

# Ecommerce in Southeast Asia

Themes and expectations

Adrian Vanzyl | September 2015

Ardent Capital

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# What's coming next in eCommerce?



- Internet is here. Where is eCommerce?
- Our background – we have the data!
  - aCommerce and Ardent
- Themes driving eCommerce
  - Mobile
  - Social
  - SEA vs China and US
  - Generational differences in SEA
- Impact on Incumbent Retailers
- LOTS of slides and data – this deck at [www.ardentcapital.com](http://www.ardentcapital.com) for download





# Ardent Capital

## The Leading Operator Venture Capital Firm in S.E. Asia

FOUNDED IN

**2012**

Investments in 7 countries

TH, ID, PH, HK, MY, SG, and Sri Lanka

Team SEA Exits over

**\$110M**

Team Global Exits

**\$3B+**

CASH ON CASH

**5.4x**

For investors to date

PORTFOLIO

**17**

Investments to date  
(3 core commerce group and 14 venture investments)





## Ardent Capital – Operator VC

**Founded:** 4 years ago in Bangkok

**Founding team:** Previously founded Ensogo, Admax, NewMedia Edge. All successfully exited. All in multiple markets.

**Current Portfolio:** 17+ companies, including aCommerce, Moxy, Bizzy.

**Countries:** TH, ID, SG, PH, MY, HK, LK.

### **Model:**

- Build and Operate – invest US\$5M+, majority owners. aCommerce
- Venture investing – Up to \$400K, minority owners.

## Dr. Adrian Vanzyl, Chairman aCommerce

**Ardent Capital**, Bangkok - *CEO and Co-Founder*

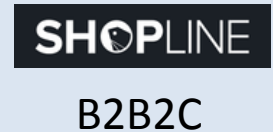
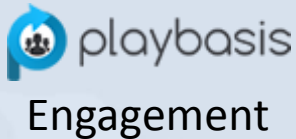
**aCommerce**, Bangkok - Chairman

**20+ years Internet, 12 of those in San Francisco, 9 in Asia**

Blumberg Capital (CTO), LinkExchange (Sold to MSFT),  
LookSmart (IPO), SLI-Systems (IPO), Sausage Software (IPO)



# Ardent Portfolio







# aCommerce - The Leading End-to-End Ecommerce Solutions provider in S.E. Asia

FOUNDED IN

**2013**

Now operate in 3 countries

ENJOY

**522%**

yearly growth on net revenue

ACTIVE CLIENTS

**139+**

66 Brands  
59 Retailers  
12 Marketplaces  
2 Resellers

STAFF

**>600**

at July 2015,  
Including > 80 tech staff

**OPERATES IN THE KEY MARKETS OF:**



Thailand



Indonesia



Philippines



# aCommerce example – our customer MatahariMall





# What we do - Our End-to-End Solutions



## Demand Generation

## Demand Fulfilment

### Services



Web & Mobile Development



Production, Photography, Copy Writing



Ecommerce Strategy & Consulting



Channel Management on Marketplaces



Digital Marketing, PR & Analytics



Sourcing & Merchandising



Payment Gateways



ERP, CRM & Finance Integration



Customer Service & Call Center



Cross Border & Custom Clearance



Order Fulfillment and Shipping Management



Nationwide and Next Day Delivery with COD

### Platforms



**ChannelSquid**

Channel Management Platform integrated with over 12 Local Marketplaces & E-tailers



**ShipHawk**

Shipping & Delivery Management Platform integrated with over 20 Local 3PLs



**AMP** Acommerce Management Platform centralizes orders, fulfillment, shipping, ERP, and data



# Thailand FC Rama 3 = 4,000 SQM





# Indonesia FC #2 = 4,000 SQM





Current: Almost 700 staff and 7 fulfillment centers with 24,000+ sqm

## Thailand

 **250 Staff**



### Office & Fulfilment Centers:

Office Dusit ..... 860 sqm  
FC Rama 3 ..... 4,700 sqm  
FC Bangna ..... 10,000 sqm

## Vietnam, Malaysia

Launching Q1 2016

## Philippines

 **50 Staff**



### Office & Fulfilment Center:

Office Pasig ..... 300 sqm  
FC Pasig ..... 1,200 sqm

## Singapore

 **3 Staff**



### Office:

Duxton Office ..... 50 sqm

1.4m orders fulfilled  
(5-7k orders/day)

## Indonesia

 **300 Staff**



### Office & Fulfilment Centers:

Office Sudirman Sahid .... 450 sqm  
FC Pondok Ungu ..... 5,000 sqm  
FC Halim 1 ..... 4,300 sqm  
FC Halim 2 ..... 4,000 sqm



# Our 140+ Clients





# We have the data!



- We have the data for over 140 customers, in the biggest markets in SEA (TH, ID)
- This gives us more data on eCommerce than anyone in SEA
- So what are we seeing? Major themes
  1. Early - we are at day 1
  2. Mobile is everything
  3. Social is the foundation
  4. Demographic shift – young vs old
  5. What are people buying online?
  6. Urban vs Rural
  7. Incumbents have one last chance to be relevant

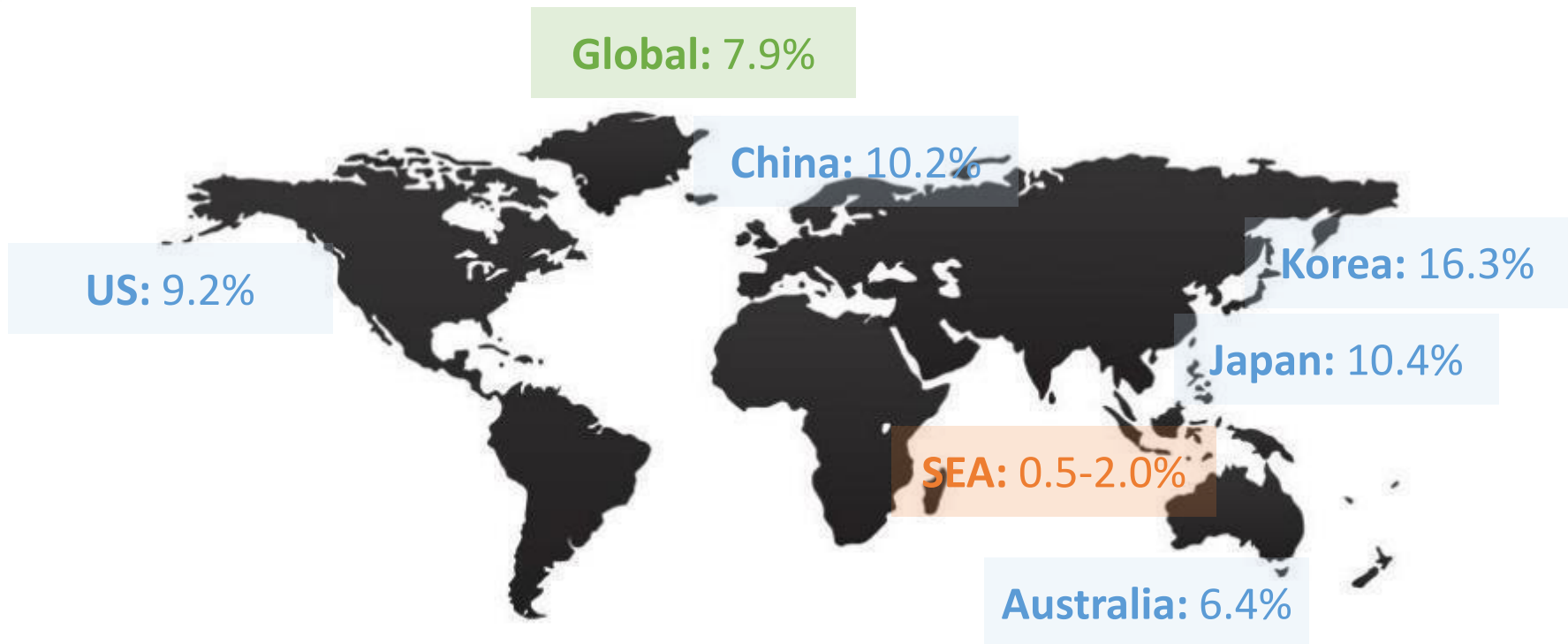


# Theme 1 - Early days...



E-commerce shopping makes up just 1-2% of total retail sales in SEA. This compares with 16% in Korea, 9% in the U.S. and 8% global average

## E-Commerce as % of Total Retail Sales (2014)



Source: Euromonitor, BofA Merrill Lynch's eCommerce Report as of May 2015

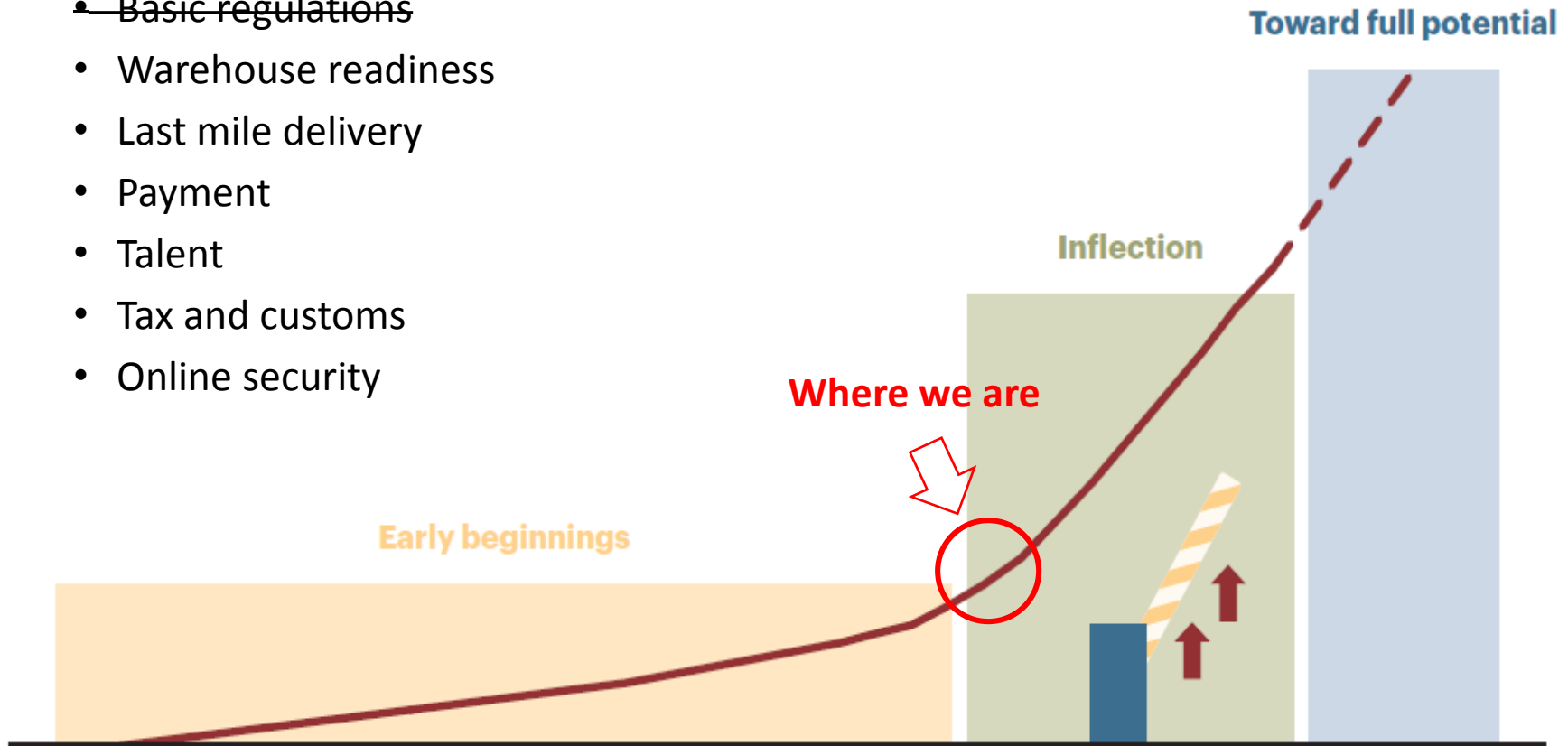


# ASEAN is at Inflection Point for E-Commerce



Bottleneck converting offline to online

- ~~Internet penetration~~
- ~~Basic regulations~~
- Warehouse readiness
- Last mile delivery
- Payment
- Talent
- Tax and customs
- Online security



Source: A.T. Kearney Analysis





## Global share of B2C online retail sales

(%)	Share of world population	Share of global GDP	Share of B2C online retail sales
Indian subcontinent	23	3	0.8
China	19	14	19.7
Africa	15	3	0.2
<b>Asean</b>	<b>8</b>	<b>3</b>	<b>0.5</b>
Central and South America	8	8	3.0
North America	6	26	30.2
Western Europe	6	24	26.8
Eastern Europe + Russia	5	5	3.4
Others	5	5	0.8
North Asia	3	8	12.8
Australia / NZ	1	2	1.8
<b>World total</b>	<b>100</b>	<b>100</b>	<b>100</b>

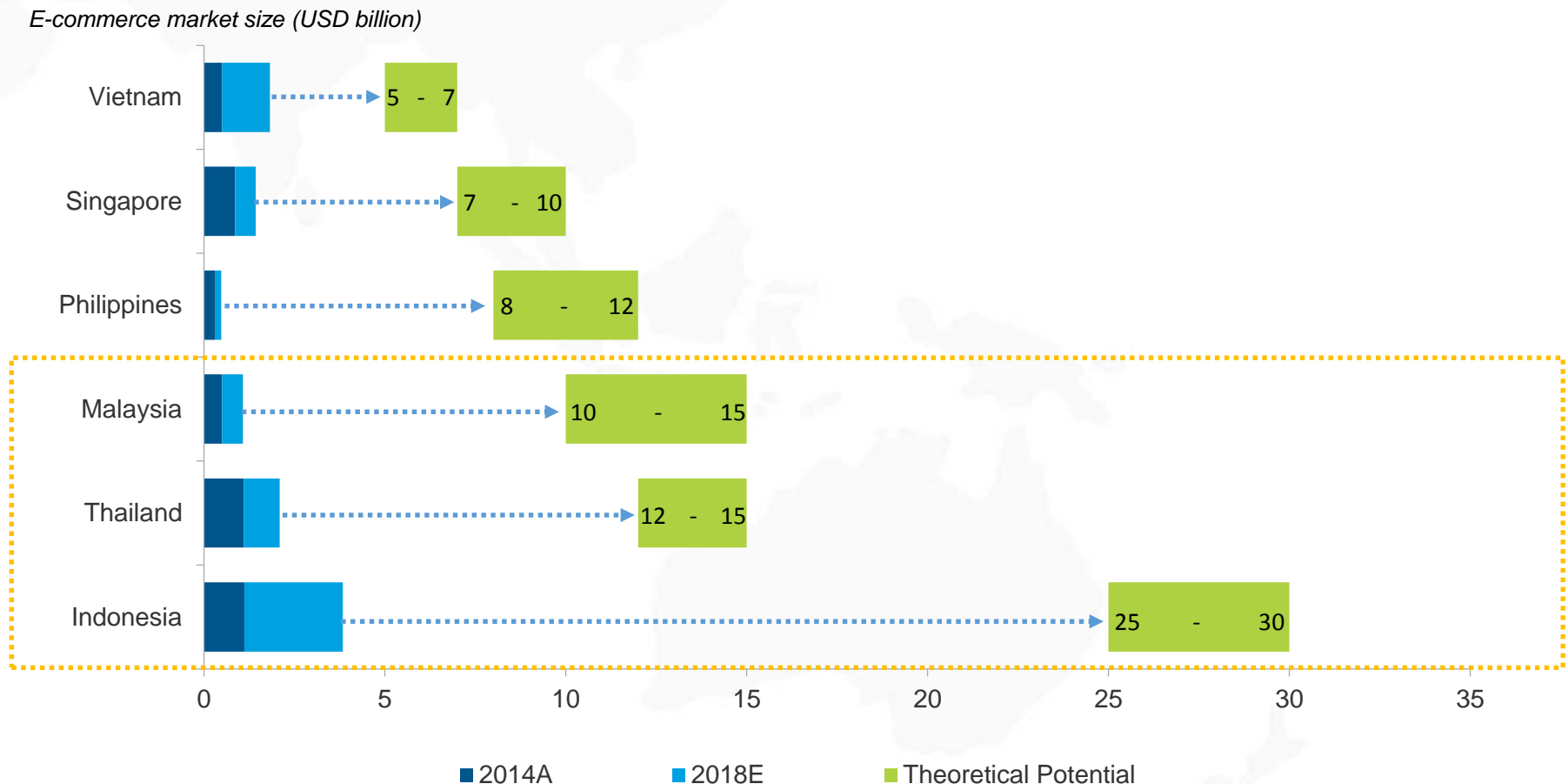
Source: CLSA report Sept 2015



# ASEAN's Market Potential is Massive



A.T. Kearney forecasts a theoretical e-commerce market size of **USD67 – 89 billion** for ASEAN in the future, with Thailand, Indonesia and Malaysia, having biggest growth potential



Source: eMarketer, A.T. Kearney analysis, Euromonitor



# In Only 5 Years..



	<u>2010</u>	<u>2015</u>
Internet Population	150M	225M
Internet Penetration	25%	36%
Social Platform	FB, Hi5, BBM	FB, LINE, Instagram, Twitter, Path
Mobile Choice	Nokia, Blackberry	Android, iPhone, BB
eCommerce Revenue	1Bn	7Bn
Payment Method	Bank transfer	Transfer, COD, Credit card, e-Wallet, e-banking
eCommerce Model	B2C retail, C2C Forum	B2C retail, B2C Marketplace, C2C Classified, B2B
Mobile Commerce	0%	30%

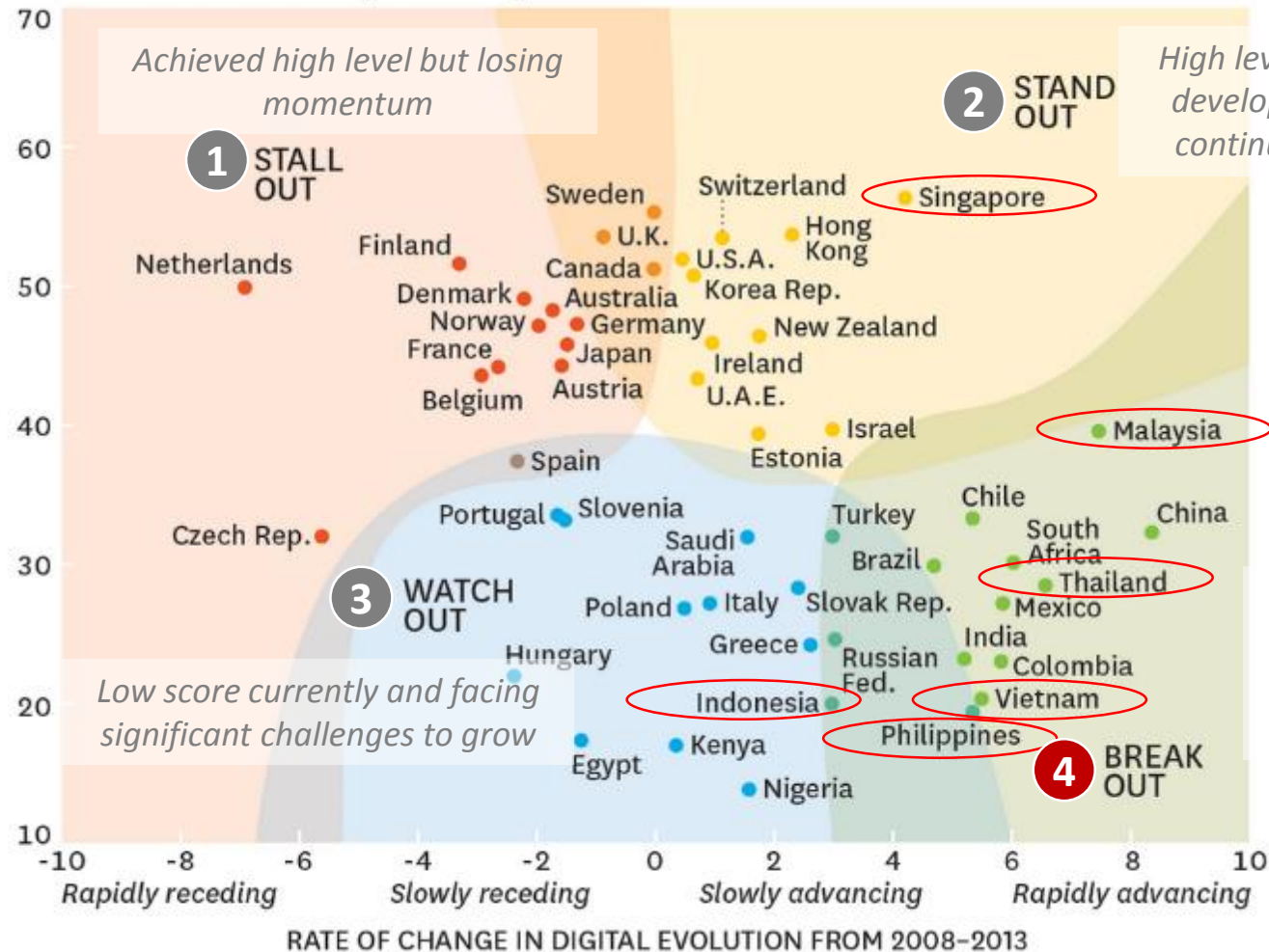
Source: We Are Social, Euromonitor, East Ventures, 2015



# Digital Development in Global Perspective



HOW COUNTRIES SCORED ACROSS FOUR FACTORS ON THE DIGITAL EVOLUTION INDEX (OUT OF 100)



Source: Digital Evolution Index, The Fletcher School at Tufts University, <https://hbr.org/2015/02/where-the-digital-economy-is-moving-the-fastest>

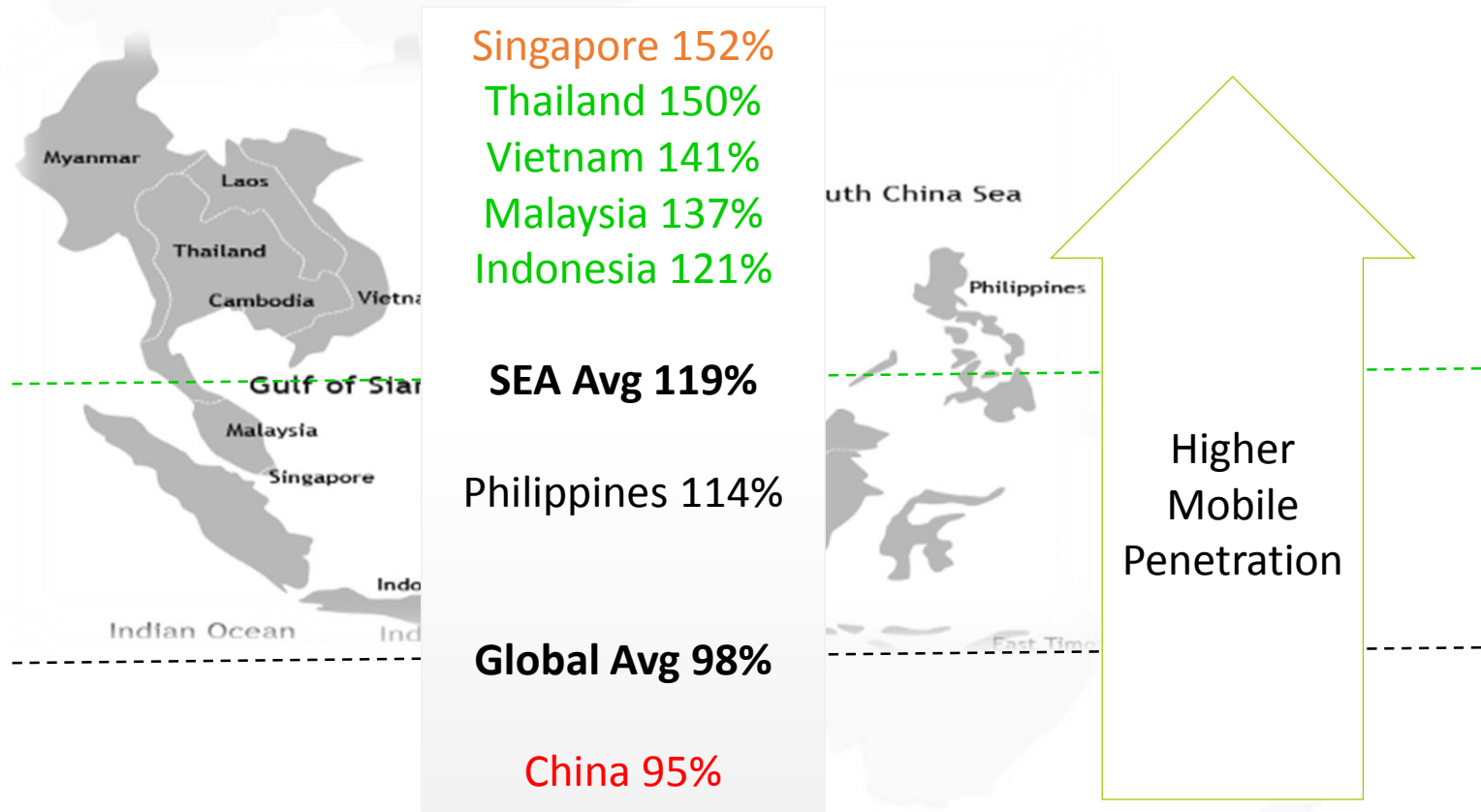


# Theme 2 - Mobile First, mobile is everything



All major SEA countries are now all above the global average in mobile penetration

## Country | Penetration



Source: Global web index, We Are Social Report Mar 2015

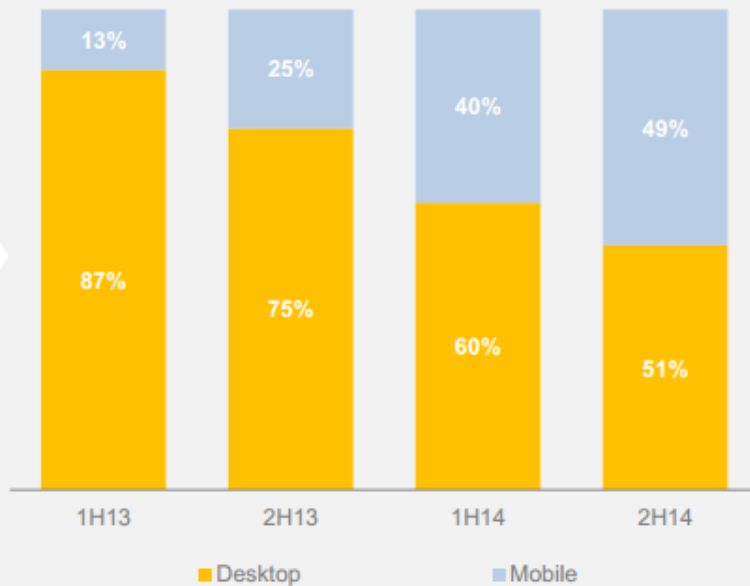


# Mobile-First Behavior

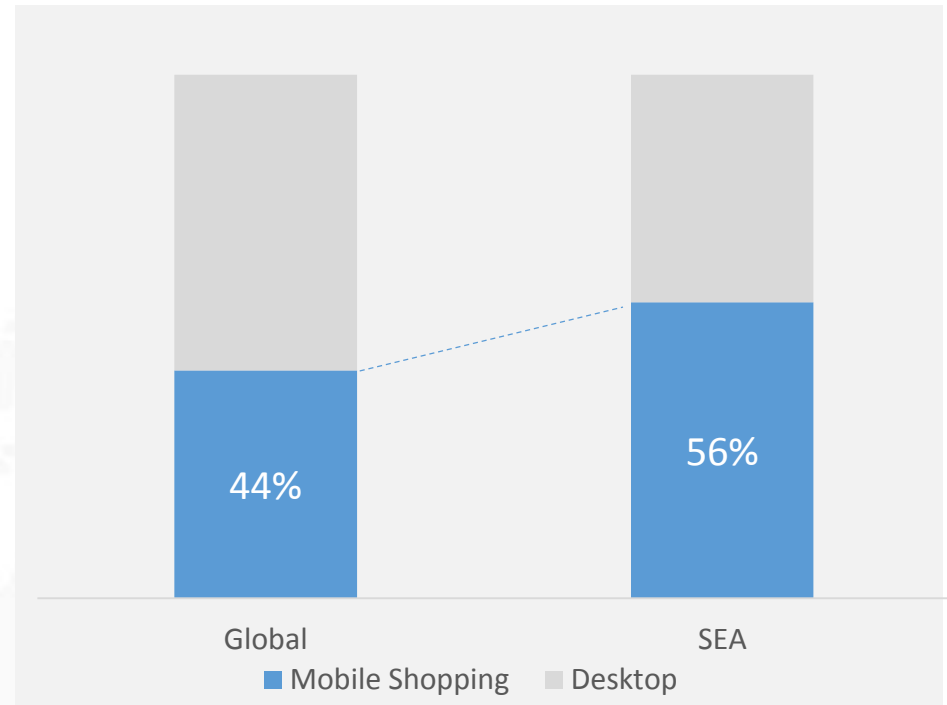


## Lazada Traffic Overtime

~50% TRAFFIC COMES FROM MOBILE



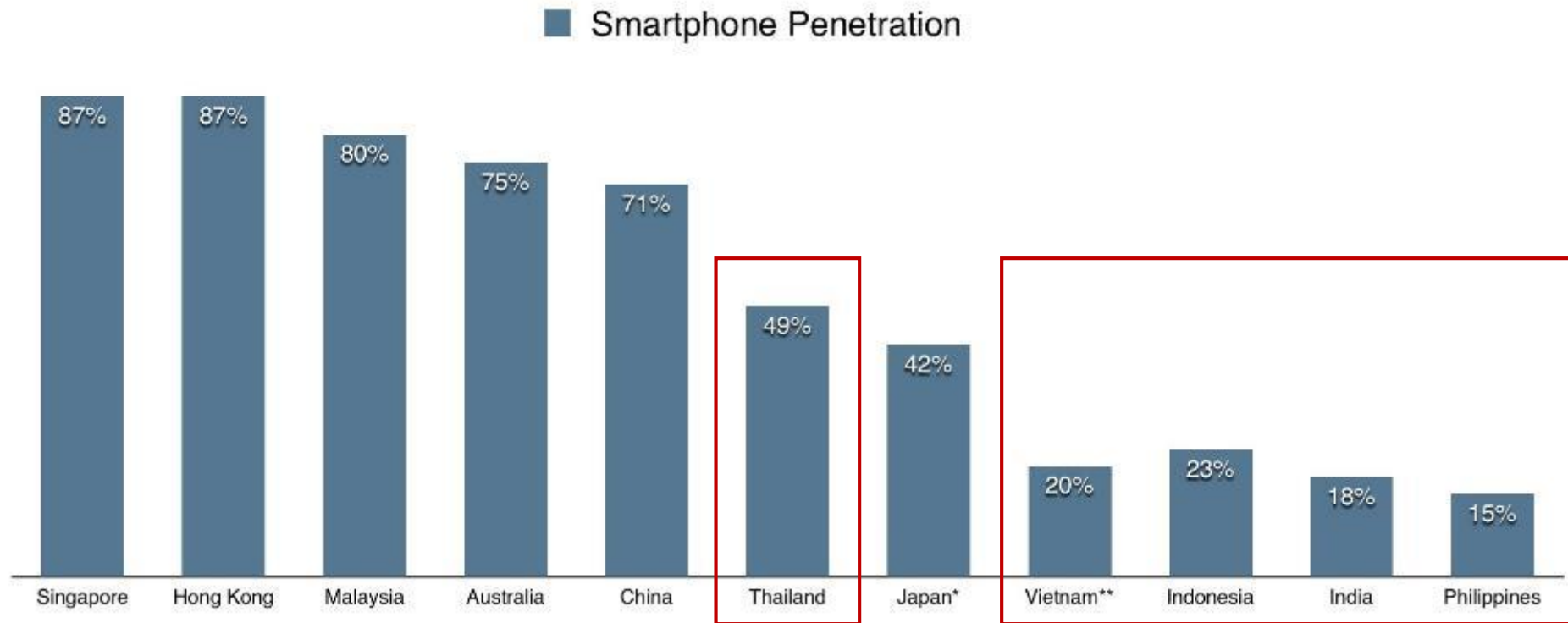
## Online Shopping Source



Source: Rocket Investor Presentation May 2015,



# Still Room for Smartphone Growth in SEA



Source: Nielsen 2014 Asian Mobile consumer report, <http://www.chandlernguyen.com/blog/2014/04/12/is-mobile-first-the-right-strategy-for-apac/>



# More Affordable Smartphones for Everyone



## Then

>\$500



## Now

**\$75-\$200** (51% mkt share, up from 46%)

>\$200

Xiaomi	Doogee	Elephone	Doogee
Xiaomi Redmi 2 Smartphones 4G LTE Snapdragon 410 64-bit 4.7" Screen	DOOGEE TURBO MINI F1 4G LTE Smartphone MTK6732 64bit 4.5 Inch QHD Screen	Elephone P6000 4G LTE Smartphone 5.0 Inch HD 64bit Quad Core Dual SIM	DOOGEE TITANS2 DG700 Quad Core 4.5" IPS Screen 4000mAh Waterproof IP67
★★★★★ 11 Review(s) \$440.00 <b>\$129.98</b> ADD TO CART	★★★★★ 1 Review(s) <b>\$119.98</b> ADD TO CART	★★★★★ 1 Review(s) <b>\$138.98</b> ADD TO CART	★★★★★ 1 Review(s) \$440.00 <b>\$139.98</b> ADD TO CART

Doogee	Doogee	Doogee	Leagoo
CUBOT X9 Smartphones Octa Core MTK6592 5.0 Inch HD IPS Screen Dual SIM	Doogee DG350 Smartphone 4- Core 4.7 Inch QGS HD Screen	Doogee DG800 Valencia Smartphone 4.5" Creative Back Touch Android 4.4	LEAGOO Lead 1 Smartphone 5.5 Inch HD Screen Quad Core Smart Wake
★★★★★ 3 Review(s) <b>\$149.98</b> ADD TO CART	★★★★★ 2 Review(s) <b>\$119.99</b> ADD TO CART	★★★★★ 3 Review(s) <b>\$128.98</b> ADD TO CART	★★★★★ 3 Review(s) <b>\$135.98</b> ADD TO CART

Samsung	Samsung	iPhone
32GB - \$200 64GB - \$300 128GB - \$400	32GB - \$300 64GB - \$400 128GB - \$500	16GB - \$200 64GB - \$300 128GB - \$400

**ASEAN already bigger  
than USA for  
smartphones**

EU: 170m

USA: 200m

**ASEAN: 220m**

(and growing faster)

Other brands: Oppo, OnePlus, Qmobile, Coolpad, Karbonn, Smartfren, Xolo, i-Mobile, Micromax, Himax, Mito, MyPhone, CherryMobile

Source: <http://techtrader.co.za/pavblog/blog&id=18>, <http://www.nextbuying.com/mobile-smart-phone-under-150/?mode=grid>



# Theme 3 – Social is the Foundation



	<u>Active Internet Users to Total Population</u>	<u>Active Social Media Users to Total Population</u>
Singapore	81%	91%
Malaysia	66%	56%
Thailand	54%	52%
Vietnam	45%	33%
Philippines	44%	42%
Indonesia	28%	29%
SEA Average	36%	34%
Global	42%	29%

Source: We Are Social Mar 2015 Report, Active internet users figure includes access via fixed and mobile connections, Active social media users represents active user accounts on the most active social platform in the country, not unique users



# LINE - Some Interesting Stats



- **600M+ users** worldwide and growing
  - From nothing in 2011
- **3 of top 10** countries are in SEA
  - **33M** users in Thailand (Feb 2015)
  - **30M** in Indonesia (Sep 2014)
  - **10M** in Malaysia (Sep 2014)
- **7%** of APAC adult internet users use LINE monthly
  - Vs. 5% for global
- **1.8bn stickers sent per day**
  - **250k** per month minimum charged on each sponsor stickers account

*Number of LINE stickers purchased 12.4M sets (Aug 2014)*



# Facebook – Some Stats from Thailand



- **Thailand has the 3rd largest Facebook population in the world with 35 million users**
- **Bangkok has more Facebook users** than any other city in the world with 20 million
- **Spend an avg. of 2.35 hours per day** on the site
- **34M+** using the site regularly every month
- **24M+** users access Facebook daily in Thailand
- **94%+ of users return** to Facebook every month
- **32M+** access Facebook on their mobiles
- **65%** used the platform to search for brand info
- **70% of Thais are connected to at least one SME's page** on Facebook
- **1.2M+ businesses** have an active page on the social-media platform
- **78% of Thais used Facebook to reconnect** with old friends and colleagues
- **Rolled out Instagram adverts** in Thailand, now has 7.1M active users a month
- **Launched Thailand office on 17 Sept**



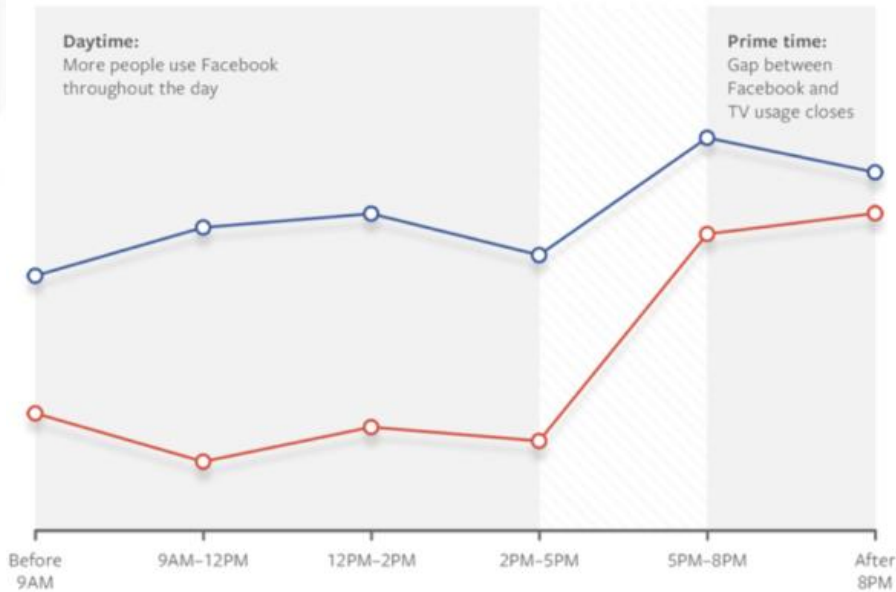


# Facebook: (First and) Second Screening



Thailand: Facebook and TV usage

Facebook TV

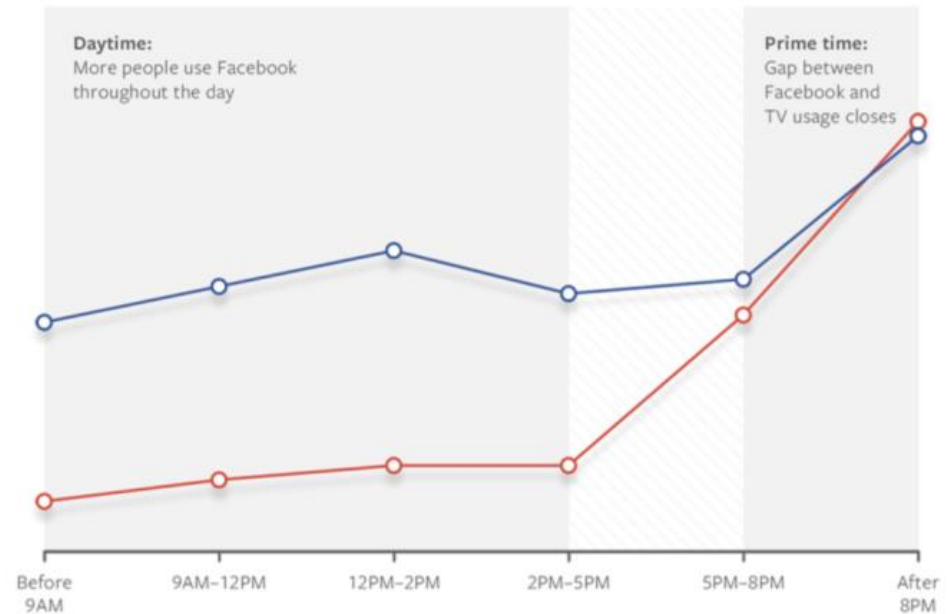


Source: Facebook-commissioned TNS study of people ages 16+ in Thailand, Jun 2014.

facebook IQ

Malaysia: Facebook and TV usage

Facebook TV



Source: Facebook-commissioned TNS study of people ages 16+ in Malaysia, Jun 2014.

facebook IQ

<http://www.socialmediatoday.com/social-business/adhutchinson/2015-08-08/facebook-releases-new-data-south-east-asian-market-report>

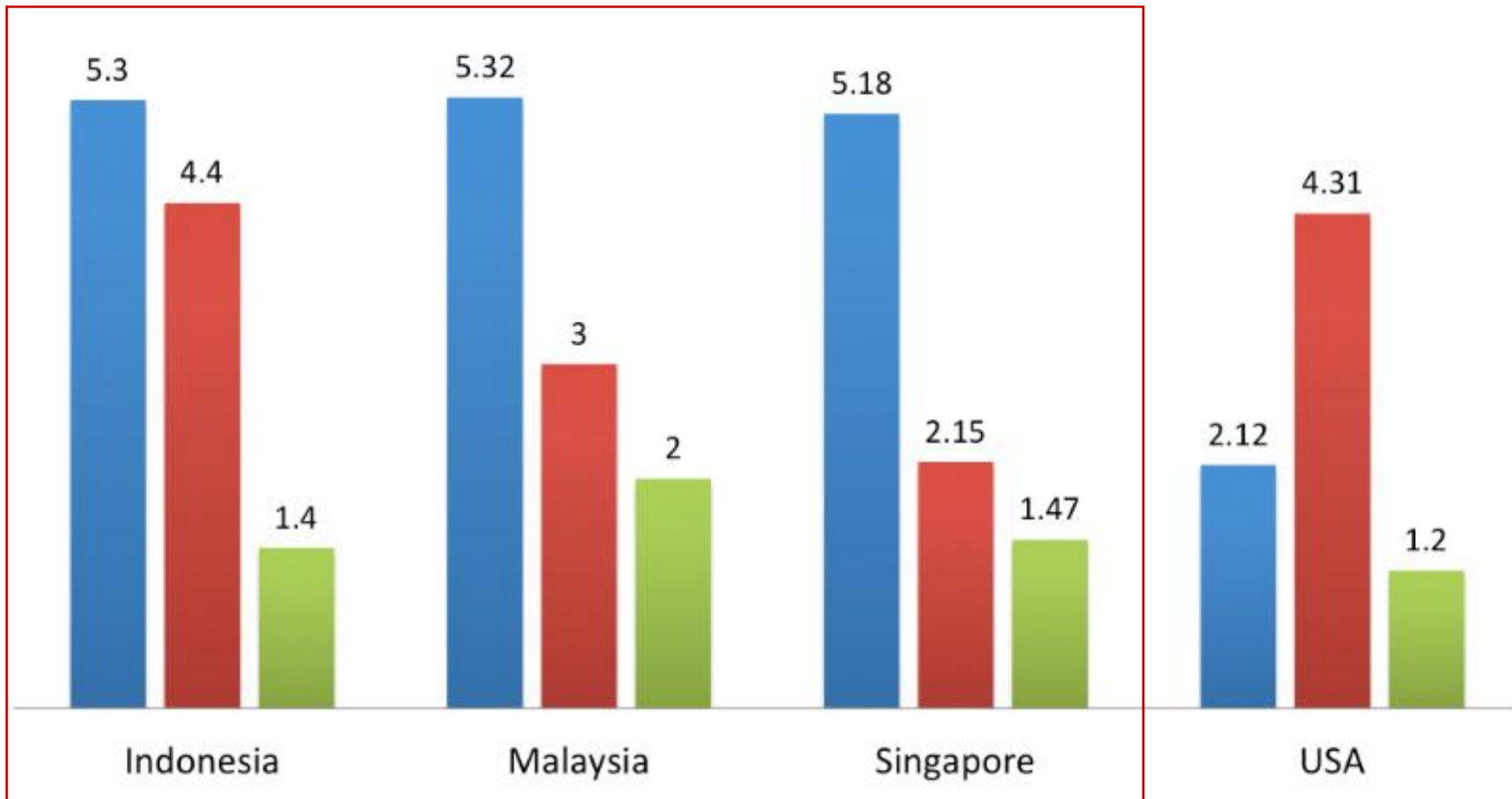


# Internet Has Surpassed TV in Most SEA



## Hours Spent Per Day on Media

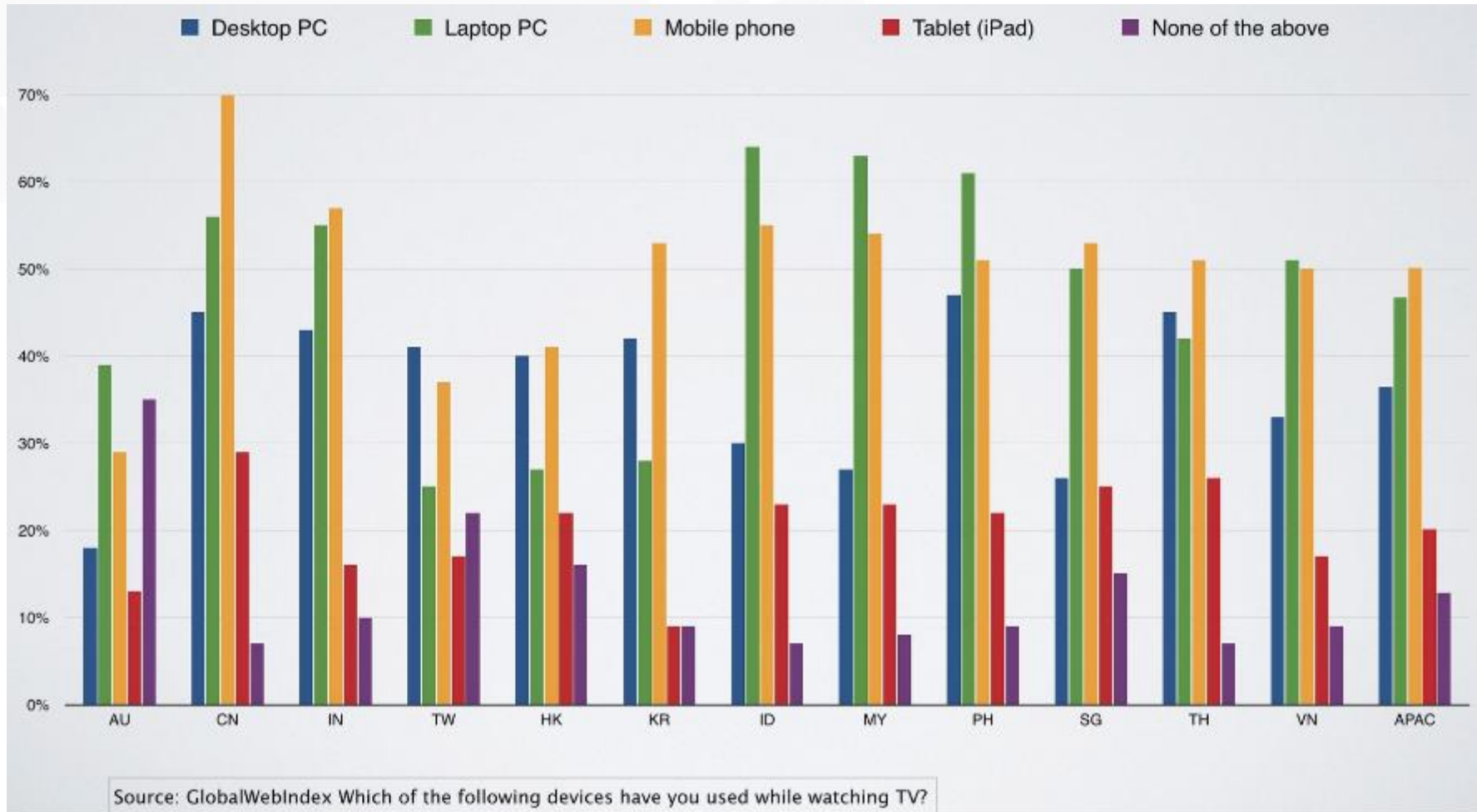
■ Internet ■ TV ■ Radio



Source: Nielsen; eMarketer 2014



# And 50%+ Use Mobile While Watching TV





# Facebook Plays in Discovery for Consumers



## People use Facebook as a discovery tool

On average for people ages 16+ across the Philippines, Thailand, Vietnam, Singapore and Malaysia, Facebook is where



first hear about  
a new game



first hear about a  
new product, brand  
or service



first hear about a new  
movie, album, book,  
festival or show



first hear  
breaking news

Sources: Facebook-commissioned TNS studies of people ages 16+ in the Philippines, Malaysia and Thailand in Jun 2014 and people ages 18+ in Singapore and Vietnam in Jan 2015.

<http://www.socialmediatoday.com/social-business/adhutchinson/2015-08-08/facebook-releases-new-data-south-east-asian-market-report>



## Theme 4 - Demographic Shift - Millennials Lead



Global average % of generations that make up online purchase intenders for 22 categories:

<u>Generation</u>	<u>Will Browse Online</u>	<u>Will Buy Online</u>
Gen Z (Under 20)	6-9%	5-9%
<b>Millennials (21-34)</b>	<b>49-59%</b>	<b>52-63%</b>
Gen X (35-49)	25-28%	25-30%
Baby Boomers (50-64)	7-13%	6-13%
Silent Generation (65+)	1-3%	1-3%

Source: Nielsen Global Survey of Economics 2014



# In TH 65+ Browse the Least, Buy the Most



In Thailand, data from multi-category ecommerce marketplace:

<u>Generation</u>	<u>Ecommerce Conversion Rate</u>	<u>% of Sessions</u>
18-24	0.7%	24%
<b>25-34</b>	<b>1.1%</b>	<b>42%</b>
35-44	1.7%	22%
45-54	1.1%	9%
55-64	0.8%	3%
<b>65+</b>	<b>2%</b>	<b>1%</b>

Source: aCommerce Internal Data



# In ID, Millennials Browse Most and Convert



In Indonesia, data from multi-category ecommerce marketplace:

<u>Generation</u>	<u>Ecommerce Conversion Rate</u>	<u>% of Sessions</u>
18-24	1.4%	39%
<b>25-34</b>	<b>1.9%</b>	<b>42%</b>
35-44	1.5%	10%
45-54	1.3%	5%
55-64	1%	2%
<b>65+</b>	<b>2%</b>	<b>2%</b>

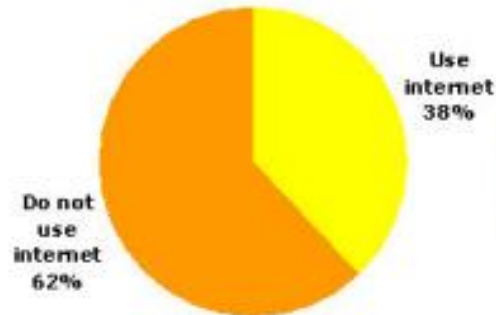
Source: aCommerce Internal Data



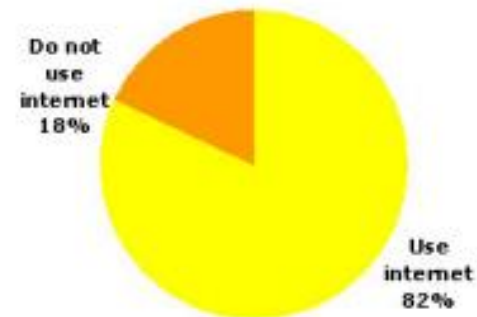
# Baby Boomers SEA vs. USA



  
Current internet penetration  
amongst Boomers in Singapore

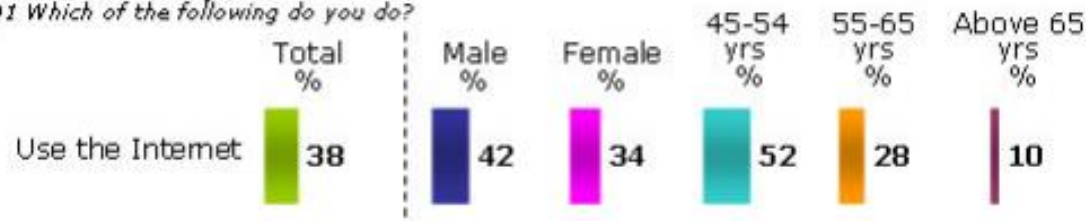


  
Current internet penetration  
amongst Boomers in the US



## Media consumption

Q1 Which of the following do you do?



**19% of internet using baby boomers in Singapore shop online**

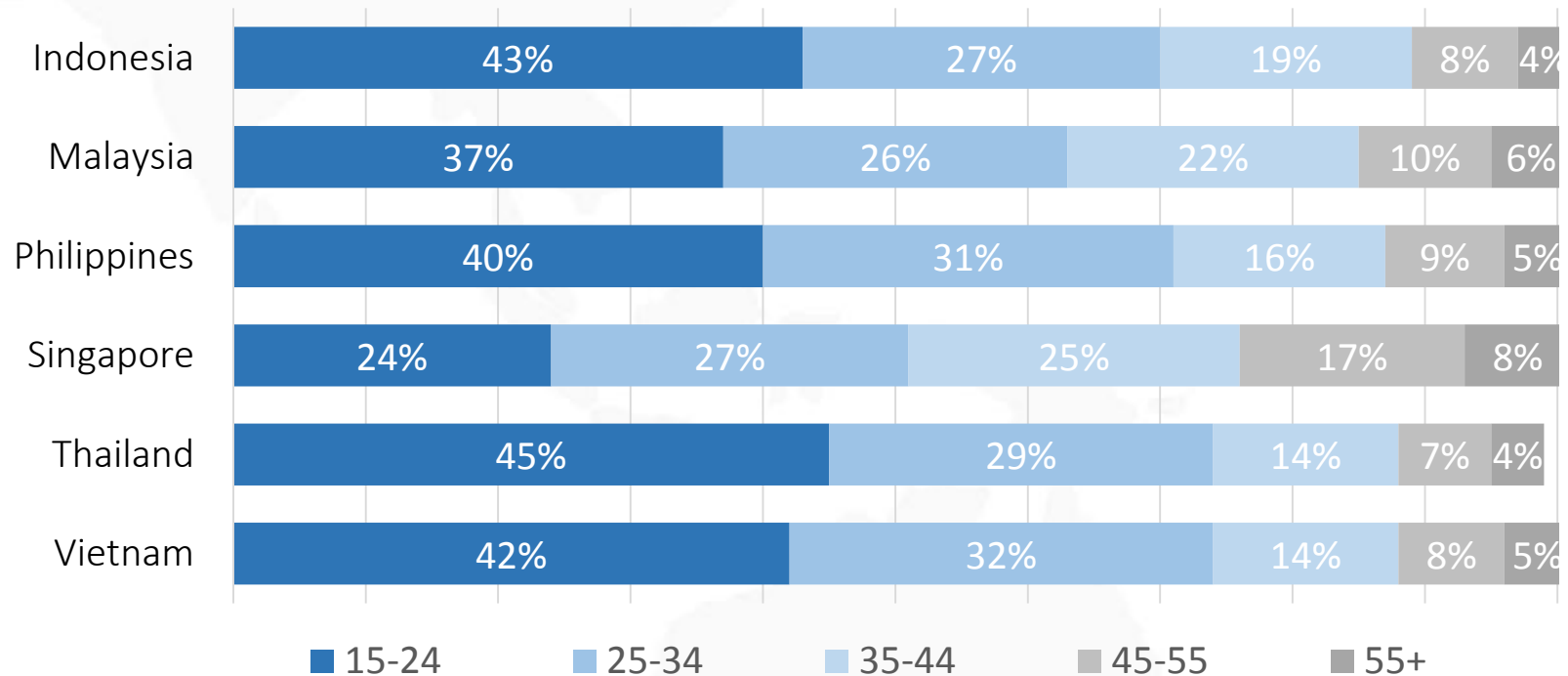
Source: <https://s3-ap-southeast-1.amazonaws.com/c3a-java-files/5f5a4384216a74717302d8effebc20ad.pdf>



# Young: More Than 67% Are Under 35 Yrs...



## Age profile of ASEAN netizens



Source: UBS report "ASEAN E-commerce" / Global Demographics 2014





- Generational distribution and purchase behavior is consistent across every product category
  - **Once an online shopper, always an online shopper**
- Retailers should focus attention across **ALL** generations
  - As consumers age, online prominence will also increase
  - Focus on CLV at the earliest stage, even at 65+
  - Building ecommerce trust early in SEA is critical
  - SEA online shoppers are **deal and promotion driven**





## Top 10 Products & Services Bought Online

- 1 Travel services (e.g. flight, accommodation)**
- 2 Vouchers/ online coupons**
- 3 Entertainment services (e.g. movie tickets)**
- 4 Clothing and other apparel
- 5 Books and media (e.g. music, movies)
- 6 Bags and shoes
- 7 Insurance/ financial services
- 8 Consumer electronics (e.g. laptops, smartphones)
- 9 Skincare and personal care products
- 10 Jewelry, custom jewelry and accessories



Source: Reader's Digest, "Trusted Brands 2013" conducted by Ipsos, May 21, 2015



# What do Indonesians Buy Online?



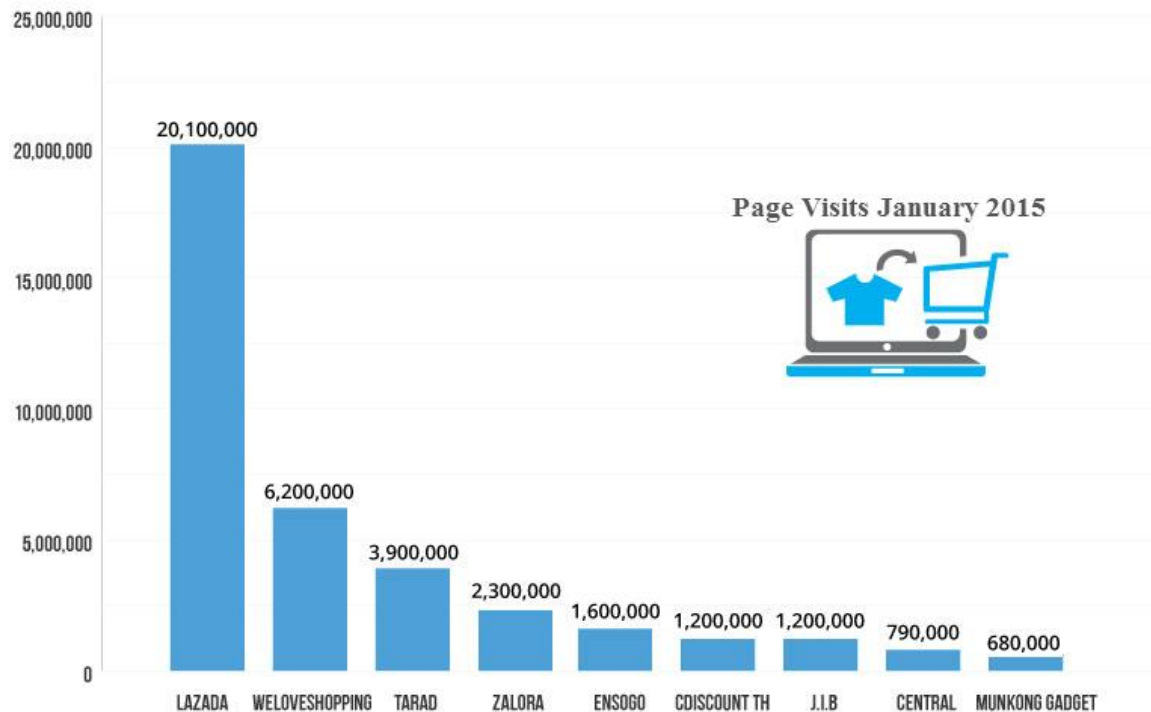
Source: ysats online survey (2014)



# What do Thais Buy Online?



## TOP 10 E-COMMERCE SITES IN THAILAND



### Leading Categories

- Electronics
- Fashion
- Beauty

Source: aCommerce

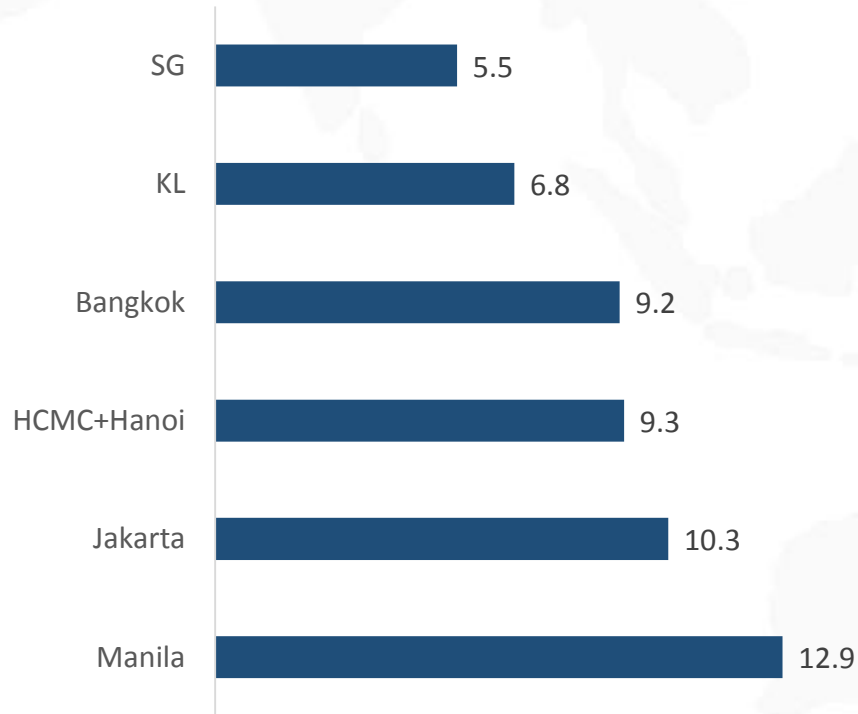


## Theme six – Urban/Rural. 54 Million are in Major Cities



5.4x Seoul, **67x San Francisco**, 40% more than California

Population (in Millions)



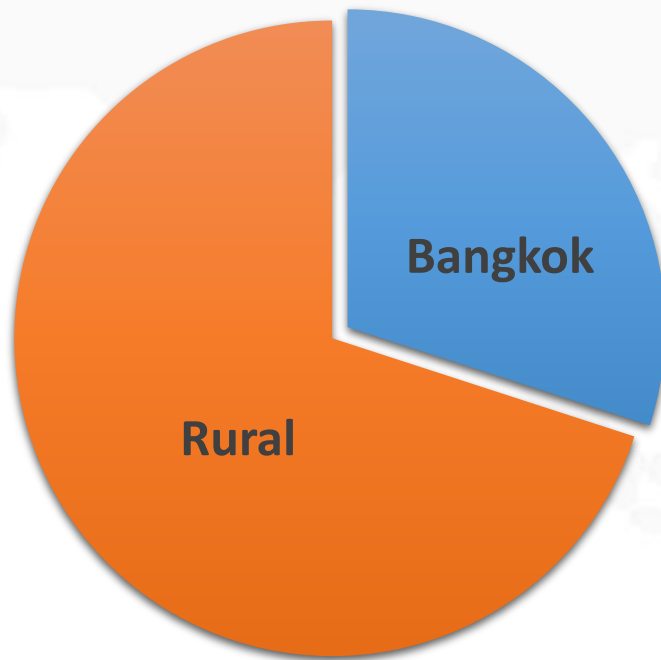
Source: CIA World Factbook



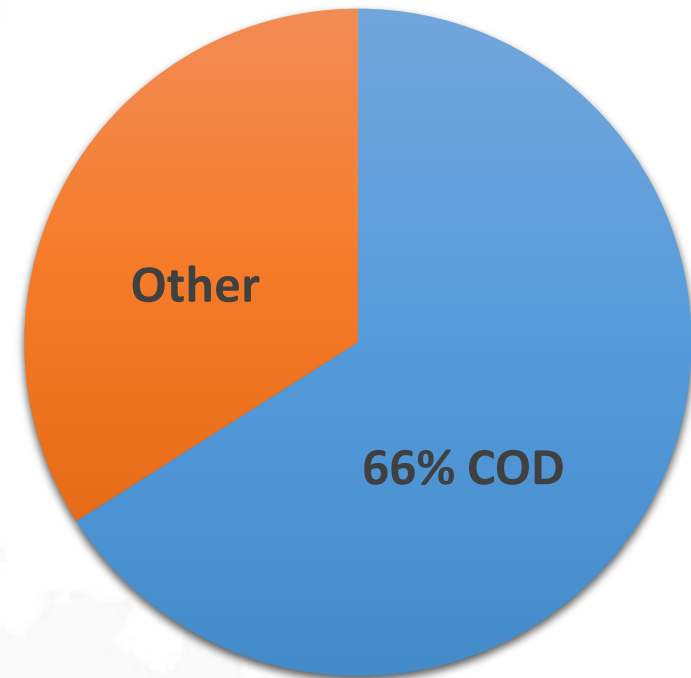
# 2015 Ecommerce Outlook in Thailand



## Bangkok vs. Rural Buyers



## Payment Method



- Average Order Value = 24% more for Bangkok orders compared to rural
- Most popular browser = Google Chrome

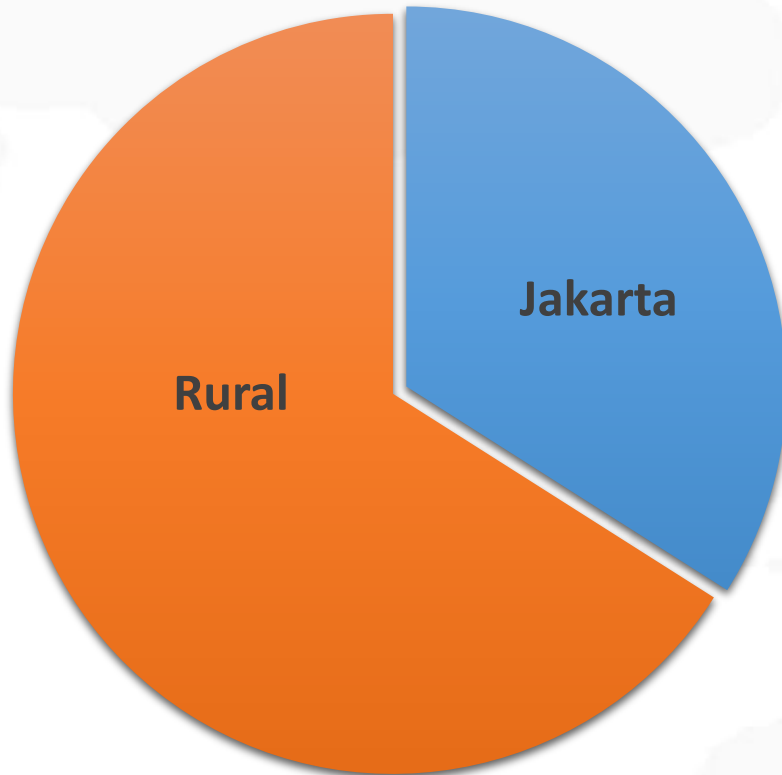
Source: aCommerce Internal Data



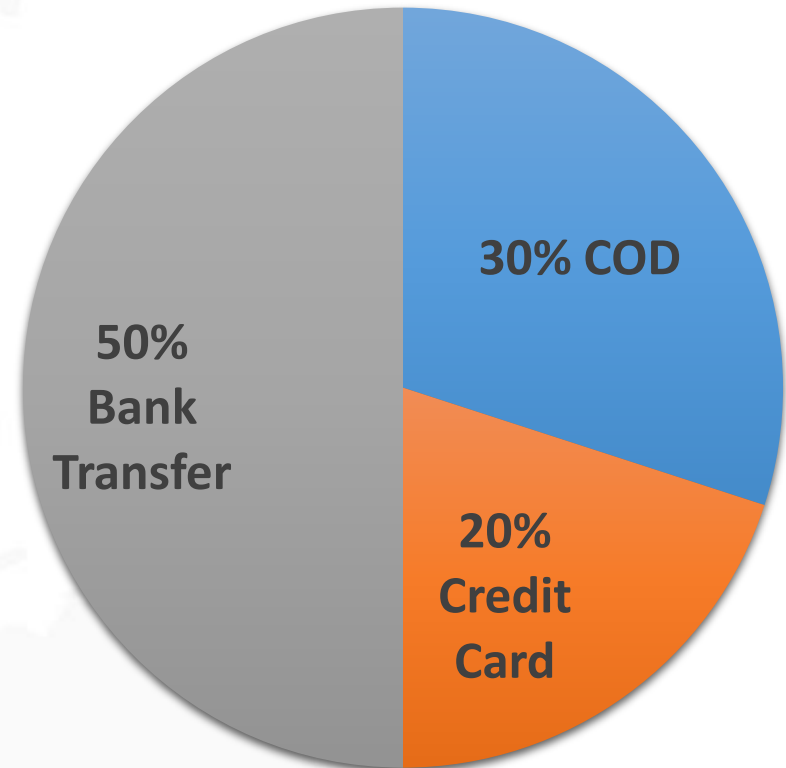
# 2015 Ecommerce Outlook in Indonesia



Jakarta vs. Rural



Payment Method



- 52% shoppers are women
  - Most popular browsing hour: 1am
  - Peak buying hours: 12pm-3pm (lunch)

Source: aCommerce Internal Data



# Comparing SEA Online Landscape



## SEA ONLINE SNAPSHOT



**630 million**  
Total Population

**45:55**  
Urban: Rural



**220 million**  
Internet Users

**36%**  
Internet  
Penetration



**211 million**  
Active Social  
Network Users

**34%**  
Social Network  
Penetration



**119%**  
Mobile  
Penetration

## GLOBAL ONLINE SNAPSHOT

**53:47**  
Urban: Rural

**42%**  
Internet  
Penetration

**29%**  
Social Network  
Penetration

**98%**  
Mobile  
subscriptions  
Penetration

## IMPLICATION FOR SEA

**Effective reach  
to upcountry  
population**

**Relatively low  
internet  
penetration but  
going up fast**

**Crazy about  
social media**

**Everyone has at  
least 1 cell  
phone**

Source: Global Digital Statistics Jan 2015



# Theme 7 – challenges for incumbents



- **Sales cannibalization** of offline operations
- **Discounted prices** and margin pressure
- **Offline store-opening** opportunity overstated
- **Channel integration** will be a major challenge
- **Profit focus** can be a disadvantage
- **New online ventures** will initially be loss-making
  - Lazada. Is at a \$1B GMV runrate!!
    - **EBITDA margin % of net revenue: -95%**
- Matahari Mall as example – raising \$200M

Source: CLSA report Sept 2015, Rocket 2014 Results

1) 2014 performance of listed offline retailers under CLSA coverage



# Closer Look into the Unicorns



Company	Valuation	Country	Sector
Xiaomi	46.0	China	Hardware
Flipkart	15.0	India	eCommerce/Marketplace
DJI Innovations	10.0	China	Hardware
Lufax	10.0	China	Fintech
Kuaidi Dache*	8.8	China	On-Demand
Meituan	7.0	China	eCommerce/Marketplace
Dianping	4.1	China	eCommerce/Marketplace
VANCL	3.0	China	eCommerce/Marketplace
Snapdeal	2.5	India	eCommerce/Marketplace
Olaabs	2.4	India	Transportation
Trendy Group International	2.0	China	Clothing & Accessories
Coupang	2.0	South Korea	eCommerce/Marketplace
One97 Communications	2.0	India	Fintech
Mu Sigma	1.5	India	Big Data
Koudai Gouwu	1.4	China	eCommerce/Marketplace
Lazada	1.3	Singapore	eCommerce/Marketplace
Quikr	1.0	India	eCommerce/Marketplace
Zomato Media	1.0	India	Social
InMobi	1.0	Singapore	Adtech
Mogujie	1.0	China	Social
Fanli	1.0	China	eCommerce/Marketplace
iwjw.com	1.0	China	eCommerce/Marketplace
Panshi	1.0	China	Adtech
BeiBei	1.0	China	eCommerce/Marketplace
GrabTaxi	1.0	Singapore	Transportation
Yello Mobile	1.0	South Korea	Mobile Software & Services

- Out of **130 unicorns** earlier this year, **30 are from Asia**, of which **13 are in eCommerce**

Source: CB Insights



# SEA's Recent Sizeable eCommerce Deals



## Company

## When?

## Deal

## Round Size



Aug 2015

July 2014

Bridge

Series B

Garena and Eduardo  
Saverin

USD26.7mm

USD23.0mm



July 2015

Acquired by



Undisclosed  
(8 digits)



May 2015

Rights Issue

USD5.0mm

June 2014

Raised Series A

USD10.7mm



April 2014

Acquired by






USD18.5mm



# SEA Companies Recently Raised Over \$100M



Company	When?	Deal	Round Size
	Aug 2015	Chinese investors	USD 350 mm
	Dec 2014	Soft Bank	USD250 mm
	December 2014	Led by Temasek Holdings	USD249 mm
	October 2014	Raised from Softbank and Sequoia Capital	USD100 mm



# Next?



	<u>2015</u>	<u>2020</u>
Internet Population	225M	360
Internet Penetration	36%	62%
Social Platform	FB, LINE, Instagram, Twitter, Path	?
Mobile Choice	Android, iPhone, BB	+Xiaomis?
eCommerce Revenue	7Bn	70Bn
Payment Method	Transfer, COD, Credit card, e-Wallet, e-banking	+Fin tech, on-demand, social discovery?
eCommerce Model	B2C, C2C, B2B	
Mobile Commerce	30%	





- **BIG:** bigger than US (2x), bigger than EU
- **Young and rich:** much younger population than US and EU and becoming richer
- **Internet focused:** more time spent on the internet than other media
- **Mobile:** well over 100% penetration in most markets
- **Social:** everyone is on social media (Facebook, LINE)
- **Growing fast:** eCommerce CAGR 2011-2014 is 25.1%
- **Inflection point:** both eCommerce and funding in the region is growing ever faster than before
- **Less competition:** not (yet) dominated by global players
- **Capital available:** funding available from seed to growth





# Thank You

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