



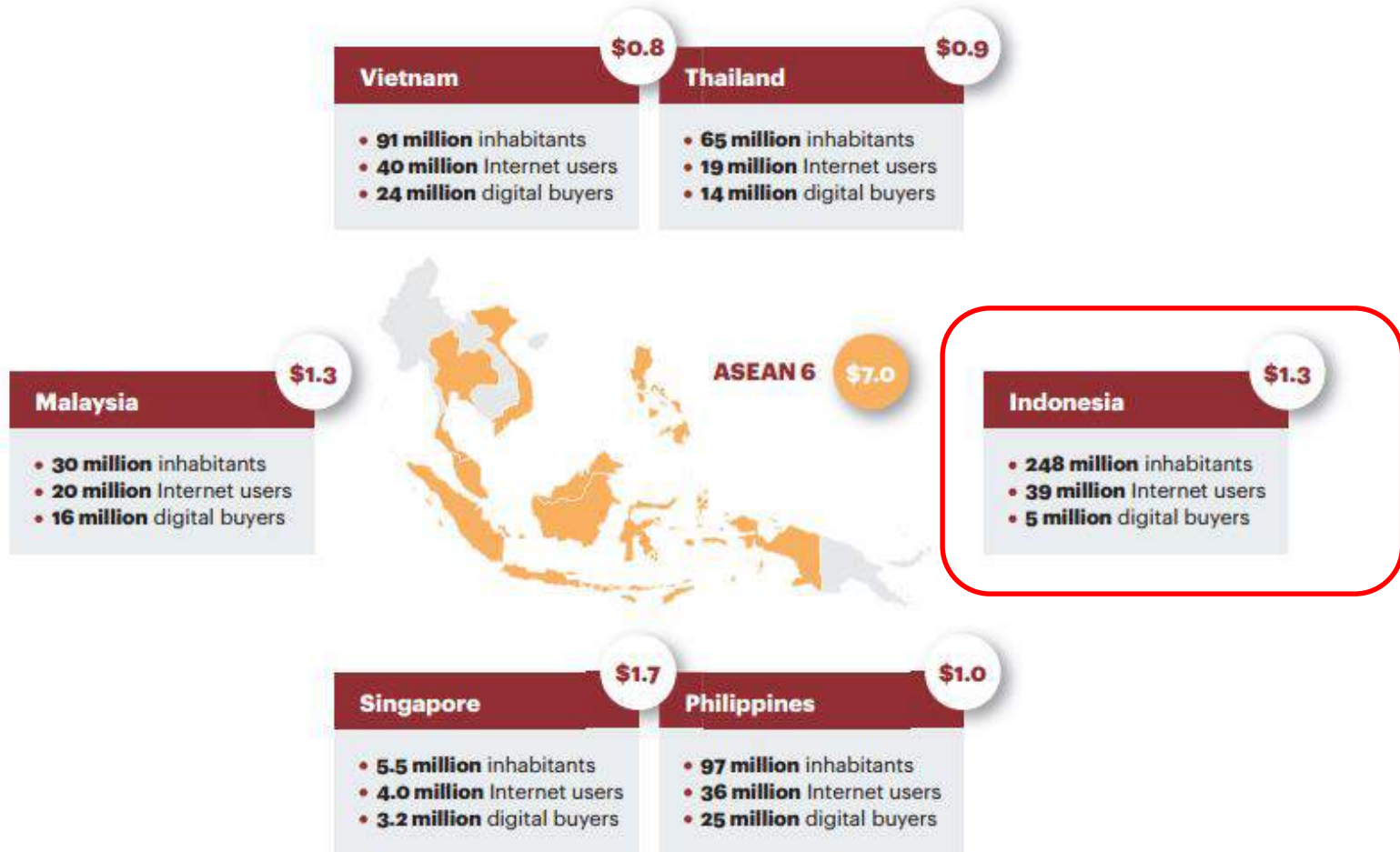
Unleashing Indonesia's Potential as The Next E-Commerce Superpower

ISD Dialogue Series IV - ICT Services & E-Commerce
June 24th 2015



Indonesia is among the biggest e-commerce market in South East Asia

Market size
(\$ billion, 2013)



Note: Market size figures are rounded.

Sources: International Monetary Fund, eMarketer, eCommerceMILO, DigitalFilipino, Frost & Sullivan, hybris, VECITA, A.T. Kearney analysis

But it is still way smaller than these e-commerce giants of the world

Market size

(US\$ billion, 2013; % of global total)

Global retail e-commerce

\$1,221

United States

- 320 million inhabitants
- 269 million Internet users
- 197 million digital buyers

EU 5

- 317 million inhabitants
- 247 million Internet users
- 180 million digital buyers

Japan

- 117 million inhabitants
- 110 million Internet users
- 86 million digital buyers



China

- 1,368 million inhabitants
- 626 million Internet users
- 309 million digital buyers

ASEAN 6

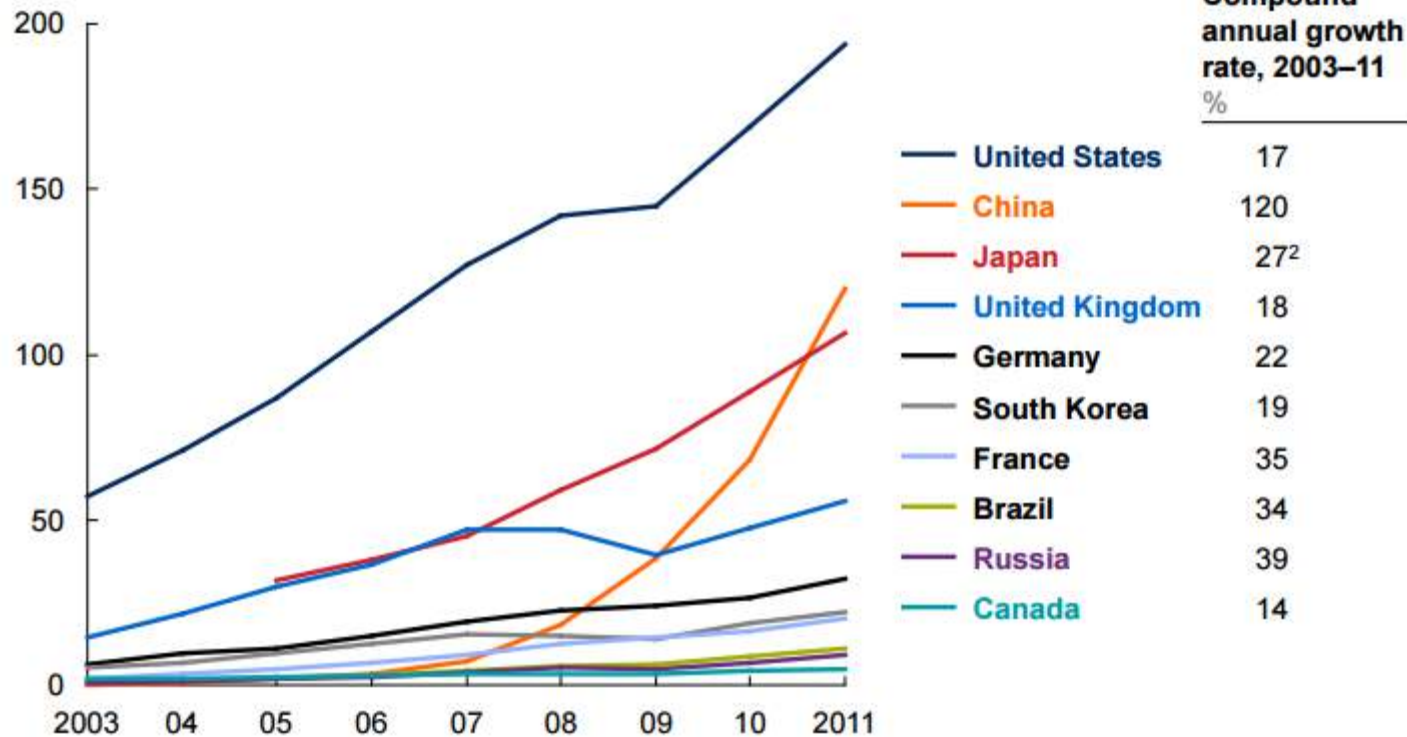
- 537 million inhabitants
- 158 million Internet users
- 87 million digital buyers

Notes: The EU 5 includes the European Union's five largest economies: Germany, France, the United Kingdom, Italy, and Spain. ASEAN 6 includes Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam

Sources: eMarketer, International Monetary Fund, International Telecommunication Union, A.T. Kearney estimates

We should learn from China that has posted the highest growth rate in the world

2003–11 e-tailing market¹
\$ billion



¹ Excluding online travel.

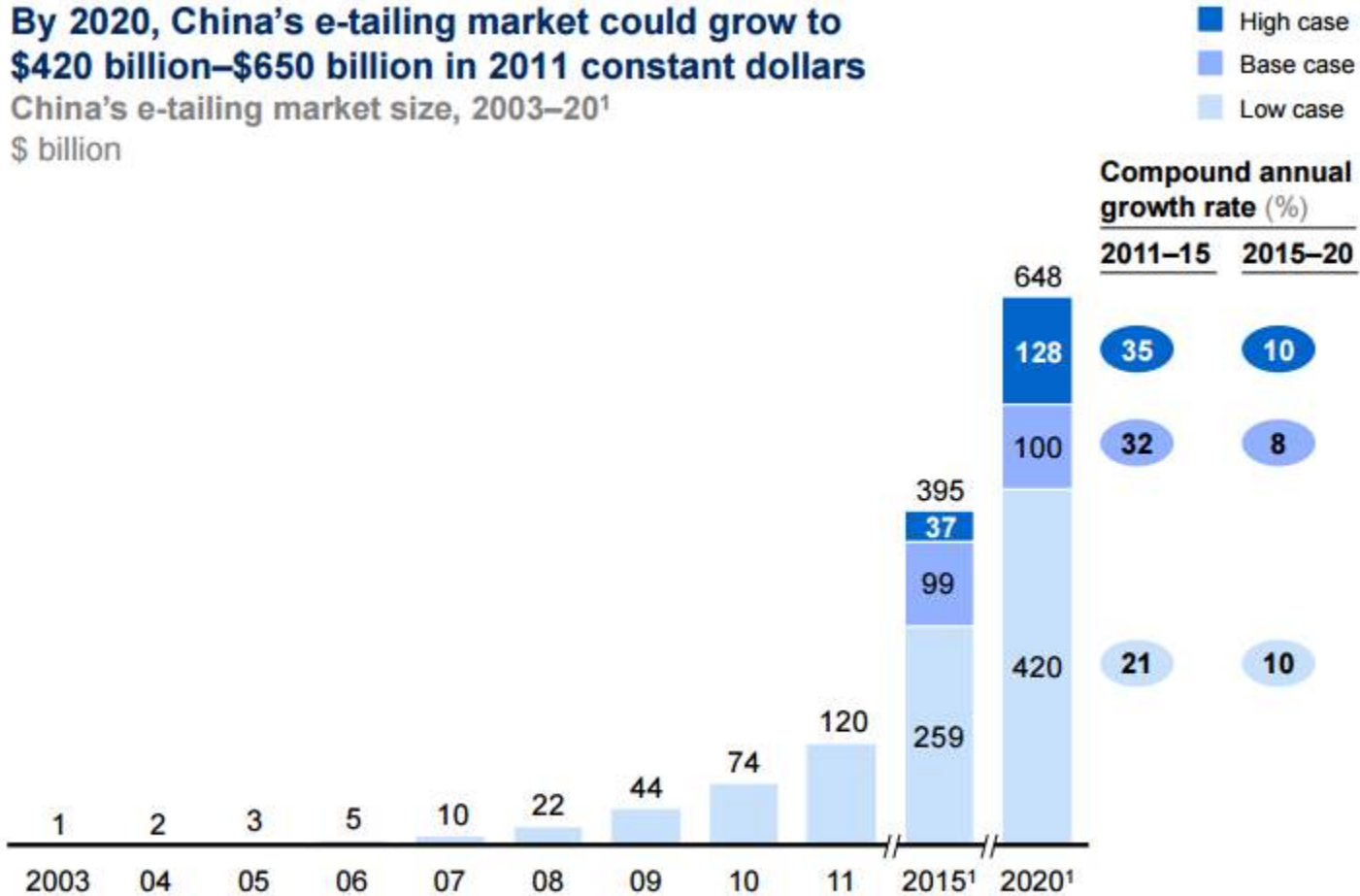
² Japan's CAGR covers 2005–11.

SOURCE: Euromonitor; Forrester; US Census Bureau; Japanese Ministry of Economy, Trade, and Industry; iResearch; McKinsey Global Institute analysis

In fact, it could way surpass the US by 2020

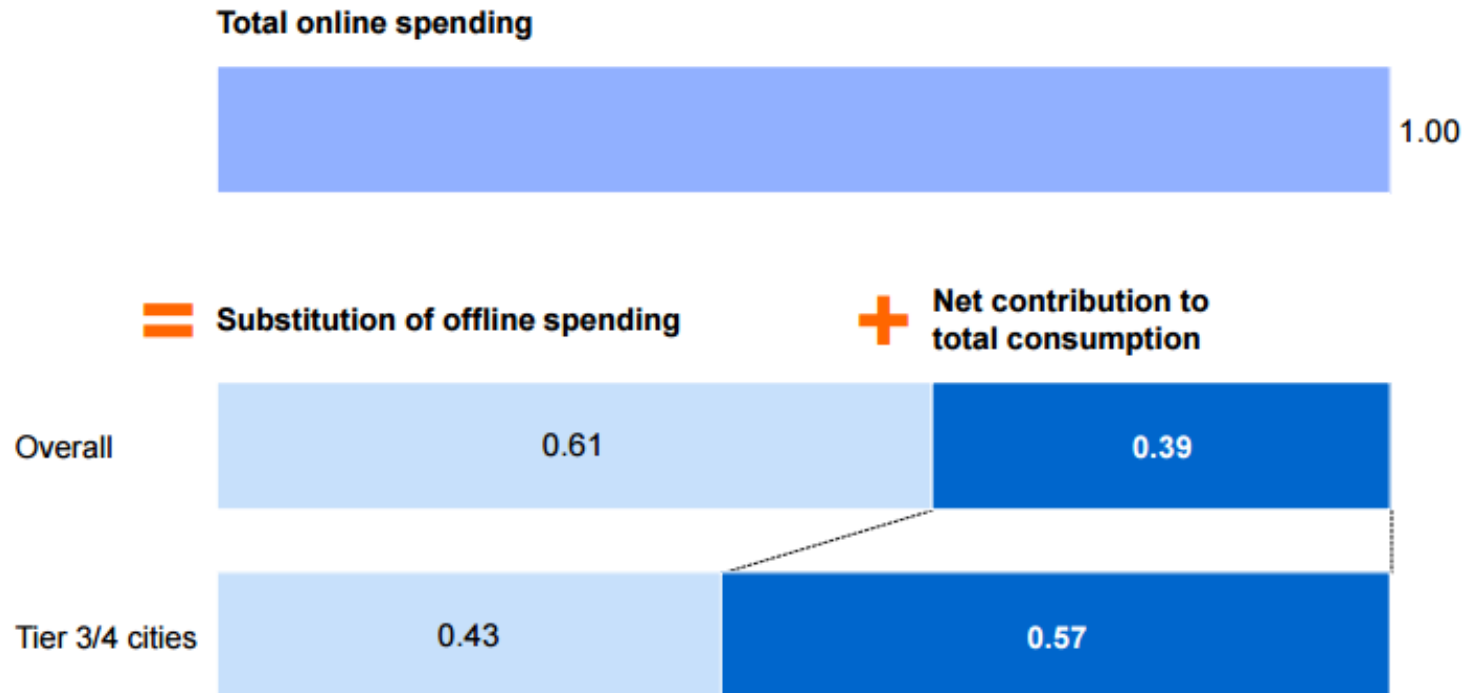
By 2020, China's e-tailing market could grow to \$420 billion–\$650 billion in 2011 constant dollars

China's e-tailing market size, 2003–20¹
\$ billion



¹ Based on 2011 terms; 2015 and 2020 population forecasts are 1,368 million and 1,387 million.
NOTE: Numbers may not sum due to rounding.
SOURCE: iResearch; McKinsey Insights China database; McKinsey Global Institute analysis

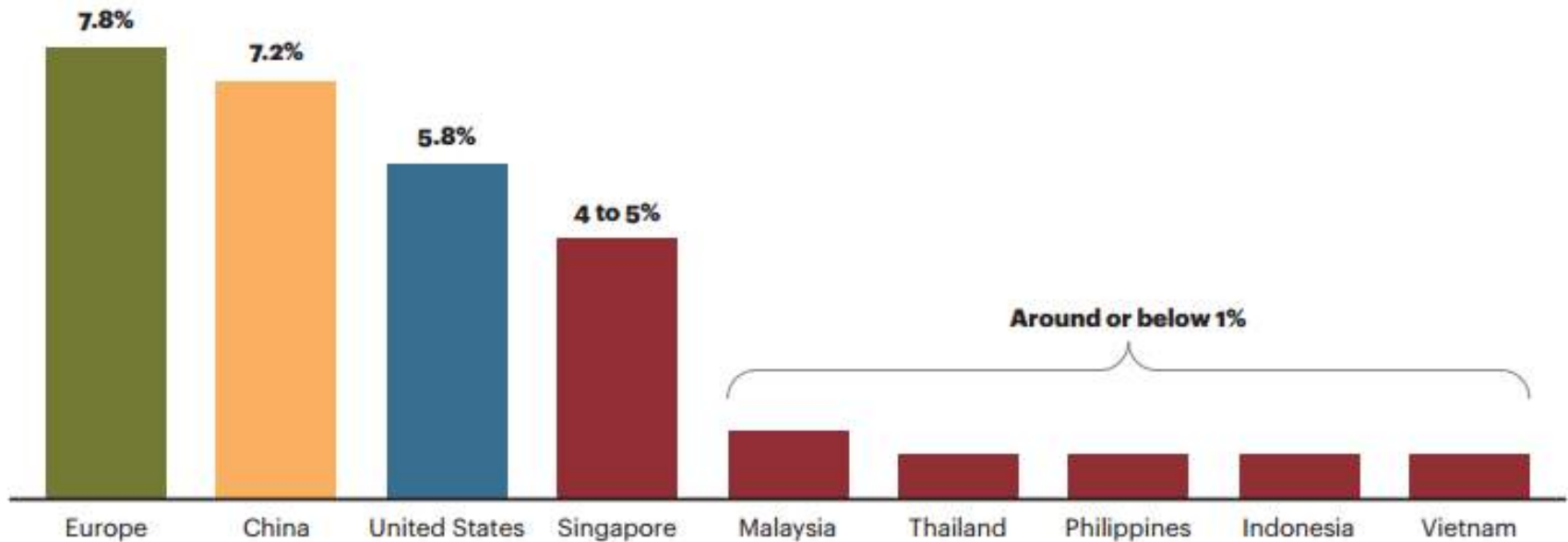
The e-commerce success has raised overall China's domestic consumption, especially in less developed areas



SOURCE: McKinsey Global Institute analysis

In compare to our country, the majority of population in are still purchasing offline, and that's about to change

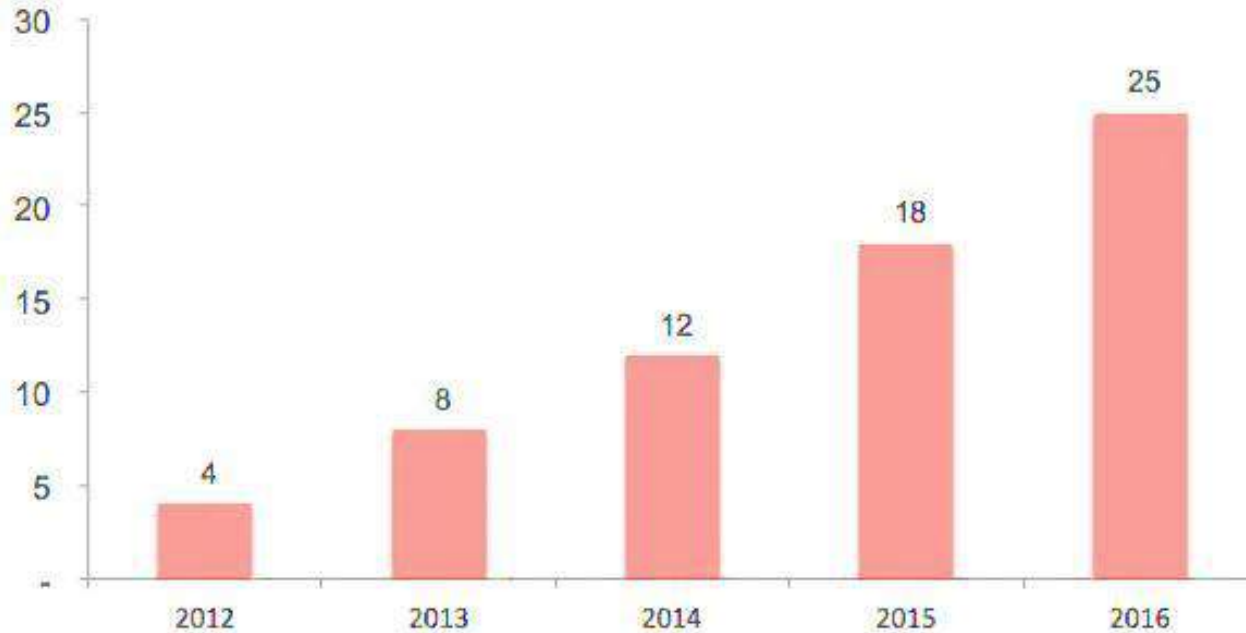
Percent of retail sales made online
(2014, % of total retail sales)



Sources: Frost & Sullivan; A.T. Kearney analysis

Therefore, the growth potentials are immense

Indonesia's eCommerce market forecast to double in 2013 (estimated market size, \$USD B)

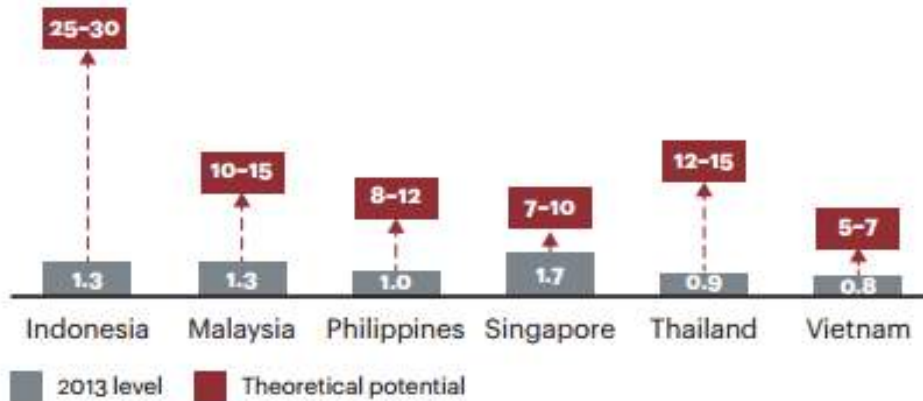


Population	244M	247M	251M	255M	258M
Online shoppers	13M	20M	27M	37M	49M

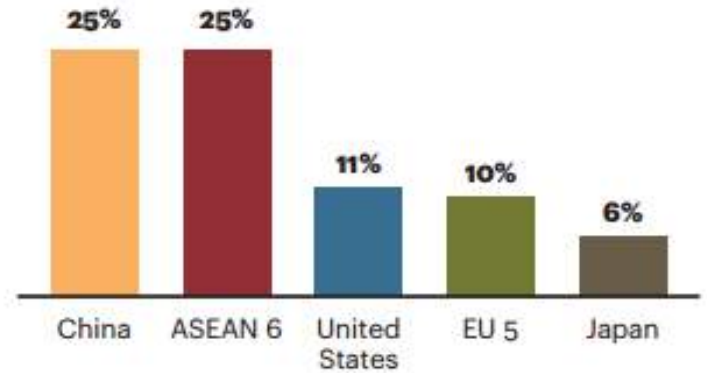
Source: Vela Asia research (velaasia.com), World Economic Outlook (2013), emarketer.com (2013), Association of Indonesian Internet Service Providers survey (July 2012)

By 2017, we could be the biggest e-commerce market in South East Asia

Market size (\$ billion)



Estimated e-commerce growth rate (2013-2017)



Notes: ASEAN 6 includes Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam. EU 5 includes the European Union's five largest economies: Germany, France, the United Kingdom, Italy, and Spain.

Sources: eMarketer; A.T. Kearney analysis

We are already rated as one of the most potential market in the region



Country	Population (mil)	Online Users (mil)	Retail Sales (bil)	E-Comm Sales (% of Retail)	Opportunity (bil)
Malaysia	29.5	18.5	\$99	0.2	\$4.9
Singapore	5.3	3.9	\$30	1.0	\$1.5
Indonesia	244.8	75.9	\$100	0.1	\$5.0
Thailand	67.9	31.2	\$94	0.2	\$4.7
Philippines	97.7	33.6	\$34	0.3	\$1.7
Vietnam	88.8	31.0	\$80	0.1	\$4.0
Total:	534m	194.2	\$436	0.2	\$21.8

(Source: UBS)

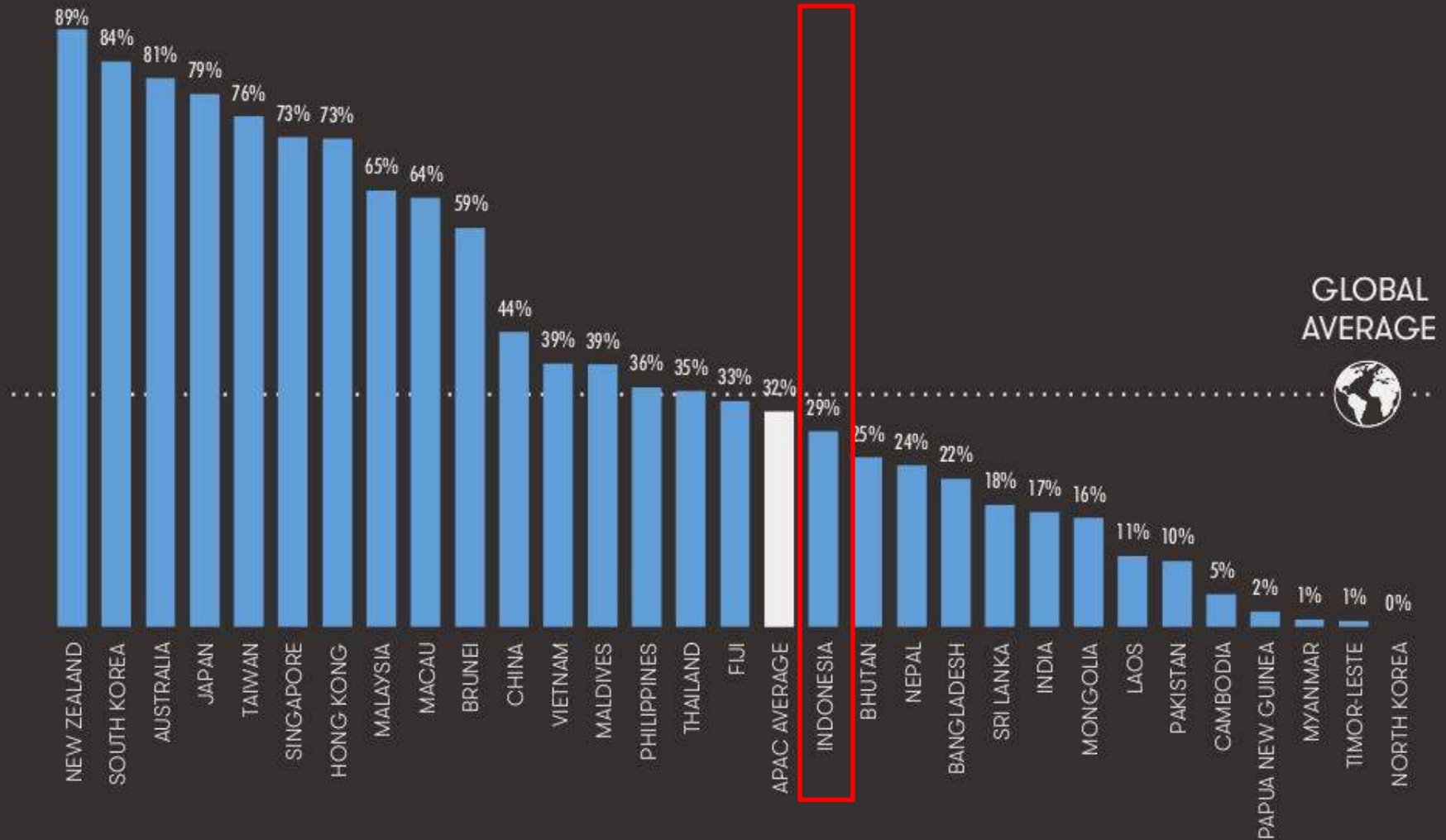
We are also rated as the most ready, in term of market and infrastructures



Source: velaasia.com

■ Infrastructure ■ Market

However, we need to accelerate the internet penetration



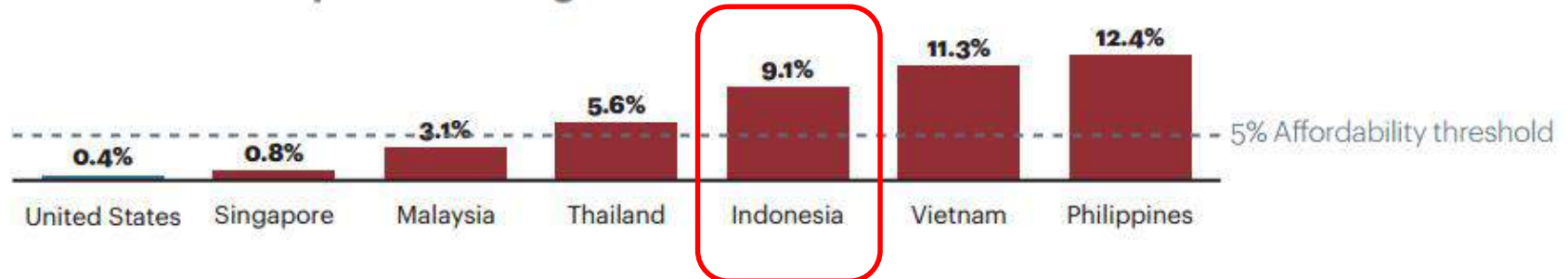
We also need to improve on our internet speed and lower the broadband prices

Average connection speed, Q4 2013

(Mbps)



Fixed broadband prices as % of gross national income



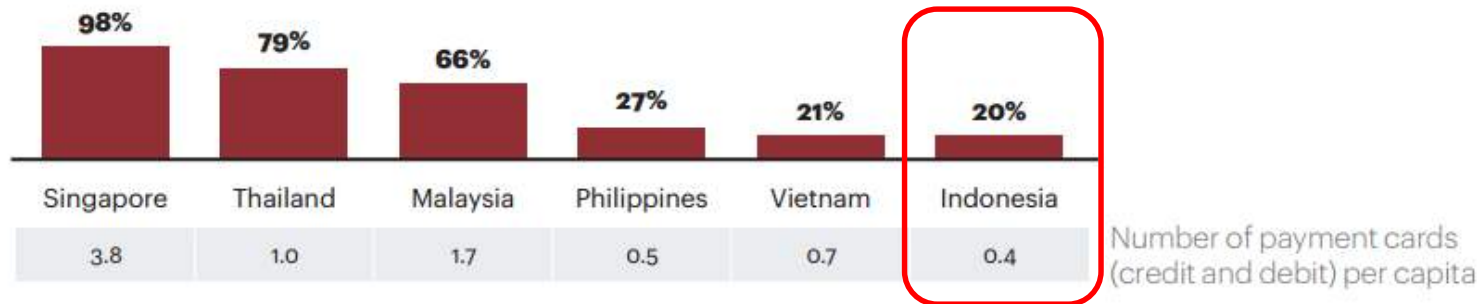
Note: Affordability threshold is as determined by the Broadband Commission for Digital Development, jointly set up by International Telecommunication Union (ITU) and UNESCO.

Sources: ITU, Akamai; A.T. Kearney analysis

The payment system is also another critical factor as our bankability is still relatively low

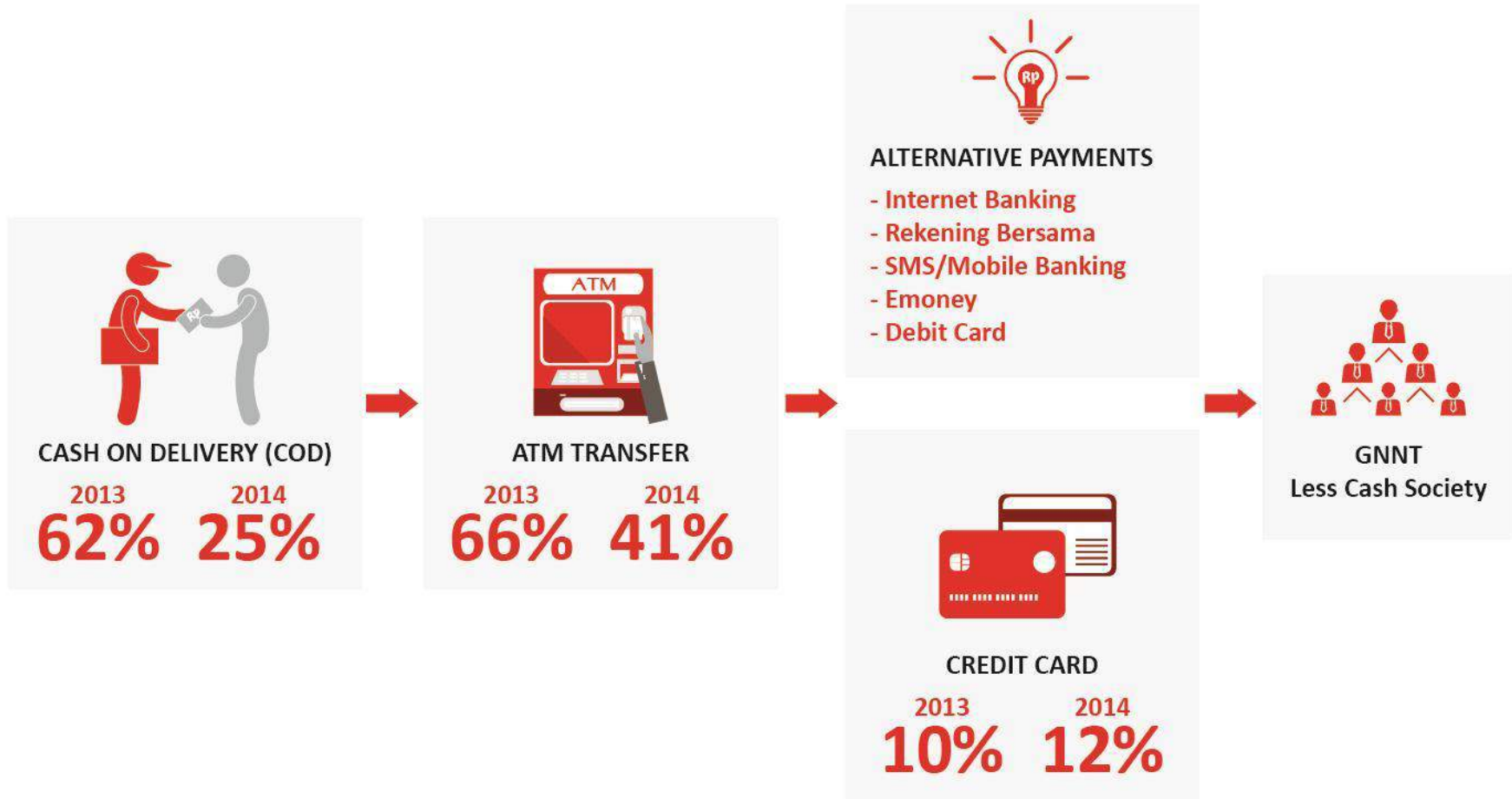
Share of adults with an account at a formal financial institution

(2012)



Sources: World Bank, Economist Intelligence Unit; A.T. Kearney analysis

The trend is shifting toward more convenient payment methods



We also need to expand consumer education to lift these common deterrence from online shopping

 **42%**

Not confident of the quality of the product

 **40%**

Worry about the security of financial information online

 **38%**

Lack of physical contact to the goods

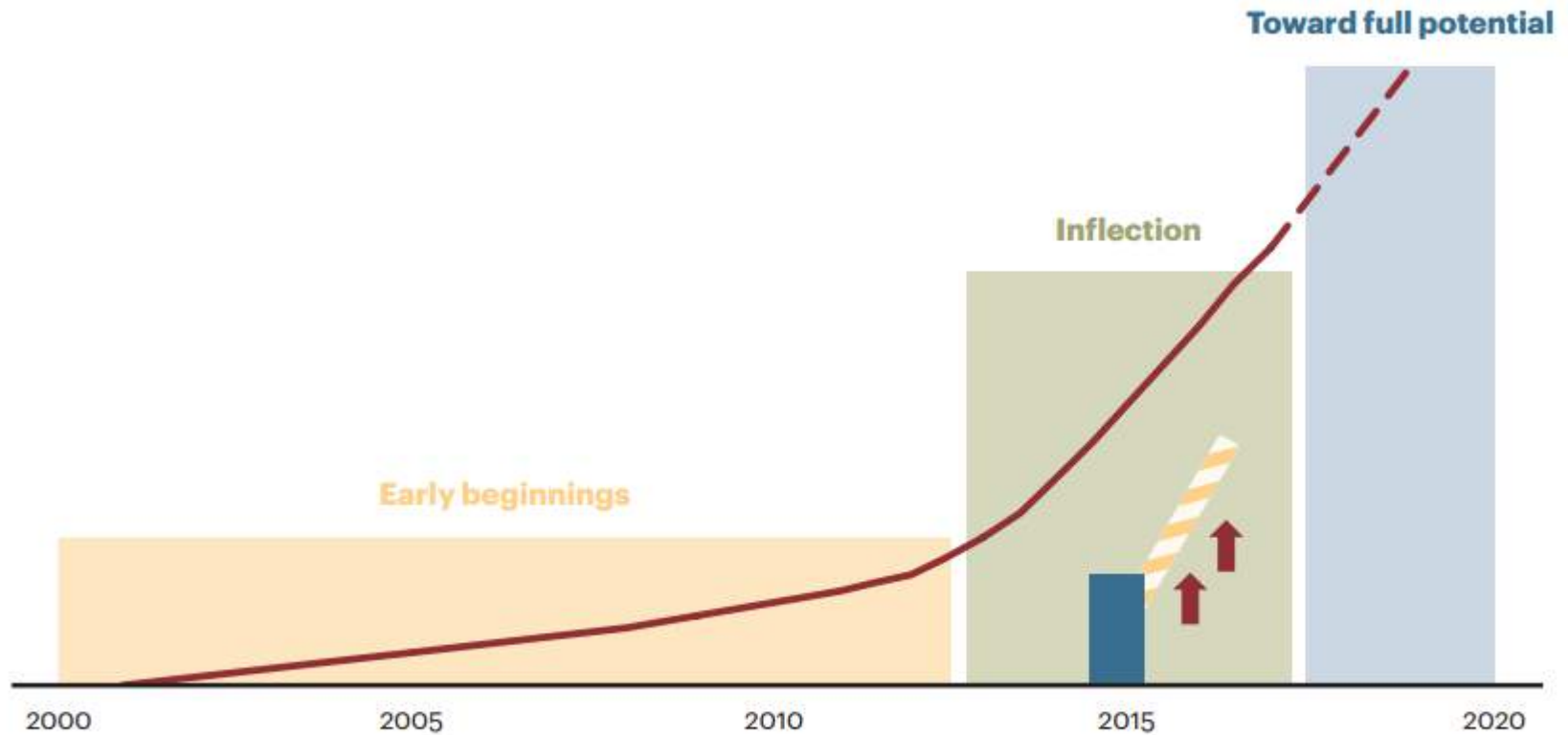


Many Indonesians are still trapped in these misconceptions

Perception vs. fact

What they think / want	The reality
I'd like to touch/try the goods before buying them (41%)	Return policies are being offered
I'm not clear on warranty (38%)	Warranty guidelines are mostly clear
I do not have a credit card (35%)	Multiple payment options: credit card, debit card, bank transfer, cash on delivery, etc

If we do it the right way, we could unleash Indonesia and SEA as the next e-commerce super power



Source: A.T. Kearney analysis

The positive impact will also trickle down to SMEs and hence promote wealth equality in the country

EXHIBIT 3

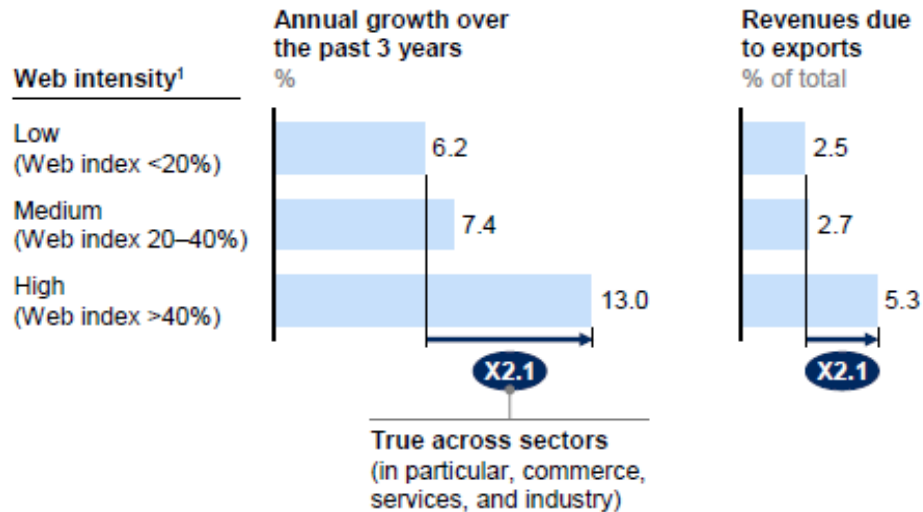
McKinsey Global Institute - November 2011

The Great Transformer: The impact of the Internet on economic growth and prosperity.

Exhibit 3 - Small and medium sized enterprises using web technologies extensively are growing more quickly and exporting more widely

Small and medium-sized enterprises using Web technologies extensively are growing more quickly and exporting more widely

Growth and exports of SMEs analyzed by cluster of maturity of Internet
Analysis includes 12 countries and more than 4,800 SMEs



¹ McKinsey Web index defined according to the number of technologies possessed by companies and the penetration of those technologies (i.e., the number of employees/customers or suppliers having access to those technologies).

SOURCE: McKinsey SME survey

Therefore, a conducive government regulation is critical to unleash this potentials



1. E-commerce must be excluded from negative foreign investment list, with staging scheme according to investment value
Positive impact:
 - Transfer of know-how, networks, and technology
 - Increase domestic transaction in IDR
2. The E-Commerce Bill (PP) requires various improvement before being rolled out to public
 - Drafting process must be made more transparent by involving all industry stakeholders
 - Vague definition for e-commerce players
 - Seller KYC requirement potentially hurt the industry
 - No safe harbour policy for e-commerce players, while being too focus on the consumer protection side
3. Clearer taxation scheme, with strong incentive for e-commerce startups (under 5 years)



Thank You