

A new delivery

Satisfying Southeast Asia's appetite through digital



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Foreword

Relative to other regions, the Southeast Asian economy has been performing steadily over the past few years in spite of global volatility, which has impacted quite a few growth markets. This robust economic performance has translated into rapid growth in the packaged food and drink sector, and this trend is expected to continue till 2020. However, consumer evolution and increasing competition are making it more difficult for companies to succeed here.

First of all, Southeast Asia is not a homogenous region, especially when considering the packaged food and drink sector. There are multiple markets at different stages of maturity and differing consumer needs. In this report, we categorise the countries based on the size of the economy, projected growth in consumer spending and gross domestic product (GDP) growth. Here, Singapore emerges as an 'advanced' market whereas Vietnam, Indonesia and the Philippines are 'emergent' territories. Malaysia and Thailand are somewhere in between and can be categorised as relatively 'established'. The focus of this report is on these six countries, which have been collectively termed as 'ASEAN-6'. Other countries such as Cambodia, Laos and Myanmar are expected to be at the frontier of growth over the next five years; however their absolute market size and potential remain low as compared to the others.

Secondly, the socio-economic changes in the region are having a significant impact on consumer behaviour. The ASEAN-6 consumer journey is becoming increasingly complex and needs to be looked at in the context of differing needs and occasions. Consumers are also exposed to multiple channels of engagements and smartphone adoption is making them more digitally

enabled. This creates substantial opportunities for manufacturers and retailers of packaged food and drink to gain consumer mindshare. At the same time, it poses a threat for companies which do not re-invent their business models in the wake of the digital revolution. The customer now has much more to choose from, and will prefer to engage only with players that offer 'always-on' service and a seamless omnichannel experience.

Achieving this objective will require innovation on a substantial scale, with better adoption and integration of digital technology into every aspect of the customer journey. In this report we focus on five digital enablers which are essential to providing a differentiated experience for the new-age shopper of food and drink across Southeast Asia. It all starts with knowing your customer better by deriving insights using data analytics, followed by attracting them through digitally enabled communication and consumer interaction. The goal then is to serve the customers through the various channels available, of which e-commerce is emerging as among the most significant. Organisations also need to continuously engage with customers throughout their journey, listening to them and driving conversations through social media.

Finally, adopting digital does not mean that players should neglect the traditional channels of communication and engagement. Media such as television broadcasting remain popular in the region and central to any advertising campaign. Traditional retail stores will also continue to play an important role for shoppers, especially in the 'emergent' economies. The industry therefore needs to converge the modern and the traditional to create true customer value and provide a unique experience.



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PAVILION

THE LOVE DIAMOND

LALIQUE

PAVILION
CRYSTAL FOUNTAIN

PAVILION
CRYSTAL FOUNTAIN

TRUCK STATION

Steady performance amidst global uncertainty

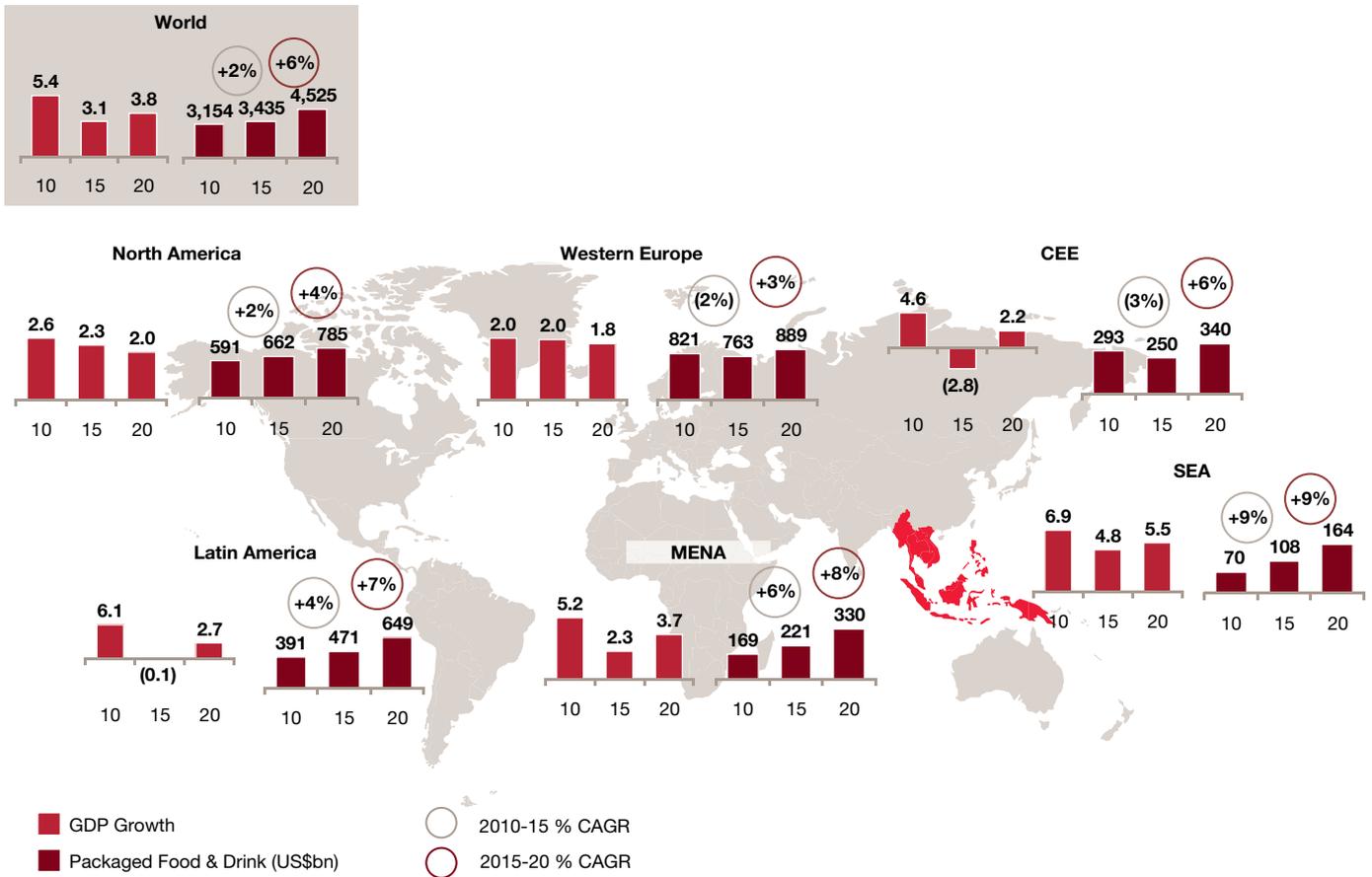
Challenges abound globally since 2013, with growth markets* not escaping unscathed. China's economic re-balancing, economic distress in Brazil and other Latin American countries (e.g. Venezuela) and recessionary fears in Russia have limited the performance of growth markets in 2015. According to the IMF, growth markets grew 4.0% in gross domestic product (GDP) collectively during 2015, the slowest pace since the financial crisis of 2008–9. However, this is expected to be temporary, with GDP growth in growth markets set to rebound to 5.5% by 2020 versus advanced economies at just 1.8%.

While GDP growth in Southeast Asia (SEA) slowed from 6.9% in 2010 to just 4.8% in 2015, it still outperformed other growth markets and remained one of the world's fastest growing regions. SEA GDP also quadrupled from 2000 through to 2015, surpassing the US\$2 trillion mark, and is expected to reach 5.5% in 2020 (see Figure 1). Formation of the ASEAN Economic Community was a breakthrough for the region, as it becomes a single market to allow free flow of goods, services, investments, capital and labour. Yet the slowdown in China's economy continues to weigh heavily on SEA countries, particularly export-reliant economies including Thailand, Malaysia and Singapore.

* Growth markets refer to Emerging Markets according to the IMF definition, which is classified according to per capita income, export diversification and degree of integration into the global financial system. There are three blocks of growth markets – Frontier (e.g. Myanmar and Nigeria), Fast Growing (e.g. Indonesia and Mexico) and Emerged (e.g. China, India and Brazil)



Figure 1: Combination of robust economic growth and rapid food and drink spending in Southeast Asia
2010-20 GDP growth vs packaged food and drink % CAGR



Source: International Monetary Fund (IMF) and Euromonitor

The positive economic numbers from SEA are set to spill over to the packaged food and drink industry. Coupled with consumers' increasingly sophisticated needs and expectations, packaged food and drink consumption in SEA is expected to reach US\$164 billion by 2020, growing at an annual compounded growth rate (CAGR) of 8.8% from 2015. The potential of SEA will continue to attract global interest despite moderating economic growth rates in the next five years.

Southeast Asia in 2020

US\$3 trillion GDP
5th largest economy

US\$2 trillion
consumer spending



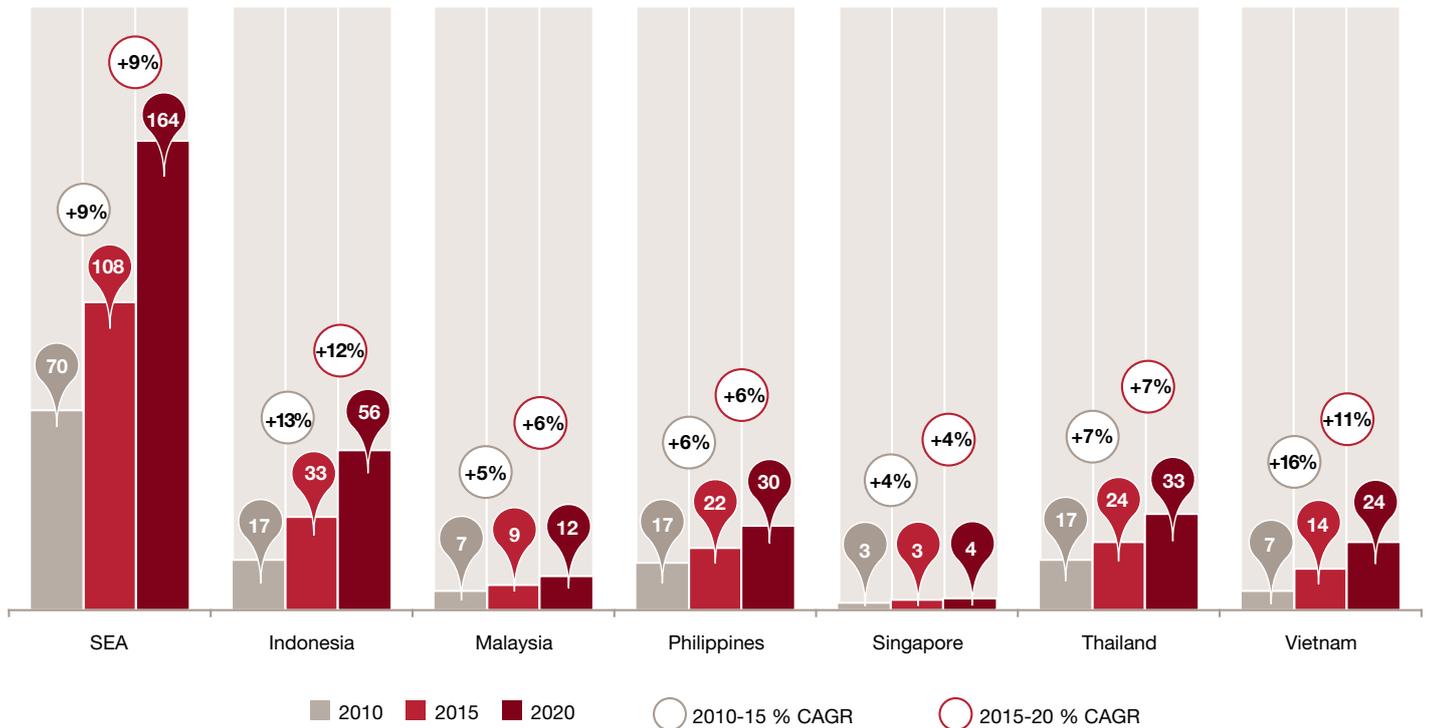
670 million people

53% urban population

US\$165 billion
on packaged food and drink

Source: IMF, Oxford Economics, BMI and PwC Analysis

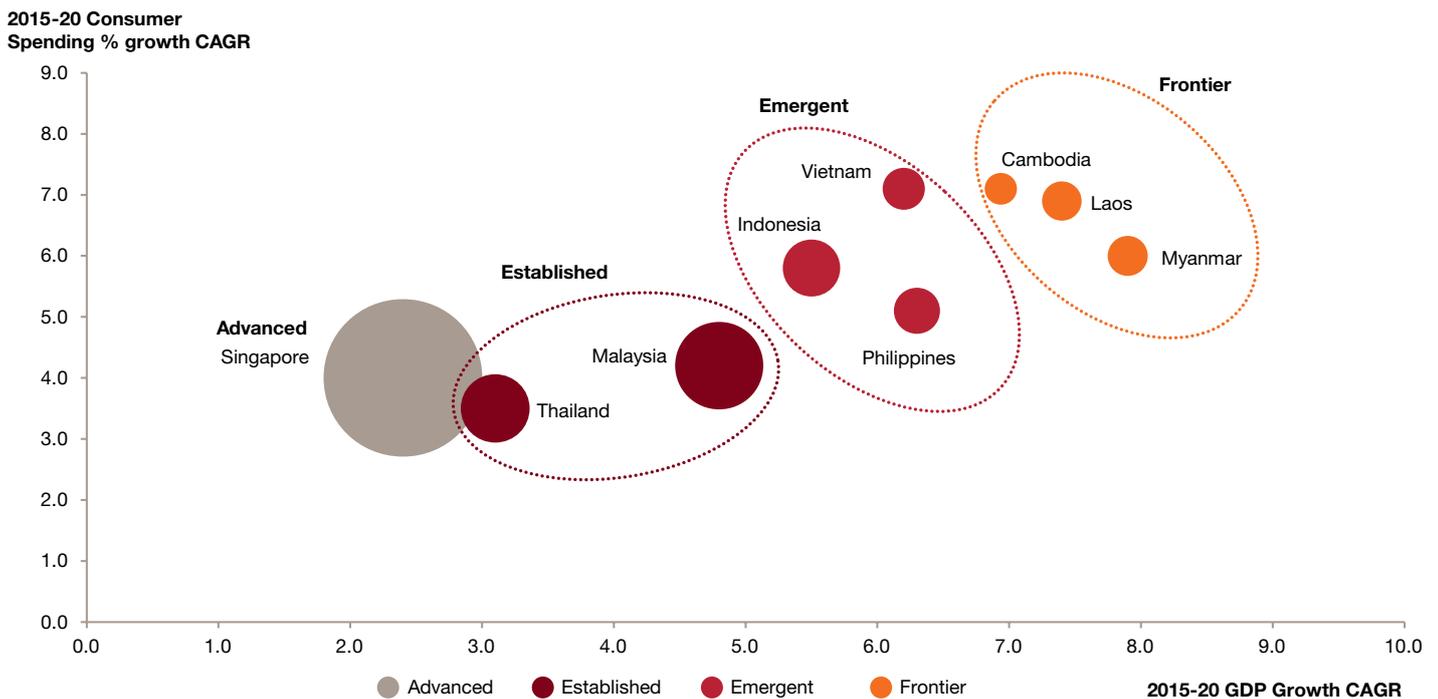
Figure 2: SEA packaged food and drink industry registers stronger CAGR over 2015-20
Packaged food and drink sales, 2010–20, US\$ billion



Source: Euromonitor

While SEA exhibits high growth potential, the individual countries within it are diverse and sit at different stages of the economic, consumer spending and grocery retail spectrum (see Figure 3). We have identified four clusters of countries in Southeast Asia, based on expected growth in GDP and consumer spending in 2020.

Figure 3: Southeast Asia diverse in development
2015–20 GDP growth CAGR vs consumers' spending growth CAGR



Note: Bubble size = 2015 GDP per capita (PPP), US\$
Source: IMF, Oxford Economics and PwC Analysis



Advanced

Singapore, with its 100% urban population and stable political climate, is the region's most advanced economy. Average GDP growth is expected at 2.4%¹ while household spending is set to reach 6.5% CAGR over 2015–20.²

Despite being a developed market, Singapore is still attractive for packaged food and drink manufacturers. The Singapore government continues to invest in infrastructure to boost research and development activities with the aim of establishing the city-state as a regional business hub of choice for businesses operating in SEA. Singapore is also actively moving up the manufacturing chain for value-added services instead of grappling for companies' interests to produce locally.

Coca-Cola Singapore Beverages announced the shift of its bottling operations from Singapore to Malaysia, with its manufacturing plant in Singapore to close by February 2016. Despite this, the company will retain its value-added services, including research and development, in Singapore with a further investment of US\$100 million to align with the country's economic vision.³



Established

Political concerns together with the move to rationalise subsidies and introduce the Goods & Service Tax (GST) have led to a dip in consumer confidence and spending in Malaysia. Household debt to GDP was close to 90% in 2015⁴ occupied by housing loans, auto loans and credit card spending. In addition, news of alleged corruption involving a state investment fund, coupled with the fall in oil prices and the fallout of the devaluation of China's yuan were a perfect storm that led to the freefall of the Malaysian Ringgit, which hit a 17-year low of close to RM4.00 against the US dollar.⁵ Despite these challenges, packaged food and drink consumption is upbeat with 5.8% CAGR expected over 2015 to 2020 (see Figure 2).

In Thailand, the military government seized power in 2014 but has yet to put the economy back on track. Foreign investments reportedly fell 78% during January – November 2015 versus the same period last year to just 93.8 billion baht (US\$2.6 billion).⁶ However, Thailand's economy is likely to pick up speed over the mid-term with GDP growth averaging 3.1% over 2015 to 2020¹ and packaged food and drink at 7.1% CAGR (see Figure 2).

Emergent

Vietnam is known to be the rising star in Southeast Asia, with 2015 GDP growth standing at 6.7%.¹ It will continue to be resilient, despite slower growth expected through 2020.¹ Development in several areas including domestic demand, foreign direct investment and exports will be the key contributor to Vietnam's growth through 2020, though fiscal consolidation and structural reforms such as privatisation of state-owned enterprises, including beer manufacturing, are still crucial to minimise risks. Packaged food and drink sales are to see a similar trend, where they are slated to gain 10.9% CAGR over 2015 to 2020, the second strongest pace within SEA (see Figure 2), benefiting from demographic dynamics, changing consumer lifestyles and rising household incomes.

Indonesia, the greatly hyped star in SEA during the late 2000s, started to dim following the 2012 economic recession, as its GDP growth slowed for the fourth consecutive year in 2015.¹ That said, a boost in infrastructure investment and efforts to spur private investment, such as the opening up of sectors related to tourism for 100% foreign investment, will continue to make the country appealing, with GDP growth trend set to edge upwards from 2016.¹ Its packaged food and drink sales will also see the fastest growth within SEA at 11.5% CAGR over 2015 to 2020 (see Figure 2), alongside the attractive consumer demographics, which also creates an opportunity for premium and innovative products to be marketed to middle to high income consumers.

The Philippines is one of the strongest performers in SEA, with 5.8% GDP growth in 2015 and continued upward projection through 2020.¹ Its strong business process outsourcing industry and remittance inflows amounting to 10% of GDP⁷ continue to boost domestic demand that successfully offsets the effect of a decline in net exports. 2016 witnessed the presidential elections, with related spending benefiting the economy. Newly-elected president Rodrigo Duterte has stated that he will continue the economic policies from the Aquino administration, focus on fighting crime and corruption and boost infrastructure development to ensure continued economic growth for the Philippines.⁸

Frontier

Myanmar, Cambodia and Laos remain the smallest and least open economies in SEA. This is changing, however, as leaders in these countries open their doors to the international world in the hope of moving up the ranks of development within SEA.

Myanmar, a country rich in natural resources including oil, natural gas and gems, has been under the strongest spotlight globally in recent years, as the country quickly advances in economic reforms and successfully draws foreign direct investments. Results were evident as 2015 GDP growth stood at 7.2%, the strongest in SEA, while Myanmar's growth pace is set to accelerate to 7.9% CAGR over 2015 to 2020.¹ Good macroeconomic management is required, however, to ensure that the country can fully capitalise on its opportunities in the global environment, particularly targeted investments and creation of work opportunities for young people, given that Myanmar's working age population stands at 76% of the total.⁹ International packaged food and drink manufacturers are still reserved in advancing with Myanmar given the market's infancy, which makes it expensive to serve, resulting in almost nil margins.

Cambodia and Laos are growing from a low base while still requiring strong infrastructure investment to support economic liberalisation. Foreign investors seeking to enter these two countries will need to be prepared to invest in building in-depth local knowledge through on-the-ground experience to ensure that they are exploiting the correct opportunities and able to reap the returns on investments.

While SEA exhibits high growth potential for industries from retail and consumer to manufacturing, packaged food and drink manufacturers and grocery retailers – and foreign entrants in particular – have to acknowledge the uneven developments in this region. In-depth understanding of the complexities in each country is crucial to continued success of their opportunities through 2020. It is expected that the top six countries within the Advanced, Established and Emergent categories will continue to contribute significantly to the packaged food and drink sector in SEA.

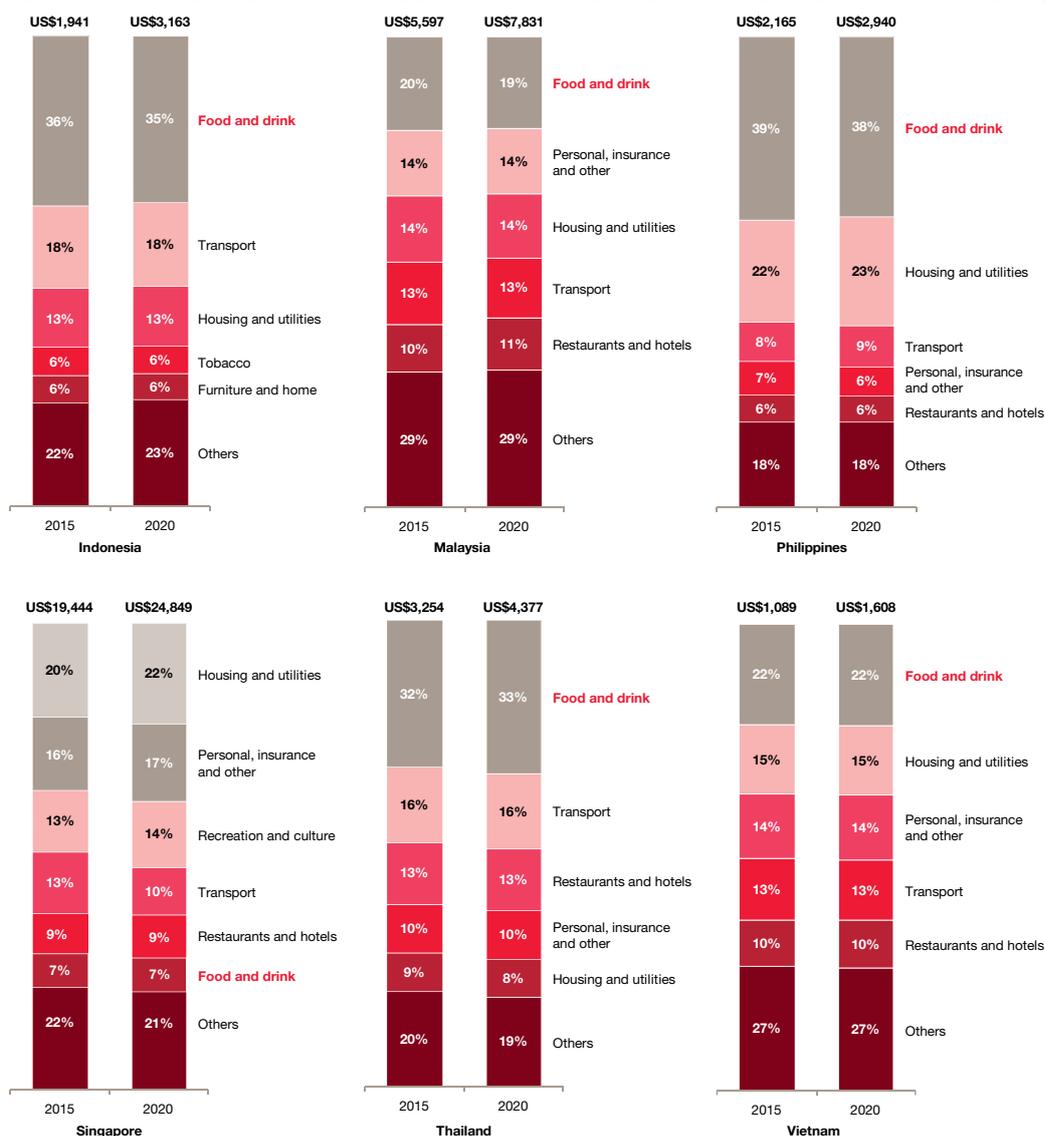
With this in mind, PwC's Growth Markets Centre conducted in-depth research and interviewed key manufacturers as well as retailers across Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam, to gain insights into consumers and the sector's dynamics. For the purpose of this report, these six countries will be termed as ASEAN-6.

ASEAN-6's growing appetite

Expenditure on food and drink remains the largest single category of consumer spending in ASEAN-6 excluding Singapore through 2020 (see Figure 4). The region's favourable demographic base and rising affluence makes it a prime and rich market for packaged food and drink players.



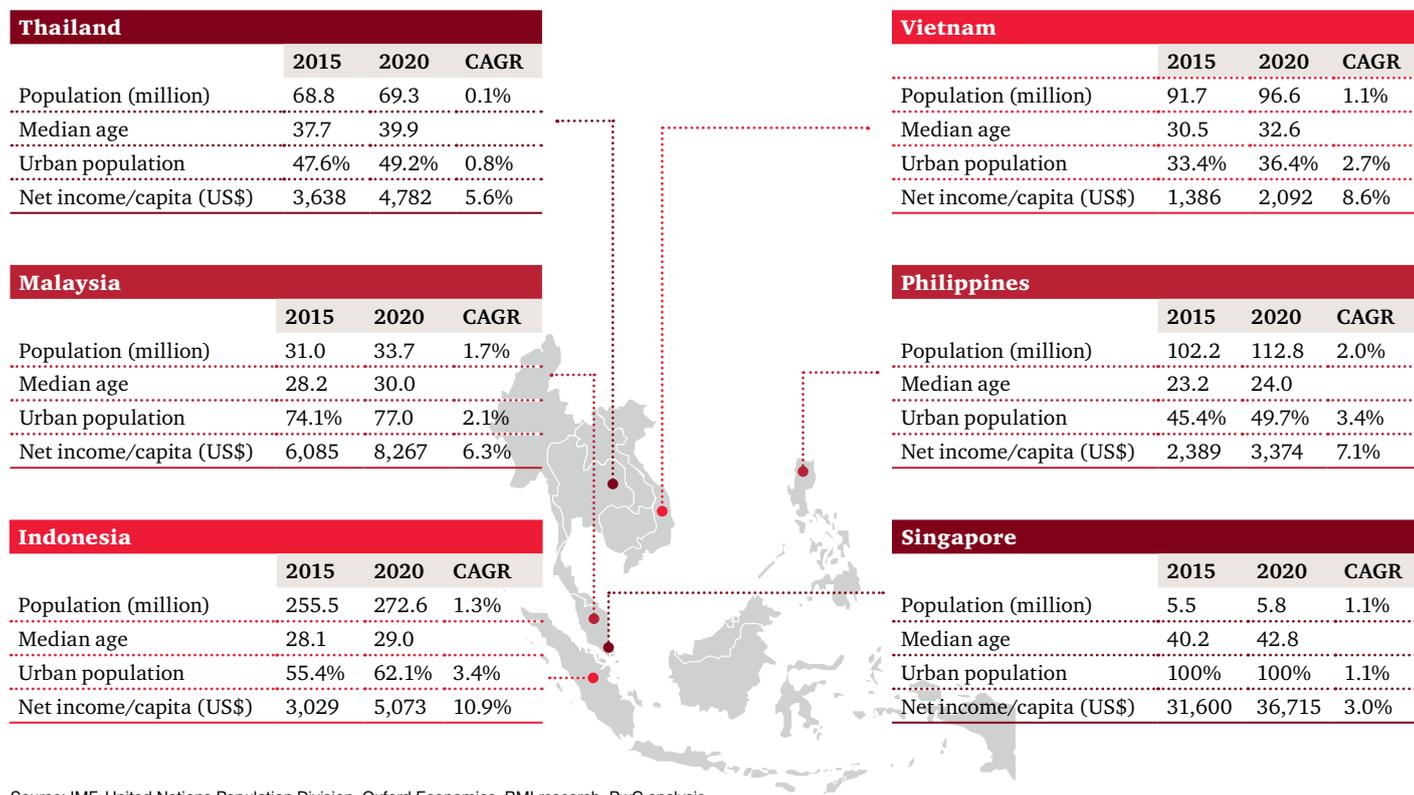
Figure 4: Food and drink integral in ASEAN-6 consumer spending
Major categories in consumer spending, 2015 vs 2020



Note: Food and drink include fresh food and foodservice
Source: Oxford Economics, BMI Research, PwC Analysis

Net income per capita CAGR through 2020 is on an upward trajectory across the six economies examined in this report (see Figure 5). The urban landscape is growing rapidly with more than enough opportunities for firms to explore various route-to-market models and experiment on innovative products.

Figure 5: Overview of ASEAN-6 consumers
Key indicators, 2015 vs 2020



Source: IMF, United Nations Population Division, Oxford Economics, BMI research, PwC analysis

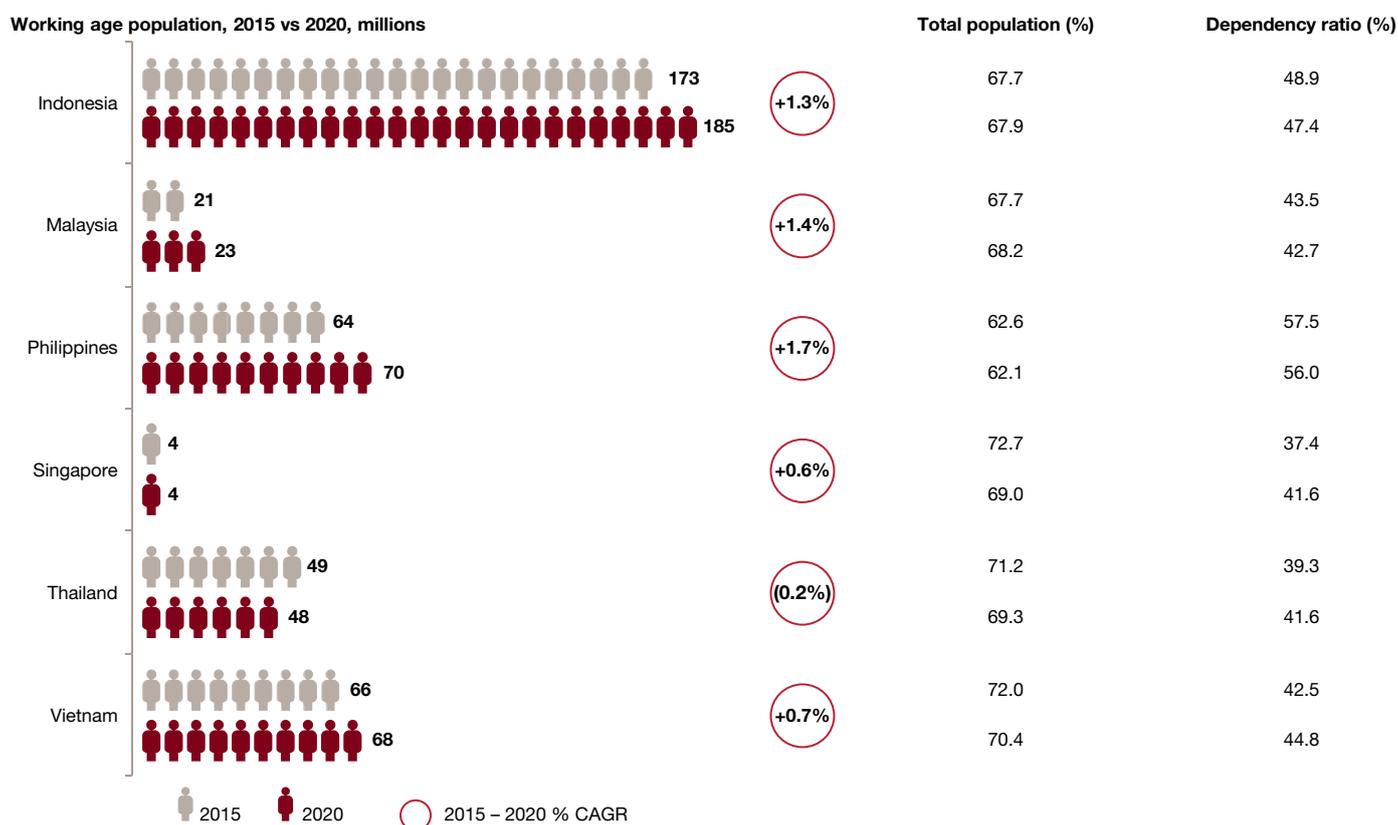


Young demographics

Medium-term growth in the ASEAN-6's packaged food and drink industry will be underpinned by the region's dynamic demographics. ASEAN-6 consumers on average will remain a youthful group with a median age close to 30 years by 2020. The population is expected to grow to 591 million people by 2020 or 1.3% annually.¹ Most of this growth will come from the Philippines and Malaysia, where cultural attitudes toward childbearing remain strong.

The increase in population will also broaden the size of ASEAN-6's working-class population. Across the region, it is expected that some 20 million people will enter the workforce between 2015 and 2020, with the share of workers reaching 67% of the total population (see Figure 6). This in turn benefits the net income per capita as well as the dependency ratio, which fell from 49.3% in 2010 to 47.4% in 2020 (see Figure 6), translating to a lower burden on the labour force and better disposable incomes. This dynamism is guaranteed to benefit packaged food and drink players, with a large market base of mainly young consumers keen to explore new tastes that accompany their increased spending power.

Figure 6: Young labour force in ASEAN-6
Working age population vs age-dependency ratio, 2015 vs 2020



Source: Oxford Economics, PwC analysis

Continued urbanisation

The region is also set to witness a boom in urbanisation alongside the economic development. The share of urban dwellers remained below 50% in 2015, but this is expected to change with urbanisation rates averaging 2.9% CAGR through 2020, outpacing that of total population growth.⁹ Urbanisation will be strongest in the Philippines and Indonesia with their urban populations set to grow by 3.4% annually up to 2020 (see Figure 5).

The urban story for ASEAN-6 will no longer be restricted to key primate cities such as Bangkok, Manila, Jakarta and Yangon and will fast spread to provincial regions and hinterlands. The Thai government for instance, launched a regional economic development plan called 'Return Happiness to the People' in January 2015 to establish 10 special economic zones (SEZs) in secondary cities including Chiang Rai, Tak and Songkhla to spur economic activity.¹⁰

These shifts will see more consumers establishing their roots beyond the main cities, thereby creating opportunities for packaged food and drink manufacturers and retailers to expand their domestic reach. While companies are keen to seize first-mover advantage in secondary cities, they will definitely have to think again about whether a different route-to-market is required vis-a-vis the primate cities.

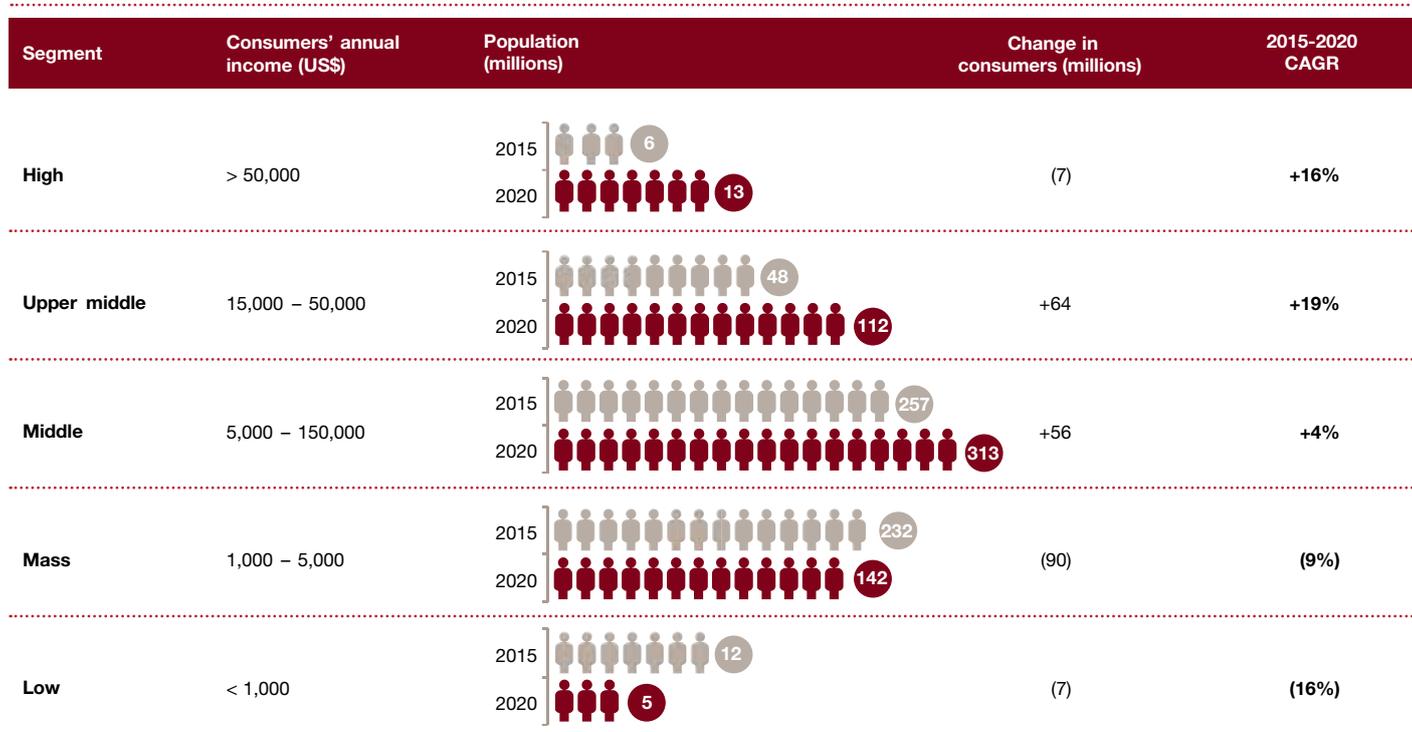
Growing wealth

Continued urbanisation in ASEAN-6 coupled with a growing working age population boosts consumers' affluence, as net income per capita will rise at more than 5% CAGR over 2015 to 2020 across the region except for Singapore.² A sizeable number of people from the low and mass income segments are expected to join the ranks of the middle class over the remaining decade, as evident from the total drop in both segments by close to 100 million consumers (see Figure 7).

The middle income segment constitutes the largest group of consumers and will continue to grow at 4% CAGR through 2020 to reach 313 million people. In addition, the number of people classified as upper middle income will approach 112 million consumers by 2020, buoyed by breakneck growth of 19% CAGR (see Figure 7). Both segments will thus make the middle class consumer an irresistible target in ASEAN-6 through 2020.

Growing affluence with urbanisation and falling dependency ratio will shape ASEAN-6 consumers' expectations of packaged food and drink through 2020. Already, food and drink account for 30% of consumer spending in the region (see Figure 4) and with purchasing powers set to grow exponentially, this will result in the emergence of micro-segmentation.

Figure 7: ASEAN-6 middle class opportunity
Consumers' annual net income by segment, 2015 vs 2020



Source: BMI Research, PwC Analysis

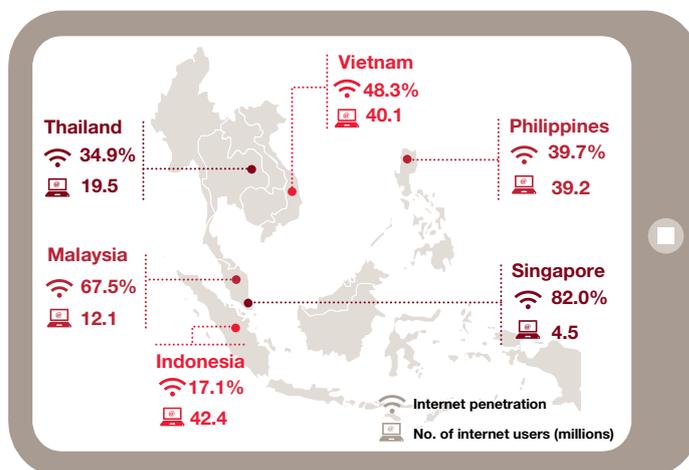
Increasing hyperconnectivity

Despite low internet penetration rates in ASEAN-6 except Singapore (see Figure 8), the web has definitely disrupted consumer behaviour when engaging with companies. The proliferation of the internet has driven consumers' appetite to access information via multiple sources and take a more active part in their own decision journey, which increasingly cuts across different channels.

The region's number of smartphone users is sizeable at 135 million in 2015, despite varying penetration rates in individual countries: with Vietnam lowest at 36.2% compared to 85.2% in Singapore (see Figure 9). That said, the availability of affordable smartphones and service plans will continue to support the expected 11% CAGR in ASEAN-6 smartphone users.

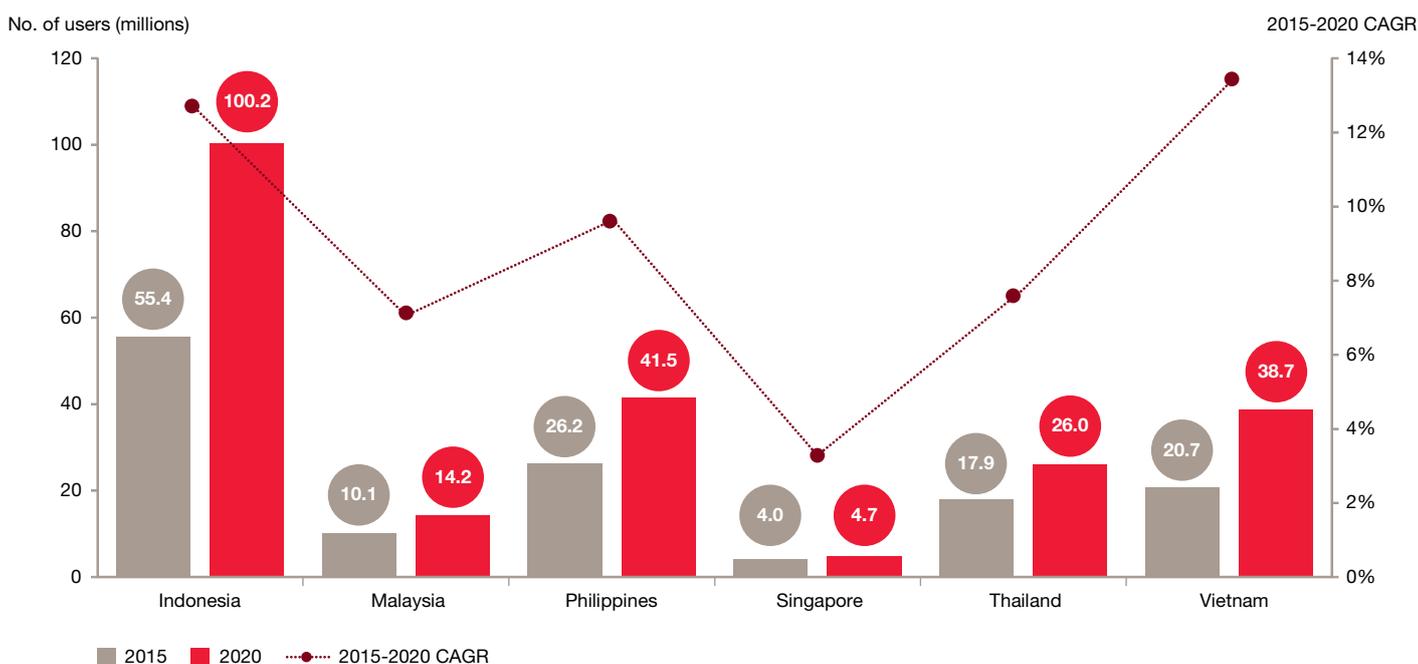
Rapid adoption of smartphones will continue to boost internet access rates in ASEAN-6 through 2020, driving consumers to bypass the stage of using personal computers to access the internet, social media and other digital platforms. Consequently, consumers across the region are more than eager to use their smartphone for multi purposes beyond the basic functions, resulting in high digital adoption in ASEAN-6.

Figure 8: Low internet penetration in ASEAN-6 brings huge growth potential



Source: World Bank, CIA Factbook

Figure 9: ASEAN-6 smartphone adoption to continue strong growth



Source: eMarketer, PwC Analysis



The evolving customer journey

With exciting changes in the macroeconomic environment expected between 2015 and 2020, there is also a rapid transition in consumer needs and expectations, which companies need to closely track and address. The diverse market maturities and varying cultures within the region add an extra layer of complexity. To decipher the implications of these changes in consumer behaviour over the next three to five years, firms in the food and drink sector first need to focus on understanding the shifts in the consumer's decision journey, motivations and underlying needs; we present an initial point of view on these in the following sections.

Evolution of ASEAN-6 consumers' decision journey

The ASEAN-6 consumer's decision journey in packaged food and drink, spanning from discovery to engagement and transaction, has historically been thought to be a linear process or funnel approach (see Figure 10), which basically assumes that customers start by discovering a selection of brands, evaluate them and finally select the brand or product to purchase and where to purchase.

The increased use of technology will add another dimension to how ASEAN-6 consumers select their purchases of packaged food and drink. Consumers want to more actively partake in the decision-making journey, from searching for what they want, comparing prices, finding the best deals, deciding when and where to buy and how the product should be delivered to how they share their feedback. Technology is slowly disrupting the traditional linear journey and making it increasingly complex and even confusing (albeit integrated) in that decision steps may happen at any juncture or certain steps may even be skipped (see Figure 10).

This advancement and complexity in ASEAN-6 consumers' decision journey highlights the need for packaged food and drink players to capitalise on technologies, be proactive and adopt a customer-centric mind-set throughout their organisations. Companies can no longer apply a linear timeline to each step of the typical consumer's decision journey or just push out messages at the top of the funnel and cruise through the journey to final purchase. Rather they need to invest to learn the intricacies of each ASEAN-6 country and the multi-faceted purchasing decision process to anticipate how long a consumer will stay in each step at a time. This can then allow them to create value and shape the consumer's decision journey by constantly engaging with them at every touchpoint.

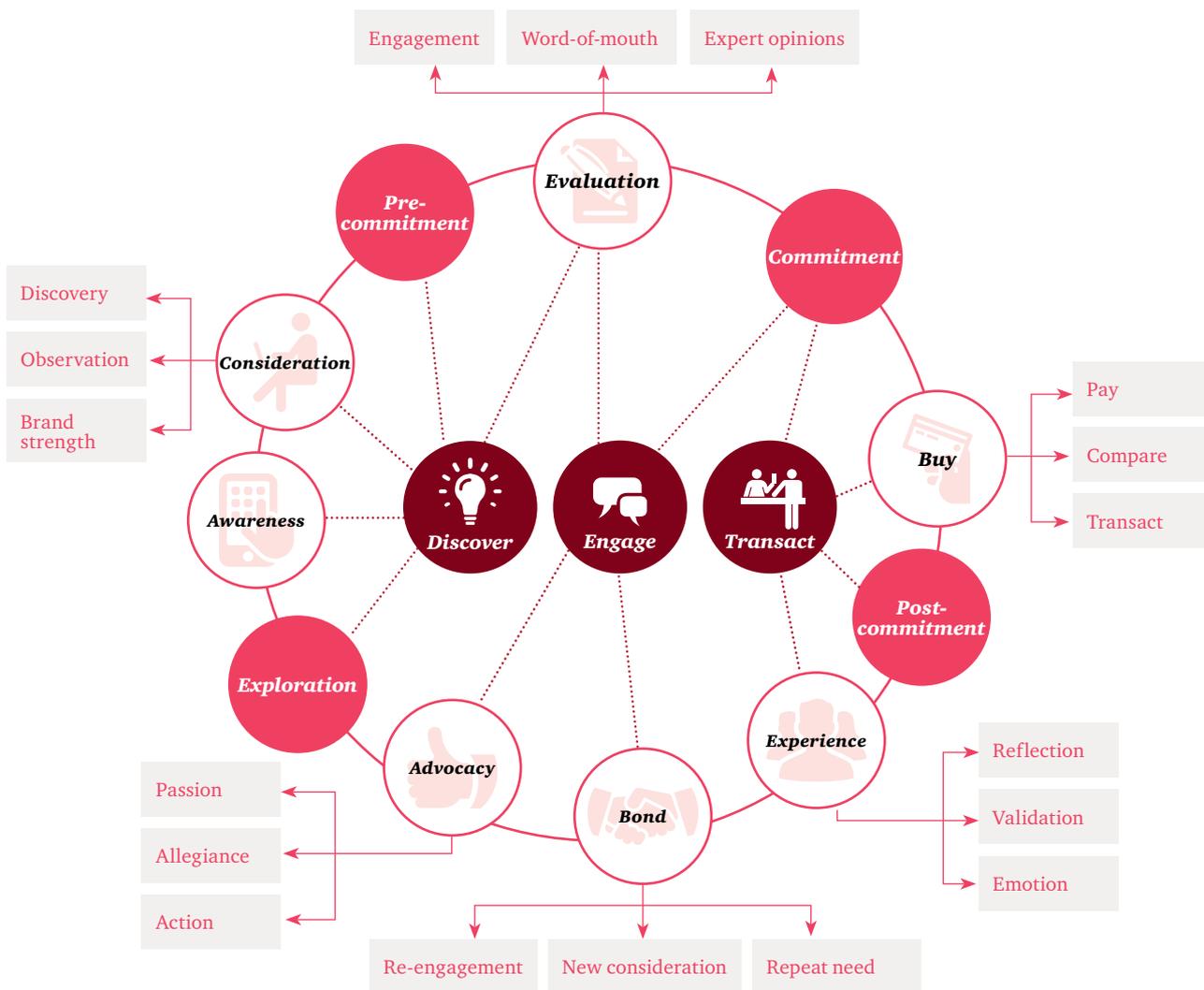


Figure 10: Consumers' decision journey no longer linear

Consumers' decision journey v1.0



Consumers' decision journey v2.0



Source: PwC Analysis

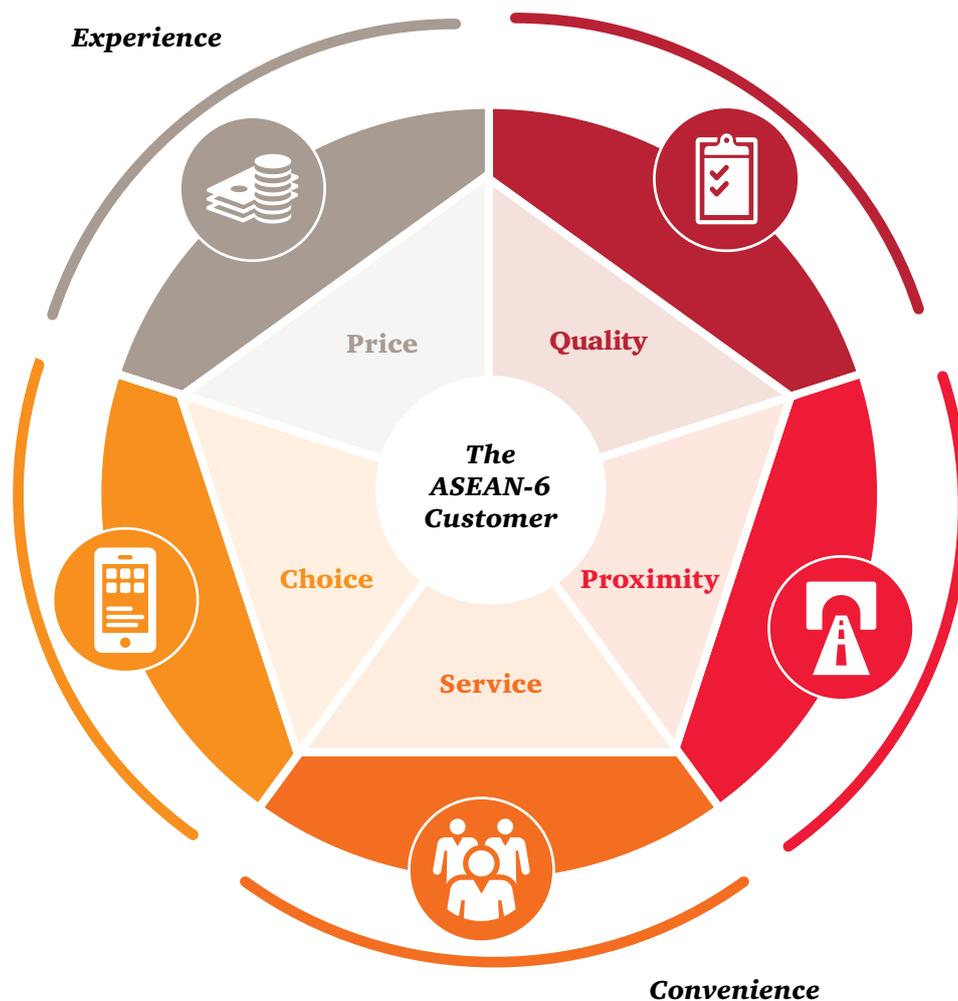
Just as we have established the increasingly integrated and complex ASEAN-6 consumer's decision journey, we now need to start understanding the customer's point of view from their needs' perspective. The latter will drive the choice of format in which they buy packaged food and drink, thus impacting the strategy that manufacturers need to understand for each format.

ASEAN-6 consumers' needs

Based on our research and industry discussions, we have identified a set of key needs that are important to ASEAN-6 consumers. These attributes vary according to the occasion, and their relative importance is fast evolving alongside urbanisation in this region, the growing wealth of consumers and the availability of technology. These are identified as

Price, Quality, Proximity, Service and Choice, all of which packaged food and drink players should fulfil in order to provide consumers with the ultimate convenience and experience through 2020 (see Figure 11). These needs are, of course, fundamental in nature, and have been integral aspects of consumer behaviour for many years. The difference today is to understand how the customer expects these needs to be fulfilled in the era of digital connectivity and modern retail formats.

Figure 11: Needs of the typical ASEAN-6 customer



Source: PwC Analysis



A. Low price and value for money

Price level plays a big role in consumers' decisions on packaged food and drink, from the brand selection through to the purchase channel. It is worth understanding that decision making among

ASEAN-6 consumers centres around two focal points: a desire for low price, and a similar desire to get the best value per dollar spent.

For local manufacturers, the penchant for low price has given them the opportunity to fill the gap between what premium brands could offer and what consumers are willing to pay. Matching the demand for low prices has allowed local packaged food and drink manufacturers in developing ASEAN-6 countries to gain a stronger foothold in packaged food and drink, by undercutting the prices offered by international players, which typically charge a premium for the perceived superior quality.

The importance of low prices to consumers in developing ASEAN-6 countries in view of affordability has also been acknowledged in retailers' strategies. Modern retailers have been competing to communicate the concept of low price and value to ASEAN-6 consumers over the past years, in order to gain a stronger foothold versus traditional retailers. Expansion of modern retailers in various ASEAN-6 countries also supports their ability to do so, given their stronger bargaining power over suppliers which allows them to secure better margins than traditional players. Modern retailers also establish weekly or even more frequent promotions featuring special prices for selected products to strengthen this perception, which successfully attract many ASEAN-6 consumers to visit supermarkets and hypermarkets weekly for bulk and top-up purchases.

B. Quality equates to fresh

Widespread availability of traditional fresh food retailers in ASEAN-6, including those at wet markets, has pampered consumers over the past decades, in that they are able to buy the produce in the morning to consume the same day. This 'fresh' concept has since spilled over to packaged food and drink, whereby ASEAN-6 consumers continue to associate freshness with quality, impacting their choice of channels.

Modern grocery retailers have noted this behaviour and thus ensured that fresh food is included as part of their portfolio in order to attract traffic flow into the store, where consumers appreciate the one-stop shopping convenience. Consumers' rising concerns about food safety further benefit modern grocery retailers in this arena, as they increasingly prefer to shop in larger stores for fresh produce, due to the perception that it will be handled more safely than at traditional retailers.



An example is Floridina Orange by Indonesian player Wings Food, which was launched in 2013 and was priced at US\$0.20 (Rp2,700) for 360ml. This was almost half the price of renowned international brand Minute Maid Pulpy Orange from Coca-Cola Amatil Indonesia, which cost US\$0.37 (Rp4,900) but was popular among the upper mass segment and above given the content of real orange pulp. Wings Food observed the gap and adopted a low-priced strategy for Floridina Orange, which saw the brand overtaking Minute Maid to be the third leading player in Juice during 2015.¹¹



“Fresh is a big thing in Southeast Asia. Consumers buy the products today and will consume them tomorrow.”

Chandrashekar Mundlay
 CEO of Beverage Division,
 Suntory Beverage and Food Asia Pte Ltd



C. Proximity for instant gratification

Lack of proximity is a key deterrent for widespread consumer acceptance of supermarkets and hypermarkets in ASEAN-6 over the past decades, as they lack convenience for impulse purchases. This is contrary to traditional retailers, which are

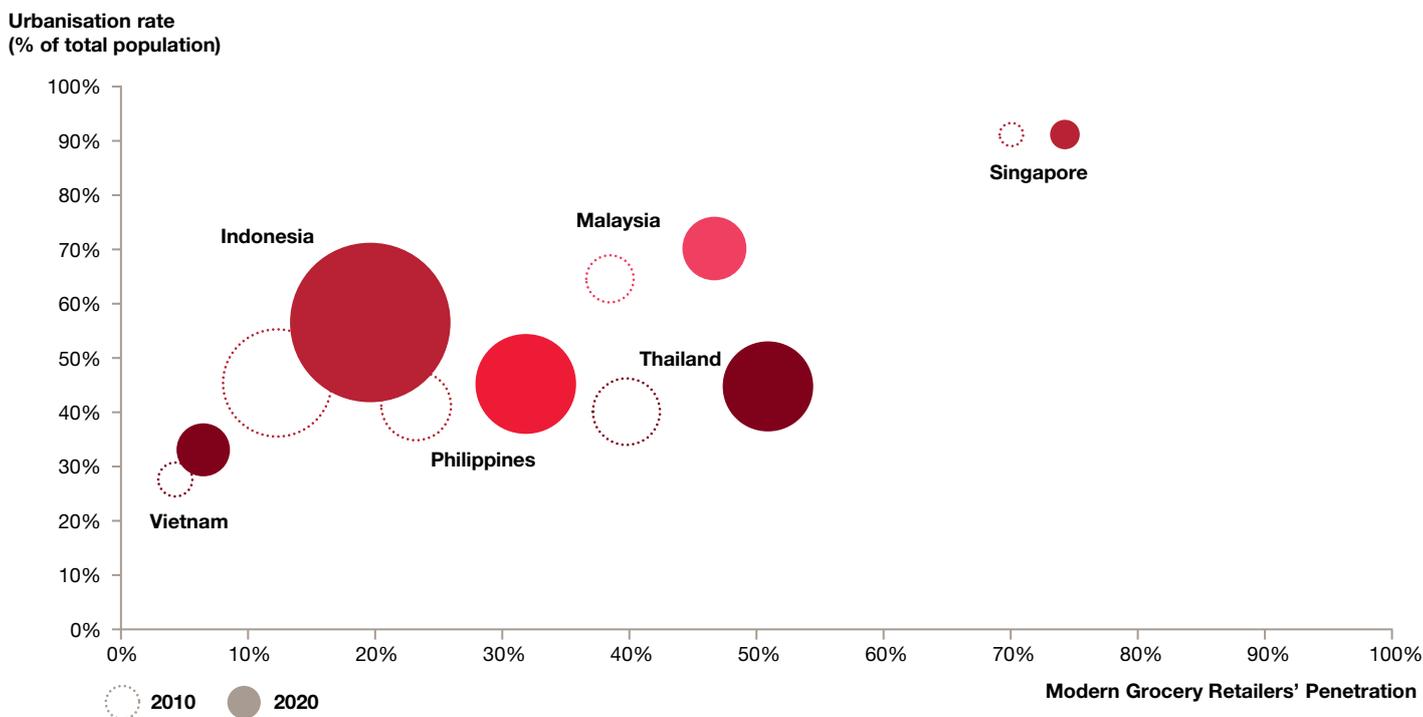
conveniently located in local neighbourhoods and adequately support consumers' impulse purchases as they can easily pick up urgent top-up purchases or grab the products they need and be on the move.

Underdevelopment of infrastructure in many ASEAN-6 countries benefited traditional retailers in previous decades, as consumers like to have the ability to call the nearest traditional grocery retailer to order packaged food and drink and enjoy free delivery to their doorsteps or simply to park in front of a traditional grocery retailer, quickly grab what they need and then be on the move. By contrast, the inconvenience of having to drive a distance to the hypermarket and then find a car park before being able to shop tends to limit their visits to once a week or even less often, mainly for routine purchases or to shop for special occasions.

Good store accessibility is thus essential for modern grocery retailers to grow customer count going forward. The good news is that there is confirmation that urbanisation correlates with a higher penetration of modern grocery retailers (see Figure 12), as showcased by Singapore's 100% urbanisation rate and high 72% modern grocery retail penetration, illustrating the opportunity for modern grocery retailers to gain proximity to consumers. Consequently, modern grocery retailers exhibit strong growth potential in Vietnam, Indonesia and the Philippines over the period from 2010 to 2020, given the infrastructure improvement and development of secondary cities.

Figure 12: Direct correlation of urbanisation and modern retail penetration in ASEAN-6

Urbanisation vs modern grocery retailers' penetration – sales, 2010 – 2020



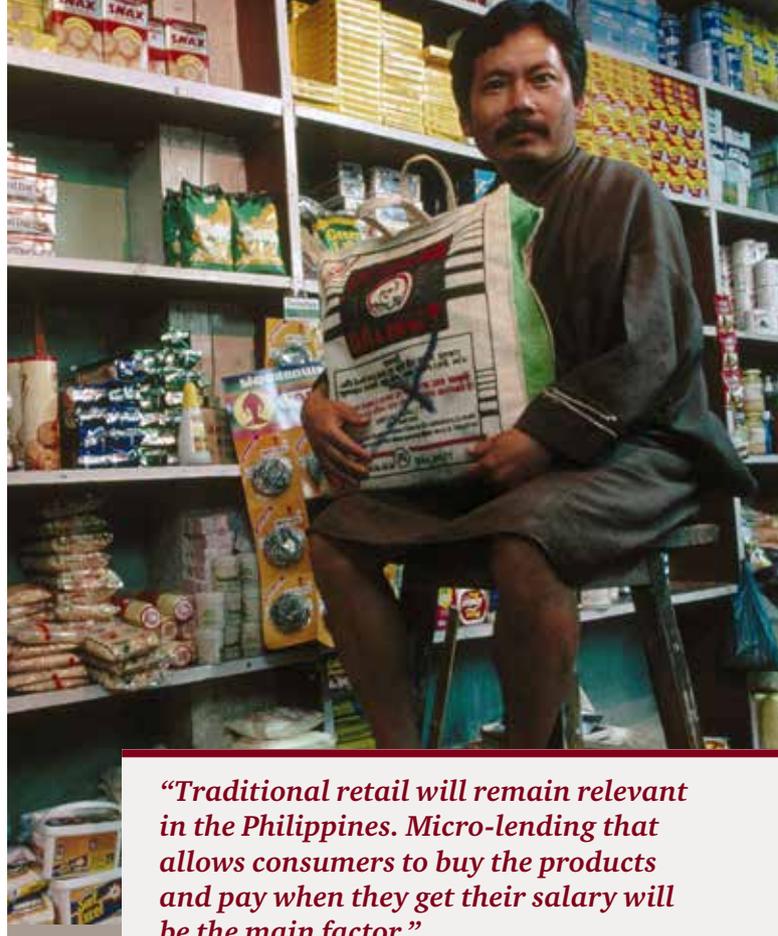
Note: Bubble size = Packaged food and drink market size, US\$ billion
 Source: Oxford Economics, BMI Research, Euromonitor

D. Balance of service and personal relationship

Customer retention is becoming crucial, given the increasingly complex consumer decision journey that will see packaged food and drink players trying to lock customers into the loyalty loop to minimise complications. Modern grocery retailers provide a conducive shopping environment, including good customer service and consumer loyalty programmes, key to grabbing the interests of urban consumers. Despite the offering of loyalty programmes, the lack of personal relationships remains a threat for modern retailers in gaining full traction within ASEAN-6, as consumers here enjoy the personal touch and engagement with traditional grocers.



Personal relationships between shop owners and customers have constituted a strong foundation for traditional grocery retailers in ASEAN-6 over the decades. Many consumers were reliant on shop owners' recommendations for brands and products, as the small store sizes restrict consumers' ability to enter the shop and browse for themselves. Strong relationships also mean that these individual grocery retailers are often willing to offer special discounts to selected consumers. Many even extend micro-lending, whereby consumers can pick up the products first and pay later when they have the cash flow. This is a crucial advantage for low to mass income consumers in ASEAN-6, where quite a number are dealing with an unstable flow of income and cannot afford to buy in bulk.



“Traditional retail will remain relevant in the Philippines. Micro-lending that allows consumers to buy the products and pay when they get their salary will be the main factor.”

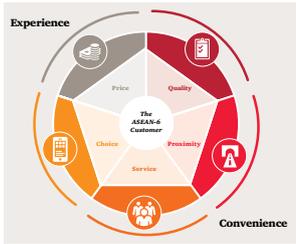
Daisy Sy
Assistant Vice-President of Merchandising,
Robinsons Supermarket



E. Paradox of choice

Improvement in ASEAN-6 consumers' disposable incomes increases their appetite for product variety and novel packaged food and drink. Consumers are no longer satisfied with the basics and are now willing to explore beyond what is given to them, which also creates an opportunity for foreign brands. Consequently, manufacturers and retailers fight to enlarge their product range to answer this quest from ASEAN-6 consumers, all in the hope of capturing the potential of this region.

However, the availability of choice is not always welcomed. Rising demand for convenience by the ASEAN-6 consumer makes choice a complicated need, especially for top-up/impulse purchases of packaged food and drink. On one hand, the consumer wants access to a variety of brands and options, but on the other limited time availability creates a preference for quickly grabbing the product and completing the purchase, instead of getting lost in a big hypermarket-like environment. Therefore the right balance of convenience vs. choice needs to be achieved to cater to the needs of the customer.



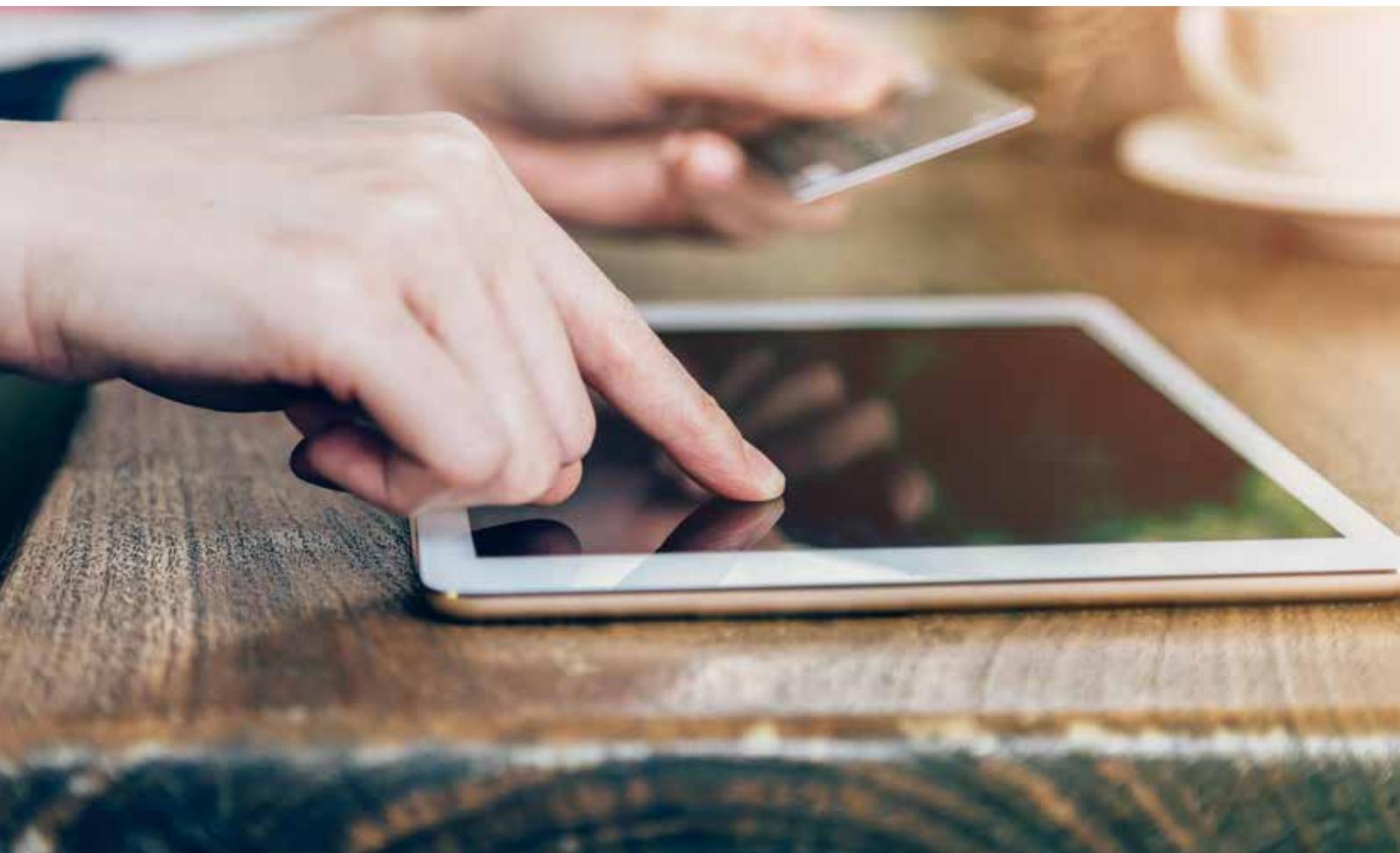
F. Convenience and seamless experience

The changing ASEAN-6 consumer dynamics – continued urbanisation, growing wealth, young demographics and hyperconnectivity sees the decision journey fast

unfolding to become highly complex. While identification of the top five ASEAN-6 consumer needs brings packaged food and drink players a step closer to them, the winning formula for them through 2020 is centred on the dual themes of convenience and a seamless experience for customers.

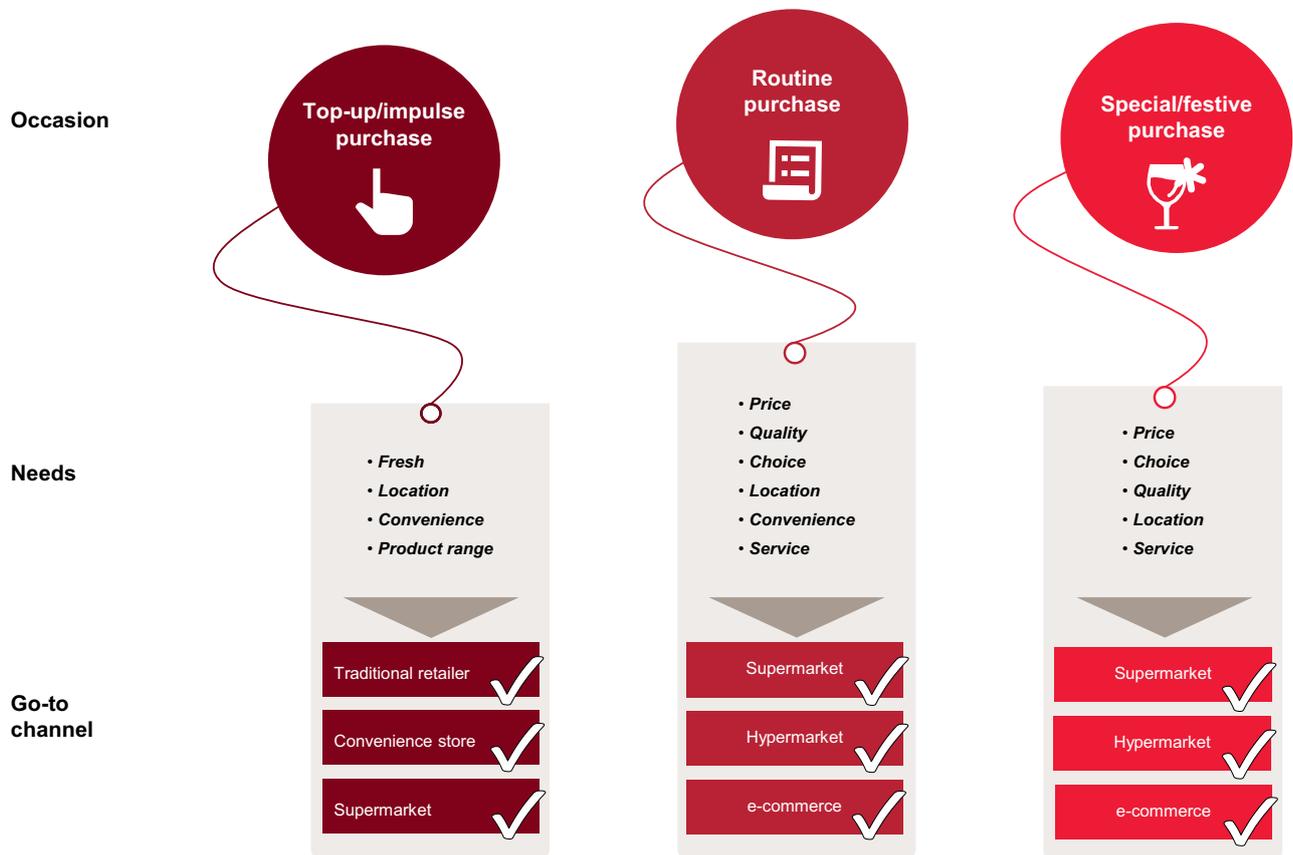
Convenience equates to time and effort efficiency, which will become more deeply integrated into ASEAN-6 consumers' daily lives. Changes in ASEAN-6 consumer shopping behaviour towards this direction have been gradual over the past few years, but have not gone unnoticed among packaged food and drink players. Packaged food and drink retailers have been prioritising convenience when innovating, therefore blurring the lines between formats.

The 'always on' ASEAN-6 customer also expects a connected and seamless experience across brand touch points and is increasingly seeking to make smarter decisions based on these interactions. Technology will thus be the crucial ingredient for the packaged food and drink industry to create this 'seamlessness'. Broaching the topic of technology will essentially begin with the adoption of a digital strategy, as digital plays an important role in addressing consumers' needs across their journey. However, embracing digital and technology will require a change in mindset and the ability to tailor the approach according to the local environment in each ASEAN-6 country, supported by the correct operating model to finally form a successful omnichannel strategy.



Overall, the six areas highlighted represent the primary requirements of the typical packaged food and drink consumer in ASEAN-6 countries. However, players should be aware that the relative importance of these needs varies significantly according to the occasion consumers are shopping for, and therefore affects their purchasing decision. An illustration of the changing importance of needs for different occasions is highlighted in Figure 13.

Figure 13: Occasion defines ASEAN-6 consumers' needs and format choice – an illustration



Source: PwC Analysis

The next logical question here is how can food and drink companies meet the changing needs of the new-age digital consumer in ASEAN-6. This requires organisations to understand their customers and their requirements in substantial detail and use the insights gained to deliver value. Some of the key levers to achieve this are discussed in the following section.

A digitally enabled omnichannel

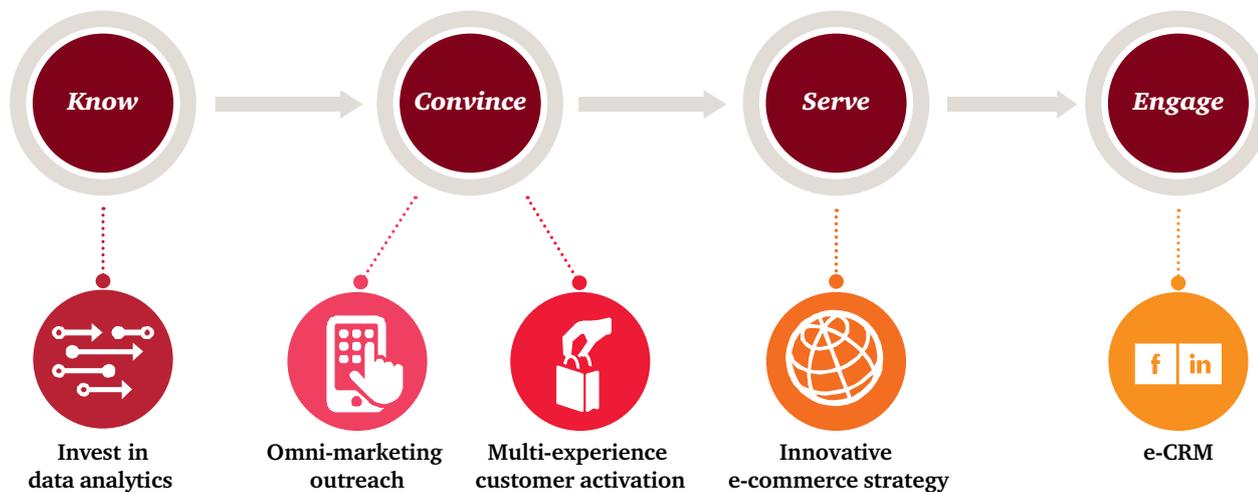
With rapidly evolving consumer needs and a complicated decision journey, it is becoming critical for packaged food and drink companies and retailers to better leverage digital technology to provide an enhanced omnichannel experience to the customer. Digital innovation can be utilised across various stages, from knowing the customer to convincing and serving them and finally engaging with them to create a seamless customer-centric experience across multiple occasions and areas of need.

Players will therefore need to focus on five key levers (see Figure 14) to better understand and cater to the evolving needs of their target consumer segments in ASEAN-6. These levers centre on the underlying themes of technology and innovation which have become increasingly critical in today's environment and are expected to gain further importance in the latter half of this decade.



Figure 14: Seamless customer experience in packaged food and drink retail
Key levers for creating a superior customer experience

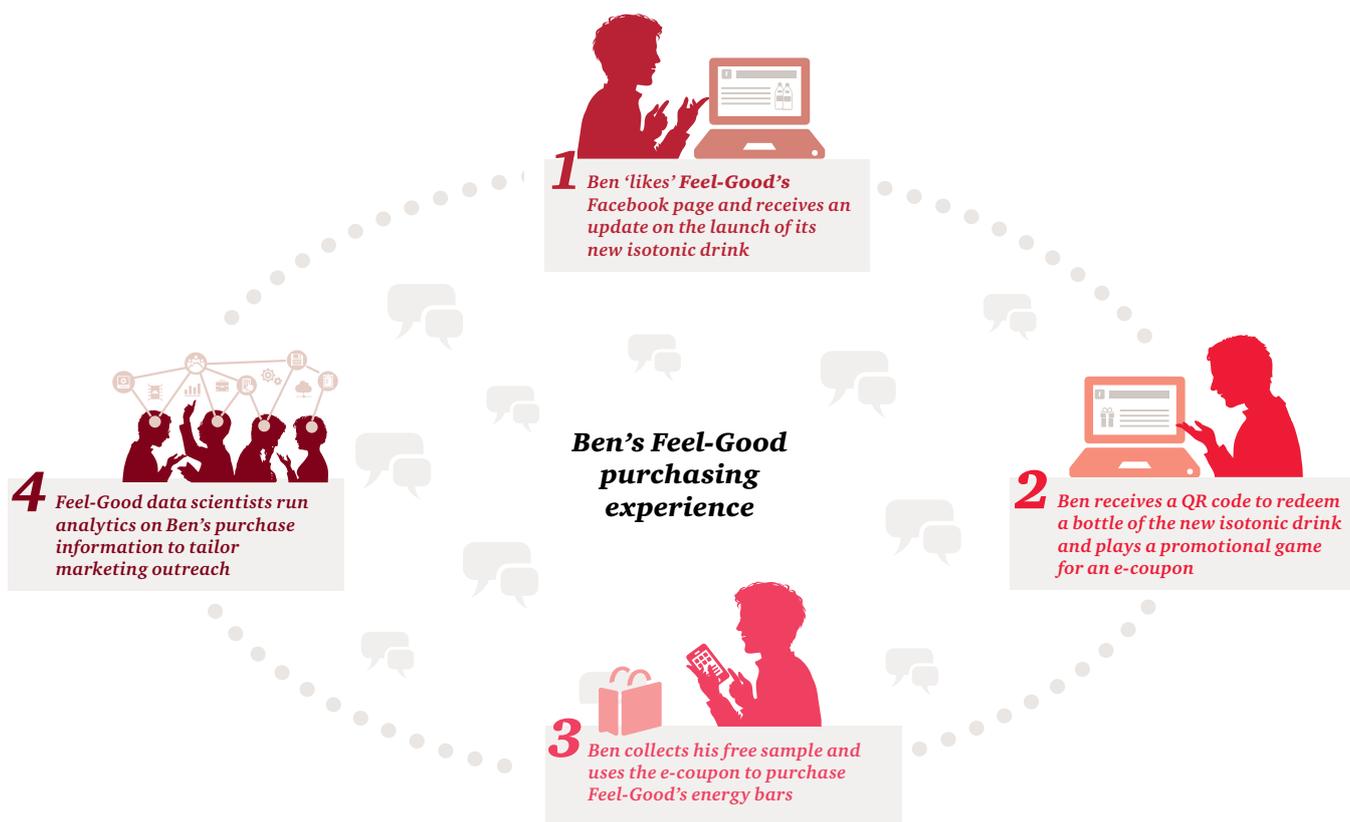
Understanding your customers' needs...

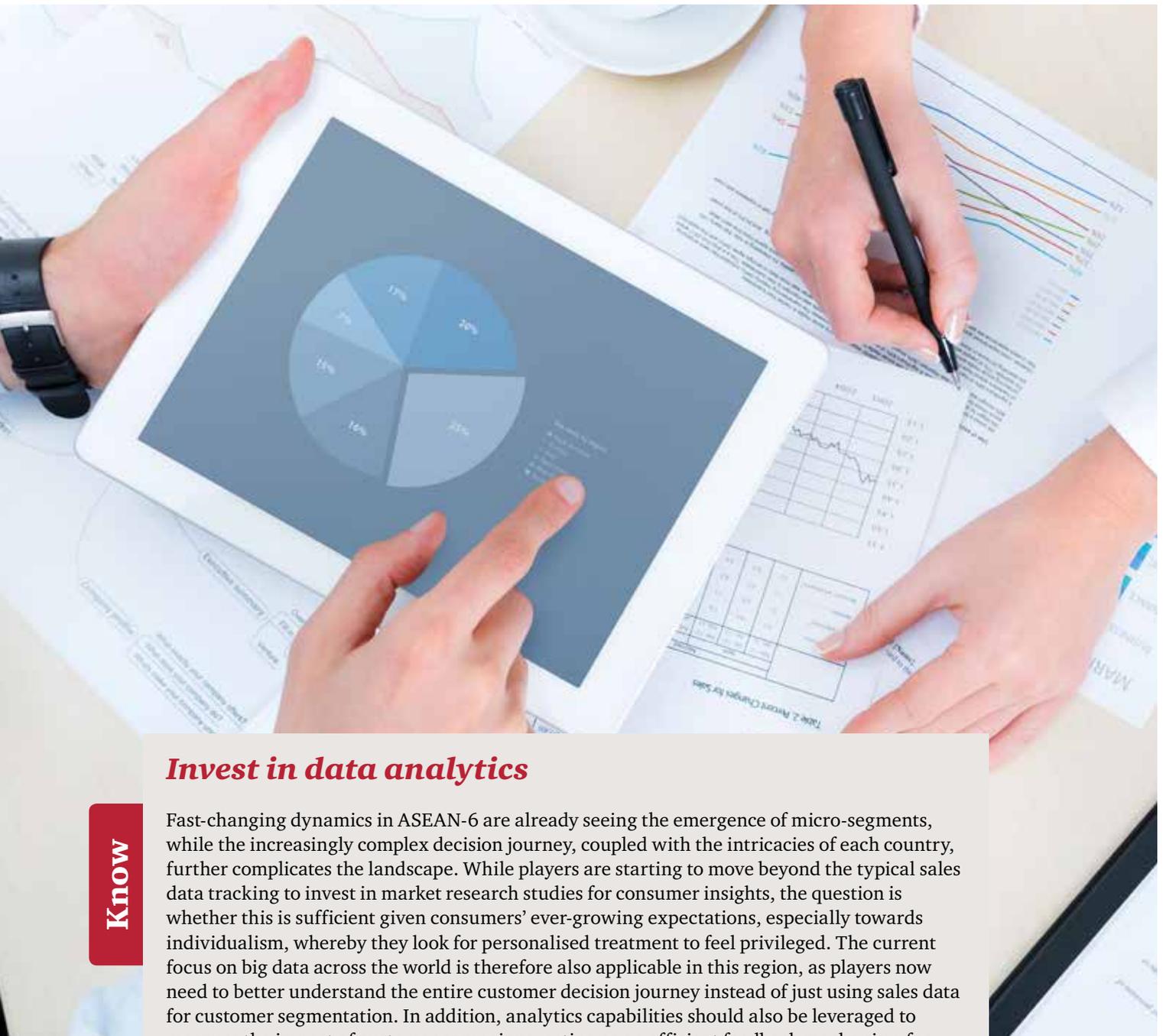


...to create the right experience for them.

To illustrate what the digitally enabled omnichannel experience might look like, we have developed a hypothetical example of Ben's experience with 'Feel Good', an imaginary company manufacturing energy bars and isotonic drink, which demonstrates how consumers are drawn to physical stores through mobile advertisements and QR codes to sample and eventually purchase products. Their in-store and consumption behaviour is then tracked and analysed by retailers and manufacturers, allowing them to segment their customers and market directly to target segments.

Figure 15: Hypothetical example of a digitally enabled omnichannel experience





Know

Invest in data analytics

Fast-changing dynamics in ASEAN-6 are already seeing the emergence of micro-segments, while the increasingly complex decision journey, coupled with the intricacies of each country, further complicates the landscape. While players are starting to move beyond the typical sales data tracking to invest in market research studies for consumer insights, the question is whether this is sufficient given consumers' ever-growing expectations, especially towards individualism, whereby they look for personalised treatment to feel privileged. The current focus on big data across the world is therefore also applicable in this region, as players now need to better understand the entire customer decision journey instead of just using sales data for customer segmentation. In addition, analytics capabilities should also be leveraged to measure the impact of customer campaigns, acting as an efficient feedback mechanism for companies to fine-tune marketing strategies and engagement programmes.

Overall, the immediate priority for packaged food and drink players in ASEAN-6 should be to build the required data collection infrastructure and then search for skilled data analytics professionals to help obtain meaningful insights and translate them into actionable recommendations. Modern grocery retailers will also have to collaborate with manufacturers to improve data sharing and transparency in order to create a winning strategy together.

An example of recent investment into data analytics is PT Lotte Mart in Indonesia, which seeks to maximise the potential of data collected to drive its rapid expansion plans.

“Lotte Mart realises the importance of data analytics in order to better segment customers and tailor communications accordingly. Therefore, we are now investing to develop our data analytics system, with Indonesia as the second country to have such infrastructure after Korea.”

Yoon Jukyung
CEO,
PT Lotte Mart Indonesia

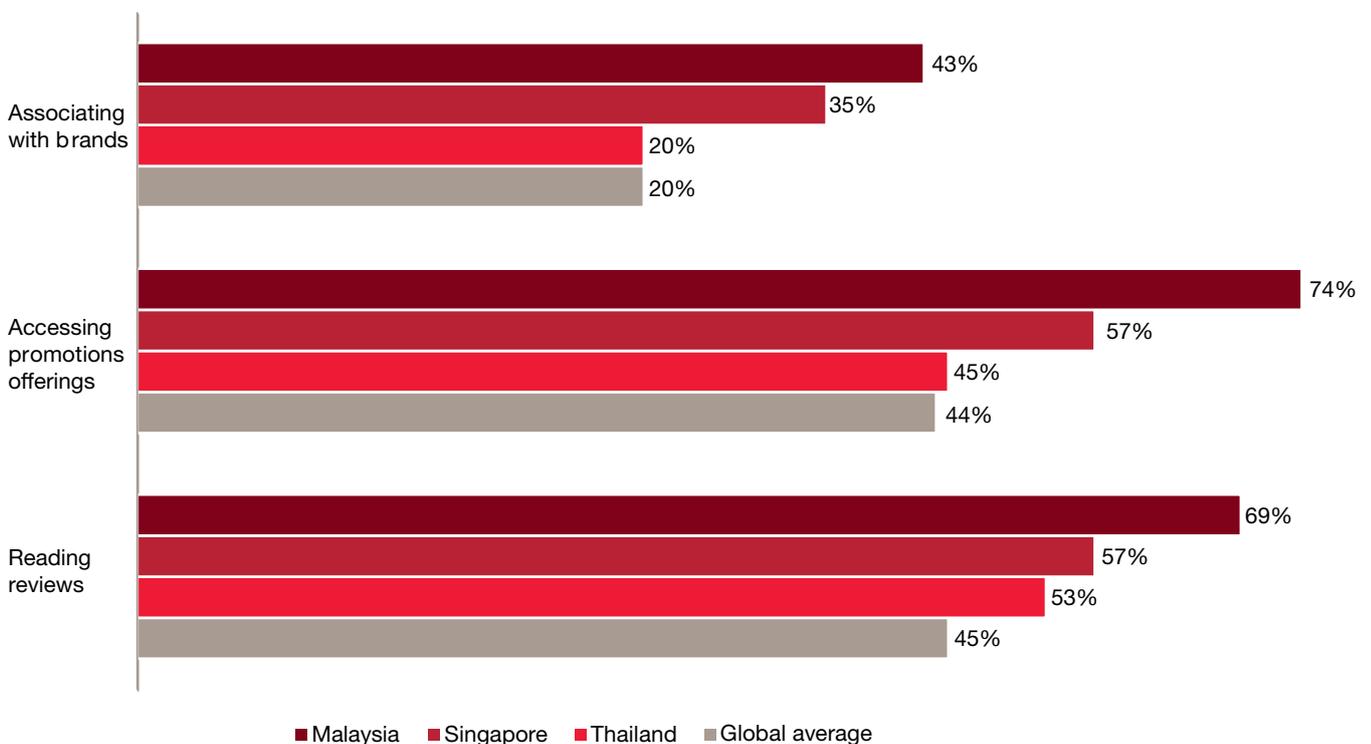
Omni-marketing outreach

Despite low internet penetration rates in some of the growth markets in ASEAN-6, the web has definitely disrupted consumer behaviour and brand engagement. The new ‘always on’ consumer embraces digital to address their needs across the decision journey. This also makes it the best platform for packaged food and drink players to undertake a proactive approach for a two-way conversation with their customers, especially those in the younger age group.

Within the region, digital marketing in the packaged food and drink sector is still lagging behind other categories such as apparel and footwear. Within the sector, many of the companies are still adopting a wait-and-see attitude, weighing the channel’s effectiveness and return on investments, while some players still regard such a strategy as being ‘nice-to-have’. However, it is increasingly becoming clear that investment in digital marketing is now critical in ASEAN-6 within the short term. Players will have to recognise that rapid smartphone adoption will substantially boost internet penetration and social media usage in the next few years. Consequently, social media will need to form an integral part of the overall marketing strategy, and not just a separate line item.

As reflected in PwC’s Total Retail 2016 study, ASEAN-6 consumers are increasingly turning to social media to enhance their shopping journey from reading reviews to accessing promotions and associating with brands (see Figure 16). This shows that consumers want brands to participate in their digital decision journey and help them make smarter, more informed decisions. Going forward, presence in social media will be an increasing prerequisite to do well by being in constant conversation with consumers.

Figure 16: ASEAN-6 consumers rapidly adopt social media to complement their shopping
 % of respondents who use social media to complement their shopping



Source: PwC Total Retail 2016

Therefore, a review of marketing budgets involving a shift of investments from traditional media to digital needs to be encouraged. However there still needs to be a healthy balance. While there are arguments that traditional media is increasingly yielding smaller gains, this is not true in major ASEAN-6 countries – for instance, in Indonesia. With this, packaged food and drink players have to find the optimal mix for their investments between digital and traditional media then cleverly combine these two to better build and market their brands.

Suntory Beverage & Food Asia Pte Ltd is one of the pioneers in packaged food and drink digital marketing within ASEAN-6, as it aims to reach out effectively to young consumers, a key user group of this platform. That said, it still strives to retain investments in traditional media so as to remain engaged with older consumers.

“Digital, though being another form for media, cannot be ignored for communications. It is critical for Suntory Beverages in informing consumers, especially the young. Therefore, we are now allocating 30–40% of our ad spend on digital versus just 5% few years ago. Digital is solely used to target the young consumers and traditional above-the-line ads are used for the older generation, whereby we seek to combine different content across different platforms to engage the respective target audience.”

Chandrashekhar Mundlay
CEO of Beverage Division,
Suntory Beverage & Food Asia Pte Ltd

“TV remains the key marketing media in Indonesia, especially for affordable packaged food and drink, as they appeal to the masses. On the other hand, we do realise the shift towards digital marketing for ‘masstige’ packaged food and drink.”

Rudi Eko Hartono
Managing Director of SNS Group,
A subsidiary of GarudaFood Indonesia

Multi-experience customer activation

In today's digital world, consumers are increasingly exploring multiple channels during the decision journey, exploiting the ability to locate information at any stage. For example, buyers can search for competitive prices online when they are in a supermarket and, in the case of a last-minute deal, immediately drop their shopping baskets to purchase online. The ability to converge innovative digital technology with the physical environment is thus motivating consumers to go to the store then eventually capturing their wallet share.

The need to sample packaged food and drink before purchase is compelling for ASEAN-6 consumers, as expressed by players across the countries. A good illustration is Indonesia, where increasingly affluent consumers are willing to explore new products yet want to be assured by seeing, tasting and feeling the product in stores before purchasing.

On the companies' front, Suntory Beverage & Food Asia Pte Ltd believes in the impact of sampling. Chandrashekhar Mundlay, CEO of Beverage Division, says: *"Sampling is the best and cheapest method to attract consumers. Out of 100 trials, 60 will purchase the second time and eventually 10 will remain loyal. Remember, taste can be changed according to culture etc. but not the other senses – touch and sight."*

Investing in sampling activity at modern grocery retailers is thus critical. Already, more consumers in developing ASEAN-6 countries such as Indonesia and the Philippines are visiting supermarkets and/or hypermarkets weekly to stock up their purchases, or as a family activity whereby they seek to taste and learn about a product before committing to the purchase – driven by their urge to upgrade their lifestyle given the growing affluence and receptiveness to new brands. Use of technology to creatively engage with the ASEAN-6 consumers, both in and out of the store, will further facilitate success for companies. For instance, a soft drink company promoting its new drink can include a QR code on its advertisement or Facebook page that customers can save; they can then go to the store to redeem a free 330ml PET bottle instead of just getting to sample a tasting cup like the mass consumers. A discount voucher can also be embedded in the same QR code, which will further encourage the conversion to purchase.

"Sampling is a huge activity in supermarkets and hypermarkets. Indonesians still prefer to sample the products in stores as they want to be aware of what they are buying and be able to taste it before committing. This is becoming more important alongside consumers' rising concerns on food safety. Moreover, manufacturers often offer attractive in-store promotions when conducting the sampling, thus stimulating impulse purchases among consumers."

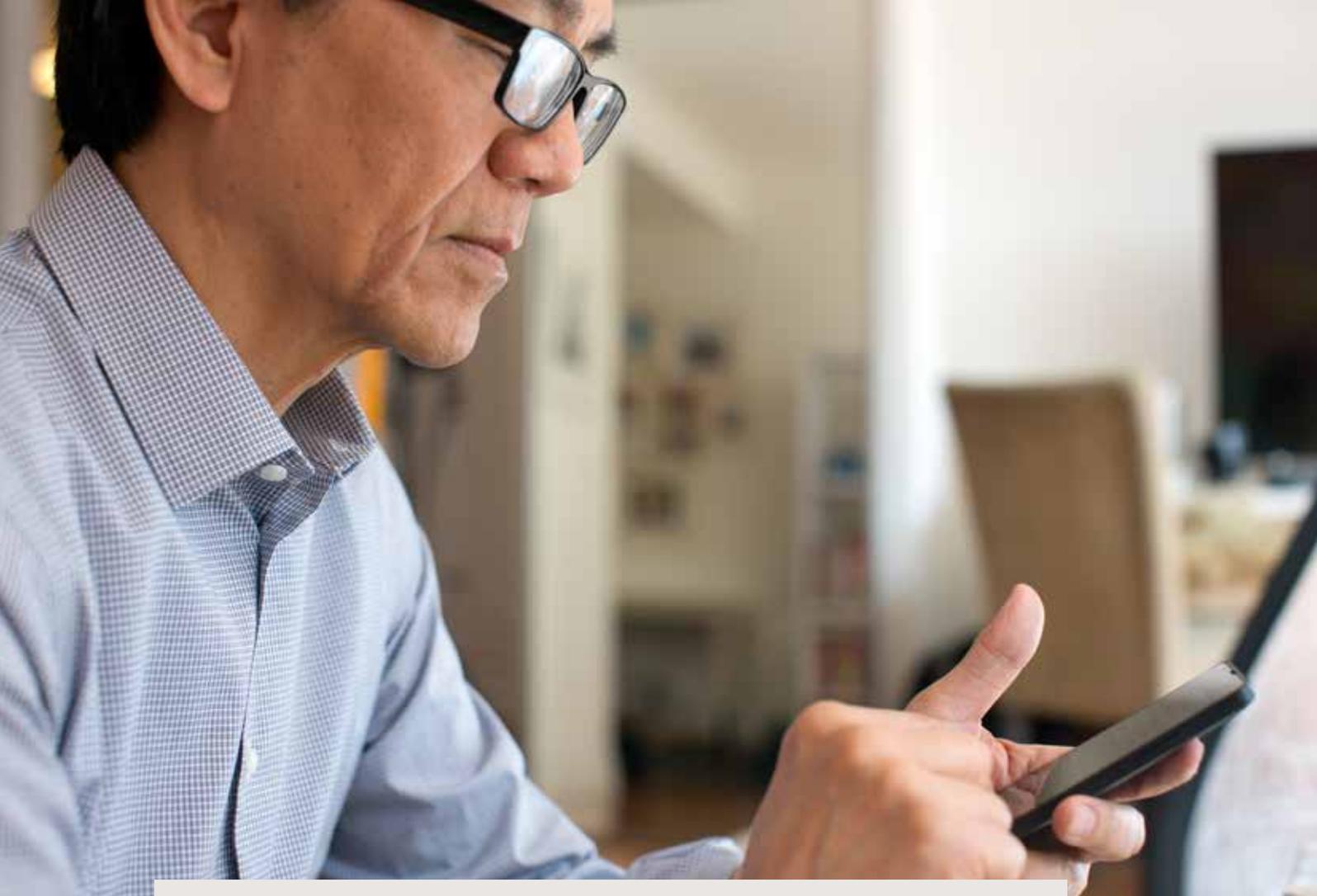
Roy Mandey
Chairman,

Indonesian Retail Merchants Association (APRINDO)

"In-store sampling is effective, as Filipinos love to try out new products and the accompanying in-store promotion further drives their willingness to purchase. Therefore packaged food and drink manufacturers should not neglect below-the-line activities, as consumers are already in the stores and these activities will be able to quickly capture their interest, creating a larger impact than above-the-line, where the priority is getting consumers into the stores first."

Daisy Sy

Assistant Vice-President of Merchandising,
Robinsons Supermarket



Serve

Innovative e-commerce strategy

The rapid penetration of smartphones and the internet in ASEAN-6 has started to disrupt consumer purchasing behaviour, especially in urban locations (see Figure 17). While packaged food and drink manufacturers have been debating whether to invest in e-commerce in the region, the rapid evolution of the consumer decision journey and the demand for seamless experience would need them to act now, if they want to be relevant to consumers over the next few years.

Packaged food and drink online retail in ASEAN-6 has evolved rapidly over the last five years, though it is still one of the smallest categories within online retailing at just 5.7% of total sales, equating to almost US\$5.7 billion in 2015 (see Figure 18). Penetration of online retailing of packaged food and drink also varies across countries, with Thailand with the highest at 10.7%, while it is only 0.6% in Vietnam, as the majority of consumers are more used to shopping at brick-and-mortar stores.

FrieslandCampina holds an aggressive and optimistic view of packaged food and drink e-commerce in ASEAN-6.

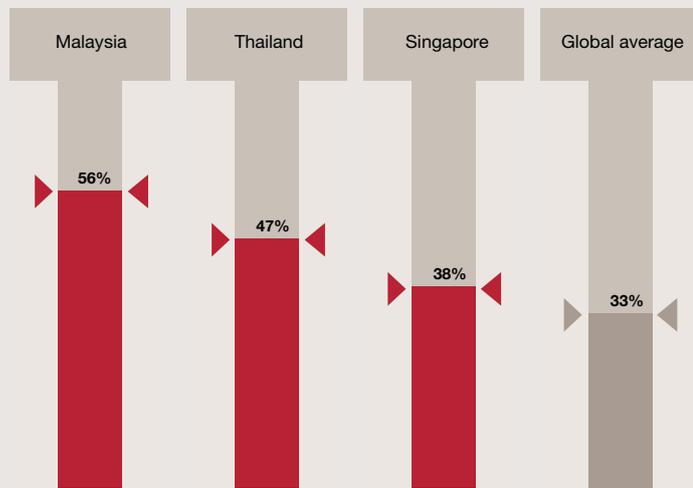
“E-commerce is growing very fast for groceries, including packaged food and drink, and will no longer be small in five years’ time. There are a lot of investments by retailers such as Happy Fresh in Indonesia as well as logistics players, therefore we cannot underestimate the potential of grocery e-commerce in SEA, as it is just a matter of time for the boom. Players should look beyond the typical logistics issue in SEA and consider consumers’ shopping behaviour instead, as consumers will still be the winning factor.”

Lies Ellison-Davis

Managing Director Global eCommerce Business Unit,
FrieslandCampina AMEA Pte Ltd

Figure 17: More ASEAN-6 consumers join the online marketplace in the past three years

% of respondents who began buying online only within the last three years



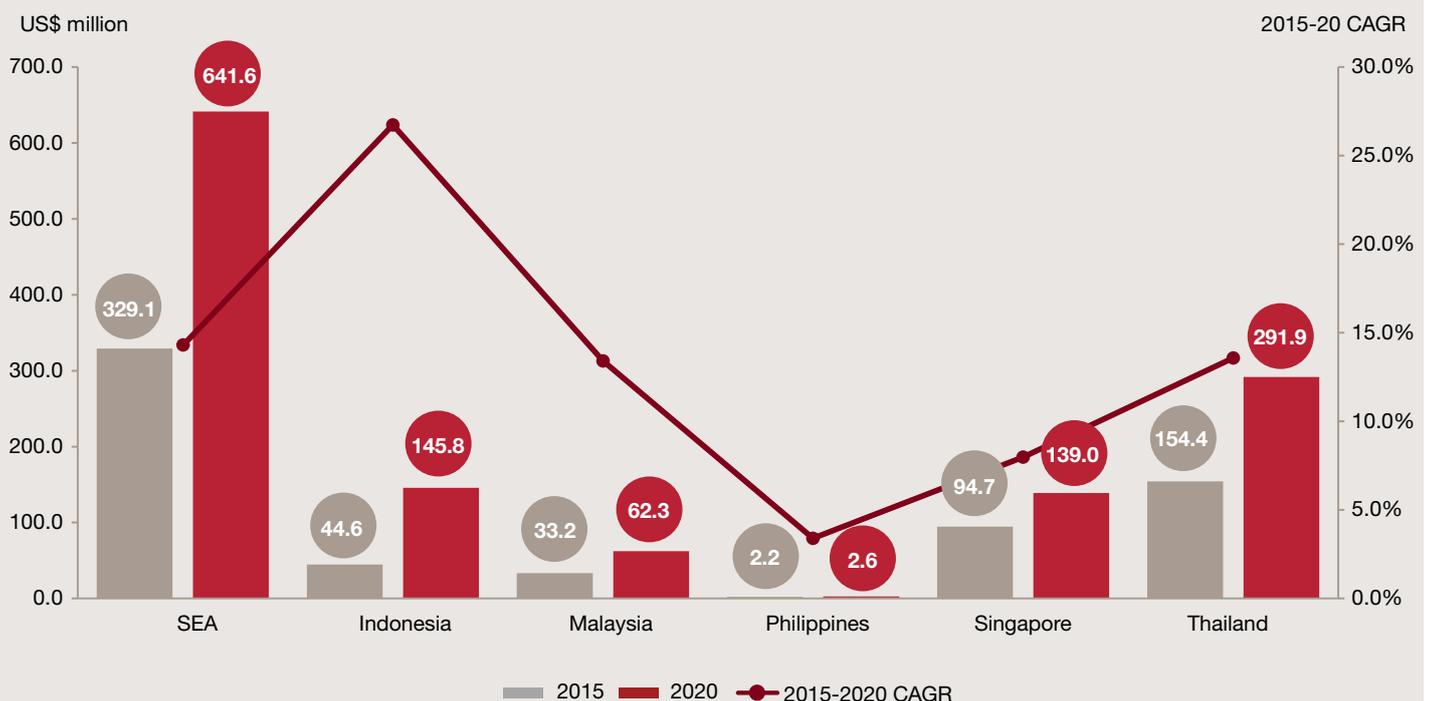
Source: PwC Total Retail 2016

Many players across ASEAN-6 countries have echoed a similar message that packaged food and drink online retail will only become more prominent in the next three years, as consumers still prefer to shop at brick-and-mortar retailers. However, this view may need to be reconsidered, since online retailing in this sector is set to grow at 14.3% CAGR over 2015–2020, making it one of the fastest growing categories. Some industry leaders are already ramping up investments in developing online retail platforms so that they continue to remain relevant to the ASEAN-6 consumer’s ever-rising demand for convenience. This should act as a warning for other players who seem to be underestimating the force of online retail and still maintaining a wait-and-watch attitude.

In addition to online retailing, the ‘always on’ consumer makes it critical for companies to adopt a mobile-first mindset for innovation, as part of building a dual-track online retail strategy. The PwC Total Retail 2016 study revealed that 66% and 73% of respondents from Malaysia and Thailand respectively are using mobile phones to make purchases (see Figure 19), supporting the relevance of this channel. This growing habit of consumers wanting to do more with their smartphones is also starting to blur the line between e-commerce and m-commerce in the region, requiring companies to embrace both channels simultaneously when developing an online presence, particularly in the less developed regions with weaker broadband infrastructure.

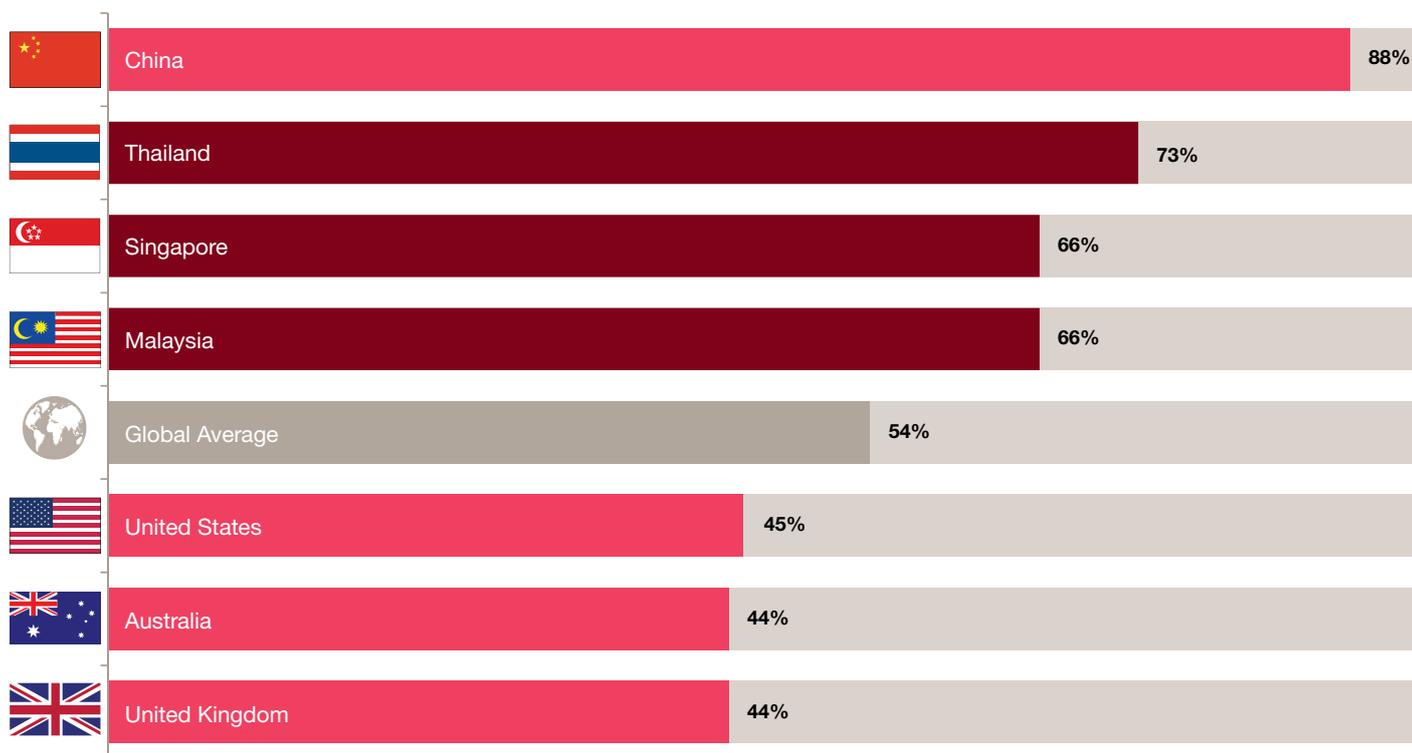
Figure 18: Online retailing of packaged food and drink set to grow rapidly

Size of packaged food and drink online retailing market, 2015 vs. 2020



Source: Euromonitor

Figure 19: ASEAN-6 consumers keen to use mobile phones for purchases
 % of respondents using mobile phones to make purchases



Source: PwC Total Retail 2016

Case study

Capitalisation of ASEAN-6 consumers' mobile-first mindset to innovate¹²

Line Corp, the Japanese social messaging mobile app company, commands 33 million active users in Thailand, making the country its second largest market after Japan. In a bid to expand its revenue sources, Line extended its presence from messaging to online retail of packaged food and drink. During February 2015, Line launched an in-app online grocery retail service named 'Cheap Sure Sure' in Thailand, which includes the offering of packaged food and drink at up to 50% discount and with free next-day delivery to consumers. This is in partnership with aCommerce, a Thai-e-commerce service provider which is responsible for product sourcing, warehousing and delivery.

This expansion to online grocery retail allows Line to capitalise on consumers' mobile-first mindset with their eagerness to use their smartphones for multiple purposes including information search and mobile shopping. While facing intense competition from online grocery retailers, Line's strategy brings innovation to e-commerce by catering to the rising demands for an all-rounded mobile app that can help in everyday needs.

In the following section, we explore some of the key levers for retailers and manufacturers to drive innovation in their e-commerce strategy, along with a few examples.

i. Brick-and-mortar retailers' innovative approach towards e-commerce: The typical route to entry for packaged food and drink online retailing is an extension from offline to online, which is especially prominent among supermarkets or hypermarkets, as they extend their existing presence to online, to provide value-added convenience for the consumers through a delivery option. However, partnership is now a new growth option for offline retailers to step into the online retail arena. The excitement in the ASEAN-6 online packaged food and drink scene had bolstered the confidence of pure online players, mainly new start-ups featuring innovative business models and with millions of dollars of funding to invest in tapping into the market opportunity.

The ambition of these start ups, including Happy Fresh and Honestbee, cannot be ignored. They have exposed the potential for packaged food and drink online retailing, and existing retailers are already watching developments with interest. More players are likely to follow the success of Happy Fresh and Honestbee to adopt a similar business model through 2020, adding to the vibrancy of this environment. Consequently, this opens up a growth opportunity for offline retailers, who can tap into partnerships with these start-ups instead of going it alone.

Case study

Aggressive start-ups in ASEAN-6 partnering with retailers¹³

Happy Fresh, established in Indonesia in October 2014, and Honestbee, launched in Singapore in August 2015, are the most noteworthy and aggressive recent start-ups for online retailing of groceries including packaged food and drink in ASEAN-6.

Both companies offer an online platform for consumers to purchase groceries including packaged food and drink at competitive prices versus brick-and-mortar stores, with same-day delivery available for a small fee. As pure online players, both companies have undertaken a similar model of being asset light – that is, partnering with brick-and-mortar supermarkets as well as hypermarkets to fulfil consumers' orders. This is also a move to overcome the frequent logistical concerns among e-commerce players in ASEAN-6. For instance, consumers are able to purchase products from the selected retailer via Happy Fresh's online site, after which Happy Fresh's freelancers will go to the physical store nearest to the consumer to pick up the products ordered then deliver them to consumers within an hour.

Both companies have become successful quickly, though the easy replication of this business model will serve as a threat. Happy Fresh and Honestbee managed to secure funding of US\$12 billion and US\$15 billion respectively to support their rapid and aggressive expansion plans across ASEAN-6 and other Asian countries within the near term. Also, both players are keen to secure new partners from the brick-and-mortar landscape and support them in extending their presence online.



Already eager to offer online e-commerce, PT Lotte Mart Indonesia seized the opportunity to work with Happy Fresh in 2015 while it developed its own e-commerce platform.

With more retailers entering the online space, it is crucial for them to work on creating a seamless cross-channel experience, with both channels needing to complement each other – for example, enabling consumers to check out information or competitive prices online while shopping for the product in store. Online-to-offline is an innovative direction that can be undertaken by retailers to steer online users to the brick-and-mortar stores, and for this region, ‘click-and-collect’ will be particularly relevant.

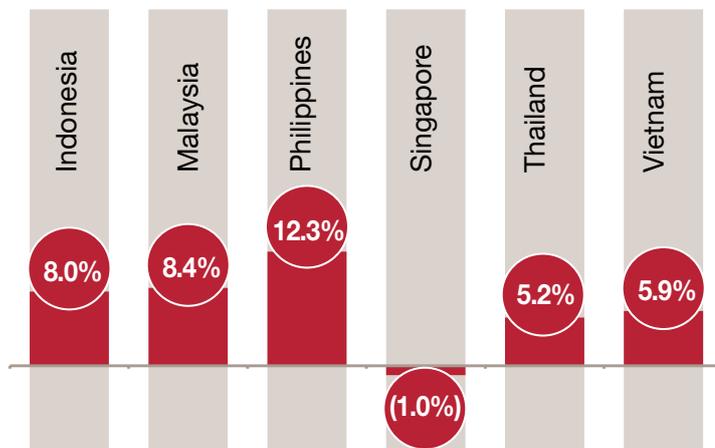
Click-and-collect is expected to exhibit good growth potential in ASEAN-6 as it mitigates the logistical challenges in developing countries such as Indonesia and is further supported by the existing distribution of traditional grocery retailers and the rapid expansion of convenience stores (see Figure 20). Moreover, various packaged food and drink are bought on impulse, so consumers can easily navigate the most competitive deals via their phones while commuting then order and pick up their purchases at a convenient location, helping them to save time and money. Overall, companies need to have a comprehensive and aligned strategy and execution focus for integrating online and offline channels, to cater to the diverse needs of the consumer and maximise satisfaction.



“E-commerce is not profitable in Indonesia yet, but it will definitely grow given consumers’ demand for convenience in shopping. Lotte Mart is definitely keen to capture this opportunity, therefore we have just entered a joint venture with Salim Group to develop an online shopping platform, which will be ready by end 2016. For now, Lotte Mart is partnering with online marketplaces such as Happy Fresh to ensure we are also present online before our own platform is launched.”

Yoon Jukyung
CEO,
PT Lotte Mart Indonesia

Figure 20: Convenience stores to continue expanding outlets
Growth in number of convenience store outlets, CAGR – 2015 to 2020



Source: Euromonitor

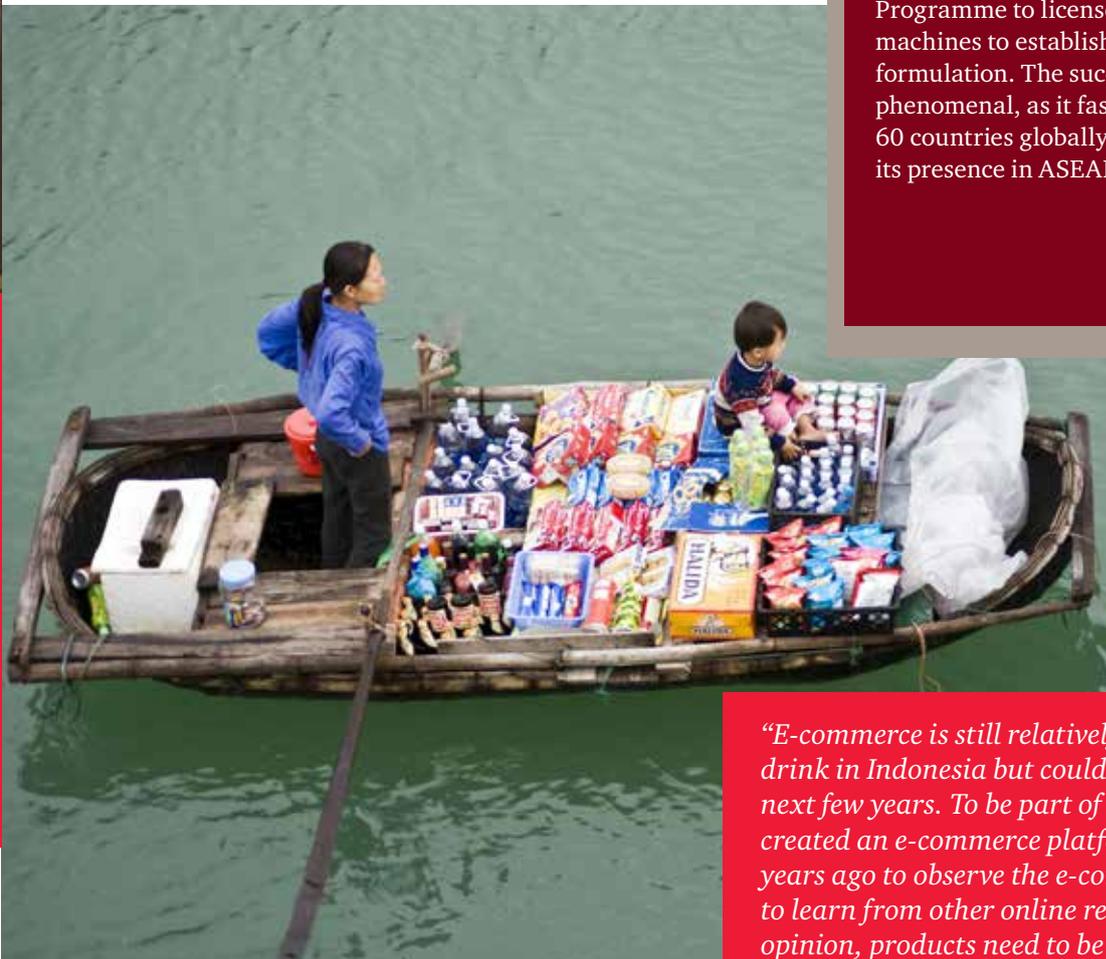
ii. **Manufacturers to go direct to consumers with a unique proposition:** Where packaged food and drink companies have a unique proposition they can also evaluate a direct approach to consumers as an alternative to working with existing retailers. This approach will require higher investment, but allows the firm to have complete control over all aspects of the user experience, in order to deliver total customer satisfaction.

Within ASEAN-6, GarudaFood in Indonesia is one of the new starters to ride on the e-commerce wave by going direct to consumers with a value-added proposition.

Case study

Winning formula with a unique direct-to-consumers business model¹⁴

Nespresso is the renowned pioneer in going direct to consumers with its premium single-portioned Nespresso coffee pods. Through a multi-channel route spanning from boutiques and e-commerce to 24/7 call centres, Nespresso targeted the young consumers who want to enjoy premium coffee in the convenience of their office or home. Utilising the direct to consumer model also allowed Nespresso to provide a customised two-way engagement experience for consumers without neglecting the offering of choice and convenience. Nespresso also adopted an integrated value chain from the Nespresso AAA Sustainable Quality Programme to licensed manufacturing of Nespresso machines to established manufacturers for the formulation. The success of Nespresso has been phenomenal, as it fast expands its presence to more than 60 countries globally with US\$5 billion sales. In May 2016, its presence in ASEAN-6 was also extended to Malaysia.



“E-commerce is still relatively small for packaged food and drink in Indonesia but could be a growing channel over the next few years. To be part of this opportunity, GarudaFood created an e-commerce platform (www.ultahku.com) a few years ago to observe the e-commerce development, as well as to learn from other online retailers and marketplaces. In our opinion, products need to be unique and offer high quality for e-commerce instead of just competing on price. Therefore, our online platform targets occasion buying by selling birthday goodie bags in special packaging and design”.

Paulus Tedjosutikno
Director,
Tudung Group



Engage

e-CRM

The growing disposable income and sophistication of consumers in ASEAN-6 is driving them to be more involved in the decision journey and more willing to use digital channels to access information. The increasingly integrated consumer decision journey in packaged food and drink highlights the importance of ‘online’ customer relationship management, both for retailers and brand owners. The ability to engage with customers prior to the purchase to help influence their decision and then potentially to lock consumers into the loyalty loop will benefit players, as it helps minimise loss of customers along the journey with the consequent impact on customer acquisition costs and lost sales.

“There is higher focus on gaining consumer loyalty instead of just attracting attention. Word-of-mouth recommendation is important to drive the different steps in the consumer’s journey, especially as it becomes more complicated.”

Lies Ellison-Davis

Managing Director, Global eCommerce Business Unit,
FrieslandCampina AMEA Pte Ltd

Some of the key considerations for companies to maximise the impact of programmes for building and maintaining customer relationships are highlighted below:

i. Engaging in continuous dialogue via social media:

Growing usage of social media in ASEAN-6 is leading to an increase in online sharing of user feedback on the product or shopping experience. This represents an opportunity for packaged food and drink players to be closer to their consumers and develop the ability to listen and converse with them. In addition, companies can also use consumer feedback to make quick product and service improvements or innovations. Therefore organisations must invest in creating an online environment to allow such conversations to take place, along with actively tracking and participating in them.

It is also essential for players to have strong public relations expertise to effectively handle consumer criticism on social media, preventing it from going viral and negatively impacting the brand on a wider scale. This will also be the fundamental challenge over the next few years, as brands seek to answer the question of how much they can influence what consumers are taking away from their social media interactions.

ii. Leveraging digital innovation in consumer loyalty programmes:

Loyalty programmes are a favourite among ASEAN-6 consumers, especially those that allow them to earn reward points to redeem vouchers or offset value from their purchases. However, rising sophistication and affluence is leading to an increased preference for personalised programmes, including exclusive promotions or events. Here, many in the industry are lagging behind. Direct mailers, in the form of emails, snail mail and text messages, are still the most prevalent format for retailers to communicate promotions, while consumers often have to produce their loyalty cards at the point of purchase to accumulate reward points.

With the rapid adoption of smartphones, digital needs to become an integral mechanism for retailers to engage with their consumers, whether at the initial pre-purchase stage or for the eventual creation of consumer loyalty. Within the past year, gamification has become a popular digital strategy adopted by players in the region to engage with consumers, particularly post purchase, whereby consumers can play a game online at the company's website or Facebook page through scanning a QR code on their purchase, and subsequently win prizes.

Moving forward, companies are expected to further digitalise their loyalty programmes as well as their communication methods, as a means to constantly engage with consumers rather than simply increasing convenience for them. For instance, members of loyalty programmes could store the details on their phone instead of carrying so many cards in their wallet. Consumers should also be able to earn and redeem their points at the checkout counter or even get digital coupons only using their phones. Furthermore, location-based services that can push out targeted promotions when consumers are in the stores are also likely to become more prevalent.

The leading convenience store player in Thailand, 7-Eleven is a fast mover in adopting and evolving its digital strategy to connect with consumers amidst the competitive environment and aggressive expansion plans.

This shift allowed 7-Eleven to successfully capitalise on the high usage of Line in Thailand – 33 million registered users, driving consumer awareness and building loyalty.

“7-Eleven utilises Line, the most popular messaging app in Thailand, as a mobile marketing channel to drive traffic from online to offline stores and to create customer engagement by getting closer to them. For instance, there is a special deal coupon launched via LINE once a week whereby consumers can bring the barcode coupon (on their mobile) to redeem at a 7-Eleven store. 7-Eleven also cooperated with Line to study on-demand delivery which will be launched in Thailand very soon. This cooperation can redefine convenience on mobile for on-the-go customers.”

Yuthasak Poomsurakul

Senior Vice President of Merchandising and Marketing,
CPAll

The way forward

The exciting opportunities within ASEAN-6, driven by its young population, rapid urbanisation rate and growing wealth, make it a region that cannot be ignored by major brands and retailers in the packaged food and drink segment. The different levels of customer maturity across ASEAN-6 countries make it tough for players to deploy a uniform strategy when entering and expanding in the region, given the need to deal with a complicated set of behaviours and realities within each country. These differences are further complicated by the increasingly integrated consumer decision journey and the need for personalised customer attention.

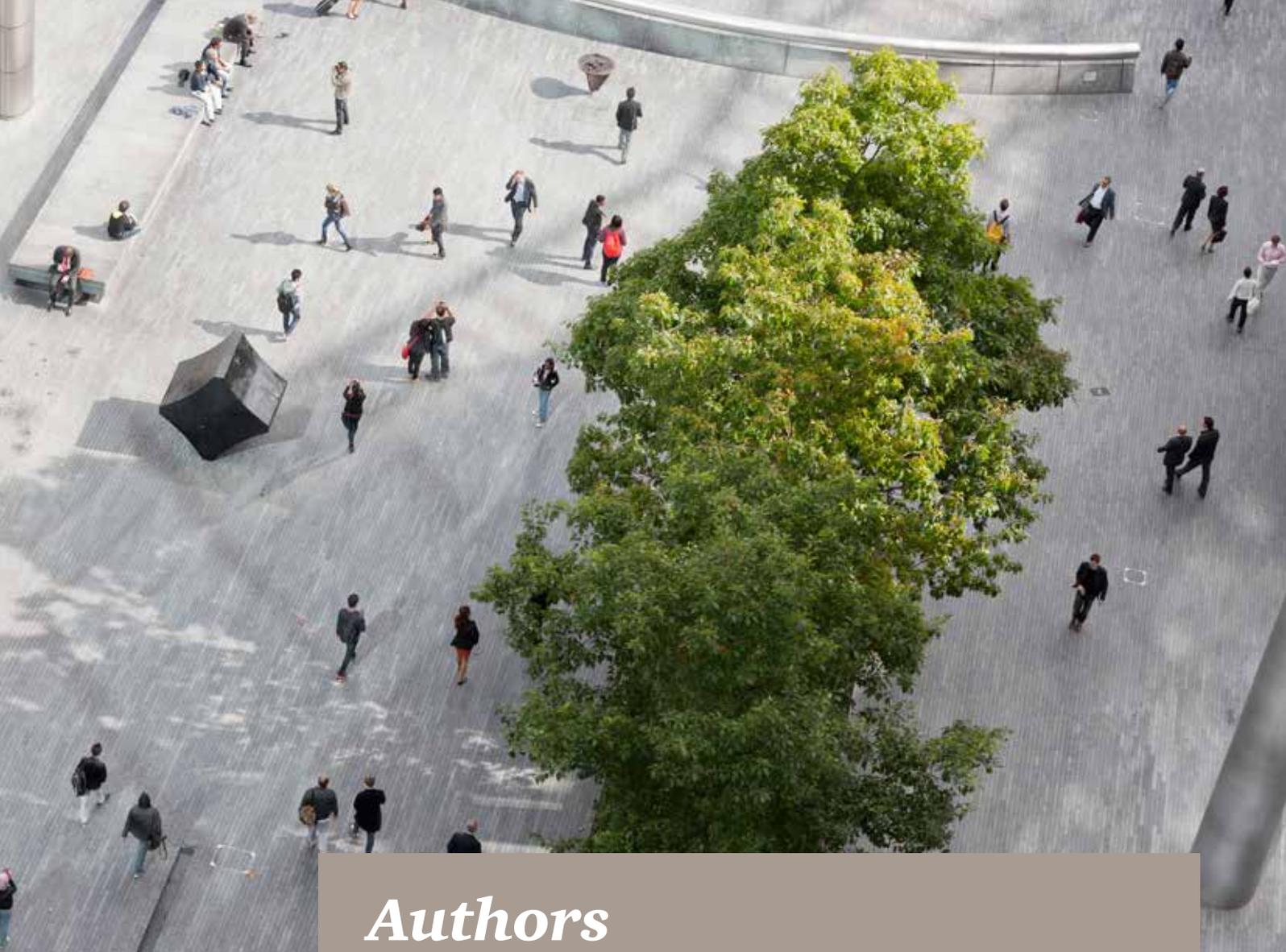
Succeeding against such odds will require extensive deployment of digital across various stages of the customer journey, to provide a seamless omnichannel experience. It all starts with knowing the consumer better. While players are already investing in market research studies on consumer behaviour, this is no longer enough to differentiate themselves amidst the fierce competition in the category. Big data as a business tool is still a relatively new concept in many ASEAN-6 countries, though its implementation to derive in-depth consumer insights for micro-segmentation is critical in the short term.

Players looking to invest in data analytics will first have to prioritise building up the data collection infrastructure in the region, especially given the dominance of traditional retail over the past decades. Modern grocery retailers in ASEAN-6 will also have to start cooperating with packaged food and drink manufacturers and transparently share data in order to create a winning strategy together. The next step will then be to find a skilled data analytics professional who is able to dissect the data and derive meaningful insights.

Convincing and engaging consumers by adopting a digital strategy is another crucial move for the industry. Despite internet penetration being relatively low in a majority of ASEAN-6 countries, the rapid adoption of smartphones is spurring social media usage and speeding up consumer sophistication in the digital space. Consumers are now more eager to access information from multiple sources, highlighting the need for a seamless shopping experience. Players can thus no longer afford to have a wait-and-see attitude and instead need to rapidly develop a comprehensive digital strategy that encompasses online, mobile and social media platforms. Players must also ensure the seamless integration of digital into their entire portfolio of retail and communication channels to be successful.

While digital is crucial, traditional retail in ASEAN-6 will continue to remain relevant in the era of online shopping. This provides a unique opportunity for partnership between the modern and traditional channels to focus on differentiation and cater to the varying needs of the customer. For example, neighbourhood retail stores can support the growth of online retail by being a designated pickup point for e-purchases, reducing the overall lead time and delivery expenses. The industry will have to explore further such areas of collaboration, with the core objective of fundamentally enhancing the shopping experience for the customer.

Overall, packaged food and drink players need to employ a digitally enabled omnichannel approach in order to provide a seamless experience for consumers in ASEAN-6 and stay relevant to the fast-evolving consumer segments. Companies will need to leverage technology to generate consumer insights and develop end-to-end capabilities including a responsive supply chain, innovative retail formats and the right operating model to perfectly execute a well-designed omnichannel strategy.



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- Aldie P. Garcia, Partner, PwC Philippines
- Allan Cao, Director, PwC Philippines
- Maila Jean M. Villadelgado, Manager, PwC Philippines
- Alan Huang, Partner, PwC Singapore
- Radhika Nayak, Director, PwC Singapore
- Anothai Leekiwattana, Partner, PwC Thailand
- Pisit Thangtanagul, Partner, PwC Thailand
- Sreenidhi Thubanakere, Director, PwC Vietnam
- Nguyen Luong Hien, Associate Director, PwC Vietnam
- Jamie Meacham, Senior Manager, PwC Vietnam
- Arnout Berkenbosch, Manager, PwC Vietnam

From the industry

- Roy N. Mandey, Chairman, APRINDO (Indonesian Retail Merchants Association)
- Jukyung Yoon, CEO, PT Lotte Mart Indonesia
- Yonghoon Kwon, Business Strategy Director, PT Lotte Mart Indonesia
- Donny S Handoko, Commercial Food Director, PT Lotte Mart Indonesia
- Rudi Eko Hartono, Managing Director, SNS Group
- Paulus Tedjosutikno, Director, Tudung Group
- Melvin Tan, CFO, Coca-Cola Bottlers (Malaysia) Sdn Bhd and Coca-Cola Singapore Beverages Pte Ltd
- Soon Wing Chong, CFO, Fraser & Neave Holdings Bhd
- Yuthasak Poomsurakul, Senior Vice President, Merchandising, CPAll
- Rob Rjinders, Vice President, Customer Development, Unilever Thailand
- Hester Chew, Chairman of Executive Committee & Chief Executive, McThai Co Ltd
- John Heinecke, Chief Operating Officer (Hot Chain), Minor Food Group
- Chandrashekhhar Mundlay, CEO, Beverage Division, Suntory Beverage & Food Asia Pte Ltd
- Lies (E.W.) Ellison – Davis, Managing Director, Global eCommerce Business Unit, Friesland Campina AMEA Pte Ltd
- David Heijkoop, Head of Business Development Global eCommerce Business Unit, Friesland Campina AMEA Pte Ltd
- Ling Yu Teo, Senior Business Development Manager Global eCommerce Business Unit, Friesland Campina AMEA Pte Ltd
- Gareth Prieto, Financial Controller, Wrigley Philippines Inc
- Gina Dipaling, Vice President, Corporate Planning & Investor Relations, Robinsons Retail Holdings Inc
- Daisy Sy, Assistant Vice President of Merchandising, Robinsons Supermarket
- Uday Sinha, CEO, Suntory Pepsico Vietnam Beverage
- Vinh Maiquang, Vice President, Customer Development, Suntory Pepsico Vietnam Beverage

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