Six strategies for digital growth in Southeast Asia

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The digital economy is booming in Southeast Asia. With 350 million digital consumers, the region is set to leapfrog China, outpacing that country at a 1.6x growth rate and becoming the fastest-growing digital economy in Asia-Pacific. According to research conducted by Bain & Company and Meta, 78 per cent of consumers in Southeast Asia are now digital consumers.

At the same time, brands are also facing obstacles as a result of commodity price increases, raw material shortages, and shipping/port capacity shocks that are beginning to impact their top line and margins.

Savvy brands are building strategies around post-pandemic readiness. To reach these 350 million consumers in Southeast Asia, we see six crucial strategies. These 'Six Rs' can help maximise brand success.

First is rewiring a digital-first agenda. Most consumers are set in their online buying and browsing habits. Digital channels are increasingly playing a role in how consumers hear about products, evaluate products against competition, and make purchases.

Digital is now the foundation for how the internal engine functions: core themes are supply chain, customers, consumer connection, employees, and workplace. Savvy brands are setting their digital ambitions for the coming 3-5 years, including a realistic ambition for the digital domain.

The second factor is rewiring the supply chain/business model. Consumer product companies are experiencing inflation and supply chain challenges that are expected to increase. The top two issues are inflation and supply chain resiliency. Savvy companies are addressing these issues pragmatically.

Regarding inflation, brands are exploring immediate opportunities to realise more net revenue per unit through a combination of revenue growth management levers, including price pack architecture, strategic pricing, trade terms, promo optimi-

sation, and channel mix. Brands are also exploring more structural and transformational change through design to value.

Regarding supply chains, brands are solving the immediate problem of freight and logistics by creating innovative mobility solutions while establishing greater transparency through control towers. Brands are also thinking about breaking the value chain by exploring local contract manufacturing operations by shipping in bulk, if that is more feasible compared to container freight.

Next up is reimagining consumer engagement. E-commerce platforms are increasingly used for searches; social channels are increasingly used as points of sale. While for digital consumers, end sales are still split between offline and online, we see digital channels far outpacing offline channels for brand discovery and consideration.

Given this phenomenon, common pitfalls for brands around commercial spending include lack of visibility on how much is spent; not being driven by return on investment; democratically allocating commercial spending

across different subfunctions; and various other issues.

Brands must reevaluate commercial activities and reorient marketing and trade spending to mirror this multi-platform path to purchase. They must also create brand loyalty and differentiation with a unique, consistent, and engaging experience across their offline presence, social channels, website, and app.

Refreshing product offerings is the next strategy. On average, digital consumers shop across 7.9 online websites or platforms, a 52 per cent increase from 2020. Fifty-one per cent of consumers say they switched from their most purchased brands in the past three months. Price was not the only reason they switched: better product quality, better availability, and faster delivery times all contributed to switching brands.

Consumers increasingly demand 'right for me, right now' products, services, and experiences. But this contrasts with how the pandemic drove the need for affordability. Brands need to manage the growing gulf between consumer

price inflation and product cost inflation simultaneously. Brands must manage this contrast while keeping their range simple with easy-to-understand propositions and price points.

The penultimate of the 'Six Rs' is re-envisioning sustainability. Right now, 80 per cent of Southeast Asian consumers will pay up to a 10 per cent premium for eco-friendly and socially conscious products, according to the research conducted by Bain & Company and Meta. A sustainable approach can guide all aspects of business, from product design to supply chain and operations.

Ensure that your brand has adequate options in your product range and proposition. It is possible to make the supply chain more sustainable without compromising on cost efficiencies. And since many of your consumers are willing to bankroll your environmentally and socially friendly practices, promote your sustainable initiatives.

The final factor is realigning to consumers' new hybrid lifestyles. Consumers want shopping options that are closer to home, especially

in regional countries with challenging transportation issues. Your product offerings, marketing, and delivery options should cater to this new wave of homebodies.

The Southeast Asian market has jumped to the top of the digital-first priority list. Existing digital consumer trends are ready for immediate action, along with new trends created during the pandemic. In addition, brands need to combat supply chain-related headwinds. The time is right to implement the 'Six Rs' to gain traction with these Southeast Asian consumers.∎

Groups gear up for cloud technologies

By Bich Thuy

Cloud computing is strongly driving new business models in the media and entertainment industry, with more domestic and international cloud service providers boosting their footprint.

Vu Kiem Van, deputy general secretary of the Vietnam Digital Communications Association, said at a March 25 conference on the future of media that it, along with the entertainment industry, has already gone almost fully digital, with social networks leading the way to provide products, livestreams, online sales, e-commerce, and digital payment platforms, as well as e-logistics services.

"Providers of entertainment content tend to base activities on advanced technologies like AI, big data, blockchain, the cloud, and others towards personalisation to increase their interaction with customers," he added.

Cloud computing now plays an important role in creating better services while facilitating collaboration and data sharing among government agencies, while digital infrastructure transformations can benefit governments and residents by galvanising

innovation, facilitating interagency collaboration, and accelerating the timetable for services to reach constituents, according to Van.

In practice, general running costs are a serious hurdle for businesses of all sizes, prompting them to go to the cloud and apply new technologies such as AI and big data in an attempt to save costs and increase operational efficiency.

This can be most clearly seen with domestic television channels such as VTV and VTC, which have crafted new strategies in digital transformation such as VTV Digital and VTC Now. These sit alongside traditional platforms and follow the lead of internationally-known entertainment equivalents such as Netflix and Spotify, as well as other groups in the gaming market and esports.

Tifi Liu, regional marketing manager at Alibaba Cloud Intelligence, said the behaviour of users and customers has changed and businesses have to make changes in return. Alibaba – the top public cloud provider in China and Asia-Pacific, and third-biggest worldwide – has been venturing strongly into supporting entertainment and sports events through its innovative cloud and e-commerce technologies.

Since becoming a worldwide

Olympic partner in 2017, Alibaba has committed to helping transform the Olympic Games for the digital era. Its cloud technologies were utilised during the recent Beijing Winter Games, as an effort to increase broadcasting efficiency whilst bolstering the coverage of the Games through a more innovative and inclusive viewing experience for global sports fans.

For the first time, broadcasters received live footage through the public cloud infrastructure – a more agile option at only a fraction of the cost compared to other transmission methods.

"Traditional steps of digital transformation are standardisation-computerisation-digitalisation. However, the media and entertainment industry has its own distinction, so there is no need to always follow the same route, cloud tech-

nologies like content delivery network, AI, and big data can help to optimise the steps to be fully automated" explained Khuong Truong Giang, business development director at Alibaba Cloud Intelligence.

"We plan to bring our international standard cloud services to Vietnam to support our media and entertainment customers even better then now. This will take time, but it is the trend of the future."

Alibaba is also seeing increasing success with its November 11 Global Shopping Festival. From a steady $7.84 million in revenues when it was established in 2009, last year the event raked in $84.77 billion, thanks to the Alibaba Cloud technology.

Similarly, Amazon Web Services (AWS) hopes to offer more media and entertainment content creation to customers in Vietnam, as well as the

ability to offer end users single-digit millisecond performance designed to suit, with the announcement last month of new AWS Local Zone cloud infrastructure in Hanoi.

The other applications involved are remote real-time gaming, live video streaming, engineering simulations, AR and VR, machine learning inference, and more. The new AWS Local Zone is a continuation of the company's investment in supporting customers of all kinds and commitment to accelerating innovation.

Elsewhere, for Renova Cloud, its main progress during 2021 was in building the capabilities for cloud migration as well as DevOps and automation. Because of that, it has invested in different levels of projects and enhanced its hands-on tech team experience. Domestic cloud service providers like FPT Telecom Inter-

A raft of companies have been building cloud-migration capabilities in the past couple of years

Photo: Shutterstock

Vietnam is in a transition to a digital era. In this context, issuing a framework for the usage of cloud technologies is essential. **Bruno Sivanandan**, chairman of EuroCham's Digital Sector Committee, writes about the importance of a smart cloud-first strategy in this digital transformation journey.

national have also made changes. According to executive director Chu The Anh, besides traditional infrastructure, it is necessary to provide new digital platforms based on customers' experience.

"State agencies have tended to go to the cloud, and such service providers have seen a growth of 30-50 per cent, and even as much as 100 per cent in recent years," Chu added.

Vietnam now boasts nearly 40 cloud service providers and 27 data centres for 11 businesses. Vietnamese businesses now make up 20 per cent of the local market, while the rest is dominated by foreign players.

Chu added that the government's orientation towards considering cloud computing as an important platform for national digital transformation is also a motivation for development, which is why last year, the Ministry of Information and Communications launched the Vietnam Cloud Computing Alliance.

More favourable conditions are expected to come with Vietnam working on the amended Law on Telecommunications to facilitate cloud application.

In addition, the National Digital Transformation Programme approved by the government in 2020 includes many tasks for ministries, agencies, and localities related to the development of cloud computing infrastructure as well as coverage services.

Vietnam's online media market was valued at $2.8 billion in 2019, ranking third in Southeast Asia. According to auditing giant PwC, the entertainment and media industry in Vietnam will continue to grow over 6 per cent in terms of the number of users into next year.∎

Cloud transformation fit for the country's public sector

Changes within the public sector have rapidly accelerated in the past couple of years. Digital content consumption and reliance on digital sources for information and services has increased over time and will continue to rise in the near future. The benefits of cloud computing are obvious and attractive to the IT organisations of both the public and private sectors. Agencies and companies are eagerly rushing to migrate their systems, data, and applications to public, hybrid, and multi-cloud-based solutions.

Vietnam has taken robust steps toward developing its digital economy over the next few years with its National Digital Transformation Programme by 2025 with a vision towards 2030. A key element of Vietnam's digital transformation plan is developing digital infrastructure and embracing cloud computing technology. This is a great opportunity for industry and the government to collaborate on a cloud-first strategy for Vietnam to accelerate cloud adoption within the government.

A cloud-first approach will pave the way for businesses and organisations of various sizes and across multiple sectors in the country to follow suit, thereby collectively creating a thriving digital economy in Vietnam.

The Vietnamese government is prioritising the digital transformation of eight sectors namely finance and banking, healthcare, education, agriculture, transport and logistics, energy, natural resources and the environment, and manufacturing.

Many companies in these sectors have already been utilising cloud computing technology to advance their businesses. TNEX is Vietnam's first fully digital bank with a radically new mobile platform that brings all its digital banking and lifestyle services under one umbrella in a super app.

The app offers its customers advanced digital banking services,

supports their lifestyle needs such as food, education, travel, entertainment, health, fashion, and messaging and chat functionality, and provides access to a vibrant digital ecosystem fuelled by TNEX merchants. All this is possible with the scalability and agility of Amazon Web Services (AWS) cloud computing, without which TNEX would have had to operate its own on-premises infrastructure that would have added layers of complexity and costs.

Another great example is TranS, a cloud-based video conferencing service owned by Namviet Telecom, which faced difficulties in managing app performance and availability due to a sudden spike in demand for user requests during the pandemic. TranS utilised cloud technology to effectively respond to unpredictable loads and in less than three months, the app's user growth jumped from 1,000 to 450,000, with 95 per cent of users in the education sector.

The app is also recommended by the Ministry of Education and Training for online learning purposes due to its high security and stability levels.

Cloud-first approach

There is already a tremendous appetite in Vietnam to adopt advanced technologies for business success, and the government can boost this further by leveraging the cloud for public sector workloads. Cloud computing has brought forth a new, more efficient, and secure means of managing government information technology resources, and has opened up avenues for modernisation, innovation, and cost savings, among other benefits.

Therefore, more countries across Asia-Pacific are implementing comprehensive cloud-first policies to leverage the cloud to achieve digital initiatives, drive local economic growth, and solve some of the biggest challenges in society.

For example, Japan's Digital Agency was formed as a new government body aimed at upgrading online services and infrastructure in the Japanese public sector. Cloud service providers (CSP) directly contracted with the Digital Agency will help the Japanese government modernise IT by offering advanced technologies and global best practices to help public sector customers innovate securely at pace.

In Singapore, the Government Technology Agency, or GovTech, has been pioneering the use of cloud services to drive the Singapore government's digital transformation. Over a 5-year period till 2023, the Singaporean gov-

ernment is systematically shifting less sensitive government ICT systems onto the commercial cloud to allow public agencies to use cutting edge private sector capabilities to develop digital services.

Most recently, GovTech used AWS Cloud to quickly build the SafeEntry application, Singapore's national digital check-in system, to prevent and control the spread of the pandemic.

GovTech is also working with cloud service providers to innovate on new capabilities and accelerate its Smart Nation Initiative. The agency is removing complexities in managing highly available services to allow developers to focus on achieving end-to-end seamless services for citizens. This includes reducing the deployment pipeline with no loss of service, as well as auto-scaling to allow infrastructure to meet elastic demands in real-time while enabling interoperability across government agencies and future expansion.

GovTech has also successfully leveraged cloud technologies to deliver a citizen-centric digital identity system that consistently brings benefits to the lives of Singapore residents.

Setting up fundamentals

Understanding the differences between the standardised delivery model of cloud computing compared to traditional on-premises IT, which has a high degree of customisation, helps set expectations regarding CSP and government customer responsibilities in a cloud model. As cloud customers do not purchase physical assets from CSPs, it follows that governments should not approach cloud policy and procurement as if they are purchasing physical assets.

Cloud policy should take into account how standardised utility-style services are budgeted for, procured, secured, and used, and build a cloud-first strategy that is intentionally different from traditional IT, designed to harness the benefits of the cloud delivery model.

Apart from simplifying the cloud procurement process, other best practices in cloud-first policies include following a principled and risk-based approach in developing regulations so that they are not overly prescriptive, adopting internationally recognised securi-

ty standards, and acknowledging the shared responsibility model which is crucial to ensuring data security in the cloud. Furthermore, cloud technology has benefitted communities because of its ability to operate seamlessly across borders.

Therefore, cloud-first policies should also support the free movement of data, which underpins the digital economy and plays a fundamental role in data-driven growth and innovation. The effective and efficient functioning of data processing across borders is a key building block in any data value chain and policies that block these cross-border transfers of data can hamper the ability of businesses and organisations to harness the full power of cloud technology.

According to the Ministry of Information and Communications, the cloud computing market is forecast to be worth $500 million by 2025, due in part to the pandemic situation accelerating domestic cloud adoption. Cloud technology is essential for the development of a digital government, economy, and society in Vietnam. The nation is making tremendous strides on its digital transformation journey, and the more the government encourages the use of cloud technology among all sectors, businesses, and public sector organisations, the faster Vietnam will realise its digital economy ambitions.

From the experience of Deloitte in Vietnam, to lead and deliver cloud transformation in governments and other public institutions globally, the public sector needs assistance with the organisational, business, and technical aspects of massive cloud transformations. Citizens expect services from the public sector to match their private sector experiences with fast, intuitive interactions.

As infrastructure evolves and cutting-edge technology clears the IT fog hovering over the public sector, there is an opportunity to connect often siloed pockets of information. Legacy applications can weigh down the mission by forcing leaders to rely on outdated technology that is not secure and is expensive to maintain. We know these challenges well, and we've seen them before and helped our clients overcome them.∎