

# ASEAN fast-tracks online growth

Region's rapid uptake of mobile Internet is creating immense opportunities for e-commerce firms

By KARL WILSON

The Australian government and members of the Association of Southeast Asian Nations (ASEAN) have agreed to a joint initiative that will promote digital trade and support inclusive economic growth in the region.

The ASEAN-Australia Digital Trade Standards Initiative will provide a framework to support the development, adoption and use of international digital trade standards.

"Harmonized international standards applied across our region will reduce the costs for Australian business when exporting and importing products and services," the Australian minister for trade, tourism and investment, Steven Ciobo, said in a joint statement with Senator Michaelia Cash, minister for jobs and innovation.

The announcement was made on March 16 at the start of a two-day Australia-ASEAN Special Summit in Sydney.

The expansion of ASEAN as an e-commerce market is outpacing global averages.

"Taken as a whole, ASEAN is expected to grow above 5.4 percent each year for the next decade and beyond. This growth creates immense opportunity for Australian businesses looking to sell their products and services online," the statement said.

"International standards that enable digital trade will remove barriers that prevent businesses from accessing regional markets and create new opportunities for jobs and growth. It will help share the benefits of a more inclusive digital economy.

"This initiative complements ASEAN's existing digital economy agenda and builds on Australia and ASEAN's long history of standards cooperation to promote regional economic integration and inclusive economic growth," the ministers said.

The announcement comes at a time when Southeast Asia has emerged as a key battleground for some of the world's e-commerce titans, such as Amazon from the United States and China's Alibaba and JD.com.

According to Bain & Company, one of the world's leading management consulting firms, the region's "rapid growth and accelerating consumer demand represent significant opportunities" for online digital players.

The number of digital consumers in the region last year, depending on whose data you go by, was between 220 million and 300 million.

According to forecasts by Google and Singapore's sovereign wealth fund Temasek Holdings, Southeast



Commuters in Bangkok check mobile devices on an underground train. Thailand, the world leader in mobile engagement, is among the Southeast Asian countries being used as a proving ground by digital startups and online brands. APICHT JINAKUL / BANGKOK POST

Asia's digital market was \$50 billion in 2017 and could exceed \$200 billion by 2025.

Of that, e-commerce could rise to \$88 billion, from \$10.9 billion in 2017 and \$5.5 billion in 2015.

"We have seen monumental digital growth in Southeast Asia over the past year, but what is even more interesting is how these businesses are competing with very different business models, inspired by both China and the US players," said Florian Hoppe, co-lead of Bain's Asia-Pacific digital practice and a lead author of the report, *Digital Acceleration in Southeast Asia: Navigating Tectonic Shifts*.

"The challenge that lies ahead is whether these companies can navigate what is still a highly fragmented market to stay ahead of the competition."

Bain's latest proprietary research, which includes a survey of 2,400 consumers in six major Southeast Asian countries (Singapore, Malaysia, Thailand, Indonesia, the Philippines and Vietnam), estimates that 230 million individuals in Southeast Asia are now 'online engaged consumers', meaning they have at least researched products or services online.

Another 300 million have a smartphone, due in part to a wave of lower priced phones, which is helping to boost connectivity across the region, as is the focus on mobile — not fixed — broadband. In Indonesia, for example, 48 times the number of users are connected to mobile versus fixed broadband.

While travel and tourism in Southeast Asia represent the largest piece of the region's digital market (\$22 billion) — followed by e-commerce (\$15 billion) — the survey revealed that most consumers use digital for social media and entertainment.

Notably, social media and messaging are used several times a day by 85 percent of users across ASEAN-6, with social media playing a central role in Southeast Asia's digital spending, the report said.

According to Bain, at least 90 percent of survey respondents across every country except Singapore said they made a purchase using social media, or said they were influenced by it.

As such, social media is fast becoming a robust channel in its own right as users rely on it to find products, interact with sellers, and ultimately make a purchase.

Even as Southeast Asia's digital ecosystem continues to grow and mature, there remains immense opportunity, according to Bain.

The combination of fast-growing numbers of digital users and a fragmented market means that local players are competing successfully and gaining an edge over global names in certain sectors.

While the impact of this acceleration in Southeast Asia is advantageous for startups and online brands, it is having a different and adverse effect on the real-world economy. From mall shopping, to cinemas and taxis, to travel agencies, it is clear that digital advances have taken a toll on certain industries, according to Bain.

"Southeast Asia has become a proving ground for digitally native companies as well as traditional companies looking to tap into the digital market," said Sebastien Lamy, an expert in Bain's digital practice and co-author of the report.

"We have seen many companies succeed here, but an almost equal number succumb to the pressures and challenges of a still maturing market. Those that can develop and implement a strategy focused on adaptability, flexibility and reinvention are likely to come out on top."

Judy Hsu, CEO for Singapore and ASEAN markets at Standard Chartered Bank, writing in Thailand's *The Nation* in February, said: "Despite the challenges, the opportunities are too big to ignore."

She said: "In assuming the 2018 ASEAN chairmanship, Singapore is focusing on e-commerce and the digital economy to help regional businesses grow.

"It aims to streamline regional e-commerce trade rules and facilitate the smooth movement of goods.

"This strategy of enabling digital and physical channels to promote e-commerce has the potential of opening up new markets. Greater cross-border connectivity will also deepen the 10-nation bloc's integration."

According to the Google and Temasek report, *e-Conomy SEA Spotlight 2017*, the key driver of the region's Internet potential is the widespread use of mobile Internet.

"Users in Southeast Asia are incredibly engaged, spending an

average of 3.6 hours per day on mobile Internet, more than in any other region in the world," the report said.

"Such engagement constitutes a serious market opportunity."

It said the mobile Internet is significantly more important to Southeast Asia than it is to other markets.

In Thailand, world leader in mobile engagement, the average user spends 4.2 hours a day on their phone. By comparison, users in the developed markets of the US and Internet-friendly Japan spend an average of two and one hours per day, respectively, on mobile devices.

In addition, e-commerce is set to be particularly fruitful, despite continuing last-mile logistics issues and market fragmentation.

Collectively, ASEAN is the sixth largest economy in the world, with a combined GDP of \$2.5 trillion. Its population of some 628 million represents 10 percent of the world total.

More than 40 percent of ASEAN's population are under 30 years of age and 90 percent of them have Internet access.

Studies show that this technologically savvy group contributes significantly to the growth of the digital economy, using the Internet extensively for shopping, banking, booking hotels and hailing taxis.

ASEAN's digital economy generates about \$150 billion in revenues annually, according to a joint study by AT Kearney, a leading global management consulting firm, and Axiata, a Malaysian telecommunications conglomerate.