

Solve. New

Consumer Internet in Indonesia

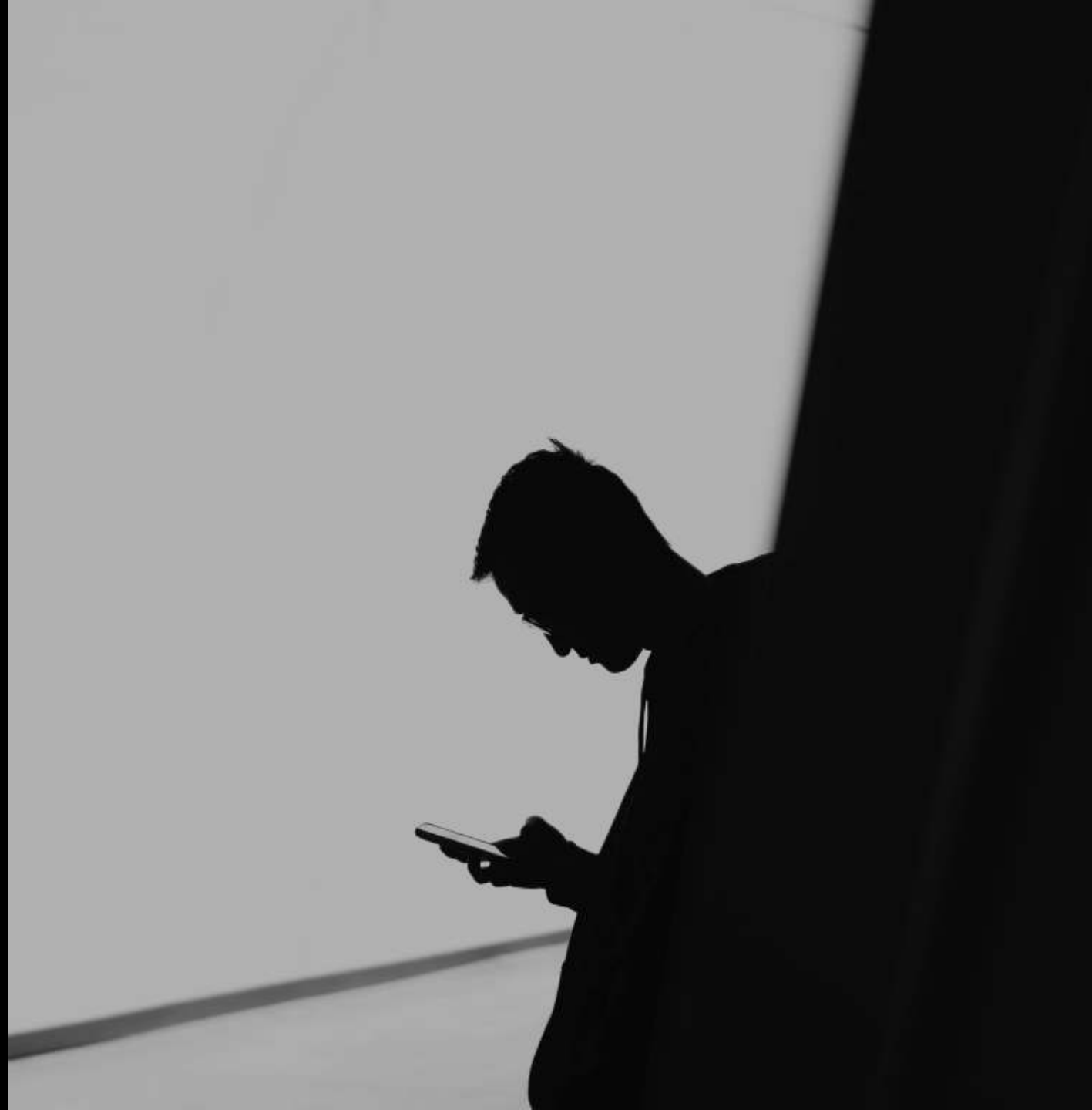
Final Report

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Key discussion points

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Macro – Favorable tailwinds in Indonesia and Southeast Asia

2

On demand services – Sizeable opportunity by 2025

3

E-commerce – The rise of convenience economy

4

E-wallets – A foundation for FinTech offerings

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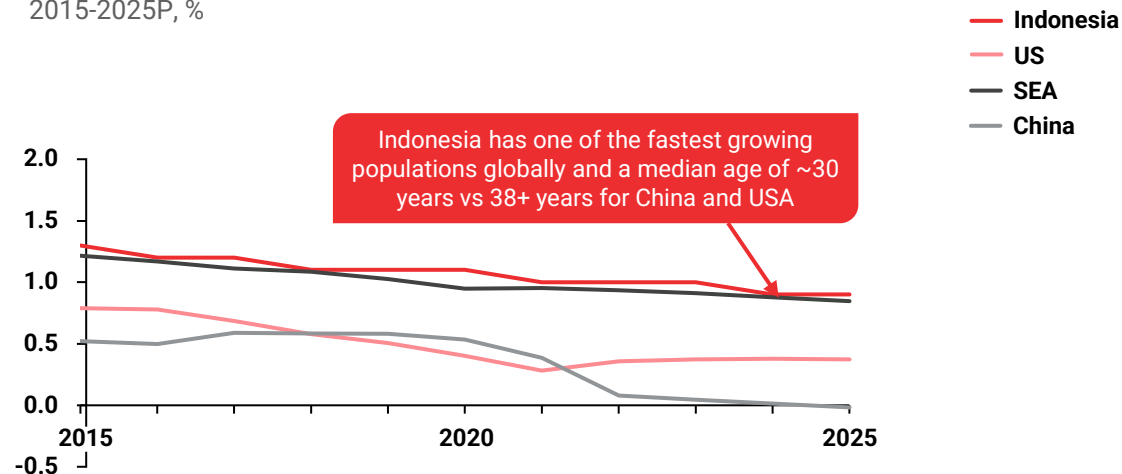
Indonesia and SEA have favorable macro backdrop and digital trends

With a young population and a fast-growing economy which is increasingly digitized

Supportive Macro

Population Growth - Indonesia, US, China, SEA

2015-2025P, %



Nominal GDP (USD Bn) – Indonesia and Southeast Asia

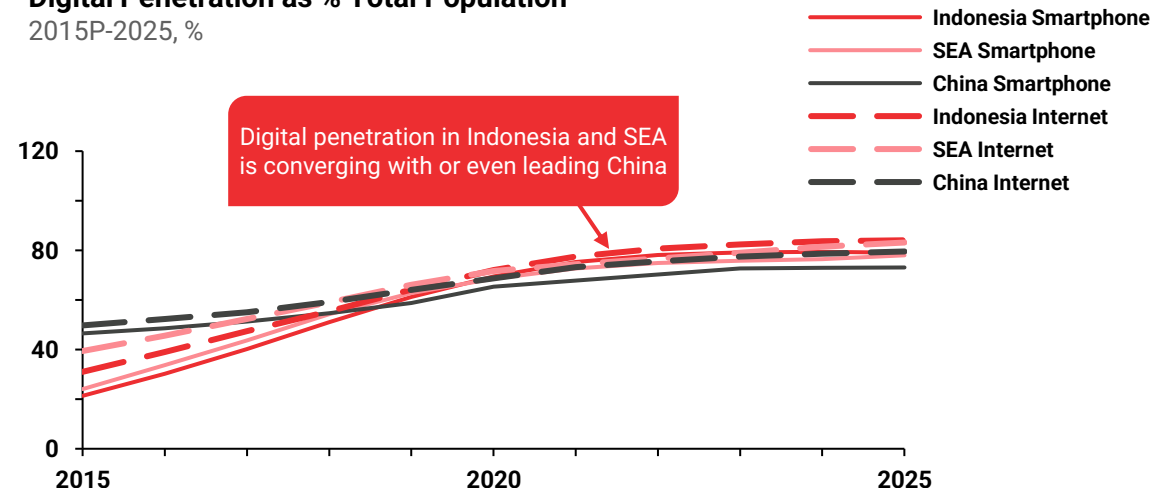
2016-2020

	2016A	2017A	2018A	2019A	2020A	Outlook 2020-25
Indonesia	850	932	1,018	1,086	1,058	High single digit growth
SEA	2,432	2,646	2,859	3,009	2,869	

And increasing digitization

Digital Penetration as % Total Population

2015P-2025, %



Low Penetration of Traditional Financial Services Creates Opportunities for FinTech

2020 figures

Penetration	Indonesia	SEA	China	U.S.
Banking ¹	62.0%	61.9%	87.0%	93.0%
E-wallet ²	2.9%	2.2%	43.0%	6.1%
Cashless transactions ³	32.0%	30.0%	59.0%	72.0%

Note(s): 1. as percent of population aged 15 and above, 2. as percent of consumer expenditure, 3. as percent of transactions

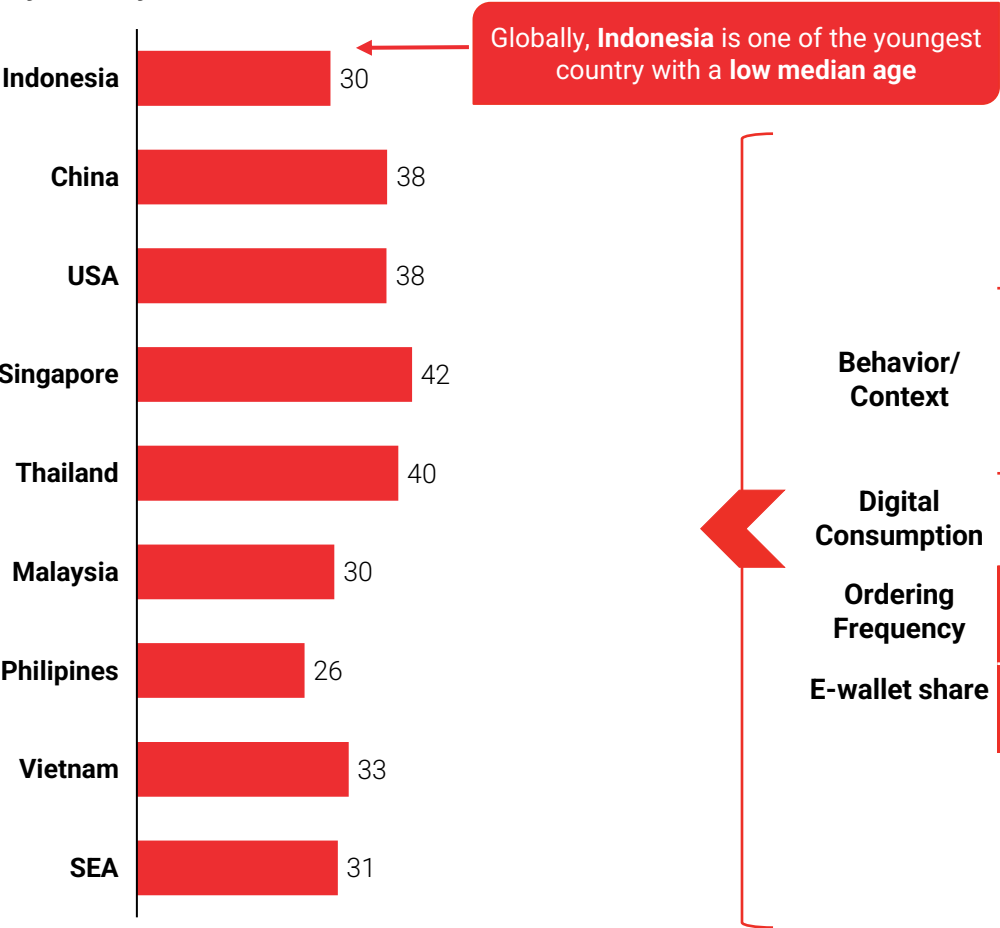
Source(s): RedSeer Analysis, Desk Research, United Nations



















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Millennials and Gen Z will shape the future of digital economy in SEA

GenZ and Millennials have ~50% of the overall population split, carrying forward the key digital purchase decisions

Media Age of the population
By Country, in 2020



				
	Baby Boomers 1946-64	Gen X 1965-80	Millennials 1981-96	Gen Z 1997-2012
Behavior/ Context	<ul style="list-style-type: none">▪ Idealistic▪ Collectivist▪ Techno-skeptic	<ul style="list-style-type: none">▪ Desire to own/possess▪ Competitive▪ Tech-novice	<ul style="list-style-type: none">▪ Experience seekers▪ Tech-savvy▪ Individualistic	<ul style="list-style-type: none">▪ Tech dependent▪ Realistic▪ Social▪ Expect Customization
Digital Consumption	 	  	   	    
Ordering Frequency				
E-wallet share				

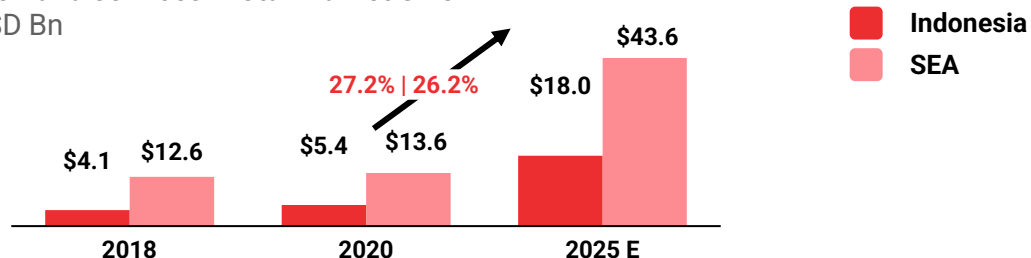
- By 2025, Gen Z will make up for ~30% of the total workforce¹
- At present >50%² of the GenZ consumers like to ensure that the platforms/brands they are using are aligned with their values – **Sustainable and Conscious**

Note(s): 1. Working population taken under consideration people between the age group of 21 to 65. 2. RedSeer Consumer Survey

Indonesia to remain the key contributor to SEA on demand services, e-commerce and e-wallet services

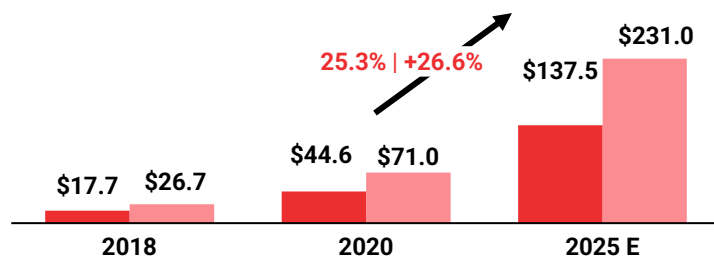
On demand services¹ Total Market Size

In USD Bn



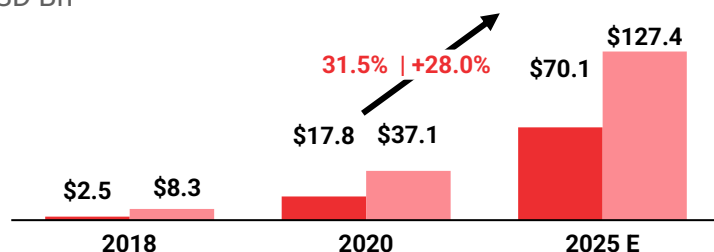
E-commerce Total Market Size (GTV)²

In USD Bn



E-wallet Total Market Size (GTV)

In USD Bn



Note(s): 1) On demand services include Mobility, Food delivery and Logistics, 2) includes both social commerce and formal e-commerce

Source(s): Primary Research, RedSeer Analysis

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Key Themes



USD 18.0 Bn

Size of Indonesia's on demand services TAM by 2025. Indonesia's share to rise to 41% by 2025E. Relatively high share of SEA pie expected to remain across Mobility, Food delivery and Logistics services.



USD 137.5 Bn

Is the e-commerce market size in 2025. Significant contributor to SEA. Within this e-grocery category is expected to be one of the key growth drivers across the region



USD 70.1 Bn

Is the estimated size of e-wallet space in Indonesia. Consumer adoption of digital payments will help bolster the growth of FinTech in Indonesia.

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Demand drivers of Digital Services in Indonesia – Significant time spent online, increasing need for convenience, and Covid-catalyst for supply

Average time spent on the internet

2020 figures



8.5

Hours / Day

- Indonesia among the world's most digitally engaged populations
- 63% and 20% higher than the hours per day spent by the populations in China and the U.S., respectively

Key Takeaways



Consumers can meet their daily necessities through food and grocery delivery services, logistics services, e-commerce, and digital payments.



Individuals also began to recognize that digital services such as mobility, delivery and e-commerce offer alternative sources of income. As a result, there has been an exponential increase in the number of driver-partners on platforms offering on demand services, as well as merchants on e-commerce platforms.

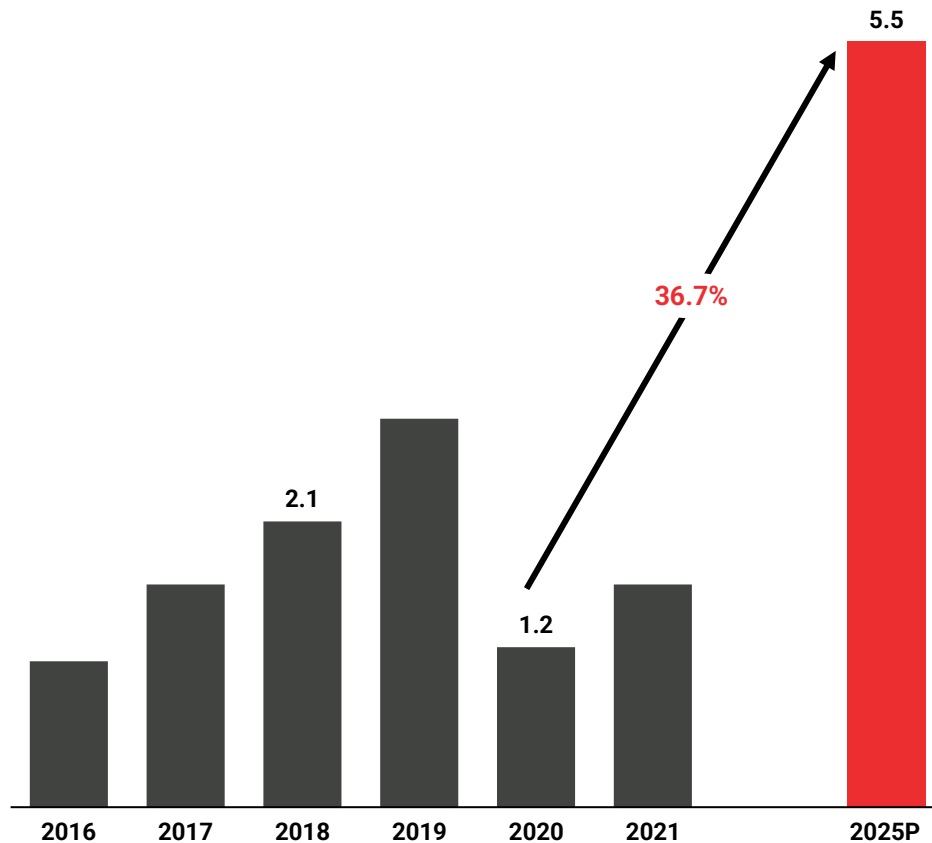


COVID acted as the biggest adopter for people to start to choose digitization and other digital products acting as a boost to the overall digital economy in Indonesia

On demand mobility to remain a preferred customer choice for convenient transport

On demand mobility services market size

GTV in USD Bn, Indonesia



Source(s): RedSeer Analysis

Key Themes



Low private car ownership

Home to some of the world's most densely populated cities, Indonesia struggles to keep at pace with the infrastructural requirements of the population, this combined with low private car ownership has paved the way for on demand mobility, thereby resulting increased penetration of the same.

Cars/1000 population: 58 (ID), 202 (China), and 750 (US)



Congested city and limited public transport makes it necessary to go for online / on demand mobility

Jakarta is one of the world's most densely populated cities where an average person loses ~126 hours in traffic congestions; this calls for the need to use shared mobility services especially as public transport infra remains weak.



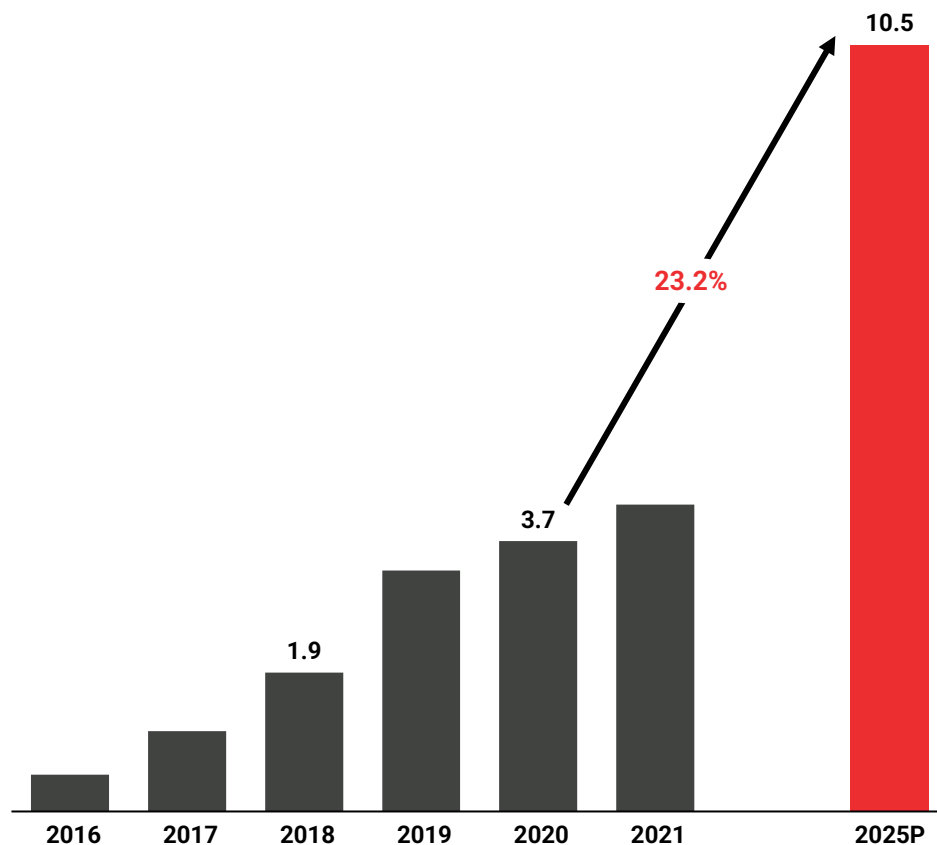
Rising need for transportation as the economy grows

Indonesia accounted for ~ USD 25 Bn personal consumption expenditure on personal land transport which is expected to double by 2025 in line with growing economy and per capita incomes.

Food delivery to benefit from structural tailwinds from both consumers and merchants, resulting in sustained growth momentum in the segment

Food delivery services market size

GTV in USD Bn, Indonesia



Key Themes



Indonesia is one of the largest and fastest growing online food delivery markets, accounting for ~40% of the total SEA market. This is mainly due to factors like **growing and evolving consumer demands, increasing number of merchants joining the platforms and the rise of cloud kitchens**.



Time starved consumers are increasingly replacing home cooking and dine-outs with food delivery, more so post COVID - ~3% of all food consumption in Indonesia will be via food delivery in 2025.



Supply side for food delivery is strong - Many restaurants in Indonesia are partnered with food delivery platforms, with greater diversity of restaurants being a key lever in driving consumer adoption.

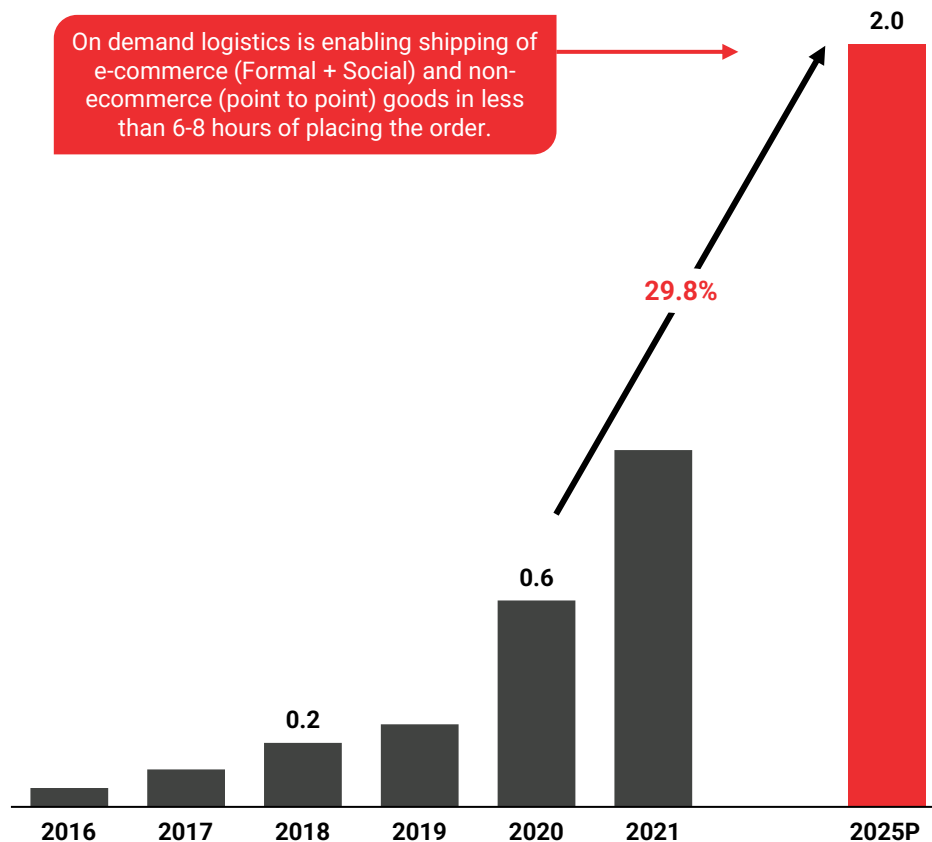


Fast delivery and overall robust experience playing a key role in market growth - Our surveys suggest that this plays a key role in driving high customer satisfaction as also reflected in growing basket size.

On demand logistics market is expected to grow rapidly in the foreseeable future. E-commerce expected to be an important growth driver

On demand logistics services market size¹

USD Bn, Indonesia



Note (s): 1. Includes revenues from total parcel volumes flowing through first, middle and last mile deliveries for B2C and C2C use cases

Key Themes



Slow growth of infrastructure in Indonesia has led to increased frequency of time delays and high cost in moving goods from one part of the country to another.



Changing consumer behaviour is also contributing to the evolving practices within this segment such as – 'On Demand Logistics' which allows players to deliver goods to consumers within a few hours of placing the order.



New-Age players have stepped up and helped solve these logistical challenges and emerged as an exciting alternative to traditional methods.



This is extremely helpful especially in case of e-grocery deliveries which involves fresh items to be delivered to the consumers.

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E-commerce continues to ride strongly on the back of multiple growth levers across demand, supply and the enabling infrastructure

Key Trends driving the e-commerce Growth



Gaps in the un-organized offline retail

Offline retail landscape in Indonesia is highly fragmented with the market dominated by small “**mom and pop**” stores.



Online Shopper Growth

Rapid growth in smartphone adoption and increasing internet penetration has resulted in an increase in the online shopper base, the ability to explore a variety of platforms and categories, thereby increasing the shopper base.



Improvements in Enabling Infrastructure

There has been a rapid increase in the number of payment methods available to a consumer beyond the traditional Cash On Delivery (COD) modes. **E-wallets and BNPL** options have eased pain points related to payments. Emergence of **On Demand logistics** has improved the delivery experience.



Complementary Sales channel for Merchants

E-commerce channels have proven to be an **alternative source of income** for the offline merchants and now due to the pandemic it has become the primary sales platform for many merchants.



Catering to the conscious consumer of today

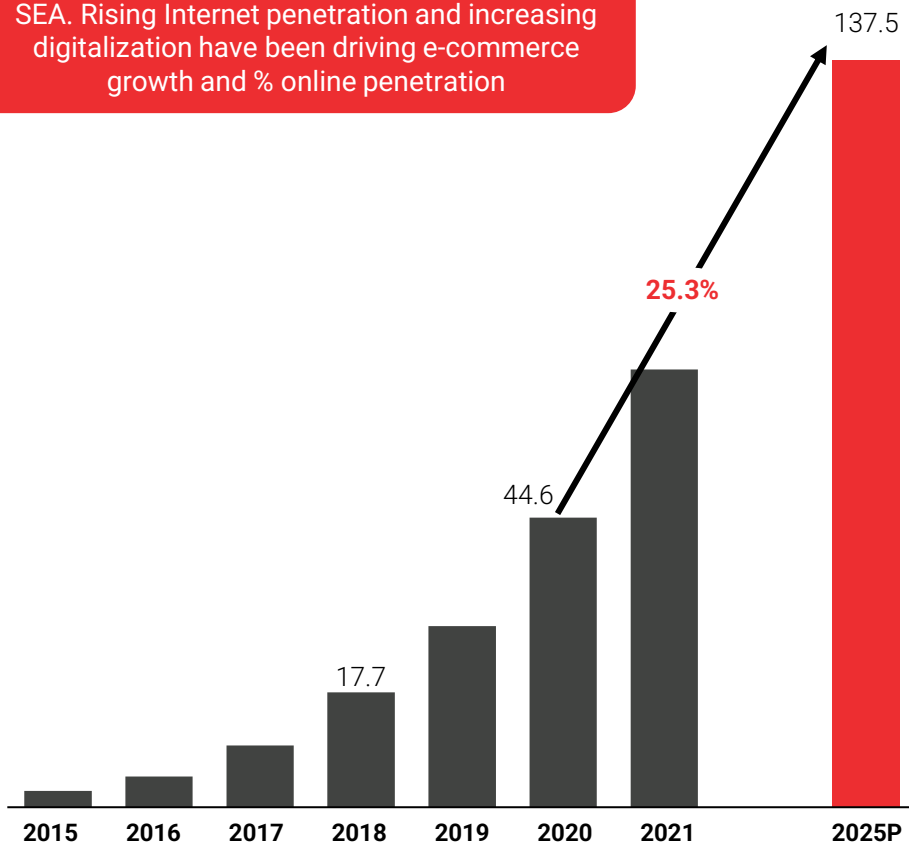
There is a strong latent demand for a wider assortment of products and higher price transparency. The e-commerce marketplaces are suitably placed to cater to this demand due to their access to sellers of all sizes.

Indonesia's e-commerce market is one of the fastest growing globally and accounts for more than half of the SEA e-commerce market

E-commerce market size

GTV in USD Bn, Indonesia

Indonesia is a promising e-commerce market in SEA. Rising Internet penetration and increasing digitalization have been driving e-commerce growth and % online penetration



Indonesia's e-commerce is set to grow due to multiple drivers...



Consumption driven economy...

Indonesia is a high consumption nation with PFCE being ~55-60% of the GDP.



Young Demography...

Indonesia has one of the youngest populations with a median age of 30, with GDP per capita expected to sustain a rapid growth



Growing digital economy...

A booming digital ecosystem witnessing high adoption of FinTech products and services; ~60-70% smartphone penetration.



... the emergence of "convenience" theme

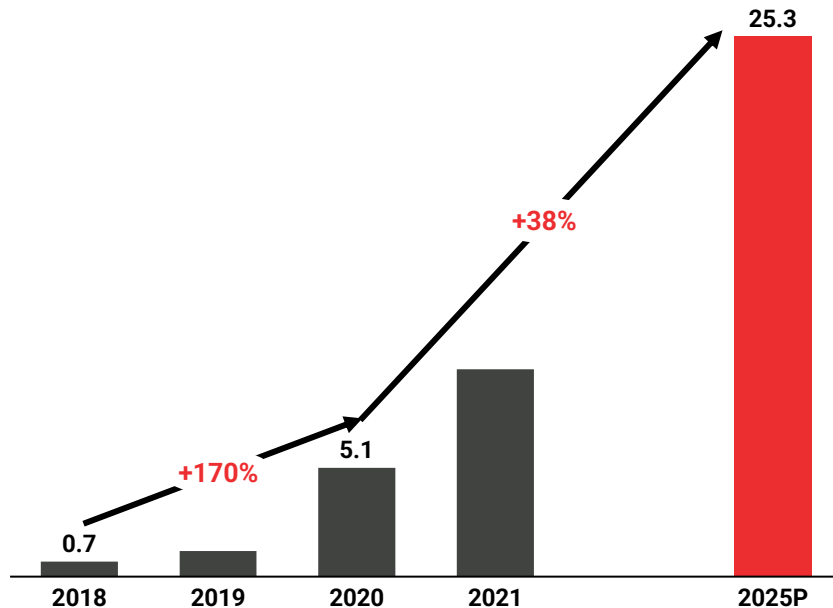
RedSeer surveys indicate rising consumer preference for products being delivered in a timely and convenient manner. Supply-side is stepping up by offering hyperlocal capabilities to cater to this trend.

E-grocery category has exceeded USD 5 Bn in GTV in 2020 and is likely to exceed USD 25 Bn GTV by CY25

E-grocery market size

GTV in USD Bn, Indonesia

Grocery Focused
Players (Examples)



Key Growth Drivers

- Several Players have stepped up their **partnerships** with grocery suppliers / manufacturers (dry and fresh) and strengthened their logistics capabilities.
- E-commerce and e-grocery players have **increased their in-house logistics capabilities** while also **partnering with third-party logistics (3PL) players** to have **strong delivery capacity** for e-grocery in swift and reliable manner.

E-grocery Sub-segments

Fresh Food

Staples

FMCG

Packaged Food

Meat and Fish

Beverage

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Growth in e-wallet has been driven by multiple supply factors. It has been an important first step towards expanding into other FinTech services

Key factors driving the e-wallet Growth



Concerted Push towards e-payments

Rapid Digitization has accelerated the adoption of Digital payments in the economy, many schemes have been launched to further support the concept of cashless economy, this has helped complement other sectors like e-commerce, mobility and food delivery



Ease of Use

The reason why adoption of e-wallets have been fast and hassle free is that it is easy to understand and use for a non tech savvy user. Further, various exciting offers are available from time to time.



- Smooth integration with other services like Mobility and Food delivery
- Easy to link to bank account and debit cards

Key Impact of E-wallet growth



Foundation for other FinTech services

- The deep insights gained on the back of data received by e-wallet providers have allowed them to better appreciate the customers' credit profiles and then leverage those to offer new financial services.
- Accordingly, many e-wallet players are branching into financial services such as lending, insurance and digital wealth management.



- Many players have started offering the BNPL service with exciting offers and discounts to help boost the usage

Indonesia FinTech services are following the evolution path seen in other countries i.e. services evolving from payments to digital banking

Evolution of FinTech Services for Consumers and Merchants

Digital financial services help buoy consumer spending as use-cases expand. This also incentivises merchants to move online thereby creating a flywheel effect

Also helps players cater to affluent consumers



InsurTech, Wealth Management and Digital Banking

Innovative InsurTech, WealthTech and Digital banking models are key to increasing awareness and financial literacy in an underpenetrated market like Indonesia



Lending

BNPL, and its seamless integration with e-commerce players is changing the way consumers perceive credit



Digital Payments

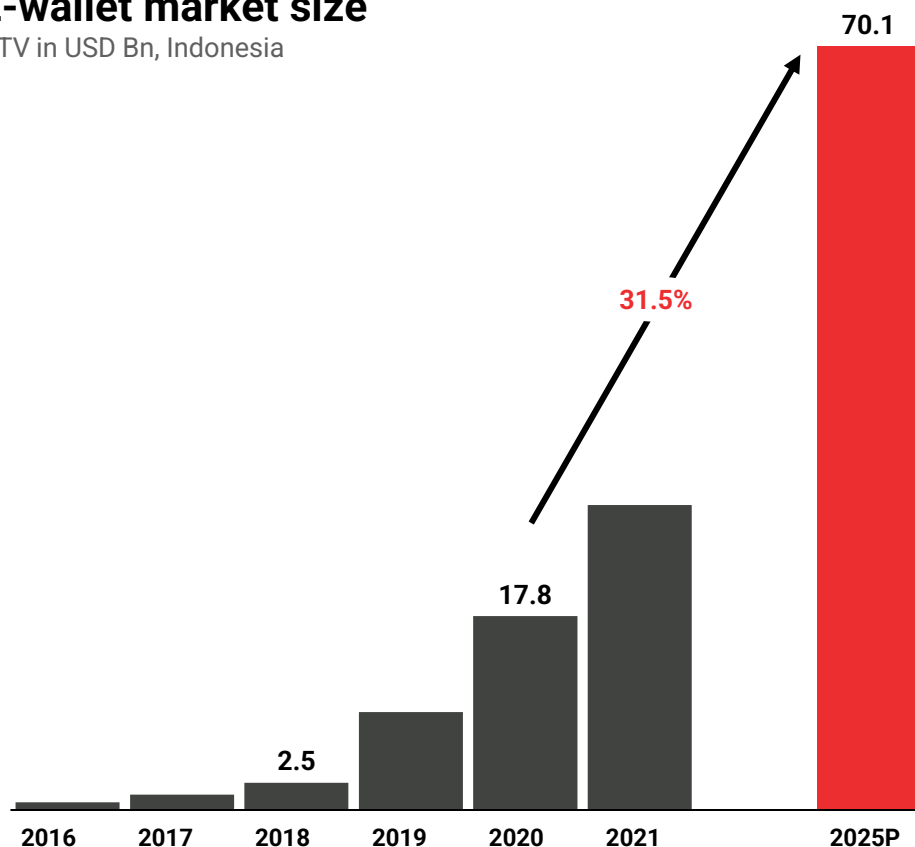
Digital payments paved the way for digitization of other financial services

Digital Payments likely to witness strong growth in both consumer and merchant segments, leading to adjacent opportunities in broader FinTech

Rising propensity for digital payments in Indonesia as seen in e-wallets, payment gateways and cloud POS growth

E-wallet market size

GTV in USD Bn, Indonesia



Rising Merchant Digital Payments



~USD 130 Bn

Size of Indonesia Payment gateway Market GTV by 2025, more than 2x of 2020



2x

Growth in GTV of cloud-based PoS platforms over 2020-25

- COVID-19 has hastened the adoption of digital modes of payments for merchants. Payment Gateway market will grow on back of e-commerce growth and SMBs moving online. Merchants also exploring digital channels to accelerate sales and reach.

In Summary...



A dynamic and fast-growing economy, a young population, and improving access to the internet continue to drive rapid adoption of digital services in Indonesia and Southeast Asia. Indonesia stands out in terms of the scale and size of its opportunity over the next few years. We expect digital services to deepen and widen to cater to the emerging consumer needs.



Speed and convenience are emerging as key-value props for consumers in on demand services. Recovery is expected in mobility (from a weak base), while structural tailwinds persist for food delivery and on demand logistics. In aggregate, Indonesia's on demand services are estimated to grow at ~27.2% CAGR between 2020-25 to reach USD 18.0 bn.



E-commerce likely to see further growth, aided by segments such as e-grocery. Meanwhile, legacy categories are likely to witness growth on the back of growing preference for fast and convenient deliveries, higher penetration outside tier-one locations, and continued digitalization of offline stores. We estimate e-commerce to grow at 25.3% CAGR between 2020-25 to reach USD 137.5 bn.



E-wallets serve as a strong foundation for new FinTech offerings. While digital payments will remain a core use case, new offerings such as credit/BNPL, insurance, and investments are likely to emerge as valuable add-ons over time. Merchant digital payments are likely to grow rapidly as well. We estimate e-wallets to grow at 31.5% CAGR between 2020-25 to reach USD 70.1 bn.

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