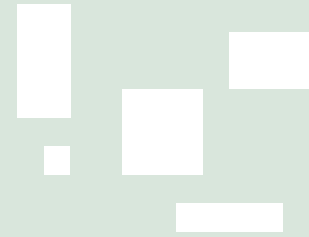


Bird's-eye view

Managing risks in digital transformation for sustainable development



Furusawa Yasuyuki,
General Director of
AEON Vietnam



Philippe Robineau,
General Director of
Willis Towers Watson
Vietnam

The COVID-19 pandemic has seriously affected all aspects of Vietnam economy in many ways. Amid a prolonged economic slowdown, COVID-19 has led to a surge in e-commerce and accelerated digital transformation in the retail sector. It has also transformed the risk landscape for the sector. To remain successful in a volatile environment, retail organisations must have their boards' support in managing risk and building resilience.

The COVID-19 pandemic, for all its negative impacts on health, society, and economy, is expediting the growth of Vietnamese e-commerce and digital finance, paving the way for the country to fulfil its digital potential. Traffic on e-commerce platforms in 2020 was 150 per cent higher than the previous year, with approximately 3.5 million visitors per day on various platforms.

Amid this looming crisis, more and more Vietnamese turned to e-commerce platforms and digital financial services. Many Vietnamese businesses and services have also taken measures such as speeding up digital transformation projects and offering new services to meet this new demand. Many retail chains, hypermarkets, supermarkets, and urban retailers teamed up with digital wallets and online shopping platforms for marketing campaigns to promote online shopping and delivery services. We also witness the

emerging of pure digital players in the area of consumer goods.

Over the last few decades Vietnam has experienced rapid industrialisation, modernisation, and international integration. In 2020, Vietnam has announced the National Digital Transformation Roadmap 2025 and Vision towards 2030, which focuses on three pillars: e-government, e-economy, and e-society. Vietnamese government has been pursuing a national Industry 4.0 strategy that is expected to grow online businesses by up to 43% within the next five years.

Increasing need for cybersecurity and digital protection

Digital transformation holds tremendous potential for Vietnam's businesses, but at the same time, putting the country and organisations to test, especially on

cybersecurity risk. Securing businesses gradually becomes a major issue for organisations irrespective of their size. The COVID-19 pandemic has added more challenges to the business with the unexpected move to work remotely.

Types of cyber risks and its effect

Nowadays, it's not exaggerating to say every business faces cyber risks since clients, partners, service providers, and employees are all connected via the Internet. Risk can come from (internal) human errors or (external) outside hackers. Types of cyber risks are including ransomware, hacking, phishing, malicious codes or denial-of-Service (DoS) attack.

Cyberattacks might result in numerous different outcomes, depending on the hackers' purpose. Among that, the loss of confidential data and intellectual property, as well as business interruption, are the most frequent consequences.

Key considerations that increase the likelihood or severity of a cyber-event:

- Big Data: Increasing volumes of confidential customer information.
- Expanding network perimeter: Supply chain risk and the myriad of interconnected service providers.
- New threat vectors: Ransomware and social engineering.
- Increased regulatory burden: Global privacy regulation continues to tighten with substantially increased financial consequences in the event of a privacy breach.
- Internet of Things: increasing number of connected devices that capture and share data with one another.

Current state of cybersecurity in Vietnam is below the world average. In the 2017 Global Cybersecurity Index, Vietnam ranked 101 out of 193 nations. In 2016 the proportion of computers affected by dangerous viruses in Vietnam was 63.2%, three times the global average. Severe cyber-attacks could happen – coming from anywhere, anytime and their sensitivity and scope is not only region-wide but global. The scale, level and frequency of impacts can be unpredictable and uncontrolled, making every stakeholder or player more vulnerable.

Willis Towers Watson is committed to supporting clients and industry through this unprecedented period and helping them navigate through some of these complexities and understand ultimately what this may mean for them. To discuss some of these challenges facing the retail sector, Miki Kenichiro – Regional Director, Head of Japan Global Practice Group - Asia Pacific and Philippe Robineau – General Director, Willis Towers Watson Vietnam engaged in conversation with Mr. Furusawa Yasuyuki, General Director of AEON Vietnam.

What are the top challenges facing the retail sector in Vietnam in the immediate future as we emerge from the COVID-19 crisis?

Supply chain is the biggest challenge we are facing in and after the lockdown period, we have seen lots of difficulties with logistics to bring in products because of challenges in the transportation and particularly the lack of delivery drivers. During this COVID-19 period, on one hand, the e-commerce business has been increasing significantly; on the other hand, it has been increasingly difficult to manage logistics through the whole supply chain.

AEON is one of the largest players in the retail market and we have been able to manage this challenge throughout the crisis, but small and medium retailers are facing critical issues while e-commerce is taking an increasing market share. This rapid change has to be accompanied by fast administration and legal adjustments.

How has the COVID-19 crisis impacted the risk landscape for Vietnam's retail sector and how is that likely to influence the insurance and risk management practice? What support does the sector need in this regard?

Consumers' behaviour has been changing as they prefer to stay at home, purchase online and hesitate to move to multiple places for shopping in this period. People are more health conscious. As a retail shopping mall, we need to attract consumers in giving additional benefits or motivate them to come to our malls.

Retailers are facing increased operational costs from the supply chain disruption and the new requirements to maintain a safe environment, while we and our tenants are facing a sharp revenue decline.

What are the opportunities and challenges for the retail sector in the context of Vietnam's fast-growing consumer market?

The biggest opportunity is the e-commerce significant development, and the increasing of online literacy in Vietnam. Our challenge is now to adjust the supply to the demand and develop our capabilities to deliver most of the orders instantly within 1-2 hours. Retailers must adapt and change quickly to meet the ever-changing consumer behaviour and expectation. AEON is also considering giving additional benefits to customers as a try and error basis.

What is your view of the current digital transformation of retail's companies in Vietnam? Any best practices that you can point out from that.

We can see that there are some trials in digitalization in the retail sector, like delicatessen and ticket-vending machines. AEON is also thinking of digitalisation of its relationship with suppliers in the future, for example digitalization of distribution process, slips/receipts, information, and timely shipping.

Business improvement can bring more efficiency and ultimately better margin, typically improving suppliers' quality with digital transformation will increase customer satisfaction.

What challenges will digitalization of the sector put to players and consumers?

We believe that it is about new experience, and from both sides the retailer and the consumer. Clearly staff reduction is not the purpose of the digitalization as it will create distortions within our organisation more than benefit us. At AEON, any digital transformation decision is being considered carefully by the leaders and shall absolutely outweigh any negative impact produced by the change. This is one of the necessary skills expected from leaders nowadays.

Do you think digital crime can be one of these challenges? How retail sector can address issues around cybersecurity?

We do not have enough data or reference to evaluate the current level of cyber risk or security exposure, for example staffs are using daily sms and we do understand that this may be a threat. To make advancement in the growing e-commerce trend,

digitalization is undeniable. And whenever you adapt to new digital platform, there is always an underline cyber risk threat.

The fundamental challenge for retailers in Vietnam today is about the awareness of cyber risks and the way to manage them. Knowing the risk is critical. The ability to measure the risk is equally important. It is key to better understand the risks and consequences on the business when applying digital solutions in our working procedure. We may be exposed to cybercrime to a certain level. Yet we must ensure that the benefits of using that digital program outweigh the potential risks.



With our experience in cyber risk evaluation, we see that certain forms of cybercrime are particularly impactful to retail business, particularly when it starts engaging in e-commerce. One of the risks areas is the point-of-sale attacks where cyber criminals target the card payment system, both online and offline.

Data breach can lead to the loss or the leak of thousands or even millions of customer's information. Attacks to online stores or directly to the systems that cause damage to third parties or even business interruption and impact negatively retail business. From a risk management standpoint, corporations should look for expertise and consultancy on cyber risk identification and management, maybe through a consulting firm or an insurance expert in cyber risks before purchasing an insurance cover that can transfer this type of risk effectively.”, Philippe Robineau.

What are your top 3 recommendations for Vietnam's retail sector to realize its full potential? What support will the retail sector need from policy makers, insurers, intermediaries, and others?

At this moment, most of retail specialists are considering the cyber risk exposure, and at the same time trying to better understand the consequences for the business and the consumer before we make the decision.



Obviously, when a retailer grows, transforms, and turns digital, it exposes to cyber risk. Currently, cyber insurance is still new and has a low penetration rate in Vietnam. When thinking about cyber risk, people believe it is limited to banks or high-tech organisations. WTW believes that insurance brokers are playing a critical role to establish cyber insurance solutions for the retail sector.”, Philippe Robineau.

What can we learn from the experience of more advanced countries and how can that be implemented in Vietnam?

We are still exploring solutions, and always try to protect our employees and our clients in times of challenge

* First published by Saigontimes dated December 23, 2021.

For more information

Contact your Willis Towers Watson's consultant, or

Philippe Robineau

Philippe.Robineau@willistowerswatson.com

About Willis Towers Watson

Willis Towers Watson (NASDAQ: WLTW) is a leading global advisory, broking and solutions company that helps clients around the world turn risk into a path for growth. With roots dating to 1828, Willis Towers Watson has 45,000 employees serving more than 140 countries and markets. We design and deliver solutions that manage risk, optimise benefits, cultivate talent, and expand the power of capital to protect and strengthen institutions and individuals. Our unique perspective allows us to see the critical intersections between talent, assets and ideas — the dynamic formula that drives business performance. Together, we unlock potential. Learn more at willistowerswatson.com.