

By **Chettayakhom Luythong**

Learning to live with disruption

A visitor uses a touch bar to scroll through a menu on Vuzix Blade Augmented Reality Smart Glasses at the 2018 Consumer Electronics Show in Las Vegas.



PHOTOS: REUTERS

• The rapid rise of digital innovations, coupled with dramatic changes in consumer habits and demand, have compelled retail business leaders to adapt. Many are seeking new strategic alliances and partnerships to help them sharpen their customer focus and avoid being disrupted.

The impact of recent changes on legacy retail players has been profound, according to the management consulting firm KPMG.

“In the 1950s, when retailers wanted to distribute their products, they just built the stores and customers would visit their stores, attracted by word of mouth because there was no internet,” Willy Kruh, global chair for Consumer and Retail at KPMG International, wrote in the company’s recent report on digital disruption.

“But now, when customers want to buy goods, they just surf the internet and buy online — which means the market has become more competitive.”

In Asia, 26% of retailers are now creating own-brand products while 31% of new

competitors are applying disruptive business models, according to the KPMG report.

The research firm Euromonitor reports that in China, 73% of all online purchases in 2017 were made via mobile devices because consumers have opted for convenience.

The message is clear for people, businesses and countries that cannot adapt to the digital economy, says Settapong Malisuwan, vice-chairman of the National Broadcasting and Telecommunications Commission (NBTC) in Thailand.

“It is becoming crystal-clear that the world is transforming from a centralised to a decentralised business model,” he wrote in a report titled “The Year of Disruption.”

“Old systems and platforms are no longer viable. If companies still adhere to outdated systems, they face being blocked from progressing and making the transition to the digital economy.”

Digital disruption is keeping many CEOs awake at night. More than half of the companies in the Fortune 500, which ranks the largest US corporations by revenue, were not on the list when the 21st century began. Many of the newcomers are digital-based enterprises.

Aside from the retail sector, the broader business world is seeing a shift toward Industry 4.0. This new era is marked by an emphasis on innovation, especially when it comes to analysing data to improve efficiency and identify new business opportunities. The effects are being seen in sectors ranging from energy to bioscience.

Companies with well-managed digital platforms have instant access to a wealth of customer information. They can use this information to improve everything from the quality of their products to the timeliness of delivery, on their own or through strategic partnerships with suppliers and even competitors in some cases.

According to the KPMG report, over 65% of CEOs say they are successfully adjusting to innovations and technological disruption but



A visitor uses the Amazon Go app to enter the store by scanning a barcode at the new Amazon Go store at the company's Seattle headquarters.

nearly 40% do not see changes in their business strategy paying off yet.

Fifty-nine percent of the CEOs surveyed agreed that in the new digital era, protecting customer data is a personal responsibility for the CEO, while 62% believe that advances in artificial intelligence (AI) technology will lead to more new kinds of jobs for humans, rather than creating widespread unemployment as is the prevailing belief.



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Vice-chairman, NBTC

“Global CEOs are realistic about growth in the face of unprecedented headwinds,” wrote Mr Kruh.

To stay competitive, he said retail business executives need to focus on how they access customers, what innovations or technologies they need, and how they respond to the new competitors caused by digital disruption.

“Growth is not a nice to have. It’s an imperative,” added William Thomas, global chairman of KPMG International. “In order to remain stable and have sustainable growth, CEOs have to listen less to the internals but listen more to the externals or customers. Business that cannot realise this concept may fall behind other competitors.”

The KPMG report points out that the changes in retail are happening faster than anyone had expected, adding that the rapid pace of digital disruption in banking provides some valuable lessons.

Banks worldwide are downsizing or closing physical branches, with thousands of jobs becoming redundant, as consumers embrace digital and mobile payments. Banks now realise that if they want to survive, they have to build and maintain a leading presence in the new world of digital money.

In Thailand, banks have been building customer loyalty by eliminating fees for digital transactions, as well as promoting Prompt-Pay, a convenient interbank mobile payment system without any fees and supported by the government.

Peter Freedman, managing director of KPMG’s Consumer Goods Forum, noted that social purpose is becoming another key success factor for businesses looking to engage consumers and investors.

“What do consumers want?” is the question that resonates throughout the consumer goods industry. Creative use of data analytics, robotic learning and AI can all help companies get the answers they need to refocus and repurpose themselves, said Mr Freedman.

Data-driven industrial applications are also opening up new areas of potential, he added.

For example, Accenture and Airbus have collaborated on “smart glasses”, which gather information from the cloud, along with augmented reality (AR) imaging and 3D printing in order to improve accuracy as well as quality and reduce the complexity of assembling cabin seats.

“In the highly competitive aerospace and defence market, due to the complexity of the manufacturing environment and the inclusion of thousands of changing parts, each company needs to optimise its productivity,” said Julio Juan Prieto, managing director of Accenture Aerospace & Defence.

Mobikon, an AI-driven consumer engagement and predictive analytics platform, advises that in addition to using data to improve external marketing, companies need to improve internal marketing to make sure their people understand where the business is heading.

“There will be a couple of strategic goals accomplished every quarter. CEOs will spend a lot of time every month discussing what the challenges are and then fixing them,” said Mobikon CEO Samir Khadepaun. “On the other hand, we learn and improve ourselves concurrently.”