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# **Turning the COVID-19 Pandemic into an Opportunity for Digital Disruption in the E-Commerce Industry: A Case Study of Digital Commerce Intelligence Pte Ltd**

by Yuanto Kusnadi & Gary Pan

**This Case Study was presented at the Applied Learning Conference 2022**

## **Introduction**

The COVID-19 pandemic has brought about both challenges and opportunities for businesses. With countries having to implement lockdowns of various degrees in the past two years (2020 and 2021), many companies had to pivot their business models from offline (owing to the closures of physical stores) to online, within a short period of time. As a result, electronic commerce (e-commerce) transactions globally increased by many-folds. With the pandemic situation stabilising and several countries starting to live endemically with COVID-19, the shift towards having an online business presence is expected to persist.

The rapid growth of e-commerce business has triggered companies in the Fast Moving Consumer Goods (FMCG) industry to expand into online marketplaces. With increased competition in the e-commerce market, it is imperative for these companies to tap data analytics to analyse their industries and gather competitive insights, so that they could better understand their consumers.

A growing realisation of the value of data analytics among e-commerce players has prompted the growth of the retail analytics market, which is expected to have a compound annual growth rate (CAGR) of 19.1 percent from 2020 to 2027, and reach US\$23.8 billion by 2027.<sup>1</sup> The phenomenal growth is fuelled by the emergence of start-ups offering retail analytics services in recent years. These analytics services involve developing customised dashboards that built on machine learning algorithms which allow FMCG retailers to obtain useful insights to the performance of their brands in various e-commerce marketplaces. As a result, the brand managers from FMCG retailers are able to use these business insights to make strategic decisions, in order to drive more sales and higher profits from these online marketplaces.

## **DCI Pte Ltd**

Incorporated on October 2018, Digital Commerce Intelligence (DCI) is a start-up headquartered in Singapore. It is committed to develop South-East Asia (SEA)'s most sophisticated digital e-commerce intelligence platform that enables consumer goods brands to monitor and drive their sales performance in various e-commerce marketplaces.

DCI's CEO, Mr. Kyriakos Zannikos, has over 12 years of experience driving digital commerce performance for some of the world's biggest consumer brands globally. Meanwhile, its chairman, Mr. Daryl Arnold, has over 20 years of experience developing data, marketing, technology and sustainable businesses with significant success. Its data science

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<sup>1</sup> <https://www.globenewswire.com/news-release/2021/09/14/2296701/0/en/Retail-Analytics-Market-Worth-23-8-Billion-by-2028-Market-Size-Share-Forecasts-Trends-Analysis-Report-with-COVID-19-Impact-by-Meticulous-Research.html>.

and technology team comprises senior engineers and data scientists with more than 5 years of work experience at e-commerce platforms such as Lazada. It also hires a senior engagement manager with considerable work experience at Nielsen.

## **Market Analysis**

DCI believes that it is at the right place and at the right time, with the exponential growth of e-commerce business in the SEA region (Lim, 2021).<sup>2</sup> The year-on-year growth of digital retail was 85 percent and it is expected that 80 percent of consumers in this region will ‘go digital’ by the end of 2021. Part of this rapid growth is due to the COVID-19 pandemic, which has pushed businesses to switch to online mode aggressively.

According to the Vice President of Facebook South-East Asia, Mr. Benjamin Joe, *“It is clear that people here are forming new habits related to online discovery, consideration, and purchase. For both new and established brands, these shifts signal the need to rethink traditional e-commerce experiences and find creative ways to inspire and connect with consumers online.”*

A recent research conducted by Kantar Consulting also reveals that 66 percent of shoppers would select a retailer based on convenience and only 47 percent would select a retailer because of price/value (Szahun and Dalton, 2021). More importantly, it is reported that 56 percent of e-commerce professionals are allocating funds to data and analytics services, hence, making it the most sought after item in e-commerce professionals’ annual budget.<sup>3</sup>

At the same time, the global market research industry is booming, with emerging segment such as AI-driven research, playing more important roles in today’s business environment. Multinational consumer goods companies such as Nestle, Unilever, and Johnson and Johnson, are driving huge proportion of global spend. To them, market share is the single most important metric.

While most brands are experiencing healthy growth in their digital commerce performance, they have limited views on competitors’ performance. Moreover, digital commerce players are not willing to share their data broadly, as they cannot claim to represent the entire market. By utilising various big data sources and a proprietary data analytics algorithm, DCI has developed an AI-driven insights platform that helps brands grasp the pulse of their e-commerce category’s market trends and dynamics.

## **Value Proposition, Product Offerings and Pricing**

DCI’s current value proposition is to provide accessible, timely and accurate data prepared by its proprietary AI technology for brands operating in the SEA market. In addition, DCI consolidates competitor information to allow clients to perform benchmarking and understand the dynamics of their respective e-commerce categories.

Its primary customer base comprises large FMCG brands operating in the SEA region. Using AI-driven insights, DCI aims to build SEA’s most advanced retail analytics platform to help

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<sup>2</sup> <https://www.thedrum.com/news/2021/08/31/e-commerce-south-east-asia-grows-exponential-rate>

<sup>3</sup> <https://www.kantar.com/inspiration/retail/the-state-of-ecommerce-2021-cn>

brands drive their e-commerce performance by providing them with real-time, granular data to guide their business decisions. Its two product offerings are Product A and B (see **Appendix 1**).

Product A is a market-level analytics service that helps brands to keep track of their online market size and market shares estimates, sales trends analytics (top sellers, official vs other stores), portfolio analytics (best-selling SKUs, best performing range), and provides competitors' analysis on pricing and promotional strategies (brand/product price fluctuations and discounts given), as well as customer reviews and ratings.

Meanwhile, Product B is a brand-level analytics service that monitors brand performance insights at a granular level and allows brand managers to monitor vital KPIs, stock level, and pricing consistency on a real-time basis.

The key resources of DCI include software engineers whose job responsibilities cover mining data and developing dashboards for their customers. Other key resources also include AI proprietary technology and other Intellectual Properties (IP). In this respect, DCI incurs high fixed costs relative to its variable costs. Rather than focusing on cost-cutting, it aims to maximise the value of its service offerings to cater to a niche market.

At the moment, DCI is providing these two products on an annual subscription basis, at a price level that depends on the customisation needs of their customers. Product A is offered at price range starting from S\$15,000 per category per market, while the price range for Product B starts from S\$4,000 per category per market.

The marketing strategy that DCI adopts is that of a “land-and-expand” strategy. This strategy is regarded as one of the most effective strategies in forging a strong and sustainable relationship by first negotiating a small deal with a client, followed by bigger deals in the future as the relationship blossoms. Over time, the clients may be able to better appreciate the value DCI provides in their businesses' operations and strategic planning, and as a result, they are likely to increase their spending on DCI's offerings, thereby increasing DCI's revenue.

In addition, DCI's current pricing strategy is that of a margin expander (see **Appendix 2** for different types of pricing strategy). At the moment, its competitors offer similar products, though not prevalent in the SEA market. As such, DCI's pricing is dependent on the competitive dynamics in the market and prices are differentiated slightly between clients, based on aspects such as costs incurred to provide for a new segment of the market to cater to the different needs of the clients.

### **Competition, Threats and Opportunities**

The level of competition within the market intelligence industry is very intense as it is densely concentrated with companies of varying sizes, providing similar products and services which may result in a high threat of substitutes.

The more prominent functions of DCI's product offerings are shown on the left side of **Appendix 3**, such as market sizing, stock availability and rating, and review tracker. As observed, these functions are mostly found in the product offerings of most competitors. The right side of **Appendix 3** provides some features which DCI's competitors such as

Dataweave, Kuona and Unioncreate, are offering, but are not currently available in Product A. These features include search engine optimisation (SEO) and forecasting capabilities, which may be of business value to DCI's clients. These functions allow clients to predict future traffic level so that they could allocate resources and make suitable adjustments accordingly.

DCI's main threat lies in losing its competitiveness in the e-commerce intelligence industry amidst the costly needs to constantly improve its service offerings through research & development. Failing which, DCI may offer limited product differentiation from its competitors.

At the same time, there is an increasing demand for relevant and easy-to-use market intelligence solutions. These solutions are popular with users that do not have relevant technical knowledge and whose needs are not satisfactorily fulfilled with solutions that are currently available in the market. Based on customers' roles and needs, DCI is able to present relevant and customisable insights, which allow industry players to tap this opportunity to increase customer satisfaction.

The robust growth of the e-commerce markets in the SEA region suggests a large base of consumers that DCI may potentially capture and rely upon. By using proprietary data analytics algorithms, DCI's highly-accurate AI-driven insights have the potential to satisfy this growing demand.

### **What's next for DCI?**

3 years after incorporation, DCI has managed to sell Product A to a few major FMCG clients such as L'Oréal and Reckitt Benckiser. To secure more funding for its growth, DCI's priority centres on enhancing its cash flow and scalability. By improving the stability of its technology, DCI is able to expand quickly and increase its market share.

At the same time, DCI plans to solidify its current product offering, build its future competitive advantages and drive new businesses. This may be achieved by having a more refined set of value propositions that are aligned with existing and potential clients' needs and demands, hence, enhancing the value of its products.

While DCI's current dashboards are very informative, they are not very user centric as the dashboards encompass many data that serve several diverse types of clients. When a dashboard appears to a variety of audience, it weakens the signal-to-noise ratio for everyone (Dykes, 2019). This is especially true for DCI's customers, whom are big companies with many departments and a separate team for different products. Users may also be unsure about the types of business insights they could gain from it, hence, leading to the failure to bring across DCI's product value which is to offer readily available actionable insights.

As DCI is considering to shape its future strategic direction, its CEO ponders on what other important value propositions can DCI offer to its clients? In particular, what target market in terms of clientele base should DCI focus on? Should it stick to the large FMCGs that are their main existing clients at the moment or should they target other potential clients in the SEA region?

Moreover, is there a need to modularise their product offerings to cater to the different clients? In particular, what are the needs of the smaller clients that may not have been addressed by the current product offerings? In relation to this, should its pricing strategies be adapted to the needs of the clients? How should it differentiate its pricing models for its new product offerings and turn challenges into opportunities amidst a pandemic to expand significantly in the SEA region?

**Case Discussion Questions:**

1. Use the Business Model Canvas framework (see **Appendix 4**) to analyse DCI's existing business model.
2. Analyse the potential new customer segments that can be targeted by DCI. How can it refine its value proposition to target these new potential clientele?
3. How can DCI refine its product offerings and pricing strategies as it targets new potential clientele?

## References

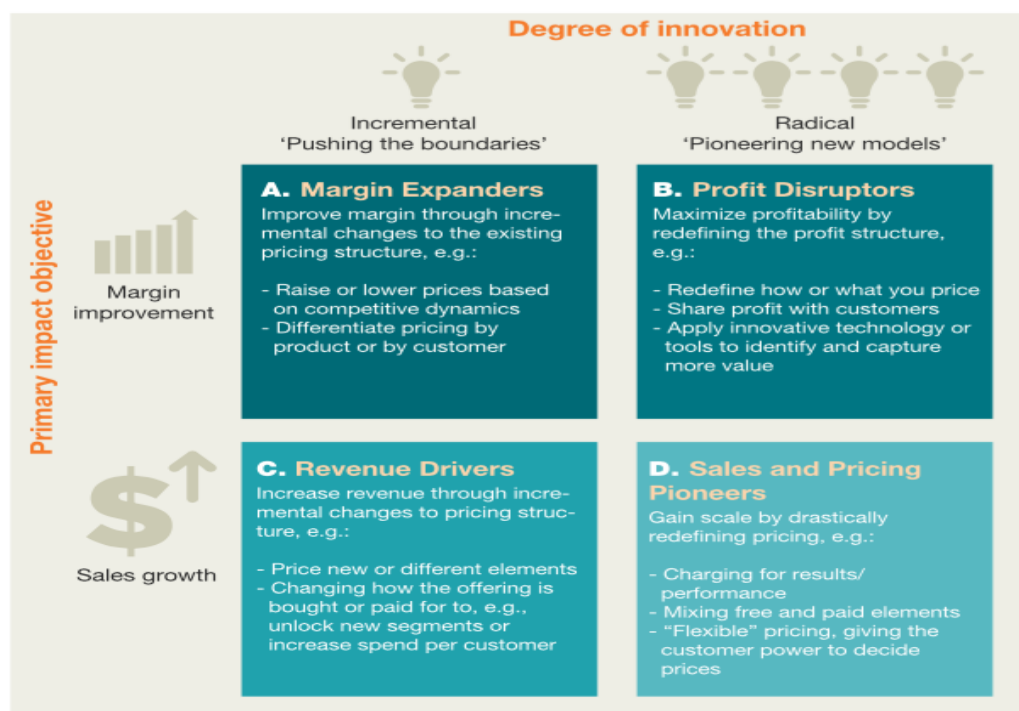
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## Appendix 1: Product Offerings of DCI Pte Ltd

Product A	Product B
<ul style="list-style-type: none"> <li>• Category size and market share analytics</li> <li>• Sales trends analytics</li> <li>• Brand portfolio analytics</li> <li>• Pricing or promotion analytics</li> <li>• Customer satisfaction and reviews</li> </ul>	<ul style="list-style-type: none"> <li>• Real-time monitoring on vital KPIs</li> <li>• Pricing consistency</li> <li>• Listen and react timely to customer's feedback</li> <li>• Key competitor benchmarking option</li> </ul>

## Appendix 2: Types of Pricing Strategy<sup>4</sup>











<sup>4</sup> <https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/understanding-your-options-proven-pricing-strategies-and-how-they-work>



## Appendix 3: Competitor Analysis

Competitors	Market Sizing	Pricing Analysis	Stock Availability	Promotion	Rating and Review	Alerts	Best Sellers	SEO	Consulting	Forecasting	Reports	Systems Integration	Recommendations
DCI	✓	✓	✓	✓	✓	✓	✓						
Dataweave	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			
BrandIQ	✓	✓		✓	✓	✓	✓	✓	✓				
Profitero	✓	✓	✓	✓	✓	✓		✓	✓				
DataHawk	✓	✓			✓	✓	✓	✓			✓	✓	
Paxcom		✓	✓	✓	✓	✓		✓	✓		✓		
AccuHit	✓							✓					
Kuona	✓	✓	✓	✓	✓	✓				✓	✓		✓
Unioncrate			✓							✓		✓	✓

## Appendix 4: Business Model Canvas Framework

<b>Key Partners</b> 	<b>Key Activities</b> 	<b>Value Propositions</b> 	<b>Customer Relationships</b> 	<b>Customer Segments</b> 
	<b>Key Resources</b> 		<b>Channels</b> 	
<b>Cost Structure</b> 		<b>Revenue Streams</b> 