

Southeast Asia Ecommerce 2021: Public health uncertainty clouds outlook

Article

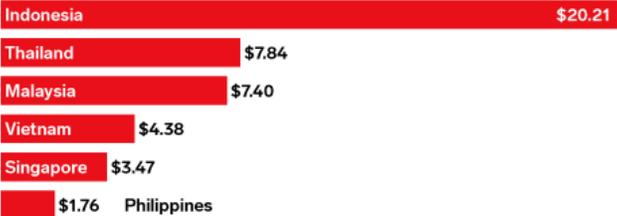
Like many regions around the world, Southeast Asia experienced an ecommerce boom in 2020, as various pandemic-driven social lockdowns encouraged more shopping from

home. According to our estimates, ecommerce grew by 35.2% collectively in the region last year, and our newest forecast projects 14.3% growth this year. However, traditional retail is still overwhelmingly dominant.

The six major economies that we track in the region will produce \$970.83 billion in overall retail sales this year, of which only 4.6%—or \$45.07 billion—will transact via ecommerce. This is one of the lowest regional ecommerce shares in the world, suggesting unusually large room for growth, particularly given the scale of the combined population of the six markets.

Retail Ecommerce Sales in Select Countries in Southeast Asia, 2021

billions



Note: includes products or services ordered using the internet, regardless of the method of payment or fulfillment; excludes travel and event tickets, payments such as bill pay, taxes, or money transfers, food services and drinking place sales, gambling, and other vice goods sales; total retail ecommerce sales in the 6 countries listed=\$45.07 billion in 2021

Source: eMarketer, May 2021

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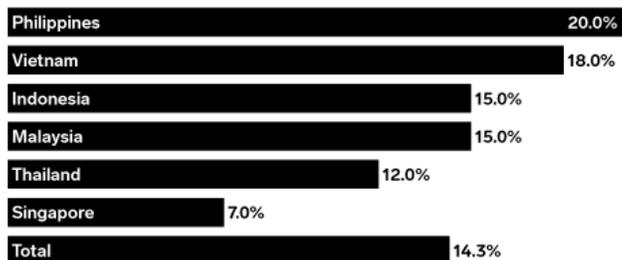
Indonesia accounts for nearly half of the ecommerce in Southeast Asia, which is unsurprising given its size. We forecast \$20.21 billion in digital sales for the country this year, a 15% increase over 2020. The rest of the regional markets we track—Thailand, Malaysia, Vietnam, Singapore, and the Philippines—land far behind Indonesia, but their relative rankings accord with expectations given each country’s population, level of economic development, and per capita income in relation to one another.

The Philippines slightly underperforms, due at least partially to the idiosyncratic logistical challenges associated with trying to deliver ecommerce to roughly 2,000 populated islands. By contrast, tiny Singapore punches above its weight class—as usual—thanks to its high per capita income.

The growth story for each country is more divergent, and the coronavirus pandemic continues to heavily affect all six markets.

Retail Ecommerce Sales Growth in Select Countries in Southeast Asia, 2021

% change



Note: includes products or services ordered using the Internet, regardless of the method of payment or fulfillment; excludes travel and event tickets, payments such as bill pay, taxes, or money transfers, food services and drinking place sales, gambling, and other vice goods sales

Source: eMarketer, May 2021

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The Philippines and Vietnam will produce somewhat higher growth this year thanks to their smaller bases, but all six countries will decelerate considerably from their 2020 highs. Last year, amid the first wave of pandemic lockdowns, every country in the region saw **acceleration** in ecommerce growth compared with 2019. Singapore, in particular, skyrocketed from 15.5% growth in 2019 to 73.6% growth last year. Every country grew its ecommerce sales by at least 28.0% in 2020, and the region expanded by 35.2% overall.

Given all that new spending last year, growth was destined to decline this year. Singapore will crash back to earth the most resoundingly, increasing its sales by just 7.0%. However, these new growth projections for the region are still higher than our previous forecast.

The last time we projected ecommerce sales in Southeast Asia for 2021, we assumed the pandemic would be more under control by now than it has turned out to be. Unfortunately, much of Southeast Asia has become mired in second, third, and fourth waves of the virus, largely driven by new and faster-spreading variants. Most countries in the region are far behind in their vaccination drives, and some regional experts have assessed that the health situation is worse now than at any point in 2020. Although it is uncomfortable to point out, all of this bodes well for ecommerce this year, which is why we upgraded our forecast.

Each country has its own story, of course. Several Southeast Asian nations had relatively little trouble with the virus in 2020 and are only now feeling widespread impact. Others have dealt with multiple blows. Some countries are struggling to access vaccine supplies, while for others the problem is more about distribution. Regardless, brick and mortar is in for another difficult year, and **total retail sales** in the region will not return to pre-pandemic levels for a while

longer. After declining by 7.2% last year, we forecast only a 6.0% rebound in 2021. It will take another year for overall retail sales in the region to eclipse their 2019 levels.

Ecommerce growth will easily outpace total retail growth this year (14.3% vs. 6.0%), particularly as in-person shopping continues to be risky. However, ecommerce remains such a small part of the story that its emergence is insufficient to meaningfully rescue the retail sector. Even when looking at just the regions of the world characterized by emerging economies, Southeast Asia demonstrates a very low share for ecommerce sales.

What We Have for Southeast Asia

The geographic term “Southeast Asia” most commonly refers to the 10 members of the Association of Southeast Asian Nations (ASEAN) – Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam—and sometimes also includes Timor-Leste and Papua New Guinea. It does not generally include Australia or New Zealand.

We currently have reliable data for the six largest economies in ASEAN, but we are not yet able to create estimates for the smaller markets in the region. We do have ecommerce forecasts for **Australia** and **New Zealand**. The aggregate regional data in this article is an accumulation of figures for Indonesia, Thailand, Malaysia, Vietnam, Singapore, and the Philippines and does not include an “other” to account for the rest. For now, we refer to these six countries as “Southeast Asia” in our data sets.

Retail Ecommerce Sales as a Percent of Total Retail Sales in Select Regions*, 2021

% of total retail sales in each region



Note: includes products or services ordered using the internet, regardless of the method of payment or fulfillment; excludes travel and event tickets, payments such as bill pay, taxes, or money transfers, food services and drinking place sales, gambling, and other vice goods sales; *emerging markets
Source: eMarketer, May 2021

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For context, in North America ecommerce's share of overall retail will be 15.2% this year. In Asia-Pacific overall, where the totals are subsumed by China's massive market, the figure will be 29.6%. But even among Southeast Asia's developmental peers, its ecommerce looks comparatively underdeveloped. Much of ASEAN scores similarly to Latin America in terms of GDP and technological capacity, but Southeast Asia (other than Singapore) has not yet made the digital shopping leap that much of Latin America has made in recent years.

A host of ecommerce companies have set out to change that narrative. Lazada, a Singaporean tech conglomerate owned by Alibaba, has been a major ecommerce player in the region for the better part of a decade. When Alibaba bought Lazada in 2016, it brought its Cainiao logistics subsidiary to Southeast Asia as well. In countries like Malaysia, the addition of Alibaba's logistics expertise has helped create regional conditions more favorable to ecommerce expansion.

For years, Lazada was easily the largest ecommerce player in Southeast Asia by both sales and users, but more recently companies like Singapore's Shopee (owned by Sea Group) and Indonesia's Tokopedia have challenged Lazada for the crown in various markets. Tokopedia's recent merger with Indonesian ride-hailing giant Gojek (forming a new company called GoTo) is expected to enhance Tokopedia's ecommerce competitiveness and logistics capabilities in the region's largest economy, potentially giving it a significant leg up. China's JD.com is also now heavily invested in the region, as it seeks to follow in Alibaba's footsteps.

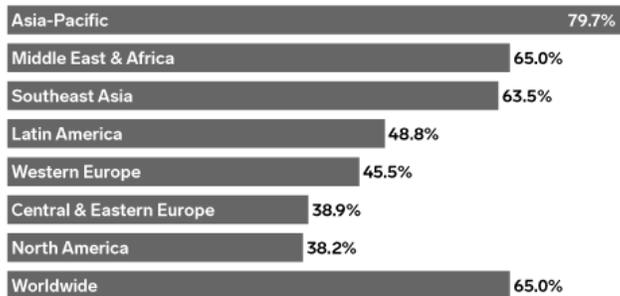
Other Chinese players like Shein and Alibaba's AliExpress—which are both focused on cross-border ecommerce—have become popular in Southeast Asia as well.

Collectively, these firms are helping to move the needle on consumer behavior, as well as shore up the region's generally underdeveloped logistics capacity. With all these players pushing in tandem, the tipping point for consumer preferences could come sooner rather than later. For example, in Latin America ecommerce's share of overall retail **more than doubled** between 2019 and 2021, a leap that was heavily facilitated by the emergence of MercadoLibre. When the change comes in emerging markets, it sometimes comes quickly.

Finally, as with any developing economy area, key metrics to watch going forward are **total internet users** and specifically smartphone users. Southeast Asia, like Asia-Pacific overall, is highly reliant on mcommerce to drive its ecommerce. The faster the region increases its total number of smartphone users, the faster its digital sales will increase.

Retail Mcommerce Sales Share Worldwide, by Region, 2021

% of total retail ecommerce sales



Note: includes products or services ordered using the internet via mobile devices, regardless of the method of payment or fulfillment; includes sales on tablets; excludes travel and event tickets, payments such as bill pay, taxes, or money transfers, food services and drinking place sales, gambling, and other vice goods sales

Source: eMarketer, May 2021

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In Indonesia, **only 51.3%** of the population will be online this year, according to our estimates, and **only 39.7%** will use a smartphone regularly. Every other country in Southeast Asia scores considerably higher on both of these metrics (and Singapore has some of the highest figures in the world), but Indonesia is the engine that drives regional ecommerce sales. The long-term outlook for ecommerce in Southeast Asia will be reliant on Indonesia improving its population's digital connectivity.