

Strategic differentiation and consumer loyalty in emerging retail markets: A case of supermarkets in southeast Asia

Phyu Phyu Kyaing *

Ph.D Candidate, Doctor of Philosophy (Ph.D.) in Management, Lincoln University College, Malaysia.

World Journal of Advanced Research and Reviews, 2025, 27(01), 2200-2207

Publication history: Received on 17 June 2025; revised on 22 July 2025; accepted on 25 July 2025

Article DOI: <https://doi.org/10.30574/wjarr.2025.27.1.2776>

Abstract

In Southeast Asia supermarkets have experienced a significant growth due to technological development. It increases reaches of brands towards a huge customer base and helps to build a strong relationship with customers. Ability of organisations to provide tailor-made products and services to customers helps to create new opportunities for organisations. Purpose of this study is to provide information about the relationship among strategy differentiation and consumer loyalty in retail markets of Southeast Asia. The Southeast Asia region moves toward more integrated and sophisticated consumer ecosystems. Supermarkets that embed agility and innovation in customer loyalty strategies will define the future of emerging retail success.

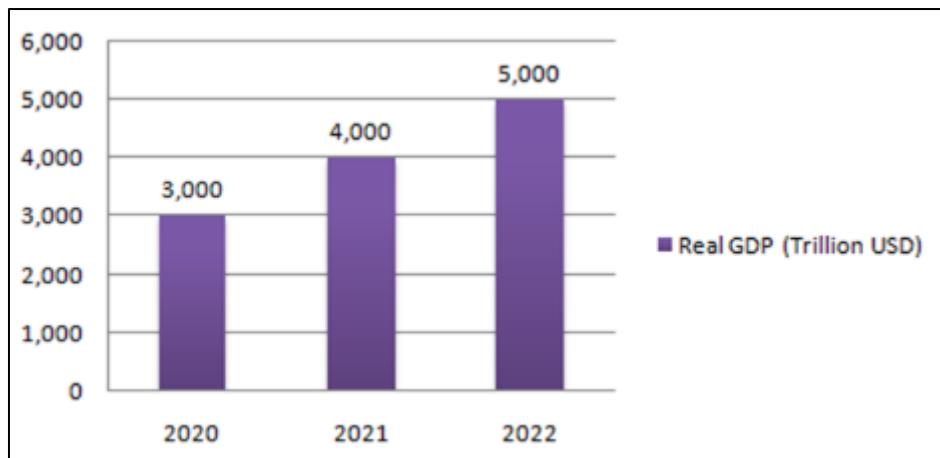
Keywords: Strategic Differentiation; Retail Markets; Supermarkets; Southeast Asia; Consumer Loyalty and E-Commerce; Omnichannel Marketing

1. Introduction

Southeast Asia has emerged as one of the most promising consumer markets in the 21st century. Increasing urban middle classes and digital adaptation enhance the consumer market of this region. This ecosystem provides opportunities to the supermarket industry to achieve significant growth. Customer-centric retail formats help to balance the affordability of products and value of traditional wet markets along with small convenience stores. As an example, in 2022, 9.3 percent of the population of Indonesia lived below the poverty line, which suggests a reduction of more than half since 1990. In just six years Indonesia raised its per capita GDP from \$1,000 to \$2,000, which is a milestone for establishing a substantial consumer base (Yuwei, 2024). Such information shows scope for development of supermarkets in Southeast Asia.

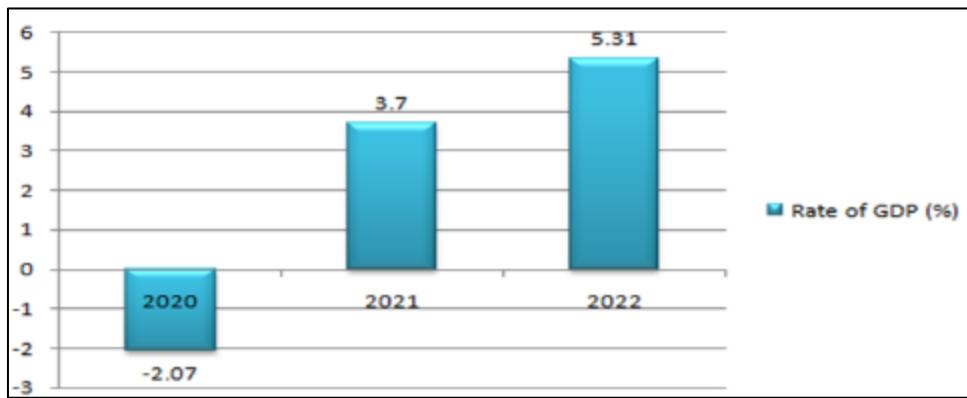
Southeast Asia is a heterogeneous market with different socioeconomic structures, cultural norms, and retail maturity levels. South East Asia is an important region with a burgeoning E-Retail sector that enhances consumer awareness regarding sustainability (Ogunmola and Kumar, 2024). Investigating this region is necessary to implement strategic differentiation in E-Retail while addressing the unique characteristics of the South East Asian market. It enhances strategies for urban trading for witnessing explosive growth in supermarket industry. As an example, per capita disposable income of Indonesia grew significantly by 9% in 2022. It reached \$3,538, which suggests expansion of domestic consumer base and rising consumer confidence (Katsikeas *et al.* 2020). In Southeast Asia, Western-style supermarket formats have become localized for increasing adoption of innovative strategies.

* Corresponding author: Phyu Phyu Kyaing



(Source: Self-developed based on Yuwei, 2024)

Figure 1 Disposal income and per capita GDP of Indonesia



(Source: Self-developed based on Yuwei, 2024)

Figure 2 Growth rate of GDP of Indonesia from 2020 to 2022

1.1. Research Aim

Aim of this research is to find out importance of strategic differentiation for maintaining customer loyalty in supermarkets of Southeast Asia.

Research Objective

- **RO1:** To observe relation between strategic differentiation and consumer loyalty in emerging retail market of Southeast Asia.
- **RO2:** To analyse effective strategies that supermarkets have followed for increasing consumer loyalty in Southeast Asia.
- **RO3:** To evaluate challenges of supermarkets in developing consumer loyalty in Southeast Asia.

1.2. Research Question

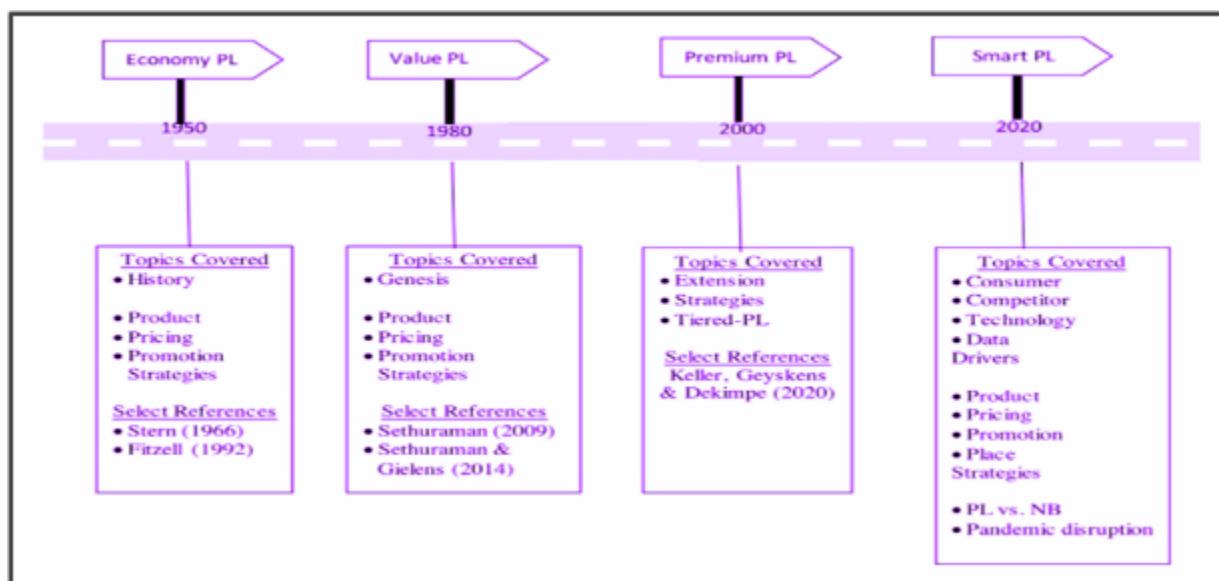
- **RQ1:** What is the relation between strategic differentiation and consumer loyalty in emerging retail market of Southeast Asia?
- **RQ2:** What are effective strategies that supermarkets have followed for increasing consumer loyalty in Southeast Asia?
- **RQ3:** What are key challenges of supermarkets in developing consumer loyalty through strategic differentiation in Southeast Asia?

2. Literature Review

2.1. Strategic differentiation in retail

Differentiation strategies of retail offer unique value that competitors lack. Supermarkets need to involve brandings and exclusive products to ensure customer loyalty. As mentioned by Okonkwo *et al.* (2023), localise and private levels can create a significant differentiation between brands that enhance opportunities for establishing in emerging markets. Differentiation strategy refers to participation in conventional races based on commoditization and pricing. It encourages supermarkets to take innovative approaches and create a connection with customers. In the viewpoint of Jerab and Mabrouk (2023), innovative approaches assist to develop connections with forging investors for emphasizing the cultivation of distinctive qualities. In this competitive market it is necessary for organisations to modify its strategies to create differentiation.

Private labels strategies can be used in retail sector for improving brand image in this complex market. In the perspective of Gielens *et al.* (2021), private labels strategies are offering good quality at an attractive price that attracts consumers. It is necessary for supermarkets to create a separate position in retail business. Strategic differentiation is an effective process for building brands and also it is quite effective for generating more profits. It motivates organisations to provide best performance and become the first choice of customers. According to Susiang *et al.* (2023), In the digitally-driven world organisations are constantly seeking innovative ways for connecting customers with brands to enhance shopping experience. Strategic differentiation assists businesses to enhance shopping experience through modifying operations.



(Source: Inspired by Gielens *et al.* 2021)

Figure 3 Components of private labels strategy

2.2. Importance of customer loyalty and brand positioning

Customer loyalty can be improved through changing action and influencing psychological bonds with customers. As mentioned by Oparebea Boateng *et al.* (2023), there are some regions that are based on community trust for business development. It is necessary for businesses to understand emotional and intellectual engagement of customers with brands to strengthen loyalty. Brand positioning is necessary in this case as it provides visual merchandising that encourages longer visits and deeper emotional connections. In this digital era, maintaining customer loyalty has become most important aspect for businesses. As per Bamansoor *et al.* (2021), it is a fact that Southeast Asian shoppers prefer brands that offer mobile loyalty solutions. Integrating strategies such as customer-centric approach and real-time personalization can enhance perceived brand relevance.

2.3. Impact of loyalty apps for improving customer loyalty

The customer experience with retail channels has changed due to integration of the physical and digital worlds. In this situation retail mobile applications play a significant role in penetrating digital shopping platforms. In the perspective

of Molinillo *et al.* (2022), customers shift their shopping preferences and like to shop through mobile applications. Literature indicates there is an upward trend in preferences of customers that involves environmentally responsible retailer practices. Organisations need to involve fair price and environment friendly delivery processes to maintain customer loyalty. Enforcing different strategies for ensuring customer preferences helps to create an effective brand image among customers. Loyalty apps can be effective for identifying involvement of people towards supermarkets and also clarify preferences of customers.

3. Method

The study employs secondary qualitative data collection methods through thematic analysis, relying on existing reports, case studies and literature to analyse the strategic differentiation and consumer loyalty in emerging retail markets of supermarkets in Southeast Asia. Secondary data are generally originates from published sources, as they are also already gathered for different reasons and used for different research goals (Taherdoost, 2021). For choose and integrate the information of the research, an interpretivism research philosophy process used to gather search-based data. However, the process of data gathering helps in designing the research planning.

The results section analyses data which collected and assessed through the use of secondary data gathering and an analytic process, with an exploratory study design as the main focus. One of the most popular techniques for examining qualitative data is thematic analysis, which provides an organised yet adaptable way to find, examine, and present patterns or themes in a dataset (Ahmed *et al.* 2021). Once there is a huge amount of research data, thematic analysis of qualitative data is helpful as it allows the researcher to focus on qualitative data, which has a high risk of distracting the reader from the objective of the study. The study also adheres to the ethics of qualitative research, ensuring that all sources are properly cited, free from plagiarism, bias and credible.

4. Result

4.1. Thematic Coding

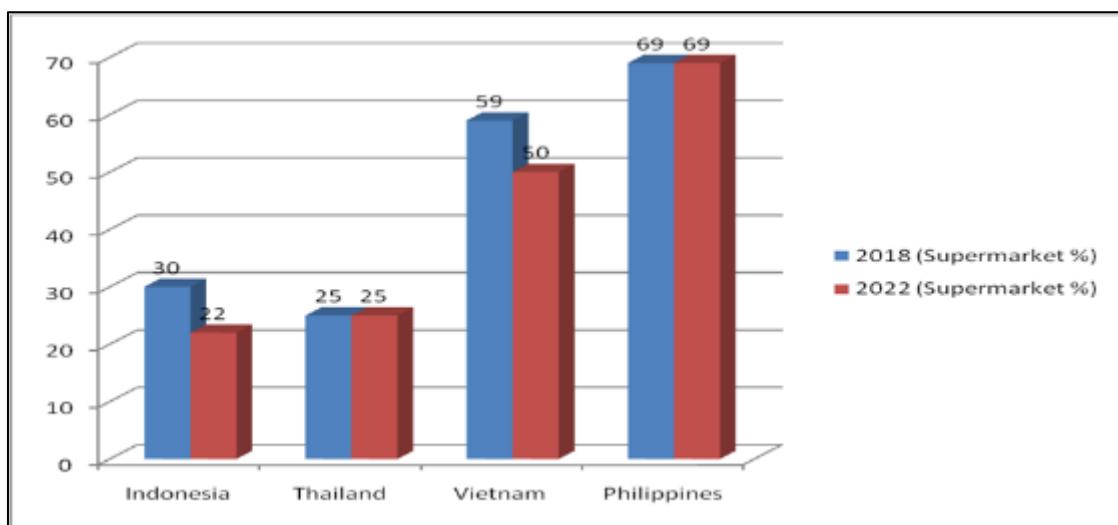
Table 1 Thematic Coding

Sl. No.	Thematic Code	Associated Keywords	Concept of Theme
1.	Strategic differentiation and consumer loyalty of the retail market	Consumer, loyalty, Southeast Asia, retail market, urbanisation	Important factors influencing judgments on sustainable e-commerce include: Consumer decisions are greatly influenced by prominent and easily readable labels that describe a product's source, standards, and environmental impact. Consumer trust is increased by open support for environmental sustainability, which includes supply chain transparency and moral behaviour (Ogunmola and Kumar, 2024).
2.	Strategies followed by the supermarket foreescalate consumer loyalty	Supermarket, consumer, loyalty, technology, services	Supermarkets are thought to have subpar customer service, which has a substantial impact on both customer loyalty and satisfaction. Additionally, customer satisfaction contributes to the relationship between service loyalty and quality, lowering customers' view on service quality and their consequently decreasing customer loyalty (Nguyen and Pham, 2021).
3.	Challenges faced by supermarkets in Southeast Asia in developing customer loyalty	Supermarkets, Southeast Asia, loyalty, customer, challenges, stores, market	Retailing addresses new challenges and complications as an unavoidable tendency of the 4.0 technology revolution. Over the past few decades, there has been a noticeable shift and advancement in the current retail industry. Convenience stores, box (limited-assortment stores), traditional supermarkets, combination stores, hard discount stores, warehouse stores, superettes, food-based superstores and hypermarkets are only a few of the forms that merchants in the mature stage offer (Nguyen <i>et al.</i> 2023).

4.2. Thematic Analysis

4.2.1. Theme 1: Relation between strategic differentiation and consumer loyalty in the emerging retail market of Southeast Asia

In the emerging retail markets context of Southeast Asia, strategic differentiation plays an important role in fostering consumer loyalty. Strategic differentiation indicates unique value propositions, experiences and services of supermarkets offer to the stand out in a highly competitive environment. In Southeast Asia, where retail landscapes are eventually characterised through a diverse consumer base, evolving preference of consumer preferences and rapid urbanisation differentiation through the arrival of e-commerce become crucial for long-term customer retention. For online businesses, striking a balance between sustainability and profitability is a major problem that necessitates methods including intricate trade-offs (Ogunmola and Kumar, 2024). The relationship between the dynamic of strategic differentiation and consumer loyalty in Southeast Asia's supermarket sector is significantly positive. As the Supermarkets are successfully developing distinct consumer experiences and brand values are generally more likely to cultivate sustained loyalty.



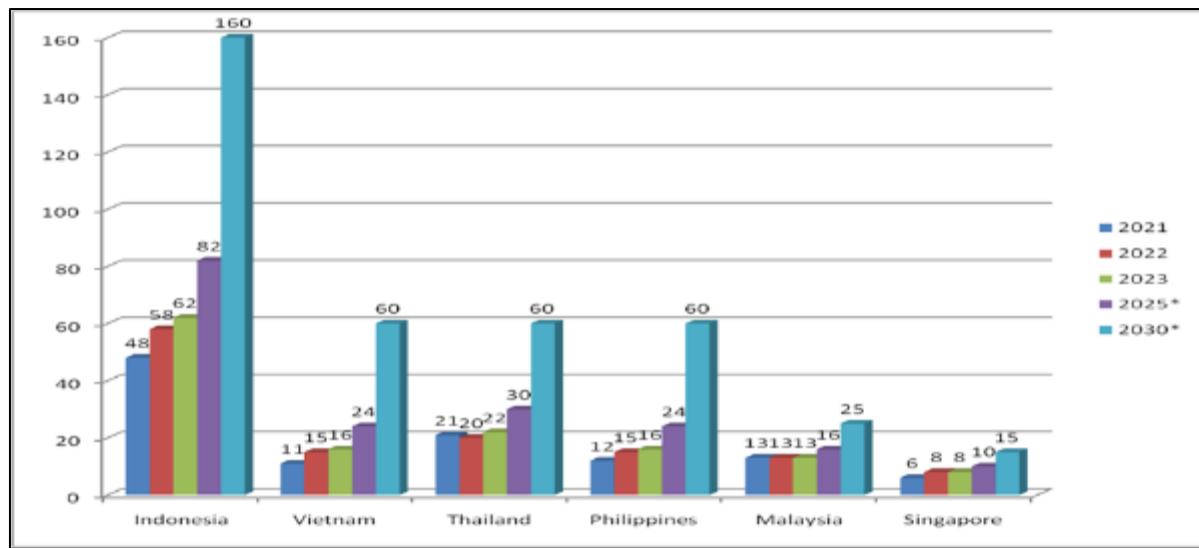
(Source: Self-developed based on the data of Moy *et al.* 2023)

Figure 4 Modern Trade of Grocery Retail Market size of Southeast supermarket

Supermarkets in countries such as Indonesia, Vietnam, Thailand, and the Philippines increasingly adopted tailored strategies, such as localisation of product offerings, integration of digital technologies, and experiential retailing to connect with consumers. For example, supermarkets which stock locally are sourced products and cater to regional tastes for retain and attract more loyal customers through aligning themselves with their cultural values and preferences. The Modern Trade of Grocery Retail Market size of Southeast supermarket of Southeast Asia has not changed much between 2018 to 2022, Figure 4 shows that Indonesia in 2018 stood at 30, while in 2022 its score was 22 (Moy *et al.* 2023). Same for Thailand in 2018 and 2022 was the same, for Vietnam it stood at 59 and 50, and for the Philippines it was the same for 2018 and 2022 respectively. Moreover, technological advancements like seamless omnichannel experiences, loyalty apps and personalised promotions can further allow for deepened customer engagement.

4.2.2. Theme 2: Effectiveness strategies that supermarkets have followed for increasing consumer loyalty in Southeast Asia

Supermarkets in Southeast Asia have implemented a variety of effective strategies to enhance consumer loyalty in response to shifting consumer expectations, rapid technological adoption and increasing market competition. The most successful approaches is the deployment of customer loyalty programs, including reward points during e-commerce shopping or normal shopping, membership discounts, and personalised coupons. These programs allow for incentivising repeat purchases and also offer valuable data on consumer behaviour, allowing for tailored offers and targeted marketing that further strengthen customer relationships. According to Nguyen and Pham, (2021), demonstrates how customer loyalty is impacted by service quality. However, it also states that customer loyalty at retail establishments in Ho Chi Minh City, Vietnam, is impacted by perceived service quality.



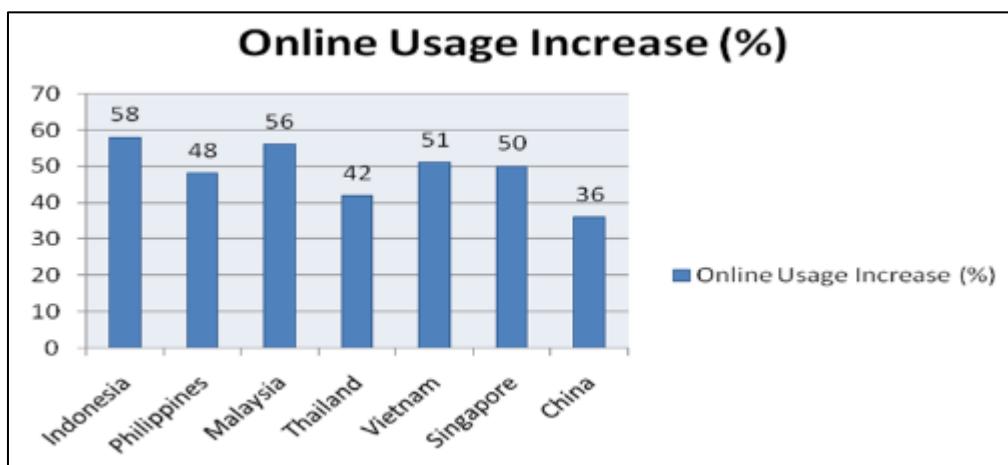
(Source: Source of Asia, 2025)

Figure 5 E-commerce market volume from 2021 to 2023 of Southeast countries in US\$ Billions

Another effective strategy is the integration of digital platforms for enhancing the shopping experience. Many supermarkets invested in e-commerce websites and mobile apps that offer features such as real-time promotions, seamless digital payments and click-and-collect services. In countries like Malaysia, Singapore and others, supermarkets adopted omnichannel strategies, blending online and offline touchpoints to create an accessible and convenient of the customer journey. Cross-border transactions account for over 55% of Singapore's internet sales, underscoring the region's interwoven trading networks. The SEA cross-border market was estimated to be worth \$13.5 billion in 2023 and is expected to expand at a compound annual growth rate (CAGR) of 5.7% between 2024 and 2029 (Source of Asia, 2025). The introduction of cutting-edge payment technologies like blockchain, greater social media influence, and rising mobile internet usage are the main factors driving this expansion. Together, these developments establish SEA as a major force in international e-commerce.

4.2.3. Theme 3: Challenges of supermarkets in developing consumer loyalty in Southeast Asia

Despite of the notable advancements of the strategic approaches, supermarkets of Southeast Asia continue to face some challenges in sustaining and developing consumer loyalty. One major challenge is the intense price sensitivity of the consumers in these emerging markets, where decisions to purchase are driven more through cost than by brand allegiance. The omnichannel retailer is seen as being better at creating a more significant competitive advantage with the superb fusion of online and in-store shopping at the peak of innovation, benefiting customers more (Nguyen *et al.* 2023). Frequent discounting by the competitors also makes it difficult for the supermarkets to build long-term loyalty based solely on the pricing dynamic, forcing them to constantly innovate their value propositions as well.

(Source: Self-developed based on the data of Moy *et al.* 2023)**Figure 6** Digital acceleration across countries of Southeast Asia

Another challenge is in a fragmented retail landscape, where the wet markets, e-commerce platforms and convenience stores coexist. Consumers are also often exhibiting the multi-channel shopping behaviours, making it hard for the supermarkets to manage a consistent engagement dynamic. Additionally, digital transformation, through offering new loyalty tools, also indicates barriers like uneven internet access, resistance from the older demographics and low digital literacy in rural areas, all of which further limit the reach of the loyalty programs. Compared to pre-COVID-19 levels, these countries have seen a growth in online usage of about 50% over the last two years, surpassing more industrialised countries like China, which had an increase of just over 30% (Moy *et al.* 2023). The expectations for constant interaction are being drastically altered by these shifting behaviours and growing use of digital tools including digital wallets and streaming apps.

5. Discussion

Supermarkets of different countries of Southeast Asia adopted tailored strategies involving experiential retailing and digital strategies that connect consumers with brands. Findings suggest that Southeast Asian consumers appreciate locally sourced products and services. Supermarkets that invest in sourcing from domestic farmers and provide attractive offers in different regional festivals enjoy greater customer attraction. Other than that, supermarkets that align themselves with local cultural values can be able to create a separate place in this competitive market. Above information shows that The Modern Trade of Grocery Retail Market size of Southeast Asia has not changed much between 2018 and 2022. Data about Indonesia explains it stood at 30 in 2018 and gained a score of 22 in 2022. It also indicates scope for supermarket businesses in the Southeast Asian market and also it can cater a huge customer base for achieving ultimate profit rate. Information regarding the Philippines shows its score was 59 in 2018 and it achieved 50 in 2022.

Experiential retail has redefined through the supermarket visit from transactional to emotional. In recent year's consumer's associate loyalty not just with savings as it involves positive and memorable experiences. Technological advancements such as Omnichannel experiences, personalised promotions and loyalty apps allow organisations to enhance customer engagement. Findings from existing literature and market observation show some key components for describing differentiation in Southeast Asian supermarkets. It shows technological impact, impact of sustainable branding and also involves consumer preferences. In this technologically advanced market organisation experiences the rise of mobile commerce. It involves integrating Omnichannel loyalty systems and digital wallets. Companies need to adopt these advanced systems to attract customers and investors. Data also explains that supermarkets that disclose sustainable sourcing and support small producers gain reputational equity for building trust over time.

6. Conclusion

In conclusion, Southeast Asia provides huge scope for supermarket industry to establish a profitable business. Digital transition and market pattern create a huge influence on Supermarket industry in Southeast Asia. Accepting technology and showing interest in e-commerce sector helps such organisation to provide digital service to people off this region. Strategies like implementing customer loyalty app, creating communication with customers and monitoring engagement of buyers with brands can be most effective process for attracting new customer base. Findings showcase that supermarket industry gain profit in this region through implementing effective strategies and also it enhances change of this industry to reach desirable profit rate.

References

- [1] Ahmed, S.K., Mohammed, R.A., Nashwan, A.J., Ibrahim, R.H., Abdalla, A.Q., Ameen, B.M.M. and Khdir, R.M., 2025. Using thematic analysis in qualitative research. *Journal of Medicine, Surgery, and Public Health*, 6, p.100198.
- [2] Bamansoor, S., Pande, B., Al Moaiad, Y., Pathmanathan, P.R., El-Ebary, Y.A.B., Latiff, N.A.A., Aseh, K., Aledinat, L.S. and Yusoff, F.H., 2021, June. Efficient Online Shopping Platforms in Southeast Asia. In 2021 2nd International Conference on Smart Computing and Electronic Enterprise (ICSCEE) (pp. 164-168). IEEE.
- [3] Gielens, K., Ma, Y., Namin, A., Sethuraman, R., Smith, R.J., Bachtel, R.C. and Jervis, S., 2021. The future of private labels: towards a smart private label strategy. *Journal of Retailing*, 97(1), pp.99-115.
- [4] Jerab, D. and Mabrouk, T., 2023. Strategic excellence: Achieving competitive advantage through differentiation strategies. Available at SSRN 4575042.
- [5] Katsikeas, C., Leonidou, L. and Zeriti, A., 2020. Revisiting international marketing strategy in a digital era: Opportunities, challenges, and research directions. *International Marketing Review*, 37(3), pp.405-424.

- [6] Molinillo, S., Aguilar-Illescas, R., Anaya-Sanchez, R. and Carvajal-Trujillo, E., 2022. The customer retail app experience: Implications for customer loyalty. *Journal of Retailing and Consumer Services*, 65, p.102842.
- [7] Moy, J., Choudhury, S., Sugihara, J., Cua, J., Yeang, W., Ng, J., Wongso, I., Ng, M., 2023. The Future of Retail in Southeast AsiaRevolution and Reinvention: The Future of Retail in Southeast Asia. Available from: <https://web-assets.bcg.com/c8/50/aecfa810456eb3aadff008d22825/future-of-retail-in-southeast-asia.pdf> [Accessed on: 9th June, 2024]
- [8] Nguyen, C. and Pham, N., 2021. The determinants of customer loyalty: The case study of Saigon Co. op supermarkets in Vietnam. *Journal of Distribution Science*, pp.19-5.
- [9] Nguyen, D.T., Pham, M., Chovancová, M. and Duc hoang, S., 2023. How service operations, perceived benefit, and psychological ownership enhance customer retention in retail-evidence in Vietnam supermarkets. *Cogent Business & Management*, 10(2), p.2200519.
- [10] Ogunmola, G.A. and Kumar, V., 2024. A strategic model for attracting and retaining environmentally conscious customers in E-retail. *International Journal of Information Management Data Insights*, 4(2), p.100274.
- [11] Okonkwo, I., Mujinga, J., Namkoisse, E. and Francisco, A., 2023. Localization and global marketing: Adapting digital strategies for diverse audiences. *Journal of Digital Marketing and Communication*, 3(2), pp.66-80.
- [12] Oparebea Boateng, A., Kwasi Bannor, R., Bold, E. and Helena, O.K., 2023. A systematic review of the supply of agriproducts to supermarkets in emerging markets of Africa and Asia. *Cogent Food & Agriculture*, 9(1), p.2247697.
- [13] Source of Asia., 2025. E-commerce Market in Southeast Asia 2025-2026. Available from: <https://www.sourceofasia.com/e-commerce-market-in-southeast-asia-2025-2026/> [Accessed on: 9th June, 2024]
- [14] Susiang, M.I.N., Suryaningrum, D.A., Masliardi, A., Setiawan, E. and Abdillah, F., 2023. Enhancing customer experience through effective marketing strategies: The context of online shopping. *SEIKO: Journal of Management & Business*, 6(2), pp.437-447.
- [15] Taherdoost, H., 2021. Data collection methods and tools for research; a step-by-step guide to choose data collection technique for academic and business research projects. *International Journal of Academic Research in Management (IJARM)*, 10(1), pp.10-38.
- [16] Yuwei, L., 2024. Market Positioning & Operational Strategy To Start Home Goods Retail Business In Indonesia. *Devotion: Journal of Research and Community Service*, 5(12), pp.1507-1523.