

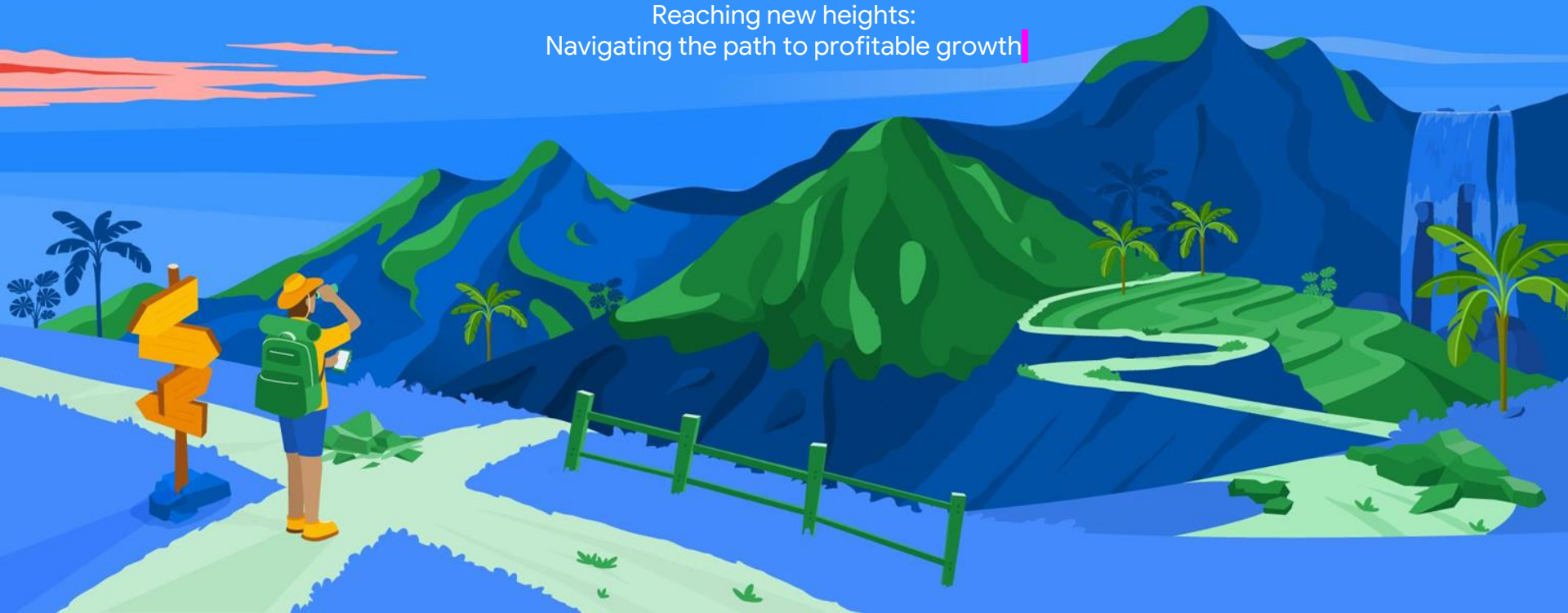
Google

TEMASEK

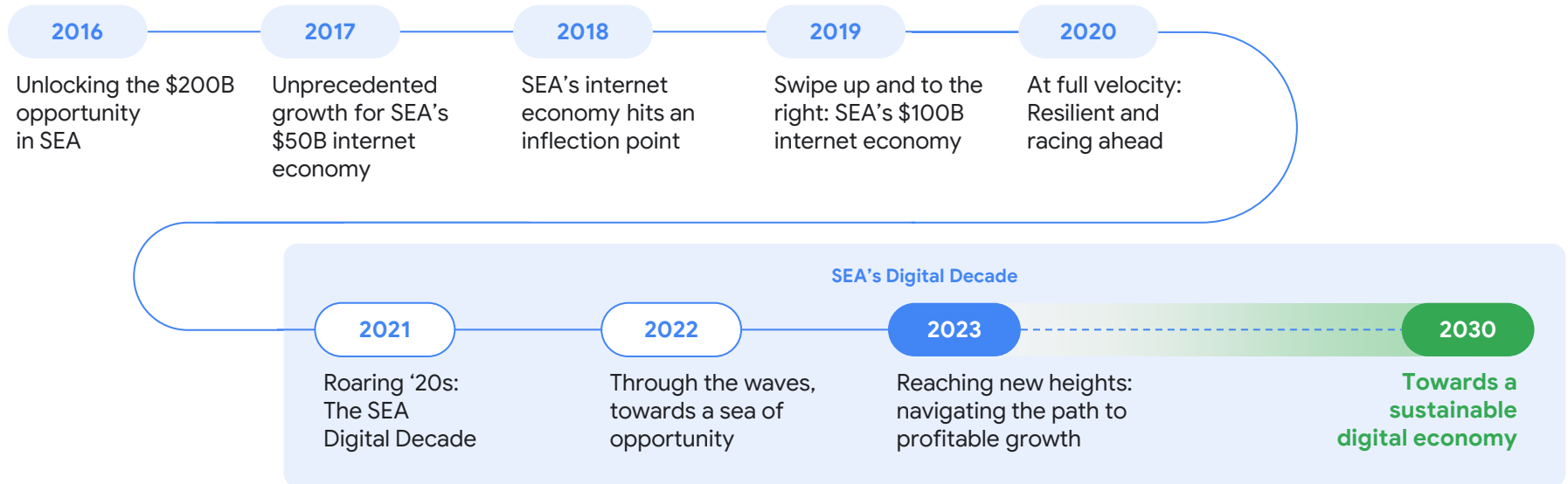
BAIN & COMPANY 

e-Conomy SEA 2023

Reaching new heights:
Navigating the path to profitable growth



8th edition of e-Economy SEA by Google, Temasek, Bain: Southeast Asia's digital economy research programme



The report covers **five leading sectors** in the digital economy



E-commerce

- ▶ Marketplaces
- ▶ Direct-to-consumer
- ▶ Groceries



Transport & food

- ▶ Transport
- ▶ Food delivery



Online travel

- ▶ Flights
- ▶ Hotels
- ▶ Vacation rentals



Online media

- ▶ Advertising
- ▶ Gaming
- ▶ Video-on-demand
- ▶ Music-on-demand



Financial services

- ▶ Payments
- ▶ Lending
- ▶ Insurance
- ▶ Investments

Notes: E-commerce does not include informal commerce due to the lack of reliable data. Financial services are excluded from market sizing estimates due to differences in units of measurement compared to other leading sectors.

GMV: continues an upward trajectory and is set to reach **\$218 billion, growing 11% YoY.**

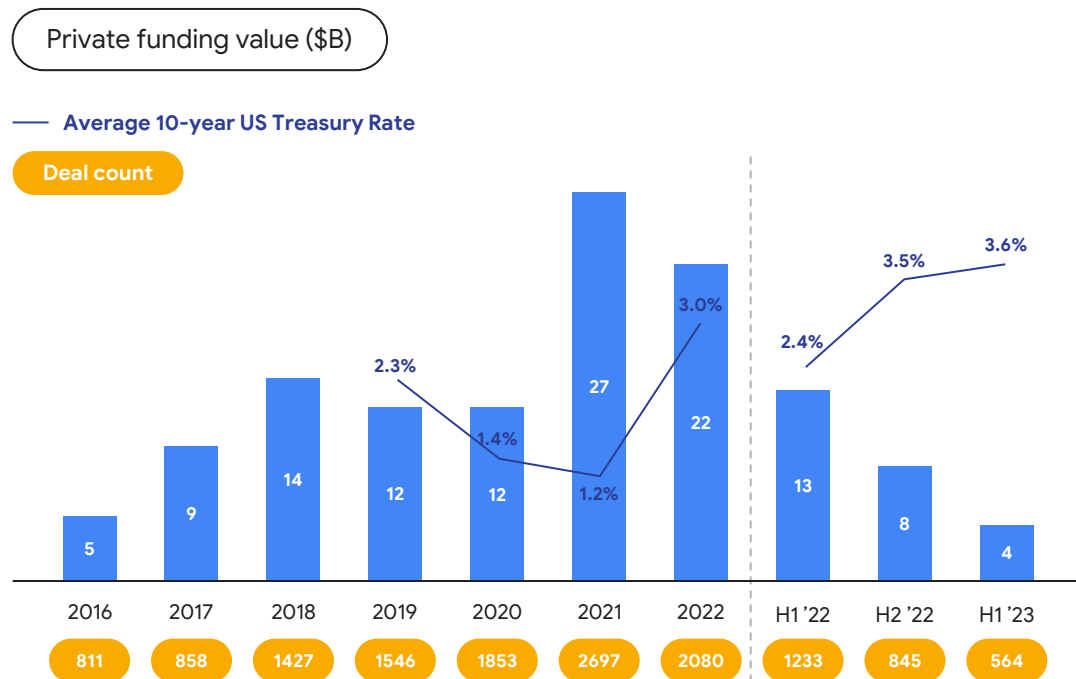
Revenue: Southeast Asia's digital economy is set to hit **\$100 billion in revenue** in 2023 – revenue growing **1.7X** as fast as gross merchandise value (GMV).



Investors reset expectations



Private funding declines to 2017 levels after record highs in 2021



Note: Private funding value covers digital economy-related sectors, and excludes public financing deals e.g., PIPE, IPO, ICO.
Source: Bain analysis



Funding takes a dip after record highs in 2021, in line with global shifts



Shift towards self-sufficiency

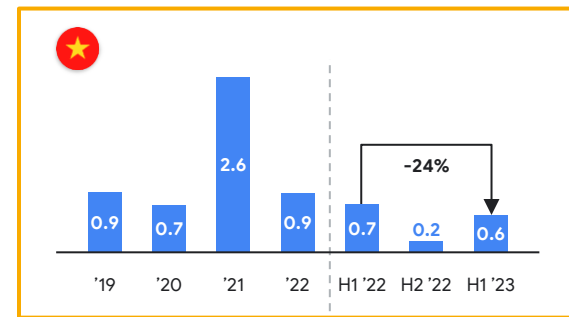
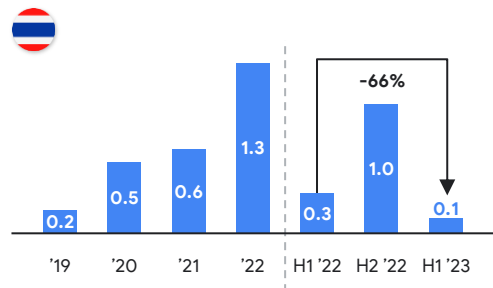
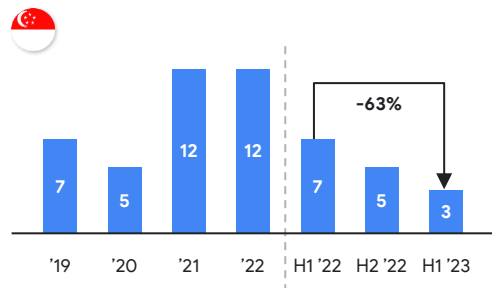
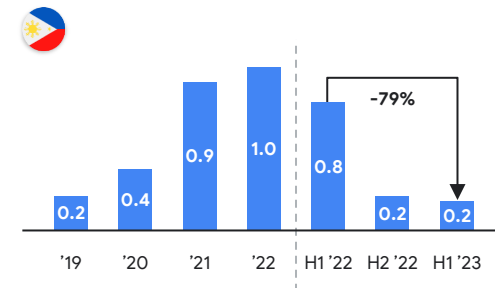
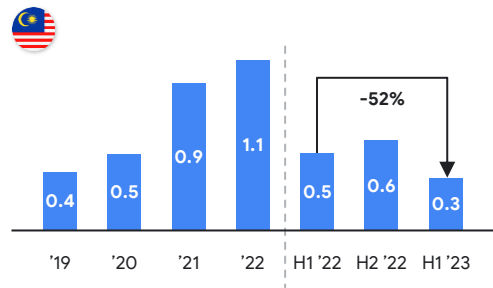
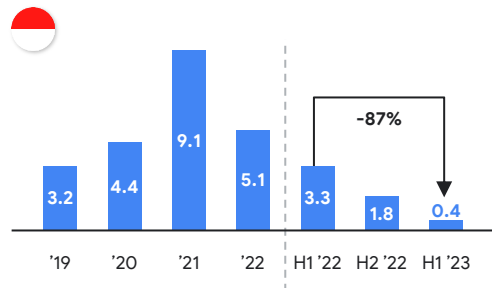


Deal environment remains competitive

Decline from 2021 – 2022 peaks have been **common across SEA**

Private funding value (\$B)

CAGR ↓

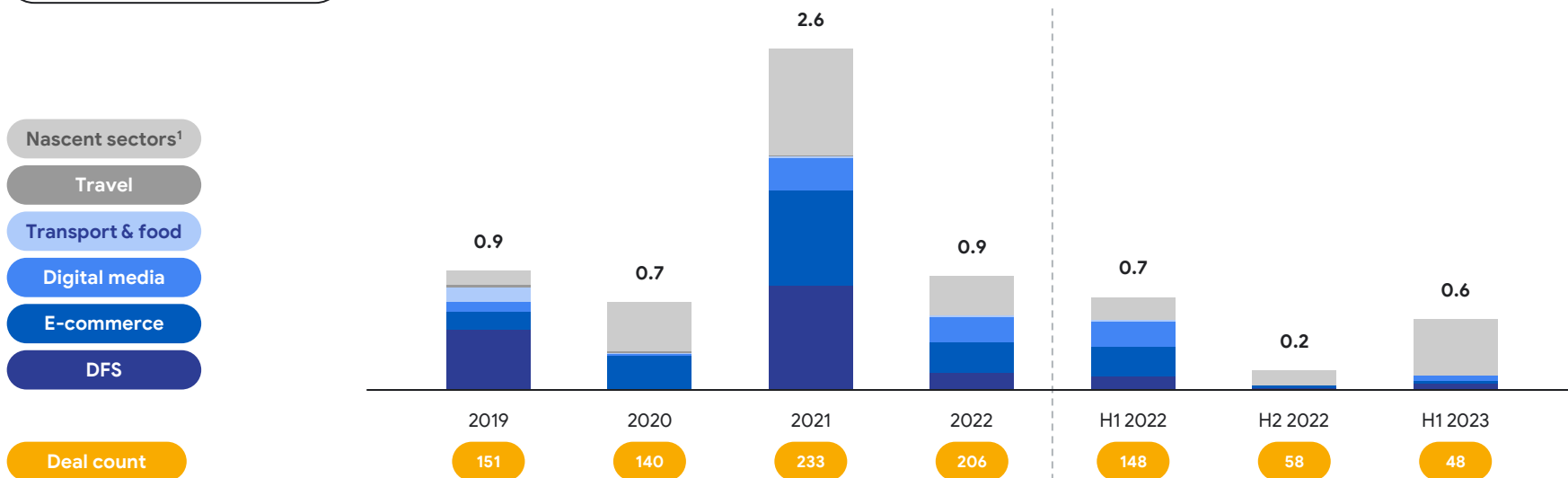


Vietnam



Slight rise in private funding in H1 2023, driven by activities in the nascent sector

Private funding value (\$B)



Note: (1) Nascent sectors include categories that are still relatively nascent in SEA such as enterprise, healthtech, edtech, deeptech/AI, Web3/crypto, property, automotive, etc.

Source: Bain analysis

Monetisation on the rise

Profitability

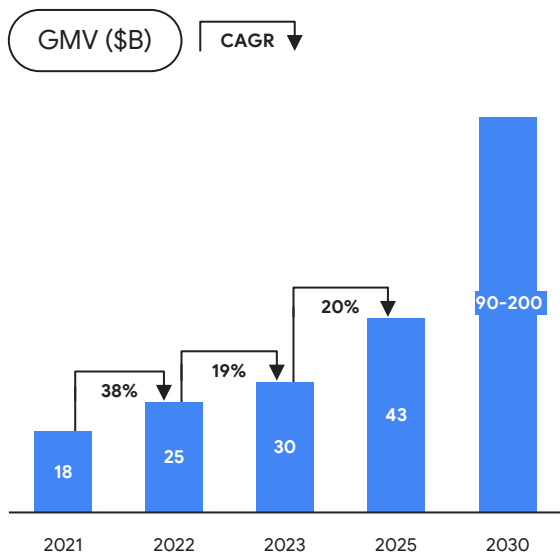
Growth

Vietnam

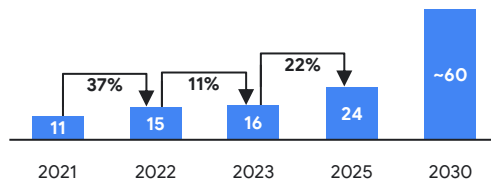


The digital economy is on track to reach ~\$45B by 2025, fueled by strong expectations of economic growth

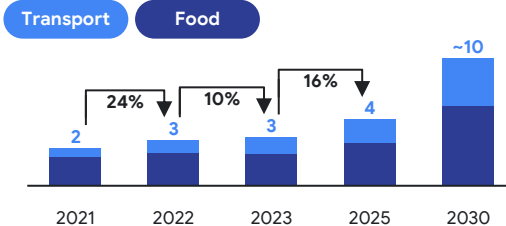
Overall digital economy



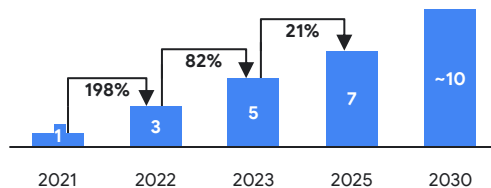
E-commerce



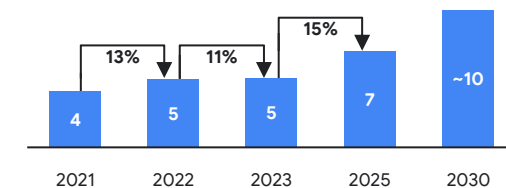
Transport & food



Online travel



Online media



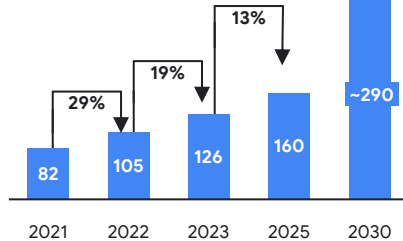
Vietnam



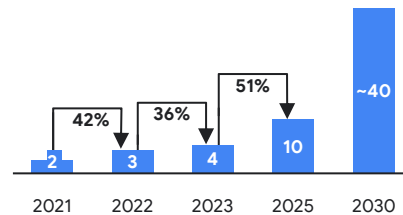
Steep growth in DFS on top of a low base

CAGR ↓

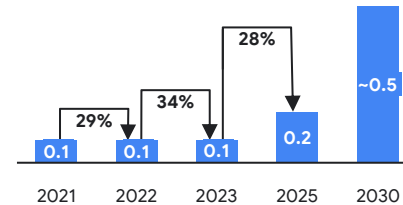
Digital payments

GTV¹ (\$B)

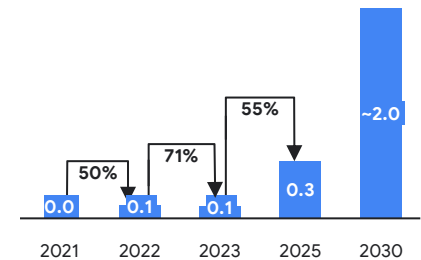
Digital lending

Loan book balance² (\$B)

Digital insurance

APE & GWP³ (\$B)

Digital wealth

AUM⁴ (\$B)

Notes: (1) Gross transaction value (GTV) for digital payments includes the value of credit, debit, prepaid card, account-to-account (A2A), and e-wallet transactions; (2) Loan book balance for digital lending includes end-of-year balance for consumer loans (excluding credit card and mortgage) and SME loans; (3) APE & GWP for digital insurance includes APE for life insurance and health under life insurance policies and GWP for non-life insurance; (4) Assets under management (AUM) for digital wealth includes end-of-year mutual fund AUM balance. Source: Bain analysis

Engaging high-value users



Vietnam

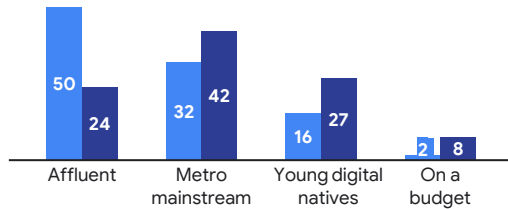


HVUs (top 30% of online spenders) spend 5.4X vs non-HVUs; most positive change in spending outlook

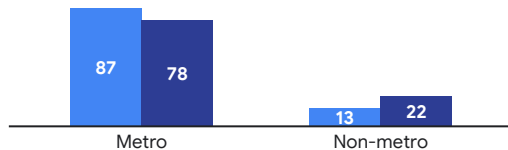
HVU

Non-HVU

HVU composition¹ by demographic² (%)

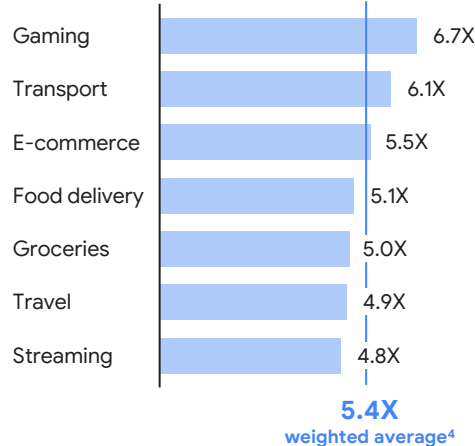
Based on total online spend³ per user

HVU composition¹ by geography (%)

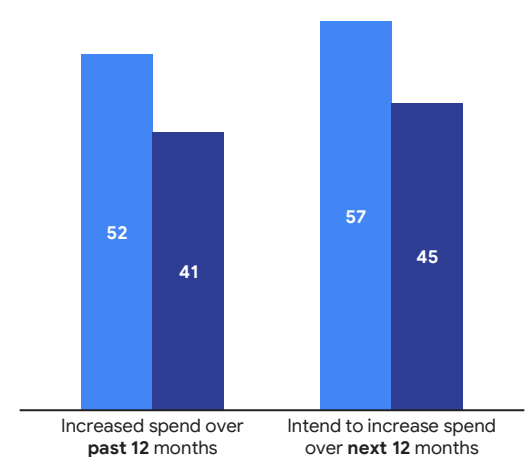
Based on total online spend³ per user

HVU vs non-HVU online spend

Based on average online vertical spend per user



Change in spend (%)

Averaged across verticals³ per user

Notes: HVU = high value users. (1) Average composition across SEA; (2) Affluent = High income; Metro mainstream = Age 30 and above & medium income; Young digital natives = Age 18-29 & medium income; On budget = low income; (3) Excludes digital financial services (DFS). (4) Based on aggregate HVU user spend / aggregate non-HVU user spend, across all 7 categories.

Source: Google-commissioned Kantar e-Conomy SEA consumer survey, ID, MY, PH, SG, TH, VN, 2023, online survey among 18-64 internet users and digital economy spenders, 10/08/2023 - 01/09/2023 (n=1,374 Vietnam) Question S7, S3, A2, A5, A7: "Which of the following best describes your regular monthly household income situation before tax?" "In what region / area do you live?" "Please estimate how much you think you spend online in an average month across the below digital activities." "Comparing this year to the previous year, how has your spend for the following digital behaviours changed?" "Thinking about the upcoming year, how do you think your spend for the following digital behaviours will change?"

Bridging the digital economic divide



Four enablers for sustainable digital economy



Path to profitability

The digital economy is on the path to profitable growth, with 32% of GMV transactions captured as revenue.

Sectors that have proven profitability in the past will likely see a reinvigoration of growth.



Environment, Social, Governance

ESG has temporarily taken a back seat as players double down on profitability metrics.

Rising costs are also widening the consumer 'say-do' gap, despite the general rise in ESG awareness.



Digital Inclusion

Connectivity continues to make inroads, with more users now online.

However, profitability puts short-term pressure on digital participation as unit economics challenges remain beyond tier-1 cities,



Data infrastructure and regulation

The trend of infrastructure and security improvement continues, with responsible Artificial Intelligence (AI) guidelines coming into focus.

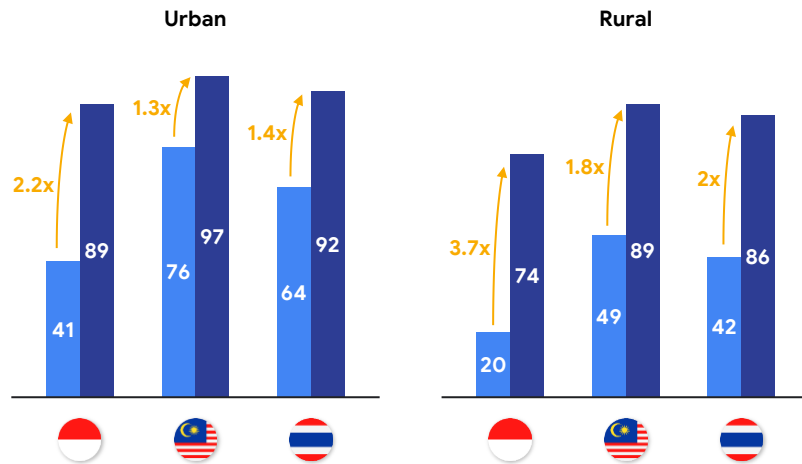
Rather than a reactive measure to ethical concerns, this could be a potential source of competitive advantage.

SEA has seen **good progress on digital inclusion**, making inroads into rural areas to bridge connectivity gaps

% households with internet access (urban vs rural)

2015

2022



Some Tier 1 cities are nearing the digital penetration saturation point



Clear signals that the urban and rural connectivity gap is narrowing

Country overview

Manufacturing and exports will be key to growth

The weakening of export demand severely moderated growth momentum in H1 2023. While Vietnam will continue playing a significant role as global companies diversify their supply chains, securing public investment to address infrastructure constraints will be key to unlocking growth. Wages and employment will continue to have a cascading impact on the digital economy.

Domestic travel uplifts broader industry

Full recovery in the travel sector is expected this year, driven primarily by sharp growth in domestic travel. The launches of new airlines and an increase in the number of international routes have enabled this uptick, despite the delayed return of Chinese tourists.

Local players propelling growth in digital media

Vietnam's thriving digital media scene is supported by strong local demand and many local players. Gaming, especially mobile gaming, is growing particularly quickly, with some local developers finding international success. Local music-on-demand streaming providers also continue to be prominent, even as piracy poses challenges to subscriptions.

Cashless payments continue to flourish

Digital payment continues to grow in Vietnam driven by strong support from the government, investment from commercial banks, and the widespread popularity of QR codes. This trend is expected to accelerate as the state bank promotes cashless payment services in rural and remote areas.

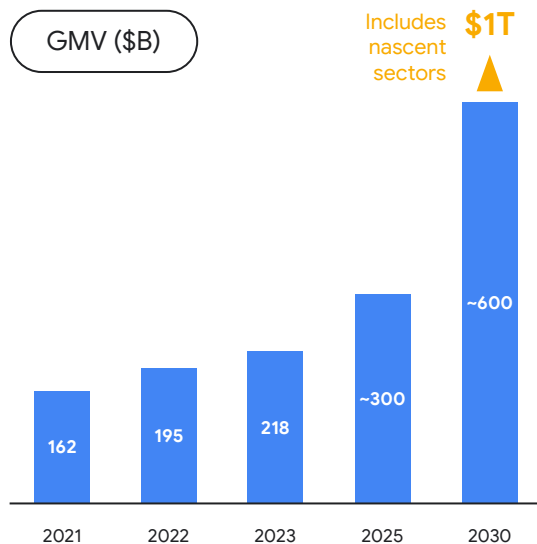


The path forward: profitable growth



\$1T GMV by 2023 is within reach provided these conditions come into fruition

Long-term market growth prospects remain strong



\$1T GMV is within reach provided these come to fruition



More digital consumers through bridging the divide in digital economy participation



More geographic coverage as infrastructure expands beyond metros



More digital businesses as offline and nascent sectors cross the threshold



More interconnected regional activities through trade and digital agreements



More profitable sectors as companies focus on unit economics

Notes: GMV projections from 2021 to 2030 exclude DFS due to differences in GMV definition; 2030 projection includes ballpark estimates for nascent sectors such as healthtech, edtech, AI, etc. Source: Bain analysis

Thank You

