

The APAC Guide to **Digital Transformation** for Convenience and Fuel Retailers





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Introduction

Digital transformation isn't coming - it's here. According to International Data Corporation, companies will dedicate more than 53 percent of their IT budgets to digital transformation initiatives by 2023. That amounts to nearly \$7.4 trillion in spend between 2020 and 2023.

From upgrading legacy systems to adopting AI-powered solutions, companies must embrace digital transformation to survive and thrive in the future. This is especially true for businesses operating in the highly competitive, rapidly changing convenience and fuel retail market. Investing in the right technology is key to digital transformation success.

The right technology should enable you to do three things: focus on your customers, realize immediate improvements with incremental investment, and achieve the expected ROI by providing one version of the truth and end-to-end visibility across your operation. This will make room for exploring new business ventures and innovations.

This guide will take you through a simple, yet effective, approach to digital transformation to helping you evaluate market needs, industry readiness, and your organization's preparedness.

AI (Artificial Intelligence) the ability of a computer program or machine to think, learn and imitate intelligent behavior.



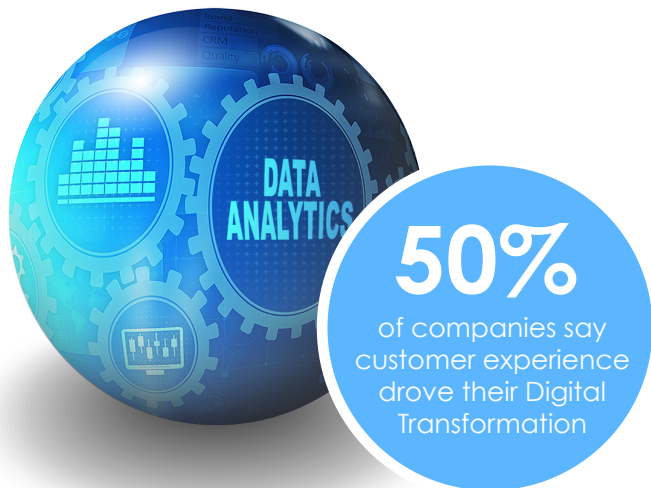
Understanding digital transformation

There's been a lot of debate surrounding the definition of digital transformation, and pundits are still figuring it out. For now, most people agree with some version of the following: "Digital transformation marks a radical rethinking of how an organization uses technology, people, and processes to fundamentally change business performance," says George Westerman, MIT principal research scientist.

Not everyone is at the same place in their digital transformation journey. Consequently, researchers have defined several possible stages—ranging from "early adopters" to "conservatives"—in an organization's digital maturation process.

As the debate about definitions and terminology continues, forward-thinking companies across industries are realizing that stagnancy in the digital age is not an option.

The convenience and fuel retail industry is no exception.



Digital transformation meets convenience

Asia Pacific is the largest and fastest growing region in convenience retail. As consumer demand for convenience soars across Southeast Asia, convenience retail channels are experiencing record growth surpassing those of any other retail channel.

8.3%

Growth in the past year



73,000 convenience stores across the region in 2018, and this number is increasing by 10% year-on-year.

While the industry is booming, one of the biggest challenges convenience retailers face is increased competition. In a highly competitive environment, what can companies do to stand out? The answer is...transform.

Global trends like omnichannel retailing, foodservice, consolidation, and rising labor costs are changing convenience retailers' business models. And disruptors like electric vehicles, online retailing, regulations, changing consumer expectations, and last mile delivery are driving new innovations. All of it reinforces the need for digital transformation.

Even governments recognize the importance of digitalization and supporting the technology sector. Thailand's 4.0 initiative is great example.

For quite some time, the convenience industry wasn't seen as technologically advanced or innovative. This perception, along with the industry itself, is evolving. Every year, we see new innovations and technologies. Consumers are more tech-savvy, demand more convenient and personalized options, and have less time to waste. Operators of all sizes need to reimagine the way they do business to meet the market demands.

Ensuring a successful digital transformation

Step 1: Define the customer journey

Your customers should be the focus of your digital transformation, so the first step is to define what you want their journey to be.

The customer journey begins with what to buy and where to buy it. It continues through the forecourt, in-store, purchase and feedback experiences. Knowing what the customer experience should be at each stage in the journey will help inform your technology mix.

Technology should ensure end-to-end visibility, increase efficiency, attract, and retain customers and provide a competitive advantage. But don't rush. The implementation process should be thoughtful, targeted, and incremental.

Step 2: Review the risks

It's easy to get caught up in the hype of new innovations or best-of-breed technology. True digital transformation, however, should connect people, drive efficiency and improve lives.

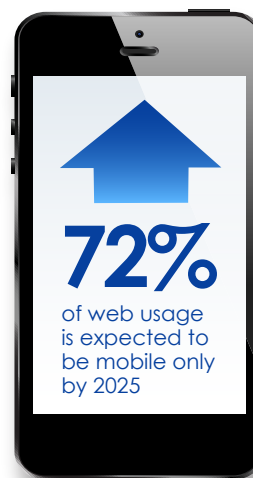
In the Harvard Business Review, Thomas H. Davenport and George Westerman (researchers in MIT's Initiative on the Digital Economy) outline four key lessons companies investing in digital initiatives should keep in mind:

- Digital transformation is not the answer to all problems. Your success as a business depends on many factors, and digital capabilities is just one of them.
- Digital transformation is not plug and play. It's an ongoing process that requires a well-planned implementation and the right balance of technology, people, and processes.
- Digital transformation needs to correspond to the readiness of your industry, and any initiative should be tied to value.
- Digital transformation requires balance. Invest in new technology where it's necessary, but you should also continue to optimize the old systems and processes that work well.

We often talk about the future of digital transformation. Cashierless convenience stores with augmented reality features or driver-less fuel trucks moving around autonomously.

But digital transformation is happening right now in your region. It's time to act.

Today, the average person interacts with mobile apps, big data, and cloud infrastructure on a regular basis. And let's not forget about artificial intelligence. From our email spam filters to Google Maps, it's a part of our daily lives.



80%
of enterprise workloads are expected to be in the cloud by 2025



The cloud infrastructure connects everything, like IoT devices, and produces vast amounts of data. This data can be leveraged to create smarter applications that use artificial intelligence and machine learning.

The industry impact is visible. Customers and employees are demanding a digital-first experience, and retailers must deliver. Investing in customer-facing technology and back-end business applications can help you achieve your goals.

IoT (Internet of Things) is a network of objects connected to the internet, such as computers and smartphones, that are able to collect and exchange data.

Let's talk benefits

So, you're ready for digital transformation, but where do you start, and what are the benefits? Of course, the answer will vary depending on whether your convenience retail operation sells fuel in the forecourt. Every digital transformation journey is unique, so all of these may not apply to you. But we've identified a few fundamental areas you should evaluate to get started.

POS vs ERP: The great debate

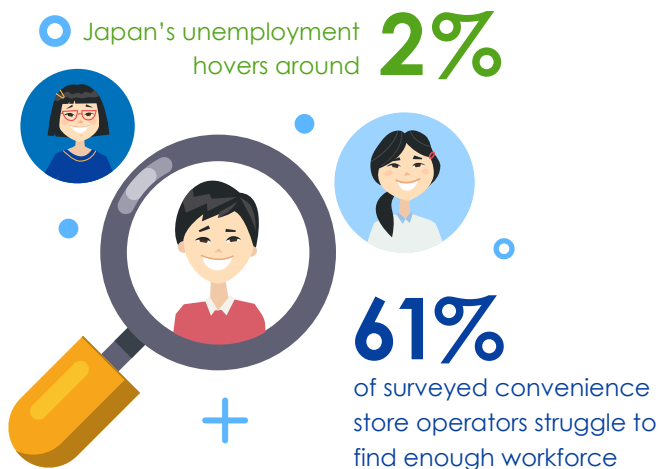
The most common mistake retailers make is assuming that digital transformation must begin with the point-of-sale (POS) system. It's simply not true.

The POS collects the data, but a good enterprise resource planning (ERP) system converts it into actionable insights that help drive the results you want. Let's look at a few examples.

ERP (Enterprise Resource Planning) software is used by companies to manage important parts of their business. It is also referred to as back-office software in the convenience and fuel retail market.

The case for ERP software

According to the Japan Times, labor shortage is one of two key challenges for convenience stores in Japan.



But there's hope.

Workforce management software, which is typically part of an ERP solution, can benefit operators in countries with high (e.g. Philippines) and low (e.g. Thailand) unemployment rates. It can help control labor costs by reducing overtime and optimizing staffing. It also improves your employees' work-life balance, which often increases productivity and lowers turnover. Last but not least, optimizing your staffing levels based on transaction data increases customer satisfaction by reducing long lines and making your convenience store what it should really be: convenient.

The second key challenge reported is the high cost of discarding spoiled food items. Consumers in Asia and all over the world are increasingly demanding healthier and fresher options. This makes inventory management more complex than ever before.

Fast-moving consumer goods, including fresh food, account for a big part of a convenience retailer's inventory, and using outdated methods of managing it can quickly prove costly and ineffective. A sophisticated inventory management tool, which is typically found in an ERP solution, will help you reduce out-of-stocks. Using forecasting tools, it can predict inventory adjustments and automate suggested orders based on long-term historical trends, seasonal demand, holidays, events and promotions. Your customers stay happy, while you save money by controlling over-stocks, spoilage, and waste.

You see, ERP software goes far beyond accounting capabilities, and we're just scratching the surface of what it can do for convenience and fuel retailers. In addition to providing time-saving automation that reduces paperwork and manual entry, it connects, collates and centralizes data from every part of your business. This provides the real-time insights you need to make the best decisions from the head office to the back office.

Maximizing traffic, engagement and revenue with loyalty

Loyalty is probably one of the hottest topics in the industry right now. And for a good reason. Compared to non-members, loyalty members are more likely to make an in-store purchase each time they fuel their vehicle. They also tend to spend more per store visit. Retailers are no longer asking if they should do loyalty; they're asking how to do it well.

A good loyalty program profitably changes your consumers' behavior. Profitability is something retailers shouldn't forget when making decisions about their loyalty and marketing strategy. Because if it's not profitable, it's not right.

But retailers should think about the entire marketing strategy, not just the loyalty program itself. Connecting loyalty, customer communication, mobile technology, and data insights to build a holistic marketing strategy helps ensure consumers are getting the experience they want with a retailer through every touchpoint.

The right marketing solution helps retailers gain a competitive advantage, attract, and retain more loyal customers, and drive profitable consumer behavior with offers and insights. Here are a few benefits:

- Increase sales with personalized loyalty offers that drive frequency of visits and wallet share.
- Engage customers using best-in-class digital channel tools and expertise.
- Improve profitability with a unified view of promotions and campaign effectiveness.
- Simplify and automate marketing operations.

A comprehensive and unified marketing platform designed specifically for the convenience retail and petroleum wholesale industries is a valuable tool set in the implementation of your customer experience vision.

Adding loyalty is a big undertaking, and it can take a lot of time to get it right. When it makes sense, don't be afraid to get some help from experts with experience implementing and managing thousands of successful loyalty programs.



Power your fuel pricing strategy with AI and machine learning

Convenience retailers have long had a love-hate relationship with fuel. But nothing drives traffic to the forecourt better than this low-margin product. In a competitive market, fuel retailers need to fully understand market conditions to make better pricing decisions. Implementing a fuel pricing solution can help operators do the following:

- Create effective pricing strategies to maximize competitive and strategic potential.
- Quickly adapt to market changes and site needs.
- Collect and analyze data to rank sites in a micro market.
- Assess site elasticity to develop site strategies.
- Use all available communication channels, including POS systems, pole signs, consumer websites and mobile applications.

The right fuel pricing solution automates previously manual and unreliable processes. Tools designed using innovative technology like AI and machine learning can optimize profitability and reduce the complexity of pricing with integrated data and detailed analytics.

In addition to competitive prices at the pump, many convenience retailers are attracting and retaining customers by effectively combining their fuel pricing and loyalty programs. This combination is even more powerful when the loyalty program offers fuel savings as a reward. In fact, some programs even allow consumers to earn these fuel savings with other participating brands and redeem them at the fuel retailer's pump. Pairing these strategies provides the flexibility to incentivize loyal consumers with various offerings ranging from discounted fuel prices to a free fountain drink after a certain number of fill-ups.

The composition of the offerings and communication channels used to drive the program should be designed with your volume and margin goals in mind.

Better BI means better decisions

For convenience and fuel retailers, acquiring actionable data and insights, is key to their success.

The amount of data collected across your business can quickly become overwhelming. Use AI and machine learning algorithms to help harness vast amounts of data along every touchpoint in the customer experience. Then, convert it into actionable insights.

Fine-tune customer engagement preferences or promotion effectiveness from loyalty programs. Drive forecourt traffic with competitive fuel prices based on multiple data sources. Spot POS-based purchasing trends to predict future shopper behavior based on market basket analysis.

It's all connected. Using that data in a meaningful way is fundamental to helping you thrive in a digital economy.

BI (Business Intelligence) combines business analytics, data mining, data visualization, data tools, infrastructure, and best practices to help organizations make more data-driven decisions.



Choosing the right partner

In life, you can't achieve success in a silo. The same is true for your digital transformation journey. You will need the right partners at your side to collaborate with you and help achieve your goals. When it comes to choosing the right partner, there are certain criteria that can prove helpful.

Unified technology solutions

Convenience retailers often use several poorly integrated systems to manage different aspects of their operations. A unified solutions portfolio can increase transparency and leverage different sources of data to provide one version of the truth for your entire business.

This is a significant success factor that retailers shouldn't overlook. For example, integrating pricebook, loyalty, and fuel pricing data into a single view can deliver more holistic insights to make better decisions that change customer behavior. It's this frictionless experience that will help you thrive in a digital economy and produce tangible results.

Simplified integration with third parties

Having a wide partner ecosystem should be a requirement for any software provider you choose. Their ability to seamlessly integrate with other third-party systems, including POS providers, enables you to choose the best solutions to achieve your goals.

Specialization and industry expertise

The software you choose should be specialized for convenience retail. Convenience and fuel retailers, like you, have unique needs. Your partner should have a proven track record of delivering measurable value for businesses like yours.

Global reach, local presence

If your software provider has experience implementing solutions all over the globe, this will enable you to leverage their valuable insights and best practices. In addition, a software provider with employees in your region is able to support you better in times of need.

Cloud enablement

Cloud-enabled solutions allow 24/7 access from anywhere without the need to maintain a burdensome IT infrastructure at your premises. On top of that, a partner that can provide a managed hosting solution helps you lower your risks and maximize your software investment.

Conclusion

The industry is changing and consolidating at a rapid rate, and companies must change the way they do business to remain competitive. Choose a partner to help you through each step of your digital transformation journey. Doing so will help your company optimize performance and deliver exceptional customer experiences.



About PDI

PDI helps convenience retailers and petroleum wholesalers thrive through digital transformation and enterprise software that enables them to grow topline revenue, optimize operations and unify their business across the entire value chain. Over 1,500 customers in more than 200,000 locations worldwide count on our leading ERP, logistics, fuel pricing and marketing cloud solutions to provide insights that increase volume, margin and customer loyalty. PDI owns and operates the Fuel Rewards® loyalty program that is consistently ranked as a top-performing fuel savings program year after year. For more than 35 years, our comprehensive suite of solutions and unmatched expertise have helped customers of any size reimagine their enterprise and deliver exceptional customer experiences.

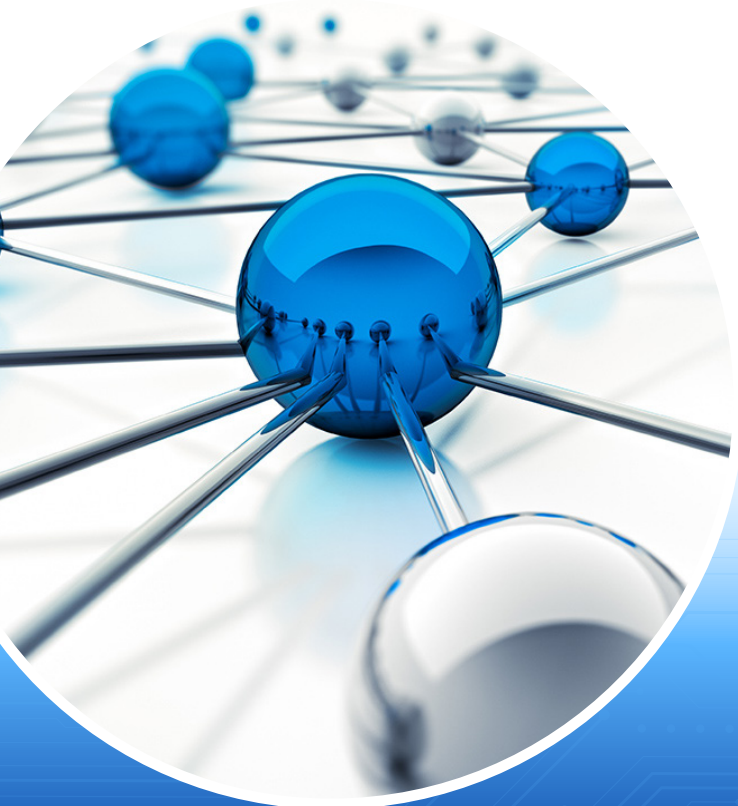
For more information about PDI, visit

www.pdisoftware.com

Interested in discussing PDI's partnership with fuel and convenience retailers in APAC?

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