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Lembaga Penelitian Dan Pengabdian Pada Masyarakat(LPPM)

Kampus I Jl. KH. Achmad Dahlan No. 76 Kediri (64112)

Telp.: (0354) 771576, 771503, 771495 Fax. (0354) 771576

Website: www.lp2m.unpkediri.ac.id, Email: lemlit@unpkediri.ac.id

SURAT TUGAS

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No	Nama	NIDN/NPM	Prodi	Penulis
1	Gesty Ernestivita	0720059101	Manajemen	1
2	Dr. Subagyo, M.M.	0717066601	MPE	2

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THE FUTURE OF

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Vikas Kumar and Manju Lata

Editors

The Future of E-Commerce



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Chapter 6

E-Commerce in Southeast Asia: A Futuristic Perspective

Gesty Ernestivita^{1,*} and Subagyo Subagyo^{2,†}

Universitas Nusantara PGRI Kediri, Indonesia

Abstract

COVID-19 pandemic changed the behavior of people including buying behavior. So, it builds opportunity to digital business to increasing market share, including e-commerce as a new business platform. The massive retail industry is turning to digital as a lot of businesses are partnering with e-commerce platforms. Correspondingly, the number of online sellers in SEA increasing and sales on e-commerce platforms is increasing at an unprecedented rate. However, the consumers still want the same online shopping experience as offline. The present chapter considers the different aspects of e-commerce growth in Southeast Asia and identifies the most important drivers. A comparative analysis of e-commerce in different countries of Southeast Asia has been presented with a futuristic outlook.

Keywords: COVID-19 pandemic, e-commerce, Southeast Asia (SEA), video technology

* Corresponding Author's Email: gesty@unpkediri.ac.id.

† Corresponding Author's Email: subagyo@unpkediri.ac.id.

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Introduction

The average Southeast Asian spends about 3.6 hours using mobile Internet every day (Dailysocial, 2021). This figure is the highest in the world and makes Southeast Asia the only region with this unique statistic. Across the region, desktop traffic represents less than 30 percent of web traffic (Dailysocial, 2021). This shows the importance of a mobile-friendly platform for e-commerce merchants (Kumar & Saurabh, 2020). This potential makes the growth of e-commerce in the Southeast Asia region relatively fast. On average, Southeast Asians spend about 140 minutes online shopping each month. That's double the time Americans spend on e-commerce. Southeast Asians are also more likely to make purchases on weekdays than on weekends (Dailysocial, 2021). However, mobile traffic peaks on weekends. This condition shows that consumers are more likely to browse e-commerce sites and find products during this time and make purchases on weekdays. This fact can be the main focus for e-commerce businesses to stimulate consumer purchases with various promos such as flash sales, collaborate with influencers and improve services on weekends because many goods search activities are carried out by consumers on holidays along with lots of screen time. The more promos carried out on weekends, the domino effect will increase the number of consumer transactions on weekdays.

The high number of online shop transactions in the Southeast Asia region is also a potential for e-commerce growth in itself. The next potential is a variety of payment methods. Due to the low credit card penetration in the region, e-commerce players face unique challenges that go unnoticed in the Western world. As a consequence of this structural deficiency, a much more diverse range of payment solutions has proliferated in the region, namely: (1) Cash on Delivery (COD) is offered by more than 80% of E-commerce players in Vietnam and the Philippines, (2) Transfer methods popular banks in Indonesia (94%), Vietnam (86%), and Thailand (79%), (3) Nearly 50% of merchants offer offline points of sale in Thailand and Vietnam, (4) Instalment payments are proving to be very popular (and increasing) in Vietnam (47%) and Indonesia (42%).

Daily e-commerce transactions in Southeast Asia have increased drastically since the COVID-19 pandemic hit and required the government to provide physical distancing policies to its citizens (E-Marketer, 2021; Lata & Gupta, 2021). Thus, people's buying and selling patterns have changed to digital-based, especially for retail-based businesses. Accompanied by the rapid development of e-commerce and marketplaces, various interesting

features are also presented, making shopping convenient for its users. A snapshot of the retail e-commerce sales has been presented in the Figure 1 (E-Marketer, 2021).

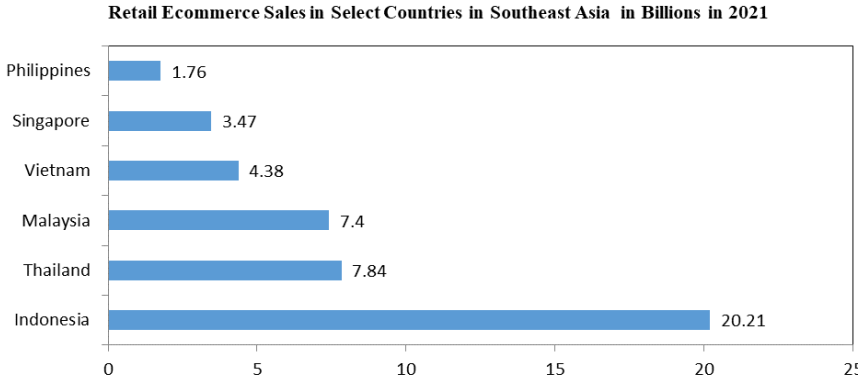


Figure 1. Retail e-commerce in select countries in Southeast Asia in 2021.

As presented in Figure 1, the Southeast Asia experienced an e-commerce boom. This can also be attributed to the fact that different pandemic-driven social lockdowns empowered more shopping from domestic e-commerce players (Kumar & Gupta, 2021). The six major economies that we track within the locale will deliver \$970.83 billion in generally retail deals this year, of which as it were 4.6% or \$45.07 billion will execute by means of e-commerce. This can be one of the most reduced territorial e-commerce offers within the world, recommending abnormally huge room for development, especially given the scale of the combined populace of the six markets (Ekrut Media, 2022).

Indonesia accounts for about half of Southeast Asia's e-commerce, which is unsurprising given the country's size. We estimate that digital sales in the United States will reach \$20.21 billion this year, up 15% from 2020. The rest of the regional markets, such as Thailand, Malaysia, Vietnam, Singapore, and the Philippines, trail Indonesia in terms of population, economic development, and per capita income, but their relative rankings are in line with expectations given each country's population, level of economic development, and per capita income in comparison to one another. The Philippines underperforms marginally, owing at least in part to the unique logistical hurdles of delivering e-commerce to over 2,000 populated islands. Singapore, on the other hand,

punches far above its weight due to its high per capita GDP. Philippines and Vietnam are expected to produce slightly more.

Comparative Analysis of Offline vs. Online Business

Business in Southeast Asia since the pandemic has experienced changes in various aspects, especially in transactions (Kovid & Kumar, 2022). Offline transactions are now increasingly abandoned; store operating hours are starting to be limited. This is a big challenge for businesses that only carry out offline transactions, because many people are doing activities at home, even working at home since the call for physical distancing (Kumar & Malhotra, 2021). So, now offline businesses are very difficult to maintain their business if they don't switch to digital. For this reason, business people in Southeast Asia can now choose to market their products online or offline.

Online-based business with the use of e-commerce will further increase the opportunity to reap profits and market share in Southeast Asia, associated with a fairly high data on e-commerce users in the Southeast Asia Region, which reaches 350 million users and continues to grow every day (Damar, 2020). Various business sectors have switched to digital, such as the education, health, supply chain and logistics sectors, all of which have started to leave the offline business because of their lack of effectiveness and less than optimal in gaining market share, especially since there were restrictions on community activities in the midst of a pandemic (Lata & Gupta, 2021).

Determinants of Future E-Commerce and Marketplace in Southeast Asia

In a fast-paced world, everyone is trying hard to keep up. Every field is growing rapidly, including in terms of buying something. Even if the item you want to buy is in another city or even in another country, there's no longer a reason not to be able to buy it, it only takes a few clicks, and anyone can buy anything and from anywhere (Lata & Kumar, 2021b). So, having a physical store today is not a guarantee that you can sell a product quickly, but having an online store seems to be mandatory for businesses today. As an entrepreneur, entering the world of e-commerce is one step towards growing your business and increasing profits. As for those, who have just started a

business, e-commerce is the best choice to get company profits. Whichever position you are in, e-commerce isn't just about selling your products online, it's more than that.

In developed countries, e-commerce is no longer something new, but in developing countries like Indonesia there are still many people who do not understand it very well. Indeed, e-commerce has started to emerge, but it is still very small compared to the existing population. This is why the e-commerce market in Indonesia has great business opportunities. Coupled with the fact that the development of internet and Smartphone usage is also increasingly widespread (Lata & Kumar, 2021c), it is clear that it is not a bad choice to enter the world of e-commerce.

The determinants of the success of e-commerce in Southeast Asia are:

- (1) *Price regulation*: The products being sold are definitely not the only ones on the market, there are other products that are certainly similar. It is natural for customers to compare prices between one product and another. Business people should often check the market price for the similar products you sell. Many strategies are used so that the products sold can be more saleable than others, ranging from discounts or other offers. Sometimes, customers are looking for the cheapest product among others. However, you should never advertise your product or provide information that the product being sold is the cheapest because it is not impossible that cheap is usually synonymous with poor quality goods. That doesn't mean you have to give the highest price either, set the price according to the product being sold, not too low but also not too high or affordable.
- (2) *Product quality*: There is one drawback of e-commerce, when someone buys a product online, usually they will not easily believe it, they are afraid that the goods received will be of poor quality unlike what is stated in the image description. Compared to if someone bought a product in a physical store, they would immediately know the quality of the goods. Convincing customers that the products sold are of good quality is a challenge in itself. It's very difficult to win customers' trust, especially if it's their first time buying, that's why businesses need to establish consistent product quality standards (Lata & Kumar, 2021a). If you send a second quality item and it doesn't match the description added on the site, it is certain that the customer will not trust the store again even though the goods

purchased by the customer can be returned. Customer satisfaction is what you should prioritize. When a customer complains about a product, be sure to deal with it quickly.

- (3) *Accessibility of online stores*: Website is one of the means by which you can communicate with customers. So make sure the website is able to provide information quickly. It's also good that the website can be opened properly even through a mobile device. The better the website the more people might see it.
- (4) *Good first impressions*: With just a glance, customers are able to determine whether they are starting a website or not. Making a good first impression on your website will bring in lots of customers. Make the design as impressive as possible, not just a plain website. Ask an expert for help if you can't make a website like this. But remember, even if you make a website with the best possible design, make sure the content in it is neatly organized, easy to understand.
- (5) *Security* (Lata & Kumar, 2022): One of the fears of someone in online shopping is security issues. When buying something online, they certainly have to provide information such as name, shipping address, phone number, email address, it's not even possible is credit card information. There is always the possibility that the data can be stolen or misused. Businesses must be able to ensure that the identity of the customer is maintained (Kumar & Bhardwaj, 2018), and the delivery of products is safe from ordering until the product is received by the customer.
- (6) *Taking advantage of email marketing*: Many problems arise in e-commerce even after a customer orders an item. For example, ignoring goods that have been ordered, not proceeding to payment, or still unsure whether to buy products from or not. When the customer fills in their identity, add an email address form. You can send a message directly to the intended person. For example, if someone ignores their shopping cart, the seller can send a reminder email, or if someone has recently joined a subscriber, the seller can send a welcome email to the consumer. With email, sellers can personally greet them and this of course will increase customer trust, sellers can also provide special offers directly to them. If you get a special offer for the seller, many email marketing providers can help you (Mail Target) in email marketing matters (Mittal & Kumar, 2022).

Prediction of the E-Commerce Growth by 2022

Because Indonesia has the largest e-commerce market in Southeast Asia, this is an intriguing topic to discuss. Indonesia accounts for about half of all transactions in this region. The increased penetration of e-commerce has contributed to the continued increase in population who utilize the internet as a basic requirement after clothing, food, and housing. McKinsey & Company, a management consulting firm, provided study findings on the current state of the e-commerce business in Indonesia and its growth estimates for the next several years. Their conclusions cover a variety of subjects, including the value growth of the Indonesian e-commerce market through 2022, as well as the probable impact of this growth on Indonesia's economic and social landscape. Ecommerce is expected to reach a value of US\$65 billion by 2020. (Rp910 trillion). The McKinsey study defines e-commerce as the process of buying and selling physical goods online, which is divided into two categories:

- (1) Formal buying and selling through online platforms designed to facilitate transactions, such as Bukalapak and Tokopedia, and
- (2) Social commerce, which is the marketing of goods through social media such as Facebook or Instagram with payment and delivery handled by other platforms (Lata & Gupta, 2020). Service firms like GO-JEK and Traveloka, as well as B2B platforms like Indotrading, are not included in this study, according to mckinsey. Even if the service and B2B sectors are excluded, the gross merchandise value of the Indonesian e-commerce market is expected to increase by eight times by 2022.

Indonesia has the fastest growing economy and the largest market in Southeast Asia (Eka, 2019). The digital economy in Indonesia is rapidly expanding; in 2015, the amount was only \$8 billion, implying that it has increased by more than fourfold this year. Thailand is the second-largest exporter this year, at \$12 billion (Dailysocial, 2021). Along with producers and distributors, consumer buying habits in Indonesia will change. The ease of transacting and selecting things has spurred an increase in the number of online consumers, which is predicted to reach 65 million by 2022, growing at a rate of roughly 25% per year. When compared to offline purchases of similar

products, the rising popularity of internet shopping is likewise linked to cheaper costs. When compared to actual purchases, online customers on the Indonesian island of Java, particularly in urban areas, save 4-14 percent on average. This is because, due to high operational costs, offline goods are more expensive, whereas online shipping costs are lower due to a broad distribution network. As e-commerce grows, consumers in rural and remote areas may be able to benefit across the developing economies (Kumar et al. 2020).

Meanwhile, online shoppers outside of Java, particularly in rural areas, can save between 11 and 25 percent. Due to the high inventory expenses of offline wholesalers, shopping online is substantially less expensive in this instance. Shipping expenses, on the other hand, continue to have a significant impact on the prices of goods sold online; in places outside of Java, such as Palembang and Timika, shipping charges might account for 40-50 percent of the entire cost of a product.

Jakarta, Bandung, Surabaya, and Semarang, Indonesia's four major cities, currently account for more than 70% of all internet transactions in the country. However, a number of recent trends imply that e-commerce can help rural dwellers contribute more to the national and worldwide economies. E-commerce transactions in Papua, North Kalimantan, and North Sulawesi surged about twice as fast as transactions in Jakarta between 2013 and 2017, especially in purchases. This surge has the potential to happen faster as internet penetration and people's purchasing power increase. Overall, rural e-commerce sales climbed 2.5-fold from 2015 to roughly IDR337 million in 2017. Meanwhile, e-commerce purchases grew at a faster rate, increasing fourfold in the same time period to roughly IDR4.9 trillion in 2017. The large number of purchases may indicate that e-commerce has the ability to assist residents of rural areas in purchasing devices that were previously unavailable.

The online business sector in Indonesia is estimated to grow 3.7-fold by 2025. Its value will be US\$ 48.3 billion from US\$ 13.1 billion in 2018. This growth is driven by increasing people's purchasing power and internet access which has reached cities and towns, small town (Lata & Kumar, 2021c). However, in Southeast Asia, online business revenue growth in Indonesia is not the largest. Vietnam is predicted to experience an increase in income by 6.6 times and Thailand by 4.9 times. The revenues of the two countries will also reach US\$ 24.4 billion and US\$ 21.4 billion in 2025. Meanwhile, online business is projected to only grow about double in Malaysia and Singapore, becoming the lowest in the region.

After Indonesia, Thailand is the second highest country in internet economy market size data in SEA. There are close to 50 million internet users

in Thailand today, with a whopping 85% of those between ages of 16 and 64 surveyed by GlobalWebIndex¹ that reporting they already do purchase activity online. Despite this high level of usage, internet spending in Thailand is still quite low. In 2018, the average buyer in the country spent only \$100 on online consumer goods purchases, compared to a global average of \$634. However, with customers' online purchasing increasing by 25% last year, Thailand's e-commerce industry appears to have a bright future. According to Statista (2019), Thailand's online consumer economy was worth approximately US\$8.3 billion in 2018, up US\$1.6 billion or 25% over 2017. Thais spent US\$4.14 billion on e-travel in 2018, accounting for half of the entire amount. However, almost all of Thailand's e-commerce customers also buy consumer items online, according to Statista's Digital Market Outlook survey, which found that 37.5 million Thais spent over US\$3.75 billion on consumer goods online in 2018. However, in line with regional trends, Thailand's digital content sector remains modest, with the average e-commerce user spending just over US\$1 per year on music downloads and streaming services combined. Although demand for video games is increasing, Thailand's whole digital content sector is still worth less than \$400 million per year.

Digital music sales are hardly increasing as well, with Thais spending only 5% more, or US\$2 million, in 2018 than in 2017. However, the rest of Thailand's e-commerce market shows a totally different picture, with many categories enjoying yearly growth of more than 25%. According to an Indonesian e-commerce survey, the food and personal care sector is experiencing the highest growth in online sales in Thailand, with sales up 30% in 2018 compared to the previous year. Meanwhile, while accounting for half of Thailand's overall internet economy, tourism was the country's second-fastest-growing e-commerce industry in 2018, with sales up 28% from 2017. Online sales of fashion and beauty products grew at a slower rate of 17% year over year, which could be due in part to Thailand's rich tradition of fashion markets such as Chatuchak weekend market and Platinum Fashion Mall. However, the sector is far from 'struggling,' with Thai customers on course to spend more than US\$1 billion on online fashion purchases in 2019.

Lazada is Thailand's most popular e-commerce site. The company's local-language website attracted an average of 44 million monthly views between May and July 2019. The company's mobile app was the most popular shopping app in Thailand during the first three months of the year. However, these rankings are based solely on website visits and app users, and may not

¹ <https://datareportal.com/reports/digital-2019-e-commerce-in-thailand/>.

accurately indicate market share worth. Shopee's dedicated Thai website got an average of 33 million monthly visits between May and July of this year, making it second in both the website and mobile app rankings. Although it's impossible to distinguish either company's online food and personal care purchases in Thailand, Lazada and Shopee account for a considerable portion of customers' grocery-specific online food and personal care purchases. In recent years, delivery services such as Honestbee and Happy Fresh have had success in Thailand, albeit Honestbee's seeming great performance hasn't been enough to overcome its ongoing issues. Other players appear to see the delivery model's future possibilities as well. According to recent rumors, Line, one of Thailand's most popular social media platforms, is planning to start a grocery delivery service as part of a slew of new shopping-related services in the country before the end of 2019. Traditional grocery brands, on the other hand, appear to be taking longer to succeed online in Thailand, with none of the country's supermarket chains making it to the most-visited transactional websites. That, though, could be about to change. Last month, Tesco Lotus, one of Thailand's major traditional grocery brands, partnered with Shopee to establish a new online shopping site, marking an important step forward in the company's e-commerce operations. Thailand suffers less of the geographical obstacles that Indonesia and the Philippines do, but population dispersion remains an issue, with slightly more than half of the country's population living in rural areas. Thailand's digital infrastructure, on the other hand, is well-established. Almost 70% of the country's population has access to the internet, and according to the statistics below, Thais are among the world's most avid internet users. Overall, Thailand's e-commerce future appears to be bright. According to the research, Thais have already embraced internet buying, and it should only be a matter of time before this translates into higher value.

According to Datareportal (2019), Vietnam today has 59 million internet users, with 78 percent of those aged 16 to 64 having made an online transaction². Vietnamese e-commerce shoppers are considerably more numerous. According to Statista's Digital Market Outlook (2019), about 50 million Vietnamese citizens bought consumer items online in 2018, paying a total of USD \$2.2 billion. However, the average e-commerce revenue per user is still low. Over the course of the past year, Vietnamese buyers spent an average of just US\$46 on consumer items, excluding travel and digital media expenditures. The good news is that online spending in Vietnam grew

² <https://datareportal.com/reports/digital-2019-e-commerce-in-vietnam/>.

significantly in 2018, with the value of online consumer goods transactions growing by about 30% over 2017.

In 2018, Vietnamese consumers spent about \$6 billion on internet goods, more than \$1 billion more than the previous year. Travel purchases accounted for 59% of total spending, with the e-travel sector in Vietnam worth close to US\$3.5 billion in 2018. Consumer items, on the other hand, accounted for 38 percent of the country's e-commerce value in 2018, with sales of electronics, clothes, toys, and groceries totaling more than US\$2.2 billion. Electronics purchases make for the largest percentage of value in the consumer goods industry, however fashion and cosmetic products aren't far behind. However, according to Statista's DMO data, Vietnamese internet users are less likely to pay for digital material, with the digital music sector being particularly poor. Last year, Vietnamese individuals spent only US\$21 million on music downloads and streaming services, amounting to slightly over US\$1 in income per user.

However, Vietnam's online economy is booming, with the whole market value expanding by more than 20% last year. Given its size, it's not unexpected that the travel industry is growing more slowly than the rest of the economy, with revenues increasing only 16 percent in 2018 compared to 2017. The value of consumer goods purchases, on the other hand, increased by 29% year on year, with the Food & Personal Care and Toys, Hobbies & DIY categories both experiencing growth rates of above 30%, according to datareportal (2019).

Furthermore, according to Statista (2019), Vietnam is one of the top three fastest-growing online grocery markets in the world, with a 38 percent increase in category sales value between 2017 and 2018. This isn't simply fantastic news for online food businesses in the United States. Many individuals in Vietnam buy for groceries on a regular basis, and as more of this activity goes online, shoppers are becoming more comfortable with the process. This increasing familiarity should promote higher confidence in online purchasing as a whole, which might lead to increased e-commerce activity across all categories if these regular grocery experiences continue favorable. Shopee and Lazada dominate the e-commerce sector in Vietnam, as they do in most other Southeast Asian countries. Between June and August 2019, Shopee's Vietnamese website received an average of 34 million monthly visits, compared to around 24 million monthly visits for Lazada's local site. Meanwhile, Tiki.vn, a local platform, is in the top three ranks for both website traffic and mobile web use, with an average of 27 million monthly visits over the past three months. The Amazon global offerings

appear in both the mobile app and website ranks, with 3 million more than Lazada's local site. Surprisingly, it appears that Vietnamese customers' platform choices differ based on the device they are using. Although Adayroi is one of Vietnam's top five mobile shopping apps, the company's website does not rank among the country's top ten transactional websites according to SimilarWeb. Local players thegioididong.com, chotot.com, and dienmay-xanh.com, on the other hand, all rank among the country's top transactional websites but do not show in App Annie's top mobile shopping applications. Food and personal care items accounted for the smallest part of Vietnam's online consumer goods market in 2018, according to the data below, but sales are expanding at a rate of close to 40% every year, which may change [datareportal \(2019\)](#).

IGD Asia, a grocery research firm, predicts even faster growth for the country's online grocery business, with projections indicating that expenditure will double every year between 2017 and 2022 [datareportal \(2019\)](#). Despite this excellent rise, online shopping will remain a minor part of Vietnam's total grocery sector, with IGD Asia predicting that e-commerce will account for less than 0.5 percent of total category spending by 2022. However, this low foundation means that there is lots of room for further significant development over the next decade, which may give retailers researching the Vietnamese market reason to be optimistic. For comparison, the US\$348 million spent on online food by Vietnamese e-commerce buyers in 2018 represented around 0.6 percent of the country's entire grocery market of US\$63 billion, according to [datareportal \(2019\)](#).

Both App Annie's (2019) and SimilarWeb's (2019) current rankings of e-commerce players in the country place Shopee at the top, but it's unclear how much of the platform's revenue originates from food transactions. Tiki.vn and Lazada, which are ranked second and third in both rankings, have a similar scenario (although they swap places between the lists). Both sites sell a variety of groceries, but it's unclear how much these things contribute to either site's total profitability.

According to SimilarWeb (2019), online supermarkets Lotte and BáchHoá XANH each receive over 1 million monthly visits, while Now.vna, a food delivery service that also sells groceries, receives around 3.5 million monthly visits. Meanwhile, App Annie lists Lotte's mobile app among the top ten shopping apps in Vietnam, which is significant for the country's online grocery market. All of these statistics hint to an increasing interest in online grocery shopping in Vietnam, even if that enthusiasm hasn't yet translated into large sales. According to the United Nations, only around a third of the

country's population lives in cities, with the remainder of the people being distributed over rural areas. This demographic dispersion may make scaling fast delivery across the country more difficult and expensive, which could have special implications for Vietnam's online grocery market.

Payments are a key factor in Vietnam, as they are in many of the other SEA countries in this series, with the country having some of the lowest levels of credit card adoption in the global economy.

In today's Vietnam, only about 1 in every 25 adults aged 15 and above has a credit card, and less than 1 in every 3 has a bank account. People in Vietnam, meanwhile, have been quicker to use mobile wallets, following a trend seen in several of the country's Southeast Asian neighbors. According to data from GlobalWebIndex³, about 40% of internet users in Vietnam utilize a mobile payment service on a monthly basis, putting the country ahead of the global average. According to current trends, Vietnam's e-commerce market is expected to grow significantly in the next months. However, given the country's small starting point, there is still a long way to go before internet shopping accounts for a significant portion of total consumer expenditure in Vietnam. Another research by data reportal (2019) shows the Philippines is home to more than 69 million internet users, while three quarters of these users aged between 16 and 64 already shop online.

Despite these high penetration rates, the Philippines' e-commerce sector is still modest, according to Statista's Digital Market Outlook (2019) survey, which found that the Philippines has the lowest average income per e-commerce user of any country. In 2018, the average Filipino e-commerce shopper spent just US\$18 on online consumer goods purchases, albeit this statistic does not include travel-related purchases or digital media spending. The good news is that the Philippines' internet economy grew by double digits in 2018, and eMarketer (2019) believes that the country will have some of the world's fastest growth in 2019. Despite having the region's second-largest population, the Philippines has the weakest internet economy of the six key marketplaces in Southeast Asia. According to Statista (2019), Filipinos spent a total of US\$4.7 billion on online purchases in 2018, with US\$3.5 billion of that amount going to online travel purchases. In 2018, online consumer goods transactions totaled only US\$840 million, with gadgets and physical media accounting for the majority of this total. The Philippines' digital media sector is relatively modest, with internet users spending just US\$286 million on video games, video-on-demand services like Netflix, digital music streaming and

³ <https://datareportal.com/reports/digital-2019-e-commerce-in-vietnam/>.

downloads, and digital news and magazine subscriptions. Digital music is one of the most challenging sectors in the Philippines' online economy, with just 11 percent of the country's population paying for downloads or streaming services in 2018, compared to a regional average of 17 percent.

According to Statista (2019), the Philippines' e-commerce expenditure grew more slowly than the rest of Southeast Asia in 2018, but it still beat the global average. Last year, the country's overall internet spending increased by 16 percent, compared to a regional average of 21% but a global average of 13%. In Statista's DMO research (2019), the Philippines' online travel sector expanded at the slowest rate across the major e-commerce sectors, however it nevertheless increased by 15% in 2018. The consumer goods industry, on the other hand, developed at a far greater rate. Overall, online consumer goods spending increased by 22% year over year, with all sectors except Fashion & Beauty seeing yearly growth of more than 20%. The Food & Personal Care category, as demonstrated in this series of studies on e-commerce in Southeast Asia, witnessed the highest growth in the Philippines last year, with online grocery spending rising by 29% compared to 2017.

It's worth mentioning, though, that eMarketer (2019) has a different view on e-commerce in the Philippines, expecting 31 percent annual increase in retail e-commerce sales in 2019. This places the Philippines in third position on the business's list of the world's fastest-growing e-commerce markets this year, well ahead of the global growth rate of 21% predicted by the company. IGD Asia, a retail consulting firm, is even more optimistic, predicting that the Philippines will have the highest online grocery growth of any country in AsiaPacific between 2017 and 2022. We'll take a closer look at the category in a separate part later in this piece, given the constancy of remarkable results for the country's online grocery prospects. According to the most recent data from SimilarWeb and App Annie (2019), Lazada and Shopee lead the Philippine e-commerce scene, despite the fact that the figures are based on website visits and mobile app users rather than real revenues. According to SimilarWeb (2019), between May and July, Lazada's native Philippines website received an average of 26.5 million monthly views, compared to 16 million monthly visits for Shopee's Philippines website over the same period. Amazon does well in the Philippines, with its worldwide/US app ranking fourth in the country's mobile shopping app rankings and third in the country's transactional website rankings. Filipinos' buying habits, on the other hand, tend to vary significantly depending on the gadget they're using. Fashion is a prominent choice for mobile consumers, according to App Annie's assessment of the country's top shopping applications, with regional fashion portal Zalora

ranking as the third most-used app in the Philippines during the first three months of 2019. (App Annie, 2019). Beauty is another popular sector among mobile consumers, with both local platform BeautyMNL and worldwide giant Sephora placing among the top 10 mobile shopping apps in the country.

However, none of these fashion or beauty businesses make the top ten of SimilarWeb's ranking of the country's biggest transactional websites, which offers a slightly different tale. Instead, when it comes to web-based e-commerce in the Philippines, electronics appear to be king, with Microsoft and Samsung's sites ranking among the top transactional websites. It's also worth noting that Scribd.com is included in SimilarWeb's list of top transactional websites (SimilarWeb, 2019). The market for paid digital content in the Philippines is still modest, but the existence of an e-book platform among the country's top sites implies that there is no shortage of demand for digital content.

Food and personal care products make for the smallest share of online consumer goods spend in the Philippines, with the country's online grocery industry valued at just US\$127 million in 2018. This follows a trend we've seen in other Southeast Asian countries in this series. That means that online grocery only contributed for 0.2 percent of the country's entire grocery market (online and offline) in 2018, which was valued at US\$53 billion by IGD Asia. However, in the Philippines, online food shopping is gaining traction, with Statista reporting that the country's online grocery sector is among the fastest-growing in the world.

The Philippines is expected to have the greatest growth in online grocery spending in APAC over the next five years, with a CAGR of about 150 percent between 2017 and 2022, according to the business. Despite these promising developments, IGD projects that by 2022, internet shopping will only account for 1% of total food spending in the Philippines. Lazada and Shopee dominate the Philippine e-commerce market, and with both platforms offering grocery items, both companies are likely to have a significant part of the country's online grocery spend. However, according to statistics from SimilarWeb, online grocery delivery services have struggled to acquire traction in the Philippines. According to the newest data, only one grocery-focused website, Honestbee, received over 100,000 monthly visitors in the Philippines between May and July 2019, with some of the country's biggest brands still battling to reach 50,000 monthly visits (SimilarWeb, 2019).

Many of the same infrastructural obstacles faced the Philippines as Indonesia, and it's likely that these issues have hampered the country's e-commerce growth to date, particularly in the food industry. Geography is a

very difficult subject. The Philippines has almost 2,000 inhabited islands, making it impossible for any online food store to provide a statewide service. Furthermore, distributing fresh fruit across the country's varied and often tough terrain, particularly in the tropical climate, is no easy undertaking. Payments may also be a major impediment to e-commerce growth in the Philippines, where the World Bank estimates that only one in every 50 Filipinos holds a credit card. Credit card penetration is significantly lower among women, at only 1.4 percent, or one woman in every 70. This is especially important in the grocery industry. In 2017, the Philippines has one of the lowest rates of bank account ownership among the world's top economies, with only one out of every three Filipinos having a bank account. In the Philippines, however, mobile payments are more popular, with GlobalWebIndex claiming that 4 out of 10 internet users utilize a mobile wallet service. With research from GlobalWebIndex indicating that Filipinos are becoming more comfortable making purchases online, e-commerce spending in the Philippines is expected to expand steadily in the coming years. However, logistical issues will continue to stifle growth, and given the Philippines' current small internet industry, it may be years before e-commerce accounts for a significant portion of the country's overall retail spend⁴.

The next country is Malaysia, which has over 26 million internet users and is continually growing, and statistics from GlobalWebIndex⁵ shows that 80% of users aged 16 to 64 are already shopping online in the Philippines. Malaysians spend far more on online purchases than many of their Southeast Asian neighbors, yet the country's average e-commerce revenue per user (ARPU) is still less than a quarter of the global average. Malaysians' e-commerce spending increased by 24% last year, and with the country's government making the growth of the online economy a national priority, online shopping is anticipated to continue to rise strongly in the future years. According to Statista's Digital Market Outlook report, Malaysians spent more than US\$6 billion online in 2018, with consumer goods sales already outnumbering travel spending. In 2018, the online consumer products category in Malaysia was worth US\$3.1 billion, accounting for 51% of overall e-commerce spending. Electronic purchases contributed the most to overall consumer goods consumption, accounting for 27% of total spending. Fashion and beauty products were not far behind, accounting for a quarter of the overall

⁴ <https://datareportal.com/reports/digital-2019-e-commerce-in-the-philippines/>.

⁵ <https://datareportal.com/reports/digital-2019-e-commerce-in-the-philippines/>.

online consumer goods industry with yearly spending of US\$771 million. However, in 2018, the average Malaysian e-commerce buyer spent only \$159 on online consumer goods transactions, compared to a global average of \$634. However, travel purchases remain a significant part of Malaysia's online economy, with internet users spending more than US\$2.7 billion on online travel purchases in 2018, according to Statista (2019).

In Malaysia, however, the market for digital material remains tiny, as it is in other Southeast Asian countries. Malaysians spent \$236 million on video games, digital music, video on demand services (such as Netflix), and digital news and periodicals in the previous year. Although Malaysians are the second largest per capita spenders on digital music in the region, after Singapore, digital music accounted for only \$30 million of that total. It's also worth noting that Scribd.com ranks among Malaysia's top 10 transactional websites by total monthly visits on SimilarWeb, implying that the country's internet users are already accustomed to consuming digital content (SimilarWeb, 2019).

Overall, Malaysia's e-commerce business is thriving, with Statista (2019) statistics indicating that total spending across all sectors increased by 24% last year. The travel industry expanded by a more moderate 18 percent, but it was still enough to add \$400 million to spending in comparison to 2017. Despite accounting for more than half of the country's e-commerce business, the online consumer products market developed at a significantly faster rate. Clothing, electronics, toys, furniture, and food all saw a 30 percent increase in online sales in 2018, totaling more than US\$730 million more than in 2017. Within the consumer products category, every industry increased by at least 25% year over year, with three sectors increasing by more than 30% in just a year. The country's online grocery business is expanding the fastest, mirroring a trend we've seen across Southeast Asia, with yearly purchase value jumping by an astonishing 39 percent in 2018. Malaysia is ranked second in Statista's ranking of the world's fastest growing grocery markets in 2018, with only Singapore showing a bigger year-on-year gain.

This isn't only excellent news for online grocers in the country. Food and personal care goods are among the most often purchased items, and as a growing percentage of this activity moves online, buyers are becoming more comfortable with the process. This increasing familiarity should promote higher confidence in online purchasing as a whole, which might lead to increased e-commerce activity across all categories if these regular grocery experiences continue favorable. Given the potential importance of the grocery category for Malaysia's e-commerce business as a whole, it's worth digging more into the country's online grocery market.

Malaysians spent \$483 million on online grocery shopping in 2018, up \$135 million from the previous year. In 2018, online shopping contributed for 2.3 percent of Malaysia's overall grocery market of US\$21 billion (factoring both online and offline sales). According to eMarketer (2019), this could indicate that Malaysia is already ahead of the United States in terms of moving grocery spending online. However, research firm IGD anticipates that in 2022, online shopping will account for nearly the same percentage of total grocery spending in Malaysia, indicating that there are still considerable discrepancies in estimations and forecasts for the value of the online grocery market in Malaysia. Despite these inconsistencies, the general picture appears to be consistent: Malaysia's online grocery spending will continue to expand rapidly in the coming years. According to IGD Asia, the value of online sales would climb at a CAGR of more than 60% between 2017 and 2022, compared to a CAGR of 4.1 percent for the grocery market as a whole between 2018 and 2023.

Malaysia's internet economy is diverse, with local, regional, and international brands. Shopee and Lazada dominate the general e-commerce market in Malaysia, mirroring a pattern we've observed in other Southeast Asian countries. According to SimilarWeb data, Shopee's Malaysian site is the most popular in terms of overall monthly traffic, with an average of more than 22 million visits each month (SimilarWeb, 2019). However, Lazada isn't far behind Shopee in the SimilarWeb rankings, with an average of 21 million monthly visitors to the company's local Malaysian website between May and July 2019. In App Annie's rating of Malaysia's top mobile shopping applications for 2019, the story is reversed, with Lazada garnering more active users than Shopee in the first three months of 2019.

Furthermore, considering that Malaysian internet users are substantially more likely to purchase via a mobile device than a PC (62 percent vs. 37 percent), the mobile app rankings may be more indicative.

It's worth noting that Taobao's mobile app does particularly well in Malaysia, implying that Malaysians who understand Mandarin are passionate online buyers. Korean items, on the other hand, appear to be popular in Malaysia, with 11Street's mobile app rating fourth on App Annie (AppAnnie, 2019). The Fashion & Beauty category is also a popular choice among Malaysian mobile consumers, with prominent regional fashion site Zalora ranking in the top ten on App Annie. Malaysian online buyers, on the other hand, have some distinct interests and habits. Samsung is ranked third in SimilarWeb's website rankings, yet it's unknown what percentage of visitors to the site actually buy something (as opposed to merely looking for product

information and company news). Microsoft.com is also among Malaysia's top ten e-commerce sites, confirming the fact that electronics account for the majority of the country's online consumer goods purchasing. Mudah.my, a local marketplace, is also a Malaysian favorite, with SimilarWeb indicating that the site received over 10 million monthly views between May and July 2019. Travel websites are also a popular online destination in Malaysia, with AirAsia.com and Agoda.com being among the country's top ten most-visited websites according to SimilarWeb. Taobao and Amazon both rank in the top 10 on SimilarWeb's list of international shopping platforms (SimilarWeb, 2019).

Although Shopee and Lazada dominate Malaysia's e-commerce market, it's unclear how much of each company's revenue is attributed to grocery purchases. When compared to other specialized grocery players in the country, Tesco's website receives the most monthly views, although data from SimilarWeb reveals that the site's traffic is still rather low, with fewer than half a million visits per month (SimilarWeb, 2019). Compatriots in the brick-and-mortar world Jaya Grocer and Mydin also have a moderate internet presence, with each brand's website receiving over 100,000 monthly hits. However, given that approximately 20 million Malaysians already buy consumer items online, these traffic numbers appear to be relatively low, especially given the average frequency of food purchases, according to Statista (Statista, 2019).

It's also worth noting that a number of Malaysia's biggest brick-and-mortar companies still don't offer dedicated online shopping in the nation, instead opting to collaborate with HappyFresh to transport things from their physical stores to customers' homes. Indeed, the websites of two of the country's largest grocery chains, Cold Storage and Giant, both link potential customers to HappyFresh's website. In recent months, a number of specialty online grocers have entered the Malaysian market, offering organic products among other things. Some of these sites have already found traction, with data from SimilarWeb indicating that one of them, Signature Market, receives over 100,000 monthly visits on average (SimilarWeb, 2019).

Malaysia's e-commerce growth will be particularly high in the following years, according to eMarekter's (2019) estimate that the country would be among the top five fastest growing e-commerce markets in 2020. There are also more impediments to e-commerce growth in Malaysia than in many other Southeast Asian countries, however with the Malaysian government declaring the e-commerce sector a national priority, the country's future e-commerce prospects appear promising. The last country in SEA to be analysed is

Singapore. Almost 5 million people in Singapore use the internet today, it is 85 percent of the total population of Singapore and almost three quarters of users are between 16 to 64⁶.

In 2018, Singaporean e-commerce customers spent an average of more than US\$1,000 on online consumer goods purchases, well exceeding the global average of US\$634. The e-commerce industry in Singapore is also booming, with total online spending increasing by more than 20% last year.

According to Statista (2019), Singaporeans spent about US\$8 billion online in 2018, amounting to a per-capita spend of more than US\$1,300, nearly four times the global average. The majority of Singaporeans' online purchases are for consumer items. In 2018, consumers in the country spent more than US\$4.1 billion on clothing, electronics, groceries, furniture, and toys, accounting for 52 percent of total online spending. Electronics & Physical Media narrowly beat out Fashion & Beauty for the largest proportion of the consumer goods market. Food and personal care items accounted for the smallest share of consumer goods spending, but that is expected to change in the following months, as we'll see below. Aside from consumer items, travel purchases account for 46% of Singapore's online economy, with total spending exceeding US\$3.6 billion in 2018. Despite spending only US\$26 million on digital music last year, Singapore has the largest per capita spend of any Southeast Asian country, with the average music shopper in the city state spending more than \$14 on downloads and music streaming services.

Singapore's online economy rose by 21% in 2018, with growth varying significantly across different areas of the country's online economy. Travel grew the slowest, with internet sales increasing by less than 8% over 2017. Consumer goods purchases, on the other hand, had a very different narrative, with the industry as a whole up 35 percent. Despite consumer products accounting for more than half of Singapore's total online spend, the highest increase of any country in Southeast Asia. Every sub-category in the consumer goods sector showed a 30 percent growth, with two exceptions: Toys, Hobbies, and DIY and Food & Personal Care. It grew at a rate of more than 40%. The latter is noteworthy in that Singapore's online grocery business is developing at a higher rate than any other country on the planet. According to Statista (2019), online purchases of food and personal care products in Singapore increased by 47 percent in 2018, more than three times the global average of 15% growth.

⁶ <https://datareportal.com/reports/digital-2019-e-commerce-in-singapore/>.

Singapore's online consumers appear to favor various platforms depending on the device they're using. Because e-commerce users in the country are significantly more inclined to shop on their phones than on their PCs, let's start with App Annie's rating of the country's most popular mobile shopping apps (AppAnnie, 2019). Both Lazada and Shopee are popular in Singapore, ranking #1 and third in App Annie's app rankings, respectively. Qoo10, another Singapore-based e-commerce company with strong traction in the city-state, separates them. Taobao, a Chinese platform, is ranked fourth, while ezbuy, a Singapore-based platform, is ranked fifth. Singapore's mobile shoppers are also fashion-forward, with regional favorite Zalora coming in sixth and global heavyweight ASOS coming in tenth. It's also worth noting that Amazon features twice in the top 10 mobile shopping apps in Singapore. App Annie ranks the company's worldwide/US app eighth, while its local, grocery-focused Amazon Prime Now app ranks ninth. The position of Amazon's apps on the list is particularly significant. Singaporeans, on the other hand, tend to have diverse preferences when it comes to online buying. Singapore is the only country in Southeast Asia where a local platform does not rank first in SimilarWeb's top transactional websites ranking. Despite the fact that Singapore is home to the region's two major e-commerce businesses, Lazada and Shopee, worldwide behemoth Amazon topped the list of sites generating the most web traffic. Lazada is ranked second in SimilarWeb's rankings, with its Singapore-specific site generating an average of more than 7.6 million monthly visits. Qoo10 is in third place in the rankings, but it is only a hair behind Lazada with 7.4 million monthly website views. According to SimilarWeb's data, local social commerce network Carousell ranks fourth, accounting for about one-third of the platform's total global traffic. Microsoft.com, Apple.com, and Samsung.com all make the top 10 transactional websites in Singapore, though it's unknown how many of these sites' users actually buy stuff from them. Both Taobao and AliExpress are among the top 10 most-visited transactional websites in Singapore, indicating that Chinese e-commerce platforms are gaining traction. Surprisingly, Shopee only ranks ninth in SimilarWeb's website rankings, implying that the platform's users prefer its mobile app to its website (SimilarWeb, 2019).

Because online grocery retail is growing so swiftly in Singapore it's interesting looking at the market's major players. Both Lazada and Shopee are likely to have a significant portion of Singapore's online grocery market, but it's unknown how much of each platform's entire revenue comes from food. However, Amazon's local, grocery-focused app, Prime Now, is among the top 10 mobile shopping applications in the country, indicating that the sector is

obviously gaining traction. Fairprice ranks first among traditional grocery merchants in terms of online success as evaluated by website traffic, according to SimilarWeb. Between May and July 2018, the brick-and-mortar supermarket company received an average of 1.3 million monthly website visits, approximately five times more than its closest competitor, Cold Storage. These figures, however, show that Singapore has a long way to go before online grocery buying becomes commonplace. To put things in perspective, more than 3.5 million Singaporeans already shop online, and with the majority of people buying groceries at least once every two weeks (via any channel), the numbers suggest that only a small percentage of the country's e-commerce users have embraced regular online grocery shopping. This could be due to the fact that Singaporeans are rarely more than a few minutes away from a physical grocery or convenience store, meaning that internet shopping does not yet provide the same convenience as it does in nations such as the United States. This could be one of the reasons why Honestbee, Singapore's top grocery retailer, is still struggling, and why Amazon's Prime Now service hasn't garnered the traction that many analysts projected prior to the US giant's debut in the city-state. However, the significant rise seen in Statista's data indicates that online groceries will grow rapidly in Singapore in the future years (Statista, 2019). Statista's statistics isn't the only thing that points to a bright future. Singaporeans have embraced online grocery shopping more swiftly than their Southeast-Asian neighbors, according to a 2018 survey by IGD Research (2019), and the business predicts that e-commerce will account for around 8% of Singapore's entire food industry by 2022. IGD Asia, on the other hand, is less optimistic about annual growth than Statista, projecting a compound annual growth rate (CAGR) of 25% in Singapore's online grocery sector between 2017 and 2022. However, this is still much quicker growth than the 17 to 18 percent predicted by eMarketer for the United States over the same time period, so e-commerce businesses have cause to be hopeful about the future of online groceries in Singapore.

There's plenty of data to suggest that e-commerce has a bright future in Singapore, given the country's strong e-commerce adoption and the fact that total sales value is currently expanding at a rate of more than 20% per year. The main drawback may be Singapore's small size, but this presents a unique opportunity for e-commerce operators, as it serves as a perfect test bed for new e-commerce efforts that can then be extended out across Southeast Asia and beyond.

Conclusion

Southeast Asia has emerged as a strategic e-commerce marketplace. Which offers opportunity not only to the local entrepreneurs, but also the global players. Indonesia's contributes up to 50% of all transactions in the SEA region. The most internet users, the pattern of society in shopping, the level of consumptiveness of the people and the amount of time spent surfing in the digital world are the largest. Followed by a country that is famous for its cosmetic and fashion products, namely Thailand. Next with a smaller percentage, namely Vietnam Philippines Malaysia Singapore. The E-Commerce that has the most market share in the six SEA countries is Shopee because Shopee has a strategic position in the SEA state compared to other E-Commerce such as amazon, etc. The SEA community is more likely to choose a shopping platform based in their area because it is considered more profitable for both consumers and sellers.

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