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The 2020 State of Digital Transformation:

Accelerating Digital Transformation to Drive Uncommon Growth in Southeast Asia

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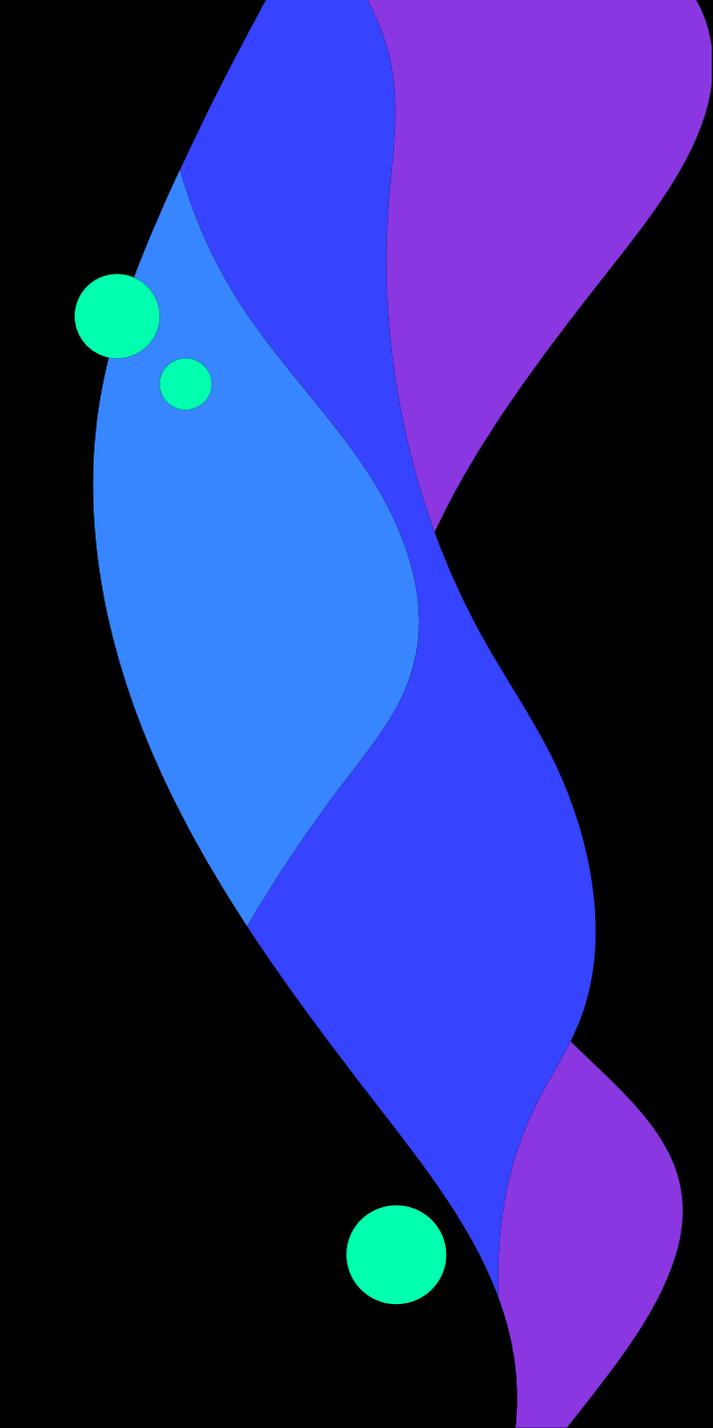
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“Digital transformation marks a reimagination of how we use technology, people and process to fundamentally change the way we run our business. It requires instilling a culture that shifts people’s mindset and empowers the process change. An innovative culture at MB Bank requires our people to be customer-obsessed, promotes a new agile way of working, and values collaboration across the organization.”

Vu Thanh Trung,
Head of Digital Banking,
MB Bank and a Prophet client

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Executive Summary

With the backdrop of COVID-19 crisis, there is more pressure for digital transformation to perform than ever. Altimeter, a Prophet company surveyed more than 600 key executives about how they are pursuing digital transformation and the impact of the pandemic, including 100 in Southeast Asia (SEA) across Singapore, Indonesia and Vietnam. The study reveals interesting differences between digital transformation effort and sentiment in SEA and the rest of world.

Worldwide, operations have been disrupted by quarantine policies, shifting top drivers of digital transformation to be more operation-focused. Companies are also seeing bigger challenges to digital transformation due to budget cut amid economic uncertainty (see our global report "[The 2020 State of Digital Transformation](#)"). While the rest of the world is becoming more risk-adverse, SEA expresses optimism about the future outlook – in fact, a significantly higher number of companies have accelerated their digital transformation initiatives and are focused on growth.

Executive Summary

There are five key takeaways regarding digital transformation in SEA:

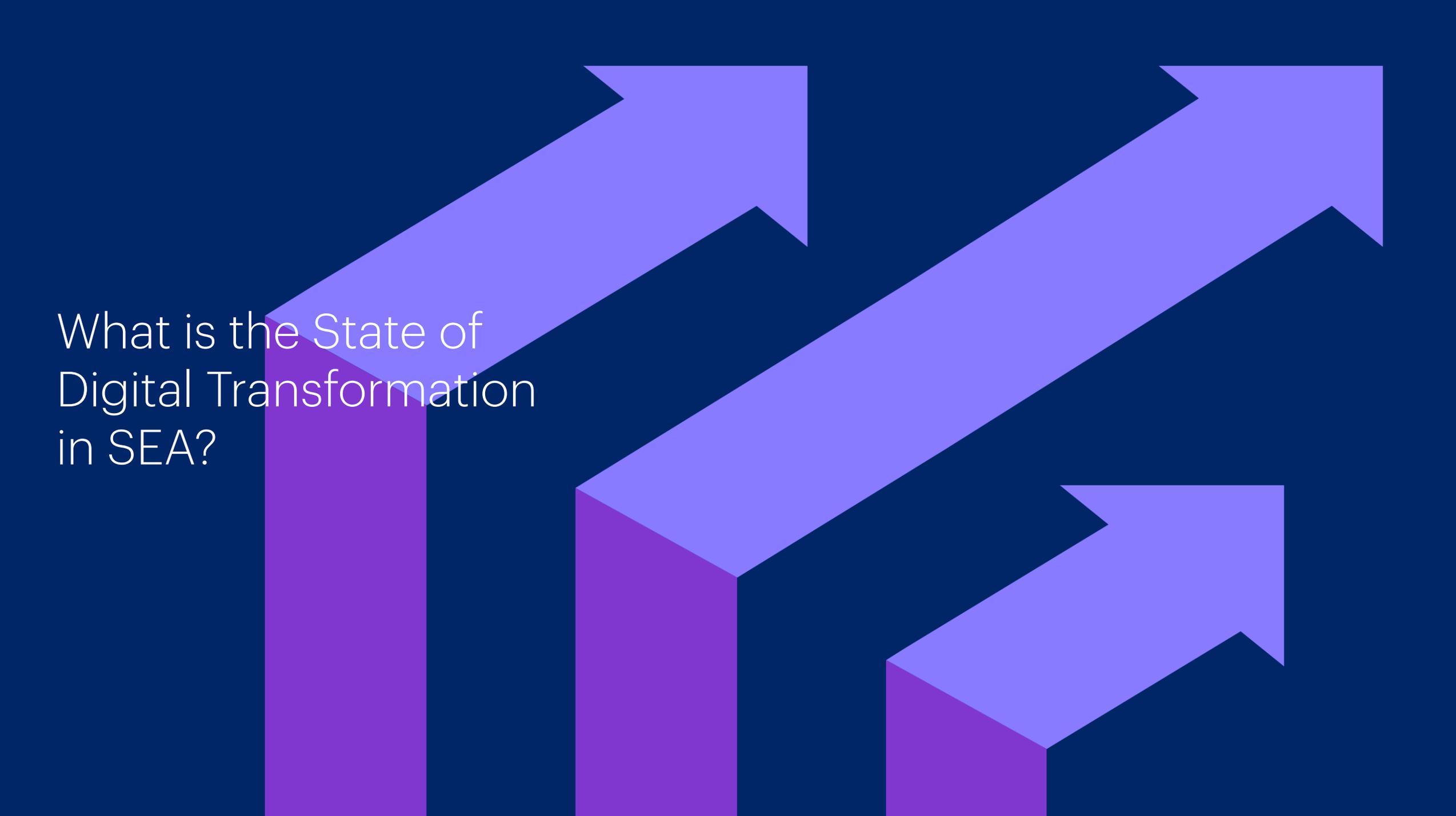
01 Top drivers of digital transformation in SEA is more growth-oriented, focusing on improving efficiency to go after new markets and customers, while adopting more agile and flexible operations.

02 SEA experiences less financial impact due to COVID-19 than the rest of the world, and they have accelerated investments in digital transformation, especially in marketing operations.

03 Budget cuts are less of a digital transformation challenge to SEA than rigid infrastructure, data quality as well as digital literacy and expertise within an organization. Innovation also stands out as an important metric to measure digital transformation success.

04 The focus of digital transformation investments in SEA leans towards connectivity, social and consumer platforms followed by AI & Analytics. This is driven by the thriving e-commerce business, ride hailing service and fintech ecosystem. SEA is however lagging in terms of modern infrastructure investments e.g. cloud and cybersecurity.

05 There is stronger leadership, culture and optimism of digital transformation in SEA thanks to the consistent and visible efforts from top executive in C-Suites, especially CEO & Board of Directors, and CDO.

The image features three purple 3D bar charts of increasing height from left to right. Each bar is topped with a light purple arrow pointing upwards and to the right. The background is a solid dark blue. The text 'What is the State of Digital Transformation in SEA?' is positioned on the left side, overlapping the first bar.

What is the State of
Digital Transformation
in SEA?

Drive to transform in SEA is more growth-oriented, through operational efficiency and digital innovation, indicating a positive market outlook.

Comprising some of the world’s fastest growing markets, digital transformation in SEA is about efficient market expansion and customer acquisition supported by agile and flexible operations.

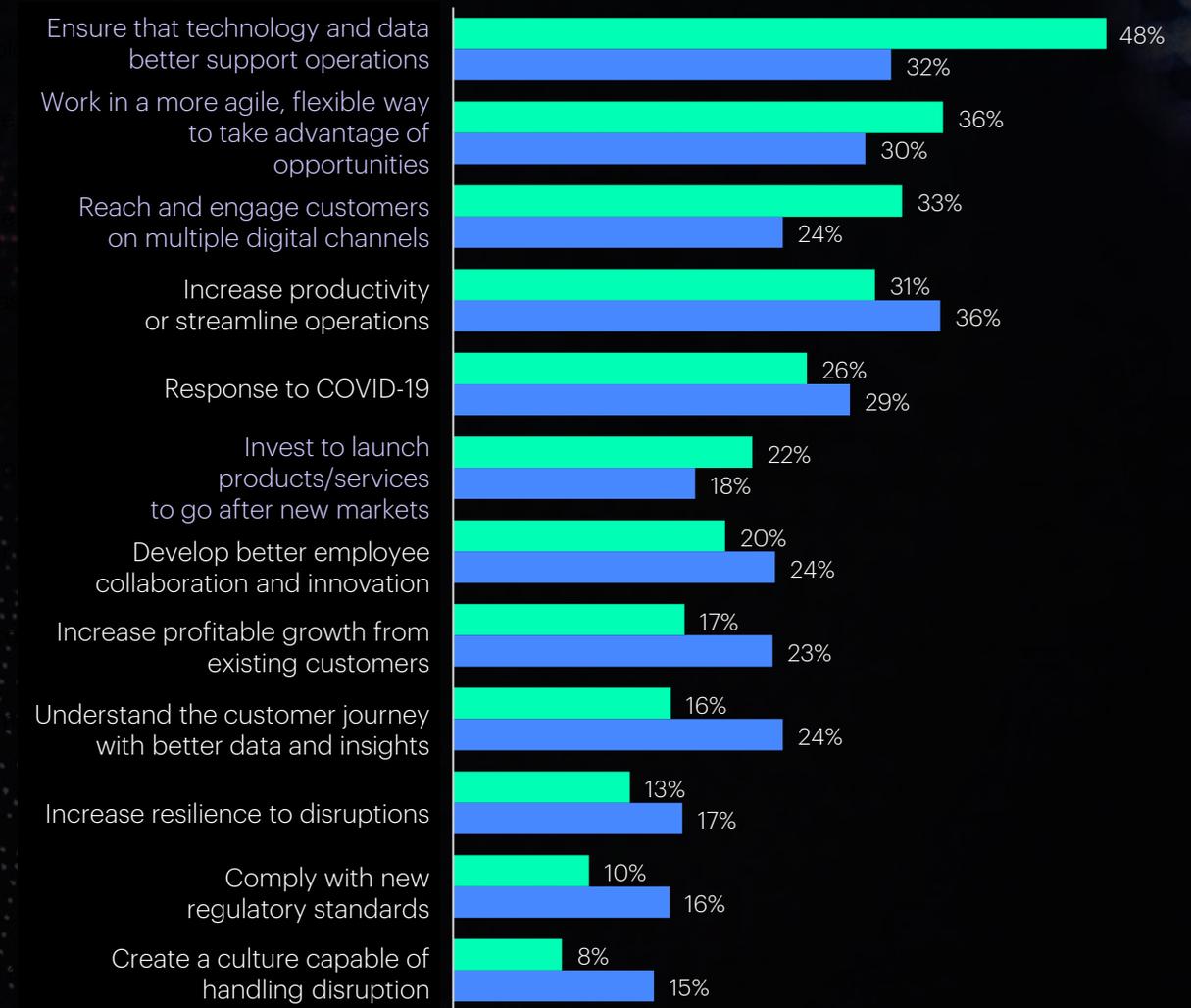
The SEA market is highly diverse in terms of language, culture and behaviour. Digital transformation ensures that the technology and data are in place to better support operations (48% in SEA vs. 32% in rest of world), and allow agility and flexibility to quickly capture opportunities (36% in SEA vs. 30% in rest of world).

While the rest of the world is eyeing on increasing profitable growth from existing customers (17% in SEA vs. 23% in rest of world), SEA companies tend to transform in order to reach and engage more customers on digital channels (33% in SEA vs. 24% in rest of world) as well as launching products/services to go after new markets (22% in SEA vs. 18% in rest of world).

With a more positive market outlook, SEA companies are less concerned about playing defence such as creating a culture to handle disruption (8% in SEA vs. 15% in rest of world).

Figure 1: Top Drivers of Digital Transformation

“What are the key drivers of digital transformation within your organization?”



Base: 628 respondents

■ SEA ■ Rest of World



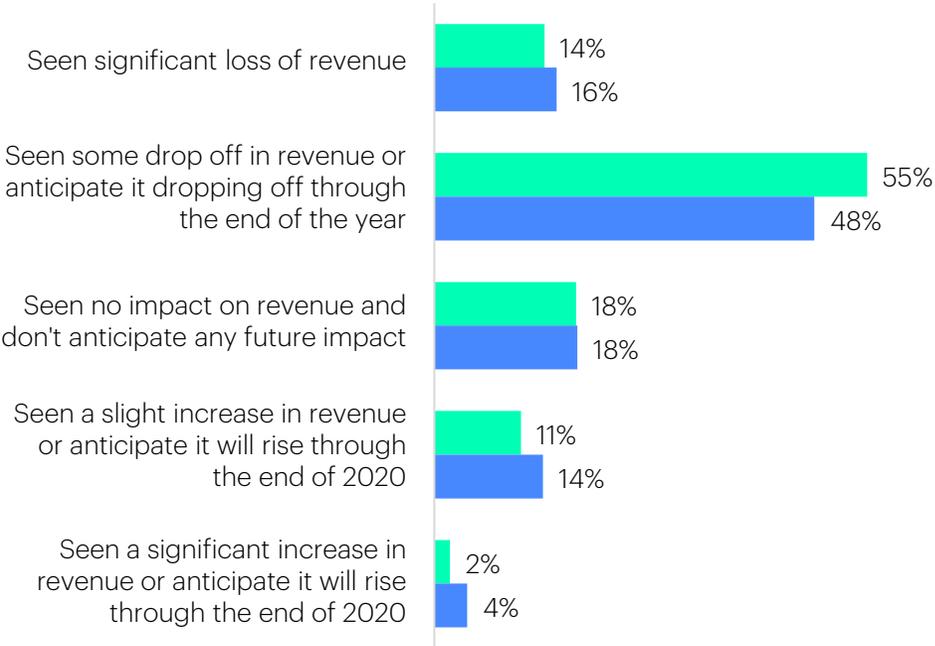
Similar to the rest of world, SEA companies have seen or are anticipating drop-off of revenue as a result of COVID-19 but the impact is less significant.

Over 50 percent of companies in SEA have seen some drop off in revenue or anticipate it dropping off through the end of year. While only 14 percent stated that the loss is significant vs. 16 percent in the rest of world.

Thanks to the massive and quick preventive measures enacted by the government at early stage, Vietnam suffers the least financially during COVID-19 – 27 percent of respondents stated that they have seen no impact on revenue or don't anticipate any future impact, followed by Singapore (13%) and Indonesia (15%).

Source: BBC News

Figure 2: The Impact of COVID-19 on Financial Performance
“What impact has COVID-19 had on your financial performance?”



Base: 628 respondents

■ SEA ■ Rest of World

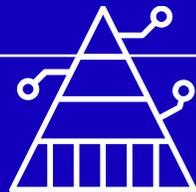


What Are the Top Challenges
of Digital Transformation in SEA?



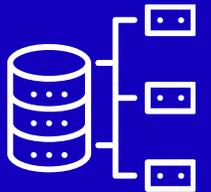
What Are the Top Challenges of Digital Transformation in SEA?

Most digital transformation efforts are focused on capturing growth opportunities.



Twice as many companies accelerated digital transformation in marketing operations.

While impacted by budget cuts due to COVID-19, there are bigger challenges in infrastructure, data and talents.



Despite impact on financial performance, SEA companies, especially those in Vietnam, are still accelerating digital transformation to capture growth opportunities.

In response to COVID-19, more companies in SEA are accelerating their digital transformation efforts to capture growth opportunities (15% in SEA vs. 11% in rest of world) with higher investments on digital transformation, leading by Vietnam.

Vietnam’s commitment to transform digitally has already started before the pandemic with the launch of National Public Service Portal and Resolution for Industry 4.0. It is accelerated by COVID-19 when offline economic activities are slowing down because of strong government policies. On June 2020, the country launched a National Digital Transformation Roadmap to further set transformation on three key pillars i.e. e-government, e-economy and e-society.

Source: Vietnam Briefing

Figure 3: Digital Transformation Initiatives Shifted Amidst COVID-19

“How have your digital transformation initiatives shifted because of the spread of COVID-19”



Figure 4: The Organizational Impact of COVID-19

“What impact has COVID-19 had on how much your organization is doing each of the following, compared to what you did before the crisis”

	Rest of World	SEA	Vietnam	Singapore	Indonesia
Investment in digital transformation (More Often)	48%	59%	80%	53%	48%

Base: 628 respondents

Twice as many companies in SEA accelerated digital transformation in marketing operations.

Twice as many companies as the rest of world in SEA have accelerated their digital transformation plans on marketing operations during the crisis (39% in SEA vs. 19% in rest of world).

One potential driving force is the huge increase of online purchases. With more time spending at home and the fear of social contacts, consumers in SEA are doubling down on e-commerce, especially on daily essentials e.g., groceries.

On the other hand, unicorns in the region have launched new digital services and supply chain that shifted the purchase habits towards digital. For example, Grab started GrabMart to provide on-demand delivery services during COVID-19, which has expanded to eight counties in just three months.

We believe companies boosting their investment on digital marketing operations will continue to increase.

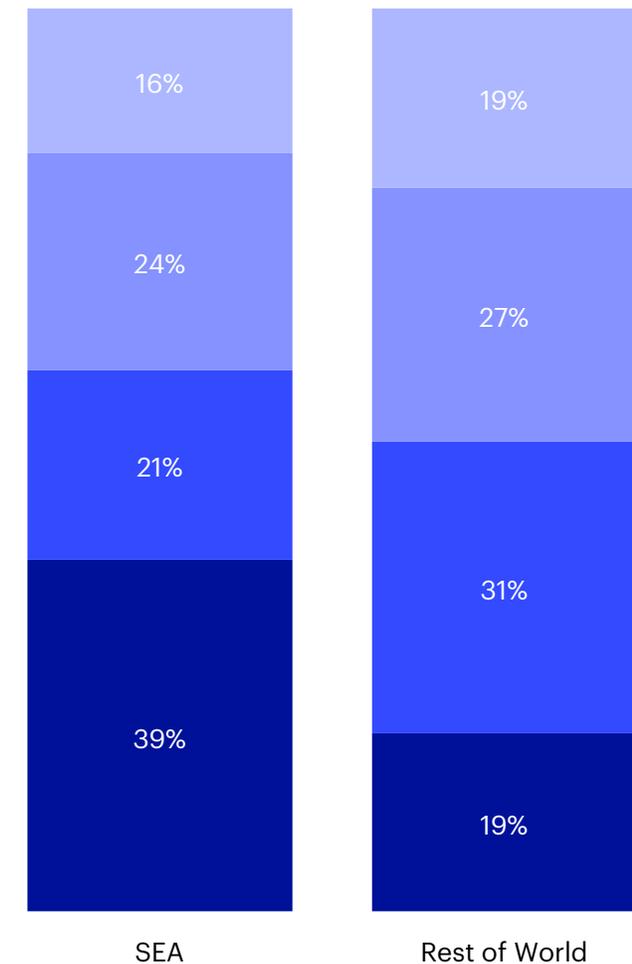
Source: Bain & Company Analysis, How Covid-19 Is Changing Southeast Asia's Consumers

Figure 5: Digital Marketing Transformations Continue (or Accelerate) Amidst COVID-19

“What impact has the COVID-19 crisis had on your plans to improve or transform your marketing operations”

- Were running an improvement/transformation plan, but it has been stopped due to the crisis
- Continuing our improvement/transformation plan, but have decreased its investment
- Continuing our improvement/transformation plan, and the crisis has not affected it
- Continuing our improvement/transformation plan, and it has been accelerated due to the crisis

Base: 628 respondents



While fewer SEA companies are impacted by budget cuts due to COVID-19, they see bigger challenges in infrastructure, data and talent during digital transformation initiatives.

Budget cuts due to COVID-19 may have posed short term impact on digital transformation but SEA companies in general are seeing more challenges in other areas required to build the foundation of digital transformation. These areas include reinventing the rigid technology infrastructure (30%) and making clean and labelled data accessible (25%) than the rest of world.

Other areas of concern include articulation of ROI of digital transformation initiatives (26%) and the digital literacy of leadership and employees which are low (22%)

While lack of clear vision and leadership is seen as an issue globally (12%), it is less of an issue in SEA (4%).

Figure 6: The Top Challenges of Digital Transformation

"Please indicate the most difficult challenges you or your organization come up against in digital transformation efforts"

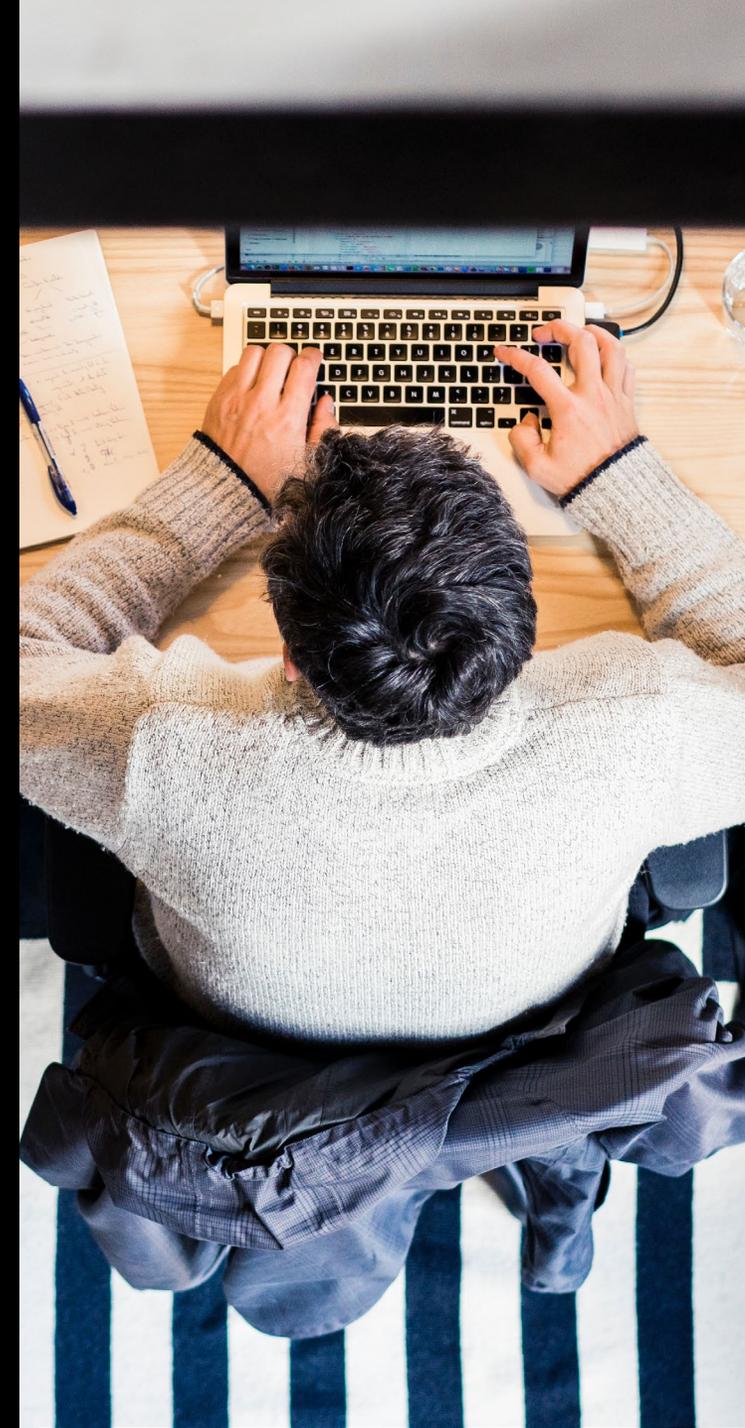
Budget cut due to COVID-19 becomes top challenge of digital transformation in 2020 but the impact to SEA is less

	SEA	Rest of World
COVID-19 created other priorities or cut the budget	39%	43%

Companies in SEA have experienced more setbacks from legacy tech infrastructure, accessibility to quality data, ROI articulation and talents than the rest of world

	SEA	Rest of World
Rigid technology infrastructure	30%	23%
Inability to articulate the ROI of digital transformation initiatives	26%	20%
Lack of clean, labelled, accessible data	25%	14%
Low digital literacy or expertise among colleagues and leadership	22%	17%
Lack of clear vision and leadership	4%	12%

Base: 628 respondents



The background features a complex geometric pattern of interlocking shapes. The primary colors are a vibrant blue, a bright magenta, and a stark black. The shapes are arranged in a way that creates a sense of depth and perspective, with some elements appearing to be stacked or layered. The overall effect is modern and dynamic.

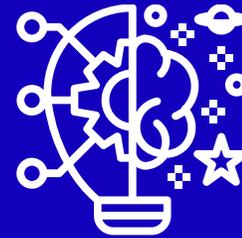
What Are the Top Priorities
of Digital Transformation?

What Are the Top Priorities of Digital Transformation?

Data and talent acquisition have higher importance, while innovation is highly regarded as key to business growth.



Innovation is a key indicator of success, fuelled by clear and long-term strategy, process and KPIs.



Initiatives related to data and talent acquisition have higher importance in SEA, while innovation is highly regarded as key to business growth.

SEA has more emerging markets with lower digital literacy and more diverse customer segments, as such companies put higher importance on customer data, insights and analytics than that of the world (36% in SEA vs. 29% in rest of world). With better data analytics, companies are focusing efforts on meeting the diverse needs in the market.

While the rest of world focuses less on employees training and hiring, companies in SEA, a hub for unicorn start-ups, place more importance in closing tech talent gaps for future disruptive technologies (31% in SEA vs. 20% in rest of world)

Ambition to unlock opportunities in new markets, acquisition of new customers and accelerating innovation are also top priorities (30% in SEA vs. 27% in rest of world).

During COVID-19, digital transformation in SEA has shifted to better understand customer needs and improve experience of more digitally active customers.

Figure 7: Digital Transformation Initiative Priorities

“Which initiatives are most important to your digital transformation efforts”

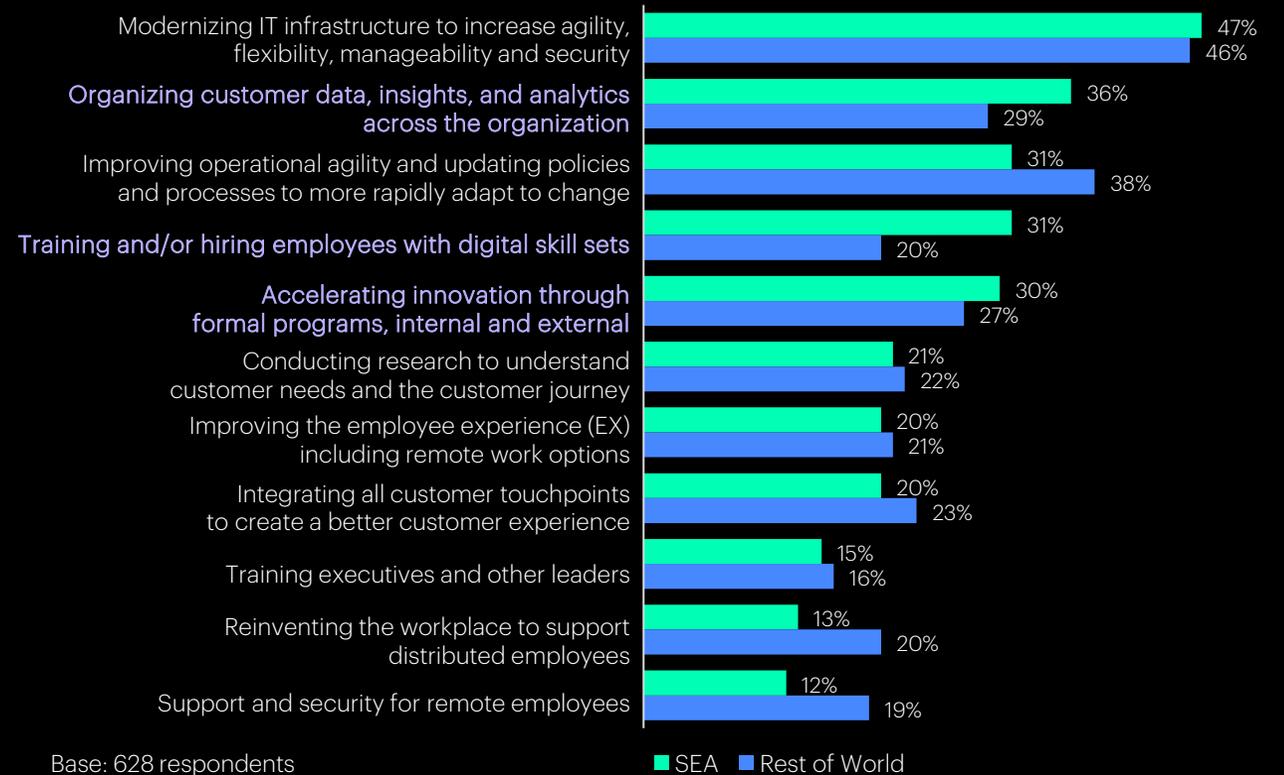


Figure 8: Digital Transformation Initiatives Accelerated by COVID-19

“Which digital transformation initiatives have you accelerated the most because of COVID-19”

	SEA	Rest of World
Integrating all customer touchpoints to create a better customer experience	41%	21%
Conducting research to understand customer needs and the customer journey	40%	25%

Base: 628 respondents

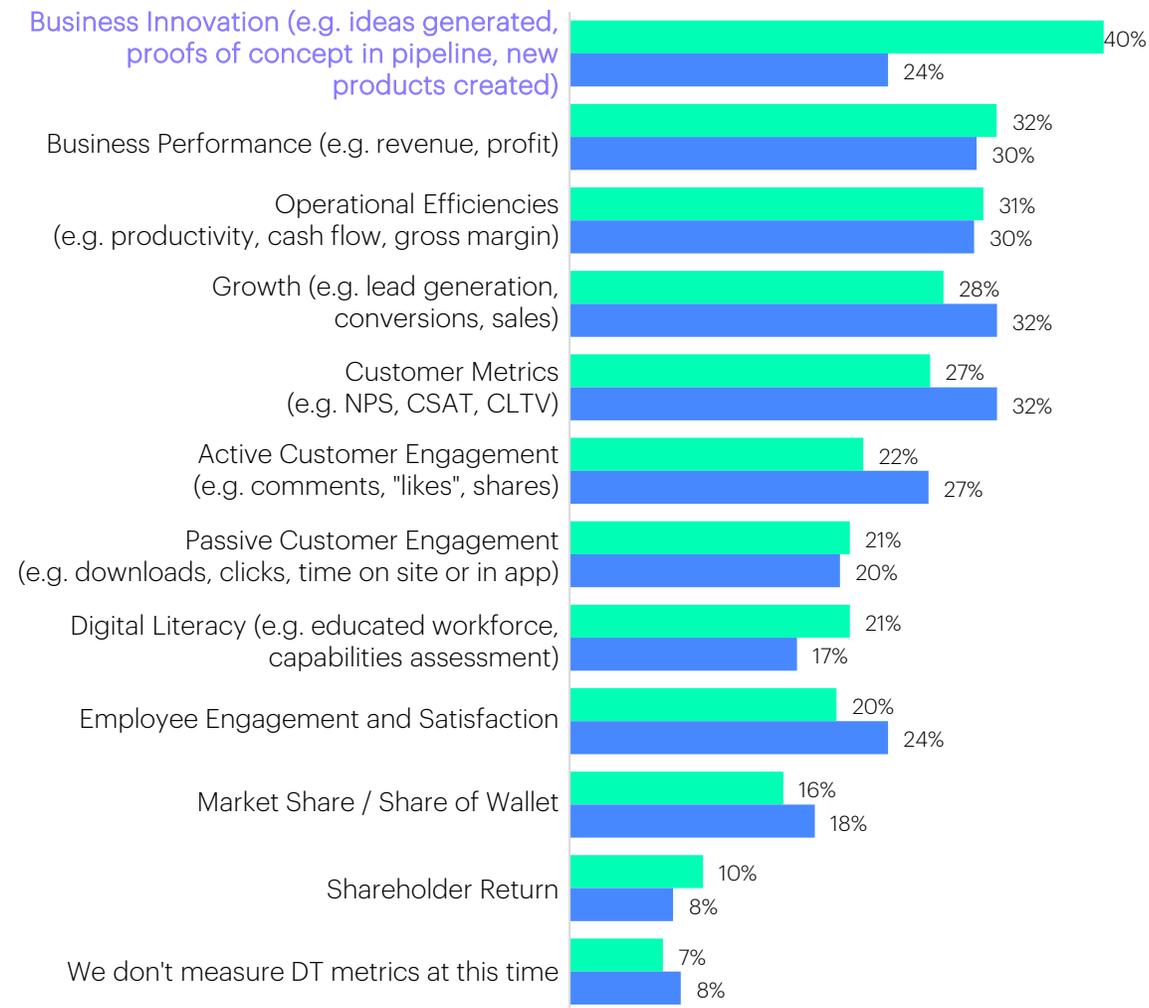
Innovation is regarded as a key indicator of successful digital transformation, often fuelled by clear and long-term strategy, process and KPIs.

When it comes to measuring the success of digital transformation, SEA relies more significantly on business innovation metrics (40% in SEA vs. 24% in rest of world) while the rest of world is leaning towards customer and sales indicators.

Serving as the primary indicator, innovation activities in SEA are more well defined by clear innovation strategy, process, KPIs and exploration of longer-term trends and opportunities. (41% in SEA vs. 25% in rest of world).

Figure 9: The Top Metrics Used to Measure Digital Transformation

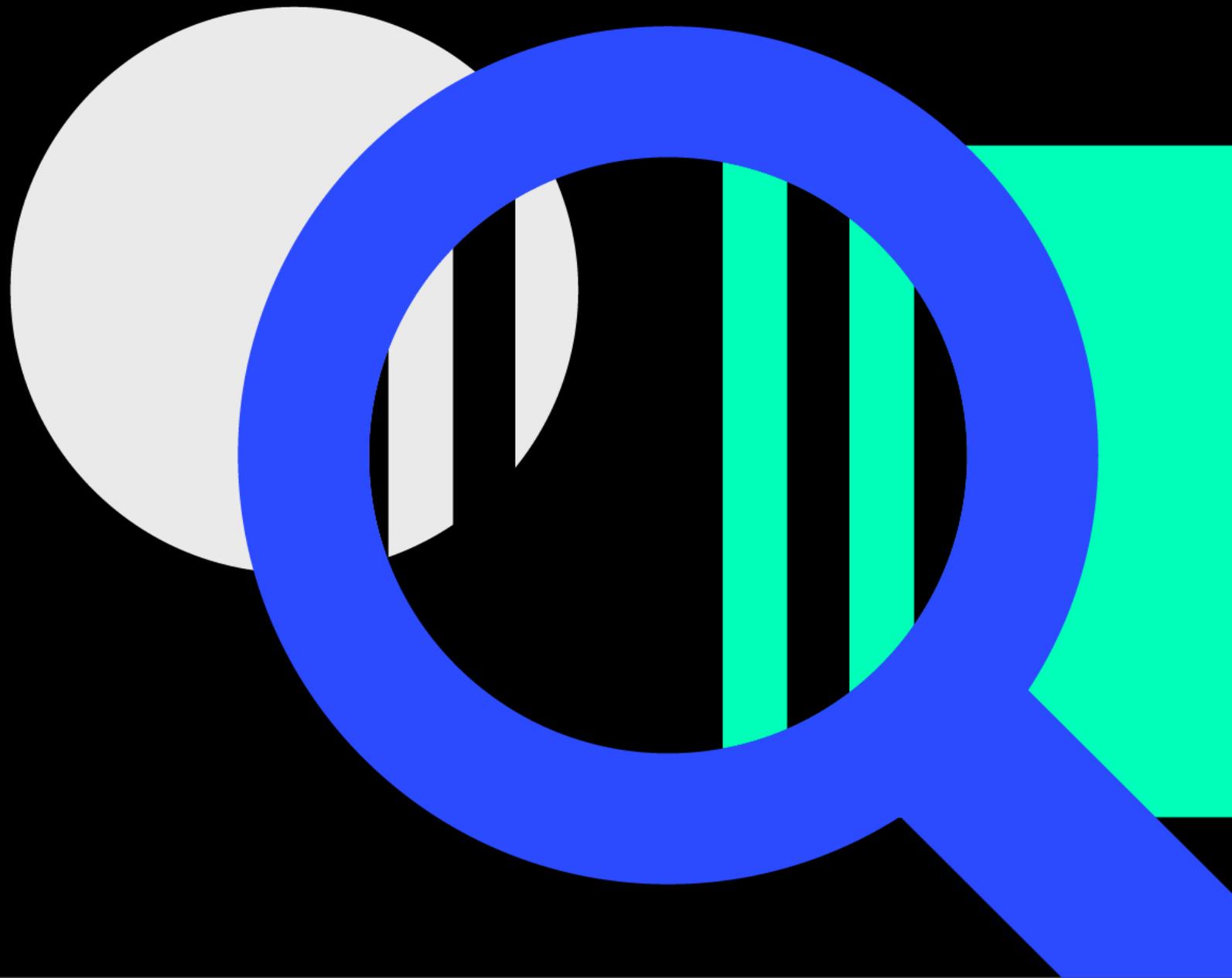
“What metrics does your organization actually measure today related to digital transformation”



Base: 628 respondents

SEA Rest of World

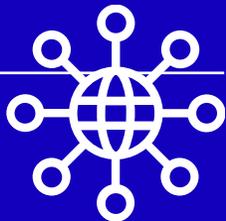
What Are the Priority
Tech Investment?



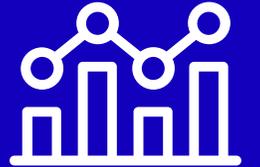
What Are the Priority Tech Investment?



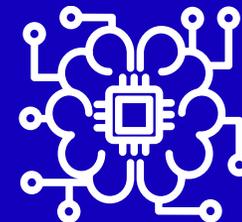
Growing internet economy in SEA shifted the focus on connectivity, social & consumer platforms.



E-commerce in SEA is leading global in delivering enriched experience using innovative technologies.



Adoption of AI is relatively extensive, catalysed by e-government initiatives and fintech ecosystem advancement.



Reliance on data intelligence has increased, with more focused on building a scalable data strategy.

Growing internet economy in SEA shifted the tech investment to focus on connectivity, social & consumer platforms.

Thanks to higher penetration of mobile and more affordable networks, internet users in SEA had exceeded 300M by 2019. Technology investments in SEA are more about connectivity, social & consumer platforms in order to meet the growing demand of this community.

E-commerce and ride hailing are the most promising sectors in SEA, supported by investments from China and U.S. tech giants e.g. Alibaba, Tencent, Didi and Amazon, relevant technologies are receiving higher attention than the rest of world. 40 percent of respondents selected IOT as their investment priority (vs. 29% in the rest of world), 26 percent selected e-commerce platform (vs. 19% in the rest of world), and 21 percent selected AR/VR (vs. 14% in the rest of world)

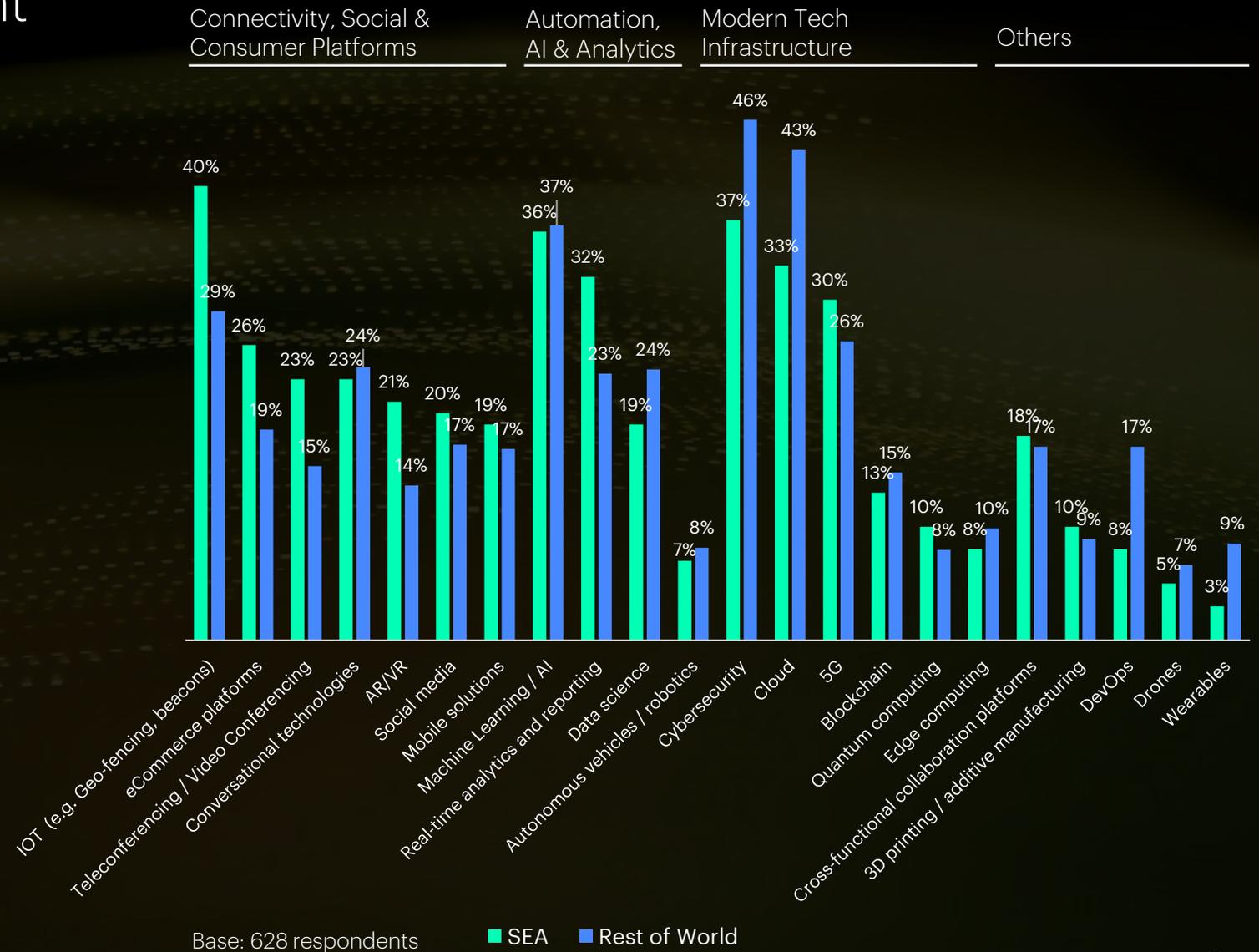
When more competitors are flooding in, automation and analytics capabilities gain importance as they allow companies in SEA to engage consumers effectively and timely. 32 percent of respondents selected real time analytics (vs. 23% in the rest of world).

However, SEA is still catching up on developing more modern tech infrastructure e.g. cloud and cybersecurity.

Source: Google & Temasek E-Economy SEA 2019 Report.

Figure 10: Prioritized Technology Investments

“What are your top priorities for technology investments in 2020”



E-commerce operations in SEA are leading global in delivering enriched experiences using innovative technologies.

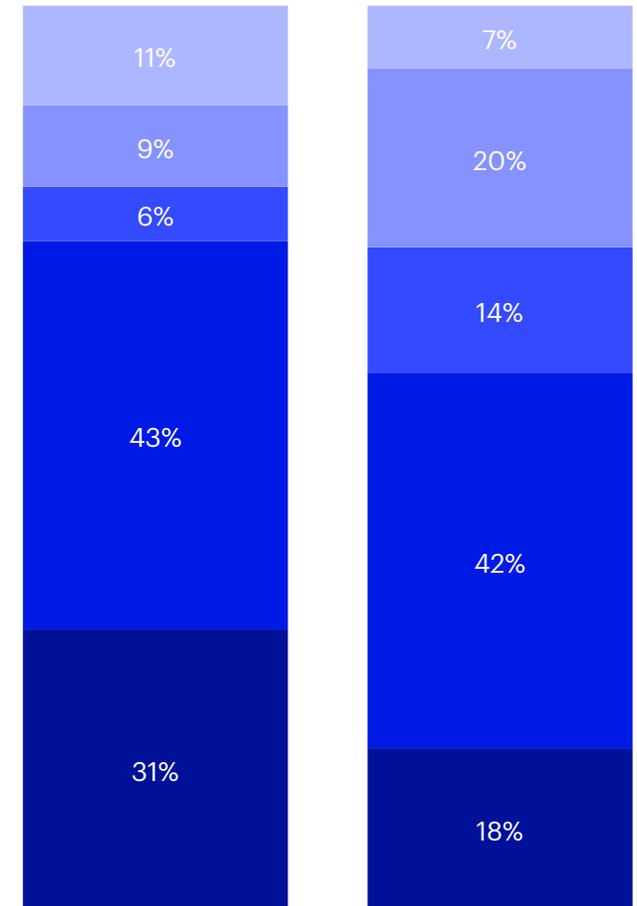
E-commerce operations in SEA have moved beyond seamless, personalized and real-time capabilities to focus on building enriched consumer products and service experiences using augmented technologies and innovative media, far leading the global (31% in SEA vs. 18% in rest of world). This is largely due to growing digital affluence and adoption of more tech and digital products than ever.

In the region, more respondents from Vietnam have stated that they are operating to deliver enriched experiences (35% in Vietnam, 32% in Indonesia, 21% in Singapore). A key driver is the adoption of innovative strategies (e.g. mobile gaming) by home grown marketplaces Seno and Tiki in user acquisition against other regional players like Lazada and Shopee.

Figure 11: Current State of E-commerce Operations

“Which statement most accurately describes the current state of your e-commerce operations”

- Our e-commerce website operates independently from other marketing channels, with no personalization capabilities. Digital ads drive traffic to the site.
- There is limited personalization on our e-commerce site in the form of personalized product recommendations
- The site experience (e.g. images/messaging) can change in real-time based on the preference, or path of the visitor
- Our e-commerce site is tightly integrated with digital marketing, using personalized ads, email and web experiences (e.g. chatbots) that respond to customer interaction in real-time to help complete the sale
- Along with digital marketing integration, our e-commerce site uses augmented reality, innovative media and engagement to present sale items for an enriched consumer experience



Base: 345 respondents

SEA

Rest of World

Adoption and use of AI within SEA is relatively extensive, catalysed by e-government initiatives and fintech ecosystem advancement.

While global companies are still at the testing or infancy stage of using AI, it is increasingly implemented on a regular basis and adopted in SEA. Majority of the respondents are leveraging AI extensively in driving new products, business models and customer experiences, much higher than the global (29% in SEA vs. 19% in rest of world)

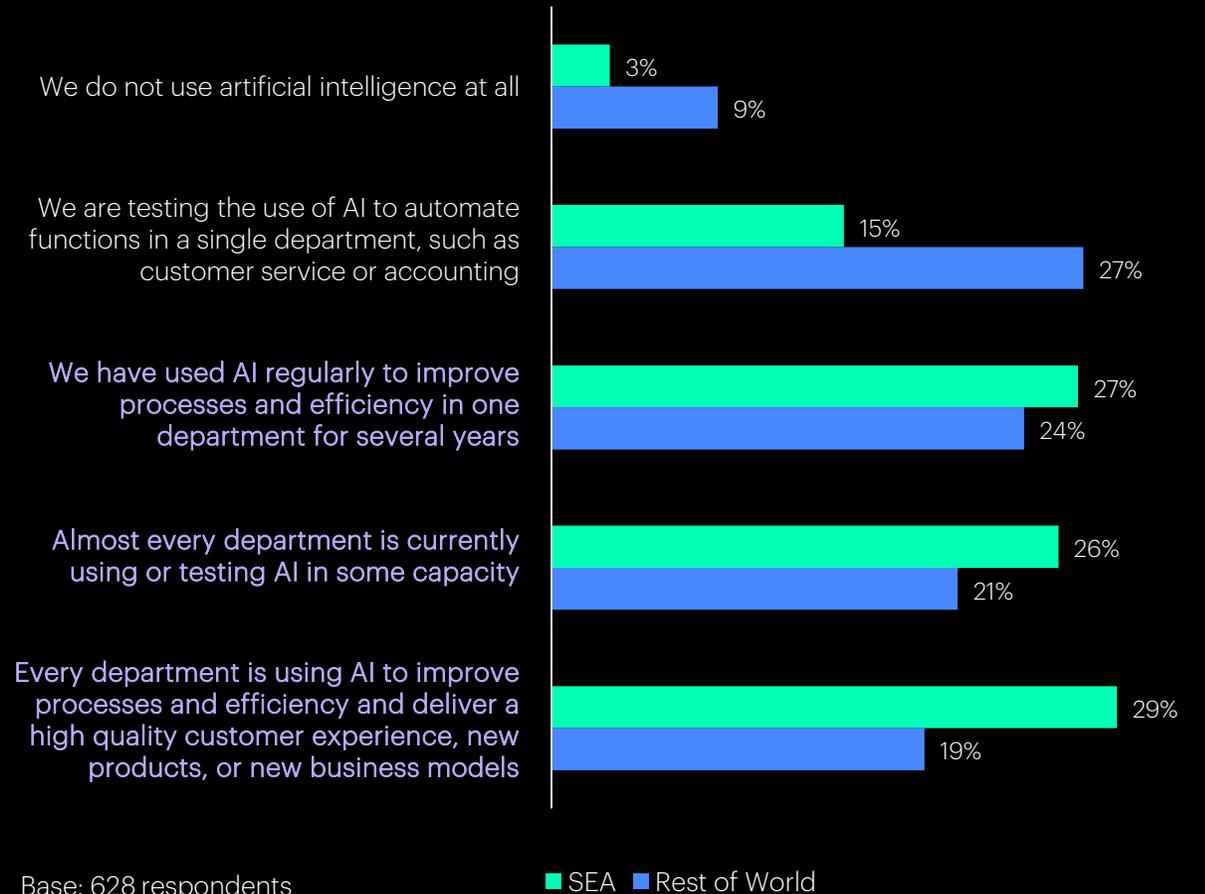
One major source of momentum is the booming of fintech and digital banking, the biggest adopters who use AI technology to enable mobile payment and fast lending services.

From a country perspective, Singapore is taking substantial lead in AI development and adoption, fuelled by investments from the government on both software and physical infrastructure e.g., joint-innovation on intelligent robots, increased data storage capacity, open data and open government platforms, as well as high-speed network and advanced IT security. Other countries such as Philippines, Malaysia, Vietnam and Indonesia are lagging but gradually catching up.

Source: Analytics India Magazine, State of Analytics in South East Asia 2019

Figure 12: Use of Artificial Intelligence Within Organization

“To what extent do you use artificial intelligence (including machine learning, computer vision, natural language process, robotics, or deep learning) within your organization”



Reliance on data intelligence has increased during COVID-19, but companies are still in progress of building a scalable data strategy.

As high as 79 percent of respondents in SEA have been relying more on data and intelligent technologies as a source of insight during COVID-19 (vs. 63% in the rest of world). Better insights are critical for companies to quickly evolve business models and sales strategy to reach consumers and customers who are mainly active online under strong quarantine policies.

SEA is leading global around turning data strategy into a core competency (36% in SEA vs. 29% in global) yet the region is still working on making the strategy scalable to maximize and sustain value generation from data.

Figure 13: Organizations Turning More to Data for Insight During COVID-19

“To what extent are you relying on data and intelligent technologies as a source of insight during the COVID-19 pandemic”

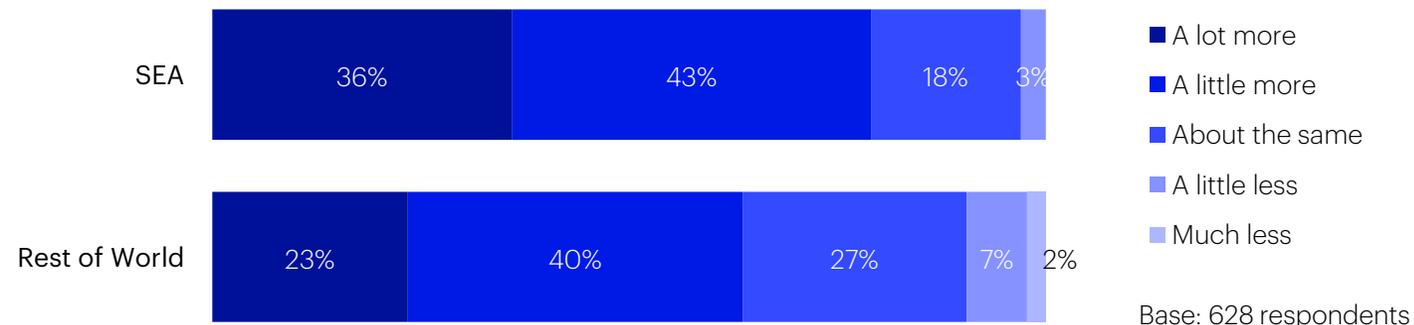
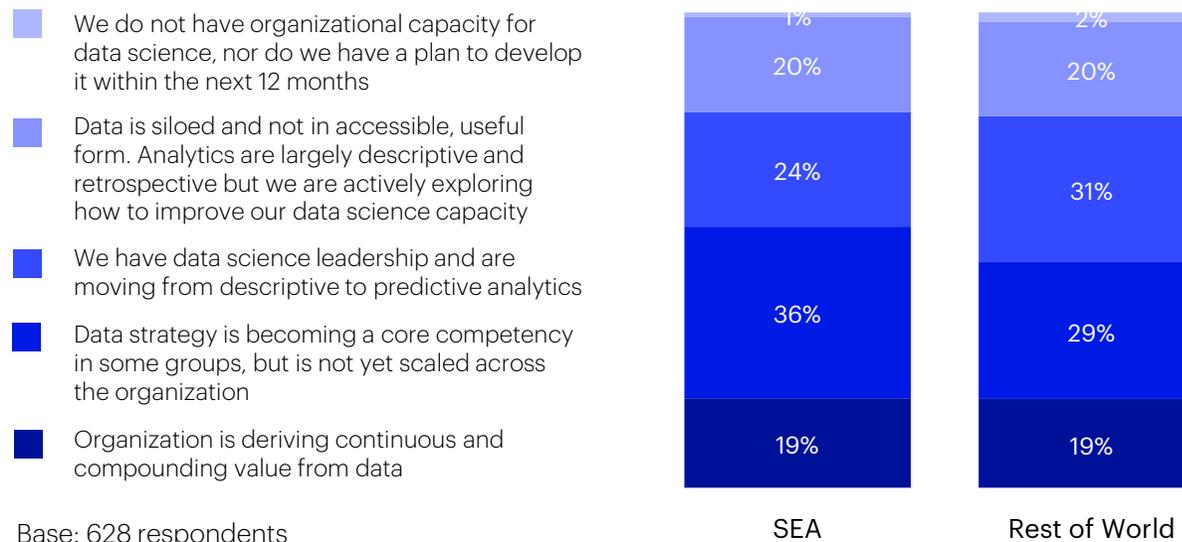
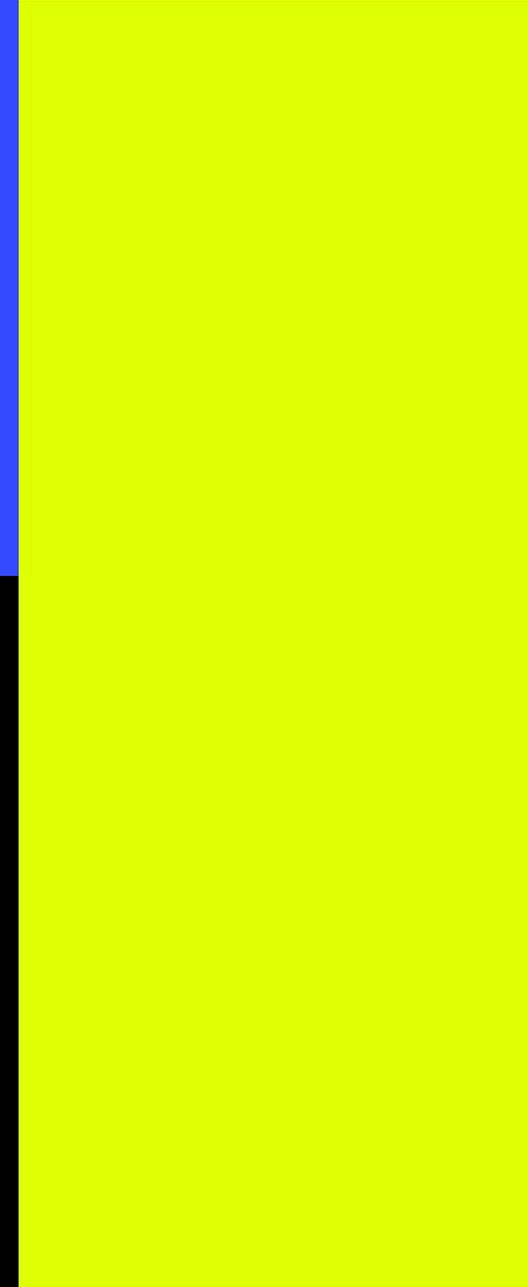


Figure 14: Current State of Data Within Organization

“To what extent do you have clean and accessible data, clear processes, and organizational support for and discipline around data science in your organization”



Who Are Leading
Digital Transformation?



Who Are Leading Digital Transformation?



Higher executive sponsorship with CEO being the primary owner.

Strong and visible support from leadership.



Digital transformation is embraced positively throughout the organization.



SEA shows much higher executive sponsorship for digital transformation with CEOs being the primary owners.

There is stronger leadership sponsorship on digital transformation in SEA. Digital transformation is primarily driven by the CEO (30% in SEA vs. 25% in rest of the world). It is twice as likely for digital transformation to be owned by the CDO (27% in SEA vs. 13% in rest of the world) or Board of Directors (14% in SEA vs. 6% in rest of the world). This is a reflection of the higher population of state-owned or linked companies in Southeast Asia, where boards are more involved in decision making.

Together, the CEO and Board of Directors roles provide sponsorship for digital transformation in 44 percent of the companies vs. 31 percent in the rest of the world.

Figure 15: Executive Sponsorship for Digital Transformation

“Which executive officially owns or sponsors the digital transformation initiative”



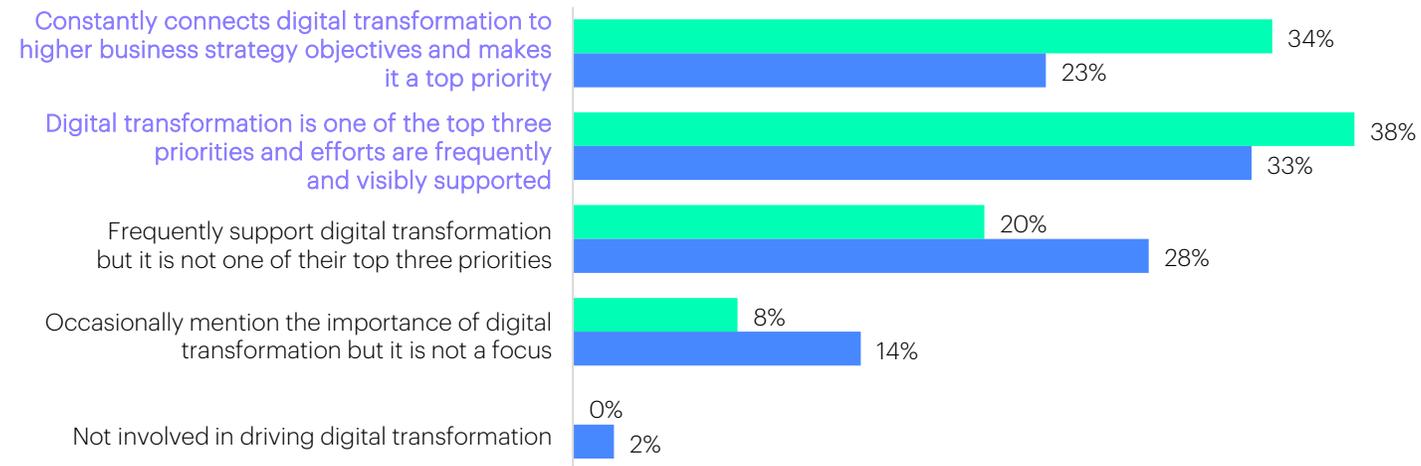
Leaders in SEA understand the importance of digital transformation and follow through with frequent and visible supports.

In SEA, digital transformation is highly endorsed and promoted by senior leadership, with 72 percent of them seeing digital transformation as one of the top three priorities. 34 percent of the companies say digital transformation is constantly connected to higher business strategy and a top priority (vs. 23% in rest of world).

Even though the level of support from leadership varies, no leaders are uninvolved in driving digital transformation (vs. 2% in rest of world).

Figure 16: Nature of Executive Leadership

“Which of these statements best describes the nature of executive leadership in your organization”



Base: 628 respondents

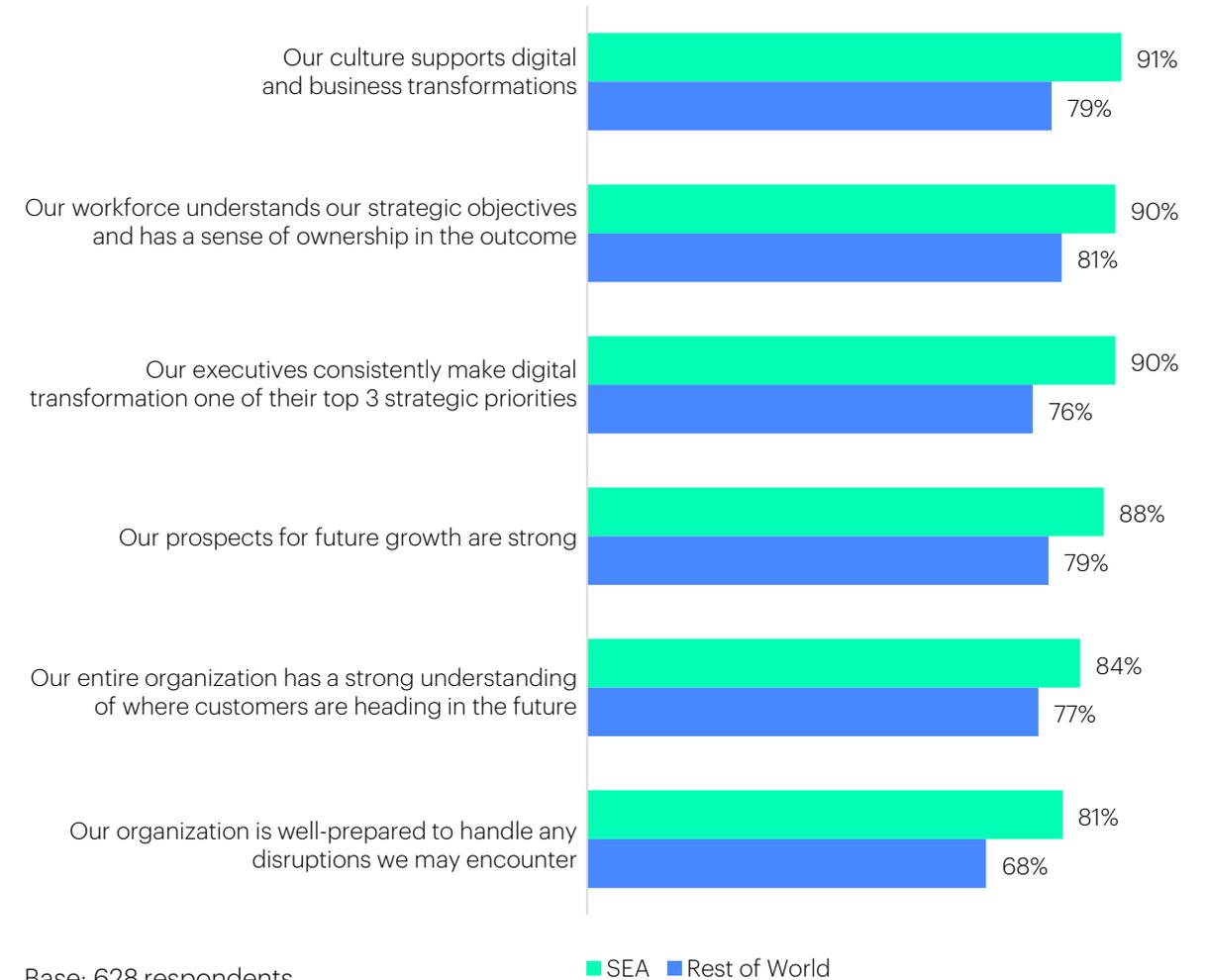
SEA Rest of World

With strong leadership, digital transformation is optimistically embraced throughout organizations in SEA.

SEA companies embrace and are more optimistic towards digital transformation across multiple aspects — stronger culture, engaged workforce and stronger prospect. The confidence is leading other global companies especially around supportive leadership (90% in SEA vs. 76% in rest of world) and their ability to handle future disruptions (81% in SEA vs. 68% in rest of world).

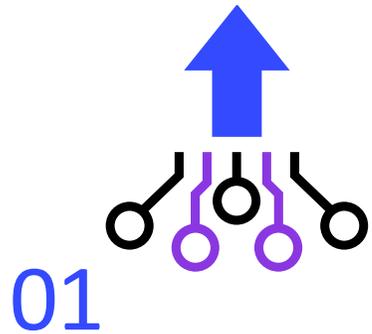
Figure 17: Overall Sentiment Towards Digital Transformation

“Please indicate how much you agree with each of the following statements, from 1 (strongly disagree) to 5 (strongly agree), T2B%”



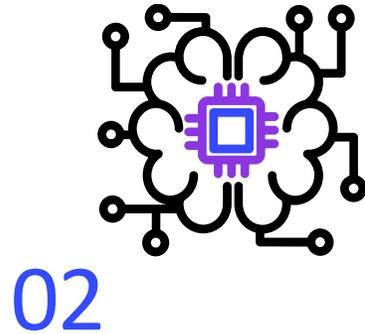
Action Implications

Regardless of financial challenges, COVID-19 has presented more opportunities for companies to accelerate their digital transformation agendas in SEA rather than seen as challenges.



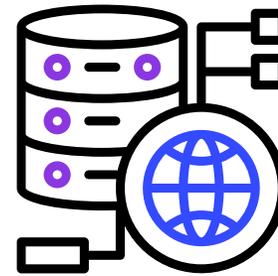
01 Companies in SEA should keep investing in building new digital capabilities to stay competitive,

especially when it comes to capturing growth in new markets and expanding customer bases. The evolved consumer behaviour due to the COVID-19 pandemic – increased digital activity and new consumption patterns – will continue to drive demand. Companies who fail to see the need to invest in digital will invariably lose their relevance.



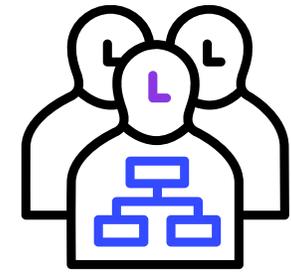
02 Innovation, AI & Analytics and Talents are three opportunity areas where companies in SEA should and must invest in digital transformation.

Companies should promote innovation around consumer experience and engagement, build advanced AI & Analytics capabilities with scalable data strategy, and develop home grown or acquire digital talents. These opportunities allow companies in SEA to overcome the biggest digital transformation challenges in the market and sustain growth with stronger capabilities. This is especially so as SEA is a diverse market of different culture, languages and stages of digital maturity, making it more complex to navigate.



03 While continuing investing in connectivity, social, consumer platform, it is important to increase efforts on modernizing IT infrastructure to catch up with global,

especially on cloud and cybersecurity. To do so, companies should take advantage of favourable policies and sponsorship from local governments in SEA.



04 Senior leadership is important for creating a positive environment for digital transformation in SEA.

In addition to CEO and Board Members, the CDO also plays a role to drive and accelerate digital adoption across the organization. Keep the momentum of strong leadership and culture within the organization and embrace new opportunities presented by digital transformation with open mindset is key to set companies to a successful digital transformation journey.

Methodology

We surveyed 628 professionals from brands, consulting firms, and other organizations with at least 1,000 employees, across four geographies: North America (U.S. and Canada); Europe (U.K., France, and Germany); The People's Republic of China; and Southeast Asia (Indonesia, Singapore, and Vietnam). The respondents from these organizations included in-house and agency digital strategists and C-suite or other executive-stage leaders.

Our sample includes a fixed quota of respondents from five industry verticals: Banking/Finance, Consumer Products, Healthcare, Retail, and Technology. We asked each respondent multiple choice answer questions about digital transformation at their respective organizations or organizations they serve. Digital maturity was scored across 26 criteria in five areas. More details about the criteria are available in the online version of this report [here](#).

About Altimeter, a Prophet company

Altimeter is a research and consulting firm owned by Prophet that helps companies understand and act on technology disruption. We give business leaders the insight and confidence to help their companies thrive in the face of disruption. In addition to publishing research, Altimeter analysts speak and provide strategy consulting on trends in leadership, digital transformation, social business, data disruption, and content marketing strategy.

Learn more at prophet.com/altimeter.

About Prophet

Prophet is a consultancy that helps clients find uncommon growth through marketing, brand, experience, innovation and organization & culture capabilities. We operate differently than other consultancies, blending insight, strategy and creativity with an optimistic yet pragmatic approach.

We have partnered with some of the world's most successful companies, including Marriott, Walmart, AB InBev, AXA, Samsung, Emart, Midea and MB Bank. With twelve global offices and more than 450 experts in marketing, innovation, digital and design, we are able to bring together the right people with the right experience to solve our clients' business challenges.

[Prophet.com](https://prophet.com)

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how we can help you drive
Uncommon Growth?

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