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State of Ecommerce in South-East Asia

in association with SAP and hybris software

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1. Foreword by hybris software

We're pleased to present this report from Econsultancy, commissioned by hybris software, an SAP company, on the state of ecommerce in South-East Asia. The first of its kind in Asia Pacific, we have commissioned this research to further understand the state of ecommerce in South-East Asia, for both B2C and B2B organisations. We wanted to explore what is being done well, and what the challenges and growth opportunities are for those businesses trying to build and execute on an ecommerce strategy.

One of the biggest influencers of the global growth of ecommerce has arguably been mobile technology and, within Asia Pacific, South-East Asia sees internet and mobile penetration continuing to increase, complemented by some of the world's highest social media usage rates. Indeed, online shopping is growing against a backdrop of relatively weaker physical infrastructure and distribution networks in some South-East Asian countries, creating unique opportunities as well as challenges for the growth of these fairly underdeveloped and fragmented ecommerce markets. In this environment, we see high interest from B2C retailers, B2B suppliers and related ecommerce services companies alike in developing the market, with both local and foreign investment that will drive maturity and innovation.

For the B2C ecommerce segment in South-East Asia, one significant market gap results from global giant Amazon's smaller presence in the region, as well as the challenges of catering to diversely multilingual, multicultural consumers in Singapore, Malaysia, Thailand, Vietnam and so on. This has generated opportunities for local competitors to capture the increasing disposable income of young, urban shoppers, although a shopping mall culture prevails.

While the rise of B2C ecommerce may have attracted more attention, B2B ecommerce has also launched over the last few years in South-East Asia. Given some of the manufacturing hubs and specialised trades in these countries, it is no surprise that South-East Asian businesses are expanding exports via ecommerce platforms, including Alibaba.com. The prevalence of small businesses in South-East Asia also means this is a critical channel for tapping the global marketplace. In the B2B space, we also see larger external players moving in and localising on top of their regional and global experience from markets such as China, Japan, even Germany.

Customers do not think in terms of individual channels, but interact with their favourite brands and suppliers across multiple touch points. Providing a consistent experience across all of these is critical as customers want to interact with companies whenever and however it suits them. Only organisations that make it easy for customers to do business with them, regardless of whether they operate B2C or B2B, will survive.

This is a critical period of growth and infrastructure development for ecommerce in South-East Asia as organisations take advantage of various opportunities, break through logistical challenges, localise to compete, and innovate to cater to these distinct yet similar markets. I do hope you enjoy reading this report and find it as insightful as we have.

Eric Toon
Country Manager, Southeast Asia and India
hybris software

1.1.   About hybris software

hybris software, an SAP Company, helps businesses around the globe sell more goods, services and digital content through every touchpoint, channel and device. hybris delivers OmniCommerce™: state-of-the-art master data management for commerce and unified commerce processes that give a business a single view of its customers, products and orders, and its customers a single view of the business.

hybris' omni-channel software is built on a single platform, based on open standards, that is agile to support limitless innovation, efficient to drive the best TCO, and scalable and extensible to be the last commerce platform companies will ever need. Both principal industry analyst firms rank hybris as a "leader" and list its commerce platform among the top two or three in the market. The same software is available on-premise, on-demand and managed hosted, giving merchants of all sizes maximum flexibility.

Over 500 companies have chosen hybris, including global B2B sites W.W.Grainger, Rexel, General Electric, Thomson Reuters and 3M as well as consumer brands Toys"R"Us UK, Metro, Bridgestone, Levi's, Nikon, Galeries Lafayette, Migros, Nespresso and Lufthansa. hybris is the future of commerce™. For more information, visit www.hybris.com.

2.   Introduction

Although China has taken much of the APAC spotlight when it comes to exponentially growing its ecommerce in recent years, there's plenty to be said on the emergence of South-East Asia's rapidly evolving online space and the myriad opportunities that swift ecommerce adoption is starting to foster.

When one compares it to China or India, South-East Asia's ecommerce landscape may appear to be the poorer cousin, but there are strong signs that give us more than a hint of impending spectacular growth that's waiting just around the corner.

One must not lose sight of the fact that enormous differences in this highly dynamic and varied region have played their part in driving slower adoption of ecommerce – one can take religion for a start. Around 95% of Thais are Buddhists, more than 90% of Filipinos are Christians, with Indonesia being home to the world's largest Muslim population and four out of five Vietnamese having no formal religion. On the language front there are also broad differences in this region: for example the Malaysians may speak a number of languages including English, Tamil, Chinese or Bahasa Malaysian.

That aside, the South-East Asia ecommerce market is emerging into a formidable entity of its own, and there are increasing signs that big technology players are taking this dynamic marketplace a lot more seriously.

At one end of the ecommerce spectrum we have a number of seasoned heavyweights pursuing significant market share across the region. These companies are not just born in the West. We have some of the big players from China and Japan also piling into the region, plus a few ambitious conglomerates operating out of Singapore, including a heavily VC-backed startup. On the other end we see the explosion of literally millions of niche SME-sized players that are eager to expand their ecommerce footprint mainly domestically inside their native markets, with some also aiming to achieve regional growth, and for a few there are even global aspirations.

Figure 1: Do you / your clients currently have a separate ecommerce budget?
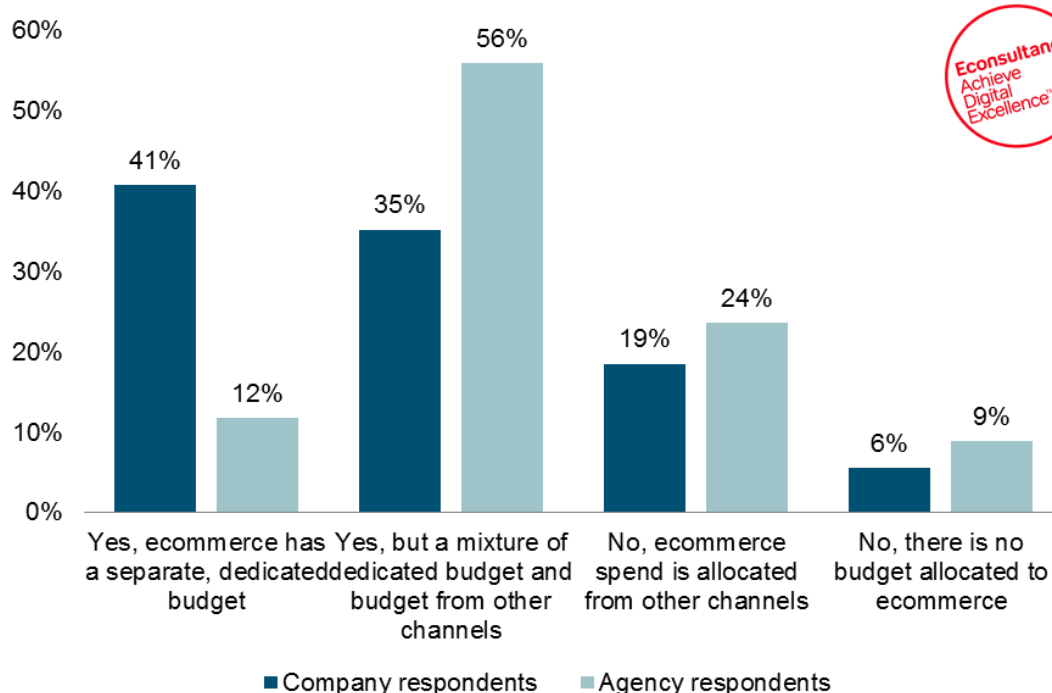
Company respondents: 54
*Agency respondents: 42*

As the market matures in terms of developing its infrastructure, the availability of readily deployable technologies and the growth of strong and well-backed regional players who push service standards upwards (as they do in the West), the market is going to no doubt reveal some fascinating opportunities and surprises for those who can accurately detect and ride the upward trend and take full advantage of it. The rise of the ASEAN nations also promises to create a more level playing field for many ecommerce businesses that are seeking to approach this extremely diverse and challenging landscape and turn it into a more homogenous market.

With ecommerce business taken a lot more seriously in South-East Asia, there are increasingly separate ecommerce budgets being set up by businesses (see *Figure 1*). More than three-quarters of companies surveyed by Econsultancy currently have separate budgets or at least a mixture of dedicated budget from other channels, and the number of completely separate and dedicated ecommerce budgets is bound to increase over the next few years.

An interesting trend is the higher level of buy-in by senior management when it comes to running ecommerce in the region. This will prove to be essential if companies wish to make more significant investments into ecommerce in the region.

Figure 2: Do you believe your / your clients' ecommerce activities are supported at a senior level within the company?

Company respondents: 44
Agency respondents: 36
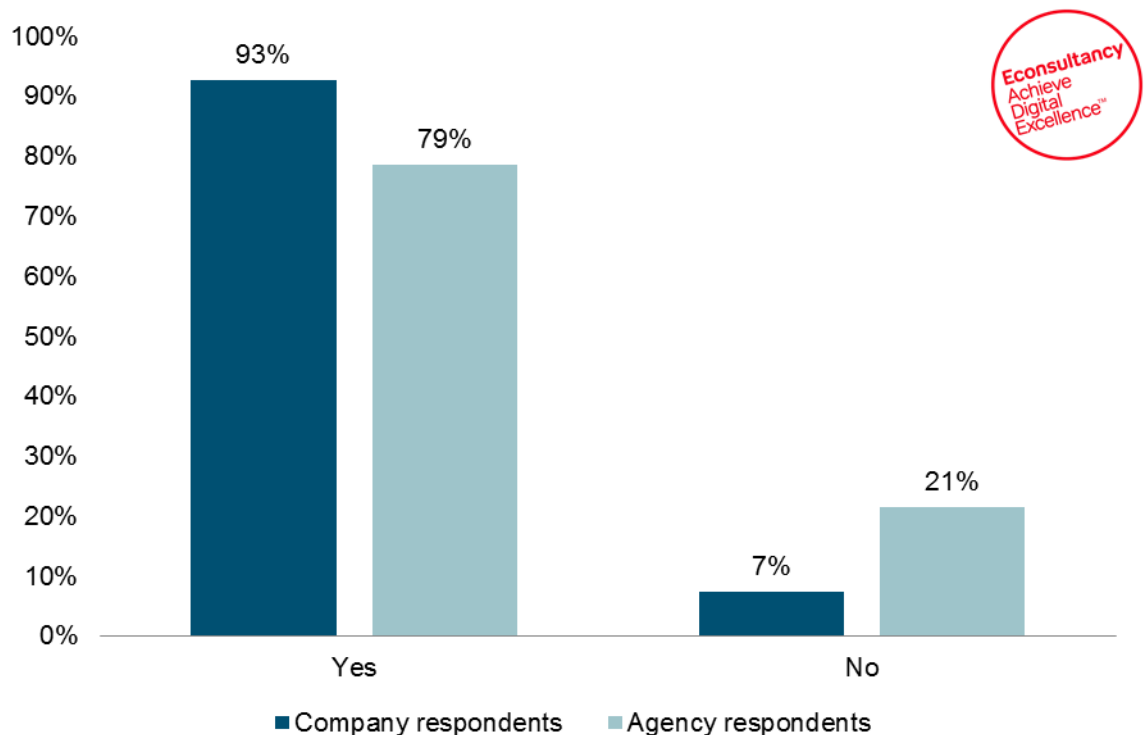
Without senior level support, larger companies especially will struggle when it comes to engaging in ecommerce on any scale and size. Many businesses even today have a tendency to grossly underestimate the levels of sophistication and complexity that are required to run a successful ecommerce business.

One perhaps has to come from a purely online background in the past 10 years to really appreciate what's required to run a smooth and efficient ecommerce operation. Less experienced businesses ought to be studying very closely the way large dedicated online ecommerce businesses such as Amazon and eBay actually operate to truly appreciate what's required to grow a well-structured ecommerce offering. These kinds of companies tend to be quite open on the way they

run things, and a little bit of research into their commercial capabilities will help traditional businesses start to really appreciate what one requires to have any kind of scalable ecommerce offering in terms of technology investment, resourcing, logistics and in-house capabilities.

Similar types of enterprise-scale pure-play businesses already exist in Asia Pacific, one only needs to look towards China or India to see some aggressive and grand-scale ecommerce activity taking place, and to a lesser extent South-East Asia (where Rocket Internet has already poured in many millions to achieve size and reach), as the market is still relatively new.

Finally, when looking at what's holding back ecommerce in the region, there are quite a variety of reasons.

Figure 3: What are the greatest barriers that prevent you / your clients from growing your / their ecommerce business as fast as you / they would like?
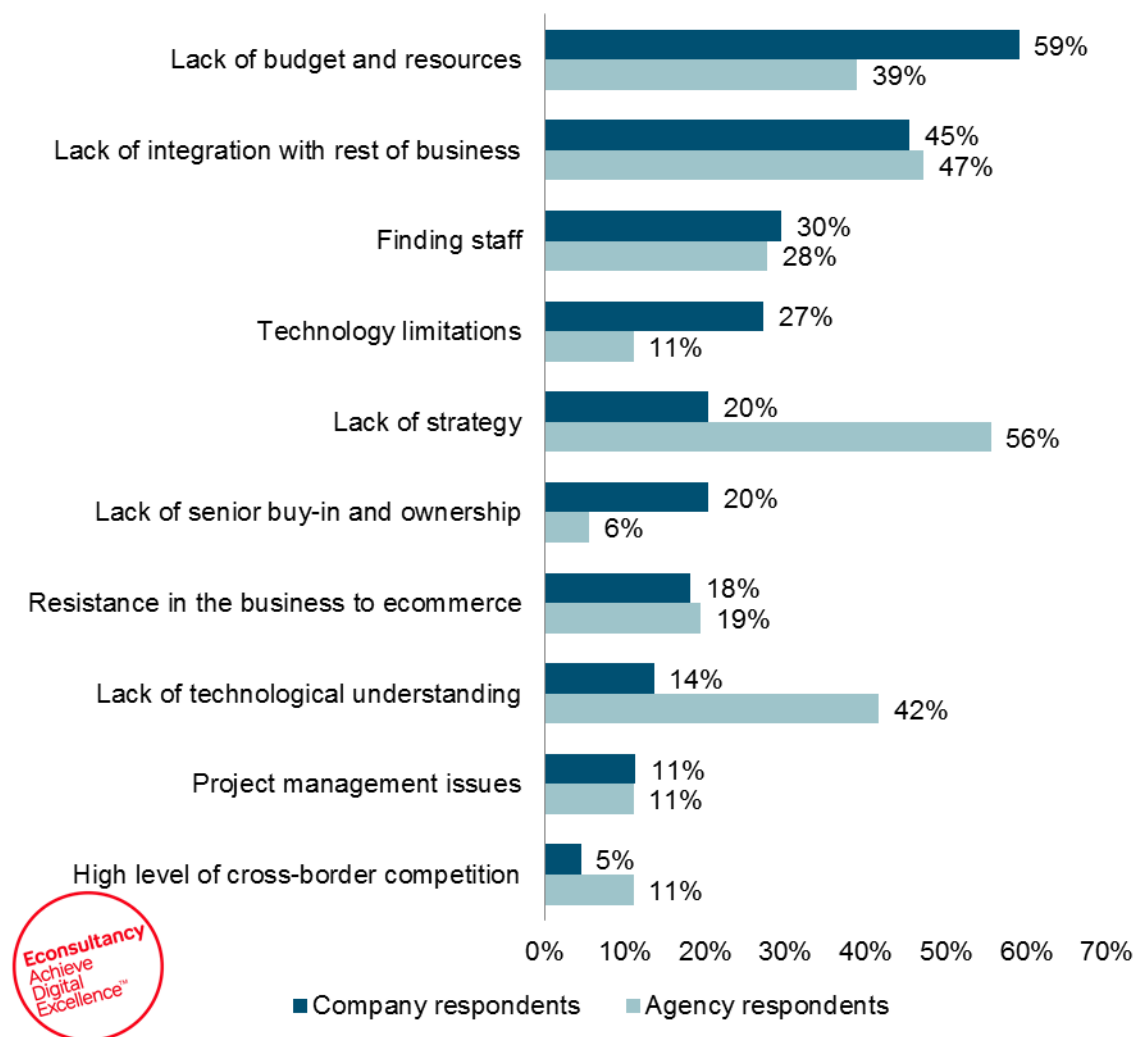
Company respondents: 44
Agency respondents: 36

Note: Respondents could select up to three options.

It's hardly surprising to find organisations mainly concerned about a lack of sufficient investment and the lack of ability to integrate internally, whereas agencies tend to paint a more realistic perspective.

On the agency side, we can see that a lack of strategy and deep understanding of the underlying technologies are perceived to be important factors hampering ecommerce expansion, with both of these appearing to be of somewhat lesser concern to clients. Having spoken to several clients in the region over the past year, there tends to be an over confidence in terms of how challenging it is to embark on serious ecommerce expansion plans (especially those who have a traditional, bricks-and-mortar background), and agencies are probably a little more cautious and pragmatic.

It's worth pointing out that although significant budgets are still largely missing in the region for properly scalable ecommerce operations, it takes more than the release of these budgets to successfully build an ecommerce business, and ultimately it will be the companies' ability to devise and follow through on strategy and adopt the best and most suitable technology that will make more of a difference.

3. Methodology and Sample

The aim of this research was to understand how ecommerce is evolving in South-East Asia, looking at key trends and developments, region-specific issues, as well as exploring the opportunities and challenges.

The methodology involved three main phases:

- *Phase 1*: desk research to identify relevant issues, examples and trends.
- *Phase 2*: a series of in-depth interviews with a range of digital marketing and ecommerce practitioners.
- *Phase 3*: an online survey of client-side (in-house) organisations and agencies, vendors or consultancies (supply-side), designed to better quantify feedback around some key questions.

Three in five (60%) survey respondents work for client-side organisations, whilst 40% work for agencies, vendors or specialist consultancies. For more detailed profiling of respondents, see *Section 10.3*.

When asked to describe their business, three-quarters (74%) of respondents said they transact both online and offline. A fifth of respondents only transact online.

Company respondents
Figure 4: How would you best describe your business?
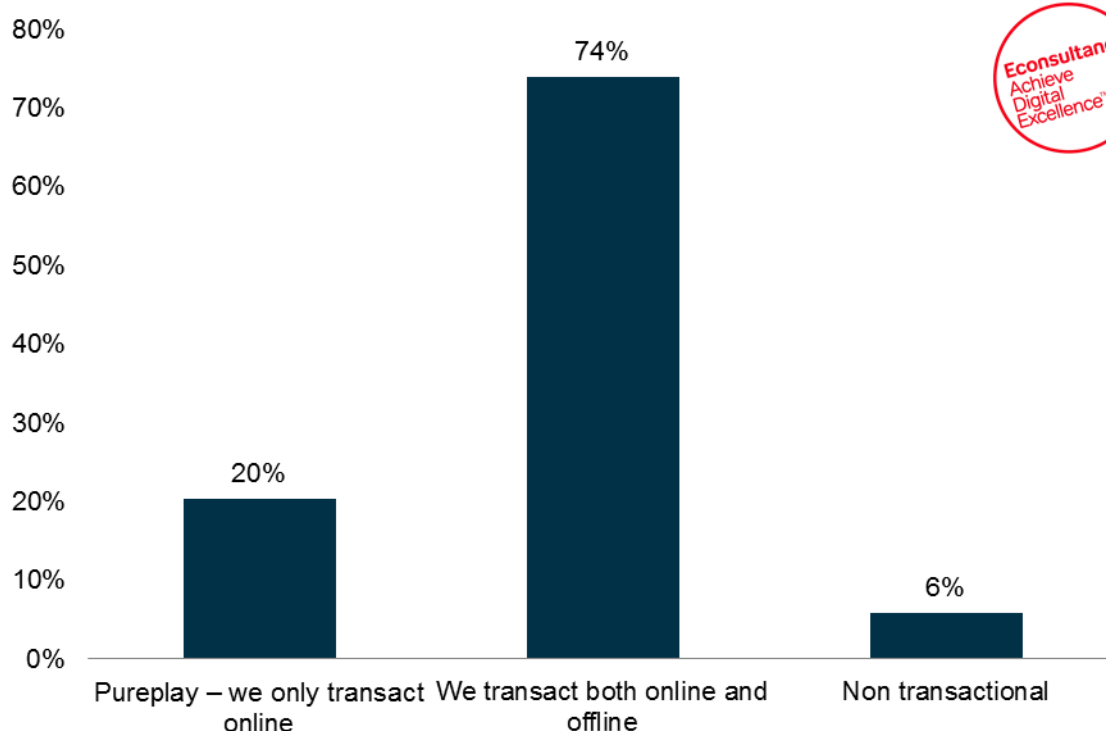
Respondents: 122

3.1.   Acknowledgements

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- Marcelo Wesseler, SVP Ecommerce, Singapore Post
- David Lee, Head, eTailers & Social Commerce, Asia Pacific, Dell
- Pranay Mehra, VP Ecommerce, Singapore Post

3.2.   About Econsultancy

Econsultancy's mission is to help its customers achieve excellence in digital business, marketing and ecommerce through research, training and events.

Founded in 1999, Econsultancy has offices in New York, London and Singapore.

Econsultancy is used by over 600,000 professionals every month. Subscribers get access to research, market data, best practice guides, case studies and elearning – all focused on helping individuals and enterprises get better at digital.

The subscription is supported by digital transformation services including digital capability programmes, training courses, skills assessments and audits. We train and develop thousands of professionals each year as well as running events and networking that bring the Econsultancy community together around the world.

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3.3.　About the author

Alex Shaida in as independent consultant and trainer in digital marketing, with a specialist interest in the APAC market.

He worked at Econsultancy for six years as VP for the Asia region until the end of 2013. In his time at Econsultancy, he managed a broad range of clients in providing digital marketing training and consulting services in the UK, Europe, US and APAC. His role expanded in 2012 to develop Econsultancy's growing presence in Asia as VP for the region. Alex helped to provide a mixture of training, consulting, qualifications and events services spanning north Asia (China, Japan, Korea), South-East Asia and India, and in 2013, Australia.

Previously Alex helped an ecommerce startup launch in the UK as their Head of Marketing for three years, and looked after Play.com's marketing (which was his first role in digital). Prior to that, he worked as a senior account director in public relations for clients including Microsoft and CSC among others, and also worked extensively for media-based clients in the 1990s.

Alex combines his passion for the internet with an ongoing fascination with the cinema and various areas of film-making (writing, directing and producing), having also been involved in producing two independent feature films (budgets USD1m and USD3.5m), and written/directed a number of shorts for competitions and festivals in the past.

Alex's LinkedIn profile can be found at http://www.linkedin.com/in/alexshaida.

4.   Ecommerce Landscape

4.1.   Market value and growth

Asia is forecast to be home to over half of the world's population by 2020 and roughly one third of the world's consumer spend, therefore it's not hard to see the potential growth in ecommerce over the next few years.

However, this enormous and diverse land mass spans a large number of countries: there's north Asia which includes China, Japan and Korea; there's South-East Asia with its rapidly evolving ASEAN economies; and of course one cannot omit India, along with Pakistan and Bangladesh. For the purposes of this report, we're focusing specifically on the South-East Asia countries (also commonly referred to as the emerging ASEAN economies) and exploring the growth of ecommerce.

Let's start by getting a realistic understanding of what Asia actually looks like online. South-East Asia is currently home to roughly 9% of the world's population, 7% of the world's internet users, 9% of the world's social media users, and 10% of the world's mobile subscriptions.[1]

Here's a simple snapshot of South-East Asia's online population in relation to the rest of APAC from comScore:
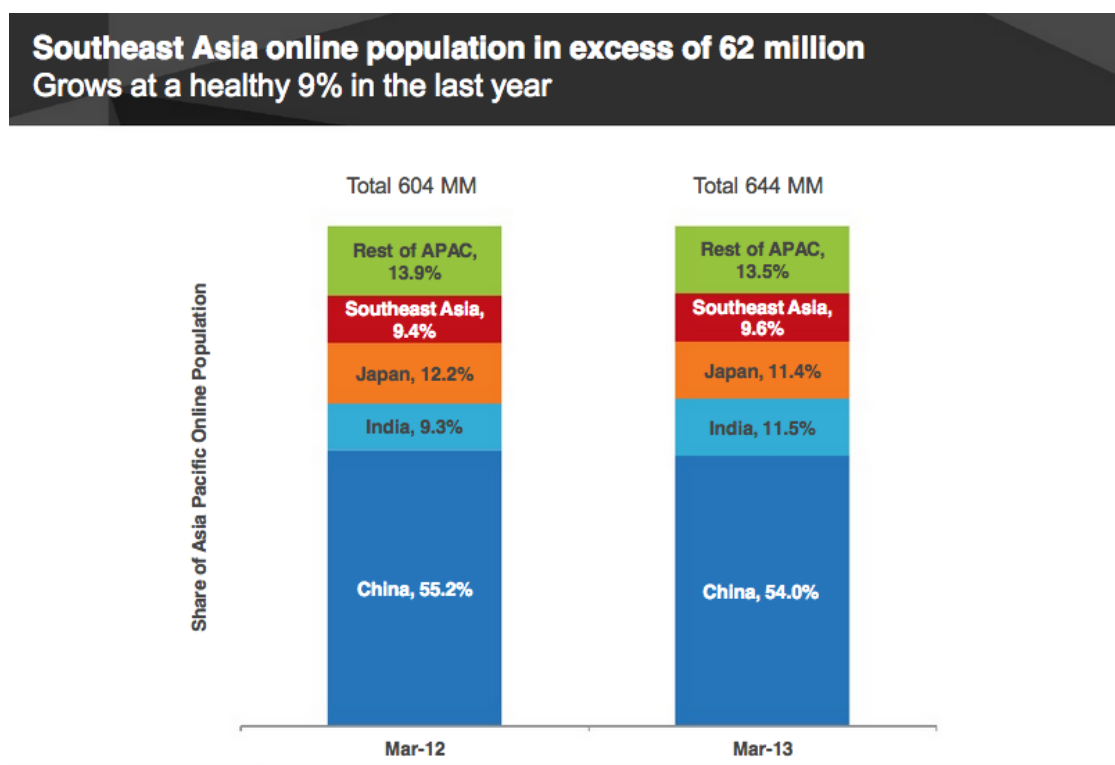
Source: comScore Media Metrix, March 2012 and March 2013

By 2020, the ASEAN region is projected to be the world's ninth largest economy and Asia's fourth largest. In US dollar terms, that's roughly $1.9 trillion.[2]

When one compares South-East Asia's ecommerce landscape to China or India it may appear to be falling behind these economic power houses, but there are plenty of reassuring signs that demonstrate immense growth in internet usage, and strong indicators that ecommerce is about to really take off.

Here are a few noteworthy figures on the emergence of South-East Asia's rising internet consumption:[1]

- Philippines residents appear to be spending the most time online compared to citizens of other countries, averaging 6.2 hours every day on a fixed device, and 2.8 hours every day on a mobile device.

- Residents of the Philippines and Thailand appear to be spending the most time on social media every day, averaging at 4 hours and 3.7 hours respectively.

- Just under three-quarters (73%) of Singapore's population is presently connected to the internet, one of the highest in the region.

- Taiwan has the deepest social media penetration rate at 69%. This is followed by Brunei, Hong Kong, and Singapore at 67%, 61% and 59% respectively. The average rate of social media penetration in Asia is 35%.
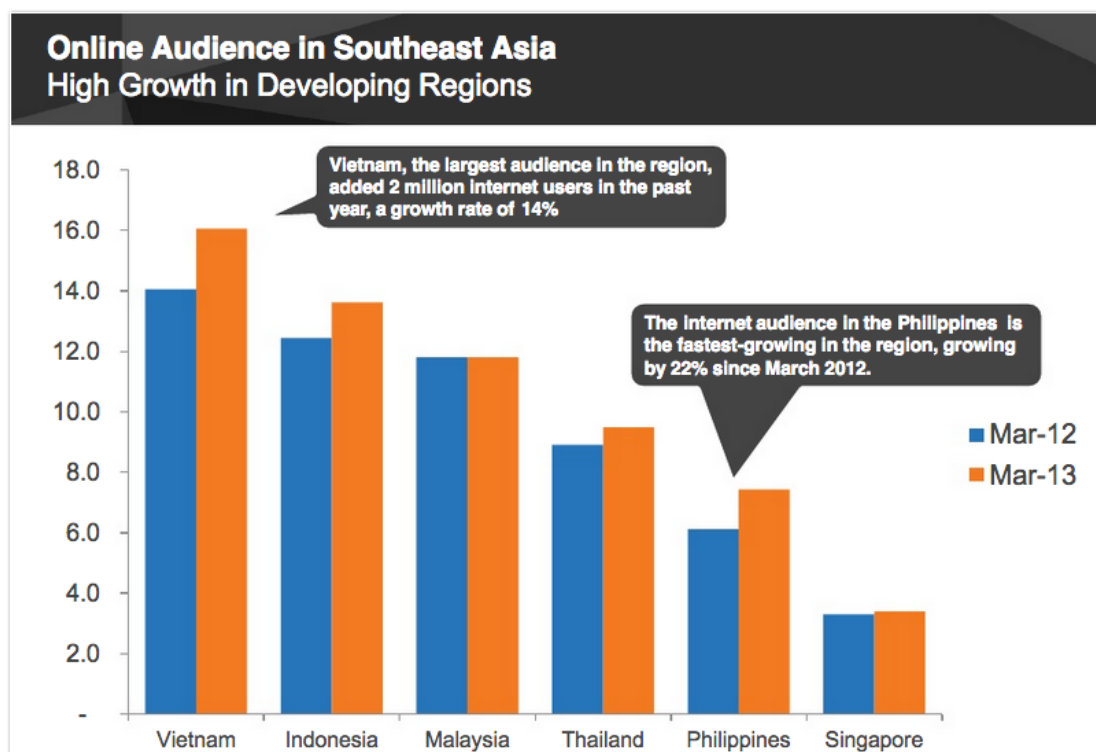
Source: comScore Media Metrix, March 2012 and March 2013

One useful way to look at South-East Asia in terms of evaluating the market's ecommerce growth potential is to take a step back and focus mainly on the 'Big 6' SEA countries – Indonesia, Singapore, Malaysia, Thailand, Vietnam and Philippines. Below is a simple infographic that gives us a truer sense of what is happening in these robust markets.

In 2016, the Internet users in Southeast Asia will be…

Total **205m** Internet Users In "Big 6" SEA countries

Source: Euromonitor
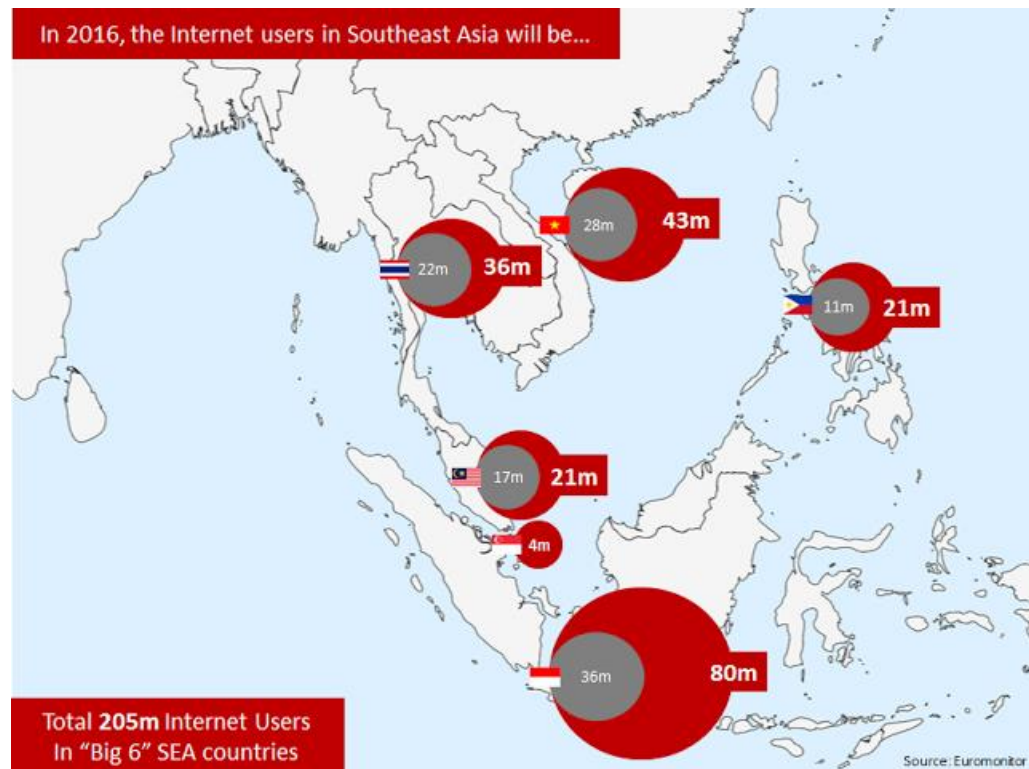
South-East Asia's population is also quite heavily skewed towards the young when compared to other geographies, which makes it a lot more receptive to achieving rapid commerce growth. More than half of the online populations in the Big 6 countries are under 35 years old.[3]

Let's explore some ecommerce data and home in on the current market size of ecommerce in specific countries:

- Per capita spend by Indonesians online is estimated to be US$239 and growing, according to a study by Rakuten. Indonesians spent over $1 billion online in 2012.

- Online retail sales in Malaysia in 2013 was worth US$250 million, and is expected to double over the next five years, according to management consultancy AT Kearney.

- Thailand's ecommerce market size is estimated at US$1 billion. It is estimated to reach $6 billion between 2020 and 2025.

- A report from VECITA, the Vietnam ecommerce and Information Technology Agency, states that Vietnam's ecommerce sales hit $700 million ($354 million of that registered officially on VECITA) at the end of 2012.[4]

[3] http://www.ecommercemilo.com/2013/08/ecommerce-statistic-southeast-asia-malaysia.html#.Ut_CO2TFJmC
[4] http://www.techinasia.com/ecommerce-sales-vietnam-hit-700-million-reach-13-billion-2015/

Supporting the projected growth in ecommerce, the Econsultancy survey depicts that levels of investment are going to increase dramatically in the near future (see *Figure 5*).

For those companies planning on increasing their investment in ecommerce technology, a follow-up question was asked to find out by how much they were planning to increase their spend. On average, client-side respondents indicate they are planning to increase spend by 31% from current levels.

On the agency side, respondents report that they expect their clients to increase spend by 20%.

Figure 5: Are you / your clients planning to increase your / their investment in ecommerce technology during the next 12 months?

Company respondents: 49
Agency respondents: 37
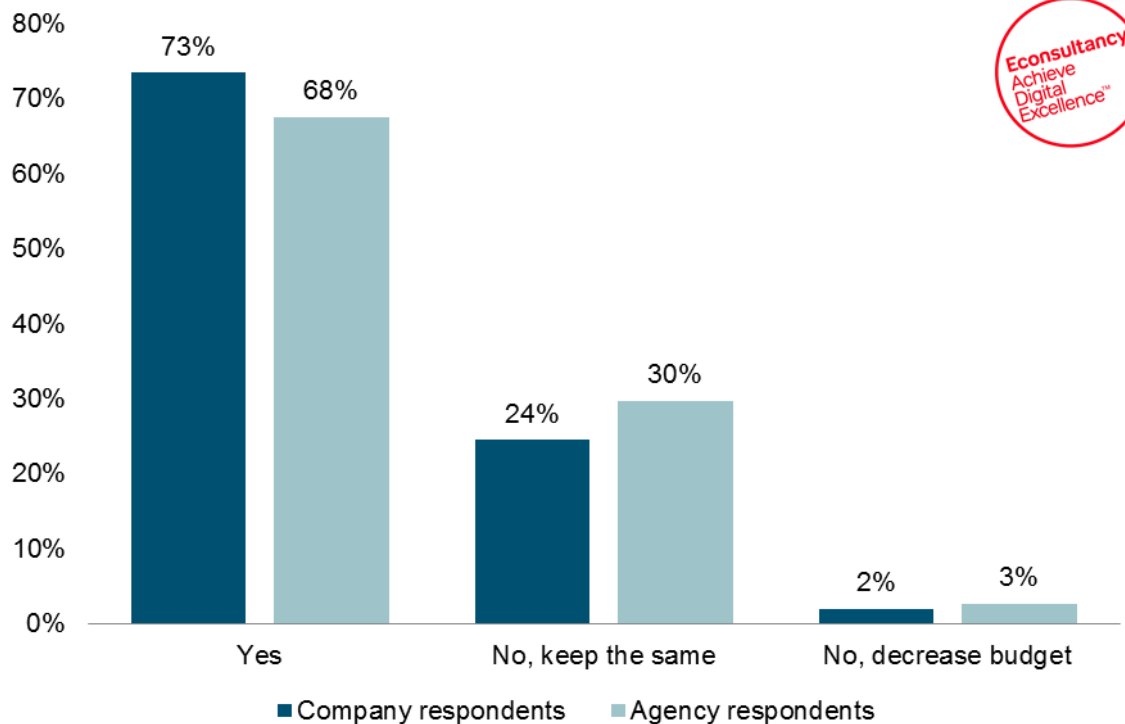
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There's also a strong willingness in the market to try out new things, and to improve the ecommerce capability of established businesses in the region.

Figure 6: Do you agree or disagree with the following statements relating to ecommerce?
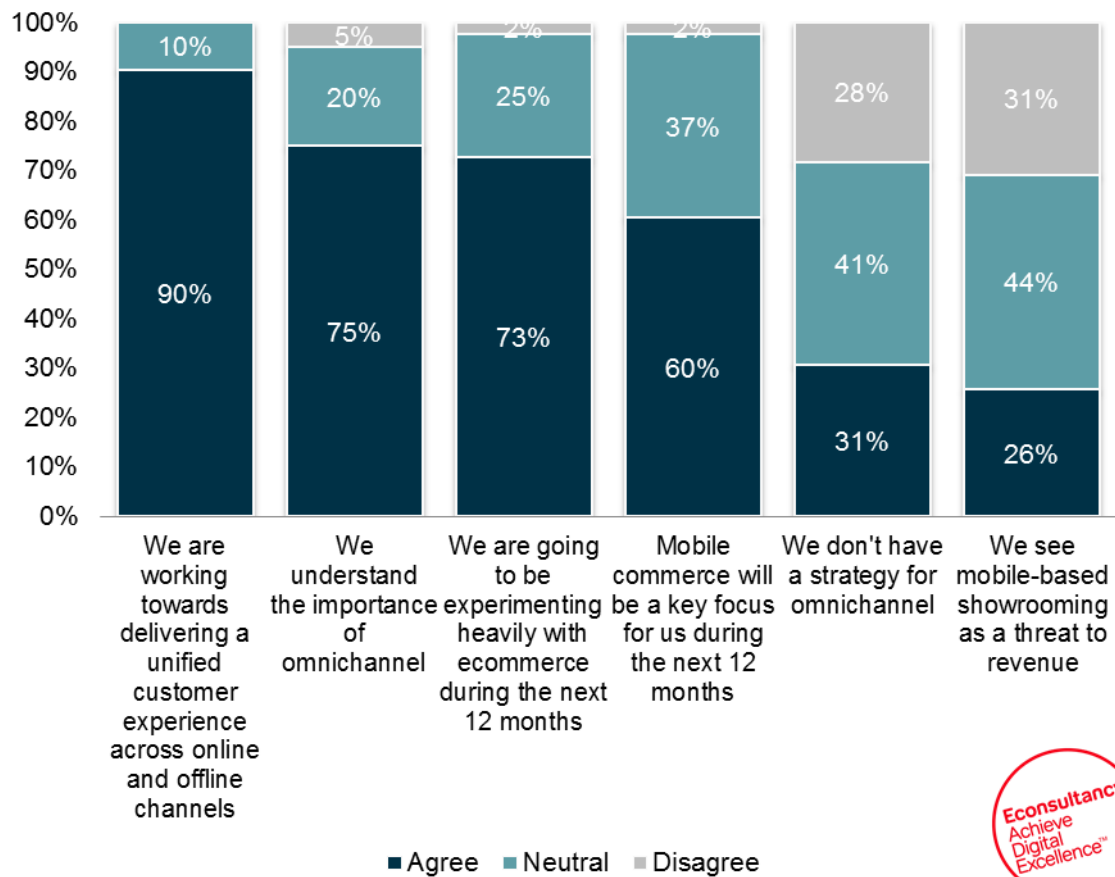
Respondents: 44

These indicators are certainly encouraging for those seeking to capitalise on ecommerce in the region, and when added together, we can clearly see an exciting and vibrant ecommerce market that's starting to take root. Despite our optimistic forecasts, it doesn't hurt to put these figures into perspective: for example, Chinese consumers spent over $107.4 billion online (only on B2C ecommerce sites) in 2012 alone. It will clearly be some time before ecommerce hits this kind of level of revenues in the ASEAN region.

4.2. Consumer behaviour

South-East Asians appear to possess an insatiable appetite for consuming all things digital. In 2011, Accenture launched an in-depth study to determine the extent to which the digital wave was impacting the ASEAN 6 nations, and to gain a better understanding of the characteristics and pace of consumer adoption of digital activities.

The prediction was that in South-East Asia, in the decade from 2010 to 2020, 194 million internet users will be coming online in the ASEAN 6 nations, with 91 million from Indonesia alone. The vast majority (95%) of the online population in Singapore and Malaysia – the region's most developed markets – already own a laptop or PC, compared with the global average of 85%, according to the study.

Mobile phone user stats were literally off the charts: 87% of internet users in Singapore and Malaysia own one – five percentage points higher than the global average. Mobile phone ownership among online populations in the region's four lesser developed nations in the Accenture study – Thailand, Indonesia, the Philippines and Vietnam – was even higher than in the developed markets, coming in at a staggering 90%. Given fixed line infrastructure limitations, it appears that a large percentage of internet users in these markets have opted for mobile as their digital device of choice.

Social networking is a major pastime for South-East Asian consumers when they're online – and it has already become a very influential channel for businesses.

For South-East Asian consumers, choosing to be online so frequently is directly translating to increased shopping behaviour online; with ecommerce activity growing as a proportion of time spent online. Social networks have proven to be highly successful in turning ecommerce into a popular social activity across South-East Asia, while group buying sites are pooling the desires and purchasing power of consumers to fuel more commercial transactions online.

Not surprisingly, earned advertising, or what can be described as word-of-mouth recommendations from family and friends, continues to be the most influential source of advertising among South-East Asian consumers, according to research released by Nielsen.[5]

There's also a greater sense of trust in online advertising. More than half of consumers in Indonesia (57%), Philippines (57%), Thailand (56%) and Malaysia (52%) trust ads in search engine results compared to the global average of 48%. Also, online video ads are trusted by around half of consumers in Indonesia (52%), the Philippines (51%), Thailand (51%) and Malaysia (50%).

South-East Asian consumers even trust owned advertising, taking the form of content and messaging found on brand websites. This trust has increased since 2007 and, excluding Singapore, all markets score well above the current global average of 69%. Filipinos place the highest level of trust in owned advertising, with more than four in five (82%) trusting brand websites to be credible (up 11 points since 2007), followed by Thai consumers (up 21 points to 76%), Indonesia (up seven points to 75%), Vietnam (up three points to 75%) and Malaysia (up seven points to 72%).

4.3. Mobile commerce

Mobile usage is very high in South-East Asia, with a large number of consumers using their mobile devices as their primary means of accessing the internet. According to PricePanda, the proportion of consumers that would be happy to access the internet through their mobile devices ranges from 55% to 79%, compared to the global average of just 31%. This is expected to further increase in the coming years.

Many Asian businesses are already keenly aware of the importance of mobile traffic to their websites.

What marketers say

"Whatever you do nowadays in mobile it's always a mobile-first approach – it becomes the de facto approach that you have to cater for the mobile environment. More than half the web visitors on any of the local websites we have are already accessing us via a mobile device. Slowly but surely we are encouraging our customers to self-assist as much as they can before contacting StarHub, and digital and ecommerce allows us to do this, particularly mobile which often has the most imminent need."

Joe Loy, AVP, Digital, StarHub

Survey results revealed that on average, mobile accounts for 13% of client-side respondents' ecommerce revenues, while agencies indicated that mobile accounts for 12% of their clients' ecommerce revenues. Mobile consistently came out top in Econsultancy's survey in terms of where clients and agencies see the most investment heading in the next few years.

Figure 7: In which areas will you be increasing investment in the next three years?
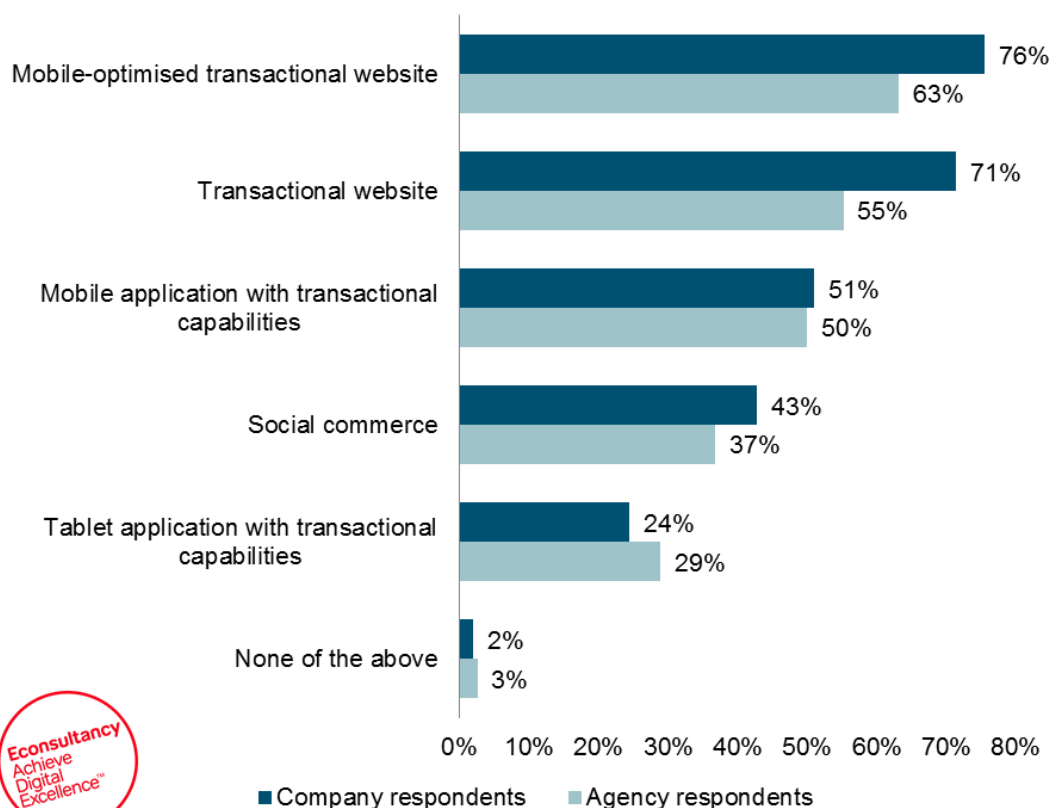
Company respondents: 49
Agency respondents: 38

A number of ecommerce sites have already shifted their attention to m-commerce after realising how important it is to them, including Rocket Internet's Lazada and Zalora.[6]

Mobile commerce also becomes a key factor when assessing and taking advantage of the first mile. The first mile is currently being considered a tremendous disruptive opportunity for businesses who have in the past focused more on the last mile when looking at where their consumers live. In a diverse and varied marketplace, taking advantage of the first mile is going to become incredibly challenging for ecommerce businesses, and it will play a significant part in separating the men from the boys over the next few years.[7]

Retailers in Asia who are planning on moving more assertively into the ecommerce space will clearly have to put a lot of their energy into improving mobile access.

What marketers say

"Singapore has one of the highest penetration rates for internet and smartphones in the world, with a growing number of consumers shopping and interacting with brands online. Given the increasingly mobile and connected lifestyles of consumers today, we want to give them a fulfilling omnichannel retail experience that marries both online and offline. Because access to the internet is almost immediate for any customer with a mobile device, we have integrated features and concepts within our stores that encourage them to go online, whether it's on their mobile or Digital Kiosks. In addition, all our stores are equipped with Wi-Fi and our products have QR codes that take customers straight to the product online. Click & Collect counters are also available in all Courts stores island-wide.

"Currently, our mobile presence runs on a separate platform, but we eventually want our website to be mobile-optimal. One important consideration in this integration will be the difference in customer journey between a customer who shops on our website and one who shops on mobile."

Thomas Ong, Head of Ecommerce, Courts Singapore and Malaysia

Even for a niche ecommerce operator like Paul Hussey, owner of adult products ecommerce website Hussy.com, mobile has become crucial:

> *"I did a review and was looking at our statistics the other day; it's quite scary from a technology perspective. Our visiting time on desktops has dropped by 33%, mobile was up by 55% and tablet up by 38%. Similar trends in revenue. Basically it highlights what everyone is saying on the growing importance of mobile. We have to be conscious of how we are presenting ourselves these days on mobile devices. With responsive web design in theory it ought to work well, but we find that there are always some issues."*

Not all retailers, however, see mobile as currently sitting at the centre of their online stage, especially not in the shorter term.

What marketers say

"For us, mobile is important for brand awareness and reaching customers and prospects on the go, but from an ecommerce point of view it's still pretty small, although we will be launching a new website with responsive design this year. We are also starting a small test with a wristband, to pay for your drinks and food, and other stuff, which will work as a mobile debit card. We currently have a standalone mobile website and there are mobile-based engagements being developed in the park, but we are not using mobile technology as much as we like.

[6] http://www.techinasia.com/rocket-internets-price-comparison-site-directed-1-million-customers-southeast-asias-online-shops/
[7] http://gerardjrego.com/2013/11/21/mcommerce-first-mile-next-mile-and-software-eats-hardware/

"It's definitely on my radar, as the resort is so big that guests sometimes get lost. Finding your way is a fantastic opportunity to engage via mobile, we already use our app for waiting times for big attractions. It's currently very functional; however, we would like to look at the customer creating their own itinerary, and to be able to target them with relevant messages for food & beverage and retail.

"We would also like to make sharing of experiences easier by taking your selfie or couplies to upload to their social media platform. Most Singaporeans already do that, but overseas they tend to be hesitant because of potentially high roaming charges. For us the mobile opportunity lies more for when the customer is in the resort; once we already have them, we can encourage them to spend more. There are also apps when queues are forming and customers can skip queues and go straight to the turnstiles. For hotels quite a few last-minute bookings are made via mobile platforms."

John Sinke, AVP for Digital Marketing and Ecommerce, Resorts World Sentosa

4.4. Social commerce

We have already touched on ecommerce being influenced and driven by social media. Social media is certainly becoming another major growth factor when it comes to driving ecommerce activity in the South-East Asia region.

Tech in Asia describes social commerce in ASEAN markets as an *"informal ecommerce wave"* and identifies it as a phenomenon that's mainly occurring in Thailand, Singapore, Malaysia and Indonesia.[8]

For example, there are already over 10,000 Facebook pages available in Thailand alone selling products, with some clearing as much as $100,000 monthly. In Indonesia social commerce is finding its way slightly differently, with home-grown social networks leading the charge. For many Indonesians, Facebook is developing an image as *"already an old man"*.

In Singapore, a different kind of social commerce has taken off and these websites are known as blogshops. Blogshops, which predates Facebook shops or f-commerce, are defined by Wikipedia as a consumer-based retail business using blogging platforms such as Blogger, WordPress or Livejournal. Blogshops in Singapore can be traced back to their origins in 2006. In terms of how big this business is, the blogshop directory, blogshopasia.com, alone, boasts more than 10,000 blogshops.

Social commerce is perhaps helping to fill a much needed gap that has been formed by the latency of large Western companies in entering this region and offering their highly competitive brands and services online as market demand matures. Even today, the evolution of ecommerce in the South-East Asian countries is lagging behind, with more than half of online brands currently not being able to offer their online products in local currency. At present, 97% of online brands do not have free returns and 91% do not have exchange currencies.

Social, local, and flexible offerings can certainly move much faster, provide a broad range of product by their sheer numbers and diversity of offerings, and cater for individual needs on a local level that the larger players are still finding challenging to deliver.

As an example of social media in action, in Q4 2013, Sanook, Thailand's largest web portal, partnered with fashion online store WearYouWant to feature content from the WYW blog on Sanook's fashion and style-related channels.[9]

[8] http://g2mblog.wordpress.com/2013/07/02/816/
[9] http://www.techinasia.com/sanook-partners-fashion-ecommerce-startup-bring-stylish-content-site/
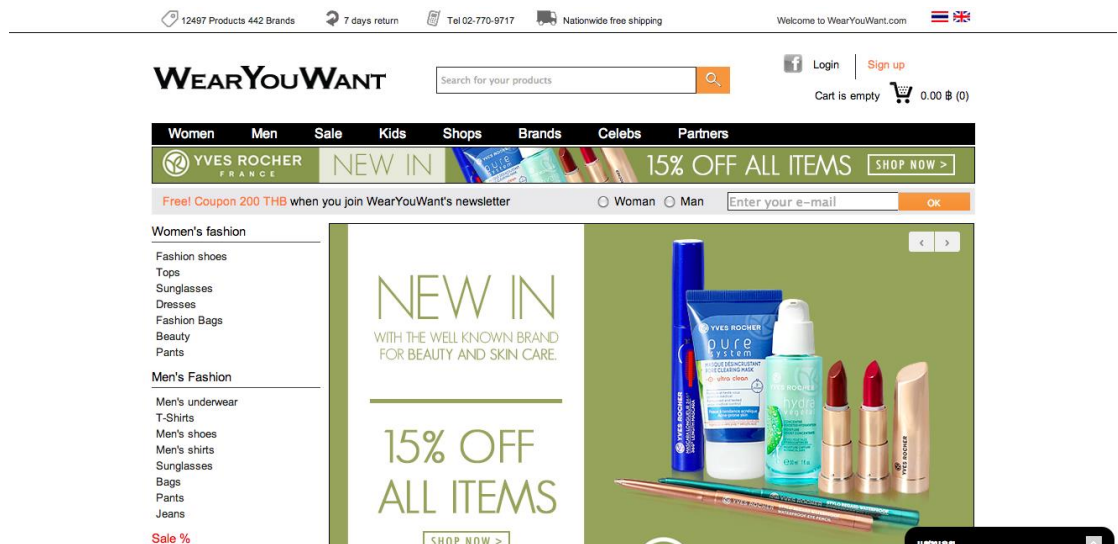
What the experts say

"Social media has been having an impact on the retail sector for some time, so we foresee that those retailers who are able to effectively monitor their online channels will give themselves a big head start and be in a position to best maximise their sales. The key for retailers is connecting their front-end systems with their back-end fulfilment operations so they can ensure a seamless experience for the consumer."

Scott Gillies, Director of Retail, Asia Pacific, Manhattan Associates
http://ichainnel.com/en/news/609681_hdkcp6-new-trends-new-hopes/

5. Key Players

The South-East Asia ecommerce market is starting to become a lot more competitive. There are the global and extremely well-backed venture capital startups seeking to grab dominant market share as the market expands. There are also big players that have entered the market from China and Japan, and eBay has been around for a while, having found its feet some time ago by providing local SMEs with access to Western markets.

One missing obvious big player has been Amazon, which hasn't yet taken the market head on, instead focusing its attention more on growing its business in China and India. Even without a specific focus on the ASEAN market, Amazon still manages to have a significant role to play as one of the bigger players in the market. The chart below provides us with an overview of some of the B2C and C2C players in the market, with things in a constant state of flux.

Amazon and Lazada Among the Top Retailers in SEA
Local Players Doing Well in Vietnam

Unique Visitors (000)
Top 5 Retail Sites per Country

Vietnam		Indonesia		Malaysia	
VATGIA.COM	6,322	AVG.COM	1,435	Amazon Sites	1,497
Lazada Sites	2,351	Amazon Sites	1,347	AVG.COM	1,050
5GIAY.VN	2,203	Lazada Sites	1,260	Alibaba.com Corporation	935
ENBAC.COM	1,970	INDONETWORK.CO.ID	778	Apple.com Worldwide Sites	840
THEGIOIDIDONG.COM	1,793	Apple.com Worldwide Sites	703	GROUPON.MY	640

Thailand		Philippines		Singapore	
WELOVESHOPPING.COM	1,732	Amazon Sites	1,094	Amazon Sites	680
Rakuten Inc	1,337	Apple.com Worldwide Sites	730	Apple.com Worldwide Sites	533
AVG.COM	1,146	AVG.COM	693	Giosis Group	440
Lazada Sites	1,086	Lazada Sites	628	Alibaba.com Corporation	326
Apple.com Worldwide Sites	1,031	MULTIPLY.COM	515	AVG.COM	264

Source: comScore Media Metrix, March 2013

As can be seen in the chart above, the big global players are starting to pay more attention to this market, with companies such as Amazon and Apple attracting a lot of attention (and traffic), and the local emerging ecommerce businesses are companies that have already benefited from being early movers, and include Lazada currently trading in Indonesia, Philippines, Vietnam, Malaysia and Thailand. Lazada, part of the Rocket Internet group, has recently launched its ecommerce marketplace.

The chart overleaf gives us a better idea of who actually owns whom.

Another very interesting player spreading its wings in the South-East Asia ecommerce market is Singapore Post (SingPost). SingPost is more than 150 years old, having a market capitalisation of S$2.4 billion and already 200+ ecommerce clients on its books. The company operates a flurry of dot.com sites for a number of bigger clients, such as Adidas and Toshiba, and run their ecommerce platforms, as well as provide warehousing. The company has three call centres located in the Philippines, Chanai and in China.

SingPost acts as a merchant of record – they own the inventory, operate that particular business, provide the product and give franchisees their margins. The company works closely with many leading brands like Armani and Diesel and has the ability and advantage of being large and experienced enough to navigate its way around the complex local country regulations and develop a significant regional footprint. In addition to being a leading managed end-to-end ecommerce solution, they also have recently launched their own branded website Omigo.com. Omigo.com is the company's answer to the gap in the market created by the lack of a direct presence by Amazon and they have ambitious plans.

Let's drill down now and look specifically at Malaysia. The chart overleaf shows what Malaysia's ecommerce landscape currently looks like (again, expect things to be in a constant state of flux), with a number of global players and emerging home-grown regional players jostling for position in the market, along with the not-so-surprising influx of a couple of big north Asian players from China (such as TaoBao's Tmall, Alibaba) and Japan (Rakuten). Rakuten in particular operates an interesting business model in the South-East Asian ecommerce market, there's some more to follow under C2C a bit later on in the report.

International Sites: amazon, 淘宝网 Taobao.com, ebay, Alibaba.com Global trade starts here., 天猫 TMALL.COM, Etsy

Online Marketplace: Lelong.my, ebay, Qoo10, Rakuten.com.my Online Shopping, easy.my, youbeli

B2C / Specialty Store: Lazada.com.my, ZALORA, i-Pmart ipmart.com Delivering Convenience to You, DELL, Superbuy, MOBILE MEGA MALL, thepoplook.com, HiSHOP, mphonline.com, ShaShinKi, FASHIONVALET

Ticketing / Travel: AirAsia, agoda, Golden Screen Cinemas, malaysia airlines, Expedia.com.my, TGV Cinemas, Booking.com, AsiaRooms

Deal Sites: GROUPON, MyDEAL.com.my, livingsocial, Dealmates.com, StreetDeal.my, milkAdeal

Luxury Shopping: MYSALE, REEBONZ UNVEIL THE SURPRISE, HAUTEAVENUE.COM

Online Grocery: TESCO Because we care, DOORSTEP Your Total Office Solution, presto Your Fresh Supermarket

Online Food Delivery: foodpanda, ROOM SERVICE MyDEAL

Lifestyle Shopping: White.my, dsyr.com, kwerkee by REEBONZ

Penny Auction: SOLD.my, Chika Pow Wow, Penny Auction.com.my, ubid.my

Online Classified: mudah.my Malaysia's Largest Marketplace, OLX

ecommercemilo.com (2013)

5.1. B2C

The bigger players to watch for coming out of the international arena for B2C ecommerce are the likes of Amazon and Chinese giant Taobao, as already mentioned.

Amazon was the role model for copycat ecommerce mainstream player Lazada, part of the Rocket Internet group, and this business was launched in 2012. Lazada currently employs around 1,500 staff (based on their 2013 figures) and is headquartered in Singapore. At the end of last year, Rocket Internet announced that it had secured for Lazada around US$250 million from a combination of investors including British retail conglomerate Tesco PLC, the US-based Access Industries, Investment AB Kinnevik and Verlinvest, demonstrating that they are extremely well funded and aiming to make major inroads into the South-East Asian ecommerce market.

Rocket Internet has often been publicly criticised in the media for copying already proven business models in markets around the world, but they are likely to point out that if they didn't do it, then someone else probably would be taking advantage of the obvious gap in the market, and that they could only succeed in these markets if other players were not as active and committed in finding new ways of meeting consumers' rising needs and expectations.

One exciting feature of the ecommerce landscape in South-East Asia is the sheer volume of smaller specialist players that operate either at a local country level or are starting to expand their business at a regional level. It remains to be seen whether these smaller ecommerce businesses are able to thrive when the market eventually matures and the larger companies start to assertively undercut them with similar or often the same products. Even though these companies have started making massive inroads into the market already, even today, 72% of smaller businesses in the region are not yet into ecommerce.[10]

[10] http://www.ecommercemilo.com/2013/08/ecommerce-statistic-southeast-asia-malaysia.html

An entrepreneurial niche player in the market is Hussy.com, based out of Singapore. The company sells adult toys and they've approached their market differently from the conventional way that adult products are currently being sold. Paul Hussey says:

"Our main market was originally in Australia, that's where our retail stores and trade shows generated our business. In the last 4-5 years, there's been a significant trend downwards in these traditional markets. We've also previously exhibited in South Africa, Canada, the UK. Our business in South Africa is still on the rise. I realised that the market in Australia had already matured and we needed to think differently if we were going to expand our business.

"We moved to Singapore because it happened to be much easier to do business here, especially when one is running an ecommerce business. We originally used to assemble out goods in Australia when we were small; in fact when we first started we did it in our back shed. I moved our production to China and then we moved our offices to Singapore. Currently we see a lot of opportunities to gain some traction in the Asia market. By locating our warehousing to Hong Kong this gives us the opportunity to extend into other markets in the region.

"The opportunity for Asia actually came about when Groupon started talking to us about distributing our products. Groupon asked us to be a supplier for them in all South-East Asian markets, and some of these markets started to run with our products. We now see all these markets as opportunities. Hong Kong doesn't have a lot of search traffic to our site, but Singapore certainly does and is a great market opportunity for our ecommerce business. Singapore isn't as sophisticated as Australia yet, but it's maturing rapidly."

As mentioned before, Singapore boasts numerous B2C niche blogshops. It's worth checking a few of these out to get a better idea of the kind of SME ecommerce businesses that are currently flourishing in these local markets in the region. Below is an example of a blogshop from Singapore.

A highly respected and fast growing socially-driven specialist player from Malaysia is Christyng.com. The company describes itself as shoe heaven and declares its love of shoes to the global marketplace. Christy Ng's company has earned over 200,000 Facebook fans, and perhaps more importantly, achieved a 100% five-star rating from the company's shop on Etsy with more

than 90 reviews. The quality of her company's reviews on Etsy is proving to be the envy of the local ecommerce industry.[11]
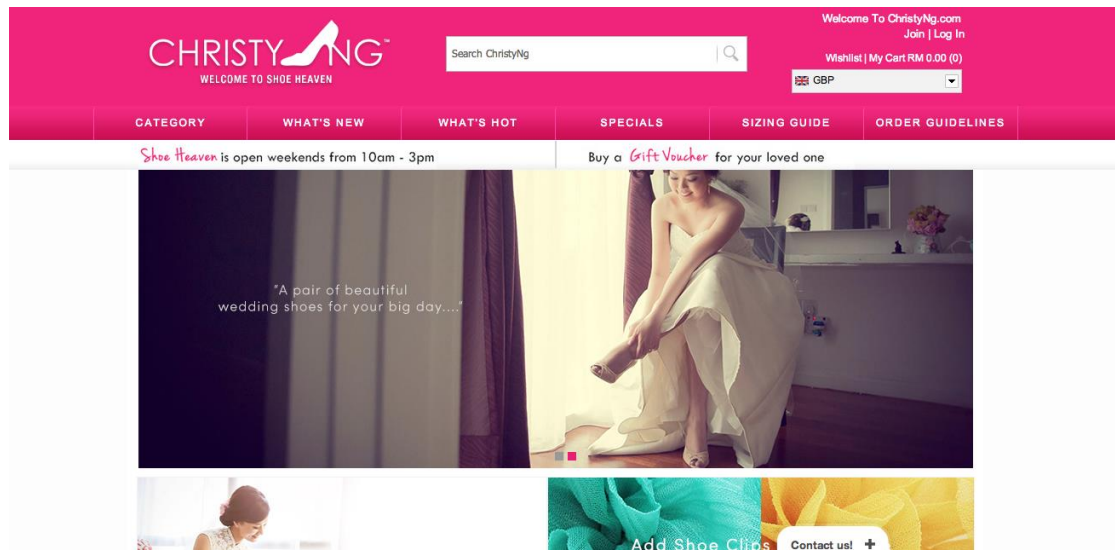
5.2. B2B

It's a lot more difficult to extract any amount of credible data on the growth of B2B ecommerce in the South-East Asia region, as most ecommerce companies don't make their information publicly available, or care to talk about it.

B2B ecommerce is often grossly understated in any market, and South-East Asia is likely to be no exception. There are of course many businesses successfully operating in the B2B ecommerce space today that have little or no visibility to consumers at large.

In fact, just after 2000, the ecommerce market in South-East Asia was mainly dominated by B2B transactions due to consumers' mistrust having gone through the 1997 financial crisis.

Many of the world's biggest multinationals are presently investing heavily in the region to develop their ecommerce capabilities and these B2B companies are making significant inroads. B2B companies involved in the conduct of ecommerce tend to focus more on establishing longer trade oriented product SKUs (for example providing extensive listings featuring hundreds of thousands to sometimes even millions of parts) and often the end results is a salesperson getting in touch or a call centre responding rather than an online sale.

The question arises then, how does one calculate the potential B2B market from an ecommerce perspective in the region?

The South-East Asian nations had a $1.8 trillion GDP in 2010, and it's one of the fastest growing with an average growth of 7.3% achieved in 2010. The industrial sector in South-East Asian countries varies in share, ranging from 10% to 45% of the economy, and tends to be largest in the larger and more developed economies such as Indonesia, Malaysia, and Thailand.

Singapore is an exception, where industry only makes up 27% of the economy, since Singapore is predominantly a service-driven economy. The industrial sector was worth about $627 billion (2010) – about a third of the total GDP. This figure presents a lot of B2B ecommerce

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[11] http://ecomeye.com/blog/2013/12/11/christyng-new-shoe-empire-malaysia/

opportunities, and a large number of these B2B firms are SMEs. For example, there are about three million SMEs just in Thailand, with a significant proportion operating in manufacturing.[12]

An older report by IDC dating as far back as 2005 points out that businesses must overcome many challenges before mainstream implementation of B2B ecommerce can effectively take place, including concerns about security, a lack of awareness of B2B business benefits, and a general resistance to change. Accordingly to Richard Jacobson, who was B2B Internet Research Manager of IDC Asia Pacific at the time, *"the biggest driver of B2B adoption is the lowering of administrative costs for buying and selling activities"*.[13] Although the market has moved along at quite a pace since then, this driver still remains as valid today.

SMEs in particular have always been struggling with labour-intensive processes of running a business that have an adverse effect on their efficiency, productivity and organisational growth. With B2B ecommerce, SMEs are able to benefit tremendously from reduced usage of time and resources through transactions that can be done online. B2B ecommerce allows SMEs to streamline their warehouse, call centre and other functions that have the potential to become choke points in the company's efforts to achieve their targeted growth objectives.

5.3. C2C

In South-East Asia, C2C is also evolving quickly in the ecommerce space with the expansion of a number of consumer-to-consumer marketplaces.

Ebay was an early market entrant to China and Japan, but it was relatively slow to spread its wings into South-East Asia. Having said that, it has been around for some years now and has found its feet in the market. The company currently operates in the ASEAN region and competes against international companies in C2C from China (TaoBao), Japan (Rakuten) and home-grown (Lazada) among others.

One notable exception in the market is Amazon (as already mentioned), which is yet to make any serious effort to break into the South-East Asian market directly. Amazon may soon be losing out on opportunities in the region if it continues to sit on the fence in South-East Asia's rapidly evolving ecommerce landscape.[14]

A recent example of a missed opportunity by Amazon in South-East Asia is the inability to purchase the Kindle Paperwhite when it launched. Groupon Singapore took advantage of this obvious gap and sold the Kindle Paperwhite at S$219 versus Amazon's S$119, enjoying a significant mark-up due to the difficulties posed in obtaining the product in the market. The Groupon deal sold out. Another challenge for customers in the region is that they can't even buy ebooks directly from Amazon.

Singapore's exporters in the C2C marketplace perform extremely well when using eBay in relation to other eBay merchants in the region. Singapore tends to rank second to Thailand in terms of achieving the second largest sales in South-East Asia (2011). That's particularly impressive given how small Singapore's population is in relation to other markets.

Here are the top selling categories by Singapore exporters that are selling on eBay:

1. Jewellery, gems and watches
2. Clothing and accessories
3. Business items for industrial and office use

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[12] http://www.businessvibes.com/blog/size-b2b-market-southeast-asia-estimate
[13] http://www.prnewswire.com/news-releases/idc-predicts-a-boom-not-gloom-for-asias-b2b-ecommerce-markets-82465192.html
[14] http://thenextweb.com/asia/2014/01/10/amazon-its-time-to-get-your-game-on-in-southeast-asia/

4. Toys

5. Computers

Taobao launched its marketplace in Singapore relatively recently, in September 2013, and created a regional landing page for South-East Asia, plus a dual-language registration page. This may well have been a knee jerk reaction to its rival Jingdong having announced a strategic partnership with IT products group iKone to launch its own JD.com's Singapore website as well as pick-up stations for online purchases.[15]

Perhaps the most distinguishing difference is Rakuten's B2B2C model which does not compete with merchants, as opposed to Amazon's or Lazada's. Rakuten does no merchandising of its own and will be a potential threat partnering with marketplace operators who do offer merchandising. Rakuten's motto is always about empowering merchants by having ecommerce consultants working closely with merchants and growing their online business.

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[15] http://thenextweb.com/asia/2014/01/10/amazon-its-time-to-get-your-game-on-in-southeast-asia/

6.   Trends and Developments

6.1.   The retailer mindset shift

Retailers globally often struggle to adopt the mindset shift to successfully conduct their business online. Many have been relentlessly undercut by online ecommerce businesses that have emerged and grown into serious competitors in the space of a few short years, and have sometimes found themselves pitted against these swift and agile players who enjoy significantly lower cost overheads and sell many of the same products.

South-East Asian retailers have been a little more fortunate than some of their global counterparts thus far. South-East Asia as a region remains quite disparate culturally, geographically and economically (although this is gradually changing with the emergence of ASEAN nations and political ambitions to make the region more homogenous), and this has helped fuel some fierce resistance in having to embrace sweeping changes in consumers' buying habits.

Consumers in many South-East Asian markets still seem to prefer to go to their physical shopping centres, and many markets have benefited in recent years from having developed relatively sophisticated infrastructures in their shopping malls with cool air-conditioned environments throughout, and a plentiful selection of superb food halls with delicious meals at rock-bottom prices, stylish big chain coffee shops and varied restaurants.

All these factors continue to encourage people to meet up with their friends and family and socialise in these modern retail shrines. Shopping in malls in South-East Asia has become so much a part of consumers' everyday lifestyle that retailers have been largely insulated from online competition (when compared to the challenges faced by their Western counterparts) and allowed themselves to be purposely slow in investing significantly into ecommerce.

The reluctance by consumers to alter their socially-driven shopping behaviour in recent years has started to clash with the emergence of new and compelling internet technologies, and perhaps the severe overreliance on traditional modes of shopping behaviour has helped to create a false sense of security for businesses.

Nowhere is this intense love for shopping mall culture so visible in Asia than in Singapore. Singapore not only has ample highly developed shopping malls, but being so small it is relatively easy to cater for all islanders.

What marketers say

"I don't see sophisticated multichannel retailing a lot around me as a consumer in Singapore. Singapore is a funny market because everything is right there on your doorstep, that's why ecommerce is having a pretty hard time to firmly take root. Food and shopping are literally national hobbies here, and ecommerce only becomes something that is a little more convenient, but it's not something that's going to replace Singaporeans' traditional shopping behaviour."

John Sinke, Resorts World Sentosa

However, when it comes to change, nobody remains that insulated for too long, and technology has a way of suddenly creeping up on businesses that may be unwilling to look ahead. We've already established the intense craving and appreciation for gadgets that is pervasive across most South-East Asian markets, and the willingness by the younger consumers to experiment and adopt new purchasing behaviour.

Here are a number of reasons that are helping to drive the changing pattern of behaviour of consumers online as identified by Accenture:[16]

1. Economic growth in the region is surging, making internet access more affordable.

2. Steady improvements in the price-to-performance ratio of mobile devices, coupled with improvements to battery life, have helped consumers bypass infrastructure roadblocks, especially in the less developed markets.

3. Evolving demographics have created a critical and fast-growing mass of youthful, urban, middle-class consumers who are hungry for the best digital experiences technology can offer.

4. South-East Asia's governments are pushing aggressive agendas for information and communication technology, recognising its potential to drive more inclusive economic growth and innovation by connecting more of their populations to the internet.

There already exists a very close emotional attachment of South-East Asian consumers to the internet, as depicted visually by this chart:

Views on the Internet differ across the ASEAN 6
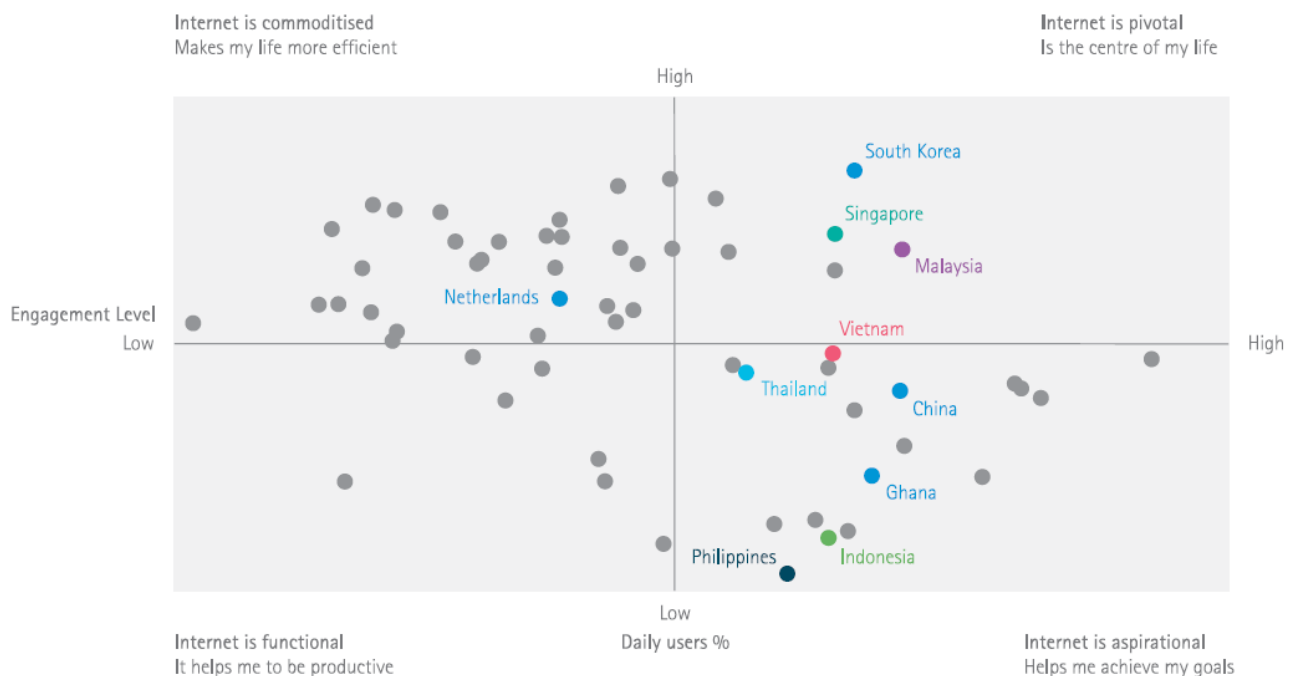
Source: TNS Digital Life, 2011.

It doesn't take a lot of insight to start to work out that once a number of logistical problems are overcome to help improve the way ecommerce can serve these diverse markets, then ecommerce growth will begin to rapidly accelerate forward.

At present, a lot of the market is still asking for more evidence that it's worth making such sizable investments into ecommerce. They're looking for justifications to raid their bank accounts and marketers need to make a solid case to their companies' CFOs.

[16] http://www.accenture.com/SiteCollectionDocuments/PDF/Accenture-Surfing-ASEAN-Digital-Wave-Survey.pdf

What marketers say

"I think you have to have proof points. How many big successful ecommerce companies are out there? Rocket has been investing like crazy, but are any of these sites actually making money? There are not a lot of showcases right now, there are some small semi-successful sites, but that's all.

"Air Asia is one of the very few showcases, because everyone advised Tony that nobody is going to buy plane tickets online, yet over 85% of the transactions are currently being done online. But similar examples are few and far between. I think we need more success stories to emerge to really have the ecommerce market take off. Tied into this, we need the reason why Silicon Valley does so well to happen here. It's because the people who have been successful in building their businesses previously go on to reinvest financially and with intellectual capital, this then helps to further grow the market."

Dany Bolduc, COO, Crescentrating

Let's return for a moment to the digital mindset shift issue. What is this shift that we keep on hearing about? What does it actually entail? In a nutshell, it's really about retailers adopting a strong technology mindset.

What the experts say

"Computing power, data storage, and networks have grown at incredible rates. A smartphone today has more computing power than the biggest business computers in the 1970s. Advances in data gathering and storage allow retailers to capture every single item, event, and transaction in the supply chain and in the store. Wireless networks have grown enormously in capacity, speed, and the number of users, and they can now connect to a multitude of devices. These interacting drivers are the prerequisites that make it possible for consumers to collect information and make a purchase anywhere at any time. Retailers, in turn, have the opportunity to analyse captured data to build direct relationships with customers and create supply chains driven by granular demand and supply data to reduced inventory and improve service."

Stefan Niemeier, based at McKinsey's Hamburg, Germany office
McKinsey on Business Technology Number 32, Winter 2013

"When an organisation has a data mindset, every single person working there, from the CEO to the cleaner, uses data to inform their decisions. Agreement is required for when data should not be shared, rather than when it should. Access is easy and fast, with no need to go through IT departments and write SQL queries.

"Historically, retail managers' most significant business decisions were capital intensive with long cycle times – enter a new geography or market; build a new distribution centre; or open 20 new stores. The final decision was based on careful research, usually by some expensive analysts. Today, two things have changed in the decision-making process:

a. Shorter cycle times – We simply add capacity in the cloud or launch via an online marketplace. Today's business is driven by many smaller and specific steps, each of which is measurable.

b. Cheaper cost of analysis – There are more data, more tools and more skills available to carry out analysis. Entering a new market no longer requires a market segmentation by an analyst firm and locally based advertising; today Facebook Graph advertising does it for free, in hours rather than weeks.

"These same shifts in data use can be seen in Formula 1. Telematics now send back data as the car is driving, not after the race, which allows the engine to be adjusted continually throughout the race. Retail is rapidly transforming its pace of decision making in the same way."

Andreas Weigend (Director Social Data Lab) and Gam Dias (First Retail)
**http://www.mo-data.com/notes/adopting-data-mindset-retail-organisation**

Marcelo Wesseler sends out a sombre warning to businesses that choose not to prepare properly when seeking to enter this awkward and exciting ecommerce market:

> *"Key challenges for ecommerce in South-East Asia include logistics complexity and costs. Other major challenge across ASEAN is customs duties. Reliability of last mile delivery is another challenge. There are so many potential hold-ups that can happen on the order. To do this properly, one needs to be able to closely track the order on its way to the consumers."*

A key issue in the region is going to be technology and many clients have been busy building their own customised ecommerce platforms.

Company respondents
Figure 8: What type of ecommerce technology is your company using?
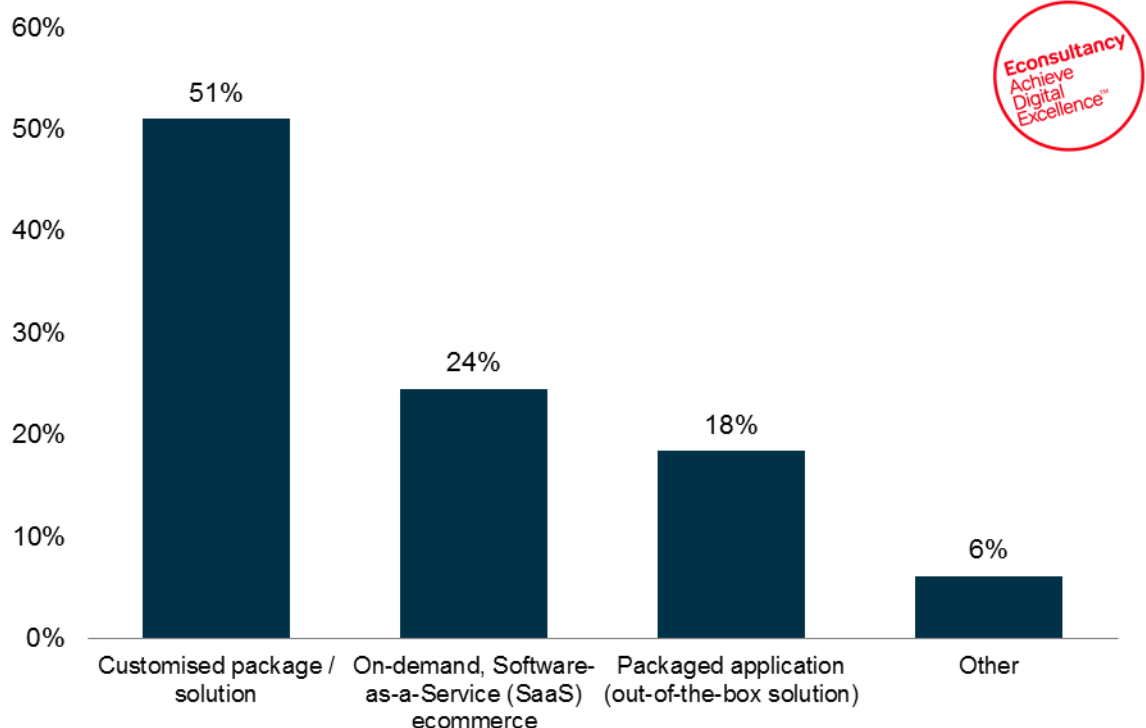
Respondents: 49

The quote below from a CTO of a global consultancy company sums up some of the issues related to technology for ecommerce businesses in the region:

> *"It's difficult for me to make a recommendation for which ecommerce technology to invest in the region without first going through a methodical step-by-step evaluation of what is actually required by a particular business and what currently exists out there in the market. When I look at the types of ecommerce websites featuring their own DIY solutions and claiming to be one step ahead of the pack, some of them look terrifying, but at the same time there are not that many reliable vendors out there I am comfortable with recommending.*
>
> *"I caution any business before making a significant investment into ecommerce technology in the region to carefully consider what's going to work best for them longer term before deciding to build it themselves, and at the same time I urge these companies to thoroughly evaluate before making an investment into a ready-made solution. There is clearly no right or wrong answer, or one-size-fits-all solution that I can suggest, but*

making a poor initial investment decision will most likely cost those businesses a huge amount of money to repair further down the line."

6.2.   Multichannel commerce becomes front of mind

For most people, multichannel and omnichannel are used interchangeably, but this doesn't make it the same thing. Multichannel isn't new, it existed when the internet was first born, as there was simply offline and there was online. These days, multichannel means using so many different channels, especially with the emergence of social media and additional delivery platforms (like smartphones and tablets).

For the purposes of our ecommerce report, it's worth focusing on what omnichannel actually stands for, whether or not one actually likes the term and the buzz that's happening around it. Omnichannel retailing can be defined as *"an integrated sales experience that melds the advantages of physical stores with the information-rich experience of online shopping".*[17]

Darren Hitchcock, VP of the UK/European Region at RichRelevance, outlines five ways companies can embrace omnichannel retailing:

1. Utilise social media channels to engage personally with customers.

2. Embrace customer product reviews.

3. Integrate the physical and online presence.

4. Implement innovative in-store technology.

5. Create local ecommerce 'landscapes'.

It's often difficult, however, to persuade many of the successful businessmen who have built up a highly profitable traditional business in retailing to take up ecommerce and omnichannel retailing in particular, and make sizable investments.

What the experts say

"The term omnichannel describes the simultaneous use of two channels, for example using a mobile phone device in-store or a tablet whilst watching TV. The term is also used to describe the necessary coherence between the different channels so that it is easy and practical for customers to interact via the different channels. This means that the configurations and choices made on one channel must be memorised and considered for each channel. Could you imagine if you had to recreate an account for the different channels used, e.g. for desktop computers and tablets, or the in-store checkout?"

Benoit Arson & Jean-Marie Camiade, http://blog.atinternet.com/en/series-multi-channel-cross-channel-omni-channel-retailing-business-forms-12/

"I think omnichannel strategy is becoming really important to retailers, and you are starting to see it in Asia. It's primarily for the service, given the challenges in Asia credit card, infrastructure, shipping returns. Online to offline is going to become more and more important and a distinct advantage to those companies who do it properly."

Dany Bolduc, Crescentrating

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[17] http://econsultancy.com/blog/10621-five-ways-to-embrace-omni-channel-retailing

What marketers say

"Ours is an extremely siloed organisation, all the leaders are baby boomers, ecommerce is simply not working for them. Luckily the big boss is already a believer, he asked a number of professionals to talk to the company about the growing importance of ecommerce to the business. Slowly they have begun to accept it. But even then, certain products are not allowed to be sold online. The suppliers don't want to do it and they make it extremely difficult for us.

"Often the management pushes away the responsibility, they don't have the manpower to take on ecommerce properly. Budget is not the main issue here, it's the human side, as people are not yet willing to adapt to ecommerce. These already successful business leaders believe that they are already successful, and it's not their time to take on this new challenge. When the competitors arrive on their doorstep, they may have to wake up."

Anonymous, Malaysia

In his annual report looking ahead, Econsultancy's CEO Ashley Friedlein illustrates omnichannel quite succinctly in terms of how it's playing out globally:

> *"Largely this will be about bringing digital to the world of the physical: e-receipts at point of sale; Wi-Fi in the retail environment; store associates armed with tablets to bring the 'endless aisles' and personalisation of online to offline; remote servicing, collaboration and sales technologies in branches (like Nationwide); geo-targeted mobile promotions (like Meat Pack's Hijack); digital/experiential stores and showrooms (like Audi's City London); mobile adding a service layer to the store (like Neiman Marcus' NM Service app) etc.*

> *"However, we'll also see more of the digital becoming physical (like eBay's click-and-collect deal with Argos or Google's Winter Wonderlab pop-up stores) and lots of progress around delivery and fulfilment (like Amazon Locker, Asda opening collection points at tube stations in London, eBay's acquisition of Shutl for one-hour deliveries, Tesco trialling pick-up at schools and parks in York, Waitrose's launch of automated temperature-controlled lockers)."*

So what are the potential ramifications for omnichannel retailing in South-East Asia if retailers continue to fail to adopt ecommerce as part of their business identity? Lachlan Gyde, the recently appointed head of EC Harris' Retail Asset Performance in South-East Asia, sees it as being dependent on what infrastructure already existed:[18]

> *"...food-based community malls will be more immune to online sales drift than, say, a high street fashion mall. The nature of the product and the ease of online purchase are determinants in the 'bricks vs. clicks' sales war. What this means for South-East Asia is a difficult question to answer as the retail market and online capabilities are at such different levels in different countries.*

> *"For example, Singapore and Hong Kong have world-class shopping malls, excellent tenant selection, advanced internet infrastructure and web-savvy populations. As a result, the consumers in these two countries get the best of both worlds and have the choice to buy online or in malls and it would appear they embrace both formats. Other countries within the South-East Asia region have poor quality shopping malls and limited online capabilities, meaning that most shopping is done in markets or in main street stores. So neither the shopping mall nor online option is dominant."*

[18] http://www.cfoinnovation.com/content/e-commerce-takes-are-asias-malls-danger

hybris software
An SAP Company Page 36

Marcelo Wesseler sees omnichannel as a key for traditional retailers looking to compete in future.

"Retailers that we talk to find it a real challenge to embrace omnichannel for their business, but it is necessary for today's business context. For Singapore, the entire omnichannel experience is going to be significantly more important than in rural areas in the near future. If you are able to fulfil orders in the store, and if your real estate cost and even warehouse cost can be successfully integrated, then you can save a lot of money.

"A lot of brands shy away from putting up inventory investment. It's much better if you can set up a system that lets you leverage the existing warehouse in-store, and you only have to invest once. Especially for retailers, and particularly if you're in the fashion business, the lifecycle can be extremely fast, the investment can therefore be rather daunting. Also, there's customer experience to factor in: to a consumer it doesn't matter if you buy online or offline, you want to pick up or return in store."

The need for unified customer perspective comes out strongly in Econsultancy's own recently conducted survey. Although not that much data actually exists on the value of having a single unified customer perspective, many marketers see it as essential as the customer journey and customer relationship become more complex via added layers of technology.

Company respondents

Figure 9: Do you agree or disagree with the following statements relating to ecommerce?
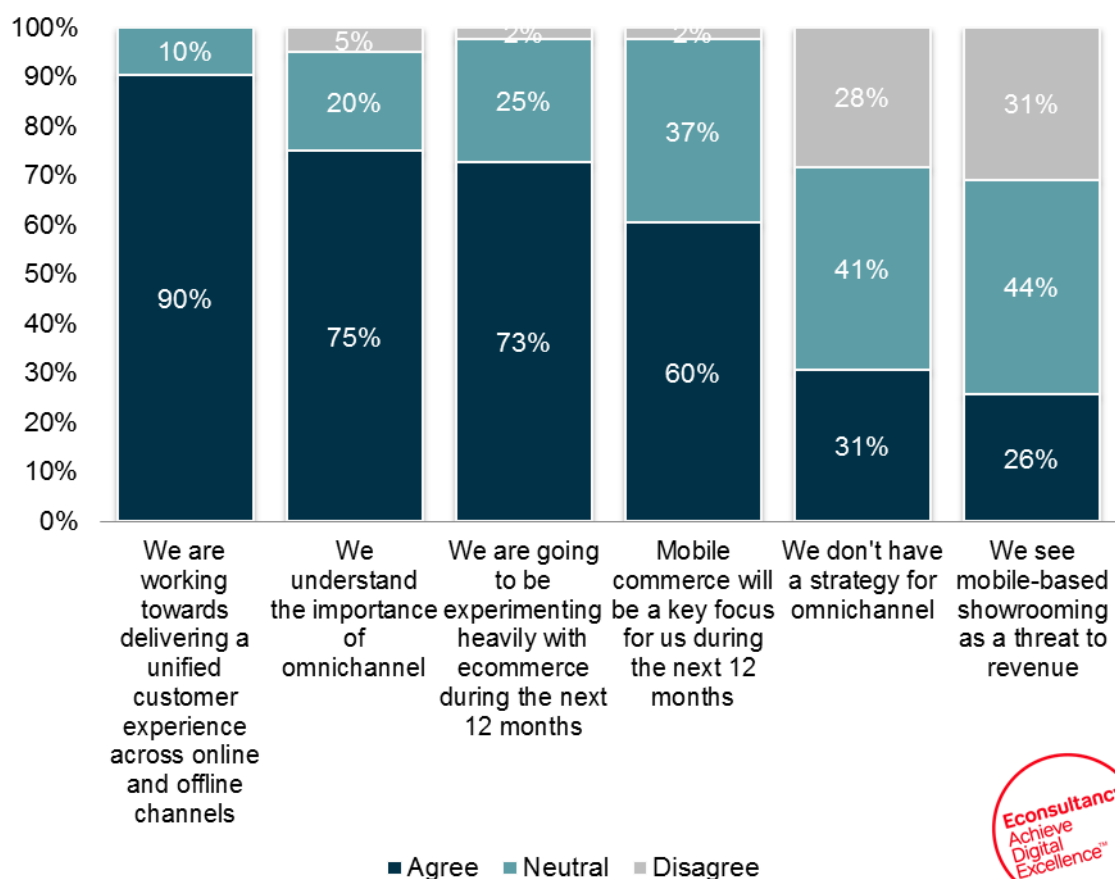
Respondents: 44

A last point on multichannel, or perhaps more so when talking about omnichannel in particular, is a cautionary warning on making too many assumptions:[19]

> *"These recent terms also support an argument made by the different service providers, and are widely used by digital marketing experts to sum up the following sentence: businesses who do not think multichannel are doomed to disappear. First of all it is necessary to exercise caution when making categorical judgements such as this one, especially when there are no figures to rely on. Having everyone repeat the same thing does not mean that it becomes real."*

6.3. Meeting (and exceeding) customer expectations

Expectations in South-East Asia around ecommerce are becoming increasingly sophisticated as technology appears to promise ever greater purchasing options, and leading global players keep setting higher standards for the rest of the industry to adhere to. Therefore, being able to meet or exceed these rising consumer expectations successfully will start to become even more challenging in a region that remains relatively underdeveloped in so many ways.

The use of social media is already highly sophisticated in Asia and the ability to communicate quickly and share information almost instantly means that ecommerce companies that operate in the region will also need to become socially savvy quickly in order to earn any degree of credibility.

It's clear that the region is geographically, culturally and economically extremely diverse, and with highly varied levels of infrastructure already in place depending on in which country the consumer resides in. One can therefore argue that it's next to impossible to describe South-East Asia as a single homogenous region with a uniform approach that will allow a business to conduct ecommerce successfully, and thus imply that there is a given set of rules and practices that one needs to closely adhere to.

The reality is that consumers will only ever care about how they are treated as individuals by the business they are parting their hard earned cash to in return for purchasing sought after goods and services, and one simply has to be able to resonate with each and every consumer in their own preferred way.

An article published by McKinsey & Company outlines a number of essential do-or-die questions boards ought to be asking about technology, and these apply equally to ecommerce businesses that are operating in the South-East Asian market:[20]

> *"For incumbents in many sectors, technology is becoming an arms race. Companies are harnessing technologies such as social media and location-based services to reinvent the customer experience and capture market share."*

But the problem for South-East Asian ecommerce players lies beyond just being able to address the diversities of the marketplace, it's also about having to deal with consumers' rising expectations and being able to meet them. Although South-East Asia may not yet have the bigger ecommerce playground filled with predictable heavyweights that most Westerners are familiar with, the sophistication in current technology usage and the rapid escalation of new and even better technologies that are being adopted by consumers means that these very consumers will soon be expecting the highest service standards that their counterparts in the West are used to.

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[19] http://blog.atinternet.com/en/series-multi-channel-cross-channel-omni-channel-retailing-business-forms-12/
[20] http://www.mckinsey.com/insights/business_technology/the_do-or-die_questions_boards_should_ask_about_technology

The McKinsey & Company article goes on to address customer expectations, which is something for many traditional businesses in ecommerce to bear in mind:

> "Attackers in many industries are differentiating themselves from incumbents through convenience and service. As a result, customer expectations are rising quickly. Simply meeting these enhanced expectations can be a major effort for organisations that were not born digital. For instance, retailers may need to step up their development of digital channels.

> "Banks, insurers and telecommunications players may need to automate end-to-end sales and service processes so that customers can interact with the company in real time in an error-free digital environment. The bar is high for delighting customers in a digital world. Often, doing so requires investment in sophisticated big data capabilities that use social, location and other data, for example, to attract potential customers to product promotions at stores in their vicinity."

A good example is the financial industry in the South-East Asia region. Last year a survey by US software firm SunGard that sampled the views of 1,000 consumers in 10 countries across the Middle East and South-East Asia found that banks in some of the world's fastest-growing emerging markets were still struggling to meet evolving customer expectations. This was negatively affecting the customer experience and potentially driving a trend towards consumers opting for multiple banking relationships.

Dissatisfaction with digital channels appeared to be quite high. When customers were asked to name one or more areas that they would like to see their banks improve, 55% highlighted online banking and 45% mobile banking services. Almost half (47%) of respondents were currently not using mobile banking and could be targets for this increasingly popular banking feature by smarter and more agile players. One in two respondents expected the bank to deliver a better mobile experience in the future.[21]

Dean Young, Vice President of Product Management for SunGard's retail banking business, says:

> "Banks must invest in enhancing their multichannel propositions to empower staff to serve customers more effectively and drive greater revenue from existing relationships and prospective customers."

One can perhaps argue that the banking industry has never sought to be an innovator in digital, but they have the clear advantage that the majority of their products and services can be delivered online, and one that ought to provide a real opportunity for them. For ecommerce companies having to deliver physical products, this poses a far greater challenge when having to deal with such a diverse and underdeveloped geographic region as South-East Asia.

Jon Russell takes a much stronger stance in his article when identifying the key issues in the region:[22]

> "Though it boasts a population of over 600 million people, ecommerce in South-East Asia is fundamentally broken. Amazon, eBay and other global retailers have not put resources or focus into the region, and it is bereft of any dominant ecommerce players. Most importantly, it has no cohesive network or infrastructure for retailers to tap into the region through a single point. Each individual market requires separate contracts, deals and localisations – which creates a barrier of cost and frustration, which is often deemed too excessive given that consumer spending in most markets, while growing, is behind Western averages."

[21] http://www.nationmultimedia.com/business/SunGard-survey-finds-banks-in-Southeast-Asia-Midea-30220190.html
[22] http://thenextweb.com/asia/2013/12/23/thailands-top-tech-entrepreneurs-aim-to-fix-southeast-asias-e-commerce-bottleneck/

For ecommerce businesses operating in more sophisticated or single markets the challenges appear a little less daunting. Thailand is rapidly developing its ecommerce capabilities, and an excellent example of this is True that operates in the telecommunications and diversified communications industries. True will be providing a social network platform and mobile application to support its C2C marketplace, while also offering a B2B2C platform.[23]

The B2B2C initiative is a collaboration process that aims to create mutually beneficial service and product delivery channels. Online or ecommerce businesses and portals will be able to reach new markets and customers by partnering with consumer-oriented product and service businesses.

6.4.   Showrooming: threat or opportunity?

Showrooming can be perceived as a threat as well as an opportunity for a traditional retail business, and it's definitely a big opportunity for ecommerce companies and well-structured omnichannel retailers.

The dynamics of retailing have changed substantially with the increasing penetration of internet and smartphones globally. Customers are keener to compare prices and other associated services online before making their final purchasing decision. It has become critical for present day retailers to explore ways to keep their customers content by offering better servicing, larger and more diverse product assortments and other associated services.

Consumers tend to showroom because they get to see and feel the product in the store, and then the price is almost always better online. Fashion apparel and accessories and consumer electronics products are some of the most susceptible categories to excessive showrooming by consumers.

Although price is often a major factor in the growth of showrooming, for retailers who cannot just lower their prices, a number of options in terms of improving their current retail strategies exist to help mitigate the impact showrooming has on their business: [24]

1. Find appropriate ways to leverage technology in the brick-and-mortar storefront to deliver added convenience and a novel shopping experience.

2. Reward consumers with a distinctive product and a special degree of customer service in-store.

3. Link the store experience through to the online experience in seamless, convenient and engaging ways (this applies to merchandising, content, promotions, etc.).

4. Give your sales associates instant access to the information and inventory your customers are exposed to online elsewhere.

Ultimately though, as a traditional retailer, it will be much smarter to work out how one can evolve into becoming an omnichannel retailer, and embrace ecommerce as part of the company's retail proposition.

[23] http://www.nationmultimedia.com/technology/New-platforms-drive-e-commerce-30220215.html
[24] http://luxurysociety.com/articles/2013/05/the-future-of-showrooming-new-consumer-behaviours

6.5.   Delivery and fulfilment options (local and offshore)

Delivery and fulfilment is likely to be one of the main challenges for ecommerce and m-commerce businesses operating in the South-East Asia region. A well-optimised supply chain will become critical to businesses operating in the region, a challenge that will be heightened for larger scale ecommerce operators.

As China becomes more competitive, South-East Asia is going to become even more critical for multinational companies seeking to grow their business in the APAC region.

What the experts say

"The growing trend of ecommerce, mcommerce and most recently omnichannel commerce across South East Asia is forcing companies and retailers in particular to adopt a new approach to supply chain management. With good product availability, high quality service and convenient fulfilment options across all sales channels now expected by consumers, the successful retailers of 2014 will be those that are able to solve the most complex problem of all – optimising fulfilment and service excellence, no matter what the channel, and being able to deliver on their promises to customers profitably."

Scott Gillies, Director of Retail, Asia Pacific, Manhattan Associates

"A well-optimised supply chain, fully integrated with the performance ambition of the business can effectively amplify the growth of a company. Now, more than ever, supply chains should have an 'equal seat at the table' in order to deliver a meaningful and competitive advantage for global businesses."

Joy Rice, Director for Asia-Pacific Supply Chain Support, Diageo

"On a macro level, we expect a mild global upturn in 2014. We are cautiously optimistic for trade growth in Europe and US, while the trade within Asia continues to grow. Many of our MNC customers are expanding their footprint in Asia, which is beneficial to us. We also expect good business growth with our global and regional key clients in South-East Asia as many are reducing their dependency on China, and moving more to markets such as Indonesia, Vietnam, Cambodia and Bangladesh."

Karsten Breum, CEO, Damco, Asia-Pacific

"South Asia will continue to be a key regional distribution hub for business and logistics given the area's location and efficient customs regulations. Many countries in ASEAN are preparing for the coming ASEAN Free Trade Zone and ASEAN-China Free Trade Agreement. These policies will be key to emerging trends, as members develop logistics infrastructure between countries."

Desmond Chan, Director South Asia, Menlo Worldwide Logistics

"We announced a €140 million (US$189 million) investment in South-East Asia to build seven world-class multi-user facilities, expand transportation capabilities, develop advanced IT solutions and unveiled the region's first fully automated storage facility in Singapore."

Paul Graham, CEO, DHL Supply Chain Asia Pacific, Middle East & Africa

Source: http://ichainnel.com/en/news/609681_hdkcp6-new-trends-new-hopes/

"We see a fantastic opportunity in Asia, which is why we are investing heavily there. The value of mail is still important for airlines, but yields are decreasing. Ecommerce takes us into a different area – into kilos rather than grams."

Chris Stevens, Global Head of Ecommerce for Belgian post company bpost International

Source: http://theloadstar.co.uk/airlines-can-win-growing-e-commerce-business-in-asia-but-margins-are-tight/

For those new ecommerce players currently seeking to establish an ecommerce business in South-East Asia, Singapore and Malaysia often provide a fertile testing ground and launch pad for almost any kind of ecommerce businesses seeking to achieve a broader footprint across the region.

A 2013 study by Payvision and the FSA Research Project identifies the opportunities for ecommerce businesses seeking to step up their activities in the region. Based on insights from to industry experts and the data studied, an estimated 55% of all ecommerce in Singapore and 40% of all Malaysian ecommerce is cross-border. This is an extremely high percentage when compared to cross-border ecommerce figures that exist for Japan (18%) and South Korea (25%).

Singapore and Malaysia offer a fertile entrepreneurial environment, they have a developed digital landscape with advanced IT infrastructure to successfully test and adapt products and marketing strategies, and help companies to establish a solid foothold in South-East Asia. Marrit Teirlinck, Researcher at FSA, said:[25]

> "The multicultural, multilingual nature of both societies and their developed ecommerce ecosystem represent a perfect landscape for ecommerce companies with the ambition to expand into South-East Asia and, in a next phase, to tap into well-established Asian ecommerce markets."

6.6. The place of B2B ecommerce in the region

It is only in recent years that B2C and C2C ecommerce have really taken off in the region, and as we've already identified, they're still currently at the early stages. B2B ecommerce may not be that clearly visible to those who are hearing a lot more about the plentiful opportunities that exist in B2C ecommerce, but there are tremendous growth opportunities in B2B ecommerce that are also emerging in the region, especially for smaller businesses.

One only has to look around the corner at China to see how fast B2B ecommerce is growing there. B2B ecommerce in China reached a quarterly record of 42.4 billion Chinese yuan (US$6.9 billion) in the third quarter of 2013, according to the most recent data compiled by EnfoDesk.[26]

B2B ecommerce floors are attracting many businesses from around the world, including those from Vietnam. Last year there were 3,600-4,000 Vietnamese businesses per month that were registering on Alibaba.com. Vietnamese items that top the list for foreign viewers of the site are related to agriculture, food and beverage, and construction and property. US, China and India are among the buyers who have great demands to seek Vietnamese suppliers online.

Timothy Leung, deputy chairman of Alibaba.com Group's global business and development division, said:[27]

> "By using ecommerce, enterprises are able to easily access new markets and customers. Online trading helps reduce transaction times and costs."

South-East Asia is proving to be a fertile trading ground for millions of small businesses which through B2B ecommerce can effectively reach the global marketplace. Whereas the diversity of cultures, languages, economies and cultures and lack of infrastructure may have held these businesses back somewhat, the rapid growth of B2B ecommerce in the region may soon be unleashing a formidable economic force at both a regional and global level that emanates from these South-East Asian nations. Entrepreneurs finding ways to build and enhance the B2B

[25] http://www.dqmagazine.com/news/singapore-and-malaysia-are-ideal-ecommerce-testing-grounds-10356/
[26] http://informerly.com/links/in-china-b2b-e-commerce-hits-a-record-6-9-billion-in-q3
[27] http://vietnamnews.vn/economy/228114/firms-look-to-e-commerce-to-boost-trade.html

infrastructure in the South-East Asia region will be rewarded with many opportunities as the market seeks new ways of doing business.

For larger companies in particular, B2B marketers are facing constant challenges around control, and this can often hamper the company's ability to provide tangible results. Prabhvir Sahmey, Head of Media Platforms, India at Google, emphasises:[28]

> *"It is now known that 60% to 80% of website traffic for B2B is likely going to come from organic results, so invest in pages that rank strong. This is a bit of a challenge again, namely for two reasons:*
>
> > a. *The websites that B2B marketers use are controlled by their global counterparts – taking that control away. It is important that you have full control over the websites for your region.*
> >
> > b. *Given (a), marketers end up creating campaign-specific websites hosted on some random or temporary server that search bots never visit.*
>
> *"These two things combined straight away makes you lose that 60% potential that you could have tapped into if you had control. The advice here is to get localised access to the web destinations you want to drive traffic to."*

[28] http://www.clickz.com/clickz/column/2282002/the-b2b-marketer-of-southeast-asia

7. Strengths, Weaknesses, Opportunities and Threats (SWOT)

Here are some of the key opportunities and challenges facing the ecommerce sector in South-East Asia.

Strengths

- There are **a large number of ecommerce 'services' companies**, which provide operations support and other services to vendors, that are also capitalising on the current boom. This ought to help with improving infrastructure in the next few years.

- Investors have poured over half a billion dollars into South-East Asian ecommerce startups in 2013 – more than 90% of all publicly disclosed investments in South-East Asian internet startups that year. This shows a **great appetite in developing the market** and is hereby funding innovation and development.

- **The market is still relatively young** and there are many opportunities to grow as the market matures, but there are limitations with what can or cannot be achieved profitably in the shorter term.

What marketers say

""I always believe that the core competency ought to stay within the company. We will not build up a full external agency environment. There will always be some outsourcing that will be done, but the core competency will remain within the company. We will not outsource our analytics to a third party. I guess we have not just the core competency to make us effective in the market, because even the teams that sit outside of StarHub become directly or indirectly part of our ecommerce team. There could be several teams that concurrently support our ecommerce operation, and these teams help take away the need for us to build up a huge internal resource to run ecommerce, and allow us to leverage our resources."

Joe Loy, AVP, Digital at StarHub

"Despite setbacks on fraud and a lack of trust in ecommerce, there's a lot of great innovation going on right now across the region, especially in Malaysia where we operate. For instance, some of the well-run ecommerce websites in Malaysia are inspiring confidence to online consumers, as there has previously been a lot of fraud.

"They do a good job in making sure that the consumer feels secure, and they carefully monitor and control their management systems. For example, they have IC (identification card) verification. If someone cheats on their system, they will immediately send the contact details to the police station. This is good for the ecommerce industry, as consumers need to feel a sense of trust when buying from our ecommerce websites in order for the business to continue to develop."

Anonymous, Malaysia

Weaknesses

- It takes time to change internal company culture. People are used to doing things in a certain way. The **delivery infrastructure is currently weak**, but it will improve over the next few years as larger businesses invest in developing this for everyone in the region. Getting your goods delivered affordably is still a major issue.

- **Payment systems are not fully in place** across the region and credit card usage isn't that high.

- It's a challenge finding the right people and **dealing with internal resourcing requirements**.

- It's difficult to know what to do to **adhere to different countries' rules and regulations**. More time needs to be put into careful planning to ensure that this is covered off properly.

What marketers say

"For ecommerce we tend to do most of the things in-house, we have a fantastic IT services team who work with an external IT system integrator. I have my own in-house ecommerce team, we come up with most of the initiatives ourselves, the build is then done by the system integrator. That's not something we wish to take in-house. However, the strategy and project management is done in-house. We know what we want, we know what we need, we can look at what is happening with our websites and infrastructure.

"A key challenge for us is payments. As soon as you are looking outside of Singapore it gets challenging. We are now tackling Indonesia; 60-70% payments are conducted via bank transfers, which is something that a lot of ecommerce companies do not offer, or pay on collection, but this doesn't work for our business because we don't have physical goods. How we can get bank transfer functionality on websites is an issue, this may be common in Germany and the Netherlands, but it's not common for companies outside of Indonesia. We are looking market by market in terms of what the most popular payment methods are. It takes a lot of time to get this implemented, one needs to create finance and procurement roadmaps."

John Sinke, Resorts World Sentosa

"It's a balance of the resources you have in hand, you're trying to provide relevant updates, you are trying to have these conversations with various stakeholders and your customers, and on top of that you are trying to analyse the information your clients are giving. It's tough if you only have junior resources and perhaps you don't have the right resources to have good quality analytics, especially when you are trying to launch an online store that's the equivalent to 20 offline stores.

"If I have one offline store, I have foot traffic, it's relatively easy for me to have that conversation with my customers, it's easy for me to glean some vital information, I can actually see the foot traffic entering into my store. I can understand my business, it's easier as a store owner, because in online it's not me, it's my staff who are doing the observing and a lot of the analysis, as I can't be doing all this stuff myself and having a multitude of conversations with people."

Paul Hussey, Hussy.com

"There is a good demand for ecommerce heads. However, Westerners hoping to get a foothold in the Asian ecommerce market may need to moderate their salary expectations. The days of expat salaries in Singapore are gone."

Dany Bolduc, Crescentrating

"One of the challenges here is legal and compliance which for me was the biggest surprise when I came from the US."

Marcelo Wesseler, SingPost

Opportunities

- **A major market gap stems from Amazon's muted presence** in South-East Asia. Although the ecommerce giant ships to many countries in the region (though not any of the CMLV[29] countries), its shipping rates and delivery times are often non-competitive. Some of its flagship products, such as the Kindle, are not even available for direct order in the region. It is still one of the largest ecommerce companies operating in the region, but it is fast losing market share to local competitors that are more squarely focused on meeting the needs of South-East Asian consumers.

- The region is home to **young, rapidly urbanising populations** that show a strong affinity for digital hardware and media usage. Internet and mobile penetration is also increasing and the region has some of the world's highest social media usage rates, including for leading services like Facebook and Twitter.

- **Strong economic growth** across most of the region in recent years is putting greater disposable income in the hands of more South-East Asians than ever before.

- **External players moving in**. The largest emerging B2C player in the South-East Asian ecommerce market right now is Rocket Internet, a German startup incubator that operates a large portfolio of ecommerce and other internet companies in the region. In 2013, the company raised hundreds of millions of dollars to expand its foothold in key South-East Asian markets. The bulk of this money is going towards two of its flagship companies: Lazada, an online department store that resembles Amazon, and Zalora, which focuses on online clothing sales. Japan's Rakuten and China's Alibaba are also making an effort to localise to South-East Asia.

What marketers say

"There is a significant opportunity out there in this space but you need to keep your operations cost low. Small businesses in particular have to factor in the logistics costs i.e. picking, packing and shipping, which can add up to a substantial percentage of the overall costs, hence they have to manage the products, margin and pricing well if they want to be profitable."

Marcelo Wesseler, SingPost

Threats

- **Shopping mall culture** means people still like to physically visit retail stores and spend time socially shopping. This may to some extent limit the rapid rise of ecommerce penetration into some of the more developed markets, but for the less sophisticated traditional retail markets this provides a strong opportunity.

- Underdeveloped means **market fragmentation**, low ICT penetration, lack of consumer awareness, logistical hurdles and underdevelopment of the region's financial services sector.

- The ecommerce market in South-East Asia remains **relatively underdeveloped**. Online retail represents a smaller share of overall retail revenues in South-East Asia than it does in many other emerging markets, including China, Brazil and Russia. As a result, it's often challenging to make a scalable business model work and justify high levels of initial investment. A realistic financial approach is a prudent way of tackling the market.[30]

- South-East Asia is a **politically and economically complex landscape** to read, and despite immensely positive steps towards ASEAN economic integration, there are still socio-

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[29] *Cambodia, Lao PDR, Burma and Vietnam*
[30] *http://www.tigermine.com/2014/01/16/e-commerce-southeast-asia-opportunities-challenges-growth-2014/*

political and economic issues that can perhaps put a dampener on overall business growth for the region.

The IMF predicts that Asian countries will continue to make steady gains as a result of the *"gradual pickup in exports to advanced economies and resilient domestic demand"*. However, there are challenges to face as well, *"from structural impediments and delays in economic reform, to fiscal vulnerabilities and high inflation in some countries. Growing inequality and political unrest in places like Thailand, Bangladesh, and Cambodia, as well as persistent corruption and the under representation of women in the economy, continue to ensnare Asian economies in often inefficient allocation of goods, services, resources, and human talent. In addition, the difficulties some countries have experienced in changing their growth paradigm to a higher productivity economy in order to remain competitive, indicates that the economic threat of the middle-income trap (MIT) may have its roots in a deeper political reality."*[31]

What marketers say

"The market is extremely fragmented and it is still at a rather nascent stage compared to the West."

Marcelo Wesseler, SingPost

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[31] http://asiafoundation.org/in-asia/2014/01/08/are-asian-economies-prepared-for-higher-growth-in-2014/

8. Case Studies

8.1. Dell

Summary

This was a B2B campaign showcasing the gamification of Dell Technology Solutions for C-level, IS/IT managers, engineers, technologists, consultants etc. The campaign ran in 2013 in China, India, Japan and South-East Asia.

Objectives and aims

To engage commercial business customers as Technology Solution partners in an infotainment way and generate leads.

Implementation, execution and tactics

Customers were offered the opportunity to pit their knowledge of Dell Solutions against time by building up Mars space stations in an infotainment way in five minutes. They were able to earn power values and win attractive prizes. Players were challenged on memory, psychomotor skills and speed of decision to learn more about 24 Dell Technology Solutions.

The campaign took place on Facebook. Players were asked to invite/refer friends to earn more power and show off their achievement. Each player earned a space commander title for each level of difficulty achieved.

Results

The campaign reached 9% C-level, 9% VP/ senior management, 14% IS/IT management, 25% IT staff, 24% tech staff and others (consultants, training etc.). More than 50% of the participants wanted Dell to approach them following participation in this gamification campaign.

8.2. Adidas

Summary

SingPost partnered with Adidas and has been given the mandate to build and manage its online store across five countries – Singapore, Malaysia, Thailand, Philippines and Indonesia.

Aims and objectives

The main objective was to launch a strong ecommerce offering in the identified markets and to take advantage of the increasing growth and popularity of ecommerce in these markets.

Implementation, execution and tactics

Since April 2013, four of the five ecommerce stores have been successfully launched, with Indonesia expected to follow in 2014.

One of the main challenges was launching the Adidas site in 16 weeks – which proved to be a very tight timeline. The ecommerce website was developed in 12 weeks, and thoroughly tested end-to-end in four weeks before going live.

Another challenge was to quickly figure out the various localised payment and fraud management solutions for each country. The approach chosen was to launch each country site with the basics in place first (Visa, MasterCard) and progressively add more payment options such as PayPal and bank transfer. Fraud management capabilities are continuously being strengthened and more payment options added wherever needed.

In addition, SingPost is looking after fulfilment for Adidas in all five markets and offers consumers a localised shopping experience, which is important in South-East Asia where cultural nuances vary by country.

Results

In under a year, SingPost has built both web and mobile stores for Adidas and is seeing a growing amount of traffic coming from mobile. Adidas is seeing strong performance in its ecommerce stores in Asia and this trend is expected to continue in 2014.

8.3. Kucari.com

Summary

Kucari mainly sells industrial instruments like GPS, measurement tools and safety equipment targeted at mining companies, agricultural companies, farms, construction companies etc. and is based in Indonesia. Currently they have around 1,500 of instruments. Much of their income actually comes from mining, oil and gas industries, as well as from construction companies. Their best-selling products include GPS, surveying instruments and test measurement instruments.

Objectives and aims

To develop the B2B ecommerce market for industrial instruments and provide better service and value.

Implementation

Kucari claims to have relied 100% on digital marketing, including search engine optimisation, online advertisements on several websites, forums, Google AdWords, emails and social media.

Kucari is now focusing on increasing its product catalogue and hopes to reach 3,000 products before the end of the year. Kucari also hopes to open more branches in Kalimantan and Sumatera next year.

Results

Kucari claims to have over 3,000 customers coming from state-owned enterprises like Badan Pertanahan Nasional (BPN), Bakosurtanal, BMKG and BAPETAN; private or public owned enterprises such as PT. Timah, PT. Inti, Surveyor Indonesia, PT. Antam, Sampoerna, Coca-Cola, Indosat, AXIS, TransTV; and local universities like Universitas Gajah Mada, Universitas Indonesia, Institut Teknologi Bandung (ITB), dan Institut Teknologi Sepuluh November (ITS). With that list of customers, it's no wonder that they're reaching revenue close to $1 million annually. For a company that just launched in the past year, this achievement is quite impressive.

This Indonesian B2B ecommerce site was earning IDR 8 to 10 billion ($800,000 to $1,000,000) in its first year or around $80,000 per month.

Source: http://www.techinasia.com/kucari-earning-80000-month/

8.4. Little Hussy

Summary

Little Hussy is pioneering new markets and redefining a once-taboo category, pushing into the mainstream markets through ecommerce. They are an adult ecommerce store with a difference; it's presented in a tasteful and stylish way focusing on sensual health and wellbeing. The business is designed to change perceptions and help redefine the adult toy market for customers in Asia and Australia. Product is sold in gift boxes and elegantly presented and doesn't contain any images or language that resemble an adult toy. The management puts a great deal of effort into ensuring that its products are presented in a way that will redefine and expand this product category into mainstream retail and the APAC region.

Objectives and aims

Over the past couple of years, Little Hussy has been trying to establish a solid ecommerce foothold in the Asia region, which is an extremely diverse and even today an underdeveloped region with great potential for growth. Based on industry data, the proportion of women using personal massagers has grown from 2% in 1992 to 53% in 2012, and there's a global ecommerce opportunity as these products are entering mainstream retail channels.

The opportunity expanded when Groupon asked them to be a supplier in APEC. Little Hussy prides itself for providing high quality sensual health and wellbeing products made from 100% medical grade material and offering a high level of customer service (including a 90-day no questions asked return policy). All Little Hussy products come with a 12-month product guarantee and the company offers free postage delivery to any country.

Their products and strategy seems to be on the right track as Little Hussy has recently promoted in Indonesia, which is a predominantly Muslim country, indicating that their products are seen as sensual health and wellbeing and not adult.

Goals

- Having relaunched the site last year, Little Hussy is looking to drive its revenue up this year across the region, especially in key markets. To enjoy a significant level of growth, it is essential to find ways to increase targeted traffic to its ecommerce site.

- The company is currently looking into leveraging a variety of digital channels such as paid and organic search, and paying much closer attention to the rapid increase in the usage of mobile traffic to its site. Becoming more channel and mobile savvy are two key goals for the business this year.

- Little Hussy needs to invest in finding the right people and also upskilling them. A key challenge in 2014 is finding the right people and ensuring that the staff possess the right skills to help further develop the business.

Implementation, execution and tactics

After a year focusing on SEO and building the foundation to the site, this year the company is focusing on running a number of paid search campaigns and off-page marketing to help increase traffic and conversions on the site. Paid search is envisaged to become a key tool for growing the company's business in the region.

It's important for Little Hussy to improve the user experience and especially to pay much closer attention to increasing conversions on mobile devices. From a technology perspective, visiting time on desktops has dropped down by 33% in the past year, mobile is up by 55% and tablet is up by 38%. There's a similar trend in revenues. The company re-launched its site in September 2013 as a responsive website which will help improve the way they are presenting the brand on mobile devices.

Content development is seen as a big area of focus in terms of driving greater organic traffic to the site, with video an important component in the content mix. Recently the company produced 15 one-minute videos to test the power of video on the site. They are evaluating the data to establish whether customers are actually spending time watching these videos and whether it is helping to improve their online conversions.

A key challenge for the business moving forward is having the right resourcing in place. The company has elected to develop a remote business model and has six full-time staff based in Australia, Philippines and the head office in Singapore. They support this workforce with additional contractors located in Europe, UK and the USA. The warehousing operation is fully outsourced to Hong Kong and integrated into the business. The company has recently hired an ecommerce manager to focus more on developing its website and marketing activities supported by a well-known SEO agency based out of the UK.

Results

Since relaunching the site in 2013, the company's focus is to drive traffic and conversions to the site and has reached page 1 and the #1 position on Google for some important keywords.

January's year-on-year figures have shown strong growth, with an increase in organic traffic of 46.6%. Year-on-year new visits increased by 64.1% and the proportion of new visits increased by 12.09%. The site's overall bounce rate for year-on-year has decreased by 6.96%.

In the last 12 months, their total links have increased by 90.2% and the linking domains have increased by 172.7%. Anticipated strong growth markets for Little Hussy are Hong Kong, Philippines, Singapore and other South-East Asian countries.

Little Hussy's unique business model and strategy is producing positive results for their business.

hybris software

9. Recommended Resources

Reports

Technology for Ecommerce Report
https://econsultancy.com/reports/technology-for-ecommerce-report

Ecommerce Platforms Buyer's Guide
https://econsultancy.com/reports/ecommerce-platforms-buyers-guide

Building an Ecommerce Team: A Best Practice Guide
https://econsultancy.com/reports/building-an-ecommerce-team

Ecommerce Best Practice Compendium
https://econsultancy.com/reports/ecommerce-best-practice-compendium

Mobile Commerce Compendium
https://econsultancy.com/reports/mobile-commerce-compendium

Digital Marketing and Ecommerce Trends and Predictions for 2014
https://econsultancy.com/reports/digital-marketing-and-ecommerce-trends-and-predictions-for-2014

Ecommerce Statistics
https://econsultancy.com/reports/ecommerce-statistics

Blog posts

30+ interesting stats about mobile commerce in APAC
https://econsultancy.com/blog/64306-30-interesting-stats-about-mobile-commerce-in-apac

Eight great examples of mobile marketing from Southeast Asia
https://econsultancy.com/blog/64471-eight-great-examples-of-mobile-marketing-from-southeast-asia

Global businesses eye the emerging Indonesian ecommerce market
https://econsultancy.com/blog/62414-global-businesses-eye-the-emerging-indonesian-ecommerce-market

Five ways to drive international sales online
https://econsultancy.com/blog/64559-five-ways-to-drive-international-sales-online

10. Appendix

10.1. Understanding of ROI from ecommerce

Three in five companies surveyed claim to have a 'good' (48%) or 'very good' (14%) understanding of return on investment (ROI) from ecommerce. While the complexity of measuring ROI from ecommerce would have likely increased, companies may be in a much better position to understand these complexities.

However, the results from the agency respondents are not as encouraging. Just over a quarter (27%) of supply-side respondents rate their clients' understanding of ROI from ecommerce as 'good' or 'very good', while half say this is 'okay'.

Figure 10: How do you rate your / your clients' understanding of return on investment from ecommerce?
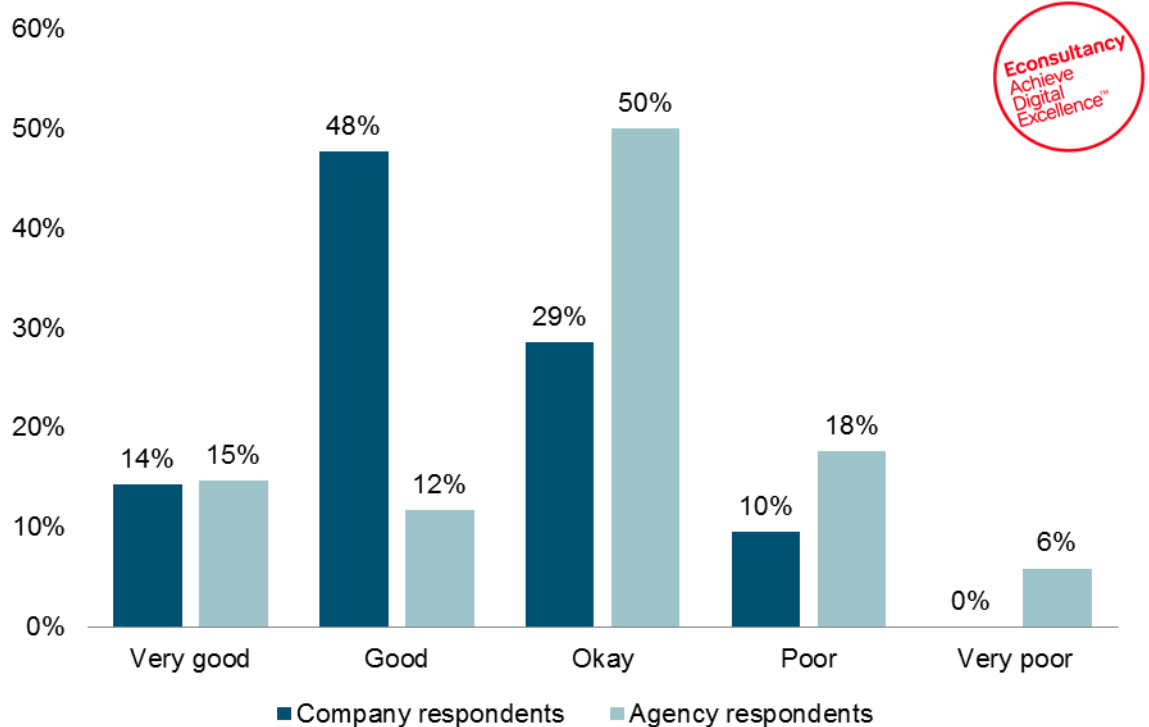
Company respondents: 44
Agency respondents: 36

10.2. Ownership and decision-making

Respondents were also asked which department primarily makes the decision around which specific ecommerce technologies should be used.

The chart below shows that ecommerce or digital (49%) and marketing (24%) teams are most commonly the ultimate decision-makers when it comes to platform selection. Only 16% say IT teams make this decision, suggesting that marketers are taking more ownership of technology.

Figure 11: Which department primarily makes the decision about which ecommerce technology to implement?
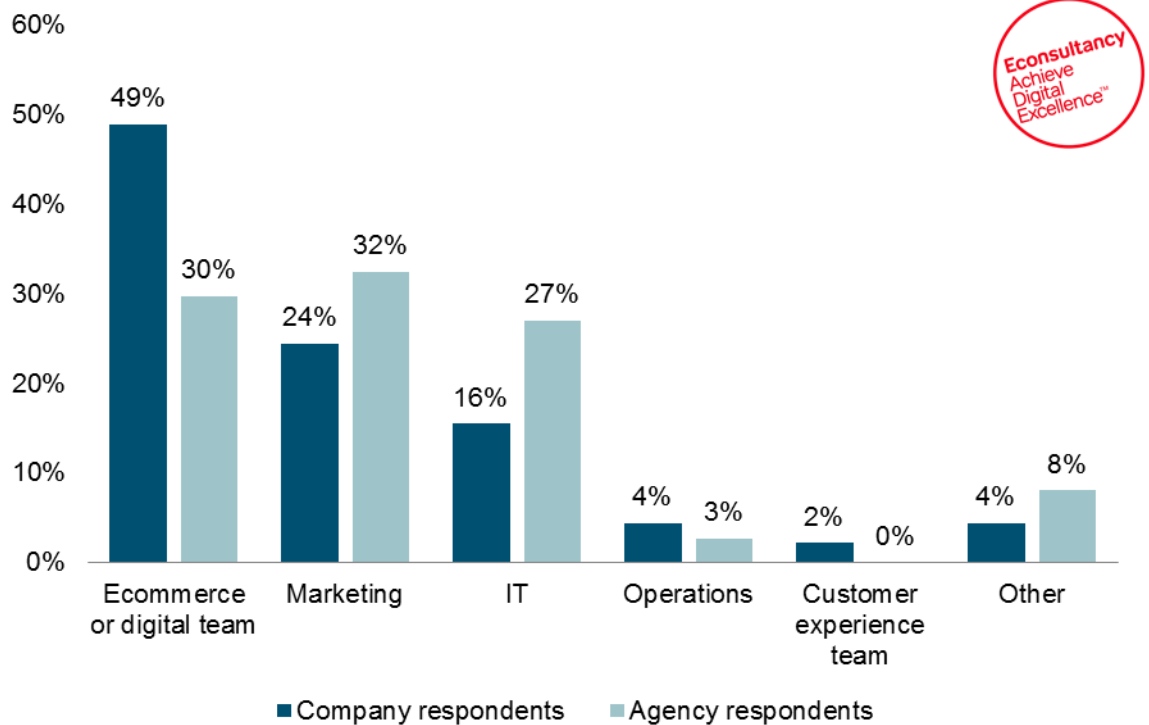
Company respondents: 45
Agency respondents: 37

When asked to identify the department that owns ecommerce activity, *marketing, corporate communications or other central marketing function* came on top, with two in five (41%) client-side respondents saying that ecommerce sits within this team.

Less than a third (30%) of organisations surveyed claim to have *separate ecommerce teams* and only 9% say that *IT* is typically responsible for ecommerce. For just under a fifth (16%) of organisations, *direct channel/operations* own ecommerce activity.
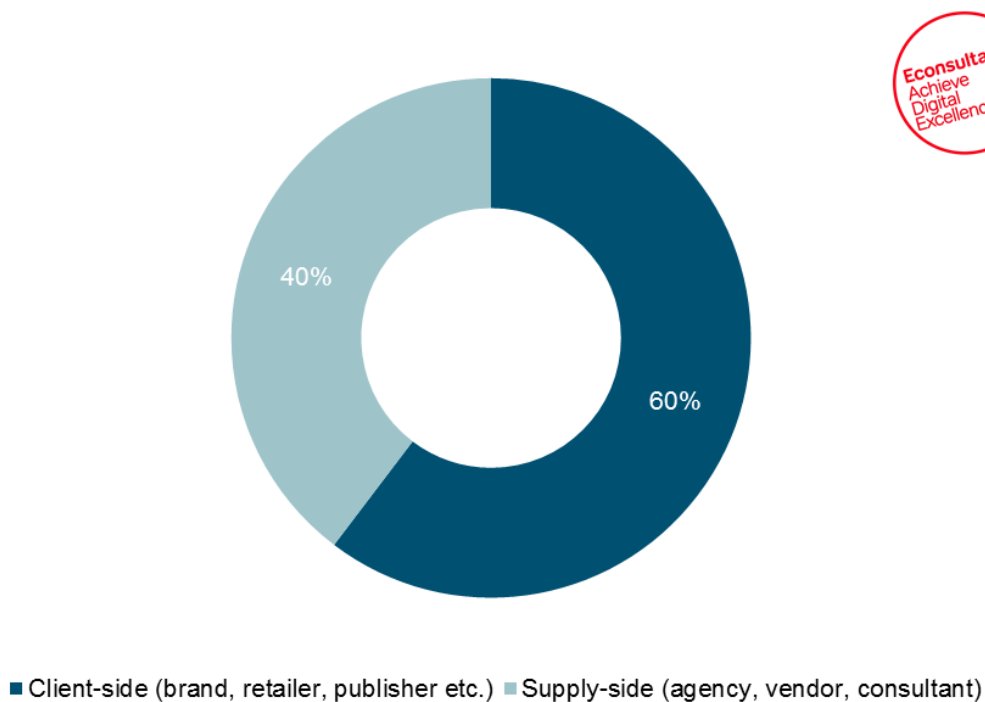
Figure 12: Where does ecommerce sit within the business?
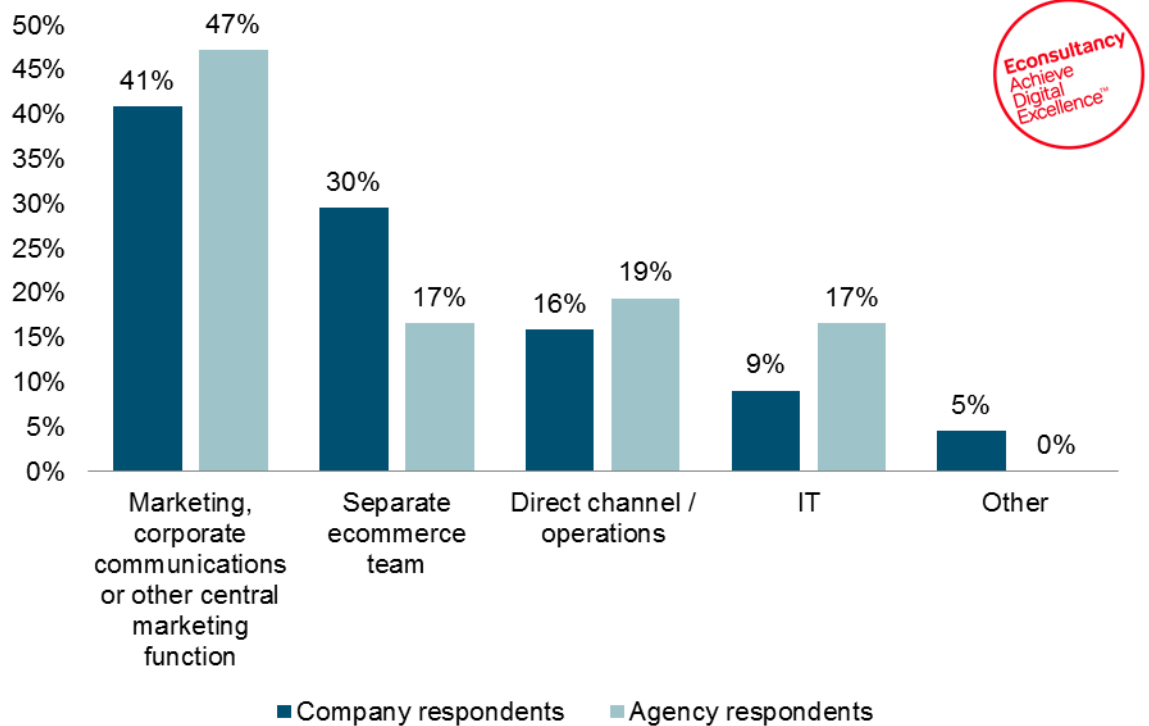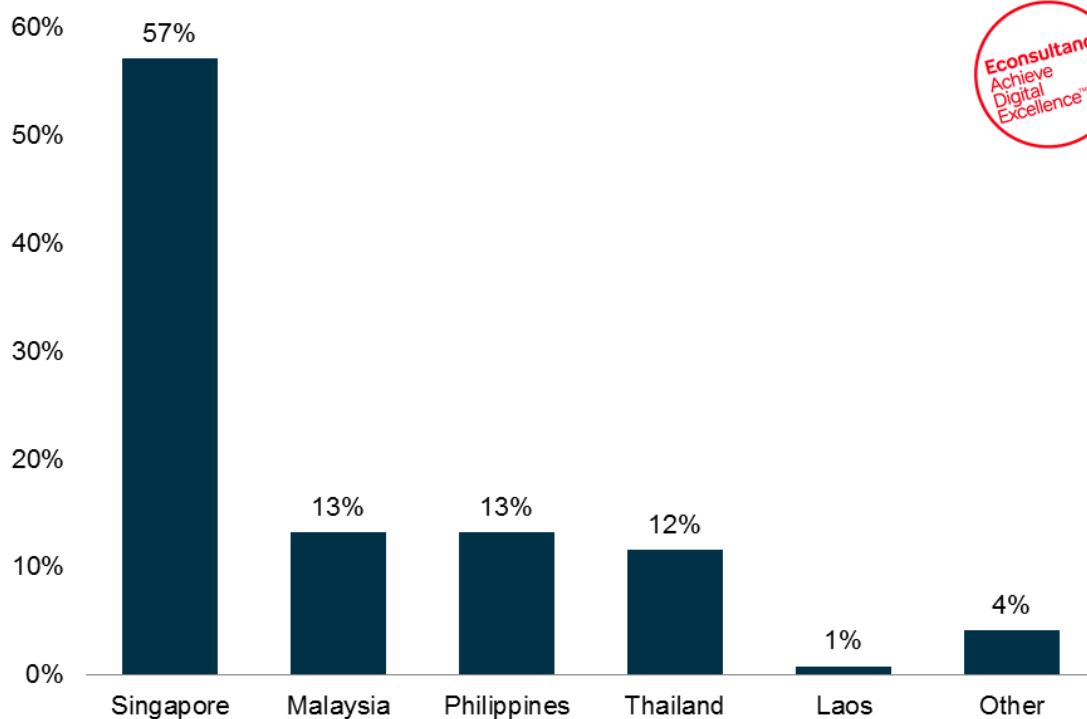

Company respondents: 44
Agency respondents: 36

10.3.   Respondent profiles

Figure 13: Which of the following most accurately describes your job role?

■ Client-side (brand, retailer, publisher etc.)   ■ Supply-side (agency, vendor, consultant)

Respondents: 121

Figure 14: In which country are you (personally) located for work?

Respondents: 121

Most respondents were from fairly senior roles. Among company respondents, around a quarter (26%) held head of digital or ecommerce roles, 12% were business owners and 21% were marketing managers. Additionally, 12% said they were heads or directors of marketing and a combined 10% were either C-suite executives or VP of single channel.

Similar patterns can also be seen among agency respondents, with 24% being business owners, 9% marketing managers and 22% at C-suite level.

Figure 15: Which best describes your job role?

■ Company respondents   ■ Agency respondents
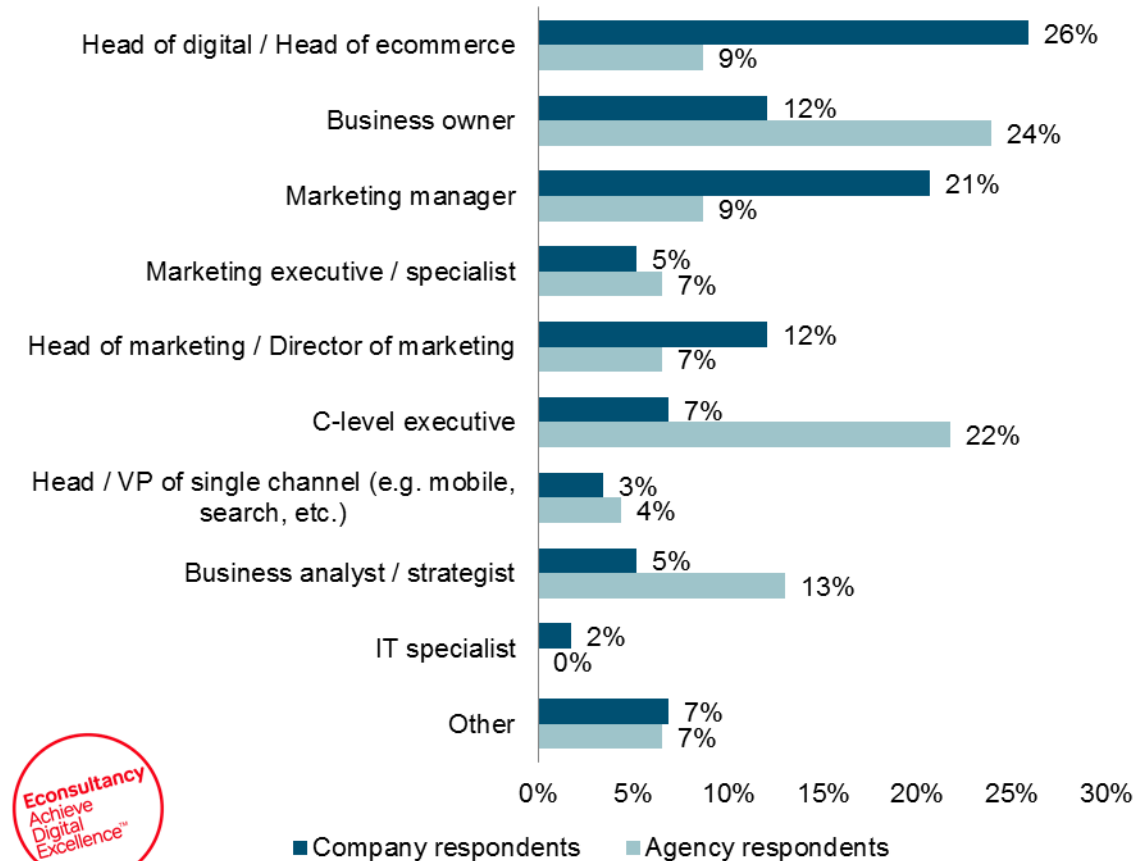
Company respondents: 58
Agency respondents: 46

Just under a third (28%) of respondents work within the retail sector. This is followed by technology, media and telecoms (16%), consumer goods (12%), financial services (7%) and healthcare / pharma (5%).

Figure 16: In which business sector is your organisation?
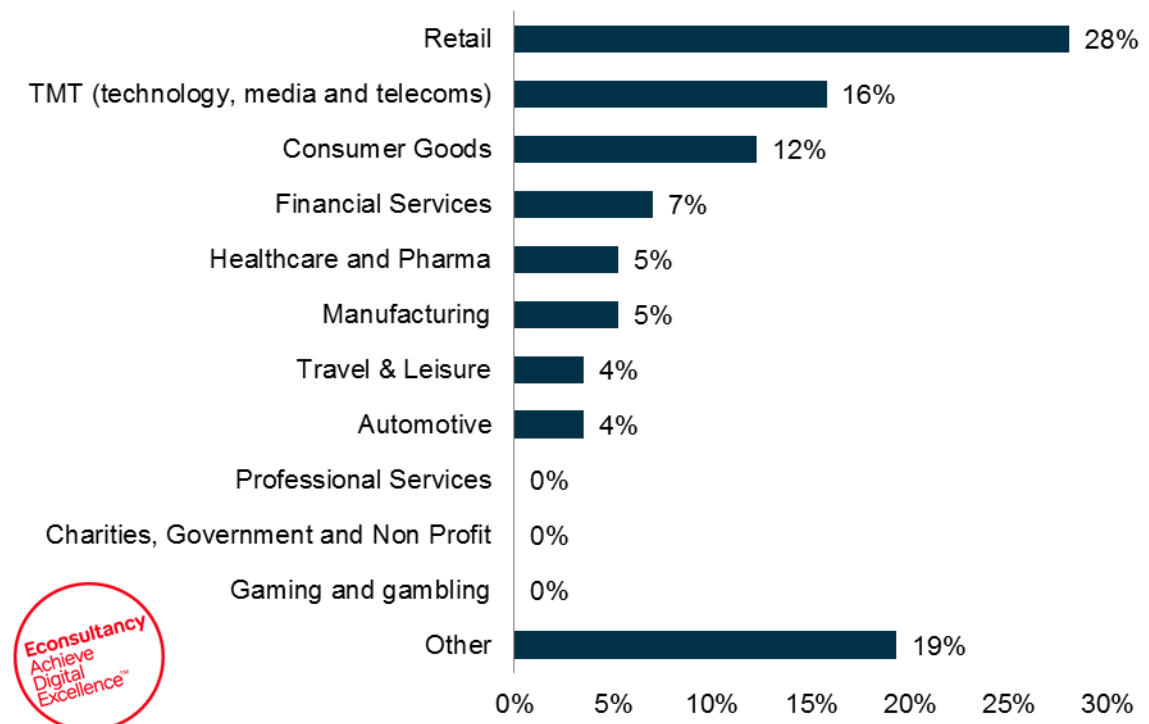
Respondents: 57

Respondents were also asked whether their businesses focused on B2C or B2B. Just over half (53%) of company respondents focus primarily on B2C, with a further 32% focusing on both B2C and B2B.

Around a third (29%) agency respondents focus on B2B, an equal proportion on B2C and two in five (42%) equally on both.

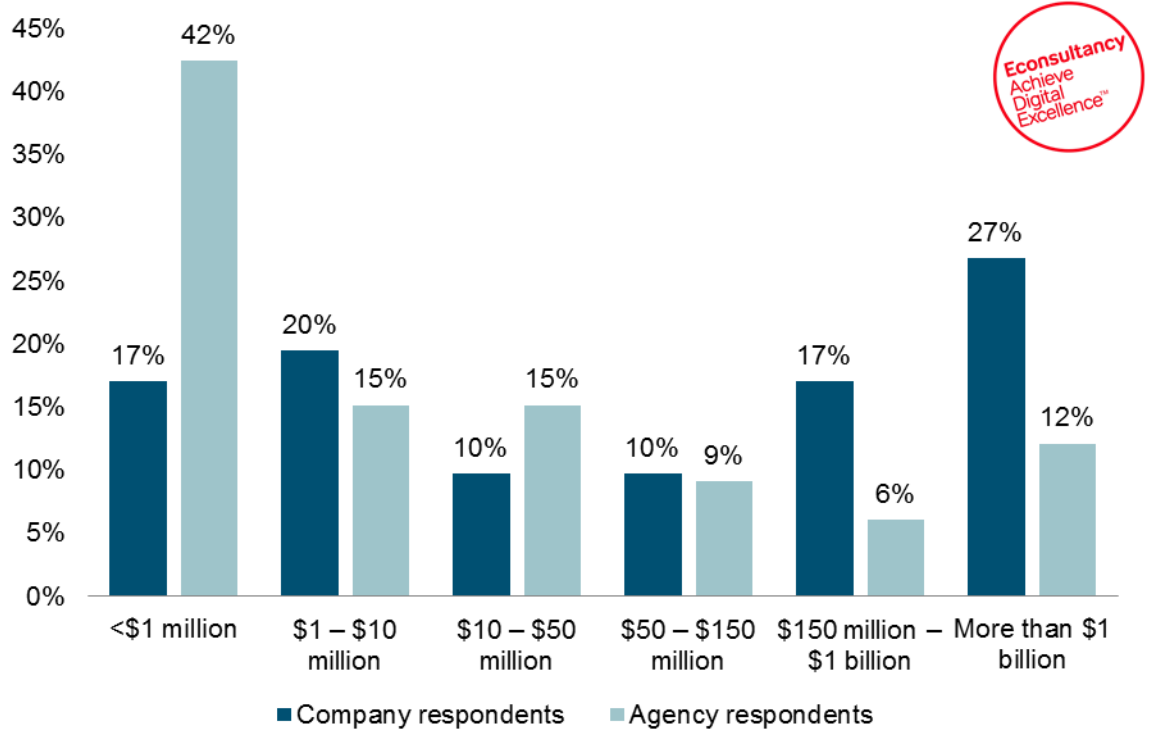Figure 17: Is your business focused more on B2B or B2C?
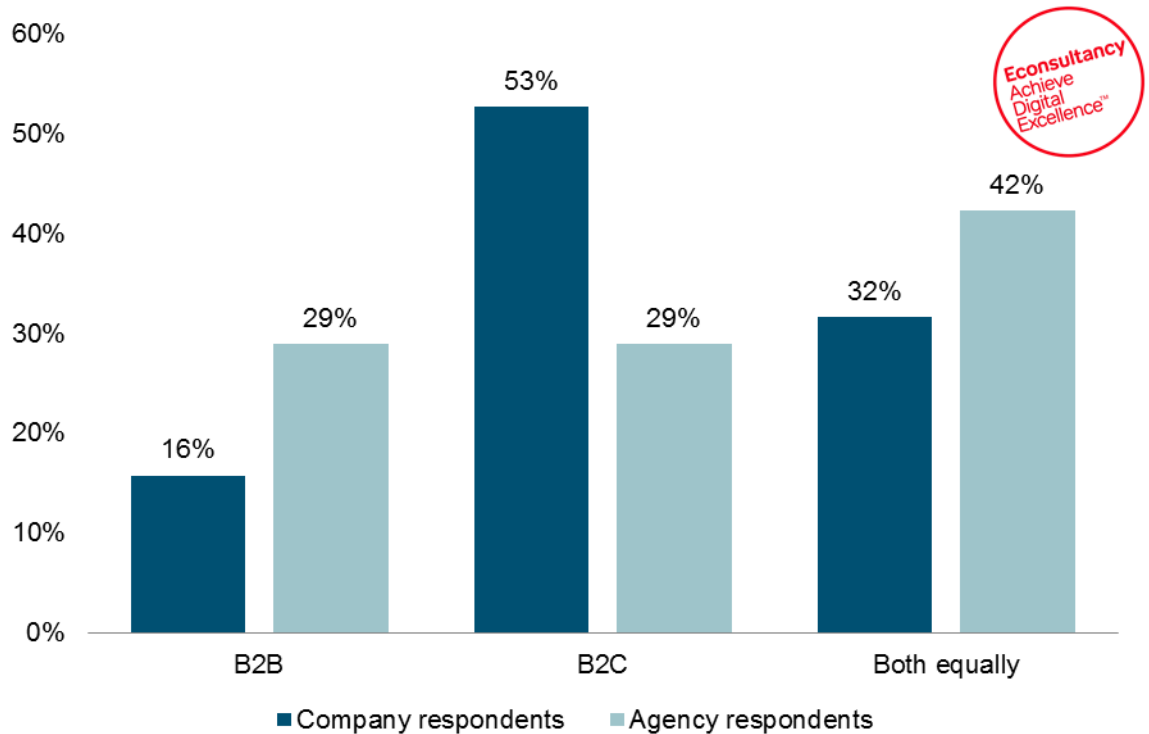
Company respondents: 57
Agency respondents: 46

Of company respondents, 17% had annual revenues of less than $1m. A fifth had revenues between $1-10m and two in five (44%) had annual revenues of more than $150m.

Agency respondents generally saw lower levels of revenue, with 42% earning less than $1m and 15% seeing revenues between $1-10m.

Figure 18: What is your annual company revenue?

Company respondents: 44
Agency respondents:36