

Payments optimization in APAC

Innovation from the global frontier



Expand effortlessly with the leading cloud-based payments platform built for global business

Checkout.com is a global payment solutions provider that helps leading brands drive more value from their digital payments. Purpose-built with performance, scalability and speed in mind, our modular payments platform is ideal for merchants looking to seamlessly integrate better payment solutions.

Checkout.com offers improved acceptance, better and more actionable granular data, a flexible and modular product structure that merchants can adapt to their needs, combined with deep local expertise and a truly personal white glove service. It's why brands across the globe like Grab, Samsung, Wise and SHOPLINE trust Checkout.com.

Checkout.com is the dominant choice for organizations that are looking for the fastest, most innovative and reliable, global payment solution provider.

Launched in 2012, Checkout.com now has a team of over 1000 people across 18 offices worldwide, offering local expertise where it's needed.

Their on-the-ground presence and deep knowledge of the regional payments ecosystem, makes Checkout.com the ideal partner for optimizing your payments in APAC.

Find out more at [Checkout.com](#)

Checkout.com

Julie Scrase, Editorial Director of Insights and Research
Nic Milliner, Brand Designer

This report was written by Checkout.com in partnership with YouGov and originally published July 2020.

The report was written by Julie Scrase, Editorial Director of Insights and Research for Checkout.com.



YouGov

YouGov is an international research data and analytics group headquartered in London. The firm's data-led offering supports and improves a wide spectrum of marketing activities of a customer base including media owners, brands and media agencies. They work with some of the world's most recognized brands.

YouGov's suite of data solutions includes YouGov BrandIndex, YouGov Profiles, YouGov Omnibus and YouGov Custom Research. With a proprietary panel of over 9+ million people globally and operations in the UK, North America, Mainland Europe, Scandinavia, the Middle East and Asia Pacific, YouGov has one of the world's largest research networks. YouGov data is regularly referenced by the press worldwide and we are the most quoted market research source in the UK.

Leading brands thrive in APAC with Checkout.com

6IXTY8IGHT

 **BINANCE**

 **deliveroo**

 **g2g**
.com

 **GetGo**
Carsharing

gettyimages®

 **Grab**

 **THE GROWTH FACULTY**

JEANSWEST

LANE—EIGHT

Light  **thebox.com**

 **NESPRESSO®**

 **OFFGAMERS®**
YOUR GAMING ALLIANCE

 **OMNIDESK™**
your space reimagined.

 **On The List**

Prenetics™

QEEQ.COM

SAMSUNG

 **Sasa**

SHEIN

SHOPBACK
The Smarter Way

SHOPLINE

 **SWAROVSKI**

 **the ENTERTAINER™**

Uprise

VIEWQWEST

 **Virgin**
MEGASTORE

 **wise**

zomato

Foreward



At Checkout.com, we're dedicated to driving global prosperity through intelligent innovation. We do this by building the cutting-edge payments technology that empowers the world's most forward-thinking businesses to do what they do better, by unlocking more value in every transaction. Everywhere.

And yet, providing the best technology which truly flexes to the unique demands of every merchant is only half of our global success story – albeit a very important half! Crucially, our people are committed to supporting merchants by combining a deep knowledge of each business we serve with a nuanced and thorough local expertise on the ground. We recognize that payments are one aspect of growth and expansion which does not easily scale. Even in today's digitized 'global village' the world remains a highly fragmented place when it comes to the multifarious factors which impact the success of payments: consumer culture, behavior and preference, socio-demographics, payment rails and infrastructure, regulations and laws – to name but a few critical variations.

But we believe that ambitious merchants must not be hamstrung by the fact that global payments are an inevitably localized and, therefore, complex matter. This is why we're so devoted to continuously evolving our localized expertise, allowing us to advise and guide each of our merchants on every vital step of their journey to growth. And nowhere is this emphasis more apparent and more salient than in APAC.

Our teams on the ground in China, Hong Kong, Southeast Asia and Australia are passionate about the detail of difference and are driven by their local and personal relationships and partnerships. As such, it seems especially fitting that this APAC-focused research report provides such a multifaceted interweaving of the experience and knowledge of our teams, and of our many friends and partners across the region.

As this report demonstrates, what happens here in APAC will lead the rest of the world. Not least when it comes to payments and ecommerce. To be a part of that world-leading activity is truly exciting and a privilege. As one contributor to the report wisely reminds us, what you learn on the ground in APAC will enrich and inform the rest of your business for years to come. We're very excited to share the fruits of this experience and knowledge and we're honored to be featuring so much high quality expertise from our local merchants and partners to whom we owe warm thanks for their openness, thoughtfulness and vision.

A handwritten signature in black ink, reading "Sebastian Reis". The signature is fluid and cursive.

Sebastian Reis

Expert voices



Arjun Vir Singh, Head of Financial Services - MENA, Arthur D. Little

Founded in 1886 in the US, ADL is now headquartered in Belgium and operates globally. ADL are an acknowledged thought leader in linking strategy, innovation and transformation in technology-intensive and converging industries. It specializes in navigating changing business ecosystems to uncover new growth opportunities, build innovation capabilities and transform organizations.



Trasy Lou Walsh, General Manager, Atome

Founded in 2019 Atome is a leading buy now, pay later fintech in Asia. It is part of Advance Intelligence Group, a Series-C AI-driven technology company headquartered in Singapore. Atome partners with over 2,000 leading online and offline retailers across fashion, beauty, lifestyle, fitness and homeware in Singapore, Malaysia, Indonesia, Hong Kong and mainland China.



Stephen Lo, CFO, CircleDNA

Founded in 2014, Prenetics was created by a team of professionals focused in genetics and diagnostic health. The company has since received over 60 Million USD in funding from companies including Alibaba and Ping An, and now operates globally with offices in ten countries including London Hong Kong, and have over 400 staff. Prenetics, operates through the brand CircleDNA, sells DNA tests to consumers and has also been instrumental in supplying large organisations and governments with Covid-19 tests during the pandemic. Prenetics has to-date completed 2 Million Covid-19 tests.



Ken Chee, CEO, G2G

Founded in 2013 and headquartered in Kuala Lumpur, G2GSolution Suite provides a comprehensive online marketplace solution for gamers to buy and sell anything gaming related. They offer a revolutionized online transactions platform that is fully governed and secured by GamerProtect; where both sellers and buyers can enjoy absolute peace of mind. As eSports may be recognized and incorporated in upcoming Olympics events, G2G has a dedicated focus on the development of eSports and empowering gamers by providing them with a platform to share knowledge and nurture their talents in the arena through a personalized coaching service.

Expert voices



Derek Guo, COO, Toby

Founded in 2016, Toby was established with the mission to transform the way people book services. Toby is now the leading services marketplace operating in Hong Kong, Taipei and Singapore. With over 500,000 requested services and over 30,000 SMBs and freelancers on their books, Toby connects customers with professionals who provide services such as beauty, education, writing and editing, plumbing, interior design and event planning.



James Shorrock, Co-Founder and CMO, LANE EIGHT

Founded in 2017 by James and Josh Shorrock, LANE EIGHT is a performance footwear brand founded on the idea of challenging traditional performance footwear and elevating activewear for everyday athletes. The product is designed to be environmentally sustainable and the brand is dedicated to inclusivity. LANE EIGHT is headquartered in Hong Kong but has a presence in the US where it has seen great success too.



Leonard Chee, CEO, OffGamers

OffGamers is a leading online retail and distribution platform that primarily offers game credits and top-ups, delivered instantly, to customers from around the globe. They serve more than 3.5 million registered users worldwide, with coverage including America, Europe, Asia and the Middle East. Based in Singapore, OffGamers has been established for over 15 years as the prominent online game store and distribution platform for gamers, game developers and publishers. OffGamers' core vision is to continuously expand its payment and distribution channels in both traditional and online methods to further benefit partners and customers globally.



Grant Bissett, CEO, Pin Payments

Founded in 2013 by Grant Bissett and Dominic Pym, Pin Payments serves more than 12,000 businesses across Australia and New Zealand. It supports eCommerce platforms and shopping carts including WooCommerce, Shopify, BigCommerce and Magento by providing a way for companies to accept card payments from customers. Pin Payments craft developer-friendly technology and a streamlined process to reduce time to market from weeks to days with a dedicated focus on serving SMBs in Australia and New Zealand. In 2020 the company was acquired by Checkout.com, allowing Pin Payments' customers to access the Checkout.com global acquiring footprint and enabling Checkout.com to access Australia's \$33 billion ecommerce market.

Expert voices



**Fiona Lau, Co-Founder
and COO, SHOPLINE**

Founded in 2013, SHOPLINE is Asia's biggest provider of Smart Commerce. They support over 250,000 merchants with end-to-end support, spanning inventory, payments, data and marketing. With a presence across Asia, SHOPLINE reaches a customer base of 530 million people. SHOPLINE is also one of Facebook's marketing partners and one of nine trusted Global Expansion Partners (GEP), as well as the first ecommerce platform to partner with Google in Greater China.



**Vishnu Bhan, Director,
Customer Engagement, Singtel**

The Singtel Group, Asia's leading communications group, provides a diverse range of telecom services including fixed line, mobile, data, internet, TV, infocomms technology, 5G and more. Together with Optus and their regional associates Airtel, AIS, Globe and Telkomsel, the conglomerate has a presence in 21 countries. Besides core telecom services, they provide an extensive range of digital solutions including cloud, cyber security and digital advertising to enterprises as well as entertainment and mobile financial services to millions of consumers.



Gerard Grech, CEO of Tech Nation

Founded in 2010, Tech Nation works to fuel the growth of game-changing founders and leaders and scale companies so they can positively transform societies and economies. They provide the coaching, content and community needed for new tech companies to design the future in the UK and across the world.

Executive summary of key findings

APAC as a whole: Key stats from the full survey of 12,000+ consumers

95% have shopped online or in-app more than twice in the last year



64% have bought something online or in-app in the past month



26% say they shop online or in-app at least weekly, 4% do so daily



80% say they use some form of fintech app to manage their finances



53% regularly use an app to send or receive remittances



35% of APAC consumers surveyed see the cross-border optionality as an important reason why they like to shop online



54% have spent more money online since the start of the pandemic



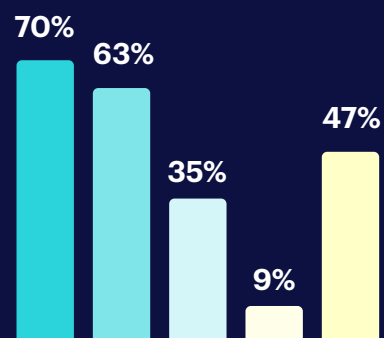
88% of whom expect to sustain or increase this higher spend level post pandemic (**40%** expect a further increase in spend)



86% agree that paying online is a safe thing to do



33% say that a complicated payment process has permanently deterred them from returning to a site or app



- most regularly shop via some form of marketplace (app or website)
- most commonly shop within a mobile app
- most commonly pay using digital wallets
- prefer CoD
- prefer to pay with card

Four key takeaways

1 APAC resists generalization, demands localization...

While these topline stats give a sense of the overall market for digital payments in APAC, they tell us all too little about many very significant variations – which are uncovered in depth within the report.

According to the merchants interviewed, understanding the specifics of each demographic you serve in APAC is absolutely key to success. Differences depend not only on the demographic in question but also on the type of product or service you are offering them.

Payment rails and infrastructure, standards and regulations also vary per country and require very careful localization planning. Indeed we saw more regional and demographic differences in APAC than in either the MENA region or in Western Europe.





2 ...But powerful trends abound

The data, when cut by country, age and gender, tells us that consumer preferences and behavior vary widely across APAC.

Typically Japan, Australia and New Zealand are most comparable with one another in their preference for cards over e-wallets and websites over mobile apps as well as having more male than female digital consumers. Meanwhile, countries such as Indonesia and Thailand have a striking preference for e-wallets and cash, almost only shop in-app and have a particularly notable preference for social commerce powered by a very active female consumer-base.

While older generations moved online in the highest numbers during the pandemic, APAC's youth have been re-energized as consumers, thanks to buy now, pay later and discount options proliferating in the past year.

3 Mobile apps and digital finance are empowering women in APAC

Countries such as Indonesia and Thailand with young, urbanizing and under-banked populations also lead the way in apparent female dominance when it comes to all forms of digital paying and financial activity.

Women here are more likely to spend, send and invest money via digital channels than their male counterparts.

The pandemic has also placed a spotlight on essential and key workers in the region, many of whom are unbanked migrant workers, and experts anticipate a redoubled focus on ensuring that digital finance reaches and empowers these communities too.



An aerial night photograph of a city skyline, likely Shanghai, featuring the Oriental Pearl Tower and other skyscrapers. In the foreground, a complex multi-level highway interchange is illuminated with streetlights. The image is used as a background for the text overlay.

4 If you want to see the future, look to China but don't overlook the other innovation juggernauts of APAC

Whether it's the rise and rise again of super-apps and embedded finance, the world-beating prowess of marketplace operations or the high-impact live and conversational social commerce which is turning investor heads globally, China is undoubtedly setting the global bar – and setting it high. But as its market reaches maturity and its handful of key players stifle competition, the rest of the region and Southeast Asia in particular are key centers of innovation to watch.

A supportive regulatory environment, fast growing and digitized economies and the socio-economic impetus for change are all factors combining to produce a rich outlay of ecommerce and payment innovation. Beyond super-apps and embedded finance, this region will likely spearhead applications for distributed ledger technology in payments and the deployment of a transnational stable coin.

As China makes noises about opening up to global payment players, Hong Kong and Singapore remain excellent entry-points into the APAC region.

Contents

Dynamism, diversity and drive: ignore APAC at your peril	14
Local excellence and global influence	15
Reaping the benefits of 'The China Effect'	18
Southeast Asia rises and rises	19
Cross-border is in order	21
The regulatory dynamic for growth	22
Healthy competition spurs ever more progress	23
Scrap your assumptions: navigating a complex region through data	25
Localize or die	26
A hyper-diverse region requires strategic balancing acts	29
The Hong Kong Paradox	31
Cards and Wallets: a complex picture	33
Women: holders of the digital purse strings	37
Innovation accelerated: APAC upping the game, again	39
COVID-19, Catalyst-2020: the boom by numbers	40
The pandemic-pivot: two local merchant case studies	42
On-trend: buy more, buy bigger, buy different	44
Social, live and conversational commerce	46
Super-apps look deeper into finance	49
Embed payments to compete in APAC	51
A payments ecosystem which supports SMEs	51
Performance, risk and reward in APAC	54
Trust, reputation and security	55
Fraud, chargebacks and payments optimization	57
Top ten tips for winning in APAC	61
Future forecasts	64
Data points by generation groups	68
Data points by country	74
Seizing the APAC opportunity	83

Dynamism, diversity and drive:

**Ignore APAC
at your peril**

Local excellence and global influence

Big ideas and a big addressable market

Whether or not you plan to do business in the APAC region – ignore it at your peril.

This is the clear message coming through from the experts we interviewed, and it's the logical corollary for anybody with their ear to the ground, especially and overwhelmingly when it comes to trends and development in digital commerce and payments.

Birthplace of the QR code, established home of the super-app and torchbearer for the development of CBDCs (Central Bank Digital Currencies), to name just a few examples, there is nothing to suggest that APAC's digital payment innovative prowess is slowing down.

"APAC is largely a young market – with a population of more digital natives than other parts of the world. Simply put, this makes for a much larger addressable market in digital commerce than elsewhere," says Ashley Paulus, who worked in payments and ecommerce in both East Africa and Southeast Asia before joining Checkout.com as VP for Customer Success in Singapore.

Real-time payments infrastructure

Many APAC countries already have domestic, real-time payments infrastructures – allowing for more opportunities and creating a more demanding consumer." APAC has also taken the lead in standardizing internal messaging standards ISO 20022. China and India have already adopted this standard – which carries richer data than many older payment formats, which makes things like payment reconciliation and AML compliance easier" adds Paulus.

95 per cent of consumers shop online

In our survey panel of over 12,000+ people, 95% confirmed that they shop online.

Of which,



80% say they use some form of fintech app to manage their finances



64% had bought something online in the past month



26% say they shop online at least weekly



63% say they most commonly shop within a mobile app



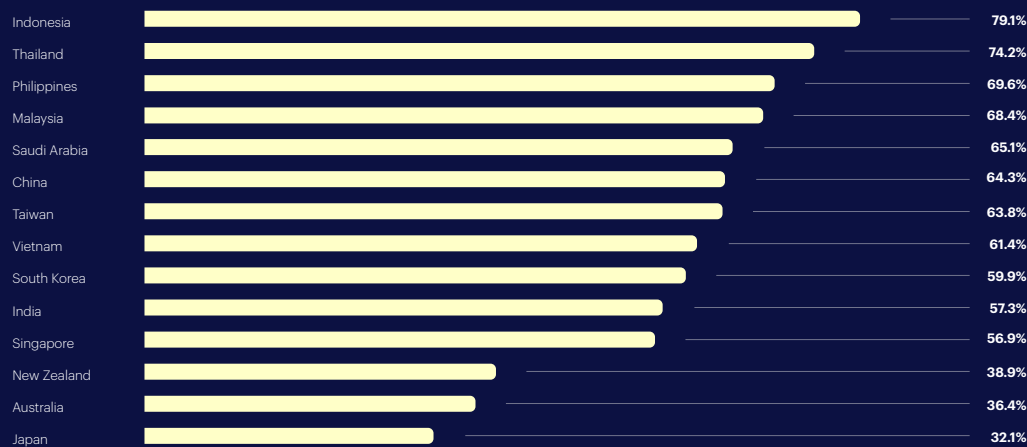
35% say they most commonly pay using digital wallets

Projected global retail ecommerce sales in 2020, by region (in billion U.S. dollars)

Asia Pacific	2448.33
North America	749
Western Europe	498.32
Central and Eastern Europe	92.91
Latin America	83.63
Middle East and Africa	41.56

As we will explore in more depth in this report, these numbers vary significantly according to demographics – which need to be deeply understood – and the region is still undergoing the increasingly digital-first influence of the COVID-19 pandemic.

Active mcommerce penetration in the Asia Pacific region, as of 2020, by country or region



Note(s): APAC; GlobalWebIndex; 2020 Source(s): GlobalWebIndex; We Are Social; Hootsuite © Statista 2021.

Nevertheless, even at a top-level “the facts speak for themselves, the region is fiercely important if we’re looking at digital payments and commerce,” says Arjun Singh, a widely respected industry commentator who spent years running payments for Al Futtaim Group in MENA and SEA. “APAC’s digital progressiveness and maturity is the reason I continue to believe that the region is, and will firmly remain, the world’s growth engine for digital retail, and hence retail payments and lending, for the foreseeable future.” The region is simply a ‘hotbed’ of innovation for digital commerce and finance,” adds Singh.

Ecommerce on a bull run

“Ecommerce in APAC, especially in China, is on a bull run,” agrees Brian Sze, SVP at Checkout.com in Hong Kong and previously at Deliveroo. “If you want an example of why this is the case, just look at how Chinese ecommerce performed during this global pandemic: Around the world, we observed an increase in chargebacks and refunds for ecommerce players due to disrupted supply chains, originating in China, during the pandemic crisis. And we can understand why this is the case.”

“But Chinese ecommerce merchants are ahead of the game: Cross-border ecommerce sales coming out of China, on the other hand, were largely uninterrupted throughout 2020. This is because Chinese ecommerce players have an exceptional grasp on the entire end-to-end value chain, from manufacturing and production

of their products to logistics as well as shipping these products to overseas and domestic consumers. The test was stark, and once again, the Chinese behemoths have proven themselves to be formidable.”

Sze goes on to explain that the robustness of local ecommerce, alongside APAC’s plethora of very effective digital marketplaces, has meant that China’s global manufacturers saw and seized an opportunity: Instead of trying to shift their products to the rest of the world, via foreign brands, for a relatively small mark-up, these China-based manufacturers have started to create stock which they sell directly via local marketplaces to the whole world. Not only are they thereby going via Chinese smart commerce businesses that have nailed their supply chains and shipping operations, but these local manufacturers can, and now do, make a much more significant profit by taking this approach.

“This has really energized local marketplace, smart commerce and ecommerce activity, particularly for cross-border sales,” says Sze, “and so we’ve seen a huge flurry of new players coming to us at Checkout.com so that we can help facilitate this rapid growth in demand – all because proven local capabilities, combined with the pandemic-catalyst, have caused manufacturers to radically rethink their business models.”

Vladimira Artopé, Singapore Country Manager at Checkout.com, also notes the first mover economic advantage which China felt, coming out of its lockdown earlier than the rest of the world, and “seizing the moment to rev-up economic activities and to innovate new business models, built for the world’s new normal.”

Look at the details

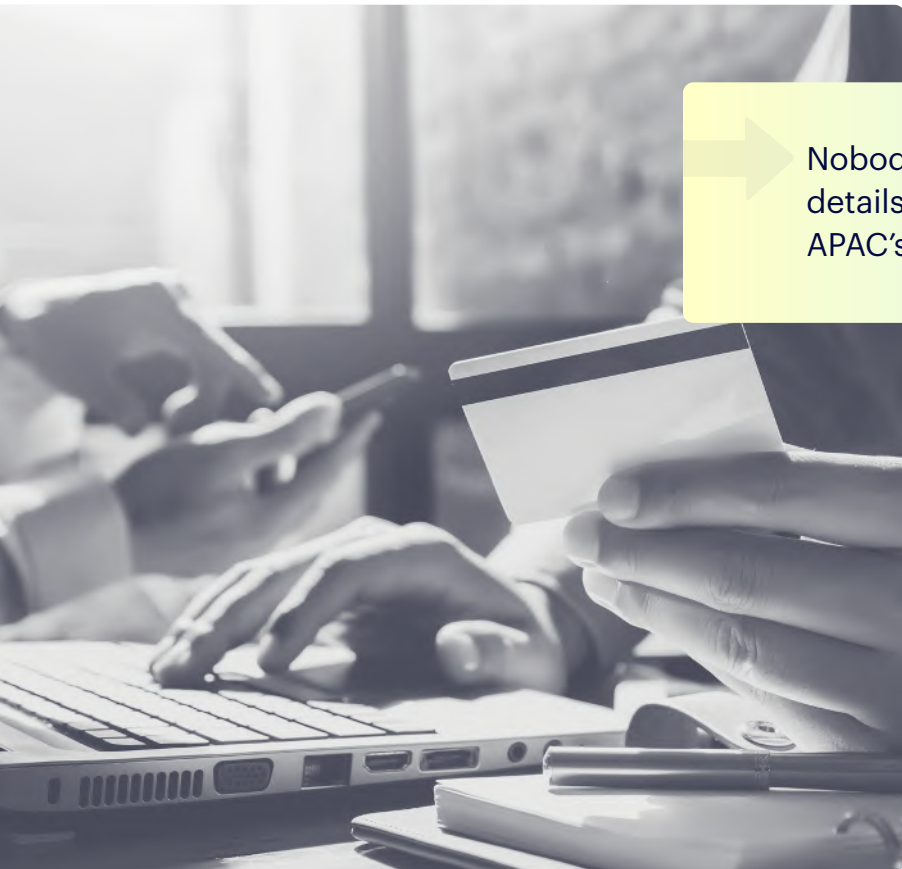
Of course this dynamic will only have furthered the pain for overseas retailers whose orders never came through. It serves as a very recent and clear-cut example of why nobody can afford to overlook the details of what is happening in APAC’s ecommerce industry. The reverberations are always global.

“Even without the pandemic, China’s consumer market has long been highly competitive,” says Sze.

“Businesses are constantly striving to produce quality goods at low costs to win local consumers. These very same businesses are now finding their ways to overseas markets through cross-border, outbound, ecommerce. Consumers from abroad are finding good value for money in these Chinese products across many lines of businesses, from fashion to electronics including home appliances and ancillary gadgets.”

“Now more than ever we see big Chinese brands like Alibaba or ByteDance hungry to get their products and services out into the world,” adds Vladimira Artopé, “the momentum is strong.”

Additionally, China continues to hold onto the globe’s top position when it comes to high-intensity, blow-out digital shopping festivals. According to Statista’s 2021 ecommerce report: “China has without question, and by a long shot, emerged as the global market leader in shopping festivals and days.”



Nobody can afford to overlook the details of what is happening in APAC’s ecommerce industry.

This latest research shows that Alibaba’s Singles’ Day event holds the maximum share among all internationally organized online shopping festivals, recording a Gross Merchandise Value (GMV) of c. \$74.1 billion in 2020. And it has seen a Compound Annual Growth Rate (CAGR) of nearly 65% between 2011-2020, with revenues regularly exceeding the combined sales of Thanksgiving, Black Friday, and Cyber Monday in the US.

Reaping the benefits of 'The China Effect'

The next big thing around the corner

It is no surprise then, that all of the experts we spoke to were in agreement that China acts as a huge regional influencer across APAC. This means that its trail-blazing digital payments and commerce innovations don't take long to spill over into its neighboring countries. "Ideas spread fast here, and Chinese-grown talent permeates the rest of APAC" says Fiona Lau, Co-Founder and COO of SHOPLINE.

James Shorrock, Co-Founder and CMO of the Hong Kong and US-based sports footwear brand LANE EIGHT, describes how, with China on your doorstep, "You always have to be ready for what's next! You might not be able to see what is coming up around the corner, but you know it's only a matter of time before the next big thing emerges and fast. If you have a billion people doing anything, then that inevitably carries huge force and momentum."

Shorrock makes the point that this is as true, if not truer, of digital payments and ecommerce than anything else, "and it's why any business operating in the region needs to stay

nimble and needs a payments set-up and a partnership which provides the agility to move fast in the face of unforeseen changes - be that in innovation or in consumer trends."

Shorrock emphasizes that keeping up with China is not only a matter of local necessity but one of global advantage. "The region has first (or second) mover advantage in absorbing the change and innovation which will invariably set the bar for the rest of the world. And that is a positive influence that offers opportunity to any business entering the region from outside."

APAC: Source of inspiration for business leaders

As Arjun Singh, Head of Financial Services for MENA at Arthur D. Little, puts it: "APAC has been a source of inspiration for me. It continues to be a source of inspiration and I think it will remain a source of inspiration well into the future. As an advisor to a number of leading organizations in the MENA region, I continue to encourage my clients to look eastwards for innovation, disruptive ideas and new ways of doing things."

Recalling the years spent with Al Futtaim Group in the region, Singh also highlights how the payments partnerships made in the APAC region left a lasting beneficial impact which was felt across the entire business Group: "The partnerships we forged in the APAC region during my time in the company will have a tremendous long-term upside as they acted as a catalyst of change for our whole business everywhere else."

"I continue to encourage my clients to look eastwards for innovation, disruptive ideas and new ways of doing things."

Arjun Singh, Head of Financial Services for MENA, Arthur D. Little

Southeast Asia rises and rises

Analysts estimate that in Thailand alone, ecommerce will generate significantly over \$25 billion in sales during the year 2021, with well over 65% of these transactions being completed in-app.

Indonesia: the innovation juggernaut

Critically, beyond China, LANE EIGHT's Shorrock also points to India and Indonesia as key trendsetters that the region can and should benefit from staying close to: "At the end of the day there is no running from the fact that these, too, are vast populations, with lots of ideas and the relative regulatory freedom to test them – these are critical masses shaping the future of commerce and tech."

Singh adds: "SEA will remain an increasingly significant part of the APAC success story moving forward. Indonesia, in particular, is an absolute juggernaut. This evolution in digital retail (and retail payments) in SEA hasn't just happened by accident either. It's due to a long list of combined factors."

Indeed, focus on the SEA's potential is only hotting-up, as reported in the Economist on the 27th of February 2021: "Southeast Asia is an ever more important part of the world in its own right. It's home to 700 million people – more than the European Union, Latin America or the Middle East. Its economy, were it a single country, would be the fourth-biggest in the world after adjusting for the cost of living, behind only China itself, America and India. And it's growing fast. Southeast Asia has become the manufacturing hub of choice. Its consumers are now rich enough to comprise an alluring market."

In commercial as well as geopolitical terms, Southeast Asia is a prize."

When it comes to payments and digital commerce specifically, Singh agrees: "In SEA we now see really favourable demographics including a young population and a rapid growth in urbanization. As well as a large, growing and aspirational middle class who are not only digitally savvy, but increasingly have money to spend too."

Logistics are modernizing

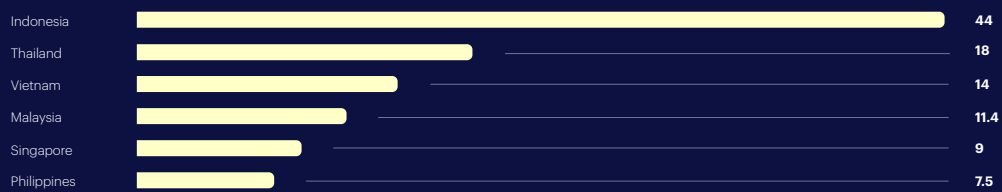
While Singapore is often seen as SEA's mature economic and regulatory leader and innovation powerhouse, the entire region is experiencing rapid growth in ecommerce and fintech. Indonesia with its c. 6,000 inhabited islands and traditionally challenging logistics infrastructure, has undergone a recent flurry of activity. As demand for ecommerce in the country has boomed, not least during the COVID-19 pandemic, a number of local companies (as well as foreign and international investors and developers) have raced to establish market share.

Over the past few years, large institutional investors, such as GIC and regional logistics developers including LOGOS and ESR, have expanded into Indonesia. Indeed, after China, Indonesia is now anticipated by many to be 'the next big thing' in Asia's ecommerce market, and rather than continue to stand in the way of progress the logistics sector is anticipated to thrive from it. Meanwhile in Thailand, where a similar logistics boost is playing out, analysts estimate that ecommerce will generate significantly more than \$25 billion in sales during the year 2021, with well over 65% of these transactions being completed in-app.

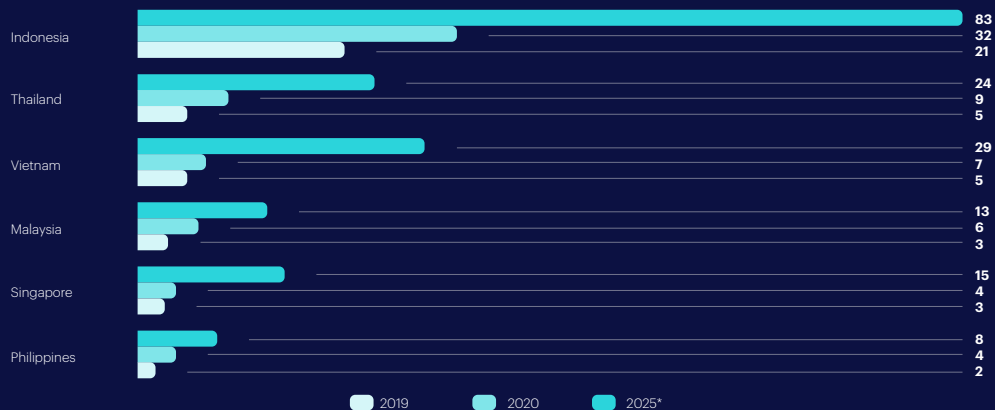
Internet economy size in Southeast Asia from 2015 to 2025
(in billion U.S. dollars)



Internet economy size in Southeast Asia in 2020, by country
(in billion U.S. dollars)



Retail ecommerce market volume in Southeast Asia from 2019 to 2020 with a forecast for 2025, by country (in billion U.S. dollars)



GRAPH 1 Note(s): *Statista forecasted number. Asia; Google; Temasek Holdings; Bain & Company; 2015 and 2019 to 2020. Source(s): Google; Temasek Holdings; Bain & Company © Statista 2020
GRAPH 2 Note(s): Asia; Google; Temasek Holdings; Bain & Company; 2020 Source(s): Google; Temasek Holdings; Bain & Company © Statista 2020
GRAPH 3 Note(s): *Statista forecasted number. Asia; Google; Temasek Holdings; Bain & Company; 2019 to 2020; excluding online media and travel sales. Source(s): Google; Temasek Holdings; Bain & Company © Statista 2021

70% of online shoppers in **Singapore** most frequently shop via a mobile app



88% of online shoppers in **Indonesia** most frequently shop via a mobile app



80% of online shoppers in **Thailand** most frequently shop via a mobile app



23% of online consumers in **Thailand** most frequently shop and pay within a social media app



39% of online consumers in **Thailand** most frequently pay using a digital wallet



Fintech app adoption stands at **90% in Indonesia**, and **94% in Thailand**



Cross-border is in order

Shoppers want goods they can't buy on the home main street

Indonesia and Thailand remain heavily reliant on cross-border purchases looking to countries such as China, Japan and Singapore for products still not available to them domestically. But they are no exceptions. Indeed the whole region is a hotbed of cross-border activity in ecommerce, with recent research by Accenture, showing that over 40% of ecommerce in APAC is cross-border. Meanwhile our own research shows that 35% of APAC consumers surveyed see the wide cross-border optionality as an important reason why they shop online.

Take for example Australia: "It is the world's 10th largest ecommerce market," notes Grant Bissett, CEO of Australian fintech Pin Payments, "but if we think about online retail of goods in Australia, or indeed New Zealand, then we are thinking almost exclusively about imported brands. Our homegrown exports will tend to be things like SaaS businesses - where we are talking about Australian businesses selling to all over the world."

Indeed, even markets who are significant exporters within APAC, such as China and Singapore, are themselves home to shoppers who have traditionally looked to the internet for non-local products. Often this has been driven, especially among the growing middle class in China, by a taste for western - particularly US - brands which were considered to be of a higher quality and more desirable 'labels'.

However, as Sze has pointed out, the pandemic may begin to put an end to some of this desire for cross border ecommerce within China, as local manufacturers of popular US brands increasingly look to how they can cut out the merchant middlemen in the the US and other foreign markets.



"I shop online because I am purchasing products not available in my own country"

Australia	35%	China	35%
New Zealand	46%	Indonesia	30%
Singapore	40%	Thailand	31%
Hong Kong	32%	Japan	21%



"The most important thing at the checkout is guarantee of fast shipping and delivery"

Australia	30%	China	35%
New Zealand	27%	Indonesia	23%
Singapore	30%	Thailand	32%
Hong Kong	32%	Japan	37%

Japan: The cross border exception

A clear exception in this cross-border story is Japan, which - despite being the world's 3rd largest ecommerce market - sees comparatively little cross-border activity by its consumers. This is borne out by our own recent stats which make Japanese consumers far less likely than others to seek goods from abroad and who are the region's most demanding consumers when looking for speed of delivery, therefore preferring fast local shipping above any preference for foreign branded goods.

The regulatory dynamic for growth

Encouraging VCs and startups

There are a number of factors which experts cite as making APAC - and SEA in particular - a largely friendly regulatory environment for ecommerce and payments. "Beneficially, we see a relatively politically stable environment in key countries such as Singapore, Malaysia and Indonesia," says Singh, "and we see compelling governmental and regulatory support in terms of policies, initiatives and monetary incentives with the result of balanced and robust development in the regional and local ecosystem which encourages VCs and startups." It's a view supported by Venkatesh Saha, Head of APAC Expansion at Wise (formerly Transferwise): "What's unique here is that innovation in payments is not just bottom-up but also top-down, and being fostered by governments which are modernising their domestic infrastructure to make payments instant and more convenient for consumers."

Monetary Authorities are pro-active

Evidence of this can be found in recent initiatives - such as the partnership between the Monetary Authority of Singapore (MAS) and Bank of Thailand - to link their national payments systems. PayNow, a payment collection application used by Singapore's banks, will link to Thailand's PromptPay - a real-time payments platform. In Singapore, we can also point to the recent slew of digital banking licenses issued by MAS towards the end of 2020 as well as its development of a new fintech hub.

Meanwhile, the Hong Kong Monetary Authority (HKMA) and the Central Bank of the United Arab Emirates (CBUAE) jointly announced the exchange of a Memorandum of Understanding with a view to escalating the depth of collaboration between the two countries in boosting both countries' fintech development through innovation and regulatory support.

"As the pandemic took hold, the pace has quickened when it comes to government and regulators actively encouraging digitization, especially in payments and financial services," says Checkout.com's Singapore-based VP of Customer Success, Ashley Paulus. "Becoming a hub for open banking and financial institutions has long been a goal of the region, and a lot of the groundwork was already laid in regards to data privacy, intra-regional interoperability and setting up the legal framework to make it a reality. The pace at which governments and consumers are adopting this technology will arguably lead to a more sophisticated consumer payment landscape." There are still big challenges ahead which we would do well to anticipate, warns Paulus: "The APAC region is still harmonizing SEA currency movements and intraregional currency flows, and the regulatory overlays that sit on top of this. Businesses that are able to anticipate and navigate these regional dynamics will come out as winners."

Still free to experiment

"To some extent, this current lack of standardization is conducive to the whirring dynamic of innovation and experimentation that we see in APAC today," argues Vishnu Bhan, Director of Customer Experience at telco giant Singtel. "Government regulators often tend to prefer a light regulatory touch (excluding India) and there is no EU-style set of standards and laws around data, for example. That is allowing for certain types of innovation to forge ahead fairly unrestrained and inexpensively, compared with in Europe or the US. The fact that this is unlikely to change very soon is giving the region a window of real competitive advantage when it comes to pushing new ideas and seeing what works."

A regional stable coin?

Nevertheless, even in this regard, change is undoubtedly afoot: "There is a palpable drive to create bank interoperability particularly across the Southeast Asian countries," says Vladimira Artopé, at Checkout.com. "We are not there yet by any means, but I see it moving towards a cohesion such as we see in the EU, in time." Paulus agrees that the region, or at least the ASEAN region, "will ultimately have to choose one method of standardization, create a regulatory body, and agree on one settlement currency, like the Euro or CFA." Or not! Paulus suggests: "They could just as likely bypass a regional fiat and adopt a regional stable coin instead. Add to this the fact that the region's advanced real-time payments infrastructure looks set to facilitate this united ASEAN ambition and yes, you may get standardization but perhaps not as we've known it." In other words, even maturity may look disruptive here.

Healthy competition spurs ever more progress

Diverse challenges breed diverse ideas

Of course, the region is vast and deeply varied when it comes to payments and digital commerce. The demographic and economic diversity means that emerging countries are constantly lining up to lead the region in terms of innovation. As Singh can attest: "There is a healthy and obvious competitiveness among nations in the region who all want to outperform each other at the global level."

“There is a healthy and obvious competitiveness among nations in the region who all want to outperform each other at the global level.

Arjun Singh, Head of Financial Services for MENA, Arthur D. Little

Singh also makes the point that a diversity of challenges among the many countries making up the entire APAC region is a natural and urgent spur for innovative thinking by businesses and startups and serves to drive ingenuity and efficiency-driving behaviors from an increasingly digitally connected consumer base.

SHOPLINE's Fiona Lau agrees that as the region, particularly Southeast Asia, powers towards an increasingly digitized and economically successful future, its fragmented nature means that innovation is diverse, success is shared and national dominance is elusive: "Each country is hungry and ambitious, but there is no 'winner'. That mantle is still up for grabs - although arguably the region's fragmented nature may mean that we just see pockets with specialisms when it comes to innovation in payments and commerce. It's something we'll have to wait to see how it plays out."

Reign of the Unicorns

Taken as a whole, one consequence of these regional innovation-friendly dynamics is that APAC sits neck and neck with North America when it comes to the number of unicorns they have, far outstripping any other part of the world. But perhaps even more significantly, when we look at the world's biggest and most successful unicorns, they overwhelmingly tend to come from APAC with China dominating the charts for equity funding volume. However, some local experts have warned that, when it comes to payments and ecommerce, China's dominance risks becoming its weakness. More specifically, with the country reaching deep maturity, it also now sees its payments landscape

gripped by two major players - Ant and Tencent - at the very real risk of choking off the potential for new innovators to disrupt and push things forward.

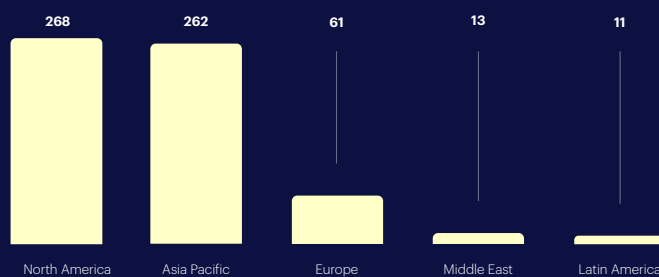
China opens up payments market

This is why the recent US-China trade deal, which includes paving the way for China to open up its payments market to foreign players - making it easier for the likes of Visa, Mastercard and PayPal to enter the Chinese market - is widely seen by local experts as a move very much in China's best interest as the government seeks to fragment the consolidated grip of the behemoths and inject new competition into the market.

Nevertheless, early 2021 has already seen Tencent's WeChat and its payment app WeChat Pay raising \$8.3 billion in the largest offshore syndicated loan in Asia for a Chinese company in the past five years. And, Checkout.com's Vladimira Artopé points out that as the government clamps down on its own players, there will be real regulatory complexity for outside payments companies to grapple with, even if the market is more open than it was. Critically, therefore, while an exciting opening has finally emerged for global payments players, this is far from an open goal for major global payments players. They, like any other digital business entering China or the rest of APAC, will need to master the art of localization if they are to stand a semblance of a chance.

According to Artopé, "The really exciting opportunity here is not so much for foreign players to come in and compete with the Chinese behemoths for processing consumer payments in China but rather to onboard Chinese merchants locally thereby allowing them at last to be able to settle overseas sales in RMB." Artopé points out that with the increasing appetite in China for brands of all sizes to sell cross border, this remains partially pent up because so far it has required that they set up entities abroad and be settled in another currency. "This is where huge opportunity and demand exists," says Artopé, "and it would be an easier task than trying to adapt to the cultural nuances and consumer preferences on the ground in China."

Number of unicorns worldwide as of January 2020, by region



Note(s): Worldwide, January 2020 Source(s): Statistica estimates; CrunchBase; CB insights; Hurun Research Institute; PitchBook; ID 1092626

Leading unicorns worldwide as of January 2020, by equity funding volume (in billion U.S. dollars)



Note(s): Worldwide, January 2020 Source(s): Statistica estimates; CrunchBase; PitchBook; CB insights; Hurun Research Institute; ID 1095702

Scrap your assumptions:

Navigating a complex region through data

Localize or die

“To succeed, you have to tailor your payment offering to your market. To do that you have to know your market and to do that, ultimately you need great data.

Fiona Lau, Co-founder and COO, SHOPLINE

Think of micro-countries within countries

“Let’s be clear,” says Arjun Singh, “when we talk about APAC, or even when we talk about one segment, such as SEA, we’re talking about a deeply heterogeneous region where you cannot generalize about much. If you don’t bear this in mind you’re already off to a bad start.” Singtel’s Vishnu Bhan adds: “We almost have to think in terms of micro-countries within countries in some cases. When the dialect changes so do the ways of doing business, and sometimes also the payment rails.”

This means that any resistance to localization, when looking to grow in some of the region’s most promising markets, is not an option. “Different parts of a country could have different payment methods depending on the local customer base,” says Ashley Paulus. “You could see this segmentation not just by standard cohorts, like age and income levels, but by cities within a state. So when you’re entering into a new market, you need to be sure to have a localized expert who can help you navigate these differences if you want to reach a bigger market segment.”

“This isn’t just a region where each country is really different from the other, but even within countries, and within industries, there is so much intricate and critical behavioral difference,” agrees Fiona Lau, Co-founder and COO of APAC’s leading Smart Commerce platform, SHOPLINE. “To succeed, you have to tailor your payment offering to your market.

To do that you have to know your market and to do that, ultimately you need great data. You’ve got to go granular because shopping and buying behavior varies depending on the age of your demographic but can also depend on the product or services you’re offering them. This means: get your data in order and then do a really deep dive into customer segments!”

A case in point: At LANE EIGHT, James Shorrock says his Hong Kong clientele are young, reasonably well-off and invariably own a smartphone. As such, LANE EIGHT does not even offer cash on delivery as an option. Yet another business also operating in Hong Kong and selling a very different product to a different clientele, can see anywhere between 30% and 70% of their daily takings in cash. As Stephen Lo, CFO at CircleDNA, explains: “We have team members queuing up at the bank each day to deposit this cash. It’s not ideal, but old habits die hard in some pockets of society, and we have a healthcare product which we need to be able to offer to anybody regardless of how they prefer to pay.”

The Australia exception

Australia stands out as distinct in the region because, as a market in its own right, it is “contained and homogenous, meaning new tech trends can catch on and travel fast across the whole country,” says Grant Bissett, CEO of Australian payments fintech, Pin Payments. Bissett also highlights that in the B2B fintech space there is a real appetite for innovation because Australian merchant’s have a general weariness when it comes to big banks: “These factors combined make for a very quick adoption environment among merchants - relatively easy to come in and roll out a new product across the market, if its deemed to be a good and competitive innovation.”

The power of partnerships

Highly local and regional variation has wider implications as Ashley Paulus points out: “To succeed in APAC means working with a PSP that can support with local knowledge and can consolidate the various payment methods and data so that you don’t lose holistic, granular reporting capabilities. It will become more and more difficult for merchants to manage multiple relationships with payment providers - and it’s becoming essential that your payments provider can help you meet your customers’ needs on the ground, but also your business needs across the globe.”

According to SHOPLINE’s Fiona Lau, understanding the statistics around consumer behavior and preferences is an important start but it doesn’t end there: “Understanding the statistics is like having the ground rules, but there are times where the exception turns out to be the territory you’re playing in and, unless you have great data, you don’t know it. For example, we discovered that against the odds, a segment of our target customers use AMEX. It was not a method we thought was worth supporting. But in this instance, once we enabled AMEX, our ability to capture this audience was hugely improved.”

Lau emphasizes the vital role of the payment partner in this scenario. “Not only must you know that your PSP can provide you with the insights in the first place, but then you need a partner who can move quickly to unlock that payment method without fuss or delay.”

In Australia, Grant Bissett notes that merchants looking to forge a deep and serious presence will ensure that they are working with dedicated payments fintechs. “Anything other than that is fine if you want a token or light presence but for a serious Australia strategy a dedicated payment partner is key.”

Costly assumptions

“I’ll be honest,” says James Shorrock, Co-Founder and CMO of LANE EIGHT, “when we went into Hong Kong with some general broad brush strokes learned about success in ecommerce in the US, we were getting a lot of stuff wrong, and that meant leaving money on the table. So as an example: just because English is an official language in Hong Kong, we were wrong to assume that an English language website and payment page would work. The uptick in engagement and successful sales when we realized we should pivot the Hong Kong site and payments to Cantonese was impressive! It made so much difference.”

But LANE EIGHT were far from alone in this, as Checkout.com’s Ashley Paulus can attest, even if they modify their approach for APAC: “Global businesses entering the region may be tempted to apply the same strategy across the region. It’s common to see this done with regards to their customers (generalizing behavior and demand), but even more common to see merchants taking the same approach with partners, issuers and regulators and they fail.” To take language, cited by Shorrock, as just one example, consider also the fact that Singapore and Malaysia both have three official languages.

While 76% of Japanese consumers surveyed said they would not buy from a website that was not fully in Japanese throughout the shopping and paying experience. Understanding how to communicate with your customers across APAC is crucial but takes careful understanding.



76% of Japanese consumers surveyed said they would not buy from a website that was not fully in Japanese throughout the shopping and paying experience.

Shorrock advises that the key to localizing properly is to ensure a combination of great data, great partnerships and boots on the ground: “There is a tremendous amount of data that is captured when just one person makes a payment! We used to gloss over it but now we bring a lot of scrutiny to our checkout, both to optimize experience and to capture data. It’s so important to have a PSP who can ensure you derive and leverage data at the point of the payment being made. There is so much actionable data and in the future, we need it more and more as other avenues for data acquisition dry-up or fragment. We have also seen first-hand the benefit of having a local marketing expert who can finetune our understanding of the data. Marketing-wise, we’ve had to tailor and localize our messaging to resonate with our different audiences, it’s been fundamental to our success.”

“There is a tremendous amount of data that is captured when just one person makes a payment! We used to gloss over it but now we bring a lot of scrutiny to our checkout.

James Shorrock, Co-Founder and CMO, LANE EIGHT

Ken Chee, CEO at G2G, has similar advice for those looking to enter Singapore: “Picking the right payment partner will lay a solid foundation for any merchant looking to enter Singapore. It’s crucial they help you to understand the local people first, especially when it comes to payments. Understand and learn more about the local market and the local usage in terms of payment methods, the UX and the UI of the platform to ensure a smooth and seamless experience for your customers.”

And a good partnership can go further than that once the groundwork has been established, says Chee. “For example we’re now looking to strategically integrate payments with our marketing and business development teams to launch campaigns with selected payment partners where we can have a more effective campaign where all parties can benefit from it.”

But as Paulus has also pointed out, the consumer angle is only one aspect of this nuanced and fragmented picture. Merchants have a lot of strategic considerations to take into account.

Navigating regulatory nuances

“In terms of industry standards and regulation, to take just one important example, APAC is a whole other ballgame,” says Stephen Lo, CFO at CircleDNA. “In Europe, there is a transnational framework, in the US there is a US-wide framework. But in APAC – across Japan, South Korea, Malaysia, Indonesia, China, Myanmar, Australia and so on – all are so different and each with a different set of challenges. You’ve got to be sure you’re tailoring your model, your compliance, everything, to each country that you have a presence within.”

Navigating the complexities of the regulatory environment, laws, rules and regulations can be difficult for businesses entering the market, agrees Paulus. “These regulations can be spread across multiple pieces of legislation, governing bodies and languages. I’ve seen Singaporean heavyweight merchants stumble when entering into the Australian market, because of the unique onboarding requirements and the different Goods and Service Tax (GST) reporting and reconciliation requirements. At this point, it’s helpful to have a provider who understands the complexities and can help you manage all these aspects of localization.”

A hyper-diverse region requires strategic balancing acts

Streamline where you can

CircleDNA's Stephen Lo points out that a merchant building partnerships in APAC has a delicate line to tread: "If you understand the importance of localization you are of course spot on. But if this leads you to a new partner for every single country then you quickly have vendor overload. As a merchant you've got to assess that realistically nobody can help you everywhere with everything, but equally some partners can do more to help across each country and when you're smart about it, you can streamline and minimize the overload somewhat."

SHOPLINE's COO Fiona Lau, flags another strategic trade-off that merchants may want to consider: "Lots of merchants, particularly smaller ones, can balk at the range of payment options on offer in the region and wonder whether the added cost of such and such a payment method is worth it."

"There can be a tendency to treat method optionality as gospel, but sometimes the truth is that not offering a 'top preference' does not actually lose you the business. Only data can tell you if your hunch on this is right, but if you can prove it then you have saved yourself some money."

As a Smart Commerce platform working with smaller merchants, it's something we have to consider very carefully each time we enter a new market within APAC."

FX is key in APAC

"Being present in all these markets we have to think very carefully about where we should prioritize boots on the ground and how we best set up a payments strategy to minimize transaction fees," says Lo at CircleDNA, "and there is an important FX component here too. If you're in and across APAC then there's loads of upside, but you can be really exposed to FX differences. Indeed the currency market has been really quite volatile in the last year due to the pandemic – so how we best manage that is a big issue for us to address. This is really APAC-specific due to all those currencies – it's a very unique challenge."

“Sometimes the truth is that not offering a 'top preference' does not actually lose you the business. Only data can tell you if your hunch on this is right.

Fiona Lau, Co-founder and COO, SHOPLINE



"Currency flexibility for FX purposes is the number one reason I shop online"

Australia	12%	China	23%
New Zealand	12%	Indonesia	9%
Singapore	7%	Thailand	13%
Hong Kong	15%	Japan	8%

"The cost of settlement is a big question for merchants since a lot of SEA currencies in particular are considered exotics, it's difficult to repatriate these funds," adds Paulus, who advises that: "In these instances settlement doesn't move from one account to another, which means that intermediaries play a part with the additional fees and (often non competitive) FX rates which come with this. To reduce the cost of funds for merchants they should seek out third parties who offer a traceable solution with transparent costs."

Because consumers demand local currency as voraciously as they demand local language (if not more so according to PayPal's 2020 cross-border survey), merchants also need to be sure they are offering local currency wherever in APAC they chose to have a footprint. There is also evidence that savvy shoppers in APAC, themselves aware of volatile markets, are drawn by currency optionality and transparency at the checkout - with an increasing number looking for real-time rates, multi-currency pricing and dynamic currency conversion at the digital checkout.

"There is no doubt that, when it comes to payments, growth and expansion lead to greater complexity. Especially in this part of the world."

Ken Chee, CEO, G2G

The growth trajectory is a learning curve

"There is no doubt that, when it comes to payments, growth and expansion leads to greater complexity. Especially in this part of the world," says G2G CEO Chee, "This even impacts data. With higher payments volumes and payments taken in more countries, comes more data which can be difficult to map accurately unless you are given very clear insights by your partner."

Nevertheless merchants point out that, once you get the hang of scaling in APAC, your expertise grows and the process becomes easier as a result: "One upside of the complexity that has come with growth," says Chee, "is that our payments team has become a more resilient unit and our knowledge-base for international markets has increased tremendously."

This will definitely come in handy when we're trying to set a foothold in more new or emerging markets. We've also learned how to efficiently make changes to align with any updates on policies by financial regulators per region."

The Hong Kong paradox

'In real life' ecommerce exists in the context of main streets

Another assumption to break down is that digital maturity always means ecommerce maturity. This is particularly salient in Hong Kong. Our data shows that while Hong Kong is among the region's leaders in terms of fintech penetration, that doesn't translate into an equally high ecommerce penetration. 14% of our Hong Kong respondents say they never shop online – compared with the APAC average of 5% and, by way of a benchmark, 3% in Singapore say they never shop online.

"There is a tendency, even here in Asia to think of Hong Kong and Singapore as very similar. Big mistake. From Uber Eats to buy now, pay later fintech, my experience tells me that these two countries can be extremely different in terms of buying behavior and payment preferences," says Tracy Lou Walsh, General Manager at Atome and formerly at Uber Eats. Indeed Checkout.com's Brian Sze, who has lived and worked in Hong Kong for most of his life, warns, "There is an assumption which sometimes conflates Hong Kong and Singapore as very similar economies but the similarities, where they do exist, simply don't carry-over into digital commerce."

Sze and Shorrock agree that Hong Kong is a bit of a laggard in ecommerce largely because the physical retail experience is both very convenient and very advanced. "Within ten minutes of leaving your front door you have access to all the brands you can think of, in shops who have honed a really slick and enjoyable shopping experience," says Shorrock.

"In contrast," adds Sze, "many local ecommerce websites are not at the top of their game when compared to other countries. Famously some local brands saw their websites crash as they attempted to sell Personal Protective Equipment (PPE) to locals online during the COVID-19 pandemic. Even if 50% of the population of Hong Kong were trying to buy a mask at the same time, that would still be less volume than many other sites, across APAC, process as a matter of course. This was a bit of a wake-up call and has triggered a local focus to improve digital infrastructure."

Sze points out that the laggard status of Hong Kong is a conundrum of 'the Chicken and the Egg'. If local businesses have not upped their ecommerce game then it follows that the consumer base will remain loyal to the main street. But if necessity is the mother of invention then high performing main street businesses, often owned by big real estate players, may have little incentive to digitize.

A chance to prove the case for ecommerce

Some local commentators say that if political instability and a pandemic hasn't radically boosted ecommerce then the path looks set to be somewhat stultified. The picture according to Shorrock, however, is a bit more nuanced and a lot more positive than that:

"For us as a business, the single biggest shift we saw in 2020 was massive growth in our ecommerce sales here in Hong Kong," says Shorrock, "while a big part of this was due to the restrictions brought about by COVID-19, the other important factor that has allowed for this is the improved experience we are now providing. We've invested heavily in our digital infrastructure to ensure that we can deliver a top-notch experience when shopping online and it has paid off. There is a responsive addressable market if you get it right."

"That doesn't make it easy if you don't tread carefully. The pandemic opened a window of opportunity to prove the value of ecommerce. This value can only be proved if the experience is better than Hong Kong's exceptional in-store shopping experience," says Shorrock. "That means a clear-eyed focus on everything from the flow and design of our site, to the vendors we work with for third-party integrations, particularly in payments, have all been considered very carefully to ensure a seamless experience."

Shorrock points out that if you want to compete with the Hong Kong main street, the ability to offer same day or 24 hour delivery is table stakes and "payments are absolutely critical in this regard. You need to have fast payments which are settled quickly so that we can see the settled order and dispatch the product within hours of the consumer deciding they want it. It's a key component to success here and even if it makes total logical sense it can often be overlooked by merchants as a critical competitive detail."

Considering LANE EIGHT's experience, you could just as easily flip the 'ecommerce laggard' narrative on its head and say that with such a demanding customer base and such a high bar to meet, we can anticipate some cutting-edge, experience-driven digital commerce to begin to emerge from the country and we should watch it closely. Indeed our data shows that Hong Kong consumers are starting to see the digital advantage.

Of those who do shop online in Hong Kong:

50% agree that it saves them time.



44% say an important advantage of online is the fact that they can more easily identify discounts and savings.



32% say they are using online shopping to order goods not available locally. So while the Hong Kong 'main street' is rich and varied, the wide-world is inevitably more so.



39% say they use online shopping to purchase goods which are larger or heavier than they could easily carry home.



Cards and wallets: a complex picture

The impetus to leap

More broadly, our data really highlights how assumptions about APAC's advanced, or mature economies may be incorrect when it comes to digital finance and commerce. Consistently, we see more advanced economies lagging behind their neighbours in this regard.

Countries with the relatively highest use of cash on delivery or bank transfers, are also the leaders in digital-wallet use.

In the specific context of payment methods we can put this difference down to the 'leapfrog effect' where economies who are fast catching up see no value in adopting cards when they can just as well move from cash or bank transfers directly to digital wallets. This happened in China and is now taking place in much of SEA. It's a trend also driven by the existence of large unbanked populations and this creates a dynamic where countries with the highest use of cash on delivery or bank transfers, are also the leaders in app-based wallet use. If we think of the leapfrog effect we might say that many of these countries are still 'mid-leap' and so can not be neatly pigeonholed as either digital progressives or laggards when it comes to payment methods. It's a nuanced picture.

"This is a classic case of adversity being the mother of invention, combined with the democratized access to the internet which is now available in APAC's more emerging economies," says Singtel's Vishnu Bhan. "Kids on the street are teaching themselves to code and solving problems bottom-up, this truly translates into the way people pay, exchange money and do business."

And indeed the data shows that this digital divide in APAC isn't simply limited to payment methods. Across our survey panel, consumer fintech adoption is shown to be lowest in Japan, Australia and New Zealand and highest in Indonesia and Thailand.

Japan and Australia are also the least frequent digital shoppers, though they do spend in high numbers, thus sustaining buoyant and globally competitive ecommerce markets. Meanwhile, Japan, New Zealand and Singapore are the least likely to use digital wallets when paying online and Japan, New Zealand and Australia also lag behind in the use of mcommerce and in-app shopping. While fewer than 50% of these populations tend to shop in-app, 88% of consumers in Indonesia do so. However, Pin Payment's Grant Bisset turns the data on its head a bit by pointing out: "If you consider that the mobile is the ancillary computer in a country like Australia where everyone has long owned PCs and laptops and are so deeply embedded in 'card and PC' culture, then it is actually quite striking to think of the degree to which consumers actually have converted to wallets and in-app shopping."

Understand the popularity of wallets in the context of mobile

These correlations between high rates of digital wallet use and in-app shopping make good sense, says Checkout.com's Ashley Paulus: "The popularity of e-wallets or digital wallets should be understood in the context of the ride hailing platforms that helped make them popular - an entire ecosystem was built through transport and delivery apps like Grab and GoJek." Paulus continues, "These 'super-apps' have always had an embedded payments product, but we're now seeing a demand for these as stand alone payment methods in the greater payment market. You can use your GrabPay wallet to buy chicken-rice in-app (or at the hawker market via food delivery) just as easily as you can use the app to pay for a Sephora purchase in-store."

"We're seeing such strong payments offering that super-apps are making their payments product a standalone service — like AirAsia has done with BigPay in Malaysia, offering a card and a wallet to increase the ways customers can pay."

Our stats are a recent snapshot, but what is clear is that this isn't a static picture, the trend towards digital or e-wallets is playing out more and more and merchants are feeling it too. "E-wallets are something we're increasingly looking at currently as we've noticed a growing number of our users are moving towards mobile payment," says G2G CEO Ken Chee.

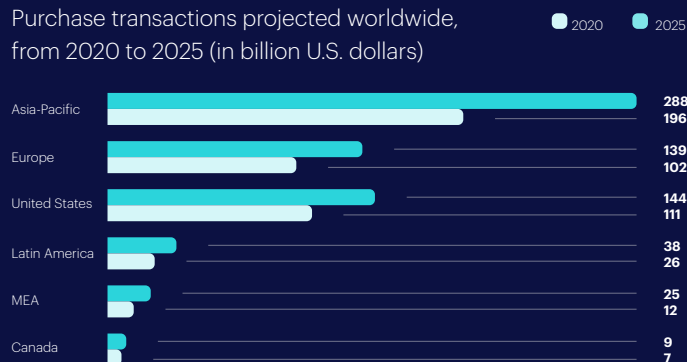
"We've also added Google Pay and Apple Pay on our platform" notes Chee. "We're looking for ways to enter the emerging markets and hopefully, by having mobile payments on our platform, we can get into markets such as India, which is known to have a high number of mobile users." In Hong Kong, James Shorrock also notes, "We've seen a massive recent rise in the use of Apple Pay and Google Pay in particular."

For more on super apps and mcommerce jump to page 49.

Cards remain king

Nevertheless, the buzz around APMs and wallets should not mislead. The fact still remains that APAC is by far the world's largest market for card transactions and is projected, by The Nilson Report to generate more than 288 billion card transactions in 2025, accounting for 44.86% of the world's total purchase transactions, twice that of the US market. Cards still dominate the region as a whole with Visa, Mastercard, JCB and UnionPay being the main players. This has implications for user experience in APAC, says Checkout.com's Singapore Country Manager, Vladimira Artopé, who points out that "3DS is big here too, but it's one area of payments experience and innovation which is lagging." According to Artopé the payment experience for card holders in much of APAC leaves a lot still to be desired and involves a less seamless experience, than for example in Europe. "This is one area," says Artopé, "where we can expect to see new innovation in the region because there is lots of space for it!"

Purchase transactions projected worldwide, from 2020 to 2025 (in billion U.S. dollars)



Source(s): Nilson Report, Issue 1189, January 2021

“We’ve seen a massive recent rise in the use of Apple Pay and Google Pay in particular.”

James Shorrock, Co-Founder and CMO, LANE EIGHT



Key consumer stats for digital payments in APAC



% of respondents who use fintech apps (remittances, investment and wealth, budgeting, banking, lending and personal finance)

Australia	61%	China	83%
New Zealand	68%	Indonesia	90%
Singapore	77%	Thailand	94%
Hong Kong	86%	Japan	40%



% of respondents currently shopping online once per week or more (of total population surveyed per country)

Australia	21%	China	39%
New Zealand	30%	Indonesia	27%
Singapore	25%	Thailand	25%
Hong Kong	22%	Japan	12%



% of online shoppers who most frequently shop via a mobile app

Australia	32%
New Zealand	41%
Singapore	70%
Hong Kong	55%
China	73%
Indonesia	88%
Thailand	80%
Japan	41%




"The number one reason I shop online is because I am more likely to have the option to use my preferred payment method than I am in my local stores"

Australia	14%
New Zealand	22%
Singapore	18%
Hong Kong	23%
China	33%
Indonesia	36%
Thailand	31%
Japan	15%

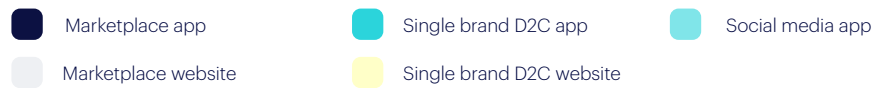
Most frequently used payment method

 Cards

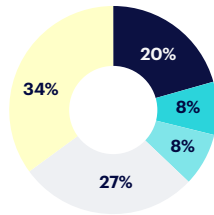
 Digital Wallets



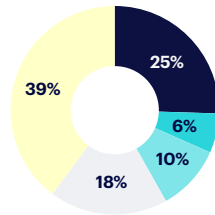
A detailed breakdown of where APAC consumers most frequently shop



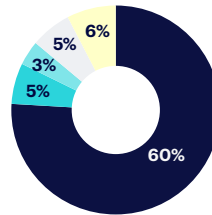
Australia



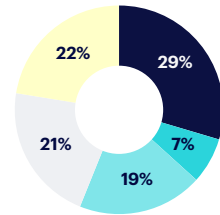
New Zealand



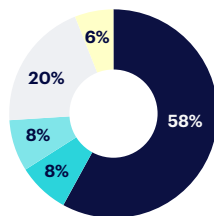
Singapore



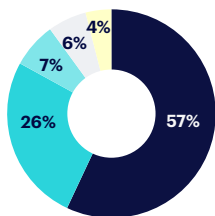
Hong Kong



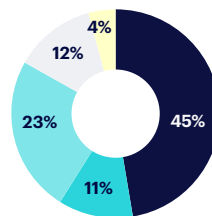
Mainland China



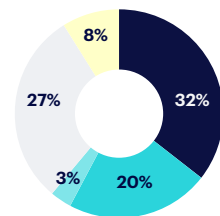
Indonesia



Thailand



Japan



Preferred payment methods per country

Hong Kong

Cards	44%
Bank Transfer	9%
CoD	5%
Digital Wallets	42%

China

Cards	16%
Bank Transfer	11%
CoD	4%
Digital Wallets	64%
Online Biometrics	4%

Australia

Cards	42%
Bank Transfer	5%
CoD	2%
Digital Wallets	49%

Thailand

Cards	14%
Bank Transfer	22%
CoD	24%
Digital Wallets	39%

Japan

Cards	78%
Bank Transfer	5%
CoD	4%
Digital Wallets	8%
Online Biometrics	2%

New Zealand

Cards	71%
Bank Transfer	9%
CoD	2%
Digital Wallets	16%

Singapore

Cards	69%
Bank Transfer	5%
CoD	3%
Digital Wallets	22%

Indonesia

Cards	11%
Bank Transfer	36%
CoD	13%
Digital Wallets	31%
Online Biometrics	4%

Women: holders of the digital purse strings

Meanwhile, not only do Indonesia and Thailand lead the way when it comes to fintech penetration and the use of digital wallets, but they also stand out for the level of digital financial activity performed by women.

➔ **More women than men list digital wallets as their most frequently used payment method.**

In fact, in all countries surveyed apart from Japan and Australia, women are the real holders of the digital purse-strings, being as they are, significantly more likely to shop online weekly or daily than their male counterparts.

Women are also blazing the trail for digital wallets in Australia, China, Hong Kong, Indonesia and Thailand, where more women than men list digital wallets as their most frequently used payment method.

And, in Hong Kong, Indonesia and Thailand women are as likely or more likely than men to use fintech apps for personal financial matters.

In China, Thailand and Indonesia c. 21% of women are using fintech apps to grow their wealth through investment platforms. In China the number of women growing their wealth through investment apps leaps up to 30% when we look at the married population, whereas in Indonesia, single women are slightly more likely to be using such platforms for their wealth.

In Indonesia, where the use of remittances apps is broadly high, we can see that while 67% of unmarried men use fintech for money transfer this compares with 78% of unmarried women (80% of the married population across both genders use a remittances app).

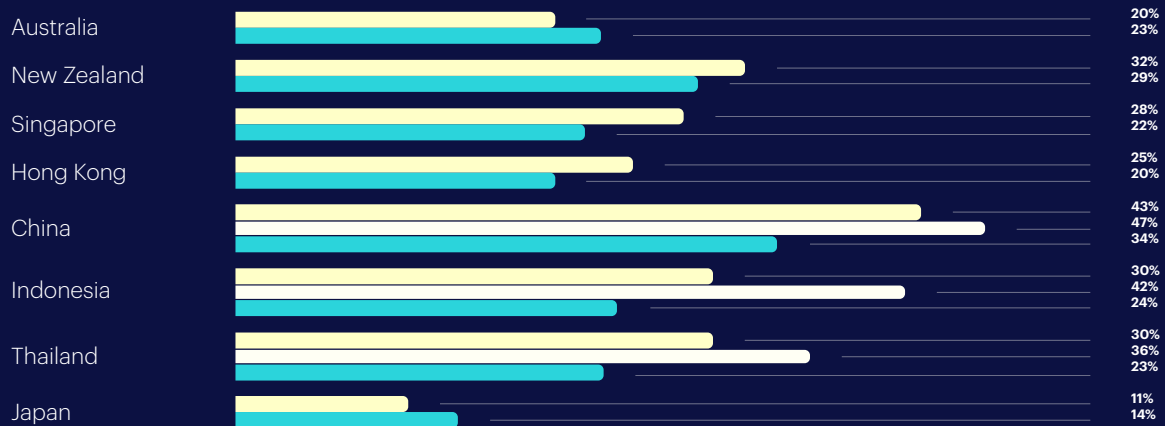


% of respondents currently shopping online once per week or more by gender

Women

Married Women

Men



% respondents who use fintech apps by gender (remittances, investment and wealth, budgeting, banking and personal finance)

Female

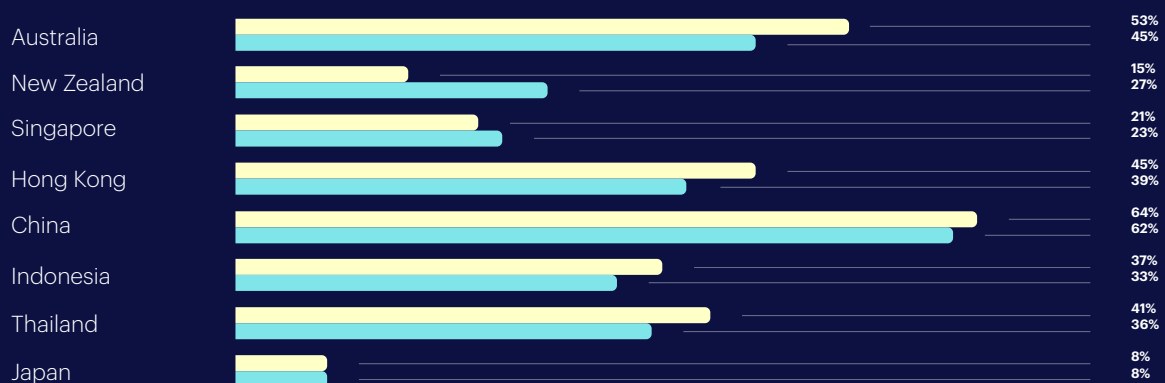
Male



Digital-wallet preference by gender

Female

Male



Innovation accelerated:

APAC upping
the game, again

COVID-19, catalyst-2020: a boom by numbers

Human ingenuity will not be stifled

Despite the isolation brought about by lockdowns, and the economic hardships arising from job losses and social insecurity, human ingenuity cannot be stifled by a virus. Digital commerce and payments are a testament to this fact and in 2020, APAC saw a flurry of activity and innovation when it comes to how digital shopping is done, while fintech and payments in the region have proliferated in response to need.

54%

of our APAC respondents said that they are currently spending significantly more money online as a result of the pandemic

48%

are making purchases significantly more frequently

40%

expect a further uptick in their online spend during 2021 and beyond the pandemic recovery

54% of our APAC respondents said that they are currently spending significantly more money online as a result of the pandemic, 48% are making purchases significantly more frequently and 40% expect a further uptick in their online spend during 2021 and beyond the pandemic recovery.

Our data also shows that women, in particular married women, have significantly increased their online shopping activity as a result of the pandemic. Taken as a whole, 60% of women say they are spending significantly more money online as a result of the pandemic and 55% say they are making significantly more frequent purchases online, building a greater depth of savvy and experience around the digital shopping and payments offerings.

Another APAC demographic which has significantly increased its digital spending is the Baby Boomer generation, 51% of whom say they have upped their digital spend and 91% of whom expect to either maintain or further increase this elevated level of online spending once the pandemic has receded. Merchants and fintechs have reacted creatively to win the trust of these new digital customers, to support and educate them on how to pay online and to provide useful and responsible lending.

Increased online shopping frequency as a result of the pandemic



"I now shop online more regularly than before the pandemic"

Australia	44%	China	39%
New Zealand	39%	Indonesia	55%
Singapore	60%	Thailand	45%
Hong Kong	51%	Japan	32%



"I now spend more money online than before the pandemic"

Australia	48%	China	53%
New Zealand	45%	Indonesia	55%
Singapore	65%	Thailand	57%
Hong Kong	61%	Japan	36%



"The pandemic conditions (practical and health concerns) are the number one reason why I choose to shop online"

Australia	34%	China	27%
New Zealand	31%	Indonesia	46%
Singapore	39%	Thailand	39%
Hong Kong	34%	Japan	18%



"Post pandemic, I anticipate spending more of my weekly budget on online shopping in 2021 and beyond"

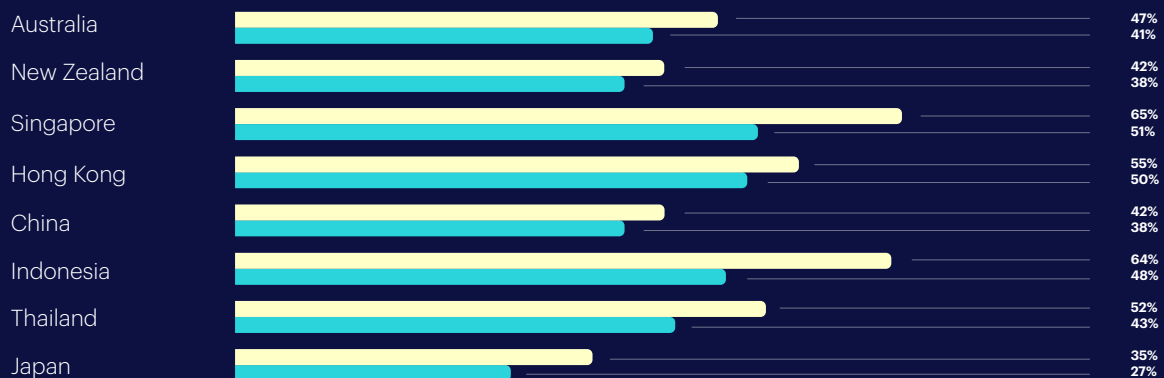
Australia	21%	China	47%
New Zealand	27%	Indonesia	45%
Singapore	40%	Thailand	51%
Hong Kong	43%	Japan	22%



Increased online shopping frequency as a result of the pandemic

Women

Men



G2G Case Study

Ken Chee, CEO



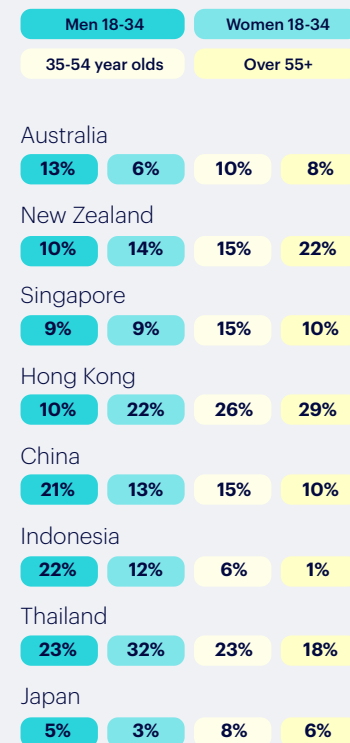
With the spike in demand for digital services during COVID-19, we have been working around the clock to ensure that we capture the opportunity and offer wider and more in-depth payment coverage, everywhere! G2G has been focusing on online payments since our inception – we experienced a Gross Merchandise Value (GMV) spike of more than 300% YOY in the year of 2020.

“The recent situation has certainly created a unique circumstance for digital payments to be fully embraced by everyone. We can manifestly see that last year not only encouraged newcomers to online and to gaming but also to new digital modes of payments. At G2G we believe payments innovation should be focused on ease of access regardless of age or base digital knowledge – so the influx of new customers gave us an opportunity to democratize access to digital payments. Aware that there are a significant number of newcomers, we quickly established a Payment Guide site so that users can be supported and helped to use a particular payment method on our platform. We are also dedicated to constantly improving our UX and UI elements on our website to provide a seamless checkout experience, even for first time online shoppers. Another quick development which we established was around how we handle our data.

“We’ve always looked into our data and attempted to interpret it into meaningful insights so that we could maintain our edge over our peers. Indeed, we’ve employed many tools over the years to ensure the insights we get are accurate and can be turned into actionable plans. In 2020 with all the spikes we encountered, we took things a step further venturing into tools that help us segmentize our recent spike of customers in order to tailor a unique ecommerce experience for them.

“We firmly believe the shift to digital services is here to stay even post-COVID and as such the pandemic has only sped up the innovation we planned to make anyway. With such rapid development in 2020 we will now be expanding into more digital services for our users in the near future.

“Since the pandemic I have significantly increased my online purchasing of gaming products”



Toby Case Study

Derek Guo, COO



As a marketplace for services, many of which are traditionally conducted in-person, even face-to-face, inevitably the pandemic impacted local demand for our business quite significantly. Overall service demands have dropped 10% from a year to year comparison. But we learned that no two lockdowns are the same. Indeed, in Hong Kong we experienced four waves of outbreak, and their effects varied. During the first wave, service demand dropped by 33% compared to the same period in 2019. As the pandemic went on, the service demand was not affected nearly as much with a decreasing negative impact resulting in less than a 10% drop by the end of the fourth wave.

"This shows us that people, small merchants and digital businesses – are all innovative and we pivoted to the new normal.

"Of course shifts of service demand were very visible during the height of the pandemic. The biggest impacted industries were certainly our event service providers such as the wedding planners, event decorators or MCs. Beauty and fitness services suffered too as their venues were being shut down with stricter social distancing policies. So there is no glossing the fact that demand has dropped more than 80% for these services in Hong Kong.

"On the other hand, as people are shifting toward 'home offices', demands for home – related services have seen a rapid growth. For example, home repair, appliance repair, renovation, property moving, furniture making, etc.

"Moreover we have really seen a rapid uptick in the adoption of contactless services such as courier or delivery as well as virtual tutoring.

"On the merchant side, we can also see that the number of new freelancers signing up with our platform has really spiked during the pandemic as unemployment rates have risen. Private tutoring, graphic design, translation services, content writers – are all services which have been booming with new suppliers. And we're glad to have been able to match these suppliers with demand, digitally and safely.

"What's more, the suffering industries are adapting too. We've seen a rapid adoption of online solutions offered by traditional industries like beauty, business or advisory services and education services as all merchants are creatively looking to increase their online presence with diminishing offline traffic.

"In terms of our own product innovation, Toby has acted fast this past year too, in order to support our merchants. We've developed a brand new booking system for merchants in the beauty industry to manage their timetable online booking and also online payments. This has helped transform their business from offline to online. In addition, Hello Toby has also developed a new profile system to allow tutors to create specialized profiles to showcase their qualifications to potential students.

"For 2021, we're focusing on building an even better one-stop solution for beauty store merchants to manage their online and offline bookings, staff timetables and integrated payment solution. In terms of payments, we are looking into escrow solutions that may help our customers and service providers better facilitate their transactions."

On-trend: buy more, buy bigger, buy different

Content counts more than ever

Research from Statista shows that APAC's smartphone use increased by 70% in 2020 YoY, and in China that figure was 86%. According to LANE EIGHT, more than 80% of their APAC sales are now made through a smartphone, mostly IOS. "We're iteratively improving the shopping and checkout experience on a regular basis and mobile optimization has got to be the priority," says Co-Founder and CMO James Shorrock.

"That's why in APAC, now even more than ever, it's so important to focus on mobile content and experiences for your business and for your payment method. Asia Pacific has some of the most advanced 5G networks in the world, and the majority of online shopping or browsing happens from a smartphone, so your online customer experience needs to be tailored to a mobile device.

This doesn't mean just impacting your checkout page," says Ashley Paulus. "Who do they listen to – does this market put weight on suggestions by social influencers? Do they watch product videos and follow links to purchase? Do they want buy now, pay later options? Do they shop within social channels or do they purchase only from 'deal or discount' marketplaces? If you want to increase revenue and traction, be sure you fully understand what your customer wants from their experience."

Buy now, pay later: a trend for today and tomorrow

When buy now, pay later – BNPL – took the world by storm during 2020, APAC was considered one of its hot-beds and the region is widely forecast to see the world's fastest growth in BNPL adoption by 2027. Recent research conducted by Google and Bain shows that c. 30% of BNPL transactions in 2020 were coming from new users. Our own data shows that BNPL has started to become a key reason in itself to shop and pay online, particularly among those under the age of 30.

This popularity has emerged at a key convergence of trends in the region last year. While the pandemic has caused the shrinking of economies, resulting in job losses, particularly across SEA, it also accelerated the adoption of cashless digital payments in the region.

Our own data shows that BNPL has started to become a key reason in itself to shop and pay online, particularly among those under the age of 30.

% of respondents who most frequently do their digital shopping on a discount-marketplace app

Australia	7%	China	8%
New Zealand	7%	Indonesia	6%
Singapore	7%	Thailand	21%
Hong Kong	6%	Japan	3%

(13% of HK women)



"BNPL Optionality is the number one reason I shop online or in-app"

Australia	12%	China	12%
New Zealand	26%	Indonesia	24%
Singapore	11%	Thailand	23%
Hong Kong	7%	Japan	8%



"BNPL Optionality is the number one reason I shop online or in-app" among 18-30 year olds

Australia	20%	China	14%
New Zealand	22%	Indonesia	29%
Singapore	13%	Thailand	26%
Hong Kong	17%	Japan	8%

The result has been a lively proliferation of new fintechs springing up across the region. Atome, a subsidiary of Advance Intelligence Group, is one such fintech company who currently receives significant attention as it has quickly established a presence across nine key markets in the region. Atome's General Manager for Singapore and Malaysia, Trasy Lou Walsh, is emphatic about the opportunity: "In a matter of only sixteen months, since launching, we have seen tremendous growth." Walsh continues, "the BNPL potential in this region is just huge!"

Trasy Lou Walsh, who was formerly a General Manager for Uber and Uber Eats in the APAC region observes that digital payments have been a constant thread running throughout her journey. "Now at Atome, we get to support merchants, and in the last few months we have been boosting conversion for merchants by around 30% and also growing our merchant's basket sizes by at least 30% through enabling them to offer a BNPL payment method," she says.

"Luxury items, fashion, beauty, health, lifestyle and even food and beverage categories are all being opened up to whole new segments. And the young are so keen on BNPL that all manner of traditional incumbent brands, who did not previously resonate with younger markets, can actually draw this new segment to them simply by offering BNPL and embarking on joint marketing initiatives to raise awareness. So we are talking about the unlocking of 'buy more, buy bigger and buy different'."

Walsh notes that despite all the fast growth, their business is still in its infancy and there is a lot to be done in order to grow the customer base – the remaining addressable market is massive. An aspect of this, she says, is to ensure really good education for the end user. "There is lots of scope for us to work together with merchants on this education piece, we're all driving towards that aligned goal when it comes to growing customer bases and basket sizes through new payment methods."

Top ethics are top of mind

Addressing the question of ethics and the potential for regulators to become alarmed, as they have done in Europe, Walsh points to many reasons this might play out differently in APAC: "In many parts of Asia, there is limited access to traditional banking products and services. In addition, if we compare our product to traditional payment methods I think we have a much better 'responsible spending' offering. We don't charge interest and we freeze an account as soon as one payment is overdue, preventing the user from spending any more until they have been given the time to pay back. In addition to this we're constantly looking at new features to add to the app to help encourage responsible spending. We talk to our end-users and understand their individual circumstances, cash-flow and pain points. As a consequence of these conversations we are developing a feature which allows the consumer to pay back early – giving them maximum control according to their own specific cash-flow cycle. On our mobile app, we send regular notifications about payment schedules and it's also very easy to track overall monthly spend."

Nevertheless, there are reports that the Monetary Authority of Singapore is currently reviewing whether to implement BNPL regulations. Meanwhile in Australia, birthplace of leading BNPL giant Afterpay, the Australian Finance Industry Association (AFIA) recently released the first declaration of self-regulations on the BNPL industry. The association includes many financial institutions, most BNPL lenders, and a wide array of fintechs.

“One can never copy a product or service from the western world and put it in Asia and expect it to work.

Trasy Lou Walsh, General Manager, Atome

Listen carefully

According to Walsh, BNPL in APAC is a whole other product to the one you see in Europe or the US: “It has to be, because Asia’s highly fragmented market means there are large

unbanked and underbanked populations in emerging markets like Indonesia, Thailand, Vietnam where they have limited access to financial services because they have no credit history or bank account. So one of Atome’s core missions is financial inclusion — providing credit to people who have none. But that also means our credit risk and scoring technology has to be very sound and localized for each market. Other examples include localizing for salary cycles, which influences whether instalments are over 3 or 6 months, or how consumers pay their instalment balances — for example through digital wallets or in some cases, going to the local convenience store to top up their accounts.”

Walsh expands on the point saying that one can never copy a product or service from the western world and put it in Asia and expect it to work: “I really saw that when I worked for Uber and I think that is one of the major principles im going to bring to this company, localize and listen.”

Social, live and conversational commerce

APAC steals a march

Arjun Singh, Head of Financial Services at Arthur D. Little, reiterates the point that the COVID-19 pandemic has “accelerated the vision which so many have talked about for the last 5-7 years where the consumers’ mobile phones are storefronts, physical stores are experiential zones, cash is something we talk about in the ‘past tense’ and commerce is truly unified”.

He adds, “it’s increasingly seamless within-and-across the channels where the consumers ‘live’ and in my view this is true in APAC much more so than any other part of the world.”



APAC sees a recent uptick in social channel payment conversion

Australia	8%
New Zealand	10%
Singapore	3%
Hong Kong	19%
China	8%
Indonesia	7%
Thailand	23%
Japan	3%

Active social media user penetration in the Asia Pacific region in 2020, by country or region



Note(s): APAC; 2020 Source(s): Facebook; Tencent; Kakao; Naver; V Kontakte; SimilarWeb; Various sources (Ding; Techrosa); ID 255235

Meeting consumers in the channels where they 'live' is something APAC merchants are truly mastering, says SHOPLINE COO, Fiona Lau: "Overall last year was a very good year for our business because people were all moving online, but more interestingly we were looking at how are merchants large and small reaching consumers? It's clear that the new big trend emerging in 2020 was social commerce."

But Lau points out that social commerce isn't just one thing, and in APAC it's continuously evolving. Social commerce could mean shoppable ads in your Facebook app but it also means much more than that: "merchants are doing live sessions on Facebook or streaming on any number of other social channels but they are also just chatting direct to consumers in messaging functions, perhaps on Instagram, they are reaching and communicating with customers in very real and direct way."

Being together and buying lobsters

Often merchants are using a combination of these activities to engage consumers and sell within the social channel. Lau explains that during the loneliness and isolation of lockdown people, particularly in SEA enjoy watching videos of merchants eating in front of the audience to advertise their food. "It creates a sense of being together, a sense of reaching them at home.

Lau describes these various aspects of social commerce as live commerce and chat or conversation commerce. The point is, she says, it doesn't feel like marketing, it feels personal and real. So how does it work and how does it culminate in a payment?

Link to payment

Lau describes an example of a merchant selling live lobsters. "The lobsters were shown on Facebook Live. Consumers wanting to buy a lobster would message the merchant in chat with a '+1' at which point the merchant would follow up with the finer details of what lobster the consumer was buying and when ready to purchase the merchant would ping a link in chat which takes the consumer directly to a slick and secure payments page." The system would automatically send a follow up message to the consumer for confirming the order with a checkout link. Therefore, consumers can purchase directly and merchants will be able to close the deal real quick during the live streaming event."

What's striking about this approach, beyond the live lobster show, is that it's not actually hinging on a clickable payment feature within the social app. Indeed the transaction is happening through a nifty redirect to SHOPLINE, but from the consumer perspective this was an all-social purchase. Moreover it's a human-centric experience throughout.

Live commerce as popular culture - and investment focus

And in James Shorrock's view it's precisely this human-centricity which is so fundamental. "Social media is massive here," says Shorrock. "It plays a huge cultural role, especially if you think about places like Thailand and Indonesia where breadwinners may have left their parents and children at home in rural locations. It's a familial lifeline. That's why social commerce has the magic gold dust of feeling really personal and really authentic."

As global investors turn the spotlight on the opportunity, which is demonstrated so vividly in China and APAC, Cerno Capital's Michael Flitton notes that "live streaming's confluence of social factors fuels impulse shopping. Conversion rates for categories susceptible to impulse shopping, like beauty or clothing, are significantly higher on live streaming compared to conventional ecommerce. Live streaming effectively brings the sales function online, where standard ecommerce is focused only on the product. As a result, it augments, rather than cannibalises conventional online retail." Our data shows that regions which saw the highest spike in social shopping in 2020 were also most likely to see the highest spike in the purchase of cosmetics and fashion products, indicating a correlation which may reflect Cerno Capital's observations.

China leads the way in social commerce

Chinese social commerce
estimated market size for 2020

3.7 trillion Yuan
c. \$6 billion USD

YoY social commerce
growth in China in 2020

66%

Chinese consumers who use WeChat

73.2%
1 billion monthly users

Chinese live commerce
estimated market size for 2020

961 billion Yuan
c. \$1 billion USD

Chinese consumers who watch live
streamed shopping content between
3 and 10 times per week

61%

Source: Statista 2021

→ The huge growth potential of social commerce in China has drawn the attention of investors – the sector attracted over 2 billion Yuan of financing in the first half of 2019 when investors really started to take note of the trend.

Source: Fung Business Intelligence Group

However Shorrock sees a problem in this for the longer term. He warns that the gold dust wears out fairly fast when the social platform becomes overly commoditized and commercialized.

In his view Instagram is already running this risk: “Social commerce has sort of turned Instagram in-on-itself, everything is for sale and you don’t know what’s real and what’s not. It increasingly feels like a marketplace with fancy shopfronts, so it’s quickly losing its authenticity. TikTok on the other hand still feels more ‘real’ – but for how long? And that’s a dynamic that will play out over and over again, and we will be forever chasing that authenticity only to wear it down through commerce-overload.” This is why Shorrock believes that just ‘doing social commerce’ is not a recipe for sustainable success. Rather, it’s critical that you have a localized, ‘on the pulse’, social strategy with eyes on the horizon, ready to anticipate the next big thing – and jump.

Super-apps look deeper into finance

Closing the loop

Of course that rule doesn’t quite apply if you ensure there is nowhere else to jump. APAC’s famous super-apps have turned closed-loop ecosystems, often built from the foundations of a social channel, into a fine art. However even these mega firms, also including Grab and Gojek, haven’t come through the pandemic unscathed. Since many of these super-apps feature hotel booking, ride hailing, live events and entertainments as well as house cleaning and other F2F services, they have felt the same pinch described by services marketplace, Hello Toby.

Grab and Gojek have slashed some of these business lines, incurring lay-offs in the process. As these closed-loop ecosystems seek to consolidate their positions while pivoting their business models, observers

note a concerted move towards more, and better monetized, financial services including lending, insurance, card issuance and instant payments.

This focus on financial services is only a progression of a long standing focus on money movement. Indeed the glue holding these ecosystems together is digital payments and the digital money which gets pumped around them.

The Oxford Business Group, who have conducted research into the future business models of super-apps, quote Ming Maa, President of Grab in their paper: “Access to services including affordable health care, insurance, smart mobility and financial services remains a key barrier to growth in the region.

These are issues that multi-service tech platforms (or super-apps) must target as they expand their offerings to give users greater convenience and choice.”

Pay-out innovation flourishes

Indeed 2020 was a year of business model innovation for big merchants and super-apps in APAC in many regards and according to Checkout.com’s Vladimira Artopé, “We can see a big growth in use cases for pay-outs: take for example the huge growth in the popularity of content platforms such as Chinese owned TikTok (ByteDance), the pandemic really bolstered the digital content economy in APAC and this means content producers and influencers need to get paid.”

Research conducted by S&P Global in 2020 shows that people in China are now even more likely to use a social app, such as WeChat, for payments than they are for social activity.

Artopé describes how closely she has worked with ByteDance in the last 12 months to provide a really tailored and fast pay-out solution allowing creators to be paid fast and in their preferred currencies as a means of ByteDance maintaining the competitive edge and better serving creators around the world. “Who would have thought a year or so ago that ByteDance and TikTok would explode the way they did in 2020?” asks Artopé. “And who would have thought there would be this great need to be paying lots of social content creators? Yet here we are, another example of the speed and agility which plays out here, as well as of how new payments innovations are underpinning the evolution of the app economy in APAC.”

Just the beginning

According to Vishnu Bhan, Director of Customer Experience at Singtel, the financial ecosystems created by APAC’s super-apps are only just beginning to show their true potential

for revolutionising economic and social structures. “It’s already starting to happen, but I believe before long it will become much more obvious and widespread: Super-apps will be self-contained economies which not only fully exclude cash, but which also drive up the levels of private liquidity being pumped around them while consumers see less and less disposable income in their wallet – be that physical or digital. In fact a decreasing amount of money ever hits the consumer’s wallet.”

Citing the principles of Maslow’s hierarchy of needs, Bhan explains how these super-apps, armed with powerful data, slick digital payments infrastructure and connecting swathes of consumers, products and services can deduct from a monthly salary the individual’s monthly rent and bills, a fixed monthly grocery fee, and, based on historical usage data, a subscription for taxi rides, digital media and so on. The super-app would then be able to suggest additional products or services or perhaps promote specific investment instruments for any remaining income and thereby truly shape water-tight digital economies within the umbrella of this one app. Clearly there are a number of serious concerns which arise when we think about this playing out to its full potential.

Fair warning?

“As more and more of us become locked into contracts and subscriptions, so we’re left with less and less discretionary income or potential savings,” warns Bhan. “But remember, that if you are struggling simply to know that you will put food on the table for your family each month, then this sort of economically efficient lock-in has the strong appeal of security regardless of what we may see as the risky sacrifices that come with this.”

Bhan sees the need for economic stability among certain stratas of APAC society as being a driving force in the proliferation of these seamless digital-app economies, but with that he warns that if savings and discretionary income are further eradicated as a result, then we can expect to see only a further widening of the equality gap across the region.

Embed payments if you want to compete in APAC

Everybody's doing it

Regardless of potentially dystopic visions or warning shots, the here-and-now of digital finance in APAC is largely pragmatic, convenience-driven and increasingly pervasive. As super-apps rev-up their financial offering, other emerging businesses are following suit. "Everyone is getting to the point where they are embedding financial products next to their core product offering," says Paulus. "It's fair to say that if you're a large marketplace coming into the region now, you should consider this kind of embedded finance to be 'table stakes'; mobile commerce is all about the experience, and people expect easy embedded checkout experiences as a minimum now."

Paulus gives the example of Malaysian actress, model, influencer and business woman, Neelofa: "Here you have a woman who is a

huge brand and influencer in her own right, with a vast addressable market, who has established an Islamic lifestyle app. She's now issuing cards and embedding payments into the app. I think it's likely she's going to move into insurance, savings, possibly even credit. She's creating an entire financial ecosystem around content which combines personal brand, fashion, culture and religion. It's brilliant!"

It may be no surprise then that there's been a rise in demand for 'Payments as a Service' (PaaS). As more brands want payments to be integrated into their core product offering, merchants are looking for a provider with a modular product that they can pick from like an a la carte menu. Increasingly, merchants are looking for more end-to-end products such as compliance as a service, stand-alone fraud and risk management too.

An ecosystem which supports SMEs

Marketplaces, Smart Commerce and the drive to support local

Experts argue that this level of modular end-to-end support will benefit smaller merchants too. McKinsey's 2020 Asia Payments study forecasts that digital acceptance across Asia will approach up to 95% of merchants by 2025, aided by value-added payments services, simplified KYC processes and low-cost acceptance methods such as smartphones.

Research conducted by Bain in SEA shows that 78% of local SMEs would see the benefits of using an integrated payments provider who is able to provide additional support such as compliance, data analytics or even lending.

According to Professor Asad Ata at the Malaysia Institute for Supply Chain Innovation, SMEs comprise more than 98% of APAC's businesses, and contribute up to 50% of GDP in countries such as Malaysia and Singapore, but they have been hindered by a wide range of factors including lack of access to funding and lack of digitization support.

PSPs and marketplace platforms are starting to make big strides in improving the playing field for small merchants in the region. Effective partnerships between PSPs and marketplaces allow for the platforms to handle complex onboarding, compliance, fraud management, comms, marketing and payments optimization for large numbers of small merchants. SHOPLINE's Fiona Lau explains how her Smart Commerce platform is not only a conduit for all of these critical components for all merchants, but it's a source of real-time data and of consultative advice. "As a leading regional marketplace we play a significant role in educating local SME merchants on what constitutes red flag activities. These kinds of orders can look very exciting if you don't know what risks to look out for and we are able to guide our merchants away from these dangerous pitfalls which do exist," says Lau, citing one example of the types of structural and strategic support provided by the Smart Commerce platform.

Indeed these partnerships between payments fintechs and marketplaces look set to be the gold star for the future of APAC's increasingly digitized economy with 53% of local industry experts believing that local financial services disruption will more likely emerge via consumer tech platforms than via pure-play standalone fintechs, according to research by Bain.

Consumers direct their purchasing power in line with their principles

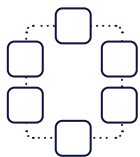
And there is consumer demand for this too. Arthur D. Little's Arjun Singh points out that the pandemic crisis has raised consumer consciousness about the power of their purse and APAC consumers have shown an active interest – often encouraged by local governments – in supporting smaller local businesses to help to protect their home economies and to support beloved national retailers. An example of consumers voting with their feet in this regard can be seen in Singapore where FairPrice's popularity surged during the pandemic as they increased their digital support for local SMEs. "Concepts like this have been a win-win strategy in APAC," says Singh. "It's allowed SMEs to extend their reach, in a way which will likely be permanent, and the supermarket has been able to take a slice of the opportunity, in-step with consumer ethical demands and spending preference."

Super apps vs. traditional apps



Standalone app

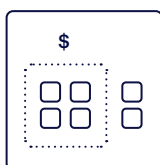
A single app with a single main function



App suite

A collection of apps with related functions and ability to integrate with one another, often owned by the same company

Examples: G Suite, Microsoft 365, Adobe Creative Suite



Super app

A single app with multiple functions, often facilitated by a payment system by the same company

Examples: Go-Jek, Grab, LINE, KakaoTalk, Flipkart, Paytm



Super app + third-party mini programs

A single app allowing third-party companies to develop lightweight “mini programs” than can run within the app, often facilitated by a payment system by the company of the app

Examples: WeChat, Alipay, Baidu, Meituan, Tmall

Note(s): July 2019, Julbr Osio; Shirley Gil. Source: Industry data. Kagan a media research group within the TMT offering of S&P Global Market Intelligence.

Examples of the most successful super apps

Grab



Services

Taxis, bikes, ridehailing, three-wheelers, scooters, shared rides, package delivery, restaurant delivery, grocery delivery, lending services, digital payments, and loyalty/rewards

Countries

8 — Vietnam, Myanmar, Thailand, Philippines, Cambodia, Malaysia, Singapore, Indonesia

Users

144 million

Meituan



Services

Food delivery, grocery delivery, hotel booking, restaurant reviews, movie tickets, local services (massages, car washing, language lessons, haircuts, dog walking, etc), and group buying

Countries

1 — China

Users

382.3 million

WeChat



Services

Messaging, voice/video calling, photo-and file-sharing, news articles, digital payments, wealth management, bill paying, buying virtual currency, mini-apps for third-party services (ridehailing, online shopping, food delivery), public services (medical appointments, visas, driving records)

Countries

49 — including China, Russia, Japan, the UK, the U.S. and Turkey

Users

639 million

Performance, risk and reward in APAC

Trust, security and reputation

Payments security a top concern for APAC's consumers

There are two things which people really want when it comes to payments, according to Singtel's Director of Customer Experience, Vishnu Bhan: "Take the experience, which exists in Singapore now, of driving through a tollgate where my car pays the gate – a kind of machine to machine payment – or of my fridge ordering me fresh peanuts to replenish my dwindling supply – these are convenient experiences but humans crave control too, especially when it comes to money."

“People want convenience, but they also want control. And there is a fine line to be struck between the two.”

Vishnu Bhan, Director, Customer Engagement, Singtel

Even in less extreme circumstances, the point remains utterly salient. Arjun Singh at Arthur D. Little, and formerly Al Futtaim Group, is emphatic: "Cyber security is paramount for a retailer's reputation; businesses building ecommerce platforms need to put customer privacy, safety and security at the very heart of their solutions. Customer payment details and data privacy compliance need to be absolutely high in the order of priority for merchants operating in APAC."

Our data shows that, unsurprisingly, the security of people's data and money at the digital checkout matters a lot to consumers in APAC.

In Australia, New Zealand, Singapore, Hong Kong, Thailand and Japan, this security is the number one most important feature of the digital checkout experience.

While China and Indonesia also place a significant value on security, their highest votes go to speed of payment process or guarantee of speed of delivery. It also happens to be the Chinese and Indonesian populations who are most likely to say that paying online or in-app is a safe thing to do.

A competitive differentiator

Nevertheless, the security of a checkout is a competitive differentiator. 68 per cent of consumers surveyed say they have abandoned the cart because they didn't feel confident of the security of the checkout. In Hong Kong 90% of consumers say they have abandoned carts due to security concerns and 18% say they regularly do so. Checkout.com's Brian Sze sees this as a possible consequence of the country's less mature ecommerce market, where merchants still have a lot of catching up to do when it comes to the design and experience offered in the digital sphere. In other words, this relatively high level of skepticism from Hong Kong consumers could have less to do with actual insecurity and more to do with the sophistication of the UX through the site and checkout. In either case, the data shows that customers are being lost as a consequence. In Japan and Australia people are least likely to agree that paying online or in-app is a safe thing to do, however this still stands at 75% in both countries so we can conclude that across the region, consumers do have a solid trust in digital transactions.

Security: It's in our DNA

If there is somebody who can truly attest to the reputational importance of a thoroughly watertight and safe payment experience, it's Stephen Lo, CFO at CircleDNA. "Payments are very, very important to us," says Lo, "and that is not just about 'getting paid'."



Paying online via an app or website is a safe thing to do

Australia	75%	China	86%
New Zealand	78%	Indonesia	86%
Singapore	83%	Thailand	79%
Hong Kong	77%	Japan	75%

"Of course taking payments for our services is fundamental but from my perspective the customer experience and customer journey is a very integral part of our business and the checkout is the first key point of trust. People are always concerned about data privacy and nothing is more private than genetic information – which is our business." In Lo's world it couldn't be more critical to communicate to customers that their privacy and security are taken extremely seriously.

What matters the most at checkout?



"A quick and easy payment experience"

Australia	15%	China	11%
New Zealand	16%	Indonesia	35%
Singapore	18%	Thailand	25%
Hong Kong	15%	Japan	16%

"People will only trust us and trust our healthcare product if we can actively demonstrate how secure we are as the customer is going through the payment journey, it's the first and critical step in us demonstrating that we are secure and worthy of their trust."



"Reassurance of quick shipping and delivery"

Australia	30%	China	35%
New Zealand	27%	Indonesia	23%
Singapore	30%	Thailand	32%
Hong Kong	32%	Japan	37%

Lo, who's business sells DNA testing – and has pivoted to mass sales of COVID testing during the pandemic – explains that the partnership required from their payments partners is one of very deep trust, bespoke support and unusually high security levels whereby all payments data is anonymised and segregated. Selling sneakers, James Shorrock may not need to handle data with the same added layers of sensitivity but he agrees that "the trust you can strike up with your customer can only ever be as good as the trust you have in your payment partner. At the end of the day we're all humans and we need to have that human-to-human trust, as well as digital robustness, running all the way through the payments value chain."



"Reassurance of the safety and security of my money and data"

Australia	38%	China	30%
New Zealand	40%	Indonesia	32%
Singapore	36%	Thailand	29%
Hong Kong	42%	Japan	42%

The ubiquity of this demand for trust and security plays out across all merchant relationships, says Checkout.com's Ashley Paulus: "There's a big demand for demonstrable security – merchants want to understand how their payment data is being kept safe."



"Reassurance of a quick and easy returns process"

Australia	8%	China	20%
New Zealand	7%	Indonesia	5%
Singapore	12%	Thailand	9%
Hong Kong	11%	Japan	5%

Optimizing payments while mitigating fraud risk

“Transaction patterns can be quite unusual and unpredictable in Asia even at the best of times.

Stephen Lo, CFO, CircleDNA

The region's red flags

Of course it's not only the consumer who has to worry about security. Fraud and chargebacks are a concern for all merchants, not least those operating in APAC. “We have seen money left on the table and have measured it along the way, so we know there are losses. Chargeback fees and losses are definitely one of the key areas we are looking at. Fortunately, with the help of our partner, we have managed to control the losses within 1% of our GMV,” says Ken Chee, CEO at G2G.

Research conducted in 2020 by FICO shows that 78% of APAC financial institutions say the introduction of real-time payments platforms in their country has resulted in increased fraud losses. It's widely believed that the region's advances into instant payments has indeed raised the risk of fraud particularly of social engineering, identity theft and account takeovers. Nevertheless, G2G's Ken Chee wouldn't undo real-time payments which he sees as being the future: “Thinking about payments innovation, one-click instant payments processing is definitely the way to go. It does mean we need to strike the balance and ensure property security, nevertheless, consumers want and expect speed, there is no turning back.”

FICO's stats were collected in the early part of 2020 and so don't account for the further peak in payment fraud which took place across the globe during the pandemic.

“Transaction patterns can be quite unusual and unpredictable in Asia even at the best of times,” says CircleDNA's Stephen Lo. “Red flag activities do take place and anti fraud advice and guidance is really important to us for our scalability.”

Checkout.com's Ashley Paulus notes that during COVID-19, many merchants in all industries were faced with a move from in-person fraud to digital fraud. “Phishing scams have increased in the region and customers have been impacted,” says Paulus. “We have been busy supporting our merchants and fortunately we have tools that allow them to define and adapt their own risk tolerance and then accept payments inline with their specific needs from a risk perspective.”

Getting good at fraud (prevention) means getting better at business

Getting good at fraud prevention is a critical way of getting better at business in several respects. “Whoever you are, whatever your line of business you need a good tailored risk management system around your payments,” says LANE EIGHT's James Shorrock. “Having support to make sure we are setting our fraud algorithms at a level which is secure but not needlessly aggressive is a big driver of performance for us.” Merchants who manage risk well are doing so through reading the data, and setting a risk tolerance which makes sense, is based on the reality, protecting against fraud while optimizing authorization rates. Indeed, Deliveroo's Guarav Yadav, formerly at Grab, believes that excellent fraud analytics are one of the ‘secret’ ingredients to Grab's huge success.

"Generally, merchants in APAC need to take fraud very seriously," says Yadav. "If I think back to my time working for Grab in Indonesia, I had a team of 15 highly skilled data scientists and analysts dedicated to fraud prevention – and that was just my team. It's a different picture in Europe, in terms of the kind of fraud that is happening and the kind of mitigation needed. In any case, it's an often overlooked component, but I think the fact that Grab has such a careful eye on the data, they know where the money is coming from and can look after their revenue and minimize chargebacks and so on, is a big part of why they are so successful across the region."

Ken Chee, CEO at G2G, says his business has had to get smart to increasingly complex and sophisticated fraud which comes from all angles including bank payments and credit cards. "Our focus has been on mitigating complex new fraud while ensuring we are still keeping our conversion and authorization rates high, reflecting the big spike in new genuine customers we also received. Additionally we've ramped up the focus on eKYC and AML to really support our online payments," says Chee.

OffGamers CEO Leonard Chee similarly notes that the recent fraud spike "has necessitated some swift pivots within the organization. Fraud techniques have evolved to a whole new level and increased in complexity. To deal with a spike in fraud we've established a 24/7 team to specifically monitor ongoing transactions on our platform. We make changes based on patterns. If there's a specific fraud attack for a specific payment

method, we'll make specific tweaks to that particular payment system in order to thwart any fraudulent attempts."

Ken Chee also points out that it takes hard work to ensure compliance across eKYC, AML, sanctions controls and other risk mitigations when the risks and rules vary country by country. All the merchants we spoke to are in agreement that partnerships and support are critical for fraud protection in APAC especially as the challenge becomes more complex and more rapidly evolving. It's another area of payments optimization which requires deep local knowledge as well as robust and granular data.

Work with issuing banks to help improve authorization rates

Vladimira Artopé, Singapore Country Manager, at Checkout.com says that merchants entering APAC need to be alive to the fact that such a fragmented region can result in some very low authorization rates for merchants. "This is partly a reflection of the continued growth in new ecommerce users which mean that banks are still iterating and improving when it comes to making all the necessary adjustments for processing cards, particularly in Indonesia, Thailand and Malaysia," says Artopé. Then there is the fact that while you might be a household brand at home that does not necessarily mean that the banks in Southeast Asia know who you are. Artopé brings this to life: "We've done work with some huge US and European brands coming into the region, where we have partnered with schemes and then gone to the local banks to really help communicate that this is a well established and trusted merchant brand, with 'x' level of risk tolerance and thereby helping the banks to authorize payments more appropriately." This, Artopé emphasizes, is key for ensuring that you as a 'new' brand on the block can compete with local and established players.

“Our merchants in APAC want more data from their payments.

Ashley Paulus, VP, Checkout.com

Optimize with data

In a complicated payments landscape there is an increasing focus from merchants on using all the data at their fingertips to really fine-tune payments optimization as far as possible, all the time. “Merchants globally want more data around their payments,” says Ashley Paulus. “It’s not enough to just look at the decline rate – they want granular insight into issuers, card types, payment levels and pricing so that they can optimize with their own consumer-base and make better informed business decisions.

“The fact that we own our data as the acquiring bank and as the platform allows us to go deep into data connected to issuing banks – which are connected to customers, and provide end-to-end insight for our merchants. We don’t generalize with merchants when it comes to acceptance, we can isolate the exact response code we get from the issuing bank for specific card types, and pair this with regional stats and our own issuer analysis to really paint a complete picture about what is causing the decline for the customer and why, this allows us to get to the root of the problem quickly and efficiently direct resources into solving it.”

Paulus gives a recent example of the optimizing power of real time data visibility in action, when a large local bank in Singapore suffered downtime but had not communicated this with merchants, with PSPs or with schemes. “We immediately noted the latency from operations data and were able to communicate to our merchants, who could then quickly inform customers via their CS teams to use another payment method.”

“A false decline has permanently put me off returning to a site or app”

Australia	7%
New Zealand	9%
Singapore	12%
Hong Kong	15%
China	10%
Indonesia	14%
Thailand	10%
Japan	4%

The upshot when data isn’t available to support payments optimization remains a pain point for merchants and it does feed back into competitive differentiators in terms of customer experience: “While some PSPs are quite supportive,” says Ken Chee, “we’ve also experienced some that don’t provide returning data. This has been quite a pain point as precise judgement calls or accurate risk analysis cannot be made. With the lack of data, mitigation of future risks is made with a blanket decision that might result in a tighter payment process which just complicates and elongates the checkout process from the consumer perspective.” Our survey data shows that a difficult and complex payment process is a bigger turn off to consumers in APAC than slow payment processing, or even than a false decline, so Chee’s point really matters.

Consumer behavior at the online checkout



"A complicated payment process has permanently put me off returning to a site or app"

Australia	29%	China	21%
New Zealand	33%	Indonesia	44%
Singapore	37%	Thailand	36%
Hong Kong	39%	Japan	13%



"A slow payment process has permanently put me off returning to a site or app"

Australia	20%	China	17%
New Zealand	20%	Indonesia	35%
Singapore	23%	Thailand	22%
Hong Kong	26%	Japan	5%



**When I have a falsely declined payment...
"I normally would not buy the item at all unless it was essential"**

Australia	26%	China	23%
New Zealand	23%	Indonesia	12%
Singapore	20%	Thailand	24%
Hong Kong	10%	Japan	34%



**When I have a falsely declined payment...
"I normally retry on the same site or app"**

Australia	31%	China	27%
New Zealand	34%	Indonesia	25%
Singapore	37%	Thailand	20%
Hong Kong	28%	Japan	14%



**When I have a falsely declined payment...
"I normally buy the same or a similar product from another site or app"**

Australia	29%	China	41%
New Zealand	28%	Indonesia	50%
Singapore	32%	Thailand	43%
Hong Kong	32%	Japan	39%



**When I have a falsely declined payment...
"I normally go to a high street shop to buy the product instead"**

Australia	12%	China	10%
New Zealand	16%	Indonesia	12%
Singapore	11%	Thailand	13%
Hong Kong	30%	Japan	13%

Top tips for retail success in APAC

By Arjun Singh, Head of Financial Services in MENAP, Arthur D. Little

“

Retail has been hit hard and needs to bounce back and evolve rapidly if it is to survive and thrive. Luckily, that process is well underway – driven largely by compulsion.

Almost all categories of retail have been hit significantly over the last 12 months. Retailers across the board have seen a fall in their YoY revenues (and margins), driven by store closures and more prudent expenditure by consumers. Certain categories such as fashion and department stores were hit the hardest with some even closing down as a result of much reduced footfall.

Customers are spending less, impacting the overall economy. And while consumer confidence continues to recover, the process is slow and somewhat precarious with overall confidence remaining low at the time of writing. There is no doubt in my mind that retailers are going to have it tough, even during this period of partial recovery.

In addition to the top line impact, retailers are also experiencing significant challenges in terms of their operating model to accommodate new ways of shopping. Whether across their distribution channels, operations, supply chains, fulfilment or inventory management, the bottom line has been hurt too. Merchants who managed to pivot online or to beef up their online operations, may have done themselves great good for the long term, but not without short term cost, great effort and often losses.

With all of this in mind, there are actions that merchant retailers can take in order to shore themselves up for the long haul, future proofing themselves in the face of the new normal and all that may bring.

Short term focus

Stabilization and preparation (for the new normal)

In the short-term, retailers need to continue stabilizing their businesses as we are not entirely out of the woods and the future might not look anything like the past. Some of the areas that retailers need to prepare for immediately include:

Put safety first

Brick and mortar retailers need to start preparing for store re-openings even while their stores are partially closed. The first step is for retail leaders to ensure the health and safety of frontline store employees as they deal with the general public. They need to reset their thinking and change their business plans.

Turbocharge online operations

Now more than ever, merchants need to cater to online demand. They must also get better at coping with increased traffic on their ecommerce sites, higher demands on server capacity, and fulfilling orders in the face of any warehouse closures or logistics and supply chain issues. As shoppers surge online, there are key things that can be done, such as reassessing critical workflows, increasing capacity for self-service, performing site audits, or enhancing online ordering slots. Meeting online demand is important in the short-term as the key driver for revenues, as well as for long-term future proofing.

Innovate

Offer additional services to keep customers engaged. For example, sports brands have been offering at-home workouts, hotel space and raising money with influencer challenges. Beauty brands have been offering at-home consultations and collating support.

Medium to longer term focus:

Reevaluate and digitize

The way retail operates will continue to change more rapidly than in the past. To adapt to the new normal, retailers have to fundamentally reevaluate how they do business. With the consumer going more online, retailers need to pivot to a digital-led model. Retailers in APAC need to prepare for the following:

Values matter more

Put the customer front and center: It is not the first time someone has said this, and it won't be the last. The crisis has shown that customers gravitate towards brands that are empathetic and supportive of their values. Retailers will need to go back to the basics, start with what the customer expects of them, and act accordingly.

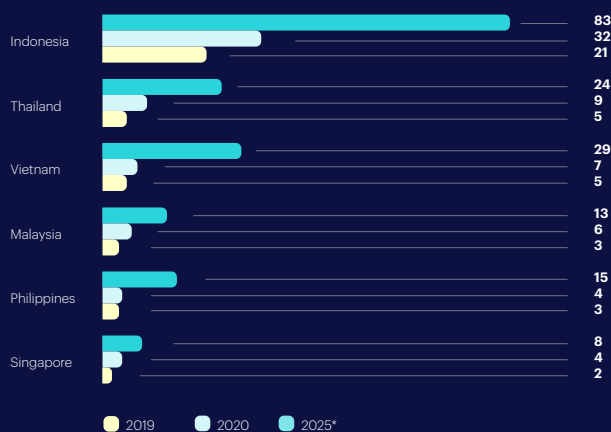
Digital transformation imperative

The online shift is happening across the board, so there is no time to be in denial. We have seen a significant behavioral shift towards online and that won't reverse. More consumers have shown that they are comfortable shopping online, and that trend will continue to grow as retailers make online services increasingly user-friendly. For those merchants who don't have a significant online presence, there is a strong imperative to undergo a digital transformation and to put 'online' first. This means a focus on online commerce and digital marketing, supported by omnichannel services too. That doesn't just mean creating an ecommerce site. It is important to evaluate the viability of other channels, such as social commerce or marketplaces and digital ecosystems, and to make sure that wherever the customers are, the brand is too.

Reimagine omnichannel

Stores need to be reimaged and they need to be contactless: this will redefine the role of brick and mortar stores. Some retailers have already made their shops more experiential rather than simply being points of sale. Taking this further, retailers should think of stores as an important, and increasingly prominent, tool in their kit for supporting online commerce. As for contactless shopping in stores, we have already seen this change happening in APAC and high street stores will need to incorporate this into a new approach to hygiene and safety. More broadly, low-touch payments should be regarded as a mega-trend that doesn't just stop at contactless or curbside delivery. In the near future, biometrics will also become an integral part of customer engagement. In summary, carefully curated omnichannel customer journeys, a creative approach to loyalty initiatives and payment methods should never be far from mind when thinking about contactless or low-touch commerce.

Purchase transactions projected worldwide, from 2020 to 2025 (in billion U.S. dollars)



Source: Statista 2021

Unified commerce

The omnichannel shopping experience is not a new concept, but companies do have diverse interpretations of the term. Over the past five years, a number of retailers have been doubling down on efforts to transition their business models to omnichannel. Here, it is advisable for businesses that have advanced far enough down the omnichannel road to start embedding a unified commerce model, with their customer at the center of the strategy. The benefits are obvious and payments partners can play an important role in taking retailers a step closer to the unified commerce nirvana.

Rethink supply chains

Agile sourcing will become a critical criterion for success: Disruption to supply chains as a result of COVID-19 is sending shock waves through the industry and the impact is already severe. More flexibility in the supply chain and more diversified sourcing will be essential for retailers. Embedding resilience in supply chains is critical for the survival and success of APAC's businesses.

Embedded finance and payments

Retailers need to extend their value proposition by integrating payments and lending into the overall offering to consumers. Embedded finance is fast going to become a competitive necessity. As such, retailers must make sure they are working with payments and lending players as digital engagement platforms and not just as payment platforms

(especially the established electronic wallets, Super-Apps and rapidly growing number of buy now, pay later providers). There is so much value to be derived from payments partnerships, especially in this region. Retailers should get their payments partner to help leverage payments solutions to enhance and improve different parts of the end-to-end customer journey - whether it's access, affordability, cash-handling or returns.

Data, insights and analytics

Now is the time for retailers to invest in data-driven tech and leverage all sources of data, including payments data. Brands are shifting from data gathering to data utilization. The biggest difference between online retail and offline is the ability to track, collect, monitor and manage information – all in real-time. Investing in the right technology will help retailers to make the most of the insight-rich opportunities that come with this digitized new normal. To make the most of the opportunities that exist, retailers should take payments data seriously and work with their partners to collect as much of it as possible (while remaining compliant, of course). Critical to this is finding a partner who can help aggregate and enrich payments data and use it intelligently. To this end, retailers can start with descriptive analytics before embarking on the journey towards predictive analytics.

Future forecasts

Five year forecast for digital payments, ecommerce and fintech in APAC

By Ashley Paulus, VP, Checkout.com



Blockchain finds powerful use cases

First, let's separate blockchain and crypto currencies, although I think both are a relevant part of the future here. Distributed Ledger Technology (DLT) has the potential to make a massive impact on increasing efficiency and providing security throughout the region. Singapore's regulatory body started Project Ubin in 2016 and recently announced its commercial and technical viability for over 40 banks and non-financial institutions to date. Meanwhile, with regards to crypto and digital currencies, it's interesting to think about what would happen if the APAC region decided to bypass a common fiat currency, like the Euro and instead decided to adopt a regional stablecoin. This may not be a currency that consumers use to make day to day purchases, but by removing or limiting intermediaries, it would create stability for more turbulent currencies in the region, and remove the friction around liquidity and funds movement intra-regionally. In the same way we saw many if not all APAC consumers bypass the home/cord phone and go straight to mobile devices, it's plausible that the same will happen with blockchain and crypto currencies as the region defines their own shared standards.

Outbound cross-border sales will boom

Global, connected commerce is now a must. Before COVID-19, merchants were focused on their domestic market – even in this region. But we all remember at the start of 2020 when demand suddenly skyrocketed and we saw consumers buying masks, gloves and even toilet paper from around the world instead of a domestic seller. This made local APAC businesses realize that cross-border trade is feasible for their business model and the global addressable market is lucrative.

Financial inclusion will take centre stage at last

I think a well-deserved spotlight has been shone on the foreign worker sector within the region. And these, often lowest-paid, most underappreciated sectors of our communities are now valued as key workers. Foreign workers have two consumer personas – as money remitters, 'investors' and high earners back to their home country, and as expats in their host country. I believe the banking sector has woken up to the services that are profitable for these demographics, yes, but also that providing these helps create a fairer and more sustainable economy. Challenger banks are creating more access and financial products for the massive unbanked populations throughout the region and we've seen fintech fill a gap between traditional banking and low income families through peer-to-peer lending. Informal loans are now being supported by tech platforms that can inform lending decisions with data and analytics, potentially unlocking additional services that help people make their way up the financial ecosystem.

Rising demand in Asia Pacific: a future of opportunity for UK tech

By Gerard Grech, CEO of Tech Nation



Unrivalled growth in Asia Pacific

Now is the time for UK scale ups to maximise their growth in Asia Pacific.

In 2020, the region saw 40 million new internet users in Southeast Asia alone, bringing the total number to 400 million – the same size as the US market. Southeast Asia's digital economy hit US\$100 billion and is expected to grow to US\$300 billion by 2025, despite the challenges of COVID19.

According to Tech Nation's report, Unlocking Global Tech, Singapore is one of the fastest rising opportunities for trade, climbing 5 places in the rankings for global tech between 2019 and 2020.

The region is unrivalled when it comes to digital payments and ecommerce. As Checkout.com found, 95% of consumers in Asia Pacific shop online, with 80% of them using some form of fintech app to manage their finances.

We know the UK and Asia Pacific share a demand for innovation. As the digital economy grows in this region, the huge potential for UK fintech companies will continue to grow.

The UK: A world leading fintech partner

The UK is a globally recognized fintech leader in its own right. Its historic expertise in international financial services and world-class universities attract global talent and investment. More and more fintechs are starting up everyday, and revolutionizing everything from open banking to insurtech, regtech, payments and more.

In 2020, UK fintechs raised US\$4.5 billion of investment, making the UK number one in Europe and number two globally for venture capital. UK fintechs make up nearly half of all fintech unicorns across Europe.

Continuing this success in the future is crucial, which is why I was privileged to be involved in the independent Kalifa Review of UK fintech commissioned by the British government. This review sought to develop a roadmap for the continued growth of the UK's fintech ecosystem both at home and overseas.



UK tech going global

Tech Nation's Unlocking Global Tech report found that the UK was the 5th greatest digital tech services exporter in the world in 2019. This position has been driven by a high number of high-growth tech companies, many of which are yet to realise their full exporting potential.

Thinking globally will always be vital for Tech Nation. Eighty percent of our latest Upscale cohort cited international expansion as their number one challenge and we remain committed to helping them fulfil their global ambitions.

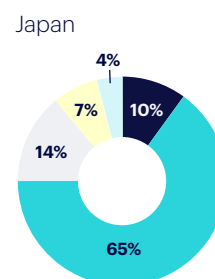
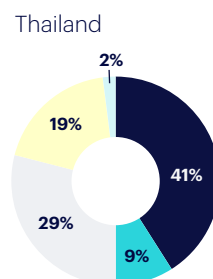
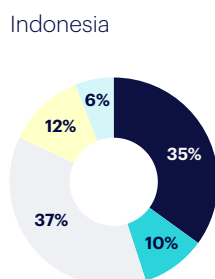
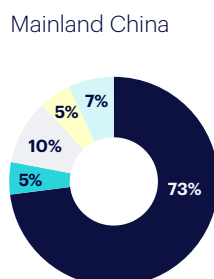
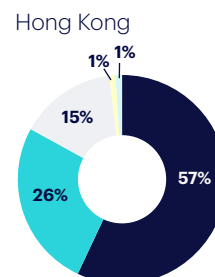
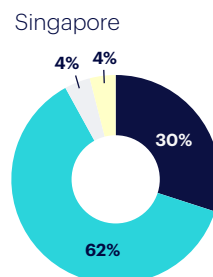
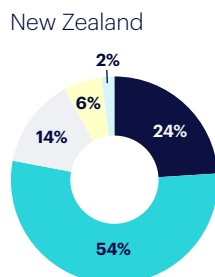
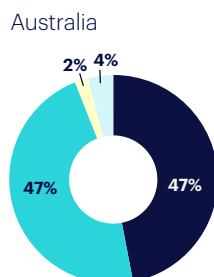
We know that what works in the UK cannot just be replicated in Asia Pacific. UK tech companies must adapt to local cultures and varying consumer demands in order to be successful.

Working with the UK Government on the Digital Trade Network in Asia Pacific, Tech Nation has already launched the first International Growth Programmes in Australia, Singapore, South Korea and Japan, with 30 companies joining the first cohort. By connecting our 800+ Alumni and the wider UK tech ecosystem with international opportunities, Tech Nation is well positioned to support UK scale ups grow into Asia Pacific, leverage the opportunities in this dynamic region, and cement the UK's position as a global tech powerhouse.

**Data points by
generation groups**

How Gen Z in APAC most frequently pays for online goods and services

■ Digital wallet
 ■ Card
 ■ Bank transfer
 ■ Cash on delivery
 ■ Other



"I have been buying online more frequently since the start of the pandemic"

Australia	50%	China	34%
New Zealand	44%	Indonesia	52%
Singapore	50%	Thailand	42%
Hong Kong	66%	Japan	56%



"I anticipate spending more money online in the post-pandemic period compared to now"

Australia	40%	China	46%
New Zealand	36%	Indonesia	41%
Singapore	34%	Thailand	55%
Hong Kong	40%	Japan	33%



Most increased product choice for online shopping during the pandemic

Australia	Clothing and fashion
New Zealand	Clothing and fashion
Singapore	Restaurant food delivery
Hong Kong	Clothing and fashion

China	Groceries
Indonesia	Clothing and fashion
Thailand	Clothing and fashion
Japan	Clothing and fashion

Where do Gen Z usually shop digitally?



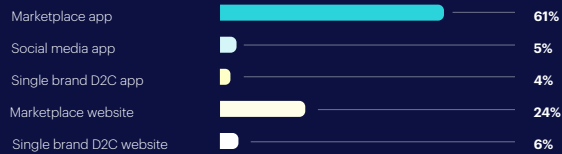
Australia



New Zealand



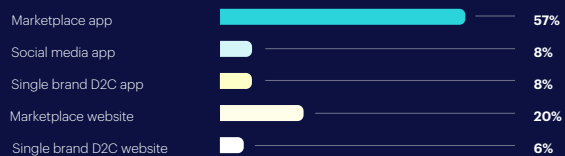
Singapore



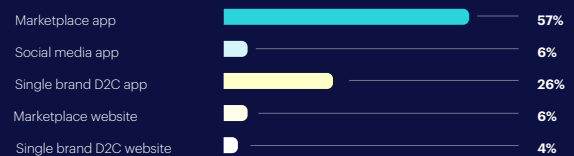
Hong Kong



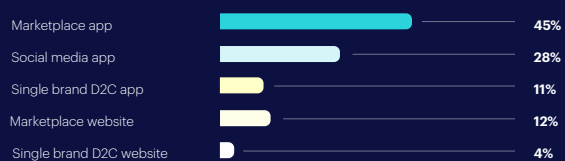
China



Indonesia



Thailand

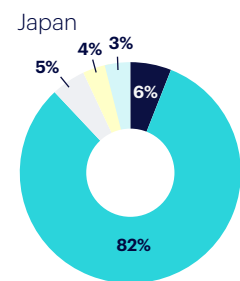
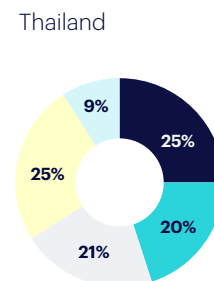
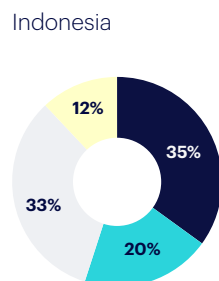
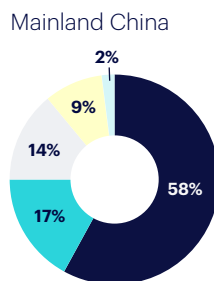
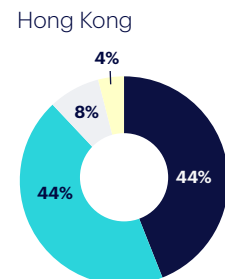
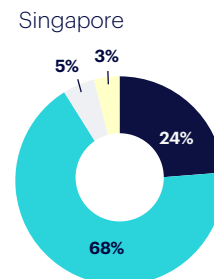
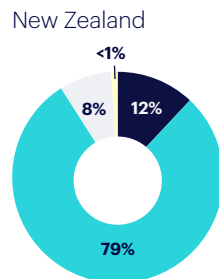
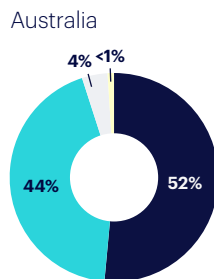


Japan



How Baby Boomers in APAC most frequently pay for online goods and services

■ Digital wallet
 ■ Card
 ■ Bank transfer
 ■ Cash on delivery
 ■ Other



"I have been buying online more frequently since the start of the pandemic"

Australia	27%	China	54%
New Zealand	31%	Indonesia	61%
Singapore	57%	Thailand	47%
Hong Kong	43%	Japan	24%



"I anticipate spending more money online in the post-pandemic period compared to now"

Australia	9%	China	51%
New Zealand	17%	Indonesia	41%
Singapore	35%	Thailand	52%
Hong Kong	40%	Japan	17%



Most increased product choice for online shopping during the pandemic

Australia	Clothing and fashion
New Zealand	Clothing and fashion
Singapore	Groceries
Hong Kong	Groceries

China	Groceries
Indonesia	Restaurant food delivery
Thailand	Dry household goods
Japan	Dry household goods

Where do Baby Boomers usually shop digitally?



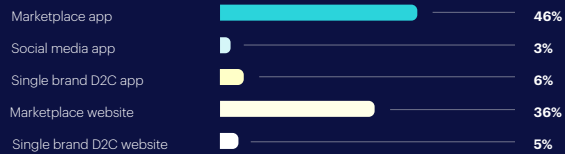
Australia



New Zealand



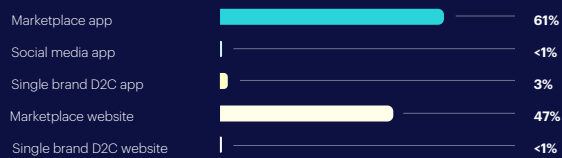
Singapore



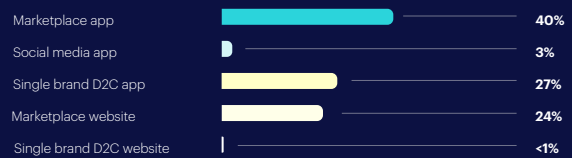
Hong Kong



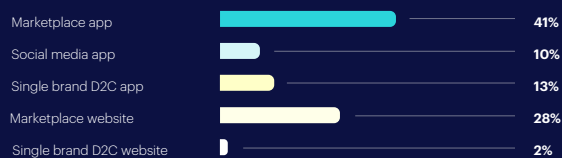
China



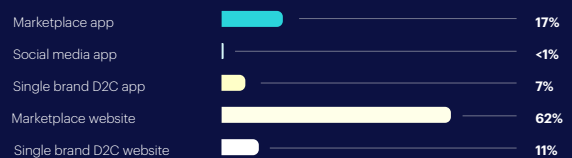
Indonesia



Thailand



Japan



Where do Millenials usually shop digitally?



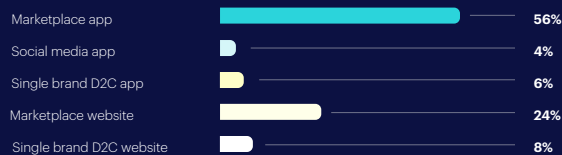
Australia



New Zealand



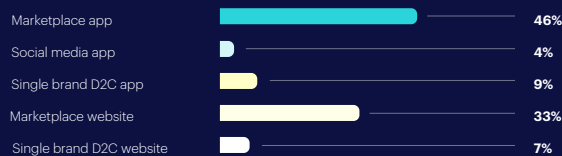
Singapore



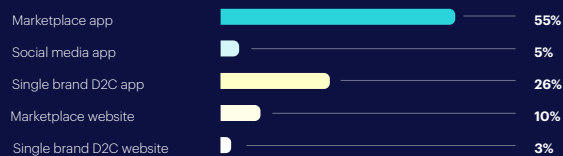
Hong Kong



China



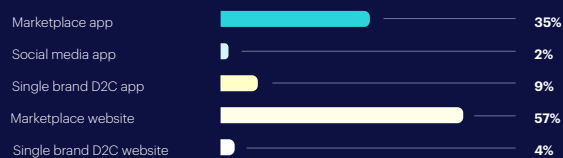
Indonesia



Thailand



Japan



**Data points
by country**

Australia



Median age: **40 years**
Population: **25.9 million**

Which products or services have you brought more of online since the start of the COVID-19 pandemic?



Anticipate spending more money online after the pandemic



Most frequently pay using card



Most frequently pay using a digital wallet



More than **21 million** people have access to the internet.



More than **18 million** online shoppers in 2020



Tenth largest ecommerce market globally with a revenue of US\$27 billion in 2020



55% of Australia's online shoppers currently shop online monthly or more.

(Source: Statista 2021)



More than **200,000** new online shoppers as a result of the COVID-19 pandemic



84% of Australians say paying online is a safe thing to do.

(Source: Hootsuite 2020)



30% say a complicated checkout experience has caused them to permanently avoid a site or app.



8% say a falsely declined payment has caused them to permanently avoid a site or app



13% say BNPL options are a key reason they like to buy online



45% of online shoppers say they are now shopping online more frequently than before the pandemic.

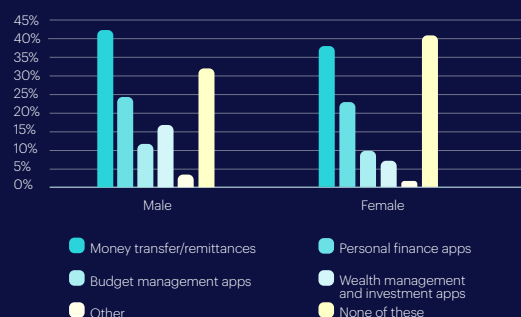


22% anticipate shopping online even more frequently after the pandemic.

Where do you most frequently make your online purchases?



Which, if any, form of fintech app do you use?



New Zealand



Median age: **37 years**
Population: **4.8 million**

Anticipate spending more money online after the pandemic

Men **30%**
Women **23%**

Most frequently pay using card

Men **67%**
Women **75%**

Most frequently pay using a digital wallet

Men **13%**
Women **12%**

Which products or services have you brought more of online since the start of the COVID-19 pandemic?



More than **4.5 million** people have access to the internet.



4.2 million shop online as of January 2021 (Source: Statista 2021)



40th largest e-commerce market globally with a revenue of US\$3 billion in 2020

(Source: Statista 2021)



61% of online shoppers in New Zealand currently shop online monthly or more.



33% say a complicated checkout experience has caused them to permanently avoid a site or app.



85% of respondents say paying online is a safe thing to do.



18% say BNPL options are a key reason they like to buy online



9% say a falsely declined payment has caused them to permanently avoid a site or app



25% anticipate shopping online even more frequently after the pandemic.

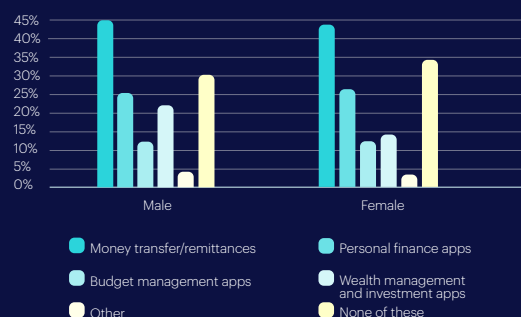


40% of online shoppers say they are now shopping online more frequently than before the pandemic.

Where do you most frequently make your online purchases?



Which, if any, form of fintech app do you use?



Singapore



Median age: **42 years**
Population: **5.9 million**

Anticipate spending more money online after the pandemic

Men **40%**
Women **36%**

Most frequently pay using card

Men **66%**
Women **71%**

Most frequently pay using a digital wallet

Men **15%**
Women **15%**

Which products or services have you brought more of online since the start of the COVID-19 pandemic?



More than **4.9 million** people have access to the internet.



4.35 million shop online as of January 2021 (Source: Statista 2021)



Revenue in the Singapore ecommerce market is projected to reach **US\$2,793m** in 2021

(Source: Statista 2020)



48% of Singapore's online shoppers currently shop online monthly or more.



37% say a complicated checkout experience has caused them to permanently avoid a site or app.



74% of respondents say paying online is a safe thing to do.



10% say BNPL options are a key reason they like to buy online



12% say a falsely declined payment has caused them to permanently avoid a site or app



35% anticipate shopping online even more frequently after the pandemic.

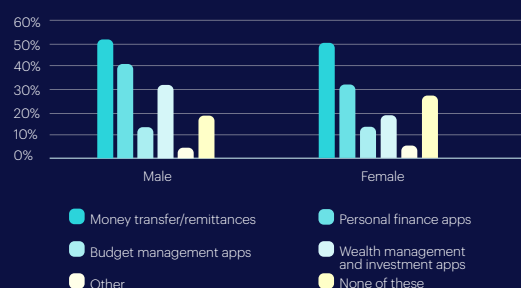


59% of online shoppers say they are now shopping online more frequently than before the pandemic.

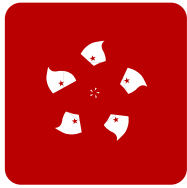
Where do you most frequently make your online purchases?



Which, if any, form of fintech app do you use?



Hong Kong



Median age: **44 years**
Population: **7.5 million**

Anticipate spending more money online after the pandemic

Men **41%**
Women **46%**

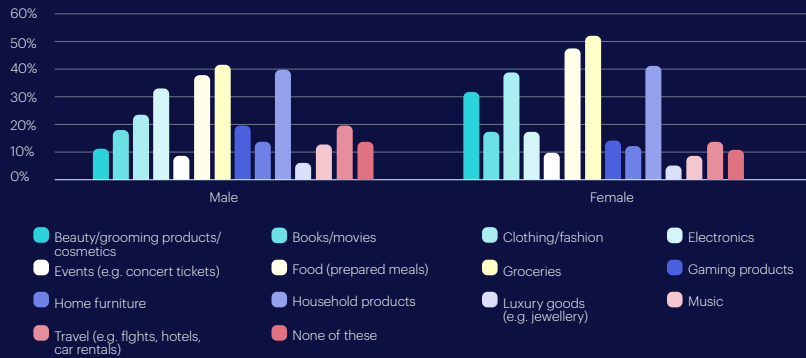
Most frequently pay using card

Men **46%**
Women **41%**

Most frequently pay using a digital wallet

Men **39%**
Women **45%**

Which products or services have you brought more of online since the start of the COVID-19 pandemic?



More than **7 million** people have access to the internet.



86% of respondents say they shop online



Revenue in the Hong Kong ecommerce market is projected to reach **US\$7,598m** in 2021

(Source: Statista 2020)



55% of Singapore's online shoppers currently shop online monthly or more.



39% say a complicated checkout experience has caused them to permanently avoid a site or app.



76% of respondents say paying online is a safe thing to do.



14% say BNPL options are a key reason they like to buy online



15% say a falsely declined payment has caused them to permanently avoid a site or app



35% anticipate shopping online even more frequently after the pandemic.

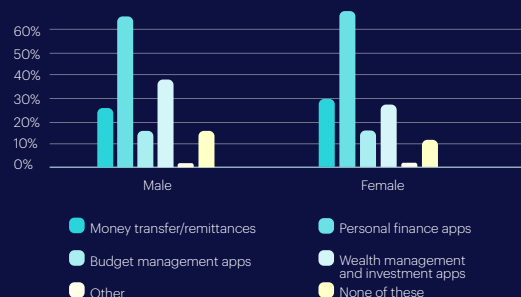


51% of online shoppers say they are now shopping online more frequently than before the pandemic.

Where do you most frequently make your online purchases?



Which, if any, form of fintech app do you use?

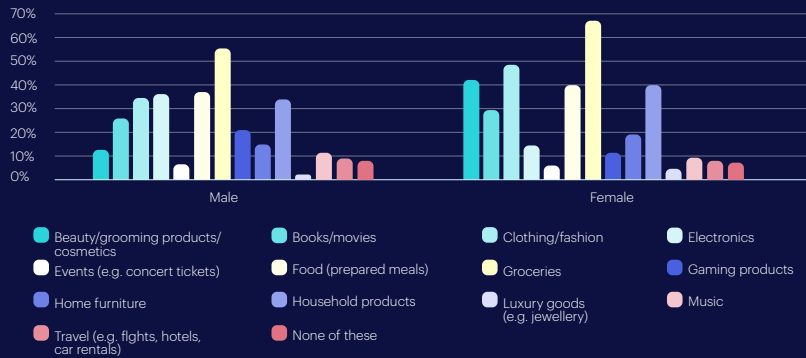


China



Median age: **38 years**
Population: **1.5 billion**

Which products or services have you brought more of online since the start of the COVID-19 pandemic?



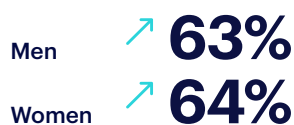
Anticipate spending more money online after the pandemic



Most frequently pay using card



Most frequently pay using a digital wallet



989 million people have access to internet as of 2020.
(Source: Statista)



782.5 million people say they shop online as of January 2021 (Source: Statista)



China is the largest ecommerce market globally with a revenue of **US\$1117b** in 2020
(Source: Statista 2020)



69% of Singapore's online shoppers currently shop online monthly or more.



21% say a complicated checkout experience has caused them to permanently avoid a site or app.



89% of respondents say paying online is a safe thing to do.



12% say BNPL options are a key reason they like to buy online



10% say a falsely declined payment has caused them to permanently avoid a site or app



27% anticipate shopping online even more frequently after the pandemic.

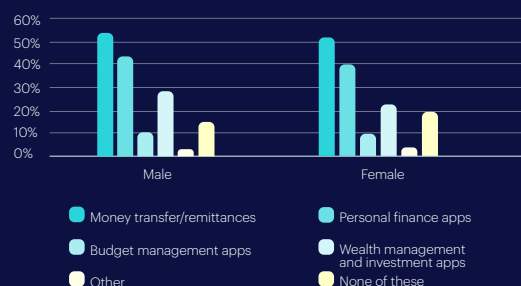


40% of online shoppers say they are now shopping online more frequently than before the pandemic.

Where do you most frequently make your online purchases?



Which, if any, form of fintech app do you use?



Indonesia



Median age: **28.5 years**
Population: **275.5 million**

Which products or services have you brought more of online since the start of the COVID-19 pandemic?



Anticipate spending more money online after the pandemic

Men **45%**
Women **46%**

Most frequently pay using card

Men **13%**
Women **9%**

Most frequently pay using a digital wallet

Men **33%**
Women **40%**



More than **172 million** people have access to internet

(Source: Statista)



Indonesia is the eleventh largest ecommerce market globally with a revenue of **US\$30 billion** in 2020

(Source: Statista)



44% say a complicated checkout experience has caused them to permanently avoid a site or app.



24% say BNPL options are a key reason they like to buy online



42% anticipate shopping online even more frequently after the pandemic.



97% of respondents say they shop online



70% of respondents currently shop online monthly or more.



88% of respondents say paying online is a safe thing to do.



14% say a falsely declined payment has caused them to permanently avoid a site or app



55% of online shoppers say they are now shopping online more frequently than before the pandemic.

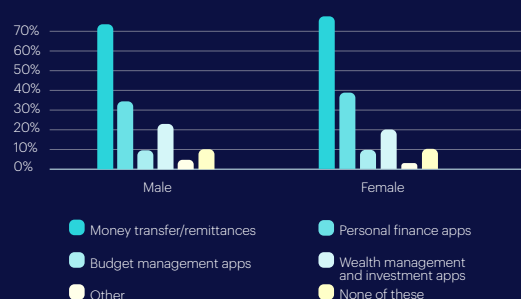


35% of men and **37%** of women most frequently pay by bank transfer

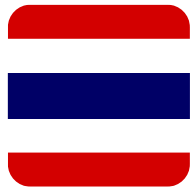
Where do you most frequently make your online purchases?



Which, if any, form of fintech app do you use?

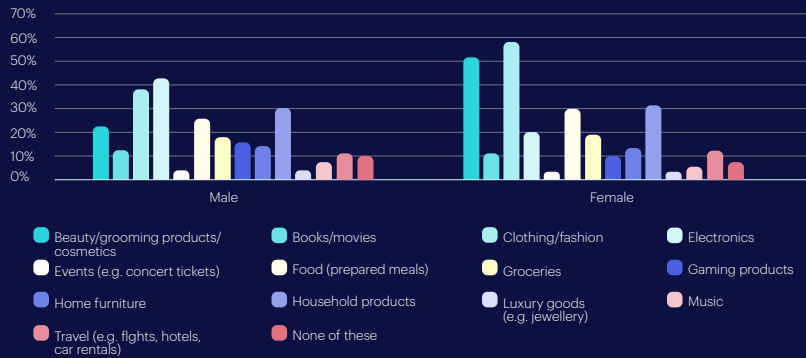


Thailand



Median age: **40 years**
Population: **69.9 million**

Which products or services have you brought more of online since the start of the COVID-19 pandemic?



Anticipate spending more money online after the pandemic



Most frequently pay using card



Most frequently pay using a digital wallet



63 million people have access to internet

(Source: Statista)



Thailand is the 25th largest ecommerce market globally with a revenue of **US\$7 billion** in 2020

(Source: Statista 2021)



36% say a complicated checkout experience has caused them to permanently avoid a site or app.



25% say BNPL options are a key reason they like to buy online



43% anticipate shopping online even more frequently after the pandemic.



97% of respondents say they shop online



72% of respondents currently shop online monthly or more.



75% of respondents say paying online is a safe thing to do.



10% say a falsely declined payment has caused them to permanently avoid a site or app



47% of online shoppers say they are now shopping online more frequently than before the pandemic.

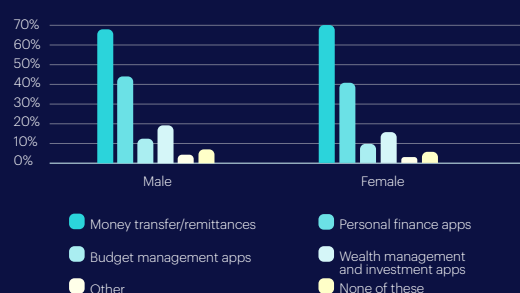


26% of men and **22%** of women most frequently pay using Cash on delivery

Where do you most frequently make your online purchases?



Which, if any, form of fintech app do you use?



Japan



Median age: **48.4 years**
Population: **126.2 million**

Anticipate spending more money online after the pandemic

Men **22%**
Women **22%**

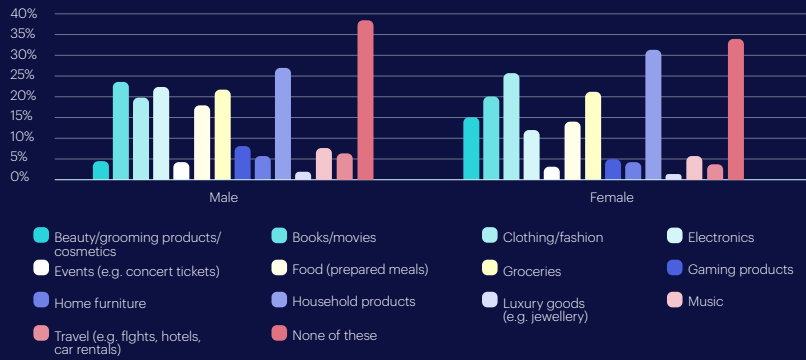
Most frequently pay using card

Men **77%**
Women **78%**

Most frequently pay using a digital wallet

Men **9%**
Women **9%**

Which products or services have you brought more of online since the start of the COVID-19 pandemic?



117 million people have access to internet
(Source: Statista)



93% of respondents say they shop online



Japan is the 3rd largest ecommerce market globally with a revenue of **US\$105 billion** in 2020
(Source: Statista 2021)



54% of respondents currently shop online monthly or more.



13% say a complicated checkout experience has caused them to permanently avoid a site or app.



4% say a falsely declined payment has caused them to permanently avoid a site or app



7% say BNPL options are a key reason they like to buy online



32% of online shoppers say they are now shopping online more frequently than before the pandemic.

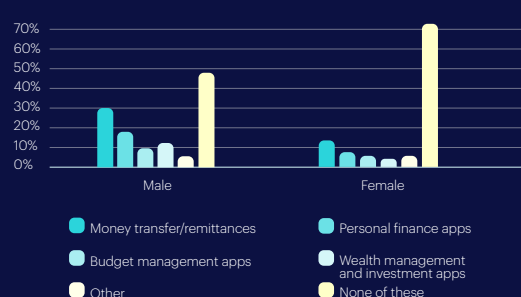


20% anticipate shopping online even more frequently after the pandemic.

Where do you most frequently make your online purchases?



Which, if any, form of fintech app do you use?



Seizing the APAC opportunity

The APAC region represents one of the most exciting growth markets in the world. But with a lot of fragmentation, and arguably more nuance than in other global markets, an eye to a strong operational foundation is key in order to take advantage of the opportunity. This starts with the data, insights and local expertise which arm merchants to navigate every aspect of the ecommerce landscape across APAC. From regulatory compliance and understanding fraud patterns, to knowing exactly how your target consumer shops and pays, knowledge truly is power for businesses looking to squeeze all the value possible out of their localization efforts.

Best practices to lay a winning payments foundation

Local knowledge matters

Expanding into and across APAC requires finding partners with deep local expertise and on-the-ground teams. Robust relationships with local issuers are critical to optimizing performance, and minimizing risk, in an ever-evolving, regulatory landscape. Checkout.com offers a white-glove service delivered by local experts across the region. They serve the nuanced needs of businesses by enabling them to customize integrations for every market.

Timing is everything

In a region that is as dynamic and fast-paced as APAC, being able to get to market efficiently and responding quickly to changes is paramount. Payment solutions with flexibility and modularity, built on the latest technology, allow merchants to expedite their time to market, limits integration times and improves transaction performance. More than anything, to compete in this environment, merchants need to know that their payments technology is future proofed.

Keeping up with customers

From local payment methods to app-based purchases, expectations of customers in the region are growing. Merchants should stay one step ahead with solutions that present a range of payment interfaces, currencies and payment methods, and offer the best transaction speed. Moreover, businesses can forge a strong competitive advantage if they are accessing powerful real-time data from their payments.

Visit [Checkout.com](https://www.checkout.com) to learn more about how to accelerate your APAC business.

