



**DEZAN SHIRA & ASSOCIATES**

Your Partner for Growth in Asia

## **E-commerce Across Asia**

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## Numbers

1992

Dezan Shira's  
establishment

300+

Our team of legal, tax, accounting and audit  
professionals

2,000+

Multinational clients that have already chosen  
us

80+

Countries served by our professional services

24

Our offices in **China, India, Vietnam, Singapore**, liaison  
offices in **Italy**, the **United States** and **Germany**, and  
alliance offices in **Indonesia, Malaysia, the Philippines**,  
and **Thailand**.

## Services suite



**Pre-Investment and  
Entry Strategy Advisory**



**Accounting, Payroll, and  
Treasury**



**Corporate and Tax  
Structuring**



**Tax and Compliance**



**Cross-border  
Transactional Support**



**Employment law and HR**



**Audit, Financial Review,  
Due Diligence**



**ERP and Financial  
System Advisory**



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# **E-Commerce Trends and Developments in Asia-Pacific**

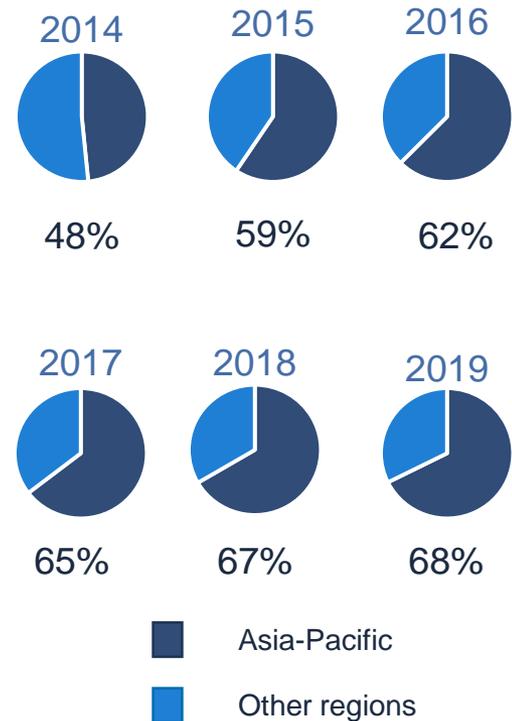
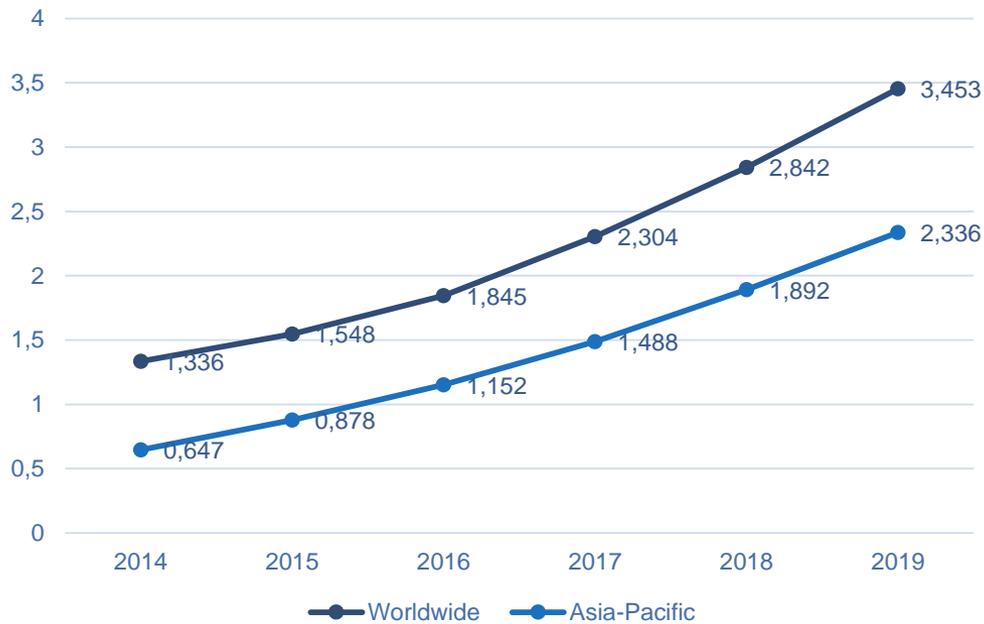
# Definition of E-commerce

- Electronic commerce, commonly known as e-commerce, refers to commercial transactions conducted electronically over the internet.
- This traditionally encompasses the buying and selling of products or services through online retail.
- Although growth in the Asia-Pacific e-commerce market is currently led by China, Indonesia, and India, several other developing economies across Southeast Asia are set to spearhead e-commerce growth in the near future.

The Asia-Pacific region  
**account for a 67%**  
of global e-commerce sales

Asian online shoppers account  
**more than 70%**  
Percent of all online buyers  
worldwide

# Business-to-Consumer E-Commerce Sales in Asia-Pacific and Worldwide



Source: <https://www.statista.com/statistics/533860/retail-e-commerce-revenue-asia-pacific/> and <https://www.statista.com/statistics/379046/worldwide-retail-e-commerce-sales/>

**Identifying markets in the Asia-Pacific region with the greatest potential for online retailing requires several steps.**

**Internet Penetration**

**Consumer Habits /  
Demographics**

**Study of Rules and  
Regulations**

# Internet Penetration

- Internet penetration, or the percentage of a population with internet or mobile broadband access, varies considerably across the Asia-Pacific region and has increased rapidly over the past decade.
- Skyrocketing internet penetration rates across the region are being partly driven by an increase in mobile broadband subscriptions.

Internet Penetration and Online Population		
Country	Internet Penetration	Online Population
China	54.3%	752.8
India	34.5%	462.0
Indonesia	32.3%	85.3
Malaysia	80.1%	25.3
Philippines	60.1%	63.0
Singapore	84.4%	4.7
Thailand	52.9%	36.5
Vietnam	49.6%	47.4

Source: World Bank

# Consumer Spending

- Online shoppers in the Asia Pacific region closely resemble their European and North American counterparts in tending to be middle class and aged between 25 and 64 years.
- Countries with a sizeable youth population and a slightly smaller population in the working-age range (e.g. Indonesia, India, and the Philippines) are thus well-placed to see an increase in online retail in the near future.

## Consumer Expenditure and Disposable Income

Country	Disposable Income per Capita (USD)	Consumer Expenditure per Capita (USD)	Increase in Consumer Expenditure (2012-2017)
China	8,827	3,535	43.5
India	1,979	1,107	35.0
Indonesia	3,846	2,131	21.0
Malaysia	9,951	5,347	27.2
Philippines	2,989	2,131	24.2
Singapore	57,714	19,999	11.6
Thailand	6,595	3,335	8.7
Vietnam	2,342	1,583	33.2

## Age Demographics

Country	Population Aged 15-64	Population Below Age 15
China	71.7%	18.4%
India	66.2%	28.3%
Indonesia	67.3%	27.8%
Malaysia	69.4%	24.2%
Philippines	63.5%	32.4%
Singapore	72.1%	15.5%
Thailand	71.3%	18.3%
Vietnam	69.8%	24.4%

Sources: The World Bank and Euromonitor

# FDI Rules and Regulations in E-Commerce

- The greatest impediments to expansion remain rules and regulations that limit or restrict foreign investment in e-commerce.
- Some of the most promising markets for foreign investment in e-commerce remain off-limits to foreign companies, such as in India, or else feature significant barriers to market entry.
- Consideration of these limitations and barriers is critical when evaluating opportunities for investment in e-commerce worldwide.



# **E-Commerce Markets Across ASEAN**

# Introduction

Singapore, Malaysia, Indonesia, and the Philippines are quickly becoming four of the hottest e-commerce markets in ASEAN. While online shopping is experiencing a meteoric rise in all four countries, their respective regulatory environments, cultural and linguistic make-ups, and states of infrastructure development lead to some important differences to take note of.

Payment systems are by far the most common impediment to e-commerce growth across all four markets, primarily owing to underdeveloped credit and debit card use. The next most prevalent obstacle is internet access.

The timely removal of these obstacles will strongly determine the future of the industry in ASEAN.

# Singapore: Low Barriers to Cross-Border Sales



# Malaysia: Diverse Consumer Base

## PROS

Preference for cross-border online shopping

- constitutes 40% of all online transactions, primarily from Chinese and American retailers.

## CONS

- Imported goods are taxed more heavily and must comply with stricter regulations.
- Website localization may be more difficult owing to the country's linguistic and cultural diversity.

# Indonesia: Urbanites Drive Growth

- The capital, Jakarta, led initial growth in the market.

Orders from outside the country's capital have begun to swell.

- There are 195 million smartphone users in Indonesia and only about 30 million online shoppers, meaning that the growth potential of the user base is still clearly huge.

Apart from smartphone penetration, low data costs and the growing number of people with bank accounts serve as crucial enablers for continuing e-commerce growth.

- Indonesia's inefficient transportation channels present a double-edged sword to online retailers.

Online shopping more attractive to urban dwellers and far-flung rural residents, while the delivery of goods suffers on account of faulty maps, unclear addresses and unreliable courier service.

# The Philippines: Powered by Connectivity

**63 milioni**  
of internet users

The Philippines stands out from other ASEAN countries (aside from Indonesia) for its sheer number of internet users - an estimated 63 million in 2017 (according to ITU) - making it the largest English language online market in Southeast Asia. This also means that foreign online retailers have less work to do in adapting their websites to the local market.



Excellent logistics organization

Payment systems are a problem



Expected improvement thanks to the spread of ATMs, direct debit, prepaid cards and even cash on delivery options.



# **Vietnam Online: Understanding Vietnam's E-Commerce Market**

# Introduction

- Vietnam is quickly becoming a prime market for foreign investment in e-commerce activities.
- The country's rapidly growing economy and middle class are, in turn, spawning a strong consumer culture and increasing levels of disposable income.
- Electronic retail is fast becoming the preferred method of shopping—particularly among the country's youth.

## Fashion & Beauty



**\$1.300  
BILLION**

## Electronics & Physical Media



**\$2.061  
BILLION**

## Food & Personal Care



**\$412.0  
BILLION**

## Toys, Diy & Hobbies



**\$1.125  
BILLION**

## Travel



**\$5.198  
BILLION**

## Digital Music



**\$60.00  
BILLION**

## Furniture & Appliances



**\$1.056  
BILLION**

## Video Games



**\$268.0  
BILLION**

# The Market Today

Slow start of the e-commerce industry..

- Lack of familiarity many Vietnamese have with the concept of online shopping.

Vietnam's e-commerce market is somewhat fragmented and no clear market leader has emerged.

Little faith in the quality of online products.

- Most prefer to purchase products at physical retail stores after having viewed them online.

It is thus incumbent upon e-commerce companies to combat this scepticism and begin building trust between consumers and online shopping sites.

# Key Considerations Before Establishment (1)

In Vietnam there are the two main pieces of legislation dealing with e-commerce.

Law on  
Electronic  
Transaction 2005

Provides guidance on the electronic transaction activities of state agencies, as well as for civilian, business, and trade fields.

Law on  
Information  
Technology 2006

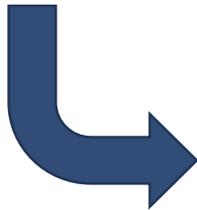
Refers to IT application and development, as well as the creation of technology infrastructure necessary to support these activities.

## Key Considerations Before Establishment (2)

Companies and investors that wish to establish an e-commerce website in Vietnam must first notify the Ministry of Industry and Trade of their intent, and apply to be registered with the government.



### Creation of the the E-commerce Administration Portal



#### Functions:

- provide online public services to traders, organizations, and individuals who own e-commerce websites;
- help to comply with the laws of the Ministry of Industry and Trade;
- provide general information about the e-commerce industry in Vietnam.

# How Do They Pay? (1)

While online shopping is increasing, growth in online payment platforms is not keeping pace.

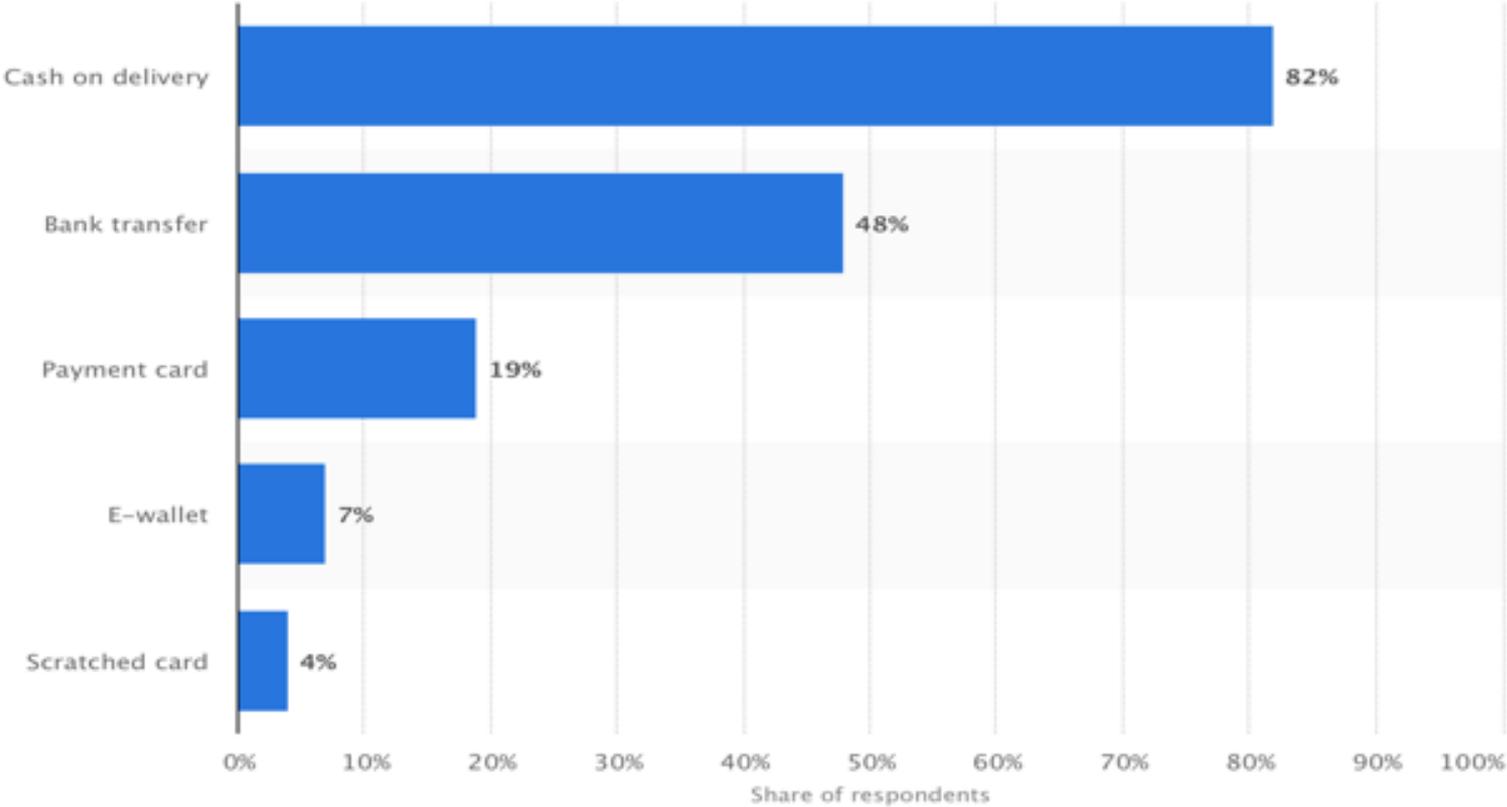
The country's banking system, long perceived as untrustworthy, has recently undertaken a significant effort to reform itself in the hopes of attracting more customers and reducing the number of unbanked Vietnamese.

Online payments in Vietnam are predicted to become increasingly robust thanks to the growth in the number of Vietnamese who have a bank account.

As e-commerce websites increase in popularity, it is expected that a greater number will include integrated online payment systems.

# How Do They Pay? (2)

However, according to a 2017 report by DI Marketing, cash on delivery remains the most popular payment method for e-commerce transactions with 85% of respondents indicating it as their primary payment method.



Source: Statista 2019

# Looking Ahead

- While e-commerce growth in Vietnam seems assured, there are still potential drawbacks and hurdles to market entry. For example, with respect to human resources, the country currently suffers from a lack of workers with the requisite skills to work in the e-commerce industry.



The Vietnamese government has created a number of training programs geared towards teaching students the skills needed to work in high-tech industries.

- With a population of over 97 million in 2019 and a fast growing middle class, Vietnam is becoming an increasingly attractive destination for the relocation of manufacturing and industry. The country's online market thus stands as a key example of an economy primed for growth in e-commerce and online business in general.



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