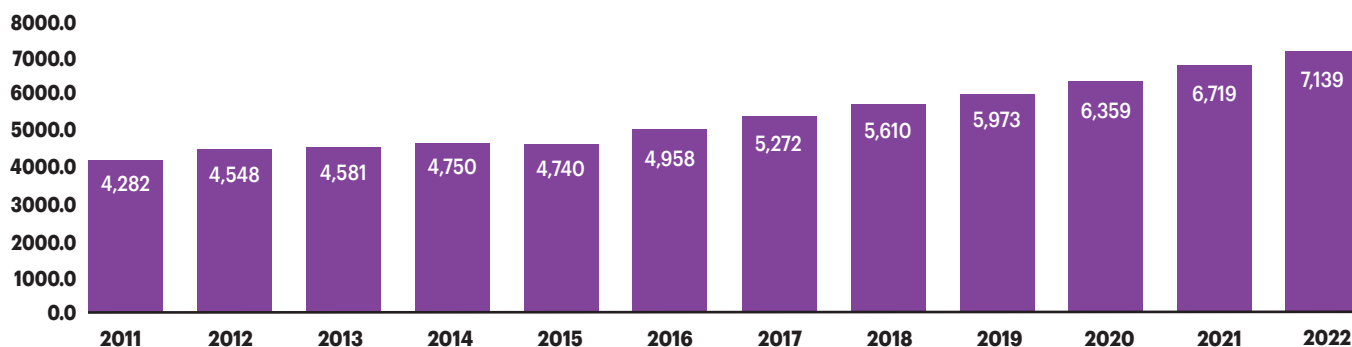


FIGURE 11. DISTRIBUTION OF STORE BASED GROCERY RETAIL – 2017: MODERN VS TRADITIONAL

	COUNTRY	MODERN GROCERY RETAILER	TRADITIONAL GROCERY RETAILER
MATURE MARKET	JAPAN	80.9%	19.1%
	AUSTRALIA	76.3%	23.7%
	SOUTH KOREA	76.6%	23.4%
EVOLVING MARKETS	CHINA	67.3%	32.7%
	THAILAND	47.2%	52.8%
	TAIWAN	45.9%	54.1%
INDUSTRY AVERAGE	APAC	49.4%	50.6%
TRADITIONAL MARKETS	INDIA	2.2%	97.8%
	VIETNAM	5.1%	94.9%
	INDONESIA	17.7%	82.3%

BETTER TECH MEANS BIGGER SPEND

Despite the obvious differences between these three groups and the diversity of markets in APAC, one thing remains common to all of them: internet penetration is still low and as the markets progress, we will see internet sales grow across the region (see Figure 12).

However, the properties of internet sales continue to change. The distinction between physical and digital sales is increasingly blurred: channels such as click and collect and the ability to place an order online for items not stocked in physical stores, are common resorts for the omnichannel consumer. To continue growth, these channels will need to be further integrated. According to research conducted by Accenture, the basket size for omnichannel consumers is consistently higher than consumers buying through single channels. In China, the average digital shopper spent RMB 12,198 (USD 1,800) in 2017,²⁶ while the average basket in retail outlets went down from 172.4 RMB in 2014 to 162.7 RMB in 2016.²⁷

DIGITAL, PHYSICAL OR BOTH?

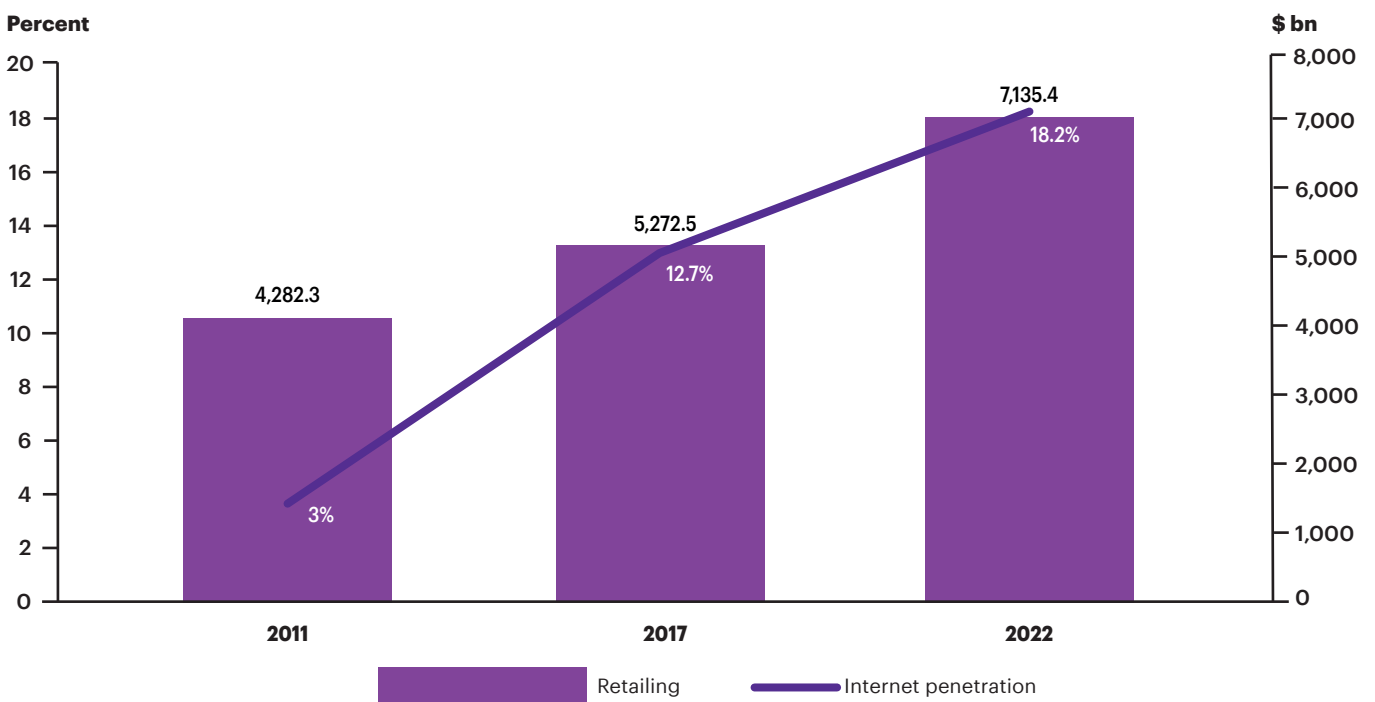
Individual markets are not uniform in their digital maturity: different retail formats and categories also vary in how far they have been integrated into online channels. For example, consumer electronics, softlines and general merchandise tend to be retailed online from an earlier stage and are subject to much more intensive growth in digital channels.

The business models of two Chinese eCommerce giants, JD and Alibaba, testify to this fact: a large portion of JD.com’s business is done via consumer electronics, while softline contributes a significant proportion of Alibaba’s TMall revenue.

The extent to which a retail format has been integrated into digital channels is, in large part, driven by product involvement. However, this is by no means the only condition for digital integration. As it stands, many markets are incapable of delivering cost-efficient, last mile delivery. Several organizations have been set-up in APAC to tackle this problem. In Indonesia, major retailers such as Lazada and Matahari Malls are using Pop Box to resolve the issue of last mile delivery. The idea is simple: a network of automated parcel lockers which allow the retailer and consumer to send, receive and return a parcel easily.²⁸ Go Go Van, an app based start-up in Hong Kong, is looking to resolve the same problem by connecting shoppers to their nearest delivery agent. Upon entering the source and destination for parcel delivery, the app shows details of the nearest delivery driver who then collects the parcel and delivers it to the consumer.²⁹

Other companies looking to address last mile related challenges include Ninja Van in Singapore, one of APAC’s fastest growing startups³⁰ and Go Jek, an Indonesian delivery start-up.³¹

FIGURE 12. RETAILING IN APAC & INTERNET RETAILING PENETRATION (USD BILLION, %)



These new organizations are just the beginning of what will eventually become a substantial network of services supporting digital commerce in APAC. This network will evolve according to the specific requirements and associated costs of different retail categories and over the next few years, will radically alter APAC's retail landscape. This transformation poses a significant opportunity to many retail organizations, but also a threat to those existing players who have not already developed a significant online presence.

WHAT'S NEXT?

In the future, digital commerce will be centralized to retail operation in APAC. But it will not simply replace the existing physical channels: customers will expect an integrated, omnichannel experience. In the more mature markets, we are already beginning to see the future landscape of the digital retail market in APAC. In the future, the focus will be on customization, connectivity, collaboration and convergence:

- **CUSTOMIZE** – how do you understand the individual shoppers in context and across channels?
- **CONNECT** – how do you integrate operations to sustain a single customer conversation?
- **CONVERGE** – how to build standardized IT platforms that unify divergent data sources?
- **COLLABORATE** – how to forge partnerships in the ecosystem to improve customer value proposition?

AUTHOR

KOH YEW HONG

Managing Director,
Retail Lead,
Asia-Pacific, Africa, Middle East & Turkey
Accenture





SCALE UP YOUR DIGITAL COMMERCE GROWTH

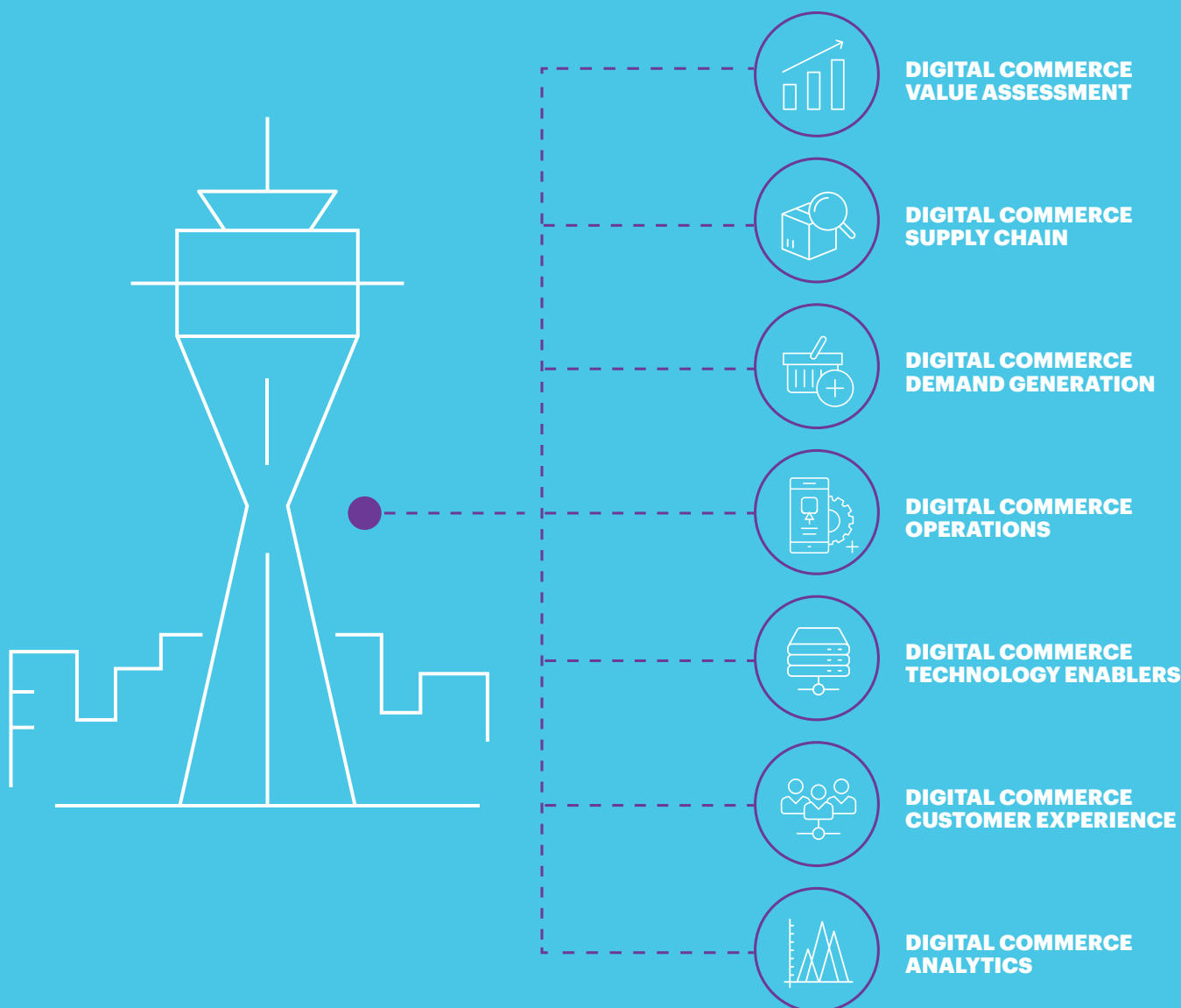
TAKE FLIGHT WITH THE ACCENTURE DIGITAL COMMERCE CONTROL TOWER

To keep pace with tomorrow's consumers, companies need to build up their digital commerce and marketing playbooks. And they must reevaluate their current technologies and online strategies.

Accenture has developed a comprehensive approach to meet all digital commerce needs. It lets companies take control of their supply chains. It lets them carry out digital marketing.

And it lets them generate demand and manage their digital commerce operations. It's an approach that leverages data analytics, product and web content management systems, payments, order management and logistics planning to deliver a best-in-class consumer experience.

eCommerce as we know it is dying. It's time to evolve to meet the growing demands of the Asian consumer. It's time to herald the new age of digital commerce.



ACCENTURE DIGITAL COMMERCE CONTROL TOWER



DIGITAL COMMERCE VALUE ASSESSMENT (DIVA)

Digital Commerce Value Assessment (DiVA) offers a way of quickly establishing the maturity of a business and preparing a plan for its transformation. The advent of digital commerce means firms are having to transform all aspects of their business — from their technological capabilities, to their people, processes, operations and marketing — to keep up with fast-changing times. To take advantage of the digital commerce boom, organizations need to put certain standards and capabilities in place. But it is hard to know the nature and extent of the transformations required. Tools like DiVA are helping businesses diagnose possible weak points in their digital capabilities and ensuring that they reach their business value targets.

A typical DiVA exercise (see Figure 13) would offer firms a transformational blueprint consisting of the following:

1. A business case and plan
2. The capabilities that will need to be established
3. Possible gaps in consumer experience that need to be fixed and a definition of a future-state experience
4. Technology development roadmaps
5. Operating structure
6. KPIs and metrics that need to be tracked and improved to achieve the business case

Most studies only look at specific aspects of commerce or offer only outside-in perspectives on running a digital commerce business. DiVA, in contrast, is designed to conduct a detailed analysis of every aspect of running a digital commerce business.

The Accenture Digital Commerce Control Tower illustrates all the capabilities required to run a digital commerce business and DiVA stands right at top and is a method to analyze every aspect of the control tower.

A typical DiVA exercise would take around 12 to 16 weeks, depending on the nature and size of the business being examined.

AUTHOR

RAJIV BABU
Senior Manager,
Accenture Digital

FIGURE 13. WHAT IS DIVA?





DIGITAL COMMERCE SUPPLY CHAIN

Businesses in Asia are facing several challenges: the burgeoning middle class, rising consumer expectations, patchy transportation infrastructure and the shortage of supply chain talent are all placing organizations under pressure. But opportunities are also arising: companies are starting to embrace digital commerce as a way of doing business online. To deliver enhanced consumer experience, companies need to take control of their supply chain through real-time visibility, predictive planning and agile execution.

High-performance supply chains that drive successful digital commerce are built on three key principles:

1. SEEING AHEAD IS GETTING AHEAD **MATCHING SUPPLY TO DEMAND IS THE KEY TO SUCCESS FOR ANY BUSINESS.**

Using predictive demand data from digital marketing activities, companies can compare their current inventory levels with what consumers might need and what is possible to supply. Data sourced from online buying patterns enables companies to plan ahead and explore their options (for example, whether to increase inventory ahead of expected orders).

The proliferation of the Internet of Things (IoT) has led to an explosion of data and the need for sophisticated digital and analytics tools.

The collaboration between Walmart and Google³² showcases how traditional retailers are moving towards digital channels to gain access to crucial data, helping them to anticipate customer purchases and prepare their supply chains accordingly.

2. PREDICT, NOT REACT **BUSINESSES MUST PREDICT CONSUMER DEMAND, NOT REACT TO IT.**

By anticipating what consumers will need and what is possible to supply, companies can ensure that they are best placed to maximize consumer satisfaction and their own profits. On-demand, advanced analytics would provide an array of consumer purchase scenarios and actionable intelligence, allowing companies to make the best possible supply chain decisions.

Analytical modeling can be automated through robotics and artificial intelligence. Using machine learning, real-time data can be continuously processed, helping ensure that operational resources are kept to a minimum, while management is given constant updates to inform strategic and operational decisions.

For example, Amazon has patented “anticipatory shipping”, which analyzes consumer preferences and makes fulfilment decisions before the consumer has clicked “Buy”. Returns costs are minimized through giving discounts, or allowing customers to convert unwanted deliveries into gifts.³³

3. WIN WITH EXECUTION **TO WIN WITH DIGITAL COMMERCE, CONSUMERS REQUIRE RAPID AND RESPONSIVE SUPPLY CHAIN EXECUTION.**

Digital Supply Chain Control Tower ensures this perfect execution by bringing together visibility and analytical decision making.³⁴

Winning in today’s highly-competitive business environment also means delivering a tailored customer experience. This means offering a completely customized fulfilment model, providing consumers the options to buy-anywhere, collect-anywhere, and return-anywhere.

Amazon’s acquisition of Whole Foods³⁵ shows how the world’s largest eCommerce company is transforming itself into a digital commerce player, using a bricks-and-mortar stores network to bring digital commerce fulfilment closer to consumers.

In Singapore, the rapid proliferation of SP Commerce’s POP Stations parcel distribution points,³⁶ similarly demonstrates the importance of agile fulfilment as the cornerstone of successful digital commerce.

Deliver the optimal customer experience through digital supply chain

Soon, consumers will expect to get what they want, before they even know they want it. It’s time to herald the new age of digital commerce. Is your supply chain digital-ready?

AUTHORS

SUNDI AIYER
Principal Director,
Supply Chain & Operations,
Accenture

ZHEN LONG LIM
Management Consultant,
Supply Chain & Operations,
Accenture



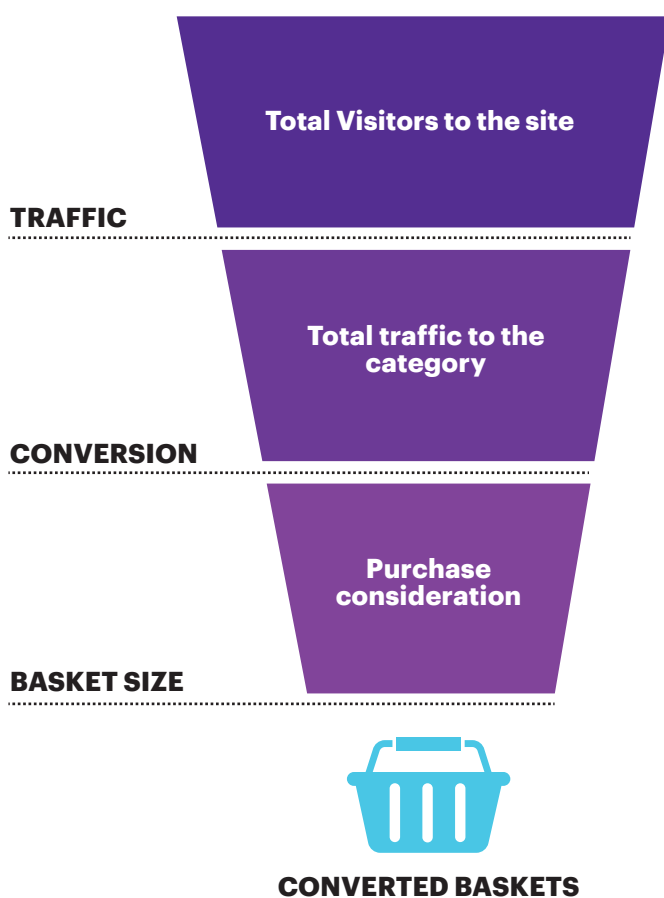
DIGITAL COMMERCE DEMAND GENERATION

COMBINING TECHNOLOGY AND MARKETING KNOW-HOW TO DRIVE DIGITAL DEMAND

Digital Commerce Demand Generation is a specialized service, focused on driving demand to specific products online. Most organizations already have well-oiled marketing structures and long-established agency relationships. It is natural, therefore, that they would want to continue using their existing agencies to conduct their online marketing and their eCommerce operations.

However, in a digital context, there is a gap between what brand agencies can offer and what operations teams can do. Nowhere is this gap more obvious than when it comes to technological expertise. Traditional agencies are struggling to adapt to the technological demands of eCommerce. To help them and the organizations they serve, Accenture has built a demand generation service that brings together people with backgrounds in both marketing and eCommerce, creating a team that specializes in driving online demand.

FIGURE 14. DEMAND GENERATION FUNNEL



Demand generation in eCommerce blends traditional marketing techniques with new digital methods. As well as employing well-established tools such as pricing, promotions, and campaign management, driving traffic in eCommerce also calls for digital-specific methods, such as search engine marketing and optimization. Several of these activities will overlap with what brands are already doing across other channels. Demand generation teams will therefore need to work with the current organization, their brand teams and their agencies to maximise traffic to eCommerce.

To most effectively drive demand, organizations need access to a suite of tools, tailored to every stage of the demand process, from planning to execution, and then assessing the outcome of these activities. Given that many activities will depend on retailers and third parties, an effective audit mechanism will need to be introduced as part of an operations procedure. This will ensure that all planned activities go live on time.

Accenture's demand generation suite combines the best people, tools and processes, enabling clients to drive traffic on digital commerce and to plan and report on their progress. While forces outside the control of Accenture or the brand will always affect demand, in normal circumstances, demand generation services prove very effective in driving and growing digital commerce at an exceptionally fast rate, helping companies to overcome the challenges of a crowded eCommerce market.

AUTHOR

RAJIV BABU
Senior Manager,
Accenture Digital



DIGITAL COMMERCE OPERATIONS

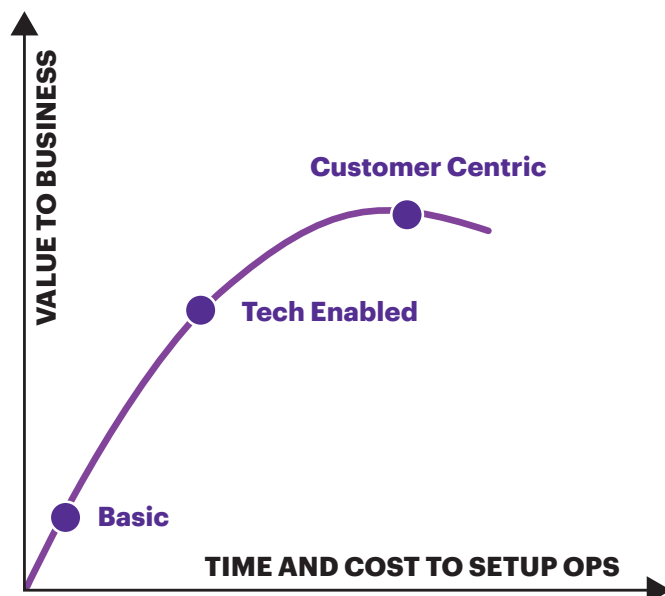
Unlike traditional ways of conducting trade, digital commerce offers firms the ability to gather real-time feedback on their activities. While this presents brands with major opportunities, it also comes with significant pressures. Most obviously, companies must set-up scalable operations capable of conducting business at an unprecedented speed. For a business to benefit from digital channels, they must be able to operate efficiently. Possible operations could include areas as wide as supply chain, to working with e-tailers on campaigns. There is also an inherent 'speed' issue, as most existing staff are used to working in slower channels. In Asia, most CPG companies lack the infrastructure and ability to solve these problems internally.

Compounding these issues is a lack of investment in the region. At present, companies are less inclined to invest in emerging markets, as they promise lower returns than Chinese and Western markets. However, that caution may be misplaced. Setting up a successful digital commerce operation takes time, the right skills and the latest technology. Yet with the right infrastructure in place, there is significant potential for growth in Asia.

Digital commerce operations will typically need to be localized. Yet similarities of abilities in key areas such as catalog optimization, search, etc., open the possibility that these tasks could be centralized, ensuring that they are done more efficiently and allowing businesses to rapidly scale business in areas in which brands lack capabilities. Several of these are operational, such as search and content, and have typically been offered by brand agencies. Yet these capabilities differ significantly in an eCommerce context and brand agencies may not be best placed to handle them. Indeed, when it comes to driving sales in digital commerce, brand agencies may lack the required capabilities.

Operations can be broadly divided into the areas of: supply management, demand management and metrics management. The last of these three provides feedback and information to the other streams, allowing them to take corrective action when necessary. Unlike in traditional trade, digital commerce allows companies to monitor every performance metric. For firms that have established the basics of commercial operations, the logical next step is to restructure their operations into a more customer-centric model. This crucial stage will likely make the difference between a company's success and possible failure. Based on the maturity of the firm's commerce operations, they will need to choose an appropriate setup or evolutionary approach (see Figure 15).

FIGURE 15. OPERATIONS MATURITY CURVE



Efficient operations evolve with continuous investment in technology and people skills. This investment is imperative to make digital commerce a valuable channel.

AUTHOR

RAJIV BABU
Senior Manager,
Accenture Digital



DIGITAL COMMERCE TECHNOLOGY ENABLERS

OMNICHANNEL EXPERIENCE IS THE ONLY EXPERIENCE FOR TODAY'S CONSUMERS

A fully integrated omnichannel experience enables customers to begin their commerce journey on any channel and end it across any other. The omnichannel journey seamlessly integrates physical stores, contact centers and digital channels. As further integration of social media platforms and mobile technologies continues, omnichannel capabilities will doubtless continue to increase in importance. From a technology perspective, this requires tools and platforms that can integrate a rich customer experience without compromising core commerce capabilities. In this context, the strategic use of analytics is vital for influencing customer purchase patterns and driving maximum consumer expenditure.

This extends beyond B2C into the B2B space, where Accenture research uncovered that 49% of B2B users prefer to make their work-related purchases on B2C websites. What's more, 72% of B2B companies stated that omnichannel customers are worth substantially more to them than single channel customers.

Commerce software vendors have been quick to acknowledge the significance of this trend. As figure 16 shows, companies such as IBM, eBay and Oracle have been acquiring businesses that will allow them to offer a holistic omnichannel solution, thereby plugging any existing solution gaps. Solution providers have also been making significant progress by developing their ability to provide Software-as-a-Service (SaaS) models. These models allow businesses to take advantage of the emergence of Cloud technologies and provide a turn-key commerce solution that can be upgraded more frequently, allowing companies to adapt to changing trends. Accenture's analysis reveals that a few of the vendors have a strong presence in both SaaS and on-premise models as shown in Figure 17.

AUTHOR

KEERTI CHIVUKULA
 ASEAN Delivery Lead,
 Accenture Interactive

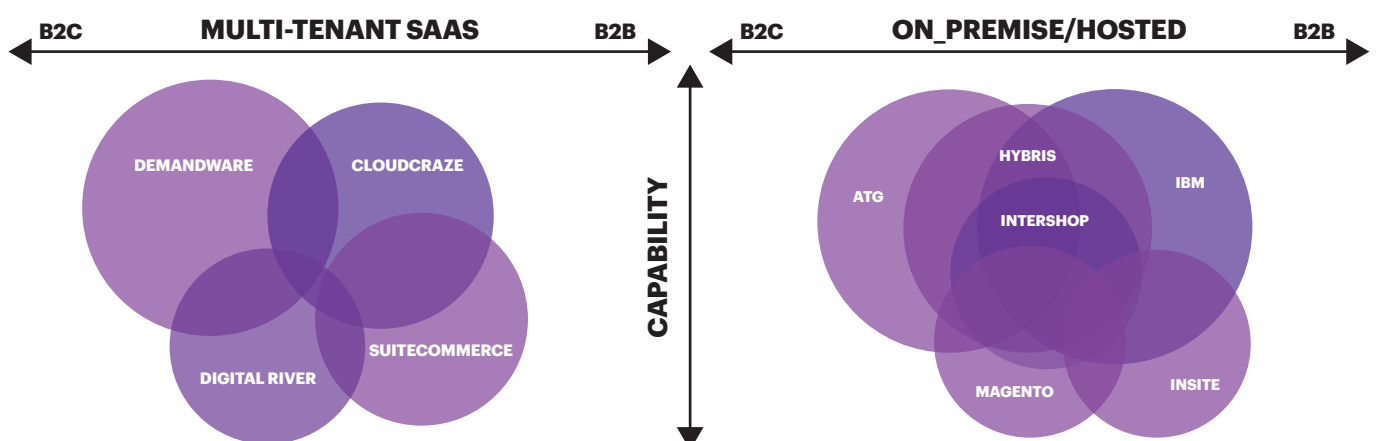
FIGURE 16. STRENGTH OF COMMERCE SOLUTION PROVIDERS

DEMANDWARE					MAINSTREET		CQUOTIENT	
EBAY		GS1 COMMERCE	MAGENTO		BRAINTREE			
IBM	STERLING COMMERCE	CORE METRICS	UNICA				SILVERPOP	
ORACLE	ATG	FATWIRE	ENDECA	RIGHTNOW	ELOQUA	BIGMACHINES	RESPONSYS	MICROS
NETSUITE					RETAIL ANYWHERE	ORDERMOTION	VENDA	
SAP					HYBRIS		SEEWHY	
	2010	2011	2012	2013	2014	2015		

This figure is meant to be representative of the commerce solutions acquisitions over the past years by those vendors in the Forrester Wave evaluation. Acquisitions with no relevance to commerce are not shown. Vendors that have not made acquisitions are not shown.

Source: Forrester Wave, B2B Commerce Suites Q1 2015

FIGURE 17. STRENGTH OF COMMERCE SOLUTION PROVIDERS







DIGITAL COMMERCE CUSTOMER EXPERIENCE

GET CLOSE TO YOUR CUSTOMERS AND DESIGN FOR HUMANS

1. DO YOUR RESEARCH

Understand who you are designing for and why. What tasks are you helping them to complete or problems are you solving for them?

To begin, create personas to help you empathize with your customers and better understand their context and behaviors. Personas are a hypothesis about what we think our customers are like. Next, spend time 'walking in customer's shoes', observe and talk with them in their natural environment to identify how, why and what they buy. An experience can only be customer-centric if you involve them (customers) in the design process. Focus on identifying your customers' unmet needs or unresolved pain points, this is the starting point for innovation.

Customers follow a predictable buying pattern but across many touchpoints. When they visit your website, it doesn't mean that they are ready to buy: they may still be researching options. When they add items to the cart, you know they are interested and when they reach the checkout, it shows that they are serious about purchasing the item. Customers may have already visited your store prior to purchasing online. Understand how each step can work seamlessly to attract and convert your customers.

2. ENVISION THE IDEAL EXPERIENCE

Use the insights from your research to plot the ideal end-state journey for your customers. Be bold, futuristic and aspirational. Naturally, components of the journey will be prioritized according to feasibility, financial viability and customer attractiveness. Customer journeys provide direction and focus and ensure that customers' goals become your goals. Don't obsess about what the competition is doing and copy them feature by feature. Their journeys are different. If you are wholly focused on your customers, you will know what they want and deliver the experience best suited to them.

3. MAKE IT HUMAN

When designing for digital channels, think about how you can evoke the same emotions and excitement that customers experience shopping in-store. It's easy to rely on ready-made templates, but it's vital that you always keep your customers in mind. Constantly ask yourself, how would they react or respond to this feature, or this experience? Customers buy from people and brands, not websites or apps.

Data is the foundation of any personalized experience. Increasingly, customers want to be treated as individuals. They expect brands to remember them, know what they like, what they don't like and to reward them for their loyalty. Joining the dots between a customers' interactions across an array of touch points is key to delivering a holistically good customer experience.

4. INVOLVE CUSTOMERS IN THE DESIGN PROCESS

Build prototypes and iteratively validate the experience and design with customers before committing to code. This will ensure that, come launch, you have designed something that customers actually want.

5. THINK EXPERIENCE—NOT APPS AND WEBSITES

Every customer interaction is an opportunity to improve or degrade the experience. Customers' view brands across the entirety of their interactions with them. So just focusing on a single touchpoint or the 'killer app' is not a winning or sustainable strategy. Experiences should be integrated across all touch points. Though easier said than done, it is vital to identify how to provide a seamless transition between online and offline customer interactions.

For example, how could the mobile experience complement or augment the in-store experience? Well even today it is plausible and feasible for customers to use apps to navigate the store, scan barcodes and add products to their cart, display augmented reality content, collect and redeem loyalty points and even pay using a mobile device at the checkout.

Be mindful of how future technology could improve experiences, for example by automating or mitigating manual or tedious tasks. But, remember that technology is just an enabler, shopping is still very much a human experience and the key metric that brands should continue to strive for is customer delight.

AUTHOR

NATHAN RAWARD
Customer Experience Lead,
Accenture Interactive



DIGITAL COMMERCE ANALYTICS

UNDERSTANDING THE NEW AGE CONSUMER

The behavior of today's consumers is changing fast. One striking development in the pattern of consumer behavior is the upsurge in digital commerce. This has created dynamic new marketplaces and, with that, changing digital commerce platforms and solutions. Whether they engage physically or digitally, consumers expect a seamless experience. Analytics and advanced computing techniques enable personalization, quick payment, fast delivery and omnichannel processes. They do this by capturing critical micro-moments in a consumer's decision-making cycle, through harnessing the increasingly large amount of data we can gather on a consumers' behavior (e.g. search, social, geo-tagged sensors, payments, shopping carts, speech). This is what creates the magic behind new, hyperpersonalized experiences, offering consumers what they want, when they want it and now, even before they want it.

Accenture's advanced digital data analytics, predictive data analytics and artificial intelligence (AI) solutions are transforming B2C and B2B organizations, allowing them to keep pace with the accelerating evolution of disruptive digital commerce platforms, helping businesses grow rapidly.

Analytics enable cross-functionally decision-making processes across the pillars of the Accenture Digital Commerce Tower. It enables companies to address digital consumers' shift from brand loyalty to their seeking solutions at each 'micro-moments' along their purchase journeys.

Accenture's AI solution and Natural Language Processing (NLP) technology, helps process written and spoken text, and employs machine learning algorithms to discover and predict potential future behavior.

Using analytics, Accenture can help companies to further optimize their social media marketing, ensuring the best possible investment in social media ads, location-based marketing and omnichannel analytics. Digital profiling allows for greater personalization and marks a shift from demographic based profiles to behavior-based clustering, creating responsive web content informed by consumer behavior and preferences. Companies are opening avenues to the use of social commerce by posting and selling their items directly through social networks such as Facebook, Instagram and Twitter, where content and text analytics are used to ensure a curated shopping experiences.

Accenture has developed analytics solutions for clients across UX and web analytics by analyzing search patterns, web behavior and preferences of their customers and visitors through their movement across different touchpoints.

Accenture analytics is playing a key role in connected commerce, which is rapidly gaining pace in the IoT ecosystem. Accenture has pioneered the use of data and advanced analytics to improve commercial productivity in several areas. These range from automatic restocking, predictive maintenance, optimizing product prices, marketing measurement and supply chain management.

Accenture is also helping companies with fraud detection by using predictive analytics to detect high-risk factors and patterns, allowing companies to identify, prevent and react faster and more effectively to risk.

Analytics is driving the next generation of smart digital commerce. It brings together personalization, easy and intuitive user interfaces, seamless omnichannel interaction and an integrated customer experience. Analytics is enabling companies to carry out more efficient and effective digital marketing, take control of their supply chain, generate demand and manage their digital commerce operations. Accenture's expertise in new age digital commerce analytics is helping organizations meet the growing demands of the new age digital customer.

AUTHORS

LEE JOON SEONG
Managing Director,
ASEAN Analytics Lead,
Accenture Digital

PRAVEEN KUMAR
ASEAN Products Analytics Lead,
Accenture Digital



CASE STUDIES

CASE STUDY

THAI RETAIL COMPANY: PIONEERING AN OMNICHANNEL CUSTOMER EXPERIENCE

One of the largest home retailing companies in Thailand operates several stores across the country and is Thai consumers' first-choice brand for anything related to home furnishing.

HOW WE HELPED

Accenture has collaborated with the company to transform its business model, helping to deliver a flexible, omnichannel customer experience. To begin this process, we drew up a comprehensive commerce strategy and a customer experience design blueprint. Together, these form a complete digital commerce roadmap.



Accenture's digital roadmap provides the platform for delivering the retailer's omnichannel future: we created a plan for the customer experience they need to provide, the business processes they must change and the technological transformations required to deliver this program. When enacted, the program will ensure that the business's customers are provided with better access to product-related information, real-time updates on product availability, information concerning the status of their orders and increased control over when their items are delivered. In addition to providing a clear route for restructuring online processes, we have also created a business case outlining the KPIs and revenue goals that the retailer's teams will need to target and meet.

As part of our ongoing work, Accenture is also designing the user experience end of the website, by integrating a new Hybris-based eCommerce solution with systems that are already in place.

To achieve this, our team is working with the owners of the existing backend systems to help put into practice the improvements that they will need to deliver our proposed end state experience goals.

To ensure this leading retailer gains maximum yield from its new systems, Accenture is assisting with several implementation measures to ensure a smooth and profitable transition: our consultants will be on hand to provide staff with training in how to use the new systems and our team is also integrating the business's entire eCommerce program, using outcomes from customer segmentation and analytics to increase their customer acquisition rate. Furthermore, we are also working on a redesign of the online store, to ensure that customers receive the best possible service.

THE RESULT

The end goals have already been established, with clear KPIs that will drive tangible outcomes in the near future. From a conversion rate of 0.5% and a consumer base numbering a few thousand, the plan has been set to grow at more than 100% year-on-year over the next few years. We believe the changes that we are able to bring in this collaboration will go beyond creating shareholder value and serve as a benchmark in the region for digital transformation and experience design.

AUTHORS

RAJIV BABU
Senior Manager,
Accenture Digital

STALIN BHARATHI
Manager – Digital Commerce,
Accenture

CASE STUDY

GLOBAL FOOD COMPANY: TAKING A BIGGER BITE OF THE MARKET WITH DIGITAL COMMERCE AS A SERVICE

How can a global food company boost sales of its snacks and meals in the digital age? With highly effective and flexible supply chains. With a strategy focused on the digital platforms that consumers are using in their millions. And with a data-driven approach that targets the right customers with the right information.

For one such company operating in the Asia Pacific region, this was proving a challenge. They were being held back by a lack of digital commerce data. And issues in their supply chain meant they could only serve half of the products ordered online. All in all, they needed a complete refresh of their digital commerce strategy – and how it was executed.

HOW WE HELPED

We had just the answer – digital commerce managed as a service. Using this kind of innovative, scalable consumption-based model would free the company to focus on its core business. So, we first helped them identify the key platforms they needed to partner with – such as Coles, Big Basket and Amazon. We worked closely with the business to assess what data they had and what they could share with their partners. We reverse engineered what we could to plug the gaps. And we used that data to adjust advertising budgets and renegotiate trade terms in key marketplaces. Then, we helped them set up a dedicated managed services model with a strategic partner to take care of content optimization and campaign management – and provide the crucial analytics that would drive ever more targeted marketing. And we helped them re-examine their supply chain processing from end to end.

THE RESULT

By adopting an innovative digital-commerce-as-a-service model, this business has seen remarkable results. Their supply chain issues have been minimized. They've expanded to three times the number of platforms across three different countries. In one market, they've seen an extraordinary 1,000 percent increase in sales, albeit from a low starting point. They've boosted their marketing activity to 25 activations a month.



They can drive campaigns 24 hours a day. They've improved their search results by up to 20 percent across different categories. And they've finally got access to the crucial analytics on impressions, click-through rates and basket sizes that can drive better services for their customers. This is a food business that's now ready to take a bigger bite of the global market.

AUTHOR

RAJIV BABU
Senior Manager,
Accenture Digital

CASE STUDY

INDIAN CPG COMPANY: GOING DIGITAL TO OUTSMART THE COMPETITION

There are few industries more competitive than consumer packaged goods. And in the digital era, that's doubly true. So, having the right digital commerce strategy – and executing it in the right way – is essential.

HOW WE HELPED

We helped one CPG company based in India, with a focus on food and personal care products, take their business decision support to the next level. By creating a new digital commerce strategy, we transformed how they plan and execute their interactions with their customers. We started by articulating where the value of this company's products really lies for consumers, and where the key marketplace partnerships are, to give a clear sense of direction to the business.



Then, by implementing a new campaign management system, including an activation calendar, media planning assessments, and content adaptations, we gave them the tools to make the strategy a reality. That also included a new assortment mix by platform and product catalog. And enhanced execution planning (encompassing the supply chain, campaign roll outs, and partnerships with key players in the market). Last, but by no means least, we helped make sure they were getting the right data from their platforms for effective decision making.

But our work with this client went further still. We helped them ensure their strategy would be executed in the best possible way. So, we optimized both their on-platform search function and their off-platform search recommendations. We enhanced their product descriptions and their use of images. And, crucially, we implemented performance analytics, through an intuitive dashboard, to give them a data-driven way to refine and target their marketing campaigns.

THE RESULT

The client saw a significant sales uptick in two product categories straight away. And that was just the start. By developing a richer understanding of both the strategic and tactical value drivers of their products, and by exploiting marketplace business intelligence data, they're now able to better target the right consumers. They're seeing an increase in the search rankings of their products. And a boost in banner advertisement click-throughs too. Their brand imagery has been taken to a new level with beautifully designed high-concept hero images and A+ content delivery. And their joint business planning interventions are engaging their key accounts more effectively.

AUTHORS

DHRUV LAROIA
Principal,
Accenture Strategy

RAJIV BABU
Senior Manager,
Accenture Digital

CASE STUDY

GLOBAL CPG COMPANY: FINDING THE SCENT OF DIGITAL COMMERCE SUCCESS

A consumer packaged goods company, who sell grooming products in the Chinese market, wanted to make sure they had a digital commerce strategy that would deliver measurable impacts and business growth

HOW WE HELPED

We helped them make it happen with a five-year strategy that set them on the path to new heights of digital commerce growth. A key question at the outset was how to balance in-house and outsourced capabilities. One part of the answer was clear – this business needed in-house skills in digital commerce. So, we made sure their workforce acquired the foundational competencies they required.



Then we helped them choose the right digital platforms that would grow the business – in this case Tmall. We managed all the operational and technical requirements to get the company's products live on these sites. And we refreshed their own brand website at the same time to ensure their customers always received an exceptional service – whichever channel they were using.

We also made sure analytics were integrated at the very heart of their new website. And we facilitated a new partnership with Alibaba to leverage UniMarketing data. That way, they could be sure they had access to the real-time insights into consumer behavior that are an essential element of creating market-leading digital commerce and digital marketing campaigns.

What's more, we created a managed services model for this company's end-to-end marketing, sales and customer service. Not only does it give them access to best-in-breed capabilities, but it also frees them to concentrate on what they do best – developing the products their customers want to buy.

THE RESULT

With their strategy and managed services in place, this grooming business has found the scent of enhanced digital commerce success. Their sales are already showing significant growth after just two quarters. They've successfully integrated their own brand promotions with Tmall campaigns. And they're delivering multiple marketing campaigns across multiple formats. But the best measure of success is, ultimately, what the customers think. And here, the results are showing a high satisfaction for customer service. It's a winning approach to digital commerce however you look at it.

AUTHOR

CHEN JIANXUN
Senior Manager,
Digital Transformation,
Accenture Greater China

CASE STUDY

PHARMA DIGITAL COMMERCE: CULTIVATING GROWTH IN CHINA

A top Japanese pharma player wanted to enter the fast-growing China pharma eCommerce market. China's pharma eCommerce market has been growing exponentially in recent years, averaging 136 percent CAGR 2013~2015.³⁷



This growth is largely policy-driven: looser regulations and lowered entry barriers have led to an influx of players. These amazing figures quickly attracted the attention of all the major pharma companies in China, where most companies have prioritized the development of eCommerce as a key component of their mid to long-term strategy.

HOW WE HELPED

While the client saw the market's great potential, they also understood that a "me too" approach would only lead to failure. Long-term success requires a comprehensive entry strategy, utilizing the client's specialties, as well as Accenture's specific knowledge of the Chinese market. To help the client meet their vision and objectives in China's pharma eCommerce market, an Accenture team developed a market entry strategy, which follows a comprehensive route-to-market framework.

A robust product pipeline, comprising of several cores, proven brands, was customized to suit the local environment. A pragmatic route-to-market setup was designed by selecting the optimal operating models for different eCommerce sub-channels, each with

different behaviors. In the short-term, a partnership model was recommended, as this enables quick access to the right markets, with maximum consumer reach. A direct model was recommended for core brand-building channels, while a distributor model is recommended for the longer-term, but only when the company is ready.

THE RESULT

To support the route-to-market setup, an agile organization which is "light" on entry, but also scalable in the mid to long-term, was required. In the short-term, we recommended an agile organization with limited headcount, that leverages partner capability as much as possible. In the long-term, we envision an organization that can grow in scale and capability.

AUTHORS

MICHAEL DENG

Managing Director,
CGS & Life Science Lead,
Accenture Strategy Greater China

ALEX XU

Senior Manager,
Accenture Strategy Greater China

WANG CHENJIE

Manager,
Accenture Strategy Greater China

CASE STUDY

JAPANESE CPG COMPANY: RECOVERING MARKET SHARE IN CHINA

Since 2015, Accenture has been supporting a Japanese CPG company in China, helping them to transform their eCommerce business. At that time, they were losing their market-share in eCommerce, which was the most significant segment in their category, accounting for over 30 percent of the China market. The share was being lost due to limited resources and insufficient expertise about the Chinese eCommerce business.

HOW WE HELPED

After a quick diagnosis, we concluded that to recover their market share, they would require major and immediate surgery.

To make this happen, Accenture consultants joined their organization chart in the eCommerce business and an Accenture project manager took on an official role as eCommerce strategic director. Under his leadership, a new strategic approach along with a new operational model and HR strategy was conceived from scratch and executed in six months.

THE RESULT

After putting in place the new strategy and operating model we have been continuously supporting the client to ensure their operation aligns with changes to customer and channels in the eCommerce market.

This partnership succeeded in rapidly recovering market share and now, with Accenture's support, the client is coming close to gaining the greatest share of the eCommerce market in China.



AUTHOR

KENGO SHIGEMOTO
Senior Manager,
Management Consulting,
Accenture Japan



GEOGRAPHIC FINDINGS



DIGITAL COMMERCE TRENDS ACROSS APAC

SINGAPORE

AHEAD OF THE DIGITAL CURVE AND SET TO STAY THERE

MALAYSIA

A SOLID SCORE AND A STEADY FUTURE

INDONESIA

MILLENNIALS SET TO INITIATE MARKET MAKEOVER

THAILAND

A LAND OF DIGITAL POSSIBILITIES

THE PHILIPPINES

A DIGITAL DAWN APPROACHES

VIETNAM

HUGE POTENTIAL IN ONE OF SOUTHEAST ASIA'S SLEEPING GIANTS

AUSTRALIA

ONLINE IS THE NORM AS AUSTRALIANS EMBRACE THE DIGITAL LIFESTYLE

INDIA

PRIMED FOR A DIGITAL BOOM

JAPAN

NEW OPPORTUNITIES AMID A SILVER SEGMENT

CHINA

PAVE WAY FOR THE RISE OF THE DRAGON

SINGAPORE

AHEAD OF THE DIGITAL CURVE AND SET TO STAY THERE

Among Asia's digital frontrunners, Singapore scores well above the regional average in Euromonitor's 'Digital Consumer Index'.³⁸ Over 85 percent of its current population of 5.7 million is already connected to the internet. That proportion is expected to rise to over 90 percent by 2022, by which time the overall population will have grown slightly to reach 6 million. Already, 65 percent of Singapore's internet users are digital buyers, spending an average of USD 1,861 annually online. In five years' time, digital shopping is expected to be embraced by 74.5 percent of internet users. That's a compound annual growth rate (CAGR) of 5 percent.

60% of consumers in Singapore buy products online at least once a month³⁹

Several factors lie behind the growth of digital commerce in Singapore. High and rising smartphone penetration is set to reach 80 percent of the population by 2022. Singapore's globally leading logistics infrastructure makes it an attractive destination for

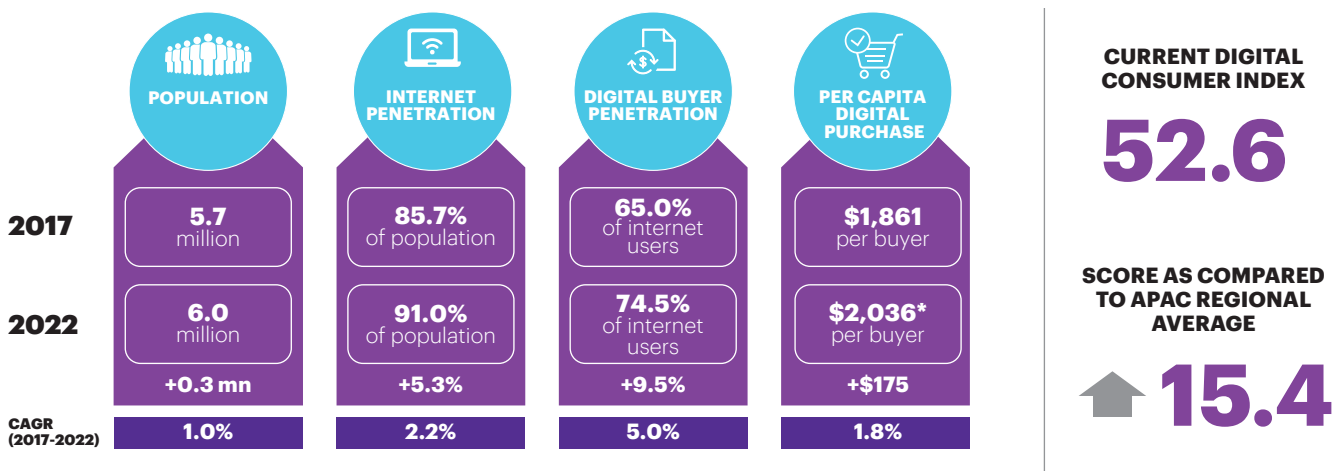
eCommerce players, as does its high number of internet users and rising disposable household income (predicted to increase annually by 4.3 percent till 2030). In other words, Singapore will continue to offer steady, rather than explosive growth prospects.

So, what characterizes the Singaporean digital consumer? Several key trends stand out. Premium products with high-quality and safety standards are important to 88 percent of online shoppers. Over two-thirds belong to one or more retail loyalty programmes. And over half of them are motivated to seek value from local brands that they feel are more keenly priced than global alternatives.

52% of Singapore millennials consider ability to find hard-to-find times items as one of the main drivers to make cross-border purchases⁴⁰

SINGAPORE IS AMONG ASIA'S DIGITAL FRONT RUNNERS, WITH A DIGITAL PERFORMANCE INDEX SCORE AT 52.6

Singapore could continue its digital leadership, owing to robust logistic support and smartphone integration



* based on Accenture Research Analysis



TRENDS

Consumers moving towards premium, multi-channel experiences, not afraid to switch between brands

PREMIUMIZATION

88%

of consumers are highly likely to pay for premium for products that came with high-quality/safety standards

LOYALTY PROGRAM LOVERS

69%

of Singaporeans have highlighted that they belonged to one or more retail loyalty programs

VALUE SEEKERS

54%

of Singapore choose local brands to global, as they feel local brands offer better price/value

* Refers to Logistics Performance Index



DRIVERS

of digital commerce in SINGAPORE

~5.4 mn
INTERNET USERS
2022

4.3% p.a.
RISING DISPOSABLE
INCOME/HOUSEHOLD
2016-2030

80%
SMARTPHONE
PENETRATION
2022

5th on LPI*
ROBUST LOGISTICS
NETWORK
2016



SHOPPING JOURNEY FOR DIGITAL SAVVY SINGAPORE CUSTOMERS REVOLVE AROUND VALUE FOR MONEY AND EASE

Singapore's dynamic path to purchase is skewed towards digital channels

60%

prefer buying products from online sites vs mall, at least once a month

55%

of Singapore consumers state that the main purpose to buy online is availability of cheap products

75%

Singapore consumers demand personalized rewards in exchange of brand loyalty

83%

Singapore consumers prefer dealing with customer service reps face-to-face vs digital channels

39%

of Singapore consumers have used smartphones to compare prices with competitors

57%

of Singapore consumers use social media to read reviews

26%

consumers prefer buying products from neighborhood store, owing to personalized services

60%

of payment related transactions are electronically done

MALAYSIA

A SOLID SCORE AND A STEADY FUTURE

Despite its high digital penetration, Malaysia falls just short of the regional average on the Digital Consumer Index, with a score of 33.2. Over 80 percent of its current population of 31.6 million are connected to the internet and this proportion is forecast to rise to over 85 percent by 2022. Indeed, Malaysia has an exceptionally high number of digital buyers, with over 90 percent of internet users shopping online. This figure is expected to increase slightly in the coming years, as is the country's per capita digital purchase, which currently stands at USD 74 per buyer and which is due to reach USD 144.20 per buyer by 2022.

87% of Malaysian young adults prefer making purchases in-person when doing shopping⁴¹

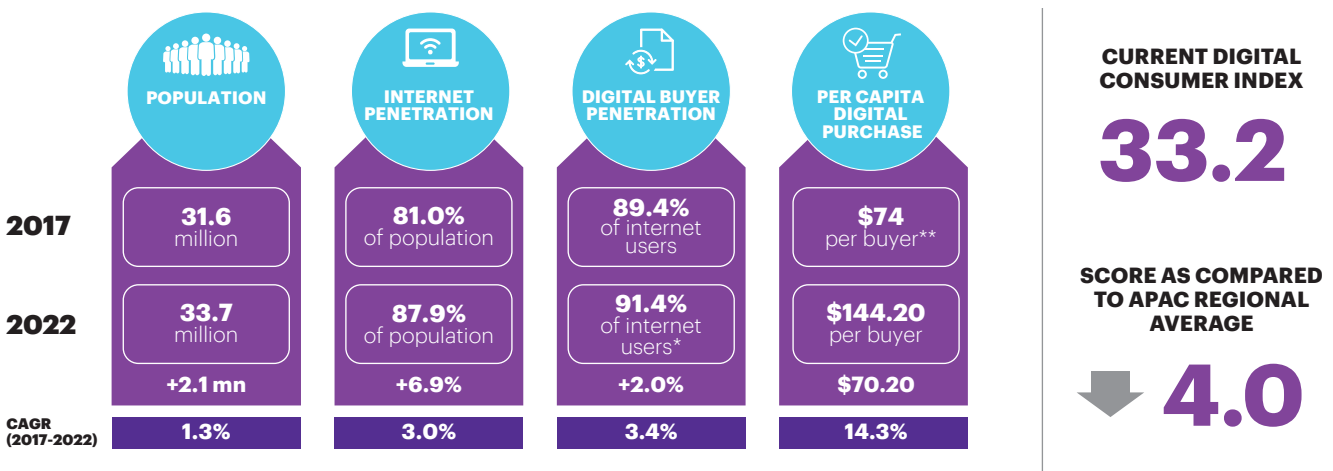
Malaysia's high levels of connectivity is already driving the growth of digital commerce: by 2022. It is expected that there will be 29.6 million internet users in Malaysia, an increase of 3 percent on current numbers. Added to this, Malaysia is undergoing an

economic transformation that looks set to provide a major boost to digital commerce. The levels of per capita disposable income are projected to be at USD 8,700 by 2022 and eCommerce will contribute RM 211 billion to its GDP by 2020. With millennials making up over 50 percent of the population, all the evidence points to a bright future for digital commerce in Malaysia.

Malaysian consumers consider value for money a key factor in their purchasing habits. For example, over half of Malaysian shoppers would consider the offer of coupon discounts an important factor in their decision-making. Unsurprisingly, 61 percent of Malaysian shoppers stated that they buy online due to the availability of products at lower prices. The majority of digital commerce in Malaysia is done through smartphones, with 66 percent of all Malaysian consumers using their mobile phones to make purchases.

MALAYSIAN GOVERNMENT'S ECONOMIC TRANSFORMATION PROGRAM COULD AID THE GROWTH OF MALAYSIAN DIGITAL ECONOMY BY 2020

Malaysia misses the regional averages by 4 points, despite high digital penetration



* based on Accenture Research estimates ** pertains to 2016 per capita spend on online channels



TRENDS

Consumers moving towards premium, multi-channel experiences, not afraid to switch between brands

PRICE SENSITIVITY

61%

of Malaysian consumers stated they buy online due to availability of products at cheaper prices

VALUE FOR MONEY

57%

of Malaysian shoppers are attracted by coupon discount

CONVENIENCE

66%

of Malaysian consumers use mobile phones to make online purchases



DRIVERS

of digital commerce in MALAYSIA

~29 mn
INTERNET USERS
2022

\$8.7K
HIGHLY DISPOSABLE
INCOME/CAPITA
2022

>50%
MILLENNIALS
2016

RM 211 bn
ECONOMIC
TRANSFORMATION
PROGRAM*
2020

*eCommerce contribution to GDP



MALAYSIAN CONSUMERS ARE MOBILE SAVVY, AS THEY REFER TO MOBILE PHONES FOR ALMOST MOST OF THEIR SHOPPING JOURNEY

Malaysia consumers are digital across their path to purchase from research to mode of payment

80%

of Malaysian online shoppers shop through smartphones

64%

of Malaysian mobile users use mobile devices for researching for products i.e. product information

87%

of Malaysian young adults prefer purchase in person when doing shopping

64%

of Malaysians are willing to pay extra for express delivery

49%

of Malaysian consumers find searching & discovering products through social media most effective

51%

Malaysian mobile users use their cell phones to search for coupons/deals

53%

of Malaysian internet users enroll for 2-5 loyalty programs

54%

Malaysian digital shoppers prefer to pay via online transfers

INDONESIA

MILLENNIALS SET TO INITIATE MARKET MAKEOVER

Indonesia is APAC's digital laggard, with relatively low levels of internet penetration among its 264 million-strong population. However, with that population set to increase by 13.4 million by 2022, its Digital Consumer Index score should rise considerably, as half of the population gains access to the internet. Of those who are already connected, 43.5 percent are digital buyers. And their numbers are expected to surge to 65.4 percent of internet users by 2022. Per capita spend on digital purchases remains at a fairly low level, just USD 31.70 per buyer. But expect that to more than double in the next five years.

72% of Indonesian consumers shop online to save time rather than money⁴²

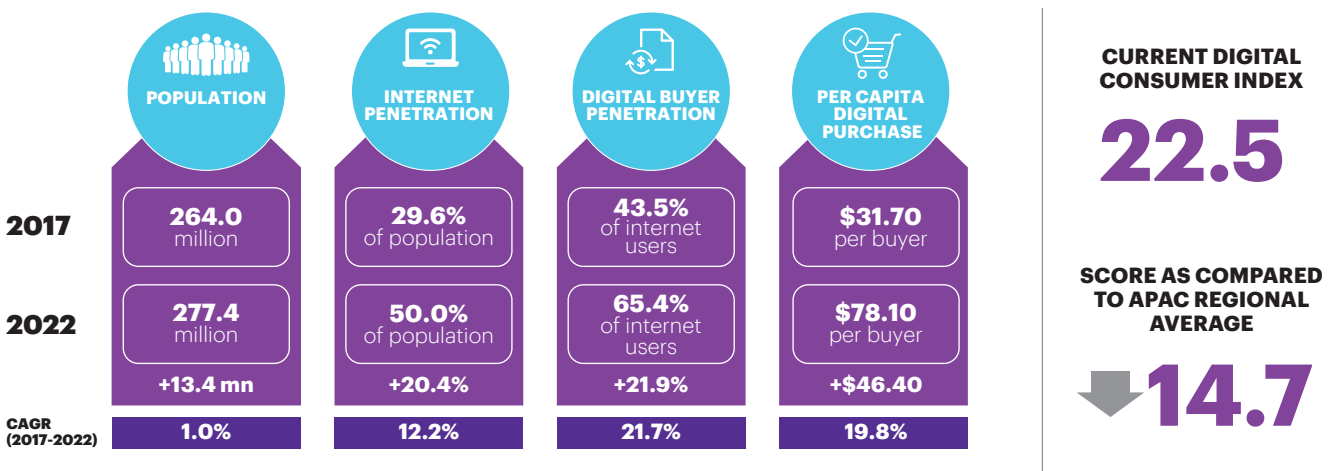
The predicted significant increase in digital commerce will be powered by Indonesia's general economic expansion. GDP growth is expected to continue at an annual average of 5 percent, providing a solid foundation for new investments in the country and increasing the disposable income of the growing

middle class (already among the world's largest). Other important drivers include the relative youth of its population, with 50 percent qualifying as millennials. With smartphone users already spending an average of 181 minutes on their devices each day (the highest amount of time anywhere in the world), there's clearly a huge opportunity for mobile commerce.

When it comes to the factors motivating the Indonesian digital shopper, a few stand out. Almost a quarter of digital consumers would be willing to pay a higher price if that ensures a wide range of options, or higher quality. At the same time, nearly half say they'd readily switch brands in line with brand-based promotions. And finally, 90 percent are eager for a seamless multichannel shopping experience.

INDONESIA IS A DIGITAL LAGGARD IMPACTED BY LOW DIGITAL AWARENESS

56 million new digital buyer opportunity until 2022 awaits the Indonesian digital commerce market





TRENDS

Consumers moving towards premium, multi-channel experiences, not afraid to switch between brands

PREMIUMIZATION

23%

of consumers would pay a higher price if it ensures high levels of product options or quality

SWITCH BRANDS

47%

of consumers would switch brand based on promotions

MULTI-CHANNEL EXPERIENCE

90%

of consumers want multiple channel access to services



DRIVERS

of digital commerce in INDONESIA

406 mn

MOBILE CONNECTIONS 2022

20 mn

GROWING MIDDLE CLASS HOUSEHOLDS 2030

5%
GDP GROWTH 2016

50%
MILLENNIAL 2016



INDONESIAN SHOPPING ECOSYSTEM COMPRISE A MIX OF OFFLINE AS WELL AS ONLINE CHANNELS

Indonesian consumers prefer using digital channels across the shopping journey, however, prefer cash payments

63%

prefer shop for grocery shopping offline vs online

46%

of Indonesian millennial women prefer sourcing their grocery from multi-channels

68%

Indonesian consumer use social media to find good deals

76%

of Indonesians visit the specific store, owing to proximity

80%

of Indonesian shoppers read reviews on social media and research online, before they log out to make the purchases offline

74.1%

of Indonesian digital buyers state low price/substantial discounts trigger an impulse digital purchase behaviour

55%

consumers say app notifications trigger purchase intent

65%

of online purchases are supported by Cash on Delivery

THAILAND

A LAND OF DIGITAL POSSIBILITIES

Although Thailand today records a Digital Consumer Index score below the regional average, the signs are positive for improved future digital performance. By 2022, 63 percent of the population are expected to be internet-connected, an increase of 15.3 percent on today's proportion of just under half the country's population of 69.0 million. Digital buyers make up just 17 percent of the population today. But we expect that to rise to 27 percent by 2022, an overall increase of 10 percent. Per capita digital spend will also surge, nearly doubling by 2022 to reach USD 470.40.

Thai consumers are the world's most social shoppers, with 51%, saying they bought products by interacting with merchants on social media (compared with 32% in India and 27% in China)⁴³

These growth prospects are already attracting interest from global players. For example, in 2016, DHL launched its eCommerce platform in Thailand, bringing domestic end-to-end delivery to the market. At the time of the launch, DHL said Thailand is key to its eCommerce strategy and expects the market to triple by 2020.

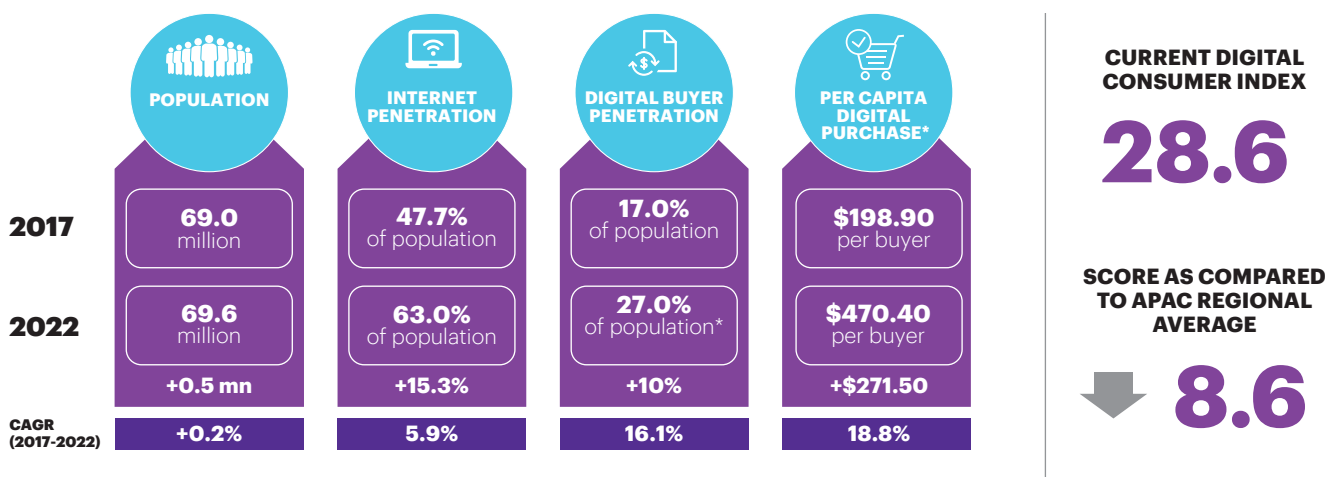
The drivers of digital commerce in Thailand are in line with broader social trends, particularly rapid urbanization. Currently, half the population lives in cities. Internet use is set to increase substantially, a trend that will partly be driven by increasing smartphone penetration: by 2021, smartphones will be used by 76.4 percent of the population, up by more than 10 percent of today's rate. Thailand's cashless payments, which grew by 20 percent on average during 2010 to 2015, the fourth fastest growth behind China, India and Indonesia, are expected to increase further with the launch of national e-payment systems.

50% of all online purchases in Thailand are made through mobile devices⁴⁴

Thai digital shoppers are focused on value for money, with nearly half of them searching out the best special offers and good deals online before they commit. But they're also loyal to brands and stores that are prepared to recognize and reward their commitment: 78 percent of them find store-based loyalty apps appealing. What's more, they express a desire for a better multichannel experience, with 41 percent of them saying they are frustrated when products they saw online are not unavailable in-store.

THAILAND'S RAPID URBANIZATION AND SMARTPHONE PENETRATION IS EXPECTED TO DRIVE ITS DIGITAL PERFORMANCE IN FUTURE

Over 6 million new digital buyer opportunity in Thailand's digital commerce ecosystem, by 2022



* based on Accenture Research estimates



TRENDS

Consumers moving towards premium, multi-channel experiences, not afraid to switch between brands

VALUE FOR MONEY

46%

of digital buyers look for special price offers/good deals before shopping with digital retailers

LOYALTY PRONE

78%

of consumers find store based loyalty apps appealing

MULTI-CHANNEL EXPERIENCE

41%

of Thai consumers dislike the fact that they cannot find the product they saw online, when in-store



DRIVERS

of digital commerce in THAILAND

43.8 mn
INTERNET USERS
2022

35 mn
RAPID
URBANIZATION
2017

15% CAGR
LAUNCH OF NATIONAL
E-PAYMENT SYSTEM
2015-20

~32 mn
RISING MOBILE
USERS
2022



THAILAND IS INCREASINGLY RELYING ON ONLINE SEARCH AND VIDEOS FOR AN INFORMED LIFESTYLE AND PURCHASE DECISIONS, HOWEVER ARE SKEPTICAL OF ONLINE PAYMENTS

Thailand purchase journey is a balanced mix of online and offline channels

51%

purchased a product or service online*

46%

of Thai consumers select stores for shopping that have a wide product portfolio

78%

of Thai consumers find store specific loyalty apps appealing & encourage use of it

39%

of Thai digital consumers prefer shopping at stores where the sales executive answers all questions

54%

of Thai internet users tend to search & discover for products digitally, but occasionally buy online

42%

of Thai mobile owners state video ads & SMS tie, trigger product interest for purchase

51%

Thai consumers purchased products directly via social media

79%

of online purchases are made through Cash on Delivery**

* pertains to January 2017; ** pertains to February 2017

THE PHILIPPINES

A DIGITAL DAWN APPROACHES

The Philippines scores considerably below the regional average on the Digital Consumer Index. However, with internet penetration set to rise considerably by 2022, its score should rise accordingly. A relatively low 59.2 percent of the Philippines' 104.9 million inhabitants are connected to the internet. Yet by 2022, this is projected to rise to 73 percent of an expected population of 112.9 million. Greater connectivity will see an increase in the number of digital buyers, with slightly over 60 percent of internet users projected to be digital buyers by 2022.

47% of Filipino consumers who made digital purchases preferred making payment in Cash on Delivery⁴⁵

The expansion of digital commerce in the Philippines will be spurred by economic growth, improving digital infrastructure and the country's young population. Between 2016 and 2022, per capita income in urban and rural areas is set to rise by 5.3 percent and 6.4 percent respectively. Not only will consumers have more money to spend, they will also be more digitally-savvy. It is expected that in 2021 approximately half of the population will be using smartphones and there will be 82.4 million internet users in the country by 2022.

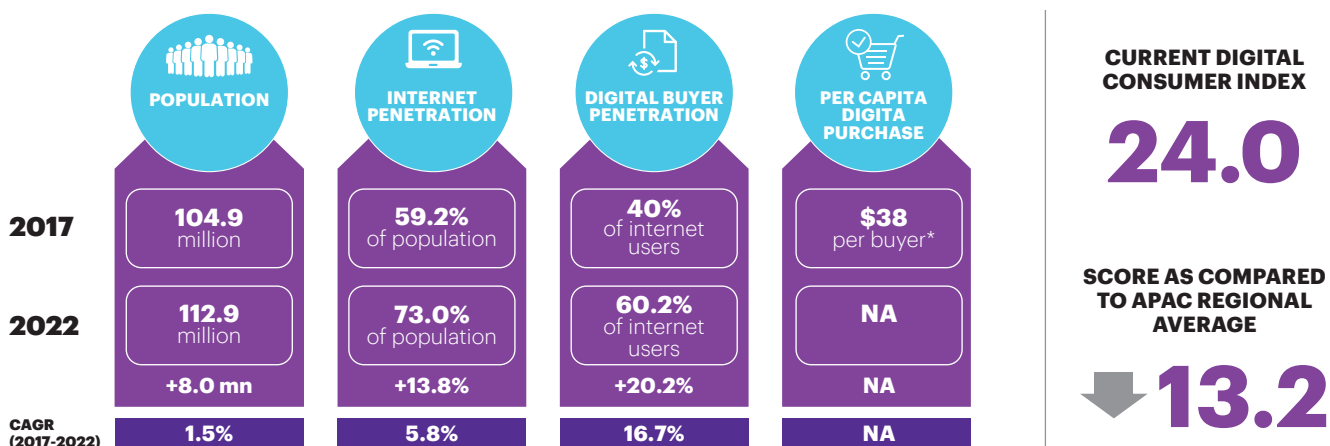
With its relatively young population—50 percent of the working population are millennials—there is considerable potential for the expansion of digital and particularly mobile commerce in the Philippines.

46% of Filipinos prefer making online purchases due to the deals and offers available⁴⁶

Trust is key to the Filipino consumer, with over half of shoppers claiming that they consider a brand to be premium on the basis that it is known and trusted, rather than on factors such as style and design. Better value for money and greater convenience is what currently motivates consumers to shop online: much like in Thailand, digital shoppers in the Philippines value a bargain, with 77 percent of consumers attracted to online shopping because of the availability of discounts and lower prices, while 58 percent shop online because they consider it more convenient.

THE PHILIPPINE'S DIGITAL QUOTIENT IS EXPECTED TO BE DRIVEN BY INCREASING INTERNET PENETRATION, MILLENNIAL WORKFORCE

The Philippines eCommerce landscape revolves around price and convenience attributes



* pertains to 2015 per capita spend on online channels



TRENDS

Consumers moving towards convenience, value for money & premiumization

CONVENIENCE

58%
of Filipino consumers go online to shop due to convenience associated with it

VALUE FOR MONEY

77%
of consumers are allured to shop online due to lower price/ discount etc.

PREMIUMIZATION

59%
of Philippines consumers consider a brand premium if it's a trusted brand vs superior design/style



DRIVERS

of digital commerce in PHILIPPINES

82.4 mn
INTERNET USERS
2022

5.3% & 6.4%
CAGR
INCREASING PER CAPITA URBAN & RURAL DISPOSABLE INCOME
2016-2022

46 mn
SMARTPHONE USERS
2022

50%
WORKING POPULATION GROWING MILLENNIALS
2015

*eCommerce contribution to GDP



FILIPINO CONSUMERS ARE PRICE SENSITIVE & EAGER TO CASH IN ON DEALS & LOYALTY PROGRAMS OFFERING VALUE FOR MONEY

Filipino's are slowly gearing for a digital path to purchase; COD form a major share in digital payment

94%

Filipino consumers shop mostly at nearby stores or sari-sari stores vs super markets

46%

Filipinos prefer making online purchase due to deals & offers available

45%

Filipino Internet users enrol for 2-5 loyalty programs

47%

Filipino consumers who made digital purchases preferred making payment in Cash on Delivery (COD)

22%

of Filipinos used online video at some point during their path to purchase

81%

Consumers say that online video convinced them to think more positively about a brand

22%

of Filipinos are willing to use smartphones for m-commerce

43%

of Filipino consumers consider strong user experience vital

VIETNAM

HUGE POTENTIAL IN ONE OF SOUTHEAST ASIA'S SLEEPING GIANTS

Vietnam's low internet penetration means that it lags behind many of its neighbors on the Digital Consumer Index, scoring 17.7 below the regional average. However, the potential for improvement is considerable. 92 percent of current internet users are digital buyers and with the number of internet users set to rise from 50.5 percent of the population to 65.1 percent in 2022, Vietnam's digital commerce market will expand considerably in the coming years.

30% of Vietnamese consumers are expected to shop online by 2020⁴⁷

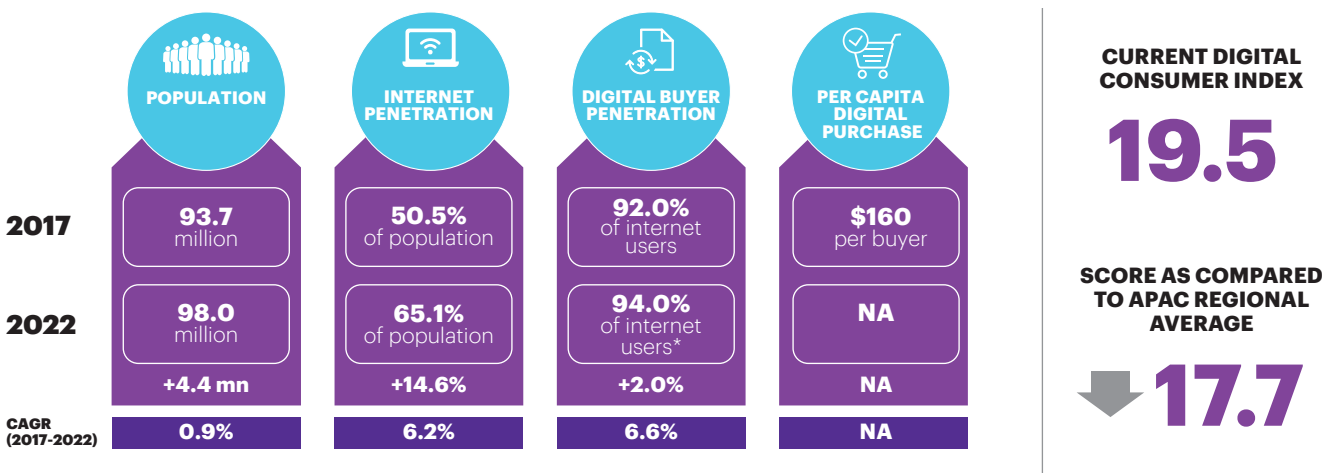
Economic growth and greater digital penetration promise to drive the Vietnamese digital commerce boom. GDP grew by 6 percent in 2016 and corresponds to a rapid rise in median disposable income, which should reach USD 5,348 by 2022. With more money to spend and with more readily available digital services, Vietnamese consumers look set to take to the internet in far greater numbers. By 2022, 63.8 million users will be on the internet, with more than half of the population using smartphones.

Much like the Filipino counterparts, Vietnamese digital consumers are drawn to the internet by its promise of reduced costs and greater convenience. Just under half of digital buyers in Vietnam buy online because it offers value for money, while 42 percent consider free home delivery a factor in making a purchase online. Aside from price and convenience incentives, half of Vietnamese consumers find digital commerce attractive because of the availability of items not readily accessible in local and high street shops.

95% consult their phones on purchases they're about to make while in a store⁴⁸

VIETNAM IS A DIGITAL LAGGARD AS IT SCORE 19.5 ON DIGITAL INDEX, UNDERPERFORMING THE REGIONAL AVERAGE BY 17.7

Vietnamese consumers are value seekers, and prefer to shop online for exclusive products and deals



* based on Accenture Research estimates



TRENDS

Consumers moving towards convenience, value for money & product exclusivity

VALUE FOR MONEY

49%

of Vietnamese digital buyers are allured to make a digital purchases, owing to good value for money

PRODUCT EXCLUSIVITY

50%

of Vietnamese consumers are allured to make online impulse purchase owing to unique availability on that channel

CONVENIENCE

42%

of Vietnamese consumers consider free home delivery charges as a factor for making digital purchase



DRIVERS

of digital commerce in VIETNAM

63.8 mn
INTERNET USERS
2022

\$5.3K
RISING MEDIAN
DISPOSABLE INCOME
2022

>52%
SMARTPHONE
PENETRATION
2022

6%
GDP GROWTH
2016



VIETNAMESE CONSUMERS ARE SLOWLY GAINING TRACTION IN DIGITAL SHOPPING

Vietnamese consumers are now leveraging digital media for shopping, however, prefer to stick to traditional payment methods

30%

Vietnamese consumers are expected to shop online by 2020

53%

Vietnamese enrol for loyalty programs with an intention to get discounts

57%

Vietnamese Internet users enrol for 2-5 loyalty programs

85%

Vietnamese consumers who make digital purchases prefer COD, due to fraudulent activities

44.3%

of Vietnamese consumers primarily conduct research online followed by making an online purchase

27.8%

of Vietnamese are influenced to shop online on a new eCommerce site, driven by social media activities

31%

of Vietnamese smartphone users conduct digital shopping through smartphone apps

16%

of Vietnamese consumers make digital purchases from cross-border eCommerce sites

AUSTRALIA

ONLINE IS THE NORM AS AUSTRALIANS EMBRACE THE DIGITAL LIFESTYLE

With nearly 90 percent of Australia's population already online, the country's Digital Consumer Index ranking is well ahead of the regional average. The market's already close to saturation point, so there's little headroom for user growth. Nonetheless, with 80.5 percent of internet users already regularly shopping online, spending an average USD 3,215 each year, there will be plenty of opportunities to increase digital commerce in Australia. Our estimates are that by 2022 approximately the same number of internet users will be spending considerably more than they do today.

69% of Australian digital buyers make cross-border purchases primarily from the U.S., China, and the UK⁴⁹

In common with other advanced digital economies, Australians are spending more and more time and money online. As well as 24 million active internet users by 2022, the country will have more mobile

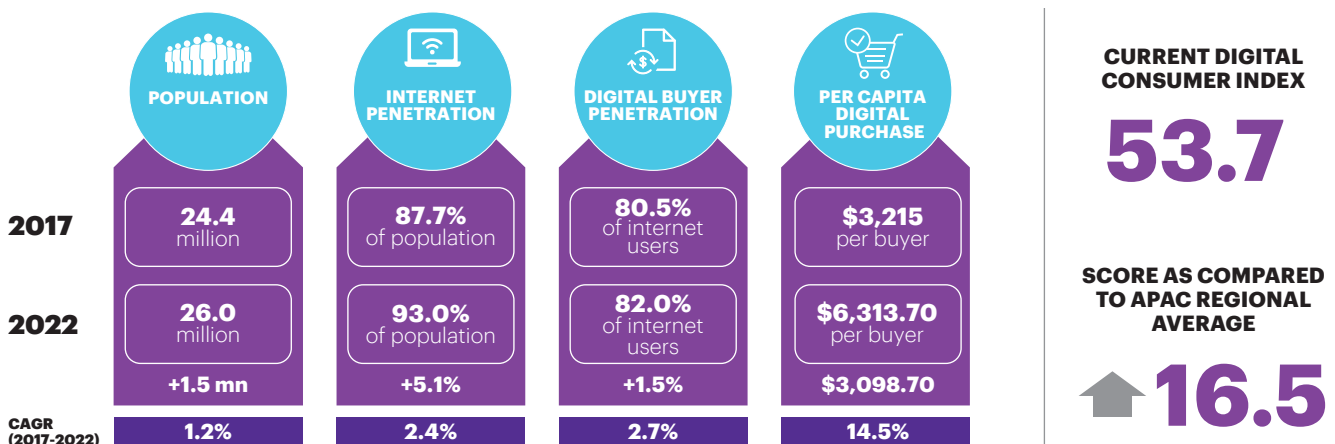
connections than people by 2022. Its strong logistics infrastructure is another attractive factor for digital commerce, as is the rising wealth and income of Australia's digitally-savvy millennials.

38% of online fashion purchases are spontaneous⁵⁰

Australian digital shoppers share some common characteristics. They look for convenience and value for money, and are happy to pay for services such as Amazon Prime and the access it gives them to special deals and prioritized delivery. One-third of them are also willing to spend more on premium goods, such as organic groceries. However, a significant minority (28 percent) are less happy about the lack of multichannel experiences offered by some retailers, expressing their dissatisfaction with disparities between online and physical ranges.

AUSTRALIA IS A DIGITAL LEADER WITH DIGITAL SCORE OF 53.7, DRIVEN BY INCREASING DIGITAL AWARENESS

Robust logistic network and rising wealth/income of millennials are key drivers for digital commerce growth





TRENDS

Consumers moving towards premium, multi-channel experiences, not afraid to switch between brands

CONVENIENCE & VALUE FOR MONEY

45%

of Australian consumers are ready to pay for Amazon Prime subscription for special deals, discounts and delivery perks, if offered

PREMIUMIZATION

33%

of consumers are willing to spend more on premium & organic grocery products

MULTI-CHANNEL EXPERIENCE

28%

of Australians dislike if they cannot get the product they see online when at stores



DRIVERS

of digital commerce in AUSTRALIA

24 mn
INTERNET USERS
2022

35.7 mn
MOBILE
CONNECTIONS
2022

19th in LPI
STRONG LOGISTIC
SUPPORT
2016

\$113K p.a.
INCOME RICH
MILLENNIALS
2016



AUSTRALIAN CONSUMERS PREFER COMPLEMENTING THEIR SHOPPING JOURNEY WITH DIGITAL CHANNELS, WHILE MAKING PURCHASES OFFLINE

Australians digital-first mindset has enabled them to optimally utilize the digital channels

70%

Australians continue to shop same number of times or even more from stores vs 3 years ago

90%

Australians consider they are likely to find better deals in-store

56%

Australian internet users enrol for 2-5 loyalty programs

73%

South-Australian consumers prefer in-store shopping as it allows them to check quality, in addition to sales staff assistance

40%

of Australian digital buyers sources product related information from price comparison sites

50%

of Australians research for products online before buying them in a shop

48%

of Australian digital buyers are willing to pay premium for an express shipping (1-3 days)

59%

of Australian bank account holders that have used contactless debit/credit card for making a purchase

INDIA

PRIMED FOR A DIGITAL BOOM

With a Consumer Digital Index score considerably below the regional average, India has yet to see the undoubted potential of digital commerce realized across its 1.34 billion population. However, with internet penetration set to rise to more than half the population by 2022, the growth prospects are enormous: effectively a market of more than 760 million. Amongst current internet users, 52.3 percent shop online, spending on average of nearly USD 46.80 a year. But in the next five years, all that looks set to change. Average spend will more than double, in line with the rising proportion of internet users engaging in online shopping activity.

Online shopping overtakes social networking as the prime reason to come online: 98% consumers go online primarily for shopping vs 96% who do so for social networking⁵¹

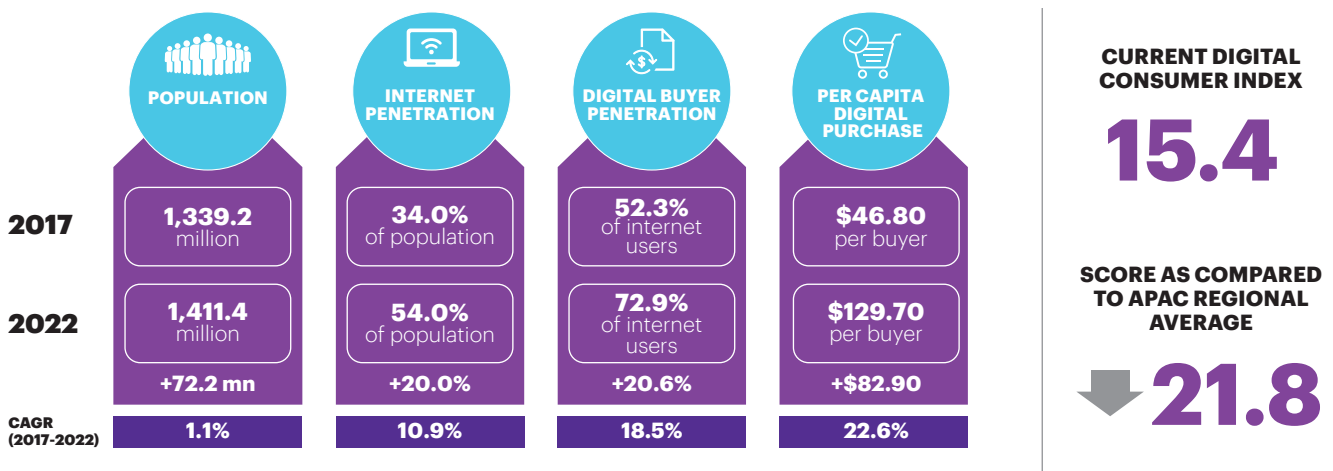
The growth indicators for the Indian digital commerce market are very encouraging. They include 7.2% CAGR in median household income, strong GDP growth (averaging around 7 percent for 2016) and a booming millennial demographic of 400 million people. Government initiatives will also play a part. For example, Digital India aims to drive people towards online payments, which could also help boost digital commerce in India.

The same factors motivate Indian digital consumers as their counterparts in Indonesia. Premium product quality and options are important for just over a quarter of online shoppers. More than one-third would switch brands in response to attractive promotions. And more than nine out of 10 find multichannel experiences desirable.

48% Indians prefer to buy online due to lower prices and better deals than available in-store⁵²

INDIA IS A DIGITAL LAGGARD WITH ITS DIGITAL SCORE OF 15.4, UNDERPERFORMING THE AVERAGE REGION SCORE BY 21.8 POINTS

Increasing tech-savvy millennials and strong economic growth is expected to drive digital commerce





TRENDS

Consumers moving towards premium, multi-channel experiences, not afraid to switch between brands

PREMIUMIZATION

28%

of consumers would pay a higher price if it ensures high levels of product options or quality

SWITCH BRANDS

37%

of consumers would switch brand based on promotions

MULTI-CHANNEL EXPERIENCE

92%

of consumers want multiple channel access (on-/offline) to services



DRIVERS

of digital commerce in INDIA

762 mn
INTERNET USERS
2022

400 mn
MILLENNIALS
2017

~7%
GDP GROWTH
2016

7.2%
CAGR
RISING MEDIAN
INCOME/HOUSEHOLD
2017-22



INDIAN SHOPPING ECOSYSTEM IS A MIXED BAG OF DIGITAL AS WELL AS TRADITIONAL CONSUMERS

Diverse consumer sets prefer various purchase channels across the shopping journey

52%

Indians see online shopping experience to be better than in-store

43%

Indians used smartphones at stores, for accessing coupons/promotional code

40%

Indians prefer shopping online due to cash back offers

83%

of Indians use their smartphones for shopping

94%

of Indians prefer using apps over website to make purchases online

32%

Indians find competitive price or special discounts/offers influence their buying decisions offline

70%

of Indians prefer online shopping with cards vs cash on delivery

JAPAN

NEW OPPORTUNITIES AMID A SILVER SEGMENT

With the highest proportion of its population using the internet, compared to anywhere in the region, it's no surprise that Japan ranks comfortably above the regional average on the Digital Consumer Index. A significant proportion (83.3 percent) of Japan's 119 million internet users are also active digital buyers. However, with a population that's set to shrink, these numbers are unlikely to increase much more.

That said, a rapidly growing silver economy offers prospects for growth. But these will increasingly be aimed squarely at an older demographic, to meet its particular requirements. Per capita spend on digital commerce is predicted to grow by 7.8 percent CAGR, from USD 1,786 today to USD 2,594.60 by 2022.

93% of women aged 40 to 49 made online purchases in 2015/16, compared with 76% of women aged 20 to 29⁵³

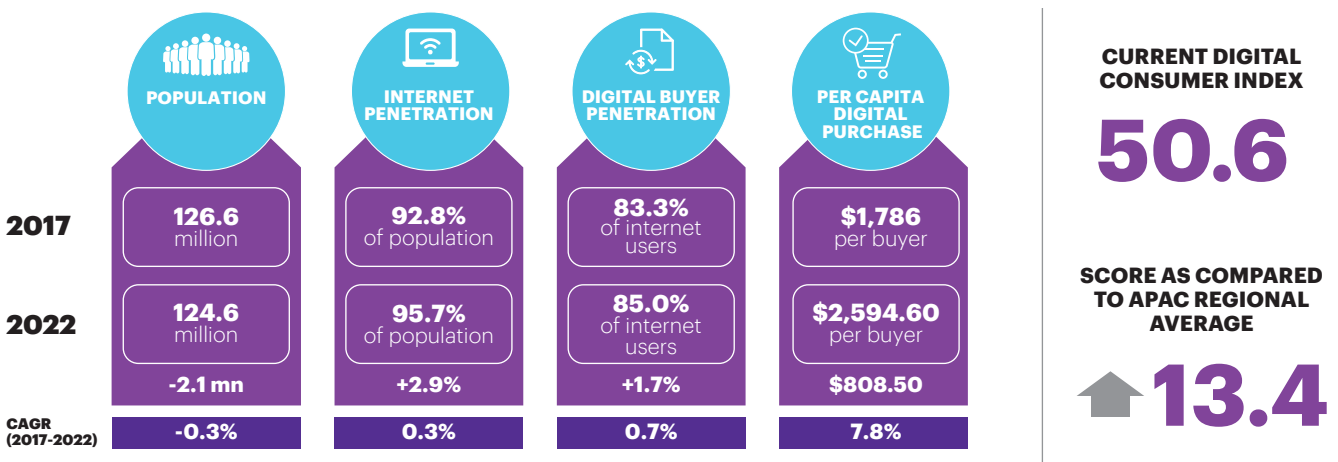
The drivers of digital commerce in Japan include, as mentioned, a high number of internet users, extensive mobile penetration (already standing at 102 percent) and a strong infrastructure network.

Japan's digital shoppers display many of the characteristics of older buyers. 43 percent of them value convenience over affordability. Quality of experience is also important, with some 41 percent saying they will switch retailers if they don't get the service they expect.

They're also using digital within physical retail environments, with 21 percent of them searching for information or advice online while browsing for products in a store.

JAPAN'S STRONG MOBILE PENETRATION & LOGISTIC SUPPORT ARE KEY DRIVERS FOR ITS DIGITAL PERFORMANCE

Japan's rapidly growing silver economy consumers are increasingly seeking ease and convenience





TRENDS

Consumers moving towards premium, multi-channel experiences, not afraid to switch between brands

SWITCH BRANDS

41%

of digital buyers are likely to switch retailers after a bad experience

CONVENIENCE

43%

of consumers choose brands due to convenience vs affordability

MULTI-CHANNEL EXPERIENCE

21%

of consumers get information or advice online while browsing for products in-store



DRIVERS

of digital commerce in JAPAN

119 mn
INTERNET USERS
2022

102%
MOBILE
PENETRATION
2016/17

12th in LPI
STRONG LOGISTIC
SUPPORT
2016



DIGITAL SAVVY JAPANESE CONSUMERS OPTIMALLY UTILIZE SMARTPHONES FOR EASE, DIVERSE SHOPPING OPTIONS & DEALS

Japanese consumers pay attention to the product research & ads when making a purchase

45%

of Japanese smartphone users complement product research via smartphone with in-store visits

70%

Japanese Internet users are comfortable with companies using artificial intelligence in super markets

53%

Japanese enrol for 2-5 reward programs

53%

Japanese consumers consider email as preferred channel for contacting customer service

61%

Japanese consider research as the key driver for new product trial vs recommendations

39%

of Japanese consumers see an ad, click & review the content before closing the webpage, revisit the page later to make a buy

40%

Japanese digital buyers make purchase from cross-border companies based out in the US

69%

of Japanese Internet users pay through cash when at stores, followed by credit Card

CHINA

PAVE WAY FOR THE RISE OF THE DRAGON

China ranks relatively high on the Digital Consumer Index, some 10 points above the regional average. Nearly 60 percent of its 1.4 billion population is already connected to the internet. And that's set to rise to over 70 percent by 2022. What's more, a high proportion of internet users are also digital shoppers (72.8 percent today, 74.5 percent by 2022). That means an increase of 187 million new digital buyers in the next five years alone. Average online spend today stands at USD 633.80, which is projected to nearly double by 2022.

59% of all monthly purchases in China are digital compared to 42% in the US⁵⁴

The scale of China's population, of course, makes it a powerful market. But the demographics of that population also look set to have a decisive impact on the onward expansion of digital commerce. China's home to over 550 million millennials and members of generation Z. They are mainly responsible for the enormous rise in mobile connectivity and smartphone use, which are powerful drivers of digital commerce.

In addition, investments in 5G networks and connectivity in rural regions will significantly expand connectivity. It's an attractive proposition that's already seeing the internet and consumer giants seeking to take advantage.

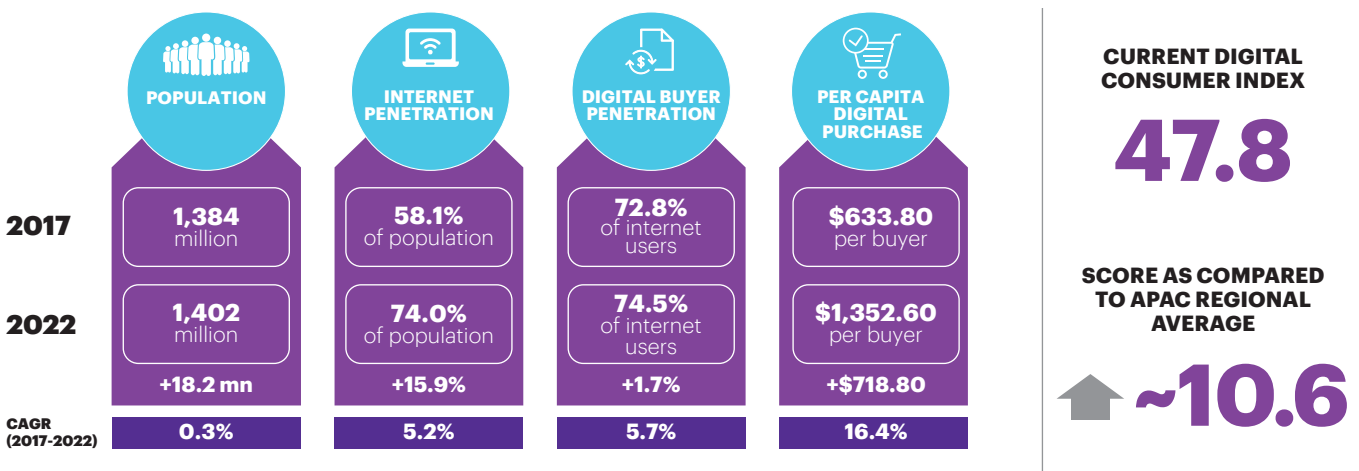
For example, Alibaba is working with Unilever to expand its base in rural areas. In combination with an economy that continues to grow at an impressive rate, it's easy to see why the expectations for this market remain extremely buoyant.

60% of millennials shop online every month⁵⁵

Much like their counterparts in other regional markets, over one-quarter of Chinese digital consumers will pay more for higher quality. 45 percent show little brand loyalty in the face of brand promotions. And 94 percent seek multichannel experiences spanning online or offline touchpoints.

CHINA BEATS ASIA'S DIGITAL PERFORMANCE SCORE BY 10.4 POINTS, DRIVEN BY MOBILE PENETRATION AND INCREASING MILLENNIALS

187 million new digital buyer opportunity in Chinese digital commerce market until 2022





TRENDS

Consumers moving towards premium, multi-channel experiences, not afraid to switch between brands

PREMIUMIZATION

27%

of consumers would pay a higher price if it ensures high levels of product options or quality

SWITCH BRANDS

45%

of consumers would switch brand based on promotions

MULTI-CHANNEL EXPERIENCE

94%

of consumers want multiple channel access (on-/offline) to services



DRIVERS

of digital commerce in CHINA

1 bn
INTERNET USERS
2022

1.5 bn
MOBILE
CONNECTIONS
2022

553 mn
MILLENNIAL &
GEN Z POPULATION
2016/17

6.7%
GDP GROWTH
2015-2016



DIGITAL HAS REVOLUTIONIZED THE CHINESE PATH TO PURCHASE FROM LINEAR TO DYNAMIC

Digital savvy consumers choose convenient ways to do their regular shopping & payments

61.7%

Prefer buying from online sites vs mall, owing to low prices offered

46%

of digital Chinese consumers find augmented reality feature an important function when deciding where to shop digitally

75%

Enrol for reward programs as they can exchange it for gifts or prizes

84%

Chinese interact with sales staffs when on an international trip/store

76%

Metro Chinese consumers are using or interested in using mobile wallets for making purchases

28%

of consumers follow fellow shopper's recommendation before making a purchase

61%

of Chinese digital consumers start their product search on Tmall/Amazon

55%

Chinese digital consumers are motivated to try new brands/shops, owing to positive online reviews and referrals

70%

of Chinese consumers consider real-time personalized offers an important attribute when shopping in-store

PLOTTING THE ROUTE TO DIGITAL COMMERCE TRANSFORMATION

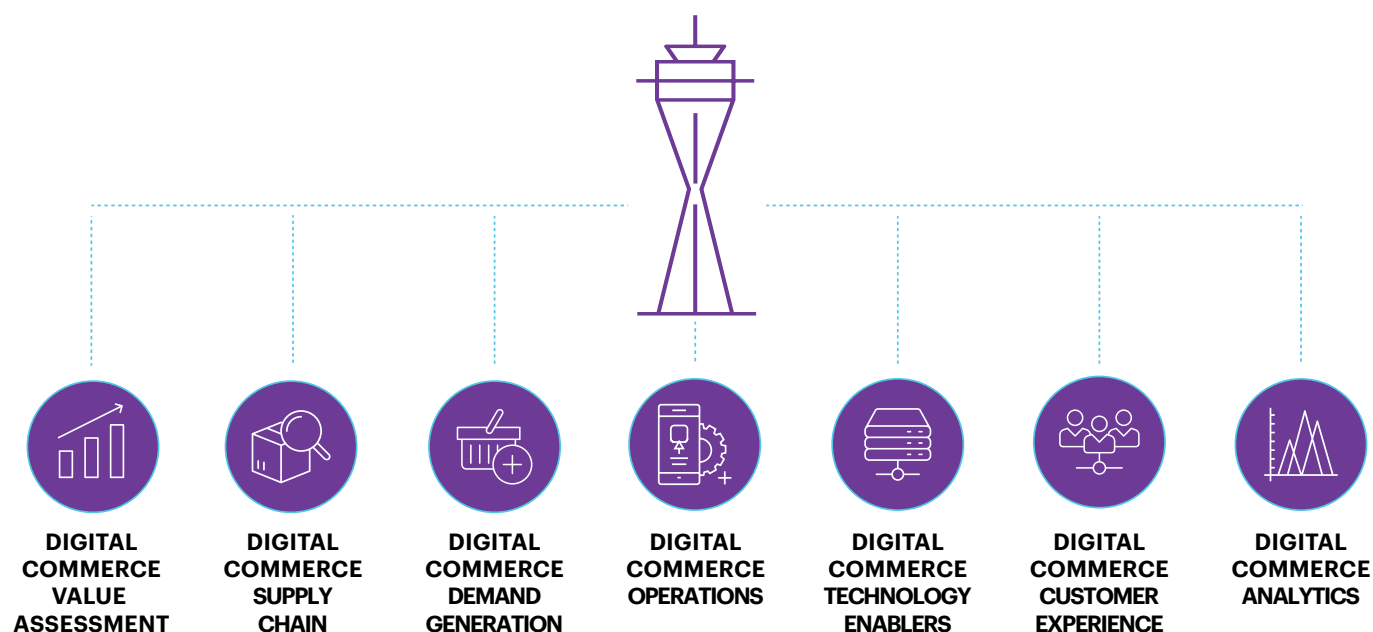
Around the world, digital commerce is transforming the way that companies do business. Consumers are now involved at every stage of the traditional CPG value chain and they will accept nothing less than a fully integrated, omnichannel experience. For businesses, the implications are huge: they must adapt to the digital commerce age, or risk falling behind.

DIGITAL VALUE ASSESSMENT (DIVA)

If a fully integrated digital consumer experience is the end-goal, how do organizations get there? DiVA focuses across the entire digital commerce value chain. In doing so, it provides companies with a comprehensive, tailored assessment of their current digital capabilities and a step-by-step roadmap for future digital commerce transformation.

DiVA answers critical questions for companies, starting by assessing the potential impact of digital commerce in the relevant product category. An evaluation of all future factors is then conducted, with no possibility unaccounted for. How much of the market share could your product capture? What is the best strategy for implementing your digital commerce capabilities? Which platforms or tools can be leveraged? How will digital commerce improvements increase profits for your company?

ACCENTURE DIGITAL COMMERCE CONTROL TOWER



RIGHT PEOPLE, RIGHT EXPERTISE

Start with answering the most critical question: “Who owns digital commerce?” in the company. Digital commerce requires people with different expertise – optimization focused on increasing traffic and revenue, consumer acquisition, user-centric design, A/B Testing, high-quality content production, catalog management, online merchandising, online activation, 3PL partner management, etc.

Assess front-to-back capabilities and evaluate strategic partnerships to deliver and innovate. Explore “Buy” vs “Build” vs “Rent” options. Potentially leverage plug-and-play models from global service factories located in cost-efficient countries.

GO WHERE YOUR CONSUMERS ARE

The consumer is at the heart of the digital commerce revolution. More than ever, businesses must access their consumers across multiple touchpoints, including online marketplaces such as Amazon, Alibaba and Lazada, through eRetailers such as Tesco and Coles and via their own .com platform. Yet optimizing online capabilities also means finessing offline engagement with consumers. It goes without saying that online media spend should be geared towards directing traffic to the business’s page, but offline media also needs to be doing this. Only when online and offline capabilities are working together, can a business fulfil its digital commerce potential.

CONSUMER EXPERIENCE RULES

Consumer expectations are constantly rising, so understanding the shifting trends of consumer behavior is now critical. Although the platforms for engaging consumers are changing, the importance of providing a positive consumer experience remains. Consumer experience can become the differentiating factor between brands. In an online context, this means creating a standardized approach to listing and classifying products across all digital commerce platforms, allowing consumers to easily access accurate product information on all their devices.

THE DATA FOUNDATION

Underpinning any digital commerce transformation is the intelligent application of data and analytics. Instead of tracking everything possible, focus first on the basics. Transactional and Click Stream data can help drive better digital marketing ROI and consumer experiences. Following this, data can be used for continuous experimentation that can help drive higher basket conversions and incremental sales. And it’s essential to understand consumer demand and preferences to prevent under and overstocking.

For any organization looking to transform their digital commerce capabilities, Accenture helps manage this end-to-end process. We help consumer companies do much more than simply adapt to the digital age. We help them thrive in it and grow.

AUTHOR

MOHAMMED SIRAJUDEEN

Managing Director,
Digital Commerce Lead,
Asia-Pacific, Africa, Middle East & Turkey
Accenture

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CONTACT US

INFORMATION@ACCENTURE.COM

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