

Google

TEMASEK

BAIN & COMPANY



e – Conomy

SEA 2021

Roaring 20s: The SEA Digital Decade

This is not an ADB material. The views expressed in this document are the views of the author/s and/or their organizations and do not necessarily reflect the views or policies of the Asian Development Bank, or its Board of Governors, or the governments they represent. ADB does not guarantee the accuracy and/or completeness of the material's contents, and accepts no responsibility for any direct or indirect consequence of their use or reliance, whether wholly or partially. Please feel free to contact the authors directly should you have queries.

A silhouette of a person standing on the peak of a hill, looking out over a vast landscape at sunset. The sky is filled with large, dramatic clouds, and the sun is low on the horizon, creating a warm, golden glow. The person is positioned on the right side of the frame, looking towards the left.

This is SEA's

Digital Decade

Google

TEMASEK

BAIN & COMPANY



e-Conomy

SEA 2021

Roaring 20s: The SEA Digital Decade

Consumers cruise into a new way of life

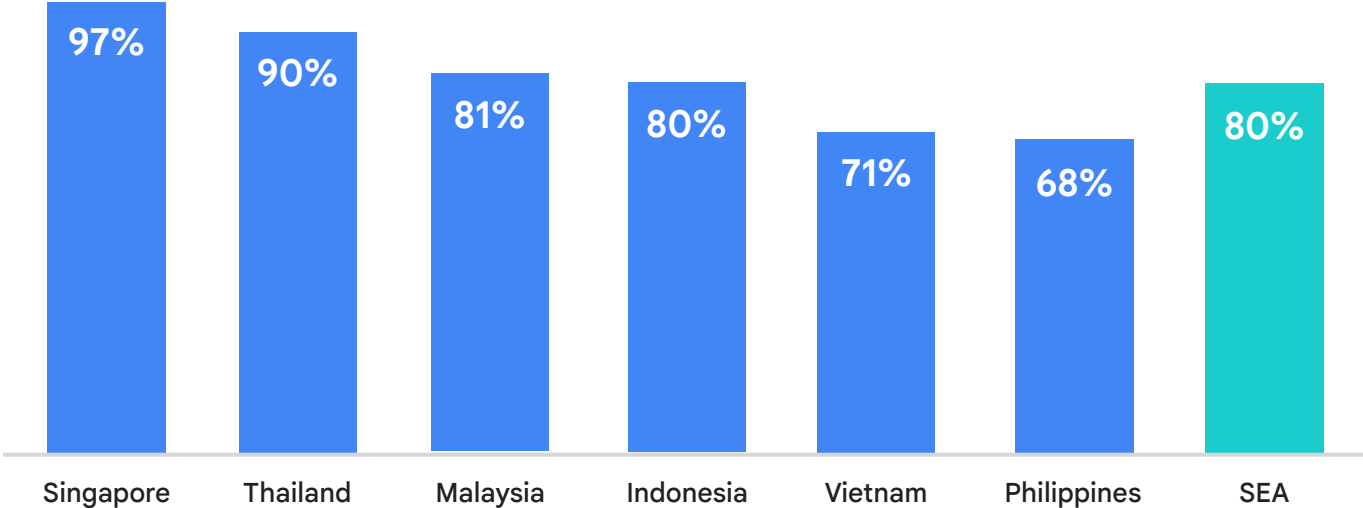
Amongst SEA's internet users, **8 out of 10 are digital consumers**



350M

SEA digital consumers who made at least one purchase online

% of internet users who have made at least one purchase online



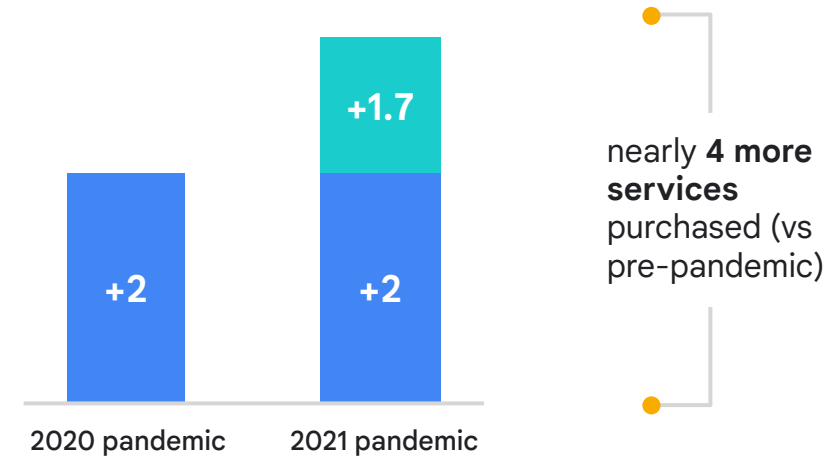
Source: Google-commissioned Kantar SEA e-Conomy Research 2021.
S4. Which of the following online activities have you done before and when did you first start doing them?
Base: SEA internet users n=17,839. Population source from Statista.
Note: A "digital consumer" is defined as any internet user who has paid for an online service in any vertical before or after the pandemic.

Existing consumers are **making purchases in 4 more digital services** than they did before the pandemic

Average number of new services that an existing digital consumer purchased online since the pandemic began

● # of new digital services adopted in 2020

● # of new digital services adopted in H1 2021



Source: Google-commissioned Kantar SEA e-Conomy Research 2021.

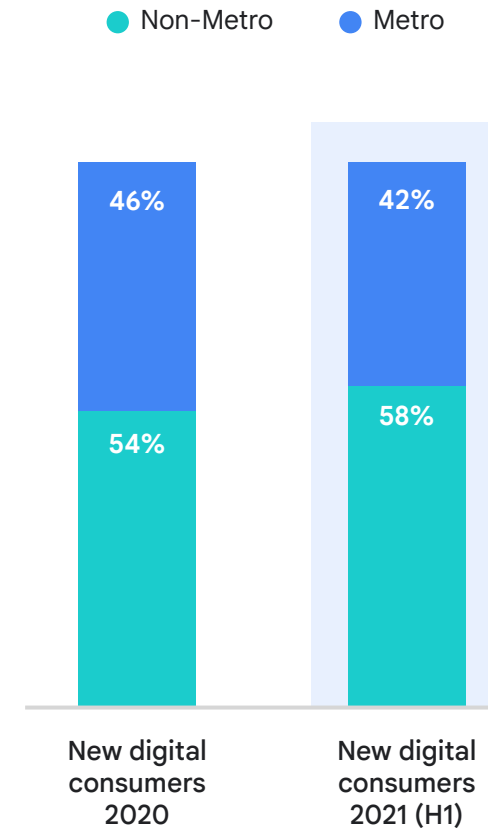
S4. Which of the following online activities have you done before and when did you first start doing them?

Base: SEA pre-pandemic users n=14,617.

Note: '2020 pandemic' refers to the time period between Mar 2020 - Dec 2020; '2021 pandemic' refers to the time period between Jan 2021 - Jun 2021.

Non-metros
comprise the
majority of new
joiners to the
internet economy,
with **~60%**
**of new digital
consumers in 2021
coming from
non-metro areas**

% split of metro and non-metro digital consumers



Source: Google-commissioned Kantar SEA e-Conomy Research 2021.

S4. Which of the following online activities have you done before and when did you first start doing them?

S3. In what region do you live?

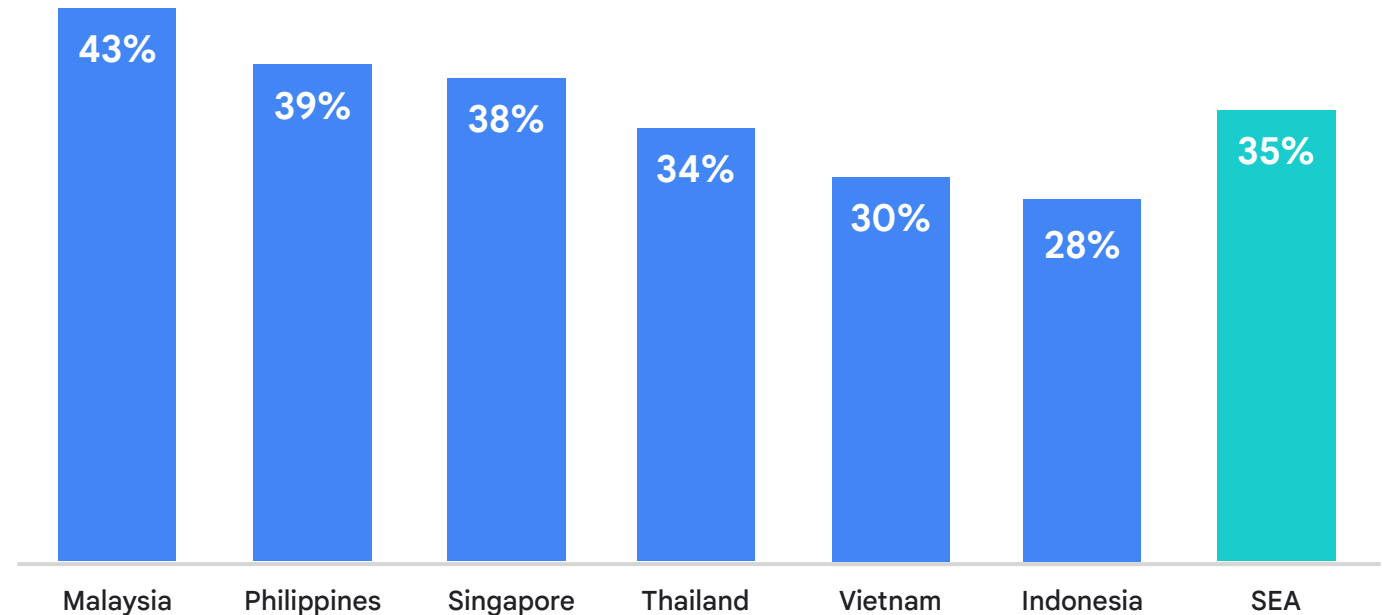
Base: Pre-pandemic consumers n=14,617; New digital consumers in 2020 n=1,631; New digital consumers in 2021 (H1) n=796.

Digital merchants take off

Operating online helped ensure business continuity

% of merchants who believe that they would not have survived COVID-19 without selling on digital platforms

The number of digital merchants who shared this sentiment is influenced by the severity of local restrictions, but ~30% of those in markets with less severe lockdowns (Indonesia and Vietnam) still felt the same



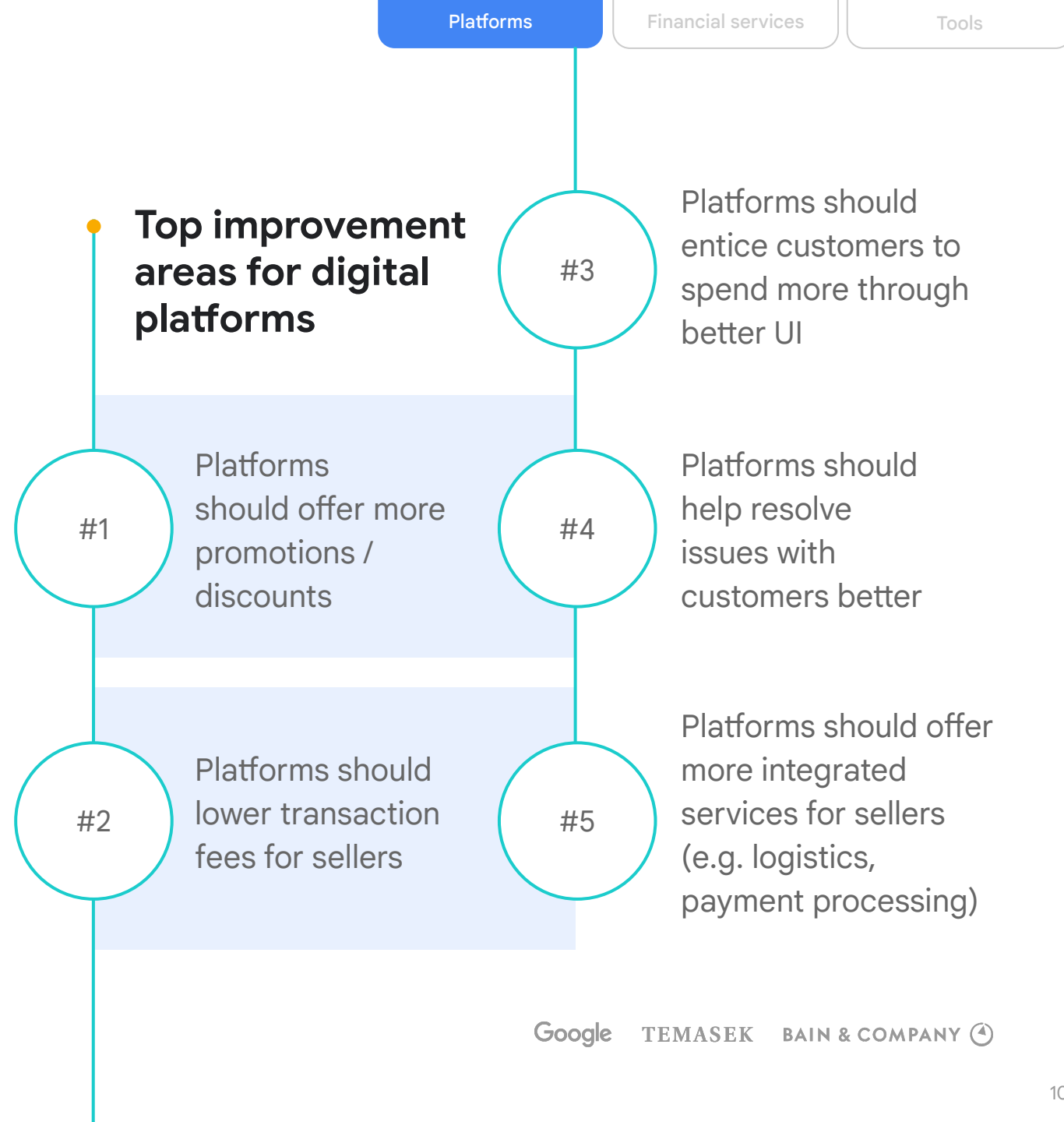
Digital platforms have unlocked unprecedented scale, but there's still **room for improvement around discounts and fees**



1 in 3

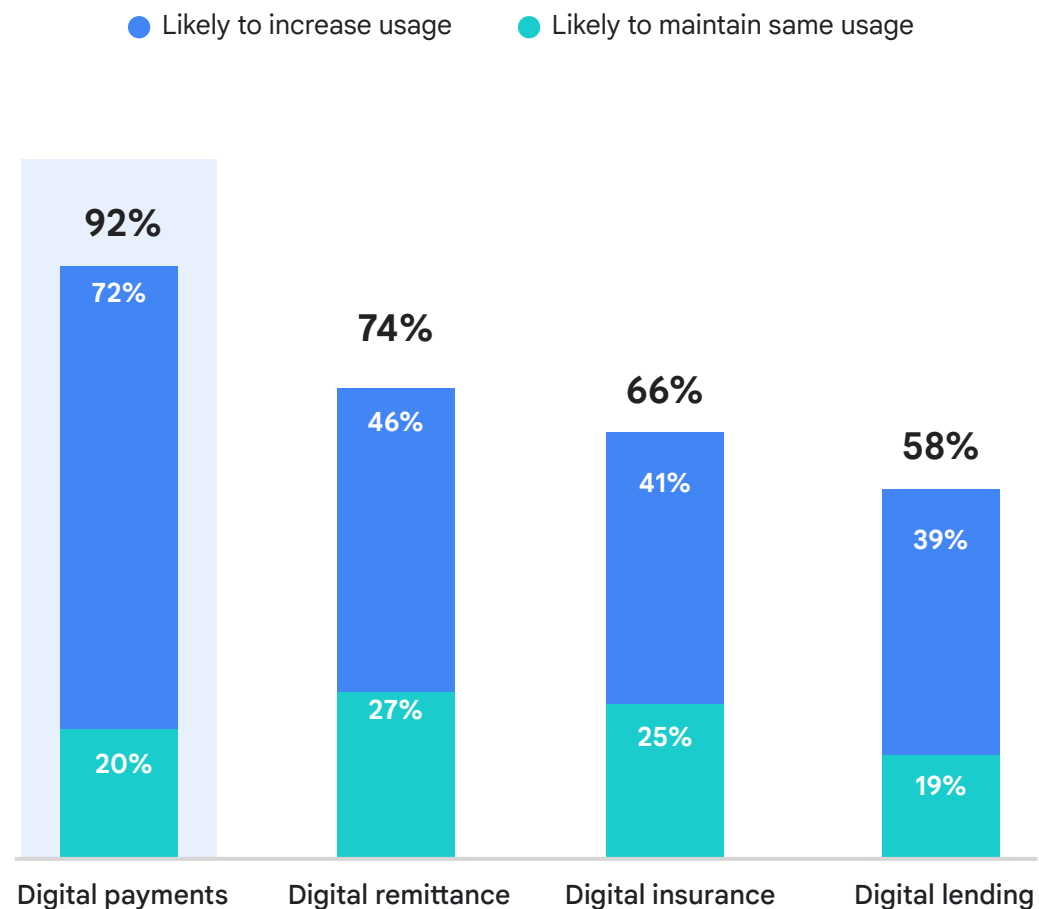
digital merchants cited **“too expensive”** as the top barrier for digital platform adoption

Source: Google-commissioned Dynata SEA-6 Digital Merchant Survey 2021 (n=3,036).
Q18. What do you think can be improved about [Digital Platforms selected]?



Majority of merchants who use digital financial services **intend to continue or increase usage**

% of digital merchants likely to increase or maintain usage of digital financial services in the next 1 to 2 years



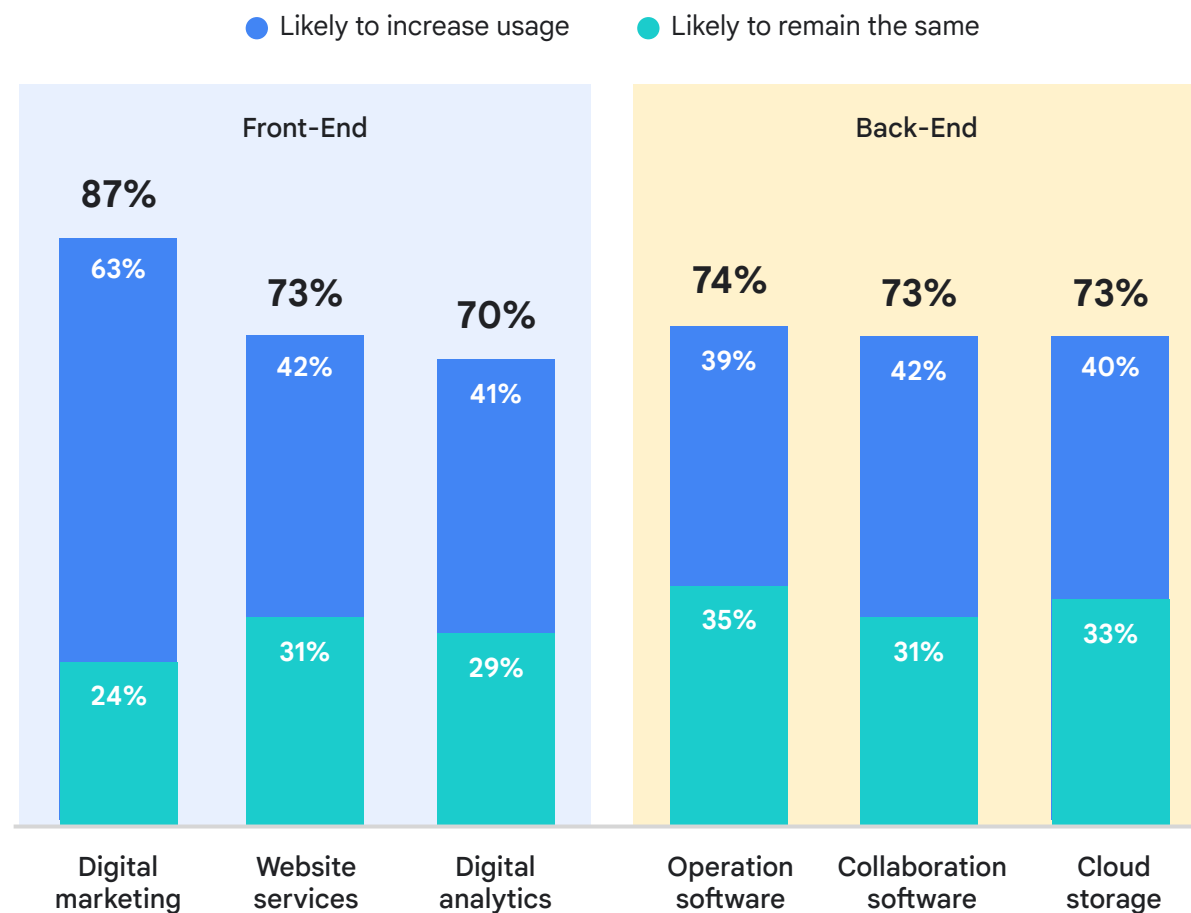
Source: Google-commissioned Dynata SEA-6 Digital Merchant Survey 2021 (n=3,036).

Q28. How do you think your company's usage of digital financial services will change in the next 1-2 years (post COVID-19 pandemic)?

Merchants have accelerated digital transformation due to the pandemic

Digital marketing tools likely to see the largest increase in usage as merchants vie for consumer attention online

% of digital merchants likely to increase or maintain usage of digital tools over the next 5 years



Source: Google-commissioned Dynata SEA-6 Digital Merchant Survey 2021 (n=3,036).

Q21b. How do you think your company's usage of digital tools will change in the next 5 years?

Most merchants expect the majority of their sales to come from online sources in the next 5 years

Just as many believe that they will procure most of their supplies online

% of digital merchants who believe that >50% of their sales / procurement will happen online in the next 5 years

Sales

82%

anticipate **more than half of their sales to come from online** sources in the next 5 years

Procurement

84%

anticipate **more than half of their supply purchases to happen online** in the next 5 years

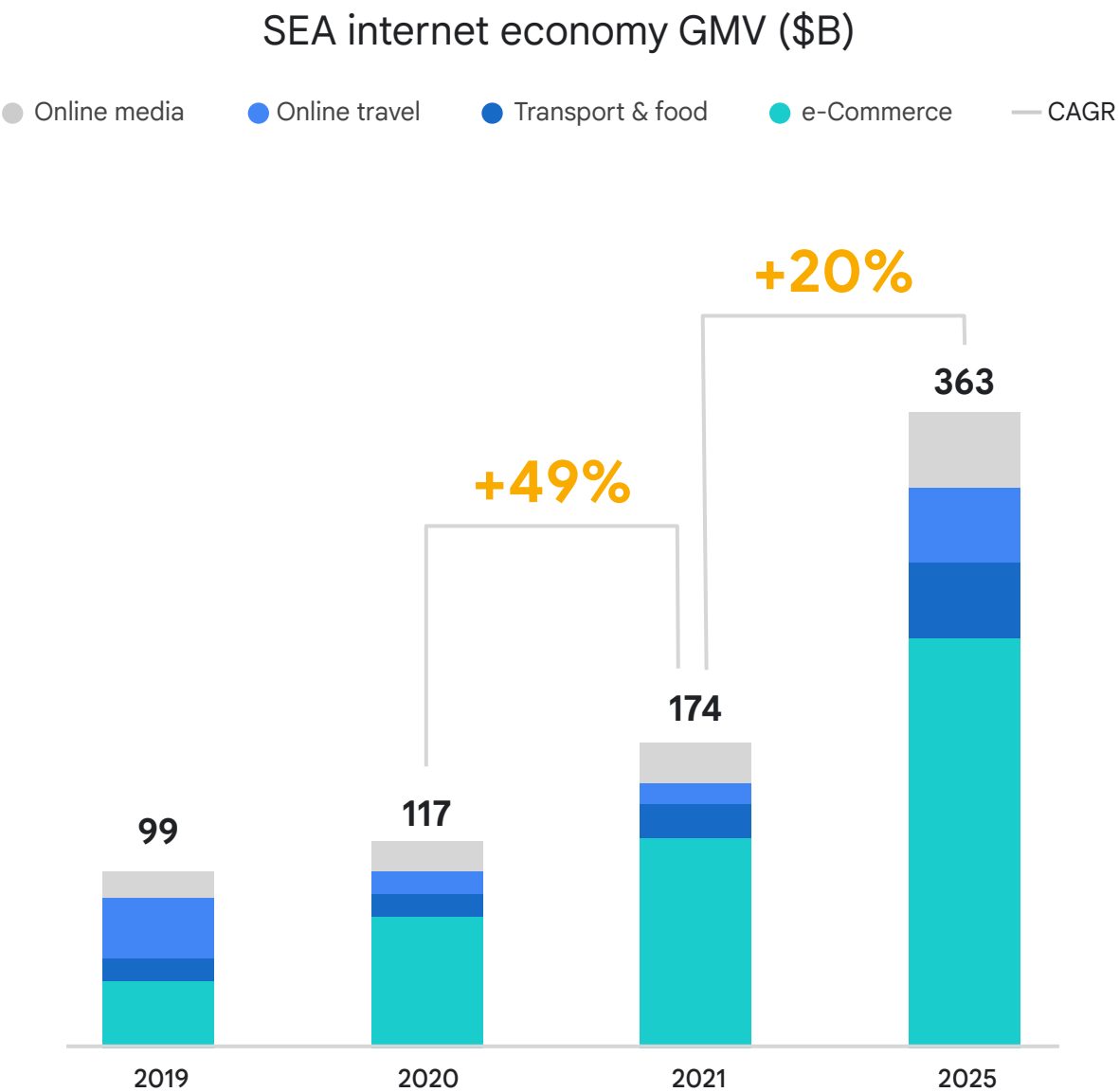
Source: Google-commissioned Dynata SEA-6 Digital Merchant Survey 2021 (n=3,036).

Q14. What percentage of your company's total sales do you think will come from online channels (from digital platforms) in the next 5 years?

Q23. What percentage of your company's purchasing do you think will come from digital platforms in the next 5 years?

Resilience gives way to resurgence

Continued surge in **e-commerce** is driving most of the year's market growth



Source: Bain analysis.
Note: CAGR refers to Compounded Annual Growth Rate.

All markets are exhibiting double-digit growth, with the Philippines leading by a margin

SEA internet economies, by GMV (\$B)

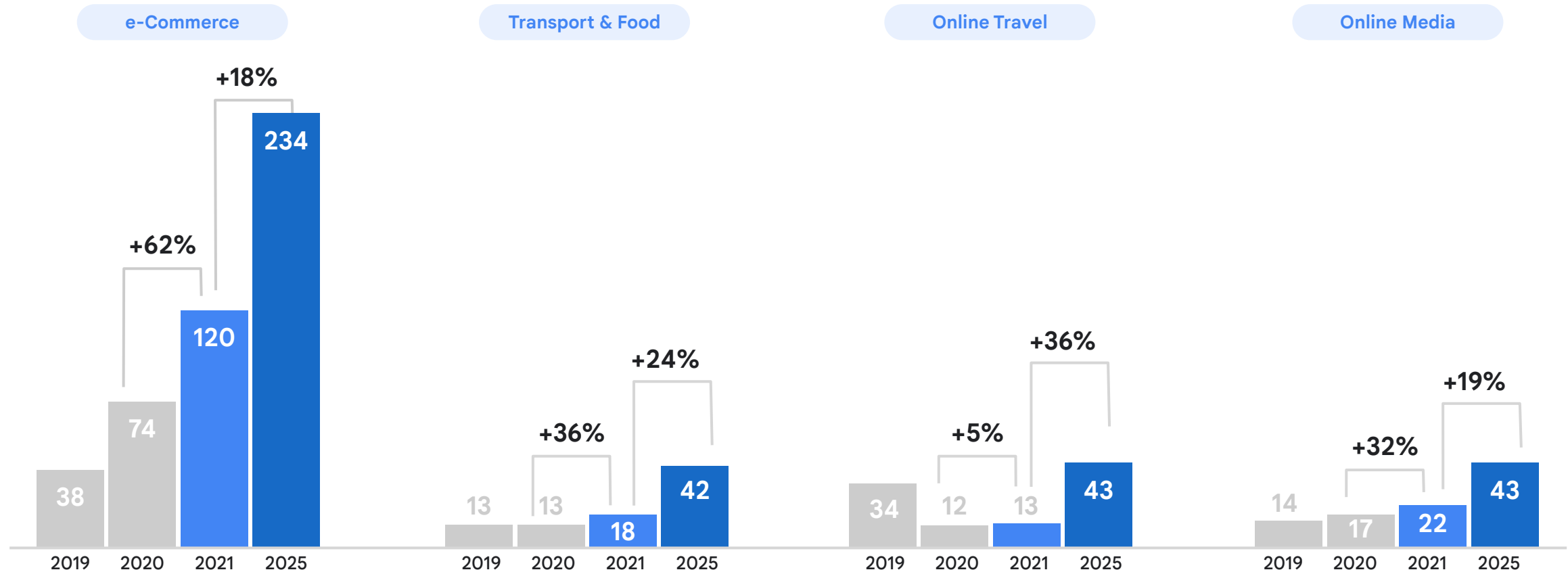


Source: Bain analysis.

e-Commerce is the biggest growth driver and could continue to be until 2025; online travel faces a challenging recovery

GMV per sector (\$B)

— CAGR

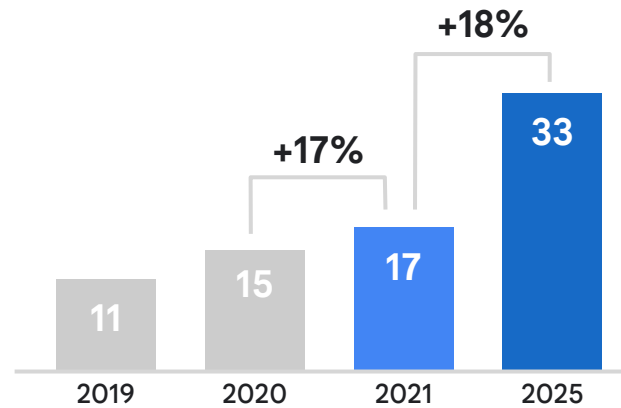


Source: Bain analysis.

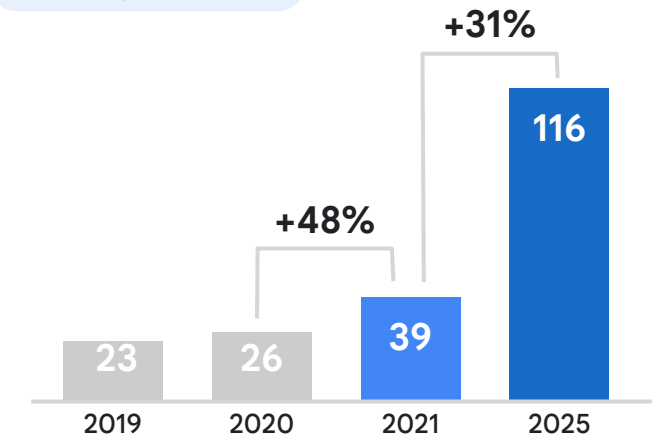
All digital financial services are flourishing, especially digital lending

(\$B)

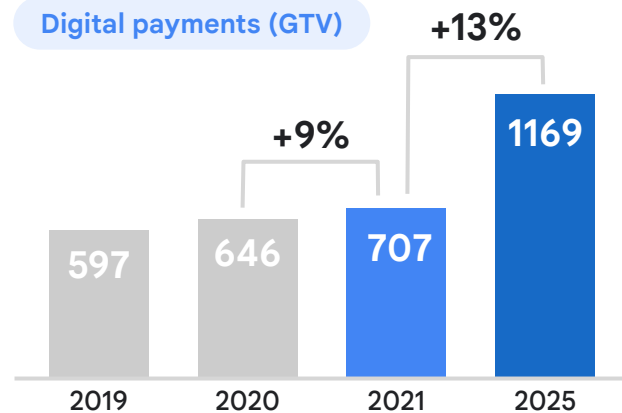
Remittance flow



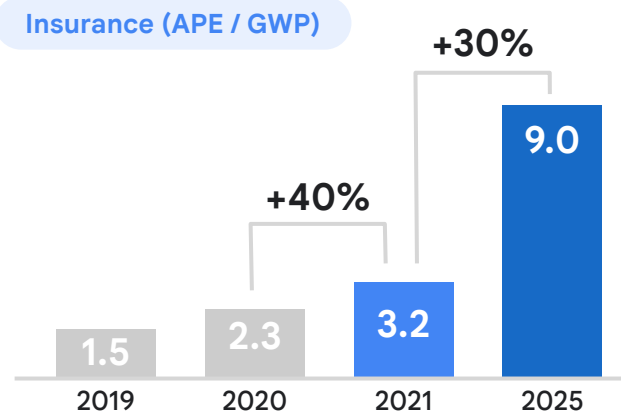
Lending loan book



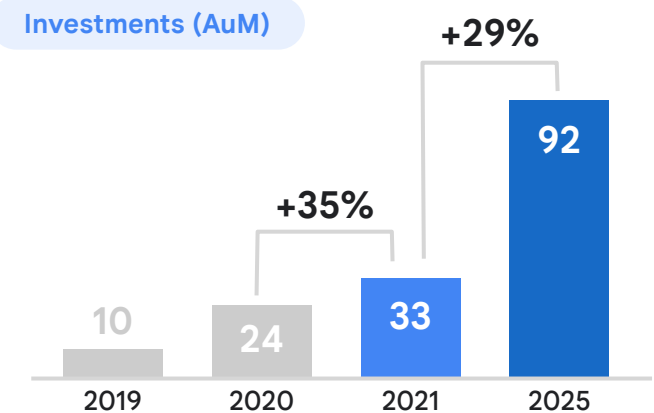
Digital payments (GTV)



Insurance (APE / GWP)



Investments (AuM)



Source: Bain analysis.

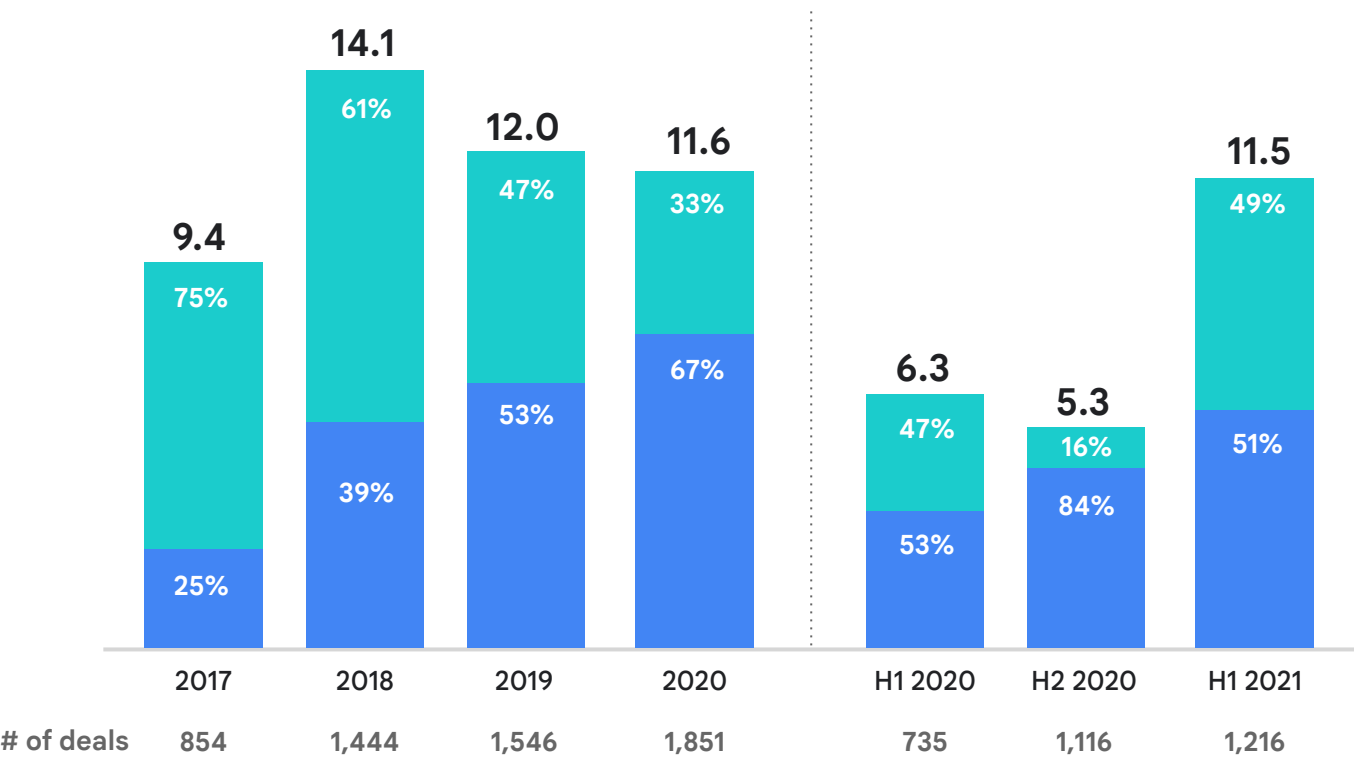
Note: GTV = Gross Transaction Value; APE = Annual Premium Equivalent; GWP = Gross Written Premium; AUM = Assets Under Management.

Funding on track to reach new heights

2021 on track to be SEA's busiest deal year in recent times

Deal value (\$B)

Unicorn Other



SEA's deal landscape is thriving

The H1 2021 deal value is already on track to surpass the 2020 full year value - a phenomenon largely driven by big-ticket deals like J&T Express (\$2B) and Carro (\$360M). The number of transactions has also increased by 65% YoY.

Global capital filters into the region in a meaningful manner

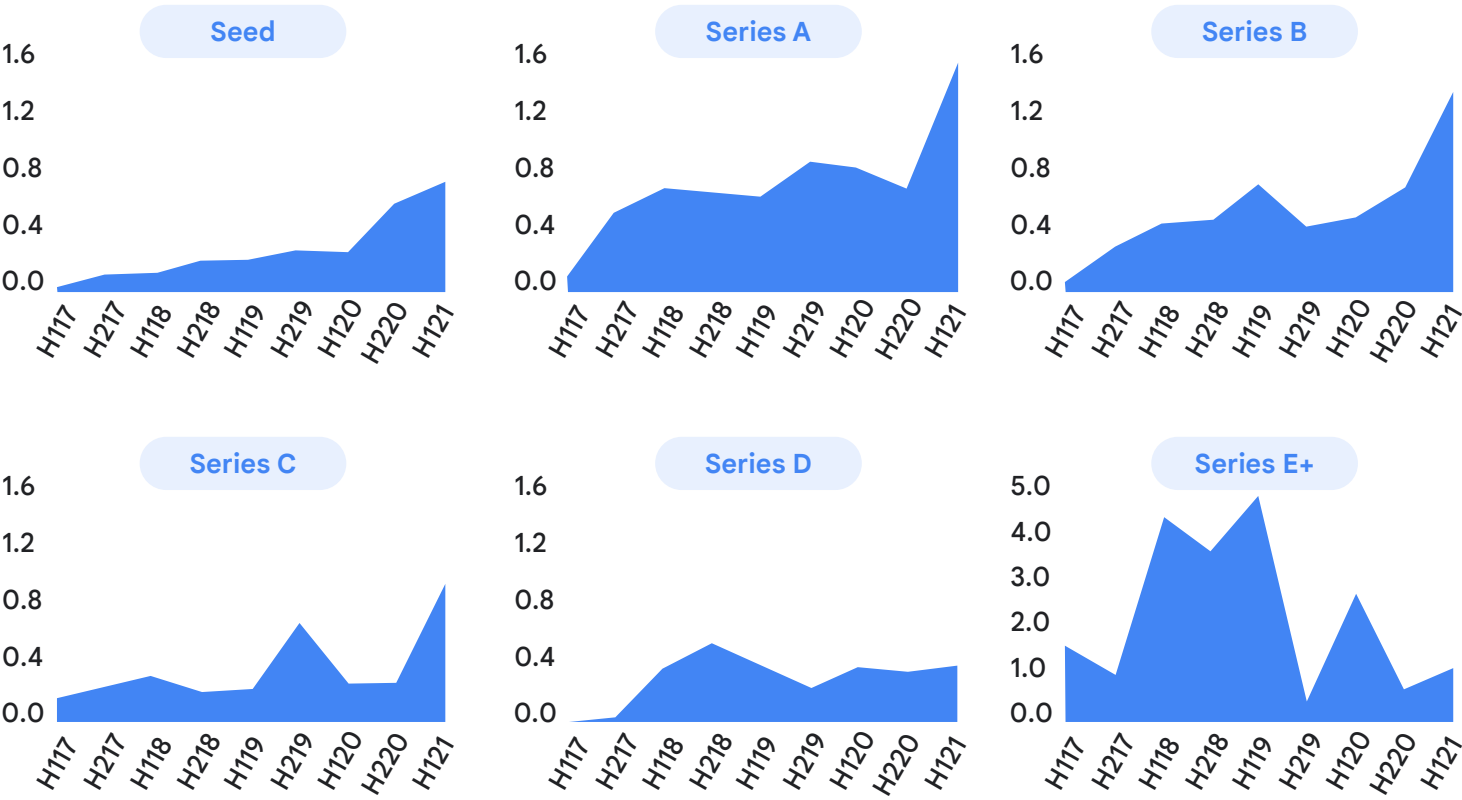
Global capital may have a long-standing on-off relationship with SEA, but industry participants are confident that the dynamics are different this time, with much more commitment and long-term interest from potential investors.

SEA's tech champions are helping to shine a bright light on the region, further strengthening global investor confidence.

Source: Industry reports; VC partners; Bain analysis.
Note: Deals include investments by venture capital, private equity and strategic investors.

Strong acceleration in early-stage deals boosts confidence in SEA's ecosystem

Funding (\$B)



Planting seeds for future growth

After the slowdown in 2020, seed and Series A-B-C rounds all hit an all-time high in H1 2021, boding well for SEA's long-term prospects.

Bigger early-stage deals

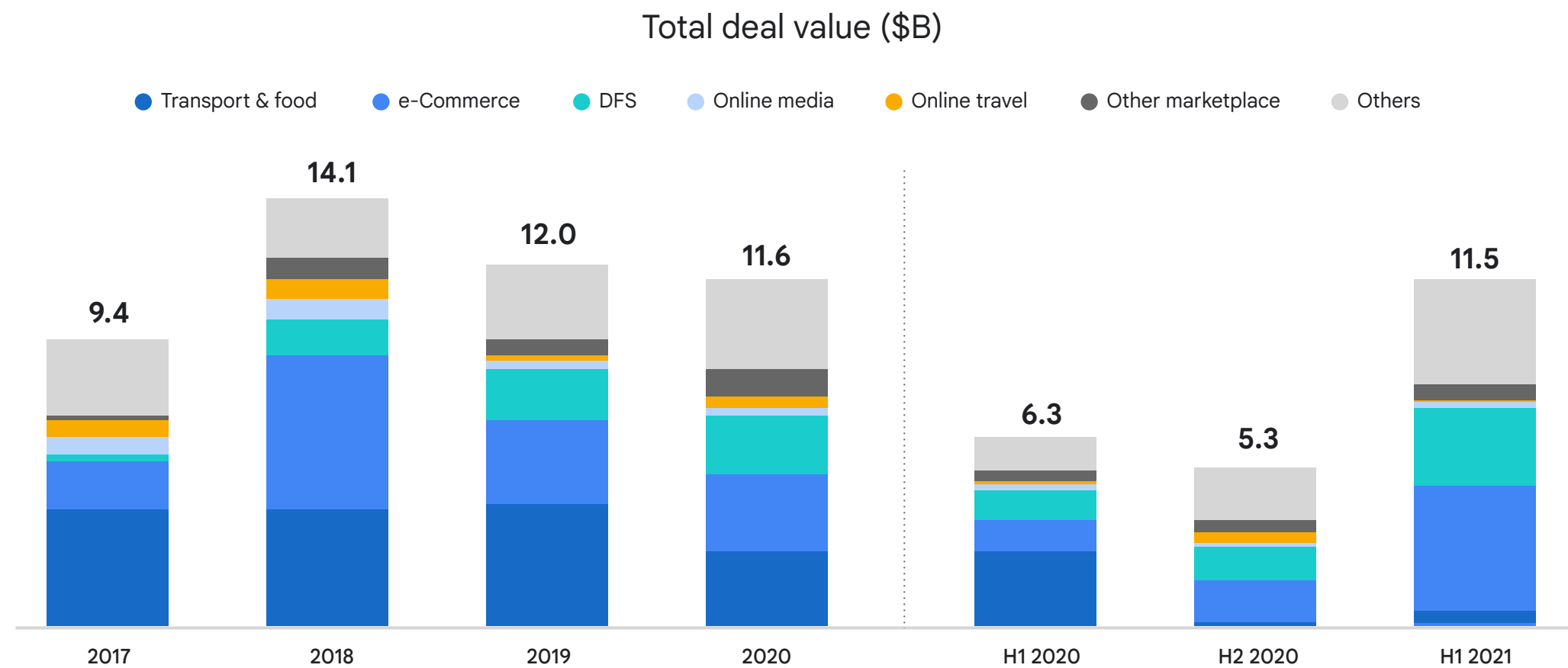
Deal sizes across seed to Series C have been increasing across the board. Average seed and Series A funding were 6X larger in 2021 than in 2017, Series B up by 4X over the same period and Series C also saw an increase despite fluctuations.

Series D-E+ have plateaued while waiting to IPO

Series D-E+ megarounds have plateaued and are now worth a fraction of the 2018-2019 peaks - both in value and average deal size. Pre-IPO fundraising by regional unicorns may bring \$1B+ deals back soon.

Source: Industry reports; VC partners; Bain analysis.

e-Commerce and digital financial services deals **remain centre stage**

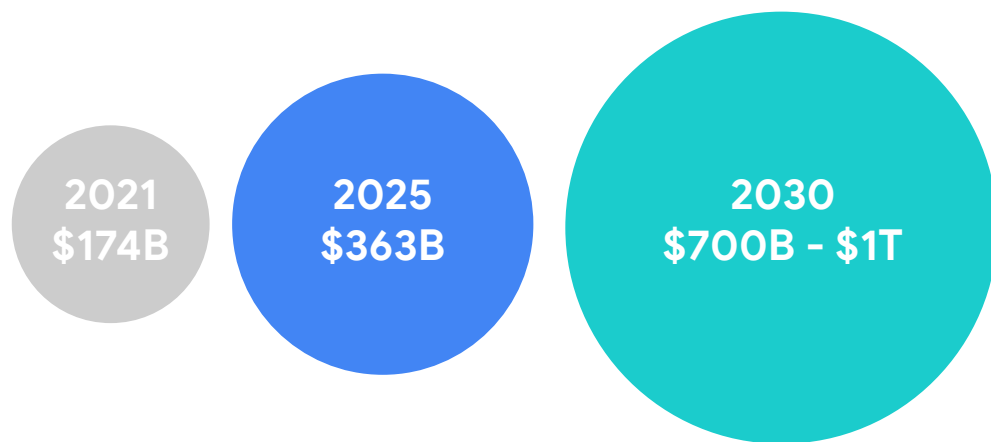


Source: Industry reports; VC partners; Bain analysis.

The twenties roar towards a trillion

The 'Digital Decade': by 2030, the **SEA internet economy** could reach **\$1T GMV**

SEA internet economy GMV



Source: Bain analysis.

- **e-Commerce continues to propel the economy forward**

As online shopping becomes the norm for consumers of all ages, in both urban and rural areas, e-commerce could comprise >2/3 of 2030's GMV.

- **Online grocery takes root**

e-Grocery could potentially grow to the size of the entire e-commerce market today (\$50-100B GMV) if penetration reaches ~10 to ~20%.

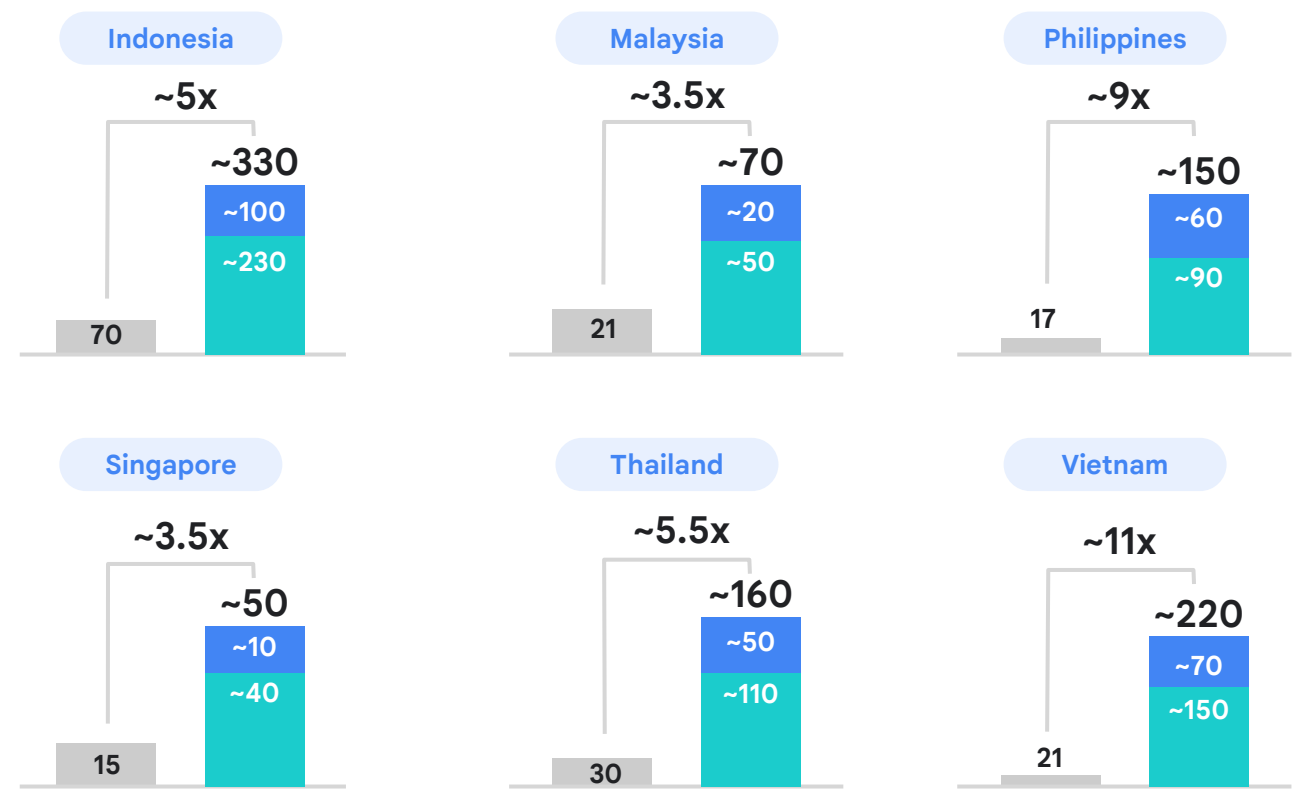
- **Transport & food, online media to unlock next wave of growth**

These two sectors could reach the same contribution as e-commerce has today if penetration and share of wallet continue increasing in underpenetrated segments, such as beyond metro areas.

2030's internet economy will look drastically different

2030 internet economy GMV (\$B)

● 2021 ● 2030 high case ● 2030 base case



- Indonesia alone could be 2X SEA's GMV today
- Vietnam could be 3X Indonesia's GMV today
- Philippines and Thailand could each reach 2X Indonesia's GMV today
- Indonesia's GMV today

Source: Bain analysis.

What a \$1T GMV SEA could look like:

Consumers live and breathe digital



e-Commerce

The new way of life
~50% of all retail spending
is online (vs. ~10% today)



Online groceries

24/7 access to essentials
1 in 4 grocery dollars
are spent online



Transport & food

Transport transformed
Technology assisted interactions
(e.g. AV, drones, robotics)



Healthtech

The modern patient
Revolutionised by AI-based diagnostics,
telemedicine and remote patient care



Digital payments

Embedded digital finance
70-80% of transaction value is
fully digital (vs. ~40% today)



Global players

SEA brands scale up
Home-grown digital champions
win beyond SEA



Brunei, Laos, Cambodia and Myanmar

Extending beyond
+200M new consumers integrated
across SEA, including frontier markets

Source: Bain analysis.

Note: AV = Autonomous Vehicles, OTT = Over-The-Top.

Most momentum drivers have seen **continued progress**; new enablers are emerging

Existing momentum drivers

● Significant progress ● Limited progress

Payments

Funding

Logistics

Internet access

Consumer trust

Talent

Emerging enablers rising for the ‘Digital Decade’



ESG and sustainability



Digital inclusion



Data infrastructure & regulation

Google

TEMASEK

BAIN & COMPANY



e-Conomy

SEA 2021

Roaring 20s: The SEA Digital Decade