



# Southeast Asia: E-commerce Powerhouse

With its increased connectivity and greater support for innovation, Southeast Asia is set to become the rising e-commerce star of 2019.

– By Felice Tobin, Partnerships Manager, OFX

According to Medium, 65% of internet users in 2019 will be from South East Asia<sup>1</sup>, and this number is expected to rise. It is estimated that by next year, the region's middle-class population will be more than double what it was in 2012 – growing from 190 million people in 2012 to 400 million in 2020.

With the world's third largest population accessing digital and smartphone technologies at an unprecedented rate, it is no wonder that businesses and governments alike are noticing that the conditions for growth in the retail market – currently worth about US\$590 billion<sup>2</sup> – and by extension, the e-commerce ecosystem, are favourable.

Multiple countries in Southeast Asia are now becoming attractive alternatives for both international supply chain bases and local start-up hubs, as companies are diverting investment away from China due to rising labour costs and tariffs.

## Malaysia

The Malaysian government has been working to develop the country's technological infrastructure as part of the Vision 2020 plan, an initiative to achieve self-sufficiency in its economy by 2020. Alongside transportation growth, the plan has fostered a rapid expansion in the Malaysian technology start-up ecosystem and e-commerce success.

Examples like Carsome, an online bidding portal for used cars, and iPrice, which offers discounts and coupons for the region's leading online stores, demonstrate how companies are pivoting away from traditional goods and services to meet the changing needs of their increasingly digital consumer base.

## Thailand

In an effort to position Thailand as a hub for innovation, the government has ordered the Board of Investment (BoI) to spend 10 billion Thai baht on the

start-up community, and to accelerate three start-up-related laws.<sup>3</sup>

One of the leading e-commerce enabler brands in Southeast Asia, aCommerce is a product of this ecosystem. With quality of life, cost of living and the ease of starting a business at the forefront of benefits, Thailand is becoming a region attractive to digital nomads and start-ups alike.

## Singapore

Unlike many other international start-up hubs, local players dominate Singapore's market share and show no signs of making way for Western business expansion. Grab's recent acquisition of Uber's Southeast Asian business demonstrates this, and Grab is now the region's highest-capitalised ride-hailing local start-up.

Similarly, Apple Pay and Google Pay have been available in the Singapore market for some time now, but are finding it hard to compete against local e-wallet adoption. In this case, international companies are having to respond to an increasingly technologically-demanding and savvy market whereby secure digital payment and delivery platforms are ubiquitous.

## The Philippines

In 2018, the government passed the Innovation Start-up Act, which provides tax exemptions, free access to government services and streamlined business permit processing, with the aim of stimulating foreign investment in the country.

Though e-commerce holds a smaller share of all retail sales in the Philippines, the large population of people proficient in digital technologies and social media platforms means that the Philippines is prepared for online retail growth.

To put this in perspective, the Philippines' branch of online retailer Lazada brings in the company's largest share of website traffic – with more than 25



million visitors per month. Other players like Shopee and Zalora also bring in a significant amount of local traffic, exemplifying the growing trend of online retail adoption and opportunity in the country.

## The future of e-commerce in Southeast Asia

As the region becomes more popular for start-up and e-commerce expansion, it will need to continue to nurture its key players and make room for new ones as well. One such way is increased collaboration between and amongst Southeast Asian countries.

The Asian Trade Centre has recognised this and is putting together policy frameworks to ensure this happens. The most recent ASEAN e-commerce agreement<sup>4</sup> aims to create streamlined, complimentary digital regulations to help countries tackle e-commerce and digital trade in a regional manner.

Though Southeast Asia is still considered an emerging region, the rate of digital adoption and technical savviness of consumers, businesses and governments alike is opening unprecedented opportunities that the world hasn't seen before. **B**

<sup>1</sup> <https://aseanup.com/southeast-asia-digital-social-mobile>

<sup>2</sup> <https://go.forrester.com/blogs/online-retail-in-southeast-asia-is-expected-to-reach-53-billion-by-2023>

<sup>3</sup> <https://www.thailand-business-news.com/startups/69203-thai-startups-get-a-boost-with-10bln-baht-boi-funding.html>

<sup>4</sup> <http://www.asiantradecentre.org/talkingtrade/aseans-e-commerce-agreement>



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