TECH FOR GOOD INSTITUTE

# The Platform Economy:

# Southeast Asia's Digital Growth Catalyst

Research Partner

BAIN & COMPANY

# Reference

The Tech for Good Institute has produced this report as its first publication with an intention to provide a broad introduction on the topic of the Platform Economy in Southeast Asia and set the stage for further work. Bain & Company is the Lead Research Partner. The information included in this report is sourced as "Tech For Good Institute and Bain, Platform Economy in SEA 2021" except from third parties as specified otherwise.

# Disclaimer

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# Why this report

Please refer to the full report document for more detailed commentary and insights

- Online-to-offline (O2O) platforms ("Platforms") facilitate transactions among users with both online and offline components (e.g. online purchase of physical goods that are then delivered offline).  These Platforms are unique in which they require both physical and digital infrastructure to function.

- The O2O Platform Economy ("Platform Economy"), which consists of economic and social activities between users that are facilitated by these Platforms, has become a frequent topic of discussion across Southeast Asia ("SEA") in many policy areas, including their role in the digitalization of the economy, labor and employment, competition, consumer protection and privacy, among other topics. Given the fast-evolving nature of Platforms, they can be more complex than they appear on the surface and are not always well understood.

- To support the policy discussions on Platforms in SEA, Tech for Good Institute has commissioned this report as its first publication with an intention to provide a broad introduction on this topic. In doing so, this report will also set the stage for further work, including subsequent deep-dives into challenges and issues in supporting the Platform Economy in SEA, that will not be covered in detail here.

# Report methodology

Bain analysis

SEA- 6 consumer and MSME survey

Grab insights and data

Experts interview and industry sources

## Advisor Group

- Mr Tim Murphy, Chief Administrative Officer for Mastercard
- Mr Kai-Fu Lee, Chairman and CEO of Sinovation Ventures
- Ms Sati Rasuanto, Co-Founder and CEO of VIDA

## Contributor Group

This study was prepared in collaboration with the World Economic Forum who provided access to its diverse executive community in Southeast Asia and its platform for consultations, as well as shared guidance on effecting system change and approaching public-private collaboration opportunities, helping further sharpen perspectives in the paper.

The authors of this report are also grateful to the following contributors for their insights and feedback.
Ant Group, Capgemini, Carro, FinAccel / Kredivo, FPT Software, Futurise, Insignia Ventures, Kaodim, Klook, LinkAja, Malaysia Digital Economy Corporation, Microsoft, Ministry of Communications and Information (Singapore), Ministry of Entrepreneurship Development and Cooperatives (Malaysia), Ministry of Information & Communications (Vietnam), MUFG Bank, OVO (PT Visionet Internasional), PayPal, Recommend Group / Sejasa, Singtel, Stripe, and Wise

# Report scope

**Market coverage:**
6 Southeast Asian countries

**589M**

**Total population** across the 6 countries

**Sector coverage:**
4 leading online-to-offline (O2O) platform sectors

- e-Commerce
- Transport / Ride Hailing
- Food Delivery
- Digital Financial Services (Payment, Remittance, Lending, Insurance, Investing)

# Our perspective – in a nutshell

| | |
|---|---|
| **Platforms have transformed how we work, socialize and create economic value in SEA** | The largest home-grown SEA platforms are O2O in nature – they are very different from information platforms in that they need both physical and digital infrastructure to function. |
| **Platforms are a key part of SEA's digital economy growth** | Beyond the GMV growth observed, Platforms have invested in and helped in building SEA's digital economy through infrastructure development (e.g., scale investments in digital payments, logistics network), and bringing access and convenience to consumers and Micro, Small and Medium Enterprise (MSMEs) during the COVID-19 pandemic. |
| **The Platform Economy is developing rapidly in SEA as seen via our inaugural edition of the New Economy Progress Index (NPI)** | Good progress has been made in digital and physical infrastructure development. Two priorities stand out:<br>1) continued improvement in connectivity and logistics infrastructure, especially in non-urban areas, and<br>2) strengthening the population's digital skills to drive further consumer and MSME participation. |
| **Consumer and MSME perception of platforms is overwhelmingly positive** | 80% of both surveyed consumers and MSMEs agree that platforms have brought significant value and benefits in terms of how they transact. |
| **As with any technology/ innovation, there are challenges/ risks that SEA needs to manage in the Platform Economy** | Many countries are still exploring options to manage the challenges of the Platform Economy and SEA is no different. With the benefits that the Platform Economy brings to SEA and SEA's own unique set of circumstances and stage of development, SEA should chart its own course to strike the balance between capturing the benefits of platforms while managing potential challenges and risks. |
| **The time is now for SEA to work together to navigate the Platform Economy for all** | The Platform Economy can be a powerful force for stronger and inclusive development in the next decade.<br>Four key priorities for SEA:<br>(1) Close collaboration between regulators and market participants on policy development and execution<br>(2) An iterative and adaptive approach to deal with the evolving challenges<br>(3) Responsible and sustainable development of the Platform Economy<br>(4) Regional ASEAN coordination to maximize impact. |

# Key statistics at a glance

## Southeast Asia has the foundations for a vibrant Platform Economy ...

**7 in 10**

SEA-6 population aged 15+ had **used ≥1 O2O** services in past 12 months

**1 in 5**

MSMEs **are on e-commerce platforms**, of which **half have increased their share of revenues** from Platforms vs. 1-2 years ago

## ... with Platforms having a positive impact on MSMEs and consumers

**80%**

MSMEs agree they need to use **Platforms to succeed in the future**

**78%**

Consumers agree that Platforms have had a **positive influence on their quality of life**

## Opportunity exists to unlock further potential in the Platform Economy

**8%**

**Online food and e-commerce sales**, as % of total food and retail sales

**1 in 4**

Consumers using **three and more O2O services**

Source: SEA-6 O2O Platforms Consumer Survey by Bain & Company, May 2021 (N=2,800); SEA-6 O2O Platforms MSME Survey by Bain & Company, May 2021 (N=666); Bain-Facebook 'Digital Consumers of Tomorrow, Here Today' report; Euromonitor, Bain analysis based on data from Fitch Solutions, Forrester, GlobalData, GSMA Intelligence, Ookla; Asian Development Bank – Asia Small and Medium-Sized Enterprise Monitor 2020, October 2020; Indonesia Ministry of Cooperatives and Small and Medium Enterprises; Philippines Department of Trade and Industry; Malaysia Digital Economy Corporation

# SEA remains an exciting growth region

## Potential for large impact on internet e-conomy

### Southeast Asia makes up

**5th**
**Largest economy in the world**
Projected to become 4th largest economy by 2030

**US$3T**
**Annual GDP**
Estimated 5.5% growth per year for next decade

**8%**
**World's population**
57% of ASEAN population under age 35

**24%**
**ASEAN population in middle class**
Projected to reach 51% of population by 2030

### Internet economy size

**Internet users in SEA-6 (M)**

| 2015 | 2020 | 2025 |
|---|---|---|
| 255 | 400 | 525 |

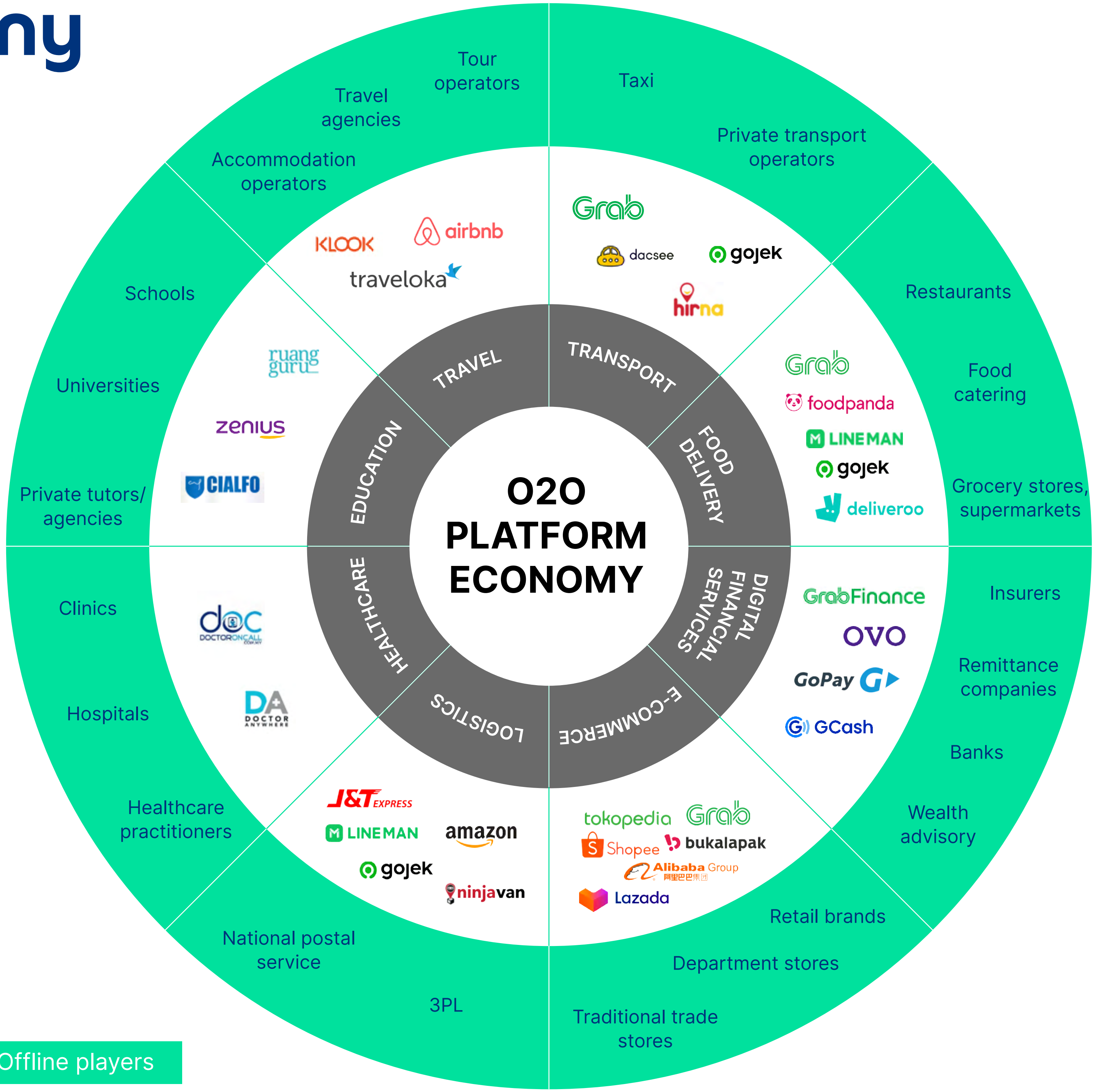
**SEA-6 internet economy (GMV, US$ B)**

| 2015 | | 2020 | | 2025 |
|---|---|---|---|---|
| 32 | 27% CAGR → | 105 | 24% CAGR → | ~300 |

Source: Facebook-Bain 'Digital Consumers of Tomorrow, Here Today' report; Enterprise Singapore report; US-ASEAN Business Council report, Euromonitor

# O2O Platforms have brought many offline experiences online in Southeast Asia

- A large set of global and home-grown O2O **Platforms are present in Southeast Asia**
- These Platforms are **onboarding consumers, partners, and merchants** into the Platform Economy
- Platforms are also accelerating **investments and innovation to address infrastructure challenges,** and facilitate more seamless O2O experiences




Legend: O2O platforms | Offline players

Source: Bain analysis

# New Economy Progress Index

## 2021 Southeast Asia score

**New Economy Progress Index designed to measure progress of the Platform Economy in SEA**

- Consists of **four broad dimensions**
- Provides **framework** for countries to better understand and identify areas of current strength or weakness
- **Results viewed as a benchmark** to measure starting point of each country's Platform Economy development

**SEA-6 41%**

### Digital infrastructure
**49%**

Mobile internet subscribers: 55%
Mobile wallet users: 43%

Weighted by 18+ population

### Physical infrastructure
**31%**

Same-day delivery: 28%
Mobile internet download speed: 35%

Weighted by 18+ population

### MSMEs
**34%**

Online food and e-commerce sales: 8%
Digital MSME sales from Platforms[2]: 61%

Weighted by total retail and food sales, number of surveyed MSMEs respectively

### Consumers
**47%**

Digital consumers[1]: 69%
Population using 3+ O2O services: 25%

Weighted by 15+ population

- **Great strides made on digital infrastructure –** 1 out of 2 of SEA-6 population use mobile internet and digital payments
- **More can be done on physical infrastructure –** increased coverage of same-day delivery and mobile speed
- **While consumer & MSME adoption have increased, more can be done on depth –** opportunity to increase total online sales (8%) and consumers' depth of usage (25%)

Note: [1]Digital consumers are consumers who had made an online purchase in the past 12 months [2]Surveyed MSMEs who are already Platform users
Source: Bain analysis with data from Euromonitor, Forrester, GlobalData, GSMA Intelligence, Ookla

# The Platform Economy has significant potential to improve lives across Southeast Asia

### Improved consumer options and experience

**8 in 10**

consumers have **more options** using Platforms

### New livelihood & income opportunities

**5 M**

**Grab Driver-partners** as of Dec 2020

### Rising MSME reach and productivity

**8 in 10**

MSMEs have **greater reach** through Platforms

### Digital payment infrastructure and financial inclusion

**>70%**

Digital lending users **did not have prior access to loans**

### Accelerated logistics infrastructure development

**US$ 3B+**

investment in **SEA-6 e-commerce logistics** (2019-Q1 2021)

### Technology ecosystem building and innovation

**1,000+**

**start-ups** 'founded by' 1st gen SEA Platforms

Source: SEA-6 O2O Platforms Consumer Survey by Bain & Company, May 2021 (N=2,800); SEA-6 O2O Platforms MSME Survey by Bain & Company, May 2021 (N=666); Grab Investor Presentation April 2021; TechInAsia; LinkedIn; Bain analysis

# SEA will need to find the right balance between solving for issues and realizing benefits in the Platform Economy

## SEA will have to consider mitigating potential issues

### Competition
Creating fair and open access access for smaller players

### Consumer protection
Progressing consumer rights in the Platform Economy

### Future of work
Safeguarding interests of platform participants and wider labor population

### Digital divide
Making the Platform Economy work for the many, not just the few

## While realizing the benefits that Platforms bring

### Continued investment in infrastructure
Enabling a continued SEA-wide growth story to attract private investments for infrastructure development

### Reach the underserved
Allowing Platforms to leverage network effects to achieve sustainable economics in serving rural areas

### Drive affordability and wider options
Leveraging data to offer better consumer experience and product options

### Improve livelihoods
Introducing new and flexible employment options that cater to needs of various segments of the population

# SEA policymakers and Platform stakeholders to consider policy objectives and stage of the Platform Economy growth when navigating challenges

| Challenges | Example policy considerations and trade offs |
| --- | --- |
| Competition | How does SEA continue to be attractive for large scale regional platforms to attract the investments needed for the next stage of infrastructure development in the Platform Economy?<br>How do we encourage the innovation and growth for local platforms, alongside larger regional platforms? |
| Consumer protection | How do we let businesses use consumer data for better service experience while protecting the consumer?<br>How do we create a consumer data protection policy that is not overly burdensome for both MSMEs and large platforms to implement? |
| Future of work | How do we safeguard the interests of platform participants (e.g., gig economy workers, merchants) while ensuring platform economics are scalable?<br>How do we support the transition of the wider labor population to the new digital economy? |
| Digital divide | How do we ensure it is economically attractive for platforms to serve the underserved, to minimize the Digital divide?<br>How do we support the growth of the Platform Economy to be more equitable? |

**Critical to share responsibilities across Platform stakeholders to collaboratively advance Platform Economy; Smart regulation is more effective than over-regulation**

# Priorities for Southeast Asia

## To develop well-tailored solutions that maximize benefits from the Platform Economy while mitigating the issues and risks

### Stakeholder collaboration

Co-create smart, grounded and implementable solutions that meet policy intent, while promoting policy predictability and transparency

Bring together resources (e.g., know-how, financial capabilities) for long-term meaningful public-private partnerships to amplify benefits for communities

### Iterative and adaptive

Maintain ongoing engagement with Platforms while tailoring solutions to development needs of SEA Platform Economy

Reinvent policy tools and use innovative experimentation (e.g., regulatory sandboxes) to assess implications of Platform Economy development

### Responsible and sustainable

Platforms to develop and be accountable to good governance mechanisms and responsible behaviors

Platforms to act responsibly in developing sustainable SEA Platform Economy

### Regional coordination

On pan-ASEAN topics (e.g., cross-border data protection, investment capital inflow) that would benefit from a coherent ASEAN strategy, governance and/or implementation

Opportunity to support home-grown SEA platforms to compete on a global stage

# SEA Platforms' responsibility

| Platforms' behavior | What it means | Examples |
|---|---|---|
| Increase transparency, be accountable and co-create solutions | Be authentic, transparent and collaborative with **Policymakers** in a manner that deepens understanding of Platform's business and Platform Economy<br><br>Co-create regulations, policies and initiatives that amplify Platform benefits, while delivering on commitments | Mobile payment platform offered a cash disbursement system for government aid to reach users much faster and partnered with tax agencies to support contactless tax filing and payment |
| Invest in Platform ecosystem building | Enhance access and guide **MSMEs and Consumers** towards using Platforms services safely and responsibly while benefiting from the experience<br><br>Provide upskilling opportunities to workers for longer-term career advancements | E-commerce platform developed a credit score for MSMEs which enabled them access to capital loans to grow their online shops<br><br>E-commerce platform also encouraged users interested in upskilling to apply for its digital training program that included mentoring |
| Promote Platform users' interests | Build trust and enhance security for **users** e.g., data protection<br><br>Engage in healthy and fair competition with other **Platforms** to create better user experience | Global financial services company developed a set of data responsibility principles on its commitment to data security |
| Environmental, social and governance responsibility(ESG) | Create long-term environmental value and social outcomes in **Communities,** independent of profit objectives | Multi-service platform which is working towards carbon neutrality by accelerating transition to electric vehicles for drivers |

# The time for Southeast Asia is now

## We need to work together to navigate the Platform Economy for all

1. **The Platform Economy brings significant benefits in propelling SEA's digital ambitions**

   Platforms are well positioned to bring new opportunities and innovation in the development of the wider digital economy in SEA

2. **Challenges of the Platform Economy will need to be managed to reap benefits**

   Smart regulations can be leveraged to support the growth of the Platform Economy

3. **Prime opportunity to collaborate on playbook creation and tailored solutions for SEA**

   With the emerging nature of the Platform Economy, it is important to collaborate on smart solutions, be innovative yet iterative, and focus on what could work for SEA's context

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# Annex

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# New Economy Progress Index

## Designed to measure progress of the Platform Economy in SEA

### Guiding Principles

**Simple, easy to understand and representative** of Platform Economy progress

**Repeatable / replicable** metrics on an annual basis

**Objectively verifiable** metrics

**Simple roll up logic** of individual metrics

### Index objectives

- Framework of **four broad dimensions** to measure the state of the Platform Economy development in Southeast Asia
- New Economy Progress Index (NPI) seeks to provide **useful yet simple** framework for countries to better understand and identify areas of current strength or weakness
- **2021 New Economy Progress Index results are to be viewed as a benchmark** to measure the starting point of each SEA country's Platform Economy development

# New Economy Progress Index

## Measures four key dimensions of the Platform Economy in SEA

### Digital infrastructure

metrics measure the maturity/ adoption of digital technologies critical for Platform Economy development

### Physical infrastructure

metrics track the maturity of logistics and mobile network performance critical for Platform Economy transactions to occur

**New Economy Progress Index**

### MSMEs

metrics capture the level of MSMEs' participation[2] in the Platform Economy

### Consumers

metrics capture the level of consumers' participation[1] in the Platform Economy

Note: [1]Digital consumers are consumers who had made an online purchase in the past 12 months; [2]Surveyed MSMEs who are already Platform users

# New Economy Progress Index

## Measures four key dimensions of the Platform Economy in SEA

| Dimension (weight) | Metric | Sources |
|---|---|---|
| **Digital infrastructure** (25%) | **Mobile internet subscribers** (Percentage of 18+ population) | GSMA Intelligence (2020) |
| | **Mobile wallet users** (Percentage of 18+ population) | GlobalData, GSMA Intelligence (2020) |
| **Physical infrastructure** (25%) | **Same-day delivery coverage** (Percentage of population) | Bain analysis (2021) |
| | **Mobile internet download speed** (Percentile ranking) | Ookla (2021) |
| **Consumers** (25%) | **Digital consumers**[1] (Percentage of 15+ population) | Bain SEA-6 Consumer Survey (2020) |
| | **Population using 3+ O2O services** (Percentage of 15+ population) | Bain SEA-6 Consumer Survey (2020) |
| **Micro, small and medium enterprises (MSMEs)** (25%) | **Online food and e-commerce sales** (Percentage of total sales) | Bain analysis, Euromonitor, Forrester (2020) |
| | **Digital MSME sales from Platforms**[2] (Percentage of total sales) | Bain SEA-6 MSME Survey (2021) |

Note: [1]Digital consumers are consumers who had made an online purchase in the past 12 months; [2]Surveyed MSMEs who are already Platform users

# About the Author

TECH FOR GOOD INSTITUTE

The Tech for Good Institute is a think tank committed to nurturing the positive impact of technology, to harness its full potential to uplift lives in Southeast Asia. It is a non-profit founded by Grab, Southeast Asia's leading superapp.

The Institute seeks to create dialogue to foster common ground on the impact of technology on society and policy. It supports action-based, insights-oriented research that demonstrates how technology addresses social concerns. It also serves as a platform to enhance capabilities that facilitate the understanding of technology's impact in Southeast Asia.

We believe this exchange of ideas and research is invaluable to the growth and development of technology in Southeast Asia, and the region itself.

# About the Research Partner

BAIN & COMPANY

**Bain & Company is a global consultancy that helps the world's most ambitious change makers define the future.**

Across 61 offices in 38 countries, we work alongside our clients as one team with a shared ambition to achieve extraordinary results, outperform the competition, and redefine industries. We complement our tailored, integrated expertise with a vibrant ecosystem of digital innovators to deliver better, faster, and more enduring outcomes. Our 10-year commitment to invest more than $1 billion in pro bono services brings our talent, expertise, and insight to organizations tackling today's urgent challenges in education, racial equity, social justice, economic development, and the environment. We earned a gold rating from EcoVadis, the leading platform for environmental, social, and ethical performance ratings for global supply chains, putting us in the top 2% among other consulting firms. Since our founding in 1973, we have measured our success by the success of our clients, and we proudly maintain the highest level of client advocacy in the industry.